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- Protects Metal
- Loosens Rusted Parts
- Frees Sticky Mechanisms

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SURE. HARMFUL OR FATAL IF SWALLOWED

KEEP OUT OF REACH OF CHILDREN.

SEE OTHER CAUTIONS ON BACK.

**NET WEIGHT 9 OZ.**

## Highlights of the Three Years Ended August 31

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	1992	1991	1990
Net Sales .....	\$99,964,000	\$89,833,000	\$90,990,000
Net Income .....	\$18,073,000	\$15,306,000	\$15,490,000
Earnings Per Share .....	\$2.38	\$2.02	\$2.05
Dividends Per Share .....	\$2.16	\$1.72	\$2.02
Average Number of Shares Outstanding .....	7,594,243	7,555,948	7,554,154
Shares Outstanding at year-end .....	7,647,892	7,556,508	7,554,508
Number of Shareholders .....	2,399	2,440	2,538
Number of Employees .....	136	134	136

### Highlights of Fiscal 1992:

- Current Ratio: 5.1 to 1
  - Debt: None
  - Net Sales per Employee: \$735,000
  - Receivables to Net Sales: 15.7%
  - Inventories to Net Sales: 4.7%
  - Net Income to Average Net Worth: 42.1%
-

## Letter to the Shareholders

October 15, 1992

To Our Shareholders:

Your Company set records for both sales and earnings for fiscal year 1992, notwithstanding a bleak economy in most parts of the world. Sales rose 11.3% to \$99,964,000, and net income increased 18.1% to \$18,073,000. Earnings per share grew 17.8% to \$2.38 versus \$2.02 in 1991. Cash dividends were \$2.16 per share compared to \$1.72, a gain of over 25%. On the cost side, the soft economy did produce some price reductions on raw material and components, which brought our cost of product sold down to 42.2% versus 44.3% last year. Expense control of selling, general and administrative and advertising also helped to bring the bottom line in at 18.1% of net sales. Our personnel overcame the depressed economies and sluggish markets by professionally implementing creative marketing programs and relentlessly pursuing cost improvements.

The U.S. parent Company sales were up 12.4%, registering an all time high. Our direct sales force continues to stay on top of the changing market place and this year's performance is certainly "Proof of the Pudding" of this method of taking WD-40 to market. Export sales to Latin America and the Pacific Rim expanded almost 22%. Operating income was up 28.7% from last year.

The UK subsidiary continued to produce record sales gains in spite of their recessionary economy. The subsidiary in total was up 16.5% with sales increasing as much as 50% in Prime Europe and 35% in the Middle East. Operating income inched up by only 2.4% because of our investment in people and marketing to achieve our goal of making WD-40 the brand leader in Europe.

The combined sales of our Australian and Canadian subsidiaries were down 5.2% and operating income was down 66%. Poor economic conditions continued to plague both countries during fiscal year 1992.

We continue to expand our international field personnel. There are now three sales personnel in France, two in Germany, one in Spain, with two additional hirings planned for early fiscal year 1993. A sales manager was added in Hong Kong to accelerate expansion into China, and an International Director came aboard to aggressively pursue sales growth in Latin America.

During fiscal year 1992 our global sales ratio was two-thirds domestic and one-third international. It is our goal to eventually bring this ratio up to fifty-fifty, therefore the international arena does represent a major challenge with significant rewards.

At the September 1992 Board meeting, John S. Barry stepped down as Chief Executive Officer but remains Chairman of the Board. Gerald C. Schleif was named Chief Executive Officer.

We look forward to fiscal year 1993 with conservative optimism and expect to report another year of record sales and earnings.

Sincerely,



John S. Barry  
Chairman  
of the Board



Gerald C. Schleif  
President,  
Chief Executive Officer  
and Treasurer

### Corporate Objectives

Management is dedicated to the objectives of increasing corporate earnings and dividends by winning the end-users' brand loyalty for your Company's only product, WD-40. The Company would consider adding another product if it is determined that the Company can make a decisive contribution to that product's growth in the area of marketing-distribution. The product would, of course, have to have an attractive profit potential.

### The Product

WD-40 is the cornerstone of your Company. It is a chemical-petroleum based maintenance product consumed by end-users in homes, factories, garages, farms and offices throughout the world. The well-established growth pattern of the demand for WD-40 attests to customer satisfaction with its performance.

WD-40 is typically procured for a specific application and, because of its unusual versatility, finds its way into many other uses. This broad range of uses provides your single-product Company with surprising diversification from a marketing point-of-view; it has little dependency on any one or even any group of end-users.

### Markets

Because of the wide range of uses of WD-40 by diverse groups of end-users there are a multitude of markets for the product that must be accessed by many trade channels, including automotive, hardware, drug, grocery, industrial and farm. WD-40 is a horizontal product cutting across numerous trade channels. This same pattern holds true in foreign markets.

While domestic sales currently account for approximately two-thirds of total sales, foreign sales are expected to capture a larger share of the total because of their less developed markets.

### Competition

Over the years the high visibility of our success in the United States has spawned envy and lured literally hundreds of imitators into the marketplace. WD-40's strong brand loyalty with the end-user has resulted in our withstanding these attempted intrusions even when launched by billion-dollar companies.

In a retail arena the true competition is every product that is competing for shelf space be it anti-freeze, light bulbs or razor blades. To survive and grow our promotional programs must be attractive enough to the trade to win retail display space to capitalize on the impulse nature of WD-40.

### Operational Overview

While your Company is technically a manufacturer, it is really a marketer. Such being the case, it is organized to focus intensive management attention on the critical success areas of: (1) sales policies, (2) marketing plan formulation, and (3) implementation of marketing plans. Other vital functions handled internally are order handling, credit, WD-40 concentrate formulation, and quality control.

WD-40 concentrate for North America is formulated in San Diego and shipped by railcar or tank wagon to contract packagers in Los Angeles, Texas, Georgia, Massachusetts, Wisconsin, and Toronto, Canada. These independent subcontractors package WD-40 to rigid specifications and, upon order from your Company, ship ready-to-sell WD-40 to our customers in their respective areas via common carrier. The packagers have no responsibility for marketing WD-40.

The San Diego facility also oversees providing distributors and licensees in Mexico, the Caribbean, Central America, South America, the Pacific Rim and Southeast Asia with finished product or concentrate.

Europe, the Middle East and Africa are served from our European headquarters located in Milton Keynes, England. WD-40 concentrate is formulated there and converted to ready-to-sell WD-40 by three English contract packagers. The language and labeling standards of each of the many countries served by this operation has resulted in the production of over a dozen different WD-40 labels.

Our Australian subsidiary is responsible for marketing WD-40 in Australia, New Zealand, Southeast Asia and the Far East. Sales outside of Australia are recorded by the parent Company.



## Report of Independent Accountants



October 2, 1992

To the Board of Directors and Shareholders  
of WD-40 Company

In our opinion, the accompanying consolidated statement of income, consolidated balance sheets and the related consolidated statements of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of WD-40 Company and its subsidiaries at August 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 1992, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 6 to the consolidated financial statements, the Company was a defendant in a lawsuit seeking damages for an alleged breach of contract. On January 23, 1992, damages for breach of contract were awarded by a jury in the aggregate amount of \$10,291,000. The Company is pursuing appellate remedies in the California Court of Appeal. The ultimate outcome of the litigation cannot be determined at present. No provision for any liability that may result upon the final adjudication has been made in the accompanying financial statements.

*Pricewaterhouse*  
San Diego, California

### WD-40 Company Consolidated Statement of Income

	Year ended August 31		
	1992	1991	1990
Net sales .....	\$ 99,964,000	\$89,833,000	\$90,990,000
Interest and other income .....	1,263,000	1,406,000	1,910,000
	<u>101,227,000</u>	<u>91,239,000</u>	<u>92,900,000</u>
Cost and expenses:			
Cost of product sold .....	42,217,000	39,828,000	40,446,000
Selling, general and administrative .....	20,472,000	17,308,000	17,058,000
Advertising and sales promotion .....	9,065,000	8,997,000	10,216,000
	<u>71,754,000</u>	<u>66,133,000</u>	<u>67,720,000</u>
Income before income taxes .....	29,473,000	25,106,000	25,180,000
Provision for income taxes .....	11,400,000	9,800,000	9,690,000
Net income .....	<u>\$ 18,073,000</u>	<u>\$15,306,000</u>	<u>\$15,490,000</u>
Earnings per share .....	<u>\$2.38</u>	<u>\$2.02</u>	<u>\$2.05</u>
Average number of shares outstanding .....	<u>7,594,243</u>	<u>7,555,948</u>	<u>7,554,154</u>

See accompanying notes to consolidated financial statements.

## WD-40 Company Consolidated Balance Sheet

	August 31	
	1992	1991
<b>Assets</b>		
Current assets:		
Cash, including cash equivalents of \$3,500,000 in 1991 .....	\$ 7,093,000	\$ 9,185,000
Short-term investments .....	11,976,000	15,699,000
Accounts receivable, less allowance for cash discounts and doubtful accounts of \$543,000 and \$376,000 .....	15,691,000	13,330,000
Inventories:		
Finished goods .....	4,356,000	3,917,000
Raw materials .....	373,000	381,000
	<u>4,729,000</u>	<u>4,298,000</u>
Prepaid expenses .....	1,882,000	1,401,000
Total current assets .....	<u>41,371,000</u>	<u>43,913,000</u>
Property, plant and equipment at cost:		
Land .....	254,000	254,000
Buildings and improvements .....	1,573,000	1,561,000
Machinery and equipment .....	3,353,000	3,107,000
	<u>5,180,000</u>	<u>4,922,000</u>
Less accumulated depreciation .....	<u>(2,290,000)</u>	<u>(1,917,000)</u>
	<u>2,890,000</u>	<u>3,005,000</u>
Other assets .....	990,000	834,000
Investment with bonding agency (Note 6) .....	8,274,000	
	<u>\$53,525,000</u>	<u>\$47,752,000</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities .....	\$ 4,274,000	\$ 3,812,000
Accrued payroll and related expenses .....	2,559,000	1,812,000
Income taxes payable .....	1,359,000	1,302,000
Total current liabilities .....	<u>8,192,000</u>	<u>6,926,000</u>
Deferred income taxes .....	<u>122,000</u>	<u>137,000</u>
Commitments and contingencies (Note 6)		
Shareholders' equity:		
Common stock, no par value, 9,000,000 shares authorized – shares issued and outstanding of 7,647,892 and 7,556,508 .....	4,616,000	2,633,000
Paid-in capital .....	221,000	121,000
Retained earnings .....	39,719,000	38,049,000
Cumulative foreign currency translation adjustment .....	655,000	(114,000)
Total shareholders' equity .....	<u>45,211,000</u>	<u>40,689,000</u>
	<u>\$53,525,000</u>	<u>\$47,752,000</u>

See accompanying notes to consolidated financial statements.

**WD-40 Company Consolidated Statement of Shareholders' Equity**

	Common Stock		Paid-in	Retained	Cumulative
	Shares	Amount	Capital	Earnings	Translation Adjustment
Balance at August 31, 1989	7,554,008	\$2,584,000	\$121,000	\$35,508,000	(\$392,000)
Issuance of common stock upon exercise of options .....	500	10,000			
Cash dividends .....				(15,259,000)	
Change in cumulative foreign currency translation adjustment .....					889,000
Net income .....				15,490,000	
Balance at August 31, 1990	7,554,508	\$2,594,000	\$121,000	\$35,739,000	\$ 497,000
Issuance of common stock upon exercise of options .....	2,000	39,000			
Cash dividends .....				(12,996,000)	
Change in cumulative foreign currency translation adjustment .....					(611,000)
Net income .....				15,306,000	
Balance at August 31, 1991	7,556,508	\$2,633,000	\$121,000	\$38,049,000	(\$114,000)
Issuance of common stock upon exercise of options .....	91,384	1,983,000	100,000		
Cash dividends .....				(16,403,000)	
Change in cumulative foreign currency translation adjustment .....					769,000
Net income .....				18,073,000	
Balance at August 31, 1992 .....	<u>7,647,892</u>	<u>\$4,616,000</u>	<u>\$221,000</u>	<u>\$39,719,000</u>	<u>\$ 655,000</u>

See accompanying notes to consolidated financial statements.

**WD-40 Company Consolidated Statement of Cash Flows**

	Year ended August 31		
	1992	1991	1990
Cash flows from operating activities:			
Net income .....	\$18,073,000	\$15,306,000	\$15,490,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation .....	551,000	472,000	485,000
Loss on sale of equipment .....	72,000	214,000	4,000
(Increase) decrease in accounts receivable .....	(1,994,000)	2,768,000	(1,469,000)
Increase in inventories .....	(229,000)	(798,000)	(339,000)
(Increase) decrease in prepaid expenses .....	(462,000)	75,000	(276,000)
Increase in other assets .....	(156,000)	(165,000)	(137,000)
Increase in accounts payable and accrued expenses .....	1,010,000	211,000	1,019,000
Decrease in income taxes payable .....	(21,000)	(657,000)	(279,000)
(Decrease) increase in long-term deferred income taxes .....	(37,000)	(44,000)	41,000
Net cash provided by operating activities .....	<u>16,807,000</u>	<u>17,382,000</u>	<u>14,539,000</u>
Cash flows from investing activities:			
Decrease (increase) in short-term investments .....	3,631,000	(15,699,000)	
Purchase of restricted note .....	(8,274,000)		
Proceeds from sale of equipment .....	206,000	279,000	108,000
Capital expenditures .....	(678,000)	(1,078,000)	(446,000)
Net cash used in investing activities .....	<u>(5,115,000)</u>	<u>(16,498,000)</u>	<u>(338,000)</u>
Cash flows from financing activities:			
Proceeds from issuance of common stock .....	2,083,000	39,000	10,000
Dividends paid .....	(16,403,000)	(12,996,000)	(15,259,000)
Net cash used by financing activities .....	<u>(14,320,000)</u>	<u>(12,957,000)</u>	<u>(15,249,000)</u>
Effect of exchange rate changes on cash .....	536,000	(361,000)	264,000
Decrease in cash and cash equivalents .....	(2,092,000)	(12,434,000)	(784,000)
Cash and cash equivalents at beginning of year .....	9,185,000	21,619,000	22,403,000
Cash and cash equivalents at end of year .....	<u>\$ 7,093,000</u>	<u>\$ 9,185,000</u>	<u>\$21,619,000</u>

See accompanying notes to consolidated financial statements.



### **Note 1 – Summary of Accounting Policies:**

#### *Principles of Consolidation*

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, WD-40 Company Ltd. (U.K.), WD-40 Products (Canada) Ltd. and WD-40 Company (Australia) Pty. Ltd. All significant intercompany transactions and balances have been eliminated.

#### *Inventories*

Inventories are stated at the lower of average cost or market.

#### *Depreciation*

Depreciation has been computed using straight-line and accelerated methods, based upon estimated useful lives of thirty to forty years for buildings and improvements and three to fifteen years for machinery and equipment.

#### *Foreign Currency Translation*

The accounts of the Company's foreign subsidiaries have been translated into United States dollars at appropriate rates of exchange. Cumulative translation gains or losses are recorded as a separate component of shareholders' equity. Gains or losses resulting from foreign currency transactions (transactions denominated in a currency other than the entity's local currency) are included in the consolidated statement of income and are not material.

#### *Earnings Per Share*

Earnings per share are based upon the weighted average number of shares outstanding during each year increased by the effect of dilutive stock options, when applicable, using the treasury stock method.

#### *Income Taxes*

Current income tax expense is the amount of income taxes expected to be payable for the current year. Deferred income tax expense is the amount of net change during the year in the deferred income tax liability or asset. The deferred income tax liability or asset reflects the expected future tax consequences resulting from differences in the financial reporting and tax bases of assets and liabilities.

#### *Cash and Cash Equivalents*

Cash equivalents are highly liquid investments purchased with an original maturity of three months or less.

#### *Short-term Investments*

Short-term investments are valued at cost which approximates fair market value.

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**Note 2 — Business Segment and Foreign Operations:**

The Company operates in one business segment — the manufacture and sale of a multi-purpose lubricant principally through retail chain stores, automotive parts outlets and industrial distributors and suppliers.

Information regarding the Company's operations in different geographic areas is summarized below. WD-40 Company (U.S.) includes all domestic and intercompany sales, as well as sales to the Caribbean, Mexico, South America and the Pacific Rim, except for Australia. WD-40 Company Ltd. (U.K.) includes sales to Europe, the Middle East and Africa. WD-40 Products (Canada) Ltd. and WD-40 Company (Australia) Pty. Ltd. are included in other foreign subsidiaries. Substantially all sales by these operations are to customers within Canada and Australia.

	Year ended August 31		
	1992	1991	1990
Net sales:			
WD-40 Company (U.S.) .....	\$75,520,000	\$66,783,000	\$71,046,000
WD-40 Company Ltd. (U.K.) .....	17,498,000	15,019,000	11,774,000
Other foreign subsidiaries .....	8,617,000	9,090,000	9,331,000
Intercompany .....	(1,671,000)	(1,059,000)	(1,161,000)
	<u>\$99,964,000</u>	<u>\$89,833,000</u>	<u>\$90,990,000</u>
Operating profit:			
WD-40 Company (U.S.) .....	\$24,619,000	\$19,125,000	\$19,130,000
WD-40 Company Ltd. (U.K.) .....	3,046,000	2,975,000	2,280,000
Other foreign subsidiaries .....	545,000	1,600,000	1,860,000
Interest and other income .....	1,263,000	1,406,000	1,910,000
Income before income taxes .....	<u>\$29,473,000</u>	<u>\$25,106,000</u>	<u>\$25,180,000</u>
Identifiable assets:			
WD-40 Company (U.S.) .....	\$39,079,000	\$33,186,000	\$33,218,000
WD-40 Company Ltd. (U.K.) .....	9,000,000	9,202,000	8,311,000
Other foreign subsidiaries .....	5,446,000	5,364,000	5,256,000
	<u>\$53,525,000</u>	<u>\$47,752,000</u>	<u>\$46,785,000</u>

### Note 3 — Income Taxes:

The provision for income taxes has been computed in accordance with Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (SFAS No. 96).

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," (SFAS No. 109) which supersedes SFAS No. 96. Both SFAS No. 96 and SFAS No. 109 require the adoption of the liability method for computing deferred income taxes. The Company presently intends to adopt SFAS No. 109 effective September 1, 1992. The effect on the financial statements upon implementation of SFAS No. 109 is not expected to be significant.

The provision for income taxes includes the following:

	Year ended August 31		
	1992	1991	1990
Current tax provision:			
United States .....	\$ 7,759,000	\$ 6,106,000	\$ 6,480,000
State .....	2,000,000	1,500,000	1,400,000
Foreign .....	1,662,000	2,263,000	1,676,000
Total current .....	<u>11,421,000</u>	<u>9,869,000</u>	<u>9,556,000</u>
Deferred tax (benefit) provision:			
United States .....	141,000	(6,000)	60,000
Foreign .....	(162,000)	(63,000)	74,000
Total deferred .....	<u>(21,000)</u>	<u>(69,000)</u>	<u>134,000</u>
	<u>\$11,400,000</u>	<u>\$ 9,800,000</u>	<u>\$ 9,690,000</u>

The major temporary differences that gave rise to deferred taxes are the state tax provision, the allowances for cash discounts and doubtful accounts, and depreciation. The deferred tax assets and liabilities are reflected in the consolidated balance sheet as follows:

	Year ended August 31		
	1992	1991	1990
Current assets .....	\$ 556,000	\$ 550,000	\$ 544,000
Non-current liabilities .....	(122,000)	(137,000)	(200,000)
	<u>\$ 434,000</u>	<u>\$ 413,000</u>	<u>\$ 344,000</u>

A reconciliation of the provision for income taxes to the amount computed by applying the statutory federal income tax rate to income before income taxes follows:

	Year ended August 31		
	1992	1991	1990
Amount computed at U.S. statutory federal rate .....	\$10,021,000	\$ 8,536,000	\$ 8,561,000
State income taxes, net of federal benefit .....	1,320,000	990,000	924,000
Net effect of foreign income tax effective rates higher than U.S. statutory federal rate .....	59,000	274,000	205,000
	<u>\$11,400,000</u>	<u>\$ 9,800,000</u>	<u>\$ 9,690,000</u>

Income taxes paid in 1992, 1991 and 1990 amounted to \$11,657,000, \$10,270,000, \$11,304,000, respectively.

#### **Note 4 — Stock Options:**

During the fiscal year 1991, the Company's shareholders approved the 1990 Incentive Stock Option Plan whereby a committee of the Board of Directors may grant officers and key employees options to purchase an aggregate of not more than 240,000 shares of the Company's common stock at a price not less than 100 percent of the fair market value of the stock at the date of grant. Options are exercisable one year after grant and may not be granted for terms in excess of ten years. The Company's 1981 Incentive Stock Option Plan, having the same terms and conditions as the 1990 Plan, expired on September 27, 1991 and no further options may be granted under the 1981 Plan. At August 31, 1992 options for 45,917 shares were exercisable and options for 142,002 shares were available for future grants under these plans.

A summary of the changes in options outstanding under the Company's Stock Option Plans during the three years ended August 31, 1992 is as follows:

	Number of shares	Option price per share
Outstanding at August 31, 1989 .....	108,891	\$19.50-\$34.25
Options granted .....	42,600	\$31.88
Options exercised .....	(500)	\$19.50
Options canceled .....	(4,200)	\$29.50-\$34.25
Outstanding at August 31, 1990 .....	146,791	\$19.50-\$34.25
Options granted .....	54,700	\$24.50
Options exercised .....	(2,000)	\$19.50
Options canceled .....	(15,100)	\$24.50-\$34.25
Outstanding at August 31, 1991 .....	184,391	\$19.50-\$34.25
Options granted .....	54,800	\$30.88
Options exercised .....	(91,384)	\$19.50-\$34.25
Options canceled .....	(42,133)	\$19.50-\$34.25
Outstanding at August 31, 1992 .....	105,674	\$19.50-\$34.25

#### **Note 5 — Employee Benefit Plans:**

The Company has a combined Money Purchase Pension and Profit Sharing Plan for the benefit of its regular full-time employees. The Plan provides for annual contributions into a trust which are based upon an annual earnings formula, or more, as approved by the Board of Directors, but which may not exceed the amount deductible for income tax purposes. The Plan may be amended or discontinued at any time by the Company. Plan expense for 1992, 1991 and 1990 approximated \$895,000, \$829,000 and \$788,000, respectively.

The Company has a Salary Deferral Employee Stock Ownership Plan whereby regular full-time employees who have completed one year of service can defer a portion of their income through contributions to a trust. The Plan provides for Company contributions to the trust, as approved by the Board of Directors, equal to fifty percent or more of the compensation deferred by employees, but not in excess of the amount deductible for income tax purposes. Employee and Company contributions to the trust are invested in the Company's common stock. The Plan may be amended or discontinued at any time by the Company. Company contribution expense for 1992, 1991 and 1990 was approximately \$93,000, \$34,000 and \$23,000, respectively.

#### **Note 6 — Commitments and Contingencies:**

An action was brought against the Company in 1989 by eight former manufacturers' representatives. The action arose out of the alleged wrongful termination of the plaintiffs' contracts when the Company replaced all of its United States manufacturers' representatives with an in-house sales force in November, 1988. On January 23, 1992, damages for breach of contract were awarded by a jury to the eight former representatives in the aggregate amount of \$10,291,000. The Company is pursuing appellate remedies in the California Court of Appeal. Notice of appeal was filed by the Company on May 18, 1992 and notice of cross-appeal was filed by the plaintiffs on May 28, 1992. A bond

in the amount of \$15,460,000 was deposited by a surety company on behalf of the Company. The bond is collateralized by the Company's 11 $\frac{7}{8}$ % Treasury Notes due August 15, 1993 with a total market value of \$8,274,000. Based on advice of counsel, Company management believes that there is a **reasonable** possibility that a reviewing court will reverse the judgment on contractual causes of action. The ultimate **outcome** of this case remains uncertain and management is unable to definitively assess the likelihood of loss or to reasonably estimate the extent of loss that might be incurred; therefore, the Company has not recorded any loss related to this case.

On April 30, 1992 an action was brought against the Company by two former manufacturers' representatives. The action arose out of the same circumstances as the above-referenced action brought against the Company in 1989. The two plaintiffs in this action have not joined the eight plaintiffs whose judgments are now on appeal. The ultimate outcome of this case remains uncertain and management is unable to reasonably estimate the extent of loss that might be incurred; therefore, the Company has not recorded any loss related to this case.

The Company is party to various other claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or will not have a material adverse effect on the Company's financial position.

The Company was committed under certain noncancelable operating leases at August 31, 1992 which provide for the following minimum lease payments: 1993, \$138,000; 1994, \$54,000; 1995, \$34,000; 1996, \$33,000; 1997, \$2,000. Rent expense for the years ended August 31, 1992, 1991 and 1990 approximated \$137,000, \$190,000 and \$160,000, respectively.

#### Note 7 — Subsequent Event:

On September 28, 1992 the Company declared a regular quarterly cash dividend of \$.45 per share and an additional cash dividend of \$.15 per share payable on October 30, 1992 to shareholders of record on October 9, 1992.

#### Quarterly Financial Information (Unaudited)

The following table sets forth certain unaudited quarterly financial information for the two years ended August 31, 1992.

Quarter ended:	Net Sales	Gross Profit	Net Income	Earnings Per Share
November 30, 1990 .....	\$18,834,000	\$10,385,000	\$ 2,298,000	\$ .30
February 28, 1991 .....	24,417,000	13,128,000	4,013,000	.53
May 31, 1991 .....	21,646,000	12,077,000	3,865,000	.51
August 31, 1991 .....	24,936,000	14,415,000	5,130,000	.68
	<u>\$89,833,000</u>	<u>\$50,005,000</u>	<u>\$15,306,000</u>	<u>\$ 2.02</u>
November 30, 1991 .....	\$21,927,000	\$12,670,000	\$ 3,534,000	\$ .47
February 29, 1992 .....	27,955,000	16,056,000	5,569,000	.73
May 31, 1992 .....	21,566,000	12,711,000	3,415,000	.45
August 31, 1992 .....	28,516,000	16,310,000	5,555,000	.73
	<u>\$99,964,000</u>	<u>\$57,747,000</u>	<u>\$18,073,000</u>	<u>\$ 2.38</u>

#### Stock Information

Period:	Fiscal 1992			Fiscal 1991		
	High	Low	Dividend	High	Low	Dividend
First Quarter .....	\$32	\$30 $\frac{1}{4}$	\$.73	\$28 $\frac{1}{4}$	\$23 $\frac{3}{4}$	\$.43
Second Quarter .....	39 $\frac{1}{4}$	29 $\frac{1}{4}$	.43	28 $\frac{3}{4}$	23 $\frac{3}{4}$	.43
Third Quarter .....	47 $\frac{3}{4}$	34 $\frac{3}{4}$	.45	32 $\frac{3}{4}$	24 $\frac{1}{4}$	.43
Fourth Quarter .....	50	38	.55	34	30	.43

The high and low sales prices are as quoted in the Wall Street Journal.



## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Results of Operations**

The results of operations, as summarized in Note 2 to the consolidated financial statements, are discussed below.

#### ***WD-40 Company (U.S.)***

**1992 vs. 1991** Net sales increased \$8,125,000 or 12.4% over the previous year. This record performance was the result of professionally implemented sales programs in the U.S., as well as increased exports to both Latin America and the Pacific Rim. U.S. domestic sales gained 12%, while exports increased 22% over 1991.

Cost of product sold dropped to 40.8% of net sales versus 44.0% in 1991. This significant reduction was due to decreased costs of the petroleum based ingredients, reduced costs of aerosol packaging, and a slight shift in sales toward the higher margin product size. Operating profit increased by \$5,494,000 or 28.7% and equated to 33.3% of net sales versus 29.1% in 1991. The increase as a percentage of net sales is the result of the reduction of cost of product sold, as discussed above, and the Company's successful efforts to control selling, general and administrative, and advertising and sales promotion costs. As a percentage of net sales, selling, general and administrative costs increased slightly to 18.0% versus 17.9% in 1991, while advertising and sales promotion costs decreased 1.1 percentage points to 7.9%. We expect operating income to remain at these higher levels through fiscal year 1993.

In February 1992, the Financial Accounting Standards Boards issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," (SFAS No. 109) which supersedes SFAS No. 96. Both SFAS No. 96 and SFAS No. 109 require the adoption of the liability method for computing deferred income taxes. The Company presently intends to adopt SFAS No. 109 effective September 1, 1992. The effect on the financial statements upon implementation of SFAS No. 109 is not expected to be significant.

**1991 vs. 1990** Net sales in 1991 decreased \$4.3 million or 6.0%, compared to 1990. Factors that contributed to this decline include:

1. A sluggish U.S. economy that had a significant impact at the trade level prompting reduced inventories and a major reduction in consumer spending.
2. The fourth quarter of fiscal 1991 did not have the sales advantage of the anticipated price increase as in fiscal 1990, which accelerated sales almost \$3.7 million higher than in 1991.

Cost of product sold of 44.0% of net sales was flat compared to last year, even though there was a 9% price rise effective September 1, 1990. During the first two quarters of 1991 costs of petroleum based ingredients and related services were adversely impacted by the Middle East crisis. During the last half of the fiscal year, costs did return to near "normal levels" and should provide the basis for a reduced cost of product sold as a percentage of net sales in fiscal year 1992. Operating profit decreased a mere \$5,000 in 1991, however as a percentage of net sales it increased from 27.4% in 1990 to 28.6% in 1991. The improvement was due to the successful implementation of the Company's plan to control selling, general and administrative expenses and to reduce advertising and sales promotion expenses.

#### ***WD-40 Company Ltd. (U.K.)***

**1992 vs. 1991** Net sales increased \$2,479,000 or 16.5% from 1991, despite the ongoing recessionary climate. Sales increased across the board with England up 10%, Prime Europe up 50% and the Middle East up 35% when compared to last year.

The pound sterling weakened as it relates to the currency of its export countries, which contributed to the foreign exchange loss of \$111,000 versus a foreign exchange gain of \$64,000 in 1991.

Cost of product sold as a percentage of net sales decreased to 43.8% versus 45.3% last year. This decrease reflects lower product costs brought about by a change in one of our contract aerosol packagers in the U.K. We would expect our future costs to stabilize at these lower percentages. Operating income for the U.K. increased a mere \$71,000 or 2.4% in spite of increased net sales and the reduced cost of product sold. This was due to selling, general and administrative, and advertising and sales promotion aggregating to 38.8% of net sales versus 34.9% in 1991 as the subsidiary continued to support its commitment to make WD-40 the brand leader in Prime Europe. In Prime Europe, WD-40 added 5 salespeople during 1992. The Company anticipates increased sales growth and related expense growth for the necessary personnel, advertising and promotions in the region.

**1991 vs. 1990** Net sales for 1991 increased \$3.2 million or 27.6%, compared to 1990 due primarily to strong promotion support by the trade, despite a continuing recession. Additionally, the Middle East and European sales rallied the latter half of the year to register a strong gain over 1990. There were no price increases in the U.K. during 1991, however there were isolated price increases of approximately 5% to some distributors in Europe. In addition, the British pound did strengthen against the U.S. dollar as the average exchange rate increased by 7.4%.

Cost of product sold, as a percentage of sales, went from 44.0% in 1990 to 45.3% in 1991 due primarily to an increase in the petroleum based ingredients caused by the Middle East crisis. Operating profit increased \$695,000 or 30.5%, compared to 1990. As a percentage of net sales, selling, general and administrative expense went up to 24.1% versus 22.2% in 1990, and advertising and promotions went down to 11.3% from 14.4% in 1990. Therefore, the net effect was to level out operating profit as a percentage of net sales to 19.8% in 1991 compared to 19.4% in 1990. Foreign currency transactions from sales to the Middle East recorded in U.S. dollars resulted in a gain of \$64,000 in 1991 versus a loss of \$197,000 in 1990.

The Company continues to move toward its goal of becoming the "Brand Leader" in Europe by appointing 3 salesmen in France, effective September 1st, and will appoint 2 salesmen each for Spain and Italy by the year end.

#### ***Other Foreign Subsidiaries***

**1992 vs. 1991** Net sales declined \$473,000 or 5.2%. While Australia posted a sales gain, Canada's decline pulled overall foreign sales down. The Company has developed a plan to reverse this negative trend in 1993.

Cost of product sold as a percentage of net sales increased to 51.6% versus 45.1% last year. This increase was due to increased costs of products purchased by the subsidiaries from the U.S. parent corporation. Operating income decreased \$1,055,000 or 66% compared to 1991. The negative impact of the transfer pricing adjustments accounted for the majority of this decline. The Australian subsidiary's advertising and sales promotion expenses also increased in support of higher sales levels into Southeast Asia.

On a comparative basis, currency exchanges had a minimal impact on results of operations.

**1991 vs. 1990** Net sales for 1991 decreased \$241,000 or 2.6%, compared to 1990 due to continued recessionary economies.

Australia had a price increase of approximately 6%, effective January 1991 and Canada increased their prices approximately 7%, effective July 1991.

Cost of product sold as a percentage of sales decreased in Canada due to reduced labor and component charges, while in Australia the January price increase helped reduce their costs of product sold as a percentage of sales. Operating profit decreased \$260,000 or 14.0%, nearly all of which fell within the Australian subsidiary. Australian sales fell short of planned objective while operating expenses increased to budgeted levels, thereby reducing profit before taxes.

#### ***Interest and Other Income***

**1992 vs. 1991** Interest and other income decreased \$143,000 or 10.2%. Interest income decreased due to lower interest rates, despite the fact that the average cash invested increased during 1992. Foreign exchange losses in the U.K. also contributed to the decrease.

**1991 vs. 1990** Interest income and other income (net) for 1991 decreased \$504,000 or 26.4%, compared to 1990 primarily due to the settlement of two product liability cases and to significantly lower interest rates. To help offset the lower interest rates and to safely increase its return, the Company expanded the Treasury guidelines to allow investment in instruments other than Certificates of Deposit.

#### ***Liquidity and Capital Resources***

The Company has not experienced significant change in liquidity since August 31, 1991. The current ratio of 5.1 to one on August 31, 1992 was lower than the current ratio of 6.3 to one on August 31, 1991, due primarily to the purchase of the restricted bond as discussed in Note 6 to the consolidated financial statements. The Company's primary source of liquidity is funds provided by operations. The Company had no borrowing outstanding on August 31, 1992. The Company's cash flows from operations are expected to provide sufficient funds to meet both short and long-term operating needs, as well as future dividends. Capital expenditures for fiscal year 1993 are expected to total approximately \$800,000, principally for replacement of aged vehicles and updating of computer equipment.

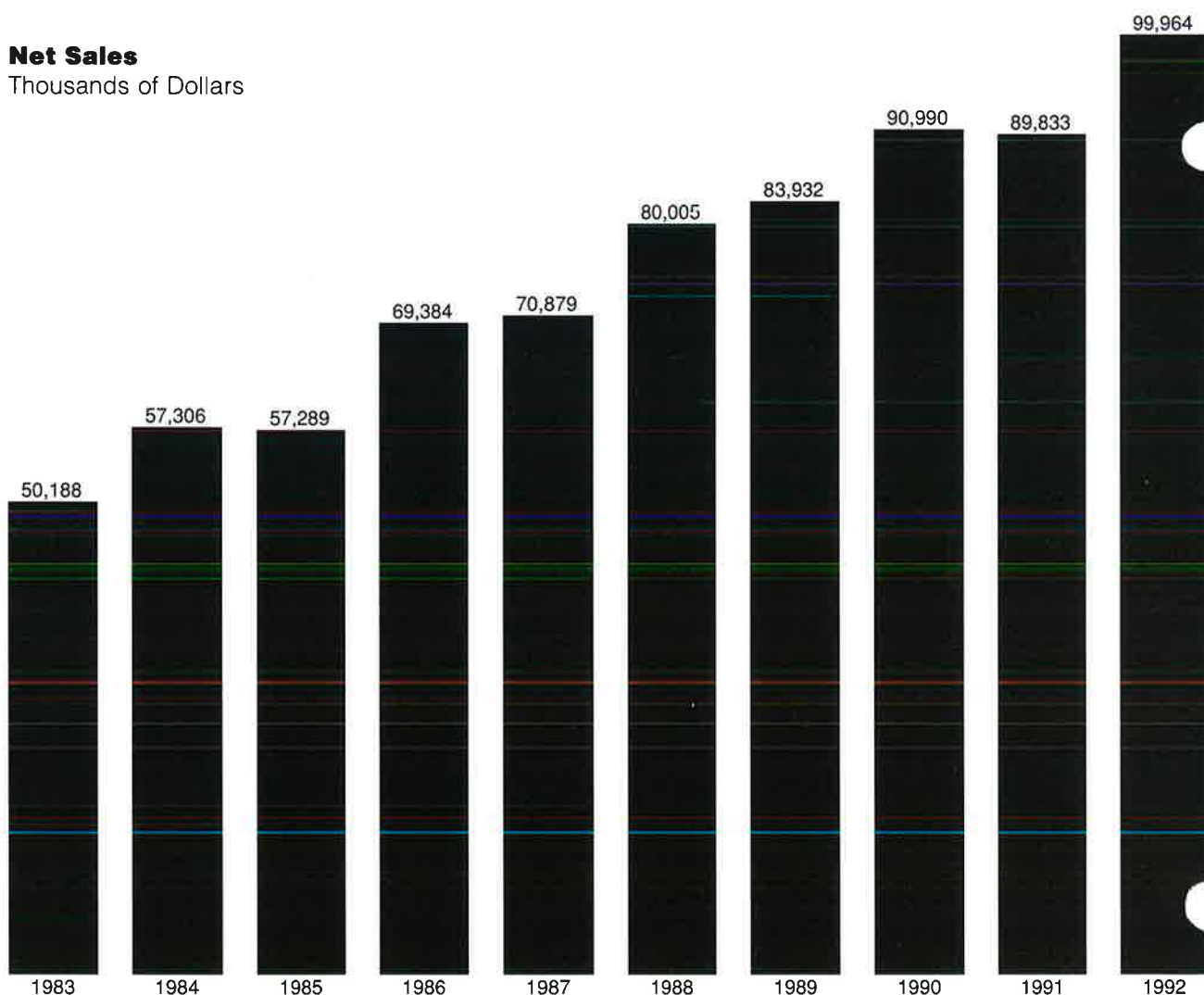
## Ten Year Summary

Fiscal Year Ended August 31

	1983	1984	1985
Net sales .....	\$50,188,000	\$57,306,000	\$57,200,000
Cost of product sold .....	21,781,000	24,060,000	24,403,000
Gross profit .....	28,407,000	33,246,000	32,886,000
Selling, general and administrative, and advertising and sales promotion expenses .....	13,647,000	14,318,000	15,053,000
Interest income and other (net) .....	1,333,000	1,515,000	1,505,000
Income before income taxes .....	16,093,000	20,443,000	19,338,000
Provision for income taxes .....	8,119,000	10,381,000	9,984,000
Net income .....	\$ 7,974,000	\$10,062,000	\$ 9,354,000
Earnings per share .....	\$1.07	\$1.35	\$1.25
Average number of shares outstanding .....	7,453,598	7,476,546	7,498,024
Dividends per share .....	\$.75	\$.84	\$.90
Total assets .....	\$24,698,000	\$30,290,000	\$32,871,000
Number of employees .....	38	39	49

## Net Sales

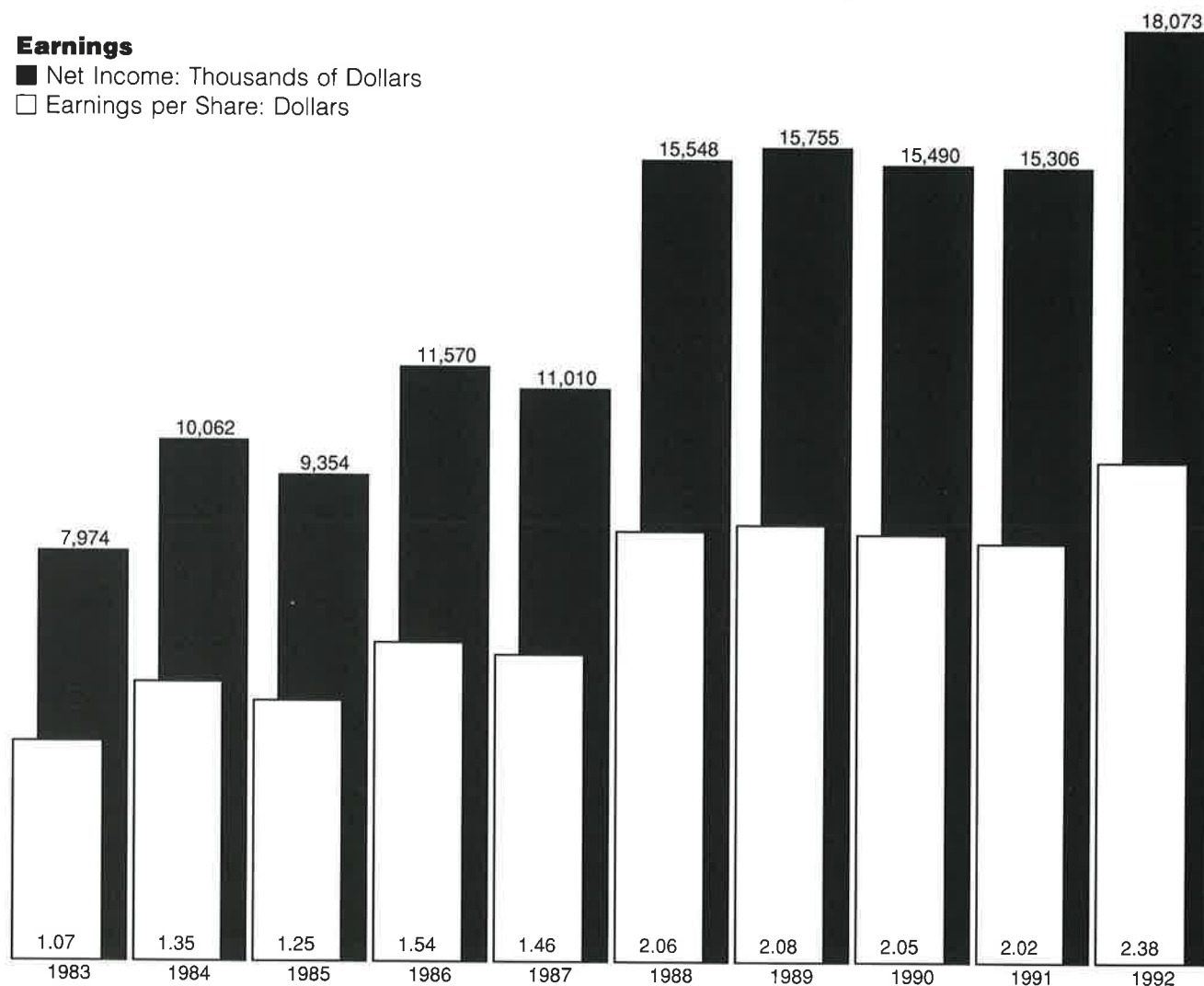
Thousands of Dollars



1986	1987	1988	1989	1990	1991	1992
,384,000	\$70,879,000	\$80,005,000	\$83,932,000	\$90,990,000	\$89,833,000	\$99,964,000
29,370,000	30,185,000	33,931,000	36,347,000	40,446,000	39,828,000	42,217,000
40,014,000	40,694,000	46,074,000	47,585,000	50,544,000	50,005,000	57,747,000
18,620,000	21,009,000	21,891,000	23,744,000	27,274,000	26,305,000	29,537,000
1,259,000	988,000	1,235,000	2,084,000	1,910,000	1,406,000	1,263,000
22,653,000	20,673,000	25,418,000	25,925,000	25,180,000	25,106,000	29,473,000
11,083,000	9,663,000	9,870,000	10,170,000	9,690,000	9,800,000	11,400,000
\$11,570,000	\$11,010,000	\$15,548,000	\$15,755,000	\$15,490,000	\$15,306,000	\$18,073,000
\$1.54	\$1.46	\$2.06	\$2.08	\$2.05	\$2.02	\$2.38
7,503,679	7,516,652	7,527,507	7,552,114	7,554,154	7,555,948	7,594,243
\$1.04	\$1.47	\$1.63	\$1.90	\$2.02	\$1.72	\$2.16
\$38,506,000	\$39,149,000	\$43,312,000	\$44,640,000	\$46,785,000	\$47,752,000	\$53,525,000
56	61	79	133	136	134	136

## Earnings

- Net Income: Thousands of Dollars
- Earnings per Share: Dollars



## **Corporate Information**

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### **Board of Directors**

John S. Barry

Sam Crivello

Daniel W. Derbes

Harlan F. Harmsen

Jack L. Heckel

Margaret L. Roulette

Gerald C. Schleif

C. Fredrick Sehnert

Edward J. Walsh

Chairman of the Board, WD-40 Company

Investor

President, Signal Ventures

Secretary, WD-40 Company

President and Chief Operating Officer, Gen Corp.

Investor

President, Chief Executive Officer and Treasurer,  
WD-40 Company

Chairman and Chief Executive Officer, Laser Precision Corp.

President, The Sparta Group Ltd.

### **Officers**

John S. Barry

Gerald C. Schleif

Paul A. Thompson

Harlan F. Harmsen

Robert D. Gal

Chairman of the Board

President, Chief Executive Officer and Treasurer

Vice President-Sales and Marketing, North America

Secretary

Assistant Secretary

### **General Counsel**

Harmsen, Carpenter, Sidell & Olson

A Professional Corporation

### **Independent Accountants**

Price Waterhouse

San Diego, California

### **Transfer Agent & Registrar**

Harris Trust Company of California

707 Wilshire Blvd., Suite 4840

Los Angeles, California 90017



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**Annual Meeting**

2:00 P.M., December 1, 1992  
Mission Room  
Mission Valley Inn  
875 Hotel Circle South  
San Diego, California 92108

**Corporate Office**

1061 Cudahy Place  
San Diego, California 92110  
619/275-1400

**Subsidiaries**

WD-40 Company Ltd. (U.K.)  
WD-40 Products (Canada) Ltd.  
WD-40 Company (Australia) Pty. Ltd.

**Listed**

Over the Counter  
NASDAQ National Market System  
Symbol WDFC

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**Copy of Form 10-K**

Beneficial owners may obtain without charge a copy of WD-40 Company's annual report on Form 10-K filed with the Securities and Exchange Commission for 1992 by writing to the Secretary, WD-40 Company, P.O. Box 80607, San Diego, California 92138-9021.



**WD-40**

• Stops Squeaks  
• Protects Metal  
• Loosens Rusted Parts  
• Frees Sticky Mechanisms

200 ml

**WD-40**

• Stops Squeaks  
• Protects Metal  
• Loosens Rusted Parts  
• Frees Sticky Mechanisms

150g NET

**WD-40**

• Stops Squeaks  
• Protects Metal  
• Loosens Rusted Parts  
• Frees Sticky Mechanisms

NET WEIGHT 6 OZ

**WD-40**

• Stops Squeaks  
• Protects Metal  
• Loosens Rusted Parts  
• Frees Sticky Mechanisms

**DANGER** - EXTREMELY FLAMMABLE  
CONTENTS UNDER PRESSURE  
HARMFUL OR FATAL IF SWALLOWED  
KEEP OUT OF REACH OF CHILDREN  
SEE OTHER CAUTIONS ON BACK

NET WEIGHT 6 OZ

**WD-40**

• Stops Squeaks  
• Protects Metal  
• Loosens Rusted Parts  
• Frees Sticky Mechanisms

**DANGER** - EXTREMELY FLAMMABLE  
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NETO 170g

**WD-40**

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• Loosens Rusted Parts  
• Frees Sticky Mechanisms

**DANGER** - EXTREMELY FLAMMABLE  
CONTENTS UNDER PRESSURE  
HARMFUL OR FATAL IF SWALLOWED  
KEEP OUT OF REACH OF CHILDREN  
SEE OTHER CAUTIONS ON BACK

6 OZ 170 g

**WD-40**

• Stops Squeaks  
• Protects Metal  
• Loosens Rusted Parts  
• Frees Sticky Mechanisms

NETO 170g