Company Overview:

The Procter & Gamble Company (P&G) is one of the world's largest providers of consumer-packaged goods. The company's products are sold in more than 180 countries and territories around the world, primarily through mass merchandisers, grocery stores, membership club stores, drug stores, department stores, salons, e-commerce and high-frequency stores, and neighborhood stores, which serve many consumers in developing markets. The company's brands include Ace, Always, Ambi Pur, Ariel, Bounty, Charmin, Crest, Dawn, Downy, Duracell, Fairy, Febreze, Fusion, Gain, Gillette, Head & Shoulders, Iams, Lenor, Mach3, Olay, Oral-B, Pampers, Pantene, Prestobarba, SK-II, Tide, Vicks, Wella, and Whisper.

The company's products are sold in over 180 countries and international markets account for over 50% of sales. Walmart is its largest customer, accounting for 15% of sales, with top 10 customers accounting for 39% of company sales. E-commerce accounts for 14% of sales.

Name	Ticker	Growth	Dividend	D + G
Procter & Gamble Company	PG	6.50%	2.42%	8.92%

Highlights:

Despite growing external headwinds and building competition, PG continues to hold share both globally and, in the U.S., countering persistent cost inflation with accelerating pricing, and growing share in China despite COVID-related pressures. Big picture, while the macro backdrop becomes more challenging, we expect PG to outperform by leveraging its infrastructure, driving more supply chain improvement, a key focus area, and maintaining investment levels.

Bull Case:

- ***Pricing Power is on Display*** – With P&G has shown that their in-stock rates have been better than peers, it is seeing minimal retail pushback on pricing. This has allowed the company to continue to execute on above-average organic growth rates over the past few quarters.
- ***Focus on Cost Control –*** We've continued to be encouraged by P&G's commitment to investment, focus on category growth, and additional actions to drive productivity to help offset rising costs and fuel investment in growth. The company continues to speak about its "Supply Chain 3.0" initiatives in more detail and it has become even more clear to us that their supply chain will prove to be the next frontier where P&G will set the pace for the industry, further separating itself from peers even after its significantly greater operational resilience during the pandemic.
- ***Digital Capabilities are a Clear Competitive Advantage*** - P&G has digital solutions that are being embedded into its integrated strategies with the goal of accelerating growth and value creation. The company has discussed four "where to play" strategic choices leveraging digital for superiority in every aspect of its business from product innovation and business operations to consumer engagement and go to market. All of which, should benefit the company allowing it to maximize its economies of scale.

Bear Case:

- ***Geopolitical Risk Given International Exposure*** - Economic and political instability in international markets, particularly in the euro zone, Middle East, Emerging Europe, Africa, and Argentina. These events may disrupt normalized consumption patterns, inflate input costs and provide currency headwinds.
- ***Raw Material Cost Volatility*** - Costs are subject to fluctuations, particularly due to changes in commodity prices, raw materials, labor costs, energy costs, pension and health care costs, and foreign exchange and interest rates. We are particularly mindful of two key input costs: oil and resin.
- ***Pricing Competition*** - Heightened promotional activity from competitors, including consumer preference for non-branded private-label products. P&G must also be able to respond to technological advances made by competitors and intellectual property rights granted to competitors.

Overview:

P&G's results reinforce our view that the PG of today is significantly better positioned than in the past to outperform even as macro conditions worsen. Its stronger value proposition, discipline on marketing and to some extent its scale should enable PG to continue to post above average growth despite mounting macro headwinds. PG is trading at a P/E of 21x forward estimates vs. 23x for the large-cap Staples peer group, which we think underestimates the improvements the company has made over the last several years and improved ability to withstand widespread traded own risk and cost headwinds, which the company has been able to offset through price increases and productivity savings.

Past performance is not indicative of future results. Investing involves risk including the potential loss of principal. This material is not financial advice or an offer to sell any product. The actual characteristics with respect to any particular client account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Aptus Capital Advisors, Inc. reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. Forward looking statements cannot be guaranteed. This is not a recommendation to buy or sell a particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed may not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions, holdings or sectors discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. Information was obtained from third party sources which we believe to be reliable but are not guaranteed as to their accuracy or completeness.

This commentary offers generalized research, not personalized investment advice. It is for informational purposes only and does not constitute a complete description of our investment services or performance. Nothing in this commentary should be interpreted to state or imply that past results are an indication of future investment returns. All investments involve risk and unless otherwise stated, are not guaranteed. Be sure to consult with an investment & tax professional before implementing any investment strategy. Investing involves risk. Principal loss is possible.

The content or when a page is marked "Advisor Use Only" or "For Institutional Use", the content is only intended for financial advisors, consultants, or existing and prospective institutional investors of Aptus. These materials have not been written or approved for a retail audience or use in mind and should not be distributed to retail investors. Any distribution to retail investors by a registered investment adviser may violate the new Marketing Rule under the Investment Advisers Act. If you choose to utilize or cite material we recommend the citation, be presented in context, with similar footnotes in the material and appropriate sourcing to Aptus and/or any other author or source references. This is notwithstanding any considerations or customizations with regards to your operations, based on your own compliance process, and compliance review with the marketing rule effective November 4, 2022.

Advisory services are offered through Aptus Capital Advisors, LLC, a Registered Investment Adviser registered with the Securities and Exchange Commission. Registration does not imply a certain level or skill or training. More information about the advisor, its investment strategies and objectives, is included in the firm's Form ADV Part 2, which can be obtained, at no charge, by calling (251) 517-7198. Aptus Capital Advisors, LLC is headquartered in Fairhope, Alabama. ACA-2212-16.