

# MARINER

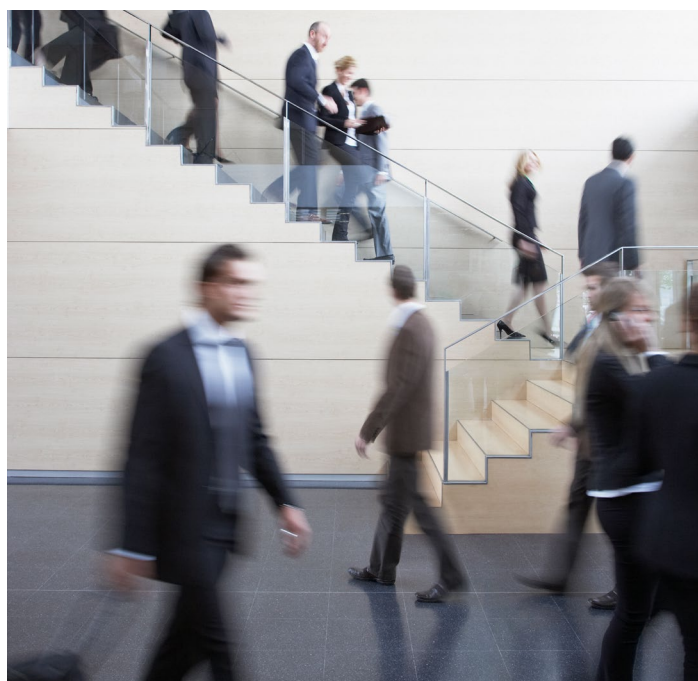
## P&G RESOURCE

# Executive Summary - Earnings Report and Stock Reaction

Procter & Gamble reported earnings for the fourth quarter of its fiscal 2024 on Tuesday, July 30, and its stock opened the day down, declining over 5% in early trading and reaching as low as \$158.04 per share. After several quarters of declining volumes and two quarters of in-line results, P&G reported positive volume growth of 2%. Despite the turnaround in volume growth and the sixth consecutive year of 4% or better organic sales growth, the deceleration in organic sales growth for fiscal 2024 versus previous years has left the market wanting more.

### What We Like

Earnings per share came in above expectations at \$1.40 (versus expectations of \$1.37). Volume has overtaken pricing action in terms of impact on overall organic sales growth in the quarter, with pricing contributing 1% to overall growth. Revenues fell short of Street expectations, coming in at \$20.53 billion versus expectations of \$20.72 billion. With revenues falling short of forecasts, the positive volume growth is a bright spot, as it points to consumers continuing to settle in with the current product pricing. After announcing third quarter results, management raised previous fiscal 2024 core earnings per share growth for fiscal 2024, increasing EPS from 6%-9% to 10%11%.



P&G was able to not only meet their expectations but also exceeded them through strong execution in a volatile environment, posting core earnings per share growth of 12% for the year.

### What Bears Watching

Now that the improvement in volumes overall has been realized after CEO Jon Moeller's predictions earlier in the year, we can shift focus to those business segments that are still trying to recover. The Baby, Feminine & Family Care segment is one to keep an eye on.

After the segment saw volumes decrease by 3% and in-line sales in the third quarter, the fourth quarter saw volumes improve sequentially while sales declined. Newly introduced innovative products within the Baby Care sub-segment should help bolster the broader segment over the next several quarters. However, management will need to be cautious about execution in Europe, as the European consumer is more willing to trade down to private label than the U.S. consumer.

The Street will be focused on how P&G continues to execute throughout the next fiscal year and will be critical of any missteps given revenues falling short of expectations. Management's fiscal 2025 guidance bands perfectly saddle the Street's current expectations that lie at the midpoint, so any changes in volume improvements could greatly influence the Street to modify its expectations for the year.

## Bottom Line

Although the immediate market reaction was negative, P&G delivered decent results during the quarter, and management's outlook for fiscal 2025 remains positive. Despite a \$500 million after-tax headwind due to unfavorable commodity costs and foreign exchange, management issued fiscal 2025 guidance that is expected to play out like fiscal 2024.

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