UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2019.

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: **1-07151**

THE CLOROX COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**31-0595760**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1221 Broadway, Oakland, California, 94612-1888
(Address of principal executive offices) (Zip code)

(510) 271-7000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock-$1.00 par value	CLX	New York Stock Exchange

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

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

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller Reporting Company ☐ Emerging Growth Company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of January 21, 2020, there were 125,099,598 shares outstanding of the registrant's common stock ($1.00 par value).

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The Clorox Company
Condensed Consolidated Statements of Earnings and Comprehensive Income (Unaudited)
(Dollars in millions, except share and per share data)

	Three Months Ended		Six Months Ended	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Net sales	$ 1,449	$ 1,473	$ 2,955	$ 3,036
Cost of products sold	810	830	1,653	1,715
Gross profit	639	643	1,302	1,321
Selling and administrative expenses	210	211	421	423
Advertising costs	140	145	277	284
Research and development costs	34	32	64	64
Interest expense	25	24	50	48
Other (income) expense, net	(5)	7	(3)	10
Earnings before income taxes	235	224	493	492
Income taxes	50	42	105	100
Net earnings	$ 185	$ 182	$ 388	$ 392
Net earnings per share				
Basic net earnings per share	$ 1.48	$ 1.42	$ 3.09	$ 3.07
Diluted net earnings per share	$ 1.46	$ 1.40	$ 3.05	$ 3.02
Weighted average shares outstanding (in thousands)				
Basic	125,440	128,068	125,632	127,955
Diluted	126,879	130,094	127,198	130,107
Comprehensive income	$ 199	$ 152	$ 389	$ 362

See Notes to Condensed Consolidated Financial Statements (Unaudited)

The Clorox Company
Condensed Consolidated Balance Sheets
(Dollars in millions, except share and per share data)

	12/31/2019	6/30/2019
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 168	$ 111
Receivables, net	544	631
Inventories, net	514	512
Prepaid expenses and other current assets	77	51
Total current assets	1,303	1,305
Property, plant and equipment, net of accumulated depreciation and amortization of $2,185 and $2,150, respectively	1,052	1,034
Operating lease right-of-use assets	303	—
Goodwill	1,588	1,591
Trademarks, net	790	791
Other intangible assets, net	115	121
Other assets	308	274
Total assets	$ 5,459	$ 5,116
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes and loans payable	$ 507	$ 396
Current operating lease liabilities	61	—
Accounts payable and accrued liabilities	945	1,035
Income taxes payable	—	9
Total current liabilities	1,513	1,440
Long-term debt	2,288	2,287
Long-term operating lease liabilities	282	—
Other liabilities	745	780
Deferred income taxes	76	50
Total liabilities	4,904	4,557
Commitments and contingencies		
Stockholders' equity		
Preferred stock: $1.00 par value; 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock: $1.00 par value; 750,000,000 shares authorized; 158,741,461 shares issued as of December 31, 2019 and June 30, 2019; and 125,024,628 and 125,686,325 shares outstanding as of December 31, 2019 and June 30, 2019, respectively	159	159
Additional paid-in capital	1,062	1,046
Retained earnings	3,292	3,150
Treasury shares, at cost: 33,716,833 and 33,055,136 shares as of December 31, 2019 and June 30, 2019, respectively	(3,357)	(3,194)
Accumulated other comprehensive net (loss) income	(601)	(602)
Stockholders' equity	555	559
Total liabilities and stockholders' equity	$ 5,459	$ 5,116

See Notes to Condensed Consolidated Financial Statements (Unaudited)

The Clorox Company
Condensed Consolidated Statements of Cash Flows (Unaudited)
(Dollars in millions)

	Six Months Ended	
	12/31/2019	12/31/2018
Operating activities:		
Net earnings	$ 388	$ 392
Adjustments to reconcile net earnings to net cash provided by operations:		
Depreciation and amortization	88	88
Stock-based compensation	19	18
Deferred income taxes	12	2
Other	21	25
Changes in:		
Receivables, net	86	68
Inventories, net	(3)	(74)
Prepaid expenses and other current assets	(9)	(15)
Accounts payable and accrued liabilities	(80)	(43)
Operating lease right-of-use assets and liabilities, net	7	—
Income taxes payable	(31)	(12)
Net cash provided by operations	498	449
Investing activities:		
Capital expenditures	(111)	(86)
Other	13	9
Net cash used for investing activities	(98)	(77)
Financing activities:		
Notes and loans payable, net	106	33
Treasury stock purchased	(195)	(243)
Cash dividends paid	(266)	(245)
Issuance of common stock for employee stock plans and other	17	117
Net cash used for financing activities	(338)	(338)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(1)	(3)
Net increase (decrease) in cash, cash equivalents, and restricted cash	61	31
Cash, cash equivalents, and restricted cash:		
Beginning of period	113	134
End of period	$ 174	$ 165

See Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited interim condensed consolidated financial statements for the three and six months ended December 31, 2019 and 2018, in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the consolidated results of operations, financial position and cash flows of The Clorox Company and its subsidiaries (the Company) for the periods presented. However, the financial results for interim periods are not necessarily indicative of the results that may be expected for a full fiscal year or for any other future period.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) have been omitted or condensed pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). The information in this report should be read in conjunction with the Company's Annual Report on Form 10-K filed with the SEC for the fiscal year ended June 30, 2019, which includes a complete set of footnote disclosures, including the Company's significant accounting policies.

Leases

Effective July 1, 2019, the Company adopted Accounting Standards Codification 842, Leases (ASC 842). Under this guidance, the Company determines whether an arrangement contains a lease at inception by determining if the contract conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration and other facts and circumstances. Right-of-use (ROU) assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets are calculated based on the lease liability adjusted for any lease payments paid to the lessor at or before the commencement date and initial direct costs incurred by the Company and excludes any lease incentives received from the lessor. Lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option as of the commencement date of the lease, and is reviewed in subsequent periods if a triggering event occurs. As the Company's leases typically do not contain a readily determinable implicit rate, the Company determines the present value of the lease liability using its incremental borrowing rate at the lease commencement date based on the lease term and the currency of the lease on a collateralized basis. Variable lease payments are the portion of lease payments that are not fixed over the lease term. Variable lease payments are expensed as incurred, and include certain non-lease components, such as maintenance and other services provided by the lessor, and other charges included in the lease, as applicable. The Company elected to combine lease and non-lease components as a single lease component and to exclude short-term leases, defined as leases with initial terms of 12 months or less, from its condensed consolidated balance sheet.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards

Recently Issued Accounting Standards Not Yet Adopted

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and clarifies and amends existing guidance to improve consistent application. The standard will be effective for the Company beginning in the first quarter of fiscal year 2022, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. The new guidance is effective for the Company beginning in the first quarter of fiscal year 2021, with early adoption permitted. The Company intends to adopt the standard no later than July 1, 2020. The impact of the new standard will be dependent on the specific facts and circumstances of future individual impairments, if any.

Recently Adopted Accounting Standards

In August 2017, the FASB issued ASU No. 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities," which amends the hedge accounting recognition and presentation requirements to better align an entity's risk management activities with its financial reporting. This standard also simplifies the application of hedge accounting in certain situations. The Company adopted this new guidance in the first quarter of fiscal year 2020 and the adoption did not have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which requires lessees to recognize a ROU asset and a lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation will depend on the classification of a lease as either a finance or an operating lease. ASU 2016-02 also requires expanded disclosures about leasing arrangements. In July 2018, the FASB issued ASU No. 2018-11, "Leases (Topic 842), Targeted Improvements," which provides an optional transition method in applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented, or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted. The Company adopted the new standard in the first quarter of fiscal year 2020, on a modified retrospective basis using the optional transition method, and, accordingly, has not restated comparative periods; fiscal year 2019 balances and related disclosures supporting those comparative period balances continue to be presented under ASC 840, "Leases." As allowed under the new standard, the Company elected to apply the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. Upon adoption, the Company recorded a cumulative effect adjustment to the opening balance of Retained earnings of $22 related primarily to the remaining deferred gain from the sale-leaseback of the Company's general office building in Oakland, California. This new standard did not have a material impact on the Company's condensed consolidated statement of earnings or the condensed consolidated statement of cash flows. Refer to Note 3 for more information.

NOTE 2. INVENTORIES, NET

Inventories, net, consisted of the following as of:

	12/31/2019	6/30/2019
Finished goods	$ 415	$ 411
Raw materials and packaging	127	125
Work in process	7	6
LIFO allowances	(35)	(30)
Total	$ 514	$ 512

NOTE 3. LEASES AND OTHER COMMITMENTS

The Company leases various property, plant and equipment, including office, warehousing, manufacturing and research and development facilities and equipment. These leases have remaining lease terms of up to 11 years, inclusive of renewal or termination options that the Company is reasonably certain to exercise. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Supplemental balance sheet information related to the Company's leases was as follows:

	Balance sheet classification	**12/31/2019**
Operating leases		
Right-of-use assets	Operating lease right-of-use assets	$ 303
Current lease liabilities	Current operating lease liabilities	61
Non-current lease liabilities	Long-term operating lease liabilities	282
Total operating lease liabilities		$ 343
Finance leases		
Right-of-use assets	Other assets	$ 14
Current lease liabilities	Accounts payable and accrued liabilities	2
Non-current lease liabilities	Other liabilities	12
Total finance lease liabilities		$ 14

Components of lease cost were as follows:

	Three Months Ended 12/31/2019	**Six Months Ended 12/31/2019**
Operating lease cost	$ 19	37
Finance lease cost:		
Amortization of right-of-use assets	1	2
Interest on lease liabilities	—	—
Total finance lease cost	$ 1	2
Variable lease cost	$ 10	20
Short term lease cost	1	1

NOTE 3. LEASES AND OTHER COMMITMENTS (Continued)

Supplemental cash flow information and non-cash activity related to the Company’s leases were as follows:

	Six Months Ended 12/31/2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases, net	$ 29
Operating cash flows from finance leases	—
Financing cash flows from finance leases	1
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ 16
Finance leases	7

Weighted-average remaining lease term and discount rate for the Company’s leases were as follows:

	12/31/2019
Weighted-average remaining lease term:	
Operating leases	8 years
Finance leases	8 years
Weighted-average discount rate:	
Operating leases	2.6%
Finance leases	3.3%

Maturities of lease liabilities by fiscal year for the Company’s leases as of December 31, 2019 were as follows:

Year	Operating leases	Finance leases
2020	$ 22	$ 1
2021	67	2
2022	52	2
2023	45	2
2024	40	2
Thereafter	156	7
Total lease payments	$ 382	$ 16
Less: Imputed interest	(39)	(2)
Total lease liabilities	$ 343	$ 14

The future minimum annual lease payments required under the Company’s existing non-cancelable operating and capital lease agreements as of June 30, 2019 prior to the adoption of ASC 842 were as follows:

Year	Operating leases	Capital leases
2020	$ 71	$ 2
2021	65	2
2022	50	1
2023	42	1
2024	37	1
Thereafter	124	2
Total lease payments	$ 389	$ 9

NOTE 4. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Financial Risk Management and Derivative Instruments

The Company is exposed to certain commodity, foreign currency and interest rate risks related to its ongoing business operations and uses derivative instruments to mitigate its exposure to these risks.

Commodity Price Risk Management

The Company may use commodity exchange traded futures and over-the-counter swap contracts, which are generally no longer than 2 years, to fix the price of a portion of its forecasted raw material requirements. Commodity purchase contracts are measured at fair value using market quotations obtained from the Chicago Board of Trade commodity futures exchange and commodity derivative dealers.

As of December 31, 2019, the notional amount of commodity derivatives was $24, of which $13 related to soybean oil futures used for the Food products business and $11 related to jet fuel swaps used for the Grilling business. As of June 30, 2019, the notional amount of commodity derivatives was $24, of which $13 related to soybean oil futures and $11 related to jet fuel swaps.

Foreign Currency Risk Management

The Company may also enter into certain over-the-counter derivative contracts to manage a portion of the Company's forecasted foreign currency exposure associated with the purchase of inventory. These foreign currency contracts generally have durations of no longer than 2 years. The foreign exchange contracts are measured at fair value using information quoted by foreign exchange dealers.

The notional amounts of outstanding foreign currency forward contracts used by the Company's subsidiaries to hedge forecasted purchases of inventory were $49 and $61, respectively, as of December 31, 2019 and June 30, 2019.

Interest Rate Risk Management

The Company may enter into over-the-counter interest rate forward contracts to fix a portion of the benchmark interest rate prior to the anticipated issuance of fixed rate debt or to manage the Company's level of fixed and floating rate debt. These interest rate forward contracts generally have durations of less than 12 months. The interest rate contracts are measured at fair value using information quoted by U.S. government bond dealers.

As of December 31, 2019 and June 30, 2019, the Company had no outstanding interest rate forward contracts.

NOTE 4. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Commodity, Foreign Exchange and Interest Rate Derivatives

The Company designates its commodity forward and futures contracts for forecasted purchases of raw materials, foreign currency forward contracts for forecasted purchases of inventory and interest rate forward contracts for forecasted interest payments as cash flow hedges.

The effects of derivative instruments designated as hedging instruments on Other comprehensive income and Net earnings were as follows:

	Gains (losses) recognized in Other comprehensive income			
	Three Months Ended		Six Months Ended	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Commodity purchase derivative contracts	$ 3	$ (10)	$ 3	$ (6)
Foreign exchange derivative contracts	(1)	1	—	1
Interest rate derivative contracts	—	—	—	—
Total	$ 2	$ (9)	$ 3	$ (5)

	Location of Gains (losses) reclassified from Accumulated other comprehensive net (loss) income into Net earnings	Gains (losses) reclassified from Accumulated other comprehensive net (loss) income and recognized in Net earnings			
		Three Months Ended		Six Months Ended	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
Commodity purchase derivative contracts	Cost of products sold	$ (1)	$ (4)	$ (1)	$ —
Foreign exchange derivative contracts	Cost of products sold	—	—	—	1
Interest rate derivative contracts	Interest expense	(1)	(1)	(3)	(3)
Total		$ (2)	$ (5)	$ (4)	$ (2)

The estimated amount of the existing net gain (loss) in Accumulated other comprehensive net (loss) income as of December 31, 2019, that is expected to be reclassified into Net earnings within the next twelve months is $(4).

NOTE 4. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Counterparty Risk Management and Derivative Contract Requirements

The Company utilizes a variety of financial institutions as counterparties for over-the-counter derivative instruments. The Company enters into agreements governing the use of over-the-counter derivative instruments and sets internal limits on the aggregate over-the-counter derivative instrument positions held with each counterparty. Certain terms of these agreements require the Company or the counterparty to post collateral when the fair value of the derivative instrument exceeds contractually defined counterparty liability position limits. Of the over-the-counter derivative instruments in liability positions held as of both December 31, 2019 and June 30, 2019, $0 and $1 respectively, contained such terms. As of December 31, 2019 and June 30, 2019, neither the Company nor any counterparty was required to post any collateral as no counterparty liability position limits were exceeded.

Certain terms of the agreements governing the Company's over-the-counter derivative instruments require the credit ratings of the Company and its counterparties, as assigned by Standard & Poor's and Moody's, to remain at a level equal to or better than the minimum of an investment grade credit rating. If the Company's credit ratings were to fall below investment grade, the counterparties to the derivative instruments could request full collateralization on derivative instruments in net liability positions. As of both December 31, 2019 and June 30, 2019, the Company and each of its counterparties had been assigned investment grade credit ratings by both Standard & Poor's and Moody's.

Certain of the Company's exchange-traded futures contracts used for commodity price risk management include requirements for the Company to post collateral in the form of a cash margin account held by the Company's broker for trades conducted on that exchange. As of December 31, 2019, the Company maintained a negative cash margin balance related to exchange-traded futures contracts of $1, which is classified as Accounts payable and accrued liabilities in the condensed consolidated balance sheet. As of June 30, 2019, the Company maintained a cash margin balance related to exchange-traded futures contracts of $1, which is classified as Prepaid expenses and other current assets in the consolidated balance sheet.

Trust Assets

The Company has held interests in mutual funds and cash equivalents as part of the trust assets related to its nonqualified deferred compensation plans. The participants in the nonqualified deferred compensation plans, who are the Company's current and former employees, may select among certain mutual funds in which to invest their compensation deferrals in accordance with the terms of the plans and within the confines of the trusts, which hold the marketable securities. The trusts represent variable interest entities for which the Company is considered the primary beneficiary, and, therefore, trust assets are consolidated and included in Other assets in the condensed consolidated balance sheets. The interests in mutual funds are measured at fair value using quoted market prices. The Company has designated these marketable securities as trading investments.

Fair Value Measurements

Financial assets and liabilities measured at fair value on a recurring basis in the condensed consolidated balance sheets are required to be classified and disclosed in one of the following three categories of the fair value hierarchy:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs reflecting the reporting entity's own assumptions.

As of December 31, 2019 and June 30, 2019, the Company's financial assets and liabilities that were measured at fair value on a recurring basis included derivative financial instruments, which were classified as either Level 1 or Level 2, and trust assets to fund the Company's nonqualified deferred compensation plans, which were classified as Level 1.

NOTE 4. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)

All of the Company's derivative instruments qualify for hedge accounting. The following table provides information about the balance sheet classification and the fair values of the Company's derivative instruments:

	Balance sheet classification	Fair value hierarchy level	12/31/2019 Carrying Amount	12/31/2019 Estimated Fair Value	6/30/2019 Carrying Amount	6/30/2019 Estimated Fair Value
Assets						
Commodity purchase futures contracts	Prepaid expenses and other current assets	1	$ 2	$ 2	$ —	$ —
			$ 2	$ 2	$ —	$ —
Liabilities						
Commodity purchase futures contracts	Accounts payable and accrued liabilities	1	$ —	$ —	$ 1	$ 1
Commodity purchase swaps contracts	Accounts payable and accrued liabilities	2	1	1	1	1
			$ 1	$ 1	$ 2	$ 2

The following table provides information about the balance sheet classification and the fair values of the Company's other assets and liabilities for which disclosure of fair value is required:

	Balance sheet classification	Fair value hierarchy level	12/31/2019 Carrying Amount	12/31/2019 Estimated Fair Value	6/30/2019 Carrying Amount	6/30/2019 Estimated Fair Value
Assets						
Investments, including money market funds	Cash and cash equivalents (a)	1	$ 49	$ 49	$ 26	$ 26
Time deposits	Cash and cash equivalents (a)	2	9	9	7	7
Trust assets for nonqualified deferred compensation plans	Other assets	1	106	106	96	96
			$ 164	$ 164	$ 129	$ 129
Liabilities						
Notes and loans payable	Notes and loans payable (b)	2	$ 507	$ 507	$ 396	$ 396
Current maturities of long-term debt and Long-term debt	Current maturities of long-term debt and Long-term debt (c)	2	2,288	2,425	2,287	2,402
			$ 2,795	$ 2,932	$ 2,683	$ 2,798

(a) Cash and cash equivalents are composed of time deposits and other interest bearing investments, including money market funds with original maturity dates of 90 days or less. Cash and cash equivalents are recorded at cost, which approximates fair value.
(b) Notes and loans payable is composed of U.S. commercial paper and/or other similar short-term debt issued by non-U.S. subsidiaries, all of which are recorded at cost, which approximates fair value.
(c) Current maturities of long-term debt and Long-term debt are recorded at cost. The fair value of Long-term debt, including current maturities, was determined using secondary market prices quoted by corporate bond dealers, and is classified as Level 2.

NOTE 5. DEBT

On November 15, 2019, the Company entered into a new $1,200 revolving credit agreement (the Credit Agreement) that matures in November 2024. The Credit Agreement replaced a prior $1,100 revolving credit agreement in place since February 2017. No termination fees or penalties were incurred in connection with entering the new agreement, which was considered a debt modification. There were no borrowings under either the new Credit Agreement or the existing credit agreement as of December 31, 2019 and June 30, 2019, respectively, and the Company believes that borrowings under the new Credit Agreement will continue to be available for general corporate purposes. The new Credit Agreement includes certain restrictive covenants and limitations consistent with the previous agreement, with which the Company was in compliance as of December 31, 2019.

NOTE 6. INCOME TAXES

In determining its quarterly provision for income taxes, the Company uses an estimated annual effective tax rate, which is based on expected annual income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which the Company operates. Certain significant or unusual items are separately recognized in the quarter in which they occur and can be a source of variability in the effective tax rates from quarter to quarter. The effective tax rate on earnings was 21.0% and 21.3% for both the three and six months ended December 31, 2019, respectively, and 18.8% and 20.2% for the three and six months ended

December 31, 2018, respectively. In comparison to prior period, the Company had a reduced benefit from excess tax deductions offset by a greater benefit from releases of uncertain tax positions.

NOTE 7. NET EARNINGS PER SHARE (EPS)

The following is the reconciliation of the weighted average number of shares outstanding (in thousands) used to calculate basic net EPS to those used to calculate diluted net EPS:

	Three Months Ended		Six Months Ended	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Basic	125,440	128,068	125,632	127,955
Dilutive effect of stock options and other	1,439	2,026	1,566	2,152
Diluted	126,879	130,094	127,198	130,107
Antidilutive stock options and other	1,792	1	1,035	831

NOTE 8. COMPREHENSIVE INCOME

The following table provides a summary of Comprehensive income for the periods indicated:

	Three Months Ended		Six Months Ended	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Net earnings	$ 185	$ 182	$ 388	$ 392
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	9	(29)	(7)	(31)
Net unrealized gains (losses) on derivatives	4	(2)	6	(1)
Pension and postretirement benefit adjustments	1	1	2	2
Total other comprehensive income (loss), net of tax	14	(30)	1	(30)
Comprehensive income	$ 199	$ 152	$ 389	$ 362

NOTE 9. STOCKHOLDERS’ EQUITY

Changes in the components of Stockholders’ equity were as follows for the periods indicated:

Three Months Ended December 31

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Net (Loss) Income	Total Stockholders’ Equity
	Amount	Shares (in thousands)			Amount	Shares (in thousands)		
Balance as of September 30, 2018	$ 159	158,741	$ 984	$ 2,883	$ (2,802)	(31,136)	$ (547)	$ 677
Net earnings				182				182
Other comprehensive income (loss)							(30)	(30)
Dividends ($0.96 per share declared)				(123)				(123)
Stock-based compensation			10					10
Other employee stock plan activities			20	(2)	46	738		64
Treasury stock purchased					(38)	(253)		(38)
Balance as of December 31, 2018	$ 159	158,741	$ 1,014	$ 2,940	$ (2,794)	(30,651)	$ (577)	$ 742
Balance as of September 30, 2019	$ 159	158,741	$ 1,043	$ 3,241	$ (3,278)	(33,246)	$ (615)	$ 550
Net earnings				185				185
Other comprehensive income (loss)							14	14
Dividends ($1.06 per share declared)				(133)				(133)
Stock-based compensation			13					13
Other employee stock plan activities			6	(1)	6	106		11
Treasury stock purchased					(85)	(577)		(85)
Balance as of December 31, 2019	$ 159	158,741	$ 1,062	$ 3,292	$ (3,357)	(33,717)	$ (601)	$ 555

Six Months Ended December 31

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Net (Loss) Income	Total Stockholders’ Equity
	Amount	Shares (in thousands)			Amount	Shares (in thousands)		
Balance as of June 30, 2018	$ 159	158,741	$ 975	$ 2,797	$ (2,658)	(30,759)	$ (547)	$ 726
Cumulative effect of accounting changes, net of tax (1)				(3)				(3)
Net earnings				392				392
Other comprehensive income (loss)							(30)	(30)
Dividends ($1.92 per share declared)				(246)				(246)
Stock-based compensation			18					18
Other employee stock plan activities			21	—	100	1,784		121
Treasury stock purchased					(236)	(1,676)		(236)
Balance as of December 31, 2018	$ 159	158,741	$ 1,014	$ 2,940	$ (2,794)	(30,651)	$ (577)	$ 742
Balance as of June 30, 2019	$ 159	158,741	$ 1,046	$ 3,150	$ (3,194)	(33,055)	$ (602)	$ 559
Cumulative effect of accounting changes, net of tax (2)				22				22
Net earnings				388				388
Other comprehensive income (loss)							1	1
Dividends ($2.12 per share declared)				(267)				(267)
Stock-based compensation			19					19
Other employee stock plan activities			(3)	(1)	26	578		22
Treasury stock purchased					(189)	(1,240)		(189)
Balance as of December 31, 2019	$ 159	158,741	$ 1,062	$ 3,292	$ (3,357)	(33,717)	$ (601)	$ 555

(1) As a result of adopting ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606),” on July 1, 2018, the Company recorded a cumulative effect of initially applying the new guidance as an adjustment to the fiscal year 2019 opening balance of Retained earnings.
(2) As a result of adopting ASU No. 2016-02, “Leases (Topic 842),” on July 1, 2019, the Company recorded a cumulative effect of initially applying the new guidance as an adjustment to the fiscal year 2020 opening balance of Retained earnings. See Note 1 for more information.

The Company has two stock repurchase programs: an open-market purchase program with an authorized aggregate purchase amount of up to $2,000, which has no expiration date, and a program to offset the anticipated impact of dilution related to stock-based awards (the Evergreen Program), which has no authorization limit on the dollar amount and no expiration date.

Stock repurchases under the two stock repurchase programs were as follows for the periods indicated:

	Three Months Ended				Six Months Ended			
	12/31/2019		12/31/2018		12/31/2019		12/31/2018	
	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)
Open-market purchase program	$ 85	577	$ —	—	$ 85	577	$ 78	591
Evergreen Program	—	—	38	253	104	663	158	1,085
Total stock repurchases	$ 85	577	$ 38	253	$ 189	1,240	$ 236	1,676

NOTE 9. STOCKHOLDERS' EQUITY (Continued)

Changes in Accumulated other comprehensive net (loss) income by component were as follows for the periods indicated:

	Three Months Ended December 31			
	Foreign currency translation adjustments	Net unrealized gains (losses) on derivatives	Pension and postretirement benefit adjustments	Accumulated other comprehensive net (loss) income
Balance as of September 30, 2018	$ (386)	$ (24)	$ (137)	$ (547)
Other comprehensive income (loss) before reclassifications	(28)	(9)	—	(37)
Amounts reclassified from Accumulated other comprehensive net (loss) income	—	5	1	6
Income tax benefit (expense)	(1)	2	—	1
Net current period other comprehensive income (loss)	(29)	(2)	1	(30)
Balance as of December 31, 2018	$ (415)	$ (26)	$ (136)	$ (577)
Balance as of September 30, 2019	$ (430)	$ (21)	$ (164)	$ (615)
Other comprehensive income (loss) before reclassifications	9	2	—	11
Amounts reclassified from Accumulated other comprehensive net (loss) income	—	2	1	3
Income tax benefit (expense), and other	—	—	—	—
Net current period other comprehensive income (loss)	9	4	1	14
Balance as of December 31, 2019	$ (421)	$ (17)	$ (163)	$ (601)

	Six Months Ended December 31			
	Foreign currency translation adjustments	Net unrealized gains (losses) on derivatives	Pension and postretirement benefit adjustments	Accumulated other comprehensive net (loss) income
Balance as of June 30, 2018	$ (384)	$ (25)	$ (138)	$ (547)
Other comprehensive income (loss) before reclassifications	(30)	(5)	—	(35)
Amounts reclassified from Accumulated other comprehensive net (loss) income	—	2	3	5
Income tax benefit (expense)	(1)	2	(1)	—
Net current period other comprehensive income (loss)	(31)	(1)	2	(30)
Balance as of December 31, 2018	$ (415)	$ (26)	$ (136)	$ (577)
Balance as of June 30, 2019	$ (414)	$ (23)	$ (165)	$ (602)
Other comprehensive income (loss) before reclassifications	(6)	3	—	(3)
Amounts reclassified from Accumulated other comprehensive net (loss) income	—	4	3	7
Income tax benefit (expense), and other	(1)	(1)	(1)	(3)
Net current period other comprehensive income (loss)	(7)	6	2	1
Balance as of December 31, 2019	$ (421)	$ (17)	$ (163)	$ (601)

Included in foreign currency translation adjustments are re-measurement losses on long-term intercompany loans where settlement is not planned or anticipated in the foreseeable future. For the three and six months ended December 31, 2019, Other comprehensive income (loss) on these loans totaled $0 and $(1), respectively. For the three and six months ended December 31, 2018, Other comprehensive income (loss) on these loans totaled $(2) and $(4), respectively. There were no amounts associated with these loans reclassified from Accumulated other comprehensive net (loss) income for the periods presented.

NOTE 10. EMPLOYEE BENEFIT PLANS

The following table summarizes the components of net periodic benefit cost for the Company's retirement income plans:

	Three Months Ended		Six Months Ended	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Service cost	$ —	$ —	$ —	$ —
Interest cost	5	6	10	12
Expected return on plan assets (1)	(5)	(5)	(9)	(9)
Amortization of unrecognized items	2	3	4	5
Total	$ 2	$ 4	$ 5	$ 8

(1) The weighted average long-term expected rate of return on plan assets used in computing the fiscal year 2020 net periodic benefit cost is 3.9%.

The net periodic benefit for the Company's retirement health care plans was ($1) for both the three and six months ended December 31, 2019 and 2018.

During each of the three months ended December 31, 2019 and 2018, the Company made $2 in contributions to its domestic retirement income plans. During each of the six months ended December 31, 2019 and 2018, the Company made $4 in contributions to its domestic retirement income plans.

Net periodic benefit costs are reflected in Other (income) expense, net.

NOTE 11. OTHER CONTINGENCIES AND GUARANTEES

Contingencies

The Company is involved in certain environmental matters, including response actions at various locations. The Company had recorded liabilities totaling $27 as of December 31, 2019 and June 30, 2019, for its share of aggregate future remediation costs related to these matters.

One matter, which accounted for $14 of the recorded liability as of December 31, 2019 and June 30, 2019, relates to environmental costs associated with one of the Company's former operations at a site located in Alameda County, California. In November 2016, at the request of regulators and with the assistance of environmental consultants, the Company submitted a Feasibility Study that evaluated various options for managing the site and included estimates of the related costs. As a result, the Company recorded in Other (income) expense, net an undiscounted liability for costs estimated to be incurred over a 30-year period, based on the option recommended in the Feasibility Study. However, as a result of ongoing discussions with regulators, in June 2017, the Company increased its recorded liability to $14, which reflects anticipated costs to implement additional remediation measures at this site. While the Company believes its latest estimate is reasonable, regulators could require the Company to implement one of the other options evaluated in the Feasibility Study, with estimated undiscounted costs of up to $28 over an estimated 30-year period, or require the Company to take other actions and incur costs not included in the study.

Another matter in Dickinson County, Michigan, at the site of one of the Company's former operations for which the Company is jointly and severally liable, accounted for $11 of the recorded liability, as of December 31, 2019 and June 30, 2019. This amount reflects the Company's agreement to be liable for 24.3% of the aggregate remediation and associated costs for this matter pursuant to a cost-sharing arrangement with a third party. With the assistance of environmental consultants, the Company maintains an undiscounted liability representing its current best estimate of its share of the capital expenditures, maintenance and other costs that may be incurred over an estimated 30-year remediation period. Although it is reasonably possible that the Company's exposure may exceed the amount recorded for the Dickinson County matter, any amount of such additional exposures, or range of exposures, is not estimable at this time. The Company's estimated losses related to these matters are sensitive to a variety of uncertain factors, including the efficacy of any remediation efforts, changes in any remediation requirements, and the future availability of alternative clean-up technologies.

The Company is subject to various legal proceedings, claims and other loss contingencies, including, without limitation, loss contingencies relating to contractual arrangements, product liability, patents and trademarks, advertising, labor and employment, environmental, health and safety and other matters. With respect to these proceedings, claims and other loss contingencies, while considerable uncertainty exists, in the opinion of management at this time, the ultimate disposition of these matters, to the extent not previously provided for, will not have a material adverse effect, either individually or in the aggregate, on the Company's condensed consolidated financial statements taken as a whole.

Guarantees

In conjunction with divestitures and other transactions, the Company may provide typical indemnifications (e.g., indemnifications for representations and warranties and retention of previously existing environmental, tax and employee liabilities) that have terms that vary in duration and in the potential amount of the total obligation and, in many circumstances, are not explicitly defined. The Company has not made, nor does it believe that it is probable that it will make, any material payments relating to its indemnifications, and believes that any reasonably possible payments would not have a material adverse effect, either individually or in the aggregate, on the Company's condensed consolidated financial statements taken as a whole.

The Company had not recorded any material liabilities on the aforementioned guarantees as of December 31, 2019 and June 30, 2019.

As of December 31, 2019, the Company was party to a letter of credit of $10, related to one of its insurance carriers, of which $0 had been drawn upon.

NOTE 12. SEGMENT RESULTS

The Company operates through strategic business units (SBUs) that are aggregated into four reportable segments based on the economics and nature of the products sold: Cleaning, Household, Lifestyle and International.

Certain non-allocated administrative costs, interest income, interest expense and various other non-operating income and expenses are reflected in Corporate. Corporate assets include cash and cash equivalents, prepaid expenses and other current assets, property and equipment, other investments and deferred taxes.

The tables below present reportable segment information and a reconciliation of the segment information to the Company's consolidated Net sales and Earnings before income taxes, with amounts that are not allocated to the reportable segments reflected in Corporate.

	Net sales			
	Three Months Ended		Six Months Ended	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Cleaning	$ 501	$ 500	$ 1,063	$ 1,071
Household	360	393	741	835
Lifestyle	347	335	669	644
International	241	245	482	486
Corporate	—	—	—	—
Total	$ 1,449	$ 1,473	$ 2,955	$ 3,036

	Earnings (losses) before income taxes			
	Three Months Ended		Six Months Ended	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Cleaning	$ 147	$ 135	$ 325	$ 315
Household	37	46	62	105
Lifestyle	85	78	155	140
International	31	25	70	53
Corporate	(65)	(60)	(119)	(121)
Total	$ 235	$ 224	$ 493	$ 492

All intersegment sales are eliminated and are not included in the Company's reportable segments' net sales.

Net sales to the Company's largest customer, Wal-Mart Stores, Inc. and its affiliates, as a percentage of consolidated net sales, were 25% and 26% for the three and six months ended December 31, 2019, respectively, and 24% and 25% for the three and six months ended December 31, 2018, respectively.

NOTE 12. SEGMENT RESULTS (Continued)

The following table provides Net sales as a percentage of the Company's consolidated net sales for the Company's SBUs and for the periods indicated:

	Net sales			
	Three Months Ended		Six Months Ended	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Home care	20%	19%	21%	20%
Laundry	8%	9%	9%	9%
Professional products	6%	6%	6%	6%
Cleaning	**34%**	**34%**	**36%**	**35%**
Bags, wraps, and containers	13%	13%	12%	14%
Cat litter	8%	8%	8%	7%
Grilling	3%	3%	4%	5%
Digestive health	1%	2%	1%	2%
Household	**25%**	**26%**	**25%**	**28%**
Food products	10%	10%	9%	9%
Natural personal care	7%	6%	6%	5%
Water filtration	3%	3%	4%	3%
Dietary supplements	4%	4%	4%	4%
Lifestyle	**24%**	**23%**	**23%**	**21%**
International	**17%**	**17%**	**16%**	**16%**
Total	**100%**	**100%**	**100%**	**100%**

During the second quarter of fiscal year 2020, the Company's Charcoal SBU within the Household reportable segment was renamed the Grilling SBU to reflect a broader strategic view of the category. There has been no change to the composition of the Grilling SBU or the Household reportable segment; therefore, no prior periods were restated.

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

The Clorox Company
(Dollars in millions, except share and per share data)

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to provide a reader of The Clorox Company's (the Company or Clorox) 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. The following discussion of the Company's financial condition and results of operations should be read in conjunction with MD&A and the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2019, which was filed with the Securities and Exchange Commission (SEC) on August 14, 2019, and the unaudited condensed consolidated financial statements and related notes contained in this Quarterly Report on Form 10-Q (this Report). Unless otherwise noted, MD&A compares the three and six month periods ended December 31, 2019 (the current period) to the three and six month periods ended December 31, 2018 (the prior period), with percentage and basis point calculations based on rounded numbers, except for per share data and the effective tax rate.

EXECUTIVE OVERVIEW

Clorox is a leading multinational manufacturer and marketer of consumer and professional products with approximately 8,800 employees worldwide. Clorox sells its products primarily through mass retailers, grocery outlets, warehouse clubs, dollar stores, home hardware centers, drug, pet and military stores, third-party and owned e-commerce channels, and distributors. Clorox markets some of the most trusted and recognized consumer brand names, including its namesake bleach and cleaning products, Pine-Sol® cleaners, Liquid-Plumr® clog removers, Poett® home care products, Fresh Step® cat litter, Glad® bags, wraps and containers, Kingsford® grilling products, Hidden Valley® dressings and sauces, Brita® water-filtration products, Burt's Bees® natural personal care products, RenewLife® digestive health products, and Rainbow Light®, Natural Vitality™ and NeoCell® dietary supplements. The Company also markets industry-leading products and technologies for professional customers, including those sold under the CloroxPro™ and the Clorox Healthcare® brand names. The Company has operations in more than 25 countries or territories and sells its products in more than 100 markets.

The Company primarily markets its leading brands in midsized categories considered to be financially attractive. Most of the Company's products compete with other nationally advertised brands within each category and with "private label" brands.

The Company operates through strategic business units (SBUs) that are aggregated into the following four reportable segments based on the economics and nature of the products sold. During the second quarter of fiscal year 2020, the Company's Charcoal SBU within the Household reportable segment was renamed the Grilling SBU to reflect a broader strategic view of the category. There has been no change to the composition of the Grilling SBU or the Household reportable segment; therefore, no prior periods were restated.

- *Cleaning* consists of laundry, home care and professional products marketed and sold in the United States. Products within this segment include laundry additives, such as bleach products under the Clorox® brand and Clorox 2® stain fighter and color booster; home care products, primarily under the Clorox®, Formula 409®, Liquid-Plumr®, Pine-Sol®, S.O.S® and Tilex® brands; naturally derived products under the Green Works® brand; and professional cleaning, disinfecting and food service products under the CloroxPro™, Dispatch®, Clorox Healthcare®, Hidden Valley® and KC Masterpiece® brands.

- *Household* consists of grilling products, bags, wraps and containers, cat litter, and digestive health products marketed and sold in the United States. Products within this segment include grilling products under the Kingsford® and Match Light® brands; bags, wraps and containers under the Glad® brand; cat litter products under the Fresh Step®, Scoop Away® and Ever Clean® brands; and digestive health products under the RenewLife® brand.

- *Lifestyle* consists of food products, water-filtration systems and filters, natural personal care products, and dietary supplements marketed and sold mainly in the United States. Products within this segment include dressings and sauces, primarily under the Hidden Valley®, KC Masterpiece®, Kingsford® and Soy Vay® brands; water-filtration systems and filters under the Brita® brand; natural personal care products under the Burt's Bees® brand; and dietary supplements under the Rainbow Light®, Natural Vitality™ and NeoCell® brands.

- *International* consists of products sold outside the United States. Products within this segment include laundry; home care; water-filtration systems and filters; digestive health products; grilling products; cat litter products; food products; bags, wraps and containers; natural personal care products; and professional cleaning and disinfecting products primarily under the Clorox®, Glad®, PinoLuz®, Ayudin®, Limpido®, Clorinda®, Poett®, Mistolin®, Lestoil®, Bon Bril®, Brita®, Green Works®, Pine-Sol®, Agua Jane®, Chux®, RenewLife®, Kingsford®, Fresh Step®, Scoop Away®, Ever Clean®, KC Masterpiece®, Hidden Valley®, Burt's Bees®, CloroxPro™, and Clorox Healthcare® brands.

RESULTS OF OPERATIONS

CONSOLIDATED RESULTS

	Three Months Ended			Six Months Ended		
	12/31/2019	**12/31/2018**	**% Change**	**12/31/2019**	**12/31/2018**	**% Change**
Net sales	$ 1,449	$ 1,473	(2)%	$ 2,955	$ 3,036	(3)%

Three Months Ended December 31, 2019
Percentage change versus the year-ago period

	Reported (GAAP) Net Sales Growth / (Decrease)	Reported Volume	Acquisitions & Divestitures	Foreign Exchange Impact	Price/Mix/Other (1)	Organic Sales Growth / (Decrease) (Non-GAAP) (2)	Organic Volume (3)
Cleaning	— %	1 %	—%	— %	(1)%	— %	2 %
Household	(8)	(5)	—	—	(3)	(8)	(5)
Lifestyle	4	4	—	—	—	4	4
International	(2)	(1)	—	(8)	7	6	1
Total	**(2)%**	**— %**	**—%**	**(2)%**	**— %**	**— %**	**— %**

Six Months Ended December 31, 2019
Percentage change versus the year-ago period

	Reported (GAAP) Net Sales Growth / (Decrease)	Reported Volume	Acquisitions & Divestitures	Foreign Exchange Impact	Price/Mix/Other (1)	Organic Sales Growth / (Decrease) (Non-GAAP) (2)	Organic Volume (3)
Cleaning	(1)%	1 %	—%	— %	(2)%	(1)%	1 %
Household	(11)	(6)	—	—	(5)	(11)	(6)
Lifestyle	4	4	—	—	—	4	4
International	(1)	1	—	(8)	6	7	1
Total	**(3)%**	**— %**	**—%**	**(2)%**	**(1)%**	**(1)%**	**— %**

(1) This represents the net impact on net sales growth / (decrease) from pricing actions, mix and other factors.
(2) Organic sales growth / (decrease) is defined as net sales growth / (decrease) excluding the effect of any acquisitions and divestitures as well as changes in foreign exchange rates. See "Non-GAAP Financial Measures" below for reconciliation of organic sales growth / (decrease) to net sales growth, the most directly comparable GAAP financial measure.
(3) Organic volume represents volume excluding the effect of any acquisitions and divestitures.

Net sales in the current quarter decreased by 2%, reflecting lower sales in the Household and International reportable segments, partially offset by sales growth in the Lifestyle reportable segment. Volume was flat, reflecting lower shipments in the Household and International reportable segments, offset by higher shipments in the Lifestyle and Cleaning reportable segments. The variance between volume and net sales was primarily due to higher trade promotion spending and the impact of unfavorable foreign currency exchange rates, partially offset by the benefit of price increases.

Net sales in the current six month period decreased by 3%, reflecting lower sales primarily in the Household reportable segment, offset by sales growth in the Lifestyle reportable segment. Volume was flat, reflecting lower shipments in the Household reportable segment, partially offset by higher shipments primarily in the Lifestyle segment. The variance between volume and net sales was primarily due to the impact of higher trade promotion spending, unfavorable foreign currency exchange rates and unfavorable mix, partially offset by the benefit of price increases.

	Three Months Ended			Six Months Ended		
	12/31/2019	12/31/2018	% Change	12/31/2019	12/31/2018	% Change
Gross profit	$ 639	$ 643	(1)%	$ 1,302	$ 1,321	(1)%
Gross margin	44.1%	43.7%		44.1%	43.5%	

***Gross margin**,* defined as gross profit as a percentage of net sales, increased by 40 basis points in the current period from 43.7% to 44.1%. The increase was primarily driven by cost savings and the benefit of price increases, partially offset by higher trade promotion spending and manufacturing and logistics costs.

Gross margin increased 60 basis points in the current six month period from 43.5% to 44.1%. The increase was primarily driven by cost savings and the benefit of price increases, partially offset by higher trade promotion spending and manufacturing and logistics costs.

	Three Months Ended				
				% of Net Sales	
	12/31/2019	12/31/2018	% Change	12/31/2019	12/31/2018
Selling and administrative expenses	$ 210	$ 211	— %	14.5%	14.3%
Advertising costs	140	145	(3)	9.7	9.8
Research and development costs	34	32	6	2.3	2.2

	Six Months Ended				
				% of Net Sales	
	12/31/2019	12/31/2018	% Change	12/31/2019	12/31/2018
Selling and administrative expenses	$ 421	$ 423	— %	14.2%	13.9%
Advertising costs	277	284	(2)	9.4	9.4
Research and development costs	64	64	—	2.2	2.1

Selling and administrative expenses, as a percentage of net sales, increased by 20 basis points and 30 basis points in the current three and six month periods, respectively, however; such expenses remained relatively flat in terms of dollars in both the current three and six month periods.

Advertising costs, as a percentage of net sales, remained essentially flat in the current three and six month periods. The Company's U.S. retail advertising spend as a percentage of net sales was approximately 11% in the current and year-ago quarters.

Research and development costs, as a percentage of net sales*,* remained flat in the current three and six month periods. The Company continues to focus on product innovation and cost savings.

Interest expense, Other (income) expense, net, and the effective tax rate on earnings

	Three Months Ended		Six Months Ended	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Interest expense	$ 25	$ 24	$ 50	$ 48
Other (income) expense, net	(5)	7	(3)	10
Effective tax rate on earnings	21.0%	18.8%	21.3%	20.2%

Other (income) expense, net was $(5) and $7 in the current and prior three month periods, respectively, and $(3) and $10 in the current and prior six month periods, respectively. The variances were primarily due to the impact from revaluation of the Company's trust assets related to its non-qualified deferred compensation plans (see Note 4 of the Notes to Condensed Consolidated Financial Statements).

The effective tax rate on earnings was 21.0% and 21.3% for the current three and six month periods, respectively, and 18.8% and 20.2% for the prior three and six month periods, respectively. In comparison to the prior period, the Company had a reduced benefit from excess tax deductions, partially offset by a greater benefit from releases of uncertain tax positions.

Diluted net earnings per share

	Three Months Ended			Six Months Ended		
	12/31/2019	**12/31/2018**	**% Change**	**12/31/2019**	**12/31/2018**	**% Change**
Diluted net earnings per share	$ 1.46	$ 1.40	4%	$ 3.05	$ 3.02	1%

Diluted net earnings per share (EPS) increased by $0.06, or 4%, in the current three month period, primarily due to gross margin expansion.

Diluted net earnings per share increased by $0.03, or 1%, in the current six month period, primarily due to gross margin expansion.

SEGMENT RESULTS

The following presents the results of operations from the Company’s reportable segments and certain unallocated costs reflected in Corporate (see Notes to Condensed Consolidated Financial Statements for a reconciliation of segment results to consolidated results):

Cleaning

	Three Months Ended			Six Months Ended		
	12/31/2019	**12/31/2018**	**% Change**	**12/31/2019**	**12/31/2018**	**% Change**
Net sales	$ 501	$ 500	—%	$ 1,063	$ 1,071	(1)%
Earnings before income taxes	147	135	9	325	315	3

Volume increased by 1%, sales were flat, and earnings before income taxes increased by 9% in the current three month period. The volume increase was driven by higher shipments in Home Care and Professional Products, partially offset by lower shipments in Laundry due to reduced merchandising support. The higher shipments in Home Care were primarily driven by Clorox® disinfecting wipes due to incremental merchandising events. The higher shipments of Professional Product were mainly due to continued growth across all categories. The variance between volume and net sales was primarily due to unfavorable mix. The increase in earnings before income taxes was primarily due to favorable commodity costs, cost savings and lower manufacturing and logistics costs.

Volume increased by 1%, net sales decreased by 1%, and earnings before income taxes increased by 3% in the current six month period. The volume increase was driven by higher shipments in Home Care and Professional Products, partially offset by lower shipments in Laundry. The higher shipments in Home Care were primarily driven by Clorox® disinfecting wipes due to incremental merchandising events. The higher shipments of Professional Products were mainly due to continued growth across all categories. The variance between volume and net sales was mainly due to unfavorable mix. The increase in earnings before income taxes was primarily due to cost savings and favorable commodity costs, partially offset by lower net sales.

Household

	Three Months Ended			Six Months Ended		
	12/31/2019	12/31/2018	% Change	12/31/2019	12/31/2018	% Change
Net sales	$ 360	$ 393	(8)%	$ 741	$ 835	(11)%
Earnings before income taxes	37	46	(20)	62	105	(41)

Volume, net sales and earnings before income taxes decreased by 5%, 8% and 20%, respectively, in the current three month period. The volume decrease was driven by lower shipments of RenewLife® digestive health products due to continued category and competitive headwinds, Glad® bags and wraps due to distribution losses and increased competitive activity and lower shipments of Grilling products as the Company finished working through elevated retail inventory from the prior year. The variance between volume and net sales was primarily due to higher trade promotion spending, partially offset by the benefits of price increases. The decrease in earnings before income taxes was mainly due to lower sales and higher manufacturing and logistics costs, partially offset by cost savings.

Volume, net sales and earnings before income taxes decreased by 6%, 11% and 41%, respectively, in the current six month period. The volume decrease was mainly driven by lower shipments of Glad® bags and wraps mainly due to ongoing distribution losses, lower shipments in Grilling as the Company finished working through elevated retail inventory from the prior year and continued category and competitive headwinds in RenewLife® digestive health products. The variance between volume and net sales was primarily due to higher trade promotion spending partially offset by the benefits of price increases. The decrease in earnings before income taxes was mainly due to lower sales, higher manufacturing and logistics costs, partially offset by cost savings.

Lifestyle

	Three Months Ended			Six Months Ended		
	12/31/2019	12/31/2018	% Change	12/31/2019	12/31/2018	% Change
Net sales	$ 347	$ 335	4%	$ 669	$ 644	4%
Earnings before income taxes	85	78	9	155	140	11

Volume, net sales and earnings before income taxes increased by 4%, 4% and 9%, respectively, in the current three month period. Both volume and net sales increased, primarily driven by higher shipments of Burt's Bees® Natural Personal Care products due to continued strength in lip care, Food due to higher shipments of Hidden Valley® products, mainly due to merchandising support, and Brita® primarily due to innovation. The increase in earnings before income taxes was primarily due to net sales growth.

Volume, net sales and earnings before income taxes increased by 4%, 4% and 11%, respectively, in the current six month period. Both volume growth and net sales growth were driven by higher shipments of Burt's Bees® Natural Personal Care products due to continued strength in face and lip care supported by innovation and merchandising, Food primarily driven by increased shipments of Hidden Valley® products due to higher consumption and increased merchandising support and Brita® products due to innovation. The increase in earnings before income taxes was primarily due to higher sales and cost savings.

International

	Three Months Ended			Six Months Ended		
	12/31/2019	12/31/2018	% Change	12/31/2019	12/31/2018	% Change
Net sales	$ 241	$ 245	(2)%	$ 482	$ 486	(1)%
Earnings before income taxes	31	25	24	70	53	32

Volume and net sales decreased by 1% and 2% respectively, while earnings before income taxes increased by 24% in the current three month period. Volume decreased, primarily driven by lower shipments in Latin America, partially offset by higher shipments in Canada. The variance between volume and net sales was mainly due to unfavorable foreign currency exchange rates, mainly in Argentina, and higher trade promotion spending, partially offset by the benefit of price increases. The increase in earnings before income taxes was primarily due to the benefit of price increases and cost savings, partially offset by the impact of unfavorable foreign currency exchange rates and inflationary pressure on manufacturing and logistics costs.

Volume increased by 1%, net sales decreased by 1%, and earnings before income taxes increased by 32% in the current six month period. Volume increased primarily driven by higher shipments in Australia. The variance between volume and net sales was mainly due to unfavorable foreign currency exchange rates, mainly in Argentina, and higher trade promotion spending, partially offset by the benefit of price increases. The increase in earnings before income taxes was largely due to the benefit of price increases and cost savings, partially offset by unfavorable foreign currency exchange rates and inflationary pressure on manufacturing and logistics costs.

Argentina

The business environment in Argentina continues to be challenging due to significant volatility in Argentina’s currency, high inflation, and economic recession. The Company operates in Argentina through certain wholly owned subsidiaries (collectively, “Clorox Argentina”). Clorox Argentina manufactures products at two plants that it owns and operates across Argentina and markets those products to consumers throughout the country. Products are advertised nationally and sold to consumers through wholesalers and retail outlets located throughout Argentina. Sales are made primarily through the use of Clorox Argentina’s sales force. Small amounts of products produced in Argentina are exported each year, including sales to the Company’s other subsidiaries located primarily in Latin America. Clorox Argentina obtains its raw materials almost entirely from local sources; however, the price of some of these raw materials may fluctuate with changes in the value of the U.S. dollar against the Argentine peso. The Company also conducts research and development activities at its owned facility in Buenos Aires, Argentina. Additionally, Clorox Argentina performs marketing, legal, and various other shared service activities to support the Company’s International operations. Clorox Argentina, in turn, benefits from shared service activities performed within other geographic locations, such as information technology support and manufacturing technical assistance.

Effective July 1, 2018, under the requirements of U.S. GAAP, Argentina was designated as a highly inflationary economy, since it has experienced cumulative inflation of approximately 100 percent or more over a three year period. As a result, beginning July 1, 2018, the U.S. dollar replaced the Argentine peso as the functional currency of the Company’s subsidiaries in Argentina. Consequently, gains and losses from non-U.S. dollar denominated monetary assets and liabilities of Clorox Argentina are recognized in Other (income) expense, net in the condensed consolidated statement of earnings.

As of September 2019, the government of Argentina reinstated foreign exchange controls in response to further declines in the value of the Argentine peso, limiting the Company’s ability to convert Argentine pesos to U.S. dollars and transfer U.S. dollars outside of Argentina. At December 31, 2019 and June 30, 2019, the net asset position, excluding goodwill, of Clorox Argentina was $39 and $47, respectively. Of these net assets, cash balances were approximately $4 and $16 as of December 31, 2019 and June 30, 2019, respectively. Net sales from Clorox Argentina represented approximately 2% of the Company’s consolidated net sales for both the six months ended December 31, 2019 and the fiscal year ended June 30, 2019.

Volatility in the exchange rate is expected to continue in the future, which, along with competition, changes in the retail, labor and macro-economic environment, and implemented and future additional legal limitations instituted to restrict foreign exchange transactions, as well as government price controls, could have an adverse impact on Clorox Argentina’s liquidity, net sales, net earnings, cash flows and net monetary asset position. The Company is closely monitoring developments in Argentina and continues to take steps intended to mitigate the adverse conditions, but there can be no assurances that these actions will be able to mitigate these conditions as they may occur.

Corporate

Certain non-allocated administrative costs, interest income, interest expense, and various other non-operating income and expenses are reflected in Corporate. Corporate assets include cash and cash equivalents, prepaid expenses and other current assets, property and equipment, other investments, and deferred taxes.

	Three Months Ended			**Six Months Ended**		
	12/31/2019	**12/31/2018**	**% Change**	**12/31/2019**	**12/31/2018**	**% Change**
Losses before income taxes	$ (65)	$ (60)	8%	$ (119)	$ (121)	(2)%

Losses before income taxes increased slightly in the current three month period and were relatively flat for the current six month period.

FINANCIAL POSITION AND LIQUIDITY

The Company's financial condition and liquidity remained strong as of December 31, 2019. The following table summarizes cash activities:

	Six Months Ended	
	12/31/2019	12/31/2018
Net cash provided by operations	$ 498	$ 449
Net cash used for investing activities	(98)	(77)
Net cash used for financing activities	(338)	(338)

Operating Activities

Net cash provided by operations was $498 in the current six month period, compared with $449 in the prior six month period. The year-over-year increase was primarily due to lower working capital, driven by continued efforts to optimize inventory levels, partially offset by the timing of payments.

Investing Activities

Net cash used for investing activities was $98 in the current six month period, compared with $77 in the prior six month period. The year-over-year increase was mainly due to higher capital spending in the current six month period, primarily driven by the acquisition of a manufacturing facility.

Financing Activities

Net cash used for financing activities was $338 for both the current and prior six month periods. The current-year financing activity reflects an increase in cash sourced from short-term borrowings and lower treasury stock purchases, offset by reduced proceeds from employee stock option exercises and higher cash dividends payments.

Capital Resources and Liquidity

The Company believes it will have the funds necessary to meet its financing requirements and other fixed obligations as they become due based on its working capital requirements, anticipated ability to generate positive cash flows from operations in the future, investment-grade credit ratings, demonstrated access to long-term and short-term credit markets and current borrowing availability under the credit agreement.

Credit Arrangements

On November 15, 2019, the Company entered into a new $1,200 revolving credit agreement (the Credit Agreement) that matures in November 2024. The Credit Agreement replaced a prior $1,100 revolving credit in place since February 2017. The Company did not incur any termination fees or penalties in connection with entering the new agreement, which was considered a debt modification. There were no borrowings under either the new Credit Agreement or then existing credit agreement as of December 31, 2019 and June 30, 2019, respectively, and the Company believes that borrowings under the new Credit Agreement are and will continue to be available for general business purposes.

The Credit Agreement includes certain restrictive covenants and limitations consistent with the previous agreement. The primary restrictive covenant is a minimum ratio of 4.0 calculated as total earnings before interest, taxes, depreciation and amortization and non-cash asset impairment charges (Consolidated EBITDA) to total interest expense for the trailing four quarters (Interest Coverage ratio), as defined and described in the Credit Agreement.

The following table sets forth the calculation of the Interest Coverage ratio as of December 31, 2019, using Consolidated EBITDA for the trailing four quarters, as contractually defined in the Credit Agreement:

	Twelve Months Ended 12/31/2019
Earnings from operations	$ 816
Add back:	
Interest expense	99
Income tax expense	209
Depreciation and amortization	180
Non-cash asset impairment charges	—
Deduct:	
Interest income	(3)
Consolidated EBITDA	$ 1,301
Interest expense	$ 99
Interest Coverage ratio	13.1

The Company was in compliance with all restrictive covenants and limitations in the Credit Agreement as of December 31, 2019, and anticipates being in compliance with all restrictive covenants for the foreseeable future. The Company continues to monitor the financial markets and assess its ability to fully draw on its credit agreement, and currently expects that any drawing on the Credit Agreement will be fully funded.

As of December 31, 2019, the Company maintained $39 of foreign and other credit lines, of which $0 was outstanding.

Stock Repurchases and Dividend Payments

As of December 31, 2019, the Company had two stock repurchase programs: an open-market purchase program with an authorized aggregate purchase amount of up to $2,000, which has no expiration date, and a program to offset the anticipated impact of dilution related to stock-based awards (the Evergreen Program), which has no authorization limit on the dollar amount and no expiration date.

Stock repurchases under the two stock repurchase programs were as follows for the periods indicated:

	Three Months Ended				Six Months Ended			
	12/31/2019		12/31/2018		12/31/2019		12/31/2018	
	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)
Open-market purchase program	$ 85	577	$ —	—	$ 85	577	$ 78	591
Evergreen Program	—	—	38	253	104	663	158	1,085
Total stock repurchases	$ 85	577	$ 38	253	$ 189	1,240	$ 236	1,676

Dividends per share declared and total dividends paid were as follows for the periods indicated:

	Three Months Ended		Six Months Ended	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Dividends per share declared	$ 1.06	$ 0.96	$ 2.12	$ 1.92
Total dividends paid	133	123	266	245

CONTINGENCIES

See Notes to Condensed Consolidated Financial Statements for information on the Company's contingencies.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Notes to Condensed Consolidated Financial Statements for a summary of recently issued accounting standards relevant to the Company.

NON-GAAP FINANCIAL MEASURES

The non-GAAP financial measures that may be included in this MD&A and the reasons management believes they are useful to investors are described below. These measures should be considered supplemental in nature and are not intended to be a substitute for the related financial information prepared in accordance with U.S. GAAP. In addition, these measures may not be the same as similarly named measures presented by other companies.

The Company uses the term *Consolidated EBITDA* because it is a term used in its revolving credit agreement. As defined in the Credit Agreement, Consolidated EBITDA represents earnings before interest, taxes, depreciation and amortization and non-cash asset impairment charges. *Interest Coverage ratio* is the ratio of Consolidated EBITDA to interest expense. The Company's management believes disclosure of Consolidated EBITDA provides useful information to investors because it is used in the primary restrictive covenant in the Credit Agreement. For additional discussion of the Interest Coverage ratio and a reconciliation of Consolidated EBITDA, see "*Financial Position and Liquidity - Financing Activities - Credit Arrangements*" above.

Organic sales growth / (decrease) is defined as net sales growth excluding the effect of foreign exchange rate changes and any acquisitions and divestitures. Management believes that the presentation of organic sales growth / (decrease) is useful to investors because it excludes sales from any acquisitions and divestitures, which results in a comparison of sales only from the businesses that the Company was operating throughout the relevant periods, and the impact of foreign exchange rate changes, which are out of the control of the Company and management.

The following table provides a reconciliation of organic sales growth / (decrease) (non-GAAP) to net sales growth / (decrease) (GAAP), the most comparable GAAP measure:

	Three Months Ended December 31, 2019				
	Percentage change versus the year-ago period				
	Cleaning	Household	Lifestyle	International	Total
Net sales growth / (decrease) (GAAP)	— %	(8)%	4%	(2)%	(2)%
Add: Foreign Exchange	—	—	—	8	2
Add/(Subtract): Divestitures/Acquisitions	—	—	—	—	—
Organic sales growth / (decrease) (non-GAAP)	— %	(8)%	4%	6 %	— %

	Six Months Ended December 31, 2019				
	Percentage change versus the year-ago period				
	Cleaning	Household	Lifestyle	International	Total
Net sales growth / (decrease) (GAAP)	(1)%	(11)%	4%	(1)%	(3)%
Add: Foreign Exchange	—	—	—	8	2
Add/(Subtract): Divestitures/Acquisitions	—	—	—	—	—
Organic sales growth / (decrease) (non-GAAP)	(1)%	(11)%	4%	7 %	(1)%

Cautionary Statement

This Quarterly Report on Form 10-Q (this Report), including the exhibits hereto and the information incorporated by reference herein, contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and such forward-looking statements involve risks and uncertainties. Except for historical information, statements about future volumes, sales, organic sales growth, foreign currencies, costs, cost savings, margins, earnings, earnings per share, diluted earnings per share, foreign currency exchange rates, tax rates, cash flows, plans, objectives, expectations, growth or profitability are forward-looking statements based on management's estimates, beliefs, assumptions and projections. Words such as "could," "may," "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," "will," "predicts," and variations on such words, and similar expressions that reflect our current views with respect to future events and operational, economic and financial performance are intended to identify such forward-looking statements. These forward-looking statements are only predictions, subject to risks and uncertainties, and actual results could differ materially from those discussed. Important factors that could affect performance and cause results to differ materially from management's expectations, or could affect the Company's ability to achieve its strategic goals, are described in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2019, as updated from time to time in the Company's Securities and Exchange Commission filings. These factors include, but are not limited to:

- intense competition in the Company's markets;
- the impact of the changing retail environment, including the growth of alternative retail channels and business models, and changing consumer preferences;
- volatility and increases in commodity costs such as resin, sodium hypochlorite and agricultural commodities, and increases in energy, transportation or other costs;
- the ability of the Company to drive sales growth, increase prices and market share, grow its product categories and manage favorable product and geographic mix;
- dependence on key customers and risks related to customer consolidation and ordering patterns;
- risks related to the Company's use of and reliance on information technology systems, including potential security breaches, cyber-attacks, privacy breaches or data breaches that result in the unauthorized disclosure of consumer, customer, employee or Company information, or service interruptions;
- the Company's ability to maintain its business reputation and the reputation of its brands and products;
- risks relating to acquisitions, new ventures and divestitures, and associated costs, including the potential for asset impairment charges related to, among others, intangible assets and goodwill; and the ability to complete announced transactions and, if completed, integration costs and potential contingent liabilities related to those transactions;
- lower revenue, increased costs or reputational harm resulting from government actions and regulations;
- the ability of the Company to successfully manage global political, legal, tax and regulatory risks, including changes in regulatory or administrative activity;
- worldwide, regional and local economic and financial market conditions;
- risks related to international operations and international trade, including foreign currency fluctuations, such as devaluations, and foreign currency exchange rate controls, including periodic changes in such controls; changes in U.S. immigration or trade policies, including the imposition of new or additional tariffs; labor claims and labor unrest; inflationary pressures, particularly in Argentina; political instability and the uncertainty regarding the outcome of Brexit; government-imposed price controls or other regulations; potential negative impact and liabilities from the use, storage and transportation of chlorine in certain international markets where chlorine is used in the production of bleach; and the possibility of nationalization, expropriation of assets or other government action;
- the ability of the Company to innovate and to develop and introduce commercially successful products, or expand into adjacent categories and countries;
- the impact of product liability claims, labor claims and other legal or tax proceedings, including in foreign jurisdictions;
- the ability of the Company to implement and generate cost savings and efficiencies;
- the success of the Company's business strategies;
- risks related to additional increases in the estimated fair value of P&G's interest in the Glad® business;
- the Company's ability to attract and retain key personnel;
- supply disruptions and other risks inherent in reliance on a limited base of suppliers;
- environmental matters, including costs associated with the remediation and monitoring of past contamination, and possible increases in costs resulting from actions by relevant regulators, and the handling and/or transportation of hazardous substances;
- increased focus by governmental and non-governmental organizations, customers, consumers and investors on sustainability issues, including those related to climate change;

- the facilities of the Company and its suppliers being subject to disruption by events beyond the Company's control, including work stoppages, cyber-attacks, natural disasters and terrorism;
- the Company's ability to maximize, assert and defend its intellectual property rights;
- any infringement or claimed infringement by the Company of third-party intellectual property rights;
- the accuracy of the Company's estimates and assumptions on which its financial projections are based;
- the effect of the Company's indebtedness and credit rating on its business operations and financial results;
- the Company's ability to pay and declare dividends or repurchase its stock in the future;
- uncertainties relating to tax positions, tax disputes and changes in the Company's tax rate, and any additional effects of the Tax Act on the Company;
- the Company's ability to maintain an effective system of internal controls;
- the impacts of potential stockholder activism; and
- risks related to the Company's discontinuation of operations in Venezuela.

The Company's forward-looking statements in this Report are based on management's current views, beliefs, assumptions and expectations regarding future events and speak only as of the date of this Report. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by the federal securities laws.

In this Report, unless the context requires otherwise, the terms "the Company," "Clorox," "we," "us," and "our" refer to The Clorox Company and its subsidiaries.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have not been any material changes to the Company's market risk since June 30, 2019. For additional information, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Exhibit 99.1 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2019.

Item 4. Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this Report, were effective such that the information required to be disclosed by the Company in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

No change in the Company's internal control over financial reporting occurred during the second fiscal quarter of the fiscal year ending June 30, 2020, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1.A. Risk Factors

For information regarding Risk Factors, please refer to Item 1.A. Risk Factors in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2019, and the information in "Cautionary Statement" included in this Report.

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

In May 2018, the Board of Directors authorized the Company to repurchase up to $2,000 million in shares of common stock on the open market (the 2018 Open-Market Program), which has no expiration date.

In August 1999, the Board of Directors authorized a stock repurchase program to reduce or eliminate dilution upon the issuance of common stock pursuant to the Company's stock compensation plans (the Evergreen Program). In November 2005, the Board of Directors authorized the extension of the Evergreen Program to reduce or eliminate dilution in connection with issuances of common stock pursuant to the Company's 2005 Stock Incentive Plan. The Evergreen Program has no expiration date and has no specified limit as to dollar amount and therefore is not included in column [d] below.

The following table sets forth the purchases of the Company's securities by the Company and any affiliated purchasers within the meaning of Rule 10b-18(a)(3) (17 CFR 240.10b-18(a)(3)) during the second quarter of fiscal year 2020.

Period	[a] Total Number of Shares Purchased (1)	[b] Average Price Paid per Share (2)	[c] Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	[d] Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 to 31, 2019	—	$ —	—	$1,578 million
November 1 to 30, 2019	576,999	147.31	576,999	$1,493 million
December 1 to 31, 2019	—	—	—	$1,493 million
Total	576,999	$ 147.31	576,999	

(1) All of the shares purchased in November 2019 were acquired pursuant to the Company's 2018 Open-Market Program.
(2) Average price paid per share in the period includes commission.

Item 6. Exhibits

See Exhibit Index below, which is incorporated by reference herein.

EXHIBIT INDEX

Exhibit No.	
10.1	Credit Agreement, dated as of November 15, 2019, among The Clorox Company, the lenders listed therein, JPMorgan Chase Bank, N.A., Citibank, N.A., and Wells Fargo Bank, National Association, as Administrative Agents, and JPMorgan Chase Bank, N.A., as Servicing Agent (filed as Exhibit 10.1 to the Current Report on Form 8-K, filed November 18, 2019, incorporated herein by reference).
31.1	Certification by the Chief Executive Officer of the Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer of the Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification by the Chief Executive Officer and Chief Financial Officer of the Company Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101).

SIGNATURE

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

THE CLOROX COMPANY
(Registrant)

DATE: February 4, 2020 BY /s/ Jeffrey R. Baker

Jeffrey R. Baker
Vice President – Chief Accounting Officer and Corporate Controller

Exhibit 31.1

CERTIFICATION

I, Benno Dorer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Clorox Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 4, 2020

/s/ Benno Dorer

Benno Dorer
Chair and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Kevin B. Jacobsen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Clorox Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 4, 2020

/s/ Kevin B. Jacobsen

Kevin B. Jacobsen

Executive Vice President - Chief Financial Officer

Exhibit 32

CERTIFICATION

In connection with the periodic report of The Clorox Company (the "Company") on Form 10-Q for the period ended December 31, 2019, as filed with the Securities and Exchange Commission (the "Report"), we, Benno Dorer, Chair and Chief Executive Officer of the Company, and Kevin B. Jacobsen, Executive Vice President - Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to our knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Date: February 4, 2020

/s/ Benno Dorer

Benno Dorer
Chair and Chief Executive Officer

/s/ Kevin B. Jacobsen

Kevin B. Jacobsen
Executive Vice President - Chief Financial Officer