

CLOROX CO /DE/

FORM 10-Q (Quarterly Report)

Filed 11/14/1995 For Period Ending 9/30/1995

| | |
|-------------|--|
| 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

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

For the quarterly period ended September 30, 1995

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 incorporation or organization

(I.R.S. Employer
Identification number)

1221 Broadway - Oakland, California 94612 - 1888

(Address of principal executive offices)

Registrant's telephone number,
(including area code)

(510)-271-7000

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

Indicate by check mark whether the registrant (1) has filed all reports 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 No

As of September 30, 1995 there were 52,275,671 shares outstanding of the registrant's common stock (par-value - \$1.00), the registrant's only outstanding class of stock.

Total pages 9

THE CLOROX COMPANY

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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 | |
|--------------------------------------|--------------------|------------|
| | 9/30/95 | 9/30/94 |
| Net Sales | \$ 518,486 | \$ 476,367 |
| Costs and Expenses | | |
| Cost of products sold | 231,333 | 210,134 |
| Selling, delivery and administration | 98,656 | 89,471 |
| Advertising | 72,482 | 70,967 |
| Research and development | 10,202 | 10,100 |
| Interest expense | 7,772 | 4,926 |
| Other (income) expense, net | (567) | 362 |
| Total costs and expenses | 419,878 | 385,960 |
| Earnings before income taxes | 98,608 | 90,407 |
| Income Taxes | 39,829 | 37,226 |
| Net Earnings | \$ 58,779 | \$ 53,181 |
| Earnings per Common Share | \$ 1.12 | \$ 1.00 |
| Dividends per Share | \$ 0.53 | \$ 0.48 |
| Weighted Average Shares Outstanding | 52,354 | 53,408 |

See Notes to Condensed Consolidated Financial Statements.

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

| | 9/30/95 | 6/30/95 |
|---|--------------|--------------|
| | ----- | ----- |
| ASSETS | | |
| Current Assets | | |
| Cash and short-term investments | \$ 127,846 | \$ 137,330 |
| Accounts receivable, less allowance | 218,338 | 311,868 |
| Inventories | 128,450 | 121,095 |
| Deferred income taxes | 11,575 | 11,495 |
| Prepaid expenses | 17,091 | 18,543 |
| | ----- | ----- |
| Total current assets | 503,300 | 600,331 |
| Property, Plant and Equipment - Net | 533,187 | 524,972 |
| Brands, Trademarks, Patents and Other Intangibles | 604,575 | 592,792 |
| Investments in Affiliates | 97,228 | 96,385 |
| Other Assets | 119,053 | 92,192 |
| | ----- | ----- |
| Total | \$ 1,857,343 | \$ 1,906,672 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 99,187 | \$ 122,763 |
| Accrued liabilities | 212,451 | 234,595 |
| Income taxes payable | 37,964 | 6,283 |
| Commercial paper and short-term borrowings | 76,422 | 115,303 |
| Current maturities of long-term debt | 305 | 379 |
| | ----- | ----- |
| Total current liabilities | 426,329 | 479,323 |
| Long-term Debt | 253,418 | 253,079 |
| Other Obligations | 79,611 | 85,129 |
| Deferred Income Taxes | 141,058 | 145,228 |
| Stockholders' Equity | | |
| Common Stock | 55,422 | 55,422 |
| Additional paid-in capital | 108,812 | 108,347 |
| Retained earnings | 1,001,044 | 971,380 |
| Treasury shares, at cost | (179,201) | (168,217) |
| Cumulative translation adjustments and other | (29,150) | (23,019) |
| Stockholders' Equity | 956,927 | 943,913 |
| | ----- | ----- |
| Total | \$ 1,857,343 | \$ 1,906,672 |

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)

| | Three Months Ended | |
|--|--------------------|------------|
| | 9/30/95 | 9/30/94 |
| Operations: | | |
| Net earnings | \$ 58,779 | \$ 53,181 |
| Adjustments to reconcile to net cash provided by operating activities: | | |
| Depreciation and amortization | 26,478 | 25,305 |
| Deferred income taxes | 3,300 | 3,900 |
| Other | 4,628 | 1,060 |
| Effects of changes in: | | |
| Accounts receivable | 93,933 | 59,187 |
| Inventories | (3,884) | (7,163) |
| Prepaid expenses | 1,372 | 3,235 |
| Accounts payable | (22,603) | (9,904) |
| Accrued liabilities | (18,065) | (34,015) |
| Income taxes payable | 24,211 | 26,599 |
| Net cash provided by operations | 168,149 | 121,385 |
| Investing Activities: | | |
| Property, plant and equipment | (12,162) | (11,217) |
| Disposal of property, plant and equipment | 2,369 | 124 |
| Businesses purchased | (60,427) | (18,095) |
| Other | (15,736) | (9,081) |
| Net cash used for investment | (85,956) | (38,269) |
| Financing Activities: | | |
| Short-term borrowings | - | (3,000) |
| Long-term borrowings | - | 154 |
| Long-term debt and other obligations repayments | (8,789) | - |
| Commercial paper, net | (38,881) | (21,934) |
| Cash dividends | (27,804) | (25,615) |
| Treasury stock purchased | (18,819) | - |
| Employee stock plan issuances | 2,616 | 3,271 |
| Net cash used for financing | (91,677) | (47,124) |
| Net (Decrease) Increase in Cash and Short-Term Investments | (9,484) | 35,992 |
| Cash and Short-Term Investments: | | |
| Beginning of period | 137,330 | 115,922 |
| End of period | \$ 127,846 | \$ 151,914 |

See Notes to Condensed Financial Statements

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements

The Clorox Company and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(1) The condensed consolidated financial statements for the three months ended September 30, 1995 and 1994 has not been audited, but in the opinion of management, 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) have been made. The results of the three months ended September 30, 1995 should not be considered as necessarily indicative of the results for the entire year.

(2) Inventories at September 30, 1995 and at June 30, 1995

| consisted of (in thousands): | 9/30/95 | 6/30/95 |
|------------------------------------|-----------|-----------|
| Finished goods and work in process | \$ 74,897 | \$ 71,102 |
| Raw materials and supplies | 53,553 | 49,993 |
| | ----- | ----- |
| Total | \$128,450 | \$121,095 |

(3) Stock Repurchases

The Company's Board of Directors in July 1995, authorized a \$100,000,000 share repurchase program which is planned for completion during fiscal year 1996. The shares will be purchased on the open market. Shares reacquired will be held as treasury shares and are available for reissuance for corporate uses. During the quarter, 278,600 shares were repurchased at a cost of \$18,819,000.

(4) Acquisitions of \$60,427,000 during the quarter were funded from cash and included the Black Flag line of insecticides acquired in September 1995, the acquisition of the remaining minority interest of the business in Argentina, and other business interests in Mexico. These acquisitions were accounted for as purchases.

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 September 30, 1995 with the Three Months Ended September 30, 1994

Earnings per share increased 12 percent to \$1.12 from \$1.00, and net earnings increased 11 percent to \$58,779,000 from \$53,181,000 a year ago principally due to a 9 percent increase in net sales driven by a 7 percent increase in volume. Record shipments were recorded for our home cleaning business unit which includes Formula 409, Soft Scrub, Pine-Sol and Clorox toilet bowl cleaners. This business unit achieved its eleventh consecutive quarterly increase in shipments. Combat insecticides and Kingsford charcoal shipments were also first quarter records. Brita water filtration systems shipped record quarterly volumes reflecting strong growth in all trade channels and the acquisition in January 1995 of the Brita business in Canada. Our international business growth during the quarter was principally due to volume from businesses acquired in fiscal 1995. Net sales for the quarter which benefited from price increases taken in fiscal 1995 for Clorox liquid bleach and Liquid-Plumr accounted for less than seven percent of the total increase.

Cost of products sold as a percentage of net sales was 44 percent in both the current and year ago quarters. Gross margins are anticipated to remain at approximately 56 percent for the remainder of the fiscal year.

Research and development expense was about even with the year ago period. Selling, delivery, and administration expense increased 10 percent over the year ago period principally due to continued investment in international infrastructure, and costs implementing our customer interface project.

Advertising expenses increased 2 percent over the year ago period, and are anticipated to increase at the same rate as sales.

Interest expense increased \$2,846,000 over the year ago period due to higher borrowing levels during the quarter and rates on commercial paper, and additional indebtedness related to the Brita Canada acquisition of January 1995.

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 which increased \$46,764,000 over the year ago period, principally due to the collection of June 30, 1995 receivables including those with seasonal dating terms for payment this period. Cash provided by operations was used to fund acquisitions of \$60,427,000 during the quarter. Decreases in accounts receivable and accounts payable balances from June 30, 1995 reflect normal seasonal variation, due to the charcoal and insecticides businesses. Inventories are higher than June 30, 1995 principally due to international acquisitions. We expect inventories to increase during the next two fiscal quarters to support the seasonal charcoal and insecticides businesses.

In July 1995, the Board of Directors approved a \$100,000,000 share repurchase program which is planned for completion during this fiscal year, subject to market conditions and business opportunities which may arise. During the quarter 278,600 shares at a cost of \$18,819,000 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.

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 November 14, 1994

BY /s/ HENRY J. SALVO, JR.

Henry J. Salvo, Jr.

Vice-President - Controller

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM THE FINANCIAL STATEMENTS OF THE CLOROX COMPANY FOR THE FISCAL QUARTER ENDED SEPTEMBER 30, 1995, 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 | 3 MOS |
| FISCAL YEAR END | JUN 30 1996 |
| PERIOD START | JUL 01 1995 |
| PERIOD END | SEP 30 1995 |
| CASH | 52342 |
| SECURITIES | 75504 |
| RECEIVABLES | 219859 |
| ALLOWANCES | 1521 |
| INVENTORY | 128450 |
| CURRENT ASSETS | 503300 |
| PP&E | 913037 |
| DEPRECIATION | 379850 |
| TOTAL ASSETS | 1857343 |
| CURRENT LIABILITIES | 426329 |
| BONDS | 253418 |
| COMMON | 55422 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| OTHER SE | 901505 |
| TOTAL LIABILITY AND EQUITY | 1857343 |
| SALES | 518486 |
| TOTAL REVENUES | 518486 |
| CGS | 231333 |
| TOTAL COSTS | 412673 |
| OTHER EXPENSES | (567) |
| LOSS PROVISION | 0 |
| INTEREST EXPENSE | 7772 |
| INCOME PRETAX | 98608 |
| INCOME TAX | 39829 |
| INCOME CONTINUING | 58779 |
| DISCONTINUED | 0 |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET INCOME | 58779 |
| EPS PRIMARY | 1.12 |
| EPS DILUTED | 0 |

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