

## Household &amp; Personal Care

## HPC private label tracker 4Q23; private label share steady in 2023

Industry Overview

## A deeper look into HPC private label exposure

We update our HPC private label (PL) tracker which looks at private label relative pricing vs household & personal care sub-categories and relative exposure of the companies within our coverage universe to private label. Leveraging Nielsen's syndicated reports we compile the following: 1) **Private label penetration** for companies in our coverage of household & personal care, respectively, 2) **top categories YoY private label share gain**, and 3) Weighted **average YoY price changes** across companies in our coverage vs. the total market and vs. private label.

## Private label penetration relatively flat YoY in 2023

According to Nielsen, private label share of total household & personal care sales was 16.6% for the trailing 12mo period ending 12/30/23, up only +10bps YoY, which remains well below peak pre-COVID penetration of 17.1%, noting the highest private label share on a 4wk basis was 18.1% for the period ending March 28<sup>th</sup>, 2020. Muted PL share gains were in large part driven by catch-up price increases taken by PL brands which had lagged the much earlier pricing actions taken by branded labels earlier in 2022. Private label pricing actions helped keep consumers buying name-brand labels through most of 2023, hence flat private label share for the most part last year, though the data show sequentially increasing private label share now that price gaps between private and branded labels have largely returned to normal. We expect relatively stable private label market share levels in 2024 as the companies in our coverage signal a reorientation from pricing- to volume-driven growth this year.

## Positive on Buy-rated PG and CL; Cautious on KMB

We are bullish on Buy-rated PG (\$175 PO) and CL (\$90 PO), as PL price gains have outpaced each of the company's brands through much of 2023 while PL exposure has been steady. See our mid-December note detailing our upgrade to Buy for [CL here](#). Buy-rated KVUE is set to report earnings pre-market on 2/8, and while we did not see significant private label share gain for KVUE, its market share has been challenged in certain categories due to competition and a farther-out distribution recovery. In 2023, we saw the largest private label share gains at Underperform-rated KMB (\$110 PO), private label exposure increased +80bps for the 4-weeks ended 12/30/23, with an increase in PL share gain for facial tissue (+260bps y/y) and baby wipes (+200bps). See our mid-December note detailing our downgrade to Underperform for [KMB here](#).

## Neutral-rated CLX and CHD see consistent PL exposure

On Neutral-rated CLX (\$160 PO) we note that private label exposure for CLX remains higher in certain categories (wipes, plastic wraps, bleach) post-cyberattack, however, we expect CLX to restore share as the company recovers distribution in the coming months. See our mid-December note detailing our upgrade to Neutral for [CLX here](#). Overall, we have not seen lasting private label share gains across CLX's total basket despite the disruption, with private label penetration flat y/y. Neutral-rated CHD (\$100 PO) consistently sees low private label exposure, at ~12% of sales on a weighted average basis. See our mid-December note detailing our upgrade to Neutral for [CHD here](#).

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United States  
Consumer Staples

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[Church & Dwight: Analyst Day highlights revised Evergreen model building on 2023 improvements](#)

[Clorox: FQ2 beats on volume restoration post-cybersecurity attack; Reiterate Neutral](#)

[Colgate-Palmolive Company: Core Strength; raising estimates](#)

[Kimberly-Clark: Q4 results soft, 2024 focus on volume recovery; Reiterate Underperform](#)

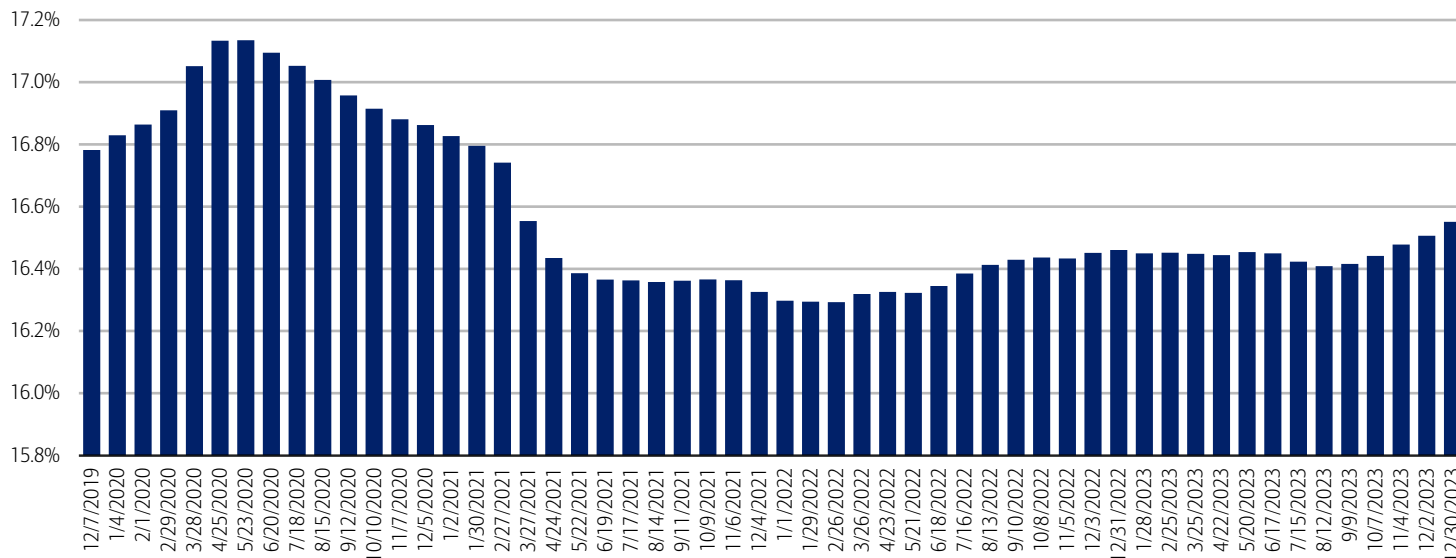
[The Procter & Gamble Company: Four-tified sales, margins drive upside](#)

## Private label penetration of total HPC

Private label penetration of HPC has increased +10bps YoY through 2023 on a trailing 12mo basis. Finishing the year at 16.6%, Private Label share remains well below the COVID peak of 17.1% reached in the four weeks ending March 28<sup>th</sup>, 2020. We saw private label gain share at a faster rate in early 2022, but as store brands also took pricing against inflation and with a strong consumer backdrop, private label share had been steady through 3Q23.

### Exhibit 1: Total HPC private label penetration (TTM)

Private label penetration has been increasing steadily since 2022



Source: NielsenIQ

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By category, we have seen the largest private label \$ share gains in bath & shower wipes (CLX), plastic wraps (CLX), buckets, bins & pails (KMB), candles (EL), hand soap (CL, PG), and aerosol disinfectants (PG, CL, CHD).

### Exhibit 2: Top categories by YoY Private Label share gain

Private label gained share in wipes and plastic products

Rank	Category	YoY PL Share Gain
1	Bath & Shower Wipes	680 bps.
2	Plastic Wraps	500 bps.
3	Buckets, Bins, & Pails	430 bps.
4	Household Candles	410 bps.
5	Hand Soap	340 bps.
6	Aerosol Disinfectants	320 bps.
7	Women's Perfume	320 bps.
8	Facial Tissue	260 bps.
9	Baby Wipe	200 bps.
10	Bleach	170 bps.

Source: NielsenIQ

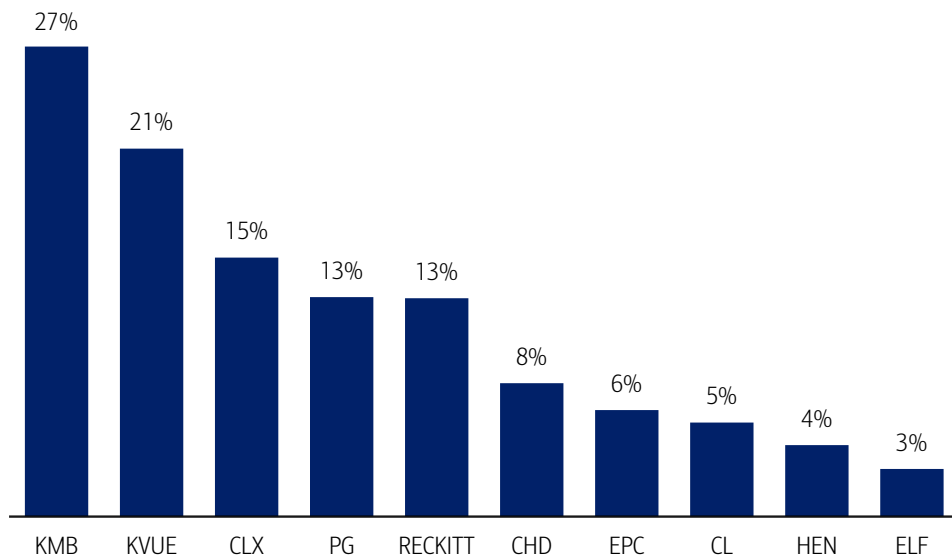
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## Private label exposure by company

By company, we have seen the greatest private label exposure in tracked channel sales in categories for KMB, KVUE, CLX, and PG across HPC. Meanwhile, CHD and CL have among the lowest exposure to private label in our household & personal care coverage. Beauty companies COTY and ELF have little exposure to private label due to their categories in color cosmetics, fragrance, and skincare.

### Exhibit 3: Private Label exposure across CPG companies

CL exposure is on the low end relative to peers



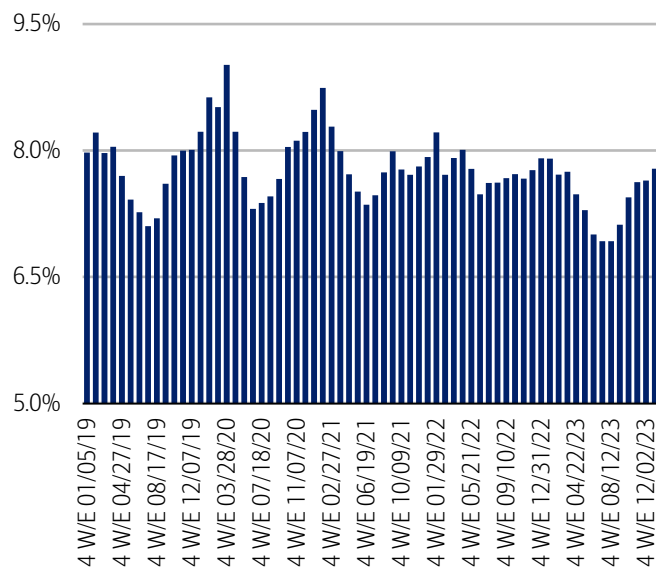
Source: Nielsen xAOC+C, BofA Global Research

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## Private label share history by company

### Exhibit 4: CHD private label exposure

Private label exposure declined -10bps YoY for the 4wks ended 12/30/23

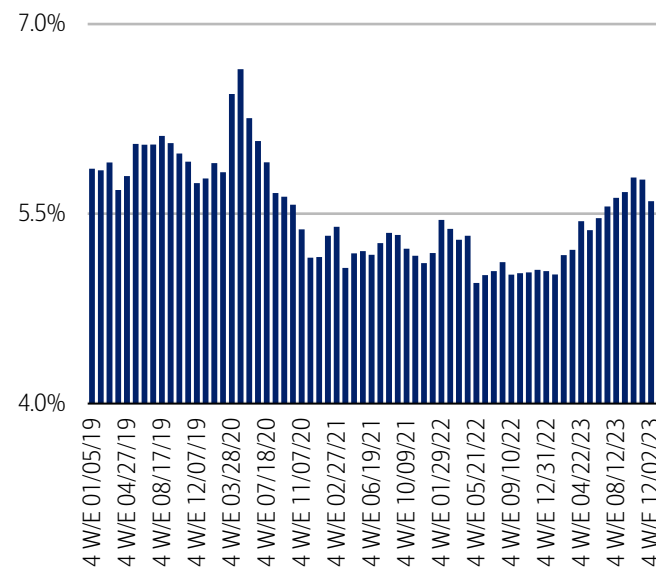


Source: NielsenIQ

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### Exhibit 5: CL private label exposure

Private label exposure grew +40bps YoY for the 4wks ended 12/30/23

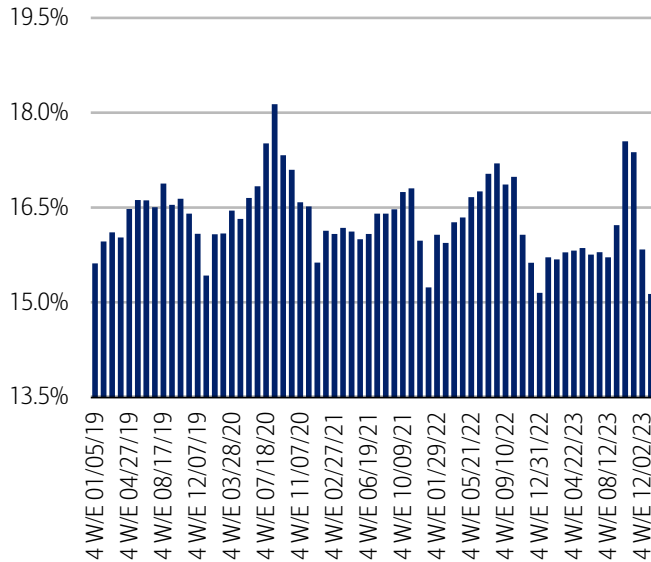


Source: NielsenIQ

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**Exhibit 6: CLX private label exposure**

Private label exposure was flat YoY for the 4wks ended 12/30/23

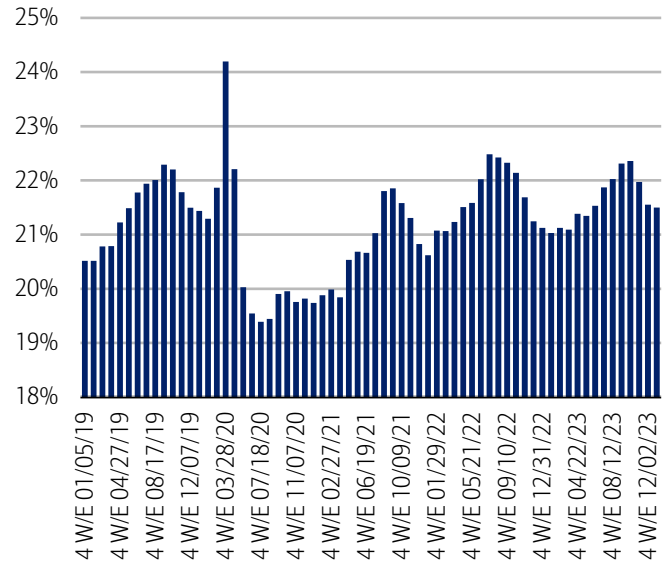


Source: NielsenIQ

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**Exhibit 7: KVUE private label exposure**

KVU's exposure has been relatively flat since 2022 but above pre-COVID

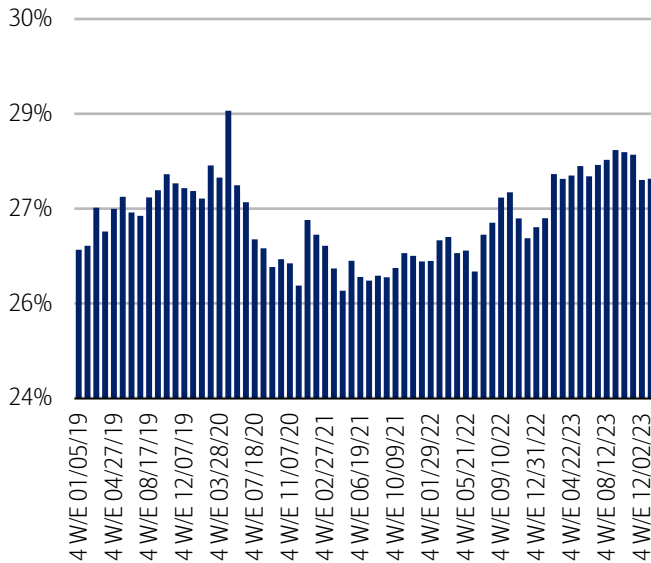


Source: NielsenIQ

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**Exhibit 8: KMB private label exposure**

Private label exposure increased +80bps YoY for the 4wks ended 12/30/23

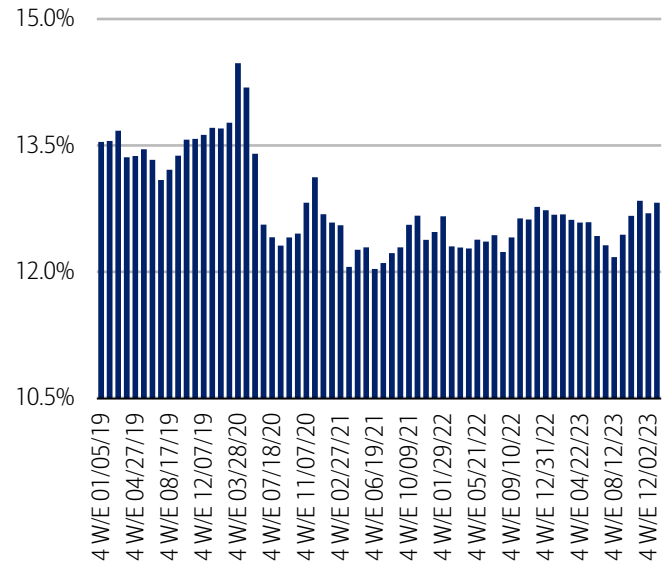


Source: NielsenIQ

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**Exhibit 9: PG private label exposure**

Private label exposure increased +10bps YoY for the 4wks ended 12/30/23



Source: NielsenIQ

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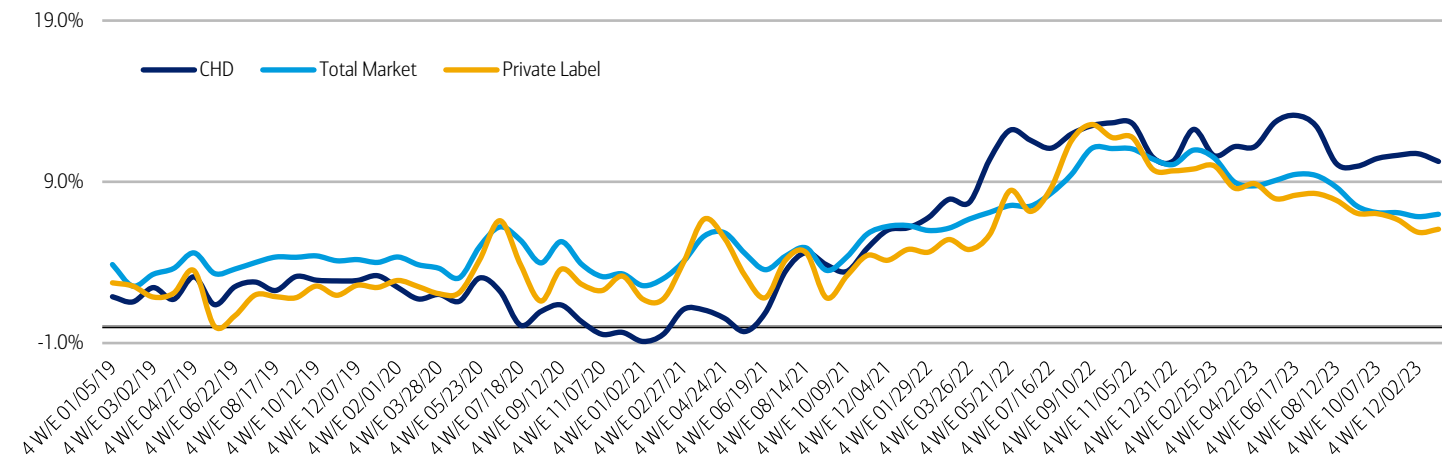
## Mind the price gap

Across our coverage universe, we have seen the largest gains in terms of weighted average YoY price change for CHD, CL, and PG. For Colgate, Kimberly, and Procter, we have seen Private Label YoY pricing exceed that of branded name products as private label manufacturers finally took price to offset input cost inflation.

### Church & Dwight

#### Exhibit 10: Weighted-Average YoY Price chg. across CHD categories

CHD has been pricing above the market and Private Label on a % increase basis

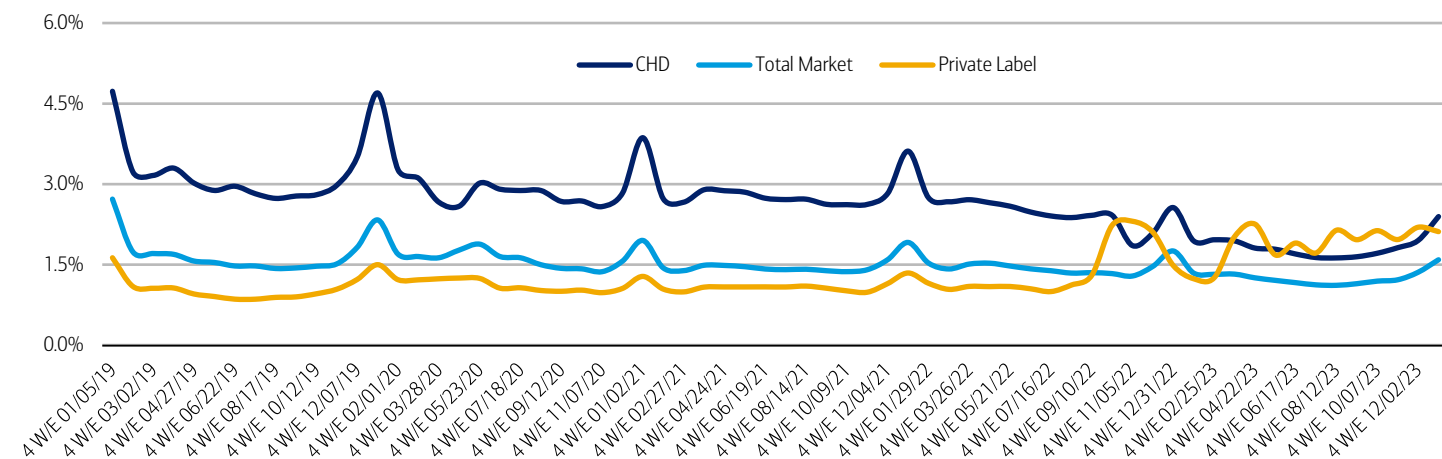


Source: NielsenIQ, BofA Global Research

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#### Exhibit 11: Weighted-Average Price across CHD category basket

Private Label contraceptive pricing has moved up significantly, dragging up PL relative price vs CHD given the category's size in CHD's portfolios



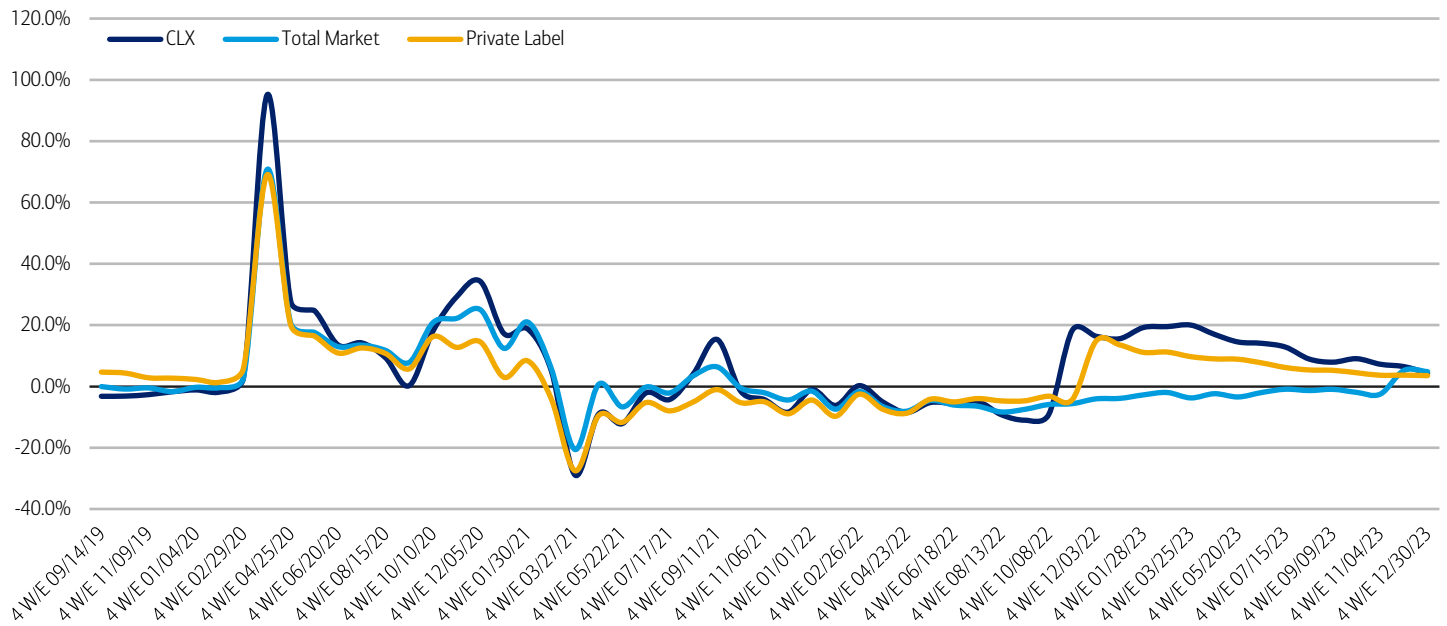
Source: NielsenIQ, BofA Global Research

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## Clorox

**Exhibit 12: Weighted-Average YoY Price chg. across CLX categories**

Private Label pricing rose to meet CLX and the total market in late 2023

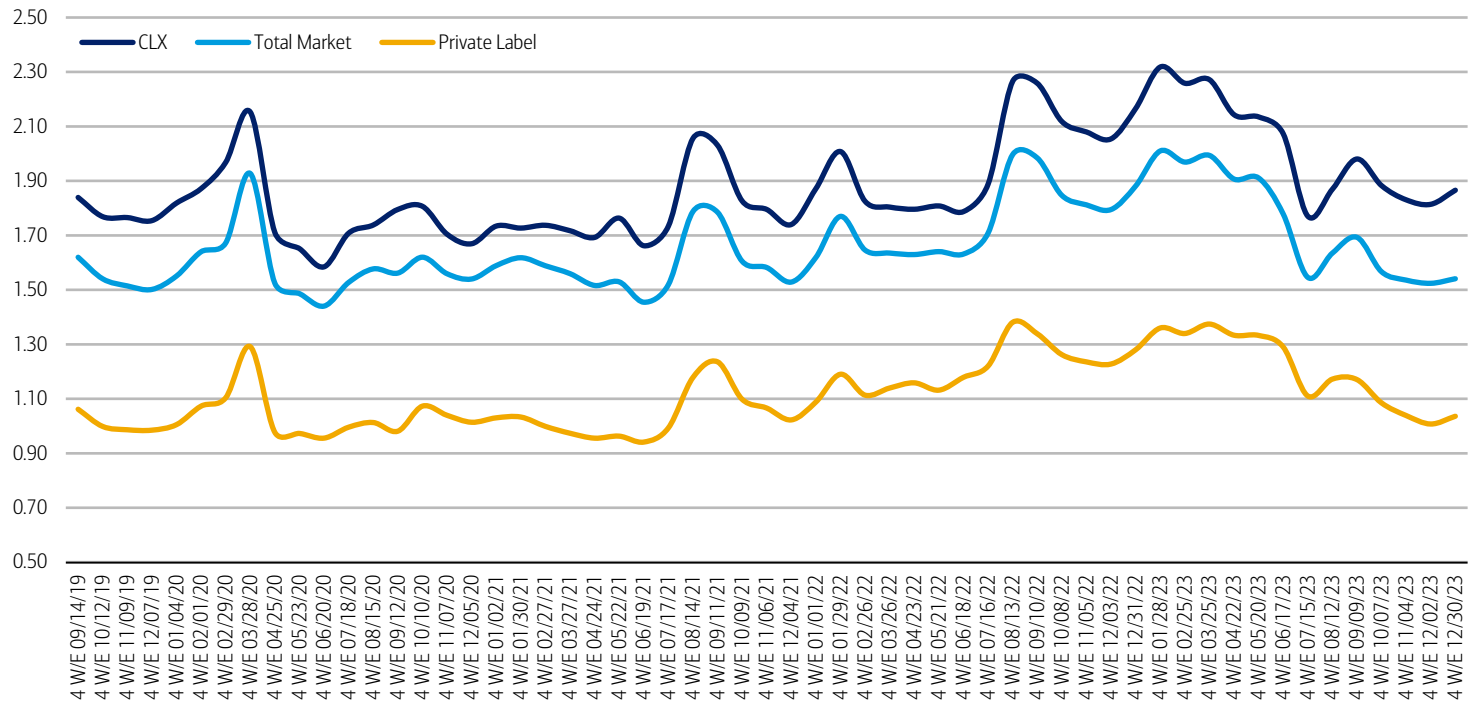


Source: NielsenIQ, BofA Global Research

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**Exhibit 13: Weighted-Average Price across CLX category basket**

Price gaps between CLX and PL narrowed in August



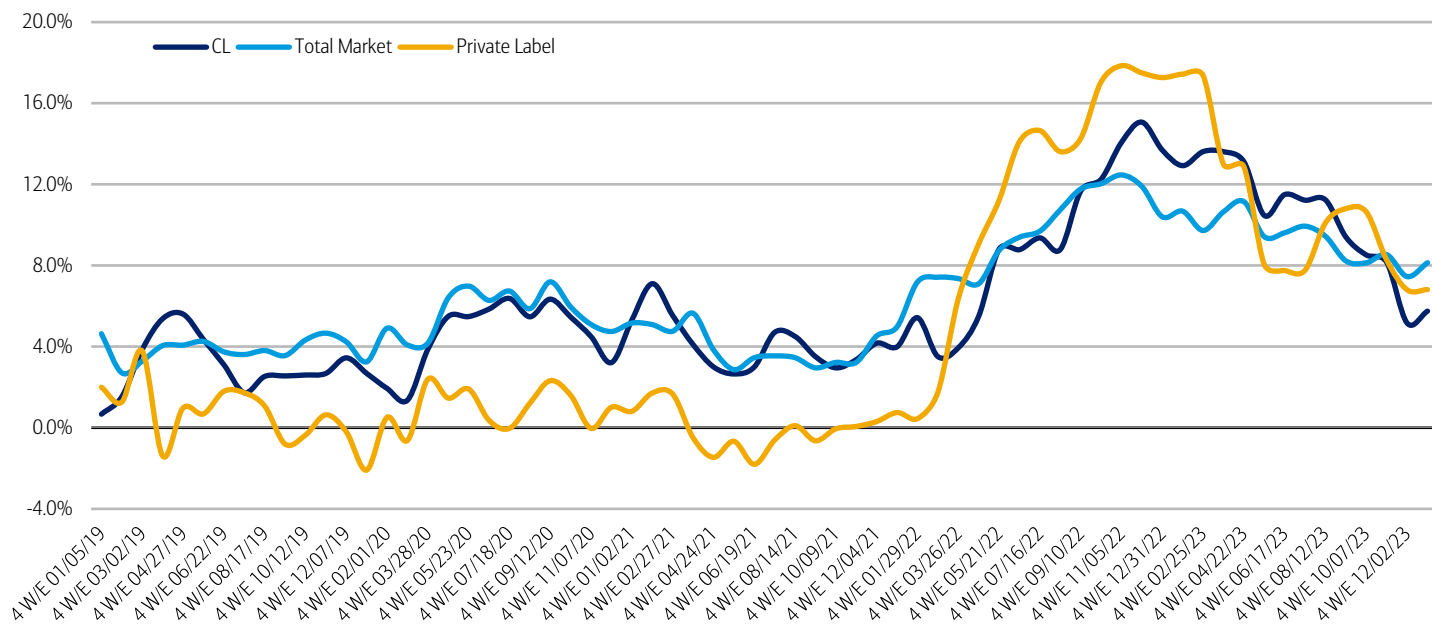
Source: NielsenIQ, BofA Global Research

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## Colgate-Palmolive

**Exhibit 14: Weighted-Average YoY Price chg. across CL categories**

Private label pricing exceeded branded labels in CL's categories for part of 2023

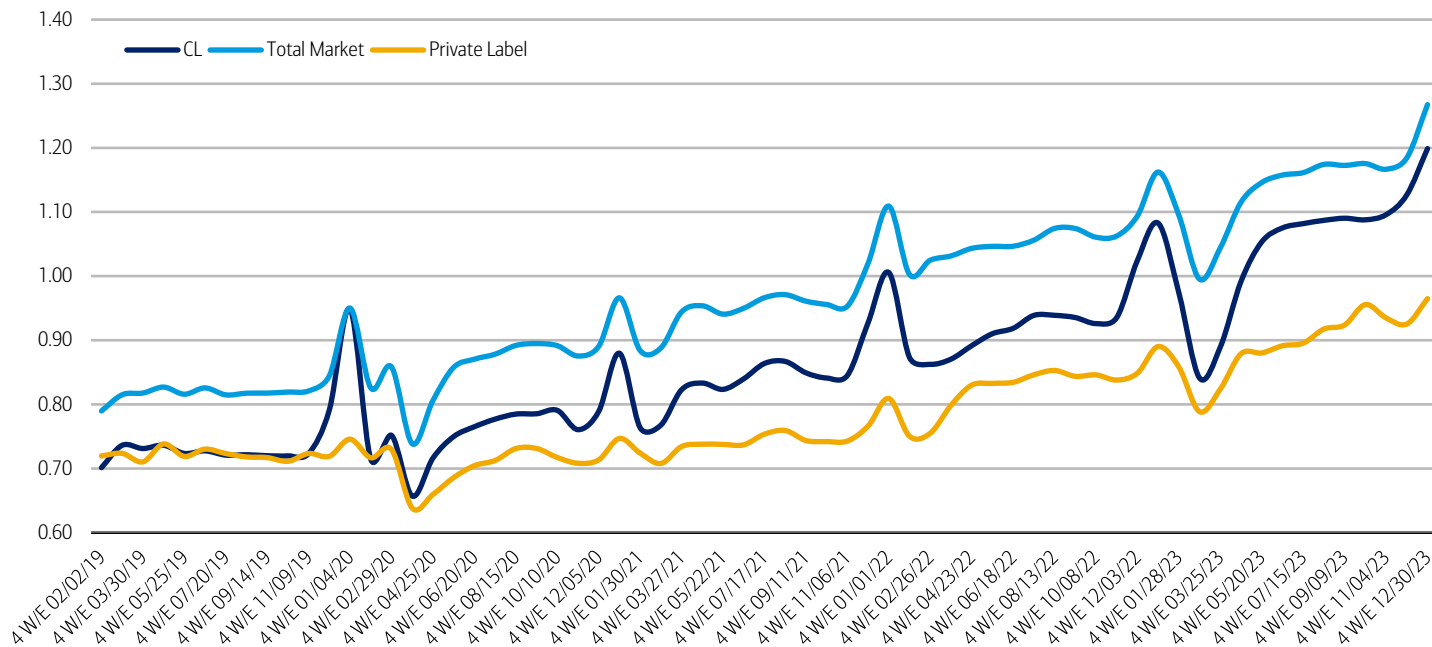


Source: NielsenIQ, BofA Global Research

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**Exhibit 15: Weighted-Average Price across CL category basket**

Price gaps have continued to expand exiting 2023



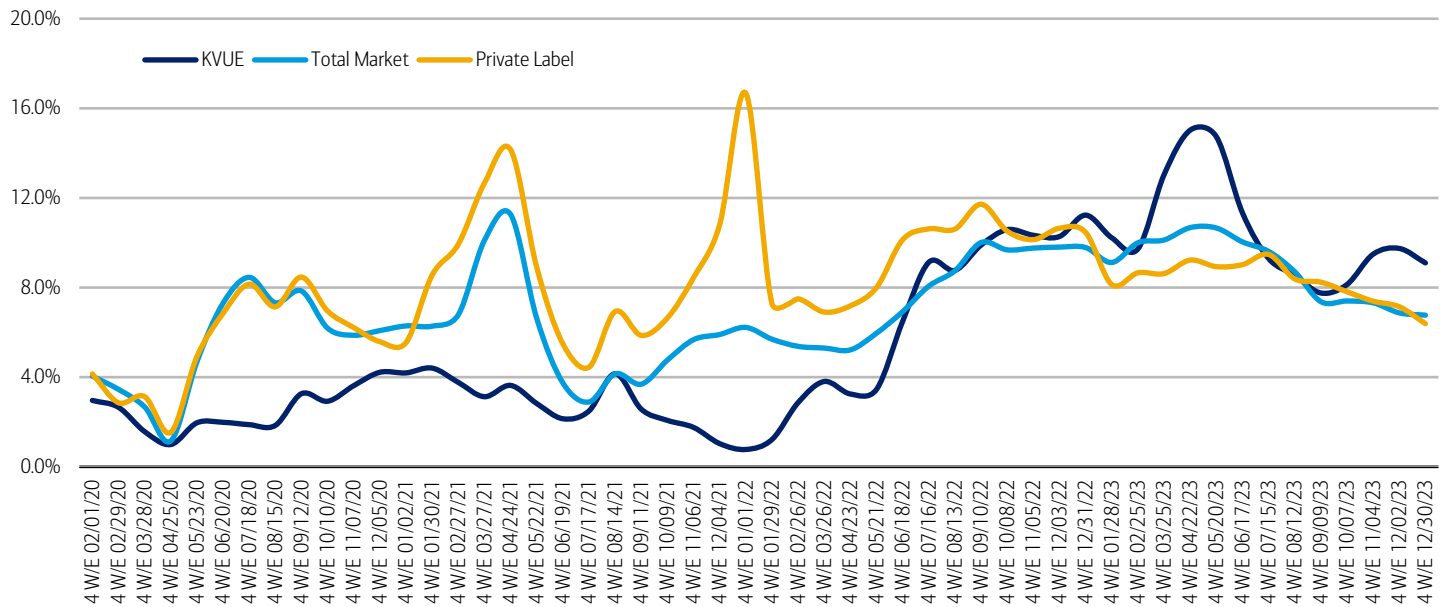
Source: NielsenIQ, BofA Global Research

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## Kenvue

### Exhibit 16: Weighted-Average YoY Price chg. across KVUE categories

KVUE % pricing had lagged private label until 2023

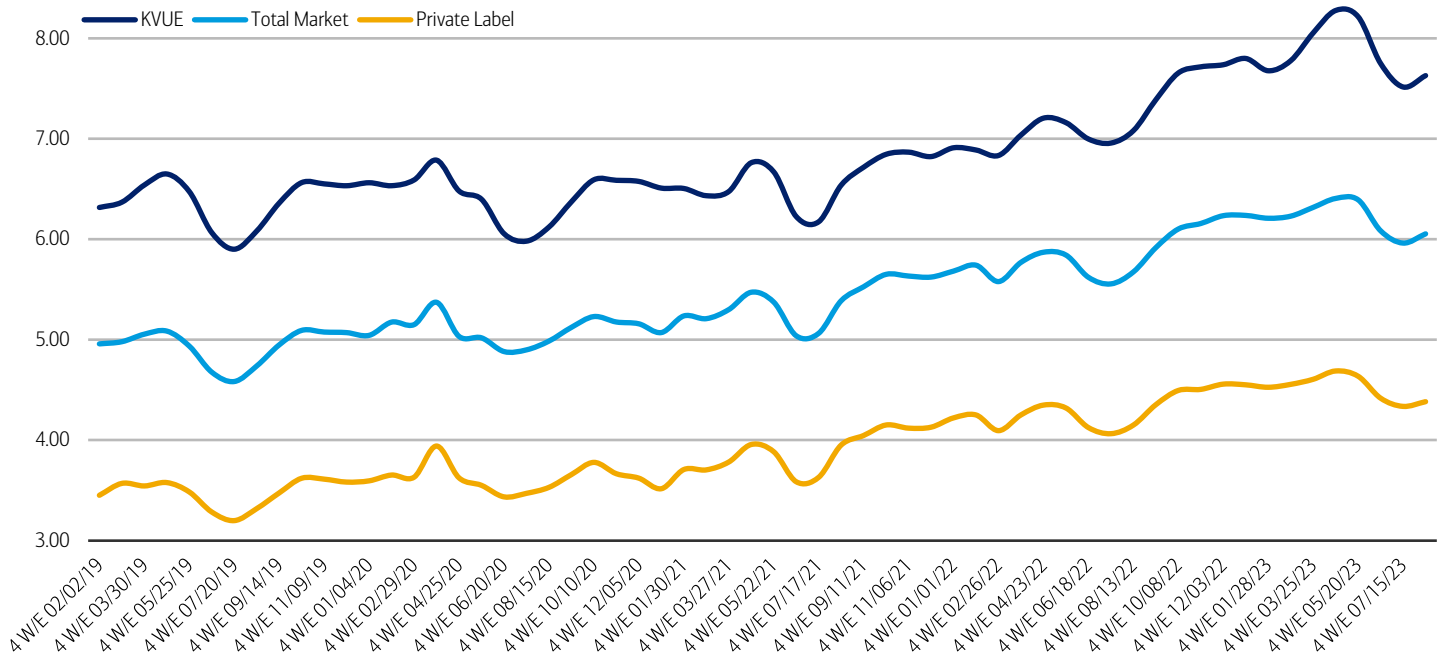


Source: NielsenIQ, BofA Global Research

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### Exhibit 17: Weighted-Average Price across KVUE category basket

KVUE's price gaps relative to PL and total market have remained consistent



Source: NielsenIQ, BofA Global Research

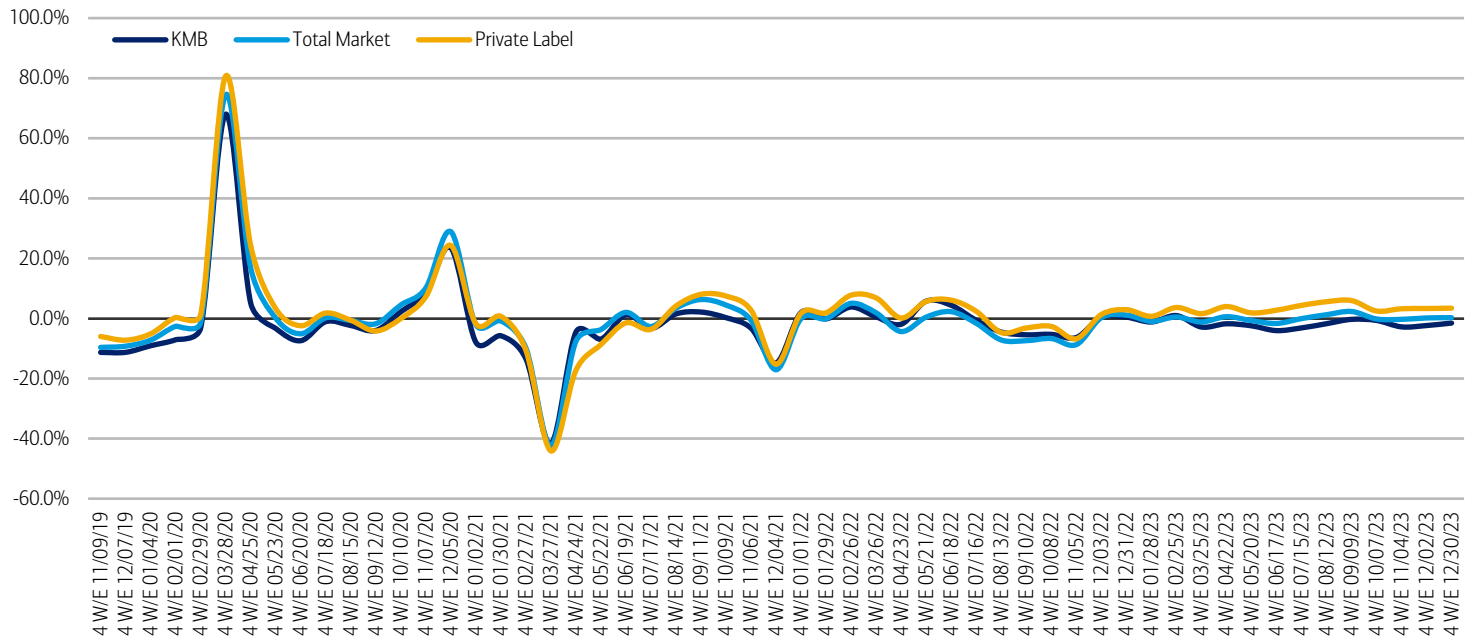
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## Kimberly-Clark

**Exhibit 18: Weighted-Average YoY Price chg. across KMB categories**

KMB has been pricing below the market and Private Label on a % increase basis

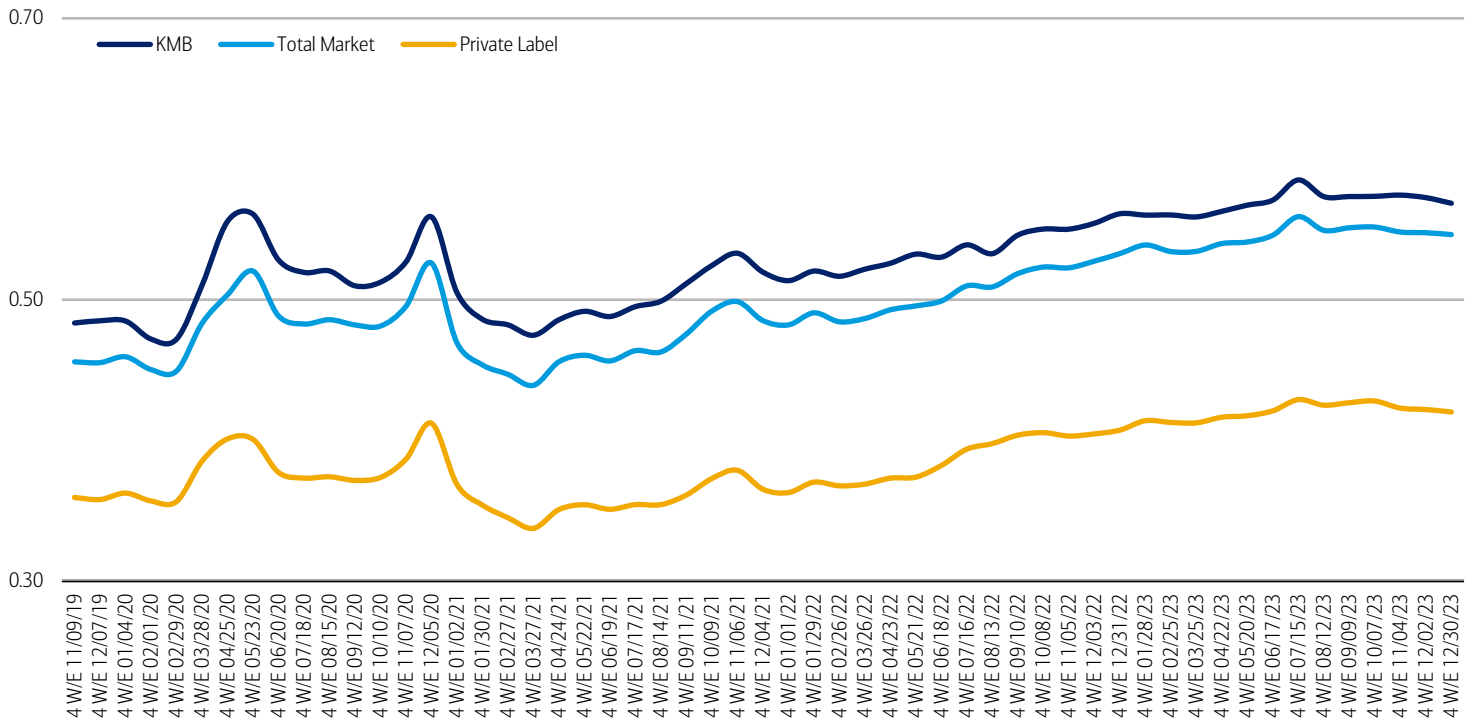


Source: NielsenIQ, BofA Global Research

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**Exhibit 19: Weighted-Average Price across KMB category basket**

KMB's weighted average price across categories has narrowed relative to Private Label



Source: NielsenIQ, BofA Global Research

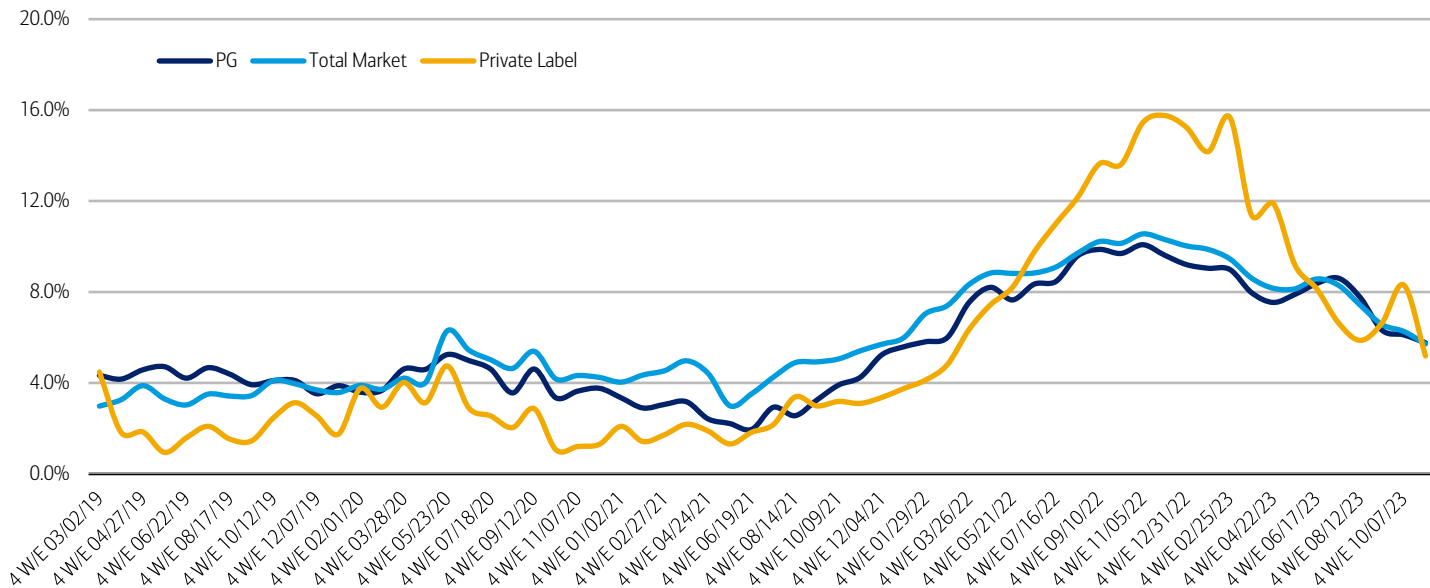
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## Procter &amp; Gamble

**Exhibit 20: Weighted-Average YoY Price chg. across PG categories**

Private label pricing has outpaced PG and overall category pricing through 2023

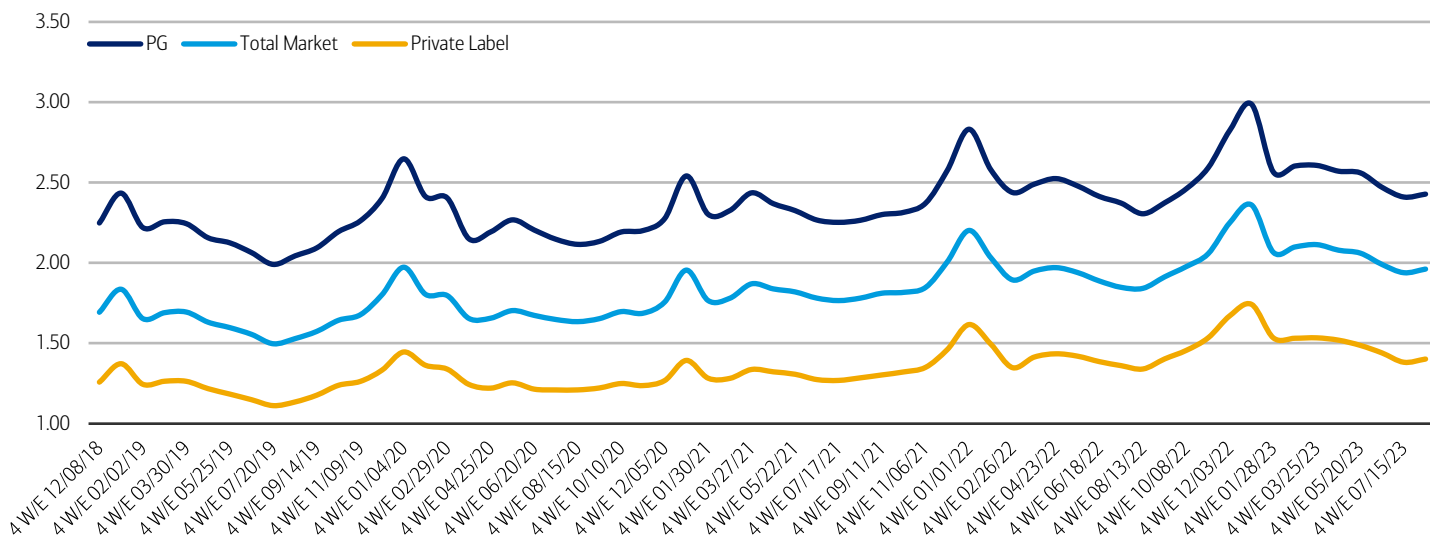


Source: NielsenIQ, BofA Global Research

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**Exhibit 21: Weighted-Average Price across PG category basket**

Price gaps relative to PL and total market have remained consistent



Source: NielsenIQ, BofA Global Research

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**Exhibit 22: Stocks mentioned**

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
CHD	CHD US	Church & Dwight	US\$ 99.37	B-2-7
CLX	CLX US	Clorox	US\$ 156.36	B-2-7
CL	CL US	Colgate-Palmolive	US\$ 84.62	A-1-7
KVUE	KVUE US	Kenvue	US\$ 20.83	C-1-7
KMB	KMB US	Kimberly-Clark	US\$ 122.26	A-3-7
PG	PG US	Procter & Gamble	US\$ 158.09	A-1-7

Source: BofA Global Research

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**Price objective basis & risk****Church & Dwight (CHD)**

Our \$100 PO for CHD shares is based on a CY25e P/E ratio of 26x, a premium to the company's 10-year average P/E multiple of 24x. We believe this multiple appropriately balances organic sales growth, partially offset by investment spending to aid distribution growth and volume recovery.

Upside risks to our price objective are: 1) greater capture of value sales supported by investment spend, 2) little or no market share gains by private label exposure (only 5 of CHD's 18 categories), 3) e-commerce as a percent of sales continues to grow, helping to diversify distribution outlets, 4) strong free cash flow conversion, enabling CHD to return capital to shareholders or pursue M&A.

Downside risks to our price objective are: 1) a weakening consumer environment leading to lower volume demand elasticities, 2) increased cost inflation and limited pricing power near-term, 3) supply chain issues leading to lower fill rates and an inability to change mix/packaging sizes, 4) retailer inventory reductions amid a shift in demand to lower cost products, 5) a pullback in marketing spend leading to market share declines.

**Clorox (CLX)**

Our \$160 PO for CLX is based on 21x our CY25e EPS. We believe a 21x multiple reflects a balanced risk/reward of volume/margin recovery, and inflation more in-line with the historical average, amid a potentially challenging consumer environment.

Upside risks to our price objective are: 1) success of the IGNITE strategy lifts volumes and sales, 2) a better than expected consumer environment leads to healthy pricing implementation, 3) input cost benefits provide for margin expansion, 4) the international portfolio stabilizes with consistent sales growth and expansion, 5) robust demand in CLX's portfolio of products due to a resurgence in COVID-19 or other global health conditions.

Downside risks to our price objective are: 1) demand falling with higher pricing amid an uncertain economic outlook, 2) persistent cost inflation and inability to take further pricing, 3) shifting retailer inventory to private label and lower cost products, and 4) low visibility into margin recovery which is farther out than F24.

**Colgate-Palmolive Company (CL)**

Our \$90 price objective is based on a CY25e P/E of 24x. Our premium multiple factors in US sales inflection, stability in margin and earnings delivery that has taken hold over the last 4-5yrs, and strong volume/pricing power in emerging markets. This target now implies a 15% premium to relative HPC peer average (prior basis implied a +5%



premium), still more than a standard deviation above CL's 2yr average relative multiple but within a standard deviation above relative multiple to peers like PG and CHD. This premium reflects CL's defensive portfolio and strong, improving US and international market share, with top and bottom line support from pricing and new cost savings initiatives as unfavorable commodity costs abate and turnaround in developed markets Oral Care share takes hold.

Risks to the downside are increased price competition, particularly from private label, a stronger US\$ in light of hyperinflationary currency pressure in Latam, Asia, and Africa, and macro volatility, particularly in emerging markets. Risks to the upside are stronger EM performance, significantly lower commodity costs, and growth ahead of category.

#### **Kenvue Inc. (KVUE)**

Our price objective of \$26 for Kenvue (KVUE) shares is based on a CY25e EV/EBITDA multiple of 13.5x. This is a slight discount to the average of publicly traded household and personal care peers. In our view, this multiple is warranted as the company has best-in-class assets and we expect to see steady growth in sales and margin expansion, while taking into account separation and execution risk as a standalone entity.

Downside risks to our price objective are: 1) separation risk as KVUE has no history of operating as a standalone publicly traded company, 2) brand reputation risk and related litigation, 3) challenges associated with distribution and volume recovery, 4) geographic exposure with 50% of sales outside of North America.

#### **Kimberly-Clark (KMB)**

Our \$110 price objective is based on a CY25e P/E ratio of 16x, a discount to the company's 10-year average P/E multiple, due to a longer-term recovery in volumes and market share. On an absolute and relative basis vs. HPC peers, KMB trades below its 2-year forward P/E average of appx. 18x. We see a potentially difficult setup ahead, with current valuation justified by limited organic sales growth on weak volumes as pricing benefits wane, and tempered expectations on gross margin expansion ahead due to input volatility, partially offset by cost savings.

Upside risks to our price objective are: 1) global rising birth rates, 2) continued elevation of brands with accelerated market share gains in developing and D&E markets, 3) a better than expected consumer environment leading to higher mix of premium products, 4) pricing actions and cost savings more than offset cost inflation, 5) key commodity costs abate.

Downside risks to our price objective are: 1) global declines in birth rates accelerate, 2) erosion in market share due to a challenging consumer environment, 3) difficulty implementing pricing and cost savings initiatives, 4) cost inflation continues to rise in key commodity costs, hampering gross margins.

#### **The Procter & Gamble Company (PG)**

Our \$175 PO is based on a P/E ratio of 24x our CY25e EPS, unchanged on a 2025 basis and implying a 17% premium compared to HPC (Household and Personal Care) peers, above PG's 2yr historical average multiple of parity the index on a fwd 2yr basis. We think this relative valuation vs historical valuation is reasonable given PG's recent multi-year efforts to reaccelerate the business as the company sheds non-core categories and brands, and successfully drove balanced top- and bottom-line growth which has led to resilient market share gains that have held throughout the pandemic.

Risks to our price objective are a slowing in recent sales momentum, adverse competitive responses namely from private label in the coming months, and a return to "risk-on" which would make PG's defensive qualities less attractive

## Analyst Certification

We, Anna Lizzul and Bryan D. Spillane, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

## US - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	BellRing Brands Inc	BRBR	BRBR US	Bryan D. Spillane
	Coca-Cola Europacific Partners plc	CCEP	CCEP US	Bryan D. Spillane
	Colgate-Palmolive Company	CL	CL US	Bryan D. Spillane
	Constellation Brands	STZ	STZ US	Bryan D. Spillane
	Coty Inc.	COTY	COTY US	Anna Lizzul
	e.l.f. Beauty	ELF	ELF US	Anna Lizzul
	Freshpet, Inc.	FRPT	FRPT US	Bryan D. Spillane
	Kenvue Inc.	KVUE	KVUE US	Anna Lizzul
	Keurig Dr Pepper	KDP	KDP US	Bryan D. Spillane
	Kraft Heinz Company	KHC	KHC US	Bryan D. Spillane
	Lamb Weston Holdings Inc	LW	LW US	Peter T. Galbo, CFA
	McCormick & Co.	MKC	MKC US	Peter T. Galbo, CFA
	Mondelez International	MDLZ	MDLZ US	Bryan D. Spillane
	Monster Beverage Corporation	MNST	MNST US	Peter T. Galbo, CFA
	PepsiCo	PEP	PEP US	Bryan D. Spillane
	Philip Morris International	PM	PM US	Lisa K. Lewandowski
	Pilgrim's Pride Corp.	PPC	PPC US	Peter T. Galbo, CFA
	The Coca Cola Company	KO	KO US	Bryan D. Spillane
	The Procter & Gamble Company	PG	PG US	Bryan D. Spillane
<b>NEUTRAL</b>				
	Altria Group	MO	MO US	Lisa K. Lewandowski
	Celsius Holdings Inc	CELH	CELH US	Jonathan Keypour
	Church & Dwight	CHD	CHD US	Anna Lizzul
	Clorox	CLX	CLX US	Anna Lizzul
	Conagra Brands, Inc.	CAG	CAG US	Peter T. Galbo, CFA
	Estee Lauder Companies Inc.	EL	EL US	Bryan D. Spillane
	General Mills	GIS	GIS US	Bryan D. Spillane
	JM Smucker Company	SJM	SJM US	Peter T. Galbo, CFA
	Kellanova	K	K US	Peter T. Galbo, CFA
	Molson Coors Beverage Company	TAP	TAP US	Bryan D. Spillane
	The Duckhorn Portfolio, Inc.	NAPA	NAPA US	Peter T. Galbo, CFA
	The Hershey Company	HSY	HSY US	Bryan D. Spillane
	Utz Brands	UTZ	UTZ US	Peter T. Galbo, CFA
	WK Kellogg Co	KLG	KLG US	Peter T. Galbo, CFA
<b>UNDERPERFORM</b>				
	Brown-Forman Corporation	BFB	BF/B US	Bryan D. Spillane
	Campbell Soup Company	CPB	CPB US	Peter T. Galbo, CFA
	Canopy Growth	YWEED	WEED CN	Lisa K. Lewandowski
	Canopy Growth	CGC	CGC US	Lisa K. Lewandowski
	Cronos Group	YCRON	CRON CN	Lisa K. Lewandowski
	Cronos Group	CRON	CRON US	Lisa K. Lewandowski
	Dole plc	DOLE	DOLE US	Bryan D. Spillane
	Herbalife Nutrition Ltd	HLF	HLF US	Anna Lizzul
	Hormel Foods Corp.	HRL	HRL US	Peter T. Galbo, CFA
	Kimberly-Clark	KMB	KMB US	Anna Lizzul
	Tyson Foods, Inc.	TSN	TSN US	Peter T. Galbo, CFA
<b>RSTR</b>				
	The Vita Coco Company, Inc.	COCO	COCO US	Bryan D. Spillane

# Disclosures

## Important Disclosures

### Equity Investment Rating Distribution: Consumer Products Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	32	50.00%	Buy	16	50.00%
Hold	19	29.69%	Hold	8	42.11%
Sell	13	20.31%	Sell	7	53.85%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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