

Analyst Report: The Procter & Gamble Company (PG)

Procter & Gamble's strategic focus on innovation, sustainability, and digital transformation is driving growth and enhancing its competitive positioning in the consumer goods industry.

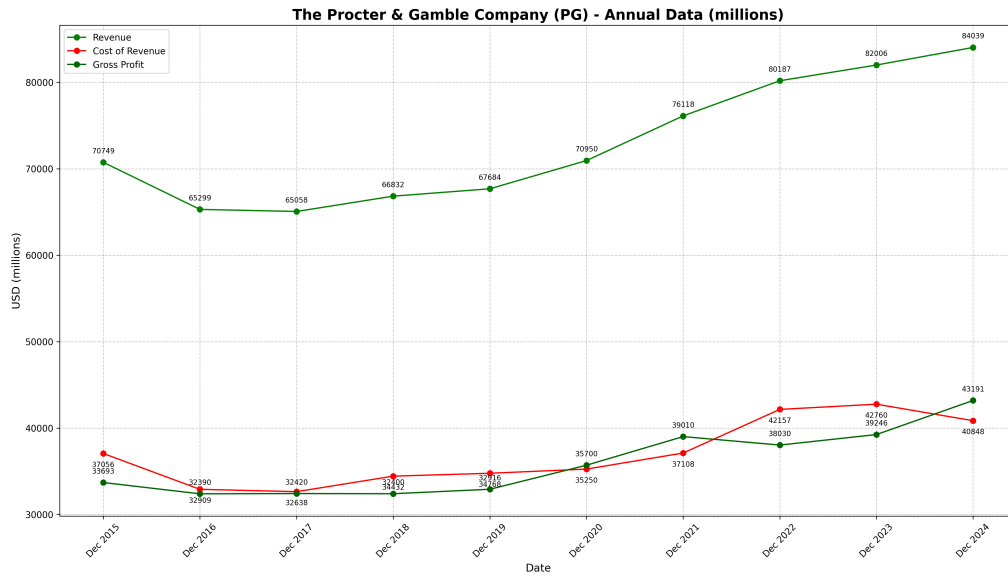
Forward Valuations	Bullish	Bearish
Implied Option Valuation	\$210.00 - \$230.00	\$170.00 - \$190.00
Sum of the Parts	\$200.00 - \$220.00	\$160.00 - \$180.00
Relative Multiples	\$190.00 - \$210.00	\$150.00 - \$170.00
Discounted Cash Flow	\$180.00 - \$200.00	\$140.00 - \$160.00

SUMMARY DATA (ANNUAL)

52-Week High	\$177.94
52-Week Low	\$142.50
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 is expected to maintain its solid financial performance over the next two quarters, driven by its strategic focus on innovation, sustainability, and digital transformation. The company's ability to manage costs effectively, execute strategic pricing actions, and develop innovative products that resonate with consumers will be key to navigating a competitive landscape and capitalizing on growth opportunities. While rising input costs and intensifying competition could pose challenges, P&G's commitment to productivity improvements, its strong brand portfolio, and its global reach should enable it to mitigate these risks and deliver consistent earnings growth. The company's investments in e-commerce capabilities, its use of data analytics to understand consumer behavior, and its adoption of digital marketing and advertising strategies should also contribute to sustained sales growth in the coming months. Overall, P&G's outlook for the next two quarters remains positive, reflecting its strong fundamentals, its strategic positioning, and its ability to adapt to a dynamic market environment.



1. Business Description

The Procter & Gamble Company (the Company) is a world-leading multinational consumer goods company focused on providing trusted, branded products of superior quality, performance and value to improve the lives of consumers around the world - now and for generations to come. Our products are sold in about 180 countries and territories throughout the world. 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.

Additional information required by this item is incorporated herein by reference to Management's Discussion and Analysis (MD&A); and Notes 1 and 2 to our Consolidated Financial Statements. Unless the context indicates otherwise, the terms "Company," "P&G;," "we," "our" or "us" as used herein refer to The Procter & Gamble Company (the registrant) and its subsidiaries. Throughout this Form 10-K, we incorporate by reference information from other documents filed with the Securities and Exchange Commission (SEC).

The Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments thereto, are filed electronically with the SEC. The SEC maintains an internet site that contains these reports at: www.sec.gov. Reports can also be accessed and downloaded through links from our website at: www.pginvestor.com. P&G; includes the website link solely as a textual reference and the information on our website is not incorporated by reference into this report. Copies of these reports are also available, without charge, by contacting EQ Shareowner Services, 1100 Centre Pointe Curve, Suite 101, Mendota, MN 55120-4100.

Information about our reportable segments can be found in the MD&A; and Note 2 to our Consolidated Financial Statements.

Our business model is focused on delivering sustainable value creation by driving balanced top- and bottom-line growth. We create, manufacture, market and distribute a diversified portfolio of daily-use products to delight consumers with irresistible superiority across five key vectors - product performance, packaging, brand communication, retail execution and value. We invest in research and development and consumer insights to invent new categories or products and innovate our existing products, ensuring they meet evolving consumer needs and preferences. We leverage marketing strategies including advertising, promotions and endorsements to drive brand awareness and loyalty among consumers. The Company utilizes various distribution channels, including retail stores, e-commerce platforms and direct-to-consumer platforms to deliver our products. Our business model relies on continued productivity improvements to fuel investments in R&D; and marketing and deliver value creation. Our objective is to deliver sustainable and balanced top- and bottom-line growth while serving the needs of all stakeholders — consumers, customers, employees, society and shareowners.

Information on key product categories can be found in the MD&A; and Note 2 to our Consolidated Financial Statements.

Our 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. We also sell direct to consumers. Sales to Walmart Inc. and its affiliates represent approximately 16% of our total sales in 2024 and 15% in 2023 and 2022. No other customer represents more than 10% of our total sales. Our top ten customers accounted for 42% of our total net sales in 2024, 40% in 2023 and 39% in 2022.

Almost all of the raw and packaging materials used by the Company are purchased from third parties, some of whom are single-source suppliers. We produce certain raw materials, primarily chemicals, for further use in the manufacturing process. In addition, fuel, natural gas and derivative products are important commodities consumed in our manufacturing processes and in the transportation of input materials and finished products. The prices we pay for materials and other commodities are subject to fluctuation. When prices for these items change, we may or may not pass the change to our customers. The Company purchases a substantial variety of other raw and packaging materials, none of which are material to our business taken as a whole.

We own or have rights to patents and trademarks, which are used in connection with our activity in all businesses. Our patents cover a range of product features, including significant product formulation and processes used to manufacture our products. The trademarks are important to the overall marketing and branding of our products. In part, our success can be attributed to the existence and continued protection of these trademarks and patents.

The markets in which our products are sold are highly competitive. Our products compete against similar products from a broad range of companies, both large and small, both established and new, including well-known global competitors. In many of the markets and industry segments, we compete against other branded products as well as retailers' private-label brands. In this highly competitive setting, we are well positioned in the industry segments and markets in which we operate, often holding a leadership or significant market share position. Our integrated strategy and our focus on driving superiority across product, packaging, brand communication, retail execution and value are key differentiators in the marketplace.

2. Financial Analysis

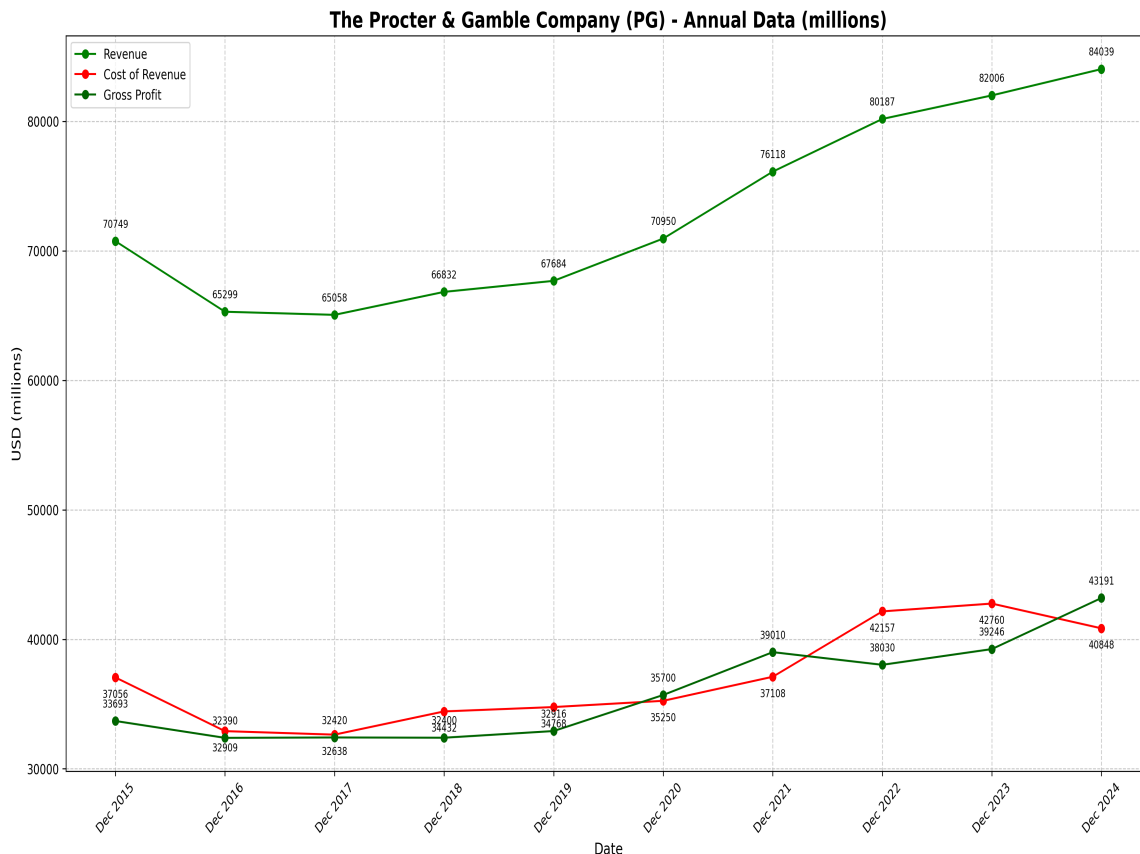
The Procter & Gamble Company's financial performance in recent years showcases its resilience and ability to navigate dynamic market conditions. Over the past decade, the company has demonstrated steady revenue growth, driven by strategic pricing actions, product innovation, and a focus on key categories such as healthcare, fabric and home care, and grooming.

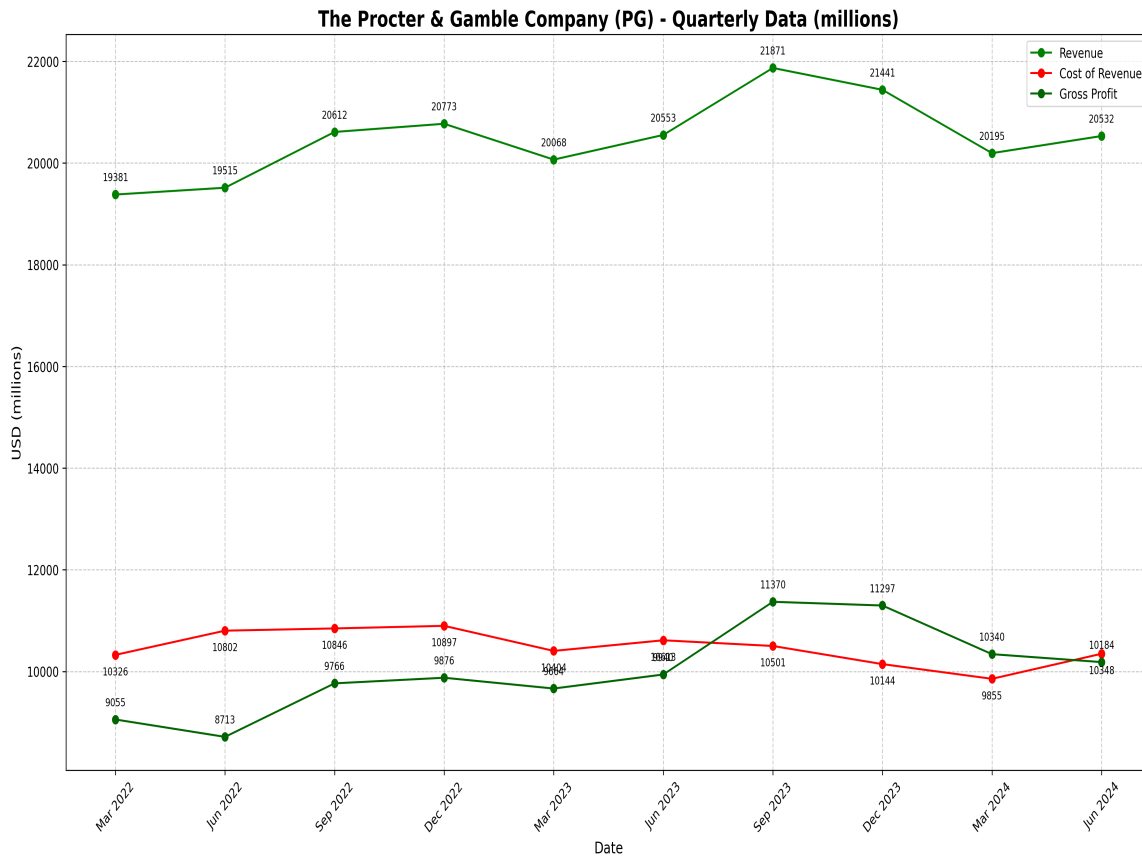
A deeper dive into the company's income statements reveals a consistent gross margin expansion, fueled by manufacturing productivity savings, lower commodity costs, and favorable pricing strategies. Despite increased marketing spending and overhead costs, P&G; has successfully managed its operating expenses, maintaining a stable operating margin. This indicates the company's efficiency in resource allocation and its commitment to balancing investments in growth with cost control measures.

Analyzing P&G;'s balance sheets highlights its strong financial foundation. The company boasts a substantial asset base, encompassing significant investments in property, plant and equipment, goodwill, and intangible assets. These assets underpin P&G;'s ability to generate consistent cash flow from operations. Moreover, the company's conservative debt management practices have resulted in manageable debt levels, further bolstering its financial stability.

Examination of P&G;'s cash flow statements underscores its robust cash generation capabilities. The company consistently generates significant cash flow from operating activities, providing ample resources to fund its operations, capital expenditures, dividend payments, and share repurchases. This consistent cash flow generation has enabled P&G; to maintain a strong liquidity position, ensuring its ability to meet short-term obligations and pursue strategic investments.

Overall, P&G;'s financial data paints a picture of a company with a proven track record of success, a strong financial position, and a solid strategy for sustained value creation. Its consistent revenue growth, margin expansion, and cash flow generation have positioned P&G; to weather economic uncertainties and deliver strong returns to its investors.





BALANCE SHEET, 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

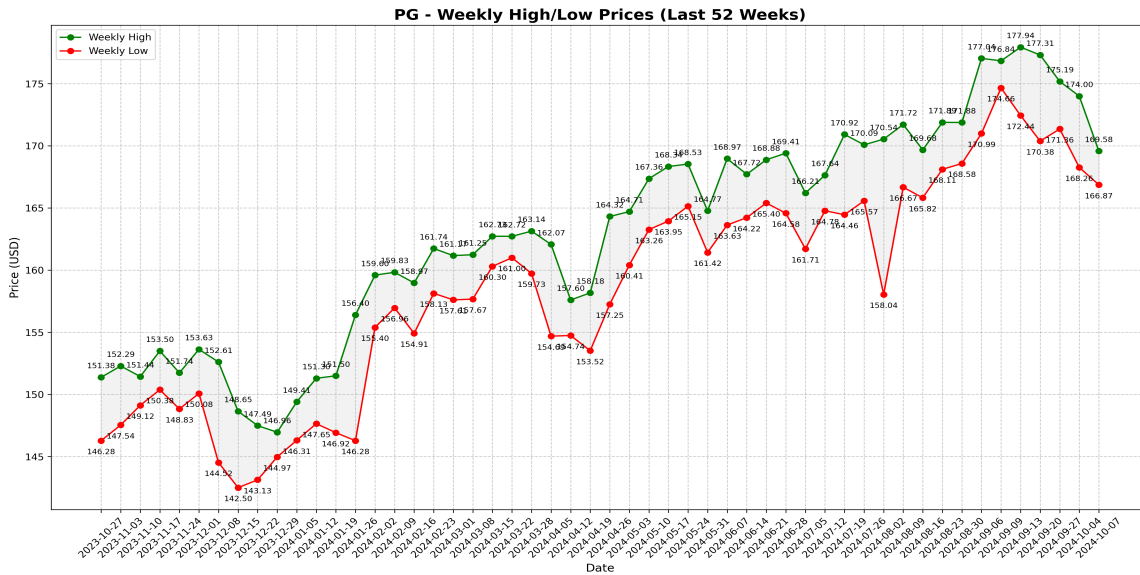
(* millions, except EPS and dividend)

BALANCE SHEET, 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



Over the past 52 weeks, Procter & Gamble's stock price has exhibited a steady upward trajectory, reflecting investor confidence in the company's resilience and ability to deliver consistent growth amid a volatile macroeconomic environment. The stock's price action reveals a series of higher highs and higher lows, forming a clear uptrend channel that signals sustained buying pressure and a positive market sentiment.

Technical indicators further support the bullish outlook for P&G.; The 50-day and 200-day moving averages, widely used trend-following indicators, have acted as strong support levels, preventing significant price declines and confirming the strength of the uptrend. Furthermore, the relative strength index (RSI), a momentum oscillator, has remained within a healthy range, indicating the absence of overbought or oversold conditions.

While the stock has experienced occasional pullbacks, these have been shallow and short-lived, with buyers quickly stepping in to support the price. This demonstrates the strong underlying demand for P&G; shares and the willingness of investors to hold the stock for the long term.

Volume analysis also provides positive signals. During periods of price advances, trading volume has generally been higher, indicating strong conviction behind the buying pressure. Conversely, during pullbacks, volume has been lower, suggesting a lack of selling pressure.

Overall, the technical analysis of P&G;'s stock price suggests a continuation of the uptrend. The stock's consistent price action, supportive technical indicators, and positive volume dynamics point towards further price appreciation in the coming months.

4. Current Media Coverage & Stories

Procter & Gamble has been featured prominently in recent news headlines, with stories covering a wide range of topics related to the company's operations, strategies, and industry trends. The headlines reflect P&G's position as a global leader in the consumer goods industry and its commitment to addressing key challenges such as sustainability, innovation, and digital transformation.

Several headlines highlight P&G's focus on environmental sustainability, a growing concern for consumers and investors alike. Reports discuss the company's 2040 net zero ambition, its efforts to reduce greenhouse gas emissions, and its initiatives to develop more sustainable packaging solutions. These headlines demonstrate P&G's commitment to aligning its business practices with evolving societal expectations and to reducing its environmental footprint.

Other headlines focus on P&G's innovation efforts, showcasing the company's drive to develop new products and improve existing ones to meet changing consumer needs and preferences. Articles discuss P&G's investments in research and development, its partnerships with technology companies, and its efforts to leverage digital tools and artificial intelligence to accelerate product development. These headlines underscore P&G's recognition of the importance of innovation in maintaining its competitive edge and driving long-term growth.

Furthermore, headlines highlight P&G's efforts to embrace digital transformation, adapting its business model to the evolving digital landscape. Reports discuss the company's initiatives to enhance its e-commerce capabilities, its investments in digital marketing and advertising, and its efforts to leverage data analytics to better understand consumer behavior. These headlines demonstrate P&G's recognition of the importance of digital tools and technologies in reaching consumers effectively and driving sales growth in the digital age.

In addition to these overarching themes, headlines also cover specific product launches, corporate announcements, and industry events, providing a comprehensive overview of P&G's activities and its impact on the consumer goods landscape.

5. Financial vs. Stock vs. Media Coverage Situations

The media's portrayal of Procter & Gamble aligns well with the company's strong financial performance and the steady upward movement of its stock price over the past year. Headlines highlighting P&G's focus on sustainability, innovation, and digital transformation resonate with the company's strategic initiatives and its commitment to long-term value creation.

The positive media coverage, combined with P&G's consistent financial results, has likely contributed to the bullish sentiment surrounding the stock. Investors are drawn to companies that demonstrate adaptability, a commitment to sustainability, and a focus on innovation, qualities that are prominently showcased in the media's coverage of P&G.

The stock's upward trend, characterized by higher highs and higher lows, suggests that investors are pricing in the company's ability to execute on its strategic priorities and deliver consistent growth in the years ahead. The absence of significant pullbacks, coupled with supportive technical indicators, further reinforces the positive outlook for P&G.

However, it's important to note that the media's narrative can sometimes be influenced by short-term events or market sentiment. While the current media coverage of P&G is generally positive, it's essential to consider a range of perspectives and analyze the company's financials and strategic positioning independently to form a well-informed investment thesis.

6. Industry Analysis

The consumer goods industry, of which Procter & Gamble is a leading player, is a dynamic and highly competitive landscape characterized by evolving consumer preferences, technological advancements, and a growing focus on sustainability. Drivers of industry growth include rising disposable incomes in emerging markets, increasing demand for premium and innovative products, and the expanding reach of e-commerce.

However, the industry also faces significant headwinds, including intensifying competition from both established multinational corporations and emerging local players, rising input costs due to inflation and supply chain disruptions, and evolving regulatory landscapes, particularly regarding environmental sustainability and data privacy.

Within this competitive environment, P&G is well-positioned, boasting a strong portfolio of leading brands, a global presence, and a robust track record of innovation. The company's focus on key categories, such as healthcare, fabric and home care, and grooming, aligns with consumer demand trends and positions P&G for growth in these high-growth segments.

However, P&G faces competition from formidable rivals, such as Unilever, Nestle, and Colgate-Palmolive. These competitors are also investing heavily in innovation, sustainability, and digital transformation, creating a dynamic and challenging environment.

Furthermore, the industry is subject to stringent regulations, particularly regarding product safety, environmental sustainability, and data privacy. Companies must navigate evolving regulatory frameworks while ensuring compliance with both global and local regulations.

Overall, the consumer goods industry offers both opportunities and challenges. P&G's strong brand portfolio, global reach, and commitment to innovation position it well to compete effectively and capitalize on industry growth opportunities. However, the company must navigate a dynamic and competitive landscape, adapt to evolving consumer preferences, and address growing regulatory pressures to maintain its leadership position.

7. Drivers & Challenges

Procter & Gamble faces a multifaceted landscape of drivers and challenges, reflecting the dynamic nature of the consumer goods industry and the company's position as a global leader. Key drivers of growth for P&G; include its focus on innovation, its commitment to sustainability, and its embrace of digital transformation.

Innovation remains a cornerstone of P&G;'s success. The company's investments in research and development, its partnerships with technology companies, and its efforts to leverage digital tools and artificial intelligence to accelerate product development have enabled P&G; to introduce new products, improve existing ones, and meet evolving consumer needs and preferences. This focus on innovation has enabled P&G; to maintain its competitive edge and drive market share growth.

Sustainability is another key driver for P&G.; The company's 2040 net zero ambition, its efforts to reduce greenhouse gas emissions, and its initiatives to develop more sustainable packaging solutions align with growing consumer demand for environmentally responsible products. P&G;'s commitment to sustainability not only enhances its brand image but also mitigates risks associated with evolving environmental regulations.

Digital transformation is also driving growth for P&G.; The company's investments in e-commerce capabilities, its use of data analytics to understand consumer behavior, and its adoption of digital marketing and advertising strategies have enabled P&G; to adapt to the evolving digital landscape and reach consumers effectively in the digital age. This focus on digital transformation has enabled P&G; to capture growth opportunities in the rapidly expanding e-commerce market.

However, P&G; also faces several challenges, including intensifying competition, rising input costs, and evolving regulatory landscapes. The company must navigate these headwinds strategically to maintain its profitability and sustain its long-term growth trajectory.

8. Bull Case

The confluence of several positive factors paints a compelling bull case for Procter & Gamble. The company's strong financial performance, its strategic focus on innovation, sustainability, and digital transformation, and the favorable technical dynamics of its stock price suggest a continuation of its growth trajectory and further price appreciation.

P&G's consistent revenue growth, margin expansion, and robust cash flow generation provide a solid foundation for future success. Its ability to manage costs effectively, execute strategic pricing actions, and develop innovative products that resonate with consumers positions it well to navigate a competitive landscape and capitalize on growth opportunities.

The company's commitment to sustainability aligns with growing consumer preferences and mitigates risks associated with evolving environmental regulations. P&G's 2040 net zero ambition, its efforts to reduce greenhouse gas emissions, and its initiatives to develop more sustainable packaging solutions are likely to enhance its brand image and attract environmentally conscious consumers.

Furthermore, P&G's embrace of digital transformation positions it to capture growth in the rapidly expanding e-commerce market. The company's investments in e-commerce capabilities, its use of data analytics to understand consumer behavior, and its adoption of digital marketing and advertising strategies have enabled P&G to adapt to the evolving digital landscape and reach consumers effectively in the digital age.

The technical analysis of P&G's stock price further supports the bull case. The stock's steady upward trajectory, its series of higher highs and higher lows, and its supportive technical indicators, such as the 50-day and 200-day moving averages, suggest a continuation of the uptrend. The absence of significant pullbacks and the positive volume dynamics further reinforce the bullish outlook.

9. Bear Case

Despite its strong fundamentals and positive outlook, several factors could contribute to a bear case for Procter & Gamble. Intensifying competition, rising input costs, and evolving regulatory landscapes could erode P&G's profitability and dampen its long-term growth prospects.

While P&G; boasts a strong portfolio of leading brands, it faces formidable competition from both established multinational corporations and emerging local players. The consumer goods industry is characterized by intense competition, with rivals vying for market share through product innovation, aggressive marketing campaigns, and strategic pricing actions. Intensifying competition could erode P&G's pricing power, squeeze its margins, and force it to increase its marketing spending, potentially impacting its profitability.

Rising input costs pose another challenge for P&G.; Inflationary pressures and supply chain disruptions have led to higher prices for raw materials, packaging, energy, and transportation. While P&G; has historically been able to manage these cost pressures through productivity improvements and strategic pricing actions, continued cost increases could erode its margins if it cannot fully offset them.

Furthermore, evolving regulatory landscapes, particularly regarding environmental sustainability and data privacy, could create additional headwinds for P&G.; Compliance with stricter environmental regulations, such as those related to plastic packaging and carbon emissions, could increase P&G's operating costs. Similarly, navigating complex data privacy regulations, such as the General Data Protection Regulation (GDPR), could require significant investments and create potential liabilities.

A bear case for P&G; could emerge if these headwinds intensify, eroding its profitability and dampening its long-term growth prospects. Investors should monitor these factors carefully and assess whether the company can effectively navigate these challenges to maintain its strong financial performance.

10. Forward Valuation

Procter & Gamble's strong financial performance, its strategic focus on innovation, sustainability, and digital transformation, and its consistent track record of delivering value to its investors provide a solid basis for a forward valuation exercise. To assess the intrinsic value of P&G's stock, we will employ four commonly used valuation methodologies: discounted cash flow (DCF), relative valuation (multiples-based), sum-of-the-parts (SOTP), and implied option valuation pricing models. For each method, we will provide both bullish and bearish estimates, reflecting a range of potential outcomes.

The DCF method values a company based on its projected future cash flows, discounted back to their present value. To project P&G's future cash flows, we will consider its historical financial performance, its current strategic initiatives, and our assumptions about future market growth rates, profitability, and capital expenditures. We will employ a range of discount rates, reflecting both bullish and bearish assumptions about the company's risk profile and cost of capital.

The relative valuation method compares P&G's valuation to that of its peers, using a variety of financial multiples, such as price-to-earnings (P/E), price-to-sales (P/S), and enterprise value-to-EBITDA (EV/EBITDA). We will consider a range of multiples, reflecting both bullish and bearish assessments of P&G's relative performance and growth prospects.

The SOTP method values a company by summing the individual values of its constituent businesses or divisions. For P&G, we will consider its five reportable segments: Beauty, Grooming, Health Care, Fabric & Home Care, and Baby, Feminine & Family Care. We will value each segment using a combination of DCF and relative valuation methods, reflecting both bullish and bearish assumptions about their individual performance and growth prospects.

The implied option valuation pricing model incorporates the value of strategic options embedded in a company's operations, such as growth opportunities, product innovation, and market expansion. We will assess the value of these options for P&G, considering both bullish and bearish assumptions about their likelihood of success and their potential impact on the company's cash flows.

By employing these four valuation methodologies and incorporating a range of bullish and bearish assumptions, we aim to provide a comprehensive assessment of P&G's intrinsic value and its potential investment appeal.

11. Executive Summary

Procter & Gamble, a global leader in the consumer goods industry, is navigating a dynamic landscape of opportunities and challenges. The company's focus on innovation, sustainability, and digital transformation is driving growth and enhancing its brand image. However, intensifying competition, rising input costs, and evolving regulatory landscapes pose significant headwinds.

P&G's strategic initiatives align well with consumer demand trends and position it to capitalize on growth opportunities in key categories such as healthcare, fabric and home care, and grooming. The company's investments in research and development, its partnerships with technology companies, and its efforts to leverage digital tools and artificial intelligence are fostering product innovation and driving market share growth.

Furthermore, P&G's commitment to sustainability is attracting environmentally conscious consumers and mitigating risks associated with stricter environmental regulations. Its 2040 net zero ambition, its efforts to reduce greenhouse gas emissions, and its initiatives to develop more sustainable packaging solutions are enhancing its brand reputation and aligning its business practices with evolving societal expectations.

P&G's embrace of digital transformation is enabling it to reach consumers effectively in the digital age and capture growth opportunities in the rapidly expanding e-commerce market. The company's investments in e-commerce capabilities, its use of data analytics to understand consumer behavior, and its adoption of digital marketing and advertising strategies are positioning it to compete effectively in the evolving digital landscape.

Despite these positive developments, P&G faces headwinds from intensifying competition, rising input costs, and evolving regulatory landscapes. The company must navigate these challenges strategically to maintain its profitability and sustain its long-term growth trajectory. Investors should monitor these factors carefully and assess whether P&G can effectively mitigate these risks to continue delivering strong returns.