

7/28/16

Colgate-Palmolive Company
Second Quarter 2016
Earnings Release Prepared Remarks
Thursday, July 28, 2016

Today's conference call will include forward-looking statements. Actual results could differ materially from these statements. Please refer to the earnings press release and the most recent Form 10-K and subsequent SEC filings, all available on Colgate's website, for a discussion of the factors that could cause actual results to differ materially from these statements.

This conference call will also include a discussion of non-GAAP financial measures, including those identified in Tables 8 and 9 of the earnings press release. A full reconciliation with the corresponding GAAP measures is included in the earnings press release and is available on Colgate's website.

Good morning and welcome to our second quarter earnings release conference call. With me this morning are Ian Cook, Chairman, President and CEO, Dennis Hickey, CFO, Victoria Dolan, Corporate Controller and Elaine Paik, Treasurer.

Happily, the momentum we saw in the first quarter continued into the second quarter with good organic sales growth, within our targeted range of four to seven percent, and as compared to the strongest quarter of last year. Gross profit margin accelerated nicely, which allowed us to increase worldwide advertising as a percent to sales. And, as you will hear in more detail, our market shares are strong. New products continue to play an important role in our strategy. Innovation across categories has helped fuel growth around the world. And our Global Growth and Efficiency Program is on track.

Our balance sheet is strong and so is our cash generation.

We continue to be faced with macroeconomic challenges in many parts of the world, coupled with ongoing and sometimes volatile currency headwinds. In light of this, we are particularly pleased with the results.

Just a quick housekeeping note before we get into the Divisions. As was mentioned in this morning's 8-K filing, as a result of management changes effective April 1, 2016, the Company realigned the geographic structure of its Europe/South Pacific and Asia operating segments. Beginning this quarter, the results of the South Pacific operations are reported in the Asia Pacific operating segment. There is no impact on historical Company results overall. For informational purposes, recast historical geographic segment and geographic sales growth information conforming to the new reporting structure has been provided within this morning's 8-K and the For Investors section of Colgate's website at www.colgatepalmolive.com.

Let's turn to the divisions.

North America

We are pleased with another solid quarter in North America. Our U.S. and Canada businesses, including our Tom's of Maine and professional businesses, contributed to good growth.

7/28/16

Innovation across categories helped drive market shares – as referenced in the press release, market shares increased on a year-to-date basis in toothpaste, manual toothbrushes, mouthwash, liquid hand soap, body wash, liquid cleaners and fabric conditioners.

Our oral care franchises are strong. In toothpaste, our leadership position year to date through June of 35.7% has increased to 35.8% in the latest read. New products supported by impactful marketing campaigns and in store activity have been critical to this success. Colgate Total Daily Repair toothpaste, our most recent addition to the Colgate Total equity, is driving growth in the super premium segment, with year-to-date shares increasing from 3.7% in 2015 to 4.3% in 2016, increasing our overall Colgate Total share by 60 basis points. In addition to equity drivers such as engaging media and in-store and on-line support in the second quarter, we linked Colgate Total to National Women's Health Week.

Colgate Optic White is performing well with a full portfolio including multiple toothpaste offerings as well as whitening toothbrushes and mouthwash for a complete regimen approach. Adding to the basic Optic White, Optic White Platinum Express White and Optic White Platinum Lasting White variants was the recent launch of Optic White Platinum High Impact White toothpaste. Our overall Optic White toothpaste share is at 6.3% year to date and in the second quarter reached 6.6%, up 80 basis points from the year ago period.

Colgate 360° Toothbrush continues to deliver differentiated and incremental innovation. In the first quarter we launched Colgate 360° Enamel Health Whitening toothbrush with spiral polishing bristles and stain erasing cups. Market share for the Colgate 360° toothbrush range has grown from 13.1% in 2011 to 19.8% in 2015 and is up again this year, achieving 22.1% through June 2016.

Continuing the momentum for the Colgate 360° franchise, shipping this month in the U.S. is the new Colgate 360° Total Advanced 4 Zone manual toothbrush. This revolutionary new toothbrush features a high tech, ergonomic design, and a tongue and cheek cleaner with longer rubber nubs than any previous Colgate 360° toothbrush. It is specifically designed to clean the 4 zones of your mouth--your teeth, tongue, cheeks and gums. This launch is being supported via comprehensive shopper activation at key retailers

In personal care, innovation in both liquid hand soap and body wash have driven share increases. In the first quarter we launched Softsoap Pure Foaming Hand Soap. The simple, gentle formula cleans and purifies and has 100% natural fragrance with no dye or alcohol. We told you last quarter about Softsoap Luminous Oils body wash which comes in two variants – avocado oil & iris and macadamia oil & peony. This new line has been incremental to our overall body wash share and the macadamia oil & peony variant has been the number one Softsoap body wash variant at a major U.S. retailer for 13 out of the last 15 weeks.

Europe

Despite continued macroeconomic uncertainties across the region, Europe delivered another quarter of positive organic sales growth. Toothpaste market shares remained relatively stable at 35.2% across the region. We enjoyed market share increases in manual and battery toothbrushes, body wash, bar soap and fabric conditioners.

7/28/16

While toothpaste share was relatively stable across the region, we saw some good increases in individual countries as referenced in the press release, with strength in both the Colgate and GABA brands.

You may recall we told you last quarter about the roll-out of our toothbrush plus whitening pen which has met with great success. Our regional overall manual toothbrush share is at 27% year to date, up 250 basis points from the year ago period and over ten share points ahead of the nearest competitor. In France, one of the first launch markets to launch the toothbrush plus whitening pen, our overall year to date toothbrush share has gone to 25.5% from 18.2% in the year ago period.

Our year to date body wash share is up 40 basis points from 12.7% to 13.1%, with gains coming both from the Palmolive and Sanex brands. You will recall we recently launched a range of Sanex products, including body wash, for dry and atopic skin. In the bigger Sanex markets – France, Spain and the UK – our overall body wash shares increased 100 basis points, 140 basis points and 30 basis points, respectively, year to date.

Our fabric conditioner share year to date increased 150 basis points across the region from 23.3% to 24.8%. Our largest market, France saw growth of over a point from 47.4% to 48.5%, with the most recent read at 50.1%, and this in the face of continued stiff competitive activity.

More innovation is planned for the back half of this year. As in other parts of the world, the toothpaste whitening segment is strong and growing at almost twice the rate of the overall toothpaste category. We lead in this segment with a 43% year-to-date share. To capitalize on the growth opportunity in this segment, we are relaunching Colgate Max White Optic with revitalized graphics and an improved formula which is three times more powerful for instantly and visibly whiter teeth.

A new GABA product is meridol Parodont Expert, a clinically proven, daily use toothpaste which increases gum resistance against periodontitis. This offering fills a gap in our portfolio.

In personal care, we hope to continue the momentum in body wash with the launch of Palmolive Gourmet Spa – a unique concept which has been proven in other geographies. As I'm sure you recall, this range of body washes has a high density creamy formula, offered in Vanilla Pleasure, Chocolate Passion, Peach Delight and Strawberry Touch. New sleeve packaging provides a premium look, high quality satin finishing, extended communication surface and strong shelf impact. Sanex is now launching Sanex Men, a unique positioning for the mass market as it is the first range of products – body washes, shampoo and underarm protection – which is truly focused on men's skin health.

Latin America

The strong organic sales growth of the first quarter continued into the second quarter. And, as you would expect, innovation contributed to these results across categories.

In toothpaste, our regional share year to date is up 80 basis points to a record 75.5%. In Brazil, our share is at a record 73.3% with the most recent read at 73.5%. In the highly competitive whitening category, our Colgate Luminous White equity is doing well. The complete regimen offering of toothpaste, manual toothbrush, toothbrush plus whitening pen and mouthwash has

7/28/16

been supported by a new and strong marketing campaign, “Designed to Make You Shine.” In Mexico, where our overall toothpaste share is back over 80%, Colgate Luminous White toothpaste has achieved a record 9.1% share year to date – up 60 basis points over the year ago period.

Our regional mouthwash share is also strong – up 30 basis points to 31.5% year to date. In Brazil, the launch of Colgate Plax Ice Infinity has met with exceptional results and driven our share up 170 basis points year to date to 35.2%.

In the personal care category, in Brazil we launched Protex Pro-Hidrata with macadamia oil, a line of bar soap, body wash and liquid hand soap offering moisturizing sensation as well as the antibacterial protection for which Protex is known. The bundle is incremental to the Protex equity, driving the Protex body cleansing share from 13.6% in December of 2015 to 14.6% in the most recent period – further establishing Protex as the leading antibacterial body cleansing equity in Brazil.

Our new product flow is continuing in the second half of the year. Launching now are two new toothpastes. The first, priced at the premium range of the category, Colgate Total Professional Daily Repair, creates a shield in 100% of the mouth surfaces that helps repair early enamel demineralization and prevent teeth and gum problems. The second, Colgate Triple Action Extra Whitening, should help drive share in the base business. Its exclusive formula with micro polishing particles provides extra whitening: it removes stains, works from the first brushing and restores the teeth’s natural whiteness. Along with the Triple Action toothpaste will be a companion Colgate Triple Action Whitening toothbrush.

To further build on our momentum with Protex, we are continuing the launch of Protex for Men 3 in 1. The product, which comes in liquid or bar soap form, delivers three benefits. Besides eliminating 99.9% of bacteria, it actively cleans the body without drying out the skin, it prepares the skin for a soft shave and it can be used as a shampoo leaving men’s hair clean with a masculine fragrance.

Asia/South Pacific

Results were somewhat muted in the region in this quarter on an overall basis with pockets of strength.

For instance, in the Philippines, our toothpaste share increased over 200 basis points year to date to 62.6% with the most recent read at 64.6%. Lower priced offerings such as Colgate Triple Action and Colgate Fresh Confidence as well as premium priced Colgate Sensitive contributed to the share gains. To continue the momentum we are in the process of introducing Colgate Fresh Confidence Bamboo Charcoal toothpaste in that market.

In India, our manual toothbrush share is up 200 basis points year to date to 45.7%. Colgate Zig Zag Black has contributed to the share gain.

As you would expect, we have more innovation slated for the balance of the year. In India, the consumer believes strongly in natural ingredients. We told you last quarter about two toothpaste initiatives, Colgate Active Salt with Neem and Colgate Sensitive with Clove Essence. A third toothpaste launching this quarter under the Cibaca sub brand is Colgate Cibaca Vedshakti. The

7/28/16

positioning is a toothpaste “packed with the goodness of natural ingredients to help keep dental problems away.”

In the toothbrush category, we are launching Colgate Slim Soft Charcoal Spiral. Charcoal toothbrushes have been particularly successful in this region and this latest brush offers spiral bristles with charcoal.

Mouthwash is a small but growing category across the region. Our regional share is up year to date by 30 basis points to a record 28%. To continue the momentum this quarter in India we are launching Colgate Plax Spicy Fresh – delivering spicy freshness without the burn.

Africa/Eurasia

Our business across the region remains solid despite macroeconomic challenges and continued currency headwinds.

Our toothpaste market shares are strong. In Russia, our share is up 120 basis points year to date to 34.9%. Much of the growth has come from our mainstream businesses – Colgate Triple Action and Colgate Maximum Cavity protection. In Turkey, our share is around the prior year to date level at 26.8% but in the most recent period our share is at 28.1%. And, in South Africa, our year to date share is at 50.4%, up 10 basis points with the most recent read at 50.6%.

In South Africa, our manual toothbrush share is up 60 basis points to 38.6% year to date with the most recent read at 39.2%.

We’ve told you before about Colgate Total Pro Breath Health toothpaste, first launched in Latin America. This toothpaste with a new formula with ON12 complex that neutralizes bad breath bacteria while protecting 100% of the surfaces of the mouth will be rolled out across this region, supported by media and key visuals in store to communicate the benefits. Similarly drawing from other regions, we will be launching Colgate Sensitive Pro-Relief Repair and Prevent toothpaste formulated to repair the cause of sensitivity and prevent further sensitivity from gum recession. A product developed for the Russian market is our new Colgate Altai Herbs Ginseng, which adds Ginseng, a natural healing ingredient, to the Colgate Altai Herbs toothpaste launched previously.

In the personal care category, we are relaunching our Palmolive Gourmet Spa line of shower gels with improved graphics. In addition we have added two new variants, mint and coconut.

Hill’s

As with the Colgate businesses, Hill’s continues with solid results fueled by successful innovation. Launched now over a year ago Prescription Diet Metabolic Plus continues to deliver outstanding performance. The complete range of dry and stews has been rapidly distributed across all regions and is now selling in 46 countries. Building on the solid Metabolic Plus platform, in May of this year we launched Prescription Diet Metabolic Plus Urinary Stress for cats – with clinically proven nutrition for concurrent conditions of obesity and feline lower urinary tract disease. This launch was integrated into an overall focus on urinary problems, which are very common in cats. The product is now available in thirteen countries across North America and Europe.

7/28/16

Dermatological disorders and skin issues represent the 4th largest therapeutic food category in dollar sales for pets. In 2016 we have two major initiatives in this area: Prescription Diet Derm Defense and an upgrade of our Prescription Diet z/d. Prescription Diet Derm Defense is Hill's first and only nutrition with HistaGuard Complex formulated to reduce signs of environmental allergy by disrupting the internal allergy response and creating a barrier against future episodes in dogs. It is now in the U.S. and Europe and will be rolled out across the rest of the world. The science was presented both at a Global Derm Symposium in April in California and at the World Congress of Veterinary Dermatology in May in France, driving awareness among key thought leaders. Our Prescription Diet z/d upgrade has been reformulated to increase ingredients known to support skin and coat and GI health. In addition, we launched a small bites variant for the rapidly growing small dog population.

Innovations across our Science Diet platform continue to do well. In addition to our Science Diet Perfect Weight and Science Diet Healthy Cuisine, which we told you about last quarter, our Science Diet Urinary Hairball Control for cats is exceeding original sales estimates in North America. It is now the number one wet variant for Science Diet. In Europe we have an online quiz and game as well as videos for the product to generate interest and trial.

Summary

We are very pleased with how the year is progressing. Our organic sales growth is solid and our savings programs as well as our Global Growth and Efficiency Program are delivering a healthy gross profit margin increase. Around the world Colgate people are executing our focused strategies. Our innovation pipeline is full and we're excited about what is yet to come. We look forward to sharing our results with you as we go through the balance of the year.