Q4 2020 Earnings Call

Company Participants

- David Taylor, Chairman of the Board, President and P&G Chief Executive Officer
- Jon R. Moeller, Vice Chairman, Chief Operating Officer and Chief Financial Officer

Other Participants

- Andrea Teixeira, Analyst
- Bill Chappell, Analyst
- Cody Ross, Analyst
- Dara Mohsenian, Analyst
- Kevin Grundy, Analyst
- Lauren Lieberman, Analyst
- Mark Astrachan, Analyst
- Nik Modi, Analyst
- Olivia Tong, Analyst
- Robert 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, Chief Operating Officer and Chief Financial Officer, Jon Moeller.

Jon R. Moeller {BIO 16200095 <GO>}

Good morning. David Taylor, Chairman of the Board, President and Chief Executive Officer and John Chevalier, Senior Vice President of Investor Relations join me this morning. We're back in our offices in Cincinnati with our masks appropriately distanced. We would like to start by expressing our sincere hope that you and your families are also safe and are well.

I'm going to provide an overview of company results, which continue to be strong. David will cast additional light on our immediate priorities and strategic focus areas. We'll close with guidance for fiscal 2021 and of course take your questions.

Fiscal 2020 was a very strong year. We grew markets and increased household penetration, driving top line growth, bottom line growth as well as market share. It's what we call balanced growth and value creation. Organic sales grew 6%. On a two-year stack basis, organic sales growth has accelerated from 3% across fiscal '17 and '18 to 6% across fiscal '18 and '19 to 11% over the last two years, indicated in the underlying strength of our brands and the appropriateness of our strategy, which is driving our business.

We built strong momentum in a year and a half leading up to the COVID crisis with 6% organic sales growth in calendar year 2019, including 6% in the first half of fiscal 2020. We maintain the strong momentum in the second half of fiscal 2020 overcoming significant challenges, including the lockdown in China, closure of the travel retail, electro, specialty beauty and away-from-home channels, operational challenges, safely staffing in our facilities and sourcing materials necessary to maintain and in some categories significantly increased production to sort of heightened consumer cleaning health and hygiene needs.

David talked at CAGNY four years ago about accelerating growth in our two largest and most profitable markets. Fiscal year 2020 US organic sales grew 10%, including 5% growth in the first half of the fiscal. China grew 8%, including 13% organic growth in the first half of the year. Nine of 10 product categories grew organic sales. Home Care and Personal Health Care up in the teens. Family Care up double digits. Fabric Care and Feminine Care up high singles. Hair Care, Skin and Personal Care and Oral Care up mid singles, firming up one, maybe down one. 30 of our top 50 category combinations held or grew share.

E-commerce sales were up 40% for the year, up 30% percent in the first half and 50% in the second half. Now over $7 billion in sales, over 10% of the company total.

Turning to earnings, core earnings per share were up 13%. Currency-neutral core earnings per share up 17%. Within this, core gross margin expanded 170 basis points, up 190 basis points constant FX. Core operating margin grew 180 basis points up 210 basis points, excluding currency impacts.

Adjusted free cash flow productivity was 114%. We increased our dividend 6% and returned $15.2 billion of value to shareowners, $7.8 billion in dividends and $7.4 billion in share repurchase.

Capping a strong year, a very strong April-June quarter, organic sales up more than 6% on top of the base period that was up 7%. Volume, pricing and mix each contributed to top line growth. Strong organic sales growth in our two largest markets, up 19% in the US and 14% in Greater China. Strong market share trends with aggregate global value share up 50 basis points. On the bottom line, core earnings per share of $1.16, up 5% versus the prior year, up 11% on a currency-neutral basis, including the 7-point headwind from gains on land and small brand sales in the base period.

Core gross margin up 210 basis points, up 250 ex-FX. Core operating margin of 140 basis points, up 190 ex-FX. Adjusted free cash flow productivity of 161%.

Coming up, we delivered or delivered on each of our going-in targets for the year. Organic sales growth, core earnings per share growth, free cash flow productivity and cash returned to shareowners. We built strong momentum heading into the COVID crisis and arguably built this further during the challenging second half of the year.

I know I speak for David and the rest of our leadership team when I say the credit for these results goes to our colleagues. The men and women of P&G who have demonstrated incredible creativity, agility, and commitment to serving consumers and customers every day during these unprecedented times.

We will continue to face significant challenges and perhaps a higher degree of uncertainty than any of us have ever faced. But we believe that current consumer dynamics, our integrated and mutually reinforcing strategies, and our focus on a few immediate priorities position us very well for the future.

David?

David Taylor {BIO 1904504 <GO>}

Thanks, Jon. Good morning, everyone. I hope everyone is well. As we outlined last quarter, we've established three immediate priorities that guide our actions and our choices in this crisis period. Our first priority is to ensure the health and safety of the men and women we work with, our colleagues around the world with guidance from medical professionals who are constantly evaluating and updating the robust measures already in place to help our people who are making, packing and shipping P&G products stay safe at work. This has never been more important as many of our facilities are running around the clock to deliver P&G products during this period of increased demand.

This leads to the second priority, maximizing the availability of products to help people and their families with their cleaning health and hygiene needs. P&G products play an essential role in helping consumers maintain proper hygiene, personal health and healthy home environments. These products are more important than ever given the needs created by the current crisis. There is an increased awareness of health and hygiene and additional time we're all spending at home.

Third priority is supporting communities, relief agencies and people who are on the front lines of this global pandemic. Millions of P&G products are being donated helping to ensure families have basic access to everyday essentials many of us take for granted. We're providing significant financial support to numerous relief agencies around the world who are producing hand sanitizer, face mask and face shields in P&G facilities for our internal use and also for donation to organizations in great need.

Finally, we are using our marketing and communications expertise to encourage consumers to support public health measures to help flatten the curve and slow the spread of the virus. P&G is committed to the priorities of ensuring the health and safety of the employees, of our employees, maximizing availability of P&G products to serve consumers and help society overcome the challenges of this period.

Our integrated strategic choices remain the right ones they serve each of our immediate priorities and the foundation for balanced top and bottom line growth and long-term value creation. We're focused on portfolio of daily use products and categories where performance plays a significant role in brand choice. Within these categories, we've raised the bar on all aspects of superiority, product, package, consumer communication, retail execution and value. The most sustainable and profitable way to grow is to create new business versus just taking or trading it, superior offerings, science-based products delivered with superior packaging drive market growth, which in turn drives share, sales and profit growth. This creates a winning proposition for all concerned, high expansion versus zero sum. It's the only growth our retailers care about, growth that is incremental to the category, and if we laid category growth with superior offerings, we will mathematically build market share.

We strive to communicate product and packaging benefits with superior brand messaging. P&G was just named the number one brand market of the decade at the Cannes Lions Festival of Creativity in June. Not only is our advertising creative, it's been increasingly effective at growing markets and building our business. I'm particularly proud of this as it speaks to sustained excellence versus a few great ads.

In addition to winning with consumers communication, we need superior retail execution, online and in physical stores, that contributes to the growth of categories in our brands. Our superior performance in this area has been recognized in third-party surveys of retailers and awards from top customers that we've been mentioned previously. Most recently, Target recognized P&G as Supplier of the Year across all our product categories in the store. We appreciate the recognitions we've received, but what really matters is retailers improved view of P&G as a partner in joint value creation', helping retailers grow categories and create value, earn strong distribution share shelf, display and feature.

The best factor of superiority is value for consumers and for customers. In performance-driven categories, consumers often see the value in paying a modest premium for noticeably better product performance. We strengthened our innovation across price tiers with the aim of delivering superior value at each price tier where we compete.

We've made investments to strengthen the long-term health and competitiveness of our brands and we'll continue to invest to extend our margin of advantage and quality of execution, improving options for consumers around the world. The strategic need for this investment, 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 productivity. We're driving cost savings and efficiency improvement in all facets of our business, delivering strong cost and cash productivity.

Success in our highly competitive industry 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. And in this environment, agility and constructive disruption mindset are even more important. How can we be even safer while both producing and helping more? What you need must be met and in what new ways. We're fostering an ongoing mindset of constructive disruption in disruptive possibility.

Our new organization structure, six industry-based sector business units that manage our 10 product categories with a differentiated approach in focused markets and enterprise markets and very small corporate groups with best-in-class functional expertise is also serving us well. A more empowered, agile and accountable organization with little overlap or redundancy flow into new demands seamlessly support in each other to deliver against our priorities around the world. These strategic choices we've made to focus and strengthen our portfolio in daily use categories where performance drives brand choice, to establish and extend the superiority of our brands, to make productivity as integral to our culture as innovation, to lead constructive disruption across the value chain, and to improve organization focus, agility and accountability 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.

Some examples. Global Home Care improved its noticeable superiority from less than 60% in fiscal '18 to nearly 80% superiority this fiscal year. We invested in product performance and packaging in each of the subcategories, hand dish, auto dish, dish care and surface care, including launching our new Microban 24 surface sanitization product in February.

We step-change consumer communication, leveraging educational TV advertising, which delivered an immediate lift to the category in our brands by showing consumers more ways to use our products. We elevated in-store execution with additional navigational and educational signage to help the consumer choose the product that was right for them. These superiority investments have yielded strong results and most importantly they've gotten markets, both before and after the pandemic. P&G Home Care has driven over 60% of the global category market growth and accelerated organic sales growth from low-single digits to double digits, increased profit, improved market share 1.5 points and increased household penetration, all in the last two years. The business grew organic sales 7% in fiscal '19, 7% in the first half of fiscal '20 ahead of the crisis with great momentum that only accelerated in the second half of the year with nearly 25% organic growth.

China fem care has been driving category growth through superior innovation and demand creation. Innovation is focused on organics, overnight protection in teens. The Whisper brand has driven 25% of category growth, well above 12% market share. The brand has grown market share over two points over the last three years in growing organic sales at an average rate in the high teens over this period.

One more, P&G US Personal Home Care -- Health Care rather has focused on improving the superiority across all five vectors reaching over 80% superiority across the portfolio this year. P&G Brands drove more than 25% of category growth this past year, roughly doubled their market share weight, Vicks, Metamucil, Pepto Bismol, and Prilosec align in sequel, each grew share over the past three, six and 12-month periods with total US P&G Personal Health Care value share of a point or more over these time periods.

US Personal Health Care delivered its fourth consecutive year of organic sales growth with high single-digit growth in fiscal '19 and double-digit growth in fiscal '20. We think our strategies that successfully had behind them and an increased societal focus on health, hygiene and a clean home, all bode well for the future. The relevance of our categories in consumers' lives has increased. There may be a long term, increased focus on home, more time at home, more meals at home with related consumption impacts.

The importance of noticeably superior performance potentially grows. Organizational agility, high employee engagement, to meet the changing needs of consumers and retailers likely becomes more important. We believe P&G is well positioned to serve consumers' heightened needs and their change in behaviors and to serve the changing needs of our retail and distributor partners, all of which are critical, the long-term value creation.

I will turn it back over to Jon to cover the outlook for fiscal 2021.

Jon R. Moeller {BIO 16200095 <GO>}

To underscore David's comments, we'd like our long-term prospects, rooted in service of consumers with increasing needs. The near-term though will be challenging and is more difficult to predict. Our outlook starts with an assumption of our underlying consumer markets will develop. This by itself is highly uncertain. The reality is that COVID cases are increasing in many parts of the world, without the resources, our infrastructure to effectively manage it. We'll likely be operating without a vaccine or advanced therapeutics through fiscal '21. This could prompt tighter containment policies and dramatically reduced mobility, which would affect employment and overall incomes, potentially leading to a deeper and longer recession across large parts of the world.

In the US, it's unclear how long we'll be operating on double-digit unemployment levels and how long there will be mitigating economic stimulus available. There continues to be a social unrest and economic distress in many parts of the world that affect the prospects for category growth. These same dynamics result in an increased cost to operate. It is also a risk of supply chain disruption of our operations or those of our suppliers being shut down due to local mandates. Against this challenging backdrop, we're holding ourselves to an expectation of meaningful growth, top line and bottom line, and expect to be highly cash generative.

We're targeting organic sales growth in the range of 2% to 4%. We expect to grow market share in aggregate for the year and markets where growth could range from flat to around 3% value growth. We're targeting core earnings per share growth of 3% to 7% versus prior year core earnings per share of $5.12. The bottom line outlook reflects the full range of potential top line outcomes. It also incorporates $300 million after tax of foreign exchange headwinds, largely offset by $275 million after tax and commodity cost tailwinds.

This outlook also includes a $150 million after-tax headwind from the combination of higher interest expense and lower interest income. If you consider the quarterly cadence of the year, base period comps will play a significant role in top line trends. Organic sales growth should be stronger in the first half of the year and moderate in the second half as we annualize the recent acceleration in category growth. Bottom line growth should be still much stronger in the second half, due mainly to higher cost productivity as the year progresses.

Fiscal 2021, we'll continue our long track record of significant cash generation and cash return to shareowners. We're targeting another year of 90% adjusted free cash flow productivity. We expect to pay approximately $8 billion in dividends and repurchase $6 billion to $8 billion of shares. 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.

Now, I'll hand it back quickly to David for closing comments.

David Taylor {BIO 1904504 <GO>}

We delivered a very strong fiscal 2020, meeting or beating each of the key goals we set out at the start of the year in a challenging and volatile market. We believe we have a bright future ahead. We have the right strategies portfolio in daily use categories where performance drives brand choice, superiority in products, packages, consumer communication, retail execution and value, productivity in all areas of cost and cash, constructive disruption in all facets of the operations and improved organizational focus, agility and accountability. We feel we have the right priorities to deal with the immediate challenges the company is facing, ensuring the health -- employee health and safety, maximizing product availability, and helping society overcome the challenges of the crisis.

We're stepping forward, not back. We're doubling down to serve consumers and communities. We're investing in the superiority of our brands and the capabilities of our organization. We're doing this in our interest and society's interest, in the interest of our long-term shareowners, with an eye fixed on long-term, balanced growth and value creation.

With that, we will be happy to answer your questions.

Questions And Answers

Operator

(Operator Instructions) Your first question comes from the line of Wendy Nicholson with Citi.

Q - Wendy Nicholson {BIO 2081269 <GO>}

Hi, good morning. Thank you. My question is to do with the enterprise markets, both from a short-term perspective and I guess a longer-term or strategic perspective. In the short term, are you seeing any of the challenges that the pandemic have sort of placed in those markets in particular showing any signs of improvement or the challenges alleviating? And then longer-term, kind of given where things stand, are you thinking any differently about any of those markets? Are you deciding to -- sure, (inaudible) is maybe more negative than I mean, but change your investment philosophy with regard to any of those markets? Thanks.

A - David Taylor {BIO 1904504 <GO>}

Wendy, I'm going to make one comment, then I want to turn it to Jon because he has direct responsibility for the enterprise markets. The comment I'd make the organizational structure change we made has really helped us deal with this recent pandemic. We grew in enterprise markets where they're facing just a range, as you know, of very big challenges. But if anything, it's reinforced the strength of the organizational choice, and actually the possibilities we see for the future. I want to turn it to John to talk to how we're dealing with directly. But no, we haven't changed our long-term view on the attractiveness of the enterprise markets.

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

I'm going to take one step to the side, and I'll come hopefully back to the middle here. Remember that the whole -- from an organization structure context, one of the driving forces in the design was to free up category leaders and sector CEOs to focus on the biggest opportunities which were the focus markets will regenerate 80% of our sales and 90% of our profit. And I, of course, don't want to assert direct causality, but there is nothing to indicate that isn't exactly what's happening.

So, in the US we grew, as we said earlier, about 10% over the year, 19% in the last quarter. And China, we grew 8% over the year, 14% in the last quarter. Those are our two largest focus markets. So that part of the organization strategy is working well. We also wanted to move decision making in enterprise markets closer to consumers, competitors, customers with the hope that we would continue to provide strong growth in those markets, both on a top and bottom line standpoint. And that continues to be the case. We grew despite all the difficulties over the last year 3% organically on the top line. We grew 16% on the bottom line. We exited the year with only two of the enterprise markets that's over 100 countries, losing money which is unprecedented for us and we did that. We built that profitability, despite significant headwinds and while growing market share. In aggregate, the enterprise markets were up 0.2 points. But we're happy with all of that. Now, to get back to the middle and answer to your questions more directly, yes, we are facing challenges in the enterprise market as a result of the current both health and economic crisis. And yes, that is affecting market sizes negatively. And no, that's not over and arguably continues to worsen.

In terms of our long-term view on these markets, they are an incredibly important piece of the company. We generated in enterprise markets -- I think we crossed $14 billion in sales this year, $1.6 billion in after-tax profit. So they are meaningful and can create value. We want to be more consistent in our efforts to do that. So we have made changes to our business models, to our cost structures, to ensure that as we grow in these markets, we can do that profitably. But we remain committed to success in these markets and highly confident we can deliver that.

Operator

Your next question comes from the line of Kevin Grundy with Jefferies.

Q - Kevin Grundy {BIO 16423871 <GO>}

Okay. Good morning, everyone. Congratulations on a great year. Question for David, just on organizational priorities and how these may have shifted as a result of the pandemic. So no shortage of discussion, of course, in the marketplace around this accelerating channel shift online, more time spent working from home, which seems like it will be lasting certainly to some degree. Much bigger focus on health and wellness, broader emphasis on ESG, just to name a few. Dave, could you discuss some of these bigger trends that we see more lasting versus those that are more transitory and perhaps how your priorities and the organization's priorities may have shifted over the past six to 12 months in light of these consumer shifts? Thanks.

A - David Taylor {BIO 1904504 <GO>}

Certainly. All good questions, many questions there. First, if I look at what's happened for the last couple of years. If anything, it's just reinforced the set of choices that we've made. What we are seeing and the pandemic has frankly accelerated is consumers are right now moving more and more back to trusted brands. There -- the pandemic has actually put many, many more people back in their homes. And if you think about health, hygiene and cleaning categories, and we said a lot and sometimes I think people get tired of it, but it's categories where performance drives brand choice really matters. And I think it matters even more now. We were seeing that before the pandemic because we grew very, very well in the first half of the year 6% and we saw through the pandemic. But those -- that focus on health, hygiene and cleaning and are having things that really matter.

And one of the other points that's in the strategy that's really working and it fits what's going on right now is because of the shift to e-commerce, there is tremendous pressure on retailers and frankly all participants on profitability. So if your strategy is one where innovation grows the category size, when you do that, you create the larger pie which allows both the retailers to increase their profitability, the manufacturer and it doesn't put the rest of the industry in a bad place. It's actually in a better place. So to me, I believe the strategy is actually moving us in the right place.

You mentioned ESG, I think it's another area where P&G has particular strengths, well before it was in vogue, P&G has always had a position of being a very strong corporate citizen. We have stood up in both social sustainability and environmental sustainability with sustained efforts in those areas. It's the way we operate, consistent with our values. And so as there has been a greater focus on that, I think that as well matters. Because consumers more and more, as well as all stakeholders, one another values the companies behind the brand and I think that also plays well of the strategy.

What I feel one of the things best about is we have not had to make a big shifts in our strategy as a result of what's happened. It's just reinforced the importance of it. And the final point I'd make is the organizational changes that we made which are putting more accountability closer to where consumers or customers are and recognizing the inherent strength of our people and capabilities of the organization and unleashing it, to me, has shown sequentially stronger and stronger results and better and better activation of that strategy.

And you saw it going into the crisis, because in a crisis accelerated trends that were happening and our people stepped up magnificently well and beyond trying to deliver the business. They initiated many of these projects to, can we make masks and donate them. Can we make hand sanitizers and donate some of those? Face shields we've never made, but a group -- two different groups decided they could repurpose some of our packaging equipment and turn that packaging equipment into something that could make face shields. And we shipped hundreds of thousands of face shields to the medical community. But it just shows you that when you have engaged people that care about both their consumers and their communities, what they can do. So it's just, to me, accelerated the choices we've made. And Kevin, I think it's put us in a very good position coming out of the pandemic, because of the capabilities we've been developing.

Operator

Your next question will come from the line of Lauren Lieberman with Barclays.

Q - Lauren Lieberman {BIO 4832525 <GO>}

Great, thanks. Good morning. One thing I wanted to ask about was the productivity, so beyond the 6% organic sales growth this quarter, the productivity was really remarkable and the 440 basis points in total between cost of goods and SG&A. And that was on a very strong comparison and on the more than double in the run rate through the fiscal year to date. So maybe anything about what has been done kind of differently, I know productivity is typically strongest in the fourth quarter. But as you carry forward into '21 and beyond, are there things that you've been able to do differently, cost savings opportunity, productivity opportunities that kind of presented themselves, given the change in the environment so we can (inaudible) and how do you think that productivity going forward? Thanks.

A - David Taylor {BIO 1904504 <GO>}

I'll make one comment again, I'll turn it to Jon on this one. We've talked a great deal about the fact that all buckets, all spend pools had been looked at and we've leveraged to meet both the digital ecosystem, as well as the capabilities of our organization to make substantive changes. And one of the best illustrations of that is what happened when the pandemic hit, we started to see both the tendency issues and supply challenges. We've learned time and time again that when we ask groups of people to step up and address change, they can do it incredibly well. We've had plants that have operated at 90% of their effectiveness with half the people in the short-run, demonstrating again there is more there.

But I'll turn it to Jon to give the specifics, but both the gross margin and operating margin, to me, progress has been sustained over the last several years. And if you look forward, we see still tremendous amount in both media. We see with many of our non-consumer facing spending areas as well as cost of goods. Jon?

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

Just two comments. One, I'm glad you realized, I know you always have, that the productivity savings do accrue more to the back half of the year than in the front half of the year because that's going to be important as you think about your quarterly cadence for estimates next year, because the same thing, the same pattern will hold true.

We have learned a ton, as David was indicating, as a result of the experience we've been through the last four months. And one of the things that I believe we've learned is that there is even more opportunity than we thought. I'll just give you one simple and obvious example. Travel and entertainment, we never really, I don't think, could have imagined that we'd be accomplishing all we are with this effectively zero travel and entertainment. And that's not the right long-term answer. But the right long-term answer is not what we were doing previously. We've all become much more effective working in very different ways with digital tools, as David indicated.

I think the general comfort with digital tools that are available to us. Makes it much more likely that we will seek those tools out in terms of improving our work efficiency and effectiveness across all of our activity systems. So there is significant, David mentioned, the manufacturing efficiency, which is clearly an opportunity as well. So we continue to be committed to productivity as a fundamental foundation stone in our strategy. It enables the investment and superiority, which grows markets and then flows through the income statement.

Operator

Next question will come from the line of Steve Powers with Deutsche Bank.

Q - Steve Powers {BIO 20734688 <GO>}

Hey, guys. Good morning. So we've heard a lot of CPG companies particularly across food and beverages, but I think across the board take this moment to more aggressively simplify base level shipments to maximize near-term availability and maximize turns. I guess, can you talk about what steps you've taken to be likewise? And also at what pace do you expect there to be layering in a bit more variation in most things, hoping you catch up the supply constraints when things start to normalize. And I guess the real question is when you do start to layer in more variation, would you expect that to take more the form of you bringing back some of the things that you've most recently cut out or is this an opportunity to redirect innovation and branding resources in new directions to best drive market growth in the future?

A - David Taylor {BIO 1904504 <GO>}

Yeah, Steve, again several questions. First, when the pandemic hit, yes, in some categories, we went to more simplified SKU lineups in order to maximize the capacity of the high turn items. And I'm sure we and many others did that. And we learned through that as well. In some cases, where some smaller volume SKUs that are special consumer needs and they will come back. There is also some opportunities for some continued SKU rationalization to better serve consumers to meet the retailers' needs. And both of those are happy. It's very category-specific on what we're doing. But I'd say in general, there is a sharper look at can we have a more focused portfolio with really differentiated products. So I think, yes, that will continue.

The change in manufacturing, to me, in order to adjust the agility needed, I think is one of the other things that's really been an area that we were working before but coming into the crisis and then through it. Looking at business continuity plans, the total supply system, looking the appropriate number of suppliers in order to ensure you have the agility to react to the instantaneous capacity swings that we're seeing. I think there has all been learning in those areas.

I expect on the other side of this, again, varying by category, but there will be some streamlining in order to meet the needs. And in some of the categories, because there will be a sustained increase in consumption, we're looking at what we need to do to ensure we have the right capacity to meet those needs. Because I think a lot of the spike that we've seen is not going to go away in some of these categories. Consumers are developing new habits and I think many of us believe that will last well beyond the pandemic.

Operator

Next question comes from the line of Dara Mohsenian with Morgan Stanley.

Q - Dara Mohsenian {BIO 3017577 <GO>}

Thanks. And hope all is well with you guys. Another quarter with very strong market share momentum. Can you discuss what you're seeing in terms of competitive response from key competitors on either the ad spend from a promotion front, more towards the end of fiscal Q4 or so far in July? And how you ensure that P&G's market share momentum continues going forward, if you do experience greater competitive intensity as competitors are unlikely to still here with sharing office? And also, Jon, you touched on thoughts on consumer trade down and private label share pressure potentially in this macro environment a few months ago on the Q3 call. Maybe just give us an update on where we stand today versus your viewpoint a few months back? Thanks.

A - David Taylor {BIO 1904504 <GO>}

Yeah. First, on the market trends. Our market share, global market share has actually strengthened through the year. We were up 0.3 for the total year, 0.4 for 6 months, 0.5 for the past three. In terms of the last quarter and in terms of promotion intensity in activity, as you would imagine in categories where there are supply constraints, you'd see less promotion as everybody focuses on meeting the basic supply needs of the customers and the consumers.

And on the categories of tissue towel, which is our Family Care, Home Care, would be dish, surface and air, that's largely continued into this fiscal year, as the demand hasn't ceased. If you take the US, is our largest market and one to focus on, as you know, when you watch the daily news and hear the daily news, there is just a lot of debate on how much it will open up or even stop or even go back.

So I think the focus on home, personal care, cleaning and hygiene is likely to sustain itself. And so I don't expect in the short run dramatic changes in the promotion brand. Although again, it's very category-specific and in many cases very country-specific.

We've chosen to stay extraordinarily focused on the strategy, which is focused on investing in the superiority, cost of five elements we've talked. And through this last couple of years, that's consistently worked in both high promotion environments, which we see in some countries in categories and in this last three to four months when there was lower promotion because of supply constraints.

And as I think about next year, there will be, I'm sure, competitors will come in and they'll have innovation and there'll be changes in their promotion strategy. But we tried not to get distracted from the strategy that's working and again across the balance of countries in categories that continues to work and I think will. Jon?

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

On consumer trade down, as we've talked before, we are not immune to that and that could become an increasing dynamic going forward to the extent unemployment grows and stimulus and support shrinks. But as we've also talked, we're in a much better position to deal with that than we have been historically. And I think the environment actually helps us as well. So let me quickly unpack that.

We have focused our portfolio, as we've talked several times already in this call, in categories where performance drives brand choice. By definition then, a portion of the value equation is performance, and to the extent that we have an advantage in performance, that's noticeably -- that's noticeable and obvious. That along with a fair price, albeit at a small premium, is viewed as offering value. And we have much higher percentage of our portfolio that's well positioned in that context than as we headed into the last recession.

And the need for performance, so the degree to which performance affects consumers' personal value equation vis-a-vis price is higher than it's ever been, which also works in our favor. To date, and this can change obviously, but to date, if you look at private label market shares as one proxy of trade down, we're not seeing it. Private label shares in aggregate across our categories in the US were down 40 basis points, the last three months, they were essentially flat in Europe.

Last point, we have significantly built out, not always perfectly, but we built out our pricing ladders. We didn't have items like Tide Simply available for consumers in the last recession. And we have many more of those currently. So again, we're not immune. It's real. The best way to attack is with performance noticeable, mostly superior performance at a fair value, to have the right pack sizes available for consumers who are limited in terms of their cash outlay, and double down on the strategy that's working versus stepping back.

A - David Taylor {BIO 1904504 <GO>}

Next question comes from the line of Nik Modi with RBC.

Q - Nik Modi {BIO 7351672 <GO>}

Good morning, everyone. Jon, I was hoping you can just give us some more context on guidance for next year on the top line, just from a geographic perspective, just so we understand kind of how you're thinking about the enterprise markets versus some of the focused markets and then thinking about developed Europe, that would be super helpful.

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

So, the first piece of context I provided on the top line guidance for next year, because I mentioned our prepared remarks, it's all based on what we're expecting on market growth. And then we would expect to grow slightly ahead of that and continue building share. And as I mentioned, we see markets growing modestly probably 1% to 3%. And so the 2% to 4% range is consistent with building share in that environment.

If we look at our own forecast, Nik, for top line growth in enterprise versus the balance of the market, they're both within that range. So we're going to continue to expect, not only total company growth, but also focus on enterprise market growth on both the top and bottom line. Clearly, in the current context, so let's just use that as a proxy for the future. We're seeing very strong growth in US and China as we've talked. If you look at the quarter, growth in Europe was much more modest, but that has picked up recently. And clearly, while we expect growth from the enterprise markets, they're are currently the most challenged just in terms of the operating environment and the economic -- both economic and health pressures that families are feeling.

Operator

Next question comes from the line of Olivia Tong with Bank of America.

Q - Olivia Tong {BIO 7481692 <GO>}

Great, thanks. Good morning. You guys have clearly demonstrating better execution, obviously so has your competition. So just a few questions about how you think about continuing to drive that growth. There is more to come from -- continuing to grow in the areas that have been disproportionately grown already or is it more around turnaround and the performers or do you expect, instead of (inaudible) care, can you talk about what you're doing there to turn around that performance in beauty, if you could talk about the innovation pipeline, it seems obviously excellent Q is going to be a bit challenging in the near term.

And then how much of this, you obviously talked about private label coming down, so how much of this is coming from established players versus the long-tail of sort of newish brands, potentially (inaudible)? Thank you.

A - David Taylor {BIO 1904504 <GO>}

Olivia, first, just the last thing you said, where is most of it coming from, the established brands or long tail. Our core is going very well. Fabric Care is growing, Fabric, Tissue Towel, Home Care, Health Care all going very well. Our Beauty business grew very well last year. Skin Care, Personal Care, APDO, antiperspirant and deodorant, all that grew well. So the core grew well and again it's central to the strategy and it's obviously the biggest part of the business, in the two biggest markets, grew US and China. If I look forward, in order for us to be a dependable long term grower, we have to grow the core. And the strategy is focused on making sure the core is healthy and the core has to continue to extend to address new benefits that are relevant in those categories and there is many, many examples we've given in the past of that and certainly we can get more there, Home Care examples, that you see that with Microban and many of the other things that have occurred, Mr. Clean brand and to (inaudible) brands of the time.

We also believe in RC and certainly some of the additional investments we've made are paying, both internally developed innovation as well as some of the acquired innovation. Our track record is getting increasingly better on those as well. And this year we have certainly some things coming out of our P&G venture, but that's a small portion of the total company. But what it does speak to is innovation is driven core, core and more, and then in new benefit spaces, new jobs that we can do. To me, it speaks to just the whole innovation process is working in the company. But I fully expect for the year that we're going into right now and the next several years, the core will be the biggest driver of that. And there is still significant opportunity. So what I wouldn't think is we are in mature categories. Four years ago, people said we are in mature categories, and now you see big established businesses, and take Fabric and Home Care that have moved from low-single digits to mid-single digits to high-single digits in many, many countries. And if you get down to the next level and look at household penetration by item, and what you see is many of them are in the 10 to 30 range, in 10% to 30%, which means majority of consumers haven't used the product in the last year and haven't experienced the new benefit of the improved performance that we built.

And we've gone back to rediscover the opportunity to build household penetration, new users, grow the market size, leverage superiority to bring the new users in and then leverage additional benefits to trade people up to higher order performance. That's happened to the 10 core categories. And then when you do it well, you'd grow share and probably the best example I gave earlier was Personal Health Care, where virtually every brand grew share over three, six and 12 months. And it's because of new innovation that they brought to the market that's delighting the consumers. So core, core and more. And then our venture effort, to me, is it's now producing new brands with Vivo, an update coming out this year.

Operator

Next question comes from the line of Rob Ottenstein with Evercore.

Q - Robert Ottenstein {BIO 1498660 <GO>}

Great, thank you very much. I'd like to drill down on the US e-commerce business and if you could address three aspects. One, can you give us a rough sense of the kind of growth and growth momentum in the business, kind of March to June, what percent of sales and how sticky this is looking at? And then in response to that, what are the sort of changes that you are doing organizationally either with the sales force or the supply chain to meet the increased demand for e-commerce as a channel? And then finally how do you assess your competitive advantage in e-commerce versus brick and mortar? Thank you.

A - David Taylor {BIO 1904504 <GO>}

We'll take a cut at some of those. I'm not sure I have all the specifics, although some of those we can certainly get you afterwards. The e-commerce business has been growing for now several years in the 30% to 40% range. As you know, we're most developed in China. The US is also growing extremely fast and we expect it to continue. We've adjusted it. Again it fits with the strategy. We've adjusted our supply chain including our packaging capability to be able to meet the needs of e-commerce consumers and e-commerce aggregators that had different needs because of the -- instead of shipping in a case, in a pallet load to a store, it's indeed going through a different path to the consumer and that's worked well.

One of the things we've worked very hard on in this present today is we want e-commerce shares growing in absolute and we want e-commerce shares to be equal or higher than the offline shares, and we're working at the same in profitability and we've made very good progress on both of those as well in the US and China and in Europe. And that will continue to be a priority. We want to be agnostic to where consumers buy the product. In the most recent period, the US e-commerce business that was up 50% in fiscal '20, we all know that was a spike driven by COVID. How much of that will sustain, we'll see, but I think many are developing new habits. So I think we are prepared for that to continue to grow at that pace and meet the consumer's needs and we will develop.

The last point I'd make additional capability, because we've worked with many of the e-commerce companies in bricks and mortar, the omni providers to ensure that we minimize the cost from when we make it to when the consumer gets it, working with them to reduce the transportation or last mile. So all of those are active strategies we can -- other than the 50% US. If there is more specifics that you need, as Jon said, we are going to follow up with you after this meeting to get any more specifics by quarter.

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

I think, Robert, we are -- to your question of are we relatively advantaged within that broadly defined channel, including omnicommerce and brick-and-click, etc. I continue to believe we are. That's no reason to rest, but as you and I have talked before, it is in reality a limited assortment environment from a practical shopping standpoint. And as a result of that, the barriers to entry are very, very high. The need to be on the first and second page of the search preferences large-established superior brands, which we have. Again, no guarantee of the future and no reason to rest, but we embrace the evolution of markets towards e-commerce.

Operator

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

Q - Cody Ross {BIO 20114780 <GO>}

Hey, good morning, everyone. It's actually Cody on Jason this morning. Thank you for taking my questions. I just want to hit the Home Care section a little bit. You guys cited 30% growth this quarter. How does the supply-demand balance look right now across the industry? And from a supply point of view, are you guys investing in more capacity right now and how much capacity have you seen come on already or do you expect to come on as competitors invest in more capacity? Thank you.

A - David Taylor {BIO 1904504 <GO>}

Okay, Cody. Let me take a couple of those and some of the data certainly I don't know what's happening with competitors on capacity. Home Care had an outstanding year. And again in Home Care in all world is Dish Care, Surface Care and Air care, so those categories and those brands globally. The category grew about 16% this year. Our results rather, we grew ahead of the category and grew share.

In terms of capacity, there are areas like our Microban launch that went out in February that we are capacity-constrained now because we launched right at it was hitting unbeknownst to us and the demand spiked. Today, the run rate is now in the couple of hundred million dollars range, which is more than we expected the time we launched. We expected more of a -- a more typical build heaven. Although we know it was a very attractive product because of the sustained surface benefit, surface scale benefits at offer. In areas like Swiffer in hand dish, we're also working very hard to make sure we got inventories back up as the demand spiked.

You can imagine with people now fixing more meals at home. Our Dawn, and around the world, Fairy and our Automatic Dish which will be cascading around the world fairly. Both of those have spiked, and we've seen the Home Care category, if I take the US, sometimes the category size over many of these weeks has been in the 130 to 140 range. We've been able to meet most of that need. There are again some specific items where we're working very hard to increase the capacity and that will be coming on and kind of feather in over the next couple of quarters. But we continue to ship very, very well and we're getting back those shelves and eventually the customer inventory and our employees back in line. But we're not there yet as we closed the fiscal year and certainly into July. And as I've -- through the July, we have not seen the demand slow down very much yet in the Home Care area, which, to me, bodes well for the year.

Operator

Next question comes from the line of Mark Astrachan with Stifel.

Q - Mark Astrachan {BIO 15313233 <GO>}

Yes. Thanks and good morning, everybody. So wanted to touch on some of the changing consumer preference commentary and talk about SK-II in particular, and kind of ask whether you still think makes sense on the brand with as much volatility it has that is relative to the base portfolio. These days obviously it's had a lot of contribution to growth in recent years. I guess, maybe you reassess kind of broadly, can you kind of comment a bit about that specifically in terms how you're thinking about the portfolio today? It would be great. Thank you.

A - David Taylor {BIO 1904504 <GO>}

First, the first question, how do we feel about SK-II, very committed and thrilled that we have it. There was certainly a bump the last four months that hit us hard, which is mainly travel retail business. But if you look even at the last few months in China, it's growing very nicely now and as we go into the year, where we continue to be optimistic about the brand. Consumers love the brand. We have brands focused on meeting consumer needs and SK-II does a great job. It had several years of sustained top and bottom line growth. And frankly, I'm not discouraged at all by a four or five-month dip because largely the travel retail business got impacted.

In the markets that it competes with the consumers in where it is present, it continues to do well and it's already starting to rebound. So now we're very committed to SK-II, and if I step back at the Global Skin and Personal Care business, which includes again the Personal Care, APDO, Skin Care, Prestige Skin, that whole category even with what happened to SK-II grew nicely last year in the upper mid single digits, indicating that the broad portfolio can weather a hit like that. And it's consistently -- the global Beauty has consistently been performing well for the last couple of years. And to me, they are optimistic again that the business that was travel retail will find itself somewhere else that consumers looking for the brand to go where they can find it and we've seen that more recently with the rebound in China with SK-II.

Operator

Your next question comes from the line of Bill Chappell with SunTrust.

Q - Bill Chappell {BIO 1737315 <GO>}

Thanks. Good morning. Can you talk about kind of your outlook over the next year for the Grooming category, especially kind of worldwide, I mean how it plays out? And you have the corona beards in the US, it's so nice to read that Molex are coming back in Australia over the weekend. And so anything you see there that kind of how as we come out of this or is the category permanently impaired or you see a -- it's slowly getting growth as we move into calendar '21, any thoughts would be great.

A - David Taylor {BIO 1904504 <GO>}

Sure. While we've seen a hit in the COVID period, Grooming up through January was actually making very good progress. And even with the COVID hit and people at home and less shaving because of people not going outside or men not going outside, it's still grew this last year. And if I take up through January, the first seven months of the year. It was growing faster, it was the fastest growth we've seen in several years. We've actually seen an increase this year in new users. We've got the fastest new user growth we've seen in many years, which means people are coming in. What we have done though, and this is important, we have certainly the male blades and razors as the biggest part of the business, but we have male and female. We have the full ladder, including disposables, which have again grown. And now we've gotten a very fast growing appliance business, call it, Braun, which is growing share and is growing double-digit right now as people have moved to a dry form in some places.

And then we've launched a King C. Gillette initiative to address men with hair, so that the shave category is really now embraced. The category is grooming and is taking care of people with hair, without facial hair, men, women, all price-points and as it does that, to me, it's right now creating a strategy that will allow it to grow in most environments. And I believe we will see, as people go back to work in offices and outside the home, we'll see a pickup in the wet shave rate.

In the meantime, we'll continue to see very robust growth in dry shave, very robust growth in this King C. Gillette new brand that addresses many of the tools needed for people with facial hair, for grooming facial hair. It's also a highly profitable business that continues to that we're very committed to long-term.

Pardon me, one other comment, we grew double digits in China this last year, which is another indication that as the economy came back and while it's not post-COVID, China has returned more to a more normal operating environment than most countries and Grooming is growing double digit in that country, which again tells me that the broader portfolio can and will grow in the future, increase value for the company.

Operator

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

Q - Andrea Teixeira {BIO 1941397 <GO>}

Thank you for squeezing me in. I'm glad to hear you're doing well and congrats on the results. You think given the cadence of the fourth quarter exit rate or July to date, from your guidance it seems that there has been restocking in US, but can you help us think about the assumptions for your sales growth, including a potential more mild cold season ahead or just the market share momentum you spoke throughout this call should offset the shifting against consumption dynamics? Thank you.

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

Andrea, as you can probably appreciate, the monthly cadence, if you will, is very different by category and by market. And it has been very volatile recently. It's hard to make coherent sense out of it. But the overall thought that I would give you is, yeah, that's remained strong throughout. July has remained strong. But we also have to remember that all of that's happened, for instance, in a US context with significant financial stimulus. And we don't know, as we sit here today, what the future of that is going to look like and whether it will exist.

And that's just one example of the pretty dramatic unknowns that make it difficult for me to say, because July has started off well, we should assume the first quarter is going to be strong. I can't say that.

A - David Taylor {BIO 1904504 <GO>}

One other build I'd just offer is to a large degree, it depends on what you believe the markets abroad will grow. I think Jon's earlier statement and then certainly our view is we will grow ahead of the market. And our innovation will be a stimulant to market growth, but there are macro factors that are big enough, whether it's the recession, the COVID impact disruptions to supply chain. They're very hard to predict. We ended the quarter with good momentum and certainly as we go into the quarter, good momentum. The Health, Hygiene, and Cleaning categories we think will be focused, will be focused categories for consumers. And it's your guess as good as ours on when people will in increasing numbers return back to offices and be working outside the home. At this point in time right now, it looks like in the US that's slowing down. But it varies all over the world.

In aggregate, we think we're well positioned for whatever comes at us to do, that again what the market would give and we work very hard to make sure that we continue to be good contributors to our consumers, our customers and to the communities in which we operate. Thank you. And thank you all.

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

Thanks, everybody. John, and Kerry, and myself will be available the balance of the day. We're at our normal work numbers. Feel free to contact us. I know it's a busy day for many of you. I will also be here tomorrow. Thanks.

Operator

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