

CHURCH & DWIGHT CO INC /DE/
Form 10-Q
November 03, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended September 30, 2014

Commission file number 1-10585

CHURCH & DWIGHT CO., INC.

(Exact name of registrant as specified in its charter)

Delaware 13-4996950
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)
500 Charles Ewing Boulevard, Ewing, N.J. 08628

(Address of principal executive offices)

Registrant's telephone number, including area code: (609) 806-1200

Securities registered pursuant to Section 12(b) of the Act:

Name of each exchange

Title of each class on which registered
Common Stock, \$1 par value New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 twelve 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 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 the 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

As of October 29, 2014, there were 133,774,605 shares of Common Stock outstanding.

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PART I – FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In millions, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net Sales	\$841.8	\$ 804.8	\$2,432.1	\$ 2,371.7
Cost of sales	474.3	439.6	1,368.8	1,305.4
Gross Profit	367.5	365.2	1,063.3	1,066.3
Marketing expenses	96.6	99.7	297.8	282.3
Selling, general and administrative expenses	93.7	97.7	288.1	306.4
Income from Operations	177.2	167.8	477.4	477.6
Equity in earnings (losses) of affiliates	3.4	1.9	7.9	1.4
Investment earnings	0.6	0.6	1.7	2.0
Other income (expense), net	(1.1)	(0.1)	(1.6)	(1.4)
Interest expense	(6.9)	(7.0)	(20.5)	(21.0)
Income before Income Taxes	173.2	163.2	464.9	458.6
Income taxes	57.3	55.3	157.6	156.4
Net Income	\$115.9	\$ 107.9	\$307.3	\$ 302.2
Weighted average shares outstanding - Basic	133.7	138.8	135.5	138.5
Weighted average shares outstanding - Diluted	136.0	141.3	137.9	141.1
Net income per share - Basic	\$0.87	\$ 0.78	\$2.27	\$ 2.18
Net income per share - Diluted	\$0.85	\$ 0.76	\$2.23	\$ 2.14
Cash dividends per share	\$0.31	\$ 0.28	\$0.93	\$ 0.84

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In millions)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,

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	2014	2013	2014	2013
Net Income	\$115.9	\$ 107.9	\$307.3	\$ 302.2
Other comprehensive income, net of tax:				
Foreign exchange translation adjustments	(19.3)	7.8	(14.8)	(7.0)
Defined benefit plan adjustments	0.0	(0.1)	0.7	0.2
Income (loss) from derivative agreements	0.9	(0.2)	0.0	0.0
Other comprehensive income (loss)	(18.4)	7.5	(14.1)	(6.8)
Comprehensive income	\$97.5	\$ 115.4	\$293.2	\$ 295.4

See Notes to Condensed Consolidated Financial Statements.

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions, except share and per share data)

	September 30, 2014	December 31, 2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 370.2	\$ 496.9
Accounts receivable, less allowances of \$1.5 and \$0.8	321.3	330.2
Inventories	261.6	250.5
Deferred income taxes	19.5	16.6
Other current assets	20.2	21.6
Total Current Assets	992.8	1,115.8
Property, Plant and Equipment, Net	595.8	594.1
Equity Investment in Affiliates	24.8	24.5
Tradenames and Other Intangibles, Net	1,283.1	1,204.3
Goodwill	1,325.0	1,222.2
Other Assets	104.3	98.8
Total Assets	\$ 4,325.8	\$ 4,259.7
Liabilities and Stockholders' Equity		
Current Liabilities		
Short-term borrowings	\$ 404.1	\$ 153.8
Accounts payable and accrued expenses	502.3	495.1
Income taxes payable	12.0	2.3
Total Current Liabilities	918.4	651.2
Long-term Debt	649.6	649.5
Deferred Income Taxes	490.6	476.0
Deferred and Other Long-term Liabilities	155.8	157.5
Pension, Postretirement and Postemployment Benefits	24.0	25.5
Total Liabilities	2,238.4	1,959.7
Commitments and Contingencies		
Stockholders' Equity		
Preferred Stock, \$1.00 par value, Authorized 2,500,000 shares; none issued	0.0	0.0
Common Stock, \$1.00 par value, Authorized 300,000,000 shares; 146,427,550 shares issued	146.4	146.4
Additional paid-in capital	363.4	352.9
Retained earnings	2,349.8	2,168.5
Accumulated other comprehensive income (loss)	(13.9)	0.2
Common stock in treasury, at cost: 12,806,896 shares in 2014 and 7,462,913 shares in 2013	(758.4)	(368.1)
Total Church & Dwight Co., Inc. Stockholders' Equity	2,087.3	2,299.9

Noncontrolling interest	0.1	0.1
Total Stockholders' Equity	2,087.4	2,300.0
Total Liabilities and Stockholders' Equity	\$ 4,325.8	\$ 4,259.7

See Notes to Condensed Consolidated Financial Statements.

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

(In millions)

	Nine Months Ended September 30, 2014	September 30, 2013
Cash Flow From Operating Activities		
Net Income	\$ 307.3	\$ 302.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	43.3	44.9
Amortization expense	24.4	23.0
Deferred income taxes	10.5	11.9
Equity in net (earnings) losses of affiliates	(7.9)	(1.4)
Distributions from unconsolidated affiliates	8.4	4.5
Non cash compensation expense	15.0	14.6
Asset impairment charge and other asset write-offs	5.6	1.1
Other	1.1	1.6
Change in assets and liabilities:		
Accounts receivable	5.0	(24.4)
Inventories	(10.0)	(14.8)
Other current assets	2.1	(3.5)
Accounts payable and accrued expenses	(2.6)	53.7
Income taxes payable	26.4	(24.5)
Excess tax benefit on stock options exercised	(14.6)	(9.8)
Other operating assets and liabilities, net	(5.3)	(2.5)
Net Cash Provided By Operating Activities	408.7	376.6
Cash Flow From Investing Activities		
	(36.2)	(30.3)

Additions to property, plant and equipment		
Acquisitions, net of cash acquired	(216.1)	0.0
Investment interest in joint venture	(0.8)	(5.7)
Other	(0.5)	(3.1)
Net Cash Used In Investing Activities	(253.6)	(39.1)
Cash Flow From Financing Activities		
Short-term debt borrowings (repayments)	250.4	(99.5)
Proceeds from stock options exercised	24.5	16.2
Excess tax benefit on stock options exercised	14.6	9.8
Payment of cash dividends	(126.0)	(116.3)
Purchase of treasury stock	(435.0)	(50.0)
Lease incentive proceeds	0.0	10.9
Lease principal payments	(0.9)	(0.8)
Other	0.8	(0.3)
Net Cash Used In Financing Activities	(271.6)	(230.0)
Effect of exchange rate changes on cash and cash equivalents	(10.2)	(5.0)
Net Change In Cash and Cash Equivalents	(126.7)	102.5
Cash and Cash Equivalents at Beginning of Period	496.9	343.0
Cash and Cash Equivalents at End of Period	\$ 370.2	\$ 445.5

See Notes to Condensed Consolidated Financial Statements.

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW-CONTINUED

(Unaudited)

(In millions)

	Nine Months Ended	
	September 30, 2014	September 30, 2013
Cash paid during the year for:		
Interest (net of amounts capitalized)	\$ 14.2	\$ 14.9
Income taxes	\$ 122.2	\$ 171.1
Supplemental disclosure of non-cash investing activities:		
Property, plant and equipment expenditures included in Accounts Payable	\$ 11.9	\$ 4.0

See Notes to Condensed Consolidated Financial Statements.

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Nine Months Ended September 30, 2014 and 2013

(Unaudited)

(In millions, except per share