



## Prepared Management Remarks

Second Quarter 2024

July 26, 2024

Please review the following prepared management remarks in conjunction with our second quarter 2024 earnings press release, our second quarter 2024 earnings presentation, our second 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/investors](http://www.colgatepalmolive.com/investors) and in Tables 4, 6, 7, 8 and 9 of the second 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 July 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 4, 6, 7, 8 and 9 of the second

quarter 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 focus on high-quality operating performance continued to deliver in the second quarter of 2024, with strong growth in net sales, organic sales, gross profit, operating profit and earnings per share. As we continue to execute against our strategy, we believe we are well positioned to deliver consistent, compounded earnings per share growth to drive top-tier total shareholder return. We are doing this while still positioning our company for future growth through increased investment and scaling of capabilities across our organization.

This focus on investment and capabilities is a driver behind the robust volume growth in the quarter. As Noel discussed at the Deutsche Bank Global Consumer Conference in June of 2024, we are committed to driving brand health and household penetration, which we believe are the building blocks of driving category growth, organic sales growth and market share performance. Volume growth of 4.7% in the quarter was our best quarterly volume result since 2020 when we benefited from COVID-related demand. We delivered volume growth and organic sales growth in all six of our divisions, in both developed and emerging markets and in all four of our categories: oral care, personal care, home care and pet nutrition.

We are raising our organic sales and Base Business EPS guidance to reflect the strong first half performance and our confidence in our business momentum. Our net sales guidance remains the same due to a greater negative impact from foreign exchange versus our previous guidance (albeit still within our previously expected range of a negative mid-single-digit impact).

### **Second Quarter Overview**

Net sales were \$5.1 billion in the second quarter, representing 4.9% year-over-year growth. Organic sales growth was 9.0%, led by mid-teens growth in oral care against a high-single-digit comparison in the year ago quarter.

Volume grew 4.7% in the quarter, an improvement from 1.3% volume growth in the first quarter of 2024, driven by a return to volume growth at Hill's and in Asia-Pacific and sequential improvement in North America, Africa/Eurasia and Europe. On a category basis, volume growth was led by oral care, while home care and personal care delivered mid-single-digit volume growth in the quarter. Pet nutrition delivered 2.5% volume growth in the quarter including a low-single-digit negative impact from lower private label volumes in the quarter.

Pricing was +4.2% in the quarter, with positive pricing across five of six divisions. Excluding Argentina, pricing was up low-single-digits in the quarter.

Foreign exchange was a 4.1% headwind to net sales growth for the second quarter, driven primarily by Argentina and several countries in the Africa/Eurasia division. Excluding Argentina, foreign exchange was a low-single-digit headwind.

On a GAAP basis, our gross profit margin in the quarter was up 280 basis points year-over-year to 60.6%. On a Base Business basis, our gross profit margin was up 300 basis points to 60.8%. For the quarter, pricing was a 160 basis point benefit to gross profit margin, while raw materials, including the impact of transactional foreign exchange, had a 140 basis point negative impact. Our funding-the-growth initiatives delivered a 280 basis point benefit to gross profit margin.

SG&A as a percentage of net sales was up 160 basis points year-over-year on a GAAP basis and up 170 basis points on a Base Business basis. Advertising spend was up 18% year-over-year and up 150 basis points as a percentage of net sales. We believe the strong volume and pricing performance in the first half of the year is evidence that our continued investment in advertising and capabilities is paying off.

We delivered 12% operating profit growth on a GAAP basis and 13% on a Base Business basis. Our Base Business operating profit margin was up 150 basis points year-over-year even as we continued to increase our investment in advertising.

For the second quarter, on a GAAP basis, we delivered earnings per share of \$0.89. On a Base Business basis, earnings per share was up 18% to \$0.91.

Operating cash flow was up 37% in the quarter and up 15% in the first half, driven primarily by net income growth. Free cash flow grew 62% in the quarter and grew 29% in the first half, as we saw lower capital expenditures versus comparable periods in 2023.

Through a combination of dividends and share repurchases we returned \$1,793 million in cash to shareholders through the second quarter, +34% versus year ago.

## **Divisional Summaries**

### **North America**

North America delivered 2.5% net and organic sales growth in the second quarter. Volume grew 5.9% in the quarter, with pricing down 3.3% and a modest negative impact from foreign exchange. Volume growth was led by a double-digit increase for toothpaste driven by increased household penetration. We also saw continued volume strength on Fabuloso as well as Softsoap liquid hand soap.

The negative pricing was primarily driven by a more normalized promotional cadence versus second quarter 2023 when we saw lower promotional levels, particularly in the drug class of trade, and a mix shift to lower priced channels.

In the United States, Colgate's value share of the toothpaste market is 33.5% year to date and its value share of the manual toothbrush market is 41.7% year to date.

### **Europe**

Europe delivered another quarter of impressive results, with 6.2% net sales growth and 6.5% organic sales growth. Volume growth accelerated to 5.2% in the second quarter versus 3.1% growth in the first quarter. On a category basis, volume growth was led by high-single-digit growth in oral care. 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 double-digit organic growth across all three of our core toothpaste equities: elmex, meridol and Colgate.

### **Latin America**

Latin America continued its very strong performance with 7.6% net sales growth and 18.8% organic sales growth. Oral care, personal care and home care all delivered mid to high-single-digit volume growth in the quarter. For the second consecutive quarter, every country reported positive volume growth with the exception of Argentina, which continues to be impacted by the significant pricing related to currency devaluation.

Our toothpaste market share is up 90 basis points year to date in the division with particular strength in Mexico driven by Colgate Total and Colgate Luminous White. We are also gaining share in the sensitivity segment in key markets like Brazil and Argentina driven by the success of elmex Professional Sensitive.

### **Asia Pacific**

Asia Pacific grew net sales 2.6% in the second quarter. Organic sales growth of 5.1% was driven by balanced volume and pricing growth, with volume up 3.4% and pricing up 1.7%.

Volume growth was driven by our largest businesses, with strength in India, our H&H joint venture, South Pacific and Colgate China.

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. Innovation is also driving share gains in manual toothbrushes throughout the region, led by Colgate Gentle and Colgate Easy Comfort toothbrushes.

### **Africa/Eurasia**

Africa/Eurasia continued to drive strong organic sales growth with a good balance between volume and pricing. Net sales grew 2.2% in the second quarter, as organic

sales growth of 16.4% was mostly offset by a 14.3% headwind from foreign exchange. Double-digit volume growth in oral care helped drive 8.4% volume growth for the division overall, while pricing was up 8.0%.

Year-to-date toothpaste value share for the division is up 180 basis points driven by a 290 basis point increase in Nigeria and a 210 basis point increase in South Africa where we have achieved record high shares.

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

Hill's net sales grew 5.5% and organic sales grew 6.1% in the second quarter. Reported volume inflected positively in the second quarter with 2.5% growth including a low-single-digit impact from lower private label volume; this impact was slightly less than anticipated due to shipment timing. Excluding the impact of private label volume, Hill's delivered high-single-digit organic sales growth in the quarter.

While the pet food category remains challenged, Hill's continues to gain market share across our specialty channels. Our increased capacity is creating greater flexibility in the Hill's supply chain, particularly in terms of availability of Prescription Diet in wet forms, which is driving incremental shelf space and volume share.

### **Guidance**

We are raising our organic sales and Base Business EPS guidance for 2024:

Our net sales guidance stays at 2-5%. This reflects higher organic sales growth guidance of 6-8% (5-7% previously) and a greater negative impact from foreign exchange (at spot rates). We still expect a mid-single-digit negative impact from foreign exchange, but given the recent unfavorable moves in the Mexican peso and the Brazilian real, we now expect a greater negative impact within that range.

Our expectation is for modest raw and packaging material cost inflation. This assumes increases in certain commodities as we go through the back half of 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 of 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 now expected to be between 23.5% and 24.5% 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 now expect earnings-per-share growth of 8-11%, versus previous expectations of mid to high-single-digit growth. While we have had a very strong first half, we highlight that foreign exchange has moved negatively in the past few months and there is potential for continued disruption from geopolitical turmoil and macroeconomic uncertainty.