

# Procter & Gamble Company



Date: 2023/4/18  
Valuation: 160.32  
Stock Exchange: NYSE

Current price: 151.050  
Target price: 185.4865

## Company Introduction

### 1. History

The Procter & Gamble Company is a company that provides branded products of superior quality and value to improve the lives of the world's consumers. The Company was incorporated in Ohio in 1905, having first been established as a New Jersey corporation in 1890, and was built from a business founded in Cincinnati in 1837 by William Procter and James Gamble.

### 2. Business description

Their business model relies on the continued growth and success of existing brands and products, as well as the creation of new innovative products and brands. The markets and industry segments in which they offer their products are highly competitive. Their products are sold in approximately 180 countries and territories through numerous channels as well as direct-to-consumer. Their growth strategy is to deliver meaningful and noticeable superiority across five key vectors of their consumer proposition - product performance, packaging, brand communication, retail execution, and consumer and customer value. They use their research and development (R&D) and consumer insights to provide superior products and packaging. The main business can also be divided into five parts: Beauty, Grooming, Health Care Fabric & Home Care, and Baby, Feminine & Care.

| Reportable Segments          | % of Net Sales <sup>(1)</sup> | % of Net Earnings <sup>(1)</sup> | Product Categories (Sub-Categories)  | Major Brands   |
|------------------------------|-------------------------------|----------------------------------|--|--|
| Beauty                       | 18%                           | 22%                              | Hair Care ( <i>Conditioner, Shampoo, Styling Aids, Treatments</i> )<br>Skin and Personal Care ( <i>Antiperspirant and Deodorant, Personal Cleansing, Skin Care</i> )   | Head & Shoulders, Herbal Essences, Pantene, Rejoice<br>Olay, Old Spice, Safeguard, Secret, SK-II |
| Grooming                     | 8%                            | 10%                              | Grooming <sup>(2)</sup> ( <i>Shave Care - Female Blades &amp; Razors, Male Blades &amp; Razors, Pre- and Post-Shave Products, Other Shave Care; Appliances</i> )   | Braun, Gillette, Venus   |
| Health Care                  | 14%                           | 14%                              | Oral Care ( <i>Toothbrushes, Toothpaste, Other Oral Care</i> )<br>Personal Health Care ( <i>Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/Supplements, Pain Relief, Other Personal Health Care</i> ) | Crest, Oral-B<br>Metamucil, Neurobion, Pepto-Bismol, Vicks                                       |
| Fabric & Home Care           | 35%                           | 31%                              | Fabric Care ( <i>Fabric Enhancers, Laundry Additives, Laundry Detergents</i> )<br>Home Care ( <i>Air Care, Dish Care, P&amp;G Professional, Surface Care</i> )   | Ariel, Downy, Gain, Tide<br>Cascade, Dawn, Fairy, Febreze, Mr. Clean, Swiffer                    |
| Baby, Feminine & Family Care | 25%                           | 23%                              | Baby Care ( <i>Baby Wipes, Taped Diapers and Pants</i> )<br>Feminine Care ( <i>Adult Incontinence, Feminine Care</i> )<br>Family Care ( <i>Paper Towels, Tissues, Toilet Paper</i> )                                       | Luvs, Pampers<br>Always, Always Discreet, Tampax<br>Bounty, Charmin, Puffs                       |

<sup>(1)</sup> Percent of Net sales and Net earnings for the year ended June 30, 2022 (excluding results held in Corporate).

<sup>(2)</sup> The Grooming product category is comprised of the Shave Care and Appliances operating segments.

Source: Company annual report

### 3.key customers

Their key customers include mass merchandisers, e-commerce (including social commerce) channels, grocery stores, membership club stores, drug stores, department stores, distributors, wholesalers, specialty beauty stores (including airport duty-free stores), high frequency stores, pharmacies, electronics stores and professional channels. They may also sell direct to consumers. Sales to Walmart Inc. and its affiliates represent approximately 15% of our total sales in 2022, 2021, and 2020. No other customer represents more than 10% of our total sales. Our top ten customers accounted for approximately 39% of our total sales in 2022, 39% in 2021, and 38% in 2020. Sources and Availability of Materials. Almost all of the raw and packaging materials used by the Company are purchased from third parties, some of whom are single-source suppliers. In addition, fuel, natural gas and derivative products are important commodities consumed in their manufacturing processes and in the transportation of input materials and finished products.

# Industry Analysis

## Threat of New Entrants

New entrants may have innovative approaches, which will be their competitiveness. It will be difficult for a new entrant to build a large supply chain and distribution system. Therefore, it is possible for them to compete with P&G in specific areas, but becoming such a giant in multiple areas is difficult to achieve.

## Threat of Substitutes

There are no substitutes for most of the products of P&G., E.g., there are no suitable substitutes for soaps and shampoos.

## Rivalry Among Existing Competitors

Procter & Gamble is in the consumer goods business. It is a highly competitive industry. The main competitors are Unilever Colgate Palmolive, Johnson & Johnson, etc. In this industry, there are a large number of firms that are making similar products. The switching cost for consumers is almost zero. There is very little consumer loyalty to brands in this industry.



Source: <https://seekingalpha.com>

## Bargaining Power of Suppliers

Transportation and raw materials (e.g., pulp and resin) are linked with oil. B&G has no power over the price of oil.

## Bargaining Power of Buyers

P&G operates in the market of consumer goods. Therefore, buyers control its operations. From profits to revenues, depends to a large extent on the customers and their needs and

tastes. A slight change in their mindset and a company may face huge losses or gains.

## Firm Analysis

### External Analysis

#### 1) Opportunities

- *Rural markets:*

There are some undeveloped and developing markets that aren't tapped by P&G properly. The rural market is sensitive to price, not being influenced by advertisements. P&G can develop the rural market.

- *Internet and electronic technology development:*

The use of information technology to collect information allows P&G to make timely production and R&D plans that meet market demand. It is easier to interface with retailers to achieve continuous replenishment and prevent overstocking of slow-moving items or out-of-stock of best-selling items.

#### 2) Threats

- *Recession:*

Factors such as the epidemic and the trade war between the U.S. and China led to decreased economic activity. The economic recession, which reduced people's purchasing power, directly led to a decrease in sales of P&G products and caused losses to the company.

- *Tough competition:*

Consumer goods is a very competitive field. Johnson & Johnson, Unilever, and L'Oreal are all P&G's competitors. Because these companies offer similar products to P&G, they can displace P&G in terms of both sales and revenue. If P&G's competitors continue to grow, P&G's market share will decline as time passes.

### Internal Analysis

## 1) Strengths

### ● *Diversified products*

P&G's portfolio has ten brands, including Baby Care, Fabric Care, Family Care, Feminine Care, Grooming, Hair Care, Home Care, Oral Care, Personal Health Care, Skin, and Personal care. Each category covers a variety of brands that offer customized products.

Table: P&G product lines.

| Category               | Brand Name         | Product Category                  | Category               | Brand Name            | Product Category                 |
|------------------------|--------------------|-----------------------------------|------------------------|-----------------------|----------------------------------|
| Baby care              | All good           | Baby Diapers                      | Skin and Personal care | Safeguard             | Germ-Protecting Soap             |
|                        | Charlie Banana     | Baby Diapers                      |                        | Secret                | Deodorant & Body Spray           |
|                        | Luvs               | Baby Diapers                      |                        | Snowberry             | Face&Skin Care                   |
|                        | Pampers            | Baby Diapers                      |                        | SK-II                 | Anti-AgingFace Care              |
| Fabric Care            | Ariel              | Laundry Products                  | Hair Care              | Aussie                | Hair Care                        |
|                        | Bounce             | Dryer Sheets & Fabric Care        |                        | Head & Shoulders      | Hair Care                        |
|                        | Cheer              | Laundry Products                  |                        | Herbal Essences       | Hair Care                        |
|                        | Downy              | Fabric Protectors & Softeners     |                        | My Black Is Beautiful | Hair care                        |
|                        | Dreft              | Baby Detergent & Laundry Products |                        | Old Spice             | Hair & Skin Care                 |
|                        | Era                | Laundry Products                  | Home Care              | Pantene               | Hair Care                        |
|                        | Gain               | Laundry & Home Products           |                        | Ambi Pur              | Odor Eliminators                 |
|                        | Rindex 3en1        | Laundry & Home Products           |                        | Cascade               | Dishwasher Detergent             |
|                        | Tide               | Laundry Products                  |                        | Dawn                  | Dishwashing Liquid               |
| Family Care            | Bounty             | Paper Towels                      |                        | Febreze               | Odor Eliminators                 |
|                        | Charmin            | Toilet Paper                      |                        | Gain                  | Laundry & Home Products          |
|                        | Puffs              | Facial Tissues                    |                        | Microban 24           | Home Cleaning Products           |
| Feminine Care          | Always             | Feminine Care Pads                | Oral care              | Mr. Clean             | All-Purpose Home Cleaners        |
|                        | Always Discreet    | Incontinence Pads                 |                        | Salvo                 | Dishwashing Liquid               |
|                        | Just               | Feminine Care Pads and Tampons    |                        | Swiffer               | Multi-Surface Dusters & Cleaners |
|                        | Tampax             | Feminine Care Tampons             |                        | Zevo                  | Insect Repellent                 |
|                        | This is L          | Period&Bladder Care               | Personal Health Care   | Crest                 | Dental Care                      |
| Grooming               | Braun              | Personal Grooming                 |                        | Fixodent              | Denture Adhesives                |
|                        | Gillette           | Razors & Skin Care                |                        | Oral-B                | Toothbrushes & Dental Floss      |
|                        | joy+glee           | Razors, Waxes, & Creams           |                        | Scope                 | Mouthwash                        |
|                        | Venus              | Razors & Shaving Gels             |                        | Align                 | Probiotic Supplements            |
|                        | The Art of Shaving | Personal Grooming                 |                        | Clearblue             | Pregnancy & Ovulation Tests      |
| Skin and Personal care | Gillette           | Razors & Skin Care                | Personal Health Care   | Meta                  | Daily Fiber Supplements          |
|                        | Ivory              | Mildly Scented Soap               |                        | Pepto-Bismol          | Upset Stomach Relief             |
|                        | Native             | Face & Skin Care                  |                        | Prilosec OTC          | Heartburn Relief                 |

|  |           |                  |  |         |                          |
|--|-----------|------------------|--|---------|--------------------------|
|  | Olay      | Face & Skin Care |  | Vicks   | Cough, Cold & Flu Relief |
|  | Old Spice | Hair & Skin Care |  | ZzzQuil | Sleep Aid                |

Source: Collected from P&G's official website

- *Global Operations*

P&G today has a global presence in more than 180 countries. Today, P&G has more than 35 manufacturing facilities around the world, ensuring that enough products are produced to satisfy the needs of 5 billion consumers.

- *Brand Equity*

Many of P&G's brands are considered market leaders in their respective industries. For example, Pampers is one of its leading brands for baby products.



Source: Company annual report

## 2) Weakness

- *Slow decision making*

The company structure causes a few delays in the decision-making process. P&G has many heads and managerial positions, and deciding is not a one-person job. So, the involvement of so many people causes a few delays in the decision-making process.

- *High costs*

P&G is used for consumer tuning, product development, advertising planning, and other aspects of investment, increasing the pressure of high costs. For example, P&G has established an extensive database to provide timely feedback to the product development department on users' opinions.

- *Low organic growth rate*

Reaching the saturation curve resulted in slow growth of the customer base. Besides, with a low innovation rate, P&G needed to invest in some unique marketing strategies to get



out of this situation.

## Investment summary and valuation

We use the DCF method to estimate the company's current market value, then compare it with the real market value of today's company to draw a conclusion. The following analysis mainly uses the data from the last three years to complete the forecast. Also, we use the data from the past ten years.

### FCFF

- **Unlevered net income**

Procter&Gamble founded in 1837 and has developed for nearly two hundred years until today. Moreover, it is one of the world's largest daily-use products companies. Due to its maturity and selling for a wide range of necessities, we assume that it is able to generate a steady rate of growth in its revenue and then in the EBIT. At the same time, China has a pretty stable tax mechanism, we assume that the tax will keep a constant interest rate in the next three years, so we use the average change rate (6.44%) in the past three years to forecast the unlevered net income in the future.

- **Depreciation**

The assets which should be depreciated in the company always exist in the way of replacement. That means the use of old ends and then the use of new begins. However, to achieve an increase in revenue, the company must produce more goods so that it will buy more equipment, which will cause an increasing depreciation. Therefore, the rise in depreciation comes from the increase in the number of products produced. The increase in production is related to the rise in revenue, but because the unit price increases over time, it is slower than the increase in unlevered net income. We assume that it will start at 2,851.67, the around average data from the past three years, and it will maintain a growth rate of 5% for the next three years.

## ● Capital Expenditures

Procter&Gamble's existing products involve a wide range of consumer groups, and sales are good. It will not produce a different kind of product in a short time. But to increase revenue, the company must produce more goods. Therefore, P&G's capital expenditure tends to grow slowly. Because capital expenditure is closely related to depreciation, we think they're going to have the same rate of change. Given the last three years, we assume it will start at 3,005.33, the around average data from the past three years, and it will maintain a growth rate of 5% for the next three years.

## ● Change in net working capital

Regarding the current assets and liabilities of Procter & Gamble, we believe that Procter & Gamble will maintain the status quo that liabilities are higher than assets based on the international economic situation, and the gap between the two will widen in the next three years. Based on historical data, we infer that the growth rate of the change in net working capital is around 1.5%

|                               | 2022     | 2021     | 2020    | 2019    | 2018    | 2017    | 2016   | 2015   | 2014    | 2013    | 2012    |
|-------------------------------|----------|----------|---------|---------|---------|---------|--------|--------|---------|---------|---------|
| current asset                 | 21,653   | 23,091   | 27,987  | 22,437  | 23,320  | 26,494  | 33,782 | 29,646 | 31,617  | 23,990  | 21,910  |
| current liability             | 33,081   | 33,132   | 32,976  | 30,011  | 28,237  | 30,210  | 30,770 | 29,790 | 33,726  | 30,037  | 24,907  |
| Net working capital           | (11,428) | (10,041) | (4,989) | (7,574) | (4,917) | (3,716) | 3,012  | (144)  | (2,109) | (6,047) | (2,997) |
| Change in net working capital | (1,387)  | (5,052)  | 2,585   | (2,657) | (1,201) | (6,728) | 3,156  | 1,965  | 3,938   | (3,050) |         |

Source: Company annual report

Based on these estimates, we have projected FCFF for the next three years as follows.

After three years, we estimate P&G will continue to grow at 1.1% a year forever.

|                               | 2023      | 2024      | 2025      |
|-------------------------------|-----------|-----------|-----------|
| Unlevered net income          | 15691.38  | 16701.91  | 17777.51  |
| Depreciation                  | 2851.67   | 2994.25   | 3143.97   |
| Capital Expenditures          | 3005.33   | 3155.60   | 3313.38   |
| Change in net working capital | (1407.81) | (1428.92) | (1450.36) |
|                               | 16945.53  | 17969.49  | 19058.46  |



## WACC

Then we use the WACC method to estimate its discount rate as 5.11%.

|                         |        |
|-------------------------|--------|
| cost of equity          | 5.29%  |
| rf                      | 3.43%  |
| $\beta$                 | 0.39   |
| E-- market risk premium | 8.20%  |
| equity                  | 357160 |
| cost of debt            | 2.20%  |
| debt                    | 22848  |
| wacc                    | 5.11%  |

## Summary

We conclude that the estimated value based on the above data is 441657.7966(million), which is greater than P&G's current market value of 380008(million), so we conclude that Procter & Gamble is a good company to invest in now.

## Financial Analysis

### ● Organic Sales Growth

Organic sales growth of 7% continues strong topline momentum, which is up 13% on a two-year stack(across fiscal years 2021 and 2022) and up 19% on a three-year stack (across fiscal years 2020, 2021 and 2022).

### ● Core EPS Growth

For fiscal 2022, P&G achieved core earnings per share growth of 3%, and 5% on a constant currency basis. Through dividends (\$8.8 billion) and share repurchases (\$10 billion), P&G returned nearly \$19 billion in value to shareholders.

### ● Improved market competitiveness and increased market share

Growth this fiscal year was broad-based across business units, with all 10 of our categories growing organic sales. Personal Health Care grew by 20%. Fabric Care and Feminine Care grew double digits. Baby Care was up high single digits.

#### FINANCIAL HIGHLIGHTS (UNAUDITED)

Amounts in billions, except per share amounts

|   | 2022   | 2021   | 2020   | 2019   | 2018   |
|---|--------|--------|--------|--------|--------|
| Net Sales   | \$80.2 | \$76.1 | \$71.0 | \$67.7 | \$66.8 |
| Operating Income  | \$17.8 | \$18.0 | \$15.7 | \$5.5  | \$13.4 |
| Net Earnings Attributable to P&G  | \$14.7 | \$14.3 | \$13.0 | \$3.9  | \$9.8  |
| Net Earnings Margin from Continuing Operations                                | 18.4%  | 18.9%  | 18.5%  | 5.9%   | 14.8%  |
| Diluted Net Earnings per Common Share from Continuing Operations <sup>1</sup> | \$5.81 | \$5.50 | \$4.96 | \$1.43 | \$3.67 |
| Diluted Net Earnings per Common Share <sup>1</sup>                            | \$5.81 | \$5.50 | \$4.96 | \$1.43 | \$3.67 |
| Core Earnings per Share <sup>2</sup>  | \$5.81 | \$5.66 | \$5.12 | \$4.52 | \$4.22 |
| Operating Cash Flow   | \$16.7 | \$18.4 | \$17.4 | \$15.2 | \$14.9 |
| Dividends per Common Share  | \$3.52 | \$3.24 | \$3.03 | \$2.90 | \$2.79 |

#### 2022 NET SALES BY BUSINESS SEGMENT<sup>3</sup>



#### 2022 NET SALES BY GEOGRAPHIC REGION



Source: Company annual report

Oral Care and Grooming were up mid-single digits. Hair Care, Home Care, Skin & Personal Care, and Family Care each grew low single digits.

Focus markets grew 5% and Enterprise markets were up 10%. E-commerce sales increased 11%, representing 14% of total Company sales. Global aggregate market share increased 50 basis points.

## Investment Risks

### ● Market Risk

#### (1) Various categories bring low loyalty

With the richness of FMCG categories becoming higher, market competition intensifying, and the rapid development of various online retail forms, consumer choice space has greatly increased, and new demands are emerging, low loyalty is a major risk.

#### (2) Fast-changing consumer demand

Consumer demand is differentiated and mutable, differentiation is reflected in consumers paying more attention to personalized needs, while mutability makes them more willing to try new things and pay for new categories. P&G needs to make timely adjustments to this.

#### (3) Costs continue to increase

E-commerce and social platforms are gradually becoming deep players in the FMCG industry, with huge changes in user consumption behavior, increasing the number of online contacts, and increasing the cost of customer acquisition. P&G needs to enhance its digital production capacity.

### ● Financial Risk

#### (1) Inflation and the Impact of Economic Downtrends

**Company:** Revenue growth has not kept pace with core inflation, which translates into lower profitability.

**Consumer:** The persistence of inflation may reduce the purchasing power of consumers, which will be reflected in sales volume. This is offset by higher product prices, but a continuing cycle like this can lead to a depressed market.



*Data from FMP*

## (2) Credit market or bank partner disruptions

P&G's free cash flow is volatile, and their ability to respond in the event of unforeseen circumstances is questionable, making them sensitive to their ability to finance future debt and dependent on the stability of large financial institutions. When financial markets are unstable, P&G can also receive serious impacts.

### ● Operating Risk

Manufacturing and supply arrangement disruptions:

P&G is extremely dependent on its supply chain, with manufacturing and supply being the bloodline of P&G. As a result of the global political environment, part of the supply chain may be affected, which could impact sales and profit growth.

## Sensitivity Analysis

We identify a) growth in total market shares, b) Fast-changing consumer demand, and c) changes in cost as key variables to our forecast. Note that above factors affect stock price mainly by affecting revenue. Therefore, it is reasonable for us to run a sensitivity analysis for PG's revenue. We identify Through analyzing historical data, we estimate the revenue growth rate will be stabilized in the -2%~6% range. Therefore, we summarize the results of our analysis in the table below:

| Revenue Growth Rate Sensitivity Summary Table |        |        |               |        |        |
|---|--------|--------|---------------|--------|--------|
| Revenue growth rate                           | -2%    | 0      | 2%            | 4%     | 6%     |
| Estimated stock price                         | 168.36 | 171.78 | <b>185.49</b> | 188.57 | 190.13 |

Source : Team Analysis

The table above shows that the estimated stock price will be lower than the current price when PG's revenue growth rate is lower than 2%. Given that a) PG's revenue growth rate has been stable in recent years, and b) PG's high capital expenditure, we speculate that PG will be easy to compete over the market average, which means that it is impossible for their stock price to be lower than the current price.

Additionally, we also make a sensitivity analysis to check a) the impact of changes in the effective tax rate, b) the effect of changes to our WACC and terminal growth assumptions.

### ● **Corporate Income Tax Change:**

Although a big change in the effective tax rate is unlikely to happen in a short time, we still do a sensitivity analysis for the long-term decision. In theory, the change in tax rate will result in changes in WACC and free cash flows, which affect our estimated stock price. Considering PG's high Debt/Equity ratio, the change in tax rate may cause the change in WACC and affect our estimated stock price. We summarize our sensitivity analysis in the table below:

| Effective Tax Rate Sensitivity Summary Table |        |        |               |        |        |
|--|--------|--------|---------------|--------|--------|
| effective tax rate                           | 11%    | 16%    | <b>21%</b>    | 26%    | 31%    |
| Estimated stock price                        | 179.05 | 182.85 | <b>185.49</b> | 187.27 | 191.83 |
| Source : Team Analysis                       |        |        |               |        |        |

We observe that the increase in the effective rate will cause a decrease in our estimated stock price. However, in all situations above, the estimated stock price is higher than the current market price. Thus, it further support our buy recommendation.

### ● **Weighted Average Cost of Capital and Terminal Growth Rate:**

We run a sensitivity for WACC and terminal growth rate. We choose the maximum change to be +/- 1%. We show our analysis in the table below:

| Valuation Sensitivity Summary Table |                                  |        |        |               |        |        |
|-------------------------------------|----------------------------------|--------|--------|---------------|--------|--------|
| Terminal Growth Rate                | Weighted Average Cost of Capital |        |        |               |        |        |
|                                     | Estimated Stock Price            | 4.11%  | 4.61%  | 5.11%         | 5.61%  | 6.11%  |
|                                     | 1.70%                            | 175.32 | 171.36 | 165.93        | 162.85 | 159.67 |
|                                     | 2.20%                            | 202.35 | 183.32 | 172.68        | 169.68 | 163.84 |
|                                     | 2.70%                            | 274.04 | 198.46 | <b>185.49</b> | 179.72 | 174.93 |
|                                     | 3.20%                            | 297.46 | 271.97 | 195.37        | 187.73 | 183.86 |
|                                     | 3.70%                            | 349.51 | 290.19 | 268.46        | 188.33 | 189.69 |
| Source : Team Analysis              |                                  |        |        |               |        |        |

Based on our observation, the estimated price is higher than the target price in almost half of all situations. At the same time, in almost all situations, the estimated price is higher than the current price. The result strengthens our buy recommendation.

## Corporate Governance

### ● Directors, Executive Officers

The Board of Directors has determined that the following members of the Audit Committee are independent and are Audit Committee financial experts as defined by SEC rules: Ms. Patricia A. Woertz (Chair) and Ms. Christine M. McCarthy.

The information required by this item is incorporated by reference to the following sections of the 2022 Proxy Statement filed pursuant to Regulation 14A, which will be filed no later than 120 days after June 30, 2022: the section entitled Election of Directors; the subsection of the Corporate Governance section entitled Board Meetings and Committees of the Board; the subsection of the Corporate Governance section entitled Code of Ethics; and the subsection of the Other Matters section entitled Shareholder Recommendations or Nominations of Director Candidates.

Pursuant to the Instruction to Item 401 of Regulation S-K, Executive Officers of the Registrant are reported in Part I of this report.

## ● Corporate Structure

P&G operates through five industry-based Sector Business Units or SBUs: Baby, Feminine and Family Care; Beauty; Health Care; Grooming; and Fabric and Home Care.

In each Focus Market, Market Operations works across the five SBUs on scaled market services and capabilities, including customer teams, transportation, warehousing, logistics and representing P&G externally.

The rest of the world is organized into Enterprise Markets—a separate unit with sales, profit and value creation responsibility. The SBUs provide innovation plans, supply plans and operating frameworks for the Enterprise Markets to deliver these mutually agreed business goals. Enterprise Markets are important to the future of P&G because of their attractive market growth rates, and the intent is to accelerate this growth and value creation.

Supporting the SBUs, Market Operations and Enterprise Markets are key corporate resources focused on scaled services, governance, stewardship and areas requiring high mastery.

This structure enables a more empowered, agile and accountable organization to accelerate growth and value creation.



# Appendix

## Consolidated Statements of Cash Flows

Amounts in millions; Years ended June 30

|  | 2022             | 2021             | 2020             |
|--|------------------|------------------|------------------|
| <b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR</b>                 | <b>\$ 10,288</b> | <b>\$ 16,181</b> | <b>\$ 4,239</b>  |
| <b>OPERATING ACTIVITIES</b>  |                  |                  |                  |
| Net earnings   | 14,793           | 14,352           | 13,103           |
| Depreciation and amortization  | 2,807            | 2,735            | 3,013            |
| Loss on early extinguishment of debt   | —                | 512              | —                |
| Share-based compensation expense   | 528              | 540              | 558              |
| Deferred income taxes  | (402)            | (258)            | (596)            |
| Loss/(gain) on sale of assets  | (85)             | (16)             | 7                |
| Change in accounts receivable  | (694)            | (342)            | 634              |
| Change in inventories  | (1,247)          | (309)            | (637)            |
| Change in accounts payable, accrued and other liabilities                            | 1,429            | 1,391            | 1,923            |
| Change in other operating assets and liabilities                                     | (635)            | (369)            | (710)            |
| Other  | 229              | 135              | 108              |
| <b>TOTAL OPERATING ACTIVITIES</b>  | <b>16,723</b>    | <b>18,371</b>    | <b>17,403</b>    |
| <b>INVESTING ACTIVITIES</b>  |                  |                  |                  |
| Capital expenditures   | (3,156)          | (2,787)          | (3,073)          |
| Proceeds from asset sales  | 110              | 42               | 30               |
| Acquisitions, net of cash acquired   | (1,381)          | (34)             | (58)             |
| Purchases of investment securities   | —                | (55)             | —                |
| Proceeds from sales and maturities of investment securities                          | —                | —                | 6,151            |
| Change in other investments  | 3                | —                | (5)              |
| <b>TOTAL INVESTING ACTIVITIES</b>  | <b>(4,424)</b>   | <b>(2,834)</b>   | <b>3,045</b>     |
| <b>FINANCING ACTIVITIES</b>  |                  |                  |                  |
| Dividends to shareholders  | (8,770)          | (8,263)          | (7,789)          |
| Additions to short-term debt with original maturities of more than three months      | 10,411           | 7,675            | 14,371           |
| Reductions in short-term debt with original maturities of more than three months     | (11,478)         | (7,577)          | (12,984)         |
| Additions/(reductions) in other short-term debt                                      | 917              | (3,431)          | 958              |
| Additions to long-term debt  | 4,385            | 4,417            | 4,951            |
| Reductions of long-term debt <sup>(1)</sup>  | (2,343)          | (4,987)          | (2,447)          |
| Treasury stock purchases   | (10,003)         | (11,009)         | (7,405)          |
| Impact of stock options and other  | 2,005            | 1,644            | 1,978            |
| <b>TOTAL FINANCING ACTIVITIES</b>  | <b>(14,876)</b>  | <b>(21,531)</b>  | <b>(8,367)</b>   |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b> | <b>(497)</b>     | <b>101</b>       | <b>(139)</b>     |
| <b>CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>                          | <b>(3,074)</b>   | <b>(5,893)</b>   | <b>11,942</b>    |
| <b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR</b>                       | <b>\$ 7,214</b>  | <b>\$ 10,288</b> | <b>\$ 16,181</b> |
| <b>SUPPLEMENTAL DISCLOSURE</b>   |                  |                  |                  |
| Cash payments for interest   | \$ 451           | \$ 531           | \$ 434           |
| Cash payments for income taxes   | 3,818            | 3,822            | 3,550            |

<sup>(1)</sup> Includes early extinguishment of debt costs of \$512 in 2021.

## Consolidated Statements of Shareholders' Equity

| <u>Dollars in millions except per share amounts:</u><br><u>shares in thousands</u> | Common Stock |         | Preferred Stock | Additional Paid-In Capital | Reserve for ESOP Debt Retirement | Accumulated Other Comprehensive Income/(Loss) | Treasury Stock | Retained Earnings | Non-controlling Interest | Total Shareholders' Equity |
|--|--------------|---------|-----------------|----------------------------|----------------------------------|---|----------------|-------------------|--------------------------|----------------------------|
|  | Shares       | Amount  |                 |                            |                                  |   |                |                   |                          |                            |
| <b>BALANCE JUNE 30, 2019</b>   | 2,504,751    | \$4,009 | \$928           | \$63,827                   | (\$1,146)                        | (\$14,936)                                    | (\$100,406)    | \$94,918          | \$385                    | \$47,579                   |
| Net earnings   |              |         |                 |                            |                                  |   |                | 13,027            | 76                       | 13,103                     |
| Other comprehensive income/(loss)  |              |         |                 |                            |                                  | (1,229)                                       |                |                   | (16)                     | (1,245)                    |
| Dividends and dividend equivalents (\$3.0284 per share):                           |              |         |                 |                            |                                  |   |                |                   |                          |                            |
| Common   |              |         |                 |                            |                                  |   |                | (7,551)           |                          | (7,551)                    |
| Preferred  |              |         |                 |                            |                                  |   |                | (263)             |                          | (263)                      |
| Treasury stock purchases (61,346)  |              |         |                 |                            |                                  |   | (7,405)        |                   |                          | (7,405)                    |
| Employee stock plans 32,603  |              |         |                 | 362                        |                                  |   | 2,212          |                   |                          | 2,574                      |
| Preferred stock conversions 3,738  |              |         | (31)            | 5                          |                                  |   | 26             |                   |                          | —                          |
| ESOP debt impacts  |              |         |                 |                            | 66                               |   |                | 108               |                          | 174                        |
| Noncontrolling interest, net   |              |         |                 |                            |                                  |   |                |                   | (88)                     | (88)                       |
| <b>BALANCE JUNE 30, 2020</b>   | 2,479,746    | \$4,009 | \$897           | \$64,194                   | (\$1,080)                        | (\$16,165)                                    | (\$105,573)    | \$100,239         | \$357                    | \$46,878                   |
| Net earnings   |              |         |                 |                            |                                  |   |                | 14,306            | 46                       | 14,352                     |
| Other comprehensive income/(loss)  |              |         |                 |                            |                                  | 2,421   |                |                   | 4                        | 2,425                      |
| Dividends and dividend equivalents (\$3.2419 per share):                           |              |         |                 |                            |                                  |   |                |                   |                          |                            |
| Common   |              |         |                 |                            |                                  |   |                | (8,020)           |                          | (8,020)                    |
| Preferred  |              |         |                 |                            |                                  |   |                | (271)             |                          | (271)                      |
| Treasury stock purchases (81,343)  |              |         |                 |                            |                                  |   | (11,009)       |                   |                          | (11,009)                   |
| Employee stock plans 28,001  |              |         |                 | 650                        |                                  |   | 1,586          |                   |                          | 2,236                      |
| Preferred stock conversions 3,302  |              |         | (27)            | 4                          |                                  |   | 23             |                   |                          | —                          |
| ESOP debt impacts  |              |         |                 |                            | 74                               |   |                | 120               |                          | 194                        |
| Noncontrolling interest, net   |              |         |                 |                            |                                  |   |                |                   | (131)                    | (131)                      |
| <b>BALANCE JUNE 30, 2021</b>   | 2,429,706    | \$4,009 | \$870           | \$64,848                   | (\$1,006)                        | (\$13,744)                                    | (\$114,973)    | \$106,374         | \$276                    | \$46,654                   |
| Net earnings   |              |         |                 |                            |                                  |   |                | 14,742            | 51                       | 14,793                     |
| Other comprehensive income/(loss)  |              |         |                 |                            |                                  | 1,555   |                |                   | (8)                      | 1,547                      |
| Dividends and dividend equivalents (\$3.5227 per share):                           |              |         |                 |                            |                                  |   |                |                   |                          |                            |
| Common   |              |         |                 |                            |                                  |   |                | (8,514)           |                          | (8,514)                    |
| Preferred  |              |         |                 |                            |                                  |   |                | (281)             |                          | (281)                      |
| Treasury stock purchases (67,088)  |              |         |                 |                            |                                  |   | (10,003)       |                   |                          | (10,003)                   |
| Employee stock plans 28,042  |              |         |                 | 945                        |                                  |   | 1,571          |                   |                          | 2,516                      |
| Preferred stock conversions 3,217  |              |         | (27)            | 4                          |                                  |   | 23             |                   |                          | —                          |
| ESOP debt impacts  |              |         |                 |                            | 90                               |   |                | 108               |                          | 198                        |
| Noncontrolling interest, net   |              |         |                 |                            | (2)                              |   |                |                   | (54)                     | (56)                       |
| <b>BALANCE JUNE 30, 2022</b>   | 2,393,877    | \$4,009 | \$843           | \$65,795                   | (\$916)                          | (\$12,189)                                    | (\$123,382)    | \$112,429         | \$265                    | \$46,854                   |



## Consolidated Balance Sheets

Amounts in millions except stated values; As of June 30

|  | 2022              | 2021              |
|--|-------------------|-------------------|
| <b>Assets</b>  |                   |                   |
| <b>CURRENT ASSETS</b>  |                   |                   |
| Cash and cash equivalents  | \$ 7,214          | \$ 10,288         |
| Accounts receivable  | 5,143             | 4,725             |
| <b>INVENTORIES</b>   |                   |                   |
| Materials and supplies   | 2,168             | 1,645             |
| Work in process  | 856               | 719               |
| Finished goods   | 3,900             | 3,619             |
| Total inventories  | 6,924             | 5,983             |
| Prepaid expenses and other current assets  | 2,372             | 2,095             |
| <b>TOTAL CURRENT ASSETS</b>  | <b>21,653</b>     | <b>23,091</b>     |
| <b>PROPERTY, PLANT AND EQUIPMENT, NET</b>  | <b>21,195</b>     | <b>21,686</b>     |
| <b>GOODWILL</b>  | <b>39,700</b>     | <b>40,924</b>     |
| <b>TRADEMARKS AND OTHER INTANGIBLE ASSETS, NET</b>   | <b>23,679</b>     | <b>23,642</b>     |
| <b>OTHER NONCURRENT ASSETS</b>   | <b>10,981</b>     | <b>9,964</b>      |
| <b>TOTAL ASSETS</b>  | <b>\$ 117,208</b> | <b>\$ 119,307</b> |
| <b>Liabilities and Shareholders' Equity</b>  |                   |                   |
| <b>CURRENT LIABILITIES</b>   |                   |                   |
| Accounts payable   | \$ 14,882         | \$ 13,720         |
| Accrued and other liabilities  | 9,554             | 10,523            |
| Debt due within one year   | 8,645             | 8,889             |
| <b>TOTAL CURRENT LIABILITIES</b>   | <b>33,081</b>     | <b>33,132</b>     |
| <b>LONG-TERM DEBT</b>  | <b>22,848</b>     | <b>23,099</b>     |
| <b>DEFERRED INCOME TAXES</b>   | <b>6,809</b>      | <b>6,153</b>      |
| <b>OTHER NONCURRENT LIABILITIES</b>  | <b>7,616</b>      | <b>10,269</b>     |
| <b>TOTAL LIABILITIES</b>   | <b>70,354</b>     | <b>72,653</b>     |
| <b>SHAREHOLDERS' EQUITY</b>  |                   |                   |
| Convertible Class A preferred stock, stated value \$1 per share (600 shares authorized)                            | 843               | 870               |
| Non-Voting Class B preferred stock, stated value \$1 per share (200 shares authorized)                             | —                 | —                 |
| Common stock, stated value \$1 per share (10,000 shares authorized; shares issued: 2022 - 4,009.2, 2021 - 4,009.2) | 4,009             | 4,009             |
| Additional paid-in capital   | 65,795            | 64,848            |
| Reserve for ESOP debt retirement   | (916)             | (1,006)           |
| Accumulated other comprehensive loss   | (12,189)          | (13,744)          |
| Treasury stock, at cost (shares held: 2022 - 1,615.4, 2021 - 1,579.5)  | (123,382)         | (114,973)         |
| Retained earnings  | 112,429           | 106,374           |
| Noncontrolling interest  | 265               | 276               |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>  | <b>46,854</b>     | <b>46,654</b>     |

## Consolidated Statements of Earnings

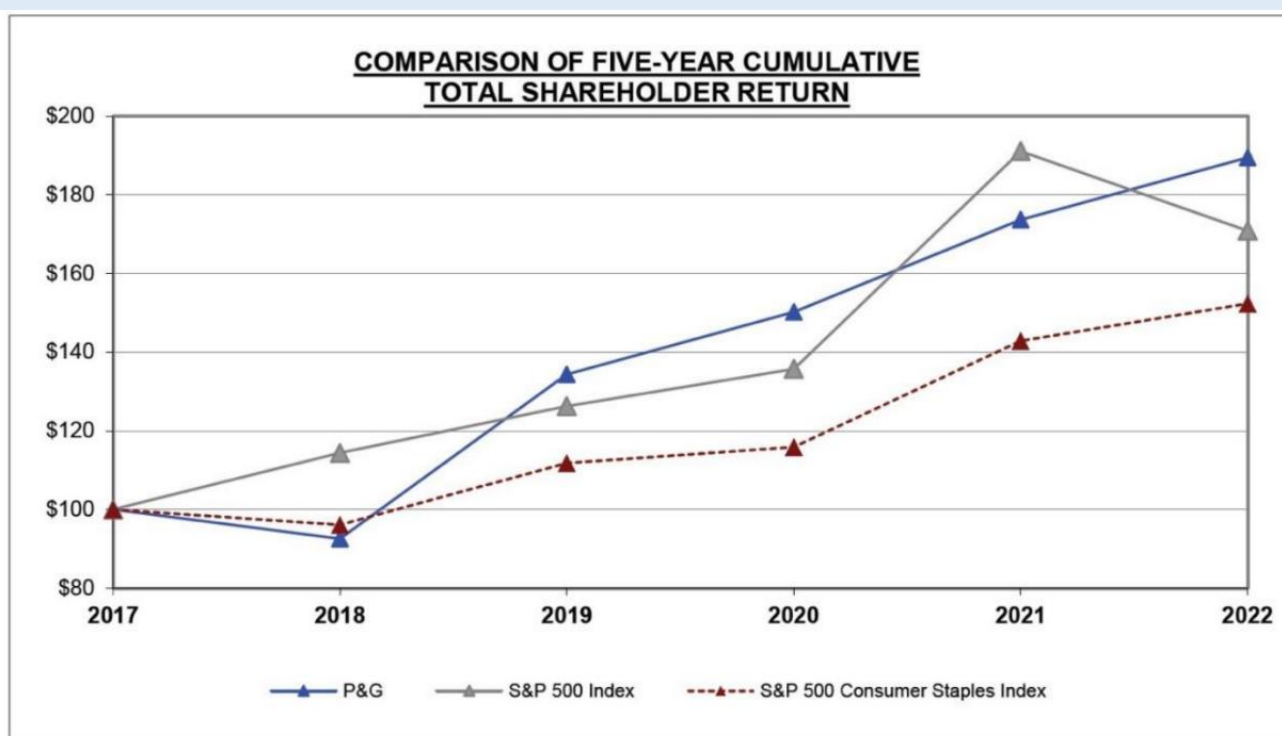
Amounts in millions except per share amounts; Years ended June 30

|   | 2022             | 2021             | 2020             |
|---|------------------|------------------|------------------|
| <b>NET SALES</b>  | <b>\$ 80,187</b> | <b>\$ 76,118</b> | <b>\$ 70,950</b> |
| Cost of products sold                                       | 42,157           | 37,108           | 35,250           |
| Selling, general and administrative expense                 | 20,217           | 21,024           | 19,994           |
| <b>OPERATING INCOME</b>                                     | <b>17,813</b>    | <b>17,986</b>    | <b>15,706</b>    |
| Interest expense  | (439)            | (502)            | (465)            |
| Interest income   | 51               | 45               | 155              |
| Other non-operating income, net                             | 570              | 86               | 438              |
| <b>EARNINGS BEFORE INCOME TAXES</b>                         | <b>17,995</b>    | <b>17,615</b>    | <b>15,834</b>    |
| Income taxes  | 3,202            | 3,263            | 2,731            |
| <b>NET EARNINGS</b>   | <b>14,793</b>    | <b>14,352</b>    | <b>13,103</b>    |
| Less: Net earnings attributable to noncontrolling interests | 51               | 46               | 76               |
| <b>NET EARNINGS ATTRIBUTABLE TO PROCTER &amp; GAMBLE</b>    | <b>\$ 14,742</b> | <b>\$ 14,306</b> | <b>\$ 13,027</b> |

### NET EARNINGS PER COMMON SHARE: <sup>(1)</sup>

|         |         |         |         |
|---------|---------|---------|---------|
| Basic   | \$ 6.00 | \$ 5.69 | \$ 5.13 |
| Diluted | \$ 5.81 | \$ 5.50 | \$ 4.96 |

<sup>(1)</sup> Basic net earnings per common share and Diluted net earnings per common share are calculated on Net earnings attributable to Procter & Gamble.



| Company Name/Index             | Cumulative Value of \$100 Investment, through June 30 |       |        |        |        |        |
|--------------------------------|---|-------|--------|--------|--------|--------|
|                                | 2017  | 2018  | 2019   | 2020   | 2021   | 2022   |
| P&G                            | \$ 100  | \$ 93 | \$ 134 | \$ 150 | \$ 174 | \$ 189 |
| S&P 500 Stock Index            | 100   | 114   | 126    | 136    | 191    | 171    |
| S&P 500 Consumer Staples Index | 100   | 96    | 112    | 116    | 143    | 152    |