



Healthcare Committee

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ECOLAB[®]



Market Cap	\$48.2 B
9/29 Close	\$166.90
52 Week Range	\$131.04-\$191.41

- ECL is a global sustainability leader offering water, hygiene and infection prevention products and services in a wide variety of end markets
- Recommendation: **BUY** with a **PT of \$206.26**, representing an upside of **23.6%** from 10/2 close – **5% weight**

Investment Thesis Introduction

1. ECL's end-to-end product portfolio, customizable solutions, and global scale has positioned them as the premier choice for customers among many industries
2. ECL's razor-razorblade model, regulatory compliance services, and Circle-the-Customer, Circle-the-Globe approach allows them to retain and grow with customers in the long-term, even through price increases
3. ECL Has ample runway for margin expansion through pricing power



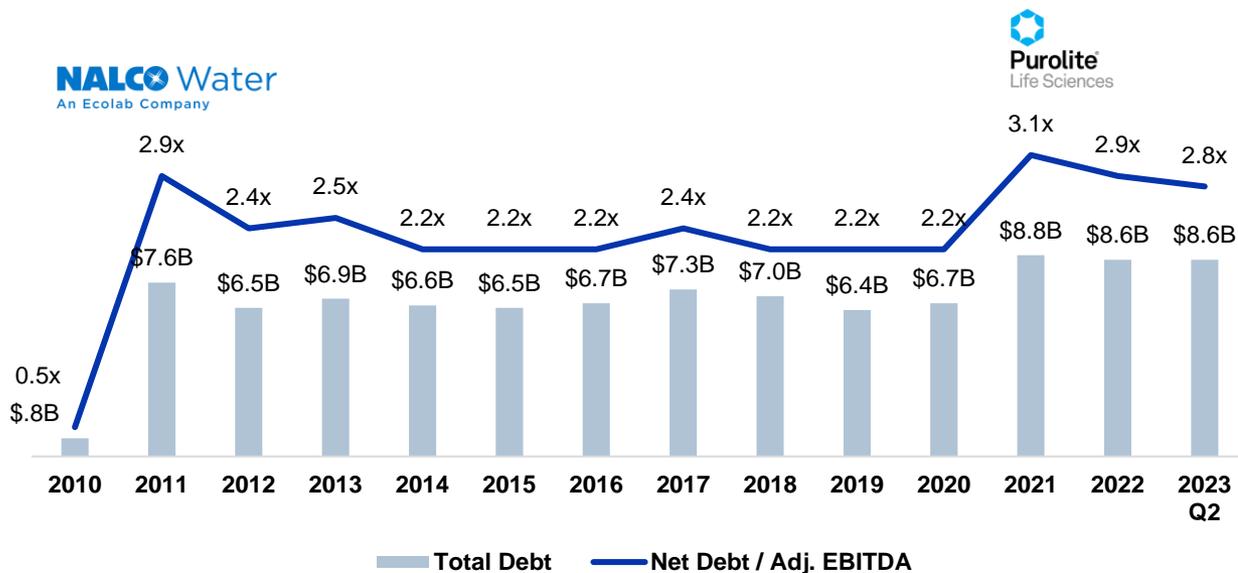
ECL Financial Overview⁽¹⁾



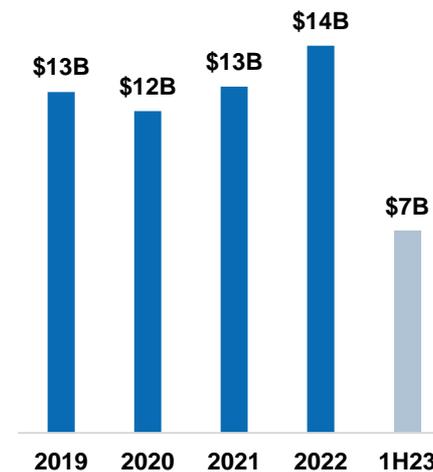
Quarterly Performance

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
Revenue	\$ 3,021	\$ 2,686	\$ 3,019	\$ 3,065	\$ 2,885	\$ 3,163	\$ 3,321	\$ 3,365	\$ 3,267	\$ 3,581	\$ 3,669	\$ 3,671	\$ 3,572	\$ 3,852
<i>YoY % Growth</i>	-7%	-11%	12%	2%	-6%	10%	5%	1%	-3%	10%	2%	0%	-3%	8%
Gross Profit	\$ 1,300	\$ 1,050	\$ 1,249	\$ 1,285	\$ 1,173	\$ 1,319	\$ 1,304	\$ 1,322	\$ 1,193	\$ 1,370	\$ 1,378	\$ 1,416	\$ 1,366	\$ 1,517
<i>Margin %</i>	43%	39%	41%	42%	41%	42%	39%	39%	37%	38%	38%	39%	38%	39%
EBIT	\$ 388	\$ 281	\$ 432	\$ 418	\$ 307	\$ 450	\$ 493	\$ 445	\$ 238	\$ 456	\$ 577	\$ 562	\$ 332	\$ 477
<i>% of Revenue</i>	13%	10%	14%	14%	11%	14%	15%	13%	7%	13%	16%	15%	9%	12%
Taxes	\$ 81.55	\$ 59.08	\$ 90.62	\$ 87.88	\$ 64.39	\$ 94.54	\$ 103.55	\$ 93.37	\$ 49.97	\$ 95.76	\$ 121.10	\$ 118.05	\$ 69.79	\$ 100.13
NOPAT	\$ 306.78	\$ 222.25	\$ 340.89	\$ 330.59	\$ 242.23	\$ 355.63	\$ 389.56	\$ 351.26	\$ 187.97	\$ 360.25	\$ 455.58	\$ 444.10	\$ 262.54	\$ 376.68
<i>Margin %</i>	10%	8%	11%	11%	8%	11%	12%	10%	6%	10%	12%	12%	7%	10%
UFCF	\$ 357.78	\$ 316.85	\$ 438.19	\$ 411.39	\$ 355.33	\$ 417.53	\$ 418.26	\$ 347.66	\$ 273.97	\$ 426.15	\$ 495.88	\$ 477.80	\$ 323.14	\$ 434.08
<i>Margin %</i>	12%	12%	15%	13%	12%	13%	13%	10%	8%	12%	14%	13%	9%	11%

Strong Focus on Strong Balance Sheet



Revenue Summary



(1) Company Filings

Company Overview

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Ecolab Transformed into Global Conglomerate Through their *Clean* Reputation

Company Description

Global leader in water, hygiene, and infection prevention



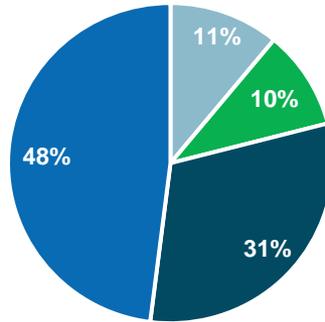
40+ industries served



3M customer locations in 170 countries

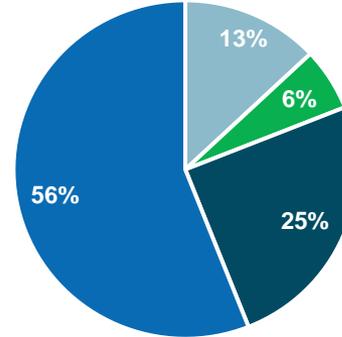
FY22 Revenue Split

Sales by Segment



- Healthcare & Life Sciences
- Institutional & Special
- Other
- Industrial

Sales by Region



- APAC
- Europe, IMEA
- Latin America
- North America

90%+
Consumable
Revenue

Diversified Portfolio Allows ECL to Serve a Large Customer Base

Healthcare

Includes products and protocols for hand hygiene, surface disinfection, and safer pharmaceutical production



Water and Energy

Assists customers in managing water and energy efficiently through treatment solutions and infrastructure



Hospitality

Geared toward ensuring cleanliness, safety, and sustainability in public establishments



Food and Beverage

Aids manufacturers, processors, and distributors maintain high standards of cleanliness, and compliance with regulatory requirements





Healthcare Specific Success Stories⁽¹⁾

ECL & Gillette Children's Hospital

What are Health-care Associated Infections? (HAIs)



1/31 patients in hospital facilities develop an HAI



Mortality rate for those without: **13%**
Mortality rate for those with: **50%**

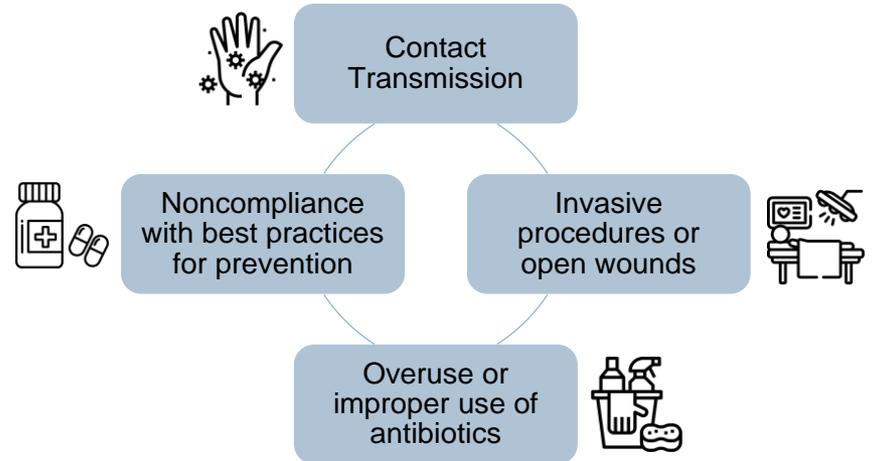


Direct medical cost: **\$28.4B each year**
\$12.4B cost to society each year from early deaths & lost productivity



2 most common types: **C.Diff & MRSA**

HAI Risk Factors



Ecolab's Intervention

Introducing: Ecolab's Patient Room Program

OxyCide™

Dazo®

Digital Insights

Daily Disinfectant

Fluorescent Marking Gel & UV Flashlight

Digital Dashboard

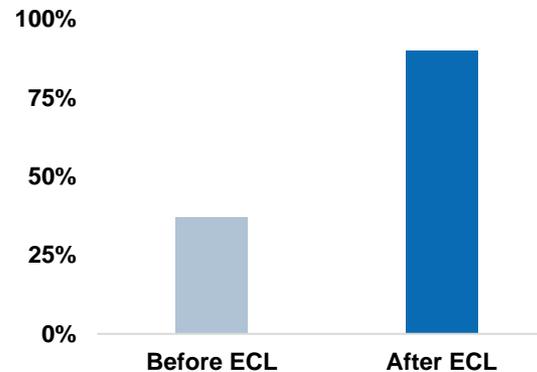
Uses sporicidal activity to clean & disinfect high-touch surfaces

Objectively measures how thoroughly surfaces have been cleaned

Collect data & measure compliance to pinpoint corrections

Results

Increased cleaning thoroughness of high-touch surfaces by 53%



HAIs decreased by **65%** in Year 1

Cleaning compliance increased **143%**

(1) ECL Website: Success Stories

Industry Overview

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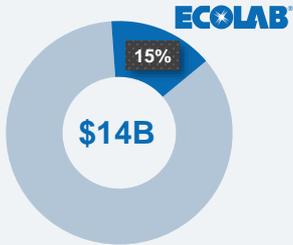
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Ecolab Operates In Multiple Industries With No Clear Competitor

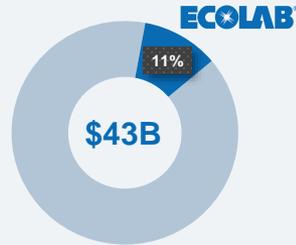
ECL Is The Biggest Player In Growing, Fragmented Markets⁽¹⁾

Food/Beverage Market



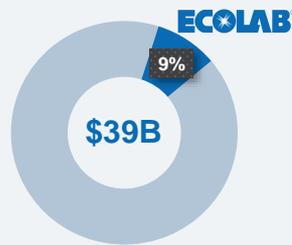
- Increased prevalence of quick-service restaurants
- Heightened attention on food safety

Instit./Specialty Market



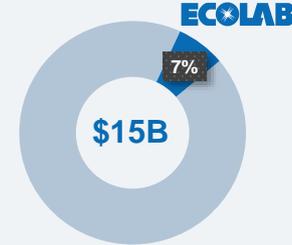
- Policy overhauls in long-term care facilities
- Specific water reduction goals

Industrial Water Market



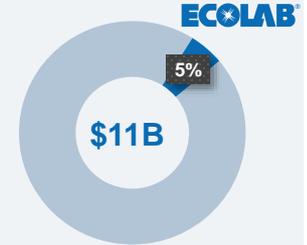
- Water safety regulations
- Water scarcity
- Energy transition to renewables

Pest Control Market



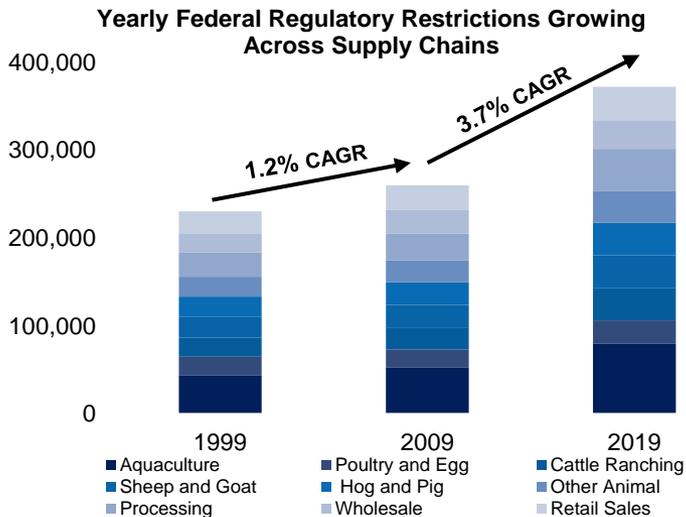
- Compliance for pesticides and fumigant treatments
- Food-borne illness and infection prevention

Life Sciences Market



- Growth in biopharma
- Increased regulation for cleaning and sanitization after COVID-19

Increasing Regulation Spurs Demand For Compliance Providers ⁽²⁾



Regulatory restrictions increased 300% over past 50 years ⁽²⁾

ECL and other compliance providers profit off this

Complying with regulations generates cost savings for companies

ECL Competitive Landscape⁽³⁾



Less responsive to on-call service and repair needs



More reliant on supplier pricing and quality



Primarily established in cities with less presence in rural areas



Robust product line offering on-call service when needed



Vertically integrated: manufacture 90% of their equipment



Greater market share and fewer competitors in non-metropolitan areas

(1) ECL Investor Day Deck (2) Cambridge University (3) Tegus Culverhouse Investment Management Group – (Healthcare Committee)



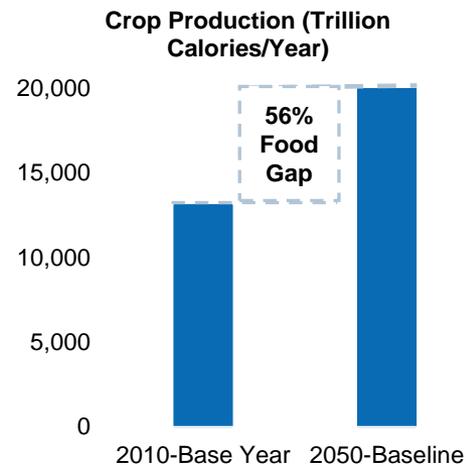
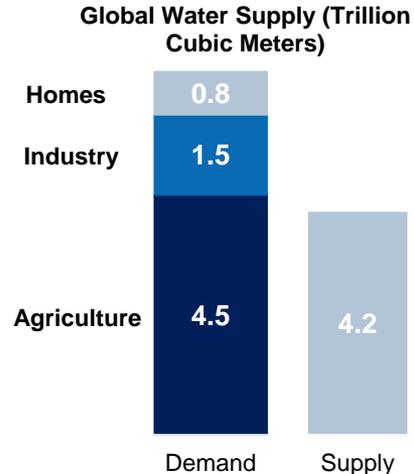
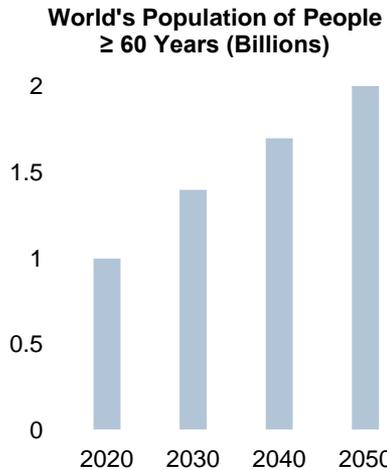
Growing End Markets Spur Demand For Ecolab

Tailwinds Within Nearly All ECL's End Markets

People ≥ 60 Will Double By 2050⁽¹⁾

40% Freshwater Deficit By 2030⁽³⁾

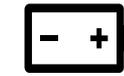
56% More Food Needed By 2050⁽⁴⁾



In 2022, ECL⁽⁵⁾



Saved 188 Billion Gallons Of Water

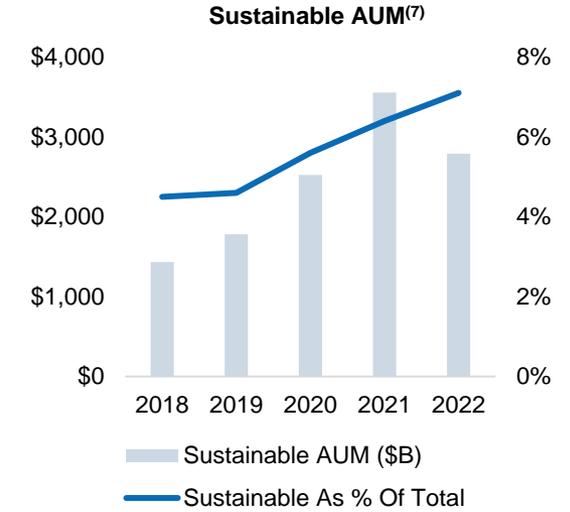
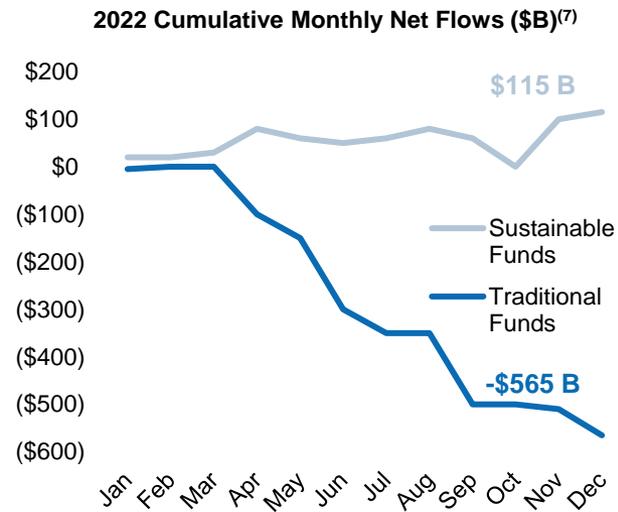
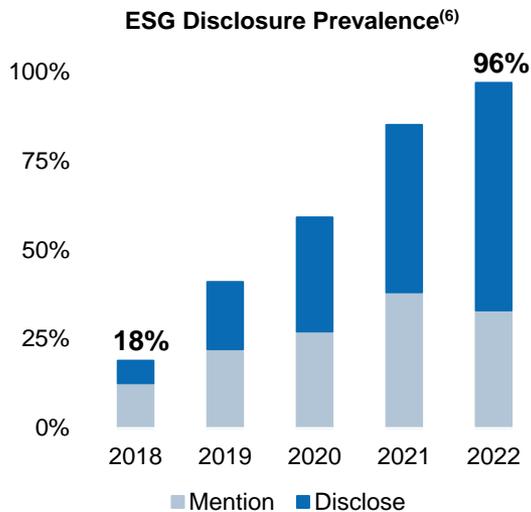


Conserved 19 Trillion BTUs Of Energy



Reduced 1.4 Billion Pounds Of Emissions

Growing ESG Disclosures Increase Need For ECL's Services



(1) World Health Organization (2) Grand View Research (3) World Economic Forum (4) World Resources Institute (5) ECL Company Data (6) Equilar (7) Morgan Stanley ESG Report

Investment Thesis

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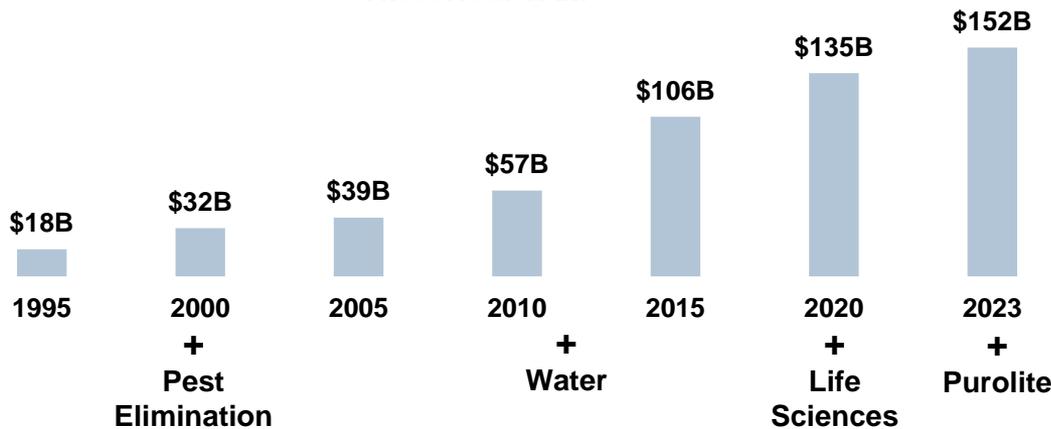
ECL Attracts Customers Through Leadership Position

The End-to-End Convenience of ECL's Portfolio

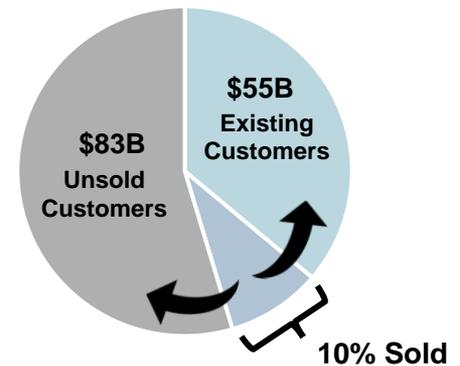


Acquisitive History Allows Larger TAM Opportunity⁽¹⁾

Historical TAM



\$152B TAM



*Unsold Customers: New customers that ECL can acquire

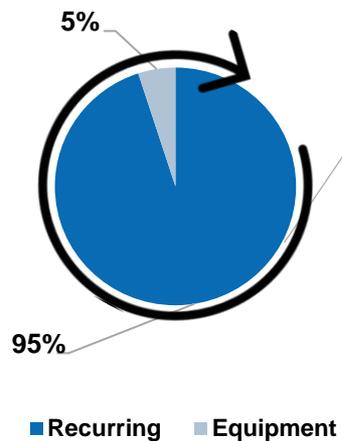
(1) FY23 ECL Investor Day



ECL Efficiently Retains Customers While Growing with Them

Razor-Razorblade Model Locks in Recurring Revenue

ECL Revenue Makeup⁽³⁾



90% Consumables

Consumables and customized solutions yield steady revenue

\$55B TAM opportunity to penetrate customers ECL already has

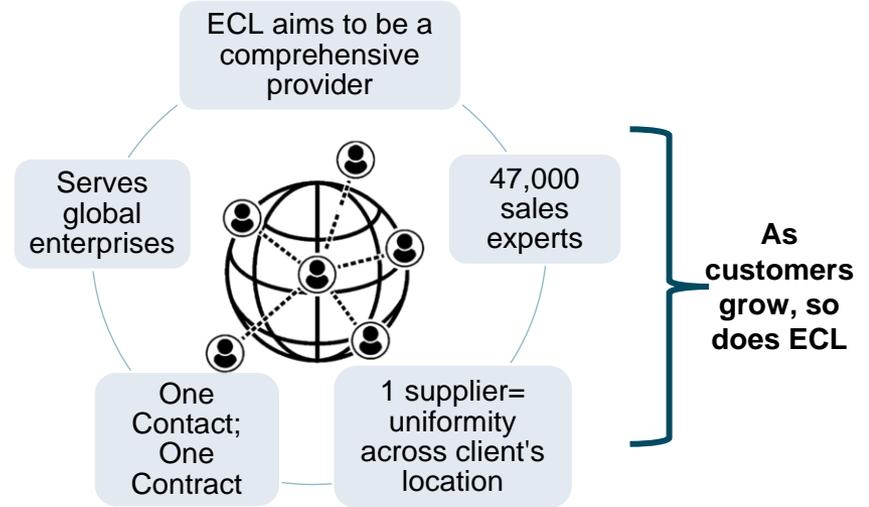
Regulatory Compliance is a Long-Term Commitment



Ecolab ensures products are compliant with all **govt. regulations; including REACH** (Registration, Evaluation, Authorization and Restriction of Chemicals)

“In 2021, an average of 2.4 regulatory changes took effect everyday worldwide. In 2022, that average is five per day and rising. For global organizations, this can derail strategic planning, create legal hazards, & threaten reputation & revenue.”
-Christian Salvans; Harvard Business Review⁽²⁾

Growth Strategy: Circle the Customer, Circle the Globe



Proven Partnerships through Enterprise Selling⁽³⁾

	Using 3D TRASAR for cleaning initiatives since 2018	Saves the customer >\$112K/year
	Collaboration with ECL to drive sustainability goals	In 2018, this partnership was extended to 2030
	Nalco Water's Comptrene™ used as Shell works toward Net-Zero emissions by 2050	\$10.8M total value delivered annually

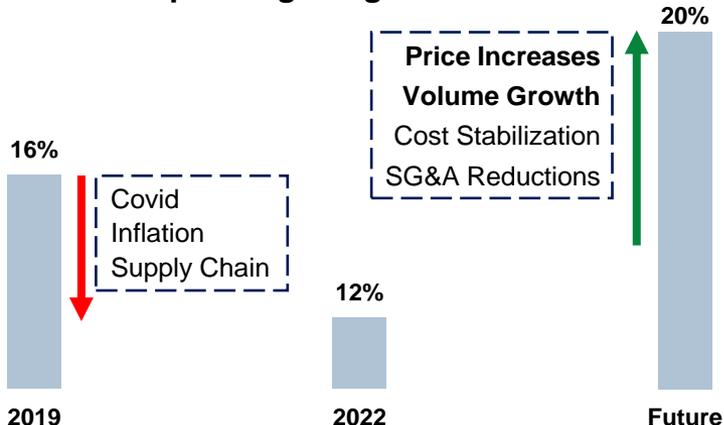
(1) Tegus (2) Harvard Business Review (3) ECL Website (4) Deutsche Investment Research



Ecolab has Multiple Levers to Pull When Increasing Margins

The Worst of Margin Compression is Over

Operating Margin & Drivers



Ecolab Justifies Pricing Power Through TVD...

Better Business Outcomes

+

Operational Drivers

+

Environmental Impact

=

Ecolab Pricing

=

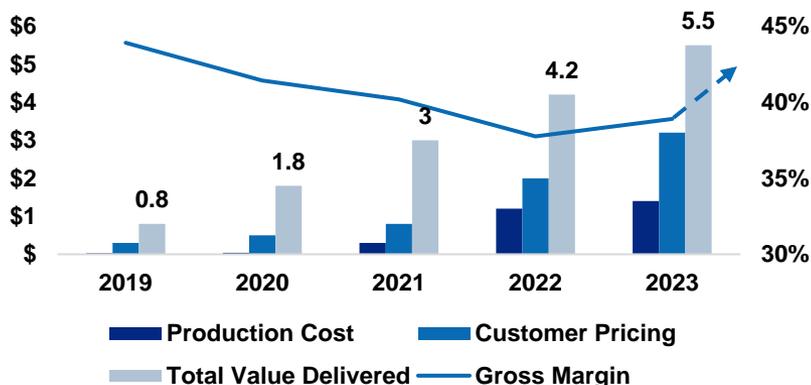
EROI

- ECL targets **25% eROI** for its clients through TVD
- Justifies **value-based price** increases
- \$2.3BN** in revenue added since 2021 through pricing

Allowing Prices to Outpace Costs...

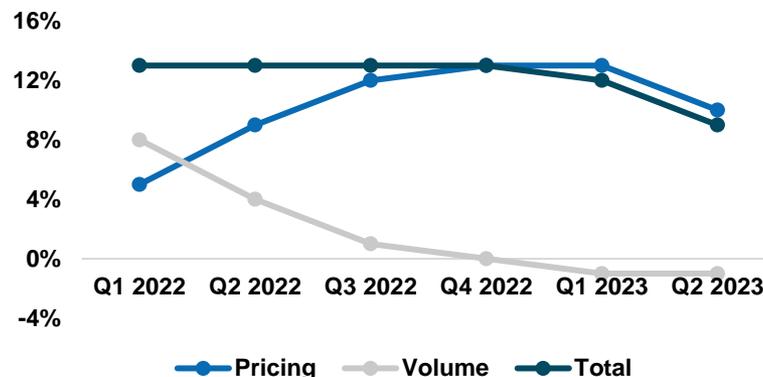
Even with price increases over the past 2 years, the **value delivered** to customers far **exceeds the cost** of ECL offerings.

Value Generated for Customers vs Pricing and Costs (\$ BN)



While Retaining Volume & Expanding Margin

Sales Growth Accounted For by Pricing & Volume



ECL increased prices an average of **11.5% Y/Y** for the past 4 quarters, yet **volume only fell 25 bps** over the same period.

(1) 2023 Investor Day (2) Q2 2023 Earnings Call (3) 2023 Investor Day

Risks & Valuation

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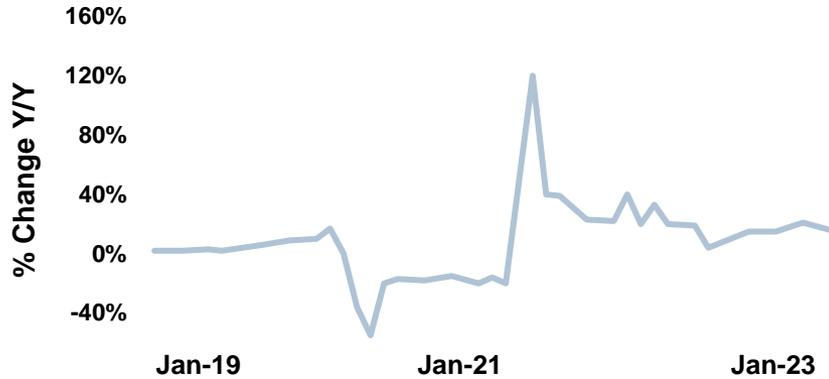


Risks/Why Now

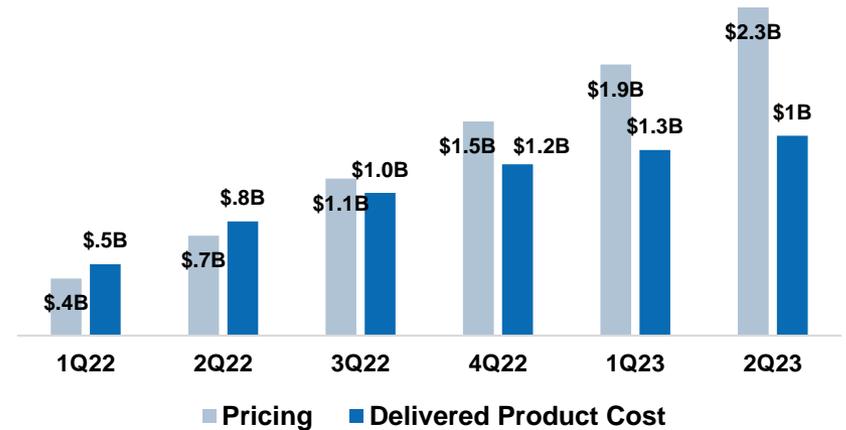
Risks

Discretionary Spending Affecting ECL Demand⁽¹⁾

Monthly U.S. Retail Sales Trends in Food & Beverage Industry

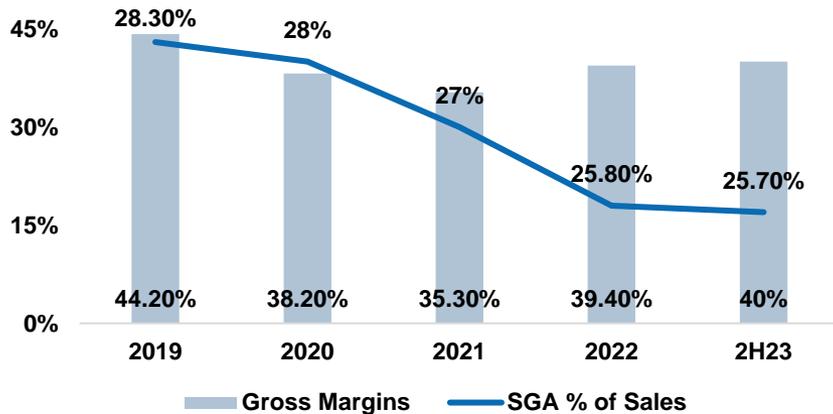


ECL Raw Material Inflation Risk⁽²⁾



Why Now

After 11 Quarters of GM Compression, ECL cut SGA⁽²⁾



Why now

ECL's stock plunged ~30% in the beginning of FY22 due to the impact of excessive inflation on the profit margin of the company

ECL combatted through price increases on the customer

With SGA reductions combined with rate hikes to combat inflation, **ECL has ample opportunity to expand margins**

(1) U.S. Census Bureau (2) ECL Company Filings



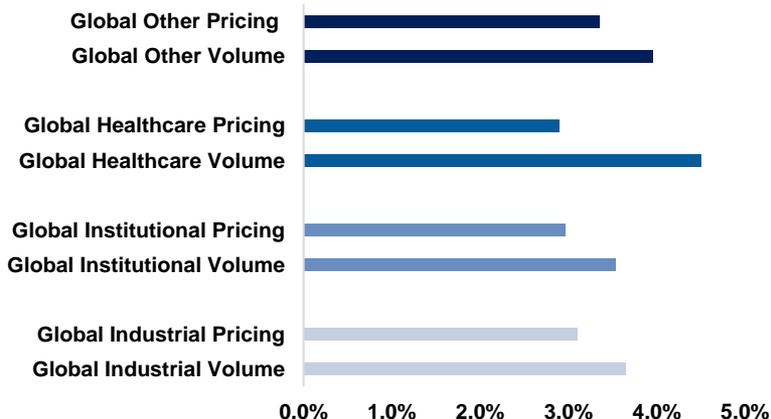
Thesis In the Model

Revenue

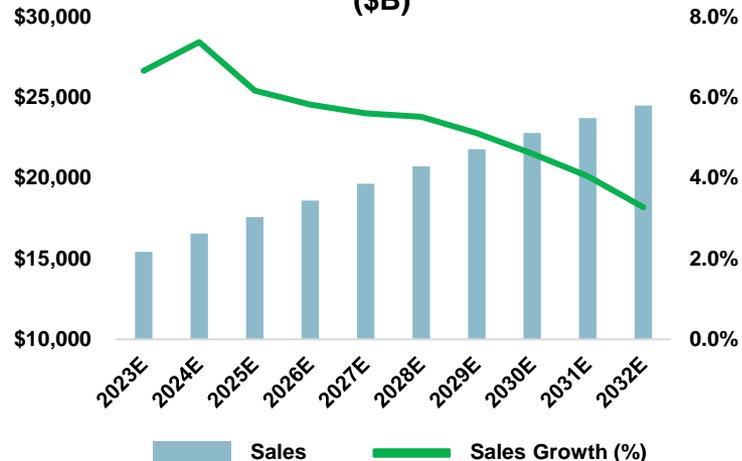
Long Term Sales Guidance

5-7% Growth

Annualized Volume & Pricing Growth Through 2025E



Sales and Sales Growth Through 2032E (\$B)

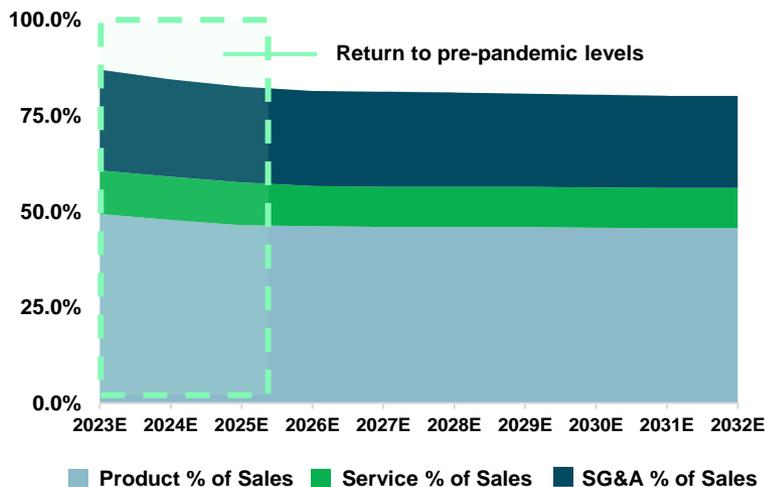


Operating Margins

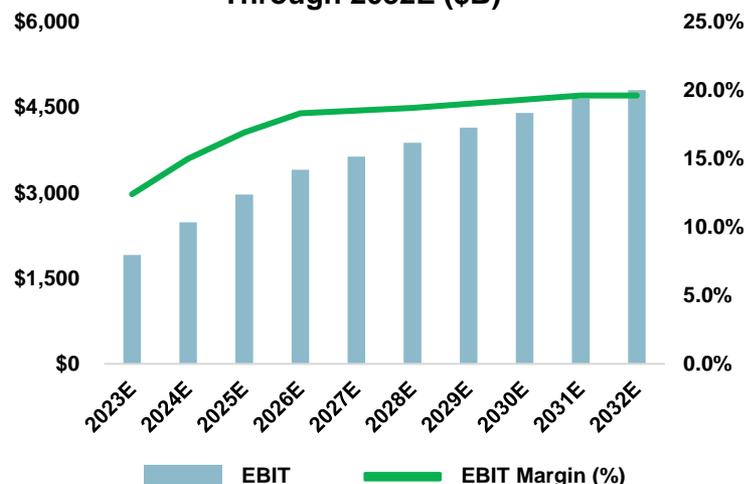
Long Term Operating Margins Guidance

20% Margin

Costs as % of Sales Through 2032E



Operating Income and Operating Margin Through 2032E (\$B)





Summary

- ❑ We are recommending a **buy at 5% weight** with a price target of **\$206.26**
- ❑ Ecolab is a better business than it was a decade ago and will take advantage of **higher incremental volume and pricing growth**
- ❑ Ecolab is well positioned to capitalize from its **outsized value proposition** to customers
- ❑ 2025 will be an inflection year for Ecolab as they **approach pre-pandemic gross margins** due to lower delivery and raw input costs
- ❑ SG&A will see modest productivity growth over the coming years contributing **100-200bps of operating margin expansion**

Valuation

EV/EBITDA Multiple Valuation	
2025 EBITDA	\$ 4,156
Discount Factor	0.81
PV of 2025 EBITDA	\$ 3,355
EV/EBITDA Multiple	20.00x
Enterprise Value	\$ 67,099
Less: Debt	\$ 8,601
Less: Preferred / Other	\$ -
Plus: Cash	\$ 554
Implied Equity Value	\$ 59,052
Diluted Shares Outstanding	286
Implied Share Price	\$ 206.26
Upside / (Downside)	23.58%

Our 20x EBITDA multiple reflects our belief in what the market is willing to pay for ECL's dominant competitive advantage in a fragmented industry, increasing inflows from ESG funds, and increasing supply/demand imbalances in end markets, specifically water

Appendix

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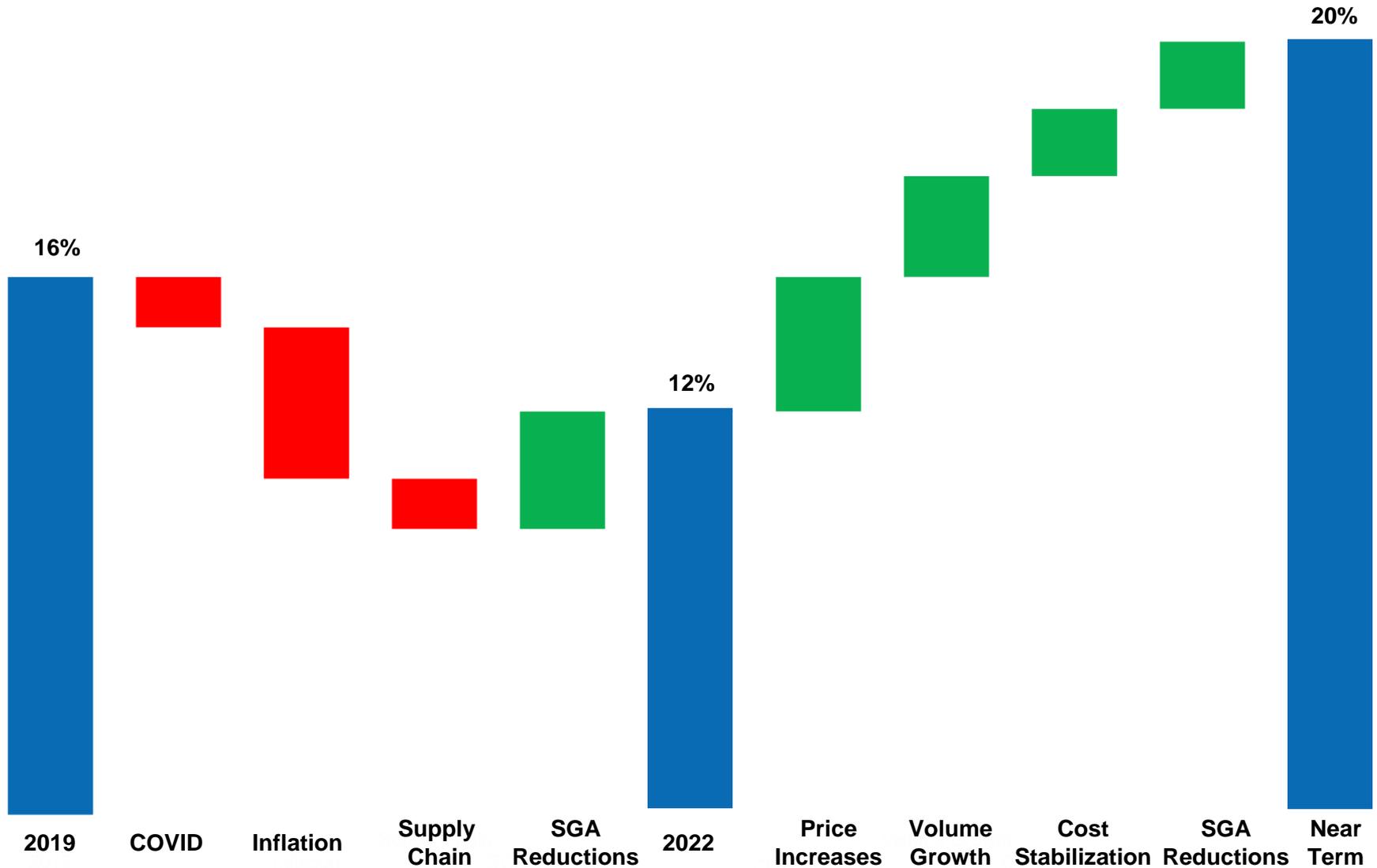


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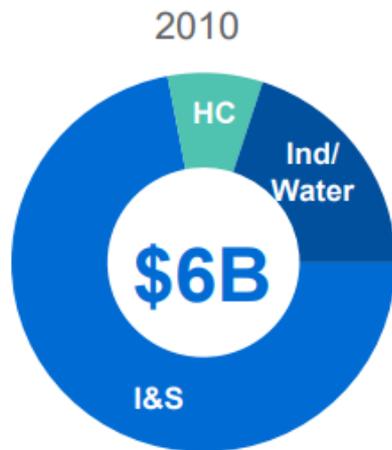
Historical Performance of Margins⁽¹⁾

Operating Income Margin Path to 20%

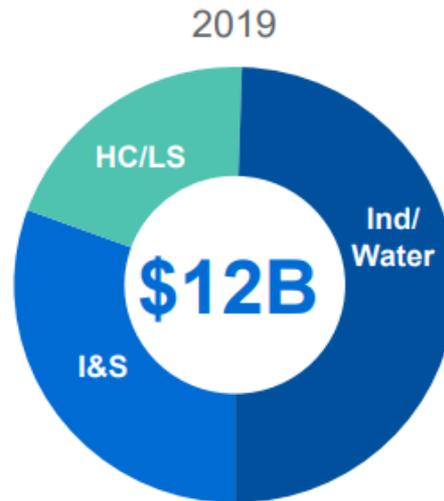


(1) FY23 ECL Investor Day

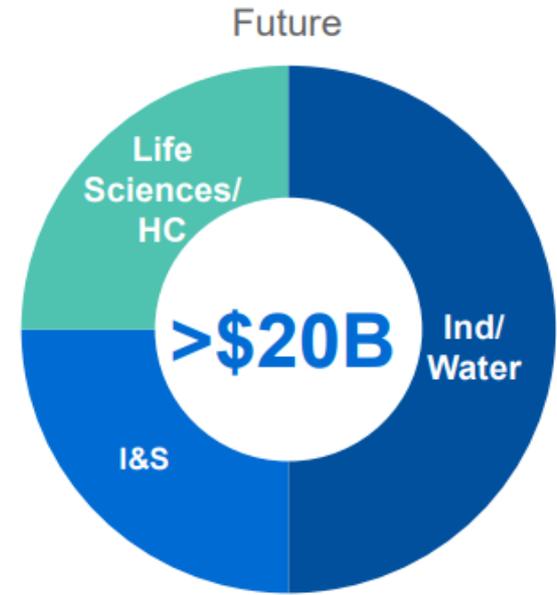
Margin Portfolio Shift⁽¹⁾



13% Adj. OI Margin



16% Adj. OI Margin



20% Adj. OI Margin

(1) FY23 ECL Investor Day



Johnson & Johnson



ConocoPhillips

Walmart



Sysco



ExxonMobil



PEPSICO



(1) Bloomberg- ECL Supply Chain



Innovation: Accelerating customer value

Dishmachine



Dishmachine technology
Added digital capability
Lower cost

Solids Program



Expanded solid technology
Reduced labor costs
Lock & key chemistry

ReadyDose™



Small footprint
Patented technology
Solution penetration

Automation



Labor automation
Insights & machine learning
Expansion opportunities

(1) FY23 ECL Investor Day



Last Year, ECL Helped:(1)



Save
188
BILLION

gallons of water

Conserve
19 TRILLION

BTUs of energy



Prevent
more than
1 MILLION



foodborne
illnesses

Produce

42%



of the
global
processed
milk supply

Clean
40 BILLION

hands



Reduce



1.4 BILLION pounds
greenhouse gas emissions



Generate
22%

of the world's
power

Make
25%



of the world's
processed food
safe

Clean
1 BILLION+
hotel rooms



Serve

45 BILLION

meals

(1) ECL FY23 Investor Day