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P&G RESOURCE

Executive Summary - Earnings Report and Stock Reaction

Procter & Gamble reported earnings for the second quarter of its fiscal 2025 on Wednesday, January 22, beating earnings and revenue estimates during the quarter. On a day during which the S&P 500 (again!) set new record highs, the stock traded 3% higher, delivering the largest intra-day price return since January 2024. Importantly, the positive result reversed a recent downtrend that pulled the stock lower by more than 10% over the last 2 months.

P&G solidly reported 3% organic growth during the quarter despite pausing price hikes, showing the company can importantly continue to deliver volume growth (+2%) across its markets. The result keeps the company on track to meet its full year forecast, which management again reaffirmed.

What We Like

2Q was the first time in over six years in which the company did not implement price increases, yet despite this, the company delivered 2% net income growth during the quarter. Earnings per share (EPS) came in at \$1.88, slightly ahead of consensus expectations. Earnings quality was mixed with gross margins slightly below estimates with benefits from productivity gains.



Focus markets (North America and Europe) each delivered 4% organic sales growth, showing sequential acceleration, which more than offset softness in enterprise markets which were flat in the quarter. Growth was broadly based across categories with 9 of 10 product categories delivering organic sales growth during the quarter. Baby, Feminine & Family Care delivered a solid result with organic sales growth +4%, driven in large part by Feminine and Family Care (Tampax). All categories delivered positive organic growth, notably including Beauty, which increased 2% supported by volume growth in all markets except China. Personal Care was the bright spot within Beauty delivering double-digit volume growth.

What Bears Watching

After years of price increases, consumer spending across the consumer staples sector is feared to be easing, which in large part led to a pause in price increases for P&G. Despite holding prices flat, margins remained strong, albeit slightly lower as enhanced productivity partly offset headwinds from rising input prices and continued product reinvestment. We will continue to closely monitor organic volume growth to drive EPS growth as margins will likely face continued pressure during the year.

Bottom Line

P&G delivered positive top- and bottom-line results that outpaced market expectations. Full year guidance was also reiterated, forecasting 3-5% organic sales growth, and Core EPS growth of 5-7%. Further, P&G returned \$4.9 billion to shareholders during the quarter, including \$2.5 billion through share repurchases. Importantly, management guided to \$16 billion of full year shareholder returns including \$6-\$7 billion of stock buybacks.

The quarter was well received and again showed the Company navigated consumer spending pressures and volatile input pricing. Management remains confident in its greater integrated strategy focused on reinvesting in its core, high quality brands.

Let's talk about maximizing your relationship with Procter & Gamble.

Contact our dedicated Procter & Gamble wealth management team.

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