

**Q3 FY24 Prepared Management Remarks  
April 30, 2024**

**Lisah Burhan, Vice President, Investor Relations  
Linda Rendle, Chair and Chief Executive Officer  
Kevin Jacobsen, Executive Vice President and Chief Financial Officer**

Please review the following prepared management remarks in conjunction with the company's third-quarter fiscal year 2024 earnings release. These materials can be found on [TheCloroxCompany.com](https://www.TheCloroxCompany.com) in the quarterly results section or [directly here](#).

**Clorox will also host a live Q&A audio webcast at 5 p.m. ET, today**, with Chair and CEO Linda Rendle and Chief Financial Officer Kevin Jacobsen to address the company's results as shared in the earnings release and these management remarks.

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**Lisah Burhan, Vice President, Investor Relations**

Thank you for your interest in our quarterly earnings results. In conjunction with these comments, please review our earnings release, which can be found on [TheCloroxCompany.com](https://www.TheCloroxCompany.com) in the [investor quarterly results section](#).

The following remarks from Chair and CEO Linda Rendle and CFO Kevin Jacobsen include forward-looking statements that are based on management's current expectations but may differ from actual results or outcomes. In addition, these remarks refer to certain non-GAAP financial measures. Please refer to today's earnings release, which identifies various factors that could affect forward-looking statements and provides information that reconciles non-GAAP financial measures to the most directly comparable GAAP measures. The risk factors section of the company's Form 10-K and the company's Form 10-Q for the first quarter of fiscal year 2024 also includes further discussion of forward-looking statements.

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## **Linda Rendle, Chair and CEO**

In the third quarter, we continued to execute on our IGNITE strategy to build a stronger, more resilient company while continuing to advance our cyberattack recovery.

For the most part, our recovery progress was in line with our expectations. We've recovered nearly 90% of the market share that we lost from the cyberattack and are on track to restore the related lost distribution by the end of the fourth quarter. There were a few areas of the portfolio that experienced slower supply recovery than we planned, impacting third quarter net sales. Importantly, we returned to normal service levels by the end of the quarter. This unlocks our ability to return to full merchandising, generate demand and further improve market share, setting us up to exit fiscal 2024 with strong momentum for the year ahead. Given this progress and the strong plans we have in place, we feel good about our ability to rebuild household penetration over time.

Throughout our recovery, we've been relentlessly driving all four pillars of our IGNITE strategy forward to strengthen our competitive advantage, accelerate profitable growth and set up our company for long-term success. This quarter was no exception. We made further progress rebuilding margin and advancing our robust innovation pipeline with compelling new products that deliver superior value. We continued to evolve our portfolio with the divestiture of our Argentina business. We also continued to implement our streamlined operating model and drive digital transformation. This strategy has served us very well and will enable us to deliver more consistent, profitable growth.

Highlights of our third quarter progress include:

- **Fuel Growth:** We delivered gross margin improvement for the sixth consecutive quarter. We're using a more integrated, holistic margin management toolbox enabled by data, technology and our new operating model to allow us to see more end to end and make faster decisions. This includes continuing to drive our hallmark cost savings program, which is on pace to deliver another strong year, executing strategic pricing in International while maintaining superior value and leveraging net revenue management levers. We are well on our way to returning to pre-pandemic margins and growing from there.
- **Innovate Experiences:** We are developing bigger, stickier innovation platforms and personalized experiences, supported by brand-building investments, to win in our categories, engender consumer loyalty and maintain brand strength and relevancy.
  - Innovation is the foundation for success and we're leveraging data and technology in new ways to create a stronger and faster innovation pipeline. Building off existing platforms that take advantage of consumer trends, we launched numerous innovations across our major brands in the quarter.
  - We accomplished our 2025 goal of getting to know 100 million consumers, which is allowing us to deliver more personalized experiences. As a result, we're generating greater efficiencies and higher engagement with consumers, supporting our investments in advertising and sales promotion, with an elevated rate of spending in the back half. These investments have enabled us to maintain

our value superiority rating, which remains above pre-pandemic levels. This supports our ability to improve volume and household penetration over time, particularly as consumers are more value focused.

- **Reimagine Work:** We are executing our digital transformation and we're on track to generate \$75 million to \$100 million in annual savings from our streamlined operating model once fully implemented. Through these efforts, we are creating a more consumer-obsessed, faster and leaner company to respond to the changing environment while building resiliency to deliver on our operational and financial goals.
- **Evolve Portfolio:** We're driving a stronger core by reshaping our portfolio to generate more consistent, profitable growth. To that end, we divested our Argentina business in March. This action reduced volatility in our Latin America operations and sharpens our focus on our core business.

We are also achieving these results in a sustainable way. Clorox was ranked number one on Barron's Most Sustainable Companies list for a second consecutive year, which is a testament to our values in action. By doing the right thing, putting people at the center of everything we do, and playing to win, we will realize our long-term growth aspirations and sustainably drive our business forward.

Looking ahead, we continue to operate in a challenging environment. We planned for and are seeing a modest category slowdown, a return to a more normalized promotional environment and a consumer who remains under pressure. That said, we are confident about where we stand with the consumer given the strength and superior value of our brands, supported by strong investments and in-market plans.

In closing, we are taking the right steps to navigate the near-term and are on track to exit fiscal year 2024 with strong fundamentals in place. We have the right investments and plans to deliver against our strategic and financial objectives and enhance long-term shareholder value. I'm grateful to my Clorox teammates around the world for executing with excellence and for their unwavering commitment to our company and our stakeholders.

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### **Kevin Jacobsen, Executive Vice President and CFO**

Sales results came in below our expectations in Q3, while gross margin and adjusted earnings per share exceeded our expectations. On the sales front, while most of our portfolio performed generally in line with our expectations, there was some variability in the pace of our supply recovery in certain areas. In particular, Glad and Litter were slower than our original plan. We also saw increased competitive activity in these categories as we work to rebuild distribution. The combination of these two factors resulted in lower-than-expected consumption and sales in Q3. Importantly, our supply recovery efforts have continued to progress across our portfolio, including our Glad and Litter business units, and position us to deliver strong service heading into Q4, which has enabled us to build strong commercial plans in support of shelf resets and

distribution restoration. Despite sales being down for the quarter, we continued to make strong progress rebuilding gross margin and growing adjusted EPS.

### **Third-Quarter Fiscal Year 2024 Results**

Third-quarter net sales decreased 5%, primarily driven by 4 points of volume decline and 7 points of unfavorable foreign exchange. This was partially offset by 6 points of favorable price mix. On an organic basis, sales were up 2%. While we are making progress recovering from our recent cyberattack, we are still experiencing consumption losses from temporary distribution gaps that have not yet been fully restored. We expect to make more progress rebuilding distribution in Q4 following several major retailers' shelf resets.

Gross margin for the quarter was 42.2%, up 40 basis points versus the prior year, reflecting 420 basis points of pricing and 140 basis points of cost savings, more than offsetting 210 basis points of unfavorable manufacturing and logistics costs, 180 basis points of unfavorable foreign exchange and 90 basis points of increased trade spending.

Selling and administrative expenses as a percentage of net sales were 16.6% compared to 16.2% in the year-ago quarter. This included \$26 million, or about 140 basis points, of strategic investments to enhance our digital capabilities, \$7 million, or about 40 basis points, for incremental charges related to the cyberattack and \$5 million, or about 30 basis points on our streamlined operating model efforts.

Advertising as a percentage of net sales was 11.9%, with investments in our U.S. Retail business coming in at about 12% of sales.

Our third-quarter effective tax rate was –18.6%. The rate was primarily driven by the divestiture of our business in Argentina.

Net of all these factors, adjusted earnings per share for the third quarter was \$1.71 cents versus \$1.51 cents in the year-ago quarter, reflecting a 13% increase.

Fiscal year to date net cash provided by operations was \$355 million compared to \$728 million in the year-ago period, representing a 51% decrease. The decrease was primarily driven by higher tax payments in the current period related to amounts previously deferred under the January 2023 IRS tax relief.

### **Fiscal Year 2024 Outlook**

We are updating our fiscal year 2024 outlook mainly to reflect lower input cost headwinds, a lower adjusted effective tax rate and third-quarter sales results. Additionally, our updated outlook reflects the divestiture of our Argentina business, which supports our commitment to reduce volatility and drive more consistent, profitable growth.

Other key assumptions in our fiscal year 2024 outlook are largely unchanged. We continue to assume a more financially pressured consumer, stemming from the cumulative effects of

ongoing inflationary pressures and a rising interest rate environment. We believe this will result in a modest slowdown in our category growth rates, which we have started to see play out in the third quarter. We have also seen volume trends improve as we move through the fiscal year and continue to expect further progress in the fourth quarter.

- While we are maintaining our fiscal year outlook for net sales to be down low single digits, we now expect results to be at the low end of this range, reflecting the impact of the divestiture of our business in Argentina as well as lower sales in the third quarter. Our sales outlook now assumes about 3 points of headwinds from foreign exchange rates versus our previous assumption of 5 points, primarily driven by the divestiture of the Argentina business. Organic sales are still expected to be up low single digits, but we now expect results to come in at the low end of this range as well, reflecting the sale of the Argentina business and lower sales in the third quarter. We now expect about half a point of negative impact from our efforts to right size investment levels in our Vitamins, Minerals and Supplements business, which will disproportionately impact the back half of our fiscal year.
- We now anticipate gross margin to be up about 275 basis points for the fiscal year, an increase versus our prior outlook of up 200 basis points, mainly driven by lower input cost headwinds as well as a modest benefit from exiting Argentina, a business that was margin dilutive to our portfolio. Our gross margin outlook assumes the combined benefits of our pricing actions, cost savings and supply chain optimization will more than offset higher cost inflation and the impact of lower shipments as a result of the cyberattack. Additionally, we now expect to exit Q4 with gross margin of about 43% versus our previous estimate of about 42% and expect to build on this progress in the next fiscal year, keeping us on track to fully restore margin over time.
- We continue to expect selling and administrative expenses to be between 16% to 17% of net sales. This includes about 250 basis points of impact related to our investments to enhance our digital capabilities, our streamlined operating model implementation and incremental expenses related to the cyberattack.
- We now expect advertising spending to be higher than 11% of net sales, reflecting the impact of the lower sales in Q3 and our exit from Argentina.
- We now expect our fiscal year effective tax rate to be about 31%, as compared to 22% to 23% in our previous outlook. The increase is primarily driven by the sale of our Argentina business, partially offset by a tax planning benefit. Excluding the impact from the sale of Argentina, our effective tax rate would be closer to 19%.
- Net of these factors, we are revising our fiscal year diluted EPS outlook to be between \$1.66 and \$1.81, a year over year increase of 38% to 51%, respectively. Additionally, we are also raising our adjusted EPS Outlook to be between \$5.80 and \$5.95, a year over year increase of 14% to 17%. Adjusted EPS excludes the long-term strategic investments in digital capabilities and productivity enhancements, which we continue to estimate to be about 70 cents; charges related to our streamlined operating model of about 20 cents; and incremental charges related to the cyberattack of about 35

cents. Adjusted EPS also excludes a noncash pension plan settlement charge of \$1.04 and a \$1.85 charge related to the divestiture of our Argentina business.

As we look at our performance to date, we have executed well in a very challenging environment. Despite the significant impact from the cyberattack earlier in the year, we have made strong progress rebuilding market share and distribution while continuing to advance our IGNITE strategic priorities. We expect to fully restore the distribution lost from the cyberattack by the end of this fiscal year and expect to see the benefit begin to flow through in the fourth quarter, tied to retail shelf resets, improved service levels, as well as higher investments in our brands. We believe this positions us well as we head into our fiscal year 2025.

As we look forward and emerge from recent volatilities, we are confident we have the right plans in place to deliver more consistent, profitable growth.

Thank you, and we look forward to the Q&A session later today.

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