Ticker: PG  
Recommendation: Buy  
Current Price: $90.44  
Price Target: $120

**Trading Statistics**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>52 Week Price Range</td>
<td>$75.26-$93.89</td>
</tr>
<tr>
<td>Market Capitalization</td>
<td>$244.4 billion</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>2.85%</td>
</tr>
<tr>
<td>Avg. Daily Volume (3M)</td>
<td>7.8 million</td>
</tr>
<tr>
<td>P/E Ratio</td>
<td>25.55</td>
</tr>
<tr>
<td>Beta</td>
<td>.4</td>
</tr>
<tr>
<td>Shares Outstanding</td>
<td>2.7 billion</td>
</tr>
</tbody>
</table>

**Investment Thesis**

- P/E 25.03
- Gross Margin 49.07%
- Debt/Equity 0.50
- Return on Assets 7.63%
- Payout Ratio 65.87%

**Business Overview**

Proctor and Gamble produces consumer packaged goods sold in more than 180 countries. They sell mostly to drug stores, department stores, grocery stores and mass merchandisers.

**Brief History of the Company**

- Located in Cincinnati, OH
- Founded in 1837 during a financial panic, initially selling candles and soap.
- Developed first laundry detergent, all-vegetable shortening, and synthetic household detergent
- Owns brands such as Tide and Crest

Covering Analysts: Brett Lyons, Alyssa Horning, Amrit Saini
Management and Employee Relations
- A.G. Lafley – Chairman of the Board, CEO. Also a Director of Legendary Pictures, LLC
- Angela F. Braly - Former Chair of the Board, President and CEO of WellPoint, Inc.
- Kenne I. Chenault – Chairman and CEO of American Express Company. Also a Director of IBM

Management Guidance
When A.G. Lafley served his first term as P&G President and CEO (2000 to 2009). The companies sales doubled and the number of P&G’s multibillion dollar brands grew from 10 to 23 in this time period. Before becoming CO, Lafley grew P&G Sales in Asia ($90 million to over $1 billion in China.)

Recent News
- Selling off half of their brands to focus on growth of more profitable brands.
- Sold Duracell to Berkshire Hathaway.

Macro Factors
As a producer of fast-moving consumer goods, Proctor and Gamble is relatively immune to large economic shifts because they sell “essentials” or things people will buy regardless of their spending confidence.

Competition
- Johnson & Johnson
- Kimberly Clark
- Clorox

Portfolio Allocation
Where does this fit in our portfolio?
- Large Cap
- Value
- Domestic Equity
- Consumer Goods

Sales Growth Rate:
- 2013: .70%
- est. 2014: .58%
- est. 2015: 1%
- est. 2016: 5%
- est. 2017: 5%

What factors have led you to this conclusion?
Once consolidation is complete, P&G will be able to renew focus on more profitable gains, and thus be able to increase sales growth.

Free Cash Flow:
- terminal growth 5%

WAAC Calculation:
| Risk Free Rate | 1.0% |
| Beta          | 0.71 |
| Market Risk Premium | 5.0% |
| Cost of Equity  | 4.55% |
| After-Tax Cost of Debt | 10.0% |
| Target Debt to Assets Ratio | 40.0% |
| Weighted Average Cost of Capital | 6.73% |

Valuation:
| Enterprise Value | $459,905 |
| Add Cash         | $8,558 |
| Firm Value       | $468,463 |
| Subtract Debt    | -$168,993 |
| Equity Value     | $299,470 |
| Number of Shares | 2,719 |
| Per-Share Equity Value | $110.14 |

Recommendation:
We recommend buying this stock for several key reasons. First, we see minimal downside risk within the consumer staples industry; demand for the majority of P&G’s products will see little fluctuation over the foreseeable future. Additionally, P&G has historically proven itself to be able to thrive in adverse economic climates. Second, we believe management will have ample abilities to drive long-term value continue to monetize existing brands while also gaining share in emerging markets. Lastly, As a large company with a high dividend, there is low risk and guaranteed returns in the form of dividends. We recommend reinvesting the dividends in order to strengthen our position in this holding while we develop the composition of the rest of the Responsible Investment Fund.