ALBERTO CULVER CO
Form 10-Q
May 10, 2002

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED:

March 31, 2002

-OR-

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 1-5050

ALBERTO-CULVER COMPANY
(Exact name of registrant as specified in its charter)

Delaware	36-2257936
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2525 Armitage Avenue Melrose Park, Illinois	60160
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (708) 450-3000

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 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

At March 31, 2002, the company had 25,449,267 shares of Class A common stock and 32,331,640 shares of Class B common stock outstanding.

PART I

ITEM 1. FINANCIAL STATEMENTS

ALBERTO-CULVER COMPANY AND SUBSIDIARIES

Consolidated Statements of Earnings
Three Months Ended March 31, 2002 and 2001
(in thousands, except per share data)

	(Unaudited)
	2002
Net sales (Note 7)	$657,762
Cost of products sold (Note 7)	339,924
Gross profit	317,838
Advertising, marketing, selling and administrative (Note 7)	261,452
Operating earnings	56,386
Interest expense, net of interest income of $671 in 2002 and $1,307 in 2001	6,155
Earnings before provision for income taxes	50,231
Provision for income taxes	17,581
Net earnings (Note 6)	$ 32,650
Net earnings per share (Note 6)	
Basic	$ 0.57
Diluted	$ 0.55
Cash dividends paid per share	$ 0.09

See Notes to Consolidated Financial Statements.

2

ALBERTO-CULVER COMPANY AND SUBSIDIARIES

Consolidated Statements of Earnings
Six Months Ended March 31, 2002 and 2001
(in thousands, except per share data)

	(Unaudit
	2002
Net sales (Note 7)	$1,272,022
Cost of products sold (Note 7)	653,512

Gross profit	618,510
Advertising, marketing, selling and administrative (Note 7)	511,728
Operating earnings	106,782
Interest expense, net of interest income of $1,869 in 2002 and $2,509 in 2001	11,484
Earnings before provision for income taxes	95,298
Provision for income taxes	33,354
Net earnings (Note 6)	$ 61,944
Net earnings per share (Note 6)	
Basic	$ 1.09
Diluted	$ 1.05
Cash dividends paid per share	$ .1725

See Notes to Consolidated Financial Statements.

3

ALBERTO-CULVER COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets
March 31, 2002 and September 30, 2001
(dollars in thousands, except share data)

ASSETS	(Unaudite March 31 2002
Current assets:	
Cash and cash equivalents	$ 100,15
Short-term investments	41
Receivables, less allowance for doubtful accounts ($14,023 at 3/31/02 and $11,387 at 9/30/01)	208,73
Inventories:	
Raw materials	38,17
Work-in-process	3,93
Finished goods	466,82
Total inventories	508,92
Other current assets	23,84
Total current assets	842,07
Property, plant and equipment at cost, less accumulated depreciation ($253,199 at 3/31/02 and $236,035 at 9/30/01)	247,08
Goodwill, net	334,25
Trade names, net	74,36
Other assets	63,89

Total assets	$1,561,67
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Short-term borrowings and current maturities of long-term debt	$ 3,26
Accounts payable	210,07
Accrued expenses	169,51
Income taxes	16,14
Total current liabilities	398,99
Long-term debt	321,12
Deferred income taxes	37,84
Other liabilities	31,40
Stockholders' equity:	
Common stock, par value $.22 per share:	
Class A authorized 75,000,000 shares; issued 30,612,798 shares	6,73
Class B authorized 75,000,000 shares; issued 37,710,655 shares	8,29
Additional paid-in capital	195,64
Retained earnings	831,82
Deferred compensation	(6,70
Accumulated other comprehensive income - foreign currency translation	(86,94
	948,85
Less treasury stock at cost (Class A common shares: 5,163,531 at 3/31/02 and 6,741,946 at 9/30/01; Class B common shares: 5,379,015 at 3/31/02 and 4,753,184 at 9/30/01)	(176,52
Total stockholders' equity	772,32
Total liabilities and stockholders' equity	$1,561,67

See Notes to Consolidated Financial Statements.

4

ALBERTO-CULVER COMPANY AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Six Months Ended March 31, 2002 and 2001
(in thousands)

	(Unaudited)	
	2002	2001
Cash Flows from Operating Activities:		

Net earnings	$ 61,944	49,518
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	21,236	18,859
Amortization of goodwill, trade names and other assets	1,888	6,925
Cash effects of changes in (exclusive of acquisitions):		
Receivables, net	2,834	(5,143)
Inventories, net	(18,663)	(27,524)
Other current assets	657	(966)
Accounts payable and accrued expenses	15,935	17,259
Income taxes	(8,171)	(5,209)
Other assets	1,156	(417)
Other liabilities	2,171	2,559
Net cash provided by operating activities	80,987	55,861
Cash Flows from Investing Activities:		
Short-term investments	458	(700)
Capital expenditures	(32,223)	(13,735)
Payments for purchased businesses, net of acquired companies' cash	(101,222)	(12,646)
Other, net	(1,910)	(541)
Net cash used by investing activities	(134,897)	(27,622)
Cash Flows from Financing Activities:		
Short-term borrowings, net	641	2,228
Proceeds from long-term debt	--	27
Repayments of long-term debt	(200)	(8,657)
Repurchase of previously sold accounts receivable	(40,000)	--
Cash dividends paid	(9,912)	(8,858)
Proceeds from exercise of stock options	29,744	11,365
Stock purchased for treasury	(28,015)	(1,348)
Net cash used by financing activities	(47,742)	(5,243)
Effect of foreign exchange rate changes	(163)	2,823
Net increase (decrease) in cash and cash equivalents	(101,815)	25,819
Cash and cash equivalents at beginning of period	201,970	114,637
Cash and cash equivalents at end of period	$ 100,155	140,456

See Notes to Consolidated Financial Statements.

ALBERTO-CULVER COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) BASIS OF PRESENTATION

The consolidated financial statements contained in this report have not been audited by independent public accountants, except for balance sheet information presented at September 30, 2001. However, in the opinion of the company, the consolidated financial statements reflect all adjustments, which include only normal adjustments, necessary to present fairly the data contained therein. The results of operations for the periods covered are not necessarily indicative of results for a full year. Certain amounts for the prior year have been reclassified to conform to the current year's presentation.

(2) STOCKHOLDERS' EQUITY

In fiscal year 1998, the Board of Directors authorized the company to purchase up to 6.0 million shares of its Class A common stock. This authorization was increased to 9.0 million shares in fiscal year 1999. As of March 31, 2002, the company had purchased 7,290,400 Class A common shares under this program at a total cost of $162.9 million. No Class A shares have been purchased under this program since October, 1999.

During the three months ended March 31, 2002, the company acquired $28.0 million of Class A and Class B common shares surrendered by employees in connection with the exercises of stock options and the payment of withholding taxes as provided under the terms of certain incentive plans. Shares acquired under these plans are not subject to the above-mentioned stock repurchase program.

(3) WEIGHTED AVERAGE SHARES OUTSTANDING

The following table provides information about basic and diluted weighted average shares outstanding (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2002	2001	2002	2001
Basic weighted average shares outstanding	57,309	56,134	57,077	55,978
Effect of dilutive securities:				
Assumed exercise of stock options	1,579	1,391	1,402	1,242
Assumed vesting of restricted stock	411	372	411	372
Diluted weighted average shares outstanding	59,299	57,897	58,890	57,592

No stock options were anti-dilutive for the three months or six months ended March 31, 2002 or 2001.

Notes to Consolidated Financial Statements (Continued)

(4) COMPREHENSIVE INCOME

Comprehensive income consists of net earnings and foreign currency translation adjustments as follows (in thousands):

	Three Months Ended March 31,		En
	2002	2001	20
Net earnings	$32,650	25,892	61,
Other comprehensive income - foreign currency translation	(9,219)	(8,518)	(25,
Comprehensive income	$23,431	17,374	36,

Foreign currency translation losses in fiscal year 2002 were primarily due to the devaluation of the Argentine Peso.

(5) BUSINESS SEGMENT INFORMATION

Segment data for the three and six months ended March 31, 2002 and 2001 is as follows (in thousands):

	Three Months Ended March 31,		
	2002	2001	2
Net sales:			
Consumer products:			
Alberto-Culver North America	$150,511	140,266	297
Alberto-Culver International	95,457	97,055	188
Total consumer products	245,968	237,321	486
Specialty distribution - Sally	418,562	361,941	799
Eliminations	(6,768)	(6,320)	(13
	$657,762	592,942	1,272
Earnings before provision for income taxes:			
Consumer products:			
Alberto-Culver North America	$ 14,952	11,723	30
Alberto-Culver International	2,702	2,195	3
Total consumer products	17,654	13,918	34
Specialty distribution - Sally	43,885	36,655	82

Segment operating profit	61,539	50,573	116
Unallocated expenses, net	(5,153)	(5,138)	(9
Interest expense, net of interest income	(6,155)	(5,670)	(11
	$ 50,231	39,765	95

ALBERTO-CULVER COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(6) GOODWILL AND TRADE NAMES

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 addresses financial accounting and reporting for business combinations. SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets, requires companies to discontinue the amortization of goodwill and certain other intangible assets and requires an impairment test of existing goodwill and certain other intangible assets based on a fair value method. The company adopted SFAS No. 141 in the fourth quarter of fiscal year 2001. The company also adopted SFAS No. 142 in the fourth quarter of fiscal year 2001 for new acquisitions and in the first quarter of fiscal year 2002 for previously acquired intangibles. In accordance with SFAS No. 142, the company determined that its trade names have indefinite lives and, therefore, the amortization of trade names was discontinued effective October 1, 2001. Based on the results of the company's transitional impairment testing, no impairment of indefinite-lived trade names existed at October 1, 2001. In addition, as required by SFAS No. 142, the company ceased the amortization of goodwill effective October 1, 2001. In accordance with the adoption provisions of SFAS No. 142, the company has completed the required transitional goodwill impairment tests and has determined that goodwill was not impaired as of October 1, 2001, the date of adoption. Prospectively, goodwill will be reviewed for impairment at least annually, with its ongoing recoverability monitored based on applicable reporting unit performance and consideration of significant events or changes in the overall business environment.

In accordance with SFAS No. 142, fiscal year 2001 results in the consolidated statement of earnings have not been restated for the effects of ceasing goodwill and trade name amortization. Had goodwill and trade name amortization been discontinued effective October 1, 2000, net earnings and earnings per share for the three and six months ended March 31, 2002 and 2001 would have been as follows (in thousands, except per share data):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2002	2001	2002	2001
Reported net earnings	$32,650	25,892	61,944	49,518

Elimination of goodwill and trade name amortization, net of income taxes	--	2,221	--	4,232
Pro forma net earnings	$32,650	28,113	61,944	53,750
Reported basic net earnings per share	$ 0.57	0.46	1.09	0.88
Elimination of goodwill and trade name amortization, net of income taxes	--	0.04	--	0.08
Pro forma basic net earnings per share	$ 0.57	0.50	1.09	0.96
Reported diluted net earnings per share	$ 0.55	0.45	1.05	0.86
Elimination of goodwill and trade name amortization, net of income taxes	--	0.03	--	0.07
Pro forma diluted net earnings per share	$ 0.55	0.48	1.05	0.93

ALBERTO-CULVER COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(6) GOODWILL AND TRADE NAMES (Continued)

The change in the carrying amount of goodwill by operating segment for the six months ended March 31, 2002 is as follows (in thousands):

	Consumer Products		Specialty	
	North America	International	Distribution-Sally	
Goodwill, net:				
Balance as of September 30, 2001	$69,379	79,648	115,312	2
Additions	151	--	83,587	
Foreign currency translation effect	--	(13,675)	(145)	(
Balance as of March 31, 2002	$69,530	65,973	198,754	3

Indefinite-lived trade names by operating segment at March 31, 2002 and September 30, 2001 are as follows (in thousands):

	March 31, 2002	September 30, 2001

Trade names, net:		
Consumer products:		
Alberto-Culver North America	$45,412	45,414
Alberto-Culver International	28,733	33,857
Total consumer products	74,145	79,271
Specialty distribution - Sally	223	261
	$74,368	79,532

(7) NEW ACCOUNTING PRONOUNCEMENTS

In May 2000, the FASB's Emerging Issues Task Force (EITF) reached a consensus on Issue No. 00-14, "Accounting for Certain Sales Incentives." EITF Issue No. 00-14 addresses the recognition, measurement and income statement classification for various types of sales incentives including coupons, rebates and free products. In April 2001, the EITF reached a consensus on Issue No. 00-25," Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." EITF Issue No. 00-25 addresses the income statement classification for various types of consideration paid by a vendor to a retailer. The company adopted the provisions of EITF Issue Nos. 00-14 and 00-25 in the first quarter of fiscal year 2002. In connection with the adoption of EITF Issue Nos. 00-14 and 00-25, the company reclassified certain amounts for the second quarter and first half of fiscal year 2001 to conform to the current year presentation resulting in a $29.6 million reduction in net sales, a $3.7 million increase in cost of products sold and a $33.3 million decrease in promotion expense for the three months ended March 31, 2001 and a $59.3 million reduction in net sales, a $5.8 million increase in cost of products sold and a $65.1 million decrease in promotion expenses for the six months ended March 31, 2001. Consolidated net earnings were not affected by these reclassifications.

(8) SUBSEQUENT EVENT

On May 1, 2002, the company entered into an interest rate swap agreement with a notional amount of $100 million in order to convert a portion of its fixed rate 8.25% senior notes into a variable rate obligation. The swap agreement, which matures on November 1, 2005, is designated as a fair value hedge. Under the interest rate swap agreement, the company will receive semi-annual interest payments at a fixed rate of 8.25% and is required to make semi-annual interest payments at a variable rate based on a fixed spread over the six-month London Interbank Offered Rate ("LIBOR"). The differential to be paid or received on the interest rate swap will be recorded as an adjustment to interest expense over each semi-annual period. On a pro-forma basis taking into account the interest rate swap, approximately 69% of the company's $321.1 million of long-term debt at March 31, 2002 is based on a fixed interest rate with the remaining 31% based on a variable interest rate.

ALBERTO-CULVER COMPANY AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

Second Quarter and Six Months Ended March 31, 2002 versus Second Quarter and Six Months Ended March 31, 2001

The company achieved record second quarter net sales of $657.8 million in fiscal year 2002, up $64.8 million or 10.9% over the comparable period of the prior year. For the six-month period ending March 31, 2002, net sales reached a new high of $1.27 billion, representing a 10.0% increase compared to last year's six-month period. Fiscal year 2002 sales were negatively impacted by the effect of foreign exchange rates. Had foreign exchange rates this year been the same as the second quarter and first half of fiscal 2001, sales would have increased 12.2% for the second quarter and 10.9% for the first half.

Net earnings were $32.7 million for the three months ended March 31, 2002 or 26.1% higher than the prior year's second quarter net earnings of $25.9 million. Basic earnings per share of 57 cents in the second quarter of fiscal year 2002 were 11 cents or 23.9% higher than the same period of fiscal year 2001. Diluted earnings per share for the current quarter increased 22.2% to 55 cents versus 45 cents in the same period of the prior year.

Net earnings for the six months ended March 31, 2002 were $61.9 million or 25.1% higher than the prior year's first half net earnings of $49.5 million. Basic earnings per share of $1.09 in fiscal year 2002 were 21 cents or 23.9% higher than the same period of fiscal year 2001. Diluted earnings per share increased 22.1% to $1.05 compared to 86 cents in the first half of fiscal year 2001.

As discussed under "New Accounting Pronouncements," the company discontinued the amortization of goodwill and trade names at the beginning of fiscal year 2002. Had last year's results been restated to eliminate goodwill and trade name amortization, net earnings for the three months and six months ended March 31, 2002 would have increased $4.5 million or 16.1% and $8.2 million or 15.2%, respectively, compared to prior year. Basic earnings per share for the three-month and six-month periods ended March 31, 2002 would have increased 7 cents or 14.0% and 13 cents or 13.5%, respectively, versus the prior year while diluted earnings per share would have increased 7 cents or 14.6% and 12 cents or 12.9%, respectively.

Compared to the same periods of the prior year, sales of Alberto-Culver North America ("North America") consumer products increased 7.3% and 9.6% in the second quarter and first six months of fiscal year 2002, respectively. The second quarter and first half increases were primarily due to higher sales for TRESemme shampoos, conditioners and styling products, St. Ives Swiss Formula lotions and body washes and the TCB, Soft and Beautiful Botanicals and Just For Me ethnic hair care lines along with increased sales for custom label filling operations. Higher sales of TRESemme Hydrology also contributed to the first half increase.

Sales of Alberto-Culver International consumer products ("International") decreased 1.6% in the second quarter and 1.1% in the first half of fiscal 2002 compared to last year. Fiscal year 2002 sales were negatively impacted by the effect of foreign exchange rates. Had foreign exchange rates this year been the same as the second quarter and first six months of fiscal 2001, International sales would have increased 4.1% and 2.6%, respectively.

The "Specialty distribution - Sally" ("Sally") business segment achieved sales increases of 15.6% for the second quarter and 12.8% for the first six months of fiscal year 2002. The sales increases were mainly attributable to the expansion of Sally's full-service operations, higher sales for established Sally Beauty Company outlets and the addition of stores during the year. At March 31, 2002, Sally had 2,502 company-owned stores and 130 franchise stores offering a full range of professional beauty supplies.

Cost of products sold as a percentage of net sales was 51.7% for the second quarter and 51.4% for the first six months of fiscal year 2002 compared to 51.1% for the second quarter and 51.6% for the first half of the prior year. The increased cost of products sold percentage in the second quarter of fiscal year 2002 was primarily attributable to a reduction in sales due to higher stocking allowances related to new products and increased sales of lower margin custom label products. Compared to the same period of the prior year, the decreased cost of products sold percentage in the first half of fiscal year 2002 was primarily attributable to increased sales of higher margin consumer products and lower manufacturing costs, partially offset by increased stocking allowances and increased sales of lower margin custom label products.

Compared to the prior year, advertising, marketing, selling and administrative expenses in fiscal year 2002 increased $16.9 million or 6.9% for the second quarter and $38.6 million or 8.2% for the first six months. The increase primarily resulted from the higher selling and administrative costs associated with the growth of the Sally Beauty Company business and higher expenditures for advertising and marketing.

Advertising and marketing expense was $47.2 million for the second quarter and $93.3 million for the first half of fiscal 2002 versus $46.4 million for the second quarter and $87.7 million for the first half of fiscal year 2001. The increase primarily resulted from higher advertising expenditures for North America related mainly to TRESemme Hydrology, TRESemme shampoos and conditioners and St. Ives Swiss Formula facials.

The provision for income taxes as a percentage of earnings before income taxes was 35.0% for the second quarter and first half of fiscal year 2002 compared to 34.9% for the second quarter and 34.0% for the first half of the prior year. The higher tax rate for the first half of fiscal year 2002 is mainly due to the mix of foreign taxable earnings.

FINANCIAL CONDITION

March 31, 2002 versus September 30, 2001

Working capital at March 31, 2002 was $443.1 million, a decrease of $43.5 million from $486.6 million at September 30, 2001. The resulting ratio of current assets to current liabilities was 2.11 to 1.00 at March 31, 2002 compared to 2.25 to 1.00 at September 30, 2001. The decrease in working capital and the ratio of current assets to current liabilities was primarily due to the cash paid for the acquisitions of Armstrong-McCall and other full-service beauty supply distributors by Sally Beauty Company during the first quarter of fiscal year 2002, offset in part by working capital generated from operations.

Cash and cash equivalents decreased $101.8 million during the first six months of fiscal year 2002 primarily due to the $101.2 million of acquisitions of full-service beauty supply distributors by Sally Beauty Company, the repurchase of $40.0 million of accounts receivable previously sold under the company's conduit facility and $32.2 million of capital expenditures, partially offset by cash flows from operating activities.

Accounts receivable increased $39.1 million to $208.7 million during the first six months of fiscal year 2002 primarily due to the repurchase of $40.0 million of accounts receivable previously sold under the company's conduit facility.

Inventories increased $30.6 million or 6.4% to $508.9 million during the first six months of fiscal year 2002 principally due to the acquisitions of full-service beauty supply distributors and the growth of Sally Beauty Company.

Net goodwill increased $69.9 million during the first six months of fiscal year 2002 mainly due to goodwill from acquisitions during the year, partially offset by the effects of foreign exchange rates.

Accounts payable increased $18.7 million to $210.1 million during the first half of fiscal year 2002 primarily due to increased inventory levels required to support sales growth.

Income taxes payable and deferred income taxes decreased $15.6 million to $54.0 million during the first six months of fiscal year 2002 mainly due to the timing of tax payments and tax benefits realized from the exercise of employee stock options in fiscal year 2002.

Accumulated other comprehensive income - foreign currency translation increased $25.7 million during the first half of fiscal year 2002 primarily due to the effect of the devaluation of the Argentine Peso.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 addresses financial accounting and reporting for business combinations. SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets, requires companies to discontinue the amortization of goodwill and certain other intangible assets and requires an impairment test of existing goodwill and certain other intangible assets based on a fair value method. The company adopted SFAS No. 141 in the fourth quarter of fiscal year 2001. The company also adopted SFAS No. 142 in the fourth quarter of fiscal year 2001 for new acquisitions and in the first quarter of fiscal year 2002 for previously acquired intangibles. In accordance with SFAS No. 142, the company determined that its trade names have indefinite lives and, therefore, the amortization of trade names was discontinued effective October 1, 2001. Based on the results of the company's transitional impairment testing, no impairment of indefinite-lived trade names existed at October 1, 2001. In addition, as required by SFAS No. 142, the company ceased the amortization of goodwill effective October 1, 2001. In accordance with the adoption provisions of SFAS No. 142, the company has completed the required transitional goodwill impairment tests and has determined that goodwill was not impaired as of October 1, 2001, the date of adoption. Prospectively, goodwill will be reviewed for impairment at least annually, with its ongoing recoverability monitored based on applicable reporting unit performance and consideration of significant events or changes in the overall business environment.

In accordance with SFAS No. 142, fiscal year 2001 results in the consolidated statement of earnings have not been restated for the effects of ceasing goodwill and trade name amortization. Had goodwill and trade name amortization been discontinued effective October 1, 2000, net earnings and earnings per share for the three and six months ended March 31, 2002 and 2001 would have been as follows (in thousands, except per share data):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2002	2001	2002	2001
Reported net earnings	$32,650	25,892	61,944	49,518
Elimination of goodwill and trade name amortization, net of income taxes	--	2,221	--	4,232
Pro forma net earnings	$32,650	28,113	61,944	53,750
Reported basic net earnings per share	$ 0.57	0.46	1.09	0.88
Elimination of goodwill and trade name amortization, net of income taxes	--	0.04	--	0.08
Pro forma basic net earnings per share	$ 0.57	0.50	1.09	0.96
Reported diluted net earnings per share	$ 0.55	0.45	1.05	0.86
Elimination of goodwill and trade name amortization, net of income taxes	--	0.03	--	0.07
Pro forma diluted net earnings per share	$ 0.55	0.48	1.05	0.93

NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The change in the carrying amount of goodwill by operating segment for the six months ended March 31, 2002 is as follows (in thousands):

	Consumer Products		Specialty Distribution-Sally
	North America	International	
Goodwill, net:			
Balance as of September 30, 2001	$69,379	79,648	115,312
Additions	151	--	83,587
Foreign currency translation effect	--	(13,675)	(145)
Balance as of March 31, 2002	$69,530	65,973	198,754

Indefinite-lived trade names by operating segment at March 31, 2002 and September 30, 2001 are as follows (in thousands):

	March 31, 2002	September 30, 2001
Trade names, net:		
Consumer products:		
Alberto-Culver North America	$ 45,412	45,414
Alberto-Culver International	28,733	33,857
Total consumer products	74,145	79,271
Specialty distribution - Sally	223	261
	$ 74,368	79,532

In May 2000, the FASB's Emerging Issues Task Force (EITF) reached a consensus on Issue No. 00-14, "Accounting for Certain Sales Incentives." EITF Issue No. 00-14 addresses the recognition, measurement and income statement classification for various types of sales incentives including coupons, rebates and free products. In April 2001, the EITF reached a consensus on Issue No. 00-25," Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." EITF Issue No. 00-25 addresses the income statement classification for various types of consideration paid by a vendor to a retailer. The company adopted the provisions of EITF Issue Nos. 00-14 and 00-25 in the first quarter of fiscal year 2002. In connection with the adoption of EITF Issue Nos. 00-14 and 00-25, the company reclassified certain amounts for the second quarter and first half of fiscal year 2001 to conform to the current year presentation resulting in a $29.6 million reduction in net sales, a $3.7 million increase in cost of products sold and a $33.3 million decrease in promotion expense for the three months ended March 31, 2001 and a $59.3 million reduction in net sales, a

$5.8 million increase in cost of products sold and a $65.1 million decrease in promotion expenses for the six months ended March 31, 2001. Consolidated net earnings were not affected by these reclassifications.

In August, 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets, including the presentation of discontinued operations in the statement of earnings. The company is required to adopt the provisions of SFAS No. 144 no later than the first quarter of fiscal year 2003 and does not expect its implementation to have a material effect on the consolidated financial statements.

FORWARD - LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and the documents incorporated by reference herein, if any, may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements are based on management's current expectations and assessments of risks and uncertainties and reflect various assumptions concerning anticipated results, which may or may not prove to be correct. Some of the factors that could cause actual results to differ materially from estimates or projections contained in such forward-looking statements include the pattern of brand sales, including variations in sales volume within periods; competition within the relevant product markets, including pricing, promotional activities, continuing customer acceptance of existing products, loss of distributorship rights and the ability to develop and successfully introduce new products; risks inherent in acquisitions and strategic alliances; the effects of a prolonged United States or global economic downturn or recession; changes in costs, including changes in labor costs, raw material prices or promotional expenses; the costs and effects of unanticipated legal or administrative proceedings; variations in political, economic or other factors such as currency exchange rates, inflation rates, tax changes, legal and regulatory changes or other external factors over which Alberto-Culver Company has no control. Alberto-Culver Company has no obligation to update any forward-looking statement in this Quarterly Report on Form 10-Q or any incorporated document.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the company's market risk during the three months or six months ended March 31, 2002.

On May 1, 2002, the company entered into an interest rate swap agreement with a notional amount of $100 million in order to convert a portion of its fixed rate 8.25% senior notes into a variable rate obligation. The swap agreement, which matures on November 1, 2005, is designated as a fair value hedge. Under the interest rate swap agreement, the company will receive semi-annual interest payments at a fixed rate of 8.25% and is required to make semi-annual interest payments at a variable rate based on a fixed spread over the six-month London Interbank Offered Rate ("LIBOR"). The differential to be paid or received on the interest rate swap will be recorded as an adjustment to interest expense over each semi-annual period. On a pro-forma basis taking into account the interest rate swap, approximately 69% of the company's $321.1 million of long-term debt at March 31, 2002 is based on a fixed interest rate with the remaining 31% based on a variable interest rate.

ALBERTO-CULVER COMPANY AND SUBSIDIARIES

PART II

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the annual meeting of stockholders on January 24, 2002, Howard B. Bernick, Bernice E. Lavin, Allan B. Muchin and Harold M. Visotsky were elected as directors of the company with terms expiring at the annual meeting of stockholders in 2005. Mr. Bernick received a Class A and Class B Common stockholder vote of 22,707,207 and 30,504,030 shares "for" and 17,457 and 557,678 shares "withheld," respectively. Mrs. Lavin received a Class A and Class B Common stockholder vote of 22,646,472 and 30,368,395 shares "for" and 78,192 and 693,313 shares "withheld," respectively. Mr. Muchin received a Class A and Class B Common stockholder vote of 22,650,547 and 30,465,378 "for" and 74,117 and 596,330 shares "withheld," respectively. Mr. Visotsky received a Class A and Class B Common stockholder vote of 22,696,202 and 30,756,585 shares "for" and 28,462 and 305,123 shares "withheld," respectively.

Leonard H. Lavin, Carol L. Bernick, A. Robert Abboud and Robert H. Rock continue as directors and their terms expire at the annual meeting of stockholders in 2003. A.G. Atwater, Jr., Sam J. Susser and William W. Wirtz continue as directors with terms expiring at the annual meeting of stockholders in 2004.

Stockholders at the annual meeting also voted on the proposed re-approval of the company's 1994 Stock Option Plan for Non-Employee Directors, as amended. The amended plan was approved by a Class A and Class B stockholder vote of 22,483,928 and 28,650,981 shares "for;" 174,858 and 2,078,102 shares "against;" and 65,878 and 332,625 shares "abstaining," respectively.

In addition, stockholders at the annual meeting voted on the proposed re-approval of the company's 1994 Shareholder Value Incentive Plan, as amended. The amended plan was approved by a Class A and Class B stockholder vote of 22,570,491 and 30,759,111 shares "for;" 96,012 and 125,816 shares "against;" and 58,161 and 176,781 shares "abstaining," respectively.

Class A common stock has a one-tenth vote per share and Class B common stock has one vote per share.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

None

(b) Reports on Form 8-K:

No report on Form 8-K was filed by the registrant during the quarter ended March 31, 2002.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALBERTO-CULVER COMPANY
(Registrant)

By: /s/ William J. Cernugel

William J. Cernugel
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

May 10, 2002