Clorox Company (CLX)

Updated February 7th, 2025, by Josh Arnold

Key Metrics

Current Price:	$148	**5 Year CAGR Estimate:**	9.1%	**Market Cap:**	$18 B
Fair Value Price:	$166	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	04/23/25[1]
% Fair Value:	89%	**5 Year Valuation Multiple Estimate:**	2.3%	**Dividend Payment Date:**	05/07/25
Dividend Yield:	3.3%	**5 Year Price Target**	$201	**Years Of Dividend Growth:**	47
Dividend Risk Score:	B	**Retirement Suitability Score:**	B	**Rating:**	Hold

Overview & Current Events

Clorox is a manufacturer and marketer of consumer and professional products, spanning a wide array of categories from charcoal to cleaning supplies to salad dressing. The company was founded in 1913 and trades with a market capitalization of $18 billion. More than 80% of its revenue comes from products that are #1 or #2 in their categories across the globe, helping Clorox produce more than $7 billion in annual revenue. The company also boasts an outstanding dividend increase streak of 47 consecutive years.

Clorox posted fourth quarter and full-year earnings on February 3rd, 2025, and results were better than expected on both the top and bottom lines. Adjusted earnings-per-share came to $1.55, which was 15 cents ahead of expectations. Revenue was off 15% year-over-year to $1.69 billion, but did at least beat estimates by $60 million.

Gross margin was up 30 basis points to 43.8% of revenue from the year-ago quarter. This was primarily driven by cost savings and the benefits from the divestitures of the VMS and Argentina businesses. This was partially offset by lower cost absorption and higher manufacturing, logistics, and commodities costs.

The company expects sales for this fiscal year (which has two quarters remaining) to be between -1% and +2%. Organic sales are expected to be up 4% to 7%, excluding about 2% of negative impact from the Argentina business divestiture, and a further 3% from the VMS divestiture. Guidance also excludes any potential impact from tariffs.

Gross margin is expected to rise 125 to 150 basis points, primarily due to margin management efforts, offset by cost inflation and promotional spending.

Based upon this, we've boosted our estimate of earnings-per-share to $7.20, which would be a strong increase from 2024 earnings, if achieved.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$4.59	$4.92	$5.33	$6.26	$6.32	$7.36	$7.25	$4.10	$5.78	$6.17	***$7.20***	***$8.76***
DPS	$2.99	$3.11	$3.24	$3.36	$3.84	$4.24	$4.44	$4.64	$4.74	$4.80	***$4.88***	***$5.94***
Shares[2]	129	129	129	128	128	128	127	123	124	124	***124***	***124***

Earnings-per-share had grown steadily throughout the past decade as Clorox had grown both organically as well as through acquisitions. However, earnings declined sharply in 2022, before rebounding in 2023. In recent years, Clorox has been focused on cost savings and efficiencies that have afforded it more robust earnings growth via margin expansion. However, second half 2021 margins were well off the mark, as were all reported quarters for fiscal 2022 margins, weakening throughout the year. In addition, lower revenue makes margin expansion more difficult due to lack of operating leverage. While sales were growing at a rapid rate during the pandemic, that isn't sustainable, and we feel similarly with margins. We note margins began to turn higher in early-2023, and ended the year on an extremely high note, continuing that strength throughout 2024.

[1] Estimated date
[2] Share count in millions
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We see Clorox producing 4% earnings-per-share growth annually in the coming years as conditions normalize, and as the base of earnings continues to normalize after a terrible 2022/2023. Clorox continues to buy small amounts of growth while focusing on cost savings and reducing the float. Margins finished last year very strongly, with pricing increases and cost savings combining to boost profitability. We note continued strength in organic sales as a key driver of earnings.

We expect Clorox to raise its dividend from the current $4.88, to somewhere around $5.94 per share by fiscal 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	22.3	25.1	24.0	22.3	24.0	23.5	27.7	39.1	27.5	22.1	***20.6***	***23.0***
Avg. Yld.	2.9%	2.5%	2.5%	2.4%	2.5%	2.5%	2.2%	2.9%	3.0%	3.5%	***3.3%***	***2.9%***

Clorox has experienced a sizable increase in its valuation in the years since 2012 as its price-to-earnings multiple has nearly doubled. We see fair value at 23 times earnings and shares now trade for 20.6 times this year's earnings estimate given current earnings estimates for 2025. We think the valuation could be a tailwind for shareholders in the coming years as a result. We see the yield potentially declining from the elevated 3.3% where it sits today to something under 3%, the result of rising earnings and a rising valuation.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	64%	61%	59%	54%	61%	58%	61%	88%	82%	78%	***68%***	***68%***

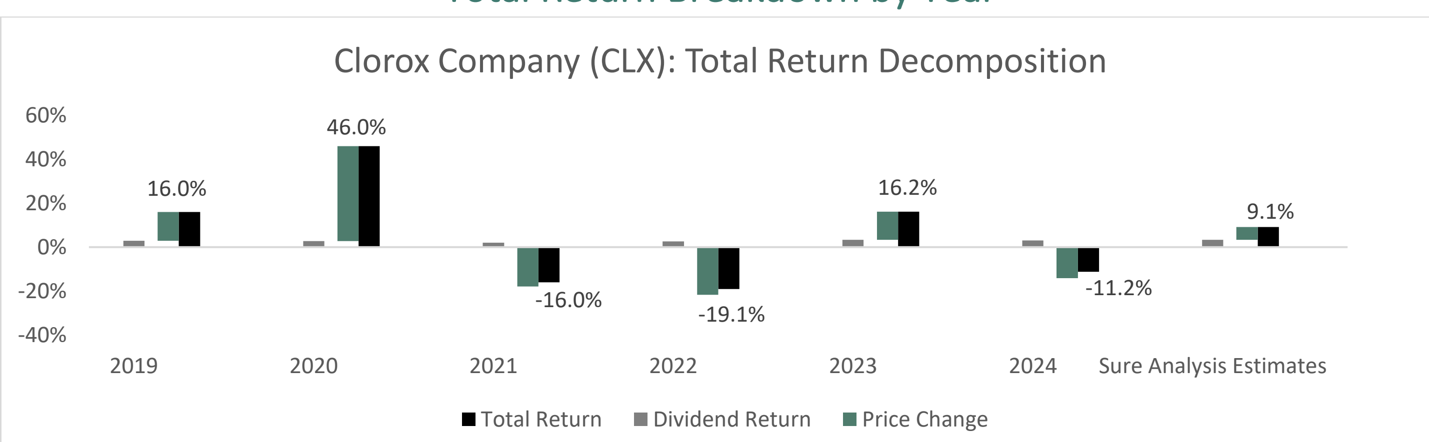
Clorox's payout ratio is 68% today, however, that is because of the guidance given for this year. The company's usually highly stable earnings base generally makes for a safe payout. Even during a recession, shareholders can count on Clorox maintaining (and likely slightly increasing) its dividend payment. We think Clorox can continue to raise its dividend for the foreseeable future, despite its elevated payout ratio.

Clorox's competitive advantages include its broad array of products, as well as the fact that it largely makes staples that people buy irrespective of economic conditions. This affords Clorox strong recession resistance as it actually increased its earnings markedly during and after the Great Recession. Clorox is a pure-play defensive stock in that regard. Pantry stocking has passed, but during a normal recession, Clorox still delivers.

Final Thoughts & Recommendation

Overall, we are expecting five-year total returns of 9.1% annually, comprised of the 3.3% yield, 4% earnings growth and a 2.3% tailwind from the valuation. The stock is undervalued in our view, but it performs well during recessions and sports a nice yield. Given 9.1% total expected returns, however, we're moving it from buy to hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	5,655	5,761	5,973	6,124	6,214	6,721	7,341	7,107	7,389	7,093
Gross Profit	2,465	2,598	2,671	2,675	2,728	3,063	3,199	2,545	2,908	3,048
Gross Margin	43.6%	45.1%	44.7%	43.7%	43.9%	45.6%	43.6%	35.8%	39.4%	43.0%
SG&A Exp.	1,321	1,393	1,409	1,407	1,468	1,644	1,794	1,663	1,917	1,999
D&A Exp.	169	165	163	166	180	180	211	224	236	235
Operating Profit	1,000	1,056	1,117	1,125	1,107	1,274	1,256	719	823	894
Operating Margin	17.7%	18.3%	18.7%	18.4%	17.8%	19.0%	17.1%	10.1%	11.1%	12.6%
Net Profit	580	648	701	823	820	939	710	462	149	280
Net Margin	10.3%	11.2%	11.7%	13.4%	13.2%	14.0%	9.7%	6.5%	2.0%	3.9%
Free Cash Flow	749	606	634	782	786	1,292	945	535	930	483
Income Tax	315	335	330	231	204	246	181	136	77	106

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4,164	4,510	4,573	5,060	5,116	6,213	6,334	6,158	5,945	5,751
Cash & Equivalents	382	401	418	131	111	871	319	183	367	202
Inventories	519	569	565	600	631	648	752	755	696	637
Goodwill & Int. Ass.	385	443	459	506	512	454	2,493	2,442	1,964	1,909
Total Liabilities	1,652	1,932	1,918	2,531	2,503	2,471	5,742	5,429	5,557	5,259
Accounts Payable	4,046	4,213	4,031	4,334	4,557	5,305	930	960	1,021	950
Long-Term Debt	431	490	501	507	507	1,329	2,784	2,711	2,527	2,485
Shareholder's Equity	2,191	2,312	2,195	2,483	2,683	2,780	411	556	220	328
D/E Ratio	118	297	542	726	559	908	6.8	4.9	11.49	7.58

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	13.8%	14.9%	15.4%	17.1%	16.1%	16.6%	11.3%	7.4%	2.5%	4.8%
Return on Equity	427%	312%	167%	130%	128%	128%	108%	95.6%	38.4%	63.6%
ROIC	24.3%	26.4%	26.2%	27.7%	25.4%	27.1%	20.1%	13.6%	4.7%	9.5%
Shares Out.	129	129	129	128	128	128	127	124	124	125
Revenue/Share	42.59	43.74	45.40	46.54	47.88	52.64	57.67	57.36	59.50	56.83
FCF/Share	5.64	4.60	4.82	5.94	6.06	10.12	7.42	4.32	7.49	3.87

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.