

WD 40 CO
Form 10-K
October 22, 2015
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended August 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: 000-06936

WD-40 COMPANY

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	95-1797918 (I.R.S. Employer Identification No.)
1061 Cudahy Place, San Diego, California (Address of principal executive offices)	92110 (Zip code)

Registrant's telephone number, including area code: (619) 275-1400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$0.001 par value	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act:

Title of each class

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 the 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value (closing price) of the voting stock held by non-affiliates of the registrant as of February 28, 2015 was approximately \$1,144,737,138.

As of October 19, 2015, there were 14,374,181 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference:

The Proxy Statement for the annual meeting of stockholders on December 8, 2015 is incorporated by reference into Part III, Items 10 through 14 of this Annual Report on Form 10-K.

WD-40 COMPANY

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended August 31, 2015

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PART I

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements other than those that are purely historical are forward-looking statements which reflect the Company’s current views with respect to future events and financial performance.

These forward-looking statements include, but are not limited to, discussions about future financial and operating results, including: growth expectations for our maintenance products; expected levels of promotional and advertising spending; plans for and success of product innovation, the impact of new product introductions on the growth of sales; anticipated results from product line extension sales; and forecasted foreign currency exchange rates and commodity prices. These forward-looking statements are generally identified with words such as “believe,” “expect,” “intend,” “plan,” “could,” “may,” “aim,” “anticipate,” “estimate” and similar expressions. The Company undertakes no obligation to revise or update any forward looking statements.

Actual events or results may differ materially from those projected in forward-looking statements due to various factors, including, but not limited to, those identified in Item 1A of this report. As used in this report, the terms “we,” “our,” “us” and “the Company” refer to WD-40 Company and its wholly-owned subsidiaries, unless the context suggests otherwise. Amounts and percentages in tables and discussions may not total due to rounding.

Item 1. Business

Overview

WD-40 Company is a global marketing organization dedicated to creating positive lasting memories by developing and selling products which solve problems in workshops, factories and homes around the world. The Company was founded in 1953 and is headquartered in San Diego, California.

For more than four decades, the Company sold only one product, WD-40® multi-use product, a maintenance product which acts as a lubricant, rust preventative, penetrant, cleaner and moisture displacer. Over the last two decades, the Company has evolved and expanded its product offerings through both research and development activities and through the acquisition of several brands worldwide. As a result, the Company has built a family of brands and product lines that deliver high quality performance at an extremely good value to their end users.

The Company currently markets and sells its products in more than 176 countries and territories worldwide primarily through mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets, sport retailers, independent bike dealers and industrial distributors and suppliers.

The Company's sales come from its two product groups –maintenance products and homecare and cleaning products. Maintenance products are sold worldwide in markets throughout North, Central and South America, Asia, Australia and the Pacific Rim, Europe, the Middle East and Africa. Homecare and cleaning products are sold primarily in North America, the United Kingdom (“U.K.”) and Australia.

The Company's strategic initiatives and the areas where it will continue to focus its time, talent and resources in future periods include: (i) maximizing WD-40 multi-use product sales through geographic expansion and increased market penetration; (ii) leveraging the WD-40 brand by growing the WD-40 Specialist product line; (iii) leveraging the strengths of the Company through a broadened product and revenue base; (iv) attracting, developing and retaining talented people; and (v) operating with excellence.

The Company is focused on and committed to innovation and renovation of its products. The Company sees innovation and renovation as important factors to the long-term growth of its brands and product lines, and it intends to continue to work on future products, product lines, product packaging, product delivery systems and promotional innovations and renovations. The Company is also focused on expanding its current brands in existing markets with new product development. The Company's product development teams support new product development and current product improvement for the Company's brands. Over the years, the Company's research and development team has made an innovation impact on most of the Company's brands. Key innovations for the Company's products include, but are not limited to, WD-40 Smart Straw®, WD-40 Trigger Pro®, WD-40 Specialist®, WD-40 Bike™, 3-IN-ONE Professional Garage Door Lube™, Spot Shot Pet Clean™, which is a

non-aerosol Spot Shot trigger product, and a mildew stain remover under the X-14 brand. In late fiscal year 2015, the Company launched a new innovative product called WD-40 EZ Reach™ in the United States. WD-40 EZ Reach features a unique delivery system in the form of an attached 8” flexible straw that bends and keeps its shape to allow for easier use of the WD-40 multi-use product in hard to reach places.

Financial Information about Operating Segments

The Company’s operating segments are determined consistent with the way management organizes and evaluates financial information internally for making operating decisions and assessing performance. The Company is organized on the basis of geographical area into the following three segments:

- Americas segment consists of the United States (“U.S.”), Canada and Latin America;
- Europe, Middle East and Africa (“EMEA”) segment consists of countries in Europe, the Middle East, Africa and India; and
- Asia-Pacific segment consists of Australia, China and other countries in the Asia region.

The Company’s management reviews product performance on the basis of sales, which come from its two product groups –maintenance products and homecare and cleaning products. The financial information required by this item is included in Note 15 – Business Segments and Foreign Operations of the Company’s consolidated financial statements, included in Item 15 of this report, and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, included in Item 7 of this report.

Products

Maintenance Products

Included in the Company’s maintenance products are both multi-purpose maintenance products and specialty maintenance products. These maintenance products are sold worldwide and they provide end users with a variety of product and delivery system options.

The Company’s signature brand in the blue and yellow can, the WD-40 brand, is included within the maintenance product category and it accounts for a significant majority of the Company’s sales. The Company has various products and product lines which it currently sells under the WD-40 brand and they are as follows:

WD-40 Multi-Use Product - The WD-40 multi-use product is a market leader among multi-purpose maintenance products and is sold as an aerosol spray, a non-aerosol trigger spray and in liquid form through mass retail stores, hardware stores, warehouse club stores, automotive parts outlets and industrial distributors and suppliers. The WD-40 multi-use product is sold worldwide in North, Central and South America, Asia, Australia and the Pacific Rim, Europe, the Middle East and Africa. The WD-40 multi-use product has a wide variety of consumer uses in, for example, household, marine, automotive, construction, repair, sporting goods and gardening applications, in addition to numerous industrial applications. WD-40 EZ Reach is the Company's latest innovation to its multi-use product. It features a unique delivery system which includes an attached flexible straw that bends and keeps its shape to allow for easy use of the WD-40 multi-use product in hard to reach places. This new product will be marketed solely in the U.S. for the first twelve months after the launch and it is expected to contribute to the growth of the WD-40 brand in the future.

WD-40 Specialist product line – WD-40 Specialist consists of a line of best-in-class specialty maintenance products that include penetrants, degreasers, corrosion inhibitors, lubricants and rust removers that are aimed at an expanded group of end users that currently use the WD-40 multi-use product. The Company initially launched the WD-40 Specialist product line early in fiscal year 2012 and it currently sells these products in the U.S., Canada and select countries in Latin America, Asia, Australia and Europe. Within the WD-40 Specialist product line, the Company also launched WD-40 Specialist Motorbike in Europe and WD-40 Specialist Lawn and Garden in Australia during fiscal year 2014. The launch of the WD-40 Specialist product line has used the same established distribution channels through which the Company currently sells its existing products.

WD-40 Bike product line - The WD-40 Bike product line consists of a comprehensive line of bicycle maintenance products that include wet and dry chain lubricants, heavy-duty degreasers, foaming wash and frame protectants that are designed specifically for avid cyclists, bike enthusiasts and mechanics. The Company launched this product line in the U.S. early in fiscal year 2013 and in Australia and Europe near the end of fiscal year 2014. Although the initial focus for such sales was on smaller independent bike dealers, primarily those in the U.S., distribution of WD-40 Bike products has been expanded to include certain distributors and retailers. At the end of fiscal year 2015, the Company started to plan for the transition of the

WD-40 Bike business in the U.S. from one with distribution limited primarily to independent bike dealers to one which will also include the same multi-channel distribution network and customers which are currently in place for other maintenance products in the Americas segment. This transition will take place in the first quarter of fiscal year 2016.

The Company also has the following additional brands which are included within its maintenance products group:

3-IN-ONE - The 3-IN-ONE brand consists of multi-purpose drip oil and spray lubricant products, as well as other specialty maintenance products. The drip oil is a lubricant with unique spout options that allow for precise applications to small mechanisms and assemblies, tool maintenance and threads on screws and bolts. 3-IN-ONE Oil is the market share leader among drip oils for household consumers. It also has wide industrial applications in such areas as locksmithing, HVAC, marine, farming, construction and jewelry manufacturing. In addition to the drip oil line of products, the 3-IN-ONE brand also includes a professional line of products known as 3-IN-ONE Professional, which is a line of high quality, maintenance products. The high quality of the 3-IN-ONE brand and its established distribution network have enabled these products to gain international acceptance. 3-IN-ONE products are sold primarily in the U.S., Europe, Canada, Latin America, Australia and Asia.

GT85® - The GT85 brand is a multi-purpose bike maintenance product that consists of professional spray maintenance products and lubricants which are sold primarily in the bike market through the automotive and industrial channels in the U.K., with additional sales in foreign markets including those in Spain and other European countries. GT85 products are also currently sold in the United States. This brand was acquired by the Company's U.K. subsidiary in September 2014 and it will help to build upon the Company's strategy to develop new product categories for WD-40 Specialist and WD-40 BIKE.

Homecare and Cleaning Products

The Company sells its homecare and cleaning products in various locations worldwide and they include a portfolio of well-known brands as follows:

X-14 - The X-14 brand is a line of quality products designed for unique cleaning needs. X-14 is sold as a liquid mildew stain remover and as an automatic toilet bowl cleaner. X-14 is sold primarily in the U.S. through grocery and mass retail channels.

2000 Flushes - The 2000 Flushes brand is a line of long-lasting automatic toilet bowl cleaners which includes a variety of formulas. 2000 Flushes is sold primarily in the U.S. and Canada through grocery and mass retail channels.

Carpet Fresh - The Carpet Fresh brand is a line of room and rug deodorizers sold as powder, aerosol quick-dry foam and trigger spray products. Carpet Fresh is sold primarily through grocery and mass retail channels in the U.S., the U.K. and Australia. In the U.K., these products are sold under the 1001 brand name and in Australia, they are sold under the No Vac brand name.

Spot Shot - The Spot Shot brand is sold as an aerosol carpet stain remover and a liquid trigger carpet stain and odor eliminator. The brand also includes environmentally friendly products such as Spot Shot Instant Carpet Stain & Odor Eliminator™ and Spot Shot Pet Clean, which are non-toxic and biodegradable. Spot Shot products are sold primarily through grocery and mass retail channels, warehouse club stores and hardware and home center stores in the U.S. and Canada. Spot Shot products are also sold in the U.K. under the 1001 brand name.

1001 - The 1001 brand includes carpet and household cleaners and rug and room deodorizers which are sold primarily through mass retail, grocery and home center stores in the U.K. The brand was acquired in order to introduce the Company's other homecare and cleaning product formulations under the 1001 brand and to expand the Company's homecare and cleaning products business into the U.K. market.

Lava - The Lava and Solvol brands consist of heavy-duty hand cleaner products which are sold in bar soap and liquid form through hardware, grocery, industrial, automotive and mass retail channels. Lava is sold primarily in the U.S., while Solvol is sold exclusively in Australia.

The Company's homecare and cleaning products, particularly those in the U.S., are considered harvest brands which continue to provide positive returns to the Company but are becoming a smaller part of the business as sales of the maintenance products grow with the execution of the Company's strategic initiatives. Although the Company started to evaluate the strategic alternatives for certain of its homecare and cleaning products, particularly those in the U.S. in early fiscal year 2013, it has continued to sell these brands but has done so with a reduced level of investment.

Financial information about operating segments and product lines is included in Note 15 – Business Segments and Foreign Operations of the consolidated financial statements, included in Item 15 of this report.

Sales and Marketing

The Company's sales do not reflect any significant degree of seasonality. However, it is common for the Company's sales to fluctuate from period to period or year to year due to various factors including, but not limited to, new or lost distribution, the number of product offerings carried by a customer and the level of promotional activities and programs being run at customer locations. New or lost distribution occurs when the Company gains or loses customers, when it gains or loses store count for a customer or when its products are added to new locations within a store or removed from existing locations. From time to time, as part of new product offering launches, the Company may gain access to entirely new distribution channels. The number of product offerings refers to the number of brands and/or the number of products within each of those brands that the Company's customers offer for sale to end user customers. The level of promotional activities and programs relates to the number of events or volumes of purchases by customers in support of off-shelf or promotional display activities. Changes in any one of these three factors or a combination of them can cause the Company's sales levels to increase or decrease from period to period. It is also common and/or possible that the Company could lose distribution or product offerings and experience a decrease in promotional activities and programs in one period and subsequently regain this business in a future period. The Company is accustomed to such fluctuations and manages this as part of its normal business activities.

Sources and Availability of Components and Raw Materials

The Company relies on a limited number of suppliers, including single or sole suppliers, for certain of its raw materials, packaging, product components and other necessary supplies. The Company's primary components and raw materials include petroleum-based specialty chemicals and aerosol cans, which are manufactured from commodities that are subject to volatile price changes. The availability of these components and raw materials is affected by a variety of supply and demand factors, including global market trends, plant capacity decisions and natural disasters. The Company expects these components and raw materials to continue to be readily available in the future, although the Company will continue to be exposed to volatile price changes.

Research and Development

The Company recognizes the importance of innovation and renovation to its long-term success and is focused on and committed to research and new product development activities. The Company's product development team engages in consumer research, product development, current product improvement and testing activities. The product development team also leverages its development capabilities by partnering with a network of outside resources including the Company's current and prospective outsource suppliers. In addition, the research and development team engages in activities and product development efforts which are necessary to ensure that the Company meets all regulatory requirements for the formulation of its products. The Company incurred research and development

expenses of \$9.0 million, \$6.9 million, and \$7.2 million in fiscal years 2015, 2014 and 2013, respectively. None of this research and development activity was customer-sponsored.

Manufacturing

The Company outsources directly or through its marketing distributors the manufacturing of its finished products to various third-party contract manufacturers. The Company or its marketing distributors use contract manufacturers in the U.S., Canada, Mexico, Brazil, Argentina, Columbia, the U.K., Italy, Australia, Japan, China, South Korea and India. Although the Company does not typically have definitive minimum purchase obligations included in the contract terms with its contract manufacturers, when such obligations have been included, they have been immaterial to date. Supply needs are communicated by the Company to its contract manufacturers, and the Company is committed to purchase the products manufactured based on orders and short-term projections, ranging from two to five months, provided to the contract manufacturers. The Company also formulates and manufactures concentrate used in its WD-40 products at its own facilities and at third-party contract manufacturers.

In addition to the commitments to purchase products from contract manufacturers described above, the Company may also enter into commitments with other manufacturers from time to time to purchase finished goods and components to support innovation and renovation initiatives and/or supply chain initiatives.

Order Backlog

Order backlog is not a significant factor in the Company's business.

Competition

The markets for the Company's products, particularly those related to its homecare and cleaning products, are highly competitive. The Company's products compete both within their own product classes as well as within product distribution channels, competing with many other products for store placement and shelf space. Competition in international markets varies by country. The Company is aware of many competing products, some of which sell for lower prices or are produced and marketed by companies with greater financial resources than those of the Company. The Company relies on the awareness of its brands among consumers, the value offered by those brands as perceived by consumers, product innovation and renovation and its multiple channel distributions as its primary strategies. New products typically encounter intense competition, which may require advertising and promotional support and activities. When or if a new product achieves consumer acceptance, ongoing advertising and promotional support may be required in order to maintain its relative market position.

Trademarks and Patents

The Company owns a number of patents, but relies primarily upon its established trademarks, brand names and marketing efforts, including advertising and sales promotions, to compete effectively. The WD-40 brand, 3-IN-ONE, Lava, Solvol, X-14, 2000 Flushes, Carpet Fresh and No Vac, Spot Shot, GT85, and 1001 trademarks are registered or have pending registrations in various countries throughout the world.

Employees

At August 31, 2015, the Company employed 433 people worldwide: 172 by the U.S. parent corporation; 6 by the Malaysia subsidiary; 12 by the Canada subsidiary; 167 by the U.K. subsidiary (including 80 in the U.K., 29 in Germany, 31 in France, 17 in Spain and 10 in Italy); 18 by the Australia subsidiary; 53 by the China subsidiary; 3 by WD-40 Bike Company; and 2 by WD-40 Manufacturing Company, the Company's manufacturing subsidiary.

Financial Information about Foreign and Domestic Operations

For detailed information about the Company's foreign and domestic operations, including net sales by reportable segment and long-lived assets by geography, refer to Note 15 - Business Segments and Foreign Operations of the consolidated financial statements, included in Item 15 of this report.

Access to SEC Filings

The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available through the Investors section of the Company's website at www.wd40company.com. These reports can be accessed free of charge from the Company's website as soon as reasonably practicable after the Company electronically files such materials with, or furnishes them to, the Securities and Exchange Commission ("SEC"). Information contained on the Company's website is not included as a part of, or incorporated by reference into, this report.

Interested readers may also read and copy any materials that the Company files at the SEC Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Readers may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site (www.sec.gov) that contains the Company's reports.

Item 1A. Risk Factors

The following risks and uncertainties, as well as other factors described elsewhere in this report or in other SEC filings by the Company, could adversely affect the Company's business, financial condition and results of operations.

The Company's financial results could suffer if the Company is unable to implement and successfully manage its strategic initiatives or if the Company's strategic initiatives do not achieve the intended results.

There is no assurance that the Company will be able to implement and successfully manage its strategic initiatives, including its five major strategic initiatives, or that the strategic initiatives will achieve the intended results, which include sales volume growth. The Company's five core strategic initiatives include: (i) maximizing WD-40 multi-use product sales through geographic expansion and increased market penetration; (ii) leveraging the WD-40 brand by growing the WD-40 Specialist product line; (iii) leveraging the strengths of the Company through a broadened product and revenue base; (iv) attracting,

developing and retaining talented people; and (v) operating with excellence. An important part of the Company's success depends on its continuing ability to attract, retain and develop highly qualified personnel. The Company's future performance depends in significant part on the continued service of its executive officers, key personnel and other talented people. The loss of the services of key employees could have a material adverse effect on the Company's business and prospects. Competition for such personnel is intense, and there can be no assurance that the Company can retain its key employees or attract, assimilate and retain employee engagement in the future. If the Company is unable to implement and successfully manage its strategic initiatives in accordance with its business plans, the Company's business and financial results could be adversely affected. Moreover, the Company cannot be certain that implementation of its strategic initiatives will necessarily advance its business or financial results as intended.

Cost increases or cost volatility in finished goods, components, raw materials, transportation and other necessary supplies or services could harm or impact the Company's financial condition and results of operations.

Increases in the cost of finished goods, components and raw materials and increases in the cost of transportation and other necessary supplies or services may harm the Company's financial condition and results of operations. Petroleum-based specialty chemicals and aerosol cans, which constitute a significant portion of the costs for many of the Company's maintenance products, have experienced significant price volatility in the past, and may continue to do so in the future. In addition, volatility in the price of oil can impact other input costs and the cost of petroleum-based specialty chemicals which are indexed to the price of crude oil. If there are significant increases in the costs of such raw materials, and the Company is not able to increase the prices of its products or achieve cost savings to offset such cost increases, the Company's gross margins and operating results will be negatively impacted. In addition, if the Company increases product sales prices in response to increases in the cost of such raw materials, and those raw material costs later decline significantly, the Company may not be able to sustain its sales prices at these higher levels. Additionally, fluctuations in oil and diesel fuel prices have also historically impacted the Company's cost of transporting its products. As component and raw material costs are the principal contributors to the cost of goods sold for all of the Company's products, any significant fluctuation in the costs of components and raw materials could have a material impact on the gross margins realized on the Company's products. Sustained increases in the cost of raw materials, components, transportation and other necessary supplies or services, or significant volatility in such costs, could have a material adverse effect on the Company's financial condition and results of operations.

Global operations outside the U.S. expose the Company to uncertain conditions, foreign currency exchange rate risk and other risks in international markets.

The Company's sales outside of the U.S. were approximately 60% of consolidated net sales in fiscal year 2015 and one of its strategic initiatives includes maximizing the WD-40 multi-use product through geographic expansion and market penetration. As a result, the Company currently faces, and will continue to face, substantial risks associated with having increased global operations outside the U.S., including:

- economic or political instability in the Company's international markets, including Latin America, the Middle East, parts of Asia, Russia, Eastern Europe and the Eurozone countries;

- restrictions on or costs relating to the repatriation of foreign profits to the U.S., including possible taxes or withholding obligations on any repatriations;
- challenges associated with conducting business in foreign jurisdictions, including those related to the Company's understanding of business laws and regulations in such foreign jurisdictions;
 - increasing tax complexity associated with operating in multiple tax jurisdictions;
 - dispersed employee base and compliance with employment regulations and other labor issues, such as labor laws and minimum wages, in countries outside the U.S.; and
 - the imposition of tariffs or trade restrictions and costs, burdens and restrictions associated with other governmental actions.

These risks could have a significant impact on the Company's ability to sell its products on a competitive basis in global markets outside the U.S. and could have a material adverse effect on the Company's business, financial condition and results of operations.

Approximately 40% of the Company's revenues in fiscal year 2015 were generated in currencies other than the U.S. dollar, which is the reporting currency of the Company. In addition, all of the Company's foreign subsidiaries have functional currencies other than the U.S. Dollar and the Company's largest subsidiary is located in the U.K. and generates significant sales in Pound Sterling and Euro. As a result, the Company is also exposed to foreign currency exchange rate risk with respect to its sales, expenses, profits, assets and liabilities denominated in currencies other than the U.S. Dollar. In particular, the Company's financial results are negatively impacted when the foreign currencies in which its subsidiary offices operate weaken relative to the U.S. Dollar. Although the Company uses instruments to hedge certain foreign currency risks, primarily

those associated with its U.K. subsidiary, it is not fully protected against foreign currency fluctuations and, therefore, the Company's reported earnings may be affected by changes in foreign currency exchange rates. Moreover, any favorable impacts to profit margins or financial results from fluctuations in foreign currency exchange rates are likely to be unsustainable over time.

Additionally, the Company's global operations outside the U.S. are subject to risks relating to appropriate compliance with legal and regulatory requirements in local jurisdictions, potential difficulties in staffing and managing local operations, potentially higher incidence of fraud or corruption, credit risk of local customers and distributors and potentially adverse tax consequences. As the Company further develops and grows its business operations outside the U.S., the Company is exposed to additional complexities and risks, particularly in China, Russia and emerging markets. In many foreign countries, particularly in those with developing economies, business practices that are prohibited by the U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act or other applicable anti-corruption laws and regulations may be customary. Any failure to comply with these laws, even if inadvertent, could result in significant penalties or otherwise harm the Company's reputation and business. Although the Company has adopted policies and contract terms to mandate compliance with these laws, there can be no assurance that all of its employees, contractors and agents will comply with the Company's requirements. Violations of these laws could be costly and disrupt the Company's business, which could have a material adverse effect on its business, financial condition and results of operations.

Global economic conditions may negatively impact the Company's financial condition and results of operations.

A general weakening or decline in the global economy or a reduction in business or consumer spending or confidence could delay or significantly decrease purchases of the Company's products by its customers. Consumer purchases of discretionary items, which could include the Company's maintenance products and homecare and cleaning products, may decline during periods where disposable income is reduced or there is economic uncertainty, and this may negatively impact the Company's financial condition and results of operations. During unfavorable or uncertain economic times, consumers may also increase purchases of lower-priced or non-branded products and the Company's competitors may increase their level of promotional activities to maintain sales volumes, both of which may negatively impact the Company's financial condition and results of operations. In addition, the Company's sales and operating results may be affected by uncertain or changing economic and market conditions, including inflation, deflation, prolonged weak consumer demand, political instability or other changes which may affect the principal markets in which the Company conducts its business. If economic or market conditions in key global markets deteriorate, the Company may experience material adverse effects on its business, financial condition and results of operations.

Adverse economic and market conditions could also harm the Company's business by negatively affecting the parties with whom it does business, including its customers, retailers, distributors and wholesalers, and third-party contract manufacturers and suppliers. These conditions could impair the ability of the Company's customers to pay for products they have purchased from the Company. As a result, allowances for doubtful accounts and write-offs of accounts receivable from the Company's customers may increase. In addition, the Company's third-party contract manufacturers and its suppliers may experience financial difficulties that could negatively affect their operations and their ability to supply the Company with finished goods and the raw materials, packaging, and components required for the Company's products.

If the success and reputation of one or more of the Company's leading brands erodes, its business, financial condition and results of operations could be negatively impacted.

The financial success of the Company is directly dependent on the success and reputation of its brands, particularly its WD-40 brand. The success and reputation of the Company's brands can suffer if marketing plans or product development and improvement initiatives do not have the desired impact on the brands' image or do not attract customers as intended. The Company's brands can also be adversely impacted due to the activities and pressures placed on them by the Company's competitors. Further, the Company's business, financial condition and results of operations could be negatively impacted if one of its leading brands suffers damage to its reputation due to real or perceived quality or safety issues. Quality issues, which can lead to large scale recalls of the Company's products, can be due to items such as product contamination, regulatory non-compliance, packaging errors and incorrect or low quality ingredients or components in the Company's product. Product quality issues, which could include lower product efficacy due to formulation changes attributable to regulatory requirements, could also result in decreased customer confidence in the Company's brands and a decline in product quality could result in product liability claims. Although the Company makes every effort to prevent brand erosion and preserve its reputation and the reputation of its brands, there can be no assurance that such efforts will be successful.

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Government laws and regulations, including environmental laws and regulations, could result in material costs or otherwise adversely affect the Company's financial condition and results of operations.

The manufacturing, chemical composition, packaging, storage, distribution and labeling of the Company's products and the manner in which the Company's business operations are conducted must comply with extensive federal, state and foreign laws and regulations, such as the California Air Resources Board ("CARB") regulations, the California Transparency in Supply Chains Act, the Globally Harmonized System of the classification and labeling of chemicals as well as many others in the United States and internationally. In addition, the Company's international operations are subject to regulations in each of the foreign jurisdictions in which it manufactures, distributes and sells its products. If the Company is not successful in complying with the requirements of all such regulations or changes to existing regulations, it could be fined or other actions could be taken against the Company by the governing body and this could adversely affect the Company's financial condition and results of operations. It is also possible that governments will increase regulation of the transportation, storage or use of certain chemicals, to enhance homeland security or protect the environment and such regulation could negatively impact the Company's ability to obtain raw materials, components and/or finished goods or could result in increased costs. In the event that such regulations result in increased product costs, the Company may not be in a position to raise selling prices, and therefore an increase in costs could have a material adverse effect on the Company's business, financial condition and results of operations.

Some of the Company's products have chemical compositions that are controlled by various state, federal and international laws and regulations. The Company is required to comply with these laws and regulations and it seeks to anticipate regulatory developments that could impact the Company's ability to continue to produce and market its products. The Company invests in research and development to maintain product formulations that comply with such laws and regulations. There can be no assurance that the Company will not be required to alter the chemical composition of one or more of the Company's products in a way that will have an adverse effect upon the product's efficacy or marketability. A delay or other inability of the Company to complete product research and development and successfully reformulate its products in response to any such regulatory requirements could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is subject to an SEC rule mandated by Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that requires management to conduct annual due diligence and disclose and report on whether certain minerals and metals, known as "conflict minerals", are contained in the Company's products and, if so, whether they originate from the Democratic Republic of Congo ("DRC") and adjoining countries. Since the Company's supply chain structure is complex, management may have difficulty determining whether these materials exist within the Company's products, and if the Company were to conclude that these materials exist within the Company's products, the Company may have difficulty verifying the origin of such materials.

The Company is also subject to numerous environmental laws and regulations that impose various environmental controls on its business operations, including, among other things, the discharge of pollutants into the air and water, the handling, use, treatment, storage and clean-up of solid and hazardous wastes and the investigation and remediation of soil and groundwater affected by hazardous substances. Such laws and regulations may otherwise relate to various health and safety matters that impose burdens upon the Company's operations. These laws and regulations also impose strict, retroactive and joint and several liability for the costs of, and damages resulting from, cleaning up current sites, past spills, disposals and other releases of hazardous substances. The Company believes that its expenditures related to

environmental matters have not had, and are not currently expected to have, a material adverse effect on its financial condition, results of operations or cash flows. However, the environmental laws under which the Company operates are complicated, often become increasingly more stringent and may be applied retroactively. Accordingly, there can be no assurance that the Company will not be required to incur additional expenditures to remain in or to achieve compliance with environmental laws in the future or that any such additional expenditures will not have a material adverse effect on the Company's business, financial condition or results of operations.

Sales unit volume growth may be difficult to achieve.

The Company's ability to achieve sales volume growth will depend on its ability to (i) execute its strategic initiatives, (ii) drive growth within its existing markets through innovation, renovation and enhanced merchandising and marketing of its established brands, and (iii) capture market share from its competitors. It is more difficult for the Company to achieve sales volume growth in mature markets where the Company's products are widely used as compared to in developing markets where the Company's products have been newly introduced or are not well known by consumers. In order to protect the Company's existing market share or capture additional market share from its competitors, the Company may need to increase its expenditures related to promotions and advertising or introduce and establish new products or product lines. In past periods, the Company has also increased sales prices on certain of its products in response to increased costs for components and raw

materials. Sales price increases may slow sales volume growth or create declines in volume in the short term as customers adjust to sales price increases. In addition, a change in the strategies of the Company's existing customers, including shelf simplification, the discontinuation of certain product offerings or the shift in shelf space to competitors' products could reduce the Company's sales and potentially offset sales volume increases achieved as a result of other sales growth initiatives. If the Company is unable to increase market share in its existing product lines by developing product improvements, investing adequately in its existing brands, building usage among new customers, developing, acquiring or successfully launching new products or product line extensions, or successfully penetrating new and developing markets globally, the Company may not achieve its sales volume growth objectives.

Reliance on a limited base of third-party contract manufacturers, logistics providers and suppliers of raw materials and components may result in disruption to the Company's business and this could adversely affect the Company's financial condition and results of operations.

The Company relies on a limited number of third-party contract manufacturers, logistics providers and suppliers, including single or sole source suppliers for certain of its raw materials, packaging, product components and other necessary supplies. The Company does not have direct control over the management or business of these third parties, except indirectly through terms negotiated in service or supply contracts. Should the terms of doing business with the Company's primary third-party contract manufacturers, suppliers and/or logistics providers change or should the Company have a disagreement with or be unable to maintain relationships with such third parties or should such third parties experience financial difficulties, the Company's business may be disrupted. In addition, if the Company is unable to contract with third-party manufacturers or suppliers for the quantity and quality levels needed for its business, the Company could experience disruptions in production and its financial results could be adversely affected.

Failure to maximize or to successfully assert the Company's intellectual property rights or infringement by the Company on the intellectual property rights of others could impact its competitiveness or otherwise adversely affect the Company's financial condition and results of operations.

The Company relies on trademark, trade secret protection, patent and copyright laws to protect its intellectual property rights. Although the Company has established a global enforcement program to protect its intellectual property rights, there can be no assurance that these intellectual property rights will be maximized or that they can be successfully asserted. There is a risk that the Company will not be able to obtain and perfect its own intellectual property rights or, where appropriate, license intellectual property rights necessary to support new product introductions or acquired product lines. The Company cannot be certain that these rights, if obtained, will not be invalidated, circumvented or challenged in the future, and the Company could incur significant costs in connection with legal actions to defend its intellectual property rights. In addition, even if such rights are obtained in the U.S., it may be that the laws of some of the other countries in which the Company's products are or may be sold do not protect intellectual property rights to the same extent as the laws of the United States, or they may be difficult to enforce. If other companies infringe the Company's intellectual property rights or take part in counterfeiting activities, they may dilute the value of the Company's brands in the marketplace, which could diminish the value that consumers associate with the Company's brands and harm its sales. The failure of the Company to protect or successfully assert its intellectual property rights or to protect its other proprietary information could make the Company less competitive and could have a material adverse effect on its business, financial condition and results of operations.

If the Company is found to have violated the trademark, copyright, patent or other intellectual property rights of others, such a finding could result in the need to cease the use of a trademark, trade secret, copyrighted work or patented invention in the Company's business and an obligation to pay a substantial amount for past infringement. It could also be necessary to pay a substantial amount in the future if the holders of such rights are willing to permit the Company to continue to use the intellectual property rights. Either having to cease use or pay such amounts could make the Company less competitive and could have a material adverse impact on its business, financial condition and results of operations.

The Company faces competition in its markets which could lead to reduced sales and profitability.

The Company encounters competition from similar and alternative products, many of which are produced and marketed by major national or multinational companies. In addition, the Company frequently discovers products in certain markets that are counterfeit reproductions of the Company's products as well as products otherwise bearing an infringing trade dress. The availability of counterfeits and other infringing products, particularly in China, Russia and emerging markets, could adversely impact the Company's sales and potentially damage the value and reputation of its brands.

The Company's products generally compete on the basis of product performance, brand recognition, price, quality or other benefits to consumers and meeting end users' needs. Advertising, promotions, merchandising and packaging also have a significant impact on consumer purchasing decisions. A newly introduced consumer product, whether improved or recently

developed, usually encounters intense competition requiring substantial expenditures for advertising, sales and consumer promotion. If a product gains consumer acceptance, it normally requires continued advertising, promotional support and product improvements in order to maintain its relative market position.

Some of the Company's competitors are larger and have financial resources greater than those of the Company. These competitors may be able to spend more aggressively on advertising and promotional activities, introduce competing products more quickly and respond more effectively to changing business and economic conditions than the Company. In addition, the Company's competitors may attempt to gain market share and shelf space by offering products at sales prices at or below those typically offered by the Company.

Competitive activity may require the Company to increase its investment in marketing or reduce its sales prices and this may lead to reduced profit margins, a loss of market share or loss of distribution, each of which could have a material adverse effect on the Company's business, financial condition and results of operations. There can be no assurance that the Company will be able to compete successfully against current and future competitors or that competitive pressures faced by the Company or the infringement of its products and brands will not have a material adverse effect on its business, financial condition and results of operations.

Dependence on key customers could adversely affect the Company's business, financial condition and results of operations.

The Company sells its products through a network of domestic and international mass retail and consumer retailers as well as industrial distributors and suppliers. The retail industry has historically been the subject of consolidation, and as a result, the development of large chain stores has taken place. Today, the retail channel in the U.S. is comprised of several of these large chain stores that capture the bulk of the market share. Since many of the Company's customers have been part of the consolidation in the retail industry, these limited customers account for a large percentage of the Company's net sales. Although the Company expects that a significant portion of its revenues will continue to be derived from this limited number of customers, there was no individual customer that contributed to more than 10% of the Company's consolidated net sales in fiscal year 2015. As a result, changes in the strategies of the Company's largest customers, including shelf simplification, a reduction in the number of brands they carry or a shift in shelf space to "private label" or competitors' products, may harm the Company's sales. The loss of, or reduction in, orders from any of the Company's most significant customers could have a material adverse effect on the Company's brand values, business, financial condition and results of operations. Large customers may seek price reductions, added support or promotional concessions. If the Company agrees to such customer demands and/or requests, it could negatively impact the Company's ability to maintain existing profit margins.

In addition, the Company's business is based primarily upon individual sales orders, and the Company typically does not enter into long-term contracts with its customers. Accordingly, these customers could reduce their purchasing levels or cease buying products from the Company at any time and for any reason. The Company is also subject to changes in customer purchasing patterns or the level of promotional activities. These types of changes may result from changes in the manner in which customers purchase and manage inventory levels, or display and promote products within their stores. Other potential factors such as customer disputes regarding shipments, fees, merchandise condition

or related matters may also impact operating results. If the Company ceases doing business with a significant customer or if sales of its products to a significant customer materially decrease, the Company's business, financial condition and results of operations may be harmed.

The Company may not successfully develop, introduce and /or establish new products and line extensions.

The Company's future performance and growth depend, in part, on its ability to successfully develop, introduce and/or establish new products as both brand extensions and/or line extensions. The Company cannot be certain that it will successfully achieve those goals. The Company competes in several product categories where there are frequent introductions of new products and line extensions and such product introductions often require significant investment and support. The ability of the Company to understand consumer preferences is key to maintaining and improving the competitiveness of its product offerings. The development and introduction of new products, as well as the renovation of current products and product lines, require substantial and effective research, development and marketing expenditures, which the Company may be unable to recoup if the new or renovated products do not gain widespread market acceptance. There are inherent risks associated with new product development and marketing efforts, including product development or launch delays, product performance issues during development, changing regulatory frameworks that affect the new products in development and the availability of key raw materials included in such products. These inherent risks could result in the failure of new products and product line extensions to achieve anticipated levels of market acceptance, additional costs resulting from failed product introductions and the Company not being first to market. As the Company continues to focus on innovation and renovation of its products, the Company's business, financial condition or results of operations could be adversely affected in the event that the Company is not able to effectively develop and introduce new or renovated products and line or brand extensions.

Goodwill and intangible assets are subject to impairment risk.

In accordance with the authoritative guidance on goodwill and intangibles, the Company assesses the potential impairment of its existing goodwill during the second quarter of each fiscal year and otherwise when events or changes in circumstances indicate that an impairment condition may exist. The Company also assesses its definite-lived intangible assets for potential impairment when events and circumstances indicate that the carrying amount of the asset may not be recoverable or its estimated remaining useful life may no longer be appropriate. Indicators such as underperformance relative to historical or projected future operating results, changes in the Company's strategy for its overall business or use of acquired assets, unexpected negative industry or economic trends, decline in the Company's stock price for a sustained period, decreased market capitalization relative to net book values, unanticipated technological change or competitive activities, loss of key distribution, change in consumer demand, loss of key personnel and acts by governments and courts may signal that an asset has become impaired.

The assessment for possible impairment of the Company's goodwill and intangible assets requires management to make judgments on a number of significant estimates and assumptions, including macroeconomic conditions, overall category growth rates, sales growth rates, cost containment and margin expansion and expense levels for advertising and promotions and general overhead, all of which must be developed from a market participant standpoint. The Company may be required to record a significant charge in its consolidated financial statements during the period in which any impairment of its goodwill or intangible assets is identified and this could negatively impact the Company's financial condition and results of operations. Although the Company has recorded significant impairments to certain of its intangible assets in prior fiscal years, no such impairments have been identified or recorded to its goodwill. Changes in management estimates and assumptions as they relate to valuation of goodwill and intangible assets could affect the Company's financial condition or results of operations in the future.

The Company may also divest of certain of its assets, businesses or brands that do not align with the Company's strategic initiatives. Any divestiture could negatively impact the profitability of the Company as a result of losses that may result from such a sale, the loss of sales and operating income or a decrease in cash flows subsequent to the divestiture. The Company may also be required to recognize impairment charges as a result of a divestiture. During the fourth quarter of fiscal year 2013, as part of the Company's ongoing evaluation of potential strategic alternatives for certain of its homecare and cleaning products, the Company determined based on its review of events and circumstances that there were indicators of impairment for the Carpet Fresh and 2000 Flushes trade names. Management accordingly performed the Step 1 recoverability test for these two trade names and based on the results of this analysis, it was determined that the total of the undiscounted cash flows significantly exceeded the carrying value for the Carpet Fresh asset group and that no impairment existed for this trade name as of August 31, 2013. However, the Step 1 analysis indicated that the carrying value of the asset group for the 2000 Flushes trade name exceeded its undiscounted future cash flows, and consequently, a second phase of the impairment test ("Step 2") was performed specific to the 2000 Flushes trade name to determine whether this trade name was impaired. Based on the results of this Step 2 analysis, the 2000 Flushes asset group's estimated fair value was determined to be lower than its carrying value. Consequently, the Company recorded a non-cash, before tax impairment charge of \$1.1 million in the fourth quarter of fiscal year 2013 to reduce the carrying value of the 2000 Flushes asset to its estimated fair value of \$7.9 million. At August 31, 2015, the carrying value of definite-lived intangible assets associated with the Company's trade names for its homecare and cleaning products was \$19.5 million, of which \$5.5 million was associated with the 2000 Flushes trade name.

Changes in marketing distributor relationships that are not managed successfully by the Company could result in a disruption in the affected markets.

The Company distributes its products throughout the world in one of two ways: the direct distribution model, in which products are sold directly by the Company to wholesalers and retailers in the U.S., Canada, Australia, China, the U.K. and a number of other countries throughout Europe; and the marketing distributor model, in which products are sold to marketing distributors who in turn sell to wholesalers and retailers. The marketing distributor model is generally used in certain countries where the Company does not have direct Company-owned operations. Instead, the Company partners with local companies who perform the sales, marketing and distribution functions. The Company invests time and resources into these relationships. Should the Company's relationship with a marketing distributor change or terminate, the Company's sales within such marketing distributor's territory could be adversely impacted until such time as a suitable replacement could be found and the Company's key marketing strategies implemented. There is a risk that changes in such marketing distributor relationships, including changes in key marketing distributor personnel, that are not managed successfully, could result in a disruption in the affected markets and that such disruption could have a material adverse effect on the Company's business, financial condition and results of operations. Additionally, in some countries, local laws may require substantial payments to terminate existing marketing distributor relationships, which could also have a material adverse effect on the Company's business, financial condition and results of operations.

Product liability claims and other litigation and/or regulatory action could adversely affect the Company's sales and operating results.

While the Company makes every effort to ensure that the products it develops and markets are safe for consumers, the use of the Company's products may expose the Company to liability claims resulting from such use. Claims could be based on allegations that, among other things, the Company's products contain contaminants, provide inadequate instructions regarding their use or inadequate warnings concerning their use or interactions with other substances. Product liability claims could result in negative publicity that could harm the Company's sales and operating results. The Company maintains product liability insurance that it believes will be adequate to protect the Company from material loss attributable to such claims but the extent of such loss could exceed available limits of insurance or could arise out of circumstances under which such insurance coverage would be unavailable. Other business activities of the Company may also expose the Company to litigation risks, including risks that may not be covered by insurance such as contract disputes. If successful claims are asserted by third parties against the Company for uninsured liabilities or liabilities in excess of applicable limits of insurance coverage, the Company's business, financial condition and results of operations may be adversely affected. In addition, if one of the Company's products was determined to be defective, the Company could be required to recall the product, which could result in adverse publicity, loss of revenues and significant expenses.

Additionally, the Company's products may be associated with competitor products or other products in the same category, which may be alleged to have caused harm to consumers. As a result of this association, the Company may be named in unwarranted legal actions. The potential costs to defend such claims may materially affect the Company's business, financial condition and results of operations.

Malfunctions of the critical information systems that the Company uses for the daily operations of its business, cyberattacks and privacy breaches could adversely affect the Company's ability to conduct business.

To conduct its business, the Company relies extensively on information technology systems, networks and services, some of which are managed, hosted and provided by third-party service providers. System failure, malfunction or loss of data which is housed in the Company's critical information systems could disrupt its ability to timely and accurately process transactions and produce key financial reports, including information on the Company's operating results, financial position and cash flows. In addition, information technology security threats and more sophisticated computer crime pose a potential risk to the security of the Company's information technology systems and networks, as well as to the confidentiality, availability and integrity of the Company's data. The Company's information systems could be damaged or cease to function properly due to a number of reasons, including catastrophic events, power outages and security breaches. A security breach resulting in the unauthorized release of sensitive data from the Company's information systems could also materially increase the costs that the Company already incurs to protect against such risks. Although the Company has certain business continuity plans in place to address such service interruptions, there is no guarantee that these business continuity plans will provide alternative processes in a timely manner. As a result, the Company may experience interruptions in its ability to manage its daily operations and this could adversely affect the Company's business, financial condition and results of operations.

The information system that the U.S. office uses for its business operations is a market specific application which is not widely used by other companies. The company that owns and supports this application may not be able to provide the same level of support as that of companies which own larger, more widely spread information systems. If the company that supports this application in the U.S. were to cease its operations or were unable to provide continued support for this application, it could adversely affect the Company's daily operations or its business, financial condition and results of operations.

In addition, the Company's U.K. subsidiary has been in the process of implementing a major upgrade to its critical information system and it successfully completed the initial phase of this implementation in fiscal year 2014. The final phase of this implementation is underway, and it includes rolling out the new system to the branch offices of the U.K. subsidiary over the next eighteen months. This information system is being used by the U.K. subsidiary to process all of the daily transactions for the U.K. subsidiary and its branch offices located in Europe and to produce key financial reports for the European operations. If the U.K. subsidiary experiences difficulties in completing the final phase of this implementation at its various locations, the Company may experience interruptions in its ability to manage its daily operations and report financial results and this could adversely affect the Company's business, financial condition and results of operations.

The Company's operating results and financial performance may not meet expectations which could adversely affect the Company's stock price.

The Company cannot be sure that its operating results and financial performance, which include sales growth, net income, earnings per common share, gross margin and cash flows, will meet expectations. If the Company's assumptions and estimates are incorrect or do not come to fruition, or if the Company does not achieve all of its key goals or strategic initiatives, then the Company's actual performance could vary materially from its internal expectations and those of the market. Failure to meet or exceed these expectations could cause the market price of the Company's stock to decline. The Company's operating results and financial performance may be negatively influenced by a number of factors, many of which are discussed in this Item 1A "Risk Factors".

In addition, sales volume growth, whether due to acquisitions or internal growth, can place burdens on management resources and financial controls that, in turn, can have a negative impact on operating results and financial condition of the Company. To some extent, the Company plans its expense levels in anticipation of future revenues. If actual revenues fall short of these expectations, operating results may be adversely affected by reduced operating margins due to actual expense levels that are higher than might otherwise have been appropriate.

Resolution of income tax matters may impact the Company's financial condition and results of operations.

Significant judgment is required in determining the Company's effective income tax rate and in evaluating tax positions, particularly those related to uncertain tax positions. The Company provides for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards prescribed by the accounting standard for uncertain tax positions. Changes in uncertain tax positions or other adjustments resulting from tax audits and settlements with taxing authorities, including related interest and penalties, impact the Company's effective tax rate. When particular tax matters arise, a number of years may elapse before such matters are audited and finally resolved. Favorable resolution of such matters could be recognized as a reduction to the Company's effective tax rate in the year of resolution. Unfavorable resolution of any tax matter could increase the Company's effective tax rate. Any resolution of a tax matter may require the adjustment of tax assets or tax liabilities or the use of cash in the year of resolution. For additional information, refer to the information set forth in Note 12 – Income Taxes of the consolidated financial statements, included in Item 15 of this report.

In addition, changes in tax rules may adversely affect the Company's future financial results or the way management conducts its business. For example, the Company holds a significant amount of cash outside of the United States. As of August 31, 2015, the Company has not provided for U.S. federal and state income taxes and foreign withholding taxes on \$115.4 million of undistributed earnings of certain foreign subsidiaries since these earnings are considered indefinitely reinvested outside of the United States. The Company's future financial results and liquidity may be adversely affected if tax rules regarding un-repatriated earnings change, if management elects for any reason in the future to repatriate some or all of the foreign earnings that were previously deemed to be indefinitely reinvested outside of the U.S., or if the U.S. international tax rules change as part of comprehensive tax reform or other tax legislations.

The Company's business development activities may not be successful.

The Company seeks to increase growth through business development activities such as acquisitions, joint ventures, licensing and/or other strategic partnerships in the U.S. and internationally. However, if the Company is not able to identify, acquire and successfully integrate acquired products or companies or successfully manage joint ventures or other strategic partnerships, the Company may not be able to maximize these opportunities. The failure to properly manage business development activities because of difficulties in the assimilation of operations and products, the diversion of management's attention from other business concerns, the loss of key employees or other factors could materially adversely affect the Company's business, financial condition and results of operations. In addition, there can be no assurance that the Company's business development activities will be profitable at their inception or that they will achieve sales levels and profitability that justify the investments made.

Future acquisitions, joint ventures or strategic partnerships could also result in the incurrence of debt, potentially dilutive issuances of equity securities, contingent liabilities, amortization expenses related to certain intangible assets, unanticipated regulatory complications and/or increased operating expenses, all of which could adversely affect the Company's results of operations and financial condition. In addition, to the extent that the economic benefits associated with any of the Company's business development activities diminish in the future, the Company may be required to record impairments to goodwill, intangible assets or other assets associated with such activities, which could also adversely affect the Company's business, financial condition and results of operations.

The Company may not have sufficient cash to service its indebtedness or to pay cash dividends.

The Company's current debt consists of a revolving credit facility and management has used the proceeds of this revolving credit facility primarily for stock repurchases. In order to service such debt, the Company is required to use its income from operations to make interest and principal payments required by the terms of the loan agreement. In addition, the Company's loan agreement includes covenants to maintain certain financial ratios and to comply with other financial terms, conditions and covenants. Also, the Company has historically paid out a large part of its earnings to stockholders in the form of regular quarterly cash dividends. In December 2014, the Board of Directors declared a 12% increase in the regular quarterly cash dividend, increasing it from \$0.34 per share to \$0.38 per share.

The Company may incur substantial debt in the future for acquisitions or other business development activities. In addition, the Company may continue to use available cash balances to execute share repurchases under approved share buy-back plans. To the extent that the Company is required to seek additional financing to support certain of these activities, such financing may not be available in sufficient amounts or on terms acceptable to the Company. If the Company is unable to obtain such financing or to service its existing or future debt with its operating income, or if available cash balances are affected by future business performance, liquidity, capital needs, alternative investment opportunities or debt covenants, the Company could be required to reduce, suspend or eliminate its dividend payments to its stockholders.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Americas

The Company owns and occupies an office and plant facility, consisting of office, plant and storage space, at 1061 Cudahy Place, San Diego, California 92110. The Company also leases additional office and storage space in San Diego. The Company leases a regional sales office in Miami, Florida, a research and development office in Summit, New Jersey and office space in Toronto, Ontario, Canada.

EMEA

The Company owns and occupies an office and plant facility, consisting of office, plant and storage space, in Milton Keynes, United Kingdom. In addition, the Company also leases another office in United Kingdom and space for its branch offices in Germany, France, Italy, Spain, Portugal and the Netherlands.

Asia-Pacific

The Company leases office space in Epping, New South Wales, Australia; Shanghai, China; and Kuala Lumpur, Malaysia.

Item 3. Legal Proceedings

The Company is party to various claims, legal actions and complaints, including product liability litigation, arising in the ordinary course of business.

On May 31, 2012, a legal action was filed against the Company in a United States District Court, in Texas (IQ Products Company v. WD-40 Company). The complaint alleged that the Company wrongfully terminated a contract manufacturing relationship. IQ Products Company (“IQPC”) also raised alleged safety concerns regarding a long-standing manufacturing specification related to the Company’s products. On November 13, 2014, the Pipeline and Hazardous Materials Safety Administration (“PHMSA”) of the Department of Transportation (“DOT”) addressed a letter to IQPC to inform IQPC that it concluded an investigation and found no evidence of non-compliance with existing PHMSA regulations or an imminent public safety hazard posed by WD-40 Company products.

Pursuant to a court order, the dispute was submitted to arbitration. Following nine days of testimony and full briefing, a panel of three arbitrators issued their Interim Award and decision on the merits of the dispute on May 15, 2015. The arbitrators rejected all of IQPC’s claims. On August 14, 2015, the arbitrators issued a further Interim Award to declare that the Company is the prevailing party in the proceeding for purposes of awarding attorney’s fees and costs.

On September 24, 2015, IQPC filed an action in the United States District Court in New Jersey against the DOT and PHMSA

alleging that the PHMSA failed to properly follow the applicable regulations when it previously investigated the manufacturing and required regulatory testing of the Company's products. The Company is not named as a party to this action, but IQPC continues to allege that the Company's products do not comply with the applicable regulation and that such alleged failure is evidence of a dangerous condition. The Company's position, supported by the PHMSA's prior investigation and conclusions noted above, is that all of the Company's aerosol products are properly manufactured and tested in accordance with the applicable regulation. The Company will monitor this pending litigation and the Company will take such action as may be necessary or appropriate to protect the Company's interests.

The Company does not believe that there is any reasonable possibility that these matters will have a materially negative impact on the Company's financial condition or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

The following table sets forth the names, ages, fiscal year elected to current position and current titles of the executive officers of the Company as of August 31, 2015:

Name, Age and Year Elected to Current Position			Title
Garry O. Ridge	59	1997	President and Chief Executive Officer
Jay W. Rembolt	64	2008	Vice President, Finance, Treasurer and Chief Financial Officer
Stanley A. Sewitch	62	2012	Vice President, Global Organization Development
Richard T. Clampitt	60	2014	Vice President, General Counsel and Corporate Secretary
Michael L. Freeman	62	2002	Division President, The Americas
Geoffrey J. Holdsworth	53	1997	Managing Director, Asia-Pacific
William B. Noble	57	1996	Managing Director, EMEA

Mr. Ridge joined the Company's Australian subsidiary, WD-40 Company (Australia) Pty. Limited, in 1987 as Managing Director. He held several senior management positions prior to his election as Chief Executive Officer in 1997.

Mr. Rembolt joined the Company in 1997 as Manager of Financial Services. He was promoted to Controller in 1999 and to Vice President, Finance/Controller in 2001. He was then named Vice President, Finance and Chief Financial Officer in 2008.

Mr. Sewitch joined the Company in 2012 as Vice President, Global Organization Development. Prior to joining the Company, Mr. Sewitch was a founder of four businesses, including a human resources and organizational consulting firm (HRG Inc.) which he led from 1989 until joining the Company.

Mr. Clampitt joined the Company in 2014 as Vice President, General Counsel and Corporate Secretary. He was named as Corporate Secretary on October 15, 2013. He has been licensed to practice law in the State of California since 1981. Prior to joining the Company, Mr. Clampitt served as a partner at Gordon & Rees LLP from 2002 through 2013.

Mr. Freeman joined the Company in 1990 as Director of Marketing and was promoted to Director of Operations in 1994. He became Vice President, Administration and Chief Information Officer in 1996, and was named Senior Vice President, Operations in 2001 and Division President, The Americas, in 2002.

Mr. Holdsworth joined the Company's Australia subsidiary, WD-40 Company (Australia) Pty. Limited, in 1996 as General Manager and was promoted to his current position of Managing Director, Asia-Pacific and as a Director of WD-40 Company (Australia) Pty. Limited in 1997.

Mr. Noble joined the Company's Australia subsidiary, WD-40 Company (Australia) Pty. Limited, in 1993 as International Marketing Manager for the Asia Region. He was then promoted to his current position of Managing Director, EMEA and as a Director of the Company's U.K. subsidiary, WD-40 Company Limited, in 1996.

All executive officers hold office at the discretion of the Board of Directors.

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

The Company's common stock is traded on the NASDAQ Global Select Market. The following table sets forth the high and low sales prices per share of the Company's common stock for each of the quarterly periods indicated as reported by the NASDAQ Global Select Market.

	Fiscal Year 2015			Fiscal Year 2014		
	High	Low	Dividend	High	Low	Dividend
First Quarter	\$ 78.14	\$ 65.19	\$ 0.34	\$ 76.29	\$ 58.21	\$ 0.31
Second Quarter	\$ 87.09	\$ 75.30	\$ 0.38	\$ 79.31	\$ 66.75	\$ 0.34
Third Quarter	\$ 89.49	\$ 80.15	\$ 0.38	\$ 78.88	\$ 69.78	\$ 0.34
Fourth Quarter	\$ 91.78	\$ 80.86	\$ 0.38	\$ 76.99	\$ 66.06	\$ 0.34

On October 19, 2015, the last reported sales price of the Company's common stock on the NASDAQ Global Select Market was \$92.90 per share, and there were 14,374,181 shares of common stock outstanding held by approximately 758 holders of record.

Dividends

The Company has historically paid regular quarterly cash dividends on its common stock. In December 2014, the Board of Directors declared a 12% increase in the regular quarterly cash dividend, increasing it from \$0.34 per share to \$0.38 per share. On October 2, 2015, the Company's Board of Directors declared a cash dividend of \$0.38 per share payable on October 30, 2015 to shareholders of record on October 16, 2015.

The Board of Directors of the Company presently intends to continue the payment of regular quarterly cash dividends on the Company's common stock. The Company's ability to pay dividends could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and debt covenants.

Purchases of Equity Securities By the Issuer and Affiliated Purchasers

On June 18, 2013, the Company's Board of Directors approved a share buy-back plan. Under the plan, which was to be in effect from August 1, 2013 through August 31, 2015, the Company was authorized to acquire up to \$60.0 million of its outstanding shares on such terms and conditions as may be acceptable to the Company's Chief Executive Officer or Chief Financial Officer and subject to present loan covenants and in compliance with all laws and regulations applicable thereto. During the period from August 1, 2013 through February 28, 2015, the Company repurchased 848,545 shares at a total cost of \$60.0 million. As a result, the Company utilized the entire authorized amount and completed the repurchases under this share buy-back plan as of the end of the second quarter of fiscal year 2015.

On October 14, 2014, the Company's Board of Directors approved a new share buy-back plan. Under the plan, which became effective at the beginning of the third quarter of fiscal year 2015, once the Company's previous \$60.0 million plan was exhausted, the Company is authorized to acquire up to \$75.0 million of its outstanding shares through August 31, 2016. The timing and amount of repurchases will be based on terms and conditions as may be acceptable to the Company's Chief Executive Officer and Chief Financial Officer and in compliance with all laws and regulations applicable thereto. During the period from March 1, 2015 through August 31, 2015, the Company repurchased 186,043 shares at a total cost of \$15.7 million under this \$75.0 million plan.

The following table provides information with respect to all purchases made by the Company during the three months ended August 31, 2015. All purchases listed below were made in the open market at prevailing market prices. Purchase transactions between June 1, 2015 and July 10, 2015 and between August 10, 2015 and August 20, 2015 were executed pursuant to trading plans adopted by the Company pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
June 1 - June 30	7,310	\$ 84.53	7,310	\$ 63,046,700
July 1 - July 31	6,400	\$ 87.61	6,400	\$ 62,485,862
August 1 - August 31	35,937	\$ 88.86	35,937	\$ 59,291,905
Total	49,647	\$ 88.06	49,647	

Item 6. Selected Financial Data

The following data has been derived from the Company's audited consolidated financial statements. The data should be read in conjunction with such consolidated financial statements and other financial information included elsewhere in this report (in thousands, except per share amounts):

	As of and for the Fiscal Year Ended August 31,				
	2015	2014	2013	2012	2011
Net sales	\$ 378,150	\$ 382,997	\$ 368,548	\$ 342,784	\$ 336,409
Cost of products sold	177,972	184,144	179,385	174,302	168,297
Gross profit	200,178	198,853	189,163	168,482	168,112
Operating expenses	134,788	135,116	132,526	116,753	113,980
Income from operations	65,390	63,737	56,637	51,729	54,132
Interest and other (expense) income, net	(2,280)	(778)	230	(816)	(601)
Income before income taxes	63,110	62,959	56,867	50,913	53,531
Provision for income taxes	18,303	19,213	17,054	15,428	17,098
Net income	\$ 44,807	\$ 43,746	\$ 39,813	\$ 35,485	\$ 36,433

Earnings per common share:

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Basic	\$ 3.05	\$ 2.89	\$ 2.55	\$ 2.22	\$ 2.16
Diluted	\$ 3.04	\$ 2.87	\$ 2.54	\$ 2.20	\$ 2.14
Dividends per share	\$ 1.48	\$ 1.33	\$ 1.22	\$ 1.14	\$ 1.08
Weighted-average shares outstanding - diluted	14,649	15,148	15,619	16,046	16,982
Total assets	\$ 339,257	\$ 347,680	\$ 323,064	\$ 300,870	\$ 279,777
Long-term obligations (1)	\$ 133,427	\$ 26,354	\$ 25,912	\$ 25,963	\$ 24,321

(1) Long-term obligations include long-term debt, long-term deferred tax liabilities, net and other long-term liabilities.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is designed to provide the reader of the Company’s financial statements with a narrative from the perspective of management on the Company’s financial condition, results of operations, liquidity and certain other factors that may affect future results. This MD&A includes the following sections: Overview, Highlights, Results of Operations, Performance Measures and Non-GAAP Reconciliations, Liquidity and Capital Resources, Critical Accounting Policies, Recently Issued Accounting Standards and Related Parties. The MD&A is provided as a supplement to, and should be read in conjunction with, the Company’s audited consolidated financial statements and the related notes included in Item 15 of this report.

In order to show the impact of changes in foreign currency exchange rates on our results of operations, we have included constant currency disclosures, where necessary, in the Overview and Results of Operations sections which follow. Constant currency disclosures represent the translation of our current fiscal year revenues and expenses from the functional currencies of

our subsidiaries to U.S. dollars using the exchange rates in effect for the corresponding period of the prior fiscal year. We use results on a constant currency basis as one of the measures to understand our operating results and evaluate our performance in comparison to prior periods. Results on a constant currency basis are not in accordance with accounting principles generally accepted in the United States of America (“non-GAAP”) and should be considered in addition to, not as a substitute for, results prepared in accordance with GAAP.

Overview

The Company

WD-40 Company (“the Company”), based in San Diego, California, is a global marketing organization dedicated to creating positive lasting memories by developing and selling products which solve problems in workshops, factories and homes around the world. We market our maintenance products and our homecare and cleaning products under the following well-known brands: WD-40®, 3-IN-ONE®, GT85®, X-14®, 2000 Flushes®, Carpet Fresh®, no vac®, Spot Shot®, 1001®, Lava® and Solvol®. Currently included in the WD-40 brand are the WD-40 multi-use product and the WD-40 Specialist® and WD-40 Bike™ product lines.

Our brands are sold in various locations around the world. Maintenance products are sold worldwide in markets throughout North, Central and South America, Asia, Australia and the Pacific Rim, Europe, the Middle East and Africa. Homecare and cleaning products are sold primarily in North America, the United Kingdom (“U.K.”) and Australia. We sell our products primarily through mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets, sport retailers, independent bike dealers and industrial distributors and suppliers.

Highlights

The following summarizes the financial and operational highlights for our business during the fiscal year ended August 31, 2015:

- Consolidated net sales decreased \$4.8 million, or 1%, for fiscal year 2015 compared to the prior fiscal year. Changes in foreign currency exchange rates had an unfavorable impact of \$10.9 million on consolidated net sales for fiscal year 2015. Thus, on a constant currency basis, net sales would have increased by \$6.1 million, or 2%, for fiscal year 2015 compared to the prior fiscal year. Of the \$10.9 million unfavorable impact from changes in foreign currency exchange rates, \$7.5 million came from our EMEA segment, which accounted for 36% of our consolidated sales for the fiscal year ended August 31, 2015.

- Gross profit as a percentage of net sales increased to 52.9% for fiscal year 2015 compared to 51.9% for the prior fiscal year.
- Consolidated net income increased \$1.1 million, or 2%, for fiscal year 2015 compared to the prior fiscal year. Changes in foreign currency exchange rates had an unfavorable impact of \$1.7 million on consolidated net income for fiscal year 2015. Thus, on a constant currency basis, net income would have increased by \$2.8 million, or 6%, for fiscal year 2015 compared to the prior fiscal year.
- Diluted earnings per common share for fiscal year 2015 were \$3.04 versus \$2.87 in the prior fiscal year.
- Share repurchases have been executed under both our previous \$60.0 million and current \$75.0 million approved share buy-back plans. During the first six months of fiscal year 2015, the Company purchased an additional 200,407 shares at an average price of \$72.59 under the \$60.0 million plan. As a result, this plan has been fully utilized with all authorized purchases under the plan completed as of the end of the second quarter of fiscal year 2015. During the period from March 1, 2015 through August 31, 2015, the Company repurchased 186,043 shares at an average price of \$84.41 per share, for a total cost of \$15.7 million under the new \$75.0 million plan which was approved by the Company's Board of Directors in October 2014.

Our strategic initiatives and the areas where we will continue to focus our time, talent and resources in future periods include: (i) maximizing WD-40 multi-use product sales through geographic expansion and increased market penetration; (ii) leveraging the WD-40 brand by growing the WD-40 Specialist product line; (iii) leveraging the strengths of the Company through broadened product and revenue base; (iv) attracting, developing and retaining talented people; and (v) operating with excellence.

Results of Operations

Fiscal Year Ended August 31, 2015 Compared to Fiscal Year Ended August 31, 2014

Operating Items

The following table summarizes operating data for our consolidated operations (in thousands, except percentages and per share amounts):

	Fiscal Year Ended August 31,		Change from Prior Year	
	2015	2014	Dollars	Percent
Net sales:				
Maintenance products	\$ 333,306	\$ 337,825	\$ (4,519)	(1)%
Homecare and cleaning products	44,844	45,172	(328)	(1)%
Total net sales	378,150	382,997	(4,847)	(1)%
Cost of products sold	177,972	184,144	(6,172)	(3)%
Gross profit	200,178	198,853	1,325	1%
Operating expenses	134,788	135,116	(328)	-
Income from operations	\$ 65,390	\$ 63,737	\$ 1,653	3%
Net income	\$ 44,807	\$ 43,746	\$ 1,061	2%
Earnings per common share - diluted	\$ 3.04	\$ 2.87	\$ 0.17	6%

Net Sales by Segment

The following table summarizes net sales by segment (in thousands, except percentages):

	Fiscal Year Ended August 31,		Change from Prior Year	
	2015	2014	Dollars	Percent
Americas	\$ 187,344	\$ 180,806	\$ 6,538	4%
EMEA	136,847	151,368	(14,521)	(10)%
Asia-Pacific	53,959	50,823	3,136	6%
Total	\$ 378,150	\$ 382,997	\$ (4,847)	(1)%

Americas

The following table summarizes net sales by product line for the Americas segment (in thousands, except percentages):

	Fiscal Year Ended August 31,		Change from	
	2015	2014	Prior Year	
			Dollars	Percent
Maintenance products	\$ 156,937	\$ 149,899	\$ 7,038	5%
Homecare and cleaning products	30,407	30,907	(500)	(2)%
Total	\$ 187,344	\$ 180,806	\$ 6,538	4%
% of consolidated net sales	50%	47%		

Sales in the Americas segment, which includes the U.S., Canada and Latin America, increased to \$187.3 million, up \$6.5 million, or 4%, for the fiscal year ended August 31, 2015 compared to the prior fiscal year. Changes in foreign currency

exchange rates did not have a material impact on sales for the fiscal year ended August 31, 2015 compared to the prior fiscal year.

Sales of maintenance products in the Americas segment increased \$7.0 million, or 5%, for the fiscal year ended August 31, 2015 compared to the prior fiscal year. This sales increase was primarily driven by higher sales of WD-40 maintenance products in Latin America and the U.S., which were up 7% and 5%, respectively, for the fiscal year ended August 31, 2015 compared to the prior fiscal year. The increase in Latin America was primarily due to new distribution and successful promotional programs that were conducted during fiscal year 2015 throughout the Latin America region, particularly those in Brazil and Mexico. The sales increase in the U.S. from period to period was primarily due to a higher level of promotional activities and increased distribution for the WD-40 multi-use product. Sales in the U.S. were also positively impacted from period to period due to the launch of our new innovative WD-40 EZ Reach product in the last quarter of fiscal year 2015. These sales increases in Latin America and the U.S. were slightly offset by a sales decrease of 3% for maintenance products in Canada, primarily due to changes in foreign currency exchange rates. In functional currency, which is the Canadian Dollar, sales of maintenance products in Canada increased by 8% from period to period. Also contributing to the overall sales increase of the maintenance products in the Americas segment from period to period were higher sales of the WD-40 Specialist product line, which were up \$2.3 million, or 26%, due to increased promotional activities and new distribution during fiscal year 2015.

Sales of homecare and cleaning products in the Americas segment decreased \$0.5 million, or 2%, for the fiscal year ended August 31, 2015 compared to the prior fiscal year. While total sales of homecare and cleaning products in the U.S., which is where the majority of such sales originate, remained relatively constant from period to period, sales of such products decreased in Canada for fiscal year 2015 as compared to the prior fiscal year. In Canada, sales of homecare and cleaning products decreased 22% driven primarily by the unfavorable impacts of changes in foreign currency exchange rates from period to period and lower sales of 2000 Flushes automatic toilet bowl cleaners and Spot Shot, which were down 24% and 19%, respectively, for fiscal year 2015 compared to the prior fiscal year. In functional currency, sales of homecare and cleaning products in Canada decreased by 13% from period to period. While each of our homecare and cleaning products continue to generate positive cash flows, we have continued to experience decreased or flat sales for many of these products primarily due to lost distribution, reduced product offerings, competition, category declines and the volatility of orders from and promotional programs with certain of our customers, particularly those in the warehouse club and mass retail channels.

For the Americas segment, 82% of sales came from the U.S., and 18% of sales came from Canada and Latin America combined for the fiscal year ended August 31, 2015 compared to the distribution for the prior fiscal year when 81% of sales came from the U.S., and 19% of sales came from Canada and Latin America combined.

EMEA

The functional currency of our U.K. subsidiary, the legal entity in which the EMEA results are generated, is Pound Sterling. Although the functional currency of this subsidiary is Pound Sterling, approximately 45% of its sales are generated in Euro and 25% are generated in U.S. Dollar. As a result, the Pound Sterling sales and earnings for the EMEA segment can be negatively or positively impacted from period to period depending on whether the Euro and U.S. Dollar are weakening or strengthening against the Pound Sterling.

The following table summarizes net sales by product line for the EMEA segment (in thousands, except percentages):

	Fiscal Year Ended August 31,		Change from	
	2015	2014	Prior Year	
			Dollars	Percent
Maintenance products	\$ 129,730	\$ 144,255	\$ (14,525)	(10)%
Homecare and cleaning products	7,117	7,113	4	-
Total	\$ 136,847	\$ 151,368	\$ (14,521)	(10)%
% of consolidated net sales	36%	40%		

Sales in the EMEA segment, which includes Europe, the Middle East, Africa and India, decreased to \$136.9 million, down \$14.5 million, or 10%, for the fiscal year ended August 31, 2015 compared to the prior fiscal year. Changes in foreign currency exchange rates for the fiscal year ended August 31, 2015 compared to the prior fiscal year had an unfavorable impact on sales. Sales for the fiscal year ended August 31, 2015 translated at the exchange rates in effect for the prior fiscal year would have been \$144.3 million in the EMEA segment. Thus, on a constant currency basis, sales would have decreased by \$7.1 million, or 5%, for the fiscal year ended August 31, 2015 compared to the prior fiscal year.

The countries in Europe where we sell through a direct sales force include the U.K., Italy, France, Iberia (which includes Spain and Portugal) and the Germanics sales region (which includes Germany, Austria, Denmark, Switzerland, Belgium and the Netherlands). Overall, sales from direct markets decreased \$6.6 million, or 7%, for the fiscal year ended August 31, 2015 compared to the prior fiscal year. We experienced sales decreases throughout most of the Europe direct markets for the fiscal year ended August 31, 2015 compared to the prior fiscal year, with percentage decreases in sales as follows: Italy, 23%; the Germanics region, 12%; Iberia, 8%; and France, 7%. The decreased sales in these regions were slightly offset by the sales increase of 3% in the U.K. from period to period. The overall sales decline was primarily due to the continued weakening of the Euro, the currency in which a substantial portion of the direct markets sales are generated, relative to the Pound Sterling from period to period. The average exchange rate for the Euro against the Pound Sterling decreased by 9% to 0.7497 during fiscal year 2015 from 0.8265 for the prior fiscal year. As a result of this change in the foreign currency exchange rates, our sales in the direct markets decreased from period to period in Pound Sterling. Although sales in the direct markets decreased from period to period, sales of the WD-40 Specialist product line increased \$0.9 million, or 26%, due to expanded distribution of the product line in fiscal year 2015. Sales from direct markets accounted for 63% of the EMEA segment's sales for fiscal year ended August 31, 2015 compared to 62% of the EMEA segment's sales for the prior fiscal year.

The regions in the EMEA segment where we sell through local distributors include the Middle East, Africa, India, Eastern and Northern Europe. Sales in the distributor markets decreased \$7.9 million, or 14%, for the fiscal year ended August 31, 2015 compared to the prior fiscal year primarily due to a significant decrease in sales in Russia and Ukraine as a result of the political and economic instability in Eastern Europe. Sales to Russia and Ukraine decreased by approximately 30% and 77%, respectively, from fiscal year 2014 to fiscal year 2015. Sales also decreased in the Middle East from fiscal year 2014 to fiscal year 2015, primarily due to lower sales of the WD-40 multi-use product in Afghanistan. These overall sales decreases were slightly offset by the general strengthening of the U.S. Dollar against the Pound Sterling from period to period, which increased sales, and higher sales volume of WD-40 multi-use product in Northern Europe due to the continued growth of our base business. The distributor markets accounted for 37% of the total EMEA segment sales for the fiscal year ended August 31, 2015, compared to 38% for the prior fiscal year.

Asia-Pacific

The following table summarizes net sales by product line for the Asia-Pacific segment (in thousands, except percentages):

	Fiscal Year Ended August 31,		Change from	
	2015	2014	Dollars	Percent
Maintenance products	\$ 46,639	\$ 43,670	\$ 2,969	7%
Homecare and cleaning products	7,320	7,153	167	2%
Total	\$ 53,959	\$ 50,823	\$ 3,136	6%
% of consolidated net sales	14%	13%		

Sales in the Asia-Pacific segment, which includes Australia, China and other countries in the Asia region increased to \$54.0 million, up \$3.1 million, or 6% for the fiscal year ended August 31, 2015 compared to the prior fiscal year. Changes in foreign currency exchange rates for the fiscal year ended August 31, 2015 compared to the prior fiscal year had an unfavorable impact on sales. Sales for the fiscal year ended August 31, 2015 translated at the exchange rates in effect for the prior fiscal year would have been \$56.1 million in the Asia-Pacific segment. Thus, on a constant currency basis, sales would have increased by \$5.3 million, or 10%, for the fiscal year ended August 31, 2015 compared to the prior fiscal year.

Sales in Asia, which represented 68% of the total sales in the Asia-Pacific segment, increased \$3.6 million, or 11%, for fiscal year ended August 31, 2015 compared to the prior fiscal year. Sales in the Asia distributor markets increased \$2.4 million, or 11%, from period to period primarily due to increased sales of the WD-40 multi-use product throughout most of the distributor markets, including those in South Korea, the Philippines and Indonesia. Sales in China increased \$1.2 million, or 10%, for the fiscal year ended August 31, 2015 compared to the prior fiscal year primarily due to new distribution, much of which came from Southern China, and increased promotional activities from period to period.

Sales in Australia decreased by \$0.5 million, or 3%, for the fiscal year ended August 31, 2015 compared to the prior fiscal year. Changes in foreign currency exchange rates had an unfavorable impact on Australia sales. In functional currency, which is the Australian Dollar, sales increased by 10%, for the fiscal year ended August 31, 2015 compared to the prior fiscal year primarily due to increased distribution and promotional activities from period to period as well as a price increase which was implemented at the end of the second quarter of fiscal year 2015.

Gross Profit

Gross profit increased to \$200.2 million for the fiscal year ended August 31, 2015 compared to \$198.9 million for the prior fiscal year. As a percentage of net sales, gross profit increased to 52.9% for the fiscal year ended August 31, 2015 compared to 51.9% for the prior fiscal year.

Gross margin was positively impacted by 1.6 percentage points from period to period due to favorable net changes in the costs of petroleum-based specialty chemicals and aerosol cans in all three segments. There is often a delay of one quarter or more before changes in raw material costs impact cost of products sold due to production and inventory life cycles. We expect that the cost of crude oil will continue to be volatile and that volatility will impact our cost of products sold in future periods. Although a significant portion of the cost of most of our maintenance products comes from petroleum-based specialty chemicals, only a small amount of the total cost of a can of such products is directly indexed to the cost of crude oil. Gross margin was also positively impacted by 0.3 percentage points from period to period due to sales price increases. These sales price increases were implemented in certain locations and markets in the Asia-Pacific and EMEA segments over the last twelve months. In addition, gross margin was positively impacted by 0.1 percentage points from period to period due to lower warehousing and in-bound freight costs, particularly in the Americas segment.

These favorable impacts to gross margin were partially offset by 0.3 percentage points due to a higher level of advertising, promotional and other discounts that we give to our customers from period to period. The increase in such discounts was due to a higher percentage of sales being subject to promotional allowances during the fiscal year ended August 31, 2015 compared to the prior fiscal year, primarily in the Asia-Pacific and Americas segments. In general, the timing of advertising, promotional and other discounts may cause fluctuations in gross margin from period to period. The costs associated with certain promotional activities are recorded as a reduction to sales while others are recorded as advertising and sales promotion expenses. Advertising, promotional and other discounts that are given to our customers are recorded as a reduction to sales, whereas advertising and sales promotional costs associated with promotional activities that we pay to third parties are recorded as advertising and sales promotion expenses. Changes in foreign currency exchange rates also negatively impacted gross margin by 0.5 percentage points primarily due to the fluctuations in the exchange rates for the Euro and U.S. Dollar against the Pound Sterling in our EMEA segment from period to period. In the EMEA segment, the majority of our cost of goods sold is denominated in Pound Sterling whereas sales are generated in Pound Sterling, Euro and the U.S. Dollar. The net effect of the general weakening of the Euro against the Pound Sterling and the strengthening of the U.S. Dollar against the Pound Sterling from period to period caused a decrease in our sales, resulting in unfavorable impacts to the gross margin. The combined effects of unfavorable sales mix changes and other miscellaneous costs also negatively impacted gross margin by 0.2 percentage points from period to period.

Note that our gross profit and gross margin may not be comparable to those of other consumer product companies, since some of these companies include all costs related to distribution of their products in cost of products sold, whereas we exclude the portion associated with amounts paid to third parties for shipment to our customers from our

distribution centers and contract manufacturers and include these costs in selling, general and administrative expenses. These costs totaled \$15.8 million and \$16.2 million for the fiscal years ended August 31, 2015 and 2014, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses for the fiscal year ended August 31, 2015 increased \$0.3 million to \$108.9 million from \$108.6 million for the prior fiscal year. As a percentage of net sales, SG&A expenses increased to 28.8% for the fiscal year ended August 31, 2015 from 28.3% for the prior fiscal year. The increase in SG&A expenses was primarily attributable to higher employee-related costs, a higher level of expenses associated with travel and meetings, higher costs associated with new product exploration, and increased depreciation expense, from period to period. Employee-related costs, which include salaries, incentive compensation, profit sharing, stock-based compensation and other fringe benefits, increased by \$1.7 million from period to period primarily due to annual compensation increases, higher staffing levels and other employee-related costs we incurred associated with changes that we are making to our WD-40 Bike business in the United States. These increases were partially offset by lower earned incentive compensation, from period to period. Travel and meeting expenses increased \$0.8 million due to a higher level of travel expenses associated with various sales meetings and activities in support of our strategic initiatives. The \$0.8 million increase in new product exploration expenses, which are included in research and development costs, was primarily due to an increased level of spending during fiscal year 2015 related to the continued development of our products within the WD-40 brand. Depreciation expense increased by \$0.5 million from period to period primarily due to our continued investment in computer system related assets and other capital assets which support our general business operations. Other miscellaneous expenses, which primarily include general office overhead, sales commission, and insurance costs, also increased by \$0.5 million period over period. These increases were partially offset by a

decrease of \$1.4 million in professional services costs from period to period, primarily due to lower legal fees associated with litigation activities and general consulting services in our Americas and EMEA segments. Changes in foreign currency exchange rates had a favorable impact of \$2.6 million on SG&A expenses for the fiscal year ended August 31, 2015 compared to the prior fiscal year.

We continued our research and development investment, the majority of which is associated with our maintenance products, in support of our focus on innovation and renovation of our products. Research and development costs for the fiscal years ended August 31, 2015 and 2014 were \$9.0 million and \$6.9 million, respectively. Our research and development team engages in consumer research, product development, current product improvement and testing activities. This team leverages its development capabilities by partnering with a network of outside resources including our current and prospective outsource suppliers. The level and types of expenses incurred within research and development can vary from period to period depending upon the types of activities being performed.

Advertising and Sales Promotion Expenses

Advertising and sales promotion expenses for the fiscal year ended August 31, 2015 decreased \$1.0 million, or 4%, to \$22.9 million from \$23.9 million for the prior fiscal year. As a percentage of net sales, these expenses decreased to 6.0% for the fiscal year ended August 31, 2015 from 6.2% for the prior fiscal year. The decrease in advertising and sales promotion expenses was primarily due to a lower level of promotional programs and marketing support in the EMEA segment from period to period. Changes in foreign currency exchange rates did not have a material impact on advertising and sales promotion expenses for the fiscal year ended August 31, 2015 compared to the prior fiscal year. Investment in global advertising and sales promotion expenses for fiscal year 2016 is expected to be in the range of 6.0% to 7.0% of net sales.

As a percentage of net sales, advertising and sales promotion expenses may fluctuate period to period based upon the type of marketing activities we employ and the period in which the costs are incurred. Total promotional costs recorded as a reduction to sales were \$16.0 million and \$16.2 million for the fiscal years ended August 31, 2015 and 2014, respectively. Therefore, our total investment in advertising and sales promotion activities totaled \$38.9 million and \$40.1 million for the fiscal years ended August 31, 2015 and 2014, respectively.

Amortization of Definite-lived Intangible Assets Expense

Amortization of our definite-lived intangible assets was \$3.0 million and \$2.6 million for the fiscal years ended August 31, 2015 and 2014, respectively. This \$0.4 million increase from period to period was primarily due to the GT85 Limited acquisition, which we completed in September 2014.

Income from Operations by Segment

The following table summarizes income from operations by segment (in thousands, except percentages):

	Fiscal Year Ended August 31,		Change from	
	2015	2014	Prior Year	
			Dollars	Percent
Americas	\$ 46,674	\$ 41,356	\$ 5,318	13%
EMEA	30,173	34,003	(3,830)	(11)%
Asia-Pacific	12,602	10,364	2,238	22%
Unallocated corporate (1)	(24,059)	(21,986)	(2,073)	9%
	\$ 65,390	\$ 63,737	\$ 1,653	3%

(1) Unallocated corporate expenses are general corporate overhead expenses not directly attributable to any one of the operating segments. These expenses are reported separate from the Company's identified segments and are included in Selling, General and Administrative expenses on the Company's consolidated statements of operations.

Americas

Income from operations for the Americas segment increased to \$46.7 million, up \$5.3 million, or 13%, for the fiscal year ended August 31, 2015 compared to the prior fiscal year, primarily due to a \$6.5 million increase in sales and a higher gross margin.

As a percentage of net sales, gross profit for the Americas segment increased from 51.0% to 52.6% period over period. This increase in the gross margin was primarily due to the combined positive impacts of decreased costs of petroleum-based specialty chemicals and aerosol cans as well as decreased warehousing and in-bound freight costs from period to period. The higher level of sales from period to period in the Americas segment was accompanied by a \$1.0 million increase in total operating expenses. Operating income as a percentage of net sales increased from 22.9% to 24.9% period over period.

EMEA

Income from operations for the EMEA segment decreased to \$30.2 million, down \$3.8 million, or 11%, for the fiscal year ended August 31, 2015 compared to the prior fiscal year, primarily due to a \$14.5 million decrease in sales. As a percentage of net sales, gross profit for the EMEA segment increased from 54.0% to 54.6% period over period primarily due to the combined positive impacts of decreased costs of petroleum-based specialty chemicals and aerosol cans and price increases, both of which were significantly offset by the unfavorable impacts of changes in sales mix and fluctuations in foreign currency exchange rates from period to period. In the EMEA segment, the majority of our cost of goods sold is denominated in Pound Sterling whereas sales are generated in Pound Sterling, Euro and U.S. Dollar. The net effects of the continued weakening of the Euro against the Pound Sterling and the strengthening of the U.S. Dollar against the Pound Sterling from period to period has caused our sales to decrease, resulting in unfavorable impacts to the gross margin. The lower level of sales was accompanied by a \$3.2 million decrease in total operating expenses driven mainly by lower advertising and sales promotion expenses, freight costs and earned incentive compensation. Operating income as a percentage of net sales decreased from 22.5% to 22.0% period over period.

Asia-Pacific

Income from operations for the Asia-Pacific segment increased to \$12.6 million, up \$2.2 million, or 22%, for the fiscal year ended August 31, 2015 compared to the prior fiscal year, primarily due to a \$3.1 million increase in sales and a higher gross margin. As a percentage of net sales, gross profit for the Asia-Pacific segment increased from 48.9% to 49.9% from period to period due to the combined positive impacts of sales price increases and decreased costs of petroleum-based specialty chemicals and aerosol cans, both of which were partially offset by a higher level of advertising, promotional and other discounts that we gave to our customers from period to period. Operating income as a percentage of net sales increased from 20.4% to 23.4% period over period.

Non-Operating Items

The following table summarizes non-operating income and expenses for our consolidated operations (in thousands):

	Fiscal Year Ended August 31,		
	2015	2014	Change
Interest income	\$ 584	\$ 596	\$ (12)
Interest expense	\$ 1,205	\$ 1,002	\$ 203
Other expense	\$ 1,659	\$ 372	\$ 1,287
Provision for income taxes	\$ 18,303	\$ 19,213	\$ (910)

Interest Income

Interest income remained relatively constant for the fiscal year ended August 31, 2015 compared to the prior fiscal year.

Interest Expense

Interest expense increased \$0.2 million for the fiscal year ended August 31, 2015 compared to the prior fiscal year primarily due to a higher outstanding balance on our revolving credit facility period over period.

Other Expense

Other expense increased by \$1.3 million for the fiscal year ended August 31, 2015 compared to the prior fiscal year primarily due to higher net foreign currency exchange losses from period to period as a result of significant fluctuations in the foreign currency exchange rates for the Euro and U.S. Dollar against the Pound Sterling.

Provision for Income Taxes

The provision for income taxes was 29.0% of income before income taxes for the fiscal year ended August 31, 2015 compared to 30.5% for the prior fiscal year. The decrease in the effective income tax rate from period to period was primarily attributable to an increase in the taxable income in the United Kingdom, which is taxed at lower statutory income tax rates.

Net Income

Net income was \$44.8 million, or \$3.04 per common share on a fully diluted basis, for fiscal year 2015 compared to \$43.7 million, or \$2.87 per common share on a fully diluted basis, for the prior fiscal year. Changes in foreign currency exchange rates year over year had an unfavorable impact of \$1.7 million on net income for fiscal year 2015. Thus, on a constant currency basis, net income for fiscal year 2015 would have been \$46.5 million.

Fiscal Year Ended August 31, 2014 Compared to Fiscal Year Ended August 31, 2013

Operating Items

The following table summarizes operating data for our consolidated operations (in thousands, except percentages and per share amounts):

	Fiscal Year Ended August 31,		Change from Prior Year	
	2014	2013	Dollars	Percent
Net sales:				
Maintenance products	\$ 337,825	\$ 320,883	\$ 16,942	5%
Homecare and cleaning products	45,172	47,665	(2,493)	(5)%
Total net sales	382,997	368,548	14,449	4%
Cost of products sold	184,144	179,385	4,759	3%
Gross profit	198,853	189,163	9,690	5%
Operating expenses	135,116	132,526	2,590	2%
Income from operations	\$ 63,737	\$ 56,637	\$ 7,100	13%
Net income	\$ 43,746	\$ 39,813	\$ 3,933	10%
Earnings per common share - diluted	\$ 2.87	\$ 2.54	\$ 0.33	13%

Net Sales by Segment

Effective September 1, 2013, we transitioned the management of our India operations to the EMEA segment from the Asia-Pacific segment. As a result, the India financial results were being included in the EMEA segment for both fiscal years 2014 and 2013 for comparison purposes. These amounts were previously included within the Asia-Pacific segment in the Company's reported business segment information. The following table summarizes net sales by segment (in thousands, except percentages):

	Fiscal Year Ended August 31,		Change from Prior Year	
	2014	2013	Dollars	Percent
Americas	\$ 180,806	\$ 180,544	\$ 262	-
EMEA	151,368	137,360	14,008	10%
Asia-Pacific	50,823	50,644	179	-
Total	\$ 382,997	\$ 368,548	\$ 14,449	4%

Americas

The following table summarizes net sales by product line for the Americas segment (in thousands, except percentages):

	Fiscal Year Ended August 31,		Change from	
	2014	2013	Prior Year	
			Dollars	Percent
Maintenance products	\$ 149,899	\$ 147,312	\$ 2,587	2%
Homecare and cleaning products	30,907	33,232	(2,325)	(7)%
Total	\$ 180,806	\$ 180,544	\$ 262	-
% of consolidated net sales	47%	49%		

Sales in the Americas segment, which includes the U.S., Canada and Latin America, remained relatively constant at \$180.8 million and \$180.5 million for the fiscal years ended August 31, 2014 and 2013, respectively. Changes in foreign currency exchange rates did not have a material impact on sales for the fiscal year ended August 31, 2014 compared to fiscal year 2013.

Sales of maintenance products in the Americas segment increased \$2.6 million, or 2%, for the fiscal year ended August 31, 2014 compared to fiscal year 2013. This sales increase was primarily driven by higher sales of WD-40 maintenance products in Latin America and the U.S., which were up 7% and 2%, respectively, for the fiscal year ended August 31, 2014 compared to fiscal year 2013. The increase in Latin America was primarily due to the continued growth of the WD-40 multi-use products throughout the Latin America region, including in Ecuador, Mexico and Argentina, and a higher level of promotional activities from period to period, primarily those associated with the 2014 World Cup Tournament. The sales increase in the U.S. was primarily due to a higher level of promotional activities and increased distribution for the WD-40 multi-use products from period to period. Also contributing to the overall sales increase of the maintenance products in the Americas segment was higher sales of the WD-40 Specialist product line from period to period due to increased promotional activities and new distribution during the fiscal year ended August 31, 2014. The sales increases in the U.S. and Latin America were significantly offset by the sales decrease in Canada primarily due to changes in distribution within the mass retail channel, as well as a lower level of participation by our key customers in promotional programs from period to period.

Sales of homecare and cleaning products in the Americas segment decreased \$2.3 million, or 7%, for the fiscal year ended August 31, 2014 compared to fiscal year 2013. This sales decrease was driven primarily by lower sales of the Carpet Fresh and Spot Shot products, which were down 28% and 8%, respectively, in the U.S. for fiscal year 2014 compared to fiscal year 2013. While each of our homecare and cleaning products continue to generate positive cash flows, we have continued to experience decreased sales for most of these products primarily due to lost distribution, reduced product offerings, competition, category declines and the volatility of orders from and promotional programs with certain of our customers, particularly those in the warehouse club and mass retail channels. At August 31, 2014, the carrying value of definite-lived intangible assets associated with the Company's trade names was \$22.1 million, of which \$1.7 million and \$10.9 million were associated with the Carpet Fresh and Spot Shot trade names, respectively.

For the Americas segment, 81% of sales came from the U.S. and 19% of sales came from Canada and Latin America combined for each of the fiscal years ended August 31, 2014 and 2013.

EMEA

The following table summarizes net sales by product line for the EMEA segment (in thousands, except percentages):

	Fiscal Year Ended August 31,		Change from	
	2014	2013	Prior Year	
			Dollars	Percent
Maintenance products	\$ 144,255	\$ 130,116	\$ 14,139	11%
Homecare and cleaning products	7,113	7,244	(131)	(2)%
Total	\$ 151,368	\$ 137,360	\$ 14,008	10%
% of consolidated net sales	40%	37%		

Sales in the EMEA segment, which includes Europe, the Middle East, Africa and India, increased to \$151.4 million, up \$14.0 million, or 10%, for the fiscal year ended August 31, 2014 compared to fiscal year 2013. Changes in foreign currency exchange rates for the fiscal year ended August 31, 2014 compared to fiscal year 2013 had a favorable impact on sales. Sales for the fiscal year ended August 31, 2014 translated at the exchange rates in effect for fiscal year 2013 would have been \$143.5 million in the EMEA segment. Thus, on a constant currency basis, sales would have increased by \$6.1 million, or 4%, for the fiscal year ended August 31, 2014 compared to fiscal year 2013.

The countries in Europe where we sell through a direct sales force include the U.K., Italy, France, Iberia (which includes Spain and Portugal) and the Germanics sales region (which includes Germany, Austria, Denmark, Switzerland, Belgium and the Netherlands). Overall, sales from direct markets increased \$5.9 million, or 7%, for the fiscal year ended August 31, 2014 compared to fiscal year 2013. The sales increase in the direct markets was mostly due to the favorable impact of changes in foreign currency exchange rates from period to period. In local currency, sales from the direct markets experienced an increase of 1%. We experienced sales increases throughout most of the Europe direct markets for fiscal year ended August 31, 2014 compared to fiscal year 2013, with percentage increases in sales as follows: Italy, 24%; Iberia, 14%; France, 11% and the U.K., 6%. The increased sales in these regions were slightly offset by the sales decrease of 3% in the Germanics region from period to period. The overall sales increase in the direct markets was also in part due to a higher level of promotional activities and increased sales of the WD-40 Specialist product line from period to period due to new distribution and the continued growth of the WD-40 multi-use products in the direct markets. Sales from direct markets accounted for 62% of the EMEA segment's sales for fiscal year ended August 31, 2014 compared to 64% of the EMEA segment's sales for fiscal year 2013.

The regions in the EMEA segment where we sell through local distributors include the Middle East, Africa, India, Eastern and Northern Europe. Sales in the distributor markets increased \$8.1 million, or 16%, for the fiscal year ended August 31, 2014 compared to fiscal year 2013 due in part to the favorable impact of changes in foreign currency exchange rates from period to period. In local currency, sales from the distributor markets experienced an increase of 11%. Also contributing to the overall sales increase in the distributor markets was a higher sales volume of WD-40 multi-use products in Eastern Europe, particularly in Russia as a result of promotional programs, and the continued growth of our base business throughout the distributor markets. The distributor markets accounted for 38% of the total EMEA segment sales for the fiscal year ended August 31, 2014, compared to 36% for fiscal year 2013.

Asia-Pacific

The following table summarizes net sales by product line for the Asia-Pacific segment (in thousands, except percentages):

	Fiscal Year Ended August 31,		Change from	
	2014	2013	Dollars	Percent
Maintenance products	\$ 43,670	\$ 43,455	\$ 215	-
Homecare and cleaning products	7,153	7,189	(36)	(1)%
Total	\$ 50,823	\$ 50,644	\$ 179	-
% of consolidated net sales	13%	14%		

Sales in the Asia-Pacific segment, which includes Australia, China and other countries in the Asia region, remained relatively constant at \$50.8 million and \$50.6 million for the fiscal years ended August 31, 2014 and 2013, respectively. Changes in foreign currency exchange rates for the fiscal year ended August 31, 2014 compared to fiscal year 2013 had an unfavorable impact on sales. Sales for the fiscal year ended August 31, 2014 translated at the exchange rates in effect for fiscal year 2013 would have been \$52.4 million in the Asia-Pacific segment. Thus, on a constant currency basis, sales would have increased by \$1.8 million, or 4%, for the fiscal year ended August 31, 2014 compared to fiscal year 2013.

Sales in Asia, which includes China and other countries in the Asia region, remained constant at \$32.9 million for fiscal years 2014 and 2013. Sales in the Asia distributor markets decreased \$0.5 million, or 3%, from period to period primarily due to decreased sales of the WD-40 multi-use product in the Indonesia market as a result of us transitioning to a new marketing distributor in this region in fiscal year 2014. Sales in China increased \$0.5 million, or 5%, for the fiscal year ended August 31, 2014 compared to fiscal year 2013 primarily due to a higher level of sales associated with promotional programs from period to period. Although sales in China increased from period to period, China has been negatively impacted in recent periods by a general slowdown of economic growth and the lower level of manufacturing and industrial activities that exist throughout the country. Sales in Asia represented 65% of the total

sales in the Asia-Pacific segment for fiscal year 2014, compared to 66% for fiscal year 2013.

Sales in Australia slightly increased by \$0.2 million, or 1%, for the fiscal year ended August 31, 2014 compared to fiscal year 2013 primarily due to the launch of the WD-40 Specialist product line during fiscal year 2014 and the overall growth of the base business. These were offset by the unfavorable impact of changes in foreign currency exchange rates from period to period. On a constant currency basis, sales would have increased by \$2.0 million, or 11%, for the fiscal year ended August 31, 2014 compared to fiscal year 2013.

Gross Profit

Gross profit increased to \$198.9 million for the fiscal year ended August 31, 2014 compared to \$189.2 million for fiscal year 2013. As a percentage of net sales, gross profit increased to 51.9% for the fiscal year ended August 31, 2014 compared to 51.3% for fiscal year 2013.

Gross margin was positively impacted by 0.3 percentage points from period to period due to sales price increases. These sales price increases were implemented in certain locations and markets in the EMEA and Asia-Pacific segments over the last twelve months of fiscal year 2014. Advertising, promotional and other discounts, which are recorded as a reduction to sales, decreased from period to period, primarily in the Americas segment, positively impacting gross margin also by 0.2 percentage points. The decrease in such discounts was due to a lower percentage of sales, particularly those for our homecare and cleaning products, being subject to promotional allowances during the fiscal year ended August 31, 2014 compared to fiscal year 2013. In general,

the timing of advertising, promotional and other discounts may cause fluctuations in gross margin from period to period. The costs associated with certain promotional activities are recorded as a reduction to sales while others are recorded as advertising and sales promotion expenses. Advertising, promotional and other discounts that are given to our customers are recorded as a reduction to sales, whereas advertising and sales promotional costs associated with promotional activities that we pay to third parties are recorded as advertising and sales promotion expenses. In addition, favorable net changes in the costs of petroleum-based specialty chemicals and aerosol cans positively impacted gross margin by 0.8 percentage points from period to period, primarily in the EMEA and Asia-Pacific segments. Lower manufacturing costs in our Asia-Pacific segment also positively impacted gross margin by 0.1 percentage points from period to period.

These favorable impacts to gross margin were partially offset by 0.4 percentage points due to the combined negative effects of sales mix changes and warehousing and in-bound freight costs as well as other miscellaneous costs which increased from period to period. Changes in foreign currency exchange rates negatively impacted gross margin by 0.3 percentage points primarily due to the fluctuations in the exchange rates for the U.S. Dollar and the Euro against the Pound Sterling in our EMEA segment from period to period. Increased raw material costs associated with certain of our homecare and cleaning products also negatively impacted gross margin by 0.1 percentage points from period to period.

Note that our gross profit and gross margin may not be comparable to those of other consumer product companies, since some of these companies include all costs related to distribution of their products in cost of products sold, whereas we exclude the portion associated with amounts paid to third parties for shipment to our customers from our distribution centers and contract manufacturers and include these costs in selling, general and administrative expenses. These costs totaled \$16.2 million and \$15.7 million for the fiscal years ended August 31, 2014 and 2013, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses for the fiscal year ended August 31, 2014 increased \$4.2 million, or 4%, to \$108.6 million from \$104.4 million for fiscal year 2013. As a percentage of net sales, SG&A expenses remained constant at 28.3% for each of the fiscal years ended August 31, 2014 and 2013. The increase in SG&A expenses was largely attributable to higher professional services costs, a higher level of expenses associated with travel and meeting expenses, increased freight costs, higher depreciation expense and the negative impacts of changes in foreign currency exchange rates from period to period. Professional services costs increased by \$1.1 million period over period primarily due to higher legal fees associated with litigation activities and various regulatory compliance items as well as increases in general consulting services particularly in our EMEA segment. Travel and meeting expenses increased \$0.6 million due to a higher level of travel expenses associated with various sales meetings and activities in support of our strategic initiatives. Freight costs increased \$0.3 million primarily due to higher sales volumes, particularly in the EMEA segment, for the fiscal year ended August 31, 2014 compared to fiscal year 2013. Depreciation expense also increased by \$0.3 million from period to period primarily due to our continued investment in computer system related assets and other capital assets which support our general business operations. Other miscellaneous expenses, which primarily include research and development costs, regulatory compliance costs and insurance, increased by \$0.7 million for the fiscal year ended August 31, 2014 compared to fiscal year 2013.

Changes in foreign currency exchange rates had an unfavorable impact of \$1.4 million on SG&A expenses for the fiscal year ended August 31, 2014 compared to fiscal year 2013.

The increases in SG&A expenses described above were slightly offset by a \$0.2 million decrease in employee-related costs from period to period. Employee-related costs, which include salaries, bonuses, profit sharing, stock-based compensation and other fringe benefits, decreased in total by \$0.2 million primarily due to lower incentive compensation earned in fiscal year 2014 as compared to fiscal year 2013. Based on our results for fiscal year 2014, we achieved a lower level of the profit performance metrics required under our earned incentive program, and as a result, earned incentive compensation expense and the related fringe benefit expense were lower in fiscal year 2014 as compared to fiscal year 2013. This decrease in bonus expense was significantly offset by higher salary expenses due to annual compensation increases and increased headcount from period to period.

We continued our research and development investment, the majority of which is associated with our maintenance products, in support of our focus on innovation and renovation of our products. Research and development costs for the fiscal years ended August 31, 2014 and 2013 were \$6.9 million and \$7.2 million, respectively.

Advertising and Sales Promotion Expenses

Advertising and sales promotion expenses for the fiscal year ended August 31, 2014 decreased \$0.9 million, or 4%, to \$23.9 million from \$24.8 million for fiscal year 2013. As a percentage of net sales, these expenses decreased to 6.2% for the fiscal year ended August 31, 2014 from 6.7% for fiscal year 2013. The decrease in advertising and sales promotion expenses was primarily due to lower costs associated with promotional programs conducted in the Americas segment, particularly those for

our homeware and cleaning products, from period to period. This decrease was partially offset by a higher level of promotional activities in the EMEA segment from period to period. Changes in foreign currency exchange rates did not have a material impact on advertising and sales promotion expenses for the fiscal year ended August 31, 2014 compared to fiscal year 2013.

As a percentage of net sales, advertising and sales promotion expenses may fluctuate period to period based upon the type of marketing activities we employ and the period in which the costs are incurred. Total promotional costs recorded as a reduction to sales were \$16.2 million and \$17.7 million for the fiscal years ended August 31, 2014 and 2013, respectively. Therefore, our total investment in advertising and sales promotion activities totaled \$40.1 million and \$42.5 million for the fiscal years ended August 31, 2014 and 2013, respectively.

Amortization of Definite-lived Intangible Assets Expense

Amortization of our definite-lived intangible assets was \$2.6 million and \$2.3 million for the fiscal years ended August 31, 2014 and 2013, respectively. The increase in amortization for fiscal year August 31, 2014 as compared to fiscal year 2013 was due to increased amortization associated with the 2000 Flushes trade name. In May 2013, we reduced the remaining useful life of the 2000 Flushes trade name from fourteen years and ten months to seven years. In addition, amortization expense increased from period to period due to the customer list which we acquired in the second quarter of fiscal year 2014.

Impairment of Definite-lived Intangible Assets Expense

No impairments to our definite-lived intangible assets were identified and recorded during fiscal year 2014. During the fourth quarter of fiscal year 2013, we determined that indicators of impairment existed related to the 2000 Flushes trade name primarily due to management's most current expectations for future growth and profitability for the 2000 Flushes trade name. As a result, we performed a second phase of the impairment test specific to the 2000 Flushes trade name and concluded that it was impaired by \$1.1 million. Consequently, we recorded a non-cash, before tax impairment charge of \$1.1 million in the fourth quarter of fiscal year 2013 to reduce the carrying value of the 2000 Flushes asset to its fair value.

Income from Operations by Segment

The following table summarizes income from operations by segment (in thousands, except percentages):

Fiscal Year Ended August 31,

	2014	2013	Change from Prior Year	
			Dollars	Percent
Americas	\$ 41,356	\$ 39,383	\$ 1,973	5%
EMEA	34,003	30,174	3,829	13%
Asia-Pacific	10,364	8,995	1,369	15%
Unallocated corporate (1)	(21,986)	(21,915)	(71)	-
	\$ 63,737	\$ 56,637	\$ 7,100	13%

(1) Unallocated corporate expenses are general corporate overhead expenses not directly attributable to any one of the operating segments. These expenses are reported separate from the Company's identified segments and are included in Selling, General and Administrative expenses on the Company's consolidated statements of operations.

Americas

Income from operations for the Americas segment increased to \$41.4 million, up \$2.0 million, or 5%, for the fiscal year ended August 31, 2014 compared to fiscal year 2013, primarily due to a \$0.3 million increase in sales, which was partially offset by a lower gross margin. As a percentage of net sales, gross profit for the Americas segment decreased slightly from 51.2% to 51.0% period over period. This decrease in the gross margin was primarily due to increased warehousing costs and unfavorable sales mix changes, both of which were significantly offset by a lower level of discounts offered to our customers from period to period. Operating expenses decreased \$2.1 million primarily due to lower advertising and sales promotion costs associated with promotional programs conducted in the Americas segment from period to period. Operating income as a percentage of net sales increased from 21.8% to 22.9% period over period.

EMEA

Income from operations for the EMEA segment increased to \$34.0 million, up \$3.8 million, or 13%, for the fiscal year ended August 31, 2014 compared to fiscal year 2013, primarily due to an increase in sales of \$14.0 million and a higher gross margin. As a percentage of net sales, gross profit for the EMEA segment increased from 53.1% to 54.0% period over period primarily due to the positive impacts of lower net costs associated with petroleum-based specialty chemicals and aerosol cans and sales price increases. These favorable impacts to gross margin were partially offset by the unfavorable impact of changes in foreign currency exchange rates due to the fluctuations in both the U.S. Dollar and the Euro against the Pound Sterling. In the EMEA segment, the majority of our cost of goods sold are denominated in Pound Sterling whereas sales are generated in Pound Sterling, Euro and U.S. Dollar. The weakening of the Euro and the U.S. Dollar relative to the Pound Sterling has caused our sales to decrease, resulting in unfavorable impacts to the gross margin. The higher level of sales for the EMEA segment from period to period was accompanied by an increase in total operating expenses of \$5.0 million. Operating income as a percentage of net sales increased from 22.0% to 22.5% period over period.

Asia-Pacific

Income from operations for the Asia-Pacific segment increased to \$10.4 million, up \$1.4 million, or 15%, for the fiscal year ended August 31, 2014 compared to fiscal year 2013, primarily due to an increase in sales of \$0.2 million and a higher gross margin. As a percentage of net sales, gross profit for the Asia-Pacific segment increased from 47.0% to 48.9% from period to period primarily due to the combined effects sales price increases, lower manufacturing costs and decreased costs of aerosol cans in the Asia-Pacific segment, all of which were slightly offset by unfavorable sales mix changes. Operating expenses decreased by \$0.3 million primarily due to decreased freight expenses and lower advertising and sales promotion costs from period to period. Operating income as a percentage of net sales increased from 17.8% to 20.4% period over period.

Non-Operating Items

The following table summarizes non-operating income and expenses for our consolidated operations (in thousands):

	Fiscal Year Ended August 31,		
	2014	2013	Change
Interest income	\$ 596	\$ 506	\$ 90
Interest expense	\$ 1,002	\$ 693	\$ 309
Other (expense) income , net	\$ (372)	\$ 417	\$ (789)
Provision for income taxes	\$ 19,213	\$ 17,054	\$ 2,159

Interest Income

Interest income remained relatively constant for the fiscal year ended August 31, 2014 compared to fiscal year 2013.

Interest Expense

Interest expense increased \$0.3 million for the fiscal year ended August 31, 2014 compared to fiscal year 2013 primarily due to a higher outstanding balance on our revolving credit facility period over period.

Other Income (Expense), Net

Other (expense) income, net changed by \$0.8 million for the fiscal year ended August 31, 2014 compared to fiscal year 2013 primarily due to net foreign currency exchange losses which were recorded for the fiscal year ended August 31, 2014 compared to net foreign currency exchange gains which were recorded in fiscal year 2013.

Provision for Income Taxes

The provision for income taxes was 30.5% of income before income taxes for the fiscal year ended August 31, 2014 compared to 30.0% for fiscal year 2013. This slight increase in the effective income tax rate from period to period was primarily attributable to an increase in the U.S. income, which was taxed at a statutory rate of 35%, as compared to the income earned in various foreign jurisdictions, which was taxed at a lower statutory income tax rate.

Net Income

Net income was \$43.7 million, or \$2.87 per common share on a fully diluted basis, for fiscal year 2014 compared to \$39.8 million, or \$2.54 per common share on a fully diluted basis, for fiscal year 2013. Changes in foreign currency exchange rates year over year had a favorable impact of \$0.7 million on net income for fiscal year 2014. Thus, on a constant currency basis, net income for fiscal year 2014 would have been \$43.0 million.

Performance Measures and Non-GAAP Reconciliations

In managing our business operations and assessing our financial performance, we supplement the information provided by our financial statements with certain non-GAAP performance measures. These performance measures are part of our 50/30/20 rule, which includes gross margin, cost of doing business, and earnings before income taxes, depreciation and amortization (“EBITDA”), the latter two of which are non-GAAP performance measures. Cost of doing business is defined as total operating expenses less amortization of definite-lived intangible assets, impairment of definite-lived intangible assets and depreciation in operating departments and EBITDA is defined as net income (loss) before interest, income taxes, depreciation and amortization. We target our gross margin to be above 50% of net sales, our cost of doing business to be at or below 30% of net sales, and our EBITDA to be above 20% of net sales. Although our results for these performance measures may vary from period to period depending on various factors, including economic conditions and our level of investment in activities for the future, we continue to focus on and work towards achievement of our 50/30/20 targets over the long-term.

The following table summarizes the results of these performance measures:

Fiscal Year
Ended August
31,
201~~5~~2014