

# Q2 FY21 Earnings Results

April 8, 2021



# Forward-Looking Statements

Historical financial and operating data in this presentation reflect the consolidated results of WD-40 Company, its subsidiaries and its legal entities. WD-40 Company markets maintenance products (“MP”) under the WD-40®, 3-IN-ONE®, and GT85® brand names. Currently included in the WD-40 brand are the WD-40 Multi-Use Product and the WD-40 Specialist®, and WD-40 BIKE® product lines. WD-40 Company markets the following homecare and cleaning (“HCCP”) brands: X-14® automatic toilet bowl cleaners, 2000 Flushes® automatic toilet bowl cleaners, Carpet Fresh® and no vac® rug and room deodorizers, Spot Shot® aerosol and liquid carpet stain removers, 1001® household cleaners and rug and room deodorizers and Lava® and Solvol® heavy-duty hand cleaners.

Except for the historical information contained herein, this presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect the Company’s current expectations with respect to currently available operating, financial and economic information. These forward-looking statements are subject to certain risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated in or implied by the forward-looking statements.

Our forward-looking statements include, but are not limited to, discussions about future financial and operating results, including: growth expectations for maintenance products; expected levels of promotional and advertising spending; anticipated input costs for manufacturing and the costs associated with distribution of our products; plans for and success of product innovation, the impact of new product introductions on the growth of sales; anticipated results from product line extension sales; expected tax rates and the impact of tax legislation and regulatory action; the length and severity of the current COVID-19 pandemic and its impact on the global economy and the Company’s financial results; and forecasted foreign currency exchange rates and commodity prices. Our forward-looking statements are generally identified with words such as “believe,” “expect,” “intend,” “plan,” “could,” “may,” “aim,” “anticipate,” “target,” “estimate” and similar expressions.

The Company’s expectations, beliefs and forecasts are expressed in good faith and are believed by the Company to have a reasonable basis, but there can be no assurance that the Company’s expectations, beliefs or forecasts will be achieved or accomplished.

Actual events or results may differ materially from those projected in forward-looking statements due to various factors, including, but not limited to, those identified in Part I—Item 1A, “Risk Factors,” in the Company’s Annual Report on Form 10-K for the fiscal year ended August 31, 2020 which the Company filed with the SEC on October 21, 2020 and in the Company’s Quarterly Report on Form 10-Q for the period ended February 28, 2021 which the Company expects to file with the SEC on April 8, 2021.

All forward-looking statements included in this presentation should be considered in the context of these risks. All forward-looking statements speak only as of April 8, 2021 and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Investors and prospective investors are cautioned not to place undue reliance on our forward-looking statements.



# Strategic Initiatives



# Strategic Initiatives

## Uncertain Global Economy Ahead May Delay Timing of Growth Aspirations

### Growth Aspirations



#### 1. Grow WD-40 Multi-Use Product

Maximize the product line through geographic expansion, increased market penetration and development of new and unique delivery systems. More places, more people, more uses, more frequently.

Grow WD-40 Multi-Use Product to \$530 million in net sales



#### 2. Grow the WD-40 Specialist Product Line

Leverage the WD-40 Specialist line to create growth through continued geographic expansion as well as by developing new products and product categories within identified platforms.

Grow WD-40 Specialist to \$100 million in net sales



#### 3. Broaden Product and Revenue Base

Leverage the recognized strengths of WD-40 Company to derive revenue from existing brands as well as from new sources and products.

Continue to grow, nurture, and develop products that fit well with our unique multi-channel distribution network and grow to \$70 million in net sales



#### 4. Attract, Develop and Retain Outstanding Tribe Members

Succeed as a tribe while excelling as individuals.

Grow employee engagement to greater than 95 percent



#### 5. Operational Excellence

Continuous improvement by optimizing resources, systems and processes as well as applying rigorous commitment to quality assurance, regulatory compliance, and intellectual property protection.

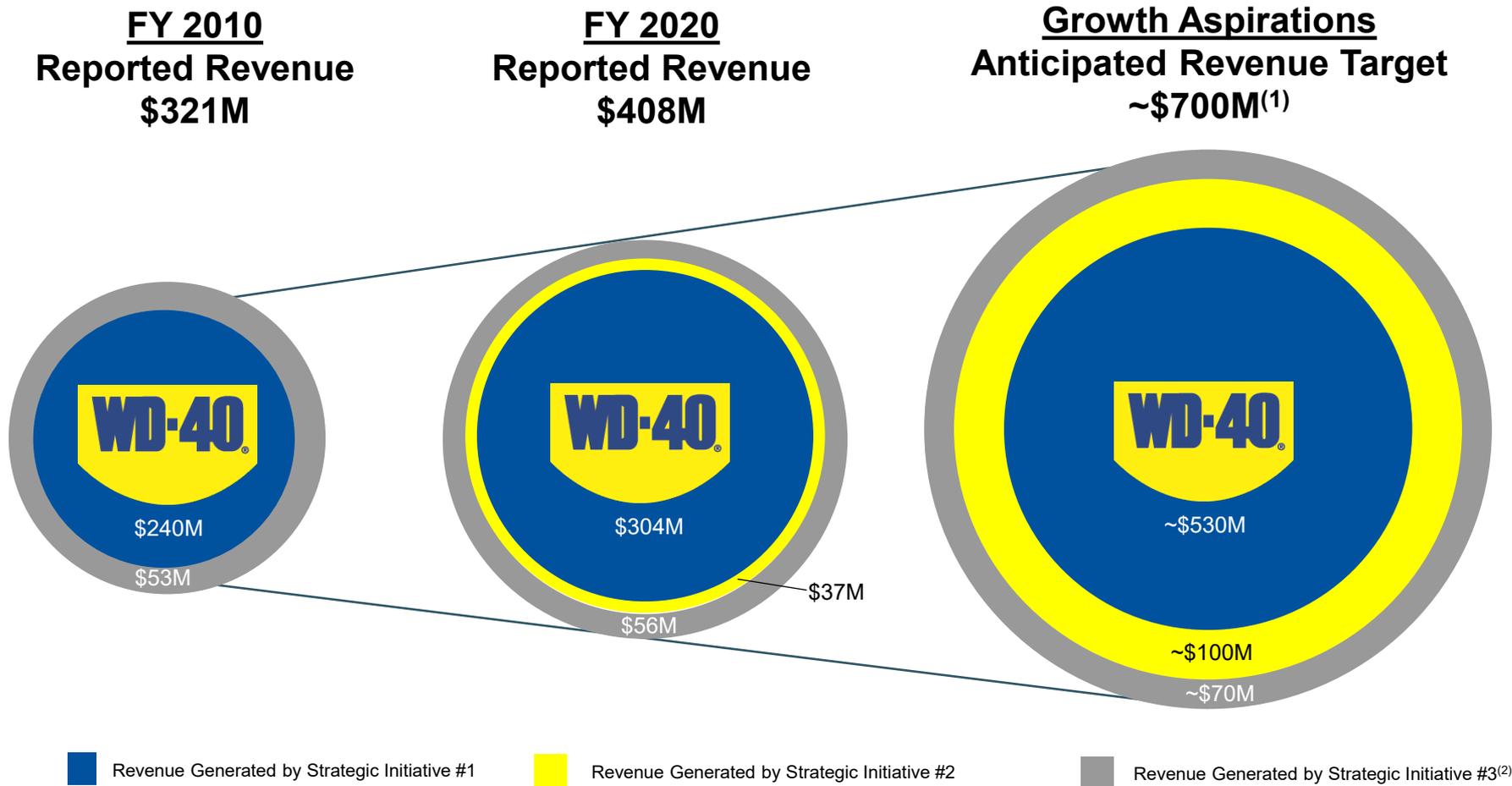
Execute the 55/30/25 business model while safeguarding the “Power of the Shield”





# Revenue Growth Aspirations

Uncertain Global Economy Ahead May Delay Timing of Growth Aspirations



1) Our growth aspirations for revenue are based on the Company's current expectations, beliefs and forecasts. They are expressed in good faith and are believed by the Company to have a reasonable basis, but there can be no assurance that they will be achieved or accomplished. Historical revenue numbers have not been adjusted for changes in foreign currency exchange rates.

2) Strategic Initiative #3 includes WD-40 Company products under the following brands: 3-IN-ONE, GT85, WD-40 BIKE, no vac, Spot Shot, 1001, Lava and Solvol.



# Q2 FY21 Results



# Q2 FY21 Results

<i>(\$ in millions; except EPS, gross profit and % change)</i>	<u>Q2 FY21</u>	<u>Q2 FY20</u>	<u>% Change</u>
Net Sales	\$111.9	\$100.0	12%
Gross Profit (%)	55.4%	53.6%	180 bps
Operating Income	\$20.7	\$18.2	14%
Net Income	\$17.2	\$14.3	20%
EPS (Diluted)	\$1.24	\$1.04	19%

- Net sales were positively impacted in the second quarter by an increase in demand for our products linked to renovation trends associated with the COVID-19 pandemic.
- Overall, changes in foreign currency exchange rates had a favorable impact on net sales in Q2 FY21.
- When you take both translation (or “constant currency”) and transaction exposure into consideration, the impacts of foreign currency exchange rates increased our total net sales by approximately \$3.5 million.

# Foreign Currency Impact

## Transaction Impact

### Transaction currency

*Currency in which sales, costs, expenses are transacted; typically the same as that of the country in which the sales transaction takes place*



*Conversion from transaction currency to subsidiaries' functional currency*

**Subsidiary**  
**(Non-Functional Currency)**

UK – USD & EUR

### Functional currency

*Main currency in which subsidiaries conduct business; typically the same as that of the country in which the subsidiary is headquartered*



*Translation from functional currency to WD-40 Company's reporting currency*

**Subsidiary**  
**(Functional Currency)**

UK – GBP  
CANADA – CAD  
AUSTRALIA – AUD  
CHINA – CNY  
MEXICO - MXN

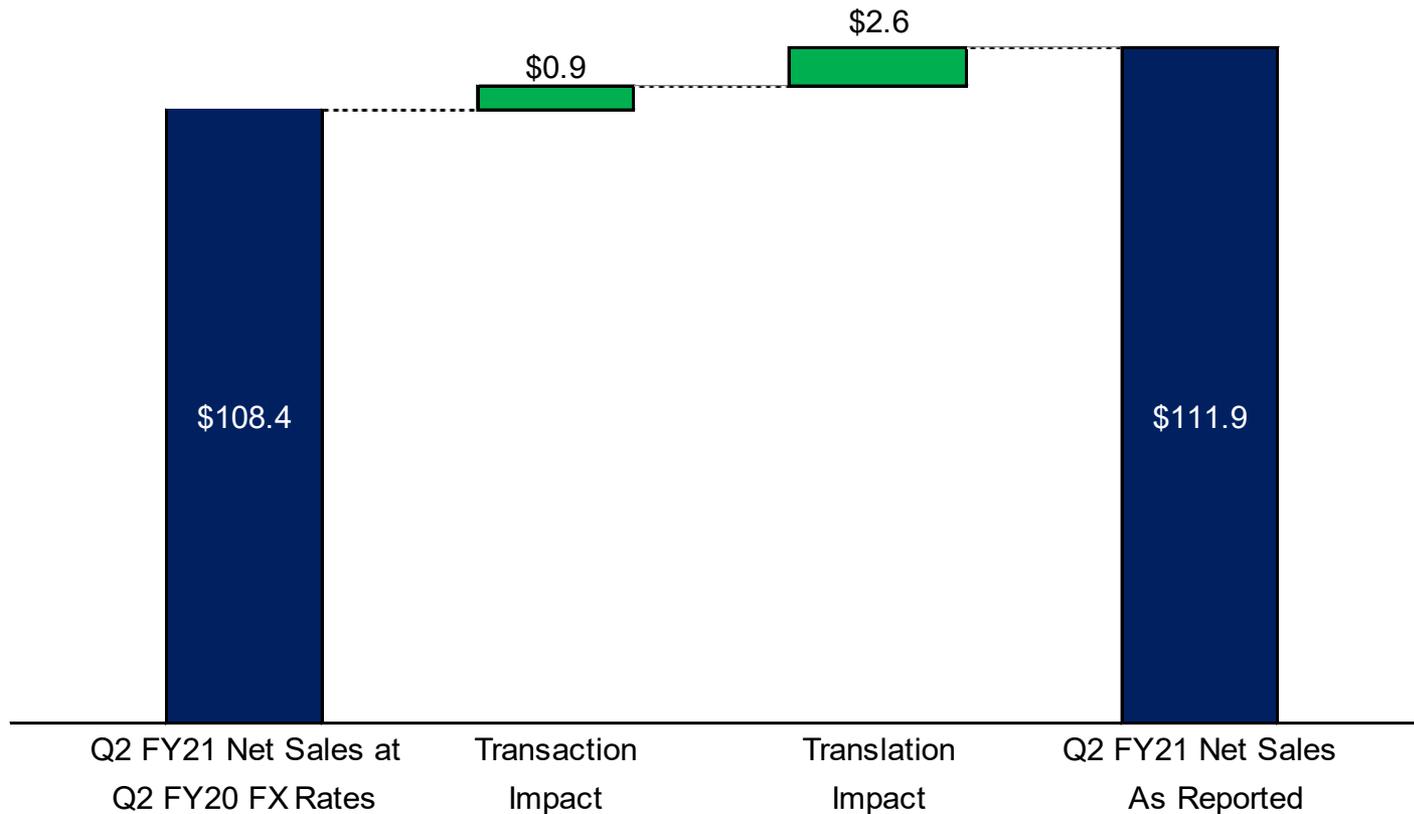
## Translation Impact

### Reporting currency

*As a U.S. based company the reporting currency of WD-40 Company is the U.S. dollar*

# Q2 FY21 Foreign Currency Exchange Impact

## Q2 FY21 Net Sales (In millions)

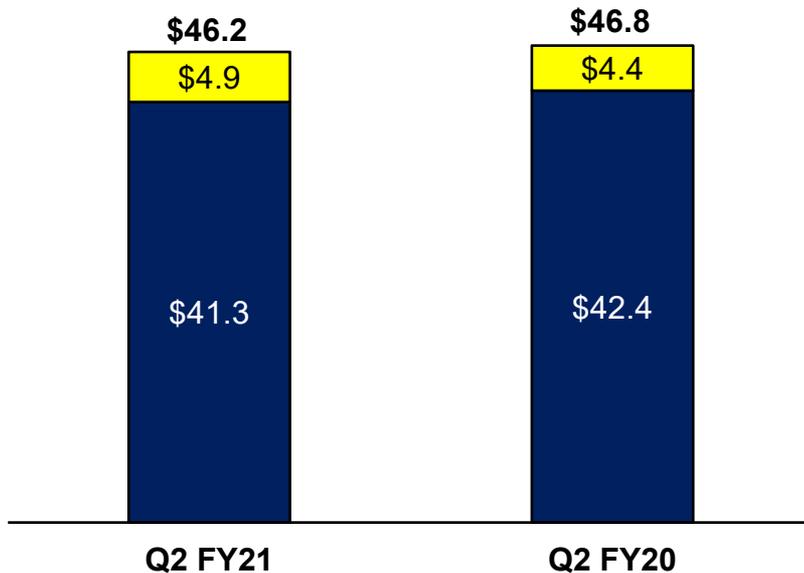


*In total changes  
in FX rates  
increased net  
sales by ~\$3.5M  
in Q2 FY21*

# Americas Segment

## Americas Net Sales

(in millions)



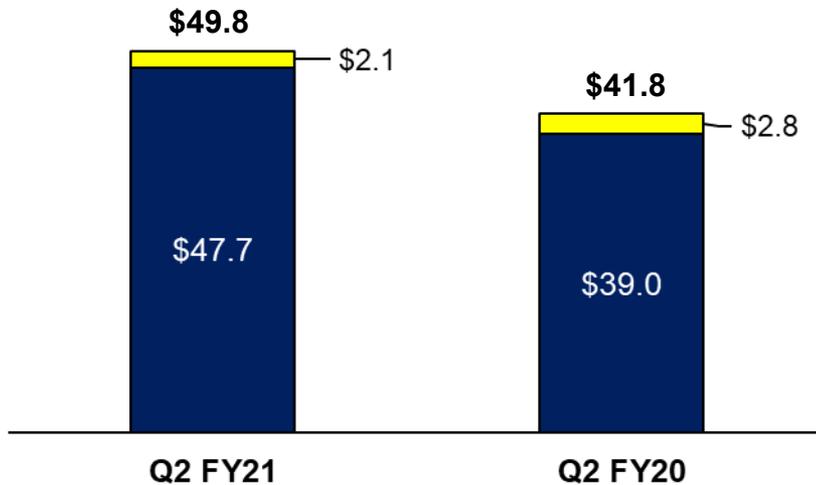
- Homecare and Cleaning Products
- Maintenance Products

## Americas – Q2 FY21 vs. Q2 FY20

- Total reported segment sales ▼ 1%
  - Segment made up 41% of global sales
  - Maintenance product sales ▼ 3%
  - WD-40 Specialist sales ▼ 36%
  - HCCP sales ▲ 10%
- Maintenance Product (MP) sales:
  - U.S. MP sales ▼ 11%
  - Latin America MP sales ▲ 28%
  - Canadian MP sales ▲ 16%

# EMEA Segment

**EMEA Net Sales**  
(in millions)



- Homecare and Cleaning Products
- Maintenance Products

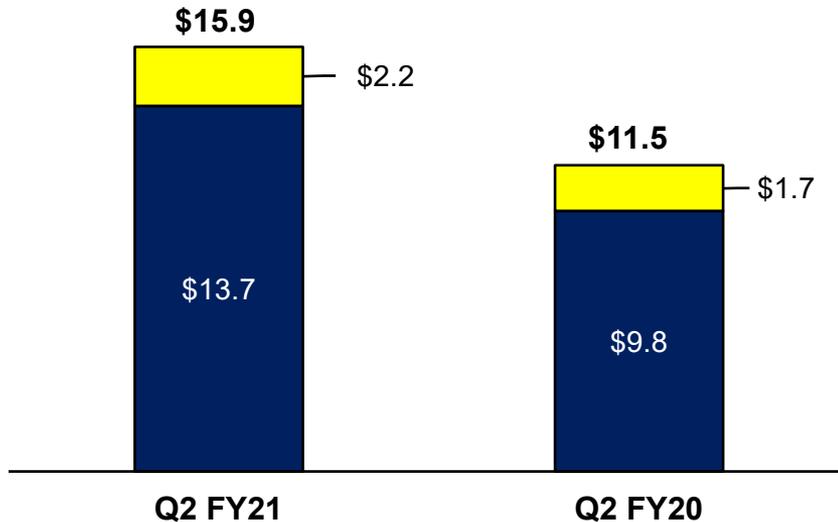
## EMEA – Q2 FY21 vs. Q2 FY20

- Total reported segment sales ▲ 19%
  - Segment made up 45% of global sales
  - In constant currency EMEA sales ▲ 15%
  - Maintenance product sales ▲ 22%
  - WD-40 Specialist sales ▲ 30%
  - HCCP sales ▼ 25%
- EMEA direct market sales ▲ 13%
  - 67% of segment sales came from direct markets
- EMEA distributor market sales ▲ 35%
  - 33% of segment sales came from distributor markets

# Asia-Pacific Segment

## Asia-Pacific Net Sales

(in millions)



■ Homecare and Cleaning Products

■ Maintenance Products

## Asia-Pacific – Q2 FY21 vs. Q2 FY20

- Total reported Asia-Pacific sales ▲ 39%
  - Segment made up 14% of global sales
  - Maintenance product sales ▲ 40%
  - WD-40 Specialist sales ▲ 102%
  - HCCP sales ▲ 32%
- Australia sales ▲ 39%
  - In functional currency (AUD) sales ▲ 26%
- China sales ▲ 227%
  - In functional currency (RMB) sales ▲ 205%
- Asia distributor market sales ▼ 4%

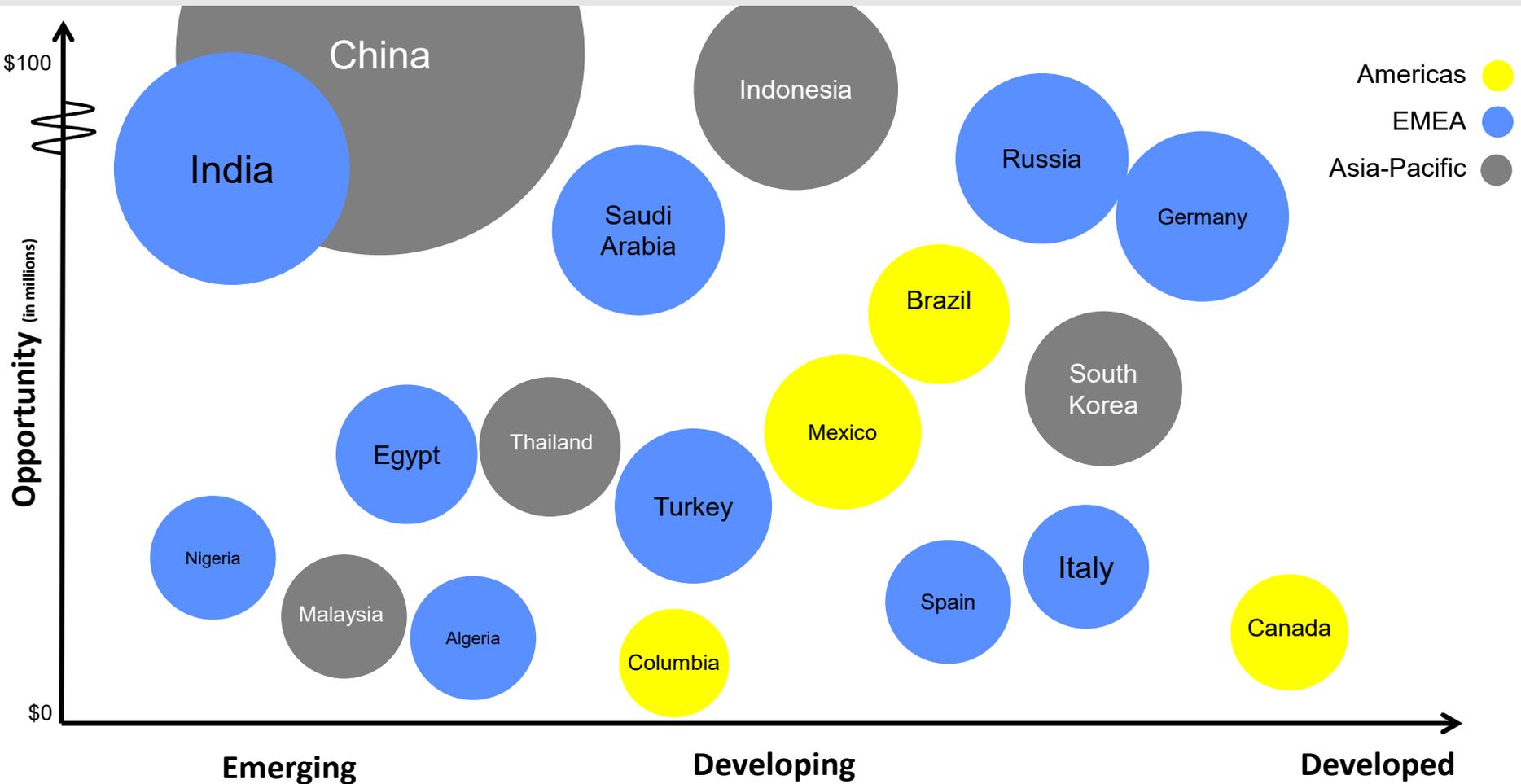


# Must Win Battles



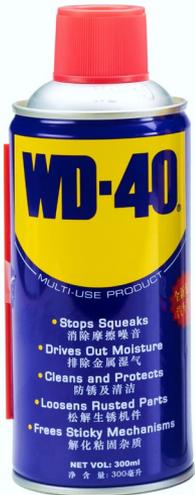
# Must-Win Battle #1 - Geographic Expansion

We estimate the potential global market opportunity for WD-40 Multi-Use Product to be ~\$1.0B <sup>(1)</sup>



15 1) Based on Industrial Value Added (IVA) / Purchase Price Parity (PPP) third-party benchmarking. WD-40 Company's estimated IVA/PPP figure is calculated using country GDP (PPP) data, which is a country's GDP converted into 'international dollars' using the PPP index, then multiplied by the country's IVA (% GDP) figure.

# Must-Win Battle #2 - Premiumization



Classic Can



Smart Straw®



Next Generation  
Smart Straw®



EZ-Reach®  
Flexible Straw

- Our objective is to **grow Smart Straw penetration to >60%** of WD-40 Multi-Use Product global sales
- We believe this growth represents **~\$50M in incremental revenue** which will help us to achieve our growth aspirations

'Premiumization' of the blue and yellow can with the little red top creates opportunities for revenue growth and gross margin expansion

# Must-Win Battle #3 – WD-40 Specialist



- WD-40 Multi-Use Product's iconic assets (blue and yellow can with a red cap) are trusted, prominent and noticeable
- New WD-40 Specialist packaging leverages these iconic assets allowing end-users to identify our products up to 26% faster and decreases potential 'walk-away'

# Must-Win Battle #4 – Digital Commerce

Our **global digital ambition** is to engage with end-users at scale, becoming the global leader in our category on the digital platforms they use, making it easy to access, learn about, and purchase our brands online.

Creating positive lasting memories....**ONLINE**

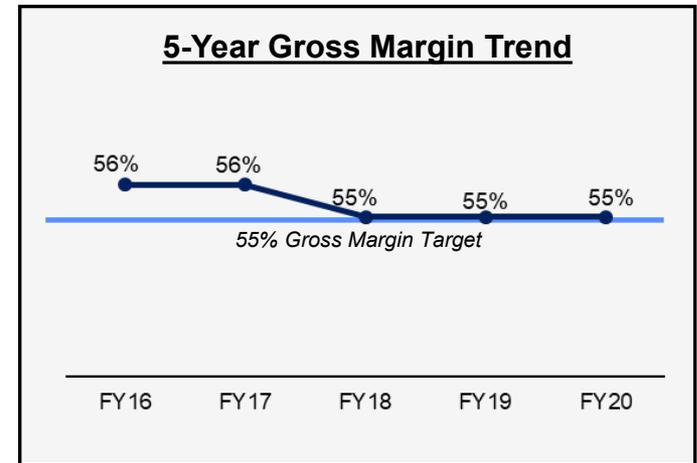
# 55/30/25 Business Model



# Gross Margin

## Gross Margin – 55.4% Q2 FY21 vs. 53.6% Q1 FY20 (+1.8 pp)

- Changes in petroleum-based specialty chemicals (+1.6pp)
- Changes in aerosol cans costs, primarily in EMEA (+0.5pp)
- Price increases (+0.2pp)
- Sales mix changes and other misc. costs (+0.2pp)
- FX impact in EMEA (+0.2pp)
- Additional warehousing, distribution and freight costs (-0.6pp)
- Discount changes (+0.3pp)

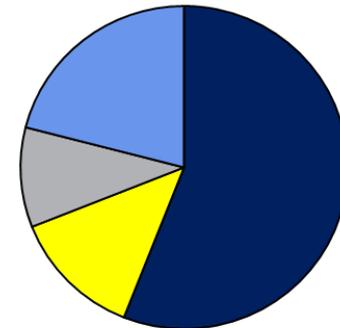


*Gross margin can be impacted positively and negatively by things not under the Company's control like changes in foreign currency exchange rates and input costs*

# Cost of Doing Business

- Q2 FY21 cost of doing business was 36%, up from 34% in Q2 FY20
- In Q2 FY21 cost of doing business came from three primary areas:
  - People costs, including earned incentive accruals
  - Marketing, advertising and promotion
  - Freight costs to get products to customers

Cost of Doing Business



■ People ■ A&P Investment ■ Freight ■ Other

*Revenue growth is the most important factor in achieving the “30” target*

# 55/30/25 Results

<b>55/30/25 Business Model</b>	<b>Target</b>	<b>Q2 FY21 Actuals</b>	<b>Q2 FY20 Actuals</b>	<b>Q2 FY19 Actuals</b>
Gross Margin	55%	55%	54%	55%
Cost of Doing Business	30%	36%	34%	34%
EBITDA	25%	20%	20%	22%

\* See appendix for descriptions and reconciliations of these non-GAAP measures.

Note: Percentages may not aggregate to EBITDA percentage due to rounding and because amounts recorded in other income (expense), net on the Company's consolidated statement of operations are not included as an adjustment to earnings in the Company's EBITDA calculation.

# Guidance



# Fiscal Year 2021 Guidance

- Current market conditions suggest that for fiscal year 2021 total net sales are expected to be between \$445 million and \$475 million
  - Revision to net sales expectations driven primarily by favorable changes in foreign currency exchange rates
- Due to the uncertainty that the pandemic continues to present, the Company is not issuing comprehensive financial guidance for fiscal year 2021

# Appendix



# Foreign Currency Translation Impact or “Constant Currency”

(\$ in millions; except EPS, gross profit and % change)

<b>Financial Results</b> As reported	<b><u>Q2 FY21</u></b>	<b><u>Q2 FY20</u></b>	<b><u>% Change</u></b>
Net Sales	\$111.9	\$100.0	12%
Gross Profit (%)	55.4%	53.6%	180 bps
Operating Income	\$20.7	\$18.2	14%
Net Income	\$17.2	\$14.3	20%
EPS (Diluted)	\$1.24	\$1.04	19%
<b>Financial Results</b> Constant currency basis	<b><u>Q2 FY21 CC*</u></b>	<b><u>Q2 FY20</u></b>	<b><u>% Change</u></b>
Net Sales	\$109.2	\$100.0	9%
Operating Income	\$19.9	\$18.2	9%
Net Income	\$16.6	\$14.3	16%
EPS (Diluted)	\$1.20	\$1.04	15%

Note: FY21 results translated at FY20 foreign currency exchange rates.

# Non-GAAP Reconciliation

(1) This presentation contains certain non-GAAP (accounting principles generally accepted in the United States of America) measures, that our management believes provide our stockholders with additional insights into WD-40 Company's results of operations and how it runs its business. Our management uses these non-GAAP financial measures in order to establish financial goals and to gain an understanding of the comparative performance of the Company from year to year or quarter to quarter. The non-GAAP measures referenced in this presentation, which include EBITDA (earnings before interest, income taxes, depreciation and amortization) and the cost of doing business, are supplemental in nature and should not be considered in isolation or as alternatives to net income, income from operations or other financial information prepared in accordance with GAAP as indicators of the Company's performance or operations. Reconciliations of these non-GAAP financial measures to the WD-40 Company financials as prepared under GAAP are as follows:

	<u>Three Months Ended February 28/29,</u>	
	<u>2021</u>	<u>2020</u>
<b>Total operating expenses - GAAP</b>	\$ 41,352	\$ 35,417
Amortization of definite-lived intangible assets	(362)	(654)
Depreciation (in operating departments)	(1,077)	(1,049)
Cost of doing business	<u>\$ 39,913</u>	<u>\$ 33,714</u>
Net sales	<u>\$ 111,905</u>	<u>\$ 100,049</u>
Cost of doing business as a percentage of net sales - non-GAAP	36%	34%

## EBITDA:

	<u>Three Months Ended February 28/29,</u>	
	<u>2021</u>	<u>2020</u>
<b>Net income - GAAP</b>	\$ 17,191	\$ 14,327
Provision for income taxes	3,024	3,064
Interest income	(19)	(28)
Interest expense	610	593
Amortization of definite-lived intangible assets	362	654
Depreciation	1,396	1,432
EBITDA	<u>\$ 22,564</u>	<u>\$ 20,042</u>
Net sales	<u>\$ 111,905</u>	<u>\$ 100,049</u>
EBITDA as a percentage of net sales - non-GAAP	20%	20%

Note: Percentages may not aggregate to EBITDA percentage due to rounding and because amounts recorded in other income (expense), net on the Company's consolidated statement of operations are not included as an adjustment to earnings in the Company's EBITDA calculation.

