

Colgate-Palmolive Company
First Quarter 2016 Earnings Release
Conference Call Prepared Remarks
Thursday, April 28, 2016

Good day, everyone, and welcome to today's Colgate-Palmolive Company first quarter 2016 earnings conference call. This call is being recorded and is being simulcast live at www.colgatepalmolive.com.

Today's conference call will include forward-looking statements. Actual results could differ materially from these statements. Please refer to the earnings press release and the most recent Form 10-K and subsequent SEC filings, all available on Colgate's website, for a discussion of the factors that could cause actual results to differ materially from these statements.

This conference call will also include a discussion of non-GAAP financial measures, including those identified in Table 6 of the earnings press release. A full reconciliation with the corresponding GAAP measures is included in the earnings press release and is available on Colgate's website.

Now for opening remarks, I would like to turn the call over to the Senior Vice President of Investor Relations, Bina Thompson. Please go ahead, Bina.

Good morning and welcome to our first quarter 2016 earnings release conference call. With me this morning are Ian Cook, Chairman, President and CEO, Dennis Hickey, CFO, Victoria Dolan, Corporate Controller, and Elaine Paik, Treasurer.

We are delighted with our strong start to the year. Organic sales growth is well within our targeted range of 4 to 7 percent. Our gross profit margin reached a long standing goal of 60%. Advertising as a percent to sales was at a solid 10.6%, even with the year ago quarter but up 230 basis points from the fourth quarter of 2015 behind strong new product activity. Currency headwinds continued in the quarter and we were able to take pricing to partially offset those headwinds and still deliver volume growth. And as you will hear as I go through the divisions, our market shares are strong and growing.

We are well into our Global Growth and Efficiency Program. Savings are projected to be within our announced ranges. And our Funding the Growth initiatives have delivered another solid 130 basis points benefit on the gross margin line in the quarter. Current estimates show the benefit from these Funding the Growth initiatives increasing as we go through the year.

Our balance sheet is solid and working capital is down from the prior year. We announced a dividend increase effective this quarter and our share buyback program continues.

North America

This division reported solid results. Innovation helped to fuel growth and our market shares were up or stable in 8 of 11 categories. Our new products were well supported with impactful

integrated marketing campaigns with activation in store as well as in traditional media and digital.

In toothpaste, as mentioned, we have achieved market leadership on a year-to-date basis, up 50 basis points to almost 36% of the market. You may recall that we launched Colgate Total Daily Repair toothpaste in the third quarter of 2015. This quarter, we launched a companion mouthwash which allowed us to offer a regimen approach and was supported by shelf displays in store. As a result, Colgate Total toothpaste achieved its highest first quarter share since 2013.

We continue to expand our line of Colgate Optic White whitening toothpaste with the launch of High Impact White. Priced at an uber premium price point, this innovation offers 4 shades visibly whiter teeth by brushing twice daily for six weeks. Part of our integrated marketing campaign associated with the launch was sponsorship of the 2016 Country Music Awards with displays in the presenter holding room as well as a Colgate Optic White hair and make-up room. The Colgate Optic White line, now with six variants, all premium or uber premium priced, holds a record 6% market share year to date.

Also in the first quarter, we launched Colgate Enamel Health Mineral Repair toothpaste, which helps repair weakened enamel with vital minerals. The launch was supported by a Smile with Strength campaign, one of the strongest testing campaigns ever for the Enamel Health range. In addition, we provided strong support through the dental professionals with extensive sampling, print ads in dental journals, conventions, education and detailing.

We continue to widen our lead in the manual toothbrush category. A significant contributor has been our line of Colgate 360° toothbrushes. The most recent introduction was Colgate 360° Enamel Health Whitening toothbrush, a differentiated and incremental innovation which brought the 360° franchise share to a record 23% year to date.

Our body wash shares are up 50 basis points year to date to 9.5%. Contributing to this success is our new line of Softsoap Luminous Oils body wash, formulated to leave the skin feeling soft after showering. In early reads it is exceeding our performance expectations. For men, we launched Irish Spring Signature for Men Clean & Scrub exfoliating body wash, crafted with authentic oat extract as well as the classic Irish Spring scent in a convenient pump.

Europe/South Pacific

Results were solid in this division as well. A very full innovation grid fueled volume and market share growth. Market shares increased year to date in toothpaste, toothbrushes, body wash, bar soap, deodorants and fabric conditioners. Our toothpaste share across Europe increased 40 basis points, increasing our market leading position. Similarly, in manual toothbrushes, we extended our number one position by 170 basis points year to date and in fabric conditioner by 150 basis points year to date.

In toothpaste, our first quarter launch of Colgate Total Deep Clean has helped drive share. To build on the success of the Colgate Total line, we also launched Colgate Total Proof with color change technology so you can see it working. In the sensitivity segment, we are launching

Colgate Sensitive Pro-Relief Extra Strength toothpaste, which stops sensitivity pain instantly by repairing the open channels to sensitive tooth nerves and strengthens the protective layer while strengthening the teeth. And under the elmex brand, we are launching elmex Repair and Prevent toothpaste, which repairs sensitive areas of teeth to prevent further sensitivity.

We told you last quarter about the launch of Colgate Expert White Toothbrush + Built-in Whitening Pen. This launch is off to a very strong start. In the second month of launch we reached almost a 20% share in France and almost 15% in Belgium. This quarter we are taking the device plus chemistry format into the sensitivity segment with the launch of Colgate Sensitive Pro-Relief Toothbrush + Built-in Sensitivity Pen, which provides instant and long lasting sensitivity relief with a targeted application – simply brush, treat and go.

As with oral care, our personal care new product pipeline has been full and has helped increase our share in body wash, soaps and deodorants. We told you last quarter about a very exciting premium priced line, Palmolive Skin Garden. This regimen approach offering of body wash, bath foam, liquid hand soap and bar soap has met with good early success. Our Sanex innovations, Sanex Advanced shower oils and body balms, are also driving results. In France, for example, our Sanex body wash share is at 10.6% year to date, up almost 2 full points from the year ago period and the leading brand in the market. To keep up the momentum this quarter, we are launching Sanex Soft Freshness underarm protection, filling an important portfolio gap. Freshness is among the top consumer expectations in the category and is highly incremental to our portfolio with a unique formula that slowly releases pleasant fragrances.

And in fabric conditioner we are very excited about our new line of Soupline Complete Care, which we expect to further drive our leading share position. At a super-premium price, this new product employs innovative technology to deliver three sought after benefits: irresistible softness, anti-pilling and color protection. The bottle design has outstanding on-shelf impact and we expect the launch to receive unprecedented support in this category.

Latin America

Business in Latin America remains strong despite macroeconomic challenges in some of our larger markets. Market shares increased year over year in toothpaste, manual toothbrushes, mouthwash, shampoo, bar soaps and liquid cleaners.

Our regional toothpaste share increased 120 basis points to almost 76% year to date. In Brazil, our share climbed 160 basis points to 73.3% year to date, driven by our base businesses such as anti-cavity and Colgate Triple Action, as well as our premium-priced sensitivity business.

Our regional manual toothbrush share was up 50 basis points to 41.5% year to date.

Our regional mouthwash share increased 50 basis points as well to 31.2% year to date. Brazil, Argentina and Chile all performed well in mouthwash. Brazil share increased 150 basis points to 34.5% year to date, due to the very successful launch of Plax Ice Infinity.

In bar soaps, where our year-to-date share is over 29%, Protex and Palmolive continue to be the number one and two brands across Latin America. Year to date we have reached record shares in Mexico, Colombia and Guatemala. In Mexico, innovation such as Palmolive Almond and Omega 3 Oil supported by impactful shopper marketing programs continues to drive demand.

We're excited about the upcoming innovation grid for this quarter. In oral care, we will be launching a complete regimen behind Colgate Sensitive Pro Alivio: toothpaste, manual toothbrush and mouthwash. We will offer new improved graphics across the line.

In the kids segment, we are launching Colgate Smiles Minions toothpaste, toothbrushes and mouthwash with the characters kids' love. The introduction was timed with the release of the Minions movie across the region.

To continue the momentum in fabric conditioner, we are launching Suavitel Superior Care. Consumers in this region feel that they are constantly washing clothes, making them look worn out too quickly. This new product conditions each individual fiber to reduce wear-out and extend the life of one's clothes. It will be available in our traditional fragrance as well as a new unique and sweet vanilla one.

Asia

Business is solid in this region. While overall leadership regional shares in toothpaste and manual toothbrushes have started the year a bit soft, select countries showed good results. As referenced in the earnings press release, toothpaste shares increased in the Hong Kong, Taiwan, Philippines and Pakistan. Our manual toothbrush share in India is up 220 basis points to a market leading 45.7% year to date, due in part to innovation in the black bristle segment.

Innovation launched late in the first quarter and coming in the second quarter should help drive results going forward.

In India, we have just launched Colgate Pain Out. Tooth pain is one of the most common dental problems for Indian consumers and heretofore there was no targeted solution for the pain, which can come with no warning. Colgate Pain Out is a targeted spot-based application gel that provides express relief from tooth pain. It has been launched in pharmacies across the country and has met with very good early success while helping to build Colgate's therapeutic equity in the pharmacy channel.

The naturals segment in India has been growing rapidly. To capitalize on this, we are revitalizing our Colgate Active Salt toothpaste bundle. This comes in three variants: original, with lemon and with neem. Also in this segment, we are launching Colgate Sensitive Clove Essence toothpaste, which provides long lasting relief from sensitivity, with the natural essence of clove.

For children in India ages 2 to 5, we are introducing a line of toothpastes which are mild and safe and have flavors kids love: strawberry and bubble fruit.

In China, we are relaunching with new graphics and packaging across the toothpaste product portfolio: Colgate 360°, which reduces bacteria for a 360 degree healthier mouth, Colgate Max Fresh with a 3 times freshness shockwave, and Colgate Power White, with a wide range of flavor offerings – dazzling mint, sparkling mint, lemon mineral salt, bamboo charcoal mint and jasmine white tea.

In the toothbrush category in India, we have just introduced the Colgate A1 toothbrush. As you know in this country of over 1.3 billion people, we have a large opportunity to increase penetration and consumption in the lower income segment. These consumers believe that a toothbrush with a broad yet compact head and dense bristles not only cleans effectively but is also durable and longer lasting. Colgate A1 meets this need and is priced at an affordable value price point. This should help us to continue to grow our leading manual toothbrush market share.

Africa/Eurasia

Organic sales growth in this region was strong. Given the 17% currency headwind, the growth came largely from price as we needed to take significant pricing in certain markets. However, in certain markets such as Russia, we achieved both pricing and volume growth.

Innovation has been instrumental in driving our results. And more is to come.

In the toothpaste whitening category, we are launching Colgate Optic White Lasting White. Its clinically proven Whiteseal technology makes teeth 1 shade whiter in 1 week while preventing stains and seals-out even tough stains from food and drink. Across Africa, we are introducing a second tier of pricing for the premium Colgate Optic White line, with impactful cracked ice packaging.

In the manual toothbrush category we are launching Colgate Slim Soft Sensitive Gum Care. Developed for the consumer with sensitivity, the brush has ultra-soft bristles, small tuft holes that provide a gentle mouth feel and an ultra-compact head that easily navigates in the mouth.

In the deodorant category in Russia, where we have a solid business, we just launched Lady Speed Stick Bio Protection in March. This line effectively protects against sweat and odor while also caring for your skin health. The product contains a “Bio-Control” complex clinically proven to provide protection while keeping skin healthy without irritation. As you would expect, it is being supported by in-store shopper support, which should drive good results.

Hill's

Hill's continues to deliver well balanced mid-single digit organic sales growth. Business is good domestically and overseas, both in the therapeutic and wellness categories.

In the Hill's Prescription Diet line, Metabolic Plus continues to perform well. First launched a year ago, it is now sold in 42 countries. The offering of a complete range of dry food and stews

has been supported by extensive sampling and in-clinic seminars and recommendation tools. As a result, sales of this product in the first quarter were almost 30% ahead of our expectations.

Hill's Science Diet Perfect Weight is also meeting with success. In the first quarter we added Perfect Weight Wet in "Stew" form to the existing dry line. As you may recall, this innovation is breakthrough nutrition formulated to help dogs achieve and maintain a healthy weight.

Another first quarter introduction was Science Diet Healthy Cuisine, which offers our new alginate technology in our wellness line to deliver superior looking tasty wet food. This innovation is consistent with the trend of humanization in pet food. The launch was supported by endcap placements in some of the pet superstores, at-shelf signage, on-pack stickers, sampling in store and on-line support and digital media.

Launching this quarter are Hill's Prescription Diet Mobility Treats, great tasting treats that support veterinarians' nutritional recommendation and management of dogs with mobility issues. These are baked treats such as a pet parent would make at home, and form part of an effective nutritional regimen for dogs eating our Hill's Prescription Diet Metabolic Plus Mobility or Prescription Diet j/d therapeutic pet foods.

Summary

We are delighted with our strong start to the year building on the momentum with which we exited 2015. As you have heard, we delivered robust organic sales growth, good gross profit margin growth and solid advertising support behind a full range of new products across categories. Our consistent strategies, which you all know well, have yet again stood us in good stead. Colgate people around the world, as always, are working hard to deliver encouraging results. We look forward to sharing our progress with you as we go through the balance of the year.