

CLOROX CO /DE/

FORM 10-Q (Quarterly Report)

Filed 5/15/1996 For Period Ending 3/31/1996

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) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (D)

X OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1996

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 No.)

1221 Broadway - Oakland, California

94612 - 1888

(Address of principal executive offices)

Registrant's telephone number, (including (510)-271-7000
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 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 March 31, 1996 there were 51,639,671 shares outstanding of the registrant's common stock (par value - \$1.00), the registrant's only outstanding class of stock.

Total pages 10

THE CLOROX COMPANY

PART 1.	Financial Information	Page No.
	-----	-----
Item 1.	Financial Statements	
	Condensed Statements of Consolidated Earnings	
	Three and Nine Months Ended	
	March 31, 1996 and 1995	3
	Condensed Consolidated Balance Sheets	
	March 31, 1996 and June 30, 1995	4
	Condensed Statements of Consolidated Cash Flows	
	Nine Months Ended March 31, 1996 and 1995	5
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Results of Operations and Financial Condition	7-9

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	
	3/31/96	3/31/95	3/31/96	3/31/95
Net Sales	\$ 560,091	\$ 499,060	\$1,545,366	\$1,389,881
Costs and Expenses				
Cost of products sold	255,570	225,997	700,070	620,094
Selling, delivery and administration	114,686	100,727	315,720	282,083
Advertising	67,543	66,432	206,653	205,406
Research and development	11,103	10,742	32,510	31,659
Interest expense	10,753	7,213	26,113	17,302
Other expense (income), net	432	(2,284)	2,061	(4,086)
	-----	-----	-----	-----
Total costs and expenses	460,087	408,827	1,283,131	1,152,458
Earnings before income taxes	100,004	90,233	262,235	237,423
Income Taxes	40,405	36,199	105,946	96,113
	-----	-----	-----	-----
Net Earnings	\$ 59,599	\$ 54,034	\$ 156,289	\$ 141,310
	=====	=====	=====	=====
Earnings per Common Share	\$ 1.15	\$ 1.02	\$ 3.00	\$ 2.65
Dividends per Share	\$ 0.53	\$ 0.48	\$ 1.59	\$ 1.44
Weighted Average Shares Outstanding	51,767	53,083	52,070	53,255

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)

	3/31/96	6/30/95
	-----	-----
ASSETS		

Current Assets		
Cash and short-term investments	\$ 88,433	\$ 137,330
Accounts receivable, less allowance	320,797	311,868
Inventories	175,613	121,095
Deferred income taxes	11,113	11,495
Prepaid expenses	24,736	18,543
	-----	-----
Total current assets	620,692	600,331
Property, Plant and Equipment - Net	540,441	524,972
Brands, Trademarks, Patents and Other Intangibles	673,810	592,792
Investments in Affiliates	98,690	96,385
Other Assets	246,936	92,192
	-----	-----
Total	\$ 2,180,569	\$ 1,906,672
LIABILITIES AND STOCKHOLDERS' EQUITY		

Current Liabilities		
Accounts payable	\$ 122,938	\$ 122,763
Accrued liabilities	211,399	234,595
Income taxes payable	23,214	6,283
Commercial paper and notes payable	294,044	115,303
Current maturities of long-term debt	269	379
	-----	-----
Total current liabilities	651,864	479,323
Long-term Debt	356,902	253,079
Other Obligations	101,903	85,129
Deferred Income Taxes	133,062	145,228
Put Option Obligations	17,259	-
Stockholders' Equity		
Common Stock	55,422	55,422
Additional paid-in capital	110,951	108,347
Retained earnings	1,041,057	971,380
Treasury shares, at cost	(256,362)	(168,217)
Cumulative translation adjustments and other	(31,489)	(23,019)
	-----	-----
Stockholders' Equity	919,579	943,913
	-----	-----
Total	\$ 2,180,569	\$ 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)

	Nine Months Ended	
	3/31/96	3/31/95
Operations:		
Earnings from continuing operations	\$ 156,289	\$ 141,310
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	90,677	79,961
Deferred income taxes	4,300	9,000
Other	9,084	8,588
Effects of changes in:		
Accounts receivable	23,741	(16,158)
Inventories	(43,062)	(53,623)
Prepaid expenses	(13,885)	1,923
Accounts payable	(37,385)	(23,613)
Accrued liabilities	(23,203)	(24,481)
Income taxes payable	25,714	21,969
	-----	-----
Net cash provided by operations	192,270	144,876
Investing Activities:		
Property, plant and equipment	(53,678)	(39,517)
Disposal of property, plant and equipment	2,791	7,865
Businesses purchased	(131,025)	(54,015)
Investment in other assets	(110,045)	
Other	(58,448)	(24,113)
	-----	-----
Net cash used for investment	(350,405)	(109,780)
Financing Activities:		
Short-term borrowings	11,160	5,112
Long-term debt borrowings	110,268	-
Long-term debt and other obligations repayments	(15,021)	(387)
Commercial paper, net	154,840	36,000
Cash dividends	(83,082)	(76,762)
Treasury stock purchased	(82,932)	(29,199)
Employee stock plans	14,005	7,110
	-----	-----
Net cash used for financing	109,238	(58,126)
Increase (Decrease) in Cash and Short-Term Investments	(48,897)	(23,030)
Cash and Short-Term Investments:		
Beginning of period	137,330	115,922
	-----	-----
End of period	\$ 88,433	\$ 92,892
	=====	=====
Non-cash transaction:		
Other obligation arising from business purchased	\$ 12,968	\$ 17,081

See Notes to Condensed Consolidated Financial Statements.

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 three and nine months ended March 31, 1996 and 1995 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 and nine months ended March 31, 1996 and 1995 should not be considered as necessarily indicative of the results for the entire year.

(2) Inventories at March 31, 1996 and at June 30, 1995 consisted of (in thousands):

	3/31/96	6/30/95
Finished goods and work in process	\$ 112,476	\$ 71,102
Raw materials and supplies	63,137	49,993
	-----	-----
Total	\$ 175,613	\$ 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. Through March 31, 1996, 1,069,400 shares had been repurchased at a cost of \$82,932,000.

(4) Acquisitions for the nine months ended March 31, 1996 of \$131,025,000 were funded from cash provided from operations and included the Black Flag line of insecticides, the acquisition of the remaining minority interest of our business in Argentina, the Poet San Juan business in Argentina, the Electroquimicas S.A.C.I., business in Chile, and other business interests in Mexico. These acquisitions were accounted for as purchases.

(5) Put Option Obligations

The Company sold 240,000 put options and purchased 240,000 call options during the second quarter of fiscal 1996 with various strike prices (average of \$71.91 per share) that expire at various times through September 30, 2005. Upon exercise, each put option obligates the Company to purchase one share of its common stock at the strike price and each call option allows the Company to purchase one share of its common stock at the strike price. The aggregate exercise price of \$17,259,000 has been classified as put option obligations with a corresponding increase in treasury stock at December 31, 1995.

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, 1996
with the Three Months Ended March 31, 1995

Earnings per share increased 13 percent to \$1.15 from \$1.02, and net earnings increased 10 percent to \$59,599,000 from \$54,034,000 a year ago principally due to a 12 percent increase in net sales driven by a 11 percent increase in volume. Record shipments were recorded for our home cleaning business unit and were led by Pine-Sol. This unit achieved its thirteenth consecutive quarterly increase in shipments. Both Combat insecticides and Kingsford charcoal experienced reduced shipments due to the cold weather in the Eastern part of the country. Brita water filtration systems shipped record quarterly volumes reflecting strong growth in all trade channels. Our international business growth during the quarter was principally due to volume from businesses acquired in fiscal 1995.

Cost of products sold as a percentage of net sales was 45.6 and 45.3 percent in the current and year ago quarters, respectively. Gross margins are anticipated to remain at approximately 55 percent for the remainder of this fiscal year.

Selling, delivery, and administration expense increased 14 percent over the year ago period principally due to continued investment in international infrastructure and costs implementing our customer interface project.

Advertising expense increased 2 percent over the year ago period principally due to increased media spending offset by reductions in sales promotion activities (e.g. couponing).

Interest expense increased \$3,540,000 over the year ago period due to higher levels 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

Results of Operations

**Comparison of the Nine Months Ended March 31, 1996
with the Nine Months Ended March 31, 1995**

Earnings per share increased 13 percent to \$3.00 from \$2.65, and net earnings increased 11 percent to \$156,289,000 from \$141,310,000 a year ago principally due to a 11 percent increased in net sales driven by a 10 percent increase in volume. Record shipments were recorded in the first three quarters for our home cleaning business unit including Formula 409, Soft Scrub, Pine-Sol and Clorox toilet bowl cleaners. Brita water filtration systems shipped record volumes that reflect continued strong growth in all trade channels and the acquisition in January 1995 of the Brita business in Canada. International volume growth was principally due to volume from businesses acquired in fiscal 1995.

Cost of products sold was 45.3 and 44.6 percent in the current and year ago periods respectively. Gross margins are expected to remain at approximately 55 percent for the remainder of this fiscal year.

Selling, delivery and administration expense increased 12 percent over the year ago period principally due to continued investment in international infrastructure, and costs implementing our customer interface project.

Advertising expense was up slightly from a year ago. Included in advertising expense is a shift from sales promotion to media spending which improves the overall efficiency of the advertising effort.

Interest expense increased \$8,811,000 over a year ago due to higher levels 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 \$47,394,000 over the year ago period, principally due to the liquidation of June 30, 1995 receivables including those with seasonal dating terms for payment this period. Increases in accounts receivable and inventory balances from June 30, 1995 reflect normal seasonal variation, principally due to the charcoal and insecticides businesses. Increases in Brands, Trademarks, and Other Intangibles reflects the numerous business acquisitions made during the year. In connection with the acquisition of certain foreign operations, an investment in other assets has been made to create cost efficient funding. Increases in commercial paper borrowings and additional long-term debt were used to supplement cash provided by operations to fund acquisitions, the increase in other assets, and the share repurchase program.

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. Through the nine month period ended March 31, 1996, 1,069,400 shares at a cost of \$82,932,000 were reacquired, of which 372,400 shares at a cost of \$32,782,000 were reacquired during the third quarter. The Company also sold 240,000 put options on the Company's stock during the second quarter as a hedge of certain future stock option exercises. The options sold were unexpired and unexercised at March 31, 1996.

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 interest rate 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 transaction, and a specific prohibition on the use of any leveraged transaction.

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

S I G N A T U R E

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, 1996*

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 MARCH 31, 1996, AS PRESENTED IN THE CLOROX COMPANY'S FORM 10-Q 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 1996
PERIOD END	MAR 31 1996
CASH	51788
SECURITIES	36645
RECEIVABLES	322318
ALLOWANCES	1521
INVENTORY	175613
CURRENT ASSETS	620692
PP&E	956426
DEPRECIATION	415985
TOTAL ASSETS	2180569
CURRENT LIABILITIES	651864
BONDS	356902
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	55422
OTHER SE	864157
TOTAL LIABILITY AND EQUITY	2180569
SALES	1545366
TOTAL REVENUES	1545366
CGS	700074
TOTAL COSTS	1254957
OTHER EXPENSES	2061
LOSS PROVISION	0
INTEREST EXPENSE	26113
INCOME PRETAX	262235
INCOME TAX	105946
INCOME CONTINUING	156289
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	156289
EPS PRIMARY	3.00
EPS DILUTED	0

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.