

Colgate Palmolive(CL) – Target: \$80



Today's Price: \$76.25
 Dividend Yield: 2.36%
 Market Cap: 63.49 Billion
 Industry: Consumer Staples
 Headquarters: New York, NY

A staples company that has promising expansion and innovation within a pretty stagnant industry

Business Overview

Colgate-Palmolive engages in the sales of cleaning products, dental and other personal care products, and pet foods. The company was founded in 1806 and its headquarters is located in New York, NY.
Revenue Segmentation: Colgate Palmolive Company operates in two product segments: oral (44%), personal (21%), and home care (18%); and pet nutrition (17%). Total Revenue 2020: \$16.471 B

Thesis Points

- 1. Pet Nutrition Diversification:** With the 1976 acquisition of Hill's Pet Nutrition, Colgate Palmolive became one of the market leaders in the Pet Nutrition market. With a 14% increase in net sales from 2019 to 2020, their pet nutrition segment of the company accounted for 17% of total revenue. In June of 2021, the opening of the Small Paws Innovation Center marks continued investments into the Pet Nutrition space as the only PN brand to have research designated for small and miniature dogs.
- 2. Alternative Retail Channels:** Colgate Palmolive is beginning to adjust their distribution strategies to not only target large retailers, but also shift into eCommerce as well as direct business to consumer channels through subscription services. The 2018 investment into Hubble Contacts began the expansion into this space to help develop subscription services for the personal care and wellness pet nutrition giant. Using Dollar Shave Club as a case study (as most people need razors), DSC saw ¼ retention after a 48 month period which is promising as Colgate-Palmolive's expands into the space as they offer similar staples products.
- 3. Adjusting to Market Shifts:** Colgate has a four-year Global and Efficiency Program which focuses on expanding commercial hubs, expanding shared business services and streamlining global functions, and optimizing the global supply chain and facilities. Organic product sales have been on the rise and Colgate has seen their highest level of organic sales growth in the past two years. Some of Colgate's sustainable acquisitions include Hello Products, Elta MD Skin Care, For the Future NOW!, and Tom's of Maine. The company's acquisition of Hello Products contributed 1.5% to volume in North America.



Industry Overview

Oral, personal, and home care: Toothpaste and toothbrushes have a slow but steady growth with the electronic toothbrush market expected to grow by about 8% in the next 5 years. With heightened awareness of personal care, the overall industry has been seeing increased growth as skincare and awareness of organic products has been on the rise. With skincare being the fastest growing industry in the cosmetics field at 5% expected growth, many facets of this holistic industry are seeing upticks.
Pet nutrition: Hill's Pet Nutrition is one of the industry leaders in Pet Nutrition. With the global pet food market alone expected to grow by over 15%, the industry overall is increasing. Additionally, during pandemic times according to ASPCA, 1 in 5 households acquired a dog or cat during pandemic times, leading to an overall boom in the need for pet nutrition.



Organic pet food market and expected growth

Additional Commentary – Valuation/Risks/News

Valuation: Expansion into pet nutrition and an increase in the demand of organic products is how we projected revenue growth. Our valuation yielded a target price of \$80, yielding an implied upside of 6%.
News or opinions: The prevalence of oral diseases and growing oral hygiene awareness are major contributors to the electric toothbrush market growth. Furthermore, mentally disabled patients are expected to fuel the growth of electric toothbrushes. Multifunctional toothpaste sales are increasing whether it be toothpaste that is also a whitener, fights against plaque, bad breath, sensitivity, etc.

