

# EXECUTIVE SUMMARY

## Earnings Report and Stock Price Reaction

October 24, 2019

Beat and raise is a great start to the year! Procter & Gamble's stock rose 2.6 percent after posting very strong Q1 results, beating analyst expectations on both the top and bottom line. The reported 7 percent organic sales growth was very robust and broad-based with every global category reporting organic sales growth. On the back of these strong results, management raised their guidance for organic sales growth, core EPS growth and free cash flow productivity.

### What We Liked

In the last newsletter we pointed to fiscal 2020 being the year for improved profitability; this quarter showed that in spades. Operating margins expanded by 260 basis points. In addition, we were encouraged to see topline growth was largely driven by mix and volume as opposed to price. This is important because as P&G begins to annualize last year's pricing actions, there was a risk that top line momentum would slow. This quarter price was only 1 percent which implies a manageable headwind as they progress through the year. Furthermore, P&G continues to gain market share

### What Bears Watching

There aren't many negatives to call out this quarter. Management seemed quite confident in the business momentum, but frequently reminded investors they expect a competitive response and are facing more difficult comparisons as they progress through the rest of the year.



The competitive response seems to be the biggest risk as several of P&G's peers have new leadership and are telegraphing their willingness to invest more heavily in the business.

### Bottom Line

This was an outstanding quarter and evidence that many of the changes made over the past several years are paying off. Despite the risks of an increased competitive response and more difficult comparisons as the year progresses, we believe P&G is in a position of strength to build on their recent success.

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

Mariner Wealth Advisors is not affiliated with Procter & Gamble. Any reference to them should not be construed as endorsement by either party.

Mariner, LLC dba Mariner Wealth Advisors ("MWA"), is an SEC registered investment adviser with its principal place of business in the State of Kansas. Registration of an investment adviser does not imply a certain level of skill or training. MWA is in compliance with the current notice filing requirements imposed upon registered investment advisers by those states in which MWA maintains clients. MWA may only transact business in those states in which it is notice filed or qualifies for an exemption or exclusion from notice filing requirements. Any subsequent, direct communication by MWA with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. For additional information about MWA, including fees and services, please contact MWA or refer to the Investment Adviser Public Disclosure website ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)). Please read the disclosure statement carefully before you invest or send money.