



**Q1 2022**

**EARNINGS CALLS REPORT**

MAY 2022



# TABLE OF CONTENTS

<b>TABLE OF CONTENTS</b>	<b>2</b>
3M	3
Driven Brands	5
HB Fuller	7
Kimberly Clark	9
Nestle	13
PPG	17
Procter & Gamble	19
Prologis	22
Visa	25



## 3M

**3M's CFO said the “team did an amazing job” when it came to pricing and “they're already working on higher price.”** Monish Patolawala -- Chief Financial Officer: “Sure, Scott. Listen, the team did an amazing job. As I've talked about the tools that we've had, the daily management. Last year, we started slow on pricing, 0.14%, went up to 1.4% in Q3 and 2.6% and in Q4. This quarter, we continued the momentum, which was driven by two pieces, the carryover impact, plus new pricing. As I said in my prepared remarks, we more than offset the amount of inflation. So, if you just do the math on a rate basis, not just on a dollar basis. So, that's -- we got a 3% plus price in the quarter. The team is very focused on looking at the extra inflation that's coming in, they're already working on higher price. And as I said in my prepared remarks, the goal is to offset the extra inflation that we are seeing with extra price and so a really good start to the first quarter.” (3M Q1 2022 Earnings Call, [4/26/2022](#))

**3M's CFO: “the team has driven momentum on all items, which is price.”** Monish Patolawala -- Chief Financial Officer: “Yes. So, I would tell you, I'll start, Andy, with -- if you go back to Mike Vale's comments at investor day, he talked about one of his priorities is continuing to drive margin expansion. And we saw that sequentially. We knew going into the year that the year-on-year comp will be difficult, as you correctly pointed out with the amount of inflation. But the team has driven momentum on all items, which is price, continue to see the restructuring benefits, we're able to continue to drive productivity in the factories, at the same time, continue to invest in the right amount of growth as based on the priority platforms that we have listed out, and you saw it in the first quarter. Our mask respirator did come in better. When we had come in in the beginning of the quarter, we had told you it would be down sequentially. \$100 million to \$150 million. It came in at \$50 million down, so we know we came in stronger.” (3M Q1 2022 Earnings Call, [4/26/2022](#))

**3M's CFO: “We continue to drive price actions, realize savings from past restructuring and maintain strong spending discipline.”** Monish Patolawala -- Chief Financial Officer: “On this slide, you can see the components that impacted our operating margins and earnings per share performance as compared to Q1 last year. We continue to drive price actions, realize savings from past restructuring and maintain strong spending discipline, which helped offset both known and



new headwinds. As I highlighted in my February Investor Day presentation, we made significant progress driving actions in 2021 to address rising raw material and logistics costs. We are leveraging the power of daily management, data and data analytics, along with the spirit of embracing the direct actions to offset the inflationary pressures.” (3M Q1 2022 Earnings Call, [4/26/2022](#))

**3M’s CFO: “we will continue to leverage daily management powered by data and data analytics with the expectation of offsetting raw material and logistics inflation through pricing actions in 2022.”** Monish Patolawala -- Chief Financial Officer: “During last year, we developed new sourcing and pricing tools and processes to improve agility, drive alignment and simplify our processes. In addition, we are also enhancing our reporting and data analytics capabilities by rolling out tools that model price realization, leakage and elasticity. These efforts continue to pay off in Q1 as benefits from selling price actions offset raw material and logistics headwinds. Looking ahead, while we see raw material and logistics inflation persisting, we will continue to leverage daily management powered by data and data analytics with the expectation of offsetting raw material and logistics inflation through pricing actions in 2022.” (3M Q1 2022 Earnings Call, [4/26/2022](#))

**3M’s CFO: “Our actions continue to drive price to offset inflation,” allowing the company to expand margins.** Monish Patolawala -- Chief Financial Officer: “While year-on-year margins and earnings declined, it is also important to look sequentially given the fluid and uncertain environment. Our actions to continue to drive price to offset inflation, navigate supply chain challenges and control costs enabled us to expand adjusted margins and earnings 140 basis points and \$0.20 per share, respectively. Please turn to Slide 10. First quarter adjusted free cash flow was \$715 million, with conversion of 47%, which was in line with our expectations.” (3M Q1 2022 Earnings Call, [4/26/2022](#))

**3M’s CFO: “we continue to get more price to offset the inflation.”** Monish Patolawala -- Chief Financial Officer: “So I would say when you look at all of this from a macro perspective for the year as a whole, it’s – we still see ourselves in that range of 2% to 5%. And of course, we continue to get more price to offset the inflation. So that’s number one. I would say, secondly, we did bring out the second quarter, because we wanted you all to know what we are seeing from a



headwinds perspective, I'm sure you're hearing it from all industries, and we are not telling you anything new that you haven't heard from others.” (3M Q1 2022 Earnings Call, [4/26/2022](#))

## Driven Brands

**Driven Brand’s CEO boasted that, “Our supply chain capabilities that keep us in stock and allow us to take share and price when others cannot.”** Jonathan Fitzpatrick -- President and Chief Executive Officer: “Our supply chain capabilities that keep us in stock and allow us to take share and price when others cannot. Our scale, which is growing, is a sustainable and increasingly significant competitive advantage in our highly fragmented industry. Over the long term, Driven has and will consistently deliver organic, double-digit revenue growth and double-digit adjusted EBITDA growth. That, together with our asset-light business model, means we generate a ton of cash.” (Driven Brands Holdings Q1 2022 Earnings Call, [4/27/2022](#))

**Driven Brand’s CEO told analysts, “Driven provides needs-based services...Our businesses performed well because of the nondiscretionary aspect of maintaining an automobile.”**

Jonathan Fitzpatrick -- President and Chief Executive Officer: “Most importantly, Driven provides needs-based services. Our businesses performed well because of the nondiscretionary aspect of maintaining an automobile. Our core customer has been driving and will continue to drive even with elevated gas prices. Our core customers are also benefiting from higher wages.” (Driven Brands Holdings Q1 2022 Earnings Call, [4/27/2022](#))

**Driven Brand’s CEO: “We offer nondiscretionary needs-based services. This means even as prices rise, consumers continue to get their vehicles repaired, maintained, washed and they’re all changed, and it will be very low on the list of services that are downsized when spending is squeezed.”** Jonathan Fitzpatrick -- President and Chief Executive Officer: “Our ability to leverage data analytics, to order in advance, leverage our scale, our balance sheet, strategic supplier partnerships and preferred vendor status means that we are taking share when others don't have product. The last element of the inflation equation is retail pricing. We offer nondiscretionary needs-based services. This means even as prices rise, consumers continue to get their vehicles repaired, maintained, washed and they’re all changed, and it will be very low on the list of



services that are downsized when spending is squeezed.” (Driven Brands Holdings Q1 2022 Earnings Call, [4/27/2022](#))

**Driven Brand’s CEO: “The ability to pass on small percentage increases has been proven for nondiscretionary needs-based services.”** Jonathan Fitzpatrick -- President and Chief Executive Officer: “We continually evaluate our prices at our company stores to both protect our margins while still providing value to our customers. We have done this strategically over the past 18 months in our company Take 5 locations. And we have not seen any material negative impact to traffic or customer satisfaction. We will continue to manage price prudently to protect margins and ensure customers continue visiting our locations. Our franchisees, who manage their own pricing, are extremely adept at understanding how, when and where to take price. This is the ownership mentality at work. Our average check is \$842 across the Driven portfolio, as low as \$10 for car wash and as high as \$3,500 for collision. The ability to pass on small percentage increases has been proven for nondiscretionary needs-based services.” (Driven Brands Holdings Q1 2022 Earnings Call, [4/27/2022](#))

**Driven Brand’s CFO noted “average ticket benefited from pricing actions as a result of inflation as well as the increase in complexity of vehicles.”** Tiffany Mason -- Executive Vice President and Chief Financial Officer: “Same-store sales growth was 16% for the quarter. We posted double-digit comps each month of the quarter despite the surge of the Omicron variant in January and rising gas prices in March. And we once again outpaced the industry across all business segments. Our same-store sales grew through a combination of car count and average ticket increases. We continued to experience positive car count as a result of our best-in-class marketing and customer experience. And average ticket benefited from pricing actions as a result of inflation as well as the increase in complexity of vehicles. Now remember, we are approximately 80% franchised so not all segments contribute to revenue proportionately.” (Driven Brands Holdings Q1 2022 Earnings Call, [4/27/2022](#))

**Driven Brand’s CFO: “we have passed along a series of retail price increases while maintaining our premium oil mix, driving an increase in average ticket.”** Tiffany Mason -- Executive Vice President and Chief Financial Officer: “Maintenance continues to benefit from more targeted digital marketing, and we have passed along a series of retail price increases while maintaining our premium oil mix, driving an increase in average ticket. In the first quarter,



we also had a 30% attachment rate of ancillary products such as wiper blades, cabin air filters and cooling exchange, also contributing to a higher average ticket. The car wash segment posted positive same-store sales of 7%. The number of wash club members grew by an additional 100,000 in the first quarter, equating to approximately 50% of sales.” (Driven Brands Holdings Q1 2022 Earnings Call, [4/27/2022](#))

**Driven Brand’s CFO: “The positive ticket is driven by two things. It’s driven by inflation and our ability to pass along price to the consumer... our higher average ticket and our needs-based services, that affords us the ability to pass along any inflation we’re seeing.”**

Tiffany Mason -- Executive Vice President and Chief Financial Officer: “So we saw positive car count, as I said in my scripted remarks. Positive car count as well as positive ticket overall for the business. Certainly, our -- just given the current environment, our performance is skewed more toward tickets today than it is to car count, but we are seeing good momentum in both. The positive ticket is driven by two things. It’s driven by inflation and our ability to pass along price to the consumer. I think Jonathan and I both today spoke about the fact that with the -- our higher average ticket and our needs-based services, that affords us the ability to pass along any inflation we’re seeing, and we’re doing that as we need to manage our costs as well as continue to drive -- balancing that to continue to drive traffic. So we are also thus seeing the increased complexity of vehicles also to continue to drive ticket up. And I gave a statistic in my comments today about 30% attachment rates, specifically in our maintenance business, which is driving ticket as well. So all of those factors are driving our performance. If you just zero in on ticket for a minute, though, I would say it’s -- if you’re thinking about mix versus price, it is in Q1 more driven by price than mix. Relative to the comps across the year, I think I said when we gave guidance last quarter, we expect the first half to be stronger than the second half just because compares are easier in the first half than the second. That’s still true today.” (Driven Brands Holdings Q1 2022 Earnings Call, [4/27/2022](#))

## HB Fuller

**HB Fuller’s CEO cited nearly \$800 million in price increases since the beginning of 2021 and said “we are prepared to implement further price increases as necessary.”** James J. Owens —



CEO: “The tragic events in Ukraine have all of us concerned for the safety of people in the region, and our concerns at H.B. Fuller are with them, first and foremost. From a trade perspective, the conflict is impacting a fragile supply chain with even higher prices for raw materials and transportation. Raw material inflation will be greater than we forecasted in January. And as a result, additional pricing actions are being implemented this quarter to remain ahead of the inflation. We have implemented approximately \$130 million of pricing in the first quarter with at least an additional \$175 million planned in the second quarter. These actions are in addition to the \$450 million of annualized pricing executed in fiscal 2021 and are expected to more than offset raw material and delivery cost increases. Our teams are monitoring the situation daily, and we are prepared to implement further price increases as necessary.” ([HB Fuller Co Q1 2022 Earnings Call, 3/24/2022](#))

**HB Fuller CFO said net revenue was up 18% compared to the same period last year, with pricing up 14.7%.** John J. Corkrean — CFO: “Thanks, Jim. I'll begin on Slide 5 with some additional financial details on the first quarter. Net revenue was up 18% versus the same period last year. Currency had a negative impact of 3.7% and acquisitions had a positive impact of 0.9%. Adjusting for currency and acquisitions, organic revenue was up 20.8% with volumes up 6.1% and pricing up 14.7%. All 3 GBUs had double-digit organic growth versus 2021 with Construction Adhesives up over 38% year-on-year and HHC and Engineering Adhesives up 21% and 17%, respectively, against what was a very strong first quarter last year for both GBUs.” ([HB Fuller Co Q1 2022 Earnings Call, 3/24/2022](#))

**HB Fuller’s CEO said customers aren’t ‘prebuying’ to escape price increases: “price increases are happening every quarter. So there's not really a prebuy on price increases. And frankly, there's not enough material around for people to prebuy.”** James J. Owens — CEO: “So those are really the 2 big drivers, I think you saw it in some of our results last year in Q4, and you're definitely seeing that momentum build here. As far as prebuy on price increases, price increases are happening every quarter. So there's not really a prebuy on price increases. And frankly, there's not enough material around for people to prebuy. So that's definitely not driving any kind of quarterly impact here. John, you want to add something?” ([HB Fuller Co Q1 2022 Earnings Call, 3/24/2022](#))





**HB Fuller's CEO told an analyst that the company is doing "some great work on pricing that's improving the margins."** David. Begleiter, Analyst, DEUTSCHE BANK: "Just going back to guidance. For Q2 through Q4 ex M&A, is it fair to say that this guidance is unchanged versus prior guidance?" James J. Owens — CEO: "Pretty similar. Pretty similar. I think -- yes, pretty similar. But I'd say that's the net-net. There's a lot that goes behind that, right? I think there's a lot of good momentum in the business, some great work on pricing that's improving the margins. And then there's this tempering of enthusiasm given the fact that we've got this war in Ukraine. So that's built into the guidance." ([HB Fuller Co Q1 2022 Earnings Call, 3/24/2022](#))

**HB Fuller's CEO said the Ukraine crisis led directly to "why we have this big increase that we're putting in place here in Q2, the big price increase."** James J. Owens — CEO: "Yes. I think I even said it on the last call, right? What we were seeing in Q3, Q4 and projecting into Q1 was a slowing of inflation, still inflation but less inflation. And that's what we had predicted for Q2, right? So inflation but less inflation. In fact, our current view is that inflation in Q2 will be the highest inflation quarter we've had, and that's mostly driven by Ukraine. So we do a lot of forward look and we get really good visibility a quarter ahead, and there's a lot of shortages, there's a lot of downstream effects from commodity materials that will impact this year and the quarter. So our perspective is up a lot from where we were in Q1, mostly driven by the shortages in Ukraine, and that's why we have this big increase that we're putting in place here in Q2, the big price increase." ([HB Fuller Co Q1 2022 Earnings Call, 3/24/2022](#))

## Kimberly Clark

**Kimberly Clark's CEO called their products "essential" and said, "if you look at our results in the quarter, price realization is -- our execution is very effective right now, and the volume is trending better."** Mike Hsu -- Chairman and Chief Executive Officer: "No. Well, Kevin, overall -- thanks for the question. Look, two big changes since our January update. I mean, one was, obviously, if you look at our results in the quarter, price realization is -- our execution is very effective right now, and the volume is trending better, I think, than we initially thought. So that's one part. But certainly, as you saw in our release, inflation is significantly worse. And so I would say those two big changes largely offset. I do think our strong top line, Kevin, reflects the



essential nature of our categories and the strength of our brands.” (Kimberly Clark Q1 2022 Earnings Call, [4/22/2022](#))

**Kimberly Clark CEO: “we recognize at the price levels we're putting into the market, they will create stress on the consumer...I'd say the pricing environment has been largely constructive and I think we're on track with what we thought the pricing would do.”** Mike Hsu -- Chairman and Chief Executive Officer: “I mean we have been working over the last several years to really improve our brand fundamentals with strong innovation, great commercial execution. And as I mentioned in my remarks, we're really proud of our local agility. So I would say, overall, we're cautiously optimistic. Certainly, we recognize at the price levels we're putting into the market, they will create stress on the consumer. And so our approach is we're going to be very thoughtful about balancing growth, margin, and share. And we'll be very responsive and agile to the needs in the marketplace. But right now, I'd say the pricing environment has been largely constructive and I think we're on track with what we thought the pricing would do.” (Kimberly Clark Q1 2022 Earnings Call, [4/22/2022](#))

**Kimberly Clark CEO: “I would expect our teams to offset input cost inflation with pricing over time.”** Mike Hsu -- Chairman and Chief Executive Officer: “Yeah. Well, just as a principle, I would say, generally, I would expect our teams to offset input cost inflation with pricing over time. It may not occur within the year, but over time. And so that's our general principle. Obviously, we'll also deploy cost savings and productivity against that problem as well. But again, that's kind of our overall principle. We have taken further action. We announced a suite of actions at the beginning of the year. And then we've taken further actions since we talked last January. And again, I think our teams have been very responsive to what's happening in the marketplace.” (Kimberly Clark Q1 2022 Earnings Call, [4/22/2022](#))

**Kimberly Clark CEO: “I would say we've implemented multiple rounds of pricing.”** Mike Hsu -- Chairman and Chief Executive Officer: “OK. Yeah. Chris, maybe I'll start, and then maybe Maria will provide some additional color, too. But overall, I'll just give you a sense of our pricing execution overall is on track. Volumes have been solid. I would say trending a little bit better than we initially thought. But as I mentioned earlier, we're going to be very alert in monitoring our price gaps carefully. I would say we've implemented multiple rounds of pricing.” (Kimberly Clark Q1 2022 Earnings Call, [4/22/2022](#))



**Kimberly Clark’s CEO said the company was “prioritizing margin recovery.”** Mike Hsu -- Chairman and Chief Executive Officer: “Yeah, Jason, maybe I'll start here. Overall, I think we're very pleased with our D&E growth overall. Personal care growth continues to be very strong behind what I mentioned earlier under Lauren's question, strong innovation, strong local execution. Organic was up 11% in the quarter. High single digit on price, low single digit on mix. And then yes, as you mentioned, a 1% volume decline overall. I'd say it's kind of mixed across markets -- and maybe the one area that I'd point out is in Latin America. For us, a little softer on volume and a little softer on share. The big driver of that is, Jason, as you're aware with our previous discussions, we're prioritizing margin recovery, but we want to be balanced and holistic about it. And so we're trying to balance margin recovery, organic growth and share. And I would say we're probably faster on pricing in a number of our key markets, including Latin America. And so that's probably had an impact on both volume and share.” (Kimberly Clark Q1 2022 Earnings Call, [4/22/2022](#))

**Kimberly Clark CEO: “Obviously, a key component of that margin recovery plan is price, which we've executed very, very well, and we're encouraged with our start.”** Mike Hsu -- Chairman and Chief Executive Officer: “Yeah. Overall, Jason, I will say we're encouraged by the professional demand improving. Organic was up 6% in the quarter. And to your point, not back to where it was, but mid-single-digit growth in North American and high single digit in the rest of the world. Washroom demands recovering was up 30% in the quarter and now back to 90% of our pre-pandemic levels. I think we do know enough. And I agree with you that I don't think it's going to go back to where it was. I think our team is making the right plans to size the business appropriately and recognize this is the reality of where we are. And so we need to go from there. And so they've got a margin recovery plan and a cost plan and are diligently working on that. Obviously, a key component of that margin recovery plan is price, which we've executed very, very well, and we're encouraged with our start. I will point out, we do expect better volume performance.” (Kimberly Clark Q1 2022 Earnings Call, [4/22/2022](#))

**Kimberly Clark CEO: “I think we've taken price and recognize that our price realization has to increase. We've done that in a number of ways, either through pack counts, list price, and also promotion reductions.”** Mike Hsu -- Chairman and Chief Executive Officer: “Yeah. Andrea, maybe I'll just piggyback on what Maria was saying, is that we remain committed to delivering balanced



and sustainable growth. And so our priorities are to accelerate growth and also recover the margins. But right now, I would tell you, our brands are strong, our categories are healthy, and we're going to continue to invest to build our categories, our brands, and our markets. So as I mentioned earlier, we're taking a very holistic approach to balance -- to mitigate the inflationary pressure. We're going to balance price, volume, and share. I think we -- to your second part of your question, I think we've taken price and recognize that our price realization has to increase. We've done that in a number of ways, either through pack counts, list price, and also promotion reductions.” (Kimberly Clark Q1 2022 Earnings Call, [4/22/2022](#))

**Kimberly Clark’s CEO told analysts the company had “suppressed” promotions in North America.** Mike Hsu -- Chairman and Chief Executive Officer: “I would -- I don't know that I would say it's uniform across markets. We're relying on our markets to be agile and to respond to what the local situation requires. But in general, as you can observe overall, the overall pricing has gone up. In some markets, our promotions have come down and in some markets -- and that's been a way to deliver price. And in some markets, it's gone a little bit up. North America, I would say, has gone up slightly because we were suppressed on the promotion front for a couple of years. I'd say our promotional depth is still lower than it was three years ago overall. But again, that's -- it's just an artifact of kind of what are you comparing against.” (Kimberly Clark Q1 2022 Earnings Call, [4/22/2022](#))

**Kimberly Clark CEO: “I think part of that is we definitely expect strong progress on price realization and you're seeing it. I'm confident we'll be able to restore our margins and eventually expand them.”** Mike Hsu -- Chairman and Chief Executive Officer: “Yeah. And let me piggyback on that, Peter, because I think part of that is we definitely expect strong progress on price realization and you're seeing it. I'm confident we'll be able to restore our margins and eventually expand them, OK? I think the big factor that Maria says, we can't predict exactly when it is because the core assumption is what happens with inflation. And so the reality is I expect reversion in commodities.” (Kimberly Clark Q1 2022 Earnings Call, [4/22/2022](#))



## Nestle

**Nestle’s CEO credited sales growth in Q1 to “increased pricing.”** Mark Schnieder, CEO: “Thank you, Luca. And a warm welcome to our conference call participants today. As always, we appreciate your interest in our company. We are pleased to report another strong start to the year. We reached 7.6% organic sales growth in Q1 with increased pricing and resilient real internal growth. Building on the strong starts in 2020 and 2021, this brings our three year compound annual organic sales growth rate to 6.5% for Q1. It is literally the story of growth on growth. In a year that saw a significant and increasing input cost inflation, we stepped up pricing in a responsible manner. At the same time, we launched meaningful innovations and saw strong growth in our affordable offerings, which ensures that consumers retain access to our products.” (Nestle SA Q1 2022 Earnings Call, [4/21/2022](#))

**Nestle’s CEO: “Organic growth in developed markets was 6.7% based on increased pricing and resilient RIG.”** Mark Schnieder, CEO: “Turning to the distribution of growth between developed and emerging markets. Organic growth in developed markets was 6.7% based on increased pricing and resilient RIG. Growth in emerging markets reached 8.8% with balanced contribution from RIG and pricing. Growth was supported by strong momentum for affordable offerings, particularly in AOA. Let's now consider the breakdown of sales by channel. Organic growth for retail sales remained strong at 5.9% with a high base of comparison in 2021. Growth remained well above pre-COVID levels.” (Nestle SA Q1 2022 Earnings Call, [4/21/2022](#))

**Nestle’s CEO told analysts that prices increased over 5% the past quarter and the company expected “further price increases over the course of the year,” blaming the war in Ukraine for new cost inflation.** Mark Schnieder, CEO: “Within retail, e-commerce sales grew by 5%, building on a very strong growth of 39.6% in the first quarter of 2021. Organic growth in out-of-home channels reached 35.6% with sales now exceeding 2019 levels. Pricing stepped up to 5.2% in Q1. We expect further price increases over the course of the year to reflect significant cost inflation. Increases will continue to be implemented in a progressive and responsible manner. The impact from cost inflation is expected to be significantly higher in 2022 versus 2021 compared to when



we talked to you in February, we now expect an even greater inflationary impact as a result of the war in Ukraine. So far, we have not seen any material evidence of negative RIG elasticity linked to price increases.” (Nestle SA Q1 2022 Earnings Call, [4/21/2022](#))

**Nestle executive: “we're defending our margins here. We're not expanding our margins, and we're doing the pricing as responsibly as possible.”** “And then obviously, as we discussed in the full year conference call, different markets, different environments have different timetables for when you can review pricing. I think by now, everyone has understood that there is such a significant surge underway starting from last year that clearly, price stability is simply not in the cards. I mean, we're literally, as you know, when you compare full year margins, we're defending our margins here. We're not expanding our margins, and we're doing the pricing as responsibly as possible. But clearly, the situation has become worse. And that's what we were trying to signal because we had expressed a larger degree of conservatism when it comes to the UTOP margin as part of the full year guidance. So again, all we were trying to do is sort of give you the latest impression on that.” (Nestle SA Q1 2022 Earnings Call, [4/21/2022](#))

**Nestle said it wasn't seeing any consumer reaction “as we raise prices to levels that we have not seen for at least 15 years.”** “On the consumer behavior, as we indicated, we have not seen any evidence of down trading today. The evidence of it is the fact that we see, for example, our premium products growing faster than the average of Nestle. And we have not seen any evidence either of negative elasticity on volume. We may -- we do expect that there will be some probably as we progress further in the year and as we raise prices. This is -- I'm not saying that it came as a surprise. But I mean, as we raise prices to levels that we have not seen for at least 15 years, we could have expected probably more. There might be one reason to be seen, but is the fact that probably during the COVID crisis, probably a lot of consumers did increase their savings level and continue to consume at a relatively high level. I mean we see that across FMCG. By the way, if you did listen, I'm sure to many of our peers as well, and you can see that the level of consumption is relatively solid across segments and industries as well. (Nestle SA Q1 2022 Earnings Call, [4/21/2022](#))

**Nestle said they were taking pricing “with the best of our interest of shareholders in mind” and that there was a “generally good understanding in the public that obviously something has to give.”** “And look, on the pricing, obviously, we're trying to be transparent and helpful, but



we don't want to handicap how next pricing moves are going to work out. And obviously, we're trying to do this with the best interest of shareholders in mind. And so sorry that we can't be more transparent on that. Suffice it to say, people do see significant commodities and energy, as I mentioned before, going up. And so I think there's generally good understanding in the public that obviously something has to give, and we can't keep things constant in light of the significant cost pressures that are affecting everyone, and there's no exceptions.” (Nestle SA Q1 2022 Earnings Call, [4/21/2022](#))

**Nestle said it was taking “higher pricing in the U.S. market than comparatively in Europe or elsewhere.”** “Tom, let me take a crack at the pricing side and then hand over to Francois. Look, I can't go into too much detail on the categories. But I think the picture you've seen and that is higher pricing in the U.S. market than comparatively in Europe or elsewhere. I think that's not unusual. And I think it's very consistent with some of the peers reporting I've seen. And I think a lot has to do with the fact that in addition to commodities, you've also seen significant labor cost inflation, plus the distribution cost inflation. There's a real distribution shortage there and crisis, and that has an impact on trucking costs. And of course, it's something that we need to reflect. And so I think we are just, as I said, we're trying to be as responsible in pricing.” (Nestle SA Q1 2022 Earnings Call, [4/21/2022](#))

**A Nestle executive said “in the U.S. as well, it's usually easier to implement pricing because we have less constraints than in Europe, timing-wise.”** “In a certain kind of market, and it has happened in the U.S. , and that explains part as well as the high level of pricing that we had. Given that we were facing supply chain constraints, we did less promotional activities. As you can understand, if we were very tight to supply the market, there were not necessary points to maintain heavy promotional activities for some of our categories or some of our SKUs and products. So this is the reason why you -- part of the reason why you see a lot of pricing in the U.S. As you know, in the U.S. as well, it's usually easier to implement pricing because we have less constraints than in Europe, timing-wise. So which means that we can usually react faster than in some other markets and more specifically in Europe.” (Nestle SA Q1 2022 Earnings Call, [4/21/2022](#))



**March 23, 2022: Nestle said it was suspending sales of a wide range of brands in Russia and would donate profits from Russia to Ukrainian relief.** “Nestle is to halt the sale of a wide range of brands in Russia, including KitKat chocolate bars and Nesquik, amid Ukrainian President Volodymyr Zelensky’s criticism of the world’s biggest food company for its continued presence in the country. The products affected, also including pet food and coffee, make up the “vast majority of volume and sales” in Russia, which totaled 1.7 billion Swiss francs (\$1.82 billion) in 2021, a Nestle spokesperson said. The Swiss company had already halted non-essential imports and exports to Russia and had also stopped all advertising and capital investment in the country and said it would donate profits from Russia to Ukrainian relief efforts.” (Reuters, [3/23/2022](#))

**April 21, 2022: Nestle defended its ongoing business in Russia: “It’s very hard, as you can imagine, for a food company to tell them to stop supplying food, just like it’s hard for a pharma company to stop making medicines or for a hospital to stop accepting patients.”** “When it comes to Russia overall, I hope that no one has questioned our motives for the path that we have chosen regarding our presence there. This is not about gaining commercial advantage. For us, it is about universal human rights that we don’t want to let go lightly. And if that didn’t come across clearly enough, I would want to offer my regrets. It’s very hard, as you can imagine, for a food company to tell them to stop supplying food, just like it’s hard for a pharma company to stop making medicines or for a hospital to stop accepting patients. And for us, a presence on the ground is never just a business opportunity. It also comes with what I call extensive rainy day responsibilities for the communities we serve. We demonstrated that around the world when it comes to the COVID pandemic. And I think we’re demonstrating it today, in particular, on the ground in the Ukraine, where we’re one of the few food companies still operating and supplying the population. When it comes to Russia, consistent with this very limited approach and the trade restrictions and everything else that applies, I think we’ve chosen the most conservative option for computing our Q1 growth, and that is excluding it. And I think that’s very consistent with the announcements that we made on March 23 regarding our plans for Russia.” (Nestle SA Q1 2022 Earnings Call, [4/21/2022](#))

**April 21, 2022: Nestle said that sales growth in Russia was actually above average thanks to price increases and “pantry loading in the context of the crisis locally.”** “So if we had kept Russia into our organic growth, our organic growth at group level would have been higher, which





means that Russia grew at a higher level than the average of the group. This is essentially linked to the fact that we did quite a lot of pricing in Q1 as a consequence of the significant depreciation of the ruble because it went down by almost 50% at a given time. In addition to that, we have seen that there was a lot of pantry loading in the context of the crisis locally. So when you add up the pricing and pantry loading, this is the reason why we had this benefit in terms of sales in Russia in Q1.” (Nestle SA Q1 2022 Earnings Call, [4/21/2022](#))

## PPG

**PPG’s CEO told analysts “we have continued to improve our pricing realization in both pace and cadence...Our price capture this cycle is much faster.”** Michael McGarry -- Chairman and Chief Executive Officer: “Additionally, outside of China, COVID restrictions have continued to decrease in many parts of the world. As a company, we have continued to improve our pricing realization in both pace and cadence. This has been necessary to battle the persistence and breadth of inflation. Our price capture this cycle is much faster, and we are now pricing in the second quarter for second quarter inflation impacts, so we are basically pricing in real time.” (PPG Industries Q1 2022 Earnings Call, [4/25/2022](#))

**PPG’s CEO said the company’s selling prices are up over 12% on a two-year stack basis versus the first quarter of 2020.** Michael McGarry -- Chairman and Chief Executive Officer: “Our adjusted earnings were significantly above the upper end of our January financial guide as we delivered strong earnings leverage on the higher-than-expected sales volumes. This leverage was a result of improving manufacturing performance as COVID-related absenteeism subsided significantly as we progressed through the quarter, and we experienced increasing raw material availability. In addition, our selling price increases increased 10% year over year, marking the 20th consecutive quarter of higher selling prices. Our selling prices are up over 12% on a two-year stack basis versus the first quarter of 2020, reflecting our continued actions to offset generationally high inflation.” (PPG Industries Q1 2022 Earnings Call, [4/25/2022](#))

**PPG’s CEO: “we’re implementing incremental selling price increases in the second quarter and expect that we will exit the second quarter offsetting all inflation categories on a run rate**



**basis.”** Michael McGarry -- Chairman and Chief Executive Officer: “In the first quarter, our selling prices did offset year-over-year raw material inflation but did not offset inflation from other sources, including logistics, energy and labor, and we did not fully recover prior-year inflation. Sequentially, versus the fourth quarter 2021, our overall margins improved by more than 200 basis points. We are targeting continued quarterly sequential margin improvement in the second quarter as well despite further increases in raw material and logistics inflation. We have continued to optimize our commercial processes the last two years and, as mentioned, are now closer to real-time pricing relative to inflation. Due to higher crude oil and energy prices, we're implementing incremental selling price increases in the second quarter and expect that we will exit the second quarter offsetting all inflation categories on a run rate basis. This drives our expectations for operating margins to sequentially improve further as the year progresses.” (PPG Industries Q1 2022 Earnings Call, [4/25/2022](#))

**PPG's COO: “We continue to get increasing sequential pricing. And that pricing, while never easy to get, is being accepted by our customers.”** Tim Knavish -- Chief Operating Officer: “David, Tim Knavish here. Look, in our architectural U.S. business, in fact, our architectural business is around the world. We continue to get increasing sequential pricing. And that pricing, while never easy to get, is being accepted by our customers. And we -- our customers have to remain competitive every day. So we can assume that we're seeing that same kind of behavior from others in the market. So we have not seen what you call discounting in the market.” (PPG Industries Q1 2022 Earnings Call, [4/25/2022](#))

**An analyst asked PPG “when the raw materials eventually or hopefully subside, do you give back some of that pricing in real time?”** John McNulty -- BMO Capital Markets -- Analyst: “Yeah, thanks for taking my question. So on the pricing front, Michael, you kind of indicated you're almost at a point where it's real-time pricing. I guess what are the mechanisms in place that you've put so that we can actually see that real-time pricing? And I guess to that also, when the raw materials eventually or hopefully subside, do you give back some of that pricing in real time? Or is that something where we may see the more traditional lag or even stability when it comes to price? I guess, how should we be thinking about that?” (PPG Industries Q1 2022 Earnings Call, [4/25/2022](#))



**PPG's CEO responded "we're not going to be giving this pricing back," noting that their customers "cannot argue that our competitors are not pricing."** Michael McGarry -- Chairman and Chief Executive Officer: "Well, John, first of all, we're not going to be giving this pricing back. As you know, we are still lagging if you look at this on a two and a half year stack, so there's plenty of recovery. And the reason that we're able to get more real-time pricing than ever before is it's impossible for our customers to argue with what's going on, right? They fully see the same things that we're seeing. They're seeing energy prices go up. They see raw materials that we buy, they can see it in their own systems going up. They can see transportation going up, they're paying for transportation. And they also cannot argue that our competitors are not pricing. So from that standpoint, most of the bullets that they usually try to fire at us, that our salespeople try to avoid, that's not happening." (PPG Industries Q1 2022 Earnings Call, [4/25/2022](#))

**PPG CEO: "it's not a matter of can we take a price increase? Now it's about how much of a price increase are you going to take...So we're telling people, this is the new price. And if you don't like it, please don't place purchase orders."** Michael McGarry -- Chairman and Chief Executive Officer: "And now it's not a matter of can we take a price increase? Now it's about how much of a price increase are you going to take. And the other thing that we've done much more aggressively than we ever have is withhold shipments. So we're telling people, this is the new price. And if you don't like it, please don't place purchase orders. And if the purchase orders come in without the new price on it, we're sending those purchase orders back. And that has gotten the attention of our customers and they understand that we need relief, and we need relief now. And so you could see that there is a palpable energy in the air to get price increases as we're doing it. So when you see oil at \$107, our customers are getting price like that. So I'm really pleased our sales teams have gotten much better at pricing than ever in the history of the company." (PPG Industries Q1 2022 Earnings Call, [4/25/2022](#))

## Procter & Gamble

**Procter & Gamble's CFO said the company was "executing tailored price increases."** Andre Schulten, CFO: "Building on the strength of our brands, we are thoughtfully executing tailored price increases. We closed a couple of price increases with innovation to improve consumer



value along the way. The strategic need for investments to continue to strengthen the superiority of our brands, the short-term need to manage through this challenging cost environment and the ongoing need to drive balanced top and bottom line growth, including margin expansion, underscore the importance of ongoing productivity.” (Procter & Gamble Q3 2022 Earnings Call, [4/20/2022](#))

**Procter & Gamble told investors further price increases were coming in Feminine Care, US Home Care, and US Oral Care.** Andre Schulten, CFO: “Foreign exchange rate has also moved further against us, since our last guidance. We now expect FX to be a \$300 million after-tax headwind to earnings for the fiscal year. We are offsetting a portion of these cost pressures with price increases and with productivity savings. In the start of the fiscal year, we’ve taken price increases in each of our 10 product categories in the US. You may recall, it was one year ago, when we announced price increases in the Feminine Care and Baby Care categories. Over the last year, input costs have continued to increase substantially. And as a result, the Feminine Care business has announced an additional price increase in the US, which will be effective in mid-July. Also, as a result of these increased cost headwinds, we recently announced price increases on certain items in the US Home Care category that will be effective at the end of June and in the US Oral Care business that will be effective mid-July.” (Procter & Gamble Q3 2022 Earnings Call, [4/20/2022](#))

**According to P&G’s CFO, “Pricing was a sequentially stronger contributor to top line growth in the third quarter and will continue to be a driver again in the fourth quarter as we get the full effect of increases taken over the past few months.”** Andre Schulten, CFO: “Moving to key guidance metrics. We now expect organic sales growth in the range of 6% to 7% for the fiscal year, a two-point increase versus our prior guidance of 4% to 5%. Pricing was a sequentially stronger contributor to top line growth in the third quarter and will continue to be a driver again in the fourth quarter as we get the full effect of increases taken over the past few months.” (Procter & Gamble Q3 2022 Earnings Call, [4/20/2022](#))

**P&G’s CFO predicted further benefits from incoming price increases.** Andre Schulten, CFO: “Okay. Thanks, Robert. So in terms of pricing run rate for the quarter, on average, we have a five point contribution to the top line. As we said, pricing will continue to increase as more of the price



increases flow through. So I would say exiting the quarter, I would see about a 6% run rate to top line from pricing contribution. So you will see more of the pricing that has been announced, and that will flow through in April for the flow through in quarter four.” (Procter & Gamble Q3 2022 Earnings Call, [4/20/2022](#))

**P&G’s CFO told analysts said incoming price increases would be a “contribution to the top line and to gross margin recovery over the future.”** Andre Schulten, CFO: “We will continue to drive innovation. We have prioritized innovation in our resource and line time allocation to ensure that we can continue to offer superior value to our consumers, which also enables us to take pricing and see these relatively benign elasticities at this point in time. So you continue to see us invest in innovation. With innovation, we will try to take pricing at a very granular level by market, by brand. A lot of the price increases that we have announced are yet to flow through. So you will see an incremental contribution to the top line and to gross margin recovery over the future. The other price increase is already announced, and we will have to carefully evaluate more opportunities to take pricing. It will take time to recover the full dollar impact. And as we said before, it's more important to us to support the business model, support innovation, support superiority, execute pricing in the right way and recover gross margin and cost impact over time versus rushing to do this faster.” (Procter & Gamble Q3 2022 Earnings Call, [4/20/2022](#))

**P&G’s CFO noted they have “intentionally built price levels in every brand and across brands,” using their dominance of the diaper market as an example.** Andre Schulten, CFO: “We have intentionally built price levels in every brand and across brands to ensure that we have offerings for consumers. If they feel they are budget constrained, they can trade within the P&G brand offerings. So on diapers, we have multiple offerings, starting with Pampers Pure at about \$0.40 a diaper, Swaddlers at \$0.35 a diaper, Baby Dry at \$0.30 and Luvs at \$0.20. These price ladders exist in all categories and offer the consumer a choice within the P&G portfolio. We are also, which is part of our pricing execution, protecting key price points, key value price points for each offering. So consumers can choose different cash outlays as they shop based on their available cash at the moment of shopping.” (Procter & Gamble Q3 2022 Earnings Call, [4/20/2022](#))

**P&G’s CEO told analysts that because store brands were raising their own prices, P&G’s price increases become “less of an issue for us.”** Jon Moeller, CEO: “Yeah. Our retail partners are also



competitors in most cases, with their own label offerings. And because the increases and costs are so significant, they need to be able, in most cases, obviously, entirely at their discretion, but they need to be generally able to raise pricing on their own brands. And when that's true, that becomes less of an issue, not a non-issue, but less of an issue for us. And I think the biggest change that's occurred over the last several years in our dialogue has been a more deliberate and overfocus on our part on market growth and on being -- and a commitment to be a disproportionate contributor to market growth. At the end of the day, a retail partner doesn't care what our share is. What they care about is what their sales are and are they growing or not. And we need to be a source of that growth. And when we do that dependably and reliably, as Andre said, it changes the nature of the conversation.” (Procter & Gamble Q3 2022 Earnings Call, [4/20/2022](#))

## Prologis

**Prologis CFO’s said rent increases and super high occupancy rates were driving record growth for the company.** Tim Arndt -- Chief Financial Officer: “Thanks, Tracy. Good morning, everybody, and thank you for joining our call. The strong performance we realized through 2021 has continued into the new year. Today, as the production and distribution of goods continue to be disrupted, our customers find themselves struggling to simply keep up rather than focus on optimizing for resilience. This morning, we released our first quarterly results which exceeded our expectations across the board. Core FFO was \$1.09 per share ahead of our forecast, rent change on rollover with 37% on a net effective basis and was led by the U.S. at 42%. Notably, our Southern California and New York, New Jersey portfolios realized 86% and 67% rent change during the quarter, respectively. We ended the quarter at 97.4% occupancy, holding average occupancy flat to the fourth quarter of '21, counter to the typical first quarter decline. These operating results drove cash same-store NOI growth to a record 8.7%. As we've been highlighting, the positive news and market rent is adding to our lease mark-to-market now at 47%.” (Prologis Q1 2022 Earnings Call, [4/19/2022](#))

**Prologis’s CFO predicted a “strong environment for continued new rent growth,” with market rates increasing faster than the rest of the world.** Tim Arndt -- Chief Financial Officer: “This



leads us to vacancy where we forecast rates to remain at record lows in our U.S. and global markets, upholding the strong environment for continued new rent growth. During the quarter, market rents in the U.S. grew by eight and a half percent and six and a half percent globally. Given this pace in our outlook on demand, we're revising our annual rent growth forecast to 22% in the U.S. and 20% globally, in line with 2021. This rent growth was the main driver of value increases during the quarter, which measured nine and a half percent globally. The uplift in Europe was a record 6.3% with strong appreciation across all markets. While the U.S. increased 10.3% during the quarter following the significant 42% increase in 2021." (Prologis Q1 2022 Earnings Call, [4/19/2022](#))

**Prologis' CEO said there were continuing factors supporting "tremendous growth in industrial rents."** Hamid Moghadam -- Chairman and Chief Executive Officer: "Yeah. So let me take a stab at that. Yes, there is a limit to how far industrial rents will grow. There's a limit as to how far the prices of anything can grow. But if you look at the factors that are contributing to this tremendous growth in industrial rents. There are many, including supply and demand to start with, which you're dealing with a market that's three and a half percent vacant. And as you heard in the prepared remarks, we are running at a fraction of the normal month of supply that's out there. So notwithstanding all this noise around supply, the relevant supply in the markets that we care about are extremely tight." (Prologis Q1 2022 Earnings Call, [4/19/2022](#))

**Prologis's CEO: "industrial rents do go up and -- but they've never grown at these levels, but we've never had market conditions like we have now."** Hamid Moghadam -- Chairman and Chief Executive Officer: "The latter, Chris will do shortly. But look, we're in -- as somebody asked earlier, we are in unprecedented territory, I mean industrial rents historically. While some people actually used to say industrial rents are never going to go up. But industrial rents do go up and -- but they've never grown at these levels, but we've never had market conditions like we have now. We've never had e-commerce at this level of importance. We've never had resilience becoming such a big factor. We haven't had these bottlenecks in the supply chain that clog up the network." (Prologis Q1 2022 Earnings Call, [4/19/2022](#))

**Prologis CEO: "The war it's a very unfortunate situation generally, and I feel for our people in Europe, and I feel actually for people around the world with these atrocities going on there.**



**But the reality of it is that the impact on our business is actually positive because of the disruption that it causes, people just need to carry more safety stock”** Hamid Moghadam -- Chairman and Chief Executive Officer: “Sure. Actually, I think those two things, volatility, uncertainty and rents going up are really part of the same equation. When things are running smoothly, people can optimize supply chains and minimize inventories. And that's what they've done for many, many years. Whenever you have a disruption like we had Brexit or we had the pandemic or we had earthquakes here and there. And now the war it's a very unfortunate situation generally, and I feel for our people in Europe, and I feel actually for people around the world with this atrocities going on there. But the reality of it is that the impact on our business is actually positive because of the disruption that it causes, people just need to carry more safety stock. Demand in Europe has been surprisingly strong.” (Prologis Q1 2022 Earnings Call, [4/19/2022](#))

**Prologis CEO: “I don't feel good about what's going on in Europe, in the Ukraine, but I feel good about our business there.”** Hamid Moghadam -- Chairman and Chief Executive Officer: “I shouldn't say surprisingly, it's been really strong. And interestingly, Europeans have been more timid in terms of pushing rents than we are here in America. But finally, they're realizing that they have more pricing power than they thought and taking the rents to a higher level. So I feel pretty good about actually the rental picture. I don't feel good about what's going on in Europe, in the Ukraine, but I feel good about our business there. In terms of the immediate impact of the war, obviously, Poland is a country that we're pretty active in, that's right next door. And a lot of our people are hosting families that have come into Poland, almost 3 million people. And I mean we have employees that are housing dozens of these refugees.” (Prologis Q1 2022 Earnings Call, [4/19/2022](#))

**Prologis CEO: “So there's a lot of emotional angst in Europe. It's all understandable, but the business is pretty good.”** “And so obviously, it affects how they feel about their life and concerns they have about a lot of families from Ukraine. Actually, a lot of families from Russia, also that work in Europe. And by the way, those people are just distressed, just because they were born in Russia doesn't mean that they like what's going on with the war. So there's a lot of emotional angst in Europe. It's all understandable, but the business is pretty good. And I don't see it getting derailed unless this war goes to a whole another scale of things that I don't even want to imagine





and then everything is toast. And our business is the last thing we should worry about. (Prologis Q1 2022 Earnings Call, [4/19/2022](#))

## Visa

**Visa's CEO said that because "inflation typically lifts transaction size...historically, inflation has been positive for us."** Al Kelly -- Chairman and Chief Executive Officer: "So there are -- the

inflation has some puts and takes on our business. Service fees and international fees are basis points on volume. So inflation typically lifts transaction size. But offsetting that, incentives are also tied to volume, so there's some offset to that lift. Fuel prices go up. But then on the other hand, sometimes consumers tend to moderate their buying in times of large increases in gas to the degree that, over time, if it was to happen, the dollar was to weaken, that increases inbound cross-border flows, and the US inbound corridor is one of our largest and higher-yielding corridors. Expenses for personnel and marketing, professional fees could go up. But I'd say two things and then ask Vasant to add anything he wants. So far, we're not -- as I said and I think Vasant said in his remarks, we're really not seeing much impact that's causing us any concern in our numbers. And then, the last thing I'd say, net-net, historically, inflation has been positive for us."

**Visa's CFO: "there's multiple impacts from inflation. Net-net, it's a positive for us. We have not seen any impact on discretionary spending that we can discern."** Vasant Prabhu -- Chairman

and Chief Financial Officer: "Yeah. Just to add to what Al said, I mean we clearly have seen -- we've seen ticket sizes go up in the US, in particular, in Europe, but it's not all inflation. Some of it is mix. It's mix driven by the fact that the card-present transactions, which often tend to be smaller transactions, have not yet fully come back. It's also a mix because e-commerce transactions, even when you do everyday purchases, can be larger ticket sizes. We could even see ticket sizes go down in inflationary times as card-present comes back. So as Al said, there's multiple impacts from inflation. Net-net, it's a positive for us. We have not seen any impact on discretionary spending that we can discern. If anything, discretionary spending, especially from affluent consumers and credit cardholders has been going up quite healthily. So in general, there isn't any evidence impact -- evident impact on inflation, but obviously, we'll keep looking for it." (Visa Q2 2022 Earnings Call, [4/27/2022](#))

