Edgewell Personal Care

First Quarter Fiscal Year 2025 Earnings

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CORPORATE PARTICIPANTS

Chris Gough – VP, IR

Rod Little – President & CEO

Dan Sullivan – COO

Fran Weissman – CFO

PRESENTATION

Operator
Good day and welcome to the Edgewell first quarter 2025 earnings conference call. All participants will be in 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 2025 Earnings Call. With me this morning are Rod Little, our President and Chief Executive Officer, Dan Sullivan, our Chief Operating Officer, and Fran Weissman, our Chief Financial Officer. Rod will kick off the call, then hand it over to Dan to discuss first quarter commercial and operational highlights, followed by Fran who will discuss our financial results and 2025 full year outlook. We will then transition to 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 and repositioning actions, acquisitions 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 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 30, 2024, as may be amended November 1, 2024, 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.

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

Rod Little
Thank you, Chris. Good morning, everyone, and thanks for joining us on our first quarter fiscal '25. earnings call. I'm pleased to welcome Fran Weissman, our new CFO, to the call this morning. Fran knows our business well and is more than ready for her expanded responsibilities.

We delivered solid results this quarter, despite an external environment that has become increasingly more volatile and uncertain, largely driven by the strengthening of the US dollar. Organic net sales were down slightly versus last year, but in line with our expectations with a sequential improvement over recent trend. Importantly, we saw continued growth in international markets with gains across Wet Shave, Sun Care and grooming, and global growth in our right to win portfolio.

Gross margin at constant currency was again strong in the quarter and served as an important catalyst for year over year incremental brand investments. Despite the worse than planned foreign exchange headwinds, as Fran will discuss later in the call, for the full year, we still expect to deliver organic net sales, adjusted EBITDA and adjusted earnings per share within our previously provided outlook ranges. This reflects our continued focus on driving operational performance, being disciplined in our investments and management of cost and controlling the controllables. It also assumes that current macro conditions do not materially deteriorate.

Importantly, we believe our performance demonstrates traction against our broader strategic priorities and gives us confidence in our ongoing efforts to further transform the business.

Putting our first quarter performance in the context of our broader strategy, there are three important themes that underpin our performance today as well as the broader outlook for the full year. First, the categories we compete in remain mostly healthy, and consumption trends are in line with our expectations. While organic growth remains mostly a result of price, volume gains have returned in many markets, and consumer sentiment related to experiential spend and personal travel continues to be positive.

Consumers remain resilient and at the same time cautious, though in our categories, which are mostly non-discretionary and everyday use, we see no material signs of purchasing hesitancy nor trade down behavior. Having said that, the US Wet Shave and Fem Care categories remain highly competitive and promotional. Importantly, we have no material indications of a similar trend across international markets. We will continue to actively participate as needed in support of our brands on shelf, making our outsized productivity savings and gross margin expansion even more important as it unlocks our ability to remain in an investment stance commercially.

The second comment I would make relates to our international business. I am extremely pleased with our results here, and as Dan will discuss, the underlying drivers of our performance further reinforce the durability of our top line growth. Of course, in the absence of weekly scanner data, the success is not as readily visible. But for international, the first quarter was our fifth consecutive quarter of organic sales growth and 11th in the last 12 quarters, delivering a three year CAGR of nearly 8%.

Importantly, share results were also strong, especially in leading Fem Care markets like Australia and Mexico and also high growth Wet Shave markets like China. Now representing 40% of our global business, we've never been in a better position internationally, and I'm increasingly confident in the future of this business.

Relatedly, we are also seeing the initial benefits of our rebuilt innovation platform. As I've shared, we are committed to a more consumer centric, locally driven new product development model, and we spent much of last year taking the appropriate organizational steps necessary to deliver on these objectives. While work remains, our consumer insights are better, we're more locally focused and informed and we're faster and bringing new products to market, some of which are already having an impact.

Our strong international results this quarter include contribution from the highly successful and disruptive launch of Schick First Tokyo in Japan, the broadening of our Bulldog range to deepen our skin care penetration in Europe and meaningful new forms and formats in Fem Care that supported strong share gains in Australia and Mexico.

Third and finally, our business transformation continues to be most dependent on our talented people. I've said from the beginning, we are equally committed to both a business and a cultural transformation as we will not have one without the other. Our team is highly motivated and continues to perform with excellence in the face of an increasingly challenging environment.

Having been recently recognized as the number two best mid-sized company to work for out of 400 ranked, our efforts are clearly being recognized externally, and our ability to attract and retain top talent is a key catalyst for our continued strong performance.

Over the past six months, we've announced a series of leadership changes and organizational changes designed to strengthen our capabilities and operating model, streamline decision making and improve enterprise execution. In the quarter, we saw notable improvements in commercial and operational performance. Dan will share more about this shortly.

Last quarter, I announced the appointment of Jess Spence to the role of President of our North America business. At that time, I noted my desire to both continue the strong performance across our right to win portfolio while equally accelerating our recovery in our right to play portfolio in the US market, and I'm excited about our early progress. Jess and the team are moving with pace to confirm the strategic clarity and commercial baseline for the path forward for our North American business. We've already begun to enhance our talent profile in the US market, and we are better connected with our top retail partners. We're very excited about the path forward and the opportunity we have here.

Finally, Jess and team are raising the bar on brand building, and I expect our portfolio, brand plans and our in market activations will be significantly improved over the coming quarters. I'm confident in Jess and the team's ability to have impact and create a lot of value in our North American business as we move forward.

So, in summary, I'm pleased with our performance in the quarter, and more broadly, expect continued stability across our categories as we move through the fiscal year. Our strategy is clear, and we remain committed to its successful execution with our global teammates at the core of our success. And while the macro environment remains challenging, we will stay focused on controlling the controllables, delivering products that our consumers love and ultimately winning on shelf and online.

And now I'd like to ask Dan to take you through our operational performance highlights. Dan?

Dan Sullivan

Thanks, Rod, and good morning, everyone. As Rod mentioned, this was a solid start to the year with organic net sales in line with our expectations, constant currency gross margin stronger than planned, improved operational execution and solid market share performance across our international businesses as well as the Billie and Cremo brands in the US.

As the macro environment grew increasingly volatile, we remained highly focused on executing in areas of the business that are under our direct control with focus on maintaining our growth momentum in international markets and global right to win categories, continuing to drive our productivity and enterprise efficiency initiatives, improving service levels and partnerships with retailers and strengthening commercial execution behind our brands to drive share gains in markets. This quarter demonstrated that we have the right leadership in place, our innovation pipeline is robust and our broader categories are largely healthy.

As we move forward, we will continue to be relentless on commercial and operational execution, and that's why underpinning all of our strategic priorities is a deep organizational commitment to executional excellence across the enterprise. This is a key priority for me in my role as COO, and we believe it will provide further unlock of value going forward as we execute better in everything that we do.

Now let's move to the commercial and operational highlights for the quarter. Organic net sales decreased 1.3%, in line with our expectations. Growth was driven by international markets and our right to win businesses globally. International growth of 2% was slightly better than expected, driven by both price and volume gains. This growth rate was slightly lower than trend as we lapped strong growth in international a year ago, largely related to last year's surge in orders ahead of the holiday period in Japan. Organic sales in North America declined about 4%, reflecting declines in our right to play businesses, Wet Shave and Fem Care.

Before discussing segment specifics, let me offer some commercial highlights in the quarter. In North America, organic growth was strongest across our grooming portfolio and in particular the Cremo brands. We saw double digit segment organic growth with Cremo growing 20%, driven by range expansion and good retail execution. The Billie brand was also a strength in the quarter, gaining an additional 230 basis points in women's shave market share and now stands with a 15% share of the category at Walmart and over a 10% share nationally. Importantly, in a clear sign of growing consumer loyalty, the strength of its refills business is noteworthy as Billie is now the number one brand in woman's refills in units and number two brand in dollars across the top five retailer landscape.

In terms of U.S. market share performance, we saw solid performance in grooming behind the accelerated growth for Cremo, and as discussed, meaningful gains for the Billie brands. The remainder of our Shave portfolio and Fem Care business share results were largely in line with trends.

Internationally, we delivered 2% organic growth while cycling 16% growth last year. As Rod mentioned, this was our fifth consecutive quarter of organic growth and 11th out of the last 12. Commercial execution across the markets was very strong, and both our innovation and strong brand activation were core to our results.

Schick First Hydro in Japan has achieved almost 130% of its targeted distribution since its launch in August last year and has quickly scaled to a 2 share in the category. Our Wilkinson Sword brand relaunch continues to be disruptive in Europe where we were also awarded three best product of the year honors, including the new Hydro 5 Razor in the grooming category. And our private brands business remains a meaningful competitive advantage, posting double digit organic growth, fueled in part by new business across many key retailers including Aldi [sp] and Lidl [sp].

Market share across international was solid with noteworthy gains in Sun Care across both Australia and Mexico and good performance in the grooming category in Europe, where the Bulldog brand now sits at the number two men's grooming brand in the UK.

Now turning to our segment performance, Wet Shave organic net sales were down 1.3%. International Wet Shave grew 3% with both price and volume gains, reflecting continued category health, impactful innovation and strong in market activation. In North America, Wet Shave organic net sales declined just under 7% as gains in men's systems and disposables were more than offset by declines in shave preps and women's systems. Women's systems continue to be negatively impacted by weakening channel dynamics and a highly competitive and promotional environment. Consumption in the US razors and blades category was down 80 basis points in the quarter with continued heightened declines in the drug channel. Our market share decreased 100 basis points, consistent with 26 and 52 week trends.

Sun and Skin Care organic net sales increased approximately 5% as double digit growth in skin and grooming more than offset declines in North America Sun Care, primarily as a result of a shift in phasing in some customer orders in what is our latest sales quarter of the year.

In the US Sun Care category, consumption increased about 1.6% in the quarter, led by increased e-commerce sales, and our market share was down slightly. In our two most noteworthy international markets, we saw strong Sun season performance with both value and volume market share gains in Australia and Mexico.

Grooming organic net sales increased 13% in the quarter with growth across each brand, as mentioned, most notably led by 20% organic net sales growth in Cremo and growth from the national rollout of Billie's Body Care.

Wet Ones organic net sales increased 15%, fueled by better in stock positions, and our share was approximately 71%. Fem Care organic dent sales were down approximately 12%. The decline was largely driven by our pads business as we continue to ramp conversion from Stayfree to Carefree. Consumption in the category was up 4%, though continues to be driven mostly by 7% growth in pads where our penetration is the lowest. In the categories where we mostly compete, tampons and liners, consumption was down 1% and up 3% respectively. Overall, the category remains highly promotional.

And finally turning, turning to our operational performance in the quarter, Q1 reflects a continuation of our cost excellent strengths paired with meaningful improvements in broader service levels and much improved in stock positions. Productivity savings were 340 basis points and provided the tailwinds for our approximately 80 basis points of constant currency gross margin accretion in the quarter.

Productivity savings were realized from a full collection of programs, including global sourcing and indirect savings, labor automation and broader plant efficiency efforts. Importantly, we also delivered meaningful service gains, saw unit fill rates above target levels across most categories and markets and addressed the supply challenges referenced last quarter in our grooming, preps, and skin businesses.

Lastly, we were very pleased with our supply levels and in stock positions as we prepare for the critical sun season in the US and northern Latin American markets. While we continue to see some modest inflationary pressures, largely driven by labor, and more modest increases in commodities, there is no material change to our inflation expectations for the full year.

The same cannot be said on the FX front. Given the significant strengthening of the dollar against most major currencies, gross margin in the quarter was negatively impacted by an incremental 40 basis points of currency headwinds. On a full year basis, FX is now expected to be an incremental 20 basis point headwind to gross margin.

So while I'm pleased with the progress we're making in the areas of the business that are in our direct control, the external factors certainly make for more challenging operating environment. Going forward, we will continue to be proactive, act with urgency and discipline and prioritize executing our strategies and focusing on the operational elements of the business that will lead to durable growth and broader value creation.

Now let me to turn it over to Fran discuss the financial results for the quarter and our full year outlook.

Fran Weissman
Thank you, Dan. Good morning, everyone. I'm excited to be here in my new role, and I look forward to getting to know many of you in the weeks and months ahead. Now let's jump into a quick review of the first quarter followed by our updated outlook for fiscal '25.

As previously discussed, organic net sales decreased 1.3%. International growth of 2%, driven by both price and volume gains, were more than offset by a 4% decline in North America due to lower volumes in Fem Care and Wet Shave. Adjusted gross margin rate decreased 60 basis points, but increased approximately 80 basis points in constant currencies, exceeding our expectations.

We realized approximately 340 basis points of productivity savings, which was partially offset by increased promotions net of price of 40 basis points, 200 basis points of core growth inflation and volume absorption and 20 basis points of unfavorable mix and other headwinds. A&P expenses were 10.5% of net sales, up from 9.9% last year. Adjusted SG&A was 21.2% in rate of sales, up approximately 20 basis points versus last year.

Overall, higher people cost and outside services were offset by lower incentive compensation expense, lower bound debt and favorable currency impacts. Rate of sale increase was impacted by lower net sales in the quarter.

Adjusted operating income was $27 million compared to approximately $36 million last year. Adjusted operating margin decreased 170 basis points, almost entirely due to the net unfavorable impact from currency. Importantly, on a constant currency basis, adjusted profit margin was nearly flat, despite the incremental brand investments driven by strong gross margin accretion.

GAAP diluted net earnings per share were a loss of $0.04 compared to earnings of $0.09 in the first quarter of fiscal '24, and adjusted earnings per share was $0.07. Currency movements had an approximately $0.17 per share unfavorable impact in the quarter due to translational currency headwinds to operating profit and higher year over year hedge and balance sheet remeasurement losses within our other income and expense. At constant currency, adjusted earnings per share were flat to prior year.

Adjunctive EBITDA was $45.9 million, inclusive of an $11 million unfavorable currency impact, compared to $57.2 million in prior year. At constant currency, adjusted EBITDA was flat to prior year.

Net cash used by operating activities was $115.6 million for the quarter compared to $72.9 million in the prior year period. Shifts in seasonal inventory builds versus last year drove the increased use of cash in the quarter. We ended the quarter with $176 million in cash on hand, access to the $221 million undrawn portion of our credit facility, and as anticipated due to cash flow seasonality, a net debt leverage ratio of 3.8 times.

In the quarter, share repurchases totaled 30 million. We continued our quarterly dividend payout and declared another cash dividend of $0.15 per share for the first quarter. In total, we returned approximately 38 million to shareholders during the quarter.

Now turning to our outlook for fiscal '25. As Rob and Dan mentioned earlier, we are pleased with our operational performance in the quarter, and we have strong underlying fundamentals in place to continue to execute and deliver on our previously provided outlook ranges. However, the current macro environment remains challenging, particularly across currency markets, and as such, we have updated our outlook for the full year primarily to reflect the impact of unfavorable currency movements compared to our prior outlook.

On a constant currency basis, our outlook is essentially unchanged from a quarter ago. For the fiscal year, we still anticipate organic net sales growth to be in the previously provided range of 1% to 3%. Looking ahead, our growth assumptions for second quarter are now approximately 1%, reflecting an expected shift in Sun Care orders into third quarter. On a reported basis, currency is now expected to negatively impact reported sales by 160 basis points versus our prior expectation of a positive 70 basis points impact.

While our outlook for a 90 basis point increase in gross margin on a constant currency basis is unchanged, we now expect full year adjusted gross margin accretion of 55 basis points, inclusive of 35 basis points of FX headwinds, 20 basis points worse than our previous outlook.

Our outlook for adjusted EPS and EBITDA are now expected to be towards the lower end of their respective ranges, essentially flowing through the incremental FX headwinds, partly offset by slightly improved below the line items including a favorable pension true-up. Adjusted earnings per share are now anticipated to be towards the lower end of our $3.15 to $3.35 outlook range, inclusive of approximately $0.36 per share of currency headwinds, an increase of $0.18 versus our prior outlook.

Adjusted EBITDA is also now expected to be towards the lower end of our $356 million to $368 million outlook range inclusive of approximately $23 million in currency headwinds versus the $12 million currency headwind contemplated in our prior outlook.

Due to our revised FX expectations, we now expect approximately 70% of adjusted net earnings to be generated in the second half of the fiscal year, slightly higher than our previous outlook. On a constant currency basis, our half one and half two phasing expectations are essentially unchanged.

As outlined in our earnings release, this outlook does not reflect the potential impact from US or retaliatory tariffs, given the rapidly evolving nature. For more information related to our fiscal '25' 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.

QUESTION AND ANSWER

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 speaker phone, 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 Kate Grafstein with Barclays. Please go ahead.

Kate Grafstein
Thanks. So, Fem Care sales took another step back this quarter, and you've talked about consolidating the brand portfolio with Stayfree and Carefree and simplifying the portfolio, but it seems like there's still some work to do. So, if you can just talk a little bit about why the business is still so weak and maybe if the spring resets will help this time around thanks.

Rod Little
Hey, good morning, Kate. So, on Fem Care, look, the category is healthy overall. And if you look at where the growth in the category is, it's being driven by pads in the most recent quarter, and that's where we're most challenged at the moment. So, if you step back and go back nine months or so ago, we look to consolidate our pads and liners under the Carefree master brand. So, we had Stayfree in the base being shipped, and today, we don't have that. And it's taking us longer than we had anticipated to transition consumers from Stayfree pads into Carefree pads. Are we making progress? Absolutely, we are. So, we're on that journey. Liners performed as we expected. Playtex Sport performed as we expected, slightly weaker in pads. That's the story.

Final thing I'll say -- and Dan, if you want to comment, you can -- is you will see our results improve sequentially from here as we go throughout the year, if nothing else from easier compares, and then the work we're doing to convert consumers will continue. So I think we get better from here. But, Dan, I don't know if you've got anything.

Dan Sullivan
Yeah, I would only add we're actually pleased with Carefree's performance, Kate. So, we're seeing actually traction here in terms of the brand itself. We saw low single digit growth in liners. We saw mid-single digit growth in pads. As Rob pointed, the challenge -- and this is what certainly takes time -- is bringing the Stayfree consumer along. We did activate above the line marketing late in the quarter. We'll continue that in Q2. So, the work remains. It will take time. I think we have to separate sort of Carefree's performance, which we're actually seeing traction on, which is helpful, but the work remains on the Stayfree consumer, and it's obviously where we'll stay focused.

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

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

Chris Carey
Hi, everyone. Can you maybe just provide some context on the collection of your businesses that are going to be seeing atypical -- or that have been seeing atypically negative performance? And when those businesses start to lock that performance, thinking about the shave prep transition, Fem Care transition, when do those businesses start to encounter or start to lap that really difficult, atypically difficult performance? And I guess I ask that in the context of the acceleration that's embedded here. It's some challenged businesses that are going to get beyond this current one year cycle, if you will. And then what are you embedding for the rest of the business from a sort of acceleration standpoint from here? I can reframe that if that doesn't make sense but curious your thoughts.

Rod Little
Yeah, good morning, Chris. Look, I think it's primarily as we get into the second half of the year is when we start to have the better compares. If you think about the supply chain issues we had last year, the fire in our manufacturing plant for Wet Ones was happening last fall, and so as we start to lock that, as we come back on in full production rate and mode -- we're already seeing Wet Ones come back. Wet Ones is up 50% in the quarter that we just finished so. So Wet Ones back online and in a relatively good spot.

If you then look at Edge and Cremo and some of the areas where we had some constraint, we'll start to lap those in those periods as we get into the back half of this fiscal year, so out into the summer.

And then I mentioned Fem Care in in Kate's question earlier. That one where one of the issues we've had is we had a delayed planogram reset, which was targeted February, March last year; actually didn't happen until the summer. And so, we're -- I think sequentially as you go here, you'll see us improve. But the easiest compare, the more like for like compares are really in Q3 and Q4 of this year.

Dan Sullivan
Yeah, and the only thing I would add, Chris, just to ladder back up, we said last quarter 70% of our business is growing at mid-single digits, and we expect that to continue for the fiscal year 2025. We still have a line of sight to that. Now remember, that's made up of international and our global right to win portfolio, and our expectation is still for 2025 that that 70% of our business will grow mid-single digits.

Chris Carey
Okay. You mentioned some shift in Sun Care orders, I believe. Can you expand on that please? Thanks.

Rod Little
Yeah, I'll -- I think there's a single driver here around Easter timing. I mean, there a couple things, but there's a big driver where Easter is three weeks later this year as you get out into mid-April; last year, it was earlier. And what you had profile was more shipments into the second quarter ahead of some of those big Easter resets. And from a planning basis, as we look at it, that is a driver. I don't know, Dan--

Dan Sullivan
--Yeah, and just to be clear, you said Fem. I think you meant Sun because Rod was answering Sun. That’s what we called out as an order ship--

Chris Carey
--If I if I if I said Fem Care, I meant the Sun Care business, so--

Dan Sullivan
--Yeah. Yeah, no, of course. It's Sun Care. Look, we just have to remember 80% of the season's consumption happens between April and September. So, whether shipments go in late March or in first week of April, always tough to profile. We're as bullish on the season here in the US as we were when we initiated our guide back in November, just an order phase.

Rod Little
And I'll add a data point, Chris. We were down in Florida last week with the board, and looking look at the shelf and some formats, and the shelves look great. We are, I think, at the right place from an activation standpoint this year. We feel really good about that. And weather's better already at this point down in South Florida than it was at this point last year where it was rainy and wet for most of the season. So, it's early, to Dan's point, but I think we're excited about the start that -- what we've seen here in the early couple months.

Chris Carey
Okay. Thanks.

Chris Gough
Thanks, Chris. Operator, next question please.

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

Olivia Tong
Great. Thanks. Good morning. FX is obviously a much bigger hit for you this year than you had originally anticipated, so can you talk about some of the offsets that you have planned, if you have any pricing plans or are evaluating that?

Dan Sullivan
Hey, Olivia, it's Dan. I'm sorry, it was a bit muddled. Could you repeat the question?

Olivia Tong
Sure. My question was around FX, and it's obviously a bigger hit this year. So just if you have any -- what the plans are to offset that, if you have any plans for pricing or potentially evaluating incremental pricing in some of the categories?

Dan Sullivan
Yeah, look, it is a bit of a heavier FX hit for us in the quarter, and we discussed that. We flowed that through for the full year. So certainly, the FX headwinds are -- have increased from when we spoke back in November. Now, we've held to the lower end of the guide within our original ranges on profit.

As far as how we solve for that, yeah, look, we have executed the pricing that was planned. In our 2025 business. Doesn't mean we can't reconsider. I think the areas that we typically will go to just in good operational hygiene are going to be around revenue management and how do we make sure promotional dollars are most effective, trade terms are optimized, mix is managed well, which you actually saw in the first quarter. It was a tailwind for us in margin. And then of course, on the productivity side, while we delivered a healthy 340 basis points of productivity savings in the quarter, the team's DNA, of course, is always to push for more. So not committing to either one of those, but the team will continue to look at all levers.

I don't know that I would say price at this point. There's a lot of factors going in right now, tariff and otherwise. We are certainly looking at it, but nothing that that we would say today is firm.

Rod Little
And, Olivia, I would add, one thing we're not going to do is to cut our brand investment as a way to offset this. We're going to stay leaned in. As you saw in the quarter, we've invested in supporting our brands. We like the campaigns. We like the activation of what we have coming, and we're going to keep that in because we think, operationally, that's the right thing to do, and that sets us up for success, not only in the back half of the year, but as we start to look out to fiscal '26. And so, I think that's an important point of what we're not going to do.

Olivia Tong
Got it. Thanks. And then just following up on Fem Care, understand the delayed planogram from winter to summer last year, but it's been quite challenged for some time, and there have been a number of different reasons for that. So, as you think about the plan for this year, what gives you confidence that that is the right plan for this year and that you can -- the consolidation of the master brand does help stabilize the business?

Rod Little
I think, Olivia, it starts with the fact that we've got a healthy category, all right? So, the category after a couple of years of being very choppy, a lot of noise in the printed results and consumption data around demand spikes, around inability to supply against those demands spikes, that's behind us now. And so we've got a stable I would call it traditionally normal operating category that is growing.

We've talked about our three segments - pads, liners, tampons. We have good line of sight to what's happening in each one of those. I think we feel good about our plans in the execution for the year. We'll see the sequential improvement, as we've talked about. And so, whether or not we're right at that category growth rate or slightly below, I think part of what makes us feel good about it is we've just got line of sight to what's required, and the lap gets easier from here.

Olivia Tong
Thank you.

Chris Gough
Thanks, Olivia. Operator, next question please.

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

Peter Grom
Thanks, operator. Good morning, everyone. Maybe just a few on just the top line, and maybe specifically to Chris' question -- I apologize if I missed this, but can you quantify how big of an impact this timing shift is having on the second quarter organic sales outlook? And then maybe

just on the growth from, so I hear you completely in that the US weekly scanner data masks what the company is doing on the whole, just given the strong international performance, but how are you seeing US versus international growth evolving from here? And I guess what I'm trying to understand, just as we look at the data, would you expect to see some improvement here in the US?

Rod Little
Yeah. So, Peter, good morning. The scanner data that you see -- we look at this, obviously -- is 35% to 40% in in what's US available to read, it's 35 to 40% of our business. So, it's a relatively small piece of the overall global total, but it's an important piece, right? It's out there every week, and it's roughly a little more than a third of the business.

We expect to see sequential improvement in our North American results. And if we went from -6 in quarter four to -4 organic here in quarter one, we're going to continue to see improvement as we go across the year in North America. And we're going to continue to see strength in international. And I think Dan mentioned it earlier - we have 70% of our business in mid-single digits growth between the international business and the right to win categories or domestically in the US. So, we've got good line of sight to that, and I think we have a good level of confidence that we'll be successful from here and be back in growth territory for the balance of the year.

Related to the Sun Care question, timing, I'll put that to Dan, but it's a mechanical piece of what we had guided to initially. It's just not how the execution's happening from a quarterly phasing.

Dan Sullivan
Yeah, so we've taken our thinking for Q2 down to the lower end of our outlook, so call it 1% growth is our is our thinking. That's down point, point and a half from what we originally contemplated. So, if I were to size it, I would put it in the $6 million, $7 million range as an impact that now slides into 3Q. Just to ladder back up, I do want to make the point we always contemplated a sequentially improving organic growth profile across the year. Q1 came in literally exactly as we had profiled it, and the drivers of this growth we continue to see international and mid-single digits. Remember, we just cycled our strongest quarter of a year ago, 16% growth last year in Q1. Sun season US coming off a flat season last year. Consumption we think will be underlying growth there. The Billie brand and other grooming strength here -- you saw double digit growth in the quarter.

So, it is a sequentially improving growth story. We have a good line of sight to the drivers of it, and all of that sort of ladders back into the range that we contemplated on organics, improving, as Rob said quarter over quarter as the year plays on.

Peter
That's super helpful. Thank you very much. I'll pass it on.

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

Operator
The next question comes from Dara Mohsenian with Morgan Stanley. Please go ahead.

Dara Mohsenian
Hey, good morning. So, I just wanted to touch on pricing. Maybe we could just start with the US. Wanted to understand the promotional environment you're seeing from a category standpoint, but also as you look to reinvigorate your top line thoughts on forward pricing from here, particularly

given the muted category environment and the industry landscape. And then internationally, I know we touched on this with Olivia's question, but just how do you think conceptually about pricing relative to FX? It just this year you're not sort of making the decision to be too aggressive on pricing and look to offset it? Is it that FX has moved substantially? Just how should we think about how you guys manage pricing typically internationally relative to FX from a longer term perspective? Thanks.

Dan Sullivan
Yeah, good morning, Dara. Thanks for the question. So let me let me take a step back. What is in our plans for this year from a pricing standpoint? Price increases are entirely outside of the US, so international is where you will see us taking price. You've seen it show up in, not surprisingly, for the most part, in Japan Shave where we're market leader or in various aspects of our Sun Care business, Australia and Mexico, where we are also market leader. So that's where we've taken price. There is a bit of carryover price from last year that plays in, as well, but all of our pricing outside of the US has been executed already, so I'll put a pin in that.

I think in the US itself, as I mentioned earlier, I think our focus right now is much more on revenue management, not necessarily list price increase. We are seeing promotional intensity continue in Women's Shave and in Fem Care at a heightened level, particularly in Fem Care. So, Rod mentioned it's a healthy category. It is, but it is still quite promotional. And although we thought perhaps that would ease seasonally as we came out of the summer and fall, we haven't yet seen that.

We are participating in that, and so we're not getting sorted of out-executed on shelf. That's a bit of what is also a headwind within Fem Care as it had increased promotional levels behind it.

As far as our broader thinking, yeah, the team is always going to be looking at opportunistic pricing. FX is one of the variables that could affect that. Tariffs is another one. Rising cost is another one. But it'll ultimately be thought of as a commercial decision, where do we have the opportunity and the right to take price, where can our brands withstand the price, where are we a market leader and therefore will lead with price. All of these things go into our calculus here commercially. And while I said earlier we won't commit to further price at this point, we also haven't ruled it out.

Dara Mohsenian
Great. And then Sun Care came up a couple times. Obviously, there's some near term shipment timing. But just maybe taking a step back, how do you think your position from a consumer take away standpoint as we head into the peak season? It's pretty cold in New York here today, but we're moving ahead to the spring and summer. So just thoughts around market share, innovation pipeline as you look at the Sun Care business, both in the US and internationally would be helpful. Thanks.

Rod Little
Yeah, I'll start and then throw it to Dan for some international flavor because I think that's important. 18 degrees on my ride in this morning, Dara, so you're right, it is cold up north here.

Look, we feel really good about how we're set for the sun season. We have -- I think we're ready early for a -- I think in the south, southeast, we're optimistic if you look at weather forecast patterns for it to be sunnier and relatively warmer than last year on a start. And we've got all the distribution we had expected. And so, I think as we look at the distribution outcomes domestically here in the US, really solid as expected.

We feel really good about the innovation pipeline, what's to come. We're in year two of Banana Boat 360 and the activations that go with that. We've got really good innovation coming on for Hawaiian Tropic again with some new products. And I think from an innovation standpoint, we're set.

And I think, as we look at the relative competitive set, we feel good about our positioning and who we are. We know what we are. We're occasion based, outdoor, beach, sport, fun, active type of brands, and that's where we win. And so, I think that, combined with the fact that leisure travel still appears to be robust as you look out, not only domestically here in the US but globally, that is a key driver of what drives our brands and our business.

And so, I think we feel good overall. That's the US perspective. Dan, I want you to add international--

Dan Sullivan
--Yeah, look, we're coming off perhaps our best single quarter of international Sun Care in terms of in market performance. We won share in dollars and units in Australia at the heart of the season, and we won share dollars and units in Mexico as we ready up for the season. So, I think we feel really good.

I was in Mexico before the holidays with the team. I can tell you the travel, the leisure, the destination, tourism is on fire, and that bodes well for us for us, for sure, as we enter spring break and Holy Week and then kick off the season.

And then the other thing I would say on MPD, Rod mentioned a couple of the big ones. I would also add there's a complete mineral restage happening here in the US, which we think is going to be super impactful, and we're launching the Banana Boat baby line, which has been really well received from retail, as well. So good distribution outcomes, good innovation. We need sunshine, obviously, but good in stock position. We're certainly bullish on the season itself.

Dara Mohsenian
Great. Thanks, guys.

Chris Gough
Thank you, Dara. 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 question. I guess maybe first, I wanted to ask about Billie Body and how it's doing. It sounds like it did help to drive growth. Maybe if you could talk about how the products are performing versus your expectations. And then I think, historically, you had mentioned national expansion for the categories in 2025. Just curious if that's still in the works.

Dan Sullivan
Yeah, good morning, Susan. Thanks for the question. Yeah, look, overall, we feel really good about the total grooming portfolio. Obviously, you're going to have some puts and takes across body where you'll see some examples of velocity that are at or above threshold, some better or below. Still very much in activation mode. So overall, we feel good.

I think the data point we're most excited about is, now as we begin the national, launch, we're getting terrific retailer support - most notably Target, who's really gotten behind this brand and sees a really good connection with the Target shopper, especially on body wash.

And so good opening at Walmart performed largely as we expected it would, and now we'll bring the offering to a national level. And I think Target, a really, really exciting retailer behind the launch. Rod, anything you would add?

Rod Little
I would just add this is all a logical adjacency brand expansion, Susan, off of what is and has to be a healthy and rock solid core shave business. And Billie is exactly that. We are the number one -- the Billie 4 count refill is the number one SKU, volume SKU in the entire category across the top five retailers, number one on volume, despite having just over a 10 share nationally and increasing 200 basis points quarter on quarter.

So that's the other piece of this that we're really focused on is driving the growth that's there in shave and building that out because that ultimately is a credentialer [sp] to the body piece as we go forward. So, it's definitely a both strategy as we play it forward with Billie, but very, very happy with the progress today.

Susan Anderson
Okay, great. That sounds good. And then maybe if you could talk about any updated thoughts around capital allocation plans, any potential M&A down the road. Billie's obviously been pretty successful, so just curious if you'd consider buying another DPC [sp] brand like Billie in one of your segments to help drive growth. Thanks.

Dan Sullivan
Yeah. Look, I think it's a really good question. We've been on about an 18 month journey prioritizing delevering debt pay down and share buyback, given what we think is a very undervalued share price. We expect to end the year right around three times levered. We think we've done the good hygiene in that. And so, certainly, M&A will remain an important part of our growth story in our portfolio shaping efforts here going forward.

We've always been quite active, Susan, in the market. We've looked at a lot of assets. It's difficult right now on value, for sure, but we certainly wouldn't shy away from acquisition if we thought it would be meaningful to our growth and to the portfolio.

So, I think we're in a -- 18 months later, we're in a much healthier position. We have certainly optionality for ourselves, given our free cash flow generation. And M&A will continue to be sort of top of mind for us from here pending valuation and opportunity.

Rod Little
But it's not lost on us, Susan, that with the valuation we have now, repurchase is a really good use of capital. And I think that's always something we look at it - relatively, where can you get return? We're more convinced than ever that we can get a good return on the repurchase, which is why we're leaning in early in the year here.

Susan Anderson
Okay, great. That's really helpful. Thanks so much. Good luck the rest of the year.

Rod Little
Thank you.

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

CONCLUSION

Operator
At this time, there are no further questions in the queue. I would like to turn the conference back over to Rod Little for any closing remarks.

Rod Little
Yeah, thank you, everybody. Look, I think it's important to stay focused on the fundamentals and the basics. With a lot of uncertainty and noise around us, we're focused on controlling what we can control, building our brands, investing behind our brands and are confident in our path forward here. So, we look forward to speaking with you in early May when we talk about Q2 results. See you then. Thank you.

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