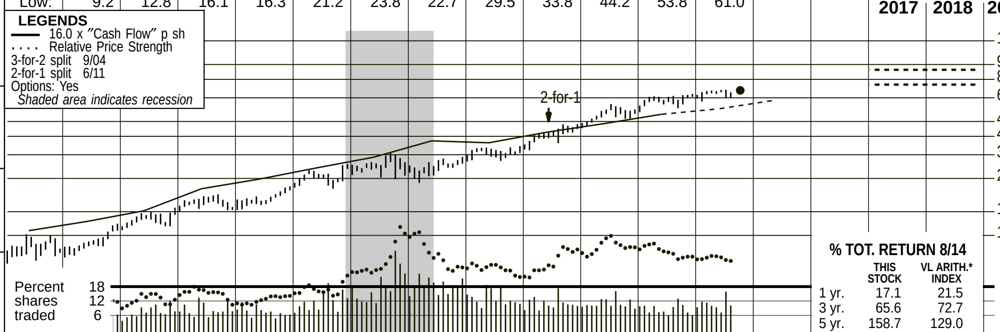
# CHURCH & DWIGHT NYSE-CHD

RECENT PRICE 70.04 | P/E RATIO 22.4 (Trailing: 25.0 Median: 19.0) | RELATIVE P/E RATIO 1.22 | DIV'D YLD 1.8% | VALUE LINE

**TIMELINESS** 3 Lowered 12/20/13
**SAFETY** 1 Raised 7/6/07
**TECHNICAL** 3 Lowered 8/9/13
**BETA** .65 (1.00 = Market)

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| High: | 13.8 | 16.8 | 19.8 | 21.8 | 28.6 | 32.8 | 31.2 | 35.5 | 46.4 | 59.3 | 67.0 | 70.7 |
| Low: | 9.2 | 12.8 | 16.1 | 16.3 | 21.2 | 23.8 | 22.7 | 29.5 | 33.8 | 44.2 | 53.8 | 61.0 |

**Target Price Range**
2017 | 2018 | 2019




**2017-19 PROJECTIONS**

| | Price | Gain | Ann'l Total Return |
|---|---|---|---|
| High | 90 | (+30%) | 8% |
| Low | 75 | (+5%) | 4% |

**Insider Decisions**

| | N | D | J | F | M | A | M | J | J |
|---|---|---|---|---|---|---|---|---|---|
| to Buy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 5 | 0 | 1 | 1 | 3 | 0 | 3 | 2 | 0 |
| to Sell | 5 | 0 | 0 | 1 | 3 | 0 | 3 | 2 | 0 |

**Institutional Decisions**

| | 4Q2013 | 1Q2014 | 2Q2014 |
|---|---|---|---|
| to Buy | 199 | 210 | 199 |
| to Sell | 236 | 232 | 234 |
| Hld's(000) | 111230 | 110989 | 107580 |

**% TOT. RETURN 8/14**

| | THIS STOCK | VL ARITH.* INDEX |
|---|---|---|
| 1 yr. | 17.1 | 21.5 |
| 3 yr. | 65.6 | 72.7 |
| 5 yr. | 158.7 | 129.0 |

| 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | © VALUE LINE PUB. LLC | 17-19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 5.91 | 6.26 | 6.91 | 9.20 | 8.75 | 8.64 | 11.57 | 13.74 | 14.88 | 16.76 | 17.28 | 17.87 | 18.18 | 19.32 | 21.05 | 22.99 | **24.15** | **25.15** | Sales per sh E | **30.75** |
| .41 | .53 | .61 | .70 | .80 | .89 | 1.01 | 1.32 | 1.49 | 1.70 | 1.94 | 2.37 | 2.32 | 2.63 | 2.92 | 3.27 | **3.60** | **3.95** | "Cash Flow" per sh | **5.00** |
| .26 | .34 | .43 | .44 | .54 | .62 | .69 | .92 | 1.04 | 1.23 | 1.43 | 1.74 | 1.98 | 2.22 | 2.45 | 2.79 | **3.00** | **3.35** | Earnings per sh A | **4.35** |
| .08 | .09 | .09 | .10 | .10 | .10 | .12 | .12 | .13 | .13 | .17 | .23 | .31 | .68 | .96 | 1.12 | **1.24** | **1.24** | Div'ds Decl'd per sh B■ | **1.36** |
| .23 | .28 | .19 | .29 | .32 | .26 | .28 | .30 | .36 | .37 | .70 | .96 | .45 | .54 | .54 | .48 | **.50** | **.75** | Cap'l Spending per sh | **1.00** |
| 1.68 | 1.95 | 2.04 | 2.40 | 2.90 | 3.58 | 4.43 | 5.51 | 6.61 | 8.15 | 9.50 | 11.35 | 13.14 | 14.34 | 14.85 | 16.55 | **15.80** | **17.60** | Book Value per sh C | **24.60** |
| 115.87 | 116.57 | 115.13 | 117.43 | 119.69 | 122.36 | 126.38 | 126.38 | 130.72 | 132.49 | 140.15 | 141.10 | 142.41 | 142.29 | 138.78 | 138.96 | **133.00** | **132.00** | Common Shs Outst'g D | **130.00** |
| 19.7 | 22.0 | 14.9 | 18.8 | 19.2 | 17.9 | 21.4 | 19.4 | 18.1 | 19.9 | 19.8 | 15.8 | 16.6 | 18.4 | 21.2 | 22.3 | *Bold figures are* | *Value Line* | Avg Ann'l P/E Ratio | **19.0** |
| 1.02 | 1.25 | .97 | .96 | 1.05 | 1.02 | 1.13 | 1.03 | .98 | 1.06 | 1.19 | 1.05 | 1.06 | 1.15 | 1.35 | 1.26 | *estimates* | | Relative P/E Ratio | **1.20** |
| 1.6% | 1.1% | 1.5% | 1.2% | 1.0% | .9% | .8% | .7% | .7% | .5% | .6% | .8% | .9% | 1.7% | 1.9% | 1.8% | | | Avg Ann'l Div'd Yield | **1.7%** |
| | | | | | | 1462.1 | 1736.5 | 1945.7 | 2220.9 | 2422.4 | 2520.9 | 2589.2 | 2749.3 | 2921.9 | 3194.3 | **3285** | **3420** | Sales ($mill) E | **4000** |
| | | | | | | 14.4% | 14.8% | 15.6% | 16.3% | 17.2% | 20.0% | 18.9% | 20.3% | 20.6% | 21.5% | **22.5%** | **23.5%** | Operating Margin | **25.0%** |
| | | | | | | 39.1 | 44.2 | 51.7 | 56.7 | 71.4 | 85.4 | 44.1 | 49.8 | 56.0 | 59.7 | **63.0** | **63.0** | Depreciation ($mill) E | **65.0** |
| | | | | | | 88.8 | 122.9 | 142.6 | 169.0 | 200.9 | 248.7 | 285.9 | 324.2 | 349.8 | 395.1 | **415** | **460** | Net Profit ($mill) | **585** |
| | | | | | | 30.3% | 29.8% | 33.1% | 36.2% | 36.0% | 37.4% | 34.1% | 36.3% | 35.5% | 34.0% | **35.0%** | **35.0%** | Income Tax Rate | **35.0%** |
| | | | | | | 6.1% | 7.1% | 7.3% | 7.6% | 8.3% | 9.9% | 11.0% | 11.8% | 12.0% | 12.4% | **12.6%** | **13.5%** | Net Profit Margin | **14.6%** |
| | | | | | | 136.3 | 84.7 | 111.7 | 277.6 | 278.0 | 361.3 | 202.4 | 371.6 | 208.2 | 464.6 | **200** | **300** | Working Cap'l ($mill) | **700** |
| | | | | | | 754.7 | 635.3 | 792.9 | 707.3 | 781.4 | 597.3 | 249.7 | 249.7 | 649.4 | 649.5 | **650** | **500** | Long-Term Debt ($mill) | **200** |
| | | | | | | 560.0 | 696.9 | 863.8 | 1080.3 | 1331.5 | 1601.8 | 1870.9 | 2040.8 | 2060.9 | 2299.9 | **2100** | **2325** | Shr. Equity ($mill) | **3200** |
| | | | | | | 8.2% | 10.0% | 9.4% | 11.1% | 10.6% | 11.9% | 14.1% | 14.3% | 13.2% | 13.8% | **15.5%** | **16.5%** | Return on Total Cap'l | **17.5%** |
| | | | | | | 15.9% | 17.6% | 16.5% | 15.6% | 15.1% | 15.5% | 15.3% | 15.9% | 17.0% | 17.2% | **20.0%** | **20.0%** | Return on Shr. Equity | **18.5%** |
| | | | | | | 13.4% | 15.4% | 14.6% | 13.8% | 13.4% | 13.5% | 12.9% | 11.1% | 10.4% | 10.4% | **12.0%** | **12.5%** | Retained to Com Eq | **13.0%** |
| | | | | | | 16% | 12% | 12% | 12% | 12% | 13% | 15% | 30% | 38% | 39% | **40%** | **36%** | All Div'ds to Net Prof | **30%** |

**CAPITAL STRUCTURE as of 6/30/14**
**Total Debt** $802.7 mill. **Due in 5 Yrs** $403.8 mill.
**LT Debt** $649.6 mill. **LT Interest** $22.0 mill.
(Total interest coverage: 22.6x) (22% of Cap'l)

**Leases, Uncapitalized** Annual rentals $20.9 mill.
**Pension Assets-12/13** $100.2 mill. **Oblig.** $100.6 mill.
**Pfd Stock** None
**Common Stock** 133,660,314 shares
**as of 7/29/14**

**MARKET CAP: $9.4 billion (Large Cap)**

| CURRENT POSITION ($MILL.) | 2012 | 2013 | 6/30/14 |
|---|---|---|---|
| Cash Assets | 343.0 | 496.9 | 196.9 |
| Receivables | 303.1 | 330.2 | 342.8 |
| Inventory (LIFO) | 242.2 | 250.5 | 271.0 |
| Other | 45.5 | 38.2 | 53.7 |
| Current Assets | 933.8 | 1115.8 | 864.4 |
| Accts Payable | 432.0 | 495.1 | 490.4 |
| Debt Due | 253.8 | 154.0 | 153.1 |
| Other | 39.8 | 2.1 | 1.9 |
| Current Liab. | 725.6 | 651.2 | 645.4 |

| ANNUAL RATES of change (per sh) | Past 10 Yrs. | Past 5 Yrs. | Est'd '11-'13 to '17-'19 |
|---|---|---|---|
| Sales | 9.0% | 5.5% | *6.0%* |
| "Cash Flow" | 14.0% | 11.5% | *8.5%* |
| Earnings | 16.5% | 15.0% | *9.5%* |
| Dividends | 25.0% | 45.0% | *6.5%* |
| Book Value | 18.0% | 13.5% | *10.5%* |

| Cal-endar | QUARTERLY SALES ($ mill.) E Mar.Per. | Jun.Per. | Sep.Per. | Dec.Per. | Full Year |
|---|---|---|---|---|---|
| 2011 | 642.3 | 674.9 | 701.0 | 731.1 | 2749.3 |
| 2012 | 690.6 | 696.4 | 725.2 | 809.7 | 2921.9 |
| 2013 | 779.3 | 787.6 | 804.8 | 822.6 | 3194.3 |
| 2014 | 782.0 | 808.3 | ***830*** | ***864.7*** | ***3285*** |
| 2015 | ***815*** | ***840*** | ***870*** | ***895*** | ***3420*** |

| Cal-endar | EARNINGS PER SHARE A Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2011 | .58 | .57 | .54 | .53 | 2.22 |
| 2012 | .66 | .56 | .66 | .57 | 2.45 |
| 2013 | .76 | .61 | .76 | .65 | 2.79 |
| 2014 | .73 | .65 | ***.81*** | ***.81*** | ***3.00*** |
| 2015 | ***.85*** | ***.75*** | ***.90*** | ***.85*** | ***3.35*** |

| Cal-endar | QUARTERLY DIVIDENDS PAID B■ Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|---|---|---|---|---|---|
| 2010 | .07 | .07 | .085 | .085 | .31 |
| 2011 | .17 | .17 | .17 | .17 | .68 |
| 2012 | .24 | .24 | .24 | .24 | .96 |
| 2013 | .28 | .28 | .28 | .28 | 1.12 |
| 2014 | .31 | .31 | | | |

**BUSINESS:** Church & Dwight Co., Inc. is the world's largest producer of sodium bicarbonate. Consumer products include *Arm & Hammer* baking soda, laundry detergent, carpet and room deodorizer, cat litter, toothpaste, deodorant, and *Brillo*. Personal care products include *Trojan* condoms and *First Response* pregnancy kits, among others. Specialty products include sodium bicarbonate & potassium carbonate for industrial cleaners, animal feed, pharmaceutical applications, & glass production. '13 depreciation rate: 5.7%. Has 4,200 empl. Officers & directors own 1.8% of comm.; Blackrock, 7.6% (4/14 proxy). Pres. & CEO: James Cragie. Inc.: DE. Addr.: 469 N. Harrison St., Princeton, NJ 08543. Telephone: 609-683-5900. Internet: www.churchdwight.com.

**Church & Dwight's (C&D) performance appears to be regaining earlier form.** Following a tough start in 2014, the June quarter ended more favorably. Although sales growth remained modest, share earnings came in higher than we expected at $0.65, three pennies ahead of our call and $0.04 above a year ago. We believe the spending frenzy to promote new brands ought to continue to drive volumes, though it may be at the expense of temporarily delayed margin growth. Nonetheless, the company's net profits are poised to pick up steam in the second half of the year, with the bulk of the advance likely generated during the fourth quarter.

**Intense competition aside, C&D should benefit from market share gains over the next several quarters.** In spite of notable headwinds, including pricing pressure and challenging category growth, promotional efforts have paid off, as megabrands *OxiClean*, *Avid*, and *Trojan* have enjoyed better market penetration. The ability of these brands to pick up share in the personal care and household products categories indicates that once economic conditions gain steam, C&D ought to benefit substantially. Too, the company will probably reduce its slotting fee expense, as product launches will probably scale back a bit upon completion of its current round of rollouts. Moreover, a rebound in the vitamin category is expected, as the recent slowdown should be shortlived. These factors will likely help support share-net growth into 2015.

**The long-term strategy here ought to bear fruit.** C&D has a three-year rolling plan to hoist earnings, which includes new products, gross-margin improvement projects, enhanced operational efficiency, and share repurchases. We look for better showings from specialty products to provide some upside. Moreover, diversifying the product portfolio has historically proven successful in shoring up demand. In addition, further acquisitions will probably aid growth potential, as C&D's strategy has proven beneficial in the past.

**On the downside, the stock offers limited potential for capital gains out to 2017–2019.** The P/E multiple remains above historical levels. Investors should hold off for a more suitable entry point.

*Simon R. Shoucair* *September 26, 2014*

**(A)** Diluted earnings. Excl. nonrecur. gns.: '99, 8¢; '02, 5¢; '03, 6¢; losses: '98, 2¢; '00, 39¢; '01, 17¢; '02, 7¢; '08, 8¢; '09, 7¢; '10, (21¢); '11, (10¢). Egs. may not sum due to rounding. Incl. acquisition related charges: '04, 30¢. Next egs. rpt. due early Nov. **(B)** Div'd. are hist. paid in Mar., June, Sep., and Dec. ■ Dividend reinvestment plan available. **(C)** Incl. intang. In '13: $2426.5 mill., $17.46/sh. **(D)** In millions, adjusted for stock splits. **(E)** Sales from 2002 onward reflect accounting policies EITF 00-14 and EITF 00-25. Excl. amort. after 2009.

| | |
|---|---|
| **Company's Financial Strength** | A+ |
| **Stock's Price Stability** | 100 |
| **Price Growth Persistence** | 80 |
| **Earnings Predictability** | 100 |