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ROLAND GEORGE INVESTMENTS PROGRAM

# PROCTER & GAMBLE REPORT

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ANALYST COVERAGE: TRISTEN MONTALVO  
NOVEMBER 16, 2021





# PROCTER & GAMBLE

November 16, 2021

Industry: Consumer Staples - Household Products  
 Ticker: PG  
 Recommendation: **BUY**

Headquarters: Cincinnati, OH  
 Current Price: \$146  
 Target Price: \$158

Founded: Cincinnati, OH  
 CEO: David S. Taylor  
 Employees: 101,000

## Recommendation

**BUY**

Date	11.14.2021
Current Price	\$146
Target Price	\$158
Upside	8.22%
Sector	Consumer Staples
Industry	Household Products
Ticker	PG
Stock Exchange	NYSE
Market Cap(\$M)	340,801.3
52-Week High	\$147.23
52-Week Low	\$121.54
Dividend Yield	2.47%
P/E	24.69
Debt-to-equity	70.39
Beta	0.61
Shares Outstanding	2,419.9M

## ABSTRACT

For our analysis of Procter & Gamble, we issue a **BUY** recommendation for the company, with a one-year target price of \$158, presenting an 8% upside on the closing price of \$146 on November 12, 2021. The target price is based on the Discounted Cash Flow method and Gordon Growth Model valuation. Our recommendation of the company is based on the following rationale: (1) Procter & Gamble being a winner in the industry, (2) the company's strong dividend history, and (3) the company's new product portfolio strategy is showing strong results.

## INVESTMENT RATIONALE

### Winner In The Industry

The effects of the pandemic continue to weigh heavily on many consumer staple retailers. As staple retailers continue to navigate through headwinds of supply chain disruption and inflation which could lead to higher commodity and freight costs, P&G holds a strong and powerful outlook in its yearly projection. Before the pandemic, the company was outgrowing competition, and since then, the global market share gap has only widened, as the company notched an 8% organic sales boost in its most recent period. As the company continues to outperform its peers, such as Kimberly Clark, its increased market share will continue in consumers' monthly spending long after COVID-19.

### Dividend Aristocrat

P&G has been paying a steady dividend for 131 straight years and recently increased its quarterly dividend by 10%, which is the largest increase in over a decade. 2021 marked the 65th consecutive annual dividend increase. Given the challenging and volatile environment that companies are currently facing, P&G continues to show its ability to return value to shareowners.

### Product Portfolio Strategy Showing Strong Results

A few years back, P&G adopted a new company strategy that focuses on superiority across product, package, brand communication, retail execution, and value. The strategy resulted in cutting a large portion of their products/brands so that their new portfolio is designed to win over consumers by issuing products where performance plays a significant role. Since then, the company has seen great success, seeing boosts in organic sales and continues to gain an aggregate share of the market YoY. In 2021, of the top 50 category combinations of products, 64% of them either kept or raised market share.

Figure 1: 2021 Revenue by Business Segment

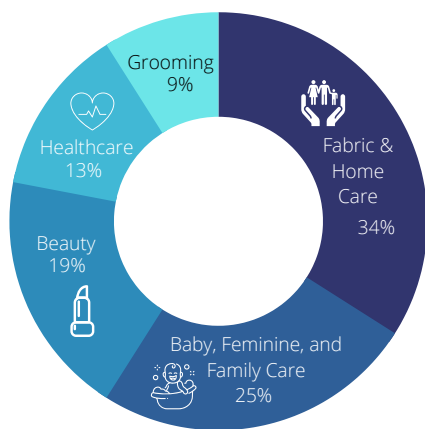
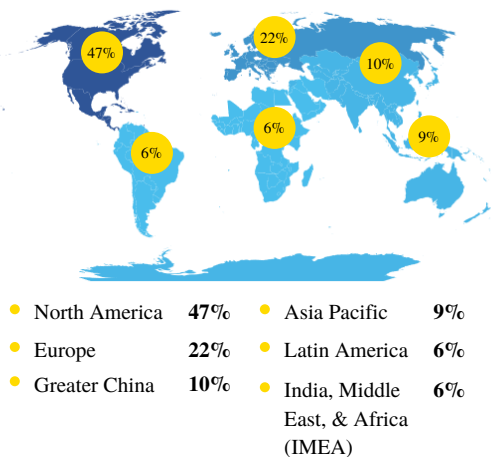


Figure 2: 2021 Revenue by Geography



## BUSINESS DESCRIPTION

Procter and Gamble (P&G) is the world's largest developer of consumer-packaged goods. The company has 65 brands and operates in 70 countries worldwide, and markets products in more than 180 countries. Established in 1837 by William Procter and James Gamble, the company has approximately 101,000 employees and is headquartered in Cincinnati, Ohio. In 2021, the company reported revenue of \$76B, increased aggregate market share by 50 basis points, and increased its quarterly dividend by 10%, the company's largest increase in over a decade.

### Business Segments and Geographic

P&G currently operates in five global business segments: Fabric & Home Care (34%), Baby, Feminine & Family Care (25%), Beauty (19%), Health Care (13%), and Grooming (9%). The company holds a portfolio that consists of strong brands such as Bounty, Crest, Gillette, Pampers, Pepto Bismol, Puffs, Old Spice, Swiffer, and Tide. Its products are sold through mass merchandisers, e-commerce, and various stores worldwide. P&G also sells its products directly to individual consumers through its website. The company operates in 70 countries worldwide and markets its products in over 180 countries. Manufacturing facilities in the US are carried out in more than 15 states, with 80 additional production facilities in 35+ other countries. The company's United States operations account for 44% of revenues, with international covering 56%.



## COMPETITIVE ADVANTAGE

### Porter's Five Forces Analysis

#### Intensity of Competitive Rivalry - HIGH (5 out of 5)

P&G sells its products in a highly competitive market. There are numerous firms that operate within the consumer goods industry. Along with this, there are a high variety of firms that P&G must compete with, including competing against other branded products as well as retailers' private-labeled products. The force of competitive rivalry is also considered high due to the low switching costs that consumers have when moving from one brand or another. A customers' decision to move to another brand over P&G has minimal consequence on their experience regarding product effectiveness.

#### Bargaining Power of Suppliers - LOW (1 out of 5)

Procter & Gamble sources its raw and packaging materials from third-party companies, which gives suppliers considerable but limited control of the distribution and sales of their products. A high overall level of supply limits the influence that individual single-source suppliers can have on P&G. Along with this, the high population of suppliers further reduces the intensity of supplier influence on the company. P&G currently does business with 181 main suppliers worldwide.

#### Bargaining Power of Customers - LOW (1 out of 5)

The bargaining power of customers is weak in affecting P&G due to low switching costs, low availability of substitutes, and high overall market demand. The company faces low switching costs, as it is easy for consumers to move away from their branded products. However, due to the natural, homemade, and superior brands that P&G offers to consumers, the low availability of substitutes limits the bargaining power of consumers. Along with this, due to high overall market demand, the effect of individual consumer purchase decisions on the company's business performance is minimized. P&G's key customer is Walmart Inc., representing approximately 15% of the company total sales. The top 10 customers for P&G accounted for 39% of total sales in 2021.

#### Threat of Substitutes - LOW (2 out of 5)

P&G faces significant pressure in low switching costs amongst consumers, however, due to the company's signature brand and product share, there is low availability of substitutes for consumers. Also, consumers are faced with a low variety of substitutes due to numerous products being only available in a few variants.

#### Barriers to Entry - MODERATE (3 out of 5)

New entrants can emerge within the consumer goods market due to the low switching costs granted to customers. However, to do so takes a moderate level of capital cost. Due to P&G's significant organizational size and capitalization, new entrants into the market will have a hard time directly competing with the company. Along with this, P&G's global scale of operations allows it to possess economies of scale that new entrants will not be able to easily match.

## CORPORATE GROWTH STRATEGY

### Portfolio Superiority

A few years ago, P&G announced its plan to eliminate brands that were contributing little growth to improve sales and profitability. Since then, the company has implemented a strategy that focuses on core business and improving execution. P&G has adopted a strategy that emphasizes a strong, focused portfolio of products that is divided up into 10 categories: Fabric Care, Home Care, Baby Care, Feminine Care, Family Care, Hair Care, Skin & Personal Care, Oral Care, Personal Health Care, and Grooming. The company plans to utilize its portfolio and leverage its strengths in order to drive value creation and increase top-and bottom-line growth. It does this by increasing the standard for each category in order to focus on providing superior products to the market. Each category in its portfolio is measured based on product, packaging, communication, retail execution, and consumer and customer value. By exceeding expectations across these five measures, the company provides superior products to the market, which delivers on key business success metrics such as category growth, market share, household penetration, sales, and profit. In the 2020 advantage report, P&G was ranked #1 globally across all seven performance areas, making it the 6th consecutive year the company has been ranked #1 in overall performance.

Figure 3: Porter's Five Forces Analysis

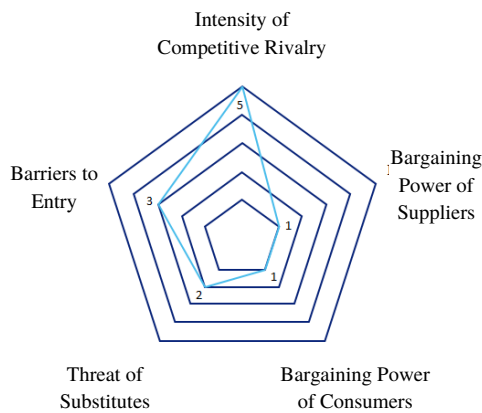


Figure 4: Revenue Share in Household Products

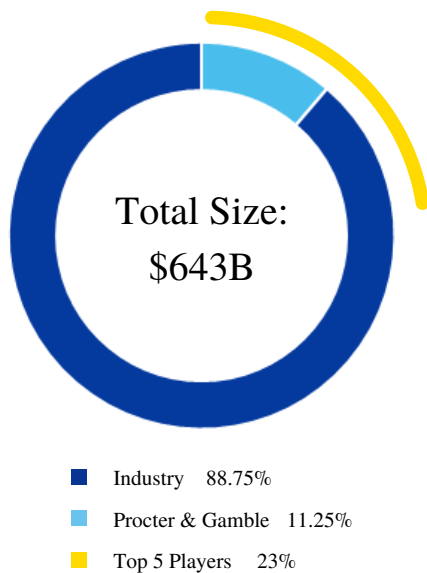
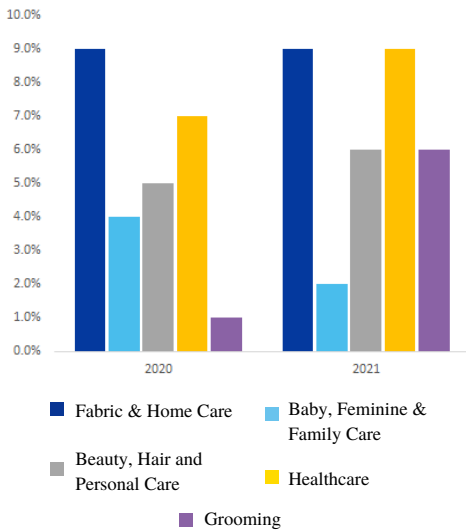


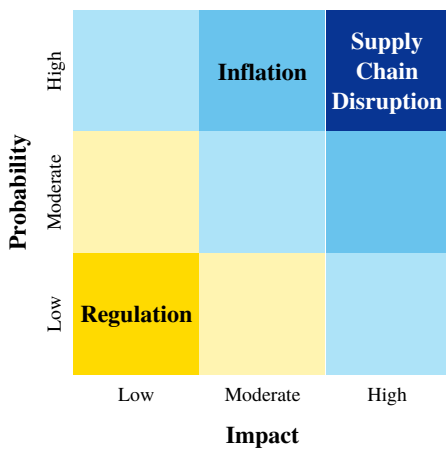
Figure 5: Integrated Growth Strategy



**Figure 6: Category Organic Sales Growth**



**Figure 7: Risk Matrix**



**Figure 8: Industry Ratios**

Ratio	5 Year				Vs Ind
	Current	High	Low	Avg	
P/E (LTM)	26.7	88.0	18.9	36.0	1.0
P/E (NTM)	24.0	26.4	16.0	21.9	0.9
PEG (NTM)	3.7	4.3	2.2	3.1	1.0
P/BV	7.8	8.0	3.4	5.5	1.0
P/CF	20.4	22.1	13.4	18.2	1.0
P/Sales	4.8	5.4	2.9	4.2	1.2
EV/EBITDA	19.0	20.5	12.9	16.8	1.0
EV/Sales	5.2	5.5	3.4	4.5	1.2
Div Yld	2.4	3.9	2.1	2.8	1.2

**Figure 9: Analyst Consensus**

Analyst Ratings/Consensus	
RGIP Analyst Price Target	\$158
# of Analysts	24
Buy Recommendations	11 (45.8%)
Hold Recommendations	11 (45.8%)
Sell Recommendations	2 (8.3%)
High Estimate	\$168
Low Estimate	\$118
Consensus Estimate	\$151.14

## MAJOR COMPANY CHANGES

### CEO Change - Jon Moeller

On November 1st, 2021, P&G underwent a major executive change as Jon Moeller succeeded David Taylor as CEO of the company. David Taylor continues to serve as executive chairman of the board. Moeller joined P&G in 1988 and has been a part of the company's leadership team for over two decades. Previously, he served as CFO, COO, and Vice Chairman of the company. Moeller played a significant part in implementing P&G's portfolio superiority strategy, which has helped the company see significant transformations over the years.

### Projects

Through the company's in-house R&D, as well as numerous programs like P&G ventures, GrowthWorks, and Connect + Develop, P&G continues to uniquely approach innovation by developing new products and brands that move the business forward. The company is currently undergoing many projects, with their main focuses being in 8 areas: Non-toxic home and garden, Active aging – Women, Active aging – Men, Healthy Skin, Food preservation & Waste Reduction, Daily wellness, Go-anywhere clean, and helping parents. Within all these categories, P&G is working to develop product solutions for new and growing concerns within the market.

## Investment Risks

### Economic Risks: Foreign Exchange Rates

Due to the large scale of operations that P&G has in international markets, the company faces the risk of currency fluctuations that can adversely affect the company. International operations account for over 50% of the company's net revenue, so fluctuations in FX rates could increase costs and reduce earnings and cash flows.

### Operational Risks: Supply Chain Disruption & Inflation

The success and results of P&G are significantly dependent on the company's ability to effectively manage and remedy supply chain disruption. Due to the ongoing effects of COVID-19, there is a supply chain and labor shortage currently overwhelming the market. If P&G does not effectively plan for these headwinds, investors could see adverse effects on earnings. Along with this, the actions taken by the federal reserve have a strong effect on the business results of the company. The current inflationary environment of the economy produces cost fluctuations for P&G, that if not properly mitigated, could reduce their market share and net sales as consumer preferences shift to cheaper alternatives.

### Regulatory Risks

P&G operates in approximately 70 countries and sells products in over 180 countries, posing heavy regulatory and legal risks for the company. Successful compliance with changing laws and regulations is crucial for the company's reputation and success. This includes laws and regulations involving the company's products, marketing, privacy, data protection, ESG, and financial reporting. The company is currently undergoing a proposed class action lawsuit over possible Benzene in Antiperspirants.

## PEER ANALYSIS

Company	Symbol	Sales (\$m)	Employees	MV (\$m)	EV (\$m)	Price (loc)	P/E (LTM)	EV/EBITDA (LTM)	EBIT Margin (LTM)
Procter & Gamble Company	PG-US	76,118	101,000	353,409	376,742	146.04	25.38	17.89	23.50
Kimberly-Clark Corporation	KMB-US	19,140	46,000	44,524	53,441	132.23	20.6	14.1	15.2
Colgate-Palmolive Company	CL-US	16,471	34,200	65,607	72,681	77.84	24.36	16.21	22.56
Estee Lauder Companies Inc. Class A	EL-US	16,251	62,000	125,802	130,675	349.50	51.4	31.8	19.2
Clorox Company	CLX-US	7,341	9,000	20,059	23,258	163.26	24.63	16.24	16.28
International Flavors & Fragrances Inc.	IFF-US	5,084	13,700	36,550	48,515	143.60	25.3	20.5	11.3
Church & Dwight Co., Inc.	CHD-US	4,896	5,100	21,799	23,592	88.78	29.85	19.18	19.64
Coty Inc. Class A	COTY-US	4,629	11,430	7,581	14,363	9.29	133.4	15.6	9.4
Reynolds Consumer Products Inc	REYN-US	3,263	5,450	6,112	8,205	29.14	17.72	13.02	14.52
Energen Holdings, Inc.	ENR-US	2,745	5,900	2,635	6,022	38.54	11.2	9.3	16.4

P&G operates in the consumer goods market, which is highly competitive. Consumer needs and preferences vary by demographic, and in order for P&G to stay on top of the market, it must continue to be innovative and diverse amongst its product lines. P&G's competitors vary by each of its five global business segments. The figure above shows a list of companies that compete with P&G in multiple segments or one. The company's products compete against similar products developed by small, large, and global competitors. P&G's significant market share (figure 4) positions the company well in its segments and markets, and it does so through advertising, promotions, and other marketing vehicles to build awareness,



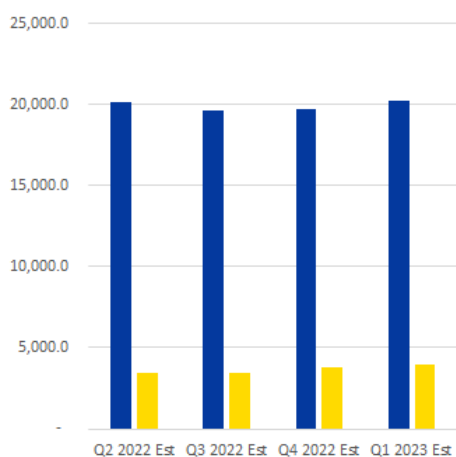
Figure 10: Gordon Growth Inputs

Gordon Growth Model	
Dividend today (D0)	3.40
Dividend Next Year (D1)	3.55
Require rate of Return (r)	6.59%
Dividend Growth (g)	4.35%
<b>Implied Share Price</b>	<b>\$158.50</b>

Figure 11: WACC Inputs

Inputs	Rate	Source
Risk Free Rate	1.49%	10 Yr Treasury
Beta	0.61	Regression Analysis to S&P 1500 Composite
Cost of Equity	6.56%	CAPM
Cost of Debt	1.13%	Bloomberg
Cost of Pref. Eq.	0.2%	Bloomberg
Tax Rate	18.5%	Effective Tax Rate
Weight of Debt	91.0%	
Weight of Equity	8.80%	
Weight of Pref. Eq.	0.20%	
<b>WACC</b>	<b>6.12%</b>	

Figure 12: Estimated Sales Growth and Earnings



## VALUATION

### Gordon Growth Model

For the first valuation, we determined the intrinsic value of the company to be \$158 using the Gordon Growth Model. Procter and Gamble have been issuing annual dividends for 135 straight years, and for 65 of those years has increased their dividends. Employing the Gordon Growth Model is a relevant methodology to use, given the structure of dividends and the life cycle that P&G is currently in. The 9-year average growth rate in dividends was calculated to be 4.93%. Given the outlook that was announced by the company, we assumed a dividend growth rate (g) of 4.35% for the next year. When applied to the Gordon Growth Model, using our required rate of return of 6.59%, we arrive at the intrinsic value of \$158, imposing a 7.53% return.

### Discounted Cash Flow Model - Free Cash Flow to the Firm (FCFF)

Our next valuation employs the Free Cash Flow to the Firm (FCFF) methodology to arrive at the intrinsic value of P&G. The model fits well for the company, allowing to account for future growth prospects that the company faces regardless of its capital structure. The established forecast period extends five years from 2022-2026. Each figure was analyzed using historical data and projected using separate forecast criteria. We arrived at a terminal value of 436,120.8M, which after discounting to present value and subtracting off the market value of debt, arrived at an implied equity value of 380,693.5M. When divided by total shares outstanding of 2.42B, we arrive at the implied share price of \$157.

Terminal Value Using Perpetual Growth Model		Market Value of Debt	
Terminal Cash Flow, n1	15,497.4	Long Term Debt	23,730.0
WACC	6.14%	Short Term Debt	9,108.0
Terminal Growth Rate	2.5%	Total Debt	32,838.0
Terminal Value	436,120.8	Interest Expense	502.0
Cumulative PV of FCF	72,929.3	Year to Maturity	19.0
PV of Terminal Value	323,716.2	Cost of Debt	1.13%
Enterprise Value	396,645.6	<b>Market Value of Debt</b>	<b>15,952.0</b>
Market Value of Debt	15,952.0		
Implied Equity Value	380,693.5		
Shares Outstanding (M)	2,419.90		
<b>Implied Share Price</b>	<b>\$157.32</b>		

### Cost of Capital

To find the cost of capital, we used the Capital Asset Pricing Model (CAPM) to arrive at a required rate of return of 6.59%. We used the 10-year Treasury yield of 1.5% for the risk-free rate. For beta, we ran a beta regression of 5 year weekly returns against the portfolio benchmark (S&P 1500 Composite Pure Value Index) to arrive at an adjusted beta of 0.61. Using the risk-free rate, calculated beta, and an expected market return of 9.76%, we arrived at the required rate of return of 6.59%.

### Estimated Growth

#### Sales

Sales growth for the next year was calculated using Procter & Gamble's 2022 forecasted outlook, which was announced in their Q122 earnings presentation. The company announced its outlook of a 4% increase YoY in Sales. We anticipate this outlook to be accurate, given historical growth and expected plans that P&G has in place to combat the potential headwinds of supply chain disruption and inflation.

#### Dividend Growth

In April 2021, P&G increased its quarterly dividend by 10%, marking the company's largest increase in over a decade. Along with this, 2021 marked the 65th consecutive annual dividend increase for the company. Using historical increases over the past 9 years of annual dividends, we arrived at an annual growth rate of 4.93% YoY. Using this historical average, paired with the company's dividend projection, we anticipate a 4.35% increase in the company's annual dividend.



**SCENARIO ANALYSIS**

**Inflationary Pressures, Supply Chain Disruption**

Our scenario analysis is used for both the dividend discount model, as well as the discounted cash flow model. This is done so by varying the dividend growth rate, terminal growth rate, and sales growth rate for the applied valuation models. The scenario analysis is mainly focused on how the potential macroenvironment will affect P&G and its future sales and earnings growth. A breakdown of the scenarios for each bull and bear case can be found in the graphic below.

Scenarios	Bear Case	Base Case	Bull Case
<b>Supply Chain Disruption</b> <b>Opex Ratio</b>	P&G faces significant increase in commodity costs <b>31.0%</b>	P&G is able to successfully manage supply chain headwinds <b>27.5%</b>	P&G improves economies of scale despite supply chain headwinds <b>26%</b>
<b>Inflationary Pressures</b> <b>Sales Growth</b>	P&G sees large decline in market growth rates <b>2.0%</b>	Consumer brand loyalty remains strong despite inflation pressure <b>4.0%</b>	P&G continues to gain aggregate market share over its peers <b>6.0%</b>
<b>Price \$</b>	<b>\$129</b>	<b>\$158</b>	<b>\$170</b>
<b>% Change</b>	<b>-11.6%</b>	<b>8.2%</b>	<b>16.4%</b>

**Sources**

- Bloomberg
- Factset
- Yahoo Finance
- Procter & Gamble
- Statista

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### Appendix A: WACC Computation

WACC	
Weight of Equity	91.0%
Weight of Debt	8.80%
Weight of Preferred Equity	0.20%
Cost of Equity	6.59%
Cost of Debt	1.13%
Risk-free rate	1.43%
Cost of Preferred Equity	23.4%
Tax Rate	18.5%

	Weight	Cost	WxC
Equity	91.0%	6.59%	6.00%
Debt	8.80%	1.13%	0.10%
Preferred Equity	0.20%	23.4%	0.05%
<b>WACC</b>			<b>6.14%</b>

### Appendix B1: Forecasted Income Statement

In Millions of USD except Per Share 3 Months Ending	Q2 2022 Est 12/31/2021	Q3 2022 Est 03/31/2022	Q4 2022 Est 6/30/2022	Q1 2023 Est 9/30/2022	YR Projection 9/30/2022
<b>Revenue</b>	20,134.6	19,631.3	19,690.1	20,221.8	79,677.8
<i>Growth (QoQ)</i>	-1.0%	-2.5%	0.3%	2.7%	
<i>Growth (YoY)</i>	2.0%	8.41%	3.93%	-0.57%	
- Cost of Goods & Services	10,369.3	10,011.9	9,648.2	9,807.6	39,837.0
<i>COGS Percentage of Revenue</i>	51.50%	51.00%	49.00%	48.50%	
<b>Gross Profit</b>	9,765.3	9,619.3	10,042.0	10,414.2	39,840.8
- Operating Expenses	5,421.6	5,286.1	5,301.9	5,445.1	21,454.6
+ Selling, General & Admin	4,933.5	4,810.2	4,824.6	4,954.9	19,523.2
+ Research and Development	491.3	479.0	480.4	493.4	1,944.0
+ Other Operating Expense	-3.2	-3.1	-3.1	-3.2	-12.6
<b>Operating Income (Loss)</b>	4,343.7	4,333.3	4,740.1	4,969.2	18,386.2
- Non-Operating (Income) Loss	-33.2	-33.2	-33.2	-33.2	-132.9
+ Interest Expense, Net	116.8	116.8	116.8	116.8	467.1
+ Interest Expense	131.8	131.8	131.8	131.8	527.1
- Interest Income	15.0	15.0	15.0	15.0	60.0
+ Other Non-Op (Income) Loss	-150.0	-150.0	-150.0	-150.0	-600.0
<b>Pretax Income (Loss), Adjusted</b>	4,376.9	4,366.5	4,773.3	5,002.4	18,519.1
- Abnormal Losses (Gains)	56.6	56.6	56.6	56.6	226.4
+ Disposal of Assets	-10.0	-10.0	-10.0	-10.0	-40.0
+ Early Extinguishment of Debt	0.0	0.0	0.0	0.0	0.0
+ Restructuring	66.6	66.6	66.6	66.6	266.4
<b>Pretax Income (Loss), GAAP</b>	4,320.3	4,309.9	4,716.7	4,945.8	18,292.7
- Income Tax Expense (Benefit)	799.3	797.3	872.6	915.0	3,384.2
<b>Income (Loss) from Cont Ops</b>	3,521.1	3,512.6	3,844.1	4,030.8	14,908.6
- Minority Interest					29.0
<b>Net Income, GAAP</b>	3,521.1	3,512.6	3,844.1	4,030.8	14,879.6
- Preferred Dividends	70.0	70.0	70.0	70.0	280.0
<b>Net Income Avail to Common, GAAP</b>	3,451.1	3,442.6	3,774.1	3,960.8	14,599.6
<i>Growth (YoY)</i>	-0.09	0.07	0.30	-0.02	0.04



## Appendix B2: Forecasted Balance Sheet

In Millions of USD except Per Share	Q2 2022 Est	Q3 2022 Est	Q4 2022 Est	Q1 2023 Est
3 Months Ending	12/31/2021	03/31/2022	6/30/2022	9/30/2022
<b>Total Assets</b>	690	1,593	1,321	4,230
+ Cash, Cash Equivalents & STI	11,059.9	12,653.0	13,974.0	18,204.2
+ Cash & Cash Equivalents	11,059.9	12,653.0	13,974.0	18,204.2
+ ST Investments	0.0	0.0	0.0	0.0
+ Accounts & Notes Receiv	5,387.5	5,195.7	5,211.3	5,471.0
+ Accounts Receivable, Net	5,387.5	5,195.7	5,211.3	5,471.0
+ Notes Receivable, Net	0.0	0.0	0.0	0.0
+ Inventories	6,502.0	6,209.6	5,984.0	6,218.1
+ Raw Materials	0.0	0.0	0.0	0.0
+ Work In Process	780.5	744.4	744.4	761.3
+ Finished Goods	3,842.5	3,746.1	3,702.5	3,668.3
+ Other Inventory	1,879.0	1,719.1	1,537.1	1,788.5
+ Other ST Assets	1,946.9	1,962.1	1,962.0	1,943.8
+ Misc ST Assets	1,946.9	1,962.1	1,962.0	1,943.8
<b>Total Current Assets</b>	24,896.3	26,020.5	27,131.3	31,837.0
+ Property, Plant & Equip, Net	21,980.5	21,370.4	23,356.7	21,899.4
+ Property, Plant & Equip	0.0	0.0	49,406.2	0.0
- Accumulated Depreciation	0.0	0.0	26,049.5	0.0
+ LT Investments & Receivables	0.0	0.0	148.0	0.0
+ LT Investments	0.0	0.0	148.0	0.0
+ Other LT Assets	73,201.6	73,614.5	73,835.3	73,518.5
+ Total Intangible Assets	64,496.8	65,062.2	65,058.4	64,394.9
+ Goodwill	40,887.9	41,206.8	41,204.4	40,823.4
+ Other Intangible Assets	23,608.9	23,855.4	23,854.0	23,571.6
+ Prepaid Pension Costs	0.0	0.0	100.0	0.0
+ Misc LT Assets	9,060.6	8,834.1	8,860.6	9,099.8
<b>Total Noncurrent Assets</b>	95,182.1	94,984.8	97,340.0	95,417.9
<b>Total Assets</b>	120,078.3	121,005.3	124,471.3	127,254.9

In Millions of USD except Per Share	Q2 2022 Est	Q3 2022 Est	Q4 2022 Est	Q1 2023 Est
3 Months Ending	12/31/2021	03/31/2022	6/30/2022	9/30/2022
<b>Liabilities &amp; Shareholders' Equity</b>				
+ Payables & Accruals	25,145.5	24,278.8	23,396.7	23,783.2
+ Accounts Payable	13,661.9	13,047.6	12,573.6	13,065.3
+ Accrued Taxes	0.0	0.0	498.6	0.0
+ Other Payables & Accruals	11,483.6	11,231.2	10,324.5	10,717.9
+ ST Debt	10,300.0	11,300.0	10,205.0	10,500.0
+ ST Borrowings	10,300.0	11,300.0	6,500.0	10,500.0
+ ST Lease Liabilities	0.0	0.0	0.0	0.0
+ ST Finance Leases	0.0	0.0	0.0	0.0
+ ST Operating Leases	0.0	0.0	205.0	0.0
+ Current Portion of LT Debt	0.0	0.0	3,500.0	0.0
+ Other ST Liabilities	0.0	0.0	0.0	0.0
+ Deferred Revenue	0.0	0.0	0.0	0.0
+ Misc ST Liabilities	0.0	0.0	0.0	0.0
<b>Total Current Liabilities</b>	35,445.5	35,578.8	33,601.7	34,283.2
+ LT Debt	20,553.0	20,548.0	21,823.0	20,538.0
+ LT Borrowings	20,553.0	20,548.0	20,543.0	20,538.0
+ LT Lease Liabilities	0.0	0.0	640.0	0.0
+ LT Finance Leases	0.0	0.0	0.0	0.0
+ LT Operating Leases	0.0	0.0	640.0	0.0
+ Other LT Liabilities	16,215.1	15,181.1	16,703.0	16,753.7
+ Accrued Liabilities	0.0	0.0	0.0	0.0
+ Pension Liabilities				
+ Deferred Revenue				
+ Deferred Tax Liabilities				
+ Misc LT Liabilities				
<b>Total Noncurrent Liabilities</b>	36,768.1	35,729.1	38,526.0	37,291.7
<b>Total Liabilities</b>	72,213.6	71,308.0	72,127.7	71,574.9
+ Preferred Equity and Hybrid Capital	855.0	844.0	840.0	829.0
+ Share Capital & APIC	68,909.0	69,109.0	69,509.0	69,209.0
+ Common Stock	4,009.0	4,009.0	4,009.0	4,009.0
+ Additional Paid in Capital	64,900.0	65,100.0	65,500.0	65,200.0
- Treasury Stock	119,350.3	120,543.8	121,749.3	122,358.0
+ Retained Earnings	111,812.1	115,254.6	119,028.7	122,989.6
+ Other Equity	-14,600.0	-15,200.0	-15,350.0	-14,800.0
<b>Equity Before Minority Interest</b>	47,625.7	49,463.8	52,278.5	55,869.5
+ Minority/Non Controlling Interest	239.0	233.6	238.6	239.3
<b>Total Equity</b>	47,864.7	49,697.4	52,517.1	56,108.9
<b>Total Liabilities &amp; Equity</b>	120,078.3	121,005.3	124,644.8	127,683.8

## Appendix B3: Forecasted Cash Flow Statement

In Millions of USD except Per Share 3 Months Ending	Q2 2022 Est 12/31/2021	Q3 2022 Est 03/31/2022	Q4 2022 Est 6/30/2022	Q1 2023 Est 9/30/2022
<b>Cash from Operating Activities</b>				
+ Net Income	3,451.1	3,442.6	3,774.1	3,960.8
+ Depreciation & Amortization	717.0	722.0	712.4	699.7
+ Non-Cash Items	-25.6	25.8	6.7	-0.3
+ Stock-Based Compensation				
+ Deferred Income Taxes				
+ Other Non-Cash Adj				
+ Chg in Non-Cash Work Cap	-129.6	-468.9	-210.1	475.5
+ (Inc) Dec in Accts Receiv	-274.5	-191.8	15.6	259.6
+ (Inc) Dec in Inventories	195.0	-292.3	-225.6	234.0
+ Inc (Dec) in Other	-50.1	15.2	-0.1	-18.1
+ Net Cash From Disc Ops	0.0	0.0	0.0	0.0
<b>Cash from Operating Activities</b>	<b>4,012.9</b>	<b>3,721.5</b>	<b>4,283.0</b>	<b>5,135.7</b>
<b>Cash from Investing Activities</b>				
+ Change in Fixed & Intang	-759.1	-754.0	-722.3	-735.3
+ Disp in Fixed & Intang	17.4	18.7	19.8	20.6
+ Disp of Fixed Prod Assets	17.4	18.7	19.8	20.6
+ Disp of Intangible Assets	0.0	0.0	0.0	0.0
+ Acq of Fixed & Intang	-776.5	-772.8	-742.1	-755.8
+ Acq of Fixed Prod Assets	-776.5	-772.8	-742.1	-755.8
+ Acq of Intangible Assets	0.0	0.0	0.0	0.0
+ Net Change in LT Investment	0.0	0.0	0.0	0.0
+ Net Cash From Acq & Div	0.0	0.0	-50.0	0.0
+ Cash from Divestitures	0.0	0.0	0.0	0.0
+ Cash for Acq of Subs	0.0	0.0	-50.0	0.0
+ Cash for JVs	0.0	0.0	0.0	0.0
+ Other Investing Activities	0.0	0.0	0.0	0.0
+ Net Cash From Disc Ops	0.0	0.0	0.0	0.0
<b>Cash from Investing Activities</b>	<b>-759.1</b>	<b>-754.0</b>	<b>-772.3</b>	<b>-735.3</b>
<b>Cash from Financing Activities</b>				
+ Dividends Paid	-2,000.0	-2,000.0	-2,000.0	-2,000.0
+ Cash From (Repayment) Debt	232.9	456.1	-493.3	-356.4
+ Cash From (Repay) ST Debt				
+ Cash From LT Debt				
+ Repayments of LT Debt				
+ Cash (Repurchase) of Equity	-1,750.0	-1,750.0	-1,750.0	-1,750.0
+ Increase in Capital Stock				
+ Decrease in Capital Stock				
+ Other Financing Activities	0.0	0.0	0.0	0.0
+ Net Cash From Disc Ops	0.0	0.0	0.0	0.0
<b>Cash from Financing Activities</b>	<b>-3,517.1</b>	<b>-3,293.9</b>	<b>-4,243.3</b>	<b>-4,106.4</b>
Effect of Foreign Exchange Rates	-130.0	-50.0	3.0	40.0
<b>Net Changes in Cash</b>	<b>689.0</b>	<b>1,594.0</b>	<b>1,321.0</b>	<b>4,230.0</b>

## Appendix C: Discounted Cash Flow Model

Discounted Cash Flow	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E
<b>Revenue</b>	<b>65,058.0</b>	<b>66,832.0</b>	<b>67,684.0</b>	<b>70,950.0</b>	<b>76,118.0</b>	<b>79,677.8</b>	<b>83,263.3</b>	<b>86,593.8</b>	<b>90,057.6</b>	<b>93,659.9</b>
Growth Rate %	0.0%	2.7%	1.3%	4.8%	7.3%	4.0%	4.5%	4.0%	4.0%	4.0%
- Cost of Goods Sold	29,241.0	30,874.0	31,518.0	31,718.0	34,239.0	39,837.0	37,468.5	38,101.3	39,625.3	40,273.8
COGS %	45%	46%	47%	45%	45%	46%	45%	44%	44%	43%
<b>Gross Profit</b>	<b>35,817.0</b>	<b>35,958.0</b>	<b>36,166.0</b>	<b>39,232.0</b>	<b>41,879.0</b>	<b>39,840.8</b>	<b>45,794.8</b>	<b>48,492.5</b>	<b>50,432.3</b>	<b>53,386.1</b>
- Operating Expenses	18,961.5	18,866.0	20,176.8	20,068.0	20,844.0	21,454.6	23,063.9	23,207.1	24,405.6	25,194.5
Opex Ratio	29.1%	28.2%	29.8%	28.3%	27.4%	28.5%	27.7%	26.8%	27.1%	26.9%
<b>EBITDA</b>	<b>16,855.5</b>	<b>17,092.0</b>	<b>15,989.2</b>	<b>19,164.0</b>	<b>21,035.0</b>	<b>18,386.2</b>	<b>22,730.9</b>	<b>25,285.4</b>	<b>26,026.6</b>	<b>28,191.6</b>
- Depreciation	2,471.0	2,532.0	2,475.0	2,653.0	2,417.0	2,893.6	3,023.8	3,144.7	3,270.5	3,401.4
- Amortization	325.0	302.0	349.0	360.0	318.0	381.2	398.4	414.3	430.9	448.1
<b>EBIT</b>	<b>14,059.5</b>	<b>14,258.0</b>	<b>13,165.2</b>	<b>16,151.0</b>	<b>18,300.0</b>	<b>15,111.4</b>	<b>19,308.7</b>	<b>21,726.3</b>	<b>22,325.2</b>	<b>24,342.2</b>
EBIT Margin %	21.6%	21.3%	19.5%	22.8%	24.0%	19.0%	23.2%	25.1%	24.8%	26.0%
- Net Financials	265.0	37.0	-582.0	-128.0	-141.0	-132.9	-47.1	-235.1	-175.0	-184.4
<b>EBT</b>	<b>13,794.5</b>	<b>14,221.0</b>	<b>13,747.2</b>	<b>16,279.0</b>	<b>18,441.0</b>	<b>15,244.3</b>	<b>19,355.8</b>	<b>21,961.5</b>	<b>22,500.2</b>	<b>24,526.5</b>
- Income Tax Expense	3,063.0	3,465.0	2,103.0	2,731.0	3,263.0	3,384.2	3,580.8	4,062.9	4,162.5	4,537.4
<b>Net Profit</b>	<b>10,731.5</b>	<b>10,756.0</b>	<b>11,644.2</b>	<b>13,548.0</b>	<b>15,178.0</b>	<b>11,860.2</b>	<b>15,775.0</b>	<b>17,898.6</b>	<b>18,337.7</b>	<b>19,989.1</b>
Effective Tax Rate	22.2%	24.4%	15.3%	16.8%	17.7%	22.2%	18.5%	18.5%	18.5%	18.5%
<b>NOPAT</b>	<b>10,937.6</b>	<b>10,784.0</b>	<b>11,151.2</b>	<b>13,441.5</b>	<b>15,061.9</b>	<b>11,756.8</b>	<b>15,736.6</b>	<b>17,707.0</b>	<b>18,195.1</b>	<b>19,838.9</b>
+ Depreciation & Amortization	2,796.0	2,834.0	2,824.0	3,013.0	2,735.0	3,274.8	3,422.2	3,559.1	3,701.4	3,849.5
- Change in NWC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Capex	3,384.0	3,717.0	3,347.0	3,073.0	2,787.0	2,390.3	2,497.9	2,597.8	2,701.7	2,809.8
<b>Free Cash Flows</b>	<b>10,349.6</b>	<b>9,901.0</b>	<b>10,628.2</b>	<b>13,381.5</b>	<b>15,009.9</b>	<b>12,641.2</b>	<b>16,660.9</b>	<b>18,668.2</b>	<b>19,194.7</b>	<b>20,878.5</b>
PV FCF						<b>11,912.4</b>	<b>14,795.2</b>	<b>15,622.0</b>	<b>15,136.6</b>	<b>15,515.2</b>