

The Clorox Company Updates Investment Community on 2020 Strategy
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OAKLAND, Calif., Oct. 5, 2017 /PRNewswire/ -- At today's Clorox Analyst Day event and live webcast, senior leaders shared highlights of the company's progress against its 2020 Strategy and the evolution of key strategic elements the company is emphasizing to drive good growth – growth that's profitable, sustainable and responsible.

"Our 2020 Strategy continues to deliver strong results for our shareholders," said Chairman and CEO Benno Dorer. "In each of the last three fiscal years, we've consistently delivered sales and earnings growth in an environment where growth is hard to come by."

"We're emphasizing key strategy areas that we believe will help us continue to drive results for our shareholders over the long term. Notably, superior consumer value is the centerpiece of our strategy, and it starts with differentiated products and brands that consumers love. From building strong brands and driving cost savings to reinforcing a culture of growth, everyone at Clorox plays a role in contributing to superior consumer value."

To accomplish its 2020 goals, Clorox will lean into the following key elements of its 2020 Strategy:

Drive superior value behind strong brand investment, innovation and technology transformation.

Consumer value is paramount. In today's rapidly changing world where consumers are in charge, Clorox continues to prioritize strong investment in its brand-building programs to optimize the value equation of brand perception, product experience and price.

Investing In Brand Purpose

Jon Balousek, senior vice president and general manager – Household and Lifestyle Division, talked about how the company's brand investments include a focus on establishing a clear brand point of view that reflects an aspirational purpose beyond product functionality. For example, the Clorox® brand's purpose is to "champion a cleaner world where people thrive," because clean is a powerful idea that enables new possibilities in life. Balousek shared the brand's new "Clean Matters" video, which brings to life the campaign tagline of "clean is the beginning, what comes next is everything." Whether it's welcoming a new baby home or getting the car ready for a prom date, the idea of clean isn't just about clean surfaces; it's about setting the stage for something new. The Clean Matters campaign launched in late September during the fall premiere of NBC's "The Voice," and will extend to cinema, TV and digital channels.

"Building brands with purpose is essential to driving superior consumer value," Balousek said. "Enabled by new creative agencies and a modernized organizational structure integrating teams from marketing, sales and innovation, we're pushing the boundaries of our brand-building programs. People don't just buy products; they buy brands that are human-centric, purpose-driven and that engage with consumers in a meaningful way."

Creating Superior Product Experiences Through Innovation

Innovation continues to be the lifeblood of Clorox's 2020 Strategy, creating superior product experiences that delight consumers, power brand leadership, and support the company's product categories. Chief Innovation Officer Denise Garner noted the company's strong track record in innovation, showing that in each of the last 10 fiscal years, Clorox delivered about 3 points of annual incremental sales growth from new products. She also highlighted recent, successful product introductions across the company's global portfolio, including Clorox® Scentiva® wipes and sprays, Clorox Healthcare® Fuzion® cleaner disinfectant, Clorox® Power Gel, Fresh Step® with Febreze™ cat litter, Burt's Bees® lipsticks and flavored lip balm, Brita® Stream™ pitchers, Hidden Valley® Simply Ranch® dressings and Kingsford® long-burning charcoal.

Garner expressed confidence in the company's innovation pipeline through fiscal year 2018 and beyond. In late September, the company introduced Clorox® bleach with CloroMax™ patented technology, a new

formula offering the same whitening and disinfecting benefits as the previous Clorox® bleach, while creating a protective shield on hard surfaces that repels stains to make cleaning quicker and easier. The company also introduced Burt's Bees® cosmetics, building on the brand's success in lip color and extending its natural proposition into a new category. The Burt's Bees team created its natural cosmetics line with the help of leading makeup artists and trend experts. The development of product formulas and packaging was also guided by the brand's high natural standards and sustainability principles.

"Innovation differentiates our products and brands, which is critical to delivering superior consumer value," said Garner. "We're building on our momentum with a solid pipeline of new products and enhancing our innovation processes to increase speed to market. We're pleased with our continued progress, including delivering innovation that has consistently led to incremental sales and reducing our average time to market by about 40 percent."

Clorox has made significant investments to support innovation for the long term, including a consumer learning center to ensure product development is grounded in strong insights; an innovation center that fosters internal collaboration across multiple functions involved in discovery, design and commercialization; and a pilot plant to rapidly test new products and manufacturing processes.

Taking a Strategic Approach to Pricing

An important dimension of consumer value is a product's price. Chief Customer Officer Matt Laszlo discussed the company's strategic approach of offering products at the right value and leveraging the pricing power of the company's value-advantaged brands. He pointed to a price increase on Clorox® disinfecting wipes, which will take effect November 2017. Laszlo said, "The price adjustment on Clorox® disinfecting wipes reflects its category leadership, superior value as well as cost increases over the last few years." Laszlo also explained that strategic pricing could selectively include price rollbacks. For example, the company is lowering prices on a part of the Glad® portfolio to address an expanded price gap versus the competition, with the goal to support the long-term health of the category and fuel a strong Glad® innovation pipeline.

Leveraging Value to Win at Shelf

Laszlo addressed the change taking place in the retail environment, pointing to the growth of e-commerce, elevated promotional activity in light of the emergence of hard discounters and competition from store brands as well as retailer consolidation. He reinforced Clorox's history of retail success through its focus on establishing strategic partnerships with its retail customers and evolving its world-class capabilities to meet the needs of retailers and consumers.

"We have a long history of growing with all our retailer partners," Laszlo said. "We have leading brands that provide superior consumer value and help grow our categories. From consumer insights, shopper marketing and category management to retail operations and supply chain, we have world-class capabilities that deliver value to our partners. Importantly, we're constantly adapting these capabilities to win with emerging retailers and in a digital world."

Clorox's leadership in digital has led to strong performance in e-commerce, which now represents about 4 percent of total company sales. In the last two fiscal years, the company's e-commerce sales increased nearly 40 percent annually. "We're tracking ahead of our sales target and closing in on our 2020 aspiration of \$500 million from e-commerce sales," Laszlo said.

Technology Transformation

Clorox continues to build competitive advantage through strong technology investments that are transforming the company's go-to-market model. Chief Marketing Officer Eric Reynolds discussed Clorox's vision to build on its industry leadership in technology-enabled consumer engagement. The company's use of data, technology and analytics has led to more targeted, personalized and real-time engagement, resulting in significant improvement in the ROI of digital marketing. In fact, the company has seen a 44 percent ROI improvement across its cleaning brands, particularly from investments in search and its data management platform to improve the targeting of its digital media. Reynolds showed a Clorox® Clean-Up® campaign that delivered 4.5 times the return on investment from targeting male millennials with banner ads about "date night," with the message that the product delivers "an invite-her-in" kind of clean.

He also pointed to a Burt's Bees® lip balm campaign that delivered strong ROI. The Burt's Bees team linked the brand's digital media purchases to weather conditions, specifically based on the Wetbulb Global Temperature index, which measures humidity as well as wind speed and direction. According to Reynolds, Clorox's Data Science team discovered that this index influences about 80 percent of lip balm purchases.

"In the digital world, we have the ability to take a test-and-learn approach to our programs, generating real-time data and consumer insights that inform our marketing investments," Reynolds said. "Seeing improvement in ROI and consumer engagement gives us confidence to continue investing strongly in digital." Clorox continues to be a leader in the consumer packaged goods industry in the transformation of digital marketing. For fiscal year 2018, the company is projecting that more than 50 percent of working media spending will be directed to digital channels.

Moving forward, Reynolds reinforced Clorox's focus on extending technology transformation further into other areas of the company, including its supply chain and R&D, to create operational efficiencies and digitally enabled innovation. In closing, Reynolds highlighted the next frontier of consumer experience, which calls for reimagining seamless and cohesive experiences beyond advertising and product use.

"Delivering superior consumer experiences is imperative to offering superior consumer value," Reynolds said. "Clorox is taking a human-centric view in integrating brand and product interactions to deliver meaningful and more personalized engagement along different points of consumers' lives to help them meet their goals."

Accelerate portfolio momentum in and around the core.

Clorox considers its global portfolio of leading brands to be a competitive advantage and maximizes its contribution to profitable growth by optimizing investments between "growth brands" and "fuel brands." For example, the Burt's Bees® brand has high growth potential globally, and the company will continue to drive trial and awareness behind core products like lip balm and invest in product innovation. Meanwhile, Charcoal, which includes the Kingsford® and Match Light® brands, is a steady business focused on delivering growth that's more profitable so resources can be shifted to fund investments in growth brands like Burt's Bees. Clorox bleach is another business that's focused on delivering profitability to support growth brands. Linda Rendle, senior vice president and general manager – Cleaning Division, showed that over the years, the Clorox bleach business has steadily expanded gross margin, which then enabled strong demand-building investments in the Clorox® equity, particularly Clorox® home care products. Notably, the company was able to develop the Clorox® Scentiva® platform – beginning with wipes and sprays – which delivered consumer-noticeable differentiation through scents that were designed in collaboration with high-end fragrance houses. The strength of the Clorox® equity is evident in its increase in household penetration. Today, Clorox®-branded products are in about 65 percent of U.S. households, an increase of 5 million households in the last three years.¹

Rendle also emphasized the company's focus on long-term gross margin expansion as a means to fuel profitable and sustainable growth, including delivering strong cost savings; ensuring pricing, mix and demand optimization; and developing margin-accretive innovation. Rendle pointed out that gross margin is now a metric in Clorox's short-term incentive program. "Long-term gross margin is a top priority, and everyone at Clorox knows they play a role in achieving that goal," she said.

Fuel growth by reducing waste in our work, products and supply chain.

Clorox is continually identifying ways to reduce waste in every aspect of its business so that savings can be reinvested to fuel growth. Chief Operating Officer Dawn Willoughby reinforced Clorox's track record in delivering strong cost savings through increasing productivity and driving agility across its operations. In each of the last 10 fiscal years, Clorox has delivered more than \$100 million in annual cost savings.

"Delivering strong cost savings is in our DNA," Willoughby said. "Our focus on cutting waste in our work, driving our sustainability initiatives and implementing lean management principles is helping us generate savings to reinvest in profitable growth."

Willoughby turned to the International business' Go Lean strategy as a good example of driving cost savings from productivity programs to improve its long-term profitability. The International team's efforts paid off, with

their recent delivery of several consecutive quarters of sales and profit growth.

Moving forward, while the International business will continue to execute against its Go Lean strategy, it will also invest in select profitable growth opportunities, including driving the Laundry Additives business and continuing to expand the Burt's Bees and RenewLife businesses globally.

"International continues to play a strategic role in our portfolio," Willoughby said. "With our leading brands, strong capabilities and emphasis on long-term margin improvement, we are optimistic about the future prospects of this business."

Engage our people as business owners.

Clorox's global workforce drives the company's 2020 Strategy and is the key to delivering good growth. Chief People Officer Kirsten Marriner discussed Clorox's People strategy, which includes a focus on inclusion and diversity as well as growth culture.

Marriner stated, "We recognize the business value of having a workforce made up of different backgrounds, thinking styles, perspectives and experiences." She referenced Clorox's track record in inclusion and diversity, highlighting recognitions from external organizations, including another 100 percent score from the Human Rights Campaign for Clorox's LGBT workplace practices and the company's No. 7 ranking on Diversity MBA magazine's list of the 50 best employers for women and diverse managers. She noted that female leaders make up 36 percent of Clorox Executive Committee members. Female and minority leaders each make up 33 percent of the company's board of directors, which is above Fortune 500 company averages for these categories.²

Marriner then discussed the broad impact of growth culture on how Clorox people drive the 2020 Strategy. From the execution of brand purpose and innovation to the implementation of technology transformation and lean management principles, Clorox's growth culture focuses on decisiveness, accountability and empowerment.

"Growth culture plays an important role in how we propel our business," Marriner said. "We want Clorox people at all levels across the company to be empowered to innovate and take smart risks in our pursuit of good growth."

Finally, Marriner reinforced the company's pride in achieving high levels of employee engagement. Clorox's current engagement score of 88 percent is higher than both the fast-moving consumer goods industry norm and the global high-performance norm.³

"Employee engagement is extremely important to the Clorox management team as there's a strong correlation between engagement and long-term financial performance," she said.

Focus on Long-Term Shareholder Value

Chief Financial Officer Steve Robb reinforced the company's confidence in its 2020 Strategy to continue creating shareholder value over the long term.

"Consistent sales and earnings growth is translating into strong shareholder return," Robb said. In the last three fiscal years, Clorox delivered total shareholder return⁴ of 58 percent, compared to 37 percent for its peer group⁵ and 31 percent for the S&P 500. Robb pointed to the company's long history of healthy dividend growth, with dividend increases every year since 1977. In May 2017, Clorox announced a 5 percent increase in its dividend.

Robb noted that Clorox's strong track record of generating healthy cash flows also contributes to shareholder return. In fiscal year 2017, net cash provided by continuing operations came in at \$871 million, an increase of 13 percent compared to fiscal year 2016. "Generating healthy cash flows gives us the financial flexibility to deliver against our priorities of reinvesting in our business, with a focus on keeping our core healthy; maintaining our debt leverage at or below our target range; and returning cash to shareholders through dividends and share repurchases."

Continued Confidence in Clorox's 2020 Strategy

In closing, Dorer said, "We feel very good about the progress we've made against our 2020 Strategy. Significant investments in innovation, technology and sustainability are helping us win with consumers. Looking across our entire portfolio, the company's products are now in 90 percent of U.S. households.⁶ Over the last few years, our strong investments have led to the majority of our brands being perceived as offering superior value."

"We're especially proud that we delivered our results based on the principle of winning the right way, through our commitment to good growth," Dorer added. "It's important for us to continue driving progress against our corporate responsibility goals, which we believe contribute to sustainable value creation."

In 2017, Clorox was recognized by a number of external organizations for its corporate responsibility performance. The company received a Safer Choice Partner of the Year Award from the U.S. Environmental Protection Agency and was included in CR Magazine's 2017 Best Corporate Citizens list.

A replay of the Clorox Analyst Day webcast and presentations are available at [Clorox Investor Events and Presentations](#).

The Clorox Company

The Clorox Company (NYSE: CLX) is a leading multinational manufacturer and marketer of consumer and professional products with approximately 8,100 employees worldwide and fiscal year 2017 sales of \$6 billion. Clorox markets some of the most trusted and recognized consumer brand names, including its namesake bleach and cleaning products; Pine-Sol[®] cleaners; Liquid Plumr[®] clog removers; Poett[®] home care products; Fresh Step[®] cat litter; Glad[®] bags, wraps and containers; Kingsford[®] charcoal; Hidden Valley[®] dressings and sauces; Brita[®] water-filtration products; Burt's Bees[®] natural personal care products; and RenewLife[®] digestive health products. The company also markets brands for professional services, including Clorox Healthcare[®] and Clorox Commercial Solutions[®]. More than 80 percent of the company's sales are generated from brands that hold the No. 1 or No. 2 market share positions in their categories.

Clorox is a signatory of the United Nations Global Compact, a community of global leaders committed to sustainability. The company also has been broadly recognized for its corporate responsibility efforts, most notably receiving a Safer Choice Partner of the Year Award in 2016 and 2017 from the U.S. Environmental Protection Agency as well as being named to CR Magazine's 2017 Best Corporate Citizens list and included in the 2016 Newsweek Green Rankings. The Clorox Company and its foundations contributed about \$11 million in combined cash grants, product donations and cause marketing in fiscal year 2017. For more information, visit TheCloroxCompany.com, including the Good Growth blog, and follow the company on Twitter at @CloroxCo.

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Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and such forward-looking statements involve risks and uncertainties. Except for historical information, statements about future volumes, sales, foreign currencies, costs, cost savings, margins, earnings, earnings per share, diluted earnings per share, foreign currency exchange rates, cash flows, plans, objectives, expectations, growth, or profitability are forward-looking statements based on management's estimates, beliefs, assumptions and projections. Words such as "could," "may," "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," "predicts" and variations on such words, and similar expressions that reflect our current views with respect to future events and operational, economic and financial performance, are intended to identify such forward-looking statements. These forward-looking statements are only predictions, subject to risks and uncertainties, and actual results could differ materially from those discussed. Important factors that could affect performance and cause results to differ materially from management's expectations are described in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2017, as updated from time to time in the Company's SEC filings. These factors include, but are not limited to: intense competition in the Company's markets; volatility and increases in commodity costs such as resin, sodium hypochlorite and agricultural commodities, and increases in energy, transportation or other costs; the ability of the Company to drive

sales growth, increase price and market share, grow its product categories and manage favorable product and geographic mix; dependence on key customers and risks related to customer consolidation and ordering patterns; the impact of increase in sales of consumer products through alternative retail channels; risks related to reliance on information technology systems, including potential security breaches, cyber-attacks, privacy breaches or data breaches that result in the unauthorized disclosure of consumer, customer, employee or Company information, or service interruptions; lower revenue or increased costs resulting from government actions and regulations; the ability of the Company to successfully manage global political, legal, tax and regulatory risks, including changes in regulatory or administrative activity; risks relating to acquisitions, new ventures and divestitures, and associated costs, including the potential for asset impairment charges related to, among others, intangible assets and goodwill; worldwide, regional and local economic and financial market conditions; risks related to international operations and international trade, including political instability; government-imposed price controls or other regulations; foreign currency exchange rate controls, including periodic changes in such controls, fluctuations and devaluations; changes in trade, tax or U.S. immigration policies, labor claims, labor unrest and inflationary pressures, particularly in Argentina; potential negative impact and liabilities from the use, storage and transportation of chlorine in certain international markets where chlorine is used in the production of bleach; and the possibility of nationalization, expropriation of assets or other government action; the ability of the Company to innovate and to develop and introduce commercially successful products; the ability of the Company to implement and generate cost savings and efficiencies; the success of the Company's business strategies; the Company's ability to maintain its business reputation and the reputation of its brands; risks related to the potential increase in the Company's purchase price for The Procter & Gamble Company's (P&G) interest in the Glad[®] business and the impact from the decision on whether or not to extend the term of the related agreement with P&G; supply disruptions and other risks inherent in reliance on a limited base of suppliers; the impact of product liability claims, labor claims and other legal or tax proceedings, including in foreign jurisdictions; the Company's ability to attract and retain key personnel; environmental matters, including costs associated with the remediation and monitoring of past contamination, and possible increases in costs resulting from actions by relevant regulators, and the handling and/or transportation of hazardous substances; the impact of natural disasters, terrorism and other events beyond the Company's control; the Company's ability to maximize, assert and defend its intellectual property rights; any infringement or claimed infringement by the Company of third-party intellectual property rights; the effect of the Company's indebtedness and credit rating on its business operations and financial results; the Company's ability to pay and declare dividends or repurchase its stock in the future; the Company's ability to maintain an effective system of internal controls; uncertainties relating to tax positions, tax disputes and changes in the Company's tax rate; the accuracy of the Company's estimates and assumptions on which its financial projections are based; risks related to the Company's discontinuation of operations in Venezuela; and the impacts of potential stockholder activism.

The Company's forward-looking statements in this press release are based on management's current views, beliefs and assumptions regarding future events and speak only as of the date when made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by the federal securities laws.

¹ Source: IRI Panel Data, Total U.S. All Outlets, NBD Weighted, 52 weeks ending June 25, 2017.

² "Missing Pieces Report: The 2016 Board Diversity Census of Women and Minorities on Fortune 500 Boards," Deloitte and the Alliance for Board Diversity, 2017. Fortune 500 company average of minority board members: 14%; Fortune 500 company average for female board members: 20%.

³ The Willis Towers Watson global high-performance norm is based on responses from 142,506 employees of 26 companies. Companies qualify for the norm by meeting two criteria: 1) superior financial performance, defined by a net profit margin and/or return on invested capital that exceeds industry averages; and 2) superior human resources practices, defined by employee opinion scores near the top among the most financially successful companies surveyed by Willis Towers Watson.

⁴ Clorox's total shareholder return in the last 3 fiscal years ending June 30, 2017, is a combination of stock appreciation and dividend payments.

⁵ Peer Group: 16 consumer packaged goods companies, excluding Clorox, for benchmarking purposes.

⁶ IRI Panel Data, Total U.S. All Outlet, NBD weighted, 52 weeks ending June 25, 2017.



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