CHURCH & DWIGHT CO INC /DE/
Form 10-K
February 21, 2019

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, 2018 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 incorporation or organization)	(I.R.S. Employer 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 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

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 No

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

Indicate by check mark 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.

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

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2018 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately $12.5 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 30, 2018.

As of February 19, 2019, there were 245,901,066 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, 2019 are incorporated by reference in Items 10 through 14 of Part III of this Annual Report on Form 10 K (this "Annual

Report").

CAUTIONARY NOTE ON FORWARD-LOOKING INFORMATION

This Annual Report contains forward-looking statements, including, among others, statements relating to net sales and earnings growth; gross margin changes; trade and marketing spending; marketing expense as a percentage of net sales; sufficiency of cash flows from operations; earnings per share; the impact of new accounting pronouncements; cost savings programs; consumer demand and spending; the effects of competition; the effect of product mix; volume growth, including the effects of new product launches into new and existing categories; the increase in the number of gummy dietary supplement competitors; the impact of competitive laundry detergent products, including unit dose laundry detergent; the Company's hedge programs; the impact of foreign exchange, tariffs, and commodity price fluctuations; actual voluntary and expected cash contributions to pension plans; impairments and other charges including the pension settlement charge and asset impairment charges; the Company's investments in joint ventures; the impact of acquisitions and divestitures; capital expenditures; the Company's effective tax rate; the impact of the Tax Cuts and Jobs Act; the impact of tax audits; tax changes and the lapse of applicable statutes of limitations; the effect of the credit environment on the Company's liquidity and capital resources; the Company's fixed rate debt; compliance with covenants under the Company's debt instruments; the Company's commercial paper program; the Company's current and anticipated future borrowing capacity to meet capital expenditure program costs; and the Company's share repurchase programs; payment of dividends; environmental and regulatory matters; the availability and adequacy of raw materials, including trona reserves and the conversion of such reserves; and the customers and consumer acceptance of certain ingredients in our products. These statements represent the intentions, plans, expectations and beliefs of the Company, and are based on assumptions that the Company believes are reasonable but may prove to be incorrect. In addition, these statements 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 could 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; delays or other problems in manufacturing or distribution; adverse developments affecting the financial condition of major customers and suppliers; competition; 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; the Company's ability to maintain product quality and characteristics at a level acceptable to our customers and consumers; disruptions in the banking system and financial markets; foreign currency exchange rate fluctuations; implications of the United Kingdom's withdrawal from the European Union; shifting economic policies in the United States; potential changes in export/import and trade laws, regulations and policies of the United States and other countries, including any increased trade restrictions or tariffs, including the actual and potential effect of tariffs on Chinese goods imposed by the United States; issues relating to the Company's information technology and controls; 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”).

All applicable amounts in the consolidated financial statements and related disclosure included in this annual report have been retroactively adjusted to reflect the Company’s two for one stock split effected September 1, 2016.

Unless otherwise specified or the context otherwise requires, all references in this Annual Report on Form 10-K to “Church & Dwight,” “we,” “us,” “our” and “Company” refer to Church & Dwight Co., Inc. and its consolidated subsidiaries.

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PART I

ITEM 1. BUSINESS

OVERVIEW OF BUSINESS

We were founded in 1846 and incorporated in Delaware in 1925. We develop, manufacture and market a broad range of consumer household and personal care products and specialty products focused on animal productivity, chemicals and cleaners. Our consumer products marketing efforts are focused principally on our 11 “power brands.” These well-recognized brand names include ARM & HAMMER baking soda, cat litter, laundry detergent, carpet deodorizer and other baking soda based products; TROJAN condoms, lubricants and vibrators; OXICLEAN stain removers, cleaning solutions, laundry detergents and bleach alternatives; SPINBRUSH battery-operated toothbrushes; FIRST RESPONSE home pregnancy and ovulation test kits; NAIR depilatories; ORAJEL oral analgesic; XTRA laundry detergent; L’IL CRITTERS and VITAFUSION gummy dietary supplements for children and adults, respectively; BATISTE dry shampoo; and WATERPIK water flossers and showerheads.

We sell our 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 and other discount stores, pet and other specialty stores and websites and other e-commerce channels, all of which sell our products to consumers. We sell our specialty products to industrial customers, livestock producers and through distributors.

We maintain a strong heritage of commitment to people and the planet. In 2018, we continued to progress on our commitment to robust and transparent environmental, social and governance practices. Our corporate sustainability goals include improving the sustainability profile of our products (including both packaging and ingredients), reducing our environmental footprint (including through increased renewable energy usage and reduced water and greenhouse gas emissions and solid waste to landfill) and positively impacting our employees and the communities where we operate. Further, we are placing considerable focus and effort on our supplier base through the execution of our responsible sourcing program.

Our continued progress in various areas of corporate responsibility received various external recognitions, including inclusion in the 2018 Barron’s Most Sustainable Companies list and the EPA’s Green Power Partnership Top 100 list. In addition, the Company ranked 196th in the Drucker Institute/WSJ “Management Top 250 List” while also ranking in the JUST Capital “America’s Most Just Companies” list and the FTSE4Good Index Series.

Moreover, in 2005, we established the Church & Dwight Employee Giving Fund, Inc. (EGF), an employee-run giving program, where employees’ donations are matched dollar-for-dollar by us, that primarily supports charitable organizations in New Jersey and Eastern Pennsylvania. Additionally, we contribute to deserving nonprofits benefiting social and other charitable causes.

FINANCIAL INFORMATION ABOUT SEGMENTS AND PRINCIPAL PRODUCTS

Refer to Note 16 to the consolidated financial statements included in this Annual Report and in “Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations” for information concerning the results of each of our segments.

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 ended December 29, 2018. Foreign brand “rankings” are derived from several sources.

Recent Acquisitions

On March 8, 2018, we acquired Passport Food Safety Solutions, Inc. (“Passport”). Passport sells products for pre- and post-harvest treatment of poultry, swine, and beef (the “Passport Acquisition”). The total purchase price was approximately \$50.0, which is subject to an additional payment of up to \$25.0 based on sales performance through 2020.

Consumer Domestic

Our founders first marketed sodium bicarbonate, otherwise known as 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. We specialize in baking soda-based products, as well as other products which use the same raw materials or technology or which are sold in the same markets. Our Consumer Domestic segment includes each of our 11 power brands, as well as other well-known brands and household and personal care products. We divide the Consumer Domestic segment into household and personal care product groups.

Household Products

In 2018, household products constituted approximately 55% of our Domestic Consumer sales and approximately 42% of our consolidated net sales.

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 cleaning and deodorizing properties of baking soda have led to the development of numerous baking soda-based household products. For example, we market ARM & HAMMER FRIDGE FRESH, a refrigerator deodorizer equipped with a baking soda filter to help keep food tasting fresher, and ARM & HAMMER Carpet Deodorizer. Our other primary household products include laundry detergents marketed under the ARM & HAMMER, OXICLEAN and XTRA brands, fabric softener sheets marketed under the ARM & HAMMER and NICE'N FLUFFY brands, cat litter under our ARM & HAMMER brand, and household cleaning products under the CLEAN SHOWER, SCRUB FREE, ORANGE GLO, OXICLEAN and KABOOM brands. Our laundry detergents constitute our largest consumer business, measured by net sales.

Personal Care Products

In 2018, personal care products constituted approximately 45% of our Consumer Domestic sales and approximately 34% of our consolidated net sales.

Our personal care business was founded on the unique strengths of our ARM & HAMMER trademark and baking soda technology. We have expanded our personal care business through the 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.

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 that are marketed and sold nationally primarily under the ARM & HAMMER brand name. Our other personal care products include antiperspirants and deodorants under the ARRID and ARM & HAMMER brands, condoms under the TROJAN brand (the number one condom brand in the U.S.), battery-operated toothbrushes under the SPINBRUSH brand (the number one leading brand of battery-operated toothbrushes in the U.S. in 2018), water flossers and showerheads under the WATERPIK brand (the number one water flosser and replacement showerhead brand in the U.S.), home pregnancy and ovulation test kits under the FIRST RESPONSE brand (the number one selling brand in the U.S.), hair-removal products under the NAIR brand, oral analgesics and oral care products under the ORAJEL brand (the market leader in the toothache, canker sore, and children's teething categories in the U.S.), children's gummy dietary supplements under the L'IL CRITTERS brand and adult gummy dietary supplements under the VITAFUSION brand (both number one leading brands in their respective categories), a growing number of hair products under the BATISTE, VIVISCAL, TOPPIK (the number one leading brand of cosmetics for thinning hair), and XFUSION brands, and nasal saline moisturizers and solutions under the SIMPLY SALINE and STERIMAR brands.

Consumer International

Our Consumer International segment markets a variety of personal care, household and over-the-counter products in international subsidiary markets, including Australia, Brazil, Canada, France, Germany, Mexico and the United Kingdom and in global export markets around the world.

Total Consumer International net sales represented approximately 17% of our consolidated net sales in 2018. Net sales of the businesses located in Europe, Canada, Mexico and Australia accounted for 33%, 29%, 9% and 9%, respectively, of our 2018 international net sales in this segment. No country in which we operate accounts for more than 9% of our total international net sales and no product line accounts for more than 20% of total international net sales.

Some of our U.S. Power Brands such as ARM & HAMMER, BATISTE, NAIR, OXICLEAN, TROJAN, L'LL CRITTERS, SPINBRUSH and VITAFUSION are distributed in most of our international markets. In addition, we also export unique brands such as STERIMAR, natural nasal decongestant out of France and FEMFRESH, feminine hygiene portfolio out of the United Kingdom, in many countries around the world.

We also market the CURASH line of babycare products in Australia, and GRAVOL anti-nauseant and RUB-A535 topical analgesic in Canada and other international markets. We also sell WATERPIK water flossers and showerheads in Australia, Canada, Germany, France, the United Kingdom, Mexico and in other international markets.

Specialty Products Division

Our SPD segment focuses on sales to businesses and participates in three product areas: Animal Productivity, Specialty Chemicals and Specialty Cleaners, and accounted for approximately 7% of our consolidated net sales in 2018.

Animal Productivity Products

Since the ARM & HAMMER animal productivity business began in 1972, with its launch of ARM & HAMMER baking soda as a feed additive to help dairy cows produce more milk, we have built a leading portfolio of nutritional supplements designed to help improve the health and productivity of dairy cows. Today our portfolio of dairy nutritional supplements includes brands such as MEGALAC rumen bypass fat (licensed from Volac International Limited) – a supplement made from natural oils – which enables cows to maintain energy levels during the period of high milk production, resulting in improved milk yields. In addition, we market a line of high quality protein and amino acid products, including BIO-CHLOR and FERMENTEN, which are designed to help reduce health issues associated with calving, as well as provide needed protein to ensure proper growth and milk production.

Over the last five years, we have expanded our product offerings to include unique prebiotics and probiotics. CELMANAX Refined Functional Carbohydrate is a yeast based prebiotic that helps ensure a well-functioning gastrointestinal track in dairy cows, beef cattle, poultry and other livestock. On May 1, 2017, we acquired the Agro Biosciences, Inc. business and we now market the CERTILLUS family of probiotics products in the poultry, dairy, beef and swine industries. On March 8, 2018, we acquired Passport Food Safety Solutions, Inc., focused on providing pre- and post-harvest food safety solutions for beef, poultry, and swine primarily for the application to carcasses to reduce food borne pathogens.

Specialty Chemicals

Our 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.

We 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 a potassium carbonate-based animal feed additive for sale by the Company in the dairy industry, described above under “Animal Productivity Products.”

Specialty Cleaners

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

We 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 our technology and Safety-Kleen’s sales and distribution organization. In North America, this joint venture distributes our proprietary product line of aqueous cleaners along with our ARMEX blast media line, which is designed for the removal of a wide variety of surface coatings.

COMPETITION

We compete 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 significant advertising and promotion. We compete 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 dietary supplements, are subject to significant price competition. As a result, we, from time to time, may need to reduce the prices for some of our products to respond to competitive and customer pressures and to maintain market share. Product introductions typically involve heavy marketing and trade spending in the year of launch, and we usually are 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 retail environment, we face pricing pressure from our retail customers and customers selling through other channels, particularly high-volume retail customers including, internet based retailers, who have increasingly sought to obtain pricing concessions or better trade terms that could reduce our margins. Furthermore, if we are unable to maintain price or trade terms acceptable to our customers, they could increase product purchases from competitors and reduce purchases from us, which would harm our sales and profitability.

Our competitors in the Consumer Domestic and Consumer International segments include P&G, The Clorox Company, Colgate-Palmolive Company, S.C. Johnson & Son, Inc., Nestle Purina PetCare Company, Henkel, Reckitt Benckiser Group plc, Johnson & Johnson, Ansell Limited, Pfizer Inc., Bayer AG, Alere Inc., NBTY, Inc. and Pharmavite LLC. Many of these companies have greater financial resources than we do and have the capacity to outspend us in their attempts to gain market share.

Competition within our specialty chemicals and animal productivity 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 educational costs in the year of launch, and we usually are 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. Our key competitors with respect to our SPD segment are Archer Daniels Midland Company, Cargill Incorporated, Lallemand Inc., Solvay Chemicals, Inc., Genesis Alkali and Natural Soda, Inc. For additional discussion of the competitive environment in which we conduct our business, see Item 1A, "Risk Factors."

DISTRIBUTION OF OUR PRODUCTS

Our Consumer Domestic and Consumer International segments products are marketed primarily through a broad distribution platform that includes supermarkets, mass merchandisers, wholesale clubs, drugstores, convenience stores, home stores, dollar and other discount stores, pet and other specialty stores, and websites and other e-commerce channels, all of which sell our products to consumers. The Consumer Domestic Segment employs a sales force based regionally throughout the U.S. and utilizes the services of independent brokers, who represent our products in the food, mass, pet, dollar, club, and numerous other classes of trade. Our Consumer International segment conducts business through subsidiaries and global export markets. Our subsidiaries employ local sales and marketing teams that manage the retailer and trade relationships while export sales and marketing professionals also manage an extensive distributor network in our global export markets. Our products are stored in our plants and third-party owned warehouses and are either delivered by independent trucking companies or picked up by customers at our facilities.

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 independent distributors. Our products in this segment are stored in our plants and public warehouses and are either delivered by independent trucking companies or picked up by customers at our facilities.

SEASONALITY

Our business is generally not seasonal, although the Consumer Domestic and Consumer International segments are affected by sales of SPINBRUSH 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).

RAW MATERIALS AND SOURCES OF SUPPLY

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

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

We believe that ample sources of raw materials are available for all our other major products. Detergent chemicals are used in a variety of our products and are available from a number of sources. Bottles, paper products and clay are available from multiple suppliers, although we choose to source most of these materials from single sources under long-term supply agreements in order to gain favorable economies of scale. We also use certifiable sustainable palm oil derivatives in a number of products, including primarily in our rumen bypass fats products. Alternative sources of supply are available in case of the 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 our consumer businesses, were higher in 2018 relative to 2017, increasing our core commodity costs. Increases in the prices of certain raw materials could materially impact our costs and financial results if we are unable to pass such costs along in the form of price increases to our customers.

We utilize the services of third party contract manufacturers around the world for certain products.

PATENTS AND TRADEMARKS

Our trademarks appear in upper case letters throughout this Annual Report. The majority of our 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 us since 1867, and is a valuable asset and important to the successful operation of our business. Our products are sold under many other valuable trademarks held by the Company, including TROJAN, NAIR, ORAJEL, WATERPIK, FIRST RESPONSE, XTRA, OXICLEAN, SPINBRUSH, BATISTE, SIMPLY SALINE, L'IL CRITTERS and VITAFUSION. Our portfolio of trademarks represents substantial value 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 we actively seek and maintain 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, 2018, 2017 and 2016, net sales to our largest customer, Walmart Inc. and its affiliates ("Walmart"), were 23%, 24% and 24% respectively, of our consolidated net sales. No other customer accounted for 10% or more of our consolidated net sales in the three-year period. The time between receipt of orders and shipment is generally short, and as a result, backlog is not significant.

GOVERNMENT REGULATION

General

Some of our 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 our 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 us to make changes in our manufacturing processes and quality systems to remain in compliance. These agencies periodically inspect manufacturing and other facilities. If we fail to comply with applicable regulations and standards, we may be subject to sanctions, including fines and penalties, the recall of products and cessation of manufacturing and/or distribution.

In addition, we sell products that are subject to regulation under the Federal Insecticide, Fungicide and Rodenticide Act and the Toxic Substances Control Act, both of which are administered by the EPA.

We are also subject to regulation by the FTC in connection with the content and truthfulness of our labeling, advertising, promotion, trade practices and other matters. The FTC has instituted numerous enforcement actions against 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.

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).

Our relationship with certain union employees is regulated by various agencies of the countries, states, provinces and other localities in which we sell our 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”). For lower risk class II devices, we must generally submit a premarket notification requesting clearance for commercial distribution known as a “510(k)” clearance. Our condoms, lubricants, contact lens solution, wound wash and home pregnancy test kits are regulated as class II devices. Some other low risk devices, including SPINBRUSH and other 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. We 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 us 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

We market 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 our pharmaceutical products are manufactured, tested, packaged, stored and distributed according to cGMP regulations. The FDA performs periodic audits to ensure that our 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 us 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 us that, among other things, could result in the suspension of production or distribution of our products, product seizures, loss of certain licenses or other governmental penalties, and could have a material adverse effect on our financial condition or operating results. We are required to report serious adverse events associated with the use of our OTC pharmaceutical products marketed in the U.S.

We cannot predict whether new legislation regulating our activities will be enacted or what effect any legislation would have on our business.

Food Products

We market baking soda and animal feed products, such as rumen fermentation enhancers and Dietary Cation-Anion Difference (“DCAD”) balancers that are also subject to FDA and foreign regulation. The Food Safety Modernization Act (“FSMA”) regulates food and animal feed products and mandates preventive controls, including hazard analysis, risk controls, supplier qualifications and controls and increased record keeping. FSMA grants the FDA the authority to require mandatory recalls for products under certain conditions. The FDA is currently in the process of establishing rules and guidance to implement the provisions of FSMA. The potential impact of these rules and applicable guidance cannot be determined now.

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 our products are sold. The FDCA governs the composition, safety, labeling, manufacturing and marketing of dietary supplements.

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. The 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 notification does not provide an adequate basis to conclude that a new ingredient is reasonably expected to be safe, which could effectively prevent the marketing of the ingredient. On July 5, 2011, the FDA issued draft guidance governing notification of new dietary ingredients for public comment and not for implementation. The FDA has not taken any further steps to implement the guidance, which, 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.

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 our 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 consumers or to regulatory action against us related to the products made in that facility, seizure, injunction or recall. There is considerable uncertainty with respect to the FDA’s interpretation and implementation of the cGMP regulations. 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. 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 the FDA.

Additional 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

Our operations are subject to federal, state, local and foreign laws, rules and regulations relating to environmental concerns, including air emissions, wastewater discharges, solid and hazardous waste management activities, and the safety of our employees. We endeavor to take actions necessary to comply with such regulations. These steps include periodic environmental and health and safety audits of our facilities. The audits, conducted by independent firms with expertise in environmental, health and safety 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.

EMPLOYEES

At December 31, 2018, we had approximately 4,700 employees. Internationally, we employ union employees in France, Mexico, Brazil and New Zealand. We believe our relations with both our union and non-union employees are satisfactory.

PUBLIC INFORMATION

We maintain a website at www.churchdwight.com and on the “Investors-Financial Information-SEC Filings” page of 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 we electronically file these materials with, or furnish them to, the Securities and Exchange Commission (the “Commission”). Also available on the “Investors-Corporate Governance” page on our website are our Corporate Governance Guidelines, charters for the Audit, Compensation & Organization and Governance & Nominating Committees of our Board of Directors (the “Board”), our Code of Conduct and our Proxy Statement. We also publish a Sustainability Report that summarizes our business and corporate responsibility commitments and accomplishments including those related to our environmental, social, and governance performance. For more information regarding the Company’s sustainability initiatives please see the “Responsibility” page on our website. 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 on our website is not a part of this Annual Report and the reference to our website is intended to be an inactive textual reference only.

ITEM 1A.RISK FACTORS

The following risks and uncertainties, as well as other factors described elsewhere in this Annual Report or in our other filings with the Commission, could materially adversely affect our business, results of operations and financial condition:

- Unfavorable economic conditions could adversely affect demand for our products.

Unfavorable and uncertain economic conditions have adversely affected, and in the future may adversely affect, demand for some of the categories of products we sell, resulting in reduced sales volume or market share or a shift in our 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, including increased costs as a result of changes in federal regulations, significant shifts in government policies, commodity 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 changes in tax policies, or other effects of governmental shutdowns or a lapse of appropriations. While the vast majority of our products are consumer staples that generally are less vulnerable to decreases in discretionary spending than other products, certain products have become, and others may become, subject to increasing price competition. Additionally, some of our products, such as laundry additives, gummy dietary supplements, battery-operated toothbrushes and water flossers, are more likely to be affected by consumer decisions to control spending.

Some of our 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 us on a timely basis or at all. We regularly review the financial strength of our key customers and, where appropriate, modify customer credit limits, which may have an adverse impact on future sales. Because the same economic conditions that affect us also affect many of our suppliers, we regularly conduct a similar review of our suppliers to assess both their financial viability and the importance of their products to our operations. When appropriate, we identify alternate sources of materials and services. To date, we have not experienced a material adverse impact from economic conditions affecting our customers or suppliers. However, a protracted economic downturn or recession that adversely affects our suppliers and customers could adversely affect our sales and results of operations.

- We face intense competition in our markets, and the failure to compete effectively could have a material adverse effect on our business, financial condition and results of operations.

We face intense competition from consumer products companies, both in the U.S. and in international markets. Most of our products compete with other widely-advertised promoted and merchandised brands within each product category and from retailers, including supermarkets, mass merchandisers, wholesale clubs, drugstores, convenience stores, home stores, dollar and other discount stores, pet and other specialty stores and websites and other e-commerce channels, which are increasingly offering private label brands and generic non-branded products of our customers in certain categories, which typically are sold at lower prices.

Our products generally compete on the basis of performance, brand recognition, price, value or other benefits to consumers. Consumer products are subject to significant price competition. As a result, we may need to reduce the prices for some of our 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 our sales volumes fail to grow sufficiently to offset any reduction in margins, our sales growth and other 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 our advertising, marketing and promotional programs are not effective, our sales growth may decline.

Many of our competitors are large companies, including The Proctor & Gamble Company, The Clorox Company, Colgate-Palmolive Company, Henkel, Reckitt Benckiser Group plc, Johnson & Johnson, Nestle Purina PetCare Company, 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 we do, and, therefore, have the capacity to outspend us on advertising and promotional activities and introduce competing products more quickly and respond more effectively to changing business and economic conditions than we can. In addition, our competitors may attempt to gain market share by offering products at prices at or below those typically offered by us. Competitive activity may require us to increase our spending on advertising and promotions and/or reduce prices, which could lead to reduced profits and adversely affect growth. If we lose market share or the markets in which we compete do not grow substantially, our sales growth will decline.

In addition, we derive a substantial percentage of our revenues from sales of laundry detergent. The continued customer demand for these products are critical to our future success. As a result, any commercialization, delays or reduction of sales of these products could have a material adverse effect on our business, financial condition and operating results.

There continues to be significant product competition in the gummy dietary supplement category. The category has grown from eight competitors to 30 in the last five years. We continue to evaluate and vigorously combat these pressures through, among other things, new product introductions and increased marketing and trade spending. However, there is no assurance this category will not decline in the future or that we will be able to offset any such decline.

- Loss of any of our principal customers could significantly decrease our sales and profitability.

A limited number of customers account for a large percentage of our net sales. Walmart is our largest customer, accounting for approximately 23% of net sales in 2018, 24% of net sales in 2017 and 24% of net sales in 2016. Our top three customers accounted for approximately 36% of net sales in 2018, 36% of net sales in 2017 and 35% of net sales in 2016. We expect that a significant portion of our 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 Walmart or any of our other largest customers, including a reduction in the number of brands they carry or of shelf space they dedicate to private label products, could materially harm our net sales and profitability. In addition, certain of our product lines are concentrated with certain customers. Moreover, the use of evolving technology by our customers to develop more complex pricing models may lead to category pricing pressures. If we were to lose a significant customer due to customer service levels or real or perceived product quality or appearance issues, this could also have a material adverse effect on our business, financial condition and results of operations.

Moreover, our business is based primarily upon individual sales orders as we rarely enter into long-term contracts with our customers and most customer agreements include customer termination rights after short notice. Accordingly, these customers could reduce their purchasing levels or cease buying products from us at any time and for any reason. If we lose a significant customer or if sales of our products to a significant customer materially decrease, it could have a material adverse effect on our business, financial condition and results of operations.

- Changes in the policies of our retailer customers and increasing dependence on key retailer customers in developed markets may adversely affect our business.

In recent years, retailer consolidation both in the U.S. and internationally has increased. This trend has resulted in the increased size and influence of large consolidated retail customers, including internet based retailers, who may demand lower pricing, special packaging or impose other requirements on us. These business demands may relate to inventory practices, logistics or other aspects of the customer-supplier relationship. Some of our customers, particularly our high-volume retail customers, have sought to obtain pricing and other concessions and better trade terms. To the extent we provide concessions or better trade terms to those customers, our margins are reduced. Further, if we are unable to effectively respond to the demands of our customers, these customers could reduce their purchases of our products and increase their purchases of products from competitors, which would harm our sales and profitability. In addition, reductions in inventory by our 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 our products and adversely affect our results of operations for the financial periods affected by such reductions.

Protracted unfavorable market conditions have caused many of our customers to more critically analyze the number of brands they sell, and reduce or discontinue certain of our product lines, particularly those products that were not number one or two in their category.

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, our customers have discontinued or reduced distribution of some of our products to encourage those consumers to purchase the customers' less expensive and, in some cases, more profitable private label products (primarily in the dietary supplements, diagnostic kits and oral analgesics categories). To the extent customers discontinue or reduce distribution of our products or these products are adversely affected by customers' actions to increase shelf space for their private label products, we would seek to improve distribution with other customers. However, if our efforts are not effective, our sales growth and other results, as well as our market share, could be adversely affected.

- A continued shift in the retail market from food and drug stores to club stores, dollar stores and mass merchandisers, internet-based retailers and subscription services could cause our sales to decline.

Our 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 our retailer customers. Consumer products, such as those marketed by us, are increasingly being sold by club stores, dollar stores, mass merchandisers and, in particular, internet-based and e-commerce retailers. Sales of our products remain strongest in the traditional mass merchandiser, food and drug retail stores, and our products are also being sold in club stores and dollar stores channels. However, alternative retail channels, including e-commerce retailers, hard discounters, subscription services and buying clubs, have become more prevalent and the volume of consumer products that are sold through such alternative retail channels is continuing to increase. In addition, the growing number of sales channels and business models, such as niche brands, internet only brands and discounter channels, may affect customer and consumer preferences. Our failure to successfully respond could negatively impact our results. In particular, the growing presence of e-commerce retailers has affected, and may continue to affect, consumer preferences and market dynamics. Although we have taken steps to improve, and have seen improvement in, sales to club stores, dollar stores and internet-based retailers, and are engaged in e-commerce with respect to our TOPPIK, VIVISCAL, FELINE PINE and WATERPIK brands, if the current trend continues and we are not successful in further improving sales to these or the alternative retail channels noted above, our financial condition and operating results could suffer. In addition, the growth of the alternative retail channels that are focused on limiting the number of items they sell and selling predominantly private label products may reduce our ability to market and sell our products through such retailers. The retail environment is changing with the growth of alternative retail channels and this could significantly change the way traditional retailers do business. If these alternative retail channels were to take significant market share away from traditional retailers and/or we are not successful in these alternative retail channels, our margins and results of operations may be negatively impacted.

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

A significant percentage of our revenues come from mature markets that are subject to high levels of competition. During 2018, approximately 82% of our 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 our most significant product categories, such as laundry detergents, deodorizers, household cleaning products, toothpastes, dietary supplements, antiperspirants and deodorants. Our ability to achieve unit sales growth in domestic markets will depend on increased use of our products by consumers relative to competitors’ products, our ability to drive growth through product innovation in existing and new product categories, investment in our established brands and enhanced merchandising and our ability to capture market share from our competitors. In addition, we derive a large percentage of our revenues from sales of laundry detergent. Moreover, our ability to quickly innovate to adapt our products to meet changing consumer demands is essential, especially in light of e-commerce significantly reducing the barriers for even small competitors to quickly introduce new brands and products directly to consumers. This risk is further heightened by the continued evolution of consumer needs, habits and preferences because of shifts in U.S. demographics, reflecting various factors, including cultural and socioeconomic changes. If we are unable to increase market share in existing product lines, develop product improvements, undertake sales, marketing and advertising initiatives that expand our product categories and develop, acquire or successfully launch new products, we may not achieve our sales growth objectives. Even if we are successful in increasing sales within our product categories, a continuing or accelerating decline in the overall markets for our products could have a negative impact on our financial results.

- 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, our financial performance could decline.

Our future performance and growth depends on our ability to successfully identify, develop and introduce new products and product line extensions. We cannot be certain that we will achieve our innovation goals. The successful development and introduction of new products involves substantial research, development, marketing and promotional expenditures, which we 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 we have 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, our financial performance could be harmed.

Each year, we introduce new products, including launches into new “white space” categories, across the majority of our marketed brands. Historically, new product acceptance has generally been widespread across the retailer base. There is no assurance, however, that our customers and consumers will continue to purchase these new products. If new products are not successful in generating sales growth, our financial results could suffer. From time to time, we have discontinued certain products and product lines, which resulted in returns from customers, asset write-offs and shutdown costs. We may suffer similar adverse consequences in the future to the extent we discontinue products that do not meet retailer or consumer expectations or no longer satisfy consumer demand.

- Cost overruns and delays, regulatory requirements, and miscalculations in capacity needs with respect to our expansion projects and our manufacturing facilities and those of our contract manufacturers and other suppliers could adversely affect our business.

From time to time, we initiate planned and unplanned expansion projects with respect to our facilities and those of our contract manufacturers and other suppliers. As is customary with large construction projects, these projects are subject to risks of, and we have from time to time experienced, delay or cost overruns 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 or quality 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, or the miscalculations of our anticipated capacity needs, including as a result of expansion into new product lines or into new markets, could have a material adverse effect on our return on investment, results of operations and cash flows. If we were to experience delays or cost overruns in the future it could result in product allocation and retailer frustration, the loss of a significant customer or customers, or if sales of any of our products were to materially decrease due to customer service levels or real or perceived product quality or appearance issues, this could have a material adverse effect on our business, financial condition and results of operations.

Additionally, the supply of our products depends on the uninterrupted efficient operation of our manufacturing facilities and those of our contract manufacturers and other suppliers and our ability to meet customer service levels. Many of our manufacturing processes and those of our contract manufacturers and other suppliers are complex and present difficult technical challenges to obtain the manufacturing yields necessary to operate profitably. In addition, our manufacturing processes and those of our contract manufacturers and other suppliers may require complex and specialized equipment which can be expensive to repair or replace with required lead times of up to a year.

The manufacturing of certain of our products is concentrated in one or more of our plants, contract manufacturers or other suppliers, with limited alternate facilities. Any event that disrupts or otherwise negatively impacts manufacturing facilities, manufacturing systems or equipment, or contract manufacturers or other suppliers, including work stoppages, cyberattacks, acts of war, fire, flooding or other natural disasters, could delay or suspend shipments of products or the release of new products or could result in the delivery of inferior products. As a result, our revenues from the affected products would decline and we could incur losses until such time as we or our contract manufacturers or other suppliers are able to restore production processes or are able to put in place alternative contract manufacturers or other suppliers.

- Our reliance on a limited number of contract manufacturers and suppliers, including sole source contract manufacturers and suppliers for certain products, could materially and adversely affect our operations and financial results.

We rely on a limited number of contract manufacturers and suppliers for certain of our commodities and raw materials, including sole source suppliers for certain of our raw materials, packaging, product components, finished products and other necessary supplies. New suppliers must be qualified pursuant to our standards, and may also have to be qualified under governmental and industry standards and any other standards of our customers, which can require additional investment and time. We may be unable to qualify any needed new contract manufacturers or suppliers or maintain supplier arrangements and relationships based on a variety of factors; we may be unable to contract with suppliers at the quantity, quality and price levels needed for our business; certain of our suppliers may not meet the standards of our customers or licensors; or certain of our key contract manufacturers or suppliers may become insolvent or experience other financial distress. If any of these events occurs and we have failed to identify and qualify an alternative vendor, then we may be unable to meet our contractual obligations and customer expectations, which could damage our reputation and result in lost customers and sales, or we may incur higher than expected expenses, either of which could materially and adversely affect our business, operations and results of operations.

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

The principal raw materials and packaging used by us and certain of our suppliers and contract manufacturers 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 our profit margins if we are 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, we have attempted to address such price increases through cost reduction programs and price increases of our products, entering into pre-buying or locked-in pricing arrangements with certain suppliers and entering into hedge agreements. There is no assurance, however, that we will be able to fully offset any price increases, especially given the competitive environment.

In addition, volatility in certain commodity markets could significantly affect our production cost and, therefore, harm our financial condition and operating results.

From time to time, we use hedge agreements to mitigate the volatility of commodities and diesel fuel prices. The hedge agreements are designed to add stability to product costs, enabling us 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 us in at above-market prices.

- Reduced availability of transportation or disruptions in our transportation network could adversely affect us.

We distribute our products and receive raw materials and packaging components primarily by truck, rail and ship and through various ports of entry. Reduced availability of trucking, rail or shipping capacity due to adverse weather conditions, allocation of assets to other industries or geographies or otherwise, work stoppages, strikes or shutdowns of ports of entry or such transportation sources, could cause us to incur unanticipated expenses and impair our ability to distribute our products or receive our raw materials or packaging components in a timely manner, which could disrupt our operations, strain our customer relationships and competitive position, and adversely affect our operating profits. In particular, the recent reduced trucking capacity due to a shortage of drivers, the recent enforcement deadline for a federal regulation requiring drivers to electronically log their driving hours and adverse weather conditions, among other reasons, caused an increase in the cost of transportation for us and many other companies.

- If the reputation of one or more of our leading brands erodes, our financial results could suffer.

Our financial success is directly dependent on the reputation and success of our brands, particularly the ARM & HAMMER, BATISTE, FIRST RESPONSE, NAIR, ORAJEL, OXICLEAN, TROJAN, L'IL CRITTERS and VITAFUSION, SPINBRUSH, WATERPIK and XTRA brands. The effectiveness of these brands could suffer if our marketing plans or product initiatives do not have the desired impact on a brand's image or its ability to attract consumers. Further, our results could be adversely affected if one or more of our leading brands suffers damage to its reputation due to real or perceived, sustainability, quality or safety issues, including as a result of, among other things, a significant product recall, product-related litigation, defects or impurities in our products, product misuse, changing consumer perceptions of certain ingredients or environmental impacts (including packaging, energy and water use and waste management), or allegations of product tampering. In addition, as our sales on various e-commerce platforms grow, we may be unable to prevent sales of counterfeit, pirated, or stolen goods, unlawful or unethical sales, or sales in violation of our policies. To the extent any of this occurs, it could result in customers delisting our products and damage to our reputation and business.

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

Widespread use of social media and networking sites by consumers has greatly increased the accessibility and speed of dissemination of information. Negative or inaccurate posting or comments about us in the media or on any social networking website, whether accurate or inaccurate, or the disclosure of non-public sensitive information through social media, could generate adverse publicity that could damage the reputation of our brands. In addition, given the association of our individual products with us, an issue with one of our products could negatively affect the reputation of our other products, or us as a whole, thereby potentially adversely impacting our financial results.

- Product liability claims and withdrawals or recalls could adversely affect our sales and operating results and the reputation of our brands.

From time to time, we are subject to product liability claims. We may be required to pay for losses or injuries actually or purportedly caused by our products, including losses or injuries caused by raw materials or other components provided by third party suppliers that are included in our products. Claims could be based on allegations that, among other things, our products contain contaminants, are improperly labeled or designed, 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 our sales and operating results and the reputation of our brands. In addition, if one of our products is found to be defective or non-compliant with applicable rules or regulations, we could be required to withdraw or recall it, which could result in adverse publicity and significant expenses. Although we maintain product liability and product recall insurance coverage, 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 our business, operating results and financial condition.

- Environmental matters create potential liability risks.

We must comply with various environmental laws and regulations in the jurisdictions in which we operate, 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. We have incurred, and will continue to incur, capital and operating expenditures and other costs in complying with environmental laws and regulations. It is possible that we could become subject to other environmental remediation costs and liabilities in the future that could have a material adverse effect on our results of operations or financial condition.

- We are subject to increasing customer, consumer and investor sensitivity to sustainability issues.

As climate change, ingredients, packaging and other sustainability concerns become more prevalent, federal, state and local governments and our customers, consumers and investors are increasingly sensitive to these issues. This increased focus on sustainability may result in new regulations and customer and investor requirements that could negatively affect us. This could cause us to incur additional direct costs or to make changes to our operations to comply with any new regulations and customer requirements, or to meet the demands of our investors. We could also lose revenue if our consumers change brands or our customers divert business from us because we have not complied with their sustainability requirements. Additionally, environmentally-conscious investors may choose not to invest in our Common Stock if we do not comply with their demands for sustainable business practices. These costs, changes, potential loss of revenue and potential reputational harm could have a material adverse effect on our financial condition, results of operations, liquidity, cash flows and share price.

- From time to time, we are involved in litigation, arbitration or regulatory matters where the outcome is uncertain and which could entail significant expense.

We, in the ordinary course of our business are, and from time to time, may become, the subject of, or party to, various pending or threatened legal actions, government investigations and proceedings, including, without limitation, those relating to, commercial transactions, product liability, purported consumer class actions, employment matters, antitrust, environmental, health, safety and other compliance-related matters. Such proceedings are subject to many uncertainties and the outcome of certain pending or threatened legal actions may not be reasonably predictable and any related damages may not be estimable. Certain pending or future legal actions could result in an adverse outcome for us, and any such adverse outcome could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

- Current and future laws and regulations in the countries in which we and our suppliers operate could expose us to increased costs and other adverse consequences.

The manufacturing, processing, formulation (including stability), packaging, labeling, marketing, distribution and sale of our products are subject to regulation by federal agencies, including the FDA, the FTC, the EPA and the CPSC. In addition, our and our suppliers' operations are subject to the oversight of the Occupational Safety and Health Administration and the National Labor Relations Board. Our activities are also regulated by various agencies of the states, localities and foreign countries in which our 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 our 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 we and our suppliers use to manufacture regulated products and may identify compliance issues that would require us and our suppliers to make certain changes in our 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. We 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, our business could be adversely affected.

Likewise, any future determination by the FDA or a similar foreign agency, or by us in reviewing our compliance with applicable rules and regulations, that our 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 we use to support the marketing of a product is not substantiated, may not accept the evidence of safety for a new product that we 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 our dietary supplement business manufacturing, packaging, labeling and holding operations do not comply with cGMPs. Similarly, we may identify these or other issues in internal compliance reviews of our 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 us to adverse publicity, force us to incur unanticipated costs and have a material adverse effect on our business, financial condition and results of operations. Additionally, delays in the acceptance, review and approval of products by the FDA, or other required governmental approvals, may result from government shutdowns due to the failure by Congress to enact regular appropriations.

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 us, repeal laws or regulations that we consider favorable, or impose more stringent interpretations of current laws or regulations. For example, we are subject to regulations regarding the transportation, storage or use of certain chemicals to protect the environment, as well as the Commission's rules with respect to "conflict minerals." Additionally, recent reform proposals have introduced greater uncertainty with respect to trade policies, tariffs and government regulations affecting trade between the U.S. and other countries, in addition to the major changes to U.S. tax law signed into law in 2017. Major developments in trade relations could have a material effect on our balance sheet and results of operations. We are not able to predict the nature of these changes or of such future laws, regulations, repeals or interpretations or to predict the effect additional or shifting governmental regulation, when and if it occurs, would have on our 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 our costs significantly and could have a material adverse effect on our business, financial condition and results of operations.

In addition, we collect, use and store personal data of our employees, customers and other third parties in the ordinary course of business, and we are required to comply with increasingly complex and changing data privacy and security laws and regulations, that apply to the collection, storage, use, transmission and protection of personal information and other consumer data, including particularly the transfer of personal data between or among countries. In particular, the European Union ("EU") has adopted strict data privacy regulations. Following recent developments such as the passage of the EU's General Data Protection Regulation ((EU) 2016/679) ("GDPR") in May 2018 and the long-awaited Regulation on Privacy and Electronic Communications (the "ePrivacy Regulation"), which is slated to be finalized in 2019 and will replace the current ePrivacy Directive (2002/58/EC), data privacy and security compliance in the EU are increasingly complex and challenging. The GDPR in particular has broad extraterritorial effect and imposes a strict data protection compliance regime with significant penalties for non-compliance (up to 4% of worldwide annual turnover or €20 million, whichever is higher). It is also important to note that many countries are following the EU in producing a broad omnibus law in relation to privacy protection. For instance, Brazil has just published a GDPR-like law. In general, the GDPR and ePrivacy Regulation, and other local privacy laws, could also require adaptation of our technologies or practices to satisfy local privacy requirements and standards. We may also face audits or investigations by one or more domestic or foreign government agencies relating to our compliance with these regulations. An adverse outcome under any such investigation or audit could subject us to fines, penalties or orders to cease, delay or modify collection, use or transfers of personal data. We could also face rights requests, complaints, claims, actions or class actions from those persons whose data we collect, use and store. Any of these events or other circumstances related to our collection, use and transfer of personal data could also lead to negative media attention, cause a loss of reputation in the market or otherwise adversely affect our business.

- We are subject to risks related to our international operations that could adversely affect our results of operations.

Our international operations subject us 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 us 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 our international transactions;
- the possibility of expropriation, confiscatory taxation or price controls;
- restrictions on or the costs related to repatriating foreign profits back to the U.S.;

- political or economic instability, and civil unrest;
- disruptions in the global transportation network, such as work stoppages, strikes or shutdowns of ports of entry or such other transportation sources, or other labor unrest;
- compliance with laws and regulations concerning ethical business practices, including without limitation, 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.

In addition, changes as result of the United Kingdom's decision and subsequent negotiations to exit the EU could subject us to heightened risks in that region, including disruptions to trade and free movement of goods, services and people to and from the United Kingdom, increased foreign exchange volatility with respect to the British pound and additional legal and economic uncertainty. Additional costs have been incurred in 2018 because of measures implemented to address or mitigate risks. There is a risk that the exit will cause an untenable rise in the cost of doing business in the UK. Moreover, in all foreign jurisdictions in which we operate, we are subject to laws and regulations that govern foreign investment, foreign trade and currency exchange transactions. The recent imposition of tariffs on products imported from certain countries has introduced greater uncertainty with respect to trade policies and government regulations affecting trade between the U.S. and other countries. Major developments in trade relations, including the imposition of new or increased tariffs by the U.S. and/or other countries, and any emerging nationalist trends in specific countries could alter the trade environment and consumer purchasing behavior which, in turn, could have a material effect on our balance sheet and results of operations. All the foregoing risks could have a significant impact on our ability to commercialize our products on a competitive basis in international markets and may have a material adverse effect on our results of operations or financial position.

- Our failure to expand in existing geographic locations or enter new geographic locations could have a material adverse effect on the growth of our business, sales and results of operations.

Our ability to continue to grow our sales and profits is dependent on expanding in the locations in which we already do business and entering into new geographic locations, both of which would require significant resources and investments which would affect our risk profile. The failure to successfully enter into or expand our business in such locations could materially affect the growth of our business, sales and results of operations.

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

We seek to acquire or invest in businesses that offer products, services or technologies that are complementary. We have made numerous acquisitions in the past 15 years.

We may make additional acquisitions or substantial investments in complementary businesses or products in the future. Those acquisitions may be significantly larger than the ones completed in the past and may require the Company to increase its levels of debt, potentially resulting in the Company being assigned a lower credit rating. However, we 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 recent periods, competition from other consumer products companies that are seeking similar opportunities has been particularly strong, and valuations for potential acquisition assets have been high, which has placed pressure on our ability to identify, structure and execute transactions. 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 our 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 our own processes and applicable legal and regulatory requirements, and, generally, our 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 us to incur unanticipated costs or delay the anticipated positive impact on our business and results of the acquisition. The risks associated with assimilation are increased to the extent we acquire 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 our financial condition and operating results. Larger acquisitions, such as our acquisition of the Waterpik business in 2017, may require us to significantly increase our levels of debt.

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 us or the incurrence of additional debt or contingent liabilities, all of which could adversely affect our 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 our operations.

- Our substantial indebtedness and our financial covenants could adversely affect our operations and financial results and prevent us from fulfilling our obligations, and we may incur substantially more debt in the future, which could exacerbate these risks.

As of December 31, 2018, we had approximately $2,107 million of total consolidated indebtedness net of debt issuance costs. This amount of indebtedness could have important consequences, including:

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

Additionally, our credit facility is subject to certain financial and other customary covenants. In the event of a breach of those covenants, our lenders under the credit facility may be entitled to accelerate the related debt (and any lenders in respect of any other debt to which a cross-default provision applies may be entitled to accelerate such other debt), and we could be required to seek amendments or waivers under the debt instruments or to refinance the debt.

Moreover, we may incur substantial additional indebtedness in the future to fund acquisitions, to repurchase shares or to fund other activities for general business purposes. For example, we substantially increased our indebtedness in order to finance the acquisition of the Waterpik business in 2017. If additional new debt is added to the current debt levels, the related risks that we now face could intensify. A substantial increase in our indebtedness could also have a negative impact on our credit rating. In this regard, failure to maintain our credit ratings could adversely affect the interest rate available to us in future financings, as well as our liquidity, competitive position and access to capital markets. Any decision regarding future borrowings will be based on the facts and circumstances existing at the time, including market conditions and our credit rating.

- We may not have sufficient cash flow to service our indebtedness or fund capital expenditures.

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

- We rely significantly on information technology. Any inadequacy, interruption, theft or loss of data, malicious attack, integration failure, failure to maintain the security, confidentiality or privacy of sensitive data residing on our systems or other security failure of that technology could harm our ability to effectively operate our business and damage the reputation of our brands.

We rely extensively on information technology systems, some of which are managed by third-party service providers, to conduct our 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 our business.

Increased information technology security threats and more sophisticated computer crime, including ransomware, denial of service and phishing attacks and advanced persistent threats, pose a potential risk to the security of our information technology systems, networks, and services, and those of our customers and other business partners, as well as the confidentiality, availability, and integrity of our data, and the data of our customers and other business partners. As a result, our information technology systems, networks or service providers could be damaged or cease to function properly or we could suffer a loss or disclosure of business, personal or stakeholder information, due to any number of causes, including catastrophic events, power outages and security breaches. Although we have business continuity plans in place and have implemented a breach response plan to address service interruptions, if these plans do not provide effective alternative processes on a timely basis, we may suffer interruptions in our ability to manage or conduct our operations which may adversely affect our business. In addition, if our service providers, suppliers or customers experience a breach or unauthorized disclosure or system failure, their businesses could be disrupted or otherwise negatively affected, which may result in a disruption in our supply chain or reduced customer orders or other business operations, which would adversely affect our business.

Our information technology systems and our third-party providers' systems, have been, and will likely continue to be, subject to advanced computer viruses or other malicious codes, ransomware, unauthorized access attempts, denial of service attacks, phishing, social engineering, hacking and other cyberattacks. Such attacks may originate from nation states or attempts by outside parties, hackers, criminal organizations or other threat actors. To date, we have seen no material impact on our business or operations from these attacks; however, we cannot guarantee that our security efforts will prevent attacks and resulting breaches or breakdowns of our, or our third-party service providers' databases or systems. In addition, although we have policies and procedures in place governing the secure storage of personal information collected by us or our third-party service providers, data breaches due to human error or intentional or unintentional conduct may occur in the future.

Although we are currently implementing enterprise-wide upgrades to our systems and will continue to monitor and upgrade systems as appropriate, legacy systems may be vulnerable to increased risk. Additionally, if a new system does not function properly, it could affect our ability to order supplies, process and deliver customer orders and process and receive payments for our products. This could adversely impact our results of operations and cash flows. Moreover, because the techniques, tools and tactics used in cyberattacks frequently change and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures or fully mitigating harms after such an attack. As such, we may need to expend additional resources in the future to continue to protect against or address problems caused by any business interruptions or data security breaches.

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

Although the Board authorized new share repurchase programs in each of 2016 and 2017 and recently increased the amount of the quarterly cash dividends payable on our Common Stock, any Board determinations to continue to repurchase our Common Stock or to continue to pay cash dividends on our Common Stock, in each case at levels consistent with recent practice or at all, will be based primarily upon our financial condition, results of operations, business requirements, price of our Common Stock in the case of the repurchase programs, our ability to access debt capital markets or other sources of financing 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 our stockholders and are in compliance with all laws and agreements applicable to the repurchase and dividend programs. In the event we do not declare a quarterly dividend, or discontinue our share repurchases, our stock price could be adversely affected.

- Volatility in the financial markets may negatively impact our ability to access the credit markets.

Over the 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 us, among others:

We are dependent on the continued viability of the financial institutions that participate in the syndicate that is generally obligated to fund our $1 billion unsecured revolving credit facility dated March 29, 2018 (as amended, the "Credit Agreement"). In addition, the Credit Agreement includes a "commitment increase" feature that enables us to increase the amount of our 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 our liquidity and capital resources.

Our short- and long-term credit ratings affect our borrowing costs and access to financing. A downgrade in our credit ratings, as a result of a substantial increase in our indebtedness or otherwise, would increase our borrowing costs and could affect our 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 our borrowing costs for both short- and long-term debt offerings. Either scenario could adversely affect our liquidity and capital resources. Failure to maintain our credit ratings could adversely affect the interest rate in future financings, liquidity, competitive position and access to capital markets.

Although we believe that our operating cash flows, together with our access to the credit markets, provides us 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 our liquidity and operations.

- Our business is exposed to domestic and foreign currency fluctuations that could have a material adverse effect on our business, financial condition and results of operations.

Approximately 18% of our net sales in 2018 were to customers outside the U.S. We are exposed to foreign currency exchange rate risk (both transaction and translation) with respect to our 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 Canadian Dollar, Euro, Pound, Brazilian Real, Mexican Peso and Australian Dollar, among others. A weakening of the currencies in which sales are generated relative to the currencies in which costs are denominated would decrease operating profits and cash flow. Changes in currency exchange rates may also affect the relative prices at which we purchase materials and services in foreign markets. Although we, from time to time, enter into forward exchange contracts to reduce the impact of foreign exchange rate fluctuations related to anticipated but not yet committed sales or purchases denominated in the U.S. Dollar, Canadian Dollar, Pound, Euro, Mexican Peso and Australian Dollar, foreign currency fluctuations could have a material adverse effect on our business, financial condition and results of operations.

- Changes in tax laws and regulations or in our operations may impact our effective tax rate and may adversely affect our business, financial condition and operating results.

Our 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 our future taxable income is less than the amount we are 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, we could be required to record a valuation allowance against our deferred tax assets. The recording of a valuation allowance would result in an increase in our effective tax rate, and would have an adverse effect on our operating results. In addition, changes in statutory tax rates may change our deferred tax assets or liability balances, which would have either a favorable or unfavorable impact on our effective tax rate. Major developments in tax policy or trade relations could have a material adverse effect on our business, results of operations and liquidity.

- Newly enacted laws, such as the Tax Cuts and Jobs Act, or regulations and future changes in the U.S. taxation of businesses may impact our effective tax rate or may adversely affect our business, financial condition and operating results.

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act, which significantly changed the Code, including a reduction in the statutory corporate income tax rate to 21%, a new limitation on the deductibility of business interest expense, restrictions on the use of net operating loss carryforwards arising in taxable years beginning after December 31, 2017 and changes to the taxation of income earned from foreign sources and foreign subsidiaries (including requiring a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries). The Tax Cuts and Jobs Act also authorizes the Treasury Department to issue regulations with respect to the new provisions. We cannot predict how the changes in the Tax Cuts and Jobs Act, regulations, other guidance issued under it or conforming or non-conforming state tax rules might affect us or our business. In addition, there can be no assurance that U.S. tax laws, including the corporate income tax rate, would not undergo significant changes in the near future.

- Resolutions of tax disputes may adversely affect our earnings and cash flow.

Significant judgment is required in determining our effective tax rate and in evaluating our tax positions. We provide 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 our effective tax rate and our financial results. We are regularly under audit by tax authorities, and although we believe our tax estimates are reasonable, the final outcome of tax audits and related litigation could be materially different than that reflected in our 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 our 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. Additionally, adverse outcomes from tax audits that we may be subject to in any of the jurisdictions in which we operate, could result in an unfavorable change in our effective tax rate, which could adversely affect our business, financial condition and operating results.

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

The market for our products depends to a significant extent upon the value associated with our trademarks and brand names, including ARM & HAMMER, BATISTE, FIRST RESPONSE, NAIR, ORAJEL, OXICLEAN, TROJAN, L'IL CRITTERS and VITAFUSION, SPINBRUSH, WATERPIK and XTRA. We own the material trademarks and brand names used in connection with the marketing and distribution of our major products both in the U.S. and in other countries. In addition, we hold several valuable patents on our products, which we believe serve as an effective barrier to entry for new competitors. Accordingly, we rely on trademark, trade secret, patent and copyright laws to protect our intellectual property rights. Although most of our material intellectual property is registered in the U.S. and in certain foreign countries in which we operate, we cannot be sure that our intellectual property rights will be effectively utilized or, if necessary, successfully asserted. There is a risk that we will not be able to obtain and perfect our own intellectual property rights, or, where appropriate, license from others intellectual property rights necessary to support new product introductions. We cannot be sure that these rights, if obtained, will not be invalidated, circumvented or challenged in the future, and we 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 our 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 our intellectual property rights, they may dilute the value of our brands in the marketplace, which could diminish the value that consumers associate with our brands and harm our sales. Our failure to perfect or successfully assert intellectual property rights could make us less competitive and could have a material adverse effect on our business, operating results and financial condition. Also, our patents are granted for a term of 20 years from the date the patent application is filed. We do not consider any single patent to be material to the business as a whole.

In addition, if our products are found to infringe intellectual property rights of others, the owners of those rights could bring legal actions against us 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, we could be required to obtain a license in order to continue to manufacture or market the affected products, potentially adding significant costs. We might not prevail in any action brought against us or we 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 us less competitive and could have a material adverse impact on our business, operating results and financial condition.

- Impairment of our goodwill and other intangible assets may result in a reduction in net income.

We have 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 our 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, has resulted in impairment charges from time to time, and may result in future impairment charges, which could reduce our net income and otherwise have an adverse impact on operating results.

- Our operations and the operations of our third-party manufacturers, suppliers and customers may be subject to disruption from events beyond our or their control.

Our operations, as well as the operations of our third-party manufacturers, suppliers and customers, may be subject to disruption from a variety of causes, including material shortages, financial difficulties, work stoppages, cyberattacks, demonstrations, disease outbreaks or pandemics, acts of war, terrorism, fire, earthquakes, flooding or other natural disasters, disruptions in logistics, loss or impairment of key manufacturing sites, supplier capacity constraints, raw material and product quality or safety issues, industrial accidents or other occupational health and safety issues. Additionally, as certain of our businesses grow at unanticipated levels, we may be required to add capacity, requiring substantial and unanticipated capital expenditures. 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 our business.

- We may not be able to attract, retain and develop key personnel.

Our future performance depends in significant part upon the continued service of our 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 our 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. Our success also depends, in part, on our continuing ability to attract, retain and develop highly qualified personnel. Competition for such personnel is intense, and there can be no assurance that we can retain our key employees or attract, assimilate and retain other highly qualified personnel in the future. Factors that may affect our ability to attract and retain sufficient numbers of key employees include employee morale, our reputation, competition from other employers and the availability of qualified personnel in a tightening labor market.

- Our amended and restated bylaws designate the state courts of the State of Delaware, or, if no state court located in the State of Delaware has jurisdiction, the federal court for the District of Delaware, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could discourage lawsuits against us and our directors and officers.

Our amended and restated bylaws provide that unless the corporation otherwise determines, the Court of Chancery of the State of Delaware, or, solely to the extent that the Court of Chancery of the State of Delaware does not have jurisdiction, a state court of the State of Delaware, or, if no state court located in the State of Delaware has jurisdiction, the federal court for the District of Delaware, will be the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers or other employees or stockholders to either us or our stockholders, any action asserting a claim against us or any of our directors or officers arising pursuant to any provision of the Delaware General Corporation Law (“DGCL”) or our amended and restated certificate of incorporation or bylaws, or any action asserting a claim against us or any of our directors or officers governed by the internal affairs doctrine. This exclusive forum provision may limit the ability of our stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with us or our directors or officers, which may discourage such lawsuits against us and our directors and officers. Alternatively, if a court outside of Delaware were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described above, we could incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

We lease a corporate office building in Ewing, New Jersey for our global corporate headquarters. The lease expires in 2033 and includes two 10-year extension terms at our option. In addition, we own an office building in Fort Collins, Colorado and an office building in Princeton, New Jersey that is occupied by our research and development and SPD personnel.

In the U.S., we own or lease 12 manufacturing facilities, 11 warehouses and six other offices in 16 different states. In addition, we own or lease four manufacturing facilities, three warehouses and 10 offices in 8 different countries outside of the U.S. Many of our domestic and international sites manufacture and distribute products for multiple segments of our business. Consumer Domestic products are manufactured or distributed by 21 of these locations, 10 of which we own and 11 of which we lease. Consumer International products are manufactured or distributed by 33 of these locations, 13 of which we own and 20 of which we lease. SPD products are manufactured or distributed by 13 of these locations, six of which we own and seven of which we lease. We believe that our operating and administrative facilities are adequate and suitable for the conduct of our business. We also believe that our production facilities are suitable for current manufacturing requirements for our consumer and specialty products businesses. In addition, the facilities possess a capacity sufficient to accommodate our estimated increases in production requirements over the next several years, based on our current product lines.

ITEM 3. LEGAL PROCEEDINGS
General

The Company, in the ordinary course of our business are the subject of, or party to, various pending or threatened legal actions, government investigations and proceedings from time to time, including, without limitation, those relating to commercial transactions, product liability, purported consumer class actions, employment matters, antitrust, environmental, health, safety and other compliance related matters. Such proceedings are subject to many uncertainties and the outcome of certain pending or threatened legal actions may not be reasonably predictable and any related damages may not be estimable. Certain legal actions, including the one described below, could result in an adverse outcome for us, and any such adverse outcome could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Scantibodies Laboratory, Inc.

The Company has been named as a defendant in a breach of contract action filed by Scantibodies Laboratory, Inc. (the “Plaintiff”) on April 1, 2014, in the U.S. District Court for the Southern District of New York.

The complaint alleges, among other things, that the Company (i) breached two agreements for the manufacture and supply of pregnancy and ovulation test kits by switching suppliers, (ii) failed to give Plaintiff the proper notice, (iii) failed to reimburse Plaintiff for costs and expenses under the agreements and (iv) misrepresented its future requirements. The complaint seeks compensatory and punitive damages in an amount in excess of $20 million, as well as declaratory relief, statutory prejudgment interest and attorneys' fees and costs.

The Company is vigorously defending itself in this matter. On September 19, 2018, the court granted the Company's motion for summary judgment, dismissing all claims brought by the Plaintiff. The Plaintiff has filed an appeal.

In connection with this matter, the Company has reserved an amount that is immaterial. However, it is reasonably possible that the Company may ultimately be required to pay all or substantially all of the damages and other amounts sought by Plaintiff in the event the summary judgment entered in favor of the Company is reversed.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's shares of common stock are traded on the New York Stock Exchange with the stock ticker symbol "CHD".

Approximate number of record holders of our Common Stock as of December 31, 2018: 1,900.

The following graph compares the yearly change in the cumulative total stockholder return on our Common Stock for the past five fiscal years with the cumulative total return of the S&P 500 Index and the S&P 500 Household Products Index described more fully below. The returns are indexed to a value of $100 at December 31, 2013. Dividend reinvestment has been assumed.

Comparison of Cumulative Five-Year Total Return among Company, S&P 500 Index and the S&P 500 Household Products Index(1)

(1) S&P 500 Household Products Index consists of THE CLOROX COMPANY, COLGATE-PALMOLIVE COMPANY, KIMBERLY-CLARK CORPORATION and P&G.

	INDEXED RETURNS (Years ending)					
Company / Index	2013	2014	2015	2016	2017	2018
Church & Dwight Co., Inc.	100.00	121.10	132.52	140.11	161.58	215.26
S&P 500 Index	100.00	113.68	115.24	129.02	157.17	150.27
S&P 500 Household Products Index	100.00	114.65	109.42	114.70	130.58	130.59

Share Repurchase Authorization

On November 1, 2017, the Board authorized a new share repurchase program, under which we may repurchase up to $500.0 million in shares of Common Stock (the “2017 Share Repurchase Program”). The 2017 Share Repurchase Program does not have an expiration and replaced the 2016 Share Repurchase Program. We also continued our evergreen share repurchase program, authorized by the Board on January 29, 2014, under which we may repurchase, from time to time, Common Stock to reduce or eliminate dilution associated with issuances of Common Stock under our incentive plans.

In December of 2017, the Company entered into an accelerated share repurchase (“ASR”) contract with a commercial bank to purchase $200.0 million of our Common Stock. In the first quarter of 2018, the Company settled the ASR contract and purchased approximately 4.1 million shares of Common Stock for $200.0 million, of which approximately $110.0 million was purchased under the evergreen share repurchase program and $90.0 million was purchased under the 2017 Share Repurchase Program. As a result of the Company’s purchases, there remained $310.0 million of share repurchase availability under the 2017 Share Repurchase Program as of December 31, 2018.

In connection with the evergreen repurchase program, in January 2019, the Company executed open market purchases of $100.0 million of Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

The following selected historical consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and related notes to those statements included in this Annual Report. The selected historical consolidated financial data for the periods presented have been derived from our audited consolidated financial statements.

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

FIVE YEAR FINANCIAL REVIEW

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

	2018 [1]	2017 [1]	2016 [1]	2015 [1]	2014 [1]
Operating Results					
Net Sales	$4,145.9	3,776.2	3,493.1	3,394.8	3,297.6
Marketing expenses	$483.2	454.2	427.2	417.5	416.9
Research and development expenses	$89.7	70.8	63.2	64.7	59.8
Income from Operations [3]	$791.7	732.7	724.2	674.2	641.2
% of Sales	19.1 %	19.4 %	20.7 %	19.9 %	19.4 %
Net Income [2, 4]	$568.6	743.4	459.0	410.4	413.9
Net Income per Share-Basic [3, 4, 5]	$2.32	2.97	1.78	1.57	1.53
Net Income per Share-Diluted [3, 4, 5]	$2.27	2.90	1.75	1.54	1.51
Financial Position					
Total Assets	$6,069.2	6,014.8	4,354.1	4,256.9	4,359.2
Total Debt [2]	$2,107.1	2,374.3	1,120.2	1,050.0	1,086.6
Total Stockholders' Equity	$2,453.8	2,218.0	1,977.9	2,023.2	2,101.9
Total Debt as a % of Total Capitalization	46 %	52 %	36 %	34 %	34 %
Other Data					
Average Common Shares Outstanding-Basic [5]	245.5	250.6	257.6	262.2	270.2
Cash Dividends Paid	$213.3	190.4	183.0	175.3	167.5
Cash Dividends Paid per Common Share [5]	$0.87	0.76	0.71	0.67	0.62
Stockholders' Equity per Common Share [5]	$10.00	8.85	7.68	7.72	7.78
Additions to Property, Plant & Equipment [6]	$60.4	45.0	49.8	61.8	70.5
Depreciation & Amortization	$141.1	125.4	107.6	101.0	91.2
Employees at Year-End	4,700	4,700	4,500	4,406	4,145

(1) Period to period comparisons of the data presented above are impacted by the effect of acquisitions and divestitures made by the Company. For further explanation of the impact of the acquisitions occurring in 2018, 2017, and 2016 refer to Note 6 to the consolidated financial statements.

(2) 2017 results reflect additional debt borrowings of $1,425.0 to fund the Waterpik Acquisition with a corresponding increase in interest expense.

(3) 2017 results include a $39.2 pre-tax charge or $0.12 per share to settle an international defined benefit pension plan. 2015 results include an $8.9 pre-tax charge or $0.03 per share to settle an international defined benefit pension plan.

(4) 2018 results reflect a lower tax rate due to the 2017 Tax Cuts and Jobs Act. 2017 results include a tax benefit of $272.9 or $1.06 per share due to the enactment of the Tax Cuts and Jobs Act and a tax benefit of $7.6 or $0.03 due to the reversal of a valuation allowance related to the Natronx impairment charge recorded in 2015. 2015 results include a $17.0 or $0.06 per share impairment charge to write-off the remaining investment in Natronx

Technologies LLC ("Natronx").

(5) On August 4, 2016, we announced a two-for-one stock split of our common stock. Share and per share information has been retroactively adjusted to reflect the stock split which was effected on September 1, 2016.

(6) 2015 and 2014 results include approximately $18.1 and $34.0, respectively, for expenditures for the gummy dietary supplement product line expansion at the York facilities.

CHURCH & DWIGHT CO., INC AND SUBSIDIARIES

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's consolidated financial statements.

OVERVIEW

Our Business

We develop, manufacture and market a broad range of consumer household and personal care and specialty products focused on animal productivity, chemicals and cleaners. We focus our consumer products marketing efforts principally on our 11 "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 and manual toothbrushes; FIRST RESPONSE home pregnancy and ovulation test kits; NAIR depilatories; ORAJEL oral analgesic; XTRA laundry detergent; L'IL CRITTERS and VITAFUSION gummy dietary supplements, BATISTE dry shampoos and WATERPIK water flossers and replacement showerheads.

We sell our 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 and other e-commerce channels, all of which sell the products to consumers. We sell our specialty products to industrial customers, livestock producers and through distributors.

We operate our business in three segments: Consumer Domestic, Consumer International and SPD. The segments are based on differences in the nature of products and organizational and ownership structures. In 2018, the Consumer Domestic, Consumer International and SPD segments represented approximately 76%, 17% and 7%, respectively, of our consolidated net sales.

2018 Financial Highlights

Key fiscal year 2018 financial results include:

- 2018 net sales grew 9.8% over fiscal year 2017, with gains in all three segments, primarily due to volume growth in Consumer Domestic and Consumer International, helped in part by the August 2017 acquisition of Waterpik and partially offset by volume declines in Specialty Products.
- Gross margin decreased 140 basis points to 44.4% in fiscal year 2018 from 45.8% in fiscal year 2017, primarily due to higher commodity, transportation and manufacturing costs.
- Operating margin decreased 30 basis points to 19.1% in fiscal year 2018 from 19.4% in fiscal year 2017, reflecting lower gross margin, partially offset by lower selling, general and administrative expenses and lower marketing costs.
- We reported diluted net earnings per share in fiscal year 2018 of $2.27, a decrease of approximately 21.7% from fiscal year 2017 diluted net earnings per share of $2.90. The prior year includes a one-time favorable adjustment of $1.06 associated with the Tax Cuts and Jobs Act.
- Cash provided by operations was $763.6, an $82.1 increase from the prior year, due to higher cash earnings and lower working capital.

- We returned $413.3 to our stockholders through dividends and share repurchases.

Strategic Goals, Challenges and Initiatives

Our ability to generate sales depends on consumer demand for our products and retail customers' decisions to carry our products, which are, in part, affected by general economic conditions in our markets. Although our consumer products generally are consumer staples and less vulnerable to decreases in discretionary spending than other products, in 2018, many of the product categories in which we operate continued to experience pricing pressures, and weak or inconsistent consumer demand. Some customers have responded to economic conditions by increasing their private label offerings (primarily in the dietary supplements, diagnostic kits and oral analgesics categories), and consolidating the product selections they offer to the top few leading brands in each category. In addition, an increasing portion of our product categories is being sold by club stores, dollar stores, mass merchandisers and internet-based retailers. These factors have placed downward pressure on our sales and gross margins.

We expect a competitive marketplace in 2019 due to new product introductions by competitors and continuing competitive pricing pressures. In this environment, we intend to continue to aggressively pursue several key strategic initiatives: maintain competitive marketing and trade spending, tightly control our cost structure, continue to develop and launch new and differentiated products, and pursue strategic acquisitions. We also intend to continue to grow our product sales globally and maintain an offering of premium and value brand products to appeal to a wide range of consumers.

We derive a substantial percentage of our revenues from sales of laundry detergent. The continued customer demand for these products are critical to our future success. As a result, any commercialization, delays or reduction of sales of these products, in the event that our diversification efforts discussed below are not successful, could have a material adverse effect on our business, financial condition and operating results. In addition, there continues to be significant product competition in the gummy vitamin category. The category has grown from eight competitors to 30 in the last five years. We continue to evaluate and vigorously combat these pressures through, among other things, new product introductions and increased marketing and trade spending. However, there is no assurance that the category will not decline in the future and that we will be able to offset any such decline.

We are continuously focused on strengthening our key brands, such as ARM & HAMMER, OXICLEAN, TROJAN, L'IL CRITTERS and VITAFUSION, BATISTE and WATERPIK, through the launch of innovative new products, which span various product categories, including premium and value household products supported by increased marketing and trade spending. There can be no assurance that these measures will be successful.

In the domestic business, seven out of 11 "power brands" met or exceeded category growth for the full year 2018. Our global product portfolio consists of both premium (65% of total worldwide consumer revenue in 2018) and value (35% of total worldwide consumer revenue in 2018) brands, which we believe enables us to succeed in a range of economic environments. We intend to continue to develop a portfolio of appealing new products to build loyalty among cost-conscious consumers.

Over the past two decades, we have diversified from an almost exclusively U.S. business to a global company with approximately 18% of sales derived from foreign countries in 2018. We have operations in seven countries (Canada, Mexico, U.K., France, Germany, Australia, and Brazil) and export to over 130 other countries. In 2018, we benefited from our expanded global footprint and expect to continue to focus on selectively expanding our global business. If we are unable to expand our business internationally at the rate that we expect, we may not realize the operational benefits that we anticipate.

Although we believe ongoing international expansion represents a significant opportunity to grow our business, our increasing activity in global markets exposes us to additional complexity and uncertainty. Net sales generated outside of the U.S. are exposed to foreign currency exchange rate fluctuations as well as political uncertainty which could impact future operating results. Moreover, the current domestic and international political environment, including existing and potential changes to U.S. policies related to global trade and tariffs, have resulted in uncertainty regarding the global economy. The impact of U.S. tariffs, primarily on WATERPIK products, was a component of increased cost of sale during the year ended December 31, 2018. The implementation of more restrictive trade policies, such as higher tariffs or new barriers to entry, in countries in which we manufacture or sell large quantities of products and services could negatively impact our business, results of operations and financial condition.

We also continue to focus on controlling our costs. Historically, we have been able to mitigate the effects of cost increases primarily by implementing cost reduction programs and, to a lesser extent, by passing along some of these cost increases to customers. We have also entered into set pricing and pre-buying arrangements with certain suppliers and hedge agreements for diesel fuel. To combat higher input costs and tariffs, in 2018, we announced price increases on approximately 30% of our portfolio. Should additional price increases be warranted, we cannot be certain they will be accepted by our customers. Additionally, maintaining tight controls on overhead costs has been a hallmark of ours and has enabled us to effectively navigate recent challenging economic conditions.

The identification and integration of strategic acquisitions are an important component of our overall strategy and product category diversification. Acquisitions have added significantly to our sales and profits and product category diversification over the last decade. This is recently evidenced by our 2015 acquisition of certain assets of Varied Industries Corporation (the "VI-COR Acquisition"), 2016 acquisitions of Spencer Forrest, Inc., the maker of TOPPIK (the "TOPPIK Acquisition"), and the ANUSOL and RECTINOL businesses from Johnson & Johnson (the "ANUSOL Acquisition") and 2017 acquisitions of VIVISCAL from Lifes2Good Holdings Limited (the "Viviscal Acquisition"), Agro BioSciences, Inc. (the "Agro Acquisition"), WATERPIK from Pik Holdings, Inc. (the "Waterpik Acquisition"), and 2018 acquisition of Passport Food Safety Solutions, Inc. (the "Passport Acquisition"). However, the failure to effectively integrate any acquisition or achieve expected synergies may cause us to incur material asset write-downs. We actively seek acquisitions that fit our guidelines, and our strong financial position provides us with

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

flexibility to take advantage of acquisition opportunities. In addition, our ability to quickly integrate acquisitions and leverage existing infrastructure has enabled us to establish a strong track record in making accretive acquisitions. Since 2001, we have acquired 10 of our 11 "power brands".

We believe we are positioned to meet the ongoing challenges described above due to our strong financial condition, experience operating in challenging environments and continued focus on key strategic initiatives: maintaining competitive marketing and trade spending, managing our cost structure, continuing to develop and launch new and differentiated products, and pursuing strategic acquisitions. This focus, together with the strength of our portfolio of premium and value brands, has enabled us to succeed in a range of economic environments, and is expected to position us to continue to increase stockholder value over the long-term. Moreover, the generation of a significant amount of cash from operations, as a result of net income and effective working capital management, combined with an investment grade credit rating provides us with the financial flexibility to pursue acquisitions, drive new product development, make capital expenditures to support organic growth and gross margin improvements, return cash to stockholders through dividends and share buy backs, and reduce outstanding debt, positioning us to continue to create stockholder value.

For information regarding risks and uncertainties that could materially adversely affect our business, results of operations and financial condition, see "Risk Factors" in Item 1A of this Annual Report.

Recent Developments

Accelerated Share Repurchase Program

In December of 2017, we entered into an accelerated share repurchase ("ASR") contract with a commercial bank to purchase $200.0 of our Common Stock. In the first quarter of 2018, we settled the ASR contract and purchased approximately 4.1 million shares of Common Stock for $200.0, of which approximately $110.0 was purchased under the evergreen share repurchase program and $90.0 was purchased under the 2017 Share Repurchase Program. As a result of our purchases, there remained $310.0 of share repurchase availability under the 2017 Share Repurchase Program as of December 31, 2018.

In connection with the evergreen repurchase program, in January 2019, we executed open market purchases of $100.0 of our Common Stock.

Passport Acquisition

On March 8, 2018, we purchased Passport Food Safety Solutions, Inc. ("Passport"). Passport sells products for pre-and post-harvest treatment of poultry, swine, and beef. The total purchase price was approximately $50.0, which is subject to an additional payment of up to $25.0 based on sales performance through 2020. Passport's annual sales were approximately $21.0 in 2017. The Passport Acquisition was funded with short-term borrowings and is managed in the SPD segment.

Dividend Increase

On February 5, 2019, the Board declared a 5% increase in the regular quarterly dividend from $0.2175 to $0.2275 per share, equivalent to an annual dividend of $0.91 per share payable to stockholders of record as of February 15, 2019. The increase raises the annual dividend payout from $213.3 to approximately $222.0.

On February 5, 2018, the Board of Directors declared a 14% increase in the regular quarterly dividend from $0.19 to $0.2175 per share, equivalent to an annual dividend of $0.87 per share payable to stockholders of record as of February 15, 2018. The increase raised the annual dividend payout from approximately $190 to $213.3.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. By their nature, these judgments are subject to uncertainty. They are based on our historical experience, our observation of trends in industry, information provided by our customers and information available from other outside sources, as appropriate. Our significant accounting policies and estimates are described below.

Revenue Recognition and Promotional and Sales Return Reserves

Virtually all of our revenue represents sales of finished goods inventory and is recognized when received or picked up by our customers. The reserves for consumer and trade promotion liabilities and sales returns are established based on our best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. Promotional reserves are provided for sales incentives, such as coupons to consumers, and sales incentives provided to customers (such as slotting, cooperative advertising, incentive discounts based on volume of sales and other arrangements made directly with customers). All such costs are netted against sales. Slotting costs are recorded when the product is delivered to the customer. Cooperative advertising costs are recorded when the customer places the advertisement for our products. Discounts relating to price reduction arrangements and coupons are recorded when the related sale takes place. Costs associated with end-aisle or other in-store displays are recorded when product that is subject to the promotion is sold. We rely on historical experience and forecasted data to determine the required reserves. For example, we use historical experience to project coupon redemption rates to determine reserve requirements. Based on the total face value of Consumer Domestic coupons redeemed over the past several years, if the actual rate of redemptions were to deviate by 0.1% from the rate for which reserves are accrued in the financial statements, a difference of approximately $3.1 in the reserve required for coupons would result. With regard to other promotional reserves and sales returns, we use experience-based estimates, customer and sales organization inputs and historical trend analysis in arriving at the reserves required. If our estimates for promotional activities and sales returns reserves were to change by 10% the impact to promotional spending and sales return accruals would be approximately $6.4. While management believes that its promotional and sales returns reserves are reasonable and that appropriate judgments have been made, estimated amounts could differ materially from actual future obligations. Reserve adjustments made in 2018, 2017 and 2016 are immaterial relative to the amount of trade promotion expense incurred annually by us.

Impairment of goodwill, trade names and other intangible assets

Carrying values of goodwill and indefinite-lived tradenames are reviewed periodically for possible impairment. Finite intangible assets are assessed when there are business triggering events. Our impairment analysis is based on a discounted cash flow approach that requires significant judgment with respect to unit volume, revenue and expense growth rates, and the selection of an appropriate discount rate. Management uses estimates based on expected trends in making these assumptions. With respect to goodwill, impairment occurs when the carrying value of the reporting unit exceeds the discounted present value of cash flows for that reporting unit. For trade names and other intangible assets, an impairment charge is recorded for the difference between the carrying value and the net present value of estimated future cash flows, which represents the estimated fair value of the asset. Judgment is required in assessing whether assets may have become impaired between annual valuations. Indicators such as unexpected adverse economic factors, unanticipated technological change, distribution losses, or competitive activities and acts by governments and courts may indicate that an asset has become impaired. The result of our annual goodwill impairment test determined that the estimated fair value substantially exceeded the carrying values of all reporting units. In addition, there were no goodwill impairment charges for each of the years in the three-year period ended December 31, 2018.

Fair value for indefinite lived intangible assets was estimated based on a "relief from royalty" or "excess earnings" discounted cash flow method, which contains numerous variables that are subject to change as business conditions change, and therefore could impact fair values in the future. We determined that the fair value of all other intangible assets for each of the years in the three-year period ended December 31, 2018 exceeded their respective carrying values based upon the forecasted cash flows and profitability. In 2017 there was a personal care trade name that, based on recent performance, had experienced sales and profit declines that had eroded a significant portion of the excess between fair and carrying value, which could potentially result in an impairment of the asset. In 2017, this excess had been reduced due in large part to an increased competitive market environment therefore resulting in reduced cash flow projections. The performance of the tradename improved in 2018, thereby increasing the excess between fair value and carrying value. This indefinite-lived intangible asset could still be susceptible to impairment risk. While management can and has implemented strategies to address the risk, significant changes in operating plans or adverse changes in the future could reduce the underlying cash flows used to estimate fair values and could result in a decline in fair value that could trigger future impairment charges of this asset.

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

It is possible that our conclusions regarding impairment or recoverability of goodwill or other intangible assets could change in future periods if, for example, (i) the businesses or brands do not perform as projected, (ii) overall economic conditions in 2018 or future years vary from current assumptions (including changes in discount rates), (iii) business conditions or strategies change from current assumptions, (iv) investors require higher rates of return on equity investments in the marketplace or (v) enterprise values of comparable publicly traded companies, or actual sales transactions of comparable companies, were to decline, resulting in lower multiples of revenues and EBITDA. A future impairment charge for goodwill or intangible assets could have a material effect on our consolidated financial position or results of operations.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized to reflect the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the differences are expected to be recovered or settled. Management provides a valuation allowance against deferred tax assets for amounts which are not considered “more likely than not” to be realized. We record liabilities for potential assessments in various tax jurisdictions under U.S. GAAP guidelines. The liabilities relate to tax return positions that, although supportable by us, may be challenged by the tax authorities and do not meet the minimum recognition threshold required under applicable accounting guidance for the related tax benefit to be recognized in the income statement. We adjust this liability as a result of changes in tax legislation, interpretations of laws by courts, rulings by tax authorities, changes in estimates and the expiration of the statute of limitations. Many of the judgments involved in adjusting the liability involve assumptions and estimates that are highly uncertain and subject to change. In this regard, settlement of any issue, or an adverse determination in litigation, with a taxing authority could require the use of cash and result in an increase in our annual tax rate. Conversely, favorable resolution of an issue with a taxing authority would be recognized as a reduction to our annual tax rate.

New Accounting Pronouncements

Refer to Note 1 to the Consolidated Financial Statements for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of December 31, 2018.

CHURCH & DWIGHT CO., INC AND SUBSIDIARIES

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

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

The discussion of results of operations at the consolidated level presented below is followed by a more detailed discussion of results of operations by segment. The discussion of our consolidated results of operations and segment operating results is presented on a historical basis for the years ended December 31, 2018, 2017, and 2016. The segment discussion also addresses certain product line information. Our operating units are consistent with our reportable segments.

Consolidated results

2018 compared to 2017

	Twelve Months Ended December 31, 2018		Change vs. Prior Year	Twelve Months Ended December 31, 2017	
Net Sales	$ 4,145.9		9.8%	$ 3,776.2	
Gross Profit	$ 1,840.8		6.4%	$ 1,729.6	
Gross Margin	44.4	%	-140 basis points	45.8	%
Marketing Expenses	$ 483.2		6.4%	$ 454.2	
Percent of Net Sales	11.7	%	-30 basis points	12.0	%
Selling, General & Administrative Expenses	$ 565.9		4.3%	$ 542.7	
Percent of Net Sales	13.6	%	-80 basis points	14.4	%
Income from Operations	$ 791.7		8.1%	$ 732.7	
Operating Margin	19.1	%	-30 basis points	19.4	%
Net income per share - Diluted	$ 2.27		-21.7%	$ 2.90	

Net Sales

Net sales for the year ended December 31, 2018 were $4,145.9, an increase of $369.7, or 9.8% compared to 2017 net sales. The components of the net sales increase are as follows:

Net Sales - Consolidated	December 31, 2018	
Product volumes sold	3.7	%
Pricing/Product mix	0.6	%
Foreign exchange rate fluctuations / Other	0.1	%

Volume from acquired product lines (net of divestiture) [1]	5.4	%
Net Sales increase	9.8	%

[1] On March 8, 2018, we completed the Passport Acquisition. On January 17, 2017, we completed the Viviscal Acquisition. On May 1, 2017, we completed the Agro Acquisition. On August 7, 2017, we completed the Waterpik Acquisition. Net sales of these acquisitions are included in our results since the dates of acquisition. In March 2017, we sold our chemical business in Brazil.

The volume change primarily reflects increased product sales in both the Consumer Domestic and Consumer International segments, with volume declines in Specialty Products. All three segments experienced favorable price/product mix.

Our gross profit for 2018 was $1,840.8, a $111.2 increase compared to 2017. Gross margin was 44.4% in 2018 compared to 45.8% in 2017, a 140 basis points (“bps”) decrease. The decrease is due to the impact of higher commodity costs and transportation costs of 170 bps and higher manufacturing costs of 80 bps, partially offset by productivity programs of 80 bps, favorable volume price/product mix of 20 bps, and the impact of favorable foreign exchange rates of 10 bps.

Operating Costs

Marketing expenses for 2018 were $483.2, an increase of $29.0 compared to 2017. Acquired businesses contributed modestly to the increase. Marketing expenses as a percentage of net sales decreased 30 bps to 11.7% in 2018 as compared to 2017 due to 100 bps of leverage on higher net sales partially offset by 70 bps on higher expenses.

Selling, general and administrative expenses (“SG&A”) expenses for 2018 were $565.9, an increase of $23.2 or 4.3% compared to 2017. The prior year includes the $39.2 international pension settlement charge. The increase is primarily due to transition and ongoing acquisition-related costs, higher compensation, information system (in part in support of new technologies and security

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

upgrades) and R&D costs. SG&A as a percentage of net sales decreased 80 bps to 13.6% in 2018 compared to 14.4% in 2017. The decrease is due to 130 bps of leverage associated with higher sales, partially offset by higher costs of 50 bps. The comparison is helped by approximately 100 bps associated with the 2017 pension settlement charge.

Other Income and Expenses

Equity in earnings of affiliates decreased by $1.6 in 2018 as compared to 2017. The decrease in earnings during 2018 was due primarily to lower DCAD sales.

Other expense increased by $3.6 in 2018 as compared to 2017 primarily due to the effect of changes in foreign exchange rates.

Interest expense in 2018 was $79.4, an increase of $26.8 compared to 2017 primarily due to a higher amount of average debt outstanding associated with the $1,425.0 aggregate principal amount of Senior Notes issued on July 25, 2017.

Taxation

The 2018 tax rate was 21.0% compared to -7.3% in 2017. The 2017 tax rate was positively impacted by 39.4% as a result of the Tax Act, which lowered the U.S. corporate income tax rate to 21% starting in 2018 and resulted in a negative tax rate for 2017.

2017 compared to 2016

Net Sales

Net sales for the year ended December 31, 2017 were $3,776.2, an increase of $283.1, or 8.1% compared to 2016 net sales. The components of the net sales increase are as follows:

Net Sales - Consolidated	December 31, 2017	
Product volumes sold	5.0	%
Pricing/Product mix	(2.3	%)
Volume from acquired product lines [1]	5.4	%
Net Sales increase	8.1	%

[1] On January 17, 2017, we completed the Viviscal Acquisition, on May 1, 2017, we completed the Agro Acquisition and on August 7, 2017, we completed the Waterpik Acquisition. Net sales of these acquisitions are included in our results since the dates of acquisition. In March 2017, we sold our chemical business in Brazil.

All three segments reported volume increases. Both Consumer Domestic and Consumer International experienced unfavorable price/product mix.

Our gross profit for 2017 was $1,729.6, a $139.0 increase compared to 2016. Gross margin was 45.8% in 2017 compared to 45.5% in 2016, a 30 bps increase. The increase was due to the impact of higher margins on acquired businesses representing 80 bps, favorable volume of 70 bps, and lower manufacturing costs of 40 bps, partially offset by unfavorable price/product mix of 140 bps (primarily due to higher promotion and coupon costs), higher commodity costs of 30 bps, and the impact of unfavorable foreign exchange rates of 10 bps. Gross margin in 2016 included a plant impairment charge of 20 bps at an international subsidiary.

Operating Costs

Marketing expenses for 2017 were $454.2, an increase of $27.0 compared to 2016. Acquired businesses contributed modestly to the increase. Marketing expenses as a percentage of net sales decreased 20 bps to 12.0% in 2017 as compared to 2016 due to 90 bps of leverage on higher net sales partially offset by 70 bps on higher expenses.

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SG&A expenses for 2017 were $542.7, an increase of $103.5 or 23.6% compared to 2016. The increase was primarily due to the $39.2 international pension settlement charge, transition and ongoing acquisition-related costs, higher information system and legal costs and costs associated with selling the chemical business in Brazil. SG&A as a percentage of net sales increased 180 bps to 14.4% in 2017 compared to 12.6% in 2016. The increase was due to higher costs of 280 bps, partially offset by 100 bps of leverage associated with higher sales. The pension charge contributed 110 bps to the increase.

Other Income and Expenses

Equity in earnings of affiliates increased by $1.6 in 2017 as compared to 2016. The increase in earnings during 2017 was due primarily to profit improvement from Armand Products due to lower raw material costs.

Interest expense in 2017 was $52.6, an increase of $24.9 compared to 2016 due to a higher amount of average debt outstanding associated with the $1,425.0 aggregate principal amount of Senior Notes issued on July 25, 2017.

Taxation

The 2017 tax rate was -7.3% compared to 35.0% in 2016. The 2017 tax rate was positively impacted by 39.4% as a result of the Tax Act and 2.2% related to the adoption of the new accounting standard which modifies how companies account for certain aspects of share-based payment awards to employees. Previously, this tax benefit related to the adoption of the new accounting standard was accounted for in our Stockholders' Equity section of the Balance Sheet. Starting in 2017, the tax benefit has been accounted for as a reduction of income tax expense.

Segment results for 2018, 2017 and 2016

We operate three reportable segments: Consumer Domestic, Consumer International and SPD. These segments are determined based on differences in the nature of products and organizational and ownership structures. We also have a Corporate segment.

Segment	Products
Consumer Domestic	Household and personal care products
Consumer International	Primarily personal care products
SPD	Specialty chemical products

The Corporate segment income consists of equity in earnings of affiliates. As of December 31, 2018, we held 50% ownership interests in each of Armand and ArmaKleen, respectively. Our equity in earnings of Armand and ArmaKleen for the year ended December 31, 2018, 2017 and 2016 are included in the Corporate segment.

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

Some of the subsidiaries that are included in the Consumer International segment manufacture and sell personal care products to the Consumer Domestic segment. These sales are eliminated from the Consumer International segment results set forth below.

Segment net sales and income before income taxes for each of the three years ended December 31, 2018, 2017 and 2016 were as follows:

	Consumer Domestic	Consumer International	SPD	Corporate[3]	Total
Net Sales[1]					
2018	$ 3,129.9	$ 709.5	$ 306.5	$ 0.0	$ 4,145.9
2017	2,854.9	621.1	300.2	0.0	3,776.2
2016	2,677.8	525.2	290.1	0.0	3,493.1
Income before Income Taxes[2]					
2018	$ 577.2	$ 81.5	$ 51.6	$ 9.2	$ 719.5
2017	606.4	32.0	43.5	10.8	692.7
2016	590.6	66.3	39.8	9.2	705.9

(1) Intersegment sales from Consumer International to Consumer Domestic, which are not reflected in the table, were $5.7, $4.5 and $3.4 for the years ended December 31, 2018, 2017 and 2016, respectively.

(2) In determining Income before Income Taxes, interest expense, investment earnings and certain aspects of other income and expense were allocated among segments based upon each segment's relative Income from Operations.

(3) Corporate segment consists of equity in earnings of affiliates from Armand and ArmaKleen in 2018, 2017 and 2016.

Product line revenues for external customers for the years ended December 31, 2018, 2017 and 2016 were as follows:

	2018	2017	2016
Household Products	$ 1,725.5	$ 1,640.0	$ 1,593.4
Personal Care Products	1,404.4	1,214.9	1,084.4
Total Consumer Domestic	3,129.9	2,854.9	2,677.8
Total Consumer International	709.5	621.1	525.2
Total SPD	306.5	300.2	290.1
Total Consolidated Net Sales	$4,145.9	$ 3,776.2	$ 3,493.1

Household Products include deodorizing, cleaning and laundry products. Personal Care Products include condoms, pregnancy kits, oral care products, skin care products, hair care products and gummy dietary supplements.

Consumer Domestic

2018 compared to 2017

Consumer Domestic net sales in 2018 were $3,129.9, an increase of $275.0 or 9.6% compared to net sales of $2,854.9 in 2017. The components of the net sales change are the following:

Net Sales - Consumer Domestic	December 31, 2018	
Product volumes sold	4.0	%
Pricing/Product mix	0.3	%
Volume from acquired product lines [1]	5.3	%
Net Sales increase	9.6	%

[1] Includes net sales of the brands acquired in the Viviscal Acquisition and the Waterpik Acquisition since the date of acquisition.

The increase in net sales for 2018 reflects the impact of acquisitions and higher sales of ARM & HAMMER liquid and unit dose detergents, ARM & HAMMER cat litter, BATISTE dry shampoo, OXICLEAN stain fighters and gummy vitamins, partially offset by lower sales of KABOOM cleaning products.

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

There continues to be significant product competition in the gummy vitamin category. The category has grown from eight competitors to 30 in the last five years. We continue to evaluate and vigorously combat these pressures through, among other things, new product introductions and increased marketing and trade spending. However, there is no assurance this category will not decline in the future and that we will be able to offset any such decline.

Consumer Domestic income before income taxes for 2018 was $577.2, a $29.2 decrease as compared to 2017. The decrease is due primarily to the impact of higher SG&A costs of $56.1, unfavorable commodity and manufacturing costs of $49.6, higher interest and other expenses of $22.5, higher marketing expenses of $19.3 and unfavorable price/product mix of $11.8, partially offset by higher sales volumes of $130.3.

2017 compared to 2016

Consumer Domestic net sales in 2017 were $2,854.9, an increase of $177.1 or 6.6% compared to net sales of $2,677.8 in 2016. The components of the net sales change are the following:

Net Sales - Consumer Domestic	December 31, 2017	
Product volumes sold	4.6	%
Pricing/Product mix	(3.2	%)
Volume from acquired product lines [1]	5.2	%
Net Sales increase	6.6	%

[1] Includes net sales of the brands acquired in the Viviscal Acquisition and the Waterpik Acquisition since the dates of acquisition.

The increase in net sales for 2017, reflects the impact of acquisitions, higher sales of ARM & HAMMER liquid and unit dose detergents, BATISTE dry shampoo, OXICLEAN stain fighters and ARM & HAMMER cat litter, partially offset by lower sales of TROJAN condoms, XTRA laundry detergent and gummy vitamins.

There was significant product and price competition in the premium and deep value laundry detergent categories and more recently, product competition in the gummy vitamin category. For example, in the laundry detergent category, P&G and Henkel, the two largest laundry detergent companies in the U.S., were engaged in aggressive pricing promotions, and retailers were de-emphasizing the deep value tier of laundry detergents, which is where XTRA competes. In addition, the gummy vitamin category has grown from eight competitors to 30 in the last five years. We continue to evaluate and vigorously combat these pressures through, among other things, new product introductions and increased marketing and trade spending. However, there is no assurance that the categories will not decline in the future and that we will be able to offset any such decline.

Consumer Domestic income before income taxes for 2017 was $606.4, a $15.8 increase as compared to 2016. The increase was due primarily to the impact of higher sales volumes of $146.5 and favorable commodity and manufacturing costs of $15.1, partially offset by unfavorable price/product mix of $90.5, higher marketing expenses of $18.9, higher interest expense of $20.7, and higher SG&A costs of $15.8.

Consumer International

2018 compared to 2017

Consumer International net sales in 2018 were $709.5, an increase of $88.4 or 14.2% as compared to 2017. The components of the net sales change are the following:

Net Sales - Consumer International	December 31, 2018	
Product volumes sold	6.9	%
Pricing/Product mix	0.9	%
Foreign exchange rate fluctuations	0.5	%
Volume from acquired product lines [1]	5.9	%
Net Sales increase	14.2	%

[1] Includes net sales of the brands acquired in the Viviscal Acquisition and the Waterpik Acquisition since the dates of acquisition.

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Excluding the impact of foreign exchange rates, higher sales for the year occurred in exports, Europe, Canada, Mexico and Australia. The addition of the acquired businesses contributed significantly to the sales growth. Of the existing brands, the net sales increase is due primarily to OXICLEAN, BATISTE, L'IL CRITTERS & VITAFUSION and NAIR in the export business, ARM & HAMMER clumping cat litter and BATISTE in Canada, OXICLEAN, ARM & HAMMER liquid laundry detergent and ARM & HAMMER dental care in Mexico and Waterpik in several countries.

Consumer International income before income taxes was $81.5 in 2018, an increase of $49.5 compared to 2017 due primarily to lower costs as a result of the 2017 pension settlement of $39.2, higher sales volumes of $42.2, favorable foreign exchange rates of $3.8, and favorable price/product mix of $0.7, partially offset by higher other SG&A costs of $12.2, higher marketing costs of $9.4, unfavorable manufacturing and commodity costs of $9.6, and higher interest and other expenses of $5.2.

2017 compared to 2016

Consumer International net sales in 2017 were $621.1, an increase of $95.9 or 18.3% as compared to 2016. The components of the net sales change are the following:

Net Sales - Consumer International	December 31, 2017
Product volumes sold	8.1 %
Pricing/Product mix	(0.3 %)
Foreign exchange rate fluctuations	0.1 %
Volume from acquired product lines [1]	10.4 %
Net Sales increase	18.3 %

[1] Includes net sales of the brands acquired in the Anusol Acquisition, the Viviscal Acquisition and the Waterpik Acquisition since the date of acquisition.

Excluding the impact of foreign exchange rates, higher sales for the year occurred in exports, Canada, Australia, Europe and Mexico. The addition of the acquired businesses contributed significantly to the sales growth. Of the existing brands, BATISTE, STERIMAR, FEMFRESH, OXICLEAN and ARM & HAMMER cat litter brands had strong sales growth.

Consumer International income before income taxes was $32.0 in 2017, a decrease of $34.3 compared to 2016 due primarily to the pension settlement charge of $39.2, higher SG&A costs of $29.7, higher marketing costs of $7.4, unfavorable manufacturing and commodity costs of $6.9, unfavorable foreign exchange rates of $4.0, and unfavorable price/product mix of $2.3, partially offset by higher sales volumes of $57.9.

Specialty Products

2018 compared to 2017

SPD net sales were $306.5 for 2018, an increase of $6.3, or 2.1% compared to 2017. The components of the net sales change are the following:

Net Sales - SPD	December 31, 2018	
Product volumes sold	(6.4	%)
Pricing/Product mix	3.0	%
Volume from acquired product lines (net of divestiture) [1]	5.5	%
Net Sales increase	2.1	%

[1] Includes net sales of Passport and Agro BioSciences, Inc. since the dates of acquisition, partially offset by the sale of our Brazilian chemical business.

Excluding the impact of the acquisitions and divestiture, the net sales decrease in 2018 was driven primarily by lower volumes in the animal productivity business, partially offset by higher broad-based pricing. Although demand for our products continues to grow in the poultry industry, demand in the dairy industry continues to be significantly reduced due to low milk prices.

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CHURCH & DWIGHT CO., INC AND SUBSIDIARIES

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

SPD income before income taxes was $51.6 in 2018, an increase of $8.1 compared to 2017. The increase in income before income taxes for 2018 is due primarily to favorable price/product mix of $9.1, lower costs associated with selling the Brazilian chemical business of $3.5, higher sales volume of $3.3, and lower manufacturing costs of $2.6, partially offset by higher SG&A costs of $7.4 and higher interest and other expenses of $2.7.

2017 compared to 2016

SPD net sales were $300.2 for 2017, an increase of $10.1, or 3.5% compared to 2016. The components of the net sales change are the following:

Net Sales - SPD	December 31, 2017	
Product volumes sold	2.6	%
Pricing/Product mix	2.7	%
Foreign exchange rate fluctuations	0.4	%
Volume from acquired product lines (net of divestiture) [1]	(2.2	%)
Net Sales increase	3.5	%

[1] Includes net sales of the Agro Acquisition since the date of acquisition and is negatively impacted by the sale of the Brazilian chemical business.

Excluding the impact of the acquisitions and divestiture, the net sales increase in 2017 was driven primarily by improved price and volumes in the animal productivity business where U.S. dairy farm profitability throughout 2017 was higher than the prior year.

SPD income before income taxes was $43.5 in 2017, an increase of $3.7 compared to 2016. The increase in income before income taxes for 2017 was due primarily to higher sales volume of $13.0, favorable price/product mix of $7.0, lower costs associated with selling the Brazilian chemical business of $4.9, and lower costs associated with the Natronx joint venture of $1.7, partially offset by higher SG&A costs of $14.0 and higher manufacturing costs of $7.4.

Corporate

The Corporate segment reflects the reclassification of administrative costs of the production, planning and logistics functions which are included in SG&A expenses in the operating segments but are elements of cost of sales in our Consolidated Statements of Income. Such amounts were $44.0, $32.8 and $36.6 for 2018, 2017 and 2016, respectively.

Also included in corporate segment are the equity in earnings of affiliates from Armand and ArmaKleen.

Liquidity and capital resources

On March 29, 2018, we replaced our former $1,000.0 unsecured revolving credit facility that was scheduled to terminate on December 4, 2020 with a new $1,000.0 unsecured revolving credit facility (the “Credit Agreement”). Under the Credit Agreement, we have the ability to increase our borrowing up to an additional $600.0, subject to lender commitments and certain conditions as described in the Credit Agreement. Borrowings under the Credit Agreement are available for general corporate purposes and are used to support our $1,000.0 commercial paper program. Unless extended, the Credit Agreement will terminate and all amounts outstanding thereunder will be due and payable on March 29, 2023.

As of December 31, 2018, we had $316.7 in cash and cash equivalents, and approximately $997.0 available through the revolving facility under our Credit Agreement and our commercial paper program. To preserve our liquidity, we invest cash primarily in government money market funds, prime money market funds, short-term commercial paper and short-term bank deposits.

As a result of the Tax Act, we repatriated excess cash held at our foreign subsidiaries in 2018. We repatriated approximately $150.0 of the $194.0 that was held outside the U.S as of December 31, 2017. For 2019, we estimate that we will repatriate approximately $35.0 of the $68.0 held outside the U.S as of December 31, 2018.

We financed the Waterpik Acquisition with a portion of the proceeds from an underwritten public offering of $1,425.0 aggregate principal amount of Senior Notes completed on July 25, 2017, consisting of $300.0 aggregate principal amount of Floating Rate Senior Notes due 2019, $300.0 aggregate principal amount of 2.45% Senior Notes due 2022, $425.0 aggregate principal amount of

3.15% Senior Notes due 2027 and $400.0 aggregate principal amount of 3.95% Senior Notes due 2047 (collectively, the "Senior Notes"). The Floating Rate Senior Notes, which matured and were repaid in full with cash on hand and commercial paper on January 25, 2019, bore interest at a rate, reset quarterly, equal to three-month U.S. Dollar London Interbank Offered Rate ("LIBOR") plus 0.15%.

On December 9, 2014, we issued $300.0 aggregate principal amount of 2.45% Senior Notes due December 15, 2019 (the "2019 Notes"). The 2019 Notes were issued under the first supplemental indenture (the "First Supplemental Indenture"), dated December 9, 2014, to the indenture dated December 9, 2014 (the "Base Indenture"), between us and Wells Fargo Bank, N.A., as trustee. The 2019 Notes will mature on December 15, 2019, unless earlier retired or redeemed pursuant to the terms of the First Supplemental Indenture.

On September 26, 2012, we issued $400.0 aggregate principal amount of 2.875% Senior Notes due 2022 (the "2022 Notes"). The 2022 Notes were issued under the second supplemental indenture, dated September 26, 2012 (the "BNY Mellon Second Supplemental Indenture") to the indenture dated December 15, 2010 (the "BNY Mellon Base Indenture") between us and The Bank of New York Mellon Trust Company, N.A., as trustee. The 2022 Notes will mature on October 1, 2022, unless earlier retired or redeemed pursuant to the terms of the BNY Mellon Second Supplemental Indenture.

The current economic environment presents risks that could have adverse consequences for our liquidity. See "Unfavorable economic conditions could adversely affect demand for our products" under "Risk Factors" in Item 1A of this Annual Report. We do not anticipate that current economic conditions will adversely affect our ability to comply with the financial covenant in the Credit Agreement because we currently are, and anticipate that we will continue to be, in compliance with the maximum leverage ratio requirement under the Credit Agreement.

On February 5, 2019, the Board declared a 5% increase in the regular quarterly dividend from $0.2175 to $0.2275 per share, equivalent to an annual dividend of $0.91 per share payable to stockholders of record as of February 15, 2019. The increase raises the annual dividend payout from $213.3 to approximately $222.0.

On November 1, 2017, the Board authorized a new share repurchase program, under which we may repurchase up to $500.0 in shares of Common Stock (the "2017 Share Repurchase Program"). The 2017 Share Repurchase Program does not have an expiration and replaced the 2016 Share Repurchase Program. We also continued our evergreen share repurchase program, authorized by the Board on January 29, 2014, under which we may repurchase, from time to time, Common Stock to reduce or eliminate dilution associated with issuances of Common Stock under our incentive plans.

In December of 2017, we entered into an accelerated share repurchase ("ASR") contract with a commercial bank to purchase $200.0 of Common Stock. In the first quarter of 2018, we settled the ASR contract and purchased approximately 4.1 million shares of Common Stock for $200.0, of which approximately $110.0 was purchased under the evergreen share repurchase program and $90.0 was purchased under the 2017 Share Repurchase Program. As a result of our purchases, there remained $310.0 of share repurchase availability under the 2017 Share Repurchase Program as of December 31, 2018.

In connection with the evergreen repurchase program, in January 2019, we executed open market purchases of $100.0 of our Common Stock.

We anticipate that our cash from operations, together with our current borrowing capacity, will be sufficient to meet our capital expenditure program costs, which are expected to be approximately $85.0 in 2018, fund our share repurchase programs to the extent implemented by management, pay the upcoming maturing notes and pay dividends at the latest approved rate. Cash, together with our current borrowing capacity, may be used for acquisitions that would complement our existing product lines or geographic markets. We did not have any mandatory fixed rate debt principal payments in 2018. We paid the $300.0 Floating Rate Senior Notes that matured on January 25, 2019 with cash on hand and commercial paper. The $300.0 Senior Notes (2.45%) will mature on December 15, 2019 and will be repaid with cash on hand plus if necessary, available borrowings.

Cash Flow Analysis

Year Ended		
December 31, 2018	December 31, 2017	December 31, 2016