

# Procter & Gamble Co. (NYSE:PG)

Sector: Consumer Goods (NAICS: 325620)

| Intrinsic Value | Current Price | 52 Week High | 52 Week Low | Beta | P/E   | Market Cap            | Dividend Yield |
|-----------------|---------------|--------------|-------------|------|-------|-----------------------|----------------|
| \$90.36         | \$83.74       | \$85.82      | \$75.20     | 0.35 | 20.89 | \$226.74B (Large Cap) | 3.20%          |

## Industry Trends

The consumer goods industry is trying to expand into emerging markets, particularly with the rise of the middle class in Asia. Companies are continuously updating products to fit with changing consumer demands. There is an increase in online shopping with the evolution of technology, so consumer goods companies need to understand how to best market their products given this change in lifestyle.

## Investment Thesis

Procter & Gamble has a long history of success spanning back to 1837. The company has plans to focus on their 80 most profitable brands, by eliminating 100 of their underperforming brands. These core 80 brands represent 90% of revenues and 95% of profits. This restructuring will reduce costs while allowing P&G to expand their top line brands.

## Business Summary

The Procter & Gamble Company manufactures and markets consumer products. They are divided into four main sectors: beauty, hair and personal care which accounts for 24% of sales, baby, feminine and family care which represents 25% of sales, fabric and home care which is 32% of sales, and health and grooming which accounts for 19% of sales. These products are sold in grocery stores, discount stores, mass merchandisers, drug stores, membership club stores, and neighborhood stores worldwide.

## Competition:

- Three of PG's major competitors are: Colgate-Palmolive (CL), Kimberly-Clark (KMB), and Energizer Holdings (ENR)

## Pros:

- Procter & Gamble has a vast portfolio of brands, which includes 23 with annual sales exceeding \$1 billion
- A new plan is currently in place to create a more cost efficient distribution chain. This plan is estimated to save the company \$10 billion between 2012-2016
- The company has increased dividend yield for 58 consecutive years
- Procter & Gamble has a history of share repurchases, and is expected to buy-back between \$5-7 billion worth of shares in 2015

## Cons:

- Competition in the industry is very high, as there are many alternatives for each of Procter & Gamble's products
- The unpredictable nature of commodity costs can effect Procter and Gamble's costs of producing goods
- The ability to increase profit margins will prove to be difficult for Procter & Gamble as price competition in the industry increases

## PG 5-year stock performance vs. S&P 500:



## Corporate Social Responsibility:

|                                |                          |
|--------------------------------|--------------------------|
| ESG Disclosure Rating          | 45.45 (Ind. Avg.: 38.38) |
| Environmental Disclosure Score | N/A (Ind. Avg.: 41.24)   |
| Carbon Disclosure Score        | N/A (Ind. Avg.: 89.22)   |
| Social Disclosure Score        | N/A (Ind. Avg.: 48.07)   |
| Governance Disclosure Score    | N/A (Ind. Avg.: 52.88)   |
| Equal Opportunity Policy       | 1 (Ind. Avg.: 1)         |
| Community Spending             | N/A (Ind. Avg.: 18.11)   |
| Total Energy Consumption       | 20.09 (Ind. Avg.: 6.71)  |

Source: Bloomberg, Yahoo Finance, Procter & Gamble Company

## Value Estimate:

**\$94-\$114**

(2016-2018)

**Estimated Real Annual Return:**

**7%-12%**

## Overall Rating:

|                       |        |
|-----------------------|--------|
| Expected inflation    | 3%     |
| Current EPS           | \$4.22 |
| Forecasted EPS Growth | 5.4%   |
| Credit Quality        | Aa3    |
| ROE                   | 17%    |
| ROA                   | 8.2%   |
| Price/Book            | 3.32   |
| Debt/Equity           | 35.34  |
| Debt/Capital          | 23.47  |
| Current Ratio         | 0.94   |
| Price/Cash Flow       | 16.6   |
| 10 yr. Risk Free Rate | 2.55%  |
| WACC                  | 9.5%   |

## Four Stars

## Report Prepared By:

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10/1/14

