

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

WD 40 CO

CIK: **105132** | IRS No.: **951797918** | State of Incorpor.: **CA** | Fiscal Year End: **0831**
Type: **10-Q** | Act: **34** | File No.: **000-06936** | Film No.: **95553518**
SIC: **2890** Miscellaneous chemical products

Mailing Address
1061 CUDAHY PLACE
SAN DIEGO CA 92110

Business Address
1061 CUDAHY PL
SAN DIEGO CA 92110
6192751400

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C.

20549

FORM 10-Q

QUARTERLY REPORTS UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended May 31, 1995
Commission File No. 0-6936-3

WD-40 COMPANY

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

California
(State or other jurisdiction of
incorporation or organization)

95-1797918
(I.R.S. Employer
Identification Number)

1061 Cudahy Place, San Diego, California
(Address of principal executive offices)

92110
(Zip Code)

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

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 X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common Stock as of July 10, 1995 7,702,555

PART I Financial Information

Item 1. Financial Statements

WD-40 COMPANY
CONSOLIDATED CONDENSED BALANCE SHEET

(Unaudited)
ASSETS

	May 31, 1995	August 31, 1994
	-----	-----
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Current assets:		
Cash and cash equivalents	\$ 8,354,000	\$13,515,000
Short-term investments, held-to-maturity	15,507,000	9,156,000
Trade accounts receivable, less		

allowance for cash discounts and doubtful accounts of \$556,000 and \$443,000	17,457,000	14,875,000
Product held at contract packagers	3,708,000	3,767,000
Inventories	2,004,000	2,470,000
Prepaid expenses	1,550,000	1,703,000
	-----	-----
Total current assets	48,580,000	45,486,000
Property, plant and equipment, net	3,522,000	3,159,000
Long-term investments	4,461,000	4,711,000
Other assets	1,649,000	1,516,000
	-----	-----
	\$58,212,000	\$54,872,000
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable & accrued liabilities	\$ 5,044,000	\$ 4,298,000
Accrued payroll & related expenses	2,153,000	2,372,000
Income taxes payable	1,834,000	902,000
Current portion of long-term debt	615,000	615,000
	-----	-----
Total current liabilities	9,646,000	8,187,000
Long-term debt	3,176,000	3,791,000
Deferred employee benefits	845,000	799,000
	-----	-----
	4,021,000	4,590,000
	-----	-----
Shareholders' equity:		
Common stock, no par value, 9,000,000 shares authorized - shares issued and outstanding of 7,702,445 and 7,692,975	6,055,000	5,720,000
Paid-in capital	321,000	321,000
Retained earnings	38,597,000	36,433,000
Deferred stock compensation		(29,000)
Cumulative translation adjustment	(428,000)	(350,000)
	-----	-----
Total shareholders' equity	44,545,000	42,095,000
Commitments and contingencies (Note 2)	\$58,212,000	\$54,872,000
	=====	=====

</TABLE>

(See accompanying notes to unaudited consolidated condensed financial statements)

WD-40 COMPANY
CONSOLIDATED CONDENSED STATEMENT OF INCOME

(UNAUDITED)

<TABLE>

<CAPTION>

	Three Months Ended May 31		Nine Months Ended May 31	
	1995	1994	1995	1994
	----	----	----	----
Net sales	\$29,916,000	\$29,459,000	\$89,074,000	\$85,896,000
Cost of product sold	13,220,000	12,587,000	38,153,000	36,203,000
	-----	-----	-----	-----
Gross profit	16,696,000	16,872,000	50,921,000	49,693,000
Operating expenses:				
Selling, general & administrative	5,899,000	5,381,000	17,911,000	16,728,000
Advertising & sales promotions	3,136,000	2,921,000	8,216,000	8,009,000

Legal expenses		128,000		12,628,000
	9,035,000	8,430,000	26,127,000	37,365,000
Income from operations	7,661,000	8,442,000	24,794,000	12,328,000
Other income (expense):				
Interest, net	250,000	191,000	879,000	305,000
Other, net	(215,000)	(83,000)	(250,000)	92,000
Income before income taxes	7,696,000	8,550,000	25,423,000	12,725,000
Provision for income taxes	2,800,000	3,280,000	9,400,000	4,950,000
Net income	\$ 4,896,000	\$ 5,270,000	\$16,023,000	\$ 7,775,000
Earnings per share	\$.63	\$.68	\$ 2.08	\$ 1.01
Average number of shares outstanding	7,702,445	7,692,805	7,699,369	7,682,901

</TABLE>

(See accompanying notes to consolidated condensed financial statements)

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WD-40 COMPANY
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW

(Unaudited)

<TABLE>

<CAPTION>

	Three Months Ended		Nine Months Ended	
	May 31		May 31	
	1995	1994	1995	1994
	<C>	<C>	<C>	<C>
Cash flows from operating activities:				
Net income	\$ 4,896,000	\$ 5,270,000	\$16,023,000	\$ 7,775,000
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	166,000	141,000	501,000	406,000
Amortization of tax credit investment	83,000	84,000	249,000	251,000
Loss on sale of equipment	21,000	8,000	113,000	47,000
Changes in assets and liabilities:				
Accounts receivable	2,020,000	3,240,000	(2,517,000)	(2,533,000)
Income taxes receivable		2,255,000		(1,723,000)
Product held at contract packagers	311,000		59,000	
Inventories	234,000	(83,000)	531,000	1,031,000
Prepaid expenses	307,000	(455,000)	164,000	66,000
Deferred income taxes			(46,000)	
Accounts payable and accrued liabilities	(445,000)	(8,000)	449,000	(942,000)
Income taxes payable	(556,000)	(219,000)	826,000	(227,000)
Legal judgment accrual		(12,500,000)		
Long-term deferred employee benefits	(17,000)	20,000	47,000	75,000
Net cash provided by (used in) operating activities	7,020,000	(2,247,000)	16,399,000	4,226,000

Cash flows from investing activities:				
Increase in short-term investments	(3,814,000)	(2,615,000)	(6,343,000)	(739,000)
Decrease in restricted note		7,915,000		8,117,000
Proceeds from sale of equipment	78,000	41,000	266,000	125,000
Capital expenditures	(316,000)	(215,000)	(1,237,000)	(740,000)
	-----	-----	-----	-----
Net cash (used in) provided by investing activities	(4,052,000)	5,126,000	(7,314,000)	6,763,000
	-----	-----	-----	-----

</TABLE>

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WD-40 COMPANY
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

(UNAUDITED)
Continued

<TABLE>	<C>	<C>	<C>	<C>
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Cash flows from financing activities:				
Proceeds from issuance of common stock		76,000	335,000	539,000
Repayment of long term debt			(615,000)	(594,000)
Deferred stock compensation			29,000	
Dividends paid	(4,621,000)	(4,616,000)	(13,859,000)	(13,063,000)
	-----	-----	-----	-----
Net cash used in financing activities	(4,621,000)	(4,540,000)	(14,110,000)	(13,118,000)
	-----	-----	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(221,000)	132,000	(136,000)	149,000
	-----	-----	-----	-----
Decrease in cash and cash equivalents	(1,874,000)	(1,529,000)	(5,161,000)	(1,980,000)
Cash and cash equivalents at beginning of period	10,228,000	10,431,000	13,515,000	10,882,000
	-----	-----	-----	-----
Cash and cash equivalents at end of period	\$ 8,354,000	\$ 8,902,000	\$ 8,354,000	\$ 8,902,000
	=====	=====	=====	=====
Supplemental schedule of non-cash investing and financing activities:				
Long-term investment		\$ 2,000,000		\$ 2,000,000
Issuance of debt in connection with the long-term investment		\$ 2,000,000		\$ 2,000,000

</TABLE>

(See accompanying notes to consolidated condensed financial statements)

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WD-40 COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 1995

(Unaudited)

PRINCIPLES OF CONSOLIDATION

The consolidated condensed financial statements include the accounts of the Company and its wholly owned subsidiaries, WD-40 Company Ltd. (U.K.), WD-40 Products (Canada) Ltd. and WD-40 Company (Australia) Pty. Ltd. All significant intercompany transactions and balances have been eliminated.

The financial statements included herein have been prepared by the Company, without audit, according to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations.

In the opinion of management, the unaudited financial information for the interim periods shown reflects all adjustments (which include only normal, recurring adjustments) necessary for a fair presentation thereof. These financial statements and notes thereto should be used in conjunction with the financial statements and notes thereto included in the Company's 1994 Annual Report to Shareholders, which statements and notes are incorporated by reference in the Company's Annual Report on Form 10-K for the year ended August 31, 1994.

SHORT-TERM INVESTMENTS

Effective September 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" prospectively. Short-term investments consist of debt securities of high credit quality financial institutions, government agencies and corporate of high credit quality financial institutions, government agencies and corporate entities which are recorded at amortized cost and classified as "held-to-maturity". Unrealized gains and losses are not significant at May 31, 1995.

EARNINGS PER SHARE

Earnings per share are based upon the weighted average number of shares outstanding during the period increased by the effect of dilutive stock options, when applicable, using the treasury stock method.

RECLASSIFICATIONS

Certain prior period balances have been reclassified to conform to current year presentation.

NOTE 2 - COMMITMENTS AND CONTINGENCIES

The Company is party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or will not have a material adverse effect on the Company's financial position or results of operations.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

THIRD QUARTER FISCAL YEAR 1995 VERSUS THIRD QUARTER FISCAL YEAR 1994

Consolidated net sales for the third quarter were a record \$29.9 million, an increase of 1.6% or \$457,000 over last year. The overall increase in net sales is primarily due to increased sales to customers in the Pacific Rim, Latin America, Prime Europe and the U.K., partially offset by decreases in the U.S. and Canada.

Cost of product sold increased to 44.2% of net sales versus 42.7% last year primarily due to increased costs of packaging components and a shift in the sales mix toward higher cost promotional sizes and packaging configurations. Management expects these costs to continue to increase in the coming months.

Selling, general and administrative expenses increased 9.6% or \$518,000 for the quarter totalling 19.7% of net sales versus 18.3% of net sales in 1994. This increase is primarily due to inflationary increases in recurring expenses and the addition of administrative personnel to meet the demands of expanding the Company's presence in international

markets.

Advertising and sales promotion expenses increased 7.4% to 10.5% of net sales versus 9.9% in 1994. This was due to timing of promotional activity and should return to historic levels of approximately 9.5% by fiscal year end.

Other expense, net increased \$132,000 from 1994 due to the effects of the affordable housing investment amortization.

Net income decreased 7.1% or \$374,000 primarily due to the factors described above offset partially by a decline in the effective tax rate from 38.4% in 1994 to 36.4% in 1995. The favorable rate change is primarily due to tax credits available to the Company as a result of its investment in a low income housing partnership fund.

Cash and cash equivalents decreased \$1,874,000 during the three months ended May 31, 1995 versus a decrease of \$1,529,000 for the same period of last year. Cash flows from operating activities provided \$7.0 million in cash and cash equivalents in 1995 versus using \$2.2 million in 1994 primarily due to payment of a \$12.7 million legal judgment in the third quarter of 1994. Payment of the judgment was partially offset by increased collections of receivables in the prior year. Cash flows from investing activities used cash and cash equivalents of \$4.1 million in 1995 versus providing \$5.1 million in 1994. The increase in cash used in investing activities is due to greater net purchases of short-term investments in 1995 and the maturity of previously restricted investments of \$7.9 million in 1994. Cash used in financing activities in 1995 is comparable to 1994.

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WD-40 COMPANY (U.S.)

1995 vs. 1994 Net sales decreased 1.8% or \$403,000 from 1994 primarily as

a result of lower domestic sales. Export sales to the Pacific Rim and Latin America were up about 10% for this period which partially offset the domestic decrease.

Cost of product sold increased to 45.4% of net sales versus 42.7% last year. This increase was primarily due to both inflationary increases in the cost of product components and a shift in the sales mix toward higher cost promotional sizes and packaging configurations.

Selling, general and administrative expenses increased to 18.9% of net sales versus 17.1% in fiscal year 1994 primarily due to lower net sales and inflationary increases in recurring expenses.

Advertising and sales promotion expenses increased to 10.7% of net sales versus 9.6% of net sales in 1994 as a result of the timing of promotions.

Net income decreased by 17.4% or \$664,000 primarily due to the effects of the factors discussed above.

WD-40 COMPANY LTD. (U.K.)

1995 vs. 1994 Net sales increased 26.5% or \$1,331,000 over 1994, due to

an 18.6% increase in net sales volume combined with a favorable exchange rate effect of 6.8%. Unit sales were up over 50% in Prime Europe and 5% in the U.K., however unit sales were down slightly in the Middle East.

Cost of product sold was up to 38.2% of net sales versus 37.4% a year ago due mainly to the product sales mix when shifted toward higher cost sizes.

Selling, general and administrative dropped to 22.4% of net sales versus 24.8% of net sales in 1994 because expenses remained flat while net sales increased as discussed above.

Advertising and promotional expenses decreased to 9.9% of net sales versus 11.1% of net sales last year also due to the increase in net sales as expenses were constant.

Net income increased by \$346,000 or 33.4% primarily due to the above factors.

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OTHER FOREIGN SUBSIDIARIES

1995 vs. 1994 Net sales decreased \$471,000 or 18.9% due entirely to lower

net sales volume in Canada. This reflects an ongoing soft retail economy in Canada which management expects to continue throughout the year.

Cost of product sold decreased to 50.4% of net sales versus 53.5% of net sales last year due to a shift in packaging size being sold.

Net income decreased \$92,000 or 24.4% due primarily to the decrease in net sales in Canada.

NINE MONTHS FISCAL YEAR 1995 VERSUS NINE MONTHS FISCAL YEAR 1994

Consolidated net sales were \$89.1 million in 1995, an increase of \$3.2 million or 3.7% from 1994. The increase in net sales was generated by sales outside North America as sales in the U.S., Canada and Mexico decreased 1.2%, 34.2% and 5.7%, respectively. The decrease in sales to Canadian customers is due to a generally soft retail economy in Canada while the decline in Mexico is a result of the Peso devaluation.

Cost of product sold as a percentage of net sales was 42.8% versus 42.1% of net sales last year. The increase is primarily due to inflationary increases in the cost of components.

Selling, general and administrative expenses were up slightly to 20.1% of net sales versus 19.5% in 1994. Most of this increase occurred in the U.S. as described in the quarterly discussion.

Advertising and sales promotion expenses were flat at 9.2% of net sales versus 9.3% in 1994. Management expects these expenses to come in at historic levels of approximately 9.5% by fiscal year end.

Interest income, net increased by \$574,000 primarily due to interest of \$250,000 received from settlement of a tax issue with Canadian tax authorities. The remaining increase is attributable to higher interest-bearing balances and generally higher rates earned on such balances in 1995 as compared to 1994.

Income before taxes increased \$12.7 million primarily due to the recording of the \$12.6 million legal judgment in 1994. The provision for income taxes dropped to 37.0% versus 38.9% in 1994 primarily due to tax credits available to the Company as a result of its investment in a low income housing partnership fund. These factors combined for net income of \$16,023,000 or 18.0% of net sales and \$2.08 earnings per share.

Cash and cash equivalents decreased by \$5,161,000 during the nine months ended May 31, 1995 versus a decrease of \$1,980,000 for the same period of last year primarily due to the reasons given in the quarterly discussion although with a greater outflow for net purchases of short-term investments.

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WD-40 COMPANY (U.S.)

Net sales increased \$1,759,000 or 2.8% as a result of higher export sales to the Pacific Rim and South America where sales increased approximately 30%. Domestic sales decreased 1.2% in 1995.

Cost of product sold as a percent of net sales increased to 43.7% versus 42.2% in 1994 primarily due to inflationary increased in the cost of components.

Selling, general, and administrative expenses as a percentage of net sales increased to 19.5% from 19.0% in 1994 due to the same factors discussed in the quarterly operations.

Advertising and promotion expenses were even with last year at 9.3% of net sales.

Net income was up 25.2% due to the factors described above and the \$12.6 million legal judgment charge recorded in 1994.

Net sales increased \$3,344,000 or 21.1%, as a result of the 13.6% increase in units and a favorable currency exchange of 6.5%.

Cost of product sold was equal to 1994 at 38.1% of net sales.

Selling, general and administrative expenses and advertising and promotion expenses were both down as a percentage of net sales at 22.4% and 8.7%, respectively, versus 23.4% and 9.3%, respectively, in 1994. The decreases are due to the increase in net sales as expenses remained relatively constant in 1995.

Net income increased \$821,000 or 23.4% over the previous year primarily due to the combined effect of the factors discussed above.

OTHER FOREIGN SUBSIDIARIES

Net sales decreased \$1,925,000 or 25.4% due entirely to the soft retail economy in Canada. It is anticipated that Canadian net sales will be down for the fiscal year due to the slow economy.

Cost of product sold decreased slightly to 49.5% of net sales versus 49.8% on net sales in 1994.

Selling, general and administrative expenses together with advertising and promotion expenses were up to 29.6% of net sales versus 25.3% of net sales in 1994 due to the decrease in sales.

Net income decreased \$225,000 or 18.4% primarily due to the sales shortfall.

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Liquidity and Capital Resources

The current ratio has decreased from 5.0 to one on May 31, 1995 compared to 5.6 to one as of August 31, 1994, mainly due to the increase in current liabilities and reduced income taxes payable at August 31, 1994.

The Company's primary source of liquidity is funds provided by operations. The Company's cash flows from operations are expected to provide sufficient funds to meet both short and long-term operating needs, as well as future dividends. Capital expenditures for the remainder of fiscal year 1995 are expected to total \$460,000 principally for replacement of aged vehicles and updating of computer equipment.

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PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

- (a) Exhibits.
- (b) Reports on Form 8-K.

No reports on Form 8-K were filed during the quarter ended May 31, 1995.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed in its behalf by the undersigned thereunto duly authorized.

WD-40 COMPANY
Registrant

Date: July 10, 1995

Robert D. Gal,
Treasurer

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

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