

# FY18 Q4 Investor Presentation



# Safe Harbor



Except for historical information, matters discussed in this presentation, including statements about the success of the Company's future volume, sales, costs, cost savings, earnings, earnings per share, including as a result of the Nutranext acquisition, diluted earnings per share, margins, foreign currencies, foreign currency exchange rates, tax rates, cash flows, plans, objectives, expectations, growth or profitability, are forward-looking statements based on management's estimates, assumptions and projections. Important factors that could affect performance and 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, risks related to competition in the Company's markets; volatility and increases in commodity, energy, transportation and other costs; the Company's ability to drive sales growth and increase market share; dependence on key customers; increase in sales of consumer products through alternative retail channels; information technology security breaches or cyber attacks; government regulations; political, legal and tax risks; risks relating to acquisitions, including as a result of the Nutanext acquisition, new ventures and divestitures; changes in U.S. tax, immigration or trade policies, including tariffs, and financial market conditions; international operations and international trade, including price controls, foreign currency fluctuations and devaluations and foreign currency exchange rate controls, labor claims and labor unrest, and potential harm and liabilities from use, storage and transportation of chlorine in certain markets; the ability of the Company to innovate, to develop commercially successful products and to implement cost savings; the success of the Company's business strategies; the Company's business reputation; the effects of the Tax Cuts and Jobs Act; the venture agreement with P&G related to the Company's Glad® business; supply disruptions; product liability claims, labor claims and other legal proceedings; the Company's ability to attract and retain key personnel; environmental matters; the Company's ability to assert and defend its intellectual property rights; and the impacts of potential stockholder activism.

# Contents



## Key Sections

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# WHO WE ARE



1913



2018

# Our Story



## 1957 – 1969

Purchased by P&G, divested and once again independent  
Developed world-class brand-building capabilities

## 1999

Sales grew by ~40% through First Brands acquisition



## 2006 – current

Expanded Health & Wellness portfolio through the acquisitions of Burt's Bees, Renew Life, and Nutranext brand



Recognized for corporate citizenship



## 1913

Developed household bleach in Oakland, CA



## 1970s & 1980s

Growth through diversification and international expansion



## 2004

Acquired ~29% of Clorox outstanding common stock from a major shareholder, Henkel, KGaA



# How We Create Value



# Leading Brands

## Over 80% of Global Sales from #1 or #2 Share Brands

### Selected Countries/Categories:

	United States	Share Position		International	Share Position
	Disinfecting Wipes	#1		Argentina Bleach	#1
	Bleach	#1		Saudi Arabia Bleach	#1
	Toilet Bowl Cleaner	#1		Malaysia Bleach	#1
	Dilutable Cleaners	#1		Peru Bleach	#1
	Drain Care	#2		Hong Kong Wipes	#1
	Charcoal	#1		Chile	#1
	Salad Dressing	#1		Canada	#1
	Cat Litter	#2		Canada	#1
	Premium Trash Bags	#1		Australia	#1
	Food Wraps	#1		Argentina	#2
	Natural Lip Care	#1		Chile	#1
	Water Filtration	#1		Canada Trash Bags	#2
	Probiotics – Natural Channel	#2		Canada Food Wraps	#1
				China* Food Protection	#1
				Hong Kong Food Protection	#1
				Canada Natural Lip Care	#1

-US share position: dollar market share, IRI MULOP 52 weeks ending 6/17/18

-International share : dollar market share 52 weeks endings Mar 2018, Nielsen Retail Measurement for International geographies except; IRI for Australia.

\*Guangzhou market





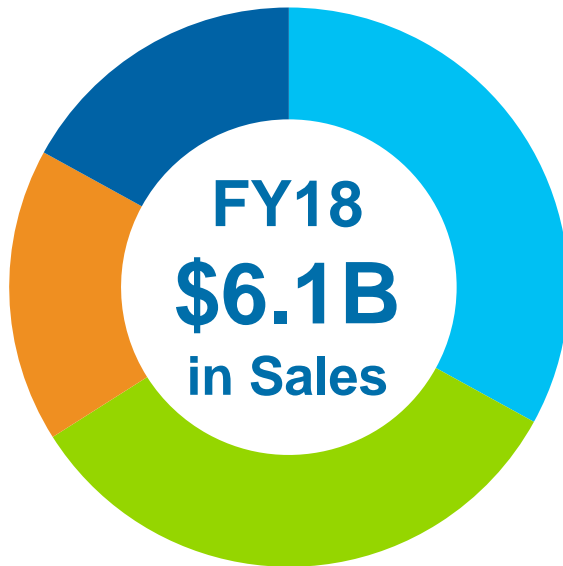
# Mid-Sized Categories

## International : 17%




Latin America	8%
Canada	4%
Australia / NZ	2%
Rest of World	3%

## Lifestyle : 17%

	9%
	4%
	3%
	1%*



## Cleaning : 34%

	Home Care	19%
	Laundry	9%
	Professional	6%

## Household : 32%

	14%
	9%
	7%
	2%

\* Note: Reflects results following April 2018 acquisition. Expect Nutranext to contribute ~3pts of sales in FY19.



# Operational Excellence



\*As of June 30<sup>th</sup>, 2018, Clorox's S&A/Sales was ~13.7% vs. peer average of 18%. 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 (Coca-Cola, Reckitt-Benckiser). Peer group consists of CHD, CL, PG, NWL, CPB, GIS, HSY, K, KHC, DPS, KO, PEP, COTY, EL, KMB, RB-GB.

# Good Growth: Profitable, Sustainable, Responsible



# Our Efforts Are Broadly Recognized



# 2020 Strategy



## Mission

- We make everyday life better, every day

## Objectives

- Maximize economic profit
- Big-share brands in mid-sized categories and countries

## Strategy

- Drive superior consumer value behind strong brand investment, innovation and technology transformation
- Accelerate portfolio momentum in and around the core
- Fund growth by reducing waste in our work, products and supply chain
- Engage our people as business owners

# Long-Term Growth Algorithm

## U.S. Domestic

~80% of Clorox Sales  
+2-4% annual growth

1.5 - 3.0 pts  
company growth

## International

~20% of Clorox Sales  
+5-7% annual growth

1.0 - 1.5 pts  
company growth

## Total Company

annual growth  
= +3 to 5pts

**Annual EBIT Margin Improvement:**  
**Annual Free Cash Flow:**

**+25 to +50 bps**  
**11% to 13% of Sales**

EBIT (a non-GAAP measure) represents earnings from continuing operations before income taxes (a GAAP measure), excluding interest income & interest expense.

EBIT margin is a measure of EBIT as a percentage of sales.

Free Cash Flow (a non-GAAP measure) represents Operating Cash Flow from Continuing Operations less Capital Expenditures.

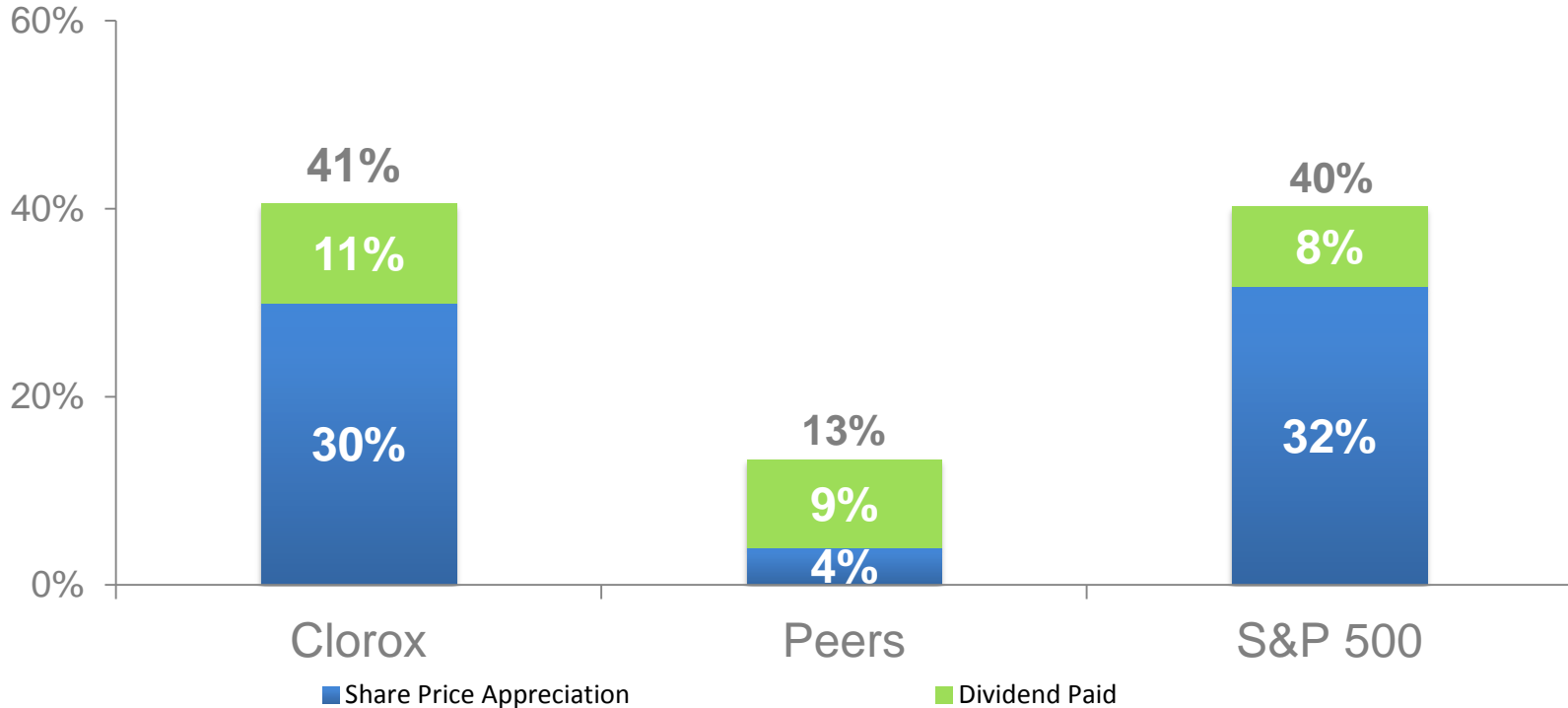
See reconciliation in the supplemental financial schedules located at: <https://investors.thecloroxcompany.com/investors/financial-information/quarterly-results/default.aspx>



# Strong Shareholder Return



Total Shareholder Return - 3 Years Ending 6/30/2018



# Financial Performance





# FY18 Performance & FY19 Outlook



**Sales**  
(vs Year Ago)

**FY18**  
(12 months)

\$6.1B  
(+3%)

**FY19 FY Outlook**  
(Aug 2 earnings call)

~ 2% to 4%

Innovation: ~ +3pts

Nutranext Acquisition & Aplicare  
Divestiture: ~ +2.5pt

FX: ~-2pt

**Diluted EPS  
from cont. ops**  
(vs Year Ago)

\$6.26  
(+17%)

\$6.32 to \$6.52  
(+1 to +4%)

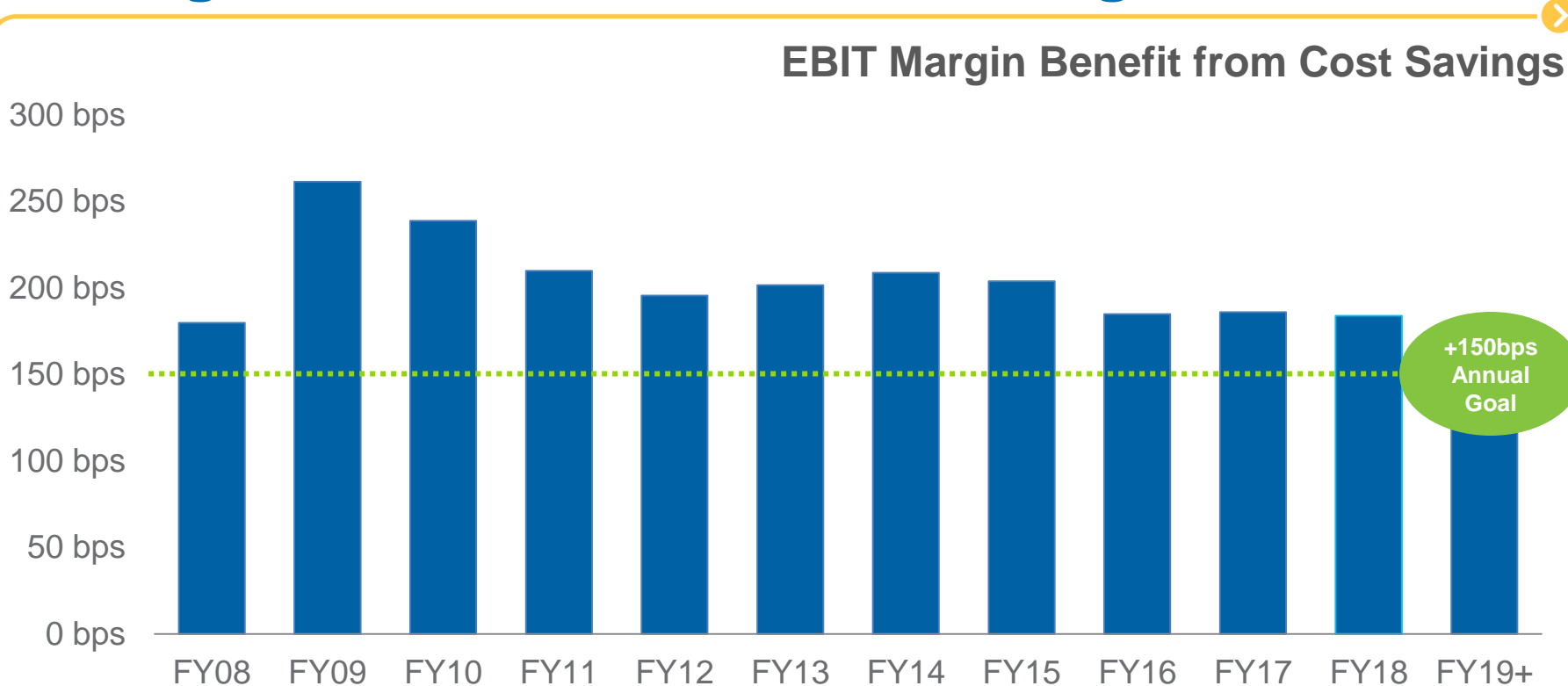
Gross Margin: flat to up modestly

Selling & Admin: ~14% of Sales

Adv. & Promo: ~10% of Sales

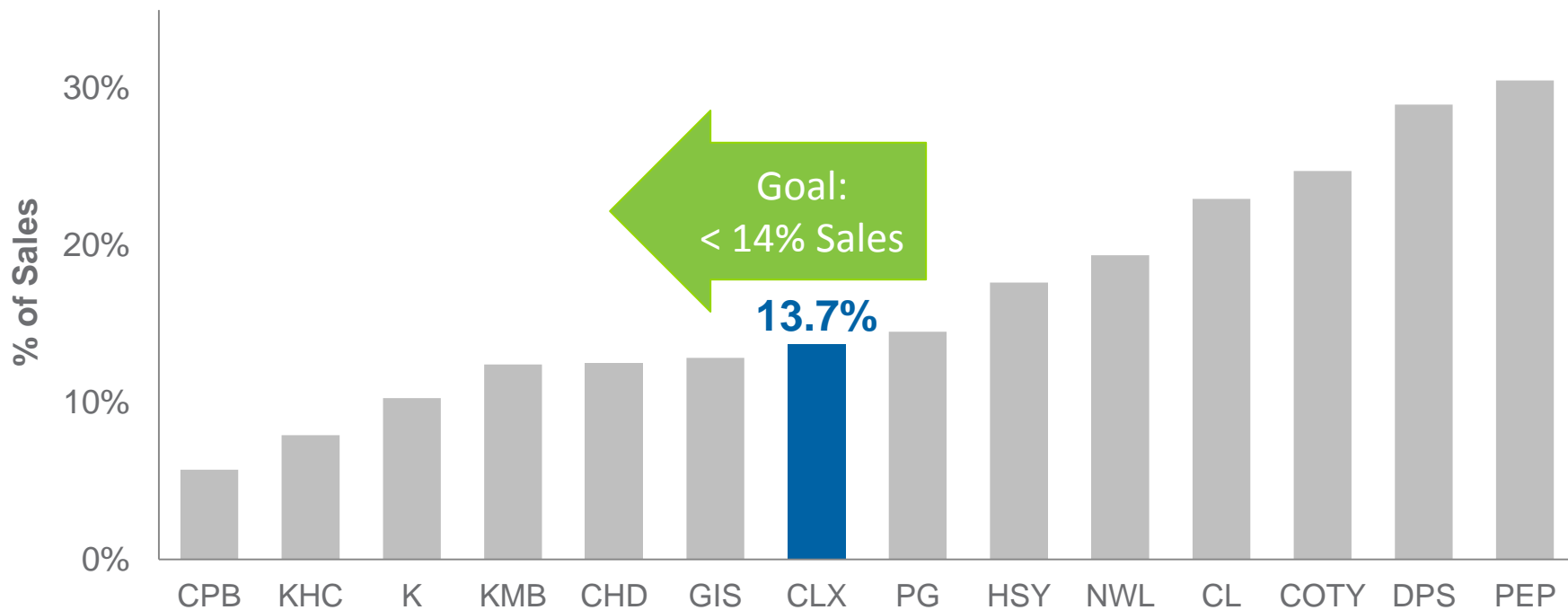
Provisional Effective Tax Rate:  
~23%-24%

# Strong Track Record of Cost Savings



# Continued Discipline on SG&A

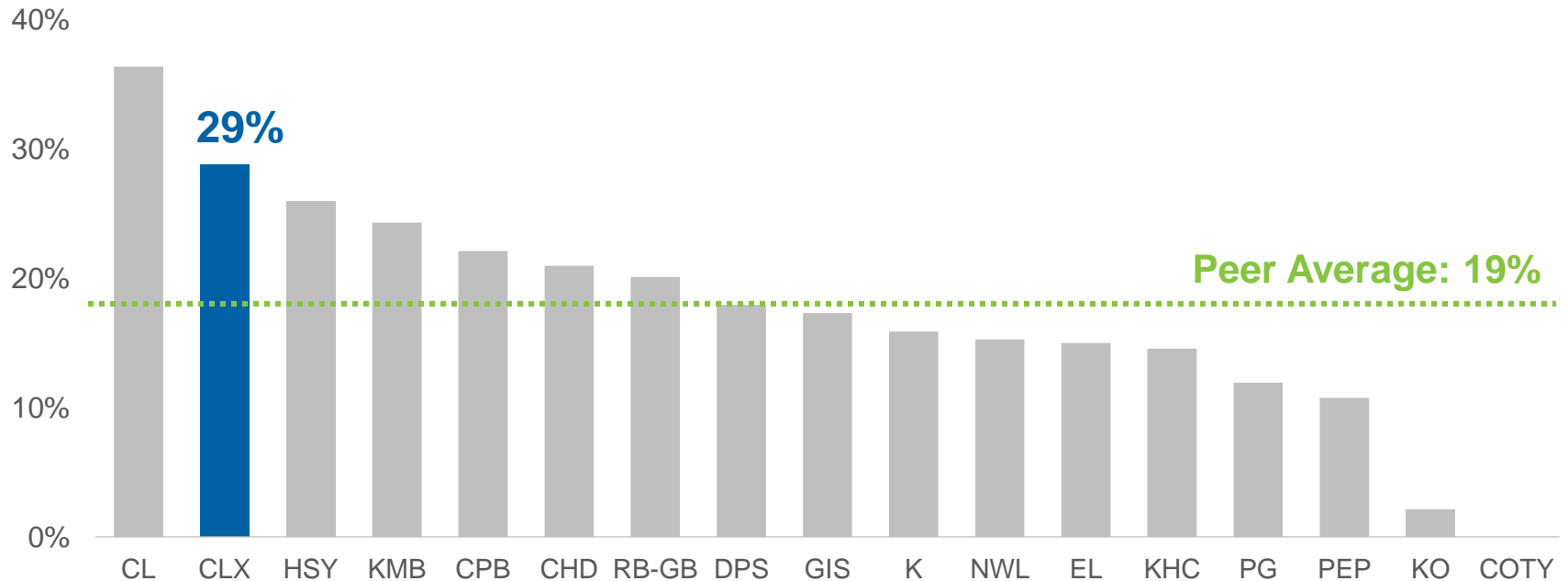
As of Fiscal Year Ending June 30, 2018



SG&A % of Sales as of Latest Fiscal Year End, CLX as of June 30, 2018

# Delivering Top-Tier ROIC

As of Fiscal Year Ending June 30, 2018



Return on invested capital (ROIC), a non-GAAP measure, is calculated as earnings from continuing operations before income taxes and interest expense, computed on an after-tax basis as a percentage of average invested capital. Average invested capital represents a five quarter average of total assets less non-interest bearing liabilities. ROIC is a measure of how effectively the company allocates capital. Information on the Peer ROIC is based on latest publically available fiscal-end data from FactSet . Data pulled on 8/1/18. See reconciliation on 66 and 67.

# Strong Free Cash Flow

Annual Free Cash Flow Goal raised to 11%-13% of Sales

Free Cash Flow % of Sales:

11%

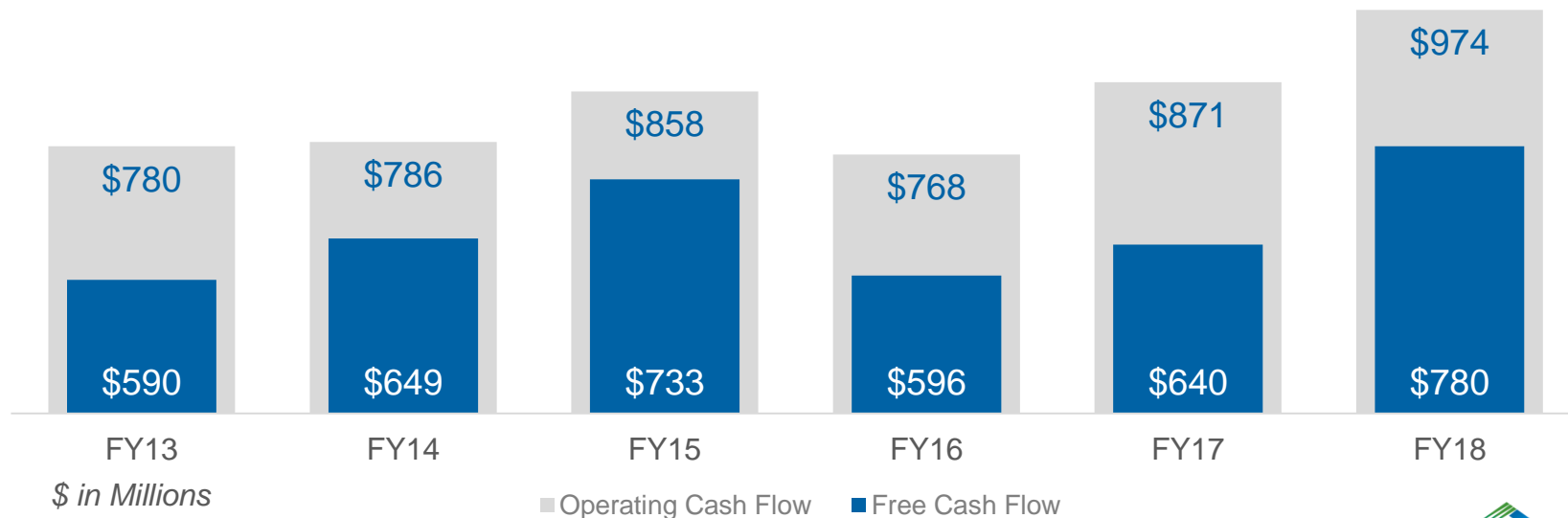
12%

13%

10%

11%

13%



Free Cash Flow (a non-GAAP measure) represents Operating Cash Flow from Continuing Operations less Capital Expenditures.

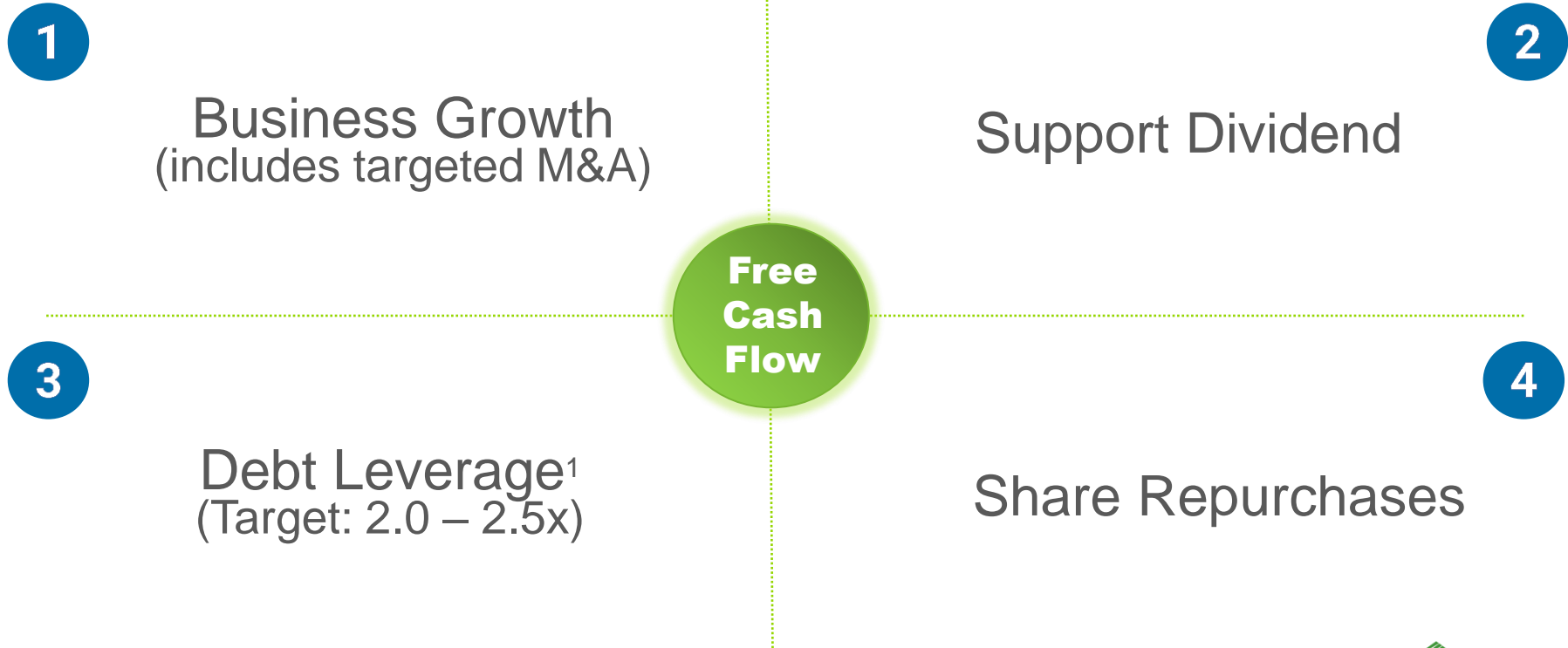
See reconciliation in the supplemental financial schedules located at: <https://investors.thecloroxcompany.com/investors/financial-information/quarterly-results/default.aspx>



# Impact of Recent Tax Reform

- The passage of The Tax Cuts and Jobs Act in December 2017, is expected to meaningfully lower Clorox's long-term effective tax rate
- **FY18:** Full year effective tax rate was **21.8%**
- **FY19:** Full year effective tax rate expected to be **23% to 24%**
- **Long term:** effective tax rate expected to be mid twenties range (vs previous range of low to mid thirties pre-tax reform)

# Use of Cash Priorities



1. Debt Leverage = Gross Debt / EBITDA. EBITDA is a non-GAAP measure. See reconciliation in the supplemental financial schedules located at: <https://investors.thecloroxcompany.com/investors/financial-information/quarterly-results/default.aspx>

# M&A Focus Unchanged

- Areas with tailwinds in categories, countries, and channels
- Strong fit with Clorox strategy and capabilities
- Brands with good market positions
- Attractive margins

Please note that this slide refers to general goals for Clorox's M&A focus – each element may not be relevant or applicable to each potential M&A transaction.



# Evolving our Portfolio with Nutranext Acquisition

## Nutranext™

- Transaction closed April 2018, purchase price \$700M (~3.5x Sales)
- About 3% of company sales
- Attractive mid-sized categories in Health and Wellness space with strong tailwinds
- Leading brands in natural channels<sup>1</sup> (Natural Vitality #1, Rainbow Light #2)
- US centric: ~90% of sales
- Leverages Clorox capabilities in brand building, innovation, digital marketing and eCommerce
- Attractive margins

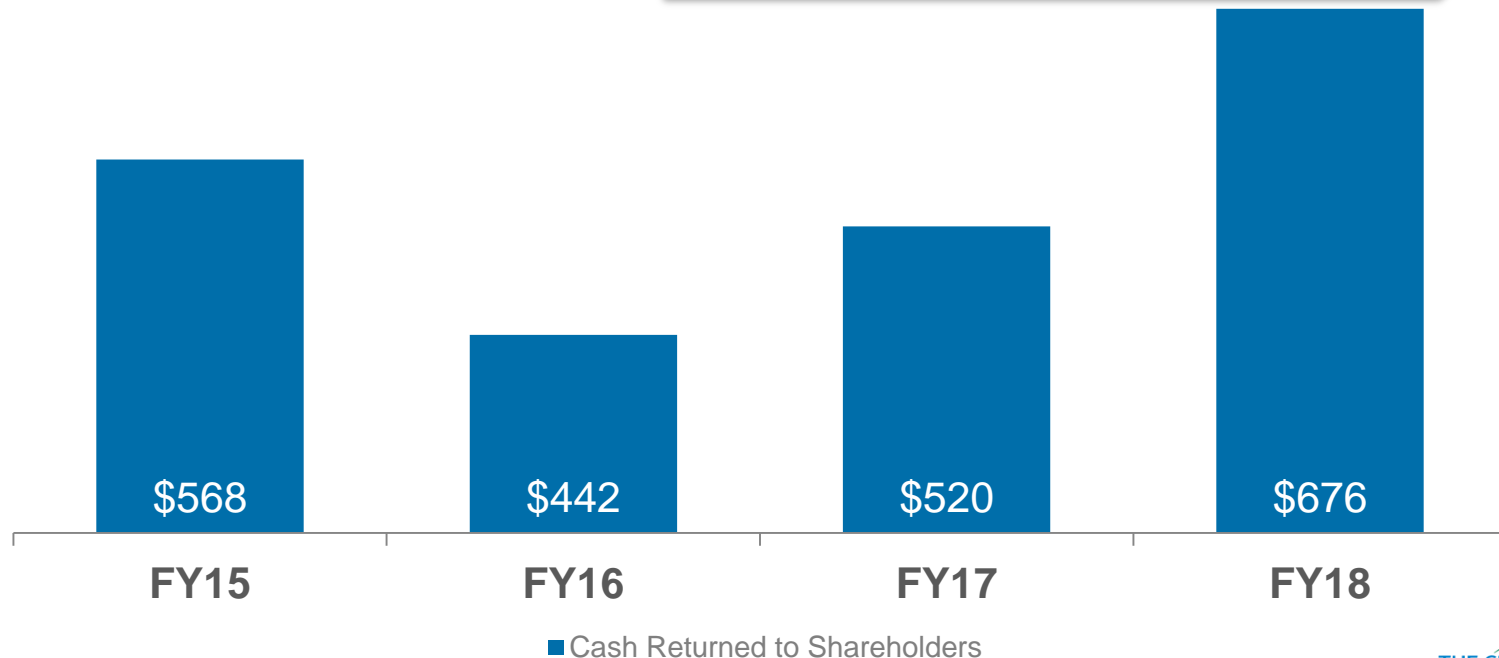


<sup>1</sup> Source: SPINS POS Retail Dollars 52weeks ending 12/31/2017.

# Over \$2B Returned to Shareholders in the Last 4 Years

*\$ in Millions*

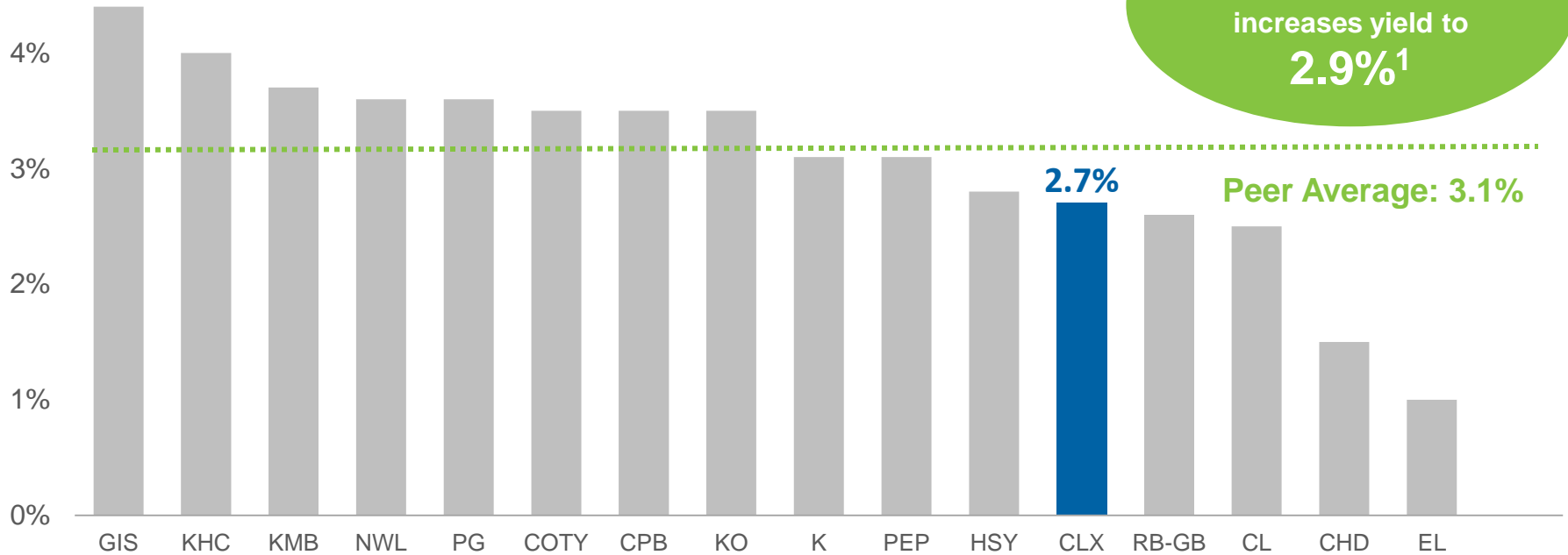
Initiated up to \$2B share repurchase program in May 2018



# Healthy Dividend Growth...

## Dividends Have Increased Each Year Since 1977

Dividend Yield as of June 30, 2018



**+14%** Dividend increase in Feb 2018 increases yield to **2.9%<sup>1</sup>**

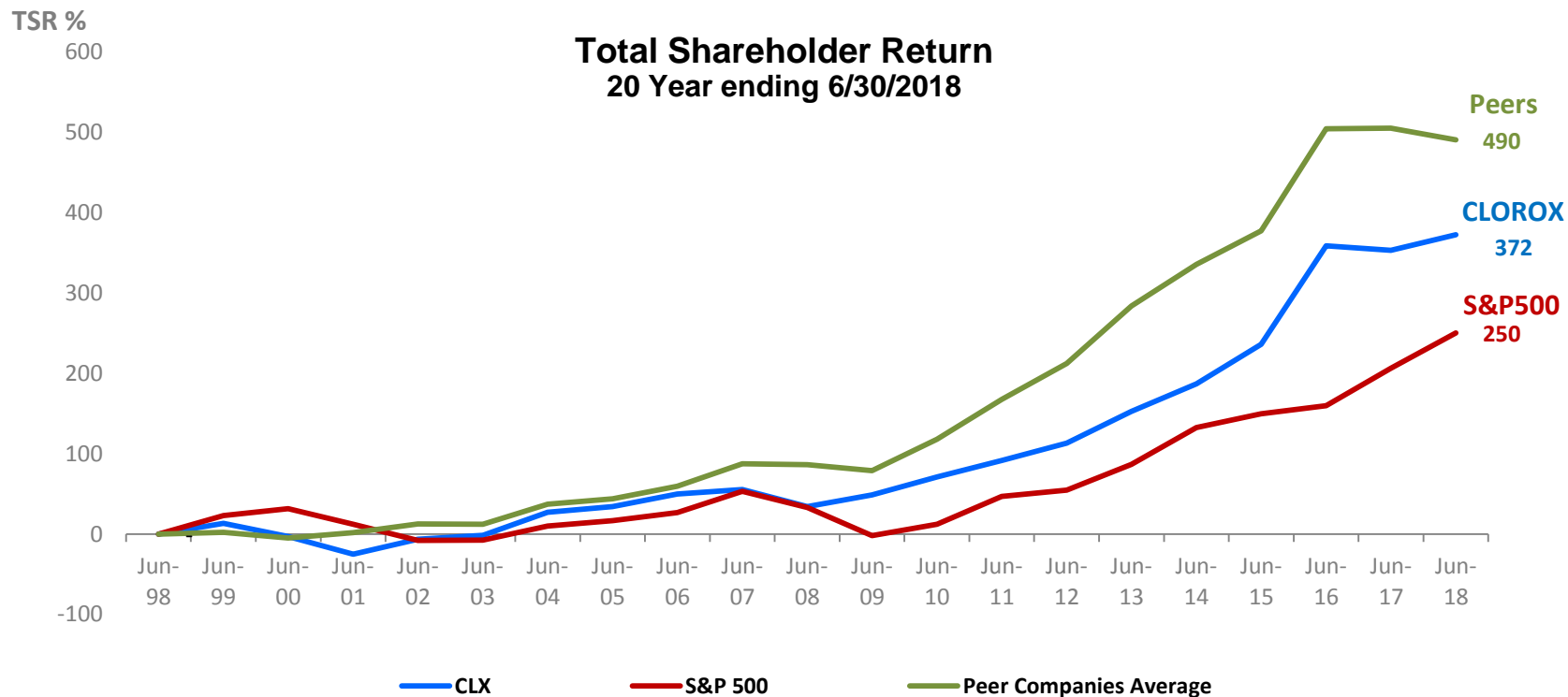
1. As of June 30, 2018, dividend yield of 2.9 % is calculated by taking prospective annual dividends per share (\$0.96/quarter x 4 = \$3.84) divided by the closing stock price (\$134.62).

# Long-Term Investment Case Remains Solid

- **Investing behind leading brands to grow categories and share**
  - 3%+ annual growth from innovation
  - Healthy brand building investments, including digital/eCommerce
- **Margin improvement opportunities continue to exist**
  - Leverage pricing power to mitigate input cost
  - Strong cost savings track record
  - SG&A below 14% of sales
- **Strong cash flow generation**
  - Goal to generate Free Cash Flow of 11% to 13% of sales
  - Announced +14% dividend increase (Feb 2018) and initiated up to \$2B share repurchase program (May 2018)



# Strong Shareholder Return



# 2020 Strategy



# 2020 Strategy: Drive Superior Consumer Value

## Mission

- We make everyday life better, every day

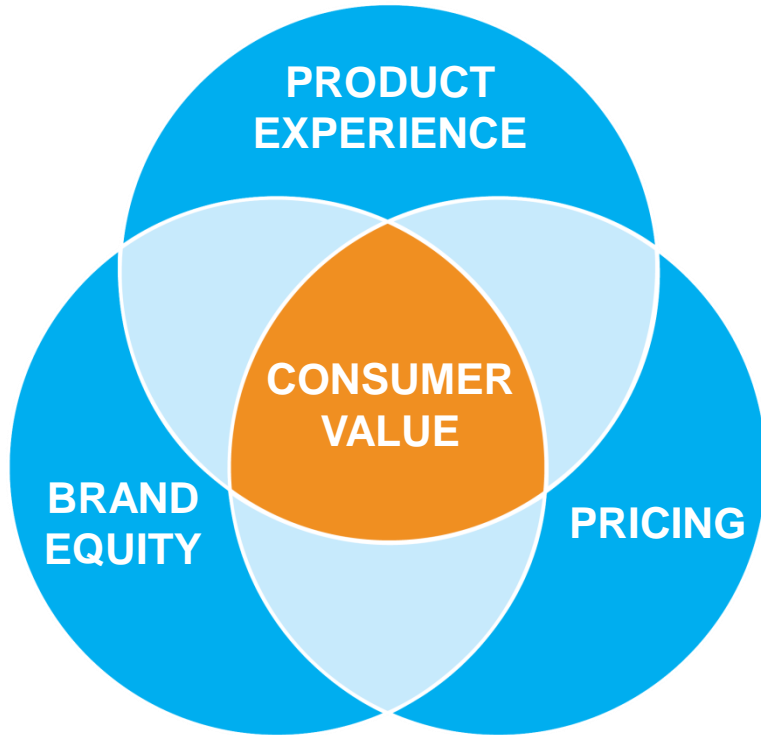
## Objectives

- Maximize economic profit
- Big-share brands in mid-sized categories and countries

## Strategy

- Drive superior consumer value behind strong brand investment, innovation and technology transformation
- Accelerate portfolio momentum in and around the core
- Fund growth by reducing waste in our work, products and supply chain
- Engage our people as business owners

# Driving Superior Consumer Value



- Value is an outcome of:
  - Great brand equity
  - Differentiated products
  - The right pricing
- Executing with excellence by delivering seamless consumer experience in-store and online

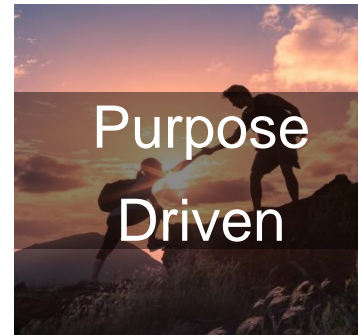
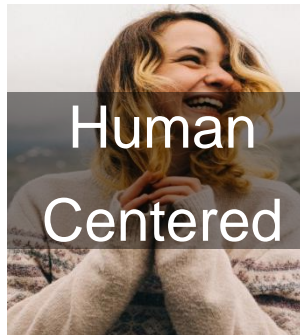


# Building Brand Equity

Evolving how we build Brands

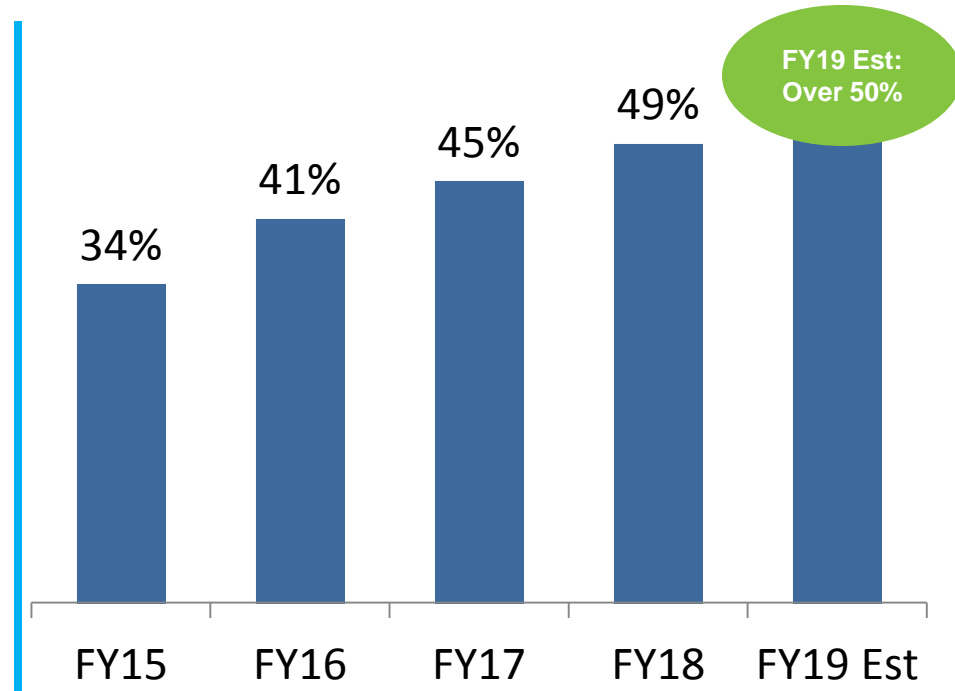


Building Brands with Purpose



# We Continue to Lean Into Digital Engagement

Clorox expects to invest  
**over 50%**  
of our media in digital



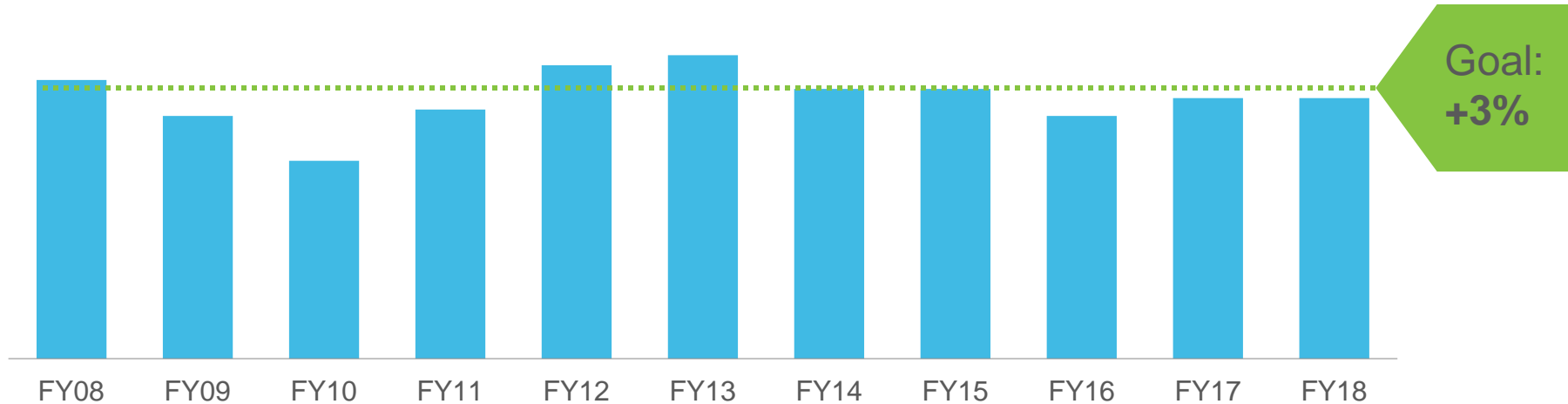
# Our Partners Help Build World-Class Digital

Select Partners:



# Innovation: Strong Track Record

Incremental Sales Growth from Product Innovation  
(Last 12 months)



# Solid Pipeline to Continue the Momentum

FY18  
Front Half



Clorox Performance Bleach with Cloromax



Burt's Bees Cosmetics



Scentiva Cleaning Platform

FY18  
Back Half



Glad ForceFlex Plus Advanced Protection



Clorox Disinfecting Wipes: Ultra Strength & Easy to Pull



Renew Life non-GMO probiotic + organic prebiotics



Clean Paws Low Track Litter



Scentiva Bathroom Cleaners

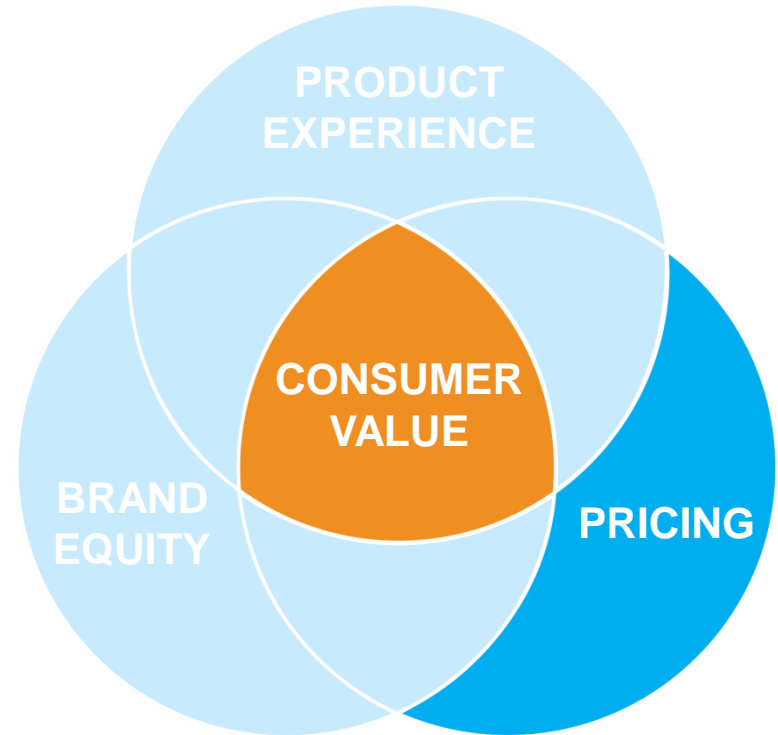


Hidden Valley Simply Dinners

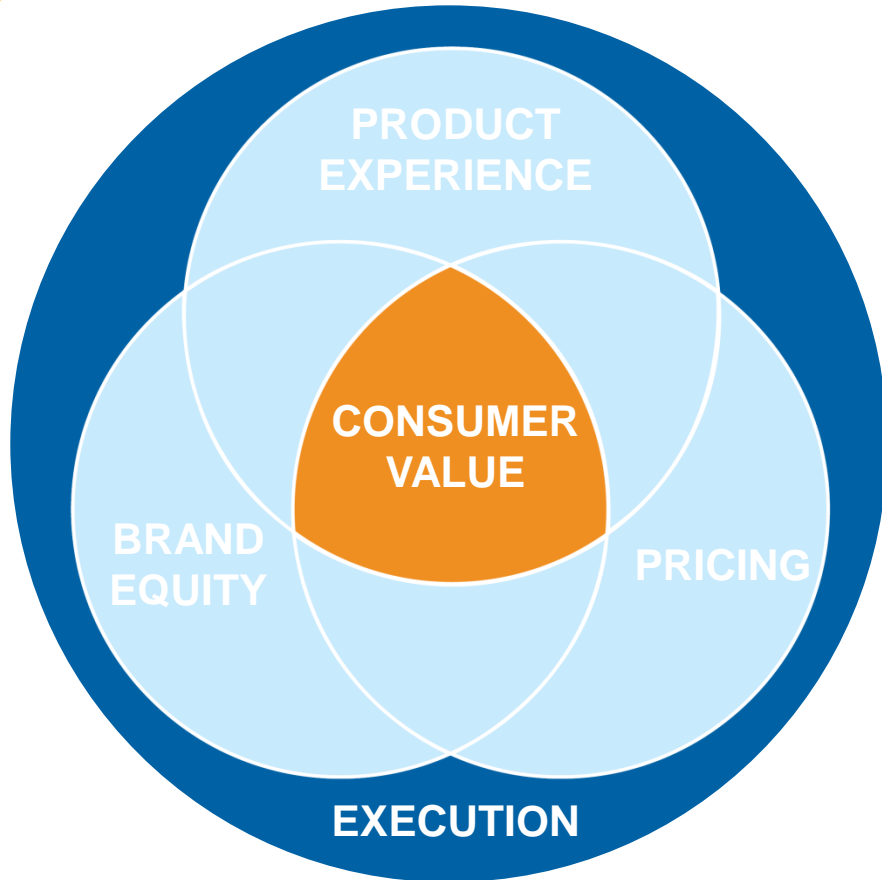


# Strategic Approach to Pricing Guided by Consumer Value

- Price for value, considering all elements of consumer value
- Leverage value-added innovation as a pricing opportunity
- Strong track record of price increases over past 5 years



# Driving Superior Consumer Value



- Value is an outcome of:
  - Great brand equity
  - Differentiated products
  - The right pricing
- **Executing with excellence** by delivering seamless consumer experience in-store and online

# Strong Capabilities and Long History of Retail Success

Mass Merch

Dollar

eCommerce

## Capabilities are World Class and Adaptable:

- Insights
- Retail operations
- Category management
- Supply chain
- Shopper marketing
- Omni-channel retailing

Club

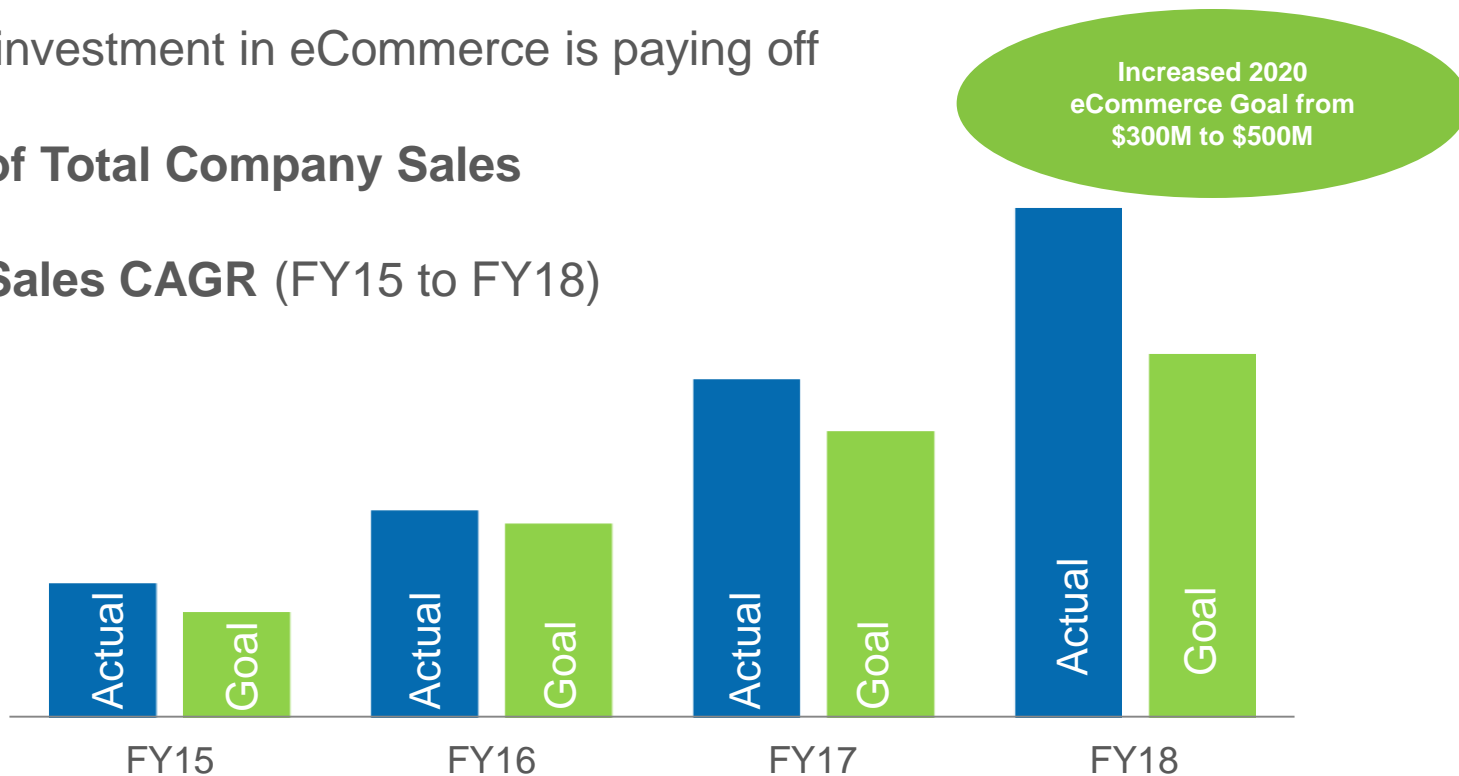
Home Hardware





# eCommerce Sales Well Ahead of Goals

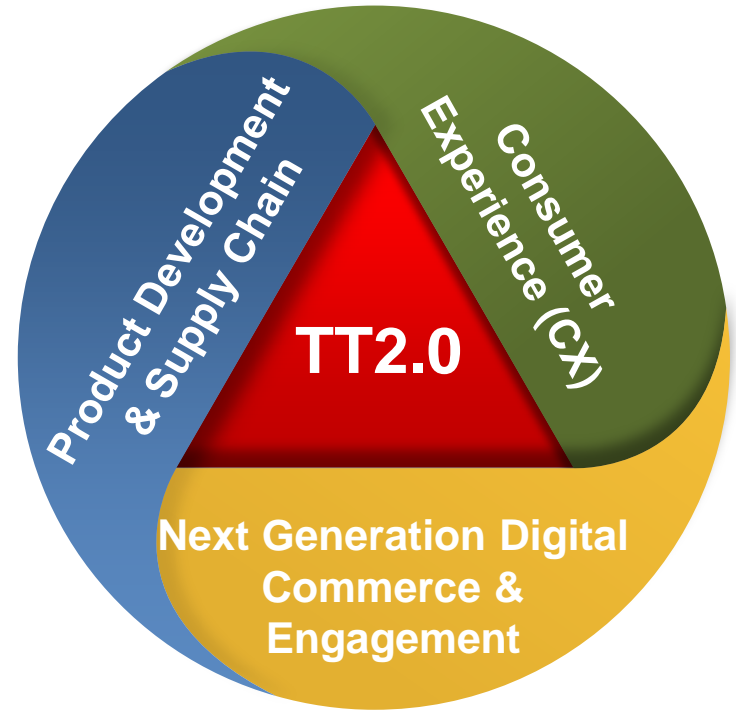
- Early investment in eCommerce is paying off
- **~6%** of Total Company Sales
- **38%** Sales CAGR (FY15 to FY18)



# Tech Transformation 1.0 to 2.0

eCommerce

Digital Marketing



# 2020 Strategy: Accelerate Portfolio Momentum

## Mission

- We make everyday life better, every day

## Objectives

- Maximize economic profit
- Big-share brands in mid-sized categories and countries

## Strategy

- Drive superior consumer value behind strong brand investment, innovation and technology transformation
- Accelerate portfolio momentum in and around the core
- Fund growth by reducing waste in our work, products and supply chain
- Engage our people as business owners

# Portfolio Segmentation

High

FUEL

GROWTH

Profit Margin Potential



Low

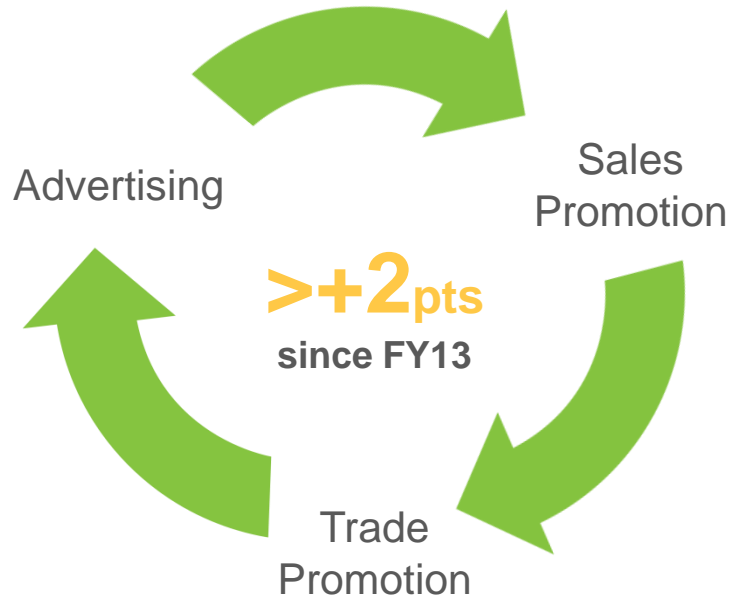
Sales Growth Potential

High



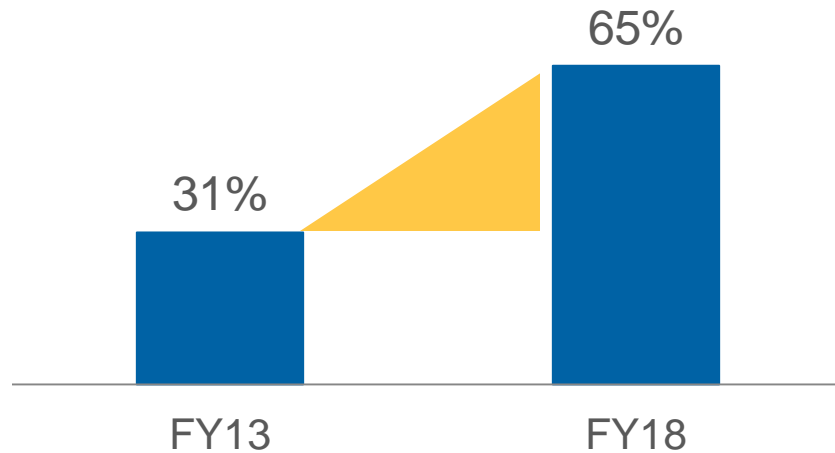
# Fuel Brands Create Investment Dollars

Increasing demand spend



# Investments Drive Household Penetration

% Sales with  
Growing/Stable HH Pen



**65%**  
of portfolio has  
growing or stable  
household penetration

# 2020 Strategy: Fuel Growth by Reducing Waste

## Mission

- We make everyday life better, every day

## Objectives

- Maximize economic profit
- Big-share brands in mid-sized categories and countries

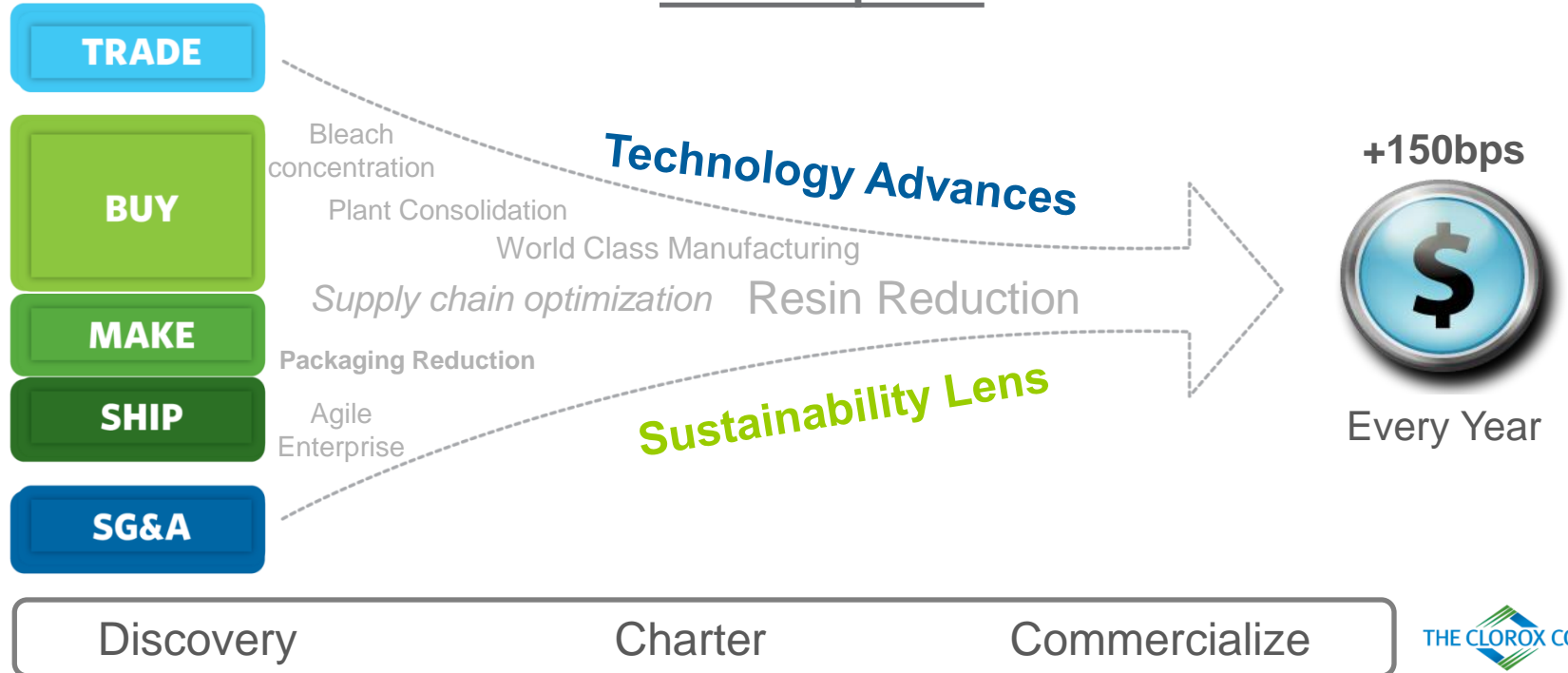
## Strategy

- Drive superior consumer value behind strong brand investment, innovation and technology transformation
- Accelerate portfolio momentum in and around the core
- Fund growth by reducing waste in our work, products and supply chain
- Engage our people as business owners

# Cost Savings is in our DNA

Over 10 years of +150bps EBIT Margin Benefit from Cost Savings (see slide 18)

## 3-Year Pipeline





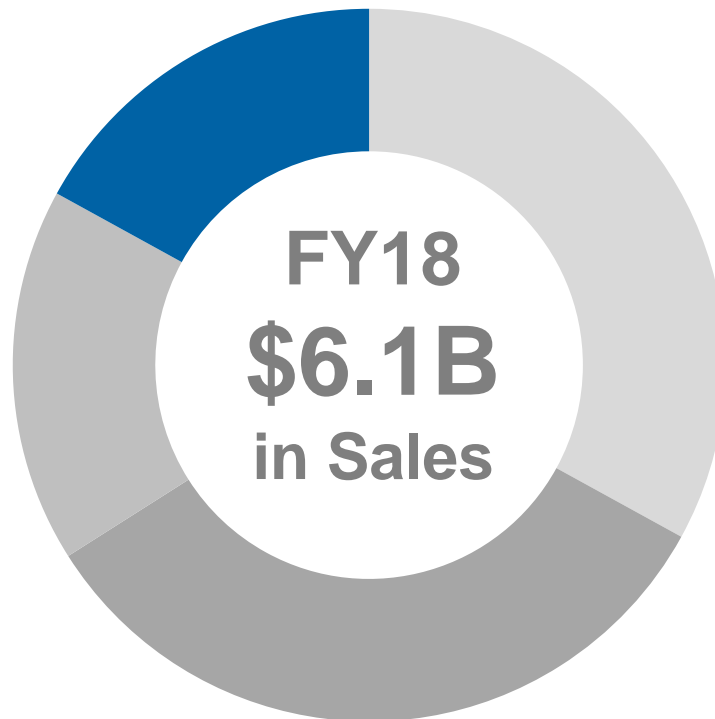
# Fueling Growth in International

## International : 17%

Latin America	8%
Canada	4%
Australia / NZ	2%
Rest of World	3%

## Lifestyle : 17%

 Hidden Valley	9%
 BURT'S BEES	4%
 BRITA	3%
 Nutranext	1%*



## Cleaning : 34%

 Pine Sol	Home Care	19%
 CLOROX	Laundry	9%
 CLOROX HEALTHCARE*	Professional	6%

## Household : 32%

 GLAD	14%
 KINGSFORD	9%
 Fresh Step	7%
 RenewLife	2%

\* Note: Reflects results following April 2018 acquisition. Expect Nutranext to contribute ~3pts of sales in FY19.

# Leading Brands in International



>80% of our brands in International are #1 or #2 in their market

## Selected Countries/Categories:

	Country	Share Position
	Argentina Bleach	#1
	Argentina Laundry Additives	#1
	Hong Kong Bleach	#2
	Costa Rica Bleach	#1
	Malaysia Bleach	#1
	Saudi Arabia Bleach	#1
	Mexico Bleach	#2
	Peru Bleach	#1
	Colombia Bleach	#2
	Chile	#1

	Country	Share Position
	Argentina	#2
	Chile	#1
	Canada Trash Bags	#2
	Canada Food Wraps	#1
	New Zealand Food Protection	#1
	China* Food Protection	#1
  	Hong Kong Food Protection	#1
	Canada	#1
	Canada	#1
	Australia	#1
	Canada Natural Lip Care	#1

# International “Go Lean” Strategy is Working



**Pricing  
Maximization**



**Focus on  
Cost Savings**



**Right-Size  
Infrastructure**



**Optimize Demand  
Creation**

# 2020 Strategy: Engage our People as Business Owners

## Mission

- We make everyday life better, every day

## Objectives

- Maximize economic profit
- Big-share brands in mid-sized categories and countries

## Strategy

- Drive superior consumer value behind strong brand investment, innovation and technology transformation
- Accelerate portfolio momentum in and around the core
- Fund growth by reducing waste in our work, products and supply chain
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# Clorox Growth Culture Enables our 2020 Strategy



## Growth Culture

- **Decisive**
- **Empowered**
- **Accountable**

2018 Growth Culture index:

**79**

- Consistent with Global High Performance Companies
- Well above Global Fast Moving Consumer Goods Companies

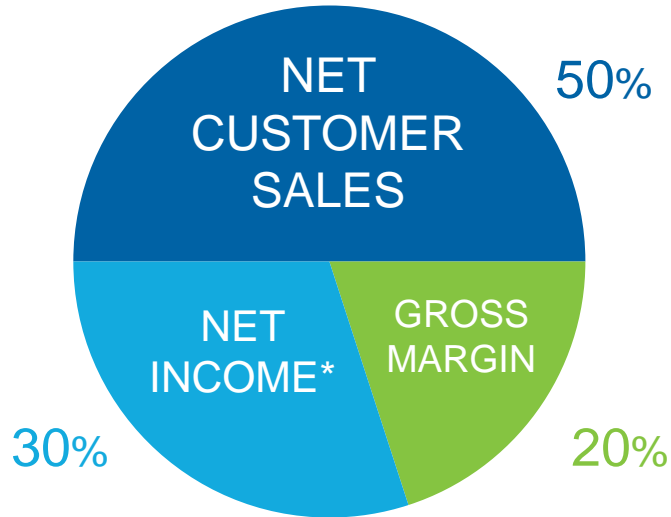
Source: Willis Towers Watson

**Global High Performing Companies (Growth Culture Index 80):** Companies meeting two criteria: (a) superior financial performance, defined by a net profit margin and/or return on invested capital that exceeds industry averages; and (b) superior human resource practices, defined by employee opinion scores near the top among the most financially successful companies surveyed by Willis Towers Watson. Includes responses from over 140,000 employees at dozens of global organizations.

**FMCG Norm (Growth Culture Index 73):** Based on responses from more than 160,000 employees globally.

# Employees Share in Rewards for Delivering Results

## Short-term Incentives



\*Continuing operations

## Long-term Incentives



\*Metric for Performance Share Units

# People Strategy Building a Competitive Advantage



Strong sustainable **engagement** results are generally associated with:

- **3x** higher operating margin<sup>1</sup>
- **6.5** fewer days lost<sup>1</sup>
- **41%** lower retention risk<sup>1</sup>

**Inclusion and diversity** lead to **better outcomes**:

- **+6%** greater revenue, **+15%** more customer wins, significantly higher market share<sup>2</sup>
- **Gender-diverse** companies are **+15%** more likely to **outperform peers**<sup>3</sup>
- **Ethnically-diverse** companies are **35%** more likely to **outperform peers**<sup>3</sup>
- Diverse and **inclusive company cultures** are **45%** more likely to **improve market share**, and have greater discretionary effort from employees and **lower turnover**<sup>4</sup>

**Sources:**

1 Willis Towers Watson

2 Why Diversity and Inclusion Has Become a Business Priority, Josh Bersin, December 7, 2015

3 Diversity Matters, Vivian Hunt, Dennis Layton and Sara Prince, February 2, 2015

4 Why Diversity Can Be Bad For Business (And Inclusion Is The Answer), Sebastian Bailey, May 20, 2014

# Strong Engagement Distinguishes Us from Peers

## SUSTAINABLE ENGAGEMENT



**88%**  
(favorable score)

Strong Absolute Results

vs. Fast Moving  
Consumer Goods

vs. Global High  
Performing Companies

+7\*

+2\*

Strong Relative to Peers

87%  
2016

88%  
2017

88%  
2018

Stronger Results Over Time

Source: Willis Towers Watson

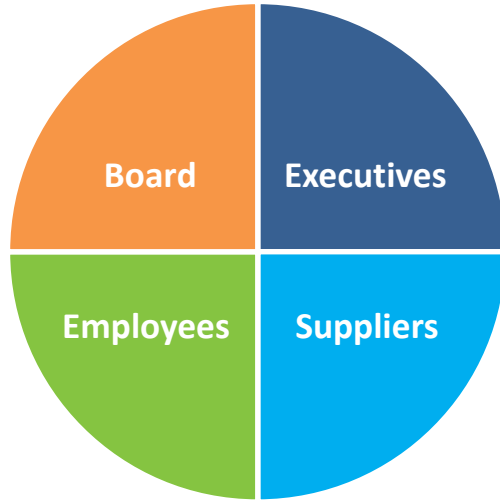
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\*Statistically Significant



# We Cultivate Diversity Broadly to Generate Value



**33%**

Female Clorox Executive Committee Members

**33%**

Female Board Members

**33%**

Minority Board Members

## Clorox Employee Resource Groups



AFRICAN-AMERICAN  
EMPLOYEE RESOURCE GROUP



ELEBRASIA  
UNITY IN DIVERSITY

HOLA  
ERG



gay, lesbian, bisexual & transgender  
employee resource group



SHOW  
ERG  
support, trust & opportunity for women



ORBIT

CLOROX  
VET NET



# Good Growth: Profitable, Sustainable, Responsible



PERFORMANCE



PEOPLE



PRODUCTS



PLANET



PURPOSE

# Making Our Products More Sustainable

Sustainability improvements to **34% of the portfolio\***



On track to meet our goal of 50% product portfolio by 2020

# Reducing Our Environmental Footprint



On track to meet or beat our goal of 20% reduction by 2020

# Safeguarding Families and Communities

**\$83  
MILLION!**

TOTAL VALUE OF  
CONTRIBUTIONS  
AND  
VOLUNTEER HOURS  
2014 - 2017



# Appendix



# Key Credit Metrics

\$ in B	FY13	FY14	FY15	FY16	FY17	FY18
EBITDA	\$1.2	\$1.1	\$1.2	\$1.2	\$1.3	\$1.3
Total Debt / EBITDA	2.1x	2.0x	1.8x	1.9x	1.7x	1.9x
EBITDA Interest Coverage	9.5x	11.3x	11.9x	14.0x	14.5x	15.3x
EBIT / Interest	8.0x	9.6x	10.2x	12.1x	12.7x	13.3x
Free Cash Flow / Debt	25%	28%	33%	26%	29%	31%
FCF after Dividends / Debt	10%	12%	16%	9%	10%	13%
FCF as % of sales	10%	12%	13%	10%	11%	13%
FCF after Dividends as % of Sales	4%	5%	6%	3%	4%	5%
Long Term Credit Ratings	BBB+ /Baa1	BBB+/Baa 1	BBB+/Baa 1	A- / Baa1	A-/Baa1	A-/Baa1
CP Ratings	A-2/P-2	A-2/P-2	A-2/P-2	A-2/P-2	A-2/P-2	A-2/P-2

Note: EBIT, EBITDA, FCF are Non-GAAP measures with reconciliations available in the supplemental financial schedules located at: <https://investors.thecloroxcompany.com/investors/financial-information/quarterly-results/default.aspx>

# Gross Margin Reconciliation

Driver	Gross Margin Change vs. Prior Year (basis points)									
	FY17					FY18				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Cost Savings	+140	+140	+150	+150	+150	+160	+170	+140	+120	+140
Price Changes	+70	+70	+60	+50	+60	+40	+30	+50	+50	+40
Market Movement (commodities)	+90	+10	-70	-90	-20	-90	-110	-160	-130	-130
Manufacturing & Logistics	-220	-210	-130	-130	-170	-80	-240	-220	-110	-160
All other <sup>(1)</sup>	-140	0	-140	+50	-60	+20	-20	+70	-100	+10
<b>Change vs prior year</b>	<b>-60</b>	<b>+10</b>	<b>-130</b>	<b>+30</b>	<b>-40</b>	<b>+50</b>	<b>-170</b>	<b>-120</b>	<b>-170</b>	<b>-100</b>
<i>Gross Margin (%)</i>	<i>44.4%</i>	<i>44.7%</i>	<i>44.0%</i>	<i>45.7%</i>	<i>44.7%</i>	<i>44.9%</i>	<i>43.0%</i>	<i>42.8%</i>	<i>44.0%</i>	<i>43.7%</i>

(1) In Q1 of fiscal year 2017, "All other" includes about -60bps of unfavorable mix and -50bps of unfavorable foreign exchange impact.

In Q3 of fiscal year 2017, "All other" includes about -100bps of unfavorable mix (negative mix in charcoal business and strong sales in club channel across multiple businesses) and -60bps of higher trade promotion spending.

In Q4 of fiscal year 2018, "All other" includes about -60bps of negative impact from costs related to the Nutranext acquisition.



# Reportable Segments (unaudited)

*Dollars in Millions*

	Net sales		
	Three Months Ended		
	6/30/2018	6/30/2017	% Change <sup>(1)</sup>
Cleaning	\$ 516	\$ 502	3%
Household	615	632	-3%
Lifestyle	311	258	21%
International	249	255	-2%
Corporate	-	-	-
Total	\$ 1,691	\$ 1,647	3%

	Net sales		
	Twelve Months Ended		
	6/30/2018	6/30/2017	% Change <sup>(1)</sup>
Cleaning	\$ 2,060	\$ 2,002	3%
Household	1,959	1,961	0%
Lifestyle	1,077	1,000	8%
International	1,028	1,010	2%
Corporate	-	-	-
Total	\$ 6,124	\$ 5,973	3%

	Earnings (losses) from continuing operations before income taxes		
	Three Months Ended		
	6/30/2018	6/30/2017	% Change <sup>(1)</sup>
	\$ 146	\$ 123	19%
	155	173	-10%
	55	54	2%
	15	6	150%
	(65)	(61)	7%
Total	\$ 306	\$ 295	4%

	Earnings (losses) from continuing operations before income taxes		
	Twelve Months Ended		
	6/30/2018	6/30/2017	% Change <sup>(1)</sup>
	\$ 574	\$ 523	10%
	370	419	-12%
	243	244	0%
	84	81	4%
	(217)	(234)	-7%
Total	\$ 1,054	\$ 1,033	2%

<sup>(1)</sup> Percentages based on rounded numbers.

# Return on Invested Capital (ROIC) Reconciliation

*Dollars in millions and all calculations based on rounded numbers*

	<u>FY18</u>
<b>Earnings from continuing operations before income taxes</b>	<b>\$ 1,054</b>
Interest expense	<u>85</u>
<b>Earnings from continuing operations before income taxes and interest expense</b>	<b>\$ 1,139</b>
Income taxes on earnings from continuing operations before income taxes and interest expense <sup>(2)</sup>	<u>\$ (249)</u>
<b>Adjusted after-tax profit</b>	<b>\$ 890</b>
<b>Average invested capital <sup>(3)</sup></b>	<b>\$ 3,095</b>
<b>Return on invested capital <sup>(1)</sup></b>	<b><u>29%</u></b>

(1) In accordance with SEC's Regulation G, this schedule provides the definition of a non-GAAP measure and the reconciliation to the most closely related GAAP measure. Return on invested capital (ROIC), a non-GAAP measure, is calculated as earnings from continuing operations before income taxes and interest expense, computed on an after-tax basis as a percentage of average invested capital. Management believes ROIC provides additional information to investors about current trends in the business. ROIC is a measure of how effectively the company allocates capital. ROIC should not be considered in isolation or as a substitute for the comparable GAAP measures and should be read in connection with the company's consolidated financial statements presented in accordance with GAAP.

(2) The tax rate applied is the effective tax rate on continuing operations, which was 31.9%.

(3) Average invested capital represents a five quarter average of total assets less non-interest bearing liabilities.

# Return on Invested Capital (ROIC) Reconciliation

*Dollars in millions and all calculations based on rounded numbers*

*(Amounts shown below are five quarter averages)*

	<b>FY18</b>
Total assets	\$ 4,887
Less: non-interest bearing liabilities	(1,792)
<b>Average invested capital</b>	<b>\$ 3,095</b>