

## PROCTER & GAMBLE CO. (PG)

Consumer Staples – Household & Personal Products

April 16, 2025

### Investment Thesis

Procter and Gamble is the premier consumer packaged goods (CPG) company. We believe PG is an attractive stock for several reasons. The firm contains 20+ billion-dollar brands, which contribute to its blue-chip nature. P&G offers strong capital distribution to shareholders and is on a path to increase margins substantially through 2029. We believe the firm is an excellent defensive play for the current uncertain macro environment, and will fare better than staples peers in food and drink, etc. For these reasons, we give P&G a **BUY** rating with a target price of \$210, representing an upside of 25% from its current price.

### Drivers of Thesis

- We forecast P&G to grow total revenues by a CAGR of 2.5% through 2029, driven by continued innovation in product lines, expansion of U.S. customer base, and growth in emerging markets.
- We expect P&G's operating margin to grow by a CAGR of 4.6% through 2029, as the firm expands margins through a supply-chain optimization program, integration of AI into marketing processes, and other cost cuts.
- We believe the lifestyle nature of P&G's products will insulate it well from significant macro uncertainty. In the long-term, we see broad trends such as private label and GLP-1s impacting the firm less than food & drink peers.

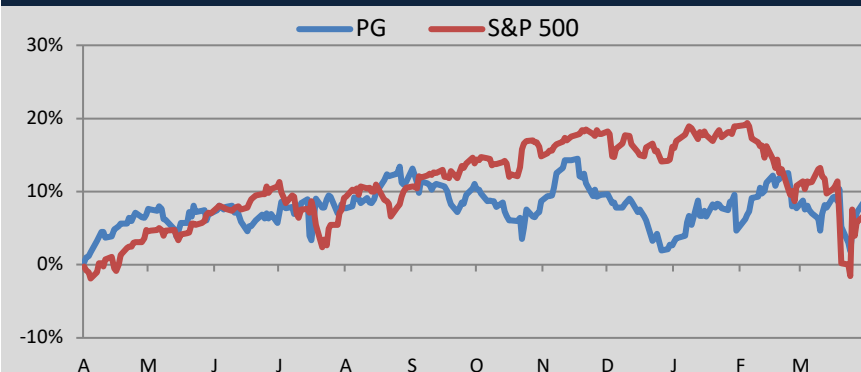
### Risks to Thesis

- The firm faces an uncertain macroeconomy that could place harm on short-term earnings outlook (tariffs, FX risk, inflation spiking). This includes Trump engaging in a trade war with China (7% of sales, second-largest market).
- Private label and direct-to-consumer competitors offer fierce competition in the CPG space, which could hurt long-term revenue growth.

### Earnings Estimates

Year	2022	2023	2024	2025E	2026E	2027E
EPS	\$6.00	\$6.07	\$6.18	\$6.72	\$7.34	\$7.81
HF est.				\$6.84	\$7.43	\$7.98
Growth	5.4%	1.1%	1.9%	10.7%	8.6%	7.4%

### 12 Month Performance



### Stock Rating

**BUY**

### Target Price

**\$210**

Henry Fund DCF	\$206
Henry Fund DDM	\$215
Relative Multiple	\$158

### Price Data

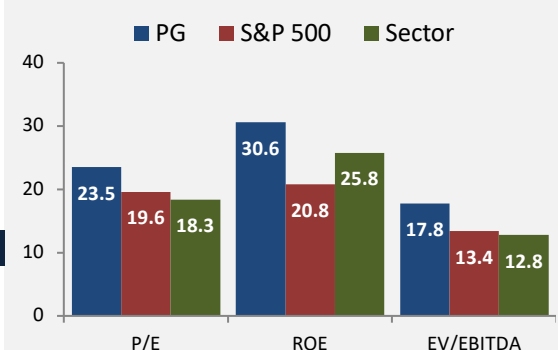
Current Price	\$168
52wk Range	\$154 – 180
Consensus 1yr Target	\$177

### Key Statistics

Market Cap (B)	\$391.4
Shares Outstanding (M)	2,357
Institutional Ownership	69.8%
Beta	0.4
Dividend Yield	2.5%
Est. 5yr Growth	4.4%
Price/Earnings (TTM)	26.6
Price/Earnings (FY1)	23.5
Price/Sales (TTM)	4.9
Price/Book (25E)	7.4

### Profitability

Operating Margin	22.1%
Gross Margin	51.4%
Return on Assets (TTM)	12.7%
Return on Equity (TTM)	31.0%



### Company Description

Procter & Gamble is a multinational CPG company that offers products across five business lines: Beauty, Grooming, Health Care, Fabric & Home Care, and Baby, Feminine, and Family Care. The firm operates in 70 countries and sells products in about 180. Key brands include Tide, Pampers, Bounty, Gillette, Crest, etc. P&G is well-known for their innovation and consistently invests in creating and improving products. The firm is an industry leader and a dividend aristocrat, increasing their dividend for 69 consecutive years.

## COMPANY DESCRIPTION

Procter & Gamble is the largest manufacturer and marketer of consumer packaged goods (CPG). The firm operates across 10 key areas, and groups them together into five different segments: Fabric & Home Care, Health Care, Grooming, Beauty, and Baby, Feminine, and Family care. The firm maintains approximately 20 billion-dollar brands, with 65 brands in total. Key brands include Pampers, Tide, Gillette, etc. A breakdown of top brands across its ten categories are below.

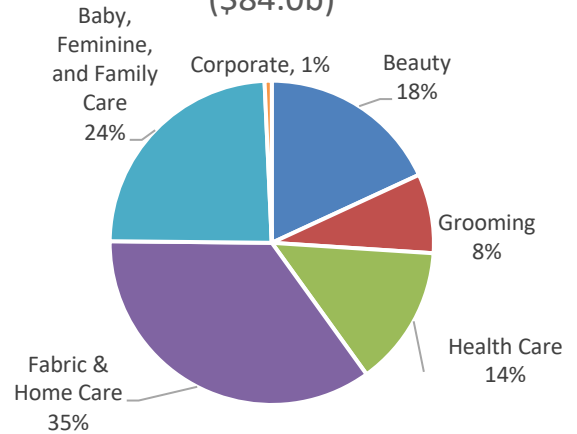
Category	2024 Net Sales %	Major Brands
Fabric Care	24%	Ariel, Bounce, Downy, Gain, Tide
Home Care	12%	Cascade, Dawn, Fairy, Febreze, Mr. Clean, Swiffer
Baby Care	9%	Luvs, Pampers
Family Care	9%	Bounty, Charmin, Puff
Hair Care	9%	Head & Shoulders, Herbal Essences, Pantene, Rejoice
Skin and Personal Care	9%	Olay, Old Spice, Safeguard, Secret, SK-II, Native
Grooming	8%	Braun, Gillette, Venus
Oral Care	8%	Crest, Oral-B
Feminine Care	6%	Always, Always Discreet, Tampax
Personal Health Care	6%	Metamucil, Neurobion, Pepto-Bismol, Vicks

Source: P&G

The firm generated \$84.0 billion in revenue in 2024, a 2.5% year-over-year (YoY) increase. The firm has a diverse revenue mix by segment. Fabric and Home Care lead the way, taking up 35% of total sales. Baby, Feminine, and Family Care came in second with 24% of total sales, Beauty 18% of sales, Health Care 14% of sales, Grooming 8% of sales, and Corporate 1% of sales. This revenue mix has been steady for the past five years. We forecast a slight shift in revenue mix away from Beauty into Fabric & Home Care through 2029 but anticipate the overall revenue mix will remain similar to its current state. P&G's segment profitability is remarkably consistent. Its five segments averaged an operating margin of 25.7% in 2024, with no segment larger than 27.7% or smaller than 24.9%. Moving

forward, we expect the firm's operating margins to remain consistent across segments and improve as artificial intelligence and automation improve manufacturing, supply chain, and marketing efforts.

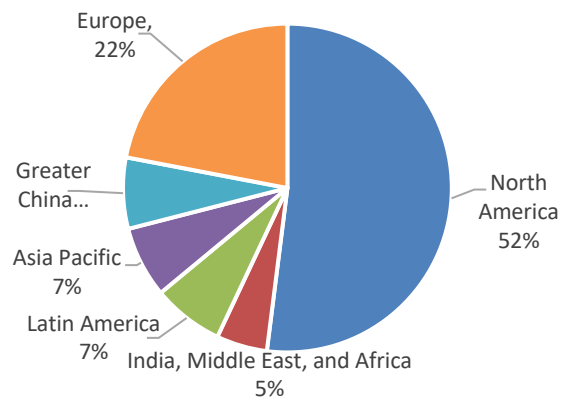
P&G Revenue by Segment, 2024  
(\$84.0b)



Source: Procter & Gamble 10-K

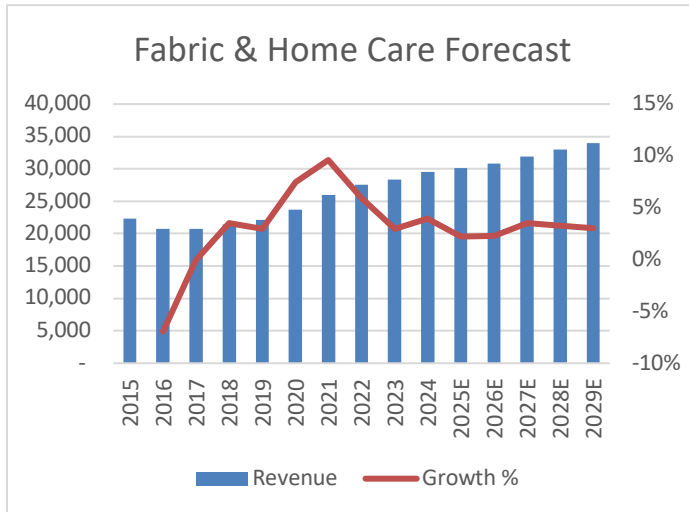
P&G maintains a diverse revenue mix by region. 52% of sales come from North America, followed by 22% in Europe, 7% in China, and the rest split up across Asia Pacific, Latin America, and India, Middle East, and Africa. China is the firm's second largest market behind the United States. China is a key area to watch for the firm, as they face uncertain times due to tariffs and an impending trade war. This mix allows P&G to grow into regions where they have smaller amounts of business and diversifies them from complete exposure to one country's economy.

P&G Revenue by Region, 2024  
(\$84.0b)



Source: Procter & Gamble 10-K

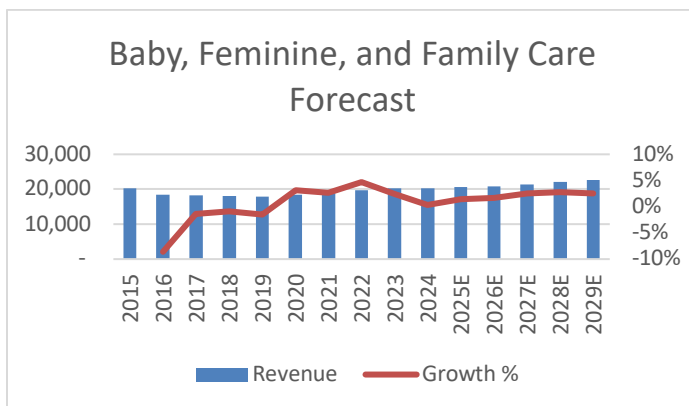
## Fabric & Home Care (35% of Sales)



Source: Procter & Gamble 10-K and HF Forecast

Fabric & Home Care is P&G's largest segment, and includes laundry detergents (Tide, Gain, Ariel), fabric enhancers (Downy, Bounce), and home care products (Dawn, Swiffer, Febreze, Cascade, Mr. Clean). Innovations in this area such as Tide Pods and Dawn Powerwash have contributed to fast revenue growth. We believe the firm can grow market share and continue to innovate in the space, and project revenues to grow by a CAGR of 2.9% through 2029. We forecast revenue growth in line with consensus estimates through 2027 and project slowed growth in 2028 and 2029.

## Baby, Feminine, & Family Care (24% of Sales)

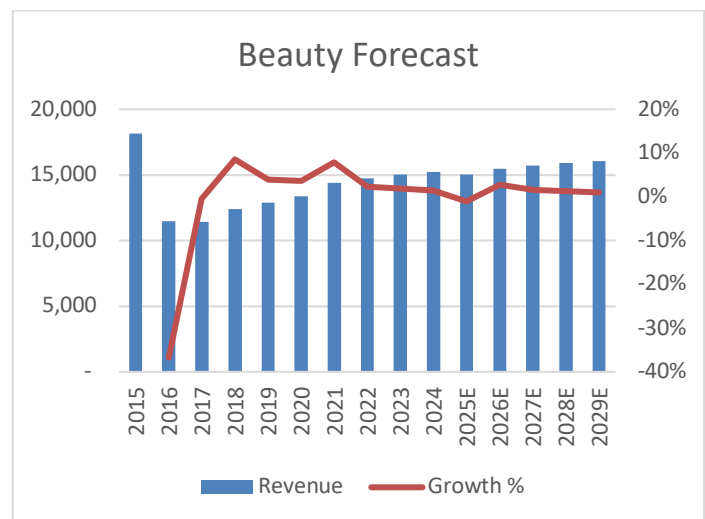


Source: Procter & Gamble 10-K and HF Forecast

This segment includes brands such as Pampers, Luvs, Tampax, Bounty, and Charmin. P&G is the global leader in baby and feminine care and the North American leader in family care. Looking forward, the segment is somewhat

challenged due to demographic trends such as lower birth rates. However, the firm offsets these concerns through by offering premium products. We project revenues to grow by a CAGR of 2.2% through 2029. We believe the firm's market share in the area allows the segment to be steady but see a lack of growth opportunities. Items such as paper towels are easier to substitute for cheaper goods in periods of economic downturns, which we may be headed towards. Despite this, we believe the firm will maintain its status as the market leader, which gives us little reason to believe in major downside. We forecast revenue growth in line with consensus estimates through 2027 and project peak YoY growth in 2028 at 2.8%, and a slowdown in 2029.

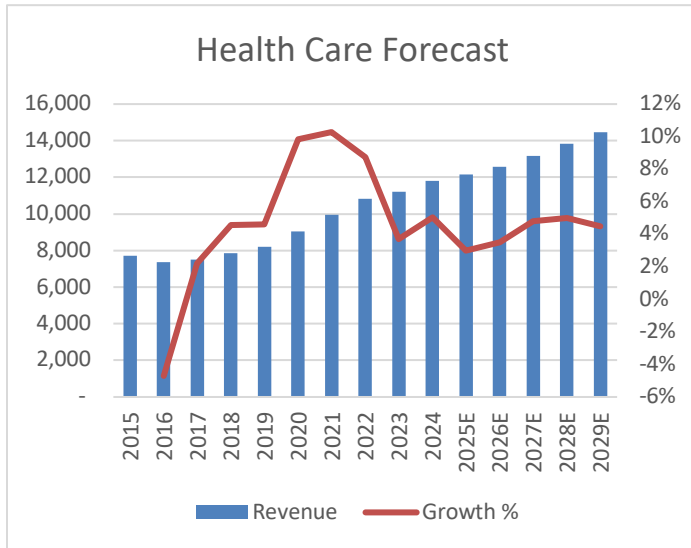
## Beauty (18% of Sales)



Source: Procter & Gamble 10-K and HF Forecast

Procter & Gamble's beauty segment includes hair care and skin/personal care products, with brands such as Pantene, Head & Shoulders, Olay, SK-II, Old Spice, Native, etc. The firm is a global leader in retail hair care and has a strong presence in skin care, particularly in Asia with SK-II and in North America with Olay. We forecast revenues in the Beauty segment to grow by CAGR of 1.1% through 2029. The segment has struggled recently due to declining unit volumes, unfavorable product mix, and high commodity prices. We believe this lag may continue into 2025 as the firm faces challenges in China, and competition from low-cost competitors who offer value and affordability compared to P&G's products. We think the firm's segment will bounce back with peak YoY growth in 2026, and limited growth in the years following. This is in line with consensus estimates.

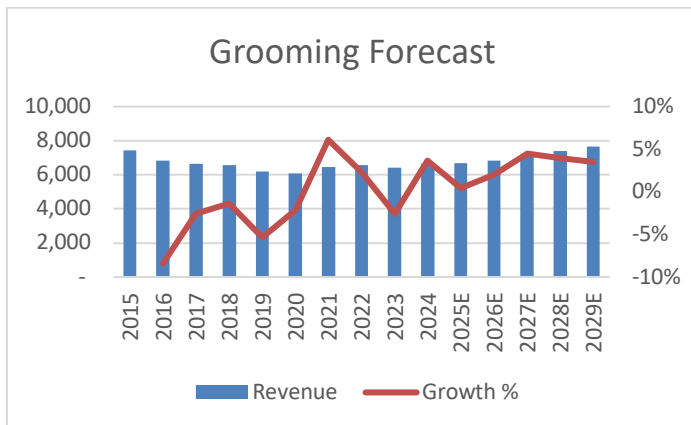
## Health Care (14% of Sales)



Source: Procter & Gamble 10-K and HF Forecast

P&G's Health Care segment consists of oral care (Crest, Oral-B, Fixodent) and personal health care (Metamucil, Pepto-Bismol, Neurobion). The firm is a top competitor in oral care and has expanded its personal health care segment through acquisitions (i.e. Merck KGaA's global consumer health business). We forecast revenues to grow by a CAGR of 4.1%, representing the firm's fastest growing segment. We believe the firm can capitalize on rising global health awareness and demand for personal care products. P&G boasts a strong portfolio of brands, and the firm's continued expansion in over-the-counter products set the firm up well to capitalize on consumer trends. We forecast sales to grow in line with consensus through 2027, with sales growth peaking in 2028, but continuing to be P&G's fastest growing segment in 2029.

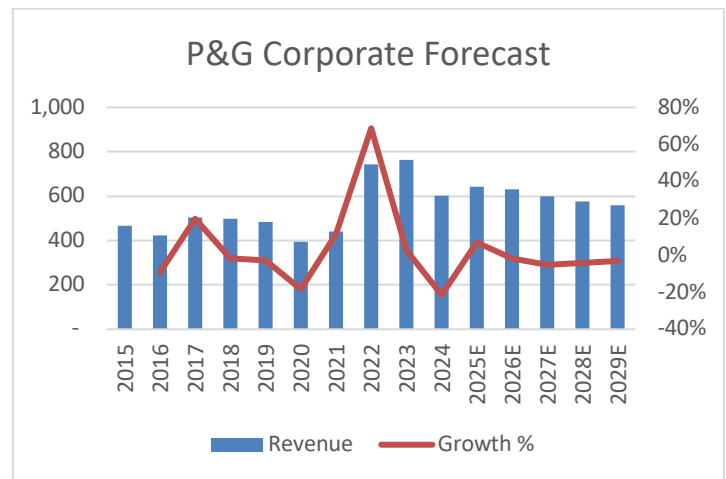
## Grooming (8% of Sales)



Source: Procter & Gamble 10-K and HF Forecast

P&G's grooming segment encompasses its shaving and grooming products. Key brands include Gillette, Venus, and Braun. The firm is the global leader in razors and blades but faces challenges from changing grooming habits (beards are in), and competition from direct-to-consumer brands such as dollar shave club. The segment improved performance in 2024, due to increased volume growth. We forecast segment revenues to grow by a CAGR of 2.9%, as the firm continues to innovate and improve products and expands its market share in emerging markets. This is in line with consensus through 2027, with slowed growth in 2028 and 2029.

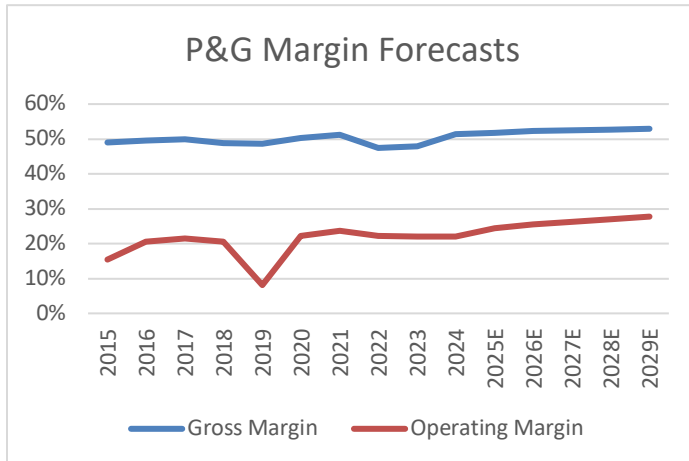
## Corporate (1% of Sales)



Source: Procter & Gamble 10-K and HF Forecast

P&G's corporate segment includes operating and non-operating activities that are not allocated to certain business areas. We forecast this area alongside consensus estimates, projecting a CAGR of -1.5% through 2029. This is an area where growth rates may differ significantly from the forecast, however it takes such a small portion of the overall revenue mix that we view its role in the model inconsequential.

## Cost Structure Analysis



Source: Procter & Gamble 10-K and HF Forecast

Procter & Gamble consistently produces a gross margin near 50%, and an operating margin around the 20% mark. Looking ahead, we expect margins to increase on both fronts. We project gross margin to grow by a CAGR of 0.6% and operating margin by a CAGR of 4.6% through 2029. We expect these increases due to management's goal of \$1.5 billion in pre-tax savings per year moving forward. Their plan is to utilize supply chain optimization, data analytics, and other various cost cuts to achieve this. We believe the firm will be able to execute on their plan and expect margins to improve as a result.

The firm does not officially report gross margin via segment, but some of their products are higher margin areas than others. P&G's beauty and health care segments are higher margin, as they include premium brands such as SK-II and Olay. Strong brand equity and premium products allow for higher pricing for lower relative input costs. Health Care is also a high-margin segment, which is driven by premium oral care products (power toothbrushes, high-quality toothpaste) and other health care items. Lower margin segments include Fabric & Home Care, which is more exposed to commodity costs. However, the firm makes up for this fact by being the market-leader in Fabric & Home Care sales. Baby, Feminine, & Family Care is also exposed to commodity-intensive products, high pricing pressure, which drives gross margins down in the segment. Despite having different gross margin levels for various products, the firm remains extremely consistent with its operating margin output via segment. All segments hover around the 25% operating margin mark, which gives us confidence in the firm's ability to maintain and grow steady margins.

## Target Market

P&G targets a broad and diverse customer base across the globe. The firm focuses on delivering superior value across product quality, packaging, brand communication, retail execution and overall consumer value. P&G's primary audience is middle- and upper-income households in developed markets such as the U.S., but audiences change product to product. In emerging markets like China and India, the firm is working on developing market share for rising middle-class populations. Overall, P&G's large portfolio of brands has broad appeal that can be applied to different audiences based on the product being sold. The firm does not produce any store or generic brand products, which places their focus on premium products.

## Firm Differentiation

The firm's approach of premium and high-quality products differs from peers who offer value-oriented products. P&G's significant scale and large number of business segments also gives it advantages as the firm has different catalysts for growth and is less at risk of a specific consumer or demographic trend. Procter & Gamble's scale and global reach allow it to gain consumer insights and utilize advanced data analytics to improve marketing and supply chain operations. The firm also has significant buy-in from customers on its brands. Many of the firm's brands are the most notorious in their product-line, which speaks to the strength of P&G and its products.

## Business Model Viability

P&G's business model is strong and sustainable. The firm has major advantages over peers through its scale, product market share leadership, deep retailer partnerships, and continued focus on innovation. The company is designed well to create new products and adapt existing ones to fit market needs. The firm consistently leads market share for most of its products' categories and has proven their ability to generate new popular products (i.e. Tide Pods). We believe the firm will continue to innovate products and expand its reach within North America and emerging markets.

## Debt Maturity Analysis

Procter and Gamble has \$28.6 million total debt outstanding, which places leverage at 1.5x as of Q4 2024. We believe the firm should have no problem paying short-



term maturities, as their annual operating cash flow is \$20 billion plus. In cases like 2026, when the firm has a larger chunk of debt (\$4.2 billion) maturing compared to other years, it is possible to push out maturity by refinancing. P&G is comfortable holding debt, as it allows them to be flexible in terms of research and development (R&D), M&A, general corporate needs, distributions to shareholders, etc. We have no concerns about P&G's current and prospective capital structure.

#### Five-Year Debt Maturity Schedule

Fiscal Year	Coupon (%)	Payment (\$mil)
2025		\$1,470
2026		4,222
2027		3,286
2028		2,102
2029		2,130
Thereafter		15,421
Total		\$28,631

Source: FactSet

Procter & Gamble (P&G) stands out among its peers with the highest S&P credit rating of AA-, indicating superior financial strength and lower credit risk compared to competitors. Most other firms in the peer group, such as Church & Dwight, Clorox, and Mondelez, have significantly lower ratings (BBB+ or BBB), while only Colgate and Unilever come close with A+ ratings. This emphasizes the firm's strong competitive positioning and reliability. The firm is the top CPG company and is the best bet to reliably manage their debt and navigate varying economic cycles. The firm's diverse portfolio, economies of scale, and strong track-record contribute to it being the best rated amongst peers.

Firm	Credit Rating
<b>Procter &amp; Gamble (PG)</b>	<b>AA-</b>
Church & Dwight (CHD)	BBB+
Kenvue (KVUE)	A
Colgate (CL)	A+
Estee Lauder (EL)	A-
Mondelez (MDLZ)	BBB
Unilever (ULVR)	A+
Kimberly Clark (KMB)	A
Clorox (CLX)	BBB+

Source: S&P

## ESG Analysis

Firm	ESG Rating
<b>Procter &amp; Gamble (PG)</b>	<b>25.8 (medium risk)</b>
Church & Dwight (CHD)	22.7 (medium risk)
Kenvue (KVUE)	23.8 (medium risk)
Colgate (CL)	23.2 (medium risk)
Estee Lauder (EL)	20.9 (medium risk)
Mondelez (MDLZ)	22.0 (medium risk)
Unilever (ULVR)	21.2 (medium risk)
Kimberly Clark (KMB)	24.3 (medium risk)
Clorox (CLX)	23.4 (medium risk)

Source: Morningstar Sustainability

Procter & Gamble is rated as a medium-risk firm by Morningstar Sustainability, which is in line with peers in the CPG sector. Overall, ESG risk is not a concern for P&G. The firm has placed an emphasis on all three tenants of ESG, and we do not anticipate ESG factoring into equity price movement.

### Environmental:

P&G has several environmental goals, such as achieving net zero greenhouse gas emissions by 2040, 100% recyclable packaging, and zero manufacturing waste to landfill. As of FY 23/24, 80% of consumer packaging is designed to be recyclable or reusable, and the firm sends zero waste to landfill. We anticipate the firm is on track to achieve its net-zero emissions goal as well, given their strong track record in environmental initiatives.

### Social:

P&G emphasizes diversity and inclusion in the workplace. Over 50% of management roles are held by women globally. The company also aims for 75% of brands to advance equality and inclusion through their activities by 2030 and invests in community outreach and supplier diversity. We believe the firm maintains a strong and balanced approach to social factors. Despite the new Trump administration fighting against Diversity, Equity, and Inclusion, P&G has doubled down on their DEI efforts.

### Governance:

The firm's CEO and chairman of the board is Jon Moeller, who has spent the duration of his 37-year career with the company. He is the only elected officer with ties to P&G. 6/14 (43%) board members are women, and 5/14 (36%)

are racially/ethnically diverse. 8/14 (57%) board members have joined since 2021. Jon Moeller was paid \$23 million last year, 91.4% of which was performance-based. This exceeds the median pay of a S&P 500 CEO (\$16 million)<sup>20</sup>. Strong performance and massive scale at P&G are key reasons for Moeller's pay package. If the company faced a downturn, we would like to see a lower pay package. We believe P&G's governance structure represents alignment with shareholder values and is in line with normal executive compensation.

## RECENT DEVELOPMENTS

### Recent Earnings Announcement

Procter & Gamble announced its Q2 FY 2025 results on January 22, 2025. The firm beat Wall Street expectations for both revenue and EPS. The firm had revenues of \$21.88 billion in the quarter, exceeding its consensus revenue estimate of \$21.54 billion. The firm made \$1.88 EPS compared to \$1.86 EPS expected<sup>18</sup>. The firm's organic revenue increased 3% in the quarter, which was driven by a 2% increase in volume and a positive impact from product mix. This is positive news from our perspective, suggesting that the majority of organic sales growth is due to volume increases rather than price hikes. We believe this trend will continue but will keep our eyes on it as the firm deals with tariffs and supply chain disruptions. Of P&G's product categories, 9/10 reported organic sales growth, with Family Care experiencing double-digit growth. P&G maintained FY 2025 guidance of 3-5% organic sales growth and EPS growth of 5-7% for FY 2025. The firm anticipates foreign exchange rates and commodity costs to contribute a \$0.20 headwind towards FY 2025 EPS. We forecasted in line with management guidance, but we will monitor changes to guidance in the firm's Q3 FY 2025 release as they discuss the impact of tariffs.

The firm also discussed results in China, which is P&G's second largest market (7% of sales). Organic Sales declined 3% YoY in China, which was an improvement from Q1 FY 2025 which saw a 15% decrease in organic sales YoY. The firm believes they are trending back towards growth in China, however, these expectations were given prior to the Donald Trump engaging a major trade war with the country. We believe that the firm was on track to make progress in China as their post-COVID economic recovery improved, but the effects of tariffs on China and international economies is not clear yet. Given tariff policy between China and the United States is changing daily, it

will be key to monitor as P&G tries to reestablish growth in the region. More broadly, we will closely follow P&G's Q3 FY 2025 earnings to learn about how tariffs and economic volatility will affect FY 2025 guidance and beyond.

### Tariffs

The biggest event in markets right now is President Donald Trump's wide sweeping tariffs. On April 2, 2025, Trump announced a baseline 10% tariff on imports from most countries, with significantly higher "reciprocal" tariffs targeting about 90 nations. Both equity and credit markets proceeded into a panic and quick sell-off. The S&P 500 suffered its worst single-day loss since the pandemic, and a two-day loss stretch that was ranked near the worst all-time. On April 9, Trump blinked and paused tariffs due to credit yields rising, which was the inverse effect of what Trump wanted<sup>15</sup>. The global 10% tariff will remain in place, but the scheduled increase in country-specific tariffs was paused. This is except for China, who the United States has placed a 145% As of April 16, markets remain volatile, and tariff policy is changing daily. Nations are lining up to negotiate with Trump, to minimize damage on their countries<sup>17</sup>. The path forward remains wildly unpredictable. Prior to Trump's pause, the S&P 500 declined 12.2% following Liberation Day. In the same time frame, P&G was down 6.6%. This displays how P&G is seen as less risky than the overall market and is a potential outperformer during a tariff-driven economic downturn and trade war.

From a P&G perspective, they are deeply embedded in global supply chains and China is their second-largest market. Higher tariffs on Chinese imports threaten to raise production costs for General Mills, which has eight manufacturing plants and distribution centers within China. P&G relies on China as a key cog of its business. The tariff policies could be a double-edged sword for the firm. As a provider of household staples, P&G is seen as an essential defensive stock. In times of market stress, investors could flock to P&G's stock, buoying its stock price and making it a better investment relative to most firms in the S&P 500 index. We will pay close attention to tariff news and await P&G's management's first call with investors to learn more about the impact tariffs will have on the firm. Despite significant risk through China, we believe P&G is set up well to outperform the broader market in the uncertain tariff-driven macroeconomy.

Tariffs and trade policies have the greatest potential impact on Procter & Gamble's supply chain in its globally diversified segments—particularly Fabric & Home Care, Baby Care, and Hair Care—where a significant portion of production and sales spans the U.S., Europe, China, and other international markets. These segments rely heavily on cross-border sourcing of raw materials and finished goods, making them especially sensitive to trade disruptions and tariffs. A trade war could increase input costs, disrupt supply chains, and pressure margins in internationally oriented segments, while more domestic-oriented segments like Family Care would be less exposed.

We do not believe that the firm's reliance on premium products will be a drag if the United States heads into a recession. Our belief is that consumers will be more likely to trade down on snacks and food items but are less likely to abandon household good brands they have used for years. If consumers do begin to trade down in the personal and household goods category, P&G's portfolio is broad and diversified well enough to sustain hits to certain products.

## INDUSTRY TRENDS

### Supply Chain Optimization

Supply Chains across the globe, including P&G, are becoming more advanced. The firm is implanting Supply Chain 3.0, which utilizes advance data analytics and AI to improve planning, agility, supply chain resilience, etc. The firm expects \$1.5 billion in annual pre-tax savings through the increased automation, optimized logistics, an implementation of a proprietary integrated work system.

This move represents a broader trend within manufacturing and CPG companies. Firms are moving towards digital transformations in supply chain management and manufacturing. The introduction of AI to predict problems, run models, and give solutions gives manufacturers better operations compared to the older manufacturing era. For example, 60+ of P&G's supply chains were impacted by winter storms in the U.S. South in the Winter of 2021. The firm was able to reformulate approximately 60% of its U.S. liquid detergent in under 28 days using supply chain optimization tools. Without these tools, it would have taken an estimated 120 days. The trend of data analytics and optimization across supply chains applies to many different industries, but we feel as though P&G's significant focus on the area to set it up

better than peers. Through 2029, we expect the firm to grow margins as they improve their supply chain efforts and integrate AI into various processes.

### Direct-to-Consumer (DTC)

Direct-to-consumer (DTC) is a growing trend across CPG and staples industries, as brands attempt to build relationships with customers, gather better data, and improve margins by cutting out traditional retailers. The shift in consumer behavior is largely due to the move from in-person retail to e-commerce. P&G has most notably been affected by the DTC shift in its Grooming segment, where companies such as Harry's Razors and Dollar Shave Club offered cheaper, DTC alternatives. As a result, Grooming has become the slowest growing segment within P&G. We expect modest growth within P&G's Grooming segment moving forward and believe the segment has a high floor given the brand strength of Gillette.

For P&G, DTC is both a challenge and an opportunity for sales growth. P&G's scale and focus on superior products has allowed the firm to combat DTC-native competitors. The firm does leverage DTC itself, as a complimentary retail channel for its major brands. It is not a replacement for its dominant presence in various retailers but does allow the firm to supplement growth and gather data directly from customers. Moving forward, we would like to see P&G lean further into DTC offerings of its own, as we believe the firm can stretch its reach further with online sales. We believe the best DTC opportunities for the firm are within Beauty, Grooming, Health Care where subscription models make DTC suitable. We do not anticipate the firm focusing on DTC in Fabric & Home Care, which is bulky and hard to ship. For Fabric & Home Care, as well as Baby, Feminine, and Family Care, we anticipate the firm to focus on its retail-driven channels.

### Private Label Growth

Private label growth has been a major trend across CPG and staples industries, particularly gaining market share in the post-COVID inflationary environment (17.7% of consumer goods sales in 2019 vs. 18.9% in 2023). Private label provides consumers cheaper alternatives to name-brand products. In categories where product differentiation is low, such as many food staples (e.g. crackers, canned goods), private label products can nearly replicate the taste, quality, and experience of branded



products. This has made food and drink giants, such as General Mills (GIS), more vulnerable to losing market share. This dynamic is less prevalent in areas that Procter & Gamble operate. This is due to the performance-driven nature of its categories and brands. Consumers are likely to pay more for superior performance in key categories such as diapers, detergent, and oral care, and much less likely to pay higher prices for commoditized food items. Although private label growth provides a threat to P&G, we believe that its business is a durable moat that will perform well due to product superiority and constant innovation.

## MARKETS AND COMPETITION

### Major Players

Firm	Mkt. Cap	Forward P/E	TTM Revenue	Op. Margin
<b>Procter &amp; Gamble (PG)</b>	<b>390B</b>	<b>22.9</b>	<b>84.4B</b>	<b>27.2%</b>
Church & Dwight (CHD)	25B	28.4	6.1B	16.2%
Kenvue (KVUE)	44B	19.9	15.5B	23.4%
Colgate (CL)	76B	25.4	20.1B	20.9%
Estee Lauder (EL)	19B	23.4	15.2B	11.5%
Mondelez (MDLZ)	86B	23.1	17.2B	17.9%
Unilever (ULVR)	156B	17.3	60.8B	17.3%
Kimberly Clark (KMB)	46B	18.7	20.1B	13.4%
Clorox (CLX)	17B	18.9	7.2B	13.9%

Source: FactSet

P&G stands out as the dominant player in the consumer goods sector, as shown by its significant market cap of \$390 billion, far ahead of its peers. The firm also boasts the highest trailing twelve-month (ttm) revenue at \$84.4 billion, which reflects the firm's broad reach, diverse product portfolio. P&G also notably leads its peer group in operating margin, which displays the firm's superior

operational and manufacturing prowess. It also speaks to the economies of scale the firm has achieved, which helps make their supply chains and production more efficient. Despite being a leader in many financial categories, P&G's forward P/E ratio is middle of the pack. We believe this presents an investment opportunity, as P&G's scale and operational efficiency will lend itself well to performing in an uncertain economic environment or a recession.

#### Peer Overviews:

##### Church & Dwight (CHD):

A U.S.-based manufacturer known for its value-focused household and personal care brands, including Arm & Hammer, Trojan, and OxiClean. The company has a reputation for disciplined cost management and steady growth in niche categories. It lacks significantly in scale compared to P&G.

##### Kenvue (KVUE):

The firm was recently spun off from Johnson & Johnson and is a global leader in consumer health. Its focus is on well-known over-the-counter products and brands such as Band-Aid, Tylenol, Listerine, etc. This firm is arguably P&G's biggest competitor in the health care space.

##### Colgate-Palmolive (CL):

Colgate is a global leader in oral care, and one of the biggest competitors to P&G's brands (Crest, Oral-B). The firm's flagship brands are Colgate & Palmolive which compete in oral and home care.

##### Estee Lauder (EL):

Estee Lauder specializes in prestige beauty, skincare, makeup, and fragrance, with a portfolio that includes Estée Lauder, MAC, Clinique, and La Mer. The company's growth is driven by innovation and a strong position in high-end retail and travel channels.

##### Mondelez International (MDLZ):

Mondelez is a global snacking powerhouse with brands like Oreo, Sour Patch Kids, and Ritz. Mondelez focuses on crackers, chocolate, and gum, leveraging its international distribution to drive growth in both developed and emerging markets. Given its food-based nature, we think the firm is in a worse long-term position than P&G.

### Unilever (ULVR):

Unilever is a diversified firm with leading positions in food, refreshment, home, and personal care. Brands such as Dove, Lipton, and Hellman's give Unilever broad consumer reach. Aside from its food segment, Unilever is the most similar firm to P&G.

### Kimberly-Clark (KMB):

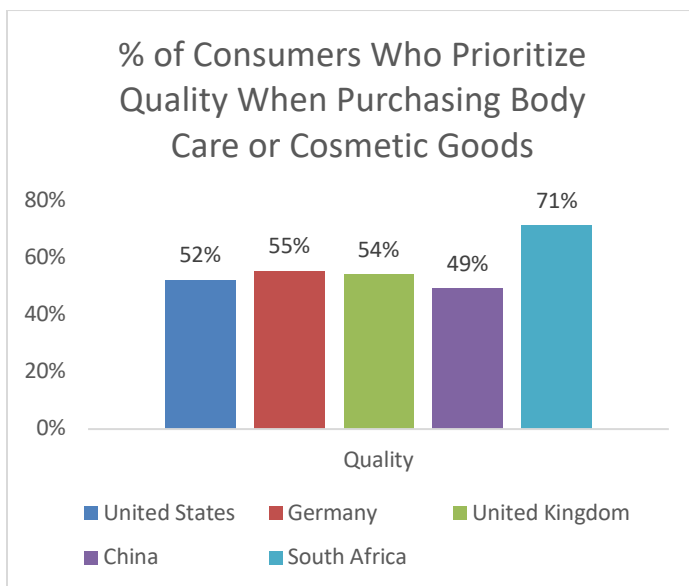
Kimberly-Clark specializes in personal care and tissue products, including Kleenex, Huggies, and Cottonelle. KMB is known for its strong North American presence and focus on essential, recurring purchase categories.

### Clorox (CLX):

Clorox focuses on cleaning, household, and lifestyle products, with brands like Clorox, Pine-Sol, and Burt's Bees. The firm has a strong brand trust in the cleaning and disinfecting segment.

Procter & Gamble's dominant position in the consumer staples sector is led by industry-best margins and scale. This gives it economies of scale that are unmatched by other peers. In comparison, other firms such as Church & Dwight, Colgate, and Kimberly-Clark operate at a much smaller scale, with lower revenues and margins. P&G's strong market positioning and commitment to innovation gives us confidence that the firm will continue its dominance into the future.

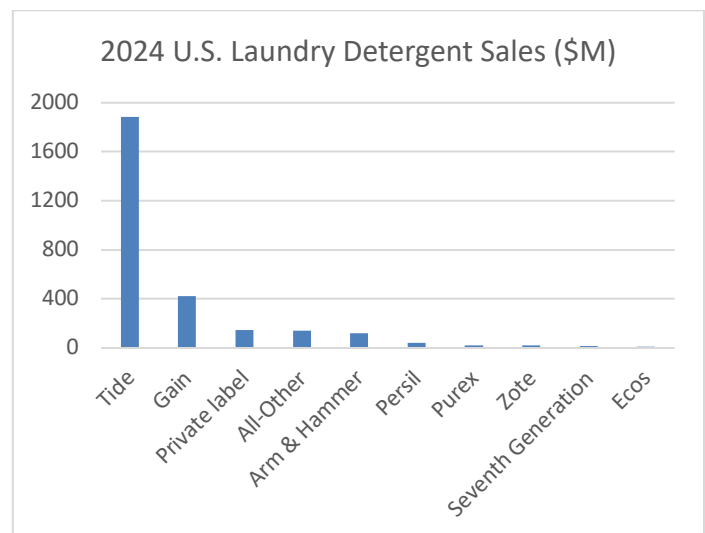
## Personal Care Consumers



Source: Statista

As discussed throughout the report, Procter & Gamble is set up better than consumer staples peers in the food and beverage industry to withstand private label growth. This survey conducted by Statista in July 2024 exemplifies this. Over 50% of survey respondents in all regions (except China, 49%) said quality is the most important criteria when selecting body care or cosmetic products. As P&G's focus is on premium, high-quality products, this survey bodes well for them. We believe the firm contains strong brand capital and high-quality products, which are what consumers desire when they use body care and cosmetic products. This sentiment insulates the firm from private label companies taking too much market share.

## P&G Dominates Laundry Competition



Source: Statista

P&G operates the two largest laundry detergent brands in the United States. In 2024, Tide and Gain accounted for over 80% of the total market for laundry detergent. This segment displays the strength of P&G as it combines their economies of scale with high-quality products, and innovation (invention of Tide Pods). We believe the firm will continue to dominate the laundry space into the future.

future and expect revenues to grow by a CAGR of 2.9% through 2029.

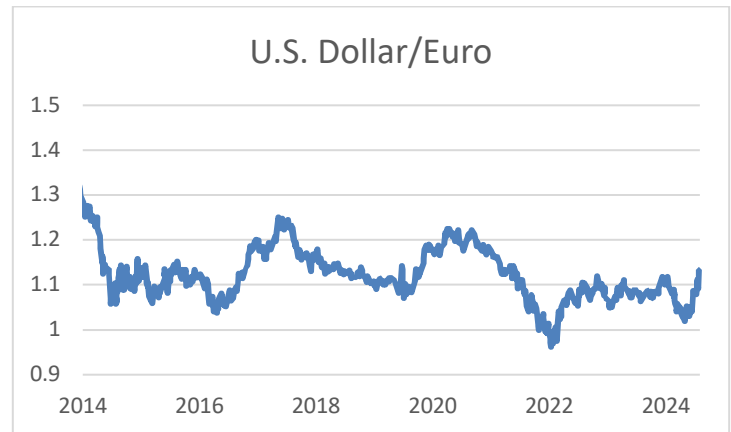
Firm	D/ EBITDA	Int. Coverage	Dividend Yield	Dividend Payout Ratio
<b>Procter &amp; Gamble</b>	<b>1.5x</b>	<b>19.6</b>	<b>2.4%</b>	<b>63.1%</b>
Church & Dwight	1.6x	12.2	1.1%	47.9%
Kenvue	2.6x	4.1	3.8%	151.3%
Colgate	1.6x	17.0	2.2%	56.4%
Estee Lauder	3.5x	5.0	3.1%	-%
Mondelez	2.8x	9.7	3.0%	52.3%
Unilever	2.3x	8.2	3.3%	74.5%
Kimberly Clark	2.0x	11.2	3.7%	64.6%
Clorox	1.6x	17.0	2.2%	56.4%

Source: FactSet

Procter & Gamble displays its strength against consumer goods companies through debt and dividend related ratios. P&G boasts the least amount of leverage compared to peers, which displays its ability to manage its balance sheet well. The firm also maintains the highest interest coverage ratio, which shows they have the least trouble servicing their debt. This contributes to the firm having a better credit rating than all other peers. This combination suggests P&G has significant financial flexibility compared to competitors like Estee Lauder (3.5x D/EBITDA, 5.0 interest coverage) and Kenvue (2.6x D/EBITDA, 4.1 interest coverage). While P&G's 2.4% dividend yield falls in the mid-range compared to higher-yielding peers like Kimberly Clark (3.7%) and Kenvue (3.8%), its 63.1% payout ratio represents a strong balance between shareholder returns and reinvestment potential. From our perspective, P&G is attractive due to its stability without sacrificing growth potential. Its strong balance sheet provides downside protection during economic uncertainty, while its disciplined dividend policy (growing dividend and above average dividend payout ratio) suggests sustainable shareholder returns with room for continued dividend growth and strategic investments.

## ECONOMIC OUTLOOK

### Currency Exchange Rates



Source: European Central Bank

P&G earns greater than 50% of its revenue from outside of the United States. Fluctuations in currency exchange rates can have a significant impact on P&G's financial performance. With the recent announcement of tariffs, the US dollar spiked and weakened against the Euro and other foreign currencies. This has the potential to play a role in hurting margins in the short-term. The firm was already facing a \$300 million after-tax headwind from foreign exchange risk. The company manages their currency risk through hedging. Given the rapid swings in exchange rates, it is unclear how big of an impact P&G will see. We believe tariffs being pulled off the board would allow currency markets to stabilize, but it is unclear how likely that will be with President Trump. If tariffs are flipped on and off throughout the rest of the Trump Presidency, it will be hard for corporations like P&G to make justified long-term risk management decisions. This could create a difficult path for P&G to nail margin guidance and other financial forecasts.

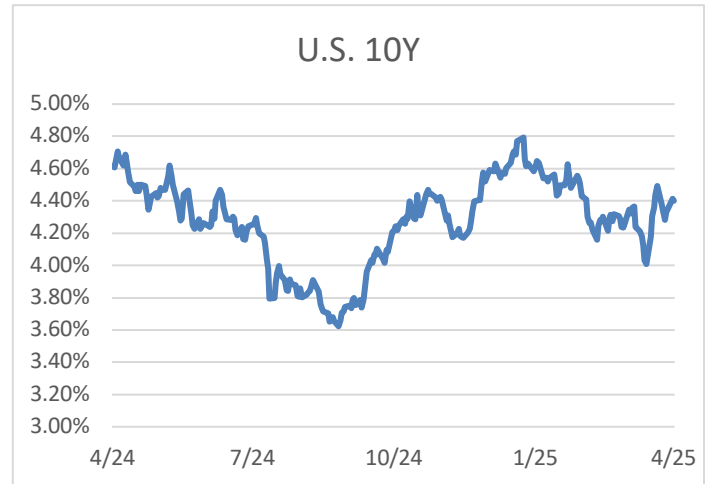
## Commodity Prices



Source: CRB Commodity Index

Commodity prices have a direct impact on P&G's manufacturing-intensive business, influencing both cost structure and profitability. P&G is most exposed to commodities such as pulp and paper, petrochemicals and surfactants, palm and vegetable oils, etc. The chart above displays the CRB Index, which is a basket of futures prices for 19 different commodities. Commodity Prices were significantly impacted by tariffs, as global markets feared a slowdown in global economic growth and demand for raw materials. For P&G, major swings in commodity prices have significant implications for input costs and profit margins. The firm relies heavily on commodities like chemicals, to manufacture its products. While the recent dip in commodity prices may provide some relief to inflationary pressures in commodity prices, it also reflects ongoing risk and unpredictability in markets. Moving forward, commodity prices will be key to follow as the firm navigates tariff policies from the Trump administration.

## Interest Rates



Interest rates are another key variable to watch for P&G. The U.S. 10y treasury has fluctuated significantly since Trump implemented tariffs, including an unexpected rise in yields. Rising 10-year Treasury yields directly increase P&G's weighted average cost of capital, making debt financing more expensive for the company. Higher WACC from elevated Treasury yields forces P&G to apply stricter return thresholds for CapEx projects, potentially delaying growth initiatives when yields peak as seen in January 2025. The yield volatility displayed in the chart significantly impacts P&G's M&A activity, with the firm more likely to pursue strategic acquisitions during lower yield periods when financing costs decrease.

## VALUATION

### Revenue Growth Forecasts:

We project total revenue to grow by a CAGR of 2.5% through 2029. We forecast the first three years in line with analyst expectations, with YoY growth peaking during 2027 at 3.1%. We then slowed down revenue growth the following two years, ending with YoY growth of 2.8% in 2029. Since PG's FY 2025 is already halfway over, we thought it was appropriate to lean on consensus estimates that incorporate the first two quarters' results. We project 2025 to be the harshest year for revenue growth for the firm, as they face macro headwinds through tariffs, foreign exchange, and commodities risk.

Revenue Growth Forecasts					
Segment	2025E	2026E	2027E	2028E	2029E
Beauty	-1.1%	2.8%	1.6%	1.3%	1.0%
Grooming	0.4%	2.0%	4.5%	4.0%	3.5%
Health Care	3.0%	3.5%	4.8%	5.0%	4.5%
Fabric & Home Care	2.2%	2.3%	3.5%	3.3%	3.0%
Baby, Feminine, and Family Care	1.4%	1.7%	2.5%	2.8%	2.5%
<b>Total</b>	<b>1.4%</b>	<b>2.4%</b>	<b>3.1%</b>	<b>3.0%</b>	<b>2.8%</b>

Source: HF Forecast

### Operating Expense Assumptions:

In 2024, other Cost of Goods Sold (COGS excl. depreciation) took up 45.2% of revenues and we forecast the category to drop to 43.5% in 2029. We believe this is a realistic goal, as management has emphasized cost-cutting measures through a \$1.5 billion pre-tax savings goal (3.9% of COGS). This includes Supply Chain 3.0, a manufacturing process optimization campaign that focuses on production automation and data analytics. We also forecast SG&A to drop from 27.7% in 2024 to 25.2% in 2029. We anticipate SG&A costs to continue to decrease and expect AI will help optimize ad-delivery and lower marketing costs. On a dollar-basis, we expect SG&A expenses to stay mostly flat throughout the forecasted period, with slight increases throughout.

### Profit Margin Forecasts:

Management has emphasized focus on improving margins, and we project the firm to expand margins through supply chain optimization, AI, and potential cost cuts over the next five years. We predict both gross margin and operating to take a jump in 2025, as the firm continues its journey of supply chain optimization and restructuring. We expect gross margin to grow by a CAGR of 0.6% and operating margin by a CAGR of 4.6% through 2029. We have confidence in management's ability to improve profitability and chop off excess costs. For example, in 2024 the firm liquidated its operations in Argentina, which displays they contain the ability to make tough, strategic decisions intended to improve margins and long-term

profitability. The restructuring in Argentina was largely due to economic instability in the region.

### Earnings Estimates Relative to Consensus:

We expect Procter & Gamble to out earn its consensus EPS estimates. We believe this will be the case due to continued growth in key categories such as Fabric & Home Care and Health Care. We also anticipate the firm will continue to expand margins through cost-cutting measures and supply chain innovation. In the long-term we have strong conviction about P&G's ability to beat EPS estimates. However, we admit the current market volatility through tariffs and international macro risk adds more uncertainty to our short-term view on beating estimates that were likely made prior to Tariff Liberation Day on April 2, 2025.

Earnings Estimates						
Year	2022	2023	2024	2025E	2026E	2027E
EPS	\$6.00	\$6.07	\$6.18	\$6.72	\$7.34	\$7.81
HF est.				\$6.84	\$7.43	\$7.98
Growth	5.4%	1.1%	1.9%	10.7%	8.6%	7.4%

### CapEx:

P&G utilizes capital expenditures to maintain and improve manufacturing facilities, equipment upgrades, and technology enhancements. In Q2 2025, management gave guidance that FY 2025 capital spending as a % of sales would be 4-5%<sup>3</sup>. In our forecasts, we took the median and utilized 4.5% of sales for CapEx, which equaled \$3.8 billion in 2025, a 15% YoY increase from \$3.3 billion in 2024. We utilized Capital Expenditures as 4.5% of sales for the duration of the five-year forecast.

### Capital Structure Forecasts:

P&G operates with a strong balance sheet and maintains leverage slightly above 1x. This allows for flexible capital allocation across business segments, M&A, shareholder distributions. We believe the firm's balance sheet is healthy and do not expect major changes to their capital structure. The firm should have no issue paying short-term debt obligations.

In 2024, the firm repurchased \$5.0 billion common stock. Management stated they plan to repurchase between \$6-7 billion in common stock in FY 2025. We forecast \$6.3 billion in common stock repurchases. The firm is also planning to wind down its preferred stock. We forecast the



firm's preferred stock to decline by a CAGR of 2.6% through 2029. As a result, preferred dividends will also decrease.

### Payout Policy Forecasts (Dividends):

Management guided that they plan to issue around \$10 billion in dividends in FY 2025. We forecast in line with this and expect the firm to issue \$10.0 billion in common stock dividends, and \$277 million in preferred stock dividends, totaling \$10.3 billion in total dividends paid. Beyond 2025, we forecast the firm to continue growing dividends, but at a slower rate than what is expected in 2025.

Dividend Growth Rate Forecast				
2025E	2026E	2027E	2028E	2029E
11.0%*	10.0%	9.0%	8.0%	7.0%

Source: HF Forecast; \*management guidance

We believe the firm offers an attractive dividend and capital allocation plan. We anticipate that the firm will be able to achieve its dividend guidance in FY 2025.

### DCF/EP:

Our DCF model projects a price of \$206 for P&G, which represents a 22.6% upside from its current price. We place a 60% weight on the DCF for our target price estimation, as it incorporates our specific expectations for cash flows and margin expansion. Key assumptions include CV growth of NOPLAT of 2.5% and a WACC of 6.17%. Our CV growth of NOPLAT comes out just ahead of typical U.S. GDP growth and inflation and incorporates growth from emerging markets. We believe this is justified as 2.5% balances the mature nature of P&G with growth initiatives in emerging markets.

### DDM:

Our DDM model projects a price of \$215 for P&G, which represents a 26.4% upside from its current price. Key inputs in the model include CV EPS growth of 3.0% and a 36.5% CV year ROE. We believe the EPS growth is justified, as it is aligned with typical U.S. GDP growth and long-run organic sales trends at P&G. We place a 40% weight on the DDM for our price target calculation, as a major appeal to investing in P&G is its capital allocation to shareholders. We give it more weight than the relative valuation model (0%). This is due to the nature of P&G as a steady and defensive dividend aristocrat.

### Relative Valuation:

Our relative P/E model projects a price of \$158 for P&G, which represents a -7.0% downside from its current price. This is due to peers with similar CPG categories have cheaper valuations. We think P&G's elevated valuation compared to peers is due to it being the industry-leader and blue-chip company within the CPG space. On top of their scale, the firm boasts better operating margins than all peers. The firm's valuation is not too far ahead of the peer group, which leads to a valuation that is not far off where it is currently trading. We believe both the DCF and DDM provide better insight into P&G's valuation than the relative P/E model.

### Sensitivity Analysis:

We also tested key model inputs to see how our DCF share price would react. Our model is sensitive to the CV Growth of NOPLAT and WACC, as they both impact the intrinsic value calculation of the firm. Even if the CV growth of NOPLAT decreased by 0.75% to 1.75%, the DCF model outputs a price of \$176, a 4.8% upside from its current trading price. This displays that P&G is undervalued and gives us confidence that there is more to the upside than the growth rate we chose.

		CV Growth of NOPLAT						
WACC	206.22	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%
	5.87%	189.85	200.31	212.22	225.90	241.77	260.41	282.60
	5.97%	184.98	194.88	206.11	218.96	233.81	251.16	271.70
	6.07%	180.33	189.71	200.32	212.41	226.33	242.51	261.57
	6.17%	175.90	184.80	194.83	206.22	219.29	234.41	252.13
	6.27%	171.67	180.11	189.61	200.36	212.65	226.81	243.32
	6.37%	167.61	175.64	184.64	194.80	206.37	219.66	235.07
	6.47%	163.73	171.37	179.91	189.53	200.44	212.92	227.34

Another set of key inputs we sensitivity tested were 2025 operating expenses. We looked at 2025 COGS as a % of revenue and 2025 SG&A as a % of revenue. A 50bps decline in either category results in a \$5 increase in DCF price, and a 50bps increase in either category results in a \$4-5 decline in price. We do not believe our operating expense forecasts are too tough and are in line with firm's cost-cutting goals. If they are overeager, the DCF model still displays upside with multiple increases to each operating expense category.

		2025 SG&A % of Revenue						
2025 COGS % of Revenue	206.22	25.93%	26.43%	26.93%	27.43%	27.93%	28.43%	28.93%
	43.26%	231.18	227.02	222.86	218.70	214.54	210.38	206.22
	43.76%	227.02	222.86	218.70	214.54	210.38	206.22	202.06
	44.26%	222.86	218.70	214.54	210.38	206.22	202.06	197.90
	44.76%	218.70	214.54	210.38	206.22	202.06	197.90	193.74
	45.26%	214.54	210.38	206.22	202.06	197.90	193.74	189.58
	45.76%	210.38	206.22	202.06	197.90	193.74	189.58	185.42
	46.26%	206.22	202.06	197.90	193.74	189.58	185.42	181.26

## KEYS TO MONITOR

We believe P&G is a strong investment opportunity due to its diverse portfolio of brands, excellent shareholder distributions, and continued innovation in products. In the months ahead, it will be important to monitor the impact of tariffs on the broader U.S. and global economies, corporate earnings and guidance, and how America's trade war with China progresses. We believe the firm is set up to perform well regardless of the macro environment and see upside in the stock regardless of if there is a recession.

### Drivers:

Key drivers behind our buy recommendation include continued product innovation, expanding margins, and the firm's diverse portfolio allowing it to weather consumer trends and economic downturns better than staples peers. We believe the firm is a blue chip in the CPG space, and their 20+ billion-dollar brands create a steady high cashflow producing business. We are also fans of their shareholder distribution policies and expect significant dividend growth through 2029. The firm is a dividend aristocrat, which we believe adds appeal as a diversifier to high-growth, high-beta names in the Henry Fund. On the margin front, we are confident in management's ability to execute \$1.5 billion per year in cost savings through supply-chain optimization, AI integration, and various other cost cuts. We will be paying close attention to management's Q3 FY 2025 earnings call to learn more about the impact of tariffs and economic uncertainty (particularly with China) on P&G. In the long-term, we have full confidence in margin expansion. However, we admit there is short-term risk from tariffs and an intense trade war with China that could delay the timeline of P&G's plan. Despite this, we still believe that P&G is a strong investment opportunity and will weather the uncertain macro environment well.

### Risks:

Key risks to P&G's business include the uncertain macroeconomy. The Trump administration threw a major wrench into the United States' economy and global trade with the introduction of mass tariffs. Policy flip-flops daily, so it will be important to follow along in the coming months to see if tariff and trade policy calms down. P&G is vulnerable from tariff policy due to its global supply chain, foreign exchange risk, and commodity price risk. We

anticipate that the firm will be able to handle the situation well, as their portfolio of products and brands are set up to withstand different economic cycles. We will eagerly anticipate notes from management on how the macro environment will affect P&G. We believe there is potential for a short-term hit but think the firm will perform well through any downturn. Another key risk to monitor in the long run is the growth of private label and DTC competitors. We believe the firm is set up well to counteract these competitors, as many of their products are performance based, and the firm has grown DTC efforts across its portfolio. For our recommendation to change, we would need to see a sustained negative shock to organic sales growth, a prolonged period of impacted supply chains due to tariffs, shrinking margins, and a continued rise of private label in key segments.

### Conclusion:

Looking ahead, we will be focusing on the broader macroeconomy, as Trump's tariffs have put markets in a tailspin. We believe that P&G is set up well through their diverse operations and brand portfolio, and see upside in the stock if investors flock to more defensive names such as P&G. We believe the firm is set up well to improve margins, and trust that P&G will continue to innovate on the product front. For these reasons, we give P&G a **BUY** rating, with a target price of \$210 (60% DCF, 40% DDM blend), representing a 25% upside from its current price.

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## Procter & Gamble

### Revenue Decomposition

<i>Fiscal Years Ending Jun. 30</i>	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Beauty	14,740	15,008	15,220	15,053	15,474	15,722	15,918	16,077
growth	2.2%	1.8%	1.4%	-1.1%	2.8%	1.6%	1.3%	1.0%
Grooming	6,587	6,419	6,654	6,681	6,814	7,121	7,406	7,665
growth	2.3%	-2.6%	3.7%	0.4%	2.0%	4.5%	4.0%	3.5%
Health Care	10,824	11,226	11,793	12,147	12,572	13,175	13,834	14,457
growth	8.7%	3.7%	5.1%	3.0%	3.5%	4.8%	5.0%	4.5%
Fabric & Home Care	27,556	28,371	29,495	30,144	30,837	31,917	32,954	33,942
growth	5.9%	3.0%	4.0%	2.2%	2.3%	3.5%	3.3%	3.0%
Baby, Feminine, and Family Care	19,736	20,217	20,277	20,561	20,910	21,433	22,023	22,573
growth	4.7%	2.4%	0.3%	1.4%	1.7%	2.5%	2.8%	2.5%
Corporate	744	765	601	642	632	600	576	559
growth	68.7%	2.8%	-21.4%	6.9%	-1.7%	-5.0%	-4.0%	-3.0%
<b>Net sales</b>	<b>80,187</b>	<b>82,006</b>	<b>84,039</b>	<b>85,227</b>	<b>87,239</b>	<b>89,968</b>	<b>92,710</b>	<b>95,273</b>
growth	5.3%	2.3%	2.5%	1.4%	2.4%	3.1%	3.0%	2.8%

**Procter & Gamble**
*Income Statement*

<b>Fiscal Years Ending Jun. 30</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
<b>Net Sales</b>	80,187	82,006	84,039	85,227	87,239	89,968	92,710	95,273
Cost of products sold	42,157	42,760	40,848	41,076	41,660	42,759	43,851	44,852
<i>Depreciation expense</i>	2,807	2,714	2,896	2,928	3,048	3,164	3,281	3,399
<i>Other cost of revenues</i>	39,350	40,046	37,952	38,148	38,612	39,595	40,570	41,453
Selling, general and administrative expense	20,217	21,112	23,305	23,379	23,276	23,555	23,809	23,991
Indefinite-lived intangible asset impairment charge	-	-	1,341	-	-	-	-	-
<b>Operating Income</b>	17,813	18,134	18,545	20,773	22,303	23,654	25,050	26,430
Interest expense	(439)	(756)	(925)	(1,477)	(1,505)	(1,539)	(1,579)	(1,622)
Interest income	51	307	473	390	406	417	412	383
Other non-operating income, net	570	668	668	695	724	754	785	817
<b>Earnings Before Income Taxes</b>	17,995	18,353	18,761	20,381	21,928	23,286	24,668	26,008
Income taxes	3,202	3,615	3,787	3,920	4,218	4,479	4,745	5,002
<b>Net Earnings</b>	14,793	14,738	14,974	16,461	17,711	18,808	19,924	21,006
Less: Net earnings attributable to noncontrolling interests	51	85	95	104	112	119	126	133
<b>Net Earnings Attributable to Procter and Gamble</b>	14,742	14,653	14,879	16,357	17,598	18,688	19,797	20,873
Less: preferred dividends	281	282	284	277	270	263	256	249
<b>Net earnings attributable to P&amp;G available to common shareholders (basic)</b>	14,461	14,371	14,595	16,080	17,329	18,426	19,541	20,623
Basic Earnings per Share (EPS)	6.00	6.07	6.18	6.84	7.42	7.95	8.52	9.08
Year end shares outstanding (basic)	2,394	2,362	2,357	2,340	2,320	2,298	2,273	2,246
Weighted average shares outstanding class A, B & C (basic)	2,410	2,368	2,360	2,350	2,335	2,316	2,295	2,270
Annual Dividends per Share	3.52	3.68	3.83	4.25	4.68	5.10	5.50	5.89



**Procter & Gamble**
*Balance Sheet*

<i>Fiscal Years Ending Jun. 30</i>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
<b>Assets</b>								
<b>Current Assets</b>								
Cash and cash equivalents	7,214	8,246	9,482	9,884	10,150	10,033	9,321	7,914
Accounts receivable	5,143	5,471	6,118	6,205	6,351	6,550	6,749	6,936
<b>Inventories</b>								
Materials and supplies	2,168	1,863	1,617	1,640	1,679	1,731	1,784	1,833
Work in process	856	956	929	942	964	995	1,025	1,053
Finished goods	3,900	4,254	4,470	4,533	4,640	4,785	4,931	5,068
<b>Total inventories</b>	6,924	7,073	7,016	7,115	7,283	7,511	7,740	7,954
Prepaid expenses and other current assets	2,372	1,858	2,095	2,125	2,175	2,243	2,311	2,375
<b>Total Current Assets</b>	21,653	22,648	24,709	25,328	25,959	26,336	26,121	25,179
Property, plant and equipment, net	21,195	21,909	22,152	23,059	23,937	24,821	25,712	26,601
Goodwill	39,700	40,659	40,303	40,303	40,303	40,303	40,303	40,303
Trademarks and other intangible assets, net	23,679	23,783	22,047	21,729	21,432	21,145	20,897	20,697
Other noncurrent assets	10,981	11,830	13,158	14,635	16,278	18,105	20,138	22,398
<b>Total assets</b>	117,208	120,829	122,370	125,054	127,908	130,711	133,171	135,178
<b>Liabilities and Shareholders' Equity</b>								
<b>Current Liabilities</b>								
Accounts payable	14,882	14,598	15,364	15,581	15,949	16,448	16,949	17,418
Accrued and other liabilities	9,554	10,929	11,073	11,230	11,495	11,854	12,216	12,553
Short-term debt	8,645	10,229	7,191	7,293	7,465	7,698	7,933	8,152
<b>Total current liabilities</b>	33,081	35,756	33,627	34,103	34,909	36,000	37,098	38,123
Long-term debt	22,848	24,378	25,269	25,780	26,359	27,012	27,723	28,487
Deferred income taxes	6,809	6,478	6,516	6,555	6,598	6,643	6,690	6,740
Other noncurrent liabilities	7,616	7,152	6,398	5,723	5,120	4,580	4,097	3,665
<b>Total liabilities</b>	70,354	73,764	71,811	72,162	72,985	74,236	75,608	77,016
<b>Shareholders' Equity</b>								
Convertible Class A preferred stock	843	819	798	778	758	738	719	701
Common equity	69,804	70,565	71,693	74,048	76,403	78,758	81,113	83,468
Reserve for ESOP debt retirement	(916)	(821)	(737)	(662)	(594)	(533)	(479)	(430)
Accumulated other comprehensive loss	(12,189)	(12,220)	(11,900)	(11,900)	(11,900)	(11,900)	(11,900)	(11,900)
Treasury stock	(123,382)	(129,736)	(133,379)	(139,637)	(146,520)	(154,091)	(162,420)	(171,582)
Retained earnings	112,429	118,170	123,811	130,008	136,533	143,274	150,313	157,700
Noncontrolling interest	265	288	272	257	243	229	216	204
<b>Total shareholders' equity</b>	46,854	47,065	50,559	52,892	54,923	56,475	57,563	58,162
<b>Total liabilities and shareholders' equity</b>	117,208	120,829	122,370	125,054	127,908	130,711	133,171	135,178

**Procter & Gamble***Historical Cash Flow Statement*

<b>Fiscal Years Ending Jun. 30</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Cash, cash equivalents &amp; restricted cash, beginning of year</b>	10,288	7,214	8,246
<b>Operating activities</b>			
Net earnings	14,793	14,738	14,974
Depreciation and amortization	2,807	2,714	2,896
Share-based compensation expense	528	545	562
Deferred income taxes	(402)	(453)	(244)
Loss/(gain) on sale of assets	(85)	(40)	(215)
Indefinite-lived intangible asset impairment charge	-	-	1,341
Change in accounts receivable	(694)	(307)	(766)
Change in inventories	(1,247)	(119)	(70)
Change in accounts payable and accrued and other liabilities	1,429	313	1,814
Change in other operating assets and liabilities	(635)	(1,107)	(1,414)
Other	229	564	969
<b>Total operating activities</b>	<b>16,723</b>	<b>16,848</b>	<b>19,846</b>
<b>Investing Activities</b>			
Capital expenditures	(3,156)	(3,062)	(3,322)
Proceeds from asset sales	110	46	346
Acquisitions, net of cash acquired	(1,381)	(765)	(21)
Other investing activity	3	281	(507)
<b>Total investing activities</b>	<b>(4,424)</b>	<b>(3,500)</b>	<b>(3,504)</b>
<b>Financing Activities</b>			
Dividends to shareholders	(8,770)	(8,999)	(9,312)
Additions to short-term debt with original maturities of more than three month	10,411	17,168	3,528
Reductions in short-term debt with original maturities of more than three mont	(11,478)	(13,031)	(7,689)
Net additions/(reductions) to other short-term debt	917	(3,319)	857
Additions to long-term debt	4,385	3,997	3,197
Reductions in long-term debt	(2,343)	(1,878)	(2,335)
Treasury stock purchases	(10,003)	(7,353)	(5,006)
Impact of stock options and other	2,005	1,269	1,905
<b>Total financing activities</b>	<b>(14,876)</b>	<b>(12,146)</b>	<b>(14,855)</b>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(497)	(170)	(251)
Change in cash, cash equivalents and restricted cash	(3,074)	1,032	1,235
Cash, cash equivalents and reestricted cash, end of year	7,214	8,246	9,482

**Procter & Gamble***Forecasted Cash Flow Statement*

<b>Fiscal Years Ending Jun. 30</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
<b>Operating Cash Flows</b>					
Net Income	16,461	17,711	18,808	19,924	21,006
Depreciation	2,928	3,048	3,164	3,281	3,399
Change in Accounts receivable	(87)	(146)	(199)	(200)	(187)
Change in Total inventories	(99)	(168)	(228)	(229)	(214)
Change in Prepaid expenses and other current assets	(30)	(50)	(68)	(68)	(64)
Change in Trademarks and other intangible assets, net	318	297	287	248	200
Change in Accounts payable	217	368	499	501	469
Change in Accrued and other liabilities	157	265	359	361	338
Change in Deferred income taxes	39	42	45	48	50
<b>Net cash flows from operating activities</b>	<b>19,905</b>	<b>21,366</b>	<b>22,667</b>	<b>23,866</b>	<b>24,997</b>
<b>Investing Cash Flows</b>					
CapEx	(3,835)	(3,926)	(4,049)	(4,172)	(4,287)
Change in Other noncurrent assets	(1,477)	(1,643)	(1,827)	(2,032)	(2,261)
Change in Other noncurrent liabilities	(675)	(603)	(540)	(483)	(432)
Change in Noncontrolling interest	(15)	(14)	(13)	(13)	(12)
<b>Net cash flows from investing activities</b>	<b>(6,002)</b>	<b>(6,186)</b>	<b>(6,429)</b>	<b>(6,700)</b>	<b>(6,992)</b>
<b>Financing Cash Flows</b>					
Repurchases of Stock (change in Treasury stock)	(6,258)	(6,883)	(7,572)	(8,329)	(9,162)
Common stock dividends paid	(9,987)	(10,916)	(11,804)	(12,629)	(13,369)
Preferred dividends paid	(277)	(270)	(263)	(256)	(249)
Change in Short-term debt	102	172	233	235	219
Change in Long-term debt	511	579	653	710	764
Change in Preferred stock	(20)	(20)	(19)	(19)	(18)
Change in Common equity	2,355	2,355	2,355	2,355	2,355
Change in Reserve for ESOP debt retirement	75	68	61	55	49
<b>Net cash flows from financing activities</b>	<b>(13,501)</b>	<b>(14,914)</b>	<b>(16,355)</b>	<b>(17,879)</b>	<b>(19,412)</b>
<b>Change in Cash</b>	<b>402</b>	<b>266</b>	<b>(117)</b>	<b>(713)</b>	<b>(1,407)</b>
Beginning of Year Cash	9,482	9,884	10,150	10,033	9,321
<b>End of Year Cash</b>	<b>9,884</b>	<b>10,150</b>	<b>10,033</b>	<b>9,321</b>	<b>7,914</b>

**Procter & Gamble**
*Common Size Income Statement*

<b>Fiscal Years Ending Jun. 30</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
<b>Net Sales</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of products sold	52.57%	52.14%	48.61%	48.20%	47.75%	47.53%	47.30%	47.08%
Selling, general and administrative expense	25.21%	25.74%	27.73%	27.43%	26.68%	26.18%	25.68%	25.18%
Indefinite-lived intangible asset impairment charge	0.00%	0.00%	1.60%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Operating Income</b>	22.21%	22.11%	22.07%	24.37%	25.56%	26.29%	27.02%	27.74%
Interest expense	-0.55%	-0.92%	-1.10%	-1.73%	-1.72%	-1.71%	-1.70%	-1.70%
Interest income	0.06%	0.37%	0.56%	0.46%	0.47%	0.46%	0.44%	0.40%
Other non-operating income, net	0.71%	0.81%	0.79%	0.82%	0.83%	0.84%	0.85%	0.86%
<b>Earnings Before Income Taxes</b>	22.44%	22.38%	22.32%	23.91%	25.14%	25.88%	26.61%	27.30%
Income taxes	3.99%	4.41%	4.51%	4.60%	4.83%	4.98%	5.12%	5.25%
<b>Net Earnings</b>	18.45%	17.97%	17.82%	19.31%	20.30%	20.90%	21.49%	22.05%
Less: Net earnings attributable to noncontrolling interests	0.06%	0.10%	0.11%	0.12%	0.13%	0.13%	0.14%	0.14%
<b>Net Earnings Attributable to Procter and Gamble</b>	18.38%	17.87%	17.70%	19.19%	20.17%	20.77%	21.35%	21.91%
Less: preferred dividends	0.35%	0.34%	0.34%	0.32%	0.31%	0.29%	0.28%	0.26%
<b>Net earnings attributable to P&amp;G available to common shareholders (basic)</b>	18.03%	17.52%	17.37%	18.87%	19.86%	20.48%	21.08%	21.65%

**Procter & Gamble**  
Common Size Balance Sheet

<b>Fiscal Years Ending Jun. 30</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
<b>Assets</b>								
<b>Current Assets</b>								
Cash and cash equivalents	9.00%	10.06%	11.28%	11.60%	11.63%	11.15%	10.05%	8.31%
Accounts receivable	6.41%	6.67%	7.28%	7.28%	7.28%	7.28%	7.28%	7.28%
<b>Inventories</b>								
Materials and supplies	2.70%	2.27%	1.92%	1.92%	1.92%	1.92%	1.92%	1.92%
Work in process	1.07%	1.17%	1.11%	1.11%	1.11%	1.11%	1.11%	1.11%
Finished goods	4.86%	5.19%	5.32%	5.32%	5.32%	5.32%	5.32%	5.32%
<b>Total inventories</b>	<b>8.63%</b>	<b>8.62%</b>	<b>8.35%</b>	<b>8.35%</b>	<b>8.35%</b>	<b>8.35%</b>	<b>8.35%</b>	<b>8.35%</b>
Prepaid expenses and other current assets	2.96%	2.27%	2.49%	2.49%	2.49%	2.49%	2.49%	2.49%
<b>Total Current Assets</b>	<b>27.00%</b>	<b>27.62%</b>	<b>29.40%</b>	<b>29.72%</b>	<b>29.76%</b>	<b>29.27%</b>	<b>28.17%</b>	<b>26.43%</b>
Property, plant and equipment, net	26.43%	26.72%	26.36%	27.06%	27.44%	27.59%	27.73%	27.92%
Goodwill	49.51%	49.58%	47.96%	47.29%	46.20%	44.80%	43.47%	42.30%
Trademarks and other intangible assets, net	29.53%	29.00%	26.23%	25.50%	24.57%	23.50%	22.54%	21.72%
Other noncurrent assets	13.69%	14.43%	15.66%	17.17%	18.66%	20.12%	21.72%	23.51%
<b>Total assets</b>	<b>146.17%</b>	<b>147.34%</b>	<b>145.61%</b>	<b>146.73%</b>	<b>146.62%</b>	<b>145.29%</b>	<b>143.64%</b>	<b>141.88%</b>
<b>Liabilities and Shareholders' Equity</b>								
<b>Current Liabilities</b>								
Accounts payable	18.56%	17.80%	18.28%	18.28%	18.28%	18.28%	18.28%	18.28%
Accrued and other liabilities	11.91%	13.33%	13.18%	13.18%	13.18%	13.18%	13.18%	13.18%
Debt due within one year	10.78%	12.47%	8.56%	8.56%	8.56%	8.56%	8.56%	8.56%
<b>Total current liabilities</b>	<b>41.25%</b>	<b>43.60%</b>	<b>40.01%</b>	<b>40.01%</b>	<b>40.01%</b>	<b>40.01%</b>	<b>40.01%</b>	<b>40.01%</b>
Long-term debt	28.49%	29.73%	30.07%	30.25%	30.21%	30.02%	29.90%	29.90%
Deferred income taxes	8.49%	7.90%	7.75%	7.69%	7.56%	7.38%	7.22%	7.07%
Other noncurrent liabilities	9.50%	8.72%	7.61%	6.72%	5.87%	5.09%	4.42%	3.85%
<b>Total liabilities</b>	<b>87.74%</b>	<b>89.95%</b>	<b>85.45%</b>	<b>84.67%</b>	<b>83.66%</b>	<b>82.51%</b>	<b>81.55%</b>	<b>80.84%</b>
<b>Shareholders' Equity</b>								
Convertible Class A preferred stock	1.05%	1.00%	0.95%	0.91%	0.87%	0.82%	0.78%	0.74%
Common stock	5.00%	4.89%	4.77%	0.00%	0.00%	0.00%	0.00%	0.00%
Additional paid-in capital	82.05%	81.16%	80.54%	0.00%	0.00%	0.00%	0.00%	0.00%
Reserve for ESOP debt retirement	-1.14%	-1.00%	-0.88%	-0.78%	-0.68%	-0.59%	-0.52%	-0.45%
Accumulated other comprehensive loss	-15.20%	-14.90%	-14.16%	-13.96%	-13.64%	-13.23%	-12.84%	-12.49%
Treasury stock	-153.87%	-158.20%	-158.71%	-163.84%	-167.95%	-171.27%	-175.19%	-180.09%
Retained earnings	140.21%	144.10%	147.33%	152.54%	156.50%	159.25%	162.13%	165.52%
Noncontrolling interest	0.33%	0.35%	0.32%	0.30%	0.28%	0.25%	0.23%	0.21%
<b>Total shareholders' equity</b>	<b>58.43%</b>	<b>57.39%</b>	<b>60.16%</b>	<b>62.06%</b>	<b>62.96%</b>	<b>62.77%</b>	<b>62.09%</b>	<b>61.05%</b>
<b>Total liabilities and shareholders' equity</b>	<b>146.17%</b>	<b>147.34%</b>	<b>145.61%</b>	<b>146.73%</b>	<b>146.62%</b>	<b>145.29%</b>	<b>143.64%</b>	<b>141.88%</b>



Procter & Gamble  
Value Driver Estimation

Fiscal Years Ending Jun. 30	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
<b>NOPLAT:</b>								
<b>EBITA:</b>								
Revenues	80,187	82,006	84,039	85,227	87,239	89,968	92,710	95,273
<b>Operating Costs:</b>								
Depreciation expense	2,807	2,714	2,896	2,928	3,048	3,164	3,281	3,399
Other cost of revenues	39,350	40,046	37,952	38,148	38,612	39,595	40,570	41,453
Selling, general and administrative expense	20,217	21,112	23,305	23,379	23,276	23,555	23,809	23,991
Plus: Implied interest on operating losses	36	37	41	43	45	46	48	50
<b>EBITA:</b>	17,849	18,171	19,927	20,816	22,347	23,701	25,098	26,480
<b>Less: adjusted taxes</b>								
Total income tax provision (income tax expense)	3,202	3,615	3,787	3,920	4,218	4,479	4,745	5,002
Minus: tax on interest or investment income	(10)	(59)	(91)	(75)	(78)	(80)	(79)	(74)
Minus: tax on any non-operating income	(110)	(128)	(128)	(134)	(139)	(145)	(151)	(157)
Add: tax shield on interest expense	84	145	178	284	289	296	304	312
Add: tax shield on implied lease interest	7	7	8	8	9	9	9	10
Add: tax shield on any non-operating losses	-	-	(258)	-	-	-	-	-
<b>Total adjusted taxes</b>	3,174	3,580	3,495	4,004	4,298	4,558	4,827	5,093
Change in Deferred Taxes	656	(331)	38	39	42	45	48	50
<b>NOPLAT</b>	15,331	14,260	16,470	16,851	18,092	19,187	20,319	21,437
<b>Invested Capital (IC):</b>								
<b>Operating Current Assets (CA):</b>								
Normal cash	3,082	3,152	3,230	3,276	3,353	3,458	3,564	3,662
Accounts receivable	5,143	5,471	6,118	6,205	6,351	6,550	6,749	6,936
Inventory	6,924	7,073	7,016	7,115	7,283	7,511	7,740	7,954
Prepaid expenses and other current assets	2,372	1,858	2,095	2,125	2,175	2,243	2,311	2,375
<b>Total operating current assets</b>	17,521	17,554	18,459	18,720	19,162	19,762	20,364	20,927
<b>Non Interest-Bearing Current Liabilities (CL):</b>								
Accounts payable	14,882	14,598	15,364	15,581	15,949	16,448	16,949	17,418
Accrued and other liabilities	9,554	10,929	11,073	11,230	11,495	11,854	12,216	12,553
<b>Total non interest-bearing operating current liabilities</b>	24,436	25,527	26,437	26,811	27,444	28,302	29,165	29,971
<b>Net Operating Working Capital</b>	(6,915)	(7,973)	(7,978)	(8,090)	(8,281)	(8,540)	(8,801)	(9,044)
<b>Property, plant and equipment, net</b>	21,195	21,909	22,152	23,059	23,937	24,821	25,712	26,601
<b>Net Other Operating Assets (net of depreciation or amortization)</b>								
Trademarks and other intangible assets, net	23,679	23,783	22,047	21,729	21,432	21,145	20,897	20,697
Operating lease right-of-use assets	760	781	875	911	946	980	1,016	1,051
<b>Total Net Other Operating Assets</b>	24,439	24,564	22,922	22,640	22,378	22,125	21,913	21,748
<b>Other Operating Liabilities</b>								
No Other Operating Liabilities	-	-	-	-	-	-	-	-
<b>Total Other Operating Liabilities</b>	-	-	-	-	-	-	-	-
<b>INVESTED CAPITAL</b>	38,719	38,500	37,096	37,609	38,033	38,406	38,824	39,305
<b>Free Cash Flow (FCF):</b>								
NOPLAT	15,331	14,260	16,470	16,851	18,092	19,187	20,319	21,437
Change in IC	1,097	(219)	(1,404)	512	424	373	418	480
<b>FCF</b>	14,234	14,479	17,874	16,339	17,667	18,814	19,901	20,957
<b>Return on Invested Capital (ROIC):</b>								
NOPLAT	15,331	14,260	16,470	16,851	18,092	19,187	20,319	21,437
Beginning IC	37,622	38,719	38,500	37,096	37,609	38,033	38,406	38,824
<b>ROIC</b>	40.8%	36.8%	42.8%	45.4%	48.1%	50.4%	52.9%	55.2%
<b>Economic Profit (EP):</b>								
Beginning IC	37,622	38,719	38,500	37,096	37,609	38,033	38,406	38,824
x (ROIC - WACC)	34.58%	30.66%	36.61%	39.26%	41.94%	44.28%	46.74%	49.05%
<b>EP</b>	13,011	11,872	14,095	14,563	15,772	16,841	17,950	19,042

**Procter & Gamble***Weighted Average Cost of Capital (WACC) Estimation***Cost of Equity:**

Risk-Free Rate	4.28%
Beta	0.42
Equity Risk Premium	5.00%
<b>Cost of Equity</b>	<b>6.38%</b>

*ASSUMPTIONS:*

*10Y Treasury*  
*5Y Monthly Beta*  
*HF Assumption*

**Cost of Debt:**

Risk-Free Rate	4.28%
Implied Default Premium	0.27%
Pre-Tax Cost of Debt	4.55%
Marginal Tax Rate	19%
<b>After-Tax Cost of Debt</b>	<b>3.67%</b>

*10Y Treasury*  
  
*YTM on PG 10Y bond*

**Cost of Preferred Stock:**

Annual Pfd. Dividend	3.83
Price of Pfd. Shares	60
<b>Cost of Preferred:</b>	<b>6.38%</b>

**Market Value of Common Equity:**

Total Shares Outstanding	2,357
Current Stock Price	\$162.30
<b>MV of Equity</b>	<b>382,541.10</b>

**MV Weights**

91.01%
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**Market Value of Debt:**

Short-Term Debt	7,191
Current Portion of LTD	0
Long-Term Debt	25,269
PV of Operating Leases	909
<b>MV of Total Debt</b>	<b>33,369.00</b>

7.94%
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**Market Value of Preferred Stock:**

Total Shares Outstanding	73.6
Price of Pfd. Shares	60
<b>MV of Preferred</b>	<b>4,416.00</b>

1.05%
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**Market Value of the Firm****420,326.10**

100.00%

**Estimated WACC**

6.17%
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## Procter & Gamble

### Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

#### Key Inputs:

CV Growth of NOPLAT	2.50%
CV Year ROIC	55.22%
WACC	6.17%
Cost of Equity	6.38%

Fiscal Years Ending Jun. 30	2025E	2026E	2027E	2028E	2029E
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#### DCF Model:

Free Cash Flow (FCF)	16,339	17,667	18,814	19,901	20,957
Continuing Value (CV)					557,972
PV of FCF	15,390	15,674	15,721	15,664	439,175

Value of Operating Assets:	501,625
Non-Operating Adjustments	
Excess Cash	6,252
Noncontrolling interest	272
Total Debt	-33,369
Preferred Stock	-798
Underfunded Pension Plan	-1,498
Overfunded Retirement Benefits	5,356
PV of ESOP	-6,059
Value of Equity	471,781
Shares Outstanding	2,357
Intrinsic Value of Last FYE	\$ 200.16
<b>Implied Price as of Today</b>	<b>\$ 206.22</b>

#### EP Model:

Economic Profit (EP)	14,563	15,772	16,841	17,950	19,042
Continuing Value (CV)					519,148
PV of EP	13,717	13,993	14,073	14,128	408,617

Total PV of EP	464,528
Invested Capital (last FYE)	37,096
Value of Operating Assets:	501,625
Non-Operating Adjustments	
Excess Cash	6,252
Noncontrolling interest	272
Total Debt	-33,369
Preferred Stock	-798
Underfunded Pension Plan	-1,498
Overfunded Retirement Benefits	5,356
PV of ESOP	-6,059
Value of Equity	471,781
Shares Outstanding	2,357
Intrinsic Value of Last FYE	\$ 200.16
<b>Implied Price as of Today</b>	<b>\$ 206.22</b>

**Procter & Gamble***Dividend Discount Model (DDM) or Fundamental P/E Valuation Model*

<b>Fiscal Years Ending</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
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EPS	\$ 6.84	\$ 7.42	\$ 7.95	\$ 8.52	\$ 9.08
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**Key Assumptions**

CV growth of EPS	3.00%
CV Year ROE	36.49%
Cost of Equity	6.38%

**Future Cash Flows**

P/E Multiple (CV Year)					27.13
EPS (CV Year)					\$ 9.08
Future Stock Price					\$ 246.44
Dividends Per Share	4.25	4.68	5.10	5.50	5.89
Discounted Cash Flows	4.00	4.13	4.23	4.30	192.41

Intrinsic Value as of Last FYE	\$ 209.07
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<b>Implied Price as of Today</b>	<b>\$ 215.40</b>
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## Procter & Gamble

### Relative Valuation Models

Ticker	Company	Price	EPS	EPS	P/E 25	P/E 26
			2025E	2026E		
CHD	Church & Dwight	\$102.55	\$3.68	\$3.97	27.87	25.83
KVUE	Kenvue	\$21.77	\$1.00	\$1.14	21.77	19.10
CL	Colgate	\$89.19	\$3.68	\$4.01	24.24	22.24
EL	Estee Lauder	\$52.95	<del>(\$1.63)</del>	\$1.89	<del>(32.48)</del>	28.02
MDLZ	Mondelez	\$65.23	\$2.89	\$3.28	22.57	19.89
ULVR	Unilever	\$57.90	\$3.09	\$3.36	18.74	17.23
KMB	Kimberly Clark	\$134.54	\$6.93	\$7.66	19.41	17.56
CLX	Clorox	\$138.90	\$6.21	\$6.87	22.37	20.22
Average					22.42	21.26

PG	Procter & Gamble	\$162.30	\$6.84	\$7.42	23.7	21.9
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### Implied Relative Value:

P/E (EPS25)                      \$ 153.44

P/E (EPS26)                      \$ 157.80



**Procter & Gamble***Key Management Ratios*

<b>Fiscal Years Ending Jun. 30</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
<b>Liquidity Ratios:</b>								
Current Ratio (current assets / current liabilities)	0.65	0.63	0.73	0.74	0.74	0.73	0.70	0.66
Net Working Capital % of Revenue	-8.62%	-9.72%	-9.49%	-9.49%	-9.49%	-9.49%	-9.49%	-9.49%
Cash Ratio (cash / current liabilities)	0.22	0.23	0.28	0.29	0.29	0.28	0.25	0.21
<b>Asset-Management Ratios:</b>								
Cash Turnover Ratio (Revenue / Cash)	11.12	9.94	8.86	8.62	8.60	8.97	9.95	12.04
Asset turnover ratio (Revenue / average total assets)	0.68	0.69	0.69	0.69	0.69	0.70	0.70	0.71
Working capital turnover ratio (revenue/(current assets - current liabilities))	-7.02	-6.26	-9.42	-9.71	-9.75	-9.31	-8.45	-7.36
<b>Financial Leverage Ratios:</b>								
LT Debt/Total Equity	0.49	0.52	0.50	0.49	0.48	0.48	0.48	0.49
LT Debt/Total Assets	0.19	0.20	0.21	0.21	0.21	0.21	0.21	0.21
Total Debt/Total Assets	0.28	0.29	0.27	0.27	0.27	0.27	0.28	0.28
<b>Profitability Ratios:</b>								
Return on Equity (NI/Beg TSE)	31.71%	31.46%	31.82%	32.56%	33.48%	34.24%	35.28%	36.49%
Gross Margin	47.43%	47.86%	51.39%	51.80%	52.25%	52.47%	52.70%	52.92%
Return on Assets (NI/Avg Total Assets)	12.51%	12.38%	12.31%	13.31%	14.00%	14.54%	15.10%	15.66%
Operating Margin	22.2%	22.1%	22.1%	24.4%	25.6%	26.3%	27.0%	27.7%
<b>Payout Policy Ratios:</b>								
Dividend Payout Ratio (Dividend/EPS)	58.72%	60.66%	61.92%	62.11%	62.99%	64.06%	64.63%	64.83%
Total Payout Ratio ((Divs. + Repurchases)/NI)	126.90%	110.95%	95.62%	98.69%	100.50%	103.02%	105.19%	107.26%

**Procter & Gamble***Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding*

Number of Options Outstanding (shares):	108
Average Time to Maturity (years):	5.10
Expected Annual Number of Options Exercised:	21

Current Average Strike Price:	\$ 111.59
Cost of Equity:	6.38%
Current Stock Price:	\$162.30

<b>Fiscal Years Ending Jun. 30</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
Increase in Shares Outstanding:	21	21	21	21	21
Average Strike Price:	\$ 111.59	\$ 111.59	\$ 111.59	\$ 111.59	\$ 111.59
<b>Increase in Common Stock Account:</b>	<b>2,355</b>	<b>2,355</b>	<b>2,355</b>	<b>2,355</b>	<b>2,355</b>
Share Repurchases (\$)	6,258	6,883	7,572	8,329	9,162
Expected Price of Repurchased Shares:	\$ 162.30	\$ 168.67	\$ 175.28	\$ 182.16	\$ 189.31
<b>Number of Shares Repurchased:</b>	<b>39</b>	<b>41</b>	<b>43</b>	<b>46</b>	<b>48</b>
Shares Outstanding (beginning of the year)	2,357	2,340	2,320	2,298	2,273
Plus: Shares Issued Through ESOP	21	21	21	21	21
Less: Shares Repurchased in Treasury	39	41	43	46	48
<b>Shares Outstanding (end of the year)</b>	<b>2,340</b>	<b>2,320</b>	<b>2,298</b>	<b>2,273</b>	<b>2,246</b>

**Procter & Gamble***Valuation of Options Granted under ESOP*

Current Stock Price	\$162.30
Risk Free Rate	4.28%
Current Dividend Yield	2.46%
Annualized St. Dev. of Stock Returns	18.00%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	108	111.59	5.10	\$ 56.29	\$ 6,059
Total	108	\$ 111.59	5.10	\$ 73.74	\$ 6,059

# Procter & Gamble

## Sensitivity Tables

WACC

CV Growth of NOPLAT							
206.22	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%
5.87%	189.85	200.31	212.22	225.90	241.77	260.41	282.60
5.97%	184.98	194.88	206.11	218.96	233.81	251.16	271.70
6.07%	180.33	189.71	200.32	212.41	226.33	242.51	261.57
6.17%	175.90	184.80	194.83	206.22	219.29	234.41	252.13
6.27%	171.67	180.11	189.61	200.36	212.65	226.81	243.32
6.37%	167.61	175.64	184.64	194.80	206.37	219.66	235.07
6.47%	163.73	171.37	179.91	189.53	200.44	212.92	227.34

Pre-Tax Cost of Debt

Marginal Tax Rate							
206.22	17.73%	18.23%	18.73%	19.23%	19.73%	20.23%	20.73%
4.10%	211.87	210.56	209.25	207.94	206.62	205.31	203.99
4.25%	211.27	209.97	208.67	207.36	206.06	204.75	203.44
4.40%	210.68	209.39	208.09	206.79	205.49	204.19	202.89
4.55%	210.09	208.81	207.51	206.22	204.93	203.64	202.34
4.70%	209.51	208.23	206.94	205.66	204.37	203.08	201.80
4.85%	208.93	207.65	206.38	205.10	203.82	202.54	201.25
5.00%	208.35	207.08	205.81	204.54	203.26	201.99	200.71

25 Fabric/Home Rev grwt

2025 Health Care Revenue Growth							
206.22	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%
1.45%	205.32	205.41	205.50	205.59	205.68	205.77	205.86
1.70%	205.54	205.62	205.71	205.80	205.89	205.98	206.07
1.95%	205.75	205.84	205.92	206.01	206.10	206.19	206.28
2.20%	205.96	206.05	206.13	206.22	206.31	206.40	206.49
2.45%	206.17	206.26	206.35	206.43	206.52	206.61	206.70
2.70%	206.38	206.47	206.56	206.64	206.73	206.82	206.91
2.95%	206.59	206.68	206.77	206.86	206.94	207.03	207.12

Risk-Free Rate

Normal Cash Estimate							
206.22	3.09%	3.34%	3.59%	3.84%	4.09%	4.34%	4.59%
3.98%	224.01	223.86	223.70	223.54	223.38	223.22	223.06
4.08%	217.94	217.78	217.62	217.47	217.31	217.15	216.99
4.18%	212.17	212.01	211.86	211.70	211.55	211.39	211.24
4.28%	206.69	206.53	206.38	206.22	206.07	205.91	205.76
4.38%	201.47	201.31	201.16	201.01	200.86	200.70	200.55
4.48%	196.49	196.34	196.19	196.04	195.89	195.73	195.58
4.58%	191.75	191.60	191.45	191.30	191.15	191.00	190.85

Equity Risk Premium

Beta							
206.22	0.27	0.32	0.37	0.42	0.47	0.52	0.57
4.40%	268.98	250.71	234.69	220.54	207.94	196.66	186.49
4.60%	264.26	245.84	229.74	215.56	202.97	191.72	181.60
4.80%	259.70	241.14	224.99	210.79	198.22	187.02	176.96
5.00%	255.29	236.62	220.42	206.22	193.68	182.53	172.53
5.20%	251.02	232.26	216.02	201.84	189.34	178.24	168.31
5.40%	246.89	228.05	211.80	197.63	185.18	174.14	164.29
5.60%	242.88	223.98	207.73	193.59	181.19	170.21	160.44

2025 COGS % of Revenue

2025 SG&A % of Revenue							
206.22	25.93%	26.43%	26.93%	27.43%	27.93%	28.43%	28.93%
43.26%	231.18	227.02	222.86	218.70	214.54	210.38	206.22
43.76%	227.02	222.86	218.70	214.54	210.38	206.22	202.06
44.26%	222.86	218.70	214.54	210.38	206.22	202.06	197.90
44.76%	218.70	214.54	210.38	206.22	202.06	197.90	193.74
45.26%	214.54	210.38	206.22	202.06	197.90	193.74	189.58
45.76%	210.38	206.22	202.06	197.90	193.74	189.58	185.42
46.26%	206.22	202.06	197.90	193.74	189.58	185.42	181.26