

EXECUTIVE SUMMARY

Earnings Report and Stock Price Reaction

August 2, 2019

P&G delivered impressive Q4 and fiscal year results. We saw broad growth across the portfolio with all 10 global categories growing organic sales. Management guided for organic sales growth of +3-4 percent and EPS growth of +4-9 percent for fiscal 2020. These all point to continued momentum in the business, driving the stock up 3.8 percent the day of the report.

What We Liked

It is becoming increasingly evident the organizational changes and productivity driven investments are starting to pay off. Market share has been improving for eight consecutive quarters. Thirty three of the top 50 category country combinations are holding or growing value share in fiscal 2019, compared to 26 in fiscal 2018. But more importantly, in our view, the market share gains were accompanied with strong category growth, which should lead to a more rational competitive environment. The results speak for themselves, and management's guidance for the year points to continued improvement.

What Bears Watching

Procter made it very clear that they expect a competitive response but have accounted for this in their guidance. We think this issue, and the interrelated tradeoff between investing to drive topline growth and market share versus margin improvement, will continue to be a delicate balancing act. Currently, P&G appears to have the



right formula. We also think there is work to do in several areas: China hair care, U.S. baby care and grooming are all areas worth watching closely, and if executed properly, could represent upside to future results.

Bottom Line

We liked what we saw this quarter and appreciate management's sober but upbeat tone about the coming year. We think 2019 was an inflection point for organic growth and we look to see fiscal 2020 as a year of improved profitability.

Sources: P&G earnings [press release](#) and [conference call](#).

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