

CHURCH & DWIGHT CO INC /DE/
Form 8-K
February 11, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 11, 2005

Church & Dwight Co., Inc.

(Exact name of registrant specified in its charter)

Delaware
(State or other jurisdiction

of incorporation)

1-10585
(Commission File Number)

13-4996950
(I.R.S. Employer

Identification No.)

469 North Harrison Street, Princeton, New Jersey
(Address of principal executive offices)

08543-5297
(Zip Code)

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

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 8.01. Other Events.

Set forth below is unaudited capsule information for the quarters and twelve months ended December 31, 2004 and December 31, 2003:

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES**Condensed Consolidated Statements of Income (Unaudited)**

| | Three Months Ended | | Twelve Months Ended | |
|---|--------------------|---------------|---------------------|---------------|
| | Dec. 31, 2004 | Dec. 31, 2003 | Dec. 31, 2004 | Dec. 31, 2003 |
| <i>(In thousands, except per share data)</i> | | | | |
| Net Sales | \$ 404,976 | \$ 286,747 | \$ 1,462,062 | \$ 1,056,874 |
| Cost of sales | 248,415 | 202,705 | 928,674 | 738,883 |
| Gross profit | 156,561 | 84,042 | 533,388 | 317,991 |
| Marketing expenses | 49,858 | 22,671 | 161,183 | 88,807 |
| Selling, general and administrative expenses | 68,239 | 32,224 | 200,452 | 117,333 |
| Income from Operations | 38,464 | 29,147 | 171,753 | 111,851 |
| Equity in earnings of affiliates | 1,356 | 2,788 | 15,115 | 28,632 |
| Other income (expense), net | (24,652) | (10,246) | (59,424) | (23,518) |
| Income before minority interest and taxes | 15,168 | 21,689 | 127,444 | 116,965 |
| Income taxes | 3,252 | 5,814 | 38,631 | 35,974 |
| Minority Interest | (12) | 8 | 5 | 30 |
| Net Income | \$ 11,928 | \$ 15,867 | \$ 88,808 | \$ 80,961 |
| Net Income per share - Basic | \$ 0.19 | \$ 0.26 | \$ 1.44 | \$ 1.34 |
| Net Income per share - Diluted | \$ 0.18 | \$ 0.25 | \$ 1.36 | \$ 1.28 |
| Dividend per share | \$ 0.06 | \$ 0.05 | \$ 0.23 | \$ 0.21 |
| Weighted average shares outstanding - Basic | 62,546 | 60,773 | 61,868 | 60,341 |
| Weighted average shares outstanding - Diluted | 65,074 | 67,248 | 68,066 | 64,508 |

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES**Condensed Consolidated Balance Sheets (Unaudited)**

| | Dec. 31, 2004 | Dec. 31, 2003 |
|-------------------------------|---------------|---------------|
| <i>(Dollars in thousands)</i> | | |
| Assets | | |
| Current Assets | | |

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| | | |
|--|---------------------|---------------------|
| Cash, equivalents and securities | \$ 145,465 | \$ 75,634 |
| Accounts receivable | 166,203 | 107,553 |
| Inventories | 148,898 | 84,176 |
| Other current assets | 39,985 | 21,859 |
| Total Current Assets | 500,551 | 289,222 |
| Property, Plant and Equipment (Net) | 332,204 | 258,010 |
| Equity Investment in Affiliates | 13,255 | 152,575 |
| Intangibles and other assets | 1,039,741 | 419,810 |
| Total Assets | \$ 1,885,751 | \$ 1,119,617 |
| Liabilities and Stockholders Equity | | |
| Short-Term Debt | \$ 104,037 | \$ 65,897 |
| Other Current Liabilities | 254,137 | 166,157 |
| Total Current Liabilities | 358,174 | 232,054 |
| Long-Term Debt | 754,706 | 331,149 |
| Other Long-Term Liabilities | 211,997 | 117,920 |
| Stockholders Equity | 560,874 | 438,494 |
| Total Liabilities and Stockholders Equity | \$ 1,885,751 | \$ 1,119,617 |

Supplementary Information

Net income for the year ended December 31, 2004 was \$88.8 million, or \$1.36 per share, an increase of \$0.08 per share or 6% over 2003 net income of \$81.0 million, or \$1.28 per share. Results for the year ended December 31, 2004 reflected accounting charges aggregating \$33.4 million, or \$0.30 per share relating to an acquisition and the redemption of indebtedness. Specifically, the charges included a step-up inventory charge of \$10.5 million and an \$8.0 million charge to write off defined financing costs resulting from the refinancing of Church & Dwight's bank debt, both incurred in connection with Church & Dwight's acquisition of the 50% interest in Armkel LLC that it did not previously own. In addition, the charges included \$14.9 million in charges relating to the redemption of senior subordinated indebtedness assumed by Church & Dwight.

Results for the year ended December 31, 2003 reflect a \$5.9 million or \$0.05 per share purchase accounting inventory charge resulting from the acquisition of Unilever's oral care businesses in the United States and Canada.

Net income for the quarter ended December 31, 2004 was \$11.9 million, or \$0.18 per share, compared to \$15.9 million or \$0.25 per share in the quarter ended December 31, 2003. The 2004 fourth quarter results include the \$14.9 million or approximately \$0.15 per share charge related to the redemption of senior subordinated notes referenced above.

Fourth quarter 2004 sales increased to \$405.0 million from \$286.7 million in the fourth quarter of 2003, and include \$135.6 million in sales by the acquired Armkel and oral care businesses. Sales for the year ended December 31, 2004 increased to \$1,462.1 million, from \$1,056.9 million in the year ended December 31, 2003, primarily due to combined sales of \$380.4 million by the acquired Armkel and Unilever oral care businesses.

Fourth quarter 2004 gross profit margin was approximately 9% higher than in the fourth quarter of 2003, primarily due to the addition of the higher margin Armkel and oral care businesses and the impact of the fourth quarter 2003 purchase accounting inventory charge related to the oral care business acquisition referred to above. Gross profit margin in the year ended December 31, 2004 was 36.5%, compared to 30.1% in the year ended December 31, 2003. Figures for both years reflect the inventory charges described above.

Fourth quarter 2004 marketing expenses, and selling, general and administrative expenses were both significantly higher than in 2003, primarily due to spending related to the acquired businesses and increased spending relating to continuing businesses.

Fourth quarter 2004 operating profit of \$38.5 million was \$9.4 million higher than the fourth quarter 2003 operating profit \$29.1 million, primarily due to the Armkel and oral care acquisitions. Operating profit for the year ended December 31, 2004 was \$171.8 million, compared to \$111.9 million for the year ended December 31, 2003.

As previously disclosed, in December 2004, Church & Dwight redeemed, in a tender offer, \$218.6 million of 9 1/2% senior subordinated notes due 2009, which were originally issued by Armkel in 2001 and assumed by Church & Dwight following the Armkel acquisition. This transaction was financed by the issuance of \$250 million of Church & Dwight 6.0% senior subordinated notes due 2012. As noted above, in connection with the issue of the new notes, Church & Dwight incurred a \$14.9 million charge for the redemption premium and the write-off of deferred financing costs.

The \$35.9 million increase in other expense for the year ended December 31, 2004 includes the fourth quarter 2004 refinancing charge of \$14.9 million referred to above, the \$8.0 million second quarter 2004 charge resulting from the refinancing of Church & Dwight's bank debt in connection with the Armkel acquisition referred to above, and a \$4.9 million third quarter 2004 interest payment related to a legal settlement. The remainder of the increase represents interest on the debt incurred to finance the oral care and Armkel acquisitions.

The fourth quarter 2004 effective tax rate benefited from approximately \$1.6 million in prior year tax credits and other items. In the year ended December 31, 2004, these items amounted to \$4.6 million.

During the fourth quarter of 2004, Church & Dwight adopted the accounting guidance set forth in EITF 04-8 relating to contingently convertible debt. As a result, Church & Dwight retroactively restated its diluted earnings per share, which reduced its reported earnings for the year ended December 31, 2004 by \$0.01 per share. The adoption of the guidance set forth in EITF 04-8 had no impact on earnings per share for the year ended December 31, 2003.

At December 31, 2004, Church & Dwight had total outstanding debt of \$859 million, and cash of \$145 million, for a net debt position of approximately \$713 million. This represents a \$392 million increase in net debt from December 31, 2003, of which \$254 million was incurred in connection with the Armkel acquisition.

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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 hereunto duly authorized.

Date: February 11, 2005

By: /s/ James R. Craigie

Name: James R. Craigie

Title: President and Chief Executive Officer