The Clorox Company

Q4 Fiscal Year 2026 Prepared Management Remarks

August 3, 2026

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 fourth-quarter fiscal year 2026 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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Internal

Management Commentary

Fiscal year 2026 was an important transition year for Clorox. While we continued to operate in a challenging consumer and macroeconomic environment, we also completed several foundational initiatives that strengthened our business and position us for improved execution and long-term value creation.

Our fourth-quarter results were in line with our expectations and reflect disciplined execution against that backdrop.

As we look back on the year, we made meaningful progress advancing our strategy. Taken together, these actions leave us entering fiscal year 2027 from a stronger position – with a more robust innovation pipeline, enhanced capabilities, and a portfolio that is better positioned to compete and win.

- We continued to **Fuel Growth** by establishing the infrastructure needed to drive operational efficiency, expanding our cost-savings programs and improving our ability to generate fuel for future reinvestment.

- We advanced our efforts to **Innovate Experiences** by deepening our connection with consumers and investing in superiority. We delivered industry-leading advertising returns, continued to strengthen our innovation pipeline and expanded our partnerships with key retailers. These investments are strengthening marketplace execution, enhancing the consumer experience, and positioning our brands to compete more effectively.

- We continued to **Reimagine Work** by modernizing how we operate. We implemented our new ERP system, a foundational and generational investment in the future of the company, while continuing to simplify our structure, modernize capabilities, and increase organizational agility.

- And we continued to **Evolve the Portfolio**, through the acquisition of GOJO Industries, creating a global health and hygiene portfolio which now makes up more than half of our business. This reflects our disciplined approach to portfolio management and our commitment to investing in the businesses and categories where we see the greatest opportunities for long-term growth and value creation.

In addition to advancing our strategy, we made significant progress on immediate actions that enhanced execution, better met consumer needs, and positioned us to compete more effectively in a dynamic market environment. For example, our plan enhancements on Glad trash and Hidden Valley Ranch have led to market share turnarounds and stronger businesses entering fiscal year 2027.

The consumer environment remains challenging, with households continuing to navigate the cumulative effects of several years of inflation and economic uncertainty. As a result, value-seeking behaviors remain elevated and consumers are making increasingly deliberate purchasing decisions.

We continue to see consumers balancing affordability, convenience and product performance, often making trade-offs across sizes, channels and occasions. While these pressures are most pronounced among lower-income consumers, value-seeking behaviors remain widespread across the marketplace.

At the same time, consumers are resilient, and we see clear room for growth as consumers continue to spend on brands that deliver compelling value, trusted performance and superior experiences. This consumer resilience has supported category growth at the upper end of our expectations in recent months, albeit below historical norms, even as inflationary pressures continue to influence purchasing decisions.

As we respond to the changing needs of consumers, we see specific trends supporting future growth in the categories where we compete. We remain focused on identifying the trends shaping shopping behavior, anticipating evolving needs and wants, and translating those insights into products, value propositions and experiences that better serve consumers. For example, consumers continue to value convenience and products that make jobs around their house easier and more enjoyable. Wellness also continues to be at the forefront of consumers' minds, and we are addressing unmet needs in this space across our categories and beyond, as we did with the launch into the allergy space with Clorox Pure.

Through the right combination of insight-led innovation, price-pack architecture, demand creation and disciplined revenue growth management, we are improving value superiority across our portfolio, including making targeted incremental investments in our brands that help consumers feel confident they are getting the best value for their money. Winning with the consumer is at the center of our strategy and reflected in our broader priorities around superiority and consumer-led innovation.

We believe these capabilities, combined with the strength of our brands and categories, position us well to compete effectively in the current environment while continuing to create long-term value.
In fact, the majority of our portfolio is performing at or above our expectations. In the areas of challenge, we have a clear understanding of what actions are required to improve performance and we have taken incremental action to address.

First, the largest part of our portfolio continues to deliver strong, consistent performance. Our global health and hygiene portfolio now includes Clorox Purell and represents more than half of our net sales - reflecting the strength of our category positions, trusted brands and disciplined execution.

- In our largest business of Cleaning, we continue to see momentum through new innovations that deliver value and superior experiences. Clorox Pure continues to perform well with consumers, delivering a meaningful new way to help the nearly 90% of U.S. households that are impacted by allergies take control of their wellness. We're encouraged by repeat rates that meet benchmarks and strong retailer support, including nearly 90% of retailers carrying four or more SKUs. Likewise, as noted above, providing elevated experiences that make tasks more enjoyable has proven to be an effective category growth driver. Our Scentiva Cherry Blossom launch continues to address this trend and is outperforming expectations and driving strong retailer execution.

- Our strong fourth quarter performance in Clorox Professional and Purell reinforces our confidence in the strategic rationale for the GOJO acquisition. From the outset, we saw an opportunity to bring together two trusted leaders in health and hygiene, creating a more complete offering while expanding our growth opportunities across both professional and consumer

channels. While we're still early in the integration, the performance we're seeing today reinforces our conviction that the combination of Clorox Professional and Purell will create meaningful long-term value through stronger category positions, differentiated capabilities, enhanced customer relationships, and new avenues for profitable growth.

Second, we are seeing encouraging progress in businesses where we have taken decisive actions to strengthen performance.

- Glad has made significant progress in restoring momentum through a combination of stronger innovation, brand-building, and more effective revenue growth management actions, supporting superior consumer value. As a result, Glad Trash has returned to share growth. While commodity costs remain dynamic, we remain focused on balancing value with disciplined margin management.

- Our Hidden Valley Ranch brand also grew share, supported by higher media support, price pack architecture activation to address value, and strong retail execution behind our America's 250th and World Cup activations. During the 2026 FIFA World Cup, Hidden Valley Ranch experienced an uplift in brand visibility and consumer engagement, driven by viral social media exposure among international visitors. The phenomenon elevated Ranch from a staple American condiment to a highly sought-after American souvenir, generating incremental demand and broadening international brand awareness. We are encouraged by this early momentum, and we will continue to closely monitor trends and will adjust our plans as needed.

These results reinforce what we know to be true: when we provide superior value, invest behind our brands and execute well with our retail partners, consumers and end users respond. The changes we've made are beginning to gain traction, resulting in improved performance and encouraging signs of sustained momentum, which we will continue to build on.

Finally, our Litter business continued to face challenges. As a reminder, we made substantial changes to the brand in the third quarter, including a new price-pack architecture, refreshed packaging, updated naming conventions, and an improved formula. Given the scale of those changes, we expected the transition to take time as we work through distribution, shelf execution, and consumer adoption. Importantly, we continue to believe we have the right strategy in place and have made additional enhancements to our plan to realize the full benefit of the Fresh Step reset over time.

On a separate note, the grilling season and category have been softer than expected, driven largely by weather-related disruptions during key holiday periods, lower levels of category merchandising at retail, and a shift in consumer purchasing behavior toward smaller pack sizes and more value-oriented options. We expect these category-wide dynamics to continue in the short-term, weighing on consumption and sales through the remainder of the season and into the first quarter of fiscal year 2027. We remain confident in the long-term potential of the category and our ability to improve performance. We believe we are well positioned to drive stronger results next grilling season through changes to our plan that drive better distribution, stronger retailer support and merchandising programs, and sustained execution against the areas that matter most to consumers.

Fourth-Quarter Fiscal Year 2026 Results

- Net sales decreased 2%, driven by 3 points of negative volume, partially offset by 1 point of favorable foreign exchange. Our GOJO acquisition added about 10 points of benefit. Organic sales decreased 13%, mainly due to lapping the incremental shipments related to the ERP transition in the year-ago quarter, which was about 13.5 points.

- Gross margin for the quarter was 41.3%, down 520 basis points versus the year-ago quarter gross margin of 46.5%. The decline was driven primarily by higher-than-normal inflationary pressures and negative mix more than offsetting the benefits of cost savings initiatives. Within that overall decline, there were two notable items that are important to keep in mind when comparing year-over-year results. First, lower operating leverage from lapping the incremental shipments related to the ERP transition in the year-ago period reduced Q4 gross margin by about 150 basis points. Second, the negative impact from inventory step-up of the GOJO acquisition was about 150 basis points.

- Selling and administrative expenses as a percentage of net sales were 15.3%. This included $21 million, or about 110 basis points, of GOJO integration costs.

- Advertising as a percentage of net sales was 11.1%.

- Effective tax rate was 21.6%.

- Net of all these factors, adjusted earnings per share for the fourth quarter was $1.66 versus $2.87 in the year-ago quarter, reflecting a 42% decrease. The impact of ERP-related shipment comparison was about 90 cents.

- Fiscal year net cash provided by operations was $612 million compared to $981 million in the year-ago period, a decrease of 38%. The decrease was primarily driven by the Glad Venture Agreement termination payment.

Fiscal Year 2027 Outlook

As we enter fiscal year 2027, we are confident in our plans and the stronger foundation we have built. With our ERP implementation behind us, our focus now shifts from stabilization to optimization – capturing productivity, removing costs and realizing the full benefits of this investment. We will continue to invest in innovation and are making targeted incremental investments in our brands to improve our value superiority, and we expect overall market shares to improve through the fiscal year.

At the same time, we are approaching the year with appropriate caution. 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.

- On the cost front, the current geopolitical backdrop continues to be characterized by volatility in energy and commodity markets, elevated logistics costs, and supply chain pressure. These factors contribute to stickier input cost inflation that extends beyond headline oil prices. Given the timing lag between cost pressures and the benefits from pricing actions and productivity initiatives, we expect these dynamics to put pressure on our gross margin in fiscal year 2027. Nonetheless, we remain confident in our ability to rebuild margin over time, leveraging our holistic margin management capabilities and the disciplined execution that has served us well in prior inflationary cycles.

Beyond our underlying operating assumptions, 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 in the fourth quarter of the 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 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.
    - First quarter net sales are expected to be up 31% to 32%, including about 15 points of benefit from the GOJO acquisition. First quarter organic sales are expected to be up about 16% to 17%, reflecting an impact of about 18 points from lapping our ERP transition. Excluding

that, first quarter organic sales are expected to be down, largely reflecting a continuation of current consumption trend, offset by negative timing impact from merchandising and expected softness in our grilling business following a weak start to the season in Q4 in fiscal year 2026, which resulted in higher inventory at retail and in consumers' homes going into Q1.

- We expect gross margin to be about 42%, including about 20 basis points of transaction-related costs mainly related to inventory step-up for the GOJO acquisition. Excluding this impact, expected gross margin reflects stronger-than-normal inflationary headwinds and negative mix more than offsetting the benefits from holistic margin management.
    - First quarter gross margin is expected to be about 40%, including headwinds of about 50 basis points related to the GOJO inventory step-up costs mentioned above. Excluding this impact, expected gross margin decline reflects higher inflation and negative mix more than offsetting benefits from holistic margin management.

- Selling and administrative expenses are expected to be about 16% of net sales, which includes about 40 basis points of negative impact from GOJO transaction-related costs. This percentage also reflects a normalized level of incentive compensation as well as the impact of the GOJO acquisition.

- We 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 over 11% of net sales.

- Fiscal year effective tax rate is expected to be about 23%.

- 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.

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 shared in May, an independent Board committee is leading a comprehensive search for Clorox's next CEO. The committee selected a leading executive search firm, and the search is underway and progressing as expected. We are committed to ensuring a seamless transition and remain focused on executing our strategy while taking immediate actions to improve performance.

As we look at fiscal year 2027, our focus remains on the priorities that will create long-term value: delivering superiority across our portfolio, accelerating consumer-led innovation, investing behind our brands, shaping a portfolio structurally positioned for faster growth, advancing operational excellence, and generating fuel to reinvest in the business. While we recognize the environment will remain dynamic, we are entering the year with stronger capabilities, a healthier portfolio, and a clear roadmap to win with consumers. The progress we made in FY26 positions us well to build on our momentum, drive more consistent growth, and deliver stronger business performance.

Finally, we want to thank our teammates around the world for their commitment, resilience, and focus throughout the year. Their dedication to serving consumers and customers, advancing our strategic priorities, and supporting one another has been instrumental to our progress and will continue to be a competitive advantage as we move forward.

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