



**Prepared Management Remarks  
Fourth Quarter and Full Year 2023  
January 26, 2024**

Please review the following prepared management remarks in conjunction with our fourth quarter and full year 2023 earnings press release, our fourth quarter and full year 2023 earnings presentation and additional information regarding our non-GAAP financial measures, including GAAP to non-GAAP reconciliations, which are available in the Investor Center section of our website at [www.colgatepalmolive.com/investors](http://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, EVP, 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](http://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](http://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 January 26, 2024. 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 2022 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 4, 6, 7, 8 and 9 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**

Our strong fourth quarter results completed a year of strong sales, profit, earnings per share and cash flow growth in 2023. Our continued execution against our strategy led to financial results ahead of our initial guidance in the face of significant macroeconomic, foreign exchange and cost volatility. Importantly, we delivered this performance while still investing to build our brands and our capabilities, leaving us well positioned to continue to deliver growth in 2024.

While the operating environment remains challenging, our consistent execution against our strategy and our focus on building and scaling capabilities across the organization means we are entering 2024 with strong top and bottom line momentum and a long-term plan to deliver consistent, compounded earnings per share growth.

### **Full Year 2023 Overview**

In 2023, we delivered our strongest annual net and organic sales growth since 2008. For the full year, we delivered record net sales of \$19.5 billion, with growth of 8.5%. Organic sales also grew 8.5% for the full year, with growth in all six divisions and all four of our categories. Our acquisitions of pet food manufacturing businesses added 1.0% to full year 2023 net sales growth. Foreign exchange was a -1.0% impact to net sales for the year. We grew global value market share in toothpaste for the year, with our year-to-date market share increasing sequentially quarter by quarter.

We returned to gross profit margin expansion for the year, with a 120 bps increase in our gross profit margin and double-digit gross profit dollar growth in 2023, on both a GAAP and Base Business basis.

For the full year, operating profit grew double digits on both a GAAP and Base Business basis.

We delivered double-digit GAAP earnings per share growth and high-single-digit Base Business earnings per share growth despite a significant increase in interest expense due to higher rates and a higher tax rate versus last year.

Our net income growth combined with our discipline on working capital drove improved cash flow performance in 2023. Our operating cash flow was up 47% for the year, while our free cash flow increased 63% even as we continued to invest for growth through higher capital expenditures.

For the full year, we returned \$2.7 billion to shareholders through share repurchases and dividends.

To execute against our growth strategy, we delivered impactful core innovation in 2023, with relaunches on Colgate Herbal toothpaste in Africa and Colgate Dental Cream Anti-Cavity toothpaste in India. In personal care, we brought premium core innovation with relaunches on both Sanex and Palmolive in Europe. In home care, we relaunched Fabuloso in the U.S. at 2x concentration to deliver value for consumers while improving its sustainability profile.

To better tap into the faster growth adjacent segments of our categories, we launched significant innovation throughout the year. We expanded the availability of our MPS whitening technology, which is now in over 50 markets and is building our global share in the whitening segment. In skin health, we launched PCA Skin Pro-Max Age Renewal serum and EltaMD UV AOX Mist sunscreen. Hill's began the year with the launch of Prescription Diet Onc Care, specially formulated to provide palatable nutrition for pets with cancer.

Our focus on faster growth channels and markets continues to pay off with record pharmacy and drug channel shares for our elmex brand in Europe and Latin America along with another year of double-digit net and organic sales growth in e-commerce.

We continued to invest behind our brands and capabilities in 2023, utilizing our strong gross profit growth to fund investment while still delivering high-single-digit earnings per share growth. We increased advertising spending by 19% for the year to improve brand health, increase household penetration and improve volumes.

As part of our digital transformation, we have increased our programmatic media buying so that we are not just spending more money on advertising, but also spending it more effectively.

We made revenue growth management a key focus for our data and analytics team in 2023, resulting in pricing strategies that allowed us to begin to expand our gross profit margin while still offering compelling value to our consumers.

Productivity is another key component to our improved bottom line performance in 2023. This was a record year for our funding-the-growth initiatives, which provided a 270 basis point benefit to gross profit margin for the year. Our 2022 Global Productivity Initiative delivered additional savings that helped us fund the increased investment behind our brands and capabilities.

#### **Fourth Quarter Overview**

Net sales were \$5.0 billion in the fourth quarter, our highest quarterly sales result ever, representing 7.0% growth year-over-year. Organic sales growth was 7.0%, with growth in all six divisions and all four categories, led by double-digit growth on oral care.

As expected, our pricing growth decelerated in the quarter. We are taking less incremental pricing given lower levels of raw and packaging material inflation.

Volume was flat in the quarter including the negative impact of lower private label volume at Hill's. Excluding this impact, total company volume would have been up for the quarter, led by strong volume growth on toothpaste. We are encouraged by the sequential improvement in organic volume performance and expect it to continue in 2024.

On both a GAAP and Base Business basis, our gross profit margin in the quarter was up 400 basis points year-over-year. For the quarter, pricing was a 280 basis point benefit to gross profit margin, while raw materials had a 180 basis point negative impact. Our funding-the-growth initiatives delivered a 300 basis point benefit to gross profit margin.

SG&A was up 110 bps year-over-year on a GAAP and Base Business basis. Advertising spend was up 18% year-over-year and up 110 bps on a percent to sales basis. On a dollar basis, advertising was up year-over-year in every division as we focused on building brand health and driving household penetration.

We delivered operating profit growth on both a GAAP and Base Business basis. Base Business operating profit increased 14% versus last year with our Base Business operating profit margin up 140 bps year-over-year even with the significant increase in advertising.

For the fourth quarter, on both a GAAP and Base Business basis, we delivered earnings per share of \$0.87. On a Base Business basis, earnings per share was up 13%.

### **Divisional Summaries**

#### **North America**

North America delivered net and organic sales growth of 3.5% in the fourth quarter, led by toothpaste, bar soaps, liquid hand soap and cleaners. Volume grew 0.5% in the quarter, a 450 bps sequential improvement versus Q3 performance. Our volume and market share performance in the U.S. has begun to improve due to continued focus on innovation, increased advertising and the balanced use of promotions. Pricing was a 3.0% benefit to sales in the quarter.

#### **Europe**

Europe saw net sales increase 10.0%, with organic sales up 3.5% and foreign exchange favorable by 6.5%. This growth was widespread with every hub but Filorga delivering organic sales growth in the quarter. Our oral care business in Europe continues to deliver strong results with record high market shares for the division driven by a combination of both volume and pricing growth. Our body wash business in Europe also drove volume and pricing growth in the quarter behind the Sanex and Palmolive relaunches.

## **Latin America**

Latin America continued its very strong performance with double-digit net and organic sales growth for the fifth consecutive quarter. Oral care, personal care and home care all delivered mid-single digit volume growth in the quarter. Volume growth was led by Mexico and Brazil, where volume grew double-digits.

Our market share in the sensitivity segment of the toothpaste market continues to increase behind our efforts on elmex, while the launch of Colgate Luminous White Glow toothpaste is increasing our market share in the whitening segment.

## **Asia Pacific**

Asia Pacific net sales increased by 0.5% in the fourth quarter. Organic sales growth of 1.0% was partially offset by a -0.5% impact from foreign exchange.

India organic sales grew high-single-digits behind strong core and premium innovation. The Colgate Max Fresh toothpaste relaunch is driving strong momentum on the brand, with a new longer lasting cooling formula and more intense flavor.

Our H&H joint venture saw a sequential improvement in the quarter as shipments were more closely aligned with consumption, although category growth remains subdued. Colgate China delivered organic sales growth behind strong innovation and increased digital marketing.

## **Africa/Eurasia**

Africa/Eurasia delivered another strong organic sales growth quarter despite significant foreign exchange, geopolitical and macroeconomic headwinds. Net sales declined 4.0% in the quarter as organic sales growth of 17.0% was more than offset by a -21.0% impact from foreign exchange. Volume grew 7.5%, led by double-digit growth in toothpaste and body wash.

Despite the pressure from negative foreign exchange, we continued to invest behind the business, particularly behind our Bright Smiles, Bright Futures program that drives both per capita consumption and better oral health outcomes.

## **Hill's Pet Nutrition**

Hill's grew net sales 5.0% and organic sales 4.5% in the fourth quarter. Reported volume was down 4.0% reflecting the impact of lower private label volume. Excluding this impact, Hill's organic sales growth was in the high-single digits.

While the pet food category has slowed, we are still gaining share in the pet specialty channel behind the strength of our science-driven portfolio and our investment behind brand building, with advertising spending at Hill's up more than 100 bps on a percent to sales basis for both the fourth quarter and the year.

With the opening of our Tonganoxie plant last year, we have significant innovation planned for both our Science Diet and Prescription Diet wet food portfolios. Our enhanced science-based offerings include alternate forms and packages like stews, mousses, pouches and multi-packs that have secured additional shelf space in the pet specialty channel.

## **Guidance**

Here is our initial guidance for 2024:

We expect net sales growth of 1-4%. This reflects organic sales growth within our long-term targeted 3-5% range. Our net sales growth guidance also reflects a low-single-digit negative impact from foreign exchange.

Our expectation is for raw and packaging material costs to increase modestly in 2024, predominantly driven by specialty products and a year-over-year increase in the transactional impact of foreign exchange. This forecast is based on our cost projections, which may differ from spot prices. Given the carryover pricing from 2023, the benefits from Revenue Growth Management and another strong year for our funding-the-growth initiatives, we are guiding to gross profit margin expansion for the year.

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

Given the timing of interest rate increases in 2023, we expect interest expense to be higher in 2024, as we lap lower levels of interest expense in the first quarter.

Our tax rate is expected to be between 24.0% and 25.0% for the full year, on both a GAAP and Base Business basis.

We expect double-digit earnings-per-share growth on a GAAP basis and mid to high-single digit growth on a Base Business basis.