

WD-40 Company NasdaqGS:WDFC

Earnings Call

Thursday, April 6, 2023 10:00 PM GMT

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Presentation

Operator

Ladies and gentlemen, thank you for standing by Good day, and welcome to the WD-40 Company Second Quarter 2023 Earnings Conference Call. [Operator Instructions]. I would now like to turn I would now like to turn the presentation over to the host for today's call, Ms. Wendy Kelley, Vice President of Stakeholder and Investor Engagement. Please proceed.

Wendy D. Kelley
Director of Investor Relations & Corporate Communications

Thank you. Good afternoon, and thanks to everyone for joining us today. On our call today are WD-40 Company's President and Chief Executive Officer, Steve Brass; and Vice President and Chief Financial Officer, Sara Hyzer. In addition to the financial information presented on today's call, we encourage investors to review our earnings presentation, earnings press release and Form 10-Q for the period ending February 28, 2023.

These documents are available on our Investor Relations website at investor.wd40company.com. A replay and transcript of today's call will also be made available at that location shortly after this call. On today's call, we will discuss certain non-GAAP measures. The descriptions and reconciliations of these non-GAAP measures are available in our SEC filings as well as our earnings presentation.

As a reminder, today's call includes forward-looking statements about our expectations for the company's future performance. Of course, actual results could differ materially. The company's expectations, beliefs and projections are expressed in good faith but there can be no assurance that they will be achieved or accomplished. Please refer to the risk factors detailed in our SEC filings for further discussion.

Finally, for anyone listening to a webcast replay or reviewing a written transcript of this call, please note that all information presented is current only as of today's date, April 6, 2023. The company disclaims any duty or obligation to update any forward-looking information, whether as a result of new information, future events or otherwise. With that, I'd now like to turn the call over to Steve.

Steven A. Brass
CEO, President & Director

Thanks, Wendy, and thanks to all of you for joining us this afternoon. Today, I'll begin by discussing our sales results for the second fiscal quarter of 2023. I will also provide you with an update on our must-win battles and the results from an internal diversity equity inclusion and belonging survey we recently completed. Sara will review some financial topics with you, including our updated guidance for FY '23.

As Wendy mentioned earlier, we have prepared a presentation covering our second quarter results and have posted it to our investor website. We invite you to refer to that document for the duration of our call. Let's discuss our sales results. Today, we reported net sales of $130.2 million for the second quarter of fiscal year 2023, which was relatively constant compared to the same period of last year.

There are several things obscuring top line performance this quarter. Sales volumes are down year-over-year as expected due to the severe disruptions caused by the price increases we put into place over the last 12 months. We estimate that the disruptions caused by price increases impacted our sales by about $15 million in the second quarter.

Translation of our subsidiaries results into the U.S. dollar had an unfavorable impact of about $5.5 million on our consolidated net sales in the second quarter. On a constant currency basis, net sales would have increased by 4% year-over-year. Also impacting our top line results this quarter is our values guided decision to suspend sales of our products to our marketing distributor customers in Russia and Belarus, which negatively impacted our sales by just over $3 million. Now let's take a closer look at second quarter results in our trade blocks, starting with the Americas.

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Sales in the Americas, which includes the United States, Latin America and Canada, were up 15% in the second quarter to $62.9 million. This increase in sales was driven primarily by strong maintenance product sales in the United States, which increased 22% in the quarter. This was due to a trifecta of strong sales of WD-40 Multi-Use Product, WD-40 Specialist and 3-IN-ONE, which all performed well in the quarter.

The increased sales were driven by the favorable impact of price increases on revenues as well as increased production capacity and improved availability as our supply chain continues to adapt. These increases were somewhat offset by lower demand, which resulted in decreased sales volumes. Maintenance product sales in Canada increased 12% in the second quarter, primarily due to the favorable impact of price increases which were partially offset by unfavorable changes in foreign currency exchange rates and weaker economic conditions.

Maintenance product sales in Latin America were up 3% in the second quarter when compared to last year, due to higher sales in Mexico. Maintenance product sales in Mexico increased 21% in the second quarter due to increased distribution, successful promotional programs and price increases as well as the favorable impact of changes in foreign currency exchange rates.

However, this growth in Mexico was significantly offset by decreased sales volumes in our Latin America marketing distributor markets due to weaker economic conditions and lower levels of demand. In total, our Americas segment made up 48% of our global business in the second quarter. Over the long term, we anticipate sales within this segment will grow between 5% to 8% annually.

As a reminder, the compound annual growth rates associated with our trade blocks reflect our long-term growth expectations and may not always align with shorter-term trends and results. Now let's take a look at what happened in EMEA this quarter. Sales in EMEA, which includes Europe, the Middle East, Africa and India, were down 13% in the second quarter to $46.8 million. Currency fluctuations significantly impacted our sales results for EMEA trade block during the quarter.

Changes in foreign currency exchange rates had an unfavorable impact of nearly $5 million on net sales for the second quarter. On a constant currency basis, sales would have decreased 4% compared to the second quarter of last year. The disruptions we've been experiencing in EMEA, primarily due to the pricing actions we've taken over the last 12 months, coupled with our loss of sales in Russia and Belarus have gotten us off to a rocky start.

However, we're expecting a strong comeback in EMEA in the second half of the fiscal year. As you know, we sell into EMEA through a combination of direct operations as well as through marketing distributors. Sales in our EMEA direct markets, which accounted for 74% of the region's sales in the second quarter declined by 2% during the quarter compared to last year. This decline was due to a lower level of customer orders and promotional programs as a result of pricing actions we took earlier this year and was partially offset by the favorable impact of price increases.

In addition, weaker market and economic conditions have led to reduced footfall in some retail channels. Changes in foreign currency exchange rates also had a negative impact on net sales for the direct markets in the second quarter. Sales in our EMEA distributor markets, which accounted for 26% of the region's sales in the second quarter decreased by 35% during the quarter compared to last year. More than half of this decline was due to our suspension of sales in Russia which resulted in decreased sales of approximately $3.3 million compared to last year.

The remaining decline was linked to the impact of changes in foreign currency exchange rates and lower sales volumes of maintenance products in most distributor markets but particularly in India and Turkey. In total, our EMEA segment made up 36% of our global business in the second quarter, over the long term, we anticipate sales within this segment will grow between 8% to 11% annually.

Now on to Asia Pacific. Sales in Asia Pacific, which includes Australia, China and other countries in the Asia region, were down 4% in the second quarter to $20.5 million. In Australia, sales were up 6% in the second quarter. This increase in sales was driven by strong sales of maintenance products, which were up 15% in the quarter, but this was partially offset by lower sales of home care and cleaning products.

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Higher maintenance product sales were due to the favorable impact of price increases and successful promotional programs. Changes in foreign currency exchange rates had an unfavorable impact on sales in the second quarter. On a constant currency basis, sales for Australia would have increased by 10% compared to last year.

In our Asia Pacific distributor markets, sales were down 11% compared to last year, primarily due to lower sales of WD-40 multi-use product driven by weaker market demand and economic conditions as well as the timing of customer orders. We put a price increase through in December of 2022, and many of our distributors purchased product in advance of those price increases.

This decrease in sales was partially offset by the positive impact of price increases. In China, sales were relatively constant compared to last year. The favorable impact of price increases we've implemented were completely offset by the unfavorable impact of changes in foreign currency exchange rates. On a constant currency basis, sales would have increased by plus 7% compared to last year.

In total, our Asia Pacific segment made up 16% of our global business in the second quarter as the long term, we anticipate sales within this segment will grow between 10% to 13% annually. Our words and our prospects for the remainder of the fiscal year. We signaled to investors back in October that we expected revenue in the first 6 months of fiscal year '23 and to be disrupted by the implementation of the unprecedented price increases that we put in place over the last several months. I'm pleased to report that we have now worked through most of those disruptions.

And the prospects for revenue growth in the back half of the fiscal year are looking optimistic. Indeed, I'm happy to report that it's looking like the month of March, though not yet fully finalized from an accounting perspective, will be a new record sales month for the company. This includes a very strong recovery in EMEA. As we emerge from the price-related disruptions we've experienced despite slower economic activity in some regions, we expect stronger top and bottom line growth for the remainder of the fiscal year.

Now let's talk about our growth aspirations in must-win battles. Globally, we're targeting revenue growth in the mid- to high single digits to deliver against our aspirational 2025 goal. The bulk of that growth is expected to come from sales of WD-40 multi-use products through geographic expansion, increased penetration and premiumization and supported by our continued investment in digital commerce.

These areas are encapsulated by what we referred to as a must win battles and must win battles are the primary areas of action -- that will enable us to deliver against our revenue growth aspirations. These hyper-focused actions are the key drivers of revenue growth. Our largest growth opportunity in first must-win battle is a geographic expansion of the blue and yellow can with the little red top. So consolidated sales of our flagship brand are down 1% in the second quarter and 7% year-to-date, we have a high level of confidence that the WD-40 multi-use product will return to solid growth this fiscal year.

Despite this disappointing result, we've experienced significant growth in priority markets like the United States, Mexico and China, where sales of WD-40 multi-use products have increased year-to-date by 13%, 12% and 10%, respectively. We've identified 20 priority markets, which show the highest potential for growth and we will continue to prioritize investing in these priority markets to drive stronger growth into the future.

Our second must-win battle is to grow WD-40 multi-use product to premiumization. We began our premiumization journey in 2005 and we came up with a solution to the biggest problem our end users were having with our product, they kept losing the little red straw.

Our Smart Straw delivery system solves that problem. And as a result, it delights our end users. In addition, premiumization creates opportunities for revenue growth and gross margin expansion. Year-to-date, sales of WD-40 Smart Straw and EZ-reach when combined, were $89.4 million, down 7%. However, we do expect to return to growth in the second half of the fiscal year. Sales of premiumized products represented 46% of global sales of WD-40 multiuse product year-to-date.

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Our Smart Straw next generation delivery system is currently available in the Americas and is being rolled out globally this fiscal year. Smart Straw next generation supports our objective to grow premium delivery system penetration to greater than 60% of WD-40 multi-use product sales by 2025.

Our third must-win battle is to grow WD-40 specialists. Sales of WD-40 specialists were up 5% in the second quarter and 13% year-to-date. The United States continues to see outstanding momentum with WD-40 specialist this year, reporting an increase of 39% year-to-date. We're pleased that WD-40 specialist is fully leveraging our most iconic asset, the blue and yellow brand with a little red top.

We recently conducted some end user research and learned that DIY and Tradesman in the U.S., Germany and the U.K. who have used are significantly more likely to highly recommend our brand than those that have only used WD-40 Specialist multiuse product. I shared with you earlier this year that you will see an increased focus in 3 key areas: which I call my strategic priorities during my tenure.

The first of those areas is pivoting the company toward a more sustainable future. I'm excited to share with you today that we've launched a new WD-40 Specialist product developed with sustainability in mind. WD-40 Specialist Degreaser and cleaner EZ-Pods are a new degreasing formulation comprised of concentrated pods rather than the traditional liquid format.

EZ-Pods have no harmfull fumes and nonabrasive noncorrosive, leave no residue and don't require California Prop 65 warning. This innovative new product is one of the first products of its format. When paired with a reusable plastic bottle our EZ-Pods to reduce plastic waste. In addition, shipping the small pod through the liquid full containers, improved transportation and storage efficiency and costs.

The product is currently available in the United States. Going forward, we expect WD-40 Specialist would be our vehicle to launch many more sustainable products in the future. With this in mind, we've recently added 2 new roles to the company, one in research and development and other in supply chain. Both these senior global functions will have a significant role to play in pivoting the company and its products towards a more sustainable future.

Our final investment battle is focused on driving digital commerce. E-commerce sales were up over 18% in the second quarter and 34% year-to-date. This was driven primarily by strong growth in the U.S. and China. We continue to believe we are well positioned to benefit from the significant shift to online behaviors in the post-pandemic world. Digital commerce is not just about driving online sales. It's about driving awareness of our brands and teaching end users how to use them.

We're focused on developing a data-driven marketing strategy that empowers us to engage directly with end users in meaningful ways online and expect e-commerce will be the fastest-growing retail sales channel globally for the duration of fiscal year 2023. Now I'd like to share a quick update on our Tribe W company. We call ourselves a Tribe WD-40 company.

We define tribe as a community of people with shared values and a shared purpose. At WD-40 company, we know our culture is our super power. One of the things I'm most proud of is our stable, highly engaged, highly committed tribe of employees. We recently conducted a check-in with our tribe, and our global employee engagement score continues to be industry-leading at 94%.

We benefit greatly from the discretionary effort that comes from that high level of engagement. In addition to regularly measuring employee engagement, we've begun to regularly measure diversity equity inclusion and belonging. I'm happy to share with you that 84% of our tribe mates believe our company actively promotes and values diversity.

78% agree that WD-40 company is an equitable place to work. 89% believe our culture is an inclusive one and 92% of our tribe mates experience a sense of belonging here. We believe the belonging is a psychological feeling of acceptance, connectedness, security, support inclusion and identity.

Although these results are positive, our work is not yet done. We're exploring new ways to create an even more diverse, equitable and inclusive workplace for every tribe mate experience is a sense of belonging. One of the lessons we've gained from this work is that belonging exists when diversity, equity

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and inclusion behaviors exist. This mindset must begin at the very top of the organization and to achieve this senior management and Board level diversity are critical.

We have made fabulous progress in this area as reflected by the makeup of our Board of Directors and senior leadership team, which we refer to internally as a global strategic counsel. Our current Board reflects the most diverse board composition in our company's history. In addition to gender and ethnic diversity, our Board is comprised of diverse nationalities, cultural backgrounds and world views.

We are equally proud that our Global Strategic Counsel currently has 8 female members out of 16 management members and 6 nationalities are represented. We believe diversity leadership fuels diversity of thought, which leads to better strategic decision-making. Also supporting our tribe and another one of my strategic priorities is to leverage our capability as a global learning and teaching organization, and transform our company into a true global learning organization.

We believe that learning is a foundation of our agility and sustainable growth into the future. In support of this initiative, we now have a Global Director of Learning who is 100% focused on enabling us to learn faster to grow faster by coordinating increasingly consistent global learning programs. The level of global interaction of our tribe-mates around key aspects of strategic execution is increasing exponentially and a mantra of learning faster to grow faster is permeating our language and actions. Now I'll turn the call over to Sara, who will provide you with a financial update on the business.

Sara Hyzer
VP of Finance, Treasurer & CFO

Thanks, Steve. Thank you for that overview of our sales results. While our top line results this quarter were lighter than we had expected, we continue to believe that most of our top line growth this year will be weighted towards the second half of the year. Currency continues to be a headwind for us. On a constant currency basis, net sales would have increased 4% compared to the second quarter of last year.

Let's start with a discussion about our business model and the long-term targets we use to guide our business. We target our gross margin to be at or above 55% of net sales. Our goal is to drive our cost of doing business which is our total operating expenses, excluding depreciation and amortization, toward 30% of net sales over time. Finally, we target EBITDA to be at 25% over time.

The model has been under pressure lately due to the inflationary environment we continue to operate in. The first phase of our margin restoration plan, which was driven by tactical price increases is working. We saw 860 basis points of lift due to price increases last quarter and 910 basis points this quarter.

Last quarter, I shared with you that we believe we would continue to see sequential margin improvement coming into the second quarter. Our gross margin declined slightly from the first quarter by 60 basis points, which is a disappointment but progress is seldom linear, and many factors impact gross margin changes quarter-to-quarter. We still believe our full year gross margin will be above 51% but have narrowed the top end of the range down to 52%.

We know we still have a lot of work to do to return our margins to our targeted levels. The good news is we are making fantastic progress on gross margin in both our Asia Pacific and EMEA trading blocks. Unfortunately, we are not seeing as much progress as we had expected in the Americas where our inventory levels have been the highest, and it is taking longer to work through the higher cost inventory levels than previously expected.

As sales volumes improve and we continue to work our way through the inventory that remains on our balance sheet, we will realize benefits of both price increases and lower commodity costs, which we expect will positively impact our gross margin. Our gross margin target of 55% is an important component of our business model. And Steve and I remain committed to restoring gross margin to our target of 55%.

Let's take a closer look at gross margin this quarter as compared to the second quarter of last year. In the second quarter, our gross margin was 50.8% compared to 50.4% last year. This represents an improvement of 40 basis points year-over-year. Price increases, which have been implemented across all markets and geographies, positively impacted our gross margin by 910 basis points this quarter.

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I continue to be very pleased with the positive impact our pricing actions have had on our gross margin. While changes in foreign currency exchange rates are a headwind to the business overall, it did positively impact gross margin by 90 basis points this quarter compared to the prior year. This impact is due to fluctuations in exchange rates for the euro against the pound sterling in our EMEA segment.

The euro strengthened against the pound sterling, resulting in a favorable foreign currency transaction impact. These positive impacts to gross margin were mostly offset by changes in major input costs, which includes specialty chemicals and aerosol can costs. And these costs when combined, negatively impacted our gross margin by 810 basis points. Higher costs associated with specialty chemical costs negatively impacted our margin by 410 basis points, and the remaining 400 basis points came from higher costs associated with aerosol cans.

Raw material costs for both steel and tin plate were at historic highs when we source them. In addition, in EMEA, higher energy and labor costs continue to negatively impact the cost of aerosol cans. Gross margin was also negatively impacted by 90 basis points from higher filling fees paid to our third-party contract manufacturers, primarily in the Americas.

We are beginning to see input costs stabilize and we are hopeful that this trend will persist, but it continues to be a dynamic environment. We remain confident that our plans to rebuild gross margin, coupled with the advancement of our gross margin accretive must win battles will enable us to deliver on our long-term goals.

It will still take some time, but we will continue to take the necessary actions to restore our gross margin to 55% or higher. That completes the gross margin discussion. Now on to the 30, the cost of doing business. In the second quarter, our cost of doing business was 33% compared to 30% last year, but it did improve from 36% in the first quarter as revenues improved, and we continue to manage our expenses. The cost of doing business is primarily comprised of 3 areas: investments in the tribe, investments in brand building and freight expense to get our products to our customers. This quarter, our cost of doing business increased by $3.3 million or 8% due to higher employee-related expenses and increased travel and median expenses compared to the prior year second quarter.

Although our cost of doing business increased, our cost of doing business as a percentage of sales was impacted more significantly due to the lack of revenue growth this quarter compared to the prior year second quarter. This brings us to EBITDA, the last of the 55/30/25 measures. EBITDA was 19% of net sales this quarter, which is down from 21% compared to last year, but an improvement from 17% in the first quarter.

EBITDA has been under pressure due to the current inflationary environment. Prior to fiscal year 2022, we have consistently delivered EBITDA of between 20% and 22%. My first priority is to get us back above 20% as we continue to focus on rebuilding our gross margins and look for sales volumes to recover post price increases. Once we are consistently back at our historic 20% to 22% level, then we will look to leverage the business over the long term towards our 25% aspirational target.

That completes the discussion on our business model. Now let's discuss some items that fall below the EBITDA line. Net income for the second quarter was $16.5 million versus $19.5 million in the prior year reflecting a decrease of 15%. Changes in foreign currency exchange rates had an unfavorable impact on net income. On a constant currency basis, net income would have declined 10% compared to the second quarter of last year.

Diluted earnings per common share for the quarter were $1.21 compared to $1.41 for the same period last year. Now a word on our capital allocation strategy. Our capital allocation strategy includes a comprehensive approach to balance investing in long-term growth and providing strong returns for our stockholders. In addition to investing for future growth, we also focus on returning capital to our stockholders.

Historically, our business model has been asset-light, which has typically require low levels of capital investment, roughly between 1% and 2% of sales. As we have previously disclosed, in fiscal year 2023,

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we expect to invest about $9 million in capital projects. Excess capital generated by the business is then allocated to the highest return alternatives.

Annual dividends will continue to be targeted at greater than 50% of earnings. On March 21, our Board of Directors declared a quarterly cash dividend of $0.83 per share. I indicated last quarter that we may elect to slow down our stock purchases under our current share buyback plan and utilize that cash to repay a portion of our current debt during the remainder of this fiscal year.

During the second quarter, we repurchased approximately 9,000 shares of our stock at a total cost of approximately $1.6 million under the plan. Now let's chat about our inventory. Inventory levels continue to have our attention. For the duration of the pandemic, we have been intentionally building up certain raw material components and finished goods, particularly in the United States in order to be very agile and ensure adequate supply of our products. Disruptions experienced due to pandemic-related conditions required us to expand our Aerosol filler network.

And as a direct result of these choices, we have experienced increases in the capacity and flexibility of our supply chain. This has enabled us to better meet market demand for our products. We believe this was a good use of our working capital. With most of that disruption behind us, we believe inventory levels peaked in the first quarter of this year and are now heading in the right direction.

Our inventory levels have gone from approximately $119 million at the end of the first quarter to $109 million at the end of the second quarter, which is a reduction of almost 10%. We anticipate our inventory levels will continue to decline for the rest of fiscal year 2023. I do not believe that we will be at pre-COVID inventory levels anytime soon as the environment . Today remains dynamic and requires us to carry higher levels of inventory than we have historically.

So with that, let's turn to guidance. As Steve indicated earlier, we expect sales volume performance to improve in the second half of fiscal year 2023 as price-related disruptions abate. We expect strong sales in the remaining 2 quarters of fiscal year 2023, but the recovery of our sales volumes impacted by the disruptions caused by our pricing actions has been slower than we originally anticipated, and we no longer believe that we will fully recover those losses in the back half of this year.

In addition, interest rates have continued to rise, which is negatively impacting our results. Accordingly, we have updated our fiscal year 2023 guidance. We expect assuming foreign currency exchange rates remain close to current levels, Net sales growth is projected to be between 3.5% and 7.5%, with net sales between $535 million and $560 million. Gross margin for the full year is expected to be between 51% and 52%.

Advertising and promotion investment is expected to be between 5% and 5.5% of net sales. The provision for income tax is expected to be around 21%. Net income is projected to be between $64.5 million and $68.5 million. And diluted earnings per share is expected to be between $4.80 and $5 based on an estimated 13.6 million weighted average shares outstanding.

Our projections for fiscal year 2023 reflect fluctuating foreign currency exchange rates. Without those currency headwinds, our sales growth projections would have been between 6.5% and 11.5% of net sales. We also want to remind everyone that there are dynamics outside our control that may impact our fiscal year 2023 results, unanticipated inflationary headwinds and other unforeseen events. This guidance does not include any future acquisitions or divestitures. That completes the financial overview. Now back to you, Steve.

Steven A. Brass
CEO, President & Director

In summary, what did you hear from us on this call? You heard that foreign currency exchange headwinds continue to negatively impact sales results and in constant currency sales grew 4% in the second quarter.

You heard that we've experienced solid sales of WD-40 Multi-Use Product in many priority markets year-to-date. You heard that sales of WD-40 Specialist were up 13% year-to-date. You heard that we continue to make outstanding progress in digital and e-commerce and that our e-commerce sales have grown 34%

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year-to-date. You heard that 84% of our tribe mates believe our company actively promotes and values diversity, 78% agreed that WD-40 Company is an equitable place to work, 89% believe our culture is an inclusive one and 92% of our tribe mates experience a sense of belonging here.

You heard that although we continue to experience pressure on gross margin, we're making progress in our margin restoration plan and remain committed to restoring margins to our target of 55% plus. You heard that we continue to return capital to investors through regular dividends. You heard that it's looking like the month of March, though not yet fully finalized from an accounting perspective, will be a new record sales month for the company.

And you heard that for the remainder of the year, we expect strong top and bottom line growth. Sales growth in constant currency is expected to be between 6.5% and 11.5%. In closing today, I'd like to share with you a quote from Buzz Aldrin. Keep in mind that progress is not always linear. It takes constant course correcting and often a lot zigzagging. Thank you for joining our call today. We would now be pleased to take your questions.

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Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Daniel Rizzo with Jefferies.

Daniel Dalton Rizzo
Jefferies LLC, Research Division

If we just think about inventory for a second. I guess how should we think about inventory turnover for -- I guess, for 2023 and over the longer term. What's kind of the goal versus where we kind of are now?

Sara Hyzer
VP of Finance, Treasurer & CFO

Daniel, good to hear from you. This is Sara. So inventory is starting to turn, which we're very pleased to see. I think we had anticipated it starting to turn this quarter, and we do expect it to continue to turn towards the back half of the year in the right direction. We've always targeted close to around 3 months of inventory pre-COVID.

The reality is, I think we're well north of -- it is dependent by region. So certain regions are closer to the 3 months. And in the Americas, we are well beyond the 3 months. I think it's 6 to 9 months depending on product lines. So we are well north of our historical targets. We are working back to those. And I don't think we'll get there before the end of the year, but we are trending in the right direction.

Daniel Dalton Rizzo
Jefferies LLC, Research Division

Is there something about the Americas that makes it, I guess, tougher logistically than the other regions? I don't know if it's just your -- go ahead.

Sara Hyzer
VP of Finance, Treasurer & CFO

Yes. No. So most of it comes to just the supply chain recovery efforts that the that we put in place last year and the expansion of the filler network. So any time we're expanding that filler network, you want to make sure you have enough inventory on hand, and with just the difficulty in getting the right components in place and making sure we have the right raw materials and components to take advantage of line time when it was becoming available, we did intentionally build up that inventory to both support the Americas in the supply chain recovery efforts last year. So that was intentional.

Daniel Dalton Rizzo
Jefferies LLC, Research Division

Okay. And then it seems that almost all of the volume or the price hikes that caused some volume declines was in Europe, but the other regions were kind of okay. Or am I not thinking about that right? And if I am thinking about it right, why is that, I guess? Why would [indiscernible] curve there as opposed to the Americas or APAC?

Steven A. Brass
CEO, President & Director

Yes. So Dan, it's Steve. So in terms of volume, the volume versus price situation, so it has been improving. So we started the year with a kind of a loss of volume. If you look back to September, we were at like 23% volume loss overall. And we've recovered to about 17% by the end of February. It's linked to the price increase timing of the execution of the price increases.

So the Americas having gone first in the third quarter of last fiscal year, they've been the first to drive improved volume. So you can see that pretty clearly in the mix. Americas volumes have recovered quickest, EMEA has obviously got the loss of the Russian business still in there. Recall that the Russian

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business is about 7% or 8% of EMEA volume. So that's why EMEA volumes look higher. And then we did indicate in our comments that EMEA has been recovering and in March had a very, very strong recovery. So we do see that turning around quite quickly now.

Operator

Your next question comes from the line of Linda Bolton-Weiser with D.A. Davidson.

Linda Ann Bolton-Weiser
D.A. Davidson & Co., Research Division

Yes. So another question I have on the volume versus price. And I think you disclosed in the 10-Q last quarter, what that was for the full quarter globally. Can you just give it to us for the full quarter globally what the breakdown volume versus price was?

Sara Hyzer
VP of Finance, Treasurer & CFO

So that's the total [indiscernible] down there.

Steven A. Brass
CEO, President & Director

Yes, Linda, so we didn't have that in the 10-Q when it comes out. So the increase -- year-to-date increase in selling price has been $50 million. And then the total decrease in volume has been -- so we've got $8 million from Russia and all of the markets of $36 million. And then you obviously have $15 million of currency impact as well.

Linda Ann Bolton-Weiser
D.A. Davidson & Co., Research Division

Okay. And -- so maybe you could just give us like a better number. Like you said volume by the end of February was down 17%. But what does that look like in the U.S. or in the Americas? Because I think you said last quarter in U.S. is down 7% or something. So like can you just kind of tell us how the U.S. or Americas compares to the global volume?

Steven A. Brass
CEO, President & Director

Sure. So the U.S. is just into double digits, about 12%, if I recall exactly. Americas overall was about 16% -- just below 16% Year-to-date. Asia Pacific is positive. We have volume growth in Asia Pacific of around 6% year-to-date, and EMEA at 28%, but don't forget that Russia was 7% or 8% of that number.

Linda Ann Bolton-Weiser
D.A. Davidson & Co., Research Division

So sorry, the U.S. year-to-date is down 12% of volume?

Steven A. Brass
CEO, President & Director

Yes, 12%, so yes.

Linda Ann Bolton-Weiser
D.A. Davidson & Co., Research Division

Okay. So I mean, again, like I guess I can do the math, but if it was down 7% in last quarter, the first quarter, it was down less now in the second quarter? Or is that the case?

Steven A. Brass
CEO, President & Director

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No. I think it distinguish. We spoke about market share. So POS data is different. In the first quarter, we did speak to POS data. And so our POS data, which -- so these numbers here reflect sales and overall volumes right to the market. Our POS data represents a substantial chunk of our overall business. It's hard to track overall because we're active in so many different channels, right? And so our volume in terms of the latest read in terms of market share POS data in the U.S., our category sales, I believe, were up like 17% and volumes are down just into double digits. So that's the latest status in the U.S.

Linda Ann Bolton-Weiser
D.A. Davidson & Co., Research Division

Okay. And again, sorry, that year-to-date or in the quarter?

Steven A. Brass
CEO, President & Director

Well, that is actually -- those numbers I gave you on POS are actually the last 3 months, last 3 months.

Linda Ann Bolton-Weiser
D.A. Davidson & Co., Research Division

Okay. So I think the previous analyst asked us this too, but I'm still having a hard time understanding why if the Americas is recovering volume quicker and your sales were actually strong. Why is the gross margin most disappointing in that region where it's recovering the quickest. That's what I'm having a hard time understanding.

Steven A. Brass
CEO, President & Director

That's a fair question. So I'll start with that, and maybe Sara can add to it. I think we're still cycling through because of the high inventory levels we have in the Americas, and that was done purposely for us to build up and be able to service demand.

So we've now got to a situation in Americas where we're at 99% fill rates on our core products and 98% on time in full delivery. So we're servicing fully -- almost fully all of our needs. But those inventories were purchased 6 to 9 months ago, and so they purchased at those cost prices at that time. So it's taking longer for inventories to push through.

And also, I think there is a certain element looking forward of the Americas driving volume, particularly the U.S. And so driving volume, getting back with promotions in store also may have some margin implications.

Linda Ann Bolton-Weiser
D.A. Davidson & Co., Research Division

Okay. And then so just longer term, obviously, you always historically have had promos come and go each period, but historically, when you've taken pricing like this, have you ever given back or reversed on the list prices -- or do you the always set the pricing...

Steven A. Brass
CEO, President & Director

No, we've...

Linda Ann Bolton-Weiser
D.A. Davidson & Co., Research Division

Yes, go ahead.

Steven A. Brass
CEO, President & Director

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No, we've never. So I've been here 32 years. We've never gone down with pricing once we've gone up. What we tend to do is if the situation changes with commodities over time, then we may promote to the end user and give the end user extra value with something like an extra ounce as promotional or something. So we have done that historically yet.

Linda Ann Bolton-Weiser
D.A. Davidson & Co., Research Division

Okay. And then I guess the pricing benefit in gross margin in the quarter was very close to what we had projected, but the impact of the higher petroleum-based input and [indiscernible] can cost was more negative. So I'm just wondering like I know it's hard for us to know what you're pulling through these things.

But [Ohio] has wrapped. So why is it that was still such a negative? And do you think there will be neutral to gross margin in third quarter those inputs or annual fourth quarter?

Sara Hyzer
VP of Finance, Treasurer & CFO

Linda, it's Sara. So it is challenging to compare some of the decreases in the spot prices that we're seeing to exactly what we're seeing from what we're paying for our commodity pricing currently. We are seeing some benefits, but they're not as significant as what we're seeing in the spot pricing because of the offset to labor and energy costs are kind of offsetting the benefits that we could be seeing in the future on the spot pricing.

But for the quarter, part of that is just, again, working through the levels of the inventory. So what we had anticipated to work through this quarter, while volumes are improving, they were not improving as fast as we had hoped. And so that's partly why the margin didn't pick up as much as we had hoped during the quarter.

Linda Ann Bolton-Weiser
D.A. Davidson & Co., Research Division

Yes. Okay. And then [indiscernible] recent volume issue that you had said previously that for the year, you had baked in kind of volume flat to down slightly. So what would be baked in right now to the guidance that you've given now for volume for the year?

Steven A. Brass
CEO, President & Director

Yes. So it's hard to call. There's certainly different variables. So probably at the start of the year, we did say that we thought that volumes were going to be kind of flat to slightly negative. You have to factor out the kind of Russian loss as a one-off kind of loss, right, which was 4% of our overall volumes, but we have a half year of that. And I think we kind of see it as a little bit higher than kind of low single digits. It's probably going to be more towards the kind of low single -- double digits to high single digits.

But there's a lot of variables out there, right? So you do have a lot of markets around the world where footfall is a little lighter than we would like footfall in retail stores has fallen off by maybe 10% to 15%. So that's a variable that's out there and where that goes in the future. So yes, I think we're looking at negative high single digits to low double digits.

Linda Ann Bolton-Weiser
D.A. Davidson & Co., Research Division

Okay. And then finally, one last thing. Just on the interest expense. I mean it was kind of higher than we had modeled in the quarter. Do you have a guidance of for the year that we can put in our models for that?

Sara Hyzer
VP of Finance, Treasurer & CFO

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Sure. Yes. So we are -- I'm happy to -- let me just -- give me 2 seconds, and I can pull that up. I would guide to a little bit north of $5 million, Linda.

Operator

Your next question comes from the line of Rosemarie Morbelli with Gabelli Funds.

Rosemarie Morbelli

Steve, I was wondering, when you are talking about March being a record top line quarter, if I understood probably, is that still mostly priced? Or are you beginning to see some volume in the March quarter -- I mean, in March month?

Steven A. Brass
CEO, President & Director

Yes. So we're seeing -- well, again, without results being fully final, so this is directional. We're seeing a big improvement in volumes. And that's particularly been noticeable in Europe. And so Europe went through the same kind of disruption at the U.S. They're just a quarter behind the Americas. So the recovery in Europe is really starting to happen now as we emerge from kind of 6 months or so post price increases. We have much greater promotional activity in market. And so yes, in particular, in Europe, you're seeing a strong volume recovery.

Rosemarie Morbelli

Okay. And then when we look at inflation, you touched on the higher cost of labor and the higher cost of cans even though some of your raw materials are coming down. Can you put a number on the inflation -- in the inflation increase that you are seeing? And do you have enough price to cover it? Or do you need to raise prices some more?

Sara Hyzer
VP of Finance, Treasurer & CFO

So if we're -- obviously, the can is made up of a few different components, but -- if we were to break that down a little bit, the can, so the physical can itself I think what we're looking at this year versus last year is going to be relatively flat globally. We have some regions that are slightly up in some regions that are slightly down.

So while the tin plate spot prices coming down, the cost to convert that into our physical can is higher when you compare it to prior year. So there are some offsets that are happening there. As far as the specialty chemicals, I mean, what we're buying at today versus what we were buying at around this time last year.

Those are going to be around the high single digits, maybe low double digits depending on the region. So we are seeing some benefit of what we're actually buying there. But again, the just last week, those prices started to go back up. So those can be pretty volatile month-to-month depending on what's happening out there. So those are just that maybe helps give some ranges. It is very different depending on kind of the makeup of the different components of the can. We're seeing differences between those buckets.

Rosemarie Morbelli

Okay. So you said that if your overall cost come down, okay, you may give an extra ounce per can or something like that, you will not reduce pricing. But if some of those costs are going up, and we know that labor is going up I am not too sure what is happening with freight, but probably nothing terribly positive. Do you need to raise prices some more? And therefore, could we see a second bout of volume decline because of that?

Steven A. Brass
CEO, President & Director

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So in terms of overall price increases, we believe we're through most of the significant price increases. And so for the rest of this fiscal year, it's about driving the volume now that we have the higher gross margin. So that's kind of the balance that we need to strike going forward for the remainder of the fiscal year. There are some limited price actions, for example, Australia had increased at the beginning of March. So they're still flushing through. There are limited incremental price actions planned in places like Latin America, but it's not overly material in the overall business. And it's about now, like I say, driving back those volumes in store after all of this disruption we faced for the last 6 months.

Rosemarie Morbelli

Okay. And lastly, if I may, Steve. You have mentioned weak economic environment, weak demand and so on, based on what you see out there, we are already in a recession. And as one CEO mentioned this morning, the economist will mention in October that we are in a recession. And by the way, it started in February. Do you think that this is the case?

Steven A. Brass
CEO, President & Director

Well, I think whatever is going on in the economy and if you look back at WD-40 performance. And so last quarter, we put out our 20-year track record constant currency for multipurpose maintenance products. And if you recall, we showed growth every single year apart from 2020 where we had a small decline. And so I think whatever happens out there in the economy, and we are a global business and different things are happening in different economies at different times.

And whatever happens, we tend to stand off better than most, and we are -- we're not recession proof, but we are a very resilient business. And so we expect the kind of forecast we've given for the remainder of the year involved strong growth in the back half. We believe they have the programs in there to drive that volume, and we see better times ahead over the next couple of quarters.

Operator
Ladies and gentlemen, that does conclude our allotted time for questions. We thank you for your participation on today's conference call and ask that you please disconnect your lines.

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