

Earnings Release

Q2 FY 2023 Results
January 19, 2023



WELL-POSITIONED FOR THE FUTURE

Baby	Fern	Family	Fabric	Home	Hair	SPC	Grooming	Oral	PNC
	<i>always</i>					SK-II	<i>Gillette</i>	<i>Crest</i>	
						OLAY	<i>Veritas</i>	<i>Oral-B</i>	
						<i>Clay</i>			
									
									

PERFORMANCE DRIVES BRAND CHOICE



**EMPOWERED • AGILE
ACCOUNTABLE**



TO WIN WITH CONSUMERS



ACROSS OUR BUSINESS



TO FUEL INVESTMENTS





Business Results

Q2 FY 2023



Q2 FY 2023 HIGHLIGHTS

Execution of our integrated strategies continued to yield good results in the October – December quarter.

Organic Sales grew 5% driven by pricing.

Growth was broad-based across business units, with each of our 10 product categories growing or holding organic sales.

Global aggregate market share was in-line with prior year, with 27 of our top 50 category/country combinations holding or growing share.

Core earnings per share declined 4% versus the prior year. Excluding foreign exchange, core earnings per share grew 5%.



Q2 FY 2023 RESULTS

Q2 FY '23

Organic Sales Growth

+5%

Organic Volume Growth

-6%

EPS Growth

-4%

Currency Neutral
EPS Growth

+5%

Adjusted Free Cash
Flow Productivity

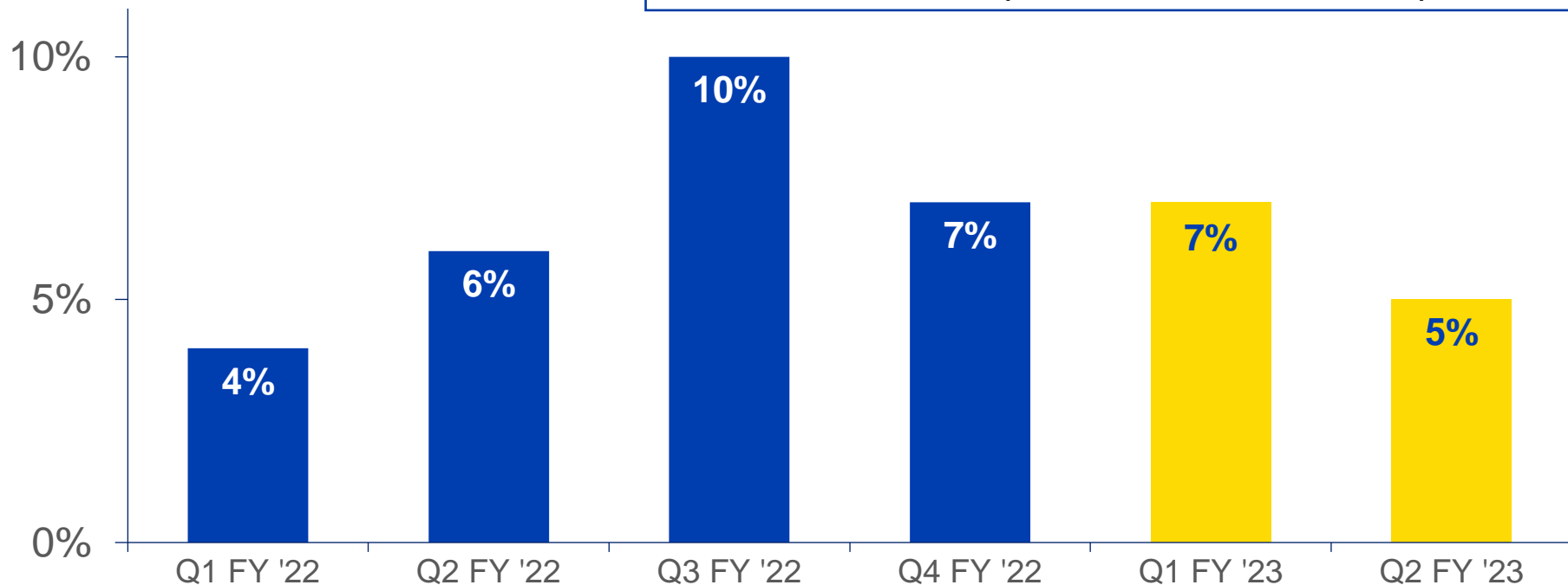
72%



ORGANIC SALES GROWTH

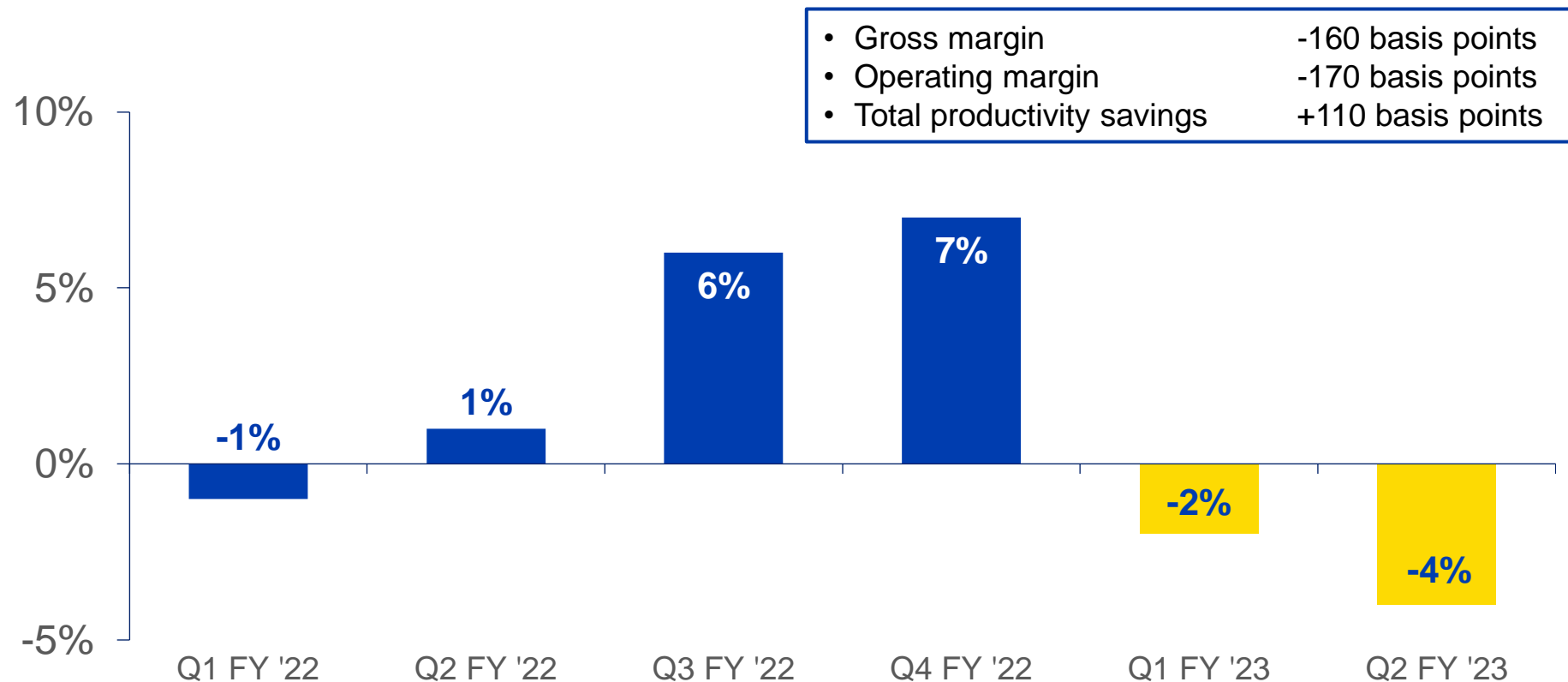
Q2 FY 2023 RESULTS

Pricing contributed 10 points to organic sales growth.
Mix contributed 1 point. Volume declined 6 points.



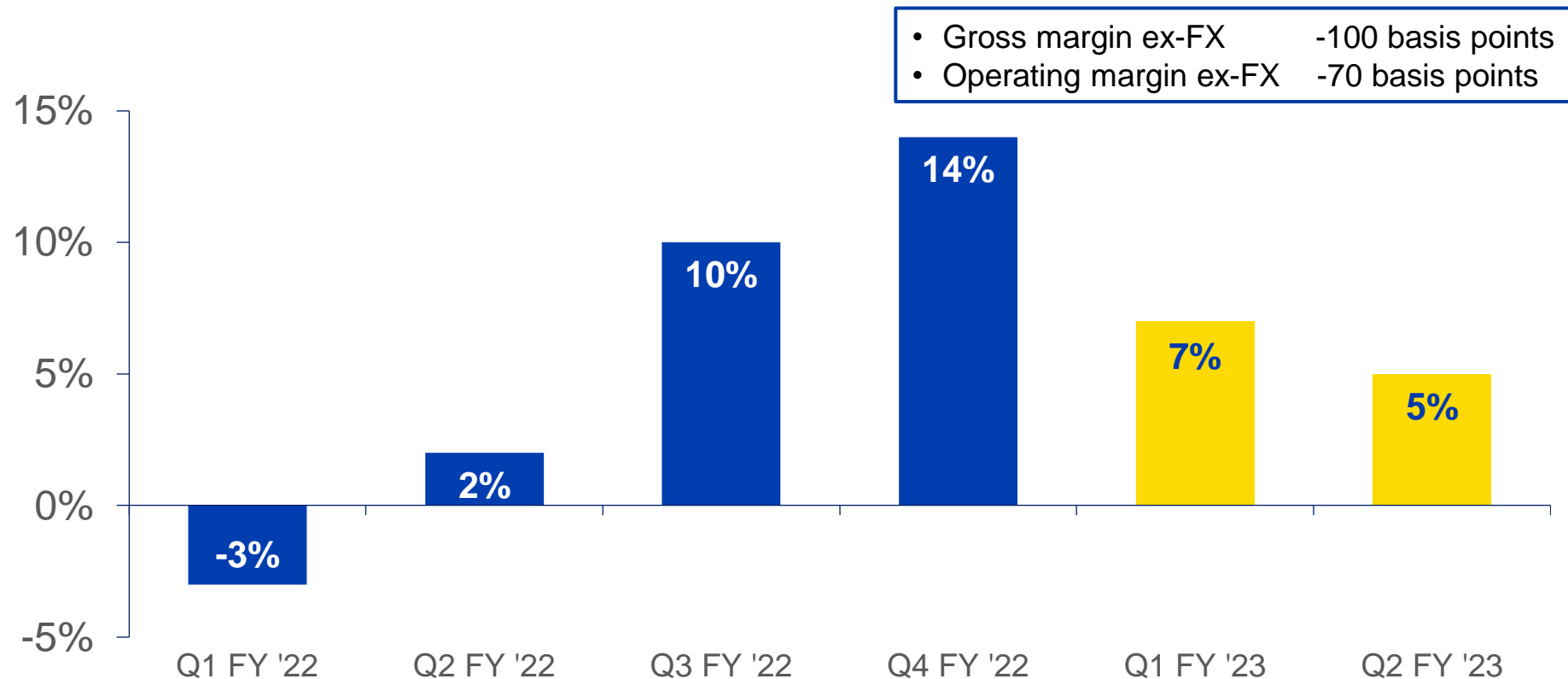
CORE EPS GROWTH

Q2 FY 2023 RESULTS



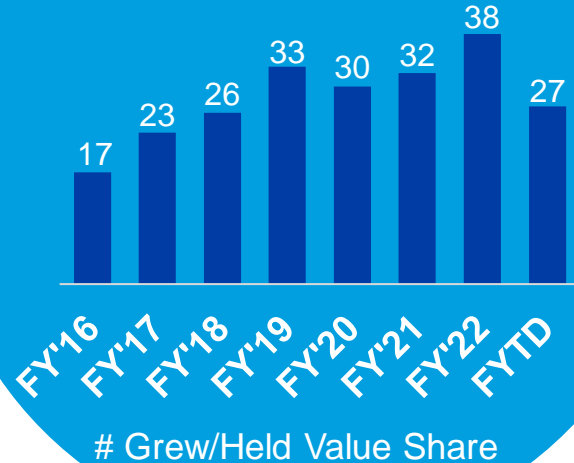
CURRENCY NEUTRAL CORE EPS GROWTH

Q2 FY 2023 RESULTS

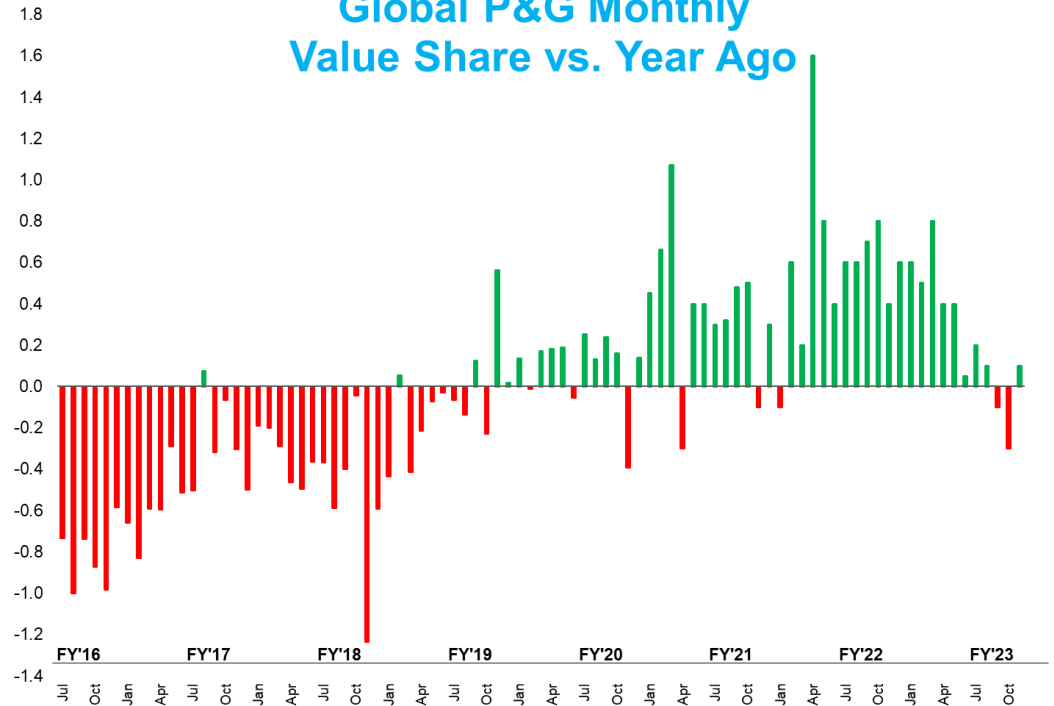


GLOBAL MARKET SHARES

TOP 50 Category/ Country Combinations



Global P&G Monthly Value Share vs. Year Ago



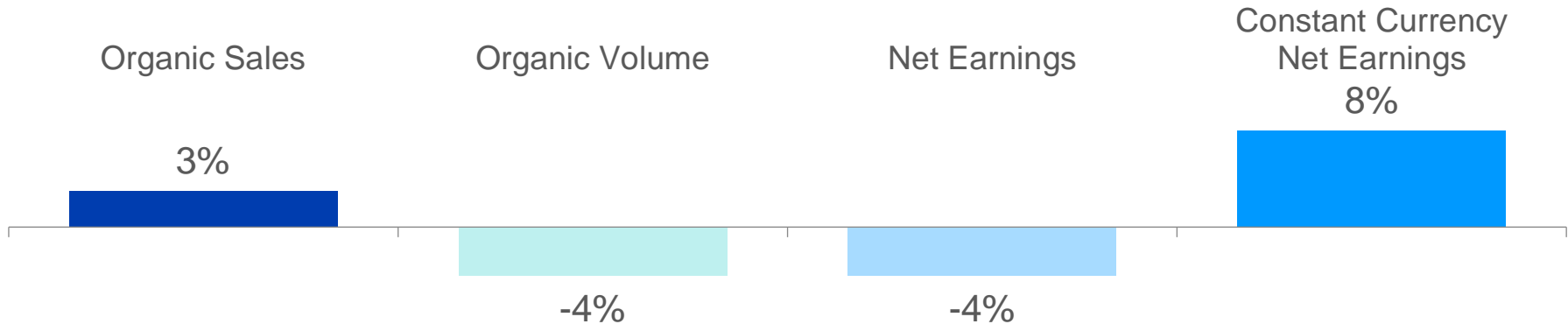
Business Segment Results & Highlights

Q2 FY 2023



Q2 FY 2023 RESULTS

BEAUTY SEGMENT



- Topline: +9% Pricing, -2% Mix, -4% Volume
- Share: Global Skin & Personal Care value share increased 1.2 points and Global Hair Care value share decreased 1 point versus year ago.
- Net Earnings: Pricing help and marketing efficiencies more than offset by mix, foreign exchange and commodities / input material prices.

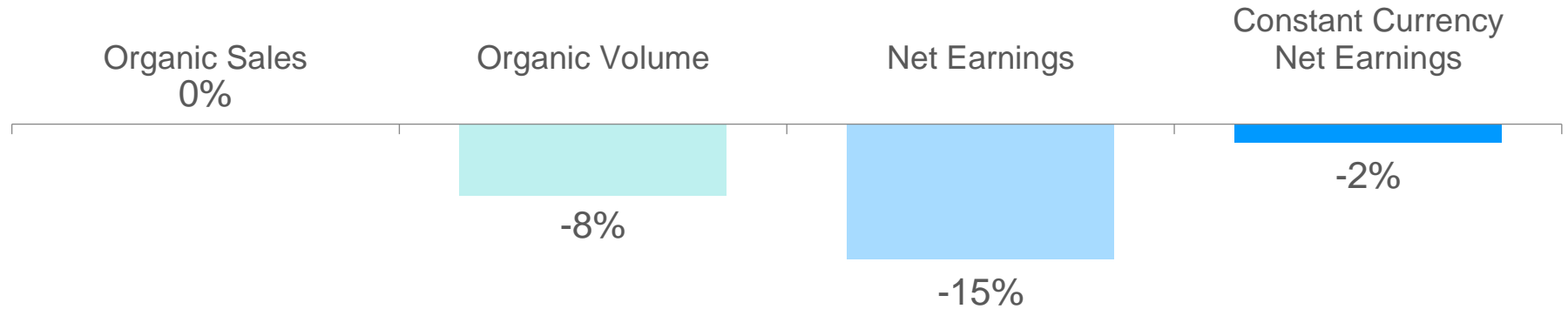
Q2 FY 2023 RESULTS

BEAUTY HIGHLIGHTS

- Hair Care organic sales increased mid-single digits versus year ago. Latin America grew high-teens driven by pricing. North America and Europe grew high single digits behind pricing and innovation. This was partially offset by a mid-single digit decline in Greater China related to market contraction.
- Skin & Personal Care organic sales increased low single digits versus year ago. Personal Care grew double-digits. This was partially offset by a high single digit decline in Skin Care.
- Within Skin Care, SK-II continued to be heavily impacted by COVID related disruptions, particularly in China and Travel Retail.

Q2 FY 2023 RESULTS

GROOMING SEGMENT



- Topline: +11% Pricing, -3% Mix, -8% Volume
- Share: Global Grooming value share increased 0.8 points versus year ago.
- Net Earnings: Pricing benefit more than offset by mix, foreign exchange and commodities / inflation.

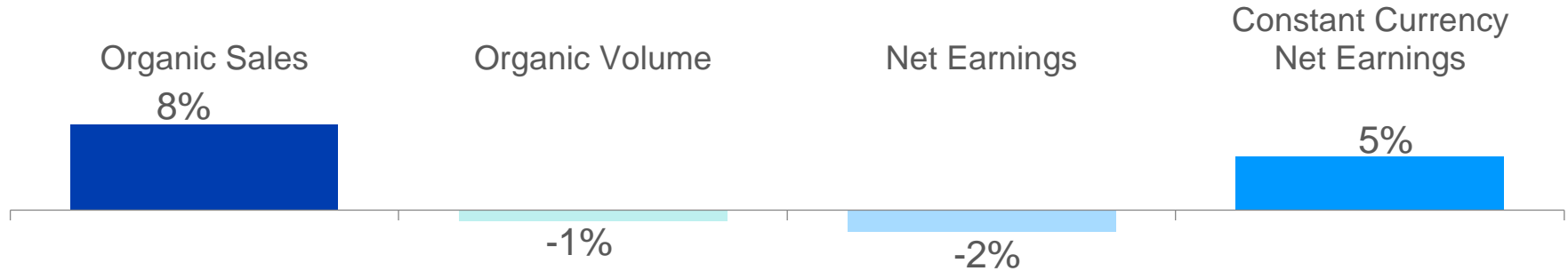
Q2 FY 2023 RESULTS

GROOMING HIGHLIGHTS

- Grooming organic sales were in line with FY '22.
- Both Male Blades & Razors and Female Blades & Razors grew mid-single digits versus year ago. Topline strength was driven by pricing. This was offset by a decline in Appliances, behind market contraction and retailer inventory de-stocking.

Q2 FY 2023 RESULTS

HEALTH CARE SEGMENT



- Topline: +5% Pricing, +4% Mix, -1% Volume
- Share: Global Oral Care value share was in-line with prior year and Personal Health Care value share increased 0.3 points versus year ago.
- Net Earnings: Pricing benefit more than offset by commodities / input material prices and negative gross margin mix.

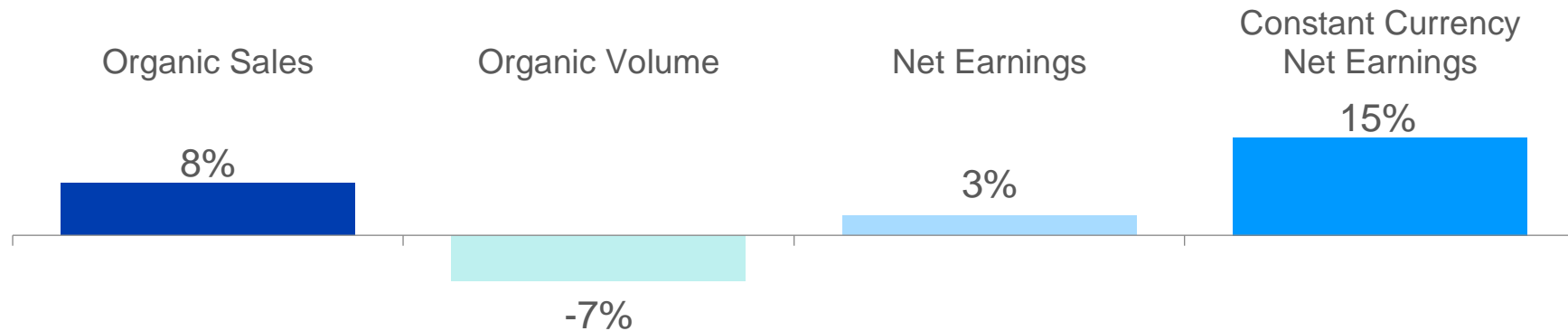
Q2 FY 2023 RESULTS

HEALTH CARE HIGHLIGHTS

- Oral Care organic sales increased low single digits versus year ago driven by premium innovation and pricing, partially offset by a reduced portfolio in Russia and COVID related disruptions in Greater China.
- Personal Health Care organic sales grew high-teens versus year ago behind positive mix, pricing and volume. Vicks grew over 20%, benefitting from strong innovation and a higher respiratory season.

Q2 FY 2023 RESULTS

FABRIC & HOME CARE SEGMENT



- Topline: +13% Pricing, +2% Mix, -7% Volume
- Share: Global Fabric Care value share decreased 1.3 points and Global Home Care value share increased 1.3 points versus year ago.
- Net Earnings: Pricing benefit partially offset by commodities / input material prices and foreign exchange.

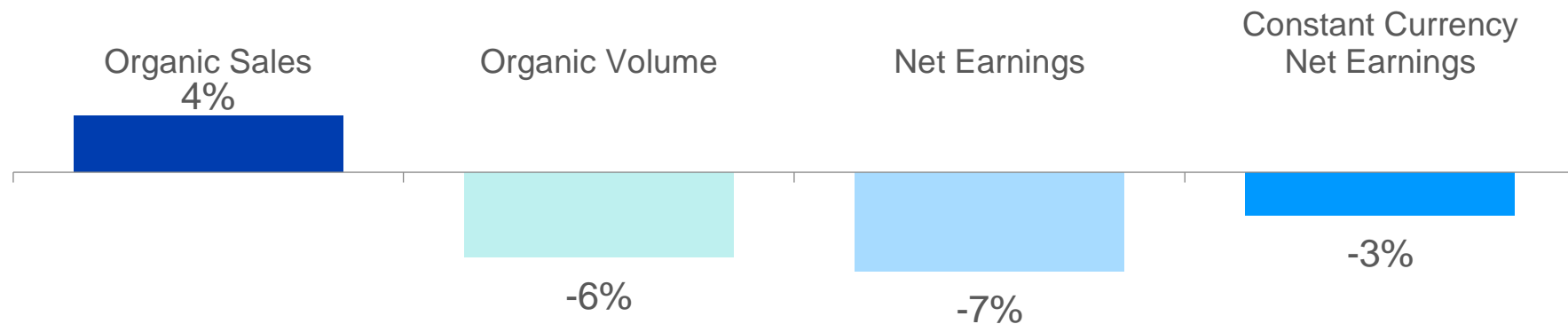
Q2 FY 2023 RESULTS

FABRIC & HOME CARE HIGHLIGHTS

- Fabric Care organic sales increased high single digits versus year ago, driven by pricing and premium innovation. Laundry organic sales increased mid-single digits and Fabric Enhancers increased double digits.
- Home Care organic sales increased high single digits. Dish Care grew high-teens, driven by pricing and premium innovation. This was partially offset by a decline in Surface Care, driven by lower category consumption.

Q2 FY 2023 RESULTS

BABY, FEMININE and FAMILY CARE SEGMENT



- Topline: +8% Pricing, +2% Mix, -6% Volume
- Share: Global Baby Care value share was in-line with prior year, Global Feminine Care share increased 0.5 points and Global Family Care share declined 1.4 points versus year ago.
- Net Earnings: Pricing benefit more than offset by commodities / input material prices.

Q2 FY 2023 RESULTS

BABY, FEMININE and FAMILY CARE HIGHLIGHTS

- Baby Care organic sales increased low-single digits driven by pricing and premium innovation. This was partially offset by volume market contraction and retailer inventory de-stocking.
- Feminine Care organic sales grew high single digits behind pricing and geographic mix. Feminine Care grew or held organic sales in all regions. Adult Incontinence grew organic sales low teens driven by pricing and innovation.
- Family Care organic sales grew low-single digits, driven by pricing and mix, partially offset by category volumes contracting.

FY 2023 Guidance



FY 2023 Guidance

SALES

- **Increased** Organic sales growth to +4% to +5%
- **Increased** All-in sales growth to -1% to 0%
 - Includes a five percent negative impact from foreign exchange

	FY '23
Organic Sales Growth	+4% to +5%
All-in Sales Growth	-1% to 0%

FY 2023 Guidance

EARNINGS PER SHARE

- Core and all-in EPS growth in-line to +4% versus year ago
 - Outlooking \$3.7bn after-tax headwinds from commodity, raw materials, packaging materials, freight & foreign exchange. This represents a \$1.50 per share impact to EPS (26% headwind on EPS growth).
 - Significant headwinds from input costs and foreign exchange keep our current expectations towards the lower end of the guidance range.
- Core effective tax rate approximately 20%

	FY '23	<i>FY '22 Base Period EPS</i>
Core EPS Growth	In-line to +4%	\$5.81
All-in EPS Growth	In-line to +4%	\$5.81

FY 2023 Guidance

CASH GENERATION AND USAGE

- Adjusted Free Cash Flow Productivity: 90%
- Capital Spending, % Sales: ~5%
- Dividends: ~\$9B
- Direct Share Repurchase: \$6 to \$8B

FY 2023 Guidance

POTENTIAL HEADWINDS NOT INCLUDED IN GUIDANCE

- Significant deceleration of market growth rates
- Significant, additional currency weakness
- Significant further commodity and freight cost increases
- Major supply chain disruption or store closures
- Additional geo-political disruptions and economic volatility

ESG RESOURCES

ESG for Investors Website – pginvestor.com/esg



- Climate
- Waste
- Water
- Nature
- TCFD
- SASB
- CDP
- GRI
- UN SDGs



- Equality & Inclusion
- Advocating for Equality
- Policies & Practices
- Community Impact
- Employee Representation
- Board Diversity



- Commitment to Governance
- Risk Oversight & Committee Structure
- Proxy Statement
- Governance Policies
- Tax Principles
- Corporate Structure



Forward Looking Statements

Certain statements in this release or presentation, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result" and similar expressions. Forward-looking statements are based on current expectations and assumptions, which are subject to risks and uncertainties that may cause results to differ materially from those expressed or implied in the forward looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise, except to the extent required by law.

Risks and uncertainties to which our forward-looking statements are subject include, without limitation: (1) the ability to successfully manage global financial risks, including foreign currency fluctuations, currency exchange or pricing controls and localized volatility; (2) the ability to successfully manage local, regional or global economic volatility, including reduced market growth rates, and to generate sufficient income and cash flow to allow the Company to effect the expected share repurchases and dividend payments; (3) the ability to manage disruptions in credit markets or to our banking partners or changes to our credit rating; (4) the ability to maintain key manufacturing and supply arrangements (including execution of supply chain optimizations and sole supplier and sole manufacturing plant arrangements) and to manage disruption of business due to various factors, including ones outside of our control, such as natural disasters, acts of war (including the Russia Ukraine War) or terrorism or disease outbreaks; (5) the ability to successfully manage cost fluctuations and pressures, including prices of commodities and raw materials and costs of labor, transportation, energy, pension and healthcare; (6) the ability to stay on the leading edge of innovation, obtain necessary intellectual property protections and successfully respond to changing consumer habits, evolving digital marketing and selling platform requirements and technological advances attained by, and patents granted to, competitors; (7) the ability to compete with our local and global competitors in new and existing sales channels, including by successfully responding to competitive factors such as prices, promotional incentives and trade terms for products; (8) the ability to manage and maintain key customer relationships; (9) the ability to protect our reputation and brand equity by successfully managing real or perceived issues, including concerns about safety, quality, ingredients, efficacy, packaging content, supply chain practices or similar matters that may arise; (10) the ability to successfully manage the financial, legal, reputational and operational risk associated with third-party relationships, such as our suppliers, contract manufacturers, distributors, contractors and external business partners; (11) the ability to rely on and maintain key company and third-party information and operational technology systems, networks and services and maintain the security and functionality of such systems, networks and services and the data contained therein; (12) the ability to successfully manage uncertainties related to changing political conditions and potential implications such as exchange rate fluctuations and market contraction; (13) the ability to successfully manage current and expanding regulatory and legal requirements and matters (including, without limitation, those laws and regulations involving product liability, product and packaging composition, intellectual property, labor and employment, antitrust, privacy and data protection, tax, the environment, due diligence, risk oversight, accounting and financial reporting) and to resolve new and pending matters within current estimates; (14) the ability to manage changes in applicable tax laws and regulations; (15) the ability to successfully manage our ongoing acquisition, divestiture and joint venture activities, in each case to achieve the Company's overall business strategy and financial objectives, without impacting the delivery of base business objectives; (16) the ability to successfully achieve productivity improvements and cost savings and manage ongoing organizational changes while successfully identifying, developing and retaining key employees, including in key growth markets where the availability of skilled or experienced employees may be limited; (17) the ability to successfully manage the demand, supply and operational challenges, as well as governmental responses or mandates, associated with a disease outbreak, including epidemics, pandemics or similar widespread public health concerns (including COVID-19); (18) the ability to manage the uncertainties, sanctions and economic effects from the war between Russia and Ukraine; and (19) the ability to successfully achieve our ambition of reducing our greenhouse gas emissions and delivering progress towards our environmental sustainability priorities. For additional information concerning factors that could cause actual results and events to differ materially from those projected herein, please refer to our most recent 10-K, 10-Q and 8-K reports.



The Procter & Gamble Company Regulation G Reconciliation of Non-GAAP Measures

In accordance with the SEC's Regulation G, the following provides definitions of non-GAAP measures used in Procter & Gamble's January 19, 2023, earnings call, associated slides, and other materials and the reconciliation to the most closely related GAAP measure. We believe that these measures provide useful perspective on underlying business trends (i.e., trends excluding non-recurring or unusual items) and results and provide a supplemental measure of year-on-year results.

The non-GAAP measures described below are used by Management in making operating decisions, allocating financial resources and for business strategy purposes. These measures may be useful to investors as they provide supplemental information about business performance and provide investors a view of our business results through the eyes of Management. Certain of these measures are also used to evaluate senior management and are a factor in determining their at-risk compensation.

These non-GAAP measures are not intended to be considered by the user in place of the related GAAP measure, but rather as supplemental information to our business results. These non-GAAP measures may not be the same as similar measures used by other companies due to possible differences in method and in the items or events being adjusted.

The Company is not able to reconcile its forward-looking non-GAAP cash flow and effective tax rate measures because the Company cannot predict the timing and amounts of discrete items such as acquisition and divestitures, which could significantly impact GAAP results.

The following measures are provided:

1. Organic sales growth — page 2
2. Core EPS and currency-neutral Core EPS — page 3
3. Core gross margin and currency-neutral Core gross margin — page 3
4. Core operating margin and currency-neutral Core operating margin — page 4
5. Adjusted free cash flow — page 4
6. Adjusted free cash flow productivity — page 4

Organic sales growth: Organic sales growth is a non-GAAP measure of sales growth excluding the impacts of acquisitions and divestitures and foreign exchange from year-over-year comparisons. Management believes this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis.

The Core earnings measures included in the following reconciliation tables refer to the equivalent GAAP measures adjusted as applicable for the following:

- Early debt extinguishment charge: In the three months ended December 31, 2020, the company recorded after tax charges of \$427 million (\$512 million before tax), due to early extinguishment of certain long-term debt. These charges represent the difference between the reacquisition price and the par value of the debt extinguished.

We do not view the above item to be part of our sustainable results, and its exclusion from core earnings measures provides a more comparable measure of year-on-year results. This item is also excluded when evaluating senior management in determining their at-risk compensation.

Core EPS and currency-neutral Core EPS: Core earnings per share, or Core EPS, is a measure of the Company's diluted net earnings per share from continuing operations adjusted as indicated. Currency-neutral Core EPS is a measure of the Company's Core EPS excluding the incremental current year impact of foreign exchange.

Core gross margin and currency-neutral Core gross margin: Core gross margin is a measure of the Company's gross margin adjusted for items as indicated. Currency-neutral Core gross margin is a measure of the Company's Core gross margin excluding the incremental current year impact of foreign exchange.

Core operating margin and currency-neutral Core operating margin: Core operating margin is a measure of the Company's operating margin adjusted for items as indicated. Currency-neutral Core operating margin is a measure of the Company's Core operating margin excluding the incremental current year impact of foreign exchange.

Adjusted free cash flow: Adjusted free cash flow is defined as operating cash flow less capital spending. Adjusted free cash flow represents the cash that the Company is able to generate after taking into account planned maintenance and asset expansion. Management views adjusted free cash flow as an important measure because it is one factor used in determining the amount of cash available for dividends, share repurchases, acquisitions and other discretionary investment.

Adjusted free cash flow productivity: Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings. Management views adjusted free cash flow productivity as useful measures to help investors understand P&G's ability to generate cash. These measures are used by management in making operating decisions, allocating financial resources and for budget planning purposes.

1. Organic sales growth:

Three Months Ended December 31, 2022	Net Sales Growth	Foreign Exchange Impact	Acquisition & Divestiture Impact/Other*	Organic Sales Growth
Beauty	(3)%	8%	(2)%	3%
Grooming	(9)%	9%	—%	—%
Health Care	2%	6%	—%	8%
Fabric Care & Home Care	1%	7%	—%	8%
Baby, Feminine & Family Care	(1)%	5%	—%	4%
Total P&G	(1)%	6%	—%	5%

* Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures and rounding impacts necessary to reconcile net sales to organic sales.

Organic Sales <u>Prior Quarters</u>				
Total Company	Net Sales Growth	Foreign Exchange Impact	Acquisition/ Divestiture Impact/Other*	Organic Sales Growth
Q1 FY 2023	1%	6%	—%	7%
Q4 FY 2022	3%	4%	—%	7%
Q3 FY 2022	7%	3%	—%	10%
Q2 FY 2022	6%	—%	—%	6%
Q1 FY 2022	5%	(1)%	—%	4%

* Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures and rounding impacts necessary to reconcile net sales to organic sales.

Organic Sales <u>Guidance</u>			
Total Company	Net Sales Growth	Combined Foreign Exchange & Acquisition/Divestiture Impact/Other*	Organic Sales Growth
FY 2023 (Estimate)	(1)% to 0%	5%	4% to 5%

* Acquisition & Divestiture Impact/Other includes the volume and mix impact of acquisitions and divestitures and rounding impacts necessary to reconcile net sales to organic sales.



2. Core EPS and currency-neutral Core EPS:

	Three Months Ended December 31	
	2022	2021
Diluted Net Earnings Per Share	\$1.59	\$1.66
<i>Percentage change vs. prior period</i>	(4)%	
<i>Adjustments*</i>	—	—
Core EPS	\$1.59	\$1.66
<i>Percentage change vs. prior period Core EPS</i>	(4)%	
<i>Currency Impact to Earnings</i>	0.16	
Currency-Neutral Core EPS	\$1.75	
<i>Percentage change vs. prior period Core EPS</i>	5%	

* For the three months ended December 31, 2022, compared with the three months ended December 31, 2021, there are no adjustments to or reconciling items for diluted net earnings per share.

Core EPS and Currency-Neutral Core EPS

Prior Quarters

	Q1 FY 2022	Q1 FY 2021	Q2 FY 2022	Q2 FY 2021	Q3 FY 2022	Q3 FY 2021	Q4 FY 2022	Q4 FY 2021	Q1 FY 2023	Q1 FY 2022
Diluted Net Earnings Per Share	\$1.61	\$1.63	\$1.66	\$1.47	\$1.33	\$1.26	\$1.21	\$1.13	\$1.57	\$1.61
<i>Early Debt Extinguishment</i>				0.16						
<i>Rounding</i>				0.01						
Core EPS	\$1.61	\$1.63	\$1.66	\$1.64	\$1.33	\$1.26	\$1.21	\$1.13	\$1.57	\$1.61
<i>Percentage change vs. prior period</i>	(1)%		1%		6%		7%		(2)%	
<i>Currency Impact to Earnings</i>	(0.03)		0.02		0.05		0.08		0.16	
Currency-Neutral Core EPS	\$1.58		\$1.68		\$1.38		\$1.29		\$1.73	
<i>Percentage change vs. prior period Core EPS</i>	(3)%		2%		10%		14%		7%	

Note – All reconciling items are presented net of tax. Tax effects are calculated consistent with the nature of the underlying transaction

3. Core gross margin and currency-neutral Core gross margin:

	Three Months Ended December 31	
	2022	2021
Gross Margin	47.5%	49.1%
<i>Basis point change vs. prior year gross margin</i>	(160)	
<i>Adjustments*</i>	—	—
Core Gross Margin	47.5%	49.1%
<i>Basis point change vs. prior year Core gross margin</i>	(160)	
<i>Currency Impact to Margin</i>	0.6%	
Currency-Neutral Core Gross Margin	48.1%	
<i>Basis point change vs prior year Core gross margin</i>	(100)	

* For the three months ended December 31, 2022, compared with the three months ended December 31, 2021, there were no adjustments to or reconciling items for gross margin.



4. Core operating margin and currency-neutral Core operating margin:

Three Months Ended December 31	
2022	2021
23.0%	24.7%
(170)	
—	
23.0%	24.7%
(170)	
1.0%	
24.0%	
(70)	

Operating Margin

Basis point change vs. prior year operating margin

Adjustments*

Core Operating Margin

Basis point change vs. prior year Core operating margin

Currency Impact Margin

Currency-Neutral Core Operating Margin

Basis point change vs. prior year Core operating margin

* For the three months ended December 31, 2022, compared with the three months ended December 31, 2021, there were no adjustments to or reconciling items for operating margin.

5. Adjusted free cash flow (dollar amounts in millions):

Three Months Ended December 31, 2022		
Operating Cash Flow	Capital Spending	Adjusted Free Cash Flow
\$3,574	\$(708)	\$2,866

6. Adjusted free cash flow productivity (dollar amounts in millions):

Three Months Ended December 31, 2022		
Adjusted Free Cash Flow	Net Earnings	Adjusted Free Cash Flow
\$2,866	\$3,959	72%