Q3 2021 Earnings Call

Company Participants

- Andre Schulten, Chief Financial Officer
- Jon R. Moeller, Vice Chairman and Chief Operating Officer

Other Participants

- Andrea Teixeira, Analyst
- Chris Carey, Analyst
- Dara Mohsenian, Analyst
- Jason English, Analyst
- Jonathan Feeney, Analyst
- Kaumil Gajrawala, Analyst
- Kevin Grundy, Analyst
- Lauren Lieberman, Analyst
- Mark Astrachan, Analyst
- Nik Modi, Analyst
- Rob Ottenstein, Analyst
- Steve Powers, Analyst
- Wendy Nicholson, Analyst

Presentation

Operator

Good morning and welcome to Procter & Gamble's Quarter End Conference Call. Today's event is being recorded for replay.

This discussion will include a number of forward-looking statements. If you will refer to P&G's most recent 10-K, 10-Q and 8-K reports, you will see a discussion of factors that could cause the Company's actual results to differ materially from these projections. As required by Regulation G, Procter & Gamble needs to make you aware that during the discussion the Company will make a number of references to non-GAAP and other financial measures. Procter & Gamble believes these measures provide investors with useful perspective on underlying business trends and has posted on its Investor Relations website, www.pginvestor.com, a full reconciliation of non-GAAP financial measures.

Now, I will turn the call over to P&G's Vice Chairman and Chief Operating Officer, Jon Moeller.

Jon R. Moeller {BIO 16200095 <GO>}

Good morning, everyone. Joining me on the call today are Andre Schulten, Chief Financial Officer; and John Chevalier, Senior Vice President of Investor Relations. Let me quickly summarize another strong quarter and then turn it over to Andre to provide additional perspective.

Organic sales were up 4% on the quarter, up 10% two years stacked. Global market share was up 40 basis points. Fiscal year-to-date through three quarters, organic sales are up 7%. Core earnings per share are up 8% in the quarter, up 14% fiscal year-to-date. Free cash flow productivity over 100%.

We're on track to deliver the top and bottom-line guidance we've raised twice this fiscal. We're increasing estimates for the third time for free cash flow productivity and cash returned to shareowners, which Andre will take us through. One more very important highlight, a 10% dividend increase, which we announced last Tuesday.

The team has been managing very successfully with priorities I'll describe again later through volatility, uncertainty, and some extreme challenges, COVID reopening in some markets, increased viral spread, renewed lockdown, and severe economic impact in others. Some (inaudible) growing at very high rates, others essentially shut.

FX and commodity volatility, event-specific challenges like the blockage of the Suez Canal, transportation demand mismatch with supply, market-specific dynamics impacting operations in countries like Argentina and Myanmar and Lebanon, and a very mild cough-cold season. That's just a very quick synopsis of strong top-line, bottom line and cash results in a very challenging environment with a huge thanks to our team.

For more perspective, Andre.

Andre Schulten {BIO 22079652 <GO>}

Thank you, Jon, and good morning, everyone. As Jon said, the March quarter was another period of good top line, bottom line, and market share growth along with strong cash generation and strong cash returns to shareholders. Organic sales were up 4% for the quarter, volume in line with year-ago, 2 points of pricing, 2 points of positive mix.

Organic sales growth was mixed across regions. Overall focused markets grew 5%, with strong growth in our two largest markets. US organic sales up 7%, and Greater China sales were up 22%. European focused markets were down 2%, largely due to the impact of lockdowns in the region. Japan was down 5%. Enterprise markets were up 1% and were also mix within the region. Latin America, up 8%. Asia, Middle East, Africa, in line with year-ago quarter and European enterprise markets were down 4%.

We delivered strong organic sales growth in most categories. Home Care up high teens. Oral Care, Hair Care, and Skin and Personal Care, up high singles. Family Care and Grooming up mid-singles. Fabric Care up low singles. Feminine Care organic sales were down low-singles mainly due to market softness in Europe, but share trends remained strong in the region and on a global basis. Baby Care was down mid-singles mainly due to market softness in Europe and heightened competitive activity in China. Importantly, Baby Care all outlet value share in the US was up 130 basis points over the past one month and 80 basis points over the past three months.

Personal Health Care organic sales were down mid-singles, driven by a very weak cold and flu season on top of difficult comparisons in the base period. US sales in the respiratory category were down more than 40% in this March quarter versus last year. Despite the weak category trends, (inaudible) shares was up for the quarter.

E-commerce sales were up at about 50% fiscal year-to-date with no noticeable change in shopping trends in the quarter. E-com sales represent 14% of our global sales. Aggregate market share growth of 40 basis points this quarter.

Turning to earnings, core earnings per share were $1.26, up 8%. Currency-neutral core EPS also up 8%. Core margin was up 30 basis points, up 80 basis points, excluding currency impacts. Core operating margin was in line with the prior year, up 30 basis points excluding currency impacts. We generated $4.1 billion in operating cash flow with free cash flow productivity at 106%. We returned $5 billion in cash to shareholders, $2 billion in dividends, and $3 billion in share repurchase. Last week, we announced a 10% increase in our dividend, reflecting strong results and confidence in our future. This is the 65th consecutive annual dividend increase and the 131st consecutive year in which P&G has paid a dividend.

So three quarters into the year organic sales up 7%, with global value share growing, core EPS up 14%, ex-FX up 16%. Adjusted free cash flow productivity over 100%. $14 billion of cash returned to shareowners, which is 120% of all-in earnings.

Back to you, Jon.

Jon R. Moeller {BIO 16200095 <GO>}

As shared in previous discussions, we've established three priorities that have been guiding our actions and our choices in this crisis period. First is ensuring the health and safety of our P&G colleagues around the world. Second, maximizing the availability of products we produce to help people and their families with their cleaning, health, and hygiene needs. Third priority is supporting the communities, relief agencies, and people who are on the front lines of this global pandemic.

These priorities are completely congruent with our strategic choices which we remain confident in, and which are the foundation for balanced top and bottom-line growth and long-term value creation. We've focused our portfolio on daily use products in categories where performance plays a significant role in brand choice. In these performance-driven categories, we've raised the bar on all aspects of superiority, product package, brand communication, retail execution, and value.

Superior offerings delivered with superior execution drive market growth. Leading category market growth with superior offerings mathematically builds market share and builds business for our retail partners. We're continuing to invest in and behind superior offerings.

We launched Dawn Powerwash just over a year ago. Its superior formula and unique spray technology provide powerful suds that cut grease on contact. Powerwash has become a welcome addition to consumers' dish care regimen, with so many more meals being cooked at home. Powerwash delivered around $150 million in year one sales and was a significant contributor to Dawn's US all-outlet market share growth of more than 400 basis points over the period.

Pampers Baby-Dry in the US took another step forward towards regaining superiority across all vectors. Baby-Dry recently launched innovation providing more absorbancy, improved comfort, and better leakage protection for dry and healthy skin. Product graphics were refreshed with improved leakage protection cues and packaging was upgraded to introduce the claim, number one pediatrician recommended and hypoallergenic with no parabens or latex. Innovation includes improved in-store displays and online messaging to highlight the improved product packaging communication.

It's still very early in the launch, as new products and packages just began shipping in the last month. And we're now just starting full commercialization, but this initiative represents an important step in reestablishing superiority in the mid-tier on Baby Care.

Tide and Ariel are expanding their 2030 brand ambition for focus on decarbonizing laundry at every step, from design, manufacturing, and distribution to consumer use and end of life, while maintaining superior cleaning performance. Ariel's new campaign, Every Degree Makes a Difference, advocates lower washing temperatures. Up to 60% of laundry's carbon footprint comes from heating the water in washing machines. Lowering the wash temperature is the single most important thing we can all do to reduce the environmental impact of laundry. To do this we continue to innovate to ensure superior performance in cold water.

In China Hair Care two examples of premium innovation launched in the fast-growing conditioner and treatment segments, Pantene's Quench Shot Masks, and 3-minute Miracle have successfully attracted new consumers to the Pantene brand, as well as expanded the regiment of current Pantene shampoo consumers. These innovations have contributed to over 35% market growth in these segments online over the past 12 months. Greater China Hair Care organic sales were up mid-teens fiscal year-to-date and were up 25% this quarter, led by conditioners and treatments.

The strategic need for investment to continue to strengthen the long-term health and competitiveness of our brands, the short-term need to manage through this crisis and the ongoing need to drive balanced top and bottom-line growth including margin expansion underscores the importance of ongoing productivity. We're driving cost savings and cash productivity in all facets of our business, up and down the income statement and across the balance sheet.

Success in our highly competitive industry also requires agility that comes with the mindset of constructive disruption, a willingness to change, adapt and create new trends and technologies that will shape our industry for the future. In the current environment, that agility and constructive disruption mindset are even more important.

Our new organization structure yields a more empowered, agile, and accountable organization with little overlap or redundancy, flowing to new demands, seamlessly supporting each other to deliver against our priorities around the world.

These strategic choices on portfolio superiority, productivity, constructive disruption, and organization structure and culture are not independent strategies. They reinforce and build on each other. When executed well, they grow markets, which in turn grows share, sales, and profit. These strategies were delivering strong results before the crisis, have served us well during these more recent volatile times and we believe will continue to serve us well post-crisis. We're optimistic about our post-crisis prospects and generally like our hand.

We will undoubtedly experience some volatility as we move through the crisis and quarterly results will not move in a straight line and are more difficult to predict. In many countries, the number of COVID cases unfortunately are the worse they have been. Risk of supply chain disruption remains high. Channel closures will likely continue. There continues to be social unrest and economic distress in many parts of the world that also affect the prospects for category growth. Against this challenging backdrop, we continue to hold ourselves to an expectation of continued growth, both top line and bottom line, and expect to be highly cash generative.

With that context, back to Andre to discuss guidance.

Andre Schulten {BIO 22079652 <GO>}

So with three strong quarters behind us and having raised guidance twice across all key metrics, we are maintaining our outlook for organic sales growth and core EPS growth for the fiscal year. We are increasing our outlook for adjusted free cash flow productivity and cash returns to shareowners.

We continue to expect organic sales growth in the range of 5% to 6% for the fiscal year. This outlook reflects continued volatility for both base period and current year dynamics, including a challenging fourth quarter base period in the US and in Greater China, and continued soft market conditions in Europe and in enterprise markets. Our core earnings per share guidance remains in the range of 8% to 10%.

This bottom line outlook includes headwinds of approximately $150 million after-tax of foreign exchange and now more than $200 million after-tax of higher freight costs. Commodities are now forecast to be a headwind of approximately $125 million after-tax. This is a $400 million swing to the negative since our initial guidance for the year with much of this impact affecting our fiscal fourth quarter. As we stand today, our internal estimates for organic sales growth are above the mid-point of the fiscal year guidance range. On the bottom line, we're trending towards the mid-point of the core EPS range.

We are again raising our target for adjusted free cash flow productivity from 90% starting the year to now over 100%. We expect to pay over $8 billion in dividends and are further increasing our outlook for share repurchase from up to $10 billion to approximately $11 billion, combined, a plan to return about $19 billion of cash to shareowners this fiscal year. This outlook is based on current market growth rate estimates, commodity prices and foreign exchange rates. Significant currency weakness, commodity cost increases, additional geopolitical disruptions, major production stoppages, or additional store closures are not anticipated within this guidance range.

The commodity cost challenges we face this year will, obviously, be larger next fiscal year. We will offset a portion of this impact with price increases. Our Baby Care, Feminine Care, and Adult Incontinence businesses have announced price increases in the United States that would go into effect in mid-September. The exact timing and amount of increases vary by brand and sub-brand in the range of mid-to-high single digits.

As opportunities allow, we will close couple of price increases with new product innovations, adding value for consumers. We are analyzing raw material and foreign exchange impacts on other categories and markets, and we are assessing the need for additional pricing moves.

Back to Jon for closing comments.

Jon R. Moeller {BIO 16200095 <GO>}

Thanks, Andre. Our business exhibited strong momentum as I said earlier well before the COVID crisis. We've strengthened our position further during the crisis and we believe P&G is well-positioned to serve the heightened needs and new behaviors of consumers and our retail and distributor partners post-crisis.

We will manage what could be a volatile short to mid-term, consistent with the strategy we've outlined many times and again, this morning, and against the immediate priorities of ensuring employee health and safety, maximizing availability of our products to serve cleaning, health, and hygiene needs, and helping society overcome the challenges of this crisis.

We're stepping forward not back. We're doubling down to serve our consumers and our communities. We're doing this in our interest, in society's interest and in the interest of our long-term shareowners.

We look forward to talking with you through the quarter and look forward to having David join us on the year-end call in July when we will provide our initial outlook for fiscal '22. With that, we'll be happy to take questions.

Questions And Answers

Operator

(Operator instructions) Your first question comes from the line of Dara Mohsenian with Morgan Stanley.

Q - Dara Mohsenian {BIO 3017577 <GO>}

Hey, guys. Good morning. So on the pricing and commodity front, Jon, you've been in the corporate finance leadership role for almost 50 years now. So can you just give us some perspective on this commodity spike and what we're seeing in terms of magnitude versus past cycles and your view on longevity? And then, on the pricing front, as a response to that, I know you're not going to want to be precise on forward pricing, but just holistically given the large magnitude of this commodity increase, I'd love to get a bit of a sense even if it's nevertheless on what sort of the end goal is with pricing eventually? Is it to fully cover commodity increases, is it to mostly cover? It's obviously a timing lag, but sort of the ultimate offsets to higher costs through pricing, any perspective there.

And then last and apologies for the multipart question, but you are in the fortunate position of strong market share gains heading into this pricing cycle, and kudos. Obviously, a lot of hard work to be in that position, but how might that change your willingness to be bolder on pricing, even putting at risk some of those market share gains if you do in fact take pricing? Thanks.

A - Jon R. Moeller {BIO 16200095 <GO>}

Thanks, Dara. First the comparison to prior cycles. This is one of the bigger increases in commodity costs that we've seen over the period of time that I've been involved with this, which is a fairly long period of time. That's not all bad. When commodities move significantly and obviously they affect everyone, including both manufacturer brands and own-label retail brands, the industry is pushed to price. So when they move modestly, it can be much more difficult in that regard.

We're also blessed to have very strong innovation in market and coming to market, which provides an opportunity to price in a value accretive manner. We define value holistically and we'll be looking -- our overall objective is to cover cost increases. It's important. I want to emphasize that because I didn't say cover or restore margin. It's covering cost increases, which is inherently a little bit margin dilutive. But we think that strikes the right balance, particularly when we can combine that pricing with innovation and increased perception of value across the portfolio.

If we do that well, we should continue to grow markets, and we've talked about the math of growing markets. We do that disproportionately which is certainly our intention. We will not lose share. We will in effect necessarily build share. All of that is easy to talk about, all of that is hard to execute. And it's done at a very detailed level by brands by markets. And so it will play out differently across the world.

And the last, very, very important point on this topic I want to make. If we go back to large commodity cost increased cycles in the past, this Company has not yet fully embedded productivity into its mindset and activity system. And that will be a significant part of this endeavor going forward as well. And we feel good about opportunities to continue to increase productivity to help us manage this situation.

Operator

All right. Your next question comes from the line of Wendy Nicholson with Citi.

Q - Wendy Nicholson {BIO 2081269 <GO>}

Hi. Good morning. I actually wanted to ask about your approach to some of the markets like India. To the extent, COVID runs rampant, gets worse, I know in the developed markets over the last nine months, 12 months, it wasn't easy for you, but you were able to offset sort of some of the supply chain disruptions, e-commerce took all of that. But I'm just wondering how you plan to manage in a place like India or some of the other enterprise markets? Africa, if COVID is a lingering problem and you don't have the e-commerce option nearly as much in those markets, is there a risk that those regions turn significantly negative for you or significantly more expensive to operate? Just how are you thinking about that and planning for that at this point? Thanks.

A - Jon R. Moeller {BIO 16200095 <GO>}

Thank you, Wendy. Many of these markets do indeed represent significant challenges. And I think it's important we talk about that a little bit, sort of that's why I appreciate the question. The health situation in markets like India, Brazil, Turkey is worse than it's ever been. The number of new cases, the number of hospitalizations, the number of deaths unfortunately was higher in the last week and over the weekend than as I heard on the case. These markets do not have the health care infrastructure, nor the financial means to provide subsidies to their citizenry. And as a result, when this happens, employment is affected, consumption is affected, GDP is down significantly in some of these markets. No better time to help and to serve consumers in a time of real need.

We need to do that in a profitable way, and frankly, we knock on wood have never been more profitable in enterprise markets than we are as we sit here conversing today. So the operational discipline that's required is significant. We will have to make choices, but I fully expect, to the main point of your question, that these will be markets that will continue to offer top and bottom-line growth opportunities for our Company.

Operator

Your next question comes from the line of Steve Powers with Deutsche Bank.

Q - Steve Powers {BIO 20734688 <GO>}

Yeah. Thanks. Can we talk a little bit more about what you're seeing in Baby and Family, specifically? Could you -- you call out retailer destocking and higher competitive activity. I guess I was just curious if you see that continuing. And if so, I guess, how does that impact your decision to follow what we heard from Kimberly-Clark on announced pricing in the US, but doing so on a two and a half to three months lag and seemingly only on Baby and Feminine and Incontinence, yet not on Family Care categories. So just how should investors interpret that tactical positioning in the context of ultimately doing what's optimal for category growth?

And I guess kind of relatedly if there's anything you have announced today preclude other revenue growth management activities that might help drive higher net price in Baby and Family overall as we go forward? I guess specifically I'm thinking about potential de-sheeting or on other kind of net price accretive activities in tissue categories that might not be a list price increase. Thanks.

A - Jon R. Moeller {BIO 16200095 <GO>}

Steve, let me briefly address Family and then I'm going to ask Andre to comment on Baby Care, since US Baby Care was the business that he led most recently, and he is still very close to what's happening there. We are pricing in the three categories that you mentioned because that's where the commodity costs increases are the more significant. It's really that simple. From a Family Care standpoint, demand continues to be strong. We grew Family Care 5% in the quarter that we just completed. That's even despite some reduction in household pantry inventory, but usage at home continues to be above pre-COVID levels. And we're managing the balance between our inventory, store inventory, and our own production very, very carefully. But the price increases for the near term are going to be focused, as you rightly mentioned, in Baby, Feminine, and Incontinence. The largest of those is Baby. And I'll ask Andre to comment on that.

A - Andre Schulten {BIO 22079652 <GO>}

Yeah. As we mentioned, I think quarter three was significantly impacted due to retailer inventory builds in the early phases of the pandemic in Europe-focused markets and in the US. We expect that to normalize over the next few quarters. Most importantly, the team is really focusing on building irresistible superiority across all vectors in Baby, every form and every price tier. And where we do that successfully, we see the results turn in. You have heard us talk about US value share being up 130 basis points, plus one in Europe, where we have also invested in superiority. France, Germany, Spain, Russia are all up in terms of value share significantly in excess of a point.

So bringing innovation at the same time as we price is the ideal scenario, which we are pushing in the US. Now slow birth rates and commodity pressures will continue to be headwinds. So we need to acknowledge that. So productivity will also be a continued element of that two that you have to use to drive growth. But as we focus on superiority drive market value, we have a business model that works as illustrated in US and Europe.

Operator

All right. Next question will come from Lauren Lieberman with Barclays.

Q - Lauren Lieberman {BIO 4832525 <GO>}

Great. Thanks. Good morning. I wanted to talk a little bit about the role that top-line growth plays in I guess profitability. So just thinking through the streamlined organization structure, not thinking about incremental productivity, but just rather the benefit that you see to profitability from top-line growth. Sort of is it 3% 4%, where you see material operating leverage, particularly at the gross margin line, but also in SG&A?

And then related to that, 2020 was a year where there was remarkable reinvestment into the business and the share gains speak to that, but as you look ahead to '22, I guess, how would you describe the status of your commercial plan? Are you fully funded at current investment levels, is there a need to kind of keep ramping up at this rate or this spend level feel about right where it is today? Thanks.

A - Jon R. Moeller {BIO 16200095 <GO>}

Let me make just a few overarching comments Lauren and then have Andre talk about the income statement leverage and the top-line growth leverage that you asked about. And the first overarching comment I want to make is we are literally just beginning to put together plans for '22. So I apologize that we really don't have anything terribly intelligent or cohesive to talk about that.

I do not expect, however, our priorities to change. I do not expect our strategy to change. I do not expect our business model to change, but the specifics of that are early in their development, and we look forward to talking to you about that along with David in July. I'll turn it over to Andre just to talk about the income statement leverage.

A - Andre Schulten {BIO 22079652 <GO>}

Yes. So to answer your question, growing mid singles, to call it, 3% to 4% on top line, we start to see some modest benefit to sales leverage. It really starts to gain traction above 4% growth rates across the income statement and that will be seen I think in the most recent quarters. So that's the sweet spot where we want to be. Mid-singles growth allows for sustained margin expansion, which is our growth model that we are going after.

A - Jon R. Moeller {BIO 16200095 <GO>}

Of course, that's all in the context of, for example, relatively constant commodity costs and no significant impacts from currency, et cetera. Our current outlook for market growth, again there is changes on a daily, weekly, monthly basis, would be between 3% and 4%, likely rounding to 4%. Our objective is to grow ahead of that by disproportionately contributing to market growth so that would put us in the margin square that Andre outlined again prior to big impacts from commodities or currency.

Operator

Next question comes from the line of Jason English with Goldman Sachs.

Q - Jason English {BIO 16418106 <GO>}

Hey. Good morning, folks. Thank you to sliding me in, much appreciated. I wanted to make sure I understood the guidance comments because to get to above the mid-point of your sales outlook, but only to the mid-point or so of the EPS outlook, I need to take my EBIT margin down close to 300 basis points year-on-year in the fourth quarter. Is that the right way to think about it, or are there other below-the-line headwinds to contemplate? And if we are talking about that type of margin degradation in the fourth quarter, can you give us more color on the puts and takes, is this an investment posture, or is it just the commodities are aiding a lot of gross margin pressure before pricing sets in? Any sort of context or color you can provide to help us dimensionalize that. Thank you.

A - Jon R. Moeller {BIO 16200095 <GO>}

Thank you. Why don't I let Andre Schulten [ph] to jump in?

A - Andre Schulten {BIO 22079652 <GO>}

Yeah. I think overall I think you're reading it the right way. On the top-line, we see ourselves above the mid-point of the guidance range. On the EPS side, the main drivers I would call out that will impact the balance of the fiscal year are micro factors. When you think about commodities, we had a 1% EPS headwind in quarter three, but now we've included $135 million after-tax headwinds for commodities in the guidance that will largely hit in quarter four. Foreign exchange rate continues to be a headwind, $150 million after-tax, which is up $50 million what we've talked in our quarter two call, and then, transportation will be the last element I would mention at about $200 million after-tax included in the current guidance. Rate continue to be up, drivers and rakes continue to be in short supply. Sea freight continues to be at a premium. So we continue to see that pressure mounting and also impacting quarter four.

A - Jon R. Moeller {BIO 16200095 <GO>}

We will also continue to the point of your question and a couple of others previously, to maintain a very healthy investment profile to continue to hold and build our margin of superiority. And we'll also continue obviously with our strong productivity program which will fund that effort and with that, back where Andre left us.

Operator

And next, we'll go to Kevin Grundy with Jefferies.

Q - Kevin Grundy {BIO 16423871 <GO>}

Great. Thanks. Good morning, everyone. Jon, I wanted to come back to the topic of pricing and commodities because I think it's important. So just in the interest of clarity here, the pricing that you outlined for the US in Baby, Fem, and in Adult Care comes behind Kimberly's announcement. But then to an earlier question, as you commented, this is one of the bigger commodity cost increases that the industry has had to cope with historically. So I just wanted to come back. Why only these categories and why only the US because it's certainly far beyond just pulp?

And then within that context, Jon, to your credit and to your team's credit, Procter's done a remarkable job here in terms of improving market share to put the Company in a position to take price behind a leading brand portfolio in these circumstances. So I think the question is, what is giving you pause here in terms of broader pricing beyond just the categories where you're seemingly following Kimberly's pricing announcement? So why just these categories and why just the US?

And then I'm sorry for being a little bit verbose here, but just on the commodity outlook, I think, to the extent if you can quantify, I know you don't want to give guidance, but some further degree of quantification beyond just June, beyond just your fiscal year, I think, would be helpful for folks. So thank you for all that.

A - Jon R. Moeller {BIO 16200095 <GO>}

Thank you, Kevin. Pricing is a topic that we are limited in the perspective that we can actually provide relative to specific brands and country, and plans that relate to specific brands and countries. I wouldn't -- I would suggest that we not take that reality and conclude necessarily that the only categories we're taking pricing in are the ones that have been mentioned and the only country that we're taking pricing is the one that has been mentioned. This will be a holistic effort with productivity in mind, with innovation in mind.

Our business model positions us on a relative basis well to deal with these situations for two reasons. One, I've just mentioned, which is, productivity is part of the culture, part of our DNA. We don't have to start a program. Our program for next year is well underway. The second and even more importantly, is an innovation-based business model, which positions us with opportunities to take pricing in a way that's actually value accretive to consumers. And you can imagine that if you have those opportunities and they are spread out across the year, your pricing might be announced at different timing and might take effect at different times throughout the year.

I would offer you one data point or two data points. Pricing has been and it speaks to the business model point, pricing has been a positive contributor to our top-line -- sorry, a neutral or positive contributor, but mostly positive to our top-line for 42 out of the last 46 quarters, and 15 out of the last 16 years. That doesn't guarantee anything going forward, but it points to again the nature of our business model. This provides no guarantees but does put us in a relatively better position with ways to help the top-line and the bottom line as we work to manage those and continue to create value.

Relative to the question on impact of commodities for next year, as I said earlier, we are really early in the process of putting next year together, couple that with a very volatile, both commodity and FX environment. And I'd rather help you with specifics that are meaningful closer to the beginning of the year.

Operator

All right. Next question will come from the line of Rob Ottenstein with Evercore ISI.

Q - Rob Ottenstein {BIO 1498660 <GO>}

Great. Thank you very much. With 14% of your sales now coming from e-commerce and I think you said growing 50%. That's pretty much all the growth. So in that context and given the fact that that channel continues to spread, it's not just Amazon, it's Walmart and Target, can you answer two questions? One, how -- and maybe just US and China, how has that channel and the competition in that channel evolved over the last year or so? And what specific things can you point to that you're working on now that will give you superiority in that channel on a sustainable basis? Thank you.

A - Jon R. Moeller {BIO 16200095 <GO>}

Thanks, Robert. The figures you referenced relative to channel growth are the correct figures as we see them. The growth is significant in both US and China. Both markets have become even more competitive in the e-commerce channel, but I would argue that is true in brick and mortar channels as well. Our global marketplace is becoming more global and there is strong and healthy competition across channels and markets. The biggest opportunity for us from a superiority standpoint in the e-commerce channel, there are several, but fundamentally, first, second, and third is, as you mentioned, superiority. That carries the day in this channel and categories where performance drives brand choice as much as it does in every other channel.

Now, we need to tailor offerings in a way that best serves e-commerce and digital commerce consumers. And an example of one of the things we're working on there is packaging, particularly for liquid products, ensuring those products survive the journey to a consumer's home and that she opens that box with delight. The conditions that that bottle travels through are much more strenuous in an e-commerce context and we need to have packaging that's designed for that in mind. That's just an example, but the mindset of superiority across everything is the same in that channel as well as any another channels. Andre, I don't know if you have any more perspective on that question from a Baby Care perspective?

A - Andre Schulten {BIO 22079652 <GO>}

Well, the only other point I would make is, I think, the strength of our brands is a big asset when you come to e-com. It ensures that we can be on the landing page in the search, top results. I think the strength of our brands also plays to when you think about click and collect, our availability in terms of shelf, and therefore, not being freeze-up for another brand when we are out of stock, I think, is a big advantage. So our logistics capability I think can create value in conjunction with retailers in the supply chain that is driven by e-com. So I think there are many areas of strength that we can apply to make sure we are competitive in that environment.

Operator

Your next question comes from the line of Nik Modi with RBC Capital Markets.

Q - Nik Modi {BIO 7351672 <GO>}

Yeah. Thank you. Good morning, everyone. So Jon I was wondering if you can just talk about out of stocks. And that's from the standpoint of COVID-related demand, but more about in the supply chain tension between e-commerce and brick and mortar, just given the prior -- Robert's prior question about the enormous growth that we're seeing in how retailers are getting much more involved, or much more aggressive in that channel. So Just was hoping to get some context around that. Thank you.

A - Jon R. Moeller {BIO 16200095 <GO>}

Encouragingly, in stock and available on shelf is becoming a very common language for us and our retail partners. It is front and center in the development of our joint business plans and we have opportunities there as do our retail partners. And that landscape of opportunities is changing all the time. Andre mentioned in click and collect. That presents a unique set of challenges and opportunities as it relates to having products available.

We're well-positioned in that space as he mentioned, but this is an area that is receiving a lot of intentional focus, both internally and importantly in partnership with our retail partners

Operator

And your next question will come from the line of Andrea Teixeira with JPMorgan.

Q - Andrea Teixeira {BIO 1941397 <GO>}

Good morning and welcome, Andre. I wanted to go back to the pricing commentary and I know we have beaten up this topic a lot, but I understand you can't preannounce pricing for pretty much other categories, but in past cycles, you used innovation in packaging and desingning [ph]. Also, I understand that you don't necessarily need to publicly announce pricing outside the US. So what are the other regions you have seen room for pricing actions to move in the right direction? And also you talked about increasing competitive activity in China, so how are you planning to respond to that? Thank you.

A - Jon R. Moeller {BIO 16200095 <GO>}

I think I caught most of that. We're going to refrain from commenting on specific pricing moves in any country across any category. That just is the better place to be. Again, we've talked a lot about intent on this call and we've talked about mechanism and method on this call. And I think those are clear. And the rest, we're going to have to stay tuned if available. And also, it would not make a lot of sense for us to talk about price increases in certain markets and certain categories without having a discussion with our retail partners. So I'm really -- I apologize, but I've said what I could say on pricing. I think it's very constructive in terms of both our intent and our ability to balance that in a way that makes sense for everybody.

Operator

The next question comes from the line of Kaumil Gajrawala with Credit Suisse.

Q - Kaumil Gajrawala {BIO 20703548 <GO>}

Thank you. Good morning, everybody. Can you talk a bit about the mix effects on margins? Obviously, the US and China were quite strong last year and now you're going to be comping a lot of that, and what you're seeing from recovering NIMs. And then also within kind of the context of mix, but more from a channel perspective, maybe an update on what you're seeing and expecting for travel retail? Thanks.

A - Jon R. Moeller {BIO 16200095 <GO>}

I will turn it over to our CFO to help you with mix. Andre?

A - Andre Schulten {BIO 22079652 <GO>}

So from a gross margin perspective, you would have seen, we have about a negative 40 basis points from mix. We are actually being helped by the strong growth that we see in the US and China from a regional mix perspective, but we have seen negative segment mix impact in the quarter, mainly driven by faster growth in Home Care and in Appliances and Personal Health Care being down on the quarter. I want to call out that negative 40 basis points is not necessarily a negative structurally. Many of our premium propositions in the market come with significantly higher unit sales and unit profit, though with slightly dilutive gross margin mix impact. So when you think about (inaudible) for example, 60% premium on a unit sales basis, 20% higher penny profit, but minus 6% on a margin perspective. So the same is true for Pampers Pure when you think about fem care radiant variants. So premiumization to some degree carries a margin impact, but we much prefer the penny profit over the margin as we follow that strategy.

Operator

Next question comes from the line of Chris Carey with Wells Fargo Securities.

Q - Chris Carey {BIO 21810941 <GO>}

Hi. Good morning. I actually just wanted to ask a question about SK-II, perhaps also Olay in Asia, specifically, China. We've seen some big numbers out of China from other companies, not specifically skin care, and perhaps just a little bit surprised with the sequential development in that business, specifically on the easier comps. So I wonder if you could just talk to how your SK-II business specifically and Olay came in relative to your expectations? And in general, what you're seeing from the Asian Skin Care market in general? Thanks.

A - Jon R. Moeller {BIO 16200095 <GO>}

There's a lot going on within of Skin Care. For many of the prestige beauty companies, big parts of their business was severely impacted by COVID. Think about salon-based treatments, offerings that went through specialty beauty channels, which were effectively shut as an example, travel retail and as a result, they are smartly investing in category that continues to offer significant growth, is very profitable and is open and that is China skin care. So one dynamic that we have happening is a lot of competitive activity. That's not inherently bad, that grows markets.

And if you look at, for example, SK-II, we grew SK-II globally strong double digits, over 30% in quarter that we just completed. Within that, Mainland China, we grew over 15%. Part of that dynamic is something else that's going on, which is the movement of purchase from travel retail and from travel in general, so for example, consumers traveling to Japan to buy prestige beauty products, which they are no longer willing, that purchase, that consumption has not gone away and that purchase is shifting into the Chinese market which is feeding significant growth if you report business on a Mainland China basis.

But it's very encouraging that we're delivering the growth that we are in SK-II. It's been a little bit tougher for Olay, simply because one of the mechanisms that companies are using to compete and take advantage of this opportunity is to reduce prices. And so the gap between Olay and some of the others kind of changes the competitive dynamic. And quite frankly, we need to work to premiumize our line even more to be fully competitive with some of these brands, which we're in the midst of doing. But overall, Beauty grew 7%, Skin and Personal Care grew 7%, Hair Care grew 7%. We've grown organic sales for 22 quarters. It's a business we really like and SK-II is important part of it, as is Olay.

Operator

Next question comes the line of Mark Astrachan with Stifel.

Q - Mark Astrachan {BIO 15313233 <GO>}

Yes. Thanks and good morning, everybody. Wanted to ask just more broadly about how to think about operating margin on a go-forward basis, not necessarily from a guidance perspective, but just how much of the pretty strong EBIT margin expansion we've seen since fiscal '19, depending on where you come in 4Q, something 250 basis points or more, mainly led by gross margin. How much of that should we be thinking about fixing the business? I hear you on the commodities and the pricing and pricing to protect how you were referring to before on margin. So you could maybe help us a little bit more about how much of that is immediate leverage from stronger sales and how much of that can actually continue on a go-forward basis? And maybe just sort of puts and takes that we don't necessarily see in looking at the numbers.

A - Jon R. Moeller {BIO 16200095 <GO>}

Well, certainly, continuation of sales growth rate is important to maintain some level of margin growth rate. And we've been very clear about that from the beginning. I also think that you need to be careful when you think just about commodities, in terms of its effect on the gross margin even on a net basis, of pricing, because that's not the only thing going on. So for example, there have been significant cost increases associated with COVID in terms of being able to operate safely and successfully. We would expect over some period of time, God willing, as we go through this, both here and in other countries, to be an opportunity for productivity and cost reduction.

So I've talked about this many times, but there is a chart that I show our leadership team meeting -- our team whenever we get together, which simply shows the importance of the combination of sales growth and margin growth and delivering top tier TSR. And the simple fact is that if we don't grow margin and we want to deliver top tier TSR, we would need to be comfortable sustainably growing sales, organic sales 8% every year. And that's not something that our industry has historically done, it's not something we've historically done, but we remain committed through our innovation programs, through productivity, through the right amount of pricing to continue some level of operating margin growth.

Operator

And your final question comes from the line of Jonathan Feeney with Consumer Edge.

Q - Jonathan Feeney {BIO 2268157 <GO>}

Thanks very much guys. Wanted to follow up, maybe put a finer point on earlier line of questions. E-commerce, we talked about for years about what it would look like and we saw this level of e-commerce dramatically higher. And I wanted to maybe to put -- I know that varies widely by category and by region. You mentioned the US and China. I know categories (Technical Difficulty) pretty significant as well. So I would ask, are you stronger in categories that have developed more in e-commerce, and are you more profitable in totality, in your judgment in those categories? And I ask that because I think that's the direction we're going in a lot of categories. And I think that affects the overall competitive look five years down the road. Thank you.

A - Jon R. Moeller {BIO 16200095 <GO>}

I would say that our position as regards superiority again in categories where performance drives brand choice and our advantage versus competition in that regard, as well as the other vectors of superiority, has a stronger correlation with our results than the development of any channel within the category or across categories. In aggregate, our market shares in e-commerce are about equal to brick and mortar and there are countries where it's lower, there are countries where it is higher, there are categories where it is lower, there are categories where it is higher, and the same is true generally for margin.

So all that put together wouldn't necessarily indicate that will preference by the development of one channel versus the other. And of course, you also get into increasingly -- you should be talking about digital commerce and that is or someone mentioned earlier on the call, just as important for Walmart or Target, as it is for Amazon or Alibaba. So when we think about channel differences that historically in the past was a customer difference. But that's no longer the case. So there's a blending that's occurring as well. But we are very comfortable and in fact, encouraged by the development of digital commerce in general across all of those forms. We feel we're well-positioned. Andre mentioned some of the reasons earlier. I have talked ad nauseam about how this is actually a limited assortment environment as opposed to a unlimited assortment environment and as a result, how the barriers to entry can be even higher for non-leading brands in some of these channels. But we want to be available, relevant, super attractive wherever consumers want to shop. And if that happens to be more digital commerce, we're prepared to serve.

Well, I think that's -- I want to thank everybody for your time. I really do feel we're in a good place, albeit with challenges as we've talked in this call. Again, I go to -- let me just quickly go through one dynamic. We talked about how -- the biggest question that I get is what's this all going to look like post-COVID. And I look at just a couple of things and indicators of that. I don't have the full answer, but if we go back to a COVID normalized, non-affected environment, so how where we growing pre-COVID.

We were growing the top line at about 6%, we were growing the bottom line high singles. So very strong momentum with the current strategy and the portfolio of leading brands and daily use categories where performance drives brand choice. And a very effective highly competent organization executing against that strategy. All of that have carried forward into COVID and has built momentum. So fiscal year-to-date, as we were talking earlier, organic sales up 7%, core earnings per share up 14%.

And if we flagged forward to a transition to post-COVID normal, whatever that looks like, I would just point to two data points. Our two largest markets, the US is arguably beginning the transition to a new normal. China is arguably transitioned to a new normal, or closer to that than most other large countries. In the US, in the last quarter, we grew 7% on the top-line. In China in the last quarter, we grew 22% on the top-line, albeit, against a base that was partly lockdown effective. If you look at it on two-year stacked basis we're up 12.

But we are also importantly globally on aggregate basis building share. And none of that is to brag and none of that is to guarantee future success, but if I look at that combination of data, it's hard to believe those same strategies, brands, people that delivered success pre-COVID and during COVID all of a sudden not going to be delivering attractive results. And that's our commitment and our plan.

With that, we'll let you go. Again, thank you very, very much for your time this morning.

Operator

Ladies and gentlemen, that concludes today's conference. Thank you for your participation. You may now disconnect. Have a great day.