

CLOROX CO /DE/  
Form 10-Q  
February 03, 2017

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q  
(Mark One)

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

For the quarterly period ended December 31, 2016.

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 1-07151

THE CLOROX COMPANY

(Exact name of registrant as specified in its charter)

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

1221 Broadway  
Oakland, California 94612-1888  
(Address of principal executive offices) (Zip code)  
(510) 271-7000  
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer" "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

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

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

As of January 20, 2017, there were 128,265,855 shares outstanding of the registrant's common stock (\$1.00 – par value).

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

## The Clorox Company

## Condensed Consolidated Statements of Earnings and Comprehensive Income (Unaudited)

(Dollars in millions, except share and per share data)

	Three Months Ended		Six Months Ended	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Net sales	\$1,406	\$1,345	\$2,849	\$2,735
Cost of products sold	777	745	1,580	1,510
Gross profit	629	600	1,269	1,225
Selling and administrative expenses	197	191	397	377
Advertising costs	128	126	256	249
Research and development costs	32	34	63	64
Interest expense	22	22	44	45
Other (income) expense, net	23	(3)	18	(4)
Earnings from continuing operations before income taxes	227	230	491	494
Income taxes on continuing operations	77	79	162	170
Earnings from continuing operations	150	151	329	324
Earnings (losses) from discontinued operations, net of tax	(1)	(2)	(1)	(3)
Net earnings	\$149	\$149	\$328	\$321
Net earnings (losses) per share				
Basic				
Continuing operations	\$1.16	\$1.16	\$2.55	\$2.50
Discontinued operations	—	(0.01)	(0.01)	(0.02)
Basic net earnings per share	\$1.16	\$1.15	\$2.54	\$2.48
Diluted				
Continuing operations	\$1.14	\$1.14	\$2.51	\$2.46
Discontinued operations	—	(0.01)	(0.01)	(0.02)
Diluted net earnings per share	\$1.14	\$1.13	\$2.50	\$2.44
Weighted average shares outstanding (in thousands)				
Basic	128,497	129,543	128,973	129,349
Diluted	130,775	131,546	131,406	131,477
Dividend declared per share	\$0.80	\$0.77	\$1.60	\$1.54
Comprehensive income	\$137	\$129	\$319	\$262

See Notes to Condensed Consolidated Financial Statements (Unaudited)

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

	12/31/2016	6/30/2016
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 414	\$ 401
Receivables, net	514	569
Inventories, net	501	443
Other current assets	120	72
Total current assets	1,549	1,485
Property, plant and equipment, net of accumulated depreciation and amortization of \$1,983 and \$1,911, respectively	904	906
Goodwill	1,190	1,197
Trademarks, net	655	657
Other intangible assets, net	72	78
Other assets	198	187
Total assets	\$ 4,568	\$ 4,510
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Notes and loans payable	759	523
Current maturities of long-term debt	400	—
Accounts payable and accrued liabilities	878	1,035
Income taxes payable	—	—
Total current liabilities	2,037	1,558
Long-term debt	1,390	1,789
Other liabilities	794	784
Deferred income taxes	77	82
Total liabilities	4,298	4,213
Commitments and contingencies		
Stockholders' equity		
Preferred stock: \$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock: \$1.00 par value; 750,000,000 shares authorized; 158,741,461 shares issued as of December 31, 2016 and June 30, 2016; and 128,177,367 and 129,355,263 shares outstanding as of December 31, 2016 and June 30, 2016, respectively	159	159
Additional paid-in capital	895	868
Retained earnings	2,284	2,163
Treasury shares, at cost: 30,564,094 and 29,386,198 shares as of December 31, 2016 and June 30, 2016, respectively	(2,489 )	(2,323 )
Accumulated other comprehensive net (losses) income	(579 )	(570 )
Stockholders' equity	270	297
Total liabilities and stockholders' equity	\$ 4,568	\$ 4,510

See Notes to Condensed Consolidated Financial Statements (Unaudited)



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

	Six Months Ended	
	12/31/2014	12/31/2015
Operating activities:		
Net earnings	\$328	\$ 321
Deduct: Losses from discontinued operations, net of tax	(1 )	(3 )
Earnings from continuing operations	329	324
Adjustments to reconcile earnings from continuing operations to net cash provided by continuing operations:		
Depreciation and amortization	82	82
Share-based compensation	25	22
Deferred income taxes	(4 )	(10 )
Other	20	(7 )
Changes in:		
Receivables, net	57	28
Inventories, net	(63 )	(77 )
Other current assets	(13 )	(8 )
Accounts payable and accrued liabilities	(142)	(99 )
Income taxes payable	(20 )	(77 )
Net cash provided by continuing operations	271	178
Net cash (used for) provided by discontinued operations	(1 )	7
Net cash provided by operations	270	185
Investing activities:		
Capital expenditures	(117)	(68 )
Other	3	12
Net cash used for investing activities	(114)	(56 )
Financing activities:		
Notes and loans payable, net	233	405
Long-term debt repayments	—	(300 )
Treasury stock purchased	(183)	(144 )
Cash dividends paid	(206)	(198 )
Issuance of common stock for employee stock plans and other	17	133
Net cash used for financing activities	(139)	(104 )
Effect of exchange rate changes on cash and cash equivalents	(4 )	(17 )
Net increase in cash and cash equivalents	13	8
Cash and cash equivalents:		
Beginning of period	401	382
End of period	\$414	\$ 390

See Notes to Condensed Consolidated Financial Statements (Unaudited)

The Clorox Company  
Notes to Condensed Consolidated Financial Statements (Unaudited)  
(Dollars in millions, except share and per share data)

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The unaudited interim condensed consolidated financial statements for the three and six months ended December 31, 2016 and 2015, in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the consolidated results of operations, financial position and cash flows of The Clorox Company and its subsidiaries (the Company) for the periods presented. However, the financial results for interim periods are not necessarily indicative of the results that may be expected for a full fiscal year or for any other future period.

Effective September 22, 2014, the Company's Venezuela affiliate, Corporación Clorox de Venezuela S.A. (Clorox Venezuela), discontinued its operations. Consequently, the Company reclassified the financial results of Clorox Venezuela as a discontinued operation in the condensed consolidated financial statements for all periods presented herein.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) have been omitted or condensed pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). The information in this report should be read in conjunction with the Company's Annual Report on Form 10-K filed with the SEC for the fiscal year ended June 30, 2016, which includes a complete set of footnote disclosures including the Company's significant accounting policies.

### Recently Issued Accounting Standards

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Em