

WD 40 CO
Form 10-Q
July 08, 2010
Table of Contents

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 May 31, 2010

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)

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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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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 July 2, 2010 was 16,649,865.

Table of Contents

WD-40 COMPANY

QUARTERLY REPORT ON FORM 10-Q

For the Quarter Ended May 31, 2010

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

	Page
Item 1. <u>Financial Statements</u>	3
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	33
Item 4. <u>Controls and Procedures</u>	33

PART II OTHER INFORMATION

Item 1. <u>Legal Proceedings</u>	34
Item 1A. <u>Risk Factors</u>	34
Item 6. <u>Exhibits</u>	35

Table of Contents**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)**

	May 31, 2010	August 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 59,141	\$ 45,956
Trade accounts receivable, less allowance for doubtful accounts of \$481 and \$694 at May 31, 2010 and August 31, 2009, respectively	49,450	48,061
Product held at contract packagers	2,314	1,797
Inventories	14,705	15,858
Current deferred tax assets, net	4,361	4,369
Other current assets	4,064	4,736
Total current assets	134,035	120,777
Property, plant and equipment, net	9,420	10,930
Goodwill	94,983	95,424
Other intangible assets, net	31,195	32,205
Other assets	2,964	3,281
Total assets	\$ 272,597	\$ 262,617
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	\$ 16,095	\$ 12,529
Accrued liabilities	16,128	15,233
Current portion of long-term debt	10,714	10,714
Accrued payroll and related expenses	8,814	7,168
Income taxes payable	420	2,570
Total current liabilities	52,171	48,214
Long-term debt	10,714	21,429
Long-term deferred tax liabilities, net	18,187	16,868
Deferred employee benefits and other long-term liabilities	3,108	3,159
Total liabilities	84,180	89,670
Shareholders equity:		
Common stock authorized 36,000,000 shares, \$0.001 par value; 18,213,363 and 18,093,879 shares issued at May 31, 2010 and August 31, 2009, respectively; and 16,649,865 and 16,530,381 shares outstanding at May 31,	18	18

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2010 and August 31, 2009, respectively

Additional paid-in capital		91,437	86,729
Retained earnings		155,098	138,367
Accumulated other comprehensive loss		(8,070)	(2,101)
Common stock held in treasury, at cost	1,563,498 shares at May 31, 2010 and August 31, 2009	(50,066)	(50,066)
Total shareholders' equity		188,417	172,947
Total liabilities and shareholders' equity		\$ 272,597	\$ 262,617

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
	May 31,		May 31,	
	2010	2009	2010	2009
Net sales	\$ 82,561	\$ 68,816	\$ 240,835	\$ 214,250
Cost of products sold (including cost of products acquired from related party of \$3,830 and \$11,550 for the three and nine months ended May 31, 2009, respectively)	40,306	33,821	116,434	109,873
Gross profit	42,255	34,995	124,401	104,377
Operating expenses:				
Selling, general and administrative	23,348	18,412	63,231	57,365
Advertising and sales promotion	5,685	5,321	16,237	15,338
Amortization of definite-lived intangible assets	178	107	548	346
Impairment of indefinite-lived intangible assets				2,760
Total operating expenses	29,211	23,840	80,016	75,809
Income from operations	13,044	11,155	44,385	28,568
Other income (expense):				
Interest income	49	29	124	377
Interest expense	(402)	(597)	(1,327)	(1,895)
Other income (expense), net	42	(157)	120	544
Income before income taxes	12,733	10,430	43,302	27,594
Provision for income taxes	3,616	3,533	14,095	8,929
Net income	\$ 9,117	\$ 6,897	\$ 29,207	\$ 18,665
Earnings per common share:				
Basic	\$ 0.55	\$ 0.42	\$ 1.76	\$ 1.13
Diluted	\$ 0.54	\$ 0.41	\$ 1.74	\$ 1.12
Shares used in per share calculations:				
Basic	16,613	16,501	16,585	16,499
Diluted	16,752	16,646	16,697	16,657
Dividends declared per common share	\$ 0.25	\$ 0.25	\$ 0.75	\$ 0.75

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended May 31,	
	2010	2009
Operating activities:		
Net income	\$ 29,207	\$ 18,665
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,279	2,733
Impairment of indefinite-lived intangible assets		2,760
Net gains on sales and disposals of property and equipment	(57)	(48)
Deferred income taxes	1,087	1,616
Excess tax benefits from exercises of stock options and conversions of restricted stock units to common shares	(165)	(14)
Stock-based compensation	2,275	2,174
Unrealized foreign currency exchange losses (gains), net	1,037	(74)
Provision for bad debts	59	625
Equity losses from related party		435
Changes in assets and liabilities:		
Trade accounts receivable	(4,115)	1,647
Product held at contract packagers	(517)	332
Inventories	788	548
Other assets	459	(1,028)
Accounts payable and accrued expenses and liabilities	6,963	(9,838)
Accounts payable to related party		(320)
Income taxes payable	(1,505)	1,678
Deferred employee benefits and other long-term liabilities	(45)	(10)
 Net cash provided by operating activities	 38,750	 21,881
 Investing activities:		
Capital expenditures	(1,326)	(2,666)
Proceeds from sales of property and equipment	192	208
 Net cash used in investing activities	 (1,134)	 (2,458)
 Financing activities:		
Repayments of long-term debt	(10,714)	(10,714)
Dividends paid	(12,476)	(12,409)