

CLOROX CO /DE/
Form 10-Q
May 04, 2010
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010.

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
(State or other jurisdiction of incorporation or organization) 31-0595760
(I.R.S. Employer Identification No.)

1221 Broadway
Oakland, California 94612-1888
(Address of principal executive offices) (Zip code)

(510) 271-7000
(Registrant's telephone number, including area code)

(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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check One):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of March 31, 2010, there were 140,841,235 shares outstanding of the registrant's common stock (par value - \$1.00), the registrant's only outstanding class of stock.

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PART I – FINANCIAL INFORMATION (Unaudited)

Item 1. Financial Statements

The Clorox Company

Condensed Consolidated Statements of Earnings

(Dollars in millions, except per share amounts)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-----------|-------------------|-----------|
| | 3/31/2010 | 3/31/2009 | 3/31/2010 | 3/31/2009 |
| Net sales | \$ 1,366 | \$ 1,350 | \$ 4,017 | \$ 3,950 |
| Cost of products sold | 749 | 739 | 2,220 | 2,291 |
| Gross profit | 617 | 611 | 1,797 | 1,659 |
| Selling and administrative expenses | 182 | 174 | 544 | 530 |
| Advertising costs | 127 | 125 | 381 | 351 |
| Research and development costs | 30 | 27 | 86 | 81 |
| Restructuring costs | - | 14 | 4 | 16 |
| Interest expense | 34 | 39 | 107 | 125 |
| Other expense (income), net | 1 | (1) | 25 | 6 |
| Earnings before income taxes | 243 | 233 | 650 | 550 |
| Income taxes | 78 | 80 | 218 | 183 |
| Net earnings | \$ 165 | \$ 153 | \$ 432 | \$ 367 |
| Earnings per share | | | | |
| Basic | \$ 1.17 | \$ 1.08 | \$ 3.06 | \$ 2.61 |
| Diluted | \$ 1.16 | \$ 1.08 | \$ 3.04 | \$ 2.59 |
| Weighted average shares outstanding (in thousands) | | | | |
| Basic | 140,764 | 139,213 | 140,270 | 138,919 |
| Diluted | 142,014 | 140,002 | 141,509 | 140,078 |
| Dividend declared per share | \$ 0.50 | \$ 0.46 | \$ 1.50 | \$ 1.38 |

See Notes to Condensed Consolidated Financial Statements

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Condensed Consolidated Balance Sheets
(Dollars in millions, except per share amounts)

| | 3/31/2010 | 6/30/2009 |
|--|-----------|-----------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 241 | \$ 206 |
| Receivables, net | 556 | 486 |
| Inventories, net | 423 | 366 |
| Other current assets | 118 | 122 |
| Total current assets | 1,338 | 1,180 |
| Property, plant and equipment, net | 935 | 955 |
| Goodwill | 1,658 | 1,630 |
| Trademarks, net | 565 | 557 |
| Other intangible assets, net | 100 | 105 |
| Other assets | 147 | 149 |
| Total assets | \$ 4,743 | \$ 4,576 |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Current liabilities | | |
| Notes and loans payable | \$ 586 | \$ 421 |
| Current maturities of long-term debt | 300 | 577 |
| Accounts payable | 342 | 381 |
| Accrued liabilities | 478 | 472 |
| Income taxes payable | 66 | 86 |
| Total current liabilities | 1,772 | 1,937 |
| Long-term debt | 2,132 | 2,151 |
| Other liabilities | 610 | 640 |
| Deferred income taxes | 49 | 23 |
| Total liabilities | 4,563 | 4,751 |
| Contingencies | | |
| Stockholders' equity (deficit) | | |
| Common stock: \$1.00 par value; 750,000,000 shares authorized; 158,741,461 shares issued at March 31, 2010 and June 30, 2009; and 140,841,235 and 139,157,976 shares outstanding at March 31, 2010 and June 30, 2009, respectively | 159 | 159 |
| Additional paid-in capital | 599 | 579 |
| Retained earnings | 838 | 640 |
| Treasury shares, at cost: 17,900,226 and 19,583,485 shares at March 31, 2010 and June 30, 2009, respectively | (1,109) | (1,206) |
| Accumulated other comprehensive net losses | (307) | (347) |
| Stockholders' equity (deficit) | 180 | (175) |
| Total liabilities and stockholders' equity (deficit) | \$ 4,743 | \$ 4,576 |

See Notes to Condensed Consolidated Financial Statements

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Condensed Consolidated Statements of Cash Flows
(Dollars in millions)

| | Nine Months Ended | |
|--|-------------------|-----------|
| | 3/31/2010 | 3/31/2009 |
| Operating activities: | | |
| Net earnings | \$ 432 | \$ 367 |
| Adjustments to reconcile earnings from operations: | | |
| Depreciation and amortization | 139 | 142 |
| Share-based compensation | 46 | 45 |
| Deferred income taxes | 21 | (4) |
| Net loss on disposition of assets | - | 5 |
| Other | (19) | 19 |
| Changes in: | | |
| Receivables, net | (60) | 21 |
| Inventories, net | (50) | (42) |
| Other current assets | (3) | (20) |
| Accounts payable and accrued liabilities | (41) | (101) |
| Income taxes payable | (22) | (9) |
| Net cash provided by operations | 443 | 423 |
| Investing activities: | | |
| Capital expenditures | (111) | (135) |
| Businesses acquired, net of cash acquired | (19) | - |
| Other | 2 | (2) |
| Net cash used for investing activities | (128) | (137) |
| Financing activities: | | |
| Notes and loans payable, net | 163 | (211) |
| Long-term debt borrowings | 297 | - |
| Long-term debt repayments | (590) | - |
| Cash dividends paid | (211) | (193) |
| Issuance of common stock for employee stock plans, and other | 61 | 37 |
| Net cash used for financing activities | (280) | (367) |
| Effect of exchange rate changes on cash and cash equivalents | - | (16) |
| Net increase (decrease) in cash and cash equivalents | 35 | (97) |
| Cash and cash equivalents: | | |
| Beginning of year | 206 | 214 |
| End of year | \$ 241 | \$ 117 |

See Notes to Condensed Consolidated Financial Statements

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Notes to Condensed Consolidated Financial Statements
(Dollars in millions, except per share amounts)

NOTE 1. INTERIM FINANCIAL STATEMENTS

Basis of Presentation

The unaudited interim condensed consolidated financial statements for the three and nine months ended March 31, 2010 and 2009, in the opinion of management, reflect 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) for the periods presented. Certain prior period amounts have been reclassified in the condensed consolidated financial statements to conform to the current period presentation. The results for the interim period ended March 31, 2010, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2010, or for any future period.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been omitted or condensed pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). The information in this report should be read in conjunction with the Company's Annual Report on Form 10-K filed with the SEC for the fiscal year ended June 30, 2009, which includes a complete set of footnote disclosures, including the Company's significant accounting policies.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ materially from estimates and assumptions made.

Foreign Currency Translation

Prior to December 31, 2009, the Company translated its Venezuelan subsidiary's financial statements using Venezuela's official exchange rate, which had been fixed by the Venezuelan government at 2.15 bolivar fuertes (VEF) to the U.S. dollar. However, the Company's access to the official exchange