



# Clorox Company (CLX)

Updated August 1<sup>st</sup>, 2025, by Josh Arnold

## Key Metrics

<b>Current Price:</b>	\$126	<b>5 Year CAGR Estimate:</b>	11.5%	<b>Market Cap:</b>	\$15.5 B
<b>Fair Value Price:</b>	\$135	<b>5 Year Growth Estimate:</b>	7.0%	<b>Ex-Dividend Date:</b>	10/23/25 <sup>1</sup>
<b>% Fair Value:</b>	93%	<b>5 Year Valuation Multiple Estimate:</b>	1.5%	<b>Dividend Payment Date:</b>	11/07/25
<b>Dividend Yield:</b>	3.9%	<b>5 Year Price Target</b>	\$190	<b>Years Of Dividend Growth:</b>	48
<b>Dividend Risk Score:</b>	C	<b>Sector:</b>	Consumer Staples	<b>Rating:</b>	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 \$15.5 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 48 consecutive years.

Clorox posted fourth quarter and full-year earnings on July 31<sup>st</sup>, 2025, and results were quite good for the fourth quarter. Adjusted earnings-per-share came to \$2.87, which was 66 cents ahead of estimates. Revenue was up 5.3% year-over-year to \$2 billion, and beat estimates by \$70 million.

The company noted it received a temporary benefit from retailer inventory build ahead of a shipping transition, as well as its divestiture of Better Health Vitamins. The management team noted it's been transitioning to a more efficient inventory management system, which prompted retailers to front-run orders before the switch. As a result, Q2 results are not fully representative.

The management team also noted "continued rapidly shifting consumer behaviors and broader market volatility" as the outlook for fiscal 2026 looks murky to say the least.

Sales are expected to be down 6% to 10% for fiscal 2026, while organic sales are expected to decline between 5% and 9%, including a 7% to 8% negative impact from the front-running by retailers. Gross margins are expected to be worse as well, so we've set our estimate at \$6.45 in adjusted earnings-per-share for 2026.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>EPS</b>	\$4.92	\$5.33	\$6.26	\$6.32	\$7.36	\$7.25	\$4.10	\$5.78	\$6.17	\$7.72	<b>\$6.45</b>	<b>\$9.05</b>
<b>DPS</b>	\$3.11	\$3.24	\$3.36	\$3.84	\$4.24	\$4.44	\$4.64	\$4.74	\$4.80	\$4.88	<b>\$4.96</b>	<b>\$5.75</b>
<b>Shares<sup>2</sup></b>	129	129	128	128	128	127	123	124	124	123	<b>123</b>	<b>121</b>

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. With weak sales and margins drifting lower, we are not overly optimistic on Clorox today.

We see Clorox producing 7% earnings-per-share growth annually in the coming years as conditions normalize under the assumption that 2026 is likely to be a trough for earnings. 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.

<sup>1</sup> Estimated date

<sup>2</sup> 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 \$4.96, to somewhere around \$5.75 per share by fiscal 2031.

## Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	25.1	24.0	22.3	24.0	23.5	27.7	39.1	27.5	22.1	15.5	19.5	21.0
Avg. Yld.	2.5%	2.5%	2.4%	2.5%	2.5%	2.2%	2.9%	3.0%	3.5%	4.1%	3.9%	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 21 times earnings and shares now trade for 19.5 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 3.9% where it sits today to something around 3%, the result of rising earnings and a rising valuation.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	61%	59%	54%	61%	58%	61%	88%	82%	78%	63%	77%	64%

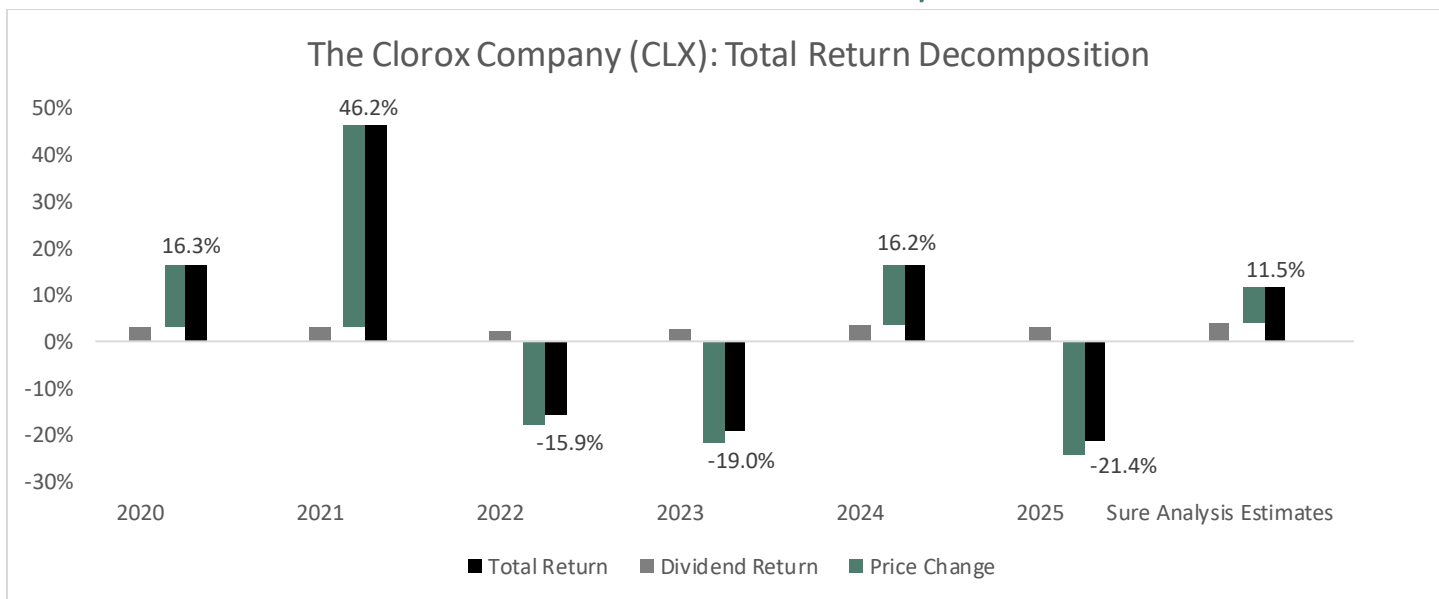
Clorox's payout ratio is 77% today, however, that is because of the guidance given for this year. The company's usually highly stable earnings base generally makes for a safe payout. Even during a recession, shareholders can count on Clorox maintaining (and likely slightly increasing) its dividend payment. 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 11.5% annually, comprised of the 3.9% yield, 7% earnings growth and a 1.5% tailwind from the valuation. The stock is slightly undervalued in our view, and it performs well during recessions and sports a nice yield. Given 11.5% 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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