

CLOROX CO /DE/

Form 10-Q

May 01, 2019

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xbrli:pure xbrli:shares clx:instrument

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number: **1-07151**

THE CLOROX COMPANY

(Exact name of registrant as specified in its charter)

Delaware

31-0595760

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

1221 Broadway

Oakland, California

94612-1888

(Address of principal executive offices) (Zip code)

(510) 271-7000

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller Reporting Company ☐	Emerging Growth Company ☐
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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

As of April 17, 2019, there were 127,367,814 shares outstanding of the registrant’s common stock (\$1.00 par value).

PART I – FINANCIAL INFORMATION**Item 1. Financial Statements**

The Clorox Company

Condensed Consolidated Statements of Earnings and Comprehensive Income (Unaudited)

(Dollars in millions, except share and per share data)

	Three Months Ended		Nine Months Ended	
	3/31/2019	3/31/2018	3/31/2019	3/31/2018
Net sales	\$1,551	\$1,517	\$4,587	\$4,433
Cost of products sold	878	868	2,593	2,502
Gross profit	673	649	1,994	1,931
Selling and administrative expenses	216	208	639	609
Advertising costs	161	150	445	424
Research and development costs	34	32	98	95
Interest expense	24	20	72	61
Other (income) expense, net	(2)	(3)	8	(6)
Earnings from continuing operations before income taxes	240	242	732	748
Income taxes on continuing operations	53	61	153	142
Earnings from continuing operations	187	181	579	606
Earnings (losses) from discontinued operations, net of tax	—	—	—	—
Net earnings	\$187	\$181	\$579	\$606
Net earnings (losses) per share				
Basic				
Continuing operations	\$1.46	\$1.39	\$4.53	\$4.69
Discontinued operations	—	—	—	—
Basic net earnings per share	\$1.46	\$1.39	\$4.53	\$4.69
Diluted				
Continuing operations	\$1.44	\$1.37	\$4.45	\$4.60
Discontinued operations	—	—	—	—
Diluted net earnings per share	\$1.44	\$1.37	\$4.45	\$4.60
Weighted average shares outstanding (in thousands)				
Basic	128,404	129,694	128,092	129,357
Diluted	130,266	131,900	130,218	131,703
Comprehensive income	\$200	\$180	\$562	\$624

See Notes to Condensed Consolidated Financial Statements (Unaudited)

The Clorox Company
Condensed Consolidated Balance Sheets
(Dollars in millions, except share and per share data)

	3/31/2019	6/30/2018
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 178	\$ 131
Receivables, net	587	600
Inventories, net	556	506
Prepaid expenses and other current assets	72	74
Total current assets	1,393	1,311
Property, plant and equipment, net of accumulated depreciation and amortization of \$2,125 and \$2,061, respectively	1,000	996
Goodwill	1,589	1,602
Trademarks, net	791	795
Other intangible assets, net	124	134
Other assets	265	222
Total assets	\$ 5,162	\$ 5,060
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes and loans payable	\$ 321	\$ 199
Accounts payable and accrued liabilities	940	1,001
Total current liabilities	1,261	1,200
Long-term debt	2,286	2,284
Other liabilities	774	778
Deferred income taxes	60	72
Total liabilities	4,381	4,334
Commitments and contingencies		
Stockholders' equity		
Preferred stock: \$1.00 par value; 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock: \$1.00 par value; 750,000,000 shares authorized; 158,741,461 shares issued as of March 31, 2019 and June 30, 2018; and 127,888,226 and 127,982,767 shares outstanding as of March 31, 2019 and June 30, 2018, respectively	159	159
Additional paid-in capital	1,033	975
Retained earnings	3,004	2,797
Treasury shares, at cost: 30,853,235 and 30,758,694 shares as of March 31, 2019 and June 30, 2018, respectively	(2,851)	(2,658)
Accumulated other comprehensive net (loss) income	(564)	(547)
Stockholders' equity	781	726
Total liabilities and stockholders' equity	\$ 5,162	\$ 5,060

See Notes to Condensed Consolidated Financial Statements (Unaudited)

The Clorox Company
Condensed Consolidated Statements of Cash Flows (Unaudited)
(Dollars in millions)

	Nine Months Ended 3/31/2019/31/2018	
	(As Adjusted*)	
Operating activities:		
Net earnings	\$579	\$ 606
Deduct: Losses from discontinued operations, net of tax	—	—
Earnings from continuing operations	579	606
Adjustments to reconcile earnings from continuing operations to net cash provided by continuing operations:		
Depreciation and amortization	133	121
Stock-based compensation	34	37
Deferred income taxes	(7)	(43)
Other	(29)	24
Changes in:		
Receivables, net	11	(29)
Inventories, net	(51)	(58)
Prepaid expenses and other current assets	(10)	(2)
Accounts payable and accrued liabilities	(55)	(64)
Income taxes payable/receivable, net	(2)	(16)
Net cash provided by continuing operations	603	576
Net cash provided by discontinued operations	—	—
Net cash provided by operations	603	576
Investing activities:		
Capital expenditures	(135)	(126)
Other	9	14
Net cash used for investing activities	(126)	(112)
Financing activities:		
Notes and loans payable, net	117	657
Long-term debt borrowings, net of issuance costs	—	396
Long-term debt repayments	—	(400)
Treasury stock purchased	(315)	(70)
Cash dividends paid	(368)	(326)
Issuance of common stock for employee stock plans and other	137	35
Net cash (used for) provided by financing activities	(429)	292
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(2)	2
Net increase in cash, cash equivalents, and restricted cash	46	758
Cash, cash equivalents, and restricted cash:		
Beginning of period	134	419
End of period	\$180	\$ 1,177

*Adjusted to reflect the retrospective adoption of Accounting Standards Update (ASU) No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash," effective July 1, 2018. As of March 31, 2019 and 2018 and June 30, 2018 and 2017, the Company had \$2, \$3, \$3 and \$2 of restricted cash, respectively, and the restricted cash was included in Prepaid expenses and other current assets and Other assets in the condensed consolidated balance sheets.

See Notes to Condensed Consolidated Financial Statements (Unaudited)

4

The Clorox Company
Notes to Condensed Consolidated Financial Statements (Unaudited)
(Dollars in millions, except share and per share data)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited interim condensed consolidated financial statements for the three and nine months ended March 31, 2019 and 2018, in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the consolidated results of operations, financial position and cash flows of The Clorox Company and its subsidiaries (the Company) for the periods presented. However, the financial results for interim periods are not necessarily indicative of the results that may be expected for a full fiscal year or for any other future period.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) have been omitted or condensed pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Certain prior year reclassifications were made in the condensed consolidated statements of cash flows to conform to the current year presentation. The information in this report should be read in conjunction with the Company's Annual Report on Form 10-K filed with the SEC for the fiscal year ended June 30, 2018, which includes a complete set of footnote disclosures, including the Company's significant accounting policies.

Revenue Recognition

Revenue is recognized when performance obligations under the terms of the contracts with customers are satisfied. The Company's performance obligation generally consists of the promise to sell finished products to wholesalers, distributors, retailers or consumers. Control of finished products is transferred upon shipment to, or receipt at, customers' locations, as determined by the specific terms of the contract. Once control is transferred to the customer, the Company has completed its performance obligation, and revenue is recognized. After completion of the performance obligation, there is an unconditional right to consideration as outlined in the contract. A right is unconditional if nothing other than the passage of time is required before payment of that consideration is due. The Company typically collects its customer receivables within two months. All performance obligations under the terms of contracts with customers have an original duration of one year or less.

The Company routinely commits to one-time or ongoing trade-promotion programs with customers and consumer coupon programs that require the Company to estimate and accrue the expected costs of such programs, which include shelf price reductions, end-of-aisle or in-store displays of the Company's products and graphics and other trade-promotion activities conducted by the customer. The costs of such activities, defined as variable consideration under Topic 606 of the Accounting Standards Codification, "Revenue from Contracts with Customers," are netted against sales and recorded when the related sale takes place. The accruals for trade promotion programs and consumer coupon liabilities are established based on the Company's best estimate of the amounts necessary to settle future and existing obligations for products sold as of the balance sheet date. The Company uses forecasted appropriations, historical trend analysis, and customer and sales organization inputs in determining the accruals for promotional activities, and uses historical trend experience and coupon redemption estimates for the coupon accrual requirements.

The Company provides an allowance for doubtful accounts based on its historical experience and ongoing assessment of its customers' credit risk and aging. Receivables are presented net of the allowance for doubtful accounts.

Foreign Currency Transactions and Translation

Effective July 1, 2018, under the requirements of U.S. GAAP, Argentina was designated as a highly inflationary economy, since it has experienced cumulative inflation of approximately 100 percent or more over a three-year period. As a result, beginning July 1, 2018, the U.S. dollar replaced the Argentine peso as the functional currency of the Company's subsidiaries in Argentina (collectively, "Clorox Argentina"). Consequently, gains and losses from non-U.S. dollar denominated monetary assets and liabilities for Clorox Argentina are recognized in Other (income) expense, net in the condensed consolidated statement of earnings.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards

Recently Issued Accounting Standards Not Yet Adopted

In February 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," which amends its guidance to allow a reclassification from Accumulated Other Comprehensive Income to Retained Earnings for the stranded income tax effects resulting from The Tax Cuts and Jobs Act of 2017 (the Tax Act). If elected, this reclassification adjustment may be applied to either the period of adoption or retrospectively to the periods impacted by the Tax Act. The amendments are effective for the Company beginning in the first quarter of fiscal year 2020, with early adoption permitted. The Company expects to early adopt this guidance in, and apply it to, the fourth quarter of fiscal year 2019. The Company is evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities," which amends the hedge accounting recognition and presentation requirements to better align an entity's risk management activities with its financial reporting. This standard also simplifies the application of hedge accounting in certain situations. The new guidance is effective for the Company beginning in the first quarter of fiscal year 2020, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. The new guidance is effective for the Company beginning in the first quarter of fiscal year 2021, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which requires lessees to recognize a right-of-use asset and a lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation will depend on the classification of a lease as either a finance or an operating lease. ASU 2016-02 also requires expanded disclosures about leasing arrangements. In July 2018, the FASB issued ASU No. 2018-11, "Leases (Topic 842), Targeted Improvements," which provides an optional transition method in applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented, or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted. The Company will adopt the new standard on July 1, 2019, on a modified retrospective basis using the optional transition method, and, accordingly, will not restate comparative periods. The Company has initiated its plan for the adoption and implementation of this new accounting standard, including assessing its lease arrangements and implementing software to meet the reporting and disclosure requirements of this standard. Additionally, the Company is in the process of identifying changes to its business processes and controls to support the adoption and is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements. Refer to Note 12 of the Notes to Consolidated Financial Statements in Form 10-K for the fiscal year ended June 30, 2018 for the future minimum annual lease payments required under the Company's existing non-cancelable operating and capital lease arrangements as of June 30, 2018.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," which replaces most of the existing U.S. GAAP revenue recognition guidance and is intended to improve and converge with international standards on the financial reporting requirements for revenue from contracts with customers. The core principle of ASU 2014-09 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. ASU 2014-09 also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers, including information about significant judgments and changes in judgments.

The Company adopted the new guidance on a modified retrospective basis effective July 1, 2018, and does not expect the guidance to have a material impact on the Company's annual consolidated financial statements. However, there will be an impact on the Company's financial results in the interim periods due to the timing of recognition for certain trade promotion spending. Due to a change in the timing of recognition for certain trade promotion spending, the Company recorded an immaterial cumulative effect of initially applying the new guidance as an adjustment to the fiscal year 2019 opening balance of Retained earnings. Results for periods beginning on or after July 1, 2018 are recognized and presented in accordance with Topic 606, while prior period amounts have not been adjusted and continue to be reported in accordance with the prior accounting guidance under Topic 605, "Revenue Recognition." The Company has made changes to its accounting policies, business processes, systems and controls to align with the new revenue recognition guidance and disclosure requirements.

In March 2017, the FASB issued ASU No. 2017-07, "Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," which requires presenting the service cost component of net periodic benefit cost in the same income statement line items as other employee compensation costs arising from services rendered during the period. This standard also requires that other components of the net periodic benefit cost be presented separately from the line item(s) that includes service costs and outside of any subtotal of operating income, if one is presented, on a retrospective basis. The Company adopted this new guidance in the first quarter of fiscal year 2019 and the adoption did not have a material impact on the Company's consolidated financial statements. Following the adoption of this guidance, the Company records the non-service cost components of net periodic benefit cost in Other (income) expense, net.

In March 2018, the FASB issued ASU No. 2018-05, "Income Taxes (Topic 740)-Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118," which amends its guidance to address the initial accounting for the income tax effects of the Tax Act, which was enacted on December 22, 2017 (enactment date). This guidance allowed reasonable estimates of income tax effects to be reported as provisional amounts during the measurement period, which is one year from the enactment date, when the necessary information is not available, prepared, or analyzed in sufficient detail to complete the accounting. The amendments also added specific disclosure requirements. The Company adopted this new guidance and initially recorded \$81 of provisional benefits in the second quarter of fiscal year 2018. Refer to Note 6 for more information.

NOTE 2. DISCONTINUED OPERATIONS

On September 22, 2014, the Company's Venezuela affiliate, Corporación Clorox de Venezuela S.A. (Clorox Venezuela) announced that it was discontinuing its operations, effective immediately, and seeking to sell its assets. Since fiscal year 2012, Clorox Venezuela has been required to sell more than two thirds of its products at prices frozen by the Venezuelan government. During this same period, Clorox Venezuela experienced successive years of hyperinflation resulting in significant sustained increases in its input costs, including packaging, raw materials, transportation and wages. As a result, Clorox Venezuela had been selling its products at a loss, resulting in ongoing operating losses. Clorox Venezuela repeatedly met with government authorities in an effort to help them understand the rapidly declining state of the business, including the need for immediate, significant and ongoing price increases and other critical remedial actions to address these adverse impacts. Based on the Venezuelan government's representations, Clorox Venezuela had expected significant price increases would be forthcoming much earlier; however, the price increases subsequently approved were insufficient and would have caused Clorox Venezuela to continue operating at a significant loss into the foreseeable future. As such, Clorox Venezuela was no longer financially viable and was forced to discontinue its operations.

On September 26, 2014, the Company reported that Venezuelan Vice President Jorge Arreaza announced, with endorsement by President Nicolás Maduro, that the Venezuelan government had occupied the Santa Lucía and Guacara production facilities of Clorox Venezuela. On November 6, 2014, the Company reported that the Venezuelan government had published a resolution granting a government-sponsored Special Administrative Board full authority to restart and operate the business of Clorox Venezuela, thereby reaffirming the government's expropriation of Clorox Venezuela's assets. Further, President Nicolás Maduro announced the government's intention to facilitate the resumed production of bleach and other cleaning products at Clorox Venezuela plants. He also announced his approval of a financial credit to invest in raw materials and production at the plants. These actions by the Venezuelan government were taken without the consent or involvement of Clorox Venezuela, its parent Clorox Spain S.L. (Clorox Spain) or any of their affiliates. Clorox Venezuela, Clorox Spain and their affiliates reserved their rights under all applicable laws and treaties.

With this exit, the financial results of Clorox Venezuela are reflected as discontinued operations in the Company's condensed consolidated financial statements for all periods presented. The results of Clorox Venezuela had historically been part of the International reportable segment.

There were no net sales for each of the three and nine months ended March 31, 2019 and 2018, and losses from discontinued operations, net of tax were insignificant for these same periods.

NOTE 3. BUSINESS ACQUIRED

On April 2, 2018, the Company acquired 100 percent of Nutranext, a health and wellness company based in Sunrise, Florida. Nutranext manufactures and markets leading dietary supplement brands in the retail and e-commerce channels as well as in its direct-to-consumer business. The purchase of the business reflects the Company's strategy to acquire leading brands in fast-growing categories with attractive gross margins and a focus on health and wellness.

The total consideration paid of \$681, which included post-closing working capital and other adjustments, was initially funded through commercial paper borrowings and subsequently repaid using a combination of long-term debt financing and cash repatriated from foreign subsidiaries. The assets and liabilities of Nutranext were recorded at their respective estimated fair value as of the acquisition date using U.S. GAAP for business combinations. The excess of the purchase price over the fair value of the net identifiable assets acquired has been allocated to goodwill in the Lifestyle and Household reportable segments of \$310 and \$102, respectively. The goodwill of \$412 is primarily attributable to the synergies, including those with the digestive health business, expected to arise after the acquisition and reflects the value of further expanding the Company's portfolio into the health and wellness arena. Of the total goodwill, \$363 is expected to be deductible for tax purposes.

The following table summarizes the final purchase price allocation for the fair value of Nutranext's assets acquired and liabilities assumed and the related deferred income taxes as of March 31, 2019. The fair value of the assets acquired and liabilities assumed reflects the final insignificant measurement period adjustments related to goodwill, deferred income taxes and income taxes payable. The weighted-average estimated useful life of intangible assets subject to amortization is 15 years.

	Nutranext
Goodwill (\$310 in Lifestyle reportable segment and \$102 in Household reportable segment)	\$ 412
Trademarks	143
Customer relationships	75
Property, plant and equipment	49
Working capital, net	22
Deferred income taxes	(20)
Consideration paid	\$ 681

Effective April 2, 2018, Nutranext was consolidated into the Company's results of operations. Results for Nutranext's global business are reflected in the Lifestyle reportable segment.

Pro forma results reflecting the acquisition were not presented because the acquisition did not meet the threshold requirements for additional disclosure.

NOTE 4. INVENTORIES, NET

Inventories, net, consisted of the following as of:

	3/31/2019	6/30/2018
Finished goods	\$ 445	\$ 395
Raw materials and packaging	136	129
Work in process	6	9
LIFO allowances	(31)	(27)
Total	\$ 556	\$ 506

NOTE 5. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Financial Risk Management and Derivative Instruments

The Company is exposed to certain commodity, foreign currency and interest rate risks related to its ongoing business operations and uses derivative instruments to mitigate its exposure to these risks.

Commodity Price Risk Management

The Company may use commodity exchange traded futures and over-the-counter swap contracts, which are generally no longer than 2 years, to fix the price of a portion of its forecasted raw material requirements. Commodity purchase contracts are measured at fair value using market quotations obtained from the Chicago Board of Trade commodity futures exchange and commodity derivative dealers.

As of March 31, 2019, the notional amount of commodity derivatives was \$29, of which \$18 related to soybean oil futures used for the food business and \$11 related to jet fuel swaps used for the charcoal business. As of June 30, 2018, the notional amount of commodity derivatives was \$34, of which \$24 related to soybean oil futures and \$10 related to jet fuel swaps.

Foreign Currency Risk Management

The Company may also enter into certain over-the-counter derivative contracts to manage a portion of the Company's forecasted foreign currency exposure associated with the purchase of inventory. These foreign currency contracts generally have durations of no longer than 2 years. The foreign exchange contracts are measured at fair value using information quoted by foreign exchange dealers.

The notional amounts of outstanding foreign currency forward contracts used by the Company's subsidiaries to hedge forecasted purchases of inventory were \$50 as of both March 31, 2019 and June 30, 2018.

Interest Rate Risk Management

The Company may enter into over-the-counter interest rate forward contracts to fix a portion of the benchmark interest rate prior to the anticipated issuance of fixed rate debt or to manage the Company's level of fixed and floating rate debt. These interest rate forward contracts generally have durations of less than 12 months. The interest rate contracts are measured at fair value using information quoted by U.S. government bond dealers.

As of March 31, 2019 and June 30, 2018, the Company had no outstanding interest rate forward contracts.

NOTE 5. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (Continued)***Commodity, Foreign Exchange and Interest Rate Derivatives***

The Company designates its commodity forward and futures contracts for forecasted purchases of raw materials, foreign currency forward contracts for forecasted purchases of inventory, and interest rate forward contracts for forecasted interest payments as cash flow hedges.

The effects of derivative instruments designated as hedging instruments on Other comprehensive income and Net earnings were as follows:

	Gains (losses) recognized in Other comprehensive income			
	Three Months Ended		Nine Months Ended	
	3/31/2018	3/31/2017	3/31/2018	3/31/2017
Commodity purchase derivative contracts	\$2	\$ —	\$ (4)	\$ 3
Foreign exchange derivative contracts	—	1	1	1
Interest rate derivative contracts	—	—	—	2
Total	\$2	\$ 1	\$ (3)	\$ 6

**Gains (losses)
reclassified
from
Accumulated
other
comprehensive
net (loss)
income and
recognized in
Net earnings**