

CLOROX CO /DE/

FORM 10-Q (Quarterly Report)

Filed 5/15/1995 For Period Ending 3/31/1995

| | |
|-------------|--|
| 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)

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

For the quarterly period ended March 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 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 X No

As of March 31, 1995 there were 53,126,523 shares outstanding of the registrant's common stock (par value - \$1.00), the registrant's only outstanding class of stock.

Total pages 11

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, 1995 and 1994 | 3 |
| Condensed Consolidated Balance Sheets | |
| March 31, 1995 and June 30, 1994 | 4 |

Condensed Statements of Consolidated Cash Flows
Nine Months Ended March 31, 1995 and 1994 5

Notes to Condensed Consolidated Financial Statements 6-7

Item 2. Management's Discussion and Analysis
of Results of Operations and
Financial Condition 8-10

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements
The Clorox Company and Subsidiaries
Condensed Statements of Consolidated Earnings

(In thousands, except per share amounts)
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------------|-------------------|-------------|
| | 3/31/95 | 3/31/94 | 3/31/95 | 3/31/94 |
| Net Sales | \$ 499,060 | \$ 481,928 | \$1,389,881 | \$1,302,516 |
| Costs and Expenses | | | | |
| Cost of products sold | 225,997 | 211,964 | 620,094 | 569,178 |
| Selling, delivery and administration | 100,727 | 87,640 | 282,083 | 249,465 |
| Advertising | 66,432 | 82,363 | 205,406 | 226,920 |
| Research and development | 10,742 | 10,945 | 31,659 | 31,311 |
| Interest expense | 7,213 | 4,383 | 17,302 | 13,051 |
| Other (income) expense, net | (2,284) | 1,261 | (4,086) | (7,765) |
| Total costs and expenses | 408,827 | 398,556 | 1,152,458 | 1,082,160 |
| Earnings from Continuing Operations before Income Taxes | 90,233 | 83,372 | 237,423 | 220,356 |
| Income Taxes | 36,199 | 33,857 | 96,113 | 93,941 |
| Earnings from Continuing Operations | 54,034 | 49,515 | 141,310 | 126,415 |
| Earnings from and Gain on Sale of Discontinued Operations | - | - | - | 32,064 |
| Net Earnings | \$ 54,034 | \$ 49,515 | \$ 141,310 | \$ 158,479 |
| Earnings per Common Share | | | | |
| Continuing Operations | \$ 1.02 | \$ 0.93 | \$ 2.65 | \$ 2.35 |
| Discontinued Operations | - | - | - | 0.59 |
| Total | \$ 1.02 | \$ 0.93 | \$ 2.65 | \$ 2.94 |
| Dividends per Share | \$ 0.48 | \$ 0.45 | \$ 1.44 | \$ 1.35 |
| Weighted Average Shares Outstanding | 53,083 | 53,448 | 53,255 | 53,949 |

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)

| | 3/31/95 | 6/30/94 |
|---|----------------------|--------------|
| | ----- (Unaudited) | ----- |
| ASSETS | | |
| ----- | | |
| Current Assets | | |
| Cash and short-term investments | \$ 92,892 | \$ 115,922 |
| Accounts receivable, less allowance | 269,712 | 249,843 |
| Inventories | 162,650 | 105,948 |
| Deferred income taxes | 17,187 | 18,548 |
| Prepaid expenses | 14,434 | 14,014 |
| | ----- | ----- |
| Total current assets | 556,875 | 504,275 |
| Property, Plant and Equipment - Net | 519,043 | 532,600 |
| Brands, Trademarks, Patents and Other Intangibles | 564,495 | 520,042 |
| Investments in Affiliates | 84,912 | 83,368 |
| Other Assets | 63,905 | 57,284 |
| | ----- | ----- |
| Total | \$ 1,789,230 | \$ 1,697,569 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| ----- | | |
| Current Liabilities | | |
| Accounts payable | \$ 90,757 | \$ 97,728 |
| Accrued liabilities | 200,185 | 227,197 |
| Income taxes payable | 30,107 | 7,599 |
| Commercial paper and notes payable | 84,028 | 42,916 |
| Current maturities of long-term debt | 291 | 392 |
| | ----- | ----- |
| Total current liabilities | 405,368 | 375,832 |
| Long-term Debt | 215,930 | 216,088 |
| Other Obligations | 88,961 | 63,187 |
| Deferred Income Taxes | 129,539 | 133,045 |
| Put Option Obligations | 10,540 | - |
| Stockholders' Equity | | |
| Common Stock | 55,422 | 55,422 |
| Additional paid-in capital | 107,422 | 106,554 |
| Retained earnings | 938,960 | 876,832 |
| Treasury shares, at cost | (133,956) | (107,146) |
| Cumulative translation adjustments and other | (28,956) | (22,245) |
| | ----- | ----- |
| Stockholders' Equity | 938,892 | 909,417 |
| | ----- | ----- |
| Total | \$ 1,789,230 | \$ 1,697,569 |

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)
(Unaudited)

| | Nine Months Ended | |
|---|-------------------|------------|
| | 3/31/95 | 3/31/94 |
| | ----- | ----- |
| Operations: | | |
| Earnings from continuing operations | \$ 141,310 | \$ 126,415 |
| Adjustments to reconcile to net cash provided by operating activities: | | |
| Depreciation and amortization | 79,961 | 70,631 |
| Deferred income taxes | 9,000 | 16,205 |
| Other | 8,588 | 2,820 |
| Effects of changes in: | | |
| Accounts receivable | (16,158) | (48,482) |
| Inventories | (53,623) | (36,995) |
| Prepaid expenses | 1,923 | (1,362) |
| Accounts payable | (23,613) | (16,195) |
| Accrued liabilities | (24,481) | (7,834) |
| Income taxes payable | 21,969 | 921 |
| | ----- | ----- |
| Net cash provided by continuing operations | 144,876 | 106,124 |
| Net cash used by discontinued operations | - | (21,097) |
| | ----- | ----- |
| Net cash provided by operations | 144,876 | 85,027 |
| | ----- | ----- |
| Investing Activities: | | |
| Property, plant and equipment | (39,517) | (37,901) |
| Disposal of property, plant and equipment | 7,865 | 6,790 |
| Businesses sold | - | 159,293 |
| Businesses purchased | (54,015) | (139,054) |
| Other | (24,113) | (23,732) |
| | ----- | ----- |
| Net cash used for investment | (109,780) | (34,604) |
| | ----- | ----- |
| Financing Activities: | | |
| Short-term borrowings | 5,112 | - |
| Long-term borrowings | - | 17,669 |
| Long-term debt repayments | (387) | (1,187) |
| Commercial paper, net | 36,000 | 142,010 |
| Cash dividends | (76,762) | (73,086) |
| Treasury stock purchased | (29,199) | (99,906) |
| Employee stock plans | 7,110 | 7,243 |
| | ----- | ----- |
| Net cash used for financing | (58,126) | (7,257) |
| | ----- | ----- |
| Net (Decrease) Increase in Cash and Short-Term Investments | (23,030) | 43,166 |
| Cash and Short-Term Investments: | | |
| Beginning of period | 115,922 | 71,164 |
| | ----- | ----- |
| End of period | \$ 92,892 | \$ 114,330 |
| | ===== | ===== |
| Non-cash transaction: | | |
| Other obligation arising from business purchased | \$ 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, 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 (collectively, the "Company") have been made. The results of the three and nine months ended March 31, 1995 and 1994 should not be considered as necessarily indicative of the results for the entire year.

(2) The Company sold its 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):

Nine Months Ended

3/31/94

| | | |
|---|-----------|-------|
| Net Sales | \$ 18,700 | ===== |
| Earnings from operations before income taxes | \$ 1,043 | |
| Income taxes | 409 | ----- |
| Net earnings from discontinued operations | 634 | ----- |
| 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 | \$ 32,064 | ===== |

<CAPTION

(3) Inventories consisted of (in thousands):

| | 3/31/95 | 6/30/94 |
|------------------------------------|------------|------------|
| | ----- | ----- |
| Finished goods and work in process | \$ 106,679 | \$ 69,280 |
| Raw materials and supplies | 55,971 | 36,668 |
| | ----- | ----- |
| Total | \$ 162,650 | \$ 105,948 |
| | ===== | ===== |
| | | 6 |
| | | - |

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements

The Clorox Company and Subsidiaries Notes to Condensed Consolidated Financial Statements

(4) Stock Repurchases

The Company has 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, 1995, 4,188,415 shares had been repurchased under this plan to date; of which 513,900 shares (\$29,199,000) and 1,883,300 shares (\$99,906,000) were purchased during the nine months ended March 31, 1995 and 1994, respectively.

(5) Put Option Obligations

The Company sold 600,000 put options during the second quarter of fiscal 1995 with a strike price of \$52.70 per share that expire at various times through May 1995. Upon exercise, each put option obligates the Company to purchase one share of its common stock at the strike price. During the third quarter of fiscal 1995, 400,000 options expired. The aggregate exercise price of the remaining 200,000 options, \$10,540,000, which expired unexercised on May 4, 1995, has been classified as put option obligations with a corresponding increase in treasury stock at March 31, 1995.

(6) Acquisitions

Acquisitions in fiscal 1995, which were funded from cash and other obligations, include Brita International Holdings, Inc., a Canadian-based manufacturer and marketer of Brita water filtration systems, and other foreign investments, all of which were accounted for as purchases.

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 purchase price was subsequently adjusted to \$116,488,000 by June 30, 1994. At June 30, 1994, \$98,850,000 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.

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, 1995
with the Three Months Ended March 31, 1994**

Net sales increased 4% on a 7% increase in shipments. Products and businesses contributing to the increase in sales include the Brita water filtration system, Formula 409, Tilex, S. O. S steel wool soap pads, Combat insecticides, and international business expansion, offset by declines in our retail food business. New product activity included 409 Professional Strength Cleaner, S.O.S Juniors, Combat ant granules and stakes, and roach gel. Volume grew at a greater rate than net sales due to a change in product mix caused by Brita's outstanding growth in unit volume which has lower average unit revenue than other brands, and higher levels of trade promotions to support new product introductions. Trade promotion spending is reported as a reduction in net sales.

Cost of products sold as a percentage of net sales was 45% versus 44% in the year ago period. The slight increase reflects this quarter's shift toward trade promotions for new products, while on a per unit basis, costs of products sold were about even with the year ago period. Gross margins are anticipated to remain at approximately 55% for the remainder of fiscal 1995.

Research and development expense was about even with the year ago period. New product activity is expected to remain at high levels with spending to remain about level as a percentage of sales due to shortened development times and efficiency improvements which have been achieved in the research and development function. Selling, delivery, and administration expenses increased 15% over the year ago period principally due to the investment in International infrastructure necessitated by growth, and certain costs of implementing our new logistics and customer interface projects. The strategies of these projects are to improve our productivity and efficiency internally and with our customers.

Advertising expense, inclusive of sales promotion costs, was down 19% versus a year ago principally due to this quarter's shift in emphasis to trade promotions in support of new product introductions and a reduction of sales promotion activities to more efficient levels. Advertising directed to consumers increased.

Interest expense increased this period versus a year ago principally due to higher rates for short-term borrowings.

Other income/expense increased versus the year ago period due to last year's losses recognized on information systems write-offs.

Earnings per share from continuing operations benefited by approximately 1 cent per share this period versus a year ago due to the effect of the stock repurchase program.

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, 1995
with the Nine Months Ended March 31, 1994**

Net sales increased 7% on a 10% increase in shipments. Products contributing to the increase in sales include the Brita water filtration system, Pine-Sol, Formula 409, Tilex, Combat insecticides, and continuing growth in our international businesses through expansion. The acquisition of the S.O.S soap pad business on January 31, 1994 also contributed to the increase in sales. Growth in unit volume exceeded that of net sales due to a shift in product mix caused by the strong growth of Brita which has a lower than average revenue per unit, and the third quarter shift in marketing activities toward trade promotions from advertising expense. This shift toward trade promotions was due to continued growth in International businesses, a shift in marketing spending from advertising in the food business, and the introduction of new products.

Cost of products sold as a percentage of net sales was 45% versus 44% in the year ago period. The slight increase is due to the third quarter shift toward trade promotions. Per unit costs were about level with the year ago period. Gross margins are anticipated to remain at approximately 55% for the remainder of 1995.

Research and development expense increased slightly over the year ago period, and declined slightly as a percentage of net sales. New product activity is expected to remain at high levels with spending expected to remain level as a percentage of sales, due to shortened development times and efficiency improvements. Selling, delivery, and administration expenses increased 13% over the year ago period primarily due to the investment in International infrastructure to support growth, and the costs associated with implementing the new logistics strategy and our customer interface program.

Advertising expense, inclusive of sales promotion costs, decreased 10% from the year ago period primarily due to the third quarter shift toward trade promotions to support new product introductions. Advertising alone is up on a year to year basis, while sales promotion activities were reduced to more efficient levels. We anticipate that for the full year our total marketing expense, including trade promotions and advertising, will be about even with fiscal 1994.

Other income declined from the prior year primarily due to last year's non-recurring gains from sales of idle property and the Kingsford grill business, offset by a decline in earnings from the Company's investment in Spain primarily due to a continuing sluggish Spanish economy, and write-offs of information systems.

Interest expense increased for the period versus a year ago primarily due to higher short-term interest rates.

The effective tax rate for the period was 40.5% versus the year ago period's effective tax rate of 42.6%. The decline was principally due to \$4,000,000 of prior year tax charges which arose as a result of 1993 tax legislation that increased the statutory tax rate by 1%. The retroactive effect on earnings from January 1, 1993 and the increase in deferred tax liabilities were both recognized in the year-ago period.

Income from discontinued operations through December 31, 1993 includes the gain on sale of our frozen foods and bottled water businesses of \$31,430,000, net of \$10,747,000 in taxes, and operating income of \$634,000, net of \$409,000 in taxes.

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 have remained strong principally due to cash provided by continuing operations during the current period. Accounts receivable have increased from June 30, 1994 due to the growth of the Brita and International businesses. Inventories have increased significantly principally due to a change in Kingsford charcoal's promotional activities which have shifted sales from the third to the fourth quarter. Accrued expenses have decreased from June 30, 1994 principally due to the timing of events and payments. Income taxes payable have increased versus June 30, 1994 principally due to timing requirements for interim tax payments.

The Company intends to complete the final phase of the stock repurchase program this fiscal year by repurchasing approximately 750,000 shares during the remainder of the fiscal year, subject to market conditions and business opportunities which may arise. The Board of Directors approved the stock repurchase program in 1989. Through March 31, 1995, 4,188,415 shares at a cost of \$200,426,000 were repurchased. During fiscal 1995 to date, 513,900 shares at a cost of \$29,199,000 were repurchased. The Company sold 600,000 put options on the Company's stock during the second quarter in support of the stock repurchase program, of which 400,000 expired and 200,000, which expired unexercised on May 4, 1995, were unexercised at March 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.

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 /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, 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 | 9 MOS |
| FISCAL YEAR END | JUN 30 1995 |
| PERIOD START | JUL 01 1994 |
| PERIOD END | MAR 31 1995 |
| CASH | 35938 |
| SECURITIES | 56954 |
| RECEIVABLES | 271233 |
| ALLOWANCES | 1521 |
| INVENTORY | 162650 |
| CURRENT ASSETS | 556875 |
| PP&E | 866055 |
| DEPRECIATION | 347012 |
| TOTAL ASSETS | 1789230 |
| CURRENT LIABILITIES | 405368 |
| BONDS | 215930 |
| COMMON | 55422 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| OTHER SE | 833470 |
| TOTAL LIABILITY AND EQUITY | 1789230 |
| SALES | 1389881 |
| TOTAL REVENUES | 1389881 |
| CGS | 620094 |
| TOTAL COSTS | 1139242 |
| OTHER EXPENSES | 4086 |
| LOSS PROVISION | 0 |
| INTEREST EXPENSE | 17302 |
| INCOME PRETAX | 237423 |
| INCOME TAX | 96113 |
| INCOME CONTINUING | 141310 |
| DISCONTINUED | 0 |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET INCOME | 141310 |
| EPS PRIMARY | 2.65 |
| EPS DILUTED | 0 |

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.