

# CAGNY 2014

Boca Raton



# Don Knauss

Chairman of the Board and  
Chief Executive Officer



## Safe Harbor

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Except for historical information, matters discussed in this presentation, including statements about the success of the Company's strategy and acquisitions as well as future volume, sales and earnings growth, profitability, costs, cost savings, innovation or expectations, are forward-looking statements based on management's estimates, assumptions and projections. Important factors that could cause results to differ materially from management's expectations are described in the Company's most recent Form 10-K filed with the SEC, as updated from time to time in the Company's SEC filings. Those factors include, but are not limited to, the Company's costs, including volatility and increases in commodity and energy costs; unfavorable general economic and marketplace conditions and events, including consumer confidence and consumer spending levels, the rate of economic growth, the rate of inflation and the financial condition of our customers and suppliers; the ability of the Company to implement and generate expected savings from its programs to reduce costs; interest rate and foreign currency exchange rate fluctuations; consumer and customer reaction to price increases; the success of the Company's strategies; risks relating to acquisitions, mergers and divestitures and the costs associated therewith; and the Company's actual cost performance and the success of new products. The Company undertakes no obligation to publicly update or revise any forward-looking statements.

The Company may also use non-GAAP financial measures, which could differ from reported results using Generally Accepted Accounting Principles (GAAP). The most directly comparable GAAP financial measures and reconciliation to non-GAAP financial measures are set forth in the Appendix hereto, the Supplemental Schedules of the Company's quarterly financial results and in the Company's SEC filings, including its Form 10-K and its exhibits furnished to the SEC, which are posted at [www.TheCloroxCompany.com](http://www.TheCloroxCompany.com) in the Investors/Financial Information/Financial Results and SEC Filings sections, respectively.

## Key Messages

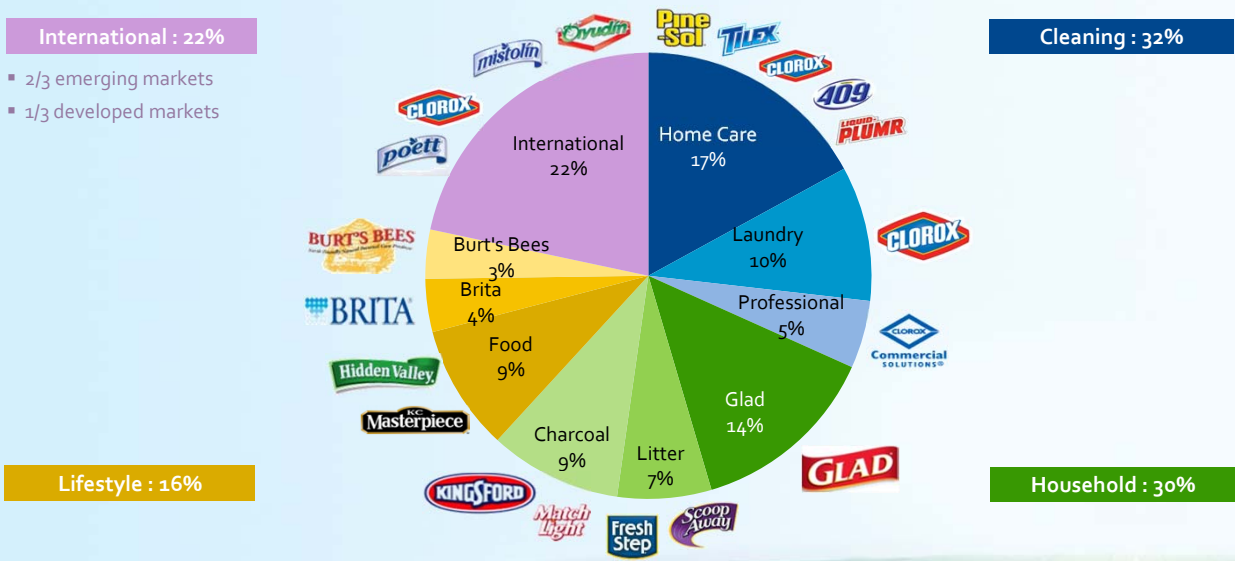
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- Strategy 2020 positions us to deliver top-tertile TSR by focusing on 3 new enterprise choices
- Near-term focus: manage through tough environment
- Long-term investment case remains solid

# Strong Shareholder Return

Historical TSRs vs Peers (through 12/31/2013)								
Tertile	1-Year		2-Year		3-Year		5-Year	
<b>1</b>	ENR	38%	HSY	64%	HSY	121%	EL	414%
	HSY	37%	RB-GB	61%	CHD	103%	HSY	219%
	TAP	35%	KMB	52%	EL	93%	CHD	154%
	<b>CLX</b>	<b>31%</b>	CHD	50%	KMB	85%	KMB	141%
	KMB	28%	<b>CLX</b>	<b>49%</b>	CL	75%	RB-GB	120%
<b>2</b>	CL	28%	CL	48%	<b>CLX</b>	<b>62%</b>	CL	115%
	RB-GB	27%	ENR	44%	GIS	54%	KO	112%
	GIS	27%	CPB	38%	ENR	53%	ENR	106%
	EL	27%	EL	37%	RB-GB	51%	<b>CLX</b>	<b>97%</b>
	CHD	26%	TAP	36%	PG	39%	GIS	92%
<b>3</b>	CPB	26%	PEP	33%	PEP	39%	PEP	76%
	PEP	25%	GIS	31%	KO	37%	CPB	68%
	PG	24%	PG	30%	CPB	36%	K	63%
	KRFT	23%	K	29%	K	31%	PG	54%
	AVP	21%	KO	25%	TAP	22%	TAP	31%
	KO	17%	AVP	4%	AVP	-35%	AVP	-16%
	K	13%	KRFT	n/a	KRFT	n/a	KRFT	n/a
	Peer Avg	26%		39%		54%		117%
	S&P 500	32%		54%		57%		128%

## Portfolio of Global Leading Brands (FY13 Sales: \$5.6B) Nearly 90% of the Portfolio has #1 or #2 Share



# Big Share Brands → Significant Synergies Advantage Over Less-Scaled Competitors



(1) As of FY13, Clorox's S&A/Sales was ~14% vs. peer average of 21%. This number does not include R&D or marketing expenses and excludes peers that do not disclose S&A separately from SG&A in their reported financial statements (Kimberly-Clark, Reckitt-Benckiser, Heinz).

## Financial Algorithm

U.S. Retail	Professional	International	
Top & Bottom Line Engine	Fast Growing Adjacency	Top-Line Growth Driver Margin Opportunity	
75% of Clorox Sales	5% of Clorox Sales	20% of Clorox Sales	
+2-3% annual growth	+10-15% annual growth	+5-7% annual growth	
1.5 – 2.5 pts company growth	0.5+ pts company growth	1.0 - 1.5 pts company growth	= 3 - 5 pts company growth

**Drive Annual EBIT Margin Improvement of 25-50 bps**



## 2020 Strategy

### Mission

- “We make everyday life better, everyday”

### Objective

- Maximize economic profit across categories, channels and countries
- Be a top-performing CPG company by being the best at building big-share brands in economically-attractive mid-sized categories and countries

### Strategy

1. Engage our people as business owners
2. Increase our brand investment behind superior products and more targeted 3D plans
3. Keep the base healthy and grow into profitable new categories, channels and countries
4. Fund growth by reducing waste in our work, products and supply chain

**3 new**  
enterprise  
choices

## Strategy #2: Increase our brand investment behind superior products and more targeted 3D plans

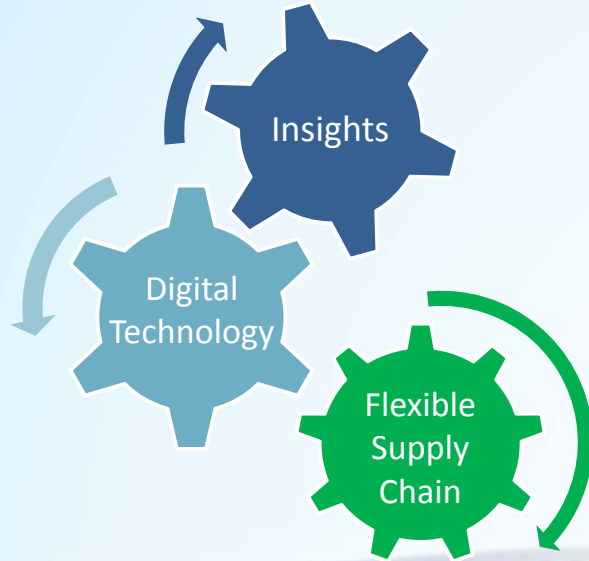
- **Total demand spending will increase by +1pt of sales over time**
  - With investment behind adjacent growth
- **Continue to focus on 60/40 product superiority, but invest disproportionately behind higher return opportunities**
- **Address increasing consumer and customer fragmentation**
  - More targeted 3D plans, enabled by more customized insights, digital technology and a more flexible supply chain





# More Targeted 3D Plans

## Key Enablers



# More Targeted 3D Plans

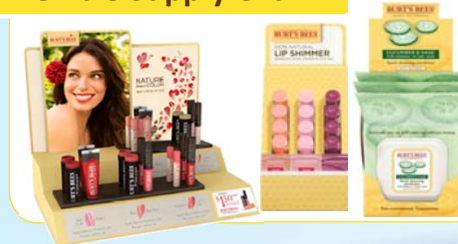
### Insight

- Consumers expect their personal care products to work, but want a product that stands for more
- Burt's Bees: 30 years of authenticity

### Digital Technology

[www.burtsbees.com](http://www.burtsbees.com)

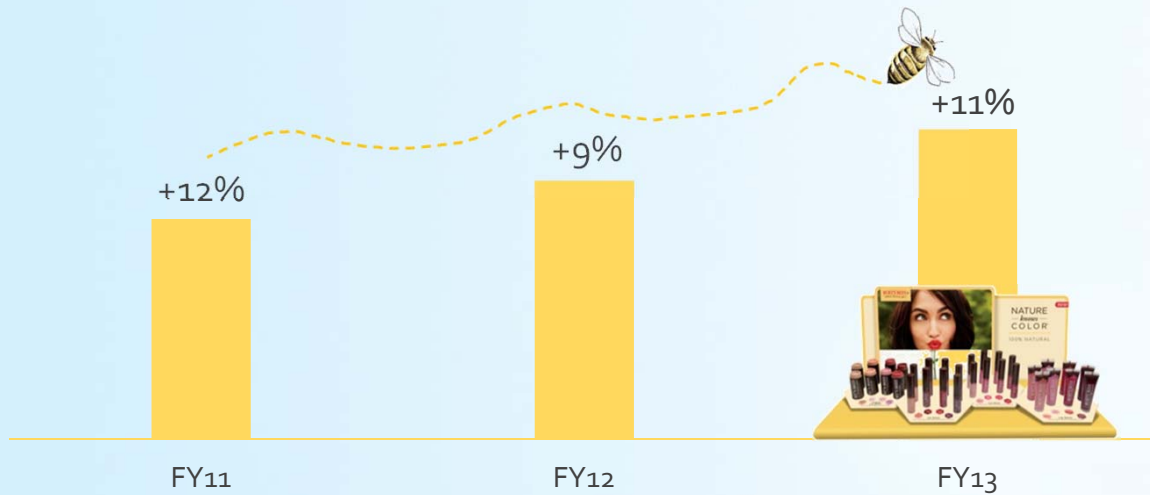
### Flexible Supply Chain



**"NATURE CREATED THESE REMEDIES.**  
Getting them into the package was the tricky part."



## Global Burt's Bees Sales (FY11-FY13)



NOTE: The bar chart above shows Net Sales for the Global Burt's Bees business (US and International).

## Strategy #3: Keep the base healthy and grow into profitable new categories, channels and countries

### Keep the Base Healthy

- US Retail:
  - Clorox Liquid Bleach
  - Clorox Disinfecting Wipes
- Clorox International:
  - Cleaning Utensils

### Grow into Profitable New Categories, Channels & Countries

- Clorox Professional:
  - Channel expansion



# Keep the Base Healthy

## Clorox Liquid Bleach



**Compaction**

- Category expansion
- Cost savings goal achieved (+500bps margin improvement)
- Clorox share decline



Source: IRI Infoscan Data - Total U.S. Multi-Outlet (Food/Drug/Mass + Walmart + Sam's + BJ's + Family Dollar + Dollar General + Fred's + DeCA.)

# 3D Plans to Grow Share



- **New** marketing campaign highlighting VALUE of CLB over PL



- Merchandising up ~+20%
- Stronger Disinfecting Messaging



- New and targeted innovations
- Multiple new news hitting the shelf in 2<sup>nd</sup> half of FY14



Scented 121oz Smart Seek Bleach Fragranzia Scented Bleach



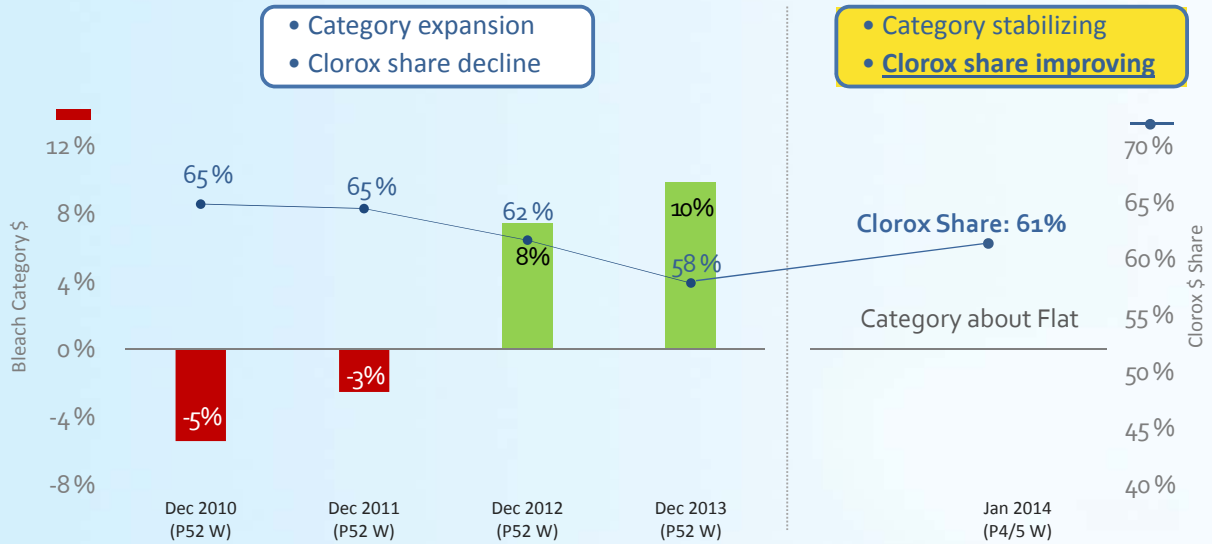
# Clorox Liquid Bleach



# Clorox Liquid Bleach



# 3D Plan is Working



## Keep the Base Healthy Clorox Disinfecting Wipes

### DESIRE

- **New** marketing campaign highlighting VALUE of CDW over competitors



### DECIDE

- Higher merchandising
- Stronger Disinfecting Messaging



### DELIGHT

- New and targeted innovations
- Multiple new news hitting the shelf in 2<sup>nd</sup> half of FY14



# Clorox Disinfecting Wipes



## Keep the Base Healthy Clorox International

### PRIORITIES

- **Expect sales to continue being accretive in the future**
  - Top-line goal of +5% to 7% in the long-term
- **Rebuilding margin is a key focus**
  - Build a more efficient and global operating model
- **Disciplined international portfolio management**
  - Focus on growing existing countries and categories
  - Manage through challenging environment in Venezuela and Argentina

## Making Progress Against Priorities

### Clorox International Segment

	<u>FY14 FYTD</u>
Sales	-1%
(FX Neutral)	+7%
Oper. Margin	+90bps



## Rebuilding Margin is a Key Focus

- Drive cost-ovation
- Price to offset inflation
- Lower overhead spend
- Maximize value from SAP investment



## Strategy #3: Keep the base healthy and grow into profitable new categories, channels and countries

### Keep the Base Healthy

- US Retail:
  - Clorox Liquid Bleach
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- Clorox International:
  - Cleaning Utensils

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### Grow into Profitable New Categories, Channels & Countries

- Clorox Professional:
  - Channel expansion



## Clorox Professional Products

### A Key Growth Engine



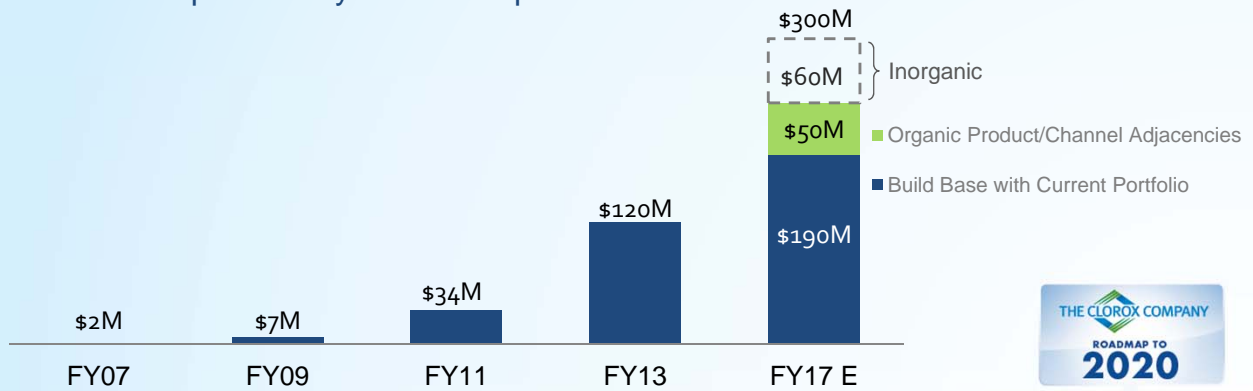
- Healthcare is an attractive business with strong tailwinds
- Differentiated right to win in Healthcare
  - ✓ Right technology, right equities and right capabilities
- Clorox technology is unsurpassed within the spaces we compete
- Goal: \$300M in sales in Healthcare by FY17



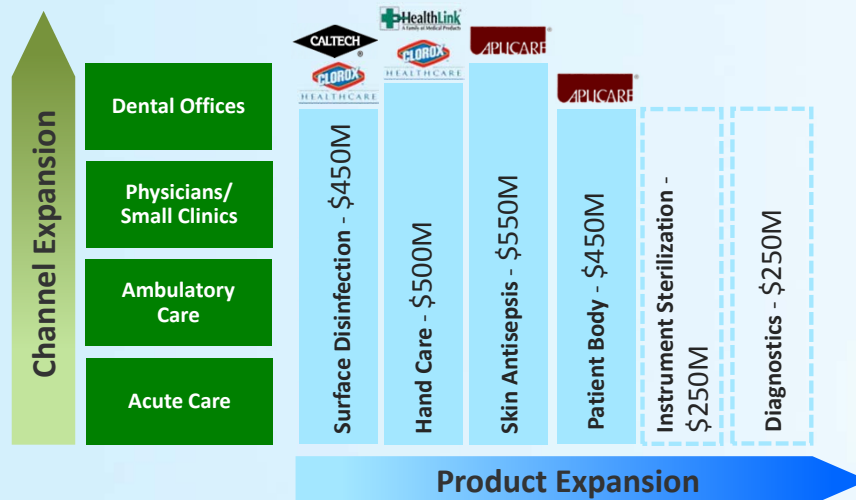
# Path to \$300M in Healthcare Sales



- ▶ Grow base in surface and skin disinfection
- ▶ Organically expand through product and channel adjacencies
- ▶ Pursue complementary bolt-on acquisitions



# Clorox Healthcare Expansion Map



- **Surface disinfection** is our heritage enhanced by our **Caltech** acquisition
- Expansion into **hand care** and the **physician's channel** enabled by our **Healthlink** acquisition
- **Aplicare** expanded our portfolio to **skin antisepsis**
- There are still **many expansion opportunities**

## Clorox Healthcare Expansion Priorities



### Keep the Base Healthy

1. **Bleach to combat C. diff**
2. **Expand non-bleach**  
– Clorox Hydrogen Peroxide
3. **Soft surfaces** – new usage occasion
4. **Skin sterility** –Aplicare

+

### Grow into Profitable New Categories, Channels & Countries

1. **Dental offices**
2. **Long-term care**
3. **Enter product adjacencies**

## Clorox Healthcare in Dental Offices



- ▶ **Large and profitable**
  - ~100,000 dental offices
  - Partnered with 200 of 2,400 DSR
- ▶ **High need for Infection Control**
- ▶ **Strong fit with our capabilities**



## Clorox Healthcare on Track to \$300M Goal

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- Keep building the base in surface and skin disinfection
  - ✓ Organic growth on track to deliver 10-15% top-line (FY14 estimate)
- Drive product/technology and channel expansion
  - ✓ Clorox Healthcare remains an M&A priority
- Support growth by disproportionately allocating more resources to drive growth

## Strategy #4: Fund growth by reducing waste in our work, products and supply chain

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- Margin expansion will contribute to top-tertile TSR
- Growth will be funded by cost savings and operating efficiencies
- Agile enterprise is a key enabler to our financial goals  
and employee engagement



## Agile Enterprise Principles

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- Streamline and simplify work
- Fix the problem right the first time
- Increased speed
- Focus on what the consumer and customer value

## Agile Enterprise – Past Example

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Order to Cash Process



Since 2009:

- Perfect Order from 12% to 70%
- Days Sales Outstanding reduced by 34%
- Deductions as a % of Sales reduced by 68%
- Headcount reduction of 26%



## Institutionalizing Agile Enterprise

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- Identified savings opportunities worth \$10-\$15M annual value
- Building Agile Enterprise mindset into our culture
- Clear path to lower S&A to 14% (or below)



Steve Robb

Chief Financial Officer





## Key Messages

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- Strategy 2020 positions us to deliver top-tertile TSR by focusing on 3 new enterprise choices
- Near-term focus: manage through tough environment
- Long-term investment case remains solid

## Challenging Environment

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- Sluggish US category growth
- Higher competitive intensity
- FX headwinds

## Argentina (~3% of FY13 Clorox Sales)

- **Business is fundamentally healthy, but impacted by FX and price controls**
- **Our brands remain relevant and have strong competitive position**

### Clorox's Brands

Bleach (Ayudin)	70%* #1
Dilutables (Poett)	34%* #2

### Challenges:

- High inflation
- Price controls

### Actions Taken:

- Take pricing to offset inflation
- Right-size demand building spending
- Aggressively drive cost savings

Current USD dollar share based on Nielsen data as of Oct-Nov 2013.

## Venezuela (~2% of FY13 Clorox Sales)

- **Our brands remain relevant and have strong competitive position, but impacted by high inflation and price controls**

### Clorox's Brands

Bleach (Nevex)	42%* #1
Dilutables (Mistolin)	30%* #2

### Challenges:

- Price controls
- High inflation
- Risk of future devaluation

### Actions Taken:

- Right-size demand building spending
- Aggressively drive cost savings
- Lower our cost structure

Current USD dollar share based on Nielsen data as of Jun 2013.



## FY14 Outlook

Based on Feb 4<sup>th</sup> Earnings Release

Sales Growth  
1% to 2%

- Categories: Flat to up slightly
- Innovation: About +3 pts
- Modest benefit from pricing
- FX headwind of more than -2pts

EBIT Margin  
Flat to +25bps

- Gross Margin down modestly
- Selling & Admin about 14% of Sales
- Advertising & Sales Promotion below 9% of Sales

Diluted EPS  
\$4.40 to \$4.55

- +2% to 6% growth vs. FY13



## FY14 - 2<sup>nd</sup> Half Priorities

- Execute 3D innovation with excellence (deliver +3pts)
- Take pricing to offset higher resin cost (Glad)
- Drive cost savings: +150bps in margin benefit



## Key Messages

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## Long-Term Investment Case Remains Solid

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- FX headwinds likely to lessen over the long-term
- 3D plans in place to grow share and category
- Strong pipeline of innovation and cost-savings





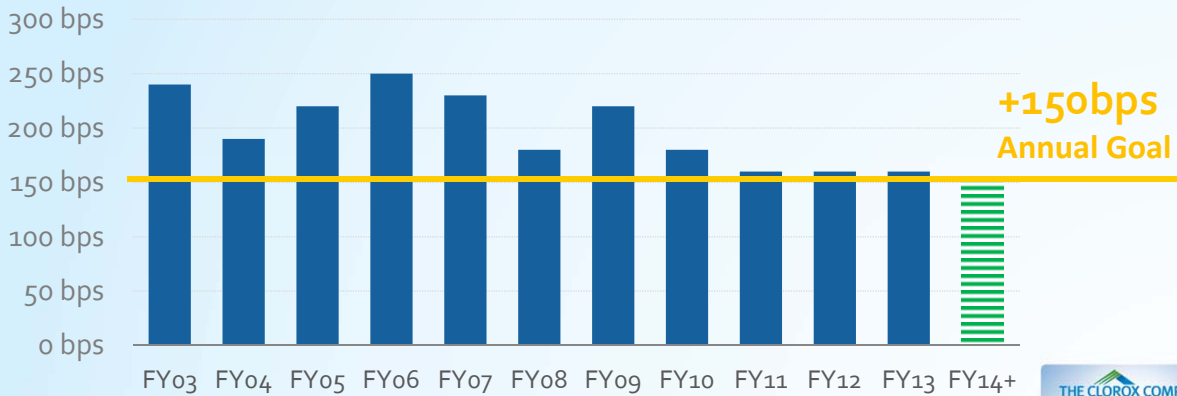
# Robust Innovation Pipeline

(FY14 – announced as of Jan 2014)



# Cost Savings is a Clorox Strength

## Margin Benefit from Cost Savings



## Long-Term Investment Case Remains Solid

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- FX headwinds likely to lessen over the long-term
- 3D plans in place to grow share and category
- Strong pipeline of innovation and cost-savings
- Leveraging Agile Enterprise to further reduce Admin (14% of Sales\* or lower)
- Free cash flow of 10 to 12% of Sales



\*Clorox goal is to reduce Selling & Admin expense to 14% of Sales or below over time

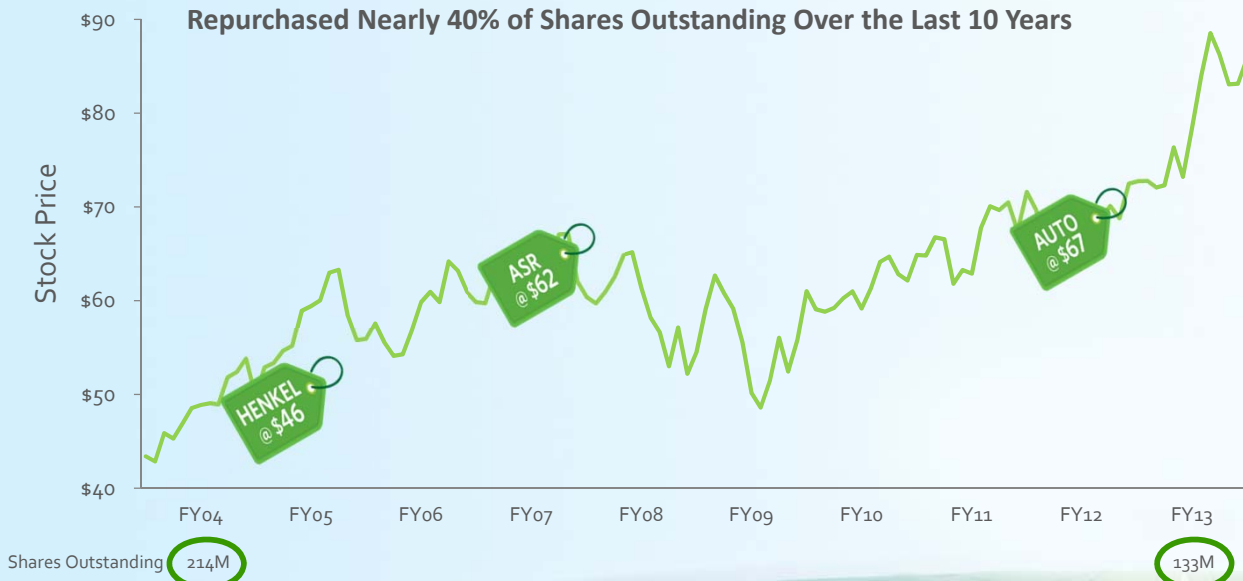
## Use of Cash Remains Shareholder Friendly

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- Business growth (includes targeted M&A)
- Support dividend
- Maintain debt leverage (2.0 to 2.5x Debt/EBITDA)
- Repurchase shares



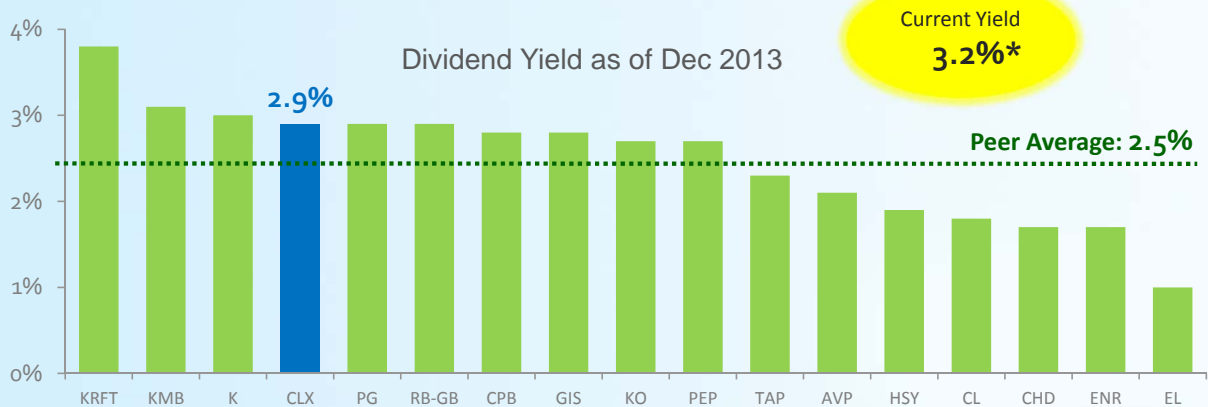
## Long Track Record of Share Repurchases ...



## ... and Healthy Dividend Growth

Dividends have increased each year since 1977

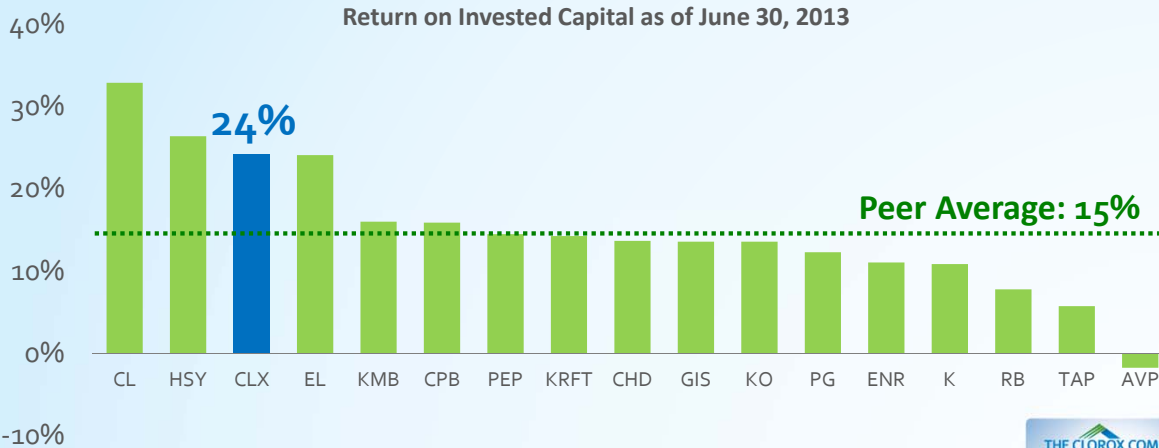
- Increase of nearly 11% announced in May 2013



NOTE: Clorox dividend yield of 2.9% is calculated using \$2.70 dividend per share (trailing twelve months) and closing stock price as of Dec 31, 2013.

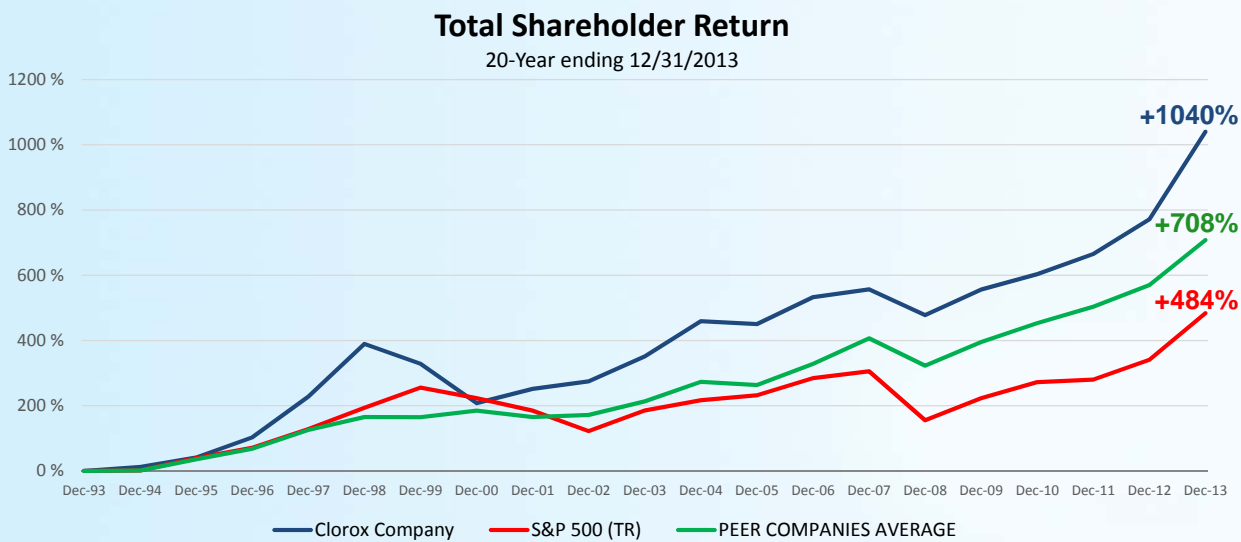
\*Current yield calculated using dividend per share of \$2.84/year (after May 2013 increase of nearly 11%) on a \$88.27 stock price (1/31/14)

# Top-Tier ROIC



Return on invested capital (ROIC), a non-GAAP measure, is calculated as earnings from continuing operations before income taxes, excluding restructuring and asset impairment costs, noncash goodwill impairment and interest expense, computed on an after-tax basis as a percentage of adjusted average invested capital. ROIC is a measure of how effectively the company allocates capital. Information on the Peer ROIC is based on publicly available fiscal-end data (FactSet) as of 6/30/2013. For the ROIC calculations, please refer to the link on the financial results section of the company's website <http://files.shareholder.com/downloads/CLX/1214563055x6351456x680919/1ea8e435-8423-4637-bbe8-5c03873db0e3/08%20ROIC%20Reconciliation%20Information.pdf>

# Long-Term Investment Case Remains Solid



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# Q&A

