

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.: **DE** | Fiscal Year End: **0831**  
Type: **10-Q** | Act: **34** | File No.: **000-06936** | Film No.: **13520734**  
SIC: **2890** Miscellaneous chemical products

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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 November 30, 2012

- 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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The number of outstanding shares of the registrant's common stock, par value \$0.001 per share, as of January 2, 2013 was 15,598,724.

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**For the Quarter Ended November 30, 2012**  
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### PART I—FINANCIAL INFORMATION

#### Item 1. Financial Statements

**WD-40 COMPANY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited and in thousands, except share and per share amounts)**

	November 30, 2012	August 31, 2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 52,435	\$ 69,719
Short-term investments	21,883	1,033
Trade accounts receivable, less allowance for doubtful accounts of \$584 and \$391 at November 30, 2012 and August 31, 2012, respectively	57,117	55,491
Inventories	30,767	29,797
Current deferred tax assets, net	5,556	5,551
Other current assets	5,096	4,526
Total current assets	172,854	166,117
Property and equipment, net	8,846	9,063
Goodwill	95,368	95,318
Other intangible assets, net	27,257	27,685
Other assets	2,780	2,687
Total assets	\$ 307,105	\$ 300,870
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 23,315	\$ 21,242
Accrued liabilities	15,297	16,492
Revolving credit facility	45,000	45,000
Accrued payroll and related expenses	8,012	5,904
Income taxes payable	2,886	807
Total current liabilities	94,510	89,445
Long-term deferred tax liabilities, net	24,963	24,007
Deferred and other long-term liabilities	2,016	1,956
Total liabilities	121,489	115,408
Shareholders' equity:		
Common stock – authorized 36,000,000 shares, \$0.001 par value; 19,278,504 and 19,208,845 shares issued at November 30, 2012 and August 31, 2012, respectively; and 15,595,924 and 15,697,534 shares outstanding at November 30, 2012 and August 31, 2012, respectively	19	19
Additional paid-in capital	127,055	126,210
Retained earnings	199,630	193,265
Accumulated other comprehensive loss	(1,692 )	(2,727 )
Common stock held in treasury, at cost – 3,682,580 and 3,511,311 shares at November 30, 2012 and August 31, 2012, respectively	(139,396 )	(131,305 )
Total shareholders' equity	185,616	185,462
Total liabilities and shareholders' equity	\$ 307,105	\$ 300,870

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See accompanying notes to condensed consolidated financial statements.

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**WD-40 COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited and in thousands, except per share amounts)**

	Three Months Ended	
	November 30,	
	2012	2011
Net sales	\$ 95,264	\$ 84,945
Cost of products sold	47,537	43,607
Gross profit	47,727	41,338
Operating expenses:		
Selling, general and administrative	25,329	22,637
Advertising and sales promotion	6,067	7,816
Amortization of definite-lived intangible assets	466	585
Total operating expenses	31,862	31,038
Income from operations	15,865	10,300
Other income (expense):		
Interest income	62	52
Interest expense	(125 )	(242 )
Other income (expense), net	52	(180 )
Income before income taxes	15,854	9,930
Provision for income taxes	4,910	3,138
Net income	\$ 10,944	\$ 6,792
Earnings per common share:		
Basic	\$ 0.69	\$ 0.42
Diluted	\$ 0.69	\$ 0.42
Shares used in per share calculations:		
Basic	15,693	16,074
Diluted	15,807	16,205
Dividends declared per common share	\$ 0.29	\$ 0.27

See accompanying notes to condensed consolidated financial statements.

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**WD-40 COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Unaudited and in thousands)**

	Three Months Ended	
	November 30,	
	2012	2011
Net income	\$ 10,944	\$ 6,792
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	1,035	(3,730 )
Total comprehensive income	<u>\$ 11,979</u>	<u>\$ 3,062</u>

See accompanying notes to condensed consolidated financial statements.



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**WD-40 COMPANY**  
**CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
(Unaudited and in thousands, except share and per share amounts)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive	Treasury Stock		Total Shareholders' Equity
	Shares	Amount			Loss	Shares	Amount	
<b>Balance at August 31,</b>								
<b>2012</b>	19,208,845	\$ 19	\$126,210	\$193,265	\$ (2,727 )	3,511,311	\$(131,305)	\$ 185,462
Issuance of common stock upon settlements of stock-based equity awards	69,659		(162 )					(162 )
Stock-based compensation			619					619
Tax benefits from settlements of stock-based equity awards			388					388
Cash dividends (\$0.29 per share)				(4,579 )				(4,579 )
Acquisition of treasury stock						171,269	(8,091 )	(8,091 )
Foreign currency translation adjustment, net of tax benefit of \$1					1,035			1,035
Net income				10,944				10,944
<b>Balance at November 30,</b>								
<b>2012</b>	<u>19,278,504</u>	<u>\$ 19</u>	<u>\$127,055</u>	<u>\$199,630</u>	<u>\$ (1,692 )</u>	<u>3,682,580</u>	<u>\$(139,396)</u>	<u>\$ 185,616</u>

See accompanying notes to condensed consolidated financial statements.

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**WD-40 COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited and in thousands)**

	<b>Three Months Ended November 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Operating activities:</b>		
Net income	\$ 10,944	\$ 6,792
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,203	1,218
Net (gains) losses on sales and disposals of property and equipment	(9 )	58
Deferred income taxes	183	261
Excess tax benefits from settlements of stock-based equity awards	375	(298 )
Stock-based compensation	619	745
Unrealized foreign currency exchange (gains) losses, net	(210 )	336
Provision for bad debts	221	38
Changes in assets and liabilities:		
Trade accounts receivable	(1,111 )	6,985
Inventories	(890 )	(5,698 )
Other assets	(613 )	(940 )
Accounts payable and accrued liabilities	646	3,316
Accrued payroll and related expenses	981	(2,103 )
Income taxes payable	3,199	2,075
Deferred and other long-term liabilities	57	0
Net cash provided by operating activities	<u>15,595</u>	<u>12,785</u>
<b>Investing activities:</b>		
Purchases of property and equipment	(527 )	(777 )
Proceeds from sales of property and equipment	64	920
Purchases of short-term investments	(20,928 )	0
Net cash (used in) provided by investing activities	<u>(21,391 )</u>	<u>143</u>
<b>Financing activities:</b>		
Repayments of long-term debt	0	(10,715 )
Proceeds from revolving credit facility	0	69,550
Repayments of revolving credit facility	0	(37,550 )
Dividends paid	(4,579 )	(4,330 )
Proceeds from issuance of common stock	944	901
Treasury stock purchases	(8,091 )	(18,601 )
Excess tax benefits from settlements of stock-based equity awards	(375 )	298
Net cash used in financing activities	<u>(12,101 )</u>	<u>(447 )</u>
Effect of exchange rate changes on cash and cash equivalents	613	(2,230 )
Net (decrease) increase in cash and cash equivalents	(17,284 )	10,251
Cash and cash equivalents at beginning of period	69,719	56,393
Cash and cash equivalents at end of period	<u>\$ 52,435</u>	<u>\$ 66,644</u>

See accompanying notes to condensed consolidated financial statements.



WD-40 COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

**Note 1. The Company**

WD-40 Company (“the Company”), based in San Diego, California, is a global consumer products company dedicated to delivering unique, high value and easy-to-use solutions for a wide variety of maintenance needs of “doer” and “on-the-job” users by leveraging and building upon the Company’s fortress of brands. The Company markets multi-purpose maintenance products – under the WD-40®, 3-IN-ONE®, and BLUE WORKS® brand names. Currently included in the WD-40 brand are the WD-40 multi-use product, the WD-40 Specialist® and WD-40 Bike™ product lines. The Company launched the WD-40 Specialist product line in the United States (“U.S.”) during the first quarter of fiscal year 2012 and continued to launch the product line in Canada, Latin America, Asia and select countries in Europe throughout fiscal year 2012 and going into fiscal year 2013. The WD-40 Specialist product line has contributed to sales of the multi-purpose maintenance products in its initial year of launch. In the fourth quarter of fiscal year 2012, the Company developed the WD-40 Bike product line, which is focused on a comprehensive line of bicycle maintenance products that include wet and dry chain lubricants, heavy-duty degreasers, foaming bike wash and frame protectants that are designed specifically for the avid cyclist, bike enthusiasts and mechanics. The Company started to launch certain products in this line in the U.S. during the first quarter of fiscal year 2013, but the focus for such sales is to smaller independent bike dealers rather than larger retailers. As a result of this, initial sales were immaterial and sales are expected to remain immaterial in its initial year of launch. The Company also markets the following homecare and cleaning brands: X-14® mildew stain remover and automatic toilet bowl cleaners, 2000 Flushes® automatic toilet bowl cleaners, Carpet Fresh® and No Vac® rug and room deodorizers, Spot Shot® aerosol and liquid carpet stain removers, 1001® household cleaners and rug and room deodorizers and Lava® and Solvol® heavy-duty hand cleaners.

The Company’s brands are sold in various locations around the world. Multi-purpose 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.”), Australia and the Pacific Rim. The Company’s products are sold primarily through mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets, sport retailers and industrial distributors and suppliers.

**Note 2. Basis of Presentation and Summary of Significant Accounting Policies**

***Basis of Consolidation***

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, according to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted pursuant to such rules and regulations. The August 31, 2012 year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

In the opinion of management, the unaudited financial information for the interim periods shown reflects all adjustments necessary for a fair presentation thereof. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended August 31, 2012, which was filed with the SEC on October 22, 2012.

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

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### *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

### *Foreign Currency Forward Contracts*

In the normal course of business, the Company employs established policies and procedures to manage its exposure to fluctuations in foreign currency exchange rates. The Company's U.K. subsidiary, whose functional currency is Pound Sterling, utilizes foreign currency forward contracts to limit its exposure in converting cash and intercompany accounts receivable balances denominated in non-functional currencies. The principal currency affected is the Euro. The Company regularly monitors its foreign currency exchange rate exposures to ensure the overall effectiveness of its foreign currency hedge positions. While the Company engages in foreign currency hedging activity to reduce its risk, for accounting purposes, none of its foreign currency forward contracts are designated as hedges.

Foreign currency forward contracts are carried at fair value, with net realized and unrealized gains and losses recognized currently in other income (expense) in the Company's condensed consolidated statements of operations. Cash flows from settlements of foreign currency forward contracts are included in operating activities in the condensed consolidated statements of cash flows. Foreign currency forward contracts in an asset position at the end of the reporting period are included in other current assets, while foreign currency forward contracts in a liability position at the end of the reporting period are included in accrued liabilities in the Company's condensed consolidated balance sheets.

The Company continually monitors its positions with, and the credit quality of, the financial institution that is counterparty to its foreign currency forward contracts, and has not experienced nonperformance by this counterparty. As a matter of policy, the Company does not purchase foreign currency forward contracts that exceed the amount of its cash and intercompany accounts receivable balances denominated in non-functional currencies. At November 30, 2012, the Company had a notional amount of \$7.9 million outstanding in foreign currency forward contracts, which mature from December 2012 through March 2013. Unrealized net gains and losses related to foreign currency forward contracts were not material at November 30, 2012 and August 31, 2012.

Net realized gains related to foreign currency forward contracts are summarized below (in thousands):

	<u>Three Months Ended November 30,</u>	
	<u>2012</u>	<u>2011</u>
Realized gains, net	\$ 63	\$ 221

### *Long-lived Assets*

The Company's long-lived assets consist of property and equipment and definite-lived intangible assets. Long-lived assets are depreciated or amortized, as applicable, on a straight-line basis over their estimated useful lives. The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and/or its remaining useful life may no longer be appropriate. Any required impairment loss would be measured as the amount by which the asset's carrying amount exceeds its fair value, which is the amount at which the asset could be bought or sold in a current transaction between willing market participants and would be recorded as a reduction in the carrying amount of the related asset and a charge to results of operations. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset.

On November 4, 2011, the Company completed the sale of its warehouse facility located in Memphis, Tennessee to a third party for a sales price of approximately \$0.8 million, net of commissions. The sale resulted in a pre-tax loss of approximately \$0.1 million which is included as other expense in the Company's condensed consolidated statements of operations.

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### ***Income Taxes***

Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax liability or asset is established for the expected future tax consequences resulting from the differences in financial reporting and tax bases of assets and liabilities. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized. In addition to valuation allowances, the Company provides for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards prescribed by the authoritative guidance on income taxes. Amounts for uncertain tax positions are adjusted in periods when new information becomes available or when positions are effectively settled. The Company recognizes accrued interest and penalties related to uncertain tax positions as a component of income tax expense.

U.S. federal income tax expense is provided on remittances of foreign earnings and on unremitted foreign earnings that are not indefinitely reinvested. U.S. federal income taxes and foreign withholding taxes are not provided when foreign earnings are indefinitely reinvested. The Company determines whether its foreign subsidiaries will invest their undistributed earnings indefinitely based on the capital needs of the foreign subsidiaries and reassesses this determination each reporting period. Changes to the Company's determination may be warranted based on the Company's experience as well as its plans regarding future international operations and expected remittances.

### ***Earnings per Common Share***

Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities that are required to be included in the computation of earnings per common share pursuant to the two-class method. Accordingly, the Company's outstanding unvested, if any, and outstanding vested restricted stock units that provide such nonforfeitable rights to dividend equivalents are included as participating securities in the calculation of earnings per common share ("EPS") pursuant to the two-class method.

The Company calculates EPS using the two-class method, which provides for an allocation of net income between common stock and other participating securities based on their respective participation rights to share in dividends. Basic EPS is calculated by dividing net income available to common shareholders for the period by the weighted-average number of common shares outstanding during the period. Net income available to common shareholders for the period includes dividends paid to common shareholders during the period plus a proportionate share of undistributed net income allocable to common shareholders for the period; the proportionate share of undistributed net income allocable to common shareholders for the period is based on the proportionate share of total weighted-average common shares and participating securities outstanding during the period.

Diluted EPS is calculated by dividing net income available to common shareholders for the period by the weighted-average number of common shares outstanding during the period increased by the weighted-average number of potentially dilutive common shares (dilutive securities) that were outstanding during the period if the effect is dilutive. Dilutive securities are comprised of stock options, restricted stock units, performance share units and market share units granted under the Company's prior stock option plan and current equity incentive plan.

### ***Recently Adopted Accounting Standards***

In June 2011, the FASB issued updated authoritative guidance to amend the presentation of comprehensive income. Under these new presentation rules, companies have the option to present other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated authoritative guidance on comprehensive income is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. The amendments in this guidance also require that reclassifications from other comprehensive income to net income be presented on the face of the consolidated financial statements, but this portion of the guidance was indefinitely deferred in accordance with the Accounting Standards Update No. 2011-12 which was issued by the FASB in December 2011. In September 2012, the Company adopted this updated authoritative guidance and elected to present comprehensive income in two separate but consecutive statements as part of the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q. Other than a change in presentation, the adoption of this new authoritative guidance did not have an impact on the Company's consolidated financial statements.



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### *Recently Issued Accounting Standards*

In December 2011, the FASB issued updated authoritative guidance related to new disclosure requirements on offsetting financial assets and liabilities. The new rules require companies to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position, as well as instruments and transactions subject to a netting arrangement. The updated authoritative guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company has evaluated this updated authoritative guidance, and it does not expect the adoption of this guidance to have a material impact on its consolidated financial statement disclosures.

### **Note 3. Fair Value Measurements**

#### *Financial Assets and Liabilities*

The Company categorizes its financial assets and liabilities measured at fair value into a hierarchy that categorizes fair value measurements into the following three levels based on the types of inputs used in measuring their fair value:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market-based inputs or observable inputs that are corroborated by market data; and

Level 3: Unobservable inputs reflecting the Company's own assumptions.

The Company's financial assets recorded at fair value are summarized below, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	November 30, 2012			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$ 1,917	\$ 0	\$ 1,917	\$ 0
Term deposits	1,045	0	1,045	0
Callable time deposits	20,838	0	20,838	0
Total	<u>\$ 23,800</u>	<u>\$ 0</u>	<u>\$ 23,800</u>	<u>\$ 0</u>

	August 31, 2012			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$ 4,025	\$ 0	\$ 4,025	\$ 0
Term deposits	1,033	0	1,033	0
Total	<u>\$ 5,058</u>	<u>\$ 0</u>	<u>\$ 5,058</u>	<u>\$ 0</u>

Money market funds are highly liquid investments classified as cash equivalents and term deposits and callable time deposits are classified as short-term investments in the Company's condensed consolidated balance sheets at November 30, 2012 and August 31, 2012.

The carrying values of term deposits and callable time deposits approximate fair value, which is based on third party quotations of similar assets in active markets, and are thus classified as Level 2 within the fair value hierarchy.

The carrying values of trade accounts receivable, accounts payable and the revolving line of credit approximate their fair values due to their short-term maturities.



There were no transfers between Level 1 and Level 2 fair value measurements during the three months ended November 30, 2012 and 2011.

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### *Nonfinancial Assets and Liabilities*

The Company's nonfinancial assets and liabilities are recognized at fair value subsequent to initial recognition when they are deemed to be impaired. There were no nonfinancial assets and liabilities deemed to be impaired and measured at fair value on a nonrecurring basis as of November 30, 2012 and August 31, 2012.

#### **Note 4. Inventories**

Inventories consisted of the following (in thousands):

	November 30, 2012	August 31, 2012
Product held at third-party contract manufacturers	\$ 3,688	\$ 4,142
Raw materials and components	4,978	4,093
Work-in-process	360	347
Finished goods	21,741	21,215
Total	<u>\$ 30,767</u>	<u>\$ 29,797</u>

#### **Note 5. Property and Equipment**

Property and equipment, net, consisted of the following (in thousands):

	November 30, 2012	August 31, 2012
Machinery, equipment and vehicles	\$ 12,562	\$ 12,517
Buildings and improvements	3,597	3,574
Computer and office equipment	3,400	3,270
Software	5,665	5,530
Furniture and fixtures	1,215	1,229
Land	289	287
Subtotal	26,728	26,407
Less: accumulated depreciation and amortization	(17,882 )	(17,344 )
Total	<u>\$ 8,846</u>	<u>\$ 9,063</u>

#### **Note 6. Goodwill and Other Intangible Assets**

Goodwill represents the excess of the purchase price over the fair value of tangible and intangible assets acquired. The carrying value of goodwill is reviewed for possible impairment in accordance with the authoritative guidance on goodwill, intangibles and other. The Company assesses possible impairments to goodwill at least annually during its second fiscal quarter and otherwise when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. In performing the annual impairment test of its goodwill, the Company considers the fair value concepts of a market participant and the highest and best use for its intangible assets. In addition to the annual impairment test, goodwill is evaluated each reporting period to determine whether events and circumstances would more likely than not reduce the fair value of a reporting unit below its carrying value.

Intangible assets that are determined to have definite lives are amortized on a straight-line basis over their estimated useful lives and are evaluated each reporting period to determine whether events and circumstances indicate that their carrying amounts may not be recoverable and/or their remaining useful lives may no longer be appropriate.

#### **Goodwill**

The following table summarizes the changes in the carrying amounts of goodwill by segment (in thousands):

	<u>Americas</u>	<u>Europe</u>	<u>Asia-Pacific</u>	<u>Total</u>
Balance as of August 31, 2012	\$ 85,558	\$ 8,549	\$ 1,211	\$ 95,318
Translation adjustments	7	43	0	50
Balance as of November 30, 2012	<u>\$ 85,565</u>	<u>\$ 8,592</u>	<u>\$ 1,211</u>	<u>\$ 95,368</u>

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There were no indicators of impairment identified as a result of the Company's review of events and circumstances related to its goodwill or definite-lived intangible assets subsequent to February 29, 2012, the date of its most recent annual goodwill impairment test. To date, there have been no impairment losses identified and recorded related to the Company's goodwill.

### **Definite-lived Intangible Assets**

The Company's definite-lived intangible assets are included in other intangible assets, net in the Company's condensed consolidated balance sheets. The following table summarizes the definite-lived intangible assets and the related accumulated amortization (in thousands):

	November 30, 2012	August 31, 2012
Gross carrying amount	\$ 34,736	\$ 34,689
Accumulated amortization	(7,459 )	(6,943 )
Translation adjustments	(20 )	(61 )
Net carrying amount	<u>\$ 27,257</u>	<u>\$ 27,685</u>

Changes in the carrying amounts of definite-lived intangible assets by segment for the three months ended November 30, 2012 are summarized below (in thousands):

	Americas	Europe	Asia-Pacific	Total
Balance as of August 31, 2012	\$ 24,714	\$ 2,971	\$ 0	\$ 27,685
Amortization expense	(425 )	(41 )	0	(466 )
Translation adjustments	0	38	0	38
Balance as of November 30, 2012	<u>\$ 24,289</u>	<u>\$ 2,968</u>	<u>\$ 0</u>	<u>\$ 27,257</u>

The estimated amortization expense for the Company's definite-lived intangible assets, which include the 2000 Flushes, Spot Shot, Carpet Fresh, X-14 and 1001 trade names, in future fiscal years is as follows (in thousands):

	Trade Names
Remainder of fiscal year 2013	\$ 1,396
Fiscal year 2014	1,862
Fiscal year 2015	1,862
Fiscal year 2016	1,862
Fiscal year 2017	1,862
Thereafter	18,413
Total	<u>\$ 27,257</u>

Included in the total estimated future amortization expense is the amortization expense for the 1001 trade name intangible asset, which is based on current foreign currency exchange rates, and as a result amounts in future periods may differ from those presented due to fluctuations in those rates.

### **Note 7. Accrued and Other Liabilities**

Accrued liabilities consisted of the following (in thousands):

November 30, 2012	August 31, 2012
----------------------	--------------------

Accrued advertising and sales promotion expenses	\$ 9,969	\$ 9,963
Accrued professional services fees	867	1,006
Accrued sales taxes	752	839
Accrued other taxes	973	1,243
Other	2,736	3,441
Total	<u>\$ 15,297</u>	<u>\$ 16,492</u>

Accrued payroll and related expenses consisted of the following (in thousands):

	November 30, 2012	August 31, 2012
Accrued bonuses	\$ 1,841	\$ 1,034
Accrued payroll	2,406	1,802
Accrued profit sharing	2,287	1,714
Accrued payroll taxes	1,022	892
Other	456	462
Total	<u>\$ 8,012</u>	<u>\$ 5,904</u>

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Deferred and other long-term liabilities consisted of the following (in thousands):

	November 30, 2012	August 31, 2012
Supplemental employee retirement plan benefits liability	\$ 570	\$ 598
Other income taxes payable	1,299	1,297
Other	147	61
Total	<u>\$ 2,016</u>	<u>\$ 1,956</u>

### **Note 8. Debt**

#### *Revolving Credit Facility*

On June 17, 2011, the Company entered into an unsecured credit agreement with Bank of America, N.A. (“Bank of America”). The agreement consists of a \$75.0 million three-year revolving credit facility. To date, the Company has used the proceeds of the revolving credit facility for its stock repurchases and plans to continue using such proceeds for its general working capital needs and stock repurchases under any existing board approved share buy-back plans. Under the terms of the credit facility agreement, the Company may initiate loans in U.S. dollars or in foreign currencies from time to time during the three-year period, which expires on June 17, 2014. All loans denominated in U.S. dollars will accrue interest at the bank’s Prime rate or at LIBOR plus a margin of 0.90 percent. All loans denominated in foreign currencies will accrue interest at LIBOR plus 0.90 percent (together with any applicable mandatory liquid asset costs imposed by non-U.S. banking regulatory authorities). Interest on outstanding loans is due and payable on a quarterly basis through the credit facility maturity date of June 17, 2014. The Company may also borrow against the credit facility through the issuance of standby letters of credit. Outstanding letters of credit are subject to a fee equal to 0.90 percent per annum applied to amounts available to be drawn on outstanding letters of credit. The Company will incur commitment fees for the credit facility at an annual rate of 0.15 percent applied to the portion of the total credit facility commitment that has not been borrowed until outstanding loans and letters of credit exceed \$37.5 million.

The agreement includes representations, warranties and covenants customary for credit facilities of this type, as well as customary events of default and remedies. The agreement also requires the Company to maintain minimum consolidated earnings before interest, income taxes, depreciation and amortization (“EBITDA”) of \$40.0 million, measured on a trailing twelve month basis, at each reporting period.

During the three months ended November 30, 2012, the Company made no additional borrowings against or repayments on the revolving credit facility. The Company has periodically extended the maturity date of draws on the line of credit, however the balance on these draws has remained within a short-term classification as a result of these extensions. As of November 30, 2012, the Company had a \$45.0 million outstanding balance on the revolving credit facility and was in compliance with all debt covenants under this credit facility.

On January 7, 2013, the Company entered into a first amendment (the “Amendment”) to its existing unsecured credit agreement with Bank of America. See Note 15 - Subsequent Events to the Company’s condensed consolidated financial statements for further details on this Amendment.

### **Note 9. Share Repurchase Plan**

On December 13, 2011, the Company’s Board of Directors approved a share buy-back plan. Under the plan, which is in effect through December 12, 2013, the Company is authorized to acquire up to \$50.0 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 in compliance with all laws and regulations applicable thereto. During the period from December 14, 2011 through November 30, 2012, the Company repurchased 634,170 shares at a total cost of \$29.3 million.



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### **Note 10. Earnings per Common Share**

The table below reconciles net income to net income available to common shareholders (in thousands):

	<u>Three Months Ended November 30,</u>	
	<u>2012</u>	<u>2011</u>
Net income	\$ 10,944	\$ 6,792
Less: Net income allocated to participating securities	(47 )	(27 )
Net income available to common shareholders	<u>\$ 10,897</u>	<u>\$ 6,765</u>

The table below summarizes the weighted-average number of common shares outstanding included in the calculation of basic and diluted EPS (in thousands):

	<u>Three Months Ended November 30,</u>	
	<u>2012</u>	<u>2011</u>
Weighted-average common shares outstanding, basic	15,693	16,074
Weighted-average dilutive securities	114	131
Weighted-average common shares outstanding, diluted	<u>15,807</u>	<u>16,205</u>

There were no anti-dilutive stock options outstanding for the three months ended November 30, 2012 and 2011.

### **Note 11. Related Parties**

On October 11, 2011, the Company's Board of Directors elected Mr. Gregory A. Sandfort as a director of WD-40 Company. Mr. Sandfort is President and Chief Operating Officer of Tractor Supply Company ("Tractor Supply"), which is a WD-40 Company customer that acquires products from the Company in the ordinary course of business.

The condensed consolidated financial statements include sales to Tractor Supply of \$0.2 million and \$0.1 million for the three months ended November 30, 2012 and 2011, respectively. Accounts receivable from Tractor Supply were \$0.1 million as of November 30, 2012.

### **Note 12. Commitments and Contingencies**

#### *Purchase Commitments*

The Company has ongoing relationships with various suppliers (contract manufacturers) who manufacture the Company's products. The contract manufacturers maintain title and control of certain raw materials and components, materials utilized in finished products, and of the finished products themselves until shipment to the Company's customers or third-party distribution centers in accordance with agreed upon shipment terms. Although the Company typically does not have definitive minimum purchase obligations included in the contract terms with its contract manufacturers, when such obligations have been included, they have been immaterial. In the ordinary course of business, supply needs are communicated by the Company to its contract manufacturers based on orders and short-term projections, ranging from two to five months. The Company is committed to purchase the products produced by the contract manufacturers based on the projections provided. This obligation includes purchasing obsolete or slow-moving inventory from its contract manufacturers which the Company has done so in the past under these commitments, the amounts of which have been immaterial.

Upon the termination of contracts with contract manufacturers, the Company obtains certain inventory control rights and is obligated to work with the contract manufacturer to sell through all product held by or manufactured by the contract manufacturer on behalf of the Company during the termination notification period. If any inventory remains at the contract manufacturer at the termination date, the



Company is obligated to purchase such inventory which may include raw materials, components and finished goods. Prior to the fourth quarter of fiscal year 2012, amounts for inventory purchased under termination commitments have been immaterial. As a result of the unanticipated termination of the IQ Products Company contract manufacturing agreement in the fourth quarter of fiscal year 2012, the Company is obligated to purchase \$3.6 million of inventory which is included in inventories in the Company' s condensed consolidated balance sheet as of November 30, 2012.

In addition to the commitments to purchase products from contract manufacturers described above, the Company may also enter into commitments with other manufacturers to purchase finished goods and components to support innovation initiatives and/or supply chain initiatives. As of November 30, 2012, no such commitments were outstanding.

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### *Litigation*

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 the United States District Court, Southern District of Texas, Houston Division (IQ Products Company v. WD-40 Company). IQ Products Company, a Texas corporation ("IQPC"), or an affiliate or a predecessor of IQPC, has provided contract manufacturing services to the Company for many years. The allegations of IQPC's complaint arose out of a pending termination of this business relationship. In 2011, the Company requested proposals for manufacturing services from all of its domestic contract manufacturers in conjunction with a project to redesign the Company's supply chain architecture in North America. IQPC submitted a proposal as requested, and the Company tentatively awarded IQPC a new contract based on the information and pricing included in that proposal. IQPC subsequently sought to materially increase the quoted price for such manufacturing services. As a result, the Company chose to terminate its business relationship with IQPC. IQPC also raised alleged safety concerns regarding a long-standing manufacturing specification related to the Company's products. The Company believes that IQPC's safety concerns are unfounded.

In its complaint, IQPC asserts that the Company is obligated to indemnify IQPC for claims and losses based on a 1993 indemnity agreement and pursuant to common law. IQPC also asserts that it has been harmed by the Company's allegedly retaliatory conduct in seeking to terminate its relationship with IQPC, allegedly in response to the safety concerns identified by IQPC. IQPC seeks declaratory relief to establish that it is entitled to indemnification and also to establish that the Company is responsible for reporting the alleged safety concerns to the United States Consumer Products Safety Commission and to the United States Department of Transportation. The complaint also seeks damages for alleged economic losses in excess of \$40.0 million, attorney's fees and punitive damages based on alleged misrepresentations and false promises. The Company believes the case is without merit and will vigorously defend this matter. The Company's estimate of possible loss relative to this matter is immaterial with respect to the Company's consolidated financial statements.

### *Indemnifications*

As permitted under Delaware law, the Company has agreements whereby it indemnifies senior officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company maintains Director and Officer insurance coverage that mitigates the Company's exposure with respect to such obligations. As a result of the Company's insurance coverage, management believes that the estimated fair value of these indemnification agreements is minimal. Thus, no liabilities have been recorded for these agreements as of November 30, 2012.

From time to time, the Company enters into indemnification agreements with certain contractual parties in the ordinary course of business, including agreements with lenders, lessors, contract manufacturers, marketing distributors, customers and certain vendors. All such indemnification agreements are entered into in the context of the particular agreements and are provided in an attempt to properly allocate risk of loss in connection with the consummation of the underlying contractual arrangements. Although the maximum amount of future payments that the Company could be required to make under these indemnification agreements is unlimited, management believes that the Company maintains adequate levels of insurance coverage to protect the Company with respect to most potential claims arising from such agreements and that such agreements do not otherwise have value separate and apart from the liabilities incurred in the ordinary course of the Company's business. Thus, no liabilities have been recorded with respect to such indemnification agreements as of November 30, 2012.

### **Note 13. Income Taxes**

The Company uses an estimated annual effective tax rate, which is based on expected annual income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which the Company operates, to determine its quarterly provision for income taxes. Certain significant or unusual items are separately recognized in the quarter in which they occur and can be a source of variability in the effective tax rates from quarter to quarter.



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The provision for income taxes was 31.0% and 31.6% of income before income taxes for the three months ended November 30, 2012 and 2011, respectively. The decrease in the effective income tax rate from period to period was primarily driven by the increasing proportion of the Company's foreign earnings, primarily those in the United Kingdom, which are taxed at lower rates.

The total amount of unrecognized tax benefits, excluding associated interest and penalties, was \$1.0 million as of November 30, 2012, of which \$0.8 million would impact the effective tax rate if recognized. The gross liability for income taxes related to unrecognized tax benefits is included in other long-term liabilities in the Company's condensed consolidated balance sheets.

The total balance of accrued interest and penalties related to uncertain tax positions was \$0.3 million as of November 30, 2012 and August 31, 2012. The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense and the accrued interest and penalties are included in deferred and other long-term liabilities in the Company's condensed consolidated balance sheets. There were no material interest or penalties included in income tax expense for each of the three months ended November 30, 2012 and 2011.

The Company is subject to taxation in the U.S. and in various state and foreign jurisdictions. Due to expired statutes, the Company's federal income tax returns for years prior to fiscal year 2009 are not subject to examination by the U.S. Internal Revenue Service. Generally, for the majority of state and foreign jurisdictions where the Company does business, periods prior to fiscal year 2008 are no longer subject to examination. The Company has estimated that up to \$0.2 million of unrecognized tax benefits related to income tax positions may be affected by the resolution of tax examinations or expiring statutes of limitation within the next twelve months. Audit outcomes and the timing of settlements are subject to significant uncertainty.

### **Note 14. Business Segments and Foreign Operations**

The Company evaluates the performance of its segments and allocates resources to them based on sales and operating income. The Company is organized based on geographic location. Segment data does not include inter-segment revenues and incorporates corporate expenses into the Americas segment. All such corporate expenses are not allocated to other segments because the Company's segments are run independently. As a result, there are few costs that could be considered only corporate expenses that would qualify for allocation to other segments. The most significant portion of corporate expenses relates to the Americas segment both as a percentage of time and sales. Therefore, any allocation to other segments would be arbitrary.

Summary information about reportable segments is as follows (in thousands):

<b>As of and for the Three Months</b>				
<b>Ended November 30:</b>	<b>Americas</b>	<b>Europe</b>	<b>Asia-Pacific</b>	<b>Total</b>
<b>2012</b>				
Net sales	\$ 45,355	\$ 35,225	\$ 14,684	\$ 95,264
Income from operations (1)	\$ 4,571	\$ 8,451	\$ 2,843	\$ 15,865
Depreciation and amortization expense	\$ 920	\$ 240	\$ 43	\$ 1,203
Interest income	\$ 1	\$ 36	\$ 25	\$ 62
Interest expense	\$ 123	\$ 0	\$ 2	\$ 125
Total assets	\$ 184,483	\$ 104,861	\$ 17,761	\$ 307,105
<b>2011</b>				
Net sales	\$ 40,628	\$ 30,126	\$ 14,191	\$ 84,945
Income from operations (1)	\$ 2,413	\$ 4,809	\$ 3,078	\$ 10,300
Depreciation and amortization expense	\$ 822	\$ 356	\$ 40	\$ 1,218
Interest income	\$ 0	\$ 29	\$ 23	\$ 52

Interest expense	\$ 240	\$ 0	\$ 2	\$ 242
Total assets	\$ 179,537	\$ 91,831	\$ 13,853	\$ 285,221

- (1) Income from operations for the Americas segment included corporate expenses of \$4.9 million and \$4.6 million for the three months ended November 30, 2012 and 2011, respectively.

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Net sales by product line are as follows (in thousands):

Net Sales by Product Line:	Three Months Ended November 30,	
	2012	2011
Multi-purpose maintenance products	\$ 81,746	\$ 70,811
Homecare and cleaning products	13,518	14,134
Total	\$ 95,264	\$ 84,945

### **Note 15. Subsequent Events**

On December 11, 2012, the Company's Board of Directors declared a 7% increase in the regular quarterly cash dividend, increasing it from \$0.29 per share to \$0.31 per share. The dividend is payable on January 31, 2013 to shareholders of record on January 7, 2013.

On January 7, 2013, the Company entered into a first amendment (the "Amendment") to its existing unsecured credit agreement (the "Agreement") with Bank of America, N.A. ("Bank of America") referred to in Note 8 - Debt to the Company's condensed consolidated financial statements. The Amendment extends the maturity date of the revolving credit facility for five years and increases the revolving commitment to an amount not to exceed \$125.0 million. The new maturity date for the revolving credit facility per the Amendment is January 7, 2018. In addition, per the terms of the Amendment, the LIBOR margin will decrease to 0.85 percent, the letter of credit fee will decrease to 0.85 percent per annum and the commitment fee will decrease to an annual rate of 0.12 percent. As a result of the increase in the revolving commitment amount, the Company will incur commitment fees applied to the portion of the total credit facility commitment that has not been borrowed until outstanding loans and letters of credit exceed \$62.5 million. All other material terms included in the Agreement remain unchanged within the Amendment. The proceeds of the credit facility, as amended, will be used for the Company's stock repurchases and general working capital needs.

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### **Item 2. Management' s Discussion and Analysis of Financial Condition and Results of Operations**

*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 percents in tables and discussions may not total due to rounding.*

The following information is provided as a supplement to, and should be read in conjunction with, the unaudited condensed consolidated financial statements and notes thereto included in Part I–Item 1 of this Quarterly Report and the audited consolidated financial statements and notes thereto and Management' s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended August 31, 2012, which was filed with the Securities and Exchange Commission ("SEC") on October 22, 2012.

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.

#### **Forward-Looking Statements**

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. This report contains forward-looking statements, which reflect the Company' s current views with respect to future events and financial performance.

These forward-looking statements are subject to certain risks and uncertainties. The words "aim," "believe," "expect," "anticipate," "intend," "estimate" and other expressions that indicate future events and trends identify forward-looking statements. These statements include, but are not limited to, references to the near-term growth expectations for multi-purpose maintenance products and homecare and cleaning products, the impact of changes in product distribution, competition for shelf space, the impact of competition on product pricing, the level of promotional and advertising spending, plans for and success of product innovation, the impact of new product introductions on the growth of sales, the impact of customer mix and costs of raw materials, components and finished goods on gross margins, the impact of promotional programs on sales, the rate of sales growth in the Asia-Pacific segment, direct European countries and Eastern and Northern Europe, foreign currency exchange rates and fluctuations in those rates, the impact of changes in inventory management, the effect of future income tax provisions and audit outcomes on tax rates, and the effects of, and changes in, worldwide economic conditions and legal proceedings and other risk factors. 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 Part I–Item 1A, "Risk Factors," in the Company' s Annual Report on Form 10-K for the fiscal year ended August 31, 2012, and in the Company' s Quarterly Reports on Form 10-Q, which may be updated from time to time.

#### **Overview**

##### ***The Company***

WD-40 Company, based in San Diego, California, is a global consumer products company dedicated to delivering unique, high value and easy-to-use solutions for a wide variety of maintenance needs of "doer" and "on-the-job" users by leveraging and building upon the Company' s fortress of brands. We market multi-purpose maintenance products - under the WD-40<sup>®</sup>, 3-IN-ONE<sup>®</sup>, and BLUE WORKS<sup>®</sup> brand names. Currently included in the WD-40 brand are the WD-40 multi-use product, the WD-40 Specialist<sup>®</sup> and WD-40 Bike<sup>™</sup> product lines. We launched the WD-40 Specialist product line in the United States ("U.S.") during the first quarter of fiscal year 2012 and continued





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to launch the product line in Canada, Latin America, Asia and select countries in Europe throughout fiscal year 2012 and going into fiscal year 2013. The WD-40 Specialist product line has contributed to sales of the multi-purpose maintenance products in its initial year of launch. In the fourth quarter of fiscal year 2012, we developed the WD-40 Bike product line, which is focused on a comprehensive line of bicycle maintenance products that include wet and dry chain lubricants, heavy-duty degreasers, foaming bike wash and frame protectants that are designed specifically for the avid cyclist, bike enthusiasts and mechanics. We started to launch certain products in this line in the U.S. during the first quarter of fiscal year 2013, but the focus for such sales is to smaller independent bike dealers rather than larger retailers. As a result of this, initial sales were immaterial and sales are expected to remain immaterial in its initial year of launch. We also market the following homecare and cleaning brands: X-14® mildew stain remover and automatic toilet bowl cleaners, 2000 Flushes® automatic toilet bowl cleaners, Carpet Fresh® and No Vac® rug and room deodorizers, Spot Shot® aerosol and liquid carpet stain removers, 1001® household cleaners and rug and room deodorizers and Lava® and Solvol® heavy-duty hand cleaners.

Our brands are sold in various locations around the world. Multi-purpose 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 U.K., Australia and the Pacific Rim. We sell our products primarily through mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets, sport retailers and industrial distributors and suppliers.

### **Highlights**

The following summarizes the financial and operational highlights for our business during the three months ended November 30, 2012:

*Consolidated net sales increased \$10.3 million, or 12%, for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on sales for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year.*

† *Multi-purpose maintenance products sales, which include the WD-40, 3-IN-ONE and BLUE WORKS brands, were \$81.8 million, up 15% from the same period last fiscal year.*

† *Homecare and cleaning products sales, which include all other brands, were \$13.5 million, down 4% from the same period last fiscal year.*

*Americas segment sales were \$45.4 million, up 12% compared to the same period last fiscal year. Europe segment sales were \$35.2 million, up 17% compared to the same period last fiscal year. Asia-Pacific segment sales were \$14.7 million, up 3% compared to the same period last fiscal year.*

*Consolidated net income increased \$4.1 million, or 61%, for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on net income for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year.*

*Gross profit as a percentage of net sales increased to 50.1% for the three months ended November 30, 2012 compared to 48.7% for the corresponding period of the prior fiscal year.*

*Diluted earnings per common share for the three months ended November 30, 2012 were \$0.69 versus \$0.42 in the prior fiscal year period.*

*Progress continues to be made on the development and launch of new multi-purpose maintenance products. The Company launched the WD-40 Specialist product line in the U.S. during the first quarter of fiscal year 2012 and continued to launch the product line in Canada, Latin America, Asia and select countries in Europe throughout fiscal year 2012 and going into fiscal year 2013. The WD-40 Specialist product line has contributed to sales of the multi-purpose maintenance products in its initial year of launch and has provided the Company with incremental sales.*

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Share repurchases continue to be successfully executed under the current \$50.0 million share buy-back plan, which was approved by the Company's Board of Directors in December 2011. To date, the Company has repurchased 634,170 shares at an average price of \$46.23 per share for a total cost of \$29.3 million under this plan.

The project which we started in early fiscal year 2012 to redesign our supply chain architecture in North America has continued to progress well. Once fully integrated in late fiscal year 2013, we expect this redesign to result in overall cost savings within our supply chain network, improved service to our customers and an increase in our inventory over historical levels. During the transition phases of this project, we have incurred and may continue to incur additional costs and our inventory levels may fluctuate from period to period.

Our core strategic initiatives and the areas where we will continue to focus our time, talent and resources for the remainder of fiscal year 2013 and in future periods include: (i) maximizing the WD-40 brand through geographic expansion and market penetration; (ii) becoming the global leader in the Company's product categories within our prioritized platforms; (iii) developing strategic business relationships; (iv) pursuing global innovation efforts; and (v) attracting, developing and retaining people.

## Results of Operations

### *Three Months Ended November 30, 2012 Compared to Three Months Ended November 30, 2011*

## Operating Items

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

	Three Months Ended November 30,			
	2012	2011	Change from Prior Year	
Dollars			Percent	
Net sales:				
Multi-purpose maintenance products	\$81,746	\$70,811	\$10,935	15 %
Homecare and cleaning products	13,518	14,134	(616 )	(4 )%
Total net sales	95,264	84,945	10,319	12 %
Cost of products sold	47,537	43,607	3,930	9 %
Gross profit	47,727	41,338	6,389	15 %
Operating expenses	31,862	31,038	824	3 %
Income from operations	\$15,865	\$10,300	\$5,565	54 %
Net income	\$10,944	\$6,792	\$4,152	61 %
Earnings per common share - diluted	\$0.69	\$0.42	\$0.27	64 %

## Net Sales by Segment

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

	Three Months Ended November 30,			
	2012	2011	Change from Prior Year	
Dollars			Percent	
Americas	\$45,355	\$40,628	\$4,727	12 %
Europe	35,225	30,126	5,099	17 %
Asia-Pacific	14,684	14,191	493	3 %

Total	<u>\$95,264</u>	<u>\$84,945</u>	<u>\$10,319</u>	12 %
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Americas

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

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	<u>Three Months Ended November 30,</u>			
			<u>Change from</u>	
			<u>Prior Year</u>	
	<u>2012</u>	<u>2011</u>	<u>Dollars</u>	<u>Percent</u>
Multi-purpose maintenance products	\$35,671	\$29,851	\$5,820	19 %
Homecare and cleaning products	9,684	10,777	(1,093)	(10)%
Total	<u>\$45,355</u>	<u>\$40,628</u>	<u>\$4,727</u>	12 %
<b>% of consolidated net sales</b>	<u><b>48 %</b></u>	<u><b>48 %</b></u>		

Sales in the Americas segment, which includes the U.S., Canada and Latin America, increased to \$45.4 million, up \$4.7 million, or 12%, for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on sales for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year.

Sales of multi-purpose maintenance products in the Americas segment increased \$5.8 million, or 19%, for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year. This sales increase was primarily driven by higher sales of WD-40 multi-purpose maintenance products in the U.S. and Latin America, which were up 25% and 8%, respectively, for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year. The sales increase in the U.S. was primarily due to a higher level of promotional activities for the WD-40 multi-use products that were conducted with certain of our key customers during the first quarter of fiscal year 2013 as compared to the first quarter of the prior fiscal year. 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 Argentina, Brazil and Columbia. In addition, the sales increase of the multi-purpose maintenance products in the Americas segment was also due to new distribution in the U.S. for the WD-40 Specialist product line as compared to the same period of the prior fiscal year. As a result of fluctuations in the promotional patterns with certain of our key customers, particularly those in the mass retail, home center and warehouse club channels in the U.S., it is common for our sales to vary period over period and year over year.

Sales of homecare and cleaning products in the Americas segment decreased \$1.1 million, or 10%, for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year. Although we continue our efforts to stabilize and maintain the sales levels of our homecare and cleaning products, sales of these products continue to be negatively impacted by competition, category declines, lost distribution, reduced product offerings and the volatility of orders from and promotional programs with certain customers, particularly those in the warehouse club and mass retail channels. Sales of homecare and cleaning products in the U.S., which is where the majority of such sales originate, decreased 12% from period to period. This sales decrease was driven primarily by lower sales of Carpet Fresh and Spot Shot products, which were down 29% and 13%, respectively, in the U.S. for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year, primarily due to lost distribution, decreased promotional programs and category declines, particularly within the warehouse club channel.

For the Americas segment, 80% of sales came from the U.S., and 20% of sales came from Canada and Latin America combined for the three months ended November 30, 2012 compared to distribution for the three months ended November 30, 2011, when 79% of sales came from the U.S., and 21% of sales came from Canada and Latin America combined.

### Europe

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

	<u>Three Months Ended November 30,</u>			
			<u>Change from</u>	
			<u>Prior Year</u>	
	<u>2012</u>	<u>2011</u>	<u>Dollars</u>	<u>Percent</u>
Multi-purpose maintenance products	\$33,193	\$28,411	\$4,782	17 %

Homecare and cleaning products	<u>2,032</u>	<u>1,715</u>	<u>317</u>	19 %
Total	<u>\$35,225</u>	<u>\$30,126</u>	<u>\$5,099</u>	17 %
<b>% of consolidated net sales</b>	<u><b>37 %</b></u>	<u><b>35 %</b></u>		

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Sales in the Europe segment increased to \$35.2 million, up \$5.1 million, or 17%, for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on sales for the three months ended November 30, 2012 compared to the corresponding period of 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, Sweden and the Netherlands). Overall, sales from direct markets increased \$3.8 million, or 22%, for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year. We experienced sales increases throughout most of the Europe segment for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year, with percentage increases in sales as follows: the U.K., 56%; France, 18%; the Germanics sales region, 12% and Italy, 7%. The increased sales in these regions were slightly offset by the sales decrease of 9% in Iberia from period to period.

The sales increase in the direct markets was primarily due to a higher level of replenishment orders from our customers in the first quarter of 2013 as compared to the corresponding period of the prior fiscal year. Although sales in the direct markets increased period over period, sales in these markets were negatively impacted throughout fiscal year 2012 primarily due to the particularly adverse economic conditions which existed in Europe during this time period and which remain uncertain as we enter our fiscal year 2013. Sales from direct markets accounted for 60% of the Europe segment's sales for the three months ended November 30, 2012 compared to 57% of the Europe segment's sales for the corresponding period of the prior fiscal year.

In the countries in which we sell through local distributors, sales increased \$1.3 million, or 10%, for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year primarily due to increased sales of WD-40 multi-use products and initial sales of the WD-40 Specialist product line in Eastern Europe and the Middle East. Overall, sales in the distributor markets were increased from period to period primarily due to the continued growth of the base business in key markets, particularly those in Eastern Europe. In general, the markets in which we sell through local distributors have remained more stable in recent periods from an economic standpoint than other countries in Europe. The distributor markets accounted for 40% of the Europe segment's total sales for the three months ended November 30, 2012, compared to 43% for the corresponding period of the prior fiscal year.

### Asia-Pacific

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

	Three Months Ended November 30,			
			Change from Prior Year	
	2012	2011	Dollars	Percent
Multi-purpose maintenance products	\$12,882	\$12,548	\$ 334	3 %
Homecare and cleaning products	1,802	1,643	159	10 %
Total	\$14,684	\$14,191	\$493	3 %
<b>% of consolidated net sales</b>	<b>15 %</b>	<b>17 %</b>		

Sales in the Asia-Pacific segment, which includes Australia, China and other countries in the Asia region, increased to \$14.7 million, up \$0.5 million, or 3%, for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on sales for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year.

Sales in Asia, which represented 69% of the total sales in the Asia-Pacific segment for the three months ended November 30, 2012, remained constant at \$10.1 million for the first quarter of fiscal year 2013 as compared to the same period of the prior fiscal year. Although total sales in Asia did not change from period to period, the distributor markets in the Asia region experienced a sales increase of \$0.2 million, or 3%, for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year,

primarily due to the continued growth of the WD-40 multi-use products throughout the distributor markets, including those in Indonesia, Malaysia and India. This increase was fully offset by lower sales in China for the three months ended November 30,

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2012 compared to the corresponding period of the prior fiscal year due to a lower level of promotional activities from period to period. In addition, China has experienced a much lower rate of growth for sales since the second half of fiscal year 2012 due to the adverse economic conditions and the slowing of industrial activities throughout China.

Sales in Australia increased \$0.5 million, or 13%, for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year primarily due to stable economic conditions and the ongoing growth of our base business.

### ***Gross Profit***

Gross profit increased to \$47.7 million for the three months ended November 30, 2012 compared to \$41.3 million for the corresponding period of the prior fiscal year. As a percentage of net sales, gross profit increased to 50.1% for the three months ended November 30, 2012 compared to 48.7% for the corresponding period of the prior fiscal year due to a variety of items which positively impacted gross margin, including sales price increases, the level of discounts offered to our customers, lower manufacturing costs in our Asia-Pacific segment and the net lower costs associated with the restructure of our North American supply chain. These favorable items were partially offset by the negative impacts of costs associated with petroleum-based materials and aerosol cans, changes in foreign currency exchange rates and other raw materials and manufacturing costs.

Gross margin was positively impacted by 1.3 percentage points for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year due to sales price increases. These sales price increases were implemented in certain locations and markets throughout most of fiscal year 2012. Advertising, promotional and other discounts, which are recorded as a reduction to sales, decreased during the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year, positively impacting gross margin by 0.4 percentage points. The decrease in such discounts was due to a lower percentage of sales during the three months ended November 30, 2012 being subject to promotional allowances compared to the corresponding period in the prior fiscal year. 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. The costs of promotional activities such as sales incentives, trade promotions and cash discounts that we give to our customers are recorded as a reduction to sales. The costs associated with promotional activities that we pay to third parties, which include costs for advertising, coupon programs, consumer promotions, product demonstration, public relations, agency costs, package design expenses and market research costs, are recorded as advertising and sales promotion expenses in our consolidated statements of operations.

In addition, gross margin was positively impacted by 0.2 percentage points from period to period due to our North American supply chain restructure project. Although we incurred higher warehousing costs, handling fees and freight costs during the first quarter of fiscal year 2013 compared to the same time period of the prior fiscal year, these increased costs were more than offset by the lower manufacturing fees from our third-party contract manufacturers that we have started to realize as a result of this supply chain restructure. A large portion of the additional costs incurred from period to period resulted from us moving inventory between our various third-party contract manufacturers and distribution centers in support of the redesign of our North American supply chain architecture. The activities related to this redesign project started in the first quarter of fiscal year 2012 and have included the consolidation of our third-party contract manufacturers and the restructuring of our distribution center network. These changes, once completed in late fiscal year 2013, are expected to improve service delivery to our customers and to reduce overall costs associated with our North American supply chain network. As we continue to transition to our new supply chain architecture, we may incur additional expenses in advance of the ultimate savings that we expect to gain once the implementation of this new architecture is complete. Lower manufacturing costs in our Asia-Pacific segment and sales mix changes and other miscellaneous costs also positively impacted gross margin by 0.3 and 0.1 percentage points, respectively, from period to period.

The aforementioned favorable impacts to gross margin were partially offset by the effects of changes in the costs of petroleum-based materials and aerosol cans as well as higher raw materials and manufacturing costs from period to period. Gross margin was negatively impacted by 0.2 percentage points due to the combined effects of changes in the costs of petroleum-based materials and aerosol cans from period to period. 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 petroleum-based material costs will continue to be volatile and that volatility will impact our

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cost of products sold in future periods. Raw material costs associated with certain of our homecare and cleaning products negatively impacted gross margin also by 0.1 percentage points for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year. In addition, changes in foreign currency exchange rates negatively impacted gross margin by 0.6 percentage points primarily due to the significant fluctuations in the exchange rates for the Euro against the Pound Sterling in our Europe segment.

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 \$4.2 million and \$3.8 million for the three months ended November 30, 2012 and 2011, respectively.

### ***Selling, General and Administrative Expenses***

Selling, general and administrative (“SG&A”) expenses for the three months ended November 30, 2012 increased \$2.7 million, or 12%, to \$25.3 million from \$22.6 million for the corresponding period of the prior fiscal year. As a percentage of net sales, SG&A expenses remained constant at 26.6% for the three months ended November 30, 2012 and 2011. The increase in SG&A expenses was largely attributable to higher employee-related costs, increased freight costs and a higher level of expenses associated with travel and meetings. Employee-related costs, which include salaries, bonuses, profit sharing, stock-based compensation and other fringe benefits, increased \$1.9 million for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year. This increase was primarily due to annual compensation increases and higher bonus expense from period to period. Based on our most recent forecast and estimates in the first quarter of fiscal year 2013, we expect that our achievement of the sales and other profit performance metrics required to trigger payout of bonuses will be higher in fiscal year 2013 as compared to the prior fiscal year. Freight costs increased \$0.4 million primarily due to higher diesel cost and increased sales volumes for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year. Travel and meeting expenses increased \$0.3 million due to a higher level of travel expenses associated with various sales meetings and activities in support of our strategic initiatives. Other miscellaneous expenses increased by \$0.1 million period over period. Changes in foreign currency exchange rates did not have a material impact on SG&A expenses for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year.

We continued our research and development investment, the majority of which is associated with our multi-purpose maintenance products, in support of our focus on innovation and renovation of our products. Research and development costs were \$1.2 million for each of the three months ended November 30, 2012 and 2011. Our product development team, Team Tomorrow, 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 or offset each other from period to period depending upon the types of activities being performed by Team Tomorrow.

### ***Advertising and Sales Promotion Expenses***

Advertising and sales promotion expenses for the three months ended November 30, 2012 decreased \$1.7 million, or 22%, to \$6.1 million from \$7.8 million for the corresponding period of the prior fiscal year. As a percentage of net sales, these expenses decreased to 6.4% for the three months ended November 30, 2012 from 9.2% for the corresponding period of the prior fiscal year. The decrease in advertising and sales promotion expenses was primarily due to the timing of promotional programs conducted in the Americas segment and decreased promotional activities in the Europe 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 three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year. Investment in global advertising and sales promotion expenses for fiscal year 2013 is expected to be in the range of 7.0% to 8.0% 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 for the three

months ended November 30, 2012 were \$4.8 million compared to \$5.3 million for the corresponding period of the prior fiscal year. Therefore, our total investment in advertising and sales promotion activities totaled \$10.9 million and \$13.1 million for the three months ended November 30, 2012 and 2011, respectively.

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### *Amortization of Definite-lived Intangible Assets Expense*

Amortization of our definite-lived intangible assets remained relatively constant from period to period and was \$0.5 million and \$0.6 million for the three months ended November 30, 2012 and 2011, respectively.

### *Income from Operations by Segment*

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

	Three Months Ended November 30,			
	2012	2011	Change from	
			Prior Year	
			Dollars	Percent
Americas <sup>(1)</sup>	\$4,571	\$2,413	\$2,158	89 %
Europe	8,451	4,809	3,642	76 %
Asia-Pacific	2,843	3,078	(235 )	(8 )%
	<u>\$15,865</u>	<u>\$10,300</u>	<u>\$5,565</u>	54 %

(1) Income from operations for the Americas segment includes corporate expenses, none of which are allocated to the other segments.

### *Americas*

Income from operations for the Americas segment increased to \$4.6 million, up \$2.2 million, or 89%, for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year, primarily due to an increase in sales of \$4.7 million, higher gross margin and a \$1.3 million decrease in costs associated with advertising and sales promotion programs, particularly those conducted in the United States. As a percentage of net sales, gross profit for the Americas segment increased from 49.2% to 50.5% period over period. This increase in the gross margin from period to period was primarily due to the positive impact of sales price increases and the lower level of discounts offered to our customers, which were partially offset by the increased costs of petroleum-based materials and unfavorable sales mix changes. Operating income as a percentage of net sales increased to 10.1% for the three months ended November 30, 2012 from 6.0% for the same period of the prior fiscal year.

### *Europe*

Income from operations for the Europe segment increased to \$8.5 million, up \$3.6 million, or 76%, for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year, primarily due to an increase in sales of \$5.1 million. As a percentage of net sales, gross profit for the Europe segment increased from 50.2% to 51.6% period over period primarily due to the favorable impact of sales price increases and sales mix changes, which were partially offset by the impact of foreign currency exchange rates. Operating income as a percentage of net sales increased to 24.0% for the three months ended November 30, 2012 from 16.0% for the same period of the prior fiscal year.

### *Asia-Pacific*

Income from operations for the Asia-Pacific segment decreased to \$2.8 million, down \$0.2 million, or 8%, for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year. The decrease in the income from operations for our Asia-Pacific segment was primarily due to an increase in sales of \$0.5 million and higher gross margin, which were more than offset by increased operating expenses from period to period. As a percentage of net sales, gross profit for the Asia-Pacific segment increased from 43.8% to 45.4% from period to period primarily due to the combined effects of lower manufacturing costs and sales price increases in the Asia-Pacific region, which were partially offset by unfavorable sales mix changes. Operating income as a percentage of net sales decreased to 19.4% for the three months ended November 30, 2012 from 21.7% for the same period of the prior fiscal year.

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### **Non-Operating Items**

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

	Three Months Ended November 30,		
	2012	2011	Change
Interest income	\$ 62	\$ 52	\$ 10
Interest expense	\$ 125	\$ 242	\$ (117 )
Other income (expense), net	\$ 52	\$ (180 )	\$ 232
Provision for income taxes	\$ 4,910	\$ 3,138	\$ 1,772

#### ***Interest Income***

Interest income remained relatively constant for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year.

#### ***Interest Expense***

Interest expense decreased \$0.1 million for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year primarily due to lower interest rates on the outstanding balance on the revolving credit facility as compared to the interest rate on the remaining balance on the term loan. The final principal payment of \$10.7 million on the term loan was made in October 2011.

#### ***Other Income (Expense), Net***

Other income (expense), net changed by \$0.2 million for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year primarily due to net foreign currency exchange gains which were recorded for the first quarter of fiscal year 2013 compared to net foreign currency exchange losses which were recorded in the same period of the prior fiscal year.

#### ***Provision for Income Taxes***

The provision for income taxes was 31.0% and 31.6% of income before income taxes for the three months ended November 30, 2012 and 2011, respectively. The decrease in the effective income tax rate from period to period was primarily driven by the increasing proportion of the Company's foreign earnings, particularly those in the United Kingdom, which are taxed at lower rates.

#### ***Net Income***

Net income was \$10.9 million, or \$0.69 per common share on a fully diluted basis for the three months ended November 30, 2012 compared to \$6.8 million, or \$0.42 per common share on a fully diluted basis for the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on net income for the three months ended November 30, 2012 compared to the corresponding period of the prior fiscal year.

#### ***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 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 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 at or above 50% of net sales, our cost of doing business to be at or below 30% of net sales, and our EBITDA to be at or 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.

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The following table summarizes the results of these performance measures for the periods presented:

	Three Months Ended November 30,			
	2012		2011	
Gross margin	50	%	49	%
Cost of doing business as a percentage of net sales	33	%	35	%
EBITDA as a percentage of net sales	18	%	13	%

We use the performance measures above to establish financial goals and to gain an understanding of the comparative performance of the Company from period to period. We believe that these measures provide our shareholders with additional insights into the Company's results of operations and how we run our business. The non-GAAP financial measures are supplemental in nature and should not be considered in isolation or as alternatives to net income, income from operations or other financial information prepared in accordance with GAAP as indicators of the Company's performance or operations. Reconciliations of these non-GAAP financial measures to our financial statements as prepared in accordance with GAAP are as follows:

### *Cost of Doing Business* (in thousands, except percentages)

	Three Months Ended November 30,			
	2012		2011	
Total operating expenses–GAAP	\$ 31,862		\$ 31,038	
Amortization of definite-lived intangible assets	(466	)	(585	)
Depreciation (in operating departments)	(418	)	(382	)
Cost of doing business	<u>\$ 30,978</u>		<u>\$ 30,071</u>	
Net sales	\$ 95,264		\$ 84,945	
Cost of doing business as a percentage of net sales	33	%	35	%

### *EBITDA* (in thousands, except percentages)

	Three Months Ended November 30,			
	2012		2011	
Net income–GAAP	\$ 10,944		\$ 6,792	
Provision for income taxes	4,910		3,138	
Interest income	(62	)	(52	)
Interest expense	125		242	
Amortization of definite-lived intangible assets	466		585	
Depreciation	737		633	
EBITDA	<u>\$ 17,120</u>		<u>\$ 11,338</u>	
Net sales	\$ 95,264		\$ 84,945	
EBITDA as a percentage of net sales	18	%	13	%

## Liquidity and Capital Resources

### *Overview*

The Company's financial condition and liquidity remain strong. Net cash provided by operations was \$15.6 million for the three months ended November 30, 2012 compared to \$12.8 million for the corresponding period of the prior fiscal year. We believe we continue to be well positioned to weather any uncertainty in the capital markets and global economy due to our strong balance sheet and efficient business model, along with our growing and diversified global revenues. We continue to manage all aspects of our business including,

but not limited to, monitoring the financial health of our customers, suppliers and other third-party relationships, implementing gross margin enhancement strategies and developing new opportunities for growth.



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Our principal sources of liquidity are our existing cash and cash equivalents, cash generated from operations and cash available from our revolving credit facility with Bank of America, N.A. (“Bank of America”). To date, we have used the proceeds of the revolving credit facility for our stock repurchases and plan to continue using such proceeds for our general working capital needs and stock repurchases under any existing board approved share buy-back plans. During the three months ended November, 2012, we made no additional borrowings against or repayments on the revolving credit facility. We periodically have extended the maturity date of draws on the line of credit, however the balance on these draws has remained within a short-term classification as a result of these extensions. As of November 30, 2012, we had a \$45.0 million outstanding balance on the revolving credit facility. The revolving credit facility agreement requires us to maintain minimum consolidated earnings before interest, income taxes, depreciation and amortization (“EBITDA”) of \$40.0 million, measured on a trailing twelve month basis, at each reporting period. At November 30, 2012, we were in compliance with all debt covenants as required by the revolving credit facility and believe it is unlikely we will fail to meet any of these covenants in the foreseeable future. We would need to have a significant decrease in sales and/or a significant increase in expenses in order for us to not meet the debt covenants.

On January 7, 2013, we entered into a first amendment (the “Amendment”) to our existing unsecured credit agreement with Bank of America”. See Note 15 – Subsequent Events to the Company’s condensed consolidated financial statements, which is included in Item 1 of this report, for further details on this Amendment.

At November 30, 2012, we had a total of \$52.4 million in cash and cash equivalents. Of this balance, \$37.2 million was held in Europe, Australia, China and Malaysia in foreign currencies. It is our intention to indefinitely reinvest all current and future foreign earnings at these locations in order to ensure sufficient working capital, expand operations and fund foreign acquisitions in these locations. We believe that our future cash from domestic operations together with our access to funds available under our unsecured revolving credit facility will provide adequate resources to fund both short-term and long-term operating requirements, capital expenditures, share repurchases, dividend payments, acquisitions and new business development activities in the United States. Although we hold a significant amount of cash outside of the United States and the draws on the credit facility to date have been made by our entity in the United States, we do not foresee any issues with repaying or refinancing these loans with domestically generated funds since we closely monitor the use of this credit facility. In the event that 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 United States, we would incur additional tax expense upon such repatriation.

We believe that our existing consolidated cash and cash equivalents at November 30, 2012, the liquidity provided by our \$75.0 million revolving credit facility and our anticipated cash flows from operations will be sufficient to meet our projected consolidated operating and capital requirements for at least the next twelve months. We consider various factors when reviewing liquidity needs and plans for available cash on hand including: future debt, principal and interest payments, future capital expenditure requirements, future share repurchases, future dividend payments (which are determined on a quarterly basis by the Company’s Board of Directors), alternative investment opportunities, debt covenants and any other relevant considerations currently facing our business.

### **Cash Flows**

The following table summarizes our cash flows by category for the periods presented (in thousands):

	Three Months Ended November 30,		
	2012	2011	Change
Net cash provided by operating activities	\$ 15,595	\$ 12,785	\$ 2,810
Net cash (used in) provided by investing activities	(21,391 )	143	(21,534 )
Net cash used in financing activities	(12,101 )	(447 )	(11,654 )
Effect of exchange rate changes on cash and cash equivalents	613	(2,230 )	2,843
Net (decrease) increase in cash and cash equivalents	\$ (17,284 )	\$ 10,251	\$ (27,535 )

### *Operating Activities*

Net cash provided by operating activities increased \$2.8 million to \$15.6 million for the three months ended November 30, 2012 from \$12.8 million for the corresponding period of the prior fiscal year. This increase from period to period was due to higher net income and changes in operating assets and liabilities, the most significant of which were changes in inventories, trade accounts receivable, and accrued payroll and related expenses.

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Although inventory levels increased during both the three months ended November 30, 2012 and 2011, the increase was much more significant during the first three months of fiscal year 2012 due to us being in the beginning stages of our North American supply chain restructure project. The significant increase in inventory during the first quarter of fiscal year 2012 was primarily attributable to increased purchases of product that we chose to make from our third-party contract manufacturers in support of this redesign of our supply chain architecture. As a result of this new supply chain structure in North America, we will carry higher levels of inventory than we have held in periods prior to fiscal year 2012 since we are moving product more quickly into our third-party distribution centers which is company-owned inventory. Inventory balances at August 31, 2012 and November 30, 2012 include \$3.6 million of product (including raw materials, components and finished products) that we are obligated to purchase from one of our third-party contract manufacturers, IQ Products Company, in conjunction with the unanticipated termination of our business relationship with them in the fourth quarter of fiscal year 2012 and which is the subject of pending litigation.

Trade accounts receivable increased primarily due to significantly higher sales in the first quarter of fiscal year 2013 compared to the corresponding period of the prior fiscal year and the timing of payments received by customers relative to the time period in which the sale occurred. Accrued payroll and related expenses increased from period to period primarily due to higher bonus accruals in fiscal year 2013. Based on our most recent forecast and estimates in the first quarter of fiscal year 2013, we expect that our achievement of the sales and other profit performance metrics required to trigger payout of bonuses will be higher in fiscal year 2013 as compared to the prior fiscal year. This increase was partially offset by the lower payments required for the fiscal year 2012 bonuses which were made during the first quarter of fiscal year 2013 as compared to those required to be paid in the prior year for the fiscal year 2011 bonuses.

### *Investing Activities*

Net cash used in investing activities was \$21.4 million for the three months ended November 30, 2012 compared to net cash provided by investing activities of \$0.1 million for the corresponding period of the prior fiscal year. This decrease from period to period was primarily due to the purchase of \$20.9 million in short-term investments that was made by our U.K. subsidiary during the first quarter of fiscal year 2013 and the lower level of proceeds received from the sales of property and equipment from period to period. Proceeds from the sales of property and equipment were unusually high during the first quarter of fiscal year 2012 due to the sale of our warehouse facility which was located in Memphis, Tennessee.

### *Financing Activities*

Net cash used in financing activities increased \$11.6 million to \$12.1 million for the three months ended November 30, 2012 from \$0.5 million for the corresponding period of the prior fiscal year driven primarily by the \$69.6 million in draws that we executed against our revolving credit facility during the first quarter of fiscal year 2012, which were only partially offset by the combined \$48.3 million in repayments made by us on our term loan and revolving credit facility. We made no such borrowings against or repayments on our debts during the first quarter of fiscal year 2013. In addition, there was a \$10.5 million decrease in treasury stock purchases from period to period.

### *Effect of Exchange Rate Changes*

All of our foreign subsidiaries currently operate in currencies other than the U.S. dollar and a significant portion of our consolidated cash balance is denominated in these foreign currencies, particularly at our U.K. subsidiary which operates in Pound Sterling. As a result, our cash and cash equivalents balances are subject to the effects of the fluctuations in these currencies against the U.S. dollars at the end of each reporting period. The net effect of exchange rate changes on cash and cash equivalents, when expressed in U.S. Dollar terms, was an increase in cash of \$0.6 million for the three months ended November 30, 2012 as compared to a decrease in cash of \$2.2 million for the same period in fiscal year 2012. The increase of \$2.8 million from period to period is primarily due to significant changes in the foreign currency exchange rates for the Pound Sterling against the U.S. Dollar. During the first three months of fiscal year 2013, the Pound Sterling to U.S. Dollar exchange rate increased from 1.5824 to 1.6024 whereas it decreased from 1.6352 to 1.5560 during the first three months of fiscal year 2012.

### *Off-Balance Sheet Arrangements*

We have no off-balance sheet arrangements as defined by Item 303(a)(4)(ii) of Regulation S-K.

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### ***Commercial Commitments***

We have ongoing relationships with various suppliers (contract manufacturers) who manufacture our products. The contract manufacturers maintain title and control of certain raw materials and components, materials utilized in finished products, and of the finished products themselves until shipment to our customers or third-party distribution centers in accordance with agreed upon shipment terms. Although we typically do not have definitive minimum purchase obligations included in the contract terms with our contract manufacturers, when such obligations have been included, they have been immaterial. In the ordinary course of business, supply needs are communicated by us to our contract manufacturers based on orders and short-term projections, ranging from two to five months. We are committed to purchase the products produced by the contract manufacturers based on the projections provided. This obligation includes purchasing obsolete or slow-moving inventory from our contract manufacturers which we have done so in the past under these commitments, the amounts of which have been immaterial.

Upon the termination of contracts with contract manufacturers, we obtain certain inventory control rights and are obligated to work with the contract manufacturer to sell through all product held by or manufactured by the contract manufacturer on our behalf during the termination notification period. If any inventory remains at the contract manufacturer at the termination date, we are obligated to purchase such inventory which may include raw materials, components and finished goods. Prior to the fourth quarter of fiscal year 2012, amounts for inventory purchased under termination commitments have been immaterial. As a result of the unanticipated termination of the IQ Products Company contract manufacturing agreement in the fourth quarter of fiscal year 2012, we are obligated to purchase \$3.6 million of inventory which is included in inventories in the Company's condensed consolidated balance sheet as of November 30, 2012.

In addition to the commitments to purchase products from contract manufacturers described above, we may also enter into commitments with other manufacturers to purchase finished goods and components to support innovation initiatives and/or supply chain initiatives. As of November 30, 2012, no such commitments were outstanding.

### ***Share Repurchase Plan***

On December 13, 2011, the Company's Board of Directors approved a share buy-back plan. Under the plan, which is in effect through December 12, 2013, the Company is authorized to acquire up to \$50.0 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 in compliance with all laws and regulations applicable thereto. During the period from December 14, 2011 through November 30, 2012, the Company repurchased 634,170 shares at a total cost of \$29.3 million.

### ***Dividends***

On December 11, 2012, the Company's Board of Directors declared a 7% increase in the regular quarterly cash dividend, increasing it from \$0.29 per share to \$0.31 per share. The dividend is payable on January 31, 2013 to shareholders of record on January 7, 2013. Our ability to pay dividends could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and loan covenants.

### ***Critical Accounting Policies***

Our discussion and analysis of our operating results and financial condition is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America.

Critical accounting policies are those that involve subjective or complex judgments, often as a result of the need to make estimates. The following areas all require the use of judgments and estimates: revenue recognition and sales incentives, allowance for doubtful accounts, accounting for income taxes and valuation of goodwill. Estimates in each of these areas are based on historical experience and various judgments and assumptions that we believe are appropriate. Actual results may differ from these estimates.

Our critical accounting policies are discussed in more detail in Part II–Item 7, “Management’ s Discussion and Analysis of Financial Condition and Results of Operations,” and Note 2 to our consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended August 31, 2012, which was filed with the SEC on October 22, 2012.

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### **Recently Issued Accounting Standards**

In December 2011, the FASB issued updated authoritative guidance related to new disclosure requirements on offsetting financial assets and liabilities. The new rules require companies to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position, as well as instruments and transactions subject to a netting arrangement. The updated authoritative guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company has evaluated this updated authoritative guidance, and it does not expect the adoption of this guidance to have a material impact on its consolidated financial statement disclosures.

### **Related Parties**

On October 11, 2011, the Company's Board of Directors elected Mr. Gregory A. Sandfort as a director of WD-40 Company. Mr. Sandfort is President and Chief Operating Officer of Tractor Supply Company ("Tractor Supply"), which is a WD-40 Company customer that acquires products from the Company in the ordinary course of business.

The condensed consolidated financial statements include sales to Tractor Supply of \$0.2 million and \$0.1 million for the three months ended November 30, 2012 and 2011, respectively. Accounts receivable from Tractor Supply were \$0.1 million as of November 30, 2012.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Refer to Part II–Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in our Annual Report on Form 10-K for the fiscal year ended August 31, 2012, which was filed with the SEC on October 22, 2012.

### **Item 4. Controls and Procedures**

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934 ("Exchange Act"). The term disclosure controls and procedures means controls and other procedures of a Company that are designed to ensure the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of November 30, 2012, the end of the period covered by this report (the Evaluation Date), and they have concluded that, as of the Evaluation Date, such controls and procedures were effective at ensuring that required information will be disclosed on a timely basis in the Company's reports filed under the Exchange Act. Although management believes the Company's existing disclosure controls and procedures are adequate to enable the Company to comply with its disclosure obligations, management continues to review and update such controls and procedures. The Company has a disclosure committee, which consists of certain members of the Company's senior management.

There were no changes to the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that materially affected, or would be reasonably likely to materially affect, the Company's internal control over financial reporting.

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### PART II – OTHER INFORMATION

#### Item 1. 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 the United States District Court, Southern District of Texas, Houston Division (IQ Products Company v. WD-40 Company). IQ Products Company, a Texas corporation ("IQPC"), or an affiliate or a predecessor of IQPC, has provided contract manufacturing services to the Company for many years. The allegations of IQPC's complaint arose out of a pending termination of this business relationship. In 2011, the Company requested proposals for manufacturing services from all of its domestic contract manufacturers in conjunction with a project to redesign the Company's supply chain architecture in North America. IQPC submitted a proposal as requested, and the Company tentatively awarded IQPC a new contract based on the information and pricing included in that proposal. IQPC subsequently sought to materially increase the quoted price for such manufacturing services. As a result, the Company chose to terminate its business relationship with IQPC. IQPC also raised alleged safety concerns regarding a long-standing manufacturing specification related to the Company's products. The Company believes that IQPC's safety concerns are unfounded.

In its complaint, IQPC asserts that the Company is obligated to indemnify IQPC for claims and losses based on a 1993 indemnity agreement and pursuant to common law. IQPC also asserts that it has been harmed by the Company's allegedly retaliatory conduct in seeking to terminate its relationship with IQPC, allegedly in response to the safety concerns identified by IQPC. IQPC seeks declaratory relief to establish that it is entitled to indemnification and also to establish that the Company is responsible for reporting the alleged safety concerns to the United States Consumer Products Safety Commission and to the United States Department of Transportation. The complaint also seeks damages for alleged economic losses in excess of \$40.0 million, attorney's fees and punitive damages based on alleged misrepresentations and false promises. The Company believes the case is without merit and will vigorously defend this matter. The Company's estimate of possible loss relative to this matter is immaterial with respect to the Company's consolidated financial statements.

#### Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I–Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the fiscal year ended August 31, 2012, which was filed with the SEC on October 22, 2012.

#### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On December 13, 2011, the Company's Board of Directors approved a share buy-back plan. Under the plan, which is in effect through December 12, 2013, the Company is authorized to acquire up to \$50.0 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 in compliance with all laws and regulations applicable thereto. During the period from December 14, 2011 through November 30, 2012, the Company repurchased 634,170 shares at a total cost of \$29.3 million.

The following table provides information with respect to all purchases made by the Company during the three months ended November 30, 2012. All purchases listed below were made in the open market at prevailing market prices.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
September 1 - September 30	–	\$ –	–	\$ 28,761,320
October 1 - October 31	60,098	\$ 47.41	60,098	\$ 25,910,800



November 1 - November 30	<u>111,171</u>	\$ 47.12	<u>111,171</u>	\$ 20,670,362
Total	<u><u>171,269</u></u>	\$ 47.22	<u><u>171,269</u></u>	

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### **Item 5. Other Information**

On January 7, 2013, the Company entered into a first amendment (the “Amendment”) to its existing unsecured credit agreement with Bank of America. See Note 15 - Subsequent Events to the Company’ s condensed consolidated financial statements for further details on this Amendment.

### **Item 6. Exhibits**

<u>Exhibit No.</u>	<u>Description</u>
3(a)	Certificate of Incorporation, incorporated by reference from the Registrant’ s Form 10-K filed October 22, 2012, Exhibit 3(a) thereto.
3(b)	Amended and Restated Bylaws of WD-40 Company, incorporated by reference from the Registrant’ s Form 8-K filed June 25, 2012, Exhibit 3(a) thereto.
10(a)	Form of Market Share Unit Award Agreement, incorporated by reference from the Registrant’ s Form 8-K filed October 31, 2012, Exhibit 10(a) thereto.
10(b)	First Amendment to Credit Agreement dated January 7, 2013 among WD-40 Company and Bank of America, N.A.
31(a)	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(a)	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(b)	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101. INS	XBRL Instance Document
101. SCH	XBRL Taxonomy Extension Schema Document
101. CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101. DEF	XBRL Taxonomy Extension Definition Linkbase Document
101. LAB	XBRL Taxonomy Extension Label Linkbase Document
101. PRE	XBRL Taxonomy Extension Presentation Linkbase Document

**SIGNATURES**

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

WD-40 COMPANY

Registrant

Date: January 9, 2013

By: /s/ GARRY O. RIDGE

Garry O. Ridge

President and Chief Executive Officer

(Principal Executive Officer)

By: /s/ JAY W. REMBOLT

Jay W. Rembolt

Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT dated as of January 7, 2013 (this "Amendment"), is entered into among WD-40 COMPANY, a Delaware corporation (the "Borrower"), the Guarantors identified on the signature pages hereto (together with the Borrower, each a "Loan Party" and collectively the "Loan Parties") and BANK OF AMERICA, N.A. (the "Lender"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Credit Agreement (defined below).

RECITALS

- A. The Loan Parties and the Lender entered into that certain Credit Agreement dated as of June 17, 2011 (as amended and modified from time to time, the "Credit Agreement").
- B. The parties hereto have agreed to amend the Credit Agreement as provided herein.
- C. In consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows.

AGREEMENT

1. Amendments.

(a) The following definition is hereby added to Section 1.01 of the Credit Agreement in the appropriate alphabetical order to read as follows:

"First Amendment Effective Date" means January 7, 2013.

(b) The following definitions in Section 1.01 of the Credit Agreement are hereby amended to read as follows:

"Applicable Rate" means, as of any date of determination, the following percentages per annum:

<u>Letter of Credit Fee</u>	<u>Prime Rate</u> <u>Loans</u>	<u>LIBOR Rate</u> <u>Loans</u>	<u>Commitment</u> <u>Fee</u>
0.85%	0.00 %	0.85 %	0.12 %

"Maturity Date" means January 7, 2018; provided, however, that, if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day.

"Revolving Commitment" means the Lender's obligation to (a) make Revolving Loans to the Borrowers pursuant to Section 2.01, and (b) issue Letters of Credit, in an aggregate principal amount at any one time outstanding not to exceed ONE HUNDRED AND TWENTY FIVE MILLION DOLLARS (\$125,000,000).

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(c) Clause (d) of Section 8.06 of the Credit Agreement is hereby amended to read as follows:

(d) so long as no Default exists immediately prior and after giving effect thereto, the Company may repurchase shares of its capital stock in an aggregate amount not to exceed \$125,000,000 during the period from and including the First Amendment Effective Date to the Maturity Date.

2. Joinder of Subsidiary. WD-40 Bike Company LLC, a Delaware limited liability company (“Bike Company”) hereby acknowledges, agrees and confirms that, by its execution of this Amendment, Bike Company will be deemed to be a party to the Credit Agreement and a “Guarantor” for all purposes of the Credit Agreement, and shall have all of the obligations of a Guarantor thereunder as if it had executed the Credit Agreement. Bike Company hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions applicable to the Guarantors contained in the Credit Agreement. Without limiting the generality of the foregoing terms of this paragraph 2, Bike Company hereby jointly and severally together with the other Guarantors, guarantees to the Lender, as provided in Article IV of the Credit Agreement, the prompt payment and performance of the Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration or otherwise) strictly in accordance with the terms thereof. Bike Company hereby waives acceptance by the Lender of the guaranty by Bike Company under Article IV of the Credit Agreement upon the execution of this Amendment by Bike Company.

3. Effectiveness; Conditions Precedent. This Amendment shall be effective, as of the date hereof, upon satisfaction of the following conditions precedent:

(a) The Lender shall have received copies of this Amendment duly executed by the Loan Parties.

(b) The Lender shall have received (i) such resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of the Loan Parties as the Lender may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Amendment and the other Loan Documents to which each Loan Party is a party; and (ii) such documents and certifications as the Lender may reasonably require to evidence that each Loan Party is duly organized or formed, and is validly existing, in good standing and qualified to engage in business in its state of organization.

(c) Receipt by the Lender of a favorable opinion of legal counsel to the Loan Parties in form and substance reasonably satisfactory to the Lender.

(d) Receipt by the Lender of all fees and expenses owed by the Loan Parties to the Lender.

(e) The Borrower shall have paid all reasonable fees, charges and disbursements of counsel to the Lender in connection with this Amendment (directly to such counsel if requested by the Lender).

4. Ratification of Loan Documents. Each Loan Party acknowledges and consents to the terms set forth herein and agrees that this Amendment does not impair, reduce or limit any of its obligations under the Loan Documents. This Amendment is a Loan Document.

5. Authority/Enforceability. Each Loan Party represents and warrants as follows:

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(a) It has taken all necessary action to authorize the execution, delivery and performance of this Amendment.

(b) This Amendment has been duly executed and delivered by such Person and constitutes such Person's legal, valid and binding obligations, enforceable in accordance with its terms.

(c) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or Governmental Authority or third party is required in connection with the execution, delivery or performance by such Person of this Amendment, or, if such consent is required, it has been obtained.

(d) The execution and delivery of this Amendment does not (i) violate, contravene or conflict with any provision of its Organization Documents or (ii) materially violate, contravene or conflict with any Laws applicable to it or any of its Subsidiaries.

6. Representations and Warranties of the Loan Parties. Each Loan Party represents and warrants that after giving effect to this Amendment (a) the representations and warranties of the Loan Party set forth in Article VI of the Credit Agreement are true and correct in all material respects as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date, and (b) no event has occurred and is continuing which constitutes a Default.

7. Counterparts/Telecopy-pdf. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of executed counterparts of this Amendment by telecopy or pdf shall be effective as an original.

8. GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

BORROWER: WD-40 COMPANY,  
a Delaware corporation

By: /s/ JAY W. REMBOLT

\_\_\_\_\_  
Name: Jay W. Rembolt

Title: Vice President and Chief Financial Officer

GUARANTORS: WD-40 MANUFACTURING COMPANY,  
a California corporation

By: /s/ JAY W. REMBOLT

\_\_\_\_\_  
Name: Jay W. Rembolt

Title: Vice President and Chief Financial Officer

HPD LABORATORIES, INC.,  
a Delaware corporation

By: /s/ JAY W. REMBOLT

\_\_\_\_\_  
Name: Jay W. Rembolt

Title: Vice President and Chief Financial Officer

HEARTLAND CORPORATION,  
a Kansas corporation

By: /s/ JAY W. REMBOLT

\_\_\_\_\_  
Name: Jay W. Rembolt

Title: Vice President and Chief Financial Officer

WD-40 BIKE COMPANY LLC,  
a Delaware limited liability company

By: /s/ JAY W. REMBOLT

\_\_\_\_\_  
Name: Jay W. Rembolt

Title: Vice President and Chief Financial Officer

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LENDER: BANK OF AMERICA, N.A.,  
as a Lender

By: /s/ Christopher D. Pannacciulli

\_\_\_\_\_  
Name: Christopher D. Pannacciulli

Title: Senior Vice President



**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Garry O. Ridge, certify that:

1. I have reviewed this report on Form 10-Q of WD-40 Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize, and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: January 9, 2013

/s/ GARRY O. RIDGE

Garry O. Ridge

President and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jay W. Rembolt, certify that:

1. I have reviewed this report on Form 10-Q of WD-40 Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize, and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: January 9, 2013

/s/ JAY W. REMBOLT

Jay W. Rembolt

Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Garry O. Ridge, Chief Executive Officer of WD-40 Company (the "Company"), have reviewed the Quarterly Report on Form 10-Q of the Company for the quarter ended November 30, 2012 (the "Report"). For purposes of Section 1350 of Title 18, United States Code, I certify that to the best of my knowledge:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 9, 2013

/s/ GARRY O. RIDGE

Garry O. Ridge

President and Chief Executive Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jay W. Rembolt, Chief Financial Officer of WD-40 Company (the “Company”), have reviewed the Quarterly Report on Form 10-Q of the Company for the quarter ended November 30, 2012 (the “Report”). For purposes of Section 1350 of Title 18, United States Code, I certify that to the best of my knowledge:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 9, 2013

/s/ JAY W. REMBOLT

Jay W. Rembolt

Vice President and Chief Financial Officer

**Goodwill and Other      3 Months Ended**  
**Intangible Assets - Summary**  
**of Changes in Carrying**  
**Amount of Goodwill (Detail)**  
**(USD \$)**      **Nov. 30, 2012**  
**In Thousands, unless**  
**otherwise specified**

**Goodwill [Line Items]**

Balance, beginning      \$ 95,318

Translation adjustments      50

Balance, ending      95,368

Americas [Member]

**Goodwill [Line Items]**

Balance, beginning      85,558

Translation adjustments      7

Balance, ending      85,565

Europe [Member]

**Goodwill [Line Items]**

Balance, beginning      8,549

Translation adjustments      43

Balance, ending      8,592

Asia-Pacific [Member]

**Goodwill [Line Items]**

Balance, beginning      1,211

Translation adjustments      0

Balance, ending      \$ 1,211

**Income Taxes - Additional  
Information (Detail) (USD \$)  
In Millions, unless otherwise  
specified**

**3 Months Ended**  
**Nov. 30,    Nov. 30,    Aug. 31,**  
**2012        2011        2012**

**Income Tax Disclosure [Line Items]**

<u>Provision for income taxes</u>	31.00%	31.60%	
<u>Unrecognized tax benefits</u>	\$ 1.0		
<u>Unrecognized tax benefits that would impact the effective tax rate</u>	0.8		
<u>Accrued interest and penalties related to uncertain tax positions</u>	0.3		0.3
<u>Material interest or penalties included in income tax expense</u>	0	0	
<u>Unrecognized tax benefits affected by the resolution of tax examinations or expiring statutes of limitation</u>	\$ 0.2		

**Share Repurchase Plan -  
Additional Information  
(Detail) (USD \$)**

**1 Months Ended      3 Months Ended**  
**Dec. 13, 2011    Nov. 30, 2012    Nov. 30, 2011**

**Schedule Of Share Repurchase Programs [Line Items]**

<u>Share buy-back, amount authorized</u>	\$ 50,000,000		
<u>Share buy-back plan, number of shares repurchased</u>		634,170	
<u>Total cost of repurchased shares</u>		\$ 8,091,000	\$ 18,601,000



**Business Segments and  
Foreign Operations -  
Summarized Information  
About Reportable Segments  
(Detail) (USD \$)  
In Thousands, unless  
otherwise specified**

**3 Months Ended**

**Nov. 30, 2012 Nov. 30, 2011 Aug. 31, 2012**

**Segment Reporting Information [Line Items]**

<u>Net sales</u>	\$ 95,264	\$ 84,945	
<u>Income from operations</u>	15,865	10,300	
<u>Depreciation and amortization expense</u>	1,203	1,218	
<u>Interest income</u>	62	52	
<u>Interest expense</u>	125	242	
<u>Total assets</u>	307,105	285,221	300,870

Americas [Member]

**Segment Reporting Information [Line Items]**

<u>Net sales</u>	45,355	40,628	
<u>Income from operations</u>	4,571	2,413	
<u>Depreciation and amortization expense</u>	920	822	
<u>Interest income</u>	1	0	
<u>Interest expense</u>	123	240	
<u>Total assets</u>	184,483	179,537	

Europe [Member]

**Segment Reporting Information [Line Items]**

<u>Net sales</u>	35,225	30,126	
<u>Income from operations</u>	8,451	4,809	
<u>Depreciation and amortization expense</u>	240	356	
<u>Interest income</u>	36	29	
<u>Interest expense</u>	0	0	
<u>Total assets</u>	104,861	91,831	

Asia-Pacific [Member]

**Segment Reporting Information [Line Items]**

<u>Net sales</u>	14,684	14,191	
<u>Income from operations</u>	2,843	3,078	
<u>Depreciation and amortization expense</u>	43	40	
<u>Interest income</u>	25	23	
<u>Interest expense</u>	2	2	
<u>Total assets</u>	\$ 17,761	\$ 13,853	

**Accrued and Other  
Liabilities - Schedule of  
Deferred and Other Long-  
Term Liabilities (Detail)**

**Nov. 30, 2012 Aug. 31, 2012**

**(USD \$)**

**In Thousands, unless  
otherwise specified**

**Other Long Term Liabilities [Line Items]**

<u>Supplemental employee retirement plan benefits liability</u>	\$ 570	\$ 598
<u>Other income taxes payable</u>	1,299	1,297
<u>Other</u>	147	61
<u>Total</u>	\$ 2,016	\$ 1,956

**Basis of Presentation and  
Summary of Significant  
Accounting Policies -  
Additional Information  
(Detail) (USD \$)  
In Millions, unless otherwise  
specified**

**Nov. 30, 2012 Nov. 04, 2011**

**Foreign Currency Translation [Line Items]**

Foreign currency forward contracts outstanding \$ 7.9

Sales price of property sold to third party 0.8

Pre-tax loss on sale of property \$ 0.1

**Business Segments and  
Foreign Operations -  
Schedule of Net Sales by  
Product Line (Detail) (USD  
\$)**

**3 Months Ended**  
**Nov. 30, 2012 Nov. 30, 2011**

**In Thousands, unless  
otherwise specified**

**Revenue from External Customer [Line Items]**

Net sales \$ 95,264 \$ 84,945

Multi-purpose maintenance products [Member]

**Revenue from External Customer [Line Items]**

Net sales 81,746 70,811

Homecare and cleaning products [Member]

**Revenue from External Customer [Line Items]**

Net sales \$ 13,518 \$ 14,134

**Basis of Presentation and  
Summary of Significant  
Accounting Policies (Tables)**

[Schedule of Net Realized Gains Related to Foreign  
Currency Forward Contracts](#)

**3 Months Ended**

**Nov. 30, 2012**

Net realized gains related to foreign currency forward contracts are summarized below (in thousands):

	<u>Three Months Ended November 30,</u>	
	<u>2012</u>	<u>2011</u>
Realized gains,		
net	\$ 63	\$ 221

**Earnings per Common  
Share - Summary of  
Weighted-Average Number  
of Common Shares  
Outstanding Included in  
Calculation of Basic and  
Diluted EPS (Detail)  
In Thousands, unless  
otherwise specified**

**3 Months Ended**

**Nov. 30, 2012 Nov. 30, 2011**

**Earnings Per Common Share [Line Items]**

<u>Weighted-average common shares outstanding, basic</u>	15,693	16,074
<u>Weighted-average dilutive securities</u>	114	131
<u>Weighted-average common shares outstanding, diluted</u>	15,807	16,205

**Goodwill and Other  
Intangible Assets - Summary  
of Changes in Carrying  
Amounts of Definite-Lived  
Intangible Assets by  
Segment (Detail) (USD \$)  
In Thousands, unless  
otherwise specified**

**3 Months Ended**

**Nov. 30, 2012 Nov. 30, 2011**

**Finite-Lived Intangible Assets [Line Items]**

<u>Beginning balance</u>	\$ 27,685	
<u>Amortization expense</u>	(466)	(585)
<u>Translation adjustments</u>	38	
<u>Ending balance</u>	27,257	

Americas [Member]

**Finite-Lived Intangible Assets [Line Items]**

<u>Beginning balance</u>	24,714
<u>Amortization expense</u>	(425)
<u>Translation adjustments</u>	0
<u>Ending balance</u>	24,289

Europe [Member]

**Finite-Lived Intangible Assets [Line Items]**

<u>Beginning balance</u>	2,971
<u>Amortization expense</u>	(41)
<u>Translation adjustments</u>	38
<u>Ending balance</u>	2,968

Asia-Pacific [Member]

**Finite-Lived Intangible Assets [Line Items]**

<u>Beginning balance</u>	0
<u>Amortization expense</u>	0
<u>Translation adjustments</u>	0
<u>Ending balance</u>	\$ 0

**Inventories - Schedule of  
Inventories (Detail) (USD \$)  
In Thousands, unless  
otherwise specified**

**Nov. 30, 2012 Aug. 31, 2012**

**Schedule Of Inventory [Line Items]**

<u>Product held at third-party contract manufacturers</u>	\$ 3,688	\$ 4,142
<u>Raw materials and components</u>	4,978	4,093
<u>Work-in-process</u>	360	347
<u>Finished goods</u>	21,741	21,215
<u>Total</u>	\$ 30,767	\$ 29,797



**Related Parties - Additional  
Information (Detail) (USD \$)  
In Millions, unless otherwise  
specified**

**3 Months Ended**

**Nov. 30, 2012 Nov. 30, 2011**

**Related Party Transaction [Line Items]**

<u>Sales to tractor supply</u>	\$ 0.2	\$ 0.1
<u>Accounts receivable from tractor supply</u>	\$ 0.1	

**Debt - Additional  
Information (Detail) (USD \$)  
In Millions, unless otherwise  
specified**

<b>1 Months Ended</b>	<b>3 Months Ended</b>
<b>Jun. 17, 2011</b>	<b>Nov. 30, 2012</b>

**Schedule Of Debt [Line Items]**

<u>Revolving credit facility, amount</u>	\$ 75.0	
<u>Revolving credit facility, maturity period</u>	3 years	
<u>Revolving credit facility, expiration date</u>	Jun. 17, 2014	
<u>LIBOR margin rate</u>	0.90%	
<u>Commitment fee annual rate</u>		0.90%
<u>Commitment fee, annual rate applied to amount not borrowed</u>		0.15%
<u>Outstanding loans and letters of credit maximum amount</u>		37.5
<u>Revolving credit facility, borrowed</u>		0
<u>Revolving credit facility, amount repaid</u>		0
<u>Revolving credit facility, amount outstanding</u>		45.0
Minimum [Member]		

**Schedule Of Debt [Line Items]**

<u>Consolidated earnings before interest, income taxes, depreciation and amortization</u>		\$ 40.0
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## The Company

**3 Months Ended  
Nov. 30, 2012**

### [The Company](#)

#### **Note 1. The Company**

WD-40 Company (“the Company”), based in San Diego, California, is a global consumer products company dedicated to delivering unique, high value and easy-to-use solutions for a wide variety of maintenance needs of “doer” and “on-the-job” users by leveraging and building upon the Company’s fortress of brands. The Company markets multi-purpose maintenance products – under the WD-40<sup>®</sup>, 3-IN-ONE<sup>®</sup>, and BLUE WORKS<sup>®</sup> brand names. Currently included in the WD-40 brand are the WD-40 multi-use product, the WD-40 Specialist<sup>®</sup> and WD-40 Bike<sup>™</sup> product lines. The Company launched the WD-40 Specialist product line in the United States (“U.S.”) during the first quarter of fiscal year 2012 and continued to launch the product line in Canada, Latin America, Asia and select countries in Europe throughout fiscal year 2012 and going into fiscal year 2013. The WD-40 Specialist product line has contributed to sales of the multi-purpose maintenance products in its initial year of launch. In the fourth quarter of fiscal year 2012, the Company developed the WD-40 Bike product line, which is focused on a comprehensive line of bicycle maintenance products that include wet and dry chain lubricants, heavy-duty degreasers, foaming bike wash and frame protectants that are designed specifically for the avid cyclist, bike enthusiasts and mechanics. The Company started to launch certain products in this line in the U.S. during the first quarter of fiscal year 2013, but the focus for such sales is to smaller independent bike dealers rather than larger retailers. As a result of this, initial sales were immaterial and sales are expected to remain immaterial in its initial year of launch. The Company also markets the following homecare and cleaning brands: X-14<sup>®</sup> mildew stain remover and automatic toilet bowl cleaners, 2000 Flushes<sup>®</sup> automatic toilet bowl cleaners, Carpet Fresh<sup>®</sup> and No Vac<sup>®</sup> rug and room deodorizers, Spot Shot<sup>®</sup> aerosol and liquid carpet stain removers, 1001<sup>®</sup> household cleaners and rug and room deodorizers and Lava<sup>®</sup> and Solvol<sup>®</sup> heavy-duty hand cleaners.

The Company’s brands are sold in various locations around the world. Multi-purpose 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.”), Australia and the Pacific Rim. The Company’s products are sold primarily through mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets, sport retailers and industrial distributors and suppliers.

**Goodwill and Other  
Intangible Assets - Schedule  
of Future Estimated  
Amortization Expense  
(Detail) (USD \$)  
In Thousands, unless  
otherwise specified**

**Nov. 30, 2012 Aug. 31, 2012**

**Finite-Lived Intangible Assets [Line Items]**

Net carrying amount \$ 27,257 \$ 27,685

Trade Names [Member]

**Finite-Lived Intangible Assets [Line Items]**

Remainder of fiscal year 2013 1,396

Fiscal year 2014 1,862

Fiscal year 2015 1,862

Fiscal year 2016 1,862

Fiscal year 2017 1,862

Thereafter 18,413

Net carrying amount \$ 27,257

**Goodwill and Other  
Intangible Assets (Tables)**

[Summary of Changes in Carrying  
Amount of Goodwill](#)

[Summary of Definite-Lived  
Intangible Assets](#)

[Summary of Changes in Carrying  
Amounts of Definite-Lived  
Intangible Assets by Segment](#)

[Schedule of Future Estimated  
Amortization Expense](#)

**3 Months Ended  
Nov. 30, 2012**

The following table summarizes the changes in the carrying amounts of goodwill by segment (in thousands):

	<u>Americas</u>	<u>Europe</u>	<u>Asia-Pacific</u>	<u>Total</u>
Balance as of August 31, 2012	\$85,558	\$8,549	\$ 1,211	\$95,318
Translation adjustments	7	43	0	50
Balance as of November 30, 2012	<u>\$85,565</u>	<u>\$8,592</u>	<u>\$ 1,211</u>	<u>\$95,368</u>

The following table summarizes the definite-lived intangible assets and the related accumulated amortization (in thousands):

	<u>November 30, 2012</u>	<u>August 31, 2012</u>
Gross carrying amount	\$ 34,736	\$34,689
Accumulated amortization	(7,459 )	(6,943 )
Translation adjustments	(20 )	(61 )
Net carrying amount	<u>\$ 27,257</u>	<u>\$27,685</u>

Changes in the carrying amounts of definite-lived intangible assets by segment for the three months ended November 30, 2012 are summarized below (in thousands):

	<u>Americas</u>	<u>Europe</u>	<u>Asia-Pacific</u>	<u>Total</u>
Balance as of August 31, 2012	\$24,714	\$2,971	\$ 0	\$27,685
Amortization expense	(425 )	(41 )	0	(466 )
Translation adjustments	0	38	0	38
Balance as of November 30, 2012	<u>\$24,289</u>	<u>\$2,968</u>	<u>\$ 0</u>	<u>\$27,257</u>

The estimated amortization expense for the Company's definite-lived intangible assets, which include the 2000 Flushes, Spot Shot, Carpet Fresh, X-14 and 1001 trade names, in future fiscal years is as follows (in thousands):

	<u>Trade Names</u>
Remainder of fiscal year 2013	\$ 1,396
Fiscal year 2014	1,862
Fiscal year 2015	1,862
Fiscal year 2016	1,862
Fiscal year 2017	1,862
Thereafter	18,413
Total	<u>\$ 27,257</u>

**Property and Equipment  
(Tables)**

**3 Months Ended  
Nov. 30, 2012**

[Schedule of Property and Equipment, Net](#)

Property and equipment, net, consisted of the following (in thousands):

	November 30, 2012	August 31, 2012
Machinery, equipment and vehicles	\$ 12,562	\$12,517
Buildings and improvements	3,597	3,574
Computer and office equipment	3,400	3,270
Software	5,665	5,530
Furniture and fixtures	1,215	1,229
Land	289	287
Subtotal	26,728	26,407
Less: accumulated depreciation and amortization	(17,882 )	(17,344)
Total	<u>\$ 8,846</u>	<u>\$9,063</u>

**Business Segments and  
Foreign Operations -  
Summarized Information  
About Reportable Segments  
(Parenthetical) (Detail)  
(Americas [Member], USD  
\$)**

**3 Months Ended**

**Nov. 30, 2012 Nov. 30, 2011**

**In Millions, unless otherwise  
specified**

Americas [Member]

**Segment Reporting Information [Line Items]**

Corporate expenses

\$ 4.9

\$ 4.6

**Accrued and Other  
Liabilities - Schedule of  
Accrued Liabilities (Detail)  
(USD \$)**

**Nov. 30, 2012 Aug. 31, 2012**

**In Thousands, unless  
otherwise specified**

**Schedule Of Accrued Liabilities [Line Items]**

<u>Accrued advertising and sales promotion expenses</u>	\$ 9,969	\$ 9,963
<u>Accrued professional services fees</u>	867	1,006
<u>Accrued sales taxes</u>	752	839
<u>Accrued other taxes</u>	973	1,243
<u>Other</u>	2,736	3,441
<u>Total</u>	\$ 15,297	\$ 16,492



**Accrued and Other  
Liabilities (Tables)**

[Schedule of Accrued Liabilities](#)

**3 Months Ended  
Nov. 30, 2012**

Accrued liabilities consisted of the following (in thousands):

	November 30, 2012	August 31, 2012
Accrued advertising and sales promotion expenses	\$ 9,969	\$9,963
Accrued professional services fees	867	1,006
Accrued sales taxes	752	839
Accrued other taxes	973	1,243
Other	2,736	3,441
Total	<u>\$ 15,297</u>	<u>\$ 16,492</u>

[Schedule of Accrued Payroll and Related Expenses](#)

Accrued payroll and related expenses consisted of the following (in thousands):

	November 30, 2012	August 31, 2012
Accrued bonuses	\$ 1,841	\$ 1,034
Accrued payroll	2,406	1,802
Accrued profit sharing	2,287	1,714
Accrued payroll taxes	1,022	892
Other	456	462
Total	<u>\$ 8,012</u>	<u>\$ 5,904</u>

[Schedule of Deferred and Other Long-Term Liabilities](#)

Deferred and other long-term liabilities consisted of the following (in thousands):

	November 30, 2012	August 31, 2012
Supplemental employee retirement plan benefits liability	\$ 570	\$ 598
Other income taxes payable	1,299	1,297
Other	147	61
Total	<u>\$ 2,016</u>	<u>\$ 1,956</u>

**Earnings per Common  
Share (Tables)**

[Schedule of Reconciliation of Net Income to Net  
Income Available to Common Shareholders](#)

[Summary of Weighted-Average Number of Common  
Shares Outstanding Included in Calculation of Basic  
and Diluted EPS](#)

**3 Months Ended  
Nov. 30, 2012**

The table below reconciles net income to net income available to common shareholders (in thousands):

	<u>Three Months Ended November 30,</u>	
	<u>2012</u>	<u>2011</u>
Net income	\$ 10,944	\$ 6,792
Less: Net income allocated to participating securities	(47 )	(27 )
Net income available to common shareholders	<u>\$ 10,897</u>	<u>\$ 6,765</u>

The table below summarizes the weighted-average number of common shares outstanding included in the calculation of basic and diluted EPS (in thousands):

	<u>Three Months Ended November 30,</u>	
	<u>2012</u>	<u>2011</u>
Weighted-average common shares outstanding, basic	15,693	16,074
Weighted-average dilutive securities	114	131
Weighted-average common shares outstanding, diluted	<u>15,807</u>	<u>16,205</u>

**CONDENSED  
CONSOLIDATED  
STATEMENTS OF CASH  
FLOWS (USD \$)  
In Thousands, unless  
otherwise specified**

**3 Months Ended**

**Nov. 30,  
2012                  Nov. 30,  
2011**

**Operating activities:**

Net income \$ 10,944          \$ 6,792

**Adjustments to reconcile net income to net cash provided by operating activities:**

Depreciation and amortization 1,203                  1,218

Net (gains) losses on sales and disposals of property and equipment (9)                      58

Deferred income taxes 183                     261

Excess tax benefits from settlements of stock-based equity awards 375                     (298)

Stock-based compensation 619                     745

Unrealized foreign currency exchange (gains) losses, net (210)                   336

Provision for bad debts 221                     38

**Changes in assets and liabilities:**

Trade accounts receivable (1,111)                 6,985

Inventories (890)                   (5,698)

Other assets (613)                   (940)

Accounts payable and accrued liabilities 646                     3,316

Accrued payroll and related expenses 981                     (2,103)

Income taxes payable 3,199                   2,075

Deferred and other long-term liabilities 57                       0

Net cash provided by operating activities 15,595                 12,785

**Investing activities:**

Purchases of property and equipment (527)                   (777)

Proceeds from sales of property and equipment 64                       920

Purchases of short-term investments (20,928)               0

Net cash (used in) provided by investing activities (21,391)               143

**Financing activities:**

Repayments of long-term debt 0                         (10,715)

Proceeds from revolving credit facility 0                         69,550

Repayments of revolving credit facility 0                         (37,550)

Dividends paid (4,579)                 (4,330)

Proceeds from issuance of common stock 944                       901

Treasury stock purchases (8,091)                 (18,601)

Excess tax benefits from settlements of stock-based equity awards (375)                   298

Net cash used in financing activities (12,101)               (447)

Effect of exchange rate changes on cash and cash equivalents 613                     (2,230)

Net (decrease) increase in cash and cash equivalents (17,284)               10,251

Cash and cash equivalents at beginning of period 69,719                 56,393

Cash and cash equivalents at end of period \$ 52,435               \$ 66,644

**Business Segments and  
Foreign Operations (Tables)**

**3 Months Ended  
Nov. 30, 2012**

[Summarized Information  
About Reportable Segments](#)

Summary information about reportable segments is as follows (in thousands):

<b>As of and for the Three Months Ended</b>				
<b>November 30:</b>	<b>Americas</b>	<b>Europe</b>	<b>Asia-Pacific</b>	<b>Total</b>
<b>2012</b>				
Net sales	\$45,355	\$35,225	\$ 14,684	\$95,264
Income from operations (1)	\$4,571	\$8,451	\$ 2,843	\$15,865
Depreciation and amortization expense	\$920	\$240	\$ 43	\$1,203
Interest income	\$1	\$36	\$ 25	\$62
Interest expense	\$123	\$0	\$ 2	\$125
Total assets	\$184,483	\$104,861	\$ 17,761	\$307,105
<b>2011</b>				
Net sales	\$40,628	\$30,126	\$ 14,191	\$84,945
Income from operations (1)	\$2,413	\$4,809	\$ 3,078	\$10,300
Depreciation and amortization expense	\$822	\$356	\$ 40	\$1,218
Interest income	\$0	\$29	\$ 23	\$52
Interest expense	\$240	\$0	\$ 2	\$242
Total assets	\$179,537	\$91,831	\$ 13,853	\$285,221

(1) Income from operations for the Americas segment included corporate expenses of \$4.9 million and \$4.6 million for the three months ended November 30, 2012 and 2011, respectively.

[Schedule of Net Sales by  
Product Line](#)

Net sales by product line are as follows (in thousands):

<b>Net Sales by Product Line:</b>	<b>Three Months Ended</b>	
	<b>November 30,</b>	
	<b>2012</b>	<b>2011</b>
Multi-purpose maintenance products	\$81,746	\$70,811
Homecare and cleaning products	13,518	14,134
Total	\$95,264	\$84,945

<b>Goodwill and Other Intangible Assets - Additional Information (Detail) (USD \$) In Thousands, unless otherwise specified</b>	<b>3 Months Ended Nov. 30, 2012</b>
<a href="#">Product Rights [Line Items]</a>	
<a href="#">Impairment of goodwill</a>	\$ 0

**Commitments and  
Contingencies - Additional  
Information (Detail) (USD \$)  
In Millions, unless otherwise  
specified**

**3 Months Ended**

**Nov. 30, 2012**

**Litigation And Other Contingencies [Line Items]**

Significant purchase commitment amount committed \$ 3.6

Commitment outstanding 0

Liabilities 0

Maximum [Member]

**Litigation And Other Contingencies [Line Items]**

Alleged economic losses \$ 40.0

**CONDENSED  
CONSOLIDATED  
BALANCE SHEETS (USD  
\$)**

**Nov. 30, Aug. 31,  
2012 2012**

**In Thousands, unless  
otherwise specified**

**Assets**

<u>Cash and cash equivalents</u>	\$ 52,435	\$ 69,719
<u>Short-term investments</u>	21,883	1,033
<u>Trade accounts receivable, less allowance for doubtful accounts of \$584 and \$391 at November 30, 2012 and August 31, 2012, respectively</u>	57,117	55,491
<u>Inventories</u>	30,767	29,797
<u>Current deferred tax assets, net</u>	5,556	5,551
<u>Other current assets</u>	5,096	4,526
<u>Total current assets</u>	172,854	166,117
<u>Property and equipment, net</u>	8,846	9,063
<u>Goodwill</u>	95,368	95,318
<u>Other intangible assets, net</u>	27,257	27,685
<u>Other assets</u>	2,780	2,687
<u>Total assets</u>	307,105	300,870

**Liabilities and Shareholders' Equity**

<u>Accounts payable</u>	23,315	21,242
<u>Accrued liabilities</u>	15,297	16,492
<u>Revolving credit facility</u>	45,000	45,000
<u>Accrued payroll and related expenses</u>	8,012	5,904
<u>Income taxes payable</u>	2,886	807
<u>Total current liabilities</u>	94,510	89,445
<u>Long-term deferred tax liabilities, net</u>	24,963	24,007
<u>Deferred and other long-term liabilities</u>	2,016	1,956
<u>Total liabilities</u>	121,489	115,408

**Shareholders' equity:**

<u>Common stock - authorized 36,000,000 shares, \$0.001 par value; 19,278,504 and 19,208,845 shares issued at November 30, 2012 and August 31, 2012, respectively; and 15,595,924 and 15,697,534 shares outstanding at November 30, 2012 and August 31, 2012, respectively</u>	19	19
<u>Additional paid-in capital</u>	127,055	126,210
<u>Retained earnings</u>	199,630	193,265
<u>Accumulated other comprehensive loss</u>	(1,692)	(2,727)
<u>Common stock held in treasury, at cost - 3,682,580 and 3,511,311 shares at November 30, 2012 and August 31, 2012, respectively</u>	(139,396)	(131,305)
<u>Total shareholders' equity</u>	185,616	185,462
<u>Total liabilities and shareholders' equity</u>	\$ 307,105	\$ 300,870

**Accrued and Other  
Liabilities - Schedule of  
Accrued Payroll and Related  
Expenses (Detail) (USD \$)  
In Thousands, unless  
otherwise specified**

**Nov. 30, 2012 Aug. 31, 2012**

**Accrued Liabilities And Other Non Current Liabilities [Line Items]**

<u>Accrued bonuses</u>	\$ 1,841	\$ 1,034
<u>Accrued payroll</u>	2,406	1,802
<u>Accrued profit sharing</u>	2,287	1,714
<u>Accrued payroll taxes</u>	1,022	892
<u>Other</u>	456	462
<u>Total</u>	\$ 8,012	\$ 5,904



<b>CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (USD \$) In Thousands, except Share data</b>	<b>Total</b>	<b>Common Stock [Member]</b>	<b>Additional Paid-In Capital [Member]</b>	<b>Retained Earnings [Member]</b>	<b>Accumulated Other Comprehensive Loss [Member]</b>	<b>Treasury Stock [Member]</b>
<a href="#"><u>Beginning balance at Aug. 31, 2012</u></a>	\$ 185,462	\$ 19	\$ 126,210	\$ 193,265	\$ (2,727)	\$ (131,305)
<a href="#"><u>Beginning balance, shares at Aug. 31, 2012</u></a>		19,208,845				3,511,311
<a href="#"><u>Issuance of common stock upon settlements of stock-based equity awards</u></a>	(162)		(162)			
<a href="#"><u>Issuance of common stock upon settlements of stock-based equity awards, shares</u></a>		69,659				
<a href="#"><u>Stock-based compensation</u></a>	619		619			
<a href="#"><u>Tax benefits from settlements of stock-based equity awards</u></a>	388		388			
<a href="#"><u>Cash dividends (\$0.29 per share)</u></a>	(4,579)			(4,579)		
<a href="#"><u>Acquisition of treasury stock</u></a>	(8,091)					(8,091)
<a href="#"><u>Acquisition of treasury stock, shares</u></a>						171,269
<a href="#"><u>Foreign currency translation adjustment, net of tax benefit of \$1</u></a>	1,035				1,035	
<a href="#"><u>Net income</u></a>	10,944			10,944		
<a href="#"><u>Ending balance at Nov. 30, 2012</u></a>	\$ 185,616	\$ 19	\$ 127,055	\$ 199,630	\$ (1,692)	\$ (139,396)
<a href="#"><u>Ending balance, shares at Nov. 30, 2012</u></a>		19,278,504				3,682,580

**Fair Value Measurements -  
Schedule of Financial Assets  
Measured at Fair Value on  
Recurring Basis (Detail)  
(USD \$)  
In Thousands, unless  
otherwise specified**

**Nov. 30, 2012 Aug. 31, 2012**

**Assets:**

<b><u>Total assets</u></b>	\$ 23,800	\$ 5,058
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Money market funds [Member]

**Assets:**

<b><u>Total assets</u></b>	1,917	4,025
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Term deposits [Member]

**Assets:**

<b><u>Total assets</u></b>	1,045	1,033
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Callable time deposits [Member]

**Assets:**

<b><u>Total assets</u></b>	20,838	
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Level 1 [Member]

**Assets:**

<b><u>Total assets</u></b>	0	0
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Level 1 [Member] | Money market funds [Member]

**Assets:**

<b><u>Total assets</u></b>	0	0
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Level 1 [Member] | Term deposits [Member]

**Assets:**

<b><u>Total assets</u></b>	0	0
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Level 1 [Member] | Callable time deposits [Member]

**Assets:**

<b><u>Total assets</u></b>	0	
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Level 2 [Member]

**Assets:**

<b><u>Total assets</u></b>	23,800	5,058
----------------------------	--------	-------

Level 2 [Member] | Money market funds [Member]

**Assets:**

<b><u>Total assets</u></b>	1,917	4,025
----------------------------	-------	-------

Level 2 [Member] | Term deposits [Member]

**Assets:**

<b><u>Total assets</u></b>	1,045	1,033
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Level 2 [Member] | Callable time deposits [Member]

**Assets:**

<b><u>Total assets</u></b>	20,838	
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Level 3 [Member]

**Assets:**

<u>Total assets</u>	0	0
Level 3 [Member]   Money market funds [Member]		
<b>Assets:</b>		
<u>Total assets</u>	0	0
Level 3 [Member]   Term deposits [Member]		
<b>Assets:</b>		
<u>Total assets</u>	0	0
Level 3 [Member]   Callable time deposits [Member]		
<b>Assets:</b>		
<u>Total assets</u>	\$ 0	

**Business Segments and  
Foreign Operations**

**3 Months Ended  
Nov. 30, 2012**

[Business Segments and  
Foreign Operations](#)

**Note 14. Business Segments and Foreign Operations**

The Company evaluates the performance of its segments and allocates resources to them based on sales and operating income. The Company is organized based on geographic location. Segment data does not include inter-segment revenues and incorporates corporate expenses into the Americas segment. All such corporate expenses are not allocated to other segments because the Company's segments are run independently. As a result, there are few costs that could be considered only corporate expenses that would qualify for allocation to other segments. The most significant portion of corporate expenses relates to the Americas segment both as a percentage of time and sales. Therefore, any allocation to other segments would be arbitrary.

Summary information about reportable segments is as follows (in thousands):

<b>As of and for the Three Months Ended</b>				
<b>November 30:</b>	<b>Americas</b>	<b>Europe</b>	<b>Asia-Pacific</b>	<b>Total</b>
<b>2012</b>				
Net sales	\$45,355	\$35,225	\$ 14,684	\$95,264
Income from operations (1)	\$4,571	\$8,451	\$2,843	\$15,865
Depreciation and amortization expense	\$920	\$240	\$ 43	\$1,203
Interest income	\$1	\$36	\$25	\$62
Interest expense	\$123	\$0	\$2	\$125
Total assets	\$184,483	\$104,861	\$ 17,761	\$307,105
<b>2011</b>				
Net sales	\$40,628	\$30,126	\$ 14,191	\$84,945
Income from operations (1)	\$2,413	\$4,809	\$3,078	\$10,300
Depreciation and amortization expense	\$822	\$356	\$ 40	\$1,218
Interest income	\$0	\$29	\$23	\$52
Interest expense	\$240	\$0	\$2	\$242
Total assets	\$179,537	\$91,831	\$ 13,853	\$285,221

(1) Income from operations for the Americas segment included corporate expenses of \$4.9 million and \$4.6 million for the three months ended November 30, 2012 and 2011, respectively.

Net sales by product line are as follows (in thousands):

<b>Net Sales by Product Line:</b>	<b>Three Months Ended</b>	
	<b>November 30,</b>	
	<b>2012</b>	<b>2011</b>
Multi-purpose maintenance products	\$81,746	\$70,811
Homecare and cleaning products	13,518	14,134
Total	<u>\$95,264</u>	<u>\$84,945</u>

**Fair Value Measurements -  
Additional Information  
(Detail) (USD \$)**

**3 Months Ended  
Nov. 30, 2012 Nov. 30, 2011**

**Fair Value Assets Measured On Recurring Basis [Line Items]**

Fair value measurement transfer

\$ 0

\$ 0

**Basis of Presentation and  
Summary of Significant  
Accounting Policies (Policies)**

**3 Months Ended**

**Nov. 30, 2012**

[Basis of Consolidation](#)

***Basis of Consolidation***

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, according to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted pursuant to such rules and regulations. The August 31, 2012 year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

In the opinion of management, the unaudited financial information for the interim periods shown reflects all adjustments necessary for a fair presentation thereof. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended August 31, 2012, which was filed with the SEC on October 22, 2012.

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

[Use of Estimates](#)

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

[Foreign Currency Forward  
Contracts](#)

***Foreign Currency Forward Contracts***

In the normal course of business, the Company employs established policies and procedures to manage its exposure to fluctuations in foreign currency exchange rates. The Company’s U.K. subsidiary, whose functional currency is Pound Sterling, utilizes foreign currency forward contracts to limit its exposure in converting cash and intercompany accounts receivable balances denominated in non-functional currencies. The principal currency affected is the Euro. The Company regularly monitors its foreign currency exchange rate exposures to ensure the overall effectiveness of its foreign currency hedge positions. While the Company engages in foreign currency hedging activity to reduce its risk, for accounting purposes, none of its foreign currency forward contracts are designated as hedges.

Foreign currency forward contracts are carried at fair value, with net realized and unrealized gains and losses recognized currently in other income (expense) in the Company’s condensed consolidated statements of operations. Cash flows from settlements of foreign currency forward contracts are included in operating activities in the condensed consolidated statements of cash flows. Foreign currency forward contracts in an asset position at the end of the reporting period

are included in other current assets, while foreign currency forward contracts in a liability position at the end of the reporting period are included in accrued liabilities in the Company's condensed consolidated balance sheets.

The Company continually monitors its positions with, and the credit quality of, the financial institution that is counterparty to its foreign currency forward contracts, and has not experienced nonperformance by this counterparty. As a matter of policy, the Company does not purchase foreign currency forward contracts that exceed the amount of its cash and intercompany accounts receivable balances denominated in non-functional currencies. At November 30, 2012, the Company had a notional amount of \$7.9 million outstanding in foreign currency forward contracts, which mature from December 2012 through March 2013. Unrealized net gains and losses related to foreign currency forward contracts were not material at November 30, 2012 and August 31, 2012.

Net realized gains related to foreign currency forward contracts are summarized below (in thousands):

	<u>Three Months Ended November 30,</u>	
	<u>2012</u>	<u>2011</u>
Realized gains, net	\$ 63	\$ 221

## Long-lived Assets

### ***Long-lived Assets***

The Company's long-lived assets consist of property and equipment and definite-lived intangible assets. Long-lived assets are depreciated or amortized, as applicable, on a straight-line basis over their estimated useful lives. The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and/or its remaining useful life may no longer be appropriate. Any required impairment loss would be measured as the amount by which the asset's carrying amount exceeds its fair value, which is the amount at which the asset could be bought or sold in a current transaction between willing market participants and would be recorded as a reduction in the carrying amount of the related asset and a charge to results of operations. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset.

On November 4, 2011, the Company completed the sale of its warehouse facility located in Memphis, Tennessee to a third party for a sales price of approximately \$0.8 million, net of commissions. The sale resulted in a pre-tax loss of approximately \$0.1 million which is included as other expense in the Company's condensed consolidated statements of operations.

## Income Taxes

### ***Income Taxes***

Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax liability or asset is established for the expected future tax consequences resulting from the differences in financial reporting and tax bases of assets and liabilities. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized. In addition to valuation allowances, the Company provides for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards prescribed by the authoritative guidance on income taxes. Amounts for uncertain tax positions are adjusted in periods when new information becomes

available or when positions are effectively settled. The Company recognizes accrued interest and penalties related to uncertain tax positions as a component of income tax expense.

U.S. federal income tax expense is provided on remittances of foreign earnings and on unremitted foreign earnings that are not indefinitely reinvested. U.S. federal income taxes and foreign withholding taxes are not provided when foreign earnings are indefinitely reinvested. The Company determines whether its foreign subsidiaries will invest their undistributed earnings indefinitely based on the capital needs of the foreign subsidiaries and reassesses this determination each reporting period. Changes to the Company's determination may be warranted based on the Company's experience as well as its plans regarding future international operations and expected remittances.

## Earnings per Common Share

### ***Earnings per Common Share***

Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities that are required to be included in the computation of earnings per common share pursuant to the two-class method. Accordingly, the Company's outstanding unvested, if any, and outstanding vested restricted stock units that provide such nonforfeitable rights to dividend equivalents are included as participating securities in the calculation of earnings per common share ("EPS") pursuant to the two-class method.

The Company calculates EPS using the two-class method, which provides for an allocation of net income between common stock and other participating securities based on their respective participation rights to share in dividends. Basic EPS is calculated by dividing net income available to common shareholders for the period by the weighted-average number of common shares outstanding during the period. Net income available to common shareholders for the period includes dividends paid to common shareholders during the period plus a proportionate share of undistributed net income allocable to common shareholders for the period; the proportionate share of undistributed net income allocable to common shareholders for the period is based on the proportionate share of total weighted-average common shares and participating securities outstanding during the period.

Diluted EPS is calculated by dividing net income available to common shareholders for the period by the weighted-average number of common shares outstanding during the period increased by the weighted-average number of potentially dilutive common shares (dilutive securities) that were outstanding during the period if the effect is dilutive. Dilutive securities are comprised of stock options, restricted stock units, performance share units and market share units granted under the Company's prior stock option plan and current equity incentive plan.

## Recently Adopted Accounting Standards

### ***Recently Adopted Accounting Standards***

In June 2011, the FASB issued updated authoritative guidance to amend the presentation of comprehensive income. Under these new presentation rules, companies have the option to present other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated authoritative guidance on comprehensive income is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. The amendments in this guidance also require that reclassifications from other comprehensive income to net income be presented on the face of the consolidated financial statements, but this portion of the guidance was indefinitely deferred in accordance with the Accounting Standards Update No. 2011-12 which was issued by the FASB in



December 2011. In September 2012, the Company adopted this updated authoritative guidance and elected to present comprehensive income in two separate but consecutive statements as part of the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q. Other than a change in presentation, the adoption of this new authoritative guidance did not have an impact on the Company's consolidated financial statements.

## [Recently Issued Accounting Standards](#)

### ***Recently Issued Accounting Standards***

In December 2011, the FASB issued updated authoritative guidance related to new disclosure requirements on offsetting financial assets and liabilities. The new rules require companies to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position, as well as instruments and transactions subject to a netting arrangement. The updated authoritative guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company has evaluated this updated authoritative guidance, and it does not expect the adoption of this guidance to have a material impact on its consolidated financial statement disclosures.

**CONDENSED  
CONSOLIDATED  
STATEMENT OF  
SHAREHOLDERS'  
EQUITY (Parenthetical)  
(USD \$)  
In Thousands, except Per  
Share data, unless otherwise  
specified**

**3 Months Ended**

**Nov. 30, 2012**

Retained Earnings [Member]

[Cash dividends, per share](#)

\$ 0.29

Accumulated Other Comprehensive Loss [Member]

[Foreign currency translation adjustment, tax \(benefit\)](#) \$ 1

**CONDENSED  
CONSOLIDATED  
BALANCE SHEETS**  
(Parenthetical) (USD \$)  
**In Thousands, except Share  
data, unless otherwise  
specified**

**Nov. 30, 2012 Aug. 31, 2012**

<u>Trade accounts receivable, allowance for doubtful accounts</u>	\$ 584	\$ 391
<u>Common stock, par value</u>	\$ 0.001	\$ 0.001
<u>Common stock, shares authorized</u>	36,000,000	36,000,000
<u>Common stock, shares issued</u>	19,278,504	19,208,845
<u>Common stock, shares outstanding</u>	15,595,924	15,697,534
<u>Treasury stock, shares</u>	3,682,580	3,511,311

## Share Repurchase Plan

**3 Months Ended  
Nov. 30, 2012**

### [Share Repurchase Plan](#)

#### **Note 9. Share Repurchase Plan**

On December 13, 2011, the Company's Board of Directors approved a share buy-back plan. Under the plan, which is in effect through December 12, 2013, the Company is authorized to acquire up to \$50.0 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 in compliance with all laws and regulations applicable thereto. During the period from December 14, 2011 through November 30, 2012, the Company repurchased 634,170 shares at a total cost of \$29.3 million.

**Document and Entity  
Information**

**3 Months Ended**  
**Nov. 30, 2012 Jan. 02, 2013**

**Entity Information [Line Items]**

<u>Document Type</u>	10-Q
<u>Amendment Flag</u>	false
<u>Document Period End Date</u>	Nov. 30, 2012
<u>Document Fiscal Year Focus</u>	2013
<u>Document Fiscal Period Focus</u>	Q1
<u>Trading Symbol</u>	WDFC
<u>Entity Registrant Name</u>	WD 40 CO
<u>Entity Central Index Key</u>	0000105132
<u>Current Fiscal Year End Date</u>	--08-31
<u>Entity Filer Category</u>	Accelerated Filer
<u>Entity Common Stock, Shares Outstanding</u>	15,598,724

## Earnings per Common Share

**3 Months Ended  
Nov. 30, 2012**

### Earnings per Common Share

#### Note 10. Earnings per Common Share

The table below reconciles net income to net income available to common shareholders (in thousands):

	<u>Three Months Ended November 30,</u>	
	<u>2012</u>	<u>2011</u>
Net income	\$ 10,944	\$ 6,792
Less: Net income allocated to participating securities	<u>(47 )</u>	<u>(27 )</u>
Net income available to common shareholders	<u>\$ 10,897</u>	<u>\$ 6,765</u>

The table below summarizes the weighted-average number of common shares outstanding included in the calculation of basic and diluted EPS (in thousands):

	<u>Three Months Ended November 30,</u>	
	<u>2012</u>	<u>2011</u>
Weighted-average common shares outstanding, basic	15,693	16,074
Weighted-average dilutive securities	<u>114</u>	<u>131</u>
Weighted-average common shares outstanding, diluted	<u>15,807</u>	<u>16,205</u>

There were no anti-dilutive stock options outstanding for the three months ended November 30, 2012 and 2011.

**CONDENSED  
CONSOLIDATED  
STATEMENTS OF  
OPERATIONS (USD \$)  
In Thousands, except Per  
Share data, unless otherwise  
specified**

**3 Months Ended**

**Nov. 30, 2012 Nov. 30, 2011**

<u>Net sales</u>	\$ 95,264	\$ 84,945
<u>Cost of products sold</u>	47,537	43,607
<u>Gross profit</u>	47,727	41,338
<b><u>Operating expenses:</u></b>		
<u>Selling, general and administrative</u>	25,329	22,637
<u>Advertising and sales promotion</u>	6,067	7,816
<u>Amortization of definite-lived intangible assets</u>	466	585
<u>Total operating expenses</u>	31,862	31,038
<u>Income from operations</u>	15,865	10,300
<b><u>Other income (expense):</u></b>		
<u>Interest income</u>	62	52
<u>Interest expense</u>	(125)	(242)
<u>Other income (expense), net</u>	52	(180)
<u>Income before income taxes</u>	15,854	9,930
<u>Provision for income taxes</u>	4,910	3,138
<u>Net income</u>	\$ 10,944	\$ 6,792
<b><u>Earnings per common share:</u></b>		
<u>Basic</u>	\$ 0.69	\$ 0.42
<u>Diluted</u>	\$ 0.69	\$ 0.42
<b><u>Shares used in per share calculations:</u></b>		
<u>Basic</u>	15,693	16,074
<u>Diluted</u>	15,807	16,205
<u>Dividends declared per common share</u>	\$ 0.29	\$ 0.27

## Inventories

**3 Months Ended  
Nov. 30, 2012**

### [Inventories](#)

#### Note 4. Inventories

Inventories consisted of the following (in thousands):

	November 30, 2012	August 31, 2012
Product held at third-party contract manufacturers	\$ 3,688	\$4,142
Raw materials and components	4,978	4,093
Work-in-process	360	347
Finished goods	21,741	21,215
Total	<u>\$ 30,767</u>	<u>\$29,797</u>



## Fair Value Measurements

3 Months Ended  
Nov. 30, 2012

### [Fair Value Measurements](#)

#### Note 3. Fair Value Measurements

##### *Financial Assets and Liabilities*

The Company categorizes its financial assets and liabilities measured at fair value into a hierarchy that categorizes fair value measurements into the following three levels based on the types of inputs used in measuring their fair value:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market-based inputs or observable inputs that are corroborated by market data; and

Level 3: Unobservable inputs reflecting the Company's own assumptions.

The Company's financial assets recorded at fair value are summarized below, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	November 30, 2012			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$1,917	\$ 0	\$1,917	\$ 0
Term deposits	1,045	0	1,045	0
Callable time deposits	20,838	0	20,838	0
Total	<u>\$23,800</u>	<u>\$ 0</u>	<u>\$23,800</u>	<u>\$ 0</u>

	August 31, 2012			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$4,025	\$ 0	\$4,025	\$ 0
Term deposits	1,033	0	1,033	0
Total	<u>\$5,058</u>	<u>\$ 0</u>	<u>\$5,058</u>	<u>\$ 0</u>

Money market funds are highly liquid investments classified as cash equivalents and term deposits and callable time deposits are classified as short-term investments in the Company's condensed consolidated balance sheets at November 30, 2012 and August 31, 2012.

The carrying values of term deposits and callable time deposits approximate fair value, which is based on third party quotations of similar assets in active markets, and are thus classified as Level 2 within the fair value hierarchy.

The carrying values of trade accounts receivable, accounts payable and the revolving line of credit approximate their fair values due to their short-term maturities.

There were no transfers between Level 1 and Level 2 fair value measurements during the three months ended November 30, 2012 and 2011.

##### *Nonfinancial Assets and Liabilities*

The Company's nonfinancial assets and liabilities are recognized at fair value subsequent to initial recognition when they are deemed to be impaired. There were no nonfinancial assets and liabilities deemed to be impaired and measured at fair value on a nonrecurring basis as of November 30, 2012 and August 31, 2012.

## Subsequent Events

**3 Months Ended  
Nov. 30, 2012**

### Subsequent Events

#### **Note 15. Subsequent Events**

On December 11, 2012, the Company's Board of Directors declared a 7% increase in the regular quarterly cash dividend, increasing it from \$0.29 per share to \$0.31 per share. The dividend is payable on January 31, 2013 to shareholders of record on January 7, 2013.

On January 7, 2013, the Company entered into a first amendment (the "Amendment") to its existing unsecured credit agreement (the "Agreement") with Bank of America, N.A. ("Bank of America") referred to in Note 8 – Debt to the Company's condensed consolidated financial statements. The Amendment extends the maturity date of the revolving credit facility for five years and increases the revolving commitment to an amount not to exceed \$125.0 million. The new maturity date for the revolving credit facility per the Amendment is January 7, 2018. In addition, per the terms of the Amendment, the LIBOR margin will decrease to 0.85 percent, the letter of credit fee will decrease to 0.85 percent per annum and the commitment fee will decrease to an annual rate of 0.12 percent. As a result of the increase in the revolving commitment amount, the Company will incur commitment fees applied to the portion of the total credit facility commitment that has not been borrowed until outstanding loans and letters of credit exceed \$62.5 million. All other material terms included in the Agreement remain unchanged within the Amendment. The proceeds of the credit facility, as amended, will be used for the Company's stock repurchases and general working capital needs.

## Related Parties

**3 Months Ended  
Nov. 30, 2012**

### [Related Parties](#)

#### **Note 11. Related Parties**

On October 11, 2011, the Company's Board of Directors elected Mr. Gregory A. Sandfort as a director of WD-40 Company. Mr. Sandfort is President and Chief Operating Officer of Tractor Supply Company ("Tractor Supply"), which is a WD-40 Company customer that acquires products from the Company in the ordinary course of business.

The condensed consolidated financial statements include sales to Tractor Supply of \$0.2 million and \$0.1 million for the three months ended November 30, 2012 and 2011, respectively. Accounts receivable from Tractor Supply were \$0.1 million as of November 30, 2012.

**Accrued and Other  
Liabilities**

**3 Months Ended  
Nov. 30, 2012**

Accrued and Other Liabilities

**Note 7. Accrued and Other Liabilities**

Accrued liabilities consisted of the following (in thousands):

	November 30, 2012	August 31, 2012
Accrued advertising and sales promotion expenses	\$ 9,969	\$9,963
Accrued professional services fees	867	1,006
Accrued sales taxes	752	839
Accrued other taxes	973	1,243
Other	2,736	3,441
Total	<u>\$ 15,297</u>	<u>\$16,492</u>

Accrued payroll and related expenses consisted of the following (in thousands):

	November 30, 2012	August 31, 2012
Accrued bonuses	\$ 1,841	\$ 1,034
Accrued payroll	2,406	1,802
Accrued profit sharing	2,287	1,714
Accrued payroll taxes	1,022	892
Other	456	462
Total	<u>\$ 8,012</u>	<u>\$ 5,904</u>

Deferred and other long-term liabilities consisted of the following (in thousands):

	November 30, 2012	August 31, 2012
Supplemental employee retirement plan benefits liability	\$ 570	\$ 598
Other income taxes payable	1,299	1,297
Other	147	61
Total	<u>\$ 2,016</u>	<u>\$ 1,956</u>

## Property and Equipment

**3 Months Ended  
Nov. 30, 2012**

### [Property and Equipment](#)

#### Note 5. Property and Equipment

Property and equipment, net, consisted of the following (in thousands):

	November 30, 2012	August 31, 2012
Machinery, equipment and vehicles	\$ 12,562	\$12,517
Buildings and improvements	3,597	3,574
Computer and office equipment	3,400	3,270
Software	5,665	5,530
Furniture and fixtures	1,215	1,229
Land	289	287
Subtotal	26,728	26,407
Less: accumulated depreciation and amortization	(17,882 )	(17,344)
Total	<u>\$ 8,846</u>	<u>\$9,063</u>

**Goodwill and Other  
Intangible Assets**

**3 Months Ended  
Nov. 30, 2012**

Goodwill and Other Intangible  
Assets

**Note 6. Goodwill and Other Intangible Assets**

Goodwill represents the excess of the purchase price over the fair value of tangible and intangible assets acquired. The carrying value of goodwill is reviewed for possible impairment in accordance with the authoritative guidance on goodwill, intangibles and other. The Company assesses possible impairments to goodwill at least annually during its second fiscal quarter and otherwise when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. In performing the annual impairment test of its goodwill, the Company considers the fair value concepts of a market participant and the highest and best use for its intangible assets. In addition to the annual impairment test, goodwill is evaluated each reporting period to determine whether events and circumstances would more likely than not reduce the fair value of a reporting unit below its carrying value.

Intangible assets that are determined to have definite lives are amortized on a straight-line basis over their estimated useful lives and are evaluated each reporting period to determine whether events and circumstances indicate that their carrying amounts may not be recoverable and/or their remaining useful lives may no longer be appropriate.

***Goodwill***

The following table summarizes the changes in the carrying amounts of goodwill by segment (in thousands):

	<u>Americas</u>	<u>Europe</u>	<u>Asia-Pacific</u>	<u>Total</u>
Balance as of August 31, 2012	\$85,558	\$8,549	\$ 1,211	\$95,318
Translation adjustments	7	43	0	50
Balance as of November 30, 2012	<u>\$85,565</u>	<u>\$8,592</u>	<u>\$ 1,211</u>	<u>\$95,368</u>

There were no indicators of impairment identified as a result of the Company's review of events and circumstances related to its goodwill or definite-lived intangible assets subsequent to February 29, 2012, the date of its most recent annual goodwill impairment test. To date, there have been no impairment losses identified and recorded related to the Company's goodwill.

***Definite-lived Intangible Assets***

The Company's definite-lived intangible assets are included in other intangible assets, net in the Company's condensed consolidated balance sheets. The following table summarizes the definite-lived intangible assets and the related accumulated amortization (in thousands):

	<u>November 30, 2012</u>	<u>August 31, 2012</u>
Gross carrying amount	\$ 34,736	\$34,689
Accumulated amortization	(7,459 )	(6,943 )
Translation adjustments	(20 )	(61 )
Net carrying amount	<u>\$ 27,257</u>	<u>\$27,685</u>

Changes in the carrying amounts of definite-lived intangible assets by segment for the three months ended November 30, 2012 are summarized below (in thousands):

	<u>Americas</u>	<u>Europe</u>	<u>Asia-Pacific</u>	<u>Total</u>
Balance as of August 31, 2012	\$24,714	\$2,971	\$ 0	\$27,685
Amortization expense	(425 )	(41 )	0	(466 )
Translation adjustments	0	38	0	38
Balance as of November 30, 2012	<u>\$24,289</u>	<u>\$2,968</u>	<u>\$ 0</u>	<u>\$27,257</u>

The estimated amortization expense for the Company's definite-lived intangible assets, which include the 2000 Flushes, Spot Shot, Carpet Fresh, X-14 and 1001 trade names, in future fiscal years is as follows (in thousands):

	<u>Trade Names</u>
Remainder of fiscal year 2013	\$ 1,396
Fiscal year 2014	1,862
Fiscal year 2015	1,862
Fiscal year 2016	1,862
Fiscal year 2017	1,862
Thereafter	18,413
Total	<u>\$ 27,257</u>

Included in the total estimated future amortization expense is the amortization expense for the 1001 trade name intangible asset, which is based on current foreign currency exchange rates, and as a result amounts in future periods may differ from those presented due to fluctuations in those rates.



**Note 8. Debt***Revolving Credit Facility*

On June 17, 2011, the Company entered into an unsecured credit agreement with Bank of America, N.A. (“Bank of America”). The agreement consists of a \$75.0 million three-year revolving credit facility. To date, the Company has used the proceeds of the revolving credit facility for its stock repurchases and plans to continue using such proceeds for its general working capital needs and stock repurchases under any existing board approved share buy-back plans. Under the terms of the credit facility agreement, the Company may initiate loans in U.S. dollars or in foreign currencies from time to time during the three-year period, which expires on June 17, 2014. All loans denominated in U.S. dollars will accrue interest at the bank’s Prime rate or at LIBOR plus a margin of 0.90 percent. All loans denominated in foreign currencies will accrue interest at LIBOR plus 0.90 percent (together with any applicable mandatory liquid asset costs imposed by non-U.S. banking regulatory authorities). Interest on outstanding loans is due and payable on a quarterly basis through the credit facility maturity date of June 17, 2014. The Company may also borrow against the credit facility through the issuance of standby letters of credit. Outstanding letters of credit are subject to a fee equal to 0.90 percent per annum applied to amounts available to be drawn on outstanding letters of credit. The Company will incur commitment fees for the credit facility at an annual rate of 0.15 percent applied to the portion of the total credit facility commitment that has not been borrowed until outstanding loans and letters of credit exceed \$37.5 million.

The agreement includes representations, warranties and covenants customary for credit facilities of this type, as well as customary events of default and remedies. The agreement also requires the Company to maintain minimum consolidated earnings before interest, income taxes, depreciation and amortization (“EBITDA”) of \$40.0 million, measured on a trailing twelve month basis, at each reporting period.

During the three months ended November 30, 2012, the Company made no additional borrowings against or repayments on the revolving credit facility. The Company has periodically extended the maturity date of draws on the line of credit, however the balance on these draws has remained within a short-term classification as a result of these extensions. As of November 30, 2012, the Company had a \$45.0 million outstanding balance on the revolving credit facility and was in compliance with all debt covenants under this credit facility.

On January 7, 2013, the Company entered into a first amendment (the “Amendment”) to its existing unsecured credit agreement with Bank of America. See Note 15 – Subsequent Events to the Company’s condensed consolidated financial statements for further details on this Amendment.

**Basis of Presentation and  
Summary of Significant  
Accounting Policies -  
Schedule of Net Realized  
Gains Related to Foreign  
Currency Forward  
Contracts (Detail) (USD \$)  
In Thousands, unless  
otherwise specified**

**3 Months Ended**

**Nov. 30, 2012 Nov. 30, 2011**

**Foreign Currency Translation [Line Items]**

<u>Realized gains, net</u>	\$ 63	\$ 221
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**Earnings per Common  
Share - Additional  
Information (Detail)**

**3 Months Ended**

**Nov. 30, 2012 Nov. 30, 2011**

**Earnings Per Common Share [Line Items]**

<u>Anti-dilutive stock options outstanding</u>	0	0
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#### **Note 13. Income Taxes**

The Company uses an estimated annual effective tax rate, which is based on expected annual income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which the Company operates, to determine its quarterly provision for income taxes. Certain significant or unusual items are separately recognized in the quarter in which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

The provision for income taxes was 31.0% and 31.6% of income before income taxes for the three months ended November 30, 2012 and 2011, respectively. The decrease in the effective income tax rate from period to period was primarily driven by the increasing proportion of the Company's foreign earnings, primarily those in the United Kingdom, which are taxed at lower rates.

The total amount of unrecognized tax benefits, excluding associated interest and penalties, was \$1.0 million as of November 30, 2012, of which \$0.8 million would impact the effective tax rate if recognized. The gross liability for income taxes related to unrecognized tax benefits is included in other long-term liabilities in the Company's condensed consolidated balance sheets.

The total balance of accrued interest and penalties related to uncertain tax positions was \$0.3 million as of November 30, 2012 and August 31, 2012. The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense and the accrued interest and penalties are included in deferred and other long-term liabilities in the Company's condensed consolidated balance sheets. There were no material interest or penalties included in income tax expense for each of the three months ended November 30, 2012 and 2011.

The Company is subject to taxation in the U.S. and in various state and foreign jurisdictions. Due to expired statutes, the Company's federal income tax returns for years prior to fiscal year 2009 are not subject to examination by the U.S. Internal Revenue Service. Generally, for the majority of state and foreign jurisdictions where the Company does business, periods prior to fiscal year 2008 are no longer subject to examination. The Company has estimated that up to \$0.2 million of unrecognized tax benefits related to income tax positions may be affected by the resolution of tax examinations or expiring statutes of limitation within the next twelve months. Audit outcomes and the timing of settlements are subject to significant uncertainty.

**Fair Value Measurements  
(Tables)**

**3 Months Ended  
Nov. 30, 2012**

[Schedule of Financial Assets  
Measured at Fair Value on  
Recurring Basis](#)

The Company's financial assets recorded at fair value are summarized below, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

	November 30, 2012			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$1,917	\$ 0	\$1,917	\$ 0
Term deposits	1,045	0	1,045	0
Callable time deposits	20,838	0	20,838	0
<b>Total</b>	<b>\$23,800</b>	<b>\$ 0</b>	<b>\$23,800</b>	<b>\$ 0</b>

	August 31, 2012			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$4,025	\$ 0	\$4,025	\$ 0
Term deposits	1,033	0	1,033	0
<b>Total</b>	<b>\$5,058</b>	<b>\$ 0</b>	<b>\$5,058</b>	<b>\$ 0</b>

**Earnings per Common  
Share - Schedule of  
Reconciliation of Net Income  
to Net Income Available to  
Common Shareholders  
(Detail) (USD \$)  
In Thousands, unless  
otherwise specified**

**3 Months Ended**

**Nov. 30, 2012 Nov. 30, 2011**

**Earnings Per Common Share [Line Items]**

<u>Net income</u>	\$ 10,944	\$ 6,792
<u>Less: Net income allocated to participating securities</u>	(47)	(27)
<u>Net income available to common shareholders</u>	\$ 10,897	\$ 6,765

**Goodwill and Other  
Intangible Assets - Summary  
of Definite-Lived Intangible  
Assets (Detail) (USD \$) Nov. 30, 2012 Aug. 31, 2012**  
In Thousands, unless  
otherwise specified

**Product Rights [Line Items]**

<u>Gross carrying amount</u>	\$ 34,736	\$ 34,689
<u>Accumulated amortization</u>	(7,459)	(6,943)
<u>Translation adjustments</u>	(20)	(61)
<u>Net carrying amount</u>	\$ 27,257	\$ 27,685

**CONDENSED  
CONSOLIDATED  
STATEMENTS OF  
COMPREHENSIVE  
INCOME (USD \$)  
In Thousands, unless  
otherwise specified**

**3 Months Ended**

**Nov. 30, 2012 Nov. 30, 2011**

<u>Net income</u>	\$ 10,944	\$ 6,792
<b><u>Other comprehensive income (loss), net of tax:</u></b>		
<u>Foreign currency translation adjustment</u>	1,035	(3,730)
<u>Total comprehensive income</u>	\$ 11,979	\$ 3,062



**Basis of Presentation and  
Summary of Significant  
Accounting Policies**

**3 Months Ended**

**Nov. 30, 2012**

[Basis of Presentation and  
Summary of Significant  
Accounting Policies](#)

**Note 2. Basis of Presentation and Summary of Significant Accounting Policies**

***Basis of Consolidation***

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, according to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted pursuant to such rules and regulations. The August 31, 2012 year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

In the opinion of management, the unaudited financial information for the interim periods shown reflects all adjustments necessary for a fair presentation thereof. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended August 31, 2012, which was filed with the SEC on October 22, 2012.

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

***Foreign Currency Forward Contracts***

In the normal course of business, the Company employs established policies and procedures to manage its exposure to fluctuations in foreign currency exchange rates. The Company’s U.K. subsidiary, whose functional currency is Pound Sterling, utilizes foreign currency forward contracts to limit its exposure in converting cash and intercompany accounts receivable balances denominated in non-functional currencies. The principal currency affected is the Euro. The Company regularly monitors its foreign currency exchange rate exposures to ensure the overall effectiveness of its foreign currency hedge positions. While the Company engages in foreign currency hedging activity to reduce its risk, for accounting purposes, none of its foreign currency forward contracts are designated as hedges.

Foreign currency forward contracts are carried at fair value, with net realized and unrealized gains and losses recognized currently in other income (expense) in the Company’s condensed consolidated statements of operations. Cash flows from settlements of foreign currency forward

contracts are included in operating activities in the condensed consolidated statements of cash flows. Foreign currency forward contracts in an asset position at the end of the reporting period are included in other current assets, while foreign currency forward contracts in a liability position at the end of the reporting period are included in accrued liabilities in the Company's condensed consolidated balance sheets.

The Company continually monitors its positions with, and the credit quality of, the financial institution that is counterparty to its foreign currency forward contracts, and has not experienced nonperformance by this counterparty. As a matter of policy, the Company does not purchase foreign currency forward contracts that exceed the amount of its cash and intercompany accounts receivable balances denominated in non-functional currencies. At November 30, 2012, the Company had a notional amount of \$7.9 million outstanding in foreign currency forward contracts, which mature from December 2012 through March 2013. Unrealized net gains and losses related to foreign currency forward contracts were not material at November 30, 2012 and August 31, 2012.

Net realized gains related to foreign currency forward contracts are summarized below (in thousands):

	<u>Three Months Ended November 30,</u>	
	<u>2012</u>	<u>2011</u>
Realized gains, net	\$ 63	\$ 221

### ***Long-lived Assets***

The Company's long-lived assets consist of property and equipment and definite-lived intangible assets. Long-lived assets are depreciated or amortized, as applicable, on a straight-line basis over their estimated useful lives. The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and/or its remaining useful life may no longer be appropriate. Any required impairment loss would be measured as the amount by which the asset's carrying amount exceeds its fair value, which is the amount at which the asset could be bought or sold in a current transaction between willing market participants and would be recorded as a reduction in the carrying amount of the related asset and a charge to results of operations. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset.

On November 4, 2011, the Company completed the sale of its warehouse facility located in Memphis, Tennessee to a third party for a sales price of approximately \$0.8 million, net of commissions. The sale resulted in a pre-tax loss of approximately \$0.1 million which is included as other expense in the Company's condensed consolidated statements of operations.

### ***Income Taxes***

Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax liability or asset is established for the expected future tax consequences resulting from the differences in financial reporting and tax bases of assets and liabilities. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized. In addition to valuation allowances, the Company provides for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards prescribed by the authoritative guidance on income taxes.

Amounts for uncertain tax positions are adjusted in periods when new information becomes available or when positions are effectively settled. The Company recognizes accrued interest and penalties related to uncertain tax positions as a component of income tax expense.

U.S. federal income tax expense is provided on remittances of foreign earnings and on unremitted foreign earnings that are not indefinitely reinvested. U.S. federal income taxes and foreign withholding taxes are not provided when foreign earnings are indefinitely reinvested. The Company determines whether its foreign subsidiaries will invest their undistributed earnings indefinitely based on the capital needs of the foreign subsidiaries and reassesses this determination each reporting period. Changes to the Company's determination may be warranted based on the Company's experience as well as its plans regarding future international operations and expected remittances.

### ***Earnings per Common Share***

Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities that are required to be included in the computation of earnings per common share pursuant to the two-class method. Accordingly, the Company's outstanding unvested, if any, and outstanding vested restricted stock units that provide such nonforfeitable rights to dividend equivalents are included as participating securities in the calculation of earnings per common share ("EPS") pursuant to the two-class method.

The Company calculates EPS using the two-class method, which provides for an allocation of net income between common stock and other participating securities based on their respective participation rights to share in dividends. Basic EPS is calculated by dividing net income available to common shareholders for the period by the weighted-average number of common shares outstanding during the period. Net income available to common shareholders for the period includes dividends paid to common shareholders during the period plus a proportionate share of undistributed net income allocable to common shareholders for the period; the proportionate share of undistributed net income allocable to common shareholders for the period is based on the proportionate share of total weighted-average common shares and participating securities outstanding during the period.

Diluted EPS is calculated by dividing net income available to common shareholders for the period by the weighted-average number of common shares outstanding during the period increased by the weighted-average number of potentially dilutive common shares (dilutive securities) that were outstanding during the period if the effect is dilutive. Dilutive securities are comprised of stock options, restricted stock units, performance share units and market share units granted under the Company's prior stock option plan and current equity incentive plan.

### ***Recently Adopted Accounting Standards***

In June 2011, the FASB issued updated authoritative guidance to amend the presentation of comprehensive income. Under these new presentation rules, companies have the option to present other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated authoritative guidance on comprehensive income is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. The amendments in this guidance also require that reclassifications from other comprehensive income to net income be presented on the face of the consolidated financial statements, but this portion of the guidance was indefinitely deferred in

accordance with the Accounting Standards Update No. 2011-12 which was issued by the FASB in December 2011. In September 2012, the Company adopted this updated authoritative guidance and elected to present comprehensive income in two separate but consecutive statements as part of the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q. Other than a change in presentation, the adoption of this new authoritative guidance did not have an impact on the Company's consolidated financial statements.

***Recently Issued Accounting Standards***

In December 2011, the FASB issued updated authoritative guidance related to new disclosure requirements on offsetting financial assets and liabilities. The new rules require companies to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position, as well as instruments and transactions subject to a netting arrangement. The updated authoritative guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company has evaluated this updated authoritative guidance, and it does not expect the adoption of this guidance to have a material impact on its consolidated financial statement disclosures.

Subsequent Events - Additional Information (Detail) (USD \$) In Millions, except Per Share data, unless otherwise specified	3 Months Ended				1 Months Ended	
	Nov. 30, 2012	Aug. 31, 2012	Nov. 30, 2011	Jun. 17, 2011	Jan. 07, 2013 Subsequent Events [Member]	Dec. 11, 2012 Subsequent Events [Member]
<a href="#">Subsequent Events [Line Items]</a>						
<a href="#">Percentage of increase in regular quarterly cash dividend</a>						7.00%
<a href="#">Cash dividend declared</a>	\$ 0.29	\$ 0.29	\$ 0.27			\$ 0.31
<a href="#">Revolving credit facility, extended maturity period</a>					5 years	
<a href="#">Credit facility, maximum current revolving commitment</a>				\$ 75.0	\$ 125.0	
<a href="#">Revolving credit facility, maturity date</a>					Jan. 07, 2018	
<a href="#">Line of credit facility, interest rate description</a>					In addition, per the terms of the Amendment, the LIBOR margin will decrease to 0.85 percent	
<a href="#">LIBOR margin rate</a>				0.90%	0.85%	
<a href="#">Letter of credit fee, percentage</a>					0.85%	
<a href="#">Commitment fee annual rate</a>	0.90%				0.12%	
<a href="#">Line of credit facility, commitment fee description</a>					As a result of the increase in the revolving commitment amount, the Company will incur commitment fees applied to the portion of the total credit facility commitment that has not been borrowed until outstanding loans and letters of credit exceed \$62.5 million	
<a href="#">Loans and letters of credit, outstanding amount</a>					\$ 62.5	

## Inventories (Tables)

### 3 Months Ended Nov. 30, 2012

#### [Schedule of Inventories](#)

Inventories consisted of the following (in thousands):

	November 30, 2012	August 31, 2012
Product held at third-party contract manufacturers	\$ 3,688	\$4,142
Raw materials and components	4,978	4,093
Work-in-process	360	347
Finished goods	21,741	21,215
Total	<u>\$ 30,767</u>	<u>\$29,797</u>

**Property and Equipment -  
Schedule of Property and  
Equipment, Net (Detail)  
(USD \$)**

**Nov. 30, 2012 Aug. 31, 2012**

**In Thousands, unless  
otherwise specified**

**Property, Plant and Equipment [Line Items]**

<u>Machinery, equipment and vehicles</u>	\$ 12,562	\$ 12,517
<u>Buildings and improvements</u>	3,597	3,574
<u>Computer and office equipment</u>	3,400	3,270
<u>Software</u>	5,665	5,530
<u>Furniture and fixtures</u>	1,215	1,229
<u>Land</u>	289	287
<u>Subtotal</u>	26,728	26,407
<u>Less: accumulated depreciation and amortization</u>	(17,882)	(17,344)
<u>Total</u>	\$ 8,846	\$ 9,063

## Commitments and Contingencies

3 Months Ended  
Nov. 30, 2012

### Commitments and Contingencies

#### Note 12. Commitments and Contingencies

##### *Purchase Commitments*

The Company has ongoing relationships with various suppliers (contract manufacturers) who manufacture the Company's products. The contract manufacturers maintain title and control of certain raw materials and components, materials utilized in finished products, and of the finished products themselves until shipment to the Company's customers or third-party distribution centers in accordance with agreed upon shipment terms. Although the Company typically does not have definitive minimum purchase obligations included in the contract terms with its contract manufacturers, when such obligations have been included, they have been immaterial. In the ordinary course of business, supply needs are communicated by the Company to its contract manufacturers based on orders and short-term projections, ranging from two to five months. The Company is committed to purchase the products produced by the contract manufacturers based on the projections provided. This obligation includes purchasing obsolete or slow-moving inventory from its contract manufacturers which the Company has done so in the past under these commitments, the amounts of which have been immaterial.

Upon the termination of contracts with contract manufacturers, the Company obtains certain inventory control rights and is obligated to work with the contract manufacturer to sell through all product held by or manufactured by the contract manufacturer on behalf of the Company during the termination notification period. If any inventory remains at the contract manufacturer at the termination date, the Company is obligated to purchase such inventory which may include raw materials, components and finished goods. Prior to the fourth quarter of fiscal year 2012, amounts for inventory purchased under termination commitments have been immaterial. As a result of the unanticipated termination of the IQ Products Company contract manufacturing agreement in the fourth quarter of fiscal year 2012, the Company is obligated to purchase \$3.6 million of inventory which is included in inventories in the Company's condensed consolidated balance sheet as of November 30, 2012.

In addition to the commitments to purchase products from contract manufacturers described above, the Company may also enter into commitments with other manufacturers to purchase finished goods and components to support innovation initiatives and/or supply chain initiatives. As of November 30, 2012, no such commitments were outstanding.

##### *Litigation*

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 the United States District Court, Southern District of Texas, Houston Division (IQ Products Company v. WD-40 Company). IQ Products Company, a Texas corporation ("IQPC"), or an affiliate or a predecessor of IQPC, has provided contract manufacturing services to the Company for many years. The allegations of IQPC's complaint arose out of a pending termination of this business relationship. In 2011, the Company requested proposals for manufacturing services from all of its domestic contract manufacturers in conjunction with a project to redesign the Company's supply chain



architecture in North America. IQPC submitted a proposal as requested, and the Company tentatively awarded IQPC a new contract based on the information and pricing included in that proposal. IQPC subsequently sought to materially increase the quoted price for such manufacturing services. As a result, the Company chose to terminate its business relationship with IQPC. IQPC also raised alleged safety concerns regarding a long-standing manufacturing specification related to the Company's products. The Company believes that IQPC's safety concerns are unfounded.

In its complaint, IQPC asserts that the Company is obligated to indemnify IQPC for claims and losses based on a 1993 indemnity agreement and pursuant to common law. IQPC also asserts that it has been harmed by the Company's allegedly retaliatory conduct in seeking to terminate its relationship with IQPC, allegedly in response to the safety concerns identified by IQPC. IQPC seeks declaratory relief to establish that it is entitled to indemnification and also to establish that the Company is responsible for reporting the alleged safety concerns to the United States Consumer Products Safety Commission and to the United States Department of Transportation. The complaint also seeks damages for alleged economic losses in excess of \$40.0 million, attorney's fees and punitive damages based on alleged misrepresentations and false promises. The Company believes the case is without merit and will vigorously defend this matter. The Company's estimate of possible loss relative to this matter is immaterial with respect to the Company's consolidated financial statements.

#### *Indemnifications*

As permitted under Delaware law, the Company has agreements whereby it indemnifies senior officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company maintains Director and Officer insurance coverage that mitigates the Company's exposure with respect to such obligations. As a result of the Company's insurance coverage, management believes that the estimated fair value of these indemnification agreements is minimal. Thus, no liabilities have been recorded for these agreements as of November 30, 2012.

From time to time, the Company enters into indemnification agreements with certain contractual parties in the ordinary course of business, including agreements with lenders, lessors, contract manufacturers, marketing distributors, customers and certain vendors. All such indemnification agreements are entered into in the context of the particular agreements and are provided in an attempt to properly allocate risk of loss in connection with the consummation of the underlying contractual arrangements. Although the maximum amount of future payments that the Company could be required to make under these indemnification agreements is unlimited, management believes that the Company maintains adequate levels of insurance coverage to protect the Company with respect to most potential claims arising from such agreements and that such agreements do not otherwise have value separate and apart from the liabilities incurred in the ordinary course of the Company's business. Thus, no liabilities have been recorded with respect to such indemnification agreements as of November 30, 2012.