



PALMOLIVE



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PCA skin<sup>®</sup>Softsoap<sup>®</sup> BRAND

## Prepared Management Remarks

### First Quarter 2024

#### April 26, 2024

Please review the following prepared management remarks in conjunction with our first quarter 2024 earnings press release, our first quarter 2024 earnings presentation, our first quarter 2024 Quarterly Report on Form 10-Q 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](http://www.colgatepalmolive.com) and in Tables 3, 5 and 6 of the first quarter earnings press release.

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 April 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 2023 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 3, 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.

Please note that as of the first quarter of 2024, we have changed our rounding convention for sales growth measures (net sales growth and organic sales growth) in our reported results. Beginning this quarter, we are rounding these sales growth measures to the closest one tenth of one percent. Previously, we rounded these measures to the closest one half of one percent. Recast historical results for 2023 full year and by quarter can be found [here](#).

### **Management Commentary**

Our robust operating performance continued in the first quarter of 2024, with strong growth in net sales, organic sales, gross and operating profit and earnings per share. Our sustained execution against our strategy allowed us to deliver this performance while continuing to position our company for future growth as we increased our investment in advertising and continued to scale capabilities across the organization.

This multi-year commitment to increased investment behind innovation, brand health and other capabilities helped fuel our return to volume growth in the quarter. Volume grew 1.3% in the quarter, including the continued negative impact at Hill's from lower private label volume, an improvement from +0.1% volume growth in Q4 2023. We had volume growth in four of six divisions, in both developed and emerging markets and in oral care, personal care and home care.

We are increasing our net sales and organic sales guidance to reflect our strong start to 2024. While we have increased confidence in our earnings per share guidance given our strong start, we are maintaining the current range given the increased potential for macroeconomic and geopolitical disruptions.

## **First Quarter Overview**

Net sales were \$5.1 billion in the first quarter, representing 6.2% growth year-over-year. Organic sales growth was 9.8%, with growth in all six divisions and all four categories, led by mid-teens growth on oral care against a double-digit comparison.

Volume grew 1.3% in the quarter, an improvement from 0.1% volume growth in the fourth quarter of 2023, driven by sequential improvement in North America and Europe. On a category basis, volume growth was led by home care, while oral care and personal care also delivered volume growth in the quarter. Hill's volume continued to be negatively impacted by lower private label volume.

Pricing was +8.5% in the quarter, with positive pricing across all six divisions and all four categories. Excluding Argentina, pricing was up mid-single-digits in the quarter.

Foreign exchange was a 3.6% headwind to net sales growth for the first quarter, with strength in Mexico, Colombia, Brazil and Europe more than offset by weakness in Argentina, Türkiye and Nigeria. Excluding Argentina, foreign exchange was roughly flat in the quarter.

On both a GAAP and Base Business basis, our gross profit margin in the quarter was up 310 basis points year-over-year to 60.0%, ahead of our expectations. For the quarter, pricing was a 330 basis point benefit to gross profit margin, while raw materials, including the impact of transactional foreign exchange, had a 270 basis point negative impact. Our funding-the-growth initiatives delivered a 250 basis point benefit to gross profit margin.

SG&A as a percentage of net sales was up 90 basis points year-over-year on both a GAAP and Base Business basis. Advertising spend was up 16% year-over-year and up 120 basis points as a percentage of net sales. We continue to invest behind our brands to drive brand health and market share.

We delivered 15% operating profit growth on both a GAAP and Base Business basis. Our Base Business operating profit margin was up 170 basis points year-over-year even as we continue to increase our investment in advertising.

For the first quarter, on a GAAP basis, we delivered earnings per share of \$0.83. On a Base Business basis, earnings per share was up 18% to \$0.86.

Free cash flow was down 3% versus year ago in the quarter, primarily due to an increase in receivables given the timing of the Easter holiday. We expect this impact to reverse in the second quarter.

We returned \$903 million in cash to shareholders in the quarter, which was up 58% versus year ago, due to higher share repurchases and an increase in our quarterly dividend payment. We have paid a dividend for 129 consecutive years and have increased our dividend for 61 consecutive years.

### **Divisional Summaries**

#### **North America**

North America delivered 4.0% net and organic sales growth in the first quarter. Volume grew 2.9% in the quarter, with positive pricing of 1.2%. Along with a favorable comparison from the Fabuloso recall last year, our North America volume performance benefitted from volume growth in toothpaste, liquid hand soap, manual toothbrushes and body wash. Our hello brand delivered its best net sales and market share performance across both oral care and personal care.

#### **Europe**

The strength in our European results continued in the first quarter with an impressive balance of volume and pricing growth. Europe net sales grew 9.5%, with organic sales up 7.2% and favorable foreign exchange of 2.3%. Europe returned to volume growth, +3.1%, for the first time since Q2 2021, driven by strong performance in the U.K. and France. On a subcategory basis, volume growth was broad based, led by toothpaste and body wash. Pricing remained positive as we continued to execute on our Revenue Growth Management strategies. We continue to post record high toothpaste value market shares across the division, with particular strength in Germany and France behind Colgate in the whitening segment and elmex.

## **Latin America**

Latin America continued its very strong performance with double-digit net and organic sales growth for the sixth consecutive quarter, with strong growth in the quarter across all hubs. Oral care, personal care and home care all delivered mid to high-single-digit volume growth in the quarter. Every country reported positive volume growth in the quarter with the exception of Argentina, which was impacted by the significant pricing related to the currency devaluation.

We are growing toothpaste market share on both a volume and value basis year-to-date with continued strength across multiple price tiers and segments, including on Colgate Total, Colgate Triple Action and Colgate Luminous White.

## **Asia Pacific**

Asia Pacific net sales declined by 1.5% in the first quarter. Organic sales growth of 1.5%, with growth across oral care, personal care and home care, was more than offset by a -3.0% impact from foreign exchange.

Volume performance in the division was mixed, with growth in Colgate China, South Pacific, India and the Philippines more than offset by continued weakness in our H&H joint venture due to category softness and the elasticity impact of higher prices. We expect H&H performance to improve over the balance of the year as we lap the trade inventory draw downs that began in the second quarter of last year.

We continue to innovate in the whitening segment in Asia Pacific, which is driving premiumization in our toothpaste portfolio. Along with the continued success of Optic White O2, we have recently launched Optic White Purple in several markets across the division and we are also expanding the distribution of at-home whitening treatments as well.

## **Africa/Eurasia**

Africa/Eurasia continued to deliver strong pricing and volume growth in the midst of significant foreign exchange, geopolitical and macroeconomic headwinds. Net sales were down 4.5% in the quarter as organic sales growth of 16.2% was more than offset by

a -20.7% impact from foreign exchange. Volume growth of 3.9% was led by continued double-digit growth in toothpaste and strength in body wash.

We continue to invest behind our brands and to build healthy habits despite the pressure from foreign exchange in this region. Our toothpaste market shares are up nicely in the region year-to-date, led by a strong 310 basis point increase in Nigeria and a 120 basis point increase in South Africa.

### **Hill's Pet Nutrition**

Hill's grew net sales 3.9% and organic sales 4.2% in the first quarter. Reported volume was down 3.9% reflecting the impact of lower private label volume. Excluding the impact of private label volume, Hill's delivered high-single-digit organic sales growth in the quarter.

Hill's Science Diet and Hill's Prescription Diet continue to gain volume and value market share across our specialty channels, driven by our science-led innovation and significant increases in brand support despite subdued category volume growth. We expect volume performance for Hill's to improve over the balance of the year due to our innovation, brand investment, easier comparisons and less impact from lower private label volumes.

### **Guidance**

We have revised our guidance for 2024:

We are raising our net sales growth guidance to 2-5% (1-4% previously). This reflects higher organic sales growth guidance of 5-7% (3-5% previously) and a mid-single-digit negative impact from foreign exchange. We had previously expected a low-single-digit negative impact from foreign exchange.

Our expectation is for modest raw and packaging material cost inflation. This assumes increases in certain commodities as we go through the year 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 our pricing outlook, the benefits from revenue growth management and continued strength for our

funding-the-growth initiatives, we continue to expect gross profit margin expansion for the year.

Advertising is still expected to be up on both a dollar basis and as a percentage of net sales.

Given the timing of interest rate increases in 2023, we continue to expect interest expense to be higher in 2024.

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

We still expect double-digit earnings-per-share growth on a GAAP basis. On a Base Business basis, we continue to expect mid to high-single-digit growth. While we are encouraged by our strong start to the year, we have only reported one quarter, foreign exchange has moved negatively and there is potential for disruption from geopolitical turmoil and macroeconomic uncertainty.