

WD 40 CO
Form 10-Q
April 09, 2014
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 February 28, 2014

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 April 2, 2014 was 14,977,975.

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WD-40 COMPANY

QUARTERLY REPORT ON FORM 10-Q

For the Quarter Ended February 28, 2014

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PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

WD-40 COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited and in thousands, except share and per share amounts)

	February 28, 2014	August 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 40,962	\$ 53,434
Short-term investments	45,021	37,516
Trade accounts receivable, less allowance for doubtful accounts of \$717 and \$540 at February 28, 2014 and August 31, 2013, respectively	63,042	56,878
Inventories	34,143	32,433
Current deferred tax assets, net	5,678	5,672
Other current assets	9,398	6,210
Total current assets	198,244	192,143
Property and equipment, net	9,054	8,535
Goodwill	95,522	95,236
Other intangible assets, net	25,056	24,292
Other assets	3,157	2,858
Total assets	\$ 331,033	\$ 323,064
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 22,474	\$ 19,693
Accrued liabilities	19,845	16,562
Revolving credit facility	73,000	63,000
Accrued payroll and related expenses	9,372	17,244
Income taxes payable	2,319	1,146
Total current liabilities	127,010	117,645
Long-term deferred tax liabilities, net	24,455	24,011

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Deferred and other long-term liabilities	1,941	1,901
Total liabilities	153,406	143,557
Shareholders' equity:		
Common stock authorized 36,000,000 shares, \$0.001 par value; 19,462,926 and 19,392,979 shares issued at February 28, 2014 and August 31, 2013, respectively; and 15,037,999 and 15,285,536 shares outstanding at February 28, 2014 and August 31, 2013, respectively	19	19
Additional paid-in capital	135,373	133,239
Retained earnings	225,860	214,034
Accumulated other comprehensive income (loss)	1,387	(5,043)
Common stock held in treasury, at cost 4,424,927 and 4,107,443 shares at February 28, 2014 and August 31, 2013, respectively	(185,012)	(162,742)
Total shareholders' equity	177,627	179,507
Total liabilities and shareholders' equity	\$ 331,033	\$ 323,064

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended February 28,		Six Months Ended February 28,	
	2014	2013	2014	2013
Net sales	\$ 94,184	\$ 86,712	\$ 189,725	\$ 181,976
Cost of products sold	45,626	42,586	91,494	90,123
Gross profit	48,558	44,126	98,231	91,853
Operating expenses:				
Selling, general and administrative	26,651	23,956	53,350	49,285
Advertising and sales promotion	6,001	5,270	11,616	11,337
Amortization of definite-lived intangible assets	654	465	1,246	931
Total operating expenses	33,306	29,691	66,212	61,553
Income from operations	15,252	14,435	32,019	30,300
Other income (expense):				
Interest income	158	195	289	257
Interest expense	(226)	(176)	(441)	(301)
Other (expense) income, net	(229)	535	(443)	587
Income before income taxes	14,955	14,989	31,424	30,843
Provision for income taxes	4,638	4,528	9,625	9,438
Net income	\$ 10,317	\$ 10,461	\$ 21,799	\$ 21,405
Earnings per common share:				
Basic	\$ 0.67	\$ 0.67	\$ 1.42	\$ 1.36
Diluted	\$ 0.67	\$ 0.66	\$ 1.41	\$ 1.35
Shares used in per share calculations:				
Basic	15,202	15,585	15,241	15,639
Diluted	15,272	15,679	15,319	15,744
Dividends declared per common share	\$ 0.34	\$ 0.31	\$ 0.65	\$ 0.60

See accompanying notes to condensed consolidated financial statements.

WD-40 COMPANY
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE
 INCOME

(Unaudited and in thousands)

	Three Months Ended		Six Months Ended	
	February 28,		February 28,	
	2014	2013	2014	2013
Net income	\$ 10,317	\$ 10,461	\$ 21,799	\$ 21,405
Other comprehensive income (loss):				
Foreign currency translation adjustment	1,831	(4,812)	6,430	(3,777)
Total comprehensive income	\$ 12,148	\$ 5,649	\$ 28,229	\$ 17,628

See accompanying notes to condensed consolidated financial statements.

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

	Common Stock		Additional	Retained	Accumulated	Treasury Stock		Total
	Shares	Amount	Paid-in Capital	Earnings	Other Comprehensive Income (Loss)	Shares	Amount	Shareholders' Equity
Balance at August 31, 2013	19,392,979	\$ 19	\$ 133,239	\$ 214,034	\$ (5,043)	4,107,443	\$ (162,742)	\$ 179,507
Issuance of common stock upon settlements of stock-based equity awards	69,947		(172)					(172)
Stock-based compensation			1,479					1,479
Tax benefits from settlements of stock-based equity awards			827					827
Cash dividends (\$0.65 per share)				(9,973)				(9,973)
Acquisition of treasury stock						317,484	(22,270)	(22,270)
Foreign currency translation adjustment					6,430			6,430
Net income				21,799				21,799
Balance at February 28, 2014	19,462,926	\$ 19	\$ 135,373	\$ 225,860	\$ 1,387	4,424,927	\$ (185,012)	\$ 177,627

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)

	Six Months Ended February 28,	
	2014	2013
Operating activities:		
Net income	\$ 21,799	\$ 21,405
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,849	2,438
Net gains on sales and disposals of property and equipment	(33)	(5)
Deferred income taxes	(335)	263
Excess tax benefits from settlements of stock-based equity awards	(820)	(528)
Stock-based compensation	1,479	1,369
Unrealized foreign currency exchange losses (gains), net	132	(822)
Provision for bad debts		