CHURCH & DWIGHT CO INC /DE/
Form 10-K
February 21, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013	**Commission file number 1-10585**

CHURCH & DWIGHT CO., INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-4996950**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization)	**Identification No.)**

500 Charles Ewing Boulevard, Ewing, N.J. 08628

(Address of principal executive offices)

Registrant s telephone number, including area code: **(609) 806-1200**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x

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 twelve 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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ¨ No x

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 28, 2013 (the last business day of the registrant s most recently completed second fiscal quarter) was approximately $8.5 billion. For purposes of making this calculation only, the registrant included all directors, executive officers and beneficial owners of more than ten percent of the common stock (the Common Stock) of Church & Dwight Co., Inc. (the Company). The aggregate market value is based on the closing price of such stock on the New York Stock Exchange on June 28, 2013.

As of February 18, 2014, there were 137,191,728 shares of Common Stock outstanding.

Documents Incorporated by Reference

Certain provisions of the registrant s definitive proxy statement to be filed not later than April 30, 2014 are incorporated by reference in Items 10 through 14 of Item III of this Annual Report on Form 10-K (this Annual Report).

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CAUTIONARY NOTE ON FORWARD-LOOKING INFORMATION

This Annual Report contains forward-looking statements, including, among others, statements relating to sales and earnings growth; the effect of product mix; volume growth, including the effects of new product launches into new and existing categories; the impact of unit dose laundry detergent; impairment of an affiliated company; consumer demand and spending; the effects of competition; earnings per share; gross margin changes; trade and marketing spending; marketing expense as a percentage of net sales; cost savings programs; the Company s hedge programs; the impact of foreign exchange and commodity price fluctuations; the Company s share repurchase programs; the impact of acquisitions; capital expenditures; the sales impact related to the Company s information systems upgrade; the effective tax rate; the impact of tax audits; tax changes and the lapse of applicable statutes of limitations; facility restructuring charges; the impact of trade name impairment charges; environmental and regulatory matters; availability of raw materials; the effect of the credit environment on the Company s liquidity and capital expenditures; the Company s fixed rate debt; compliance with the minimum interest coverage ratio requirement and the maximum leverage ratio requirement under the Credit Agreement; the Company s commercial paper program; sufficiency of cash flows from operations; the Company s current and anticipated future borrowing capacity to meet capital expenditure program costs; payment of dividends; actual voluntary and expected cash contributions to pension plans; investments in the Natronx Technologies, LLC (Natronx) joint venture; and adequacy of trona reserves. These statements represent the intentions, plans, expectations and beliefs of the Company, and are subject to risks, uncertainties and other factors, many of which are outside the Company s control and could cause actual results to differ materially from such forward-looking statements. Factors that might cause such differences include a decline in market growth, retailer distribution and consumer demand (as a result of, among other things, political, economic and marketplace conditions and events); unanticipated increases in raw material and energy prices; adverse developments affecting the financial condition of major customers and suppliers; competition, including the entrance of The Procter & Gamble Company into the value detergent category; changes in marketing and promotional spending; growth or declines in various product categories and the impact of customer actions in response to changes in consumer demand and the economy, including increasing shelf space of private label products; consumer and competitor reaction to, and customer acceptance of, new product introductions and features; disruptions in the banking system and financial markets; foreign currency exchange rate fluctuations; the impact of natural disasters on the Company and its customers and suppliers, including third party information technology service providers; the acquisition or divestiture of assets; the outcome of contingencies, including litigation, pending regulatory proceedings and environmental matters; and changes in the regulatory environment.

For a description of additional factors that could cause actual results to differ materially from the forward looking statements, please see Item 1A, Risk Factors in this Annual Report.

The Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by the United States federal securities laws. You are advised, however, to consult any further disclosures the Company makes on related subjects in its filings with the United States Securities and Exchange Commission (the Commission).

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PART I

ITEM 1. BUSINESS
GENERAL

The Company, founded in 1846, develops, manufactures and markets a broad range of household, personal care and specialty products. The Company sells its consumer products under a variety of brands through a broad distribution platform that includes supermarkets, mass merchandisers, wholesale clubs, drugstores, convenience stores, home stores, dollar, pet and other specialty stores and websites, all of which sell the products to consumers. The Company also sells specialty products to industrial customers and distributors.

The Company focuses its consumer products marketing efforts principally on its nine power brands. These well-recognized brand names include ARM & HAMMER (used in multiple product categories such as baking soda, cat litter, carpet deodorization and laundry detergent), TROJAN condoms, lubricants and vibrators, OXICLEAN stain removers, cleaning solutions, laundry detergent and bleach alternatives, SPINBRUSH battery-operated toothbrushes, FIRST RESPONSE home pregnancy and ovulation test kits, NAIR depilatories, ORAJEL oral analgesics and XTRA laundry detergent. The ninth power brand is the combination of the L IL CRITTERS and VITAFUSION brand names for the Company s gummy vitamin dietary supplement business. The Company considers four of these brands to be mega brands : ARM & HAMMER, OXICLEAN, TROJAN and L IL CRITTERS and VITAFUSION, and is giving greatest focus to the growth of these brands.

The Company s business is divided into three primary segments: Consumer Domestic, Consumer International and Specialty Products Division (SPD). The Consumer Domestic segment includes the power brands and other household and personal care products such as SCRUB FREE, KABOOM and ORANGE GLO cleaning products, ANSWER home pregnancy and ovulation test kits, ARRID antiperspirant and CLOSE-UP and AIM toothpastes. The Consumer International segment primarily sells a variety of personal care products, some of which use the same brands as the Company s domestic product lines, in international markets, including Canada, France, Australia, the United Kingdom, Mexico and Brazil. The SPD segment is the largest United States (U.S.) producer of sodium bicarbonate, which it sells together with other specialty inorganic chemicals for a variety of industrial, institutional, medical and food applications. This segment also sells a range of animal nutrition and specialty cleaning products. In 2013, the Consumer Domestic, Consumer International and SPD segments represented approximately 75%, 17% and 8%, respectively, of the Company s net sales.

All domestic brand rankings contained in this Annual Report are based on dollar share rankings from ACNielsen AOC (All Outlets Combined) for the 52 weeks ending December 21, 2013. Foreign brand rankings are derived from several sources.

FINANCIAL INFORMATION ABOUT SEGMENTS

As noted above, the Company s business is organized into three reportable segments: Consumer Domestic, Consumer International and SPD. These segments are based on differences in the nature of products and organizational and ownership structures. The businesses of these segments generally are not seasonal, although the Consumer Domestic and Consumer International segments are affected by sales of SPINBRUSH and ARM & HAMMER battery-operated toothbrushes (which typically are higher during the fall, in advance of the holiday season), sales of NAIR depilatories and waxes (which typically are higher in the spring and summer months), and sales of VITAFUSION and L IL CRITTERS dietary supplements (which typically are slightly higher in the fourth quarter of each year, in advance of the cold and flu season and renewed commitments to health). Information concerning the net sales, operating income and identifiable assets of each of the segments is set forth in Note 18 to the consolidated financial statements included in this Annual Report and in Management s Discussion and Analysis of Financial Condition and Results of Operations, which is Item 7 of this Annual Report.

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CONSUMER PRODUCTS

Consumer Domestic

Principal Products

The Company s founders first marketed baking soda in 1846 for use in home baking. Today, this product has a wide variety of uses in the home, including as a refrigerator and freezer deodorizer, scratch-free cleaner and deodorizer for kitchen surfaces and cooking appliances, bath additive, dentifrice, cat litter deodorizer and swimming pool pH stabilizer. The Company specializes in baking soda-based products, as well as other products which use the same raw materials or technology or are sold in the same markets. In addition, this segment includes other deodorizing and household cleaning products, as well as laundry and personal care products. The following table sets forth the principal products of the Company s Consumer Domestic segment.

Type of Product	**Key Brand Names**
Household	ARM & HAMMER Baking Soda
	ARM & HAMMER Carpet Deodorizers
	ARM & HAMMER Cat Litter Deodorizer
	ARM & HAMMER Clumping Cat Litters
	ARM & HAMMER Powder, Liquid and Unit Dose Laundry Detergents
	ARM & HAMMER Super Washing Soda
	ARM & HAMMER FRESH N SOFT Fabric Softeners
	CLEAN SHOWER Daily Shower Cleaner
	FELINE PINE Cat Litter
	KABOOM Cleaning Products
	NICE N FLUFFY Fabric Softeners
	ORANGE GLO Cleaning Products
	OXICLEAN Dishwashing Booster
	OXICLEAN Laundry and Cleaning Solutions
	SCRUB FREE Bathroom Cleaners
	XTRA Fabric Softeners
	XTRA Powder and Liquid Laundry Detergents
Personal Care	AIM Toothpaste
	ANSWER Home Pregnancy and Ovulation Test Kits
	ARM & HAMMER Deodorants and Antiperspirants

ARM & HAMMER Toothpastes

ARM & HAMMER TOOTH TUNES Toothbrushes

ARRID Antiperspirants

CLOSE-UP Toothpaste

FIRST RESPONSE Home Pregnancy and Ovulation Test Kits

L IL CRITTERS Dietary Supplements

MENTADENT Toothpaste and Toothbrushes

NAIR Depilatories, Lotions, Creams and Waxes

ORAJEL Oral Analgesics

PEPSODENT Toothpaste

SIMPLY SALINE Nasal Saline Moisturizer

SPINBRUSH Battery-operated Toothbrushes

TROJAN Condoms, Lubricants and Vibrating Products

VITAFUSION Dietary Supplements

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Household Products

In 2013, household products constituted approximately 60% of the Company s Domestic Consumer sales and approximately 45% of the Company s total sales.

The ARM & HAMMER trademark was adopted in 1867. ARM & HAMMER Baking Soda remains the number one leading brand of baking soda in terms of consumer recognition of the brand name and reputation for quality and value. The deodorizing properties of baking soda have led to the development of several baking soda-based household products. For example, the Company markets ARM & HAMMER FRIDGE FRESH, a refrigerator deodorizer equipped with a baking soda filter to help keep food tasting fresher, and ARM & HAMMER Carpet Deodorizer.

The Company s laundry detergents constitute its largest consumer business, measured by net sales. The Company markets its ARM & HAMMER brand laundry detergents in powder, liquid and unit dose forms as value products, priced at a discount from products identified by the Company as market leaders. The Company markets its XTRA laundry detergent in both powder and liquid forms at a slightly lower price than ARM & HAMMER brand laundry detergents. The Company also markets XTRA LASTING SCENTSATIONS and XTRA FRESCO SCENTSATIONS, a line of highly fragranced and concentrated liquid laundry detergents, and OXICLEAN laundry stain fighting additives. OXICLEAN is the number one brand in the laundry stain fighting additive market in the U.S. The Company markets ARM & HAMMER PLUS OXICLEAN liquid and powder laundry detergents, combining the benefits of these two powerful laundry detergent products, and ARM & HAMMER CRYSTAL BURST and ARM & HAMMER TOSS N DONE unit dose laundry detergents. In 2013, the Company launched ARM & HAMMER Ultra Power, a 4X concentrated liquid laundry detergent, and two new fragrances within its XTRA line: WARM VANILLA COMFORT and SENSITIVE SCENTS Rain Lily & Aloe. In 2014, the Company will launch ARM & HAMMER PLUS OXICLEAN Ultra Power liquid detergent, an ultra-concentrated version of ARM & HAMMER PLUS OXICLEAN, ARM & HAMMER CLEAN SCENTSATIONS, a line of liquid detergents with fragrances inspired by U.S. National Parks, OXICLEAN laundry detergent, a premium-priced line of liquid, powder and unit dose laundry detergents, and OXICLEAN WHITE REVIVE, a line of bleach alternatives in both powder and unit dose forms.

The Company s laundry products also include fabric softener sheets that prevent static cling and soften and freshen clothes. The Company markets ARM & HAMMER FRESH N SOFT fabric softeners and offers a liquid fabric softener, NICE N FLUFFY, at a slightly lower price enabling the Company to compete at several price points.

The Company also markets a line of cat litter products, including ARM & HAMMER SUPER SCOOP clumping cat litter and ARM & HAMMER ULTRA LAST, a longer lasting clumping cat litter. Other products include ARM & HAMMER Multi-Cat cat litter, designed for households with more than one cat, ARM & HAMMER ESSENTIALS clumping cat litter, a corn-based scoopable litter made for consumers who prefer to use products made with natural ingredients, and ARM & HAMMER Double Duty cat litter, which eliminates both urine and feces odors on contact. The Company markets its FELINE PINE cat litter in the natural litter segment, complementing the Company s ARM & HAMMER branded cat litter business and positioning the Company as a leading supplier of natural cat litter. In December 2013, the Company introduced a new line of clumping cat litter, ARM & HAMMER CLUMP & SEAL, designed to help cat owners enjoy an odor-free home.

In addition, the Company markets a line of household cleaning products including CLEAN SHOWER daily shower cleaner, and SCRUB FREE bathroom cleaners. The Company also markets KABOOM bathroom cleaners, ORANGE GLO household cleaning products and OXICLEAN Dishwashing Booster, which removes cloudy film and food particles on glasses and dishes. In 2013, the Company introduced KABOOM no-drip foam, a spray product designed to eliminate bathroom mold and mildew. In 2014, the Company will launch KABOOM SHOWER GUARD, a daily shower cleaning product, and will extend its OXICLEAN brand by launching its first-ever OXICLEAN automatic dishwasher dishwashing detergent.

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Personal Care Products

The Company s personal care business was founded on the unique strengths of its ARM & HAMMER trademark and baking soda technology. The Company has expanded its personal care business through its acquisition of antiperspirants, oral care products, depilatories, reproductive health products, oral analgesics, nasal saline moisturizers and dietary supplements under a variety of other leading brand names. In 2013, Personal Care Products constituted approximately 40% of the Company s Consumer Domestic sales and approximately 30% of the Company s total sales.

ARM & HAMMER Baking Soda, when used as a dentifrice, helps whiten and polish teeth, removes plaque and leaves the mouth feeling fresh and clean. These properties led to the development of a complete line of sodium bicarbonate-based dentifrice products which are marketed and sold nationally primarily under the ARM & HAMMER DENTAL CARE and ARM & HAMMER ADVANCE WHITE brand names, including a line of toothpaste for sensitive teeth under the ARM & HAMMER brand. In 2014, the Company will introduce ARM & HAMMER TRULY RADIANT toothpaste.

The Company also manufactures in the U.S. and markets in the U.S. (including Puerto Rico) and Canada CLOSE-UP, PEPSODENT and AIM toothpastes, which are priced at a discount from the market leaders, and the MENTADENT brand of toothpaste and toothbrushes. In addition, the Company markets deodorant and antiperspirant products under the ARM & HAMMER and ARRID brand names.

Condoms are recognized as highly reliable contraceptives as well as an effective means of reducing the risk of sexually transmitted diseases. The Company s TROJAN condom brand is the number one condom brand in the U.S., and has been in use for more than 90 years. The brand includes such products as ECSTASY, TROJAN EXTENDED PLEASURE, HER PLEASURE, TWISTED PLEASURE, SHARED PLEASURE, MAGNUM and FIRE & ICE, TROJAN CHARGED, a condom with a sensate lubricant that has heating, cooling and tingling properties, and TROJAN Vibrations, a line of vibrating products. In 2013, the Company launched a line of lubrication products under the TROJAN brand and TROJAN PURE ECSTASY condoms. In 2014, the Company will introduce line extensions into the TROJAN lubricant line and market two new condoms: TROJAN DOUBLE ECSTASY and TROJAN MAGNUM ribbed. The Company will also introduce two new vibrating products under its TROJAN Vibrations line.

The Company markets SPINBRUSH battery-operated toothbrushes in the U.S. (including Puerto Rico), the United Kingdom, Canada, France, China and Australia. In 2013, the SPINBRUSH battery-operated toothbrush was the number one leading brand of battery-operated toothbrushes in the U.S. The Company also markets SPINBRUSH PROCLEAN toothbrushes, a two-speed version of the product, SPINBRUSH PROCLEAN Recharge, a rechargeable toothbrush offering up to one week of power brushes between charges, SPINBRUSH PROCLEAN Sonic, a value high speed battery-operated toothbrush which competes with much more expensive sonic toothbrushes, and ARM & HAMMER TOOTH TUNES battery-operated toothbrushes, with proprietary technology that delivers music while brushing. In 2013, the Company launched additional song offerings under its TOOTH TUNES brand, including songs by the band One Direction. In 2014, the Company will introduce a line of SPINBRUSH TRULY RADIANT toothbrushes.

The Company markets two lines of home pregnancy and ovulation test kits. Its FIRST RESPONSE brand of diagnostic kits includes a home female fertility test. Its ANSWER home pregnancy and ovulation test kits compete in the value segment of the market. In 2014, the Company will launch an enhanced FIRST RESPONSE pregnancy test kit that can tell a woman that she is pregnant up to six days before her expected period, with 99% accuracy from the day of her missed period.

The Company s NAIR depilatory brand is the number one selling depilatory brand in the U.S., with innovative products that address consumer needs for quick, complete and longer-lasting hair removal. The Company offers a full array of depilatory products for women, men and teens under the NAIR brand name, including Cool Gel, SHOWER POWER, Roll-On, Milk N Honey, and Brazilian Spa Clay products for both depilatory and wax. In 2013, the Company added to this line with its NAIR TOTAL CARE body and face trios.

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In 2014, the Company will introduce four new NAIR hair-removal products: two products under the new NAIR Argan Oil line, NAIR FOR MEN SHOWER POWER and NAIR SPRAYS AWAY.

The Company markets ORAJEL oral analgesics, which includes products for adults as well as babies, including ORAJEL Cooling Cucumber Teething Gel and BABY ORAJEL Tooth and Gum Cleanser. The ORAJEL teething and toothache line of products is the number one brand in the U.S. In 2013, the Company launched a single dose cold sore product under the ORAJEL brand. In 2014, the Company will introduce several teething and toothache line extensions with licensed characters under the ORAJEL trademark.

The Company markets and sells the L IL CRITTERS children s gummy vitamin dietary supplement line and the VITAFUSION adult gummy vitamin dietary supplement line, both number one leading brands in the gummy-form dietary supplement category. The Company also markets and sells a line of gummy probiotics under the ACCUFLORA brand name, and private label gummy vitamins. In 2014, the Company will introduce two new lines of gummy vitamin dietary supplements: VITAFUSION MULTIVITES PLUS and L IL CRITTERS GUMMY VITES PLUS.

The Company markets the SIMPLY SALINE brand of nasal saline moisturizers in the U.S., complementing the Company s STERIMAR brand nasal saline solution business in Europe and other parts of the world. The Company also markets BATISTE dry shampoo in the U.S.

Consumer International

The Consumer International segment markets a variety of personal care products, household and over-the-counter products in international markets, including Canada, France, Australia, the United Kingdom, Mexico and Brazil.

Total Consumer International net sales represented approximately 17% of the Company s consolidated net sales in 2013. Net sales of the subsidiaries located in Canada, the United Kingdom, France and Australia accounted for 37%, 18%, 15% and 11%, respectively, of the Company s 2013 international net sales in this segment. No other country in which the Company operates accounts for more than 10% of its total international net sales, and no product line accounts for more than 15% of total international net sales.

Certain of the Company s international product lines are similar to its domestic product lines. For example, the Company markets home pregnancy and ovulation test kits and oral care products in most of its international markets, waxes and depilatory products in virtually all international locations, TROJAN condoms in Canada and Mexico and L IL CRITTERS and VITAFUSION dietary supplements principally in Canada and Asia.

The Company has expanded distribution of ARM & HAMMER products internationally by marketing ARM & HAMMER laundry and pet care products in Canada and ARM & HAMMER laundry care products in Mexico. The Company also markets SPINBRUSH battery-operated toothbrushes internationally, primarily in the United Kingdom, Canada, France, China and Australia, and OXICLEAN products internationally, primarily in Mexico and Canada.

The Company sells PEARL DROPS dentifrice products in Europe, Canada and Australia and STERIMAR nasal hygiene products in a number of markets in Europe, Mexico, Asia and Australia. The Company also sells BATISTE dry shampoo principally in the United Kingdom, and also in Australia, France, Brazil and Mexico, the CURASH BABYCARE line of babycare products including wipes, creams and powders in Australia, and GRAVOL anti-nauseant and RUB-A535 topical analgesic in Canada.

COMPETITION FOR CONSUMER DOMESTIC AND CONSUMER INTERNATIONAL

The Company competes in the household and personal care consumer product categories, which are highly innovative categories, characterized by a continuous flow of new products and line extensions, and require

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significant advertising and promotion. The Company competes in these categories primarily on the basis of product innovation and performance, brand recognition, price, value and other consumer benefits. Consumer products, particularly laundry and household cleaning products, as well as certain toothpaste products, are subject to significant price competition. As a result, the Company from time to time may need to reduce the prices for some of its products to respond to competitive and customer pressures and to maintain market share.

Internationally, the Company competes in similar competitive categories for most of its products.

The Company s competitors include The Procter & Gamble Company (P&G), The Sun Products Corporation, The Clorox Company, Colgate-Palmolive Company, S.C. Johnson & Son, Inc., Henkel AG & Co. KGaA, Reckitt Benckiser Group plc, Johnson & Johnson, Ansell Limited, Pfizer Inc., Bayer AG, Alere Inc. (formerly known as Inverness Medical Innovations, Inc.), NBTY, Inc. and Pharmavite LLC. Many of these companies have greater financial resources than the Company and have the capacity to outspend the Company if they attempt to gain market share.

Product introductions typically involve heavy marketing costs in the year of launch, and the Company usually is not able to determine whether the new products and line extensions will be successful until a period of time has elapsed following the introduction of the new products or the extension of the product line.

Because of the competitive environment facing retailers, the Company faces pricing pressure from customers, particularly high-volume retailer store customers, who have increasingly sought to obtain pricing concessions or better trade terms. These concessions or terms could reduce the Company s margins. Furthermore, if the Company is unable to maintain price or trade terms acceptable to its customers, they could increase product purchases from competitors and reduce purchases from the Company, which would harm the Company s sales and profitability.

DISTRIBUTION FOR CONSUMER DOMESTIC

Products in the Consumer Domestic segment are marketed throughout the U.S. primarily through a broad distribution platform that includes supermarkets, mass merchandisers, wholesale clubs, drugstores, convenience stores, home stores, dollar, pet and other specialty stores, and websites, all of which sell the products to consumers. The Company employs a sales force based regionally throughout the U.S. that utilizes the services of independent food brokers, who represent the Company s products in the food, pet, dollar and club classes of trade. The Company s products are stored in Company plants and third-party owned warehouses and are either delivered by independent trucking companies or picked up by customers at the Company s facilities.

DISTRIBUTION FOR CONSUMER INTERNATIONAL

Products in the Consumer International segment are marketed primarily through a broad distribution platform that includes supermarkets, wholesale clubs, pharmacies and drugstores, convenience stores and discount stores. The Company s Consumer International distribution network reflects capacity and cost considerations in the regions served. In Canada, Mexico and Australia, finished goods are warehoused internally and shipped directly to customers through independent freight carriers. In the United Kingdom, domestic product distribution is subcontracted to professional distribution companies, while export product distribution is handled internally and shipped from the Company s warehouses. In France, distribution of consumer products to mass markets is handled internally while distribution of the Company s over-the-counter products to pharmacies and professional diagnostics to laboratories is handled by outside agencies. In Brazil and China, all product distribution is subcontracted to professional distribution companies.

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Specialty Products Division

Principal Products

The Company s SPD segment focuses on sales to businesses and participates in three product areas: Specialty Chemicals, Animal Nutrition and Specialty Cleaners, and accounted for approximately 8% of the Company s consolidated net sales in 2013. The following table sets forth the principal products of the Company s SPD segment.

Type of Product	**Key Brand Names**
Specialty Chemicals	ARM & HAMMER Performance Grade Sodium Bicarbonate ARMAND PRODUCTS COMPANY Potassium Carbonate and Potassium Bicarbonate(1) Enprove Ground Trona(2) Enprove Sodium Bicarbonate(2)
Animal Nutrition	ARM & HAMMER Feed Grade Sodium Bicarbonate BIO-CHLOR and FERMENTEN Rumen Fermentation Enhancers DCAD PLUS Feed Grade Potassium Carbonate(3) Megalac Rumen Bypass Fat(4) Megalac-R Omega 3 & Omega 6 Essential Fatty Acids(4) MEGAMINE-L, Rumen Bypass Lysine SQ-810 Natural Sodium Sesquicarbonate
Specialty Cleaners	ARMAKLEEN Commercial & Professional Aqueous Cleaners(5) ARMEX Blast Media(5) Commercial & Professional Cleaners and Deodorizers

(1) Manufactured and marketed by Armand Products Company (Armand), a joint venture in which the Company holds a 50% interest.
(2) Distributed and marketed by Natronx, a joint venture in which the Company holds a one-third ownership interest. Enprove is a registered trademark of FMC Corporation (FMC) that has been assigned to Natronx with the right of reversion to FMC upon a Natronx dissolution.
(3) Manufactured for the Company by Armand Products Company.
(4) Megalac is a registered trademark of Volac International Limited.
(5) Distributed in North America by The ArmaKleen Company (ArmaKleen), a joint venture in which the Company holds a 50% ownership interest.

Specialty Chemicals

The Company s specialty chemicals business primarily encompasses the manufacture, marketing and sale of sodium bicarbonate in a range of grades and granulations for use in industrial markets. In industrial markets, sodium bicarbonate is used by other manufacturing companies as a leavening agent for commercial baked goods, as an antacid in pharmaceuticals, as a carbon dioxide release agent in fire extinguishers, as an alkaline agent in swimming pool chemicals, and as a buffer in kidney dialysis.

The Company s 99.8% owned Brazilian subsidiary, Quimica Geral do Nordeste (QGN), is South America s leading provider of sodium bicarbonate. The business markets sodium bicarbonate in Brazil.

The Company and Occidental Chemical Corporation are equal partners in a joint venture, Armand, which manufactures and markets potassium carbonate and potassium bicarbonate for sale in domestic and international markets. The potassium-based products are used in a wide variety of applications, including agricultural products, specialty glass and ceramics, and potassium silicates. Armand also manufactures for the Company a potassium carbonate-based animal feed additive for sale in the dairy industry, described below under Animal Nutrition Products.

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The Company, FMC and TATA Chemicals (Soda Ash) Partners are equal partners in Natronx. The Company s investment is accounted for under the equity method. Natronx engages in the marketing and distribution of sodium-based, dry sorbents for air pollution control in electric utility and industrial boiler operations. The sorbents, primarily sodium bicarbonate and trona, are used by coal-fired utilities to remove harmful pollutants, such as acid gases, in flue-gas treatment processes.

Animal Nutrition Products

A special grade of sodium bicarbonate, as well as sodium sesquicarbonate, is sold to the animal feed market as a feed additive for use by the dairy industry as a buffer, or antacid, for dairy cattle. The Company also markets DCAD PLUS feed grade potassium carbonate, which is manufactured by Armand as a feed additive into the animal feed market.

The Company markets MEGALAC rumen bypass fat, a nutritional supplement made from natural oils, which enables cows to maintain energy levels during the period of high milk production, resulting in improved milk yields and minimized weight loss. The product and the trademark MEGALAC are licensed under a long-term license agreement from a British company, Volac International Limited.

The Company also markets BIO-CHLOR and FERMENTEN, a range of specialty feed ingredients for dairy cows, which improve rumen feed efficiency and help increase milk production.

Specialty Cleaners

The Company also provides a line of cleaning and deodorizing products for use in commercial and industrial applications such as office buildings, hotels, restaurants and other facilities.

The Company and Safety-Kleen Systems, Inc. (Safety-Kleen) are equal partners in a joint venture, ArmaKleen, which has built a specialty cleaning products business based on the Company s technology and Safety-Kleen s sales and distribution organization. In North America, this joint venture distributes the Company s proprietary product line of aqueous cleaners along with the Company s ARMEX blast media line, which is designed for the removal of a wide variety of surface coatings. The Company continues to pursue opportunities to build this industrial cleaning business using the Company s aqueous-based technology as well as the ARMEX blast media line of products.

COMPETITION FOR SPD

Competition within the specialty chemicals and animal nutrition product lines is intense. The specialty chemicals business operates in a competitive environment influenced by capacity utilization, customers leverage and the impact of raw material and energy costs. Product introductions typically involve introductory costs in the year of launch, and the Company usually is not able to determine whether new products and line extensions will be successful until a period of time has elapsed following the introduction of new products or the extension of the product lines. The Company s key competitors are Solvay Chemicals, Inc., FMC and Natural Soda, Inc.

DISTRIBUTION FOR SPD

SPD markets sodium bicarbonate and other chemicals to industrial and agricultural customers primarily throughout the U.S. and Canada. Distribution is accomplished through a dedicated sales force supplemented by manufacturers representatives and the sales personnel of independent distributors throughout the country. The Company s products in this segment are located in Company plants and public warehouses and are either delivered by independent trucking companies or picked up by customers at the Company s facilities.

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RAW MATERIALS AND SOURCES OF SUPPLY

The Company manufactures sodium bicarbonate for both its consumer and specialty products businesses at its plants located at Green River, Wyoming and Old Fort, Ohio. The primary source of soda ash, a basic raw material used by the Company in the production of sodium bicarbonate, is the mineral trona, which is found in abundance in southwestern Wyoming near the Company s Green River plant. The Company has adequate trona reserves under mineral leases to support the Company s sodium bicarbonate requirements for the foreseeable future.

The Company is party to a partnership agreement with Tata Chemicals (Soda Ash) Partners, which mines and processes trona reserves in Wyoming. Through the partnership and related supply and services agreements, the Company fulfills a substantial amount of its soda ash requirements, enabling the Company to achieve some of the economies of an integrated business capable of producing sodium bicarbonate and related products from the basic raw material. The Company also has an agreement for the supply of soda ash from another company. The partnership agreement and other supply agreements between the Company and Tata Chemicals (Soda Ash) Partners are terminable upon two years notice by either company. The Company believes that sufficient alternative sources of supply are available.

The Company believes that ample sources of raw materials are available for all of its other major products. Detergent chemicals are used in a variety of the Company s products and are available from a number of sources. Bottles, paper products and clay are available from multiple suppliers, although the Company chooses to source most of these materials from single sources under long-term supply agreements in order to gain favorable pricing. The Company also uses a palm oil fraction (by-product) in its rumen bypass fats products. Alternative sources of supply are available in case of disruption or termination of the supply agreements.

The cost of raw materials, including surfactants, diesel fuel and oil-based raw and packaging materials used primarily in the consumer businesses, continued to be high in 2013 relative to prior years. However, while the market price of ethylene-based resin was at an all-time high in 2013, the Company s cost for this material was mitigated as a result of the Company s ability to contractually lock in pricing for the first nine months of 2013. Increases in the prices of certain raw materials could materially impact the Company s costs and financial results if the Company is unable to pass such costs along in the form of price increases to its customers.

The Company utilizes the services of third party contract manufacturers around the world for certain products.

PATENTS AND TRADEMARKS

The Company s trademarks appear in upper case letters throughout this Annual Report. The majority of the Company s trademarks are registered with either the U.S. Patent and Trademark Office or with the trademark offices of many foreign countries. The ARM & HAMMER trademark has been used by the Company since 1867, and is a valuable asset and important to the successful operation of the Company s business. The Company s products are sold under many other valuable trademarks held by the Company, including TROJAN, NAIR, ORAJEL, FIRST RESPONSE, XTRA, OXICLEAN, SPINBRUSH, BATISTE, SIMPLY SALINE, FELINE PINE, L IL CRITTERS and VITAFUSION. The Company s portfolio of trademarks represents substantial goodwill in the businesses using the trademarks.

U.S. patents are currently granted for a term of 20 years from the date the patent application is filed. Although the Company actively seeks and maintains a number of patents, no single patent is considered significant to the business as a whole.

CUSTOMERS AND ORDER BACKLOG

In each of the years ended December 31, 2013, 2012, and 2011, net sales to the Company s largest customer, Wal-Mart Stores, Inc. and its affiliates (Wal-Mart), were 24%, 24% and 23% respectively, of the

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Company s total consolidated net sales. The time between receipt of orders and shipment is generally short, and as a result, backlog is not significant. No other customer accounted for more than 10% of consolidated net sales in the three year period.

RESEARCH & DEVELOPMENT

The Company conducts research and development activities primarily at its Princeton and Cranbury facilities in New Jersey. The Company devotes significant resources and attention to product development, process technology and basic research to develop differentiated products with new and distinctive features and to provide increased convenience and value to its customers. To increase its innovative capabilities, the Company engages outside contractors for general research and development in activities beyond its core areas of expertise. The Company spent $61.8 million, $54.8 million and $55.1 million on research and development activities in 2013, 2012 and 2011, respectively.

GOVERNMENT REGULATION

General

Some of the Company s products are subject to regulation by one or more U.S. agencies, including the U.S. Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), the Federal Trade Commission (FTC), the Consumer Product Safety Commission (CPSC and foreign agencies.

FDA regulations govern a variety of matters relating to the Company s products, such as product development, manufacturing, premarket clearance or approval, advertising and distribution. The regulations adopted and standards imposed by the FDA and similar foreign agencies evolve over time and can require the Company to make changes in its manufacturing processes and quality systems to remain in compliance. These agencies periodically inspect manufacturing and other facilities. If the Company fails to comply with applicable regulations and standards, it may be subject to sanctions, including fines and penalties, the recall of products and cessation of manufacturing and/or distribution.

In addition, the Company sells products that are subject to regulation under the Federal Insecticide, Fungicide and Rodenticide Act and the Toxic Substances Control Act, which are administered by the EPA. The Company also is subject to regulation by the FTC in connection with the content of its labeling, advertising, promotion, trade practices and other matters.

The CPSC administers the Poison Prevention Packaging Act, and has issued regulations requiring special child resistant packaging for certain products, including pharmaceuticals, dietary supplements, and dietary substances, containing certain ingredients (e.g., iron).

The Company s relationship with certain union employees may be overseen by the National Labor Relations Board. The Company s activities also are regulated by various agencies of the states, localities and foreign countries in which the Company sells its products.

Medical Device Clearance and Approval

To be commercially distributed in the U.S., a medical device must, unless exempt, receive clearance or approval from the FDA pursuant to the Federal Food, Drug, and Cosmetic Act (FDCA). Lower risk devices are categorized as either class I or II devices. For class II devices, the manufacturer must generally submit a premarket notification requesting clearance for commercial distribution known as a 510(k) clearance. The Company s condoms, home pregnancy and ovulation test kits are regulated as class II devices. Some low risk devices, including SPINBRUSH and ARM & HAMMER battery powered toothbrushes, are in class I and are generally exempted from the 510(k) requirement. To obtain 510(k) clearance, a device must be determined to be substantially equivalent in intended use and in safety and effectiveness to a benchmark device, or predicate that is already legally in commercial distribution. Any modification to a 510(k) cleared device that could significantly affect its safety or effectiveness, or that would constitute a change in its intended use, generally requires a new 510(k) clearance. A manufacturer may determine that a new 510(k) clearance is not required, but if the FDA disagrees, it may retroactively require a 510(k) clearance and may require the manufacturer to cease marketing or recall the modified device until 510(k) clearance is obtained.

Medical Device Postmarket Regulation

After a medical device is commercialized, numerous regulatory requirements apply, including:

- the quality system regulation, which imposes FDA current Good Manufacturing Practice (cGMP) requirements governing the methods used in, and the facilities and controls used for, the design, manufacture, packaging, servicing, labeling, storage, installation, and distribution of all finished medical devices intended for human use;

- labeling regulations, including a prohibition on product promotion for unapproved or off label uses;

- the medical device reporting regulation requiring a manufacturer to report to the FDA if its device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to recur; and

- the reports of corrections and removals regulation, which requires a manufacturer to report recalls and field actions to the FDA if initiated to reduce a risk to health posed by the device or to remedy a violation of the FDCA that may present a risk to health.

OTC Pharmaceutical

The Company markets over-the-counter (OTC) pharmaceutical products, such as toothpaste, antiperspirant, and oral analgesics products, that are also subject to FDA and foreign regulation. Under the U.S. OTC monograph system, selected OTC pharmaceutical products are generally recognized as safe and effective and do not require the submission and approval of a new drug application. The FDA OTC monographs include well-known ingredients and specify requirements for permitted indications, required warnings and precautions, allowable combinations of ingredients and dosage levels. Pharmaceutical products marketed under the OTC monograph system must conform to specific quality, formula and labeling requirements.

All facilities where OTC pharmaceutical products are manufactured, tested, packaged, stored or distributed must comply with cGMP regulations and/or regulations promulgated by competent authorities in the countries where the facilities are located. All of the Company s pharmaceutical products are manufactured, tested, packaged, stored and distributed according to cGMP regulations. The FDA performs periodic audits to ensure that the Company s facilities remain in compliance with all appropriate regulations. The failure of a facility to be in compliance may lead to a breach of representations made to customers or to regulatory action against the Company related to the products made in that facility, such as seizure, injunction or recall. Serious product quality concerns could also result in governmental actions against the Company that, among other things, could result in the suspension of production or distribution of the Company s products, product seizures, loss of certain licenses or other governmental penalties, and could have a material adverse effect on the Company s financial condition or operating results. The manufacturer, packer, or distributor of an OTC pharmaceutical product marketed in the U.S. whose name appears on the label of such product is required to report serious adverse events associated with the use of the product.

The Company cannot predict whether new legislation regulating the Company s activities will be enacted or what effect any legislation would have on the Company s business.

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Dietary Supplements

The processing, formulation, safety, manufacturing, packaging, labeling, advertising, distribution, importing, selling, and storing of dietary supplements are subject to regulation by one or more federal agencies, including the FDA, the FTC, the CPSC, the EPA, and by various agencies of the states and localities in which the Company s products are sold. The FDCA governs the composition, safety, labeling, manufacturing and marketing of dietary supplements.

Generally, dietary ingredients that were marketed in the U.S. prior to October 15, 1994 may be used in dietary supplements without notifying the FDA. New dietary ingredients (*i.e.,* dietary ingredients that were not marketed in the U.S. before October 15, 1994) must be the subject of a new dietary ingredient notification submitted to the FDA at least 75 days before the initial marketing unless the ingredient has been present in the food supply as an article used for food without being chemically altered. A new dietary ingredient notification must provide evidence of a history of use or other evidence establishing that use of the dietary ingredient is reasonably expected to be safe. The FDA may determine that a new dietary ingredient notification does not provide an adequate basis to conclude that a dietary ingredient is reasonably expected to be safe. Such a determination could effectively prevent the marketing of the dietary ingredient. On July 5, 2011, the FDA issued draft guidance governing notification of new dietary ingredients. The draft guidance was issued for public comment and not for implementation. The guidance, if implemented, could effectively change the status of dietary ingredients that the industry has marketed as old dietary ingredients to new dietary ingredients that may require submission of a new dietary ingredient notification.

The FDCA permits statements of nutritional support to be included in labeling for dietary supplements without FDA pre-market approval. The FDA must be notified of those statements within 30 days of marketing. Among other things, the statements may describe the role of a dietary ingredient intended to affect the structure or function of the body or characterize the documented mechanism of action by which a dietary ingredient maintains such structure or function, but may not expressly or implicitly represent that a dietary supplement will diagnose, cure, mitigate, treat, or prevent a disease. A company that uses a statement of nutritional support in labeling must possess information substantiating that the statement is truthful and not misleading. If the FDA determines that a particular statement of nutritional support is an unacceptable drug claim or an unauthorized version of a health claim, or if the FDA determines that a particular claim is not adequately supported by existing scientific evidence or is otherwise false or misleading, the claim could not be used and any product bearing the claim could be subject to regulatory action.

The FDA s cGMP regulations govern the manufacturing, packaging, labeling and holding operations of dietary supplement manufacturers. As with OTC products, the FDA performs periodic audits to ensure that the Company s dietary supplement facilities remain in compliance with all appropriate regulations. The failure of a facility to be in compliance may lead to a breach of representation made to customers or to regulatory action against the Company related to the products made in that facility, seizure, injunction or recall. There remains considerable uncertainty with respect to the FDA s interpretation of the cGMP regulations and their actual implementation in manufacturing facilities. The failure of a manufacturing facility to comply with the cGMP regulations may render products manufactured in that facility adulterated, and subjects those products and the manufacturer to a variety of potential FDA enforcement actions. In addition, under recent amendments to the FDCA, the manufacturing of dietary ingredients contained in dietary supplements will be subject to similar or even more burdensome requirements, which may increase the costs of dietary ingredients and subject suppliers of such ingredients to more rigorous inspections and enforcement. The manufacturer, packer, or distributor of a dietary supplement marketed in the U.S. whose name appears on the label of the supplement is required to report serious adverse events associated with the use of that supplement to FDA.

The FTC exercises jurisdiction over the advertising of dietary supplements. The FTC considers whether a product s advertising claims are accurate, truthful and not misleading pursuant to its authority under the Federal Trade Commission Act, or FTC Act. The FTC has instituted numerous enforcement actions against dietary supplement companies for failure to adequately substantiate claims made in advertising or for the use of otherwise false or misleading advertising claims. These enforcement actions have resulted in consent decrees and the payment of civil penalties and/or restitution by the companies involved. Such actions can result in substantial financial penalties and significantly restrict the marketing of a dietary supplement.

Legislation may be introduced which, if passed, would impose substantial new regulatory requirements on dietary supplements. The effect of additional domestic or international governmental legislation, regulations, or administrative orders, if and when promulgated, cannot be determined. New legislation or regulations may require the reformulation of certain products to meet new standards, and require the recall or discontinuance of certain products not capable of reformulation.

ENVIRONMENTAL MATTERS

The Company s operations are subject to federal, state, local and foreign laws, rules and regulations relating to environmental and health and safety concerns including air emissions, wastewater discharges, and solid and hazardous waste management activities. The Company endeavors to take actions necessary to comply with such regulations. These steps include periodic environmental audits of Company facilities. The audits, conducted by independent engineering firms with expertise in environmental compliance, include site visits at each location, as well as a review of documentary information, to determine compliance with such federal, state, local and foreign laws, rules and regulations.

See Item 3, Legal Proceedings in this Annual Report for information regarding an environmental proceeding relating to the Company s Brazilian subsidiary.

GEOGRAPHIC AREAS

Approximately 80%, 79% and 79% of the Company s net sales in 2013, 2012 and 2011, respectively, were to customers in the U.S. Approximately 97%, 97% and 96% of the Company s long-lived assets were located in the U.S. at December 31, 2013, 2012 and 2011, respectively. Other than the U.S., no one country accounts for more than 7% of consolidated net sales and 5% of total assets.

EMPLOYEES

At December 31, 2013, the Company had approximately 4,200 employees. The Company is party to a labor contract with the International Machinists Union at its Colonial Heights, Virginia plant, which expires May 31, 2018. Internationally, the Company employs union employees in France, Mexico, Brazil and New Zealand. The Company believes that its relations with both its union and non-union employees are satisfactory.

CLASSES OF SIMILAR PRODUCTS

The Company s operations, exclusive of unconsolidated entities, constitute three reportable segments: Consumer Domestic, Consumer International and SPD. The table set forth below shows the percentage of the Company s net sales contributed by each group of similar products marketed by the Company during 2013, 2012 and 2011.

	% of Net Sales		
	2013	**2012**	**2011**
Consumer Domestic			
Household Products	45%	48%	47%
Personal Care Products	30%	26%	25%
Consumer International	17%	17%	19%
Specialty Products	8%	9%	9%

The table above reflects consolidated net sales, exclusive of net sales of unconsolidated entities.

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PUBLIC INFORMATION

The Company maintains a website at www.churchdwight.com and on the Investors SEC Filings page of the website makes available free of charge the Company s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after the Company electronically files these materials with, or furnishes them to, the Securities and Exchange Commission. Also available on the Investors Corporate Governance page on the Company s website are the Company s Corporate Governance Guidelines, charters for the Audit, Compensation & Organization and Governance & Nominating Committees of the Board and the Company s Code of Conduct. Each of the foregoing is also available in print free of charge and may be obtained upon written request to: Church & Dwight Co., Inc., 500 Charles Ewing Boulevard, Ewing, New Jersey 08628, attention: Secretary. The information presented in the Company s website is not a part of this Annual Report and the reference to the Company s website is intended to be an inactive textual reference only.

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ITEM 1A. RISK FACTORS
The following risks and uncertainties, as well as others described elsewhere in this Annual Report, could materially adversely affect the Company s business, results of operations and financial condition:

Unfavorable economic conditions could adversely affect demand for the Company s products.
Unfavorable and uncertain economic conditions have adversely affected, and in the future may adversely affect, demand for some of the categories of products the Company sells, resulting in reduced sales volume or market share or a shift in its product mix from higher margin to lower margin products. Factors that can affect demand include competitors products, advertising and pricing actions, rates of unemployment, consumer confidence, health care costs, fuel and other energy costs and other economic factors affecting consumer spending behavior, including delays in the timing of tax refunds from the federal government, gasoline and home heating oil pricing, reduced unemployment benefits in periods of high unemployment and tax increases. While the vast majority of the Company s products generally are consumer staples that should be less vulnerable to decreases in discretionary spending than other products, they may become subject to increasing price competition as recessionary conditions continue. Moreover, some of the Company s products, such as laundry additives and battery-operated toothbrushes, are more likely to be affected by consumer decisions to control spending.

Some of the Company s customers, including mass merchandisers, supermarkets, drugstores, convenience stores, wholesale clubs, home stores, and dollar, pet and other specialty stores, have experienced and may experience in the future declining financial performance, which could affect their ability to pay amounts due to the Company on a timely basis or at all. The Company regularly reviews the financial strength of its key customers and, where appropriate, modifies customer credit limits, which may have an adverse impact on future sales. Because the same economic conditions impact many of the Company s suppliers, the Company also regularly conducts a similar review of its suppliers to assess both their financial viability and the importance of their products to Company operations. Where appropriate, the Company intends to identify alternate sources of materials and services. To date, the Company has not experienced a material adverse impact from economic conditions affecting its customers or suppliers. However, a protracted economic downturn that adversely affects the Company s suppliers and customers could adversely affect its sales and results of operations.

The Company faces intense competition in its markets, and the failure to compete effectively could have a material adverse effect on its business, financial condition and results of operations.
The Company faces intense competition from consumer products companies, both in the U.S. and in international markets. Most of the Company s products compete with other widely-advertised brands within each product category and with private label brands and generic non-branded products of its customers in certain categories, which typically are sold at lower prices.

The Company s products generally compete on the basis of product performance, brand recognition, price, value or other benefits to consumers. Consumer products are subject to significant price competition. As a result, the Company may need to reduce the prices for some of its products, or increase prices by an amount that does not cover manufacturing cost increases, to respond to competitive and customer pressures and to maintain market share. Any reduction in prices, or inability to raise prices sufficiently to cover manufacturing cost increases, would harm profit margins. In addition, if the Company s sales volumes fail to grow sufficiently to offset any reduction in margins, its results of operations would suffer.

Advertising, promotion, merchandising and packaging also have a significant impact on retail customer decisions regarding the brands and product lines they sell and on consumer purchasing decisions. A newly introduced consumer product (whether improved or newly developed) usually encounters intense competition requiring substantial expenditures for advertising, sales promotion and trade merchandising. If a product gains consumer acceptance, it normally requires continued advertising, promotional support and product improvements to maintain its relative market position. If the Company s advertising, marketing and promotional programs are not effective or adequate, its sales and volume may be impacted.

Many of the Company s competitors are large companies, including P&G, The Sun Products Corporation, The Clorox Company, Colgate-Palmolive Company, Henkel AG & Co. KGaA, Reckitt Benckiser Group plc, Johnson & Johnson, Ansell Limited, Alere Inc., Pfizer Inc., Bayer AG, S.C. Johnson & Son, Inc., Pharmavite LLC and NBTY, Inc. Many of these companies have greater financial resources than does the Company, and, therefore, have the capacity to outspend the Company on advertising and promotional activities and introduce competing products more quickly and respond more effectively to changing business and economic conditions than can the Company. In addition, the Company s competitors may attempt to gain market share by offering products at prices at or below those typically offered by it. Competitive activity may require the Company to increase its spending on advertising and promotions and/or reduce prices, which could lead to reduced profits and adversely affect growth. If the Company loses market share and the markets in which it competes do not grow substantially, its sales levels and operating results will decline.

Since the 2012 introduction in the U.S. of unit dose laundry detergent by various manufacturers, including the Company, there has been significant product and price competition in the laundry detergent category, contributing to an overall category decline. During 2012, the category declined 0.6%, and during 2013, the category declined an additional 3.2%. While the Company s laundry detergent sales have increased, more than offsetting the impact of the total laundry detergent category decline, there is no assurance that the category will not decline further or that the Company will be able to offset any such category decline. Moreover, P&G, the market leader in premium laundry detergent, including unit dose laundry detergent, has recently reconfigured certain of its product offerings and related marketing and pricing strategies and launched various products to compete more directly with the Company s core ARM & HAMMER and OXICLEAN power brands. In 2014, P&G is launching a lower-priced laundry detergent to compete directly with the Company s core value laundry detergents, is attempting to leverage its leadership position in unit dose laundry detergent with the introduction of a premium unit dose offering, and has launched a versatile stain remover, all of which are expected to be supported by aggressive trade spending and marketing. These actions, together with expected ongoing weak consumer spending and increased price competition, could negatively impact the Company s laundry detergent and versatile stain remover businesses.

Loss of any of its principal customers could significantly decrease the Company s sales and profitability.

A limited number of customers account for a large percentage of the Company s net sales. Wal-Mart is the Company s largest customer, accounting for approximately 24% of net sales in 2013, 24% of net sales in 2012 and 23% of net sales in 2011. The Company s top three customers accounted for approximately 35% of net sales in 2013, 34% of net sales in 2012 and 33% of net sales in 2011. The Company expects that a significant portion of its net sales will continue to be derived from a small number of customers and that these percentages may increase if the growth of mass merchandisers continues. As a result, changes in the strategies of Wal-Mart or any of the Company s other largest customers, including a reduction in the number of brands they carry or a shift of shelf space to private label products, could materially harm the Company s net sales and profitability.

In addition, the Company s business is based primarily upon individual sales orders and it rarely enters into long-term contracts with its customers. Accordingly, these customers could reduce their purchasing levels or cease buying products from the Company at any time and for any reason. If the Company loses a significant customer or if sales of its products to a significant customer materially decrease, it could have a material adverse effect on the Company s business, financial condition and results of operations.

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Changes in the policies of the Company s retailer customers and increasing dependence on key retailer customers in developed markets may adversely affect its business.

In recent years, the Company has seen increasing retailer consolidation both in the U.S. and internationally. This trend has resulted in the increased size and influence of large consolidated retailer customers, who may demand lower pricing, special packaging or impose other requirements on the Company. These business demands may relate to inventory practices, logistics or other aspects of the customer-supplier relationship. Some of the Company s customers, particularly its high-volume retail store customers, have sought to obtain pricing concessions or better trade terms. To the extent the Company provides concessions or better trade terms to those customers, its margins are reduced. Further, if the Company is unable to effectively respond to the demands of its customers, these customers could reduce their purchases of Company products and increase their purchases of products from competitors, which would harm the Company s sales and profitability. In addition, reductions in inventory by the Company s customers, including as a result of consolidations in the retail industry, or these customers managing their working capital requirements, could result in reduced orders for Company products and adversely affect its results of operations for the financial periods affected by the reductions.

Protracted unfavorable market conditions have caused many of the Company s customers to more critically analyze the number of brands they sell, and reduce or discontinue certain of the Company s product lines, particularly those products that were not number one or two in their category. If this continues to occur and the Company is unable to improve distribution for those products at other customers, its results could be adversely affected.

In addition, private label products sold by retail trade chains are typically sold at lower prices than branded products. As consumers look for opportunities to decrease discretionary spending, the Company s customers have discontinued or reduced distribution of some of its products to encourage those consumers to purchase the customers less expensive private label products (primarily in the dietary supplements, diagnostic kits and oral analgesics categories). To the extent customers discontinue or reduce distribution of the Company s products or these products are adversely affected by customers actions to increase shelf space for their private label products, the Company will focus its efforts on improving distribution with other customers. However, if the Company s efforts are not effective, its results could be adversely affected.

A continued shift in the retail market from food and drug stores to club stores, dollar stores and mass merchandisers could cause the Company s sales to decline.

The Company s performance depends upon the general health of the economy and of the retail environment in particular, and could be significantly harmed by changes affecting retailing and the financial difficulties of the Company s retailer customers. Consumer products, such as those marketed by the Company, are increasingly being sold by club stores, dollar stores and mass merchandisers. Sales of the Company s products remain strongest in the mass merchandiser, food and drug channels of trade and are increasing in the club stores and dollar stores channels. Although the Company has taken steps to improve, and has seen improvement in, sales to club stores and dollar stores, if the current trend continues and the Company is not successful in further improving sales to these channels, its financial condition and operating results could suffer.

Market category declines and changes to the Company s product and geographic mix may impact the achievement of the Company s sales growth targets, planned pricing and financial results.

A significant percentage of the Company s revenues comes from mature markets that are subject to high levels of competition. During 2013, approximately 80% of the Company s sales were generated in U.S. markets. U.S. markets for consumer products are considered mature and commonly characterized by high household penetration, particularly with respect to the Company s most significant product categories, such as laundry detergents, deodorizers, household cleaning products, toothpastes, dietary supplements, antiperspirants and deodorants. The Company s ability to achieve unit sales growth in domestic markets will depend on increased use of its products by consumers, its ability to drive growth through product innovation in existing and new product categories, investment in its established brands and enhanced merchandising and its ability to capture market share from its competitors. If the Company is unable to increase market share in existing product lines, develop product improvements, undertake sales, marketing and advertising initiatives that expand its product categories and develop, acquire or successfully launch new products, it may not achieve its sales growth objectives. Even if the Company is successful in increasing sales within its product categories, a continuing or accelerating decline in the overall markets for the Company s products could have a negative impact on its financial results.

Cost overruns and delays, regulatory requirements, and miscalculations in capacity needs with respect to the Company s expansion projects could adversely affect its business.

The Company initiates expansion projects from time to time. For example, the Company is currently expanding its gummy vitamin production capacity at its York, Pennsylvania manufacturing facility to meet expected future product demand. The new gummy vitamin line is expected to start production in the first quarter of 2015. Projects of this type are subject to risks of delay or cost overruns inherent in any large construction project resulting from numerous factors, including the following: shortages of equipment, materials or skilled labor; work stoppages; unscheduled delays in the delivery of ordered materials and equipment; unanticipated cost increases; difficulties in obtaining necessary permits or in meeting permit conditions; difficulties in meeting regulatory requirements or obtaining regulatory approvals; availability of suppliers to certify equipment for existing and enhanced regulations; design and engineering problems; and failure or delay of third party service providers, civil unrest and labor disputes. Significant cost overruns or delays in completing a project could have a material adverse effect on the Company s return on investment, results of operations and cash flows. In addition, if the Company miscalculates its anticipated capacity needs, this too could negatively impact its operations, financial condition and results of operations.

The Company s reliance on a limited number of suppliers, including sole source suppliers for certain products, could materially and adversely affect its operations and financial results.

The Company relies on a limited number of suppliers for certain of its commodities and raw materials, including sole source suppliers for certain of its raw materials, packaging, product components, finished products and other necessary supplies. New suppliers may have to be qualified under governmental, industry and Company standards, which can require additional investment and time. The Company may be unable to qualify any needed new suppliers or maintain supplier arrangements and relationships; it may be unable to contract with suppliers at the quantity, quality and price levels needed for its business; or certain of the Company s key suppliers may become insolvent or experience other financial distress. If any of these events occurs and the Company has failed to identify and qualify an alternative vendor, then it may be unable to meet its contractual obligations and customer expectations, which could damage its reputation and result in lost customers and sales, or the Company may incur higher than expected expenses, either of which could materially and adversely affect its business, operations and results of operations.

Volatility and increases in the price of raw and packaging materials or energy costs could erode the Company s profit margins, which could harm operating results, and efforts to hedge against raw material price increases may adversely affect the Company s operating results if raw material prices decline.

The principal raw materials and packaging used by the Company include surfactants (cleaning agents), paper products and resin-based molded components. Volatility and increases in the price of raw materials, or increases in the costs of energy, shipping and other necessary services, could significantly affect the Company s profit margins if it is unable to pass along any higher costs in the form of price increases or otherwise achieve cost efficiencies, such as in manufacturing and distribution. Historically, the Company has attempted to address such price increases through cost reduction programs and price increases of its products, entering into pre-buying or locked-in pricing arrangements with certain suppliers and entering into hedge agreements. There is no assurance, however, that the Company will be able to fully offset any price increases, especially given the competitive environment. In addition, volatility in certain commodity markets could significantly affect the Company s production cost and, therefore, harm its financial condition and operating results.

The Company uses hedge agreements to mitigate the volatility of diesel fuel prices and related fuel surcharges. The hedge agreements are designed to add stability to product costs, enabling the Company to make pricing decisions and lessen the economic impact of abrupt changes in prices over the term of the contract. However, in periods of declining fuel prices, the hedge agreements can have the effect of locking the Company in at above-market prices.

If new products and product line extensions do not gain widespread customer acceptance or are otherwise discontinued, or if they cause sales of existing products to decline, the Company s financial performance could decline.

The Company s future performance and growth depends on its ability to successfully develop and introduce new products and product line extensions. The Company cannot be certain that it will achieve its innovation goals. The successful development and introduction of new products involves substantial research, development, marketing and promotional expenditures, which the Company may be unable to recover if the new products do not gain widespread market acceptance. New product development and marketing efforts, including efforts to enter markets or product categories in which the Company has limited or no prior experience, have inherent risks. These risks include product development or launch delays, competitor actions, regulatory approval hurdles and the failure of new products and line extensions to achieve anticipated levels of market acceptance. In addition, if sales generated by new products result in a concomitant decline in sales of existing products, the Company s financial performance could be harmed.

For example, the Company has been launching more new products into white space categories than it has historically. In 2014, the Company is expanding the OXICLEAN brand into three additional categories: premium laundry detergent, dishwashing detergent and bleach alternatives. In addition, the Company is launching new products across almost all of its core businesses including a premium cat litter called ARM & HAMMER CLUMP & SEAL, a new premium toothpaste called ARM & HAMMER TRULY RADIANT, a new vitamin line for the VITAFUSION brand, and new condoms, vibrators and lubricants under the TROJAN brand. While these new products have received strong distribution acceptance from the Company s retailers to date, and will be supported by increased marketing spending, there is no assurance that the Company s customers and consumers will purchase these new products. If these new products are not successful in gaining market share, the Company s financial results could suffer.

From time to time, the Company has discontinued certain products and product lines, which resulted in returns from customers, asset write-offs and shutdown costs. The Company may suffer similar adverse consequences in the future to the extent it discontinues products that do not meet expectations or no longer satisfy consumer demand.

If the reputation of one or more of the Company s leading brands erodes, its financial results could suffer.

The Company s financial success is directly dependent on the reputation and success of its brands, particularly the ARM & HAMMER, OXICLEAN, TROJAN, L IL CRITTERS and VITAFUSION brands. The effectiveness of these brands could suffer if the Company s marketing plans or product initiatives do not have the desired impact on a brand s image or its ability to attract consumers. Further, the Company s results could be adversely affected if one or more of its leading brands suffers damage to its reputation due to real or perceived quality or safety issues.

Additionally, claims made in the Company s marketing campaigns may become subject to litigation alleging false advertising, which, if successful, could cause the Company to alter its marketing plans and may materially and adversely affect sales or result in the imposition of significant damages against the Company, or other customer or consumer dissatisfaction, especially if such dissatisfaction were to be broadly disseminated, including through the use of social media.

Product liability claims and withdrawals or recalls could adversely affect the Company s sales and operating results and brand s reputation.

From time to time, the Company is subject to product liability claims. The Company may be required to pay for losses or injuries actually or purportedly caused by its products, including losses or injuries caused by raw materials or other components provided by third party suppliers that are included in the Company s products. Claims could be based on allegations that, among other things, the Company s products contain contaminants, are improperly labeled, or provide inadequate instructions regarding their use or inadequate warnings concerning interactions with other substances. Whether or not successful, product liability claims could result in negative publicity that could harm the Company s sales and operating results and the reputation of its brands. In addition, if one of the Company s products is found to be defective or non-compliant with applicable rules or regulations, it could be required to withdraw or recall it, which could result in adverse publicity and significant expenses. Although the Company maintains product liability and product recall insurance coverage (that also covers product withdrawals), potential product liability claims and withdrawal and recall costs may exceed the amount of insurance coverage or may be excluded under the terms of the policy, which could have a material adverse effect on the Company s business, operating results and financial condition.

Environmental matters create potential liability risks.

The Company must comply with various environmental laws and regulations in the jurisdictions in which it operates, including those relating to the handling and disposal of solid and hazardous wastes and the remediation of contamination associated with the use and disposal of hazardous substances. A release of such substances due to accident or an intentional act could result in substantial liability to governmental authorities or to third parties. The Company has incurred, and will continue to incur, capital and operating expenditures and other costs in complying with environmental laws and regulations. The Company currently is subject to environmental regulatory proceedings involving its Brazilian subsidiary, which has been fined the equivalent of approximately $2.1 million (at current exchange rates) in the proceedings. The Brazilian subsidiary is contesting the fine. In addition, the Company may be required to remove certain landfills in Brazil in connection with these proceedings, the cost of which is estimated to be in the range of $30 million to $50 million. It is possible that the Company could become subject to additional environmental liabilities in the future, particularly with respect to its operations in Brazil, that could have a material adverse effect on its results of operations or financial condition.

Current and future laws and regulations in the countries in which the Company and its suppliers operate could expose the Company to increased costs and other adverse consequences.

The manufacturing, processing, formulation (including stability), packaging, labeling, marketing, distribution and sale of the Company s products are subject to regulation by federal agencies, including the FDA, the FCDA, the FTC, the United States Department of Agriculture, the EPA and the CPSC. In addition, the Company s and its suppliers operations are subject to the oversight of the Occupational Safety and Health Administration and the National Labor Relations Board. The Company s activities are also regulated by various agencies of the states, localities and foreign countries in which its products are sold.

In particular, the FDA regulates the formulation, safety, manufacturing, packaging, labeling and distribution of condoms, home pregnancy and ovulation test kits, battery operated toothbrushes, over-the-counter pharmaceuticals and dietary supplements, including vitamins and minerals. The FDA also exercises oversight over cosmetic products such as depilatories. In addition, under a memorandum of understanding between the

FDA and the FTC, the FTC has jurisdiction with regard to the promotion and advertising of these products, and the FTC regulates the promotion and advertising of the Company s other products as well. As part of its regulatory authority, the FDA may periodically conduct inspections of the physical facilities, machinery, processes and procedures that the Company and its suppliers use to manufacture regulated products and may identify compliance issues that would require the Company and its suppliers to make certain changes in its manufacturing facilities and processes. The failure of a facility to be in compliance may lead to regulatory action against the products made in that facility, including seizure, injunction or recall, as well as to possible action against the owner of the facility/manufacturer. The Company may be required to make additional expenditures to address these issues or possibly stop selling certain products until the compliance issue has been remediated. As a result, the Company s business could be adversely affected.

Likewise, any future determination by the FDA or a similar foreign agency, or by the Company in reviewing its compliance with applicable rules and regulations, that the Company s products or quality systems do not comply with applicable regulations could result in future compliance activities, including product withdrawals or recalls, import detentions, injunctions preventing the shipment of products, or other enforcement actions. For example, the FDA may determine that a particular claim that the Company uses to support the marketing of a product is not substantiated, may not accept the evidence of safety for a new product that the Company may wish to market, may challenge the safety or effectiveness of existing products based on, among other things, changes in formulations, inadequate stability or shelf-life, consumer complaints, or improper labeling, and may determine that the Company s dietary supplement business manufacturing, packaging, labeling and holding operations do not comply with cGMPs. Similarly, the Company may identify these or other issues in internal compliance reviews of its operations and the operations and products of vendors and acquired companies. These other issues may include the identification of contaminants or non-compliant levels of particular ingredients. Any of the foregoing could subject the Company to adverse publicity, force it to incur unanticipated costs and have a material adverse effect on its business, financial condition and results of operations.

In addition, the Commission has promulgated final rules mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act regarding disclosure of the use of tin, tantalum, tungsten and gold, known as conflict minerals , in products manufactured by public companies. Certain of the Company s products, including its diagnostic test kits and SPINBRUSH battery-operated toothbrushes, use these minerals sourced through third parties. The new rules require the Company to conduct due diligence to determine whether such minerals originated from the Democratic Republic of Congo (the DRC) or an adjoining country and whether such minerals helped finance the armed conflict in the DRC. The Company s first conflict minerals report required by the new rules is due by May 31, 2014 and annually thereafter. The Company has incurred, and will continue to incur, costs associated with complying with these disclosure requirements, including costs to determine the origin of minerals used in its products. In addition, the implementation of these rules could adversely affect the sourcing, supply and pricing of such minerals used in the Company s products. Also, the Company may face disqualification as a supplier for customers and reputational challenges, or may need to discontinue supply from its suppliers, if its due diligence procedures do not enable it to verify the origins for the minerals used in its products or determine that the minerals are conflict free.

From time to time, Congress, the FDA, the FTC, the Commission or other federal, state, local or foreign legislative and regulatory authorities may impose additional laws or regulations that apply to the Company, repeal laws or regulations that the Company considers favorable, or impose more stringent interpretations of current laws or regulations. The Company is not able to predict the nature of such future laws, regulations, repeals or interpretations or to predict the effect additional governmental regulation, when and if it occurs, would have on its business in the future. Such developments could require reformulation of certain products to meet new standards, recalls or discontinuance of certain products not able to be reformulated, additional record-keeping requirements, increased documentation of the properties of certain products, additional or different labeling, additional scientific substantiation, expanded adverse event reporting or other new requirements. Any such developments could increase the Company s costs significantly and could have a material adverse effect on its business, financial condition and results of operations.

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The Company s condom product line could suffer if the spermicide N-9 is proved or perceived to be harmful.
The Company s distribution of condoms under the TROJAN brand and other trademarks is regulated by the FDA. Certain of the Company s condoms, and similar condoms sold by its competitors, contain the spermicide nonoxynol-9 (N-9). Some interested groups have issued reports that N-9 should not be used rectally or for multiple daily acts of vaginal intercourse. In late 2008, the FDA issued final labeling guidance for latex condoms but excluded N-9 lubricated condoms from the guidance. While the Company awaits further FDA guidance on N-9 lubricated condoms, it believes that its present labeling for condoms with N-9 is compliant with the overall objectives of the FDA s guidance, and that condoms with N-9 will remain a viable contraceptive choice for those couples who wish to use them. However, the Company cannot predict the nature of the labeling that ultimately will be required by the FDA. If the FDA or a state government eventually promulgates rules that prohibit or restrict the use of N-9 in condoms (such as new labeling requirements), the Company could incur costs from obsolete products, packaging or raw materials, and sales of condoms could decline, which, in turn, could decrease the Company s earnings.

The Company is subject to risks related to its international operations that could adversely affect its results of operations.
The Company s international operations subject it to risks customarily associated with foreign operations, including:

- currency fluctuations;
- import and export license and taxation requirements and restrictions;
- trade restrictions, including local investment or exchange control regulations;
- changes in tariffs and taxes, the effect of foreign income taxes, value-added taxes and withholding taxes, including the inability to recover amounts owed to the Company by foreign governments, and the determination of the U.S. Internal Revenue Service (the I.R.S.) regarding the applicability of certain regulations, including the Foreign Account Tax Compliance Act, to the Company s international transactions;
- the possibility of expropriation, confiscatory taxation or price controls;
- obstacles to repatriating foreign profits back to the U.S.;
- political or economic instability, and civil unrest;
- compliance with laws and regulations concerning ethical business practices, including without limitations, the U.S. Foreign Corrupt Practices Act and United Kingdom Bribery Act;
- difficulty in enforcing contractual and intellectual property rights;
- regulatory requirements for certain products; and

difficulties in staffing and managing international operations.

These risks could have a significant impact on the Company s ability to commercialize its products on a competitive basis in international markets and may have a material adverse effect on its results of operations or financial position. In all foreign jurisdictions in which the Company operates, it is subject to laws and regulations that govern foreign investment, foreign trade and currency exchange transactions.

In addition, the Company is exposed to foreign currency exchange rate risk with respect to its sales, profits, assets and liabilities denominated in currencies other than the U.S. dollar. Outside of the U.S., sales and costs are denominated in a variety of currencies, including the Euro, British Pound, Brazilian Real, Canadian Dollar, Mexican Peso, Chinese Yuan and Australian Dollar. A weakening of the currencies in which sales are generated

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relative to the currencies in which costs are denominated would decrease operating profits and cash flow. The Company, from time to time, enters into forward exchange contracts to reduce the impact of foreign exchange rate fluctuations related to anticipated but not yet committed intercompany sales or purchases denominated in the U.S. Dollar, Canadian Dollar, British Pound and Euro.

The Company may not be able to continue to identify and complete strategic acquisitions and effectively integrate acquired companies to achieve desired financial benefits.

The Company seeks to acquire or invest in businesses that offer products, services or technologies that are complementary. The Company has made eight acquisitions in the past ten years, including the following brands: SPINBRUSH battery-powered toothbrushes; OXICLEAN, KABOOM and ORANGE GLO cleaning products; ORAJEL oral analgesics; SIMPLY SALINE nasal moisturizers; TOOTH TUNES musical toothbrushes; FELINE PINE natural cat litter; BATISTE dry shampoo and L IL CRITTERS and VITAFUSION dietary supplements.

The Company may make additional acquisitions or substantial investments in complementary businesses or products in the future. However, the Company may not be able to identify and successfully negotiate suitable strategic acquisitions at attractive valuations, obtain financing for future acquisitions on satisfactory terms or otherwise complete future acquisitions. In addition, all acquisitions and investments entail various risks, including the difficulty of entering new markets or product categories, the challenges of integrating the operations and personnel of the acquired businesses or products, the potential disruption of the Company s ongoing business and the ongoing business of the acquired company, the need to review and, if necessary, upgrade processes of the acquired company to conform to the Company s own processes and applicable legal and regulatory requirements, and, generally, the Company s potential inability to obtain the desired financial and strategic benefits from the acquisition or investment. Any of these risks may divert management and other resources, require the Company to incur unanticipated costs or delay the anticipated positive impact on the Company s business and results of the acquisition. The risks associated with assimilation are increased to the extent the Company acquires businesses that have stand-alone operations that cannot easily be integrated or operations or sources of supply outside of the U.S. and Canada, for which products are manufactured locally by third parties. These factors could harm the Company s financial condition and operating results.

Acquired companies or operations or newly-created ventures may not be profitable or may not achieve sales levels and profitability that justify the investments made. In addition, future acquisitions or investments could result in substantial cash expenditures, the potentially dilutive issuances of new equity by the Company or the incurrence of additional debt or contingent liabilities, all of which could adversely affect the Company s results of operations and financial condition. In addition, any potential acquisitions or investments, whether or not ultimately completed, could divert the attention of management and resources from other matters that are critical to the Company s operations.

The Company relies significantly on information technology. Any inadequacy, interruption, loss of data, integration failure or security failure of that technology could harm the Company s ability to effectively operate its business and damage the reputation of its brands.

The Company relies extensively on information technology systems, some of which are managed by third-party service providers, to conduct its business. These systems include, but are not limited to, programs and processes relating to internal communications and communications with other parties, ordering and managing materials from suppliers, converting materials to finished products, shipping product to customers, billing customers and receiving and applying payment, processing transactions, summarizing and reporting results of operations, complying with regulatory, legal or tax requirements, collecting and storing customer, consumer, employee, investor, and other stakeholder information and personal data, and other processes necessary to manage the Company s business.

Increased information technology security threats and more sophisticated computer crime, including advanced persistent threats, pose a potential risk to the security of the Company s information technology systems, networks, and services, as well as the confidentiality, availability, and integrity of the Company s data. The Company s information technology systems, networks or service providers could be damaged or cease to function properly, or the Company could suffer a loss or disclosure of business or stakeholder information, due to any number of causes, including catastrophic events, power outages and security breaches. Although the Company has business continuity plans in place to address service interruptions, if these business continuity plans do not provide effective alternative processes on a timely basis, the Company may suffer interruptions in its ability to manage or conduct its operations which may adversely affect its business.

Any business interruptions or data security breaches, including cyber security breaches resulting in private data disclosure, could result in lawsuits or regulatory proceedings, damage the Company s reputation or adversely impact the Company s results of operations and cash flows. Further, negative postings or comments about the Company on any social networking website could damage its reputation, as could the disclosure of non-public sensitive information through social media.

The Company s substantial indebtedness could adversely affect its operations and financial results and prevent it from fulfilling its obligations, and the Company may incur substantially more debt in the future, which could exacerbate these risks.

As of December 31, 2013, the Company had approximately $803.4 million of total consolidated indebtedness. This amount of indebtedness could have important consequences, including:

- making it more difficult for the Company to satisfy its cash obligations;
- limiting the Company s ability to fund potential acquisitions;
- requiring the Company to dedicate a portion of its cash flow from operations to payments on its indebtedness, which would reduce the availability of cash flow to fund working capital requirements, capital expenditures and other general corporate purposes;
- limiting the Company s flexibility in planning for, or reacting to, general adverse economic conditions or changes in its business and the industry in which it operates; and
- placing the Company at a competitive disadvantage compared to its competitors that have less debt.

In addition, the Company may incur substantial additional indebtedness in the future to fund acquisitions, to repurchase shares or to fund other activities for general business purposes. If new debt is added to the current debt levels, the related risks that the Company now faces could intensify. Any decision regarding future borrowings will be based on the facts and circumstances existing at the time, including the Company s credit rating.

The Company may not have sufficient cash flow to service its indebtedness or fund capital expenditures.

The Company s ability to repay and refinance its indebtedness and to fund capital expenditures depends primarily on its cash flow. Cash flow is often subject to general economic, financial, competitive, legislative, regulatory and other factors beyond the Company s control, and such factors may limit its ability to repay indebtedness and fund capital expenditures. A failure to service its indebtedness or obtain additional financing as needed could have a material adverse effect on the Company s business, operating results and financial condition.

There can be no guarantee that the Company will continue to make dividend payments or repurchase the Common Stock at sustained levels or at all.

Although the Board has recently authorized new share repurchase programs and recently increased the amount of the quarterly cash dividends payable on the Common Stock, any Board determinations to continue to repurchase the Common Stock or to continue to pay cash dividends on the Common Stock, in each case at levels consistent with recent practice or at all, will be based primarily upon the Company s financial condition, results of operations, business requirements, price of the Common Stock in the case of the repurchase programs, and the Board s continuing determination that the repurchase programs and the declaration of dividends under the dividend policy are in the best interests of Company stockholders and are in compliance with all laws and agreements applicable to the repurchase and dividend programs. In the event the Company does not declare a quarterly dividend, or discontinues its share repurchases, its stock price could be adversely affected.

Recent volatility in the financial markets may negatively impact the Company s ability to access the credit markets.

In recent years, the banking system and financial markets have experienced severe disruption, including, among other things, bank failures and consolidations, severely diminished liquidity and credit availability, rating downgrades, declines in asset valuations and fluctuations in foreign currency exchange rates. These conditions present the following risks to the Company, among others:

The Company is dependent on the continued viability of the financial institutions that participate in the syndicate that is generally obligated to fund the Company s $500 million unsecured revolving credit facility dated November 18, 2010 (as amended, the Credit Agreement). In addition, the Credit Agreement includes a commitment increase feature that enables the Company to increase the amount of its borrowing under the Credit Agreement, subject to lending commitments and certain conditions. Any disruption in the credit markets could limit the availability of credit or the ability or willingness of financial institutions to extend credit, which could adversely affect the Company s liquidity and capital resources.

The Company s short- and long-term credit ratings affect its borrowing costs and access to financing. A downgrade in the Company s credit ratings would increase its borrowing costs and could affect its ability to issue commercial paper. Disruptions in the commercial paper market or other effects of volatile economic conditions on the credit market also could raise the Company s borrowing costs for both short- and long-term debt offerings. Either scenario could adversely affect the Company s liquidity and capital resources.

Although the Company believes that its operating cash flows, together with its access to the credit markets, provides it with significant discretionary funding capacity, the inability of one or more institutions to fulfill funding obligations under the Credit Agreement could have a material adverse effect on the Company s liquidity and operations.

Changes in tax laws and regulations or in the Company s operations may impact the Company s effective tax rate and may adversely affect its earnings and cash flow.

The Company s future effective tax rate could be affected by changes in tax laws and regulations or their interpretation, changes in the mix of earnings in countries with differing statutory tax rates, or changes in the valuation of deferred tax assets and liabilities. The realization of deferred income tax assets is assessed and a valuation allowance is recorded if it is more likely than not that all or a portion of the deferred tax asset will not be realized. If the actual amount of the Company s future taxable income is less than the amount it is currently projecting with respect to specific tax jurisdictions, or if there is a change in the time period within which the deferred tax asset becomes deductible, the Company could be required to record a valuation allowance against its deferred tax assets. The recording of a valuation allowance would result in an increase in the Company s effective tax rate, and would have an adverse effect on its operating results. In addition, changes in statutory tax rates may change the Company s deferred tax assets or liability balances, which would have either a favorable or unfavorable impact on its effective tax rate.

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Resolutions of tax disputes may adversely affect the Company s earnings and cash flow.

Significant judgment is required in determining the Company s effective tax rate and in evaluating its tax positions. The Company provides for uncertain tax positions with respect to tax positions that do not meet the recognition thresholds or measurement standards mandated by applicable accounting guidance. Fluctuations in federal, state, local and foreign taxes or changes to uncertain tax positions, including related interest and penalties, may impact the Company s effective tax rate and its financial results. The Company is regularly under audit by tax authorities, and although the Company believes its tax estimates are reasonable, the final outcome of tax audits and related litigation could be materially different than that reflected in its historical income tax provisions and accruals. In addition, when particular tax matters arise, a number of years may elapse before such matters are audited and finally resolved. Favorable resolution of such matters could be recognized as a reduction to the Company s effective tax rate in the year of resolution. Unfavorable resolution of any tax matter could increase the effective tax rate. Any resolution of a tax issue may require the use of cash in the year of resolution.

Failure to effectively utilize or successfully assert intellectual property rights, and the loss or expiration of such rights, could materially adversely affect the Company s competitiveness. Infringement by the Company of third-party intellectual property rights could result in costly litigation and/or the modification or discontinuance of Company products.

The market for the Company s products depends to a significant extent upon the value associated with its trademarks and brand names, including ARM & HAMMER, TROJAN, OXICLEAN, L IL CRITTERS and VITAFUSION. The Company owns the material trademarks and brand names used in connection with the marketing and distribution of its major products both in the U.S. and in other countries. In addition, the Company holds several valuable patents on its products, which the Company believes serve as an effective barrier to entry for new competitors. Accordingly, the Company relies on trademark, trade secret, patent and copyright laws to protect its intellectual property rights. Although most of the Company s material intellectual property is registered in the U.S. and in certain foreign countries in which it operates, it cannot be sure that its intellectual property rights will be effectively utilized or, if necessary, successfully asserted. There is a risk that the Company will not be able to obtain and perfect its own intellectual property rights, or, where appropriate, license from others intellectual property rights necessary to support new product introductions. The Company cannot be sure that these rights, if obtained, will not be invalidated, circumvented or challenged in the future, and the Company could incur significant costs in connection with legal actions relating to such rights. In addition, even if such rights are obtained in the U.S., the laws of some of the other countries in which the Company s products are or may be sold do not protect intellectual property rights to the same extent as the laws of the U.S. If other parties infringe the Company s intellectual property rights, they may dilute the value of the Company s brands in the marketplace, which could diminish the value that consumers associate with the Company s brands and harm its sales. The Company s failure to perfect or successfully assert intellectual property rights could make it less competitive and could have a material adverse effect on its business, operating results and financial condition. Also, the Company s patents are granted for a term of 20 years from the date the patent application is filed. While the Company considers no single patent to be material to the business as a whole, it does recognize that the loss of key patents will allow for increased competition, specifically to its SPINBRUSH battery-powered toothbrush, FIRST RESPONSE pregnancy test kit and ANSWER pregnancy test kit brands.

In addition, if the Company s products are found to infringe intellectual property rights of others, the owners of those rights could bring legal actions against the Company claiming substantial damages for past infringement and seeking to enjoin manufacturing and marketing of the affected products. If these legal actions are successful, in addition to any potential liability for damages from past infringement, the Company could be required to obtain a license in order to continue to manufacture or market the affected products, potentially adding significant costs. The Company might not prevail in any action brought against it or it may be unsuccessful in securing any license for continued use and therefore have to discontinue the marketing and sale of a product. This could make the Company less competitive and could have a material adverse impact on its business, operating results and financial condition.

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Impairment of the Company s goodwill and other intangible assets may result in a reduction in net income.

The Company has a material amount of goodwill, trademarks and other intangible assets, as well as other long-lived assets, which are periodically evaluated for impairment in accordance with current accounting standards. Declines in the Company s profitability and/or estimated cash flows related to specific intangible assets, as well as potential changes in market valuations for similar assets and market discount rates, may result in an impairment charge, which could reduce the Company s net income and otherwise have an adverse impact on operating results.

The Company s operations and the operations of its third party manufacturers, suppliers and customers may be subject to disruption from events beyond its or their control.

The Company s operations, as well as the operations of its third party manufacturers, suppliers and customers, may be subject to disruption from a variety of causes, including work stoppages, material shortages, financial difficulties, acts of war, terrorism, pandemics, fire, earthquake, flooding or other natural disasters. If a major disruption were to occur, it could result in harm to people or the natural environment, delays in shipments of products to customers or suspension of operations, any of which could have a material adverse effect on the Company s business.

The Company may not be able to attract, retain and develop key personnel.

The Company s future performance depends in significant part upon the continued service of its executive officers and other key personnel. The loss of the services of one or more executive officers or other key employees could have a material adverse effect on the Company s business, prospects, financial condition and results of operations. This effect could be exacerbated if any officers or other key personnel left as a group or at the same time. The Company s success also depends, in part, on its continuing ability to attract, retain and develop highly qualified personnel. Competition for such personnel is intense, and there can be no assurance that the Company can retain its key employees or attract, assimilate and retain other highly qualified personnel in the future.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

The Company leases its 250,000 square foot corporate headquarters building in Ewing, New Jersey. The facility became the Company s global headquarters office in January 2013 and is fully occupied. The lease will expire in 2032, subject to two ten-year extension terms at the option of the Company. The Company s aggregate lease commitment is approximately $116 million over the lease term.

In conjunction with its lease of the headquarters building in Ewing, the Company vacated three leased facilities in Princeton that contain approximately 140,000 square feet of office space under three leases, two of which expire in 2014 and will not be renewed, and one of which expires in 2022. These leased facilities are adjacent to the Company s former headquarters, which is owned by the Company and includes approximately 127,000 square feet of office space, and will continue to be occupied by the Company s research and development and SPD personnel. The Company also owns a 36,000 square foot research and development facility in Cranbury, New Jersey.

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The Company also leases offices in various locations throughout the U.S., Brazil and China. The Company and its consolidated subsidiaries also own or lease other facilities as set forth in the following table:

Location	Products Manufactured	Segment	Approximate Area (Sq. Feet)
Owned:			
Manufacturing facilities			
York, Pennsylvania	Liquid laundry detergent and cat litter	Consumer Domestic and Consumer International	450,000
Harrisonville, Missouri	Liquid laundry detergent and fabric softener	Consumer Domestic and Consumer International	272,000
Green River, Wyoming	Sodium bicarbonate and various consumer products	Consumer Domestic, Consumer International and SPD	250,000
Lakewood, New Jersey	Various consumer products	Consumer Domestic and Consumer International	250,000
Colonial Heights, Virginia	Condoms	Consumer Domestic and Consumer International	220,000
Old Fort, Ohio	Sodium bicarbonate, rumen bypass fats and various consumer products	Consumer Domestic, Consumer International and SPD	208,000
Montreal, Canada	Personal care products	Consumer International	157,000
Camaçari, Bahia, Brazil	Sodium bicarbonate and other products	SPD	120,000
Feira de Santana, Bahia, Brazil[(1)]		SPD	106,000
Folkestone, England	Personal care products	Consumer International	78,000
Madera, California	Rumen bypass fats and related products	SPD	50,000
Itapura, Bahia, Brazil	Barite	SPD	35,000
New Plymouth, New Zealand	Condom processing	Consumer Domestic and Consumer International	31,000
Oskaloosa, Iowa	Animal nutrition products	SPD	27,000
Warehouses			
York, Pennsylvania		Consumer Domestic and Consumer International	650,000
Harrisonville, Missouri		Consumer Domestic and Consumer International	282,000
Green River, Wyoming		Consumer Domestic, Consumer International and SPD	215,000
Old Fort, Ohio		Consumer Domestic, Consumer International and SPD	90,000
Camaçari, Bahia, Brazil		SPD	39,200
Itapura, Bahia, Brazil		SPD	19,600
Feira de Santana, Bahia, Brazil		SPD	13,100
Leased:			
Manufacturing facilities			
North Brunswick, New Jersey[(2)]			360,000
Vancouver, Washington[(3)]	Dietary supplements	Consumer Domestic and Consumer International	206,000
Victorville, California[(4)]	Liquid laundry detergent and cat litter	Consumer Domestic and Consumer International	150,000
Folkestone, England[(5)]	Personal care products	Consumer International	22,000
Warehouses			
Fostoria, Ohio[(6)]		Consumer Domestic, Consumer International and SPD	486,000
Victorville, California[(4)]		Consumer Domestic and Consumer International	300,000
Grandview, Missouri[(7)]		Consumer Domestic and Consumer International	250,000

Ridgefield, Washington(3)	Consumer Domestic and Consumer International	190,000
Mississauga, Canada(8)	Consumer International	123,000
Folkestone, England(9)	Consumer International	55,000
Revel, France	Consumer International	48,900
Sydney, Australia	Consumer International	24,900

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Location	**Products Manufactured**	**ze:8pt;">Vanguard Institutional Target Retirement 2045 Fund** 889,759	21,176,261
* Vanguard	Vanguard Institutional Target Retirement 2050 Fund	944,829	22,505,823
* Vanguard	Vanguard Institutional Target Retirement 2055 Fund	341,253	8,142,293
* Vanguard	Vanguard Institutional Target Retirement 2060 Fund	49,988	1,192,706
* Vanguard	Vanguard Institutional Target Retirement 2065 Fund	7	148
* Vanguard	Vanguard Institutional Target Retirement Income Fund	285,609	6,140,599
	Total registered investment companies		458,641,326
	Common stock:		
* SVB Financial Group	SVB Financial Group common stock	494,602	115,623,109
	Participant-directed brokerage accounts:		
* Participant Accounts	Self-Directed Brokerage Accounts	—	5,569,708
	Money market funds:		
* Vanguard	Vanguard Federal Money Market Fund	34,666,765	34,666,765
	Total investments		614,500,908
	Notes receivable from participants:		
* Participant Loans	526 notes with interest rates ranging from 4.25% to 8.75% and maturity dates ranging from January 12, 2018 to October 14, 2032	—	6,547,400
	Total		$621,048,308

* Denotes party-in-interest to the Plan.

Index to Exhibits

Exhibit No.	Description	Filed Herewith
23.1	Consent of Moss Adams LLP, independent registered public accounting firm	X

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan administrator has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

SVB FINANCIAL GROUP 401(k) AND EMPLOYEE STOCK OWNERSHIP PLAN

By:	SVB Financial Group, as Plan administrator

Date: June 22, 2018	By:	/s/ KAMRAN HUSAIN
	Name:	Kamran Husain
	Title:	Chief Accounting Officer and Principal Accounting Officer
Date: June 22, 2018	By:	/s/ CHRIS EDMONDS-WATERS
	Name:	Chris Edmonds-Waters
	Title:	Chief Human Resources Officer

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