



Bloomsburg Investment Group Opinion:

The Bloomsburg Investment Group recommends The Procter & Gamble Company (P&G) as a hold for capital growth and a solid and increasing dividend. The reasons for our rating include the intrinsic values from our DCF and DDM models, the divesting of P&G Brands, and the company's global position. P&G has established itself as the top provider of staple goods in the industry by offering products covering different segments. We expect the Consumer Staples sector to surge in 2017 due to the market volatility affecting the many global companies. There is still negative economic sentiment among European countries as well as in China and other Asian countries. Midterm to long-term growth will be positive for P&G, and companies of the like, as it increases market share in developing economies offering necessities to a growing middle class. P&G currently offers a \$2.68 dividend with a history of growing it the past 60 years and paying a dividend the last 126 years. Our valuations of P&G have returned a range of \$93.51 and \$132.56. The group believes P&G can grow its share value to the middle of this range in a mid to long term time frame. The company will continue to increase dividends, cut costs, and focus on its multiple billion dollar brands.

Corporate Summary:

The Procter & Gamble Company is a leading player in the Household Products market. The colossal company was established in 1837 in Cincinnati, Ohio. P&G operates within 5 business segments. In the Beauty segment, the company offers deodorants, cosmetics, hair care and other products under the Head & Shoulders, Olay, Pantene, etc. brands. P&G manufactures razors and accessories under the Braun, Fusion, Gillette, etc. brands within the Grooming segment. Offered in the Health Care segment under names including Crest, OralB, Vicks, are products like tooth paste, vitamins, and minerals. The Fabric and Home Care segment offers laundry detergents, dish care, and fabric enhancers under the brands Dawn, Febreze, and Tide. Finally, the Baby, Feminine, and Family Care segment provides consumers with products under the brand names Bounty, Charmin, and Pampers, like diapers, paper towels, and Tissues. The company offers its products through grocery and convenient stores and many other shopping facilities.

Corporate Details:

Name	Procter & Gamble Co
Ticker	PG
Domicile	United States
Sector	Consumer Defensive
Industry	Household & Personal Products
Exchange	NEW YORK STOCK EXCHANGE, INC.
Last Close	87.86
Price 52 Wk High	91.15
Price 52 Wk Low	79.10
Latest Dividend	0.67
Dividend Yield % TTM	3.05
Beta 5 Yr (Mo-End)	0.65
Avg Daily Volume (3 Mo)	8,753,106.27
Shares Outstanding (mil)	2,556.48
Number of Analysts	7



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Financial Summary, Year End 2013 (in millions)

Market Capitalization	224,612.09
Total Revenue	65,299.00
Gross Profit	32,390.00
Operating Income	13,441.00
Net Income Cont Ops	10,027.00
Net Income	10,508.00
Current Assets	33,782.00
Cash	13,348.00
Total Assets	127,136.00
Current Liabilities	30,770.00
Long-term Liabilities	39,025.00
Total Liabilities	69,795.00
Total Equity	57,341.00
Operating Cash Flow	15,435.00
Investing Cash Flow	-5,575.00
Financing Cash Flow	-9,213.00
Change In Cash	266.00
EBITDA	17,026.00
Enterprise Value	241,649.09
Capital Expenditure	-3,314.00
P/E Ratio Forward	22.94
PEG Ratio	3.08
Dividend Yield % TTM	3.05

Financial Highlights

Fiscal 2016 was a “year of progress” to get to where Proctor and Gamble hopes to be. A turbulent market in Venezuela, Mexico and other turbulent markets around the world made it a difficult year. They are in the process of selling their less profitable brands and focusing on the most desirable categories. Proctor and Gamble still has 10 categories of products and about 65 brands they supply their income. Last year they raised their dividend for the 60th year in a row. Over the past five years, the dividend has increased at an annual compound average rate of 5%.

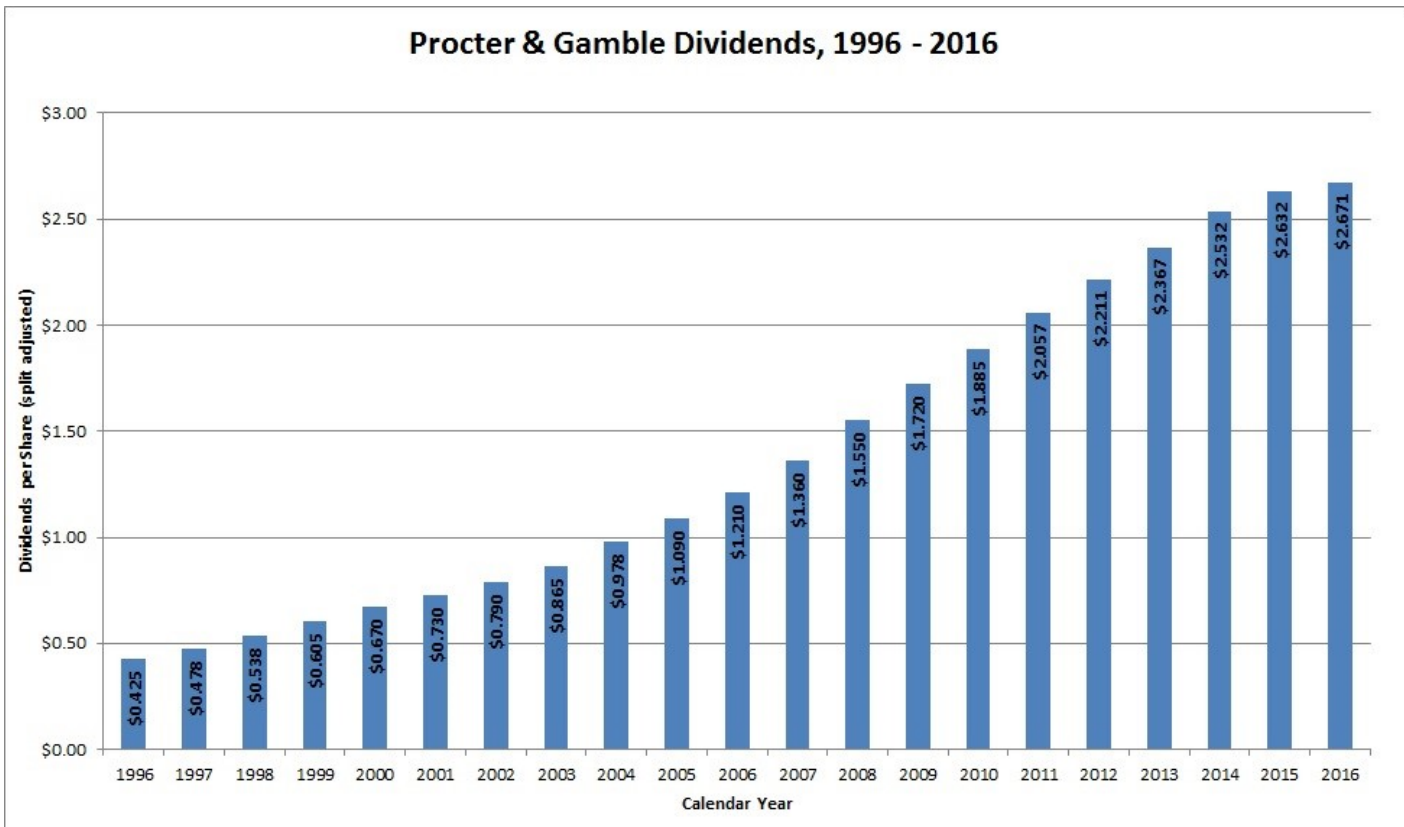
Investment Growth

Time Period: 2/1/2012 to 1/31/2017





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Headline 1 (Put Title Here)

P&G's organic sales growth has been between 1-3% in the recent years. Their organic sales growth increased by 2% from the previous year. Now the company is expecting the fiscal year ending in June will be between 2-3%.

Headline 3 (Put Title Here)

Plan to save \$10 billion in costs over the next 5 years. CFO, John Moeller, says company plans to reinvest a significant portion of savings from the new plan in product and packaging improvement, research and development, and expanding sales coverage.

Headline 2 (Put title Here)

This is the first quarter P&G will be without the bulk of its beauty business after selling to Coty Inc. \$11.4 billion deal went through last fall shrinking the company by 40 brands and 10,000 employees.

Headline 4 (Put Title Here)

Triad invests \$3 billion into P&G. This will create urgency for the company to turn its business around and on the stock price.



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Industry Environment:

Procter and Gamble operates in the Consumer Staples industry which is historically speaking a low risk sector. The sector as a whole is less sensitive to economic cycles. Consumer Staples ranks first in the first quarter of 2017.

Competitor Comparison

	Revenue (mil)	Revenue % Chg	Gross Profit (mil)	Gross Margin %	Net Income (mil)	Net Income % Chg	Net Margin %	Market Cap (mil) (Daily)	Current Ratio	Receivable Turnover
Procter & Gamble Co	65,299.00	-7.70	32,390.00	49.60	10,508.00	49.35	15.70	224,612.09	1.10	14.61
Johnson & Johnson	70,074.00	-5.73	48,538.00	69.27	15,409.00	-5.60	21.99	316,561.07	2.17	6.45
Kimberly-Clark Corp	18,202.00	-2.09	6,651.00	36.54	2,166.00	113.82	11.90	43,779.06	0.88	8.17
Clorox Co	5,761.00	1.87	2,598.00	45.10	648.00	11.72	11.25	16,341.07	0.95	10.59

S&P 500 TR USD

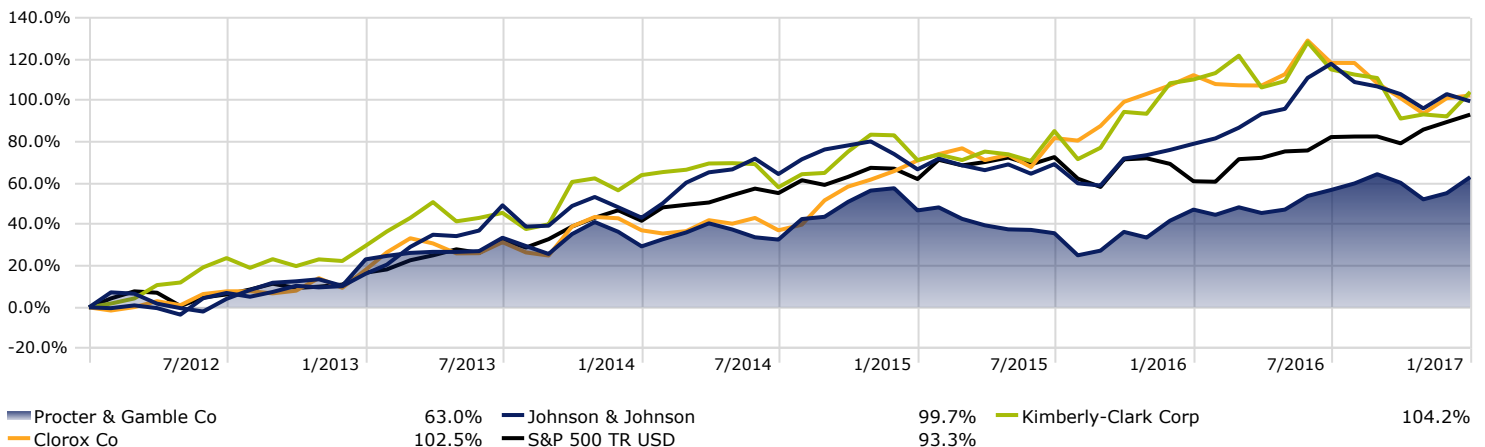
Competitor Comparison (Cont.)

	Asset Turnover	ROA %	Total Debt to Total Equity	ROE %	Beta 5 Yr	P/E Ratio Forward	PEG Ratio	P/B Ratio Current	Dividend Yield % TTM	Free Cash Flow / Sales % TTM
Procter & Gamble Co	0.51	7.99	0.54	17.43	0.65	22.94	3.08	4.32	3.05	15.21
Johnson & Johnson	0.53	11.68	0.28	21.87	0.74	16.34	3.11	4.35	2.71	18.73
Kimberly-Clark Corp	1.24	14.71		0.65	19.57	3.55		2.99		13.52
Clorox Co	1.33	14.93	7.81	312.29	0.32	23.36	3.70	60.52	2.49	10.93

S&P 500 TR USD

Investment Growth

Time Period: 2/1/2012 to 1/31/2017





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Strengths:

Leading Brands
-65.3 B Net Sales
-50 leadership brands that equal 90% of its sales and 95% profits
Global Exposure
-Products sold in 180+ countries
Wide Range Distribution Channel
-Including mass merchandisers plus grocery stores
60 consecutive years of increased dividends

Weaknesses:

Mature Market Reliance
-Emerging markets will outperform companies like P&G making them vulnerable
Market Share Erosion
-Unilever has taken a lot of P&G key categories like bath and shower and deodorants

Opportunities:

Beauty and personal care expected to grow in emerging markets
Strong position in hair and skin care and could take advantage of emerging markets
Gillette and Pampers creating optimism after showing greater organic sales than expected

Threats:

Global/ Local Competition
-Unilever is a huge threat to P&G and their market share as well as local companies
Cost Fluctuations
-Cost of labor, raw materials...etc.
-Foreign currencies



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Valuation: Discount Cash Flow Model (DCF)

To calculate the Discount Cash Flow Model for The Procter & Gamble Company, we used several variables to find the cost of equity. We used the S&P historical return average of 8%. We used these three inputs in the Capital Asset Pricing Model to generate a cost of equity of 6.53%. For the different data points used in the DCF model, we included the historical averages of Effective tax rate, Depreciation & Amortization, Change in net working capital, interest expense, repurchases of common stock, and issuance of common stock. We calculated our own estimates for total revenue, operating income, stock based compensation, capital expenditures, and dividends. Using our model, we arrived at a Fair Value of Stock at \$132.56.

Valuation: Discount Dividend Model (DDM)

We calculated the fair value of The Procter & Gamble Company using a Discount Dividend Model. Like in the DCF model, we used the 4.73% cost of capital. We expect P&G to grow its dividend by 10% in the next one to three years. In the midterm outlook, we think the company will increase its dividend by 7%. Taking a conservative view on the perpetual growth of the company's dividend arrived us at a growth rate of 2%. The DDM model provided us with a fair price of \$93.51. Considering both models to gain a range of values, we determined that the fair value of Procter and Gamble to be between \$93.51 and \$132.56. We expect a more realistic value to being the low \$105 price range.

Custom Text



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