

WD 40 CO
Form 10-Q
July 09, 2009
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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 May 31, 2009

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 June 30, 2009 was 16,503,541.

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WD-40 COMPANY
QUARTERLY REPORT ON FORM 10-Q

For the Quarter Ended May 31, 2009

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| | May 31, 2009 | August 31, 2008 |
|--|-------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 36,225 | \$ 41,983 |
| Trade accounts receivable, less allowance for doubtful accounts of \$849 and \$486 at May 31, 2009 and August 31, 2008, respectively | 44,003 | 49,271 |
| Product held at contract packagers | 2,095 | 2,453 |
| Inventories | 17,299 | 18,280 |
| Current deferred tax assets, net | 4,026 | 4,045 |
| Other current assets | 3,571 | 3,453 |
| Total current assets | 107,219 | 119,485 |
| Property, plant and equipment, net | 11,358 | 11,309 |
| Goodwill | 95,338 | 95,909 |
| Other intangible assets, net | 36,180 | 39,992 |
| Other assets | 3,873 | 3,543 |
| Investment in related party | | 435 |
| Total assets | \$ 253,968 | \$ 270,673 |
| Liabilities and Shareholders Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 10,948 | \$ 22,985 |
| Accounts payable to related party | 227 | 547 |
| Accrued liabilities | 14,897 | 13,143 |
| Current portion of long-term debt | 10,714 | 10,714 |
| Accrued payroll and related expenses | 4,812 | 6,084 |
| Income taxes payable | 2,409 | 1,090 |
| Total current liabilities | 44,007 | 54,563 |
| Long-term debt | 21,429 | 32,143 |
| Long-term deferred tax liabilities, net | 18,369 | 16,876 |
| Deferred employee benefits and other long-term liabilities | 3,077 | 3,099 |
| Total liabilities | 86,882 | 106,681 |
| Shareholders equity: | | |
| | 18 | 18 |

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Common stock - authorized 36,000,000 shares, \$0.001 par value; 18,064,544 and 18,041,715 shares issued at May 31, 2009 and August 31, 2008, respectively; and 16,501,046 and 16,478,217 shares outstanding at May 31, 2009 and August 31, 2008, respectively

| | | |
|---|----------------|----------------|
| Additional paid-in capital | 85,479 | 82,647 |
| Retained earnings | 134,883 | 128,627 |
| Accumulated other comprehensive (loss) income | (3,228) | 2,766 |
| Common stock held in treasury, at cost - 1,563,498 shares | (50,066) | (50,066) |
| | | |
| Total shareholders' equity | 167,086 | 163,992 |
| | | |
| Total liabilities and shareholders' equity | \$ 253,968 | \$ 270,673 |

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 share and per share amounts)**

| | Three Months Ended May 31, | | Nine Months Ended May 31, | |
|---|-----------------------------------|-------------|----------------------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| Net sales | \$ 68,816 | \$ 82,104 | \$ 214,250 | \$ 240,202 |
| Cost of products sold (including cost of products acquired from related party of \$3,830 and \$5,927 for the three months ended May 31, 2009 and 2008, respectively; and \$11,550 and \$17,104 for the nine months ended May 31, 2009 and 2008, respectively) | 33,821 | 43,921 | 109,873 | 126,409 |
| Gross profit | 34,995 | 38,183 | 104,377 | 113,793 |
| Operating expenses: | | | | |
| Selling, general and administrative | 18,412 | 21,446 | 57,365 | 63,014 |
| Advertising and sales promotion | 5,321 | 4,339 | 15,338 | 15,222 |
| Amortization of definite-lived intangible asset | 107 | 147 | 346 | 449 |
| Impairment of indefinite-lived intangible asset | | | 2,760 | |
| Total operating expenses | 23,840 | 25,932 | 75,809 | 78,685 |
| Income from operations | 11,155 | 12,251 | 28,568 | 35,108 |
| Other (expense) income: | | | | |
| Interest expense, net of interest income of \$29 and \$307 for the three months ended May 31, 2009 and 2008, respectively; and \$377 and \$1,263 for the nine months ended May 31, 2009 and 2008, respectively | (568) | (433) | (1,518) | (1,229) |
| Other (expense) income, net | (157) | 212 | 544 | 753 |
| Income before income taxes | 10,430 | 12,030 | 27,594 | 34,632 |
| Provision for income taxes | 3,533 | 3,957 | 8,929 | 11,663 |
| Net income | \$ 6,897 | \$ 8,073 | \$ 18,665 | \$ 22,969 |
| Earnings per common share: | | | | |
| Basic | \$ 0.42 | \$ 0.49 | \$ 1.13 | \$ 1.38 |
| Diluted | \$ 0.41 | \$ 0.49 | \$ 1.12 | \$ 1.36 |
| Shares used in per share calculations: | | | | |
| Basic | 16,501,046 | 16,430,730 | 16,499,159 | 16,700,457 |
| Diluted | 16,646,416 | 16,580,339 | 16,656,610 | 16,880,556 |

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| | | | | | | | | |
|-------------------------------------|----|------|----|------|----|------|----|------|
| 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, | |
|--|----------------------------------|-----------------|
| | 2009 | 2008 |
| Operating activities: | | |
| Net income | \$ 18,665 | \$ 22,969 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,733 | 2,799 |
| Impairment of indefinite-lived intangible asset | 2,760 | |
| Net gains on sales and disposals of property and equipment | (48) | (6) |
| Deferred income tax expense | 1,616 | 417 |
| Excess tax benefits from exercises of stock options and conversions of restricted stock units to common shares | (14) | (158) |
| Equity losses from related party | 435 | 248 |
| Stock-based compensation | 2,174 | 1,887 |
| Provision for bad debts | 625 | 182 |
| Changes in assets and liabilities: | | |
| Trade accounts receivable | 1,792 | (5,129) |
| Product held at contract packagers | 358 | (363) |
| Inventories | 548 | (4,036) |
| Other assets | (979) | 360 |
| Accounts payable and accrued expenses and liabilities | (9,612) | (4,560) |
| Accounts payable to related party | (320) | (1,141) |
| Income taxes payable | 1,525 | 3,219 |
| Deferred employee benefits and other long-term liabilities | (10) | 1,724 |
| Net cash provided by operating activities | 22,248 | 18,412 |
| Investing activities: | | |
| Capital expenditures | (2,666) | (4,351) |
| Proceeds from sales of property and equipment | 208 | 142 |
| Purchases of marketable securities | | (76,175) |
| Proceeds from sales of marketable securities | | 76,175 |
| Net cash used in investing activities | (2,458) | (4,209) |
| Financing activities: | | |
| Repayments of long-term debt | (10,714) | (10,714) |
| Proceeds from issuance of common stock | 640 | 3,278 |
| Excess tax benefits from exercises of stock options and conversions of restricted stock units to common shares | 14 | 158 |
| Dividends paid | (12,409) | (12,572) |
| Treasury stock purchases | | (17,720) |
| Net cash used in financing activities | (22,469) | (37,570) |
| Effect of exchange rate changes on cash and cash equivalents | (3,079) | (164) |

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| | | |
|--|---------|----------|
| Net decrease in cash and cash equivalents | (5,758) | (23,531) |
| Cash and cash equivalents at beginning of period | 41,983 | 61,078 |
| Cash and cash equivalents at end of period | | |