



2019 ANNUAL REPORT

a culture that can.



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It takes a master mariner to sail on a rough sea, and WD-40 Company is made up of 495 master mariners. This resilience can be attributed to our **diversity across trade channels, across countries, and within our tribe.**

With this in mind, ‘can’ in our Company means much more than the iconic blue and yellow can with the little red top—it also refers to our **can-do culture.** These layers of diversity throughout our organization are what make this a culture that *can*, a culture that *does*, and a culture that *will*.



Recent research from the global accounting firm EY found that “intangibles” including culture account for more than half (*52 percent*), on average, of a company’s market value—sometimes as much as

90%

CEO MESSAGE

“WD-40 Company is a culture that *can*, a culture that *does*, and a culture that *will*.”

Garry O. Ridge, CHIEF EXECUTIVE OFFICER



G'DAY FELLOW SHAREHOLDERS,

“Steady as she goes” has long described WD-40 Company’s reliable consistency and deliberate approach, and fiscal year 2019 once again proves that slogan to be right.

Despite ongoing turmoil worldwide—from trade wars to currency fluctuations to oil prices to Brexit—our Company, true to form, not only navigated these headwinds but sailed through them with a record year for net sales.

Our global net sales grew 4 percent in 2019 compared to the prior fiscal year due to solid sales of maintenance products across all three of our segments. Both net income and diluted earnings per share were unfavorably impacted this year due to a reserve for an uncertain tax position that we recorded in the fourth quarter of the year in the amount of \$8.7 million. As a result, our net income decreased 14 percent over last fiscal year to \$55.9 million. Diluted earnings per share for the full fiscal year were \$4.02, compared to \$4.64 in the prior fiscal year.

A CULTURE THAT CAN, DOES, AND WILL

I often say it takes a master mariner to sail on a rough sea, and WD-40 Company is made up of 495 master mariners. This resilience can be attributed to our diversity across trade channels, across countries, and within our tribe. With a wide variety of different cultures represented in our employee base, which is in 15 countries worldwide, our tribe mirrors the great diversity of our global customers and end users. With this in mind, “can” in our Company means much more than the blue and yellow can with the little red top—it also refers to our can-do culture. Layers of diversity and expertise throughout our organization are what make this a culture that *can*, a culture that *does*, and a culture that *will*.

What does it mean to be a “culture that can”? It means understanding what we want to accomplish, having clear strategic initiatives, and moving steadfastly toward our vision, taking to heart this phrase from Al Ries: “Focus: the future of your company depends on it.” Being a “culture that does” means holding ourselves accountable to our *probably wrong and roughly right* 2025 revenue targets; our success in this mission is reflected in revenue results, as well as our high level of employee engagement. And being a “culture that will” means we’re committed to this path for the long haul, through our five strategic initiatives. These initiatives guide our diverse tribe—no matter their location or role—to focus in one direction. Our progress this year continues to move us steadily toward our *probably wrong and roughly right* 2025 goals, as we hone in on our long-term revenue target to drive consolidated net sales to approximately \$700 million.

Culture counts in more ways than one. Recent research from the global accounting firm EY found that “intangibles” including culture account for more than half (52 percent), on average, of a company’s market value—sometimes as much as 90 percent. While State Street Global Advisors recently reported that “boards sometimes fail to adequately ensure that the current corporate culture aligns with the corporate strategy,” that’s far from the case at WD-40 Company, where the Company’s strategy is directly linked with our can-do culture. You can see this alignment in each of our strategic initiatives and our global tribe’s commitment to them:

STRATEGIC INITIATIVE #1 – GROW WD-40® MULTI-USE PRODUCT

Our unwavering number-one driver is to continue growing WD-40® Multi-Use Product, taking it to more people, in more places—and having it used even more often, with more uses—every year. We again made good progress in 2019 toward our most important strategic initiative: growing the blue and yellow can with the little red top to approximately \$530 million in revenue by the end of fiscal year 2025. The Company’s flagship product saw significant revenue growth in EMEA and Asia-Pacific this year, with some offsetting softness in the Americas. In total, WD-40 Multi-Use Product sales for fiscal year 2019 were \$326 million—a 4 percent increase over last year.

STRATEGIC INITIATIVE #2 – GROW THE WD-40 SPECIALIST® PRODUCT LINE

Building on the product line's impressive growth trend over the last several years, WD-40 Specialist® sales grew again in fiscal year 2019 to \$35 million. This 13 percent increase over the prior year moves the Company steadily forward toward its goal of growing the Specialist product line to approximately \$100 million in revenue by the end of fiscal year 2025. We've developed over 20 unique WD-40 Specialist formulas since the product line's inception in 2011 and these equate to over 30 uniquely labeled products available around the world. The product line continues to contribute a more significant portion of our revenue with each passing year.

STRATEGIC INITIATIVE #3 – BROADEN PRODUCT AND REVENUE BASE

Brands under this initiative include 3-IN-ONE®, WD-40 BIKE®, GT85®, Spot Shot®, Lava®, 1001®, no vac®, and Solvol®. These products experienced a 2 percent increase over last year. Sales for these products were \$52 million in fiscal year 2019. We will continue to work towards our long-term target which is to grow these products to approximately \$70 million in revenue by 2025. Highlights this year included the extension of the Company's 3-IN-ONE brand into the RV market in the U.S., and continued consolidation and expansion of the WD-40 BIKE product range. In addition, sales of our 1001 brand products in the U.K. increased significantly this year due to the favorable impacts of digital marketing associated with this brand.

STRATEGIC INITIATIVE #4 – ATTRACT, DEVELOP, AND RETAIN OUTSTANDING TRIBE MEMBERS

One trait of WD-40 Company that stands out is how our “culture that can, does, and will” attracts and retains employees who mirror this mindset in a way that's truly unique among companies of any size. Our Company's success is directly linked to our outstanding tribe members, and their exceptional motivation and dedication to WD-40 Company and its products. When last measured, our level of employee engagement worldwide was 93.3 percent—nearly triple the U.S. company average of 33 percent.

STRATEGIC INITIATIVE #5 – OPERATIONAL EXCELLENCE

Investing in our future is always a priority. WD-40 Company never stops trying to *make it better than it is today*, and 2019 was no exception. Guided by our 55/30/25 business model, we found new ways to optimize resources, systems, and processes, while applying rigorous commitment to quality assurance, regulatory compliance, and intellectual property protection.

OUR STRATEGIC APPROACH TO SUSTAINABILITY

Alongside our strategic initiatives, environmental, social, and governance (ESG) topics have been top of mind at WD-40 Company far longer than the acronym has existed. For decades, we've focused on *doing what's right* in how we create and produce products for our end users. Beyond regulatory compliance in every applicable jurisdiction,

we are focused in our efforts to provide safe, environmentally friendly, and effective products globally. Supporting our communities is a part of our cultural bedrock as well. We welcome people to our tribe from all walks of life, providing opportunities based on competency and contribution, with a commitment to diversity and inclusion.

To further pursue our long-standing commitments in this arena, in fiscal year 2019 we created a cross-regional, cross-functional ESG Team, supported by expert sustainability advisors, to identify all of our ESG-related activities and to complete a materiality assessment to prioritize areas for investigation. This assessment incorporated input from customers, suppliers, management, end users, directors, stockholders, and of course, our tribe around the world. We will further this work in fiscal year 2020 by completing a life cycle assessment of our flagship WD-40 Multi-Use Product, and by creating an efficient ESG reporting capability. Our first ESG report will be published at the completion of fiscal year 2020. As in every part of our business, ESG will be guided by our values, a thoughtful strategy, and authentic action.

THE PATH OF THE “SMALL GIANT”

Our progress toward these initiatives shows that despite our relatively small size of 495 people, the exceptional motivation of our tribe members who live our values every day has allowed us to emerge as a “small giant,” accomplishing much more than most companies our size could imagine in terms of innovation and bottom-line results. The term “small giant”—coined by Bo Burlingham—describes a unique subset of organizations that he describes as “companies that choose to be great instead of big.”¹ We punch way above our weight as a “small” company that is also home to a mammoth global brand. WD-40 Company has been very intentional about choosing this path, reflecting our prioritization of quality versus quantity and approaching growth in a very disciplined way.

This year saw several important leadership changes as a part of our succession planning—from our first employee we hired 14 years ago in China now leading that operation; to the promotion of Steve Brass, who has been with WD-40 Company for nearly 30 years, to serving as president and chief operating officer; to Patricia Olsem, a 15-year veteran of the Company, stepping into her new role as president of the Americas. It's clear that engagement combined with strong leadership drives people at all levels of our organization. This long-term investment in developing our bench from within encapsulates the core philosophy behind WD-40 Company's strategic initiatives which, when paired with our people, is what make this a Company that can, does, and will. That's why next year, and into 2025 and beyond, I'm confident that I will still be saying: “Steady as she goes.”



Garry O. Ridge
Chief Executive Officer

¹ Bo Burlingham. *Small Giants: Companies That Choose to Be Great Instead of Big*. New York, NY: Penguin Group, 2005.

AMERICAS

“ As the new Division President, my goal is to fully unleash the power of the tribe in the Americas, helping us take the business to the next level by further accelerating the segment’s growth around our identified growth platforms. ”

Patricia Olsem
DIVISION PRESIDENT, AMERICAS

Steve Brass
PRESIDENT AND CHIEF OPERATING OFFICER



AMERICAS FISCAL YEAR 2019 HIGHLIGHTS

\$194 million in net sales
up **1%** from the prior fiscal year
representing **46%** of global sales

The Americas grew net sales to \$194.0 million, up \$1.1 million, or 1 percent for the full fiscal year. Although the region achieved only modest growth overall, many of the segment's long-term platforms performed well in 2019, with exceptional growth in the focus area of e-commerce. WD-40 Specialist also experienced significant growth across the Americas, with net sales increasing 27 percent for the fiscal year.

The segment continued its emphasis on expanding distribution and raising product awareness, as well as continuing to build momentum in developing industrial channels. The focus on the industrial channel is starting to pay dividends, as the segment achieved solid growth in 2019 as a result of more dedicated resources and a more tailored approach to building the business. The Americas also saw strong growth in big box accounts, along with the acceleration of channel segmentation work.

The U.S. experienced nearly 4 percent growth in its long-term focus area of maintenance products during the year, while overall growth in the U.S. was negatively impacted by the continued decline in the homecare and cleaning products business of approximately 11 percent.

These successes in the Americas segment were slightly undermined by challenges in Latin America, where sales declined just under 7 percent this year due to the timing of customer orders and unstable economic conditions in the region. This decline represents the first time that Latin America has failed to grow since 2012, and the Company fully expects a return to growth in this region in fiscal year 2020.

Net sales in Canada were down for the full fiscal year. However, Canada delivered growth of 3 percent in its functional currency, the Canadian dollar, and has a clear strategy in place that is expected to deliver faster growth in the years ahead.

The Americas experienced a year of transition in 2019, demonstrating the depth of talent that exists throughout all ranks of the Company with the promotion of Steve Brass to president and chief operating officer of the Company, and a pass of the torch to Patricia Olsem, who after 15 years with the Company was promoted to division president of the Americas.

3-IN-ONE® RVcare

3-IN-ONE® RVcare products are specially formulated with preventive maintenance in mind – hassle-free RV travel has never been so easy.



EMEA*

“ The Company’s innovative products, WD-40 Flexible and WD-40 Smart Straw, were major drivers of growth within the region. The tribe continued its focus on premiumization, sampling, and digital strategies to drive market penetration throughout the trade bloc. ”

Bill Noble
MANAGING DIRECTOR, EMEA



*Europe, the Middle East, Africa and India

EMEA FISCAL YEAR 2019 HIGHLIGHTS

\$160.6 million in net sales
up **6%** from the prior fiscal year
representing **38%** of global sales

EMEA once again delivered solid performance in fiscal year 2019, growing net sales to \$160.6 million, up \$9.7 million—or 6 percent—for the full fiscal year. The impacts of foreign currency exchange rates had a negative impact on the segment's reported results. On a constant currency basis, net sales increased by 12 percent, surpassing the Company's long-term growth expectations for the segment.

The Company's innovative products, WD-40 Flexible (sold as WD-40 EZ-REACH® in the U.S.) and WD-40 Smart Straw®, were major drivers of growth within the region. The tribe continued its focus on premiumization, sampling, and digital strategies to drive market penetration throughout the trade bloc.

The United Kingdom had a particularly outstanding fiscal year, with 14 percent net sales growth for the full fiscal year in its functional currency, the pound sterling. Much of that growth came from higher sales of 1001 carpet fresh®, which continues to benefit from favorable impacts of digital marketing associated with the brand. There has in fact been so much demand for 1001 carpet fresh that it has been hard to keep product in stock on store shelves.

EMEA also saw very strong growth in Italy, Germany, and India, and alongside the rest of the Company saw the strengthening of its e-commerce business. As new tribe members came on board to support the segment's growth, EMEA continued its journey in training and development related to the e-commerce business to support this emerging channel.

With an ongoing focus on building distribution and awareness to put WD-40 Multi-Use Product into more garages, workshops, and households around the world, EMEA's trajectory is on track to help the Company reach its revenue target of \$700 million for 2025.

1001 carpet fresh

The 1001 carpet care range is your carpet's best friend. Fresh Thai Orchid & Passion Fruit blends floral and citrus notes to eliminate all types of hidden smells, without the need to vacuum.



ASIA-PACIFIC

“ In 2019, the Asia-Pacific segment continued its dual focus on building distribution and establishing awareness among users, both of which gained even more traction throughout China, Asia, and Australia. ”

Geoff Holdsworth
MANAGING DIRECTOR, ASIA-PACIFIC



ASIA-PACIFIC FISCAL YEAR 2019 HIGHLIGHTS

\$68.8 million in net sales
up **6%** from the prior fiscal year
representing **16%** of global sales

In fiscal year 2019, despite the headlines about tariffs and trade wars, the Asia-Pacific segment increased net sales to \$68.8 million, up \$4.0 million—or 6 percent—for the full fiscal year. The impacts of foreign currency exchange rates had a negative impact on the segment's reported results. On a constant currency basis, net sales would have increased by 10 percent compared to the prior fiscal year, in-line with the Company's growth expectations for the segment.

The trade bloc continued its dual focus on building distribution and establishing awareness among users, both of which gained even more traction throughout China, Asia, and Australia. The segment also saw success in educating consumers within the Asia-Pacific marketplace as to how our products function, using sampling as a key tactic to help consumers learn to use the Company's products.

In the Asia distributor markets, South Korea, Malaysia, and the Philippines all saw solid growth throughout the year, providing the backbone for the Asia distributor market's total net sales growth of nearly 10 percent.

In China, e-commerce emerged as the fastest growing sector for the year and helped to drive total net sales in China up 12 percent compared to the prior year. As the Company's digital footprint expands onto various platforms, continued growth in China is projected.

In Australia, net sales declined by 5 percent for the fiscal year; however, on a constant currency basis, net sales would have increased by 3 percent compared to the prior fiscal year. Key gains were made in the continued growth of WD-40 Automotive Specialist and the general line of WD-40 Specialist products, which helped to grow the range by nearly 14 percent for the fiscal year.

WD-40 Multi-Use Product remained the segment's number-one focus in 2019, with WD-40 Specialist also playing an important role in the segment for the year.

Innovation remains a critical strategy for the Asia-Pacific segment, as Australia saw the launch of a new variant of WD-40 Multi-Use Product which meets stringent regulatory requirements present in that market. Another priority for the segment this year was to complete the relocation of the supply chain for the Asia distributor markets from Los Angeles to Shanghai. This project was successfully completed during the year and is now in place for 2020 and beyond.

As the segment looks ahead, emphasis will continue to be placed on educating users—both one-on-one and through digital platforms—on the Company's brands and how people can use WD-40 Company products.

WD-40 EZ-REACH

WD-40 EZ-REACH features an attached 8-inch flexible straw that bends and keeps its shape to get into hard-to-reach places.



CFO MESSAGE

“As we move forward toward the future, our focus continues to be on returning capital to our shareholders and on further increasing the value of the Company for all our stakeholders.”

Jay W. Rembolt, VICE PRESIDENT, FINANCE, TREASURER AND CHIEF FINANCIAL OFFICER



DEAR SHAREHOLDERS,

We generated net sales of \$423.4 million for the fiscal year, an increase of 4 percent over the previous fiscal year. Changes in foreign currency exchange rates had an unfavorable impact of \$10.5 million on our consolidated net sales for fiscal year 2019; therefore, on a constant currency basis, net sales would have been up 6 percent over the previous fiscal year.

Our net income and diluted earnings per share were both down significantly in fiscal year 2019 due to a \$8.7 million reserve for an uncertain tax position that we recorded during the fourth quarter. Net income was \$55.9 million for the full fiscal year, reflecting a decrease of 14 percent over the previous fiscal year. Diluted earnings per share were \$4.02 compared to \$4.64 in the prior fiscal year. The good news is that this one-time charge and the high tax rate we experienced this fiscal year is not expected to carry into the future.

Because the effective tax rate for fiscal year 2019 was unusually high, it had a significant negative impact to our net income and diluted earnings per share. Therefore, we believe the Company's operating income is a better measure of our financial performance in fiscal year 2019. Our operating income was \$82.4 million for the full fiscal year, up from \$78.6 million or 5 percent, compared to last fiscal year.

OUR 55/30/25 BUSINESS MODEL

Our discipline and diligence around our 55/30/25 business model remains a focus to help maintain control over our cost structure and ensure the Company's long-term financial health and stability. The model targets a gross margin of 55 percent of net sales, a cost of doing business of 30 percent of net sales, and an EBITDA of 25 percent of net sales. Our goal is to drive toward these long-term targets over time.

In fiscal year 2019, our gross margin remained relatively stable, though it did fall slightly to 54.9 percent from 55.1 percent last year. The price increases we have implemented over the last year or so across all three of our trade blocs helped stabilize gross margin and offset rising input costs. We will continue to be deliberate in how we

manage our business for margin expansion over time, by leveraging opportunities around premiumization and new product introductions.

Although our cost of doing business percentage remained constant at 34 percent of net sales compared to last year, we do expect to see improvements to this measure over time as our revenues grow. Finally, our last measure, EBITDA, was also constant at 21 percent of net sales compared to last year.

CREATING LONG-TERM VALUE

We continue to maintain a strong balance sheet while generating significant cash and solid stockholder returns. At the end of fiscal year 2019, our balance sheet remained solid. It's worth noting that we continued to repatriate amounts from our foreign offices throughout fiscal year 2019, and we used those funds for various activities in the United States, including share repurchases, dividend payments, and general operations.

Our capital allocation strategy remains firm and includes a comprehensive approach to balance investing in long-term growth while providing strong returns. During the fiscal year, we repurchased approximately 176,000 shares of our stock at a total cost of approximately \$29.6 million. In the second quarter of fiscal year 2019, our Board of Directors declared a 13 percent increase in our regular quarterly dividend, which marked the ninth consecutive year that we have increased our dividend. In total, we delivered a return on invested capital to stockholders of 27 percent in fiscal year 2019.

Our path remains clear and unwavering. WD-40 Company continues to pride itself on a strong financial foundation and prudent use of capital. As we move forward toward the future, our focus continues to be on returning capital to our shareholders and on further increasing the value of the Company for all our stakeholders.

A handwritten signature in black ink that reads "Jay W. Rembolt".

Jay W. Rembolt

Vice President, Finance, Treasurer and Chief Financial Officer

FY 2019 RESULTS

13%

RETURN ON SALES¹

¹ Calculated as net income for fiscal year 2019 divided by net sales for 2019.

18%

RETURN ON ASSETS²

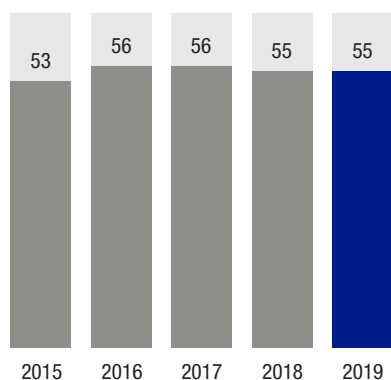
² Calculated as net income for fiscal year 2019 divided by total assets at August 31, 2019.

27%

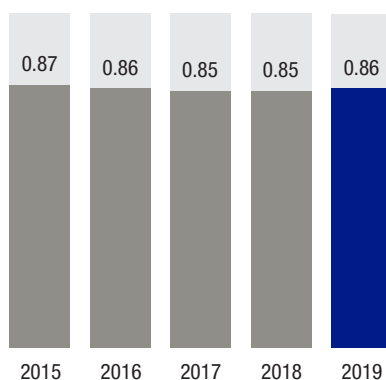
RETURN ON INVESTED CAPITAL³

³ Calculated as net operating profit after tax divided by average total assets less cash and cash equivalents, short-term investments and non-interest bearing liabilities.

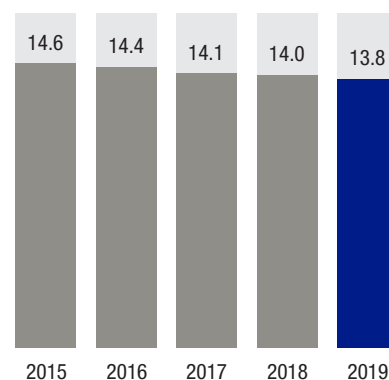
Gross Margin (percent)



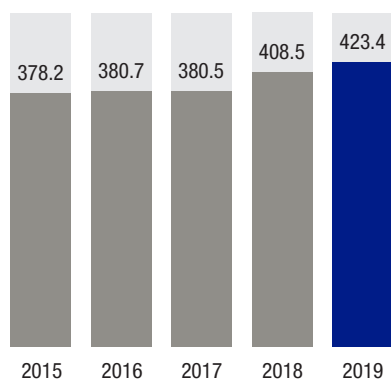
Sales Per Employee (in millions)



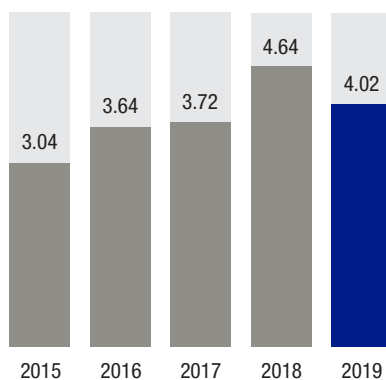
Weighted Average Shares Outstanding (in millions)



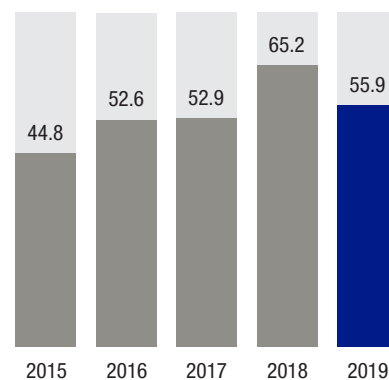
Net Sales (in millions)



Earnings Per Share (in dollars)



Net Income (in millions)



PERFORMANCE GRAPH

The following graph compares the cumulative total stockholder return on the Company's Common Shares to the yearly weighted cumulative return of a Peer Group of companies, the Standard & Poor's 500 Composite Index ("S&P 500") and the Russell 2000 Composite Stock Index for the five fiscal years ending August 31, 2019.

The Company uses the same Peer Group for the Company's five-year performance graph as the Peer Group of companies used by the Company's Compensation Committee for purposes of benchmarking executive compensation.

Periodically, the Compensation Committee reviews and analyzes the selected Peer Group and its methodology for selecting peer companies to ensure that the entities included in the Peer Group continue to provide appropriate comparisons for the Company.

In fiscal year 2018, the Compensation Committee's compensation consulting firm provided an analysis of the Peer Group selection. For benchmarking executive compensation for fiscal year 2019, new Peer Group companies were selected from a list of U.S. headquartered companies having market capitalizations and revenue and earnings metrics reasonably comparable to the Company and doing business in the specialty chemical, auto parts and equipment, and trading companies and distributors industries or within specific consumer products categories.

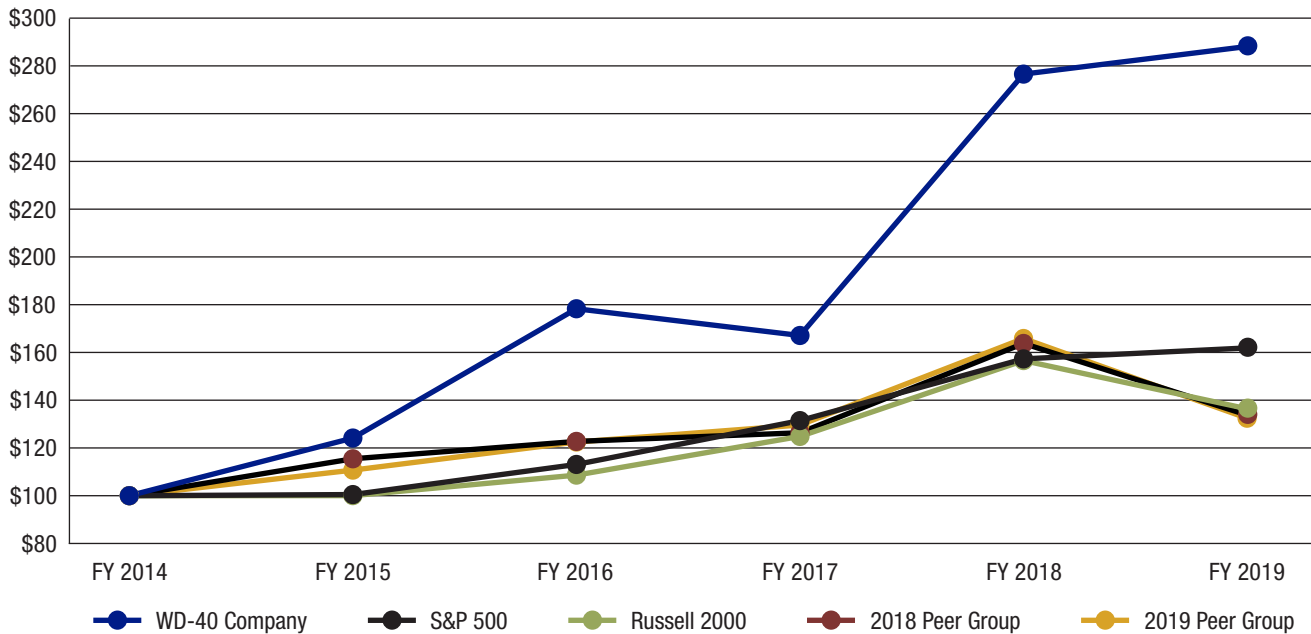
In the year of transition, both 2018 and 2019 Peer Group Indices have been included in the performance graph for comparison purposes.

During fiscal year 2018, two of the companies included in the Peer Group used by the Compensation Committee for fiscal year 2018 compensation decisions, Calgon Carbon Corporation and Nutraceutical International Corporation, were acquired and are no longer publicly traded. During fiscal year 2019, one company included in the Peer Group used for fiscal year 2019 compensation decisions, KMG Chemicals, Inc., was acquired and is no longer publicly traded. As a result, these companies were included in the Peer Groups used for compensation benchmarking for fiscal years 2018 and 2019, but they are not included in the graphs below.

The below comparison assumes \$100 was invested on August 31, 2014 in the Company's Common Shares and in each of the indices and assumes reinvestment of dividends.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among WD-40 Company, the S&P 500 Index, the Russell 2000 Index, 2018 Peer Group and 2019 Peer Group



● WD-40 Company ● S&P 500 ● Russell 2000 ● 2018 Peer Group ● 2019 Peer Group

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
WD-40 Company	100.00	124.15	178.29	167.10	276.56	288.12
S&P 500	100.00	100.48	113.09	131.45	157.30	161.89
Russell 2000	100.00	100.03	108.62	124.83	156.59	136.40
2018 Peer Group ⁽¹⁾	100.00	115.46	122.74	126.36	163.76	133.79
2019 Peer Group ⁽²⁾	100.00	110.72	122.48	129.61	165.84	132.46

*\$100 invested on 8/31/14 in stock or index, including reinvestment of dividends. Fiscal year ending August 31.

Standard & Poor's and Russell Investment Group data reprinted with permission. Copyright© 2019. All rights reserved.

(1) WD-40 Company's 2018 Peer Group Index was comprised of the following 16 companies:

Aceto Corporation, American Vanguard Corporation, Balchem Corporation, Cambrex Corporation, Flotek Industries Inc., Hawkins, Inc., Innophos Holdings, Inc., Innospec Inc., Inter Parfums, Inc., Landec Corporation, National Presto Industries, Inc., Oil-Dri Corporation of America, Park Aerospace Corp., Prestige Brands Holdings, Inc., Quaker Chemical Corporation, and USANA Health Sciences, Inc.

(2) WD-40 Company's 2019 Peer Group Index is comprised of the following 18 companies:

Aceto Corporation, American Vanguard Corporation, Balchem Corporation, Cambrex Corporation, Chase Corporation, Dorman Products, Flotek Industries Inc., Hawkins, Inc., Ingevity Corporation, Innophos Holdings, Inc., Innospec Inc., Landec Corporation, Prestige Consumer Healthcare Inc., Quaker Chemical Corporation, Rayonier Advanced Materials, Inc., Sensient Technologies Corporation, Stoneridge Inc., USANA Health Sciences, Inc.



TABLE OF CONTENTS

WD-40 Company Proxy Statement

WD-40 Company Annual Report on Form 10-K

WD-40 Company Corporate Information

WD-40 COMPANY
9715 Businesspark Avenue
San Diego, California 92131

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders:

The 2019 Annual Meeting of Stockholders of WD-40 Company will be held at the following location and for the following purposes:

- When:** Tuesday, December 10, 2019, at 2:00 p.m.
- Where:** WD-40 Company
9715 Businesspark Avenue
San Diego, California 92131
- Items of Business:**
1. To elect a Board of Directors for the ensuing year and until their successors are elected and qualified;
 2. To hold an advisory vote to approve executive compensation;
 3. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2020; and
 4. To consider and act upon such other business as may properly come before the meeting.
- Who Can Vote:** Only the stockholders of record at the close of business on October 15, 2019 are entitled to vote at the meeting.

REVIEW YOUR PROXY STATEMENT AND VOTE IN ONE OF FOUR WAYS:

VIA THE INTERNET

Visit the website listed on your proxy card

BY TELEPHONE

Call the telephone number on your proxy card

BY MAIL

Sign, date and return your proxy card in the enclosed envelope

IN PERSON

Attend the Annual Meeting in San Diego

By Order of the Board of Directors

Richard T. Clampitt
Corporate Secretary
San Diego, California
October 31, 2019

TABLE OF CONTENTS

	<u>Page</u>
<u>PROXY STATEMENT SUMMARY</u>	
<u>GENERAL INFORMATION</u>	1
<u>PRINCIPAL SECURITY HOLDERS</u>	2
<u>ITEM NO. 1: NOMINEES FOR ELECTION AS DIRECTORS</u>	3
<u>AND SECURITY OWNERSHIP OF MANAGEMENT</u>	
<u>Director Independence</u>	3
<u>Security Ownership of Directors and Executive Officers</u>	4
<u>Nominees for Election as Directors</u>	6
<u>Board Leadership, Risk Oversight and Compensation-Related Risk</u>	9
<u>Board of Directors Meetings, Committees and Annual Meeting Attendance</u>	10
<u>Board of Directors Compensation</u>	10
<u>Director Compensation Table – Fiscal Year 2019</u>	11
<u>Equity Holding Requirement for Directors</u>	11
<u>Stockholder Communications with Board of Directors</u>	12
<u>Committees</u>	12
<u>ITEM NO. 2: ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION</u>	14
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	15
<u>Executive Summary of Compensation Decisions and Results</u>	15
<u>Governance of Executive Officer Compensation Program</u>	17
<u>Executive Compensation Philosophy and Framework</u>	17
<u>Executive Officer Compensation Decisions for Fiscal Year 2019</u>	19
<u>Other Compensation Policies</u>	28
<u>Accounting Considerations</u>	28
<u>COMPENSATION COMMITTEE REPORT</u>	29
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	29
<u>EXECUTIVE COMPENSATION</u>	29
<u>Summary Compensation Table</u>	30
<u>Grants of Plan-Based Awards - Fiscal Year 2019</u>	32
<u>Outstanding Equity Awards at 2019 Fiscal Year End</u>	33
<u>Option Exercises and Stock Vested - Fiscal Year 2019</u>	33
<u>Nonqualified Deferred Compensation – Fiscal Year 2019</u>	34
<u>Supplemental Death Benefit Plans and Supplemental Insurance Benefits</u>	34
<u>Change of Control Severance Agreements</u>	34
<u>CEO Pay Ratio</u>	36
<u>AUDIT COMMITTEE REPORT</u>	37
<u>ITEM NO.3: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED</u>	38
<u>PUBLIC ACCOUNTING FIRM</u>	
<u>Audit Fees</u>	38
<u>Audit-Related Fees</u>	38
<u>Tax Fees</u>	38
<u>All Other Fees</u>	39
<u>STOCKHOLDER PROPOSALS</u>	39

PROXY STATEMENT SUMMARY

We provide below highlights of certain information in this Proxy Statement. As it is only a summary, please refer to the complete Proxy Statement and 2019 Annual Report before you vote.

2019 ANNUAL MEETING OF STOCKHOLDERS

Date and Time:

December 10, 2019, at 2:00 p.m.

Place:

WD-40 Company
9715 Businesspark Avenue
San Diego, California 92131

Record Date:

October 15, 2019

Meeting Webcast:

Available on the Company's investor relations website at <http://investor.wd40company.com> beginning at 2:00 p.m. Pacific Time on December 10, 2019

CORPORATE GOVERNANCE

Our Corporate Governance Policies Reflect Best Practices

- Annual election of all directors with majority voting requirement
- Governance guidelines for independent director leadership and best governance practices
- Annual performance evaluations for board, committees and individual directors
- All non-employee directors are independent
- Executive sessions of independent directors held at each regularly scheduled board meeting
- Annual consideration of succession planning for the board, the CEO, and senior management
- Company policy prohibits pledging and hedging of WD-40 Company stock by directors
- All equity grants received by directors must be held until board service is ended

VOTING MATTERS AND BOARD RECOMMENDATIONS

<i>Management Proposals:</i>	<i>Board's Recommendation</i>	<i>Page</i>
<u>Election of Directors (Item No. 1)</u>	FOR all Director Nominees	3
<u>Advisory Vote To Approve Executive Compensation (Item No. 2)</u>	FOR	14
<u>Ratification of Appointment of PricewaterhouseCoopers LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2020 (Item No. 3)</u>	FOR	38

EXECUTIVE COMPENSATION PHILOSOPHY AND FRAMEWORK

Compensation Objectives

The Company's executive compensation program is designed to achieve five primary objectives:

1. Attract, motivate, reward and retain high performing executives;
2. Align the interests and compensation of executives with the value created for stockholders;
3. Create a sense of motivation among executives to achieve both short- and long-term Company objectives;
4. Create a direct, meaningful link between business and team performance and individual accomplishment and rewards; and
5. Ensure our compensation programs are appropriately competitive in the relevant labor markets.

Our Executive Compensation Programs Incorporate Strong Governance Features

- No Employment Agreements with Executive Officers
- Executive Officers are Subject to Stock Ownership Guidelines
- No Supplemental Executive Retirement Plans for Executive Officers
- Executives are Prohibited from Hedging or Pledging Company Stock
- Long-Term Incentive Awards are Subject to Double-Trigger Vesting upon Change of Control
- No Backdating or Re-pricing of Equity Awards
- Annual and Long-Term Incentive Programs Provide a Balanced Mix of Goals for Profitability and Total Stockholder Return Performance
- Financial Goals for Performance Awards Never Reset

Say-on-Pay Voting

Since 2011, the Company's Board of Directors has authorized annual advisory votes for the stockholders to consider and approve the compensation of the Company's Named Executive Officers ("NEOs") as disclosed in the Company's Proxy Statement ("Say-On-Pay" votes).

In 2011, and again at the Company's 2017 Annual Meeting of Stockholders, the Company's stockholders were asked to express their preference as to the frequency of Say-on-Pay votes. In each instance, the Company's stockholders expressed a preference to have Say-on-Pay votes every year.

The Say-on-Pay votes approving NEO compensation for 2011 through 2018 have been approved in each year by more than 95% of the votes cast.

Please see the Compensation Discussion and Analysis section of this Proxy Statement for a detailed description of our executive compensation.

GENERAL INFORMATION

Q: Why am I receiving these proxy materials?

A: This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of WD-40 Company for use at its Annual Meeting of Stockholders to be held on Tuesday, December 10, 2019, and at any postponements or adjournments thereof. This Proxy Statement and enclosed form of proxy are first sent to stockholders on or about October 31, 2019.

At the meeting, the stockholders of WD-40 Company will consider and vote upon (i) the election of the Board of Directors for the ensuing year; (ii) an advisory vote to approve executive compensation; and (iii) the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2020. Detailed information concerning these matters is set forth below. Management knows of no other business to come before the meeting.

Q: What constitutes a quorum in order to hold and transact business at the Annual Meeting?

A: The close of business on October 15, 2019 is the record date for stockholders entitled to notice of and to vote at the Annual Meeting of Stockholders of WD-40 Company. On October 15, 2019, WD-40 Company had outstanding 13,704,661 shares of \$.001 par value common stock. Stockholders of record entitled to vote at the meeting will have one vote for each share so held on the matters to be voted upon. If you are a beneficial owner whose shares are held of record by a broker, you must instruct the broker how to vote your shares. If you do not provide voting instructions, your shares will not be voted on any proposal on which the broker does not have discretionary authority to vote. This is called a "broker non-vote." A majority of the outstanding shares will constitute a quorum at the meeting. Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum. Broker non-votes are shares that are held of record by a bank or broker as to which the bank or broker has not received instructions from the beneficial owner as to how the shares are to be voted.

Q: If I hold my shares through a broker, how do I vote?

A: If you are a beneficial owner whose shares are held of record by a broker, you must instruct the broker how to vote your shares. If you do not provide voting instructions, your shares will not be voted on any proposal on which the broker does not have discretionary authority to vote. If you hold your shares through a broker, it is important that you cast your vote if you want it to count in the election of directors, in the advisory vote to approve executive compensation, and for ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2020. Your broker will only be permitted to exercise its discretionary authority to vote on your behalf as to the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal year 2020. You may have received a notice from the Company entitled "Important Notice Regarding the Availability of Proxy Materials Stockholder Meeting to Be Held on December 10, 2019" with voting instructions or you may have received these proxy materials with separate voting instructions. Follow the instructions to vote or to request further voting instructions as set forth on the materials you have received. For more information on this topic, see the Securities and Exchange Commission ("SEC") Spotlight on Proxy Matters – The Mechanics of Voting at https://www.sec.gov/spotlight/proxymatters/voting_mechanics.shtml.

Q: How will my vote be cast if I provide instructions or return my proxy and can I revoke my proxy?

A: If the enclosed form of proxy is properly executed and returned, the shares represented thereby will be voted in accordance with the instructions specified thereon. If no specified instruction is given with respect to a particular matter on your form of proxy, your shares will be voted by the proxy holder as set forth on the form of proxy. A proxy may be revoked by attendance at the meeting or by filing a proxy bearing a later date with the Secretary of the Company.

Q: How are the proxies solicited and what is the cost?

A: The cost of soliciting proxies will be borne by the Company. Solicitations other than by mail may be made by telephone or in person by employees of the Company for which the expense will be nominal.

PRINCIPAL SECURITY HOLDERS

The following table sets forth information concerning those persons known to the Company to be the beneficial owners of more than 5% of the common stock of the Company:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership October 15, 2019	Percent of Class
Blackrock, Inc. 55 East 52 nd Street New York, NY 10055	1,991,306 ¹	14.53%
Vanguard Group, Inc. P.O. Box 2600 Valley Forge, PA 19482	1,469,326 ²	10.72%
Neuberger Berman Group LLC 1290 Avenue of the Americas New York, NY 10104	748,758 ³	5.46%

¹ As of June 30, 2019, BlackRock, Inc. (“BlackRock”) filed a report on Form 13F with the Securities and Exchange Commission to report beneficial ownership of a total of 1,991,306 shares managed by eleven BlackRock investment management subsidiaries. BlackRock disclaims investment discretion with respect to all shares reported as beneficially owned by its investment management subsidiaries. BlackRock Fund Advisors holds sole investment discretion and sole voting authority with respect to 1,471,864 shares. BlackRock Institutional Trust Company, N.A. reported sole investment discretion and sole voting authority with respect to 374,255 shares and sole investment discretion and no voting authority with respect to 18,448 shares. Sole investment discretion and sole voting authority with respect to shares is reported for the following BlackRock subsidiaries: BlackRock Investment Management, LLC as to 60,337 shares; BlackRock Advisors LLC as to 23,473 shares; BlackRock Asset Management Ireland Limited as to 20,410 shares; and four other BlackRock subsidiaries as to a total of 3,669 shares. BlackRock Financial Management, Inc. reported sole investment discretion and sole voting authority with respect to 564 shares and sole investment discretion and no voting authority with respect to 11,547 shares. BlackRock Investment Management (UK) Limited reported sole investment discretion and sole voting authority with respect to 3,222 shares and sole investment discretion and no voting authority with respect to 3,517 shares. Beneficial ownership information for BlackRock, Inc. and its investment management subsidiaries as of October 15, 2019 is unavailable.

² As of June 30, 2019, Vanguard Group Inc. (“Vanguard”) filed a report on Form 13F with the Securities and Exchange Commission to report beneficial ownership of 1,469,326 shares, including 28,511 shares held by Vanguard Fiduciary Trust Co. and 3,800 shares held by Vanguard Investments Australia Ltd. Vanguard reported sole investment discretion and no voting authority with respect to 1,435,404 shares and sole investment discretion and sole voting authority with respect to 1,611 shares. Vanguard Fiduciary Trust Co. reported shared investment discretion and sole voting authority with respect to all 28,511 shares and Vanguard Investments Australia, Ltd. reported shared investment and shared voting authority with respect to all 3,800 shares. Beneficial ownership information as of October 15, 2019 is unavailable.

³ As of June 30, 2019, Neuberger Berman Group LLC (“Neuberger”) filed a report on Form 13F with the Securities and Exchange Commission to report beneficial ownership of 748,758 shares. Neuberger reported shared investment discretion with respect to all shares, sole voting authority with respect to 742,963 shares and no voting authority with respect to 5,795 shares. Beneficial ownership information as of October 15, 2019 is unavailable.

ITEM NO. 1
NOMINEES FOR ELECTION AS DIRECTORS
AND SECURITY OWNERSHIP OF MANAGEMENT

At the Company's Annual Meeting of Stockholders, the ten nominees named below under the heading, *Nominees for Election as Directors*, will be presented for election as directors until the next Annual Meeting of Stockholders and until their successors are elected or appointed. In the event any nominee is unable or declines to serve as a director at the time of the Annual Meeting, any proxy granted to vote for such nominee will be voted for a nominee designated by the present Board of Directors to fill such vacancy.

A nominee for election to the Board of Directors will be elected as a director if the votes cast for such nominee's election exceed the votes cast against such nominee's election. Holders of common stock are not entitled to cumulate their votes in the election of directors. Withheld votes and broker non-votes are not counted as votes in favor of any nominee.

If an incumbent director nominee fails to receive more votes for his or her election as a director than votes against his or her election, the incumbent director will continue to serve as a director until his or her successor is elected or appointed. However, pursuant to governance guidelines adopted by the Board of Directors, such director nominee will be expected to tender his or her resignation to the Corporate Governance Committee of the Board of Directors. The Corporate Governance Committee will promptly consider such resignation and present a recommendation to the Board of Directors concerning the acceptance or rejection of such resignation for formal action to be taken within 90 days following the Annual Meeting of Stockholders.

Article III, Section 3.2 of the Bylaws of the Company, most recently amended and restated on August 15, 2018, provides that the authorized number of directors of the Company shall not be less than seven nor more than twelve until changed by amendment of the Certificate of Incorporation or by a bylaw duly adopted by the stockholders. The exact number of directors is to be fixed from time to time by a resolution duly adopted by the Board of Directors or by the stockholders.

By resolution of the Board of Directors adopted on March 18, 2019, the number of directors was fixed at ten. Linda A. Lang is retiring from the Board of Directors as of the date of the 2019 Annual Meeting of Stockholders. On June 18, 2019, Trevor I. Mihalik was nominated by the Board of Directors for election as a director at the 2019 Annual Meeting of Stockholders.

DIRECTOR INDEPENDENCE

The Board of Directors has determined that each director and nominee other than Garry O. Ridge is an independent director as defined in Rule 5605(a)(2) of the Marketplace Rules of The Nasdaq Stock Market LLC (the "Nasdaq Rules"). In considering the independence of directors, the Board of Directors considered Gregory A. Sandfort's indirect interest, as an executive officer of Tractor Supply Company, in purchases of the Company's products made by Tractor Supply Company in the ordinary course of business. The Company has concluded that Mr. Sandfort's indirect interest in such transactions is not material and does not require specific disclosure under Item 404(a) of Regulation S-K promulgated under the Securities Exchange Act of 1934 (the "Exchange Act").

Information concerning the independence of directors serving on committees of the Board of Directors is provided below as to each committee.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following tables set forth certain information, including beneficial ownership of the Company's common stock, for the current directors and director nominees, for the executive officers named in the Summary Compensation Table below, and for all directors, director nominees and executive officers as a group:

Director/Nominee	Age	Principal Occupation	Director Since	Amount and Nature of Beneficial Ownership October 15, 2019 ¹	
				Number	Percent of Class
Daniel T. Carter	63	Investor, Former CFO, BevMo! Inc.	2016	3,346 ²	*
Melissa Claassen	47	Vice President Finance, Emerging Markets, adidas Group	2015	4,209 ³	*
Eric P. Etchart	63	Investor, Former Senior Vice President, The Manitowoc Company	2016	3,500 ⁴	*
Linda A. Lang (retiring director)	61	Board Chair, WD-40 Company; Investor, Former Chairman & CEO, Jack in the Box, Inc.	2004	20,008 ⁵	*
Trevor I. Mihalik (nominee director)	53	Executive Vice President and CFO, Sempra Energy	N/A	300	*
David B. Pendarvis	60	Chief Administrative Officer, Global General Counsel and Corporate Secretary, ResMed Inc.	2017	1,668 ⁶	*
Daniel E. Pittard	69	Investor, Former President and CEO, Rubio's Restaurants, Inc.	2016	3,791 ⁷	*
Garry O. Ridge	63	CEO, WD-40 Company	1997	94,392 ⁸	*
Gregory A. Sandfort	64	CEO, Tractor Supply Company	2011	16,290 ⁹	*
Anne G. Saunders	58	Investor, Former President, U.S., nakedwines.com	2019	405 ¹⁰	*
Neal E. Schmale	73	Investor, Former President and COO, Sempra Energy	2001	27,614 ¹¹	*

* Less than one (1) percent.

¹ All shares owned directly unless otherwise indicated.

² Mr. Carter has the right to receive 3,346 shares upon settlement of vested restricted stock units upon termination of his service as a director of the Company.

³ Ms. Claassen has the right to receive 4,209 shares upon settlement of vested restricted stock units upon termination of her service as a director of the Company.

⁴ Mr. Etchart has the right to receive 2,500 shares upon settlement of vested restricted stock units upon termination of his service as a director of the Company.

⁵ Ms. Lang has the right to receive 16,366 shares upon settlement of vested restricted stock units upon termination of her service as a director of the Company.

⁶ Mr. Pendarvis has the right to receive 1,668 shares upon settlement of vested restricted stock units upon termination of his service as a director of the Company.

⁷ Mr. Pittard has the right to receive 1,966 shares upon settlement of vested restricted stock units upon termination of his service as a director of the Company.

⁸ Mr. Ridge has the right to receive 5,884 shares upon settlement of vested restricted stock units upon termination of employment, the right to receive 967 shares upon settlement of vested deferred performance units upon termination of employment, the right to receive 4,223 shares upon settlement of restricted stock units upon vesting within 60 days, and the right to receive 8,500 shares within 60 days upon settlement of vested market share units. Mr. Ridge also has voting and investment power over 1,274 shares held under the Company's 401(k) plan.

⁹ Mr. Sandfort has the right to receive 10,936 shares upon settlement of vested restricted stock units upon termination of his service as a director of the Company.

¹⁰ Ms. Saunders has the right to receive 405 shares upon settlement of vested restricted stock units upon termination of her service as a director of the Company.

¹¹ Mr. Schmale has the right to receive 16,847 shares upon settlement of vested restricted stock units upon termination of his service as a director of the Company.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS (cont'd)

Executive Officer	Age	Principal Occupation	Amount and Nature of Beneficial Ownership October 15, 2019 ¹	
			Number	Percent of Class
Jay W. Rembolt	68	Vice President, Finance, Treasurer and CFO, WD-40 Company	40,428 ²	*
Steven A. Brass	53	President and COO, WD-40 Company	5,077 ³	*
Richard T. Clampitt	64	Vice President, General Counsel and Corporate Secretary, WD-40 Company	7,438 ⁴	*
William B. Noble	61	Managing Director, EMEA, WD-40 Company Limited	9,829 ⁵	*
All Directors, Director Nominees and Executive Officers as a Group			256,343 ⁶	1.86%

* Less than one (1) percent.

¹ All shares owned directly unless otherwise indicated.

² Mr. Rembolt has the right to receive 310 shares upon settlement of vested deferred performance units upon termination of employment, the right to receive 810 shares upon settlement of restricted stock units upon vesting within 60 days, and the right to receive 1,564 shares within 60 days upon settlement of vested market share units. Mr. Rembolt also has voting and investment power over 6,456 shares held under the Company's 401(k) plan.

³ Mr. Brass has the right to receive 108 shares upon settlement of vested deferred performance units upon termination of employment, the right to receive 753 shares upon settlement of restricted stock units upon vesting within 60 days, and the right to receive 1,175 shares within 60 days upon settlement of vested market share units.

⁴ Mr. Clampitt has the right to receive 179 shares upon settlement of vested deferred performance units upon termination of employment, the right to receive 598 shares upon settlement of restricted stock units upon vesting within 60 days, and the right to receive 1,342 shares within 60 days upon settlement of vested market share units.

⁵ Mr. Noble has the right to receive 3,971 shares upon settlement of vested restricted stock units upon termination of employment, the right to receive 280 shares upon settlement of vested deferred performance units upon termination of employment, the right to receive 487 shares upon settlement of restricted stock units upon vesting within 60 days, and the right to receive 984 shares within 60 days upon settlement of vested market share units.

⁶ Total includes the rights of executive officers and directors to receive a total of 72,069 shares upon settlement of vested restricted stock units upon termination of employment or service as a director of the Company, the rights of executive officers to receive 2,371 shares upon settlement of vested deferred performance units upon termination of employment, the rights of executive officers to receive a total of 8,223 shares upon settlement of restricted stock units upon vesting within 60 days, the rights of executive officers to receive a total of 16,145 shares within 60 days upon settlement of vested market share units, and a total of 8,768 shares held by executive officers under the Company's 401(k) plan.

NOMINEES FOR ELECTION AS DIRECTORS

DANIEL T. CARTER – Director

Daniel T. Carter was elected to the Board of Directors in 2016. Mr. Carter served as executive vice president and chief financial officer of BevMo! Inc. from 2009 until June 2016. Mr. Carter served as chief financial officer of Semtek, Inc. from 2008 to 2009; chief financial officer at Charlotte Russe Holding, Inc. from 1998 to 2007; and chief financial officer of Advanced Marketing Services from 1997 to 1998. From 1986 to 1997 he was employed by Price Club and its follow-on entities, serving as senior vice president for PriceCostco and chief financial officer for Price Enterprises. Mr. Carter began his career as an auditor with Ernst & Young, and he is a Certified Public Accountant (inactive). Mr. Carter received his Bachelor of Business Administration degree in accounting from the University of Oklahoma. Mr. Carter is recognized as a NACD Board Leadership Fellow and has earned Harvard's Corporate Director Certificate. Mr. Carter's financial expertise, considerable knowledge of the retail industry and non-profit company board experience provide the Board with a breadth of relevant skills and experience.

Skills and Expertise:

- Former CFO with extensive finance and accounting expertise
- In-depth knowledge of retail industry
- Considerable non-profit board experience

Committees:

- Audit (Chair)
- Finance

MELISSA CLAASSEN – Director

Melissa Claassen was elected to the Board of Directors in 2015. Ms. Claassen is vice president finance, emerging markets – adidas Group. She served as vice president, brand finance at adidas from 2018 to 2019 and as vice president, business unit finance at adidas from 2015 to 2018. Ms. Claassen served as the chief financial officer of Taylor Made – adidas Golf from 2012 to 2015. From 1996 until 2012 Ms. Claassen held positions at various adidas subsidiaries including chief financial officer of adidas Group Hong Kong and Taiwan, controlling director at adidas Group China, head of marketing controlling, senior financial controller, finance manager, SAP team lead, management accountant, and financial accountant. Ms. Claassen's extensive knowledge and expertise in the areas of collaboration, finance, accounting, and international business enhance the Board's management oversight capabilities.

Skills and Expertise:

- International business experience
- Finance and accounting expertise

Committees:

- Finance (Chair)
- Compensation

ERIC P. ETCHART – Director

Eric P. Etchart was elected to the Board of Directors in 2016. Mr. Etchart served as senior vice president of The Manitowoc Company, Inc. from 2007 until his retirement in January 2016. He served as senior vice president, business development, from 2015 to 2016 and as president and general manager of the Manitowoc Crane Group from 2007 to 2015. From 1983 to 2007, Mr. Etchart held various sales, marketing and management positions at subsidiaries and predecessor companies of The Manitowoc Company, Inc. Mr. Etchart is a French national, having held management positions in China, Singapore, Italy, France and the United States. Mr. Etchart is recognized as a NACD Board Leadership Fellow. He presently serves as a director of Graco Inc. and Alamo Group Inc. Mr. Etchart's breadth of international finance, marketing and management experience provides important perspective to the Board. His demonstrated commitment to the highest standards of board leadership strengthens the Board's commitment to good governance.

Skills and Expertise:

- Strong management background in sales, marketing and finance
- International business experience
- Board governance

Committees:

- Corporate Governance (Chair)
- Finance

TREVOR I. MIHALIK – Director Nominee

Trevor I. Mihalik has served as executive vice president and chief financial officer of Sempra Energy since May 2018. Mr. Mihalik was senior vice president controller and chief accounting officer of Sempra Energy from 2014 until 2018 and controller and chief accounting officer from 2012 to 2014. Prior to Sempra Energy, Mr. Mihalik held roles as senior vice president – finance for Iberdrola Renewables and vice president and CFO for Chevron Natural Gas. Mr. Mihalik’s current experience as director of SDG&E and SoCalGas as well as past experience as chairman of the board of Luz del Sur and Chilquinta Energia and as a director of Infraestructura Energética Nova S.A.B. de C.V., and his extensive senior management experience with Fortune 500 companies offers the Board valuable judgment and management perspective.

Skills and Expertise:

- Seasoned finance executive with accounting and public company financial reporting expertise
- Directorship experience for oversight of business management and strategic planning
- Significant transactions experience

Committees:

- To be determined upon election to the Board

DAVID B. PENDARVIS – Director

David B. Pendarvis was elected to the Board of Directors in 2017. Mr. Pendarvis has served as chief administrative officer of ResMed Inc. since 2011. From March through July 2017, he served as interim president, EMEA and Japan of ResMed Inc. He joined ResMed Inc. in 2002 as global general counsel and he has served as secretary since 2003 and he also served as vice president of organizational development from 2005 to 2011. From 2000 until 2002 Mr. Pendarvis was a partner at Gray Cary Ware & Friedenrich (presently, DLA Piper). From 1986 until 2000 he was an associate (1986-1992) and a partner (1993-2000) at Gibson, Dunn & Crutcher, and from 1984 until 1986 he served as a law clerk to United States District Court Judge, J. Lawrence Irving in the United States District Court, San Diego. Mr. Pendarvis served as a director of Sequenom, Inc. from 2009 until its acquisition by Laboratory Corporation of America Holdings in 2016. His legal expertise and experience as general counsel with global responsibilities provides the Board of Directors with valuable perspective for risk oversight.

Skills and Expertise:

- In depth experience in corporate governance, compliance, intellectual property and world-wide legal affairs
- Strong focus on investor relations and corporate communications
- International executive management experience

Committees:

- Compensation
- Corporate Governance

DANIEL E. PITTARD – Director

Daniel E. Pittard was elected to the Board of Directors in 2016. From 2006 until his retirement in 2012, Mr. Pittard served as president, CEO and Board member of Rubio’s Restaurants, Inc. Mr. Pittard was an angel investor and served on the board of directors of five private companies from 2000 until 2005. He served as senior vice president, strategy and business development for Gateway, Inc. from 1998 until 1999; and group vice president, Amoco Company (now BP) from 1995 until 1998 with full P&L responsibilities for four businesses with \$13 billion in revenue. As a senior vice president for PepsiCo/Frito-Lay from 1992 to 1995 he had responsibilities for international operations, strategy and new ventures. From 1980 to 1992 he was with McKinsey and Company, and served as a partner in Atlanta, Stockholm and Helsinki. From 1976 until 1980 Mr. Pittard was CEO of a joint venture in Saudi Arabia. Mr. Pittard has served on three public company boards - Rubio’s Restaurants, Novatel Wireless and Pulse Electronics - as well as many private and non-profit boards. He is a former public company CEO and McKinsey partner with considerable international experience. He is also recognized as a NACD Board Leadership Fellow. His expertise in the areas of strategy development and international business and his extensive public and private company board experience provide the Board with valuable perspective.

Skills and Expertise:

- Significant experience in consumer products and industrial business
- Strong background in strategy development
- International business experience

Committees:

- Audit
- Corporate Governance

GARRY O. RIDGE – CEO

Garry O. Ridge presently serves as CEO. He joined WD-40 Company in 1987 as managing director, WD-40 Company (Australia) Pty. Limited and he was responsible for Company operations throughout the Pacific and Asia. Mr. Ridge transferred to the corporate office in 1994 as director international operations and was elected vice president - international in 1995. He was elected to the position of executive vice president/chief operating officer in 1996. He was elected to the Board of Directors in 1997 and served as president and CEO from 1997 through June 2019. Prior to joining WD-40 Company Mr. Ridge was managing director of Mermmax Pacific Pty. Ltd. and held a number of senior management positions with Hawker Pacific Pty. Ltd. (a Hawker Siddeley PLC Group Company) which was a licensee for WD-40® products until 1988. As the CEO of the Company, Mr. Ridge offers the Board an important Company-based perspective. In addition, his particular knowledge of the Company's international markets and industry position provides the Board with valuable insight.

Skills and Expertise:

- CEO of the Company
- Leader with a passion for a strong culture, employee engagement and protecting and maximizing the return on the Company's brand assets
- Particular expertise in driving a global business

GREGORY A. SANDFORT – Director

Gregory A. Sandfort was elected to the Board of Directors in 2011. Mr. Sandfort has served as chief executive officer of Tractor Supply Company since December 2012. He held the office of president of Tractor Supply Company from 2009 through 2015. Prior to 2013, Mr. Sandfort served as president and chief operating officer in 2012 and as president and chief merchandising officer from 2009 to 2012. Mr. Sandfort served as executive vice president-chief merchandising officer of Tractor Supply Company from 2007 to 2009. Mr. Sandfort previously served as president and chief operating officer at Michael's Stores, Inc. from 2006 to 2007, and as executive vice president-general merchandise manager at Michaels Stores, Inc. from 2004 to 2006. Mr. Sandfort presently serves as a director of Tractor Supply Company. He is recognized as a NACD Board Leadership Fellow. Mr. Sandfort brings a retail industry perspective to the Board. The Board also values Mr. Sandfort's extensive management experience in the retail industry.

Skills and Expertise:

- Active CEO in a channel that distributes the Company's products
- Brings a retail industry perspective
- Direct connection with consumers of the Company's products

Committees:

- Compensation (Chair)
- Finance

ANNE G. SAUNDERS – Director

Anne G. Saunders was elected to the Board of Directors in March 2019. Ms. Saunders served as president, U.S. of nakedwines.com from 2016 through 2017. From 2014 through 2016, she was president, U.S. of FTD Companies, Inc., and from 2012 through 2014 she served as president of Redbox Automated Retail, LLC. From 1990 to 2012, Ms. Saunders held various senior executive level positions at Starbucks, Bank of America, Knowledge Universe (now known as KinderCare Education), eSociety and AT&T. Ms. Saunders is a director of Swiss Water Decaffeinated Coffee Inc. and Nautilus, Inc. Ms. Saunders' functional expertise in brand management, leadership and marketing strategy, as well as her extensive public company board experience, provide valuable experience to the Board.

Skills and Expertise:

- Significant consumer and retail markets experience
- Diverse digital and e-commerce marketing expertise
- Product innovation and development experience

Committees:

- Audit
- Corporate Governance

NEAL E. SCHMALE – Director

Neal E. Schmale was elected to the Board of Directors in 2001. He served as Board Chair from 2004 through 2016. Mr. Schmale was president and chief operating officer of Sempra Energy from 2006 until his retirement in 2011. Previously, he was executive vice president and chief financial officer of Sempra Energy from 1998 through 2005. Mr. Schmale served as a director of Sempra Energy from 2004 until 2011. He presently serves as a director of Murphy Oil Corporation. Mr. Schmale's past experience as director on four public company boards and his extensive senior management experience with a Fortune 300 company offers the Board valuable judgment and management perspective.

Skills and Expertise:

- Former COO and CFO with broad financial and operations experience
- Focused on strategy and execution
- Extensive public company board experience

Committees:

- Audit
- Compensation
- Finance

BOARD LEADERSHIP, RISK OVERSIGHT AND COMPENSATION-RELATED RISK

The Board of Directors of WD-40 Company previously maintained separation of its principal executive officer and board chair positions. On October 7, 2019 the Board of Directors amended its Corporate Governance Guidelines to provide, under appropriate circumstances, for the designation of the CEO to serve as board chair and for the designation of a lead independent director to assure the most effective board governance when the CEO is also serving as board chair.

On June 18, 2019 the Company's current board chair, Linda Lang, provided notice to the Board of her intention not to stand for re-election at the 2019 annual meeting of shareholders. The Board of Directors has tentatively determined that Mr. Ridge, the Company's CEO, should be designated as board chair immediately following the annual meeting. The Board will designate one of the independent directors to serve as lead director following the annual meeting.

The Board believes that board oversight of and attention to the Company's current strategic initiatives will be best served by having Mr. Ridge provide primary leadership at meetings of the Board, while assuring independent director oversight of management through the designation of a lead director. The lead director will have the following responsibilities and authority:

- To preside at meetings of the Board when the CEO is not present;
- To serve as leader of the independent directors and as a liaison between the CEO and the independent directors;
- To coordinate feedback to the CEO regarding issues discussed in executive sessions;
- To consult with the CEO and the Corporate Secretary regarding meeting materials and other information sent to the Board;
- To review Board meeting agendas in consultation with the CEO;
- To meet periodically with the Board committee chairs to discuss their respective work plans;
- To approve meeting schedules to assure that there is sufficient time for Board consideration of all agenda items;
- To call meetings of the independent directors.

Risk oversight is undertaken by the Board of Directors as a whole but various Board Committees are charged with responsibility to review and report on business and management risks included within the purview of each Committee's responsibilities. The Compensation Committee considers risks associated with the Company's compensation policies and practices, with particular focus on the cash incentive compensation ("Incentive Compensation") and equity awards offered to the Company's executive officers. The Audit Committee considers risks associated with financial reporting and internal control, risks related to integrity and disaster recovery of primary information technology systems, and supply chain risks associated with disruptive events. The Audit Committee also reviews the appropriateness of the Company's insurance programs. The Finance Committee considers risks associated with the Company's financial management and investment activities, acquisition-related risks and Employee Retirement Income Security Act of 1974 plan oversight. The Board and the Committees receive periodic reports from management employees having responsibility for the management of particular areas of risk. The Chief Executive Officer is responsible for overall risk management and provides input to the Board of Directors with respect to the Company's risk management process and is responsive to the Board in carrying out its risk oversight role.

With respect to compensation-related risk, the Company's management has undertaken an annual assessment of the Company's compensation policies and practices and strategic business initiatives to determine whether any of these policies or practices, as well as any compensation plan design features, including those applicable to the executive officers, are reasonably likely to have

a material adverse effect on the Company. Based on this review, management has concluded that the Company's compensation policies and practices are not reasonably likely to have a material adverse effect on the Company. This conclusion is based primarily on the fact that the incentives underlying the Company's compensation plan design features provide a balance between increased profitability and longer-term stockholder returns. Management has discussed these findings with the Compensation Committee.

BOARD OF DIRECTORS MEETINGS, COMMITTEES AND ANNUAL MEETING ATTENDANCE

The Board of Directors is charged by the stockholders with managing or directing the management of the business affairs and exercising the corporate power of the Company. The Board of Directors relies on the following standing committees to assist in carrying out the Board of Directors' responsibilities: the Audit Committee, the Compensation Committee, the Corporate Governance Committee and the Finance Committee. Each of the committees has a written charter approved by the Board of Directors and such charters can be found on WD-40 Company's website at <http://investor.wd40company.com> within the "Corporate Governance" section. There were five meetings of the Board of Directors during the last fiscal year. Each director serving for the full fiscal year attended at least 75 percent of the aggregate of the total number of meetings of the Board and of all committees on which the director served. The Board of Directors holds an annual organizational meeting on the date of the Annual Meeting of Stockholders. All directors are expected to attend the Annual Meeting. At the last Annual Meeting of Stockholders, all of the prior year nominee directors were present.

BOARD OF DIRECTORS COMPENSATION

Director compensation is set by the Board of Directors upon the recommendation of the Corporate Governance Committee. The Corporate Governance Committee conducts an annual review of non-employee director compensation, including consideration of a survey of director compensation for the same peer group of companies used by the Compensation Committee for the assessment of executive compensation. For fiscal year 2019, non-employee directors received compensation for services as directors pursuant to the Directors' Compensation Policy and Election Plan (the "Director Compensation Policy") adopted by the Board of Directors on October 8, 2018. Pursuant to the Director Compensation Policy, non-employee directors received a base annual fee of \$54,000 for services provided from January 1, 2019 through the date of the Company's 2019 Annual Meeting of Stockholders. The Board Chair received an additional annual fee of \$22,000. Non-employee directors received additional cash compensation for service on various Board Committees. The Chair of the Audit Committee received \$16,000 and each other member of the Audit Committee received \$8,000. The Chair of the Compensation Committee received \$10,000 and each other member of the Compensation Committee received \$4,000. Each Chair of the Corporate Governance Committee and the Finance Committee received \$8,000 and each other member of those committees received \$4,000. All such annual fees were paid in March 2019.

At the Company's 2016 Annual Meeting of Stockholders, the Company's stockholders approved the WD-40 Company 2016 Stock Incentive Plan (the "Stock Incentive Plan") to authorize the issuance of stock-based compensation awards to employees as well as to directors and consultants. For services provided for the period from the date of the Company's 2018 Annual Meeting of Stockholders to the next annual meeting, the Director Compensation Policy provided for the grant of restricted stock unit ("RSU") awards having a grant date value of \$70,000 to each non-employee director. Each RSU represents the right to receive one share of the Company's common stock. On December 11, 2018, each non-employee director other than Ms. Saunders received a non-elective RSU award covering 392 shares of the Company's common stock. On March 18, 2019, Ms. Saunders received an RSU award covering 405 shares of the Company's common stock. Additional information regarding the RSU awards is provided in a footnote to the Director Compensation table below.

Each non-employee director was also permitted to elect to receive an RSU award in lieu of all or a portion of his or her base annual fee for service as a director as specified above. The number of shares of the Company's common stock subject to each such RSU award granted to the non-employee directors equaled the elective portion of his or her base annual fee payable in RSUs divided by the fair market value of the Company's common stock as of the date of grant.

RSU awards granted to non-employee directors pursuant to the Director Compensation Policy are subject to Award Agreements under the Stock Incentive Plan. All RSU awards granted to non-employee directors are fully vested and are settled in shares of the Company's common stock upon termination of the director's service as a director of the Company.

The Company also maintains a Director Contributions Fund from which each incumbent non-employee director has the right, at a specified time each fiscal year, to designate \$6,000 in charitable contributions to be made by the Company to properly qualified (under Internal Revenue Code Section 501(c)(3)) charitable organizations.

DIRECTOR COMPENSATION TABLE - FISCAL YEAR 2019

The following Director Compensation table provides information concerning director compensation earned by each non-employee director for services rendered in fiscal year 2019. Since the annual base fee and fees for service on Committees are payable for services provided to the Company from January 1st of the fiscal year until the next annual meeting of stockholders, such compensation is reported for purposes of the Director Compensation table on a weighted basis. For fiscal year 2019, one third of the reported compensation earned or paid in cash is based on the Director Compensation Policy in effect for calendar year 2018 and two thirds of the reported compensation earned or paid in cash is based on the Director Compensation Policy in effect for calendar year 2019. Amounts earned and reported in the Director Compensation table for Fees Earned or Paid in Cash for the fiscal year for each director are dependent upon the various committees on which each director served as a member or as chair during the fiscal year.

Name	Fees Earned or Paid in Cash (\$) ¹	Stock Awards (\$) ²	All Other Compensation (\$) ³	Total (\$)
Daniel T. Carter	\$ 71,000	\$ 69,941	\$ 6,000	\$ 146,941
Melissa Claassen	\$ 63,000	\$ 69,941	\$ 6,000	\$ 138,941
Eric P. Etchart	\$ 61,667	\$ 69,941	\$ 6,000	\$ 137,608
Linda A. Lang	\$ 81,000	\$ 69,941	\$ 6,000	\$ 156,941
David B. Pendarvis	\$ 60,333	\$ 69,941	\$ 6,000	\$ 136,274
Daniel E. Pittard	\$ 63,000	\$ 69,941	\$ 6,000	\$ 138,941
Gregory A. Sandfort	\$ 65,000	\$ 69,941	\$ 6,000	\$ 140,941
Anne G. Saunders	\$ 44,000	\$ 69,944	\$ -	\$ 113,944
Neal E. Schmale	\$ 67,000	\$ 69,941	\$ 6,000	\$ 142,941

¹ For services rendered during fiscal year 2019, directors received RSU awards pursuant to elections made in 2017 (not applicable to Mr. Pittard and Ms. Saunders) and 2018 (not applicable to Mr. Pittard, Ms. Saunders and Mr. Schmale) under the Director Compensation Policy with respect to their services as directors in calendar years 2018 (not applicable to Ms. Saunders) and 2019, respectively, in each case in lieu of all or part of their base annual fees for such calendar year (as described in the narrative preceding the Director Compensation table). The value of such elective RSU awards received by each of the directors except for Mr. Pittard, Ms. Saunders and Mr. Schmale for services rendered during fiscal year 2019 was \$50,908. The value of elective RSU awards received by Mr. Schmale for service rendered during fiscal year 2019 was \$14,986. Mr. Pittard and Ms. Saunders elected to receive all of their base annual fees in cash. The number of shares underlying each director's RSU award is rounded down to the nearest whole share.

² Amounts included in the Stock Awards column represent the grant date fair value for non-elective RSU awards granted to all non-employee directors pursuant to the Director Compensation Policy. On December 11, 2018, each director, other than Ms. Saunders, received a non-elective RSU award covering 392 shares of the Company's common stock. Each RSU award granted on December 11, 2018 has a grant date fair value equal to the closing price of the Company's common stock on that date in the amount of \$178.42 per share multiplied by the number of shares underlying the RSU award. On March 18, 2019 Ms. Saunders received a non-elective RSU award covering 405 shares of the Company's common stock having a grant date fair value equal to the closing price of the Company's common stock on that date in the amount of \$172.70 per share multiplied by the number of shares underlying the RSU award. The number of shares underlying each director's RSU award is rounded down to the nearest whole share. Outstanding RSUs held by each director as of October 15, 2019 are reported above in footnotes to the table under the heading, *Security Ownership of Directors and Executive Officers*. The RSUs vest immediately upon grant, but are settled in stock only upon termination of service as a director. The RSUs provide for the payment of dividend equivalent compensation in amounts equal to dividends declared and paid on the Company's common stock.

³ Amounts represent charitable contributions made by the Company in fiscal year 2019 as designated by non-employee directors pursuant to the Company's Director Contribution Fund.

EQUITY HOLDING REQUIREMENT FOR DIRECTORS

All RSU awards to non-employee directors, including both non-elective grants and RSU awards granted pursuant to the annual elections of the directors to receive RSUs in lieu of all or part of their base annual fee, provide for immediate vesting but will not be settled in shares of the Company's common stock until termination of each director's service as a director. The number of shares to be issued to each non-employee director upon termination of service is disclosed in the footnotes to the table under the heading, *Security Ownership of Directors and Executive Officers*.

STOCKHOLDER COMMUNICATIONS WITH BOARD OF DIRECTORS

Stockholders may send communications to the Board of Directors by submitting a letter addressed to: WD-40 Company, Corporate Secretary, 9715 Businesspark Avenue, San Diego, CA 92131.

The Board of Directors has instructed the Corporate Secretary to forward such communications to the Board Chair. The Board of Directors has also instructed the Corporate Secretary to review such correspondence and, at the Corporate Secretary's discretion, to not forward correspondence which is deemed of a commercial or frivolous nature or inappropriate for consideration by the Board of Directors. The Corporate Secretary may also forward the stockholder communication within the Company to another department to facilitate an appropriate response.

COMMITTEES (membership as of October 15, 2019)

Director	Audit	Compensation	Corporate Governance	Finance
Daniel T. Carter	Chair			✓
Melissa Claassen		✓		Chair
Eric P. Etchart			Chair	✓
Linda A. Lang		✓	✓	
David B. Pendarvis		✓	✓	
Daniel E. Pittard	✓		✓	
Gregory A. Sandfort		Chair		✓
Anne G. Saunders	✓		✓	
Neal E. Schmale	✓	✓		✓
Number of Meetings Held in Fiscal Year 2019	5	3	4	4

CORPORATE GOVERNANCE COMMITTEE NOMINATION POLICIES AND PROCEDURES

The Corporate Governance Committee is comprised of Eric P. Etchart (Chair), Linda A. Lang (retiring director), David B. Pendarvis, Daniel E. Pittard and Anne G. Saunders. The Corporate Governance Committee also functions as the Company's nominating committee and is comprised exclusively of independent directors as defined in the Nasdaq Rules. The Corporate Governance Committee met four times during the last fiscal year.

The Corporate Governance Committee acts in conjunction with the Board of Directors to ensure that a regular evaluation is conducted of succession plans, performance, independence, and of the qualifications and integrity of the Board of Directors. The Corporate Governance Committee also reviews the applicable skills and characteristics required of nominees for election as directors. The objective is to balance the composition of the Board of Directors to achieve a combination of individuals of different backgrounds and experiences, including, but not limited to, whether the candidate is currently or has recently been an executive officer at a publicly traded company; whether the candidate has substantial background in matters related to the Company's products or markets, in particular, retailing and marketing and new product development; and whether the candidate has substantial governance or executive compensation experience, global management experience, a substantial financial background or is serving as a director at one or more publicly traded companies. The Board of Directors has not established any specific diversity criteria for the selection of nominees other than the general composition criteria noted above.

In determining whether to recommend a director for re-election, the Corporate Governance Committee considers the director's past attendance at meetings, results of evaluations and the director's participation in and anticipated future contributions to the Board of Directors. A director who will have reached the age of 72 prior to the date of the next annual meeting of stockholders will be expected to retire from the Board. However, the Board may re-nominate any director for up to three additional years if relevant circumstances warrant continued service. The Board has determined, for each of the past two years, that Mr. Schmale should continue to serve as a director.

The Corporate Governance Committee reviews new Board of Director nominees through a series of internal discussions, reviewing available information, and interviewing selected candidates. Generally, candidates for nomination to the Board of Directors have been suggested by directors or employees. The Company does not currently employ a search firm or third party in connection with seeking or evaluating candidates.

The Corporate Governance Committee will consider director candidates recommended by security holders under the same criteria as other candidates described above. Nominations may be submitted by letter addressed to: WD-40 Company Corporate Governance Committee, Corporate Secretary, 9715 Businesspark Avenue, San Diego, California 92131. Nominations by security

holders must be submitted in accordance with the requirements of the Company's Bylaws, including submission of such nominations within the time required for submission of stockholder proposals as set forth below under the heading, *Stockholder Proposals*.

AUDIT COMMITTEE RELATED PARTY TRANSACTIONS REVIEW AND OVERSIGHT

The Audit Committee is comprised of Daniel T. Carter (Chair), Daniel E. Pittard, Anne G. Saunders and Neal E. Schmale. Five meetings of the Audit Committee were held during the last fiscal year to review quarterly financial reports, to consider the annual audit and other audit services, to review the audit with the independent registered public accounting firm after its completion and to fulfill other responsibilities provided for in the Audit Committee's Charter. The Board of Directors has determined that Mr. Carter is an "audit committee financial expert" as defined by regulations adopted by the Securities and Exchange Commission. Mr. Carter and each of the other members of the Audit Committee are independent directors as defined in the Nasdaq Rules. Each member of the Audit Committee also satisfies the requirements for service on the Audit Committee as set forth in Rule 5605(c)(2) of the Nasdaq Rules.

The Audit Committee has responsibility for review and oversight of related party transactions for potential conflicts of interest. Related party transactions include any independent business dealings between the Company and related parties who consist of the Company's executive officers, directors, director nominees and holders of more than 5% of the Company's shares. Such transactions include business dealings with parties in which any such related party has a material direct or indirect interest. The Audit Committee has adopted a written policy to provide for its review and oversight of related party transactions. Executive officers and directors are required to notify the Secretary of the Company of any proposed or existing related party transactions in which they have an interest. The Secretary and the Audit Committee also rely upon the Company's disclosure controls and procedures adopted pursuant to Exchange Act rules for the purpose of assuring that matters requiring disclosure, including related party transactions that may involve the potential for conflicts of interests, are brought to the attention of management and the Audit Committee on a timely basis. Certain related party transactions do not require Audit Committee review and approval. Such transactions are considered pre-approved. Pre-approved transactions include:

- compensation arrangements approved by the Compensation Committee or the Board of Directors and expense reimbursements consistent with the Company's expense reimbursement policy;
- transactions in which the related party's interest is derived solely from the fact that he or she serves as a director of another corporation that is a party to the transaction;
- transactions in which the related party's interest is derived solely from his or her ownership (combined with the ownership interests of all other related parties) of not more than a 5% beneficial interest (but excluding any interest as a general partner of a partnership) in an entity that is a party to the transaction; and
- transactions available to all employees of the Company generally.

If a related party transaction is proposed or if an existing transaction is identified, the Audit Committee has authority to disapprove, approve or ratify the transaction and to impose such restrictions or other limitations on the transaction as the Committee may consider necessary to best assure that the interests of the Company are protected and that the related party involved is not in a position to receive an improper benefit. In making such determination, the Audit Committee considers such factors as it deems appropriate, including without limitation (i) the benefits to the Company of the transaction; (ii) the commercial reasonableness of the terms of the transaction; (iii) the dollar value of the transaction and its materiality to the Company and to the related party; (iv) the nature and extent of the related party's interest in the transaction; (v) if applicable, the impact of the transaction on a non-employee director's independence; and (vi) the actual or apparent conflict of interest of the related party participating in the transaction.

During the fiscal year ended August 31, 2019, there were no transactions required to be reported pursuant to the requirements of Item 404(a) of Regulation S-K under the Exchange Act that did not require review and approval by the Audit Committee.

FINANCE COMMITTEE

The Finance Committee is comprised of Melissa Claassen (Chair), Daniel T. Carter, Eric P. Etchart, Gregory A. Sandfort and Neal E. Schmale. Four meetings of the Finance Committee were held during the last fiscal year. The Finance Committee is appointed by the Board for the primary purpose of assisting the Board in overseeing financial matters of importance to the Company, including matters relating to acquisitions, investment policy, capital structure, and dividend policy. The Finance Committee also reviews the Company's annual and long-term financial strategies and objectives.

**COMPENSATION COMMITTEE
COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

The Compensation Committee is comprised of Gregory A. Sandfort (Chair), Melissa Claassen, Linda A. Lang (retiring director), David B. Pendarvis and Neal E. Schmale, all of whom are independent directors as defined under the Nasdaq Rules. The Compensation Committee met three times during the last fiscal year. During the fiscal year ended August 31, 2019, there were no compensation committee interlock relationships with respect to members of the Board of Directors and the Compensation Committee as described in Item 407(e)(4)(iii) of Regulation S-K promulgated under the Exchange Act.

**ITEM NO. 2
ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION**

In accordance with the requirements of Section 14A of the Exchange Act, the Company's stockholders are being asked to cast an advisory vote to approve the compensation of the Company's Named Executive Officers ("NEOs") identified in the Compensation Discussion and Analysis section of this Proxy Statement. This vote is commonly referred to as a "Say-on-Pay" vote.

At the Company's 2017 Annual Meeting of Stockholders, the Company's stockholders were asked, by a non-binding advisory vote, to express their preference as to the frequency of future Say-on-Pay votes and the Board of Directors recommended annual Say-on-Pay voting. The Company's stockholders expressed a preference to have Say-on-Pay votes every year.

The following resolution will be presented for approval by the Company's stockholders at the 2019 Annual Meeting of Stockholders:

"RESOLVED, that the stockholders of WD-40 Company (the "Company") hereby approve the compensation of the Company's Named Executive Officers as disclosed in the Compensation Discussion and Analysis section of the Company's proxy statement for the 2019 Annual Meeting of Stockholders and in the accompanying compensation tables and narrative disclosures."

The advisory vote to approve executive compensation is a non-binding vote on the compensation of the Company's NEOs. This Proxy Statement contains a description of the compensation provided to the NEOs as required by Item 402 of Regulation S-K promulgated under the Exchange Act.

Stockholders are encouraged to carefully consider the Compensation Discussion and Analysis, accompanying compensation tables and related narrative discussion in this Proxy Statement in considering this advisory vote. The Board of Directors believes that the compensation provided to the Company's NEOs offers a competitive pay package with a proper balance of current and long-term incentives aligned with the interests of the Company's stockholders.

This is an advisory vote and will not affect compensation previously paid or awarded to the NEOs. While a vote disapproving the NEOs' executive compensation will not be binding on the Board of Directors or the Compensation Committee, the Compensation Committee will consider the results of the advisory vote in making future executive compensation decisions.

The affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote on the proposal at the Annual Meeting of Stockholders is required to approve this advisory vote on executive compensation.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" ADOPTION OF THE PROPOSED RESOLUTION FOR APPROVAL OF THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS.

COMPENSATION DISCUSSION AND ANALYSIS

WD-40 Company's Compensation Discussion and Analysis addresses the executive compensation philosophy and the processes and decisions of the Compensation Committee of the Company's Board of Directors (the "Committee") with respect to the compensation of the Company's Named Executive Officers (the "NEOs"). For fiscal year 2019, the Company's NEOs were:

- Garry O. Ridge, our Chief Executive Officer ("CEO");
- Jay W. Rembolt, our Vice President, Finance, Treasurer and Chief Financial Officer ("CFO");
- Steven A. Brass, our President and Chief Operating Officer;
- Richard T. Clampitt, our Vice President, General Counsel and Corporate Secretary; and
- William B. Noble, our Managing Director, EMEA.

EXECUTIVE SUMMARY OF EXECUTIVE COMPENSATION DECISIONS AND RESULTS

The compensation structure for the NEOs is comprised of three elements: base salary, retention-related equity compensation and performance-related cash and equity compensation. Through the application of these elements, a significant portion of NEO realized compensation is directly tied to Company performance measured by increased earnings and total stockholder return ("TSR"). Performance-based compensation tied to earnings is based on earnings before interest, income taxes, depreciation (in operating departments) and amortization ("EBITDA"), not earnings per share.

Retention-related equity compensation includes restricted stock unit ("RSU") awards that vest over a period of three years after grant, subject to earlier vesting upon the effective date of retirement under certain conditions. Retention-related equity compensation features are also reflected in our performance-based market share unit ("MSU") awards that may be earned over a market return-based vesting period of three years, subject to pro-rata vesting at the end of the applicable measurement period in the event of earlier retirement under certain conditions.

Performance-related compensation includes (i) an annual cash payment opportunity that is tied to current fiscal year financial results ("Incentive Compensation"); (ii) MSU awards that are tied to a measure of TSR; and (iii) deferred performance unit ("DPU") awards that are tied to current fiscal year financial results that exceed levels required for maximum payment of that portion of the cash Incentive Compensation opportunity that is tied to global EBITDA.

For purposes of measuring performance based on the Company's EBITDA, the Company uses EBITDA before deduction of the stock-based compensation expense for vested DPU awards, if any, and excluding other non-operating income and expense amounts ("Adjusted EBITDA").

The foregoing compensation structure elements are fully described later in this Compensation Discussion and Analysis.

In establishing the framework for overall NEO compensation and in assessing such compensation for each NEO in light of individual and overall Company performance, the Committee considers actual and target levels of compensation with reference to both short-term and long-term performance periods as well as labor market data and peer group executive compensation. The Committee seeks to align individual NEO performance incentives with both short-term and long-term Company objectives. The Committee assesses the effectiveness of the established framework for NEO compensation through a review of each of the principal elements of NEO compensation. The Committee considers measures of Company performance, specifically including regional and global measures based on the Company's Adjusted EBITDA, and also relative Company performance as compared to an established peer group of companies and a comparable market index. Additionally, the Committee also considers the relative achievement of longer term strategic objectives as to which each NEO is accountable. Information regarding NEO strategic objectives is provided in the *Executive Officer Compensation Decisions* section below under the heading, *Base Salary: Process*. The Committee believes that a review of NEO compensation and relative company performance over multi-year periods demonstrates the effectiveness of the Company's established framework for NEO compensation.

THREE YEAR PERFORMANCE-BASED COMPENSATION REVIEW

For fiscal year 2019, the Company's overall financial performance resulted in partial achievement of performance measure goals for regional and global Adjusted EBITDA under the Company's Incentive Compensation program (the "Performance Incentive Program") as described below. The maximum first level performance measure goals for the EMEA and Asia-Pacific regions were achieved, but only a modest portion of the first level performance goal for the Americas region was achieved. Due to the strong performance of the EMEA and Asia-Pacific segments and modest achievement of goals for the Americas segment, the maximum first level goal for global Adjusted EBITDA was achieved and approximately 35.6% of the second level for global Adjusted EBITDA was achieved. As a result, for fiscal year 2019, each of the NEOs other than Mr. Brass earned Incentive Compensation equal to 68% of their Incentive Compensation opportunity and Mr. Brass earned Incentive Compensation equal to 26% of his Incentive Compensation opportunity for fiscal year 2019.

For fiscal year 2018, the Company's overall financial performance resulted in partial achievement of performance measure goals for regional and global Adjusted EBITDA under the Company's Performance Incentive Program. The maximum first level performance measure goals for the Americas and Asia-Pacific regions were achieved, but no portion of the first level performance goal for the EMEA region was achieved. Due to the strong performance of the Americas and Asia-Pacific segments, the maximum first level goal for global Adjusted EBITDA was achieved and approximately 26.6% of the second level goal for global Adjusted EBITDA was achieved. As a result, for fiscal year 2018 each of the NEOs identified for fiscal year 2018 disclosures earned Incentive Compensation equal to 63% of their Incentive Compensation opportunity for fiscal year 2018.

For fiscal year 2017, the Company's overall financial performance resulted in partial achievement of performance measure goals for regional and global Adjusted EBITDA under the Company's Performance Incentive Program. The maximum first level performance measure goals for the EMEA and Asia-Pacific regions were achieved, but the first level performance goal for the Americas region was not achieved. Due to the strong performance of the EMEA and Asia-Pacific segments, the maximum first level goal for global Adjusted EBITDA was achieved and approximately 47% of the second level goal for global Adjusted EBITDA was achieved. As a result, each of the NEOs identified for fiscal year 2017 disclosures earned Incentive Compensation equal to 74% of their Incentive Compensation opportunity for fiscal year 2017.

For the three fiscal years ended August 31, 2019, the TSR for the Company's shares exceeded, by an absolute percentage point difference, the return for the Russell 2000 Index (the "Index") by 22.4%. As a result, MSUs awarded to the NEOs in October 2016 provided vested shares of the Company's common stock to the NEOs, other than Mr. Brass, at 200% of the target number of award shares. Mr. Brass earned 150% of the target number of award shares for the MSUs awarded to him in October 2016.

For the three fiscal years ended August 31, 2018, the TSR for the Company's shares exceeded, by an absolute percentage point difference, the return for the Index by 48.45%. As a result, MSUs awarded in October 2015 to the NEOs identified for fiscal year 2018 disclosures provided vested shares of the Company's common stock to those NEOs, other than Mr. Brass, at the maximum amount of 200% of the target number of award shares. Mr. Brass earned 150% of the target number of award shares for the MSUs awarded to him in October 2015.

For the three fiscal years ended August 31, 2017, the TSR for the Company's shares exceeded, by an absolute percentage point difference, the return for the Index by 33.32%. As a result, MSUs awarded in October 2014 to the NEOs identified for fiscal year 2017 disclosures provided vested shares of the Company's common stock to those NEOs at the maximum amount of 200% of the target number of award shares.

FISCAL YEAR 2019 COMPENSATION

Compensation decisions for fiscal year 2019 were made in October 2018 based on individual and Company performance during fiscal year 2018 and a market survey conducted by the Committee's compensation consultant. The relative market percentile of total compensation for each of the NEOs for fiscal year 2019 is based on peer group data which is provided below under the heading *Overall Reasonableness of Compensation*.

The following is a summary of the decisions made by the Committee for NEO compensation for fiscal year 2019:

- For fiscal year 2019, base salaries for the NEOs were increased by 2.0% for the CEO and from 2.0% to 15.0% for the other NEOs. Base salaries for the NEOs were assessed in relation to labor market information. For fiscal year 2019, consideration was given to the appropriate relative mix of salary, annual Incentive Compensation and equity awards.
- Annual Incentive Compensation is awarded to the NEOs under the Company's Performance Incentive Compensation Plan as described below under the heading *Performance Incentive Program*. For purposes of the Performance Incentive Program, goals for regional and global Adjusted EBITDA were established at the beginning of the fiscal year. The Company's performance as measured against these goals is described in detail below.
- In October 2018, the NEOs received annual RSU awards providing for the issuance of a total of 6,373 shares of the Company's common stock to be earned by continued employment by the Company over a vesting period of three years, subject to earlier vesting upon the effective date of retirement under certain conditions¹. These awards serve a retention purpose together with an incentive to maximize long term stockholder value through share price appreciation.
- In October 2018, the NEOs received MSU awards subject to performance vesting covering a target number of shares of the Company's common stock equal to 6,373 shares. If the Company's TSR over the three-year vesting period matches the median return for the Index, the target number of shares of the Company's common stock would be issued to the NEOs. The

¹ For a more complete description of the RSU Awards, refer to the *Executive Officer Compensation Decisions* section below under the heading, *Restricted Stock Unit Awards*.

actual number of shares to be issued to the NEOs will be from 0% to 200% of the target number of shares depending upon the Company's TSR as compared to the return for the Index¹.

- In October 2018, the NEOs received DPU awards that provided an opportunity to receive up to an aggregate maximum of 7,450 additional shares of the Company's common stock upon termination of employment. The DPU awards provided for vesting as of the end of fiscal year 2019 if the Company were to achieve a level of global Adjusted EBITDA for the fiscal year in excess of the maximum goal for global Adjusted EBITDA established for the Performance Incentive Program². Since the Company's global Adjusted EBITDA for fiscal year 2019 did not exceed the maximum goal for global EBITDA established for the Performance Incentive Program, the DPU awards for fiscal year 2019 did not vest and they have lapsed without value to the NEOs.
- RSU, MSU and DPU award amounts for fiscal year 2019 varied among the NEOs based on labor market compensation practices specific to the region of employment, relative achievement of individual performance measures and goals established for each NEO, as well as Company performance for fiscal year 2018 in areas over which each NEO had direct influence.
- The Company's stockholders have provided advisory votes to approve executive compensation required by Section 14A of the Exchange Act (the "Say-on-Pay" votes) at the Company's annual meeting of stockholders for fiscal years 2016, 2017 and 2018. In each instance, at least 95% of the votes cast in the Say-on-Pay votes approved the compensation of the NEOs as disclosed in the Compensation Discussion and Analysis section of the Company's Proxy Statements for those fiscal years and in the accompanying compensation tables and narrative disclosures. The Committee has considered the results of these advisory Say-on-Pay votes in its decision-making for executive compensation of the NEOs and has concluded that no significant changes in executive compensation decisions and policies are warranted.

GOVERNANCE OF EXECUTIVE OFFICER COMPENSATION PROGRAM

The purpose of the Committee is to establish and administer the compensation arrangements for our CEO and the other executive officers of the Company, including the other NEOs, on behalf of the Board of Directors. The Committee is responsible for developing the Company's overall executive compensation strategy, with support from management and the Committee's independent compensation consulting firm. For fiscal year 2019 compensation decisions, the Committee's compensation consulting firm was Board Advisory, LLC. The Committee also has responsibilities in connection with administration of the Company's equity compensation plans.

The Committee operates pursuant to a Charter which outlines its responsibilities, including the Committee's responsibilities with respect to performance reviews and approval of annual compensation arrangements for the Company's executive officers. A copy of the Compensation Committee Charter can be found on WD-40 Company's website at <http://investor.wd40company.com> within the "Corporate Governance" section.

PROCESS FOR EVALUATING EXECUTIVE OFFICER PERFORMANCE AND COMPENSATION

In accordance with its Charter, the Committee works with the Company's Human Resources function in carrying out its responsibilities. The Vice President of Global Organization Development is management's liaison with the Committee. The Committee's independent compensation consulting firm provides advice and information relating to executive compensation. For fiscal year 2019, the compensation consulting firm assisted the Committee in the evaluation of executive base salary, Incentive Compensation opportunities, equity incentive design and award levels, and the specific pay recommendation for our CEO. The Committee's compensation consulting firm reports directly to the Committee and provides no additional services for management.

EXECUTIVE COMPENSATION PHILOSOPHY AND FRAMEWORK

COMPENSATION OBJECTIVES

The Company's executive compensation program is designed to achieve five primary objectives:

1. Attract, motivate, reward and retain high performing executives;
2. Align the interests and compensation of executives with the value created for stockholders;
3. Create a sense of motivation among executives to achieve both short- and long-term Company objectives;
4. Create a direct, meaningful link between business and team performance and individual accomplishment and rewards; and
5. Ensure our compensation programs are appropriately competitive in the relevant labor markets.

¹ For a more complete description of the MSU Awards, refer to the *Executive Officer Compensation Decisions* section below under the heading, *Market Share Unit Awards*.

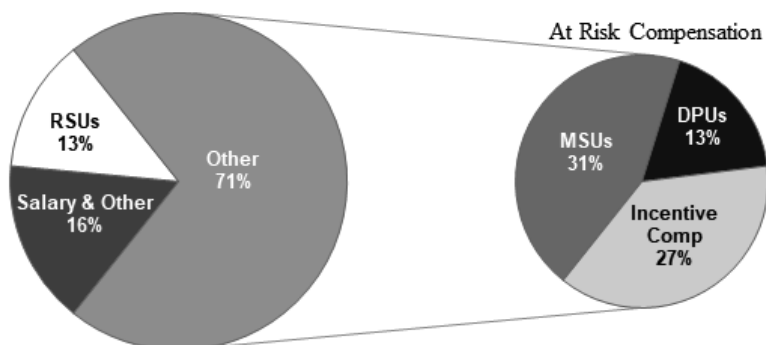
² For a more complete description of the DPU awards, refer to the *Executive Officer Compensation Decisions* section below under the heading, *Deferred Performance Unit Awards*.

TARGET PAY POSITION/MIX OF PAY

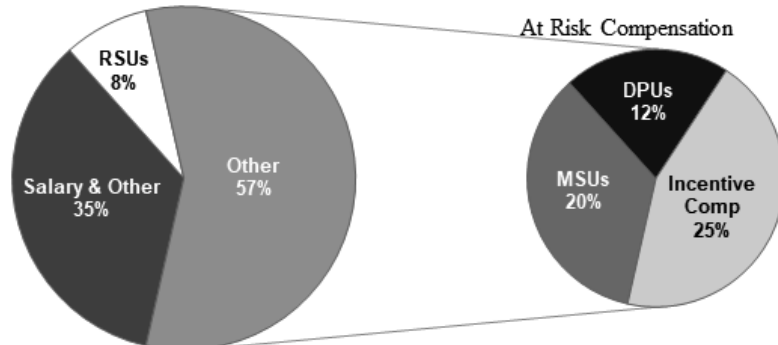
The Company's compensation program consists primarily of base salary, annual cash incentives, and long-term oriented equity awards. Each of these components is discussed in greater detail in the *Executive Officer Compensation Decisions* section below. The Committee has established a target for executive officer total compensation (defined as base salary, plus target Incentive Compensation, plus the value of RSU and MSU equity awards) at the median market level of compensation for each position (details on the use of peer group data to establish the median market level are provided below). Actual pay may vary, based on Company and/or individual performance, length of time within the position, and anticipated contribution. The Committee does not adhere to specific guidelines regarding the percentage of total compensation that should be represented by each compensation component, but monitors market competitiveness. A review of total compensation for each NEO relative to the target market percentile is provided in the *Executive Officer Compensation Decisions* section below under the heading, *Overall Reasonableness of Compensation*.

The mix of pay for executive officers is intended to provide significant incentives to drive overall company performance and increased stockholder value. The mix of pay consists of Salary and All Other Compensation amounts as reported in the Summary Compensation Table below, maximum possible values for Stock Awards (RSUs, MSUs and DPUs) as reported in the table in footnote 1 to the Summary Compensation Table, and maximum possible Non-Equity Incentive Plan Compensation (Incentive Compensation) amounts as reported in the Grants of Plan-Based Awards table below. The sum total of these maximum possible compensation amounts for each NEO is referred to as the NEO's "Total Compensation Opportunity." For purposes of the charts below, the Total Compensation Opportunity for the CEO, and for all other NEOs in the aggregate, has been divided among elements of compensation that are considered at risk (MSUs, tied to longer term relative stockholder return, and DPUs and Incentive Compensation, tied to current fiscal year financial performance), and those elements that are not performance-based and not considered at risk (Salary, All Other Compensation and RSUs). Approximately 71% of the CEO's Total Compensation Opportunity for fiscal year 2019 was at risk while approximately 57%, in the aggregate, of the Total Compensation Opportunity for fiscal year 2019 for all of the other NEOs was at risk. As reported in more detail below, for fiscal year 2019, each of the NEOs other than Mr. Brass earned approximately 68% of their maximum Incentive Compensation amounts and Mr. Brass earned approximately 26% of his maximum Incentive Compensation amount, and each NEO earned maximum MSU award values (for the MSU award granted in October 2016), and no portion of their DPU awards.

CEO Compensation



Other NEO Compensation (Aggregate)



COMPENSATION BENCHMARKING

For purposes of its fiscal year 2019 compensation decisions, the Committee examined the executive compensation practices of a peer group of nineteen companies to assess the competitiveness of the Company's executive compensation. Peer group companies were selected from a list of U.S. headquartered companies having revenues and earnings reasonably comparable to the Company and doing business in the specialty chemical industry or within specific consumer products categories. In addition to the peer group data, the Committee considers surveys of general industry company data provided by Hay Group, a global management consulting firm and Kenexa, an IBM Company. These data sources are applied by the Committee to establish the market median level of compensation for each executive officer position. The companies used in the peer group analysis for fiscal year 2019 compensation decisions were as follows:

- Aceto Corporation
- American Vanguard Corporation
- Balchem Corporation
- Cambrex Corporation
- Chase Corporation
- Dorman Products
- Flotek Industries Inc.
- Hawkins, Inc.
- Ingevity Corporation
- Innophos Holdings, Inc.
- Innospec Inc.
- KMG Chemicals, Inc.
- Landec Corporation
- Prestige Brands Holdings, Inc.
- Quaker Chemical Corporation
- Rayonier Advanced Materials, Inc.
- Sensient Technologies Corporation
- Stoneridge Inc.
- USANA Health Sciences, Inc.

EXECUTIVE OFFICER COMPENSATION DECISIONS FOR FISCAL YEAR 2019

BASE SALARY: PROCESS

Base salaries for all executive officers, including the NEOs, are approved by the Committee effective for the beginning of each fiscal year. In setting base salaries, the Committee considers the salary range prepared by its compensation advisor based on each NEO's job responsibilities and the market 50th percentile target pay position. Salary adjustments, if any, are based on factors such as individual performance, position, current pay relative to the market, future anticipated contribution and the Company-wide merit increase budget. Assessment of individual performance follows a rigorous evaluation process, including self-evaluation and the establishment of annual goals for each executive officer and an assessment of the achievement thereof. Individual performance elements considered in this process included individual and Company performance goals and achievements in such areas as growth, innovation, leadership, earnings and customer relations for Mr. Ridge; governance and risk, compliance, forecasting and financial reporting for Mr. Rembolt; business unit performance, teamwork, execution and growth for Messrs. Brass and Noble; and brand protection, corporate governance, legal services and risk management, and compliance for Mr. Clampitt.

BASE SALARY: FISCAL YEAR 2019

In October 2018, the Committee reviewed the market competitiveness of executive officer base salaries relative to peer group market data presented by the Committee's compensation advisor. Based on its review of the peer group market data and the surveys of general industry company data, the Committee approved a 2.0% increase in the CEO's base salary for fiscal year 2019 and increases in base salary ranging from 2.0% to 15.0% for the other NEOs.

PERFORMANCE INCENTIVE PROGRAM

The Company uses its Performance Incentive Program to tie executive officer compensation to the Company's financial performance. All Company employees participate in the same Performance Incentive Program as described below. The Performance Incentive Program is offered to the executive officers pursuant to the WD-40 Company Performance Incentive Compensation Plan most recently approved by the stockholders at the Company's 2017 Annual Meeting of Stockholders.

The Performance Incentive Program provides direct incentives to all Company employees, including executive officers, to affect regional financial performance and, for the Company as a whole, to promote sales at increasing levels of profitability. Specific performance measures tied to regional financial results are used in the Performance Incentive Program formulas as applied to each employee according to his or her particular area of responsibility.

For the NEOs, Incentive Compensation opportunity awards for fiscal year 2019 were based on pre-established goals for the following corporate performance measures: (i) the Company's Adjusted EBITDA computed for each of the Company's relevant financial reporting segments ("Regional EBITDA"); and (ii) Adjusted EBITDA computed on a consolidated basis ("Global EBITDA"). The calculations of attainment of these performance measures for the NEOs are substantially the same as the calculations for all other employees for whom such performance measures were applicable.

For purposes of computing the actual financial results to be measured against the goals established for the Regional EBITDA and Global EBITDA performance measures, the Company may exclude certain expenditures as approved by the Committee. For fiscal year 2019, the Committee approved the exclusion of certain expenses in the amount of approximately \$275,000 associated with the Company's acquisition and renovation of a new office building for the Company's U.K. subsidiary and certain incremental advertising and sales promotion expenses in the amount of approximately \$1,143,000 incurred in order to increase the Company's digital presence and to build brand awareness.

The Company's Incentive Compensation Program, as applied to all of its employees, is designed with the intent to fund the Incentive Compensation payout to all employees, including the NEOs, from increased earnings over the prior fiscal year. If the Company does not realize an increase in Global EBITDA over the prior year, it is possible that Mr. Brass and/or Mr. Noble will earn some Incentive Compensation because the performance measure for a portion of the Incentive Compensation opportunity payable to each of them is based on Regional EBITDA.

Depending upon actual performance results, the Incentive Compensation opportunities for fiscal year 2019 range from 0% up to 200% of base salary for Mr. Ridge, from 0% up to 100% of base salary for Messrs. Rembolt and Brass, from 0% up to 90% of base salary for Mr. Noble, and from 0% up to 80% of base salary for Mr. Clampitt.

The maximum Incentive Compensation potential for employees under the Performance Incentive Program is referred to herein as the employee's "Annual Opportunity." For each of the NEOs, the Performance Incentive Program for fiscal year 2019 provided two performance measure levels ("Levels A and C") for determination of earned Incentive Compensation; each level represented 50% of the Annual Opportunity. The Performance Incentive Program is consistently applied for all employees of the Company except that there are three performance measure levels ("Levels A, B and C") for all employees other than the NEOs and certain other executive officers and management employees. The maximum Incentive Compensation payout for Messrs. Brass and Noble required achievement of specified segment goals for Regional EBITDA (Level A) and Company performance that equaled the maximum goal amount for Global EBITDA as described below (Level C). For Messrs. Ridge, Rembolt, and Clampitt (each of whom has global rather than regional responsibilities), the maximum Incentive Compensation payouts required achievement of specified goals for Global EBITDA for each of Levels A and C.

Only two of the three performance measure goals are applied for the NEOs and certain other executive officers and management employees for purposes of calculating earned Incentive Compensation in order to provide an increased incentive to those employees to achieve the maximum level of Global EBITDA results for the benefit of stockholders. Level B performance measure goals for other employees are more directed to achievement of goals tied to areas over which they have more direct influence. For such other employees, Level A represented 50% of the Annual Opportunity, Level B represented 30% of the Annual Opportunity and Level C represented 20% of the Annual Opportunity.

Target and maximum payout amounts for each of the NEOs for the fiscal year 2019 Performance Incentive Program are disclosed below in the table under the heading, *Grants of Plan-Based Awards - Fiscal Year 2019*.

The following table sets forth the fiscal year 2019 Performance Incentive Program payout weightings and the minimum and maximum goals for the performance measures applicable to each of the NEOs. The minimum and maximum Level A goals for Regional and Global EBITDA were based on earnings before deduction of any Incentive Compensation amounts. The minimum and maximum Level C goals for Global EBITDA were based on earnings after deduction of an estimate of the maximum possible Incentive Compensation amounts for Levels A and B, but before deduction of Incentive Compensation amounts for Level C.

Level	Performance Measure	Garry O. Ridge Jay W. Rembolt			Minimum Goal FY 2019 (\$ thousands)	Maximum Goal FY 2019 (\$ thousands)
		Richard T. Clampitt	Steven A. Brass	William B. Noble		
A	Regional EBITDA (Americas)	N/A	50%	N/A	\$ 56,062	\$ 59,370
A	Regional EBITDA (EMEA) ¹	N/A	N/A	50%	\$ 38,159	\$ 41,406
A	Global EBITDA	50%	N/A	N/A	\$ 85,280	\$ 98,294
C	Global EBITDA	50%	50%	50%	\$ 89,544	\$ 96,466

¹ EMEA figures have been converted from Great Britain pounds sterling (“GBP”) at an average annual exchange rate for fiscal year 2019 of \$1.2859 per GBP.

The following table sets forth the actual fiscal year 2019 performance results and percentage achievement for each of the performance measures under the Performance Incentive Program formulas applicable to the NEOs. Actual earnings results for measurement against the Regional and Global EBITDA goals were adjusted to exclude (a) Incentive Compensation amounts consistent with the manner in which the minimum and maximum performance measure goals are determined as described with reference to the table above and (b) certain Company expenditures as approved by the Committee, as described above.

Level	Performance Measure	Actual FY 2019 (\$ thousands)	% Achievement
A	Regional EBITDA (EMEA) ¹	\$ 43,933	100.0%
A	Global EBITDA	\$ 99,096	100.0%
C	Global EBITDA	\$ 92,011	35.6%

¹ EMEA figures have been converted from Great Britain pounds sterling (“GBP”) at an average annual exchange rate for fiscal year 2019 of \$1.2859 per GBP.

Achievement of the maximum goals for Regional EBITDA and Global EBITDA is intended to be attainable through the concerted efforts of all management teams working in their own regions and areas of responsibility and for the Company as a whole.

Based on the Company’s fiscal year 2019 performance and the Committee’s certification of the relative attainment of each of the performance measures under the Performance Incentive Program, the payouts for our executive officers, including the NEOs, were calculated. On October 7, 2019, the Committee approved payment of the following Incentive Compensation amounts to the NEOs for fiscal year 2019 performance:

Executive Officer	Title	FY 2019 Annual Opportunity (As % of Base Salary)	FY 2019 Incentive Compensation Paid (\$)	FY 2019 Actual Incentive Compensation (As % of Opportunity)
Garry O. Ridge	Chief Executive Officer	200%	\$ 897,285	68%
Jay W. Rembolt	Vice President, Finance, Treasurer and Chief Financial Officer	100%	\$ 217,275	68%
Steven A. Brass	President and Chief Operating Officer	100%	\$ 95,272	26%
Richard T. Clampitt	Vice President, General Counsel and Corporate Secretary	80%	\$ 152,401	68%
William B. Noble ¹	Managing Director, EMEA	90%	\$ 185,020	68%

¹ EMEA figures have been converted from Great Britain pounds sterling (“GBP”) at an average annual exchange rate for fiscal year 2019 of \$1.2859 per GBP.

As an example of the operation of the Performance Incentive Program, Mr. Rembolt's Incentive Compensation payout for fiscal year 2019 was computed as follows:

- Incentive Compensation Annual Opportunity = 100% X Eligible Earnings (\$320,357) = \$320,357.
- Level A (Global EBITDA) = 50% of Annual Opportunity = \$160,178.
 - Level A Incentive Compensation = Level A Achievement (100%) X Level A Annual Opportunity = \$160,178.
- Level C (Global EBITDA) = 50% of Annual Opportunity = \$160,178.
 - Level C Incentive Compensation = Level C Achievement (35.645%) X Level C Annual Opportunity = \$57,097.

Mr. Rembolt's aggregate Incentive Compensation payout was the sum of the payouts under Levels A and C of the Performance Incentive Program, or \$217,275.

EQUITY COMPENSATION

Equity compensation is a critical component of the Company's efforts to attract and retain executives and key employees, encourage employee ownership in the Company, link pay with performance and align the interests of executive officers with those of stockholders. To provide appropriately directed incentives to our executive officers, the Committee has provided awards of time-vesting restricted stock unit ("RSU") awards as well as performance-vesting market share unit ("MSU") awards and deferred performance unit ("DPU") awards. Equity awards for fiscal year 2019 were granted to the NEOs pursuant to the Company's 2016 Stock Incentive Plan (the "Stock Incentive Plan") approved by the stockholders at the 2016 Annual Meeting of Stockholders.

The Company's MSU awards are tied to a measure of total stockholder return ("TSR") that is determined by reference to a change in the value of the Company's common stock with reinvestment of dividends. In October 2018, the Committee granted primary equity allocations of RSU and MSU awards for fiscal year 2019. The authorized awards were divided equally between the two types of awards for each NEO. MSU awards provide for vesting after a three year performance vesting period based on a comparison of the Company's TSR against the Russell 2000 Index (the "Index") as described in more detail below. In addition to the RSU and MSU awards, the NEOs also received DPU awards in October 2018. As compared to the retention and long-term performance-based attributes of the RSU and MSU awards, the DPU awards provide a near-term incentive reward for achieving Global EBITDA results for the fiscal year in excess of the amount of Global EBITDA required for maximum payout of Incentive Compensation under Level C of the Performance Incentive Program as described above. DPU awards provide for vesting at the end of the fiscal year for which they are granted. All RSU, MSU and DPU awards are subject to terms and conditions set forth in an applicable award agreement (the "Award Agreement").

The principal attributes and benefits of the RSU, MSU and DPU awards for executive officers are as follows:

- RSU awards provide for vesting in relatively equal portions over a period of three years from the grant date, subject to earlier vesting upon the effective date of retirement under certain conditions.
- MSU awards provide for performance-based vesting tied to the Company's TSR over a performance measurement period of three fiscal years beginning with the fiscal year in which the awards are granted and ending on August 31st of the third year.
- DPU awards provide for performance-based vesting tied to the Company's Global EBITDA achievement for the fiscal year in which the awards are granted in excess of the maximum goal for Global EBITDA under Level C of the Company's Performance Incentive Program.
- RSU and MSU awards provide for the issuance of shares of the Company's common stock upon vesting.
- Vested DPU awards provide for the issuance of shares of the Company's common stock only upon termination of employment. Until issuance of the shares for vested DPU awards, the holders of the vested DPU awards are entitled to receive dividend equivalent payments with respect to their vested DPU awards, payable in cash as and when dividends are declared upon shares of the Company's common stock.
- A mix of RSU, MSU and DPU awards is appropriate as compared to RSU awards alone or other equity awards, such as stock options, for the following reasons: i) MSU awards granted annually provide a more direct performance-based incentive aligned directly with longer term stockholder interests; ii) RSU awards have a greater perceived value to recipients than stock options; iii) DPU awards offer a reward for exceeding the highest goal for near-term financial results for the Company; iv) RSU, MSU and DPU awards have a less dilutive impact on a share count basis than stock options; and v) the issuance of shares of the Company's common stock upon vesting of RSUs and MSUs, and the deferred issuance of shares following vesting of DPU awards encourages long-term stock ownership, promotes retention objectives and facilitates the achievement of the Company's stock ownership guidelines (as described below in the Other Compensation Policies section, under the heading, *Executive Officer Stock Ownership Guidelines*).

The Board recognizes the potentially dilutive impact of equity awards. The Company's equity award practices are designed to balance the impact of dilution and the Company's need to remain competitive by recruiting, retaining and providing incentives for high-performing employees.

Restricted Stock Unit Awards

RSU awards provide for the issuance of shares of the Company's common stock to the award recipient upon vesting provided that the recipient remains employed with the Company through each vesting date except as noted below with respect to vesting upon retirement. Shares of the Company's common stock equal to the portion of the RSU award that has vested are issued promptly upon the vesting date. RSU awards provide for vesting over a period of three years from the grant date. 34% of the RSU award will vest on the first vesting date and 33% of the RSU award will vest on each of the second and third vesting dates. The vesting date each year is the third business day following the Company's public release of its annual earnings for the preceding fiscal year, but not later than November 15 of the vesting year.

RSU Award Agreements provide that, for RSU award recipients who retire from the Company after reaching age 65, or for RSU award recipients who retire from the Company after reaching age 55 and have been employed by the Company for at least 10 years, all RSUs will be vested upon the effective date of retirement and shares will be issued within 30 days after the effective date of retirement, except for executive officers whose RSU shares will be issued 6 months after the effective date of retirement.

Payment of required withholding taxes due with respect to the vesting of the RSU awards, if any, will be covered through withholding of shares by the Company. The Company will issue a net number of shares to the recipient for a vested RSU award after withholding shares having a value as of the vesting date, or as of the date of issuance in the case of the issuance of RSU shares following retirement, equal to the required tax withholding obligation.

Market Share Unit Awards

MSU awards provide for performance-based vesting over a performance measurement period of three fiscal years commencing with the fiscal year in which the MSU awards are granted (the "Measurement Period"). Except as noted below with respect to vesting upon retirement, the recipient must remain employed with the Company for vesting purposes until the date on which the Committee certifies achievement of the requisite performance provided for in the MSU Award Agreement. A number of shares of the Company's common stock equal to an "Applicable Percentage" of the "Target Number" of shares covered by the MSU awards to the NEOs will be issued as of the "Settlement Date." The Applicable Percentage is determined by reference to the performance vesting provisions of the MSU Award Agreements as described below. The Settlement Date for an MSU award is the third business day following the Company's public release of its annual earnings for the third fiscal year of the Measurement Period.

MSU Award Agreements provide for monthly pro-rata vesting of MSUs as of the end of the Measurement Period in the event of the earlier termination of the award recipient's employment due to death, disability, or retirement after reaching age 65, or retirement after reaching age 55 with at least 10 years of employment with the Company. For purposes of calculating the number of MSUs vested and the corresponding number of shares to be issued as of the Settlement Date, the Target Number of shares covered by the MSU awards will be adjusted according to the pro-rata portion of the Measurement Period that has elapsed as of the effective date of termination of employment. The Committee may also exercise its discretion to provide for monthly pro-rata vesting of MSUs awarded to a recipient who resigns or is terminated by the Company for reasons other than good cause.

Payment of required withholding taxes due with respect to the settlement of an MSU award, if any, will be covered through withholding of shares by the Company. The Company will issue a net number of shares to the recipient for a vested MSU award after withholding shares having a value as of the Settlement Date equal to the required tax withholding obligation.

The performance vesting provisions of MSU awards are based on relative TSR for the Company over the Measurement Period as compared to the total return ("Return") for the Index as reported for total return (with dividends reinvested), as published by Russell Investments. For purposes of computing the relative TSR for the Company as compared to the Return for the Index, dividends paid with respect to the Shares will be treated as having been reinvested as of the ex-dividend date for each declared dividend.

The Applicable Percentage of the Target Number of shares will be determined for each of the NEOs based on the absolute percentage point difference between the TSR for the Company as compared to the Return for the Index (the “Relative TSR”) as set forth in the table below:

Relative TSR (absolute percentage point difference)	Applicable Percentage
> 20%	200%*
20%	200%*
15%	175%*
10%	150%
5%	125%
Equal	100%
-5%	75%
-10%	50%
>-10%	0%

* The MSU award granted to Mr. Brass in fiscal year 2017 provides for a maximum Applicable Percentage of the Target Number of shares of 150% if the Relative TSR is 10% or greater. Otherwise, the Applicable Percentage for the MSU awards granted to Mr. Brass will be calculated in the same manner as for the other NEOs.

The Applicable Percentage will be determined on a straight line sliding scale from the minimum 50% Applicable Percentage achievement level to the maximum 200% Applicable Percentage achievement level (150% for Mr. Brass for the MSU award granted in fiscal year 2017). For purposes of determining the TSR for the Company and the Return for the Index, the beginning and ending values for each measure will be determined on an average basis over a period of all market trading days within the ninety (90) calendar days prior to the beginning of the fiscal year for the beginning of the Measurement Period and over a period of all market trading days within the ninety (90) calendar days prior to the end of the third fiscal year of the Measurement Period. For purposes of determining relative achievement, actual results are to be rounded to the nearest tenth of one percent and rounded up from the midpoint. The number of MSU Shares to be issued on the Settlement Date is to be rounded to the nearest whole share and rounded upward from the midpoint.

In the event of a Change in Control (as defined in the Stock Incentive Plan), the Measurement Period will end as of the effective date of the Change in Control and the ending values for calculating the TSR for the Company and the Return for the Index will be determined based on the closing price of the Company’s common stock and the value of the Index, respectively, immediately prior to the effective date of the Change in Control. The Applicable Percentage will be applied to a proportionate amount of the Target Number of MSUs based on the portion of the Measurement Period elapsed as of the effective date of the Change in Control. The recipient NEO will receive RSUs for the portion of the Target Number of MSUs to which the Applicable Percentage is not applied. Those RSUs will time vest, subject to rights under the NEO’s Change of Control Severance Agreement, as of the Settlement Date.

Deferred Performance Unit Awards

DPU awards provide for performance-based vesting over a performance measurement period of the fiscal year in which the DPU awards are granted (the “Measurement Year”). The DPU awards provide for vesting of a number of DPUs equal to an “Applicable Percentage” of the “Maximum Number” of DPUs awarded to the NEOs following conclusion of the Measurement Year (“Vested DPUs”). Except as noted below with respect to vesting upon retirement, the recipient must remain employed with the Company for vesting purposes until August 31 of the Measurement Year. Except as noted below as to non-residents of the United States, the Vested DPUs must be held until termination of employment. Following termination of employment, each Vested DPU will be settled by issuance of one share of the Company’s common stock (a “DPU Share”). The Maximum Number of DPUs refers to the maximum number of DPU Shares that may be issued with respect to a DPU award upon full achievement of the applicable performance goal as described below. The Applicable Percentage is determined by reference to the performance vesting provisions of the DPU Award Agreement as described below. For NEOs who are not residents of the United States, the Compensation Committee has discretion to either defer settlement of each Vested DPU by issuance of a DPU Share following termination of employment or settle each Vested DPU in cash by immediate payment of an amount equal to the closing price of one share of the Company’s common stock as of the date of the Compensation Committee’s certification of achievement of the performance measure applied in determination of the Applicable Percentage.

Each Vested DPU that is not settled in cash will include the right to receive a dividend equivalent payment in an amount equal to the dividends declared with respect to the Company’s common stock for each Vested DPU. Such dividend equivalent payments are to be paid in cash as ordinary compensation income as and when common stock dividends are paid by the Company, provided,

however, that the Company may elect to accumulate such dividend equivalent payments for later payment not less often than annually.

DPU Award Agreements provide for monthly pro-rata vesting of DPUs as of the end of the Measurement Year in the event of the earlier termination of the award recipient’s employment due to death, disability, or retirement after reaching age 65, or retirement after reaching age 55 with at least 10 years of employment with the Company. For purposes of calculating the number of Vested DPUs earned, the Maximum Number of shares covered by the DPU awards will be adjusted according to the pro-rata portion of the Measurement Year that has elapsed as of the effective date of termination of employment.

Vested DPUs not otherwise settled in cash will be settled by issuance of the DPU Shares as of 6 months following termination of employment (the “Settlement Date”). Payment of required withholding taxes due with respect to the settlement of a Vested DPU award, if any, will be covered through withholding of shares by the Company. The Company will issue a net number of shares to the recipient for a Vested DPU award after withholding shares having a value as of the Settlement Date equal to the required tax withholding obligation.

The performance vesting provisions of the DPUs are based on relative achievement within an established performance measure range of the Company’s EBITDA (before deduction of the stock-based compensation expense for the Vested DPUs and excluding other non-operating income and expense amounts (“Adjusted Global EBITDA”) for the Measurement Year.

For fiscal year 2019, the performance vesting provisions for the DPUs were established as set forth in the table below:

Adjusted Global EBITDA ¹	Applicable Percentage
> \$96,908,000	100%
\$96,908,000	100%
\$92,343,000	5%
< \$92,343,000	0%
\$92,102,000*	0%

* Implied zero percentage achievement level.

¹ The calculation of Adjusted Global EBITDA for purposes of the performance vesting provisions of the DPUs accounts for full payment of all Incentive Compensation earned for the fiscal year.

The Applicable Percentage will be determined on a straight line sliding scale from the implied zero percentage achievement level to the maximum 100% Applicable Percentage achievement level, but the Applicable Percentage shall not be less than 5%. For purposes of determining the Applicable Percentage, the calculated percentage is to be rounded to the nearest tenth of one percent and rounded upward from the midpoint. The number of Vested DPUs is to be rounded to the nearest whole unit and rounded upward from the midpoint.

Equity Awards – Fiscal Year 2019

For fiscal year 2019, equity awards to our executive officers were granted to satisfy goals for executive officer retention, to provide incentives for current and future performance, and to meet objectives for overall levels of compensation and pay mix. RSU, MSU and DPU awards were granted to the NEOs by the Committee in October 2018. All of the equity awards are set forth below in the table under the heading, *Grants of Plan-Based Awards - Fiscal Year 2019*. In establishing award levels for the NEOs for fiscal year 2019, the Committee placed emphasis on long-term retention goals and desired incentives for current and future contributions. The RSU and MSU awards to our CEO were, consistent with past practice, larger than the awards to the other NEOs in recognition of his higher level of responsibility for overall Company performance and based upon market data that supports a higher level of equity compensation for our CEO. The specific RSU award amounts and Target Number of shares covered by MSU awards were determined for each NEO based on an assessment of the NEO’s achievement of individual performance goals as well as Company performance for fiscal year 2018 in areas over which the NEO had particular influence. The DPU award amounts were established by reference to each NEO’s Incentive Compensation opportunity amount based on fiscal year 2018 base salary amounts and fiscal year 2019 maximum percentage opportunity for Incentive Compensation – the share equivalent value of the DPUs awarded to each NEO as of the date of grant equals 50% of the NEO’s maximum Incentive Compensation opportunity amount.

Market Share Unit Award Vesting for Three Fiscal Year Performance Achievement

On October 7, 2019, the Committee certified achievement of the performance measure applicable to MSU awards granted to the NEOs in October 2016. The Committee certified the Company’s relative TSR as compared to the Return for the Index for the performance Measurement Period ended August 31, 2019 for purposes of calculating the vested number of shares of the Company’s common stock for those MSU awards. The relative TSR as compared to the Return for the Index (as an absolute

percentage point difference) over the three fiscal year Measurement Period ending August 31, 2019 was 22.4%. As a result, based on the table above in the description of the MSU awards, the Applicable Percentage of the Target Number of shares underlying the MSU awards granted in October 2016 was 200% for each of the NEOs other than Mr. Brass, and 150% for Mr. Brass.

The following table sets forth the Target Number and vested number of shares underlying the MSU awards granted to each NEO in October 2016:

Executive Officer	Target Number	Vested Shares
Garry O. Ridge	4,250	8,500
Jay W. Rembolt	782	1,564
Steven A. Brass	783	1,175
Richard T. Clampitt	671	1,342
William B. Noble	492	984

Deferred Performance Unit Award Vesting for Fiscal Year 2019 Performance Achievement

DPU awards granted to the NEOs for fiscal year 2019 lapsed without value to the NEOs. Vesting of the DPUs would have required a level of Adjusted Global EBITDA equal to or greater than \$92,343,000 (the minimum Adjusted Global EBITDA goal for DPU vesting as set forth in the table on the preceding page). Since the actual Adjusted Global EBITDA for fiscal year 2019 was less than \$92,343,000, the DPUs did not vest and they have lapsed.

BENEFITS AND PERQUISITES

As is the case with most Company employees, the NEOs are provided with standard health and welfare benefits, and, for the NEOs other than Mr. Noble, the opportunity to participate in the WD-40 Company Profit Sharing/401(k) Plan (the “Plan”). The Plan serves to provide our executive officers, including the eligible NEOs, with tax-advantaged retirement savings as an additional component of overall compensation. Employees have the right to invest the Company’s contributions to the Plan in shares of the Company’s common stock as an alternative to other investment choices available under the Plan. For Mr. Noble, the Company provides compensation in lieu of contributions to a local retirement program for which he is eligible due to unfavorable taxation applicable to such contributions.

The Company maintains individual Supplemental Death Benefit Plan agreements for both Mr. Ridge and Mr. Rembolt. The Company’s Supplemental Death Benefit Plan agreement obligations are funded by life insurance policies owned by the Company.

The Company also provides leased vehicles to its executive officers and private health insurance for Mr. Noble in excess of coverage available to other Company employees in the United Kingdom. The costs associated with the perquisites and other personal benefits provided to the NEOs are included in the Summary Compensation Table below and they are separately identified for fiscal year 2019 in the footnote disclosure of such perquisites and other personal benefits included with the Summary Compensation Table.

The Committee considers the cost of the foregoing health and welfare benefits and perquisites in connection with its approval of the total compensation for each of our NEOs. All such costs are considered appropriate in support of the Committee’s objective of attracting and retaining high quality executive officers because they are common forms of compensation for senior executives and are expected by such executives when they consider competing compensation packages.

POST-EMPLOYMENT OBLIGATIONS

The Company has change of control severance agreements with each of the NEOs. The specific terms of the agreements are described in detail below under the heading, *Change of Control Severance Agreements*. In establishing the terms and conditions for the change of control severance agreements consideration was given to possible inclusion of severance compensation to be paid to the executive officers in the event of their termination of employment without cause (or for good reason) without regard to the existence of a change of control of the Company. No such provisions were included and severance compensation is payable only following a termination of employment without “cause” or for “good reason” within two years following a “change of control” of the Company (as the quoted terms are defined in the severance agreements).

The Committee believes that the change of control severance agreements help ensure the best interests of stockholders by fostering continuous employment of key management personnel. As is the case in many public companies, the possibility of an unsolicited change of control exists. The uncertainty among management that can arise from a possible change of control can

result in the untimely departure or distraction of key executive officers. Reasonable change of control severance agreements reinforce continued attention and dedication of executive officers to their assigned duties and support the Committee’s objective of retaining high quality executives.

OVERALL REASONABLENESS OF COMPENSATION

The Committee believes that the Company is achieving its compensation objectives and, in particular, rewards executive officers for driving operational success and stockholder value creation. Based on reviews of tally sheets and a “pay-for-performance” analysis by the Committee, and in light of the Company’s compensation objectives, the Committee and the Board of Directors believe that the pay mix and target pay position relative to market for each of the NEOs are reasonable and appropriate. The “pay-for-performance” analysis includes a review of the individual components of executive officer compensation that are tied to Company performance, as measured by identified financial performance metrics as well as the price of the Company’s common stock. In particular, the Committee reviews executive officer Incentive Compensation to determine whether it appropriately rewards achievement of specific financial performance goals and does not otherwise provide rewards in the absence of reasonable measures of individual and Company success. Similarly, with respect to equity awards, the Committee considers the effectiveness of such awards in providing a reasonable incentive to the executive officers to increase profits (as measured by Regional and Global EBITDA) and total stockholder return without inappropriately rewarding the executive officers if performance targets are not achieved over the long term.

The following table sets forth the total compensation for each of our NEOs (based on cash compensation received as base salary and earned Incentive Compensation, plus the value of equity awards (other than the DPUs) at their date of grant per share values) for fiscal year 2019, together with the relative market percentile for each NEO:

Executive Officer	Base Salary	Annual Earned Incentive Compensation	Value of Stock Awards ¹	Total Compensation	Present Value of Total Compensation Received as a Percentage of Market Median
Garry O. Ridge	\$ 662,000	\$ 897,285	\$ 1,299,727	\$ 2,859,012	93%
Jay W. Rembolt	\$ 320,599	\$ 217,275	\$ 274,980	\$ 812,854	94%
Steven A. Brass	\$ 365,937	\$ 95,272	\$ 199,808	\$ 661,017	40%
Richard T. Clampitt	\$ 281,094	\$ 152,401	\$ 149,693	\$ 583,188	77%
William B. Noble ²	\$ 303,112	\$ 185,020	\$ 149,693	\$ 637,825	93%

¹ For purposes of comparing total compensation for fiscal year 2019 to market median compensation levels for each NEO, the Committee included the Value of Stock Awards (RSUs and MSUs) based on the closing price of the Company’s common stock on the grant date for those awards. The October 8, 2018 grant date closing price was \$162.71. MSUs are valued based on the target number of shares of the Company’s common stock to be issued upon achievement of the applicable performance measure. Information concerning all of the Stock Awards (including DPUs) for fiscal year 2019 is set forth below in the table under the heading, *Grants of Plan-Based Awards - Fiscal Year 2019*.

² Mr. Noble’s salary and Incentive Compensation amounts have been converted from Great Britain pounds sterling (“GBP”) at an average annual exchange rate for fiscal year 2019 of \$1.2859 per GBP.

For fiscal year 2019, total compensation for our NEOs was assessed by the Committee’s compensation consulting firm as part of the process for executive compensation decision-making for fiscal year 2020. As noted in the table above, total compensation for the NEOs ranged from 40% to 94% of the market median compensation level for each position as determined by the Committee’s compensation consulting firm. The levels of compensation are considered by the Committee to be in line with target compensation levels for the NEOs in a year in which the Company’s EMEA, Asia-Pacific and global performance was strong. These market position comparisons are based on an analysis from the Committee’s compensation consultant which incorporates updated peer group proxy analysis and general industry survey data for current NEO roles.

OTHER COMPENSATION POLICIES

EXCHANGE ACT RULE 10b5-1 TRADING PLANS AND INSIDER TRADING GUIDELINES

The Company maintains insider trading guidelines, including transaction pre-approval requirements, applicable to our officers and directors required to report changes in beneficial ownership under Section 16 of the Exchange Act as well as certain other employees who have significant management or financial reporting responsibilities and can be expected to have access to material non-public information concerning the Company. These insider trading guidelines also require pre-approval of all trading plans adopted pursuant to Rule 10b5-1 promulgated under the Exchange Act. To avoid the potential for abuse, the Company's policy with respect to such trading plans is that, once adopted, trading plans are not subject to change or cancellation. Any such change or cancellation of an approved trading plan by an executive officer, director or employee covered by the Company's insider trading guidelines in violation of the policy will result in the Company's refusal to approve future trading plan requests for that person.

EXECUTIVE OFFICER STOCK OWNERSHIP GUIDELINES

The Board of Directors has approved guidelines for executive officer ownership of the Company's common stock. The guidelines specify that each executive officer will be expected to attain, within a period of five years from the later of the date of election of the executive officer or the date of adoption of the guidelines, and to maintain thereafter, equity ownership in the Company valued at not less than one times his or her current base salary for executive officers other than our CEO and CFO, two times the current base salary for our CFO, and five times the current base salary for our CEO. Valuation for purposes of the guidelines is to be determined at the higher of cost or current fair market value for shares of the Company's common stock held outright and shares underlying vested RSUs, MSUs and DPUs then held.

The Board of Directors believes that the stock ownership guidelines serve to improve alignment of the interests of our executive officers and the Company's stockholders. At the present time, all of the NEOs have exceeded the expected level of stock ownership.

As noted above under the heading *Equity Compensation*, the NEOs receive both time-vesting RSU awards and performance-based vesting MSU and DPU awards. As the RSU and MSU awards vest, shares of the Company's common stock are issued to the NEOs and these shares may then be sold or retained, subject to the stock ownership guidelines described above. Vested DPU awards provide for deferred issuance of shares to the NEOs upon termination of employment. Outstanding unvested RSU and MSU awards held as of August 31, 2019 by the NEOs are set forth in the table below under the heading, *Outstanding Equity Awards at 2019 Fiscal Year End*. All of the NEOs hold Vested DPUs and Mr. Ridge and Mr. Noble hold vested RSU awards that must be retained until termination of employment as noted above in the footnotes to the tables under the heading, *Security Ownership of Directors and Executive Officers*.

TAX CONSIDERATIONS

Section 162(m) of the Internal Revenue Code of 1986 (the "Code") limits the deductibility of compensation payable in any tax year to certain covered executive officers. Section 162(m) of the Code generally provides that a company covered by the statute cannot deduct compensation paid to its most highly paid executive officers to the extent that such compensation exceeds \$1 million per officer per taxable year. Under the law prior to the passage of the legislation known as the Tax Cuts and Jobs Act (the "Act") compensation that is "performance-based" within the meaning of the Code did not count toward the \$1 million limit. The performance-based compensation exception to the deductibility limit was repealed by the Act. However, under a transition rule provided for in the Act, the value of vested shares under MSU awards granted prior to November 2, 2017 is still expected to qualify for deductibility under the performance-based compensation exception.

While the Compensation Committee will always seek to maximize the deductibility of compensation paid to the Company's executive officers, the Committee provides total compensation to the executive officers in line with competitive practice, the Company's compensation philosophy, and the interests of stockholders. Therefore, the Company presently pays some compensation to its executive officers that may not be deductible under Section 162(m) and it is anticipated that the Company will continue to do so.

ACCOUNTING CONSIDERATIONS

We follow Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("ASC Topic 718") for our stock-based compensation awards. ASC Topic 718 requires companies to measure the compensation expense for all share-based payment awards made to employees and directors, including restricted stock awards and performance-based awards, based on the grant date fair value of these awards. Depending upon the type of performance conditions applicable to performance-based awards, ASC Topic 718 may require the recording of compensation expense over the service period for the award (usually, the vesting period) based on the grant date value (such as for our MSUs) or compensation expense may be recorded based on the

expected probability of vesting over the vesting period, subject to adjustment as such probability may vary from period to period (such as for our DPUs). This calculation is performed for accounting purposes and amounts reported in the compensation tables below are based on the compensation expense expected to be recorded over the vesting periods for the awards, determined as of the grant date for the awards. In the case of our MSUs, the grant date values fix the compensation expense to be recorded over the vesting period. These amounts are reported in the tables below even though our executive officers may realize more or less value from their MSU awards depending upon the actual level of achievement of the applicable performance measure. In the case of our DPUs, no value is included in the Summary Compensation Table or in the table under the heading, *Grants of Plan-Based Awards – Fiscal Year 2019*, because ASC Topic 718 requires that we assess the probability of vesting of the DPUs as of the grant date. As of the grant date, we did not consider it probable that the DPUs would become vested even though it was possible that our executive officers would receive Vested DPUs as of the end of the fiscal year.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of WD-40 Company's Board of Directors has reviewed and discussed with management of the Company the Compensation Discussion and Analysis included in this Proxy Statement and the Company's annual report on Form 10-K for the year ended August 31, 2019, and, based upon that review and discussion, recommended to the board that it be so included.

Compensation Committee
Gregory A. Sandfort (Chair)
Melissa Claassen
Linda A. Lang (retiring director)
David B. Pendarvis
Neal E. Schmale

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than ten percent of the Company's stock, to file with the Securities Exchange Commission initial reports of stock ownership and reports of changes in stock ownership. Reporting persons are required by SEC regulation to furnish the Company with copies of all Section 16(a) reports they file.

To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company during the last fiscal year and written representations that no other reports were required, except as described below, all Section 16(a) requirements were complied with by all persons required to report with respect to the Company's equity securities during the last fiscal year.

On August 6, 2019, Patricia Q. Olsem filed a report on Form 3 to report her stock ownership as of June 18, 2019, the date Ms. Olsem was designated as an executive officer.

EXECUTIVE COMPENSATION

None of our executive officers has an employment agreement or other arrangement, whether written or unwritten, providing for a term of employment or compensation for services rendered other than under specific plans or programs described herein.

For fiscal year 2019, our executive officers received a base salary amount. Base salary amounts for the NEOs were established by the Compensation Committee of the Board of Directors at the beginning of the fiscal year. In addition, each employee of the Company, including each executive officer, may receive Incentive Compensation under a Performance Incentive Program established at the beginning of the fiscal year by the Company and, for our executive officers, by the Committee. A complete description of the Performance Incentive Program is provided in the Compensation Discussion and Analysis section of this Proxy Statement under the heading, *Performance Incentive Program*. Information regarding the target and maximum potential Incentive Compensation payable under the Performance Incentive Program for fiscal year 2019 is provided below in the table under the heading, *Grants of Plan-Based Awards - Fiscal Year 2019*. The actual payouts under the Performance Incentive Program for fiscal year 2019 and further details regarding the program are provided in the Compensation Discussion and Analysis section of this Proxy Statement. Our executive officers also received equity compensation in the form of RSUs, MSUs and DPUs, and other compensation benefits for services rendered in fiscal year 2019 as more fully described and reported in the Compensation Discussion and Analysis section of this Proxy Statement and in the compensation tables below. As a relative share of reported total compensation for fiscal year 2019, annual salary and earned Incentive Compensation was 51% of total compensation for our CEO and from 58% to 67% of total compensation for the other NEOs.

SUMMARY COMPENSATION TABLE

The following table shows information for the three fiscal years ended August 31, 2019, August 31, 2018, and August 31, 2017, concerning the compensation of our CEO, our CFO and the three most highly compensated executive officers other than the CEO and CFO as of the end of fiscal year 2019 (collectively, the “Named Executive Officers” or “NEOs”):

Name and Principal Position	Year	Salary	Stock Awards¹	Non-Equity Incentive Plan Compensation²	All Other Compensation³	Total
Garry O. Ridge	2019	\$ 662,000	\$ 1,405,209	\$ 897,285	\$ 115,347	\$ 3,079,841
Chief Executive Officer	2018	648,840	975,657	698,111	107,384	2,429,992
	2017	642,416	894,031	710,091	105,791	2,352,329
Jay W. Rembolt	2019	\$ 320,599	\$ 297,297	\$ 217,275	\$ 98,645	\$ 933,816
Vice President, Finance,	2018	314,313	175,592	198,874	91,064	779,843
Treasurer and Chief Financial Officer	2017	308,664	164,502	227,454	88,153	788,773
Steven A. Brass	2019	\$ 365,937	\$ 216,024	\$ 95,272	\$ 92,651	\$ 769,884
President and Chief Operating Officer	2018	312,476	190,114	197,365	85,181	785,136
	2017	291,000	146,342	66,816	68,684	572,842
Richard T. Clampitt	2019	\$ 281,094	\$ 161,842	\$ 152,401	\$ 83,058	\$ 678,395
Vice President, General Counsel	2018	275,582	146,327	139,060	75,632	636,601
and Corporate Secretary	2017	245,854	141,152	144,725	64,270	596,001
William B. Noble ⁴	2019	\$ 303,112	\$ 161,842	\$ 185,020	\$ 80,786	\$ 730,760
Managing Director, EMEA	2018	311,405	112,000	37,310	98,392	559,107
	2017	282,560	103,497	166,574	97,096	649,727

¹ Stock Awards other than DPUs for fiscal years 2019, 2018, and 2017 are reported at their grant date fair values. Grant date fair value assumptions and related information is set forth in Note 14, Stock-based Compensation, to the Company’s financial statements included in the Company’s annual report on Form 10-K filed on October 22, 2019. Stock Awards consisting of MSUs awarded in fiscal years 2019, 2018, and 2017 are included based on the value of 100% of the target number of shares of the Company’s common stock to be issued upon achievement of the applicable performance measure. Stock Awards consisting of DPUs awarded in fiscal years 2019, 2018, and 2017 are reported as having no value under applicable disclosure rules and ASC Topic 718 due to the lack of any expected probability of vesting of the DPUs as of the grant date, as discussed above in the Compensation Discussion and Analysis section under the heading, *Accounting Considerations*. For achievement of the highest level of the applicable performance measure for the MSUs, the NEOs, other than Mr. Brass for awards granted in fiscal year 2017, will receive 200% of the target number of shares. For achievement of the highest level of the applicable performance measure for the MSUs awarded to Mr. Brass for fiscal year 2017, he will receive 150% of the target number of shares. For achievement of the highest level of the applicable performance measure for the DPUs, NEOs would receive Vested DPUs covering the maximum number of shares reported for purposes of the table under the heading, *Grants of Plan-Based Awards – Fiscal Year 2019* and as described above in the Compensation Discussion and Analysis section under the heading, *Equity Compensation*.

SUMMARY COMPENSATION TABLE (footnote 1 continued)

The following table sets forth the amounts that would have been included for the Stock Awards for fiscal years 2019, 2018, and 2017 for each of the NEOs if the grant date fair values for the MSUs had been based on the maximum number of shares to be received and if the value of the DPUs were included at their grant date fair values based on the maximum number of shares covered by the DPUs:

Executive Officer	Year	RSUs	MSUs (Maximum)	DPUs (Maximum)	Total Stock Awards
Garry O. Ridge	2019	\$ 630,133	\$ 1,550,151	\$ 639,395	\$ 2,819,679
	2018	480,424	990,467	535,878	2,006,769
	2017	460,913	866,235	476,883	1,804,031
Jay W. Rembolt	2019	\$ 133,316	\$ 327,961	\$ 154,757	\$ 616,034
	2018	86,463	178,257	151,369	416,089
	2017	84,808	159,387	152,766	396,961
Steven A. Brass	2019	\$ 96,871	\$ 238,306	\$ 153,955	\$ 489,132
	2018	93,614	193,000	142,739	429,353
	2017	84,321	93,072	143,038	320,431
Richard T. Clampitt	2019	\$ 72,574	\$ 178,535	\$ 108,570	\$ 359,679
	2018	72,053	148,548	96,487	317,088
	2017	72,770	136,763	92,700	302,233
William B. Noble	2019	\$ 72,574	\$ 178,535	\$ 138,079	\$ 389,188
	2018	55,150	113,700	124,703	293,553
	2017	53,357	100,279	127,877	281,513

² Amounts reported as Non-Equity Incentive Plan Compensation represent Incentive Compensation payouts under the Company's Performance Incentive Program as described in the narrative preceding the Summary Compensation Table and in the Compensation Discussion and Analysis section of this Proxy Statement. Threshold, target and maximum payouts for each of the NEOs for fiscal year 2019 are set forth below in the table under the heading, *Grants of Plan-Based Awards - Fiscal Year 2019*.

³ All Other Compensation for each of the NEOs includes the following items: (i) perquisites and benefits described below; (ii) employer profit sharing and matching contributions to the Company's 401(k) Profit Sharing Plan for each NEO other than Mr. Noble, and a U.K. employer retirement benefit contribution for Mr. Noble in fiscal years 2017 and 2018 ("Retirement Benefits"); (iii) dividend equivalent amounts paid to Messrs. Ridge and Noble with respect to RSUs held by each of them that are vested and that will not be settled in shares until termination of employment and dividend equivalent amounts paid to each of the NEOs with respect to Vested DPUs that will not be settled in shares until termination of employment ("Dividend Equivalents"); (iv) the value of supplemental life insurance benefits received by Messrs. Ridge and Rembolt described below under the heading, *Supplemental Death Benefit Plans and Supplemental Insurance Benefits* ("Death Benefits"); and (v) a taxable payment made to Mr. Noble in lieu of a retirement plan contribution under the U.K. retirement benefit program that would, if contributed to the retirement plan, result in adverse tax consequences to Mr. Noble ("In Lieu Benefit"). Perquisites and benefits received by each of the NEOs include group life, medical, dental, vision, wellness and other insurance benefits ("Welfare Benefits") and vehicle allowance costs which include lease or depreciation expense, fuel, maintenance and insurance costs for each NEO other than Mr. Noble, and a cash allowance and fuel for Mr. Noble ("Vehicle Allowance").

The following table sets forth the separate amounts included in All Other Compensation for fiscal year 2019 for each of the NEOs:

Executive Officer	Retirement Benefits	Dividend Equivalents	Death Benefits	In Lieu Benefit	Welfare Benefits	Vehicle Allowance	Total All Other Compensation
Garry O. Ridge	\$ 46,389	\$ 16,237	\$ 5,270	\$ -	\$ 32,799	\$ 14,653	\$ 115,347
Jay W. Rembolt	\$ 46,389	\$ 735	\$ 5,425	\$ -	\$ 31,100	\$ 14,998	\$ 98,645
Steven A. Brass	\$ 46,389	\$ 256	\$ -	\$ -	\$ 31,284	\$ 14,721	\$ 92,651
Richard T. Clampitt	\$ 46,389	\$ 424	\$ -	\$ -	\$ 19,236	\$ 17,008	\$ 83,058
William B. Noble	\$ -	\$ 10,075	\$ -	\$ 45,951	\$ 8,099	\$ 16,661	\$ 80,786

⁴ Mr. Noble's Salary, Non-Equity Incentive Plan Compensation and All Other Compensation for each fiscal year have been converted from Great Britain pounds sterling ("GBP") at average annual exchange rates for the year as follows: for fiscal year 2019 at \$1.2859 per GBP, for fiscal year 2018 at \$1.3475 per GBP, and for fiscal year 2017 at \$1.2678 per GBP.

GRANTS OF PLAN-BASED AWARDS - FISCAL YEAR 2019

In December 2016, the Company's stockholders approved the WD-40 Company 2016 Stock Incentive Plan to authorize the issuance of stock-based compensation awards to employees, directors and consultants. In addition to base salary and the Performance Incentive Compensation, for fiscal year 2019 the executive officers were granted RSU, MSU and DPU awards under the Company's 2016 Stock Incentive Plan. Descriptions of the RSU, MSU and DPU awards are provided above in the Compensation Discussion and Analysis section under the heading, *Equity Compensation*.

Information concerning the grant of RSU, MSU and DPU awards to the NEOs is provided in the following Grants of Plan-Based Awards table. The table also contains information with respect to Performance Incentive Program opportunity awards for fiscal year 2019 as described above in the Compensation Discussion and Analysis section under the heading, *Performance Incentive Program*. The table provides threshold, target and maximum payout information relating to the Company's fiscal year 2019 Performance Incentive Program.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ¹			Estimated Future Payouts Under Equity Incentive Plan Awards ²			All Other Stock Awards: Number of Shares of Stock or Units ³ (#)	Grant Date Fair Value of Stock and Options Awards ⁴ (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Garry O. Ridge	10/8/2018	\$ 1	\$ 662,000	\$ 1,324,000					
	10/8/2018 (MSU)				1,997	3,994	7,988		\$ 775,076
	10/8/2018 (RSU)							3,994	\$ 630,133
	10/8/2018 (DPU)				199		3,987		\$ -
Jay W. Rembolt	10/8/2018	\$ 1	\$ 160,300	\$ 320,599					
	10/8/2018 (MSU)				422	845	1,690		\$ 163,981
	10/8/2018 (RSU)							845	\$ 133,316
	10/8/2018 (DPU)				48		965		\$ -
Steven A. Brass	10/8/2018	\$ 1	\$ 179,674	\$ 359,347					
	10/8/2018 (MSU)				307	614	1,228		\$ 119,153
	10/8/2018 (RSU)							614	\$ 96,871
	10/8/2018 (DPU)				48		960		\$ -
Richard T. Clampitt	10/8/2018	\$ 1	\$ 112,438	\$ 224,875					
	10/8/2018 (MSU)				230	460	920		\$ 89,268
	10/8/2018 (RSU)							460	\$ 72,574
	10/8/2018 (DPU)				33		677		\$ -
William B. Noble ⁵	10/8/2018	\$ 1	\$ 136,401	\$ 272,801					
	10/8/2018 (MSU)				230	460	920		\$ 89,268
	10/8/2018 (RSU)							460	\$ 72,574
	10/8/2018 (DPU)				43		861		\$ -

¹ The Estimated Future Payouts Under Non-Equity Incentive Plan Awards represent Threshold, Target and Maximum payouts under the WD-40 Company Performance Incentive Compensation Plan for Incentive Compensation payable for fiscal year 2019 performance. The Target amount represents fifty percent of the Maximum payout for each NEO. The Maximum amount represents the Incentive Compensation opportunity for each NEO that assumes full achievement of the performance measures for Level A of the Performance Incentive Program (as more fully discussed above in the Compensation Discussion and Analysis section under the heading, *Performance Incentive Program*) and attainment by the Company of a level of Global EBITDA sufficient to maximize such payouts under Level C of the Performance Incentive Program.

² The Estimated Future Payouts Under Equity Incentive Plan Awards represent the Threshold, Target and Maximum number of shares to be issued upon performance vesting of MSU and DPU awards as described in the Compensation Discussion and Analysis section under the heading, *Equity Compensation*. There is no applicable Target number of shares for DPU awards to be earned by the NEOs.

³ All Other Stock Awards represent RSUs described in the Compensation Discussion and Analysis section under the heading, *Equity Compensation*.

⁴ Information relating to the amounts disclosed as the Grant Date Fair Value of Stock Awards is included in footnote 1 to the Summary Compensation Table above.

OUTSTANDING EQUITY AWARDS AT 2019 FISCAL YEAR END

The following table provides detailed information concerning the RSU and MSU awards that were not vested as of the end of the last fiscal year for each of the NEOs:

Stock Awards				
Name	Number of Shares or Units of Stock That Have Not Vested (#)¹	Market Value of Shares or Units of Stock That Have Not Vested (\$)²	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)³	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)⁴
Garry O. Ridge	8,322	\$ 1,517,101	25,356	\$ 4,622,399
Jay W. Rembolt	1,629	\$ 296,967	4,850	\$ 884,155
Steven A. Brass	1,442	\$ 262,877	4,131	\$ 753,081
Richard T. Clampitt	1,119	\$ 203,994	3,592	\$ 654,822
William B. Noble	956	\$ 174,279	2,922	\$ 532,681

¹ Represents RSU awards to the NEOs that were not vested as of the fiscal year end.

² The Market Value of the RSU awards that were not vested as of the fiscal year end was \$182.30 per unit, determined by reference to the closing price for the Company's common stock as of August 31, 2019.

³ Represents the maximum number of shares to be issued with respect to MSU awards granted to the NEOs that were not vested as of the fiscal year end. The maximum number of shares to be issued with respect to MSU awards equals the number of shares to be issued with respect to the MSU awards upon achievement of the highest level of achievement for such MSU awards as described above in the Compensation Discussion and Analysis section under the heading, *Equity Compensation*.

⁴ The Market Value of the maximum number of shares to be issued with respect to unvested MSU awards at fiscal year end was \$182.30 per share, determined by reference to the closing price for the Company's common stock as of August 31, 2019.

OPTION EXERCISES AND STOCK VESTED - FISCAL YEAR 2019

No shares of the Company's common stock were acquired on exercise of stock options in the Company's last fiscal year for the NEOs. The following table sets forth the number of shares of the Company's common stock acquired upon the vesting of RSU and MSU awards in the Company's last fiscal year and the aggregate dollar value realized with respect to such vested RSU and MSU awards.

Stock Awards		
Executive Officer	Number of Shares Acquired on Vesting¹ (#)	Value Realized on Vesting² (\$)
Garry O. Ridge	13,203	\$ 2,132,945
Jay W. Rembolt	2,647	\$ 427,623
Steven A. Brass	1,143	\$ 184,652
Richard T. Clampitt	2,263	\$ 365,588
William B. Noble	1,667	\$ 269,304

¹ The Number of Shares Acquired on Vesting for each NEO includes shares of the Company's common stock issued upon vesting of RSU and MSU awards on October 23, 2018.

² The Value Realized on Vesting for shares of the Company's common stock issued on October 23, 2018 is calculated based on the number of vested RSU and MSU awards multiplied by the closing price of \$161.55 for the Company's common stock as of that date.

NONQUALIFIED DEFERRED COMPENSATION – FISCAL YEAR 2019

The following table provides information concerning compensation received by the NEOs that is subject to deferral under applicable RSU and DPU award agreements:

Executive Officer	Aggregate Earnings in Last FY ¹ (\$)	Aggregate Balance at Last FYE ² (\$)
Garry O. Ridge	\$ 33,227	\$ 1,248,937
Jay W. Rembolt	\$ 1,504	\$ 56,513
Steven A. Brass	\$ 524	\$ 19,688
Richard T. Clampitt	\$ 868	\$ 32,632
William B. Noble	\$ 20,617	\$ 774,957

¹ The Aggregate Earnings in Last FY represents the increase in value from August 31, 2018 to August 31, 2019 of the shares underlying deferred settlement RSUs and Vested DPUs held by each NEO that will be settled in shares of the Company’s common stock following termination of employment as disclosed in footnotes to the table under the heading, *Security Ownership of Directors and Executive Officers*. The number of such deferred settlement RSUs and Vested DPUs for each NEO was multiplied by the difference in the closing price of the Company’s common stock on August 31, 2019 of \$182.30 and on August 31, 2018 of \$177.45, an increase in value of \$4.85 per share. Amounts included as the Aggregate Earnings in Last FY are not otherwise included as compensation in the Summary Compensation Table for fiscal year 2019.

² The Aggregate Balance at Last FYE represents the value as of August 31, 2019 of the deferred settlement RSUs and Vested DPUs held by each NEO as noted in the footnote above. The value for each deferred settlement RSU and each Vested DPU is based on the closing price of the Company’s common stock as of August 31, 2019 in the amount of \$182.30 per share. The underlying deferred settlement RSUs and Vested DPUs were included in prior disclosures for the NEOs to the extent that the NEOs were included in Summary Compensation Table disclosures for the years in which such awards were first granted to the NEOs.

SUPPLEMENTAL DEATH BENEFIT PLANS AND SUPPLEMENTAL INSURANCE BENEFITS

The Company maintains Supplemental Death Benefit Plans for Messrs. Ridge and Rembolt. Under the death benefit plan agreements, the NEO’s designated beneficiary or estate, as applicable, will receive a death benefit equal to the NEO’s then current base salary in the event of his death prior to retirement from the Company. All of the NEOs are also eligible to receive life insurance benefits offered to all employees of the Company and, in the case of Mr. Noble, to all employees of the Company’s U.K. subsidiary.

The death benefits under the Supplemental Death Benefit Plans are not formally funded but the Company has purchased key man life insurance policies owned by the Company to cover its benefit obligations. Non-employee directors do not have death benefit plan agreements.

Based upon their fiscal year 2019 base salaries, the supplemental death benefit to be provided to Messrs. Ridge and Rembolt as of the end of fiscal year 2019 would have been as set forth in the following table:

Executive Officer	Death Benefit
Garry O. Ridge	\$ 662,000
Jay W. Rembolt	\$ 320,599
Steven A. Brass	\$ -
Richard T. Clampitt	\$ -
William B. Noble	\$ -

CHANGE OF CONTROL SEVERANCE AGREEMENTS

Each executive officer serves at the discretion of the Board of Directors. The Company has entered into Change of Control Severance Agreements (“Severance Agreements”) with each of the NEOs. The Severance Agreements provide that each executive officer will receive certain severance benefits if his or her employment is terminated without “Cause” or if he or she resigns for “Good Reason”, as those terms are defined in the Severance Agreements, within two years after a “Change of Control”

as defined in the Severance Agreements and summarized below. If the executive officer’s employment is terminated during the aforementioned two-year period by the Company without “Cause” or by the executive officer for “Good Reason”, the executive officer will be entitled to a lump sum payment (subject to limits provided by reference to Section 280G of the Internal Revenue Code which limits the deductibility of certain payments to executives upon a change in control) of twice the executive officer’s salary, calculated based on the greater of the executive officer’s then current annual salary or a five-year average, plus twice the executive officer’s earned Incentive Compensation, calculated based on the greater of the most recent annual earned Incentive Compensation or a five-year average. Further, any of the executive officer’s outstanding equity incentive awards that are not then fully vested (with the exception of DPU awards), will be accelerated and vested in full following such termination of employment within such two-year period and the executive officer will be entitled to continuation of health and welfare benefits under the Company’s then existing benefit plans or equivalent benefits for a period of up to two years from the date of termination of employment. No employment rights or benefits other than the change of control severance benefits described in this paragraph are provided by the Severance Agreements.

For purposes of the Severance Agreements and subject to the express provisions and limitations contained therein, a “Change of Control” means a transaction or series of transactions by which a person or persons acting together acquire more than 30% of the Company’s outstanding shares; a change in a majority of the incumbent members of the Company’s Board of Directors as specified in the Severance Agreements, a reorganization, merger or consolidation as specified in the Severance Agreements or a sale of substantially all of the assets or complete liquidation of the Company. As specified more particularly in the Severance Agreements, a “Change of Control” does not include a reorganization, merger or consolidation or a sale or liquidation where a majority of the incumbent members of the Company’s Board of Directors continue in office and more than 60% of the successor company’s shares are owned by the Company’s pre-transaction stockholders.

The Severance Agreements have a term of two years, subject to automatic renewal for successive two year periods unless notice of non-renewal is provided by the Company’s Board of Directors not less than six months prior to the end of the current term. The term of the Severance Agreements will be automatically extended for a term of two years following any “Change of Control.”

The following table sets forth the estimated amounts payable to each of the NEOs pursuant to their respective Severance Agreements on the assumption that the employment of each NEO was terminated without “Cause” or otherwise for “Good Reason” effective as of the end of fiscal year 2019 following a “Change of Control” as provided for in the Severance Agreements. The table also includes the value, as of the end of the fiscal year, of all RSU and MSU awards that were not vested as of the end of fiscal year 2019.

Executive Officer	Severance Pay¹	Welfare Benefits²	Accelerated Vesting of RSUs and MSUs³	Total Change of Control Severance Benefits
Garry O. Ridge	\$ 2,720,222	\$ 58,993	\$ 3,828,300	\$ 6,607,515
Jay W. Rembolt	\$ 1,038,946	\$ 58,593	\$ 739,045	\$ 1,836,584
Steven A. Brass	\$ 1,199,094	\$ 58,593	\$ 675,057	\$ 1,932,744
Richard T. Clampitt	\$ 840,308	\$ 35,233	\$ 531,405	\$ 1,406,946
William B. Noble	\$ 847,755	\$ 8,762	\$ 440,619	\$ 1,297,136

¹ For each NEO other than Mr. Noble, Severance Pay includes two times the reported Salary for fiscal year 2019 plus two times the reported Non-Equity Incentive Plan Compensation for fiscal year 2018. For Mr. Noble, Severance Pay includes two times the reported Salary for fiscal year 2019 plus two times the average reported Non-Equity Incentive Plan Compensation for the five years ended August 31, 2018.

² For each NEO, Welfare Benefits includes an estimate of the Company’s cost to provide two years of continuation coverage under the Company’s welfare benefit plans, which does not include life insurance or long-term disability insurance.

³ Acceleration of vesting of RSU and MSU awards is governed by applicable provisions of the Severance Agreements and the MSU Award Agreements. The value included for accelerated vesting of RSU and MSU awards equals the value of the RSU and MSU awards that were not vested at \$182.30 for each RSU and MSU based on the closing price for the Company’s common stock as of August 31, 2019. MSUs are valued for this purpose based upon the Target Number of shares of the Company’s common stock to be issued with respect to the MSUs as described above in the Compensation Discussion and Analysis section under the heading, *Equity Compensation*.

CEO PAY RATIO

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act and the SEC pay ratio disclosure rule, we are providing the ratio of the total annual compensation of our CEO, Mr. Ridge, to that of the Company's "median employee" for fiscal year 2019. For fiscal year 2019, the pay ratio of the CEO's compensation to the median employee's compensation was approximately 34 to 1.

As authorized by applicable CEO pay ratio disclosures, we identified the Company's median employee from all employees of the Company (excluding the CEO) as of August 31, 2018. During the year ended August 31, 2019 there were no changes in the Company's employee population or compensation practices that could reasonably result in a significant change in the reported pay ratio disclosure. In identifying the Company's median employee as of August 31, 2018 we included all worldwide employees, including full-time, part-time and temporary employees. As of August 31, 2018, the Company employed 491 individuals located in 15 countries. As of August 31, 2019, the Company employed 509 individuals located in 15 countries.

For purposes of identifying the Company's median employee as of August 31, 2018, we calculated total compensation for fiscal year 2018 for each employee other than the CEO by including salary or regular hourly wages paid in the fiscal year, Incentive Compensation paid during the fiscal year under the Company's Performance Incentive Program, and the grant date value of equity awards (RSUs and MSUs) granted to employees in the fiscal year. Compensation paid to employees who were hired after the beginning of the fiscal year or who terminated prior to the end of the fiscal year was not annualized. For employees who received compensation denominated in a foreign currency, such amounts were converted to U.S. dollars at average annual exchange rates as of August 31, 2018.

To determine the CEO pay ratio, the total annual compensation for the median employee was calculated for fiscal year 2019 by including all elements of compensation required to be included in the Summary Compensation Table for fiscal year 2019 in the same manner as such compensation was calculated for the CEO. The Company's median employee is located in the United States.

For fiscal year 2019, the total annual compensation of our CEO was \$3,079,841 and the total annual compensation of our median employee was \$90,849. Accordingly, the ratio of the total annual compensation of our CEO to that of our median employee was approximately 34 to 1.

AUDIT COMMITTEE REPORT

In accordance with its Charter, the Audit Committee provides assistance to the Company's Board of Directors in fulfilling its oversight responsibilities relating to the quality and integrity of the accounting, auditing, and reporting practices of the Company, including assessment of the effectiveness of internal controls over financial reporting. Each member of the Audit Committee meets the independence criteria prescribed by applicable regulations and rules of the SEC for audit committee membership and is an "independent director" within the meaning of applicable NASDAQ listing standards.

Management is responsible for preparing the Company's financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") and for establishing and maintaining internal control over financial reporting. The Company's independent registered public accounting firm ("auditor") is responsible for performing an integrated audit of the Company's financial statements and internal control over financial reporting and expressing opinions as to whether the financial statements have been prepared in accordance with GAAP and as to management's assessment of the effectiveness of internal control over financial reporting.

The Audit Committee reviewed the Company's audited financial statements for the fiscal year ended August 31, 2019. The Audit Committee discussed and reviewed with management the audited financial statements and management's assessment of the effectiveness of its internal controls over financial reporting. The Audit Committee discussed and reviewed with the Company's auditor the audited financial statements and the auditor's attestation report regarding effectiveness of management's internal controls over financial reporting. The Audit Committee also discussed with the auditor those matters required to be discussed by PCAOB Auditing Standard No. 1301, Communications with Audit Committees, which provides that certain matters related to the conduct of the financial statement audit are to be communicated to the Audit Committee. In fulfilling its oversight responsibilities, the Audit Committee met separately with management and separately with the Company's auditor to discuss results of audit examinations and evaluations of internal controls.

The Audit Committee is responsible for the appointment, retention, compensation, and oversight of the Company's auditor. In this regard, the Audit Committee discussed with the auditor their independence from management and the Company, including matters in written documents and a letter received from the auditor as required by PCAOB Rule 3526, Communication with Audit Committees Concerning Independence. In evaluating the auditor's independence, the Audit Committee also considered whether the auditor's provision of any non-audit services impaired or compromised the firm's independence.

The Audit Committee considered several factors in selecting PricewaterhouseCoopers LLP as the Company's auditor, including the firm's independence and internal quality controls, the overall depth of talent, and their familiarity with the Company's businesses and internal controls over financial reporting. Further, in conjunction with the mandated rotation of auditing firm's coordinating partner, the Audit Committee and its chair oversee and are directly involved in the selection process for any change in coordinating partners.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board that the Company's audited financial statements be included in its annual report on Form 10-K for its fiscal year ended August 31, 2019, and that PricewaterhouseCoopers LLP serve as the Company's independent registered public accounting firm for the fiscal year ending August 31, 2020.

Audit Committee
Daniel T. Carter, Chair
Daniel E. Pittard
Anne G. Saunders
Neal E. Schmale

ITEM NO. 3
RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has appointed PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company to audit the consolidated financial statements of the Company for fiscal year 2020. Although ratification by stockholders is not required by law, the Audit Committee has determined that it is desirable to request ratification of this selection by the stockholders. Notwithstanding its selection, the Audit Committee, in its discretion, may appoint a new independent registered public accounting firm at any time during the year if the Audit Committee believes that such a change would be in the best interests of the Company and its stockholders. If the stockholders do not ratify the appointment of PricewaterhouseCoopers LLP, the Audit Committee may reconsider its selection.

A majority of the votes of the common stock present or represented at the meeting is required for approval. Broker non-votes will be voted in favor of approval. PricewaterhouseCoopers LLP acted as the Company's independent registered public accounting firm during the past fiscal year and, unless the Audit Committee appoints new independent accountants, PricewaterhouseCoopers LLP will continue to act in such capacity during the current fiscal year. It is anticipated that a representative of PricewaterhouseCoopers LLP will attend the Annual Meeting of Stockholders, will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

The Audit Committee's policy is to pre-approve all audit and permissible non-audit products and services provided by the independent registered public accounting firm. These products and services may include audit services, audit-related services, tax services, software and other products or services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent accountants and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent public accountants in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis. The possible effect on the independence of the public accountants is considered by the Audit Committee. There is no direct or indirect understanding or agreement that places a limit on current or future years' audit fees or permissible non-audit products and services.

AUDIT FEES

PricewaterhouseCoopers LLP has provided audit services to the Company for each of the past two fiscal years. Audit fees consist of fees for professional services rendered for the audit of the Company's consolidated annual financial statements, the review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings or engagements. The aggregate fees billed to the Company by PricewaterhouseCoopers LLP for audit services performed for the Company for the past two fiscal years were \$1,283,996 for the year ended August 31, 2019, and \$1,069,296 for the year ended August 31, 2018.

AUDIT-RELATED FEES

Audit-related services consist of assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under "Audit Fees." Audit-related services billed to the Company by PricewaterhouseCoopers LLP were \$64,820 for the year ended August 31, 2019, and \$64,500 for the year ended August 31, 2018. The fees for fiscal year 2019 were associated with discussions, review and testing of certain information related to the adoption of Accounting Standard Update No. 2016-02, "Leases", which will be adopted by the Company in fiscal year 2020. Such fees for fiscal year 2018 were related to discussions, review and testing of certain information related to the adoption of Accounting Standard No. 2014-09, "Revenue from Contracts with Customers", which the Company adopted in fiscal year 2019.

TAX FEES

Tax fees consist of tax compliance, tax advice, tax consulting or tax planning services provided by PricewaterhouseCoopers LLP to the Company. Tax fees billed to the Company by PricewaterhouseCoopers LLP were \$45,000 for the year-ended August 31, 2019, and were associated with tax consulting services. No such fees were billed to the Company by PricewaterhouseCoopers LLP for the year-ended August 31, 2018.

ALL OTHER FEES

Other fees for services provided by PricewaterhouseCoopers LLP for fiscal years 2019 and 2018 consisted of fees for access provided by PricewaterhouseCoopers LLP to its online research reference and disclosure checklist materials. Other fees for fiscal year 2019 also include fees associated with process evaluation advisory services. The aggregate fees billed to the Company by PricewaterhouseCoopers LLP for other services performed for the Company were \$47,766 for the year ended August 31, 2019, and \$2,700 for the year ended August 31, 2018.

STOCKHOLDER PROPOSALS

Stockholder proposals must be received by the Company no sooner than June 3, 2020 and not later than July 3, 2020 to be included in the Proxy Statement and form of proxy for the next annual meeting. Any proposal submitted outside of these dates will be considered untimely in order to be considered at the Company's 2020 Annual Meeting of Stockholders in accordance with the Company's Bylaws.

By Order of the Board of Directors
Richard T. Clampitt
Corporate Secretary

Dated: October 31, 2019

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. THEREFORE, STOCKHOLDERS ARE URGED TO FILL IN, SIGN AND RETURN THE ACCOMPANYING FORM OR FORMS OF PROXY IN THE ENCLOSED ENVELOPE.

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ANNUAL REPORT ON FORM 10-K

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

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended August 31, 2019

or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____ .

Commission File Number: 000-06936
Commission Company Name: WD 40 CO

WD-40 COMPANY

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)
9715 Businesspark Avenue, San Diego, California
(Address of principal executive offices)

95-1797918
(I.R.S. Employer
Identification No.)
92131
(Zip code)

Registrant's telephone number, including area code: **(619) 275-1400**

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

Title of each class	Trading Symbol	Name of exchange on which registered
Common stock, par value \$0.001 per share	WDFC	NASDAQ

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

Title of each class
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 Section 15(d) of the Act.

Yes No

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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 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, or a 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 Act).

Yes No

The aggregate market value (closing price) of the voting stock held by non-affiliates of the registrant as of February 28, 2019 was approximately \$2,409,711,298.

As of October 17, 2019, there were 13,703,661 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference:

The Proxy Statement for the annual meeting of stockholders on December 10, 2019 is incorporated by reference into Part III, Items 10 through 14 of this Annual Report on Form 10-K.

WD-40 COMPANY

**ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended August 31, 2019**

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I</u>	
Item 1. <u>Business</u>	1
Item 1A. <u>Risk Factors</u>	5
Item 1B. <u>Unresolved Staff Comments</u>	14
Item 2. <u>Properties</u>	14
Item 3. <u>Legal Proceedings</u>	14
Item 4. <u>Mine Safety Disclosures</u>	14
<u>PART II</u>	
Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	15
Item 6. <u>Selected Financial Data</u>	16
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	17
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	32
Item 8. <u>Financial Statements and Supplementary Data</u>	33
Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	33
Item 9A. <u>Controls and Procedures</u>	33
Item 9B. <u>Other Information</u>	34
<u>PART III</u>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	34
Item 11. <u>Executive Compensation</u>	34
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	35
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	35
Item 14. <u>Principal Accountant Fees and Services</u>	35
<u>PART IV</u>	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	36
Item 16. <u>Form 10-K Summary</u>	38

PART I

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements other than those that are purely historical are forward-looking statements which reflect the Company’s current views with respect to future events and financial performance.

These forward-looking statements include, but are not limited to, discussions about future financial and operating results, including: growth expectations for maintenance products; expected levels of promotional and advertising spending; anticipated input costs for manufacturing and the costs associated with distribution of our products; plans for and success of product innovation, the impact of new product introductions on the growth of sales; anticipated results from product line extension sales; expected tax rates and the impact of tax legislation and regulatory action; and forecasted foreign currency exchange rates and commodity prices. These forward-looking statements are generally identified with words such as “believe,” “expect,” “intend,” “plan,” “could,” “may,” “aim,” “anticipate,” “target,” “estimate” and similar expressions. The Company undertakes no obligation to revise or update any forward looking statements.

Actual events or results may differ materially from those projected in forward-looking statements due to various factors, including, but not limited to, those identified in Item 1A of this report. As used in this report, the terms “we,” “our,” “us” and “the Company” refer to WD-40 Company and its wholly-owned subsidiaries, unless the context suggests otherwise. Amounts and percentages in tables and discussions may not total due to rounding.

Item 1. Business

Overview

WD-40 Company is a global marketing organization dedicated to creating positive lasting memories by developing and selling products that solve problems in workshops, factories and homes around the world. The Company was founded in 1953 and is headquartered in San Diego, California.

For more than four decades, the Company sold only one product, WD-40® Multi-Use Product, a maintenance product which acts as a lubricant, rust preventative, penetrant and moisture displacer. Over the last two decades, the Company has evolved and expanded its product offerings through both research and development activities and through the acquisition of several brands worldwide. As a result, the Company has built a family of brands and product lines that deliver high quality performance at a good value to its end users.

The Company currently markets and sells its products in more than 176 countries and territories worldwide primarily through warehouse club stores, automotive parts outlets, hardware stores, industrial distributors and suppliers, mass retail and home center stores, grocery stores, value retailers, farm supply, sport retailers, independent bike dealers and online retailers.

The Company’s sales come from its two product groups – maintenance products and homecare and cleaning products. Maintenance products are sold worldwide in markets throughout North, Central and South America, Asia, Australia, Europe, the Middle East and Africa. Homecare and cleaning products are sold primarily in North America, the United Kingdom (“U.K.”) and Australia.

The Company’s strategic initiatives and the areas where it will continue to focus its time, talent and resources in future periods include: (i) maximizing WD-40 Multi-Use Product sales through geographic expansion, increased market penetration and the development of new and unique delivery systems; (ii) leveraging the WD-40 brand by growing the WD-40 Specialist product line; (iii) leveraging the strengths of the Company through broadened product and revenue base; (iv) attracting, developing and retaining talented people; and (v) operating with excellence.

The principal driver of the Company’s growth continues to be taking the Company’s flagship product, WD-40 Multi-Use Product, the blue and yellow can with the red top, to new users in global markets. The Company is focused on and committed to innovation and renovation of its products. The Company sees innovation and renovation as important factors to the long-term growth of its brands and product lines, and it intends to continue to work on future products, product lines, product packaging, product delivery systems and promotional innovations and renovations. The Company is also focused on expanding its current brands in existing markets with new product development. The Company’s product development teams support new product development and current product improvement for the Company’s brands. Over the years, the Company’s research and development team has made an innovation impact on most of the Company’s brands. Key innovations for the Company’s products include, but are not

limited to, WD-40 EZ-Reach Flexible Straw[®], WD-40 Smart Straw[®], WD-40 Trigger Pro[®], WD-40 Specialist[®], WD-40 Bike[™], 3-IN-ONE RVcare[™] and 3-IN-ONE Professional Garage Door Lube[™].

The Company's homecare and cleaning products, particularly those in the U.S., are considered harvest brands which continue to provide positive returns to the Company but are becoming a smaller part of the business as sales of the maintenance products grow with the execution of the Company's strategic initiatives. Although the Company has evaluated strategic alternatives for certain of its homecare and cleaning products, particularly those in the U.S., it has continued to sell products of these brands but with a reduced level of marketing investment.

Products

Maintenance Products

Included in the Company's maintenance products are both multi-purpose maintenance products and specialty maintenance products. These maintenance products are sold worldwide and they provide end users with a variety of product and delivery system options.

The Company's signature product is the WD-40 Multi-Use Product in the blue and yellow can with the red top, which is included within the maintenance product category and it accounts for a significant majority of the Company's sales. The Company has various products and product lines which it currently sells under the WD-40 brand and they are as follows:

WD-40 Multi-Use Product - The WD-40 Multi-Use Product is a market leader in many countries among multi-purpose maintenance products and is sold as an aerosol spray with various unique delivery systems, a non-aerosol trigger spray and in liquid-bulk form through mass retail stores, hardware stores, warehouse club stores, automotive parts outlets, online retailers and industrial distributors and suppliers. The WD-40 Multi-Use Product is sold worldwide in North, Central and South America, Asia, Australia, Europe, the Middle East and Africa. The WD-40 Multi-Use Product has a wide variety of consumer uses in, for example, household, marine, automotive, construction, repair, sporting goods and gardening applications, in addition to numerous industrial applications.

WD-40 Specialist product line – WD-40 Specialist consists of a line of professional-grade specialty maintenance products that include penetrants, degreasers, corrosion inhibitors, greases, lubricants and rust removers that are aimed at professionals as well as end users that currently use the WD-40 Multi-Use Product. The WD-40 Specialist product line is sold primarily in the U.S. and many countries in Europe, as well as parts of Canada, Latin America, Australia and Asia. Within the WD-40 Specialist product line, the Company also sells WD-40 Specialist Motorbike in Europe, WD-40 Specialist Lawn and Garden in Australia, and WD-40 Specialist Automotive in Asia.

WD-40 Bike product line - The WD-40 Bike product line consists of a comprehensive line of bicycle maintenance products that include wet and dry chain drip lubricants, chain cleaners and degreasers, and foaming wash that are designed for avid and recreational cyclists, bike enthusiasts and mechanics. The Company launched this product line in the U.S. in fiscal year 2013, in Australia and Europe in fiscal year 2014, and in Latin America and select countries in Asia in early fiscal year 2016. Although the initial focus for such sales was on smaller independent bike dealers, distribution of WD-40 Bike products has been expanded to include select distributors and retailers in countries where the Company sells this product.

The Company also has the following additional brands which are included within its maintenance products group:

3-IN-ONE - The 3-IN-ONE brand consists of multi-purpose drip oil, specialty drip oils, and spray lubricant products, as well as other specialty maintenance products. The multi-purpose drip oil is a lubricant with unique spout options that allow for precise applications to small mechanisms and assemblies, tool maintenance and threads on screws and bolts. 3-IN-ONE Oil is the market share leader among drip oils for household consumers. It also has wide industrial applications in such areas as locksmithing, HVAC, marine, farming and construction. In addition to the drip oil line of products, the 3-IN-ONE brand also includes a professional line of products known as 3-IN-ONE Professional, which is a line of professional-grade maintenance products, as well as 3-IN-ONE RVcare products and 3-IN-ONE Garage Door Lubricant. The high quality of the 3-IN-ONE brand and its established distribution network have enabled these products to gain international acceptance. 3-IN-ONE products are sold primarily in the U.S., Europe, Canada, Latin America, Australia and Asia.

GT85 - The GT85 brand is a multi-purpose bike maintenance product that consists of professional spray maintenance products and lubricants which are sold primarily in the bike market through the automotive and industrial channels in the U.K. This brand was acquired by the Company's U.K. subsidiary in September 2014 and it has helped build upon the Company's strategy to develop new product categories for WD-40 Specialist and WD-40 BIKE.

Homecare and Cleaning Products

The Company sells its homecare and cleaning products in certain locations worldwide and they include a portfolio of well-known brands as follows:

2000 Flushes - The 2000 Flushes brand is a line of long-lasting automatic toilet bowl cleaners which includes a variety of formulas. 2000 Flushes is sold primarily in the U.S. and Canada through grocery and mass retail channels as well as through online retailers.

Spot Shot - The Spot Shot brand is sold as an aerosol carpet stain remover and a liquid trigger carpet stain and odor eliminator. The brand also includes environmentally friendly products such as Spot Shot Instant Carpet Stain & Odor Eliminator™ and Spot Shot Pet Clean, which are non-toxic and biodegradable. Spot Shot products are sold primarily through grocery and mass retail channels, online retailers, warehouse club stores and hardware and home center stores in the U.S., Canada and the United Kingdom. Spot Shot products are sold in the U.K. under the 1001 brand name.

Carpet Fresh - The Carpet Fresh brand is a line of room and rug deodorizers sold as powder, aerosol quick-dry foam and trigger spray products. Carpet Fresh is sold primarily through grocery, mass, and value retail channels as well as through online retailers in the U.S., the U.K. and Australia. In the U.K., these products are sold under the 1001 brand name. In Australia, they are sold under the No Vac brand name.

1001 - The 1001 brand includes carpet and household cleaners and rug and room deodorizers which are sold primarily through mass retail, grocery and home center stores in the U.K. The brand was acquired in order to introduce the Company's other homecare and cleaning product formulations under the 1001 brand and to expand the Company's homecare and cleaning products business into the U.K. market.

Lava/Solvol - The Lava and Solvol brands consist of heavy-duty hand cleaner products which are sold in bar soap and liquid form through hardware, grocery, industrial, automotive and mass retail channels as well as through online retailers. Lava is sold primarily in the U.S., while Solvol is sold exclusively in Australia.

X-14 - The X-14 brand is a line of quality products designed for unique cleaning needs. X-14 is sold as a liquid mildew stain remover and as an automatic toilet bowl cleaner. X-14 is sold primarily in the U.S. through grocery and mass retail channels as well as through online retailers.

Sales and Marketing

The Company's sales do not reflect any significant degree of seasonality. However, it is common for the Company's sales to fluctuate from period to period or year to year due to various factors including, but not limited to, new or lost distribution, the number of product offerings carried by a customer and the level of promotional activities and programs being run at customer locations. New or lost distribution occurs when the Company gains or loses customers, when it gains or loses store count for a customer or when its products are added to new locations within a store or removed from existing locations. From time to time, as part of new product offering launches, the Company may gain access to entirely new distribution channels. The number of product offerings refers to the number of brands and/or the number of products within each of those brands that the Company's customers offer for sale to end user customers. The level of promotional activities and programs relates to the number of events or volumes of purchases by customers in support of off-shelf or promotional display activities. Changes in any one of these three factors or a combination of them can cause the Company's sales levels to increase or decrease from period to period. It is also common and/or possible that the Company could lose distribution or product offerings and experience a decrease in promotional activities and programs in one period and subsequently regain this business in a future period. The Company is accustomed to such fluctuations and manages this as part of its normal business activities.

Manufacturing

The Company outsources directly or through its marketing distributors the manufacturing of its finished products to various third-party contract manufacturers. The Company or its marketing distributors use contract manufacturers in the U.S., Canada, Mexico, Brazil, Argentina, Columbia, the U.K., Italy, Australia, China, South Korea and India. Although the Company has definitive minimum purchase obligations included in the contract terms with certain of its contract manufacturers, when such obligations have been included, they have either been immaterial or the minimum amounts have been such that they are well below the volume of goods that the Company has historically purchased. Supply needs are communicated by the Company to its contract manufacturers, and the Company is committed to purchase the products manufactured based on orders and short-term projections, ranging from two to five months, provided to the contract manufacturers. The Company also formulates and manufactures concentrate used in its WD-40 products at its own facilities and at third-party contract manufacturers.

In addition to the commitments to purchase products from contract manufacturers described above, the Company may also enter into commitments with other manufacturers from time to time to purchase finished goods and components to support innovation and renovation initiatives and/or supply chain initiatives.

Sources and Availability of Components and Raw Materials

The Company and its third-party contract manufacturers rely on a limited number of suppliers, including single or sole suppliers, for certain of its raw materials, packaging, product components and other necessary supplies. The primary components and raw materials for the Company's products include petroleum-based specialty chemicals and aerosol cans, which are manufactured from commodities that are subject to volatile price changes. The availability of these components and raw materials is affected by a variety of supply and demand factors, including global market trends, plant capacity decisions and natural disasters. The Company expects these components and raw materials to continue to be readily available in the future, although the Company will continue to be exposed to volatile price changes.

Research and Development

The Company recognizes the importance of innovation and renovation to its long-term success and is focused on and committed to research and new product development activities, primarily in its maintenance product group. The Company's product development team engages in consumer research, product development, current product improvement and testing activities. The product development team also leverages its development capabilities by partnering with a network of outside resources including the Company's current and prospective outsource suppliers. In addition, the research and development team engages in activities and product development efforts which are necessary to ensure that the Company meets all regulatory requirements for the formulation of its products.

Order Backlog

Order backlog is not a significant factor in the Company's business.

Competition

The markets for the Company's products, particularly those related to its homecare and cleaning products, are highly competitive. The Company's products compete both within their own product classes as well as within product distribution channels, competing with many other products for store placement and shelf space. Competition in international markets varies by country. The Company is aware of many competing products, some of which sell for lower prices or are produced and marketed by companies with greater financial resources than those of the Company. The Company relies on the awareness of its brands among consumers, the value offered by those brands as perceived by consumers, product innovation and renovation and its multiple channel distributions as its primary strategies. New products typically encounter intense competition, which may require advertising and promotional support and activities. When or if a new product achieves consumer acceptance, ongoing advertising and promotional support may be required in order to maintain its relative market position.

Trademarks and Patents

The Company owns a number of patents, but relies primarily upon its established trademarks, brand names and marketing efforts, including advertising and sales promotions, to compete effectively. The WD-40 brand, 3-IN-ONE, Lava, Solvol, X-14, 2000 Flushes, Carpet Fresh and No Vac, Spot Shot, GT85, and 1001 trademarks are registered or have pending registrations in various countries throughout the world.

Employees

At August 31, 2019, the Company employed 495 people worldwide: 183 by the U.S. parent corporation; 214 by the U.K. subsidiary; 56 by the China subsidiary; 20 by the Australia subsidiary; 13 by the Canada subsidiary; 7 by the Malaysia subsidiary; and 2 by WD-40 Manufacturing Company, the Company's manufacturing subsidiary.

Financial Information about Foreign and Domestic Operations

For detailed information about the Company's foreign and domestic operations, including net sales by reportable segment and long-lived assets by geography, refer to Note 16 - Business Segments and Foreign Operations of the consolidated financial statements, included in Item 15 of this report.

Access to SEC Filings

The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available through the Investors section of the Company's website at www.wd40company.com. These reports can be accessed free of charge from the Company's website as soon as reasonably practicable after the Company electronically files such materials with, or furnishes them to, the Securities and Exchange Commission ("SEC"). Information contained on the Company's website is not included as a part of, or incorporated by reference into, this report. The SEC also maintains an internet site (www.sec.gov) that contains the Company's reports.

Item 1A. Risk Factors

The following risks and uncertainties, as well as other factors described elsewhere in this report or in other SEC filings by the Company, could adversely affect the Company's business, financial condition and results of operations.

Global operations outside the U.S. expose the Company to uncertain conditions, foreign currency exchange rate risk and other risks in international markets.

The Company's sales outside of the U.S. were approximately 63% of consolidated net sales in fiscal year 2019 and one of its strategic initiatives includes maximizing the WD-40 Multi-Use Product through geographic expansion and market penetration. As a result, the Company currently faces, and will continue to face, substantial risks associated with having increased global operations outside the U.S., including:

- economic or political instability in any of the Company's global markets;
- challenges associated with conducting business in foreign jurisdictions, including those related to the Company's understanding of and compliance with business laws and regulations in such foreign jurisdictions;
- increasing tax complexity or changes in tax law associated with operating in multiple tax jurisdictions;
- dispersed employee base and compliance with employment regulations and other labor issues, such as labor laws and minimum wages, in countries outside the U.S.;
- varying and complex privacy laws in foreign jurisdictions; and
- the imposition of tariffs or trade restrictions and costs, burdens and restrictions associated with other governmental actions.

These risks could have a significant impact on the Company's ability to sell its products on a competitive basis in global markets outside the United States. In addition, recent developments in the U.S. political climate have introduced greater uncertainty with respect to tax policies, trade relations, tariffs and government regulations affecting trade between the U.S. and other countries. These developments, as well as the risks outlined above, could have a material adverse effect on the Company's business, financial condition and results of operations.

Approximately 42% of the Company's revenues in fiscal year 2019 were generated in currencies other than the U.S. dollar, which is the reporting currency of the Company. In addition, all of the Company's foreign operating subsidiaries have functional currencies other than the U.S. Dollar and the Company's largest subsidiary is located in the U.K. and generates significant sales in Pound Sterling and Euro. As a result, the Company is exposed to foreign currency exchange rate risk with respect to its sales, expenses, profits, cash and cash equivalents, other assets and liabilities denominated in currencies other than the U.S. Dollar. In particular, the Company's financial results are negatively impacted when the foreign currencies in which its subsidiary offices operate weaken relative to the U.S. Dollar. Although the Company uses instruments to hedge certain foreign currency risks, primarily those associated with its U.K. subsidiary and net assets denominated in non-functional currencies, it is not fully protected against foreign currency fluctuations and, therefore, the Company's reported earnings may be affected by changes in foreign currency exchange rates. Moreover, any favorable impacts to profit margins or financial results from fluctuations in foreign currency exchange rates are likely to be unsustainable over time.

As a result of the June 2016 referendum by British voters to exit the European Union ("Brexit"), global markets and foreign currencies were adversely impacted in the months following the vote. In particular, the value of the Pound Sterling sharply declined as compared to the U.S. Dollar and other currencies in late fiscal year 2016 and early fiscal year 2017. Subsequently, on March 29, 2017, the U.K. invoked Article 50 of the Lisbon Treaty, which provided for a two-year time period through March 2019 for the U.K. and the remaining EU countries to negotiate a withdrawal agreement. This time period has since been extended until October 31, 2019. Additional volatility in foreign currencies has continued as a result of this extension and this volatility may continue as the U.K. negotiates and executes its impending exit from the European Union. A significantly weaker Pound Sterling compared to the U.S. Dollar over a sustained period of time may have a significant negative effect on the Company's reported results of operations. In addition, the legal and regulatory framework that will apply to the U.K. and its future relationship with the European Union after the exit is completed may change the manner in which businesses operate in Europe,

including how products and services are imported and exported between countries in Europe, and this could adversely impact the Company's financial condition and results of operations. The outcomes of the negotiations between the U.K. and the European Union are currently unknown and due to the lack of comparable precedent, the extent of any adverse consequences to the Company's business is uncertain.

Additionally, the Company's global operations outside the U.S. are subject to risks relating to appropriate compliance with legal and regulatory requirements in local jurisdictions, potential difficulties in staffing and managing local operations, potentially higher incidence of fraud or corruption, credit risk of local customers and distributors and potentially adverse tax consequences. As the Company further develops and grows its business operations outside the U.S., the Company is exposed to additional complexities and risks, particularly in China, Russia and other emerging markets. In many foreign countries, particularly in those with developing economies, business practices that are prohibited by the U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act or other applicable anti-corruption laws and regulations may be prevalent. Evolving privacy laws and regulations in Europe, the U.S. and other jurisdictions present additional risks. Any failure to comply with these laws, even if inadvertent, could result in significant penalties or otherwise harm the Company's reputation and business. Although the Company has adopted policies and contract terms to mandate compliance with these laws, there can be no assurance that all of its employees, contractors and agents will comply with the Company's requirements. Violations of these laws could be costly and disrupt the Company's business, which could have a material adverse effect on its business, financial condition and results of operations.

The Company's financial results could suffer if the Company is unable to implement and successfully manage its strategic initiatives or if the Company's strategic initiatives do not achieve the intended results.

There is no assurance that the Company will be able to implement and successfully manage its strategic initiatives, including its five core strategic initiatives, or that the strategic initiatives will achieve the intended results. The Company's five core strategic initiatives include: (i) maximizing WD-40 Multi-Use Product sales through geographic expansion and increased market penetration and the development of new and unique delivery systems; (ii) leveraging the WD-40 brand by growing the WD-40 Specialist product line; (iii) leveraging the strengths of the Company through broadened product and revenue base; (iv) attracting, developing and retaining talented people; and (v) operating with excellence. An important part of the Company's success depends on its continuing ability to attract, retain and develop highly qualified people. The Company's future performance depends in significant part on maintaining high levels of employee engagement and nurturing the Company's values and culture. In addition, it depends on the continued service of its executive officers, key employees and other talented people, as well as effective succession planning. The loss of the services of key employees could have a material adverse effect on the Company's business and prospects. Competition for such talent is intense, and there can be no assurance that the Company can retain its key employees or attract, assimilate and retain employees who are fully engaged in the future. If the Company is unable to implement and successfully manage its strategic initiatives in accordance with its business plans, the Company's business and financial results could be adversely affected. Moreover, the Company cannot be certain that the implementation of its strategic initiatives will necessarily advance its business or financial results as intended.

If the success and reputation of one or more of the Company's leading brands erodes, the Company's business, financial condition and results of operations could be negatively impacted.

The financial success of the Company is directly dependent on the success and reputation of its brands, particularly its WD-40 brand. The success and reputation of the Company's brands can suffer if marketing plans or product development and improvement initiatives, including the release of new products or innovative packaging, do not have the desired impact on the brands' image or do not attract customers as intended. The Company's brands can also be adversely impacted due to the activities and pressures placed on them by the Company's competitors. Further, the Company's business, financial condition and results of operations could be negatively impacted if one of its leading brands suffers damage to its reputation due to real or perceived quality or safety issues. Quality issues, which can lead to large scale recalls of the Company's products, can be due to items such as product contamination, regulatory non-compliance, packaging errors, incorrect ingredients or components in the Company's product or low quality ingredients in the Company's products due to suppliers delivering items that do not meet the Company's specifications. Product quality issues, which could include lower product efficacy due to formulation changes attributable to regulatory requirements, could also result in decreased customer confidence in the Company's brands and a decline in product quality could result in product liability claims. In addition, the Company's brand value depends on its ability to maintain a positive consumer perception of its corporate integrity and brand culture. Negative claims or publicity involving the Company, its products, or any of its key employees could seriously damage the Company's reputation and brand image, regardless of whether such claims are accurate. Although the Company makes every effort to prevent brand erosion and preserve its reputation and the reputation of its brands, there can be no assurance that such efforts will be successful.

Sales unit volume growth may be difficult to achieve.

The Company's ability to achieve sales volume growth will depend on its ability to (i) execute its strategic initiatives, (ii) drive growth in new markets by making targeted end users aware of the Company's products and making them easier to buy, (iii) drive

growth within its existing markets through innovation, renovation and enhanced merchandising and marketing of its established brands, and (iv) capture market share from its competitors. It is more difficult for the Company to achieve sales volume growth in developed markets where the Company's products are widely used as compared to in developing or emerging markets where the Company's products have been newly introduced or are not as well known by consumers. In order to protect the Company's existing market share or capture additional market share from its competitors, the Company may need to increase its expenditures related to promotions and advertising or introduce and establish new products or product lines. In past periods, the Company has also increased sales prices on certain of its products in response to increased costs for components and raw materials. Sales price increases may slow sales volume growth or create declines in volume in the short term as customers and end users adjust to sales price increases. In addition, the continued prominence and growth of the online retail sales channel has presented both the Company and its customers that sell the Company's products online with the challenge of balancing online and physical store retailing methods. Although the Company is engaged in e-commerce with respect to its products, if it is not successful in expanding sales in such alternative retail channels or it experiences challenges with operating in such channels, including challenges associated with the increased demand for non-flammable air shippable products, the Company's financial condition and results of operations may be negatively impacted. In addition, a change in the strategies of the Company's existing customers, including shelf simplification, the discontinuation of certain product offerings or the shift in shelf space to competitors' products could reduce the Company's sales and potentially offset sales volume increases achieved as a result of other sales growth initiatives. If the Company is unable to increase market share in its existing product lines by developing product improvements, investing adequately in its existing brands, building usage among new customers, developing, acquiring or successfully launching new products or product line extensions, or successfully penetrating emerging and developing markets and sales channels globally, the Company may not achieve its sales volume growth objectives.

Reliance on a limited base of third-party contract manufacturers, logistics providers and suppliers of raw materials and components may result in disruption to the Company's business and this could adversely affect the Company's financial condition and results of operations.

The Company relies on a limited number of third-party contract manufacturers, logistics providers and suppliers, including single or sole source suppliers for certain raw materials, packaging, product components and other necessary supplies. The Company does not have direct control over the management or business of these third parties, except indirectly through terms negotiated in service or supply contracts. Should the terms of doing business with the Company's primary third-party contract manufacturers, suppliers and/or logistics providers change or should the Company have a disagreement with or be unable to maintain relationships with such third parties or should such third parties experience financial difficulties, the Company's business may be disrupted. In addition, if the Company is unable to contract with third-party manufacturers or suppliers for the quantity and quality levels needed for its business, the Company could experience disruptions in production and its financial results could be adversely affected.

Cost increases or cost volatility in finished goods, components, raw materials, transportation and other necessary supplies or services could harm or impact the Company's financial condition and results of operations.

Increases in the cost of finished goods, components and raw materials and increases in the cost of transportation and other necessary supplies or services may harm the Company's financial condition and results of operations. Petroleum-based specialty chemicals and aerosol cans, which constitute a significant portion of the costs for many of the Company's maintenance products, have experienced significant price volatility in the past, and may continue to do so in the future. In particular, volatility in the price of oil directly impacts the cost of petroleum-based specialty chemicals which are indexed to the price of crude oil. Fluctuations in oil and diesel fuel prices have also historically impacted the Company's cost of transporting its products, compounded recently by increased regulations imposed on the freight industry and additional macroeconomic factors which have resulted in increased freight costs. If there are significant increases in the costs of components, raw materials and other expenses, and the Company is not able to increase the prices of its products or achieve cost savings to offset such cost increases, the Company's gross margins and operating results will be negatively impacted. In addition, if the Company increases its sales prices in response to increases in the cost of such raw materials, and those raw material costs later decline significantly, the Company may not be able to sustain its sales prices at these higher levels. As component and raw material costs are the principal contributors to the cost of goods sold for all of the Company's products, any significant fluctuation in the costs of components and raw materials could have a material impact on the gross margins realized on the Company's products. Sustained increases in the cost of raw materials, components, transportation and other necessary supplies or services, or significant volatility in such costs, could have a material adverse effect on the Company's financial condition and results of operations.

Global economic conditions may negatively impact the Company's financial condition and results of operations.

A general weakening or decline in the global economy or a reduction in industrial outputs, business or consumer spending or confidence could delay or significantly decrease purchases of the Company's products by its customers and end users. Consumer purchases of discretionary items, which could include the Company's maintenance products and homecare and cleaning products, may decline during periods where disposable income is reduced or there is economic uncertainty, and this may negatively impact

the Company's financial condition and results of operations. During unfavorable or uncertain economic times, end users may also increase purchases of lower-priced or non-branded products and the Company's competitors may increase their level of promotional activities to maintain sales volumes, both of which may negatively impact the Company's financial condition and results of operations. In addition, the Company's sales and operating results may be affected by uncertain or changing economic and market conditions, including inflation, deflation, prolonged weak consumer demand, political instability or other changes that may affect the principal markets, trade channels, and industrial segments in which the Company conducts its business. If economic or market conditions in key global markets deteriorate, the Company may experience material adverse effects on its business, financial condition and results of operations.

Adverse economic and market conditions could also harm the Company's business by negatively affecting the parties with whom it does business, including its customers, retailers, distributors and wholesalers, and third-party contract manufacturers and suppliers. These conditions could impair the ability of the Company's customers to pay for products they have purchased from the Company. As a result, allowances for doubtful accounts and write-offs of accounts receivable from the Company's customers may increase. In addition, the Company's third-party contract manufacturers and its suppliers may experience financial difficulties that could negatively affect their operations and their ability to supply the Company with finished goods and the raw materials, packaging, and components required for the Company's products.

Government laws and regulations, including environmental laws and regulations, could result in material costs or otherwise adversely affect the Company's financial condition and results of operations.

The manufacturing, chemical composition, packaging, storage, distribution and labeling of the Company's products and the manner in which the Company's business operations are conducted must comply with an extensive array of federal, state and foreign laws and regulations. If the Company is not successful in complying with the requirements of all such regulations, it could be fined or other actions could be taken against the Company by the applicable governing body, including the possibility of a required product recall. Any such regulatory action could adversely affect the Company's financial condition and results of operations. It is also possible that governments and regulatory agencies will increase regulation, including the adoption of further regulations relating to the transportation, storage or use of certain chemicals, to enhance homeland security or protect the environment and such increased regulation could negatively impact the Company's ability to obtain raw materials, components and/or finished goods or could result in increased costs. In the event that such regulations result in increased product costs, the Company may not be in a position to increase selling prices, and therefore an increase in costs could have a material adverse effect on the Company's business, financial condition and results of operations.

Some of the Company's products have chemical compositions that are controlled by various state, federal and international laws and regulations. The Company is required to comply with these laws and regulations and it seeks to anticipate regulatory developments that could impact the Company's ability to continue to produce and market its products. The Company invests in research and development to maintain product formulations that comply with such laws and regulations. There can be no assurance that the Company will not be required to alter the chemical composition of one or more of the Company's products in a way that will have an adverse effect upon the product's efficacy or marketability. A delay or other inability of the Company to complete product research and development and successfully reformulate its products in response to any such regulatory requirements could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is subject to an SEC rule mandated by Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that requires management to conduct annual due diligence to determine whether certain minerals and metals, known as "conflict minerals", are contained in the Company's products and, if so, whether they originate from the Democratic Republic of Congo ("DRC") or adjoining countries. Although the Company has concluded that its current products do not contain such conflict minerals in its annual evaluations to date, if the Company were to conclude that these materials exist within the Company's products in future periods, the Company may have difficulty verifying the origin of such materials for purposes of disclosures required by the SEC rules.

The Company is also subject to numerous environmental laws and regulations that impose various environmental controls on its business operations, including, among other things, the discharge of pollutants into the air and water, the handling, use, treatment, storage and clean-up of solid and hazardous wastes and the investigation and remediation of soil and groundwater affected by hazardous substances. Such laws and regulations may otherwise relate to various health and safety matters that impose burdens upon the Company's operations. These laws and regulations also impose strict, retroactive and joint and several liability for the costs of, and damages resulting from, cleaning up current sites, past spills, disposals and other releases of hazardous substances. The Company believes that its expenditures related to environmental matters have not had, and are not currently expected to have, a material adverse effect on its financial condition, results of operations or cash flows. However, the environmental laws under which the Company operates are complicated, often become increasingly more stringent and may be applied retroactively. Accordingly, there can be no assurance that the Company will not be required to incur additional expenditures to remain in or to achieve compliance with environmental laws in the future or that any such additional expenditures will not have a material adverse effect on the Company's business, financial condition or results of operations.

In addition, certain countries and other jurisdictions in which the Company operates have data protection laws that impose strict regulations on the Company. For instance, The European Commission approved the General Data Protection Regulation (“GDPR”) which became effective for the Company beginning in May 2018. Non-compliance with GDPR would result in significant penalties being imposed on the Company. In addition, other international and local governmental authorities are considering similar types of legislative and regulatory requirements concerning protection of personal data.

Additional laws and regulations require that the Company carefully manage its supply chain for the production, distribution and sale of goods. Failure by the Company to comply with any of these regulations or its inability to adequately predict the manner in which these local regulations are interpreted and applied to the Company’s business by the applicable enforcement agencies could have a materially adverse effect on the Company’s business, financial condition and results of operations.

Failure to maximize or to successfully assert the Company’s intellectual property rights or infringement by the Company on the intellectual property rights of others could impact its competitiveness or otherwise adversely affect the Company’s financial condition and results of operations.

The Company relies on trademark, trade secret protection, patent and copyright laws to protect its intellectual property rights. Although the Company maintains a global enforcement program to protect its intellectual property rights, there can be no assurance that these intellectual property rights will be maximized or that they can be successfully asserted. Trade secret protection, particularly for the Company’s most valuable product formulation for the WD-40 Multi-Use Product, requires specific agreements, policies and procedures to assure the secrecy of information classified as a trade secret. If such agreements, policies and procedures are not effective to maintain the secrecy of the Company’s trade secrets or if chemical disclosure regulations do not allow for continued protection of essential elements of the Company’s trade secret formulations, the loss of trade secret protection could have an adverse effect on the Company’s financial condition. There is a risk that the Company will not be able to obtain and protect its own intellectual property rights or, where appropriate, license intellectual property rights necessary to support new product introductions or acquired product lines. The Company cannot be certain that these rights, if obtained, will not be invalidated, circumvented or challenged in the future, and the Company could incur significant costs in connection with legal actions to defend its intellectual property rights. In addition, even if such rights are obtained in the U.S., it may be that the laws of some of the other countries in which the Company’s products are or may be sold do not protect intellectual property rights to the same extent as the laws of the United States, or they may be difficult to enforce. If other companies infringe the Company’s intellectual property rights or take part in counterfeiting activities, they may dilute the value of the Company’s brands in the marketplace, which could diminish the value that consumers associate with the Company’s brands and harm its sales. The failure of the Company to protect or successfully assert its intellectual property rights or to protect its other proprietary information could make the Company less competitive and this could have a material adverse effect on its business, financial condition and results of operations.

If the Company is found to have violated the trademark, copyright, patent or other intellectual property rights of others, such a finding could result in the need to cease the use of a trademark, trade secret, copyrighted work or patented invention in the Company’s business and an obligation to pay a substantial amount for past infringement. It could also be necessary to pay a substantial amount in the future if the holders of such rights are willing to permit the Company to continue to use the intellectual property rights. Either having to cease use or pay such amounts could make the Company less competitive and could have a material adverse impact on its business, financial condition and results of operations.

The Company’s operating results and financial performance may not meet expectations which could adversely affect the Company’s stock price.

The Company cannot be sure that its operating results and financial performance, which include sales growth, net income, earnings per common share, gross margin and cash flows, will meet expectations. If the Company’s assumptions and estimates are incorrect or if the Company does not achieve all of its key goals or strategic initiatives, then the Company’s actual performance could vary materially from its internal expectations and those of the market. Failure to meet or exceed these expectations could cause the market price of the Company’s stock to decline. In addition, the trading market for the Company’s common stock is influenced by the research and reports that securities analysts and industry analysts publish about the Company or its business. The Company does not have any control over these reports or analysts. If securities or industry analysts adversely change their recommendations regarding the Company’s common stock or if any of these analysts cease coverage of the Company in their reports, the Company’s stock price and trading volume could decline. The Company’s operating results and financial performance may be negatively influenced by a number of factors, many of which are discussed in this Item 1A “Risk Factors”.

In addition, sales volume growth, whether due to acquisitions or internal growth, can place burdens on management resources and financial controls that, in turn, can have a negative impact on the operating results and financial condition of the Company. To some extent, the Company plans its expense levels in anticipation of future revenues. If actual revenues fall short of these expectations, operating results may be adversely affected by reduced operating margins or operating profits due to actual expense levels that are higher than might otherwise have been appropriate.

Malfunctions of the critical information systems that the Company uses for the daily operations of its business, cyberattacks and privacy breaches could adversely affect the Company's ability to conduct business.

To conduct its business, the Company relies extensively on information technology systems, networks and services, many of which are managed, hosted and provided by third-party service providers. The Company cannot guarantee that its security measures will prevent cyberattacks resulting in breaches of the Company's or its third-party service providers' databases and systems. Techniques used in these attacks change frequently and may be difficult to detect for periods of time. Although the Company has policies and procedures in place governing (i) the timely investigation of cybersecurity incidents, (ii) the timely disclosure of any related material nonpublic information resulting from a material cybersecurity incident, and (iii) the safeguarding against insider trading of directors, officers, and other corporate insiders between the period of investigation and the public disclosure of such an incident; cybersecurity incidents themselves, such as the release of sensitive data from the Company's databases and systems, could adversely affect the Company's business, financial condition and results of operations. The increasing number of information technology security threats and the development of more sophisticated cyberattacks, including ransomware, pose a potential risk to the security of the Company's information technology systems and networks, as well as to the confidentiality, availability and integrity of the Company's data. Further, such an incident could also materially increase the costs that the Company already incurs to protect against such risks.

In addition, system failure, malfunction or loss of data that is housed in the Company's or its third-party service providers' critical information systems could disrupt its ability to timely and accurately process transactions and produce key financial reports, including information on the Company's operating results, financial position and cash flows. The Company's information systems could be damaged or cease to function properly due to a number of other reasons as well, including catastrophic events and power outages. Although the Company has certain business continuity plans in place to address such service interruptions, there is no guarantee that these business continuity plans will provide alternative processes in a timely manner. As a result, the Company may experience interruptions in its ability to manage its daily operations and this could adversely affect the Company's business, financial condition and results of operations.

The information system that the U.S. office uses for its business operations is a market specific application that is not widely used by other companies. This system supports two other regional offices outside the U.S. as well. The company that owns and supports this application may not be able to provide the same level of support as that of larger information systems. If the company that owns and supports this application in the U.S. were to cease its operations or were unable to provide continued support for this application, it could adversely affect the Company's daily operations or its business, financial condition and results of operations.

The Company faces competition in its markets which could lead to reduced sales and profitability.

The Company encounters competition from similar and alternative products, many of which are produced and marketed by major national or multinational companies. In addition, the Company frequently discovers products in certain markets that are counterfeit reproductions of the Company's WD-40 products as well as products otherwise bearing an infringing trade dress. The availability of counterfeits and other infringing products, particularly in China, Russia and other emerging markets, could adversely impact the Company's sales and potentially damage the value and reputation of its brands.

The Company's products generally compete on the basis of product performance, brand recognition, price, quality or other benefits to consumers and meeting end users' needs. Advertising, promotions, merchandising and packaging also have a significant impact on consumer purchasing decisions. A newly introduced consumer product, whether improved or recently developed, usually encounters intense competition requiring substantial expenditures for advertising, sales and consumer promotion. If a product gains consumer acceptance, it normally requires continued advertising, promotional support and product improvements in order to maintain its relative market position.

Some of the competitors for the Company's homecare and cleaning products are larger and have financial resources greater than those of the Company. These competitors may be able to spend more aggressively on advertising and promotional activities, introduce competing products more quickly and respond more effectively to changing business and economic conditions than the Company.

Competitive activity may require the Company to increase its investment in marketing or reduce its sales prices and this may lead to reduced profit margins, a loss of market share or loss of distribution, each of which could have a material adverse effect

on the Company's business, financial condition and results of operations. There can be no assurance that the Company will be able to compete successfully against current and future competitors or that competitive pressures faced by the Company or the infringement of its products and brands will not have a material adverse effect on its business, financial condition and results of operations.

Dependence on key customers could adversely affect the Company's business, financial condition and results of operations.

The Company sells its products through a network of domestic and international mass retail, trade supply and consumer retailers as well as industrial distributors and suppliers. The retail industry has historically been the subject of consolidation, and as a result, the development of large chain stores has taken place. Today, the retail channel is comprised of several of these large chain stores that capture the bulk of the market share. Since many of the Company's customers have been part of consolidations in the retail industry, these limited customers account for a large percentage of the Company's net sales. Although the Company expects that a significant portion of its revenues will continue to be derived from this limited number of customers, there was no individual customer that contributed to more than 10% of the Company's consolidated net sales in fiscal year 2019. However, changes in the strategies of the Company's largest customers, including shelf simplification, a reduction in the number of brands they carry or a shift in shelf space to "private label" or competitors' products, may harm the Company's sales. The loss of, or reduction in, orders from any of the Company's most significant customers could have a material adverse effect on the Company's brand values, business, financial condition and results of operations. Large customers may seek price reductions, added support or promotional concessions. If the Company agrees to such customer demands and/or requests, it could negatively impact the Company's ability to maintain existing profit margins.

In addition, the Company's business is based primarily upon individual sales orders, and the Company typically does not enter into long-term contracts with its customers. Accordingly, these customers could reduce their purchasing levels or cease buying products from the Company at any time and for any reason. The Company is also subject to changes in customer purchasing patterns or the level of promotional activities. These types of changes may result from changes in the manner in which customers purchase and manage inventory levels, or display and promote products within their stores. Other potential factors such as customer disputes regarding shipments, fees, merchandise condition or related matters may also impact operating results. If the Company ceases doing business with a significant customer or if sales of its products to a significant customer materially decrease, the Company's business, financial condition and results of operations may be harmed.

The Company may not successfully develop, introduce and/or establish new products and line extensions.

The Company's future performance and growth depend, in part, on its ability to successfully develop, introduce and/or establish new products as both brand extensions and/or line extensions. The Company cannot be certain that it will successfully achieve those goals. The Company competes in several product categories where there are frequent introductions of new products and line extensions and such product introductions often require significant investment and support. The ability of the Company to understand end user needs and preferences is key to maintaining and improving the competitiveness of its product offerings. The development and introduction of new products, as well as the renovation of current products and product lines, require substantial and effective research, development and marketing expenditures, which the Company may be unable to recoup if the new or renovated products do not gain widespread market acceptance. There are inherent risks associated with new product development and marketing efforts, including product development or launch delays, product performance issues during development, changing regulatory frameworks that affect the new products in development and the availability of key raw materials included in such products. These inherent risks could result in the failure of new products and product line extensions to achieve anticipated levels of market acceptance, additional costs resulting from failed product introductions and the Company not being first to market. As the Company continues to focus on innovation and renovation of its products, the Company's business, financial condition or results of operations could be adversely affected in the event that the Company is not able to effectively develop and introduce new or renovated products and line or brand extensions.

Changes in marketing distributor relationships that are not managed successfully by the Company could result in a disruption in the affected markets.

The Company distributes its products throughout the world in one of two ways: the direct distribution model, in which products are sold directly by the Company to wholesalers and retailers in the U.S., Canada, Australia, China, the U.K. and a number of other countries, including those throughout Europe; and the marketing distributor model, in which products are sold to marketing distributors who in turn sell to wholesalers and retailers. The marketing distributor model is generally used in certain countries where the Company does not have direct Company-owned operations. Instead, the Company partners with local companies who perform the sales, marketing and distribution functions. The Company invests time and resources into these relationships. Should the Company's relationship with a marketing distributor change or terminate, the Company's sales within such marketing distributor's territory could be adversely impacted until such time as a suitable replacement could be found and the Company's key marketing strategies are implemented. There is a risk that changes in such marketing distributor relationships, including changes in key marketing distributor personnel, that are not managed successfully, could result in a disruption in the affected

markets and that such disruption could have a material adverse effect on the Company's business, financial condition and results of operations. Additionally, in some countries, local laws may require substantial payments to terminate existing marketing distributor relationships, which could also have a material adverse effect on the Company's business, financial condition and results of operations.

Goodwill and intangible assets are subject to impairment risk.

In accordance with the authoritative accounting guidance on goodwill and intangibles, the Company assesses the potential impairment of its existing goodwill during the second quarter of each fiscal year and otherwise when events or changes in circumstances indicate that an impairment condition may exist. The Company also assesses its definite-lived intangible assets for potential impairment when events and circumstances indicate that the carrying amount of the asset may not be recoverable or its estimated remaining useful life may no longer be appropriate. Indicators such as underperformance relative to historical or projected future operating results, changes in the Company's strategy for its overall business or use of acquired assets, unexpected negative industry or economic trends, decline in the Company's stock price for a sustained period, decreased market capitalization relative to net book values, unanticipated technological change or competitive activities, loss of key distribution, change in consumer demand, loss of key personnel and acts by governments and courts may signal that an asset has become impaired.

The assessment for possible impairment of the Company's goodwill and intangible assets requires management to make judgments on a number of significant estimates and assumptions, including macroeconomic conditions, overall category growth rates, sales growth rates, cost containment and margin expansion and expense levels for advertising and promotions and general overhead, all of which must be developed from a market participant standpoint. The Company may be required to record a significant charge in its consolidated financial statements during the period in which any impairment of its goodwill or intangible assets is identified and this could negatively impact the Company's financial condition and results of operations. Changes in management estimates and assumptions as they relate to valuation of goodwill and intangible assets could affect the Company's financial condition or results of operations in the future.

The Company may also divest of certain of its assets, businesses or brands that do not align with the Company's strategic initiatives. Any divestiture could negatively impact the profitability of the Company as a result of losses that may result from such a sale, the loss of sales and operating income or a decrease in cash flows subsequent to the divestiture. The Company may also be required to recognize impairment charges as a result of a divestiture.

Product liability claims and other litigation and/or regulatory action could adversely affect the Company's sales and operating results.

While the Company makes every effort to ensure that the products it develops and markets are safe for consumers, the use of the Company's products may expose the Company to liability claims resulting from such use. Claims could be based on allegations that, among other things, the Company's products contain contaminants, provide inadequate instructions regarding their use or inadequate warnings concerning their use or interactions with other substances. Product liability claims could result in negative publicity that could harm the Company's sales and operating results. The Company maintains product liability insurance that it believes will be adequate to protect the Company from material loss attributable to such claims but the extent of such loss could exceed available limits of insurance or could arise out of circumstances under which such insurance coverage would be unavailable. Other business activities of the Company may also expose the Company to litigation risks, including risks that may not be covered by insurance such as contract disputes. If successful claims are asserted by third parties against the Company for uninsured liabilities or liabilities in excess of applicable limits of insurance coverage, the Company's business, financial condition and results of operations may be adversely affected. In addition, if one of the Company's products was determined to be defective, the Company could be required to recall the product, which could result in adverse publicity, loss of revenues and significant expenses.

Additionally, the Company's products may be associated with competitor products or other products in the same category, which may be alleged to have caused harm to consumers. As a result of this association, the Company may be named in unwarranted legal actions. The potential costs to defend such claims may materially affect the Company's business, financial condition and results of operations.

Resolution of income tax matters may impact the Company's financial condition and results of operations.

Significant judgment is required in determining the Company's effective income tax rate and in evaluating tax positions, particularly those related to uncertain tax positions. The Company provides for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards prescribed by the accounting standard for uncertain tax positions. Changes in uncertain tax positions or other adjustments resulting from tax audits and settlements with taxing authorities, including related interest and penalties, impact the Company's effective tax rate. When particular tax matters arise, a number of years may elapse before such matters are audited and finally resolved. Favorable resolution of such matters could

be recognized as a reduction to the Company's effective tax rate in the year of resolution. Unfavorable resolution of any tax matter could increase the Company's effective tax rate. Any resolution of a tax matter may require the adjustment of tax assets or tax liabilities or the use of cash in the year of resolution. For additional information on such matters, see Part IV – Item 15, "Exhibits, Financial Statement Schedules" Note 13 – Income Taxes, included in this report.

In addition, changes in tax rules may materially affect, either adversely or favorably, the Company's future financial results or the way management conducts its business. For example, on December 22, 2017 the "*Tax Cuts and Jobs Act*" (the "Tax Act") was signed into law and became effective beginning January 1, 2018. The Tax Act significantly changed U.S. tax law and tax rates, as well as mandated the application of a one-time "toll tax" on unremitted foreign earnings, among other things. The Company reevaluated its indefinite reinvestment assertion for its foreign subsidiaries during fiscal year 2018 and no longer considers unremitted foreign earnings of any of its subsidiaries to be indefinitely reinvested. For additional information on the Tax Act, the impact of potential changes in provisional amounts, and the change in indefinite reinvestment assertions for certain foreign subsidiaries, see Part IV – Item 15, "Exhibits, Financial Statement Schedules" Note 13 – Income Taxes, included in this report.

Although many impacts of the Tax Act are favorable for the Company both in the near term and long term, the Tax Act also authorizes the Treasury Department to issue regulations with respect to the new provisions. The Company cannot predict how subsequent changes in the Tax Act, regulations, or other guidance issued under it, including conforming or non-conforming state tax rules, might affect the Company's business, financial condition and results of operations. In addition, there can be no assurance that U.S. tax laws, including the corporate income tax rate, will not undergo significant additional changes in the near future.

The Company's business development activities may not be successful.

The Company may increase growth through business development activities such as acquisitions, joint ventures, licensing and/or other strategic partnerships in the U.S. and internationally. However, if the Company is not able to identify, acquire and successfully integrate acquired products or companies or successfully manage joint ventures or other strategic partnerships, the Company may not be able to maximize these opportunities. The failure to properly manage business development activities because of difficulties in the assimilation of operations and products, the diversion of management's attention from other business concerns, the loss of key employees or other factors could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, there can be no assurance that the Company's business development activities will be profitable at their inception or that they will achieve sales levels and profitability that justify the investments made.

Future acquisitions, joint ventures or strategic partnerships could also result in the incurrence of debt, potentially dilutive issuances of equity securities, contingent liabilities, amortization expenses related to certain intangible assets, unanticipated regulatory complications and/or increased operating expenses, all of which could adversely affect the Company's results of operations and financial condition. In addition, to the extent that the economic benefits associated with any of the Company's business development activities diminish in the future, the Company may be required to record impairments to goodwill, intangible assets or other assets associated with such activities, which could also adversely affect the Company's business, financial condition and results of operations.

The Company may not have sufficient cash to service its indebtedness or to pay cash dividends.

The Company's debt consists of fixed rate senior notes and a revolving credit facility. Management has used the proceeds of the revolving credit facility primarily for stock repurchases. In order to service such debt, the Company is required to use its income from operations to make interest and principal payments required by the terms of its borrowing agreements. In addition, the Company's borrowing agreements include covenants to maintain certain financial ratios and to comply with other financial terms, conditions and covenants. Also, the Company has historically paid out a large part of its earnings to stockholders in the form of regular quarterly cash dividends.

The Company may incur substantial debt in the future for acquisitions or other general business or business development activities. In addition, the Company may continue to use available cash balances to execute share repurchases under approved share buy-back plans. To the extent that the Company is required to seek additional financing to support certain of these activities, such financing may not be available in sufficient amounts or on terms acceptable to the Company. If the Company is unable to obtain such financing or to service its existing or future debt with its operating income, or if available cash balances are affected by future business performance, liquidity, capital needs, alternative investment opportunities or debt covenants, the Company could be required to reduce, suspend or eliminate its dividend payments to its stockholders.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Americas

The Company owns and occupies an office located at 9715 Businesspark Avenue, San Diego, California 92131, which houses both corporate employees and employees in the Company's Americas segment. The Company also leases a regional sales office in Miami, Florida, a research and development office in Pine Brook, New Jersey and office space in Toronto, Ontario, Canada.

EMEA

The Company purchased a new office building and related land in February 2018, located in Milton Keynes, United Kingdom. The Company expects to complete its renovations to this building late in the first quarter of fiscal year 2020 and will relocate employees of the Company's EMEA segment who are located in the U.K. from its current office and plant facility, also in Milton Keynes, to this new office building that is owned by the Company upon its completion. The Company will continue to use its current location in Milton Keynes as a plant facility. In addition, the Company leases spaces for its branch offices in Germany, France, Italy, Spain, Portugal and the Netherlands.

Asia-Pacific

The Company leases office space in Epping, New South Wales, Australia; Shanghai, China; and Kuala Lumpur, Malaysia.

Item 3. Legal Proceedings

The information required by this item is incorporated by reference to the information set forth in Item 15 of Part IV, "Exhibits, Financial Statement Schedules" Note 12 — Commitments and Contingencies, in the accompanying notes to the consolidated financial statements included in this report.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

The following table sets forth the names, ages, fiscal year elected to current position and current titles of the executive officers of the Company as of August 31, 2019:

Name, Age and Year Elected to Current Position			Title
Garry O. Ridge	63	1997	Chief Executive Officer
Steven A. Brass	53	2019	President and Chief Operating Officer
Jay W. Rembolt	68	2008	Vice President, Finance, Treasurer and Chief Financial Officer
Patricia Q. Olsem	53	2019	Division President, The Americas
William B. Noble	61	1996	Managing Director, EMEA
Geoffrey J. Holdsworth	57	1997	Managing Director, Asia-Pacific
Stanley A. Sewitch	66	2012	Vice President, Global Organization Development
Richard T. Clampitt	64	2014	Vice President, General Counsel and Corporate Secretary

Mr. Ridge joined the Company's Australian subsidiary, WD-40 Company (Australia) Pty. Limited, in 1987 as Managing Director. He held several senior management positions prior to his election as Chief Executive Officer in 1997.

Mr. Brass joined the Company in 1991 as International Area Manager at the Company's U.K. subsidiary and has since held several management positions including Country Manager in Germany, Director of Continental Europe, European Sales Director, and European Commercial Director. He then served as Division President, The Americas, from 2016 until 2019, when he was promoted to his current position as President and Chief Operating Officer.

Mr. Rembolt joined the Company in 1997 as Manager of Financial Services. He was promoted to Controller in 1999 and to Vice President, Finance/Controller in 2001. He was then named Vice President, Finance and Chief Financial Officer in 2008.

Ms. Olsem joined the Company in 2005 and has held various senior management positions including, Vice President Americas Innovation Development Group, Senior Vice President Marketing and Innovation of the Americas, and Senior Vice President and General Manager of the United States. She was promoted to her current position as Division President, The Americas in 2019.

Mr. Noble joined the Company's Australia subsidiary, WD-40 Company (Australia) Pty. Limited, in 1993 as International Marketing Manager for the Asia Region. He was then promoted to his current position of Managing Director, EMEA and as a Director of the Company's U.K. subsidiary, WD-40 Company Limited, in 1996.

Mr. Holdsworth joined the Company's Australia subsidiary, WD-40 Company (Australia) Pty. Limited, in 1996 as General Manager and was promoted to his current position of Managing Director, Asia-Pacific and as a Director of WD-40 Company (Australia) Pty. Limited in 1997.

Mr. Sewitch joined the Company in 2012 as Vice President, Global Organization Development. Prior to joining the Company, Mr. Sewitch was a founder of four businesses, including a human resources and organizational consulting firm (HRG Inc.) which he led from 1989 until joining the Company.

Mr. Clampitt was named as Corporate Secretary on October 15, 2013 and joined the Company in 2014 as Vice President, General Counsel and Corporate Secretary. He has been licensed to practice law in the State of California since 1981. Prior to joining the Company, Mr. Clampitt served as a partner at Gordon & Rees LLP from 2002 through 2013.

All executive officers hold office at the discretion of the Board of Directors.

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

The Company's common stock is traded on the NASDAQ Global Select Market under the trading symbol WDFC. On October 17, 2019, the last reported sales price of the Company's common stock on the NASDAQ Global Select Market was \$182.67 per share, and there were 13,703,661 shares of common stock outstanding held by approximately 622 holders of record.

Dividends

The Company has historically paid regular quarterly cash dividends on its common stock. In December 2018, the Board of Directors declared a 13% increase in the regular quarterly cash dividend, increasing it from \$0.54 per share to \$0.61 per share. On October 8, 2019, the Company's Board of Directors declared a cash dividend of \$0.61 per share payable on October 31, 2019 to shareholders of record on October 18, 2019.

The Board of Directors of the Company presently intends to continue the payment of regular quarterly cash dividends on the Company's common stock. The Company's ability to pay dividends could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and debt covenants.

Purchases of Equity Securities By the Issuer and Affiliated Purchasers

On June 19, 2018, the Company's Board of Directors approved a share buy-back plan. Under the plan, which became effective on September 1, 2018, the Company is authorized to acquire up to \$75.0 million of its outstanding shares through August 31, 2020. The timing and amount of repurchases are based on terms and conditions as may be acceptable to the Company's Chief Executive Officer and Chief Financial Officer and in compliance with all laws and regulations applicable thereto. During the period from September 1, 2018 through August 31, 2019, the Company repurchased 175,955 shares at a total cost of \$29.6 million under this \$75.0 million plan.

The following table provides information with respect to all purchases made by the Company during the three months ended August 31, 2019. All purchases listed below were made in the open market at prevailing market prices. Purchase transactions between June 1, 2019 and July 12, 2019 were executed pursuant to trading plans adopted by the Company pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
June 1 - June 30	24,071	\$ 161.03	24,071	\$ 48,739,779
July 1 - July 31	14,700	\$ 166.97	14,700	\$ 46,285,053
August 1 - August 31	5,000	\$ 181.92	5,000	\$ 45,375,339
Total	43,771	\$ 165.41	43,771	

Item 6. Selected Financial Data

The following data has been derived from the Company's audited consolidated financial statements. The data should be read in conjunction with such consolidated financial statements and other financial information included elsewhere in this report (in thousands, except per share amounts):

	As of and for the Fiscal Year Ended August 31,				
	2019	2018	2017	2016	2015
Net sales	\$ 423,350	\$ 408,518	\$ 380,506	\$ 380,670	\$ 378,150
Cost of products sold	191,010	183,255	166,621	166,301	177,972
Gross profit	232,340	225,263	213,885	214,369	200,178
Operating expenses	149,958	146,659	137,976	143,021	134,788
Income from operations	82,382	78,604	75,909	71,348	65,390
Interest and other (expense) income, net	(1,612)	(3,426)	(1,287)	1,441	(2,280)
Income before income taxes	80,770	75,178	74,622	72,789	63,110
Provision for income taxes	24,862	9,963	21,692	20,161	18,303
Net income	<u>\$ 55,908</u>	<u>\$ 65,215</u>	<u>\$ 52,930</u>	<u>\$ 52,628</u>	<u>\$ 44,807</u>
Earnings per common share:					
Basic	\$ 4.03	\$ 4.65	\$ 3.73	\$ 3.65	\$ 3.05
Diluted	\$ 4.02	\$ 4.64	\$ 3.72	\$ 3.64	\$ 3.04
Dividends per share	\$ 2.37	\$ 2.11	\$ 1.89	\$ 1.64	\$ 1.48
Weighted-average shares outstanding -					
diluted	13,830	13,962	14,123	14,379	14,649
Total assets	\$ 302,662	\$ 317,059	\$ 369,717	\$ 339,668	\$ 339,257
Long-term obligations ⁽¹⁾	\$ 82,597	\$ 75,667	\$ 154,907	\$ 140,579	\$ 133,427

(1) Long-term obligations include long-term debt, deferred tax liabilities, net and other long-term liabilities.

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 (“MD&A”) is designed to provide the reader of the Company’s financial statements with a narrative from the perspective of management on the Company’s financial condition, results of operations, liquidity and certain other factors that may affect future results. This MD&A includes the following sections: Overview, Highlights, Results of Operations, Performance Measures and Non-GAAP Reconciliations, Liquidity and Capital Resources, Critical Accounting Policies, and Recently Issued Accounting Standards. The MD&A is provided as a supplement to, and should be read in conjunction with, the Company’s audited consolidated financial statements and the related notes included in Item 15 of this report.

In order to show the impact of changes in foreign currency exchange rates on our results of operations, we have included constant currency disclosures, where necessary, in the Overview and Results of Operations sections which follow. Constant currency disclosures represent the translation of our current fiscal year revenues and expenses from the functional currencies of our subsidiaries to U.S. Dollars using the exchange rates in effect for the corresponding period of the prior fiscal year. We use results on a constant currency basis as one of the measures to understand our operating results and evaluate our performance in comparison to prior periods. Results on a constant currency basis are not in accordance with accounting principles generally accepted in the United States of America (“non-GAAP”) and should be considered in addition to, not as a substitute for, results prepared in accordance with GAAP.

Overview

The Company

WD-40 Company (“the Company”), based in San Diego, California, is a global marketing organization dedicated to creating positive lasting memories by developing and selling products that solve problems in workshops, factories and homes around the world. We market our maintenance products and our homecare and cleaning products under the following well-known brands: WD-40®, 3-IN-ONE®, GT85®, X-14®, 2000 Flushes®, Carpet Fresh®, no vac®, Spot Shot®, 1001®, Lava® and Solvol®. Currently included in the WD-40 brand are the WD-40 Multi-Use Product and the WD-40 Specialist® and WD-40 BIKE® product lines.

Our brands are sold in various locations around the world. Maintenance products are sold worldwide in markets throughout North, Central and South America, Asia, Australia, Europe, the Middle East and Africa. Homecare and cleaning products are sold primarily in North America, the United Kingdom (“U.K.”) and Australia. We sell our products primarily through mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets, sport retailers, independent bike dealers, online retailers and industrial distributors and suppliers.

Highlights

The following summarizes the financial and operational highlights for our business during the fiscal year ended August 31, 2019:

- *Consolidated net sales increased \$14.8 million, or 4%, for fiscal year 2019 compared to the prior fiscal year. Changes in foreign currency exchange rates had an unfavorable impact of \$10.5 million on consolidated net sales for fiscal year 2019. Thus, on a constant currency basis, net sales would have increased by \$25.3 million, or 6%, for fiscal year 2019 compared to the prior fiscal year. This unfavorable impact from changes in foreign currency exchange rates mainly came from our EMEA segment, which accounted for 38% of our consolidated sales for the fiscal year ended August 31, 2019.*
- *Consolidated net sales for the WD-40 Specialist product line were \$35.4 million which is a 13% increase for fiscal year 2019 compared to the prior fiscal year. Although the WD-40 Specialist product line is expected to provide the Company with long-term growth opportunities, we will see some volatility in sales levels from period to period due to the timing of promotional programs, the building of distribution, and various other factors that come with building a new product line.*
- *Gross profit as a percentage of net sales decreased to 54.9% for fiscal year 2019 compared to 55.1% for the prior fiscal year.*
- *Net income and diluted earnings per common share were unfavorably impacted for fiscal year 2019 due to a higher effective income tax rate from period to period as a result of a reserve for an uncertain tax position that was recorded in the fourth quarter of its fiscal year 2019 in the amount of \$8.7 million. The amount recorded was a result of uncertainty created by final regulations released by the U.S. Treasury Department during fiscal year 2019 relating to the calculation of a mandatory one-time “toll tax” on unremitted foreign earnings included within the U.S. “Tax Cuts and Jobs Act”.*
- *Consolidated net income decreased \$9.3 million, or 14%, for fiscal year 2019 compared to the prior fiscal year. Changes in foreign currency exchange rates had an unfavorable impact of \$1.6 million on consolidated net income for fiscal year 2019. Thus, on a constant currency basis, net income would have decreased by \$7.7 million, or 12%, for fiscal year 2019 compared to the prior fiscal year.*
- *Diluted earnings per common share for fiscal year 2019 were \$4.02 versus \$4.64 in the prior fiscal year.*
- *Share repurchases were executed under our current \$75.0 million share buy-back plan, which was approved by the Company’s Board of Directors in June 2018 and became effective on September 1, 2018. During the period from September 1, 2018 through August 31, 2019, the Company repurchased 175,955 shares at an average price of \$168.34 per share, for a total cost of \$29.6 million.*

Our strategic initiatives and the areas where we will continue to focus our time, talent and resources in future periods include: (i) maximizing WD-40 Multi-Use Product sales through geographic expansion, increased market penetration and the development of new and unique delivery systems; (ii) leveraging the WD-40 brand by growing the WD-40 Specialist product line; (iii) leveraging the strengths of the Company through broadened product and revenue base; (iv) attracting, developing and retaining talented people; and (v) operating with excellence.

Results of Operations

Fiscal Year Ended August 31, 2019 Compared to Fiscal Year Ended August 31, 2018

Operating Items

The following table summarizes operating data for our consolidated operations (in thousands, except percentages and per share amounts):

	Fiscal Year Ended August 31,			
	2019	2018	Change from Prior Year	
			Dollars	Percent
Net sales:				
Maintenance products	\$ 386,644	\$ 372,391	\$ 14,253	4%
Homecare and cleaning products	36,706	36,127	579	2%
Total net sales	423,350	408,518	14,832	4%
Cost of products sold	191,010	183,255	7,755	4%
Gross profit	232,340	225,263	7,077	3%
Operating expenses	149,958	146,659	3,299	2%
Income from operations	\$ 82,382	\$ 78,604	\$ 3,778	5%
Net income	\$ 55,908	\$ 65,215	\$ (9,307)	(14)%
Earnings per common share - diluted	\$ 4.02	\$ 4.64	\$ (0.62)	(13)%

Net Sales by Segment

The following table summarizes net sales by segment (in thousands, except percentages):

	Fiscal Year Ended August 31,			
	2019	2018	Change from Prior Year	
			Dollars	Percent
Americas	\$ 193,972	\$ 192,878	\$ 1,094	1%
EMEA	160,615	150,878	9,737	6%
Asia-Pacific	68,763	64,762	4,001	6%
Total	\$ 423,350	\$ 408,518	\$ 14,832	4%

Americas

The following table summarizes net sales by product line for the Americas segment (in thousands, except percentages):

	Fiscal Year Ended August 31,			
	2019	2018	Change from Prior Year	
			Dollars	Percent
Maintenance products	\$ 173,664	\$ 170,160	\$ 3,504	2%
Homecare and cleaning products	20,308	22,718	(2,410)	(11)%
Total	\$ 193,972	\$ 192,878	\$ 1,094	1%
% of consolidated net sales	46%	47%		

Sales in the Americas segment, which includes the U.S., Canada and Latin America, increased to \$194.0 million, up \$1.1 million, or 1%, for the fiscal year ended August 31, 2019 compared to the prior fiscal year. Changes in foreign currency exchange rates had an unfavorable impact on sales for the Americas segment from period to period. Sales for the fiscal year ended August 31, 2019 translated at the exchange rates in effect for the prior fiscal year would have been \$194.4 million in the Americas segment. Thus, on a constant currency basis, sales would have increased by \$1.5 million for the fiscal year ended August 31, 2019 compared to the prior fiscal year.

Sales of maintenance products in the Americas segment increased \$3.5 million, or 2%, for the fiscal year ended August 31, 2019 compared to the prior fiscal year. This sales increase was driven by higher sales of maintenance products in the U.S., which were up \$5.0 million, or 4%, from period to period, primarily due to higher sales of the WD-40 Specialist product line, which were up \$3.8 million, or 28%, due to new distribution and successful promotional programs during fiscal year 2019. In addition, sales of 3-IN-ONE and WD-40 BIKE brand products increased from period to period by \$1.0 million, or 14%, and \$0.3 million, or 75%, respectively, also due to new distribution and successful promotional programs during fiscal year 2019. Although sales of WD-40 Multi-Use Product in the U.S. were increased from period to period as a result of expanded distribution in the online, industrial and farm trade channels, these increases were significantly offset by the timing of the rotation of products that periodically occurs in the warehouse club channel. The overall sales increase in the U.S. was significantly offset by a decrease in sales of maintenance products in Latin America, which were down 6% from period to period primarily due to certain customers buying product in the third quarter of fiscal year 2018 in advance of the price increase which went into effect in the fourth quarter of fiscal year 2018, as well as declining economic conditions in the region from period to period.

Sales of homecare and cleaning products in the Americas segment decreased \$2.4 million, or 11%, for the fiscal year ended August 31, 2019 compared to the prior fiscal year. This sales decrease was driven primarily by a decrease in sales of the 2000 Flushes and Spot Shot brand products, which were down 15% and 9%, respectively, from period to period. While each of our homecare and cleaning products continue to generate positive cash flows, we have continued to experience decreased or flat sales for many of these products primarily due to lost distribution, reduced product offerings, competition, category declines and the volatility of orders from promotional programs with certain of our customers, particularly those in the warehouse club and mass retail channels.

For the Americas segment, 81% of sales came from the U.S., and 19% of sales came from Canada and Latin America combined for the fiscal year ended August 31, 2019 compared to the prior fiscal year when 80% of sales came from the U.S., and 20% of sales came from Canada and Latin America combined.

EMEA

The following table summarizes net sales by product line for the EMEA segment (in thousands, except percentages):

	Fiscal Year Ended August 31,			
	2019	2018	Change from Prior Year	
			Dollars	Percent
Maintenance products	\$ 151,112	\$ 144,932	\$ 6,180	4%
Homecare and cleaning products	9,503	5,946	3,557	60%
Total ⁽¹⁾	\$ 160,615	\$ 150,878	\$ 9,737	6%
% of consolidated net sales	38%	37%		

- (1) While the Company's reporting currency is the U.S. Dollar, the functional currency of our U.K. subsidiary, the entity in which the EMEA results are generated, is Pound Sterling. Although the functional currency of this subsidiary is Pound Sterling, approximately 50% of its sales are generated in Euro and 20% are generated in U.S. Dollar. As a result, the Pound Sterling sales and earnings for the EMEA segment can be negatively or positively impacted from period to period upon translation from these currencies depending on whether the Euro and U.S. Dollar are weakening or strengthening against the Pound Sterling.

Sales in the EMEA segment, which includes Europe, the Middle East, Africa and India, increased to \$160.6 million, up \$9.7 million, or 6%, for the fiscal year ended August 31, 2019 compared to the prior fiscal year. Changes in foreign currency exchange rates had an unfavorable impact on sales for the EMEA segment from period to period. Sales for the fiscal year ended August 31, 2019 translated at the exchange rates in effect for the prior fiscal year would have been \$168.4 million in the EMEA segment. Thus, on a constant currency basis, sales would have increased by \$17.5 million, or 12%, for the fiscal year ended August 31, 2019 compared to the prior fiscal year.

The countries in Europe where we sell through a direct sales force include the U.K., Italy, France, Iberia (which includes Spain and Portugal) and the Germanics sales region (which includes Germany, Austria, Denmark, Switzerland, Belgium and the Netherlands). Sales in the direct markets increased \$5.2 million, or 5%, for the fiscal year ended August 31, 2019 compared to the prior fiscal year, primarily due to a \$3.4 million, or 5%, increase in sales of the WD-40 Multi-Use Product throughout most markets. This increase in sales was primarily due to a higher level of promotional activities, increased distribution of WD-40 EZ-REACH Flexible product as well as the timing of customer orders from period to period. Also contributing to the overall sales increase in the direct markets were higher sales of 1001 Carpet Fresh, which were up \$3.6 million, or 60%, driven by the favorable impacts of digital marketing associated with this brand. Sales from direct markets accounted for 67% of the EMEA segment's sales for the fiscal year ended August 31, 2019 compared to 68% of the EMEA segment's sales for the prior fiscal year.

The regions in the EMEA segment where we sell through local distributors include the Middle East, Africa, India, Eastern and Northern Europe. Sales in the distributor markets increased \$4.5 million, or 9%, for the fiscal year ended August 31, 2019 compared to the prior fiscal year, primarily due to higher sales of the WD-40 Multi-Use Product in Eastern Europe, particularly Russia, which was up \$3.8 million, or 44%, as a result of a higher level of promotional activities and more stable economic conditions period over period. Higher sales of WD-40 Multi-Use Product in India and Northern Europe also contributed to the overall sales increase in the distributor markets. This increase was primarily due to a higher level of distribution resulting from increased brand building activities period over period. The distributor markets accounted for 33% of the EMEA segment's total sales for the fiscal year ended August 31, 2019, compared to 32% for the prior fiscal year.

Asia-Pacific

The following table summarizes net sales by product line for the Asia-Pacific segment (in thousands, except percentages):

	Fiscal Year Ended August 31,			
	2019	2018	Change from Prior Year	
			Dollars	Percent
Maintenance products	\$ 61,868	\$ 57,299	\$ 4,569	8%
Homecare and cleaning products	6,895	7,463	(568)	(8)%
Total	\$ 68,763	\$ 64,762	\$ 4,001	6%
% of consolidated net sales	16%	16%		

Sales in the Asia-Pacific segment, which includes Australia, China and other countries in the Asia region, increased to \$68.8 million, up \$4.0 million, or 6%, for the fiscal year ended August 31, 2019 compared to the prior fiscal year. Changes in foreign currency exchange rates had an unfavorable impact on sales for the Asia-Pacific segment from period to period. Sales for the fiscal year ended August 31, 2019 translated at the exchange rates in effect for the prior fiscal year would have been \$71.0 million in the Asia-Pacific segment. Thus, on a constant currency basis, sales would have increased by \$6.2 million, or 10%, for the fiscal year ended August 31, 2019 compared to the prior fiscal year.

Sales in Asia, which represented 75% of the total sales in the Asia-Pacific segment, increased \$4.9 million, or 10%, for the fiscal year ended August 31, 2019 compared to the prior fiscal year. Sales in the Asia distributor markets increased \$2.9 million, or 10%, primarily attributable to the timing of customer orders and various successful promotional programs in the region, particularly in South Korea, Malaysia and the Philippines. Sales in China increased \$2.0 million, or 12%, from period to period. Changes in foreign currency exchange rates had an unfavorable impact on China sales. On a constant currency basis, sales would have increased by \$2.8 million, or 16%, primarily due to expanded distribution in the e-commerce retail channel and successful promotional programs that were conducted throughout fiscal year 2019.

Sales in Australia decreased \$0.9 million, or 5%, for the fiscal year ended August 31, 2019 compared to the prior fiscal year. Changes in foreign currency exchange rates had an unfavorable impact on Australian sales. On a constant currency basis, sales would have increased by \$0.5 million, or 3%, primarily due to increased promotional activities and the timing of customer orders from period to period. In addition, sales of the WD-40 Multi-Use Product in the fourth quarter of fiscal year 2018 were negatively impacted as a result of a major customer reducing their inventory levels of aerosol can products due to certain regulatory requirements. Although this continues to be an issue, the situation was improved for this customer in fiscal year 2019, resulting in increased sales from period to period.

Gross Profit

Gross profit increased to \$232.3 million for the fiscal year ended August 31, 2019 compared to \$225.3 million for the prior fiscal year. As a percentage of net sales, gross profit decreased to 54.9% for the fiscal year ended August 31, 2019 compared to 55.1% for the prior fiscal year.

Gross margin was negatively impacted by 1.1 percentage points from period to period due to unfavorable net changes in the costs of petroleum-based specialty chemicals and aerosol cans in all three segments. There is often a delay of one quarter or more before changes in raw material costs impact cost of products sold due to production and inventory life cycles. The average cost of crude oil which flowed through our cost of goods sold was higher during fiscal year 2019 compared to the prior fiscal year, thus resulting in negative impacts to our gross margin from period to period. Due to the volatility of the price of crude oil, it is uncertain the level to which gross margin will be impacted by such costs in future periods. Gross margin was negatively impacted by 0.3 percentage points from period to period due to higher warehousing and in-bound freight costs, primarily in the EMEA segment. In addition, advertising, promotional and other discounts that we give to our customers increased from period to period negatively impacting gross margin by 0.2 percentage points, primarily in the EMEA and Asia-Pacific segments. Gross margin was also negatively impacted by 0.1 percentage points due to the combined effects of unfavorable sales mix changes and other miscellaneous costs, primarily in the Americas and EMEA segments, from period to period.

These unfavorable impacts to gross margin were almost completely offset by sales price increases which were implemented during the second half of fiscal year 2018 and early in fiscal year 2019 in all three segments, positively impacting gross margin by 1.1 percentage points from period to period. Gross margin was also positively impacted by 0.4 percentage points due to changes in foreign currency exchange rates from period to period in the EMEA segment.

Note that our gross profit and gross margin may not be comparable to those of other consumer product companies, since some of these companies include all costs related to distribution of their products in cost of products sold, whereas we exclude the portion associated with amounts paid to third parties for shipment to our customers from our distribution centers and contract manufacturers and include these costs in selling, general and administrative expenses. These costs totaled \$16.3 million and \$17.7 million for the fiscal years ended August 31, 2019 and 2018, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses for the fiscal year ended August 31, 2019 increased \$2.5 million to \$123.9 million from \$121.4 million for the prior fiscal year. As a percentage of net sales, SG&A expenses decreased to 29.3% for the fiscal year ended August 31, 2019 from 29.7% for the prior fiscal year. The increase in SG&A expenses was primarily attributable to higher employee-related costs, increased professional services costs, and a higher level of expenses associated with travel and meetings. Employee-related costs, which include salaries, incentive compensation, profit sharing, stock-based compensation and other fringe benefits, increased by \$3.6 million. This increase was primarily due to increased headcount and annual compensation increases, which take effect in the first quarter of the fiscal year, as well as higher earned incentive compensation and stock-based compensation expense from period to period. Professional services costs increased \$2.2 million primarily due to increased legal expenses from period to period in the Americas segment. This increase from period to period was significantly due to a favorable legal judgment of \$1.5 million which was recorded in the fourth quarter of fiscal year 2018 whereas no comparable favorable judgement occurred in fiscal year 2019. In addition, travel and meeting expenses increased \$0.6 million due to a higher level of travel expenses in the Americas and EMEA segments associated with various sales meetings and activities in support of our strategic initiatives. These increases were partially offset by favorable changes in foreign currency exchange rates, which decreased SG&A expenses by \$2.7 million from period to period. Additionally, other miscellaneous expenses decreased \$1.2 million period over period, the largest of which were related to research and development costs and charitable contributions.

We continued our research and development investment, the majority of which is associated with our maintenance products, in support of our focus on innovation and renovation of our products. Research and development costs for the fiscal years ended August 31, 2019 and 2018 were \$6.5 million and \$7.0 million, respectively. Our research and development team engages in consumer research, product development, current product improvement and testing activities. This team leverages its development capabilities by partnering with a network of outside resources including our current and prospective suppliers. The level and types of expenses incurred within research and development can vary from period to period depending upon the types of activities being performed.

Advertising and Sales Promotion Expenses

Advertising and sales promotion expenses for the fiscal year ended August 31, 2019 increased \$1.0 million to \$23.3 million from \$22.3 for the prior fiscal year. As a percentage of net sales, these expenses were 5.5% for both the fiscal years ended August 31, 2019 and 2018. Changes in foreign currency exchange rates had a favorable impact on such expenses of \$0.6 million from period to period. Thus, on a constant currency basis, advertising and sales promotion expenses for fiscal year 2019 would have increased by \$1.6 million, primarily due to a higher level of promotional programs and marketing support in the Americas and EMEA segments from period to period. Investment in global advertising and sales promotion expenses for fiscal year 2020 is expected to be between 5.5% and 6.0% of net sales.

As a percentage of net sales, advertising and sales promotion expenses may fluctuate period to period based upon the type of marketing activities we employ and the period in which the costs are incurred. Total promotional costs recorded as a reduction to sales were \$18.9 million and \$19.7 million for the fiscal years ended August 31, 2019 and 2018, respectively. Therefore, our total investment in advertising and sales promotion activities totaled \$42.2 million and \$42.0 million for the fiscal years ended August 31, 2019 and 2018, respectively.

Amortization of Definite-lived Intangible Assets Expense

Amortization of our definite-lived intangible assets remained relatively constant at \$2.7 million and \$3.0 million for the fiscal years ended August 31, 2019 and 2018, respectively.

Income from Operations by Segment

The following table summarizes income from operations by segment (in thousands, except percentages):

	Fiscal Year Ended August 31,			
	2019	2018	Change from Prior Year	
			Dollars	Percent
Americas	\$ 50,069	\$ 48,954	\$ 1,115	2%
EMEA	37,246	36,241	1,005	3%
Asia-Pacific	20,813	19,098	1,715	9%
Unallocated corporate ⁽¹⁾	(25,746)	(25,689)	(57)	-
Total	<u>\$ 82,382</u>	<u>\$ 78,604</u>	<u>\$ 3,778</u>	5%

- (1) Unallocated corporate expenses are general corporate overhead expenses not directly attributable to any one of the business segments. These expenses are reported separate from the Company's identified segments and are included in Selling, General and Administrative expenses on the Company's consolidated statements of operations.

Americas

Income from operations for the Americas segment increased to \$50.1 million, up \$1.1 million, or 2%, for the fiscal year ended August 31, 2019 compared to the prior fiscal year, primarily due to a \$1.1 million increase in sales and lower operating expenses. As a percentage of net sales, gross profit for the Americas segment remained constant at 53.5% period over period. Although gross margin was positively impacted by sales price increases from period to period, these favorable impacts were mostly offset by the combined negative impacts of increased costs of petroleum-based specialty chemicals and aerosol cans from period to period. Operating expenses decreased \$0.4 million period over period, primarily due to lower earned incentive compensation, decreased research and development costs and lower charitable contributions. These decreases in operating expenses were partially offset by increased advertising and promotion expenditures and a favorable legal judgment of \$1.5 million which we received and recorded in the fourth quarter of fiscal year 2018 resulting in lower than normal legal expenses in the Americas segment in fiscal year 2018. Operating income as a percentage of net sales increased from 25.4% to 25.8% period over period.

EMEA

Income from operations for the EMEA segment increased to \$37.2 million, up \$1.0 million, or 3%, for the fiscal year ended August 31, 2019 compared to the prior fiscal year, primarily due to a \$9.7 million increase in sales, which was significantly offset by a lower gross margin and higher operating expenses. As a percentage of net sales, gross profit for the EMEA segment decreased from 57.7% to 56.6% period over period primarily due to unfavorable sales mix changes and other miscellaneous costs, increased costs of petroleum-based specialty chemicals and a higher level of advertising, promotional and other discounts that we gave to our customers from period to period. These unfavorable impacts were significantly offset by sales price increases and favorable changes in foreign currency exchange rates from period to period. The higher sales were accompanied by a \$2.9 million increase in total operating expenses period over period, primarily due to higher earned incentive compensation and increased headcount from period to period, as well as a higher level of advertising and sales promotion expenses. Operating income as a percentage of net sales decreased from 24.0% to 23.2% period over period.

Asia-Pacific

Income from operations for the Asia-Pacific segment increased to \$20.8 million, up \$1.7 million, or 9%, for the fiscal year ended August 31, 2019 compared to the prior fiscal year, primarily due to a \$4.0 million increase in sales and a higher gross margin, which were partially offset by higher operating expenses. As a percentage of net sales, gross profit for the Asia-Pacific segment increased from 54.0% to 54.5% period over period primarily due to sales price increases, lower manufacturing costs and favorable sales mix changes from period to period. These favorable impacts were partially offset by increased costs of petroleum-based specialty chemicals and a higher level of advertising, promotional and other discounts that we gave to our customers from period to period. The higher sales were accompanied by a \$0.8 million increase in total operating expenses period over period, primarily due to higher earned incentive compensation and increased freight costs associated with shipping products to our customers from period to period. Operating income as a percentage of net sales increased from 29.5% to 30.3% period over period.

Non-Operating Items

The following table summarizes non-operating income and expenses for our consolidated operations (in thousands):

	Fiscal Year Ended August 31,		
	2019	2018	Change
Interest income	\$ 155	\$ 454	\$ (299)
Interest expense	\$ 2,541	\$ 4,219	\$ (1,678)
Other income (expense), net	\$ 774	\$ 339	\$ 435
Provision for income taxes	\$ 24,862	\$ 9,963	\$ 14,899

Interest Income

Interest income was not significant for both the fiscal years ended August 31, 2019 and 2018.

Interest Expense

Interest expense decreased \$1.7 million for the fiscal year ended August 31, 2019 compared to the prior fiscal year primarily due to a decreased outstanding balance on our revolving credit facility and lower interest rates related to draws on this credit facility that are denominated in Euros and Pound Sterling at our U.K. subsidiary.

Other Income (Expense), Net

Other income (expense), net increased by \$0.4 million for the fiscal year ended August 31, 2019 compared to the prior fiscal year primarily due to an increase of \$0.5 million in net foreign currency exchange gains from period to period. A significant portion of the foreign currency exchange gains that were recorded for the fiscal year 2019 were related to the large repatriations from our U.K. subsidiary which were transacted during fiscal year 2019.

Provision for Income Taxes

The provision for income taxes was 30.8% of income before income taxes for the fiscal year ended August 31, 2019 compared to 13.3% for the prior fiscal year. The increase in the effective income tax rate from period to period was primarily due to the uncertain tax position in the amount of \$8.7 million related to the toll tax that was recorded in the fourth quarter of fiscal year 2019. In addition, the remeasurement of deferred income taxes related to the Tax Act, which was recorded as a provisional benefit and discrete item in fiscal year 2018, resulted in a favorable impact of \$6.8 million to the Company's fiscal year 2018 effective income tax rate. These one-time impacts resulted in a significantly higher fiscal year 2019 effective income tax rate compared to the prior fiscal year. In addition, the effective income tax rate for both fiscal years 2019 and 2018 were favorably impacted by the Tax Act's lower statutory tax rate. As the Company's fiscal year ends on August 31st, the Tax Act resulted in a blended federal statutory tax rate of 25.7% for fiscal year 2018. For fiscal year 2019, however, the Tax Act was in effect for the Company's full year and resulted in a federal statutory tax rate for the year of 21%. The tax rate was also favorably impacted in fiscal year 2019 by the net benefit received from the application of the GILTI and FDII calculations which were partially offset by the loss of the Domestic Production Activities Deduction. For additional information on the Tax Act, see Part IV—Item 15, "Exhibits, Financial Statement Schedules" Note 13 — Income Taxes, included in this report

Net Income

Net income was \$55.9 million, or \$4.02 per common share on a fully diluted basis, for fiscal year 2019 compared to \$65.2 million, or \$4.64 per common share on a fully diluted basis, for the prior fiscal year. Changes in foreign currency exchange rates year over year had an unfavorable impact of \$1.6 million on net income for fiscal year 2019. Thus, on a constant currency basis, net income for fiscal year 2019 would have been \$57.5 million.

Results of Operations

Fiscal Year Ended August 31, 2018 Compared to Fiscal Year Ended August 31, 2017

For discussion related to changes in financial condition and the results of operations for fiscal year 2018 compared to fiscal year 2017, refer to Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2018, which was filed with the SEC on October 22, 2018.

Performance Measures and Non-GAAP Reconciliations

In managing our business operations and assessing our financial performance, we supplement the information provided by our financial statements with certain non-GAAP performance measures. These performance measures are part of our current 55/30/25 business model, which includes gross margin, cost of doing business, and earnings before interest, income taxes, depreciation and amortization ("EBITDA"), the latter two of which are non-GAAP performance measures. Cost of doing business is defined as total operating expenses less amortization of definite-lived intangible assets, impairment charges related to intangible assets and depreciation in operating departments, and EBITDA is defined as net income (loss) before interest, income taxes, depreciation and amortization. We target our gross margin to be above 55% of net sales, our cost of doing business to be at 30% of net sales, and our EBITDA to be above 25% of net sales. Results for these performance measures may vary from period to period depending on various factors, including economic conditions and our level of investment in activities for the future such as those related to quality assurance, regulatory compliance, and intellectual property protection in order to safeguard our WD-40 brand. The targets for these performance measures are long-term in nature, particularly those for cost of doing business and EBITDA, and we expect to make progress towards achieving them over time as our revenues increase.

The following table summarizes the results of these performance measures:

	Fiscal Year Ended August 31,		
	2019	2018	2017
Gross margin - GAAP	55%	55%	56%
Cost of doing business as a percentage of net sales - non-GAAP	34%	34%	35%
EBITDA as a percentage of net sales - non-GAAP ⁽¹⁾	21%	21%	22%

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

We use the performance measures above to establish financial goals and to gain an understanding of the comparative performance of the Company from period to period. We believe that these measures provide our shareholders with additional insights into the Company's results of operations and how we run our business. The non-GAAP financial measures are supplemental in nature and should not be considered in isolation or as alternatives to net income, income from operations or other financial information prepared in accordance with GAAP as indicators of the Company's performance or operations. The use of any non-GAAP measure may produce results that vary from the GAAP measure and may not be comparable to a similarly defined non-GAAP measure used by other companies. Reconciliations of these non-GAAP financial measures to our financial statements as prepared in accordance with GAAP are as follows:

Cost of Doing Business (in thousands, except percentages):

	Fiscal Year Ended August 31,		
	2019	2018	2017
Total operating expenses - GAAP	\$ 149,958	\$ 146,659	\$ 137,976
Amortization of definite-lived intangible assets	(2,706)	(2,951)	(2,879)
Depreciation (in operating departments)	(3,829)	(3,725)	(2,789)
Cost of doing business	\$ 143,423	\$ 139,983	\$ 132,308
Net sales	\$ 423,350	\$ 408,518	\$ 380,506
Cost of doing business as a percentage of net sales - non-GAAP	34%	34%	35%

EBITDA (in thousands, except percentages):

	Fiscal Year Ended August 31,		
	2019	2018	2017
Net income - GAAP	\$ 55,908	\$ 65,215	\$ 52,930
Provision for income taxes	24,862	9,963	21,692
Interest income	(155)	(454)	(508)
Interest expense	2,541	4,219	2,582
Amortization of definite-lived intangible assets	2,706	2,951	2,879
Depreciation	4,886	4,849	3,890
EBITDA	\$ 90,748	\$ 86,743	\$ 83,465
Net sales	\$ 423,350	\$ 408,518	\$ 380,506
EBITDA as a percentage of net sales - non-GAAP	21%	21%	22%

Liquidity and Capital Resources

Overview

The Company's financial condition and liquidity remain strong. Net cash provided by operations was \$62.9 million for fiscal year 2019 compared to \$64.8 million for fiscal year 2018. We believe we continue to be well positioned to weather any uncertainty in the capital markets and global economy due to our strong balance sheet and efficient business model, along with our growing and diversified global revenues. We continue to manage all aspects of our business including, but not limited to, monitoring the financial health of our customers, suppliers and other third-party relationships, implementing gross margin enhancement strategies and developing new opportunities for growth.

Our principal sources of liquidity are our existing cash and cash equivalents, as well as cash generated from operations and cash currently available from our existing \$100.0 million unsecured Credit Agreement with Bank of America, which expires on January 22, 2024. We use proceeds of the revolving credit facility primarily for our general working capital needs. The Company also holds borrowings under a Note Purchase and Private Shelf Agreement. See Note 7 – Debt for additional information on these agreements.

In the first quarter of fiscal year 2019, we repatriated a portion of our unremitted foreign earnings in the amount of \$20.0 million from our U.K. subsidiary and used these funds to repay \$20.0 million of short-term outstanding draws on our line of credit. During the second quarter of fiscal year 2019, the Company repatriated additional unremitted foreign earnings from its U.K. subsidiary and paid its entire \$44.0 million U.S. Dollar balance of long-term outstanding draws and replaced them with an equivalent amount of draws in Euros and Pound Sterling at our U.K. subsidiary. Euro and Pound Sterling denominated draws will fluctuate in U.S. Dollars from period to period due to changes in foreign currency exchange rates. During fiscal year 2019, the Company borrowed an additional \$20.0 million on the line of credit in U.S. Dollars which it intends to repay in less than twelve months. We regularly convert many of our draws on our line of credit to new draws with new maturity dates and interest rates. As of August 31, 2019, we had a \$62.2 million balance of outstanding draws on the revolving credit facility, of which \$42.2 million was classified as long-term and the remaining \$20.0 million was classified as short-term. In addition, net borrowings repaid under the autoborrow agreement in the United States were \$2.4 million and we paid \$0.8 million in principal payments on our Series A Notes during fiscal year 2019. There were no other letters of credit outstanding or restrictions on the amount available on this line of credit or the Series A Notes. Per the terms of both the Note Agreement and the Credit Agreement, our consolidated leverage ratio cannot be greater than three to one and our consolidated interest coverage ratio cannot be less than three to one. See Note 7 – Debt for additional information on these financial covenants. At August 31, 2019, we were in compliance with all debt covenants and believe it is unlikely we will fail to comply with any of these covenants over the next twelve months. We would need to have a significant decrease in sales and/or a significant increase in expenses in order for us to not comply with the debt covenants.

We believe that our future cash from domestic and international operations, together with our access to funds available under our unsecured revolving credit facility, will provide adequate resources to fund both short-term and long-term operating requirements, capital expenditures, share repurchases, dividend payments, acquisitions and new business development activities in the United States. At August 31, 2019, we had a total of \$27.2 million in cash and cash equivalents and short-term investments. We do not foresee any ongoing issues with repaying our borrowings and we closely monitor the use of this credit facility.

Cash Flows

The following table summarizes our cash flows by category for the periods presented (in thousands):

	Fiscal Year Ended August 31,		
	2019	2018	2017
Net cash provided by operating activities	\$ 62,851	\$ 64,822	\$ 55,572
Net cash provided by (used in) investing activities	(12,680)	71,207	(42,291)
Net cash used in financing activities	(69,009)	(121,409)	(26,838)
Effect of exchange rate changes on cash and cash equivalents	(2,795)	(2,836)	(252)
Net increase (decrease) in cash and cash equivalents	<u>\$ (21,633)</u>	<u>\$ 11,784</u>	<u>\$ (13,809)</u>

Operating Activities

Net cash provided by operating activities decreased \$1.9 million to \$62.9 million for fiscal year 2019 from \$64.8 million for fiscal year 2018. Cash flows from operating activities depend heavily on operating performance and changes in working capital. Our primary source of operating cash flows for fiscal year ended August 31, 2019 was net income of \$55.9 million, which decreased \$9.3 million from period to period. However, differences in adjustments to reconcile net income to cash and changes in our working capital increased net cash provided by operating activities from period to period and nearly offset this decrease in net income. This was primarily attributable to account balances that were impacted by the Tax Act, particularly the increase in other long-term liabilities due to an \$8.7 million uncertain tax position that was recorded in the fourth quarter of fiscal year 2019. For additional information on this uncertain tax position, see Part IV – Item 15, “Exhibits, Financial Statement Schedules” Note 13 – Income Taxes, included in this report. In addition, planned increases in inventory levels during fiscal year 2019 and increases in the trade accounts receivable balances due primarily to increased sales also impacted changes in working capital.

Investing Activities

Net cash used in investing activities was \$12.7 million for fiscal year 2019 compared to net cash provided by investing activities of \$71.2 million for fiscal year 2018. This change was significantly due to net maturities of short-term investments of \$83.3 million during fiscal year 2018, whereas net maturities of short-term investments during fiscal year 2019 were insignificant. The \$83.3 million of net maturities for the fiscal year 2018 was entirely due to a short-term investment held by our U.K. subsidiary which matured in April 2018 and was not reinvested. Also contributing to the change in total net cash inflows and outflows was an increase of \$0.9 million in capital expenditures from period to period.

Financing Activities

Net cash used in financing activities decreased \$52.4 million to \$69.0 million for fiscal year 2019 from \$121.4 million for fiscal year 2018 primarily due to \$87.2 million in net repayments of the Company’s revolving line of credit during fiscal year 2018, compared to only \$2.9 million in fiscal year 2019. Offsetting this decrease in total cash outflows was the issuance of the Company’s Series A Notes for \$20.0 million in fiscal year 2018. No such cash inflow occurred during fiscal year 2019 and principal payments made on these notes increased \$0.4 million from period to period. Also offsetting the decrease in total cash outflows was an increase of \$7.0 million in treasury stock purchases, an increase of \$3.3 million in dividends paid, and a \$1.0 million increase in shares withheld to cover taxes upon conversions of equity awards from period to period.

Effect of Exchange Rate Changes

All of our foreign subsidiaries currently operate in currencies other than the U.S. Dollar and a significant portion of our consolidated cash balance is denominated in these foreign functional currencies, particularly at our U.K. subsidiary which operates in Pound Sterling. As a result, our cash and cash equivalents balances are subject to the effects of the fluctuations in these functional currencies against the U.S. Dollar at the end of each reporting period. The net effect of exchange rate changes on cash and cash equivalents, when expressed in U.S. Dollar terms, was a decrease in cash of \$2.8 million for both fiscal years 2019 and 2018 and \$0.3 million for fiscal year 2017. These changes were primarily due to fluctuations in various foreign currency exchange rates from period to period, but the majority is related to the fluctuations in the Pound Sterling against the U.S. Dollar.

Cash Flows

Fiscal Year Ended August 31, 2018 Compared to Fiscal Year Ended August 31, 2017

For discussion related to changes in the consolidated statements of cash flows for fiscal year 2018 compared to fiscal year 2017, refer to Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2018, which was filed with the SEC on October 22, 2018.

Share Repurchase Plans

The information required by this item is incorporated by reference to Part IV—Item 15, “Exhibits, Financial Statement Schedules” Note 8 — Share Repurchase Plans, included in this report.

Dividends

The Company has historically paid regular quarterly cash dividends on its common stock. In December 2018, the Board of Directors declared a 13% increase in the regular quarterly cash dividend, increasing it from \$0.54 per share to \$0.61 per share. On October 8, 2019, the Company's Board of Directors declared a cash dividend of \$0.61 per share payable on October 31, 2019 to shareholders of record on October 18, 2019. Our ability to pay dividends could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and loan covenants.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as defined by Item 303(a)(4)(ii) of Regulation S-K.

Contractual Obligations

The following table sets forth our best estimates as to the amounts and timing of minimum contractual payments for our most significant contractual obligations and commitments as of August 31, 2019 for the next five years and thereafter (in thousands). Future events could cause actual payments to differ significantly from these amounts.

	Total	1 year	2-3 years	4-5 years	Thereafter
Leases ⁽¹⁾	\$ 6,540	\$ 1,988	\$ 2,297	\$ 1,323	\$ 932
Short-term and long-term borrowings ⁽²⁾	81,426	21,205	1,600	1,600	57,021
Minimum purchase obligations ⁽³⁾	801	724	77	-	-
Total	<u>\$ 88,767</u>	<u>\$ 23,917</u>	<u>\$ 3,974</u>	<u>\$ 2,923</u>	<u>\$ 57,953</u>

- (1) We were committed under non-cancellable capital and operating leases at August 31, 2019. Our capital leases were not significant as of August 31, 2019.
- (2) Includes anticipated cash payments for short and long-term borrowings not inclusive of estimated interest payments, which are not expected to be material on an annual basis. For additional details on these borrowings, including ability and intent assessment on the Company's credit facility agreement with Bank of America, refer to the information set forth in Part IV—Item 15, “Exhibits, Financial Statement Schedules” Note 7 – Debt. Based on our most recent cash projections and anticipated business activities, we do not expect to borrow material additional amounts on this credit facility during fiscal year 2020.
- (3) We have ongoing relationships with various third-party suppliers (contract manufacturers) that manufacture our products and third-party distribution centers who warehouse and ship our products to customers. The contract manufacturers maintain title and control of certain raw materials and components, materials utilized in finished products, and of the finished products themselves until shipment to our customers or third-party distribution centers in accordance with agreed upon shipment terms. The table above includes definitive minimum purchase obligations included in the master agreements with certain of our contract manufacturers and distribution centers. In addition, in the ordinary course of business, we communicate supply needs to our contract manufacturers based on orders and short-term projections, ranging from two to six months. We are committed to purchase the products produced by the contract manufacturers based on the projections provided and these commitments are not included in the table above. Upon the termination of

contracts with contract manufacturers, we obtain certain inventory control rights and are obligated to work with the contract manufacturer to sell through all product held by or manufactured by the contract manufacturer on our behalf during the termination notification period. If any inventory remains at the contract manufacturer at the termination date, we are obligated to purchase such inventory which may include raw materials, components and finished goods. The amounts for inventory purchased under termination commitments have been immaterial and these commitments are not included in the table above.

At August 31, 2019, the liability recorded for uncertain tax positions, excluding associated interest and penalties, was approximately \$9.4 million. For additional details on our uncertain tax positions, refer to the information set forth in Part IV—Item 15, “Exhibits, Financial Statement Schedules” Note 13 – Income Taxes. We have estimated that up to \$0.3 million of unrecognized tax benefits related to income tax positions may be affected by the resolution of tax examinations or expiring statutes of limitation within the next twelve months.

Critical Accounting Policies

Our results of operations and financial condition, as reflected in our consolidated financial statements, have been prepared in accordance with accounting principles generally accepted in the United States of America. Preparation of financial statements requires us to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses and the disclosures of contingent assets and liabilities. We use historical experience and other relevant factors when developing estimates and assumptions and these estimates and assumptions are continually evaluated. Note 2 to our consolidated financial statements included in Item 15 of this report includes a discussion of the Company’s significant accounting policies. The accounting policies discussed below are the ones we consider to be most critical to an understanding of our consolidated financial statements because their application places the most significant demands on our judgment. Our financial results may have varied from those reported had different assumptions been used or other conditions prevailed.

Revenue Recognition

Sales are recognized as revenue at a point in time upon transferring control of the product to the customer. This typically occurs when products are shipped or delivered, depending on when risks of loss and title have passed to the customer per the terms of the contract. For certain of our sales we must make judgments and certain assumptions in order to determine when delivery has occurred. Through an analysis of end-of-period shipments for these particular sales, we determine an average time of transit of product to our customers, and this is used to estimate the time of delivery and whether revenue should be recognized during the current reporting period for such shipments. Differences in judgments or estimates related to the lengthening or shortening of the estimated delivery time used could result in material differences in the timing of revenue recognition.

Sales are recorded net of allowances for damaged goods and other sales returns, sales incentives, trade promotions and cash discounts. We apply a five-step approach in determining the amount and timing of revenue to be recognized which includes the following: (1) identifying the contract with a customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations in the contract and (5) recognizing revenue when the performance obligation is satisfied

In determining the transaction price, management evaluates whether the price is subject to refund or adjustment related to variable consideration to determine the net consideration to which we expect to be entitled. We record estimates of variable consideration, which primarily includes rebates (cooperative marketing programs and volume-based discounts), coupon offers, cash discount allowances, and sales returns, as a reduction of sales in the consolidated statements of operations. These estimates are based on the most likely outcome method considering all reasonably available information, including current and past trade promotion spending patterns, status of trade promotion activities and the interpretation of historical spending trends by customer and category, customer agreements and/or currently known factors that arise in the normal course of business. We review our assumptions and adjust these estimates accordingly on a quarterly basis. Our consolidated financial statements could be materially impacted if the actual promotion rates are different from the estimated rates. If our accrual estimates for sales incentives at August 31, 2019 were to differ by 10%, the impact on net sales would be approximately \$0.9 million.

Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax liability or asset is established for the expected future tax consequences resulting from the differences in financial reporting and tax bases of assets and liabilities. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized. In addition to valuation allowances, we provide for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards prescribed by the authoritative guidance on income taxes. Amounts for uncertain tax positions are adjusted in periods when new information becomes available or when positions are effectively settled. We recognize accrued interest and penalties related to uncertain tax positions as a component of income tax expense.

As a result of the “Tax Cuts and Jobs Act” (the “Tax Act”), which became effective beginning January 1, 2018, the U.S. has transitioned from a worldwide tax system to a modified territorial tax system, under which corporations are primarily taxed on income earned within the country’s borders, rather than on a worldwide basis. We are still required to make assertions on whether our foreign subsidiaries will invest their undistributed earnings indefinitely and these assertions are based on the capital needs of the foreign subsidiaries. Due to the passage of the Tax Act, we reevaluated our indefinite reinvestment assertion for our foreign subsidiaries in May 2018 and changed our assertion for certain of our foreign subsidiaries. As a result, we no longer consider unremitted earnings of any of our foreign subsidiaries to be indefinitely reinvested. The costs associated with repatriating unremitted foreign earnings, including U.S. state income taxes and foreign withholding taxes, are immaterial to the Company’s consolidated financial statements. For additional information on the Tax Act, see Part IV—Item 15, “Exhibits, Financial Statement Schedules” Note 13 — Income Taxes, included in this report.

Valuation of Goodwill

The carrying value of goodwill is reviewed for possible impairment in accordance with the authoritative guidance on goodwill, intangibles and other. We assess for possible impairments to goodwill at least annually during our second fiscal quarter and otherwise when events or changes in circumstances indicate that an impairment condition may exist.

During the second quarter of fiscal year 2019, we performed our annual goodwill impairment test. The annual goodwill impairment test was performed at the reporting unit level as required by the authoritative guidance. During the fiscal year 2019 annual goodwill impairment test, we performed a qualitative assessment of each reporting unit to determine whether it was more likely than not that the fair value of a reporting unit was less than its carrying amount. In performing this qualitative assessment, we assessed relevant events and circumstances that may impact the fair value and the carrying amount of each of our reporting units. Factors that were considered included, but were not limited to, the following: (1) macroeconomic conditions; (2) industry and market conditions; (3) historical financial performance and expected financial performance, including the continued impacts of the Tax Act; (4) other entity specific events, such as changes in management or key personnel; and (5) events affecting our reporting units, such as a change in the composition of net assets or any expected dispositions. Based on the results of this qualitative assessment, we determined that it is more likely than not that the carrying value of each of our reporting units is less than its fair value as of the goodwill impairment testing date and, thus, the quantitative analysis was not required. As a result, we concluded that no impairment of our goodwill existed as of February 28, 2019. We also did not identify or record any impairment losses related to our goodwill during our annual impairment tests performed in fiscal years 2018 or 2017.

While we believe that the estimates and assumptions used in our goodwill impairment test and analyses are reasonable, actual events and results could differ substantially from those included in the calculation. In the event that business conditions change in the future, we may be required to reassess and update our forecasts and estimates used in subsequent goodwill impairment analyses. If the results of these future analyses are lower than current estimates, an impairment charge to our goodwill balances may result at that time.

In addition, there were no indicators of impairment identified as a result of our review of events and circumstances related to our goodwill subsequent to February 28, 2019.

Impairment of Definite-Lived Intangible Assets

We assess for potential impairments to our long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and/or its estimated remaining useful life may no longer be appropriate. Any required impairment loss would be measured as the amount by which the asset's carrying amount exceeds its fair value, which is the amount at which the asset could be bought or sold in a current transaction between willing market participants and would be recorded as a reduction in the carrying amount of the related asset and a charge to results of operations. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset.

There were no indicators of potential impairment identified as a result of the Company's review of events and circumstances related to its existing definite-lived intangible assets for the periods ended August 31, 2019, 2018 or 2017.

Recently Issued Accounting Standards

Information on Recently Issued Accounting Standards that could potentially impact the Company's consolidated financial statements and related disclosures is incorporated by reference to Part IV—Item 15, "Exhibits, Financial Statement Schedules" Note 2 — Basis of Presentation and Summary of Significant Accounting Policies, included in this report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Risk

The Company is exposed to a variety of risks, including foreign currency exchange rate fluctuations. In the normal course of business, the Company employs established policies and procedures to manage its exposure to fluctuations in foreign currency values.

All of the Company's international subsidiaries operate in functional currencies other than the U.S. Dollar. As a result, the Company is exposed to foreign currency related risk when the financial statements of its international subsidiaries are translated for consolidation purposes from functional currencies to U.S. Dollars. This foreign currency risk can affect sales, expenses and profits as well as assets and liabilities that are denominated in currencies other than the U.S. Dollar. The Company does not enter into any hedging activities to mitigate this foreign currency translation risk.

The Company's U.K. subsidiary, whose functional currency is Pound Sterling, utilizes foreign currency forward contracts to limit its exposure to net asset balances held in non-functional currencies, specifically the Euro. The Company regularly monitors its foreign exchange exposures to ensure the overall effectiveness of its foreign currency hedge positions. While the Company engages in foreign currency hedging activity to reduce its risk, for accounting purposes, none of its foreign currency forward contracts are designated as hedges.

Commodity Price Risk

Petroleum-based specialty chemicals and aerosol cans constitute a significant portion of the cost of many of the Company's maintenance products. Volatility in the price of oil directly impacts the cost of petroleum-based specialty chemicals which are indexed to the price of crude oil. If there are significant increases in the costs of crude oil, the Company's gross margins and operating results will be negatively impacted. The Company does not currently have a strategy or policy to enter into transactions to hedge crude oil price volatility, but the Company regularly reviews this policy based on market conditions and other factors.

Interest Rate Risk

As of August 31, 2019, the Company had a \$62.6 million outstanding balance on its existing \$100.0 million revolving credit facility agreement with Bank of America. This \$100.0 million revolving credit facility is subject to interest rate fluctuations. Under the terms of the credit facility agreement, the Company may borrow loans in U.S. dollars or in foreign currencies from time to time until January 22, 2024. All loans denominated in U.S. Dollars will accrue interest at the bank's Prime rate or at LIBOR plus a margin of 0.90 percent (together with any applicable mandatory liquid asset costs imposed by non-U.S. banking regulatory authorities). All loans denominated in foreign currencies will accrue interest at LIBOR plus 0.90 percent. Any significant increase in the bank's Prime rate and/or LIBOR rate could have a material effect on interest expense incurred on any borrowings outstanding under the credit facility.

Item 8. Financial Statements and Supplementary Data

The Company's consolidated financial statements at August 31, 2019 and 2018 and for each of the three fiscal years in the period ended August 31, 2019, and the Report of Independent Registered Public Accounting Firm, are included in Item 15 of this report.

Quarterly Financial Data (Unaudited)

The following table sets forth certain unaudited quarterly consolidated financial data (in thousands, except per share data):

	Fiscal Year Ended August 31, 2019				
	1st	2nd	3rd	4th	Total
Net sales	\$ 101,282	\$ 101,335	\$ 113,989	\$ 106,744	\$ 423,350
Gross profit	\$ 55,831	\$ 56,158	\$ 62,083	\$ 58,268	\$ 232,340
Net Income ⁽¹⁾	\$ 13,279	\$ 15,906	\$ 18,139	\$ 8,584	\$ 55,908
Diluted earnings per common share ⁽¹⁾	\$ 0.95	\$ 1.14	\$ 1.30	\$ 0.63	\$ 4.02

	Fiscal Year Ended August 31, 2018				
	1st	2nd	3rd	4th	Total
Net sales	\$ 97,597	\$ 101,256	\$ 107,025	\$ 102,640	\$ 408,518
Gross profit	\$ 54,197	\$ 55,758	\$ 58,658	\$ 56,650	\$ 225,263
Net Income ⁽²⁾	\$ 12,630	\$ 14,818	\$ 16,130	\$ 21,637	\$ 65,215
Diluted earnings per common share ⁽²⁾	\$ 0.90	\$ 1.05	\$ 1.15	\$ 1.54	\$ 4.64

(1) Net income and diluted earnings per common share were unfavorably impacted due to a \$8.7 million uncertain tax position, inclusive of accrued interest of approximately \$0.4 million, recorded in the fourth quarter of fiscal year 2019 related to the U.S. Tax Cuts and Jobs Act (the "Tax Act"). For additional information, see Part IV – Item 15, "Exhibits, Financial Statement Schedules" Note 13 – Income Taxes, included in this report.

(2) Net income and diluted earnings per common share were favorably impacted due to a \$7.1 million provisional tax benefit recorded during the fourth quarter of fiscal year 2018 associated with the toll tax, net of foreign tax credits, under the Tax Act. For additional information on the provisional amounts associated with the Tax Act recorded in the prior fiscal year, see Part IV – Item 15, "Exhibits, Financial Statement Schedules" Note 12 – Income Taxes, included in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2018, which was filed with the SEC on October 22, 2018.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended ("Exchange Act"). The term disclosure controls and procedures means controls and other procedures of a Company that are designed to ensure the information required to be disclosed by the Company in the reports that it files or submits under the Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of August 31, 2019, the end of the period covered by this report (the Evaluation Date), and they have concluded that, as of the Evaluation Date, such controls and procedures were effective at ensuring that required information will be disclosed on a timely basis in the Company's reports filed under the Exchange Act. Although management believes the Company's existing disclosure controls and procedures are adequate to enable the Company to comply with its disclosure obligations, management continues to review and update such controls and procedures. The Company has a disclosure committee, which consists of certain members of the Company's senior management.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of its internal control over financial reporting based upon the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on that evaluation, management concluded that its internal control over financial reporting is effective as of August 31, 2019.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP, independent registered public accounting firm, who audited and reported on the consolidated financial statements of WD-40 Company included in Item 15 of this report, has audited the effectiveness of WD-40 Company's internal control over financial reporting as of August 31, 2019, as stated in their report included in Item 15 of this report.

Changes in Internal Control over Financial Reporting

There were no changes to the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter ended August 31, 2019, that materially affected, or would be reasonably likely to materially affect, the Company's internal control over financial reporting. Enhancements were made to the Company's internal controls over financial reporting, effective beginning on September 1, 2018, due to the implementation of the new revenue guidance under ASC 606. Although the new revenue standard did not have a material impact on the Company's consolidated financial statements, the Company did implement changes to its processes related to revenue recognition and the control activities within them.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Certain information required by this item is set forth under the headings "Security Ownership of Directors and Executive Officers," "Nominees for Election as Directors," "Corporate Governance – Committee Nomination Policies and Procedures," "Audit Committee – Related Party Transactions Review and Oversight" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement to be filed with the Securities and Exchange Commission in connection with the 2019 Annual Meeting of Stockholders on December 10, 2019 ("Proxy Statement"), which information is incorporated by reference herein. Additional information concerning executive officers of the Registrant required by this item is included in this report following Item 4 of Part I under the heading, "Executive Officers of the Registrant."

The Registrant has a code of ethics (as defined in Item 406 of Regulation S-K under the Exchange Act) applicable to its principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions. The code of ethics is represented by the Registrant's Code of Conduct applicable to all employees and directors. A copy of the Code of Conduct may be found on the Registrant's internet website on the Corporate Governance link from the Investors page at www.wd40company.com.

Item 11. Executive Compensation

Information required by this item is incorporated by reference to the Proxy Statement under the headings "Board of Directors Compensation," "Compensation Committee - Compensation Committee Interlocks and Insider Participation," "Compensation Discussion and Analysis," "Compensation Committee Report," "Executive Compensation," "Supplemental Death Benefit Plans and Supplemental Insurance Benefits," "Change of Control Severance Agreements" and "CEO Pay Ratio."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Certain information required by this item is incorporated by reference to the Proxy Statement under the headings “Principal Security Holders” and “Security Ownership of Directors and Executive Officers.”

Equity Compensation Plan Information

The following table provides information regarding shares of the Company’s common stock authorized for issuance under equity compensation plans as of August 31, 2019:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	159,974 ⁽¹⁾	\$ -	720,373
Equity compensation plans not approved by security holders	n/a	n/a	n/a
	<u>159,974 ⁽¹⁾</u>	<u>\$ -</u>	<u>720,373</u>

- (1) Includes 96,920 securities to be issued pursuant to outstanding restricted stock units; 39,524 securities to be issued pursuant to outstanding market share units (“MSUs”) based on 100% of the target number of MSU shares to be issued upon achievement of the applicable performance measure specified for such MSUs; and 23,530 securities to be issued pursuant to outstanding deferred performance units (“DPUs”) based on 100% of the maximum number of DPU shares to be issued upon achievement of the applicable performance measure specified for such DPUs.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this item is incorporated by reference to the Proxy Statement under the headings “Director Independence” and “Audit Committee - Related Party Transactions Review and Oversight.”

Item 14. Principal Accountant Fees and Services

Information required by this item is incorporated by reference to the Proxy Statement under the heading “Ratification of Appointment of Independent Registered Public Accounting Firm.”

PART IV

Item 15. Exhibits, Financial Statement Schedules

	<u>Page</u>
(a) Documents filed as part of this report	
(1) <u>Report of Independent Registered Public Accounting Firm</u>	F-1
<u>Consolidated Balance Sheets</u>	F-4
<u>Consolidated Statements of Operations</u>	F-5
<u>Consolidated Statements of Comprehensive Income</u>	F-6
<u>Consolidated Statements of Shareholders' Equity</u>	F-7
<u>Consolidated Statements of Cash Flows</u>	F-8
<u>Notes to Consolidated Financial Statements</u>	F-9
(2) Financial statement schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.	
(3) Exhibits	

<u>Exhibit No.</u>	<u>Description</u>
	Articles of Incorporation and Bylaws.
3(a)	<u>Certificate of Incorporation, incorporated by reference from the Registrant's Form 10-K filed October 22, 2018, Exhibit 3(a) thereto.</u>
3(b)	<u>Amended and Restated Bylaws of WD-40 Company, incorporated by reference from the Registrant's Form 8-K filed August 16, 2018, Exhibit 3.1 thereto.</u>
	Material Contracts.
	Executive Compensation Plans and Arrangements (Exhibits 10(a) through 10(q) are management contracts and compensatory plans or arrangements required to be filed as exhibits pursuant to Item 15(b)).
10(a)	<u>WD-40 Company 2016 Stock Incentive Plan, incorporated by reference from the Registrant's Proxy Statement filed November 3, 2016, Appendix A thereto.</u>
10(b)	<u>WD-40 Directors' Compensation Policy and Election Plan dated October 7, 2019.</u>
10(c)	<u>Form of Indemnity Agreement between the Registrant and its executive officers and directors, incorporated by reference from the Registrant's Form 10-K filed October 22, 2013, Exhibit 10(d) thereto.</u>
10(d)	<u>Form of Restricted Stock Unit Agreement for grants of Restricted Stock Units to Executive Officers in fiscal years 2017, 2018 and 2019, incorporated by reference from the Registrant's Form 10-K filed October 23, 2017, Exhibit 10(g) thereto.</u>
10(e)	<u>Form of Market Share Unit Award Agreement for grants of Market Share Units to Executive Officers in fiscal years 2017, 2018 and 2019, incorporated by reference from the Registrant's Form 10-K filed October 23, 2017, Exhibit 10(i) thereto.</u>
10(f)	<u>Form of Deferred Performance Unit Award Agreement for grants of Deferred Performance Units to Executive Officers, incorporated by reference from Registrant's Form 10-K filed October 22, 2018, Exhibit 10(j) thereto.</u>
10(g)	<u>WD-40 Company 2017 Performance Incentive Compensation Plan, incorporated by reference from the Registrant's Proxy Statement filed November 2, 2017, Appendix A thereto.</u>
10(h)	<u>Form of WD-40 Company Supplemental Death Benefit Plan applicable to certain executive officers of the Registrant, incorporated by reference from the Registrant's Form 10-K filed October 24, 2016, Exhibit 10(i) thereto.</u>
10(i)	<u>Change of Control Severance Agreement between WD-40 Company and Jay W. Rembolt dated October 16, 2008, incorporated by reference from the Registrant's Form 10-K filed October 21, 2014, Exhibit 10(h) thereto.</u>
10(j)	<u>Change of Control Severance Agreement between WD-40 Company and Richard T. Clampitt dated October 15, 2014, incorporated by reference from the Registrant's Form 10-K filed October 21, 2014, Exhibit 10(i) thereto.</u>
10(k)	<u>Change of Control Severance Agreement between WD-40 Company and Stanley A. Sewitch dated October 15, 2014, incorporated by reference from the Registrant's Form 10-K filed October 21, 2014, Exhibit 10(j) thereto.</u>
10(l)	<u>Change of Control Severance Agreement between WD-40 Company and Garry O. Ridge dated February 14, 2006, incorporated by reference from the Registrant's Form 10-K filed October 23, 2017, Exhibit 10(p) thereto.</u>
10(m)	<u>Change of Control Severance Agreement between WD-40 Company and Michael L. Freeman dated February 14, 2006, incorporated by reference from the Registrant's Form 10-K filed October 23, 2017, Exhibit 10(q) thereto.</u>

10(n)	<u>Contract for Services between WD-40 Company and Michael L. Freeman dated February 1, 2019, incorporated by reference from the Registrant's Form 10-Q filed July 9, 2019, Exhibit 10(b) thereto.</u>
10(o)	<u>Change of Control Severance Agreement between WD-40 Company and Geoffrey J. Holdsworth dated February 14, 2006, incorporated by reference from the Registrant's Form 10-K filed October 23, 2017, Exhibit 10(r) thereto.</u>
10(p)	<u>Change of Control Severance Agreement between WD-40 Company and William B. Noble dated February 14, 2006, incorporated by reference from the Registrant's Form 10-K filed October 23, 2017, Exhibit 10(s) thereto.</u>
10(q)	<u>Change of Control Severance Agreement between WD-40 Company and Steven Brass dated June 22, 2016, incorporated by reference from the Registrant's Form 10-Q filed January 9, 2017, Exhibit 10(c) thereto.</u>
10(r)	<u>Credit Agreement dated June 17, 2011 among WD-40 Company and Bank of America, N.A., incorporated by reference from the Registrant's Form 10-K filed October 23, 2017, Exhibit 10(u) thereto.</u>
10(s)	<u>First Amendment to Credit Agreement dated January 7, 2013 among WD-40 Company and Bank of America, N.A., incorporated by reference from the Registrant's Form 10-Q filed January 9, 2013, Exhibit 10(b) thereto.</u>
10(t)	<u>Second Amendment to Credit Agreement dated May 13, 2015 among WD-40 Company and Bank of America, N.A., incorporated by reference from the Registrant's Form 8-K/A filed May 18, 2015, Exhibit 10(a) thereto.</u>
10(u)	<u>Third Amendment to Credit Agreement dated November 16, 2015 among WD-40 Company and Bank of America, N.A., incorporated by reference from the Registrant's Form 8-K filed November 19, 2015, Exhibit 10(a) thereto.</u>
10(v)	<u>Fourth Amendment to Credit Agreement dated September 1, 2016 among WD-40 Company and Bank of America, N.A., incorporated by reference from the Registrant's Form 8-K filed September 2, 2016, Exhibit 10(a) thereto.</u>
10(w)	<u>Fifth Amendment to Credit Agreement dated November 15, 2017 by and between WD-40 Company and Bank of America, N.A., incorporated by reference from the Registrant's Form 8-K filed November 17, 2018, Exhibit 10(b) thereto.</u>
10(x)	<u>Sixth Amendment to Credit Agreement dated February 23, 2018 by and between WD-40 Company and Bank of America, N.A., incorporated by reference from the Registrant's Form 8-K filed February 27, 2018, Exhibit 10(c) thereto.</u>
10(y)	<u>Seventh Amendment to Credit Agreement dated January 22, 2019 among WD-40 Company and Bank of America, N.A., incorporated by reference from the Registrant's Form 8-K filed January 25, 2019, Exhibit 10(a) thereto.</u>
10(z)	<u>Note Purchase and Private Shelf Agreement dated November 15, 2017 by and between WD-40 Company and Prudential and the Note Purchasers, incorporated by reference from the Registrant's Form 8-K filed November 17, 2017, Exhibit 10(a) thereto.</u>
10(aa)	<u>First Amendment to Note Purchase Agreement dated February 23, 2018 by and between WD-40 Company and Prudential and the Note Purchasers, incorporated by reference from the Registrant's Form 8-K filed February 27, 2018, Exhibit 10(b) thereto.</u>
21	<u>Subsidiaries of the Registrant.</u>
23	<u>Consent of Independent Registered Public Accounting Firm dated October 22, 2019.</u>
31(a)	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31(b)	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32(a)	<u>Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32(b)	<u>Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101. INS	XBRL Instance Document
101. SCH	XBRL Taxonomy Extension Schema Document
101. CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101. DEF	XBRL Taxonomy Extension Definition Linkbase Document
101. LAB	XBRL Taxonomy Extension Labels Linkbase Document
101. PRE	XBRL Taxonomy Extension Presentation Linkbase Document

- 101 The following materials from WD-40 Company's Annual report on Form 10-K for the fiscal year ended August 31, 2019 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Statement of Operations, (ii) the Consolidated Statement of Comprehensive Income, (iii) the Consolidated Statement of Cash Flows, (iv) the Consolidated Balance Sheet, (v) the Consolidated Statement of Shareholders' Equity, and (vi) Notes to the Consolidated Financial Statements.
- 104 The cover page from the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2019, formatted in iXBRL and contained in Exhibit 101.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

WD-40 COMPANY
Registrant

/s/ JAY W. REMBOLT
JAY W. REMBOLT
Vice President, Finance
Treasurer and Chief Financial Officer
Date: October 22, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ GARRY O. RIDGE
GARRY O. RIDGE
Chief Executive Officer and Director
(Principal Executive Officer)
Date: October 22, 2019

/s/ DANIEL T. CARTER
DANIEL T. CARTER, Director
Date: October 22, 2019

/s/ MELISSA CLAASSEN
MELISSA CLAASSEN, Director
Date: October 22, 2019

/s/ ERIC P. ETCHART
ERIC P. ETCHART, Director
Date: October 22, 2019

/s/ LINDA A. LANG
LINDA A. LANG, Director
Date: October 22, 2019

/s/ DAVID B. PENDARVIS
DAVID B. PENDARVIS, Director
Date: October 22, 2019

/s/ DANIEL E. PITTARD
DANIEL E. PITTARD, Director
Date: October 22, 2019

/s/ GREGORY A. SANDFORT
GREGORY A. SANDFORT, Director
Date: October 22, 2019

/s/ NEAL E. SCHMALE
NEAL E. SCHMALE, Director
Date: October 22, 2019

/s/ ANNE G. SAUNDERS
ANNE G. SAUNDERS, Director
Date: October 22, 2019

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of WD-40 Company

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of WD-40 Company and its subsidiaries (the “Company”) as of August 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, shareholders’ equity and cash flows for each of the three years in the period ended August 31, 2019, including the related notes, of WD-40 Company and its subsidiaries (the “Company”) (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of August 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of August 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended August 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of August 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Rebates - Cooperative Marketing Program Accruals

As described in Notes 2 and 10 to the consolidated financial statements, sales are recorded net of allowances for damaged goods and other sales returns, sales incentives, trade promotions and cash discounts. In determining the transaction price, management evaluates whether the price is subject to refund or adjustment related to variable consideration to determine the net consideration to which the Company expects to be entitled. The Company records estimates of variable consideration, which primarily includes rebates (cooperative marketing programs and volume-based discounts), coupon offers, cash discount allowances, and sales returns, as a reduction of sales in its consolidated statements of operations. These estimates are based on the most likely outcome method considering all reasonably available information, including current and past trade promotion spending patterns, status of trade promotion activities, the interpretation of historical spending trends by customer and category, customer agreements and/or currently known factors that arise in the normal course of business. Management reviews its assumptions and adjusts these estimates accordingly on a quarterly basis. As of August 31, 2019, the Company had a \$7.5 million balance in rebate liabilities, which are included in accrued liabilities on the Company's consolidated balance sheet, and recorded approximately \$18.2 million in rebates as a reduction to sales during fiscal year 2019.

The principal considerations for our determination that performing procedures relating to the cooperative marketing program accruals is a critical audit matter are (i) there was significant judgment by management to estimate the cooperative marketing program accruals, which in turn led to a high degree of auditor judgment in performing procedures to evaluate the status of trade promotion activities within the cooperative marketing program accruals, and (ii) there was a high level of audit effort and subjectivity in performing procedures to evaluate the current and past trade promotion spending patterns and the status of trade promotion activities used to determine the cooperative marketing program accruals.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the estimation of cooperative marketing program accruals, which included controls over the current and past trade promotion spending patterns and the status of trade promotion activities used in management's estimate. These procedures also included, among others, (i) testing management's process to estimate the cooperative marketing program accruals, including evaluating the appropriateness of the most likely outcome method, testing the completeness, accuracy and relevance of underlying data used, including the current and past trade promotion spending patterns, and evaluating the reasonableness of the status of trade promotion activities assumption considering the overall business environment, and (ii) evaluating the completeness of offers made to customers for potential promotional activities, which may require accrual as of period end.

Income Taxes – Uncertain Tax Position – Toll Tax

As described in Note 13 to the consolidated financial statements, on December 20, 2017, the United States House of Representatives and the Senate passed the "Tax Cuts and Jobs Act" (Tax Act), which was signed into law on December 22, 2017 and became effective beginning January 1, 2018. In November 2018, subsequent to the filing of the Company's federal income tax return, the U.S. Treasury released proposed regulations that were subsequently finalized in June 2019. These regulations specifically address, and are inconsistent with, the Company's position regarding the availability of the dividends received deduction for deemed foreign dividends recorded in fiscal 2018 associated with the Tax Act's mandatory one-time "toll tax" on unremitted foreign earnings. During July 2019, management completed its assessment of these final regulations. Due to the uncertainty created by these regulations, the Company recorded a reserve for an uncertain tax position in the fourth quarter of its fiscal year 2019 in the amount of \$8.7 million, inclusive of accrued interest of approximately \$0.4 million. As described in Note 13, this uncertain tax position represents the estimated tax liability that would be imposed if these final regulations are enforced.

The principal considerations for our determination that performing procedures relating to the uncertain tax position related to the toll tax is a critical audit matter are (i) there was significant judgment by management when determining the uncertain tax position, which in turn led to a high level of audit effort and judgment to evaluate management's assessment, (ii) there was a high degree of auditor subjectivity relative to the interpretation and application of the Tax Act's mandatory one-time "toll tax" on unremitted foreign earnings, and (iii) the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the identification, recognition, and measurement of the uncertain tax position. These procedures also included, among others, (i) testing the information used in the calculation of the liability for the uncertain tax position, including the filed federal tax return, (ii) testing the calculation of the liability for the uncertain tax position, and (iii) evaluating management's assessment of the technical merits and estimate of the tax position expected to be sustained. Professionals with specialized skill and knowledge were used to assist in the evaluation of the recognition and measurement of the Company's uncertain tax position, including evaluating the reasonableness of management's assessment of whether the tax position is more-likely-than-not of being sustained and the amount of potential benefit to be realized, the application of relevant tax laws and regulations, and estimated interest and penalties.

/s/ PricewaterhouseCoopers LLP

San Diego, California
October 22, 2019

We have served as the Company's auditor since at least 1972. We have not been able to determine the specific year we began serving as auditor of the Company.

WD-40 COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	August 31, 2019	August 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 27,233	\$ 48,866
Short-term investments	-	219
Trade accounts receivable, less allowance for doubtful accounts of \$300 and \$340 at August 31, 2019 and 2018, respectively	72,864	69,025
Inventories	40,682	36,536
Other current assets	7,216	13,337
Total current assets	147,995	167,983
Property and equipment, net	45,076	36,357
Goodwill	95,347	95,621
Other intangible assets, net	10,652	13,513
Deferred tax assets, net	403	511
Other assets	3,189	3,074
Total assets	<u>\$ 302,662</u>	<u>\$ 317,059</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 18,727	\$ 19,115
Accrued liabilities	18,513	26,240
Accrued payroll and related expenses	15,301	14,823
Short-term borrowings	21,205	23,600
Income taxes payable	844	2,125
Total current liabilities	74,590	85,903
Long-term borrowings	60,221	62,800
Deferred tax liabilities, net	11,688	11,050
Other long-term liabilities	10,688	1,817
Total liabilities	<u>157,187</u>	<u>161,570</u>
Commitments and Contingencies (Note 12)		
Shareholders' equity:		
Common stock — authorized 36,000,000 shares, \$0.001 par value; 19,773,977 and 19,729,774 shares issued at August 31, 2019 and 2018, respectively; and 13,718,661 and 13,850,413 shares outstanding at August 31, 2019 and 2018, respectively	20	20
Additional paid-in capital	155,132	153,469
Retained earnings	374,060	351,266
Accumulated other comprehensive income (loss)	(32,482)	(27,636)
Common stock held in treasury, at cost — 6,055,316 and 5,879,361 shares at August 31, 2019 and 2018, respectively	(351,255)	(321,630)
Total shareholders' equity	145,475	155,489
Total liabilities and shareholders' equity	<u>\$ 302,662</u>	<u>\$ 317,059</u>

See accompanying notes to consolidated financial statements.

WD-40 COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Fiscal Year Ended August 31,		
	2019	2018	2017
Net sales	\$ 423,350	\$ 408,518	\$ 380,506
Cost of products sold	191,010	183,255	166,621
Gross profit	<u>232,340</u>	<u>225,263</u>	<u>213,885</u>
Operating expenses:			
Selling, general and administrative	123,946	121,394	114,560
Advertising and sales promotion	23,306	22,314	20,537
Amortization of definite-lived intangible assets	2,706	2,951	2,879
Total operating expenses	<u>149,958</u>	<u>146,659</u>	<u>137,976</u>
Income from operations	82,382	78,604	75,909
Other income (expense):			
Interest income	155	454	508
Interest expense	(2,541)	(4,219)	(2,582)
Other income (expense), net	774	339	787
Income before income taxes	80,770	75,178	74,622
Provision for income taxes	24,862	9,963	21,692
Net income	<u>\$ 55,908</u>	<u>\$ 65,215</u>	<u>\$ 52,930</u>
Earnings per common share:			
Basic	<u>\$ 4.03</u>	<u>\$ 4.65</u>	<u>\$ 3.73</u>
Diluted	<u>\$ 4.02</u>	<u>\$ 4.64</u>	<u>\$ 3.72</u>
Shares used in per share calculations:			
Basic	13,799	13,929	14,089
Diluted	<u>13,830</u>	<u>13,962</u>	<u>14,123</u>

See accompanying notes to consolidated financial statements.

WD-40 COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Fiscal Year Ended August 31,		
	2019	2018	2017
Net income	\$ 55,908	\$ 65,215	\$ 52,930
Other comprehensive income (loss):			
Foreign currency translation adjustment	(4,748)	439	(777)
Total comprehensive income	\$ 51,160	\$ 65,654	\$ 52,153

See accompanying notes to consolidated financial statements.

WD-40 COMPANY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except share and per share amounts)

	Common Stock		Additional Paid-in Capital		Retained Earnings	Accumulated Other Comprehensive Income (Loss)		Treasury Stock		Total Shareholders' Equity
	Shares	Amount	Shares	Amount		Shares	Amount	Shares	Amount	
Balance at August 31, 2016	19,621,820	\$ 20	\$ 145,936	\$ 289,642	\$ (27,298)	5,413,482	\$ (267,905)	\$	140,395	
Issuance of common stock under share-based compensation plan, net of shares withheld for taxes	66,418	(921)							(921)	
Stock-based compensation		4,138							4,138	
Tax benefits from settlements of stock-based equity awards		1,539							1,539	
Cash dividends (\$1.89 per share)		(26,808)							(26,808)	
Acquisition of treasury stock						290,573	(31,109)		(31,109)	
Foreign currency translation adjustment					(777)				(777)	
Net income		52,930							52,930	
Balance at August 31, 2017	19,688,238	\$ 20	\$ 150,692	\$ 315,764	\$ (28,075)	5,704,055	\$ (299,014)	\$	139,387	
Issuance of common stock under share-based compensation plan, net of shares withheld for taxes	41,536	(1,607)							(1,607)	
Stock-based compensation		4,195							4,195	
Cash dividends (\$2.11 per share)		(29,585)							(29,585)	
Acquisition of treasury stock						175,306	(22,616)		(22,616)	
Foreign currency translation adjustment					439				439	
Cumulative effect of change in accounting principle		189			(128)				61	
Net income		65,215							65,215	
Balance at August 31, 2018	19,729,774	\$ 20	\$ 153,469	\$ 351,266	\$ (27,636)	5,879,361	\$ (321,630)	\$	155,489	
Issuance of common stock under share-based compensation plan, net of shares withheld for taxes	44,203	(2,783)							(2,783)	
Stock-based compensation		4,446							4,446	
Cash dividends (\$2.37 per share)		(32,889)							(32,889)	
Acquisition of treasury stock						175,955	(29,625)		(29,625)	
Foreign currency translation adjustment					(4,748)				(4,748)	
Cumulative effect of change in accounting principle					(98)				(323)	
Net income		55,908							55,908	
Balance at August 31, 2019	19,773,977	\$ 20	\$ 155,132	\$ 374,060	\$ (32,482)	6,055,316	\$ (351,255)	\$	145,475	

See accompanying notes to consolidated financial statements.

WD-40 COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year Ended August 31,		
	2019	2018	2017
Operating activities:			
Net income	\$ 55,908	\$ 65,215	\$ 52,930
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,593	7,800	6,769
Net gains on sales and disposals of property and equipment	(99)	(164)	(115)
Deferred income taxes	(4)	(7,186)	1,608
Stock-based compensation	4,446	4,195	4,138
Unrealized foreign currency exchange losses (gains), net	651	(302)	364
Provision for bad debts	67	121	(138)
Changes in assets and liabilities:			
Trade accounts receivable	(7,318)	(5,635)	482
Inventories	(4,800)	(1,299)	(3,487)
Other assets	5,802	(5,353)	(3,514)
Accounts payable and accrued liabilities	(7,948)	6,107	2,827
Accrued payroll and related expenses	879	590	(6,632)
Other long-term liabilities and income taxes payable	7,674	733	340
Net cash provided by operating activities	<u>62,851</u>	<u>64,822</u>	<u>55,572</u>
Investing activities:			
Purchases of property and equipment	(13,282)	(12,356)	(20,150)
Proceeds from sales of property and equipment	383	458	430
Purchases of intangible assets	-	(175)	-
Purchases of short-term investments	-	(83,704)	(27,136)
Maturities of short-term investments	219	166,984	4,565
Net cash provided by (used in) investing activities	<u>(12,680)</u>	<u>71,207</u>	<u>(42,291)</u>
Financing activities:			
Treasury stock purchases	(29,625)	(22,616)	(31,109)
Dividends paid	(32,889)	(29,585)	(26,808)
Proceeds from issuance of common stock	-	215	775
Proceeds from issuance of long-term senior notes	-	20,000	-
Repayments of long-term senior notes	(800)	(400)	-
Net (repayments) proceeds from revolving credit facility	(2,912)	(87,200)	32,000
Shares withheld to cover taxes upon conversion of equity awards	(2,783)	(1,823)	(1,696)
Net cash used in financing activities	<u>(69,009)</u>	<u>(121,409)</u>	<u>(26,838)</u>
Effect of exchange rate changes on cash and cash equivalents	(2,795)	(2,836)	(252)
Net increase (decrease) in cash and cash equivalents	(21,633)	11,784	(13,809)
Cash and cash equivalents at beginning of period	48,866	37,082	50,891
Cash and cash equivalents at end of period	<u>\$ 27,233</u>	<u>\$ 48,866</u>	<u>\$ 37,082</u>
Supplemental cash flow information:			
Cash paid for:			
Interest	\$ 2,199	\$ 4,286	\$ 2,625
Income taxes, net of tax refunds received	<u>\$ 16,879</u>	<u>\$ 10,478</u>	<u>\$ 21,933</u>

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company

WD-40 Company (“the Company”), based in San Diego, California, is a global marketing organization dedicated to creating positive lasting memories by developing and selling products that solve problems in workshops, factories and homes around the world. The Company markets its maintenance products and its homecare and cleaning products under the following well-known brands: WD-40®, 3-IN-ONE®, GT85®, X-14®, 2000 Flushes®, Carpet Fresh®, no vac®, Spot Shot®, 1001®, Lava® and Solvol®. Currently included in the WD-40 brand are the WD-40 Multi-Use Product and the WD-40 Specialist® and WD-40 BIKE® product lines.

The Company’s brands are sold in various locations around the world. Maintenance products are sold worldwide in markets throughout North, Central and South America, Asia, Australia, Europe, the Middle East and Africa. Homecare and cleaning products are sold primarily in North America, the United Kingdom (“U.K.”) and Australia. The Company’s products are sold primarily through mass retail and home center stores, warehouse club stores, grocery stores, hardware stores, automotive parts outlets, sports retailers, independent bike dealers, online retailers and industrial distributors and suppliers.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Supplier Risk

The Company relies on a limited number of suppliers, including single or sole source suppliers for certain of its raw materials, packaging, product components and other necessary supplies. Where possible and where it makes business sense, the Company works with secondary or multiple suppliers to qualify additional supply sources. To date, the Company has been able to obtain adequate supplies of these materials which are used in the production of its maintenance products and homecare and cleaning products in a timely manner from existing sources.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments purchased with an original maturity of three months or less.

Trade Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses in existing accounts receivable. The Company determines the allowance for doubtful accounts based on historical write-off experience and the identification of specific balances deemed uncollectible. Trade accounts receivable are charged against the allowance when the Company believes it is probable that the trade accounts receivable will not be recovered. The Company does not have any off-balance sheet credit exposure related to its customers. Allowance for doubtful accounts related to the Company’s trade accounts receivable were not significant at August 31, 2019 and 2018.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined primarily based on a first-in, first-out method or, for a portion of raw materials inventory, the average cost method. When necessary, the Company adjusts the carrying value of its inventory to the lower of cost or net realizable value, including any costs to sell or dispose of such inventory. Appropriate consideration is given by the Company to obsolescence, excessive inventory levels, product deterioration and other factors when evaluating net realizable value for the purposes of determining the lower of cost or net realizable value.

Included in inventories are amounts for certain raw materials and components that the Company has provided to its third-party contract manufacturers but that remain unpaid to the Company as of the balance sheet date. The Company's contract manufacturers package products to the Company's specifications and, upon order from the Company, ship ready-to-sell inventory to either the Company's third-party distribution centers or directly to its customers. The Company transfers certain raw materials and components to these contract manufacturers for use in the manufacturing process. Contract manufacturers are obligated to pay the Company for these raw materials and components upon receipt. Amounts receivable from the contract manufacturers as of the balance sheet date related to transfers of these raw materials and components by the Company to its contract manufacturers are considered product held at third-party contract manufacturers and are included in inventories in the accompanying consolidated balance sheets.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method based upon estimated useful lives of ten to forty years for buildings and improvements, three to fifteen years for machinery and equipment, three to five years for vehicles, three to ten years for furniture and fixtures and three to five years for software and computer equipment. Depreciation expense totaled \$4.9 million, \$4.8 million and \$3.9 million for fiscal years 2019, 2018 and 2017, respectively. These amounts include factory depreciation expense which is recognized as cost of products sold and totaled \$1.1 million for the fiscal years 2019, 2018 and 2017.

The Company capitalizes costs related to computer software obtained or developed for internal use. Software obtained for internal use has generally been enterprise-level business and finance software that the Company customizes to meet its specific operational needs. Costs incurred in the application development phase are capitalized and amortized over their useful lives, which are generally three to five years.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of tangible and intangible assets acquired. The carrying value of goodwill is reviewed for possible impairment in accordance with the authoritative guidance on goodwill, intangibles and other. The Company assesses possible impairments to goodwill at least annually during its second fiscal quarter and otherwise when events or changes in circumstances indicate that an impairment condition may exist. In performing the annual impairment test of its goodwill, the Company considers the fair value concepts of a market participant and the highest and best use for its intangible assets. In addition to the annual impairment test, goodwill is evaluated each reporting period to determine whether events and circumstances would more likely than not reduce the fair value of a reporting unit below its carrying value.

When testing goodwill for impairment, the Company first assesses qualitative factors to determine whether it is necessary to perform a quantitative goodwill impairment test. If, after assessing qualitative factors, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing a quantitative test is unnecessary. Otherwise, a quantitative test is performed to identify the potential impairment and to measure the amount of goodwill impairment, if any. Any required impairment losses are recorded as a reduction in the carrying amount of the related asset and charged to results of operations. No goodwill impairments were identified by the Company during fiscal years 2019, 2018 or 2017.

Long-lived Assets

The Company's long-lived assets consist of property and equipment and definite-lived intangible assets. Long-lived assets are depreciated or amortized, as applicable, on a straight-line basis over their estimated useful lives. The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and/or its remaining useful life may no longer be appropriate. Any required impairment loss would be measured as the amount by which the asset's carrying amount exceeds its fair value, which is the amount at which the asset could be bought or sold in a current transaction between willing market participants and would be recorded as a reduction in the carrying amount of the related asset and a charge to results of operations. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. No impairments to its long-lived assets were identified by the Company during fiscal years 2019, 2018 or 2017.

Fair Value of Financial Instruments

Accounting Standards Codification (“ASC”) 820, “*Fair Value Measurements and Disclosures*”, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company categorizes its financial assets and liabilities measured at fair value into a hierarchy that categorizes fair value measurements into the following three levels based on the types of inputs used in measuring their fair value:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market-based inputs or observable inputs that are corroborated by market data; and

Level 3: Unobservable inputs reflecting the Company’s own assumptions.

Under fair value accounting, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As of August 31, 2019, the Company had no assets or liabilities that are measured at fair value in the financial statements on a recurring basis, with the exception of the foreign currency forward contracts, which are classified as Level 2 within the fair value hierarchy. The carrying values of cash equivalents, short-term investments and short-term borrowings are recorded at cost, which approximates their fair values, based on Level 2 inputs, primarily due to their short-term maturities. In addition, the carrying value of borrowings held under the Company’s revolving credit facility approximates fair value, based on Level 2 inputs, due to the variable nature of underlying interest rates, which generally reflect market conditions. The Company’s fixed rate long-term borrowings consist of senior notes and are recorded at carrying value. The Company estimates that the fair value of its senior notes, based on Level 2 inputs, was approximately \$20.3 million as of August 31, 2019, which was determined based on a discounted cash flow analysis using current market interest rates for instruments with similar terms, compared to its carrying value of \$18.8 million. During the fiscal years ended August 31, 2019, 2018 and 2017, the Company did not record any significant nonrecurring fair value measurements for assets or liabilities in periods subsequent to their initial recognition.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and cash equivalents and trade accounts receivable. The Company’s policy is to place its cash in high credit quality financial institutions, in investments that include demand deposits, term deposits and callable time deposits. The Company’s trade accounts receivable are derived from customers located in North America, South America, Asia-Pacific, Europe, the Middle East, Africa and India. The Company limits its credit exposure from trade accounts receivable by performing on-going credit evaluations of customers, as well as insuring its trade accounts receivable in selected markets.

Insurance Coverage

The Company carries insurance policies to cover insurable risks such as property damage, business interruption, product liability, workers’ compensation and other risks, with coverage and other terms that it believes to be adequate and appropriate. These policies may be subject to applicable deductible or retention amounts, coverage limitations and exclusions. The Company does not maintain self-insurance with respect to its material risks; therefore, the Company has not provided for self-insurance reserves as of August 31, 2019 and 2018.

Revenue Recognition

The Company recognizes revenue related to the sale of products when it satisfies a performance obligation in an amount reflecting the consideration to which it expects to be entitled. Sales are recorded net of allowances for damaged goods and other sales returns, sales incentives, trade promotions and cash discounts. The Company applies a five-step approach in determining the amount and timing of revenue to be recognized which includes the following: (1) identifying the contract with a customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations in the contract and (5) recognizing revenue when the performance obligation is satisfied.

In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment related to variable consideration to determine the net consideration to which the Company expects to be entitled. The Company records estimates of variable consideration, which primarily includes rebates (cooperative marketing programs and volume-based discounts), coupon offers, cash discount allowances, and sales returns, as a reduction of sales in its consolidated statements of operations. These estimates are based on the most likely outcome method considering all reasonably available information, including current and past trade promotion spending patterns, status of trade promotion activities, the interpretation of historical spending trends by customer and category, customer agreements and/or currently known factors that arise in the normal course of business. The Company reviews its assumptions and adjusts these estimates accordingly on a quarterly basis.

Cost of Products Sold

Cost of products sold primarily includes the cost of products manufactured on the Company's behalf by its third-party contract manufacturers, net of volume and other rebates. Cost of products sold also includes the costs to manufacture WD-40 concentrate, which is done at the Company's own facilities or at third-party contract manufacturers. When the concentrate is manufactured by the Company, cost of products sold includes direct labor, direct materials and supplies; in-bound freight costs related to purchased raw materials and finished product; and depreciation of machinery and equipment used in the manufacturing process. In addition, cost of products sold includes fees charged to the Company by its third-party distribution centers to warehouse and administer finished products once they are received from the Company's third-party contract manufacturers.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include costs related to selling the Company's products, such as the cost of the sales force and related sales and broker commissions; shipping and handling costs paid to third-party companies to distribute finished goods from the Company's third-party contract manufacturers and distribution centers to its customers; other general and administrative costs related to the Company's business such as general overhead, legal and accounting fees, insurance, and depreciation; and other employee-related costs to support marketing, human resources, finance, supply chain, information technology and research and development activities.

Shipping and Handling Costs

Shipping and handling costs associated with in-bound freight and movement of product from third-party contract manufacturers to the Company's third-party distribution centers are capitalized in the cost of inventory and subsequently included in cost of sales when recognized in the statement of operations. Shipping and handling costs associated with out-bound transportation are included in selling, general and administrative expenses and are recorded at the time of shipment of product to the Company's customers. Out-bound shipping and handling costs were \$16.3 million, \$17.7 million and \$16.4 million for fiscal years 2019, 2018 and 2017, respectively.

Advertising and Sales Promotion Expenses

Advertising and sales promotion expenses are expensed as incurred. Advertising and sales promotion expenses include costs associated with promotional activities that the Company pays to third parties, which include costs for advertising (television, print media and internet), administration of coupon programs, consumer promotions, product demonstrations, public relations, agency costs, package design expenses and market research costs. Total advertising and sales promotion expenses were \$23.3 million, \$22.3 million and \$20.5 million for fiscal years 2019, 2018 and 2017, respectively.

Research and Development

The Company is involved in research and development efforts that include the ongoing development or innovation of new products and the improvement, extension or renovation of existing products or product lines. All research and development costs are expensed as incurred and are included in selling, general and administrative expenses. Research and development expenses were \$6.5 million, \$7.0 million and \$8.4 million in fiscal years 2019, 2018 and 2017, respectively. These expenses include costs associated with general research and development activities, as well as those associated with internal staff, overhead, design testing, market research and consultants.

Income Taxes

Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax liability or asset is established for the expected future tax consequences resulting from the differences in financial reporting and tax bases of assets and liabilities. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized. In addition to valuation allowances, the Company provides for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards prescribed by the authoritative guidance on income taxes. Amounts for uncertain tax positions are adjusted in periods when new information becomes available or when positions are effectively settled. The Company recognizes accrued interest and penalties related to uncertain tax positions as a component of income tax expense.

As a result of the "Tax Cuts and Jobs Act" (the "Tax Act") which became effective beginning January 1, 2018, the U.S. has transitioned from a worldwide tax system to a modified territorial tax system, under which corporations are primarily taxed on income earned within the country's borders, rather than on a worldwide basis. The Company is still required to make assertions on whether its foreign subsidiaries will invest their undistributed earnings indefinitely and these assertions are based on the capital needs of the foreign subsidiaries. Due to the passage of the Tax Act, the Company reevaluated its indefinite reinvestment

assertion for its foreign subsidiaries in May 2018 and changed its assertion for certain of its foreign subsidiaries. As a result, the Company no longer considers unremitted earnings of any of its foreign subsidiaries to be indefinitely reinvested. The costs associated with repatriating unremitted foreign earnings, including U.S. state income taxes and foreign withholding taxes, are immaterial to the Company's consolidated financial statements. For additional information on the Tax Act, see Note 13 — Income Taxes, included in this report.

Foreign Currency

The Company translates the assets and liabilities of its foreign subsidiaries into U.S. Dollars at current rates of exchange in effect at the end of the reporting period. Income and expense items are translated at rates that approximate the rates in effect at the transaction date. Gains and losses from translation are included in accumulated other comprehensive income or loss. Gains or losses resulting from foreign currency transactions (transactions denominated in a currency other than the entity's functional currency) are included as other income in the Company's consolidated statements of operations. The Company had \$0.6 million, \$0.1 million and \$0.4 million of net gains in foreign currency transactions in fiscal years 2019, 2018 and 2017, respectively.

In the normal course of business, the Company employs established policies and procedures to manage its exposure to fluctuations in foreign currency exchange rates. The Company's U.K. subsidiary, whose functional currency is Pound Sterling, utilizes foreign currency forward contracts to limit its exposure to net asset balances held in non-functional currencies, specifically the Euro. The Company regularly monitors its foreign currency exchange rate exposures to ensure the overall effectiveness of its foreign currency hedge positions. While the Company engages in foreign currency hedging activity to reduce its risk, for accounting purposes, none of its foreign currency forward contracts are designated as hedges.

Foreign currency forward contracts are carried at fair value, with net realized and unrealized gains and losses recognized in other income (expense), net in the Company's consolidated statements of operations. Cash flows from settlements of foreign currency forward contracts are included in operating activities in the consolidated statements of cash flows. Foreign currency forward contracts in an asset position at the end of the reporting period are included in other current assets, while foreign currency forward contracts in a liability position at the end of the reporting period are included in accrued liabilities in the Company's consolidated balance sheets. At August 31, 2019, the Company had a notional amount of \$8.6 million outstanding in foreign currency forward contracts, which matured in September 2019. Unrealized net gains and losses related to foreign currency forward contracts were not significant at August 31, 2019 or 2018. Realized net losses related to foreign currency forward contracts were \$0.4 million for the fiscal year ended August 31, 2019, while realized net losses were not significant for the fiscal year ended August 31, 2018. Both unrealized and realized net gains and losses are recorded in other income on the Company's consolidated statements of operations.

Earnings per Common Share

Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities that are required to be included in the computation of earnings per common share pursuant to the two-class method. Accordingly, the Company's outstanding unvested, if any, and outstanding vested stock-based equity awards that provide such nonforfeitable rights to dividend equivalents are included as participating securities in the calculation of earnings per common share ("EPS") pursuant to the two-class method.

The Company calculates EPS using the two-class method, which provides for an allocation of net income between common stock and other participating securities based on their respective participation rights to share in dividends. Basic EPS is calculated by dividing net income available to common shareholders for the period by the weighted-average number of common shares outstanding during the period. Net income available to common shareholders for the period includes dividends paid to common shareholders during the period plus a proportionate share of undistributed net income allocable to common shareholders for the period; the proportionate share of undistributed net income allocable to common shareholders for the period is based on the proportionate share of total weighted-average common shares and participating securities outstanding during the period.

Diluted EPS is calculated by dividing net income available to common shareholders for the period by the weighted-average number of common shares outstanding during the period increased by the weighted-average number of potentially dilutive common shares (dilutive securities) that were outstanding during the period if the effect is dilutive. Dilutive securities are comprised of various types of stock-based equity awards granted under the Company's prior and current equity incentive plans.

Stock-based Compensation

The Company accounts for stock-based equity awards exchanged for employee and non-employee director services in accordance with the authoritative guidance for share-based payments. Stock-based equity awards are measured at the grant date, based on the estimated fair value of the award, and are recognized as stock-based compensation expense on a straight-line basis over the requisite service period of the entire award, net of the impacts of award forfeitures as they occur. The requisite service period is

generally the maximum vesting period of the award. Compensation expense related to the Company's stock-based equity awards is recorded as selling, general and administrative expenses in the Company's consolidated statements of operations.

The fair value of stock options is determined using a Black-Scholes option pricing model. Fiscal year 2008 was the last fiscal period in which the Company granted stock options, and the last of such stock options were settled in the first quarter of fiscal year 2018. The fair values of restricted stock unit awards and deferred performance unit awards are based on the fair value of the Company's common stock on the date that such awards are granted. The fair value of market share unit awards is determined using a Monte Carlo simulation model. For the deferred performance unit awards, the Company adjusts the compensation expense over the service period based upon the expected achievement level of the applicable performance condition. As the grant date fair value of market share unit awards reflects the probabilities of the actual number of such awards expected to vest, compensation expense for such awards is not adjusted based on the expected achievement level of the applicable performance condition. The Company records any excess tax benefits or deficiencies from settlements of its stock-based equity awards within the provision for income taxes on the Company's consolidated statements of operations in the reporting periods in which the settlement of the equity awards occur.

Segment Information

The Company discloses certain information about its business segments, which are determined consistent with the way the Company's Chief Operating Decision Maker organizes and evaluates financial information internally for making operating decisions and assessing performance. In addition, the Chief Operating Decision Maker assesses and measures revenue based on product groups.

Recently Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASC 606"), which supersedes the revenue recognition requirements in ASC 605, "Revenue Recognition". The core principle of this updated guidance and related amendments is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard requires additional disclosures to enable users of the financial statements to better understand the nature, amount, timing, risks, and judgments related to revenue recognition from contracts with customers. On September 1, 2018, the Company adopted ASC 606 on a modified retrospective basis and the Company recognized a reduction of \$0.3 million to opening retained earnings as the cumulative effect of adopting the new revenue standard. This adjustment did not have a material impact on the Company's consolidated financial statements. See Note 10 – Revenue Recognition for additional information and incremental disclosures related to the adoption of this standard.

In August 2018, the FASB issued ASU No. 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract" to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The updated guidance also requires an entity to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement and includes expanded disclosure requirements for such costs. This guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted and the guidance may be applied either retrospectively or prospectively. The Company early adopted this guidance on a prospective basis during the third quarter of fiscal year 2019. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements and related disclosures.

In February 2018, the FASB issued ASU No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income", to optionally allow entities to reclassify stranded tax effects, resulting from the Tax Act, from accumulated other comprehensive income to retained earnings. Since the amendments within this guidance only relate to the reclassification of the income tax effects associated with the Tax Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within that reporting period. Early adoption is permitted. The amendments in this updated guidance should be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. corporate federal income tax rate in the Tax Act is recognized. The Company early adopted this guidance during the third quarter of fiscal year 2019 and reclassified \$0.1 million of accumulated other comprehensive income to retained earnings in the period of adoption. This adjustment did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, "Leases" under ASC 842, which supersedes lease accounting and disclosure requirements in ASC 840. The new standard establishes a right-of-use model that requires a lessee to record a right-

of-use asset and a lease liability on the balance sheet for leases with fixed payment obligations and terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within that reporting period. Although early adoption is permitted, the Company has elected not to adopt this guidance early and it will become effective for the Company on September 1, 2019. The Company will adopt this new guidance following the optional transition method described in ASU No. 2018-11, “Leases – Targeted Improvements” which was issued in July 2018, rather than the original modified retrospective approach that requires entities to apply the guidance at the beginning of the earliest period presented in the financial statements. Under the optional transition method, the Company will recognize any cumulative effect of initially applying the guidance as an adjustment to the opening balance of retained earnings on September 1, 2019. Therefore, the requirements of this guidance will apply only for periods presented that are after the date of adoption and will not affect comparative periods.

Upon adoption, the Company will elect practical expedients to: (i) not separate lease components from nonlease components for Real Estate – Office Buildings, Machinery & Equipment, R&D/Lab Equipment, Office Equipment, Furniture and Fixtures, and IT Equipment; and (ii) exclude leases with an initial term of 12 months or less from the consolidated balance sheets and will recognize related lease payments in the consolidated statements of operations on a straight-line basis over the lease term.

In preparation for adopting this new standard, management was focused principally on, but not limited to, developing a complete inventory of the Company’s lease contracts and the terms and conditions contained within these contracts to appropriately account for them under the new lease model. Additionally, the Company has implemented updates to its accounting policies, business processes, systems and internal controls in support of adopting this new standard beginning on September 1, 2019. Upon adoption on September 1, 2019, the Company’s total assets and total liabilities will increase by approximately \$9.0 million in the Company’s consolidated balance sheets. The standard will not have a material impact on the consolidated statements of operations or cash flows.

Note 3. Inventories

Inventories consisted of the following (in thousands):

	August 31, 2019	August 31, 2018
Product held at third-party contract manufacturers	\$ 3,175	\$ 2,841
Raw materials and components	4,367	3,692
Work-in-process	257	448
Finished goods	32,883	29,555
Total	<u>\$ 40,682</u>	<u>\$ 36,536</u>

Note 4. Property and Equipment

Property and equipment, net, consisted of the following (in thousands):

	August 31, 2019	August 31, 2018
Machinery, equipment and vehicles	\$ 19,356	\$ 17,848
Buildings and improvements	17,391	17,100
Computer and office equipment	5,328	5,046
Software	10,189	9,481
Furniture and fixtures	2,039	1,820
Capital in progress	16,747	8,042
Land	3,444	3,453
Subtotal	74,494	62,790
Less: accumulated depreciation and amortization	(29,418)	(26,433)
Total	<u>\$ 45,076</u>	<u>\$ 36,357</u>

At August 31, 2019, capital in progress on the balance sheet included £9.0 million Pound Sterling (\$10.9 million in U.S. Dollars as converted at exchange rates as of August 31, 2019) associated with capital costs related to the purchase of the Company’s new office building and related land, as well as buildout costs in Milton Keynes, England. This new office building will house

employees of the Company's EMEA segment that are based in the United Kingdom. The Company has continued to incur additional capital costs related to the buildout of the acquired building and for the purchase of new furniture, fixtures and equipment. Upon completion of the buildout, which is expected to occur early in fiscal year 2020, the Company will place these assets into service and reclassify the amounts recorded in capital in progress to the respective fixed asset categories, which includes amounts attributable to the land. Since all assets associated with this new office building are denominated in Pound Sterling, amounts will fluctuate in U.S. Dollars from period to period due to changes in foreign currency exchange rates.

Note 5. Goodwill and Other Intangible Assets

Goodwill

The following table summarizes the changes in the carrying amounts of goodwill by segment (in thousands):

	Americas	EMEA	Asia-Pacific	Total
Balance as of August 31, 2017	\$ 85,448	8,939	1,210	95,597
Translation adjustments	1	23	-	24
Balance as of August 31, 2018	85,449	8,962	1,210	95,621
Translation adjustments	(29)	(245)	-	(274)
Balance as of August 31, 2019	\$ 85,420	\$ 8,717	\$ 1,210	\$ 95,347

During the second quarter of fiscal year 2019, the Company performed its annual goodwill impairment test. The annual goodwill impairment test was performed at the reporting unit level as required by the authoritative guidance as of the Company's most recent goodwill impairment testing date, December 1, 2018. During the fiscal year 2019 annual goodwill impairment test, the Company performed a qualitative assessment of each reporting unit to determine whether it was more likely than not that the fair value of a reporting unit was less than its carrying amount. In performing this qualitative assessment, the Company assessed relevant events and circumstances that may impact the fair value and the carrying amount of each of its reporting units. Factors that were considered included, but were not limited to, the following: (1) macroeconomic conditions; (2) industry and market conditions; (3) historical financial performance and expected financial performance, including the continued impacts of the "Tax Cuts and Jobs Act", which was signed into law on December 22, 2017 and became effective beginning January 1, 2018; (4) other entity specific events, such as changes in management or key personnel; and (5) events affecting the Company's reporting units, such as a change in the composition of net assets or any expected dispositions. Based on the results of this qualitative assessment, the Company determined that it is more likely than not that the carrying value of each of its reporting units is less than its fair value as of the goodwill impairment testing date and, thus, a quantitative analysis was not required. As a result, the Company concluded that no impairment of its goodwill existed as of February 28, 2019.

In addition, there were no indicators of impairment identified as a result of the Company's review of events and circumstances related to its goodwill subsequent to February 28, 2019, the date of its most recent annual goodwill impairment test. To date, there have been no impairment losses identified and recorded related to the Company's goodwill.

Definite-lived Intangible Assets

The Company's definite-lived intangible assets, which include the 2000 Flushes, Spot Shot, Carpet Fresh, 1001, EZ REACH and GT85 trade names, the Belgium customer list, the GT85 customer relationships and the GT85 technology are included in other intangible assets, net in the Company's consolidated balance sheets. The following table summarizes the definite-lived intangible assets and the related accumulated amortization (in thousands):

	August 31, 2019	August 31, 2018
Gross carrying amount	\$ 35,531	\$ 36,122
Accumulated amortization	(24,879)	(22,609)
Net carrying amount	\$ 10,652	\$ 13,513

There has been no impairment charge for the period ended August 31, 2019 as a result of the Company's review of events and circumstances related to its existing definite-lived intangible assets.

Changes in the carrying amounts of definite-lived intangible assets by segment are summarized below (in thousands):

	Americas	EMEA	Asia-Pacific	Total
Balance as of August 31, 2017	\$ 12,706	3,538	-	\$ 16,244
Amortization expense	(2,237)	(714)	-	(2,951)
EZ REACH trade name	175	-	-	175
Translation adjustments	-	45	-	45
Balance as of August 31, 2018	10,644	2,869	-	13,513
Amortization expense	(2,243)	(463)	-	(2,706)
Translation adjustments	-	(155)	-	(155)
Balance as of August 31, 2019	<u>\$ 8,401</u>	<u>\$ 2,251</u>	<u>\$ -</u>	<u>\$ 10,652</u>

The estimated amortization expense for the Company's definite-lived intangible assets in future fiscal years is as follows (in thousands):

	Trade Names	Customer-Based
Fiscal year 2020	\$ 2,047	\$ 156
Fiscal year 2021	1,253	156
Fiscal year 2022	1,253	156
Fiscal year 2023	1,007	-
Fiscal year 2024	1,001	-
Thereafter	3,623	-
Total	<u>\$ 10,184</u>	<u>\$ 468</u>

Included in the total estimated future amortization expense is the amortization expense for the 1001 trade name and the GT85 intangible assets, which are based on current foreign currency exchange rates, and as a result amounts in future periods may differ from those presented due to fluctuations in those rates.

Note 6. Accrued and Other Liabilities

Accrued liabilities consisted of the following (in thousands):

	August 31, 2019	August 31, 2018
Accrued advertising and sales promotion expenses	\$ 10,438	\$ 11,972
Accrued professional services fees	1,744	1,712
Accrued sales taxes and other taxes	1,418	1,642
Accrued liability forward contract ⁽¹⁾	-	6,893
Other ⁽²⁾	4,913	4,021
Total	<u>\$ 18,513</u>	<u>\$ 26,240</u>

(1) This accrued liability relates to a foreign currency forward contract that the Company's U.K. subsidiary entered into with Bank of America to sell U.S. Dollars and receive Pound Sterling. This foreign currency forward contract matured on August 30, 2018, but the settlement of the currencies in the amount of \$6.9 million did not occur until September 4, 2018. As a result, as of August 31, 2018, the Company owed Bank of America \$6.9 million which was recorded in accrued and other liabilities. Bank of America also owed the Company \$6.9 million equivalent in Pound Sterling and this was recorded in other current assets as of August 31, 2018.

(2) At August 31, 2019, other accrued liabilities on the balance sheet included £1.4 million Pound Sterling (\$1.7 million in U.S. Dollars as converted at exchange rates as of August 31, 2019) associated with capital costs related to buildout costs of the Company's new office building in Milton Keynes, England. This new office building will house employees of the Company's EMEA segment that are based in the United Kingdom.

Accrued payroll and related expenses consisted of the following (in thousands):

	August 31, 2019	August 31, 2018
Accrued incentive compensation	\$ 7,259	\$ 6,719
Accrued payroll	3,454	3,792
Accrued profit sharing	2,503	2,561
Accrued payroll taxes	1,566	1,236
Other	519	515
Total	<u>\$ 15,301</u>	<u>\$ 14,823</u>

Note 7. Debt

As of August 31, 2019, the Company held borrowings under two separate agreements as detailed below.

Note Purchase and Private Shelf Agreement

On November 15, 2017, the Company entered into the Note Purchase and Private Shelf Agreement (the “Note Agreement”) by and among the Company, PGIM, Inc. (“Prudential”), and certain affiliates and managed accounts of Prudential (the “Note Purchasers”), pursuant to which the Company agreed to sell \$20.0 million aggregate principal amount of senior notes (the “Series A Notes”) to certain of the Note Purchasers. Since November 15, 2017, this note agreement has been amended once on February 23, 2018. The Series A Notes bear interest at 3.39% per annum and will mature on November 15, 2032, unless earlier paid by the Company. Principal payments are required semi-annually in May and November of each year in equal installments of \$0.4 million through May 15, 2032, and the remaining outstanding principal in the amount of \$8.4 million will become due on November 15, 2032. Interest is also payable semi-annually in May and November of each year. During fiscal year 2019, the Company repaid \$0.8 million in principal on the Series A Notes pursuant to its semi-annual principal payment requirements.

Pursuant to the Note Agreement, the Company may from time to time offer for sale, in one or a series of transactions, additional senior notes of the Company (the “Shelf Notes”) in an aggregate principal amount of up to \$105.0 million. The Shelf Notes will have a maturity date of no more than 15½ years after the date of original issuance and may be issued no later than November 15, 2020. The Shelf Notes, if issued, would bear interest at a rate per annum as agreed upon amongst the Company and the purchasing parties and would have such other particular terms, as would be set forth in a confirmation of acceptance executed by the purchasing parties prior to the closing of each purchase and sale transaction. To date, the Company has issued no Shelf Notes. Pursuant to the Note Agreement, the Series A Notes and any Shelf Notes (collectively, the “Notes”) can be prepaid at the Company’s sole discretion, in whole at any time or in part from time to time, at 100% of the principal amount of the Notes being prepaid, together with accrued and unpaid interest thereon as well as an additional make-whole payment with respect to such Notes.

Credit Agreement

On June 17, 2011, the Company entered into an unsecured Credit Agreement (the “Credit Agreement”) with Bank of America, N.A. (“Bank of America”). Since June 17, 2011, this unsecured credit agreement has been amended seven times, most recently on January 22, 2019, (the “Seventh Amendment”) which extended the maturity date of the revolving credit facility from May 13, 2020 to January 22, 2024 and amended the Credit Agreement to add the Company’s U.K. subsidiary as a designated borrower and permit borrowings in both Euros and Pound Sterling. The Seventh Amendment also reduced the revolving commitment from \$175.0 million to \$125.0 million until March 22, 2019 and to \$100.0 million thereafter, as well as established a sublimit for the revolving commitment for borrowing by the Company’s U.K. operating subsidiary in the amount of \$50.0 million.

Per the terms of the amended agreement, the aggregate amount of the Company’s capital stock that it may repurchase may not exceed \$150.0 million during the period from January 22, 2019 to the maturity date of the agreement so long as no default exists immediately prior and after giving effect thereto. In addition, the Credit Agreement features an autoborrow agreement providing for the automatic advance of revolving loans in U.S. Dollars to the Company’s designated account at Bank of America. Per the terms of the amended agreement, the Company’s outstanding balance on the autoborrow agreement cannot exceed an aggregate amount of \$30.0 million. Since the autoborrow feature provides for borrowings to be made and repaid by the Company on a daily basis, any such borrowings made under an active autoborrow agreement are classified as short-term on the Company’s consolidated balance sheets. The Company had \$0.4 million in net borrowings outstanding under the autoborrow agreement as of August 31, 2019.

The Company assesses its ability and intent to refinance the outstanding draws on the line of credit at the end of each reporting period in order to determine the proper balance sheet classification for amounts outstanding on the line of credit. Outstanding draws on the line of credit which the Company intends to repay in less than twelve months are classified as short-term. Outstanding draws for which management has the ability and intent to refinance with successive short-term borrowings for a period of at least twelve months are classified as long-term. During fiscal year 2019, the Company repaid \$20.0 million in short-term borrowings outstanding under the line of credit and drew an additional \$20.0 million in short-term borrowings in U.S. Dollars. In January 2019, the Company paid its entire \$44.0 million U.S. Dollar balance of long-term outstanding draws in the United States and replaced them with an equivalent amount of draws in Euros and Pound Sterling at its U.K. subsidiary. Euro and Pound Sterling denominated draws will fluctuate in U.S. Dollars from period to period due to changes in foreign currency exchange rates. As of August 31, 2019, the Company had a balance of \$62.2 million of outstanding draws on the line of credit. Based on the Company's ability and intent assessment, \$42.2 million of this \$62.2 million was classified as long-term and the remaining \$20.0 million as short-term as of August 31, 2019.

Short-term and long-term borrowings consisted of the following (in thousands):

	August 31, 2019	August 31, 2018
Short-term borrowings:		
Revolving credit facility, short-term	\$ 20,000	\$ 20,000
Revolving credit facility, autoborrow feature	405	2,800
Series A Notes, current portion of long-term debt	800	800
Total short-term borrowings	<u>21,205</u>	<u>23,600</u>
Long-term borrowings:		
Revolving credit facility	42,221	44,000
Series A Notes	18,000	18,800
Total long-term borrowings	<u>60,221</u>	<u>62,800</u>
Total	<u>\$ 81,426</u>	<u>\$ 86,400</u>

Both the Note Agreement and the Credit Agreement contain representations, warranties, events of default and remedies, as well as affirmative, negative and other financial covenants customary for these types of agreements. These covenants include, among other things, certain limitations on the ability of the Company and its subsidiaries to incur indebtedness, create liens, dispose of assets, make investments, repurchase shares of the Company's capital stock and enter into certain merger or consolidation transactions. Each agreement also includes a most favored lender provision which requires that any time any other lender has the benefit of one or more financial or operational covenants that is different than, or similar to, but more restrictive than those contained in its own agreement, those covenants shall be immediately and automatically incorporated by reference in the other lender's agreement.

Both the Note Agreement and the Credit Agreement require the Company to adhere to the same financial covenants. For the financial covenants, the definition of consolidated EBITDA includes the add back of non-cash stock-based compensation to consolidated net income when arriving at consolidated EBITDA. The terms of the financial covenants are as follows:

- The consolidated leverage ratio cannot be greater than three to one. The consolidated leverage ratio means, as of any date of determination, the ratio of (a) consolidated funded indebtedness as of such date to (b) consolidated EBITDA for the most recently completed four fiscal quarters.
- The consolidated interest coverage ratio cannot be less than three to one. The consolidated interest coverage ratio means, as of any date of determination, the ratio of (a) consolidated EBITDA for the most recently completed four fiscal quarters to (b) consolidated interest charges for the most recently completed four fiscal quarters.

As of August 31, 2019 the Company was in compliance with all debt covenants under both the Note Agreement and the Credit Agreement.

Note 8. Share Repurchase Plans

On June 19, 2018, the Company's Board of Directors approved a new share buy-back plan. Under the plan, which became effective on September 1, 2018 and will remain in effect through August 31, 2020, the Company is authorized to acquire up to \$75.0 million of its outstanding shares on terms and conditions as may be acceptable to the Company's Chief Executive Officer and Chief Financial Officer and in compliance with all laws and regulations thereto. During the period from September 1, 2018 through August 31, 2019, the Company repurchased 175,955 shares at an average price of \$168.34 per share, for a total cost of \$29.6 million under this \$75.0 million plan.

Note 9. Earnings per Common Share

The table below reconciles net income to net income available to common shareholders (in thousands):

	Fiscal Year Ended August 31,		
	2019	2018	2017
Net income	\$ 55,908	\$ 65,215	\$ 52,930
Less: Net income allocated to participating securities	(333)	(423)	(323)
Net income available to common shareholders	<u>\$ 55,575</u>	<u>\$ 64,792</u>	<u>\$ 52,607</u>

The table below summarizes the weighted-average number of common shares outstanding included in the calculation of basic and diluted EPS (in thousands):

	Fiscal Year Ended August 31,		
	2019	2018	2017
Weighted-average common shares outstanding, basic	13,799	13,929	14,089
Weighted-average dilutive securities	31	33	34
Weighted-average common shares outstanding, diluted	<u>13,830</u>	<u>13,962</u>	<u>14,123</u>

For the fiscal year ended August 31, 2019, weighted-average stock-based equity awards outstanding that are non-participating securities in the amount of 1,082 were excluded from the calculation of diluted EPS under the treasury stock method as they were anti-dilutive. There were no anti-dilutive stock-based equity awards outstanding for the fiscal years ended August 31, 2018 and 2017.

Note 10. Revenue Recognition

On September 1, 2018, the Company adopted ASC 606 using the modified retrospective method and recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening retained earnings. As a result, the Company recognized a reduction of \$0.3 million to opening retained earnings as the cumulative effect of adopting this new revenue standard. This adjustment did not have a material impact on the Company's consolidated financial statements. Results for reporting periods beginning after September 1, 2018 are presented under ASC 606, while prior period amounts are presented under the accounting standards in effect for those respective periods.

As a result of the adoption of ASC 606 and management's consideration of the factors in the five-step approach, the timing for recognizing revenue has been delayed for certain customers and accelerated for others, particularly for customers in the Company's Americas segment. Under ASC 606, the timing of revenue recognition is determined when control transfers to our customers, while under the prior revenue recognition guidance, timing of revenue was focused more on the transfer of the risks and rewards. Under the prior revenue recognition guidance, the Company effectively retained the risk of loss until the goods reached the customer as if those customers had designated shipping terms. Under ASC 606, transfer of risks and rewards is just one indicator of whether control has transferred. Management determined that revenue, after considering all indicators, is recognized for those customers when goods are shipped or picked up from the Company's warehouses. The Company assessed the financial line items impacted by adopting this standard compared to the previous revenue guidance, and management concluded that any differences in financial statement line items are inconsequential to the Company's consolidated financial statements for fiscal year 2019.

The following paragraphs detail the Company's revenue recognition policies and provide additional information used in its determination of net sales and contract balances under ASC 606.

Revenue Recognition

The Company generates revenue from sales of its products to customers in its Americas, EMEA and Asia-Pacific segments. Product sales for the Company include maintenance products and homecare and cleaning products. The Company recognizes revenue related to the sale of these products when it satisfies a performance obligation in an amount reflecting the consideration to which it expects to be entitled. Sales are recorded net of allowances for damaged goods and other sales returns, sales incentives, trade promotions and cash discounts. The Company applies a five-step approach in determining the amount and timing of revenue to be recognized which includes the following: (1) identifying the contract with a customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations in the contract and (5) recognizing revenue when the performance obligation is satisfied.

Contracts with customers are renewable periodically and contain terms and conditions with respect to payment, delivery, sales incentives, warranty and supply, but do not require mandatory purchase commitments. In the absence of a specific sales agreement with a customer, the Company's standard terms and conditions at the time of acceptance of purchase orders apply to the sales transaction. The Company's standard terms and conditions are either included in a standalone document or on the Company's price lists or both, and these standard terms and conditions are provided to the customer prior to the sales transaction. The Company considers the customer purchase orders, governed by specific sales agreements or the Company's standard terms and conditions, to be the contract with the customer. The Company considers each transaction to sell products as separate and distinct, with no additional promises made, and as a result, all of the Company's sales are single performance obligation arrangements for which the transaction price is equivalent to the stated price of the product, net of any variable consideration for items such as sales returns, discounts, rebates and other sales incentives. The Company recognizes sales at a point in time upon transferring control of its product to the customer. This typically occurs when products are shipped or delivered, depending on when risks of loss and title have passed to the customer per the terms of the contract.

Taxes imposed by governmental authorities on the Company's revenue, such as sales taxes and value added taxes, are excluded from net sales. Sales commissions are paid to certain third-parties based upon specific sales levels achieved during a defined time period. Since the Company's contracts related to these sales commissions do not exceed one year, the Company has elected as a practical expedient to expense these payments as incurred. The Company also elected the practical expedient related to shipping and handling fees which allows the Company to account for freight costs as fulfillment activities instead of assessing such activities as performance obligations. The Company's freight costs are sometimes paid by the customer, while other times, the freight costs are included in the sales price. The Company does not account for freight costs as a separate performance obligation, but rather as an activity performed to transfer the products to its customers.

Variable Consideration - Sales Incentives

In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment related to variable consideration to determine the net consideration to which the Company expects to be entitled. The Company records estimates of variable consideration, which primarily includes rebates (cooperative marketing programs and volume-based discounts), coupon offers, cash discount allowances, and sales returns, as a reduction of sales in its consolidated statements of operations. These estimates are based on the most likely outcome method considering all reasonably available information, including current and past trade promotion spending patterns, status of trade promotion activities, the interpretation of historical spending trends by customer and category, customer agreements and/or currently known factors that arise in the normal course of business. The Company reviews its assumptions and adjusts these estimates accordingly on a quarterly basis.

Rebates — The Company offers various on-going trade promotion programs with customers that require management to estimate and accrue for the expected costs of such programs. These programs include cooperative marketing, volume-based discounts, shelf price reductions, consideration and allowances given to retailers for shelf space and/or favorable display positions in their stores and other promotional activities. Costs related to rebates, cooperative advertising and other promotional activities are recorded as a reduction to sales upon delivery of the Company's products to its customers. As of August 31, 2019, the Company had a \$7.5 million balance in rebate liabilities, which are included in accrued liabilities on the Company's consolidated balance sheets, and recorded approximately \$18.2 million in rebates as a reduction to sales during fiscal year 2019.

Coupons — Coupon costs are based upon historical redemption rates and are recorded as a reduction to sales as incurred, which is when the coupons are circulated. As of August 31, 2019, the Company had a \$0.2 million balance in coupon redemption liabilities, which are included in accrued liabilities on the Company's consolidated balance sheets, and recorded approximately \$0.4 million in coupons as a reduction to sales during fiscal year 2019.

Cash discounts — The Company offers certain of its customers a cash discount program to incentivize them to pay the invoice earlier than the normal payment date on the invoice. Although payment terms vary, most customers typically pay within 30 to 90 days of invoicing. As of August 31, 2019, the Company had a \$0.5 million balance in the allowance for cash discounts and recorded approximately \$4.2 million in cash discounts as a reduction to sales during fiscal year 2019.

Sales returns — The Company recognizes revenue net of allowances for estimated returns, which is based on historical return rates, with a corresponding reduction to cost of products sold. Although the Company typically does not have definitive sales return provisions included in the contract terms with its customers, when such provisions have been included, they have not been significant. Under the provisions of ASC 606, the Company is now required to present its provision for sales returns on a gross basis as a liability. The Company’s refund liability for sales returns was \$0.4 million at August 31, 2019, which is included in accrued liabilities and represents the amount expected to be owed to the customers for product returns. The Company now also records an asset for the value of inventory that represents the right to recover products from customers associated with sales returns. The value of this inventory is recorded to other current assets and the balance in this account associated with product returns was \$0.1 million at August 31, 2019. In prior periods, the Company recognized a provision for estimated sales returns on a net basis, and as allowed under the modified retrospective approach, the comparative prior period information has not been restated for this change.

Disaggregation of Revenue

The Company's revenue is presented on a disaggregated basis in Note 16 – Business Segments and Foreign Operations included in this report. The Company discloses certain information about its business segments, which are determined consistent with the way the Company’s Chief Operating Decision Maker organizes and evaluates financial information internally for making operating decisions and assessing performance. The Chief Operating Decision Maker assesses and measures revenue based on geographic area and product groups.

Contract Balances

Contract liabilities consist of deferred revenue related to undelivered products. Deferred revenue is recorded when payments have been received from customers for undelivered products. Revenue is subsequently recognized when revenue recognition criteria are met, generally when control of the product transfers to the customer. The Company had contract liabilities of \$1.1 million and \$0.3 million as of September 1, 2018 and August 31, 2019, respectively. All of the \$1.1 million that was included in contract liabilities as of September 1, 2018 was recognized to revenue during fiscal year 2019. These contract liabilities are recorded in accrued liabilities on the Company’s consolidated balance sheets. The Company did not have any contract assets as of September 1, 2018 and August 31, 2019.

Note 11. Related Parties

On October 11, 2011, the Company’s Board of Directors elected Mr. Gregory A. Sandfort as a director of WD-40 Company. Mr. Sandfort is the Chief Executive Officer of Tractor Supply Company (“Tractor Supply”), which is a WD-40 Company customer that acquires products from the Company in the ordinary course of business.

The consolidated financial statements include sales to Tractor Supply of \$1.9 million for fiscal year 2019 and \$1.4 million and \$1.2 million for fiscal years 2018 and 2017, respectively. Accounts receivable from Tractor Supply were \$0.3 million as of August 31, 2019 and \$0.5 million as of August 31, 2018.

Note 12. Commitments and Contingencies

Leases

The Company was committed under certain non-cancellable capital and operating leases at August 31, 2019. The Company's capital leases were not significant as of August 31, 2019. The Company’s leases provide for the following future fiscal year minimum payments (in thousands):

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Thereafter</u>
Leases	\$ 1,988	\$ 1,470	\$ 827	\$ 348	\$ 975	\$ 932

Rent expense was \$1.8 million, \$2.0 million, and \$2.1 million for the fiscal years ended August 31, 2019, 2018 and 2017, respectively.

Purchase Commitments

The Company has ongoing relationships with various suppliers (contract manufacturers) who manufacture the Company’s products. The contract manufacturers maintain title and control of certain raw materials and components, materials utilized in finished products, and of the finished products themselves until shipment to the Company’s customers or third-party distribution centers in accordance with agreed upon shipment terms. Although the Company has definitive minimum purchase obligations

included in the contract terms with certain of its contract manufacturers, when such obligations have been included, they have either been immaterial or the minimum amounts have been such that they are well below the volume of goods that the Company has historically purchased. In the ordinary course of business, supply needs are communicated by the Company to its contract manufacturers based on orders and short-term projections, ranging from two to six months. The Company is committed to purchase the products produced by the contract manufacturers based on the projections provided.

Upon the termination of contracts with contract manufacturers, the Company obtains certain inventory control rights and is obligated to work with the contract manufacturer to sell through all product held by or manufactured by the contract manufacturer on behalf of the Company during the termination notification period. If any inventory remains at the contract manufacturer at the termination date, the Company is obligated to purchase such inventory which may include raw materials, components and finished goods. The amounts for inventory purchased under termination commitments have been immaterial.

In addition to the commitments to purchase products from contract manufacturers described above, the Company may also enter into commitments with other manufacturers to purchase finished goods and components to support innovation and renovation initiatives and/or supply chain initiatives. As of August 31, 2019, no such commitments were outstanding.

Litigation

From time to time, the Company is subject to various claims, lawsuits, investigations and proceedings arising in the ordinary course of business, including but not limited to, product liability litigation and other claims and proceedings with respect to intellectual property, breach of contract, labor and employment, tax and other matters. Except as disclosed herein, there are no unasserted claims or pending proceedings for claims against the Company that the Company believes will result in a probable loss for the Company and, as to claims that the Company believes may result in a reasonably possible loss, the Company believes that no reasonably possible outcome of any such claim will have a materially adverse impact on the Company's financial condition, results of operations or cash flows.

On or about July 31, 2018, claims for damages were asserted against the Company in an "Amended Statement of Claim" filed in a civil proceeding in Malaysia before the High Court of Malaya at Shah Alam in the State of Selangor Darul Ehsan, Civil Suit No. BA-22NCvC-531-09/2017 (the "Malay Litigation"). The Malay Litigation was first filed in September 2017 by Sunway Winstar Sdn. Bhd. ("Sunway") against a former employee of Sunway and the former employee's new employer, Ekotrends Capital Sdn. Bhd. ("Ekotrends"). Sunway was a marketing distributor for the Company for the country of Malaysia from 2004 until 2017. Ekotrends is an affiliate of Bun Seng Hardware Sdn. Bhd. ("Bun Seng"), the Company's current marketing distributor for Malaysia. The Malay Litigation asserted that the former employee and Ekotrends misappropriated confidential information, including customer lists, associated with Sunway's terminated relationship as the Company's exclusive marketing distributor. By order of the court following the Company's motion to intervene in order to protect and assert its right to ownership of the customer lists and other confidential information associated with the Company's business in Malaysia, Sunway filed its Amended Statement of Claim to add Bun Seng as a defendant and to assert new and separate claims against the Company alleging conspiracy with Ekotrends and Bun Seng to injure the business and reputation of Sunway.

The Company denies the allegations asserted by Sunway and will vigorously defend itself in the Malay Litigation. The Company believes that an unfavorable outcome in the Malay Litigation is not probable, but that an award of damages is reasonably possible. Due to uncertainty as to the theories for recovery of damages asserted by Sunway against the Company and as to results in proceedings under Malaysian law, the Company is unable to estimate the possible loss or range of loss.

Indemnifications

As permitted under Delaware law, the Company has agreements whereby it indemnifies senior officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company maintains Director and Officer insurance coverage that mitigates the Company's exposure with respect to such obligations. As a result of the Company's insurance coverage, management believes that the estimated fair value of these indemnification agreements is minimal. Thus, no liabilities have been recorded for these agreements as of August 31, 2019.

From time to time, the Company enters into indemnification agreements with certain contractual parties in the ordinary course of business, including agreements with lenders, lessors, contract manufacturers, marketing distributors, customers and certain vendors. All such indemnification agreements are entered into in the context of the particular agreements and are provided in an attempt to properly allocate risk of loss in connection with the consummation of the underlying contractual arrangements. Although the maximum amount of future payments that the Company could be required to make under these indemnification agreements is unlimited, management believes that the Company maintains adequate levels of insurance coverage to protect the Company with respect to most potential claims arising from such agreements and that such agreements do not otherwise have

value separate and apart from the liabilities incurred in the ordinary course of the Company's business. Thus, no liabilities have been recorded with respect to such indemnification agreements as of August 31, 2019.

Note 13. Income Taxes

Income before income taxes consisted of the following (in thousands):

	Fiscal Year Ended August 31,		
	2019	2018	2017
United States	\$ 47,962	\$ 42,634	\$ 42,060
Foreign ⁽¹⁾	32,808	32,544	32,562
Income before income taxes	<u>\$ 80,770</u>	<u>\$ 75,178</u>	<u>\$ 74,622</u>

(1) Included in these amounts are income before income taxes for the EMEA segment of \$26.6 million, \$27.4 million and \$28.1 million for the fiscal years ended August 31, 2019, 2018 and 2017, respectively.

The provision for income taxes consisted of the following (in thousands):

	Fiscal Year Ended August 31,		
	2019	2018	2017
Current:			
Federal	\$ 15,591	\$ 10,100	\$ 10,813
State	800	651	744
Foreign	7,679	6,750	7,465
Total current	<u>24,070</u>	<u>17,501</u>	<u>19,022</u>
Deferred:			
United States	843	(7,496)	2,627
Foreign	(51)	(42)	43
Total deferred	<u>792</u>	<u>(7,538)</u>	<u>2,670</u>
Provision for income taxes	<u>\$ 24,862</u>	<u>\$ 9,963</u>	<u>\$ 21,692</u>

Deferred tax assets and deferred tax liabilities consisted of the following (in thousands):

	August 31, 2019	August 31, 2018
Deferred tax assets:		
Accrued payroll and related expenses	\$ 794	\$ 916
Accounts receivable	325	303
Reserves and accruals	1,145	1,496
Stock-based compensation expense	1,990	2,321
Uniform capitalization	1,084	959
Tax credit carryforwards	2,827	2,790
Other	1,034	938
Total gross deferred tax assets	9,199	9,723
Valuation allowance	(2,827)	(2,505)
Total net deferred tax assets	<u>6,372</u>	<u>7,218</u>
Deferred tax liabilities:		
Property and equipment, net	(1,609)	(1,305)
Amortization of tax goodwill and intangible assets	(15,373)	(16,108)
Investments in partnerships	(83)	(222)
Other	(592)	(122)
Total deferred tax liabilities	<u>(17,657)</u>	<u>(17,757)</u>
Net deferred tax liabilities	<u>\$ (11,285)</u>	<u>\$ (10,539)</u>

The Company had state net operating loss (“NOL”) carryforwards of \$4.8 million and \$3.0 million as of August 31, 2019 and 2018, respectively, which generated a net deferred tax asset of \$0.2 million as of both August 31, 2019 and 2018. The state NOL carryforwards, if unused, will expire between fiscal year 2020 and 2039. The Company also had tax credit carryforwards of \$2.8 million as of both August 31, 2019 and 2018, of which \$2.6 million and \$2.5 million, respectively, is attributable to U.K. tax credit carryforwards, which do not expire. Future utilization of the U.K. tax credit carryforwards and certain state credit carryforwards is uncertain and is dependent upon several factors that may not occur, including the generation of future taxable income in certain jurisdictions. At this time, management cannot conclude that it is “more likely than not” that the related deferred tax assets will be realized. Accordingly, a full valuation allowance has been recorded against the related deferred tax asset associated with the U.K. tax credit carryforwards and certain state credit carryforwards.

A reconciliation of the statutory federal income tax rate to the Company’s effective tax rate is as follows (in thousands):

	Fiscal Year Ended August 31,		
	2019	2018	2017
Amount computed at U.S. statutory federal tax rate	\$ 16,962	\$ 19,298	\$ 26,118
State income taxes, net of federal tax benefits	963	453	327
Effect of foreign operations	(1,086)	(1,412)	(4,277)
Benefit from qualified domestic production deduction	-	(1,121)	(1,295)
Tax Cuts and Jobs Act:			
Remeasurement of deferred income taxes	-	(6,762)	-
Toll tax, net of foreign tax credits	8,665	(282)	-
Benefit from stock compensation	(1,107)	(725)	-
Other	465	514	819
Provision for income taxes	<u>\$ 24,862</u>	<u>\$ 9,963</u>	<u>\$ 21,692</u>

On December 20, 2017 the United States House of Representatives and the Senate passed the “Tax Cuts and Jobs Act” (the “Tax Act”), which was signed into law on December 22, 2017 and became effective beginning January 1, 2018. Due to the complexity of the Tax Act, the SEC issued guidance in SAB 118 which clarified the accounting for income taxes under ASC 740 if certain information was not yet available, prepared or analyzed in reasonable detail to complete the accounting for income tax effects of the Tax Act. SAB 118 provided for a measurement period of up to one year after the enactment of the Tax Act, during which time the required analyses and accounting must have been completed. During the measurement period, provisional amounts must have been reported for income tax effects of the Tax Act for which the accounting was incomplete but a reasonable estimate could be determined. During fiscal year 2018, the Company recorded provisional amounts for the income tax effects of the changes in tax law and tax rates during this measurement period. The Company did not significantly adjust these provisional amounts from the beginning of fiscal year 2019 through the end of the SAB 118 measurement period which occurred during the second quarter of the Company’s fiscal year 2019. Although the Company no longer considers these amounts to be provisional, the determination of the Tax Act’s income tax effects remains subject to change following subsequent legislation, further interpretation of the Tax Act based on the publication of U.S. Treasury regulations, or guidance from the Internal Revenue Service and state tax authorities.

In November 2018, subsequent to the filing of the Company’s federal income tax return, the U.S. Treasury released proposed regulations that were subsequently finalized in June 2019. These regulations specifically address, and are inconsistent with, the Company’s position regarding the availability of the dividends received deduction for deemed foreign dividends recorded in fiscal 2018 associated with the Tax Act’s mandatory one-time “toll tax” on unremitted foreign earnings. During July 2019, the Company completed its assessment of these final regulations. Due to the uncertainty created by these regulations, the Company recorded a reserve for an uncertain tax position in the fourth quarter of its fiscal year 2019 in the amount of \$8.7 million, inclusive of accrued interest of approximately \$0.4 million. This uncertain tax position represents the tax liability that would be imposed if these final regulations are enforced. This liability reserve increased the Company’s provision for income taxes and lowered its net income for the year ending August 31, 2019.

Management has assessed other fiscal year 2019 impacts of the Tax Act and has determined that the Company has lost the benefit from the Domestic Production Activities Deduction. However, the Company has also acquired certain net benefits beginning in fiscal year 2019 from the favorable impacts of the Foreign Derived Intangible Income (“FDII”) section of the Tax Act, partially offset by the unfavorable impacts of the Global Intangible Low-Taxed Income (“GILTI”). Another significant section of the Tax Act, the Base Erosion Anti-Abuse Tax (“BEAT”), does not apply to the Company’s fiscal year 2019 as the Company does not meet the minimum revenue requirements under the BEAT. The Company will continue to evaluate the BEAT to determine whether it will have any significant impact on the Company’s consolidated financial statements in future years. The Tax Act requires taxpayers to elect an accounting method for expenses allocated to the GILTI calculation. As ASC 740, Income Taxes,

does not directly address the accounting for GILTI, the FASB staff concluded that entities must make an accounting policy election to either: (1) treat GILTI as a period cost if and when incurred, or (2) recognize deferred taxes for basis differences that are expected to reverse as GILTI in future years. During the first quarter of fiscal year 2019, management made the accounting policy election to account for GILTI as a current period cost included in tax expense in the year incurred

The provision for income taxes was 30.8% and 13.3% of income before income taxes for the fiscal years ended August 31, 2019 and 2018, respectively. The increase in the effective income tax rate from period to period was primarily due to the uncertain tax position in the amount of \$8.7 million related to the toll tax that was recorded in the fourth quarter of fiscal year 2019. In addition, the remeasurement of deferred income taxes related to the Tax Act, which was recorded as a provisional benefit and discrete item in fiscal year 2018, resulted in a favorable impact of \$6.8 million to the Company's fiscal year 2018 effective income tax rate. These one-time impacts resulted in a significantly higher fiscal year 2019 effective income tax rate compared to the prior fiscal year. In addition, the effective income tax rate for both fiscal years 2019 and 2018 were favorably impacted by the Tax Act's lower statutory tax rate. As the Company's fiscal year ends on August 31st, the Tax Act resulted in a blended federal statutory tax rate of 25.7% for fiscal year 2018. For fiscal year 2019, however, the Tax Act was in effect for the Company's full year and resulted in a federal statutory tax rate for the year of 21%. The tax rate was also favorably impacted in fiscal year 2019 by the net benefit received from the application of the GILTI and FDII calculations which were partially offset by the loss of the Domestic Production Activities Deduction.

Reconciliations of the beginning and ending amounts of the Company's gross unrecognized tax benefits, excluding interest and penalties, are as follows (in thousands):

	Fiscal Year Ended August 31,	
	2019	2018
Unrecognized tax benefits - beginning of fiscal year	\$ 1,038	\$ 981
Net increases (decreases) - prior period tax positions	8,301	62
Net increases - current period tax positions	210	263
Expirations of statute of limitations for assessment	(165)	(197)
Settlements	-	(71)
Unrecognized tax benefits - end of fiscal year	<u>\$ 9,384</u>	<u>\$ 1,038</u>

Gross unrecognized tax benefits totaled \$9.4 million and \$1.0 million for the fiscal years ended August 31, 2019 and 2018, respectively, of which \$9.2 million and \$0.9 million, respectively, would affect the Company's effective income tax rate if recognized. Interest and penalties related to uncertain tax positions included in tax expense was \$0.4 million for the fiscal year ended August 31, 2019, entirely related to the toll tax liability reserve accrued in the fourth quarter of fiscal year 2019. There were no significant interest or penalties included in income tax expense for the fiscal year ended August 31, 2018. The total balance of accrued interest and penalties related to uncertain tax positions was \$0.4 million for the fiscal year ended August 31, 2019 and was not significant for the fiscal year ended August 31, 2018.

The Company is subject to taxation in the U.S. and in various state and foreign jurisdictions. Due to expired statutes and closed audits, the Company's federal income tax returns for years prior to fiscal year 2016 are not subject to examination by the U.S. Internal Revenue Service. Generally, for the majority of state and foreign jurisdictions where the Company does business, periods prior to fiscal year 2015 are no longer subject to examination. The Company has estimated that up to \$0.3 million of unrecognized tax benefits related to income tax positions may be affected by the resolution of tax examinations or expiring statutes of limitation within the next twelve months. Audit outcomes and the timing of settlements are subject to significant uncertainty.

Note 14. Stock-based Compensation

As of August 31, 2019, the Company had one stock incentive plan, the WD-40 Company 2016 Stock Incentive Plan ("2016 Plan"), which was approved by the Company's shareholders effective as of December 13, 2016. The 2016 Plan permits the granting of various stock-based equity awards, including non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other stock-based awards to employees, directors and consultants. To date through August 31, 2019, the Company had granted awards of restricted stock units ("RSUs"), market share units ("MSUs") and deferred performance units ("DPUs") under the 2016 Plan. Additionally, as of August 31, 2019, there were still outstanding RSUs, MSUs and DPUs which had been granted under the Company's prior equity incentive plan. The 2016 Plan is administered by the Board of Directors (the "Board") or the Compensation Committee or other designated committee of the Board (the "Committee"). All stock-based equity awards granted under the 2016 Plan are subject to the specific terms and conditions as determined by the Committee at the time of grant of such awards in accordance with the various terms and conditions specified for each award type per the 2016 Plan. The total number of shares of common stock authorized for issuance pursuant to grants of awards under the 2016 Plan is 1,000,000. As of August 31, 2019, 720,373 shares of common stock remained available for future issuance pursuant to grants of awards under the 2016 Plan. The shares of common stock to be

issued pursuant to awards under the 2016 Plan may be authorized shares not previously issued, or treasury shares. The Company has historically issued new authorized shares not previously issued upon the settlement of the various stock-based equity awards under its equity incentive plans.

Vesting of the RSUs granted to directors is immediate, with shares to be issued pursuant to the vested RSUs upon termination of each director's service as a director of the Company. Vesting of the one-time grant of RSUs granted to certain key executives of the Company in March 2008 in settlement of these key executives' benefits under the Company's supplemental employee retirement plan agreements was over a period of three years from the date of grant, with shares to be issued pursuant to the vested RSUs six months following the day after each executive officer's termination of employment with the Company. Vesting of the RSUs granted to certain high level employees is over a period of three years from the date of grant, subject to potential earlier vesting in the event of retirement of the holder of the award in accordance with the award agreement, with shares to be issued pursuant to the vested RSUs at the time of vest. The director RSU holders and the executive officer March 2008 grant date RSU holders are entitled to receive dividend equivalents with respect to their RSUs, payable in cash as and when dividends are declared by the Company's Board of Directors.

Vesting of the MSUs granted to certain high level employees follows a performance measurement period of three fiscal years commencing with the Company's fiscal year in which the MSU awards are granted (the "Measurement Period"). Shares will be issued pursuant to the vested MSUs following the conclusion of the applicable MSU Measurement Period after the Committee's certification of achievement of the applicable performance measure for such awards and the vesting of the MSU awards and the applicable percentage of the target number of MSU shares to be issued. The recipient must remain employed with the Company for vesting purposes until the date on which the Committee certifies achievement of the applicable performance measure for the MSU awards, subject to potential pro-rata vesting in the event of earlier retirement of the holder of the award in accordance with the award agreement.

Vesting of the DPUs granted to certain high level employees follows a performance measurement period of one fiscal year that is the same fiscal year in which the DPU awards are granted (the "Measurement Year"). A number of DPUs equal to the applicable percentage of the maximum number of DPUs awarded will be confirmed as vested following the conclusion of the applicable DPU Measurement Year after the Committee's certification of achievement of the applicable performance measure for such awards (the "Vested DPUs"). The recipient must remain employed with the Company for vesting purposes until August 31 of the Measurement Year, subject to potential pro-rata vesting in the event of earlier retirement of the holder of the award in accordance with the award agreement. For recipients who are residents of the United States, the Vested DPUs must be held until termination of employment, with shares to be issued pursuant to the Vested DPUs six months following the day after each such recipient's termination of employment with the Company. For recipients who are not residents of the United States, the Committee has discretion to either defer settlement of each such recipient's Vested DPUs by issuance of shares following termination of employment or settle each Vested DPU in cash by payment of an amount equal to the closing price of one share of the Company's common stock as of the date of the Committee's certification of the relative achievement of the applicable performance measure for the DPU awards. Until issuance of shares in settlement of the Vested DPUs, the holders of each Vested DPU that is not settled in cash are entitled to receive dividend equivalents with respect to their Vested DPUs, payable in cash as and when dividends are declared by the Company's Board of Directors.

Stock-based compensation expense is amortized on a straight-line basis over the requisite service period for the entire award. Stock-based compensation expense related to the Company's stock-based equity awards totaled \$4.4 million, \$4.2 million and \$4.1 million for the fiscal years ended August 31, 2019, 2018 and 2017, respectively. The Company recognized income tax benefits related to such stock-based compensation of \$1.0 million, \$1.1 million and \$1.4 million for the fiscal years ended August 31, 2019, 2018 and 2017, respectively. As of August 31, 2019, the total unamortized compensation cost related to non-vested stock-based equity awards was \$0.6 million and \$2.1 million for RSUs and MSUs, respectively, which the Company expects to recognize over remaining weighted-average vesting periods of 1.6 and 1.9 years for RSUs and MSUs, respectively. No unamortized compensation cost for DPUs remained as of August 31, 2019.

Stock Options

Fiscal year 2008 was the last fiscal period in which the Company granted stock options and no stock options remained outstanding as of the prior fiscal year ended August 31, 2018. The estimated fair value of each of the Company's stock option awards granted in and prior to fiscal year 2008 was determined on the date of grant using the Black-Scholes option pricing model. The total intrinsic value of stock options exercised was \$0.5 million and \$1.6 million for the fiscal years ended August 31, 2018 and 2017, respectively. The income tax benefits from stock options exercised totaled \$0.1 million and \$0.4 million for the fiscal years ended August 31, 2018 and 2017, respectively.

Restricted Stock Units

The estimated fair value of each of the Company's RSU awards was determined on the date of grant based on the closing market price of the Company's common stock on the date of grant for those RSUs which are entitled to receive dividend equivalents with respect to the RSUs, or based on the closing market price of the Company's common stock on the date of grant less the grant date present value of expected dividends during the vesting period for those RSUs which are not entitled to receive dividend equivalents with respect to the RSUs.

A summary of the Company's restricted stock unit activity is as follows (in thousands, except share and per share amounts):

Restricted Stock Units	Number of Shares	Weighted-Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value
Outstanding at August 31, 2018	115,308	\$ 70.52	
Granted	17,562	\$ 163.93	
Converted to common shares	(35,813)	\$ 74.19	
Forfeited	(137)	\$ 130.99	
Outstanding at August 31, 2019	96,920	\$ 86.01	\$ 17,669
Vested at August 31, 2019	72,069	\$ 70.34	\$ 13,138

The weighted-average grant date fair value of all RSUs granted during the fiscal years ended August 31, 2019, 2018 and 2017 was \$163.93, \$111.71 and \$109.23, respectively. The total intrinsic value of all RSUs converted to common shares was \$6.0 million, \$2.8 million and \$3.6 million for the fiscal years ended August 31, 2019, 2018 and 2017, respectively.

The income tax benefits from RSUs converted to common shares totaled \$1.4 million, \$0.7 million and \$1.3 million for the fiscal years ended August 31, 2019, 2018 and 2017, respectively.

Market Share Units

The MSUs are market performance-based awards that shall vest with respect to the applicable percentage of the target number of MSU shares based on relative total stockholder return ("TSR") for the Company as compared to the total return for the Russell 2000 Index ("Index") over the performance Measurement Period. The ultimate number of MSUs that vest may range from 0% to 200% of the original target number of shares depending on the relative achievement of the TSR performance measure at the end of the Measurement Period. The probabilities of the actual number of MSUs expected to vest and resultant actual number of shares of common stock expected to be awarded are reflected in the grant date fair values of the various MSU awards; therefore, the compensation expense for the MSU awards will be recognized assuming the requisite service period is rendered and will not be adjusted based on the actual number of such MSU awards to ultimately vest.

The estimated fair value of each of the Company's MSU awards, which are not entitled to receive dividend equivalents with respect to the MSUs, was determined on the date of grant using the Monte Carlo simulation model, which utilizes multiple input variables to simulate a range of possible future stock prices for both the Company and the Index and estimates the probabilities of the potential payouts. The determination of the estimated grant date fair value of the MSUs is affected by the Company's stock price and a number of assumptions including the expected volatilities of the Company's stock and the Index, the Company's risk-free interest rate and expected dividends. The following weighted-average assumptions for MSU grants for the last three fiscal years were used in the Monte Carlo simulation model:

	Fiscal Year Ended August 31,		
	2019	2018	2017
Expected volatility	19.6%	20.4%	21.1%
Risk-free interest rate	3.0%	1.6%	1.0%
Expected dividend yield	0.0%	0.0%	0.0%

The expected volatility utilized was based on the historical volatilities of the Company's common stock and the Index in order to model the stock price movements. The volatility used was calculated over the most recent 2.90-year period for MSUs granted during the fiscal year ended August 31, 2019 and over the most recent 2.89-year periods for MSUs granted during each of the fiscal years ended August 31, 2018 and 2017, which were the remaining terms of the performance Measurement Period at the dates of grant. The risk-free interest rates used were based on the implied yield available on a U.S. Treasury zero-coupon bill with a remaining term equivalent to the remaining performance Measurement Period. The MSU awards stipulate that, for

purposes of computing the relative TSR for the Company as compared to the return for the Index, dividends paid with respect to both the Company's stock and the Index are to be treated as being reinvested into the stock of each entity as of the ex-dividend date. Accordingly, an expected dividend yield of zero was used in the Monte Carlo simulation model, which is the mathematical equivalent to reinvesting dividends in the issuing entity over the performance Measurement Period.

A summary of the Company's market share unit activity is as follows (in thousands, except share and per share amounts):

Market Share Units	Number of Shares	Weighted-Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value
Outstanding at August 31, 2018	42,208	\$ 105.81	
Granted	11,687	\$ 177.82	
Performance factor adjustments	11,090	\$ 127.80	
Converted to common shares	(24,752)	\$ 125.28	
Forfeited	(709)	\$ 108.29	
Outstanding at August 31, 2019 ⁽¹⁾	39,524	\$ 121.03	\$ 7,205

- (1) This figure represents the total number of shares underlying MSU grants assuming achievement of the target number of shares at 100%. As the ultimate number of shares that vest could be as high as 200% of the target, the Company may be required to issue additional shares to satisfy outstanding MSU award grants.

The weighted-average grant date fair value of all MSUs granted during the fiscal years ended August 31, 2019, 2018 and 2017 was \$177.82, \$101.93 and \$90.91, respectively. The total intrinsic value of all MSUs converted to common shares was \$4.0 million, \$3.0 million and \$2.8 million for the fiscal years ended August 31, 2019, 2018 and 2017, respectively.

The income tax benefits from MSUs converted to common shares totaled \$0.9 million, \$0.8 million and \$0.9 million for the fiscal years ended August 31, 2019, 2018 and 2017, respectively.

Deferred Performance Units

The DPU awards provide for performance-based vesting over a performance measurement period of the fiscal year in which the DPU awards are granted. The performance vesting provisions of the DPUs are based on relative achievement within an established performance measure range of the Company's reported earnings before interest, income taxes, depreciation in operating departments, and amortization computed on a consolidated basis for the Measurement Year, before deduction of the stock-based compensation expense for the Vested DPUs and excluding other non-operating income and expense amounts ("Adjusted Global EBITDA"). The ultimate number of DPUs that vest may range from 0% to 100% of the original maximum number of DPUs awarded depending on the relative achievement of the Adjusted Global EBITDA performance measure at the end of the Measurement Year.

The estimated fair value of each of the Company's DPU awards was determined on the date of grant based on the closing market price of the Company's common stock on the date of grant less the grant date present value of expected dividends during the vesting period for the DPUs, which are not entitled to receive dividend equivalents with respect to the unvested DPUs.

A summary of the Company's deferred performance unit activity is as follows (in thousands, except share and per share amounts):

Deferred Performance Units	Number of Shares	Weighted-Average Grant Date Fair Value Per Share		Aggregate Intrinsic Value
Outstanding at August 31, 2018	30,768	\$	108.14	
Granted	20,043	\$	160.37	
Performance factor adjustments	(25,966)	\$	110.65	
Converted to common shares	(629)	\$	94.54	
Forfeited	(686)	\$	160.37	
Outstanding at August 31, 2019	23,530	\$	148.70	\$ 4,290
Vested at August 31, 2019	4,173	\$	94.54	\$ 761

The weighted-average grant date fair value of all DPUs granted during the fiscal years ended August 31, 2019, 2018 and 2017 was \$160.37, \$110.65 and \$110.19, respectively. The total intrinsic value of all DPUs converted to common shares was not significant for each of the fiscal years ended August 31, 2019, 2018 and 2017.

The income tax benefits from DPUs converted to common shares were not significant for each of the fiscal years ended August 31, 2019, 2018 and 2017.

Note 15. Other Benefit Plans

The Company has a WD-40 Company Profit Sharing/401(k) Plan and Trust (the "Profit Sharing/401(k) Plan") whereby regular U.S. employees who have completed certain minimum service requirements can defer a portion of their income through contributions to a trust. The Profit Sharing/401(k) Plan provides for Company contributions to the trust, as approved by the Board of Directors, as follows: 1) matching contributions to each participant up to 50% of the first 6.6% of compensation contributed by the participant; 2) fixed non-elective contributions in the amount equal to 10% of eligible compensation; and 3) a discretionary non-elective contribution in an amount to be determined by the Board of Directors up to 5% of eligible compensation. The Company's contributions are subject to overall employer contribution limits and may not exceed the amount deductible for income tax purposes. The Profit Sharing/401(k) Plan may be amended or discontinued at any time by the Company. The Company's contribution expense for the Profit Sharing/401(k) Plan was \$3.3 million for both fiscal years 2019 and 2018, and \$3.2 million for fiscal year 2017.

The Company's international subsidiaries have similar benefit plan arrangements, dependent upon the local applicable laws and regulations. The plans provide for Company contributions to an appropriate third-party plan, as approved by the subsidiary's Board of Directors. The Company's contribution expense related to the international plans was \$1.6 million for both fiscal years 2019 and 2018, and was \$1.4 million for the fiscal year ended August 31, 2017.

Note 16. Business Segments and Foreign Operations

The Company evaluates the performance of its segments and allocates resources to them based on sales and operating income. The Company is organized on the basis of geographical area into the following three segments: the Americas; EMEA; and Asia-Pacific. Segment data does not include inter-segment revenues. Unallocated corporate expenses are general corporate overhead expenses not directly attributable to the business segments and are reported separate from the Company's identified segments. The corporate overhead costs include expenses for the Company's accounting and finance, information technology, human resources, research and development, quality control and executive management functions, as well as all direct costs associated with public company compliance matters including legal, audit and other professional services costs. Also included in corporate overhead costs for fiscal year 2018 are corporate funded advertising and sales promotion expenses focused on increasing the Company's digital presence and building brand awareness.

	Americas	EMEA	Asia-Pacific	Unallocated Corporate ⁽¹⁾	Total
Fiscal Year Ended August 31, 2019					
Net sales	\$ 193,972	\$ 160,615	\$ 68,763	\$ -	\$ 423,350
Income from operations	\$ 50,069	\$ 37,246	\$ 20,813	\$ (25,746)	\$ 82,382
Depreciation and amortization expense	\$ 4,532	\$ 2,538	\$ 282	\$ 241	\$ 7,593
Interest income	\$ 29	\$ 23	\$ 103	\$ -	\$ 155
Interest expense	\$ 2,156	\$ 379	\$ 6	\$ -	\$ 2,541
Fiscal Year Ended August 31, 2018					
Net sales	\$ 192,878	\$ 150,878	\$ 64,762	\$ -	\$ 408,518
Income from operations	\$ 48,954	\$ 36,241	\$ 19,098	\$ (25,689)	\$ 78,604
Depreciation and amortization expense	\$ 4,142	\$ 2,561	\$ 313	\$ 784	\$ 7,800
Interest income	\$ 13	\$ 320	\$ 121	\$ -	\$ 454
Interest expense	\$ 4,209	\$ -	\$ 10	\$ -	\$ 4,219
Fiscal Year Ended August 31, 2017					
Net sales	\$ 184,929	\$ 136,771	\$ 58,806	\$ -	\$ 380,506
Income from operations	\$ 48,303	\$ 35,389	\$ 16,765	\$ (24,548)	\$ 75,909
Depreciation and amortization expense	\$ 4,270	\$ 2,090	\$ 254	\$ 155	\$ 6,769
Interest income	\$ 8	\$ 389	\$ 111	\$ -	\$ 508
Interest expense	\$ 2,570	\$ -	\$ 12	\$ -	\$ 2,582

- (1) Unallocated corporate expenses are general corporate overhead expenses not directly attributable to any one of the business segments. These expenses are reported separate from the Company's identified segments and are included in Selling, General and Administrative expenses on the Company's consolidated statements of operations.

The Company's Chief Operating Decision Maker does not review assets by segment as part of the financial information provided and therefore, no asset information is provided in the above table.

Net sales by product group are as follows (in thousands):

	Fiscal Year Ended August 31,		
	2019	2018	2017
Maintenance products	\$ 386,644	\$ 372,391	\$ 342,295
Homecare and cleaning products	36,706	36,127	38,211
Total	\$ 423,350	\$ 408,518	\$ 380,506

Net sales and long-lived assets by geographic area are as follows (in thousands):

	Fiscal Year Ended August 31,		
	2019	2018	2017
Net Sales by Geography:			
United States	\$ 157,904	\$ 154,986	\$ 150,086
International	265,446	253,532	230,420
Total	<u>\$ 423,350</u>	<u>\$ 408,518</u>	<u>\$ 380,506</u>
Long-lived Assets by Geography ⁽¹⁾ :			
United States	\$ 24,535	\$ 21,986	\$ 23,346
International	20,541	14,371	6,093
Total	<u>\$ 45,076</u>	<u>\$ 36,357</u>	<u>\$ 29,439</u>

(1) Includes tangible assets and property and equipment, net, attributed to the geographic location in which such assets are located.

Note 17. Subsequent Events

On October 8, 2019, the Company's Board of Directors declared a cash dividend of \$0.61 per share payable on October 31, 2019 to shareholders of record on October 18, 2019.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Linda A. Lang
Chairman of the Board
Former Chairman and CEO
Jack in the Box, Inc.

Daniel T. Carter
Audit Committee Chair
Former Executive Vice President and CFO
BevMo! Inc.

Melissa Claassen
Finance Committee Chair
Vice President, Business Unit Finance
adidas

Eric P. Etchart
Governance Committee Chair
Former Senior Vice President
Manitowoc Company

David B. Pendarvis
Governance Committee Chair
Chief Administrative Officer and
Global General Counsel
ResMed Inc.

Daniel E. Pittard
Former President and CEO
Rubio's Restaurants Inc.

Garry O. Ridge
Chief Executive Officer
WD-40 Company

Gregory A. Sandfort
Compensation Committee Chair
President and Chief Executive Officer
Tractor Supply Company

Anne G. Saunders
Former President, U.S.
nakedwines.com

Neal E. Schmale
Former President and COO
Sempra Energy

EXECUTIVE OFFICERS

Garry O. Ridge
Chief Executive Officer

Steven A. Brass
President and Chief Operating Officer

Richard T. Clampitt
Vice President, General Counsel
and Corporate Secretary

Geoffrey J. Holdsworth
Managing Director, Asia-Pacific

William B. Noble
Managing Director, EMEA

Patricia Q. Olsem
Division President, Americas

Jay W. Rembolt
Vice President, Finance, Treasurer
and Chief Financial Officer

Stanley A. Sewitch
Vice President, Global Organization Development

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP
San Diego, California

TRANSFER AGENT

Computershare
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Louisville, KY 40233-5000
Phone: +1-781-575-2879
<https://www-us.computershare.com/investor/contact>

ANNUAL MEETING

December 10, 2019, 2:00 PM
WD-40 Company
9715 Businesspark Avenue
San Diego, California 92131

INVESTOR RELATIONS

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Director, Investor Relations and Corporate
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PHYSICAL ADDRESS

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Phone: +1-858-251-5600

OPERATING SUBSIDIARIES

WD-40 Company Limited
Milton Keynes, United Kingdom

WD-40 Company (Canada) Ltd.
Etobicoke, Canada

WD-40 Company (Australia) Pty. Limited
Epping, Australia

Wu Di (Shanghai) Industrial Co., Ltd.
Shanghai, China

WD-40 Company (Malaysia) SDN. BHD.
Selangor, Malaysia

STOCK INFORMATION

The common stock of the Company is traded on the NASDAQ® Global Select Market under the symbol "WDFC." The Company's publicly filed reports, including financial statements and supporting exhibits, are available on the Securities and Exchange Commission's EDGAR system, on the Company's website at www.wd40company.com, or by writing to the Corporate Secretary, WD-40 Company, P.O. Box 80607, San Diego, California 92138-0607

LEGAL DISCLAIMERS

This annual report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management's current expectations for the Company's future performance but are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated in or implied by the forward-looking statements.

The Company's expectations, beliefs and projections are expressed in good faith but there can be no assurance that they will be achieved or accomplished. Our forward-looking statements are generally identified with words such as "believe," "expect," "intend," "plan," "could," "may," "aim," "anticipate," "target," "estimate" and similar expressions. Actual events or results can differ materially from those expressed or implied. Please refer to the information set forth under the captions "Risk Factors" and "Forward-Looking Statements" in our Annual Report on Form 10-K for the year ended August 31, 2019 and other reports and documents that we file from time to time with the Securities and Exchange Commission for some of the factors that may cause actual results to differ materially from the forward-looking statements. Except as required by law, we undertake no obligation to update any forward-looking statement.

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Corporate information as of October 15, 2019.



“Pleasure in the job puts
perfection in the work.”

Aristotle

www.wd40company.com

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