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Earnings Write Up

Procter & Gamble reported earnings for the first quarter of its fiscal year 2027 on October 22nd, 2027. We will break this report into three segments: Q1 2027 in Review, Looking Ahead to the rest of Fiscal 2027, and Watch-Board Items for the Company.

Q1 2027 in Review

P&G opened its fiscal year with an earnings beat, as the company topped the Street's estimates for quarterly earnings and revenue. Revenue came in at $23.3 billion vs. $22.8 billion expected, driven largely by a standout quarter from its Fabric and Home Care division, which saw its volume increase by more than 4.3% in the quarter. Feminine and Family Care also grew its volume in the quarter at a clip north of 2%.

Earnings per share came in at $2.00 adjusted vs. the expectation of $1.88. Organic sales across Beauty, Grooming, and Fabric & Home Care each grew approximately 5%; Health Care and Baby, Feminine & Family Care each grew approximately 3%. Core operating margin declined 80 basis points. Operating cash flow was $5.8 billion, with $3.9 billion returned through dividends and repurchases.

A big message from the company's leadership remains to focus on the bifurcation of the worldwide consumer. Those at the top of the economic food chain remain content to trade up-shelf for more premium products, where a focus on value brands and value products remains in play for the lower income consumers. Promotional pricing was more of a play from P&G this quarter as they look to address both segments of consumer.

Looking Ahead to Fiscal 2027

Organic sales guidance remains 1%–3%, and core EPS guidance remains $6.89–$7.11. All-in sales growth guidance is now 2%–4%, reflecting Thorne's acquisition which closed on October 1st. P&G has iterated that they are on track to hit targets at this time.

With the Thorne closing mentioned above, the acquisition will have a sizable contribution over the next 3 quarters to the company's fiscal 2027. It will be important to watch how the company integrates the business, supports the brands continued growth, and how this translates to broader earnings. Interestingly, the Thorne impact has caused the company to shift guidance upwards on their sales outlook, but the full-year core earnings guidance is entirely unchanged at this time. Whether

P&G goes back to the tried and true playbook of price raising, on an already premium brand, will be worth watching.

Watch-Board Items for Fiscal 2027

Can volume growth continue? We will be watching whether shoppers continue choosing P&G products and whether that demand leads to lasting market share gains. Regional consumption and inventory commentary will be useful in making that distinction. With P&G already identifying a bifurcation of consumer segments, if premium tastes are reigned in by higher-end consumers, and if promotional deals dry up, it will be worth monitoring if the retention of these segments remains.

Can productivity support better margins? The question for us is whether cost savings can support product development and advertising while leaving more of each sales dollar available as profit. Everyone within the company knows the restructuring process that is continuing to drag on – and while lowering headcount is a cost cutting measure that can positively impact the bottom line, there will need to be a productivity boost from those remaining.

How much room is there to absorb further cost increases? We will watch for changes in energy, transportation and raw material assumptions. For shareholders, the concern is how much flexibility remains to continue price hiking behaviors. Price monitoring for Thorne branded products will be top of mind for investors as well.

What will Thorne contribute? We will look for details on integration, profitability and the investment needed to grow the business. An acquisition should ultimately be evaluated on the earnings and cash it produces, alongside its contribution to sales.

Our takeaway is that while this represents a very solid quarter for the company, there are still reasons to remain cautious. In our eyes, continuing to monitor consumer behavior to pricing across various product lines, both high-end and lower-end, is a key factor for the company as it navigates its fiscal 2027.