

WD 40 CO
Form 10-Q
July 10, 2012
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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, 2012

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 July 5, 2012 was 15,787,109.

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WD-40 COMPANY

QUARTERLY REPORT ON FORM 10-Q

For the Quarter Ended May 31, 2012

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****WD-40 COMPANY****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited and in thousands, except share and per share amounts)**

	May 31, 2012	August 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 71,709	\$ 56,393
Short-term investments	503	533
Trade accounts receivable, less allowance for doubtful accounts of \$406 and \$412 at May 31, 2012 and August 31, 2011, respectively	53,086	58,324
Inventories	25,744	17,604
Current deferred tax assets, net	4,823	4,849
Assets held for sale	0	879
Other current assets	5,696	4,574
Total current assets	161,561	143,156
Property and equipment, net	9,075	8,482
Goodwill	95,253	95,452
Other intangible assets, net	28,103	29,933
Other assets	2,702	2,754
Total assets	\$ 296,694	\$ 279,777
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	\$ 20,331	\$ 19,373
Accrued liabilities	15,495	15,258
Current portion of long-term debt and short-term borrowings	45,000	10,715
Accrued payroll and related expenses	5,695	7,471
Income taxes payable	1,044	1,413
Total current liabilities	87,565	54,230
Long-term deferred tax liabilities, net	23,372	21,813
Deferred and other long-term liabilities	1,957	2,508
Total liabilities	112,894	78,551
Shareholders equity:		
Common stock authorized 36,000,000 shares, \$0.001 par value; 19,095,066 and 18,948,868 shares issued at May 31, 2012 and August 31, 2011, respectively; and 15,769,289 and 16,367,913 shares outstanding at May 31, 2012 and August 31, 2011, respectively	19	19
Additional paid-in capital	121,447	117,022
Retained earnings	188,895	176,008
Accumulated other comprehensive loss	(4,195)	(358)
	(122,366)	(91,465)

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Common stock held in treasury, at cost 3,325,777 and 2,580,955 shares at May 31, 2012 and August 31, 2011, respectively

Total shareholders' equity	183,800	201,226
Total liabilities and shareholders' equity	\$ 296,694	\$ 279,777

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2012	2011	2012	2011
Net sales	\$ 87,022	\$ 85,536	\$ 257,933	\$ 245,669
Cost of products sold	43,940	43,397	131,370	121,262
Gross profit	43,082	42,139	126,563	124,407
Operating expenses:				
Selling, general and administrative	22,736	22,588	67,280	65,866
Advertising and sales promotion	6,702	7,121	19,465	18,565
Amortization of definite-lived intangible assets	504	587	1,669	950
Total operating expenses	29,942	30,296	88,414	85,381
Income from operations	13,140	11,843	38,149	39,026
Other income (expense):				
Interest income	61	59	182	167
Interest expense	(159)	(277)	(484)	(818)
Other (expense) income, net	(170)	119	(342)	197
Income before income taxes	12,872	11,744	37,505	38,572
Provision for income taxes	3,736	3,684	10,993	12,325
Net income	\$ 9,136	\$ 8,060	\$ 26,512	\$ 26,247
Earnings per common share:				
Basic	\$ 0.57	\$ 0.48	\$ 1.65	\$ 1.55
Diluted	\$ 0.57	\$ 0.47	\$ 1.64	\$ 1.53
Shares used in per share calculations:				
Basic	15,872	16,851	15,966	16,880
Diluted	16,008	17,027	16,094	17,063
Dividends declared per common share	\$ 0.29	\$ 0.27	\$ 0.85	\$ 0.81

See accompanying notes to condensed consolidated financial statements.

Table of Contents**WD-40 COMPANY****CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME**

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

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive	Treasury Stock		Total Shareholders Equity	Total Comprehensive Income
	Shares	Amount			Loss	Shares	Amount		
Balance at August 31, 2011	18,948,868	\$ 19	\$ 117,022	\$ 176,008	\$ (358)	2,580,955	\$ (91,465)	\$ 201,226	
Issuance of common stock upon settlements of stock-based equity awards	146,198		1,792					1,792	
Stock-based compensation			2,169					2,169	
Tax benefits from settlements of stock-based equity awards			464					464	
Cash dividends (\$0.85 per share)				(13,625)				(13,625)	
Acquisition of treasury stock						744,822	(30,901)	(30,901)	
Foreign currency translation adjustment, net of tax benefit of \$54					(3,837)			(3,837)	\$ (3,837)
Net income				26,512				26,512	26,512
Balance at May 31, 2012	19,095,066	\$ 19	\$ 121,447	\$ 188,895	\$ (4,195)	3,325,777	\$ (122,366)	\$ 183,800	\$ 22,675

See accompanying notes to 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,	
	2012	2011
Operating activities:		
Net income	\$ 26,512	\$ 26,247
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,691	3,130
Net losses on sales and disposals of property and equipment	4	147
Deferred income taxes	664	466
Excess tax benefits from settlements of stock-based equity awards	(449)	(924)
Stock-based compensation	2,169	2,671
Unrealized foreign currency exchange losses, net	1,128	218
Provision for bad debts	83	108
Changes in assets and liabilities:		
Trade accounts receivable	2,381	(3,822)
Inventories	(8,451)	(5,627)
Other assets	(1,293)	3,289
Accounts payable and accrued liabilities	2,195	3,509
Accrued payroll and related expenses	(2,960)	(9,577)
Income taxes payable	1,263	1,635
Deferred and other long-term liabilities	(536)	103
Net cash provided by operating activities	26,401	21,573
Investing activities:		
Purchases of property and equipment	(3,043)	(2,004)
Proceeds from sales of property and equipment	1,133	127
Purchases of short-term investments	(529)	0
Maturities of short-term investments	514	0
Net cash used in investing activities	(1,925)	(1,877)
Financing activities:		
Repayments of long-term debt	(10,715)	(10,714)
Proceeds from revolving credit facility	99,550	0
Repayments of revolving credit facility	(54,550)	0
Dividends paid	(13,625)	(13,748)
Proceeds from issuance of common stock	3,112	16,518
Treasury stock purchases	(30,901)	(21,302)
Excess tax benefits from settlements of stock-based equity awards	449	924
Net cash used in financing activities	(6,680)	(28,322)
Effect of exchange rate changes on cash and cash equivalents	(2,480)	2,979
Net increase (decrease) in cash and cash equivalents	15,316	(5,647)
Cash and cash equivalents at beginning of period	56,393	75,928
Cash and cash equivalents at end of period	\$ 71,709	\$ 70,281

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See accompanying notes to condensed consolidated financial statements.

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WD-40 COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. The Company

WD-40 Company (the Company), based in San Diego, California, is a global consumer products company dedicated to delivering unique, high value and easy-to-use solutions for a wide variety of maintenance needs of doer and on-the-job users by leveraging and building the brand fortress of the Company. The Company markets multi-purpose maintenance products, WD-40® multi-use product and, 3-IN-ONE®, BLUE WORKS® and WD-40 Specialist™ product lines. WD-40 Specialist is the newest of these product lines and the Company launched the first three products in this line in the United States (U.S.) during September 2011 and certain products in the line in Canada and select markets in Europe during January 2012. The Company also markets the following homecare and cleaning brands: X-14® mildew stain remover and automatic toilet bowl cleaners, 2000 Flushes® automatic toilet bowl cleaners, Carpet Fresh® and No Vac® rug and room deodorizers, Spot Shot® aerosol and liquid carpet stain removers, 1001® household cleaners and rug and room deodorizers and Lava® and Solvol® heavy-duty hand cleaners.

The Company's brands are sold in various locations around the world. Multi-purpose maintenance products are sold worldwide in markets throughout North, Central and South America, Asia, Australia and the Pacific Rim, Europe, the Middle East and Africa. Homecare and cleaning products are sold primarily in North America, the United Kingdom (U.K.), Australia and the Pacific Rim. The Company's products are sold primarily through mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets and industrial distributors and suppliers.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, according to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations. The August 31, 2011 year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

In the opinion of management, the unaudited financial information for the interim periods shown reflects all adjustments necessary for a fair presentation thereof. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2011, which was filed with the SEC on October 20, 2011.

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Foreign Currency Forward Contracts

In the normal course of business, the Company employs established policies and procedures to manage its exposure to fluctuations in foreign currency exchange rates. The Company's U.K. subsidiary, whose functional currency is Pound Sterling, utilizes foreign currency forward contracts to limit its exposure in converting cash and intercompany accounts receivable balances denominated in non-functional currencies. The principal currency affected is the Euro.

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The Company regularly monitors its foreign currency exchange rate exposures to ensure the overall effectiveness of its foreign currency hedge positions. While the Company engages in foreign currency hedging activity to reduce its risk, for accounting purposes, none of its foreign currency forward contracts are designated as hedges.

Foreign currency forward contracts are carried at fair value, with net realized and unrealized gains and losses recognized currently in other income (expense) in the Company's condensed consolidated statements of operations. Cash flows from settlements of foreign currency forward contracts are included in operating activities in the condensed consolidated statements of cash flows. Foreign currency forward contracts in an asset position at the end of the reporting period are included in other current assets, while foreign currency forward contracts in a liability position at the end of the reporting period are included in accrued liabilities in the Company's condensed consolidated balance sheets.

The Company continually monitors its positions with, and the credit quality of, the financial institution that is counterparty to its foreign currency forward contracts, and has not experienced nonperformance by this counterparty. As a matter of policy, the Company does not purchase foreign currency forward contracts that exceed the amount of its cash and intercompany accounts receivable balances denominated in non-functional currencies. At May 31, 2012, the Company had a notional amount of \$10.7 million outstanding in foreign currency forward contracts, which mature from June 2012 through September 2012. Unrealized net gains and losses related to foreign currency forward contracts were not material at May 31, 2012 and August 31, 2011. Realized net gains related to foreign currency forward contracts were \$0.4 million and \$0.6 million for the three and nine months ended May 31, 2012, respectively. Realized net losses related to foreign currency forward contracts were \$0.2 million and \$0.5 million for the three and nine months ended May 31, 2011, respectively.

Long-lived Assets

The Company's long-lived assets consist of property and equipment and definite-lived intangible assets, which include trade names and non-contractual customer relationships. Long-lived assets are depreciated or amortized, as applicable, on a straight-line basis over their estimated useful lives. The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and/or its remaining useful life may no longer be appropriate. Any required impairment loss would be measured as the amount by which the asset's carrying amount exceeds its fair value, which is the amount at which the asset could be bought or sold in a current transaction between willing market participants and would be recorded as a reduction in the carrying amount of the related asset and a charge to results of operations. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset.

On November 4, 2011, the Company completed the sale of its warehouse facility located in Memphis, Tennessee to a third party for a sales price of approximately \$0.8 million, net of commissions. The sale resulted in a pre-tax loss of approximately \$0.1 million which is included as other expense in the Company's condensed consolidated statements of operations. From the third quarter of fiscal year 2011 through its sale date, this property met the held for sale criteria and was presented as such on the Company's condensed consolidated balance sheets.

Income Taxes

Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax liability or asset is established for the expected future tax consequences resulting from the differences in financial reporting and tax bases of assets and liabilities. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized. In addition to valuation allowances, the Company provides for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards prescribed by the authoritative guidance on income taxes. Amounts for uncertain tax positions are adjusted in periods when new information becomes available or when positions are effectively settled. The Company recognizes accrued interest and penalties related to uncertain tax positions as a component of income tax expense.

U.S. federal income tax expense is provided on remittances of foreign earnings and on unremitted foreign earnings that are not indefinitely reinvested. U.S. federal income taxes and foreign withholding taxes are not provided when foreign earnings are indefinitely reinvested. The Company determines whether its foreign subsidiaries will invest their undistributed earnings indefinitely based on the capital needs of the foreign subsidiaries and reassesses this determination each reporting period. Changes to the Company's determination may be warranted based on the Company's experience as well as plans regarding future international operations and expected remittances.

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Earnings per Common Share

The Company calculates earnings per common share (EPS) using the two-class method, which provides for an allocation of net income between common stock and other participating securities based on their respective participation rights to share in dividends. Basic EPS is calculated by dividing net income available to common shareholders for the period by the weighted-average number of common shares outstanding during the period. Net income available to common shareholders for the period includes dividends paid to common shareholders during the period plus a proportionate share of undistributed net income allocable to common shareholders for the period; the proportionate share of undistributed net income allocable to common shareholders for the period is based on the proportionate share of total weighted-average common shares and participating securities outstanding during the period.

Diluted EPS is calculated by dividing net income available to common shareholders for the period by the weighted-average number of common shares outstanding during the period increased by the weighted-average number of potentially dilutive common shares (dilutive securities) that were outstanding during the period if the effect is dilutive. Dilutive securities are comprised of stock options, restricted stock units and performance share units granted under the Company s prior stock option plan and current equity incentive plan.

Recently Adopted Accounting Standards

Effective March 1, 2012, the Company adopted the updated authoritative guidance related to fair value measurements that requires additional changes to fair value measurement principles and enhances disclosure requirements related to activities in Level 3 of the fair value hierarchy. The adoption of this standard did not have an impact on the Company s consolidated financial statement disclosures.

In September 2011, the Financial Accounting Standards Board (FASB) issued updated authoritative guidance to amend the standard for the goodwill impairment test. The amendments allow companies to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Companies are no longer required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The updated authoritative guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. In February 2012, the Company early adopted the provisions of this updated authoritative guidance in conjunction with its annual goodwill impairment test, which was performed in the second quarter of fiscal year 2012. The adoption of this new guidance changed the Company s process and procedures for its goodwill impairment test, but it did not have an impact on the Company s consolidated financial statements.

Effective September 1, 2011, the Company adopted the provisions of the updated authoritative guidance related to when to perform step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. Per this updated authoritative guidance, when a reporting unit has a zero or negative carrying amount, Step 2 of the goodwill impairment test will be performed if qualitative factors indicate that it is more likely than not that a goodwill impairment exists. The qualitative factors to be considered are consistent with the current interim impairment triggers for goodwill. Upon adoption, an entity will perform Step 2 of the goodwill impairment test if it is more likely than not that goodwill is impaired. Furthermore, any impairment identified at the time of adoption will be recognized as a cumulative effect adjustment to beginning retained earnings. The adoption of the provisions of this standard did not have an impact on the Company s consolidated financial statements.

Effective September 1, 2011, the Company adopted the updated authoritative guidance related to fair value measurements which requires certain new disclosures related to activities in Level 3 fair value measurements, including purchases, sales, issuances and settlements. The adoption of this standard did not have an impact on the Company s consolidated financial statement disclosures.

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In December 2011, the FASB issued updated authoritative guidance related to new disclosure requirements on offsetting financial assets and liabilities. The new rules require companies to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position, as well as instruments and transactions subject to a netting arrangement. The updated authoritative guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company is currently evaluating the potential impact, if any, of the adoption of this updated authoritative guidance on its consolidated financial statement disclosures.

In June 2011, the FASB issued updated authoritative guidance to amend the presentation of comprehensive income. Under these new presentation rules, companies will have the option to present other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Under both alternatives, companies will be required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. In the single continuous statement approach, the guidance requires the entity to present the components of net income and total net income, the components of other comprehensive income and a total for other comprehensive income, along with the total of comprehensive income in that statement. In the two-statement approach, the income statement will be followed immediately by the statement of other comprehensive income, which will include the amount for total comprehensive income. The amendments in this guidance also require that reclassifications from other comprehensive income to net income be presented on the face of the financial statements, but this portion of the guidance was indefinitely deferred in accordance with the Accounting Standards Update No. 2011-12 which was issued by the FASB in December 2011. The updated authoritative guidance on comprehensive income is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company has evaluated this updated authoritative guidance, and expects to include this information as a continuous statement or a separate statement starting in fiscal year 2013.

Note 3. Fair Value Measurements**Financial Assets and Liabilities**

The Company categorizes its financial assets and liabilities measured at fair value into a hierarchy that categorizes fair value measurements into the following three levels based on the types of inputs used in measuring their fair value:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market-based inputs or observable inputs that are corroborated by market data; and

Level 3: Unobservable inputs reflecting the Company's own assumptions.

Financial assets measured at fair value on a recurring basis are summarized below (in thousands):

	May 31, 2012			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$ 4,534	\$	\$ 4,534	\$
Term deposits	503		503	
Total	\$ 5,037	\$	\$ 5,037	\$
	August 31, 2011			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$	\$	\$	\$
Term deposits	533		533	

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Total	\$	533	\$		\$	533	\$
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Money market funds are highly liquid investments classified as cash equivalents and term deposits are held-to-maturity investments classified as short-term investments in the Company's condensed consolidated balance sheets at May 31, 2012 and August 31, 2011. These securities are valued based on third party quotations of similar assets in active markets, and are thus classified as Level 2 within the fair value hierarchy.

There were no transfers between Level 1 and Level 2 fair value measurements during the nine months ended May 31, 2012 and 2011.

The carrying values of trade accounts receivable and accounts payable approximate their fair values due to their short-term maturities. The estimated fair value of long-term debt, including current maturities, was \$10.9 million at August 31, 2011 based on discounted future cash flows using current market interest rates. No such long-term debt was outstanding at May 31, 2012.

Nonfinancial Assets and Liabilities

The Company's nonfinancial assets and liabilities are recognized at fair value subsequent to initial recognition when they are deemed to be impaired. There were no nonfinancial assets and liabilities deemed to be impaired and measured at fair value on a nonrecurring basis as of May 31, 2012 and August 31, 2011.

Note 4. Inventories

Inventories consisted of the following (in thousands):

	May 31, 2012	August 31, 2011
Product held at contract packagers	\$ 3,174	\$ 1,727
Raw materials and components	2,849	2,174
Work-in-process	523	318
Finished goods	19,198	13,385
Total	\$ 25,744	\$ 17,604

Note 5. Property and Equipment

Property and equipment, net, consisted of the following (in thousands):

	May 31, 2012	August 31, 2011
Machinery, equipment and vehicles	\$ 12,605	\$ 12,331
Buildings and improvements	3,532	3,559
Computer and office equipment	3,366	3,169
Software	5,132	4,245
Furniture and fixtures	1,196	1,154
Land	283	293
Subtotal	26,114	24,751
Less: accumulated depreciation and amortization	(17,039)	(16,269)
Total	\$ 9,075	\$ 8,482

Note 6. Goodwill and Other Intangible Assets

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Goodwill represents the excess of the purchase price over the fair value of tangible and intangible assets acquired. Other intangible assets, which currently only include definite-lived intangible assets, consist of trade names and non-contractual customer relationships. The carrying value of goodwill is reviewed for possible impairment annually during the Company's second fiscal quarter.

In addition to the annual impairment test, goodwill is evaluated each reporting period to determine whether events and circumstances would more likely than not reduce the fair value of a reporting unit below its carrying value. Definite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives and are evaluated each reporting period to determine whether events and circumstances indicate that their carrying amounts may not be recoverable and/or their remaining useful lives may no longer be appropriate.

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During the second quarter of fiscal year 2012, the Company performed its annual goodwill impairment test. The annual goodwill impairment test was performed at the reporting unit level as required by the authoritative guidance on intangibles, goodwill and other. Under updated authoritative guidance which was issued by the FASB in September 2011, companies are permitted to perform a qualitative assessment to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The Company early adopted the provisions of this new guidance in conjunction with its second quarter of fiscal year 2012 annual goodwill impairment test and it performed a qualitative assessment of all reporting units of whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In performing this qualitative assessment, the Company assessed relevant events and circumstances that may impact the fair value and the carrying amount of each of its reporting units. Factors that were considered included, but were not limited to, the following: (1) macroeconomic conditions; (2) industry and market conditions; (3) overall financial performance and expected financial performance; (4) other entity specific events, such as changes in management or key personnel; and (5) events affecting the Company's reporting units, such as a change in the composition of net assets or any expected dispositions. Based on the results of this qualitative assessment, the Company determined that it is more likely than not that the carrying value of each of its reporting units is less than its fair value and, thus, the two-step quantitative analysis was not required. As a result, the Company concluded that no impairment of its goodwill existed as of February 29, 2012.

In addition, there were no indicators of impairment identified as a result of the Company's review of events and circumstances related to its goodwill or definite-lived intangible assets for the quarter ended May 31, 2012.

Goodwill

Changes in the carrying amounts of goodwill by segment for the nine months ended May 31, 2012 are summarized below (in thousands):

	Americas	Europe	Asia-Pacific	Total
Balance as of August 31, 2011	\$ 85,578	\$ 8,663	\$ 1,211	\$ 95,452
Translation adjustments	(30)	(169)		(199)
Balance as of May 31, 2012	\$ 85,548	\$ 8,494	\$ 1,211	\$ 95,253

To date, there have been no impairment losses identified and recorded related to the Company's goodwill.

Definite-lived Intangible Assets

The Company's definite-lived intangible assets are included in other intangible assets, net in the Company's condensed consolidated balance sheets. The following table summarizes the definite-lived intangible assets and the related accumulated amortization (in thousands):

	May 31, 2012	August 31, 2011
Gross carrying amount	\$ 34,630	\$ 34,815
Accumulated amortization	(6,417)	(4,928)
Translation adjustments	(110)	46
Net carrying amount	\$ 28,103	\$ 29,933

Changes in the carrying amounts of definite-lived intangible assets by segment for the nine months ended May 31, 2012 are summarized below (in thousands):

	Americas	Europe	Asia-Pacific	Total
Balance as of August 31, 2011	\$ 26,413	\$ 3,520	\$	\$ 29,933
Amortization expense	(1,397)	(272)		(1,669)

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Translation adjustments	122	(283)		(161)
Balance as of May 31, 2012	\$ 25,138	\$ 2,965	\$	\$ 28,103

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The estimated future amortization expense for the 1001 trade name intangible asset is based on current foreign currency exchange rates, and amounts in future periods may differ from those presented due to fluctuations in those rates. The estimated amortization expense for the Company's trade names intangible assets in future fiscal years is as follows (in thousands):

	Trade Names
Remainder of fiscal year 2012	\$ 464
Fiscal year 2013	1,857
Fiscal year 2014	1,857
Fiscal year 2015	1,857
Fiscal year 2016	1,857
Thereafter	20,211
Total	\$ 28,103

Note 7. Accrued and Other Liabilities

Accrued liabilities consisted of the following (in thousands):

	May 31, 2012	August 31, 2011
Accrued advertising and sales promotion expenses	\$ 10,622	\$ 9,396
Accrued professional services fees	1,165	1,005
Accrued sales taxes	739	1,189
Accrued other taxes	912	346
Other	2,057	3,322
Total	\$ 15,495	\$ 15,258

Accrued payroll and related expenses consisted of the following (in thousands):

	May 31, 2012	August 31, 2011
Accrued bonuses	\$ 1,302	\$ 2,218
Accrued payroll	2,108	2,111
Accrued profit sharing	1,145	1,608
Accrued payroll taxes	758	1,066
Other	382	468
Total	\$ 5,695	\$ 7,471

Deferred and other long-term liabilities consisted of the following (in thousands):

	May 31, 2012	August 31, 2011
Supplemental employee retirement plan benefits liability	\$ 626	\$ 707

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Other income taxes payable	1,232	1,735
Other	99	66
Total	\$ 1,957	\$ 2,508

Note 8. Debt

Debt consisted of the following (in thousands):

	May 31, 2012	August 31, 2011
Current portion of term loan	\$	\$ 10,715
Revolving credit facility	45,000	
Total current portion of long-term debt and short-term borrowings	\$ 45,000	\$ 10,715

Table of Contents*Term Loan*

The Company's \$75.0 million, 7.28% fixed-rate term loan, had a 10-year term which originated in October 2001 and was financed through Prudential Capital. On October 17, 2011, the Company paid off the final balance due under this term loan of \$10.7 million and the associated interest of \$0.2 million with cash on hand.

Revolving Credit Facility

On June 17, 2011, the Company entered into an unsecured credit agreement with Bank of America, N.A. ("Bank of America"). The agreement consists of a \$75.0 million three-year revolving credit facility. To date, the Company has used the proceeds of the revolving credit facility for its stock repurchases and plans to continue using such proceeds for its general working capital needs and stock repurchases under any existing board approved share buy-back plans. Under the terms of the credit facility agreement, the Company may initiate loans in U.S. dollars or in foreign currencies from time to time during the three-year period, which expires on June 17, 2014. All loans denominated in U.S. dollars will accrue interest at the bank's Prime rate or at LIBOR plus a margin of 0.90 percent. All loans denominated in foreign currencies will accrue interest at LIBOR plus 0.90 percent (together with any applicable mandatory liquid asset costs imposed by non-U.S. banking regulatory authorities). Interest on outstanding loans is due and payable on a quarterly basis through the credit facility maturity date of June 17, 2014. The Company may also borrow against the credit facility through the issuance of standby letters of credit. Outstanding letters of credit are subject to a fee equal to 0.90 percent per annum applied to amounts available to be drawn on outstanding letters of credit. The Company will incur commitment fees for the credit facility at an annual rate of 0.15 percent applied to the portion of the total credit facility commitment that has not been borrowed until outstanding loans and letters of credit exceed \$37.5 million.

The agreement includes representations, warranties and covenants customary for credit facilities of this type, as well as customary events of default and remedies. The agreement also requires the Company to maintain a minimum consolidated earnings before interest, income taxes, depreciation and amortization ("EBITDA") of \$40.0 million, measured on a trailing twelve month basis, at each reporting period.

During the nine months ended May 31, 2012, the Company borrowed \$99.6 million U.S. dollars under the revolving credit facility and repaid \$54.6 million along with the associated interest of \$0.2 million with cash on hand. In addition, the Company has periodically extended the maturity date of draws on the line of credit and the balance on these draws has remained within a short-term classification as a result of these extensions. As of May 31, 2012, the Company had a \$45.0 million outstanding balance on the revolving credit facility and was in compliance with all debt covenants under this credit facility.

Note 9. Share Repurchase Plan

On December 14, 2010, the Company's Board of Directors approved a share buy-back plan, which was in effect through December 13, 2011, and authorized the Company to acquire up to \$25.0 million of its outstanding shares. On April 4, 2011, the Company's Board of Directors approved an increase to this existing \$25.0 million share buy-back plan to authorize the Company to acquire an additional \$35.0 million of its outstanding shares and to extend the expiration date of the plan to April 4, 2013. As a result, the Company was authorized to acquire shares of its common stock in the aggregate amount of \$60.0 million, less the amount utilized to date. Under the plan, the Company was authorized to acquire its outstanding shares on such terms and conditions as may be acceptable to the Company's Chief Executive Officer or Chief Financial Officer and subject to lender approval from Prudential Capital, up until the date on which the term loan with this lender was paid in full, and in compliance with all laws and regulations applicable thereto. During the period from December 14, 2010 through November 30, 2011, the Company repurchased 1,484,912 shares at a total cost of \$60.0 million. As a result, the Company has utilized the entire authorized amount and has completed the repurchases under this share buy-back plan.

On December 13, 2011, the Company's Board of Directors approved a new share buy-back plan. Under the plan, which is in effect through December 12, 2013, the Company is authorized to acquire up to \$50.0 million of its outstanding shares on such terms and conditions as may be acceptable to the Company's Chief Executive Officer or Chief Financial Officer and in compliance with all laws and regulations applicable thereto. During the period from December 14, 2011 through May 31, 2012, the Company repurchased 277,367 shares at a total cost of \$12.3 million.

Table of Contents**Note 10. Earnings per Common Share**

The table below reconciles net income to net income available to common shareholders (in thousands):

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2012	2011	2012	2011
Net income	\$ 9,136	\$ 8,060	\$ 26,512	\$ 26,247
Less: Net income allocated to participating securities	(39)	(29)	(112)	(93)
Net income available to common shareholders	\$ 9,097	\$ 8,031	\$ 26,400	\$ 26,154

The table below summarizes the weighted-average number of common shares outstanding included in the calculation of basic and diluted EPS (in thousands):

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2012	2011	2012	2011
Weighted-average common shares outstanding, basic	15,872	16,851	15,966	16,880
Weighted-average dilutive securities	136	176	128	183
Weighted-average common shares outstanding, diluted	16,008	17,027	16,094	17,063

There were no anti-dilutive stock options outstanding for each of the three and nine months ended May 31, 2012 and 2011.

Note 11. Related Parties

On October 11, 2011, the Company's Board of Directors elected Mr. Gregory A. Sandfort as a director of WD-40 Company. Mr. Sandfort is President and Chief Operating Officer of Tractor Supply Company (Tractor Supply), which is a WD-40 Company customer that acquires products from the Company in the ordinary course of business.

The condensed consolidated financial statements include sales to Tractor Supply of \$0.2 million and \$0.4 million for the three and nine months ended May 31, 2012. Accounts receivable from Tractor Supply were \$0.1 million as of May 31, 2012.

Note 12. Commitments and Contingencies*Purchase Commitments*

The Company has relationships with various suppliers (contract manufacturers) who manufacture the Company's products. Although the Company typically does not have definitive minimum purchase obligations included in the contract terms with its contract manufacturers, when such obligations have been included, they have been immaterial to date. Supply needs are communicated by the Company to its contract manufacturers and the Company is committed to purchase the products produced based on orders and short-term projections, ranging from two to five months, provided to the contract manufacturers. The Company is also obligated to purchase obsolete or slow-moving inventory from its contract manufacturers and has done so in the past under these commitments, the amounts of which have been immaterial.

In addition to the commitments to purchase products from contract manufacturers described above, the Company may also enter into commitments with other manufacturers to purchase finished goods and components to support innovation initiatives and/or supply chain initiatives. As of May 31, 2012, no such commitments were outstanding.

Litigation

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The Company is party to various claims, legal actions and complaints, including product liability litigation, arising in the ordinary course of business.

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On May 31, 2012, a legal action was filed against the Company in the United States District Court, Southern District of Texas, Houston Division (*IQ Products Company v. WD-40 Company*). IQ Products Company, a Texas corporation (IQPC), or an affiliate or a predecessor of IQPC, has provided contract manufacturing services to the Company for many years. The allegations of IQPC's complaint arose out of a pending termination of this business relationship. In 2011, the Company requested proposals for manufacturing services from all of its domestic contract manufacturers in conjunction with a project to redesign the Company's supply chain architecture in North America. IQPC submitted a proposal as requested, and the Company tentatively awarded IQPC a new contract based on the information and pricing included in that proposal. IQPC subsequently sought to materially increase the quoted price for such manufacturing services. As a result, the Company chose to terminate its business relationship with IQPC. IQPC also raised alleged safety concerns regarding a long-standing manufacturing specification related to the Company's products. The Company believes that IQPC's safety concerns are unfounded.

In its complaint, IQPC asserts that the Company is obligated to indemnify IQPC for claims and losses based on a 1993 indemnity agreement and pursuant to common law. IQPC also asserts that it has been harmed by the Company's allegedly retaliatory conduct in seeking to terminate its relationship with IQPC, allegedly in response to the safety concerns identified by IQPC. IQPC seeks declaratory relief to establish that it is entitled to indemnification and also to establish that the Company is responsible for reporting the alleged safety concerns to the United States Consumer Products Safety Commission and to the United States Department of Transportation. The complaint also seeks damages for alleged economic losses in excess of \$40.0 million, attorney's fees and punitive damages based on alleged misrepresentations and false promises. The Company believes the case is without merit and will vigorously defend this matter. The Company's estimate of possible loss relative to this matter is immaterial with respect to the Company's financial statements as a whole.

Indemnifications

As permitted under Delaware law, the Company has agreements whereby it indemnifies senior officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company maintains Director and Officer insurance coverage that mitigates the Company's exposure with respect to such obligations. As a result of the Company's insurance coverage, management believes that the estimated fair value of these indemnification agreements is minimal. Thus, no liabilities have been recorded for these agreements as of May 31, 2012.

From time to time, the Company enters into indemnification agreements with certain contractual parties in the ordinary course of business, including agreements with lenders, lessors, contract manufacturers, marketing distributors, customers and certain vendors. All such indemnification agreements are entered into in the context of the particular agreements and are provided in an attempt to properly allocate risk of loss in connection with the consummation of the underlying contractual arrangements. Although the maximum amount of future payments that the Company could be required to make under these indemnification agreements is unlimited, management believes that the Company maintains adequate levels of insurance coverage to protect the Company with respect to most potential claims arising from such agreements and that such agreements do not otherwise have value separate and apart from the liabilities incurred in the ordinary course of the Company's business. Thus, no liabilities have been recorded with respect to such indemnification agreements as of May 31, 2012.

Note 13. Income Taxes

The Company uses an estimated annual effective tax rate, which is based on expected annual income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which the Company operates, to determine its quarterly provision for income taxes. Certain significant or unusual items are separately recognized in the quarter in which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

The provision for income taxes was 29.0% and 31.4% of income before income taxes for the three months ended May 31, 2012 and 2011, respectively. The decrease in the effective income tax rate from period to period was primarily driven by the addition of an uncertain tax position liability during the third quarter of fiscal year 2011 associated with the Company's foreign operations. No such uncertain tax position liability was recorded in the third quarter of the current fiscal year. Also contributing to the overall decrease in the effective income tax rate from period to period was a decrease in the effective state tax rates in specific states, primarily in California due to a recent change in state tax law, and a continuing shift in the Company's net income from the U.S. to certain foreign jurisdictions with lower tax rates, primarily the United Kingdom.

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The provision for income taxes was 29.3% and 32.0% of income before income taxes for the nine months ended May 31, 2012 and 2011, respectively. The decrease in the effective income tax rate from period to period was primarily driven by a decrease in the effective state tax rates in specific states, primarily in California due to a recent change in state tax law. The nonrecurring addition of an uncertain tax position liability during the third quarter of fiscal year 2011 associated with the Company's foreign operations and a continuing shift in the Company's net income from the U.S. to certain foreign jurisdictions with lower tax rates, primarily the U.K., also caused the effective income tax rate to be lower for the nine months ended May 31, 2012 as compared to the same time period in the prior fiscal year.

The total amount of unrecognized tax benefits was \$0.8 million as of May 31, 2012 and \$1.4 million as of August 31, 2011, of which \$0.5 million and \$1.0 million, respectively, would impact the effective tax rate if recognized. The gross liability for income taxes related to unrecognized tax benefits is included in other long-term liabilities in the Company's condensed consolidated balance sheets.

The total balance of accrued interest and penalties related to uncertain tax positions was \$0.3 million and \$0.4 million as of May 31, 2012 and August 31, 2011, respectively. The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense and the accrued interest and penalties are included in deferred and other long-term liabilities in the Company's condensed consolidated balance sheets. There were no material interest or penalties included in income tax expense for each of the three and nine months ended May 31, 2012 and 2011.

During the three and nine months ended May 31, 2012, the Company released a portion of its reserve for uncertain tax positions and recorded on the condensed consolidated balance sheets a tax benefit, excluding interest, of \$0.2 million and \$0.7 million, respectively, associated primarily with the expiration of the statute of limitations for years in which the Company had recorded a reserve for uncertain tax positions. This benefit was partially offset by a charge to tax expense for \$0.1 million, excluding interest, relating to a reserve for uncertain tax positions in the current fiscal year. The Company has accordingly reduced the tax liability on the condensed consolidated balance sheets and recorded a net benefit of \$0.1 million and \$0.5 million, excluding interest, for its net change in uncertain tax positions for the three and nine month periods ended May 31, 2012, respectively.

During the three and nine months ended May 31, 2012, the Company recognized net tax benefits, including interest, of \$0.2 million and \$0.7 million, respectively, in its condensed consolidated statements of operations primarily due to the expiration of statutes in certain foreign and state jurisdictions.

The Company is subject to taxation in the U.S. and in various state and foreign jurisdictions. Due to expired statutes, the Company's federal income tax returns for years prior to fiscal year 2009 are not subject to examination by the U.S. Internal Revenue Service. Generally, for the majority of state and foreign jurisdictions where the Company does business, periods prior to fiscal year 2008 are no longer subject to examination. The Company is currently under audit in state jurisdictions for fiscal years 2008 through 2011. The Company has estimated that up to \$0.2 million of unrecognized tax benefits related to income tax positions may be affected by the resolution of tax examinations or expiring statutes of limitation within the next twelve months. Audit outcomes and the timing of settlements are subject to significant uncertainty.

Note 14. Business Segments and Foreign Operations

The Company evaluates the performance of its segments and allocates resources to them based on sales, operating income and expected return. The Company is organized based on geographic location. Segment data does not include inter-segment revenues and incorporates corporate expenses into the Americas segment, with the exception of certain research and development expenses which the Europe segment started to incur during fiscal year 2011. All such corporate expenses are not allocated to other segments because the Company's segments are run independently. As a result, there are few costs that could be considered only corporate expenses that would qualify for allocation to other segments. The most significant portion of corporate expenses relates to the Americas segment both as a percentage of time and sales. Therefore, any allocation to other segments would be arbitrary.

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The tables below present information about reportable segments and net sales by product line (in thousands):

As of and for the Three Months Ended May 31:	Americas	Europe	Asia-Pacific	Total
2012				
Net sales	\$ 43,972	\$ 30,100	\$ 12,950	\$ 87,022
Income from operations (1)	\$ 3,637	\$ 7,221	\$ 2,282	\$ 13,140
Depreciation and amortization expense	\$ 887	\$ 281	\$ 48	\$ 1,216
Interest income	\$	\$ 33	\$ 28	\$ 61
Interest expense	\$ 157	\$	\$ 2	\$ 159
Total assets	\$ 184,105	\$ 96,195	\$ 16,394	\$ 296,694
2011				
Net sales	\$ 46,223	\$ 28,139	\$ 11,174	\$ 85,536
Income from operations (1)	\$ 5,607	\$ 4,925	\$ 1,311	\$ 11,843
Depreciation and amortization expense	\$ 858	\$ 374	\$ 54	\$ 1,286
Interest income	\$ 1	\$ 29	\$ 29	\$ 59
Interest expense	\$ 274	\$	\$ 3	\$ 277
Total assets	\$ 172,419	\$ 105,910	\$ 12,348	\$ 290,677

- (1) Income from operations for the Americas segment included corporate expenses of \$5.0 million and \$5.1 million for the three months ended May 31, 2012 and 2011, respectively. Income from operations for the Europe segment included research and development expenses of \$0.2 million for each of the three months ended May 31, 2012 and 2011.

As of and for the Nine Months Ended May 31:	Americas	Europe	Asia-Pacific	Total
2012				
Net sales	\$ 130,622	\$ 88,227	\$ 39,084	\$ 257,933
Income from operations (2)	\$ 12,571	\$ 17,963	\$ 7,615	\$ 38,149
Depreciation and amortization expense	\$ 2,567	\$ 989	\$ 135	\$ 3,691
Interest income	\$ 1	\$ 90	\$ 91	\$ 182
Interest expense	\$ 478	\$	\$ 6	\$ 484
Total assets	\$ 184,105	\$ 96,195	\$ 16,394	\$ 296,694
2011				
Net sales	\$ 123,524	\$ 90,653	\$ 31,492	\$ 245,669
Income from operations (2)	\$ 14,249	\$ 19,171	\$ 5,606	\$ 39,026
Depreciation and amortization expense	\$ 1,984	\$ 997	\$ 149	\$ 3,130
Interest income	\$ 8	\$ 79	\$ 80	\$ 167
Interest expense	\$ 810	\$	\$ 8	\$ 818
Total assets	\$ 172,419	\$ 105,910	\$ 12,348	\$ 290,677

- (2) Income from operations for the Americas segment included corporate expenses of \$14.6 million and \$14.9 million for the nine months ended May 31, 2012 and 2011, respectively. Income from operations for the Europe segment included research and development expenses of \$0.8 million and \$0.6 million for the nine months ended May 31, 2012 and 2011, respectively.

Net Sales by Product Line:	Three Months Ended May 31,		Nine Months Ended May 31,	
	2012	2011	2012	2011
Multi-purpose maintenance products	\$ 73,666	\$ 72,664	\$ 215,886	\$ 204,636
Homecare and cleaning products	13,356	12,872	42,047	41,033
Total	\$ 87,022	\$ 85,536	\$ 257,933	\$ 245,669

Note 15. Subsequent Events

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On June 19, 2012, the Company's Board of Directors declared a cash dividend of \$0.29 per share payable on July 31, 2012 to shareholders of record on July 16, 2012.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

As used in this report, the terms we, our, us and the Company refer to WD-40 Company and its wholly-owned subsidiaries, unless the context suggests otherwise. Amounts and percents in tables and discussions may not total due to rounding.

The following information is provided as a supplement to, and should be read in conjunction with, the unaudited condensed consolidated financial statements and notes thereto included in Part I Item 1 of this Quarterly Report and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended August 31, 2011, which was filed with the Securities and Exchange Commission (SEC) on October 20, 2011.

In order to show the impact of changes in foreign currency exchange rates on our results of operations, we have included constant currency disclosures, where necessary, in the Overview and Results of Operations sections which follow. Constant currency disclosures represent the translation of our current fiscal year revenues and expenses from the functional currencies of our subsidiaries to U.S. dollars using the exchange rates in effect for the corresponding period of the prior fiscal year. We use results on a constant currency basis as one of the measures to understand our operating results and evaluate our performance in comparison to prior periods. Results on a constant currency basis are not in accordance with accounting principles generally accepted in the United States of America (non-GAAP) and should be considered in addition to, not as a substitute for, results prepared in accordance with GAAP.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for certain forward-looking statements. This report contains forward-looking statements, which reflect the Company's current views with respect to future events and financial performance.

These forward-looking statements are subject to certain risks and uncertainties. The words aim, believe, expect, anticipate, intend, estimate, and other expressions that indicate future events and trends identify forward-looking statements. These statements include, but are not limited to, references to the near-term growth expectations for multi-purpose maintenance products and homecare and cleaning products, the impact of changes in product distribution, competition for shelf space, the impact of competition on product pricing, the level of promotional and advertising spending, plans for and success of product innovation, the impact of new product introductions on the growth of sales, the impact of customer mix and costs of raw materials, components and finished goods on gross margins, the impact of promotional programs on sales, the rate of sales growth in the Asia-Pacific segment, direct European countries and Eastern and Northern Europe, foreign currency exchange rates and fluctuations in those rates, the impact of changes in inventory management, the effect of future income tax provisions and audit outcomes on tax rates, and the effects of, and changes in, worldwide economic conditions and legal proceedings and other risk factors. The Company undertakes no obligation to revise or update any forward-looking statements.

Actual events or results may differ materially from those projected in forward-looking statements due to various factors, including, but not limited to, those identified in Part I Item 1A, Risk Factors, in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2011, and in the Company's Quarterly Reports on Form 10-Q, which may be updated from time to time.

Overview

The Company

WD-40 Company, based in San Diego, California, is a global consumer products company dedicated to delivering unique, high value and easy-to-use solutions for a wide variety of maintenance needs of doer and on-the-job users by leveraging and building the brand fortress of the Company. We market multi-purpose maintenance products, WD-40® multi-use product and, 3-IN-ONE®, BLUE WORKS® and WD-40 Specialist™ product lines. WD-40 Specialist is the newest of these product lines and we launched the first three products in this line in the U.S. during September 2011 and certain products in the line in Canada and select markets in Europe starting in January 2012. We also market the following homecare and cleaning brands: X-14® mildew stain remover and automatic

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toilet bowl cleaners, 2000 Flushes[®] automatic toilet bowl cleaners, Carpet Fresh[®] and No Vac[®] rug and room deodorizers, Spot Shot[®] aerosol and liquid carpet stain removers, 1001[®] household cleaners and rug and room deodorizers and Lava[®] and Solvol[®] heavy-duty hand cleaners.

Our brands are sold in various locations around the world. Multi-purpose maintenance products are sold worldwide in markets throughout North, Central and South America, Asia, Australia and the Pacific Rim, Europe, the Middle East and Africa. Homecare and cleaning products are sold primarily in North America, the U.K., Australia and the Pacific Rim. We sell our products primarily through mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets and industrial distributors and suppliers.

Highlights

The following summarizes the financial and operational highlights for our business during the nine months ended May 31, 2012:

Consolidated net sales increased \$12.2 million, or 5%, for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on sales for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year.

Multi-purpose maintenance products sales, which include the WD-40 multi-use product, 3-IN-ONE, BLUE WORKS and the WD-40 Specialist product lines, were \$215.9 million, up 6% from the same period last fiscal year.

Homecare and cleaning products sales, which include all other brands, were \$42.0 million, up 3% from the same period last fiscal year.

Americas segment sales were \$130.6 million, up 6% compared to the same period last fiscal year. Europe segment sales were \$88.2 million, down 3% compared to the same period last fiscal year. Asia-Pacific segment sales were \$39.1 million, up 24% compared to the same period last fiscal year.

Consolidated net income increased \$0.3 million, or 1%, for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on net income for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year.

Gross profit as a percentage of net sales decreased to 49.1% for the nine months ended May 31, 2012 compared to 50.6% for the corresponding period of the prior fiscal year.

Diluted earnings per common share for the nine months ended May 31, 2012 were \$1.64 versus \$1.53 in the prior fiscal year period.

Progress continues to be made on the development and launch of new multi-purpose maintenance products. The WD-40 Specialist[™] line of products was launched in the U.S. during the first quarter of fiscal year 2012 and in Canada and select markets in Europe during the second quarter of fiscal year 2012. Initial sales results in all regions have been positive as compared to the initial forecasted sales.

Share repurchases have been successfully executed under both our \$60.0 million and \$50.0 million approved share buy-back plans. The \$60.0 million plan has been fully utilized and all remaining authorized purchases under the plan were completed in the first quarter of fiscal year 2012. To date, the Company has repurchased 277,367 shares at an average price of \$44.33 per share for a total cost of \$12.3 million under the \$50.0 million plan which was approved by the Company's Board of Directors in December

2011.

During the first quarter of fiscal year 2012, we started a project to redesign our supply chain architecture in North America. Once fully integrated, we expect this redesign to result in overall cost savings within our supply chain network, improved service to our customers and an increase in our inventory over historical levels. During the transition phases of this project, we have incurred and may continue to incur additional costs and our inventory levels may fluctuate from period to period.

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Our core strategic initiatives and the areas where we will continue to focus our time and resources for the remainder of fiscal year 2012 and in future periods include: (i) maximizing the WD-40 brand; (ii) becoming the global leader in our categories; (iii) developing strategic business relationships; (iv) pursuing global innovation efforts; and (v) attracting, developing and retaining people.

Results of Operations*Three Months Ended May 31, 2012 Compared to Three Months Ended May 31, 2011***Operating Items**

The following table summarizes operating data for our consolidated operations (in thousands, except percentages and per share amounts):

	Three Months Ended May 31,			
	2012	2011	Change from Prior Year	
			Dollars	Percent
Net sales:				
Multi-purpose maintenance products	\$ 73,666	\$ 72,664	\$ 1,002	1%
Homecare and cleaning products	13,356	12,872	484	4%
Total net sales	87,022	85,536	1,486	2%
Cost of products sold	43,940	43,397	543	1%
Gross profit	43,082	42,139	943	2%
Operating expenses	29,942	30,296	(354)	(1)%
Income from operations	\$ 13,140	\$ 11,843	\$ 1,297	11%
Net income	\$ 9,136	\$ 8,060	\$ 1,076	13%
Earnings per common share diluted	\$ 0.57	\$ 0.47	\$ 0.10	21%

Net Sales by Segment

The following table summarizes net sales by segment (in thousands, except percentages):

	Three Months Ended May 31,			
	2012	2011	Change from Prior Year	
			Dollars	Percent
Americas	\$ 43,972	\$ 46,223	\$ (2,251)	(5)%
Europe	30,100	28,139	1,961	7%
Asia-Pacific	12,950	11,174	1,776	16%
Total	\$ 87,022	\$ 85,536	\$ 1,486	2%

Americas

The following table summarizes net sales by product line for the Americas segment (in thousands, except percentages):

	Three Months Ended May 31,			
	2012	2011	Change from Prior Year	
			Dollars	Percent
Multi-purpose maintenance products	\$ 34,540	\$ 37,012	\$ (2,472)	(7)%
Homecare and cleaning products	9,432	9,211	221	2%
Total	\$ 43,972	\$ 46,223	\$ (2,251)	(5)%
% of consolidated net sales	50%	54%		

Sales in the Americas segment, which includes the U.S., Canada and Latin America, decreased to \$43.9 million, down \$2.3 million, or 5%, for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on sales for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year.

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Sales of multi-purpose maintenance products in the Americas segment decreased \$2.5 million, or 7%, for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. This sales decrease was primarily driven by lower sales of WD-40 multi-purpose maintenance products in Canada and the U.S., which were down 12% and 7%, respectively, for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. The sales decrease in the U.S. was primarily due to a lower level of promotional activities from period to period. We conducted a major promotional program for the WD-40 multi-use products with certain of our key customers in the U.S. during the third quarter of the prior fiscal year but no comparable program was conducted during the same period of the current fiscal year. The decrease in Canada was due to a lower level of replenishment orders and decreased promotional activities with certain of our existing customers within the mass retail channel. The overall sales decrease of the multi-purpose maintenance products in the Americas segment was partially offset by the sales of the new WD-40 Specialist product line which began shipping in the first quarter of fiscal year 2012 in the U.S. and in the second quarter of fiscal year 2012 in Canada and realized positive sales results in both regions during the third quarter of the current fiscal year. As a result of fluctuations in the promotional patterns with certain of our key customers, particularly those in the mass retail, home center and warehouse club channels in the U.S., it is common for our sales to vary period over period and year over year.

Sales of homecare and cleaning products in the Americas segment increased \$0.2 million, or 2%, for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. Sales of homecare and cleaning products in the U.S., which is where the majority of such sales originate, increased 7% from period to period. This sales increase was driven primarily by higher sales of Spot Shot products, which were up 10% in the U.S. for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year, primarily due to new distribution and an increased level of promotional display activities within the warehouse club channel. Although sales of the homecare and cleaning products increased overall from period to period, sales of these products continue to be challenged by competition, category declines, lost distribution, reduced product offerings and the volatility of orders from and promotional programs with certain customers, particularly those in the warehouse club and mass retail channels.

For the Americas segment, 81% of sales came from the U.S., and 19% of sales came from Canada and Latin America combined for the three months ended May 31, 2012 compared to distribution for the three months ended May 31, 2011, when 80% of sales came from the U.S., and 20% of sales came from Canada and Latin America combined.

Europe

The following table summarizes net sales by product line for the Europe segment (in thousands, except percentages):

	Three Months Ended May 31,			
			Change from Prior Year	
	2012	2011	Dollars	Percent
Multi-purpose maintenance products	\$ 28,139	\$ 26,047	\$ 2,092	8%
Homecare and cleaning products	1,961	2,092	(131)	(6)%
Total	\$ 30,100	\$ 28,139	\$ 1,961	7%
% of consolidated net sales	35%	33%		

Sales in the Europe segment increased to \$30.1 million, up \$2.0 million, or 7%, for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year had an unfavorable impact on sales. Sales for the three months ended May 31, 2012 translated at the exchange rates in effect for the corresponding period of the prior fiscal year would have been \$30.6 million in the Europe segment. Thus, on a constant currency basis, sales would have increased by \$2.5 million, or 9%, for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year.

The countries in Europe where we sell through a direct sales force include the U.K., Italy, France, Iberia (which includes Spain and Portugal) and the Germanics sales region (which includes Germany, Austria, Denmark, Switzerland, Sweden and the Netherlands). Sales from direct markets remained constant at \$19.8 million for each of

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the three months ended May 31, 2012 and 2011. Although the overall sales from the direct markets remained constant from period to period, sales in certain of the regions in Europe were negatively impacted by the current adverse economic conditions which exist throughout Europe. The regions with percentage decreases in sales were as follows: Italy, 17%; Iberia, 11%; and the Germanics sales region, 3%. The total sales decrease in these regions was fully offset by the sales increases of 12% and 4% in France and the U.K., respectively, from period to period. The sales increase in France and in the U.K. was primarily due to the continued growth of the WD-40 multi-use product and the initial sales of the WD-40 Specialist product line, which started to ship in the second quarter of fiscal year 2012. Sales from direct markets accounted for 66% of the Europe segment's sales for the three months ended May 31, 2012 compared to 70% of the Europe segment's sales for the corresponding period of the prior fiscal year.

In the countries in which we sell through local distributors, sales increased \$1.9 million, or 23%, for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year, primarily due to the timing of customer orders and the growth of the base business from period to period. The distributor markets accounted for 34% of the Europe segment's total sales for the three months ended May 31, 2012, compared to 30% for the corresponding period of the prior fiscal year.

Asia-Pacific

The following table summarizes net sales by product line for the Asia-Pacific segment (in thousands, except percentages):

			Three Months Ended May 31,	
	2012	2011	Change from Prior Year	
			Dollars	Percent
Multi-purpose maintenance products	\$ 10,987	\$ 9,605	\$ 1,382	14%
Homecare and cleaning products	1,963	1,569	394	25%
Total	\$ 12,950	\$ 11,174	\$ 1,776	16%
% of consolidated net sales	15%	13%		

Sales in the Asia-Pacific segment, which includes Australia, China and other countries in the Asia region, increased to \$13.0 million, up \$1.8 million, or 16%, for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year had a favorable impact on sales. Sales for the three months ended May 31, 2012 translated at the exchange rates in effect for the corresponding period of the prior fiscal year would have been \$12.8 million in the Asia-Pacific segment. Thus, on a constant currency basis, sales would have increased by \$1.6 million, or 14%, for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year.

Sales in Asia, which represented 63% of the total sales in the Asia-Pacific segment for the three months ended May 31, 2012, increased \$1.1 million, or 15%, for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year primarily due to the stable economic conditions which currently exist throughout most of the Asia region. The distributor markets in the Asia region experienced a sales increase of \$0.9 million, or 22%, for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year, primarily due to the continued growth of the WD-40 multi-use products throughout the distributor markets, including those in the Philippines, Malaysia and Thailand. Sales in China increased \$0.2 million, or 5%, for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year due to the ongoing growth of the base business and the positive impacts of a more significant promotional program that was conducted during the third quarter of fiscal year 2012 as compared to the program that was conducted in the same period of the prior fiscal year.

Sales in Australia increased \$0.7 million, or 17%, for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year primarily due to a significant promotional program that was conducted during the third quarter of fiscal year 2012, new product offerings which were sold to certain of our customers during the third quarter of the current fiscal year and the ongoing growth of our base business.

Table of Contents***Gross Profit***

Gross profit increased to \$43.1 million for the three months ended May 31, 2012 compared to \$42.1 million for the corresponding period of the prior fiscal year. As a percentage of net sales, gross profit increased to 49.5% for the three months ended May 31, 2012 compared to 49.3% for the corresponding period of the prior fiscal year due to a variety of items which offset each other, including sales price increases, the level of discounts offered to our customers, costs associated with petroleum-based materials and aerosol cans, sales mix changes and the net additional costs incurred in support of changes that we are currently making to our North American supply chain infrastructure.

Sales price increases were implemented in certain locations and markets in the first six months of fiscal year 2012 and in the second half of fiscal year 2011. As a result, gross margin was positively impacted by 2.1 percentage points for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. Manufacturing costs also positively impacted gross margin by 0.7 percentage points from period to period primarily due to lower manufacturing costs in our Asia-Pacific segment as we have transitioned to local sourcing and manufacturing of our product at our China subsidiary.

In addition, advertising, promotional and other discounts, which are recorded as a reduction to sales, decreased during the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year positively impacting gross margin by 0.2 percentage points. The decrease in such discounts was due to a lower percentage of sales during the three months ended May 31, 2012 being subject to promotional allowances compared to the corresponding period in the prior fiscal year. In general, the timing of advertising, promotional and other discounts may cause fluctuations in gross margin from period to period. The costs associated with certain promotional activities are recorded as a reduction to sales while others are recorded as advertising and sales promotion expenses. The costs of promotional activities such as sales incentives, trade promotions and cash discounts that we give to our customers are recorded as a reduction to sales. The costs associated with promotional activities that we pay to third parties, which include costs for advertising, coupon programs, consumer promotions, product demonstration, public relations, agency costs, package design expenses and market research costs, are recorded as advertising and sales promotion expenses in our consolidated statements of operations.

The aforementioned favorable impacts to gross margin were offset by the effects of changes in the costs of petroleum-based materials and aerosol cans as well as sales mix changes from period to period. Gross margin was negatively impacted by 0.7 percentage points due to the combined effects of changes in the costs of petroleum-based materials and aerosol cans from period to period. There is often a delay of one quarter or more before changes in raw material costs impact cost of products sold due to production and inventory life cycles. We expect that petroleum-based material costs will continue to be volatile and that volatility will impact our cost of products sold in future periods. Raw material costs associated with certain of our homecare and cleaning products negatively impacted gross margin also by 0.7 percentage points for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. Sales mix changes and other miscellaneous costs negatively impacted gross margin by 0.7 and 0.3 percentage points, respectively, from period to period.

Gross margin was negatively impacted by 0.4 percentage points from period to period due to our North American supply chain restructure project. As a result of this project, we incurred higher warehousing, handling fees and freight costs, which were all partially offset by lower manufacturing fees from our third-party contract packagers, in the third quarter of fiscal year 2012 compared to the same period of the prior fiscal year. A large portion of these additional costs resulted from us moving inventory between various of our third-party contract packagers and distribution centers in support of the redesign of our North American supply chain architecture. The activities related to this redesign project started in the first quarter of fiscal year 2012 and include consolidation of our third-party contract packagers and the restructuring of our distribution center network. These changes, once completed, are expected to improve service delivery to our customers and reduce overall costs associated with our North American supply chain network. As we continue to transition to our new supply chain architecture, we may incur additional expenses in advance of the ultimate savings that we expect to gain once the implementation of this new architecture is complete.

Note that our gross profits and gross margins may not be comparable to those of other consumer product companies, since some of these companies include all costs related to distribution of their products in cost of products sold, whereas we exclude the portion associated with amounts paid to third parties for shipment to our customers from our distribution centers and contract packagers and include these costs in selling, general and administrative expenses. These costs totaled \$3.9 million and \$4.1 million for the three months ended May 31, 2012 and 2011, respectively.

Table of Contents***Selling, General and Administrative Expenses***

Selling, general and administrative (SG&A) expenses for the three months ended May 31, 2012 increased \$0.1 million, or 1%, to \$22.7 million from \$22.6 million for the corresponding period of the prior fiscal year. As a percentage of net sales, SG&A expenses decreased to 26.1% for the three months ended May 31, 2012 from 26.4% for the corresponding period of the prior fiscal year. The increase in SG&A expenses was largely attributable to higher employee-related costs and higher professional services costs. Employee-related costs, which include salaries, bonuses, profit sharing, stock-based compensation and other fringe benefits, increased \$0.3 million for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. This increase was primarily due to annual compensation increases and higher staffing levels, which were partially offset by lower stock-based compensation expense from period to period. Professional services costs increased \$0.1 million due to higher legal and consulting fees. These increases in SG&A expenses were partially offset by a \$0.2 million decrease in freight costs from period to period primarily due to truckload optimizations that we are starting to realize as a result of customer orders shipping from fewer distribution centers under our new supply chain architecture in North America. Other miscellaneous expenses, which primarily include research and development expenses, broker sales commissions, meeting expenses and office overhead expenses decreased by \$0.1 million period over period. Changes in foreign currency exchange rates did not have a material impact on SG&A expenses for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year.

We continued our research and development investment in support of our focus on innovation and renovation of our products. Research and development costs were \$1.4 million and \$1.1 million for the three months ended May 31, 2012 and 2011, respectively. Our product development team, Team Tomorrow, engages in consumer research, product development, current product improvement and testing activities. This team leverages its development capabilities by partnering with a network of outside resources including our current and prospective outsource suppliers. The level and types of expenses incurred within research and development can vary or offset each other from period to period depending upon the types of activities being performed by Team Tomorrow.

Advertising and Sales Promotion Expenses

Advertising and sales promotion expenses for the three months ended May 31, 2012 decreased \$0.4 million, or 6%, to \$6.7 million from \$7.1 million for the corresponding period of the prior fiscal year. As a percentage of net sales, these expenses decreased to 7.7% for the three months ended May 31, 2012 from 8.3% for the corresponding period of the prior fiscal year. The decrease in advertising and sales promotion expenses was primarily due to decreased promotional activities in the Europe segment and lower costs associated with promotional programs conducted in the Americas segment from period to period. Changes in foreign currency exchange rates did not have a material impact on advertising and sales promotion expenses for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. Investment in global advertising and sales promotion expenses for fiscal year 2012 is expected to be in the range of 7.0% to 8.0% of net sales.

As a percentage of net sales, advertising and sales promotion expenses may fluctuate period to period based upon the type of marketing activities we employ and the period in which the costs are incurred. Total promotional costs recorded as a reduction to sales for the three months ended May 31, 2012 were \$5.1 million compared to \$5.5 million for the corresponding period of the prior fiscal year. Therefore, our total investment in advertising and sales promotion activities totaled \$11.8 million and \$12.6 million for the three months ended May 31, 2012 and 2011, respectively.

Amortization of Definite-lived Intangible Assets Expense

Amortization of our definite-lived intangible assets remained relatively constant from period to period and was \$0.5 million and \$0.6 million for the three months ended May 31, 2012 and 2011, respectively.

Table of Contents**Non-Operating Items**

The following table summarizes non-operating income and expenses for our consolidated operations (in thousands):

	Three Months Ended May 31,		
	2012	2011	Change
Interest income	\$ 61	\$ 59	\$ 2
Interest expense	\$ 159	\$ 277	\$ (118)
Other (expense) income, net	\$ (170)	\$ 119	\$ (289)
Provision for income taxes	\$ 3,736	\$ 3,684	\$ 52

Interest Income

Interest income remained relatively constant for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year.

Interest Expense

Interest expense decreased \$0.1 million for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year primarily due to lower interest rates on the outstanding balance on the revolving credit facility as compared to the interest rate on the remaining balance on the term loan. The final principal payment of \$10.7 million on the term loan was made in October 2011.

Other (Expense), Income Net

Other (expense) income, net changed by \$0.3 million for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year primarily due to net foreign currency exchange losses which were recorded for the third quarter of fiscal year 2012 compared to net foreign currency exchange gains which were recorded in the same period of the prior fiscal year.

Provision for Income Taxes

The provision for income taxes was 29.0% and 31.4% of income before income taxes for the three months ended May 31, 2012 and 2011, respectively. The decrease in the effective income tax rate from period to period was primarily driven by the addition of an uncertain tax position liability during the third quarter of fiscal year 2011 associated with the Company's foreign operations. No such uncertain tax position liability was recorded in the third quarter of the current fiscal year. Also contributing to the overall decrease in the effective income tax rate from period to period was a decrease in the effective state tax rates in specific states, primarily in California due to a recent change in state tax law, and a continuing shift in the Company's net income from the U.S. to certain foreign jurisdictions with lower tax rates, primarily the United Kingdom.

Net Income

Net income was \$9.1 million, or \$0.57 per common share on a fully diluted basis for the three months ended May 31, 2012 compared to \$8.1 million, or \$0.47 per common share on a fully diluted basis for the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on net income for the three months ended May 31, 2012 compared to the corresponding period of the prior fiscal year.

Table of Contents*Nine Months Ended May 31, 2012 Compared to Nine Months Ended May 31, 2011***Operating Items**

The following table summarizes operating data for our consolidated operations (in thousands, except percentages and per share amounts):

	2012	2011	Nine Months Ended May 31, Change from Prior Year	
			Dollars	Percent
Net sales:				
Multi-purpose maintenance products	\$ 215,886	\$ 204,636	\$ 11,250	6%
Homecare and cleaning products	42,047	41,033	1,014	3%
Total net sales	257,933	245,669	12,264	5%
Cost of products sold	131,370	121,262	10,108	8%
Gross profit	126,563	124,407	2,156	2%
Operating expenses	88,414	85,381	3,033	4%
Income from operations	\$ 38,149	\$ 39,026	\$ (877)	(2)%
Net income	\$ 26,512	\$ 26,247	\$ 265	1%
Earnings per common share diluted	\$ 1.64	\$ 1.53	\$ 0.11	7%

Net Sales by Segment

The following table summarizes net sales by segment (in thousands, except percentages):

	2012	2011	Nine Months Ended May 31, Change from Prior Year	
			Dollars	Percent
Americas	\$ 130,622	\$ 123,524	\$ 7,098	6%
Europe	88,227	90,653	(2,426)	(3)%
Asia-Pacific	39,084	31,492	7,592	24%
Total	\$ 257,933	\$ 245,669	\$ 12,264	5%

Americas

The following table summarizes net sales by product line for the Americas segment (in thousands, except percentages):

	2012	2011	Nine Months Ended May 31, Change from Prior Year	
			Dollars	Percent
Multi-purpose maintenance products	\$ 99,696	\$ 93,405	\$ 6,291	7%

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Homecare and cleaning products	30,926	30,119	807	3%
Total	\$ 130,622	\$ 123,524	\$ 7,098	6%
% of consolidated net sales	51%	50%		

Sales in the Americas segment, which includes the U.S., Canada and Latin America, increased to \$130.6 million, up \$7.1 million, or 6%, for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on sales for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year.

Sales of multi-purpose maintenance products in the Americas segment increased \$6.3 million, or 7%, for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. This sales increase was primarily driven by higher sales of WD-40 multi-purpose maintenance products in the U.S. and Canada, which were up 9% and 4%, respectively, for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. The sales increase in the U.S. was primarily due to new distribution within the mass retail channel, regained distribution within the home center channel and the impact of promotional activities for the WD-40 multi-use products during the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. The increase in Canada was primarily due to a higher level of replenishment orders and a new product offering

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within the warehouse club channel. In addition, the sales increase of the multi-purpose maintenance products in the Americas segment was also attributable to the successful launch of the new WD-40 Specialist product line which began shipping in the first quarter of fiscal year 2012 in the U.S. and in the second quarter of fiscal year 2012 in Canada and realized positive sales results as compared to the initial forecasted sales for both regions during the nine months ended May 31, 2012. As a result of fluctuations in the promotional patterns with certain of our key customers, particularly those in the mass retail, home center and warehouse club channels in the U.S., it is common for our sales to vary period over period and year over year.

Sales of homecare and cleaning products in the Americas segment increased \$0.8 million, or 3%, for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. Sales of homecare and cleaning products in the U.S., which is where the majority of such sales originate, increased 4% from period to period. This sales increase was driven by higher sales of Spot Shot products and Carpet Fresh, which were up 10% and 4%, respectively, in the U.S. period over period, primarily due to new distribution and significant promotional display activities that were conducted during the nine months ended May 31, 2012, but not in the same period of the prior fiscal year. This increase was partially offset by lower sales of our automatic toilet bowl cleaners in the U.S. due to competitive factors, category declines and lost distribution. Although sales of the homecare and cleaning products increased overall from period to period, sales of these products continue to be challenged by competition, category declines, lost distribution, reduced product offerings and the volatility of orders from and promotional programs with certain customers, particularly those in the warehouse club and mass retail channels.

For the Americas segment, 80% of sales came from the U.S., and 20% of sales came from Canada and Latin America combined for the nine months ended May 31, 2012, compared to the distribution for the nine months ended May 31, 2011, when 79% of sales came from the U.S., and 21% of sales came from Canada and Latin America combined.

Europe

The following table summarizes net sales by product line for the Europe segment (in thousands, except percentages):

	Nine Months Ended May 31,			
	2012	2011	Change from Prior Year	
			Dollars	Percent
Multi-purpose maintenance products	\$ 82,423	\$ 84,394	\$ (1,971)	(2)%
Homecare and cleaning products	5,804	6,259	(455)	(7)%
Total	\$ 88,227	\$ 90,653	\$ (2,426)	(3)%
% of consolidated net sales	34%	37%		

Sales in the Europe segment decreased to \$88.2 million, down \$2.4 million, or 3%, for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on sales for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year.

The countries in Europe where we sell through a direct sales force include the U.K., Italy, France, Iberia (which includes Spain and Portugal) and the Germanics sales region (which includes Germany, Austria, Denmark, Switzerland, Sweden and the Netherlands). Overall, sales from direct markets decreased \$3.6 million, or 6%, for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. We experienced sales decreases throughout the Europe segment for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year, with percentage decreases in sales as follows: the Germanics sales region, 10%; Italy, 9%; the U.K., 5%; Iberia and France, each 3%.

The sales decline in the direct markets was primarily due to the adverse economic conditions, which have existed throughout Europe since the beginning of our fiscal year 2012, and the increased level of competition. Sales from direct markets accounted for 64% of the Europe segment sales for the nine months ended May 31, 2012 compared to 66% of the Europe segment sales for the corresponding period of the prior fiscal year.

In the countries in which we sell through local distributors, sales increased \$1.2 million, or 4%, for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year, primarily due to increased sales of WD-40 multi-use products in Eastern Europe

and the Middle East. Overall, sales in the distributor markets were

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increased from year to year primarily due to the continued growth of the base business in key markets such as Eastern Europe and the Middle East. Both of these markets remain more stable from an economic standpoint than other countries in Europe. The distributor markets accounted for 36% of the Europe segment's total sales for the nine months ended May 31, 2012, compared to 34% for the corresponding period of the prior fiscal year.

Asia-Pacific

The following table summarizes net sales by product line for the Asia-Pacific segment (in thousands, except percentages):

	Nine Months Ended May 31,		Change from	
	2012	2011	Dollars	Percent
Multi-purpose maintenance products	\$ 33,768	\$ 26,838	\$ 6,930	26%
Homecare and cleaning products	5,316	4,654	662	14%
Total	\$ 39,084	\$ 31,492	\$ 7,592	24%
% of consolidated net sales	15%	13%		

Sales in the Asia-Pacific segment, which includes Australia, China and other countries in the Asia region, increased to \$39.1 million, up \$7.5 million, or 24%, for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year had a favorable impact on sales. Sales for the nine months ended May 31, 2012 translated at the exchange rates in effect for the corresponding period of the prior fiscal year would have been \$38.2 million in the Asia-Pacific segment. Thus, on a constant currency basis, sales would have increased by \$6.6 million, or 21%, for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year.

Sales in Asia, which represented 67% of the total sales in the Asia-Pacific segment for the nine months ended May 31, 2012, increased \$5.8 million, or 29%, for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year primarily due to the stable economic conditions which currently exist throughout most of the Asia region. The distributor markets in the Asia region experienced a sales increase of \$3.7 million, or 27%, for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year, primarily due to the continued growth of the WD-40 multi-use products throughout the distributor markets, including those in Indonesia, Korea and Malaysia. Sales in China increased \$2.1 million, or 34%, for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year due to the ongoing growth of the base business and the higher level of orders placed by our customers during promotional programs that were conducted in the first and third quarters of fiscal year 2012.

Sales in Australia increased \$1.7 million, or 15%, for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year due to an increased level of promotional activities, stable economic conditions in Australia and the ongoing growth of our base business. Foreign currency exchange rates also had a favorable impact on sales results from year to year. On a constant currency basis, sales would have increased \$1.2 million, or 10%, for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year.

Gross Profit

Gross profit increased to \$126.6 million for the nine months ended May 31, 2012 compared to \$124.4 million for the corresponding period of the prior fiscal year. As a percentage of net sales, gross profit decreased to 49.1% for the nine months ended May 31, 2012 compared to 50.6% for the corresponding period of the prior fiscal year due to a variety of items which negatively impacted gross margin, including costs associated with petroleum-based materials and aerosol cans, the net additional costs incurred in support of changes that we are currently making to our North American supply chain infrastructure, other raw materials and manufacturing costs, sales mix changes, and the level of discounts offered to our customers. These unfavorable items were partially offset by the positive impacts of sales price increases and lower manufacturing costs in our Asia-Pacific segment from period to period.

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Gross margin was negatively impacted by 1.8 percentage points due to the combined effects of changes in the costs of petroleum-based materials and aerosol cans from period to period. There is often a delay of one quarter or more before changes in raw material costs impact cost of products sold due to production and inventory life cycles. The majority of this combined negative impact to gross margin from period to period was due to the increase in costs associated with petroleum-based material. We expect that petroleum-based material costs will continue to be volatile and that volatility will impact our cost of products sold in future periods.

In addition, gross margin was negatively impacted by 0.5 percentage points from period to period due to our North American supply chain restructure project. As a result of this project, we incurred higher warehousing, handling fees and freight costs, which were all partially offset by lower manufacturing fees from our third-party contract packagers, during the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. A large portion of these additional costs resulted from us moving inventory between various of our third-party contract packagers and distribution centers in support of the redesign of our North American supply chain architecture. The activities related to this redesign project started in the first quarter of fiscal year 2012 and include consolidation of our third-party contract packagers and the restructuring of our distribution center network. These changes, once completed, are expected to improve service delivery to our customers and to reduce overall costs associated with our North American supply chain network. As we continue to transition to our new supply chain architecture, we may incur additional expenses in advance of the ultimate savings that we expect to gain once the implementation of this new architecture is complete.

We also incurred higher costs associated with raw materials related to our homecare and cleaning products, as well as increased manufacturing costs in our Europe segment, which when combined negatively impacted gross margin by 0.8 percentage points from period to period. In addition, advertising, promotional and other discounts, which are recorded as a reduction to sales, increased during the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year negatively impacting gross margin by 0.3 percentage points. The increase in such discounts was due to a higher percentage of sales during the nine months ended May 31, 2012 being subject to promotional allowances compared to the corresponding period in the prior fiscal year. Sales mix changes and other miscellaneous costs negatively impacted gross margin by 0.2 and 0.4 percentage points, respectively, from period to period.

The aforementioned unfavorable impacts to gross margin were partially offset by the sales price increases, which positively affected gross margin by 2.3 percentage points for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. These sales price increases were implemented in certain locations and markets in the first six months of fiscal year 2012 and in the second half of fiscal year 2011. Lower manufacturing costs in our Asia-Pacific segment also positively affected gross margin by 0.2 percentage points from period to period.

Note that our gross profits and gross margins may not be comparable to those of other consumer product companies, since some of these companies include all costs related to distribution of their products in cost of products sold, whereas we exclude the portion associated with amounts paid to third parties for shipment to our customers from our distribution centers and contract packagers and include these costs in selling, general and administrative expenses. These costs totaled \$11.6 million and \$10.9 million for the nine months ended May 31, 2012 and 2011, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the nine months ended May 31, 2012 increased \$1.4 million, or 2%, to \$67.3 million from \$65.9 million for the corresponding period of the prior fiscal year. As a percentage of net sales, SG&A expenses decreased to 26.1% for the nine months ended May 31, 2012 from 26.8% for the corresponding period of the prior fiscal year. The increase in SG&A expenses was largely attributable to higher employee-related costs, increased freight expenses, higher professional services costs and the unfavorable impact of changes in foreign currency exchange rates from period to period. Employee-related costs, which include salaries, bonuses, profit sharing, stock-based compensation and other fringe benefits, increased \$1.0 million for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year primarily due to annual compensation increases and higher staffing levels in all segments. This increase in compensation costs was partially offset by lower bonus and stock-based compensation expenses from period to period. Although we started to experience some reduction in our freight costs in the third quarter of fiscal year 2012 as a result of our North American supply chain restructure, freight costs increased overall by \$0.7 million year over year primarily due to increased diesel costs and reduced truckload sizes as a result of smaller, more frequent orders being placed by our

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customers during the first half of the fiscal year 2012. Professional services costs increased \$0.5 million due to higher legal and consulting fees. Changes in foreign currency exchange rates increased SG&A expenses by \$0.2 million for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year. Thus, on a constant currency basis, SG&A expenses for the nine months ended May 31, 2012 would have been \$67.1 million resulting in an increase in such expenses of \$1.2 million for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year.

The increases in SG&A expenses described above were partially offset by a decrease in expenses associated with new product exploration, travel and meetings and other miscellaneous expenses from period to period. The decrease in new product exploration expenses within research and development of \$0.4 million was primarily due to the increased level of spending in this area during fiscal year 2011 related to the development of the WD-40 Specialist product line, which was launched in the first quarter of fiscal year 2012. Travel and meeting expenses decreased \$0.3 million due to a lower level of travel and reduced costs associated with sales meetings from period to period. Other miscellaneous expenses, which primarily include broker sales commissions, insurance, bad debt expense and office overhead expenses, decreased also by \$0.3 million period over period.

We continued our research and development investment, the majority of which is associated with our multi-purpose maintenance products, in support of our focus on innovation and renovation of our products. Research and development costs for the nine months ended May 31, 2012 and 2011 were \$3.8 million and \$3.6 million, respectively. The level and types of expenses incurred within research and development can vary or offset each other from period to period depending upon the types of activities being performed by our product development team, Team Tomorrow.

Advertising and Sales Promotion Expenses

Advertising and sales promotion expenses for the nine months ended May 31, 2012 increased \$0.9 million, or 5%, to \$19.5 million from \$18.6 million for the corresponding period of the prior fiscal year. As a percentage of net sales, these expenses slightly decreased to 7.5% for the nine months ended May 31, 2012 from 7.6% for the corresponding period of the prior fiscal year. The increase in advertising and sales promotion expenses was due to a significantly higher level of advertising and promotional activities in the first and second quarters of fiscal year 2012, primarily in our Americas and Asia-Pacific segments. Changes in foreign currency exchange rates did not have a material impact on advertising and sales promotion expenses for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year.

As a percentage of net sales, advertising and sales promotion expenses may fluctuate period to period based upon the type of marketing activities we employ and the period in which the costs are incurred. Total promotional costs recorded as a reduction to sales for the nine months ended May 31, 2012 were \$15.5 million compared to \$13.5 million for the corresponding period of the prior fiscal year. Therefore, our total investment in advertising and sales promotion activities totaled \$35.0 million and \$32.1 million for the nine months ended May 31, 2012 and 2011, respectively.

Amortization of Definite-lived Intangible Assets Expense

Amortization of our definite-lived intangible assets was \$1.7 million and \$1.0 million for the nine months ended May 31, 2012 and 2011, respectively. The increase in amortization for the nine months ended May 31, 2012 was related to the additional amortization expense of 2000 Flushes, Spot Shot and 1001 trade names starting March 1, 2011 as these intangible assets were changed to definite-lived from indefinite-lived intangible assets at February 28, 2011. The amortization for the nine months ended May 31, 2011 related only to the Carpet Fresh and X-14 trade names and certain non-contractual customer relationships from the acquisition of the 1001 line of products in fiscal year 2004.

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The following table summarizes non-operating income and expenses for our consolidated operations (in thousands):

	Nine Months Ended May 31,		
	2012	2011	Change
Interest income	\$ 182	\$ 167	\$ 15
Interest expense	\$ 484	\$ 818	\$ (334)
Other (expense) income, net	\$ (342)	\$ 197	\$ (539)
Provision for income taxes	\$ 10,993	\$ 12,325	\$ (1,332)

Interest Income

Interest income remained relatively constant for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year.

Interest Expense

Interest expense decreased \$0.3 million for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year primarily due to lower interest rates on the outstanding balance on the revolving credit facility as compared to the interest rate on the remaining balance on the term loan. The final principal payment of \$10.7 million on the term loan was made in October 2011.

Other (Expense) Income, Net

Other (expense) income, net changed by \$0.5 million for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year primarily due to net foreign currency exchange losses which were recorded for the nine months ended May 31, 2012 compared to net foreign currency exchange gains which were recorded in the same period of the prior fiscal year.

Provision for Income Taxes

The provision for income taxes was 29.3% and 32.0% of income before income taxes for the nine months ended May 31, 2012 and 2011, respectively. The decrease in the effective income tax rate from period to period was primarily driven by a decrease in the effective state tax rates in specific states, primarily in California due to a recent change in state tax law. The nonrecurring addition of an uncertain tax position liability during the third quarter of fiscal year 2011 associated with the Company's foreign operations and a continuing shift in the Company's net income from the U.S. to certain foreign jurisdictions with lower tax rates, primarily the U.K., also caused the effective income tax rate to be lower for the nine months ended May 31, 2012 as compared to the same time period in the prior fiscal year.

Net Income

Net income was \$26.5 million, or \$1.64 per common share on a fully diluted basis for the nine months ended May 31, 2012 compared to \$26.2 million, or \$1.53 per common share on a fully diluted basis for the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on net income for the nine months ended May 31, 2012 compared to the corresponding period of the prior fiscal year.

Performance Measures and Non-GAAP Reconciliations

In managing our business operations and assessing our financial performance, we supplement the information provided by our financial statements with certain non-GAAP performance measures. These performance measures are part of our 50/30/20 rule, which includes gross margin, cost of doing business, and EBITDA, the latter two of which are non-GAAP performance measures. Cost of doing business is defined as total operating expenses less amortization of definite-lived intangible assets and depreciation in operating departments and EBITDA is defined as net income (loss) before interest, income taxes, depreciation and amortization. We target our gross margin to be at or above 50% of net sales, our cost of doing business to be at or below 30% of net sales, and our EBITDA to be

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at or above 20% of net sales. Although our results for these performance measures may vary from period to period depending on various factors, including economic conditions and our level of investment in activities for the future, we continue to focus on and work towards achievement of our 50/30/20 targets over the long-term.

The following table summarizes the results of these performance measures for the periods presented:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2012	2011	2012	2011
Gross margin	50%	49%	49%	51%
Cost of doing business as a percentage of net sales	33%	34%	33%	34%
EBITDA as a percentage of net sales	16%	15%	16%	17%

We use the performance measures above to establish financial goals and to gain an understanding of the comparative performance of the Company from period to period. We believe that these measures provide our shareholders with additional insights into the Company's results of operations and how we run our business. The non-GAAP financial measures are supplemental in nature and should not be considered in isolation or as alternatives to net income, income from operations or other financial information prepared in accordance with GAAP as indicators of the Company's performance or operations. Reconciliations of these non-GAAP financial measures to our financial statements as prepared in accordance with GAAP are as follows:

Cost of Doing Business (in thousands, except percentages)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2012	2011	2012	2011
Total operating expenses - GAAP	\$ 29,942	\$ 30,296	\$ 88,414	\$ 85,381
Amortization of definite-lived intangible assets	(504)	(587)	(1,669)	(950)
Depreciation (in operating departments)	(417)	(431)	(1,189)	(1,227)
Cost of doing business	\$ 29,021	\$ 29,278	\$ 85,556	\$ 83,204
Net sales	\$ 87,022	\$ 85,536	\$ 257,933	\$ 245,669
Cost of doing business as a percentage of net sales	33%	34%	33%	34%

EBITDA (in thousands, except percentages)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2012	2011	2012	2011
Net income - GAAP	\$ 9,136	\$ 8,060	\$ 26,512	\$ 26,247
Provision for income taxes	3,736	3,684	10,993	12,325
Interest income	(61)	(59)	(182)	(167)
Interest expense	159	277	484	818
Amortization of definite-lived intangible assets	504	587	1,669	950
Depreciation	712	699	2,022	2,180
EBITDA	\$ 14,186	\$ 13,248	\$ 41,498	\$ 42,353
Net sales	\$ 87,022	\$ 85,536	\$ 257,933	\$ 245,669
EBITDA as a percentage of net sales	16%	15%	16%	17%

Liquidity and Capital Resources**Overview**

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The Company's financial condition and liquidity remain strong. Net cash provided by operations was \$26.4 million for the nine months ended May 31, 2012 compared to \$21.6 million for the corresponding period of the prior fiscal year. We believe we continue to be well positioned to weather any uncertainty in the capital markets and global economy due to our strong balance sheet and efficient business model, along with our growing and diversified global revenues. We continue to manage all aspects of our business including, but not limited to, monitoring the financial health of our customers, suppliers and other third-party relationships, implementing gross margin enhancement strategies and developing new opportunities for growth.

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Our principal sources of liquidity are our existing cash and cash equivalents, cash generated from operations and cash available from our revolving credit facility with Bank of America, N.A. (Bank of America). To date, we have used the proceeds of the revolving credit facility for our stock repurchases and plan to continue using such proceeds for our general working capital needs and stock repurchases under any existing board approved share buy-back plans. During the nine months ended May 31, 2012, we borrowed \$99.6 million U.S. dollars under the revolving credit facility and repaid \$54.6 million along with the associated interest of \$0.2 million with cash on hand. In addition, we periodically have extended the maturity date of draws on the line of credit and the balance on these draws has remained within a short-term classification as a result of these extensions. As of May 31, 2012, we had a \$45.0 million outstanding balance on the revolving credit facility. The revolving credit facility agreement requires us to maintain a minimum consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA) of \$40.0 million, measured on a trailing twelve month basis, at each reporting period. At May 31, 2012, we were in compliance with all debt covenants as required by the revolving credit facility and believe it is unlikely we will fail to meet any of these covenants in the foreseeable future. We would need to have a significant decrease in sales and/or a significant increase in expenses in order for us to not meet the debt covenants.

The \$75.0 million, 7.28% fixed-rate term loan, had a 10-year term, which originated in October 2001 and was financed through Prudential Capital. On October 17, 2011, we paid off the final balance due under this term loan of \$10.7 million and the associated interest of \$0.2 million with cash on hand.

At May 31, 2012, we had a total of \$71.7 million in cash and cash equivalents. Of this balance, \$54.0 million was held in Europe, Australia and China in foreign currencies. It is our intention to indefinitely reinvest all current and future foreign earnings at these locations in order to ensure sufficient working capital, expand operations and fund foreign acquisitions in these locations. We believe that our future cash from domestic operations together with our access to funds available under our unsecured revolving credit facility will provide adequate resources to fund both short-term and long-term operating requirements, capital expenditures, share repurchases, dividend payments, acquisitions and new business development activities in the United States. Although we hold a significant amount of cash outside of the United States and the draws on the credit facility to date have been made by our entity in the United States, we do not foresee any issues with repaying or refinancing these loans with domestically generated funds since we closely monitor the use of this credit facility. In the event that management elects for any reason in the future to repatriate some or all of the foreign earnings that were previously deemed to be indefinitely reinvested outside of the United States, we would incur additional tax expense upon such repatriation.

We believe that our existing consolidated cash and cash equivalents at May 31, 2012, the liquidity provided by our \$75.0 million revolving credit facility and our anticipated cash flows from operations will be sufficient to meet our projected consolidated operating and capital requirements for at least the next twelve months. We consider various factors when reviewing liquidity needs and plans for available cash on hand including: future debt, principal and interest payments, future capital expenditure requirements, future share repurchases, future dividend payments (which are determined on a quarterly basis by the Company's Board of Directors), alternative investment opportunities, debt covenants and any other relevant considerations currently facing our business.

Cash Flows

The following table summarizes our cash flows by category for the periods presented (in thousands):

	Nine Months Ended May 31,		
	2012	2011	Change
Net cash provided by operating activities	\$ 26,401	\$ 21,573	\$ 4,828
Net cash used in investing activities	(1,925)	(1,877)	(48)
Net cash used in financing activities	(6,680)	(28,322)	21,642
Effect of exchange rate changes on cash and cash equivalents	(2,480)	2,979	(5,459)
Net increase (decrease) in cash and cash equivalents	\$ 15,316	\$ (5,647)	\$ 20,963

Operating Activities

Net cash provided by operating activities increased \$4.8 million to \$26.4 million for the nine months ended May 31, 2012 from \$21.6 million for the corresponding period of the prior fiscal year. This increase from period to period was due to changes in operating assets and liabilities, the most significant of which were changes in inventories, trade accounts receivable and accrued payroll and related expenses.

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The increase in inventories from period to period was primarily attributable to increased purchases of product that we chose to make from our third-party packagers in support of the redesign of our North American supply chain architecture. Not only do we expect that this new supply chain structure will result in higher levels of inventory than we have held in prior periods, but we also expect that our inventory levels will fluctuate from period to period as we complete the transition phases of this redesign project. In addition, inventories increased due to additional purchases in support of the WD-40 Specialist product line, which was launched in the U.S. during the first quarter of fiscal year 2012 and in Canada and select markets in Europe during the second quarter of fiscal year 2012.

Trade accounts receivable balances decreased for the nine months of fiscal year 2012 whereas the balances increased for the nine months of fiscal year 2011 primarily due to changing sales volumes and the timing of payments received from customers from period to period. Accrued payroll and related expenses decreased from period to period primarily due to the payment of fiscal year 2011 bonuses during the first quarter of fiscal year 2012 which were significantly lower than those paid in the corresponding period of the prior fiscal year for the fiscal year 2010 bonuses.

Investing Activities

Net cash used for investing activities was \$1.9 million for each of the nine months ended May 31, 2012 and 2011. The net cash used for investing activities during the nine months ended May 31, 2012 was primarily related to purchases of property and equipment of \$3.0 million, which were partially offset by the proceeds of \$0.8 million from the sale of our warehouse facility located in Memphis, Tennessee during the first quarter of fiscal year 2012. For the nine months ended May 31, 2011, the majority of the net cash used for investing activities was related to purchases of property and equipment.

Financing Activities

Net cash used in financing activities decreased \$21.6 million to \$6.7 million for the nine months ended May 31, 2012 from \$28.3 million for the corresponding period of the prior fiscal year driven in part by the \$99.6 million in draws that we executed against our revolving credit facility with Bank of America during the nine months ended May 31, 2012. This increase in cash was significantly offset by \$54.6 million in repayments made on this revolving credit facility and the \$9.6 million in additional treasury stock purchases which occurred during the nine months ended May 31, 2012 compared to the same period of the prior fiscal year. In addition, there was a \$13.4 million decrease in proceeds from the issuance of common stock upon the exercise of stock options from period to period.

Effect of Exchange Rate Changes

All of our foreign subsidiaries currently operate in currencies other than the U.S. dollars and a significant portion of our consolidated cash balances is denominated in these foreign currencies, particularly at our U.K. subsidiary which operates in Pound Sterling. As a result, our cash and cash equivalents balances are subject to the effects of the fluctuations in these currencies against the U.S. dollars at the end of each reporting period. The net effect of exchange rate changes on cash and cash equivalents, when expressed in U.S. Dollar terms, was a decrease in cash of \$2.5 million for the nine months ended May 31, 2012 as compared to an increase in cash of \$3.0 million for the same period in fiscal year 2011. The decrease of \$5.5 million from period to period is primarily due to significant changes in the foreign currency exchange rates for the Pound Sterling against the U.S. Dollar. During the first nine months of fiscal year 2012, the Pound Sterling to U.S. Dollar exchange rate decreased from 1.6352 to 1.5578 whereas it increased from 1.5514 to 1.6475 during the first nine months of fiscal year 2011.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as defined by Item 303(a)(4)(ii) of Regulation S-K.

Commercial Commitments

We have relationships with various suppliers (contract manufacturers) who manufacture our products. Although we typically do not have definitive minimum purchase obligations included in the contract terms with the contract

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manufacturers, when such obligations have been included, they have been immaterial to date. Supply needs are communicated by us to our contract manufacturers, and we are committed to purchase the products produced based on orders and short-term projections, ranging from two to five months, provided to the contract manufacturers. We are also obligated to purchase obsolete or slow-moving inventory from our contract manufacturers and have done so in the past under these commitments, the amounts of which have been immaterial.

In addition to the commitments to purchase products from contract manufacturers described above, we may also enter into commitments with other manufacturers to purchase finished goods and components to support innovation initiatives and/or supply chain initiatives. As of May 31, 2012, no such commitments were outstanding.

Share Repurchase Plan

On December 14, 2010, the Company's Board of Directors approved a share buy-back plan, which was in effect through December 13, 2011, and authorized the Company to acquire up to \$25.0 million of its outstanding shares. On April 4, 2011, the Company's Board of Directors approved an increase to this existing \$25.0 million share buy-back plan to authorize the Company to acquire an additional \$35.0 million of its outstanding shares and to extend the expiration date of the plan to April 4, 2013. As a result, the Company was authorized to acquire shares of its common stock in the aggregate amount of \$60.0 million, less the amount utilized to date. Under the plan, the Company was authorized to acquire its outstanding shares on such terms and conditions as may be acceptable to the Company's Chief Executive Officer or Chief Financial Officer and subject to lender approval from Prudential Capital, up until the date on which the term loan with this lender was paid in full, and in compliance with all laws and regulations applicable thereto. During the period from December 14, 2010 through November 30, 2011, the Company repurchased 1,484,912 shares at a total cost of \$60.0 million. As a result, the Company has utilized the entire authorized amount and has completed the repurchases under this share buy-back plan.

On December 13, 2011, the Company's Board of Directors approved a new share buy-back plan. Under the plan, which is in effect through December 12, 2013, the Company is authorized to acquire up to \$50.0 million of its outstanding shares on such terms and conditions as may be acceptable to the Company's Chief Executive Officer or Chief Financial Officer and in compliance with all laws and regulations applicable thereto. During the period from December 14, 2011 through May 31, 2012, the Company repurchased 277,367 shares at a total cost of \$12.3 million.

Dividends

On June 19, 2012, the Company's Board of Directors declared a cash dividend of \$0.29 per share payable on July 31, 2012 to shareholders of record on July 16, 2012. Our ability to pay dividends could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and loan covenants.

Critical Accounting Policies

Our discussion and analysis of our operating results and financial condition is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America.

Critical accounting policies are those that involve subjective or complex judgments, often as a result of the need to make estimates. The following areas all require the use of judgments and estimates: revenue recognition and sales incentives, allowance for doubtful accounts, accounting for income taxes and valuation of goodwill. Estimates in each of these areas are based on historical experience and various judgments and assumptions that we believe are appropriate. Actual results may differ from these estimates.

There have been no changes to the items disclosed as critical accounting policies in Part II Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report Form 10-K for the fiscal year ended August 31, 2011, with the exception of the following changes that we made to the critical accounting policy related to the valuation of goodwill and indefinite-lived intangible assets to (1) remove the indefinite-lived intangible assets and (2) early adopt the provisions of the updated authoritative guidance on goodwill. As a result of a reclassification of our remaining indefinite-lived intangibles assets to definite-lived intangible assets that we recorded in February 2011, we do not have any indefinite-lived intangible assets at May 31, 2012. In addition, we early adopted the provisions of the updated authoritative guidance on goodwill in conjunction with our annual goodwill impairment test which was conducted during the second quarter of fiscal year 2012.

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Valuation of Goodwill

The carrying value of goodwill is reviewed for possible impairment in accordance with the authoritative guidance on goodwill, intangibles and other. We assess for possible impairments to goodwill at least annually during our second fiscal quarter and otherwise when there is evidence that events or changes in circumstances indicate that an impairment condition may exist.

Under updated authoritative guidance which was issued by the FASB in September 2011, we are permitted to perform a qualitative assessment to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. If we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we perform the first step of the goodwill impairment test and then, if needed, the second step, to determine whether goodwill is impaired. However, if it is more likely than not that the fair value of a reporting unit is more than its carrying amount, we do not need to perform the two-step quantitative goodwill impairment test. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their carrying values, including goodwill. We determine the fair values of our reporting units using the income valuation approach or other generally accepted valuation methodologies. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, we perform the second step of the goodwill impairment test. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. The amount, by which the carrying value of the goodwill exceeds its implied fair value, if any, is recognized as an impairment loss. Any impairment losses are recorded as a reduction in the carrying amount of the related asset and charged to results of operations.

We early adopted the provisions of this new guidance on goodwill in conjunction with our second quarter of fiscal year 2012 annual goodwill impairment test and we performed a qualitative assessment of whether it is more likely than not that the fair value of each of our reporting units is less than its carrying amount. In performing this qualitative assessment, we assessed relevant events and circumstances that may impact the fair value and the carrying amount of each of our reporting units. Factors that were considered included, but were not limited to, the following: (1) macroeconomic conditions; (2) industry and market conditions; (3) overall financial performance and expected financial performance; (4) other entity specific events, such as changes in management or key personnel; and (5) events affecting our reporting units, such as a change in the composition of net assets or any expected dispositions. Based on the results of this qualitative assessment, we determined that it is more likely than not that the carrying value of each of our reporting units is less than its fair value and, thus, the two-step quantitative analysis was not required. As a result, we concluded that no impairment of our goodwill existed as of February 29, 2012.

In addition, there were no indicators of impairment identified as a result of the Company's review of events and circumstances related to its goodwill or definite-lived intangible assets for the quarter ended May 31, 2012.

During our impairment tests performed in fiscal years 2011 and 2010, we also did not identify or record any impairment losses related to our goodwill.

Recently Issued Accounting Standards

In December 2011, the Financial Accounting Standards Board (FASB) issued updated authoritative guidance related to new disclosure requirements on offsetting financial assets and liabilities. The new rules require companies to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position, as well as instruments and transactions subject to a netting arrangement. The updated authoritative guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company is currently evaluating the potential impact, if any, of the adoption of this updated authoritative guidance on its consolidated financial statement disclosures.

In June 2011, the FASB issued updated authoritative guidance to amend the presentation of comprehensive income. Under these new presentation rules, companies will have the option to present other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Under both alternatives, companies will be required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. In the single continuous statement approach, the guidance requires the entity to present the components of net income and total net income, the components of other comprehensive income and a

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total for other comprehensive income, along with the total of comprehensive income in that statement. In the two-statement approach, the income statement will be followed immediately by the statement of other comprehensive income, which will include the amount for total comprehensive income. The amendments in this guidance also require that reclassifications from other comprehensive income to net income be presented on the face of the financial statements, but this portion of the guidance was indefinitely deferred in accordance with the Accounting Standards Update No. 2011-12 which was issued by the FASB in December 2011. The updated authoritative guidance on comprehensive income is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company has evaluated this updated authoritative guidance, and it does not expect the adoption of this guidance to have a material impact on its consolidated financial statement disclosures.

Related Parties

On October 11, 2011, the Company's Board of Directors elected Mr. Gregory A. Sandfort as a director of WD-40 Company. Mr. Sandfort is President and Chief Operating Officer of Tractor Supply Company (Tractor Supply), which is a WD-40 Company customer that acquires products from the Company in the ordinary course of business.

The condensed consolidated financial statements include sales to Tractor Supply of \$0.2 million and \$0.4 million for the three and nine months ended May 31, 2012. Accounts receivable from Tractor Supply were \$0.1 million as of May 31, 2012.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Refer to Part II Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the fiscal year ended August 31, 2011, which was filed with the SEC on October 20, 2011.

Item 4. Controls and Procedures

The term disclosure controls and procedures is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934 (Exchange Act). The term disclosure controls and procedures means controls and other procedures of a Company that are designed to ensure the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of May 31, 2012, the end of the period covered by this report (the Evaluation Date), and they have concluded that, as of the Evaluation Date, such controls and procedures were effective at ensuring that required information will be disclosed on a timely basis in the Company's reports filed under the Exchange Act. Although management believes the Company's existing disclosure controls and procedures are adequate to enable the Company to comply with its disclosure obligations, management continues to review and update such controls and procedures. The Company has a disclosure committee, which consists of certain members of the Company's senior management.

There were no changes to the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that materially affected, or would be reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents**PART II OTHER INFORMATION****Item 1. Legal Proceedings**

The Company is party to various claims, legal actions and complaints, including product liability litigation, arising in the ordinary course of business.

On May 31, 2012, a legal action was filed against the Company in the United States District Court, Southern District of Texas, Houston Division (*IQ Products Company v. WD-40 Company*). IQ Products Company, a Texas corporation (IQPC), or an affiliate or a predecessor of IQPC, has provided contract manufacturing services to the Company for many years. The allegations of IQPC s complaint arose out of a pending termination of this business relationship. In 2011, the Company requested proposals for manufacturing services from all of its domestic contract manufacturers in conjunction with a project to redesign the Company s supply chain architecture in North America. IQPC submitted a proposal as requested, and the Company tentatively awarded IQPC a new contract based on the information and pricing included in that proposal. IQPC subsequently sought to materially increase the quoted price for such manufacturing services. As a result, the Company chose to terminate its business relationship with IQPC. IQPC also raised alleged safety concerns regarding a long-standing manufacturing specification related to the Company s products. The Company believes that IQPC s safety concerns are unfounded.

In its complaint, IQPC asserts that the Company is obligated to indemnify IQPC for claims and losses based on a 1993 indemnity agreement and pursuant to common law. IQPC also asserts that it has been harmed by the Company s allegedly retaliatory conduct in seeking to terminate its relationship with IQPC, allegedly in response to the safety concerns identified by IQPC. IQPC seeks declaratory relief to establish that it is entitled to indemnification and also to establish that the Company is responsible for reporting the alleged safety concerns to the United States Consumer Products Safety Commission and to the United States Department of Transportation. The complaint also seeks damages for alleged economic losses in excess of \$40.0 million, attorney s fees and punitive damages based on alleged misrepresentations and false promises. The Company believes the case is without merit and will vigorously defend this matter. The Company s estimate of possible loss relative to this matter is immaterial with respect to the Company s financial statements as a whole.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I Item 1A, Risk Factors, in our Annual Report on Form 10-K for the fiscal year ended August 31, 2011, which was filed with the SEC on October 20, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On December 14, 2010, the Company s Board of Directors approved a share buy-back plan, which was in effect through December 13, 2011, and authorized the Company to acquire up to \$25.0 million of its outstanding shares. On April 4, 2011, the Company s Board of Directors approved an increase to this existing \$25.0 million share buy-back plan to authorize the Company to acquire an additional \$35.0 million of its outstanding shares and to extend the expiration date of the plan to April 4, 2013. As a result, the Company was authorized to acquire shares of its common stock in the aggregate amount of \$60.0 million, less the amount utilized to date. Under the plan, the Company was authorized to acquire its outstanding shares on such terms and conditions as may be acceptable to the Company s Chief Executive Officer or Chief Financial Officer and subject to lender approval from Prudential Capital, up until the date on which the term loan with this lender was paid in full, and in compliance with all laws and regulations applicable thereto. During the period from December 14, 2010 through November 30, 2011, the Company repurchased 1,484,912 shares at a total cost of \$60.0 million. As a result, the Company has utilized the entire authorized amount and has completed the repurchases under this share buy-back plan.

On December 13, 2011, the Company s Board of Directors approved a new share buy-back plan. Under the plan, which is in effect through December 12, 2013, the Company is authorized to acquire up to \$50.0 million of its outstanding shares on such terms and conditions as may be acceptable to the Company s Chief Executive Officer or Chief Financial Officer and in compliance with all laws and regulations applicable thereto. During the period from December 14, 2011 through May 31, 2012, the Company repurchased 277,367 shares at a total cost of \$12.3 million.

The following table provides information with respect to all purchases made by the Company during the three months ended May 31, 2012. All purchases listed below were made in the open market at prevailing market prices.

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Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
March 1 - March 31		\$		\$ 45,915,986
April 1 - April 30	90,285	\$ 44.54	90,285	\$ 41,892,935
May 1 - May 31	92,445	\$ 45.34	92,445	\$ 37,699,752
Total	182,730	\$ 44.94	182,730	

Table of Contents**Item 6. Exhibits**

Exhibit No.	Description
3(a)	Certificate of Incorporation, incorporated by reference from the Registrant's Form 10-K filed October 25, 2007, Exhibit 3(a) thereto.
3(b)	Amended and Restated Bylaws of WD-40 Company, incorporated by reference from the Registrant's Form 8-K filed June 25, 2012, Exhibit 3(a) thereto.
31(a)	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(a)	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(b)	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from WD-40 Company, Inc. Quarterly Report on Form 10-Q for the quarter ended May 31, 2012 formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets; (ii) Condensed Consolidated Statements of Operations; (iii) Condensed Consolidated Statement of Shareholders Equity and Comprehensive Income; (iv) Condensed Consolidated Statements of Cash Flows; and (v) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.*

* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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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.

WD-40 COMPANY

Registrant

Date: July 10, 2012

By: /s/ GARRY O. RIDGE
Garry O. Ridge

President and Chief Executive Officer

(Principal Executive Officer)

By: /s/ JAY W. REMBOLT
Jay W. Rembolt

Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)