|  |  |  |  |  |  |  |  | $\left.\begin{array}{\|ll\|l\|l\|} \hline \text { RECENT } \\ \text { PRICE } \end{array} \quad \mathbf{7 9 . 7 2} \right\rvert\, \begin{aligned} & \text { P/E } \\ & \text { RATIO } \\ & \hline 18.3 \end{aligned}$ |  |  |  |  | $\begin{aligned} & 19.5 \\ & 18.0 \end{aligned}$ | $\begin{aligned} & \text { RELATIVE } \\ & \text { P/E RATIO } 0.95 \end{aligned}$ |  | $\text { DIV'D } \quad \mathbf{3 . 5 \%}$ |  |  | $\begin{aligned} & \text { VALUE } \\ & \text { LINE } \end{aligned}$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| TIMELINESS $\mathbf{3}$ Lowered 1/19/18 <br> SAFETY $\mathbf{1}$ Raised $1 / 11102$ <br> TECHNICAL 3 Lowered $399 / 18$ <br> BETA $.65 \quad(1.00=$ Market $)$  |  |  |  | High: Low: | $\begin{aligned} & 75.2 \\ & 60.4 \end{aligned}$ | $\begin{aligned} & 73.8 \\ & 54.9 \end{aligned}$ | $\begin{aligned} & \hline 63.5 \\ & 43.9 \end{aligned}$ | $\begin{aligned} & 65.4 \\ & 39.4 \end{aligned}$ | $\begin{aligned} & 67.7 \\ & 57.6 \end{aligned}$ | $\begin{aligned} & 71.0 \\ & 59.1 \end{aligned}$ | $\begin{aligned} & 85.8 \\ & 68.4 \end{aligned}$ | $\begin{aligned} & 93.9 \\ & 75.3 \end{aligned}$ | $\begin{aligned} & 91.8 \\ & 65.0 \end{aligned}$ | $\begin{aligned} & \hline 90.3 \\ & 74.5 \end{aligned}$ | $\begin{aligned} & 94.7 \\ & 83.2 \end{aligned}$ | $\begin{aligned} & 1 \\ & 91.9 \\ & 77.9 \end{aligned}$ |  |  | Target Price Range 2021\|2022 2023 |  |
|  |  |  |  | ```LEGENDS - 14.0 x "Cash Flow" p sh \(\ldots\) Relative Price Strength Options: Yes Shaded area indicates recession``` |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | -------- | 120 |
| $\begin{array}{llll}\text { High } & 130 & (+65 \% & 16 \% \\ \text { Low } & 105 & (+30 \%) & 10 \%\end{array}$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 80 |
|  |  |  |  |  |  |  |  |  |  |  |  |  | Tr |  |  |  |  |  |  |  |
|  |  |  |  |  |  | 111 |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 40 |
| Insider Decisions |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 30 |
| to Buy | $\begin{array}{ccc} M & J & J \\ 0 & 0 & 0 \end{array}$ | $\begin{array}{lll} A & S & 0 \\ 0 & 0 & 0 \end{array}$ | $\begin{array}{ccc} N & D & J \\ 0 & 0 & 0 \end{array}$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 20 |
| $\begin{array}{\|l\|l} \text { to Buy } \\ \text { Options } \end{array}$ | $\begin{array}{lll} 0 & 0 & 0 \\ 1 & 6 & 0 \end{array}$ | $\begin{array}{ll} 10 & 0 \\ 19 & 6 \\ \hline \end{array}$ | $\begin{array}{lll} 0 & 0 & 0 \\ 210 & 1 \end{array}$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  | \% TOT. RETURN $2 / 18$ |  | -15 |
| to Sell | 2001 | 901 | 5 3 2 | Percent shares traded |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Institutional Decisions   <br> 2Q2017 302017 402017 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | THIS VLARITH. |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{array}{ll}\text { STOCK } & \text { INDEX } \\ -11.1 & 10.1\end{array}$ |  |  |
| to Sell | 977 | 1008 | 912 |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 3 yr . | $1.5 \quad 24.2$ |  |
| Hldd'(000) 1 | 16725511 | 6634781 | 522431 |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 5 yr . | $19.7 \quad 76.2$ |  |
| 2002 | 2003 | 2004 | 2005 |  |  | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | $\bigcirc{ }^{\circ} \mathrm{VA}$ | JE LINE PUB. LLC | 21-23 |
| 15.47 | 16.72 | 20.21 | 22.95 | 21.46 | 24.42 | 27.53 | 27.09 | 27.81 | 29.85 | 30.45 | 30.69 | 30.64 | 28.10 | 24.47 | 25.48 | 26.80 | 27.90 | Sale | sh A | 32.65 |
| 2.55 | 2.82 | 3.18 | 3.51 | 3.51 | 4.25 | 4.97 | 4.86 | 4.87 | 5.21 | 5.20 | 5.33 | 5.57 | 5.31 | 4.97 | 5.21 | 5.50 | 5.85 | "Cash | low" per sh | 7.90 |
| 1.80 | 2.04 | 2.32 | 2.53 | 2.64 | 3.04 | 3.64 | 3.58 | 3.53 | 3.93 | 3.85 | 4.05 | 4.22 | 4.02 | 3.67 | 3.92 | 4.25 | 4.50 | Earnin | per sh AB | 6.45 |
| . 76 | . 82 | . 93 | 1.03 | 1.15 | 1.28 | 1.45 | 1.64 | 1.80 | 1.97 | 2.14 | 2.29 | 2.45 | 2.59 | 2.66 | 2.70 | 2.76 | 2.84 | Div'ds | ecl'd per sh Cm | 3.50 |
| . 65 | . 57 | . 80 | . 88 | . 84 | . 94 | 1.00 | 1.11 | 1.08 | 1.20 | 1.44 | 1.46 | 1.42 | 1.38 | 1.24 | 1.33 | 1.35 | 1.30 | Cap'IS | ending per sh | 1.25 |
| 4.64 | 5.63 | 6.19 | 6.47 | 19.33 | 20.87 | 22.46 | 21.18 | 21.20 | 24.14 | 22.87 | 24.64 | 25.40 | 22.83 | 21.34 | 21.45 | 22.10 | 23.00 | Book | lue per sh ${ }^{\text {D }}$ | 28.85 |
| 2601.5 | 2594.4 | 2543.8 | 2472.9 | 3178.8 | 3131.9 | 3032.7 | 2917.0 | 2838.5 | 2765.7 | 2748.0 | 2742.3 | 2710.8 | 2714.5 | 2668.1 | 2553.3 | 2500.0 | 2475.0 | Comm | Shs Outst'g E | 2450.0 |
| 22.4 | 21.6 | 21.3 | 21.5 | 21.5 | 20.5 | 18.6 | 16.4 | 17.0 | 16.0 | 16.7 | 17.8 | 19.0 | 20.9 | 21.4 | 22.3 | Bold figu | are | Avg An | 'IP/E Ratio | 18.0 |
| 1.22 | 1.23 | 1.13 | 1.14 | 1.16 | 1.09 | 1.12 | 1.09 | 1.08 | 1.00 | 1.06 | 1.00 | 1.00 | 1.05 | 1.12 | 1.09 |  |  | Relativ | P/E Ratio | 1.00 |
| 1.9\% | 1.9\% | 1.9\% | 1.9\% | 2.0\% | 2.1\% | 2.1\% | 2.8\% | 3.0\% | 3.1\% | 3.3\% | 3.2\% | 3.1\% | 3.1\% | 3.4\% | 3.1\% |  | ates | Avg An | Div'd Yield | 3.0\% |
| CAPITAL STRUCTURE as of 12/31/17 <br> Total Debt $\$ 37.733$ bill. Due in 5 Yrs $\$ 15.00$ bill. LT Debt $\$ 22.186$ bill. LT Interest $\$ 4.950$ bill. (Tot. Int. Coverage: 24.3x) |  |  |  |  |  | 83503 | 79029 | 78938 | 82559 | 83680 | 84167 | 83062 | 76279 | 65299 | 65058 | 67000 | 69100 | Sales | mill) ${ }^{\text {A }}$ | 80000 |
|  |  |  |  |  |  | 24.2\% | 24.3\% | 24.2\% | 22.6\% | 22.6\% | 22.3\% | 23.7\% | 23.4\% | 26.2\% | 26.4\% | 26.5\% | 26.5\% | Operat | g Margin | 28.0\% |
|  |  |  |  |  |  | 3166.0 | 3082.0 | 3108.0 | 2838.0 | 3204.0 | 2982.0 | 3141.0 | 3134.0 | 3078.0 | 2820.0 | 3000 | 3225 | Deprec | tion (\$mill) | 3500 |
|  |  |  |  |  |  | 12075 | 11293 | 10946 | 11797 | 11344 | 11869 | 12220 | 11535 | 10441 | 10733 | 10750 | 11250 | Net Pro | it (\$mill) | 15800 |
|  |  |  |  |  |  | 24.9\% | 26.3\% | 27.3\% | 22.3\% | 24.2\% | 23.2\% | 23.5\% | 20.2\% | 24.6\% | 23.8\% | 23.0\% | 22.0\% | Income | Tax Rate | 21.0\% |
| Pension Assets-6/17 \$10.8 bill. |  |  |  | Oblig. $\$ 16.2$ bill. |  | 14.5\% | 14.3\% | 13.9\% | 14.3\% | 13.6\% | 14.1\% | 14.7\% | 15.1\% | 16.0\% | 16.5\% | 16.0\% | 16.3\% | Net Pro | Margin | 19.8\% |
|  |  |  |  | d6443 | d8996 | d5500 | d5323 | d2997 | d6047 | d2109 | d144.0 | 3012.0 | d3716 | d500 | 325 | Workin | Cap'l (\$mill) | 1500 |  |
| Pfd Stock \$1.1 bill. Pfd Div'd $\$ 247$ mill. (ESOP owns 49.3 mill Class A shares and 57.2 mill |  |  |  |  |  | 23581 | 20652 | 21360 | 22033 | 21080 | 19111 | 19811 | 18329 | 18945 | 18038 | 22000 | 22000 | Long-T | m Debt (\$mill) | 20000 |
| Class B shares; convertible into common stock.) |  |  |  |  |  | 69494 | 63099 | 61439 | 68001 | 64035 | 68709 | 69976 | 63050 | 57983 | 55778 | 55250 | 56930 | Shr. Eq | ity (\$mill) | 70625 |
| Common Stock 2,521,003,706 shares |  |  |  |  |  | 13.8\% | 14.3\% | 13.8\% | 13.5\% | 13.8\% | 13.9\% | 14.0\% | 14.6\% | 13.9\% | 14.9\% | 14.0\% | 14.5\% | Return | n Total Cap'l | 17.5\% |
|  |  |  |  |  |  | 17.4\% | 17.9\% | 17.8\% | 17.3\% | 17.7\% | 17.3\% | 17.5\% | 18.3\% | 18.0\% | 19.2\% | 19.5\% | 20.0\% | Return | o Shr. Equity | 22.5\% |
| MARKET CAP: \$201 billion (Large Cap) |  |  |  |  |  | 10.9\% | 10.1\% | 9.1\% | 9.0\% | 8.3\% | 7.9\% | 7.7\% | 6.9\% | 5.3\% | 6.4\% | 7.0\% | 7.5\% | Retained to Com Eq All Div'ds to Net Prof |  | 10.0\% |
| CURRENT POSITION(SMILL. |  |  |  |  |  | 39\% | 45\% | 50\% | 49\% | 54\% | 55\% | 57\% | 63\% | 71\% | 67\% | 64\% | 62\% |  |  | 54\% |


| (\$MILL.) |  |  |  |  |
| :--- | ---: | ---: | ---: | ---: |
| Cash Assets | 13348 | 15137 | 18758 |  |
| Receivables | 4373 | 4594 | 5182 |  |
| Inventory (FIFO) | 4716 | 4624 | 5131 |  |
| Other | 11345 | 2139 | 2143 |  |
| Current Assets | 33782 | 26494 | 31214 |  |
| Accts Payable | 9325 | 9632 | 9740 |  |
| Debt Due | 11653 | 13554 | 15547 |  |
| Other | $\underline{9792}$ | $\underline{7024}$ | 7820 |  |
| Current Liab. | 30770 | 30210 | 33107 |  |
| Annn |  |  |  |  |


| ANNUAL RATES | Past | Past |  |
| :--- | ---: | ---: | :---: | Est'd '15-'17


| Fiscal Year Ends | QUARTERLY SALES (\$ mill.) A |  |  |  | Full Fiscal Year |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Sep. 30 | Dec. 31 | Mar. 31 | Jun. 30 |  |
| 2015 | 20186 | 20161 | 18142 | 17790 | 76279 |
| 2016 | 16527 | 16915 | 15755 | 16102 | 65299 |
| 2017 | 16518 | 16856 | 15605 | 16079 | 65058 |
| 2018 | 16653 | 17395 | 16300 | 16652 | 67000 |
| 2019 | 16750 | 17500 | 17000 | 17850 | 69100 |
| Fiscal Year Ends | EARNINGS PER SHARE AB |  |  |  | Full Fiscal Year |
| 2015 | 1.04 | 1.06 | . 92 | 1.00 | 4.02 |
| 2016 | . 98 | 1.04 | . 86 | . 79 | 3.67 |
| 2017 | 1.03 | 1.08 | . 96 | . 85 | 3.92 |
| 2018 | 1.09 | 1.19 | 1.02 | . 95 | 4.25 |
| 2019 | 1.20 | 1.25 | 1.05 | 1.00 | 4.50 |
| Calendar | QUARTERLY DIVIDENDS PAID C. |  |  |  | Full |
|  | Mar. 31 | Jun. 30 | Sep. 30 | Dec. 31 | ear |
| 2014 | . 602 | . 644 | . 644 | . 644 | 2.53 |
| 2015 | . 644 | . 663 | . 663 | . 663 | 2.63 |
| 2016 | . 663 | . 67 | . 67 | . 67 | 2.67 |
| 2017 | . 67 | . 69 | . 69 | . 69 | 2.74 |
| 2018 | . 69 |  |  |  |  |

BUSINESS: The Procter \& Gamble Company makes branded consumer packaged goods, which are marketed and sold in more than 180 countries around the world. Has five reportable segments: Beauty/Hair/Personal care ( $18 \%$ of fiscal 2017 sales); Grooming (10\%); Health Care (12\%); Fabric Care \& Home Care (32\%); Baby, Feminine \& Family Care ( $28 \%$ ). International sales accounted for
Procter \& Gamble continued to make progress in the fiscal second quarter. (Year ends J une 30th.) Indeed, core earnings advanced $10 \%$ during the period, on a $3 \%$ revenue gain. The company recorded healthy organic sales growth thanks to a more favorable foreign currency exchange environment and a better product mix. Plus, P\&G's focus on streamlining its business, and ongoing cost controls, with other strategic improvements helped support its recent performance. Too, U.S. tax reform ought to boost the bottom line when it takes effect in 2018. As such,
We think the household goods conglomerate is well positioned for the near term. Looking ahead, we imagine management will consider other portfolio improvements, specifically seeking highermargin product lines. Too, P\&G ought to expand its digital position by bolstering its e-commerce business. And it may turn to innovation to extend its reach. Though branding initiatives have played an important role in Procter's market-building strategy, we think it may scale back some of its marketing and advertising expendi-
$55 \%$ of fiscal 2017 sales and Wal-Mart Stores accounted for $16 \%$. Div. battery business in $2 / 16$. Has 95,000 employees. Off. \& dir. own less than $1 \%$ of common stock; BlackRock, $5.8 \%$; Vanguard, 6.6\% (8/17 proxy). Chairman/PresidentCEO: David S. Taylor. Inc.: Ohio. Address: 1 Procter \& Gamble Plaza, Cincinnati, Ohio 45202. Telephone: 513-983-1100. Internet: www.pg.com.
All told, we look for share earnings to increase at a $5 \%-10 \%$ clip this year and next.
The recent change in the boardroom may impact the company. Last December, Nelson Peltz of Trian Fund Management was awarded a seat on the board. (Mr. Peltz engaged in a proxy fight last summer, and won by a small margin.) The activist investor had been calling for a more aggressive growth plan to offset Procter \& Gamble's lagging top line. As a result, the company has reiterated its goal of implementing strategic growth measures, including making its business more productive and efficient.
These shares have lost some steam over the past few months. The stock has lost about $12 \%$ in value since our December review, and PG has fallen a rung in our Timeliness Ranking System and is now set to keep pace with the broader market in the year ahead. Some investors are concerned that Mr. Peltz's promises may not take hold, and are attributing some of the recent slump on his recent election to the board. But the issue offers worthwhile long-term capital gains appeal. Orly Seidman

March 23, 2018

[^0]
[^0]:    (A) Fiscal years end June 30th. (B) Diluted EPS may
    core earnings. Excludes nonrecurring: '02, late April
    (E) In millions

    25¢); '03, (19¢); '08, (12¢); '09, (64¢); '10, (C) Dividends historically paid in Feb., May,
    58¢; '11, (61¢);'12, (73¢);'13, d19¢;'14, d21¢. Aug., and Nov. ■ DRIP available. (D) Includes
    Company's Financial Strength
    Stock's Price Stability
    Price Growth Persistence
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