



Prepared Management Remarks
Third Quarter 2024
October 25, 2024

Please review the following prepared management remarks in conjunction with our third quarter 2024 earnings press release, our third quarter 2024 earnings presentation, our third quarter 2024 Quarterly Report on Form 10-Q and additional information regarding our non-GAAP financial measures, including GAAP to non-GAAP reconciliations, which are available in the Investor Center section of our website at www.colgatepalmolive.com/investors and in Tables 4, 6, 7, 8 and 9 of the third quarter earnings press release.

We also invite you to listen to our live question and answer webcast with Noel Wallace, Chairman, President and Chief Executive Officer, Stan Sutula, Chief Financial Officer, and John Faucher, Chief Investor Relations Officer & EVP, M&A, which will begin today at 8:30 a.m. Eastern Time. The live audio webcast can be accessed on our website at www.colgatepalmolive.com. For those unable to participate during the live webcast, a recorded version of the webcast will be made available through the Investor Center section of our website at www.colgatepalmolive.com/investors.

Cautionary Statement

These prepared remarks include forward-looking statements. Actual results could differ materially from these statements. Forward-looking statements inherently involve risks and uncertainties and are made on the basis of our views and assumptions as of October 25, 2024. We undertake no obligation to update them, except as required by law or by the rules and regulations of the SEC. Please refer to the earnings press release and our most recent filings with the SEC, including our 2023 Annual Report on Form 10-K and subsequent SEC filings, all available on our website, for a discussion of the factors that could cause actual results to differ materially from these statements. These remarks also include a discussion of non-GAAP financial measures (which exclude certain items from reported results), including those identified in Tables 4, 6, 7, 8 and 9 of the third

quarter earnings press release. A full reconciliation to the corresponding GAAP financial measures and related definitions are included in the earnings press release, which is available on our website.

Please note that in connection with management changes, the Company realigned the reporting structure of its skin health business effective as of July 1, 2024. The results of the skin health business previously reported within the Europe reportable operating segment are reported with the other skin health businesses in the North America reportable operating segment. The Company has recast its historical geographic segment information to conform to the new reporting structure. Recast historical geographic segment information can be found [here](#).

Management Commentary

We delivered another quarter of strong results in the third quarter of 2024, as the consistent execution against our strategy continued to drive growth in net sales, organic sales, volume, pricing, gross profit, operating profit, net income, earnings per share and free cash flow.

As we discussed in September at the Barclays Global Consumer Conference, we are focused on driving brand health and household penetration, which is enabling us to deliver balanced organic sales growth through innovation, marketing support and improved capabilities. We delivered another quarter of both volume and pricing growth, with organic sales growth in five of six divisions.

Volume growth was 3.7% in the quarter, improving sequentially on a two-year stack basis, with volume growth across every division.

Pricing growth was 3.1% in the quarter, as we continue to execute against our revenue growth management strategy to deliver positive pricing even with lower levels of underlying inflation.

We are raising the low end of our net sales, organic sales and Base Business EPS guidance to reflect our strong year-to-date performance and our confidence in our

business momentum. Our guidance for foreign exchange remains at a negative mid-single-digit range.

Third Quarter Overview

Net sales were \$5.0 billion in the third quarter, up 2.4% versus the year ago period. Organic sales growth was 6.8%, on top of strong 8.8% organic sales growth in the year ago period. For the fourth consecutive quarter, organic sales growth was led by double-digit growth in oral care.

Organic sales growth in the third quarter was led by strong volume growth of 3.7% as we focus on building household penetration across our brands. On a category basis, volume growth was led by oral care and pet nutrition, where Hill's delivered 3.6% volume growth in the third quarter including the expected low-single-digit negative impact from lower private label volumes.

Pricing was +3.1% in the quarter, with positive pricing across four of six divisions. Excluding Argentina, pricing was up low-single-digits in the quarter.

Foreign exchange was a 4.4% headwind to net sales growth for the third quarter. Excluding Argentina, foreign exchange was a low-single-digit headwind.

On a GAAP basis, our gross profit margin in the quarter was up 260 basis points year over year to 61.1%. On a Base Business basis, our gross profit margin was up 270 basis points to 61.3%. For the quarter, pricing was a 110 basis point benefit to gross profit margin, while raw materials, including the impact of transactional foreign exchange, had a 150 basis point negative impact. Our funding-the-growth initiatives delivered a 270 basis point benefit to gross profit margin. Mix was favorable to gross profit margin by 40 basis points.

SG&A as a percentage of net sales was up 220 basis points year over year on both a GAAP basis and on a Base Business basis. Advertising spend was up 16% year over year and up 160 basis points as a percentage of net sales. We continue to invest in advertising and brand capabilities to strengthen brand health and household

penetration, support our innovation and drive category growth and market shares. SG&A ex-advertising was up 60 basis points as a percentage of net sales, driven primarily by higher compensation costs, investment in capabilities like digital and data and analytics and transactional foreign exchange.

We delivered 4% operating profit growth on a GAAP basis and 5% on a Base Business basis. Our Base Business operating profit margin was up 50 basis points year over year due to the strength in our gross margin performance.

For the third quarter, on a GAAP basis, we delivered earnings per share of \$0.90. On a Base Business basis, earnings per share was up 6% to \$0.91.

Operating cash flow was up 9% year to date, driven primarily by net income growth. Free cash flow grew 17% year to date, as we saw lower capital expenditures versus the first three quarters of 2023.

Through a combination of dividends and share repurchases we returned \$2.5 billion in cash to shareholders through the third quarter, +21% versus year ago.

Divisional Summaries

North America

North America net sales declined 2.1%, with organic sales -1.9% and a slight negative impact from currency. Volume grew 1.2% in the quarter driven by oral care and liquid cleaners. Pricing was -3.2%.

The division saw a roughly 1% negative impact on volume growth in the quarter across our core oral care, personal care and home care categories due to shipment timing from Q3 to Q4. Volumes were also negatively impacted by the skin health businesses including weakness in China and inventory reductions in e-commerce.

The negative pricing was in line with Q2 results and our comments on the second quarter earnings call. We continue to see mix shifts into more mid-tier priced products

and channels along with greater levels of couponing across the CPG industry, including higher redemption rates.

In the United States, the Company's value share of the toothpaste market is 33.3% year to date and its value share of the manual toothbrush market is 41.6% year to date.

Europe

Europe delivered another quarter of impressive results, with 8.0% net sales growth and 6.3% organic sales growth. Volume growth was 4.1%, with growth across every hub and all three categories, oral care, personal care and home care. Toothpaste volume grew high-single digits behind continued strength for elmex and Colgate. Pricing remained positive across all three categories through successful implementation of our revenue growth management strategies.

The recent launch of elmex Sensitivity + Gum toothpaste is driving share gains in the sensitivity segment and increasing professional recommendations for the brand. We are also gaining share in whitening as we strengthened our portfolio in that segment with the launch of our LED whitening trays and our new Colgate Max White Ultimate whitening wand.

Latin America

Latin America continued its very strong underlying performance. Net sales were down 3.2% as strong organic sales growth of 14.2% was more than offset by a 17.4% headwind from foreign exchange.

Latin America delivered volume growth for the sixth consecutive quarter, with volume up 3.3% despite a difficult 5.4% comparison. Pricing was up 10.9% in the quarter driven by Argentina and Brazil. Volume growth in Mexico in the quarter was impacted by political and economic uncertainty, but trends have stabilized and remain positive.

We relaunched Colgate Total in Latin America during the third quarter with a new breakthrough, clinically proven formula that helps consumers prevent common oral health problems before they start. This launch also includes new packaging and increased brand support to help further accelerate our premiumization strategy.

Toothpaste value share is up 90 basis points year to date, with 80 basis points of the increase coming from premium offerings.

In home care, we have relaunched Suavitel in Mexico with “100% more fragrance,” which is driving market share growth on a year-to-date basis. In personal care, our launch of Palmolive Smoothies body wash is driving both category and market share growth in Mexico and Colombia.

Asia Pacific

Asia Pacific grew net sales 6.3% in the third quarter, with organic sales growth of 6.1% and a slight positive impact from foreign exchange.

Volume growth of 6.5% was the best quarterly result for the division since Q1 2021 and was driven by strength in India, Greater China and South Pacific. Volume growth was led by high-single-digit growth in toothpaste.

The division has benefited from significant core and premium innovation this year, across all geographies and categories. Our whitening market shares are benefiting from the launch of Optic White Purple, which is bringing new users into the whitening segment and driving incremental value share in the Philippines, Thailand, Malaysia and Singapore. We have relaunched Colgate Max Fresh with improved cooling technology in India, and many other markets in the region, bringing new news to one of our biggest core franchises.

In home care, we have achieved market leadership in Australia in the scent boosters segment of the fabric care category through strong innovation and marketing support on both Fluffy and Cuddly.

Africa/Eurasia

Africa/Eurasia continued to drive strong organic sales growth with a sixth consecutive quarter of both pricing and volume growth. Organic sales growth was 10.8% in the quarter while net sales were up 4.8% and foreign exchange was a 6.0% headwind.

Volume growth was 6.9% in the quarter with growth across all three categories including high-single-digit growth in oral care. Volume growth was also broad based from a geographic standpoint. Pricing was +3.9% for the quarter, driven primarily by Nigeria and Türkiye.

Despite economic and political uncertainty in the region we continue to increase our advertising investment in Africa/Eurasia, particularly behind our Bright Smiles, Bright Futures program. We are using advanced analytics to increase product availability in regions where we are executing this crucial oral health education program.

Hill's Pet Nutrition

Hill's net sales grew 6.3% and organic sales grew 6.5% in the third quarter cycling 14.9% organic sales growth in the previous year. Volume grew 3.6% in the quarter despite a low-single-digit negative impact from lower private label volume. Volume growth was led by the U.S., where we delivered mid-single-digit growth including the impact from lower private label volume. Pricing remained positive in the quarter, +2.8%, with positive pricing across most geographies.

We continue to see the benefits of our increased capacity at Hill's where we are gaining share in a challenging category. Our variety pack offerings, which are a key element of our strategy to gain share in the wet segment of the market, have seen a doubling of volume on a year-to-date basis in the U.S. behind expanded offerings and incremental shelf space.

Guidance

We are raising the low end of our net sales, organic sales and Base Business EPS guidance ranges for 2024:

Our net sales guidance is now 3-5% (2-5% previously). This reflects our revised organic sales growth guidance of 7-8% (6-8% previously) and a mid-single-digit negative impact from foreign exchange (at current spot rates).

We note that our current forecasts do not include any additional pricing in response to another significant devaluation in Argentina.

Our expectation is for modest raw and packaging material cost inflation, including a year-over-year increase in the transactional impact of foreign exchange. This forecast is based on our cost projections, which may differ from spot prices. Given our pricing outlook, the benefits from revenue growth management and the strength of our funding-the-growth initiatives, we continue to expect gross profit margin expansion for the year.

Advertising is still expected to be up on both a dollar basis and as a percentage of net sales.

Given recent reductions in interest rates and lower debt levels, we now expect interest expense to be roughly flat in 2024, versus our previous expectation of up year over year.

Our tax rate is now expected to be between 23.0% and 24.0% for the full year, on both a GAAP and Base Business basis, versus previous expectations of 23.5% to 24.5%.

We still expect double-digit earnings per share growth on a GAAP basis. On a Base Business basis, we now expect earnings per share growth of 10-11%, versus previous expectations of 8-11%.