



## Q1 Fiscal Year 2026 Prepared Management Remarks

November 3, 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 first-quarter fiscal year 2026 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 launched our new Enterprise Resource Planning (ERP) system this quarter, which was a significant milestone for our business and a key pillar of our digital transformation as we unlock speed, productivity gains and greater insights – all in service of delivering superior value to consumers.

As you may recall, at the end of last fiscal year, we shipped roughly two weeks of inventory ahead of consumption as retailers built stock in preparation for this transition. As those inventories were drawn down this quarter, we expected net sales to decline by approximately 17% to 21%. While the ERP systems cutover proceeded smoothly, we encountered some challenges in order fulfillment that led to temporary out-of-stocks. Based on early estimates, we projected and communicated in early September that our first-quarter net sales were likely to come in at the low end of our guidance range. Ultimately, this quarter's results exceeded these expectations for two key reasons: first, the impact of fulfillment disruptions was less significant than anticipated due to stronger-than-expected recovery in September; and second, we shipped ahead of consumption for some second-quarter merchandising events. As a result, we landed in the middle of our original guidance range, though some timing effects will impact second-quarter sales, which is reflected in our updated outlook.

Excluding the impacts from our ERP transition, our assumptions regarding consumer health and category growth are largely unfolding as expected, though it remains early in the fiscal year. Category growth rates have stabilized but remain below historical averages, while competitive intensity continues to be high as companies compete for share of wallet. Consumers remain under pressure, and this is driving value-seeking behaviors across all income segments. At the same time, consumers are continuing to prioritize experiences and convenience. We are responding to these rapidly changing trends and are well positioned to tailor our innovation and product formats to serve all of our consumers.

We're committed to meeting our consumers where they are as we deliver superior value to meet their varied needs as they purchase smaller sizes, stretch usage and trade down into lower cost substitutes within our portfolio. We are responding through price pack architecture and promotional strategies that maintain our brand equity while addressing affordability concerns.

- For consumers looking for smaller sizes, we're offering smaller Brita pitchers and multipacks to offer cost-effective alternatives, emphasizing our filter performance and monthly cost savings. We also continue to see a strong response to our smaller sized offerings in Food and Kingsford.
- In Cleaning, our dilutable cleaners are performing well as we are able to offer consumers both efficacy and versatility at a lower cost.

Consumers are also buying larger sizes for better value and convenience. This has continued to fuel outsized growth in our large sized formats especially in Club and eCommerce channels. This trend is evident particularly in our Glad business through strong growth in our "Super Mega" size format, as well as in our Cleaning business through growth in our multi-pack wipes. We also continue to see a strong response to our twin packs in Kingsford.

We are also seeing that "time" is an increasingly important driver of value for time-starved consumers and we are offering better experiences for them.

- We recently introduced Hidden Valley Ranch Dippers & Toppers, which is our first bold step into the on-trend protein-forward snacking space. Dippers & Toppers are ready to eat without complicated prep and deliver both time savings and protein forward options.
- In our largest business, Cleaning, consumers are continuing to prioritize convenience and willing to pay the premium, demonstrated by strong growth in our convenience toilet cleaners and wipes business, which has grown four consecutive quarters.

We are also leaning into consumer insights and trends to deliver for consumers seeking new and elevated experiences.

- In Glad, we continue to see a strong interest in scent innovation, and we introduced a new fall scent, Apple Cinnamon, for Glad ForceFlex.
- In Brita, we are actively modernizing our pitcher portfolio with new color options designed to resonate with consumer preferences and seasonal retail moments to drive trial and loyalty among younger consumers.
- In our Burt's Bees business, we saw a strong response to our Tinted Boosted Balm and limited-edition Halloween mini formats, and we expect this momentum to continue into the holiday season. We have also introduced platform-expanding innovations including Lip Milk, Boosted Body Daily Lotion, Whipped Butter and Moisturizing Melt.

This continued focus on delivering superior value and experiences will help us recover our market share loss, which was primarily due to temporary out-of-stocks caused by the above-mentioned challenges related to order fulfillment. The issues have been addressed, and our fulfillment processes have now stabilized. Importantly, we do not expect any long-term impact. We're clear-sighted about the path forward and remain confident in our ability to regain momentum, supported by a robust pipeline of innovation slated for the second half of the fiscal year and stronger demand creation investments. Key long-term brand health indicators – such as household penetration and consumer loyalty – remain stable, underscoring the enduring strength and resilience of our brands.

Equally important, our strong margin position provides the financial flexibility to continue reinvesting in our brands, innovation, and capabilities — even in a challenging macroeconomic environment. We have strengthened our plans going forward and will continue to adjust as needed. This discipline ensures we can sustain competitiveness in the near term while strengthening the foundation for long-term growth and shareholder value creation.

Our transformation and ERP implementation strengthens our digital backbone and positions us to unlock meaningful operational efficiencies, margin expansion and superior value for our consumers. In an environment where consumer dynamics are changing rapidly, our new tools are allowing us to reach them in new and innovative ways, improving the returns on each dollar invested. With each wave of implementation, we're gaining sharper insights and deeper operational visibility — enabling faster, smarter, and better execution.

## **First-Quarter Fiscal Year 2026 Results**

- First-quarter net sales decreased 19%, driven by 18 points of volume decline and about a 1 point of unfavorable price mix. Lower volume was mainly driven by retailer inventory draw down related to our ERP transition. The divestiture of our Vitamins, Minerals and Supplements business was a 2-point headwind. Unfavorable price mix was driven mainly by unfavorable product mix, which was driven primarily by outsized growth in the Club channel. Organic sales decreased 17%, driven mainly by lower volume related to our ERP transition. Excluding the impact of lower shipments from the inventory draw down related to our ERP transition, organic sales and volume were both down, reflecting consumption decline in the majority of our U.S. businesses.
- Gross margin for the quarter was 41.7%, down 410 basis points versus the year-ago quarter due mainly to lower fixed cost absorption from the volume decline related to our ERP transition. Gross margin decline was also driven by 180 basis points of higher manufacturing and logistics costs, which includes expenses due to storm-related damage at one of our manufacturing facilities, partially offset by 140 basis points of cost savings benefit.
- Selling and administrative expenses as a percentage of net sales were 19.4%. This included \$32 million, or about 220 basis points, of strategic investments to enhance our digital capabilities. The resulting percentage of sales is higher due in part to the lower net sales related to our ERP transition.
- Advertising as a percentage of net sales was 11.6%. The resulting percentage of sales is higher due in part to the impact of lower sales related to our ERP transition.
- Effective tax rate was 23.4%.
- Net of all these factors, adjusted earnings per share for the first-quarter was \$0.85 versus \$1.86 in the year-ago quarter, reflecting a 54% decrease. This includes about 90 cents from the lower sales related to our ERP transition.
- Fiscal year to date net cash provided by operations was \$93 million, compared to \$221 million in the prior period, a decrease of 58%, mainly driven by the lower sales related to our ERP transition.

## **Fiscal Year 2026 Outlook**

We are maintaining our full year outlook for net sales, gross margin, and adjusted EPS. The impact of the order fulfillment challenges experienced earlier in the year, which led to consumption and market share losses, keeps our current expectations towards the lower end of the range. This guidance also reflects slightly lower input costs and a strengthened demand creation plan to support share and sales growth in the second half of the fiscal year.

Our fiscal year 2026 outlook assumes the external environment will continue 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 elevated 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 expected 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 7.5 points of decline as compared to the higher base in fiscal year 2025. Similarly, this inventory draw down reduces fiscal year 2026 earnings per share by about 90 cents. In comparison to the higher base in fiscal year 2025, this results in a year-over-year reduction of about 30% to fiscal year 2026 diluted earnings per share and about 23% to fiscal year 2026 adjusted earnings per share.

- We continue to 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%. For the reasons mentioned above, we now expect net sales results to come in closer to the lower end of the range. The negative impact related to the ERP transition is about 7.5 points. From a consumption standpoint, our organic sales outlook continues to assume trends to remain sluggish in the first half and improve in the second half.
  - From a phasing perspective, the second-quarter net sales are expected to be down low-single digits, driven by consumption decline as well as the timing impact from Q1.
- We continue to 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. Consistent with our expectations on net sales, we now expect gross margin results to come in closer to the lower end of the range. We continue to expect the benefits from our holistic margin management program to more than offset inflationary headwinds, including tariffs.
  - Second-quarter gross margin is expected to be about flat to down slightly relative to the year ago quarter.

- We continue to expect selling and administrative expenses 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 continue to expect advertising spend to be about 11% of net sales, reflecting the company's ongoing commitment to invest behind its brands.
- We continue to expect effective tax rate to be about 24%.
- Net of these factors, we continue to 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 90 cents of headwinds related to the ERP transition, which represents about 30% 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. While we are maintaining this range relative to our last outlook, we now expect results to come in closer to the lower end of this range, mainly reflecting the impact of the order fulfillment challenges experienced earlier in the year. This outlook range continues to exclude about 35 cents of expense from our long-term strategic investments in digital capabilities and productivity enhancement. This also reflects about 90 cents of headwinds related to the ERP transition, which represents about 23% of negative impact on the higher EPS base last fiscal year.

The launch of our ERP was a significant milestone and undertaking, which brought complexities and challenges that have tested our resilience and adaptability. We have reflected these realities in our latest outlook and made the necessary adjustments to strengthen our plan for the rest of the year. Importantly, as we move past these temporary challenges, we are pivoting our full effort to our demand creation plan, to deliver superior value to our consumers and reinvigorate category growth.

We remain confident in our IGNITE strategy as we navigate the short and long term. We are fueling growth through innovation, digital transformation and disciplined reinvestment. Our fiscal year 2026 plan lays the foundation for scalable innovation platforms that can compound for years. We expect free cash flow to be in line with our long-term goal for the year, supported by disciplined working capital, capex, and productivity.

In closing, we deeply appreciate the commitment of our teammates and the partnership shown by our partners and retailers during our ERP transition. Thanks to these collective efforts, we are making clear progress in our transformation as we build a stronger, more resilient Clorox.

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