

Edgewell Personal Care

Q3 2025 Earnings Call

Wednesday, August 5, 2025, 8:00 AM ET

CORPORATE PARTICIPANTS

Chris Gough – VP, IR

Rod Little – President & CEO

Dan Sullivan – COO

Fran Weissman – CFO

PRESENTATION

Operator

Good morning and welcome to Edgewell's third quarter fiscal year 2025 earnings call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing star then zero on your telephone keypad.

After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then one on your telephone keypad. 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 Third 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 our third quarter commercial and operational highlights, followed by Fran who will discuss our Q3 financial results and our 2025 updated 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 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, productivity efficiency efforts, 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 amended November 21, 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 third quarter fiscal 2025 earnings call.

This was a challenging quarter, with our top and bottom-line performance falling below expectations. Our results were significantly impacted by very weak Sun Care seasons in North America and certain Latin American markets, largely related to adverse weather.

While Sun Care performance pressured overall results, we continued to see strong results in two important areas. Internationally, we delivered another quarter of growth, coupled with strengthened market share performance, and strong supply chain execution led to further productivity gains above the year to date trend. Importantly, our market share performance in the US also improved, most notably across our Hawaiian Tropic, Cremo and Schick Hydro Silk brands, which saw stepped up investment levels in the quarter.

The operating environment remains challenging with both tariffs and foreign exchange contributing to full-year profit headwinds. On the consumer side, apart from Sun Care, our categories grew modestly in the US, in line with 26 and 52 week trends. However, retailers further tightened inventory levels, most notably in the femcare category, leading to some divergence between our organic net sales and category consumption levels.

Despite this challenging environment, as we discussed last quarter, we remained committed to incrementally investing across our business to support new brand campaigns, ensure robust backing for our newly launched innovations, and deliver the necessary improvements in our U.S. business in order to strengthen our portfolio for the longer term. We are encouraged by the early results from these incremental investments, which bolster our confidence going forward, and I will say more on this shortly.

Our performance in the quarter and over the first nine months of this fiscal year further reinforced three fundamental strengths of our business. First, we continued to seamlessly execute our international market growth strategy across a business that now represents 40% of our global sales. These markets have collectively delivered consistent mid-to-high single-digit organic growth over a four-year period, and we expect this business to deliver mid-single-digit organic growth again this year, with notable strengthening share positions across shave, sun and grooming in key markets.

Second, we are committed to delivering consumer-led, locally designed innovation across our portfolio. We have expanded Billie's geographic reach, launching the full wet shave line in Australia in July. In grooming, Bulldog has entered the premium skincare category, driving sales and market share growth across Europe, and we are seeing significant benefits from the broadened Cremo range in the U.S. and Europe. In Sun Care, Hawaiian Tropic is experiencing strong U.S. growth due to a successful marketing campaign, updated formulations, and its on-trend branding. And in Japan, we've taken the Schick brand to premium skincare with the launch of the Progista brand in premium channels.

Third, productivity and efficiency remain at the cornerstone of how we operate, as demonstrated by the delivery of another quarter of almost 300-basis points in realized gross savings. The work our teams are doing across the supply chain is more important than ever, as we tackle the impact of global tariffs and increasing macro complexity.

Now, let's talk about North America, where our results have been below our expectations, and where we've been on a journey to strengthen our business in the U.S. as a catalyst for a return to profitable, sustained top line growth.

Let me provide an update on the work that has been done thus far. Following Jess' appointment last October, she and the team have focused their efforts in three distinct areas, working with both diligence and urgency. First, performing a rigorous assessment of the business and gaining a clear understanding of the challenges inherent within our U.S. portfolio and broader US business model; second, leveraging deeper consumer understanding and taking a modern approach to brand building that allows us to enhance brand message and better activate our brands with consumers; and finally, designing an organization that can achieve meaningful improvements in both commercial effectiveness and operating efficiency, underpinned by improved capabilities, simplification and a lower cost to operate. This holistic approach is designed to fundamentally strengthen our business for the future, and I'm very pleased with the progress we are making, elements of which were visible in the quarter.

During the quarter, we were highly proactive in the market, taking action to support our brands at a different level, and we saw promising results. We designed and executed targeted brand campaigns across our focus brands of Cremo, Hawaiian Tropic, and Schick Hydro Silk. In support of these exciting programs, we have stepped up investments and have strategically shifted our spend to better balance both upper and lower funnel activities. The consumer has responded well, and we've seen each brand's consumption trends improve, with Hawaiian Tropic share up 150 basis points in Q3, continued share gains in grooming with Cremo up 40 basis points and sequential improvement in Hydro Silk share.

Also, we just completed the redesign and launch of the new U.S. Commercial organization, underpinned by what is essentially a new U.S. leadership team, bringing together a talented, proven, and highly capable leadership group under Jess. This team will be fully in place by September and operating in a simplified, streamlined structure with laser focus on U.S. consumers and building brands that consumers love more and can win in market.

And as you saw last quarter and will continue to see this quarter, this will come with targeted increased investment in both trade support and A&P, along with a more efficient overhead structure. Where we have winning campaigns as I highlighted earlier, we will invest.

Many of the changes we are making in the U.S. market are in line with the changes we have successfully driven across our International markets, which are now delivering consistent mid-single-digit sales growth and operating margin expansion. As with anything, driving a step change in results takes time, but I am confident in the team we are putting in place and the renewed focus we have on doing all of the right things to create value in our most important market.

The team is actively building plans for 2026, and we will share more on the U.S. transformation effort as part of our Q4 earnings call.

This leads me to our outlook for the full year. We're at a pivotal moment in our transformation. We are orchestrating significant change across our North American commercial operations, while facing numerous external headwinds, including foreign exchange, tariffs, and a significantly reduced Sun Care consumption profile for this season.

Last quarter, we discussed the importance of maintaining investment levels for key brands, even in the face of a challenging macro environment. Similarly, as we look at the remainder of the year, we will continue to press forward on investment to support the required changes in the U.S. that are already beginning to demonstrate returns through our improved share performance. While these investments weigh on profitability in the near term, we believe they serve to strengthen our business and better position our portfolio in the competitive U.S. market to set us up for long-term success.

And now, I'd like to ask Dan to take you through our operational and commercial performance highlights in the quarter. Dan?

Dan Sullivan

Thanks Rod. Good morning, everyone. As Rod mentioned, this was a challenging quarter, made even more so by very weak Sun Care category performance, especially in the critical period of Memorial Day through the Fourth of July. Despite this, we delivered solid top and bottom-line results internationally, drove another quarter of outsized productivity savings and took meaningful actions in North America, both in terms of commercial activation and investment and to create a stronger, better fit-for-purpose commercial organization.

Before discussing performance in the quarter, let me start by sharing perspectives on the broader operating environment.

The macro environment remains challenging and unpredictable. Tariffs and foreign exchange continue to be volatile and have added pressure to our full year results. Consumption trends have been mixed. While the sun category has been meaningfully weaker than anticipated, particularly in the US, we have seen stability across our other categories in the US, which grew modestly in the quarter, generally in line with 26 and 52-week trends. Internationally, consumption trends also remained solid and our share performance strengthened.

The environment surrounding tariffs continues to evolve, and the ever-changing policies have added significant challenges to the global supply chain. While in-year cost impact of tariffs for fiscal 2025 remains modest at about \$5 million, this is approximately \$2 million higher than our previous outlook.

Our teams continue to act with urgency, responding swiftly to the evolving landscape and taking action to quickly mitigate some of the near-term impacts via inventory pre-buys and other supply chain actions. These steps, including the in-year temporary benefit of higher costs trapped in inventory, have kept tariff expenses more modest in the current fiscal year. Based on what we know today, we continue to anticipate that gross tariffs before our mitigation efforts would have an approximately \$40 million to \$50 million impact on an annualized basis, or in the range of 3% to 4% of COGS.

The team is actively pursuing all opportunities to mitigate the potential impact of tariffs through expanded sourcing efforts, footprint optimization, and heightened vendor negotiations. However, ongoing policy uncertainty continues to pose significant challenges. Fortunately, with the capabilities we've demonstrated over time in our global supply chain organization, we believe we

have the right level of urgency and competence to act swiftly as policy formalizes. In addition to direct cost mitigation efforts and commercial pricing actions in certain markets and categories, we also continue to lean into our ongoing productivity efficiency efforts to support gross margins.

In the quarter, the dollar continued to weaken, providing a modest translational, net of hedge, benefit for our P&L. However, transactional FX headwinds have increased cost pressures, largely due to meaningful appreciation of inter market currency fluctuations in locations where we manufacture and do not hedge, namely the Czech Krona, Euro, and Mexican Peso. This resulted in greater currency headwinds than originally expected in 3Q.

Now let's move to the commercial and operational highlights for the quarter. Earlier, Rod discussed our sustained investment approach in support of focus brands, an improved innovation platform with a local mindset, as well as new, targeted, incremental investments within our US portfolio. We believe that these investments are having the desired effect, delivering strong returns, while strengthening our market share trends across much of the business.

Market share performance internationally was strong in the quarter, as we saw significant gains across branded shave in greater China and solid gains across Sun Care and disposables in Latin America and Grooming and Sun Care in Europe. Additionally, our branded Wet Shave portfolio in Europe held share overall, and importantly, we saw growth in four of our six key markets as well as in Private Label across Europe.

In the US, we saw notable improvement in market share trends for the Hawaiian Tropic brand, Women's Systems and Grooming portfolios, in part due to targeted new investments we're making in these brands.

For Hawaiian Tropic, our new Tana Sutra campaign featuring Alix Earle, launched in May and reflects a step-change in how we design and activate content to better reach and influence consumers. This through-the-line campaign is successfully delivering on our brand-building objectives, while driving notable sales and market share growth. We saw 18%-dollar sales consumption growth versus a year ago amidst a declining category, and a 150 basis point share gain, which was the most for the top 10 brands in our competitive set.

In April, we relaunched Hydro Silk with new packaging, a new brand campaign and a modern approach to brand activation, further supported on shelf by investment in promotion and trade. The incremental A&P dollars drove upper funnel focus and delivered a reach of over 70%, all of which contributed to improved organic sales and market share trends.

Our Cremo AP-Deo launch shifted to a full-funnel approach, increasingly focused on Amazon, driving substantial uplifts versus previous campaigns. We increased Amazon media spend and shifted significantly to enhanced video content. This launch has had a strong start, exceeding forecasted unit sales and underpinning 35% year-over-year consumption growth for the franchise. Behind our strategic brands, we've seen the early benefits of strong brand campaigns that are well architected, reach consumers in a variety of ways and ultimately influence purchase behavior. We are encouraged by this early read and will continue to invest incrementally where we see such strong returns.

Operationally, productivity savings remain an important lever in gross margin performance, delivering 270 basis points of tailwinds in the quarter. These savings continue to be realized from a full collection of programs, including global sourcing and indirect savings, labor automation and broader network efficiency efforts.

Importantly, in the face of a more challenging global supply chain, we sustained our strong service performance from a quarter ago and saw global unit fill rates and OTIF measures above target levels across most categories and markets.

Delivering on our productivity objectives and maintaining strong service levels are key in our effort to mitigate tariff and currency headwinds, support our sustained brand investments and deliver elevated service levels to our customers.

Now, turning to our business results in the quarter, organic net sales decreased 4.2% in the quarter. Growth in International markets continued, with the 2% organic growth driven largely by price and SRGM gains, while cycling over 6% growth a year ago. This represents our 13th growth quarter in the last 14. Double digit organic growth in Greater China, and mid-single digit growth in both Oceania and Europe fueled our results. Our international business continues to strengthen in market, and in the quarter, approximately 80% of this business held or gained share.

Organic sales in North America declined about 8%, with volume declines and increased promotional levels in Sun Care, Wet Shave, and Fem Care.

Now turning to segment performance, Wet Shave organic net sales were down about 2%. International wet shave grew about 3%, largely driven by price and SRGM gains, reflecting continued category health, good innovation execution and strong in-market brand activation.

Our private brands business remained a meaningful competitive advantage and source of growth, posting low-single digit gains.

Our international women's private brands branded business continued to grow at a rapid pace, growing over 18% while cycling over 54% growth a year ago.

In North America, our wet shave results were as expected, with organic net sales down about 8%. Consumption in the U.S. Razors and blades category was down 10-basis points in the quarter, with continued heightened declines in the drug channel. Our market share decreased 30 basis points for the quarter, though sequentially improved 60 basis points versus Q2. We continued to see solid results in Women's Systems, with meaningful gains for the Billie brand on shelf, where it gained an additional 140-basis points in market share and now stands at a 16% share of the category at Walmart, 13% at Target, and over an 11% share nationally. Additionally, as noted, we saw sequential improvement in market share results for Hydro Silk.

Sun and Skin Care organic net sales were down approximately 5%, with mid-single digit growth in Grooming, led by 28% organic net sales growth for Cremo. This was more than offset by declines in Sun, primarily a result of category consumption declines and higher trade spend. Our sun care results in the quarter were materially impacted by adverse weather during the Memorial Day to Fourth of July period, both here in the US and across notable LATAM markets, including Mexico and Puerto Rico, all of which weighed on consumer consumption and ultimately impacted replenishment orders to retail.

In the US, category consumption decreased over 2%, and we had significant declines in shipments in May and June.

Our market share was down 60 basis points, as the previously mentioned strong gains for Hawaiian Tropic were more than offset by declines in Banana Boat. Hawaiian Tropic's 1.5 point of share growth reflected sustained velocity and distribution gains as well as impactful NPD,

supported by the incremental investments made in the brand. Share losses in Banana Boat were largely driven by poor weather impacting this occasion-based usage brand.

In International markets, we saw notable value and volume market share gains across Europe and Latam, though we saw a sizeable category decline in Mexico.

Fem Care organic net sales were down approximately 10%. The decline was largely driven by tampons and pads. We saw much improved consumption and market share trends across our portfolio, as expected. However, that improvement was not reflected in organic net sales in the quarter as certain retailers appeared to be managing to lower inventory levels, particularly in tampons. Consumption in the category was up 4.5%, though driven by just under 8% growth in Pads, where our penetration is the lowest. In the categories where we primarily compete, tampons and liners, consumption was up approximately 60 basis points and 30 basis points, respectively.

In the quarter, our share declined 30 basis points, a 70 basis point improvement from the 52-week trend, and we saw strong share gains in liners.

As Rod mentioned earlier, we're at a critical juncture in our transformation as we drive significant change across our U.S. commercial business, while also facing numerous external headwinds, including currencies and tariffs.

Against this backdrop, much of our business remains healthy, and we remain confident in our ability to grow International and across our right to win businesses of Sun, Skin and Grooming. These businesses are fundamentally strong, putting aside this year's unusual Sun season. Despite short-term transitory pressures, the core underlying fundamentals of our business are unchanged, underpinned by a relevant portfolio of brands, a strong gross margin profile across all categories, relentless cost management capabilities, and the ability to generate strong free cash flow.

We are thoughtfully and deliberately making investments across the business, despite lower-than-expected sales, and these investments are generating strong returns. When combined with other transitory headwinds, they are having a short term impact on profitability and therefore free cash flow. However, we firmly believe they serve to strengthen our business and better position our portfolio, setting us up to deliver stronger results in 2026 and beyond.

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

Fran Weissman

Thank you, Dan. Good morning everyone. Let's jump into a quick review of the third quarter, followed by our updated outlook for fiscal '25.

As previously discussed, organic net sales decreased 4.2%, with our North America Sun Care business unperforming our expectations by approximately \$25 million in the quarter.

Adjusted Gross margin rate decreased 150 basis points or down approximately 40 basis points in constant currency. This was roughly 20 basis points below our outlook at constant currency, as lower Sun Care sales impacted both mix and trade promotion. However, productivity, price, and core inflation were largely as expected.

A&P expenses were 12.8% of net sales, up from 11.8% last year. While A&P rate of sales was in line with our outlook, we did rephase some spending for Banana Boat out of Q3 and into Q4.

Adjusted SG&A was 16.2% in rate of sale and flat versus last year. This was primarily driven by lower incentive compensation expense and favorable currency impacts, which mitigated the negative impact of lower sales.

Adjusted Operating Income was \$75.1 million, or 12.0% of net sales, compared to \$94.8 million, or 14.6% of net sales last year, reflecting the impact of lower sales, lower gross margins, incremental brand investments, and the net impact of exchange, which drove a headwind of 100-basis points in the quarter.

GAAP Diluted net earnings Per Share were \$0.62 compared to \$0.98 cents in the third quarter of fiscal '24, and Adjusted Earnings Per Share were \$0.92 cents compared to \$1.22 in the prior year quarter. Currency headwinds drove a \$0.12 unfavorable impact on adjusted EPS in the quarter as the unfavorable transactional currency and lower year-over-year hedge and balance sheet remeasurement gains within other income and expense were only partially offset by translational currency tailwinds to operating profit.

Adjusted EBITDA was \$96.4 million, inclusive of a \$7.8 million unfavorable currency impact, compared to \$117.2 million in the prior year.

Net cash provided by operating activities was \$44.3 million for the nine months ended June 30, 2025, compared to \$157.3 million in the prior year. Shifts in inventory build and other working capital timing, in addition to lower earnings versus last year drove the heightened use of cash in the current year.

In the quarter, share repurchases totaled approximately \$25 million. We continued our quarterly dividend payout and declared another cash dividend of \$0.15 per share for the third quarter. In total, we returned approximately \$32 million to shareholders during the quarter and achieved our target of approximately \$90 million in share repurchases for the fiscal year.

Now turning to our outlook for fiscal '25, we have updated our outlook for the year to reflect year-to-date performance as well as the expected Q4 financial impact of slightly lower than previously forecasted Sun Care sales, increased brand investments in both trade and A&P in the US as well as additional tariff and FX headwinds, which are only partially offset by more favorable taxes.

For the fiscal year, we now anticipate organic net sales to be down approximately 1.3%. On a reported basis, currency is now expected to be favorable for the full year reported net sales by 10 basis points versus our prior expectation of a negative 10 basis points impact.

On a constant currency basis, our outlook reflects full year adjusted gross margin rate accretion of 30 basis points, a decline of 40 basis points from our previous outlook due primarily to the impact of higher trade spend, unfavorable mix, and incremental tariffs. On a reported basis, full year gross margin is expected to decline 60 basis points versus prior year, inclusive of a 90-basis point currency headwind which is 30 basis points higher than our prior outlook.

We now expect full-year operating profit margin to be down approximately 150 basis points inclusive of the aforementioned 90 basis points of currency headwinds.

Given these changes, full year adjusted earnings per share are now anticipated to be approximately \$2.65, inclusive of approximately \$0.46 per share of currency headwinds. On a constant currency basis, adjusted EPS is expected to increase by \$0.06 or 2%. Adjusted EBITDA is also now expected to be approximately \$312 million, inclusive of approximately \$29 million in currency headwinds, or down \$12 million at constant currency.

The updated outlook for adjusted EPS also reflects a lower full year adjusted effective tax rate of 16.5% compared to 20% in our prior outlook. Versus last year, this outlook implies a Q4 outlook on a constant currency basis of approximately 2.5% organic net sales growth, flat adjusted gross margin rate, and approximately 2% growth in adjusted EBITDA, even after incorporating meaningful additional brand investment and tariff headwinds.

Free cash flow for the full year is now expected to be approximately \$80 million, reflective of lower GAAP earnings and reduced contribution from working capital in Q4, which includes the impact of higher tariffs trapped in inventory. While the P&L impact of tariffs is approximately \$5 million, the cash impact is estimated at approximately \$10 million.

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 telephone keypad. 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'll pause momentarily to assemble our roster.

And the first question comes from Chris Carey with Wells Fargo Securities. Please go ahead.

Chris Carey

Hi, good morning, everyone. I wanted to start with cash flow and leverage. So, number one, can you expand just on the drivers of the free cash flow cut? And I also want to understand within the organization how the organization is incentivized around cash flow. I'm just conscious that leverage is ticking up, and I just wanted to get a bit more context on key drivers this year and how you're thinking about kind of attacking this over the next 12 plus months. Thanks.

Rod Little

Hey, Chris. Good morning. So, I'll start with the incentive piece in cash flow and then throw it to Fran on how we're looking at cash right now as we move forward. From an incentive perspective, we've had cash flow in for the executive level around delivery. We look at -- when we go down in the organization, we look at operating profit, EBITDA metrics with some adjustment for capital spend. And so, we have the metrics you would want us to have in place around cash flow.

I will say, in this in this moment, some of that gets overridden by example when you have to make adjustments to inventories to try to deal with the new tariff regime that's come up, right? That's not something an individual is responsible for; that becomes a corporate decision when we pivot and make adjustments to plan and put inventory in places that will benefit us not only now, but over time, as we think about tariff mitigation as one example. But it's in there as we incent the

teams, and I'll flip it over on how we want to address the piece on the cash flow change and leverage.

Fran Weissman

Hi, Chris. Thank you for the question. So, when we look at cash and we compare versus our previous outlook, you've got two main drivers. About two-thirds of the difference is really driven off of lower earnings, the additional FX headwinds as well as the incremental tariffs to the P&L. And then you've got one-third of the increase that's really driven off of working capital changes and namely inventory. So weaker Sun season has left us with slightly higher Sun care inventory levels. We have been leaning in on tariff mitigation efforts, especially around increasing levels to prepare us to mitigate. And I think, as we look at the full year, slightly higher pre build around our Mexican consolidation, so significant amount of transitory items within cash, especially as we compare versus our previous outlook.

Dan Sullivan

Chris, the only thing I would add -- it's Dan -- the only thing I would add -- look, there's a few things this business model does really well, and throwing off free cash flow is one of them. And I appreciate you kind of asking where are we going with this. You know better than anyone as a business, this -- we've thrown off anywhere between \$150 million and \$200 million of cash flow, and we have a cash flow yield over 10%. So, we're really confident in our ability to do that, and I think history shows that.

Fran's points are fair. They're not great answers, but they're fair. Lower earnings, higher working capital inventory builds around tariffs, we got quite a bit heavy with Sun for obvious reasons, given the season -- I mean, all of that factors in, but we don't see any of these as structural barriers going forward. And I think, importantly, our CapEx rate is largely where it's been as a percentage of sales. So structurally, there's nothing here to prevent us from thinking about a return to the type of free cash flow generation that you've seen from us. We'll talk more about that in November, but I think at the spirit of your question, I think we believe strongly in our ability to continue to deliver really healthy cash flow.

Chris Carey

Okay, all right. I'm going to leave it there. Thank you.

Chris Gough

Thanks, Chris. Operator, next question please.

Operator

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

Peter Grom

Thanks, operator, and good morning, everyone. So maybe following up, and I know we're going to get more details in a few months on fiscal '26, but can you maybe just speak high level I guess to the puts and takes as you see them today? Maybe specifically on organic sales, you're exiting the year with much stronger growth than maybe what we've seen the last couple of quarters, so just curious if there's anything unique that is driving that, or is that exit rate a fair run rate as we begin to look out to next year?

And then just on profit, a lot of moving pieces - cost, tariffs, etc. Can you maybe just help us understand what's transitory versus maybe the headwinds that you would expect to persist as you move into next year? Thanks.

Rod Little

Yeah, good morning, Peter. I'll start with this one and take the growth rate and kind of where we are today. If you -- I think you're referencing basically what's implied for quarter four is an organic growth rate of 2.5% growth, which would be good, right? That would be the best quarter of the year. And the question is does that carry forward. We are not going to get into fiscal '26' or give any specific guidance for '26', but what I will tell you, we've got one month in the books, July; we're on track for that 2.5% in the quarter. And structurally, what plays out there is very much in line with how we thought about the algorithm. We've got fem care improving in quarter four versus where it's been it's been. As you know, fem care has been down high single digits to low double digits as we've cycled through the change over the last year of the Carefree master brand execution and all the dynamics that have been in that category. We've got fem care back to growth in quarter four and I think a flatter business going forward.

Shave is an increasing priority for this company. We can win and be successful in shave, and we're going to do that. In the quarter we just printed, global shave down 2% organic, we'll be better than that as we go forward. But this idea that we can be a flat business and shave absolutely holds.

Sun care, we are -- I guess depends on how you look at it. Glass half empty, we're impacted and maximally negative in the quarter we just reported, down \$25 million in the quarter versus what we expected going in. That's five points of growth in the quarter right there. So, you're seeing that in our print maximally negative, due to weather by the way, not a change of consumer behavior or our brand resonance. So, as we go forward, yeah, I would look for sun care to be in growth position, as well, certainly off of what is a very weak base as we move into this.

And then we've had grooming in growth, high single digits all the way along with a Cremo brand that is accelerating. So, we're not going to give you a number for '26, but I guess what you're getting at is can we deliver our growth algorithm of plus 2% to 3% as we move forward? We absolutely can, and I'm not going to time stamp that because we're going through the transformation work in North America. But I think we're more convicted than ever when we look at what we have and how we go forward that we can grow this business. Dan?

Dan Sullivan

Yeah, Peter, I would only add, I think Rod's comments are fair, and this isn't the moment to start to put numbers on the board for next year. But this has been an incredibly challenging and transitory year on a number of fronts, right - tariffs, inflation, currencies, a disastrous sun care quarter, which is 50% of the season, negative year over year. So that -- we'll work our way through all of that.

I think what we feel really good about, though, what continues to underpin this business, international growth, mid-single digits; we've talked about this really good proxy going forward, productivity savings, 250 basis points a year as a placeholder; it'll be more than that this year. I just talked about free cash flow and our confidence there. So, it comes down to the North America business, which Rod just talked about, and so got a lot of work to do to get this tariff policy locked down and get mediation efforts in place, and then of course, the state of the consumer and how they're going to be feeling next year as they feel the effects of likely rising inflation and a pressured job market. So, there's a lot for us to work through, but at the core, international growth, feel really good, productivity savings, feel really good, free cash flow will come back, and we've just got to cycle our way through some of these other points, and we'll certainly share more about that in November.

Peter Grom

Great. Thanks so much. I'll pass it on.

Dan Sullivan

Thank you.

Chris Gough

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

Operator

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

Olivia Tong

Great. Thanks. I'm going to follow up on that a little bit about Q4 and what kind of drives that organic sales growth that you're looking for that looks like about a 650 basis point turn from Q3 to Q4. What are you thinking in terms of underlying category growth? How much have you seen Sun rebound now that the season has commenced? And sort of what's your view also on further destocking across the business? And then I have a follow up.

Dan Sullivan

Yeah. Hey, Olivia, it's Dan. Good morning. Yeah, look, so let me let me try to unpack the quarter, and I think you have to look at it differently between what we're expecting internationally where we are going to see growth rates accelerate and what we're expecting in North America, where we will expect to see declines moderate and sequentially improve. Let me take them in order. For international, we have a really good line of sight to what looks like a step up in growth of about five points. We've been running sort of in the 2% to 3% growth for the year. We're profiling the quarter between 7% and 8%. A couple of drivers to that - we've got new pricing going into the markets that's been fully executed that'll start to impact 4Q. That's worth a couple of points. We've got a healthy NPD [sp] and product launches, including Billie, moving into international new to the quarter, and we've got some successful private brands tenders that that ramp in the quarter that had started earlier, but that ramp in the quarter. That collectively is worth 3 points.

So, you've got the pricing, you've got Billie and other NPD, you've got private brands tenders that have successfully been won and now scale. That delivers your growth for international.

On North America, there's essentially three factors, all of which are fairly equally weighted. One is Sun care. We are not expecting a minus 11 organic profile in 4Q: we're expecting 4% consumption growth in the category and 4% organics. Two is fem care, and I think for fem care here, we're profiling low single digit growth in North America. And I think here you have to look at shelf performance to get confident with that. We've seen really improved trends in consumption growth. We grew a point in fem care in the third quarter and essentially held share. You didn't see it in organics, to the inventory point you made, but we're feeling much better about the state of the portfolio there.

And then lastly is Wet Ones where we've got an outsized quarter profile largely because we're cycling some of the effects of the fire last year and some out of stocks. That -- put all of that together, that sort of gets you to that minus 1 that we're expecting in North America.

Now let me talk about the month we're in, because I think the month we just ended -- because I think that's important, and Rod was alluding to that. First of all, we've essentially delivered our sales profile for the month of July, our biggest month of the quarter. I think that's important. It

gives us sort of added confidence for the fourth quarter. I think as importantly, we've seen performance on shelf in the US actually improve. Categories remain healthy, grew about 4% last four weeks, ended July. Sun Care was up 8%, and we held share. That's a really good indicator. And fem care, we again held share. So now, you've got about 16, 17 weeks of demonstrated fem care strength on shelf.

As a result of all of that, total Edgewell business was flat in terms of share. So, we like what we're seeing. We are seeing evidence of strength on shelf. It doesn't suggest the quarter is done yet, but we have increased confidence today on our ability to deliver that organic growth in the quarter.

Olivia Tong

Got it. That's very helpful. And then in terms of investment levels going forward, it sounds like you're quite pleased with some of the new brand supports, things that you're doing unfortunately that ran against poor weather this quarter. So, as you think about the go forward, what continues, what -- as you think about elevated levels of brand importance in certain areas, would we -- should we expect that to continue into fiscal '26? And then as you think about the innovation plan for next year, are there other areas where you could potentially see increased investment as we think about all the different puts and takes for next year? Thank you.

Rod Little

Yeah. So, thanks, Olivia. I think what you'll see continue from an international perspective, as Dan referenced, that 40% of the portfolio, as we've been growing, we've been incrementally investing behind those brands and growing margin at the same time that we've been doing that by getting leverage out of the G & A profile and also driving really good gross margin management with all the pricing revenue mechanics. So, you'll see that continue as we move forward in international.

In North America, what you've seen us do incrementally in Q3 and what we'll continue to do in Q4 are three specific new activations – Cremo, the Scent Kings campaign is in place and is working and driving, Hawaiian Tropic, Dan referenced; you've probably seen the Alex Earl campaign with Hawaiian Tropic. We feel really good about that. And then we've got a nice campaign up against Hydro Silk that's resonating. These are campaigns that are part of broader activations, getting the lineup right, the pricing right, now get the messaging right with good scoring campaigns. We're seeing that we're getting an ROI on those campaigns.

As we pivot to next year, not only will we continue those style of campaigns, we'll look to put new campaigns potentially against a couple of other brands, as well. I'm not going to mention the brands. But there's two brands we've got in mind. Again, you don't just throw a new campaign out there; you've got to have the lineup structure right, you've got to have the capabilities right with the team, you've got to have everything in place and have a point of view on where you want to take the brand. And increasingly, the capabilities being built in the North American business the US specifically are really strong in the brand building area.

And so, you'll see us continue to invest in A&P. And we haven't talked about it, but it's in the results; you see it. There's also some trade support and investment, as well. So, there's very much a 360 view as we work to get our brands to healthy positions, not only with consumers, but also with retailers where we can win space on shelf. It's a very holistic set of investments being put in.

Dan Sullivan

Olivia, I would only add, I think we're going to continue to operate with two key thoughts in mind. One is we're going to continue to invest where we see good returns, and we're seeing that with

the work the North America team is doing. And two, we're going to continue to drive like hell on a productivity and efficiency front to fund it. We talked a lot about supply chain and the numbers there. You've seen that. Equally, in the remarks, you would have heard Fran talk about North America's reorganization, which ultimately led to a more cost effective and more talented and more capable organization. So, we're going to continue on that front with driving cost out to create dry powder to invest.

Olivia Tong

Understood. Thank you.

Chris Gough

Thank you, Olivia. Operator, next question please.

Operator

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

Susan Anderson

Hi, good morning. Thanks for taking my question. Really quick follow up on Sun - I guess I assume you're expecting some replenishments in the rest of the year with the expectation for 4% growth in fourth quarter. And then maybe if you could just talk a little bit about how inventories right now are in the channel for Sun care. And then I guess looking out to next year, are you expecting any new innovation in the category as it seems like there's been quite a few competitors kind of jump into the space and start to take a little share? Thanks.

Dan Sullivan

Yeah, good morning, it's Dan. So, look, we're overall profiling a flat to slightly down Sun season - decent at the start, really tough in the middle, which is the quarter we just exited, and then up mid-single digits here in the final stretch of the of the season, so flat to slightly down is our profile. Right now -- and so, yes, our organic sales expectations for the quarter are largely the replenishments to feed that expected growth. One month in so far, July, it's holding. And you see the impact of improved weather.

Right now, I think we're generally comfortable in terms of inventory levels. We sort of worked our way through that last quarter. That's why you saw organics down such a big amount versus consumption on shelves. So, I think we're in a pretty good place.

I would also say this is where our supply chain is a distinct advantage because we can replenish quicker than others because of proximity and the amount of product end to end that we manufacture. So, we're hopeful that we can end the season here in a good way. One month in, certainly, the data supports that.

And as for next year, look, I'm not going to get into the specifics, but as always, we have a really healthy view right now of interesting innovation that we'll bring to the to the category, not just here in the US, but across international, as well.

Rod, anything you want to add to that?

Rod Little

Yeah, on that last point, Susan, on the some of the new entrants and innovation, let's just look at where we are with our two brands. Hawaiian Tropic, in the top ten brands in Sun Care, which is the bulk of the volume, is the fastest growing brand in the set. The team has done an amazing

job with that brand. It's current, it's relevant, and it's resonating with consumers. And that's the campaign, it's the brand positioning, it's the messaging, it's the product line up, leaning into body butters, tanning, things that enhance skin look and feel. So, it's even less about SPF in that case when you look to Hawaiian Tropic.

And then as you look then at Banana Boat, it's more about being outside, the fun in the sun, which makes it highly correlated to weather. So, when the weather wasn't good between Memorial Day and July 4th, you saw Banana Boat suffer. Well, as the weather turns better in July here as we go into quarter four, we're seeing Banana Boat now perform significantly better.

And so, it's just interesting from a portfolio perspective the impact that weather specifically has on Banana Boat. Now, we're going to take that knowledge as we move forward, and the same team that has built the Hawaiian Tropic campaign, the focus is not only on continuing that for next year, but putting energy up against Banana Boat, as well. And we've got a multi-year plan for Banana Boat to strengthen what is already a leading brand in this set to ensure that we don't lose that.

I would tell you, too, as you look to some of the other brands that have come into the set this year, that happens every year. There's always some level of newness that people come in. There's not necessarily a new form, a new product packaging, a new formulation that's breakthrough or different. We think we're on the leading edge of all of that. It's just a new name for today grabbing influencer momentum to get out, get some real estate, and again, we see a certain amount of that cycle every year. So, as we go forward to next year, I assume that will continue, but we feel really good about the momentum we have with our brands and the team doing the work.

Susan Anderson

Okay, great. That was really helpful. And then I guess maybe just a follow up on the wet shave - - I guess just curious what you're seeing from a competitive dynamic. Are you seeing it ease at all on the women's side or is it still kind of very promotional? Then also, if you could talk about how Billie's body wash has performed, and have you also seen a similar competitive dynamic in that area just given the number of brands seem to be kind of moving across categories? Thanks.

Rod Little

Yeah, I'll just address the questions directly on, and then I've got a bit of a broader statement. On women's in the US specifically, yes, highly promotional, continues to be at an elevated level. It's a very, very competitive space with that being -- the number of brands in that space right now is too many for the future. Frankly, I don't think we'll continue with all the brands in the set. So, women's highly promotional; you see our share results in that space, Billie winning share, Hydro Silk sequentially improving in a material way in the quarter. So, we're -- I think we're super competitive in what is the most competitive space.

As you -- you asked the question about Billie Body. Frankly, we're not happy with the results on where we are there. We still feel like Billie absolutely has the right to be a lifestyle brand that can play outside of shave from a category perspective. In some cases -- we like the products. The products are amazing. They work. But they didn't hit some of the thresholds we wanted at some of the retailers. And so, we're looking at how do we reset and go forward with the body range.

It's not material. I think if you go back to our language in the past as we launched this, there's more of a test and learn pilot as we've put it out there. We've learned, and so we'll adapt and adjust as we go forward.

What I will tell you though, the strength of the Billie brand is in shape. It continues to grow over 100 basis points of share in every period as we go forward. It's now an 11 share brand nationally and has surpassed some of the other brands that were out there in brick and mortar before it.

Final thing, I'll say around shave competitively, and I said it earlier in one of the responses - we are going to increase the priority of winning in shave in this company. We're the number two player by far globally. Most of our shave business is outside the US; over 55% of our shave business is outside the US. It's structurally profitable. It's primarily a two player category outside the US. And we have wonderful R&D and manufacturing capabilities that we can leverage. And as we get the marketing and brand building capabilities right, we have a ton of opportunity in what is a stable, slightly growing category. And I don't know what --

Dan Sullivan

--Yeah, I would just highlight because I think the shave performance in the quarter on shelf in the US was a real eye opening strength for US. Men's systems were flat in terms of share. That's about a point improvement from where we've been. Women's systems gained a point of share including Hydro Silk handles being flat in share, to your point, Rod. Our disposable business grew 40 basis points in share. So, we were really encouraged -- this goes back to the investing and returning point I made earlier -- with our shave performance. Thirteen weeks does not make a trend, for sure, but encouraging results on shelf.

Susan Anderson

Okay, great. Thanks so much for all the details.

Chris Gough

Thank you, Susan. Operator, next question please.

Operator

Seeing no further questions in the queue, this concludes our question and answer session. I would like to turn the conference back over to Rod Little, CEO, for any closing remarks.

CONCLUSION

Rod Little

All right. Thank you, operator, and thanks, everybody, for your continued interest and time this morning. We'll see you in November with an update.

Operator

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