Q2 2021 Earnings Call

Company Participants

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

Other Participants

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

Presentation

Operator

Good morning and welcome to Procter & Gamble's Quarter End Conference Call. Today's event is being recorded for replay. This discussion will include a number of forward-looking statements. If you will refer to P&G's most recent 10-K, 10-Q and 8-K reports, you will see a discussion of factors that could cause the Company's actual results to differ materially from these projections. As required by Regulation G, Procter & Gamble needs to make you aware that during the discussion, the Company will make a number of references to non-GAAP and other financial measures.

Procter & Gamble believes these measures provide investors with useful perspective on underlying business trends and has posted on its Investor Relations website www.pginvestor.com, a full reconciliation of non-GAAP financial measures.

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

Jon R. Moeller {BIO 16200095 <GO>}

Good morning. I'd like to start by expressing our sincere hope that you and your families remain safe and are well. Joining me on the call today are Andre Schulten, who will take on Chief Financial Officer responsibilities as of March 1; and John Chevalier, Senior Vice President of Investor Relations. I'm going to continue to have overall responsibility for Investor Relations with John's able leadership and we'll add Andre into our discussions, as we move forward. We're again going to keep our prepared remarks brief this morning, given strong and straightforward results, focusing most of our time on your questions.

The strong momentum we've created over the past number of years top-line, bottom-line and cash continued in the October-December quarter, which will enable us to further increase fiscal year guidance for organic sales growth, core earnings per share growth, cash productivity and our commitments for cash returned to shareowners.

We've built strong momentum, leading up to the COVID crisis. In calendar year 2019, for example, pre-COVID, we grew organic sales 6%, core earnings per share 15% and delivered 102% adjusted free cash flow productivity. This pre-COVID momentum gave us the confidence to continue providing guidance as many eliminated it, and to increase our dividend at the highest rate in many years and April last year, even as we struggled with new COVID realities. Building on that strong momentum, we accelerated organic top-line growth in calendar year 2020, which we just completed to nearly 8% 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 our facilities and sourcing materials, necessary to maintain and in some categories significantly increase production to serve heightened consumer, cleaning, health and hygiene needs. Strong momentum before COVID and during COVID, reflecting the underlying strength of our brands and the appropriateness of the strategy, which is driving our business. Organic sales up 8% for the quarter, 5 points of volume growth, 1 point of pricing, 2 points of mix. Broad based growth. US organic sales up 12%. Last four quarters, sequentially for calendar year 2020 plus 10%, plus 19%, plus 16%, now plus 12%. Greater China of 12%.

Last four quarters minus 10%, during lock down plus 14%, plus 12%, now plus 12%. Focus markets up 10% and enterprise markets which are significantly impacted by the COVID pandemic up 3%. Each of our 10 product categories grew organic sales. Home Care up around 30%, Oral Care and Family Care up double digits, Fabric Care up high singles; Personal Health Care, Feminine Care, Hair Care, Skin and Personal Care and Grooming up mid-singles and Baby Care up low-single digits. E-commerce sales up nearly 50% for the first half. Aggregate market share growth up 20 basis points this quarter.

Turning to earnings, core earnings per share of $1.64, up 15%, currency-neutral core earnings per share up 18%. Last four quarters, currency-neutral core earnings per share up 15%, up 11%, up 22% and up 18% this past quarter. Second quarter core gross margin expansion of 150 basis points, up 200 basis points, excluding currency impacts. Core operating margin grew 250 basis points, up 310 basis points, excluding currency. Adjusted free cash flow productivity of 113%, returning $5 billion of cash to shareowners, $2 billion of dividends paid and $3 billion of stock re-purchase. So halfway through the fiscal year, year-to-date, organic sales up 9%, core earnings per share up 17%, ex-currency up 20%.

Adjusted free cash flow productivity over a 100%, $9 billion of cash returned to shareowners, a 110% of all-in earnings. As we've shared previously, we've established three priorities that have been guiding our actions and our choices in this crisis period. First, and importantly is ensuring the health and safety of our P&G colleagues around the world. Second, maximizing the availability of products we produce to help people and their families, with their cleaning, health and hygiene needs. These products are more important than ever, given the needs created by the current crisis, increased awareness of health and hygiene, and additional time that we're all spending in our home.

Third priority, supporting the communities, relief agencies and people who are on the front lines of this global pandemic, with product donations, PPE production, financial support and using our marketing and communications expertise to encourage consumer to support public health measures, which slow the spread of the virus. These priorities are completely congruent with our strategic choices, which we remain confident in and are the foundation for balanced top and bottom-line growth and long-term value creation.

Our strategies, we focused our portfolio on daily use products and categories where performance plays a significant role in brand choice. In these performance-driven categories, we've raised the bar on all aspects of superiority. Product, package, brand communication, retail execution and value. Superior offerings, delivered with superior execution drive market growth. Leading category growth with superior offerings, mathematically builds market share and builds business for our retail partners. 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, underscore the importance of ongoing productivity.

We're driving cost savings and cash productivity in all facets of our business, up and down the income statement and across the balance sheet. Success in our highly competitive industry, requires agility that comes with a mindset of constructive disruption, a willingness to change, adapt and create new trends and technologies that will shape our industry for the future. In the current environment that agility and constructive disruption mindset are even more important. Our new organization structure yields a more empowered, agile and accountable organization, with little overlap or redundancy flowing to new demands, seamlessly supporting each other to deliver against our priorities around the world.

These strategic choices on portfolio, superiority, productivity, constructive disruption and organization structure and culture are not independent strategies, they reinforce and build on each other. When executed well, they grow markets, which in turn grow share, sales and profit. These strategies, were delivering strong results before the crisis has served us well during these more recent volatile times and we believe will continue to serve us well post-crisis. I want to talk a little bit about post-crisis dynamics. While we will undoubtedly experience some volatility, as we move to the new reality and quarterly results will not move in a straight line, we're optimistic about our post-crisis prospects and generally like our hand.

As consumers spend more time at home, due to the pandemic, we've seen dynamics play-out differently across different categories. More time at home benefits our Family, Fabric and Home Care businesses, it negatively impacts grooming SK2, deodorants, adult incontinence. Though [ph] COVID impacts are different, some positive and some negative across categories. Impacts have also different across regions. While North America market growth has increased, the reverse is true in our Asia, Middle East and Africa region, as an example. We've suffered disruptions across multiple channels, closures across electro, specialty, beauty, away-from -home channels, dental offices. In Japan, department stores still lack beauty consultants, which impacts our premium SK2 business.

As I mentioned, our P&G Professional away-from-home business has been impacted by low hotel and restaurant occupancy. We've seen some supply chain benefits from higher throughput, as we simplify the number of SKUs. The costs have increased to source materials, maximize safety and importantly the transport finished goods. So, as and when we're out of COVID, we expect some of the current tailwinds to our business will dissipate, but some very strong headwinds, should also abate or disappear. And then there are the mid to long-term impacts of the crisis, which may be accelerators of the top and bottom-line growth. The relevance of our categories and consumers' lives potentially increases. We will serve what will likely become a forever altered cleaning, health and hygiene focus, for consumers who use our products daily or multiple times each day. There may be a continued increased focus on home, more time at home, more meals at home, with related consumption impacts. The importance of noticeably superior performance, potentially grows. There is potential for increased preference for established, reputable brands that solve newly framed problems better than alternatives, potentially less experimentation, potential for a lasting shift to e-commerce, both e-tailers and omni-channel.

Our experience to-date makes us believe, we are generally well-positioned in this environment. We're discovering lower-cost ways of working with fewer resources. Today's necessity giving rise to the productivity intentions of tomorrow. New digital tools are being brought to the forefront, providing another productivity driver on the factory floor, in our labs and the office environment. We very much like our long-term prospects, well the near-term will continue to be challenging and more difficult to predict. Our near-term outlook begins with an assumption of how underlying consumer markets will develop, this by itself is highly uncertain.

While the first rounds of vaccines have been deployed, the number of COVID cases remain high in many parts of the world, without the resources or infrastructure to effectively manage it. Despite the launch of vaccines, we'll likely be operating through fiscal '21, much as we have been for the past nine months. In the US and other markets, it's unclear how long we'll be operating at high unemployment levels and how much mitigating economic stimulus will actually be available. There continues to be social unrest and economic distress in many parts of the world. It also affect the prospects for category growth.

These same dynamics can result in an increased cost to operate.

There is a risk of supply chain disruption of our operations or those of our suppliers. Channel disruptions will likely continue. Against this challenging backdrop, we're holding ourselves to an expectation of continued growth, top-line and bottom-line and expect to be highly cash generative. With a strong first half as a base, we're further increasing our fiscal year guidance for organic sales growth. Core earnings per share growth, adjusted free cash flow productivity and cash return to shareowners. We're raising our organic sales growth guidance from a range of 2% to 4% going into the fiscal year, to a range of 4% to 5% after the first quarter, now to a range of 5% to 6%. The outlook assumes a quarter to quarter, step down in the second half as retail inventories are fully replenished and it's category consumption levels moderate.

We saw a sequential deceleration in US consumption in our categories in December and January, these trends are incorporated into our new higher guidance range. We're increasing core earnings per share growth guidance from a range of 3% to 7% previously, 5% to 8%, now at 8% to 10%. A 2.5 point increase at the midpoint of the range. This bottom-line outlook includes headwinds of approximately $100 million after tax of foreign exchange, $150 million from the combination of higher interest expense and lower interest income and a $100 million after tax of higher freight costs. Commodities are currently forecast to be neutral to earnings on the year. We will continue our long track record of significant cash generation and cash return to share owners.

We're raising our target for adjusted free cash flow productivity from 90% going into the year to about 95% after Q1, now to a range of 95% to 100%. We continue to expect to pay approximately $8 million in dividends and are further increasing our outlook on share repurchase, in the range of $7 billion to $9 billion to up to $10 billion. Combined, a plan to return around $18 billion of cash to shareowners this fiscal year, over 125% of all-in earnings. 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 the guidance range.

Wrapping up, we created strong momentum, well before the COVID crisis. We strengthened our position further during the crisis. And we believe P&G is well positioned to serve the heightened needs and new behaviors of consumers and our retail and distributor partners, post-crisis. We will manage what could be a volatile, short to mid-term, consistent with the strategy, we've outlined many times and against the immediate priorities of ensuring employee health and safety, maximizing availability of our products to serve cleaning, health and hygiene needs and helping society, overcome the challenges of this crisis. We're stepping forward not back. We're doubling down to serve consumers and our communities. We're doing this in our interest, in society's interest and in the interest of our long-term shareholders.

We're happy now to take your questions.

Questions And Answers

Operator

(Operator Instructions) Your first question comes from the line of Lauren Lieberman with Barclays.

Q - Lauren Lieberman {BIO 4832525 <GO>}

Great, thanks. Good morning. John, I wanted to talk a little bit, actually about the -- your reference to cleaning, health and hygiene and long-term category growth. So, first was just closer and I was curious, if you had a view on household, pantry inventory, knowing that in some regions, there has been still shortages, limited ability to purchase, and this is particularly US conversation.

In other markets, you go into a retailer, and there is product on shelf and that's obviously gotten better to the pandemic. So, I was curious to get a sense of how much there is in terms of consumer pantry inventory right now of cleaning and particularly surface cleaning products was one. And then two just thinking longer term you referenced to change heightened consumer interest.

I mean how do you think a Company like P&G can best address that. Is it occasions? Is it chemistry? Is it packaging? What are sort of the things you're thinking about as you prepare for that future and the ability to kind of capitalize on this heightened consumer interest that you've referred going forward. Thanks.

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

Thanks, Lauren. We obviously don't have perfect insight into pantry inventories. We know that there are higher as we indicated, primarily in the US and as you rightly pointed out, and many parts of the world. There aren't homes that are large enough to accommodate significant pantry inventory build, and there are no pantry. We're also seeing, though, very, very importantly increased consumption in these categories. More time at home, more meals at home, higher consumption. In the US as an example, cleaning and sanitizing frequency is up 30%, dishwashing frequency is up 15%, air freshener frequency up 20%, in-home paper towel usage up 15%. So, while there has been an understandable tenancy for some consumers, particularly in the US to build inventory to protect themselves and their family and to minimize trips outside their home.

Consumption is generally following. Could there be some reduction in top-line growth rates, if god-willing the situation gets better. And therefore I need less in my pantry as protection. Yes, that could occur for some period of time. But not in the mid to long-term obviously. And those increased levels of consumption are accompanied in many cases, by new habit formation or habit strengthening. And unfortunately, we've not been at this for four weeks or eight weeks, where things might -- where behavior might snap back to pre-crisis levels. We've been at this on a global basis, well, even in the US for a year. And that does tend to form habits, which means some higher level of consumption should continue to occur post-crisis. And then while I'm on it, was not part of your question, remember again from our prepared remarks that there are many categories that have suffered as a result of the dynamics we're all managing through. And those should provide an offset in a more normalized environment, the same with markets, the same with channel opening. Taking consumer interest and health, hygiene and a clean home, now what are we doing, the way I like to think about this is how, how can we step up and step forward to better serve consumers with these heightened needs. Some of that and it's all the things that you mentioned, we are innovating and bringing new products to market, to better meet those needs, whether that's Microban 24. So an example, whether that's Safeguard sanitizer, whether that is for better Oral Health is an example, the new IO offering, which is driven 20% year-over-year increase in our power brush sales.

We're modifying, packaging, so that it's clear relative to the health, hygiene and clean home benefits that our products offer. We're educating both to your point on usage occasions and helpful tips around the home one of our categories that's done a particularly good job on that is our Home Care category, which has shifted a fair amount of advertising to an educational format, which is designed again to serve consumers during this difficult period.

And our broadbrand communication and messaging is generally reflective of those kinds of opportunities. Claims supports, developing claims are essentially communication that we can back up with laboratory research that highlights the benefit of our products in many categories to serve these needs, for example, hygiene that's benefit as a result of use of some of our laundry offerings. The long answer, but it was a good question and I want to just reiterate the point again that -- the question, behind the question and all of this, I suspect today will be, are you, what kind of shape are you going to come out of this in? And I think, we think, we're going to be in great shape coming out of this.

I won't predict the top-line growth rate or a bottom-line growth rate that accompanies that. But from a strategy standpoint, from a brand portfolio standpoint, from an organization execution standpoint and as I mentioned, from the variety of impacts the COVID has had across the portfolio both categories and geographies and channels, we feel very well positioned to continue the momentum that we've developed.

Operator

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

Q - Steve Powers {BIO 20734688 <GO>}

Great, thanks. Good morning, Jon. Congrats on the new role, Andre. Jon, you mentioned the valuation related pricing a few times in the release today. And I guess I'm curious, if this is the way to quantify the impact of that relative to what I guess might be considered underlying price movements in the quarter. As we think about calendar '21, and the set up as we go forward with FX, set at the moment to reverse, likely of -- you know, the lapping of some of the COVID promotional pullbacks in 2020. I guess, how are you sizing up the prospects of additional net reported price realization as we go forward.

Investors are clearly focused on inflationary cost pressures that are building and I'm I guess the real question is, I'm curious as to whether you think those incremental price pressures can be offset by cost justified pricing in the year ahead or will competition return to more normalized promotional patterns make that difficult. Thank you.

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

Thanks, Steve. As you rightly point out there, a lot of moving pieces within that top-line. From a, when you put it all together though, price contributed 1 point to the 8 points of top-line growth in the quarter. To the extent that everything that's happening, how complex as it may be reverses itself, that has about a 1 point impact on top-line growth. Promotion levels which you've mentioned have returned from about the lowest points, which was about 17% of products sold on promotion up to about 26%, so a significant amount of that promotion return is already in the numbers. And that compares to a pre-crisis range of call it averagely 33%.

I don't know, necessarily were post-crisis, we're going to net out on that percent, but that gives you that math. The other thing I would point out is that some modest pricing is inherent in our innovation-based and superiority-based business model. Superiority not in terms of price points, but superiority in terms of performance. And if you look at the 1 point sales impact in the quarter, we just completed that's pretty normal. But we look at -- if you look at the 41 of the last 45 quarters, pricing has been neutral to a slight positive impact on the top-line, 15 out of the last 16 years. So if we're going to define an expectation of the future based on normalization, it doesn't look a lot different than what you're seeing now.

The drivers may vary and be different, by category, by markets. But I think what you're seeing is generally representative of our history and to some extent representative of the future.

Operator

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

Q - Olivia Tong {BIO 7481692 <GO>}

Great. Thanks, Jon. You talked last quarter a lot about potential for upside to the range but also downside. And your commentary so far seems to suggest a lot of continuation of the current trends, in terms of usage patterns, pricing can continue to be positive. So, you know, when you marry that with the implied second half outlook range, can you just talk through that a little bit. Because it sounds like you're expecting the same dynamic. But is there any shift in terms of the relative upside-downside to your outlook at this point because you do some pretty optimistic about the post-COVID period. Thanks.

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

The two, potentially two different questions within there Olivia. One is the back-half, the second is the post-COVID period, which we don't assume occurs in our back-half. Let me cover the second one first and then come closer-in to the back-half. We, when I'm talking about being well-positioned for a post-COVID environment, I'm talking about the mid to long-term and I'm talking about the strength of our brands, our strategies and our organization, coupled with what versus pre-COVID will likely be some increase in health, hygiene and clean-home consumption, of a consumer base that's been through very difficult and frankly for many of us, life-altering period of time.

As we come back in and look at the back half, as I said, we are not assuming the situation changes and in fact, I mentioned that I expect we'll be operating very much as we have for the balance of at least the balance of the fiscal year. And I would view that the upsides and the downsides in the back-half is relatively symmetric. I would view them similar to how I view them, how we view them, when we last spoke. So that hasn't changed. What's changed is two very strong quarters now in the books, which on a fiscal-year basis, certainly removes some of that risk and as reflected in our guidance increases.

But you know, there are just so many things going on in all of our lives and in the world around us. I have to assume, linearity of any degree is difficult, think about simple things like ramps [ph], like repayment of student loans, like employment those issues were somewhat offset by stimulus and regulation for example in the US in the first half, and it's still unclear exactly what's going to happen, so many of those items and the second half.

We obviously start getting to higher base periods, as we get into the back-half as well and some amount of promotion, what will closer off that 26%, closer to something like 30% over some period of time we'll have to see how that plays out. So again I think, that all the steps we've taken to build momentum on our business pre-COVID, have served us very well, during COVID it will continue to serve us well in the back-half and they set us up well for the long term. But there is a ton of volatility between here and there.

In a one way for me to frame that is just think as we were having this conversation last year at this time, and we were trying to prognosticate about what the next six months or the next year would look like. None of us would have had any idea. And if anything, the level of certainty has been is less today than it was then. But within that there are opportunities as well as risks. Sorry for the long-winded answer. I hope that helped a little bit.

Operator

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

Q - Dara Mohsenian {BIO 3017577 <GO>}

Hey, Jon. And congrats Andre. So I just wanted to follow-up on Steve's question, you highlighted your historical ability to take pricing. But I'd argue the commodity spike, looks fairly pronounced here, both in terms of magnitude as we saw with your rates for full your guidance on freight and commodities. But also the higher prices appear more sustainable this time around with a post-COVID economic rebound. So I just wanted to understand your mindset or sort of willingness to take pricing, either may be shortening the lead time to take pricing or just in terms of level of magnitude relative to the past, because it does seem like it's probably a little more than a typical situation on the commodity front.

And then just second on the other side of it, what's your sense for retailer enthusiasm in the US where pricing in this environment, obviously companies like yourselves have posted significant gross margin expansion over the last couple of years. And there is an uncertain consumer outlook. So do you really need to see that pressure materializing gross margins, before you discuss pricing with retailers, can you be more proactive. And again, I'm just trying to understand sort of the mindset here around the past when you've typically been able to take price increases and if anything is potentially different this time around. Thanks.

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

The situation Dara is different by categories, by markets. So the generalize is difficult, I apologize for that. But what I would tell you is in general, when you're strategy is based on innovation and superiority, in categories were superiority drives brand choice. You have more ability to pass on modest cost increases while improving consumer perception of value because they delivering more performance at the same time. So at the end of the day, we get ourselves in trouble, a little bit, when we look at pricing and isolation because that's not how the world works and that's not how the consumer works. That's not how our retail customers think about things either.

And so conversation with the retail customer would involve a whole host of topics with the fundamental question being, but we have a plan together that grows the retailers business and does so in a profitable way. Very rarely do we -- dissect the conversation to focus on a single variable. That really isn't in either of our interest. Having said all that, is there anything fundamentally different, that should I know today. Changes materially, our ability to deliver the kind of top-line and bottom-line that we have in the past. No.

Operator

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

Q - Kevin Grundy {BIO 16423871 <GO>}

Right. Thanks, good morning everyone. Congrats again a strong quarter. Andre congrats to you as well. I'll pivot away from the topic, as you hear on the -- on commodities and pricing, Jon, I'll give you break on that. Longer-term question on your online business which continues to do exceedingly well now north of 10% of sales. And there seem to be a false narrative out there probably a year or two ago that the shift to the channel was unfavorable for big brands, which we just really haven't seen, at least broadly in staple.

So as online moves to closer to 20% of sales, which would be likely without stretching much in the intermediate term, if you will, using reasonable assumptions. What do you think this will mean for Company sales, with respect to market share margins and returns. And then maybe just comment broadly on risk of private label on this channel. Thanks.

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

Thanks, Kevin. As we mentioned earlier, and as you referenced, we did have another strong quarter, we've had a strong year-to-date outcome with an e-commerce growing 50%, now above 14% [ph] of the business globally. You're right, it's not far from closing in on the 20% level, particularly with those kind of growth rates.

Without going through all the details, you know that I've always viewed this channel and the development of this channel has been big established and preferred brand friendly not in adverse situation, but a conducive situation for growth. We need to perform in this channel against all the vectors of superiority just as we do and the others. But when we do that, there is no reason to expect that the outcome isn't as or more attractive than it is and some of the traditional retail channels.

If you look at to your question about market share and margin on an aggregate basis today different by category, by country. But on an aggregate basis, our market share in e-commerce broadly defined. So pure-play and omni is slightly higher not by much than our brick and mortar market shares. And I think that's more reflective of the demographics of the online shopper than it is anything else.

Our margins are also on aggregate similar across the two channels. So we were in a very nice place that we aim to be in which is -- we want to be channel diagnostic, serve shoppers, wherever they choose to shop and be able to do that, as you rightly point out. In a way that's neutral to accretive to share margin return. I think we're very well positioned. Requires work every day, very volatile space, we keep our eye on the consumer and serving them with superior offerings again in categories where performance drives brand choice, we should continue to do well.

Operator

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

Q - Jason English {BIO 16418106 <GO>}

Hi, good morning, folks. Thank you for sliding me in and congrats on a really strong quarter and most important, solid execution. I do want to come back to the topic, I guess, and that's pricing and commodity. I think, we talked a lot about the pricing outlook, but not a lot about the commodity outlook. Jon, I think your back half guidance implies relatively modest inflation including freight, if it's around 1.5% of COGS back of the envelope. Not that substantial. So is that a factor of just early on your hedges, your contracts haven't hold-off and when they deal, it's going to step-out significantly. Or is there -- or is the management inflation while we're all talking about somewhat sensationalized.

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

Thanks, Jason. We, as we said in our prepared remarks, on a total fiscal year basis, the commodity impact to the bottom-line is neutral. That's not one of the things that I'm actually spending a lot of time on and overly focused on relative to some other things. There has been a recent increase in some of our exposures. But even if you look at, if you were to take spot rates versus a year ago and annualize that, as one evaluation of what the impact could be. As modest compared to some of the significant commodity spikes that we've been through the last decade. It's also currently offset to a degree by FX. The other thing is that within the total cost pool, there are significant increases reflected in the current results and in the current margin growth for operating in the environment that we've been operating in.

And if vaccinations occur broadly and we returned more to normality and economies accelerate and therefore put pressure on commodity markets, I would expect that some of these other costs that we've been incurring would abate. So much like the COVID impact on categories or markets, there are offsets that we have to consider when we look at commodities and we need to look at the total picture as we think about pricing going forward, which we will do. But again, I mean, we could be having a very different conversation, a quarter from now. But at this point, not a huge concern.

Operator

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

Q - Wendy Nicholson {BIO 2081269 <GO>}

Hi, good morning. Can we shift gears and talk about the enterprise markets a little bit, because I know you walked through some of the things that has challenged your business in those markets over the last nine months. But I wasn't totally clear on whether a lot of those pressures are pressures to category or pressures to your market shares. So, if you can kind of say update us on where you think you're competitively positioned in those markets. And Jon, I presume you're going to be spending more time focused on those markets now with your new role.

Kind of what's your outlook. I know historically, it's been about 20% of sales that region or that lump of regions. I'm sure it's going to be smaller this year given the headwinds, you've seen in those markets. But kind of what's your longer-term approach to running that business as you get more focused on them, that kind of stuff. Thanks so much.

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

Thanks, Wendy. Stepping back, our strategic objectives in establishing a different approach for enterprises markets was twofold. The first and primary objective was to enable leadership and the broad resources of the company to focus on the largest markets and most profitable markets of the company. What we call surprisingly focus markets.

And our progress there has accelerated pretty dramatically. And if that's all, we accomplished that would be a major step forward. So I just mentioned, the US and China, both growing 12% in the quarter, both growing double-digits year-to-date. In no way want to assert causality, that would be careless. But there's certainly nothing to indicate that increased focus in those markets has hurt us. It certainly appears to have helped us. So that was objective one. Objective two was to ensure -- was ideally for these markets to continue to be a source of top-line growth and a more dependable source of bottom-line growth for the company, by moving management of activity closer to the market, closer to consumers, actually in the market with consumers, competitors and customers.

And that generally has played out well, as well. So we grew -- the enterprise markets grew top-line, they grew bottom-line. Last fiscal year, we got to a point, at the end of the year, where we had two countries within 100 enterprise markets that we're losing money, which is a huge step forward from where we've been historically.

And importantly, we did that while holding or building market share. So this wasn't a cost if you will to top-line growth and development relative to the market. In an ideal world, to answer your question about the future, we'll continue to enable strong emphasis resources on focus markets, and manage the enterprise markets in a way that are accretive to the company top-line, accretive to company bottom-line.

And I think in a normalized, post-COVID environment, that's possible. But we're being very selective and where we choose to win and how we choose to do that. And again we want to be a source of support for the major markets in the company, both from the standpoint of enabling focus and from a standpoint of creating financial resource to do that. While maintaining an option on the growth of these markets represent in the future. I'd be happy to spend more time. It's obviously pretty full topic, but in general, we're progressing along the lines that we set out to do.

Operator

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

Q - Nik Modi {BIO 7351672 <GO>}

Yeah, good morning everyone. Happy New Year. Jon, I thought the context around the consumer behavior was very helpful. But I was hoping you can comment on retailer behavior. We've been hearing just generally across the supply chain that retailers are really starting to take seriously assortment -- rationalizing assortments becoming a little bit cleaner, in terms of what is on the shelf and how it's displayed. And I would suspect P&G would be in a prime position to benefit from that. So, can you just provide context on kind of what you're seeing and what you should expect as this year on the lines? And I would like to get perspective on the US and maybe some of the international markets to the degree you have that visibility. Thanks.

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

Our relative position with our retail partners continues to strengthen. COVID has exposed, some of, for example, the supply chain weaknesses that exist within the ecosystem that have been supporting those retail partners. In general, we've been a source of dependable supply. There are some clear exceptions, where growth has accelerated plus 15%, plus 30% and we don't build our manufacturing infrastructure for that kind of upside. But we're catching up here pretty quickly. But in general, we've been very dependable source of supply. In general, consumers are shifting to known reputable brands.

And obviously, our retail partners are consumer centric themselves. What are the data that support that conclusion, if you look at private label data as one example, market share as a private label in our categories are down in the US. For any time period if you look at in the last 12 months and we're talking significant -- relatively significant declines of up to a point which on their basis, not a small number. And the same general dynamic in Europe, so retailers are looking to serve the changing needs of their consumers and we do -- we are well positioned in that regard. Retailers are looking at their assortment, they're also looking at their inventory levels. And there will be pros and cons within that decision set that occur over time. But again, we're relatively well positioned.

The dynamics obviously differ by markets, with some markets that are more challenged even than ours from a COVID standpoint, focused almost exclusively on supply. And again, our supply chain sets us up pretty well to serve those retailers. It's early days, we're still working through as are they, the demand and supply dynamics. But I really think our position has been strengthened as a result of the experience and the response that we've all been working on.

Operator

Your next question comes from the line of Rob Ottenstein with Evercore.

Q - Rob Ottenstein {BIO 1498660 <GO>}

Great, thank you very much and congratulations on another terrific quarter. So kind of two related questions. And that is given your new role that you have and or shifting of responsibilities, can you talk about what you personally will be more focused on over the next six months to 12 months your goals and priorities. And then perhaps related to that when we kind of looking at the Company listening to you, looking at the performance, seems to be a disconnect between your performance in your outlook and the performance of the stock, which really hasn't done too much over the last 12 months, despite the terrific performance, if you and your team.

I was wondering if you can perhaps give any sort of sense of, where you see the disconnect with investors and whether over time, it may make sense to be perhaps more aggressive on share buybacks. I know you stepped it up a bit. And it's an impressive but based on our analysis, the stock is trading really near 20-year lows versus the market, it looks extremely cheap to us. You had have -- had problems on the M&A side, with Billie, so maybe in terms of capital allocation long-term, more buyback, just love to get your thoughts on that issue as well. Thank you.

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

Thanks, Rob. We view our job as focusing on E earnings delivered in a sustainable holistic way. We view the markets job as focusing on P. And over time, strong E with a strong P, as you know. I'm sorry, I'm being fairly simplistic.

In terms of share repurchase and capital return in general, if you go back to the beginning of this fiscal year, our estimated range of share repurchase was $6 billion to $8 billion and we are now up to $10 billion. So, if you look at the midpoint of the range, $7 billion to $10 billion, that's almost a 50% increase in our expectation of share repurchase for the current fiscal year. And if you look at the combination of dividend and share repurchase, that is $18 billion, 125% of all-in earnings.

We have historically returned more than 100% of all-in earnings in the form of both dividends and share repurchase, I would expect us to continue on that journey. April is the timing -- in which, we would next normally review capital allocation with our Board of Directors, including both dividend and share repurchase. But our belief here, Rob, is very simple. Excess cash is not ours; it's yours or the shareowners, and will be as it has historically been returned to them.

In terms of M&A, as a part of capital allocation, we have been looking at and executing what have typically been relatively small acquisitions that fill in our portfolio and the categories that we've chosen to compete in, things like Native deodorant, things like This Is L, and then as you know and as you referenced, we looked at Billie within the shave care market. Those things by their size don't, in and of themselves, make much of an impact, on our capital allocation choices. So, I don't see any reason today, again this can change tomorrow as well. But as we sit here today, we are pretty committed to the course that we have been on, and I don't see anything that should cause us to run off those tracks.

Your question on how I spend my time. So, we are in the middle of transitioning -- Andre and are in the middle of transition, and he'll take over the CFO responsibilities March 1st. I look forward to that, one, because he is incredibly talented, committed and energetic leader, and two, as you rightly point out, that gives me a little bit more capacity to focus on very volatile set of circumstances around the world. I'll continue to have Investor Relations responsibility, as I mentioned earlier, from a function standpoint. I will have responsibility for IT, for our global business services, for our sales function, our product supply function, including engineering procurement, manufacturing and distribution. I'll have responsibility -- continue to have responsibility for our market operations around the world. And we will continue, as you know, to have P&L responsibilities for the 100 or so enterprise markets. So, I have got plenty to do. And I look forward to, as you mentioned, a little bit of additional capacity to focus on each of those items.

Operator

Your next question comes from the line of Andrea Teixeira with JPMorgan.

Q - Andrea Teixeira {BIO 1941397 <GO>}

Thank you, Jon and congrats, Andre. So, my question is on marketing and a follow-up on promotions. So, remember, Jon, you had disclosed back about $15 billion in A&P, advertising and promotion spend on the $67 billion to $68 billion sales base back in fiscal 2017. Now it seems you're probably spending a similar amount, but in a higher top-line, right around $71 billion, not only obviously because of scale, but also from a digital efficiency perspective.

So you think, those efficiencies will linger long-term? And are you seeing -- on that topic, are you seeing private label passing on potentially the increase in pulp, resin, transportation inflation that would probably lead to a lower gap between you and private label? Thank you.

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

A strong support for our brands as part of our model and will continue to be part of the model going forward. If you look at the quarter we just completed, just in the marketing side of the equation, we increased marketing about 7% year-on-year. I think, our levels of support as witnessed by both our share progress and our top-line progress are appropriate. I would not want to dial those back by any means. But, I expect they'll pretty much move in-line with sales with some efficiencies potentially available to us. And pricing versus private label, I really can't conjecture about future price developments, either on our part or their part by regulation. So, I'm going to leave that question alone for now.

Operator

Your next question comes from the line of Mark Astrachan with Stifel.

Q - Mark Astrachan {BIO 15313233 <GO>}

Thanks and morning everybody. I wanted to ask about margins, Jon, the risk of sounding very high level. I guess, you have seen a lot of gross margin expansion partly due to commodity cost relief. There is obviously, productivity in there. SG&A expenses at the same time have remained relatively constant, as a percentage sales, in recent years, partly benefiting from productivity but also sales leverage. I guess, maybe you kind of think about longer-term, I mean, I guess there is lots of puts and takes. But how do you think about your view of sustaining kind of both where they are today and what would be the biggest puts and takes that we should be thinking about in trying to model those going forward and thinking longer-term not obviously quarter-to-quarter here? Thank you.

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

To the extent that we can maintain a reasonable level of top-line growth, we should continue to be able to maintain a reasonable level of margin growth. So, those two are related. I mentioned in our prepared remarks, it is kind of the third leg of the strategy, which is productivity and continues to be a very strategic and important endeavor, which contributes to margin, focused on superiority and performance-driven categories, facilitates at times margin growth.

I mentioned our efforts to improve the profitability within enterprise markets. That has legs to it. So, i.e., there is a chart that I share with our leadership team in almost every meeting, which highlights the importance in terms of delivering total shareholder return in the top-third [ph] of the peer group of both top-line growth and margin and illustrates how it's difficult to get home without both. That will continue to be our mindset. The drivers will be different depending on the time period. We are not talking about huge increases in margin. We are talking about modest increases in margin that are correlated with our ability to grow the top-line.

Operator

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

Q - Kaumil Gajrawala {BIO 20703548 <GO>}

Hey, good morning everybody. So, as you drill down on two segments, I mean, first on Grooming, trends are of course quite strong. But, it looks like the volumes really are starting to take-off in a meaningful way. Can you maybe discuss the degree to which that shifts how you're thinking about the growth of your returns in this business model that means for a long-time on this kind of reason to believe it. And still is -- I know this is --

something's emerging in there? And then secondarily, on Oral Care, I think, it is two quarters in a row now you've been up double digits. Obviously Oral Care is one of the segments that kind of disproportionally benefited from folks being at home and such. So, can you maybe just talk about what you're seeing there, as this categories and just share gains? That's all. Thanks.

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

Both categories are benefiting from strong innovation. There's clearly a benefit within the Grooming segment related to more jobs done at home, which is benefit in the appliance side of the business. But overall, the innovation profile in that category and the Oral Care category are what are driving our top line results. I mentioned the introduction of Oral-B iO and the 20% growth in power brush, that's -- we witnessed year-to-date as a result of that introduction, which continues to be very strong.

On the Grooming side of the business, whether it is our offerings for sensitive skin, whether it is our new beard care line under the King C. Gillette name, all of those are enabling us to step up, step forward, better serve consumers with all of their needs in that category, and that is reflected in the top-line results that you see.

Operator

And your final question comes from the line of Chris Terry with Wells Fargo.

Q - Chris Carey {BIO 21810941 <GO>}

Yeah. Hi, good morning, Jon. Can you just comment on the -- or expand a bit on the deceleration that you're seeing in your categories that you noted in December and January? I mean the data did suggest that November saw some stock-up on another COVID scare. You think December specifically reflects some get back from that stock up, or does this look like a more sustainable step change in trend going forward? And then, maybe I missed it, but which are the regions, in which you're seeing this deceleration in the past several months? Thanks [ph].

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

That reference was primarily a US reference, though there is some similar dynamic in Europe. And remember -- so in terms of drivers, you are absolutely right on there being some impact from the November stock up. Also remember that consumer situation has changed measurably from, call it October through to December and then January, in terms of the amount of stimulus that was available, the lockdown situations in different parts of the world, the employment situation, all of which can reverse themselves fairly quickly, both from a policy standpoint and hopefully from a human health standpoint.

So, I am not looking at any of that as a foregone conclusion either for the rest of the year or for the future. But, it is important, particularly when we have a quarter as strong as it is, to be holistic in our explanation of what's happening.

So, thanks everybody, thanks for your time, on what I know is a very busy day. And John and his team will be available, on the balance of the day as well of course I to answer any additional questions that you have. Thanks again.

Operator

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