

CLOROX CO /DE/

FORM 10-Q (Quarterly Report)

Filed 11/14/2000 For Period Ending 9/30/2000

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 September 30, 2000
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 number)
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 No

As of September 30, 2000 there were 235,589,069 shares outstanding of the registrant's common stock (par value - \$1.00), the registrant's only outstanding class of stock.

THE CLOROX COMPANY

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The Clorox Company and Subsidiaries
 Condensed Consolidated Statements of Earnings
 (In millions, except share and per-share amounts)

	Three Months Ended	
	9/30/00	9/30/99
Net Sales	\$ 985	\$ 942
Cost and Expenses		
Cost of products sold	549	517
Selling and administration	123	127
Advertising	110	116
Research and development	14	14
Merger, restructuring and asset impairment	-	2
Interest expense	26	23
Other expense, net	8	6
	-----	-----
Total costs and expenses	830	805
	-----	-----
Earnings before income taxes and cumulative effect of change in accounting principle	155	137
Income taxes	55	50
	-----	-----
Earnings before cumulative effect of change in accounting principle	100	87
Cumulative effect of change in accounting principle	(2)	-
	-----	-----
Net Earnings	\$ 98	\$ 87
	=====	=====
Earnings per Common Share		
Basic		
Earnings before cumulative effect of change in accounting principle	\$ 0.43	\$ 0.37
Cumulative effect of change in accounting principle	(0.01)	-
	-----	-----
Net earnings	\$ 0.42	\$ 0.37
	=====	=====
Diluted		
Earnings before cumulative effect of change in accounting principle	\$ 0.42	\$ 0.36
Cumulative effect of change in accounting principle	(0.01)	-
	-----	-----
Net earnings	\$0.41	\$0.36
	=====	=====
Weighted Average Shares Outstanding (in thousands)		
Basic	235,522	237,020
Diluted	238,568	240,578
Dividends per Share	\$ 0.21	\$ 0.20

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 millions)

	9/30/00	6/30/00
	-----	-----
ASSETS		

Current Assets		
Cash and short-term investments	\$ 189	\$ 254
Receivables - net	516	624
Inventories	378	376
Prepaid expenses and other	170	175
Deferred income taxes	24	25
	-----	-----
Total current assets	1,277	1,454
Property, Plant and Equipment - Net	1,063	1,079
Brands, Trademarks, Patents and Other Intangibles - Net	1,513	1,536
Investments in Affiliates	110	110
Other Assets	175	174
	-----	-----
Total	\$ 4,138	\$ 4,353
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

Current Liabilities		
Accounts payable	\$ 219	\$ 319
Accrued liabilities	359	397
Accrued merger and restructuring	11	16
Commercial paper and other short-term debt	647	768
Income taxes payable	63	36
Current maturities of long-term debt	206	5
	-----	-----
Total current liabilities	1,505	1,541
Long-term Debt	389	590
Other Obligations	197	204
Deferred Income Taxes	221	224
Stockholders' Equity		
Common stock	250	250
Additional paid-in capital	128	127
Retained earnings	2,120	2,068
Treasury shares, at cost	(451)	(451)
Accumulated other comprehensive net losses	(204)	(183)
Other	(17)	(17)
	-----	-----
Stockholders' equity	1,826	1,794
	-----	-----
Total	\$ 4,138	\$ 4,353
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

PART I - FINANCIAL INFORMATION (Continued)
Item 1. Financial Statements
The Clorox Company and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In millions)

	Three Months Ended	
	9/30/00	9/30/99
	-----	-----
Operations:		
Net earnings	\$ 98	\$ 87
Adjustments to reconcile to net cash provided by operations:		
Depreciation and amortization	54	48
Deferred income taxes	2	2
Other	13	1
Changes in:		
Accounts receivable	107	30
Inventories	(5)	1
Prepaid expenses and other	5	8
Accounts payable	(100)	(1)
Accrued liabilities	(34)	(32)
Accrued merger and restructuring	(5)	(9)
Income taxes payable	27	10
	-----	-----
Net cash provided by operations	162	145
	-----	-----
Investing Activities:		
Purchases of property, plant and equipment	(18)	(24)
Businesses acquired	-	(7)
Other	(31)	(14)
	-----	-----
Net cash used for investing	(49)	(45)
	-----	-----
Financing Activities:		
Commercial paper and other short-term debt borrowings (repayments), net	(124)	(26)
Long-term debt borrowings	2	13
Long-term debt repayments	(3)	(2)
Cash dividends	(49)	(47)
Treasury stock purchased and related premiums	(4)	(43)
Settlement of share repurchase and option contracts	-	76
Issuance of common stock for employee stock plans and other	2	5
	-----	-----
Net cash used for financing	(176)	(24)
	-----	-----
Effect on cash of exchange rate changes	(2)	1
Net increase (decrease) in cash and short-term investments	(65)	77
Cash and short-term investments:		
Beginning of period	254	132
	-----	-----
End of period	\$ 189	\$ 209
	=====	=====

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

(In millions, except share and per-share amounts)

1) The condensed consolidated financial statements for the three months ended September 30, 2000 and 1999 have not been audited but, in the opinion of management, include all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the consolidated results of operations, financial position, and cash flows of The Clorox Company and its subsidiaries (the "Company").

2) Inventories at September 30, 2000 and at June 30, 2000 consisted of:

	9/30/00	6/30/00
	-----	-----
Finished goods and work in process	\$ 257	\$ 250
Raw materials and supplies	121	126
	-----	-----
Total	\$ 378	\$ 376
	=====	=====

3) The Company's 8.8% non-callable notes due August 2001, totaling \$200 million, are included in current maturities of long-term debt as of September 30, 2000. Such amounts were included in long-term debt as of June 30, 2000.

4) Effective July 1, 2000, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." The statement requires that an entity recognize all derivatives as either assets or liabilities. The transition adjustment to implement this new standard on July 1, 2000, which is presented as a cumulative effect of change in accounting principle, reduced earnings by \$2 million (net of tax of \$1 million) and increased other comprehensive income by \$10 million (net of tax of \$7 million).

At September 30, 2000, the Company had interest rate swaps, derivative commodity contracts and foreign exchange contracts. The interest rate swaps were designated as fair value hedges of both fixed and variable debt obligations and were recorded with a fair value of \$5 million in long-term debt. The derivative commodity contracts with a net fair value of \$2 million were designated as cash flow hedges of raw material purchases and were recorded as follows: \$5 million in other assets, \$2 million in other long-term obligations and \$1 million in current liabilities. The Company also had a derivative commodity contract with a fair value of \$4 million that did not qualify for hedge accounting treatment which had been recorded to other long-term obligations with the offset to both cumulative effect of change in accounting principle and current earnings. The foreign exchange contracts were designated as fair value hedges of foreign currency denominated debt, with a fair value of \$5 million, and were recorded as follows: \$4 million as an addition to long-term debt and \$1 million in current liabilities.

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements

The Clorox Company and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(In millions, except share and per-share amounts)

5) Basic earnings per share (EPS) is computed by dividing net earnings by the weighted average number of common shares outstanding each period. Diluted EPS is computed by dividing net earnings by the diluted weighted average number of common shares outstanding during each period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, restricted stock, warrants and other convertible securities. The weighted average number of shares outstanding (denominator) used to calculate basic EPS is reconciled to those shares used in calculating diluted EPS as follows (in thousands):

	Weighted Average Number of Shares Outstanding	

	Three Months Ended	
	9/30/00	9/30/99
	-----	-----
Basic	235,522	237,020
Stock options	2,292	3,539
Share repurchase and hedging contracts	671	-
Other	83	19
	-----	-----

Diluted	238,568	240,578
	=====	=====

6) Comprehensive income for the Company includes net income, foreign currency translation adjustments and derivative gains or losses that are excluded from net income but included as a separate component of total stockholders' equity. Comprehensive income for the three month period ended September 30, 2000 and 1999 is as follows:

	Three Months Ended	
	9/30/00	9/30/99
Net Earnings	\$ 98	\$ 87
Other comprehensive income(loss)		
Foreign currency translation adjustments	(22)	(5)
Cumulative effect of change in accounting principle	10	-
Net derivative loss	(9)	-
Total comprehensive income	\$ 77	\$ 82

PART I - FINANCIAL INFORMATION (Continued)

Item 1. Financial Statements

The Clorox Company and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(In millions, except share and per-share amounts)

7) The Company's operating segments are as follows:

U. S. Household Products and Canada: Includes cleaning, bleach and other home care products, and water filtration products marketed in the United States and all products marketed in Canada.

U. S. Specialty Products: Includes charcoal, automotive care, cat litter, insecticides, food products, professional products and the food storage and disposal categories.

International Operations: Includes operations outside the United States and Canada.

Corporate, Interest and Other: Includes certain unallocated administrative costs, goodwill amortization, interest income, interest expense, merger-related costs, and other income and expense.

Each segment is individually managed with separate operating results that are reviewed regularly by the chief operating decision maker. The following table shows operating segment information.

	Net Sales		Earnings Before Income Taxes and Cumulative Effect of Change in Accounting Principle	
	Three Months Ended		Three Months Ended	
	9/30/00	9/30/99	9/30/00	9/30/99
U.S. Household Products and Canada	\$ 425	\$ 401	\$ 139	\$ 132
U.S. Specialty Products	419	404	102	97
International Operations	141	137	19	13
Corporate, Interest and Other	-	-	(105)	(105)
Total Company	\$ 985	\$ 942	\$ 155	\$ 137

8) On November 1, 2000, the Company entered into an agreement with Brita GmbH to acquire the right to the Brita trademark and other intellectual property in North and South America and certain other net assets. The purchase price and terms of the agreement are expected to be completed by November 20, 2000.

9) Certain reclassifications have been made to prior-period amounts to conform to the current period presentation.

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 September 30, 2000 with the Three Months ended September 30, 1999

Diluted earnings per share increased 14% to 41 cents from 36 cents a year ago, and net earnings increased 13% to \$98 million from \$87 million a year ago. Improved earnings were principally due to volume increases and cost savings initiatives.

Net sales increased 5% to \$985 million due to an overall 6% increase in the Company's volumes. Volume growth was achieved in each of the Company's segments. The U.S. Household Products and Canada segment's net sales increased 6% due to an increase of 7% in the segment's shipments. This volume growth resulted from the strong performance of Clorox Disinfecting Wipes and Meadow Fresh Pine-Sol cleaner, both introduced in the prior year, and increases in shipments of Tilex and Clorox Clean-Up. The U.S. Specialty Products segment's net sales increased 4% and its volumes increased 3%. The volume growth was attributable to higher shipments of Kingsford and Match Light Charcoal resulting from favorable weather conditions, greater shipments of Scoop Away cat litter achieved from the successful repositioning of this line, and higher volume gains recorded for the Armor All protectants and tire care products. Also contributing to the increase in net sales was the favorable impact from lower promotional spending. Offsetting these increases were lower volumes from the Company's food storage and disposal business and the STP product line due to the elimination of low-margin, non-strategic items as well as a shift in assortment mix in the food storage and disposal business. The International segment's net sales increased 4% and its volumes, driven by the acquisition of Bon Bril in the prior year's fourth quarter, increased 10%. Offsetting this increase was the unfavorable impact resulting from foreign currency movements in Australia, New Zealand and Chile, and from a shift in product mix and higher promotional spending in Latin America.

Cost of products sold as a percentage of sales increased to 56% compared to 55% in the previous year due to higher resin, packaging and other raw material costs and an unfavorable assortment mix resulting from recent launches of new products. Partially offsetting these increases were cost savings generated from shifting automotive care manufacturing in-house from co-packers.

Selling and administrative expenses decreased 3% to \$123 million due to restructuring the Company's Asia operations during the fourth quarter of the prior year, bringing sales and distribution activities in-house in major Latin America markets, and from lower market research spending. These savings were partially offset by higher commission expense resulting from volume increases.

Advertising expense decreased 5% as a result of higher advertising costs in the year ago period to support the STP business and the launch of new products in the food and laundry businesses.

Interest expense increased from the prior year due to rising interest rates.

Other expense, net, increased due to lower interest income, equity earnings and royalty income.

The cumulative effect of change in accounting principle of \$2 million (net of tax of \$1 million) was recognized as a transition adjustment as of July 1, 2000 due to the implementation of SFAS No. 133, "Accounting for Derivative Investments and Hedging Activities".

PART I - FINANCIAL INFORMATION (Continued)

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

Financial Condition, Liquidity and Capital Resources

The Company's financial position and liquidity remains strong due to continuing cash flow provided by operations during the past fiscal year and for the quarter ended September 30, 2000. The decrease in receivables corresponds with lower sales in the first quarter as compared with the fourth quarter of the prior year and reflects the seasonal nature of charcoal and certain international businesses. The slight increase in inventories reflects an inventory build in the seasonal business. Decreases in accounts payable and accrued liabilities reflect timing of promotional spending and inventory purchases.

The Company's 8.8% non-callable notes due August 2001, totaling \$200 million, are now included in current maturities of long-term debt since they are due within the next twelve months.

On November 1, 2000, the Company entered into an agreement with Brita GmbH to acquire the right to the Brita trademark and other intellectual property in North and South America and certain other net assets. The acquisition will be funded by cash provided by short-term

borrowings. The purchase price and terms of the agreement are expected to be completed by November 20, 2000.

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

PART I - FINANCIAL INFORMATION (Continued)

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

Cautionary Statement

Except for historical information, matters discussed above and in the financial statements and footnotes, including statements about future growth, profitability, costs, expectations, plans or objectives, are forward-looking statements based on management's estimates, assumptions and projections. These forward-looking statements are subject to risks and uncertainties, and actual results could differ materially from those discussed above and in the financial statements and footnotes. Important factors that could affect performance and cause results to differ materially from management's expectations are described in "Forward-Looking Statements and Risk Factors" in the Company's Annual Report on Form 10-K for the year ending June 30, 2000, and in the Company's subsequent SEC filings. Those factors include, but are not limited to, marketplace conditions and events, competitors' actions, the Company's costs, risks inherent in litigation and international operations, the success of new products, the integration of acquisitions and mergers, and environmental, regulatory and intellectual property matters.

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 11/13/00

BY /s/ GREGORY S. FRANK

Gregory S. Frank
Vice-President - Controller

ARTICLE 5

THIS SCHEDULE RESTATED SUMMARY FINANCIAL INFORMATION FROM THE FINANCIAL STATEMENTS OF THE CLOROX COMPANY FOR THE FISCAL QUARTER ENDED SEPTEMBER 30, 1999, AS PRESENTED IN THE CLOROX COMPANY'S FORM 10-Q FILED FOR SUCH PERIOD, AND IS RESTATED THIS SCHEDULE, BUT IS OTHERWISE INCORPORATED BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

RESTATED:

MULTIPLIER: 1000

PERIOD TYPE	3 MOS
FISCAL YEAR END	JUN 30 2000
PERIOD END	SEP 30 1999
CASH	78
SECURITIES	131
RECEIVABLES	583
ALLOWANCES	3
INVENTORY	320
CURRENT ASSETS	1154
PP&E	1849
DEPRECIATION	800
TOTAL ASSETS	4161
CURRENT LIABILITIES	1314
BONDS	704
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	250
OTHER SE	1472
TOTAL LIABILITY AND EQUITY	4161
SALES	942
TOTAL REVENUES	942
CGS	517
TOTAL COSTS	776
OTHER EXPENSES	6
LOSS PROVISION	0
INTEREST EXPENSE	23
INCOME PRETAX	137
INCOME TAX	50
INCOME CONTINUING	87
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	87
EPS BASIC	0.37
EPS DILUTED	0.36

ARTICLE 5

THIS SCHEDULE CONTAINS RESTATED SUMMARY FINANCIAL INFORMATION FROM THE FINANCIAL STATEMENTS OF THE CLOROX COMPANY FOR THE FISCAL YEAR ENDED JUNE 30, 2000, AS PRESENTED IN THE CLOROX COMPANY'S FORM 10-K FILED FOR SUCH PERIOD, AND IS RESTATED HEREIN IN THIS SCHEDULE, BUT INCORPORATED BY REFERENCE OTHERWISE TO SUCH FINANCIAL STATEMENTS.

RESTATED:

MULTIPLIER: 1000

PERIOD TYPE	YEAR
FISCAL YEAR END	JUN 30 2000
PERIOD END	JUN 30 2000
CASH	203
SECURITIES	51
RECEIVABLES	627
ALLOWANCES	3
INVENTORY	376
CURRENT ASSETS	1454
PP&E	1957
DEPRECIATION	878
TOTAL ASSETS	4353
CURRENT LIABILITIES	1541
BONDS	590
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	250
OTHER SE	1544
TOTAL LIABILITY AND EQUITY	4353
SALES	4083
TOTAL REVENUES	4083
CGS	2250
TOTAL COSTS	3303
OTHER EXPENSES	60
LOSS PROVISION	0
INTEREST EXPENSE	98
INCOME PRETAX	622
INCOME TAX	228
INCOME CONTINUING	394
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	394
EPS BASIC	1.67
EPS DILUTED	1.64

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM THE FINANCIAL STATEMENTS OF THE CLOROX COMPANY FOR THE FISCAL QUARTER ENDED SEPTEMBER 30, 2000, AS PRESENTED IN THE CLOROX COMPANY'S FORM 10-Q FILED FOR SUCH PERIOD, AND IS INCORPORATED BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1000

PERIOD TYPE	3 MOS
FISCAL YEAR END	JUN 30 2001
PERIOD END	SEP 30 2000
CASH	120
SECURITIES	69
RECEIVABLES	520
ALLOWANCES	4
INVENTORY	378
CURRENT ASSETS	1277
PP&E	1960
DEPRECIATION	897
TOTAL ASSETS	4138
CURRENT LIABILITIES	1505
BONDS	389
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	250
OTHER SE	1576
TOTAL LIABILITY AND EQUITY	4138
SALES	985
TOTAL REVENUES	985
CGS	549
TOTAL COSTS	796
OTHER EXPENSES	8
LOSS PROVISION	0
INTEREST EXPENSE	26
INCOME PRETAX	155
INCOME TAX	55
INCOME CONTINUING	100
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	(2)
NET INCOME	98
EPS BASIC	0.42
EPS DILUTED	0.41

End of Filing

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