PROCTER & GAMBLE Co
Form DEFA14A
September 07, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 14a-12

The Procter & Gamble Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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On September 7, 2017, The Procter & Gamble Company distributed the following communication and may in the future send or use the same or substantially similar communications from time to time:

The Procter & Gamble Company Regulation G Reconciliation of Non-GAAP Measures

In accordance with the SEC s Regulation G, the following provides definitions of the non-GAAP measures used in Procter & Gamble s September 7, 2017 Barclays Conference slides and the reconciliation to the most closely related GAAP measure. We believe that these measures provide useful perspective on underlying business trends (i.e. trends excluding non-recurring or unusual items) and results and provide a supplemental measure of year-on-year results. The non-GAAP measures described below are used by Management in making operating decisions, allocating financial resources and for business strategy purposes. These measures may be useful to investors as they provide supplemental information about business performance and provide investors a view of our business results through the eyes of Management. These measures are also used to evaluate senior management and are a factor in determining their at-risk compensation. These non-GAAP measures are not intended to be considered by the user in place of the related GAAP measure, but rather as supplemental information to our business results. These non-GAAP measures may not be the same as similar measures used by other companies due to possible differences in method and in the items or events being adjusted.

The measures provided are as follows:

1. Organic sales growth page 3
2. Core EPS and currency-neutral core EPS pages 3
3. Core after tax margin page 4
4. Core operating profit margin and core currency-neutral operating profit margin page 4
5. Core gross margin and currency-neutral core gross margin page 4
6. Adjusted free cash flow page 5
7. Adjusted free cash flow productivity page 5

The Core earnings measures included in the following reconciliation tables refer to the equivalent GAAP measures adjusted as applicable for the following items:

<u>Incremental restructuring:</u> The Company has had and continues to have an ongoing level of restructuring activities. Such activities have resulted in ongoing annual restructuring related charges of approximately $250 - $500 million before tax. Beginning in 2012 Procter & Gamble began a $10 billion strategic productivity and cost savings initiative that includes incremental restructuring activities. In 2017, the company announced elements of an additional multi-year productivity and cost savings plan. These plans result in incremental restructuring charges to accelerate productivity efforts and cost savings. The adjustment to Core earnings includes only the restructuring costs above what we believe are the normal recurring level of restructuring costs.

<u>Early debt extinguishment charges:</u> During fiscal 2017, the Company recorded a charge of $345 million after tax due to the early extinguishment of certain long-term debt. This charge represents the difference between the reacquisition price and the par value of the debt extinguished.

<u>Venezuela deconsolidation charge</u>: For accounting purposes, evolving conditions resulted in a lack of control over our Venezuelan subsidiaries. Therefore, in accordance with the applicable accounting standards for consolidation, effective June 30, 2015, we deconsolidated our Venezuelan subsidiaries and began accounting for our investment in those subsidiaries using the cost method of accounting. The charge was incurred to write off our net assets related to Venezuela.

<u>Charges for certain European legal matters</u>: Several countries in Europe issued separate complaints alleging that the Company, along with several other companies, engaged in violations of competition laws in prior periods. The Company established Legal Reserves related to these charges.

Venezuela B/S remeasurement & devaluation impacts: Venezuela is a highly inflationary economy under U.S. GAAP. Prior to deconsolidation, the government enacted episodic changes to currency exchange mechanisms and rates, which resulted in currency remeasurement charges for non-dollar denominated monetary assets and liabilities held by our Venezuelan subsidiaries.

Non-cash impairment charges: During fiscal years 2013 and 2012 the Company incurred impairment charges related to the carrying value of goodwill and indefinite lived intangible assets in our Appliances and Salon Professional businesses.

Gain on Iberian JV buyout: During fiscal year 2013 we incurred a holding gain on the purchase of the balance of our Iberian joint venture from our joint venture partner.

We do not view the above items to be part of our sustainable results, and their exclusion from core earnings measures provides a more comparable measure of year-on-year results.

Organic sales growth: Organic sales growth is a non-GAAP measure of sales growth excluding the impacts of acquisitions, divestitures and foreign exchange from year-over-year comparisons. Managements believes this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis, and this measure is used in assessing achievement of management goals for at-risk compensation.

Core EPS and currency-neutral Core EPS: Core earnings per share, or Core EPS, is a measure of the Company s diluted net earnings per share from continuing operations adjusted as indicated. Currency-neutral Core EPS is a measure of the Company s Core

EPS excluding the incremental current year impact of foreign exchange. Management views these non-GAAP measures as a useful supplemental measure of Company performance over time.

Core operating profit margin and currency-neutral Core operating profit margin: Core operating profit margin is a measure of the Company s operating margin adjusted for items as indicated. Currency-neutral Core operating profit margin is a measure of the Company s Core operating profit margin excluding the incremental current year impact of foreign exchange. Management believes these non-GAAP measures provide a supplemental perspective to the Company s operating efficiency over time.

Core gross margin and currency-neutral Core gross margin: Core gross margin is a measure of the Company s gross margin adjusted for items as indicated. Currency-neutral Core gross margin is a measure of the Company s Core gross margin excluding the incremental current year impact of foreign exchange. Management believes these non-GAAP measures provide a supplemental perspective to the Company s operating efficiency over time.

Adjusted free cash flow: Adjusted free cash flow is defined as operating cash flow less capital spending and excluding tax payments related to the Beauty Brands divestiture, which are non-recurring and not considered indicative of underlying cash flow performance. Adjusted free cash flow represents the cash that the Company is able to generate after taking into account planned maintenance and asset expansion. Management views adjusted free cash flow as an important measure because it is one factor used in determining the amount of cash available for dividends and discretionary investment.

Adjusted free cash flow productivity: Adjusted free cash flow productivity is defined as the ratio of adjusted free cash flow to net earnings excluding the loss on early debt extinguishment and gain on the sale of the Beauty Brands, which are non-recurring and not considered indicative of underlying earnings performance. Management views adjusted free cash flow productivity as a useful measure to help investors understand P&G s ability to generate cash. Adjusted free cash flow productivity is used by management in making operating decisions, allocating financial resources and for budget planning purposes. The Company s long-term target is to generate annual adjusted free cash flow productivity at or above 90 percent.

1. Organic sales growth:

Total Company	Net Sales Growth	Foreign Exchange Impact	Acquisition/ Divestiture Impact*	Organic Sales Growth
AMJ 2017	-%	2%	-%	2%
FY 2017	--%	2%	-%	2%

*Acquisition/Divestiture Impact includes mix impacts of acquired and divested businesses and rounding impacts necessary to reconcile net sales to organic sales.

2. Core EPS:

	Three Months Ended June 30	
	2017	**2016**
Diluted Net Earnings Per Share from Continuing Operations	**$0.82**	**$0.71**
Incremental Restructuring	0.02	0.08
Rounding	0.01	-
Core EPS	**$0.85**	**$0.79**
Percentage change vs. prior period	*8%*	
Currency Impact to Earnings	-	
Currency-Neutral Core EPS	**$0.85**	
Percentage change vs. prior period Core EPS	*8%*	

	FY 12	**FY 13**	**FY 14**	**FY 15**	**FY 16**	**FY 17**
Diluted Net Earnings Per Share from Continuing Operations, attributable to P&G	**$2.97**	**$3.50**	**$3.63**	**$2.84**	**$3.49**	**$3.69**
Incremental Restructuring	0.15	0.14	0.11	0.17	0.18	0.10
Early Debt Extinguishment Charges	-	-	-	-	-	0.13
Venezuela B/S Remeasurement & Devaluation Impacts	-	0.08	0.09	0.04	-	-
Charges for Certain European Legal Matters	0.03	0.05	0.02	0.01	-	-
Venezuela Deconsolidation Charge	-	-	-	0.71	-	-
Non-Cash Impairment Charges	0.31	0.10	-	-	-	-
Gain on Iberian JV Buyout	-	(0.21)	-	-	-	-
Rounding	(0.01)	(0.01)	-	(0.01)	-	-
Core EPS	**$3.45**	**$3.65**	**$3.85**	**$3.76**	**$3.67**	**$3.92**
Percentage change vs. prior year Core EPS	-	*6%*	*5%*	*(2)%*	*(2)%*	*7%*
Currency Impact to Earnings	-	0.15	0.32	0.52	0.35	0.15

Currency-Neutral Core EPS	**-**	**$3.80**	**$4.17**	**$4.28**	**$4.02**	**$4.07**
Percentage change vs. prior year Core EPS	-	*10%*	*14%*	*11%*	*7%*	*11%*

Note All reconciling items are presented net of tax. Tax effects are calculated consistent with the nature of the underlying transaction.

3. Core after tax margin:

	Net Earnings Margin	Discontinued Operations	Incremental Restructuring	Early Debt Extinguishment Charges	Core After Tax Margin
FY 2017	23.6%	(8.0%)	0.4%	0.5%	16.5%

4. Core operating profit margin:

	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	
Operating Profit Margin	**17.1%**	**17.7%**	**18.7%**	**15.6%**	**20.6%**	**21.5%**	
Incremental Restructuring	0.7%	0.7%	0.5%	0.9%	0.9%	0.6%	
Charges for Certain European Legal Matters	0.1%	0.2%	0.1%	-	-	-	
Venezuela B/S Remeasurement & Devaluation Impacts	-	0.5%	0.4%	0.2%	-	-	
Venezuela Deconsolidation Charge	-	-	-	2.9%	-	-	
Non-Cash Impairment	1.2%	0.4%	-	-	-	-	
Rounding	0.1%	(0.1)%	-	-	-	-	
Core Operating Profit Margin	**19.2%**	**19.4%**	**19.7%**	**19.6%**	**21.5%**	**22.1%**	**4-yr total change**
Basis point change vs. prior year Core margin		*20*	*30*	*(10)*	*190*	*60*	*270*
Currency Impact to Margin		0.3%	1.2%	1.4%	0.5%	0.3%	
Currency-Neutral Core Operating Profit Margin		**19.7%**	**20.9%**	**21.0%**	**22.0%**	**22.4%**	
Basis point change vs. prior year Core margin		*50*	*150*	*130*	*240*	*90*	*610*

5. Core gross margin:

	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	
Gross Margin	**48.2%**	**48.5%**	**47.5%**	**47.6%**	**49.6%**	**50.0%**	
Incremental Restructuring	**0.2%**	0.3%	0.4%	0.7%	1.0%	0.8%	
Rounding	**-**	-	-	0.1%	-	-	
Core Gross Margin	**48.4%**	**48.8%**	**47.9%**	**48.4%**	**50.6%**	**50.8%**	**4-yr total change**
Basis point change vs. prior year		*40*	*(90)*	*50*	*220*	*20*	*200*

Core margin						
Currency Impact to Margin	0.1%	1%	0.4%	0.7%	0.4%	
Currency-Neutral Core Gross Margin	**48.9%**	**48.9%**	**48.8%**	**51.3%**	**51.2%**	
Basis point change vs. prior year						
Core margin	*50*	*10*	*90*	*290*	*60*	*450*

6. Adjusted free cash flow:

Three Months Ended June 30, 2017

Operating Cash Flow	Capital Spending	Free Cash Flow	Cash Tax Payment Beauty Sale	**Adjusted Free Cash Flow**
$3,688	$(1,154)	$2,534	$215	$2,749

Twelve Months Ended June 30, 2017

Operating Cash Flow	Capital Spending	Free Cash Flow	Cash Tax Payment Beauty Sale	**Adjusted Free Cash Flow**
$12,753	$(3,384)	$9,369	$418	$9,787

7. Adjusted free cash flow productivity:

Three Months Ended June 30, 2017

Adjusted Free Cash Flow	Net Earnings	Loss on Early Debt Extinguishment	Gain on Sale of Beauty Brands	Adjusted Net Earnings	**Adjusted Free Cash Flow Productivity**
$2,749	$2,202	-	-	$2,202	125%

Twelve Months Ended June 30, 2017

Adjusted Free Cash Flow	Net Earnings	Loss on Early Debt Extinguishment	Gain on Sale of Beauty Brands	Adjusted Net Earnings	**Adjusted Free Cash Flow Productivity**
$9,787	$15,411	$345	(5,335)	$10,421	94%

Important Additional Information and Where to Find It

The Company has filed a definitive proxy statement on Schedule 14A and form of associated BLUE proxy card with the Securities and Exchange Commission (SEC) in connection with the solicitation of proxies for its 2017 Annual Meeting of Shareholders (the Definitive Proxy Statement). The Company, its directors and certain of its executive officers will be participants in the solicitation of proxies from shareholders in respect of the 2017 Annual Meeting. Information regarding the names of the Company s directors and executive officers and their respective interests in the Company by security holdings or otherwise is set forth in the Definitive Proxy Statement. Details concerning the nominees of the Company s Board of Directors for election at the 2017 Annual Meeting are included in the Definitive Proxy Statement. BEFORE MAKING ANY VOTING DECISION, INVESTORS AND SHAREHOLDERS OF THE COMPANY ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH OR FURNISHED TO THE SEC, INCLUDING THE COMPANY S DEFINITIVE PROXY STATEMENT AND ANY SUPPLEMENTS THERETO AND ACCOMPANYING BLUE PROXY CARD, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Shareholders may obtain a free copy of the Definitive Proxy Statement and other relevant documents that the Company files with the SEC from the SEC s website at www.sec.gov or the Company s website at http://www.pginvestor.com as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the SEC.