Procter & Gamble:
Past Performance & Future Projections

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INTRODUCTION – Charlie

Procter and Gamble has been an industry leader in the consumable good industry since its founding in 1837. Procter and Gamble (PG) has been able to post increased profit margins for the last three years. PG's net profit margin were more than double the industry average in 2020. Their operating profit margins were approximately 7.5% higher than the industry average in the same year. A sharp increase in demand for household and personal hygiene products during the pandemic has driven PG's success in 2020. PG has also maintained a reputation as the one of the most consistent dividend-paying companies over the last century.

Procter and Gamble was not immune to the negative impacts of the pandemic, however. Health restrictions had a massive impact on warehouse and distribution centers, as well as supply chain interruptions caused by the travel restrictions. The vacuum created by these drawbacks leaves PG exposed to the threat of competitors overtaking its market share in the international markets. Investors should also take into consideration how PG is handling cash assets; hoarding cash assets could be a sign that they are expecting poor quarterly performance in the future. The following breakdown shows the benefits and potential drawbacks to investing in Procter and Gamble.

Part 1

I: COMPANY OVERVIEW - Charlie

Procter & Gamble (PG) is a multinational company specializing in the manufacturing and distribution of packaged "consumable" goods mainly used in homes. PG sells items that are used by consumers from head to toe, ranging from shampoo to diapers, and is a global leader in its industry. Please refer to Appendix 1A for a chart that displays the make-up of PG's operating segments. The majority of PG's net sales and net earnings stem from its [Baby, Feminine & Family Care] and [Fabric & Home Care] Operating Segments, at combined 57% and 59%, respectively. Grooming, Beauty, and Health Care are less important to PG's top through bottom lines, yet make up a strong minority of 43% of its net sales and 41% of its net earnings. (sec.report pg. 13). Deloitte & Touche LLP (Deloitte) issued PG an unqualified audit opinion. (sec.report pg. 33). PG's board of directors, as well as its chief executives have signed the most recent annual report, which was prepared by PG's accounting team and audited (plus added to) by Deloitte. (sec.report pg. 70).

II: COMPANY AUDIT REPORT - Charlie

The five assertions are that the financial statements abide by the following principles:

1. "Management is responsible for its company's financial statements, and auditors work with companies to express their opinions to stakeholders.
2. Transactions are selected based upon their risk of material misstatement, and are independently audited. Not every transaction is analyzed.
3. Auditors provide reasonable assurance that the statements are free from material misstatements.
4. Company procedures and policies are vetted in order to compare them to GAAP's framework.
5. Financial statements are fairly presented in accordance with GAAP." (Slide 53, Ch 1 PPT)

If the auditor cannot issue an unqualified (clean) opinion, then the auditor must issue an explanatory paragraph with their unqualified opinion, a qualified opinion or an adverse opinion. Publicly traded companies must reflect unqualified opinions of their auditors, or they will cease being publicly traded. Unqualified opinions must reflect that the company's financial statements comply with GAAP, are tested to be free from error, and are not materially misleading. PG has maintained unqualified reports for the duration of its time being publicly traded.

III: RISK FACTOR REPORT - Charlie

PG is largely affected by uncertain economic conditions brought forth by political instability in the United States and disease related closures, delays and cancellations. PG is also affected by risks presented by its international activity; there may be issues of regulatory compliance, differences in price, supply & demand, and communication across international borders. (sec.report pgs.1-7).

The current global pandemic has introduced risks that PG's long-term plans did not account for. As a result of the pandemic, warehouse and distribution closures related to Covid-19 outbreaks are an inherent risk of doing business. These possible delays would (and do) affect PG's relationship with distributors and suppliers adversely. Covid-19 related travel restrictions may cause delays in terms of international shipping, and may limit PG's exposure to both emerging and already tapped international markets. Competitors may poach PG's market share in international markets as these competitors scale up their capacity and build customer loyalty to fill the void that missed or delayed PG product shipments would typically fill.

Additionally, many of PG's distributors, particularly small to medium sized brick & mortar retailers, are facing the possibility of insolvency due to closures, customer capacity limits and other pandemic-related restrictions. While consumers do need household products that PG provides inexpensively, customers may opt to buy from less expensive "generic" brands due to a lack of funds (from reduced wages due to the pandemic).

IV: COMPETITIVE ENVIRONMENT - Charlie

"Empowered, Agile and Accountable Organization and Culture" is how PG describes its competitive advantage against other firms. (sec.report, section: i). PG competes through its easy communications across departments and regions despite its gargantuan scale.

End consumers have supreme bargaining power in that many of PG's products are displayed directly next to their competitors on shelves. End consumers can easily make the decision to buy from a competitor's brand if that competitor is offering a discount, or seems to provide better value. PG's customers are the stores that end consumers visit such as "mass merchandisers, e-commerce, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, baby stores, specialty beauty stores (including airport duty-free stores), high-frequency stores, pharmacies, electronics stores and professional channels." (sec.report pg. 1) With these businesses, PG's bargaining power lies in its ability to offer discounts to businesses that buy the most, in the form of bulk discounts. The stores themselves have little power to bargain with PG due to the widespread adoption of its products.

PG's suppliers are mainly raw material manufacturers for its packaged goods. (sec.report pg. 1). The bargaining power of suppliers fluctuates with market conditions including exchange rates and the availability of resources. (sec.report pg. 2). PG depends upon just-in-time delivery systems in order to maximize its production capacity and inventory turnover. Suppliers may be able to demand higher funds if they can deliver quicker than competitors or provide better quality goods.

PG's main barrier is its threat of substitution; if a consumer sees a PG product next to a slightly discounted product, it is likely that a consumer may choose the less expensive alternative. End consumers have supreme bargaining power in that many of PG's products are displayed directly next to their competitors on shelves. End consumers can easily make the decision to buy from a competitor's brand if that competitor is offering a discount or seems to provide better value.

There will always be the threat of entry of more competitors in such a low barrier to entry industry; it is unlikely that these competitors would be able to compete with PG's advantages of its large scale and bargaining power. It is also unlikely that these firms would be able to take market share in PG's less profitable segments. Smaller competitors can compete with PG by releasing small batch products that PG's production facilities are not optimized for, so there is always the threat that new competitors with patented, superior technologies will enter the market and displace some of PG's market share.

V: COMMON SIZE INCOME STATEMENT - Omar

1. The following analysis will refer to PG's gross profit margin, operating profit margin and net profit margin, viewable on Appendix 1D.

Procter & Gamble's (PG) gross profit margin, operating profit margin and net profit margin have increased Year-over-Year (YoY) in 2018 and 2020. Although 2019 is an observable outlier – caused by a $8.345 impairment charge related to PG Shave Care and Gillette brands – margins are improving and healthy, both of which provide a favorable outlook for PG. (sec.report pg. 28).

PG's Net Profit Margin of 18.5% during 2020 is favorable as it was higher than the Personal & Household Products Industry average of 8.6% during that year. PG's Operating Profit Margin of 22.3% during 2020 is also favorable as it was higher than the Personal & Household Products Industry average of 14.7% during that year. While PG's gross profit margin for 2020 of 50.3% is lower than the Personal & Household Products Industry average of 55.2% during that year, it is increasing and therefore not of concern. (csimarket.com).

The observable increase in YoY gross profit is influenced by the selling price of PG's products and the cost to make or buy those products. The increase in gross profit margins reflect PG's effective cost-control methods and its leading presence in a very commoditized market. (csimarket.com).

2. Cost of Goods Sold (COGS) is PG's biggest expense, comprising approximately 50% of net sales. Cost of Goods Sold as a percentage of net sales has decreased from 51.4% in 2019 to 49.7% in 2020. Selling, General and Administrative Expense (SG&A) is the second largest expense for PG. As a percentage of net sales, SG&A expense has remained static between 2019 and 2020, making up 28.2% of net sales. This is a decrease from 2018, when it made up 28.5% of net sales. SG&A for PG generally increases with scale, so this change is expected.

The reduction in COGS and SG&A expenses, as a percentage of net sales, has contributed an increase in net income during 2020, as observed by the increase in net income compared to the preceding 2 years.

3. In 2012, PG implemented a productivity and cost saving initiative aimed at streamlining managerial decisions, manufacturing and other process functions to facilitate the company's growth strategy. This initiative is reducing costs across several areas including supply chain, marketing, and overhead. PG incurred approximately $1.5 billion in before tax restructuring costs during the years of 2019 and 2020. PG also expects to incur $250 to $500 million annually in restructuring costs as a result of this initiative. As of June of 2020, there are restructuring accruals of $472 million, which are classified as current liabilities. (sec.gov, pg. 23).

4. PG's net sales have increased YoY from 2018 through 2020. The most observable increase occurred during 2020. This increase in net sales was attributed to the significant increase in

demand of health, hygiene and home cleaning products in North America, caused by changes in consumer preference as a result of the Covid-19 pandemic. (sec.gov, pg. 17). While net sales increased, COGS have remained stable, which has contributed to the marginal increase in gross profit YoY from 2018 through 2020, and most notably between 2019 to 2020. As a percentage of net sales, SG&A expense has also been very well contained over the past 3 years, contributing to the marginal increase in operating income that is observed in 2020, compared to the previous two years.

Interest expense has remained static YoY from 2018 through 2020. There has also been a decrease in tax expenses during 2019 and 2020, compared to 2018. This was primarily driven by the Tax Cuts and Jobs Act of 2017. Earnings before Interest and Taxes (EBIT) as a percentage of net sales increased in 2020, compared to 2019 and 2018, respectively. This is a good indication that the increase in net income during 2020 is not solely attributed to the decrease in tax expenses that PG benefited from, as did many other companies in the U.S as a result of the Tax Cuts and Jobs Act.

5. PG's competitive strategy focuses on superior products, packaging, consumer communication, and retail execution throughout its diverse portfolio of daily use products. (sec.gov, pg. 1). Given the highly commoditized product offerings, superiority is necessary for customers to make purchase decisions. PG's competitive strategy helps differentiate itself from other competitors in the market and as a result, drive market growth. This can be observed in PG's net sales increase and decrease in COGS YoY over the past 3 years; these are indicators of PG's strong competitive position in the market.

PG is also driving productivity through cost improvement measures, which are evident in the decrease in COGS and containment of SG&A expenses, as a percentage of net sales. Additionally, operating margin increased in 2020, compared to 2019 and 2018, a good indicator of PG's efficiency at generating profits from sales. Improvements in operating margin resulted from improvements in its supply chain, marketing, and overhead costs, all of which are areas of focus based on PG's competitive strategy outlined in its annual report.

VI: BUSINESS ETHICS - Charlie

PG is stockpiling cash reserves by discontinuing some of its operations and selling PP&E. Ethically, according to Milton Friedman in his Friedman Doctrine, it is the responsibility of businesses to profit as much as possible given finite resources. (forbes.com). This manifests in PG's income statement by way of income from "other operating income, net." By not like-kind exchanging their disposition and acquisition of PP&E, and allowing these proceeds to be taxable, PG is not returning the maximum possible profit to its shareholders and is violating Friedman's doctrine as well as not abiding by management's obligations to the rights of shareholders.

Goodwill impairment is not being expensed on the income statement, yet goodwill is steadily declining on PG's balance sheet. This may manifest itself as simply a decline in additional paid in capital for common shares, however it may be beneficial for shareholders to understand that, despite consistent dividends, the market feels the present value of PG's discounted cash flows is overvalued. This violates the rights of shareholders; management needs to focus more on helping to stifle its declining goodwill to better serve common shareholders.

VII: BALANCE SHEET - Charlie

The following analysis will prefer to PG's consolidated common size balance sheet, viewable on Appendix 1B:

1. Goodwill, Trademarks & Other Intangible Assets, and Cash & Cash Equivalents are PG's largest assets. Long Term Debt, Accounts Payable and Current Debt are PG's largest liabilities.
2. 0.302 is the relative proportion of short-term to long-term assets.
3. 1.575 is PG's Debt to Equity Ratio.
4. The owners finance 38.84% of PG's assets, and debtors finance 61.16% of PG's assets.
5. PG's Goodwill is eroding materially every year. PG's Cash & Cash Equivalents have increased at an alarming rate this year. This trend indicates that PG is stockpiling cash while its goodwill erodes, meaning perhaps it is struggling as a company in terms of its reputation and feels that it must have adequate cash reserves to cover poorly performing quarters (perhaps by buying treasury stock). Cash & Cash Equivalents, from a shareholder perspective, should be kept as low as possible in order to maximize shareholder value (by way of returning value to shareholders through dividends and capital appreciation). Alternatively, PG may be attempting to stockpile cash in order to buy insolvent companies' net assets at a discount, effectively helping to grow PG's assets inexpensively when compared to current asset prices.
6. A company has a strong balance sheet if it is effectively allocating its resources to best profit, while simultaneously protecting its value through adequate insurance coverage and adequate reserves to cover debt repayments to maintain its going concern. PG has a strong balance sheet, and is well positioned to outlast and even thrive throughout the current global pandemic and looming financial crisis.

A company has a weak balance sheet if it fails to allocate its resources efficiently in order to profit as much as possible; additionally, a weak company's balance sheet reflects that the company inadequately shields its value through insurance and liquidity to repay debt obligations to maintain its going concern.

PG's current competitive strategy is: "creating superior, science-based products delivered with superior packaging, consumer communication, retail execution and value in all price tiers where we compete." (sec.report, section: vi). Thus, PG intends to maintain its market share in growing with the world population while simultaneously creating (or acquiring) new products that satisfy customers' needs better than competitors. PG's massive increase in its cash and cash equivalents balance would suggest that this value proposition will be met through acquiring struggling companies' net assets that fit this description. PG is parting ways with large portions of its PP&E, and this would seem to indicate that it is intending to replace this older PP&E with discounted (and/or better) PP&E (since its strategy is to continue expansion, relinquishing PP&E would not be logical for PG to do). Research and development costs are quite expensive, and simply acquiring companies with existing brand recognition and/or efficient equipment is a much less expensive endeavor than creating new products.

Current liabilities have been growing at a similar rate as PP&E has been decreasing. PG's strategy, from these changes, reflects our previous theory that PG is poised to buy discounted PP&E from struggling companies. This could also stem from steeper depreciation schedules stemming from the Tax Cuts and Jobs Act. This affected how leases are accounted for and included provisions for bonus depreciation for assets with useful lives less than 20 years; PG may have utilized the TC&J Act to decrease its tax burden.

It is also likely that the debt undertaken by PG is meant to act as a buffer against the possibility of PG not paying dividends for a quarter (should PG have insufficient retained earnings). PG's retained earnings balance has increased by 6% from its 2019 10k, a material increase that suggests stockpiling for shareholders.

VIII: STATEMENT OF CASH FLOWS – Charlie

Please reference Appendix 1O for the following analysis regarding PG's cash-flows.

1. For the past three years, the overall trend for PG's cash flows from operations is positive. Net earnings nearly tripled from the year prior. This bodes well for shareholders, since increasing cash flows from operations is a sign of an increasingly successful business model.
2. Operating cash flows are larger than net income each year. An issue would arise if net income was larger than operating cash flows. PG wouldn't be as efficient in collecting its receivables nor managing supplier relations.
3. PG generated cash from investing activities in 2020 but used cash in 2018 and 2019. This is due in large part to PG stockpiling cash for future investments- this is evident by a stark increase in its Proceeds from Short-Term Securities and in its 80-fold decrease in its payments to acquire businesses. Shareholders can expect this trend to reverse should PG be able to capitalize on buying discounted insolvent firms in the near future. Capital expenditures were generally static over the last 3 years.
4. PG used cash for financing activities in all three years. Most significantly, PG doubled its proceeds from short term debt, collecting on its owned bonds to add to its cash position. PG paid roughly the same amount of dividends to shareholders YoY. This is very important, in that investors in PG expect dividends more than they should expect capital gains; PG is not a "growth" company, but is rather a safe haven for more conservative shareholders. Additionally, it generated cash through issuing long term debt in all three years. They also repurchased shares in order to inflate EPS.

IX: ETHICS STATEMENT OF CASH FLOWS - Charlie

Please reference Appendix 1O for the following analysis. The more liquidity a company has, the less risk it represents. PG, by increasing its cash position several times more than what it did for 2019, is displaying to shareholders that it is able to sustain itself in both its generous dividend policy and in its ability to meet debt obligations. PG's dividend payouts have been largely the same for the past 3 years, and there is little reason to doubt that this will continue given the 130+ consecutive quarters of dividends that PG has provided shareholders. Both its credit and its additional paid in capital stand to benefit from this increase in liquidity. However, by not utilizing large cash reserves prior to financial reporting dates, PG is displaying mismanagement of cash flows; stagnant money erodes in value in comparison to inflation, and having large reserves without investing them is not a wise long-term strategy given inflation and opportunity cost. This mismanagement is evident by the near doubling of cash from security maturation, an 80-fold decline in acquisitions, and its purchases of short-term investments is down 40 times from where it was in 2018.

X: FOOTNOTES DISCLOSURE - Omar

Contingencies
PG reported purchase commitments for materials, supplies, services and PP&E as part of its normal course of business in millions; this is viewable in Appendix 1E.

These figures represent commitments with suppliers related to IT, human resources management and facilities management services, and reflect expected usage. (sec.gov, pg. 63).

Revenue Recognition
PG's revenue recognition policy is primarily derived from the sale of finished products to its customers. PG's customers include mass merchandisers, distributors, e-commerce, department stores and individual consumers. Sales typically include a single performance obligation. Therefore, revenue is recognized when the customer takes ownership of the good. PG does offer trade promotions, but sales are recorded net of trade promotion spending, which is recognized as incurred at the time of the sale. (sec.gov, pg. 26).

Lease obligation
PG reported incurred expenses for operating leases of $347, $341 and $340 million during 2020, 2019 and 2018, respectively. The total cash paid used towards operating lease payments was $271 million during 2020. The most significant assets in PG's leasing portfolio include real estate and vehicles. (sec.gov, pg. 62)

PG's Lease obligations are viewable on Appendix 1F.

Inventory cost flow assumptions
PG uses the First-in-First Out inventory costing method. (sec.gov, pg. 43). This costing method assumes that the first units purchased are the first units sold, and therefore transfers costs from inventory in the order that they were initially recorded. There were no associated LIFO reserve adjustments.

Pension obligations
PG is underfunding its pension obligations. The Benefit Obligations at the end of 2020 were $17,761 million compared to the fair value of $11,484 million at the end of the year, resulting in a deficit of $6,277 million for that year. This was also the case for 2019, as the Benefit Obligations at the end of year 2019 were $17,037 million compared to the fair value of $11,382 million at the end of the year; this results in a deficity of $5,655 million for that year. Being that the pension liabilities exceed assets, this means that there is no guarantee that future or current retirees will receive the pension benefits that they were promised. (sec.gov, pg. 54).

PG's reconciliation of benefit obligations and plan assets is viewable on Appendix 1G.

Debt obligations
PG's debt maturities during the next five fiscal years are viewable on Appendix 1H.

Considering PG's Times Interest Earned Ratio of 34 during 2020, the debt maturities during the next fiscal years are not of concern. This means that PGs EBIT covers its required interest payments 34 fold.

PG guarantees the registered debt and securities issued by its 100% owned finance subsidiaries and confirms that they do not have any off-balance sheet financing arrangements. (sec.gov, pg. 63).

XI: ACCOUNTING ANALYTICS - Omar

1. Return on Assets (ROA) for 2020 was 10.9%. This was computed by comparing PG's Net Income for 2020 to its Average Total Assets (2019-2020). PG's ROA provides a favorable outlook as it is higher than the Personal & Household Products Industry average ROA of 9.4% for 2020. This means that relative to its total assets, PG was more profitable in 2020, on average, compared to other companies in this Industry. (csimarket.com).

PG's Return on Assets Analysis is viewable on Appendix 1I.

2. The Profit Margin (PM) reflects the after-tax profit (net income) that PG earned on every sales dollar. In 2020, PG earned a profit of $0.185 for every dollar of sales. PG's Profit Margin during 2020 is favorable as it was higher than the Personal & Household Products Industry average of 17.9% during this year. (csimarket.com).

Asset Turnover (ATO) reflects sales generated by every dollar of assets. It is management's interest to maximize asset productivity in order to achieve the highest number of sales with the smallest level of assets. PG's Asset Turnover for 2020 was 0.59, meaning that it generated $0.59 in sales for every dollar that it had invested in the business. PG's Total Asset Turnover in 2020 was lower than the Personal & Household Products Industry average of 1.02. Being that this ratio is a measure of the efficiency with which the firm utilizes its assets to generate sales, it is not a surprise that PG is focusing on productivity improvements, according to its competitive strategy.

3. Colgate-Palmolive's Return on Assets Analysis is viewable on Appendix 1J-a and 1J-b.

4. PG's Return on Assets is lower than Colgate-Palmolive. However, PG enjoys a higher Net Profit Margin compared to Colgate-Palmolive. A reason for the difference between total asset turnover and profit margin between these two companies is attributed to Colgate-Palmolive's product offerings, eluding that it finds it more difficult to differentiate its products from other competitors in the market. Based on Colgate-Palmolive's 10-K report, it operates in two main segments [Oral, Personal and Home Care] and Pet Nutrition. They are a global leader in toothpaste and manual toothbrushes, with oral care making up 44% of net sales. By comparison, PG's grooming segment makes up approximately 9% of their total sales, with Fabric & Home Care and Baby, Feminine & Family Care making up 33% and 26% of their net sales, respectively. (sec.gov).

As a result of commoditization of Colgate-Palmolive's Oral Care segment, it has lower profit margins as compared to PG, and therefore it must implement better productivity measures in order to increase its return on assets. Additionally, companies that report substantial assets in the form of intangible assets and goodwill, such as PG, are characterized by higher net profit margins. However, since these investments do not generate sales, ATO decreases as a result of the inflated assets. PG's goodwill and intangible assets make up 52.8% of total assets for 2020, which contribute to the comparably lower asset turnover compared to Colgate-Palmolive. While we can observe a relative reduction in PG's goodwill and intangible assets over the past three years, changes to impairment assumptions – such as forecasted growth rates, cost of capital and tax rates – could result in significant differences in the estimation of fair value.

5. PG's Inventory Turnover, Accounts Receivable Turnover and Accounts Payable Turnover is viewable on Appendix 1K.

6. PG's Cash Conversion Cycle is viewable on Appendix 1L.

Looking at 2020, PG sells its inventories in 54.4 days, collects its receivables in 23.5 days and pays its accounts payable in 120.8 days, resulting in a cash conversion cycle of -42.9 days. The cash conversion cycle depends on how quickly the company can sell its inventory and collect its receivables, and how long it can delay its payment to its suppliers. Therefore, a lower cash conversion cycle is preferable as it demonstrates a faster inventory to sales process.

7. PG's cash conversion cycle is negative and has improved YoY over the past 3 years. The improvement in PG's cash conversion cycle has been driven by a reduction in the time it takes to collect its receivables (Days Sales Outstanding), and most notably the increase in the time it takes to pay its suppliers (Days Payable Outstanding). The reduction in the time it takes to collect its receivables could signify improvements in collection procedures or the tightening of credit-granting policies. The increase in time it takes PG to pay its suppliers was driven by extended payment terms with its suppliers.

Colgate-Palmolive's Cash Conversion Cycle is viewable on Appendix 1M.

Colgate-Palmolive's cash conversion cycle has also improved YoY over the past 3 years. Similar to PG, the improvement in Colgate-Palmolive's cash conversion cycles results from a reduction in the time it takes to collect its receivables and the increase in the time it takes to pay its suppliers. However, given the observable difference in the time it takes Colgate-Palmolive to sell its inventories, PG's cash conversion cycle is better. The reason for is that PG can sell its inventory and collect its receivables faster than Colgate-Palmolive while delaying payments to its suppliers longer than Colgate-Palmolive can. This demonstrates PG's supplier bargaining power, but more importantly it allows it to increase its available cash as a result of the faster inventory to sales process.

8. PG's Debt/Equity Analysis is viewable on Appendix 1N.

PG's proportion of total debt to equity has increased YoY over the past 3 years, demonstrating that the company has used more financial leverage. The increase in the proportion of total debt to equity has been contributed by the company's increase in long-term debt. While PG's debt-to-equity ratio is still below the Personal & Household Products Industry average of 1.71, the increase in financial leverage could deteriorate PG's credit standing and make financing more expensive. If so, this would increase interest expense and affect the bottom line. (csimarket.com).

XII: NON-GAAP METRICS - Charlie

Organic sales growth is a non-GAAP measure that is reflected in PG's annual report. (sec.report, pg. 30). It drives employee compensation, and may present an ethical dilemma regarding to the rights and responsibilities of shareholders; shareholders are owed a fiduciary responsibility by managers, and tying compensation to a non-standardized metric may jeopardize the utilitarian nature of providing stakeholder value. These metrics are not independently audited, which may leave room for fraud to take place (thus, misleading investors and violating management's fiduciary obligations to the shareholders' rights to profits).

Adjusted free cash flow is another non-GAAP measure tied to employee compensation for PG. (sec.report, pg. 31). It was published in order to segregate cash flows from an acquisition that was made for Merck OTC consumer healthcare. (sec.report, pg. 31). The fact that this measure is used to determine how much cash to disperse to shareholders as dividends seems to be a clear ethical violation of PG's ethical fiduciary duty to its shareholders; this metric is less in value than cash flows, so PG's management may be attempting to siphon from shareholder dividend returns in ways that benefit them (and violate the rights of shareholders as well as managements fiduciary obligations).

Part 2

INTRODUCTION - Charlie

To forecast PG's planned Q3 2021 budget for Fabric and Homecare (its most important operating segment), we multiplied the average of PG's proportion of net sales and net earnings (32%) by the value that would have been predicted via linear regression for the prior 3 years of PG's financial statements; we then multiplied this product by 75%, given that Q3 is ¾ way through PG's fiscal year (since our regression is based off of PG's 2018-2020 10Ks). This regression model was accomplished via the FORECAST() function in Microsoft Excel, and calculates the forecasted values for Q3 2021 should market conditions continue to trend as they have. Please see Appendix 2 for relevant documents.

I: SALES BUDGET UNITS & DOLLARS - Omar

Please see Appendix 2B for our pro-forma income statement for PG. $17,426 million in sales are projected to be conducted in this quarter. This projection could signal that consumer preferences regarding homecare goods are here to stay, for the time being. However, PG should prepare for changes in consumer preferences as public sentiment around the virus improves and vaccination rates increase across the world.

II: PRODUCTION BUDGET UNITS - Charlie

Please see Appendix 2A for our pro-forma balance sheet for PG. PG's fabric and homecare operating segment hosts many product lines with many price points, so segregating the aggregated public information regarding units produced from its cost pool is not feasible for this report. $890 million worth of finished goods are projected to be produced in this quarter. This reflects a general increase over time in overall finished goods production and bodes well for stakeholders.

III: PURCHASE BUDGET UNITS & DOLLARS - Charlie

Please see Appendix 2B for our pro-forma income statement for PG. PG is a manufacturing company and not a resale company, so the costs of inventory are its costs to manufacture said inventory. They are therefore not segregated on PG's income statement and are included in COGs. Thus, please see the following paragraph (IV) for analysis regarding manufacturing cost trends.

IV: MANUFACTURING COST BUDGET - Charlie

Please see Appendix 2A for our pro-forma balance sheet. PG should budget for slightly increased Materials & Supplies and Work in Progress costs. Overall, the increase that will be observed will likely be greater than in years' past, but not by much. Since PG's customer base is increasing with both its geographic domination and population growth in general, this small increase is congruent with its years' past financials. Overhead, naturally will increase with this increasing scale, but may retract as more efficient production technologies and techniques are introduced into its manufacturing processes.

V: SELLING EXPENSE BUDGET - Omar

Please see Appendix 2B for our pro-forma income statement for PG. PG's COGS expense for its Fabric & Homecare will likely be greater compared to the previous years. Since we are expecting an increase in sales, it is not a surprise that COGS is also increasing. Being PG's largest expense, it is natural for COGS to increase in relation to sales. We may see COGS retract in the coming years as PG continues to focus on productivity improvements.

VI: GENERAL & ADMINISTRATIVE EXPENSE BUDGET - Omar

Please see Appendix 2B for our pro-forma income statement for PG. PG's SG&A expense for its Fabric & Homecare will likely be greater compared to the previous years. This increase in expenses will likely be attributed to PG's acquisition of discounted subsidiaries. While this can be a good bargain to use their excess cash on, PG should also allocate funds towards brand awareness and advertising as a means to promote the relevancy of their home care products after the pandemic's affects have subsided. It is very evident that the impact of the pandemic will have long lasting effects in our daily routines and PG has to ensure that they lead the way in shaping how people utilize fabric and homecare products in the future.

VII: CASH BUDGET - Charlie

Please see Appendix 2A for reference of our pro-forma balance sheet. PG's cash position for its Fabric & Homecare segment should relatively decline from its 2020 10K. Even though our pro forma is capturing the third quarter, and should not be equal to an entire year's worth of growth, PG should be spending the excess cash reserves it has accumulated. PG should immediately start acquiring discounted subsidiaries, given the current roll-out of the Covid-19 vaccine along with proposed congressional stimuli packages may hamper the buying power of its current cash position. PG should see its Cash from Financing Activities increase with current trends, but its principal goal should be to increase its Cash Used by Investing Activities in order to most capitalize on bargain prices for subsidiaries that would help expand PG's lacking product lines.

VIII: SPECIAL BUDGETS - Charlie

Please see Appendix 2A for our pro-forma balance sheet for PG. Based upon past trends, PG should budget for increasing dividend payouts. A major component of PG's equity is paying dividends to shareholders, as it has done for 130 consecutive quarters. (news.pg.com). Since PG has been increasing its cash and cash equivalents, its Q3 2021 Fabric and Homecare cash budget should reflect approximately equal values to the entirety of PG's company budget (including all operating segments). This is due to the fact that contributed capital must be a positive value for a firm to legally pay shareholders dividends; the fact that PG will likely stockpile $5 billion in cash representative of solely its chief operating segment suggests that this gathering of liquidity is meant to offset a possibility of an unexpected quarterly loss affecting. An unexpected loss would affect PG's ability to pay consistent dividends. From a utilitarian standpoint, PG would benefit most from paying out dividends despite a possible quarterly loss, since this will maximize additional paid in capital (which has been a relatively stable account for PG).

Additionally, PG should utilize cash reserves to purchase market discounted, short-sold and other bargain-priced capital improvements. Smaller firms are going out of business during the pandemic, and PG can effectively utilize these firms' discounted net assets if PG was to acquire them. $5 billion dollars in cash reserves just for PG's fabric and home care segment should ethically be expensed in favor of net assets capable of generating better returns for shareholders. PG may thus acquire competing brands during this time.

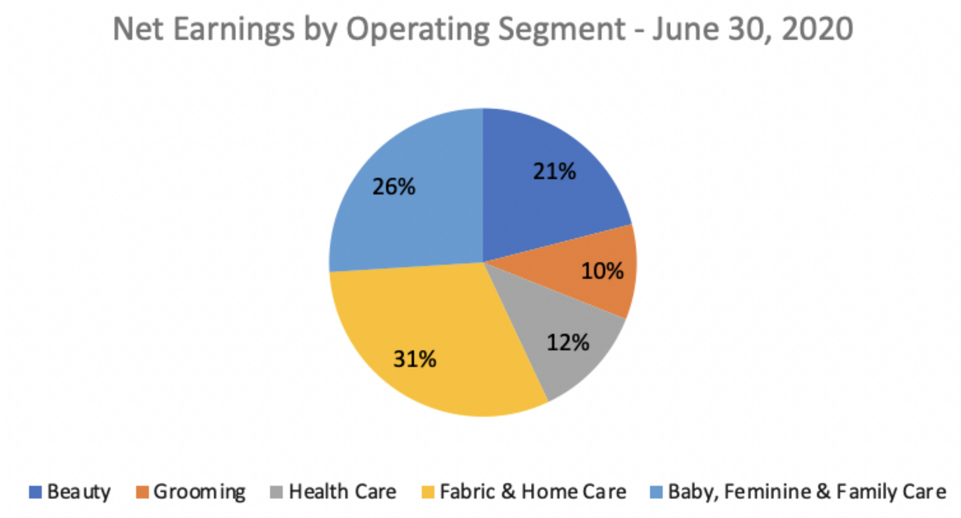
CONCLUSION - Charlie

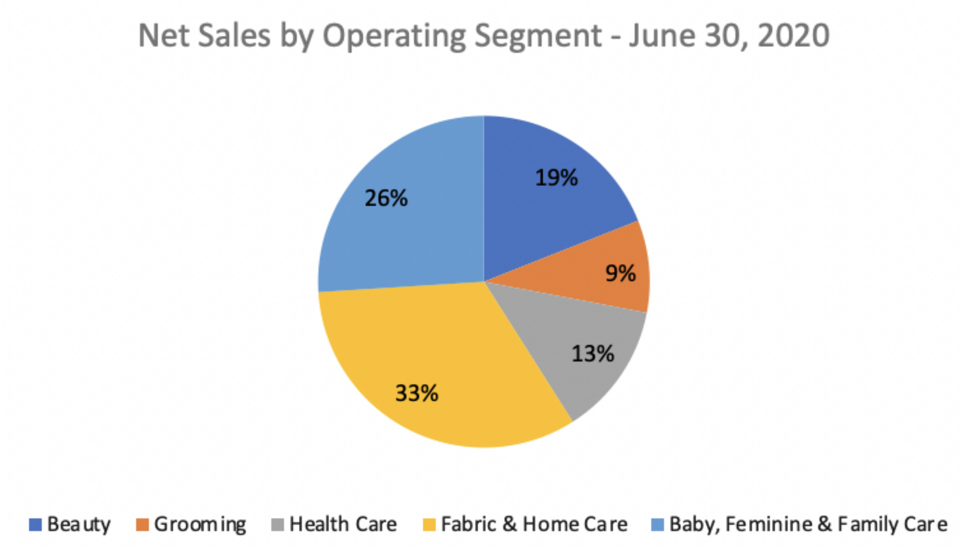
Procter and Gamble offers investors a balance between strong sales growth records and high dividend yields. PG has been able to maintain profitability over the last three years. PG will also greatly benefit from the lifting of Covid-19 restrictions that have shuddered their factories and interrupted supply chains. PG will need to expand product lines, specifically in the men's health and wellness area. They have rolling out new product lines. PG has also started to aggressively pursue online marketing campaigns.

Investors like dividends for many reasons; they offer more stable returns and decrease portfolio risk. As stated earlier, PG has also maintained a reputation as the one of the most consistent dividend-paying companies over the last century. PG's sales growth forecast is generally favorable.

APPENDIX

1A


Net Earnings by Operating Segment - June 30, 2020
21%
10%
12%
31%
26%
Beauty
Grooming
Health Care
Fabric & Home Care
Baby, Feminine & Family Care


Net Sales by Operating Segment - June 30, 2020
19%
9%
13%
33%
26%
Beauty
Grooming
Health Care
Fabric & Home Care
Baby, Feminine & Family Care

1B

	Consolidated Balance Sheet (Common Size)					
	Procter & Gamble					
	Tuesday, June 30, 2020					
Year	2020	% of Revenues	2019	% of Revenues	2018	% of Revenues
Assets						
Current Assets						
Cash & Cash Equivalents	$16,181	23%	$4,239	6%	$2,569	4%
Available For Sale Investment Securities	-		$6,048	9%	$9,281	14%
Accounts Receivable	$4,178	6%	$4,951	7%	$4,686	7%
Inventories						
Materials & Supplies	$1,414	2%	$1,289	2%	$1,335	2%
WIP	$674	1%	$612	1%	$588	1%
Finished Goods	$3,410	5%	$3,116	5%	$2,815	4%
Total Inventories	$5,498	8%	$5,017	7%	$4,738	7%
Prepaid Expenses and other current assets	$2,130	3%	$2,218	3%	$2,046	3%
Total Current Assets	$27,987	39%	$22,473	33%	$23,320	35%
PPE, NET	$20,692	29%	$21,271	31%	$20,600	31%
Goodwill	$39,901	56%	$40,273	60%	$45,175	68%
Trademarks and other intangible assets	$23,792	34%	$24,215	36%	$23,902	36%
Other Noncurrent Assets	$8,328	12%	$6,863	10%	$5,313	8%
Total Assets	$120,700	170%	$115,095	170%	$118,310	177%
Liabilities & Shareholder's Equity						
Current Liabilities						
Accounts Payable	$12,071	17%	$11,260	17%	$10,344	15%
Accrued and other liabilities	$9,722	14%	$9,054	13%	$7,470	11%
Debt due within one year	$11,183	16%	$9,697	14%	$10,423	16%
Total Current Liabilities	$32,976	46%	$30,011	44%	$28,237	42%
Long-Term Debt	$23,537	33%	$20,395	30%	$20,863	31%
Deferred Income Taxes	$6,199	9%	$6,899	10%	$6,163	9%
Other noncurrent liabilities	$11,110	16%	$10,211	15%	$10,164	15%
Total Liabilities	$73,822	104%	$67,516	100%	$65,427	98%
Shareholder's Equity						
Convertible Class A preferred stock, stated	$897	1%	$928	1%	$967	1%
Non-Voting Class B preferred stock, stated	-		-		-	
Common stock, stated value $1 per share	$4,009	6%	$4,009	6%	$4,009	6%
Additional paid-in capital	$64,194	90%	$63,827	94%	$63,846	96%
Reserve for ESOP debt retirement	-$1,080	2%	-$1,146	2%	-$1,204	2%
Accumulated other comprehensive	-$16,165	23%	-$14,936	22%	-$14,749	22%
Treasury stock, at cost (shares held: 2020 -	-$105,573	149%	-$100,406	148%	-$99,217	148%
Retained earnings	$100,239	141%	$94,918	140%	$98,641	148%
Noncontrolling interest	$357	1%	$385	1%	$590	1%
TOTAL SHAREHOLDERS' EQUITY	$46,878	66%	$47,579	70%	$52,883	79%
TOTAL LIABILITIES AND SHAREHOLDERS'	$120,700	170%	$115,095	170%	$118,310	177%

1C

CONSOLIDATED STATEMENTS OF EARNINGS - USD ($) $ in Millions		12 Months Ended					
		Jun. 30, 2020	2020 % of Revenue	Jun. 30, 2019	2019 % of Revenue	Jun. 30, 2018	2018 % of Revenue
Net Sales		$ 70,950	100.0%	$ 67,684	100.0%	$ 66,832	100.0%
Cost of Goods Sold (Deprecated 2018-01-31)		35,250	49.7%	34,768	51.4%	34,432	51.5%
Selling, General and Administrative Expense		19,994	28.2%	19,084	28.2%	19,037	28.5%
Goodwill & Indefinite Lived Intangible Asset Impairment Charges		0	0.0%	8,345	12.3%	0	0.0%
Operating Income		15,706	22.1%	5,487	8.1%	13,363	20.0%
Interest Expense		(465)	-0.7%	(509)	-0.8%	(506)	-0.8%
Investment Income, Interest		155	0.2%	220	0.3%	247	0.4%
Other Nonoperating Income (Expense)		438	0.6%	871	1.3%	222	0.3%
Earnings from Continuing Operations Before Income Taxes		15,834	22.3%	6,069	9.0%	13,326	19.9%
Income Taxes on Continuing Operations		2,731	3.8%	2,103	3.1%	3,465	5.2%
Net Earnings from Continuing Operations		13,103	18.5%	3,966	5.9%	9,861	14.8%
Net Earnings/(Loss) from Discontinued Operations		0	0.0%	0	0.0%	0	0.0%
Net Earnings		13,103	18.5%	3,966	5.9%	9,861	14.8%
Net Earnings Attributable to Noncontrolling Interest		76	0.1%	69	0.1%	111	0.2%
Net Income (Loss) Attributable to Parent	[1]	$ 13,027	18.4%	$ 3,897	5.8%	$ 9,750	14.6%
BASIC NET EARNINGS PER COMMON SHARE							
Earnings from Continuing Operations, Per Basic Share	[2],[3]	$ 5.13		$ 1.45		$ 3.75	
Earnings/(Loss) from Discontinued Operations and Disposal of Discontinued Operations, Net of Tax, Per Basic Share		0		0		0	
Earnings Per Share, Basic		$5.13		$1.45		$3.75	
DILUTED NET EARNINGS PER COMMON SHARE							
Earnings Per Share, Diluted	[2],[3]	$ 4.96		$ 1.43		$ 3.67	
Earnings/(Loss) from Discontinued Operations and Disposal of Discontinued Operations, Net of Tax, Per Diluted Share		0		0		0	
Earnings from Continuing Operations, Per Diluted Share		4.96		1.43		3.67	

1D

Procter & Gamble	2020	2019	2018
Total Revenues	70,950	67,684	66,832
COGS	35,250	34,768	34,432
Gross Profit	35,700	32,916	32,400
Earnings before income taxes	15,834	6,069	13,326
Income Tax Expense	2,731	2,103	3,465
Net Income	13,103	3,966	9,861

Procter & Gamble	2020	2019	2018
Gross Profit Margin	50.3%	48.6%	48.5%
Operating Profit Margin	22.3%	9.0%	19.9%
Net Profit Margin	18.5%	5.9%	14.8%

1E

Years ending June 30	2021	2022	2023	2024	2025	There-after
Purchase Obligations	$ 782	$ 257	$ 155	$ 92	$ 53	$ 238

1F

LEASES - ADDITIONAL INFORMATION (Details) - USD ($) $ in Millions	12 Months Ended		
	Jun. 30, 2020	Jun. 30, 2019	Jun. 30, 2018
Leases [Abstract]			
Operating Lease, Cost	$ 347	$ 341	$ 340
Operating Lease, Payments	271		
Right-of-Use Asset Obtained in Exchange for Operating Lease Liability	$ 126		

1G

POSTRETIREMENT BENEFITS AND EMPLOYEE STOCK OWNERSHIP PLAN - RECONCILIATION OF BENEFIT OBLIGATIONS AND PLAN ASSETS (Details) - USD ($) $ in Millions		12 Months Ended			
		Jun. 30, 2020		Jun. 30, 2019	
Pension Plan					
CHANGE IN BENEFIT OBLIGATION					
Defined Benefit Plan, Benefit Obligation, Beginning of Year	[1],[2]	$ 17,037		$ 15,658	
Defined Benefit Plan, Service Cost		247	[2]	259	[2]
Defined Benefit Plan, Interest Cost		276	[2]	339	[2]
Defined Benefit Plan, Benefit Obligation, Contributions by Plan Participant	[2]	11		12	
Defined Benefit Plan, Benefit Obligation, Increase (Decrease) for Plan Amendment	[2]	3		9	
Defined Benefit Plan, Benefit Obligation, Actuarial Gain (Loss)	[2]	951		1,587	
Defined Benefit Plan, Acquisitions (Divestitures), Benefit Obligation	[2]	0		49	
Defined Benefit Plan, Benefit Obligation, Special and Contractual Termination Benefits	[2]	11		13	
Defined Benefit Plan, Benefit Obligation, Foreign Currency Translation Gain (Loss)	[2]	(218)		(283)	
Defined Benefit Plan, Benefit Obligation, Benefits Paid	[2]	(557)		(606)	
Defined Benefit Plan, Benefit Obligation, End of Year	[1],[2]	17,761		17,037	
CHANGE IN PLAN ASSETS					
Defined Benefit Plan, Fair Value of Plan Assets, Beginning of Year	[2]	11,382		11,267	
Defined Benefit Plan, Plan Assets, Increase (Decrease) for Actual Return (Loss)	[2]	664		739	
Defined Benefit Plan Acquisitions Divestitures Plan Assets	[2]	0		4	
Defined Benefit Plan, Plan Assets, Contributions by Employer	[2]	180		178	
Defined Benefit Plan, Plan Assets, Contributions by Plan Participant	[2]	11		12	
Defined Benefit Plan, Plan Assets, Foreign Currency Translation Gain (Loss)	[2]	(196)		(212)	
Defined Benefit Plan, ESOP Debt Servicing	[2],[3]	0		0	
Defined Benefit Plan, Plan Assets, Benefits Paid	[2]	(557)		(606)	
Defined Benefit Plan, Fair Value of Plan Assets, End of Year	[2]	11,484		11,382	
Defined Benefit Plan, Funded (Unfunded) Status of Plan	[2]	(6,277)		(5,655)	
[1]	For the pension benefit plans, the benefit obligation is the projected benefit obligation. For other retiree benefit plans, the benefit obligation is the				
[2]	Primarily non-U.S.-based defined benefit retirement plans.				
[3]	Represents the net impact of ESOP debt service requirements, which is netted against plan assets for other retiree benefits.				
[4]	Primarily U.S.-based other postretirement benefit plans.				

1H

SHORT-TERM AND LONG-TERM DEBT - LONG-TERM DEBT MATURITIES (Details) $ in Millions	Jun. 30, 2020USD ($)
Long-term Debt, Maturities, Repayments of Principal in Next Twelve Months	$ 2,508
Long-term Debt, Maturities, Repayments of Principal in Year Two	2,830
Long-term Debt, Maturities, Repayments of Principal in Year Three	2,425
Long-term Debt, Maturities, Repayments of Principal in Year Four	2,481
Long-term Debt, Maturities, Repayments of Principal in Year Five	$ 2,743

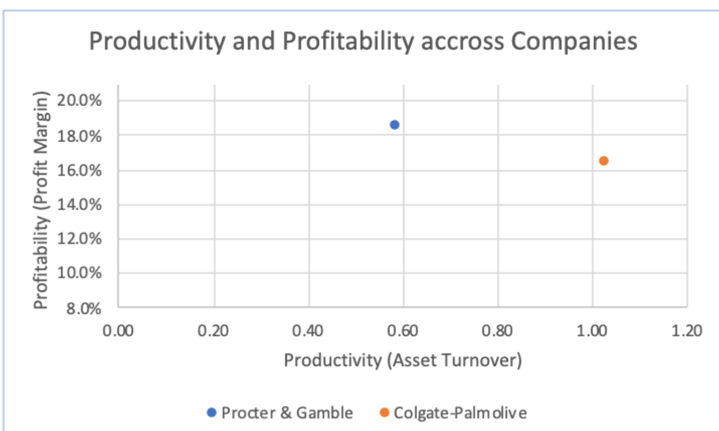
1I

Procter & Gamble	2020	2019	2018
Return on Assets	0.109	0.034	0.083
Net Profit Margin (PM)	18.5%	5.9%	14.8%
Total Asset Turnover (ATO)	0.59	0.59	0.56

1J -a

Colgate-Palmolive	2020	2019	2018
Return on Assets	0.174	0.174	0.193
Net Profit Margin (PM)	16.4%	15.1%	13.1%
Total Asset Turnover (ATO)	1.03	1.04	1.22

1J-b



1K

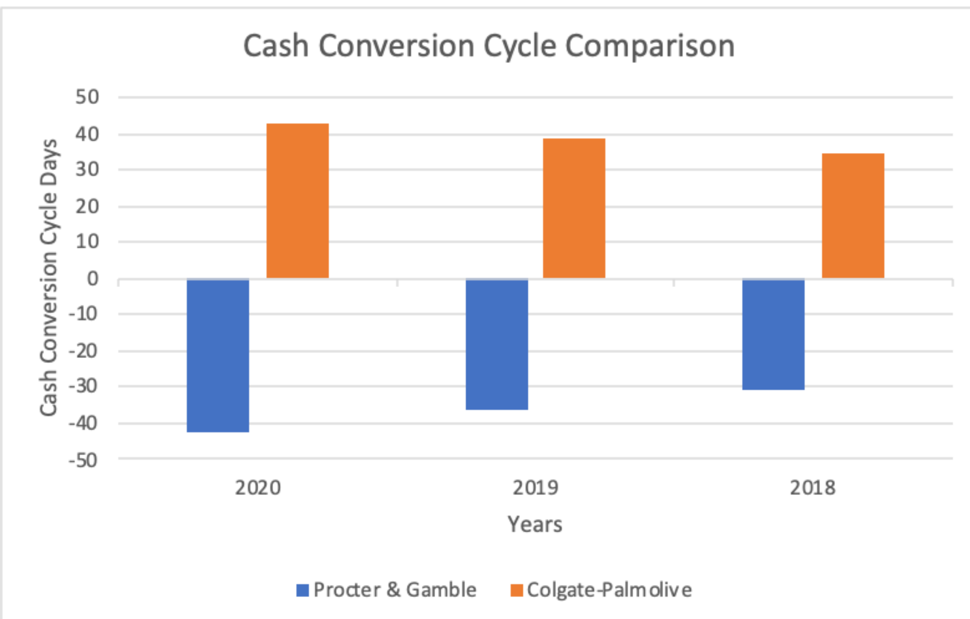
Procter & Gamble	**2020**	**2019**	**2018**
Inventory Turnover	6.7	7.1	7.4
Average Age of Inventory (Days)	54.4	51.2	49.6
A/R Turnover	15.5	14.0	14.4
Average Collection Period (Days)	23.5	26.0	25.3
A/P Turnover	3.0	3.2	3.4
Average Payment Period (Days)	120.8	113.4	105.9

1L

Procter & Gamble	**2020**	**2019**	**2018**
Days Inventory Outstanding	54.4	51.2	49.6
Days Sales Outstanding	23.5	26.0	25.3
Days Payable Outstanding	120.8	113.4	105.9
Cash Conversion Cycle	**-42.9**	**-36.2**	**-30.9**

1M

Colgate-Palmolive	2020	2019	2018
Days Inventory Outstanding	86.9	75.9	73.0
Days Sales Outstanding	30.0	33.0	33.8
Days Payable Outstanding	74.4	70.5	70.4
Cash Conversion Cycle	**42.5**	**38.5**	**34.9**



1N

Procter & Gamble	2020	2019	2018
Debt-to-Equity	1.57	1.42	1.24

10

Consolidated Cash Flow Statment (Common Size)				
Procter & Gamble				
For the Year Ended June 30, 2020				
Year		June 30, 2020	June 30, 2019	June 30, 2018
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, Beginning Balance		$ 4,239	$ 2,569	$ 5,569
OPERATING ACTIVITIES				
Net Earnings		13,103	3,966	9,861
Depreciation, Depletion and Amortization		3,013	2,824	2,834
Gain (Loss) on Extinguishment of Debt		0	0	346
Share-based Payment Arrangement, Noncash Expense		558	515	395
Deferred Income Tax Expense (Benefit)		(596)	(411)	(1,844)
Gain (Loss) on Disposition of Business		7	(678)	(176)
Goodwill and Indefinite-lived Intangibles Impairment Charges Including Disc Ops		0	8,345	0
Increase (Decrease) in Accounts Receivable		634	(276)	(177)
Increase (Decrease) in Inventories		(637)	(239)	(188)
Increase (Decrease) in Accounts Payable and Accrued Liabilities		1,923	1,856	1,385
Increase (Decrease) in Other Operating Assets and Liabilities, Net		(710)	(973)	2,000
Other Noncash Expense		108	313	431
Net Cash Provided by (Used in) Operating Activities		17,403	15,242	14,867
INVESTING ACTIVITIES				
Payments to Acquire Property, Plant, and Equipment		(3,073)	(3,347)	(3,717)
Proceeds from Sale of Productive Assets		30	394	269
Payments to Acquire Businesses, Net of Cash Acquired		(58)	(3,945)	(109)
Payments to Acquire Short-term Investments		0	(158)	(3,909)
Proceeds from Sale of Short-term Investments		6,151	3,628	3,928
Payments for (Proceeds from) Investments		(5)	(62)	27
Net Cash Provided by (Used in) Investing Activities		3,045	(3,490)	(3,511)
FINANCING ACTIVITIES				
Payments of Dividends		(7,789)	(7,498)	(7,310)
Proceeds from (Repayments of) Short-term Debt		2,345	(2,215)	(3,437)
Proceeds from Issuance of Long-term Debt		4,951	2,367	5,072
Repayments of Long-term Debt	[1]	(2,447)	(969)	(2,873)
Payments for Repurchase of Common Stock		(7,405)	(5,003)	(7,004)
Proceeds From Stock Options Exercised And Other Financing Activities		1,978	3,324	1,177
Net Cash Provided by (Used in) Financing Activities		(8,367)	(9,994)	(14,375)
SUPPLEMENTAL DISCLOSURE				
Interest Paid, Including Capitalized Interest, Operating and Investing Activities		434	497	529
Income Taxes Paid		3,550	3,064	2,830
Effect of Exchange Rate on Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents		(139)	(88)	19
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, Period Increase (Decrease), Including Exchange Rate Effect		11,942	1,670	(3,000)
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, Ending Balance		$ 16,181	$ 4,239	$ 2,569

2A

Pro Forma Balance Sheet For Fabric & Homecare Operating Segment
Procter & Gamble
Wednesday, March 31, 2021

Year	2021 Q3 Forecast	2020 10K	2019 10K	2018 10K
Assets				
Current Assets				
Cash & Cash Equivalents	$5,106	$5,178	$1,356	$822
Available For Sale Investment Securities	-$100	-	$1,935	$2,970
Accounts Receivable	$983	$1,337	$1,584	$1,500
Inventories				
Materials & Supplies	$342	$452	$412	$427
WIP	$171	$216	$196	$188
Finished Goods	$890	$1,091	$997	$901
Total Inventories	$1,403	$1,759	$1,605	$1,516
Prepaid Expenses and other current assets	$532	$682	$710	$655
Total Current Assets	$7,022	$8,956	$7,191	$7,462
PPE, NET	$5,027	$6,621	$6,807	$6,592
Goodwill	$8,762	$12,768	$12,887	$14,456
Trademarks and other intangible assets	$5,726	$7,613	$7,749	$7,649
Other Noncurrent Assets	$2,364	$2,665	$2,196	$1,700
Total Assets	$28,902	$38,624	$36,830	$37,859
Liabilities & Shareholder's Equity				
Current Liabilities				
Accounts Payable	$3,108	$3,863	$3,603	$3,310
Accrued and other liabilities	$2,640	$3,111	$2,897	$2,390
Debt due within one year	$2,687	$3,579	$3,103	$3,335
Total Current Liabilities	$8,435	$10,552	$9,604	$9,036
Long-Term Debt	$5,825	$7,532	$6,526	$6,676
Deferred Income Taxes	$1,550	$1,984	$2,208	$1,972
Other noncurrent liabilities	$2,746	$3,555	$3,268	$3,252
Total Liabilities	$18,556	$23,623	$21,605	$20,937
Shareholder's Equity				
Convertible Class A preferred stock, stated value $1 per share (600 shares authorized)	$207	$287	$297	$309
Non-Voting Class B preferred stock, stated value $1 per share (200 shares authorized)				
Common stock, stated value $1 per share (10,000 shares authorized; shares issued: 2020 - 4,009.2, 2019 - 4,009.2)	$962	$1,283	$1,283	$1,283
Additional paid-in capital	$15,433	$20,542	$20,425	$20,431
Reserve for ESOP debt retirement	-$245	-$346	-$367	-$385
Accumulated other comprehensive income/(loss)	-$4,008	-$5,173	-$4,780	-$4,720
Treasury stock, at cost (shares held: 2020 - 1,529.5, 2019 - 1,504.5)	-$25,941	-$33,783	-$32,130	-$31,749
Retained earnings	$23,887	$32,076	$30,374	$31,565
Noncontrolling interest	$51	$114	$123	$189
TOTAL SHAREHOLDERS' EQUITY	$10,346	$15,001	$15,225	$16,923
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$28,902	$38,624	$36,830	$37,859

2B

CONSOLIDATED STATEMENTS OF EARNINGS - USD ($) $ in Millions	Pro Forma Income Statement For Fabric & Homecare Operating Segment Procter & Gamble For the Quarter Ended March 2021			
	2021 Q3 Forecast	2020	2019	2018
Net Sales	$ 17,426	$ 22,704	$ 21,659	$ 21,386
Cost of Goods Sold (Deprecated 2018-01-31)	$ 8,552	$ 11,280	$ 11,126	$ 11,018
Selling, General and Administrative Expense	$ 4,879	$ 6,398	$ 6,107	$ 6,092
Goodwill & Indefinite Lived Intangible Asset Impairment Charges	$ 668	$ 0	$ 2,670	$ 0
Operating Income	$ 3,327	$ 5,026	$ 1,756	$ 4,276
Interest Expense	$ (109)	$ (149)	$ (163)	$ (162)
Investment Income, Interest	$ 28	$ 50	$ 70	$ 79
Other Nonoperating Income (Expense)	$ 174	$ 140	$ 279	$ 71
Earnings from Continuing Operations Before Income Taxes	$ 3,420	$ 5,067	$ 1,942	$ 4,264
Income Taxes on Continuing Operations	$ 488	$ 874	$ 673	$ 1,109
Net Earnings from Continuing Operations	$ 2,932	$ 4,193	$ 1,269	$ 3,156
Net Earnings/(Loss) from Discontinued Operations	$ 0	$ 0	$ 0	$ 0
Net Earnings	$ 2,932	$ 4,193	$ 1,269	$ 3,156
Net Earnings Attributable to Noncontrolling Interest	$ 12	$ 24	$ 22	$ 36
Net Income (Loss) Attributable to Parent	$ 2,920	$ 4,169	$ 1,247	$ 3,120
BASIC NET EARNINGS PER COMMON SHARE				
Earnings from Continuing Operations, Per Basic Share	$ 1.16	$ 1.64	$ 0.46	$ 1.20
Earnings/(Loss) from Discontinued Operations and Disposal of Discontinued Operations, Net of Tax, Per Basic Share	0	0	0	0
Earnings Per Share, Basic	$ 1.16	$1.64	$0.46	$1.20
DILUTED NET EARNINGS PER COMMON SHARE				
Earnings Per Share, Diluted	$ 1.11	$ 1.59	$ 0.46	$ 1.17
Earnings/(Loss) from Discontinued Operations and Disposal of Discontinued Operations, Net of Tax, Per Diluted Share	0	0	0	0
Earnings from Continuing Operations, Per Diluted Share	$ 1.11	$1.59	$0.46	$1.17

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