

# Procter & Gamble Company

**US CORE HOLDING\***

Recommended since 18.12.15

26.11.2024



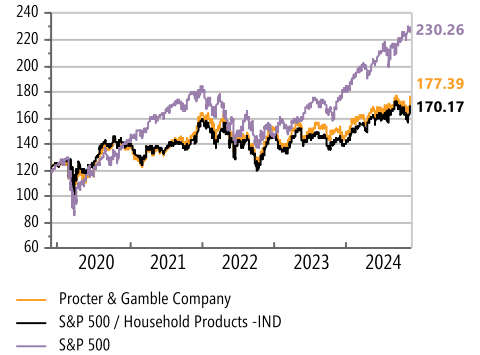
<b>Country</b> US	<b>Market capitalization (bn)</b> USD 417,8	<b>Perf. since reco. (%)</b>
<b>Sector</b> Personal & Household Goods	<b>Free float</b> 99,9%	Procter & Gamble Company 127,0
<b>Factset</b> PG-US	<b>Closing price</b> USD 177,39	Sector 93,8
<b>ISIN</b> US7427181091	<b>ESG Risk score*</b> 25,1	Medium risk



\*From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

## Profile

Procter & Gamble is a US multinational specialising in fast-moving consumer goods (hygiene / beauty products) and one of the industry leaders. Innovative in laboratory research, market research and advertising, P&G acquired Wella in 2003 and Gillette in 2005 before selling 20% of its Beauty business (perfume / hair colouring) to Coty in 2015. In 2018, P&G acquired Merck's dietary supplement business. In 2019, the company sold the Fluocaril and Parongencyl brands to Unilever.



Source: Factset

## Market - competition - positions - barriers to entry

The world market for Home and Personal Care products is buoyant (up 3-4% a year) and profitable. P&G owns 24 brands with a turnover in excess of USD 1 billion each: Olay, Oil of Olaz, Pantene, Head & Shoulders, Vidal Sassoon, Crest, Fluocaril, Gillette, Oral B, Vicks, Ariel, Tide, Pampers, Always... Its main competitors are L'Oréal, Colgate, Unilever, Beiersdorf.

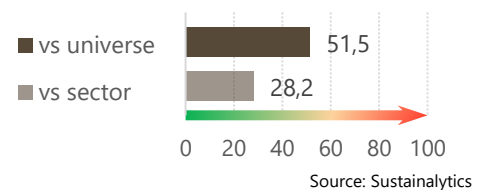
## Investment case

- In a global Home & Personal Care market that has been growing at +3-4% a year for over 20 years, P&G relies on 24 brands with a strong identity and a solid strategy, enabling it to outperform its peers. Furthermore, the Group benefits from a strong presence in North America and Europe (74% of sales), as well as from expansion in emerging markets (26% of sales), with low cosmetics penetration, strong demographic expansion and wealth creation.
- P&G strategy, which has proved itself over the last two years, is based on five pillars: 1/ Portfolio : a targeted portfolio of 10 categories used on a daily basis, for which performance determines consumers' choice of brand. The aim is to create value for the consumer ; 2/ Superiority : offering superiority in product, packaging, communication, sales execution and value. This implies constant innovation, in-depth consumer knowledge and a targeted marketing strategy ; 3/ Productivity : improving productivity across the entire supply chain, from manufacturing to logistics, enabling investments to be financed ; 4/ Constructive breakthrough : driving change within the value chain to create new trends, technologies and capabilities that will strengthen the group's competitive edge ; 5/ Organization : establishing an empowered, agile and responsible organization to better adapt to market changes.
- This strategic model, adopted at the end of 2022, has enabled the Group to outperform its underlying market, gaining market shares in all its categories, and to improve margins, benefiting from productivity gains. The long-term targets, reiterated at the Investor Day at the end of 2024, confirm the continuation of this trend: 1/ deliver organic growth outstripping the market; 2/ improve operating margin by 30-70pb; and 3/ generate EPS growth of 5-9%/year.

## ESG - risks and key points

- P&G has an average risk of suffering significant financial impacts related to ESG factors due to its average exposure and management of relevant issues.
- Its reputedly strong corporate governance reduces its overall risk.
- P&G is experiencing controversies over its dominant position (anticompetitive), ethics (animal testing), environmental impacts of products (sustainability / packaging waste / human rights in procurement).

## ESG risk vs. universe & sector (percentile)\*



Source: Sustainalytics

## Valuation\*\* in USD

Current price	Value Bordier Scenario
177	205

Our scenario assumes US 10-year yields of 3.5% ; sales growth of 4%/year ; and an EBIT margin improvement of 30pb/year to 26,5% in 2031, followed by stabilization at the end of the period.

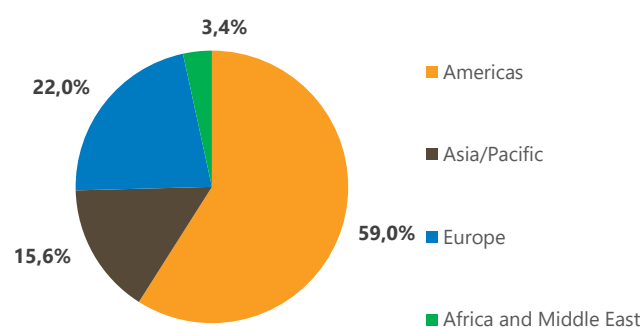
\*\* The theoretical value reflects the company's business model, our baseline growth and profit scenario and market data, exogenous to the company (risk-free rate and equity risk premium). It does not in itself constitute a target price.

"Bordier Core Holding" indicators

In millions of USD	2023	2024	2025e	2026e	2027e
Sales revenue	82 006	84 039	86 560	90 023	93 623
Sales growth %	1,0%	2,0%	3,0%	4,0%	4,0%
o/w organic	6,0%	4,0%	4,0%	4,0%	4,0%
o/w perimeter	0,0%	0,0%	0,0%	0,0%	0,0%
o/w forex	-5,0%	-2,0%	-1,0%	0,0%	0,0%
EBITDA	21 158	22 782	24 410	25 656	26 964
% of sales	25,8%	27,1%	28,2%	28,5%	28,8%
EBIT	18 134	18 545	21 380	22 506	23 687
% of sales	22,1%	22,1%	24,7%	25,0%	25,3%
Adjusted EPS	5,90	6,59	6,98	7,34	7,73
Adjusted EPS growth	-3,5%	11,6%	5,9%	5,2%	5,2%
FCF/Sales	16,8%	19,7%	18,5%	18,5%	18,7%
Dividend yield	2,1%	2,2%	2,3%	2,4%	2,9%
ROCE - WACC	12,9%	14,5%	15,6%	16,3%	17,1%
ROE (%)	31,3%	29,6%	33,2%	30,2%	27,7%
Net debt/Ebitda	124,6%	103,8%	96,7%	65,2%	35,1%

Source: Factset, Bordier estimates

Sales breakdown - 06/2024



Ratios

	S&P 500	
	Procter & Gamble Company	Market
PE (x)***	Household Products	S&P 500
	2024	23,4
	2025e	25,1
	2026e	21,9
P/B (x)***	2024	4,7
	2025e	5,1
	2026e	4,6
	<b>Beta (2Y, daily) vs market:</b>	0,36

\*\*\*) The valuation ratios set out are provided for information only. They do not constitute the criteria based upon which Core Holdings are selected, and may present significant premi-ums representing the quality of the company's business model.

Governance and ownership structure

Since 2021 - CEO Jon R. Moeller

Key shareholders (if any):

-

Any special characteristics of ownership (multiple voting rights, controlling holding company, shareholders' agreements, etc.):

None

Agenda

22 Jan. 2025 : Q2 results

Glossary

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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