

Ultra Protective

WEALTH MANAGEMENT





News

- CHD released Q4 earnings On February 5, 2018.
 - EPS of \$0.52 beats by \$0.02
 - Revenue of \$1.03B (+ 15.0% Y/Y) beats by \$30M
- Management declares next year EPS should be between 16% and 18%.

- CHD declares dividend of \$0.2175/share.
- 14.5% increase from prior dividend of \$0.19.





History

- 1846 - Founded in by brothers-in-law Dr. Austin Church and John Dwight.
- 1867 - Arm and Hammer logo was born by A retired Austin Church's sons.
- 1925 - Incorporated in Delaware.
- 1986 - Statue of Liberty's 100th anniversary was approaching on July 4, 1986, ARM & HAMMER™ Baking Soda was chosen to clean and beautify it. One hundred tons of baking soda was used to remove 99 years of coal tar without damaging the delicate copper interior.



Overview

- One of the leading consumer packaged goods companies in the United States.
- ARM & HAMMER™, Trojan™, First Response™, Nair™, Spinbrush™, OxiClean™, Orajel™





Sale Locations

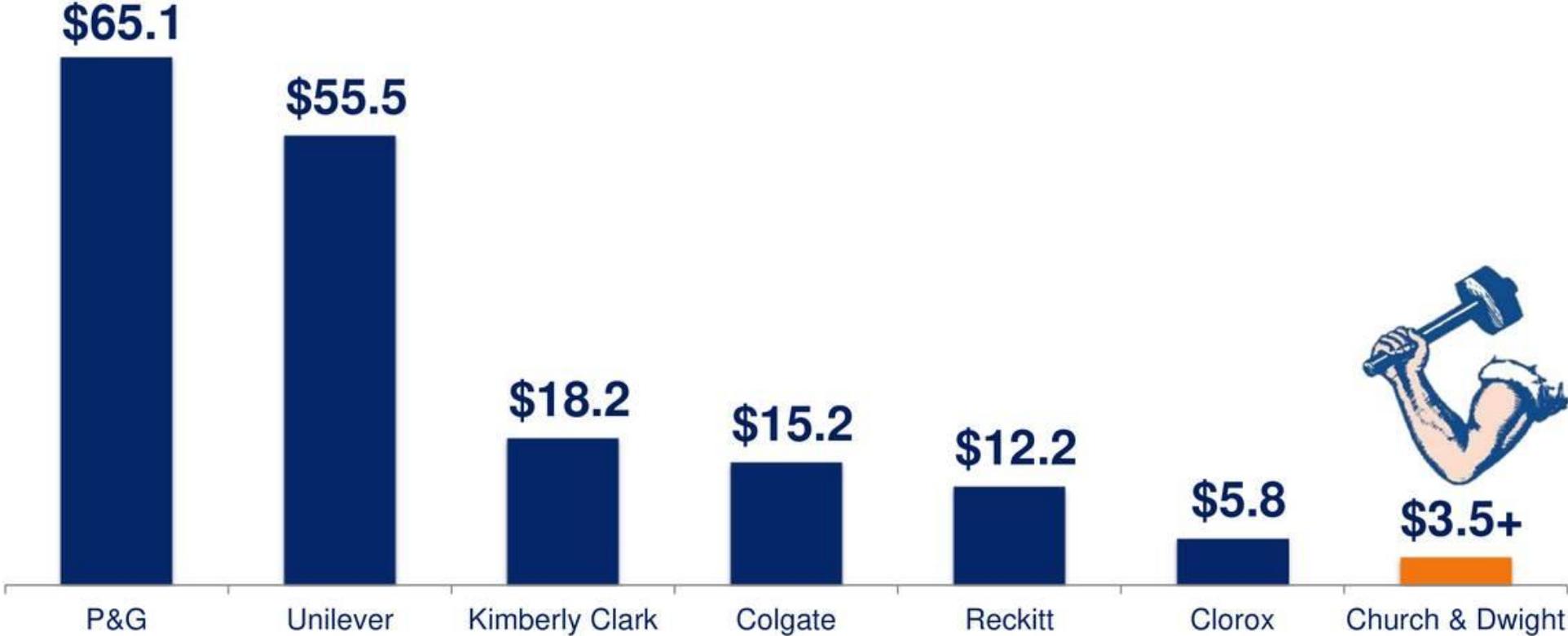
- Supermarkets
- Mass merchandisers
- Wholesale clubs
- Drugstores
- Convenience stores
- Home stores



We Operate in the Land of Giants



2016 Net Sales (billions)





Power Brands



TROJAN 

Nair



Orajel



11 POWER BRANDS



Batiste

waterpik®



We're #1!

<p>Acquired 2001</p>  <p>#1 Condom</p>	<p>Acquired 2001</p>  <p>#1 Extreme Value Laundry Detergent</p>	<p>Acquired 2001</p>  <p>#1 Pregnancy Kit</p>	<p>Acquired 2001</p>  <p>#1 Depilatory</p>	<p>Acquired 2005</p>  <p>#1 Battery Powered Toothbrush</p>
<p>Acquired 2006</p>  <p>#1 Laundry Additive</p>	<p>Acquired 2008</p>  <p>#1 Oral Care Pain Relief</p>	<p>Acquired 2011</p>  <p>#1 Dry Shampoo</p>	<p>Acquired 2012</p>  <p>#1 Adult & Kids Gummy Vitamin</p>	<p>Acquired 2017</p>  <p>#1 Power Flosser #1 Replacement Showerhead</p>



Sales from Brands

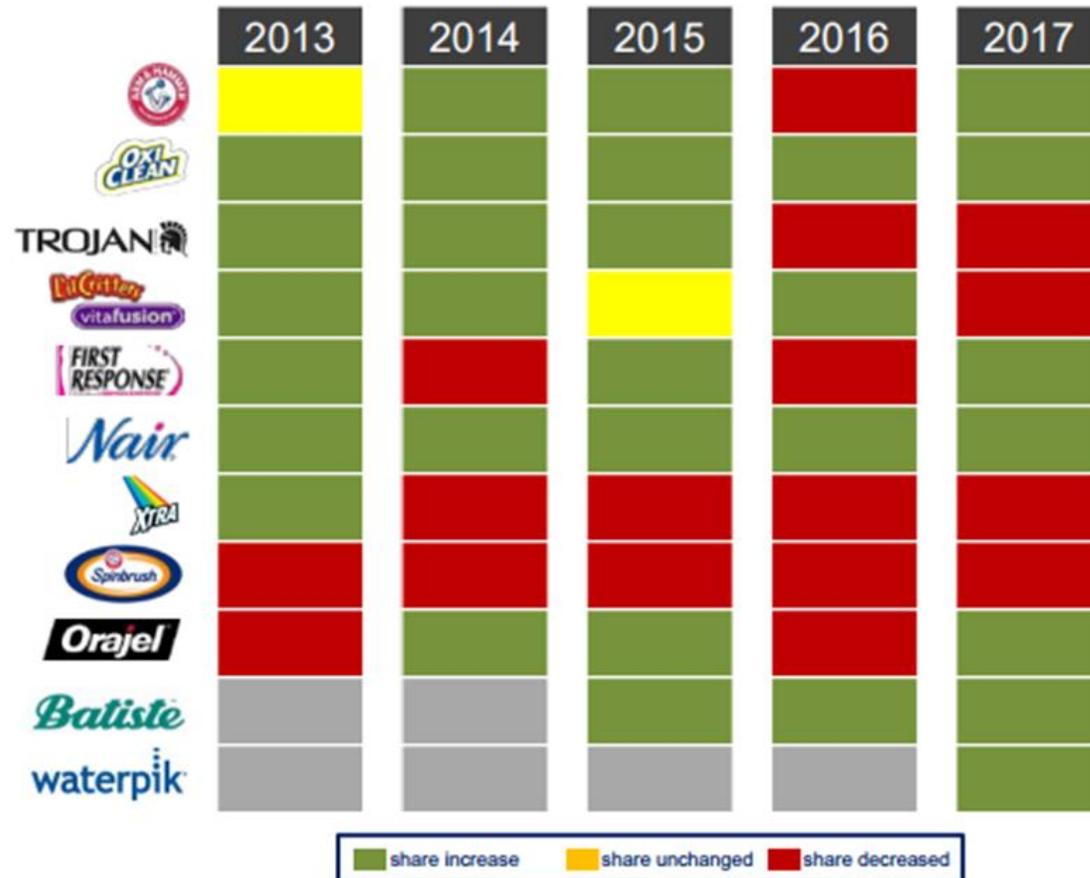
more than
80%

of sales & profits are
represented by these

11 POWER BRANDS



2017 Brand Growth



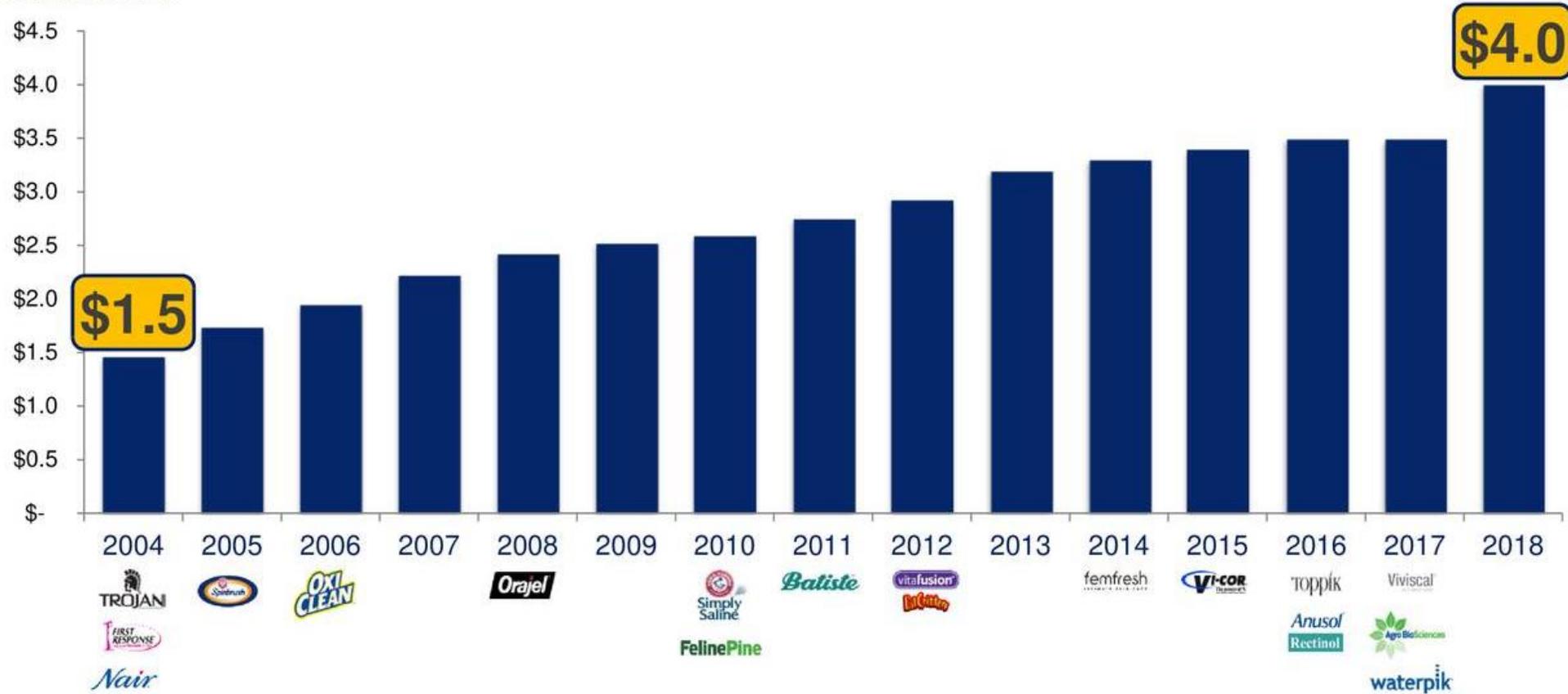
7 out of 11 power brands grew share in 2017.

Power Brands have met or exceeded category growth 2 out of 3 times over the last five years.



Acquisition History

net sales in billions





Strategic Acquisitions

Acquired 10 of our 11 Power Brands Since 2001

<p>Acquired 2001</p>  <p>#1 Condom</p>	<p>Acquired 2001</p>  <p>#1 Extreme Value Laundry Detergent</p>	<p>Acquired 2001</p>  <p>#1 Pregnancy Kit</p>	<p>Acquired 2001</p>  <p>#1 Depilatory</p>	<p>Acquired 2005</p>  <p>#1 Battery Powered Toothbrush</p>
<p>Acquired 2006</p>  <p>#1 Laundry Additive</p>	<p>Acquired 2008</p>  <p>#1 Oral Care Pain Relief</p>	<p>Acquired 2011</p>  <p>#1 Dry Shampoo</p>	<p>Acquired 2012</p>  <p>#1 Adult & Kids Gummy Vitamin</p>	<p>Acquired 2017</p>  <p>#1 Power Flosser #1 Replacement Showerhead</p>



Acquisition Criteria



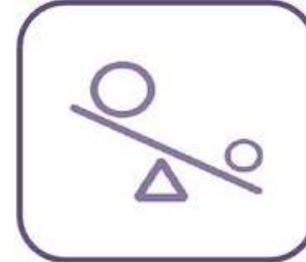
Primarily #1
or #2 share
brands



Higher growth,
higher margin
brands



Asset Light



Leverage CHD
capital base in
manufacturing,
logistics and
purchasing



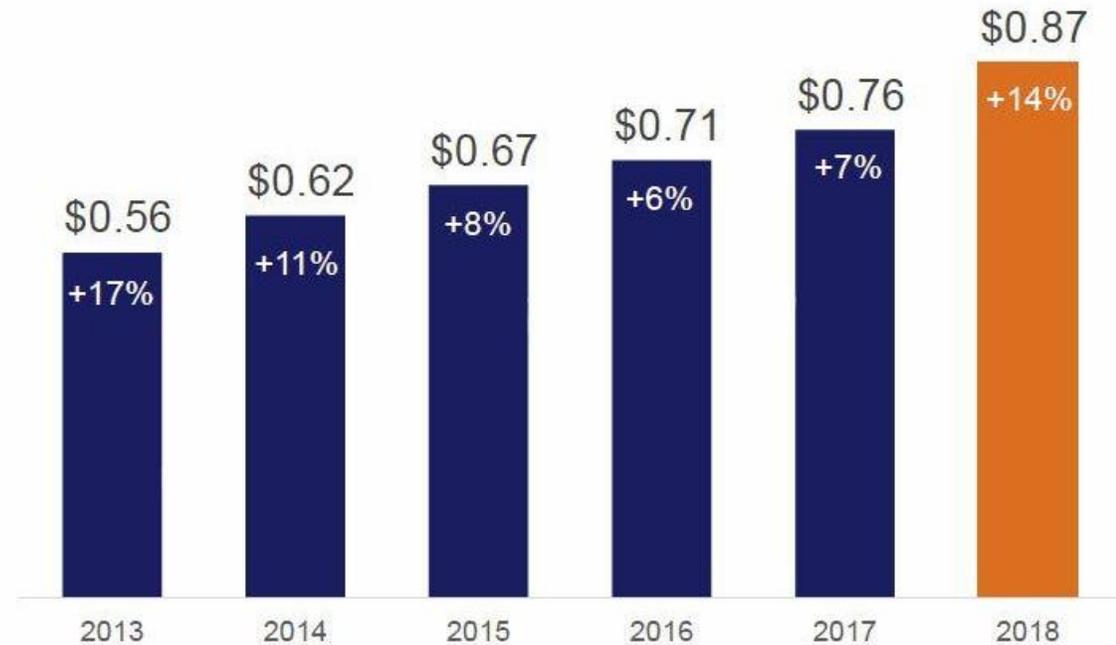
Deliver
sustainable
competitive
advantage



Dividend Increases

- CHD has produced 22 years of dividend increases!
- Current dividend yield = 1.6%

117
consecutive
years of
dividends





Management's Agenda

1. Bonuses tied 100% to business results
2. Equity compensation is 100% stock options
3. Management required to be heavily invested in company stock



Business Segments



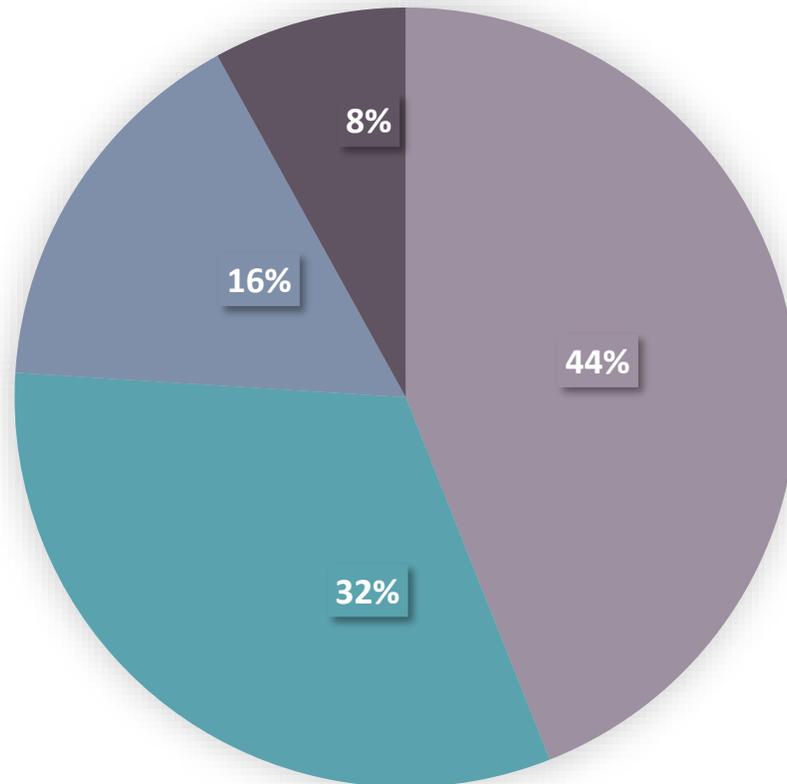


Business Segments

- **Consumer Domestic**
 - *Household products*
 - *Personal care products*
- **Consumer International**
- **Specialty Products**



% of Net Sales - 2017



- Domestic Household Products
- Domestic Personal Care Products
- Consumer International
- Specialty Products



Consumer Domestic (Household Products)

- 57% of Domestic Consumer sales in 2017, 44% of net sales.

- Products:

- Arm & Hammer Baking Soda
 - A&H Fridge Fresh
 - A&H Carpet Deodorizer

- Laundry Detergents – Largest consumer business (net sales)
 - A&H
 - OXICLEAN
 - XTRA

Odor Blasters

Eliminates tough odors.





Consumer Domestic (Personal Care Products)

•43% of Domestic Consumer sales in 2017, 32% of net sales.

•Products:

- Antiperspirant (ARRID)
- Condoms (Trojan)
- Battery Operated toothbrushes (Spinbrush)
- Water flossers & Replacement showerheads (Waterpik)

- Pregnancy Test Kits (First Response)
- Hair removal (Nair)
- Oral care (Orajel)
- Adult and Kid Gummy Supplements (Vitafusion & Li'l Critters)
- Hair Products (Batiste, Viviscal, Toppik)



Total Consumer Domestic Growth 2017

Segment	2017	2016	2015
	\$	\$	\$
Household Products	1,640.00	1,593.40	1,544.30
	\$	\$	\$
Personal Care Products	1,214.90	1,084.40	1,037.30
Total Consumer Domestic	\$ 2,854.90	\$ 2,677.80	\$ 2,581.60

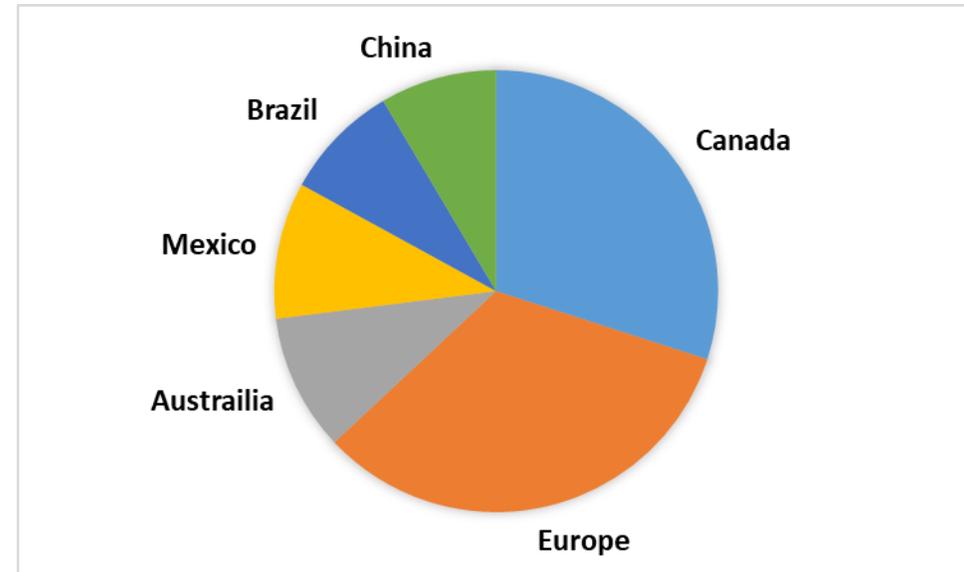
- Total consumer domestic rose **6.6%**.
 - Product volume sold = **4.6%**
 - Pricing/Product Mix = **(3.2%)**
 - Volume from acquired product lines = **5.2%**



Consumer International – 16% of Net sales

- Personal Care, Household, & over-the-counter
- International markets
 - Canada – 30%
 - France & UK – 33%
 - Australia – 10%
 - Mexico – 10%
 - Brazil – <10%
 - China – <10%

% of International Sales



- *No single product line accounts for more than 20% of international Sales*



Consumer International Growth 2017

- Total consumer international rose **18.3%**.
 - Product volume sold = **8.1%**
 - Pricing/Product Mix = **(.3%)**
 - Foreign Exchange rate fluctuations = **.1%**
 - Volume from acquired product lines = **10.4%**



Specialty Products – 8% of Net Sales

- Animal Productivity

- Baking soda helps cows produce more milk
- Sells other high quality protein and amino acids

- Specialty Cleaners

- Cleaning products for Commercial and Industrial
- Joint venture between CHD & “Safety-Kleen”

- Specialty Chemicals

- The sale of Sodium Bicarbonate of different grades
- Used for *Commercial baked goods, antacid, fire extinguishers, swimming pools, dialysis.*



Specialty Products Growth 2017

- Total Specialty Products rose 3.5%.
 - Product volume sold = 2.6%
 - Pricing/Product Mix = 2.7%
 - Foreign Exchange rate fluctuations = .4%
 - Volume from acquired product lines = 2.2%*

* Sale of Brazilian Chemical business.



Competitive Advantage

- Brand name.





Risks

- Small Size, less resources.
- Less leverage with Walmart.
- Acquisition Dependence.
- Reliance on Power Brands.

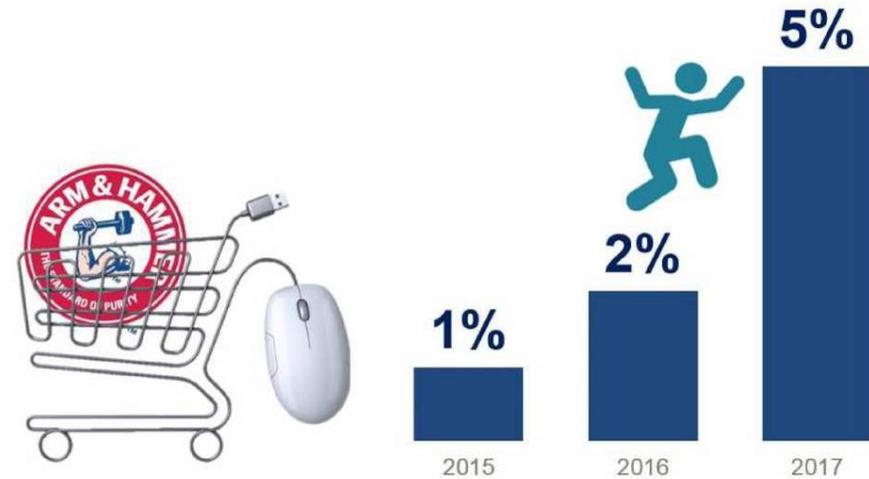




Growth Opportunities

- Strong Acquisition History and Criteria
- Online sales
- International and emerging markets

Church & Dwight Online Sales





CHD Online

- Over 35% of advertising is now spent online.
- Majority of online CHD products have a 4.5 star rating or higher.



Qualitative Analysis





Qualitative Analysis

What type of business is this: commodity or sustained competitive advantage?	Yes
Can you easily explain what the business does?	Yes
Is it heavily unionized?	No
Does it require heavy capital infusion?	No
Does it require lots of research and development?	No
Can inventory become obsolete?	Some
Are there chronic "one time" write offs?	No
Is the company able to raise prices to offset inflation?	Yes
Will the company be able to sell more in the future?	Yes
If I gave you \$1 billion could you develop a competitor? If the answer is "no" your business has a sustained competitive advantage	No

IOFS





Interpretation of Financial Statements

TTM	Value	Threshold	Pass?
Gross Profit Margin	45.82%	$\geq 20\%$	Yes
% SGA	57.63%	$\leq 80\%$	Yes
%R&D	4.09%	$\leq 10\%$	Yes
%Depreciation	7.23%	$\leq 10\%$	Yes
Interest % of OP	-7.23%	$\leq 15\%$	Yes
Net Profit Margin	19.68%	$\geq 10\%$	Yes
Current Ratio	1.07	≥ 1	Yes
Obligation Ratio	4.00*	< 5 Years	Yes

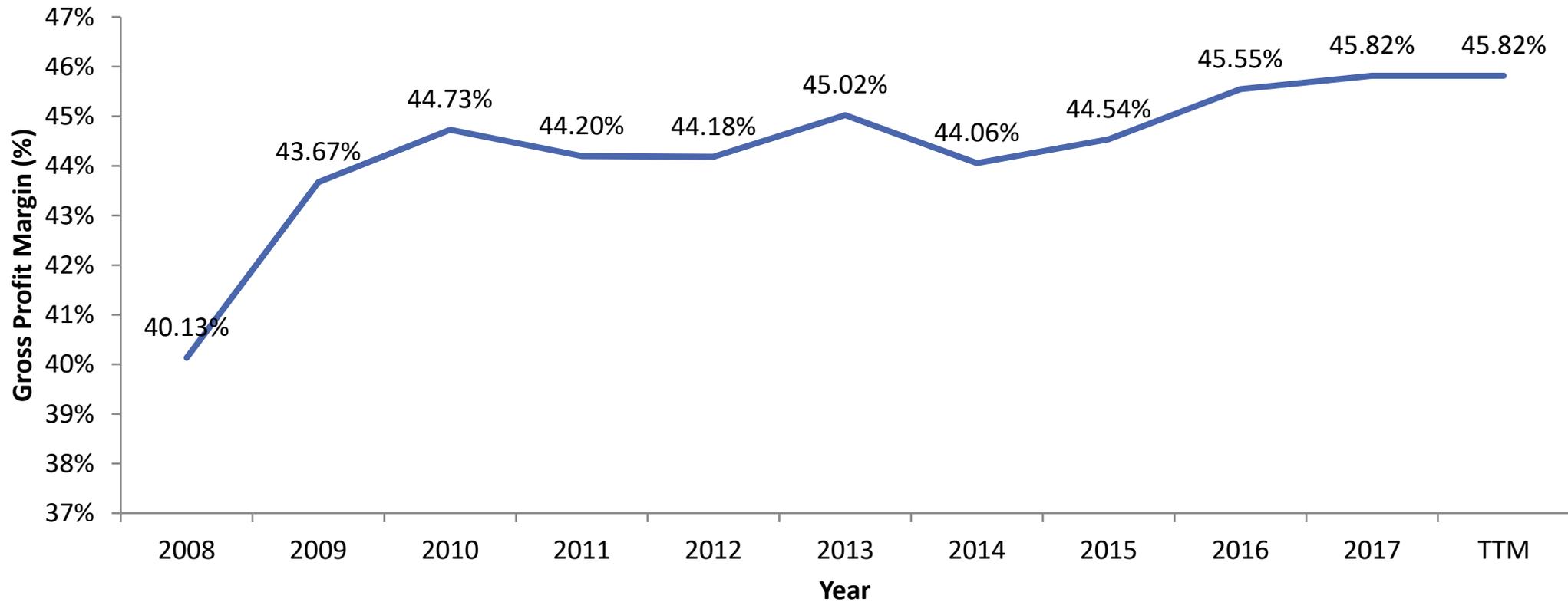


Interpretation of Financial Statements

TTM	Value	Threshold	Pass?
Adjusted Debt to Shareholder Equity	8.71	< 0.8	No
Return on Equity	33.5%	≥ 15%	Yes
Return on Capital	17.2%	≥ 15%	Yes
Dividend Payout Ratio	25.57%	≤ 60%	Yes
Preferred Stock	None	None	Yes
Capital Expenditures	6.06%	≤ 25%	Yes
Net Earning Trend	Up	Up	Yes
Retained Earnings Trend	Up	Up	Yes

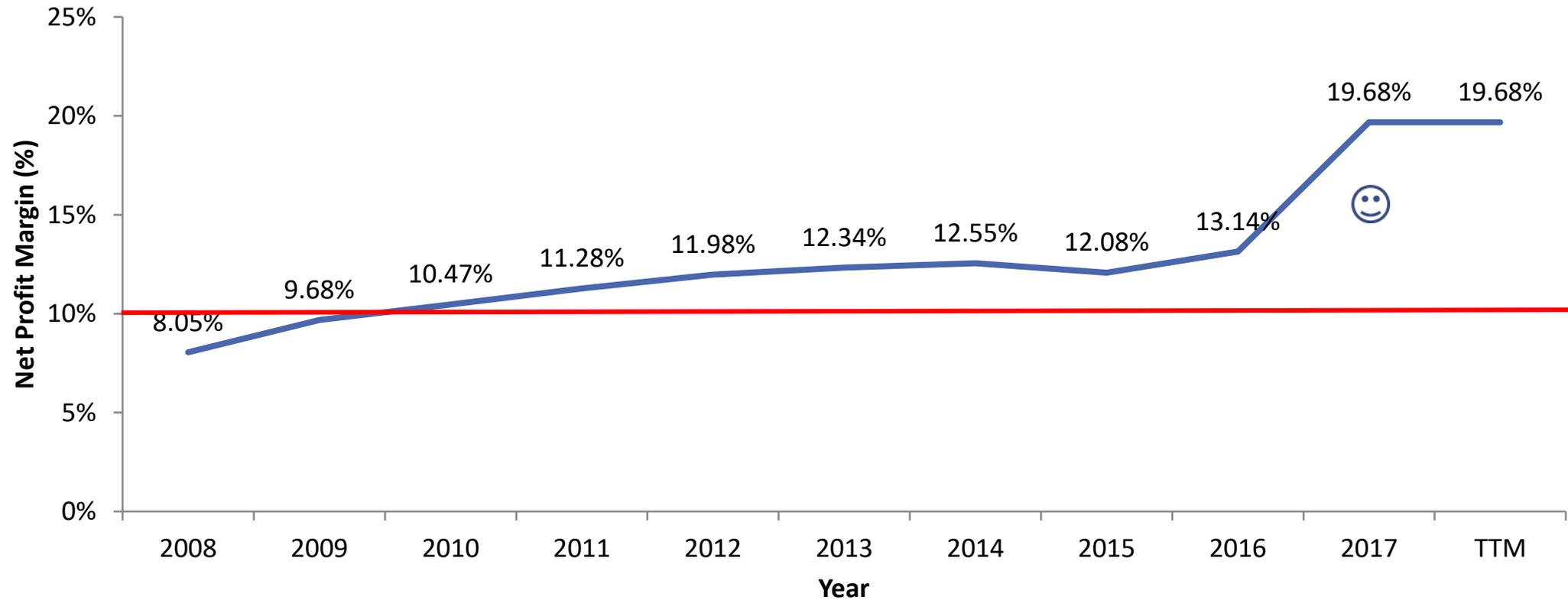


Gross Profit Margin





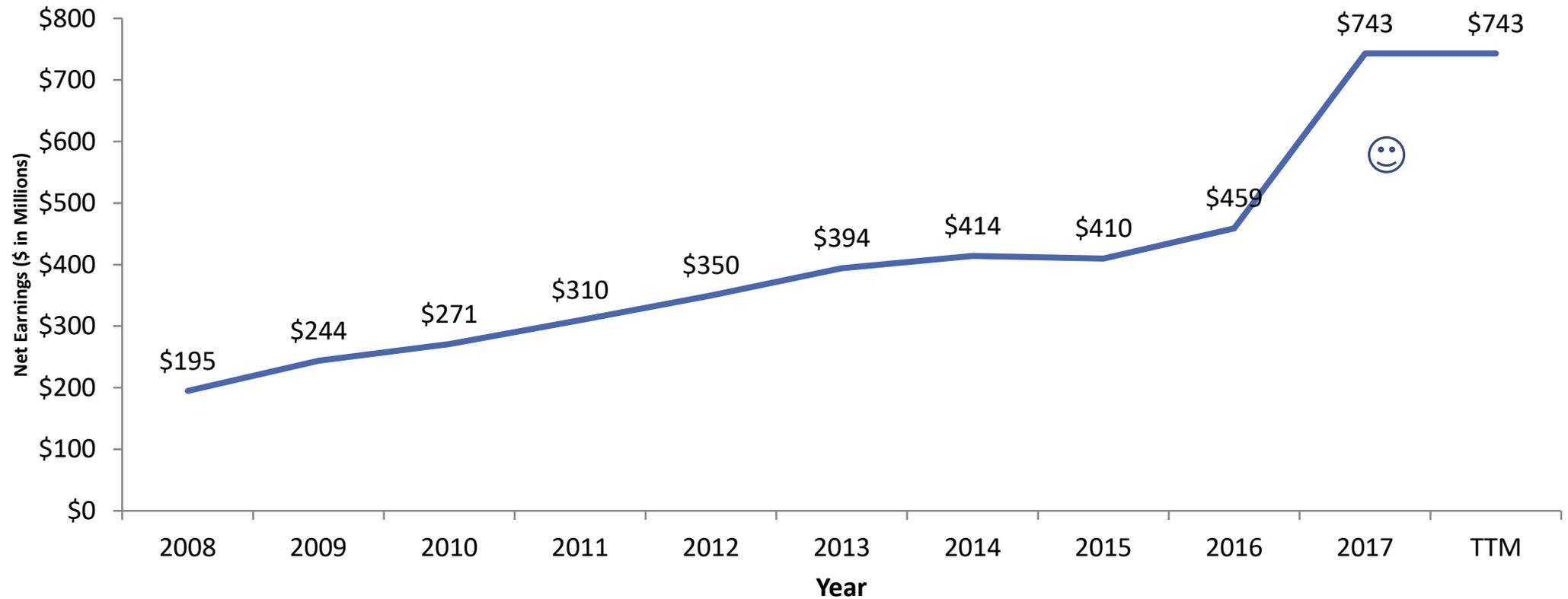
Net Profit Margin



😊 = 14.00, Tax adjusted Est. NPM



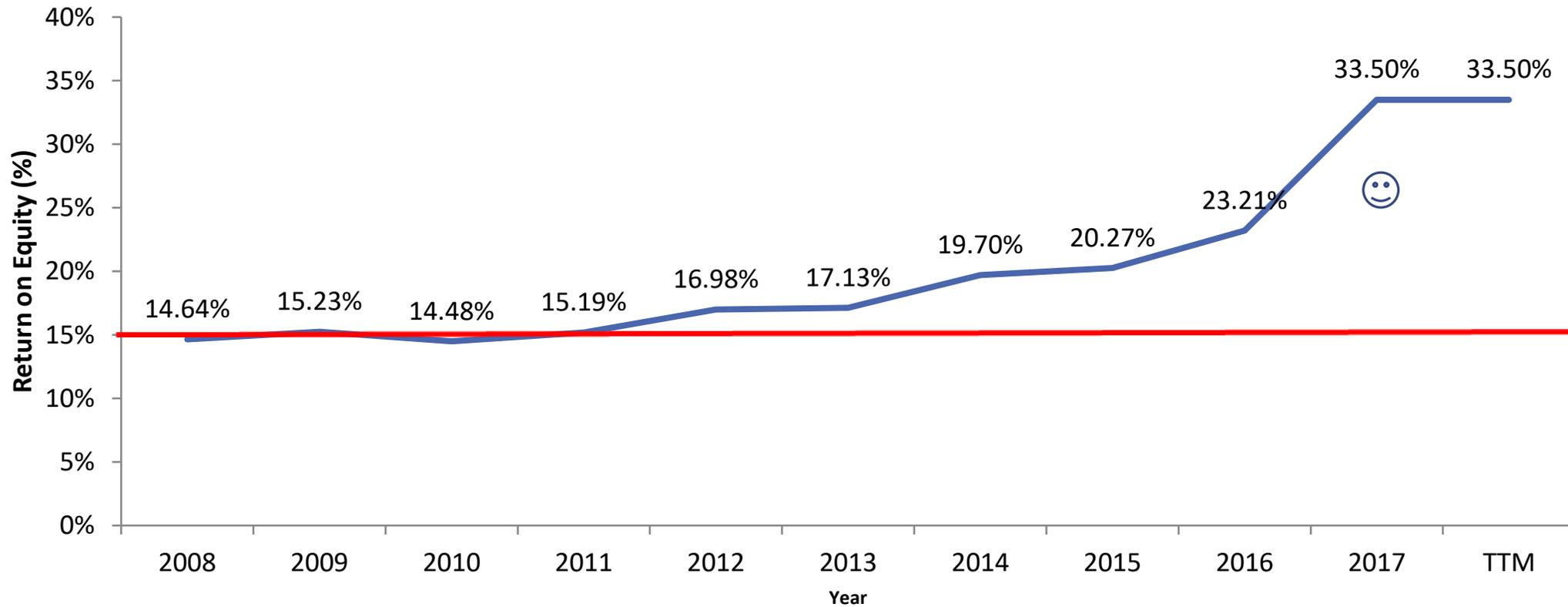
Net Income



☺ = 526.68, Tax adjusted Est. NI



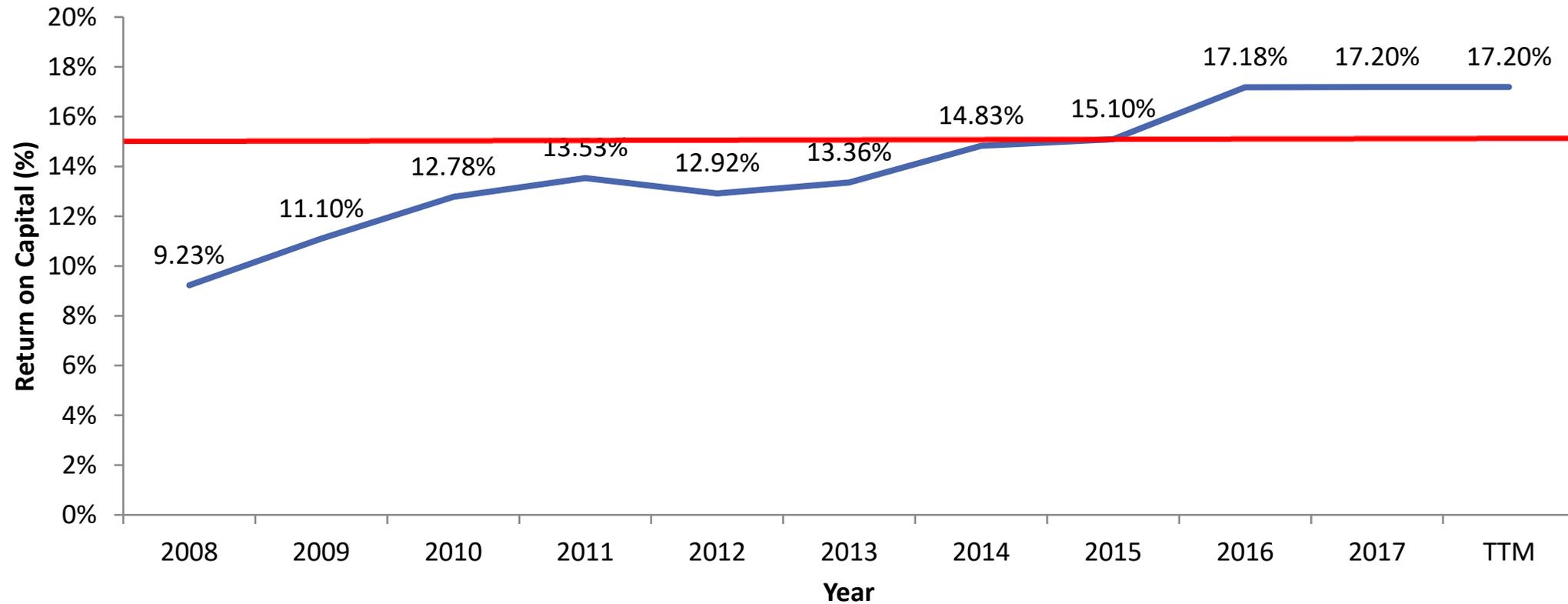
Return on Equity



😊 = 23.80, Tax adjusted Est. ROE

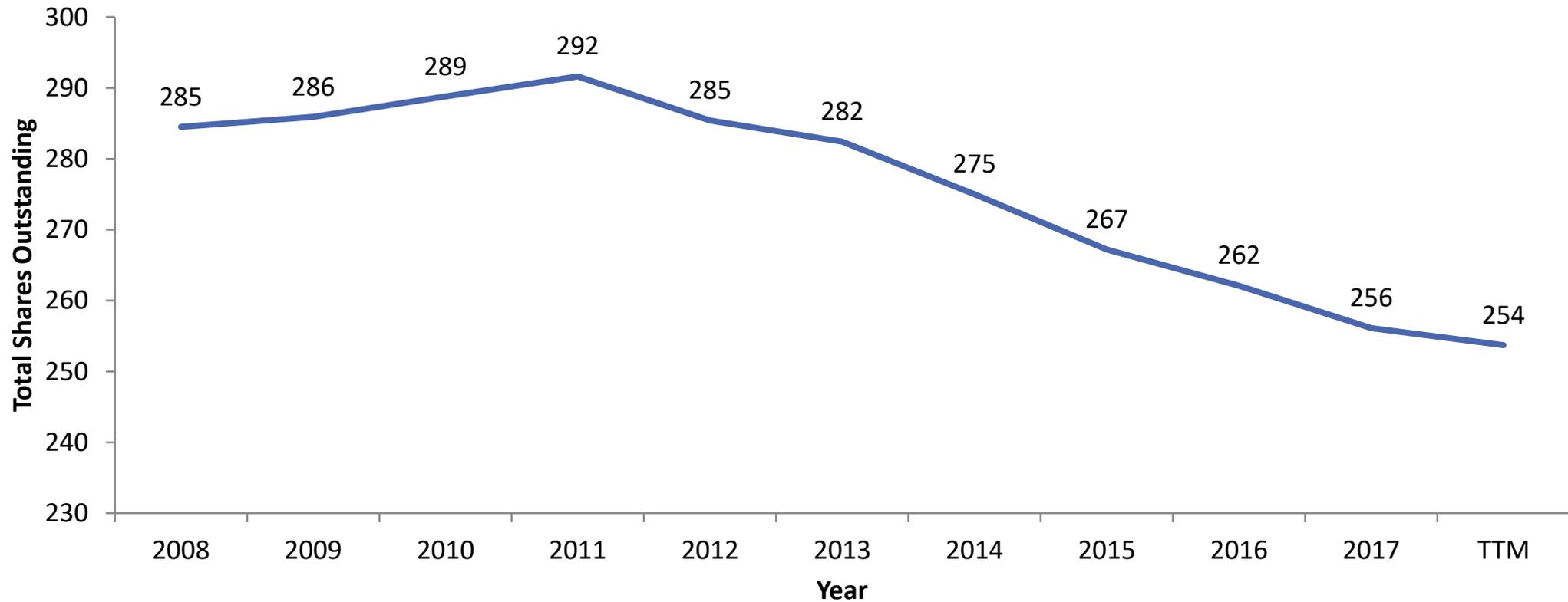


Return on Capital





Total Shares Outstanding



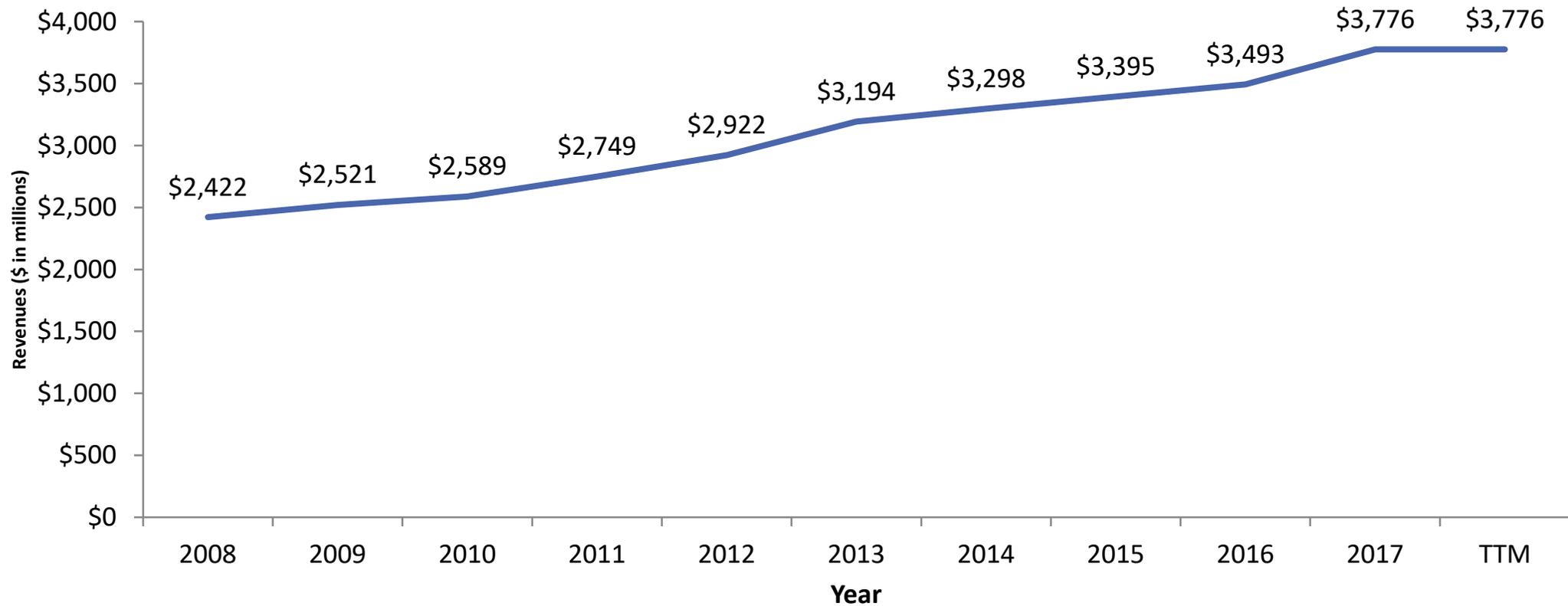


Share Repurchase

- Accelerated share repurchase
 - 4.1 million shares bought Q1
- Share Repurchase Program
 - May purchase up to \$500 in shares

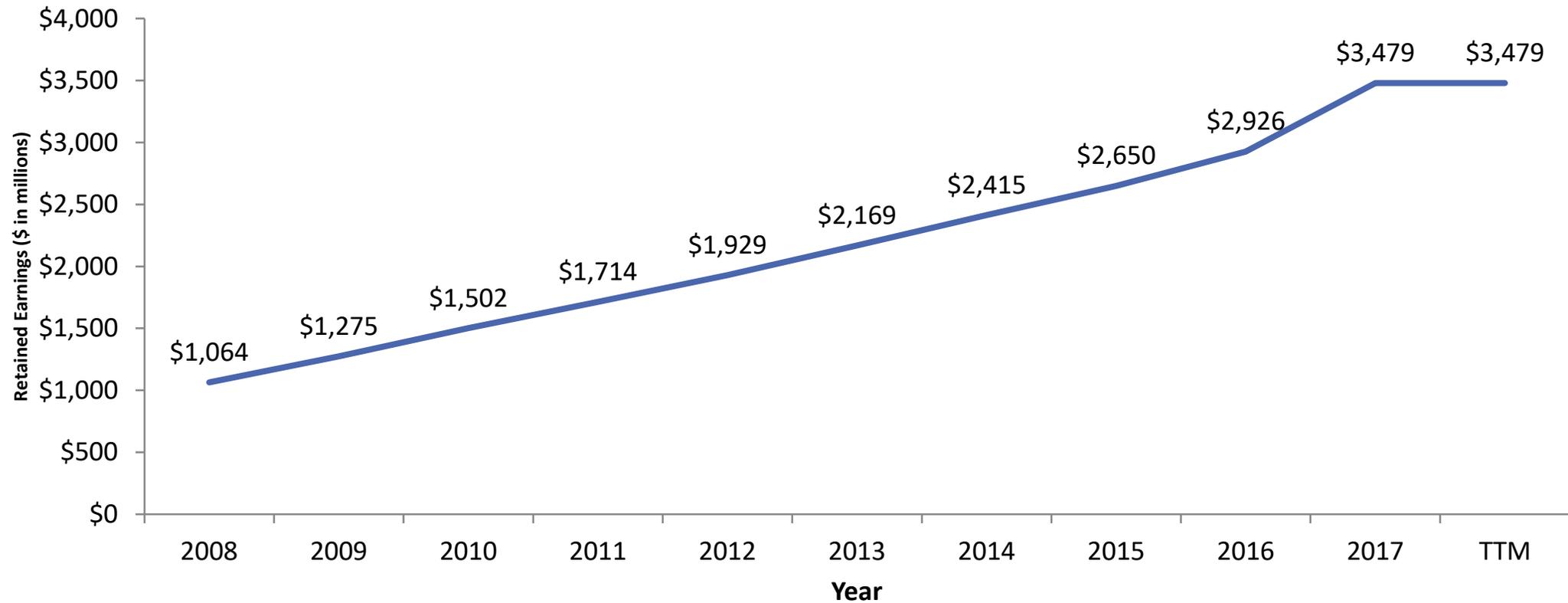


Revenues (10 year)





Retained Earnings



Statistical Array

ANALYSIS





Statistical Array Analysis (pt. 1)

Sales per Share	Increasing
Cash flows per Share	Increasing
Earnings per Share	Increasing
Dividends Declared per Share	Increasing
Capital Spending per Share	Increasing
Book Value per Share	Increasing
Revenues (Sales)	Increasing
Gross Profit Margin	Stable
Operating Profit Margin	Stable



Statistical Array Analysis (pt. 2)

Net Profit	Increasing
Net Profit Margin	Increasing
Working Capital	Increasing
Shareholder's Equity	Increasing
Return on Total Capital	Increasing
Return on Shareholder's Equity	Increasing
Common Shares Outstanding	Decreasing
Long-Term Debt	Increasing
LT Debt Payable in 5 years	Yes
All Dividends to Net Profit under 60%	Yes



DuPont Historical

	2012	2013	2014	2015	2016	2017	TTM	New Tax
NPM	11.98%	12.34%	12.55%	12.08%	13.14%	19.68%	19.68%	14.00%
TAT	0.71	0.75	0.76	0.80	0.80	0.63	0.63	.63
FLM	1.99	1.85	2.07	2.10	2.20	2.71	2.71	2.71
ROE	16.98%	17.13%	19.70%	20.27%	23.21%	33.50%	33.50%	23.80%

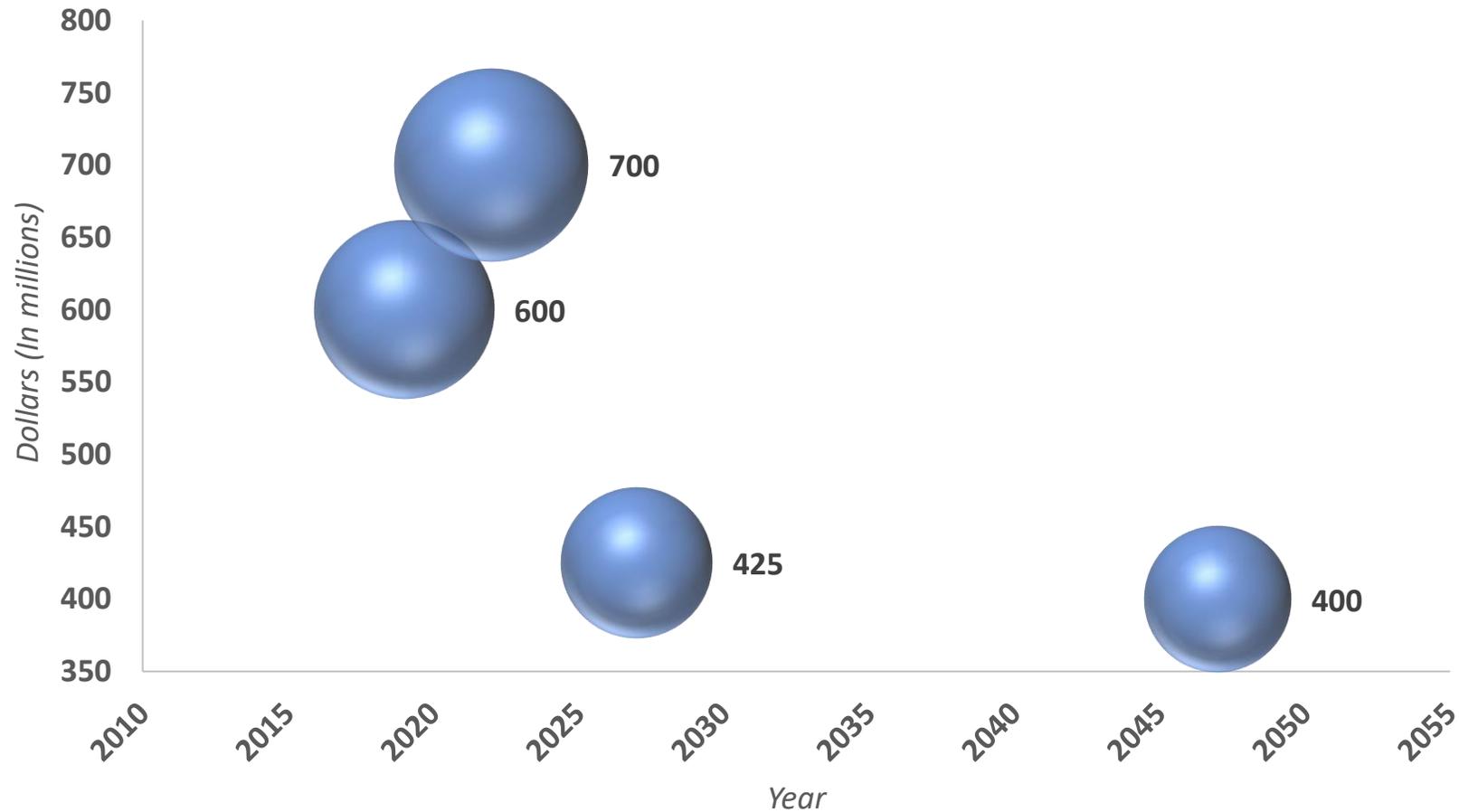
**Tax adjusted NPM obtained by multiplying Guru – Pre tax income & .76 (new tax rate) / sales*

Debt Analysis





Debt Obligations (in millions)





Interest Rates

INTEREST RATES	YEAR	DEBT (IN MILLIONS)
2.45%	2019	600
2.45%	2022	700
3.15%	2027	425
3.95%	2047	400

Industry Breakdown





Industry Breakdown

	Church & Dwight	Colgate-Palmolive Co	Unilever	Proctor & Gamble
Market Cap	12.1 B	60.37 B	156.15 B	197.95 B
Revenue	3.7B	15.4B	61.9 B	65.7 B
P/E	23.1*	30.32	19.57	21.03
P/S	3.36	3.96	2.16	3.24
P/B	5.53	--	8.41	3.76
EV/EBIT	16.18	18.12	9.8	15.13
ROA	14.59%	16.70%	10.68%	8.33%
ROE	*23.00%	----	40.58%	18.26%
Operating Margin	19.40%	23.42%	16.46%	21.31%
Net Margin	19.69%	13.10%	11.27%	15.34%



DuPont Competitors

	Total Asset Turnover	Net Profit Margin	Financial Leverage Multiplier	Return on Equity
Church & Dwight	0.63	*14.00%	2.71	*23.00%
Colgate-Palmolive Co	1.20	13.32%	-211.27	NMF
Unilever	0.89	11.27%	4.42	40.58%
Proctor & Gamble	0.54	23.56%	2.18	18.26%

DCF Models





Guru - Default

EPS	2.92
10 Y Growth Rate	14%
Terminal Growth Rate	4%
Years of Terminal Growth	10
Discount Rate	12
Margin of safety	12%



Tax Adjusted DCF

EPS	2.12
10 Y Growth Rate	14%
Terminal Growth Rate	4%
Years of Terminal Growth	10
Discount Rate	9.6
Margin of safety	2%

*Tax adjusted EPS obtained by multiplying Guru – Pre tax income & .76 (new tax rate)



Value line – 5 year Earnings growth

EPS	2.12
10 Y Growth Rate	10.5%
Terminal Growth Rate	4%
Years of Terminal Growth	10
Discount Rate	9.6
Margin of safety	-14%



Reverse DCF

EPS	2.12
Terminal Growth Rate	4%
Years of Terminal Growth	10
Discount Rate	9.6
Growth Rate	13.64%

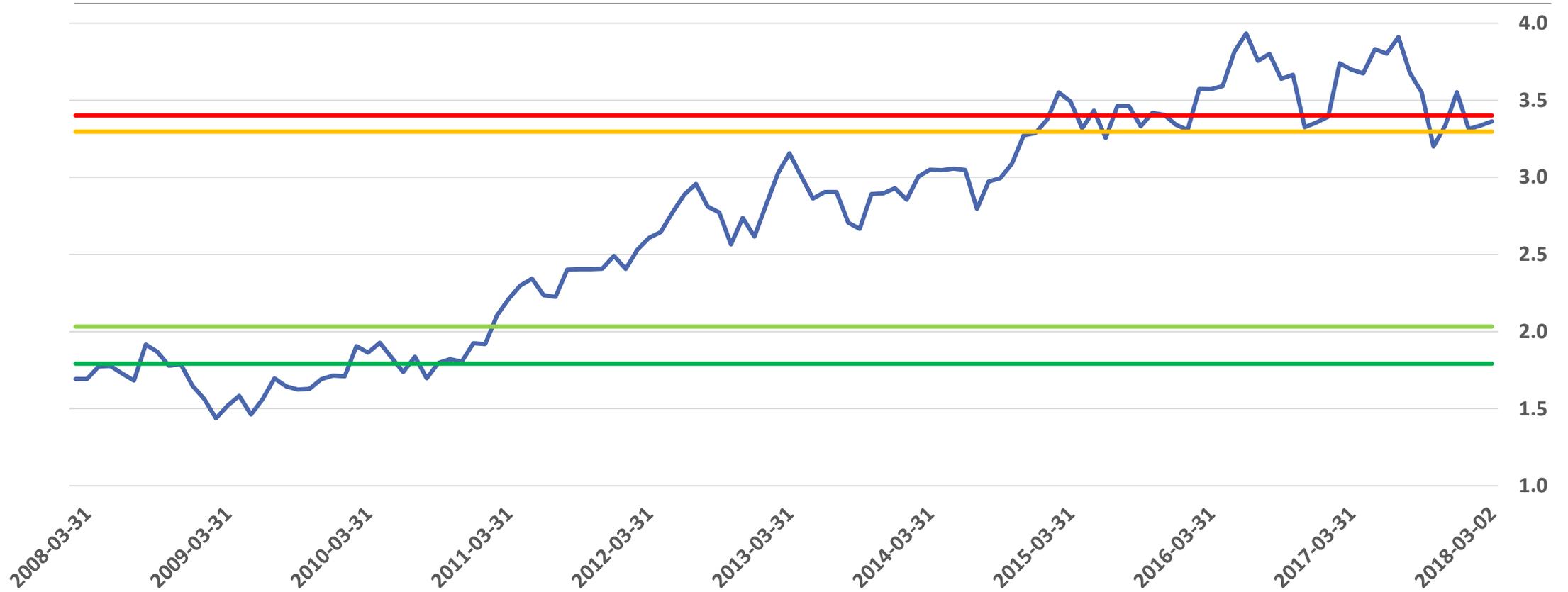
Value bands

* EARNINGS RATIOS, ADJUSTED FOR TAX



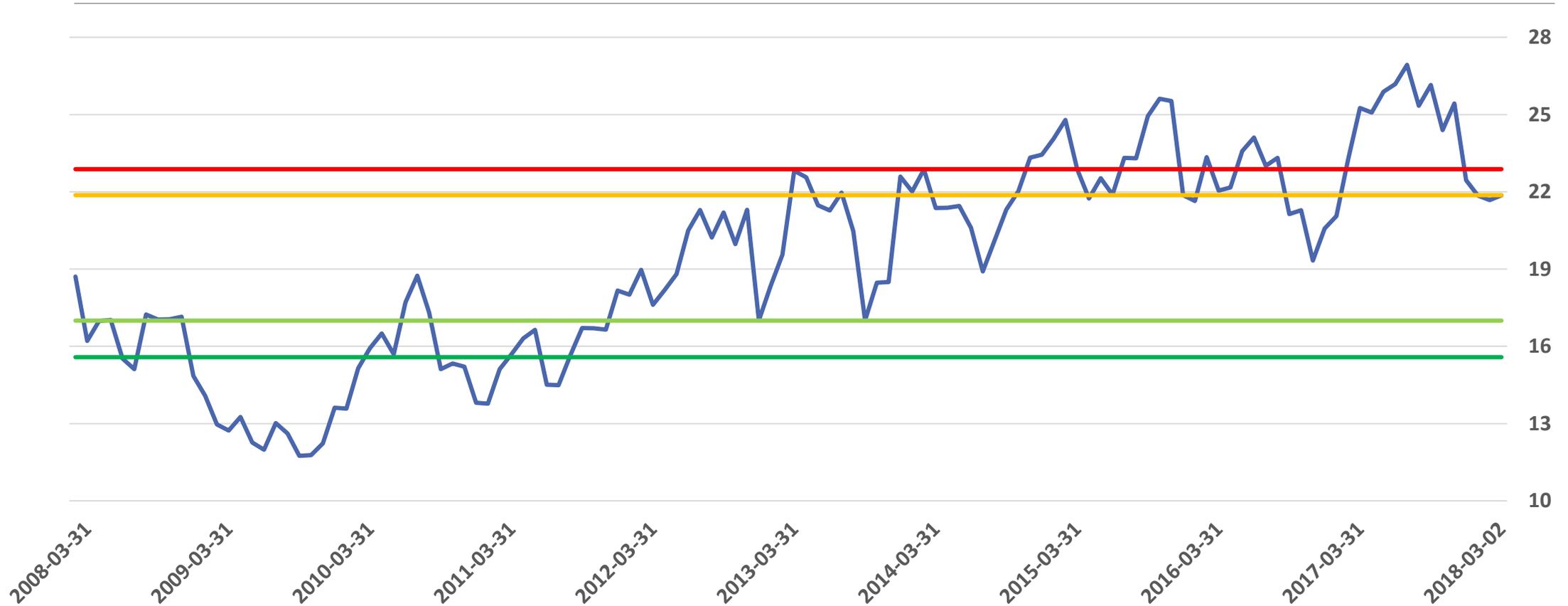


Price to Sales



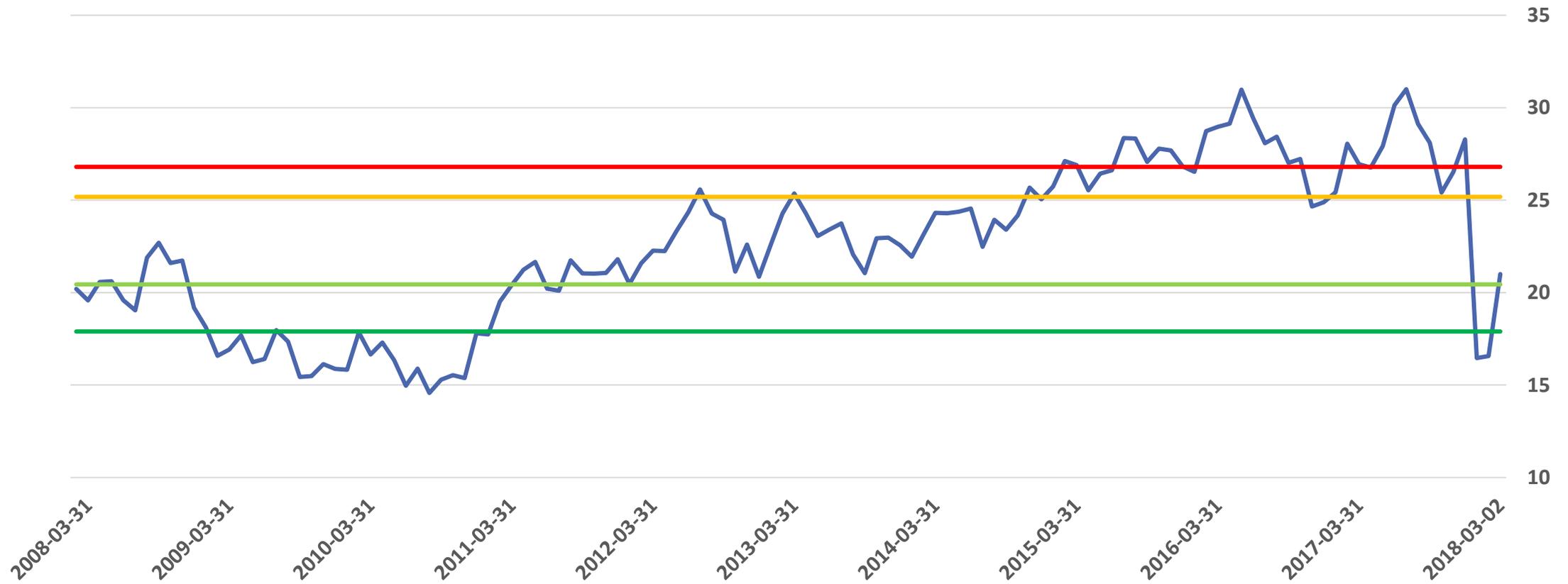


Price to Owners Earnings



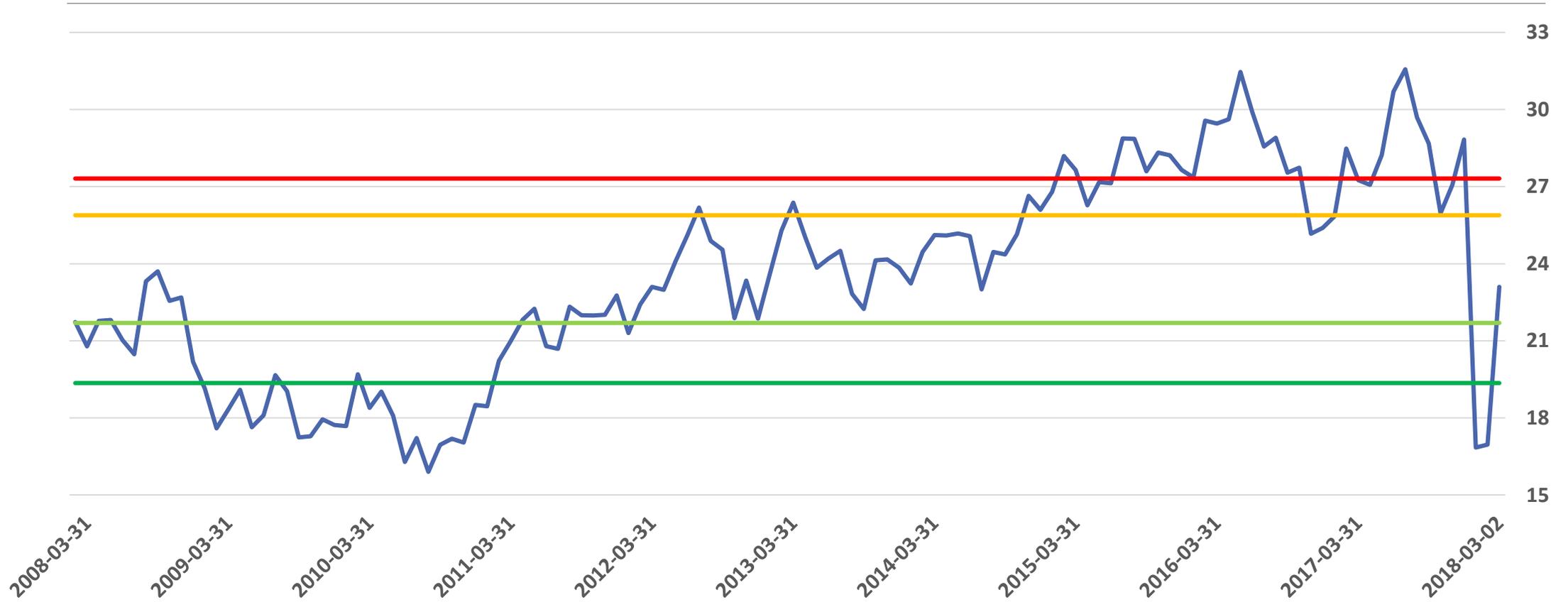


Price to Earnings Less Cash



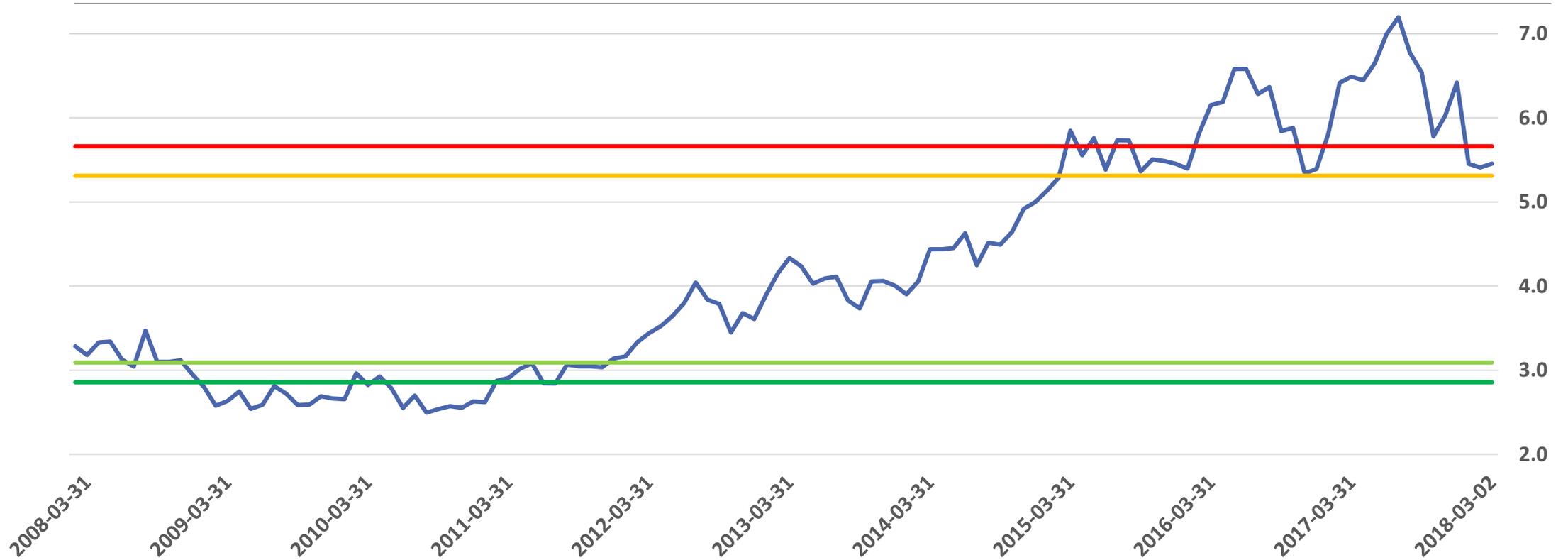


Price to Earnings



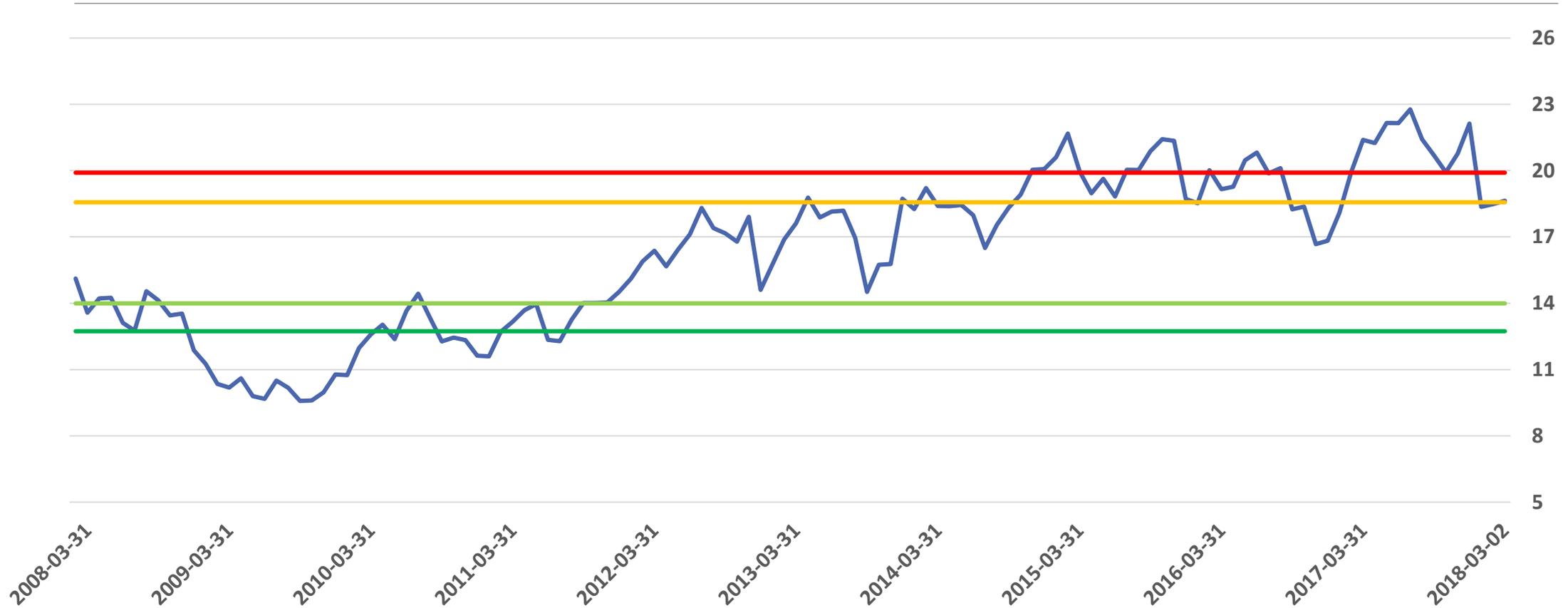


Price to Book



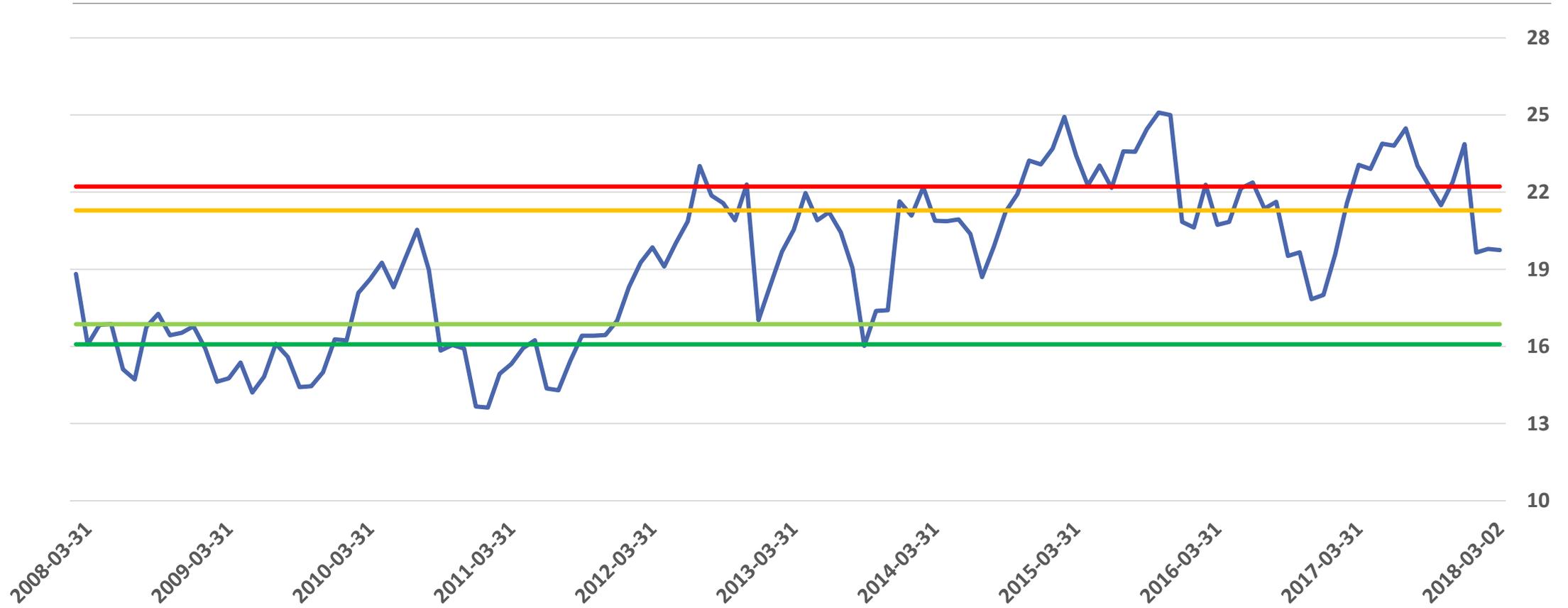


Price to Cash Flow



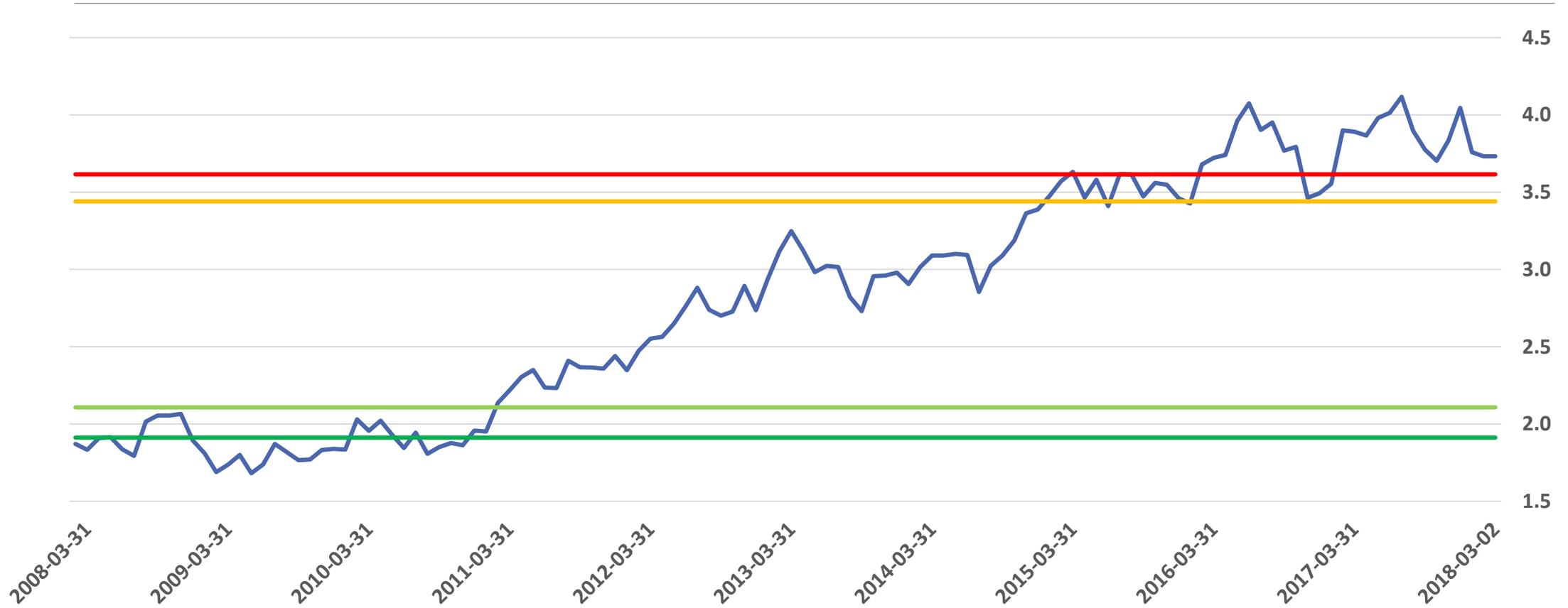


Price to Free Cash Flow



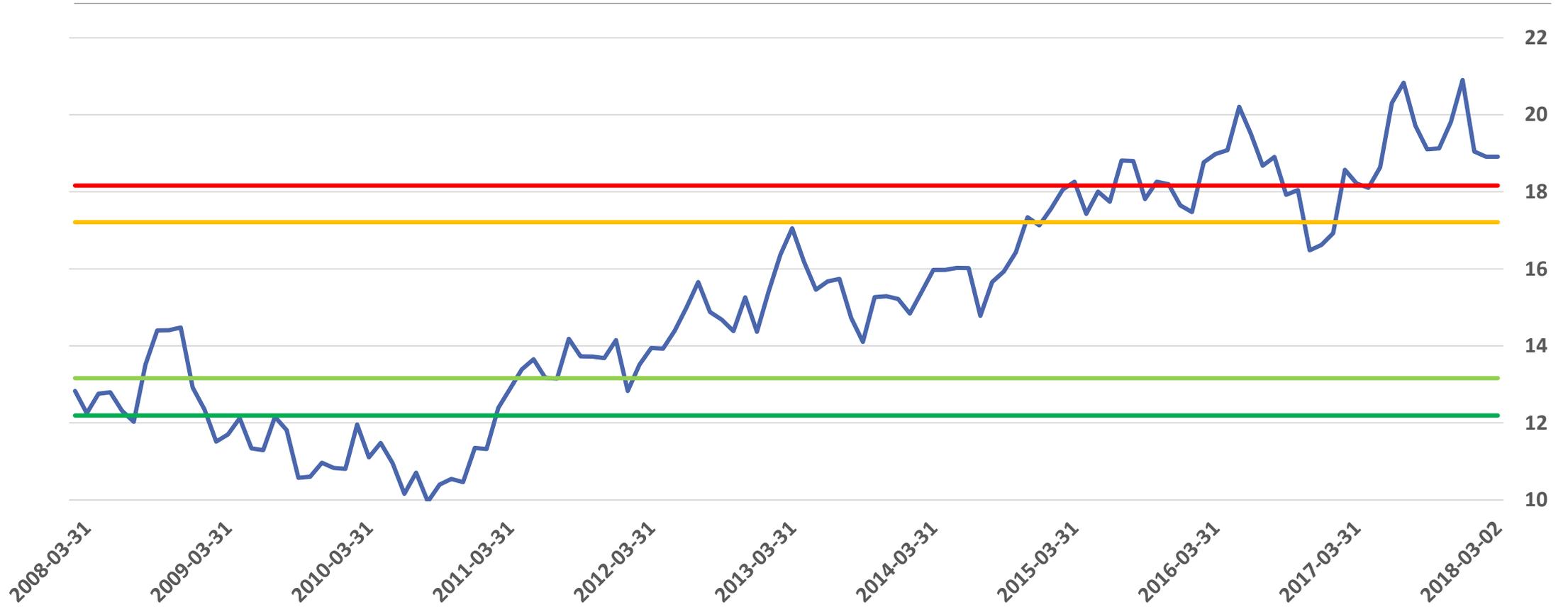


EV to Revenue





EV to EBIT



Conscious Investor





3 YEAR

	8-Dec	9-Dec	10-Dec	11-Dec	12-Dec	13-Dec	14-Dec	15-Dec	16-Dec	17-Dec
EPS (\$)	0.695	0.853	0.938	1.06	1.225	1.395	1.505	1.535	1.75	2.12
SPS (\$)	8.648	8.933	9.091	9.661	10.527	11.493	12.364	13.062	13.574	15.249

HGROWTH	STAAGR
17.52%	99.10%
8.05%	99.26%



6 Year

	8-Dec	9-Dec	10-Dec	11-Dec	12-Dec	13-Dec	14-Dec	15-Dec	16-Dec	17-Dec
EPS (\$)	0.695	0.853	0.938	1.06	1.225	1.395	1.505	1.535	1.75	2.12
SPS (\$)	8.648	8.933	9.091	9.661	10.527	11.493	12.364	13.062	13.574	15.249

HGROWTH	STAEGR
10.24%	96.95%
7.28%	99.27%



10 Year

	8-Dec	9-Dec	10-Dec	11-Dec	12-Dec	13-Dec	14-Dec	15-Dec	16-Dec	17-Dec
EPS (\$)	0.695	0.853	0.938	1.06	1.225	1.395	1.505	1.535	1.75	2.12
SPS (\$)	8.648	8.933	9.091	9.661	10.527	11.493	12.364	13.062	13.574	15.249

HGROWTH	STAAGR
12.01%	95.82%
6.78%	98.09%



Safety – 10 Year

	Price	EPSttm	P/E Ratio	HGrowth	STRETD
Default	49.09	2.90	22.66	12.01	17.14
Safety	49.09	2.90	14.35	6.24	5.64

Cut P/E	Cut Growth
36.67%	48.04%



Kill It – 10 Year

	Price	EPSttm	P/E Ratio	HGrowth	STRETD
Default	49.09	2.90	22.66	12.01	17.14
Kill It	49.19	2.90	14.00	6.6	-0.01

Cut P/E	Cut Growth
38.22%	45.05%

Intraportfolio





EV/EBIT

MCK	5.92
UHAL	8.69
OMC	9.21
TSCO	12.36
DG	13.88
UNP	14.02
ORCL	14.47
IBM	14.87
PEP	16.32
BRK.B	17.16
CHRW	18.30
CHD	18.91
MFST	21.40
PII	22.67
NSRGY	24.02
NKE	24.25
AIG	27.04
QCOM	31.04

ROE

UNP	51.86
OMC	46.44
MCK	45.32
PEP	40.70
CJRW	37.73
NKE	31.58
IBM	31.19
TSCO	30.16
UHAL	27.50
CHD*	23.00
DG	22.38
PII	19.67
ORCL	18.72
MFST	15.29
BRK.B	14.67
NSRGY	11.54
AIG	-8.41
QCOM	-14.03

P/E

QCOM	0.00
AIG	0.00
MCK	6.79
UHAL	8.56
UNP	9.75
BRK.B	11.37
OMC	16.38
TSCO	19.66
DG	20.98
ORCL	21.74
CHD*	23.10
IBM	25.48
CHRW	26.14
NKE	29.01
NSRGY	32.23
PEP	32.65
PII	42.51
MSFT	63.80



P/FCF

UHAL	0.00
AIG	0.00
OMC	9.46
IBM	11.16
MCK	14.63
BRK.B	14.97
ORCL	17.20
PII	18.40
CHD	19.74
TSCO	21.48
MSFT	21.95
PEP	22.43
QCOM	23.63
UNP	26.15
NSRGY	26.24
DG	26.53
CHRW	40.86
NKE	41.89

P/S

MCK	0.16
CHRW	0.90
AIG	1.10
DG	1.12
TSCO	1.14
OMC	1.18
PII	1.34
IBM	1.84
UHAL	1.89
BRK.B	2.10
PEP	2.48
NSRGY	2.54
NKE	3.22
CHD	3.36
QCOM	4.33
UNP	4.92
ORCL	5.54
MSFT	7.36

ROIC

BRK.B	1089
NKE	38.26
MSFT	36.89
UNP	32.54
MCK	32.13
QCOM	31.92
UHAL	27.87
OMC	25.03
ORCL	23.93
TSCO	23.77
CHD	22.55
CHRW	22.29
PII	20.78
PEP	16.02
DG	15.42
NSRGY	12.81
IBM	11.47
AIG	-6.67



Conclusion

- Strong and steady Margins & Returns
- Great Power Brand Names
- Acquisition Track record
- Substantial dividend yields and increases



Recommendation - Put

- Strike Price: \$45.00
- Current Price: \$49.00
- Expiration: July, 20, 2018
- Premium: \$1.00





Feels good to be back.

