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ALBERTO CULVER CO  
Form 10-Q  
August 09, 2001

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

FORM 10-Q

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

June 30, 2001

-OR-

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

Commission File No. 1-5050

ALBERTO-CULVER COMPANY

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

Delaware  
(State or other jurisdiction of  
incorporation or organization)

36-2257936  
(I.R.S. Employer  
Identification No.)

2525 Armitage Avenue  
Melrose Park, Illinois  
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(Address of principal executive offices)

60160  
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(Zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required  
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during  
the preceding 12 months (or for such shorter period that the registrant was  
required to file such reports) and (2) has been subject to such filing  
requirements for the past 90 days. YES X NO  
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At June 30, 2001, the company had 23,761,341 shares of Class A common stock and  
32,957,471 shares of Class B common stock outstanding.

PART I

ITEM 1. FINANCIAL STATEMENTS  
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## Edgar Filing: ALBERTO CULVER CO - Form 10-Q

### ALBERTO-CULVER COMPANY AND SUBSIDIARIES

#### Consolidated Statements of Earnings Three Months Ended June 30, 2001 and 2000 (in thousands, except per share data)

|                                                                                    | (Unaudited) |         |
|------------------------------------------------------------------------------------|-------------|---------|
|                                                                                    | 2001        | 2000    |
|                                                                                    | -----       | -----   |
| Net sales                                                                          | \$634,416   | 573,095 |
| Cost of products sold                                                              | 309,606     | 280,377 |
|                                                                                    | -----       | -----   |
| Gross profit                                                                       | 324,810     | 292,718 |
| Advertising, promotion, selling and administrative                                 | 275,478     | 249,092 |
|                                                                                    | -----       | -----   |
| Operating earnings                                                                 | 49,332      | 43,626  |
| Interest expense, net of interest income of \$1,430<br>in 2001 and \$1,705 in 2000 | 5,285       | 5,616   |
|                                                                                    | -----       | -----   |
| Earnings before provision for income taxes                                         | 44,047      | 38,010  |
| Provision for income taxes                                                         | 14,976      | 12,544  |
|                                                                                    | -----       | -----   |
| Net earnings                                                                       | \$ 29,071   | 25,466  |
|                                                                                    | =====       | =====   |
| Net earnings per share:                                                            |             |         |
| Basic                                                                              | \$ 0.52     | 0.46    |
|                                                                                    | =====       | =====   |
| Diluted                                                                            | \$ 0.50     | 0.45    |
|                                                                                    | =====       | =====   |
| Cash dividends paid per share                                                      | \$ .0825    | .0750   |
|                                                                                    | =====       | =====   |

See notes to consolidated financial statements.

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### ALBERTO-CULVER COMPANY AND SUBSIDIARIES

#### Consolidated Statements of Earnings Nine Months Ended June 30, 2001 and 2000 (in thousands, except per share data)

|                                                    | (Unaudited) |           |
|----------------------------------------------------|-------------|-----------|
|                                                    | 2001        | 2000      |
|                                                    | -----       | -----     |
| Net sales                                          | \$1,850,534 | 1,652,707 |
| Cost of products sold                              | 901,059     | 809,267   |
|                                                    | -----       | -----     |
| Gross profit                                       | 949,475     | 843,440   |
| Advertising, promotion, selling and administrative | 813,693     | 727,094   |
| Non-recurring gain (Note 5)                        | --          | (9,257)   |

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|                                                                                    |           |         |
|------------------------------------------------------------------------------------|-----------|---------|
| Operating earnings (Note 5)                                                        | 135,782   | 125,603 |
| Interest expense, net of interest income of \$3,939<br>in 2001 and \$3,070 in 2000 | 16,707    | 13,302  |
| Earnings before provision for income taxes (Note 5)                                | 119,075   | 112,301 |
| Provision for income taxes (Note 5)                                                | 40,486    | 37,245  |
| Net earnings (Note 5)                                                              | \$ 78,589 | 75,056  |
| Net earnings per share (Note 5):                                                   |           |         |
| Basic                                                                              | \$ 1.40   | 1.35    |
| Diluted                                                                            | \$ 1.36   | 1.33    |
| Cash dividends paid per share                                                      | \$ .240   | .215    |

See notes to consolidated financial statements.

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ALBERTO-CULVER COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets  
June 30, 2001 and September 30, 2000  
(dollars in thousands, except share data)

|                                                                                                                         | (Unaudited)<br>June 30,<br>2001 | September<br>2000 |
|-------------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------------|
|                                                                                                                         | -----                           | -----             |
| ASSETS                                                                                                                  |                                 |                   |
| -----                                                                                                                   |                                 |                   |
| Current assets:                                                                                                         |                                 |                   |
| Cash and cash equivalents                                                                                               | \$ 157,814                      | 11                |
| Short-term investments                                                                                                  | 819                             |                   |
| Receivables, less allowance for doubtful<br>accounts (\$10,938 at 6/30/01 and \$10,135 at 9/30/00)                      | 162,576                         | 1                 |
| Inventories:                                                                                                            |                                 |                   |
| Raw materials                                                                                                           | 42,562                          |                   |
| Work-in-process                                                                                                         | 5,074                           |                   |
| Finished goods                                                                                                          | 439,388                         | 3                 |
| Total inventories                                                                                                       | 487,024                         | 44                |
| Other current assets                                                                                                    | 27,725                          | 2                 |
| Total current assets                                                                                                    | 835,958                         | 74                |
| Property, plant and equipment at cost, less accumulated<br>depreciation (\$228,292 at 6/30/01 and \$211,337 at 9/30/00) | 232,152                         | 24                |
| Goodwill, net                                                                                                           | 263,646                         | 26                |
| Trade names, net                                                                                                        | 79,979                          | 8                 |
| Other assets                                                                                                            | 60,349                          | 5                 |
| Total assets                                                                                                            | \$1,472,084                     | 1,38              |
|                                                                                                                         | =====                           | =====             |

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LIABILITIES AND STOCKHOLDERS' EQUITY

|                                                                                                                                                                   |             |        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------|
| -----                                                                                                                                                             |             |        |
| Current liabilities:                                                                                                                                              |             |        |
| Short-term borrowings and current maturities of long-term debt                                                                                                    | \$ 2,972    | 18     |
| Accounts payable                                                                                                                                                  | 201,067     | 13     |
| Accrued expenses                                                                                                                                                  | 149,215     | 1      |
| Income taxes                                                                                                                                                      | 17,479      | 1      |
|                                                                                                                                                                   | -----       | -----  |
| Total current liabilities                                                                                                                                         | 370,733     | 34     |
|                                                                                                                                                                   | -----       | -----  |
| Long-term debt                                                                                                                                                    | 327,898     | 34     |
| Deferred income taxes                                                                                                                                             | 41,761      | 3      |
| Other liabilities                                                                                                                                                 | 28,703      | 3      |
| Stockholders' equity:                                                                                                                                             |             |        |
| Common stock, par value \$.22 per share:                                                                                                                          |             |        |
| Class A authorized 75,000,000 shares; issued 30,612,798 shares                                                                                                    | 6,735       |        |
| Class B authorized 75,000,000 shares; issued 37,710,655 shares                                                                                                    | 8,296       |        |
| Additional paid-in capital                                                                                                                                        | 188,075     | 19     |
| Retained earnings                                                                                                                                                 | 752,688     | 68     |
| Deferred compensation                                                                                                                                             | (5,139)     | (      |
| Accumulated other comprehensive income -<br>foreign currency translation                                                                                          | (62,223)    | (5     |
|                                                                                                                                                                   | -----       | -----  |
|                                                                                                                                                                   | 888,432     | 83     |
| Less treasury stock at cost (Class A common shares: 6,851,457<br>at 6/30/01 and 7,630,930 at 9/30/00; Class B common shares:<br>4,753,184 at 6/30/01 and 9/30/00) | (185,443)   | (20    |
|                                                                                                                                                                   | -----       | -----  |
| Total stockholders' equity                                                                                                                                        | 702,989     | 63     |
|                                                                                                                                                                   | -----       | -----  |
| Total liabilities and stockholders' equity                                                                                                                        | \$1,472,084 | \$1,38 |
|                                                                                                                                                                   | =====       | =====  |

See notes to consolidated financial statements.

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ALBERTO-CULVER COMPANY AND SUBSIDIARIES

Consolidated Statements of Cash Flows  
Nine Months Ended June 30, 2001 and 2000  
(dollar amounts in thousands)

|                                                                                        |             |          |
|----------------------------------------------------------------------------------------|-------------|----------|
|                                                                                        | (Unaudited) |          |
|                                                                                        | -----       | -----    |
|                                                                                        | 2001        | 2000     |
|                                                                                        | -----       | -----    |
| Cash Flows from Operating Activities:                                                  |             |          |
| -----                                                                                  |             |          |
| Net earnings                                                                           | \$ 78,589   | 75,056   |
| Adjustments to reconcile net earnings to net cash<br>provided by operating activities: |             |          |
| Depreciation and amortization                                                          | 38,508      | 35,797   |
| Non-recurring gain (Note 5)                                                            | --          | (9,257)  |
| Cash effects of changes in (exclusive of acquisitions):                                |             |          |
| Receivables, net                                                                       | (10,861)    | (6,472)  |
| Inventories                                                                            | (38,447)    | (13,920) |
| Other current assets                                                                   | (1,544)     | (1,749)  |
| Accounts payable and accrued expenses                                                  | 32,391      | (2,626)  |

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|                                                                    |           |           |
|--------------------------------------------------------------------|-----------|-----------|
| Income taxes                                                       | (274)     | 2,645     |
| Other assets                                                       | 14,885    | 21,079    |
| Other liabilities                                                  | (8,093)   | (17,587)  |
|                                                                    | -----     | -----     |
| Net cash provided by operating activities                          | 105,154   | 82,966    |
|                                                                    | -----     | -----     |
| Cash Flows from Investing Activities:                              |           |           |
|                                                                    | -----     | -----     |
| Short-term investments                                             | (544)     | 1,533     |
| Capital expenditures                                               | (23,514)  | (27,828)  |
| Payments for purchased businesses, net of acquired companies' cash | (19,359)  | (115,634) |
| Proceeds from sale of trademark (Note 5)                           | --        | 10,000    |
| Other, net                                                         | (2,885)   | (1,836)   |
|                                                                    | -----     | -----     |
| Net cash used by investing activities                              | (46,302)  | (133,765) |
|                                                                    | -----     | -----     |
| Cash Flows from Financing Activities:                              |           |           |
|                                                                    | -----     | -----     |
| Short-term borrowings                                              | (1,074)   | 2,142     |
| Proceeds from long-term debt                                       | 27        | 308,215   |
| Debt issuance costs                                                | --        | (1,321)   |
| Repayments of long-term debt                                       | (12,579)  | (168,927) |
| Proceeds from sale of receivables                                  | --        | 5,000     |
| Cash dividends paid                                                | (13,531)  | (11,991)  |
| Cash proceeds from exercise of stock options                       | 13,571    | 1,929     |
| Stock purchased for treasury                                       | (1,348)   | (3,460)   |
|                                                                    | -----     | -----     |
| Net cash provided (used) by financing activities                   | (14,934)  | 131,587   |
|                                                                    | -----     | -----     |
| Effect of foreign exchange rate changes on cash                    | (741)     | (1,855)   |
|                                                                    | -----     | -----     |
| Net increase in cash and cash equivalents                          | 43,177    | 78,933    |
| Cash and cash equivalents at beginning of period                   | 114,637   | 55,931    |
|                                                                    | -----     | -----     |
| Cash and cash equivalents at end of period                         | \$157,814 | 134,864   |
|                                                                    | =====     | =====     |

See notes to consolidated financial statements.

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ALBERTO-CULVER COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (1) The consolidated financial statements contained in this report have not been audited by independent public accountants, except for balance sheet information presented at September 30, 2000. However, in the opinion of the company, the consolidated financial statements reflect all adjustments, which include only normal adjustments, necessary to present fairly the data contained therein. The results of operations for the periods covered are not necessarily indicative of results for a full year. Certain amounts for the prior year have been reclassified to conform to the current year's presentation.
- (2) Basic earnings per share is calculated using the weighted average of actual shares outstanding of 56,309,000 and 55,792,000 for the three months ended June 30, 2001 and 2000, respectively, and 56,093,000 and 55,747,000 for the nine months ended June 30, 2001 and 2000, respectively.

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Diluted earnings per share is determined by dividing net earnings by the weighted average shares outstanding, including common stock equivalents. Diluted weighted average shares outstanding were 58,105,000 and 56,757,000 for the three months ended June 30, 2001 and 2000, respectively, and 57,728,000 and 56,515,000 for the nine months ended June 30, 2001 and 2000, respectively.

The following table provides a reconciliation of diluted weighted average shares outstanding (in thousands):

|                                             | Three Months  |        | Nine Months   |        |
|---------------------------------------------|---------------|--------|---------------|--------|
|                                             | Ended June 30 |        | Ended June 30 |        |
|                                             | 2001          | 2000   | 2001          | 2000   |
|                                             | -----         | -----  | -----         | -----  |
| Basic weighted average shares outstanding   | 56,309        | 55,792 | 56,093        | 55,747 |
| Effect of dilutive securities:              |               |        |               |        |
| Assumed exercise of stock options           | 1,431         | 890    | 1,270         | 693    |
| Assumed vesting of restricted stock         | 365           | --     | 365           | --     |
| Other                                       | --            | 75     | --            | 75     |
|                                             | -----         | -----  | -----         | -----  |
| Diluted weighted average shares outstanding | 58,105        | 56,757 | 57,728        | 56,515 |
|                                             | =====         | =====  | =====         | =====  |

Stock options for 732,800 shares were excluded from the computation of diluted earnings per share for the three months and nine months ended June 30, 2000 as the options' exercise prices were greater than the average market price and, therefore, were anti-dilutive. No stock options were anti-dilutive in fiscal year 2001.

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### ALBERTO-CULVER COMPANY AND SUBSIDIARIES

#### Notes to Consolidated Financial Statements (Continued)

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

|                                                                     | Three Months  |         | Nine Months   |          |
|---------------------------------------------------------------------|---------------|---------|---------------|----------|
|                                                                     | Ended June 30 |         | Ended June 30 |          |
|                                                                     | 2001          | 2000    | 2001          | 2000     |
|                                                                     | -----         | -----   | -----         | -----    |
| Net earnings                                                        | \$29,071      | 25,466  | 78,589        | 75,056   |
| Other comprehensive income adjustments-foreign currency translation | (2,365)       | (5,880) | (7,823)       | (13,379) |

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|                      |          |        |        |        |
|----------------------|----------|--------|--------|--------|
| Comprehensive income | \$26,706 | 19,586 | 70,766 | 61,677 |
|                      | =====    | =====  | =====  | =====  |

- (4) During fiscal year 1998, the Board of Directors authorized the company to purchase up to 6.0 million shares of its Class A common stock. This authorization was increased to 9.0 million shares in fiscal year 1999. As of June 30, 2001, the company had purchased 7,290,400 Class A common shares under this program at a total cost of \$162.9 million. No Class A shares have been purchased under this program since October, 1999.
- (5) In the first quarter of fiscal year 2000, the company sold a European trademark with a nominal carrying value for \$10.0 million. The transaction resulted in a non-recurring pre-tax gain of \$9.3 million and an increase in net earnings of \$6.0 million. The non-recurring gain added 11 cents to the company's basic and diluted earnings per share.
- (6) Segment data for the three and nine months ended June 30, 2001 and 2000 is as follows (in thousands):

|                                                | Three Months<br>Ended June 30 |         | Nine Months<br>Ended June 30 |           |
|------------------------------------------------|-------------------------------|---------|------------------------------|-----------|
|                                                | 2001                          | 2000    | 2001                         | 2000      |
|                                                | -----                         | -----   | -----                        | -----     |
| Net sales:                                     |                               |         |                              |           |
| -----                                          |                               |         |                              |           |
| Consumer products:                             |                               |         |                              |           |
| Alberto-Culver North America                   | \$151,920                     | 140,259 | 453,983                      | 397,573   |
| Alberto-Culver International                   | 114,392                       | 111,973 | 329,309                      | 332,794   |
|                                                | -----                         | -----   | -----                        | -----     |
| Total consumer products                        | 266,312                       | 252,232 | 783,292                      | 730,367   |
| Specialty distribution - Sally                 | 375,910                       | 327,225 | 1,088,773                    | 938,669   |
| Eliminations                                   | (7,806)                       | (6,362) | (21,531)                     | (16,329)  |
|                                                | -----                         | -----   | -----                        | -----     |
|                                                | \$634,416                     | 573,095 | 1,850,534                    | 1,652,707 |
|                                                | =====                         | =====   | =====                        | =====     |
| Earnings before provision for<br>income taxes: |                               |         |                              |           |
| -----                                          |                               |         |                              |           |
| Consumer products:                             |                               |         |                              |           |
| Alberto-Culver North America                   | \$ 10,464                     | 7,302   | 35,347                       | 21,474    |
| Alberto-Culver International                   | 5,608                         | 5,114   | 8,522                        | 7,210     |
|                                                | -----                         | -----   | -----                        | -----     |
| Total consumer products                        | 16,072                        | 12,416  | 43,869                       | 28,684    |
| Specialty distribution - Sally                 | 39,005                        | 34,044  | 110,182                      | 95,520    |
|                                                | -----                         | -----   | -----                        | -----     |
| Segment operating profit                       | 55,077                        | 46,460  | 154,051                      | 124,204   |
| Non-recurring gain (Note 5)                    | --                            | --      | --                           | 9,257     |
| Unallocated expenses, net                      | (5,745)                       | (2,834) | (18,269)                     | (7,858)   |
| Interest expense, net<br>of interest income    | (5,285)                       | (5,616) | (16,707)                     | (13,302)  |
|                                                | -----                         | -----   | -----                        | -----     |
|                                                | \$ 44,047                     | 38,010  | 119,075                      | 112,301   |
|                                                | =====                         | =====   | =====                        | =====     |

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

RESULTS OF OPERATIONS  
-----

Third Quarter and Nine Months Ended June 30, 2001 versus Third Quarter and Nine  
-----  
Months Ended June 30, 2000  
-----

The company achieved record third quarter net sales of \$634.4 million in fiscal year 2001, up \$61.3 million or 10.7% over the comparable period of fiscal year 2000. For the nine month period ending June 30, 2001, net sales reached a new high of \$1.85 billion, representing a 12.0% increase compared to last year's nine month period.

Net earnings for the three months ended June 30, 2001 were \$29.1 million or 14.2% higher than the same period of the prior year. Basic earnings per share were 52 cents in fiscal year 2001 and 46 cents in 2000. Diluted earnings per share increased 11.1% to 50 cents in fiscal year 2001 from 45 cents in 2000.

Net earnings were \$78.6 million for the nine months ended June 30, 2001 or 13.8% higher than the prior year's nine month net earnings of \$69.0 million before the non-recurring gain described below. Excluding the fiscal 2000 first quarter non-recurring gain, basic earnings per share of \$1.40 in fiscal year 2001 were 16 cents or 12.9% higher than the same period of fiscal year 2000. Diluted earnings per share before the non-recurring gain increased 11.5% to \$1.36 in fiscal year 2001 from \$1.22 in fiscal year 2000.

As described in Note 5, the company sold a European trademark in the first quarter of fiscal year 2000. As a result, the company recognized a non-recurring pre-tax gain of \$9.3 million and an increase in net earnings of \$6.0 million. Accordingly, basic and diluted earnings per share increased 11 cents as a result of the gain. Fiscal year 2001 nine month net earnings increased \$3.5 million or 4.7% compared to fiscal year 2000 net earnings including the non-recurring gain.

Compared to the same periods of the prior year, sales of Alberto-Culver North America consumer products increased 8.3% and 14.2% for the third quarter and first nine months of fiscal year 2001, respectively. The sales increases were primarily due to the acquired Pro-Line business, the introduction of TRESemme Hydrology, the Motions line of hair care products and St. Ives Swiss Formula facial products and body wash.

Sales of Alberto-Culver International consumer products ("International") increased 2.2% in the third quarter and decreased 1.0% in the first nine months of fiscal 2001 compared to last year. Fiscal year 2001 results were negatively affected by foreign exchange rates. Had foreign exchange rates this year been the same as the third quarter and first nine months of fiscal 2000, International sales would have increased 9.6% and 8.3%, respectively, primarily due to sales increases for the company's European and Latin American retail businesses.

The "Specialty distribution-Sally" business segment achieved sales increases of 14.9% for the third quarter and 16.0% for the first nine months of fiscal 2001. The increases were mainly attributable to the expansion of Sally's full service operations, higher sales for established Sally Beauty Company outlets and the addition of stores during the year. At June 30, 2001, Sally Beauty Company had



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2,386 stores offering a full range of professional beauty supplies.

Cost of products sold as a percentage of net sales was 48.8% for the third quarter and 48.7% for the first nine months of fiscal year 2001 compared to 48.9% and 49.0% for the third quarter and first nine months of the prior year, respectively. The lower cost of products sold percentages in fiscal year 2001 were primarily due to the introduction of higher margin new products, product mix and lower manufacturing costs.

Compared to the prior year, advertising, promotion, selling and administrative expenses in fiscal year 2001 increased \$26.4 million or 10.6% for the third quarter and \$86.6 million or 11.9 % for the first nine months. The increases primarily resulted from the selling and administration costs associated with the expansion of the Sally Beauty Company business and the growth of the North America business, including the acquisition of Pro-Line.

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Net interest expense in fiscal year 2001 decreased \$331,000 for the third quarter and increased \$3.4 million for the first nine months compared to the same periods of the prior year. The nine month increase was primarily attributable to additional interest expense related to the \$200 million of 8.25% senior notes issued in April, 2000. The higher interest expense was partially offset by lower interest expense related to the repayment of borrowings under the revolving credit facility, the payoff of the \$20 million of notes payable which matured in September, 2000, lower borrowings under the Swedish Krona revolving credit facility and higher interest income from investing the net senior note proceeds.

The fiscal year 2001 provision for income taxes as a percentage of earnings before income taxes was 34.0% for the third quarter and first nine months, compared to 33% for the third quarter and first nine months of fiscal year 2000. The higher 2001 tax rates are mainly due to the mix of foreign taxable earnings.

### FINANCIAL CONDITION

June 30, 2001 versus September 30, 2000

The ratio of current assets to current liabilities was 2.25 to 1.00 at June 30, 2001 and 2.17 to 1.00 at September 30, 2000. Working capital of \$465.2 million was \$65.5 million higher than the September 30, 2000 balance of \$399.7 million.

Inventories increased \$41.8 million to \$487.0 million during the first nine months of fiscal year 2001 mainly due to the growth of the Sally Beauty Company and North America businesses.

Accounts payable increased \$17.3 million to \$201.1 million during the first nine months of fiscal year 2001 primarily due to the timing of inventory purchases and vendor payments.

Long-term debt decreased \$13.1 million to \$327.9 million mainly due to reduced borrowing under the company's Swedish Krona revolving credit facility.

### NEW ACCOUNTING STANDARDS

In December, 1999, the Securities and Exchange Commission issued Staff

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Accounting Bulletin (SAB) No. 101, "Revenue Recognition." SAB No. 101 provides guidance in applying generally accepted accounting principles to revenue recognition. The company implemented SAB No. 101 in the first quarter of fiscal year 2001 and its adoption did not have a material effect on the consolidated financial statements.

In May, 2000, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) reached a consensus on Issue No. 00-14, "Accounting for Certain Sales Incentives." EITF Issue No. 00-14 addresses the recognition, measurement and income statement classification for various types of sales incentives including coupons, rebates and free products. The company is required to comply with EITF Issue No. 00-14 in the second quarter of fiscal year 2002. In April, 2001, the EITF reached a consensus on Issue No. 00-25, "Vendor Income Statement Characterization of Consideration from a Vendor to a Retailer." EITF Issue No. 00-25 addresses the income statement classification for various types of consideration paid by a vendor to a retailer. The company is required to comply with EITF Issue No. 00-25 in the second quarter of fiscal year 2002. The company estimates the adoption of EITF Issue Nos. 00-14 and 00-25 will result in a reduction of consolidated net sales of approximately 5%-6%, but will have no effect on consolidated net earnings.

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In September, 2000, the EITF reached a consensus on Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs." EITF Issue No. 00-10 addresses the income statement classification of shipping and handling fees and costs. The company implemented EITF Issue No. 00-10 in the first quarter of fiscal year 2001 and its adoption did not have a material effect on the consolidated financial statements.

In September, 2000, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 140 replaces SFAS No. 125 and revises the standards for accounting for securitizations and other transfers of financial assets and collateral. The company implemented SFAS No. 140 in the third quarter of fiscal year 2001 and its adoption did not have a material effect on the consolidated financial statements.

In June, 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 addresses financial accounting and reporting for business combinations. SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and requires companies to discontinue the amortization of goodwill and certain other intangible assets. The company is required to comply with SFAS No. 141 in the fourth quarter of fiscal year 2001. The company is required to comply with SFAS No. 142 in the fourth quarter of fiscal year 2001 for new acquisitions and in the first quarter of fiscal year 2003 for previously acquired intangibles. The company currently expects to implement the requirements of SFAS No. 142 for previously acquired intangibles in the first quarter of fiscal year 2002. The company estimates the discontinuation of amortization of goodwill and certain other intangibles in accordance with SFAS No. 142 will result in an increase in consolidated net earnings of approximately 7%-8%.

### FORWARD - LOOKING STATEMENTS

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This Quarterly Report on Form 10-Q and the documents incorporated by reference herein, if any, may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK  
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There have been no material changes in the company's market risk during the three months ended June 30, 2001.

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PART II

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K  
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(a) Exhibits:

None

(b) Reports on Form 8-K:

No report on form 8-K was filed by the registrant during the quarter ended June 30, 2001.

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

ALBERTO-CULVER COMPANY  
(Registrant)

By: /s/ William J. Cernugel  
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William J. Cernugel  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

August 9, 2001