

CLOROX CO /DE/

FORM 10-Q (Quarterly Report)

Filed 2/13/1995 For Period Ending 12/31/1994

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

(MARK ONE)

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

For the quarterly period ended December 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

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 X No

As of December 31, 1994 there were 53,054,770 shares outstanding of the registrant's common stock (par value - \$1.00), the registrant's only outstanding class of stock.

Total pages 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)

	Three Months Ended		Six Months Ended	
	12/31/94	12/31/93	12/31/94	12/31/93
Net Sales	\$ 414,454	\$ 370,844	\$ 890,821	\$ 820,588
Costs and Expenses				
Cost of products sold	183,963	163,386	394,097	357,214
Selling, delivery and administration	91,885	76,703	181,356	161,825
Advertising	68,007	66,583	138,974	144,557
Research and development	10,817	10,314	20,917	20,366
Interest expense	5,163	4,747	10,089	8,668
Other income, net	(2,164)	(2,356)	(1,802)	(9,026)
Total costs and expenses	357,671	319,377	743,631	683,604
Earnings from Continuing Operations before Income Taxes	56,783	51,467	147,190	136,984
Income Taxes	22,688	20,881	59,914	60,084
Earnings from Continuing Operations	34,095	30,586	87,276	76,900
Earnings from and Gain on Sale of Discontinued Operations	-	-	-	32,064
Net Earnings	\$ 34,095	\$ 30,586	\$ 87,276	\$ 108,964
Earnings per Common Share				
Continuing Operations	\$ 0.64	\$ 0.57	\$ 1.64	\$ 1.42
Discontinued Operations	-	-	-	0.59
Total	\$ 0.64	\$ 0.57	\$ 1.64	\$ 2.01
Dividends per Share	\$ 0.48	\$ 0.45	\$ 0.96	\$ 0.90
Weighted Average Shares Outstanding	53,274	53,971	53,341	54,199

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)

	12/31/94	6/30/94
	-----	-----
ASSETS		
Current Assets		
Cash and short-term investments	\$ 134,357	\$ 115,922
Accounts receivable, less allowance	178,308	249,843
Inventories	157,418	105,948
Deferred income taxes	17,807	18,548
Prepaid expenses	12,685	14,014
	-----	-----
Total current assets	500,575	504,275
Property, Plant and Equipment - Net	530,092	532,600
Brands, Trademarks, Patents and Other Intangibles	525,602	520,042
Investments in Affiliates	78,511	83,368
Other Assets	64,771	57,284
	-----	-----
Total	\$ 1,699,551	\$ 1,697,569
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 78,836	\$ 97,728
Accrued liabilities	182,632	227,197
Income taxes payable	12,623	7,599
Commercial paper and notes payable	92,987	42,916
Current maturities of long-term debt	398	392
	-----	-----
Total current liabilities	367,476	375,832
Long-term Debt	215,972	216,088
Other Obligations	67,892	63,187
Deferred Income Taxes	128,602	133,045
Put Option Obligations	31,620	-
Stockholders' Equity		
Common Stock	55,422	55,422
Additional paid-in capital	106,642	106,554
Retained earnings	912,305	876,832
Treasury shares, at cost	(158,285)	(107,146)
Cumulative translation adjustments and other	(28,095)	(22,245)
	-----	-----
Stockholders' Equity	887,989	909,417
	-----	-----
Total	\$ 1,699,551	\$ 1,697,569
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

3

-

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	
	12/31/94	12/31/93
	-----	-----
Operations:		
Earnings from continuing operations	\$ 87,276	\$ 76,900
Adjustments to reconcile to net cash provided		
by operating activities:		
Depreciation and amortization	51,445	45,887
Deferred income taxes	5,400	11,706
Other	10,230	1,011
Effects of changes in:		

Accounts receivable	71,938	85,753
Inventories	(50,089)	(36,573)
Prepaid expenses	2,460	4,089
Accounts payable	(19,886)	(17,376)
Accrued liabilities	(42,100)	(35,010)
Income taxes payable	(4,078)	(1,421)
	-----	-----
Net cash provided by continuing operations	112,596	134,966
	-----	-----
Net cash used by discontinued operations	-	(21,097)
Net cash provided by operations	112,596	113,869
	-----	-----
Investing Activities:		
Property, plant and equipment	(28,803)	(28,347)
Disposal of property, plant and equipment	550	5,086
Businesses sold	-	159,293
Businesses purchased	(24,165)	(20,920)
Other	(18,083)	(19,825)
	-----	-----
Net cash provided by (used for) investment	(70,501)	95,287
	-----	-----
Financing Activities:		
Short-term borrowings	6,031	-
Long-term borrowings	-	13,049
Long-term debt repayments	(207)	(258)
Commercial paper, net	44,038	(33,710)
Cash dividends	(51,298)	(48,973)
Treasury stock purchased	(26,682)	(82,084)
Employee stock plans	4,458	6,989
	-----	-----
Net cash used for financing	(23,660)	(144,987)
	-----	-----
Net Increase in Cash and Short-Term Investments	18,435	64,169
Cash and Short-Term Investments:		
Beginning of period	115,922	71,164
	-----	-----
End of period	\$ 134,357	\$ 135,333
	=====	=====

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, 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 (collectively, the "Company") have been made. The results of the three and six months ended December 31, 1994 and 1993 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):

	Six Months Ended ----- 12/31/93 -----
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 =====

(3) Inventories consisted of (in thousands):

	12/31/94 -----	6/30/94 -----
Finished goods and work in process	\$103,249	\$ 69,280
Raw materials and supplies	54,169	36,668
Total	\$157,418 =====	\$105,948 =====

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 December 31, 1994, 4,145,715 shares had been repurchased under this plan to date; of which 471,200 shares and 3,363,615 shares were purchased during the six months ended December 31, 1994 and 1993, respectively.

(5) Put Option Obligations

The Company sold 600,000 put options during the second quarter of fiscal 1995 with various strike prices (average 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. The aggregate exercise price of \$31,620,000 has been classified as put option obligations with a corresponding increase in treasury stock at December 31, 1994.

(6) Subsequent Event

On February 3, 1995 the Company acquired the assets and assumed certain liabilities of Brita International Holding, Inc., a Canadian-based manufacturer and marketer of Brita water filtration systems. This acquisition expands the Company's water filtration systems business which had been focused in the United States.

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, 1994
with the Three Months Ended December 31, 1993**

Net sales increased 12% primarily due to record shipments of Clorox liquid bleach, Pine-Sol cleaner, Formula 409, Soft Scrub cleanser, Kingsford charcoal briquets, and the Brita water filtration system. The acquisition of the S.O.S soap pad business acquired on January 31, 1994 also contributed to the increase in sales. New products contributing to the sales increase include S.O.S Juniors steel wool soap pads, Formula 409 Professional Strength, Liquid-Plumr Septic Tank Treatment, and Hidden Valley ready-to-eat dips.

Cost of products sold as a percentage of net sales was 44% in both periods. Material costs and plant operation expenses during this period were level with those costs during the same period a year ago, on a per unit basis. Gross margins are anticipated to remain at this level for the remainder of fiscal 1995.

Research and development expense was up slightly from the year ago period but declined slightly as a percent of net sales. New product activity is expected to remain at high levels with spending expected to remain level as a percent 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 20% over the year ago period and increased slightly as a percent of sales. Included in this quarter were costs associated with a Company initiative to simplify the way the Company does business with its trade customers.

Advertising expense was up slightly from the year ago period and reflects introductory spending during the quarter on Hidden Valley ready-to-eat dips. The Company expects advertising to increase for the full year over fiscal 1994 as new product introductions are expected to continue at high levels and established brands are expected to continue to receive strong support.

Interest expense increased this period versus a year ago due to higher levels of borrowing by the Company's foreign subsidiaries, the addition of an industrial revenue bond, higher levels of commercial paper borrowings and higher interest rates. Last year's quarter benefited from cash provided by the sale of discontinued operations which alleviated the need to borrow.

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 Six Months Ended December 31, 1994
with the Six Months Ended December 31, 1993**

Net sales increased 9% primarily due to record shipments of Clorox liquid bleach, Pine-Sol cleaner, Formula 409, Soft Scrub cleanser, Kingsford charcoal briquets, and the Brita water filtration system. The acquisition of the S.O.S soap pad business acquired on January 31, 1994 also contributed to the increase in sales. New products contributing to the sales increase include S.O.S Juniors steel wool soap pads, Formula 409 Professional Strength, Liquid-Plumr Septic Tank Treatment, and Hidden Valley ready-to-eat dips.

Cost of products sold as a percentage of net sales was 44% in both periods. Material costs and plant operation expenses during this period were level with those costs during the same period a year ago, on a per unit basis. Gross margins are anticipated to remain at this level for the remainder of fiscal 1995.

Research and development expense was up slightly from the year ago period but declined slightly as a percent of net sales. New product activity is expected to remain at high levels with spending expected to remain level as a percent 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 12% over the year ago period and increased slightly as a percent of sales. Included in this period were costs associated with a Company initiative to simplify the way the Company does business with its trade customers.

Advertising expense was down slightly from the year ago period principally due to the timing of last year's introductory spending for new products. The Company expects advertising to increase for the full year over fiscal 1994 as new product introductions will continue at high levels, and established brands are expected to continue to receive strong support.

Other income net, declined \$7 million this year, principally due to non-recurring gains from the sale of idle property and the Kingsford grill business in the prior year, offset this year by higher amortization of intangibles due to recent acquisitions and a decline in earnings from the Company's investment in Spain primarily due to a continuing sluggish Spanish economy.

Interest expense increased this period versus a year ago due to higher levels of borrowing by the Company's foreign subsidiaries, the addition of an industrial revenue bond, higher levels of commercial paper borrowings and higher interest rates. Last year's quarter benefited from cash provided by the sale of discontinued operations which alleviated the need to borrow.

The effective tax rate for the period was 40.7% versus the year ago period's effective tax rate of 43.8%. The decline was principally due to \$4,000,000 of non-recurring 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 its 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.

Earnings per share from continuing operations benefited by approximately 2 cents 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

Liquidity and Capital Resources

The Company's financial position and liquidity have relatively remained strong principally due to cash provided by operations during the current period. Decreases in receivables and accounts payable and increases in inventories since June 30, 1994 primarily reflect the normal seasonal pattern of the charcoal briquet and insecticides businesses. Accrued liabilities were down from June 30, 1994 due to a greater emphasis on promotional spending versus advertising during the second quarter. The Company expects inventories to increase during the next fiscal quarter for the charcoal and insecticides businesses in anticipation of the 1995 seasons.

The Company intends to complete the final phase of the stock repurchase program this fiscal year by repurchasing 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 December 31, 1994, 4,145,715 shares at a cost of \$197,909,000 were repurchased. During the second fiscal quarter of 1995, 471,200 shares at a cost of \$26,682,000 were repurchased for Treasury shares. The Company sold 600,000 put options on the Company's stock during the second quarter in support of the stock repurchase program, which were unexercised and unexpired at December 31, 1994.

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 02/13/95

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, 1994, 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 1995
PERIOD START	JUL 01 1994
PERIOD END	DEC 31 1994
CASH	26814
SECURITIES	107543
RECEIVABLES	179829
ALLOWANCES	1521
INVENTORY	157418
CURRENT ASSETS	500575
PP&E	876738
DEPRECIATION	346646
TOTAL ASSETS	1699551
CURRENT LIABILITIES	367476
BONDS	215972
COMMON	55422
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	832567
TOTAL LIABILITY AND EQUITY	1699551
SALES	890821
TOTAL REVENUES	890821
CGS	394097
TOTAL COSTS	735344
OTHER EXPENSES	1802
LOSS PROVISION	0
INTEREST EXPENSE	10089
INCOME PRETAX	147190
INCOME TAX	59914
INCOME CONTINUING	87276
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	87276
EPS PRIMARY	1.64
EPS DILUTED	0

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.