

Colgate-palmolive

[Business](#), [Company](#)



This paper is an in-depth financial analysis of Colgate-Palmolive. This company is incorporated in US and quoted on the NYSE. It is a global manufacturer of personal products. This financial analysis will not only determine the financial performance of the company over a period of time but also bring to light the key factors involved in it. Colgate-Palmolive is now over 200 years old since it first came into inception. The financial statement analysis carried out below shows that Colgate has performed considerably well in almost all areas.

However continuing with this remarkable performance in future and particularly this year is going to be a tough ask keeping the global economic meltdown in perspective.

COMPANY OVERVIEW:

Colgate-Palmolive is one of the largest manufacturers of personal products worldwide with an international workforce of more than 36, 000 employees and a revenue of above 11 billion US\$ in 2007 with a net income of over a billion US\$. Its headquarters are situated at 300 Park Avenue, New York. It came into inception in 1806, when a soap and candle maker named William Colgate opened a factory in New York and named it “ William Colgate and Company”.

In early 19th century Palmolive was a famous soap brand manufactured by a company named “ B. J. Johnson Company”. However B. J. Johnson Company which had earlier merged with another soap manufacturer “ Peet Brothers” acquired Colgate Company and renamed the new company to “ Colgate-Palmolive” (Colgate-Palmolive, n. d.). Although it was under George Henry Lesch who remained as the CEO, President and also Chairman of the Board

in the 1960s when Colgate-Palmolive truly became a modern company. He was a visionary individual who took the company to greater heights. Colgate-Palmolive's current CEO is Ian M. Cook. Also read ColgateCase Study

Some of the strongest competitors of Colgate-Palmolive have been Procter & Gamble, Johnson & Johnson. However their rivalry with Procter & Gamble goes back to World-War 2 Although Colgate has an international presence which ps to almost 200 countries, it is publicly listed only in US and India. Major product areas of Colgate-Palmolive include the following: - Household products - Personal care products includinghealthcare products as well - Industrial and veterinary supplies - Sports and leisure time equipment (Colgate-Palmolive, n. d.). Some of the famous products are Colgate (toothpaste), Palmolive (soap), Suavitel, and Ajax etc.

Colgate-Palmolive made a key acquisition in 2006 when they purchased 84% shares of Tom's of Maine in 2006. Tom's of Maine was also a manufacturer of personal care products and was quite famous in US. This acquisition not only lowered the competition but Colgate reached new markets and achieved further diversity in its products. Among various achievements a key achievement which lifted the reputation of Colgate-Palmolive as a prospective employer was its naming in “ 100 Best companies for Working Mothers” in 2004. This list was issued by the Working Mothers magazine. (Colgate-Palmolive, n. d.)

SWOT ANALYSIS:

Strengths: - Since the company has a global presence it has access to larger market than a company which produces only locally.

- The company has a well diversified product portfolio which is instrumental in mitigating risks for instance; market saturation in a few products won't hurt the company that badly.

Weaknesses:- Being a global company, Colgate has to face a lot of exchange rate fluctuations.

- Since it is publicly listed in only 2 countries as mentioned before, Colgate misses out on the benefits of stock exchange listing elsewhere for example, London Stock Exchange, Tokyo Stock Exchange etc.

Opportunities:- Even when the whole world got into the grip of economic recession in mid 2008, Colgate continued to perform well even in 2008. It could use its increased profitability to invest in Research and Development and it could spend on exploring new markets.

- Since the company is lowly geared as compared to the industry average, they can use this to their advantage by obtaining finance at competitive interest rates to further diversify their product portfolio or break into new industries.

- They can also achieve growth through mergers, acquisitions or joint ventures.

Threats:- Colgate-Palmolive largely caters to North America or Latin America besides an international presence. This could prove lethal for them, since North America is said to be in heavy depression under the current global economic recession with the worse still to come.

- Colgate-Palmolive's lack of strong presence in potential markets for instance, Africa, Central Asia wouldn't auger well in the current global economic recession when companies are looking to mitigate their risk through diversity. (Stapleton. J, 1997)