NUS INVESTMENT SOCIETY

Church & Dwight Co., Inc (NYSE: CHD)

SELL: US$75.6 (-27.7%)

Equity Research Department – Consumer Staples

Date: 30 March 2024

Analysts

Judy Zhang
Analyst, Equity Research
judyzhang@u.nus.edu

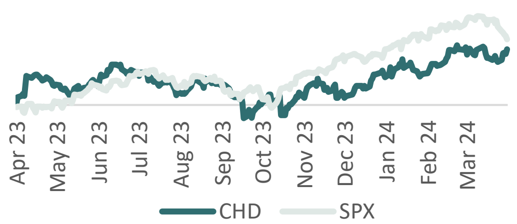
Joshua Phua
Analyst, Equity Research
joshua_phua@u.nus.edu

Wong Zhao Yang
Analyst, Equity Research
wongzhaoyang@u.nus.edu

Basic Information

Last Closed Price	US$104.6
12M Target Price	US$75.6
+/- Potential (%)	-27.7%
Bloomberg Ticker	CHD:US
GICS Sector	Consumer Staples
GICS Sub-Industry	Household Products

1Y Performance against S&P 500



Company Description

Church & Dwight Co., Inc develops, manufactures, and distributes household, personal care and specialty products. The company offers contraceptive products, laundry and dishwashing detergents, toothbrushes, shampoos, vitamins, pregnancy test kits, and hair removers.

Key Financials

Basic Shares O/S	243.9m
Free Float	99.7%
52-Wk High-Low	105.67 / 82.25
Fiscal Year End	Dec-31

(US$ M)	FY22A	FY23A	FY24E	FY25E
Revenue	5,376	5,868	6,108	6,344
Growth	*3.6%*	*9.2%*	*4.1%*	*3.9%*
NI Margin	*7.7%*	*12.9%*	*11.5%*	*11.2%*
ROA	5.07%	8.93%	7.97%	7.57%
ROIC	12.3%	12.3%	11.8%	11.2%
Gearing	0.77x	0.62x	0.59x	0.55x

Key Executives

Matthew Farrell	Chief Executive Officer
Richard A. Dierker	Chief Financial Officer
Joseph James Longo	Chief Accounting Officer

We are initiating coverage of **Church & Dwight Co ("CHD" or the "Company")** with a **SELL** rating and a **US$75.6** 12M price target.

Q4FY23 Earnings Highlights

- **Outperforming revenue growth in domestic and international segments.** In FY23A, CHD saw 9.2% total sales growth, compared to 3.6% in FY22A, due to disinflationary pressures, consistent innovation, and brand outperformance. Reported EPS of $3.05 vs Adjusted EPS of $3.17 (+6.7%) , driven by higher sales, higher gross margin and a lower tax rate, partially offset by higher SG&A.
- **Cash flow from operations exceeded US$1.0b for the first time,** ending Q4FY23 with US$1.03B in OCF, driven by strong volume growth (+1.5%) and price mix (+4.2%).

Investment Thesis

- **The shift from Jim Craigie to Matt Farrell has materially increased risks to investors given the CEO's history of failure at Alpharma.** Given current management's weak overall track record of acquisitions, we think investors should reset expectations about CHD's potential earnings growth and the quality of earnings.
- **Exuberant views regarding CHD's M&A strategy looks set to be repriced with anticipated falling interest rates.** As deal values for new acquisitions are set to increase, we view that this will worsen CHD capital efficiency. Potentially higher CAPEX spending to focus on investing in current brands will strain its free cash flows.
- **Future international expansion** into Asia, UK, and Canada expected to **drive working capital outflows**, which has not yet been priced in by the market from median consensus of stable forward ROE. Management's past execution of not having improved working capital, while acquiring more brands with global supply chains moving forward, compresses free cash flows.

Catalysts

- **Headwind from key customer**, Walmart should put strain on CHD's outlook in the coming quarters.
- **Consumers starting to trade down or out** as general merchandise being less of a proportion compared to food.
- **Markets heat up with product releases from competitors in FY24, affecting retailers' decisions to distribute**, with retailers are more inclined to accommodate bigger brands.

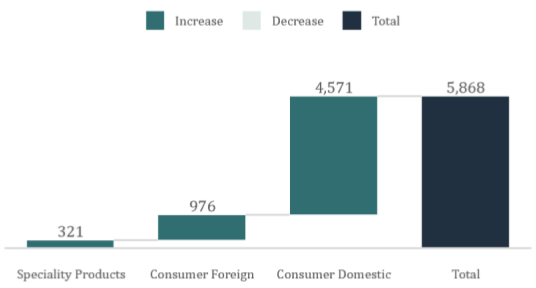
Valuation

Our 12M price of USD75.6 was obtained through a blended DCF using perpetual growth and the exit multiple method and through public comparables. Our DCF price target represents an implied EV/EBITDA multiple of 13.6x.

Investment Risks

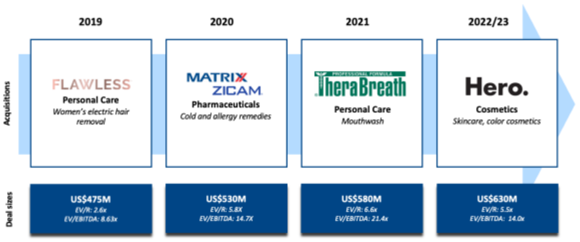
- **Slowing wage growth, driving improvement in CHD's Margins,** which should be offset by higher SG&A spending.
- **Robust growth of Hero and Therabreath internationally,** driving increased investor sentiment.
- **Increased leverage drive CapEx, Deal Activity in FMCG** as bigger US firms increase borrowing in expectations of rate cuts.

Figure 1: Revenue by operating segments



Source(s): Company filings

Figure 2: Notable acquisition history from 2019 – 2023

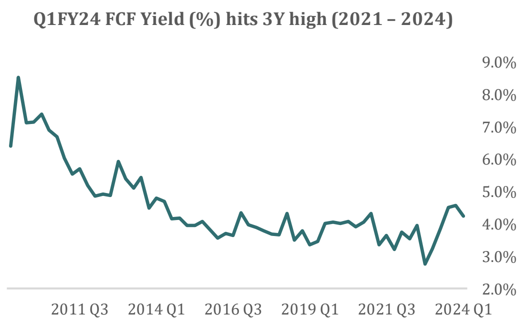


Source(s): Company filings

Figure 3: CHD Brand Portfolio (non exhaustive)

Source: Company filings

Figure 4: Median FCF Yield from 2011 – 2024 of Household & Personal Care US players



Source(s): Bloomberg

Company Overview

Founded in 1846, Church and Dwight started as a partnership between John Dwight and Austin Church, who sold sodium bicarbonate that they had refined in Dwight's kitchen. Today, the Company has evolved into a household name, selling their flagship baking soda under the ARM & HAMMER brand, along with 26 other consumer brands in their portfolio. Church and Dwight is now a CPG conglomerate with US$25b market capitalization (as of Mar-2024), based primarily in the US, that operates across categories in Household Care, Health & Wellbeing, Personal Care. The company reports revenue in three main operating segments: Consumer Domestic, Consumer Foreign and Specialty Products (Fig 1).

The Company runs fundamentally on an evergreen business model, relying on recurring revenue without needing to continuously innovate their products. The target has historically been 3% annual organic sales growth. This is because Church and Dwight's key brands, such as OxiClean (laundry detergents) are legacy household items, defensible across all economic backdrops. Their portfolio is balanced across discretionary and staple products, consisting of 37% value, 63% premium brands.

However, this does not mean that Church and Dwight does not innovate existing products or explore growth categories. On the contrary, the Company operates on a bolt-on acquisition strategy, akin to several other FMCG players like P&G, Unilever. In recent years, Church & Dwight has acquired several brand leaders in high-growth categories (Fig 2) , such as Hero Cosmetics (innovating pimple patches — a new format) and Waterpik (a water electric tooth flosser). Acquisition strategy is a preference for brands in niche categories that are asset-light and fast growing, with the hope that these acquisitions will be accretive.

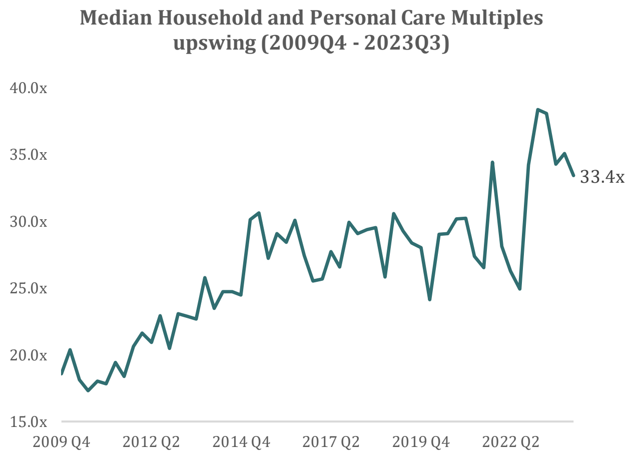
The Company's revenue is largely concentrated in the US, with 78% of the sales domestically and 17% international, with intentions to expand to France, Canada, Mexico, the United Kingdom, and Singapore. Historically, about 14 power brands make up 85% of revenues, and seven power brands make up 70% of revenues (Fig 3). These seven high potential brands with large potential for growth include ARM & HAMMER, TROJAN, OXICLEAN, SPINBRUSH, FIRST RESPONSE, NAIR, ORAJEL, XTRA, VMS and BATISTE.

Household & Personal Care Industry Outlook

High free cash flow yields accelerates deal activity

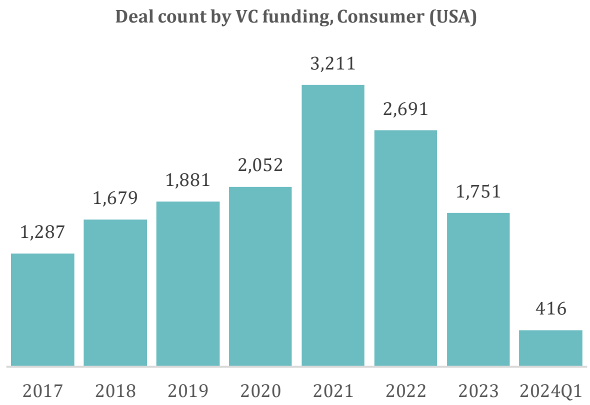
Notable deals include Estee Lauder's acquisition of Tom Ford in Apr-23, focusing on luxury apparel (US$2.8B). 2024Q1 industry free cash flow hits a 3Y high, from 2021-2024 (Fig 4). This signals healthy cash flow growth with inflation likely to have peaked, with core inflation (ex. Food & energy) at 2.8% in Q12024 compared to Q12023 4.8%.

Figure 5: Industry multiple trend from 2009Q4 – 2023Q3



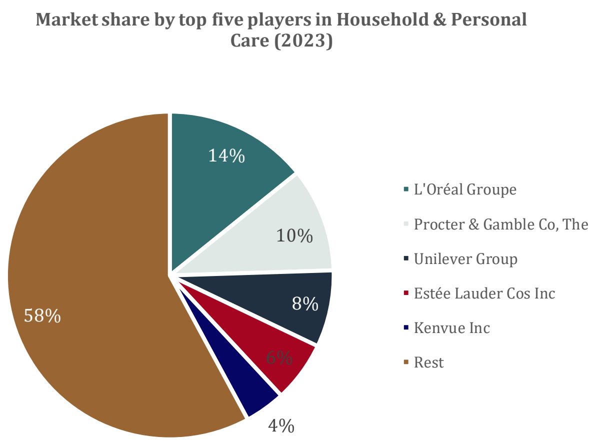
Source(s): Bloomberg

Figure 6: Threat of new entrants — Low to Mid



Source(s): PitchBook

Figure 7: Threat of Competition — High



Source(s): EuroMonitor

Resilience in Beauty & Personal Care spurs higher deal flow of mass premium brands

Bolt-on deals are most popular (> 46 transactions in 2023 and 218 in four years). L'Oreal leads by value and deal count. This translates to stiffer competition in white spaces and adjacent categories for Church & Dwight. After more caution on spending in 2023, companies may revert to searching for deals to fill their white spaces and adjacent categories, paying a premium (against lowered valuations) for faster-growth and higher-margin prestige brands, with tail exits still in play.

Beauty & Home Care in the US see near-high P/E multiples since 2009, in Q3 2023, of 33.4x (Fig 5).

Staples outperforming due to disinflation, with savings on labour and raw materials flowing down to profit margins. This multiples upswing signal a possibility for mean reversion, where signs are showing for multiple compression in next 2Y. According to Bloomberg, PE FY+1: 25.2x; PE FY+2: 20.7x.

Porter's Five Forces

Section Reference: Fig 8

Threat of new entrants — Low to Mid

In the short-term, the threat of new entrants is likely to be low as funding for consumer incumbents has dried up, with deal count of VC-backed companies falling by 45% from 2021 – 2023 in the US (Fig 6). This is unlikely to recover in the next FY — with the Street scaling back rate expectations from stagnating higher-than-expected core inflation (2.8% as of Q12024). Amidst strong caution in capital deployment as VC funds search for profitability and higher expected returns, it is likely more difficult for consumer incumbents to enter the market.

Threat of competition — High

CHD operates in a monopolistically competitive market, with Loreal holding the highest share of 14% by 2023 (Fig 7). High fragmentation leads to competition from dominant and non-dominant players, and coupled with deal activity resuming in 2024Q1, CHD would experience fiercer competition from new product releases in both mass and prestige categories.

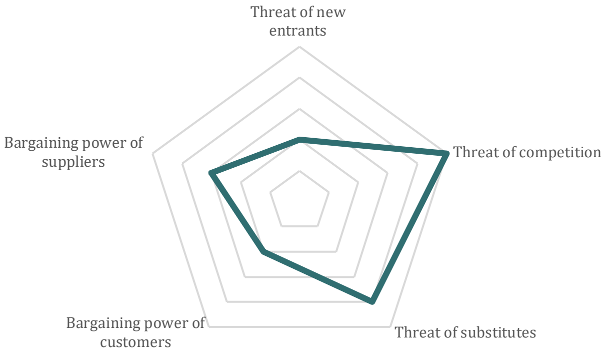
Threat of substitutes – Mid to High

Although CHD prides itself in innovation, it is debatable as to whether such innovation is defensible. CHD has 2,691 patents globally, as of 2024Q1, while Unilever has over 20,000 (Source: Respective company websites). This seems to suggest that scale is positively correlated with innovation for consumer nondurables, and degree of substitutions remain high with minute differences amongst homogenous consumer products.

Bargaining power of customers – Low to Moderate

Due to inflationary pressures, CHD has raised prices in FY23, with price mix driving 4.4% out of 9.2% of net sales increase, showing that it leans towards being a price setter rather than price taker with relative demand inelasticity (Source: Annual Report FY23). However, tightening household budgets in 2024Q1, as reported by falling sales volumes of Pepsi in its Q1

Figure 8: CHD: Porter's Five Forces



Source(s): Internal Analysis

Figure 9: Top management with little equity at risk

Top Shareholders	Com-pensation	Ownership	Value
CEO Farrell's stake is barely double his 2023 salary			
CEO	$8.38m	0.061%	$15.5m
CFO	$2.75m	0.004%	$790K
Chairman Emeritus	$260K	0.019%	$4.7m
Lead Independent Director	$272K	0.031%	$7.9m

Source(s): Company filings

Figure 10: Unaligned incentives – compensation is arbitrary

2022 Management Incentive Plan
80% Adj. EBITDA, 20% Adj. FCF
Lowest payout at 25% of target payout
Threshold at 90% of target
2023 Management Incentive Plan
80% Adj. EBITDA, 20% Adj. FCF
Lowest payout at 25% of target payout
Threshold at 90% of target

Source(s): Company filings

Figure 11: CHD's targets are over aggressive

Mgmt Target	Peer Base Rate
High 50% GM	43%
HSD Rev Growth	6%
Mgmt. targets are highly aggressive & top quartile vs base rates	

Source(s): Company filings

earnings call, seem to suggest that bargaining of power of consumers are poised to rise in the near future.

Bargaining power of suppliers – High

CHD sources from over 400 suppliers, majority of which are in N. America. In comparison, Walmart has over 100,000 suppliers while P&G boasts over 75,000. This reflects that the contract OEMs in CHD's network are quite exclusive, suggesting that there is a relatively high degree of bargaining power over suppliers.

Investment Thesis

1. The Shift From Jim Craigie To Matt Farrell Has Materially Increased The Risks To Investors. Since Matt Farrell has assumed the helm at Church & Dwight, the Company's future growth has become increasingly dependent on management's ability to successfully acquire high growth brands and present its financials in the most attractive light. Given current management's weak overall track record of acquisitions and a dependence on financial engineering, we think investors should reset expectations about Church & Dwight's potential earnings growth and the quality of earnings.

Irrational compensation metrics drive expensive acquisitions, whilst management noodle their way out with little equity at risk (Fig 9). Under its older leadership, management pursued a conservative strategy to leverage its core Arm & Hammer brand by diversifying and integrating acquisitions, while still prioritizing product innovation, and manufacturing excellence. With the elevation of Matt Farrell to CEO in 2016, we believe CHD's strategy has pivoted towards extreme aggressive M&A and accounting tactics, and managerial self-enrichment practices.

Investors Fail To Appreciate The Change of Leadership Style Under Matt Farrell, An Executive Who Blind-Sided Investors At Alpharma. We believe investors fail to appreciate the abysmal failure overseen by Farrell when CFO of Alpharma (formerly NYSE: ALO). While we acknowledge that some of Alpharma's issue may have pre-dated his arrival in 2002, there is evidence that under Farrell's leadership, the situation became even worse, culminating in Alpharma issuing more material weaknesses, a "non-reliance" opinion on its financial statements, a covenant breach, and later a DOJ settlement for bad sales and payment practices to promote unsafe products. Now as the CEO, and in a position to reap large gains, both Farrell and CFO Dierker are using highly promotional language to talk up deals, while evidence points to financial control and accounting challenges.

Unaligned incentives – compensation is arbitrary (Fig 10**).** Incentive plan based on adj. EBITDA encourages expensive, but poor acquisitions, such as overpaying 6.7x BV for TheraBreath with 8 FTEs, and 2.8x BV for a water floss business after 7 years and 2 rounds of PE asset churning, to which Farrell said "no, we wouldn't comment on that" when asked about EBITDA.

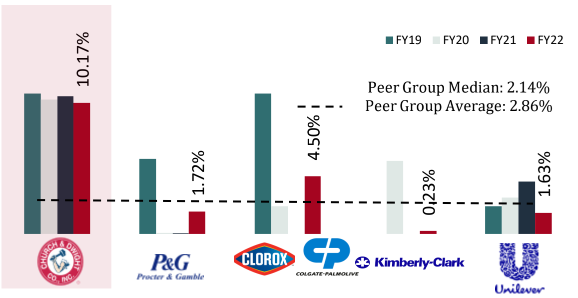
Constant insider selling and obfuscatory presentation. As a whole, management and the Board have little at risk at CHD –

Figure 12: Poor track record of meeting guidance

Date of Guidance	Item	Guidance	Actual
Q2 2019	Waterpik DB Conf	18-22%	-4%
Q1 2022	FY 22 Revenue Growth	7-9%	3.6%
Q2 2022	FY23 Adjusted EBITDA	$1300mm	$1204m m
Q1 2023	FY 22 Revenue Growth	10-12%	9.2%
Q3 2023	FY23 Adjusted EBITDA	$1350mm	$1258m m

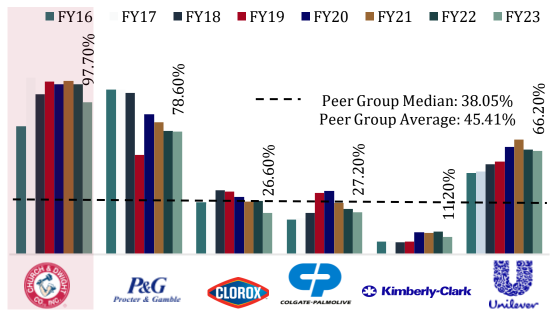
Source(s): CapIQ

Figure 13: CHD's Acquisition % of Sales vs Peers



Source(s):

Figure 14: CHD's Goodwill % of Sales vs Peers



Source(s): Bloomberg, CapIQ

Figure 15: Precedent Transaction Analysis

Company	Year	EV/S
Precedent Transactions		
Hero.	2022	5.5x
ECIEM	2021	4.6x
TheraBreath	2021	6.6x
LACER, S.A	2022	3.3x
Sylphar International	2021	4.5x
Ramir	2019	2.6x
MATRIXX ZICAM	2020	5.8x
Biofarma	2022	4.6x
ARKOPHARMA Labs	2022	2.3x
Cynosure	2019	2.6x
Peer's Acquisition Strategy		
Kimberly-Clark	2020	2.9x
CLOROX	2018	3.5x

Source(s): Bloomberg, CapIQ

Figure 16: Average impairment of sales – 5Y

owning a 0.185% of the stock. As the share price has accelerated to new highs, insiders have collectively sold US$54m more than they bought, via options and on-market transactions in the last 12 months. As of December 31, 2022, the Employee Trust Plan held 2,907,214 shares in the Company's common stock, with a total fair value of $164,531,873. As of December 31, 2021, the Plan held 3,290,141 shares in the Company's common stock, with a total fair value of $221,825,861.

Poor Glassdoor Reviews Compared to Peers: CHD's Firmwide ratings and approval rates are the lowest among its peer group, with disgruntled comments like "Hugely complex business where systems and processes have been cobbled together through acquisitions needs to be streamlined" – Project Manager, Verified Current Employee, more than 10 years; "The senior management seems they're all part of some cult or religion or something" – Director of Credit, Verified Current Employee, more than 3 years

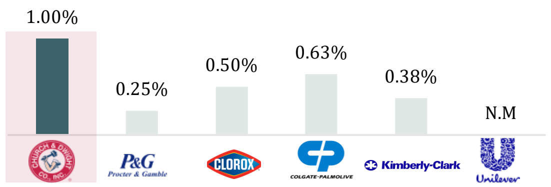
Inconsistencies and Management Misses (Fig 11 & 12**)**. It's also a huge red flag when management says one thing and does another. The CFO specifically said there would be no deal synergies for at least four years, yet it assigned $88m to goodwill, which it is using to reduce U.S. taxes and underpay the IRS. Furthermore, CHD is touting a ready-made pipeline of near-term products under development to drive sales growth. Yet, if this is the case, why is there no capitalized cost for product development on CHD's balance sheet to support his claim? If these products are feasible, they should be tangible and accountable.

2. The market has gotten ahead of itself in assessing CHD's growth-through acquisition strategy without observing its underlying flaws. With rates set to fall, we believe that CHD will have to bid up its already **high valuation premium for new acquisitions, further reducing its efficiency in generating returns to shareholders**. A potential shift towards its number two driver: CAPEX as valuation premium becomes apparent would then reduce CHD's free cash flows.

CHD has prided itself as a consolidator, acquiring key leading brands to further drive growth locally and internationally. While this strategy has resulted in steady and respectable topline growth, we believe that investors are failing to realise the accumulative damage to its balance sheet as CHD pays for a large premium and consequently resulting in the accumulation of goodwill and intangibles on its balance sheet.

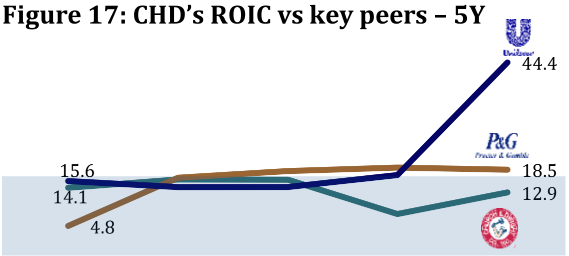
Over the period from FY19-FY22, CHD has notably been spending more on acquisitions (Fig 13), compared to its key peers which have a median spending of 2.14% of sales. This has resulted in a significant amount of goodwill and intangibles on its balance sheet – c.97.7% of sales in FY23 as compared to the median of its peers of c.38.1% (Fig 14).

This accumulation of goodwill and intangibles is due to the history of CHD's willingness to pay a premium for these acquisitions. Examining CHD's recent acquisition activities on an EV to sales basis (more widely available) with other



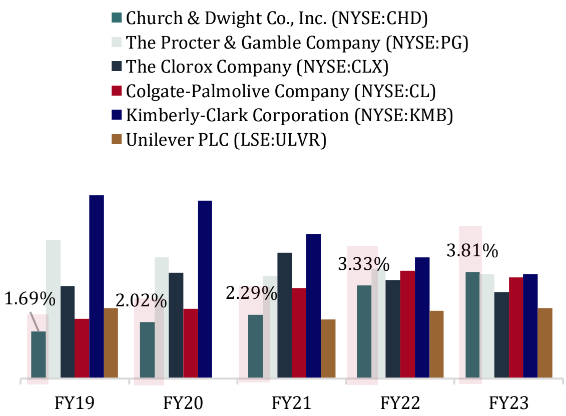
Source(s): CapIQ

Figure 17: CHD's ROIC vs key peers – 5Y



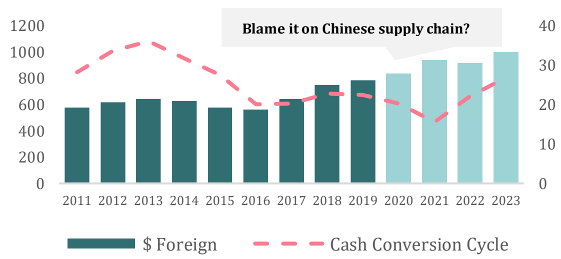
Source(s): CapIQ

Figure 18: CHD's CAPEX vs Peers



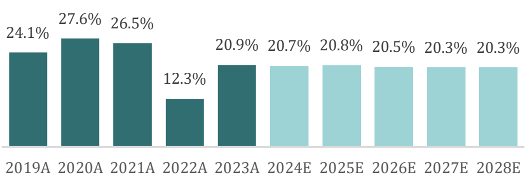
Source(s): CapIQ

Figure 19: Foreign Revenue (in USM) and CCC Days



Source(s): CapIQ

Figure 20: ROE (Actual) vs Market Consensus (2024E – 2028E)



Source(s): CapIQ

Figure 21: Higher CCC compresses ROE (2017 — 2023)

precedent transactions during the same period, it is clear that CHD is always forking out a higher price tag. This make us doubtful in the durability of Church's growth through-acquisition strategy as we think it may be challenged to extract the necessary efficiencies to justify the price. Peers are spending at more reasonable multiples, suggesting greater and more efficient capital allocation (Fig 15). This has ultimately resulted in CHD to have a larger average impairment loss compared to its peers over the last 5 years (Fig 16).

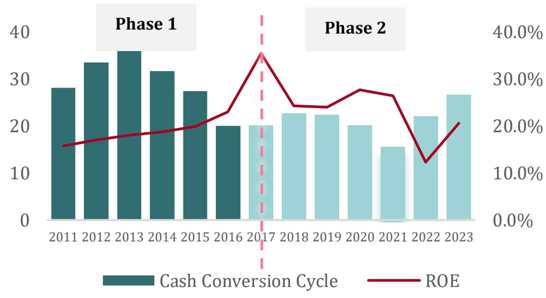
Further, CHD does not communicate or have any disposal plans for these acquired targets after extracting efficiencies and promised "synergies", unlike peers, such as Unilever, which is planning to dispose its Dollar Shave Club, Suave and Elida Beauty Brands. We view that this will only contribute to the accumulation of goodwill and intangibles which will be written down in the future.

Moving forward, as interest rates are set to fall it is expected that valuation for company acquisition will rise, as we have seen in the last cycle. This translates to CHD having to further bid up its already high price-tag to sustain its growth-through acquisition strategy, which will only exacerbate its already declining efficiency of extracting returns from its investments to shareholders (Fig 17).

While 2023 had been a surprise and an outlier year for CHD as it did not engage in any acquisition, we believe that CHD will stick with its number one acquisition strategy. We project CHD continuing to engage in acquisitions, representing c.8.5% of sales, aligned with its 5-year historical average. We also forecast that goodwill will constitute c.21.1% of the value of acquisition. In the event, that CHD holds off acquisition as it did in the last year, we believe that CHD will then pivot to its number two growth strategy: CAPEX and focus more on growing its current brands and enhance its distribution network. CHD has already lagged its peers in terms of CAPEX spending and is currently playing catch up (Fig 18). As such, we do not agree with CHD's CAPEX guidance of c.3% and c.2% for FY24E and FY25E. We project a need for increased capital spending of c.3.5%, roughly aligned with peers over our explicit forecast period, driving down CHD's free cash flows.

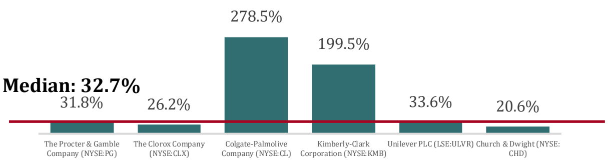
3. Future international expansion into Asia, UK, and Canada expected to **drive working capital outflows**, which has not yet been priced in by the market from median consensus of stable forward ROE. We expect free cash flows to remain compressed in FY24E - FY25E from execution risk in higher inventory turnovers and lower days payable.

Management expects international expansion to ramp up following sales and margin outperformance in FY23A, with international growth potentially growing 8% per year, as stipulated in the 2024 CAGNY Conference. However, Church & Dwight has not demonstrated strong historical execution in managing working capital with international expansion: Since foreign revenues started to ramp up in 2019, cash conversion cycle has lengthened significantly (Fig 19).



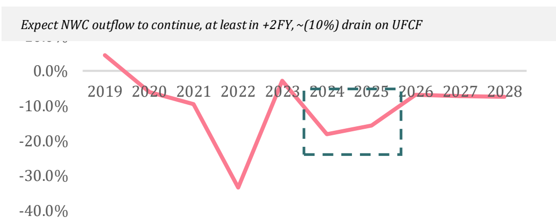
Source(s): CapIQ

Figure 22: ROE compression lags behind peers, reflecting inefficiencies



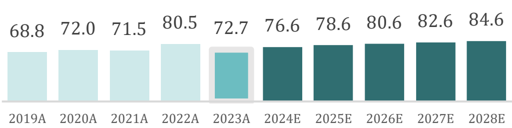
Source(s): CapIQ

Figure 23: Projected Change in NWC as % Unlevered Free Cash Flow



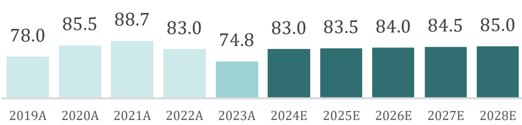
Source(s): CapIQ, Team Analysis

Figure 24: DIO (Actual vs Projected, in Days)



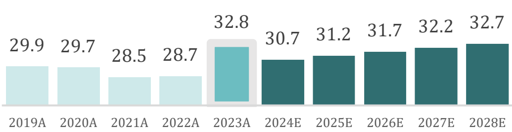
Source(s): CapIQ

Figure 25: DPO (Actual vs Projected, in Days)



Source(s): CapIQ

Figure 26: DSO (Actual vs Projected, in Days)



Source(s): CapIQ

International expansion comes with two risks. First, as global suppliers and distributors are onboarded, they are no longer bound by the "Net 30" credit terms in the US. This reduces receivables turnover for Church & Dwight as distributors can take longer to pay. Specifically, days receivable increased from 28 days in 2019 to 30 days in 2023, showing that Church has not been successful at negotiating shorter payment terms. Second, non-US OEMs can demand for faster payments due to higher negotiating power, especially in mega factories that cater to a high number of brands. For Church & Dwight, days payable decreased from 77 days in 2021 to 72 days in 2023, as they ramped up on acquisitions of brands with Asian supply chains. This caused an increase in cash conversion cycle, which has been inching up since 2019. Management has acknowledged this working capital outflow, attributing it to brand acquisition with Chinese supply chains. Ultimately, we see the impact of this in inventory bloat, with turnover increasing from 5.9x to 5.2x from 2019 – 2023.

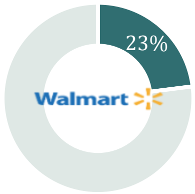
However, the market seems to have not priced in the extent of working capital outflow from Church's growth strategy. This is seen from the median consensus ROE being stable at approximately 20 .5% from 2024 – 2028E (Fig 20). Studies have shown that longer cash conversion cycles compresses ROE; Historically, Church & Dwight has also suffered from lower ROE from lengthening cash conversion cycles (Fig 21), while having lower ROE compared to peers (Fig 22).

In the next two years, we expect execution to remain weak with working capital outflows compressing unlevered free cash flows, specifically with a ~10% drain (Fig 23). Decomposed, this stems from higher inventory and payable days, with DIO expected to increase by a step of +2 until terminal year, while DPO projected with a step of +0.5 (Fig 24, 25). We took into account that as Church grows, there will be some improvement in negotiating power with receivables; Hence, we projected DSO to +0.5 per year until terminal year (Fig 26).

Catalyst

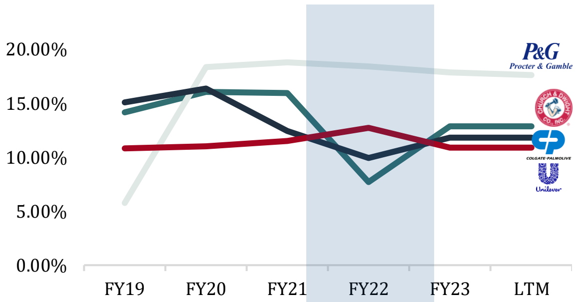
1. **Headwind from key customer, Walmart should put strain on CHD's outlook in the coming quarters.** CHD is exposed to customer concentration risks, as Walmart accounts for c.23% of sales in FY23 (Fig 27). In Walmart's latest earnings call, management noted that the "we do assume some amount of headwind going into the coming year", and "you can't continue to push the pricing lever in perpetuity. There is a breaking point". This comes as product mix has been a headwind over the last two years. We believe that such forward looking weakness in Walmart's guidance should be a headwind to CHD's topline as Walmart might potentially reduce its shelve space for brands with lesser market share. This would potentially result in a less exuberant forward sales guidance and recalibrate investors' expectations.
2. **General merchandise being less of a proportion compared to food, as inflation remains sustainably above long-term growth rate** (Mar-24). These are signals

Figure 27: Customer Concentration in Walmar



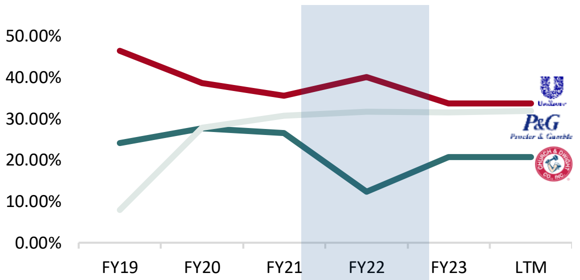
Source(s): Company Filings

Figure 28: Net Margin Analysis



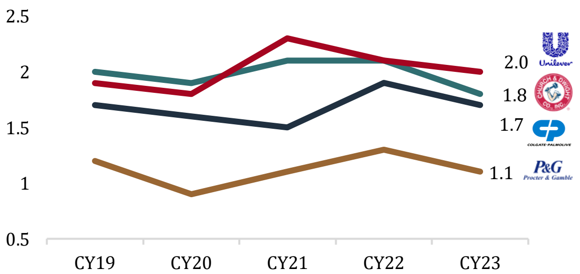
Source(s): CapIQ

Figure 29: ROE Analysis



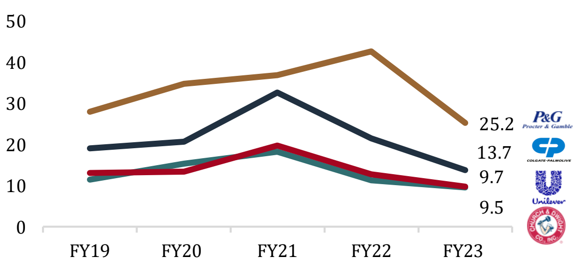
Source(s): CapIQ

Figure 30: Leverage Analysis (Net Debt/ EBITDA)



Source(s): CapIQ

Figure 31: Leverage Analysis (Interest Coverage)



Source(s): CapIQ

that consumers are starting to trade down or out, dampening volume sell-through in FY24E.

3. **Markets heat up with product releases from competitors in FY24, affecting retailers' decisions to distribute.** Retailers are more inclined to accommodate bigger brands with more negotiating power and lower-priced private-label products (which are higher margin for retailers). E.g., Unilever launches 15 new bond repair products for 2024.

Financial Analysis

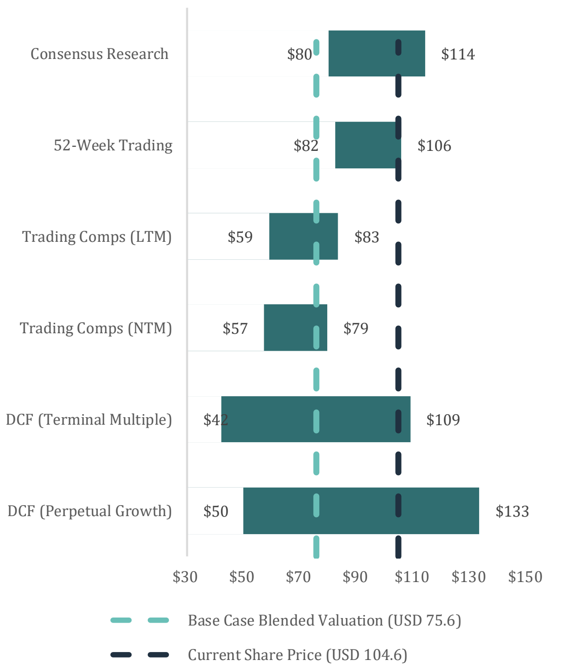
(US m)	2022A	2023A	2024E	2025E	202
Revenue	5,376	5,868	6,108	6,344	6,57
growth	3.6%	9.2%	4.1%	3.9%	3.7
EBITDA	$1,204	$1,258	$1,331	$1,370	$1,4
margin	22.4%	21.4%	21.8%	21.6%	21.4
Net Income	$414	$756	$705	$709	$69
Basic EPS	$2	$3	$3	$3	$3
ROA	5.07%	8.93%	7.97%	7.57%	7.05
ROIC	12.26%	12.41%	11.81%	11.17%	10.4
D/E (x)	0.77x	0.62x	0.59x	0.55x	0.51
Interest Coverage	11.26x	9.53x	10.18x	9.86x	9.51
DSCR (x)	1.13x	2.74x	3.78x	11.10x	11.1

Peer selection: We have selected mainly three main peer companies to compare against CHD for financials. Our selection criteria include companies that produces household and personal care products mainly in the United States. We lifted our ceiling for revenue to obtain a wider peer group and eventually chosen to compare CHD with Procter & Gamble, Colgate-Palmolive, and Unilever, reflecting close parallels in terms of product offerings and business segments.

Profitability: CHD's gross margin has generally been lagging its peers and its margin have decreased to 44.1% in 2023, down from 45.5% in 2019. While CHD's net margin appears to be higher than its peer group, we note that it has been generally trending down since 2019 and is notably more susceptible to inflationary pressures, falling to 7.70% in 2022, while peer's net margin was less affected, with Unilever's margin increasing during the period (Fig 28). We continue to believe that CHD does not possess a huge pricing power and forecast that its pricing/product mix will remain below inflation over the long run. This relatively lower profitability has contributed to lower efficiency and returns to shareholders (Fig 29).

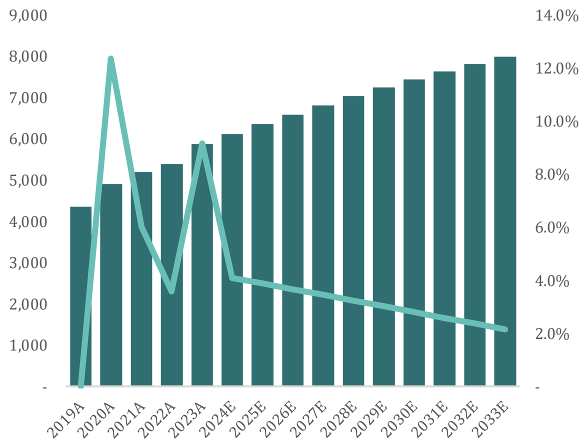
Leverage: CHD's net gearing has been relatively stable and consistent with the average of its peers of 1.6x over the past 5 years (Fig 30). We expect CHD to continue to make acquisitions to increase its scale and product diversity. Because of the company's appetite to expand through acquisitions, we believe its leverage could occasionally spike into the mid- to high-2x area. However, we believe the company will continue to deleverage through its generation of cash flow, as demonstrated in the recent acquisition of Hero Cosmetics in 2022.

Figure 32: Football Field



Source(s): CapIQ, Company Filings, Team Analysis

Figure 33: Revenue and Revenue growth (LHS)



Source(s): CapIQ, Team Estimates

Figure 34: WACC Computation

Cost of Equity (R_e)	**Rate**
R_e Based on Peer's Median Beta, Current Capital Structure	6.01%
R_e based on peer's median beta and capital structure:	6.28%
R_e based on historical levered β	6.68%
Cost of Debt (R_d)	
Risk free rate (US 10 Year Yield)	4.24%
Credit Spread	1.00%
Pre- Tax R_d	**5.20%**
WACC	
WACC based on current capital structure	5.98%
WACC based on peer's capital structure	5.90%
WACC based on current capital structure, β	6.65%
Average WACC	**6.18%**

Source(s): CapIQ, Damodaran

While its interest coverage albeit following the general trend of the industry, is on the lower end when compared to its peers (Fig 31). We do not anticipate CHD facing any credit crunch in repaying its interest obligations and anticipate coverage ratios to remain within historical range. CHD has a credit rating of BBB+ by S&P and A3 by Moody's.

Valuation

Valuation Price Target: We reiterate our "sell" call rating on CHD with a 1Y price target of xx , based on a blended valuation methodology of discounted cash flows and trading comparables (Fig 32).

Discounted Cash Flow Analysis

Our DCF valuation employs the Free Cash Flow to the Firm (FCFF) methodology to arrive at the intrinsic value of the company. Our explicit forecast period is from 2024-2033. We obtained a base case equity value per share of USD84.5 in our Gordon growth method. This represents an implied EV/EBITDA multiple of 14.7x and an implied P/E of 27.4x. We obtained a base case equity value per share of USD70.56 using the exit multiple method, representing an implied terminal growth rate of c.1.56%.

Revenue Projections

We forecasted revenue by breaking it down into "Consumer Domestic" (CD), "Consumer International" (CI) and "Specialty Product Division" (SPD). For each category, we mainly forecasted the growth in pricing/product mix and volume, while also forecasting "Acquired Product Lines" for the Consumer Domestic category.

For CD category, we forecasted a base case pricing/product mix growth of 1% in FY24, declining by 0.1% yoy. This is aligned with our belief that CHD has and will not be successful in fully passing inflationary costs to consumers in the form of higher prices, and instead will rely mainly on volume and acquisitions to drive growth. Our base case volume growth forecast for FY24 is 1.5%, tapering down by 0.1% yoy. Lastly, we forecast a base case of 2% growth in FY24 for Acquired Product Lines, with growth tapering down 0.05% yoy

For the CI category, we forecast pricing/product mix growth of 1% yoy at a constant rate throughout the explicit forecast period after consideration that there might be scope for price hikes in other geographies. Our base case volume growth forecast in FY24 is 2%, tapering down 0.1% yoy and a constant foreign exchange rate fluctuation of -0.2%

For the SPD category, we similarly forecasted a base case constant pricing/product mix of 1% in FY24 and for volume growth at 1% in FY24, with growth tapering 0.1% yoy thereafter.

This brings our consolidated revenue growth to 4.5% in FY24, with growth slowing down and eventually reaching 2.1% at the end of our explicit forecast period in FY33 (Fig 33).

WACC

Figure 35: Sensitivity Analysis (WACC vs TGR)

	1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
8.18%	46.76	49.40	52.50	56.20	60.69	66.25
7.68%	51.13	54.35	58.19	62.84	68.62	75.96
7.18%	56.27	60.26	65.09	71.07	78.69	88.70
6.68%	62.41	67.42	73.63	81.53	91.92	106.19
6.18%	69.85	76.29	84.49	95.28	110.09	131.69
5.68%	79.06	87.58	98.77	114.14	136.57	172.37
5.18%	90.78	102.40	118.36	141.64	178.81	247.53
4.68%	106.19	122.76	146.93	185.52	256.88	433.55

Source(s): CapIQ, Team Analysis

Figure 36: Sensitivity Analysis (WACC vs Terminal Multiple)

	12.84x	13.34x	13.84x	14.34x	14.84x	15.34x
8.18%	57.23	58.83	60.43	62.03	63.62	65.22
7.68%	59.47	61.13	62.80	64.46	66.13	67.79
7.18%	61.80	63.54	65.27	67.01	68.74	70.48
6.68%	64.24	66.05	67.86	69.67	71.48	73.28
6.18%	66.79	68.67	70.56	72.44	74.33	76.21
5.68%	69.44	71.41	73.38	75.34	77.31	79.28
5.18%	72.22	74.27	76.32	78.38	80.43	82.48
4.68%	75.12	77.26	79.40	81.55	83.69	85.83

Source(s): CapIQ, Team Analysis

Figure 37: Tier 1 Peers: Consumer/ Household Products

Source(s): CapIQ

Figure 38: Tier 2 Peers: Healthcare/ Nutrition Products

Source(s): CapIQ

Figure 39: Trading Comps Multiples

Tier 1 Trading Comps – 75%	Median	CHD
EBITDA (NTM)	16.3x	19.7x
EV/ EBIT (NTM)	18.6x	23.6x
P/E (NTM)	23.9x	30.3x
EV/ Sales (NTM)	3.0x	4.5x
Tier 2 Trading Comps – 25%	**Median**	**CHD**
EBITDA (NTM)	11.3x	19.7x
EV/ EBIT (NTM)	12.9x	23.6x
P/E (NTM)	16.0x	30.3x
EV/ Sales (NTM)	2.9x	4.5x

Source(s): CapIQ

Cost of Equity (R_e): We calculated Re using the Capital Asset Pricing Model. Our risk-free rate (R_f) of 4.24% represents the rate on the US 10Y bond yield. We used an equity risk premium of 4.60%, which represents Damodaran's estimates for the risks in a mature market.
Beta: Our beta is derived through a combination of using CHD's historical beta of 0.53x and through a re-levering of CHD peer's beta. The median unlevered beta for its peers is 0.38x. We levered the beta through a combination of using CHD's current capital structure and the "optimal" capital structure, benchmarked from the median of its peer's debt and equity mix.

Our average R_e based on an average of CHD's historical beta, its current and "optimal" capital structure is 6.32%

Cost of Debt (R_d): We applied a synthetic rating approach to estimate CHD Rd. We added a default credit spread of 1.00% on top of the R_f of 4.24% based on Damodaran's estimate of credit risks for CHD's interest coverage ratio of 9.0-10.0x. This led us to a pre-tax cost of debt of 5.2%.

This gives us an average WACC of 6.18% (Fig 34).

Terminal Growth Rate and Exit Multiple
Terminal growth rate: We forecasted a healthy 2.50% terminal growth rate, which is forecasted to be the average long-term inflation rate in the United States.

Terminal Multiple: We used the median EV/ EBTIDA multiple based on CHD's peer group and obtained an exit multiple of 13.84x.

Sensitivity Analysis
We mainly sensitise key variables and inputs of terminal growth and WACC for our DCF model employing the Gordon growth model and EV/EBITDA with WACC for our terminal multiple method (Fig 35, 36).

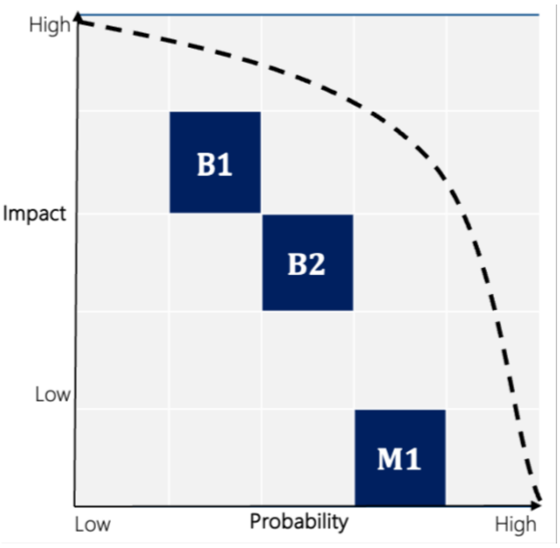
Trading Comparable
1. Peer Selection
We have selected two tiers of comparable companies for our analysis. We put a weight of 75% to our tier 1 comparable companies, which mainly represents the bulk of CHD's sales – CD and CI. These companies are providers of consumer, household and health products (Fig 37). We assign the remaining 25% to our tier 2 comparable companies, which represents CHD's SPD segment. These companies are providers of healthcare and nutrition (Fig 38).

2. Relative Valuation
We obtained a median EV/EBITDA multiple for NTM of 15.1x, EV/ EBIT multiple of 17.2x, P/E multiple of 21.9x and EV/ Revenue of 3.0x (Fig 39). We obtained an average implied price of USD71.9, supporting our view that shares of CHD are overvalued.

Investment Risks

Market Risk 1 (M1)

Figure 40 : Risk Assessment Matrix



Source(s): Internal analysis

Influx of workers into labour market and slowing wage increase drive operating margins, improving unlevered free cash flows. Mar-24 labour data has been optimistic; Wage increases have slowed down amidst Fed's target of 5.25 – 5.5% rate maintenance. Nonetheless, we view that while savings on SG&A flows to net margins, increase in marketing spend would offset such savings as competition in deal activity ramps up.

Business Risk 1 (B1)

Robust growth of Hero and Therabreath internationally. Possibility of a step-up in international growth by Hero and Therabreath, which drives investor's sentiment. Nonetheless, given that c.17% of CHD's sales are from International vs. c.59% for peers, we do not view that international growth will drive the needle.

Business Risk 2 (B2)

US large cap companies increase borrowing in expectation of three rate cuts by Q4 2024. This increased leverage drive CapEx, Deal Activity in FMCG. This boosts Church's robust cash balance to pay for more acquisitions, which are seemingly "accretive" in the short-term.

Disclaimer

This research material has been prepared by NUS Invest. NUS Invest specifically prohibits the redistribution of this material in whole or in part without the written permission of NUS Invest. The research officer(s) primarily responsible for the content of this research material, in whole or in part, certifies that their views are accurately expressed and they will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this research material. Whilst we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee its accuracy or completeness, and you should not act on it without first independently verifying its contents. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. You may wish to seek advice from a financial adviser regarding the suitability of the securities mentioned herein, taking into consideration your investment objectives, financial situation or particular needs, before making a commitment to invest in the securities. This report is published solely for information purposes, it does not constitute an advertisement and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. The research material should not be regarded by recipients as a substitute for the exercise of their own judgement. Any opinions expressed in this research material are subject to change without notice.

© 2024 NUS Investment Society

Appendix:

Appendix A1 – Income Statement

3 Statement Model	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
USD millions, except for per share data															
Days in Period	365	365	365	365	365	365	365	365	365	365	365	365	365	365	365

Income Statement	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenue															
Consumer Domestic	3,292	3,768	3,942	4,131	4,571	4,777	4,980	5,179	5,373	5,561	5,742	5,914	6,077	6,229	6,369
Consumer International	767	828	912	896	976	1,003	1,031	1,058	1,085	1,111	1,137	1,163	1,188	1,212	1,236
Specialty Products Division (SPD)	299	300	336	349	321	327	334	340	345	351	356	361	366	370	374
Total Revenue	**4,358**	**4,896**	**5,190**	**5,376**	**5,868**	**6,108**	**6,344**	**6,577**	**6,804**	**7,024**	**7,236**	**7,439**	**7,631**	**7,811**	**7,979**
Cost of Goods Sold (Ex- D&A)	(2,215)	(2,512)	(2,733)	(2,931)	(3,079)	(3,237)	(3,375)	(3,512)	(3,647)	(3,779)	(3,907)	(4,032)	(4,151)	(4,265)	(4,373)
Gross Profit (Ex - D&A)	**2,143**	**2,384**	**2,457**	**2,445**	**2,789**	**2,871**	**2,969**	**3,065**	**3,157**	**3,245**	**3,328**	**3,407**	**3,480**	**3,546**	**3,607**
Depreciation and Amortisation	(159)	(170)	(194)	(195)	(201)	(296)	(324)	(370)	(417)	(465)	(515)	(534)	(552)	(441)	(460)
Gross Profit	**1,984**	**2,214**	**2,264**	**2,250**	**2,589**	**2,574**	**2,645**	**2,695**	**2,740**	**2,780**	**2,813**	**2,873**	**2,927**	**3,106**	**3,146**
SG&A	(1,143)	(1,279)	(1,271)	(1,241)	(1,531)	(1,539)	(1,599)	(1,657)	(1,715)	(1,770)	(1,824)	(1,875)	(1,923)	(1,969)	(2,011)
Other Operating Income (Expenses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBIT	**841**	**936**	**992**	**1,009**	**1,057**	**1,035**	**1,046**	**1,038**	**1,026**	**1,010**	**990**	**999**	**1,004**	**1,137**	**1,135**
Interest Expense	(74)	(61)	(55)	(90)	(111)	(102)	(106)	(109)	(112)	(115)	(117)	(119)	(121)	(123)	(125)
Interest and Invest. Income	2	1	-	-	-	1	1	1	1	1	1	1	1	1	1
Other Non Operating Income (Expenses)	4	99	94	(396)	21	(38)	(39)	(41)	(42)	(43)	(45)	(46)	(47)	(48)	(49)
Income before Taxes	**774**	**974**	**1,032**	**523**	**967**	**896**	**902**	**889**	**872**	**852**	**829**	**834**	**836**	**966**	**962**
Tax Provision	(158)	(188)	(204)	(109)	(212)	(192)	(193)	(190)	(187)	(182)	(177)	(179)	(179)	(207)	(206)
Net Income to Company	**616**	**786**	**828**	**414**	**756**	**705**	**709**	**699**	**686**	**670**	**651**	**656**	**657**	**760**	**756**
Minority Int. in Earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	**616**	**786**	**828**	**414**	**756**	**705**	**709**	**699**	**686**	**670**	**651**	**656**	**657**	**760**	**756**
			15.9%	7.7%	12.9%	11.5%	11.2%	10.6%							
Depreciation & Amortisation	159	170	194	195	201	296	324	370	417	465	515	534	552	441	460
EBITDA	1,000	1,105	1,186	1,204	1,258	1,331	1,370	1,407	1,442	1,475	1,505	1,532	1,557	1,578	1,596
Basic Weighted Average Shares Outstanding	246	247	245	243	245	245	245	245	245	245	245	245	245	245	245
Diluted Weighted Average Shares Outstanding	252	252	250	246	248	248	248	248	248	248	248	248	248	248	248
Basic EPS	2.50	3.18	3.38	1.70	3.09	2.88	2.89	2.85	2.80	2.74	2.66	2.68	2.68	3.10	3.09
Diluted EPS	2.44	3.12	3.32	1.68	3.05	2.84	2.85	2.81	2.76	2.70	2.62	2.64	2.65	3.06	3.05
Dividends per Share	0.91	0.96	1.01	1.05	1.09	1.11	1.12	1.10	1.08	1.06	1.03	1.04	1.04	1.20	1.19

Appendix A2 – Balance Sheet

Balance Sheet	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
ASSETS															
Current Assets:															
Cash, Cash Equivalents & Short Term Investments	156	183	241	270	345	382	370	432	498	570	646	729	818	931	965
Trade Receivables	356	399	406	422	527	514	543	571	600	630	658	687	715	743	770
Inventory	417	495	535	647	613	680	727	776	826	876	927	979	1,031	1,082	1,134
Prepaid Assets & Other Current Asset	27	35	52	57	45	47	49	50	52	54	55	57	59	60	61
Total Current Assets	956	1,112	1,233	1,396	1,530	1,622	1,688	1,829	1,976	2,129	2,288	2,452	2,622	2,816	2,930
NON-CURRENT ASSETS:															
Net PPE	573	613	653	761	928	995	1,056	1,108	1,151	1,185	1,208	1,220	1,220	1,338	1,442
Right of use asets	151	182	159	163	186	187	194	201	208	215	222	228	234	239	244
Total Long Term Investments	10	9	9	13	12	12	12	12	12	12	12	12	12	12	12
Goodwill	2,080	2,230	2,275	2,427	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432	2,432
New Goodwill from acquisitions						109	223	340	462	587	717	850	986	1,126	1,268
Intangibles	2,750	3,110	3,494	3,432	3,302	3,559	3,820	4,066	4,298	4,513	4,710	4,888	5,044	5,178	5,287
Deferred Tax Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Non-Current Assets	138	159	173	155	180	187	195	202	209	215	222	228	234	240	245
TOTAL ASSETS	6,657	7,415	7,997	8,346	8,569	9,104	9,619	10,191	10,748	11,289	11,810	12,309	12,784	13,380	13,860
LIABILITIES AND SHAREHOLDERS' EQUITY															
Current Liabilities:															
ST Borrowing/ Current Port. of LT Debt	253	351	994	74	204	216	222	228	234	239	244	248	252	256	258
Revolver	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Account Payables	473	588	664	667	631	736	772	808	844	880	915	950	984	1,016	1,048
Current Portion of Operating Leases	16	25	24	22	25	28	29	30	31	32	33	34	35	35	36
Accrued Expenses	342	411	390	414	556	465	470	474	477	478	478	477	474	469	463
Other Current Liabilities	8	13	3	7	7	7	8	8	8	9	9	9	9	10	10
Total Current Liabilities	1,092	1,389	2,075	1,184	1,422	1,452	1,501	1,548	1,594	1,637	1,679	1,717	1,753	1,786	1,816
NON-CURRENT LIABILITIES:															
Long Term- Debt	1,840	1,813	1,611	2,600	2,202	2,330	2,398	2,463	2,524	2,581	2,634	2,682	2,724	2,761	2,793
Long -Term Operating Leases	144	168	147	152	175	170	176	183	188	194	200	205	210	215	219
Other Non-Current Liabilities	334	317	186	164	172	179	186	192	199	205	212	218	223	228	233
Deferred Tax Liabilities, Non-Current	580	707	745	757	743	648	559	536	512	485	456	426	393	444	407
Total Liabilities	3,990	4,394	4,763	4,856	4,714	4,779	4,820	4,922	5,017	5,103	5,180	5,247	5,304	5,435	5,468
EQUITY															
Common Stock	293	293	293	294	294	294	294	294	294	294	294	294	294	294	294
Additional Paid In Capital	296	274	310	366	455	492	531	571	613	656	700	745	792	840	889
Retained Earnings	4,237	4,786	5,366	5,525	6,012	6,444	6,879	7,307	7,728	8,139	8,538	8,925	9,295	9,712	10,110
Treasury Stock	(2,091)	(2,255)	(2,668)	(2,665)	(2,878)	(2,878)	(2,878)	(2,878)	(2,878)	(2,878)	(2,878)	(2,878)	(2,878)	(2,878)	(2,878)
Comprehensive Income and others						-	-	-	-	-	-	-	-	-	-
OCI and Others	(67)	(78)	(68)	(29)	(27)	(27)	(26)	(26)	(25)	(25)	(24)	(24)	(23)	(23)	(22)
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Sockholders' Equity	2,668	3,020	3,233	3,490	3,855	4,325	4,799	5,268	5,731	6,185	6,629	7,062	7,480	7,945	8,392
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,657	7,415	7,997	8,346	8,569	9,104	9,619	10,191	10,748	11,289	11,810	12,309	12,784	13,380	13,860
Balance Sheet Check	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*
	0.00	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*

Appendix A3 – Cash Flow Statement

Cash Flow Statement	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Cash Flows from Operating Activities:															
Net Income	616	786	828	414	756	705	709	699	686	670	651	630	605	680	648
(+) Depreciation & Amortisation	82	86	94	91	97	146	162	178	195	212	230	248	267	156	175
(+) Amortisation of Goodwill & Intangibles	95	103	125	128	128	150	162	192	222	253	285	318	352	387	422
(+) Stock-based compensation	21	22	24	32	64	37	39	40	42	43	44	45	47	48	49
(+) Minority Int. in Earnings															
(+/-) Change in other non cash items	16	12	(1)	424	8										
Change in Trade Receivables	(9)	(13)	2	(5)	(97)	13	(29)	(29)	(29)	(29)	(29)	(29)	(28)	(28)	(27)
Change in Inventory	(34)	(62)	(29)	(93)	39	(66)	(47)	(49)	(50)	(51)	(51)	(52)	(52)	(52)	(51)
Change in Trade Payables	73	168	48	40	55	105	36	36	36	36	35	35	34	33	32
Change in Other Working Capital	6	(111)	(96)	(146)	(18)	(93)	4	3	1	(0)	(1)	(3)	(4)	(6)	(7)
Change in Operating Leases						(2)	-	-	-	0	0	(0)	(0)	0	0
Change in other Assets						(7)	(7)	(7)	(7)	(7)	(7)	(6)	(6)	(6)	(5)
Change in other Liabilities						(88)	(82)	(16)	(18)	(20)	(23)	(25)	(27)	57	(33)
Net Cash Provided by Operating Activities	865	990	994	885	1,031	900	946	1,047	1,077	1,107	1,136	1,162	1,188	1,269	1,204
Cash Flow from Investing															
(-) Net Capital Expenditure	(74)	(92)	(119)	(179)	(224)	(214)	(222)	(230)	(238)	(246)	(253)	(260)	(267)	(273)	(279)
(-) Net Purchase of Intangibles	-	-	-	-	-	(407)	(423)	(438)	(453)	(468)	(482)	(496)	(509)	(521)	(532)
(+/-) Acquisition & Others	(475)	(513)	(556)	(547)	-	(109)	(113)	(118)	(122)	(126)	(129)	(133)	(136)	(140)	(143)
(+/-) Other Investing Activities	(5)	(4)	(7)	(3)	(11)										
Net cash used in investing activities	(554)	(608)	(682)	(729)	(234)	(730)	(758)	(786)	(813)	(839)	(865)	(889)	(912)	(934)	(954)
Cash Flow from Financing															
Issuance of Debt	551	99	799	999	-	340	74	71	492	62	57	52	447	541	34
Payment of Debt	(600)	-	(399)	(879)	(271)	(200)	-	-	(425)	-	-	-	(400)	(500)	-
Net revolver drawdown/ repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Issuance (Repurchase) of Common Stock	(197)	(207)	(401)	26	(188)	-	-	-	-	-	-	-	-	-	-
Dividends Paid	(224)	(237)	(248)	(255)	(267)	(272)	(274)	(270)	(265)	(259)	(252)	(244)	(234)	(263)	(251)
Others	(3)	(15)	(4)	(12)	(0)										
Net cash used in financing activities	(473)	(360)	(252)	(121)	(726)	(133)	(200)	(199)	(198)	(197)	(194)	(191)	(187)	(222)	(217)
FX/ Adjustment to Cash	1	5	(2)	(6)	4	0	0	0	0	0	1	1	1	1	1
Increase/(Decrease) in Cash and Equivalents	(161)	27	58	30	74	37	(12)	62	66	71	77	83	89	114	34
Cash and Equivalents, Beginning of the Year		156	183	241	270	345	382	370	432	498	570	646	729	818	931
Cash and Equivalents, End of the Year	156	183	241	270	345	382	370	432	498	570	646	729	818	931	965

Appendix A4 – Operating Assumptions

REVENUE BUILD/ Other Income		2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Total revenues		4,357.7	4,895.8	5,190.1	5,375.6	5,867.9	6,107.7	6,344.5	6,576.9	6,803.8	7,023.8	7,235.8	7,438.6	7,630.8	7,811.3	7,979.1
% growth		-	12.3%	6.0%	3.6%	9.2%	4.1%	3.9%	3.7%	3.4%	3.2%	3.0%	2.8%	2.6%	2.4%	2.1%
Consumer Domestic																
Revenue		3,292.1	3,767.6	3,941.9	4,131.0	4,571.2	4,776.9	4,979.9	5,179.1	5,373.3	5,561.4	5,742.1	5,914.4	6,077.1	6,229.0	6,369.1
Sales growth			14.4%	4.6%	4.8%	10.7%	4.5%	4.3%	4.0%	3.8%	3.5%	3.3%	3.0%	2.8%	2.5%	2.3%
Pricing/ Product mix		4.20%	1.80%	3.90%	6.80%	4.70%	1.0%	0.9%	0.8%	0.7%	0.6%	0.5%	0.4%	0.3%	0.2%	0.1%
Bear	(1.0%)						0.0%	(0.1%)	(0.2%)	(0.3%)	(0.4%)	(0.5%)	(0.6%)	(0.7%)	(0.8%)	(0.9%)
Base							1.0%	0.9%	0.8%	0.7%	0.6%	0.5%	0.4%	0.3%	0.2%	0.1%
Bull	1.0%						2.0%	1.9%	1.8%	1.7%	1.6%	1.5%	1.4%	1.3%	1.2%	1.1%
Volume		-0.20%	8.90%	-0.30%	-5.90%	1.00%	1.5%	1.4%	1.3%	1.2%	1.1%	1.0%	0.9%	0.8%	0.7%	0.6%
Bear	(1.0%)						0.5%	0.4%	0.3%	0.2%	0.1%	0.0%	(0.1%)	(0.2%)	(0.3%)	(0.4%)
Base							1.5%	1.4%	1.3%	1.2%	1.1%	1.0%	0.9%	0.8%	0.7%	0.6%
Bull	1.0%						2.5%	2.4%	2.3%	2.2%	2.1%	2.0%	1.9%	1.8%	1.7%	1.6%
Acquired Product lines		1.50%	3.40%	1.00%	3.90%	5.00%	2.0%	2.0%	1.9%	1.9%	1.8%	1.8%	1.7%	1.7%	1.6%	1.6%
Bear	(1.0%)						1.0%	1.0%	0.9%	0.9%	0.8%	0.8%	0.7%	0.7%	0.6%	0.6%
Base							2.0%	2.0%	1.9%	1.9%	1.8%	1.8%	1.7%	1.7%	1.6%	1.6%
Bull	1.0%						3.0%	3.0%	2.9%	2.9%	2.8%	2.8%	2.7%	2.7%	2.6%	2.6%
Consumer International																
Revenue		766.8	828.2	912.2	896.1	975.7	1,003.4	1,030.9	1,058.1	1,085.0	1,111.5	1,137.5	1,163.0	1,187.8	1,212.1	1,235.6
Sales growth			8.0%	10.1%	-1.8%	8.9%	2.8%	2.7%	2.6%	2.5%	2.4%	2.3%	2.2%	2.1%	2.0%	1.9%
Pricing/ Product mix		0.90%	0.90%	-0.30%	4.50%	5.10%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Bear	(1.0%)						0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Base							1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Bull	2.0%						3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Volume		8.30%	7.70%	5.30%	-1.70%	3.40%	2.0%	1.9%	1.8%	1.7%	1.6%	1.5%	1.4%	1.3%	1.2%	1.1%
Bear	(1.0%)						1.0%	0.9%	0.8%	0.7%	0.6%	0.5%	0.4%	0.3%	0.2%	0.1%
Base							2.0%	1.9%	1.8%	1.7%	1.6%	1.5%	1.4%	1.3%	1.2%	1.1%
Bull	1.0%						3.0%	2.9%	2.8%	2.7%	2.6%	2.5%	2.4%	2.3%	2.2%	2.1%
Foreign exchange rate fluctuations & others		-2.60%	0.90%	5.10%	-4.60%	0.40%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%
Bear	(1.0%)						(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)
Base							-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%
Bull	1.0%						0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Specialty Products Division (SPD)																
Revenue		298.8	300.0	336.0	348.5	321.0	327.4	333.6	339.6	345.4	350.9	356.2	361.2	365.9	370.3	374.4
Sales growth			0.4%	12.0%	3.7%	-7.9%	2.0%	1.9%	1.8%	1.7%	1.6%	1.5%	1.4%	1.3%	1.2%	1.1%
Pricing/ Product mix		-0.10%	-0.40%	7.40%	8.80%	-0.70%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Bear	(1.0%)						0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Base							1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Bull	1.0%						2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Volume		-2.40%	0.80%	4.60%	-5.10%	-7.20%	1.0%	0.9%	0.8%	0.7%	0.6%	0.5%	0.4%	0.3%	0.2%	0.1%
Bear	(1.0%)						0.0%	(0.1%)	(0.2%)	(0.3%)	(0.4%)	(0.5%)	(0.6%)	(0.7%)	(0.8%)	(0.9%)
Base							1.0%	0.9%	0.8%	0.7%	0.6%	0.5%	0.4%	0.3%	0.2%	0.1%
Bull	1.0%						2.0%	1.9%	1.8%	1.7%	1.6%	1.5%	1.4%	1.3%	1.2%	1.1%
Others																
Other Operating Income (Expense)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
% sales		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest and Invest. Income		1.6	0.5	-	-	-	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7
% sales		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Non Operating Income (Expenses)		4.3	98.6	93.8	(395.9)	20.9	(38)	(39)	(41)	(42)	(43)	(45)	(46)	(47)	(48)	(49)
% sales		0.1%	2.0%	1.8%	-7.4%	0.4%	(0.6%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)
SBC		20.8	21.5	23.7	32.3	63.6	37.4	38.8	40.2	41.6	43.0	44.3	45.5	46.7	47.8	48.8
% sales		0.5%	0.4%	0.5%	0.6%	1.1%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%

Appendix A5 – Operating Assumptions

COSTS SCHEDULE		2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
COGS		(2,215.2)	(2,512.0)	(2,732.9)	(2,930.6)	(3,078.5)	(3,237.1)	(3,375.3)	(3,512.1)	(3,646.8)	(3,778.8)	(3,907.4)	(4,031.7)	(4,151.2)	(4,265.0)	(4,372.5)
COGS % sales							53.0%	53.2%	53.4%	53.6%	53.8%	54.0%	54.2%	54.4%	54.6%	54.8%
% sales -Bear	1.0%						55.0%	55.2%	55.4%	55.6%	55.8%	56.0%	56.2%	56.4%	56.6%	56.8%
% sales - Base		54.5%	54.8%	56.4%	58.1%	55.9%	53.0%	53.2%	53.4%	53.6%	53.8%	54.0%	54.2%	54.4%	54.6%	54.8%
% sales -Bull	(1.0%)						51.5%	51.7%	51.9%	52.1%	52.3%	52.5%	52.7%	52.9%	53.1%	53.3%
SG&A		(1,142.6)	(1,278.5)	(1,271.1)	(1,241.2)	(1,531.1)	(1,539.2)	(1,598.9)	(1,657.5)	(1,714.6)	(1,770.1)	(1,823.5)	(1,874.6)	(1,923.1)	(1,968.6)	(2,010.9)
SG&A % sales							25.2%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%
% sales -Bear	1.0%						26.2%	26.2%	26.2%	26.2%	26.2%	26.2%	26.2%	26.2%	26.2%	26.2%
% sales - Base		26.2%	26.1%	24.5%	23.1%	26.1%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%
% sales -Bull	(1.0%)						24.2%	24.2%	24.2%	24.2%	24.2%	24.2%	24.2%	24.2%	24.2%	24.2%

WORKING CAPITAL SCHEDULE		2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Days in period		365	365	365	365	365	365	365	365	365	365	365	365	365	365	365
Inventories		417.4	495.4	535.4	646.6	613.3	679.6	727.1	775.8	825.5	876.1	927.3	978.9	1,030.7	1,082.3	1,133.6
DIO		68.78	71.98	71.51	80.53	72.72	76.62	78.62	80.62	82.62	84.62	86.62	88.62	90.62	92.62	94.62
DIO - Bear	3.0 Days						79.6 Days	82.6 Days	85.6 Days	88.6 Days	91.6 Days	94.6 Days	97.6 Days	100.6 Days	103.6 Days	106.6 Days
DIO - Base							76.6 Days	78.6 Days	80.6 Days	82.6 Days	84.6 Days	86.6 Days	88.6 Days	90.6 Days	92.6 Days	94.6 Days
DIO - Bull	-3.0 Days						73.6 Days	75.6 Days	77.6 Days	79.6 Days	81.6 Days	83.6 Days	85.6 Days	87.6 Days	89.6 Days	91.6 Days
Trade receivables		356.4	398.8	405.5	422.0	526.9	514.0	542.6	571.5	600.5	629.5	658.4	687.1	715.3	742.9	769.8
DSO		29.85	29.73	28.52	28.65	32.77	30.71	31.21	31.71	32.21	32.71	33.21	33.71	34.21	34.71	35.21
DSO - Bear	2.0 Days						32.7 Days	32.7 Days	32.7 Days	32.7 Days	32.7 Days	32.7 Days	32.7 Days	32.7 Days	32.7 Days	32.7 Days
DSO - Base							30.7 Days	31.2 Days	31.7 Days	32.2 Days	32.7 Days	33.2 Days	33.7 Days	34.2 Days	34.7 Days	35.2 Days
DSO - Bull	-2.0 Days						28.7 Days	29.2 Days	29.7 Days	30.2 Days	30.7 Days	31.2 Days	31.7 Days	32.2 Days	32.7 Days	33.2 Days
Accounts payable		473.3	588.1	663.8	666.7	630.6	735.9	771.9	808.0	844.0	879.8	915.0	949.7	983.5	1,016.3	1,047.9
DPO		77.99	85.45	88.66	83.04	74.77	82.98	83.48	83.98	84.48	84.98	85.48	85.98	86.48	86.98	87.48
DPO - Bear	-5.0 Days						78.0 Days	78.5 Days	79.0 Days	79.5 Days	80.0 Days	80.5 Days	81.0 Days	81.5 Days	82.0 Days	82.5 Days
DPO - Base							83.0 Days	83.5 Days	84.0 Days	84.5 Days	85.0 Days	85.5 Days	86.0 Days	86.5 Days	87.0 Days	87.5 Days
DPO - Bull	5.0 Days						88.0 Days	88.5 Days	89.0 Days	89.5 Days	90.0 Days	90.5 Days	91.0 Days	91.5 Days	92.0 Days	92.5 Days
Prepaid & other current assets % sales		26.9	35.1	51.9	57.0	45.0	46.8	48.7	50.4	52.2	53.9	55.5	57.0	58.5	59.9	61.2
% sales		0.6%	0.7%	1.0%	1.1%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Accrued expenses		342.2	411.4	389.9	414.2	555.7	464.7	470.0	474.1	476.9	478.2	478.2	476.7	473.8	469.4	463.5
% sales		7.9%	8.4%	7.5%	7.7%	9.5%	7.6%	7.4%	7.2%	7.0%	6.8%	6.6%	6.4%	6.2%	6.0%	5.8%
Other current liabilities		7.5	12.7	3.3	7.0	7.2	7.5	7.8	8.1	8.3	8.6	8.9	9.1	9.4	9.6	9.8
% sales		0.2%	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%

Others		2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Deferred Tax Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
% Cash Taxes		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Non-Current Assets		138.1	158.8	173.1	154.9	180.0	187.4	194.6	201.7	208.7	215.5	222.0	228.2	234.1	239.6	244.8
% sales		3.2%	3.2%	3.3%	2.9%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Deferred Tax Liabilities		579.6	707.3	745.1	757.0	743.1	743.1	657.6	638.7	617.7	594.5	569.0	563.8	556.4	632.6	619.4
% Cash Taxes		367.3%	376.4%	364.9%	692.0%	350.8%	345.8%	340.8%	335.8%	330.8%	325.8%	320.8%	315.8%	310.8%	305.8%	300.8%
Other Non-Current Liabilities		334.0	317.4	185.7	163.5	171.6	178.6	185.5	192.3	199.0	205.4	211.6	217.5	223.2	228.4	233.3
% sales		7.7%	6.5%	3.6%	3.0%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
FX/ Adjustment to Cash		0.9	5.3	(2.2)	(6.0)	3.5	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6
% sales		0.0%	-0.1%	0.0%	0.1%	-0.1%	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)

Appendix A6 – PPE Schedule

Appendix A7 – WACC Build

Discount Rate Calculations - Assumptions:	
Risk Free Rate (10Y US Bond Yield)	4.24%
Cost of Preferred Stock:	–
Equity Risk Premium	4.60%

Cost of Debt Assumption	
Risk Free Rate	4.24%
Credit Spread	1.00%
Pre-Tax Cost of Debt	**5.2%**

Market Value of Debt	Amount	Average Term	Average Rate	% of Total
Total Debt (ex. leases)	$ 2,406.0	*14.05*	*4.1%*	92%
Total Leases	*199.60*	*8.10*	*4.5%*	8%
Total/ Weighted Average	2,606	*13.59*	*4.1%*	*100%*
Interest expense (US$)				$ (110.9)
Market Value of Debt				**$ 366.1**

Market Value of debt: C[(1 – (1/((1 + Kd)^t)))/Kd] + [FV/((1 + Kd)^t)]

Fully Diluted Shares	
Options outstanding	10.20
Weighted Average Exercise Price	68.77
Current Share Price	104.12
Dilution due to ITM Options	10.20
Proceeds from ITM Options	701.45
Share Buyback from Proceeds	6.74
Net Dilution in Shares Outstanding	3.46
RSU	0.97
Fully Diluted Shares	**248.24**

Comparable Companies - Unlevered Beta Calculation:

Name and Ticker	Levered Beta	Debt	% Debt	Preferred Stock	% Preferred	Equity Value	% Equity	Tax Rate	Unlevered Beta
The Procter & Gamble Company (NYSE:PG)	0.4x	$ 33,712.0	8.2%	$ 809.0	0.2%	$377,306.9	91.6%	21.0%	0.40x
The Clorox Company (NYSE:CLX)	0.4x	$ 3,129.0	13.9%	$ -	–	$ 19,318.4	86.1%	40.8%	0.38x
Colgate-Palmolive Company (NYSE:CL)	0.4x	$ 9,064.0	11.1%	$ -	–	$ 72,494.9	88.9%	27.6%	0.38x
Kimberly-Clark Corporation (NYSE:KMB)	0.4x	$ 8,486.0	16.7%	$ -	–	$ 42,329.4	83.3%	20.4%	0.35x
Unilever PLC (LSE:ULVR)	0.2x	$ 32,423.4	20.8%	$ -	–	$123,390.6	79.2%	23.6%	0.14x
Edgewell Personal Care Company (NYSE:EPC)	1.0x	$ 1,476.5	43.5%	$ -	–	$ 1,919.9	56.5%	21.7%	0.59x
Sanofi (ENXTPA:SAN)	0.4x	$ 20,165.3	14.4%	$ -	–	$119,840.2	85.6%	22.8%	0.39x
Reckitt Benckiser Group plc (LSE:RKT)	0.1x	$ 10,974.8	18.9%	$ -	–	$ 47,159.7	81.1%	31.4%	0.06x
Haleon plc (LSE:HLN)	-	$ 12,400.5	24.1%	$ -	–	$ 38,986.4	75.9%	31.8%	NA
Kenvue Inc. (NYSE:KVUE)	-	$ 8,427.0	18.0%	$ -	–	$ 38,329.9	82.0%	24.0%	NA
Median:	**0.42**	**$ 10,019.4**	**17.4%**	**$ -**	**–**	**$ 44,744.6**	**82.6%**	**23.8%**	**0.38x**

Church & Dwight Co., Inc. (NYSE:CHD)	0.53x

Church & Dwight Co., Inc. (NYSE:CHD) - Levered Beta & WACC Calculation

	Unlevered Beta	Debt	% Debt	Preferred Stock	% Preferred	Equity Value	% Equity	Tax Rate	Levered Beta
Current Capital Structure:	0.38	$ 366.1	1.4%	$ -	–	$ 25,382.1	98.6%	21.4%	0.38
"Optimal" Capital Structure:	0.38	4,470.2	17.4%	-	–	21,277.9	82.6%	21.4%	0.44

Cost of Equity Based on Comparables, Current Capital Structure:	6.01%
Cost of Equity Based on Comparables, "Optimal" Capital Structure:	6.28%
Cost of Equity Based on Historical Beta:	6.68%

WACC = Cost of Equity * % Equity + Cost of Debt * (1 - Tax Rate) * % Debt + Cost of Preferred Stock * % Preferred Stock

WACC, Current Capital Structure:	5.98%
WACC, "Optimal" Capital Structure:	5.90%
WACC, Current Capital Structure and Historical Cost of Equity:	6.65%

Average WACC Produced by All Methods:	6.18%

Appendix A8 – DCF

Determination of EBITDA & Free Cash Flow	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
EBIT	$841	$936	$992	$1,009	$1,057	$1,035	$1,046	$1,038	$1,026	$1,010	$990	$999	$1,004	$1,137	$1,135
D&A	$159	$170	$194	$195	$201	$296	$324	$370	$417	$465	$515	$534	$552	$441	$460
EBITDA	**$1,000**	**$1,105**	**$1,186**	**$1,204**	**$1,258**	**$1,331**	**$1,370**	**$1,407**	**$1,442**	**$1,475**	**$1,505**	**$1,532**	**$1,557**	**$1,578**	**$1,596**
Free Cash Flow to Firm (FCFF)															
Operating Profit	$841	$936	$992	$1,009	$1,057	$1,035	$1,046	$1,038	$1,026	$1,010	$990	$999	$1,004	$1,137	$1,135
Less: Unlevered Taxes	($172)	($181)	($196)	($211)	($232)	($222)	($224)	($222)	($220)	($216)	($212)	($214)	($215)	($243)	($243)
Net Operating Profit AEter Tax (NOPAT)	**$670**	**$755**	**$796**	**$798**	**$826**	**$814**	**$822**	**$816**	**$806**	**$794**	**$778**	**$785**	**$789**	**$894**	**$892**
Plus: Depreciation & Amortization	$159	$170	$194	$195	$201	$296	$324	$370	$417	$465	$515	$534	$552	$441	$460
Plus: Stock-Based Compensation															
Plus: Other Non-Cash Expenses															
Less: Cash Capex	($74)	($92)	($119)	($179)	($224)	($214)	($222)	($230)	($238)	($246)	($253)	($260)	($267)	($273)	($279)
Plus: Changes in Net Working Capital	$36	($48)	($75)	($204)	($22)	($138)	($126)	($62)	($66)	($71)	($75)	($57)	($61)	$21	($69)
Free Cash Flow to Firm (FCFF)	**$790**	**$785**	**$795**	**$610**	**$782**	**$758**	**$799**	**$893**	**$918**	**$942**	**$965**	**$1,001**	**$1,014**	**$1,082**	**$1,004**

Discounted Cash Flow	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E

Key Assumptions	
WACC	6.18%
Median EV/EBITDA	13.84x
Terminal Growth Rate	2.50%

Time Periods											
Valuation Date / Fiscal Year-End	23/3/2024	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2028	31/12/2029	31/12/2030	31/12/2031	31/12/2032	31/12/2033
Date for NPV Calculation		11/8/2024	1/7/2025	1/7/2026	1/7/2027	1/7/2028	1/7/2029	1/7/2030	1/7/2031	1/7/2032	1/7/2033
Year Fraction		0.77	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
EBITDA		$1,331	$1,370	$1,407	$1,442	$1,475	$1,505	$1,532	$1,557	$1,578	$1,596
FCFF		$758	$799	$893	$918	$942	$965	$1,001	$1,014	$1,082	$1,004
Valuation FCFF		$585	$799	$893	$918	$942	$965	$1,001	$1,014	$1,082	$1,004
Terminal Value (Terminal Growth)		-	-	-	-	-	-	-	-	-	$27,983
Terminal Value (Exit Multiple)		-	-	-	-	-	-	-	-	-	$22,087

DCF Value Summary - Terminal Growth	
NPV - FCF	$7,015
NPV - Terminal Value	$16,420
Enterprise Value	**$23,436**
(-) Minority Interests	-
(-) Net Debt	($2,261)
(-) Preferred Stock	-
(-) Finance Leases	-
(-) Operating Leases (IFRS)	($200)
Equity Value	**$20,975**
Fully Diluted Shares Outstanding (mm)	248.24
Equity Value (USD) per Share - Base Case	**$84.49**

DCF Value Summary - Exit Multiple	
NPV - FCF	$7,015
NPV - Terminal Value	$12,960
Enterprise Value	**$19,976**
(-) Minority Interests	-
(-) Net Debt	($2,261)
(-) Preferred Stock	-
(-) Finance Leases	-
(-) Operating Leases (IFRS)	($200)
Equity Value	**$17,515**
Fully Diluted Shares Outstanding (mm)	248.24
Equity Value (USD) per Share - Base Case	**$70.56**

Sensitivities

		Terminal Growth					
		1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
WACC	7.95%	48.69	51.57	54.99	59.09	64.12	70.42
	7.45%	53.39	56.93	61.19	66.40	72.94	81.37
	6.95%	58.96	63.37	68.78	75.56	84.31	96.02
	6.45%	65.65	71.26	78.29	87.37	99.52	116.64
	5.95%	73.83	81.13	90.55	103.17	120.94	147.83
	5.45%	84.09	93.87	106.96	125.41	153.32	200.53
	4.95%	97.32	110.92	130.07	159.05	208.06	308.79
	4.45%	115.03	134.92	165.02	215.91	320.51	658.94

		EV/ EBITDA					
		12.84x	13.34x	13.84x	14.34x	14.84x	15.34x
WACC	7.95%	58.25	59.88	61.51	63.14	64.76	66.39
	7.45%	60.53	62.23	63.93	65.62	67.32	69.02
	6.95%	62.91	64.68	66.45	68.22	69.99	71.76
	6.45%	65.40	67.24	69.09	70.93	72.77	74.62
	5.95%	67.99	69.92	71.84	73.76	75.69	77.61
	5.45%	70.71	72.71	74.72	76.72	78.73	80.73
	4.95%	73.54	75.63	77.73	79.82	81.91	84.00
	4.45%	76.50	78.69	80.87	83.05	85.24	87.42

Appendix A8 – Public Comps

(US$ in Millions Except Per Share Amounts in US$ as Stated)

		Current Capitalization									NTM/ LTM Financials							
Company Name		Share Price	Shares	Market Cap.	Total Debt	Cash	Net Debt	Min. Interest	Preferred Equity	Enterprise Value	Revenue NTM	Revenue LTM	EBITDA NTM	EBITDA LTM	EBIT NTM	EBIT LTM	EPS NTM	EPS LTM
		[$/sh.]	[MM]	[$MM]			[$MM]		[$MM]	[$MM]	[$MM]	[$MM]	[$MM]	[$MM]	[$MM]	[$MM]	[$]	[$]
Church & Dwight Co., Inc. (NYSE:CHD)		$104.12	243.8	$25,382	$2,606	$345	$2,261	-	-	$27,643	$6,121	$5,868	$1,400	$1,258	$1,172	$1,057	$3.44	$3.05
Tier 1: Providers of Consumer/ Household/ Health Products (Consumer Domestic and Consumer International)	**75%**																	
The Procter & Gamble Company (NYSE:PG)		$160.35	2,353	$377,307	$33,712	$7,890	$25,822	$294	$809	$404,232	$86,191	$83,933	$23,940	$23,719	$20,898	$20,898	$6.7	$6.0
The Clorox Company (NYSE:CLX)		$155.66	124	$19,318	$3,129	$355	$2,774	$165	-	$22,257	$7,441	$7,310	$1,304	$1,082	$1,097	$852	$6.0	$0.6
Colgate-Palmolive Company (NYSE:CL)		$88.07	823	$72,495	$9,064	$1,145	$7,919	$348	-	$80,762	$20,157	$19,457	$4,942	$4,509	$4,333	$3,942	$3.5	$2.8
Kimberly-Clark Corporation (NYSE:KMB)		$125.65	337	$42,329	$8,486	$1,093	$7,393	$153	-	$49,875	$20,474	$20,431	$3,911	$3,619	$3,141	$2,866	$6.9	$5.2
Unilever PLC (LSE:ULVR)		$49.31	2,503	$123,391	$32,423	$6,447	$25,976	$2,914	-	$152,835	$66,595	$65,241	$13,172	$12,779	$11,266	$11,051	$3.0	$2.8
High																		
75th Percentile																		
Median																		
25th Percentile																		
Low																		
Tier 2: Providers of Healthcare/ Nutrition (Specialty Products)	**25%**																	
Edgewell Personal Care Company (NYSE:EPC)		$38.45	50	$1,920	$1,477	$214	$1,262	-	-	$3,182	$2,318	$2,271	$358	$316	$265	$230	$2.9	$2.1
Sanofi (ENXTPA:SAN)		$95.98	1,249	$119,840	$20,165	$9,534	$10,632	$343	-	$130,814	$50,705	$50,386	$15,181	$13,704	$13,613	$10,072	$8.4	$4.7
Reckitt Benckiser Group plc (LSE:RKT)		$66.39	710	$47,160	$10,975	$1,783	$9,192	$27	-	$56,378	$18,773	$18,778	$4,972	$5,862	$4,386	$4,305	$4.2	$2.9
Haleon plc (LSE:HLN)		$4.22	9,235	$38,986	$12,401	$1,342	$11,058	$158	-	$50,203	$14,720	$14,529	$3,696	$3,465	$3,325	$3,219	$0.2	$0.2
Kenvue Inc. (NYSE:KVUE)		$20.02	1,915	$38,330	$8,427	$1,382	$7,045	-	-	$45,375	$15,663	$15,444	$3,744	$3,570	$3,429	$2,943	$1.2	$0.9
High																		
75th Percentile																		
Median																		
25th Percentile																		
Low																		

Appendix A8 – Public Comps (Cont'd)

Comparable Analysis

EV/EBITDA (NTM)

	NTM EBITDA	Comparable Multiple Range 25th Percentile	Mid	75th Percentile	Implied Enterprise Value 25th Percentile	Mid	75th Percentile
	$1,400	11.8x	15.1x	15.7x			
Implied Enterprise Value					**$16,497**	**$21,125**	**$21,966**
Less: Net Debt					($2,261)	($2,261)	($2,261)
Implied Equity Value					**$14,236**	**$18,863**	**$19,705**
Fully Diluted Shares Outstanding (MM)					248.24	248.24	248.24
Implied Equity Value per Share (US$/sh.)					**$57**	**$76**	**$79**

EV/EBIT (NTM)

	NTM EBIT	Comparable Multiple Range 25th Percentile	Mid	75th Percentile	Implied Enterprise Value 25th Percentile	Mid	75th Percentile
	$1,172	14.9x	17.2x	17.8x			
Implied Enterprise Value					**$17,478**	**$20,148**	**$20,877**
Less: Net Debt					($2,261)	($2,261)	($2,261)
Implied Equity Value					**$15,217**	**$17,887**	**$18,616**
Fully Diluted Shares Outstanding (MM)					248.24	248.24	248.24
Implied Equity Value per Share (US$/sh.)					**$61**	**$72**	**$75**

P/E (NTM)

	NTM EPS	Comparable Multiple Range 25th Percentile	Mid	75th Percentile	Implied Equity Value Per Share 25th Percentile	Mid	75th Percentile
	$3	17.0x	21.9x	23.2x	$59	$75	$80
Implied Equity Value per Share (US$/sh.)					**$59**	**$75**	**$80**

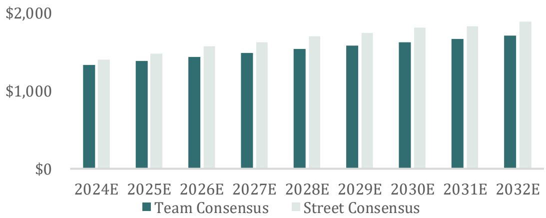
EV/Revenue (NTM)

	NTM Revenue	Comparable Multiple Range 25th Percentile	Mid	75th Percentile	Implied Enterprise Value 25th Percentile	Mid	75th Percentile
	$6,121	2.5x	3.0x	3.8x			
Implied Enterprise Value					**$15,131**	**$18,165**	**$22,989**
Less: Net Debt					($2,261)	($2,261)	($2,261)
Implied Equity Value					**$12,869**	**$15,904**	**$20,728**
Fully Diluted Shares Outstanding (MM)					248.24	248.24	248.24
Implied Equity Value per Share ($/sh.)					**$52**	**$64**	**$83**

Appendix B1 – Worrisome Shift In CHD's Culture And Strategy

Date	Event Timeline
April 2002	Farrell appointed EVP and CFO of Alpharma Inc.
Feb 2004	Company's auditors communicated to the Feb 2004 Company's management and Audit Committee two reportable conditions in the internal controls of the USHP division that, when viewed collectively, constitute a **material weakness in the Company's internal controls**.
Mar 2004	The Company is presently being **sued by the State of Massachusetts alleging fraud** in connection with these state Medicaid programs
May 2004	Alpharma amends SEC filings. Financial statements for 2003 are being restated to adjust inventory costs related to a vendor contract that was subject to an amendment and letter of intent in January 2003
Feb 2005	On February 16, 2005, Alpharma Inc. was notified by PwC that PwC would **decline to stand for re-election** as the Company's independent registered public accounting firm at the Company's upcoming 2005 Annual Meeting of Stockholders
Apr 2005	In connection with its assessment of the effectiveness of internal control over financial reporting as of December 31, 2004, the Registrant identified the following **internal control deficiencies**: Effective controls to ensure the completeness and accuracy of the review of **customer discount reserves were not maintained at December 31, 2004**. Effective controls to ensure the completeness and accuracy of income tax account balances, including the determination of deferred income tax assets and liabilities, income taxes payable, and income tax expense, were not maintained. In connection with the Registrant's disclosure in the Prior 8-K that it did not have effective controls over the determination of proper segment disclosures in conformity with generally accepted accounting principles
Apr 2005	The Company has determined that it was **not in compliance** at December 31, 2004 and 2003 with certain debt covenants. As a result of these defaults, on April 28, 2005, the Company's management concluded that the previously issued financial statements for 2003 and 2004 **should no longer be relied upon**.
Aug 2006	**Farrell resigns as CFO**
Dec 2006	SEC Comment Letter: We believe that your disclosure related to estimates of items that reduce gross revenue such as product returns, chargebacks, customer rebates and other discounts and allowances could be improved as follows, please provide us the following
Feb 2007	On February 28, 2007, the Company **received a subpoena** from the U.S. Department of Justice requesting certain documents relating to KADIAN.
Mar 2010	**DOJ Settlement**: The settlement resolves allegations that, between January 1, 2000 and December 29, 2008, Alpharma paid health care providers to induce them to promote or prescribe Kadian, and made misrepresentations about the safety and efficacy of the drug, which is used to treat chronic moderate to severe pain.

Figure [xx]: CHD' EBITDA Forecast – Team vs Street's View



Source(s): CapIQ, Team Estimates