

CHURCH & DWIGHT CO INC /DE/
Form 10-Q
May 03, 2018

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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 March 31, 2018

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," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 May 1, 2018, there were 244,702,059 shares of Common Stock outstanding.

TABLE OF CONTENTS

PART I

Item		Page
1.	<u>Financial Statements</u>	3
2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	25
4.	<u>Controls and Procedures</u>	25

PART II

1.	<u>Legal Proceedings</u>	26
1A.	<u>Risk Factors</u>	27
2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
6.	<u>Exhibits</u>	29

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	
	March 31, 2018	March 31, 2017
Net Sales	\$ 1,006.0	\$ 877.2
Cost of sales	554.5	477.9
Gross Profit	451.5	399.3
Marketing expenses	99.9	90.8
Selling, general and administrative expenses	131.3	112.4
Income from Operations	220.3	196.1
Equity in earnings of affiliates	2.1	2.1
Investment earnings	0.5	0.4
Other income (expense), net	(2.1)	(0.2)
Interest expense	(20.1)	(8.2)
Income before Income Taxes	200.7	190.2
Income taxes	42.9	58.7
Net Income	\$ 157.8	\$ 131.5
Weighted average shares outstanding - Basic	244.9	254.1
Weighted average shares outstanding - Diluted	250.0	259.7
Net income per share - Basic	\$0.64	\$0.52
Net income per share - Diluted	\$0.63	\$0.51
Cash dividends per share	\$0.22	\$0.19

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In millions)

	Three Months Ended	
	March 31,	March 31,

	2018	2017
Net Income	\$157.8	\$131.5
Other comprehensive income, net of tax:		
Foreign exchange translation adjustments	3.5	7.9
Income (loss) from derivative agreements	(0.2)	(0.6)
Other comprehensive income (loss)	3.3	7.3
Comprehensive income	\$161.1	138.8

See Notes to Condensed Consolidated Financial Statements (Unaudited).

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions, except share and per share data)

	March 31, 2018	December 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 119.8	\$ 278.9
Accounts receivable, less allowances of \$2.5 and \$2.9	361.1	345.9
Inventories	357.2	330.7
Other current assets	53.3	44.7
Total Current Assets	891.4	1,000.2
Property, Plant and Equipment, Net	600.6	607.7
Equity Investment in Affiliates	9.4	9.3
Trade Names and Other Intangibles, Net	2,331.1	2,320.5
Goodwill	1,991.5	1,958.9
Other Assets	118.9	118.2
Total Assets	\$5,942.9	\$6,014.8
Liabilities and Stockholders' Equity		
Current Liabilities		
Short-term borrowings	\$ 253.5	\$ 270.9
Current portion of long-term debt	299.2	0.0
Accounts payable and accrued expenses	635.3	659.1
Income taxes payable	42.7	5.0
Total Current Liabilities	1,230.7	935.0
Long-term Debt	1,802.1	2,103.4
Deferred Income Taxes	565.4	561.2
Deferred and Other Long-term Liabilities	201.4	197.2
Total Liabilities	3,799.6	3,796.8
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 600,000,000 shares and 292,855,100 shares issued		
as of March 31, 2018	292.8	292.8
Additional paid-in capital	260.4	264.6
Retained earnings	3,582.1	3,479.0
Accumulated other comprehensive loss	(33.7)	(36.4)

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Common stock in treasury, at cost: 48,365,737 shares in 2018 and 45,225,202 shares in 2017	(1,958.3)	(1,782.0)
Total Stockholders' Equity	2,143.3	2,218.0
Total Liabilities and Stockholders' Equity	\$5,942.9	\$6,014.8

See Notes to Condensed Consolidated Financial Statements (Unaudited).

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

(In millions)

	Three Months Ended March 31, 2018	March 31, 2017
Cash Flow From Operating Activities		
Net Income	\$ 157.8	\$ 131.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	16.4	14.8
Amortization expense	19.3	14.5
Deferred income taxes	(2.5)	9.4
Equity in net earnings of affiliates	(2.1)	(2.1)
Distributions from unconsolidated affiliates	2.1	2.5
Non-cash compensation expense		
Other	(1.0)	0.5
Change in assets and liabilities:		
Accounts receivable	(11.3)	(11.2)
Inventories	(23.5)	(21.3)
Other current assets	(4.7)	(3.5)
Accounts payable and accrued expenses	(32.6)	(47.9)
Income taxes payable	34.5	39.3
Other operating assets and liabilities, net	0.0	3.0
Net Cash Provided By Operating Activities	155.5	131.5
Cash Flow From Investing Activities		
Additions to property, plant and equipment	(9.9)	(2.8)
Acquisitions	(49.9)	(160.3)
Other	(0.2)	3.8
Net Cash Used In Investing Activities	(60.0)	(159.3)

Cash Flow From Financing Activities			
Short-term debt (repayments)			
borrowings	(17.4)	158.8
Proceeds from stock options exercised	16.4		22.7
Payment of cash dividends			
	(53.0)	(48.4
Purchase of treasury stock			
	(200.0)	(157.1
Deferred financing and other			
	(1.6)	(0.4
Net Cash Used In Financing Activities			
	(255.6)	(24.4
Effect of exchange rate changes on cash and cash equivalents			
	1.0		3.9
Net Change In Cash and Cash Equivalents			
	(159.1)	(48.3
Cash and Cash Equivalents at Beginning of Period			
	278.9		187.8
Cash and Cash Equivalents at End of Period			
	\$	119.8	\$
			139.5

See Notes to Condensed Consolidated Financial Statements (Unaudited).

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW-CONTINUED

(Unaudited)

(In millions)

	Three Months Ended	
	March 31, 2018	March 31, 2017
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$23.9	\$ 4.0
Income taxes	\$11.0	\$ 9.9
Supplemental disclosure of non-cash investing activities:		
Property, plant and equipment expenditures included in Accounts Payable	\$6.3	\$ 5.4

See Notes to Condensed Consolidated Financial Statements (Unaudited).

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Three Months Ended March 31, 2018 and 2017

(Unaudited)

(In millions)

	Number of Shares		Amounts			Accumulated		
	Common Stock	Treasury Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
December 31, 2016	292.8	(38.9)	\$292.8	\$ 251.4	\$2,926.0	\$ (63.8)	\$(1,428.5)	\$ 1,977.9
Net income	0.0	0.0	0.0	0.0	131.5	0.0	0.0	131.5
Other comprehensive								
income (loss)	0.0	0.0	0.0	0.0	0.0	7.3	0.0	7.3
Cash dividends	0.0	0.0	0.0	0.0	(48.4)	0.0	0.0	(48.4)
Stock purchases	0.0	(3.1)	0.0	0.0	0.0	0.0	(157.1)	(157.1)
Stock based compensation								
expense and stock option								
plan								
transactions	0.0	1.0	0.0	(2.0)	0.0	0.0	26.5	24.5
March 31, 2017	292.8	(41.0)	\$292.8	\$ 249.4	\$3,009.1	\$ (56.5)	\$(1,559.1)	\$ 1,935.7
December 31, 2017	292.8	(45.2)	\$292.8	\$ 264.6	\$3,479.0	\$ (36.4)	\$(1,782.0)	\$ 2,218.0
Adoption of new accounting								
pronouncements								
(Note 2)	0.0	0.0	0.0	0.0	(1.7)	(0.6)	0.0	(2.3)
Net income	0.0	0.0	0.0	0.0	157.8	0.0	0.0	157.8
Other comprehensive								
income (loss)	0.0	0.0	0.0	0.0	0.0	3.3	0.0	3.3
Cash dividends	0.0	0.0	0.0	0.0	(53.0)	0.0	0.0	(53.0)
Stock purchases	0.0	(4.1)	0.0	0.0	0.0	0.0	(200.0)	(200.0)
Stock based compensation	0.0	0.9	0.0	(4.2)	0.0	0.0	23.7	19.5

expense and stock option
plan

transactions									
March 31, 2018	292.8	(48.4)	\$292.8	\$ 260.4	\$3,582.1	\$ (33.7)	\$(1,958.3)	\$ 2,143.3	

See Notes to Condensed Consolidated Financial Statements (Unaudited).

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(In millions, except per share data)

1. Basis of Presentation

The condensed consolidated balance sheets as of March 31, 2018 and December 31, 2017, the condensed consolidated statements of income and comprehensive income, cash flow and stockholders' equity for the three months ended March 31, 2018 and March 31, 2017 have been prepared by Church & Dwight Co., Inc. (the "Company"). In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at March 31, 2018 and results of operations and cash flows for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles ("GAAP") in the United States have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 (the "Form 10-K"). The results of operations for the period ended March 31, 2018 are not necessarily indicative of the operating results for the full year.

The Company incurred research and development expenses in the first quarter of 2018 and 2017 of \$19.5 and \$14.1, respectively. These expenses are included in selling, general and administrative expenses.

2. New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In February 2018, the FASB issued new accounting guidance which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (the "Tax Act") and requires certain disclosures regarding stranded tax effects. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. The Company adopted this change by adjusting certain December 31, 2017 stockholders' equity accounts (see below).

In 2016, the FASB issued guidance that clarifies the principles for recognizing revenue. The amendments clarify the guidance for identifying performance obligations, licensing arrangements and principal versus agent considerations. The amendments additionally provide clarification on how to assess collectability, present sales tax, treat noncash consideration, and account for completed and modified contracts at the time of transition. The new standard was adopted by the Company using the modified retrospective approach in the first quarter of 2018. See Note 3 for the Company's revenue recognition accounting policy.

The effects of the recently adopted accounting pronouncements to the Company's condensed consolidated balance sheet as of January 1, 2018 is as follows:

	Balance at December 31, 2017	New Revenue Standard Adjustment	New Tax Reform Adjustment	Balance at January 1, 2018
Accounts payable and accrued expenses	\$ 659.1	\$ 3.0	\$ 0.0	\$ 662.1
Income taxes payable	5.0	(0.7)	0.0	4.3
Retained earnings	3,479.0	(2.3)	0.6	3,477.3
Accumulated other comprehensive loss	(36.4)	0.0	(0.6)	(37.0)

The adoption had no impact on the Company's results of operations or cash flow.

Recent Accounting Pronouncements Not Yet Adopted

In August 2017, the FASB issued new accounting guidance, which is intended to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. These amendments also make targeted improvements to simplify the application of the hedge accounting. The guidance is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating

the impact that adoption of the guidance will have on the Company's consolidated financial position, results of operations and cash flows.

In February 2016, the FASB issued new lease accounting guidance, requiring lessees to recognize right-of-use lease assets and lease liabilities on the balance sheet for those leases previously classified as operating leases, with a term greater than a year. The new guidance also expands the required quantitative and qualitative disclosures surrounding leases. The guidance is effective for annual and interim periods beginning after December 15, 2018, and requires a modified retrospective adoption, with early adoption permitted. The Company is currently evaluating the impact that adoption of the guidance, which will consist primarily of a balance sheet gross up of the Company's operating leases to show equal and offsetting lease assets and lease liabilities.

There have been no other accounting pronouncements issued but not yet adopted by the Company which are expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

3. Revenue Recognition

Revenue is recognized when control of a promised good is transferred to a customer in an amount that reflects the consideration that the Company expects to be entitled to in exchange for that good. This usually occurs when finished goods are delivered to the Company's customers or when finished goods are picked up by a customer or a customer's carrier.

Adoption of the new pronouncement did not have a significant impact on the Company's condensed consolidated financial statements. However, the adoption required the Company to recognize certain costs earlier, primarily due to the timing of coupon expense recognition. Refer to the table above in Note 2 for a presentation of the impacts of adoption of the guidance on the Company's January 1, 2018 balance sheet.

Nature of Goods and Services

The Company primarily ships finished goods to its customers and operates in three segments: Consumer Domestic, Consumer International and Specialty Products Division ("SPD"). The segments are based on differences in the nature of products and organizational and ownership structures. The Consumer Domestic and Consumer International segments market a variety of personal care and household products and over-the-counter products, including but not limited to baking soda, cat litter, laundry detergent, condoms, stain removers, hair removal, gummy dietary supplements, dry shampoo, water flossers and showerheads. The SPD segment focuses on sales to businesses and participates in three product areas: Animal Productivity, Specialty Chemicals and Specialty Cleaners. The Company's products are distinct and separately identifiable on customer contracts or invoices, with each product sale representing a separate performance obligation.

The Company sells consumer products under a variety of brands through a broad distribution platform that includes supermarkets, mass merchandisers, wholesale clubs, drugstores, convenience stores, home stores, dollar, pet and other specialty stores and websites and other e-commerce channels, all of which sell our products to consumers. The Company sells its specialty products to industrial customers, livestock producers and through distributors.

Refer to Note 19 for disaggregated revenue information.

When Performance Obligations are Satisfied

For performance obligations related to the shipping and invoicing of products, control transfers at the point in time upon which finished goods are delivered to the Company's customers or when finished goods are picked up by a customer or a customer's carrier. Once a product has been delivered or picked up by the customer, the customer is able to direct the use of, and obtain substantially all of the remaining benefits from, the asset. The Company considers control to have transferred upon delivery or customer receipt because the Company has an enforceable right to payment at that time, the customer has legal title to the asset, the Company has transferred physical possession of the asset, and the customer has significant risk and rewards of ownership of the asset.

Variable Consideration

The Company conducts extensive promotional activities, primarily through the use of off-list discounts, slotting, coupons, cooperative advertising, periodic price reduction arrangements, and end-aisle and other in-store displays. The costs of such activities are netted against sales and are recorded when the related sale takes place. The reserves for sales returns and consumer and trade promotion liabilities are established based on the Company's best estimate of the amounts necessary to settle future and existing obligations for products sold as of the balance sheet date. The Company uses historical trend experience and coupon redemption

inputs in arriving at coupon reserve requirements, and uses forecasted appropriations, customer and sales organization inputs, and historical trend analysis in determining the reserves for other promotional activities and sales returns.

Practical Expedients

The Company expenses incremental direct costs of obtaining a contract (broker commissions) when the related sale takes place. These costs are recorded in Selling, General and Administrative expenses in the accompanying condensed consolidated statements of income.

The Company accounts for shipping and handling costs as fulfillment activities and are therefore recognized upon shipment of the goods.

The Company has applied the portfolio approach to all open contracts as they have similar characteristics and can reasonably expect that the effects on the financial statements of applying this new guidance to the portfolio of contracts would not differ materially from applying this guidance to the individual contracts within the portfolio.

The Company excludes from its revenue any amounts collected from customers for sales (and similar) taxes.

4. Income Taxes

U.S. Tax Reform

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Act. The Tax Act significantly changed the U.S. corporate income tax regime by, among other things, lowering U.S. corporate income tax rates to 21%. However, the Tax Act eliminated the domestic manufacturing deduction and moves toward a territorial system, which also eliminated the ability to credit certain foreign taxes that existed prior to enactment of the Tax Act. As part of the transition to the new territorial tax system, the Tax Act imposed a one-time repatriation tax on a deemed repatriation of historical earnings of foreign subsidiaries. In 2018, the Company intends to repatriate approximately \$150.0 of its non-U.S. earnings and pay the associated repatriation tax. During the first quarter of 2018 the Company repatriated \$128.0. In addition, the reduction of the U.S. corporate tax rate caused the Company to adjust its U.S. deferred tax assets and liabilities to the lower federal base rate of 21%. These provisional impacts resulted in a net credit of approximately \$273.0 for the quarter and year ended December 31, 2017. The credit was primarily due to the adjustment to the U.S. deferred tax assets and liabilities.

The changes included in the Tax Act are broad and complex. While the provisional net credit was not adjusted in the first quarter of 2018, the final provisional impacts of the Tax Act may differ from the above estimate, possibly materially, due to, among other things, changes in interpretations of the Tax Act, any legislative action to address questions that arise because of the Tax Act, any changes in accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates or changes to estimates the Company has utilized to calculate the provisional impacts. The U.S. Securities and Exchange Commission has issued guidance that allows for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. The Company currently anticipates finalizing and recording any resulting adjustments by the end of the measurement period.

5. Inventories

Inventories consist of the following:

	March 31, 2018	December 31, 2017
Raw materials and supplies	\$88.6	\$ 85.6
Work in process	34.9	30.8
Finished goods	233.7	214.3
Total	\$357.2	\$ 330.7

6. Property, Plant and Equipment, Net (“PP&E”)

PP&E consists of the following:

	March 31, 2018	December 31, 2017
Land	\$27.9	\$27.9
Buildings and improvements	301.9	300.3
Machinery and equipment	706.0	699.3
Software	96.1	95.8
Office equipment and other assets	67.2	66.7
Construction in progress	37.0	36.4
Gross PP&E	1,236.1	1,226.4
Less accumulated depreciation and amortization	635.5	618.7
Net PP&E	\$600.6	\$607.7

	Three Months Ended	
	March 31, 2018	March 31, 2017
Depreciation and amortization on PP&E	\$16.4	\$14.8

7. Earnings Per Share (“EPS”)

Basic EPS is calculated based on income available to holders of the Company’s common stock (“Common Stock”) and the weighted average number of shares outstanding during the reported period. Diluted EPS includes additional dilution from potential Common Stock issuable pursuant to the exercise of outstanding stock options.

The following table sets forth a reconciliation of the weighted average number of shares of Common Stock outstanding to the weighted average number of shares outstanding on a diluted basis:

	Three Months Ended	
	March 31, 2018	March 31, 2017
Weighted average common shares outstanding - basic	244.9	254.1
Dilutive effect of stock options	5.1	5.6
Weighted average common shares outstanding - diluted	250.0	259.7
Antidilutive stock options outstanding	3.1	1.3

8. Stock Based Compensation Plans

The following table provides a summary of option activity:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2017	16.1	\$ 33.11		
Exercised	(0.9)	17.73		
Cancelled	(0.1)	48.20		
Outstanding at March 31, 2018	15.1	\$ 33.99	5.4	\$ 253.8
Exercisable at March 31, 2018	9.0	\$ 26.13	3.9	\$ 219.1

The following table provides information regarding the intrinsic value of stock options exercised and stock compensation expense related to stock option awards:

	Three Months Ended	
	March 31, 2018	March 31, 2017
Intrinsic Value of Stock Options Exercised	\$30.0	\$27.2
Stock Compensation Expense Related to Stock Option Awards	\$2.7	\$1.7

9. Share Repurchases

On November 1, 2017, the Company’s Board of Directors (the “Board”) authorized a new share repurchase program, under which the Company may repurchase up to \$500.0 in shares of Common Stock (the “2017 Share Repurchase Program”). The 2017 Share Repurchase Program does not have an expiration and replaced the 2016 Share Repurchase Program. The Company also continued its evergreen share repurchase program, authorized by the Board on January 29, 2014, under which the Company may repurchase, from time to time, Common Stock to reduce or eliminate dilution associated with issuances of Common Stock under the Company’s incentive plans.

In December of 2017, the Company entered into an accelerated share repurchase (“ASR”) contract with a commercial bank to purchase \$200.0 of the Common Stock. In the first quarter of 2018, the Company settled the ASR contract and purchased approximately 4.1 million shares of Common Stock for \$200.0, of which approximately \$110.0 was purchased under the evergreen share repurchase program and \$90.0 was purchased under the 2017 Share Repurchase Program. As a result of the Company’s purchases, there remained \$310.0 of share repurchase availability under the 2017 Share Repurchase Program as of March 31, 2018. See Part II - Item 2 for further details.

10. Fair Value Measurements

Fair Value Hierarchy

Accounting guidance on fair value measurements and disclosures establishes a hierarchy that prioritizes the inputs used to measure fair value (generally, assumptions that market participants would use in pricing an asset or liability) based on the quality and reliability of the information provided by the inputs, as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Fair Values of Other Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company’s other financial instruments at March 31, 2018 and December 31, 2017:

		March 31, 2018		December 31, 2017	
	Input Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:					
Cash equivalents	Level 1	\$43.9	\$43.9	\$95.8	\$95.8
Financial Liabilities:					
Short-term borrowings	Level 2	253.5	253.5	270.9	270.9
Floating Rate Senior notes due January 25, 2019	Level 2	300.0	299.9	300.0	299.9
2.45% Senior notes due December 15, 2019	Level 2	299.9	298.5	299.9	300.9
2.45% Senior notes due August 1, 2022	Level 2	299.7	290.3	299.7	296.1
2.875% Senior notes due October 1, 2022	Level 2	399.8	394.9	399.8	400.2
3.15% Senior notes due August 1, 2027	Level 2	424.6	400.9	424.6	417.8
3.95% Senior notes due August 1, 2047	Level 2	397.1	373.8	397.1	397.4
Contingent consideration	Level 3	30.5	30.5	23.2	23.2
Fair value adjustment asset (liability) related to hedged fixed rate debt instrument	Level 2	(4.1)	(4.1)	(2.2)	(2.2)

The Company recognizes transfers between input levels as of the actual date of the event. There were no transfers between input levels during the three months ended March 31, 2018.

Refer to Note 2 in the Form 10-K for a description of the methods and assumptions used to estimate the fair value of each class of financial instruments reflected in the Condensed Consolidated Balance Sheets.

The carrying amounts of accounts receivable, and accounts payable and accrued expenses, approximated estimated fair values as of March 31, 2018 and December 31, 2017.

11. Derivative Instruments and Risk Management

Changes in interest rates, foreign exchange rates, the price of common stock and commodity prices expose the Company to market risk. The Company manages these risks through the use of derivative instruments, such as cash flow and fair value hedges, diesel and commodity hedge contracts, equity derivatives and foreign exchange forward contracts. The Company does not use derivatives for trading or speculative purposes. Refer to Note 3 in the Form 10-K for a discussion of each of the Company's derivative instruments in effect as of December 31, 2017.

The notional amount of a derivative instrument is the nominal or face amount used to calculate payments made on that instrument. Notional amounts are presented in the following table:

	Notional Amount March 31, 2018	Notional Amount December 31, 2017
Derivatives designated as hedging instruments		
Foreign exchange contracts	\$ 84.4	\$ 91.6
Interest rate swap	\$ 300.0	\$ 300.0
	2.3	3.0
Diesel fuel contracts	gallons	gallons
	89.7	28.3
Commodities contracts	pounds	pounds
Derivatives not designated as hedging instruments		
Equity derivatives	\$ 22.3	\$ 22.2

The fair values and amount of gain (loss) recognized in income and Other Comprehensive Income ("OCI") associated with the derivative instruments disclosed above did not have a material impact on the Company's condensed consolidated financial statements.

12.Acquisition

On March 8, 2018, the Company purchased Passport Food Safety Solutions, Inc. (“Passport”). Passport sells products for pre and post-harvest treatment in the poultry, swine, and beef production markets (the “Passport Acquisition”). The total purchase price was approximately \$50.0, which is subject to an additional payment of up to \$25.0 based on sales performance through 2020 and a working capital adjustment. Passport’s annual sales were approximately \$21.0 in 2017. The acquisition was funded with short-term borrowings and will be managed in the SPD segment.

The preliminary fair values of the net assets acquired are set forth as follows:

	Passport Acquisition Date Preliminary Fair Value
Inventory and other working capital	\$ 3.3
Long-term assets	1.0
Trade names and other intangibles	28.5
Goodwill	32.6
Current liabilities	(1.1)
Long-term liabilities	(7.1)
Contingent consideration	(7.3)
Cash purchase price (net of cash acquired)	\$ 49.9

The life of the amortizable intangible assets recognized from the Passport Acquisition ranges from 10 - 15 years. The goodwill is a result of expected synergies from combined operations of the acquisition and the Company. Pro forma results are not presented because the impact is not material to the Company’s consolidated financial results.

On August 7, 2017, the Company acquired Pik Holdings, Inc. (“Waterpik”), a water-jet technology company that designs and sells both oral water flossers and replacement shower heads (the “Waterpik Acquisition”). The total purchase price was \$1,024.6 (net of cash acquired). Waterpik’s annual sales were approximately \$265.0 for the trailing twelve months through June 30, 2017. The Company financed the Waterpik Acquisition with proceeds from its underwritten public offering of \$1,425.0 aggregate principal amount of Senior Notes completed on July 25, 2017. Subsequent to the Waterpik Acquisition, Waterpik is managed by the Consumer Domestic and Consumer International segments.

The preliminary fair values of the net assets acquired are set forth as follows:

Waterpik

	Acquisition Date Preliminary Fair Value
Current assets	\$ 95.4
Property, plant and equipment	28.4
Trade name (indefinite lived)	644.7
Other intangible assets	146.1
Goodwill	424.3
Current liabilities	(31.8)
Long-term liabilities	(282.5)
Cash purchase price (net of cash acquired)	\$ 1,024.6

The life of the amortizable intangible assets recognized from the Waterpik Acquisition will be amortized over 15 years. The goodwill is a result of expected synergies from combined operations of the acquisition and the Company. The fair values of the assets and liabilities of the Waterpik Acquisition above is considered preliminary as the purchase price allocation is not finalized.

The following unaudited pro forma information is based on the Company's historical data and assumptions for condensed consolidated results of operations, and gives effect to the Waterpik Acquisition as if the acquisition occurred on January 1, 2017. These unaudited pro forma results include adjustments having a continuing impact on the Company's condensed consolidated statements of income. These adjustments primarily consist of adjustments to depreciation for the fair value and depreciable lives of property and equipment, amortization of intangible assets, stock compensation expense, interest expense and adjustments to tax expense based on condensed consolidated pro forma results. These results have been prepared using assumptions the Company's

management believes are reasonable, are not necessarily indicative of the actual results that would have occurred if the acquisition had occurred on January 1, 2017, and are not necessarily indicative of the results that may be achieved in the future, including, but not limited to, the realization of operating synergies that the Company may realize as a result of the acquisition.

Unaudited consolidated pro forma results	Three Months Ended	
	March 31, 2017	
	Pro	
	Reported	
	form	forma
Net Sales	\$877.2	\$946.1
Net Income	\$131.5	\$136.8
Net income per share - Basic	\$0.52	\$0.54
Net income per share - Diluted	\$0.51	\$0.53

13. Goodwill and Other Intangibles, Net

The following table provides information related to the carrying value of all intangible assets, other than goodwill:

	March 31, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Amortizable intangible assets:						
Trade Names	\$579.9	\$ (153.3)	\$426.6	\$576.7	\$ (145.2)	\$431.5
Customer Relationships	506.3	(197.7)	308.6	480.5	(190.2)	290.3
Patents/Formulas	165.4	(54.3)	111.1	165.4	(51.7)	113.7
Non-Compete Agreement	0.4	(0.3)	0.1	0.4	(0.2)	0.2
Total	\$1,252.0	\$ (405.6)	\$846.4	\$1,223.0	\$ (387.3)	\$835.7

Indefinite lived intangible assets - Carrying value

	March 31, 2018	December 31, 2017
Trade Names	\$1,484.7	\$1,484.8

Intangible amortization expense amounted to \$18.0 and \$13.9 for the first three months of 2018 and 2017, respectively. The Company estimates that intangible amortization expense related to amortizable intangible assets held as of March 31, 2018 will be approximately \$71.0 in 2018 and declining over the next five years from approximately \$70.0 to \$60.0 annually.

The carrying amount of goodwill is as follows:

	Consumer Domestic	Consumer International	Specialty Products	Total
Balance at December 31, 2017	\$ 1,632.1	\$ 223.3	\$ 103.5	\$1,958.9
Passport acquired goodwill	0.0	0.0	32.6	\$32.6
Balance at March 31, 2018	\$ 1,632.1	\$ 223.3	\$ 136.1	\$1,991.5

The goodwill and other intangible assets associated with the Passport Acquisition are not deductible for U.S. tax purposes.

14. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	March 31, 2018	December 31, 2017
Trade accounts payable	\$405.2	\$ 398.9
Accrued marketing and promotion costs	114.8	108.4
Accrued wages and related benefit costs	34.6	61.8
Other accrued current liabilities	80.7	90.0
Total	\$635.3	\$ 659.1

15. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt consist of the following:

	March 31, 2018	December 31, 2017
Short-term borrowings		
Commercial paper issuances	\$ 251.4	\$ 268.7
Various debt due to international banks	2.1	2.2
Total short-term borrowings	\$ 253.5	\$ 270.9
Long-term debt		
Floating Rate Senior notes due January 25, 2019	\$ 300.0	\$ 300.0
2.45% Senior notes due December 15, 2019	300.0	300.0
Less: Discount	(0.1)	(0.1)
2.45% Senior notes due August 1, 2022	300.0	300.0
Less: Discount	(0.3)	(0.3)
2.875% Senior notes due October 1, 2022	400.0	400.0
Less: Discount	(0.2)	(0.2)
3.15% Senior notes due August 1, 2027	425.0	425.0
Less: Discount	(0.4)	(0.4)
3.95% Senior notes due August 1, 2047	400.0	400.0
Less: Discount	(2.9)	(2.9)
Debt issuance costs, net	(15.7)	(15.5)
Fair value adjustment asset (liability) related to hedged fixed rate debt instrument	(4.1)	(2.2)
Total long-term debt	2,101.3	2,103.4
Less: current maturities	(299.2)	0.0
Net long-term debt	\$ 1,802.1	\$ 2,103.4

On March 29, 2018, the Company replaced its former \$1,000.0 unsecured revolving credit facility that was scheduled to terminate on December 4, 2020 with a new \$1,000.0 unsecured revolving credit facility (the “Credit Agreement”). Under the Credit Agreement, the Company has the ability to increase its borrowing up to an additional \$600.0, subject to lender commitments and certain conditions as described in the Credit Agreement. Borrowings under the Credit Agreement are available for general corporate purposes and are used to support the Company’s \$1,000.0 commercial paper program. Unless extended, the Credit Agreement will terminate and all amounts outstanding thereunder will be due and payable on March 29, 2023.

16. Accumulated Other Comprehensive Income (Loss)

The components of changes in accumulated other comprehensive income (loss) are as follows:

	Foreign Currency Adjustments	Defined Benefit Plans	Derivative Agreements	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2016	\$ (50.0)	\$ (13.2)	\$ (0.6)	\$ (63.8)
Other comprehensive income (loss) before reclassifications	7.9	0.0	(0.9)	7.0
Amounts reclassified to consolidated statement of income ^(a)	0.0	0.0	0.1	0.1
Tax benefit (expense)	0.0	0.0	0.2	0.2
Other comprehensive income (loss)	7.9	0.0	(0.6)	7.3
Balance at March 31, 2017	\$ (42.1)	\$ (13.2)	\$ (1.2)	\$ (56.5)
Balance at December 31, 2017	\$ (31.6)	\$ (0.6)	\$ (4.2)	\$ (36.4)
Adoption of new accounting pronouncement (Note 2)	(0.3)	0.1	(0.4)	(0.6)
Other comprehensive income (loss) before reclassifications	3.5	0.0	0.1	3.6
Amounts reclassified to consolidated statement of income ^(a)	0.0	0.0	(0.1)	(0.1)
Tax benefit (expense)	0.0	0.0	(0.2)	(0.2)
Other comprehensive income (loss)	3.5	0.0	(0.2)	3.3
Balance at March 31, 2018	\$ (28.4)	\$ (0.5)	\$ (4.8)	\$ (33.7)

(a) Amounts reclassified to cost of sales or interest expense.

17. Commitments, Contingencies and Guarantees

Commitments

a. The Company has a partnership with a supplier of raw materials that mines and processes sodium-based mineral deposits. The Company purchases the majority of its sodium-based raw material requirements from the partnership. The partnership agreement terminates upon two years' written notice by either partner. Under the partnership agreement, the Company has an annual commitment to purchase 240,000 tons of sodium-based raw materials at the prevailing market price. With the exception of the Natronx Technologies LLC ("Natronx") joint venture, in which the Company and the partner supplier are each one-third owners, the Company is not engaged in any other material transactions with the partnership or the partner supplier.

b. As of March 31, 2018, the Company had commitments of approximately \$245.3. These commitments include the purchase of raw materials, packaging supplies and services from its vendors at market prices to enable the Company to respond quickly to changes in customer orders or requirements, as well as costs associated with licensing and promotion agreements.

c. As of March 31, 2018, the Company had various guarantees and letters of credit totaling \$5.9.

d. In connection with the Agro Acquisition, the Company is obligated to pay an additional amount of up to \$25.0 based on sales performance in 2019. The initial fair value of this contingent liability was \$17.8, which was established in the purchase price allocation. Subsequent to the acquisition, the Company increased the estimate of the contingent consideration liability \$5.4 in the fourth quarter of 2017 from \$17.8 to \$23.2 based on updated financial performance forecasts. The charge was recorded in SG&A in the SPD segment. The liability will be assessed for re-measurement at each balance sheet date leading up to the end of the 3-year period.

In connection with the Passport Acquisition, the Company is obligated to pay an additional amount of up to \$25.0 based on sales performance through 2020. The initial fair value of this contingent liability was \$7.3, which was established in the preliminary purchase price allocation. The liability will be assessed for re-measurement at each balance sheet date leading up to December 31, 2020.

Legal proceedings

e. The Company has been named as a defendant in a breach of contract action filed by Scantibodies Laboratory, Inc. (the "Plaintiff") on April 1, 2014 in the U.S. District Court for the Southern District of New York.

The complaint alleges, among other things, that the Company (i) breached two agreements for the manufacture and supply of pregnancy and ovulation test kits by switching suppliers, (ii) failed to give Plaintiff the proper notice, (iii) failed to reimburse Plaintiff for costs and expenses under the agreements and (iv) misrepresented its future requirements. The complaint seeks compensatory and punitive damages of an amount in excess of \$20.0, as well as declaratory relief, statutory prejudgment interest and attorneys' fees and costs.

The Company is vigorously defending itself in this matter. On June 16, 2014, the Company filed an amended answer to the complaint denying all of the Plaintiff's material allegations. On September 11, 2017, each of the Company and the Plaintiff filed motions for summary judgment. The court has not yet ruled on these motions, and a trial date has not been set.

In connection with this matter, the Company has reserved an amount that is immaterial. However, it is reasonably possible that the Company may ultimately be required to pay all or substantially all of the damages and other amounts sought by Plaintiff. It is not currently possible to more precisely estimate the amount or range of any amounts that the Company may be required to pay in excess of the reserved amount because the proceedings are not sufficiently advanced and the outcome thereof is uncertain.

f. In addition, in conjunction with the Company's acquisition and divestiture activities, the Company entered into select guarantees and indemnifications of performance with respect to the fulfillment of the Company's commitments under applicable purchase and sale agreements. The arrangements generally indemnify the buyer or seller for damages associated with breach of contract, inaccuracies in representations and warranties surviving the closing date and satisfaction of liabilities and commitments retained under the applicable contract. Representations and warranties that survive the closing date generally survive for periods up to five years or the expiration of the applicable statutes of limitations. Potential losses under the indemnifications are generally limited to a portion of the original transaction price, or to other lesser specific dollar amounts for select provisions. With respect to sale transactions, the Company also routinely enters into non-competition agreements for varying periods of time. Guarantees and indemnifications with respect to acquisition and divestiture activities, if triggered, could have a materially adverse impact on the Company's financial condition, results of operations and cash flows.

g. In addition to the matters described above, from time to time in the ordinary course of its business the Company is the subject of, or party to, various pending or threatened legal, regulatory or governmental actions or other proceedings, including, without limitation, those relating to, intellectual property, commercial transactions, product liability, purported consumer class actions, employment matters, antitrust, environmental, health, safety and other compliance related matters. Such proceedings are generally subject to considerable uncertainty and their outcomes, and any related damages, may not be reasonably predictable or estimable. While any such proceedings could result in an adverse outcome for the Company, any such adverse outcome is not expected to have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

18. Related Party Transactions

The following summarizes the balances and transactions between the Company and Armand Products Company ("Armand") and The ArmaKleen Company ("ArmaKleen"), in each of which the Company holds a 50% ownership interest :

	Armand Three Months Ended March 31, 2018		ArmaKleen Three Months Ended March 31, 2017	
Purchases by Company	\$3.5	\$ 4.7	\$0.0	\$ 0.0
Sales by Company	\$0.0	\$ 0.0	\$0.3	\$ 0.3
Outstanding Accounts Receivable	\$0.3	\$ 0.5	\$0.7	\$ 0.9
Outstanding Accounts Payable	\$1.2	\$ 1.8	\$0.0	\$ 0.0
Administration & Management Oversight Services ⁽¹⁾	\$0.6	\$ 0.6	\$0.5	\$ 0.5

(1) Billed by Company and recorded as a reduction of selling, general and administrative expenses.

19. Segments

Segment Information

The Company operates three reportable segments: Consumer Domestic, Consumer International and SPD. These segments are determined based on differences in the nature of products and organizational and ownership structures. The Company also has a Corporate segment.

Segment revenues are derived from the sale of the following products:

Segment	Products
	Household and personal care products
Consumer Domestic	Primarily personal care products
Consumer International	Specialty chemical products
SPD	

The Corporate segment income consists of equity in earnings of affiliates. As of March 31, 2018, the Company held 50% ownership interests in each of Armand and ArmaKleen, respectively. The Company's equity in earnings of Armand and ArmaKleen for the three months ended March 31, 2018 and 2017 are included in the Corporate segment.

Certain subsidiaries that are included in the Consumer International segment manufacture and sell personal care products to the Consumer Domestic segment. These sales are eliminated from the Consumer International segment results set forth in the table below.

Segment Net Sales and Income before Income Taxes are as follows:

	Consumer Domestic	Consumer International	SPD	Corporate	Total
Net Sales⁽¹⁾					
First Quarter 2018	\$ 751.4	\$ 180.7	\$ 73.9	\$ 0.0	\$ 1,006.0
First Quarter 2017	659.7	143.1	74.4	0.0	877.2
Income before Income Taxes⁽²⁾					
First Quarter 2018	\$ 159.3	\$ 27.7	\$ 11.6	\$ 2.1	\$ 200.7

First Quarter 2017	160.9	19.4	7.8	2.1	190.2
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(1) Intersegment sales from Consumer International to Consumer Domestic, which are not reflected in the table, were \$0.9 and \$1.4 for the three months ended March 31, 2018 and March 31, 2017, respectively.

(2) In determining Income before Income Taxes, interest expense, investment earnings and certain aspects of other income and expense were allocated among segments based upon each segment's relative Income from Operations.

Product line revenues from external customers are as follows:

	Three Months Ended	
	March 31, 2018	March 31, 2017
Household Products	\$413.0	\$394.5
Personal Care Products	338.4	265.2
Total Consumer Domestic	751.4	659.7
Total Consumer International	180.7	143.1
Total SPD	73.9	74.4
Total Consolidated Net Sales	\$1,006.0	