This commentary, the remarks made during our second quarter 2017 earnings release conference call and our second quarter 2017 earnings press release furnished to the SEC are integrally related and are intended to be presented and understood together.

Colgate-Palmolive Company

Second Quarter 2017

Earnings Release Prepared Remarks

Friday, July 21, 2017

Good morning and welcome to our second quarter earnings release conference call. This is John Faucher, Senior Vice President for Investor Relations. Joining me this morning are Ian Cook, Chairman, President and CEO, Dennis Hickey, CFO, Victoria Dolan, Chief Transformation Officer and Corporate Controller, and Elaine Paik, Vice President and Treasurer.

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 our most recent filings with the SEC, including our 2016 Annual Report on 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 Tables 8 and 9 of the earnings press release. A full reconciliation with the corresponding GAAP financial measures is included in the earnings press release and is available on Colgate's website.

Good morning. This is Ian. I thought before John jumped into his customary division review, I'd just make a couple of opening comments. Suffice to say, as we said in the press release, this indeed was another challenging quarter, and as I think we all know, the industry continues to face global market volatility and we have seen a further slowdown in consumer demand in several key markets, most especially the U.S., Southeast Asia, and South Pacific. On the positive side, that pressure was offset somewhat by strong organic growth in Latin America with a good balance between price and volume and a return to positive organic sales growth at Hill's. My purpose in making the introductory comments now is to give you a sense of where we are focused going forward. And going forward, we are focused, focused intensely on returning our business to growth over the balance of the year and improving bottom line performance. And our focus is heightened, and will be heightened, on four fundamentals: (1)

increased advertising spending behind more impactful creative; (2) innovation across our portfolio of businesses, particularly for personal care and oral care in the growing naturals segment, and especially naturals for toothpaste, which is a particular target of local brands in some key geographies in Eurasia and Asia; (3) greater investment behind our high growth e-commerce business; and (4) aggressively maximizing productivity up and down our income statement. Those are the four fundamentals we are focusing on for the balance of the year, and I will be back later with more detail on each and turn the call back now to John to go through the discussion of the quarter. John?

Thanks Ian.

As Ian said in the press release, the second quarter was another challenging one. Net sales were down 0.5% in the quarter with 1% pricing growth offset by a 1% volume decline and slightly negative foreign exchange. Organic sales growth was flat year over year in the second quarter, below our expectations.

Our categories and markets remain volatile, as the macro-economic picture remains mixed. We have seen a further slowdown in demand in several markets, including the United States, Southeast Asia, and the South Pacific.

Looking at the cadence of the quarter, after a weak April, we saw improvement in organic sales through the first half of June. The back half of June was, however, negatively impacted by retailer destocking in some markets and a reduction in shipments in India in advance of the implementation of the new Goods and Services Tax.

As Ian mentioned in the press release, there were also several encouraging factors in the quarter as compared to the year ago. We saw strong sales growth in Latin America, driven by a balance of volume and pricing, and we saw a return to positive organic sales growth at Hill’s following two weaker quarters.

We are also encouraged that, on balance, foreign exchange headwinds have lessened over the past several quarters and raw material costs are increasing at a more modest rate. We believe consumer usage of our products has remained broadly stable in the vast majority of markets, which would indicate that category takeaway should normalize going forward. While we have seen a small decline in purchase frequency in some markets, we are taking steps to adjust price points where necessary to spur consumption and usage.

While we are pleased with these bright spots, we are attacking the headwinds with the focus you would expect from our company, and a strong sense of urgency.

Through pricing and productivity, we achieved gross profit margin expansion in Q2, with 20 basis points of expansion on a GAAP basis, and 50 basis points excluding the impact of our 2012 Restructuring Program.

On a GAAP basis, our operating profit margin was down 230 basis points year-over-year in Q2. Excluding the impact of our 2012 Restructuring Program, our operating profit margin was down 10 basis points, as the improvement in gross profit margin was more than offset by increased advertising investment, higher overhead expenses, and other (income) expense, net.

On a GAAP basis, earnings per share of $0.59 was down 12% year-over-year. Excluding the impact of our 2012 Restructuring Program and a net benefit from a previously disclosed foreign tax matter in the second quarter of 2016, earnings per share was up 3%.

We have returned almost $1.6 billion to shareholders year to date through share repurchases and dividends. This is a 16% increase versus the first half of 2016.

Now moving to the divisions:

<u>We'll start off with North America</u>: In Q2, we saw improvement versus Q1 in both net sales growth and organic sales growth in North America, but not to the extent that we had expected. Net sales and organic sales growth in the quarter were down 3.5%. Category growth rates in the U.S. slowed sequentially versus the first quarter, dipping slightly negative, driven by a notable decline in April; May and June were better, particularly May.

In the toothpaste category, we strengthened our leadership in the U.S., where our market share lead versus our largest competitor increased again versus Q1 and now stands at more than one share point year to date. We continue to gain share in the ultra-premium whitening segment, seeing benefits from our latest launches, Colgate Optic White Beauty Radiant and Tom's of Maine Luminous White.

Outside of oral care, our Tom's franchise also continues to gain share in under-arm protection, tapping into the continued consumer interest in the naturals space. Tom's has expanded its under-arm protection line to now include men's and children's variants as well.

Turning to our hand dish category, while we saw a sequential improvement in market share in the quarter versus Q1, the business is not yet where it needs to be. Our restage of the business is progressing slower than anticipated, as it has been impacted by both category weakness and heightened competitive activity. The roll-out of the new SKUs is complete, and we are adjusting our promotional strategy to compete more effectively on-shelf.

Now we'll look at Latin America. Latin America delivered 7% net sales growth and 8% operating profit growth. Organic sales growth was also 7%, as foreign exchange was even with the year ago period. Our strong gross profit growth in the quarter funded a significant year over year increase in advertising investment.

We are encouraged that our volume performance improved across categories and geographies in the division. Our net and organic sales growth of 7% was driven by a mix of volume, +2.5%, and pricing, +4.5%. While Mexico volumes were down slightly, against a difficult comparison, our toothpaste market share in Mexico is up 170 basis points year to date, versus year to date 2016, to 82.1%, our highest share in 6 years.

We saw sequential improvement in our volume performance in Brazil, Colombia, Argentina, and many other markets across the division.

As I mentioned, we are encouraged by the volume growth in Brazil, but the market remains volatile. We are managing our price points to ensure that we are competitive on shelf. Our toothpaste market share in Brazil remained at 72% in the quarter, even with Q1.

Our Latin American business will benefit from several new product launches in Q3, including Colgate Triple Action Xtra Freshness Toothpaste, Colgate Total mouthwash and, in Brazil, Protex Pro-Hidrata bar soap and body wash.

Moving to Europe. Europe net sales were down 3.5% in the quarter, with organic sales down 0.5%, similar to Q1, and a 3.0% negative impact from foreign exchange. Our UK business continues to perform well, with a mix of pricing and volume growth, although this was offset by a significant negative foreign exchange impact, which should abate as we cycle easier foreign exchange comparisons in the second half.

Encouragingly, we saw further improvement in our French business. Our oral care market shares are improving sequentially as we regain distribution, and we would expect this trend to continue into the third and fourth quarters. Our personal care business in France saw strong growth behind the Sanex Zero re-launch. This re-launch features new graphics and new product claims. The media investment for the Sanex Zero re-launch includes both TV and digital support that has tested well above advertising testing norms.

Looking forward, along with the Sanex re-launch, we expect to see benefits from the launch of Colgate Max White Expert Complete toothpaste, Colgate Minions™ licensed battery powered toothbrush, and the launch of Palmolive Naturals with Precious Oils.

Next is Asia Pacific.

Net sales in Asia Pacific were down 5% in the quarter and organic sales were down 3.5%. As mentioned in the press release, organic sales for this region came in softer than expected primarily due to the reduction in shipments in India in advance of the new Goods and Services Tax (or GST), increased competitive activity in Australia and consumption declines in Thailand.

Volume was down 2.0% in the quarter, driven by declines in India, Australia and Thailand with Greater China down modestly.

Volume performance in India worsened sequentially in Q2 in advance of the implementation of the new Goods and Services Tax, which took effect on July 1st. Due to uncertainty about the new law, the trade in India was cautious and shipments basically ground to a halt for the last two weeks of June.

As I mentioned, our Greater China business posted a modest decline in volumes in Q2, which was a sequential improvement from Q1. We are driving significant growth in e-commerce and, as a company, we increased our industry-leading toothpaste market share in the quarter in this highly important channel.

In the Philippines, we continue to see solid volume growth performance, and market share gains across our oral care and personal care portfolios.

Africa/Eurasia

The Africa/Eurasia division reported net sales growth of 1% in Q2, driven by price increases and foreign exchange, which more than offset weaker volumes. The volume weakness was driven primarily by the continued impact of our distributor changes in our sub-Saharan African business. We showed sequential improvement in volume in our Russian business in the quarter versus Q1 as we raised advertising spending and adjusted price points given some of the recent currency movements.

Benefits from pricing and savings from our funding-the-growth initiatives allowed us to significantly increase our advertising investment in the division. We continue to invest in brand building activities, both in terms of increased television and digital advertising, as well as programs to build per capita consumption to drive long-term changes in consumer behavior.

Looking at the second half of the year, we expect the Africa/Eurasia division to benefit from the launch of Colgate Ancient Secrets toothpaste in Russia. This premium-priced line uses locally gleaned insights to tap into the rapidly growing, premium-priced naturals segment in the country.

And we'll finish up with Hill's. Hill's delivered flat net sales for the second quarter, as organic sales growth of 0.5% was offset by slightly negative foreign exchange. Volumes were down 1.5%, with pricing up 2.0%.

We are encouraged by a notable sequential improvement in volume trends in the United States versus Q1, driven by continued strength in our e-commerce business, and greater availability in the pet specialty channel. We made significant progress in regaining distribution and promotional activity in the pet specialty channel in the quarter, and we continue to expect improved performance as we further align our strategic priorities with our top accounts in this channel.

Our e-commerce growth continues to outpace the category, as our e-commerce business in the U.S. doubled year over year in the second quarter. Also, our Prescription Diet business in the U.S. is growing nicely, driven by strength in the vet channel.

Hill's continues to benefit from the recent U.S. launch of Hill's Science Diet Youthful Vitality, which is specially formulated for dogs aged 7 years and older to help fight the effects of aging. It's gaining share in the aging dog segment, driven by a strong integrated marketing program that has driven 43 million impressions across all platforms, including some of the most impactful digital advertising we have ever seen on the Hill's brand.

We continue to see significant opportunities to build the Hill's brand in emerging markets, where the specialty pet food category remains underdeveloped. Our emerging markets business volume growth in the quarter was led by Mexico, Brazil, Russia, and South Africa.

Now we'll turn to our outlook for 2017. As stated in our press release, we lowered our guidance of flat EPS on a GAAP basis to down mid-single-digits on a GAAP basis. The change in our GAAP EPS guidance is due to the additional projects bringing our projected charges for the Global Growth and Efficiency Program to the higher end of our previously disclosed guidance range.

On a non-GAAP basis, our guidance remains for low-single-digit EPS growth. Based on current spot rates, we expect net sales to be up low single-digits for the year, with a slight negative impact from foreign exchange. However, given the organic sales weakness in the first half of the year, we now expect organic sales growth will be in the low-single digits, versus our previous guidance of modestly below our historical long term range of 4-7%.

We still expect solid gross margin expansion, but we are now planning for gross margin to be up in the low-end to mid-point of our 75-125 basis points long-term guidance range, versus at the high end previously. Lower top line growth and certain higher raw material costs have impacted our year to date gross margin performance. We still expect gross margin expansion to accelerate in the second half of the year given less impact from raw material costs and greater benefits from our funding-the-growth initiatives.

And now I'll turn it back over to Ian...

Thanks, John. So, let me come back to my introductory remarks and say that despite the recent category weakness we have seen, we believe a heightened focus on the four fundamentals I mentioned -- in essence, a focus on brand building and productivity -- will allow us to reaccelerate our top and bottom line growth.

So, let me talk a bit further about each of them in turn. The first was, you will remember, increased advertising spend behind more impactful creative. So, we are, as you know from the beginning of this year, committed to more consistent advertising investment sustained across the year, with an increase on both a dollar basis and as a percentage of sales. The year-over-year increase in advertising investment is planned to accelerate in the second half as we lap lower levels of spending in the prior year. Obviously, part of this advertising will be digital, which is a growing percentage of our working media spend. And when I talk about quality, we're talking about advertising that is tested to be motivating and persuasive with consumers using testing norms. And what you see is an increase in advertising behind what you might call the equity of the brand, or the purpose of the brand -- advertising behind the base business sustained over time, while we use incremental advertising to launch new products. That's the most immediate investment effect. But one I wouldn't want to forget is our increasing investment in building per capita consumption of toothpaste, which, of course, drives sustainable long-term growth, particularly for Latin America, Asia, and Africa. Our Bright Smiles Bright Futures program is well on its way to reaching 1.3 billion children and teaches them how to brush their teeth by our target year of 2020. As you may recall, spending behind this program generates returns that are three times our return on traditional advertising. And our analysis has shown that in our top markets outside the United States, 70% of our addressable population brushes their teeth on average less than once a day. The point being, there is significant upside over time in consumption in oral care and so we are investing sustainably to generate that consumption over time. So, advertising for the near term and advertising for the longer term.

Secondly, innovation. Innovation across our portfolio for the balance of the year and into 2018. But innovation particularly in the naturals space, which is a growing area of opportunity, and further, specific innovation in the naturals space for toothpaste, which is both an emerging segment and an effective counter, we believe, against local brands in Asia and Eurasia. Now, on the naturals side beyond oral care, John ready already spoke about progress with Tom's on under-arm protection, and, obviously, we broadened Tom's range now into other personal care categories like body cleansing and bar soap. On toothpaste, we have launched the Colgate Naturals toothpaste line in several markets across three of our divisions and the rollout of that bundle will continue over the balance of the year, particularly across Asia. Now, consumer innovation centers located in those geographies have allowed us to build bundles that are tailored to meet local needs and preferences. In other words, a counter to the local brands we find in those geographies, and they're encouraged by the initial results that we've seen. Now, on top of that, as I had mentioned previously, in terms of regional brands, we continue to see benefit from underlying growth in brands like elmex and meridol in toothpaste in Europe, Darlie in China, and Sanex in Europe. So, that's the second. Innovation across the portfolio -- particularly focused on naturals and especially focused on naturals for toothpaste.

The third is working with retailer partners for growth on our business and specifically greater investment behind the high growth e-commerce space. So, given the changes that we're seeing in the retail landscape, we continue to aggressively adapt our go-to-market execution to service the very different brick-and-mortar retailers growing in our categories today and, of course, e-commerce. The focused nature of our portfolio and the industry-leading market shares that we have make us relevant to the shoppers in those outlets and give us influence in our key categories. And we, of course, are working very closely with our retail partners to help them drive traffic to their stores across all of the different segments of brick-and-mortar retail. Very importantly, we continue to build our capabilities in e-commerce and this, I think, is reflected in our leadership in toothpaste from an e-commerce point of view in our top markets, the United States, China, and the U.K. And for Hill's, as consumers increasingly move to online shopping, we have the ability to reach an entirely new group of consumers and we make sure that our presence is structured to provide the information that pet owners need to make a smart decision about which Hill's product is right for their pets. Interestingly, year-to-date, Colgate's worldwide e-commerce business growth is up 65%. So, an area of aggressive focus for the back half of the year.

And finally, the fourth, aggressively maximizing productivity up and down the income statement. On the cost front, we are, of course, focused on realizing both short and long-term productivity in order to drive sustainable margin expansion, funding the growth that you know well continues, we believe, to be a best in class productivity program that we use to work down costs on all lines of the income statement. In 2017, funding the growth is delivering significant savings in areas like ocean freight, direct and indirect procurement, copacking, and fragrance and formula harmonization. We're also tackling long-term cost structure through our global growth and efficiency program. We'll continue to see benefits from our hubbing activity and our move to centralized Colgate business services and the back-office services that they indeed provide. And we have said consistently over the last six to nine months that in this last year of our global growth and efficiency program we are being particularly focused to capitalize on the opportunity it affords us, and so, in the second quarter of this year, we initiated two additional projects as part of that program with the goal to better align our cost structure to longer term trends. One addresses the structure of our European business and one addresses our corporate infrastructure, both underway. And these additional projects take us to the upper end of our previously-disclosed cost and savings ranges. And, we continue to say that we remain very focused on identifying as many additional projects in the last year of this program.

So, those are the four areas of heightened focus -- increased advertising spending behind stronger creative; innovation across the portfolio, particularly in naturals and especially in naturals in toothpaste against local brands; sharp focus with our retail partners, and a particular emphasis on the high growth e-commerce marketplace; and continuing to aggressively maximize productivity up and down our income statement with two new programs, now public in this quarter just closed. So, those are our areas of focus for the back half of the year and now I'd be delighted to open the line to questions.