

CLOROX CO /DE/

FORM 10-Q (Quarterly Report)

Filed 5/14/1997 For Period Ending 3/31/1997

Address	THE CLOROX COMPANY 1221 BROADWAY OAKLAND, California 94612-1888
Telephone	510-271-7000
CIK	0000021076
Industry	Personal & Household Prods.
Sector	Consumer/Non-Cyclical
Fiscal Year	06/30

**UNITED STATES SECURITIES AND EXCHANGE
COMMISSION**
Washington, D.C. 20549
Form 10-Q

(MARK ONE)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
-- OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1997

or

-- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
-- OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-07151

THE CLOROX COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE

31-0595760

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1221 Broadway - Oakland, California 94612 - 1888

(Address of principal executive offices)

Registrant's telephone number, (510)-271-7000
(including area code) -----

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all report required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

As of March 31, 1997 there were 51,677,360 shares outstanding of the registrant's common stock (par value - \$1.00), the registrant's only outstanding class of stock.

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THE CLOROX COMPANY

PART 1. Financial Information Page No.

Item 1. Financial Statements

Condensed Statements of Consolidated

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements
The Clorox Company and Subsidiaries
Condensed Statements of Consolidated Earnings

(In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	3/31/97	3/31/96	3/31/97	3/31/96
Net Sales	\$ 649,209	\$ 560,091	\$ 1,770,197	\$ 1,545,366
Costs and Expenses				
Cost of products sold	287,862	255,570	780,849	700,074
Selling, delivery and administration	135,355	114,686	372,388	315,720
Advertising	84,543	67,543	254,427	206,653
Research and development	12,035	11,103	34,065	32,510
Interest expense	17,005	10,753	39,247	26,113
Other expense (income), net	2,603	432	(2,356)	2,061
Total costs and expenses	539,403 =====	460,087 =====	1,478,620 =====	1,283,131 =====
Earnings before income taxes	109,806	100,004	291,577	262,235
Income Taxes	44,186	40,405	116,532	105,946
Net Earnings	\$ 65,620 =====	\$ 59,599 =====	\$ 175,045 =====	\$ 156,289 =====
Earnings per Common Share	\$ 1.27	\$ 1.15	\$ 3.39	\$ 3.00
Dividends per Share	\$ 0.58	\$ 0.53	\$ 1.74	\$ 1.59
Weighted Average Shares Outstanding	51,740	51,767	51,657	52,070

See Notes to Condensed Consolidated Financial Statements.

PART I - FINANCIAL INFORMATION
(Continued)
Item 1. Financial Statements
The Clorox Company and Subsidiaries
Condensed Statements of Consolidated Balance Sheets

(In thousands, except per share amounts)

	3/31/97	6/30/97
	-----	-----
ASSETS		

Current Assets		
Cash and short-term investments	\$ 113,732	\$ 90,828
Accounts receivable, less allowance	399,304	315,106
Inventories	201,220	138,848
Deferred income taxes	25,058	10,987
Prepaid expenses	19,326	18,076
	-----	-----
Total current assets	758,640	573,845
	=====	=====
Property, Plant and Equipment - Net	574,422	551,437
Brands, Trademarks, Patents and Other Intangibles	1,151,654	704,669
Investments in Affiliates	102,022	99,033
Other Assets	295,735	249,910
	-----	-----
Total	\$ 2,882,473	\$ 2,178,894
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

Current Liabilities		
Accounts payable	\$ 143,509	\$ 155,366
Accrued liabilities	322,447	266,192
Income taxes payable	27,253	9,354
Commercial paper and notes payable	189,244	192,683
Current maturities of long-term debt	41	291
	-----	-----
Total current liabilities	682,494	623,886
Long-term Debt	907,570	356,267
Other Obligations	109,762	100,246
Deferred Income Taxes	157,781	148,408
Stockholders' Equity		
Common Stock	55,422	55,422
Additional paid-in capital	120,276	111,782
Retained earnings	1,162,636	1,078,789
Treasury shares, at cost	(262,069)	(251,393)
Cumulative translation adjustments and other	(51,399)	(44,513)
	-----	-----
Stockholders' Equity	1,024,866	950,087
	-----	-----
Total	\$ 2,882,473	\$ 2,178,894
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

PART I - FINANCIAL INFORMATION
(Continued)
Item 1. Financial Statements
The Clorox Company and Subsidiaries
Condensed Statements of Consolidated Cash Flows

(In thousands)

	Nine Months Ended	
	3/31/97	6/30/97
	-----	-----
Operations:		
Net earnings	\$ 175,045	\$ 156,289
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	92,312	90,677
Deferred income taxes	4,351	4,300
Other	(2,639)	9,084
Effects of changes in:		
Accounts receivable	(55,297)	23,741
Inventories	(53,079)	(43,062)
Prepaid expenses	(1,250)	(13,885)
Accounts payable	(25,875)	(37,385)
Accrued liabilities	6,635	(23,203)
Income taxes payable	19,311	25,714
	-----	-----
Net cash provided by operations	159,514	192,270
Investing Activities:		
Property, plant and equipment	(56,196)	(53,678)
Disposal of property, plant and equipment	1,764	2,791
Businesses purchased	(460,336)	(131,025)
Investment in other assets	-	(110,045)
Other	(59,830)	(58,448)
	-----	-----
Net cash used for investment	(574,598)	(350,405)
	-----	-----
Financing Activities:		
Short-term borrowings	-	11,160
Long-term borrowings	526,656	110,268
Long-term debt and other obligations repayments	(14,981)	(15,021)
Commercial paper, net	22,003	154,840
Cash dividends	(89,967)	(83,082)
Treasury stock	(35,459)	(82,932)
Employee stock plans	29,736	14,005
	-----	-----
Net cash provided by financing	437,988	109,238
	=====	=====
Increase (decrease) in Cash and Short-Term Investments	22,904	(48,897)
Cash and Short-Term Investments:		
Beginning of period	90,828	137,330
	-----	-----
End of period	\$ 113,732	\$ 88,433
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

PART I - FINANCIAL INFORMATION
(Continued)

(1) The summarized financial information for the three and nine months ended March 31, 1997 and 1996 has not been audited but, in the opinion of management, includes all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations, financial position, and cash flows of The Clorox Company and subsidiaries (the Company). The results of the three and nine months ended March 31, 1997 and 1996 should not be considered as necessarily indicative of the results for the entire year.

(2) Inventories at March 31, 1997 and at June 30, 1996 consisted of (in thousands):

	3/31/97 -----	6/30/96 -----
Finished goods and work in process	\$ 133,670	\$ 82,261
Raw materials and supplies	67,550	56,587
	-----	-----
Total	\$ 201,220 =====	\$ 138,848 =====

(3) The aggregate exercise price of the put options, \$17,259,000, which was classified as other long-term obligations at June 30, 1996 has been reclassified to treasury stock at December 31, 1996 as a result of renegotiation of terms which resulted in these transactions being classified as equity. The company sold 240,000 put options and purchased 240,000 call options during the second quarter of fiscal year 1996 with various strike prices (average of \$71.91 per share) that expire on various dates through September 30, 2005. Upon exercise, each put option requires the Company to purchase, and each call option allows the Company to buy one share of its common stock at the strike price.

(4) Businesses were purchased during the nine months ended March 31, 1997 for a total of \$460,336,000 and included the acquisition of Armor All Products Corporation for \$360,144,000. The Armor All acquisition occurred on December 31, 1996 with the completion of a tender offer. The acquired business markets the leading line of automotive cleaning products under the brand name Armor All. Net assets acquired include cash of \$48,000,000, working capital assets of \$51,183,000 and liabilities of \$59,803,000, property plant and equipment of \$7,659,000, and intangible assets of \$369,000,000. Intangible assets, principally brands and trademarks, will be amortized over 40 years. Other businesses purchased included the Shell Group's non-core line of household products in Chile, the Pinoluz brand of pine cleaner in Argentina, and the Limpido brand of liquid bleach and an increase in ownership in Tecnoclor, S.A., both in Colombia.

All acquisitions were accounted for as purchases and were funded from cash provided by operations, long-term borrowings, and commercial paper. Commercial paper expected to be refinanced has been classified as Long-term Debt.

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PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements

The Clorox Company and Subsidiaries Notes to Condensed Consolidated Financial Statements

Acquisitions for the nine months ended March 31, 1996 of \$131,025,000 were funded from cash provided from operations and borrowings, and included the Poet San Juan business in Argentina consisting of household cleaners and air fresheners, the Electroquimicas Unidas S.A.C.I. business in Chile consisting of household bleaches, the Black Flag line of insecticides, the acquisition of the remaining minority interest of the Company's business in Argentina, and other business interests in Mexico. These acquisitions were accounted for as purchases. In connection with the acquisition of certain foreign operations, an investment in other assets was made as part of a cost efficient financing strategy.

(5) Impact of New Accounting Standards

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 ("SFAS 128"), Earnings per Share ("EPS"). SFAS 128 requires dual presentation of basic "EPS" and diluted EPS on the face of all income statements issued after December 15, 1997 for all entities with complex capital structures. Basic EPS is computed as net earnings divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants and other convertible securities. The proforma effect assuming adoption of SFAS 128 at the beginning of each fiscal year is presented below:

	Three Months Ended		Nine Months Ended	
	3/31/97 -----	3/31/96 -----	3/31/97 -----	3/31/96 -----
Basic	\$1.27	\$1.15	\$3.39	\$3.00
Diluted	\$1.25	\$1.14	\$3.32	\$2.96

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PART I - FINANCIAL INFORMATION (Continued)

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

Comparison of the Three Months Ended March 31, 1997 with the Three Months Ended March 31, 1996

Earnings per share increased 10 percent to \$1.27 from \$1.15, and net earnings increased 10 percent to \$65,620,000 from \$59,599,000 a year ago principally due to a 16 percent increase in net sales driven by a 18 percent increase in volume. Record shipments were recorded for our Matchlight instant lighting charcoal briquets, and by our insecticides and cat litter businesses. Brita water filtration systems shipped record quarterly volumes reflecting strong growth in all trade channels. Foreign net sales were 17 percent of total Company net sales, in both this and the year ago quarter. Increased sales levels reflect the results of acquisition activity, principally the effect of the Armor All products acquisition on December 31, 1996, and fiscal 1996 acquisitions in Latin America.

Cost of products sold as a percentage of net sales was 44.3 and 45.6 percent in the current and year ago quarters, respectively. The improvement reflects the results of certain cost savings measures, including implementation of a new manufacturing strategy and initiatives in the food business. Margins are anticipated to remain at approximately these levels for the remainder of the fiscal year.

Selling, delivery, and administration expense increased 18 percent over the year ago period principally due to continued investment in international infrastructure, foreign acquisitions and costs arising from investments in information technology both domestically and abroad.

Advertising expense increased 25 percent over the year ago period principally due to higher media spending as well as sales promotion spending on new product activities, and spending for the Brita business to solidify brand equity and maintain its current category leadership.

Interest expense increased \$6,252,000 over the year ago period due to higher levels of commercial paper, and additional indebtedness related to long-term borrowings that funded acquisitions.

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PART I - FINANCIAL INFORMATION (Continued)

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

Comparison of the Nine Months Ended March 31, 1997 with the Nine Months Ended March 31, 1996

Earnings per share increased 13 percent to \$3.39 from \$3.00, and net earnings increased 12 percent to \$175,045,000 from \$156,289,000 a year ago principally due to a 15 percent increase in net sales driven by a 16 percent increase in volume. Record shipments were recorded for our home cleaning business unit which includes Formula 409, Clean Up, Soft Scrub, S.O.S, Pine-Sol and Clorox toilet bowl cleaners. Combat insecticides and cat litter shipments were both up in volume versus the year ago period. Brita water filtration systems shipped record volumes that reflect continued strong growth in all trade channels. Foreign net sales were 16 percent of total Company net sales, up from 15 percent of total company sales for the year ago quarter. Increased sales levels reflect the results of acquisition activity, principally the effect of the Armor All products acquisition on December 31, 1996, and fiscal 1996 acquisitions in Latin America.

Cost of products sold as a percent of net sales was 44.1 and 45.3 percent in the current and year ago periods, respectively. The improvement reflects the results of certain cost savings measures, including implementation of a new manufacturing strategy and initiatives in the food business. Margins are anticipated to remain at approximately these levels for the remainder of the fiscal year.

Selling, delivery and administration expense increased 18 percent over the year ago period principally due to continued investment in international infrastructure, international acquisitions and costs related to

investments in information technology both domestic and foreign.

Advertising expense increased 23 percent versus a year ago. This increase reflects heavier media and sales promotion expenses for new product introductions, and the spending to solidify Brita's brand equity and maintain category leadership. The Company anticipates that for the full year advertising and sales promotion should increase at about the same rate as the growth of sales.

Interest expense increased \$13,134,000 over a year ago due to higher levels of commercial paper and additional indebtedness to fund the current year acquisition activities.

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PART I - FINANCIAL INFORMATION (Continued)

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Liquidity and Capital Resources

The Company's financial position and liquidity remain strong due to cash provided by operations during the period. Increases in accounts receivable and increases in inventory balances from June 30, 1996 reflect normal seasonal variations, principally due to the charcoal and insecticides businesses, and the acquisition of the Armor All business on December 31, 1996. Accrued expenses increased from June 30, 1996 principally due to higher levels of marketing support and acquisitions.

Acquisitions since June 30, 1996 totaled \$460,336,000 and were financed using a combination of cash provided by operations, long term borrowing, and commercial paper borrowing anticipated to be refinanced on a long-term basis during the fourth quarter. These acquisitions, which included the Armor All line of car cleaning products for \$360,144,000, and acquisitions in Latin America, resulted in the increase in Brands, Trademarks, Patents and Other Intangibles.

In September 1996, the Board of Directors authorized a share repurchase program to offset the dilutive effect of employee stock option exercises. The Company expects to issue between 400,000 and 500,000 shares of stock each year pursuant to its stock based compensation plan and intends to repurchase approximately the number of shares issued over time subject to market conditions and business opportunities which may arise. During the three month period ended March 31, 1997, 289,000 shares at a cost of \$34,715,000 were reacquired.

The Company has approved the use of interest rate derivative instruments such as interest rate swaps in order to manage the impact of interest rate movements on interest expense. These instruments have the effect of converting fixed rate interest to floating, or floating to fixed. The conditions under which derivatives can be used are set forth in a Company Policy Statement and include a restriction on the amount of such activity to a designated portion of existing debt, a limit on the term of any derivative transaction, and a specific prohibition on the use of any leveraged derivatives.

Management believes the Company has access to additional capital through existing lines of credit and from public and private sources should the need arise.

The foregoing Management's Discussion and Analysis contains "forward-looking" statements under applicable securities laws. The Company cautions readers that actual results might differ materially from those projected depending on a number of economic and competitive risk factors. For a discussion of such risk factors, the Company refers readers to the Company's Form 8-K Current Report which was filed on January 9, 1997.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE CLOROX COMPANY
(Registrant)

DATE May 14, 1997

BY /s/ HENRY J. SALVO, JR.

Henry J. Salvo, Jr.

Vice-President - Controller

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ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM THE FINANCIAL STATEMENTS OF THE CLOROX COMPANY FOR THE FISCAL QUARTER ENDED MARCH 31, 1997, AS PRESENTED IN THE CLOROX COMPANY'S FORM 10-Q FILED FOR SUCH PERIOD, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1000

PERIOD TYPE	9 MOS
FISCAL YEAR END	JUN 30 1997
PERIOD START	JUL 01 1996
PERIOD END	MAR 31 1997
CASH	67804
SECURITIES	45928
RECEIVABLES	400825
ALLOWANCES	1521
INVENTORY	201220
CURRENT ASSETS	758640
PP&E	1048322
DEPRECIATION	473900
TOTAL ASSETS	2882473
CURRENT LIABILITIES	682494
BONDS	907570
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	55422
OTHER SE	969444
TOTAL LIABILITY AND EQUITY	2882473
SALES	1770197
TOTAL REVENUES	1770197
CGS	780849
TOTAL COSTS	1441729
OTHER EXPENSES	(2356)
LOSS PROVISION	0
INTEREST EXPENSE	39247
INCOME PRETAX	291577
INCOME TAX	116532
INCOME CONTINUING	175045
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	175045
EPS PRIMARY	3.39
EPS DILUTED	0

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