

CLOROX CO /DE/

FORM 10-Q (Quarterly Report)

Filed 5/13/1994 For Period Ending 3/31/1994

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 March 31, 1994

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
(State or other jurisdiction
of incorporation or organization)

31-0595760
(I.R.S. Employer
Identification Number)

1221 Broadway - Oakland, California
(Address of principal executive offices)

94612 - 1888

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 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, 1994 there were outstanding 53,340,117 shares of Registrant's Common Stock (par-value - \$1.00), its only class outstanding.

Total pages 11 1

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	
	3/31/94	3/31/93	3/31/94	3/31/93
Net Sales	\$ 481,928	\$ 435,559	\$1,302,516	\$1,157,570
Costs and Expenses				
Cost of products sold	211,964	185,897	569,178	497,304
Selling, delivery and administration	87,640	85,093	249,465	230,610
Advertising	82,363	72,197	226,920	195,160
Research and development	10,945	9,839	31,311	29,823
Interest expense	4,383	5,509	13,051	14,856
Other (income) expense, net	1,261	392	(7,765)	(4,534)
Total costs and expenses	398,556	358,927	1,082,160	963,219
Earnings from Continuing Operations before Income Taxes	83,372	76,632	220,356	194,351
Income Taxes	33,857	30,106	93,941	76,400
Earnings from Continuing Operations	49,515	46,526	126,415	117,951
Earnings (Losses) from and Gain on Sale of Discontinued Operations	-	(1,106)	32,064	(692)
Net Earnings	\$ 49,515	\$ 45,420	\$ 158,479	\$ 117,259
Earnings per Common Share				
Continuing Operations	\$ 0.93	\$ 0.85	\$ 2.35	\$ 2.16
Discontinued Operations	-	(0.02)	0.59	(0.01)
Total	\$ 0.93	\$ 0.83	\$ 2.94	\$ 2.15
Dividends per Share	\$ 0.45	\$ 0.42	\$ 1.35	\$ 1.26
Weighted Average Shares Outstanding	53,448	54,749	53,949	54,661

See Notes to Condensed Consolidated Financial Statements.

CAPTION>

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

	3/31/94	6/30/93
ASSETS		
Current Assets		
Cash and short-term investments	\$ 114,330	\$ 71,164
Accounts receivable, less allowance	281,815	226,675
Inventories	148,961	105,890
Deferred income taxes	20,007	19,360
Prepaid expenses	10,080	16,369
Net assets of discontinued operations	-	92,320
Total current assets	575,193	531,778
Property, Plant and Equipment - Net	545,504	538,101
Brands, Trademarks, Patents and Other Intangibles - Net	555,525	463,941
Investments in Affiliates	69,711	68,179
Other Assets	61,356	47,231
Total	\$ 1,807,289	\$ 1,649,230
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 68,916	\$ 84,243
Accrued liabilities	229,392	226,775
Income taxes payable	24,026	20,585
Commercial paper	181,496	39,486
Current maturities of long-term debt	341	481
Total current liabilities	504,171	371,570
Long-term Debt	216,209	204,000
Other Obligations	62,519	50,663
Deferred Income Taxes	147,788	143,703
Stockholders' Equity		
Common Stock	55,422	55,422
Additional paid-in capital	106,247	105,483
Retained earnings	849,185	762,162
Treasury shares, at cost	(110,232)	(23,357)
Cumulative translation adjustments	(24,020)	(20,416)
Stockholders' Equity	876,602	879,294
Total	\$ 1,807,289	\$ 1,649,230

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 3/31/94	Months Ended 3/31/93
Operations:		
Earnings from continuing operations	\$ 126,415	\$ 117,951
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	70,631	63,026
Deferred income taxes	16,205	16,200
Other	2,820	1,115
Effects of changes in:		
Accounts receivable	(48,482)	(18,529)
Inventories	(36,995)	(36,576)
Prepaid expenses	(1,362)	3,429
Accounts payable	(16,195)	(35,956)
Accrued liabilities	(7,834)	(39,686)
Income taxes payable	921	9,977
Net cash provided by continuing operations	106,124	80,951
Net cash (used) provided by discontinued operations	(21,097)	6,195
Net cash provided by operations	85,027	87,146
Investing Activities:		
Property, plant and equipment	(37,901)	(54,772)
Disposal of property, plant and equipment	6,790	3,833
Businesses sold	159,293	-
Businesses purchased	(139,054)	-
Other	(23,732)	(30,284)
Net cash used for investment	(34,604)	(81,223)
Financing Activities:		
Long-term borrowings	17,669	339
Long-term debt repayments	(1,187)	(419)
Commercial paper, net	142,010	35,036
Cash dividends	(73,086)	(68,856)
Treasury stock purchased	(99,906)	-
Employee stock plans	7,243	5,900
Net cash used for financing	(7,257)	(28,000)
Net Increase (Decrease) in Cash and Short-Term Investments	43,166	(22,077)
Cash and Short-Term Investments:		
Beginning of period	71,164	69,024
End of period	\$ 114,330	\$ 46,947

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements

The Clorox Company and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(1) The summarized financial information for the nine months ended March 31, 1994 and 1993 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 nine months ended March 31, 1994 should not be considered as necessarily indicative of the results for the entire year.

(2) The Company sold Prince Castle in June 1993, the frozen foods business in July 1993 and its bottled water business in September 1993. These businesses have been reported as discontinued operations.

Results of discontinued operations are classified separately in the statements of consolidated earnings and include (in thousands):

	Three Months Ended 3/31/93	Nine Months Ended 3/31/94	3/31/93
Net Sales	\$ 40,988	\$ 18,700	\$ 129,439
Earnings (losses) from operations before income taxes	\$ (1,793)	\$ 1,043	\$ (1,140)
Income taxes	(687)	409	(448)
Net earnings (losses) from discontinued operations	(1,106)	634	(692)
Gain on sale of businesses	-	42,177	-
Income taxes	-	10,747	-
Net gain on sale of businesses	-	31,430	-
Earnings (losses) from and gain on sale of discontinued operations	\$ (1,106)	\$ 32,064	\$ (692)

The net assets of the discontinued operations were segregated in the June 30, 1993 consolidated balance sheet and were comprised of the following (in thousands):

Assets	\$ 105,678
Liabilities	13,358
Net assets	\$ 92,320

The assets consisted primarily of accounts receivable, inventories, property, plant and equipment and intangibles, and liabilities consisted primarily of accounts payable and accrued liabilities.

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements

The Clorox Company and Subsidiaries Notes to Condensed Consolidated Financial Statements

(3) On January 31, 1994, the Company acquired and accounted for as a purchase, the S.O.S products business of Miles, Inc. for \$121,000,000 subject to adjustments as specified in the purchase agreement. The acquisition included the S.O.S. brand of soap pads and other cleaning products in the U.S. and Canada, manufacturing facilities, and certain items of working capital. Approximately \$97,000,000 of the purchase price has been allocated to brands, trademarks and other intangibles to be amortized over an estimated life of 40 years. The acquisition was funded from cash and short term borrowings.

Results of operations after the acquisition date are included in the Condensed Statements of Consolidated Earnings presented herein. Presented below is certain pro forma operating information for the nine month periods ended March 31, 1994 and 1993, assuming that this acquisition had taken place at the beginning of the respective periods. The pro forma information includes adjustments for interest expense that would have been incurred to finance the purchase, additional depreciation based on the fair market value of the property, plant, and equipment acquired and the amortization of intangibles arising from the transaction. The pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transactions been effected on the assumed date.

(In thousands, except per share amounts)	Nine Months Ended	
	3/31/94	3/31/93
Net Sales	\$ 1,349,929	\$ 1,227,253
Earnings from continuing operations	\$ 123,495	\$ 120,062
Net earnings	\$ 155,559	\$ 119,370
Earnings per common share, continuing operations basis	\$ 2.29	\$ 2.20
Net earnings per common share	\$ 2.88	\$ 2.18

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements

The Clorox Company and Subsidiaries Notes to Condensed Consolidated Financial Statements

(4) Inventories consisted of (in thousands):

	3/31/94	6/30/93
Finished goods and work in process	\$ 101,490	\$ 64,162
Raw materials and supplies	47,471	41,728
Total	\$ 148,961	\$ 105,890

(5) Other expense (income), net consisted of (in thousands):

	Three Months Ended		Nine Months Ended	
	3/31/94	3/31/93	3/31/94	3/31/93
Interest income	\$ (1,007)	\$ (623)	\$ (3,789)	\$ (2,222)
Equity earnings of affiliates	(521)	(2,083)	(4,016)	(6,821)
Amortization of intangibles	6,650	5,291	18,176	15,994
Other income	(3,861)	(2,193)	(18,136)	(11,485)
Total	\$ 1,261	\$ 392	\$ (7,765)	\$ (4,534)

(6) Stock Repurchases

In 1989, the Company commenced a program to repurchase up to 5 million shares of its outstanding stock through periodic open market and block transactions. These shares will be held in the Company's treasury and reissued for corporate uses. Through March 31, 1994, 3,674,515 shares had been repurchased under this plan to date, with 1,883,300 shares repurchased in July through March of 1994.

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, 1994 with the Three Months Ended March 31, 1993

Net sales were a third quarter record and increased 11% primarily due to successful new product introductions, sales from S.O.S brands acquired on January 31, 1994, and the consolidation of an Argentine subsidiary in which Clorox increased its interest to 90% in June, 1993. New products which provided third quarter's sales and volume growth included Liquid Plumr build up remover, Tilex soap scum remover, and two Clorox toilet bowl cleaners. Net sales for the Company's Brita water filtration business were up strongly versus the year ago quarter. Price increases contributed less than 1% to the increase in sales. Clorox charcoal brands, salad dressings and other food brands volumes were up 15% versus the year ago quarter, while its bleach brands were down 7%.

Gross margins were 56% in 1994 and 57% in 1993. The slight decline was due to the consolidation of the Company's Argentine subsidiary. Materials and plant operating costs remained flat on a per unit basis versus the year ago period. Gross margins are expected to remain at approximately the fiscal 1993 level for most of the Company's domestic product lines this fiscal year.

Research and development expense was up 11% versus the prior year and remained the same as a percentage of sales. New product activity is expected to remain at a high level, though spending should continue at current levels due to efforts made to shorten development times and to improvements in efficiency in the research and development function. Selling, delivery, and administration expenses were up 3% principally due to the consolidation of the Argentine subsidiary. These costs were down slightly for the domestic businesses, and remained the same as a percentage of sales. The reduction in the growth of these expenses continued as the Company makes progress towards its objective of achieving a \$25 million reduction in annual operating expenses by the end of fiscal 1995.

Advertising expense was up 14% versus 1993 and the Company expects it to be up significantly for the year as new product introductions will continue to be at high levels and established brands will continue to receive strong support.

The effective tax rate for the quarter was 40.6% versus 39.3% for 1993, and reflects the recently enacted 1% increase in statutory rates resulting in approximately \$800,000 in additional taxes versus the prior year. The 1% rate increase will affect all future quarters.

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, 1994 with the Nine Months Ended March 31, 1993

Net sales were a nine month record and increased 13% primarily due to successful new product introductions, sales from S.O.S brands acquired on January 31, 1994, and the consolidation of an Argentine subsidiary in which Clorox increased its interest to 90% in June 1993. New products which provided this period's sales and volume growth included Liquid Plumr build up remover, Tilex soap scum remover, Formula 409 glass and surface cleaner and two Clorox toilet bowl cleaners. Net sales for the Company's Brita water filtration business were up strongly versus the year ago period.

Gross margins were 56% in 1994 and 57% in 1993. The slight decline was due to the consolidation of the Company's Argentine subsidiary. Material and plant operating costs were flat on a per unit basis. The Company does not anticipate that material costs will rise significantly during the year and efforts continue to contain plant operating costs growth. Gross margins should remain at approximately this level for most of the Company's domestic product lines in fiscal year 1994.

Research and development expense increased 5% versus a year ago, but has remained steady as a percent of sales. New product activity is expected to remain at a high level, though spending should continue at current levels due to efforts made to shorten development times and improve efficiency in the research and development function. Selling, delivery and administration expenses were up 8% principally due to the consolidation of the Argentine subsidiary, but were down slightly as percentage of sales versus 1993. Nine month earnings reflect the continuing efforts that began in first quarter to reduce the growth of these expenses. The reduction in the growth of these expenses continued as the Company makes progress towards its objective of achieving a \$25 million reduction in annual operating expenses by the end of fiscal 1995.

Advertising expense increased 16% versus 1993, and the Company expects it to be up significantly this year as new product introductions will continue at high levels and established brands will continue to receive strong support.

Interest expense is down due to lower average commercial paper borrowing in 1994 versus 1993, and the favorable effect of interest rate swaps.

Other income was up \$3,200,000 versus 1993 principally due to one time gains from the sales of idle property and the Company's grill business. Offsetting these increases were lower equity earnings and higher amortization of intangibles attributable to the increase in ownership of the Argentine business, and 1993's one time reversal of 1991 restructuring allowances due to lower than anticipated costs.

The effective tax rate was 42.6% in 1994 versus 39.3% in 1993. The increase is primarily due to the recently enacted tax law that increased the statutory tax rate by 1%, and the retroactive effect of the increase for the January through June 1993 period, and a related adjustment of deferred taxes. The 1% increase in the statutory tax rate resulted in approximately \$2,200,000 additional tax expense from continuing operations, while the two latter non-recurring items increased this period's expense by \$4,000,000.

Income from discontinued operations in 1994 includes the gain on sale of the food service and the bottled water businesses of \$31,430,000 net of \$10,747,000 in taxes, and operating income of \$1,043,000 net of \$409,000 in taxes. All discontinued operations were sold by the end of the first quarter.

PART I - FINANCIAL INFORMATION (Continued)

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

Financial Position

The Company's financial position and liquidity continue to be strong principally due to cash provided by operations, and the completed sales of the bottled water and frozen foods discontinued operations during the first quarter, offset by the January 31, 1994 cash purchase of the S.O.S products business for \$121,000,000. Increases in receivables, inventories and commercial paper since June 30, 1993 reflect the normal seasonal pattern of the charcoal briquet and insecticides businesses. In the third quarter every year, the Company encourages retailers to restock for the new season for these businesses by offering longer than normal payment terms extended to the fourth fiscal quarter. Accrued liabilities were up significantly principally due to higher levels of advertising planned for the second half of the fiscal year.

Brands, trademarks, and other intangibles increased principally due to the acquisition of the S.O.S products businesses.

The Board of Directors approved a stock repurchase program in 1989. The program authorized the repurchase of up to 5,000,000 shares of Clorox stock at a cost not to exceed \$250,000,000. Through March 31, 1994, 3,674,515 shares at a cost of \$171,227,000 were repurchased. The Company intended to repurchase \$100,000,000 of Clorox stock this year, and has completed this phase of the program by repurchasing 1,883,300 shares at a cost of \$99,906,000. The Company sold 600,000 put options on Clorox stock during the first quarter in support of the shares repurchase program, all of which expired unexercised by February 22, 1994.

Management believes that the Company has sufficient access to additional capital at favorable terms through existing lines of credit and from public and private services 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 _____

BY /HENRY J. SALVO, JR./
Henry J. Salvo, Jr.
Vice-President - Controller

End of Filing

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