Prepared Management Remarks
First Quarter 2022
April 29, 2022

Please review the following prepared management remarks in conjunction with our first quarter 2022 earnings press release, Q1 2022 Quarterly Report on Form 10-Q and additional information regarding our non-GAAP financial measures, including GAAP to non-GAAP reconciliations, available in the Investor Center section of our website at www.colgatepalmolive.com/investors.

We also invite you to listen to our live question and answer webcast with Noel Wallace, Chairman, President and Chief Executive Officer, Stan Sutula, Chief Financial Officer, and John Faucher, Chief Investor Relations Officer, SVP, M&A, which will begin today at 8:30 a.m. Eastern Time. The live audio webcast can be accessed on our website at www.colgatepalmolive.com. For those unable to participate during the live webcast, a recorded version of the webcast will be made available through the Investor Center section of our website at www.colgatepalmolive.com/investors.

Cautionary Statement

These prepared remarks include forward-looking statements. Actual results could differ materially from these statements. Forward-looking statements inherently involve risks and uncertainties and are made on the basis of our views and assumptions as of April 29, 2022. We undertake no obligation to update them, except as required by law or by the rules and regulations of the SEC. Please refer to the earnings press release and our most recent filings with the SEC, including our 2021 Annual Report on Form 10-K and subsequent SEC filings, all available on our website, for a discussion of the factors that could cause actual results to differ materially from these statements. These remarks also include a discussion of non-GAAP financial measures (which exclude certain items from reported results), including those identified in Tables 5 and 6 of the earnings press release. A full reconciliation to the corresponding GAAP financial measures and related definitions are included in the earnings press release, which is available on our website.

Management Commentary

We delivered solid results in the first quarter of 2022, with organic sales growth in line with our long-term targets, despite an operating environment that continues to be among the most volatile in recent memory.

Our growth strategy continues to bear fruit, and while geopolitical and economic uncertainty, rising raw and packaging materials and logistics costs, and the continued impact of the COVID-19 pandemic are significant headwinds, we believe we have the right people, the right brands, and the right strategies to emerge from these volatile times in a position of strength.

We are raising our net sales guidance for the year to the higher end of our 1-4% range, using current spot rates, and raising our organic sales growth guidance for the year to 4-6% from 3-5%. This is due to our solid start to the year, with pricing and organic sales growth accelerating sequentially through the quarter. As more of our revenue growth management and innovation efforts roll into our results, we would expect organic sales growth to accelerate for the balance of the year.

Offsetting this improved sales outlook is $500 million in additional raw materials costs and $150 million in additional logistics costs for the year, which is incremental to our guidance in January. Much of this is related to the increase in oil prices due to the war in Ukraine, and the subsequent follow-on movement in raw materials, particularly fats and oils, which are generally up around 30% versus prices at the end of January, and are now up over 60% year-over-year. While costs were slightly higher than anticipated in Q1, particularly in March, we are now projecting significantly greater cost pressure through the balance of the year, with prices for fats and oils expected to continue to rise. All in, our raw materials spend is now expected to be up 22% for the year.

We are taking the appropriate measures to deal with these headwinds, including additional revenue growth management actions and incremental productivity, but they need to be balanced with an eye towards future growth. We will continue to deliver innovation to the market and invest in our capabilities and our brands to ensure that we sustain long-term organic sales growth in our 3-5% long-term range and deliver long-term profitable growth despite the current difficult operating environment.

First Quarter Overview

Net sales of $4.4 billion grew 1.5% year-over-year, driven by 4.0% organic sales growth and a negative currency impact of 2.5%. The organic sales growth was driven by oral care, where we grew organic sales in every division, and pet nutrition. Personal care organic sales were down as we lapped the tail end of the COVID-19 benefits in categories like liquid hand soap.

Volume was down 1.5% as growth in North America and Hill's was offset by declines in other divisions. At this point, elasticities related to pricing are either in line with, or better than historical norms. Volume was also negatively impacted by the COVID-19-related factory closures in the second half of last year in Asia and supply chain disruptions, although we believe those headwinds are now predominantly behind us. Volume performance improved in February/March versus January despite an acceleration in pricing growth.

We delivered pricing growth of 5.5% in the quarter, putting our two-year stack on pricing at 10%, driven by our emerging markets business and Hill's. As we discussed on the fourth quarter call, developed market pricing was implemented primarily during the February through April period and this should lead to higher overall pricing through the balance of the year.

Our gross margin was down 220 basis points in the quarter, on both a GAAP and Base Business basis. Pricing was a 200 basis point benefit to gross margin, while raw materials were a 590 basis point headwind. Productivity was favorable by 170 basis points.

On a GAAP and Base Business basis, our SG&A was up 40 basis points on a percent-to-sales basis, driven by a 200 basis point increase in our logistics to sales ratio, due to rate increases driven by tight capacity across the logistics industry as well as fuel price increases. Our overheads, ex-logistics, were down 80 basis points, driven by strong cost containment, productivity, and sales leverage.

Our advertising-to-sales ratio was down 80 basis points year-over-year, due mostly to timing of spending. We still expect advertising to be up on both a dollar basis and a percent-to-sales basis for the full year.

For the first quarter, on a GAAP basis, we delivered earnings per share of $0.66. Our GAAP earnings per share includes $65 million of aftertax charges resulting from our 2022 Global Productivity Initiative. On a Base Business basis, we delivered earnings per share of $0.74, down 8% year-over-year.

As expected, our free cash flow was down year-over-year given higher inventories due to increased raw material costs, lower net income, and higher cap-ex, primarily to build additional capacity for growth.

During the first quarter, we announced our 60th consecutive annual dividend increase, as well as the authorization of a new $5 billion share repurchase program.

We are also making good progress on our ESG commitments. Since the end of the quarter, we published our first TCFD and SASB reports, as well as our 2021 Sustainability & Social Impact Report and our 2022 Diversity, Equity & Inclusion Report, all of which can be found on our website.

Divisional Summaries

North America

North America delivered net sales and organic sales growth of 0.5% in the quarter, as modest growth in the United States was partially offset by a decline in Canada driven by promotional timing. Oral care in the United States grew mid-single-digits, while liquid hand soap and hand dish soap declined year-over-year as the categories normalize after COVID-19-related increases.

We expect divisional and oral care performance to further improve going forward given easing of logistics constraints, revenue growth management efforts that are appearing in the market now, and the shift of promotional timing mentioned above. We are also encouraged by the performance of our Colgate Optic White Pro Series toothpaste launch, with market shares ahead of our initial expectations.

Europe

The Europe division saw net sales decline 9.0%, with an organic sales decline of 3.0% and a negative foreign exchange impact of 6.0%. Pricing growth of 2.0% in the quarter was more than offset by a 5.0% volume decline. Oral care grew low-single-digits in the quarter, while personal care was down due to weakness in France and home care was flat. Volume was also negatively impacted by supply chain constraints and the impact of pricing negotiations, but we expect that impact to lessen in the second quarter.

elmex and meridol continued their share gains in toothpaste behind increased investment, new products and positive pricing.

Latin America

Latin America delivered 5.5% net sales growth and 6.5% organic sales growth, with a negative 1.0% impact from foreign exchange in the quarter. Latin America delivered strong pricing growth in the quarter, partially offset by expected volume declines.

All three of our categories grew organic sales mid-single-digits in the quarter, although our oral care growth was negatively impacted by the COVID-19-related factory closures in the second half of last year in Asia.

In Brazil, we are focused on innovating across all price tiers. The relaunches of both Colgate Total 12 and Sorriso toothpaste brands provided us with news on our biggest core franchises at the top and bottom end of our price tiers, which helped us grow market share during the quarter.

Asia Pacific
Asia Pacific net sales declined 1.5% in the quarter, as 1.0% organic sales growth was more than offset by a negative 2.5% impact from foreign exchange. The organic sales growth was driven by strength in the Colgate China business and Australia. Our Hawley & Hazel joint venture was down in the quarter in advance of a significant relaunch that we expect to accelerate growth through the balance of the year, but our omnichannel toothpaste market share in China continues to grow year-over-year, driven by a 600 basis points increase in eCommerce market share.

We launched significant whitening innovation in Asia Pacific in the quarter, with Colgate Visible White O2 in India and Colgate Optic White O2 in other markets in Asia. This new formula offers improved whitening benefits and we believe offers an opportunity to grow this underdeveloped segment in Asia.

Africa/Eurasia
Africa/Eurasia net sales declined 2.0% in the quarter as strong organic sales growth was more than offset by negative foreign exchange. We took significant pricing across the division to offset higher raw material and logistics costs as well as negative foreign exchange. Volume was down in the quarter due to the higher pricing as well as the impact from the war in Ukraine and the supply chain disruptions in the second half of 2021.

Hill's Pet Nutrition
Hill's delivered another excellent quarter, with net sales and organic sales up at least mid-single-digits in all hubs except Australia, where supply chain disruptions impacted volumes. In the United States, volume was up high-single-digits.

Yesterday, we acquired certain manufacturing assets of Nutriamo, a wet pet food manufacturer based in Italy. This acquisition gives us additional capacity to meet untapped demand for our wet pet nutrition diets, particularly in Europe.

Also, as Noel mentioned during his CAGNY presentation, we are excited for the core relaunch of our Hill's Prescription Diet business, which began in Europe during the first quarter and is rolling out to the United States in the second quarter.

<u>Guidance</u>
We now expect organic sales growth for the year to be 4-6%, driven primarily by accelerating oral care growth behind premium innovation, and pricing across all categories, along with continued strong growth in pet nutrition.

Using current spot rates, we expect foreign exchange to be a low-single-digit headwind to revenues, operating profit and earnings growth for the year.

Net sales growth is now expected to be at the higher end of our previous 1-4% range.

Given the incremental raw materials headwinds discussed above, we now expect gross margin to decline for the year, on both a GAAP and Base Business basis. The biggest impact on our revised gross margin guidance is the $500 million incremental impact of higher raw material prices. We have assumed that oil will remain at roughly current levels through the balance of the year.

Advertising is expected to be up both on a dollar basis and a percent-to-sales basis.

Overheads, excluding logistics, are expected to be down year-over-year on both a dollar basis and a percent-to-sales basis given our productivity efforts, including our funding-the-growth initiatives and our 2022 Global Productivity Initiative.

Logistics is expected to be a significant headwind to the year, but to have less of a year-over-year impact through the balance of the year. The incremental logistics headwinds are primarily due to continued increases in land and ocean freight rates as well as higher fuel prices.

We continue to take additional steps to mitigate the impact of logistics and raw material cost headwinds, including additional pricing, optimizing trade spending and accelerating our funding-the-growth efforts where possible. In addition, as we mentioned on our fourth quarter call, our 2022 Global Productivity Initiative will provide savings in the second half of 2022 and into 2023.

Our tax rate is expected to be 24% for 2022, on both a GAAP and Base Business basis. This now includes an incremental impact from recently finalized U.S. tax regulations that place greater restrictions on our ability to take foreign tax credits against U.S. taxes on foreign-sourced income, which is an additional $0.05 impact on EPS growth on a Base Business basis versus our previous guidance.

On a GAAP basis, net interest expense will be favorable year-over-year. Given the expectations for more aggressive interest rate policies, we now expect net interest expense on a Base Business basis to be an additional $0.02 impact versus our previous guidance.

On a GAAP basis, interest and tax all in are now expected to be a 1% tailwind to EPS growth for the year. On a Base Business basis, interest and tax are now expected to be a 3% headwind to EPS growth.

We still expect double-digit earnings per share growth on a GAAP basis. On a Base Business basis, we expect earnings per share to decline mid-single-digits.