

COLGATE PALMOLIVE CO
Form 10-Q
October 30, 2007

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 September 30, 2007

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: 1-644

COLGATE-PALMOLIVE COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or
organization)

13-1815595
(I.R.S. Employer Identification No.)

300 Park Avenue, New York, New York
(Address of principal executive offices)

(212) 310-2000

10022
(Zip Code)

(Registrant's telephone number, including area code)

NO CHANGES

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

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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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer Accelerated filer Non-accelerated filer
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Shares Outstanding	Date
Common, \$1.00 par value	509,761,824	September 30, 2007

PART I. FINANCIAL INFORMATION**COLGATE-PALMOLIVE COMPANY****CONDENSED CONSOLIDATED STATEMENTS OF INCOME***(Dollars in Millions Except Per Share Amounts)***(Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Net sales	\$ 3,528.2	\$ 3,143.7	\$ 10,147.5	\$ 9,028.6
Cost of sales	1,544.6	1,415.3	4,443.3	4,103.6
Gross profit	1,983.6	1,728.4	5,704.2	4,925.0
Selling, general and administrative expenses	1,277.7	1,140.3	3,671.6	3,210.2
Other (income) expense, net	37.1	38.7	55.1	187.0
Operating profit	668.8	549.4	1,977.5	1,527.8
Interest expense, net	38.5	41.2	121.6	119.8
Income before income taxes	630.3	508.2	1,855.9	1,408.0
Provision for income taxes	210.2	164.1	533.4	455.8
Net income	\$ 420.1	\$ 344.1	\$ 1,322.5	\$ 952.2
Earnings per common share, basic	\$ 0.81	\$ 0.65	\$ 2.55	\$ 1.81
Earnings per common share, diluted	\$ 0.77	\$ 0.63	\$ 2.43	\$ 1.73
Dividends declared per common share	\$ 0.36	\$ 0.32	\$ 1.04	\$ 0.93

See Notes to Condensed Consolidated Financial Statements

COLGATE-PALMOLIVE COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

*(Dollars in Millions)***(Unaudited)**

	September 30, 2007	December 31, 2006
Assets		
Current Assets		
Cash and cash equivalents	\$ 628.4	\$ 489.5
Receivables (net of allowances of \$61.1 and \$46.4, respectively)	1,758.0	1,523.2
Inventories	1,167.0	1,008.4
Other current assets	382.4	279.9
Total current assets	3,935.8	3,301.0
Property, plant and equipment:		
Cost	5,970.4	5,695.0
Less: Accumulated depreciation	(3,138.7)	(2,998.9)
	2,831.7	2,696.1
Goodwill, net	2,231.2	2,081.8
Other intangible assets, net	840.8	831.1
Other assets	244.2	228.0
Total assets	\$ 10,083.7	\$ 9,138.0
Liabilities and Shareholders' Equity		
Current Liabilities		
Notes and loans payable	\$ 221.0	\$ 174.1
Current portion of long-term debt	637.1	776.7
Accounts payable	1,036.0	1,039.7
Accrued income taxes	274.9	161.5
Other accruals	1,616.1	1,317.1
Total current liabilities	3,785.1	3,469.1
Long-term debt	2,750.1	2,720.4
Deferred income taxes	252.8	309.9
Other liabilities	1,273.6	1,227.7
Shareholders' Equity		
Preference stock	201.2	222.7
Common stock	732.9	732.9
Additional paid-in capital	1,324.9	1,218.1
Retained earnings	10,411.8	9,643.7
Accumulated other comprehensive income	(1,878.6)	(2,081.2)
	10,792.2	9,736.2
Unearned compensation	(222.2)	(251.4)
Treasury stock, at cost	(8,547.9)	(8,073.9)
Total shareholders' equity	2,022.1	1,410.9

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Total liabilities and shareholders equity	\$ 10,083.7	\$ 9,138.0
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See Notes to Condensed Consolidated Financial Statements

COLGATE-PALMOLIVE COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

*(Dollars in Millions)***(Unaudited)**

	Nine Months Ended	
	September 30, 2007	2006
Operating Activities		
Net income	\$ 1,322.5	\$ 952.2
Adjustments to reconcile net income to net cash provided by operations:		
Restructuring, net of cash	(3.6)	187.6
Depreciation and amortization	246.4	243.5
Gain before tax on sale of non-core product lines	(48.6)	
Stock-based compensation expense	93.1	91.7
Deferred income taxes	(60.2)	(24.5)
Cash effects of changes in:		
Receivables	(167.0)	(122.9)
Inventories	(118.4)	(128.9)
Accounts payable and other accruals	364.8	122.8
Other non-current assets and liabilities	9.7	48.4
Net cash provided by operations	1,638.7	1,369.9
Investing Activities		
Capital expenditures	(327.1)	(251.8)
Sale of property and non-core product lines	106.0	2.9
Payment for acquisitions, net of cash acquired	(26.5)	(200.0)
Other	(56.0)	(21.4)
Net cash used in investing activities	(303.6)	(470.3)
Financing Activities		
Principal payments on debt	(1,635.9)	(1,011.3)
Proceeds from issuance of debt	1,530.4	1,116.7
Dividends paid	(550.4)	(497.4)
Purchases of treasury shares	(866.6)	(601.3)
Proceeds from exercise of stock options and excess tax benefits	313.7	258.5
Net cash used in financing activities	(1,208.8)	(734.8)
Effect of exchange rate changes on Cash and cash equivalents	12.6	(2.6)
Net increase in Cash and cash equivalents	138.9	162.2
Cash and cash equivalents at beginning of period	489.5	340.7
Cash and cash equivalents at end of period	\$ 628.4	\$ 502.9
Supplemental Cash Flow Information		
Income taxes paid	\$ 469.3	\$ 497.9

See Notes to Condensed Consolidated Financial Statements

COLGATE-PALMOLIVE COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(Dollars in Millions Except Share and Per Share Amounts)***(Unaudited)****1. Basis of Presentation**

The Condensed Consolidated Financial Statements reflect all normal recurring adjustments which, in management's opinion, are necessary for a fair statement of the results for interim periods. Results of operations for the interim periods may not be representative of results to be expected for a full year.

Reference is made to the Annual Report on Form 10-K of Colgate-Palmolive Company (together with its subsidiaries, the Company or Colgate) filed with the Securities and Exchange Commission for the year ended December 31, 2006 for a complete set of financial notes including the Company's significant accounting policies.

2. Use of Estimates

Provision for certain expenses, including income taxes, media advertising and consumer promotion, are based on full year assumptions and are included in the accompanying Condensed Consolidated Financial Statements in proportion with estimated annual tax rates, the passage of time or estimated annual sales.

3. Recently Issued Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS 157). SFAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurement. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company does not expect that SFAS 157 will have a material impact on the Company's financial position or results of operations.

4. Inventories

Inventories by major class are as follows:

	September 30,	December 31,
	2007	2006
Raw materials and supplies	\$ 269.1	\$ 248.3
Work-in-process	47.9	45.4
Finished goods	850.0	714.7
Total Inventories	\$ 1,167.0	\$ 1,008.4

COLGATE-PALMOLIVE COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(Dollars in Millions Except Share and Per Share Amounts)***(Unaudited)**

5. Comprehensive Income

Comprehensive income is comprised of net earnings, gains and losses from currency translation, gains and losses from derivative instruments designated as cash flow hedges and amortization of unrecognized pension and other retiree benefit costs. Total comprehensive income for the three months ended September 30, 2007 and 2006 was \$495.8 and \$355.8, respectively. Total comprehensive income for the nine months ended September 30, 2007 and 2006 was \$1,525.1 and \$976.6, respectively. The difference from net income primarily consists of foreign currency translation adjustments. Accumulated other comprehensive income (loss), as reflected in the Condensed Consolidated Balance Sheets, primarily consists of cumulative foreign currency translation adjustments and unrecognized pension and other retiree benefit costs.

6. Earnings Per Share

	Three Months Ended					
	September 30, 2007			September 30, 2006		
	Income	Shares	Per Share	Income	Shares	Per Share
Net income	\$ 420.1			\$ 344.1		
Preferred dividends	(6.9)			(6.9)		
Basic EPS	413.2	509.9	\$ 0.81	337.2	515.3	\$ 0.65
Stock options and restricted stock		7.6			6.3	
Convertible preference stock	6.9	24.9		6.9	28.8	
Diluted EPS	\$ 420.1	542.4	\$ 0.77	\$ 344.1	550.4	\$ 0.63

	Nine Months Ended					
	September 30, 2007			September 30, 2006		
	Income	Shares	Per Share	Income	Shares	Per Share
Net income	\$ 1,322.5			\$ 952.2		
Preferred dividends	(20.8)			(21.4)		
Basic EPS	1,301.7	511.2	\$ 2.55	930.8	515.4	\$ 1.81