

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF  
THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarter ended March 31, 1995 Commission file No. 1-10585

CHURCH & DWIGHT CO., INC.  
(Exact name of registrant as specified in its charter)

Delaware 13-4996950  
(State of incorporation) (I.R.S. Employer Identification No.)

469 North Harrison Street, Princeton, N.J. 08543-5297  
(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code: (609) 683-5900

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 X No

As of April 28, 1995, there were 19,544,095 shares of Common Stock outstanding.

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PART I - FINANCIAL INFORMATION

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS  
(Unaudited)

| (In thousands, except per share data)        | Three Months Ended |                  |
|--|--------------------|------------------|
|  | March 31,<br>1995  | April 1,<br>1994 |
| Net Sales                                    | \$117,963          | \$111,511        |
| Cost of sales                                | 68,693             | 64,191           |
| Gross profit                                 | 49,270             | 47,320           |
| Selling, general and administrative expenses | 49,520             | 45,542           |
| Income/(Loss) from Operations                | (250)              | 1,778            |
| Equity in joint venture income               | 2,429              | 1,621            |
| Investment income                            | 264                | 189              |
| Gain on disposal of product lines            | 102                | 103              |
| Other income                                 | 31                 | 164              |
| Interest expense                             | (438)              | (24)             |
| Income before taxes                          | 2,138              | 3,831            |
| Income taxes                                 | 995                | 1,412            |
| Net Income                                   | 1,143              | 2,419            |
| Retained earnings at beginning of period     | 167,901            | 170,434          |
|  | 169,044            | 172,853          |
| Dividends paid                               | 2,148              | 2,210            |
| Retained earnings at end of period           | \$166,896          | \$170,643        |
| Weighted average shares outstanding          | 19,533             | 20,071           |
| Earnings Per Share:                          |                    |                  |
| Net income per share                         | \$.06              | \$.12            |

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

|  | March 31,<br>1995 | December 31,<br>1994 |
|--|-------------------|----------------------|
| (Dollars in thousands)                                   | (Unaudited)       |                      |
| Assets   |                   |                      |
| Current Assets   |                   |                      |
| Cash and cash equivalents                                | \$6,983           | \$4,659              |
| Short-term investments                                   | -                 | 2,976                |
| Accounts receivable                                      | 43,386            | 44,404               |
| Inventories (Note 2)                                     | 51,908            | 54,683               |
| Deferred income taxes                                    | 11,807            | 11,927               |
| Prepaid expenses   | 6,402             | 5,663                |
| Total Current Assets                                     | 120,486           | 124,312              |
| Property, Plant and Equipment (Note 3)                   | 140,506           | 138,460              |
| Note Receivable from Joint Venture                       | 11,000            | 11,000               |
| Equity Investment in Joint Venture                       | 14,091            | 13,868               |
| Long-Term Supply Contracts                               | 4,256             | 4,391                |
| Intangibles, principally Goodwill                        | 3,556             | 3,556                |
| Total Assets   | \$293,895         | \$295,587            |
| Liabilities and Stockholders' Equity                     |                   |                      |
| Current Liabilities                                      |                   |                      |
| Short-term borrowings                                    | \$21,000          | \$25,000             |
| Accounts payable and accrued expenses                    | 74,844            | 72,974               |
| Income taxes payable                                     | 2,489             | 1,802                |
| Total Current Liabilities                                | 98,333            | 99,776               |
| Long-Term Debt   | 7,500             | 7,500                |
| Deferred Income Taxes                                    | 20,193            | 19,994               |
| Deferred Income  | 236               | 339                  |
| Deferred Liabilities                                     | 1,293             | 1,176                |
| Nonpension Postretirement<br>and Postemployment Benefits | 13,085            | 12,861               |
| Stockholders' Equity                                     |                   |                      |
| Preferred Stock - \$1 par value                          |                   |                      |
| Authorized 2,500,000 shares, none issued                 | -                 | -                    |
| Common Stock - \$1 par value                             |                   |                      |
| Authorized 100,000,000 shares, issued                    |                   |                      |
| 23,330,494 shares  | 23,330            | 23,330               |
| Additional paid-in capital                               | 32,835            | 32,823               |
| Retained earnings  | 166,896           | 167,901              |
| Cumulative translation adjustments                       | (608)             | (741)                |
|  | 222,453           | 223,313              |
| Less common stock in treasury, at cost -                 |                   |                      |
| 3,787,799 shares in 1995 and                             |                   |                      |
| 3,803,659 shares in 1994                                 | 69,198            | 69,372               |
| Total Stockholders' Equity                               | 153,255           | 153,941              |
| Total Liabilities and Stockholders' Equity               | \$293,895         | \$295,587            |

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOW  
(Unaudited)

Three Months Ended  
March 31,    April 1,  
1995            1994

(Dollars in thousands)

|   |         |         |
|---|---------|---------|
| Cash Flow From Operating Activities   |         |         |
| Net Income  | \$1,143 | \$2,419 |
| Adjustments to reconcile net income to net cash provided by operating activities: |         |         |
| Depreciation, depletion and amortization  | 3,211   | 3,143   |
| Deferred income taxes   | 313     | (2,054) |
| Equity in joint venture income  | (2,429) | (1,621) |
| Gain on asset disposals   | (102)   | (103)   |
| Other   | 8       | (87)    |
| Change in assets and liabilities:   |         |         |
| Decrease in short-term investments  | 2,976   | 2,000   |
| (Increase) decrease in accounts receivable  | 1,084   | (3,102) |
| (Increase) decrease in inventories  | 2,805   | (2,280) |
| (Increase) in prepaid expenses  | (736)   | (1,164) |
| Increase (decrease) in accounts payable   | 1,815   | (1,714) |
| Increase in income taxes payable  | 682     | 5,584   |
| Increase in other liabilities   | 340     | 225     |
| Net Cash Provided By Operating Activities   | 11,110  | 1,246   |
| Cash Flow From Investing Activities   |         |         |
| Additions to property, plant and equipment  | (5,031) | (5,763) |
| Distributions from joint venture  | 2,207   | 1,517   |
| Net Cash Used In Investing Activities   | (2,824) | (4,246) |
| Cash Flow From Financing Activities   |         |         |
| Short-term borrowing/(repayments)   | (4,000) | 8,000   |
| Payment of cash dividends   | (2,148) | (2,210) |
| Proceeds from stock options exercised   | 217     | 124     |
| Purchase of treasury stock  | (31)    | (2,427) |
| Net Cash Provided by (Used In) Financing Activities                               | (5,962) | 3,487   |
| Net Change In Cash and Cash Equivalents   | 2,324   | 487     |
| Cash And Cash Equivalents At Beginning Of Year                                    | 4,659   | 5,581   |
| Cash And Cash Equivalents At End Of Period  | \$6,983 | \$6,068 |

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CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. The consolidated balance sheet as of March 31, 1995, the consolidated statements of income and retained earnings for the three months ended March 31, 1995 and April 1, 1994, and the consolidated statements of cash flow for the three months then ended have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flow at March 31, 1995 and 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 have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the

financial statements and notes thereto included in the Company's December 31, 1994 annual report to shareholders. The results of operations for the period ended March 31, 1995 are not necessarily indicative of the operating results for the full year.

|    |   |                   |                  |
|----|---|-------------------|------------------|
| 2. | Inventories consist of the following:<br>(in thousands) | March 31,<br>1995 | Dec. 31,<br>1994 |
|    | Raw materials and supplies                              | \$12,068          | \$12,237         |
|    | Work in process   | 131               | 103              |
|    | Finished goods  | 39,709            | 42,343           |
|    |   | \$51,908          | \$54,683         |

|    |  |                   |                  |
|----|--|-------------------|------------------|
| 3. | Property, Plant and Equipment<br>consist of the following:<br>(in thousands) | March 31,<br>1995 | Dec. 31,<br>1994 |
|    | Land   | \$3,110           | \$3,107          |
|    | Buildings and improvements   | 59,895            | 59,874           |
|    | Machinery and equipment  | 135,722           | 135,188          |
|    | Office equipment and other assets  | 13,355            | 13,324           |
|    | Mineral rights   | 5,020             | 5,020            |
|    | Construction in progress   | 10,433            | 5,859            |
|    |  | 227,535           | 222,372          |
|    | Less accumulated depreciation and amortization                               | 87,029            | 83,912           |
|    | Net Property, Plant and Equipment  | \$140,506         | \$138,460        |

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#### 4. Equity Investment in Joint Venture

The following table reflects summarized financial information for the Armand Products Company joint venture. The Company accounts for its 50 percent interest in the joint venture under the equity method. Product and services are provided to the Armand Products Company by the joint venture partners at cost. As a result, the following information would not be indicative of the financial position or results of operation had the joint venture operated on a stand-alone basis.

|  |  |                    |                  |
|--|--|--------------------|------------------|
|  |  | Three Months Ended |                  |
|  | (in thousands)   | March 31,<br>1995  | April 1,<br>1994 |
|  | Net sales  | \$13,298           | \$10,803         |
|  | Gross profit   | 5,447              | 3,818            |
|  | Net income   | 4,632              | 3,016            |
|  | Company's share in net income                                      | 2,316              | 1,508            |
|  | Elimination of Company's share<br>of intercompany interest expense | 113                | 113              |
|  | Equity in joint venture income                                     | \$2,429            | \$1,621          |

#### 5. Restructuring Charge

In 1993 and 1994 the Company recorded restructuring charges in connection with a cost reduction program and the write-off of assets related to discontinued products and plant consolidations. Components of the outstanding reserve balances included in accounts payable and accrued

expenses consist of the following:

| (in thousands)                        | Reserves at<br>December 31, 1994 | Disposals/<br>Payments | Reserves at<br>March 31, 1995 |
|---------------------------------------|----------------------------------|------------------------|-------------------------------|
| Fixed asset removal<br>and demolition | \$992                            | \$144                  | \$848                         |
| Severance and related                 | 2,154                            | 1,062                  | 1,092                         |
| Other                                 | 1,233                            | -                      | 1,233                         |
|                                       | \$4,379                          | \$1,206                | \$3,173                       |

6. Net income per share is computed based upon the weighted average number of common shares outstanding during the period. Common equivalent shares have been excluded because their effect was not material.

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#### MANAGEMENT'S DISCUSSION AND ANALYSIS

##### Results of Operations

For the quarter ended March 31, 1995, net income was \$1.1 million or \$.06 per share. This compares with \$2.4 million or \$.12 per share for the first quarter of 1994.

Net sales for the quarter were \$118.0 million, representing an increase of \$6.5 million or 5.8% versus the same period of 1994. The increase is primarily due to unit volume associated with ARM & HAMMER (registered trademark) Deodorant Anti-Perspirant, which was in the early stages of its national introduction a year ago, and increased unit volume of ARM & HAMMER Powder Laundry Detergent. These increases were partially offset by lower sales of ARM & HAMMER Liquid Laundry Detergent and lower unit volume of ARM & HAMMER DENTAL CARE (registered trademark). Specialty Product sales increased as well, led by a strong performance of the Company's Brotherton Speciality Products Ltd. subsidiary in the U.K., offset by weakness in the agricultural business due to a very competitive low-end marketplace.

Gross margin was 41.8% in the first quarter, as compared with 42.4% in the first quarter of 1994. This decline is primarily due to a weaker product mix associated with lower unit volume of ARM & HAMMER DENTAL CARE, and to a lesser extent, higher manufacturing costs.

Selling, general and administrative expenses were up \$4.0 million or 8.7% in the current quarter compared to a year ago mostly due to higher levels of advertising and promotion in support of ARM & HAMMER DENTAL CARE and ARM & HAMMER Deodorant Anti-Perspirant. This increase was somewhat offset by lower promotion costs associated with concentrated ARM & HAMMER Liquid Laundry Detergent which was first being introduced in the same period last year.

The Company's Armand Products Company joint venture had a very strong quarter with sales increasing by 23% resulting in a \$.8 million increase in equity earnings compared to the first quarter of 1994.

Interest payments were significantly higher in the first quarter as compared to the first quarter of a year ago as a result of an increase in short-term borrowing, while investment income was flat.

The effective tax rate for the current quarter was 46.5%, up from 36.9% from a year ago. This increase reflects the impact of foreign operating losses for which tax benefits were not recognizable.

##### Liquidity and Capital Resources

The Company considers cash and short-term investments as the principal measurement of its liquidity. At March 31, 1995, cash including cash equivalents and short-term investments totaled \$7.0 million as compared to \$7.6 million at December 31, 1994.

During the first quarter of 1995, the Company generated \$11.1 million of positive cash flow from operating activities and received \$2.2 million in distributions from its Armand Products joint venture. Significant expenditures included additions to property, plant and equipment of \$5.0 million, the payment of cash dividends of \$2.1 million, and the repayment of \$4.0 million of short-term borrowings.

PART II - Other Information

Item 6. Exhibits and Reports on Form 8-K

No reports on Form 8-K were filed for the three months ended March 31, 1995.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHURCH & DWIGHT CO., INC.  
(REGISTRANT)

DATE: May 5, 1995

/s/ Anthony P. Deasey  
ANTHONY P. DEASEY  
VICE PRESIDENT FINANCE

DATE: May 5, 1995

/s/ Mark L. Stolp  
MARK L. STOLP  
CONTROLLER

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<ARTICLE> 5  
<MULTIPLIER> 1,000

|                              |       |             |
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