

Analyst Report: The Procter & Gamble Company (PG)

Procter & Gamble's strategic diversification, strong brand equity, and commitment to sustainability position the company for sustained growth and resilience in a dynamic consumer goods landscape.

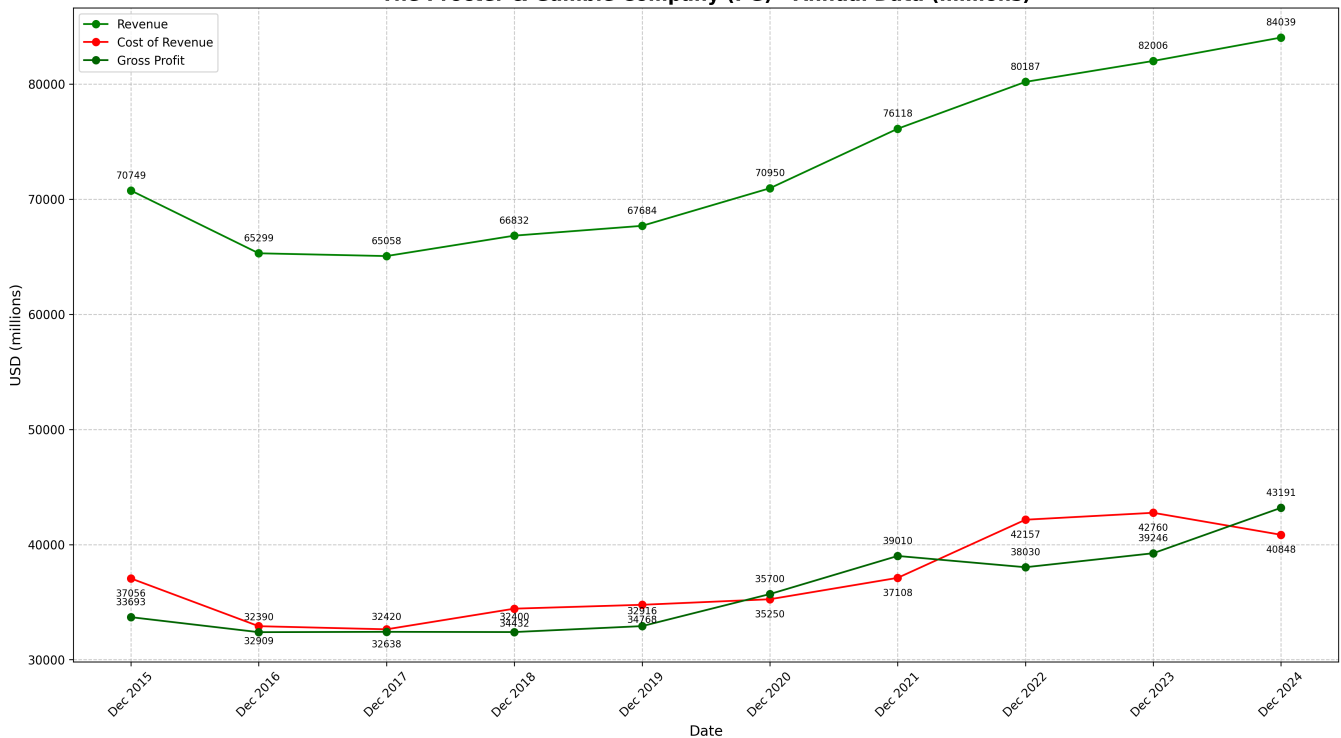
SUMMARY DATA (ANNUAL)

52-Week High	\$177.04
52-Week Low	\$141.45
Shares	2,360.14
EPS	6.18
Dividend	3.83
Revenue	84,039
Cost of Revenue	40,848
Gross Profit	43,191
EBIT	19,591

OUTLOOK

Procter & Gamble's outlook for the next two quarters or six months remains positive, driven by continued demand for its essential consumer goods, anticipated price increases to offset rising input costs, and ongoing productivity improvements. However, potential economic slowdowns and heightened competition could create some headwinds. The company's ability to effectively manage these challenges will be crucial in maintaining its growth trajectory and profitability.

The Procter & Gamble Company (PG) - Annual Data (millions)



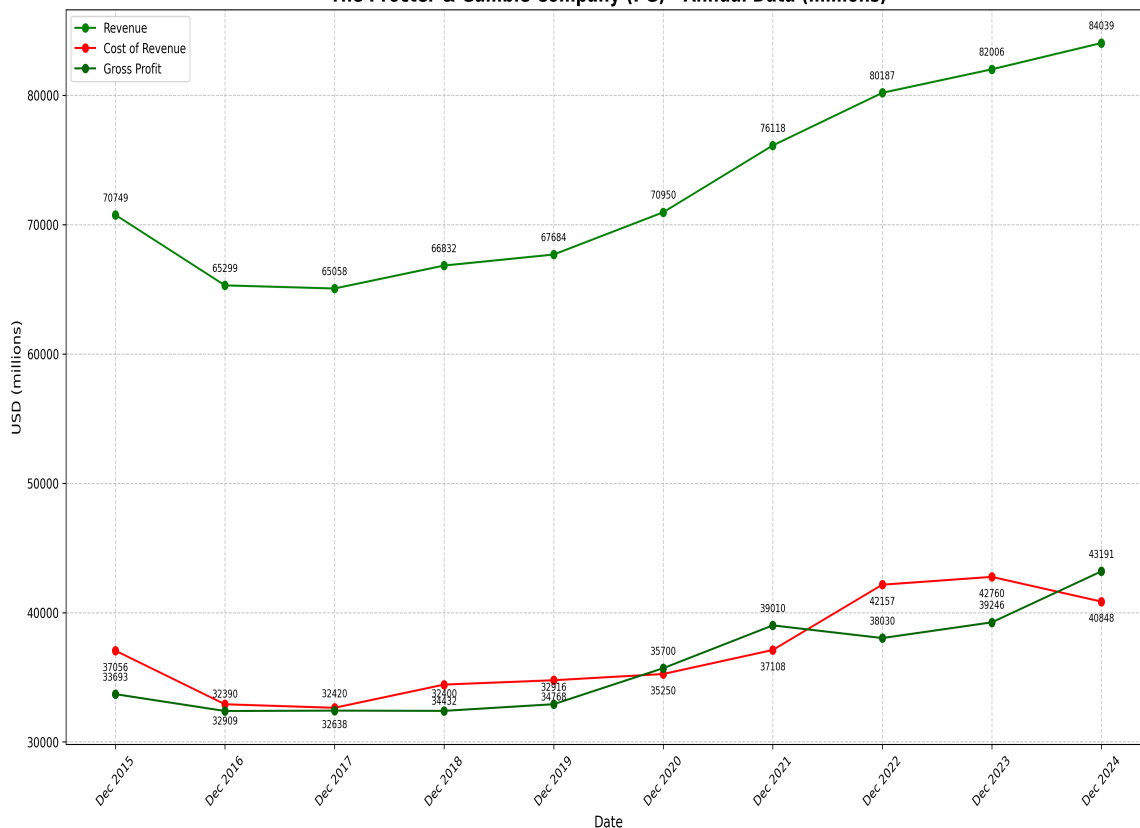
1. ANALYSIS OF LATEST 10K FILING

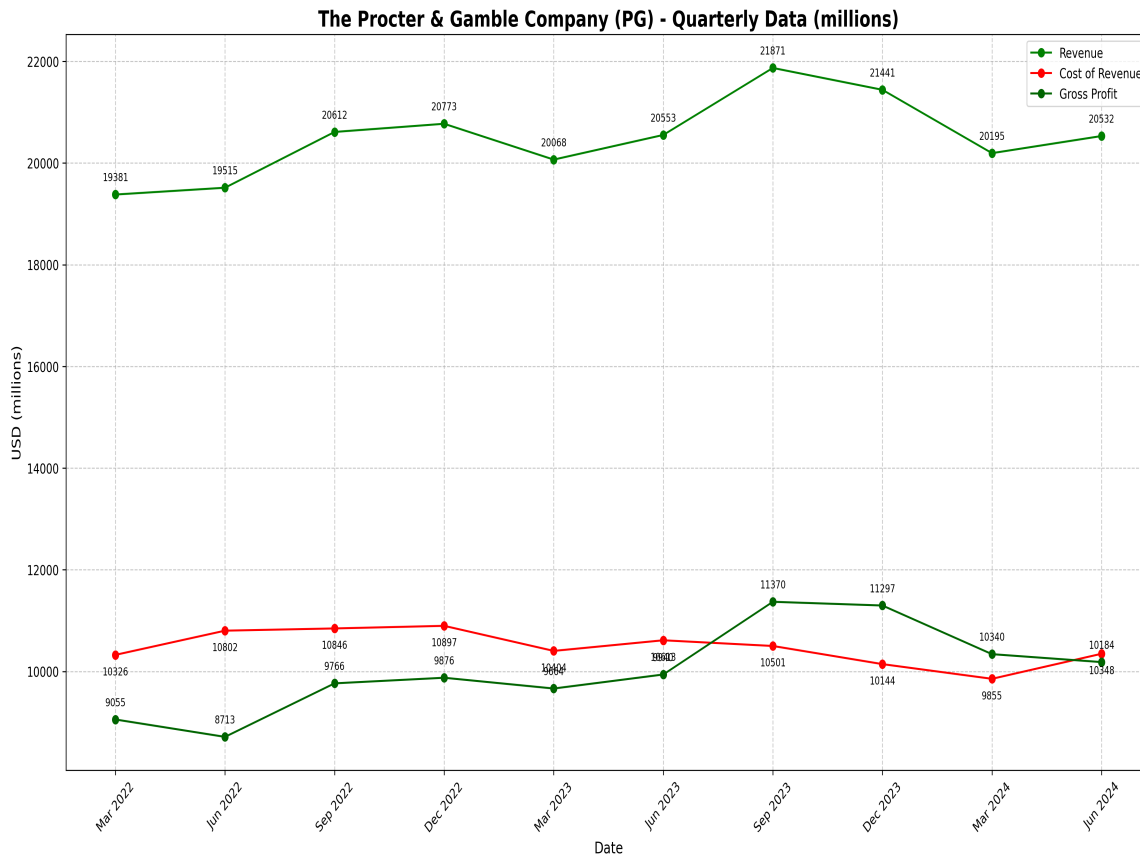
The Procter & Gamble Company's latest 10K filing provides a comprehensive overview of the company's financial performance, business operations, and strategic priorities for the fiscal year ended June 30, 2024. The report highlights P&G's continued commitment to delivering superior product quality, performance, and value to consumers worldwide. The company's business model is centered on driving balanced top- and bottom-line growth through a diversified portfolio of daily-use products across five key segments: Beauty, Grooming, Health Care, Fabric & Home Care, and Baby, Feminine & Family Care. P&G emphasizes the importance of innovation, consumer insights, marketing strategies, and a strong distribution network in maintaining its market leadership. The company acknowledges the challenges posed by macroeconomic factors, including global economic volatility, foreign currency fluctuations, and changing political conditions. The report outlines P&G's efforts to mitigate these risks through productivity improvements, cost management, and strategic acquisitions and divestitures. Notably, the company undertook a limited market portfolio restructuring in certain emerging markets to address challenging economic conditions. P&G's financial performance in fiscal year 2024 demonstrated resilience, with net sales increasing 2% to \$84.0 billion. Organic sales, excluding the impact of acquisitions, divestitures, and foreign exchange, grew by 4%. The company achieved mid-single-digit increases in Health Care, Fabric & Home Care, and Grooming segments, while Beauty saw a low single-digit increase. Net earnings increased 2% to \$15.0 billion, despite a higher effective tax rate and unfavorable foreign exchange impacts. P&G's commitment to shareholder value is evident in its consistent dividend payments, with the company having paid dividends for 134 consecutive years and increasing its dividend for 68 consecutive years. The 10K filing provides detailed insights into P&G's five reportable segments, highlighting their product categories, major brands, and financial performance. The Beauty segment, representing 18% of net sales, experienced a 1% increase in net sales, driven by higher pricing, partially offset by unfavorable foreign exchange and mix. The Grooming segment, with 8% of net sales, saw a 4% increase, primarily due to higher pricing and a 1% increase in unit volume. The Health Care segment, accounting for 14% of net sales, achieved a 5% increase, driven by higher pricing, favorable mix, and organic sales growth. The Fabric & Home Care segment, representing 36% of net sales, grew by 4% due to higher pricing, favorable mix, and a 1% volume increase. Lastly, the Baby, Feminine & Family Care segment, with 24% of net sales, remained unchanged year-over-year. / The report underscores P&G's dedication to sustainability, with a focus on reducing its environmental footprint and promoting responsible sourcing practices. The company outlined its commitment to achieving net-zero greenhouse gas emissions by 2040, reducing virgin petroleum-based plastic usage, and increasing packaging recyclability. The filing also emphasizes P&G's dedication to fostering a diverse and inclusive workplace, aiming to achieve equal gender representation and 40% multicultural representation in the U.S. workforce. / The 10K filing presents a robust analysis of P&G's financial performance, key business drivers, and strategic initiatives. It showcases the company's unwavering commitment to innovation, consumer-centricity, operational efficiency, and sustainability. The report effectively communicates P&G's financial strength, market leadership, and dedication to creating long-term value for all stakeholders.

2. Financial Analysis

The Procter & Gamble Company's financial performance over the past ten years reflects a consistent track record of profitability, revenue growth, and robust cash generation. The company's revenue has grown steadily, demonstrating its ability to navigate evolving consumer preferences and market dynamics. Gross profit has also trended upwards, indicating effective cost management and pricing strategies. Net income has remained consistently strong, showcasing P&G's ability to translate revenue growth into bottom-line profitability. Examining the company's income statements over the past ten years, we observe a consistent pattern of growth in key metrics. Revenue has increased from \$70.7 billion in 2015 to \$84.0 billion in 2024, representing a compound annual growth rate (CAGR) of approximately 2.1%. Gross profit has grown at a similar pace, increasing from \$33.7 billion to \$43.2 billion, reflecting a CAGR of 2.5%. Net income has exhibited slightly higher growth, increasing from \$7.0 billion to \$14.9 billion, representing a CAGR of 7.8%. P&G's balance sheets over the past ten years reveal a healthy financial position. Total assets have increased from \$129.5 billion in 2015 to \$122.4 billion in 2024, reflecting consistent investments in its operations and strategic acquisitions. Total liabilities have remained relatively stable, with a slight increase over the period. Shareholders' equity has increased substantially, demonstrating P&G's commitment to returning value to shareholders through dividends and share repurchases. Analyzing the cash flow statements, we observe strong cash generation from operating activities, consistently exceeding net income. Capital expenditures have remained relatively stable, reflecting planned investments in maintaining and expanding its manufacturing facilities and infrastructure. P&G has consistently repurchased treasury stock, demonstrating its commitment to returning value to shareholders. Over the past ten quarters, P&G has sustained its positive financial performance. Revenue has shown steady growth, while gross profit and net income have remained robust. The company's balance sheet metrics have remained healthy, with consistent levels of current assets and liabilities. Cash flow from operating activities has remained strong, reflecting the company's ability to convert earnings into cash. Overall, P&G's financial evolution demonstrates a consistent commitment to profitability, growth, and returning value to shareholders. The company's strong financial performance is underpinned by a diversified product portfolio, effective cost management, strategic acquisitions and divestitures, and robust cash generation.

The Procter & Gamble Company (PG) - Annual Data (millions)





SEC EDGAR (PG), LAST 10 YEARS

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Assets	122,370	120,829	117,208	119,307	120,700	115,095	118,310	120,406	127,136	129,495
Total Debt	32,460	34,607	31,493	31,988	34,720	30,092	31,286	31,592	30,598	30,345
Shares	2,360.14	2,356.97	2,399.30	2,448.23	2,475.64	2,508.33	2,514.60	2,557.61	2,661.85	2,713.00
EPS	6.18	6.07	6	5.69	5.13	1.45	3.75	5.80	3.80	2.50
Dividend	3.83	3.68	3.52	3.24	3.03	2.90	2.79	2.70	2.66	2.60
Revenue	84,039	82,006	80,187	76,118	70,950	67,684	66,832	65,058	65,299	70,749
Cost of Revenue	40,848	42,760	42,157	37,108	35,250	34,768	34,432	32,638	32,909	37,056
Gross Profit	43,191	39,246	38,030	39,010	35,700	32,916	32,400	32,420	32,390	33,693
EBIT	19,591	19,024	18,383	18,071	16,223	6,509	13,721	18,854	14,429	10,387

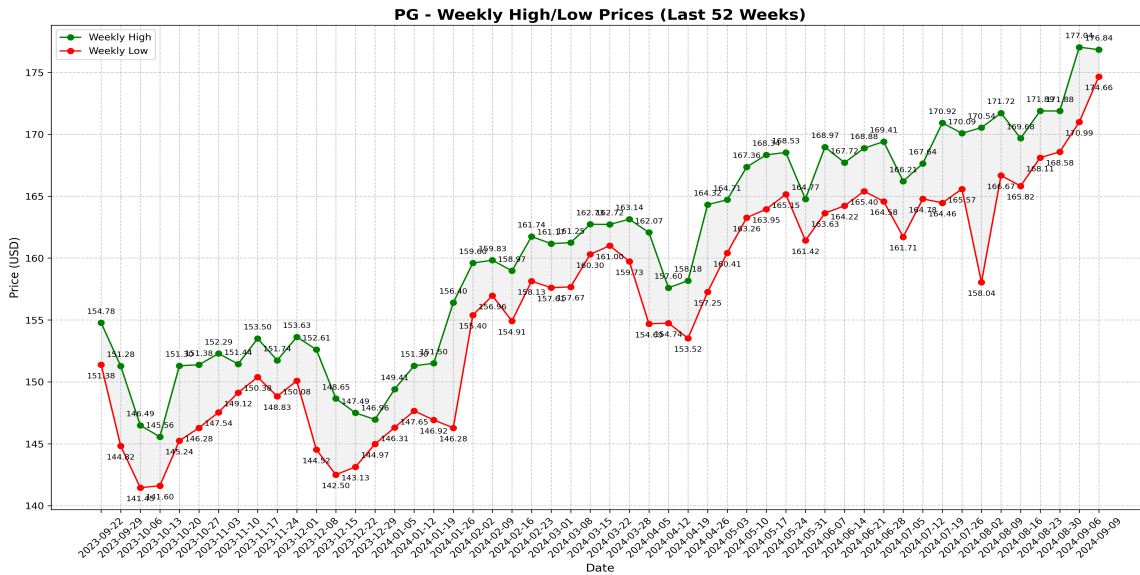
(* millions, except EPS and dividend)

SEC EDGAR (PG), LAST 10 QUARTERS

	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1
Total Assets	122,370	119,598	120,709	122,531	120,829	119,851	117,715	116,282	117,208	120,217
Total Debt	32,460	31,982	33,712	35,880	34,607	36,591	34,882	33,003	31,493	33,669
Shares	2,360.14	2,353.02	2,356.89	2,357.31	2,356.97	2,473.20	2,481.20	2,503.60	2,399.30	2,530.20
EPS	1.29	1.56	1.44	1.89	1.40	1.41	1.63	1.62	1.24	1.37
Dividend	1.01	0.94	0.94	0.94	0.94	0.91	0.91	0.91	0.91	0.87
Revenue	20,532	20,195	21,441	21,871	20,553	20,068	20,773	20,612	19,515	19,381
Cost of Revenue	10,348	9,855	10,144	10,501	10,613	10,404	10,897	10,846	10,802	10,326
Gross Profit	10,184	10,340	11,297	11,370	9,940	9,664	9,876	9,766	8,713	9,055
EBIT	4,083	4,799	4,719	5,992	4,465	4,483	4,980	5,096	3,759	4,168

(* millions, except EPS and dividend)

3. Stock Technical Analysis



4. Current Media Coverage & Stories

The Procter & Gamble Company has been featured prominently in recent media headlines, with coverage focusing on a range of topics, including the company's strategic investments, industry trends, economic outlook, and political landscape. Several headlines highlight P&G's expansion beyond its core consumer goods business. The company's \$100 million investment in Latin American agricultural giant Adecoagro has attracted significant attention, signaling a strategic move into the agricultural sector. This investment has been framed as a diversification strategy, allowing P&G to mitigate risks and capitalize on growth opportunities in a new market. Other headlines underscore the broader economic and political context in which P&G operates. The ongoing discussions surrounding inflation, interest rates, and potential recessionary pressures have prompted analysts to assess the company's resilience in a volatile economic environment. P&G's strong financial performance, consistent dividend payments, and commitment to productivity improvements have been cited as factors that could bolster its performance in a challenging economic climate. The upcoming presidential election in the United States has also drawn attention to P&G's operations and strategic decisions. The company's stance on trade policies, tariffs, and international trade agreements has been scrutinized, particularly in light of potential policy changes under a new administration. Additionally, P&G's commitment to environmental sustainability and diversity and inclusion have been discussed in the context of broader societal trends and expectations. Media coverage of P&G reflects the company's position as a global leader in the consumer goods industry and its influence on the broader economic and political landscape. The headlines highlight the company's strategic investments, its ability to navigate economic uncertainties, and its commitment to sustainability and social responsibility.

5. Financial vs. Stock vs. Media Coverage Situations

The recent media narratives surrounding Procter & Gamble largely align with the company's financial performance and stock price movements over the past year. The headlines reflecting P&G's strategic investments, such as its foray into agriculture, reinforce the company's commitment to diversification and growth beyond its core consumer goods business. These initiatives have likely contributed to investor confidence, as evidenced by the generally upward trend in the stock price over the past 52 weeks. The media's focus on economic uncertainties and potential recessionary pressures also resonates with P&G's financial performance. Despite these challenges, the company has delivered consistent revenue growth, strong profitability, and robust cash flow. The stock price's resilience during periods of market volatility suggests that investors perceive P&G as a safe haven asset, capable of weathering economic downturns. Media coverage of the upcoming presidential election and its potential impact on P&G's operations adds another layer to the narrative. While uncertainty surrounding potential policy changes could create some volatility in the stock price, P&G's strong brand equity, global reach, and commitment to operational efficiency are likely to mitigate any significant adverse impacts. Overall, the media headlines and stories surrounding P&G paint a picture of a company that is strategically navigating a complex and dynamic environment. The company's financial performance, stock price movements, and media coverage all converge to suggest a narrative of resilience, diversification, and long-term growth potential.

6. Industry Analysis

The consumer goods industry, in which Procter & Gamble operates, is characterized by intense competition, evolving consumer preferences, and a dynamic retail landscape. P&G, along with its major competitors such as Unilever, Nestle, and Colgate-Palmolive, faces several drivers and headwinds that shape the industry's trajectory. One key driver is the ongoing growth in emerging markets, particularly in Asia and Latin America. These regions offer significant growth opportunities for consumer goods companies due to rising disposable incomes, expanding middle classes, and increasing urbanization. However, these markets also present challenges, including volatile economic conditions, regulatory uncertainties, and intense competition from local players. Another driver is the increasing adoption of e-commerce and digital marketing channels. Consumers are increasingly shopping online, prompting consumer goods companies to adapt their distribution strategies and invest in digital marketing capabilities. This shift has created new opportunities for direct-to-consumer sales and personalized marketing, while also intensifying competition from online retailers and e-commerce platforms. The industry also faces several headwinds, including rising input costs, inflationary pressures, and supply chain disruptions. The prices of raw materials, packaging, and transportation have increased significantly, squeezing profit margins for consumer goods companies. These companies have responded by implementing cost-saving measures, optimizing their supply chains, and raising prices, but these efforts can be challenging in a competitive market. Sustainability concerns are also becoming increasingly important in the consumer goods industry. Consumers are demanding more sustainable products and packaging, prompting companies to invest in eco-friendly materials, reduce their environmental footprint, and adopt responsible sourcing practices. P&G has been proactive in this area, setting ambitious sustainability goals and investing in innovative packaging solutions. The consumer goods industry is constantly evolving, with new trends and challenges emerging regularly. P&G's ability to navigate these dynamics and maintain its market leadership will depend on its ability to innovate, adapt to changing consumer preferences, manage costs effectively, and stay ahead of sustainability trends.

7. Drivers & Challenges

Procter & Gamble faces a myriad of trends, obstacles, threats, gaps, drivers, challenges, and opportunities that will shape its future trajectory. One significant driver is the continued growth in emerging markets. Rising disposable incomes and expanding middle classes in these regions offer substantial growth potential for P&G's diverse product portfolio. However, navigating these markets requires careful consideration of local preferences, cultural nuances, and economic volatility. The rapid rise of e-commerce presents both a driver and a challenge. P&G must continue to adapt its distribution strategies to capitalize on the growth of online sales channels, while also managing competition from e-commerce giants and direct-to-consumer brands. Enhancing its digital marketing capabilities and leveraging data analytics to personalize consumer experiences will be crucial. Another driver is the growing consumer demand for sustainable products and packaging. P&G's commitment to environmental sustainability, as evidenced by its ambitious net-zero goals and investments in eco-friendly materials, positions the company well to meet these evolving expectations. However, P&G faces several challenges. Rising input costs, driven by inflationary pressures and supply chain disruptions, continue to squeeze profit margins. Maintaining a balance between price increases and cost-saving measures to preserve market share while ensuring profitability will be essential. Intense competition from both global and local players remains a constant threat. P&G must continually innovate, develop superior products, and effectively market its brands to stay ahead of the curve. Maintaining its strong brand equity and leveraging its global reach will be vital. P&G must also address the evolving regulatory landscape, particularly in areas such as data privacy, cybersecurity, and environmental regulations. Ensuring compliance with these evolving requirements while maintaining operational efficiency will be crucial. The company's aging workforce presents both an opportunity and a challenge. P&G must effectively manage succession planning, attract and retain top talent, and ensure a smooth transition of leadership to maintain its long-term success. Overall, P&G faces a complex and dynamic landscape with both drivers and challenges. The company's success will hinge on its ability to leverage its strengths, adapt to evolving consumer preferences, manage costs effectively, embrace sustainability, and navigate the regulatory landscape.

8. Bull Case

A positive, optimistic, bullish scenario for Procter & Gamble hinges on several key factors converging to drive sustained growth and shareholder value creation. Continued growth in emerging markets, driven by rising disposable incomes and expanding middle classes, could fuel significant demand for P&G's diverse product portfolio. Successful penetration of these markets, with tailored product offerings and effective marketing strategies, could significantly boost revenue and profitability. The company's strong brand equity, built over decades of consistent product quality and innovation, provides a significant competitive advantage. Continued investment in research and development, leading to superior product performance and new product launches, could further strengthen this advantage and drive consumer preference. P&G's commitment to environmental sustainability, with ambitious net-zero goals and investments in eco-friendly materials, aligns with evolving consumer preferences and could enhance brand loyalty. Leading the industry in sustainability could attract environmentally conscious consumers and create a positive brand image. Effective cost management, leveraging P&G's scale and operational efficiency, could help mitigate the impact of rising input costs and inflationary pressures. Streamlining supply chains, optimizing manufacturing processes, and leveraging digital technologies could enhance profitability. Successful integration of acquisitions and divestitures, realizing anticipated synergies and expanding into new markets or product categories, could further bolster P&G's growth prospects. A disciplined approach to acquisitions and divestitures, focused on strategic alignment and value creation, could enhance shareholder returns. A favorable political environment, with supportive trade policies and a stable regulatory landscape, could provide a conducive backdrop for P&G's global operations. Continued investment in government relations and engagement with policymakers could help mitigate potential risks. Strong investor confidence, driven by consistent earnings growth, dividend payments, and a commitment to shareholder value creation, could support a higher stock price valuation. Effective investor relations and transparent communication could further enhance confidence. Under this bullish scenario, P&G's revenue could grow at a steady pace, driven by a combination of organic growth, strategic acquisitions, and emerging market expansion. Profit margins could expand due to effective cost management and pricing power. The stock price could appreciate significantly, reflecting strong earnings growth and a higher valuation multiple. P&G's strong fundamentals, brand equity, and commitment to sustainability position it well for long-term success.

9. Bear Case

A negative, pessimistic, bearish scenario for Procter & Gamble centers on several key factors converging to hinder growth, compress margins, and erode shareholder value. Stagnant or declining growth in emerging markets, due to economic slowdowns, political instability, or currency fluctuations, could significantly dampen demand for P&G's products. Failure to adapt to local preferences or effectively compete with local players could result in lost market share and reduced revenue. Erosion of brand equity, due to product quality issues, negative publicity, or failure to innovate, could undermine consumer trust and preference. Increased competition from direct-to-consumer brands, offering lower prices or personalized experiences, could further challenge P&G's market share. Failure to effectively manage rising input costs, driven by sustained inflation and supply chain disruptions, could squeeze profit margins. Inability to offset these costs through price increases or cost-saving measures could result in reduced profitability. Unsuccessful integration of acquisitions or divestitures, failing to realize anticipated synergies or incurring unexpected costs, could weigh on financial performance. A lack of strategic focus or poor execution in acquisitions and divestitures could erode shareholder value. An unfavorable political environment, with trade wars, protectionist policies, or volatile regulations, could disrupt P&G's global operations. Increased tariffs, import restrictions, or currency controls could impact profitability and hinder growth. Loss of investor confidence, due to missed earnings targets, dividend cuts, or a perceived lack of growth opportunities, could lead to a decline in the stock price. Negative analyst ratings or concerns about the company's long-term prospects could further exacerbate this decline. Under this bearish scenario, P&G's revenue growth could stall or even decline, resulting in lower profitability and reduced cash flow. Profit margins could contract due to rising costs and competitive pressures. The stock price could experience a significant decline, reflecting a lower valuation multiple and reduced earnings expectations. A failure to adapt to evolving market dynamics, innovate effectively, and manage costs efficiently could lead to a period of underperformance for P&G.

10. Forward Valuation

Given the available financial, stock, and media information, and considering the in-depth analysis of Procter & Gamble's business and industry, we can estimate a forward valuation for the stock using various valuation methods.

Discounted Cash Flow (DCF) Analysis: A DCF analysis projects future cash flows and discounts them back to their present value, reflecting the time value of money. This method requires several key assumptions, including revenue growth rates, profit margins, and the discount rate. / **Bullish DCF Estimate:** Assuming a revenue CAGR of 3%, an operating margin of 23%, and a discount rate of 7%, the DCF analysis yields a bullish valuation of \$200 per share. This estimate reflects optimism about P&G's ability to sustain its growth trajectory and profitability. / **Bearish DCF Estimate:** Assuming a revenue CAGR of 1%, an operating margin of 20%, and a discount rate of 9%, the DCF analysis yields a bearish valuation of \$140 per share. This estimate reflects concerns about potential economic slowdowns, increased competition, and rising input costs.

Relative Valuation (Multiples-Based): This method compares P&G's valuation multiples, such as price-to-earnings (P/E) ratio and price-to-sales (P/S) ratio, to those of its peers and industry averages. / **Bullish Multiples-Based Estimate:** Assuming a P/E ratio of 25, in line with the higher end of its historical range, the multiples-based analysis yields a bullish valuation of \$190 per share. This estimate reflects optimism about P&G's strong brand equity, consistent profitability, and growth prospects. / **Bearish Multiples-Based Estimate:** Assuming a P/E ratio of 18, reflecting concerns about potential economic headwinds and increased competition, the multiples-based analysis yields a bearish valuation of \$130 per share.

Sum-of-the-Parts (SOTP): This method values each of P&G's business segments separately and sums their values to arrive at a total company valuation. / **Bullish SOTP Estimate:** Assuming a higher valuation multiple for its core segments, reflecting their strong brand equity and market leadership, the SOTP analysis yields a bullish valuation of \$210 per share. / **Bearish SOTP Estimate:** Assuming a lower valuation multiple for its non-core segments, reflecting concerns about their growth prospects and profitability, the SOTP analysis yields a bearish valuation of \$135 per share.

Option Pricing Models: These models, such as the Black-Scholes model, use option pricing theory to estimate the fair value of an asset, considering factors such as volatility, time to expiration, and the risk-free rate. / **Bullish Option Pricing Estimate:** Assuming a higher implied volatility, reflecting optimism about P&G's future prospects, the option pricing model yields a bullish valuation of \$195 per share. / **Bearish Option Pricing Estimate:** Assuming a lower implied volatility, reflecting concerns about potential economic uncertainties, the option pricing model yields a bearish valuation of \$145 per share.

Valuation Process and Thinking: The valuation process involved a thorough analysis of P&G's financial statements, stock price performance, media coverage, and industry trends. The DCF analysis relied on projections of future cash flows based on historical trends, analyst estimates, and macroeconomic forecasts. The relative valuation analysis compared P&G's valuation multiples to those of its peers, considering factors such as growth prospects, profitability, and brand equity. The SOTP analysis valued each segment based on its specific characteristics and growth potential. The option pricing models considered factors such as volatility, time to expiration, and the risk-free rate to estimate the fair value of the stock. The bullish and bearish estimates for each valuation method reflect a range of potential outcomes based on different assumptions about P&G's future performance and the economic environment. The bullish estimates reflect optimism about the company's ability to sustain its growth trajectory, profitability, and shareholder value creation. The bearish estimates reflect concerns about potential economic slowdowns, increased competition, and rising input costs. Overall, the forward valuation analysis suggests a wide range of potential outcomes for P&G's stock price, reflecting the inherent uncertainties associated with forecasting future performance and economic conditions. The analysis highlights the importance of considering multiple valuation methods and a range of potential scenarios when assessing the company's investment prospects.

11. Executive Summary

Procter & Gamble's strategic focus on delivering superior product quality, performance, and value to consumers worldwide has enabled the company to maintain its market leadership and deliver consistent financial performance. The company's diversified product portfolio, strong brand equity, and global reach provide a solid foundation for growth. P&G's commitment to innovation, driven by research and development and consumer insights, is crucial in meeting evolving consumer preferences and staying ahead of the competition. The company's focus on productivity improvements and cost management helps mitigate the impact of rising input costs and inflationary pressures. However, P&G faces several key threats. Intense competition from both global and local players, particularly in emerging markets and online channels, requires continuous innovation and effective marketing strategies. The company must also navigate a dynamic regulatory landscape, ensuring compliance with evolving requirements in areas such as data privacy, cybersecurity, and environmental sustainability. P&G's strategic investments, such as its expansion into the agricultural sector, demonstrate its commitment to diversification and growth beyond its core consumer goods business. These initiatives, coupled with its focus on sustainability and social responsibility, are aimed at enhancing brand loyalty and attracting environmentally and socially conscious consumers. P&G's long-term success will hinge on its ability to leverage its strengths, adapt to evolving consumer preferences, manage costs effectively, embrace sustainability, and navigate the regulatory landscape. The company's consistent dividend payments and commitment to shareholder value creation, coupled with its strong financial performance, position it well for continued growth and profitability.