INDUSTRY TIMELINESS: 45 (of 99)

The Household Products Industry is often lauded for its stable earnings growth. Indeed, the group has been recognized for its defensive characteristics, i.e., the companies' ability to perform well during the good times and the bad. This is not to say that the industry was not immune to recessionary pressures and the more difficult environment last year. At any rate, the members of this group continue to overcome the residual delays from the macroeconomic malaise and seem poised to rebound in the coming quarters.

Capturing Market Share

These companies are working to rebuild their customer bases. During leaner times last year many customers scaled back discretionary expenditures. To this end, few consumers sought big-ticket purchases. Even more customers, feeling the strain on their wallets, turned to private-label and generic products to replace their rolls of toilet paper, cleaning agents, and soaps, as those items were used up. Though many people remained loyal to brands that they recognized and trusted, others were harder hit by the collapse of the housing market and rising unemployment, and did not splurge on the comforts of branded goods.

Now, that most of the storm clouds seem to have passed, companies in this group have relaunched brand-building campaigns. Several have ramped up advertising expenditures and marketing campaigns to recapture former customers. Some are now using cross-platform efforts to increase name recognition.

Others have turned to product development in order to garner new attention in the marketplace. We think that many will reallocate their corporate budgets and designate a greater portion to research & development and product innovation.

Also, because diversification remains an integral strategy for many in this group, some may turn to new categories to bolster their current roster of offerings. Others may eye accretive acquisitions, now that the credit markets have improved and financing such mergers has become somewhat easier.

Geographic expansion is another key to capturing market share. Many companies prospered from dynamic growth in emerging economies. Though a wider global footprint opened the companies to the risk of operating in less-stable political environments and made their businesses vulnerable to volatile currency fluctuations, for most the benefits outweighed the costs. Even those that targeted more-established markets have benefited from the diversification.

Margin Improvement

Most of the companies relied heavily on cost-containment programs and streamlining efforts during the downturn. Even though significant market improvement and the decline in input costs and operating expenses have ameliorated much of the need for such aggressive programs, managements seem firm in continuing these efforts. Increased operating efficiency and productivity have already been accretive to recent totals.

Some of the conglomerates have been eying acquisitions, and others have in fact, already padded their portfolios with recent asset purchases. As a result, the integration of acquisitions should enable the companies to implement increased cost controls.

Looking ahead, we believe that these efforts will support healthy top- and bottom-line gains. This group is lauded for steady, but stable growth. Ongoing supply-chain management should generate healthier operating and profit margins. Thus, we believe that these initiatives will brighten the 2013-2015 horizon.

Conclusion

The group, as a whole, is ranked in the upper third of the *Value Line* investment universe. Although the lingering effects of last year's recession could hinder some of the industry members' near-term progress, overall we anticipate that these companies' aggressive comeback initiatives will help pave the way for solid long-term growth.

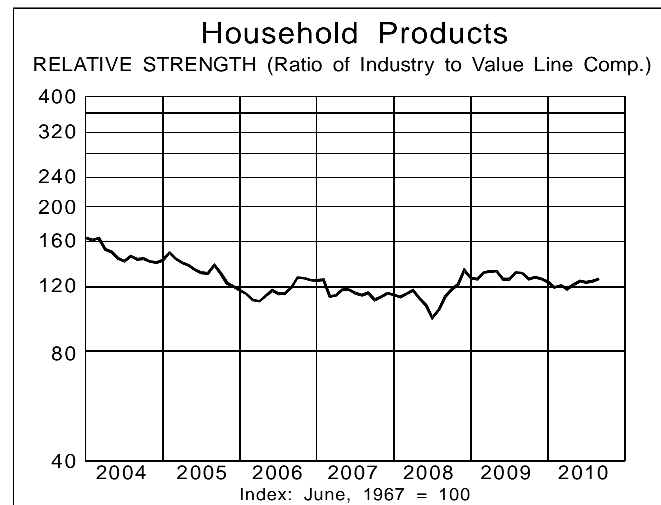
Additionally, some of the companies herein possess good scores for Financial Strength. In general, this group's defensive nature, and ability to swing with the broader stock market's punches, ought to earn these issues favor in the eyes of conservative investors. Too, those with a more aggressive portfolio may rely on these equities to better diversify, and offset more-volatile holdings.

As always, we recommend that our readers evaluate each individual report, before making any capital commitments.

Orly Seidman

Composite Statistics: HOUSEHOLD PRODUCTS INDUSTRY

2006	2007	2008	2009	2010	2011		13-15
125954	139450	151610	145602	***147060***	***149900***	Sales ($mill)	***159200***
21.1%	21.1%	21.0%	22.0%	***22.5%***	***22.5%***	Operating Margin	***23.5%***
4748.3	5141.1	5227.9	5118.5	***5250***	***5300***	Depreciation ($mill)	***5425***
13987	15952	17204	17506	***17950***	***18340***	Net Profit ($mill)	***19850***
29.5%	29.3%	27.4%	28.4%	***30.0%***	***30.0%***	Income Tax Rate	***30.0%***
11.1%	11.4%	11.3%	12.0%	***12.2%***	***12.2%***	Net Profit Margin	***12.5%***
8344.6	d1210	d974.0	d3855	***7320***	***13400***	Working Cap'l ($mill)	***15670***
50740	40608	44826	39089	***51500***	***50000***	Long-Term Debt ($mill)	***50000***
77838	82807	82592	81102	***83710***	***92165***	Shr. Equity ($mill)	***112500***
11.6%	13.8%	14.5%	15.6%	***13.5%***	***13.0%***	Return on Total Cap'l	***12.0%***
18.0%	19.3%	20.8%	21.6%	***21.5%***	***20.0%***	Return on Shr. Equity	***17.5%***
10.7%	11.7%	12.5%	12.7%	***13.0%***	***11.5%***	Retained to Com Eq	***10.5%***
42%	41%	41%	42%	***40%***	***41%***	All Div'ds to Net Prof	***40%***
19.7	18.9	17.5	14.8	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	***15.0***
1.06	1.00	1.05	.99			Relative P/E Ratio	***1.00***
2.1%	2.1%	2.3%	2.8%			Avg Ann'l Div'd Yield	***2.1%***



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