Edgewell

First Quarter 2017 Earnings Conference Call

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CORPORATE PARTICIPANTS

David Hatfield – *President and CEO and Chairman of the Board*

Sandy Sheldon – *CFO*

Chris Goff – *Investor Relations*

PRESENTATION

Operator
Good day and welcome to the First Quarter Fiscal Year 2017 Earnings Conference call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the * key followed by 0. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press * 1 on your touchtone phone. To withdraw your question, please press *2. Please note, this event is being recorded.

I would now like to turn the conference over to Chris Goff, Vice President, Investor Relations. Please go ahead.

Chris Goff
Good morning, everyone and thank you for joining us for Edgewell's First Quarter Fiscal 2017 Earnings Conference call. With me this morning are David Hatfield, our President, CEO and Chairman of the Board; and Sandy Sheldon, our CFO. David will kick off the call and then hand over the call to Sandy for earnings and outlook discussion, followed by Q&A. This call is being recorded and will be available for replay via our website www.edgewell.com.

During the call we may make statements about our expectations for future plans and performance. This might include future sales, earnings, advertising and promotional spending; product launches, savings and costs related to restructuring; changes to our working capital metrics; currency fluctuations, commodity costs, category value, future plans for return of capital to shareholders, and more.

Any such statements are forward-looking statements, which reflect our current views with respect to future events. These statements are based on assumptions and are subject to various risks and uncertainties, included in those described under the caption Risk Factors in our Annual Report on Form 10-K for the year ended September 30, 2016. These risks may cause our actual results to be materially different from those expressed or implied by our forward-looking statements. We do not assume any obligation to update or revise any of these forward-looking statements to reflect new events or circumstances.

During this call, we will refer to certain non-GAAP financial measures. These non-GAAP measures not prepared in accordance with Generally Accepted Accounting Principles. A reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures are shown in our press release issued earlier today, which is available in the Investor Relations section of our website. Management believes these non-GAAP measures provide investors valuable information on the underlying trends of our business.

With that, I would like to turn the call over to David.

David Hatfield
Thank, Chris. Good morning, everyone.

Before Sandy takes you through the results, I'll briefly comment on a few highlights in the quarter on our priorities and on our outlook for fiscal '17.

From an operational perspective, we had a solid start to the year. We're competing well in the Wet

Shave and Sun and Skin Care despite an intense competitive environment. And we're making solid progress on our zero-base spending initiative.

Like many other companies, we're facing increased macroeconomic uncertainty, including additional headwinds from the strengthening US dollar. However, we're encouraged by the performance of our Manual Shave business, particularly in North America. In a category facing many forces of change, along with intense competition, we maintained our focus on four key strategies: delivering ongoing innovation, leveraging and expanding our full portfolio, expanding internationally, and investing against growth brands and channels.

We saw positive results from those strategies in this past quarter. We gained share globally in the manual shave with solid improvement in most of our largest international markets, as well as in the US. We grew sales and gained share in US Men's and Women's Systems, benefitting from branded and private label distribution gains.

We gained share in Disposables in our core brands, Extreme 3 and Hydro, as well as in Private Label. Our Private Label offerings continue to grow and have gained share behind several US customer private brands and behind the [indiscernible] Mach 3 proposition generally.

We're getting good results in non-measured channels, including online, where we continue to gain share in Omni Channel and pure play retailers.

And we're excited about innovation coming to the market this quarter. For example, just take our actions in women's Shave. In the Women's Systems, we're launching the next generation Hydro Silk with Hydro Boost serum. We're also launching Quatro U, a great performing mid-tier women's disposable product. And, we're rolling out new and improved more impactful packaging across our women's product line.

As we look to the remainder of the year, I'm confident we're using all the levers at our disposal to drive top-line growth and improve operating margins in line with our algorithm. These levers include ongoing performance in the North America Wet Shave; and expected to return to solid growth in the international Wet Shave in the back half of the year; continued international growth in Sun & Skin Care; new innovation across our product lines; the integration of the Bulldog acquisition into our portfolio; and our ongoing cost reduction and productivity work across the enterprise.

Taking all of these factors into account, we're maintaining our organic net sales outlook for the year at low single-digits, and we're maintaining our outlook for adjusted EPS in the range of $3.80 to $4.00 per share.

Thanks, and with that I'll hand it over to Sandy.

Sandy Sheldon
Thank you, David. Good morning, everyone.

Net sales in the quarter were $485 million, a decrease of 2% on a reported basis and 2% on an organic basis as the incremental net sales from the acquisition of Bulldog closed early in the first quarter offset the negative impact of currency.

In Wet Shave volume growth in North America razors and blades was more than offset by declines in Shave Props and international Wet Shave. Sun and Skin Care net sales were up driven by international volume growth, and Sun Care volumes declined in the quarter. I'll review more details of the drivers from a segment perspective in a few minutes.

From a geographic perspective, North America organic net sales were flat with the prior year and international organic net sales declined 6%.

Gross margin increased 100 basis points, primarily due to lower material costs, incremental restructuring savings, and favorable transactional foreign exchange, partially offset by higher startup costs related to the Feminine Care production consolidation into Dover, DE. A&P expense was $50.6 million in the quarter, an increase of $4 million or 100 basis points as a percent of net sales, led by higher planned spending in support of our Feminine Care and Sun & Skin Care segments.

SG&A expense was $94 million or 19% of net sales. Prior year SG&A was $100 million or 20% of net sales, which included $7 million of spin-related costs. Excluding the impact of these spin-related costs, SG&A was relatively consistent with the prior year.

Other Income was $2 million, generally in line with the prior year results, and primarily reflecting the impact of the net gain from hedging contracts.

Interest expense was relatively flat and the effective tax rate was 25.4% versus 22.8% in the prior year. Excluding tax associated with restructuring expenses, the effective tax rate was 26.3%, a 140 basis point decrease from the prior year due to more favorable mix of earnings and lower tax rate jurisdictions.

The absolute EPS was $0.58 in the quarter as compared to $0.39 in the prior year due to lower restructuring and spin costs this year. Adjusted EPS for the quarter was $0.66, relatively in line with $0.68 in the prior year quarter.

Net cash used by operating activity was $59 million, in line with the prior year, and reflects the ongoing seasonality of the business primarily in Sun Care, as well as the timing of payments of yearend accrued expenses and interest. We continue to estimate positive operating cash flow for the full year and free cash flow to exceed 100% of GAAP net earnings.

We completed share repurchases in the quarter of approximately 800,000 shares for $58 million. And as a reminder, we paid down international debt by $277 million early in the first quarter, which we discussed in our yearend earnings and financial disclosures.

Finally, we acquired Bulldog Skin Care early in the first quarter for $34 million, which is reflected in our cash flow statement.

Now turning to segment results, Wet Shave organic net sales decreased $8 million, or 2.4%, largely driven by a $7.5 million volume decline in Shave Prep. The largest driver of the decline in Shave Preps was in North America where we were impacted by planogram losses in a major customer in Q2 of ’16. This is the last quarter impacted by these losses. Over the last three quarters, the impact was largely offset by new listings in a major club customer gained in the first quarter of fiscal ’16 that we have now anniversaried.

Overall, organic net sales for Wet Shave in North America were up 4% driven by higher volumes and share gains in Men’s and Women’s Systems, partially offset by the decline in Shave Preps. International organic net sales declined 8%, primarily driven by lower volumes in both Men’s Systems and Shave Prep, in part due to timing of shipments related to an upcoming price increase in Japan.

Organic Wet Shave segment profit increased $4 million with improved gross margin driven by lower material costs, favorable transactional foreign exchange, and restructuring savings. As measured by Nielsen, the US Manual Shave category was down over 6% in the latest 12-week data with declines in Men's Systems and Disposables. Men's Manual Shave was down nearly 9%. But when factoring in non-measured channels, we believe the US Men's category was down approximately 3% and the overall category was down around 3% as well due to Men's and Disposable softness ex AOC.

From a share perspective, globally we're competing well, gaining share in key, non-US markets as well as gaining share in the US. Versus a year ago, our US share was up 160 basis points in Manual Shave driven by market share gains in Men's, Women's, and Disposables. Note that our US corporate-branded share results continue to be impacted by a transition of our opening price point and value branded product offering in a major retailer to a private label product line.

Sun & Skin Care net sales increased nearly 8%, including the incremental impact of the Bulldog acquisition. Organic net sales increased about 2% in the quarter driven by volume growth in Latin America. North America organic net sales declined $2 million due to a shift in the timing of shipments between quarters compared to a year ago, as well as the company's decision to exit the Private Label Sun Care business. The first quarter net sales impact from exiting the Private Label business was about one million dollars with an estimated impact of $9 million for the full year.

Organic segment profit decreased $0.3 million driven primarily by higher planned A&P spending, partially offset by restructuring savings. Keep in mind, the fiscal first quarter is seasonally a lower point for Sun & Skin Care sales and profitability.

Within the US Sun category, consumption was up nearly 6% in the quarter with our share roughly flat.

As a quick update on Bulldog, we are pleased with the financial and market share results in the quarter, as well as the commercial plans the team is putting in place for the balance of the year. Integration is progressing well with back office activities underway and international expansion plans in development.

Feminine Care organic net sales decreased $3.4 million, or 3.7%. Sport branded pad and liner volumes were down approximately $2 million due to distribution losses, which are expected to continue through the balance of the year. Tampon net sales were also down, due to competitive pressure and soft consumption in the year. These declines were partially offset by higher volume in Stayfree pads and Carefree liners.

Feminine Care segment profit decreased $9.3 million driven by increased product costs, higher A&P spending, and lower volumes. Product costs were unfavorable as nearly $7 million in production startup costs related to the transition of manufacturing to Dover, DE were only partially offset by restructuring cost savings and lower materials costs. These startup costs are expected to impact segment profitability for the next two quarters.

Overall, the Feminine Care category was down slightly by 0.5% and our market share was lower by 0.7 points. While each segment declined due to weak consumption trends and distribution losses, we are holding share in Sport tampons and Carefree liners.

While the Sport-branded pad and liner net sales were anticipated to decrease over the remainder of the year, we have plans in place to continue to invest behind our core brands, Sport tampons and Carefree liners, as well as launch innovation in Sport tampons.

In our All Other segment, which is primarily Infant Care, organic net sales decrease $0.5 million or

1.5%. This was the fifth consecutive quarter of organic net sales growth in our Diaper Genie business. The turnaround in the Diaper Genie business has been critical in stabilizing the Infant Care top line and profit.

Now, I'd like to turn to our outlook for the full fiscal year. As David mentioned up front, we continue to see macroeconomic uncertainty, competitive pressure, and currency volatility. We aren't immune to the impacts of these, but based on the results through the first quarter, current exchange rates and what we know today, we are maintaining our previously stated outlook for organic net sales and adjusted EPS. Let me comment for a minute on the impact of currency.

Based on current spot rates, negative foreign currency translation effects on net sales are now expected to be $35 million, or 1.5%. With a significant amount of effort and focus across the company dedicated to driving productivity and cost savings, we expect to be able to mitigate the current estimated impact from currency on the bottom line. While we will continue to take a balanced approach to investment in the business for the long-term and margin expansion in the year, further and favorable changes in currency may impact our current outlook for adjusted EPS and adjusted operating profit margin.

For the full fiscal year 2017, we estimate that organic net sales will increase low single digits, and we now estimate that reported net sales will be in the range of flat to up 2%. This includes an estimated 150 basis point headwind from currency and an estimated 50 basis point benefit from the Bulldog acquisition.

Our GAAP EPS outlook is in the range of $3.60 to $3.80 and our adjusted EPS is estimated to be in the range of $3.80 to $4.00. Adjusted operating income margins is anticipated to expand by 50 basis points. The effective tax rate for the fiscal year is estimated to be in the range of 27% to 28%.

The full-year estimate for restructuring related costs is $20 million to $25 million in fiscal '17. Incremental restructuring savings are expected to be approximately $20 million to $25 million in '17, with and an additional $250 million to $25 million in '18 and '19.

The Feminine Care production move to our Dover plant is two to three months behind schedule, and as a result project costs have increased and some anticipated savings will be pushed back into 2019. The rest of our restructuring projects related to Wet Shave and Sun Care footprint changes are tracking on schedule.

Let me wrap up by addressing our Zero-Based Spend initiative. The project is progressing well, and on a preliminary view we have estimated that we can deliver $35 million to $45 million in net savings over the next two years. Savings will begin in the back half of fiscal '17, and our current outlook incorporates preliminary net savings estimate for $10 million to $15 million in fiscal '17.

As we mentioned in our previous outlook, we anticipate that net sales and earnings growth will not be uniform by quarter. Due to the timing of ongoing strategic investments, product launches, shipments and pricing actions, restructuring savings, and A&P and trade spend, we expect organic net sales to be down through the first half of the fiscal year with growth in the second half of the year. Additionally, we expect adjusted EPS for the first half of fiscal '17 to be down in mid-single digits compared to 2016 with growth in the second half of the fiscal year.

Coming into the year, we said we would take a balanced approach with respect to investment in the business and delivering margin expansion. Based on the current outlook for our core segments, Wet Shave and Sun and Skin Care, as well as our ZBS initiative and restructuring project, we believe we have the levers in place to overcome the additional currency and the Feminine Care headwinds and meet our financial objectives for the year while maintaining our investments and competitiveness.

Thank you. With that, we'll open it up for questions.

QUESTION AND ANSWER

Operator
We will now begin the question and answer session. To ask a question, you may press *1 on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press *2.

At this time we will pause momentarily to assemble our roster.

The first question comes from Bill Schmitz with Deutsche Bank. Please go ahead.

Chris Goff
Operator, maybe we'll go back to Bill.

Operator
Our next question comes from Ali Dibadj with Bernstein. Please go ahead.

Ali Dibadj
Hi, guys. A couple of questions, actually. One is just from a top-line perspective, clearly disappointing certainly relative to the consensus on an organic basis. And you talked a little bit about it, but can you help us quantify and really understand precisely what caused some of the issues between kind of macro, which you mentioned, competitive situation or company specific factors? And then as you think forward, which of those do you really expect to get better? Is it just some of these one-time company stuff or what do you expect to get better and are you seeing any signs of that yet? That's my first question.

David Hatfield
Okay. Good morning. It was a little bit of a soft quarter. We actually saw some of it coming. We were going up against some relatively strong year-ago comps. We saw timing of several international programs that were off cycle. Fem Care, we saw some distribution losses, and the Shave Prep by one quarter misalignment were all factored into our forecast for a flat quarter.

We actually came in softer than that, and that was really due to three things. One is, the timing of our US Sun shipments to a major customer. It was pushed out, so that will come back in Q2. The second factor was Fem Care suffered more than we thought due to facing losses and to listing losses. We don't see that coming back short-term. So I think Fem Care is going to be somewhat softer for the year than we thought.

And the third shortfall versus the flat outlook was really associated with a price increase that we're taking in Japan. And the timing of the shipments associated with the managing retail inventories and returns meant that we came in somewhat softer than we planned for Q1. That should come back in the back half of the year.

So there were some puts and takes. I think the first and the third factors will come back. I think Fem Care will be somewhat soft for the year. On the positive side, I think we're seeing better than planned trends in Wet Shave behind emerging markets and those distributor markets where we changed go-to-market. They're up 12%. And we see strength there and in Latin America generally.

Ali Dibadj
So just to clarify, on Wet Shave, except for Japan, even with the competitive pressure you described before, ship to Private Label, it doesn't seem like anything else was a surprise except for Japan, as a follow up. Then you say excluding spin-related and restructuring costs, SG&A as a percentage of sales was flat year-on-year. So I'm trying to understand a little bit more about where ZBS is actually working. So thanks for both of those.

David Hatfield
On your top line question, I think that's generally true. From a Shave point of view, it was mainly Japan that was softer than our outlook.

Sandy Sheldon
And on SG&A, we're relatively flat in the quarter. Our ZBS savings we anticipate will be much more backend loaded in the year. However, we did have some come true this quarter, but they were really offsetting some of our higher investment spending in the quarter. So we've continued similar to what we had last year to invest behind IT systems, some of our marketing and e-commerce initiatives, as well as obviously the investment we're putting in to implement ZBS. So, for the most part, the investments were mostly offset by some of the smaller incremental ZBS savings we're starting to see this quarter.

David Hatfield
Thank you, Ali.

Chris Goff
Thank you, Ali. Operator, next question, please.

Operator
Our next question comes from Olivia Tong with Bank of America. Please go ahead. Olivia Tong, please go ahead. We will move on now to our next questioner. Our next question comes from Jason Gere with KeyBanc Capital.

Jason Gere
Thanks. Hi, guys. Two questions. One, I guess you're talking about the innovation and it seems like it's more second half weighted, so I guess I want to know a little bit more about on the Women's Shave, the innovation that's coming, are you getting incremental shelf space? Is it replacing any old legacy brands? So that's kind of the first question. If you could just talk about the cadence of the innovation and whether there's incremental shelf space to come in the second half on that.

David Hatfield
Yes, I think it's fair to say that the Hydro Silk, which is the next generation of our current Hydro Silk product, I think that will be more of a replacement of our current facings. We think that it's a great product. The market testing results indicate that consumers raised purchase interest scores and the use testing has been very solid. But that should be just an upgrade on our current facings. I think that the Quatro U product, we are hoping to gain facings within several major customers.

Jason Gere
Great. Then I guess the follow up question, a question in favor during this earnings season is talking about the Trump administration, the border tax, just knowing a lot of your assembly and product comes from overseas. Can you just talk about what percentage of your product or what's sold in the US is

manufactured from abroad and how you guys have this conversation thus far? I know there's still a lot of moving parts to it, but how you kind of think about it initially? Thanks.

David Hatfield
Thank you. We have, of course, we are really monitoring the situation and are kind of actively scenario planning. But you're right, right now details matter in these topics, and the variance of policies that are out there are really pretty fluid and you really need to know the details below the headlines to assess impact and reaction from the world. So I can't really speculate on where this is going at the moment. We are really monitoring it.

On the tax policy side, there are many scenarios that say that the lower tax rate or the repatriation would be positive to us. But again, we don't really know the details.

On the border tax or the import tax or whatever, we'll have to see where that shakes out, also. We do have a global supply chain and we do import finished goods into the US. But I'll make the point that the great majority of our production footprint for the US is in the US. We have major razor plants in the Milford and in Knoxville, and we grind the vast majority of our blades in those two plants. We have a Sun Care plant in Florida. We make Shave Preps and Wet Ones in the US. And we're in the process, as you know, of moving all of our Canadian Fem Care production lines into Dover, DE. So as I say, the great majority of our US products are made in the US.

Jason Gere
Great. Thanks for the color.

Chris Goff
Thank you, Jason. Operator, next question, please.

Operator
Our next question comes from Kevin Grundy with Jeffries. Please go ahead.

Kevin Grundy
Good morning, guys. I'm going to apologize, I just hopped on, I was on another call, but going through the release this morning and we put our initial thoughts out, is it fair to say that you're targeting more the lower end of the range, just given organic sales came in a bit lighter than at least you had guided to and market expectations and now FX? Back of the napkin math, assuming reasonable transactional impact would suggest about a $0.10 to $0.15 headwind. So on both counts there, both with respect to organic sales growth and the EPS guidance range, are you more comfortable at the lower end of the range or what has to go right for you to attain the higher end of the range? Thanks.

David Hatfield
We're holding to the organic rate in the range that we gave you, because most of the softness versus the outlook were timing issues. Like I mentioned, the US Sun shipment timing is a timing issue and should work its way out in Q2. And the softness in the timing of shipments around the Japanese price increase we think will also come back in the back half of the year.

We think that the Fem Care softness is a little more systematic, but we see puts and takes in the international Wet Shave that we think we can hold to that organic outlook.

Sandy Sheldon
Then just on the EPS, you're right, we are facing those currency headwinds. We are able to offset some of those through our hedging programs, which covers some of the impact. Obviously not all of it.

Based on where the rates are now, we expect we can manage the remainder with our cost levers, especially ZBS. But clearly, if the dollar continues to strengthen, that may impact our outlook.

Kevin Grundy
Okay, thank you.

David Hatfield
Thank you, Kevin.

Chris Goff
Operator, next question, please.

Operator
Our next question comes from Bill Chappell with Suntrust. Please go ahead.

Bill Chappell
Thanks, good morning. Two questions, and I'll throw them both at the same time. First, can you maybe help me clarify the Japan price increase, because I would have thought that that normally would accelerate sales as retailers and distributors were buying in front of a price increase, so I didn't really understand why it would postpone sales.

David Hatfield
Okay, so you want me to take that one right now? Yes. That's a good question and a natural one. Japan, as you may know, is a pretty complicated market and business is done fairly differently there. This price increase is a pretty major undertaking in which we ship new UPC SKU's and we take back the existing ones and we refurbish them and we sell them later. So to implement the price increase in this quarter, we're actually trying to run down retail inventories, because the next quarter we will take the product off the shelf and then replace it with the higher product over that quarter and the next one.

The net is a big positive for us, but you have to go through that. So what happened this quarter is that we actively managed down retail inventories to kind of minimize the returns that we have to do coming up now.

Bill Chappell
Okay, that makes more sense. Then on the Private Label Sun Care, I know it's relatively small, but the decision to exit that, is that excluded from your organic growth going forward in your calculations? Then also, is that maybe some reason for getting out of that when razors and other categories you're kind of pushing further into Private Label? What was the thought process behind getting out of this one?

David Hatfield
We looked at that for several years looking at the margins and the costs and the plant absorption and the retailer relationships. But the fact of the day is the margins were very low, the complexity was pretty high, and the organizational effort to properly support customers was well over what the economic value was. So we tried over the years to find ways to make it a better business, but it just wasn't so. So we worked with our customers to exit in an orderly way. So while we suffered the loss of top line, there's no real margin impact, and it really simplifies operations, simplifies focus. So at the end of the day, it was a pretty easy decision; it just took time to work with our customers to get out of it.

Sandy Sheldon

And it is built into our organic outlook.

Bill Chappell
So the growth is including that kind of going away?

Sandy Sheldon
That's correct.

David Hatfield
Yes.

Bill Chappell
Great. Thank you.

Chris Goff
Thank you, Bill. Operator, next question, please.

Operator
Our next question comes from Kate Brasftein with Barclays. Please go ahead.

Kate Brasftein
Thanks. My question is on price mix. So, last year price mix was a benefit to gross margins and I believe it should be this year as well, but I'm wondering how this could be the case when you're starting to see promotional intensity pick up in Wet Shave, not just in the US but perhaps in spots internationally? And then if price mix is still a positive, why shouldn't operating margins be up more than 50 basis points? Thanks.

David Hatfield
Sandy, why don't you take the price mix and then I might comment a little bit about the promotional.

Sandy Sheldon
Right. So, most of our organic sales growth this year is really volume-based. We're not eroding price over the year versus what we had last year, but we're really not improving it significantly either. We clearly, as David just talked about, have a price impact on Japan, so there is that flowing through our numbers. But the rest is we're seeing price mix relatively neutral for the year other than that, so it really is predominantly a volume, organic story.

David Hatfield
And your comment about the promotional intensity, I would make the point that in Wet Shave it isn't uniform and it really varies both by market and by product line. While there are some hot spots around the world, generally promotional levels seems to be reverting back down to more normal levels. I think the one area that I call out is the one that everyone seems to look at, which is US Men's Systems where despite their dominant share of P&G continues to do promotion levels that we've never seen, up to 40% of its volume done on promotion.

Given the category loyalty and their size, what that's really doing is trading down the overall category and their share. My guess is they're doing it more against via shave clubs. But it's primarily just a US phenomenon and I think generally around the world promotion levels are kind of going back to more normal levels, and that's kind of what's built into our product mix.

Chris Goff

Thank you, Kate. Operator, next question, please.

Operator
Our next question comes from Jonathan Feeney with Consumer Edge Research. Please go ahead.

Armani Khoddami
Hi, how are you doing? This is actually Armani Khoddami for Jon Feeney today. Just a quick question. Looking at sort of Private Label business in Wet Shave, I think the main concern or question when you guys were swapping branded to disposables was sort of the all-in contribution margin of that business. And as we're sort of now annualizing that, I suppose maybe, could you help us understand that similar question on contribution margin in Private Label cartridges, now that that's sort of the new not-tracked or not-branded growth lever going forward? Thank you.

David Hatfield
Well, you know, two different ways to answer. First, certainly Private Label prices are lower than branded. Therefore, while they're different products and are lower cost products generally than branded, they do have lower gross margins, but they require less, there is very little A&P. And when you allocate the proper overheads against them and whatnot, we feel comfortable that the contribution margin for Private Label is very similar to our overall average contribution margin.

And in that swap that we did between opening price point products in that major customer, if you take that contribution margin versus Private Label, they're very, very similar. So that swap really didn't impact our economics [indiscernible] at all.

Armani Khoddami
One quick follow up. You were saying that they're generally the same on the overall company average or overall average for Shave?

David Hatfield
Overall company average.

Armani Khoddami
Okay, great. Thank you very much.

Chris Goff
Thank you. Operator, next question, please.

Operator
Our next question comes from Olivia Tong with Bank of America. Please go ahead.

Olivia Tong
Great. Thank you. Apologies, I got on late, but I want to talk a little bit about advertising spend and just the efficiency of that, because it was up pretty robustly, but it doesn't look like it really impacted your top line. So can you talk about where that spend was concentrated, both in terms of product areas and geographies? And also, do you consider your spend to be more offensive behind innovation, trail building, or more defensive as you see actions of some of your main competitors? You just talked about unprecedented levels of promotions. Also, what do you expect for the year in terms of advertising relative to sales? Thank you.

David Hatfield
Okay, great. We view advertising primarily as offensive and it generally flows against innovation. So

that's one of the reasons that you see it vary by quarter somewhat is it does tend to skew along with new product launches, both US and also internationally. So that's kind of how we view it.

I think for the year, we're looking at a relatively flat aid of sales percentage versus a year ago. What varies from year-to-year is how much we devote against digital versus TV. It's kind of interesting, because it has certainly gone up and has tended to go more digital over the years. We've seen that slow and even reverse as we're sorting out the ROI against digital, and I see that the industry, several major advertisers are calling for better regulation and better transparency on the digital front. I think we would support that. I think that's why we've been backing away slightly over the last year.

Sandy Sheldon
Olivia, just to your question on the current quarter, we increased A&P behind Sun Care in North America and Sun Care predominantly in Latin America. And in terms of how things reacted to that, we're certainly seeing ongoing growth and strength in our Sun Care business in Latin America, and we're continuing to invest behind that momentum.

In terms of Fem Care, the increase was really behind new copy and advertising behind our Carefree liners business. We are seeing a pretty healthy share in our Carefree business and some share increase. Obviously, it's an equity program; it's longer-term in nature. It started last year, and we'll continue to use it to improve our brand equity on Carefree.

Chris Goff
Thank you, Olivia. Operator, next question, please.

Operator
Our next question comes from Bill Schmitz with Deutsche Bank. Please go ahead.

Bill Schmitz
Hi, good morning.

David Hatfield
Good morning.

Sandy Sheldon
Good morning.

Bill Schmitz
Hi, can you guys just talk to this, maybe I missed this, I apologize, I also jumped on a little late, but can you just talk about the savings you have year to date for the full year? Then it looks like it's like almost $0.50 of earnings from the two savings buckets, so kind of where that savings is going? And then, when you lapped from branded to Private Label at Walmart? Then lastly, and sorry for the long-winded question, but how do you view the strategic outlook for the Fem Care business? You have ever considered doing something more strategically than looking at options? So kind of like how the brands fit in the portfolio and what would make you change your mind on the business or that you invest in or maybe find a better owner for it? Thanks.

David Hatfield
Sandy, would you take the first and I'll take the—

Sandy Sheldon
Yes. So the restructure savings in the quarter rounds up to about $5 million in the quarter. That is

really spread between Fem Care, Wet Shave, and Sun Care. So Fem Care is about half of that, and then Shave and Sun Care about the rest of it.

We're really not, at this point, talking about our ZBS savings. Again, that's really back-half loaded. To the extent we did have some that came through in the quarter, it was really helping offset some other investment spending, predominantly behind the ZBS project.

David Hatfield
Then the switch from the opening price point brand to Private Label, this is the last quarter that we'll have to talk about that. It should run its course now.

On your Fem Care question, we look at, and the board looks at, our portfolio on a regular basis, so I really don't want to speculate any further about that. What I will say is we've been disappointed with the launch of the Sport pads and liners effort, and we're going to need to work over the remainder of this year going into '18 to stabilize the top line in this business, and we're going to focus on category management, innovation, and marketing fundamentals. For example, we're launching Playtex Sport Compact Tampons, the smallest compact tampon in the market, and supporting it with 360 marketing programs against trial and awareness. And as Sandy mentioned, we're continuing into the second year of the Carefree liners relaunch with new positioning, packaging, and copy. So the goal is really to stabilize top line while we grow profitability through the plant consolidation project that we've been talking about as well as other continuous improvement programs. So that's really how we're walking forward.

Chris Goff
Thank you, Bill. Operator, next question, please.

Operator
Our next question comes from Stephen Powers with UBS. Please go ahead.

Stephen Powers
Great. Thank you. Just going back, Sandy, to the ZBS savings that you had talked about, just the backend-loaded nature of it. I guess the question is, how much of that was always in the plan versus perhaps a delay? I just wanted to clarify that.

Secondly, as you press a bit more on actually pulling through those savings, I was hoping you could just talk about what precautions you're taking to make sure you don't inadvertently impact execution in the market? Thanks.

Sandy Sheldon
So we did have some of the ZBS savings in our outlook and in our plan. I think as we work through the final value identification over the last couple of months, we have seen some upside in those savings, savings numbers that can help us both this year and next year. We're not really talking about those right now in a lot of detail because we're still trying to work on what those implementation plans look like, but we're pretty optimistic about being able to deliver savings and improve savings, really, versus our original plan.

What was your second question again? I'm sorry.

Stephen Powers
Well, just following up on that point, but the plan was always to have more of those ZBS savings flow

through in the second half versus the first half? And now you're saying there may be upside to the original plan as well.

Sandy Sheldon
Yes.

Stephen Powers
Okay, great. And so my second question is just more strategic broadly, what your governance model is internally to make sure that as you plow through those savings, you don't negatively impact demand.

David Hatfield
I'll jump in to offer two thoughts, and then if Sandy wants to add any, that's fine.

One is the way, from a governance point of view, this will actually be a matrix. So we've added tension to get the costs, because we have category cost owners that we'll be pushing for cost reduction. But the other matrix remains, business owners that have to do it and are really focused against top-line growth and profit growth. So, we are building a little tension into the process, but the goals, the outlook and the attempt to grow the business remains. So that's one point.

And when we targeted savings rates, we put the bulk of the burden against non-customer facing, but non-consumer facing cost buckets. And I think that was very deliberate. And I think we've been pretty true to that.

Sandy Sheldon
Yes.

Stephen Powers
Great. Thank you very much.

Chris Goff
Thank you, Steve. Operator, next question, please.

Operator
We have no further questions. This concludes our question and answer session. I would now like to turn the conference back over to David Hatfield for any closing remarks.

CONCLUSION

David Hatfield
Well, thank you, everyone, for your time and your interest in Edgewell. Have a nice day.

Operator
The conference has now been concluded. Thank you for attending today's presentation. You may now disconnect.