



NEWS RELEASE

# The Clorox Company Reports Sales and Profit Growth for Its First Quarter; Confirms Outlook for Sales and EPS From Continuing Operations

10/31/2014

OAKLAND, Calif., Oct. 31, 2014 - For its first quarter, which ended Sept. 30, The Clorox Company (NYSE:CLX) today reported 1 percent sales growth and 5 percent growth in diluted net earnings per share (EPS) from continuing operations. This excludes the impact of the previously announced discontinued operations of Corporación Clorox de Venezuela S.A. (Clorox Venezuela). On a currency-neutral basis, sales grew nearly 3 percent.

"I'm pleased with our solid start to the fiscal year," said Chairman and CEO Don Knauss. "In the first quarter, we continued to invest in incremental demand-building programs to reinforce the value of our brands. As a result, despite continuing headwinds, we delivered sales and profit growth for the quarter and saw improved market shares in a number of our categories."

As previously announced, Clorox Venezuela discontinued operations effective Sept. 22, 2014. For the current and year-ago quarters, the results from Clorox Venezuela are now included in discontinued operations on the company's financial statements. All results in this press release are reported on a continuing operations basis, unless otherwise stated. Some information in this release is reported on a non-GAAP basis. See "Non-GAAP Financial Information" below and the tables toward the end of this press release for more information and reconciliations of key first-quarter results to the most directly comparable financial measures calculated in accordance with generally accepted accounting principles in the U.S. (GAAP).

## Fiscal First-Quarter Results

Following is a summary of key first-quarter results. All comparisons are with the first quarter of fiscal year 2014, unless otherwise stated.

\* \$1.10 diluted EPS

\* 1% volume growth

\* 1% sales growth (nearly 3% growth on currency-neutral basis)

In the first quarter, Clorox delivered earnings from continuing operations of \$145 million, or \$1.10 diluted EPS, compared to \$139 million, or \$1.05 diluted EPS, in the year-ago quarter. Current-quarter results reflect the benefit of strong cost savings, price increases and volume growth as well as a one-time benefit of approximately 5 cents diluted EPS related to a one-time change in the company's long-term disability plan to make it more consistent with the marketplace. These factors were partially offset by the impact of higher manufacturing and logistics costs, continued incremental demand-building initiatives of \$16 million, or 8 cents diluted EPS, and the impact of unfavorable foreign currency exchange rates.

In the first quarter, sales grew 1 percent, primarily due to the benefit of price increases in international markets and higher volume. These results were partially offset by the impact of unfavorable foreign currency exchange rates as well as higher trade promotion spending. Excluding the impact of nearly 2 percentage points from unfavorable foreign currency exchange rates, sales grew nearly 3 percent. Volume for the first quarter was up 1 percent, reflecting increased shipments in the International Division, Charcoal and Natural Personal Care businesses, partially offset by decreases in the Home Care and Laundry businesses.

The company's first-quarter gross margin decreased 70 basis points to 42.8 percent versus 43.5 percent in the year-ago quarter. The benefits of cost savings and price increases were more than offset by significantly higher manufacturing and logistics costs, with about half coming from the international markets, primarily Argentina, and the other half from the United States.

Net cash provided by continuing operations was \$234 million for the quarter, compared with \$184 million in the year-ago quarter. The year-over-year increase of \$50 million was due to favorable changes in working capital, primarily related to a lower incentive compensation payment in the current quarter, as well as the timing of tax payments.

## Key Segment Results

Following is a summary of key first-quarter results from continuing operations by reportable segment. All

comparisons are with the first quarter of fiscal 2014, unless otherwise stated.

### Cleaning

(Laundry, Home Care, Professional Products)

- 1% volume decrease
- 2% sales decrease
- 5% pretax earnings decrease

Lower volume in the segment reflected reduced shipments of Home Care and Laundry products. In Home Care, the decrease in volume was primarily due to a distribution loss of Clorox® disinfecting wipes at a major club customer earlier this calendar year. Wipes continued to perform strongly with many other customers. These results were partially offset by higher shipments of Clorox® toilet bowl cleaner due to strong merchandising activities. In Laundry, Clorox® bleach lost volume compared to 11 percent volume growth in the year-ago quarter due to the earlier introduction of its concentrated formula. Both the Laundry and Home Care businesses saw solid market share increases. The variance between net sales and volume was primarily due to higher trade promotion spending, primarily on Clorox® disinfecting wipes. Pretax earnings results primarily reflected lower sales, incremental demand-building investments, and higher costs for commodities and manufacturing and logistics. These factors were partially offset by the benefit of cost savings.

### Household

(Bags and Wraps, Charcoal, Cat Litter)

- 4% volume growth
- 5% sales growth
- Flat pretax earnings

Segment volume growth was driven primarily by higher shipments of Kingsford® charcoal due to strong customer promotions and consumption related to the U.S. Labor Day holiday. Also contributing to volume growth were gains in Bags and Wraps due to incremental merchandising and distribution gains on OdorShield® trash bags. These results were partially offset by lower shipments of Glad® base trash bags due to a shift to premium trash bags. The variance between volume and sales results was due primarily to the benefit of price increases. Pretax earnings results reflected the benefit of higher sales, price increases and cost savings, offset by incremental demand-building investments, and higher costs for manufacturing and logistics and commodities.

### Lifestyle

(Dressings and Sauces, Water Filtration, Natural Personal Care)

- Flat volume
- 1% sales decrease
- 6% pretax earnings growth

Volume results in the segment were driven primarily by strong gains in Natural Personal Care, largely due to innovation in Burt's Bees® lip- and face-care products, offset by lower shipments of Hidden Valley® salad dressings and Brita® products. Pretax earnings growth reflected lower selling and administrative expenses related to investments in the year-ago quarter in systems and processes to support the long-term growth of the Burt's Bees business, as well as lower commodity costs, partially offset by higher costs for manufacturing and logistics.

### International

(All countries outside of the U.S.)

- 5% volume growth
- Flat sales (10% growth on currency-neutral basis)
- 16% pretax earnings decrease (\$5 million decrease)

The segment's volume growth reflected gains primarily in Latin America, Europe and Asia. Segment sales reflected the impact of unfavorable foreign currency exchange rates, primarily in Argentina, related to a significant currency devaluation earlier in the calendar year. While segment sales were flat, on a currency-neutral basis, segment sales grew about 10 percent. The variance between volume and sales was primarily due to the impact of unfavorable foreign currency exchange rates, partially offset by the benefit of price increases. Pretax earnings decreased due to the impact of increased manufacturing and logistics costs, unfavorable foreign currencies and higher selling and administrative expenses. These factors were partially offset by the benefit of higher volume, price increases and cost savings.

### **Discontinued Operations in Venezuela**

As previously announced, Clorox Venezuela discontinued operations effective Sept. 22, 2014, as a result of pricing and other operating restrictions imposed by the Venezuelan government and related conditions that caused Clorox Venezuela to no longer be financially viable. Operating results, and the impact of exit and other costs related to the termination of the business, are included in discontinued operations in the company's financial statements.

In the first quarter, losses from discontinued operations net of income taxes were \$55 million, or 42 cents diluted EPS, including net operating losses through Sept. 22, 2014, and the impact of exit and other costs related to the termination of the business. Net operating losses for the first quarter, excluding the impact of exit and other costs associated with exiting Venezuela, were \$6 million. In addition, the company recorded pre-tax charges for the write-down or impairment of assets of \$37 million, recognition of deferred foreign currency translation losses of \$30

million, and labor and other exit costs of \$6 million. These charges were offset by income tax benefits of \$24 million.

The Company expects to recognize in discontinued operations \$60 million to \$65 million in after-tax exit costs and other related expenses during fiscal year 2015. The Company also expects to recognize in discontinued operations approximately \$10 million to \$15 million in additional after-tax costs in fiscal years 2016 through 2018. Net of anticipated tax benefits, total exit costs and other termination related expenses are expected to be approximately \$70 million to \$80 million. Cash-related exit costs, net of expected tax benefits, are expected to be \$5 million to \$10 million.

Before exiting Venezuela, the company had anticipated only a modest loss from Clorox Venezuela in fiscal year 2015, as anticipated price increases were expected to reduce the current year loss versus the prior year loss of \$23 million. These expectations were based on the Venezuelan government's representations that significant price increases would be forthcoming much earlier in the year; however, the price increases ultimately approved were insufficient and would have caused Clorox Venezuela to continue operating at a significant loss. Nonetheless, based on the company's earlier expectations, reflecting financial results from Clorox Venezuela as discontinued operations does not have a material impact on the company's outlook for diluted EPS from continuing operations.

## Clorox Updates EBIT Margin Outlook for Fiscal Year 2015

- Sales about flat, or 1% to 3% increase on currency-neutral basis (unchanged)
- EBIT margin about flat (previously 25 basis points to 50 basis points expansion)
- \$4.35 to \$4.50 diluted EPS range (unchanged)

The company continues to anticipate fiscal year 2015 sales to be about flat, with the benefits of innovation and price increases offset by continuing category softness and the impact of foreign currency declines across most international markets, particularly in Argentina. On a currency-neutral basis, the company continues to anticipate sales growth in the range of 1 percent to 3 percent for the fiscal year.

Clorox now anticipates EBIT margin to be about flat for the fiscal year, versus the previous outlook of 25 basis points to 50 basis points expansion, due to the results from Clorox Venezuela being included in discontinued operations, and moderately higher commodity costs. Excluding Clorox Venezuela fiscal year 2014 EBIT margin increased by 60 basis points to 17.8 percent from 17.2 percent previously reported for that period.

Clorox now anticipates its effective fiscal year 2015 tax rate to be closer to 34 percent than the previous outlook in the range of 34 percent to 35 percent.

Net of all these factors, Clorox continues to anticipate fiscal 2015 diluted EPS from continuing operations in the

range of \$4.35 to \$4.50.

## For More Detailed Financial Information

Visit the Investors: Financial Reporting: Financial Results section of the company's website at **TheCloroxCompany.com** for the following:

- \* **Supplemental unaudited condensed volume and sales growth information**
- \* **Supplemental unaudited condensed gross margin driver information**
- \* **Supplemental unaudited reconciliation of certain non-GAAP financial information, including earnings from continuing operations before interest and taxes (EBIT) and earnings from continuing operations before interest, taxes, depreciation and amortization (EBITDA)**
- \* **Supplemental balance sheet and cash flow information and free cash flow reconciliation (unaudited)**
- \* **Supplemental price-change information**
- \* **Schedule of unaudited quarterly and fiscal year 2014 condensed consolidated data**
- \* **Supplemental unaudited quarterly results from continuing operations by reportable segments for fiscal year 2014 (Adjusted to reflect Clorox Venezuela results reclassified to discontinued operations)**

Note: Percentage and basis-point changes noted in this press release are calculated based on rounded numbers. Supplemental materials are available in the Investors: Financial Reporting: Financial Results section of the company's website at **TheCloroxCompany.com**.

## The Clorox Company

The Clorox Company is a leading multinational manufacturer and marketer of consumer and professional products with about 7,700 employees worldwide and fiscal year 2014 sales of \$5.5 billion. Clorox markets some of the most trusted and recognized consumer brand names, including its namesake bleach and cleaning products; Pine-Sol® cleaners; Liquid Plumr® clog removers; Poett® home care products; Fresh Step® cat litter; Glad® bags, wraps and containers; Kingsford® charcoal; Hidden Valley® and KC Masterpiece® dressings and sauces; Brita® water-filtration products and Burt's Bees® natural personal care products. The company also markets brands for professional services, including Clorox Healthcare®, HealthLink®, Aplicare® and Dispatch® infection control products for the healthcare industry. More than 80 percent of the company's brands hold the No. 1 or No. 2 market

share positions in their categories. Clorox's commitment to corporate responsibility includes making a positive difference in its communities. In fiscal year 2014, The Clorox Company and The Clorox Company Foundation contributed more than \$16 million in combined cash grants, product donations, cause marketing and employee volunteerism. For more information, visit [TheCloroxCompany.com](http://TheCloroxCompany.com).

## Forward-Looking Statements

The company's forward-looking statements in this press release are based on management's current views and assumptions regarding future events and speak only as of their dates. The company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by the federal securities laws.

## Non-GAAP Financial Information

This press release contains non-GAAP financial information relating to sales growth, diluted EPS, the debt to EBITDA ratio and EBIT margin. The company has included reconciliations of these non-GAAP financial measures to the most directly comparable financial measure calculated in accordance with GAAP. See the end of this press release for these reconciliations.

The company disclosed these non-GAAP financial measures to supplement its consolidated financial statements presented in accordance with GAAP. These non-GAAP financial measures exclude certain items that are included in the company's results reported in accordance with GAAP, including income taxes, interest income, interest expense and foreign exchange impact. The exclusion of foreign exchange impact is also referred to as currency-neutral. Management believes these non-GAAP financial measures provide useful additional information to investors about trends in the company's operations and are useful for period-over-period comparisons. These non-GAAP financial measures should not be considered in isolation or as a substitute for the comparable GAAP measures. In addition, these non-GAAP measures may not be the same as similar measures provided by other companies due to potential differences in methods of calculation and items being excluded. They should be read in connection with the company's consolidated financial statements presented in accordance with GAAP.

See Below for These Unaudited First-Quarter Results:

- **Condensed Consolidated Statements of Earnings, Reportable Segment Information and Condensed Consolidated Balance Sheets**
- **Reconciliations of First Quarter Sales Growth and Fiscal Year EBIT Margin Reconciliation**

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For recent presentations made by company management and other investor materials, visit [Investor Events](#) on the company's website.