



# The Colgate-Palmolive Company (CL)

Updated August 22<sup>nd</sup>, 2025, by Josh Arnold

## Key Metrics

<b>Current Price:</b>	\$86	<b>5 Year CAGR Estimate:</b>	7.6%	<b>Market Cap:</b>	\$70 B
<b>Fair Value Price:</b>	\$88	<b>5 Year Growth Estimate:</b>	5.0%	<b>Ex-Dividend Date:</b>	10/18/25 <sup>1</sup>
<b>% Fair Value:</b>	97%	<b>5 Year Valuation Multiple Estimate:</b>	0.5%	<b>Dividend Payment Date:</b>	11/15/25
<b>Dividend Yield:</b>	2.4%	<b>5 Year Price Target</b>	\$113	<b>Years Of Dividend Growth:</b>	64
<b>Dividend Risk Score:</b>	A	<b>Sector:</b>	Consumer Staples	<b>Rating:</b>	Hold

## Overview & Current Events

Colgate-Palmolive has been in existence for more than 200 years, having been founded in 1806. It operates in many consumer staples markets, including Oral Care, Personal Care, Home Care, and more recently, Pet Nutrition. These segments afford the company just over \$20 billion in annual revenue. The stock's market capitalization sits at \$70 billion after a slight decline since our last update.

Colgate posted second quarter earnings on August 1<sup>st</sup>, 2025, and results were better than expected on both the top and bottom lines. Adjusted earnings-per-share came to 92 cents, which was three cents ahead of estimates. Revenue was up 1% year-over-year to \$5.11 billion, beating estimates but \$80 million. Net sales were up 1%, with organic revenue up 1.8%, including a 0.6% negative impact from lower private label pet sales.

Gross profit was down 50 basis points to 60.1% of earnings, while adjusted gross profit was down 70 basis points to 60.1% of revenue. Gross margin was impacted by raw material inflation and tariffs, although management noted those impacts were slightly lessened in the second quarter. Net cash provided by operations was \$1.48 billion for the first six months of the year. The critical Hill's business, which has fueled much of Colgate's growth in recent years, was up 5% on an organic basis, including 2% volume gains and 3% price increases.

The company expects improvement in North America going forward, higher market share, and continued headwinds from tariffs.

We now see \$3.68 in adjusted earnings-per-share after largely in-line Q2 earnings.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$1.52	\$2.72	\$2.59	\$2.75	\$2.75	\$3.06	\$3.21	\$2.97	\$3.23	\$3.60	<b>\$3.68</b>	<b>\$4.70</b>
<b>DPS</b>	\$1.50	\$1.55	\$1.60	\$1.66	\$1.71	\$1.75	\$1.79	\$1.86	\$1.91	\$1.98	<b>\$2.08</b>	<b>\$2.41</b>
<b>Shares<sup>2</sup></b>	893	907	875	867	858	858	842	833	823	816	<b>810</b>	<b>760</b>

We expect growth for Colgate-Palmolive at 5% annually. Organic revenue growth continues, as well as cost saving measures in place, we think the future looks decent. The repurchase program is providing another tailwind to earnings-per-share as well. Finally, commodity volatility is not helping, but pricing efforts are paying off in the form of higher revenue and margins. We note forex translation has shifted from a tailwind to a headwind, per updated guidance after Q3 results. Margin weakness reappeared in Q2, and the impact of tariffs is still a wildcard. We note 5% growth projected from here is on what would be a record base of earnings in 2025, if achieved. Pricing power continues unabated despite the fact that the original pandemic tailwinds driving pricing are long since gone. Margins are in focus going forward, and cash flow remains solid. With about four-fifths of total revenue coming from outside North America, the weaker dollar is helping, but the tariff situation is offsetting any potential gains.

<sup>1</sup> Estimated date

<sup>2</sup> Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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The dividend should rise at about the rate of earnings growth, potentially hitting \$2.41 per share in 2030. Colgate-Palmolive’s dividend increase streak should remain intact for years to come as its payout is still reasonable, and earnings hold up well during recessions.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	44.1	25.8	27.9	24.2	25.1	24.6	24.7	26.5	24.7	25.3	23.4	24.0
Avg. Yld.	2.2%	2.2%	2.2%	2.5%	2.5%	2.3%	2.3%	2.4%	2.4%	2.2%	2.4%	2.1%

At 23.4 times earnings today, we see the stock as undervalued slightly, leading to a small tailwind to total annual returns should it revert to our estimate of fair value at 24 times earnings, in line with historical multiples. The stock is yielding 2.4%, in line with historical yields. We see the combination of the rising payout and potentially rising share price to push the yield lower over time, and note that the current yield is in line with historical norms.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

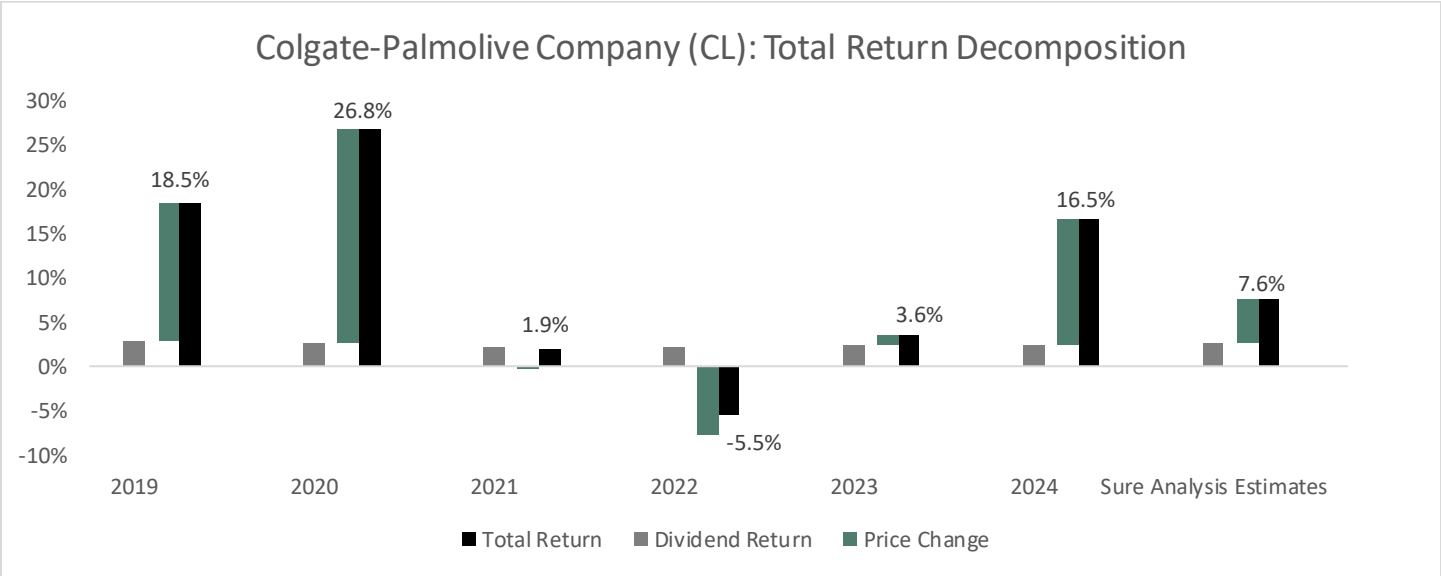
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	108%	62%	67%	60%	62%	57%	56%	63%	59%	55%	57%	51%

The payout ratio is 57% of earnings, somewhat lower than recent years. We see the dividend as safe, and we believe Colgate-Palmolive will produce many more years of dividend increases. This is a recession-resistant stock given the staple nature of the products it sells, and its competitive advantage is found in the dominant brands it owns. While Colgate-Palmolive operates in highly competitive product categories, it has a strong share in many of them as well as the ability to maintain pricing power. We also note that even though the stock is defensive in nature, its valuation was in the mid-teens during the last recession, so that is a potential risk in future recessions.

## Final Thoughts & Recommendation

The stock has traded slightly lower since our last update, and earnings estimates are about where they were. The company’s revenue is intact, and margins remain decent on pricing power, but with the uncertainty of tariffs present. We forecast 7.6% total returns in the coming years as 5% earnings growth and the 2.4% yield could be partially aided by a fractional tailwind from the valuation. We are reiterating the stock at a hold rating after Q2 earnings, noting weaker total return prospects but an outstanding dividend history.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	16,034	15,195	15,454	15,544	15,693	16,471	17,421	17,967	19,457	20,101
Gross Profit	9,399	9,123	9,280	9,231	9,325	10,017	10,375	10,248	11,326	12,161
Gross Margin	58.6%	60.0%	60.0%	59.4%	59.4%	60.8%	59.6%	57.0%	58.2%	60.5%
SG&A Exp.	5,464	5,143	5,400	5,389	5,575	6,019	6,407	6,565	7,151	7,729
D&A Exp.	449	443	475	511	519	539	556	545	567	605
Operating Profit	3,896	3,958	3,710	3,685	3,617	3,885	3,903	3,614	3,984	4,268
Operating Margin	24.3%	26.0%	24.0%	23.7%	23.0%	23.6%	22.4%	20.1%	20.5%	21.2%
Net Profit	1,384	2,441	2,024	2,400	2,367	2,695	2,166	1,785	2,300	2,889
Net Margin	8.6%	16.1%	13.1%	15.4%	15.1%	16.4%	12.4%	9.9%	11.8%	14.4%
Free Cash Flow	2,258	2,548	2,501	2,620	2,798	3,309	2,758	1,860	3,040	3,546
Income Tax	1,215	1,152	1,313	906	774	787	749	693	937	907

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	11,935	12,123	12,676	12,161	15,034	15,920	15,040	15,731	16,393	16,046
Cash & Equivalents	970	1,315	1,535	726	883	888	832	775	966	1,096
Accounts Receivable	1,427	1,411	1,480	1,400	1,440	1,264	1,297	1,504	1,586	1,521
Inventories	1,180	1,171	1,221	1,250	1,400	1,673	1,692	2,074	1,934	1,987
Goodwill & Int. Ass.	3,449	3,420	3,559	4,167	6,175	6,718	5,746	5,272	5,297	5,028
Total Liabilities	11,979	12,106	12,433	11,964	14,476	14,819	14,069	14,925	15,436	15,502
Accounts Payable	1,110	1,124	1,212	1,222	1,237	1,393	1,479	1,551	1,698	---
Long-Term Debt	6,548	6,533	6,577	6,366	7,847	7,601	7,245	8,766	8,549	7,949
Shareholder's Equity	(299)	(243)	(60)	(102)	117	743	609	401	609	212
LTD/E Ratio	(21.90)	(26.88)	(109.6)	(62.41)	67.07	10.23	11.90	21.86	14.04	37.50

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	10.9%	20.3%	16.3%	19.3%	17.4%	17.4%	14.0%	11.6%	14.3%	17.8%
Return on Equity	327%	---	---	---	---	---	320%	354%	455%	385%
ROIC	19.7%	37.4%	30.3%	35.9%	31.6%	31.5%	25.6%	20.1%	24.1%	32.1%
Shares Out.	893	907	875	867	858	858	842	839	829	823
Revenue/Share	17.63	16.91	17.41	17.81	18.22	19.17	20.54	21.42	23.46	24.42
FCF/Share	2.48	2.84	2.82	3.00	3.25	3.85	3.25	2.22	3.67	4.31

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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