

WD 40 CO  
Form 10-K  
October 22, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended August 31, 2013

or

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.)

Edgar Filing: WD 40 CO - Form 10-K

1061 Cudahy Place, San Diego, California 92110  
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (619) 275-1400

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

Title of each class	Name of each exchange on which registered
Common Stock, \$0.001 par value	The NASDAQ Stock Market, LLC

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

Title of each class

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☐

---

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.    "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer      Accelerated filer    "    Non-accelerated filer    "    Smaller reporting company    "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes    "    No

The aggregate market value (closing price) of the voting stock held by non-affiliates of the registrant as of February 28, 2013 was approximately \$792,284,408.

As of October 17, 2013, there were 15,261,492 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference:

The Proxy Statement for the annual meeting of stockholders on December 10, 2013 is incorporated by reference into Part III, Items 10 through 14 of this Annual Report on Form 10-K.

WD-40 COMPANY

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended August 31, 2013

TABLE OF CONTENTS

PART I

Item 1.	<u>Business.....</u>
Item 1A.	<u>Risk Factors.....</u>
Item 1B.	<u>Unresolved Staff Comments.....</u>
Item 2.	<u>Properties.....</u>
Item 3.	<u>Legal Proceedings.....</u>
Item 4.	<u>Mine Safety Disclosures.....</u>

PART II

Item 5.	<u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.....</u>
Item 6.	<u>Selected Financial Data.....</u>
Item 7.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations.....</u>
Item 7A.	<u>Quantitative and Qualitative Disclosures About Market Risk.....</u>
Item 8.	<u>Financial Statements and Supplementary Data.....</u>
Item 9.	<u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.....</u>
Item 9A.	<u>Controls and Procedures.....</u>
Item 9B.	<u>Other Information.....</u>

PART III

Item 10.	<u>Directors, Executive Officers and Corporate Governance.....</u>
Item 11.	<u>Executive Compensation.....</u>
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.....</u>
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence.....</u>
Item 14.	<u>Principal Accountant Fees and Services.....</u>

PART IV

Item 15. Exhibits, Financial Statement Schedules.....

2

---

## PART I

This Annual Report on Form 10-K contains forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements other than those that are purely historical are 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 costs 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 identified in Item 1A of this report. The Company undertakes no obligation to revise or update any forward-looking statements.

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.

### Item 1. Business

#### Overview

WD-40 Company 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 was founded in 1953 and its headquarters are located in San Diego, California. For more than four decades, the Company sold only one product, WD-40®, a multi-purpose maintenance product which acts as a lubricant, rust preventative, penetrant, cleaner and moisture displacer. Over the years, the Company has further developed the WD-40 brand and acquired several brands worldwide, many of which have been

homecare and cleaning product brands, in order to build a fortress of brands that deliver a unique high value to end users. In addition, some of these brand acquisitions have provided the Company with access to existing distribution channels for other of its existing brands and have also provided the Company with economies of scale in areas such as sales, manufacturing and administration. The Company's acquisitions include the following:

- 3-IN-ONE® brand of general purpose and specialty maintenance products in fiscal year 1996;
- Lava® brand of heavy-duty hand cleaners in fiscal year 1999;
- 2000 Flushes® automatic toilet bowl cleaners, X-14® automatic toilet bowl cleaners and Carpet Fresh® rug and room deodorizers, all of which were associated with the Global Household Brands acquisition, and Solvol® brand of heavy-duty hand cleaners in Australia in fiscal year 2001;
- Spot Shot® brand, whose primary product was a carpet stain remover; in fiscal year 2002; and
- 1001® line of carpet and household cleaners in the United Kingdom ("U.K.") in fiscal year 2004.

The Company is focused on and committed to innovation and renovation of its products. The Company sees innovation and renovation as important factors to the long-term growth of its brands, and it intends to continue to work on future product, packaging and promotional innovations and renovations. The Company is also focused on expanding its current brands in existing markets with new product development. The Company's product development team supports new product development and current product improvement for the Company's brands. Over the years, the Company's research and development team has made an innovation impact on most of the Company's brands. Key innovations for the Company's products include, but are not limited to, WD-40 Smart Straw®, WD-40 Trigger Pro®, 3-IN-ONE Professional Garage Door Lube™, Spot Shot Pet Clean™ which is a non-aerosol Spot Shot trigger product, Blue Works® product line, and a mildew stain remover under the X-14 brand. In addition, the Company launched a new WD-40 Specialist® product line, which consists of certain specialty

maintenance products aimed at an expanded group of end users that currently uses WD-40 multi-use product, during fiscal year 2012. The Company also formed WD-40 Bike Company LLC, a new business unit focused on the development of a comprehensive line of bicycle maintenance products for cyclists and mechanics, during the fourth quarter of fiscal year 2012. The Company launched the WD-40 Bike™ product line in the United States (“U.S.”) during fiscal year 2013.

The Company’s core strategic initiatives and the areas where it will continue to focus its time, talent and resources in future periods include: (i) maximizing the WD-40 brand through geographic expansion and market penetration; (ii) leveraging the WD-40 brand to develop new products and categories within the Company’s prioritized platforms; (iii) expanding product and revenue base; (iv) attracting, developing and retaining people; and (v) operating with excellence.

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 U.K. and Australia.

#### Financial Information about Operating Segments

The Company’s operating segments are determined consistent with the way management organizes and evaluates financial information internally for making operating decisions and assessing performance. The Company is organized on the basis of geographical area into the following three segments:

- Americas segment consists of the U.S., Canada and Latin America;
- Europe, Middle East and Africa (“EMEA”) segment consists of countries in Europe, the Middle East and Africa; and
- Asia-Pacific segment consists of Australia, China and other countries in the Asia region.

The Company’s management reviews product performance on the basis of sales, which comes from its two product groups – multi-purpose maintenance products and homecare and cleaning products. The Company sells its products primarily through mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets, sport retailers, independent bike dealers and industrial distributors and suppliers. The financial information required by this item is included in Note 16 – Business Segments and Foreign Operations of the Company’s consolidated financial statements, included in Item 15 of this report, and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, included in Item 7 of this report.

#### Products



## Multi-Purpose Maintenance Products

The WD-40 brand is a market leader among multi-purpose maintenance products and is sold as an aerosol spray, a non-aerosol trigger spray and in liquid form through mass retail stores, hardware stores, warehouse club stores, automotive parts outlets and industrial distributors and suppliers. WD-40 products are sold worldwide in markets such as North, Central and South America, Asia, Australia and the Pacific Rim, Europe, the Middle East and Africa. WD-40 products have a wide variety of consumer uses in, for example, household, marine, automotive, construction, repair, sporting goods and gardening applications, in addition to numerous industrial applications.

The 3-IN-ONE brand consists of multi-purpose drip oil and spray lubricant products, as well as other specialty maintenance products. The drip oil is an entry-level lubricant with unique spout options that allow precise applications for small mechanisms and assemblies, tool maintenance and threads on screws and bolts. 3-IN-ONE Oil is the market share leader among drip oils for household consumers. It also has wide industrial applications in such areas as locksmithing, HVAC, marine, farming, construction and jewelry manufacturing. In addition to the drip oil line of products, the 3-IN-ONE brand also includes a professional line of products known as 3-IN-ONE Professional, which is a line of high quality, great value multi-purpose maintenance products. The high quality of the 3-IN-ONE brand and its established distribution network have enabled these products to gain international acceptance. 3-IN-ONE products are sold primarily in the U.S., Europe, Canada, Latin America, Australia and Asia.

The Blue Works brand consists of a line of industrial grade, specialty maintenance products that include lubricants, penetrants, degreasers and cleaners designed specifically for the needs of industrial users. Blue Works products were

launched in the U.S. during the second quarter of fiscal year 2010 and in selected markets in Europe in early fiscal year 2011. Since sales of the Blue Works products have not been material since its launch, the Company started to discontinue sales of this brand in the U.S. in fiscal year 2013. The Company expects to phase out sales of the Blue Works products in most locations in the near term. Due to the phasing out of the Blue Works brand, discussions of this brand will not be included in the Company's future reports.

WD-40 Specialist consists of a line of best-in-class performing specialty problem solving products that include penetrants, water resistant silicone sprays, corrosion inhibitors and rust removers that are aimed at an expanded group of end users that currently uses the WD-40 multi-use product. The Company launched the WD-40 Specialist product line in the U.S. during the first quarter of fiscal year 2012 and in Canada and select countries in Latin America, Asia and Europe throughout fiscal years 2012 and 2013. The launch of this product line has used the same established distribution channels where the Company currently sells its existing products.

WD-40 Bike Company LLC is a business unit that the Company formed as part of its focus on global innovation and product development. The WD-40 Bike product line consists of a comprehensive line of bicycle maintenance products that include wet and dry chain lubricants, heavy-duty degreasers, foaming bike wash and frame protectants that are designed specifically for the avid cyclist, bike enthusiasts and mechanics. The Company started to launch certain products in this line in the U.S. during the first quarter of fiscal year 2013, but the focus for such sales has been to smaller independent bike dealers rather than larger retailers. As a result of this, initial sales have been immaterial and sales are expected to remain immaterial in the near term.

#### Homecare and Cleaning Products

The X-14 brand is a line of quality products designed for unique cleaning needs. X-14 is sold as a liquid mildew stain remover and two types of automatic toilet bowl cleaners. X-14 is sold primarily in the U.S. through grocery and mass retail channels.

The 2000 Flushes brand is a line of long-lasting automatic toilet bowl cleaners which includes a variety of formulas. 2000 Flushes is sold primarily in the U.S. and Canada through grocery and mass retail channels.

The Carpet Fresh brand is a line of room and rug deodorizers sold as powder, aerosol foam and trigger spray products. Carpet Fresh is sold primarily through grocery and mass retail channels in the U.S., U.K. and Australia. In the U.K., Carpet Fresh is sold under the 1001 brand name. In Australia, Carpet Fresh is sold under the No Vac brand name.

The Spot Shot brand is sold as an aerosol carpet stain remover and a liquid trigger carpet stain and odor eliminator. The brand also includes environmentally friendly products such as Spot Shot Instant Carpet Stain & Odor Eliminator™ and Spot Shot Pet Clean, which are non-toxic and biodegradable. Spot Shot products are sold primarily through grocery and mass retail channels, warehouse club stores and hardware and home center stores in the U.S. and Canada. Spot Shot products are also sold in the U.K. under the 1001 brand name.

The 1001 brand includes carpet and household cleaners and rug and room deodorizers which are sold primarily through mass retail, grocery and home center stores in the U.K. The brand was acquired to introduce the Company's other homecare and cleaning product formulations under the 1001 brand in order to expand the Company's homecare and cleaning products business into the U.K. market.

The Lava and Solvol brands consist of heavy-duty hand cleaner products which are sold in bar soap and liquid form through hardware, grocery, industrial, automotive and mass retail channels. Lava is sold primarily in the U.S., while Solvol is sold exclusively in Australia.

The homecare and cleaning products are considered harvest brands providing positive returns to the Company, but they are becoming a smaller part of the business as the multi-purpose maintenance products sales grow as the Company executes its core strategic initiatives. The Company began to evaluate the strategic alternatives for certain of its homecare and cleaning products during the third quarter of fiscal year 2013. To date, no decisions have been made relative to the future strategic plans for these brands.

Financial information about operating segments and product lines is included in Note 16 – Business Segments and Foreign Operations of the consolidated financial statements, included in Item 15 of this report.

## Sales and Marketing

The Company's sales do not reflect any significant degree of seasonality. However, it is common for the Company's sales to fluctuate from period to period or year to year due to various factors, including but not limited to new or lost distribution, the number of product offerings carried by a customer and the level of promotional activities and programs being run at customer locations. New or lost distribution occurs when the Company gains or loses customers, it gains or loses store count for a customer or its products are added to new locations within a store or removed from existing locations. From time to time, as part of new product offering launches, the Company may gain access to entirely new distribution channels. The number of product offerings refers to the number of brands and/or the number of products within each of those brands that the Company's customers offer for sale to end user customers. The level of promotional activities and programs relates to the number of events or volumes of purchases by customers in support of off-shelf or promotional display activities. Changes in any one of these three factors or a combination of them can cause the Company's sales levels to increase or decrease from period to period. It is also common and/or possible that the Company could lose distribution or product offerings and experience a decrease in promotional activities and programs in one period and subsequently regain this business in a future period. The Company is accustomed to such fluctuations and manages this as part of its normal business activities.

## Sources and Availability of Components and Raw Materials

The Company relies on a limited number of suppliers, including single or sole suppliers, for certain of its raw materials, packaging, product components and other necessary supplies. The Company's primary components and raw materials include aerosol cans and petroleum-based products, which are manufactured from commodities that are subject to volatile price changes. The availability of these components and raw materials is affected by a variety of supply and demand factors, including global market trends, plant capacity decisions and natural disasters. The Company expects these components and raw materials to continue to be readily available in the future, although the Company will continue to be exposed to volatile price changes.

## Research and Development

The Company recognizes the importance of innovation and renovation to its long-term success and is focused on and committed to research and new product development activities. The Company's product development team engages in consumer research, product development, including those associated with the WD-40 Bike business unit, current product improvement and testing activities. The product development team also leverages its development capabilities by partnering with a network of outside resources including the Company's current and prospective outsource suppliers. In addition, the research and development team engages in activities and product development efforts which are necessary to ensure that the Company meets all regulatory requirements for the formulation of its products. The Company incurred research and development expenses of \$7.2 million, \$5.1 million and \$5.5 million in fiscal years

2013, 2012 and 2011, respectively. None of this research and development activity was customer-sponsored.

## Manufacturing

The Company outsources directly or through its marketing distributors the manufacturing of its finished products to various third-party contract manufacturers. The Company or its marketing distributors use contract manufacturers in the United States, Canada, Mexico, Brazil, Argentina, Columbia, the U.K., Italy, Australia, Japan, China, South Korea and India. Although the Company does not typically 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 manufactured based on orders and short-term projections, ranging from two to five months, provided to the contract manufacturers. The Company also formulates and manufactures concentrate used in its WD-40 products at its own facilities and at third-party contract manufacturers.

In addition to the commitments to purchase products from contract manufacturers described above, the Company may also enter into commitments with other manufacturers from time to time to purchase finished goods and components to support innovation initiatives and/or supply chain initiatives.

## Order Backlog

Order backlog is not a significant factor in the Company's business.

## Competition

The markets for the Company's products, particularly those related to its homecare and cleaning products, are highly competitive. The Company's products compete both within their own product classes as well as within product distribution channels, competing with many other products for store placement and shelf space. Competition in international markets varies by country. The Company is aware of many competing products, some of which sell for lower prices or are produced and marketed by companies with greater financial resources than those of the Company. The Company relies on the awareness of its brands among consumers, the value offered by those brands as perceived by consumers, product innovation and renovation and its multiple channel distributions as its primary strategies. New products typically encounter intense competition, which may require advertising and promotional support and activities. When or if a new product achieves consumer acceptance, ongoing advertising and promotional support may be required in order to maintain its relative market position.

## Trademarks and Patents

The Company owns numerous patents, but relies primarily upon its established trademarks, brand names and marketing efforts, including advertising and sales promotion, to compete effectively. The WD-40 brand, 3-IN-ONE, Blue Works, Lava, Solvol, X-14, 2000 Flushes, Carpet Fresh and No Vac, Spot Shot and 1001 trademarks are registered or have pending registration in various countries throughout the world.

## Employees

At August 31, 2013, the Company employed 369 people worldwide: 154 by the United States parent corporation; 6 by the Malaysia subsidiary; 9 by the Canada subsidiary; 134 by the U.K. subsidiary (including 59 in the U.K., 26 in Germany, 25 in France, 16 in Spain and 8 in Italy); 17 by the Australia subsidiary; 45 by the China subsidiary; 2 by WD-40 Bike Company; and 2 by WD-40 Manufacturing Company, the Company's manufacturing subsidiary.

## Financial Information about Foreign and Domestic Operations

For detailed information about the Company's foreign and domestic operations, including net sales by reportable segment and long-lived assets by geography, refer to Note 16 - Business Segments and Foreign Operations of the consolidated financial statements, included in Item 15 of this report.

#### Access to SEC Filings

The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available through the Investors section of the Company's website at [www.wd40company.com](http://www.wd40company.com). These reports can be accessed free of charge from the Company's website as soon as reasonably practicable after the Company electronically files such materials with, or furnishes them to, the Securities and Exchange Commission ("SEC"). Information contained on the Company's website is not included as a part of, or incorporated by reference into, this report.

Interested readers may also read and copy any materials that the Company files at the SEC Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Readers may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site ([www.sec.gov](http://www.sec.gov)) that contains the Company's reports.

#### Item 1A. Risk Factors

The following risks and uncertainties, as well as other factors described elsewhere in this report or in other SEC filings by the Company, could adversely affect the Company's business, financial condition and results of operations.

The Company's financial results could suffer if the Company is unable to implement and successfully manage its core strategic initiatives or if the Company's core strategic initiatives do not achieve the intended results.

There is no assurance that the Company will be able to implement and successfully manage its core strategic initiatives, including its five major strategic initiatives, or that the core strategic initiatives will achieve the intended results, which include sales volume growth. The Company's five major strategic initiatives include: (i) maximizing the WD-40 brand through geographic expansion and market penetration; (ii) leveraging the WD-40 brand to develop new products and categories within the Company's prioritized platforms; (iii) expanding product and revenue base; (iv) attracting, developing and retaining people; and (v) operating with excellence. If the Company is unable to implement and successfully manage its core strategic initiatives in accordance with its business plans, the Company's business and financial results could be adversely affected. Moreover, the Company cannot be certain that implementation of its core strategic initiatives will necessarily advance its business or financial results as intended.

Cost increases in finished goods, components, raw materials, transportation and other necessary supplies or services could harm the Company's financial condition and results of operations.

Increases in the cost of finished goods, components and raw materials and increases in the cost of transportation and other necessary supplies or services may harm the Company's financial condition and results of operations. Petroleum-based products and aerosol cans, which constitute a significant portion of the costs for many of the Company's products, have experienced significant price volatility in the past, and may continue to do so in the future. Fluctuations in oil and diesel fuel prices have also impacted the Company's cost of transporting its products. As component and raw material costs are the principal contributors to the cost of goods sold for all of the Company's products, any significant fluctuation in the costs of components and raw materials could have a material impact on the gross margins realized on the Company's products. Specifically, the costs of petroleum-based materials, which are included in many of the Company's products, are exposed to fluctuations resulting from the increase in the cost of petroleum and there has been significant volatility in such costs in recent years. In the event there is significant volatility in the Company's cost of goods or increases in raw material and/or component costs or the costs of transportation and other necessary supplies or services, the Company may not be able to maintain its gross margins if it chooses not to raise its product sales prices. Should the Company choose to increase product sales prices to offset cost increases, such increases may adversely affect demand and unit sales. Sustained increases in the cost of raw materials, components, transportation and other necessary supplies or services, or significant volatility in such costs, could have a material adverse effect on the Company's financial condition and results of operations.

Reliance on a limited base of third-party contract manufacturers, logistics providers and suppliers of raw materials and components may result in disruption to the Company's business and this could adversely affect the Company's financial condition and results of operations.

The Company relies on a limited number of third-party contract manufacturers, logistics providers and suppliers, including single or sole source suppliers for certain of its raw materials, packaging, product components and other



necessary supplies. The Company does not have direct control over the management or business of these third parties, except indirectly through terms negotiated in service or supply contracts. Should the terms of doing business with the Company's primary third-party contract manufacturers, suppliers and/or logistics providers change or should the Company have a disagreement with or be unable to maintain relationships with such third parties or should such third parties experience financial difficulties, the Company's business may be disrupted. In addition, if the Company is unable to contract with third-party manufacturers or suppliers for the quantity and quality levels needed for its business, the Company could experience disruptions in production and its financial results could be adversely affected.

Global economic conditions may negatively impact the Company's financial condition and results of operations.

A general weakening or decline in the global economy or a reduction in business or consumer spending or confidence could delay or significantly decrease purchases of the Company's products by its customers, including mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets and industrial distributors and suppliers. Consumer purchases of discretionary items, which could include the Company's multi-purpose maintenance products and homecare and cleaning products, may decline during periods where disposable income is reduced or there is economic uncertainty, and this may negatively impact the Company's financial condition and results of operations. During unfavorable or uncertain economic times, consumers may also increase purchases of lower-priced or non-branded products and the Company's competitors

may increase their level of promotional activities to maintain sales volumes, both of which may negatively impact the Company's financial condition and results of operations. In addition, adverse global economic conditions could result in a lower level of manufacturing and industrial activities, particularly in areas such as China where the Company primarily sells its products through the industrial channel.

The Company's sales and operating results may be affected by uncertain or changing economic and market conditions, including inflation, deflation, prolonged weak consumer demand or other changes which may affect the principal markets in which the Company conducts its business. If economic or market conditions in the United States or other key global markets deteriorate, the Company may experience material adverse effects on its business, financial condition and results of operations. In recent years, the banking system and financial markets have experienced disruptions, including among other things, bank failures and consolidations, diminished liquidity and credit availability and rating downgrades. In addition, global markets have continued to experience adverse conditions in recent periods, particularly in Europe where there are ongoing concerns regarding the increased sovereign debt levels in several countries and the inability of some of those countries to meet future financial obligations, and the associated overall volatility of the Euro currency. Although these factors are outside of the Company's control, they directly affect its business. The slow pace of economic recovery or any new economic downturn or recession could cause the Company's customers to delay or significantly decrease their purchases, which could reduce the Company's future sales and negatively impact its results of operations and cash flows.

Adverse economic and market conditions could also harm the Company's business by negatively affecting the parties with whom it does business, including its customers, retailers, distributors and wholesalers, and third-party contract manufacturers and suppliers. These conditions could impair the ability of the Company's customers to pay for products they have purchased from the Company. As a result, allowances for doubtful accounts and write-offs of accounts receivable from the Company's customers may increase. In addition, the Company's third-party contract manufacturers and its suppliers may experience financial difficulties that could negatively affect their operations and their ability to supply the Company with finished goods and the raw materials, packaging, and components required for the Company's products.

Sales volume growth may be difficult to achieve.

The Company's ability to achieve sales volume growth will depend on its ability to (i) execute its core strategic initiatives, (ii) drive growth within its existing markets through innovation, renovation and enhanced merchandising and marketing of its established brands, (iii) introduce its products to new users and (iv) capture market share from its competitors. It is more difficult for the Company to achieve sales volume growth in mature markets where the Company's products are widely used as compared to in developing markets where the Company's products have been newly introduced or are not well known by consumers. In order to protect the Company's existing market share or capture additional market share from its competitors, the Company may need to increase its expenditures related to promotions and advertising or introduce and establish new products or product lines. In past periods, the Company has also increased sales prices on certain of its products in response to increased costs for components and raw materials. Sales price increases may slow sales volume growth or create declines in volume in the short term as customers adjust to sales price increases. In addition, a change in the strategies of the Company's existing customers, including shelf

simplification, the discontinuation of certain product offerings or the shift in shelf space to competitors' products could reduce the Company's sales and potentially offset sales volume increases achieved as a result of other sales growth initiatives. If the Company is unable to increase market share in its existing product lines by developing product improvements, investing adequately in its existing brands, building usage among new customers, developing, acquiring or successfully launching new products or product line extensions, or successfully penetrating new and developing markets globally, the Company may not achieve its sales volume growth objectives.

The Company faces significant competition in its markets which could lead to reduced profitability.

The Company faces significant competition from other consumer products companies, both in the U.S. and in other global markets. Many of the Company's products, particularly its homecare and cleaning products, compete with other widely advertised brands within each product category and with "private label" brands and "generic" non-branded products of the Company's customers in certain categories, which are typically sold at lower prices. The Company also encounters competition from similar and alternative products, many of which are produced and marketed by major national or multinational companies. In addition, from time to time the Company discovers products in the marketplace that are counterfeit reproductions of its products. The availability of counterfeits of the Company's products, particularly in China and Russia, could adversely impact the Company's sales and potentially damage the value and reputation of its brands.

The Company's products generally compete on the basis of product performance, brand recognition, price, quality or other benefits to consumers and meeting end users needs. Advertising, promotions, merchandising and packaging also have a significant impact on consumer purchasing decisions. A newly introduced consumer product, whether improved or recently developed, usually encounters intense competition requiring substantial expenditures for advertising, sales and consumer promotion. If a product gains consumer acceptance, it normally requires continued advertising, promotional support and product improvements in order to maintain its relative market position.

Some of the Company's competitors are larger and have financial resources greater than those of the Company. These competitors may be able to spend more aggressively on advertising and promotional activities, introduce competing products more quickly and respond more effectively to changing business and economic conditions than the Company. In addition, the Company's competitors may attempt to gain market share and shelf space by offering products at sales prices at or below those typically offered by the Company.

Competitive activity may require the Company to increase its investment in marketing or reduce its sales prices and this may lead to reduced profit margins, a loss of market share or loss of distribution, each of which could have a material adverse effect on the Company's business, financial condition and results of operations. There can be no assurance that the Company will be able to compete successfully against current and future competitors or that competitive pressures faced by the Company will not have a material adverse effect on its business, financial condition and results of operations.

Global operations outside the U.S. expose the Company to uncertain conditions, foreign currency exchange rate risk and other risks in international markets.

The Company's sales outside of the U.S. were approximately 61% of consolidated net sales in fiscal year 2013 and one of its core strategic initiatives includes maximizing the WD-40 brand through geographic expansion and market penetration. As a result, the Company currently faces, and will continue to face, substantial risks associated with having increased global operations outside the U.S., including:

- economic or political instability in the Company's international markets, including Latin America, the Middle East, parts of Asia, Russia, Eastern Europe and the Eurozone countries;
- restrictions on or costs relating to the repatriation of foreign profits to the U.S., including possible taxes or withholding obligations on any repatriations;
- challenges associated with conducting business in foreign jurisdictions;
- increasing complexity associated with operating in multiple international tax jurisdictions;
- dispersed employee base and compliance with employment regulations and other labor issues, including unionization and minimum wages, in countries outside the U.S.; and
-

the imposition of tariffs or trade restrictions and costs, burdens and restrictions associated with other governmental actions.

These risks could have a significant impact on the Company's ability to sell its products on a competitive basis in global markets outside the U.S. and could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is also exposed to foreign currency exchange rate risk with respect to its sales, expenses, profits, assets and liabilities denominated in currencies other than the U.S. dollar. Although the Company uses instruments to hedge certain foreign currency risks, primarily those associated with its U.K. subsidiary, it is not fully protected against foreign currency fluctuations and, therefore, the Company's reported earnings may be affected by changes in foreign currency exchange rates. Moreover, any favorable impacts to profit margins or financial results from fluctuations in foreign currency exchange rates are likely to be unsustainable over time. Also, the current and ongoing European financial restructuring efforts may cause the value of the European currencies, particularly the Euro, to further deteriorate, thus reducing the purchasing power of certain European customers, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Additionally, the Company's global operations outside the U.S. are subject to risks relating to appropriate compliance with legal and regulatory requirements in local jurisdictions, potential difficulties in staffing and managing local operations, potentially higher incidence of fraud or corruption, credit risk of local customers and distributors and potentially adverse tax consequences. Also, as the Company further develops and grows its business operations outside the U.S., the Company may be exposed to additional complexities and risks, particularly in

emerging markets such as China. In many foreign countries, particularly in those with developing economies, it may be a local custom for a company which operates in such countries to engage in business practices that are prohibited by the U.S. Foreign Corrupt Practices Act (“FCPA”), the U.K. Bribery Act or other applicable laws and regulations. Although the Company has adopted policies and contract terms to mandate compliance with these laws, there can be no assurance that all of its employees, contractors and agents will comply with the Company’s requirements. Violations of these laws could be costly and disrupt the Company’s business, which could have a material adverse effect on its business, financial condition and results of operations.

Dependence on key customers could adversely affect the Company’s business, financial condition and results of operations.

The Company sells its products through a network of domestic and international mass retail and consumer retailers as well as industrial distributors and suppliers. The retail industry has historically been the subject of consolidation due to economic events, and as a result, the development of large chain stores has taken place. Today, the retail channel in the U.S. is comprised of several of these large chain stores that capture the bulk of the market share. Since many of the Company’s customers have been part of the consolidation in the retail industry, these limited customers account for a large percentage of the Company’s net sales. The Company expects that a significant portion of its revenues will continue to be derived from this limited number of customers. As a result, changes in the strategies of the Company’s largest customers, including shelf simplification, a reduction in the number of brands they carry or a shift in shelf space to “private label” or competitors’ products, may harm the Company’s sales. The loss of, or reduction in, orders from any of the Company’s most significant customers could have a material adverse effect on the Company’s brand values, business, financial condition and results of operations. Large customers may seek price reductions, added support or promotional concessions. If the Company agrees to such customer demands and/or requests, it could negatively impact the Company’s ability to maintain existing profit margins.

In addition, the Company’s business is based primarily upon individual sales orders, and the Company typically does not enter into long-term contracts with its customers. Accordingly, these customers could reduce their purchasing levels or cease buying products from the Company at any time and for any reason. The Company is also subject to changes in customer purchasing patterns or the level of promotional activities. These types of changes may result from changes in the manner in which customers purchase and manage inventory levels, or display and promote products within their stores. Other potential factors such as customer disputes regarding shipments, fees, merchandise condition or related matters may also impact operating results. If the Company ceases doing business with a significant customer or if sales of its products to a significant customer materially decrease, the Company’s business, financial condition and results of operations may be harmed.

Government regulations and environmental laws and regulations could result in material costs or otherwise adversely affect the Company’s financial condition and results of operations.

The manufacturing, chemical composition, packaging, storage, distribution and labeling of the Company's products and the manner in which the Company's business operations are conducted must comply with extensive federal, state and foreign laws and regulations, such as the California Air Resources Board ("CARB") regulations and the California Transparency in Supply Chains Act as well as many others in the United States. In addition, the Company's international operations are subject to regulations in each of the foreign jurisdictions in which it manufactures, distributes and sells its products. If the Company is not successful in complying with the requirements of all such regulations or changes to existing regulations, it could be fined or other actions could be taken against the Company by the governing body and this could adversely affect the Company's financial condition and results of operations. It is also possible that governments will increase regulation of the transportation, storage or use of certain chemicals, to enhance homeland security or protect the environment and such regulation could negatively impact the Company's ability to obtain raw materials, components and/or finished goods or could result in increased costs. In the event that such regulations result in increased product costs, the Company may not be in a position to raise selling prices, and therefore an increase in costs could have a material adverse effect on the Company's business, financial condition and results of operations.

Some of the Company's products have chemical compositions that are controlled by various state, federal and international laws and regulations. The Company is required to comply with these laws and regulations and it seeks to anticipate regulatory developments that could impact the Company's ability to continue to produce and market its products. The Company invests in research and development to maintain product formulations that comply with such laws and regulations. There can be no assurance that the Company will not be required to alter the chemical composition of one or more of the Company's products in a way that will have an adverse effect upon the product's

efficacy or marketability. A delay or other inability of the Company to complete product research and development and successfully reformulate its products in response to any such regulatory requirements could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is subject to a new SEC rule mandated by Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and this rule will require management to conduct due diligence and disclose and report on whether certain minerals and metals, known as "conflict minerals", are contained in the Company's products and whether they originate from the Democratic Republic of Congo ("DRC") and adjoining countries. Among other things, the implementation of this rule could adversely affect the sourcing, availability and pricing of such materials if they are found to be used in the manufacture of the Company's products, and this in turn could affect the costs associated with the Company's products. In addition, there will be ongoing costs associated with the compliance and disclosures for this new rule. Since the Company's supply chain structure is complex, management may have difficulty verifying the origin of these materials and if they exist within the Company's products and, as a result, the Company may be unable to certify that its products are DRC conflict mineral free.

The Company is also subject to numerous environmental laws and regulations that impose various environmental controls on its business operations, including, among other things, the discharge of pollutants into the air and water, the handling, use, treatment, storage and clean-up of solid and hazardous wastes and the investigation and remediation of soil and groundwater affected by hazardous substances. Such laws and regulations may otherwise relate to various health and safety matters that impose burdens upon the Company's operations. These laws and regulations govern actions that may have adverse environmental effects and also require compliance with certain practices when handling and disposing of hazardous wastes. These laws and regulations also impose strict, retroactive and joint and several liability for the costs of, and damages resulting from, cleaning up current sites, past spills, disposals and other releases of hazardous substances. The Company believes that its expenditures related to environmental matters have not had, and are not currently expected to have, a material adverse effect on its financial condition, results of operations or cash flows. However, the environmental laws under which the Company operates are complicated, often become increasingly more stringent and may be applied retroactively. Accordingly, there can be no assurance that the Company will not be required to incur additional expenditures to remain in or to achieve compliance with environmental laws in the future or that any such additional expenditures will not have a material adverse effect on the Company's business, financial condition or results of operations.

If the success and reputation of one or more of the Company's leading brands erodes, its business, financial condition and results of operations could be negatively impacted.

The financial success of the Company is directly dependent on the success and reputation of its brands, particularly its WD-40 brand. The success and reputation of the Company's brands can suffer if marketing plans or product development and improvement initiatives do not have the desired impact on the brands' image or do not attract customers as intended. The Company's brands can also be adversely impacted due to the activities and pressures placed on them by the Company's competitors. Further, the Company's business, financial condition and results of operations could be negatively impacted if one of its leading brands suffers damage to its reputation due to real or perceived quality or safety issues. Quality issues, which can lead to large scale recalls of the Company's products, can



be due to items such as product contamination, packaging errors and incorrect ingredients in the Company's product. Although the Company makes every effort to prevent brand erosion and preserve its reputation and the reputation of its brands, there can be no assurance that such efforts will be successful.

The Company may not successfully develop, introduce and /or establish new products and line extensions.

The Company's future performance and growth depend, in part, on its ability to successfully develop, introduce and/or establish new products as both brand extensions and/or line extensions. The Company cannot be certain that it will successfully achieve those goals. The Company competes in several product categories where there are frequent introductions of new products and line extensions and such product introductions often require significant investment and support. The ability of the Company to understand consumer preferences is key to maintaining and improving the competitiveness of its product offerings. The development and introduction of new products, as well as the renovation of current products and product lines, require substantial and effective research, development and marketing expenditures, which the Company may be unable to recoup if the new or renovated products do not gain widespread market acceptance. There are inherent risks associated with new product development and marketing efforts, including product development or launch delays, product performance issues during development, changing regulatory frameworks that affect the new products in development and the availability of key raw materials included in such products. These inherent risks could result in the failure of new products and product line

extensions to achieve anticipated levels of market acceptance, additional costs resulting from failed product introductions and the Company not being first to market. As the Company continues to focus on innovation and renovation, the Company's business, financial condition or results of operations could be adversely affected in the event that the Company is not able to effectively develop and introduce new or renovated products and line or brand extensions.

Goodwill and intangible assets are subject to impairment risk.

In accordance with the authoritative guidance on goodwill, intangibles and other, the Company assesses the potential impairment of its existing goodwill during the second fiscal quarter of each fiscal year and otherwise when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. The Company also assesses its definite-lived intangible assets for potential impairment when events and circumstances indicate that the carrying amount of the asset may not be recoverable and/or its remaining useful life may no longer be appropriate. Indicators such as underperformance relative to historical or projected future operating results, changes in the Company's strategy for its overall business or use of acquired assets, unexpected negative industry or economic trends, decline in the Company's stock price for a sustained period, decreased market capitalization relative to net book values, unanticipated technological change or competitive activities, loss of key distribution, change in consumer demand, loss of key personnel and acts by governments and courts may signal that an asset has become impaired.

During the fourth quarter of fiscal year 2013, as part of the Company's ongoing evaluation of potential strategic alternatives for certain of its homecare and cleaning products, the Company determined based on its review of events and circumstances that there were indicators of impairment for the Carpet Fresh and 2000 Flushes trade names. Management accordingly performed the Step 1 recoverability test for these two trade names and based on the results of this analysis, it was determined that the total of the undiscounted cash flows significantly exceeded the carrying value for the Carpet Fresh asset group and that no impairment existed for this trade name as of August 31, 2013. However, the Step 1 analysis indicated that the carrying value of the asset group for the 2000 Flushes exceeded its undiscounted future cash flows, and consequently, a second phase of the impairment test ("Step 2") was performed specific to the 2000 Flushes trade name to determine whether this trade name is impaired. Based on the results of this Step 2 analysis, the 2000 Flushes asset group's estimated fair value was determined to be lower than its carrying value. Consequently, the Company recorded a non-cash, before tax impairment charge of \$1.1 million in the fourth quarter of fiscal year 2013 to reduce the carrying value of the 2000 Flushes asset to its fair value.

An intangible asset valuation is dependent on a number of significant estimates and assumptions, including macroeconomic conditions, overall category growth rates, sales growth rates, cost containment and margin expansion and expense levels for advertising and promotions and general overhead, all of which must be developed from a market participant standpoint. While the Company believes that the estimates and assumptions used in such analyses are reasonable, actual events and results could differ substantially from those included in the valuation. In the event that business conditions change in the future, the Company may be required to reassess and update its forecasts and estimates used in subsequent impairment analyses. If the results of these future analyses are lower than current estimates, an additional impairment charge may result at that time. For additional information, refer to the information set forth in Note 6 – Goodwill and Other Intangible Assets of the consolidated financial statements, included in Item 15

of this report.

The Company's business development activities may not be successful.

The Company seeks to increase growth through business development activities such as acquisitions, joint ventures, licensing and/or other strategic partnerships in the United States and internationally. However, if the Company is not able to identify, acquire and successfully integrate acquired products or companies or successfully manage joint ventures or other strategic partnerships, the Company may not be able to maximize these opportunities. The failure to properly manage business development activities because of difficulties in the assimilation of operations and products, the diversion of management's attention from other business concerns, the loss of key employees or other factors could materially adversely affect the Company's business, financial condition and results of operations. In addition, there can be no assurance that the Company's business development activities will be profitable at their inception or that they will achieve sales levels and profitability that justify the investments made.

Future acquisitions, joint ventures or strategic partnerships could also result in the incurrence of debt, potentially dilutive issuances of equity securities, contingent liabilities, amortization expenses related to certain intangible assets and/or increased operating expenses, all of which could adversely affect the Company's results of operations

and financial condition. In addition, to the extent that the economic benefits associated with any of the Company's business development activities diminish in the future, the Company may be required to record impairments to goodwill, intangible assets or other assets associated with such activities, which could also adversely affect the Company's business, financial condition and results of operations.

The Company's operating results and financial performance may not meet expectations which could adversely affect the Company's stock price.

The Company cannot be sure that its operating results and financial performance, which include sales growth, net income, earnings per common share, gross margin and cash flows, will meet expectations. If the Company's assumptions and estimates are incorrect or do not come to fruition, or if the Company does not achieve all of its key goals or core strategic initiatives, then the Company's actual performance could vary materially from its internal expectations and those of the market. Failure to meet or exceed these expectations could cause the market price of the Company's stock to decline. The Company's operating results and financial performance may be negatively influenced by a number of factors, many of which are discussed in this Item 1A "Risk Factors".

In addition, sales volume growth, whether due to acquisitions or internal growth, can place burdens on management resources and financial controls that, in turn, can have a negative impact on operating results and financial condition of the Company. To some extent, the Company plans its expense levels in anticipation of future revenues. If actual revenues fall short of these expectations, operating results may be adversely affected by reduced operating margins due to actual expense levels that are higher than might otherwise have been appropriate.

Failure to maximize or to successfully assert the Company's intellectual property rights or infringement by the Company on the intellectual property rights of others could impact its competitiveness or otherwise adversely affect the Company's financial condition and results of operations.

The Company relies on trademark, trade secret, patent and copyright laws to protect its intellectual property rights. Although the Company has established a global enforcement program to protect its intellectual property rights, there can be no assurance that these intellectual property rights will be maximized or that they can be successfully asserted. There is a risk that the Company will not be able to obtain and perfect its own intellectual property rights or, where appropriate, license intellectual property rights necessary to support new product introductions. The Company cannot be certain that these rights, if obtained, will not be invalidated, circumvented or challenged in the future, and the Company could incur significant costs in connection with legal actions to defend its intellectual property rights. In addition, even if such rights are obtained in the United States, it may be that the laws of some of the other countries in which the Company's products are or may be sold do not protect intellectual property rights to the same extent as the laws of the United States, or they may be difficult to enforce. If other companies infringe the Company's intellectual property rights or take part in counterfeiting activities, they may dilute the value of the Company's brands in the marketplace, which could diminish the value that consumers associate with the Company's brands and harm its sales. The failure of the Company to protect or successfully assert its intellectual property rights or to protect its other

proprietary information could make the Company less competitive and could have a material adverse effect on its business, financial condition and results of operations.

If the Company is found to have violated the trademark, trade secret, copyright, patent or other intellectual property rights of others, such a finding could result in the need to cease the use of a trademark, trade secret, copyrighted work or patented invention in the Company's business and an obligation to pay a substantial amount for past infringement. It could also be necessary to pay a substantial amount in the future if the holders of such rights are willing to permit the Company to continue to use the intellectual property rights. Either having to cease use or pay such amounts could make the Company less competitive and could have a material adverse impact on its business, financial condition and results of operations.

Changes in marketing distributor relationships that are not managed successfully by the Company could result in a disruption in the affected markets.

The Company distributes its products throughout the world in one of two ways: the Direct Distribution model, in which products are sold directly by the Company to wholesalers and retailers in the U.S., Canada, Australia, China, the U.K. and a number of other countries throughout Europe; and the Marketing Distributor model, in which products are sold to marketing distributors who in turn sell to wholesalers and retailers. The Marketing Distributor model is generally used in certain countries where the Company does not have direct Company-owned operations. Instead, the Company partners with local companies who perform the sales, marketing and distribution functions.

The Company invests time and resources in these relationships. Should the Company's relationship with a marketing distributor change or terminate, the Company's sales within such marketing distributor's territory could be adversely impacted until such time as a suitable replacement could be found and the Company's key marketing strategies implemented. There is a risk that changes in such marketing distributor relationships, including changes in key marketing distributor personnel, that are not managed successfully, could result in a disruption in the affected markets and that such disruption could have a material adverse effect on the Company's business, financial condition and results of operations. Additionally, in some countries, local laws may require substantial payments to terminate existing marketing distributor relationships, which could also have a material adverse effect on the Company's business, financial condition and results of operations.

Resolution of income tax matters may impact the Company's financial condition and results of operations.

Significant judgment is required in determining the Company's effective income tax rate and in evaluating tax positions, particularly those related to uncertain tax positions. The Company provides for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards prescribed by the accounting standard for uncertain tax positions. Changes in uncertain tax positions or other adjustments resulting from tax audits and settlements with taxing authorities, including related interest and penalties, impact the Company's effective tax rate. When particular tax matters arise, a number of years may elapse before such matters are audited and finally resolved. Favorable resolution of such matters could be recognized as a reduction to the Company's effective tax rate in the year of resolution. Unfavorable resolution of any tax matter could increase the Company's effective tax rate. Any resolution of a tax matter may require the adjustment of tax assets or tax liabilities or the use of cash in the year of resolution. For additional information, refer to the information set forth in Note 13 – Income Taxes of the consolidated financial statements, included in Item 15 of this report.

Product liability claims and other litigation and/or regulatory action could adversely affect the Company's sales and operating results.

While the Company makes every effort to ensure that the products it develops and markets are safe for consumers, the use of the Company's products may expose the Company to liability claims resulting from such use. Claims could be based on allegations that, among other things, the Company's products contain contaminants, provide inadequate instructions regarding their use or inadequate warnings concerning their use or interactions with other substances. Product liability claims could result in negative publicity that could harm the Company's sales and operating results. The Company maintains product liability insurance that it believes will be adequate to protect the Company from material loss attributable to such claims but the extent of such loss could exceed available limits of insurance or could arise out of circumstances under which such insurance coverage would be unavailable. Other business activities of the Company may also expose the Company to litigation risks, including risks that may not be covered by insurance such as contract disputes. If successful claims are asserted by third parties against the Company for uninsured liabilities or liabilities in excess of applicable limits of insurance coverage, the Company's business, financial condition and results of operations may be adversely affected. In addition, if one of the Company's products were determined to be defective, the Company could be required to recall the product, which could result in adverse publicity and significant expenses.

Additionally, the Company's products may be associated with competitor products or other products in the same category, which may be alleged to have caused harm to consumers. As a result of this association, the Company may be named in unwarranted legal actions. The potential costs to defend such claims may materially affect the Company's business, financial condition and results of operations.

The Company may experience difficulties with or malfunctions of the critical information systems that it uses for the daily operations of its business and this could adversely affect the Company's business, financial condition and results of operations.

The Company relies extensively on information technology systems, networks and services, some of which are managed, hosted and provided by third-party service providers, to conduct its business. System failure, malfunction or loss of data which is housed in the Company's critical information systems could disrupt its ability to timely and accurately process transactions and produce key financial reports, including information on the Company's operating results, financial position and cash flows. In addition, information technology security threats and more sophisticated computer crime pose a potential risk to the security of the Company's information technology systems and networks, as well as to the confidentiality, availability and integrity of the Company's data. The Company's information systems could be damaged or cease to function properly due to a number of reasons, including

catastrophic events, power outages and security breaches. Although the Company has certain business continuity plans in place to address such service interruptions, there is no guarantee that these business continuity plans will provide alternative processes in a timely manner. As a result, the Company may experience interruptions in its ability to manage its daily operations and this could adversely affect the Company's business, financial condition and results of operations.

The information system that the U.S. office uses for its business operations is a market specific application which is not widely used by other companies. The company that owns and supports this application may not be able to provide the same level of support as that of companies which own larger, more widely spread information systems. If the company that supports this application in the U.S. were to cease its operations or were unable to provide continued support for this application, it could adversely affect the Company's daily operations or its business, financial condition and results of operations.

In addition, the Company's U.K. subsidiary is currently in the process of implementing a major upgrade to its critical information system. This information system is used by the U.K. subsidiary to process all of the daily transactions for the U.K. subsidiary and its branch offices located in Europe and to produce key financial reports for the European operations. If the U.K. subsidiary experiences difficulties in implementing or going live with this upgraded information system at its various locations, the Company may experience interruptions in its ability to manage its daily operations and report financial results and this could adversely affect the Company's business, financial condition and results of operations.

The Company may not have sufficient cash to service its indebtedness or to pay cash dividends.

The Company's current debt consists of a revolving credit facility and management has used the proceeds of this revolving credit facility primarily for stock repurchases. In order to service such debt, the Company is required to use its income from operations to make interest and principal payments required by the terms of the loan agreements. In addition, the Company's loan agreements typically include covenants to maintain certain financial ratios and to comply with other financial terms, conditions and covenants. Also, the Company has historically paid out a large part of its earnings to stockholders in the form of regular quarterly cash dividends. In December 2012, the Board of Directors declared a 7% increase in the regular quarterly cash dividend, increasing it from \$0.29 per share to \$0.31 per share.

The Company may incur substantial debt in the future for acquisitions or other business development activities. In addition, the Company may continue to use available cash balances to execute share repurchases under approved share buy-back plans. To the extent that the Company is required to seek additional financing to support certain of these activities, such financing may not be available in sufficient amounts or on terms acceptable to the Company. If the Company is unable to obtain such financing or to service its existing or future debt with its operating income, or if available cash balances are affected by future business performance, liquidity, capital needs, alternative investment opportunities or debt covenants, the Company could be required to reduce, suspend or eliminate its dividend payments to its stockholders.



Compliance with changing regulations and standards for accounting, corporate governance and public disclosure may result in additional expenses and this could negatively impact the Company's business, financial condition and results of operations.

Changing laws, regulations and standards relating to accounting and financial reporting, corporate governance and public disclosure, including new SEC regulations such as those required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, new NASDAQ Stock Market rules, new accounting requirements, including any that result from the joint convergence projects of the Financial Accounting Standards Board and the International Accounting Standards Board, and the potential future requirement to transition to international financial reporting standards, may create uncertainty and additional burdens and complexities for the Company. To maintain high standards of accounting and financial reporting, corporate governance and public disclosure, the Company intends to invest all reasonably necessary resources to comply with all such evolving standards and requirements. These investments may result in increased general and administrative expenses and a diversion of management time and attention from strategic revenue generating and cost management activities, either of which could negatively impact the Company's business, financial condition and results of operations.

The operations of the Company and its third-party contract manufacturers and suppliers of raw materials and components are subject to disruption by events beyond the Company's control.

Operations of the Company and the operations of its third-party contract manufacturers and suppliers of raw materials and components are subject to disruption for a variety of reasons, including work stoppages, acts of war, terrorism, pandemics, fire, earthquakes, hurricanes, flooding or other natural disasters. If a major disruption were to occur, it could result in harm to people or the natural environment, temporary loss of access to critical data, delays in shipments of products to customers, supply chain disruptions, increased costs for finished goods, components and/or raw materials or suspension of operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations. Although the Company has certain business continuity plans in place to respond to such events, there is no assurance that such plans are adequate or would be successfully implemented.

The Company's continued growth and expansion could adversely affect its internal control over financial reporting which could harm its business and financial condition.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting per the Sarbanes-Oxley Act of 2002. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting standards generally accepted in the United States. Internal control over financial reporting includes maintaining records in reasonable detail such that they accurately and fairly reflect the Company's transactions, providing reasonable assurance that receipts and expenditures are made in accordance with management's authorization, policies and procedures and providing reasonable assurance that the unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements would be prevented or detected in a timely manner. The Company's continued growth and expansion, particularly in global markets, will place additional pressure and risk on the Company's system of internal control over financial reporting. Any failure by the Company to maintain an effective system of internal control over financial reporting associated with such growth and expansion could limit the Company's ability to report its financial results accurately and on a timely basis or to detect and prevent fraud.

#### Item 1B. Unresolved Staff Comments

Not applicable.

#### Item 2. Properties

#### Americas

The Company owns and occupies an office and plant facility, consisting of office, plant and storage space, which is located at 1061 Cudahy Place, San Diego, California 92110. The Company also leases additional office and storage space in San Diego. The Company leases a regional sales office in Miami, Florida, a research and development office in Summit, New Jersey and office space in Toronto, Ontario, Canada.

#### EMEA

The Company owns and occupies an office and plant facility, consisting of office, plant and storage space, located in Milton Keynes, United Kingdom. In addition, the Company leases space for its branch offices in Germany, France, Italy, Spain, Portugal and the Netherlands.

#### Asia-Pacific

The Company leases office space in Epping, New South Wales, Australia, Shanghai, China and Kuala Lumpur, Malaysia.

### Item 3. 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. At this stage in the litigation, the Company does not believe that a loss is probable and management is unable to reasonably estimate a possible loss or range of possible loss.

### Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

The following table sets forth the names, ages, year elected to current position and current titles of the executive officers of the Company as of August 31, 2013:

Name, Age and Year Elected to			Current Position	Title
Garry O. Ridge	57	1997		President and Chief Executive Officer
Jay W. Rembolt	62	2008		Vice President, Finance and Chief Financial Officer
Michael J. Irwin	50	2008		Executive Vice President, Global Business Development Group
Graham P. Milner	59	2002		Executive Vice President, Global Business Development Group
Michael L. Freeman	60	2002		Division President, The Americas
Geoffrey J. Holdsworth	51	1997		Managing Director, Asia-Pacific
William B. Noble	55	1996		Managing Director, WD-40 Company Ltd. (U.K.)

Mr. Ridge joined the Company's Australian subsidiary, WD-40 Company (Australia) Pty. Limited, in 1987 as Managing Director. He held several senior management positions prior to his election as Chief Executive Officer in 1997.

Mr. Rembolt joined the Company in 1997 as Manager of Financial Services. He was promoted to Controller in 1999 and to Vice President, Finance/Controller in 2001. He was then named Vice President, Finance and Chief Financial Officer in 2008.

Mr. Irwin joined the Company in 1995 as Director of U.S. Marketing, and he was subsequently promoted to Director of Marketing, The Americas. He was named Vice President, Marketing, The Americas in 1998, Senior Vice President, Chief Financial Officer and Treasurer in 2001, Executive Vice President in 2002, and Executive Vice President, Strategic Development in 2008. In 2013, he was appointed to his current position of Executive Vice

President, Global Business Development Group and has been supporting the activities associated with the WD-40 Bike business unit since its formation.

Mr. Milner joined the Company in 1992 as International Director. He was named Vice President, Sales and Marketing, The Americas, in 1997, Senior Vice President, The Americas, in 1998, and Executive Vice President, Global Innovation and Chief Branding Officer in 2002. He was then appointed to his current position of Executive Vice President, Global Business Development Group in 2013 and has been supporting the activities associated with the WD-40 Bike business unit since its formation.

Mr. Freeman joined the Company in 1990 as Director of Marketing and was promoted to Director of Operations in 1994. He became Vice President, Administration and Chief Information Officer in 1996, and was named Senior Vice President, Operations in 2001 and Division President, The Americas, in 2002.

Mr. Holdsworth joined the Company's Australia subsidiary, WD-40 Company (Australia) Pty. Limited, in 1996 as General Manager and was promoted to his current position of Managing Director, Asia-Pacific in 1997.

Mr. Noble joined the Company's Australia subsidiary, WD-40 Company (Australia) Pty. Limited, in 1993 as International Marketing Manager for the Asia Region. He was then promoted to his current position of Managing Director, WD-40 Company Ltd. (U.K.) in 1996.

All executive officers hold office at the discretion of the Board of Directors.

## PART II

## Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

## Market Information

The Company's common stock is traded on the NASDAQ Global Select Market. The following table sets forth the high and low sales prices per share of the Company's common stock for each of the quarterly periods indicated as reported by the NASDAQ Global Select Market.

	Fiscal Year 2013			Fiscal Year 2012		
	High	Low	Dividend	High	Low	Dividend
First Quarter	\$ 54.42	\$ 45.12	\$ 0.29	\$ 47.29	\$ 35.37	\$ 0.27
Second Quarter	\$ 55.18	\$ 45.59	\$ 0.31	\$ 45.05	\$ 39.25	\$ 0.29
Third Quarter	\$ 57.50	\$ 51.31	\$ 0.31	\$ 47.50	\$ 41.47	\$ 0.29
Fourth Quarter	\$ 64.23	\$ 53.35	\$ 0.31	\$ 51.81	\$ 45.88	\$ 0.29

On October 17, 2013, the last reported sales price of the Company's common stock on the NASDAQ Global Select Market was \$66.50 per share, and there were 15,261,492 shares of common stock outstanding held by approximately 867 holders of record.

## Dividends

The Company has historically paid regular quarterly cash dividends on its common stock. In December 2012, the Board of Directors declared a 7% increase in the regular quarterly cash dividend, increasing it from \$0.29 per share to \$0.31 per share. On October 4, 2013, the Company's Board of Directors declared a cash dividend of \$0.31 per share payable on October 31, 2013 to shareholders of record on October 21, 2013.

The Board of Directors of the Company presently intends to continue the payment of regular quarterly cash dividends on the Company's common stock. The Company's ability to pay dividends could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and debt covenants.

Purchases of Equity Securities By the Issuer and Affiliated Purchasers

On December 13, 2011, the Company's Board of Directors approved a share buy-back plan. Under the plan, which was in effect through December 12, 2013, the Company was 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 July 31, 2013, the Company repurchased 1,013,400 shares at a total cost of \$50.0 million. As a result, the Company has utilized the entire authorized amount and completed the repurchases under this share buy-back plan.

On June 18, 2013, the Company's Board of Directors approved a new share buy-back plan. Under the plan, which is in effect from August 1, 2013 through August 31, 2015, the Company is authorized to acquire up to \$60.0 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 subject to present loan covenants and in compliance with all laws and regulations applicable thereto. During the period from August 1, 2013 through August 31, 2013, the Company repurchased 45,633 shares at a total cost of \$2.7 million.

The following table provides information with respect to all purchases made by the Company during the three months ended August 31, 2013. All purchases listed below were made in the open market at prevailing market prices. Purchase transactions between June 3, 2013 and June 28, 2013 and between August 16, 2013 and August 26, 2013 were executed pursuant to trading plans adopted by the Company pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934.

Period	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
June 1 - June 30	90,293	\$ 55.35	90,293	\$ 1,467,365



Edgar Filing: WD 40 CO - Form 10-K

July 1 - July 31	25,167	\$ 58.28	25,167	\$ -
August 1 - August 31	45,633	\$ 58.62	45,633	\$ 57,324,196
Total	161,093	\$ 56.74	161,093	

20

---

## Item 6. Selected Financial Data

The following data has been derived from the Company's audited consolidated financial statements. The data should be read in conjunction with such consolidated financial statements and other financial information included elsewhere in this report (in thousands, except per share amounts):

	As of and for the Fiscal Year Ended August 31,				
	2013	2012	2011	2010	2009
Net sales	\$ 368,548	\$ 342,784	\$ 336,409	\$ 321,516	\$ 292,002
Cost of products sold	179,385	174,302	168,297	156,210	147,469
Gross profit	189,163	168,482	168,112	165,306	144,533
Operating expenses	132,526	116,753	113,980	110,108	104,688
Income from operations	56,637	51,729	54,132	55,198	39,845
Interest and other income (expense), net	230	(816)	(601)	(1,641)	(1,521)
Income before income taxes	56,867	50,913	53,531	53,557	38,324
Provision for income taxes	17,054	15,428	17,098	17,462	12,037
Net income	\$ 39,813	\$ 35,485	\$ 36,433	\$ 36,095	\$ 26,287
Earnings per common share:					
Basic	\$ 2.55	\$ 2.22	\$ 2.16	\$ 2.17	\$ 1.59
Diluted	\$ 2.54	\$ 2.20	\$ 2.14	\$ 2.15	\$ 1.58
Dividends per share	\$ 1.22	\$ 1.14	\$ 1.08	\$ 1.00	\$ 1.00
Weighted-average shares outstanding - diluted	15,619	16,046	16,982	16,725	16,656
Total assets	\$ 323,064	\$ 300,870	\$ 279,777	\$ 289,108	\$ 262,617
Long-term obligations <sup>(1)</sup>	\$ 25,912	\$ 25,963	\$ 24,321	\$ 32,764	\$ 41,456

(1) Long-term obligations include long-term debt, long-term deferred tax liabilities, net and deferred and other long-term liabilities.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide the reader of the Company's financial statements with a narrative from the perspective of management on the Company's financial condition, results of operations, liquidity and certain other factors that may affect future results. This MD&A includes the following sections: Overview, Highlights, Results of Operations, Performance Measures and Non-GAAP Reconciliations, Liquidity and Capital Resources, Critical Accounting Policies, Recently Issued Accounting Standards and Related Parties. The MD&A is provided as a supplement to, and should be read in conjunction with, the Company's audited consolidated financial statements and the related notes included in Item 15 of this report.

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.

### 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 upon the Company's fortress of brands. Our vision is to create positive lasting memories by solving problems in the homes and factories around the world. We market multi-purpose maintenance products – under the WD-40®, 3-IN-ONE®, and BLUE WORKS® brand names. Currently included in the WD-40 brand are the WD-40 multi-use product and the WD-40 Specialist® and WD-40 Bike™ product lines. In the fourth quarter of fiscal year 2012, we developed the WD-40 Bike product line, which is focused on a comprehensive line of bicycle maintenance products that include wet and dry chain lubricants, heavy-duty degreasers, foaming bike wash and frame protectants that are designed specifically for the avid cyclist, bike enthusiasts and mechanics. We launched the WD-40 Bike product line in the U.S. during fiscal year 2013. We also market 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.

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. and Australia. We sell our products primarily through mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets, sport retailers, independent bike dealers and industrial distributors and suppliers.

## Highlights

The following summarizes the financial and operational highlights for our business during the fiscal year ended August 31, 2013:

- Consolidated net sales increased \$25.7 million, or 8%, for fiscal year 2013 compared to the prior fiscal year. Changes in foreign currency exchange rates had an unfavorable impact of \$2.0 million on consolidated net sales for fiscal year 2013. Thus, on a constant currency basis, net sales would have increased by \$27.7 million for fiscal year 2013 compared to the prior fiscal year.
- Ø Multi-purpose maintenance products sales, which include the WD-40, 3-IN-ONE and BLUE WORKS brands, were \$320.9 million, up 12% from the prior fiscal year.

- Ø Homecare and cleaning products sales, which include all other brands, were \$47.6 million, down 15% from the prior fiscal year.
- Americas segment sales were \$180.5 million, up 2% compared to the prior fiscal year. EMEA segment sales were \$136.0 million, up 16% compared to the prior fiscal year. Asia-Pacific segment sales were \$52.0 million, up 7% compared to the prior fiscal year.
  - Gross profit as a percentage of net sales increased to 51.3% for fiscal year 2013 compared to 49.2% for the prior fiscal year.
  - Consolidated net income increased \$4.3 million, or 12%, for fiscal year 2013 compared to the prior fiscal year. Changes in foreign currency exchange rates had an unfavorable impact of \$0.2 million on consolidated net income for fiscal year 2013. Thus, on a constant currency basis, net income would have increased by \$4.5 million for fiscal year 2013 compared to the prior fiscal year.
  - Diluted earnings per common share for fiscal year 2013 were \$2.54 versus \$2.20 in the prior fiscal year period.
  - Progress continues to be made on the development and launch of new multi-purpose maintenance products. The Company launched the WD-40 Specialist product line in the U.S. during the first quarter of fiscal year 2012 and continued to launch the product line in Canada and select countries in Latin America, Asia and Europe throughout fiscal years 2012 and 2013.
  - Share repurchases have been executed under both our \$50.0 million and \$60.0 million approved share buy-back plans. The \$50.0 million plan has been fully utilized and all remaining authorized purchases under the plan were completed in the fourth quarter of fiscal year 2013. To date through August 31, 2013, the Company had repurchased 45,633 shares at an average price of \$58.62 per share for a total cost of \$2.7 million under the new \$60.0 million plan which was approved by the Company's Board of Directors in June 2013.
  - The project which we started in early fiscal year 2012 to redesign our supply chain architecture in North America was completed at the end of fiscal year 2013. Although we incurred additional costs during the transition phases of this project and our overall inventory has increased from historical levels as a result of this new architecture, we have realized manufacturing cost savings in recent periods and have improved service to our customers.

Our core strategic initiatives and the areas where we will continue to focus our time, talent and resources in future periods include: (i) maximizing the WD-40 brand through geographic expansion and market penetration; (ii) leveraging the WD-40 brand to develop new products and categories within the Company's prioritized platforms; (iii) expanding product and revenue base; (iv) attracting, developing and retaining people; and (v) operating with excellence.



## Results of Operations

Fiscal Year Ended August 31, 2013 Compared to Fiscal Year Ended August 31, 2012

## Operating Items

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

	Fiscal Year Ended August 31,		Change from Prior Year	
	2013	2012	Dollars	Percent
Net sales:				
Multi-purpose maintenance products	\$ 320,883	\$ 286,480	\$ 34,403	12%
Homecare and cleaning products	47,665	56,304	(8,639)	(15)%
Total net sales	368,548	342,784	25,764	8%
Cost of products sold	179,385	174,302	5,083	3%
Gross profit	189,163	168,482	20,681	12%
Operating expenses	132,526	116,753	15,773	14%
Income from operations	\$ 56,637	\$ 51,729	\$ 4,908	9%
Net income	\$ 39,813	\$ 35,485	\$ 4,328	12%
Earnings per common share - diluted	\$ 2.54	\$ 2.20	\$ 0.34	15%

## Net Sales by Segment

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

	Fiscal Year Ended August 31,		Change from Prior Year	
	2013	2012	Dollars	Percent
Americas	\$ 180,544	\$ 177,394	\$ 3,150	2%
EMEA	135,984	116,936	19,048	16%
Asia-Pacific	52,020	48,454	3,566	7%
Total	\$ 368,548	\$ 342,784	\$ 25,764	8%

## Americas

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

	Fiscal Year Ended August 31,		Change from	
	2013	2012	Prior Year	
			Dollars	Percent
Multi-purpose maintenance products	\$ 147,312	\$ 136,105	\$ 11,207	8%
Homecare and cleaning products	33,232	41,289	(8,057)	(20)%
Total	\$ 180,544	\$ 177,394	\$ 3,150	2%
% of consolidated net sales	49%	52%		

Sales in the Americas segment, which includes the U.S., Canada and Latin America, increased to \$180.5 million, up \$3.1 million, or 2%, for the fiscal year ended August 31, 2013 compared to the prior fiscal year. Changes in foreign



currency exchange rates did not have a material impact on sales for the fiscal year ended August 31, 2013 compared to the prior fiscal year.

Sales of multi-purpose maintenance products in the Americas segment increased \$11.2 million, or 8%, for the fiscal year ended August 31, 2013 compared to the prior fiscal year. This sales increase was driven by higher sales of WD-40 multi-purpose maintenance products in the U.S. and Latin America, each of which were up 9% year over year. The sales increase in the U.S. was in part due to a higher overall level of promotional activities for the WD-40 multi-use products that were conducted throughout fiscal year 2013 as compared to the prior fiscal year. The increase in Latin America was primarily due to improved business conditions and a more stable economic environment throughout most of the Latin America countries in fiscal year 2013 as compared to fiscal year 2012. Also contributing to the overall sales increase of the multi-purpose maintenance products in the Americas segment was the sales increase of the WD-40 Specialist product line from period to period due to new distribution and product offerings in the U.S. and the launch of this product line in Canada and Latin America during fiscal year 2013. 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 decreased \$8.1 million, or 20%, for the fiscal year ended August 31, 2013 compared to the prior fiscal year. This sales decrease was driven primarily by lower sales of the Carpet Fresh and Spot Shot products and the 2000 Flushes automatic toilet bowl cleaners, which were down 41%, 28% and 13%, respectively, in the U.S. for fiscal year 2013 compared to the prior fiscal year. While each of our homecare and cleaning products continue to generate positive cash flows, we have continued to experience decreased sales for these products primarily due to lost distribution, reduced product offerings, competition, category declines and the volatility of orders from and promotional programs with certain of our customers, particularly those in the warehouse club and mass retail channels. In the second half of fiscal year 2013, management started to evaluate the strategic alternatives for certain of the Company's homecare and cleaning products. To date, no decisions have been made relative to the future strategic plans for these brands.

For the Americas segment, 81% of sales came from the U.S. and 19% of sales came from Canada and Latin America combined for each of the fiscal years ended August 31, 2013 and 2012.

#### EMEA

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

Fiscal Year Ended August 31,		Change from	
		Prior Year	
2013	2012	Dollars	Percent

Multi-purpose maintenance products	\$ 128,740	\$ 109,115	\$ 19,625	18%
Homecare and cleaning products	7,244	7,821	(577)	(7)%
Total	\$ 135,984	\$ 116,936	\$ 19,048	16%
% of consolidated net sales	37%	34%		

Sales in the EMEA segment, which includes Europe, the Middle East and Africa, increased to \$136.0 million, up \$19.1 million, or 16%, for the fiscal year ended August 31, 2013 compared to the prior fiscal year. Changes in foreign currency exchange rates for the fiscal year ended August 31, 2013 compared to the prior fiscal year had an unfavorable impact on sales. Sales for the fiscal year ended August 31, 2013 translated at the exchange rates in effect for the prior fiscal year would have been \$137.7 million in the EMEA segment. Thus, on a constant currency basis, sales would have increased by \$20.8 million, or 18%, for the fiscal year ended August 31, 2013 compared to 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 and the Netherlands). Overall, sales from direct markets increased \$13.1 million, or 18%, for the fiscal year ended August 31, 2013 compared to the prior fiscal year. We experienced sales increases throughout the Europe direct markets for the fiscal year ended August 31, 2013 compared to the prior fiscal year, with percentage

increases in sales as follows: the Germanics sales region, 26%; Italy, 22%; France, 15%; the U.K., 12% and Iberia, 10%.

The sales increase in the direct markets was primarily due to new distribution, continued growth of the base business and the positive impacts of sales price increases which were implemented in certain locations and markets throughout Europe during the second and third quarters of fiscal year 2013. Although sales in the direct markets increased significantly year over year, sales in these markets were negatively impacted throughout fiscal year 2012 primarily due to the particularly adverse economic conditions which existed in Europe during this time period. During our fiscal year 2013, the Europe economy started to stabilize and this has positively impacted our sales levels, but it is still uncertain whether this stability will continue into future periods. Sales from direct markets accounted for 64% of the EMEA segment's sales for the fiscal year ended August 31, 2013 compared to 63% of the EMEA segment's sales for the prior fiscal year.

The regions in the EMEA segment where we sell through local distributors include the Middle East, Africa, Eastern and Northern Europe. Sales in the distributor markets increased \$6.0 million, or 14%, for the fiscal year ended August 31, 2013 compared to fiscal year 2012 primarily due to increased sales of WD-40 multi-use products and initial sales of the WD-40 Specialist product line throughout the distributor markets. The sales increase from period to period was primarily due to the continued growth of the base business in key markets, particularly those in the Middle East and Eastern Europe. In general, the markets in which we sell through local distributors have remained more stable in recent years from an economic standpoint than other countries in Europe. The distributor markets accounted for 36% of the total EMEA segment sales for the fiscal year ended August 31, 2013, compared to 37% for the prior fiscal year.

#### Asia-Pacific

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

	Fiscal Year Ended August 31,		Change from	
	2013	2012	Prior Year	
			Dollars	Percent
Multi-purpose maintenance products	\$ 44,831	\$ 41,260	\$ 3,571	9%
Homecare and cleaning products	7,189	7,194	(5)	-
Total	\$ 52,020	\$ 48,454	\$ 3,566	7%
% of consolidated net sales	14%	14%		

Sales in the Asia-Pacific segment, which includes Australia, China and other countries in the Asia region, increased to \$52.0 million, up \$3.5 million, or 7%, for the fiscal year ended August 31, 2013 compared to the prior fiscal year. Changes in foreign currency exchange rates did not have a material impact on sales for the fiscal year ended August 31, 2013 compared to the prior fiscal year.

Sales in Asia, which represented 66% of the total sales in the Asia-Pacific segment, increased \$3.6 million, or 12%, for the fiscal year ended August 31, 2013 compared to the prior fiscal year primarily due to the stable economic conditions which existed throughout most of the Asia region during fiscal year 2013 and increased promotional activities from year to year. The distributor markets in the Asia region experienced a sales increase of \$2.7 million, or 13%, for the fiscal year ended August 31, 2013 compared to the prior fiscal year, primarily due to the success of certain promotional programs, which were conducted in fiscal year 2013 throughout most of the Asia countries and the continued growth of the WD-40 multi-use products throughout the distributor markets, including those in Malaysia, South Korea and Taiwan. Sales in China increased \$0.9 million, or 9%, for the fiscal year ended August 31, 2013 compared to the prior fiscal year primarily due to a higher level of sales which resulted from a significant promotional program that was conducted in the fourth quarter of fiscal year 2013. Although the overall sales in China increased year over year, China has generally experienced a lower rate of growth for sales over the last several quarters due to adverse economic conditions and the lower level of industrial activities that have existed throughout China in recent periods.

Sales in Australia slightly decreased by \$0.1 million, or 1%, for the fiscal year ended August 31, 2013 compared to the prior fiscal year primarily due to the unfavorable impacts of changes in foreign currency exchange rates from period to period. On a constant currency basis, sales would have increased \$0.3 million, or 2%, for the fiscal year ended August 31, 2013 compared to the prior fiscal year.

## Gross Profit

Gross profit increased to \$189.2 million for the fiscal year ended August 31, 2013 compared to \$168.5 million for the prior fiscal year. As a percentage of net sales, gross profit increased to 51.3% for the fiscal year ended August 31, 2013 compared to 49.2% for the prior fiscal year.

Gross margin was positively impacted by 1.1 percentage points from period to period due to sales price increases, which were implemented in certain locations and markets throughout most of fiscal year 2013 and 2012. There was also a decrease in discounts that were given to our customers, which positively impacted gross margin by 0.4 percentage points year over year. This decrease in such discounts was due to a lower percentage of sales, particularly those for our homecare and cleaning products in the Americas segment, being subject to promotional allowances during the year ended August 31, 2013 compared to the prior fiscal year. Advertising, promotional and other discounts that are given to our customers are recorded as a reduction to sales, whereas advertising and sales promotional costs associated with promotional activities that we pay to third parties are recorded as advertising and sales promotional expenses. In addition, gross margin was positively impacted by 0.3 percentage points from period to period due to our North American supply chain restructure project. As a result of this restructure project, we were able to realize lower manufacturing fees from our third-party contract manufacturers in fiscal year 2013 compared to the prior fiscal year. These decreased costs were partially offset by higher warehousing costs, handling fees and in-bound freight costs, all of which are associated with the storage and movement of our product between our third-party contract manufacturers and distribution centers, which we incurred during much of fiscal year 2013 compared to the prior fiscal year. Gross margin was positively impacted by 0.2 percentage points due to the combined effects of changes in the costs of petroleum-based materials and aerosol cans from period to period, the majority of which came from a decrease in costs associated with petroleum-based materials. 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. Lower manufacturing costs in our Asia-Pacific segment also positively impacted gross margin by 0.2 percentage points from period to period.

We incurred higher costs associated with raw materials related to our homecare and cleaning products, as well as increased manufacturing costs in our EMEA segment, which when combined negatively impacted gross margin by 0.1 percentage points from period to period.

Note that our gross profit and gross margin 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 manufacturers and include these costs in selling, general and administrative expenses. These costs totaled \$15.7 million and \$15.4 million for the fiscal years ended August 31, 2013 and 2012, respectively.

#### Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses for the fiscal year ended August 31, 2013 increased \$15.5 million, or 17%, to \$104.4 million from \$88.9 million for the prior fiscal year. As a percentage of net sales, SG&A expenses increased to 28.3% for the fiscal year ended August 31, 2013 from 26.0% for the prior fiscal year. The increase in SG&A expenses was largely attributable to higher employee-related costs, a higher level of expenses associated with travel and meetings and increased freight costs. Employee-related costs, which include salaries, bonuses, profit sharing, stock-based compensation and other fringe benefits, increased \$14.8 million for the fiscal year ended August 31, 2013 compared to the prior fiscal year, the majority of which was due to higher bonus expense. Based on our results for fiscal year 2013, we achieved a high level of the profit performance metrics at both the segment level and globally required to trigger payout of bonuses, and as a result, bonus expense and the related fringe benefit expense were significantly higher in fiscal year 2013 as compared to the prior fiscal year. Also contributing to the increase in employee-related costs was higher annual compensation increases and increased headcount from period to period. Travel and meeting expenses increased \$0.9 million due to a higher level of travel expenses associated with various sales meetings and activities in support of our strategic initiatives. Freight costs

increased \$0.4 million primarily due to higher sales volumes, particularly in the EMEA segment, for the fiscal year ended August 31, 2013 compared to the prior fiscal year. Other miscellaneous expenses, which primarily include broker sales commissions, office overhead and bad debt expenses, increased by \$0.3 million period over period.

The increases in SG&A expenses described above were slightly offset by a decrease in expenses associated with new product exploration from period to period. The decrease in new product exploration expenses within research and development of \$0.3 million was primarily due to the increased level of spending in this area during fiscal year 2012 related to the development of new product lines within the WD-40 brand, which were launched in fiscal year 2013. Professional service costs decreased by \$0.2 million and changes in foreign currency exchange rates decreased SG&A expenses by \$0.4 million for the fiscal year ended August 31, 2013 compared to the prior fiscal year.

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 fiscal years ended August 31, 2013 and 2012 were \$7.2 million and \$5.1 million, respectively. Our research and development team 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.

#### Advertising and Sales Promotion Expenses

Advertising and sales promotion expenses for the fiscal year ended August 31, 2013 decreased \$0.9 million, or 3%, to \$24.8 million from \$25.7 million for the prior fiscal year. As a percentage of net sales, these expenses decreased to 6.7% for the fiscal year ended August 31, 2013 from 7.5% for the prior fiscal year. The decrease in advertising and sales promotion expenses was primarily due to lower costs associated with promotional programs conducted in the Americas segment, particularly those for our homecare and cleaning products, from period to period. This decrease was partially offset by a higher level of promotional activities in the EMEA and Asia-Pacific segments from period to period. Changes in foreign currency exchange rates did not have a material impact on advertising and sales promotion expenses for the fiscal year ended August 31, 2013 compared to the prior fiscal year. Investment in global advertising and sales promotion expenses for fiscal year 2014 is expected to be in the range of 6.5% to 7.5% 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 were \$17.7 million and \$20.1 million for the fiscal years ended August 31, 2013 and 2012, respectively. Therefore, our total investment in advertising and sales promotion activities totaled \$42.5 million and \$45.8 million for the fiscal years ended August 31, 2013 and 2012, respectively.

#### Amortization of Definite-lived Intangible Assets Expense

Amortization of our definite-lived intangible assets remained relatively constant at \$2.3 million and \$2.1 million for the fiscal years ended August 31, 2013 and 2012, respectively.

#### Impairment of Definite-lived Intangible Assets Expense

During the fourth quarter of fiscal year 2013, we determined that indicators of impairment existed related to the 2000 Flushes trade name primarily due to management's most current expectations for future growth and profitability for the 2000 Flushes trade name. As a result, we performed a second phase of the impairment test specific to the 2000 Flushes trade name and concluded that it was impaired by \$1.1 million. Consequently, we recorded a non-cash, before tax impairment charge of \$1.1 million in the fourth quarter of fiscal year 2013 to reduce the carrying value of the 2000 Flushes asset to its fair value. For additional information, refer to the information set forth in Note 6 – Goodwill and Other Intangible Assets. No such impairments to our long-lived assets were identified during fiscal year 2012.

#### Income from Operations by Segment

The Company has updated the financial information previously reported for the business segments to separate out the unallocated corporate expenses. These amounts were included within the Americas segment in the Company's



previously reported business segment information. The following table summarizes income from operations by segment (in thousands, except percentages):

	Fiscal Year Ended August 31,		Change from	
	2013	2012	Prior Year	
			Dollars	Percent
Americas	\$ 39,383	\$ 39,455	\$ (72)	-
EMEA	31,213	23,524	7,689	33%
Asia-Pacific	9,308	8,458	850	10%
Unallocated corporate <sup>(1)</sup>	(23,267)	(19,708)	(3,559)	18%
	\$ 56,637	\$ 51,729	\$ 4,908	9%

<sup>(1)</sup> Unallocated corporate expenses are general corporate overhead expenses not directly attributable to any one of the operating segments. These expenses are reported separate from the Company's identified segments and are included in Selling, General and Administrative expenses on the Company's consolidated statements of operations.

#### Americas

Income from operations for the Americas segment remained relatively constant year over year. As a percentage of net sales, gross profit for the Americas segment increased from 48.8% in fiscal year 2012 to 51.2% in fiscal year 2013. This increase in the gross margin from period to period was primarily due to the positive impact of sales price increases, a lower level of discounts offered to our customers and the net lower costs associated with the restructure of our North American supply chain, all of which were partially offset by the negative impacts of sales mix changes and higher costs associated with raw materials related to our homecare and cleaning products. The higher level of sales in the Americas segment from period to period was accompanied by a \$6.0 million increase in total operating expenses, the majority of which relates to increased bonus expense from period to period. Operating income as a percentage of net sales decreased from 22.3% to 21.8% year over year.

#### EMEA

Income from operations for the EMEA segment increased to \$31.2 million, up \$7.7 million, or 33%, for the fiscal year ended August 31, 2013 compared to the prior fiscal year, primarily due to an increase in sales of \$19.1 million and higher gross margin. As a percentage of net sales, gross profit for the EMEA segment increased from 51.3% to 53.3% year over year primarily due to the favorable impacts of sales price increases, sales mix changes within our distributor markets and decreased costs of petroleum-based materials in the EMEA segment, all of which were slightly offset by the unfavorable impact of higher costs associated with raw materials related to our homecare and cleaning products. The higher level of sales for the EMEA segment from period to period was accompanied by an increase in total

operating expenses of \$4.8 million, the majority of which was attributable to higher bonus expense from period to period. Operating income as a percentage of net sales increased from 20.1% to 23.0% year over year.

#### Asia-Pacific

Income from operations for the Asia-Pacific segment increased to \$9.3 million, up \$0.8 million, or 10%, for the fiscal year ended August 31, 2013 compared to the prior fiscal year, primarily due to an increase in sales of \$3.5 million and higher gross margin. As a percentage of net sales, gross profit for the Asia-Pacific segment increased from 45.3% to 46.7% year over year primarily due to the combined effects of sales price increases, lower manufacturing costs and decreased costs of aerosol cans in the Asia-Pacific segment, which were partially offset by a higher level of discounts offered to certain customers and unfavorable sales mix changes. Operating income as a percentage of net sales remained relatively constant at 17.9% and 17.5% for the years ended August 31, 2013 and 2012, respectively.

## Non-Operating Items

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

	Fiscal Year Ended August 31,		
	2013	2012	Change
Interest income	\$ 506	\$ 261	\$ 245
Interest expense	\$ 693	\$ 729	\$ (36)
Other income (expense), net	\$ 417	\$ (348)	\$ 765
Provision for income taxes	\$ 17,054	\$ 15,428	\$ 1,626

## Interest Income

Interest income increased \$0.2 million for the fiscal year ended August 31, 2013 compared to the prior fiscal year primarily due to increased cash balances at our U.K. subsidiary which are being held in higher yielding accounts and short-term investments.

## Interest Expense

Interest expense remained relatively constant for the fiscal year ended August 31, 2013 compared to the prior fiscal year.

## Other Income (Expense), Net

Other income (expense), net changed by \$0.8 million for the fiscal year ended August 31, 2013 compared to the prior fiscal year primarily due to net foreign currency exchange gains which were recorded for the fiscal year ended August 31, 2013 compared to net foreign currency exchange losses which were recorded in the prior fiscal year.

## Provision for Income Taxes

The provision for income taxes was 30.0% of income before income taxes for the fiscal year ended August 31, 2013 compared to 30.3% for the prior fiscal year. This slight decrease in the effective income tax rate was primarily driven by increasing foreign earnings generated in lower tax jurisdictions, which were offset by an increase in state taxes.

#### Net Income

Net income was \$39.8 million, or \$2.54 per common share on a fully diluted basis, for fiscal year 2013 compared to \$35.5 million, or \$2.20 per common share on a fully diluted basis, for the prior fiscal year. Changes in foreign currency exchange rates year over year had an unfavorable impact of \$0.2 million on net income for fiscal year 2013. Thus, on a constant currency basis, net income for fiscal year 2013 would have been \$40.0 million.

Fiscal Year Ended August 31, 2012 Compared to Fiscal Year Ended August 31, 2011

## Operating Items

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

	Fiscal Year Ended August 31,		Change from Prior Year	
	2012	2011	Dollars	Percent
Net sales:				
Multi-purpose maintenance products	\$ 286,480	\$ 278,763	\$ 7,717	3%
Homecare and cleaning products	56,304	57,646	(1,342)	(2)%
Total net sales	342,784	336,409	6,375	2%
Cost of products sold	174,302	168,297	6,005	4%
Gross profit	168,482	168,112	370	-
Operating expenses	116,753	113,980	2,773	2%
Income from operations	\$ 51,729	\$ 54,132	\$ (2,403)	(4)%
Net income	\$ 35,485	\$ 36,433	\$ (948)	(3)%
Earnings per common share - diluted	\$ 2.20	\$ 2.14	\$ 0.06	3%

## Net Sales by Segment

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

	Fiscal Year Ended August 31,		Change from Prior Year	
	2012	2011	Dollars	Percent
Americas	\$ 177,394	\$ 169,881	\$ 7,513	4%
EMEA	116,936	125,400	(8,464)	(7)%
Asia-Pacific	48,454	41,128	7,326	18%
Total	\$ 342,784	\$ 336,409	\$ 6,375	2%

## Americas

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

	Fiscal Year Ended August 31,		Change from	
	2012	2011	Prior Year	
			Dollars	Percent
Multi-purpose maintenance products	\$ 136,105	\$ 127,507	\$ 8,598	7%
Homecare and cleaning products	41,289	42,374	(1,085)	(3)%
Total	\$ 177,394	\$ 169,881	\$ 7,513	4%
% of consolidated net sales	52%	51%		

Sales in the Americas segment, which includes the U.S., Canada and Latin America, increased to \$177.4 million, up \$7.5 million, or 4%, for the fiscal year ended August 31, 2012 compared to fiscal year 2011. Changes in foreign

currency exchange rates did not have a material impact on sales for the fiscal year ended August 31, 2012 compared to fiscal year 2011.

Sales of multi-purpose maintenance products in the Americas segment increased \$8.6 million, or 7%, for the fiscal year ended August 31, 2012 compared to fiscal year 2011. This sales increase was driven by higher sales of WD-40 multi-purpose maintenance products in the U.S., which were up 10% 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 fiscal year 2012 compared to fiscal year 2011. The increased sales of WD-40 products in the U.S. were slightly offset by lower sales of these same products in Latin America, which were down by 7% primarily due to new trade restrictions and the unstable economic and political conditions, particularly in Argentina and Mexico. In addition, the overall sales increase of the multi-purpose maintenance products in the Americas segment was also attributable to the successful launch of the WD-40 Specialist product line which began shipping during fiscal year 2012 in the U.S. and Canada and realized positive sales results as compared to the initial forecasted sales for both regions.

Sales of homecare and cleaning products in the Americas segment decreased \$1.1 million, or 3%, for the fiscal year ended August 31, 2012 compared to fiscal year 2011. Although sales of the homecare and cleaning products in the U.S., which is where the majority of such sales originate, decreased from period to period, sales of Spot Shot products increased 9% in the U.S. for fiscal year 2012 compared to fiscal year 2011. This increase was primarily due to new distribution and significant promotional display activities that were conducted during fiscal year 2012, but not in fiscal year 2011. This increase was more than offset by lower sales of Carpet Fresh and our automatic toilet bowl cleaners in the U.S. due to lost distribution, competitive factors, and category declines.

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 fiscal year ended August 31, 2012, compared to the distribution for the fiscal year ended August 31, 2011, when 79% of sales came from the U.S. and 21% of sales came from Canada and Latin America combined.

## EMEA

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

	Fiscal Year Ended August 31,		Change from	
	2012	2011	Prior Year Dollars	Percent
Multi-purpose maintenance products	\$ 109,115	\$ 116,461	\$ (7,346)	(6)%
Homecare and cleaning products	7,821	8,939	(1,118)	(13)%
Total	\$ 116,936	\$ 125,400	\$ (8,464)	(7)%
% of consolidated net sales	34%	37%		

Sales in the EMEA segment, which includes Europe, the Middle East and Africa, decreased to \$116.9 million, down \$8.5 million, or 7%, for the fiscal year ended August 31, 2012 compared to fiscal year 2011. Changes in foreign currency exchange rates did not have a material impact on sales for the fiscal year ended August 31, 2012 compared to fiscal year 2011.

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 and the Netherlands). Overall, sales from direct markets decreased \$10.6 million, or 13%, for the fiscal year ended August 31, 2012 compared to fiscal year 2011. We experienced sales decreases throughout the Europe direct markets for the fiscal year ended August 31, 2012 compared to fiscal year 2011, with percentage decreases in sales as follows: the Germanics sales region, 21%; Italy, 13%; U.K., 11%; Iberia, 5%; and France, 4%.

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 which worsened during the second half of the year, as well as the increased level of competition. Sales from direct markets accounted for 63% of the EMEA segment's sales for the fiscal year ended August 31, 2012 compared to 68% of the EMEA segment's sales for fiscal year 2011.



The regions in the EMEA segment where we sell through local distributors include the Middle East, Africa, Eastern and Northern Europe. Sales in the distributor markets increased \$2.1 million, or 5%, for the fiscal year ended August 31, 2012 compared to fiscal year 2011 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 increased from year to year primarily due to the continued growth of the base business in key markets, particularly those in Eastern Europe. In general, the markets in which we sell through local distributors have remained more stable from an economic standpoint than other countries in Europe. The distributor markets accounted for 37% of the total EMEA segment sales for the fiscal year ended August 31, 2012, compared to 32% for fiscal year 2011.

#### Asia-Pacific

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

	Fiscal Year Ended August 31,		Change from	
	2012	2011	Prior Year	
			Dollars	Percent
Multi-purpose maintenance products	\$ 41,260	\$ 34,795	\$ 6,465	19%
Homecare and cleaning products	7,194	6,333	861	14%
Total	\$			