Q4 and Fiscal Year 2025 Prepared Management Remarks
July 31, 2025

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

Please review the following prepared management remarks in conjunction with the company's fourth-quarter and fiscal year 2025 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 saw mixed results in our fiscal year 2025 performance as we navigated through a complex year with the remaining impacts from our August 2023 cyberattack, macroeconomic and geopolitical uncertainties and preparation for our Enterprise Resource Planning (ERP) system transition. We grew overall market shares and organic sales for the fiscal year while delivering over 200 basis points of gross margin expansion and solid adjusted EPS growth. However, as macroeconomic uncertainties increased in the back half, our categories slowed, and we did not deliver the market share progress we planned. While we delivered fourth-quarter net sales in line with our outlook, it was due to higher-than-expected incremental shipments to support our ERP transition. Excluding that, sales were lower than we expected.

As we take a look at our current environment, consumers continue to seek value, and the bar is now higher. Our wallet-constrained consumers are continuing to buy smaller sizes and trading into lower-price-point offerings within our portfolio. For example, in Brita, we saw consumers buying smaller pitchers, and in Food, consumers are buying smaller bottles of dressing. At the same time, we see other consumers seeking convenience and better experiences and are willing to pay for them. This is evidenced by the success of our Scentiva platform, which delivered nearly 40% retail sales growth this fiscal year.

We are also seeing these value-seeking and convenience trends play out where people are shopping. We continue to see strong growth in the Club channel as consumers seek value through lower cost per use. For example, our Litter business saw double-digit growth in the Club channel for our value brand Scoop Away. In Brita, these consumers are purchasing multi-count filters to maximize value per filter. We also see strong growth in ecommerce, which continues to offer consumers convenience.

Other than in our Glad business, we are not seeing any material trade down to private label, and our consumers continue to shop within our portfolio. So, while the environment is still challenging, we also see some tailwinds ahead as consumers continue to seek better experiences, and we will lean into superiority in our fiscal year 2026 innovation plans.

Our categories have largely stabilized, but the overall growth rate has yet to normalize. Overall consumption is still below historical average, and we continued to see elevated competitive activities in a few of our businesses, which is putting pressure on our market shares. While we expected some impact from lapping abnormally high demand creation activities in the fourth quarter of fiscal year 2024 as we continued to rebuild shares following supply restoration from our cyberattack, this quarter's market share results fell short of our expectations. Additionally, in pockets of our portfolio, we simply didn't execute across all vectors of superior consumer value to our expectations, and we must do better.

In Litter and Glad, competitive activities remained high, but things are largely playing out as we expected. While our efforts to rebuild superiority and shares in these two categories have taken longer than we originally anticipated, we are remaining disciplined in our goal to rebuild both while driving profitable category growth in the long run.

Our Kingsford business was impacted by weather and executional challenges for the Memorial Day holiday weekend. We have identified areas of improvement and have a clear plan in place to correct our performance as we approach Labor Day and the fall tailgating season. We expect consumption to improve following the positive momentum we saw over the July 4th holiday.

On a positive note, our largest business, Cleaning, continued to build on its momentum and delivered a fourth consecutive quarter of share growth – reflecting sustained share expansion. Our portfolio of trusted cleaning brands is able to deliver against all elements that drive superior consumer value across different consumer needs and we continue to see strong consumption trends. For example, our Wipes business grew high-single digits this quarter in the midst of a challenging consumption backdrop. Our Scentiva Wipes retail sales grew nearly four times faster than that. We see strong opportunities ahead to capitalize on this, and are committed to continuing to deliver the superior, convenient experiences consumers seek. In our International and Professional businesses, we continue to win in the marketplace and both businesses remain on track to drive outsized growth.

We are confident we can improve our performance as we have a strong track record of navigating through periods of elevated competitive activities and market share pressures, and we will do it again. Superiority matters more than ever and our fiscal year 2026 plan includes a robust pipeline of innovation and more targeted demand creation activities to address where we have opportunities and gaps. In addition, we will further advance our net revenue management capabilities and insights-driven personalization to meet consumer needs faster and more efficiently.

As we continue to invest in our transformation, we have begun the launch of our ERP in the U.S. after a successful implementation in Canada. As expected, we are still in the stabilization phase and we remain on track to complete implementation this fiscal year. Despite the timing noise this implementation creates, we remain excited about the opportunities this transformation unlocks to make us a stronger company. The digital foundation provided by our new ERP supports our long-term financial goals through modernized capabilities that accelerate growth and deliver stronger efficiencies.

Importantly, we have built a strong margin position to continue our reinvestment cycle. We delivered another year of significant margin expansion, driven by our holistic margin management program. This program is scaling new tools and capabilities, providing us with a robust pipeline of fuel to keep investing behind our brands and capabilities to maintain a healthy portfolio and deliver long-term shareholder value.

Fourth-Quarter Fiscal Year 2025 Results

- Net sales increased 4%, driven by 8 points of higher volume, partially offset by 4 points of unfavorable price mix. Higher volume was mainly driven by the incremental ERP shipments. Unfavorable price mix was driven mainly by unfavorable product mix and higher trade promotion, which was driven mainly by unfavorable trade expense timing. Organic sales increased 8%, driven mainly by the incremental shipments in support of our ERP transition. We estimated the impact of these incremental shipments to be about 13 to 14 points. Excluding the impact of incremental shipments, organic sales and volume were both down, reflecting consumption decline in the majority of our U.S. businesses as well as impact from retailer inventory adjustments.

- Gross margin for the quarter was 46.5%, essentially flat versus the year-ago quarter. Gross margin benefited from 160 basis points of cost savings, offset by 170 basis points of higher manufacturing and logistics costs. Also impacting gross margin for the quarter were benefits from the incremental shipments in support of our ERP transition, partially offset by the impacts of higher trade promotion and unfavorable mix.

- Selling and administrative expenses as a percentage of net sales were 14.9%. This included $30 million, or about 150 basis points, of strategic investments to enhance our digital capabilities. The resulting percentage of sales is lower due in part to the higher sales driven by incremental shipments to support our ERP transition.

- Advertising as a percentage of net sales was 8.6%. The resulting percentage of sales is lower due in part to the higher sales driven by incremental shipments to support our ERP transition.

- Effective tax rate was 18.2%, which includes non-recurring tax benefits related to the U.S. taxation associated with foreign product sales.

- Net of all these factors, adjusted earnings per share for the fourth quarter was $2.87 versus $1.82 in the year-ago quarter, reflecting a 58% increase. This includes about 85 to 95 cents of benefit from the incremental shipments to support our ERP transition.

- Fiscal year to date net cash provided by operations was $981 million compared to $695 million in the year-ago period, representing a 41% increase. The increase was primarily driven by higher cash earnings.

FY2026 Outlook

Our fiscal year 2026 outlook assumes the external environment continues to be dynamic, volatile and uncertain. We expect consumers will continue to display heightened value-seeking behaviors, and overall category consumption will remain sluggish for the year with variability business-to-business and period-to-period. We expect competitive activities will continue, and the tariff environment will continue to be uncertain. Our outlook also reflects the impact from the divestiture of our Better Health VMS business.

The most significant driver of our fiscal year 2026 outlook is a transitory one. We shipped about two weeks of inventory ahead of consumption at the end of the fourth quarter last year as our retailers built inventory in advance of our ERP transition. We expect retailers to draw 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 draw down translates to about 7 to 8 points of decline as compared to the higher base in fiscal year 2025. Similarly, this inventory draw down is expected to reduce fiscal year 2026 earnings per share by about 85 to 95 cents. In comparison to the higher base in fiscal year 2025, this results in a year-over-year reduction of about 29% to 32% to fiscal year 2026 diluted earnings per share and about 22% to 25% to fiscal year 2026 adjusted earnings per share.

- We expect net sales to be down 6% to 10%, including less than 1 point of negative impact from the combination of two factors: the divestiture of our VMS business in the first quarter of last fiscal year as well as minor foreign exchange headwinds. Organic sales are expected to decline about 5% to 9%. As mentioned above, the negative impact related to ERP transition is expected to be about 7 to 8 points. From a consumption standpoint, our organic sales outlook assumes trends to remain sluggish in the first half and improve in the back half.
    - First quarter net sales are expected to be down 17% to 21%, reflecting about 14% to 15% year-over-year negative impact related to the ERP transition, and about 2% headwinds from the divestiture of VMS.

- We expect gross margin to be down 50 to 100 basis points driven mainly by about 100 basis points of negative impact related to the incremental shipments for our ERP transition in the

prior fiscal year. We also expect the benefits from our holistic margin management program to more than offset inflationary headwinds, including tariffs.
    - First quarter gross margin is expected to be between 41% and 42%. This is lower than normal due mainly to about 200 basis points of expected negative impact related to the ERP transition. The impact from incremental ERP shipments in the fourth quarter of fiscal year 2025 is not linear with the year-over-year impact from the related shipments decline in the first quarter of fiscal year 2026, due mainly to the higher sales base in the fourth quarter as compared to the first quarter. Additionally, we are expecting about 100 basis points of headwinds for expenses due to storm-related damage at one of our manufacturing facilities.

- Selling and administrative expenses are expected to be about 16% of net sales. This includes about 90 basis points of impact related to our investments to enhance our digital capabilities.

- We expect advertising spending to be about 11% of net sales, reflecting the company's ongoing commitment to invest behind its brands.

- Fiscal year effective tax rate is expected to be about 24%.

- Net of these factors, we anticipate our fiscal year diluted EPS outlook to be between $5.60 and $5.95, a year-over-year decline of 14% to 9% respectively. This reflects about 85 to 95 cents of headwinds related to the ERP transition, which represents about 29% to 32% of negative impact on the higher EPS base last fiscal year.

- Adjusted EPS is expected to be between $5.95 and $6.30, a year-over-year decrease of 23% to 18%, respectively. This excludes about 35 cents of expense from our long-term strategic investments in digital capabilities and productivity enhancement. This also reflects about 85 to 95 cents of headwinds related to the ERP transition, which represents about 22% to 25% of negative impact on the higher EPS base last fiscal year.

In this environment—just as we've done many times before—our primary focus is on reinvigorating profitable category growth, and we're well-positioned to support that objective with strong margins and a healthy balance sheet. Our fiscal year 2026 plan is one that lays a strong foundation for new, scalable superior value innovation platforms for years to come while delivering solid earnings growth in the near term. We also expect to deliver free cash flows in line with our long-term goal.

We have the right strategy and tools in place, and we are resolute in sharpening our superiority and execution where needed to capture the opportunities created by the changing needs of our consumers. As always, we will continue to invest strongly behind our brands and believe our advertising dollars will work even harder for us as we double-down on social first marketing and AI-driven scalability.

We are on track to complete the foundation in our digital transformation. We are increasing supply chain responsiveness and working even faster to anticipate consumer and customer needs. While the related spending of our ERP implementation is tailing off, the benefits are just ramping up as this new digital foundation will help us continue to reimagine work, scale our digital tools and move faster as an organization for years to come. As we have shared before, our capabilities are at different stages of maturity, but together they are creating a flywheel for our business. For example, we have a proven and mature track record of strong cost savings; we are still scaling our net revenue management; and we are in the very early stages of deploying our new ERP to enable acceleration and speed as we have better real-time visibility, better demand planning and better execution.

Finally, we have a portfolio of strong brands that have been tested through time. Despite recent challenges, consumer loyalty remains strong, and we have built capabilities that enable us to create the fuel necessary for consistent reinvestments. We have a solid track record of navigating through various challenges and are confident our choices and actions have positioned us well to drive profitable growth over time, build a stronger, more resilient company, and create long-term value for stakeholders.

To close, we'd like to thank our teammates around the globe for their determination and dedication to delivering against our transformation. And we'd like to extend a special thank you to our partners and retailers for your trust and partnership through our ERP transition. We are well on track to fundamentally modernize the backbone of our operations and serve you even better.

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