

CLOROX CO /DE/

FORM 10-Q (Quarterly Report)

Filed 2/14/1997 For Period Ending 12/31/1996

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

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

For the quarterly period ended December 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 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 December 31, 1996 there were 51,711,431 shares outstanding of the registrant's common stock (par value - \$1.00), the registrant's only outstanding class of stock.

Total pages 10 1

THE CLOROX COMPANY

PART 1. Financial Information Page No.

Item 1. Financial Statements

Condensed Statements of Consolidated
Earnings
Three and Six Months Ended
December 31, 1996 and 1995

3

Condensed Statements of Consolidated
Cash Flows
Six Months Ended December 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		Six Months Ended	
	12/31/96	12/31/95	12/31/96	12/31/95
Net Sales	\$ 530,215	\$ 466,789	\$1,120,988	\$ 985,275
Costs and Expenses				
Cost of products sold	235,626	213,171	492,987	444,504
Selling, delivery and administration	120,439	102,378	237,033	201,034
Advertising	80,910	66,628	169,884	139,110
Research and development	11,532	11,205	22,030	21,407
Interest expense	11,745	7,588	22,242	15,360
Other (income) expense, net	(2,986)	2,196	(4,959)	1,629
	-----	-----	-----	-----
Total costs and expenses	457,266	403,166	939,217	823,044
	=====	=====	=====	=====
Earnings before income taxes	72,949	63,623	181,771	162,231
Income Taxes	29,034	25,712	72,346	65,541
	-----	-----	-----	-----
Net Earnings	\$ 43,915	\$ 37,911	\$ 109,425	\$ 96,690
	=====	=====	=====	=====
Earnings per Common Share	\$ 0.85	\$ 0.73	\$ 2.12	\$ 1.85
Dividends per Share	\$ 0.58	\$ 0.53	\$ 1.16	\$ 1.06
Weighted Average Shares Outstanding	51,685	52,089	51,615	52,222

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, except per share amounts)

	12/31/96	6/30/96
ASSETS		

Current Assets		
Cash and short-term investments	\$ 80,911	\$ 90,828
Accounts receivable, less allowance	302,002	315,106
Inventories	189,853	138,848
Deferred income taxes	24,110	10,987
Prepaid expenses	25,362	18,076
	-----	-----
Total current assets	622,238	573,845
Property, Plant and Equipment - Net	569,186	551,437
Brands, Trademarks, Patents and Other Intangibles	1,140,328	704,669
Investments in Affiliates	98,833	99,033
Other Assets	280,503	249,910
	-----	-----
Total	\$ 2,711,088	\$ 2,178,894
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

Current Liabilities		
Accounts payable	\$ 116,910	\$ 155,366
Accrued liabilities	336,748	266,192
Income taxes payable	11,264	9,354
Commercial paper and notes payable	183,760	192,683
Current maturities of long-term debt	179	291
	-----	-----
Total current liabilities	648,861	623,886
Long-term Debt	793,350	356,267
Other Obligations	121,807	100,246
Deferred Income Taxes	148,221	148,408
Stockholders' Equity		
Common Stock	55,422	55,422
Additional paid-in capital	114,663	111,782
Retained earnings	1,128,694	1,078,789
Treasury shares, at cost	(252,692)	(251,393)
Cumulative translation adjustments and other	(47,238)	(44,513)
	-----	-----
Stockholders' Equity	998,849	950,087
	-----	-----
Total	\$ 2,711,088	\$ 2,178,894
	=====	=====

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	
	12/31/96	12/31/95
	-----	-----
Operations:		
Net earnings	\$ 109,425	\$ 96,690
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	59,783	55,669
Deferred income taxes	2,146	3,300
Other	5,303	12,532
Effects of changes in:		
Accounts receivable	43,710	91,497
Inventories	(41,838)	(33,505)
Prepaid expenses	(7,285)	2,243
Accounts payable	(52,574)	(33,385)
Accrued liabilities	19,194	(44,049)
Income taxes payable	817	(5,863)
	-----	-----
Net cash provided by operations	138,681	145,129
Investing Activities:		
Property, plant and equipment	(37,403)	(30,658)
Disposal of property, plant and equipment	1,921	770
Businesses purchased	(452,788)	(61,665)
Other	(23,386)	(22,168)
	-----	-----
Net cash used for investment	(511,656)	(113,721)
Financing Activities:		
Short-term borrowings	7,671	-
Long-term borrowings	438,196	-
Long-term debt and other obligations repayments	(4,637)	(12,696)
Commercial paper, net	(16,548)	53,223
Cash dividends	(59,868)	(55,537)
Treasury stock	(11,752)	(50,150)
Employee stock plans	9,996	2,288
	-----	-----
Net cash provided by (used for) financing	363,058	(62,872)
Decrease in Cash and Short-Term Investments	(9,917)	(31,464)
Cash and Short-Term Investments:		
Beginning of period	90,828	137,330
	-----	-----
End of period	\$ 80,911	\$ 105,866
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

5

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

(2) Inventories at December 31, 1996 and at June 30, 1996

consisted of (in thousands):

	12/31/96 -----	6/30/96 -----
Finished goods and work in process	\$ 122,495	\$ 82,261
Raw materials and supplies	67,358 -----	56,587 -----
Total	\$ 189,853	\$ 138,848

(3) The aggregate exercise price of the put options, \$17,259,000, which was classified as other long-term obligations at June 30, 1996 have been reclassified to treasury stock at December 31, 1996 as a result of renegotiation of terms which resulted in these transactions being classified as equity. The Company sold 240,000 put options and purchased 240,000 call options during the second quarter of fiscal year 1996 with various strike prices (average of \$71.91 per share) that expire on various dates through September 30, 2005. Upon exercise, each put option requires the Company to purchase, and each call option allows the Company to buy one share of its common stock at the strike price.

(4) Businesses purchased for the six months ended December 31, 1996 totaled \$452,788,000 and included the acquisition of Armor All Products Corporation for \$360,144,000. The acquisition occurred on December 30, 1996 with the completion of a tender offer. The acquired business markets the leading line of automotive cleaning products under the brand name Armor All. Net assets acquired include cash of \$48,000,000, other net working capital of \$1,100,000, property plant and equipment of \$9,177,000, and intangible assets of \$358,000,000. Intangible assets, principally brands and trademarks, will be amortized over 40 years. Other businesses purchased included the Shell Group's non-core line of household products in Chile, the Pinoluz brand of pine cleaner in Argentina, and the Limpido brand of liquid bleach and an increase in ownership in Tecnoclor, S.A., both in Colombia.

All acquisitions were accounted for as purchases and were funded from cash provided by operations, long-term borrowings, and commercial paper. Commercial paper expected to be refinanced has been classified as Long-term Debt.

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 the business in Argentina, and other business interests in Mexico. These acquisitions were accounted for as purchases.

6

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, 1996 with the Three Months Ended December 31, 1995

Earnings per share increased 16 percent to \$.85 from \$.73, and net earnings increased 16 percent to \$43,915,000 from \$37,911,000 a year ago, principally due to a 14 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 Clean Up, S.O.S, Soft Scrub, and Clorox toilet bowl cleaners. Clorox 2 Color-Safe bleach shipped its highest volume since the second quarter of fiscal 1994. 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. Foreign net sales were 18 percent of total Company net sales, up from 15 percent of total Company sales for the year ago quarter. Increased sales levels reflect the results of acquisition activity, principally in Latin America.

Cost of products sold as a percentage of net sales was 44.4 and 45.7 percent in the current and year ago quarters, respectively. The improvement reflects the results of certain cost savings measures, including our manufacturing strategy and our initiative in the food business. These margins are anticipated to remain at approximately these levels for the remainder of the fiscal year.

Selling, delivery, and administration expense increased 18 percent over the year ago period principally due to continued investment in international infrastructure, foreign acquisitions and costs arising from investments in information technology both domestically and abroad.

Advertising expense increased 21 percent over the year ago period principally due to higher media spending as well as sales promotion spending on new product activities, and spending for our Brita business to solidify brand equity and maintain our current category leadership.

Interest expense increased \$4,157,000 over the year ago period due to higher levels of commercial paper, and additional indebtedness related to long-term borrowings that funded acquisitions.

7

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, 1996 with the Six Months Ended December 31, 1995

Earnings per share increased 15 percent to \$2.12 from \$1.85, and net earnings increased 13 percent to \$109,425,000 from \$96,690,000 a year ago, principally due to a 14 percent increase in net sales driven by a 14 percent increase in volume. Record shipments were recorded for our home cleaning business unit which includes Formula 409, Clean Up, Soft Scrub, S.O.S, Pine-Sol and Clorox toilet bowl cleaners. Combat insecticides and cat litter 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. Foreign net sales were 16 percent of total Company net sales, up from 13 percent of total Company sales for the year ago quarter. Increased sales levels reflect the results of acquisition activity, principally in Latin America.

Cost of products sold as a percent of net sales was 44 and 45 percent in the current and year ago periods, respectively. The improvement reflects the results of certain cost savings measures, including our manufacturing strategy and our initiative in the food business. These margins are expected to remain at approximately this level for the remainder of the fiscal year.

Selling, delivery and administration expense increased 18 percent over the year ago period principally due to continued investment in international infrastructure, international acquisitions and costs related to investments in information technology both domestic and foreign.

Advertising expense increased 22 percent versus a year ago. This increase reflects heavier media and sales promotion expenses for new product introductions, and the spending to solidify Brita's brand equity and maintain category leadership. We anticipate that for the full year advertising and sales promotion should increase at about the same rate as the growth of sales.

Interest expense increased \$6,882,000 over a year ago due to higher levels of commercial paper and additional indebtedness to fund the acquisition activities this year.

8

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 during the period. Decreases in accounts receivable and accounts payable, and increases in inventory balances from June 30, 1996 reflect normal seasonal variations, principally due to the charcoal and insecticides businesses. Accrued expenses increased from June 30, 1996 principally due to higher levels of marketing support and acquisitions. We expect inventories to increase during the next fiscal quarter to support the seasonal charcoal and insecticides businesses.

Acquisitions since June 30, 1996 totaled \$452,788,000 and were financed from a combination of cash provided by operations, long term borrowing, and commercial paper borrowing anticipated to be refinanced on a long-term basis during the upcoming quarter. These acquisitions, which included the Armor All line of car cleaning products for \$360,144,000, and acquisitions in Latin America, were the principal causes for the increase in Brands, Trademarks, Patents and Other Intangibles.

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.

The foregoing Management's Discussion and Analysis contains "forward-looking" statements under applicable securities laws. The Company cautions readers that actual results might differ materially from those projected depending on a number of economic and competitive risk factors. For a discussion of some of those risk factors, the Company refers readers to the Company's Form 8-K Current Report which was filed on January 9, 1997.

9

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 February 13, 1997

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, 1996, 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 1997
PERIOD START	JUL 01 1996
PERIOD END	DEC 31 1996
CASH	80911
SECURITIES	0
RECEIVABLES	303
ALLOWANCES	1521
INVENTORY	189853
CURRENT ASSETS	622238
PP&E	1017559
DEPRECIATION	448373
TOTAL ASSETS	2711088
CURRENT LIABILITIES	648861
BONDS	793350
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	55422
OTHER SE	943427
TOTAL LIABILITY AND EQUITY	2711088
SALES	1120988
TOTAL REVENUES	1120988
CGS	492987
TOTAL COSTS	921934
OTHER EXPENSES	(4959)
LOSS PROVISION	0
INTEREST EXPENSE	22242
INCOME PRETAX	181771
INCOME TAX	72346
INCOME CONTINUING	109425
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	109425
EPS PRIMARY	2.12
EPS DILUTED	0

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