

CLOROX CO /DE/

FORM 10-Q (Quarterly Report)

Filed 2/14/1996 For Period Ending 12/31/1995

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

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

X OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 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 No.)

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 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, 1995 there were 51,910,594 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

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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		Six Months Ended	
	12/31/95	12/31/94	12/31/95	12/31/94
	-----	-----	-----	-----
Net Sales	\$ 466,789	\$ 414,454	\$ 985,275	\$ 890,821
Costs and Expenses				
Cost of products sold	213,171	183,963	444,504	394,097
Selling, delivery and administration	102,378	91,885	201,034	181,356
Advertising	66,628	68,007	139,110	138,974
Research and development	11,205	10,817	21,407	20,917
Interest expense	7,588	5,163	15,360	10,089
Other expense (income), net	2,196	(2,164)	1,629	(1,802)
	-----	-----	-----	-----
Total costs and expenses	403,166	357,671	823,044	743,631
	-----	-----	-----	-----
Earnings before income taxes	63,623	56,783	162,231	147,190
Income Taxes	25,712	22,688	65,541	59,914
	-----	-----	-----	-----
Net Earnings	\$ 37,911	\$ 34,095	\$ 96,690	\$ 87,276
	=====	=====	=====	=====
Earnings per Common Share	\$ 0.73	\$ 0.64	\$ 1.85	\$ 1.64
Dividends per Share	\$ 0.53	\$ 0.48	\$ 1.06	\$ 0.96
Weighted Average Shares Outstanding	52,089	53,274	52,222	53,341

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)

	12/31/95	6/30/95
	-----	-----
ASSETS		

Current Assets		
Cash and short-term investments	\$ 105,866	\$ 137,330
Accounts receivable, less allowance	220,371	311,868
Inventories	157,524	121,095
Deferred income taxes	11,575	11,495
Prepaid expenses	16,219	18,543
	-----	-----
Total current assets	511,555	600,331
Property, Plant and Equipment - Net	533,208	524,972
Brands, Trademarks, Patents and Other Intangibles	599,880	592,792
Investments in Affiliates	94,225	96,385
Other Assets	120,355	92,192
	-----	-----
Total	\$ 1,859,223	\$ 1,906,672
	=====	=====
 LIABILITIES AND STOCKHOLDERS' EQUITY		

Current Liabilities		
Accounts payable	\$ 89,462	\$ 122,763
Accrued liabilities	187,754	234,595
Income taxes payable	11,991	6,283
Commercial paper and notes payable	168,526	115,303
Current maturities of long-term debt	395	379
	-----	-----
Total current liabilities	458,128	479,323
Long-term Debt	249,487	253,079
Other Obligations	80,987	85,129
Deferred Income Taxes	136,957	145,228
Put Option Obligations	17,259	-
Stockholders' Equity		
Common Stock	55,422	55,422
Additional paid-in capital	109,068	108,347
Retained earnings	1,011,177	971,380
Treasury shares, at cost	(228,813)	(168,217)
Cumulative translation adjustments and other	(30,449)	(23,019)
	-----	-----
Stockholders' Equity	916,405	943,913
	-----	-----
Total	\$ 1,859,223	\$ 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)

	Six Months Ended	
	12/31/95	12/31/94
	-----	-----
Operations:		
Earnings from continuing operations	\$ 96,690	\$ 87,276
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	55,669	51,445
Deferred income taxes	3,300	5,400
Other	12,532	10,230
Effects of changes in:		
Accounts receivable	91,497	71,938
Inventories	(33,505)	(50,089)
Prepaid expenses	2,243	2,460
Accounts payable	(33,385)	(19,886)
Accrued liabilities	(44,049)	(42,100)
Income taxes payable	(5,863)	(4,078)
	-----	-----
Net cash provided by operations	145,129	112,596
Investing Activities:		
Property, plant and equipment	(30,658)	(28,803)
Disposal of property, plant and equipment	770	550
Businesses purchased	(61,665)	(24,165)
Other	(22,168)	(18,083)
	-----	-----
Net cash used for investment	(113,721)	(70,501)
Financing Activities:		
Short-term borrowings		6,031
Long-term debt and other obligations repayments	(12,696)	(207)
Commercial paper, net	53,223	44,038
Cash dividends	(55,537)	(51,298)
Treasury stock purchased	(50,150)	(26,682)
Employee stock plans	2,288	4,458
	-----	-----
Net cash used for financing	(62,872)	(23,660)
	-----	-----
(Decrease) Increase in Cash and Short-Term Investments	(31,464)	18,435
Cash and Short-Term Investments:		
Beginning of period	137,330	115,922
	-----	-----
End of period	\$ 105,866	\$ 134,357
	=====	=====

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 six months ended December 31, 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 and six months ended December 31, 1995 and 1994 should not be considered as necessarily indicative of the results for the entire year.

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

	12/31/95	6/30/95
	-----	-----
Finished goods and work in process	\$ 99,147	\$ 71,102
Raw materials and supplies	58,377	49,993
	-----	-----
Total	\$157,524	\$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 December 31, 1995, 697,000 shares had been repurchased at a cost of \$50,150,000.

(4) Acquisitions for the six months ended December 31, 1995 of \$61,665,000 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, 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 December 31, 1995
with the Three Months Ended December 31, 1994**

Earnings per share increased 14 percent to \$.73 from \$.64, and net earnings increased 11 percent to \$37,911,000 from \$34,095,000 a year ago principally due to a 13 percent increase in net sales driven by a 13 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 twelfth consecutive quarterly increase in shipments. Combat insecticides and Kingsford charcoal shipments were also up strongly. 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.

Cost of products sold as a percentage of net sales was 45.7 and 44.4 percent in the current and year ago quarters, respectively. Gross margins are anticipated to remain at approximately 55 percent for the remainder of the fiscal year.

Selling, delivery, and administration expense increased 11 percent over the year ago period principally due to continued investment in international infrastructure, and costs implementing our customer interface project.

Advertising expense decreased 2 percent over the year ago period principally due to reductions in sales promotion activities (e.g. couponing). However, media spending has increased versus a year ago and we expect it to increase for the full year in line with sales.

Interest expense increased \$2,425,000 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 Six Months Ended December 31, 1995
with the Six Months Ended December 31, 1994

Earnings per share increased 13 percent to \$1.85 from \$1.64, and net earnings increased 11 percent to \$96,690,000 from \$87,276,000 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 both the first and second quarters for our home cleaning business unit which includes Formula 409, Soft Scrub, Pine-Sol and Clorox toilet bowl cleaners. Combat insecticides and Kingsford charcoal 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 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 45.1 and 44.2 percent in the current and year ago periods respectively. Gross margins are expected to remain at approximately 55 percent for the remainder of the fiscal year.

Selling, delivery and administration expense increased 11 percent over the year ago period principally due to continued investment in international infrastructure, and costs implementing our customer interface project.

Advertising expense was about even with 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 \$5,271,000 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 \$32,533,000 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. Decreases in accounts receivable and accounts payable, and increases in inventory balances from June 30, 1995 reflect normal seasonal variation, principally due to the charcoal and insecticides businesses. We expect inventories to increase during the next fiscal quarter 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. Through the six month period ended December 31, 1995, 697,000 shares at a cost of \$50,150,000 were reacquired, of which 418,400 shares at a cost of \$31,331,000 were reacquired during the second 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 December 31, 1995.

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.

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 _____

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 DECEMBER 31, 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	6 MOS
FISCAL YEAR END	JUN 30 1996
PERIOD END	DEC 31 1995
CASH	31862
SECURITIES	74004
RECEIVABLES	221892
ALLOWANCES	1521
INVENTORY	157524
CURRENT ASSETS	511555
PP&E	928248
DEPRECIATION	395040
TOTAL ASSETS	1859223
CURRENT LIABILITIES	458128
BONDS	249487
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	55422
OTHER SE	860983
TOTAL LIABILITY AND EQUITY	1859223
SALES	985275
TOTAL REVENUES	985275
CGS	444504
TOTAL COSTS	806055
OTHER EXPENSES	1629
LOSS PROVISION	0
INTEREST EXPENSE	15360
INCOME PRETAX	162231
INCOME TAX	65541
INCOME CONTINUING	96690
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	96690
EPS PRIMARY	1.85
EPS DILUTED	0

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