



Clorox Company (CLX)

Updated May 10th, 2025, by Josh Arnold

Key Metrics

Current Price:	\$135	5 Year CAGR Estimate:	9.7%	Market Cap:	\$17 B
Fair Value Price:	\$162	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	07/23/25 ¹
% Fair Value:	83%	5 Year Valuation Multiple Estimate:	3.7%	Dividend Payment Date:	08/07/25
Dividend Yield:	3.6%	5 Year Price Target	\$188	Years Of Dividend Growth:	47
Dividend Risk Score:	B	Sector:	Consumer Staples	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 \$17 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 third quarter earnings on May 5th, 2025, and results were meaningfully worse than expected. Adjusted earnings-per-share came to \$1.45, which was 11 cents worse than expected. Revenue was off 7.7% year-over-year to \$1.67 billion, and missed lowered expectations by \$50 million. Net sales fell primarily from divestitures of the VMS and Argentina businesses. Organic sales were off 2%, primarily from unfavorable price mix. Organic volume was flat, which was due to lower consumption across most of its businesses.

Gross margin was up 240 basis points to 44.6% of revenue, year-over-year. The gain was due to cost savings and divestitures of low-margin product lines, primarily.

Adjusted earnings declined 15% year-over-year from \$1.71 a year earlier. Earnings fell primarily from lower sales, partially offset by better margins. Year-to-date net cash from operations was \$687 million, up sharply from \$355 million a year ago.

We've slashed earnings to \$7.05 per share for this year on an adjusted basis, as weak sales and the uncertainty of tariffs weigh on Clorox' results.

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	\$7.05	\$8.17
DPS	\$2.99	\$3.11	\$3.24	\$3.36	\$3.84	\$4.24	\$4.44	\$4.64	\$4.74	\$4.80	\$4.88	\$5.66
Shares²	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. 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 into this year so far.

We see Clorox producing 3% 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.

¹ Estimated date

² Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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We expect Clorox to raise its dividend from the current \$4.88, to somewhere around \$5.66 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	19.1	23.0
Avg. Yld.	2.9%	2.5%	2.5%	2.4%	2.5%	2.5%	2.2%	2.9%	3.0%	3.5%	3.6%	3.0%

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 19.1 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 3.6% where it sits today to something around 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%	69%	69%

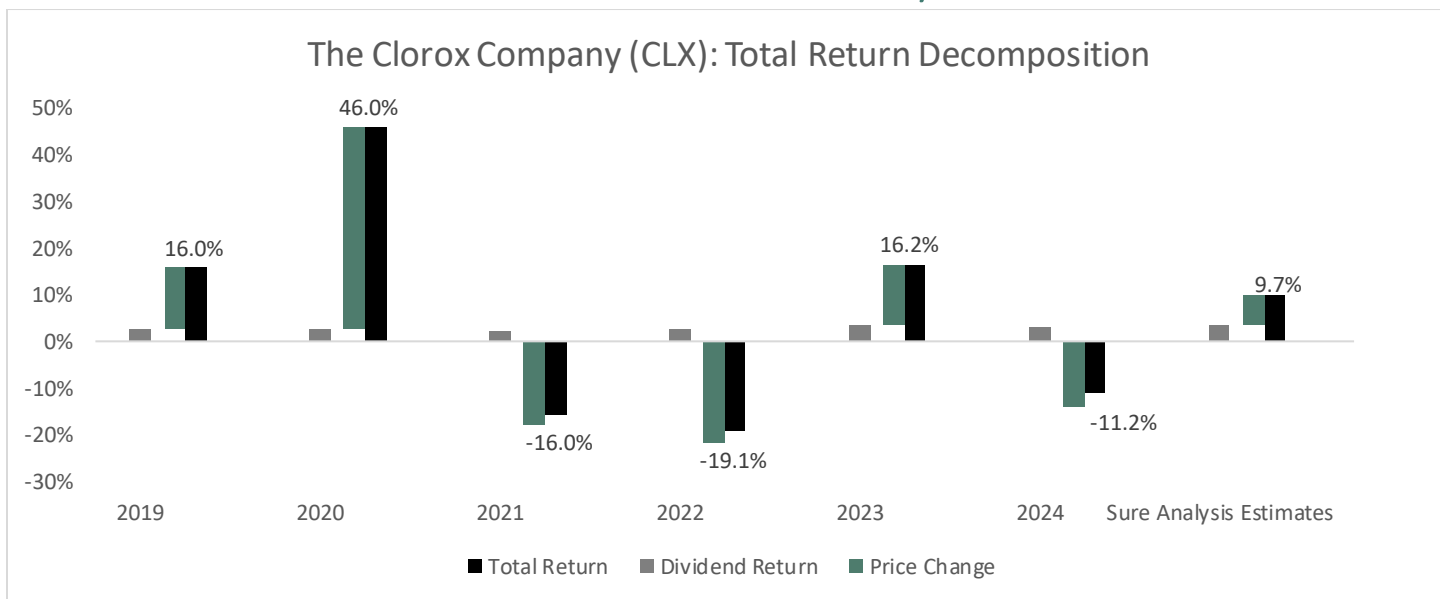
Clorox's payout ratio is 69% today, however, that is because of the guidance given for this year. The company's usually highly stable earnings base generally makes for a safe payout. Even during a recession, shareholders can count on Clorox maintaining (and likely slightly increasing) its dividend payment. 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 9.7% annually, comprised of the 3.6% yield, 3% earnings growth and a 3.7% tailwind from the valuation. The stock is undervalued in our view, and it performs well during recessions and sports a nice yield. Given 9.7% total expected returns, we're reiterating the stock at a hold rating.

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.

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