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

FORM 10-Q

(Mark One)

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

For the quarterly period ended February 28, 2021

☐ **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	**95-1797918**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9715 Businesspark Avenue, San Diego, California	**92131**
(Address of principal executive offices)	(Zip code)

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

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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. ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

The number of outstanding shares of the registrant's common stock, par value $0.001 per share, as of April 5, 2021 was 13,707,767.

WD-40 COMPANY
QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended February 28, 2021

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

		Page
Item 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Balance Sheets	3
	Condensed Consolidated Statements of Operations	4
	Condensed Consolidated Statements of Comprehensive Income	5
	Condensed Consolidated Statement of Shareholders' Equity	6
	Condensed Consolidated Statements of Cash Flows	8
	Notes to Condensed Consolidated Financial Statements	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	24
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	47
Item 4.	Controls and Procedures	47

PART II — OTHER INFORMATION

Item 1.	Legal Proceedings	48
Item 1A.	Risk Factors	48
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	48
Item 6.	Exhibits	49

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	February 28, 2021	August 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 72,381	$ 56,462
Trade accounts receivable, less allowance for doubtful accounts of $550 and $362 at February 28, 2021 and August 31, 2020, respectively	93,577	80,672
Inventories	44,539	41,264
Other current assets	11,339	6,756
Total current assets	221,836	185,154
Property and equipment, net	67,077	60,759
Goodwill	95,987	95,731
Other intangible assets, net	8,020	8,633
Operating lease right-of-use assets	8,741	8,168
Deferred tax assets, net	498	464
Other assets	3,828	3,728
Total assets	$ 405,987	$ 362,637
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 27,729	$ 21,676
Accrued liabilities	24,451	21,660
Accrued payroll and related expenses	16,667	14,767
Short-term borrowings	800	800
Income taxes payable	2,236	1,213
Total current liabilities	71,883	60,116
Long-term borrowings	116,731	113,098
Deferred tax liabilities, net	11,535	11,291
Long-term operating lease liabilities	6,945	6,520
Other long-term liabilities	11,313	11,299
Total liabilities	218,407	202,324
Commitments and Contingencies (Note 12)		
Shareholders' equity:		
Common stock — authorized 36,000,000 shares, $0.001 par value; 19,855,666 and 19,812,685 shares issued at February 28, 2021 and August 31, 2020, respectively; and 13,707,767 and 13,664,786 shares outstanding at February 28, 2021 and August 31, 2020, respectively	20	20
Additional paid-in capital	158,897	157,850
Retained earnings	421,129	398,731
Accumulated other comprehensive loss	(24,386)	(28,208)
Common stock held in treasury, at cost — 6,147,899 and 6,147,899 shares at February 28, 2021 and August 31, 2020, respectively	(368,080)	(368,080)
Total shareholders' equity	187,580	160,313
Total liabilities and shareholders' equity	$ 405,987	$ 362,637

See accompanying notes to condensed consolidated financial statements.

WD-40 COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in thousands, except per share amounts)

	Three Months Ended February 28/29,		Six Months Ended February 28/29,	
	2021	2020	2021	2020
Net sales	$ 111,905	$ 100,049	$ 236,464	$ 198,605
Cost of products sold	49,898	46,447	104,211	91,460
Gross profit	62,007	53,602	132,253	107,145
Operating expenses:				
Selling, general and administrative	35,478	29,906	71,455	62,505
Advertising and sales promotion	5,512	4,857	11,031	10,447
Amortization of definite-lived intangible assets	362	654	720	1,304
Total operating expenses	41,352	35,417	83,206	74,256
Income from operations	20,655	18,185	49,047	32,889
Other income (expense):				
Interest income	19	28	38	53
Interest expense	(610)	(593)	(1,180)	(1,035)
Other income (expense), net	151	(229)	330	(224)
Income before income taxes	20,215	17,391	48,235	31,683
Provision for income taxes	3,024	3,064	7,421	5,162
Net income	$ 17,191	$ 14,327	$ 40,814	$ 26,521
Earnings per common share:				
Basic	$ 1.25	$ 1.04	$ 2.97	$ 1.92
Diluted	$ 1.24	$ 1.04	$ 2.96	$ 1.92
Shares used in per share calculations:				
Basic	13,700	13,712	13,687	13,713
Diluted	13,729	13,737	13,718	13,741

See accompanying notes to condensed consolidated financial statements.

WD-40 COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited and in thousands)

	Three Months Ended February 28/29,		Six Months Ended February 28/29,	
	2021	2020	2021	2020
Net income	$ 17,191	$ 14,327	$ 40,814	$ 26,521
Other comprehensive income (loss):				
Foreign currency translation adjustment	3,234	(98)	3,822	2,014
Total comprehensive income	$ 20,425	$ 14,229	$ 44,636	$ 28,535

See accompanying notes to condensed consolidated financial statements.

WD-40 COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited and 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	
Balance at August 31, 2020	19,812,685	$ 20	$ 157,850	$ 398,731	$ (28,208)	6,147,899	$ (368,080)	$ 160,313
Issuance of common stock under share-based compensation plan, net of shares withheld for taxes	23,417	-	(3,490)					(3,490)
Stock-based compensation			2,665					2,665
Cash dividends ($0.67 per share)				(9,199)				(9,199)
Foreign currency translation adjustment					588			588
Net income				23,623				23,623
Balance at November 30, 2020	19,836,102	$ 20	$ 157,025	$ 413,155	$ (27,620)	6,147,899	$ (368,080)	$ 174,500
Issuance of common stock under share-based compensation plan, net of shares withheld for taxes	19,564	-	(5)					(5)
Stock-based compensation			1,877					1,877
Cash dividends ($0.67 per share)				(9,217)				(9,217)
Foreign currency translation adjustment					3,234			3,234
Net income				17,191				17,191
Balance at February 28, 2021	19,855,666	$ 20	$ 158,897	$ 421,129	$ (24,386)	6,147,899	$ (368,080)	$ 187,580

See accompanying notes to condensed consolidated financial statements.

WD-40 COMPANY

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Unaudited and in thousands, except share and per share amounts)

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Treasury Stock		Total Shareholders'
	Shares	Amount	Capital	Earnings	Income (Loss)	Shares	Amount	Equity
Balance at August 31, 2019	19,773,977	$ 20	$ 155,132	$ 374,060	$ (32,482)	6,055,316	$ (351,255)	$ 145,475
Issuance of common stock under share-based compensation plan, net of shares withheld for taxes	22,342	-	(2,640)					(2,640)
Stock-based compensation			2,214					2,214
Cash dividends ($0.61 per share)				(8,406)				(8,406)
Acquisition of treasury stock						26,800	(4,957)	(4,957)
Foreign currency translation adjustment					2,112			2,112
Net income				12,194				12,194
Balance at November 30, 2019	19,796,319	$ 20	$ 154,706	$ 377,848	$ (30,370)	6,082,116	$ (356,212)	$ 145,992
Issuance of common stock under share-based compensation plan, net of shares withheld for taxes	16,366	-						-
Stock-based compensation			1,675					1,675
Cash dividends ($0.67 per share)				(9,236)				(9,236)
Acquisition of treasury stock						24,774	(4,701)	(4,701)
Foreign currency translation adjustment					(98)			(98)
Net income				14,327				14,327
Balance at February 29, 2020	19,812,685	$ 20	$ 156,381	$ 382,939	$ (30,468)	6,106,890	$ (360,913)	$ 147,959

See accompanying notes to condensed consolidated financial statements.

WD-40 COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	Six Months Ended February 28/29,	
	2021	**2020**
Operating activities:		
Net income	$ 40,814	$ 26,521
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,458	4,024
Net gains on sales and disposals of property and equipment	(104)	(66)
Deferred income taxes	152	(79)
Stock-based compensation	4,542	3,889
Unrealized foreign currency exchange losses (gains)	139	(249)
Provision for bad debts	175	61
Changes in assets and liabilities:		
Trade accounts receivable	(10,111)	(1,313)
Inventories	(2,104)	(1,648)
Other assets	(4,386)	(1,781)
Operating lease assets and liabilities, net	9	211
Accounts payable and accrued liabilities	7,398	1,969
Accrued payroll and related expenses	1,584	(7,345)
Other long-term liabilities and income taxes payable	944	(812)
Net cash provided by operating activities	42,510	23,382
Investing activities:		
Purchases of property and equipment	(7,605)	(10,695)
Proceeds from sales of property and equipment	239	212
Net cash used in investing activities	(7,366)	(10,483)
Financing activities:		
Treasury stock purchases	-	(9,658)
Dividends paid	(18,416)	(17,642)
Proceeds from issuance of long-term senior notes	52,000	-
Repayments of long-term senior notes	(400)	(400)
Net (repayments) proceeds of revolving credit facility	(50,000)	20,524
Shares withheld to cover taxes upon conversions of equity awards	(3,495)	(2,640)
Net cash used in financing activities	(20,311)	(9,816)
Effect of exchange rate changes on cash and cash equivalents	1,086	187
Net increase in cash and cash equivalents	15,919	3,270
Cash and cash equivalents at beginning of period	56,462	27,233
Cash and cash equivalents at end of period	$ 72,381	$ 30,503
Supplemental disclosure of noncash investing activities:		
Accrued capital expenditures	$ 1,638	$ 5,724

See accompanying notes to condensed consolidated financial statements.

WD-40 COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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 a wide range of maintenance products and 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 products 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 warehouse club stores, hardware stores, automotive parts outlets, industrial distributors and suppliers, mass retail and home center stores, value retailers, grocery stores, online retailers, farm supply, sport retailers, and independent bike dealers.

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

Basis of Consolidation

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, according to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations. The August 31, 2020 year-end condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by U.S. GAAP.

In the opinion of management, the unaudited financial information for the interim periods shown reflects all adjustments necessary for a fair statement thereof and such adjustments are of a normal recurring nature. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2020, which was filed with the SEC on October 21, 2020.

The condensed 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. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

COVID-19 Considerations

The COVID-19 pandemic has adversely impacted global economic conditions and has contributed to significant volatility in financial markets beginning in early calendar year 2020, as described in the "*Significant Developments*" section included in Part I – Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. Although the Company's current estimates contemplate current conditions, the inputs into certain of the Company's significant and critical accounting estimates include judgments and assumptions about the economic implications of the COVID-19 pandemic and how management expects them to change in the future, as appropriate. It is reasonably possible that actual results experienced

may differ materially from the Company's estimates in future periods, which could materially affect our results of operations and financial condition.

Foreign Currency Forward Contracts

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 utilizes foreign currency forward contracts to limit its exposure to net asset balances held in non-functional currencies, primarily at its U.K. subsidiary. 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 currently in other income (expense) 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 February 28, 2021, the Company had a notional amount of $8.9 million outstanding in foreign currency forward contracts, which matured on March 30, 2021. Unrealized net gains and losses related to foreign currency forward contracts were not significant at February 28, 2021 and August 31, 2020. Realized net gains and losses related to foreign currency forward contracts were not significant for both the three months ended February 28, 2021 and February 29, 2020. Realized net gains and losses related to foreign currency forward contracts were not significant for both the six months ended February 28, 2021 and February 29, 2020. Both unrealized and realized net gains and losses are recorded in other income (expense), net on the Company's condensed consolidated statements of operations.

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 February 28, 2021, 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 and short-term borrowings are recorded at cost, which approximates their fair values, primarily due to their short-term nature. 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 $67.9 million as of February 28, 2021, which was determined based on a discounted cash flow analysis using current market interest rates for instruments with similar terms, compared to their carrying value of $69.6 million. During the six months ended February 28, 2021, the Company did not record any significant nonrecurring fair value measurements for assets or liabilities in periods subsequent to their initial recognition.

Recently Issued Accounting Standards

In December 2019, the FASB issued ASU No. 2019-12, "*Simplifying the Accounting for Income Taxes*" under ASC 740, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and amends existing guidance to improve consistent application. This guidance is effective for fiscal years beginning after December 15, 2021, including interim periods within that fiscal year. Early adoption is permitted. The Company is in the process of evaluating the impacts of this guidance on its consolidated financial statements and related disclosures.

Note 3. Inventories

Inventories consist primarily of raw materials and components, finished goods, and product held at third-party contract manufacturers. Inventories are stated at the lower of cost or market and cost is determined based on a first-in, first-out method or, for a portion of raw materials inventory, the average cost method. Inventories consisted of the following (in thousands):

	February 28, 2021	August 31, 2020
Product held at third-party contract manufacturers	$ 6,354	$ 4,393
Raw materials and components	5,394	5,034
Work-in-process	1,296	385
Finished goods	31,495	31,452
Total	$ 44,539	$ 41,264

Note 4. Property and Equipment

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

	February 28, 2021	August 31, 2020
Machinery, equipment and vehicles	$ 20,687	$ 20,434
Buildings and improvements	29,849	28,271
Computer and office equipment	5,890	5,420
Software	10,613	9,959
Furniture and fixtures	2,722	2,641
Capital in progress	28,101	21,939
Land	4,435	4,374
Subtotal	102,297	93,038
Less: accumulated depreciation and amortization	(35,220)	(32,279)
Total	$ 67,077	$ 60,759

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, 2020	$ 85,461	$ 9,060	$ 1,210	$ 95,731
Translation adjustments	28	229	(1)	256
Balance as of February 28, 2021	$ 85,489	$ 9,289	$ 1,209	$ 95,987

During the second quarter of fiscal year 2021, 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, 2020. During the fiscal year 2021 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, including the impacts of the COVID-19 pandemic; (2) industry and market conditions; (3) historical financial performance and expected financial performance; (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 December 1, 2020. In addition, the Company concluded that 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 December 1, 2020 through February 28, 2021. 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 Spot Shot, Carpet Fresh, 1001, EZ REACH and GT85 trade names, are included in other intangible assets, net in the Company's condensed consolidated balance sheets. The following table summarizes the definite-lived intangible assets and the related accumulated amortization (in thousands):

	February 28, 2021	August 31, 2020
Gross carrying amount	$ 36,912	$ 36,363
Accumulated amortization	(28,892)	(27,730)
Net carrying amount	$ 8,020	$ 8,633

There has been no impairment charge for the six months ended February 28, 2021 and there were no indicators of impairment identified as a result of the Company's review of events and circumstances related to its existing definite-lived intangible assets. The Company's review of events and circumstances included consideration of the ongoing COVID-19 pandemic.

Changes in the carrying amounts of definite-lived intangible assets by segment for the six months ended February 28, 2021 are summarized below (in thousands):

	Americas	EMEA	Asia-Pacific	Total
Balance as of August 31, 2020	$ 6,553	$ 2,080	$ -	$ 8,633
Amortization expense	(529)	(191)	-	(720)
Translation adjustments	-	107	-	107
Balance as of February 28, 2021	$ 6,024	$ 1,996	$ -	$ 8,020

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
Remainder of fiscal year 2021	$ 642	$ 90
Fiscal year 2022	1,283	180
Fiscal year 2023	1,037	-
Fiscal year 2024	1,031	-
Fiscal year 2025	949	-
Thereafter	2,808	-
Total	$ 7,750	$ 270

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. Leases

The Company leases real estate for its regional sales offices, a research and development facility, and offices located at its international subsidiaries and branch locations. In addition, the Company leases an automobile fleet in the United States. The Company has also identified warehouse leases within certain third-party distribution center service contracts. All other leases are insignificant to the Company's consolidated financial statements. To determine if a contract contains a lease, the Company assesses its contracts and determines if there is an identified asset for which the Company has obtained the right to control, as defined in ASC 842.

The Company records right-of-use assets and lease liabilities on its consolidated balance sheets for leases with an expected term greater than one year. The lease term includes the committed lease term, also taking into account early termination and renewal options that management is reasonably certain to exercise. For leases that do not have a readily determinable implicit rate, the Company uses its estimated secured incremental borrowing rate based on the information available at the lease commencement date to determine the present value of lease payments. The Company's estimated secured incremental borrowing rate is determined using a portfolio approach based on the rate of interest the Company would have to pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term. The Company uses the unsecured borrowing rate and risk-adjusts that rate to approximate a collateralized rate in the currency of the lease. As of February 28, 2021, finance leases were not significant and all leases recorded on the Company's consolidated balances sheets were operating leases. Residual value guarantees, restrictions, covenants, sublease income, net gains or losses from sale and leaseback transactions, and transactions with related parties associated with leases are also not significant. The Company has made the accounting policy election to use certain ongoing practical expedients made available by ASC 842 to: (i) not separate lease components from nonlease components for real estate – office buildings, machinery and equipment, lab equipment, office equipment, furniture and fixtures, and IT equipment; and (ii) exclude leases with an initial term of 12 months or less ("short-term" leases) 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. However, the Company had no significant short-term leases as of February 28, 2021. The Company obtained additional right-of-use assets of $1.1 million in exchange for lease

obligations related to renewals of existing leases during the six months ended February 28, 2021. The Company did not obtain significant additional right-of-use assets during the six months ended February 28, 2020.

The Company recorded $0.5 million and $1.0 million in lease expense during both the three and six months ended February 28, 2021 and February 29, 2020. This lease expense was included in selling, general and administrative expenses. An insignificant amount of lease expense was classified within cost of products sold for both the three and six months ended February 28, 2021 and February 29, 2020. During the three and six months ended February 28, 2021 and February 29, 2020, the Company paid cash of $0.6 million and $1.1 million related to lease liabilities, respectively, compared to $0.5 million and $1.0 million in the corresponding period of the prior fiscal year. Variable lease expense under the Company's lease agreements were not significant for both the three and six months ended February 28, 2021 and February 29, 2020. As of February 28, 2021, the weighted-average remaining lease term was 6.3 years and the weighted-average discount rate was 2.9% for the Company's operating leases. There were no leases that had not yet commenced as of February 28, 2021 that will create additional significant rights and obligations for the Company.

Right-of-use assets and lease liabilities consisted of the following (in thousands):

	February 28, 2021	August 31, 2020
Assets:		
Operating lease right-of-use assets	$ 8,741	$ 8,168
Liabilities:		
Current operating lease liabilities[(1)]	1,945	1,840
Long-term operating lease liabilities	6,945	6,520
Total operating lease liabilities	$ 8,890	$ 8,360

(1) Current operating lease liabilities are classified in accrued liabilities on the Company's condensed consolidated balance sheet.

The Company's maturities of its operating lease liabilities, including early termination and renewal options that management is reasonably certain to exercise, are as follows (in thousands):

	Operating Leases
Remainder of fiscal year 2021	$ 1,100
Fiscal year 2022	2,085
Fiscal year 2023	1,732
Fiscal year 2024	1,516
Fiscal year 2025	959
Thereafter	2,495
Total undiscounted future cash flows	$ 9,887
Less: Interest	(997)
Present value of lease liabilities	$ 8,890

Note 7. Accrued and Other Liabilities

Accrued liabilities consisted of the following (in thousands):

	February 28, 2021	August 31, 2020
Accrued advertising and sales promotion expenses	$ 12,069	$ 10,787
Accrued professional services fees	2,315	1,761
Accrued sales taxes and other taxes	2,892	1,751
Short-term operating lease liability	1,945	1,840
Other	5,230	5,521
Total	$ 24,451	$ 21,660

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

	February 28, 2021	August 31, 2020
Accrued incentive compensation	$ 8,696	$ 5,702
Accrued payroll	4,731	4,396
Accrued profit sharing	994	2,726
Accrued payroll taxes	1,740	1,446
Other	506	497
Total	$ 16,667	$ 14,767

Note 8. Debt

As of February 28, 2021, the Company held borrowings under two separate agreements as detailed below.

Note Purchase and Private Shelf Agreement

The Company holds borrowings under its 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"). The note agreement has been amended three times, most recently on September 30, 2020 (the "Third Amendment"). The Third Amendment permitted the Company to enter into the first amendment of its existing amended and restated revolving credit agreement with Bank of America and also included certain conforming amendments to the credit agreement, including the revision of financial and restrictive covenants.

Credit Agreement

The Company's Amended and Restated Credit Agreement (the "Credit Agreement") with Bank of America consists of a revolving commitment for borrowing by the Company up to $150.0 million with a sublimit of $100.0 million for WD-40 Company Limited, a wholly owned operating subsidiary of the Company for Europe, the Middle East, Africa and India.

On September 30, 2020, the Company entered into a First Amendment to Credit Agreement (the "First Amendment to Credit Agreement") with Bank of America. In addition to other non-material and technical amendments to the Credit Agreement, the First Amendment to Credit Agreement extended the maturity date from March 16, 2025 to September 30, 2025, revised certain financial and restrictive covenants, increased the limitation amounts on other unsecured Indebtedness and Investments and adjusted the interest rates on subsequent borrowings under the Credit Agreement using a three-tier pricing approach tied to the Company's Consolidated Leverage Ratio. Capitalized terms not otherwise defined in this report have the meaning given to such terms in the Credit Agreement.

Short-term and long-term borrowings under the Company's Credit Agreement and Note Agreement consisted of the following (in thousands):

	Issuance	Maturities (calendar year)	February 28, 2021	August 31, 2020
Credit Agreement - revolving credit facility [1][3]	Various	9/30/2025	$ 47,931	$ 95,898
Note Agreement				
Series A Notes - 3.39% fixed rate[2]	11/15/2017	2021-2032	17,600	18,000
Series B Notes - 2.50% fixed rate[3]	9/30/2020	11/15/2027	26,000	-
Series C Notes - 2.69% fixed rate[3]	9/30/2020	11/15/2030	26,000	-
Total borrowings			117,531	113,898
Short-term portion of borrowings			(800)	(800)
Total long-term borrowings			$ 116,731	$ 113,098

(1) The Company has the ability to refinance any draw under the line of credit with successive short-term borrowings through the maturity date. Outstanding draws for which management has both the ability and intent to refinance with successive short-term borrowings for a period of at least twelve months are classified as long-term. As of February 28, 2021, the entire balance on this facility is classified as long-term and only contains amounts denominated in Euros and Pound Sterling. Euro and Pound Sterling denominated draws will fluctuate in U.S. Dollars from period to period due to changes in foreign currency exchange rates.

(2) Principal payments are required semi-annually in May and November of each year in equal installments of $0.4 million through May 15, 2032. The remaining outstanding principal in the amount of $8.4 million will become due on November 15, 2032.

(3) On September 30, 2020, the Company refinanced $50.0 million of existing draws under its Credit Agreement in the United States through the issuance of two new $26.0 million notes ("Series B Notes" and "Series C Notes", respectively) under its Note Agreement. Interest on these new notes is payable semi-annually in May and November of each year with no principle due until the maturity date. The first interest payment on both the Series B and Series C Notes is due in May 2021.

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, declare, make or incur obligations to make certain restricted payments, including the payment of dividends and payments for the repurchase of the Company's capital stock and enter into certain merger or consolidation transactions. The Credit Agreement includes, among other limitations on indebtedness, a $125.0 million limit on other unsecured indebtedness.

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 to 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 and a half 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 February 28, 2021, the Company was in compliance with all debt covenants under both the Note Agreement and the Credit Agreement.

Note 9. Share Repurchase Plan

On April 8, 2020, the Company elected to suspend repurchases under its previously approved share buy-back plan, which subsequently expired on August 31, 2020. The Company made this election in order to preserve cash while it continues to monitor the long-term impacts of the COVID-19 pandemic. Management will continue to evaluate future authorizations under its share buy-back program and the Board will consider approval based on management's recommendations. Therefore, no repurchase transactions were made during the six months ended February 28, 2021.

Note 10. Earnings per Common Share

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

	Three Months Ended February 28/29,		Six Months Ended February 28/29,	
	2021	2020	2021	2020
Net income	$ 17,191	$ 14,327	$ 40,814	$ 26,521
Less: Net income allocated to participating securities	(64)	(68)	(174)	(135)
Net income available to common shareholders	$ 17,127	$ 14,259	$ 40,640	$ 26,386

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

	Three Months Ended February 28/29,		Six Months Ended February 28/29,	
	2021	2020	2021	2020
Weighted-average common shares outstanding, basic	13,700	13,712	13,687	13,713
Weighted-average dilutive securities	29	25	31	28
Weighted-average common shares outstanding, diluted	13,729	13,737	13,718	13,741

For the three and six months ended February 28, 2021, there were no anti-dilutive stock-based equity awards outstanding. For the three and six months ended February 29, 2020, weighted-average stock-based equity awards outstanding that are non-participating securities in the amount of 7,604 and 9,479, respectively, were excluded from the calculation of diluted EPS under the treasury stock method as they were anti-dilutive.

Note 11. Revenue Recognition

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/other discounts (cooperative marketing programs, volume-based discounts, shelf price reductions and allowances for shelf space, charges from customers for services they provided to us related to the sale and penalties/fines charged to us by customers associated with failing to adhere to contractual obligations), 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 expected value 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/Other Discounts — The Company offers various on-going trade promotion programs with customers and provides other discounts to customers that require management to estimate and accrue for the expected costs of such programs or discounts. 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. Other discounts include items such as charges from customers for services they provide related to the sale of WD-40 Company products and penalties/fees associated with WD-40 Company failing to adhere to contractual obligations (e.g., errors on purchase orders, errors on shipment, late deliveries, etc.). Costs related to rebates, cooperative advertising and other promotional activities and other discounts are recorded as a reduction to sales upon delivery of the Company's products to its customers. The Company had a $7.8 million and $7.5 million balance in rebate/other discount liabilities as of February 28, 2021 and August 31, 2020, respectively, which are included in accrued liabilities on the Company's condensed consolidated balance sheets. The Company recorded approximately $5.8 million and $11.1 million in rebates/other discounts as a reduction to sales during the three and six months ended February 28, 2021, respectively. Rebates/other discounts as a reduction to sales during the three and six months ended February 29, 2020 were approximately $4.4 million and $9.4 million, respectively.

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. Coupon redemption liabilities, which are included in accrued liabilities on the Company's condensed consolidated balance sheets, were not significant at February 28, 2021 and August 31, 2020. Coupons recorded as a reduction to sales during the three and six months ended February 28, 2021 and February 29, 2020, were also not significant.

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. The Company had a $0.5 million balance in the allowance for cash discounts at both February 28, 2021 and August 31, 2020. The Company recorded approximately $1.1 million and $2.3 million in cash discounts as a reduction to sales during the three and six months ended February 28, 2021, respectively. Cash discounts as a reduction to sales during the three and six months ended February 29, 2020 were approximately $1.0 million and $2.0 million, respectively.

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. The Company presents its provision for sales returns on a gross basis as a liability. The Company's refund liability for sales returns is included in accrued liabilities and represents the amount expected to be owed to the customers for product returns. The Company's refund liability for sales returns was not significant at both February 28, 2021 and August 31, 2020. The Company 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 not significant at February 28, 2021 and August 31, 2020.

Disaggregation of Revenue

The Company's revenue is presented on a disaggregated basis in Note 14 – 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 $2.3 million and $1.4 million as of February 28, 2021 and August 31, 2020, respectively. These contract liabilities are recorded in accrued liabilities on the Company's condensed consolidated balance sheets. The Company did not have any contract assets as of February 28, 2021 and August 31, 2020.

Note 12. Commitments and Contingencies

Purchase Commitments

The Company has ongoing relationships with various suppliers (contract manufacturers) that manufacture the Company's products and third-party distribution centers that warehouse and ship the Company's 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 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 months 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 February 28, 2021, 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. As of February 28, 2021, there were 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.

For further information on the risks the Company faces from existing and future claims, suits, investigations and proceedings, see the Company's risk factors disclosed in Part I—Item 1A, "Risk Factors," in its Annual Report on Form 10-K for the fiscal year ended August 31, 2020, which was filed with the SEC on October 21, 2020.

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 February 28, 2021.

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 February 28, 2021.

Note 13. Income Taxes

The Company uses an estimated annual effective tax rate, which is based on expected annual income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which the Company operates, to determine its quarterly provision for income taxes. Certain significant or unusual items are separately recognized in the quarter in which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

The provision for income taxes was 15.0% and 17.6% of income before income taxes for the three months ended February 28, 2021 and February 29, 2020, respectively. The decrease in the effective income tax rate from period to period was primarily due to an increase in excess tax benefits from settlements of stock-based equity awards, as well as the release of liabilities related to uncertain tax positions due to the expiration of statutes during the second quarter of fiscal year 2021.

The provision for income taxes was 15.4% and 16.3% of income before income taxes for the six months ended February 28, 2021 and February 29, 2020, respectively. The decrease in the effective income tax rate from period to period was primarily due to a benefit from the High Tax Exemption associated with Global Intangible Low Taxed Income during the first half of fiscal year 2021, as well as an increase in excess tax benefits from settlements of stock-based equity awards. The impact of these items on income tax expense percentages was partially offset by the effect of significantly higher pre-tax income for the six months ended February 28, 2021 when compared to the corresponding period in the prior fiscal year.

The Company is subject to taxation in the U.S. and in various state and foreign jurisdictions. Due to expired statutes, the Company's federal income tax returns for years prior to fiscal year 2018 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 2017 are no longer subject to examination. The Company is currently under audit in various state jurisdictions for fiscal years 2017 through 2019. Estimated 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 were not significant. Audit outcomes and the timing of settlements are subject to significant uncertainty.

Note 14. 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.

Summary information about reportable segments is as follows (in thousands):

For the Three Months Ended	Americas	EMEA	Asia-Pacific	Unallocated Corporate [1]	Total
February 28, 2021:					
Net sales	$ 46,157	$ 49,813	$ 15,935	$ -	$ 111,905
Income from operations	$ 10,356	$ 14,176	$ 5,188	$ (9,065)	$ 20,655
Depreciation and amortization expense	$ 795	$ 807	$ 75	$ 80	$ 1,757
Interest income	$ -	$ 3	$ 16	$ -	$ 19
Interest expense	$ 491	$ 118	$ 1	$ -	$ 610
February 29, 2020:					
Net sales	$ 46,842	$ 41,753	$ 11,454	$ -	$ 100,049
Income from operations	$ 11,400	$ 10,582	$ 3,106	$ (6,903)	$ 18,185
Depreciation and amortization expense	$ 1,210	$ 741	$ 76	$ 40	$ 2,067
Interest income	$ 9	$ -	$ 19	$ -	$ 28
Interest expense	$ 390	$ 201	$ 2	$ -	$ 593
Six Months Ended:					
February 28, 2021:					
Net sales	$ 100,344	$ 104,563	$ 31,557	$ -	$ 236,464
Income from operations	$ 24,982	$ 31,919	$ 10,247	$ (18,101)	$ 49,047
Depreciation and amortization expense	$ 1,586	$ 1,563	$ 151	$ 158	$ 3,458
Interest income	$ 1	$ 5	$ 32	$ -	$ 38
Interest expense	$ 946	$ 232	$ 2	$ -	$ 1,180
February 29, 2020:					
Net sales	$ 93,578	$ 80,998	$ 24,029	$ -	$ 198,605
Income from operations	$ 21,980	$ 19,174	$ 6,308	$ (14,573)	$ 32,889
Depreciation and amortization expense	$ 2,382	$ 1,375	$ 150	$ 117	$ 4,024
Interest income	$ 13	$ 1	$ 39	$ -	$ 53
Interest expense	$ 732	$ 300	$ 3	$ -	$ 1,035

(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 condensed 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):

	Three Months Ended February 28/29,		Six Months Ended February 28/29,	
	2021	2020	2021	2020
Maintenance products	$ 102,729	$ 91,147	$ 217,072	$ 180,817
Homecare and cleaning products	9,176	8,902	19,392	17,788
Total	$ 111,905	$ 100,049	$ 236,464	$ 198,605

Note 15. Subsequent Events

On March 16, 2021, the Company's Board of Directors approved a 7% increase in the regular quarterly cash dividend, increasing it from $0.67 per share to $0.72 per share. The $0.72 per share dividend declared on March 16, 2021 is payable on April 30, 2021 to shareholders of record on April 16, 2021.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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.

The following information is provided as a supplement to, and should be read in conjunction with, the unaudited condensed consolidated financial statements and notes thereto included in Part I—Item 1 of this Quarterly Report and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended August 31, 2020, which was filed with the Securities and Exchange Commission ("SEC") on October 21, 2020.

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.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. This report contains 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; the length and severity of the current COVID-19 pandemic and its impact on the global economy and the Company's financial results; and forecasted foreign currency exchange rates and commodity prices. 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 Part I—Item 1A, "Risk Factors," in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2020, and in the Company's Quarterly Reports on Form 10-Q, which may be updated from time to time.

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 a wide range of maintenance products and 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 products 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

warehouse club stores, hardware stores, automotive parts outlets, industrial distributors and suppliers, mass retail and home center stores, value retailers, grocery stores, online retailers, farm supply, sport retailers, and independent bike dealers.

Highlights

The following summarizes the financial and operational highlights for our business during the six months ended February 28, 2021:

- *Consolidated net sales increased $37.9 million for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates had a favorable impact of $5.5 million on consolidated net sales for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. Thus, on a constant currency basis, net sales would have increased by $32.4 million from period to period. This favorable impact from changes in foreign currency exchange rates mainly came from our EMEA segment, which accounted for 44% of our consolidated sales for the six months ended February 28, 2021.*

- *Gross profit as a percentage of net sales increased to 55.9% for the six months ended February 28, 2021 compared to 53.9% for the corresponding period of the prior fiscal year.*

- *Consolidated net income increased $14.3 million, or 54%, for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates had a favorable impact of $1.5 million on consolidated net income for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. Thus, on a constant currency basis, net income would have increased $12.8 million.*

- *Although consolidated results for the six months ended February 28, 2021 were significantly improved from the same period last fiscal year due to a variety of factors, the Company's operations and business continue to be impacted by the COVID-19 pandemic. See Significant Developments section which follows for details.*

- *Diluted earnings per common share for the six months ended February 28, 2021 were $2.96 versus $1.92 in the prior fiscal year period.*

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.

Significant Developments

Sales increased in all three segments during the six months ended February 28, 2021 as compared to the corresponding period of the prior fiscal year. Although our financial results and operations continued to be impacted by the COVID-19 pandemic that began in early calendar year 2020, we have been able to reduce the adverse impacts of these challenging times due to the strength of our brands, increased focus on e-commerce, global expansion in the distribution of our products and a continued focus on our strategic initiatives. While we experienced significant sales declines in fiscal year 2020 as compared to the previous full fiscal year, sales during the six months ended February 28, 2021 increased significantly due to various reasons, including the following:

- Continued increases in renovation and maintenance activities by end-users during the pandemic, particularly in North America, some countries in EMEA and in Australia;
- Increased distribution and sales within the e-commerce channel;
- Recoveries we are experiencing in industrial channels globally as well as in markets where we do not have direct operations (distributor markets), particularly in our EMEA distributor markets where these distributors have been participating in more of our promotional activities and have been adjusting to more normal levels of inventory for our products;
- Significant increases in sales of our WD-40 Bike product; and
- Continued increased sales of many of our homecare and cleaning products due to the high demand for such products during the pandemic.

These combined impacts produced a 19% increase in our consolidated net sales during the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year, a period in which the COVID-19 pandemic had not yet resulted in significant government restrictions on movement and commerce in most regions, with the exception of certain regions within our Asia-Pacific segment. We are continuing to actively manage and monitor supply chain and transportation disruptions and constraints that have arisen periodically within all three of our business segments during the COVID-19 pandemic, which has both directly and indirectly impacted our suppliers and other third-party distribution centers and manufacturers. Some of the challenges that we have experienced at our third-party manufacturers include general capacity constraints and competition for such capacity by other companies who utilize the same third-party manufacturers. These challenges were significantly compounded in the Americas segment during the second quarter of fiscal year 2021 as a result of severe winter storms in parts of the United States that directly impacted some of our third-party contract manufacturers and distribution centers. While we have been successful in managing most of the disruptions in our supply chain and the distribution of our products as a result of the pandemic, the timing and magnitude of the challenges that we experienced in our supply chain in the Americas segment during the second quarter of fiscal year 2021 resulted in us not being able to meet the high level of demand for our products by customers and end-users in certain markets. In addition, the Americas has incurred significant additional costs within its supply chain as a result of these constraints. Although we have positioned ourselves to address these disruptions in the Americas supply chain and we will continue to manage these challenges in our global supply chain and distribution networks in future periods, we are not able at this time to estimate the degree of the impact of future disruptions within our supply chain or the level of additional costs that we will continue to incur due to these challenges. Some of these additional costs are expected to unfavorably impact our cost of goods sold for the remainder of fiscal year 2021 and this will result in a lower gross margin for the second half of fiscal year 2021 as compared to the gross margin that we realized for the first six months of the fiscal year. We are continually monitoring and actively managing this situation with our supply chain.

Due to the speed and fluidity with which the situation continues to evolve, it is very difficult for us to estimate with certainty the extent to which the COVID-19 pandemic will impact our financial results and operations in future periods. Although sales increased during the six months ended February 28, 2021, many regions globally are experiencing continued fluctuations in their COVID-19 case counts. This has resulted in governmental authorities periodically adjusting temporary closures, lockdowns and restriction policies intended to combat the COVID-19 pandemic at certain physical store retailers, suppliers and manufacturers in reaction to those changes. These restrictions may have negative economic impacts on our customers and may limit the ability of our customers in certain trade channels and markets to sell our products, which could adversely impact our financial results and operations for the remainder of fiscal year 2021. We also cannot predict when certain restrictions to protect our customers, retailers and our employees will be either increased or safely reduced in future periods. These impacts could be material in all business segments during any future period affected either directly or indirectly by this pandemic. Also, if social distancing requirements resulting from the COVID-19 pandemic lessen in future periods, this may result in a decrease in renovation and maintenance activities by end-users which could adversely impact our financial results.

In addition, if there are decreases in future periods in the benefits provided to our end-users via government assistance programs which have been put in place due to the pandemic, this may also impact the level of renovation and maintenance activities that we have experienced in recent periods and this could adversely impact our financial results.

We have taken a variety of measures during the COVID-19 pandemic to ensure the availability and functioning of our critical infrastructure, to promote the safety and security of our employees and to support the communities in which we operate. These measures have included requiring remote working arrangements for employees where practicable. We are continuing to follow public and private sector policies and initiatives to reduce the transmission of COVID-19, such as the imposition of travel restrictions, the promotion of social distancing and the adoption of work-from-home arrangements. These policies and initiatives will continue to impact how we operate for as long as they are in effect. As a result of these policies and initiatives, travel and meeting expenses have decreased significantly, positively impacting our net income. If the current social distancing requirements and policies significantly lessen in future periods, travel and meeting expenses may return to higher levels. To date, we have been successful in conducting our daily operations and meeting the requirements in all areas of our business with these work-from-home arrangements. We are still working to determine safe and effective phased office reentry plans for employees at all of our office locations globally. However, the timing and nature of these reentry plans will vary by location and some of the specifics related to many of these plans are still uncertain at this time. The safety of our employees and adherence to public and private sector policies related to the COVID-19 pandemic will remain our top priorities as we have our employees return to working at our global office locations.

See the Company's risk factors disclosed in Part I—Item 1A, "Risk Factors," in its Annual Report on Form 10-K for the fiscal year ended August 31, 2020, which was filed with the SEC on October 21, 2020 for information on risks associated with pandemics in general and COVID-19 specifically.

Results of Operations

Three Months Ended February 28, 2021 Compared to Three Months Ended February 29, 2020

Operating Items

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

	Three Months Ended February 28/29,			
			Change from Prior Year	
	2021	2020	Dollars	Percent
Net sales:				
Maintenance products	$ 102,729	$ 91,147	$ 11,582	13%
Homecare and cleaning products	9,176	8,902	274	3%
Total net sales	111,905	100,049	11,856	12%
Cost of products sold	49,898	46,447	3,451	7%
Gross profit	62,007	53,602	8,405	16%
Operating expenses	41,352	35,417	5,935	17%
Income from operations	$ 20,655	$ 18,185	$ 2,470	14%
Net income	$ 17,191	$ 14,327	$ 2,864	20%
Earnings per common share - diluted	$ 1.24	$ 1.04	$ 0.20	19%
Shares used in per share calculations - diluted	13,729	13,737	(8)	-

Net Sales by Segment

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

	Three Months Ended February 28/29,			
			Change from Prior Year	
	2021	2020	Dollars	Percent
Americas	$ 46,157	$ 46,842	$ (685)	(1)%
EMEA	49,813	41,753	8,060	19%
Asia-Pacific	15,935	11,454	4,481	39%
Total	$ 111,905	$ 100,049	$ 11,856	12%

Americas

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

	Three Months Ended February 28/29,			
			Change from Prior Year	
	2021	2020	Dollars	Percent
Maintenance products	$ 41,310	$ 42,421	$ (1,111)	(3)%
Homecare and cleaning products	4,847	4,421	426	10%
Total	$ 46,157	$ 46,842	$ (685)	(1)%
% of consolidated net sales	**41%**	**47%**		

Sales in the Americas segment, which includes the U.S., Canada and Latin America, decreased to $46.2 million, down $0.7 million, or 1%, for the three months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates did not have a significant impact on sales for the three months ended February 28, 2021 compared to the corresponding period of the prior fiscal year.

Sales of maintenance products in the Americas segment decreased $1.1 million, or 3%, for the three months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. This sales decrease was mainly driven by decreased sales of maintenance products in the U.S., which were down $3.5 million or 11%, from period to period due to supply chain constraints and disruptions related to the COVID-19 pandemic during the second quarter of fiscal year 2021. In particular, widespread supply chain disruptions within the consumer products industry during the pandemic has increased competition for production capacity, particularly at some of our third-party manufacturers. While we have been successful in managing most of the supply chain and distribution disruptions related to the pandemic, the magnitude of these challenges increased during the second quarter of fiscal year 2021 and were significantly compounded as a result of severe winter storms in parts of the United States that directly impacted some of our third-party contract manufacturers and distribution centers. This combination of factors resulted in us not being able to meet the high level of demand for our products by customers and end-users in certain markets during the second quarter of fiscal year 2021. These sales decreases were partially offset by increased sales of maintenance products in the Latin America region, which were up $1.9 million or 28%. Sales in Latin America increased primarily due to the transition to the direct marketing model in Mexico. In the third quarter of fiscal year 2020, we shifted away from a distribution model for Mexico where we sold products through a large wholesale customer who then supplied various retail customers, to one where we sell direct to these retail customers. This shift in distribution model combined with increased demand for our product, primarily due to decreased COVID restrictions, resulted in increased sales in Latin America during the first half of fiscal year 2021 compared to the corresponding period of the prior fiscal year. Sales of maintenance products in Canada also increased $0.6 million from period to period primarily as a result of a higher level of renovation and maintenance activities exhibited by our end-users during the COVID-19 pandemic as well as increased sales within the ecommerce channel.

Sales of homecare and cleaning products in the Americas increased $0.4 million, or 10%, for the three months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. This sales increase was driven primarily by an increase in sales of the 2000 Flushes brand products in the U.S., which were up $0.4 million or 31% from period to period. We started to experience a significant increase in sales of many of our homecare and cleaning products beginning in the third quarter of fiscal year 2020 due to increased demand for such products as a result of the COVID-19 pandemic. We are not able at this time to estimate the duration of this unexpected increase in the demand for these products and its impact on our financial results and operations in future periods. While each of our homecare and cleaning products have continued to generate positive cash flows, we had experienced decreased or flat sales for many of these products in recent years prior to the COVID-19 pandemic.

For the Americas segment, 72% of sales came from the U.S., and 28% of sales came from Canada and Latin America combined for the three months ended February 28, 2021 compared to the distribution for the three months ended February 29, 2020 when 78% of sales came from the U.S., and 22% of sales came from Canada and Latin America.

EMEA

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

	Three Months Ended February 28/29,			
			Change from Prior Year	
	2021	2020	Dollars	Percent
Maintenance products	$ 47,736	$ 38,974	$ 8,762	22%
Homecare and cleaning products	2,077	2,779	(702)	(25)%
Total [1]	$ 49,813	$ 41,753	$ 8,060	19%
% of consolidated net sales	**45%**	**42%**		

(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 15-20% 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 $49.8 million, up $8.1 million, or 19%, for the three months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates had a favorable impact on sales for the EMEA segment from period to period. Sales for the three months ended February 28, 2021 translated at the exchange rates in effect for the corresponding period of the prior fiscal year would have been $47.9 million in the EMEA segment. Thus, on a constant currency basis, sales would have increased by $6.1 million, or 15%, from period to period.

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 to $33.3 million, up $3.7 million, or 13%, for the three months ended February 28, 2021, compared to the corresponding period of the prior fiscal year primarily due to increased sales of WD-40 Multi-Use Product and WD-40 Specialist of $2.8 million or 14% and $1.0 million or 31%, respectively, throughout all of the direct markets. This increase in sales was primarily due to increased demand for our products as a result of a higher level of renovation and maintenance activities exhibited by our end-users during the COVID-19 pandemic. This increased demand and consumption of our products resulted in increased sales, particularly within the e-commerce channel. Sales from direct markets accounted for 67% of the EMEA segment's sales for the three months ended February 28, 2021 compared to 71% for the corresponding period of 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 $4.3 million, or 35%, for the three months ended February 28, 2021 compared to the corresponding period of the prior fiscal year, primarily due to increased sales of the WD-40 Multi-Use Product in India, the Middle East and Northern Europe, which were up $1.8 million, $1.4 million, and $1.0 million, respectively. This increase in sales from period to period was primarily due to the continued recoveries in the EMEA distributor markets which had previously experienced more severe lockdowns during the second half of fiscal year 2020 due to the COVID-19 pandemic. During the first half of fiscal year 2021, many of these regions experienced improved economic conditions as a result of reductions in COVID-19 related restrictions. This allowed our marketing distributors to participate in more of our promotional activities and to adjust to more normal levels of inventory for our product, which resulted in increased sales. In addition, continued increases in renovation and maintenance activities by end-users during the pandemic also positively impacted sales in some of our distributor markets. The distributor markets accounted for 33% of the EMEA segment's total sales for the three months ended February 28, 2021, compared to 29% for the corresponding period of the prior fiscal year.

Asia-Pacific

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

	Three Months Ended February 28/29,			
			Change from Prior Year	
	2021	2020	Dollars	Percent
Maintenance products	$ 13,682	$ 9,751	$ 3,931	40%
Homecare and cleaning products	2,253	1,703	550	32%
Total	$ 15,935	$ 11,454	$ 4,481	39%
% of consolidated net sales	**14%**	**11%**		

Sales in the Asia-Pacific segment, which includes Australia, China and other countries in the Asia region, increased to $15.9 million, up $4.5 million, or 39%, for the three months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates had a favorable impact on sales for the Asia-Pacific segment from period to period. Sales for the three months ended February 28, 2021 translated at the exchange rates in effect for the corresponding period of the prior fiscal year would have been $15.1 million in the Asia-Pacific segment. Thus, on a constant currency basis, sales would have increased by $3.7 million, or 32%, from period to period.

Sales in Asia, which represented 67% of the total sales in the Asia-Pacific segment, increased $3.0 million, or 39%, for the three months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. Sales in China increased $3.3 million, or 227%, primarily due to improved market conditions as a result of the reduction of COVID-19 lockdown measures compared to the corresponding period of the prior fiscal year when the COVID-19 outbreak was in its earliest stages. These disruptions in the second quarter of the prior fiscal year included those related to supply chain, transportation and demand for our product, as a result of the government's response to the public health crisis caused by COVID-19 during the second quarter of fiscal year 2020. The impact to sales due to these disruptions were material since China had a significant number of orders that were expected to be shipped to customers after the Chinese New Year's holiday in early February 2020 and those shipments could not take place due to COVID-19. No such comparable event occurred in the second quarter of the current fiscal year. Sales in the Asia distributor markets decreased $0.3 million, or 4%, for the three months ended February 28, 2021 compared to the corresponding period of the prior fiscal year primarily due to a shift in the timing of customer orders from period to period, particularly in Indonesia, Singapore and the Philippines, and the delayed shipment of certain customer orders in the second quarter of fiscal year 2021 as a result of shipping container shortages.

Sales in Australia increased $1.5 million, or 39%, for the three months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates had a favorable impact on sales in Australia. On a constant currency basis, sales in Australia would have increased by $1.0 million, or 26%, primarily due to increased demand for WD-40 Multi Use Product and WD-40 Specialist, which were up $0.5 million, or 37%, and $0.4 million or 92%, respectively, due to a higher level of renovation and maintenance activities undertaken by our end-users during the COVID-19 pandemic which resulted in increased sales. In addition, demand for homecare and cleaning products were up $0.6 million or 32%, from period to period, primarily as a result of the COVID-19 pandemic. Negative sales impacts to Australia due to the COVID-19 pandemic have continued to be limited in fiscal year 2021 since COVID-19 case numbers have remained relatively low in Australia since the initial outbreak and governmental authorities have adopted less severe lockdown requirements. This has resulted in our key customers remaining open for business during the COVID-19 pandemic.

Gross Profit

Gross profit increased to $62.0 million for the three months ended February 28, 2021 compared to $53.6 million for the corresponding period of the prior fiscal year. As a percentage of net sales, gross profit increased to 55.4% for the three months ended February 28, 2021 compared to 53.6% for the corresponding period of the prior fiscal year.

Gross margin was favorably impacted by 1.6 percentage points from period to period due to favorable changes in the costs of petroleum-based specialty chemicals in all three segments. Beginning in late February 2020, which was late in the second quarter of our fiscal year 2020, the price of crude oil dropped significantly for a period of several months. Although the price

of crude oil has recently recovered to the prices seen in early calendar year 2020, the average cost of crude oil which flowed through our cost of goods sold was lower during the second quarter of fiscal year 2021 compared to the corresponding period of the prior fiscal year, thus resulting in favorable impacts to our gross margin from period to period. There is often a delay of one quarter or more before changes in raw material costs impact the cost of products sold due to production and inventory life cycles. 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 also positively impacted by 0.5 percentage points due to favorable changes in the costs of aerosol cans in the EMEA and Americas segments. In addition, gross margin was positively impacted by 0.2 percentage points from period to period due to sales price increases, primarily in the EMEA and Asia-Pacific segments during the last twelve months. Gross margin was also positively impacted by 0.2 percentage points due to the favorable impacts of changes to product mix and market mix, primarily in the Asia-Pacific segment resulting from increased sales in China from period to period. Changes in foreign currency exchange rates from period to period in the EMEA segment positively impacted by 0.2 percentage points.

These favorable impacts to gross margin were partially offset by higher warehousing and in-bound freight costs, primarily in the EMEA and Americas segments, negatively impacting gross margin by 0.6 percentage points from period to period. Gross margin was also negatively impacted by 0.3 percentage points from period to period due to increases to advertising, promotional, and other discounts that we give to our customers, primarily in the EMEA and Americas segments. In general, the timing of advertising, promotional and other discounts may cause fluctuations in gross margin from period to period. The costs associated with certain promotional activities are recorded as a reduction to sales while others are recorded as advertising and sales promotion expenses. Advertising, promotional and other discounts that are given to our customers are recorded as a reduction to sales, whereas advertising and sales promotional costs associated with promotional activities that we pay to third parties are recorded as advertising and sales promotion expenses.

Several of the unfavorable impacts to gross margin were caused by the widespread supply chain disruptions and constraints within the consumer products industry and distribution networks that occurred during the second quarter of fiscal year 2021 related to the COVID-19 pandemic. These disruptions and constraints have included increased competition for more limited production capacity at our third-party manufacturers and reduced availability of freight providers, both of which have resulted in increased costs to the Company. The recent increase in the magnitude of these trends combined with the continued increases in the price of crude oil that we are seeing in the market are expected to unfavorably impact our cost of goods sold for the remainder of fiscal year 2021 and this will result in a lower gross margin for the second half of fiscal year 2021 as compared to the gross margin that we have realized for the first six months of the fiscal year.

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 $3.5 million and $3.1 million for the three months ended February 28, 2021 and February 29, 2020, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses for the three months ended February 28, 2021 increased $5.6 million to $35.5 million from $29.9 million for the corresponding period of the prior fiscal year. As a percentage of net sales, SG&A expenses increased to 31.7% for the three months ended February 28, 2021 compared to 29.9% for the corresponding period of the prior fiscal year. The increase in SG&A expenses from period to period was due to a variety of factors, but most significantly due to increased employee-related costs of $5.9 million as a result of increased incentive compensation accruals, increased headcount and higher stock-based compensation from period to period. Changes in foreign currency exchange rates from period to period increased SG&A expenses by $0.6 million. Increases in freight costs associated with higher sales from period to period also increased SG&A expenses by $0.3 million. In addition, professional services fees increased $0.3 million due to increased cloud-based software usage and license fees and other miscellaneous expenses increased $0.2 million from period to period. These increases to SG&A expenses were offset by a decrease in travel and meeting expenses of $1.7 million from period to period. Travel and meeting expenses decreased primarily due to continued initiatives to reduce the transmission of COVID-19, including the imposition of business travel restrictions for all employees and the cancellation of all large meetings, such as regional sales meetings and global leadership meetings, in support of social distancing requirements.

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 were $1.3 million and $1.5 million for the three months ended February 28, 2021 and February 29, 2020, respectively. Our research and development team engages in consumer research, product development, current product improvements and testing activities. This team leverages its development capabilities by partnering with a network of outside resources including our current and prospective third-party contract manufacturers. 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 three months ended February 28, 2021 increased $0.6 million, or 13%, to $5.5 million from $4.9 million for the corresponding period of the prior fiscal year. As a percentage of net sales, these expenses remained constant at 4.9% for both the three months ended February 28, 2021 and February 29, 2020. Changes in foreign currency exchange rates did not have a significant impact on advertising and sales promotion expenses for the three months ended February 28, 2021. The increase in advertising and sales promotion expenses was primarily due to a higher level of promotional programs and marketing support in all three segments as a result of increased consumer demand and higher sales from period to period.

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 was $5.9 million and $4.5 million for three months ended February 28, 2021 and February 29, 2020, respectively. Therefore, our total investment in advertising and sales promotion activities totaled $11.4 million and $9.4 million for the three months ended February 28, 2021 and February 29, 2020, respectively.

Amortization of Definite-lived Intangible Assets Expense

Amortization of our definite-lived intangible assets decreased to $0.4 million for the three months ended February 28, 2021 compared to $0.7 million for the corresponding period in the prior year due to decreased amortization associated with the 2000 Flushes trade name, which became fully amortized during the third quarter of fiscal year 2020.

Income from Operations by Segment

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

	Three Months Ended February 28/29,			
			Change from Prior Year	
	2021	2020	Dollars	Percent
Americas	$ 10,356	$ 11,400	$ (1,044)	(9)%
EMEA	14,176	10,582	3,594	34%
Asia-Pacific	5,188	3,106	2,082	67%
Unallocated corporate [(1)]	(9,065)	(6,903)	(2,162)	(31)%
Total	$ 20,655	$ 18,185	$ 2,470	14%

Americas

Income from operations for the Americas decreased to $10.4 million, down $1.0 million, or 9%, for the three months ended February 28, 2021 compared to the corresponding period of the prior fiscal year, primarily due to a $1.2 million increase in operating expenses and a $0.7 million decrease in sales, partially offset by a higher gross margin. Operating expenses increased period over period primarily due to higher accruals for incentive compensation and other employee-related costs. These increases in operating expenses were partially offset by lower travel and meeting expenses due to initiatives adopted by the Company during the third quarter of fiscal year 2020 to reduce the transmission of COVID-19. In addition, operating

expenses were favorably impacted by decreased amortization associated with the 2000 Flushes trade name, which became fully amortized during the third quarter of fiscal year 2020. As a percentage of net sales, gross profit for the Americas segment increased from 52.4% to 53.5% period over period primarily due to the combined favorable impacts of decreased costs of petroleum-based specialty chemicals and aerosol cans from period to period. These favorable impacts to gross margin were partially offset by increases in warehousing, distribution and freight costs as well as unfavorable changes in sales mix and higher miscellaneous costs from period to period. Operating income as a percentage of net sales decreased from 24.3% to 22.4% period over period.

EMEA

Income from operations for the EMEA segment increased to $14.2 million, up $3.6 million, or 34% from period to period, primarily due to a $8.1 million increase in sales and a higher gross margin, partially offset by a $1.7 million increase in operating expenses. As a percentage of net sales, gross profit for the EMEA segment increased from 55.0% to 56.7% period over period primarily due to the combined favorable impacts of decreased costs of petroleum-based specialty chemicals and aerosol cans from period to period, as well as favorable changes to exchange rates and sales price increases from period to period. These favorable impacts to gross margin were partially offset by increases in warehousing, distribution and freight costs, as well as increases to advertising, promotional, and other discounts that we give to our customers from period to period. The increased sales were accompanied by a $1.7 million increase in total operating expenses period over period, primarily due to higher accruals for incentive compensation and other employee-related costs as well as increased outbound freight costs due to the higher sales volumes. These increases in operating expenses were partially offset by lower travel and meeting expenses due to the Company's reduced travel initiatives as a result of the COVID-19 pandemic. Operating income as a percentage of net sales increased from 25.3% to 28.5% period over period.

Asia-Pacific

Income from operations for the Asia-Pacific segment increased to $5.2 million, up $2.1 million, or 67%, for the three months ended February 28, 2021 compared to the corresponding period of the prior fiscal year, primarily due to a $4.5 million increase in sales and a higher gross margin, partially offset by a $0.9 million increase in operating expenses. As a percentage of net sales, gross profit for the Asia-Pacific segment increased from 53.1% to 56.9% period over period primarily due to decreases to the cost of petroleum-based specialty chemicals and favorable changes in both sales product mix and market mix, as well as sales price increases and decreases to advertising, promotional, and other discounts that we give to our customers from period to period. These favorable impacts to gross margin were slightly offset by the unfavorable impact of increased costs of aerosol cans from period to period. The increased sales were accompanied by a $0.9 million increase in total operating expenses period over period, primarily due to a higher level of advertising and sales promotion expenses and higher accruals for incentive compensation. Operating income as a percentage of net sales increased from 27.1% to 32.6% period over period.

Non-Operating Items

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

	Three Months Ended February 28/29,		
	2021	2020	Change
Interest income	$ 19	$ 28	$ (9)
Interest expense	$ 610	$ 593	$ 17
Other (expense) income, net	$ 151	$ (229)	$ 380
Provision for income taxes	$ 3,024	$ 3,064	$ (40)

Interest Income

Interest income was insignificant for both the three months ended February 28, 2021 and February 29, 2020.

Interest Expense

Interest expense remained relatively constant at $0.6 million for the three months ended February 28, 2021 compared to the corresponding period of the prior fiscal year.

Other Income (Expense), Net

Other income (expense), net was insignificant for both the three months ended February 28, 2021 and February 29, 2020.

Provision for Income Taxes

The provision for income taxes was 15.0% and 17.6% of income before income taxes for the three months ended February 28, 2021 and February 29, 2020, respectively. The decrease in the effective income tax rate from period to period was primarily due to an increase in excess tax benefits from settlements of stock-based equity awards, as well as the release of liabilities related to uncertain tax positions due to the expiration of statutes during the second quarter of fiscal year 2021.

Net Income

Net income was $17.2 million, or $1.24 per common share on a fully diluted basis, for the three months ended February 28, 2021 compared to $14.3 million, or $1.04 per common share on a fully diluted basis, for the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates had a favorable impact of $0.6 million on net income for the three months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. On a constant currency basis, net income would have increased by $2.2 million from period to period.

Six Months Ended February 28, 2021 Compared to Six Months Ended February 29, 2020

Operating Items

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

	Six Months Ended February 28/29,			
			Change from Prior Year	
	2021	2020	Dollars	Percent
Net sales:				
Maintenance products	$ 217,072	$ 180,817	$ 36,255	20%
Homecare and cleaning products	19,392	17,788	1,604	9%
Total net sales	236,464	198,605	37,859	19%
Cost of products sold	104,211	91,460	12,751	14%
Gross profit	132,253	107,145	25,108	23%
Operating expenses	83,206	74,256	8,950	12%
Income from operations	$ 49,047	$ 32,889	$ 16,158	49%
Net income	$ 40,814	$ 26,521	$ 14,293	54%
Earnings per common share - diluted	$ 2.96	$ 1.92	$ 1.04	54%
Shares used in per share calculations - diluted	13,718	13,741	(23)	-

Net Sales by Segment

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

	Six Months Ended February 28/29,			
			Change from Prior Year	
	2021	2020	Dollars	Percent
Americas	$ 100,344	$ 93,578	$ 6,766	7%
EMEA	104,563	80,998	23,565	29%
Asia-Pacific	31,557	24,029	7,528	31%
Total	$ 236,464	$ 198,605	$ 37,859	19%

Americas

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

	Six Months Ended February 28/29,			
			Change from Prior Year	
	2021	2020	Dollars	Percent
Maintenance products	$ 89,812	$ 84,111	$ 5,701	7%
Homecare and cleaning products	10,532	9,467	1,065	11%
Total	$ 100,344	$ 93,578	$ 6,766	7%
% of consolidated net sales	**43%**	**47%**		

Sales in the Americas segment, which includes the U.S., Canada and Latin America, increased to $100.3 million, up $6.8 million, or 7%, for the six months ended February 28, 2021 compared to the corresponding period of 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 six months ended February 28, 2021 translated at the exchange rates in effect for the corresponding period of the prior fiscal year would have been $100.8 million in the Americas segment. Thus, on a constant currency basis, sales would have increased by $7.3 million, or 8%, from period to period.

Sales of maintenance products in the Americas segment increased $5.7 million, or 7%, for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. This sales increase was mainly driven by increased sales of maintenance products in the Latin America and Canada, which were up $4.7 million and $1.2 million, or 35% and 23%, respectively, from period to period. Increased demand for our product as a result of a higher level of renovation and maintenance activities exhibited by our end-users during the COVID-19 pandemic resulted in increased sales of maintenance products in Canada, including within the e-commerce channel. In addition, sales in Latin America increased due to the transition to the direct marketing model in Mexico. In the third quarter of fiscal year 2020, we shifted away from a distribution model for Mexico where we sold products through a large wholesale customer who then supplied various retail customers, to one where we sell direct to these retail customers. This resulted in increased sales in Latin America during the first six months of fiscal year 2021 compared to the corresponding period of the prior fiscal year. Sales of maintenance products in the United States were relatively constant, down only $0.1 million, or less than 1%, from period to period. Although sales were significantly higher in the United States during the first three months of fiscal year 2021 due to increased demand driven by higher renovation and maintenance activities exhibited by our end users, this was more than offset by lower sales during the second quarter of fiscal year 2021 as a result of supply chain constraints and disruptions related to the both COVID-19 pandemic and the severe winter storms that impacted parts of the United States. For further information on these supply chain disruptions in the United States during the second quarter of fiscal year 2021, see *Results of Operations – Americas* for the three months ended February 28, 2021 within Part I—Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Sales of homecare and cleaning products in the Americas increased $1.1 million, or 11%, for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. This sales increase was driven primarily by an increase in sales of the 2000 Flushes brand products in the U.S., which were up $1.2 million or 39% from period to period. We started to experience a significant increase in sales of most of our homecare and cleaning products beginning in the third quarter of fiscal year 2020 due to increased demand for such products as a result of the COVID-19 pandemic. We are not able at this time to estimate the duration of this unexpected increase in the demand for these products and its impact on our financial results and operations in future periods. While each of our homecare and cleaning products have continued to generate positive cash flows, we had experienced decreased or flat sales for many of these products in recent fiscal years prior to the start of the COVID-19 pandemic.

For the Americas segment, 75% of sales came from the U.S., and 25% of sales came from Canada and Latin America combined for the six months ended February 28, 2021 compared to the distribution for the six months ended February 29, 2020 when 79% of sales came from the U.S., and 21% of sales came from Canada and Latin America.

EMEA

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

	Six Months Ended February 28/29,			
			Change from Prior Year	
	2021	2020	Dollars	Percent
Maintenance products	$ 100,114	$ 75,874	$ 24,240	32%
Homecare and cleaning products	4,449	5,124	(675)	(13)%
Total	$ 104,563	$ 80,998	$ 23,565	29%
% of consolidated net sales	**44%**	**41%**		

Sales in the EMEA segment, which includes Europe, the Middle East, Africa and India, increased to $104.6 million, up $23.6 million, or 29%, for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates had a favorable impact on sales for the EMEA segment from period to period. Sales for the six months ended February 28, 2021 translated at the exchange rates in effect for the corresponding period of the prior fiscal year would have been $99.9 million in the EMEA segment. Thus, on a constant currency basis, sales would have increased by $18.9 million, or 23%, from period to period.

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 to $68.7 million, up $14.3 million, or 26%, for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year primarily due to increased sales of WD-40 Multi-Use Product and WD-40 Specialist of $9.9 million or 26% and $2.7 million or 45%, respectively, throughout all of the direct markets. This increase in sales was primarily due to increased demand for our products as a result of a higher level of renovation and maintenance activities exhibited by our end-users during the COVID-19 pandemic. This increased demand and consumption of our products resulted in increased sales, particularly within the e-commerce channel. Sales from direct markets accounted for 66% of the EMEA segment's sales for the six months ended February 28, 2021 compared to 67% for the corresponding period of 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 $9.2 million, or 35%, for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year, primarily due to increased sales of the WD-40 Multi-Use Product in Northern Europe, India, the Middle East and Eastern Europe, which were up $3.3 million, $2.9 million, $1.4 million and $1.3 million, respectively. This increase in sales from period to period was primarily due to recoveries experienced during the first half of fiscal year 2021 in distributor markets that previously experienced more severe lockdowns during the second half of fiscal year 2020 due to the COVID-19 pandemic. During the first half of fiscal year 2021, many of these regions experienced improved economic conditions as a result of reductions in COVID-19 related restrictions. This allowed our marketing distributors to participate in more of our promotional activities and to adjust to more normal levels of inventory for our product, which resulted in increased sales. In addition, continued increases in renovation and maintenance activities by end-users during the pandemic also positively impacted sales in some of our distributor markets. The distributor markets accounted for 34% of the EMEA segment's total sales for the six months ended February 28, 2021, compared to 33% for the corresponding period of the prior fiscal year.

Asia-Pacific

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

	Six Months Ended February 28/29,			
			Change from Prior Year	
	2021	2020	Dollars	Percent
Maintenance products	$ 27,146	$ 20,832	$ 6,314	30%
Homecare and cleaning products	4,411	3,197	1,214	38%
Total	$ 31,557	$ 24,029	$ 7,528	31%
% of consolidated net sales	**13%**	**12%**		

Sales in the Asia-Pacific segment, which includes Australia, China and other countries in the Asia region, increased to $31.6 million, up $7.5 million, or 31%, for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates had a favorable impact on sales for the Asia-Pacific segment from period to period. Sales for the six months ended February 28, 2021 translated at the exchange rates in effect for the corresponding period of the prior fiscal year would have been $30.3 million in the Asia-Pacific segment. Thus, on a constant currency basis, sales would have increased by $6.2 million, or 26%, from period to period.

Sales in Asia, which represented 67% of the total sales in the Asia-Pacific segment, increased $4.9 million, or 30%, for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. Sales in China increased $4.5 million, or 119%, primarily due to improved market conditions as a result of the reduction of COVID-19 lockdown measures compared to the corresponding period of the prior fiscal year when the COVID-19 outbreak was in its earliest stages during the second quarter of fiscal year 2020. In addition, sales in China during the first half of fiscal year 2020 were negatively impacted due to activities associated with the country's preparation for the 70th Anniversary National Day in China which resulted in temporary factory closures and slowed market conditions, as well as government restrictions imposed in response to the COVID-19 pandemic. The impact to sales due to these disruptions in the first half of the prior fiscal year were material since China had a significant number of orders that were expected to be shipped to customers after the Chinese New Year's holiday in early February 2020 and those shipments could not take place due to COVID-19. No such comparable event occurred in the first half of the current fiscal year. Sales in the Asia distributor markets increased $0.4 million, or 3%, for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. These increased sales were primarily due to the easing of COVID-19 lockdown measures in many of the Asia markets during the first half of fiscal year 2021 compared to late in fiscal year 2020, which resulted in a higher level of sales particularly during the first three months of fiscal year 2021. These reduced lockdown measures have positively impacted economic conditions in industrial channels and resulted in marketing distributors adjusting to more normal levels of our product, which resulted in increased sales during the six months ended February 28, 2021.

Sales in Australia increased $2.6 million, or 33%, for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates had a favorable impact on sales in Australia. On a constant currency basis, sales in Australia would have increased by $1.8 million, or 23%, partially due to continued increased demand for homecare and cleaning products, which were up $1.2 million, or 38%, as a result of the COVID-19 pandemic. In addition, sales of WD-40 Multi Use Product and WD-40 Specialist were up $0.9 million, or 27%, and $0.5 million, or 57%, respectively, from period to period primarily due to a higher level of renovation and maintenance activities undertaken by our end-users during the COVID-19 pandemic which resulted in increased sales. Negative sales impacts to Australia due to the COVID-19 pandemic have continued to be limited in fiscal year 2021 since COVID-19 case numbers have remained relatively low in Australia since the initial outbreak and governmental authorities have adopted less severe lockdown requirements. This has resulted in our key customers remaining open for business during the COVID-19 pandemic.

Gross Profit

Gross profit increased to $132.3 million for the six months ended February 28, 2021 compared to $107.1 million for the corresponding period of the prior fiscal year. As a percentage of net sales, gross profit increased to 55.9% for the six months ended February 28, 2021 compared to 53.9% for the corresponding period of the prior fiscal year.

Gross margin was favorably impacted by 2.0 percentage points from period to period due to favorable changes in the costs of petroleum-based specialty chemicals in all three segments. Beginning in late February 2020, which was late in the second quarter of our fiscal year 2020, the price of crude oil dropped significantly for a period of several months. Although the price of crude oil has recently recovered to the prices seen in early calendar year 2020, the average cost of crude oil which flowed through our cost of goods sold was lower during the first half of fiscal year 2021 compared to the corresponding period of the prior fiscal year, thus resulting in favorable impacts to our gross margin from period to period. There is often a delay of one quarter or more before changes in raw material costs impact the cost of products sold due to production and inventory life cycles. Gross margin was also positively impacted by 0.8 percentage points due to favorable changes in the costs of aerosol cans in the EMEA and Americas segments. In addition, gross margin was positively impacted by 0.3 percentage points from period to period due to sales price increases, primarily in the EMEA and Asia Pacific segments during the last twelve months. Changes in foreign currency exchange rates from period to period in the EMEA segment positively impacted by 0.1 percentage points.

These favorable impacts to gross margin were partially offset by higher warehousing and in-bound freight costs, primarily in the EMEA and Americas segments, negatively impacting gross margin by 1.0 percentage points from period to period. Gross margin was also negatively impacted by 0.1 percentage point from period to period due to the combined effects of changes to sales mix and increases in other miscellaneous costs from period to period in the Americas and EMEA segments, which were significantly offset by favorable market mix changes in the Asia-Pacific segment. In addition, gross margin was negatively impacted by 0.1 percentage point from period to period due to increases to advertising, promotional, and other discounts that we give to our customers, primarily 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 $7.7 million and $6.1 million for the six months ended February 28, 2021 and February 29, 2020, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative (“SG&A”) expenses for the six months ended February 28, 2021 increased $9.0 million to $71.5 million from $62.5 million for the corresponding period of the prior fiscal year. As a percentage of net sales, SG&A expenses decreased to 30.2% for the six months ended February 28, 2021 compared to 31.5% for the corresponding period of the prior fiscal year. The increase in SG&A expenses from period to period was due to a variety of factors, but most significantly due to increased employee-related costs of $8.9 million due to increased incentive compensation accruals, increased headcount, and higher stock-based compensation from period to period. Increases in freight costs associated with higher sales from period to period also increased SG&A expenses by $1.4 million. Changes in foreign currency exchange rates from period to period increased SG&A expenses by $1.2 million. In addition, professional services fees increased $0.9 million due to increased cloud-based software usage and license fees, and other miscellaneous expenses increased $0.5 million from period to period. These increases to SG&A expenses were offset by a decrease in travel and meeting expenses of $3.9 million from period to period. Travel and meeting expenses decreased primarily due to continued initiatives to reduce the transmission of COVID-19, including the imposition of business travel restrictions for all employees and the cancellation of all large meetings, such as regional sales meetings and global leadership meetings, in support of social distancing requirements.

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 were $2.9 million and $3.2 million for the six months ended February 28, 2021 and February 29, 2020, respectively.

Advertising and Sales Promotion Expenses

Advertising and sales promotion expenses for the six months ended February 28, 2021 increased $0.6 million, or 6%, to $11.0 million from $10.4 million for the corresponding period of the prior fiscal year. As a percentage of net sales, these expenses decreased to 4.7% for the six months ended February 28, 2021 from 5.3% for the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates did not have a significant impact on advertising and sales promotion expenses for the six months ended February 28, 2021. The increase in advertising and sales promotion expenses was primarily

due to a higher level of promotional programs and marketing support in all three segments as a result of increased consumer demand and higher sales from period to period. These increases were partially offset by the decrease of physical marketing and sampling activities from period to period, such as the cancellations of trade shows, due to the continued indirect effects of the COVID-19 pandemic during the first half of fiscal year 2021 and this resulted in a decreased in advertising and sales promotion expenses as a percentage of net sales from period to period.

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 for the six months ended February 28, 2021 were $11.7 million compared to $9.5 million for the corresponding period of the prior fiscal year. Therefore, our total investment in advertising and sales promotion activities totaled $22.7 million and $19.9 million for the six months ended February 28, 2021 and February 29, 2020, respectively.

Amortization of Definite-lived Intangible Assets Expense

Amortization of our definite-lived intangible assets decreased to $0.7 million for the six months ended February 28, 2021 compared to $1.3 million for the six months ended February 29, 2020 due to decreased amortization associated with the 2000 Flushes trade name, which became fully amortized during the third quarter of fiscal year 2020.

Income from Operations by Segment

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

	Six Months Ended February 28/29,			
			Change from Prior Year	
	2021	2020	Dollars	Percent
Americas	$ 24,982	$ 21,980	$ 3,002	14%
EMEA	31,919	19,174	12,745	66%
Asia-Pacific	10,247	6,308	3,939	62%
Unallocated corporate	(18,101)	(14,573)	(3,528)	(24)%
Total	$ 49,047	$ 32,889	$ 16,158	49%

Americas

Income from operations for the Americas increased to $25.0 million, up $3.0 million, or 14%, for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year, primarily due to a $6.8 million increase in sales and a higher gross margin, partially offset by higher operating expenses. As a percentage of net sales, gross profit for the Americas segment increased from 52.8% to 53.9% period over period primarily due to the combined favorable impacts of decreased costs of petroleum-based specialty chemicals and aerosol cans from period to period. These favorable impacts to gross margin were partially offset by increases in warehousing, distribution and freight costs as well as unfavorable changes in sales mix and higher miscellaneous costs from period to period. The increased sales were accompanied by a $1.7 million increase in total operating expenses period over period, primarily due to higher accruals for incentive compensation and other employee-related costs, as well as higher outbound freight costs due to the increase in sales and higher freight costs in the market from period to period. These increases in operating expenses were partially offset by lower travel and meeting expenses due to initiatives adopted by the Company during the third quarter of fiscal year 2020 to reduce the transmission of COVID-19. In addition, operating expenses were favorably impacted by decreased amortization associated with the 2000 Flushes trade name, which became fully amortized during the third quarter of fiscal year 2020. Operating income as a percentage of net sales increased from 23.5% to 24.9% period over period.

EMEA

Income from operations for the EMEA segment increased to $31.9 million, up $12.7 million, or 66%, for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year, primarily due to a $23.6 million

increase in sales and a higher gross margin, partially offset by higher operating expenses. As a percentage of net sales, gross profit for the EMEA segment increased from 55.4% to 57.6% period over period primarily due to the combined favorable impacts of decreased costs of petroleum-based specialty chemicals and aerosol cans from period to period, as well as sales price increases from period to period. These favorable impacts to gross margin were partially offset by increases in warehousing, distribution and freight costs, as well as increases to advertising, promotional, and other discounts that we give to our customers from period to period. The increased sales were accompanied by a $2.6 million increase in total operating expenses period over period, primarily due to higher accruals for incentive compensation and other employee-related costs, as well as increased outbound freight costs due to the higher sales. These increases in operating expenses were partially offset by lower travel and meeting expenses due to the Company's COVID-19 pandemic reduced travel initiatives. Operating income as a percentage of net sales increased from 23.7% to 30.5% period over period.

Asia-Pacific

Income from operations for the Asia-Pacific segment increased to $10.2 million, up $3.9 million, or 62%, for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year, primarily due to a $7.5 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 53.6% to 56.8% period over period primarily due to decreases to the cost of petroleum-based specialty chemicals and favorable changes in both sales product mix and market mix, as well as sales price increases from period to period. These favorable impacts to gross margin were slightly offset by the unfavorable impact of increased costs of aerosol cans from period to period. The increased sales were accompanied by a $1.1 million increase in total operating expenses period over period, primarily due to higher accruals for incentive compensation and other employee costs, as well as increased outbound freight costs and other miscellaneous costs from period to period. Operating income as a percentage of net sales increased from 26.2% to 32.5% period over period.

Non-Operating Items

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

	Six Months Ended February 28/29,		
	2021	2020	Change
Interest income	$ 38	$ 53	$ (15)
Interest expense	$ 1,180	$ 1,035	$ 145
Other income (expense), net	$ 330	$ (224)	$ 554
Provision for income taxes	$ 7,421	$ 5,162	$ 2,259

Interest Income

Interest income was insignificant for both the six months ended February 28, 2021 and February 29, 2020.

Interest Expense

Interest expense increased $0.1 million for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year primarily due to higher aggregate outstanding balances on our credit and note agreements combined from period over period.

Other Income (Expense), Net

Other income (expense), net changed by $0.6 million for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year primarily due to foreign currency exchange gains of $0.2 million in the current year compared to $0.4 million of foreign currency losses during the corresponding period of the prior fiscal year as a result of fluctuations in the foreign currency exchange rates for both the U.S. Dollar and the Euro against the Pound Sterling.

Provision for Income Taxes

The provision for income taxes was 15.4% and 16.3% of income before income taxes for the six months ended February 28, 2021 and February 29, 2020, respectively. The decrease in the effective income tax rate from period to period was primarily due to a benefit from the High Tax Exemption associated with Global Intangible Low Taxed Income during the first half of fiscal year 2021, as well as an increase in excess tax benefits from settlements of stock-based equity awards. The impact of these items on income tax expense percentages was partially offset by the effect of significantly higher pre-tax income for the six months ended February 28, 2021 when compared to the corresponding period in the prior fiscal year.

Net Income

Net income was $40.8 million, or $2.96 per common share on a fully diluted basis, for the six months ended February 28, 2021 compared to $26.5 million, or $1.92 per common share on a fully diluted basis, for the corresponding period of the prior fiscal year. Changes in foreign currency exchange rates had a favorable impact of $1.5 million on net income for the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year. On a constant currency basis, net income would have increased by $12.8 million from period to period.

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 at or 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 for the periods presented:

	Three Months Ended February 28/29,		Six Months Ended February 28/29,	
	2021	2020	2021	2020
Gross margin - GAAP	55%	54%	56%	54%
Cost of doing business as a percentage of net sales - non-GAAP	36%	34%	34%	36%
EBITDA as a percentage of net sales - non-GAAP [(1)]	20%	20%	22%	18%

(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)

	Three Months Ended February 28/29,		Six Months Ended February 28/29,	
	2021	2020	2021	2020
Total operating expenses - GAAP	$ 41,352	$ 35,417	$ 83,206	$ 74,256
Amortization of definite-lived intangible assets	(362)	(654)	(720)	(1,304)
Depreciation (in operating departments)	(1,077)	(1,049)	(2,119)	(1,996)
Cost of doing business	$ 39,913	$ 33,714	$ 80,367	$ 70,956
Net sales	$ 111,905	$ 100,049	$ 236,464	$ 198,605
Cost of doing business as a percentage of net sales - non-GAAP	36%	34%	34%	36%

EBITDA (in thousands, except percentages)

	Three Months Ended February 28/29,		Six Months Ended February 28/29,	
	2021	2020	2021	2020
Net income - GAAP	$ 17,191	$ 14,327	$ 40,814	$ 26,521
Provision for income taxes	3,024	3,064	7,421	5,162
Interest income	(19)	(28)	(38)	(53)
Interest expense	610	593	1,180	1,035
Amortization of definite-lived intangible assets	362	654	720	1,304
Depreciation	1,396	1,432	2,738	2,739
EBITDA	$ 22,564	$ 20,042	$ 52,835	$ 36,708
Net sales	$ 111,905	$ 100,049	$ 236,464	$ 198,605
EBITDA as a percentage of net sales - non-GAAP	20%	20%	22%	18%

Liquidity and Capital Resources

Overview

The Company's financial condition and liquidity remain strong. Net cash provided by operations was $42.5 million for the six months ended February 28, 2021 compared to $23.4 million for the corresponding period of the prior fiscal year. Although there continues to be a certain level of uncertainty related to the anticipated impact of the current COVID-19 pandemic on the Company's future results, we believe our efficient business model and the steps that we have taken leave us positioned to manage our business through this crisis as it continues to unfold. 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 unsecured Credit Agreement with Bank of America. 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 8 – Debt for additional information on these agreements. Included in Note 8 – Debt is information on the Credit Agreement that we amended with Bank of America on September 30, 2020, and a third amendment to the Note Agreement. In the first quarter of fiscal year 2021 we refinanced existing draws under our Credit Agreement in the United States through the issuance of new notes under the Note Agreement in the amount of $52.0 million.

We have historically maintained a balance of outstanding draws on our line of credit in U.S. Dollars in the Americas segment, as well as in Euros and Pound Sterling in the EMEA segment. 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 the first quarter of fiscal year 2021, we repaid $50.0 million of our U.S. borrowings outstanding under our line of credit using $52.0 million in proceeds

that we received on September 30, 2020 from the issuance and sale of the Series B and C Notes which mature in November 2027 and 2030, respectively. Our remaining outstanding balance under our line of credit is denominated completely in Euros and Pound Sterling as of February 28, 2021. We regularly convert many of our draws on our line of credit to new draws with new maturity dates and interest rates. We have the ability to refinance any draws under the line of credit with successive short-term borrowings through the September 30, 2025 maturity date of the Credit Agreement. Outstanding draws for which we have both the ability and intent to refinance with successive short-term borrowings for a period of at least twelve months are classified as long-term. As of February 28, 2021, we had a $47.9 million balance of outstanding draws on the revolving credit facility, all of which was classified as long-term. In addition, we paid $0.4 million in principal payments on our Series A Notes during the first six months of fiscal year 2021, which had an outstanding balance of $17.6 million as of February 28, 2021. There were no other letters of credit outstanding or restrictions on the amount available on our line of credit or notes. Per the terms of both the Note Agreement and the Credit Agreement, our consolidated leverage ratio cannot be greater than three and a half to one and our consolidated interest coverage ratio cannot be less than three to one. See Note 8 – Debt for additional information on these financial covenants. At February 28, 2021, we were in compliance with all debt covenants. We continue to monitor our compliance with all debt covenants. At the present time, we believe that the likelihood of being unable to satisfy these covenants is remote.

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, dividend payments, acquisitions, new business development activities and share repurchases. On April 8, 2020, we suspended repurchases under our most recent share buy-back plan, which subsequently expired on August 31, 2020, in order to preserve cash while we monitor the long-term impacts of the COVID-19 pandemic. Management will continue to evaluate future authorizations under its share buy-back program and the Board will consider approval based on management's recommendations. At February 28, 2021, we had a total of $72.4 million in cash and cash equivalents. 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):

	Six Months Ended February 28/29,		
	2021	2020	Change
Net cash provided by operating activities	$ 42,510	$ 23,382	$ 19,128
Net cash used in investing activities	(7,366)	(10,483)	3,117
Net cash provided by (used in) financing activities	(20,311)	(9,816)	(10,495)
Effect of exchange rate changes on cash and cash equivalents	1,086	187	899
Net increase in cash and cash equivalents	$ 15,919	$ 3,270	$ 12,649

Operating Activities

Net cash provided by operating activities increased $19.1 million to $42.5 million for the six months ended February 28, 2021 from $23.4 million for the corresponding period of the prior fiscal year. Cash flows from operating activities depend heavily on operating performance and changes in working capital. Our primary source of operating cash flows for the six months ended February 28, 2021 was net income of $40.8 million, which increased $14.3 million from period to period. The changes in our working capital which decreased net cash provided by operating activities were primarily attributable to increases in trade accounts receivable balances during the six months ended February 28, 2021 compared to the corresponding period of the prior fiscal year as a result of significantly increased sales from period to period. These working capital changes were partially offset by increases in accrued payroll and related expenses during the first six months of fiscal year 2021 primarily due to increased accruals of incentive compensation from period to period. In addition, accounts payable in the EMEA segment increased due to higher levels of production and the timing of payments to vendors from period to period. In addition, the change in working capital was also impacted by increases to income tax accruals related to the higher pre-tax income during the first six months of fiscal year 2021 compared to the corresponding period of the prior fiscal year.

Investing Activities

Net cash used in investing activities decreased $3.1 million to $7.4 million for the six months ended February 28, 2021 from $10.5 million for the corresponding period of the prior fiscal year, primarily due to decreased capital expenditures. Capital expenditures decreased by $3.1 million primarily due to the renovations and equipping of the Company's office building in Milton Keynes, England that were completed in the first quarter of fiscal year 2020 and a lower level of manufacturing-related capital expenditures within the U.K. and the United States from period to period. Capital expenditures during the first half of fiscal year 2021 were primarily related to manufacturing equipment which is currently under construction and will be located at our third-party manufacturers in the United States and the United Kingdom once completed.

Financing Activities

Net cash used by financing activities increased $10.5 million to $20.3 million for the six months ended February 28, 2021 from $9.8 million for the corresponding period of the prior fiscal year. This change was primarily due to a decrease in net proceeds from our debt instruments of $18.5 million. In the first quarter of fiscal year 2021, we repaid $50.0 million of our U.S. borrowings outstanding under our line of credit using $52.0 million in proceeds that we received from the issuance and sale of senior notes during the quarter. This resulted in a $2.0 million cash inflow during the period compared to $20.5 million in net proceeds on our line of credit in the corresponding period of the prior fiscal year. In addition, increases in shares withheld to cover taxes on conversion of equity rewards of $0.9 million and increases in dividends paid to our shareholders of $0.8 million, respectively, resulted in higher cash outflows from period to period. Offsetting these increases in cash outflows was a decrease in treasury stock repurchases due to the suspension of such repurchases beginning in the third quarter of fiscal year 2020, which resulted in a decrease in cash outflows of $9.7 million 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 an increase in cash of $1.1 million and $0.2 million for six months ended February 28, 2021 and February 29, 2020, respectively. 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.

Off-Balance Sheet Arrangements

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

Commercial Commitments

We have ongoing relationships with various 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. Although we have definitive minimum purchase obligations included in the contract terms with certain of our 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, 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.

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 products 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.

In addition to the commitments to purchase products from contract manufacturers described above, we may also enter into commitments with other manufacturers to purchase finished goods and components to support innovation initiatives and/or supply chain initiatives. As of February 28, 2021, no such commitments were outstanding.

Share Repurchase Plan

The information required by this item is incorporated by reference to Part I—Item 1, "Notes to Condensed Consolidated Financial Statements" Note 9 — Share Repurchase Plan, included in this report.

Dividends

On March 16, 2021, the Company's Board approved a 7% increase in the regular quarterly cash dividend, increasing it from $0.67 per share to $0.72 per share. The $0.72 per share dividend declared on March 16, 2021 is payable on April 30, 2021 to shareholders of record on April 16, 2021. Our ability to pay dividends could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and loan covenants.

Critical Accounting Policies

Our discussion and analysis of our operating results and financial condition is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America.

Critical accounting policies are those that involve subjective or complex judgments, often as a result of the need to make estimates. The following areas all require the use of judgments and estimates: revenue recognition, accounting for income taxes and impairment of definite-lived intangible assets. Estimates in each of these areas are based on historical experience and various judgments and assumptions that we believe are appropriate. Actual results may differ from these estimates.

There have been no material changes in our critical accounting policies from those disclosed in Part II—Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Note 2 to our consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended August 31, 2020, which was filed with the SEC on October 21, 2020.

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 I—Item 1, "Notes to Condensed Consolidated Financial Statements" Note 2 — Basis of Presentation and Summary of Significant Accounting Policies, included in this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is incorporated by reference to Part II—Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in our Annual Report on Form 10-K for the fiscal year ended August 31, 2020, which was filed with the SEC on October 21, 2020.

Item 4. 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 Exchange 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 February 28, 2021, 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.

There were no changes in our internal control over financial reporting during the three months ended February 28, 2021 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this item is incorporated by reference to the information set forth in Part I—Item 1, "Notes to Condensed Consolidated Financial Statements" Note 12 — Commitments and Contingencies, included in this report.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I—Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the fiscal year ended August 31, 2020, which was filed with the SEC on October 21, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On April 8, 2020, the Company elected to suspend repurchases under its previously approved share buy-back plan, which subsequently expired on August 31, 2020. The Company made this election in order to preserve cash while it continued to monitor the long-term impacts of the COVID-19 pandemic. Management will continue to evaluate future authorizations under its share buy-back program and the Board will consider approval based on management's recommendations. Therefore, no repurchase transactions were made during the first six months of fiscal year 2021.

Item 6. Exhibits

Exhibit No.	Description
3(a)	Certificate of Incorporation, incorporated by reference from the Registrant's Form 10-K filed October 21, 2020, Exhibit 3(a) thereto.
3(b)	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.
10(a)	First Amendment to Credit Agreement dated September 30, 2020 among Company and Bank of America, N.A., incorporated by reference from the Registrant's Form 8-K filed October 6, 2020, Exhibit 10(a) thereto.
10(b)	Third Amendment to Note Purchase and Private Shelf Agreement dated September 30, 2020 among WD-40 Company and Prudential and the Note Purchasers, incorporated by reference from the Registrant's Form 8-K filed October 6, 2020, Exhibit 10(e) thereto..
10(c)	Series B Senior Notes dated September 30, 2020, incorporated by reference from the Registrant's Form 8-K filed October 6, 2020, Exhibit 10(f) thereto.
10(d)	Series C Senior Notes dated September 30, 2020, incorporated by reference from the Registrant's Form 8-K filed October 6, 2020, Exhibit 10(g) thereto.
10(e)	Change of Control Severance Agreement between WD-40 Company and Jeffrey G. Lindeman dated December 8, 2020.
31(a)	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(a)	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(b)	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from WD-40 Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2021, formatted in iXBRL (inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Comprehensive Income; (iv) the Condensed Consolidated Statements of Shareholders' Equity; (v) the Condensed Consolidated Statements of Cash Flows; and (vi) Notes to the Condensed Consolidated Financial Statements.
104	The cover page from this Quarterly Report on Form 10-Q, formatted in Inline XBRL and contained in Exhibit 101.

SIGNATURES

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

WD-40 COMPANY
Registrant

Date: April 8, 2021

By: /s/ GARRY O. RIDGE

Garry O. Ridge
Chief Executive Officer
(Principal Executive Officer)

By: /s/ JAY W. REMBOLT

Jay W. Rembolt
Vice President, Finance
Treasurer and Chief Financial Officer

By: /s/ RAE ANN PARTLO

Rae Ann Partlo
Vice President, Corporate Controller and
Principal Accounting Officer

CHANGE OF CONTROL SEVERANCE AGREEMENT

THIS AGREEMENT ("Agreement") is made as of the 8th day of December, 2020 (the "Effective Date") between WD-40 COMPANY (hereinafter the "Company") and JEFFREY G. LINDEMAN (hereinafter the "Executive").

RECITALS:

WHEREAS, the Company has determined that the Executive is among that group of key managers whose services and participation in management may be critical in any period of transition, such as at the time of any change in control of the Company or in the face of any proposed corporate reorganization or acquisition, friendly or hostile, affecting the Company. Accordingly, the board of directors of the Company (the "Board") has determined that it is appropriate and in the best interests of the Company and its stockholders that provisions be made to encourage the Executive's continued attention and undistracted dedication to the Executive's duties in the potentially disturbing circumstances of a possible change in control of the Company, by providing the Executive with some degree of personal financial security under such circumstances.

NOW THEREFORE, the parties agree as follows:

1. Change in Control: For purposes of this Agreement, Change in Control shall mean:

(a) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person"), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (i) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company (excluding an acquisition by virtue of the exercise of a conversion privilege), (B) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (C) any acquisition by any corporation pursuant to a reorganization, merger or consolidation, if, following such reorganization, merger or consolidation, the conditions described in subclauses (i), (ii) and (iii) of subparagraph (c) of this sentence are satisfied; or

(b) if individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds of the directors then constituting the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest subject to Rule 14a-11 of Regulation 14A promulgated under the Exchange Act or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) approval by the stockholders of the Company of a reorganization, merger or consolidation, unless following such reorganization, merger or consolidation (i) more than 60% of, respectively, the then-outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such reorganization, merger, or consolidation in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be (for purposes of determining whether such percentage test is satisfied, there shall be excluded from the number of shares and voting securities of the resulting corporation owned by the Company's stockholders, but not from the total number of outstanding shares and voting securities of the resulting corporation, any shares or voting securities received by any such stockholder in respect of any consideration other than shares or voting securities of the Company); (ii) no Person (excluding the Company, any employee benefit plan (or related trust) of the Company, any qualified employee benefit plan of such corporation resulting from such reorganization, merger or consolidation and any Person beneficially owning, immediately prior to such reorganization, merger or consolidation, directly or indirectly, 20% or more of the Outstanding Company Common Stock or Outstanding Company Voting Securities, as the case may be) beneficially owns, directly or indirectly, 30% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then-

outstanding voting securities of such corporation entitled to vote generally in the election of directors; and (iii) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or

(d) (i) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company or (ii) the first to occur of (A) the sale or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company, or (B) the approval by the stockholders of the Company of any such sale or disposition, other than, in each case, any such sale or disposition to a corporation, with respect to which immediately thereafter, (1) more than 60% of, respectively, the then-outstanding shares of common stock of such corporation and the combined voting power of the then-outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be (for purposes of determining whether such percentage test is satisfied, there shall be excluded from the number of shares and voting securities of the transferee corporation owned by the Company's stockholders, but not from the total number of outstanding shares and voting securities of the transferee corporation, any shares or voting securities received by any such stockholder in respect of any consideration other than shares or voting securities of the Company); (2) no Person (excluding the Company, any employee benefit plan (or related trust) of the Company, any qualified employee benefit plan of such transferee corporation and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 20% or more of the Outstanding Company Common Stock or Outstanding Company Voting Securities, as the case may be) beneficially owns, directly or indirectly, 30% or more of, respectively, the then-outstanding shares of common stock of such transferee corporation and the combined voting power of the then-outstanding voting securities of such transferee corporation entitled to vote generally in the election of directors; and (3) at least a majority of the members of the board of directors of such transferee corporation were members of the Incumbent Board at the time of the execution of the initial agreement or action of the board providing for such sale or other disposition of assets of the Company.

2. Termination Following a Change in Control:

(a) The Executive shall be entitled to the compensation provided for in Paragraph 3 if all of the following conditions are satisfied:

(i) there is a Change in Control of the Company while the Executive is still an employee of the Company;

(ii) the Executive's employment with the Company is terminated within two years after the Change in Control; and

(iii) the Executive's termination of employment is not a result of (A) the Executive's death; (B) the Executive's Disability (as defined in subparagraph 2(b) below); (C) the Executive's Retirement (as defined in subparagraph 2(c) below); (D) the Executive's termination by the Company for Cause (as defined in subparagraph 2(d) below); or (E) the Executive's decision to terminate employment other than for Good Reason (as defined in subparagraph 2(e) below). Notwithstanding the foregoing, if a Change of Control occurs and if the Executive's employment with the Company is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or in anticipation of a Change of Control, then the Executive shall be entitled to the compensation provided for in Paragraph 3.

(b) If, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been unable, with or without a reasonable accommodation, to perform the Executive's duties with the Company on a full time basis for six months and if, within 30 days after a Notice of Termination (as defined in subparagraph 2(f)) is thereafter given by the Company, the Executive shall not have returned to the full time performance of the Executive's duties, the Company may terminate the Executive's employment for "Disability".

(c) The term "Retirement" as used in this Agreement shall mean termination by the Company or the Executive of the Executive's employment under circumstances whereby the Executive is otherwise entitled to receive benefits payable under the presently existing Supplemental Retirement Benefit Plan entered into between the Company and the Executive or such other nonqualified retirement benefit plan providing substantially similar benefits.

(d) The Company may terminate the Executive's employment for Cause before or after a Change in Control. For purposes of this Agreement only, "Cause" shall mean: (i) the Executive's commission of acts subject to prosecution as a felony involving moral turpitude; (ii) the Executive's material breach of fiduciary duty as an executive officer of the Company which has resulted, or is likely to result, in material economic damage to the Company; or (iii) the Executive's willful gross misconduct or willful gross neglect of duties (other than any such neglect resulting from the Executive's incapacity due to physical or mental illness or any such neglect after the issuance

of a Notice of Termination by the Executive for Good Reason, as such terms are defined in subparagraphs (e) and (f) below and as they may apply under this Paragraph 2); provided that no act or failure to act by the Executive will constitute "Cause" under clause (ii) if the Executive believed in good faith that such act or failure to act was in the best interest of the Company.

Any termination of the Executive's employment by the Company for Cause shall be authorized by a vote of at least a majority of the independent members of the Board (as they may be determined by the Board from time to time) within 12 months of a majority of such independent members of the Board having actual knowledge of the event or circumstances providing a basis for such termination. In the case of clauses (i) and (ii) of the second sentence of this subparagraph (d), the Executive shall be given notice by the Board specifying in detail the particular act or failure to act on which the Board is relying in proposing to terminate the Executive for Cause and offering the Executive an opportunity, on a date at least 14 days after receipt of such notice, to have a hearing, with counsel, before a majority of the independent members of the Board, including each of the members of the Board who authorized the termination for Cause. The Executive shall not be terminated for Cause if, within 30 days after the date of the Executive's hearing before the Board (or if the Executive waives a hearing, within 30 days after receiving notice of the proposed termination), the Executive has corrected the particular act or failure to act specified in the notice given under clause (ii) of the second sentence of this subparagraph (d), and by so correcting such act or failure to act the Executive has reduced the economic damage the act or failure to act has allegedly caused the Company to a level which is no longer material or has eliminated the probability that such act or failure to act is likely to result in material economic damage to the Company. No termination for Cause shall take effect until the expiration of the correction period described in the preceding sentence and the determination by a majority of the independent members of the Board that the Executive has failed to correct the act or failure to act in accordance with the terms of the preceding sentence. Other than as specified herein, the decision of a majority of the independent members of the Board of Directors with respect to any determination of the grounds for termination of the Executive's employment for Cause shall be binding absent evidence of bad faith or manifest injustice.

(e) The Executive may terminate the Executive's employment for Good Reason at any time following a Change in Control. For purposes of this Agreement, "Good Reason" shall mean, after any Change in Control and without the Executive's express written consent, any of the following:

(i) a significant diminution in the Executive's duties and responsibilities, or the assignment to the Executive by the Company of duties inconsistent with the Executive's position, duties, responsibilities or status with the Company immediately prior to a Change in Control of the Company, or any removal of the Executive from or any failure to re-elect the Executive to any of such positions, except in connection with the termination of employment for Disability, Retirement or Cause or as a result of the Executive's death or by the Executive other than for Good Reason;

(ii) a reduction by the Company in the Executive's annual rate of base salary as in effect immediately prior to a Change of Control or the Company's failure to increase (within 12 months of the Executive's last adjustment in annual rate of base salary) the Executive's annual rate of base salary after a Change in Control of the Company in an amount which at least equals, on a percentage basis, the average percentage increase in the annual rate of base salary most recently or then currently being effected for all other executive officers of the Company;

(iii) (A) any failure by the Company to continue in effect any benefit plan or arrangement (including, without limitation, medical, dental, and other established benefit plans ("Welfare Benefit Plans"), group life insurance and retirement plans) in which the Executive is participating at the time of a Change in Control of the Company (all hereinafter referred to as "Benefit Plans") unless the Executive receives benefits through another plan or arrangement providing the Executive with benefits, when considered in the aggregate, that are no less favorable than the benefits under all Benefit Plans available to the Executive at the time of a Change in Control, or (B) the taking of any action by the Company which would adversely affect the Executive's participation in or materially reduce the Executive's benefits under the Benefit Plans or otherwise deprive the Executive of any material fringe benefit or perquisite of office enjoyed by the Executive at the time of a Change in Control of the Company considered in the aggregate with all benefits so provided to the Executive;

(iv) (A) any failure by the Company to continue in effect any incentive plan or arrangement (including, without limitation, the Company's incentive bonus and contingent bonus arrangements and credits and the right to receive performance awards and similar long and short-term incentive compensation benefits) in which the Executive is participating at the time of a Change in Control of the Company (hereinafter referred to as "Incentive Plans"), (B) the taking of any action by the Company which would adversely affect the Executive's participation in any such Incentive Plan or reduce the Executive's benefits under any such Incentive Plan, unless in the case of either subclause (A) or (B) above, there is substituted a comparable plan or program that is economically equivalent, in terms of the benefit offered to the Executive, to the Incentive Plan being altered, reduced, affected or ended, or (C) any failure by the Company with respect to any fiscal year to make an award to the Executive pursuant to each such Incentive Plan or such substituted comparable plan or program in accordance with its terms or otherwise in a manner consistent with awards or benefits provided to other executive officers of the Company;

(v) (A) any failure by the Company to continue in effect any plan or arrangement to receive securities of the Company (including, without limitation, the Company's stock option plans and other equity incentive

plans as authorized by the Board for the senior executive officers) in which the Executive is participating at the time of a Change in Control of the Company (hereinafter referred to as "Securities Plans"), or the taking of any action by the Company which would adversely affect the Executive's participation in or materially reduce the Executive's benefits under any such Securities Plan or (B) any failure by the Company in any fiscal year to grant stock options, stock appreciation rights or securities awards to the Executive pursuant to such Securities Plans or otherwise in a manner consistent with awards or grants provided to other executive officers of the Company; and provided further that the material terms and conditions of such stock options, stock appreciation rights, and securities awards granted to the Executive after the Change in Control (including, but not limited to, the exercise price, vesting schedule, period and methods of exercise, expiration date, forfeiture provisions and other restrictions) are substantially similar to the material terms and conditions of the stock options, stock appreciation rights, and securities awards granted to the Executive under the Securities Plans immediately prior to the Change in Control of the Company;

(vi) a relocation of the Company's principal executive offices to a location more than 100 miles outside of San Diego, California, or the Executive's relocation more than 100 miles from the location at which the Executive performed the Executive's duties prior to a Change in Control of the Company, except for required travel by the Executive on the Company's business to an extent substantially consistent with the Executive's business travel obligations at the time of a Change in Control of the Company;

(vii) any failure by the Company to provide the Executive with the number of annual paid vacation days to which the Executive is entitled for the year in which a Change in Control of the Company occurs;

(viii) any material breach by the Company of any provision of this Agreement;

(ix) any failure by the Company to obtain the assumption of this Agreement by any successor or assign of the Company;

(x) the Company or its successor no longer is required to have its common stock registered pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended; or

(xi) any purported termination of the Executive's employment by the Company pursuant to subparagraphs 2(b), 2(c) or 2(d) which is not effected pursuant to a Notice of Termination satisfying the requirements of subparagraph 2(f) below (and, if applicable, subparagraph 2(d) above), and for purposes of this Agreement, no such purported termination shall be effective.

For purposes of this subparagraph (e), an isolated, immaterial, and inadvertent action not taken in bad faith by the Company in violation of clauses (i) - (v), (vii) or (xi) of this subparagraph that is remedied by the Company promptly after receipt of notice thereof given by the Executive shall not be considered Good Reason for the Executive's termination of employment with the Company. In the event the Executive terminates the Executive's employment for Good Reason hereunder, then notwithstanding that the Executive may also be considered retired for purposes of Benefit Plans (other than the Supplemental Retirement Benefit Plan or other non-qualified plan providing similar benefits), Incentive Plans or Securities Plans, the Executive shall be deemed to have terminated employment for Good Reason for purposes of this Agreement.

(f) Any termination of the Executive's employment by the Company pursuant to subparagraphs 2(b), 2(c) or 2(d), or by the Executive pursuant to subparagraph 2(e) above, shall be communicated by a Notice of Termination to the other party hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a written notice which shall indicate those specific termination provisions in this Agreement relied upon and which sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. For purposes of this Agreement, no such purported termination by the Company shall be effective without such Notice of Termination.

(g) "Date of Termination" shall mean (i) if the Executive's employment is terminated by the Company for Disability, 30 days after Notice of Termination is given to the Executive (provided that the Executive shall not have returned to the performance of the Executive's duties on a full time basis during such 30 day period), (ii) if the Executive's employment is terminated by the Executive for Good Reason, the date specified in the Notice of Termination, and (iii) if the Executive's employment is terminated by the Company for any other reason, the date on which a Notice of Termination is given; provided, however, that if within 30 days after any Notice of Termination is given to the Executive by the Company, the Executive notifies the Company that a dispute exists concerning the termination, the Date of Termination shall be a date no earlier than the date on which the Notice of Termination is given, but otherwise, if the termination is to be effective, as of the date so determined, whether by mutual written agreement of the parties or upon final judgment, order or decree of a court of competent jurisdiction.

3. Severance Compensation Upon Termination of Employment Following a Change in Control:

(a) If, pursuant to subparagraph 2(a), the Executive is entitled to the compensation provided for in this Paragraph 3, then, subject to the provisions of Paragraph 7 below, the Company shall pay to the Executive in a lump sum cash payment, the following:

(i) the Change in Control Severance Amount as defined in subparagraph 3(b) below within five days following, but not earlier than, the sixth month anniversary of the Date of Termination; plus

(ii) the Executive's earned but unpaid base annual salary through the period ending on the Date of Termination within the time required by law for the payment of wages upon termination of employment; plus

(iii) interest, if any, on the amounts payable pursuant to clauses (i) and (ii) above calculated from the Date of Termination until paid (including interest calculated for the six month period from the Date of Termination to the date of payment pursuant to clause (i) or from the Date of Termination to the date of payment pursuant to clause (ii) if not paid when due) at a rate equal to the prime rate as published in the Wall Street Journal on the Date of Termination plus three percentage points, compounded annually.

(b) "Change in Control Severance Amount" shall mean an amount equal to the sum of (i) two times the greater of (A) the Executive's base annual salary in effect as of the Date of Termination or (B) the average of the Executive's base annual salary paid for the five fiscal years ending prior to the Date of Termination, plus (ii) two times the greater of (A) the annual cash bonus awarded by the Board to the Executive with respect to the Company's most recent fiscal year ending prior to the Date of Termination or (B) the average of the annual cash bonus amounts awarded by the Board to the Executive with respect to the Company's most recent five fiscal years ending prior to the Date of Termination.

(c) If, pursuant to subparagraph 2(a), the Executive is entitled to the compensation provided in this Paragraph 3, then the Executive will be entitled to continued participation in all Welfare Benefit Plans (as defined in subparagraph 2(e)(iii) above) in which the Executive was participating on the Date of Termination, such continued participation to be at Company cost and otherwise on the same basis as Company employees generally, until the earlier of (i) the date, or dates, the Executive receives equivalent coverage and benefits under the plans and programs of a subsequent employer (such coverages and benefits to be determined on a coverage-by-coverage or benefit-by-benefit basis) or (ii) two years from the Date of Termination; provided (A) if the Executive is precluded from continuing participation in any Welfare Benefit Plan as provided in this sentence, the Executive shall be paid, in a lump sum cash payment, within 30 days following the date it is determined the Executive is unable to participate in any Welfare Benefit Plan, the after-tax economic equivalent of the benefits provided under the plan or program in which the Executive is unable to participate for the period specified in this sentence, and (B) the economic equivalent of any benefit foregone shall be deemed to be the lowest cost that would be incurred by the Executive in obtaining such benefit (including family or dependent coverage, if applicable) on an individual basis. The Executive shall be eligible for group health plan continuation coverage under and in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, when the Executive ceases to be eligible for continued participation in the Company's group health plan under this subparagraph (c).

4. Company Right to Terminate Employment With or Without Cause; No Obligation of Executive to Mitigate Damages; No Effect On Other Contractual Rights:

(a) Notwithstanding anything to the contrary herein, the Executive shall serve the Company at the pleasure of the Board and the Board may terminate the Executive's employment at any time, with our without Cause subject to the Executive's right to payment of the severance compensation provided for herein, if applicable. The Executive hereby acknowledges that this agreement does not guarantee continued employment with the Company for any period of time and upon termination of the Executive's employment, the Executive shall have no claim for compensation or other benefits pursuant to this agreement except as specifically set forth herein following a Change of Control.

(b) The Executive shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by the Executive as the result of employment by another employer after the Date of Termination or otherwise.

(c) The provisions of this Agreement, and any payment provided for hereunder, shall not reduce any amounts otherwise payable, or in any way diminish the Executive's existing rights, or rights which would accrue solely as a result of the passage of time, under any Benefit Plan, Incentive Plan or Securities Plan, or other contract, plan or agreement with or of the Company.

5. Options, Securities Awards, And Incentive Awards:

(a) In the event of a Change in Control of the Company, then notwithstanding the terms and conditions of any Securities Plan or other plan, agreement or arrangement, (i) if any Securities Plan will not be continued as to the securities of the Company or as to substantially equivalent publicly traded securities of the Company or any successor entity, or (ii) if the Executive's employment is terminated and the Executive is entitled to the compensation provided for in Paragraph 3, then the Company agrees to accelerate, vest, and make immediately exercisable in full all unexercisable installments of all options to acquire securities of the Company, to vest all unvested awards of securities of the Company and to waive any resale or other restrictions or rights of repurchase applicable to securities underlying such options or applicable to awards of securities of the Company in each case, which are held by the Executive on the date of such Change in Control, including without limitation any options or securities obtained by the Executive pursuant to any Securities Plan or securities obtained by the Executive pursuant to any discontinued Incentive Plan (as defined in subparagraph 2(e)) to the extent that the Executive may not otherwise be able to realize the expected benefits thereof upon continued employment by the Company or a publicly traded successor entity.

(b) If the provisions of subparagraph (a) of this Paragraph 5 are applicable with respect to any Securities Plan within six (6) months following a Change in Control, any options or securities obtained by the Executive pursuant to the discontinued Securities Plan or securities obtained by the Executive pursuant to any Incentive Plan as described in subparagraph (a) shall have a limited right of surrender allowing the Executive to surrender such options or securities within the 30 day period following the date on which the provisions of subparagraph (a) first become applicable and to receive a cash payment in exchange for the surrender of such options or securities. The amount of such payment shall be equal to the sum of (i) the product of the number of securities obtained by the Executive pursuant to such Securities Plan or Incentive Plan multiplied by the greater of (x) the fair market value of the securities of the Company on the date prior to the Change in Control or (y) the per share price paid to shareholders in connection with such Change in Control (alternatively, the "Securities Price") and (ii) the product of (a) the number of securities covered by options multiplied by (b) the positive amount, if any, equal to the Securities Price minus the exercise price. Notwithstanding the foregoing, if any such payment would result in liability under Section 16 of the Exchange Act, the right of surrender shall commence upon the earliest date it can be exercised by the Executive without liability and continue for thirty days thereafter.

6. Termination: This Agreement shall continue in effect for a period of two (2) years and shall automatically renew for successive two (2) year periods from the earlier of (a) the next scheduled termination date, unless the Board provides the Executive with a notice of non-renewal at least 6 months before the next scheduled termination date, or (b) the effective date of a Change of Control.

7. Adjustment Related to Application of Excise Tax: If the Executive is entitled to receive the compensation provided for in Paragraph 3 and any payment received or to be received by the Executive is or will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the adjustment set forth in subparagraph (a) shall be made to the payments provided for in Paragraph 3 above.

(a) If the present value of all benefits and payments to the Executive included in the determination of "parachute payments" pursuant to Section 280G(b)(2) of the Code received by or to be received by the Executive (the "Parachute Payments") is equal to or exceeds 3 times the "base amount" with respect to the Executive as determined pursuant to Section 280G(b)(3) of the Code (the "Base Amount"), then the amount payable to the Executive pursuant to Paragraph 3 above shall be reduced so that the present value of the Parachute Payments is equal to 3 times the Base Amount minus the sum of One Hundred Dollars ($100.00.)

(b) It is the intention of the parties to this Agreement that the compensation payable to the Executive pursuant to this Agreement contingent upon a Change of Control of the Company will not result in any "excess parachute payment" to the Executive as determined under Section 280G(b) of the Code or application of the Excise Tax to any such excess parachute payment. The provisions of this Paragraph 7 shall be applied so as to carry out the parties' intention with respect to such tax treatment. Each party agrees to take such action as may be necessary or appropriate to carry out the provisions of this Paragraph 7 and to cooperate with the other as to all required determinations, including the payment or return of any payment determined to be due to the Executive or to the Company, respectively. The Company shall pay all costs of accounting to assure compliance with the intent of this Paragraph 7.

8. Successors: The Company will require any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Executive, expressly, absolutely and unconditionally to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. Any failure of the Company to obtain such agreement prior to the effectiveness of any such succession or assignment shall be a material breach of this Agreement and shall entitle the Executive to terminate the Executive's employment for Good Reason and receive the compensation provided for in Paragraph 3 above. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor or assign to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Paragraph 8 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

9. Survivorship: The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations and to the extent that any performance is required following termination of this Agreement.

10. Notices: Any notice, request, demand or other communication required or permitted hereunder shall be deemed to be properly given when personally served in writing, when deposited in the United States mail, postage prepaid, or when communicated to a public telegraph company for transmittal, addressed to the Company at its head office location or the Executive at the Executive's last known address. Either party may change its address by written notice in accordance with this paragraph.

11. Benefit of Agreement: This Agreement shall inure to the benefit of and be enforceable by the Executive's personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts are still payable to the Executive hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee or other designee or, if there be no such designee, to the Executive's estate.

12. Applicable Law: Except to the extent governed by the laws of the United States, this Agreement is to be governed by and construed under the laws of the State of California.

13. Captions and Paragraph Headings: Captions and paragraph headings used herein are for convenience only and are not a part of this Agreement and shall not be used in the interpretation of this Agreement.

14. Invalid Provisions: Should any provision of this Agreement for any reason be declared invalid, void or unenforceable by a court of competent jurisdiction, the validity and binding effect of any remaining portion shall not be affected, and the remaining portions of this Agreement shall remain in full force and effect as if this Agreement had been executed with said provision eliminated.

15. Entire Agreement: This Agreement contains the entire agreement of the parties. It supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the matters covered herein. Each party to this Agreement acknowledges that no representations, inducements, promises, or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement, or promise relating to the matters covered herein and not contained in this Agreement shall be valid or binding. This Agreement may not be modified or amended by oral agreement, but only by any agreement in writing signed by the Company and the Executive.

16. Attorney's Fees: If any action, including arbitration, is brought to enforce this Agreement or to determine the relative rights and obligations of either of the parties and a ruling is obtained in favor of either party, regardless of which party institutes the action, the prevailing party will be entitled to reasonable attorney's fees.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

"COMPANY"	"EXECUTIVE"
WD-40 COMPANY	
By /s/ GARRY O. RIDGE	/s/ JEFFREY G. LINDEMAN
GARRY O. RIDGE, CEO	JEFFREY G. LINDEMAN
By /s/ RICHARD T. CLAMPITT	
RICHARD T. CLAMPITT, Secretary	

Exhibit 31(a)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Garry O. Ridge, certify that:

1. I have reviewed this report on Form 10-Q of WD-40 Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize, and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: April 8, 2021

/s/ GARRY O. RIDGE

Garry O. Ridge
Chief Executive Officer

Exhibit 31(b)

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jay W. Rembolt, certify that:

1. I have reviewed this report on Form 10-Q of WD-40 Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize, and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: April 8, 2021

/s/ JAY W. REMBOLT

Jay W. Rembolt
Vice President, Finance, Treasurer and Chief Financial Officer

Exhibit 32(a)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Garry O. Ridge, Chief Executive Officer of WD-40 Company (the "Company"), have reviewed the Quarterly Report on Form 10-Q of the Company for the quarter ended February 28, 2021 (the "Report"). For purposes of Section 1350 of Title 18, United States Code, I certify that to the best of my knowledge:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 8, 2021

/s/ GARRY O. RIDGE
Garry O. Ridge
Chief Executive Officer

Exhibit 32(b)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Jay W. Rembolt, Chief Financial Officer of WD-40 Company (the "Company"), have reviewed the Quarterly Report on Form 10-Q of the Company for the quarter ended February 28, 2021 (the "Report"). For purposes of Section 1350 of Title 18, United States Code, I certify that to the best of my knowledge:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 8, 2021

/s/ JAY W. REMBOLT

Jay W. Rembolt
Vice President, Finance, Treasurer and Chief Financial Officer