

**Q3 Fiscal Year 2025 Prepared Management Remarks
May 5, 2025**

**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 third-quarter fiscal year 2025 earnings release. These materials can be found on [TheCloroxCompany.com](https://www.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](https://www.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 the fiscal year expecting a more pressured consumer environment with higher competitive activity and lower category growth. Through the front half and most of the third quarter, the environment was largely in line with our expectations. However, since mid-February when macroeconomic and geopolitical uncertainties spiked, U.S. consumer sentiment has weakened substantially as their worries about tariffs and inflation grew. Consumer shopping behaviors changed significantly, creating temporary volatility that resulted in a lift in some categories and a decline in others. Though our category consumption ended up about flat for the quarter, we saw a four-point swing from the first half of the quarter to the back half. This resulted in us missing our top-line expectations, which was also partly impacted by other factors such as weather and changes in retailer inventory toward the end of the quarter.

As we navigate these headwinds, our fundamentals remain strong as we maintained overall market share, household penetration and consumer value while also expanding gross margin. We continue to invest behind our brands to deliver superior consumer value at a time when it is needed most. We remain confident we can navigate through these challenges as we have before by focusing on what we can control, to deliver consistent, profitable growth over time.

Macro uncertainties temporarily impacting category growth

Against a tough macroeconomic and geopolitical backdrop, consumers in our categories increased their value-seeking behaviors and became even more choiceful in allocating their spending. While trip frequency remains stable, basket size decreased as consumers purchased smaller sizes and traded into lower price point choices within our portfolio.

While the heightened uncertainties drove declines in most of our businesses this quarter, the impact varies by category, channel and geography. Our U.S. retail businesses saw category deceleration. Some categories like Cleaning and Litter were still up, while others like Bags and Wraps, Food and Grilling were down. We also saw category slowdown in some of our international markets, particularly in Canada and much of Latin America, where consumer confidence weakened. Within our professional business, we saw continued strength in the healthcare channel but weaker demand from small businesses as they curtailed expenditures in preparation for more uncertainties ahead.

These uncertainties are impacting not just our consumers, but retailers as well, as they too are navigating through this dynamic market condition by adjusting their offerings to shoppers and their inventories from suppliers. We saw these inventory adjustments impacting our Household businesses toward the end of the quarter. The first few weeks of April indicate that this noise from the heightened uncertainties will continue, and we are watching this closely.

Competitive activity has picked up, but overall promotional levels remain largely normalized and rational. Importantly, we are not seeing material trade down to private label from our brands, but we are closely monitoring. We will continue to vigorously defend our competitive positions by offering relevant products in the right format and at the right price point to meet the varied needs of consumers.

Fundamentals remain strong

We maintained overall market share in this tough environment, which is a strong testament to our brands playing essential roles in consumers' daily lives. As consumers are seeking more value, we are offering the relevancy, quality and value they need. Some consumers are buying our smaller-sized offerings or selecting products that stretch for longer. Products like our Pine-Sol concentrated formula, which offers twice the cleaning power per ounce, offers significant value for our consumers. Same for products like Fresh Step Heavy Duty, as it has a 30-day odor control claim, which is the longest on the market. Through strong distribution and merchandising, we are showing up for our consumers where they shop at the price points they need.

We are continuing to position our brands for growth – both in this environment and for when consumer confidence improves – through strong innovation that is rooted in insights. For example, our Clorox Scentiva platform continues to resonate with consumers. We recently launched ToiletWand Refills, and we are continuing to expand and invest in this platform. We also continue to invest behind our beloved Hidden Valley Ranch brand with new and improved packaging and seven new flavors as well as collaborations with Hot Pockets and DiGiorno. We are engaging with consumers in new and interesting ways as they are expected to have even more dining occasions at home.

We know that consumers are willing to pay for better experiences and superior value, even under times of stress, as evidenced by our sustained consumer value strength, market share performance and the fact that we're not seeing them trade out of our portfolio to private label. We also have not seen any material change to in-home consumer behavior that would indicate a change in how consumers intend to engage with our categories over the mid to long-term.

Importantly in this environment, we delivered our tenth consecutive quarter of gross margin expansion in Q3, supported by robust holistic margin management across the enterprise. As we shared at CAGNY, we have been investing in scaling new capabilities and tools such as price pack architecture and design to value to continue improving margin. We are beginning to see the benefits of these investments flow through our P&L and believe they can deliver even more value over time.

As we continue to invest in our transformation, we are on track to implement the U.S. version of our Enterprise Resource Planning (ERP) system later this year after a successful implementation in Canada and within our finance function. This transformation will help us scale new capabilities as we aim to enhance operational efficiencies - yielding productivity gains and competitive advantages. These initiatives are also expected to contribute to top-line growth over the long term as we capitalize on improved data and insights, which will ultimately help us serve our customers and consumers even better.

Third-Quarter Fiscal Year 2025 Results

- Net sales decreased 8%, driven mainly by the divestitures of the Better Health Vitamins, Minerals and Supplements (VMS) and Argentina businesses. Organic sales decreased 2% driven mainly by unfavorable price mix. Organic volume was flat, impacted by consumption slowdown across most of our businesses.

- Gross margin for the quarter was 44.6%, about 240 basis points higher compared to the prior year. Gross margin benefited from 170 basis points of cost savings and 50 basis point improvement driven by the divestitures of our VMS and Argentina businesses.
- Selling and administrative expenses as a percentage of net sales were 16.0% compared to 16.6% in the year-ago quarter. This included \$26 million, or about 160 basis points, of strategic investments to enhance our digital capabilities.
- Advertising as a percentage of net sales was 12.4%, with investments in our U.S. retail business coming in at 13.6% of sales, partially driven by lower sales.
- Our third quarter effective tax rate was 24.8%.
- Net of all these factors, adjusted earnings per share for the third quarter was \$1.45 versus \$1.71 in the year-ago quarter, reflecting a 15% decrease.
- Fiscal year to date net cash provided by operations was \$687 million compared to \$355 million in the year-ago period, representing a 94% increase. The increase was primarily driven by higher cash earnings.

Fiscal Year 2025 Outlook

Our updated outlook reflects two main changes. First, we have adjusted our outlook for recent changes in the macroeconomic and geopolitical environment, including its impact on our consumers and categories, as well as the impact of tariffs on our earnings. Second, we are also updating the estimated impact from the incremental shipments as our retailers build inventory in advance of our ERP transition.

Putting the impact from ERP transition aside, which is expected to reverse in the front half of next fiscal year, our outlook continues to reflect organic volume and sales growth, gross margin expansion and robust investments in our brands. Our outlook also continues to reflect the impact from our portfolio transformation efforts, including the divestitures of our VMS and Argentina businesses, as well as the benefits of the full implementation of our streamlined operating model.

We expect the environment to remain volatile and challenging. As such, we are maintaining a wider-than-normal range for our outlook to reflect a wider range of potential outcomes.

- We now expect net sales to be down 1% to flat, including about 2 points of negative impact from the divestiture of our business in Argentina and about 3 points of negative impact from the divestiture of our VMS business. We expect foreign exchange to be about neutral. Organic sales are now expected to grow 4% to 5%, including 2 to 3 points of expected impact from our ERP transition. Excluding the impact of the ERP transition, we now expect organic sales to be up about 2%.

- We now expect gross margin to be up about 150 basis points, with benefits of holistic margin management efforts more than offsetting cost inflation, higher trade promotion spending and higher costs from recently implemented tariffs, which we are working hard to mitigate. This compares to the previous expectation of 125 to 150 basis points.
- We continue to expect selling and administrative expenses to be between 15% to 16% of net sales. This continues to include about 150 basis points of impact related to our investments to enhance our digital capabilities.
- We continue to expect advertising spending to be between 11% to 11.5% of net sales. This higher level of advertising as a percentage of net sales reflects both a continued effort to emphasize our value superiority in a more challenging consumer environment.
- We continue to expect our fiscal year effective tax rate to be about 26%. The full year tax rate continues to be higher than normal as a result of our VMS divestiture. Excluding the impact of the VMS sale, we expect our fiscal year adjusted effective tax rate to be about 23%.
- Net of these factors, we now expect our fiscal year diluted EPS outlook to be between \$5.73 and \$6.13 versus previously \$5.52 and \$5.92, a year-over-year increase of 155% to 172%, respectively, reflecting the lapping of several one-time charges recorded in the year-ago period. Our updated outlook also includes benefits from incremental shipments related to our ERP transition of 50 to 70 cents, which is expected to reverse in the front half of fiscal year 2026.
- Adjusted EPS is expected to be between \$6.95 and \$7.35, a year-over-year increase of 13% to 19%, respectively. While this updated range is unchanged compared to our previous outlook, there are puts and takes. As mentioned above, we have updated our outlook to reflect the impact of recent macroeconomic changes on our sales and profit. We have also reflected higher benefit from expected incremental shipments related to our ERP transition. Adjusted EPS continue to exclude about 70 cents of expense from our long-term strategic investments in digital capabilities and productivity enhancements, and a 94 cent charge we took in the first quarter from the loss on sale related to the divestiture of our VMS business, and it also excludes a 42 cent benefit from cyberattack insurance recoveries for the current fiscal year.

The macroeconomic environment has been volatile for a few years now and we have navigated through significant disruptions, including a pandemic which led to an unprecedented level of demand surge and supply constraints, rampant inflation, and a cyberattack and subsequent recovery. We have managed these challenges well by controlling what we can control while continuing to advance our IGNITE strategy. We are investing in our brands to maintain superiority, transforming our capabilities to better serve our consumers and customers, and creating a more resilient supply chain. We have also continued to evolve our portfolio to reduce volatility and enhance our margin profile.

All of these actions are enabling us to deliver organic sales growth, margin expansion and another year of strong earnings growth in the face of a challenging environment. We are also on

track to deliver strong free cash flows this fiscal year in line with our long-term goal while funding the working capital required for our ERP transition. We remain confident in our IGNITE strategy and we are resolutely focused on delivering superior value for our consumers and strong returns to our shareholders.

Lastly, to our Clorox teammates around the globe, we'd like to express our gratitude for your perseverance and for delivering for our customers and consumers every single day. Your unwavering dedication is helping us build an even stronger company for the future.

We look forward to the Q&A session later today.

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