

CLOROX CO /DE/
Form 10-Q
May 04, 2015

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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, 2015.

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

(Address of principal executive offices)

94612-1888

(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:

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

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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 April 20, 2015, there were 131,178,212 shares outstanding of the registrant's common stock (\$1.00 par value).

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The Clorox Company
Condensed Consolidated Statements of Earnings and Comprehensive Income (Unaudited)
(Dollars in millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	3/31/2015	3/31/2014	3/31/2015	3/31/2014
Net sales	\$ 1,401	\$ 1,366	\$ 4,098	\$ 4,017
Cost of products sold	796	791	2,343	2,303
Gross profit	605	575	1,755	1,714
Selling and administrative expenses	206	178	577	568
Advertising costs	124	120	372	362
Research and development costs	34	28	97	90
Interest expense	25	25	77	77
Other income, net	(1)	(2)	-	(4)
Earnings from continuing operations before income taxes	217	226	632	621
Income taxes on continuing operations	73	75	215	213
Earnings from continuing operations	144	151	417	408
Earnings (losses) from discontinued operations, net of tax	30	(14)	(28)	(20)
Net earnings	\$ 174	\$ 137	\$ 389	\$ 388
Net earnings (losses) per share				
Basic				
Continuing operations	\$ 1.09	\$ 1.16	\$ 3.20	\$ 3.15
Discontinued operations	0.22	(0.11)	(0.22)	(0.16)
Basic net earnings per share	\$ 1.31	\$ 1.05	\$ 2.98	\$ 2.99
Diluted				
Continuing operations	\$ 1.08	\$ 1.14	\$ 3.14	\$ 3.10
Discontinued operations	0.22	(0.10)	(0.21)	(0.16)
Diluted net earnings per share	\$ 1.30	\$ 1.04	\$ 2.93	\$ 2.94
Weighted average shares outstanding (in thousands)				
Basic	131,833	129,318	130,566	129,743
Diluted	134,115	131,555	133,090	132,004
Dividends declared per share	\$ 0.74	\$ 0.71	\$ 2.22	\$ 2.13
Comprehensive income	\$ 146	\$ 106	\$ 325	\$ 337

See Notes to Condensed Consolidated Financial Statements

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

	3/31/2015 (Unaudited)	6/30/2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 378	\$ 329
Receivables, net	528	546
Inventories	440	386
Other current assets	149	134
Total current assets	1,495	1,395
Property, plant and equipment, net of accumulated depreciation and amortization of \$1,824 and \$1,776, respectively	917	977
Goodwill	1,067	1,101
Trademarks, net	535	547
Other intangible assets, net	52	64
Other assets	162	174
Total assets	\$ 4,228	\$ 4,258
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes and loans payable	\$ 70	\$ 143
Current maturities of long-term debt	300	575
Accounts payable	397	440
Accrued liabilities	533	472
Income taxes payable	-	8
Total current liabilities	1,300	1,638
Long-term debt	1,796	1,595
Other liabilities	733	768
Deferred income taxes	97	103
Total liabilities	3,926	4,104
Commitments and contingencies		
Stockholders' equity		
Preferred stock: \$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	-	-
Common stock: \$1.00 par value; 750,000,000 shares authorized; 158,741,461 shares issued at both March 31, 2015 and June 30, 2014; and 131,013,553 and 128,796,228 shares outstanding at March 31, 2015 and June 30, 2014, respectively	159	159
Additional paid-in capital	762	709
Retained earnings	1,832	1,739
Treasury shares, at cost: 27,727,908 and 29,945,233 shares at March 31, 2015 and June 30, 2014, respectively	(1,970)	(2,036)
Accumulated other comprehensive net loss	(481)	(417)
Stockholders' equity	302	154
Total liabilities and stockholders' equity	\$ 4,228	\$ 4,258

See Notes to Condensed Consolidated Financial Statements

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The Clorox Company
Condensed Consolidated Statements of Cash Flows (Unaudited)
(Dollars in millions)

	Nine Months Ended	
	3/31/2015	3/31/2014
Operating activities:		
Net earnings	\$ 389	\$ 388
Deduct: Loss from discontinued operations, net of tax	(28)	(20)
Earnings from continuing operations	417	408
Adjustments to reconcile earnings from continuing operations to net cash provided by continuing operations:		
Depreciation and amortization	126	131
Share-based compensation	21	29
Deferred income taxes	(6)	5
Settlement of interest rate forward contracts	(25)	-
Other	(6)	(5)
Changes in:		
Receivables, net	3	22
Inventories	(77)	(59)
Other current assets	1	(4)
Accounts payable and accrued liabilities	37	(38)
Income taxes payable	(10)	(45)
Net cash provided by continuing operations	481	444
Net cash provided by (used for) discontinued operations	14	(14)
Net cash provided by operations	495	430
Investing activities:		
Capital expenditures	(83)	(87)
Other	3	(1)
Net cash used for continuing operations	(80)	(88)
Net cash used for discontinued operations	-	(1)
Net cash used for investing activities	(80)	(89)
Financing activities:		
Notes and loans payable, net	(73)	191
Long-term debt borrowings, net of issuance costs	496	-
Long-term debt repayments	(575)	-
Treasury stock purchased	(144)	(260)
Cash dividends paid	(288)	(277)
Issuance of common stock for employee stock plans and other	236	79
Net cash used for continuing operations	(348)	(267)
Net cash used for discontinued operations	-	-
Net cash used for financing activities	(348)	(267)
Effect of exchange rate changes on cash and cash equivalents	(18)	(9)
Net increase in cash and cash equivalents	49	65
Cash and cash equivalents:		
Beginning of period	329	299
End of period	\$ 378	\$ 364

See Notes to Condensed Consolidated Financial Statements

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The Clorox Company
Notes to Condensed Consolidated Financial Statements (Unaudited)
(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, 2015 and 2014, 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. The results for the interim period ended March 31, 2015, are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2015, or for any other future period.

Effective September 22, 2014, the Company's Venezuela affiliate, Corporación Clorox de Venezuela S.A. (Clorox Venezuela), discontinued its operations. Consequently, for the three and nine months ended March 31, 2015 and 2014, Clorox Venezuela is reflected as a discontinued operation in the Company's financial statements.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles 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 (SEC). The information in this report should be read in conjunction with the Company's audited financial statements for the fiscal year ended June 30, 2014, which includes a complete set of footnote disclosures, including the Company's significant accounting policies, filed with the SEC in Exhibit 99.2 of the Company's Current Report on Form 8-K on December 4, 2014.

Recently Issued Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Cost*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The new guidance is effective for the Company beginning in the first quarter of fiscal year 2017, with early adoption permitted. The Company is currently evaluating the impact that adoption of ASU 2015-03 will have on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which replaces most existing U.S. GAAP revenue recognition guidance and is intended to improve and converge with international standards the financial reporting requirements for revenue from contracts with customers. The core principle of ASU 2014-09 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. ASU 2014-09 also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers, including information about significant judgments and changes in judgments. The new guidance is expected to be effective for the Company beginning in the first quarter of fiscal year 2018, with no early adoption permitted. The Company