



Q2 Fiscal Year 2026 Prepared Management Remarks

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Linda Rendle, Chair and Chief Executive Officer

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Please review the following prepared management remarks in conjunction with the company's second-quarter fiscal year 2026 earnings release. These materials can be found on TheCloroxCompany.com in the quarterly results section or [directly here](#).

Clorox will also host a live Q&A audio webcast at 5 p.m. ET, today, with Chair and CEO Linda Rendle and Chief Financial Officer Luc Bellet to address the company's results as shared in the earnings release and these management remarks.

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Lisah Burhan, Vice President – Investor Relations

Thank you for your interest in our quarterly earnings results. In conjunction with these comments, please review our earnings release, which can be found on TheCloroxCompany.com in the [investor quarterly results section](#).

Joining me today are Chair and CEO Linda Rendle and CFO Luc Bellet. The following remarks include forward-looking statements that are based on management's current expectations but may differ from actual results or outcomes. In addition, these remarks refer to certain non-GAAP financial measures. Please refer to today's earnings release, which identifies various factors that could affect forward-looking statements and provides information that reconciles non-GAAP financial measures to the most directly comparable GAAP measures. The risk factors section of the company's Form 10-K also includes further discussion of forward-looking statements. With that, I will turn it over to Linda.

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Management Commentary

We anticipated a complex front half of the year due to the continued volatile macroeconomic environment and the temporary impacts of our ERP implementation, but those challenges were compounded by external factors including the government shutdown and continued pressure on consumers. Against that backdrop, our second quarter results were generally in line with our expectations. Sales came in slightly better than expected, benefiting from higher-than-expected shipments ahead of consumption in several businesses. Gross margin was slightly lower due to higher-than-anticipated supply chain costs. Overall, these results put us on track to deliver our plan for the full year. As we turn our focus to the second half of this fiscal year, we continue to strengthen our plans to deliver superior value to our consumers and reinvigorate category and share growth.

As we step back and assess our overall transformation, it's clear we're taking the right actions to build a faster, stronger, and more resilient company that stays ahead of evolving consumer needs. Our new operating model - underpinned by a significant digital transformation - is enabling us to scale capabilities, enhance operational efficiency, and accelerate decision making. At the same time, we fully rebuilt gross margin through our holistic margin management program. In addition, we're advancing our revenue growth management capabilities and enabling more personalized, insights-driven execution. Through this, we're able to deliver bigger, stickier innovation platforms while enhancing consumer shopping experiences – ultimately allowing us to better serve our consumers. Together, these actions give us the confidence to further evolve our portfolio through our recently announced acquisition of GOJO Industries, which expands our leadership in health and hygiene. Acknowledging our front half did not reflect the growth we expect from some of our brands, we have a strong foundation in place and are confident in the long-term opportunities ahead.

State of the Consumer

The consumer environment continues to be challenging, as consumers are more discerning about their purchases and competition remains high as they compete for share of wallet. Consumers are consistently seeking value throughout our portfolio and shifting toward value-focused channels, reflecting ongoing financial pressure, especially among lower-income households. We observed a slowdown in consumption due to the prolonged government shutdown in the second quarter, which led to a lapse in SNAP benefits for some consumers. Encouragingly, consumption trends improved later in the quarter, and this positive momentum has carried into January. While we are seeing encouraging sequential improvement in consumption and share trends, we know that the overall value-oriented consumer environment demands that we offer strong innovation that deliver superior consumer value.

Consumer-Led Innovation

We have strong innovation planned across all major brands in the back half of the year, underscoring our commitment to delivering superior experiences that strengthen our brands and deepen consumer loyalty. By investing in both new and existing innovation platforms, we're continuing to drive meaningful, long-term growth.

We recently introduced Clorox PURE, which is a first-of-its-kind platform innovation that expands Clorox's leadership in health and wellness. Developed with allergists and powered by AllerFresh

technology, PURE neutralizes common household allergens to help consumers reduce everyday allergen exposure. The line includes daily air and fabric sprays, creating a new usage occasion with year-round relevance. PURE™ represents a scalable, margin-accretive growth platform supported by strong retailer interest. We have a comprehensive and robust marketing plan that is more than double the demand investment of our standard launch – reaching 90 percent of all allergy fighters in the U.S. through endorsements and recommendations by trusted medical voices. Early reviews are strong and we are excited to change the game for allergy sufferers.

In the back-half of the year, we are beginning the first phase of our Litter relaunch, which includes improved innovation plans and enhanced packaging. This multi-phased plan will focus on delivering superior value, re-engaging consumers, and strengthening competitiveness. We are confident this relaunch will drive improvement in velocity, share and long-term profitability across our litter portfolio.

We are also refining our value proposition to address consumers' evolving shopping habits and budgetary needs by driving new innovations in existing platforms:

- To offer consumers more choice across the value spectrum, we're optimizing Hidden Valley Ranch sizing and pricing while introducing a new avocado oil offering that taps into growing health and wellness demand.
- In Glad, we're building off the superior value of our ForceFlex platform by introducing a new LeakGuard trash bag, which offers the category's first liquid-locking, superabsorbent bottom layer, which positions the brand for meaningful, consumer-driven growth.
- We're scaling our successful Scentiva platform with new scented bleach offerings while leveraging our scent platform to drive global growth.
- In Burt's Bees, we're introducing platform expanding innovations like Burt's Bees Lip Butter and Lip Oil to strengthen a high-equity brand with new and relevant offerings.

Driving Execution

We reached a major milestone for our company with the completion of the final phase of our U.S. ERP transformation in January, a multi-year effort to modernize our systems, strengthen our capabilities, and set the foundation for more efficient, integrated operations. With the implementation now behind us, we're focused on fully leveraging the new platform to drive growth and operational excellence.

We're laser-focused on driving strong execution across the enterprise by sharpening our demand plans, optimizing our service levels after our ERP implementation, and focusing on high impact innovation and investments to drive further improvements in consumption, share, and margin performance.

Additionally, our strong margin position provides the financial flexibility to continue reinvesting in our brands - even in a challenging macroeconomic environment. This discipline ensures we can sustain competitiveness in the near term while strengthening the foundation for long-term growth and shareholder value creation.

Strengthening our Portfolio

And, finally, as we shared with you two weeks ago, we took an important strategic step forward with the announcement of our agreement to acquire GOJO Industries, the makers of Purell. This acquisition is expected to deliver both near- and long-term strategic benefits and strong financial returns. It will expand our leadership in health and hygiene with a trusted brand in Purell – expanding reach across B2B and retail channels. Building directly on our core strengths, we believe we can meaningfully accelerate Purell's growth.

GOJO also adds a stable, recurring revenue stream that is accretive to growth, supports our long-term sales growth algorithm, and provides a consistent earnings base. We are excited about the growth synergies, and we expect meaningful run-rate cost synergies driven by our combined scale and proven holistic margin management capabilities.

Importantly, this brings together two complementary organizations with a strong management team and talent base with world-class manufacturing facilities. This gives us strong confidence in integration and execution as we retain the capabilities that make GOJO's model work and integrate in a way that preserves relationships and service levels. As we shared earlier, we expect this to close before the end of the fiscal year.

Second-Quarter Fiscal Year 2026 Results

- Net sales decreased 1%, driven by 1 point of volume decline. Organic sales decreased 1%, driven mainly by consumption decline in the majority of our U.S. businesses.
- Gross margin for the quarter was 43.2%, down 60 basis points versus the year-ago quarter due mainly to 240 basis points of higher manufacturing and logistics costs, partially offset by 170 basis points of cost savings benefit.
- Selling and administrative expenses as a percentage of net sales were 15.7%. This included \$17 million, or about 110 basis points, of strategic investments to enhance our digital capabilities.
- Advertising as a percentage of net sales was 11.4%.
- Effective tax rate was 25.1%.

Net of all these factors, adjusted earnings per share for the second quarter was \$1.39 versus \$1.55 in the year-ago quarter, reflecting a 10% decrease.

- Fiscal year to date net cash provided by operations was \$404 million, compared to \$401 million in the prior period, an increase of 1%.

Fiscal Year 2026 Outlook

We are maintaining our full-year outlook for net sales, gross margin, and adjusted EPS. As mentioned in our first quarter release, the impact of the order fulfillment challenges experienced earlier in the year, which led to consumption and market share losses, keeps our current expectations in the lower end of the range.

Our fiscal year 2026 outlook assumes the external environment will continue to be dynamic, volatile and uncertain. We expect consumers will continue to display heightened value-seeking behaviors, and overall category consumption will remain sluggish for the year with variability business-to-business and period-to-period. We expect elevated competitive activities will continue, and the tariff environment will continue to be uncertain. Our outlook also reflects the impact from the divestiture of our Better Health VMS business. This outlook does not include the impact from our acquisition of GOJO Industries, which is currently expected to close before the end of fiscal year 2026.

The most significant driver of our fiscal year 2026 outlook is a transitory one. We shipped about two weeks of inventory ahead of consumption at the end of the fourth quarter last year as our retailers built inventory in advance of our ERP transition. We expected retailers to draw down on these inventories during our transition period, resulting in year-over-year shipments decline. From a year-over-year sales growth perspective, the reduction in sales from this inventory draw down translates to about 7.5 points of decline as compared to the higher base in fiscal year 2025. Similarly, this inventory draw down reduces fiscal year 2026 earnings per share by about 90 cents. In comparison to the higher base in fiscal year 2025, this results in a year-over-year reduction of about 30% to fiscal year 2026 diluted earnings per share and about 23% to fiscal year 2026 adjusted earnings per share.

- We continue to expect net sales to be down 6% to 10%, including less than 1 point of negative impact from the divestiture of our VMS business in the first quarter of last fiscal year. Organic sales are expected to decline about 5% to 9%. For the reasons mentioned above, we now expect net sales results in the lower end of the range. The negative impact related to the ERP transition is about 7.5 points. As we shared at the beginning of the fiscal year, our organic sales outlook assumes trends to remain sluggish in the first half, which played out as we expected, and improve in the second half.
 - From a phasing perspective, the third-quarter net sales are expected to be flat to up low-single digits, reflecting muted consumption trends, continued improvement in market shares and some timing impact from the second quarter.
- We continue to expect gross margin to be down 50 to 100 basis points driven mainly by about 100 basis points of negative impact related to the incremental shipments for our ERP transition in the prior fiscal year. Consistent with our expectations on net sales, we continue to expect gross margin results to come in closer to the lower end of the range. We continue to expect the benefits from our holistic margin management program to offset inflationary headwinds, including tariffs.
 - Third-quarter gross margin is expected to be about flat relative to the year ago quarter.

- We continue to expect selling and administrative expenses to be about 16% of net sales. This includes about 90 basis points of impact related to our investments to enhance our digital capabilities.
- We continue to expect advertising investments to be about 11% of net sales, reflecting the company's ongoing commitment to invest behind its brands.
- We continue to expect effective tax rate to be about 24%.
- Net of these factors, we continue to anticipate our fiscal year diluted EPS outlook to be between \$5.60 and \$5.95, a year-over-year decline of 14% to 9% respectively. This reflects about 90 cents of headwinds related to the ERP transition, which represents about 30% of negative impact on the higher EPS base last fiscal year.
- Adjusted EPS is expected to be between \$5.95 and \$6.30, a year-over-year decrease of 23% to 18%, respectively. We continue to expect results to come in closer to the lower end of this range, mainly reflecting the impact of the order fulfillment challenges experienced earlier in the year. This outlook range continues to exclude about 35 cents of expense from our long-term strategic investments in digital capabilities and productivity enhancement. This also reflects about 90 cents of headwinds related to the ERP transition, which represents about 23% of negative impact on the higher EPS base last fiscal year.

Conclusion

As we look ahead, we're confident in our strategy and the strengthened foundation we've built. With a clear plan, a robust innovation pipeline, and the addition of Purell enhancing the momentum across our trusted brands, we're well positioned to deliver consistent, profitable growth. While the external environment will remain volatile, we're prepared to navigate through these challenges and execute with the discipline needed to deliver on our commitments. Thank you to our teammates around the world for driving our strategic priorities and advancing our transformation into a stronger, more resilient Clorox.

Thank you, and we look forward to the Q&A session later today.

Linda Rendle, Chair and CEO

Luc Bellet, Executive Vice President and CFO