

CLOROX CO /DE/

FORM 10-Q (Quarterly Report)

Filed 1/28/1994 For Period Ending 6/30/1993

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 December 31, 1993
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 No

As of December 31, 1993 there were outstanding 53,629,697 shares of Registrant's Common Stock (par-value - \$1.00), its only class outstanding.

Total pages 10 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		Six Months Ended	
	12/31/93	12/31/92	12/31/93	12/31/92
Net Sales	\$ 370,844	\$ 327,354	\$ 820,588	\$ 722,011
Costs and Expenses				
Cost of products sold	163,386	141,272	357,214	311,407
Selling, delivery and administration	76,703	69,833	161,825	145,517
Advertising	66,583	60,685	144,557	122,963
Research and development	10,314	10,371	20,366	19,984
Interest expense	4,747	4,637	8,668	9,347
Other income, net	(2,356)	(3,952)	(9,026)	(4,926)
Total costs and expenses	319,377	282,846	683,604	604,292
Earnings from Continuing Operations before Income Taxes	51,467	44,508	136,984	117,719
Income Taxes	20,881	17,476	60,084	46,294
Earnings from Continuing Operations	30,586	27,032	76,900	71,425
Earnings from and Gain on Sale of Discontinued Operations	-	211	32,064	414
Net Earnings	\$ 30,586	\$ 27,243	\$ 108,964	\$ 71,839
Earnings per Common Share				
Continuing Operations	\$ 0.57	\$ 0.50	\$ 1.42	\$ 1.31
Discontinued Operations	-	-	0.59	0.01
Total	\$ 0.57	\$ 0.50	\$ 2.01	\$ 1.32
Dividends per Share	\$ 0.45	\$ 0.42	\$ 0.90	\$ 0.84
Weighted Average Shares Outstanding	53,971	54,653	54,199	54,616

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)

	12/31/93	6/30/93
ASSETS		
Current Assets		
Cash and short-term investments	\$ 135,333	\$ 71,164
Accounts receivable, less allowance	143,916	226,675
Inventories	142,955	105,890
Deferred income taxes	21,041	19,360
Prepaid expenses	12,336	16,369
Net assets of discontinued operations	-	2,320
Total current assets	455,581	531,778
Property, Plant and Equipment - Net	533,890	538,101
Brands, Trademarks, Patents and Other Intangibles	464,220	463,941
Investments in Affiliates	68,536	68,179
Other Assets	64,449	47,231
Total	\$ 1,586,676	\$ 1,649,230
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 67,735	\$ 84,243
Accrued liabilities	200,717	226,775
Income taxes payable	21,681	20,585
Commercial paper	5,776	39,486
Current maturities of long-term debt	520	481
Total current liabilities	296,429	371,570
Long-term Debt	216,869	204,000
Other Obligations	59,942	50,663
Deferred Income Taxes	147,521	143,703
Put Option Obligations	9,704	-
Stockholders' Equity		
Common Stock	55,422	55,422
Additional paid-in capital	105,573	105,483
Retained earnings	824,041	762,162
Treasury shares, at cost	(103,320)	(23,357)
Cumulative translation adjustments	(25,505)	(20,416)
Stockholders' Equity	856,211	879,294
Total	\$ 1,586,676	\$ 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)

	Six 12/31/93	Months Ended 12/31/92
Operations:		
Earnings from continuing operations	\$ 76,900	\$ 71,425
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	45,887	40,567
Deferred income taxes	11,706	10,800
Other	1,011	(1,149)
Effects of changes in:		
Accounts receivable	85,753	78,788
Inventories	(36,573)	(32,258)
Prepaid expenses	4,089	2,342
Accounts payable	(17,376)	(53,935)
Accrued liabilities	(35,010)	(56,093)
Income taxes payable	(1,421)	1,467
Net cash provided by continuing operations	134,966	61,954
Net cash (used) provided by discontinued operations	(21,097)	4,823
Net cash provided by operations	113,869	66,777
Investing Activities:		
Property, plant and equipment	(28,347)	(39,296)
Disposal of property, plant and equipment	5,086	2,043
Businesses sold	159,293	-
Businesses purchased	(20,920)	-
Other	(19,825)	(21,910)
Net cash provided by (used for) investment	95,287	(59,163)
Financing Activities:		
Long-term borrowings	13,049	-
Long-term debt repayments	(258)	(317)
Commercial paper, net	(33,710)	24,906
Cash dividends	(48,973)	(45,862)
Treasury stock purchased	(82,084)	-
Employee stock plans	6,989	3,899
Net cash used for financing	(144,987)	(17,374)
Net Increase (Decrease) in Cash and Short-Term Investments	64,169	(9,760)
Cash and Short-Term Investments:		
Beginning of period	71,164	69,024
End of period	\$ 135,333	\$ 59,264

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 six months ended December 31, 1993 and 1992 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 six months ended December 31, 1993 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	Six Months Ended	12/31/92
Net Sales	\$ 42,165	\$ 18,700	\$ 88,451
Earnings from operations before income taxes	\$ 381	1,043	\$ 653
Income taxes	170	409	239
Net earnings from discontinued operations	211	634	414
Gain on sale of businesses	-	42,177	-
Income taxes	-	10,747	-
Net gain on sale of businesses	-	31,430	-
Earnings from and gain on sale of discontinued operations	\$ 211	\$ 32,064	\$ 414

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) Inventories consisted of (in thousands):

	12/31/93	6/30/93
Finished goods and work in process	\$ 96,985	\$ 64,162
Raw materials and supplies	45,970	41,728
Total	\$ 142,955	\$ 105,890

(4) Other income, net consisted of (in thousands):

	Three Months Ended		Six Months Ended	
	12/31/93	12/31/92	12/31/93	12/31/92
Interest income	\$ (1,492)	\$ (689)	\$ (2,783)	\$ (1,599)
Equity earnings of affiliates	(1,488)	(2,240)	(3,495)	(4,738)
Amortization of intangibles	5,815	5,282	11,526	10,703
Other income	(5,191)	(6,305)	(14,274)	(9,292)
Total	\$ (2,356)	\$ (3,952)	\$ (9,026)	\$ (4,926)

(5) Put Option Obligations

The Company sold 600,000 put options during the first quarter of fiscal 1994 with various strike prices (average of \$49.31 per share) that expire at various times through February 1994. Upon exercise, each put option obligates Clorox to purchase one share of its Common Stock at the strike price. During the second quarter of fiscal 1994, 400,000 options expired. The aggregate exercise price of the remaining 200,000 options (average of \$48.52 per share) totalling \$9,704,000 has been classified as put option obligations with a corresponding increase to Treasury Stock at December 31, 1993.

(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 December 31, 1993, 3,363,615 shares had been repurchased under this plan to date, with 1,552,400 shares repurchased in July through December of 1993.

(7) Subsequent Event

The Company has agreed to purchase the assets of the S.O.S. products business from Miles Inc. on January 31, 1994, subject to final regulatory approval. The asset purchase includes trade receivables, inventories, property, plant and equipment and intangible assets including trademarks. Brands acquired include S.O.S. steel wool soap pads, Tuffly plastic scouring pads, and other S.O.S. cleaning products.

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 December 31, 1993 with the Three Months Ended December 31, 1992

Net sales were a second quarter record and increased 13% primarily due to successful new product introductions, and the consolidation of an Argentine subsidiary in which Clorox increased its interest to 90% in June, 1994. New products which provided second quarter'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 quarter. Price increases contributed less than 1% to the increase in sales. Clorox' bleach brands, salad dressings and other food brands volumes were flat versus the year ago quarter.

Gross margins were 56% in 1993 and 57% in 1992. 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 flat versus the prior year and down 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 improvements in efficiency in the research and development function. Selling, delivery, and administration expenses were up 9.8% principally due to the consolidation of the Argentine subsidiary. These costs were down slightly for the domestic businesses, and were down slightly 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 9.7% versus 1992 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.

Other income was down principally due to last year's reversal of 1991 restructuring allowances due to lower than anticipated costs.

The effective tax rate for the quarter was 40.6% versus 39.3% for 1992, and reflects the recently enacted 1% increase in statutory rates resulting in approximately \$500,000 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 Six Months Ended December 31, 1993 with the Six Months Ended December 31, 1992

Net sales were a first six months record and increased 14% primarily due to successful new product introductions, and the consolidation of an Argentine subsidiary in which Clorox increased its interest to 90% in June 1994. 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 57% in both 1993 and 1992. 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 this fiscal year.

Research and development expense increased slightly versus a year ago, but has declined slightly 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 11.2% principally due to the consolidation of the Argentine subsidiary, but were down slightly as percentage of sales versus 1992. Six month earnings reflect the continuing efforts to reduce the growth of these expenses that began in first quarter. 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 17.6% versus 1992, 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 commercial paper borrowing in 1993 versus 1992.

Other income was up \$4,100,000 versus 1992 principally due to one time gains from the sales of idle property and the Company's grill business and higher royalty income. Offsetting these increases were lower equity earnings and higher amortization of intangibles, both attributable to the increase in ownership of the Argentine business, and 1992's one time reversal of 1991 restructuring allowances due to lower than anticipated costs.

The effective tax rate was 43.9% in 1993 versus 39.3% in 1992. 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 an adjustment of deferred taxes. The 1% increase in the statutory tax rate resulted in approximately \$1,400,000 additional tax expense, while the two latter items increased this period's expense by \$4,000,000.

Income from discontinued operations in 1993 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 have strengthened since June 30, 1993 principally due to cash provided by operations, and the completed sales of the bottled water and frozen foods discontinued operations during the first quarter. This is reflected by higher cash and short term investments balances, and significantly lower levels of commercial paper borrowing at December 31, 1993. Decreases in receivables and accounts payables and increases in inventories since June 30, 1993 reflect the normal seasonal pattern of the charcoal briquet and insecticides businesses. Accrued liabilities were down from June 30, 1993 due to a heavier emphasis on promotional spending versus advertising during the second quarter. Furthermore, the Company expects inventories to increase during the next fiscal quarters for the charcoal and insecticide businesses in anticipation of the 1994 seasons. Cumulative translation adjustments increased from June 30, 1993 due to the depreciation of the Spanish Peseta, the functional currency of the Company's HIBSA joint venture. Cash provided by operations was up significantly from the year ago period principally due to the timing of prior year payments for accounts payable and accrued liabilities.

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 December 31, 1993, 3,343,615 shares at a cost of \$153,404,000 were repurchased. The Company intends to repurchase approximately \$100,000,000 of Clorox stock this year, and during the first and second quarters, repurchased \$82,084,000 (1,552,400 shares) for Treasury Shares. The Company anticipates completing this phase of the repurchase program during this year, subject to market conditions and business opportunities which may arise. The Company sold 600,000 put options on Clorox stock during the first quarter in support of the shares repurchase program, of which 200,000 remain unexpired at December 31, 1993.

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 January 24, 1994

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

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End of Filing

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