The Clorox Company

Q1 Fiscal Year 2027 Prepared Management Remarks

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Lisah Burhan, Vice President, Investor Relations
Linda Rendle, Chair and Chief Executive Officer
Luc Bellet, Executive Vice President and Chief Financial Officer

Please review the following prepared management remarks in conjunction with the company's first-quarter fiscal year 2027 earnings release. These materials can be found on TheCloroxCompany.com in the quarterly results section or directly here.

Clorox will also host a live Q&A audio webcast at 5 p.m. ET, today, with Chair and CEO Linda Rendle and Chief Financial Officer Luc Bellet to address the company's results as shared in the earnings release and these management remarks.

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Lisah Burhan, Vice President – Investor Relations
Thank you for your interest in our quarterly earnings results. In conjunction with these comments, please review our earnings release, which can be found on TheCloroxCompany.com in the investor quarterly results section.

Joining me today are Chair and CEO Linda Rendle and CFO Luc Bellet. The following remarks include forward-looking statements that are based on management's current expectations but may differ from actual results or outcomes. In addition, these remarks refer to certain non-GAAP financial measures. Please refer to today's earnings release, which identifies various factors that could affect forward-looking statements and provides information that reconciles non-GAAP financial measures to the most directly comparable GAAP measures. The risk factors section of the company's Form 10-K also includes further discussion of forward-looking statements.

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Management Commentary

We entered fiscal year 2027 operating from a position of greater strength and delivered a strong start to the year including sequential improvement in market shares despite a dynamic operating environment. Our first quarter results reflected disciplined execution, continued investments in superiority and the progress we've made strengthening the business over time, and favorable timing-related factors.

Going into the first quarter, we expected consumption and shipment troughs mainly in Kingsford. Those troughs ultimately proved less pronounced than expected. We also navigated a cyclospora outbreak that temporarily impacted our Food business as well as the closure of a key distributor within our professional business. Even with those headwinds, our teams executed well and delivered sales results ahead of expectations, benefiting in part from strong shipments late in the quarter, particularly in our international business.

Gross margin performance was generally in line with our expectations, while adjusted earnings per share exceeded our expectations, benefiting from the timing of operating expenses and tax items.

In this challenging input cost environment, a strong holistic margin management program is more important than ever. We delivered near record-level cost savings and implemented targeted pricing actions across all four of our reportable segments. Overall, pricing implementation is progressing largely as expected. At the same time, we are continuing to make select price investments to improve the value equation where needed. With cost pressures of this scale, we will continue to lean into every tool we have in our holistic margin management toolbox, including pricing and revenue growth management actions in the back half of this fiscal year. We will take these actions while preserving the progress we have made in overall market share.

Category growth has been largely in line with our expectations, underscoring the resilience of our household essentials products even as consumers remain under pressure. Consumers are continuing to engage in value seeking behaviors such as opting for smaller sizes that offer a lower absolute price point or choosing larger packs that provide better value over time. We are also seeing consumers manage their budgets tightly by buying closer to need rather than stocking up. In some categories, particularly among lower-income households, they are also extending purchase cycles. Taken together, these behaviors reinforce that value is paramount, and consumers remain thoughtful and deliberate about their choices.

These dynamics reinforce the importance of delivering superior value through innovation, price-pack architecture, effective merchandising and compelling brand experiences to meet our consumers where they are. Against this backdrop, we are encouraged by the improvement in our overall market share, though consumer conditions, pricing actions and competitive responses will continue to create near-term volatility.

- Cleaning delivered another quarter of strong growth and share momentum, led by a successful Back-to-School season. Our innovation pipeline continues to perform well, with strong results from Scentiva and continued progress building our Pure platform.

- We also made strong progress with the integration of our newly launched Clorox Purell ProCare business. The integration is on track, the business is performing well, and we're confident in the potential value creation from bringing together two trusted leaders in health and hygiene. Purell strengthens our Professional business, expands our portfolio and creates additional opportunities for growth over time. We remain confident in the strategic and financial value this acquisition can create, as we continue to lean into health and hygiene.

- International delivered a strong quarter, with broad-based growth across markets while navigating pricing actions in a dynamic operating environment. Performance in our Latin America business was particularly strong, where we saw late-in-the-quarter demand pick up in our cleaning and disinfecting products related to El Niño. We believe some of this demand reflects stock-up activity and may create a corresponding headwind next quarter.

- As mentioned earlier, we expected a trough in Kingsford related to a challenging season in the fourth quarter of FY26, but it was ultimately less pronounced than expected. We are focused on building a stronger grilling season in FY27 and are encouraged by better-than-expected results over the Labor Day weekend, which was supported by stronger distribution and execution.

- As we shared last quarter, our Litter business continues to face challenges, and we remain focused on strengthening consumption and rebuilding share by improving superiority across the business. We are seeing some early signs of improvement, but there is still meaningful work ahead. The first phase of our revamped innovation platform ships this quarter, and we'll remain focused on disciplined execution and delivering stronger performance over time.

Looking ahead, we remain focused on advancing superiority and innovation, improving execution, and investing behind the opportunities we believe will create the greatest impact.

First-Quarter Fiscal Year 2027 Results

- First-quarter net sales increased 33%, driven by 31 points of volume growth and 2 points of favorable price mix. The impact of the GOJO acquisition was 15 points. Organic sales increased 18%, driven by the impact of lapping the inventory drawdown related to our ERP transition in the year-ago period. Organic sales were higher than we originally anticipated due both to a milder-than-expected trough in Kingsford and higher shipments of our cleaning and disinfecting products in our International business related to El Niño in Latin America.

- Gross margin for the quarter was 40.4%, down 130 basis points versus the year-ago quarter due mainly to higher commodities and manufacturing and logistics costs, partially offset by higher volume and the benefit of cost savings and pricing actions. The first quarter gross margin also included about 50 basis points of headwinds from the GOJO inventory step-up.

- Selling and administrative expenses as a percentage of net sales were 15.2%. This included $16 million, or about 80 basis points, of GOJO transaction costs. Excluding the impact of GOJO

transaction costs, selling and administrative expenses were 14.4% as a percentage of sales, lower than we originally anticipated due to timing of spending.

- Advertising as a percentage of net sales was 10%, with our US retail businesses spending about 12%.

- The effective tax rate was 16.4%, which is lower than our normalized tax rate reflecting benefits of an international legal entity reorganization. For perspective, this benefit was contemplated in our fiscal year 2027 outlook, but not in the first quarter.

- Net of all these factors, adjusted earnings per share for the first quarter was $1.55 versus 85 cents in the year-ago quarter, reflecting an 82% increase. This increase is mainly due to the impact of lapping the ERP transition-related inventory drawdown in the year-ago period, which was about 90 cents.

- First quarter net cash provided by operations was $143 million versus $93 million in the year-ago period, an increase of 54%. The increase was primarily driven by higher cash earnings partially offset by an increase in working capital.

Fiscal Year 2027 Outlook

We are maintaining our sales and adjusted EPS outlook ranges. Our updated outlook reflects two key changes: higher expected cost pressures that are not fully offset by mitigating actions, and lower selling and administrative expenses, driven partly by higher acquisition synergies. Based on these assumptions, we have updated our gross margin and selling and administrative expense expectations accordingly and expect adjusted EPS to be toward the low end of our outlook range.

We expect our overall operating environment to remain challenging and uncertain, reducing planning visibility and widening the range of potential outcomes.

- We expect consumers to remain highly value-conscious in their purchasing decisions, putting pressure on overall category growth. We expect our category growth in fiscal year 2027 to remain below historical levels from a combination of subdued volume growth, negative mix from consumers choosing value offerings and elevated competitive activity.

- The cost environment continues to be challenging, with heightened volatility in energy and commodity markets as well as elevated transportation costs, putting pressure on our margin. While we are confident in our ability to rebuild margin over time, there is usually a timing lag between cost pressures and the benefits from mitigating actions.

As a reminder, our outlook incorporates two important year-over-year factors: the addition of GOJO and the benefit from lapping the ERP transition.

- We expect the GOJO acquisition to contribute approximately 9.5 points to net sales growth and to be accretive to adjusted EPS. While we are still in the early stages of integration, progress to date has been encouraging. We have begun laying the foundation for synergy realization and expect to see P&L benefits begin to materialize later this fiscal year. As previously discussed, GOJO has a different P&L profile than Clorox, and our outlook incorporates the expected impact on gross margin, selling and administrative expenses, and advertising as a percentage of sales.

- As a reminder, we shipped about two weeks of inventory ahead of consumption at the end of the fourth quarter of fiscal year 2025 as our retailers built inventory in advance of our ERP transition. In the first quarter of fiscal year 2026, our retailers drew down on these inventories during our transition period, resulting in year-over-year shipments decline. From a year-over-year sales growth perspective, the reduction in sales from this inventory drawdown translated to about 7.5 points of decline in fiscal year 2026 as compared to the higher base in fiscal year 2025. Similarly, this inventory drawdown reduced fiscal year 2026 earnings per share by about 90 cents. In fiscal year 2027, we will lap the above-described inventory drawdown, resulting in more than 3.5 points of benefit to net sales growth. This ERP-related lap will also result in a benefit to our fiscal year 2027 adjusted EPS growth rates.

- We continue to expect net sales to be up 13% to 14%, including about 9.5 points of benefit from the GOJO acquisition. The impact from foreign exchange is expected to be minimal. Organic sales are expected to grow about 3.5% to 4.5%, including more than 3.5 points of benefit from lapping the ERP transition. Excluding the ERP-related shipment comparison, organic sales are expected to be flat to up slightly.
    - Second quarter net sales are expected to be up 11% to 13%, including about 13 points of benefit from the GOJO acquisition. Organic sales are expected to be about flat to down 2%. As you may recall, the year-ago quarter included about a point of shipments ahead of consumption, including shipments associated with the final phase of the ERP transition in Cleaning, creating a more difficult comparison this year. Separately, within fiscal year 2027, we expect second-quarter results to be affected by normal merchandising shifts as well as a potential reversal of some late-first-quarter shipments in our international business that were related to stock-up activity. Excluding that, second quarter organic sales are expected to be largely consistent with the consumption trends in our US retail businesses and continued strong outsized growth in our professional and international business.

- We now expect gross margin to be about 41.5%, including approximately 20 basis points of headwinds from the GOJO inventory step-up. Our gross margin outlook reflects stronger-than-normal inflationary pressures and unfavorable mix, which are expected to more than offset the benefits of our holistic margin management program. Input cost headwinds are now estimated at approximately $240 million—higher than our previous assumption—driven primarily by increased commodity and transportation costs. While we have a robust mitigation plan, the benefits of these actions are expected to begin in the second half of the fiscal year.

    - Second quarter gross margin is expected to be about 40%. We remain confident in our ability to rebuild margin over time, leveraging our holistic margin management capabilities, including incremental pricing actions in the back half of this fiscal year.

- Selling and administrative expenses are now expected to be about 15.5% of net sales, which includes about 40 basis points of negative impact from GOJO transaction-related costs. With strong progress in integration, we are now expecting to realize synergies earlier than we originally expected. As a reminder, the selling and administrative expense percentage also reflects a normalized level of incentive compensation as well as the impact of the GOJO acquisition.

- We continue to expect advertising spending to be about 10% of net sales, which reflects a consistent and strong level of advertising spending in our retail businesses, which is expected to be about 12% of net sales.

- Fiscal year effective tax rate is expected to be about 23%. This includes the impact of a lower tax rate in the first quarter.

- Net of these factors, we anticipate our fiscal year diluted EPS outlook to be between $5.41 and $5.71, a year-over-year increase of 12% to 19% respectively. This includes about 29 cents of negative impact from transaction-related costs associated with the GOJO acquisition.

- Adjusted EPS is expected to be between $5.70 and $6.00, a year-over-year increase of 3% to 8%, respectively. These growth rates include the benefit of lapping the inventory drawdown related to the ERP transition in the prior year. Given the increased cost pressures mentioned above, we now expect adjusted EPS results closer to the low end of the range.

Finally, we expect another year of strong cash flow generation in fiscal year 2027, with free cash flow as a percentage of net sales in line with our long-term algorithm of 11% to 13%. This outlook supports continued investment in our strategic priorities and a disciplined approach to capital allocation.

Conclusion

As we move through fiscal year 2027, our priorities remain clear. We are focused on strengthening the superiority of our products and brands, improving execution and investing behind the opportunities we believe will create the most value. These actions are helping us strengthen our competitive position and build a foundation for sustainable, profitable growth over the long term.

While we expect some near-term volatility as consumers remain value conscious, pricing actions continue to work through the marketplace and competitive intensity remains elevated, our perspective on the business has not changed. We continue to see encouraging signs across much of the portfolio, including improving share trends, solid execution and innovation that is resonating with consumers.

While there is more work to do, we believe the business is moving in the right direction, and we remain confident in our ability to strengthen competitiveness, improve performance and create value over time.

As you saw from our announcement on Thursday, the Clorox Board of Directors has appointed Fabian Garcia as our next CEO. Fabian brings deep global consumer products experience, a strong track record of growth and brand building, and the operational and commercial expertise to lead Clorox into its next chapter. His appointment comes at a time when the Board is confident in the opportunities ahead for our company, and we believe he is exceptionally well positioned to build on the progress we've made and create sustainable long-term value for all stakeholders. We are excited about the future and remain focused on delivering against our strategy during this transition and beyond.

Finally, we want to thank our teammates around the world for their commitment and execution during the quarter. We entered the year facing both anticipated and unanticipated challenges, and our teams responded with agility, discipline and a relentless focus on serving consumers and customers. Their efforts helped us deliver a strong start to the year and continue to strengthen our brands and competitive position.

Thank you, and we look forward to the Q&A session later today.

Linda Rendle, Chair and CEO
Luc Bellet, Executive Vice President and CFO