

Edgewell Personal Care

Q1 2026 Earnings Call

Monday, February 9, 2026, 8:00 AM ET

CORPORATE PARTICIPANTS

Chris Gough - *Vice President, Investor Relations*

Rod Little - *President, Chief Executive Officer*

Fran Weissman - *Chief Financial Officer*

PRESENTATION

Operator

Good day, and welcome to the Edgewell First Quarter Fiscal Year 2026 Earnings Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on a touchtone phone. To withdraw your question, please press star then two. Please note, this event is being recorded.

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

Chris Gough

Good morning, everyone, and thank you for joining us this morning for Edgewell's First Quarter Fiscal Year 2026 Earnings Call. With me this morning are Rod Little, our President and Chief Executive Officer; and Fran Weissman, our Chief Financial Officer. Rod will kick off the call then hand it over to Fran to discuss our first quarter 2026 results and full year fiscal 2026 outlook. We will then transition to Q&A.

This call is being recorded and will be available via replay on our website, www.edgewell.com. Please refer to our website for supplemental information providing more details on the company's divestiture of its feminine care business that closed on February 2nd, 2026. During this 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, brand investment, organizational and operational structures and models, cost mitigation and productivity efficiency efforts, savings and costs related to restructuring and repositioning actions, acquisitions, dispositions and integrations, impacts from tariffs and other recent developments, changes to our working capital metrics, currency fluctuations, commodity costs, inflation, category value, future plans for return of capital to shareholders, the disposition of our feminine care business and more.

Any such statements are forward-looking statements for the purposes of the Safe Harbor provisions under the Private Securities Litigation Reform Act of 1995, which reflect our current views with respect to future events, plans or prospects. These statements are based on assumptions and are subject to various risks and uncertainties, including those described under the caption Risk Factors in our annual report on Form 10-K for the year ended September 30th, 2025, and as may be amended in our quarterly reports on Form 10-Q filed with the SEC. 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, except as required by law.

During this call, we will refer to certain non-GAAP financial measures. These non-GAAP measures are not prepared in accordance with generally accepted accounting principles. A reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures is shown in our press release issued earlier today, which is available at the Investor Relations section of our website. This non-GAAP information is provided as a supplement to, not as a substitute for or as superior to, measures of financial performance prepared in accordance with GAAP. However, management believes these non-GAAP measures provide investors with valuable information on the underlying trends of our business and allows more meaningful period-to-period comparisons of ongoing operating results.

Before moving on, I want to clarify how the divestiture affects the way to view our results and outlook. Beginning in the first quarter of fiscal 2026, the feminine care business is classified as discontinued operations and prior period results have been recast to reflect this presentation. The results of the feminine care business are reported separately from continuing operations. All of our commentary today, unless otherwise stated, on performance and our outlook will reflect continuing operations, including our wet shave, sun and skin care businesses.

At the same time, to help investors compare our results and outlook on a consistent basis with our prior outlook which included feminine care, we are also providing selected information on a consolidated basis, reflecting both continued and discontinued operations. To facilitate comparability, the press release and our remarks provide bridges to review results on a like-for-like basis and reconcile our outlook between consolidated and continuing operations presentation.

With that, I'd like to turn the call over to Rob.

Rod Little

Thank you, Chris, and good morning, everyone. We appreciate you joining us for our first quarter fiscal 2026 earnings call. We delivered a solid start to the year with results modestly ahead of our expectations. Our performance in the quarter reflects progress on the strategy we are executing as we continue to concentrate our resources on the categories and markets where we have clear competitive advantage. While it is still early in the fiscal year, we believe this initial progress demonstrates that we are on the path to delivering on our full year outlook.

Before I get into the details, I want to highlight a significant milestone for Edgewell. As you saw in our recent announcement, we have successfully closed the sale of our fem care business to Essity. The transaction closed as scheduled and importantly, the estimated annualized impact of the divestiture is expected to be favorable to our previous outlook. This transaction is a pivotal step in our transformation journey and reflects our long-standing strategic intent to sharpen our focus on the categories where we have clear competitive advantages and strong momentum, shave, sun, skin care and grooming.

By simplifying our portfolio and reallocating capital and resources towards these core businesses, we believe we are strengthening our ability to compete and invest where it matters most. With this move, we believe Edgewell is now better positioned to be a more focused, agile and durable personal care company, one we believe can drive sustainable growth, deliver stronger margins over time and create long-term value for our shareholders.

Now, turning to our performance highlights. We delivered a solid start to the quarter, executing well in a dynamic operating environment. Overall results came in ahead of our expectations. The strength in North America offset expected softness in international markets. Organic net sales in the quarter decreased by 50 basis points, reflecting stronger-than-expected performance in North America as certain retailers place sun care orders earlier than anticipated. This strength more than offset declines in international markets, which was anticipated and was primarily due to new product development phasing in wet shave in Japan and lower sun care sales in distributor markets where we cycled a large sell-in a year ago due to certain formulation changes.

From a consumer and market share standpoint, trends were consistent with category dynamics and recent trends. In the US, share pressure was modest and concentrated in specific categories, most notably in core wet shave, while we continue to see relative strength in men's grooming. Outside the US, we delivered share gains across several key markets, including Australia,

Europe, Canada and China, highlighting the resilience of our brands internationally. Over 70% of the markets either grew or held market share in the quarter.

From a profitability standpoint, we delivered above-expectation results, supported by favorable mix and continued productivity gains. Importantly, this performance was achieved while maintaining our investment priorities. Looking ahead, we remain focused on what we control, driving good execution, making thoughtful investments in the business, while simultaneously delivering continued productivity gains that protect and enhance our profit profile and maintaining disciplined capital allocation.

Despite an operating environment that is still choppy, we made good progress across four priority areas that are central to our near-term execution and our long-term strategy, international markets, innovation, productivity and our US transformation. These pillars are at the core of how we are allocating capital and efforts, reflecting where we are concentrating resources and driving the highest returns. Progress across these four areas reflects disciplined execution and reinforces our conviction in the approach we are taking.

Let me give you an update on each. First, durable international growth. Our underlying consumption and market share trends were encouraging, particularly in Europe and Oceania. But as expected, organic net sales declined in the quarter, reflecting timing and phasing impacts. With the divestiture of the fem care business, our international markets now represent nearly half of total company sales, underscoring their importance to Edgewell's growth profile. Importantly, our international markets remain a core pillar of our strategy, and we continue to expect mid-single-digit net sales growth in international markets for fiscal '26, with growth expected to resume beginning in the second quarter.

Second, compelling innovation. We remain committed to delivering consumer-led, locally-designed innovation across our portfolio, and we are seeing the benefits of that focus. In fiscal '25, we expanded Billie into Australia, Bulldog entered premium skin care across Europe, we took Schick into premium skin care in Japan with the launch of Progista, and we broadened Cremo's range in the United States and Europe, driving meaningful growth. Importantly, this translated into improved market performance that carries over into fiscal '26.

As we look to the second half of fiscal '26, we have a robust innovation pipeline, including Hydro and Intuition relaunches in Japan, new Wilkinson Sword and Hawaiian Tropic launches in Europe, as well as meaningful launches across shave, grooming and sun care in the US. Together, these initiatives reinforce innovation as a key driver of our focused and durable strategy. As we step up A&P, we're doing so with a clear return framework. The focus is on brands and markets where we see the strongest linkage between investment, distribution gains, household penetration and repeat rates. This is not about spending more everywhere, it's about reallocating behind fewer higher return opportunities and holding ourselves accountable.

Third, productivity through supply chain optimization. Our execution against our productivity agenda has been consistent. In the quarter, we generated approximately 240 basis points of gross productivity savings, keeping us on track to deliver on our margin expansion for this year. These actions are critical as we work to offset tariff pressures, reduce complexity, increase speed and service levels and free up capacity to reinvest behind our core brands and innovation pipeline.

Longer term, we continue to see significant opportunity to further optimize our North American wet shave business and manufacturing footprint, consistent with the actions we outlined last quarter. We are streamlining operations, reducing duplication and unlocking working capital. We

believe these actions, combined with our continued investment in blade excellence, next-generation automation and digital tools will enable a more agile, resilient and customer-focused supply chain, positioning us to deliver an accelerated pace of productivity savings in fiscal '27 and beyond.

Stepping back, with fem care now fully exited, we have a much clearer view of the underlying margin profile of the continuing business. While near-term margins reflect higher inflation, tariffs and deliberate reinvestment, structurally, we believe this is a business that can return to or above pre-COVID gross margin levels for continuing operations over time. The productivity actions we're taking, particularly in manufacturing, simplification and automation, are structural in nature. And as external cost pressures normalize, those benefits will increasingly flow through.

Fourth, our US commercial transformation. As we shared last quarter, we are executing a bold transformation in the US, focused on returning the business to profitable sustained top line growth over time. Over the past year, we completed a comprehensive strategic review that reinforced the strength of our category positions while also identifying opportunities to improve focus, execution and speed. We've simplified our US structure to reduce complexity and accelerate decision-making, supported by new leadership and higher investment behind core capabilities, including insights and analytics, brand building and revenue growth management.

At the same time, we are sharpening our portfolio focus and recommitting to our shave business, where we hold a differentiated position across both branded and private label. While rebuilding distribution and share will take time, we are encouraged by early progress as we refocused on our strongest offerings and improved execution at shelf. We've also taken decisive action to increase investment in our five focused brands, Schick, Billie, Hawaiian Tropic, Banana Boat, and Cremo, shifting towards sustained brand-building and a more balanced marketing mix.

As we look to the second half, we expect to see a step-up in brand investment against these brands with full funnel campaigns on Hawaiian Tropic, Banana Boat, Schick, and Billie. This is the first time we have had this across the portfolio of core brands, along with strong distribution outcomes on some of our key SKUs. This is particularly true with Hawaiian Tropic and Cremo. These efforts give us confidence that we are laying the right foundations to stabilize our US business in fiscal '26 and position the company for renewed growth over the longer term.

As we look at the remainder of fiscal '26, our outlook for continuing operations component of our business is unchanged from when we spoke to you last quarter. We believe our plan is balanced and achievable even as we continue to operate in a challenging macro environment, marked by muted category growth, a cautious consumer and inflationary pressure from tariffs. To reiterate key underlying assumptions of this outlook, first, we expect a return to organic net sales growth, driven by mid-single-digit growth in international markets and a more stable performance profile in North America. Second, we expect gross margin expansion, supported by productivity gains that partially offset inflation headwinds, including a net of approximately \$25 million impact from tariffs.

Third, our plan includes a step-up in investment across trade and A&P to support our US transformation and fuel key brands internationally, which we believe will drive increased household penetration, funded in part by margin improvement. Fourth, while we are making significant investments for the longer-term success of the company, we continue to prioritize free cash flow generation through working capital improvement and near-term capital allocation choices, focused on using the proceeds from the fem care sale for debt reduction. Underpinning

all of this is the strength of our team. The progress we made this quarter and the results we delivered reinforce our conviction in the plan and path ahead.

With that, I'll turn it over to Fran to walk you through our results and outlook for fiscal '26.

Fran Weissman

Thank you, Rod. As Rod outlined, we made important progress in the quarter and took decisive actions to further sharpen our portfolio and strategy. We had a solid start to the fiscal year, with results modestly better than our expectations on a continuing operations and a consolidated basis. On a consolidated basis, organic net sales declined 30 basis points, adjusted EPS were \$0.03, and adjusted EBITDA were \$38 million, all better than our outlook.

Now let's turn to our performance in the quarter on a continuing operations basis. Organic net sales decreased 50 basis points this quarter, as strong performance in sun care and grooming were more than offset by declines in wet shave and skin. North America organic net sales grew just under 1% in the quarter, driven by meaningful growth in the quarter in sun care as certain retailers placed seasonal orders earlier than expected, in addition to strong growth in grooming, partially offset by wet shave and skin.

International organic net sales decreased 1.6% as expected, primarily due to NPD phasing in wet shave in Japan and sun care sales in distributor markets, where we cycled a large sell-in a year ago, as Rob discussed earlier. Outside of this impact, we delivered growth in our other key markets, with Oceania and Greater China experiencing double-digit growth, while Europe delivered low single-digit growth. Wet shave organic net sales declined approximately 4%, as substantial growth in preps was more than offset by declines in disposables and men's and women's systems. International wet shave declined less than 1% as volume declines were partly offset by price gains, reflecting continued category health, solid distribution outcomes and strong in-market brand activation. North America wet shave declined in the quarter, driven by challenged category and channel dynamics.

In the US razor and blades category, consumption was down 250 basis points in the quarter. Our market share declined 100 basis points overall. However, our branded value share declined 30 basis points in the quarter while our branded volume share increased 50 basis points. The Billie brand continued to grow share, increasing 40 basis points.

Sun and skin care organic net sales increased approximately 8%, with robust growth in sun care and grooming. Sun care grew nearly 20%, led by nearly 60% growth in North America as certain retailers placed seasonal orders earlier than anticipated. Grooming grew nearly 7%, while skin care declined approximately 15%. In the US, sun care category consumption grew nearly 9% in the quarter. Our value share declined 40 basis points in the quarter as gains in Hawaiian Tropic were more than offset by Banana Boat. However, volume share increased by 140 basis points.

Grooming organic net sales growth was approximately 7%, led by approximately 27% growth in Cremo and 6% growth in Bulldog, partially offset by declines in Jack Black. Wet One's organic net sales declined about 15% and our share was approximately 66% as we cycled strong growth in the prior fiscal year period. That strong growth last year reflected a return to normal operations, following the fiscal '24 fire in our facility. Performance was approximately flat on a two-year basis.

Now moving down the P&L. Adjusted gross margin rate decreased 210 basis points and was ahead of expectations. Productivity savings of approximately 240 basis points were more than offset by 450 basis points of core inflation, tariffs and volume absorption. The impact of favorable

exchange and mix were broadly offsetting. As previously noted, we expect productivity, tariff mitigation efforts and pricing to accelerate in the balance of the year, and for gross margin rate to grow for the full year versus fiscal '25.

A&P expenses were 10.8% of net sales, down from 11.1% last year and in line with our expectations as spending increases are planned in the balance of the year.

Adjusted SG&A was 23.7% in rate of sales compared to 23.6% last year. This was primarily driven by higher people costs and unfavorable currency impacts, partially offset by lower consulting and corporate expenses. Adjusted operating income was \$8.1 million or 1.9% of net sales, compared to \$15.9 million or 3.8% of net sales last year, reflecting primarily the impact of lower gross margins, partially offset by favorable FX tailwinds.

GAAP diluted net loss per share from continuing operations were \$0.63 compared to a loss of \$0.21 in the first quarter of fiscal '25. Adjusted earnings per share from continuing operations were a loss of \$0.16 compared to a loss of \$0.10 in the prior quarter. Currency tailwinds were a \$0.07 favorable impact to adjusted EPS in the quarter. Adjusted EBITDA was \$25 million, inclusive of an expected \$5.8 million favorable currency impact compared to \$30.9 million in the prior year.

Net cash used by operating activities was \$125.9 million for the first quarter of fiscal '26 compared to \$115.6 million last year, primarily due to lower earnings. As a reminder, cash flow is presented on a consolidated basis for both continuing and discontinued operations. We continued our quarterly dividend payout, declaring \$0.15 per share dividend for the first quarter, and we returned approximately \$7 million to shareholders via dividends.

Now turning to our outlook for fiscal '26. Before we dive into the details, I want to start with an important update on our full year outlook. Following the closing of the fem care divestiture, our outlook is now presented on a continuing operations basis only. Importantly, outside of the adjustment for our fem divestiture, the underlying outlook for our continuing business is unchanged from what we communicated previously.

In our last earnings call, we expected the impact of the fem care business on an annualized basis to be approximately \$0.40 to \$0.50 in adjusted EPS and \$35 million to \$45 million in adjusted EBITDA, net of TSA income. We finalized the net impact as part of our Q1 reporting, and our estimates are in line with the range disclosed in November. With that context, let me walk you through the key changes to our updated outlook for fiscal '26, including the key assumptions and phasing behind our guidance.

For the full fiscal year, we expect the net impact of the fem care divestiture to be approximately \$0.44 in adjusted EPS and \$44 million in adjusted EBITDA. This impact includes 12 months of lost segment EBITDA and stranded costs, net of eight months of expected TSA income, interest savings and other efficiencies related to the divestiture. On an annualized basis, when normalizing TSA income for 12 months and interest savings for 12 months, the impact would be approximately \$0.20 in adjusted EPS or \$36 million in adjusted EBITDA, better than our previous outlook.

Now let's turn to the full outlook on a continuing operations basis. Looking ahead to fiscal '26 on a continuing operations basis, our outlook is unchanged. Our Q1 performance only reinforces our expectation to return to organic sales growth and gross margin expansion, supported by increased brand investment. These expectations reflect known headwinds, including a net tariff impact after mitigation of \$25 million, higher SG&A year-over-year due to lower fiscal '25 incentive compensation in a normalized tax rate, partially offset by favorable currency. We also continue to

expect a meaningful improvement in adjusted free cash flow, driven by working capital discipline and operational efficiency.

For the fiscal year, our net sales range remains unchanged. We anticipate organic net sales growth to be in the range of down 1% to up 2%, excluding 150 basis points of currency tailwinds. In terms of phasing, we expect Q2 organic sales to be down approximately 3%, primarily reflecting the phasing of sun care sales into Q1. For half one, we expect net sales to be down approximately 2%, which was broadly in line with previous phasing. As noted previously, we expect Q3 to be our strongest sales quarter.

As we look to adjusted gross margin, our expected gross margin rate growth remains unchanged, where we anticipate 60 basis points of the year-over-year total gross margin rate accretion. In terms of phasing, as previously communicated, we expect half one gross margin rate to decline versus the prior year, with a return to year-over-year margin rate growth in half two as pricing actions, tariff mitigation efforts and productivity initiatives reach full run rate. In Q2, we anticipate adjusted gross margin rate to be in the range of 43% to 44%, which reflects the impact productivity, tariffs, inflation and FX, coupled with the mix impact from Sun Care shipments that shifted into Q1.

Our year-over-year A&P rate increase remains unchanged. With increased investment in our brands, we expect A&P increase in both dollars and rate of sales, with the latter increasing by 70 basis points to approximately 12.3%. Adjusted operating profit margin is expected to decrease in line with our previous outlook, approximately 50 basis points, as gross margin improvement is more than offset by higher E&P and higher SG&A.

Adjusted EPS is expected to be in the range of \$1.70 to \$2.10. As outlined earlier, the EPS outlook now incorporates a \$0.44 headwind from the fem care divestiture. In addition, this outlook reflects the impact of expected share repurchases that are needed to offset current dilution and assumes an effective tax rate of 22% to 23%. Adjusted EBITDA for fiscal '26 is expected to be in the range of \$245 million to \$265 million, which includes a net \$44 million headwind from the fem care divestiture outlined earlier.

In terms of phasing, in line with our previous outlook, we expect in half two to generate about 2/3 of adjusted EBITDA. In addition, we expect to generate approximately 85% of our full year adjusted EPS, slightly higher than the previous outlook, driven by the favorable impact of lower interest expense post divestiture, which will be realized in half two. Adjusted free cash flow, excluding the cash impacts of the sun care divestiture, is expected to be in the range of \$80 million to \$110 million for the year, including expected improvements in working capital. Please note, adjustments related to the Sun Care divestiture include taxes related to the sale, working capital and deal-related expenses.

As we move through fiscal '26, we are nearing the peak of our elevated capital spending and investment tied to our supply chain transformation. Importantly, this is not an open-ended investment cycle. As the new footprint stabilizes, we expect capital intensity to step down, while benefits show up through improved service, lower unit cost and working capital efficiency. We've been deliberate in our ramp-up to manage start-up risk, and the early execution gives us confidence in long-term returns.

And finally, we remain committed to a disciplined capital allocation strategy. The net proceeds from the fem care divestiture after taxes and transaction costs have been directed towards strengthening our balance sheet and reducing debt, while also supporting continued investment

in our core brands with capital expenditures to drive innovation and productivity. While our near-term priority remains strengthening our balance sheet, as leverage improves and free cash flow expands, we expect to retain flexibility in our capital allocation toolkit. We will continue to evaluate the most value accretive uses of capital over time, including disciplined reinvestment in the business, share repurchases and targeted M&A that creates sustainable value creation. For more information related to our fiscal '26 outlook, I would refer you to the press release that we issued earlier this morning.

And now, I'd like to turn the call over to the operator for the Q&A session.

Operator

We will now begin the question and answer session. To ask a question, you may press star then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster.

The first question today comes from Nik Modi with RBC Capital Markets. Please go ahead.

Nik Modi

Yeah, thank you. Good morning, everyone. Hey, Rob, just in a kind of post-fem care world, we just wanted to get your thoughts on portfolio construction. Obviously, you have proceeds coming in. Just wanted to get your thoughts on how you're thinking about the portfolio, M&A? And any thoughts around just kind of helping to lower the seasonality of the business when you think about the portfolio long term? Thanks.

Rod Little

Yeah. Thank you, Nik. Good morning. So from a fem care perspective, coming out of the portfolio, as a reminder, we got this deal done at a premium valuation to the entire company for what was our lagging part of the business in terms of growth. It was growth dilutive, it's margin dilutive. We're 150 basis points better in gross margin now without fem than we were before, and it was capital intensive. And so this was a big strategic move for us to separate and sell this business to the right buyer, which we accomplished.

Then what's left is we think a really compelling and interesting company focused in shave, grooming, sun and skin care. These are global businesses for us. We have scale. We have know-how. And increasingly, the branding and the marketing capability to generate not only awareness, but desirability to get through the funnel and household penetration, all the key metrics you would want that we've been missing in the past. We're focused on those categories.

We've got five power brands within those categories that we're consolidating investment against. And I think we're increasingly confident that we can grow within the range we've always talked about, in that 2% to 3%. And it doesn't start next year, it starts in quarter three, as we've said, as we get the distribution and planogram outcomes domestically here in the US through, which were positive across the board. We have new innovation launching in the second half. We have higher pricing in international markets and in shave primarily coming through.

And then we've got our campaigns turning on. As the weather warms up, you'll see our campaigns light up with pretty heavy incremental spend against them because we really like the content and what we think we can do. So we're super excited about where we go from here. We've been waiting a long time to get to this point, and we're here now.

Nik, on the seasonality question you had, look, sun care is a seasonal business. As you know, Q1 is a historic low point, particularly in the Northern Hemisphere. It's obviously the opposite at in the Southern Hemisphere. Q2, Q3 are the big seasonal quarters behind that. What we are seeing happen though in the sun care category is it is flattening out a bit with a longer season on the front and back end, but we still do have that seasonality in our business that we'll just have to contend with over time.

And as far as M&A, we're not focused there. We are taking the proceeds towards debt reduction to get our leverage from more around four to ending the year around 3x levered, which is leverage reduction that we feel good about. Share repurchase at the right price will always be in there as an option. And if M&A were ever to make sense, it'd have to be super obvious and accretive and makes sense to everybody, including our shareholders, first and foremost.

Nik Modi

Excellent. Thank you.

Rod Little

Thanks, Nik. Operator, next question, please.

Operator

The next question comes from Chris Carey with Wells Fargo. Please go ahead.

Chris Carey

Hey. Good morning, everyone. Can you just expand on the expectations for fiscal Q2 organic sales? Maybe talk about the differences between North America and the shipment timing in the international business? And how do you think about the contribution of North America versus international once we get beyond Q2 into the back half of the year? And I have a follow-up.

Rod Little

Yeah, so I'll start with -- let's talk Q2 for a moment. International, I'll take it, and Fran, you can build on this. In international, we have two things going on in the first half. The first is we had a sun care shipment to our distributor markets that the entire year's worth of volume went in the first quarter last year due to a formulation regulatory change and just the timing of how we had to manage that regulatory change. This year, that's even across all four periods.

As you now get into Q2, we have a phasing around innovation, primarily driven by Japan. It's fairly material, where we are taking stock back in the market in Q2 and putting new product, new innovation into the markets, meaningful innovation across men's and women's systems that will go into the market in Q3 with higher pricing behind it. So the combination of those two will actually have international back to growth in quarter two, but it's slight growth. International in the first half is going to be somewhere around flat. And in the back half of the year, six-plus percent as we see it lining up. So that's the international piece.

And Fran, I don't know if you want to talk to sun care a little bit, North America, and then the second half innovation and planogram.

Fran Weissman

Yeah. Chris, good morning. Thanks for the question. So just specifically on Q2, we're expecting organic net sales to be down about 3%. There's a little bit of timing shift between Q1 and Q2, specifically around sun care phasing. That was probably worth about 150 basis points. And then

we also have the anticipated phasing in Japan for some NPD promo phasing that was between Q2 and Q3.

I think most importantly, for the half one, we're down 2%. That's what we expected to be. And overall, EBITDA profile is about 1/3 of the year, which is what we called out in our previous outlook. So nothing has changed, a little bit of noise between Q1 and Q2, but really, we're lined up well based on this performance to deliver the full year outlook.

Chris Carey

OK. Thanks. Can you, I guess, expand a bit on the implications for fem care dilution into maybe fiscal '27? And I say that because I think the impact this year is about 2x the annualized impact. I mean does that mean that we should expect above-algorithm earnings growth in fiscal '27 as you cycle that impact from fiscal '26? Maybe just expand on that a bit. Thanks.

Rod Little

Yeah. I think, Chris, we've got two things going on. We've got a transitional services agreement that we struck with Essity to provide them services for an extended period of time, up to a year in some cases around some of the service lines. There's an income stream that comes with that this year and for the next 12 months.

What we also have then as a second factor, is we've got a stranded cost primarily in SG&A, let's call it, issue that we have to deal with, just as a business comes out of a highly integrated structure which we had. We've got to go address those strandeds and right-size the overhead structure of the company to match the new sales revenue line that we have, and we will do that. That will take us some time, but we're committed to doing that.

I don't know if there's anything to add to that?

Fran Weissman

Yeah. No. I think what's most important is when we talked about it at the last earnings call, the impact of segment EBITDA was about \$26 million. And then you have the impact of the strandeds that Rod has talked about, which we're estimating to be around \$30 million to \$35 million. But the TSA income will mitigate probably about 75% to 80% of that, and that will take us to the middle of '27. We've got plans underway right now to start to address those stranded costs, and that will be probably about 18 to 24 months post the start of the TSA to really bring that into full realization. So we feel like we're in good shape there.

I think specifically, Chris, to your top line question, we anticipated that fem care was going to be within the total company range for our outlook, so about flat before the divestiture. So we do expect as we ramp up performance in North America for our growth profile to accelerate moving forward.

Rod Little

Yeah. And Chris, I will add, we're obviously not going to guide to '27 or beyond today. But I think to one of the points you were making, we're going to have a stronger portfolio on set of brands as we look to next year, that we're more confident that we can grow nicely. We also are going to have a more profitable P&L. We pick up 150 basis points with no other changes just by having fem care out, and so we picked that up.

The other thing I will point to is we are going to have a really nice cash flow recovery as we look to fiscal '27 as well. And we're going to put a marker out there. We ought to be at \$150 million

plus free cash flow as we look to next year. And so from a recovery standpoint, I think the cash flow piece of this is one of the biggest recovery items we'll have, primarily because we have all the onetime spend in the wet shave consolidation. Hitting '25 and '26, the bulk of that is behind us, and then we start to get the benefit in '27, as well as some of the cash conversion inventory, things that shape manufacturing unlocks. So you're right, we will have some natural pickup in '27.

Chris Carey

OK. Thank you.

Rod Little

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

Operator

The next question comes from Peter Grom with UBS. Please go ahead.

Peter Grom

Great. Thank you. Good morning, everyone. Two questions for me. I guess, one, just following up on the organic sales phasing. So there's a lot of detail that you just provided to Chris's question on the timing components, but as you look out to the back half of the year, what are you expecting in terms of category growth? I guess what I'm trying to get at is, is the improvement more related to timing and execution and no shifts in category growth expectations?

And then my second question is, Rob, you talked about kind of returning to the 2% to 3% top line growth. And I know there's a lot of moving pieces as it relates to this year. But with the divestiture now in the rearview, can you maybe just talk about your confidence around delivering more sustainable growth in the US? Thanks.

Rod Little

Yes, will do. So on the sales phasing for the balance of the year, let's call it Q3, Q4, we have an assumption that the category growth rates that we planned on at the beginning of the year are still relevant and still the right level of category growth rates to have in there, which is effectively low modest growth, kind of around 1% to 2% on an aggregate basis globally. We are seeing a little bit of slowdown recently in some cases, but I wouldn't say it's meaningful to change our view on the balance of the year.

Where you're going to see the second half ramp up and pick up is going to be around better performance relative to the category, i.e., share growth. And you're already starting to see that in some of the consumption reports come through. I think we see it. You all probably see that as well. And what's going to happen as we get into the back half of the year, is we have better distribution across the board. Cremo and Hawaiian Tropic are leading the way with material increases in distribution outcomes. Those shelves are resetting now over the next six to eight weeks. It will largely be complete. So as we get into Q3 and Q4, we have the tailwind of that better set of distribution outcomes.

We talked about incremental pricing primarily in international markets, also hitting with new innovation in Q3, Q4. We feel really good about that. And from a share perspective, we will see an improved share position in the back half in both Japan and China with the plans that we have in place and what we now is launching, and we've pivoted to positive shave share in Europe for the first time since separation from Energizer of this company in this quarter with slight share growth. We expect that to continue into the back half of the year. So the back half is more about share growth than it is about category growth.

And then that leads to the last part of your question, obviously, it gives us more confidence in the future that we can and will grow. And particularly, the step change in our results starting in Q3, Q4 and then going into next year, is driven by North America. We've had international consistently in that mid-single-digit growth rate for the last three years. We'll have that again this year. We're confident in that going forward. We're doing well in shave, and we've got lots of distribution opportunity across grooming and sun care, which we're starting to realize in bigger ways.

So then you come to North America, and we're right on plan. In fact, we're slightly ahead of plan with the timing of the sun care shipments. And the big unlock that makes me more confident that we can really grow from here in North America and be successful, is the capability. We have better talent, we have better ways of working, coming in. We're faster, more agile. We're going to bring better innovation, better marketing and activation and we're putting investment against the business. And these are winning brands.

Hawaiian Tropic was the fastest-growing brand in the sun care category out of the top 10 brands last year. Cremo is on fire in terms of what's happening out in the market, really continues to grow share in every single period. They're becoming a bigger piece of the portfolio. And a lot of the work we're doing against those brands are now phasing in to put up against Banana Boat and Schick master brand as we go forward. So I said a lot, but we're confident, and the proof points are there. We're seeing them now, and I think we'll only see that accelerate as we go through the balance of the fiscal.

Peter Grom

Great. Thank you so much.

Rod Little

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

Operator

The next question comes from Olivia Tong with Raymond James. Please go ahead.

Olivia Tong

Great. Thanks. Good morning. First, just a point of clarification on sun care. Part of the Q1 -- the strength in Q1 came from sun and skin and you mentioned that retailers are choosing to stock earlier for the season. Why do you think that's the case given that most categories right now, retailers seem to be actively trying to push the pipeline fill for seasonal categories closer and closer to the start of this season, so basically later?

And then following up on that, the full year outlook for EPS and sales, you did keep an atypically wider EPS outlook despite the fem care divestiture now having closed. So can you talk about what it incorporates from the lower to the upper end? Thanks.

Rod Little

Yeah. Good morning, Olivia. Look, on sun care, I think it's a situation where it's been a good start to the season. The early season of sun care, the category has been growing consistently versus a year ago. And so I think as retailers look at that combined with the timing of when Easter hits this year, it just sets up, in some cases, for them to be a little earlier on the orders. In this case, a week or two can make a difference, right? It can come out of early January into later December. And so I think we just saw some of that shifting happening.

But look, it's a good start. From a category perspective, I think it's the biggest thing driving it. And I wouldn't read more into it than that. We're not changing our outlook for the year for sun care, but it certainly gives us more confidence that what we put in is achievable.

Fran, do you want to touch on the EPS outlook?

Fran Weissman

Yeah. Good morning, Olivia. It's important to note that when we thought about our outlook around the key metrics versus prior year, the range really hasn't changed. We had expected on a combined basis that fem was broadly going to be in line at the total company level. So pulling fem out around organic sales growth, gross margin accretion, the rate year-over-year remains solid. The only thing that has changed in our outlook is really the impact of the net fem divestiture coming out, and that you're seeing that impact in adjusted EBITDA and adjusted EPS. And I'd probably point to the earnings release as well. We included in note eight, a good walk down that takes you through all the pieces of the divestiture.

So we're still committed and believe that the midpoint of the range is where we are targeting for the year. Nothing has changed on that profile. Q1, we delivered slightly ahead of expectations. That only reconfirms our commitment to grow in the balance of the year. And I think as Rod alluded to earlier on, really encouraged by the distribution outcomes in North America. That has been at or better than expectations across the board. So once we head into half two and sort of move past the noise of half one, really encouraged to come back to growth.

Olivia Tong

Got it. Thank you.

Rod Little

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

Operator

The next question comes from Susan Anderson with Canaccord Genuity. Please go ahead.

Susan Anderson

Hi. Good morning. Thanks for taking my questions. I guess maybe just a follow-up on wet shave in North America and just the promotional level, it seems -- it's obviously been promotional for some time, so I guess I'm just curious, are you seeing it pretty similar across all of the channels or are certain channels more promotional than others? And then also, I guess, do you expect this level to kind of persist the rest of the year, or do you think there's things going on that maybe won't bring that back? Thanks.

Rod Little

Yeah. Good morning, Susan. Shave North America, look, it's -- from an optics perspective, it's the weakest part of our business at the moment, right, if you're looking backwards and looking at printed growth rates. It's a part of the business as we roll forward here, again to the second half, we're pretty confident you're going to see a different trend come through, and a better trend as we have the new distribution head the innovation gets in and we get into, what I would say, the peak of the season. But your point around the promotional intensity, the competitiveness of that category still remains very high.

We built in, I would say, slightly higher than typical spend against price promotion dynamics in the category. It's most pronounced in women's, which I would say is the most competitive. We've

had a competitor driving price discount rollbacks at some of the big retailers, in response to some of the competition that's come in. Frankly, there's too many brands for the space right now. We're very confident that our Schick and Billie brands are part of the future. But as we work through what is a crowded landscape, you just have that promotional intensity. And I suspect it will continue for the balance of this season as we go through the rest of our fiscal year. We planned accordingly, but we have more tools as we get into the back half of the year, along with some new campaigns and incremental investment on both Billie and Schick as we go forward.

So I think our ability to put a better result up in the back half of the year is absolutely there with everything we have line of sight to. And I think longer term, as we get more focused on winning in shave in the US, including in men's systems, I think we're confident in our path forward. We've got a really good innovation pipeline. And as I mentioned in one of the earlier answers, we have an increasingly capable team that can build brands in a very interesting way that resonate with the target consumers. And that's been our big missing capability in North America over the last four or five years.

Susan Anderson

OK. Great. Thanks for all the details. Maybe if I could just follow up just on the inventory at retail. Are there any pockets still of higher inventory across your categories out there, whether that's North America or international, where you would expect still some retailer destocking? And then also just on private label sales, are you seeing any trade down there at all from the branded business? Thanks.

Rod Little

Yeah. We're not aware of any meaningful inventory pockets, Susan. In fact, if you look at our printed results versus consumption, you'd maybe draw the opposite conclusion for our brands and our categories, right? So we don't see inventory as being any meaningful issue that we have line of sight to anywhere. And I think as we move forward, we're going to be very close to the consumption flows and feeding it.

Fran Weissman

Yeah, and I would say, Susan, what's most important is that we are seeing unit share up. So as we think about value share in the US specifically, we're about flat, but unit share is up, and we're seeing that hold true across our key retailers like Walmart and Target. So inventory levels are really what we believe at a healthy level across retail.

Rod Little

Yeah. And then just to close it off, Susan, we're not seeing any meaningful trade down. Private label shares are stable, I would say, in terms of the size of that part of the business. What we are seeing though is consumers still seeking value-seeking across all brands. And so there is a lot of price elasticity right now. But I think to the point Fran is making, the branded piece of this is up. So I think structurally, we're still seeing healthy categories with no material trade down, but it's something we're watching very closely because we are seeing a little more pressure coming against the target consumer.

Susan Anderson

OK. Great. Thanks so much. Good luck the rest of the year.

Rod Little

Thank you. Thanks, Susan. Operator, next question, please.

Operator

There are no more questions in the queue. I would like to turn the conference back over to Rod Little for any closing remarks.

Rod Little

All right. Thanks, everybody. Look, there's a lot of noise this quarter with the divestiture of fem care and what's continuing versus discontinued operations and all that goes with it. It's complicated, but the key message here is we're on track in the first quarter, feel good about the fiscal year, and we have cash in the bank from the fem sale. So we feel good about the start. We'll give you an update in early May. Thank you.

Operator

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