Edgewell Personal Care

Q4 2026 Earnings Call

Thursday, November 12, 2026, 8:00

CORPORATE PARTICIPANTS

Chris Gough - *Vice President, Investor Relations*

Rod Little - *President, Chief Executive Officer*

Fran Weissman - *Chief Financial Officer*

PRESENTATION

Operator
Good morning, and welcome to the Edgewell's fourth quarter and fiscal year 2026 earnings call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your telephone keypad. And 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 Mr. Chris Gough, Vice President and Investor Relations. Please go ahead, sir.

Chris Gough
Good morning, everyone, and thank you for joining us this morning for Edgewell's fourth quarter and fiscal year 2026 earnings call. With me this morning are Rod Little, our President and Chief Executive Officer, and Fran Weissman, our Chief Financial Officer. Rod will kick off the call and then hand it over to Fran to discuss our 2026 results and fiscal 2027 outlook. We will then transition to Q&A. This call is being recorded and will be available via replay on our website, www.edgewell.com.

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, investments in technology, advanced analytics and AI-enabled capabilities, organizational and operational structures and models, cost mitigation and productivity efficiency efforts, savings and costs related to restructuring actions, business trajectory and performance improvement, future growth and value creation, macroeconomic and geopolitical factors such as changes in tariffs and conflicts or acts of war, changes to our working capital metrics, currency fluctuations, commodity costs, inflation, future plans for return of capital to shareholders, the disposition of our Feminine Care business, and more. Any such statements are forward-looking statements for the purposes of the Safe Harbor provisions under the Private Securities Litigation Reform Act of 1995, which reflect our current views with respect to future events, plans, or prospects.

These statements are based on assumptions and are subject to various risks and uncertainties, including those described under the caption Risk Factors in our annual report on Form 10-K for the year ended September 30th, 2025, and as may be amended in our quarterly reports on Form 10-Q filed with the SEC, and our annual report on Form 10-K for the year ended September 30th, 2026. 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 that these non-GAAP measures provide investors

with valuable information on the underlying trends of our business and allows the more meaningful period-to-period comparisons of ongoing operating results.

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

Rod Little
Thank you, Chris, and good morning, everyone. Fiscal '26 was a year of meaningful progress and change at Edgewell. We are proud to have delivered on our objectives, and we ended the year with strong momentum across the business, supported by a return to organic sales growth, improvement in North America, strengthened productivity, and returns on our investments in our priority brands, all while navigating a dynamic macro environment with increasing inflationary pressures and a complex manufacturing consolidation project in our Wet Shave business. Fourth quarter organic net sales increased 3.1%, with growth in both North America and international. Gross margin expanded by more than 500 basis points compared with the prior year, and we also delivered meaningful growth in adjusted EBITDA and adjusted earnings per share.

For the full year, we grew organic sales and increased both adjusted earnings per share and adjusted EBITDA by more than 6%. Importantly, the improvement was not driven by a single initiative, customer, or brand. It reflected broader progress across the portfolio and provides evidence that the investments we have made and the actions we have taken are strengthening our brands, capabilities, and business performance. While we still have work to do, fiscal '26 provided growing evidence that the changes we have made are working. We enter fiscal '27 with stronger momentum, and our focus now is on scaling that progress.

Let me walk you through four factors that give us confidence in the path ahead. First, we have fundamentally improved our ability to grow revenue. Over the last several years, we have strengthened our leadership team, increased accountability, and improved our capabilities across consumer insights, analytics, revenue growth management, brand-building, and customer execution. These investments strengthen how we plan and allocate resources across the business. Sustainable performance ultimately depends on consistent execution across brands, customers, channels, and markets, and we are seeing more consistency and seeing it more broadly across Edgewell than ever before.

We are also seeing that improvements show up with important customers and channels. In North America, for example, Walmart returned to growth after several years of declines, supported by accelerating digital growth and increased share. Second, we've created a more focused portfolio and are strengthening our priority brands. Now that Feminine Care has been divested and this is behind us, our portfolio is simpler, allowing us to concentrate investment and resources behind the brands, categories, and markets where we see the greatest long-term opportunity. Our brands are now increasingly connected by a common purpose, nurturing, protecting, and elevating your skin every day. From Wet Shave as an essential first step in the daily skincare regimen to sun care and grooming, that focus is guiding where we innovate and invest.

During fiscal '26, we increased our focus on advertising, innovation, and commercial support behind our global priority brands. We saw encouraging progress against several of our brands. Cremo continued to deliver strong growth, expanding household penetration and distribution, and demonstrating the opportunity we see when increased brand support, innovation, and stronger retailer partnerships come together. Hawaiian Tropic built on the momentum created by its repositioning, innovation pipeline, and increased support. And we continue to strengthen Schick and Billie through focused innovation, improved commercial execution, and brand investment.

We are seeing these investments translate into stronger consumption, increased customer support, and better marketplace performance. For the full year, we've grown or held value share in approximately 70% of our country category combinations. Specifically in the United States., aggregate branded unit market share increased all 12 months of the fiscal year. We are also changing how we invest. During fiscal 2026, we shifted our commercial investment toward building lasting brand equity and significantly reduced our reliance on couponing and other short-term promotional activity. At the same time, we increased A&P dollars by 7%.

In fiscal '27, we expect another meaningful increase in A&P, which we believe will provide more sustainable and consistent always-on media support behind our priority brands throughout the year and emphasize stronger ROI, generating revenue management initiatives. Third, our geographic balance provides another source of strength and opportunity. International represents roughly half of Edgewell's sales and has a long track record of attractive growth. We continue to see significant opportunities across our international markets, supported by strong brands, attractive category positions, and the opportunity to expand distribution.

International returned to growth in the fourth quarter, with broad-based growth across key markets and brands, and we expect mid-single-digit organic growth in fiscal '27. In North America, the changes we have made are gaining traction. Our branded consumption growth exceeded aggregate category growth, total and branded dollar share improved, and we exited the year with good momentum. Together, we believe North America and International can provide a more balanced and durable foundation for growth moving forward.

Fourth, we are accelerating the transformation of our operating model. We anticipate that fiscal '27 will be another important year of change for Edgewell, with two areas of focus, progressing the consolidation of our North America Wet Shave manufacturing footprint and accelerating the broader transformation of how we operate. On Wet Shave, bringing new capacity online at the same time we are seeing an accelerated growth profile has been more challenging than anticipated. While we have made considerable progress here, our priority in fiscal '27 is to manage the consolidation at a pace that supports network stability and consistent customer service. As a result, the consolidation timeline has shifted by about six months compared with our original plan, and we now expect the associated savings to begin in fiscal '28.

Our broader transformation extends well beyond manufacturing and is not simply an SG&A initiative. During fiscal 2027, we intend to simplify structures and processes, strengthen procurement and end-to-end planning, sharpen resource allocation, and increase our use of technology, advanced analytics, and AI-enabled capabilities. This work is intended to improve speed and agility, enhance decision-making, and create a structurally lower cost base. In fiscal '27, we expect these savings to more than offset the remaining stranded cost from the Feminine Care divestiture, reflected in lower SG&A, with a greater contribution in the second half of the year.

This transformation goes beyond a cost reduction program. We are creating capacity to invest more consistently behind our brands and innovation to drive growth while improving the structural economics of the business and our ability to absorb external headwinds without compromising our strategic priorities. These actions are built into our fiscal '27 plan, which brings me to our outlook for this year.

Looking ahead, the results we delivered in the second half give us confidence in the direction of the business as we enter fiscal '27. We expect organic net sales to grow between 1% and 3%, with growth in both North America and international. Our plans include an important pipeline of

innovation and brand-building initiatives across our key brands, supported by faster innovation cycles and stronger commercial activation, which we believe will continue to strengthen our competitive position and support our organic growth objectives.

We also expect adjusted operating profit to grow by approximately 10%, driven by organic sales growth, higher gross margin, and lower SG&A from our productivity and transformation initiatives. Importantly, we expect to deliver this growth while absorbing significant energy-related inflation and tariff costs, all while making another meaningful increase in A&P behind our brands. Below operating profit, our earnings growth is also expected to absorb the anticipated expiration of TSA income from the Feminine Care divestiture and a higher tax rate.

We believe we are entering fiscal '27 with a stronger, more focused organization and a growing belief that changes we have made are gaining traction, demonstrated by improving consumption trends, stronger share performance across several key brands and categories, and increased customer support for our innovation and brand investment plans. Together with our broader transformation agenda, these proof points reinforce our confidence in Edgewell's ability to deliver more consistent growth and margin expansion over time.

With that, I'll turn it over to Fran to discuss our fourth quarter and full year results and fiscal '27 outlook in greater detail. Fran?

Fran Weissman
Thank you, Rod. As Rod outlined, the fourth quarter marked another important step forward in our transformation, with organic net sales growth in both North America and international, and strong adjusted EBITDA and adjusted EPS growth. I'll now walk through the quarter in more detail on a continuing operations basis, beginning with top-line performance, then the P&L, and our outlook for fiscal '27. Organic net sales increased 3.1% in the quarter, as strong performance across grooming, branded Wet Shave, was partially offset by declines in sun and skincare and private label Wet Shave. North America organic net sales increased 3.3%, driven by double-digit grooming growth and mid-single-digit growth in branded Wet Shave, partially offset by declines in sun care and private label Wet Shave. International organic net sales increased 3%, with growth across all segments.

Wet Shave organic net sales increased 1.6%, as strong growth across the branded portfolio was partially offset by lower private label sales associated with the anticipated disruption stemming from our supply chain consolidation. Encouragingly, branded Wet Shave growth accelerated during the quarter, with growth in international markets as well as in North America, as improved performance across our focus brands and commercial initiatives in the U.S. are beginning to gain traction. In U.S. razor and blades, category consumption increased 130 basis points. Our U.S. branded share improved in the mass channel, particularly at Walmart and Target, where we've concentrated our resources and commercial investment. Billie continued to perform well, reaching an 11 share overall, with even stronger positions at Walmart and Target.

Sun and skincare organic net sales increased 6.5%, driven by strong North America grooming performance and mid-single-digit international performance. Cremo and Hawaiian Tropic delivered strong results in the quarter, supported by increased distribution, innovation, and brand investment. Cremo grew more than 50% in the quarter, making it its eighth consecutive quarter of greater than 20% growth. In the U.S., sun care category consumption grew approximately 3% in the quarter. Our value share grew 20 basis points, while our unit market share grew 70 basis points, including 280 basis point share growth in Hawaiian Tropic, partially offset by market share declines in Banana Boat. Looking at the category for the year, consumption increased by 2.5%,

and our overall market share was essentially flat and generally in line with our expectations, while unit share grew by 90 basis points.

Turning to the P&L. Adjusted gross margin increased 510 basis points compared with the prior year, driven by structural productivity as well as lapping transitory costs in last year's fourth quarter. Strong productivity savings, better volume absorption, favorable pricing, and currency more than offset elevated inflation, net of tariffs, and unfavorable mix. While the improvement was strong, gross margin came in slightly below our expectations, largely due to higher-than-anticipated inflation, including rising diesel, freight, and oil prices during the quarter.

A&P expenses were 11.6% of net sales, up from 9.8% last year, as we continued to step up in brand investment we outlined earlier in the year, including support behind Wilkinson Sword, Schick, Billie, Cremo, and year two of our Hawaiian Tropic campaign. This reflects our shift toward more sustained full-funnel brand-building. Adjusted SG&A was 20.6% of net sales compared to 21.9% last year, driven primarily by lower corporate and people expenses in the current year.

Adjusted operating income was $51.1 million, or 10.6% of net sales, compared to $27.7 million, or 5.9% of net sales in the prior year, primarily reflecting the impact of higher gross margins and lower SG&A expenses, partially offset by higher A&P investments. GAAP diluted net earnings per share from continuing operations were $0.23 compared to $0.26 in the fourth quarter of fiscal 2025. Adjusted earnings per share from continuing operations were $0.78 compared to $0.52 in the prior year quarter. Currency favorably impacted adjusted EPS by $0.11 in the quarter, offset by a $0.35 unfavorable income tax headwind. Adjusted EBITDA was $76.8 million, inclusive of a $6.3 million favorable currency impact compared to $43 million in the prior year.

Now let me turn briefly to our full year results. Overall, we delivered full year results in line with our expectations. Organic net sales for the year increased 30 basis points. Our sun and skincare portfolio grew 3%, fueled by nearly 13% growth in our grooming brands. Sun care declined slightly, highlighted by a weaker-than-anticipated international sun season in Europe and Latin America. Wet Shave declined about 1%, as approximately 2% growth in branded Wet Shave was more than offset by roughly 10% decline in private label due to anticipated supply chain issues previously discussed.

By geography, North America organic net sales increased approximately 40 basis points, primarily driven by volume. International grew 20 basis points as net pricing gains were partially offset by lower volumes, mainly due to a weak sun season in LATAM and Europe, and transitory events, including the Middle East conflict and supply constraints. Adjusted gross margin rate was broadly flat year-over-year. Productivity savings of approximately 230 basis points, favorable pricing, as well as net currency tailwinds, were offset by approximately 250 basis points of core inflation, inclusive of tariffs and unfavorable mix.

A&P expense was 12.2% as rate of sale, an increase of 60 basis points over the prior year as we continued to step up investment behind our brands. Adjusted operating profit decreased $11.7 million, or approximately 7%, and adjusted operating margin for the year was 8.1%, down approximately 70 basis points in rate of sale. The decrease in adjusted operating income margin was primarily attributable to the higher brand marketing investment, higher SG&A expense, and slight gross margin declines. Important to note that Fem Care divestiture stranded costs are reflected in both operating profit and EBITDA, while the TSA income offset is only reflected in EBITDA.

Adjusted earnings per share from continuing operations were $1.93 compared to $1.81 in the prior year. Currency favorably impacted adjusted EPS by $0.20 in the year, offset by $0.30 of unfavorable income tax headwind. Adjusted EBITDA was $254.5 million, inclusive of an $11.5 million favorable currency impact compared to $239.7 million in the prior year.

Net cash provided by operating activities was approximately $50 million for fiscal '26 compared to approximately $118 million last year, primarily due to lower earnings and the impact of the cash flow headwinds associated with the Fem Care divestiture. As a reminder, cash flow is presented on a consolidated basis for both continuing and discontinued operations. Adjusted free cash flow was $86 million, which adjusts for one-time cash flow impacts associated directly with the Fem divestiture, including tax on proceeds, working capital, and deal-related fees and expenses. Adjusted net debt leverage was 3.4. We continued our quarterly dividend payout, declaring a $0.15 per share dividend for the fourth quarter, and returned approximately $7 million to shareholders via dividend.

Now turning to our outlook for fiscal '27. As Rod noted, the progress we made in the second half gives us confidence in the underlying trajectory of the business as we enter fiscal '27, even as we navigate a dynamic external environment. Our outlook builds on that momentum, with expected organic net sales growth across our segments and markets, gross margin expansion, and growth in adjusted earnings. We expect to deliver this performance while further increasing investment behind our focus brands, with A&P that is higher and sustained throughout the year.

Accelerating our operating model transformation will lower SG&A, with savings more than offsetting the remaining stranded costs from the Fem Care divestiture and supporting both brand investment and earnings growth. Our outlook also absorbs elevated inflation and the expiration of the Fem transition service agreement income, which underscores the strength of the underlying plan.

Now to the details for fiscal '27. We expect organic net sales growth of 1% to 3%, with growth in both international and North America. Currency is expected to be about a 60 basis point headwind to reported net sales. For the first quarter, we expect organic net sales to be flat to down approximately 1%. This reflects an anticipated timing shift of North America sun care sell-in from Q1 into Q2, as well as continued pressure in private label related to the Wet Shave consolidation issues we discussed throughout fiscal '26. We expect that capacity-related pressure to be the greatest in Q1, moderating significantly in Q2, with private label returning to growth in the second half.

As we look to adjusted gross margin, we expect approximately 60 basis points of year-over-year expansion in fiscal '27. The improvement will be driven by productivity, procurement, and transformation savings, our strengthening revenue management initiatives, and modest price increases. These benefits will be partially offset by higher costs across the supply chain, including substantial energy-related inflation. Our outlook for oil incorporates the EIA outlook with the expectations that prices will begin to stabilize as the year progresses.

In terms of phasing, we expect gross margin rate to be roughly flat in the first half, with expansion building in the second half. We expect the inflation impact to be relatively consistent across the year, while productivity, volume absorption, and strategic revenue management benefits will build as the year progresses. We expect A&P to increase in both dollars and rate, up about 80 basis points to approximately 13% of net sales. We expect the increase will be concentrated in the first half, including a step-up in Q1 to approximately 14% of net sales, as we move to an always-on investment cadence behind our brands. We expect adjusted SG&A to improve by 90 basis points

as a rate of sales, as savings from our transformation initiatives more than offset the remaining stranded costs from the Fem Care divestiture. We expect these savings to build throughout the year with a greater contribution in the second half.

Adjusted operating profit margin expected to increase approximately 70 basis points, as gross margin expansion and lower SG&A more than offset higher A&P investment. Adjusted EPS is expected to be in the range of $1.85 to $2.15 per share, growing approximately 3.5% at the midpoint of the range. This outlook absorbs approximately $0.20 of expected headwinds below operating profit, including $0.17 from the expiration of the TSA income and $0.03 from the higher effective tax rate of approximately 24%, up about a point from fiscal 2026. Adjusted EBITDA for fiscal '27 is expected to be in the range of $250 million to $270 million, which is approximately 2% growth to prior year at the midpoint of the range, which absorbs the loss of approximately $11 million of TSA income.

In terms of phasing, we expect to generate two-thirds of adjusted EBITDA and approximately 80% of adjusted EPS in the second half. This reflects the anticipated concentration of our A&P increase in the first half, as well as transformation savings that build throughout the year. We expect Q1 adjusted EPS to be below the prior year, primarily reflecting the Q1 A&P step-up and higher SG&A expenses. Adjusted free cash flow for the year is expected to be in the range of $100 million to $120 million, which includes the cash impact of restructuring-related costs and adjusts for working capital changes and other items related to the Fem Care divestiture.

As we accelerate the transformation of our operating model, we expect to incur restructuring and related charges of approximately $55 million in fiscal '27. Our capital allocation priorities remain unchanged. We remain focused on reducing leverage in the near term while continuing our quarterly dividend and share repurchases, which will primarily offset dilution. For the specific guidance ranges, I would refer you to the press release issued earlier today.

With that, I'll turn the call over to the operator for Q&A.

QUESTION AND ANSWER

Operator
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.

And our first question for today will come from Nik Modi with RBC Capital Markets. Please go ahead.

Nik Modi
-- the outlook. Would love to just get your level setting on the consumer, kind of what you are assuming in that guidance. And then what we have seen historically is when a company goes from struggling to regaining momentum, it really energizes the trade, and so I just was hope you can give some thoughts around shelf space and how you are thinking about that next year. Thanks.

Chris Gough
Hey, Nik. This is Chris. You cut out in the beginning of the question. We got the second part, but not the first.

Nik Modi
Oh, sorry about that.

Chris Gough
If you could repeat, please.

Nik Modi
Yeah, absolutely. Just on the consumer backdrop, kind of what you're embedding in your assumption for the year. Thanks.

Rod Little
Hey, good morning, Nik. So I'll take those in order. Look, we're assuming our categories perform at about the rate they have performed over the last 6 to 12 months. When you look at our aggregate category growth rates past 13 week, 26, 52-week, pretty steady. There may have been a slight decline in volume trends, but on a price-based level, very steady. So we're planning that going forward. We have low growth in the categories, with a relative continued outperformance. If we get to the top end of our range, midpoint suggests we hold share, is essentially what we're looking at. We are very careful as we look at price, price components.

We're going to work revenue management, price per unit, price per pack very hard, because we still are seeing a difficult price environment in our categories. Either consumers that are stretched, very sensitive to price, and retailers effectively not open for price as they compete with each other. So overall, I think I would say what we have seen over the last 6-12 months, we expect to continue. That's what is built into our guidance.

On the second point, you are absolutely right, as you start to win with consumers and shoppers, retailers look at you differently. They start to get behind you in different ways. As you know, we've been on a one to two year journey to improve our standing with retailers, improve our brand support. We're spending now three points of sales more in marketing and advertising support than we were in fiscal '24. We were at about 10% rate of sale then. Our guide outlook, as Fran said earlier, contemplates 13% of sales.

And so retailers are seeing that, consumers are responding to that, and what has transpired in the year just finished, and what we think will continue to happen as we get into '27, is net positive distribution outcomes, more space, higher quality, better shelf positioning, more end-cap, off-aisle displays, and that is a global read. That's not just a U.S. view. So that gives us confidence as we go into this year that we've got retailers seeing the progress we are making and rewarding us with those types of outcomes.

Nik Modi
Excellent. Thank you so much. I'll pass it on.

Rod Little
Thank you, Nik.

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

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

Peter Grom
Great. Thank you. Good morning. Rod, I wanted to just ask specifically about the long-term margin opportunity. And look, you touched on the various actions you are taking across SG&A, plant consolidation, and I know there is a lot of moving pieces here and timing considerations. But could you maybe just unpack how you think about the long-term margin opportunity here? Clearly expecting another impressive year despite a lot of external headwinds, but seems like, just based on your commentary, there is just more to come, so just curious if you can give some perspective on that as we look out to maybe '28 and beyond.

Rod Little
Yeah. Good morning, Peter. Look, we're in a structurally positive cycle as we look at gross margin development and being able to accrete and grow gross margin from here. Sorry if there's some noise in the background. There's three levers to the margin play. The first is pricing, revenue management, and we feel like we've got a very strong plan as we look at all components of pricing. And that may not be list price to consumer changing as much as it's looking at all of our spending between gross and net sales and optimizing that, getting that to work harder for us.

The other part of pricing that I would call out is, as our brand health improves, better consumer metrics, higher household penetration, better resonance of content that our teams are building and putting in front of consumers, better market share outcomes, 70% of our category country combinations either holding or growing share. That also gives you an opportunity on the price line that frankly we just didn't have one or two years ago. So price is a big lever. Cost of goods is a big lever as well. As you look at the cost of goods line, the shave consolidation is a big piece of that. That's all in front of us and to come.

And then the final piece is the leverage we should get on the SG&A line, not only in our ability to manage that line, to get leverage on scale as we grow, but see some absolute cost reductions as you are seeing in our implied guide for fiscal '27. So all three of those levers will contribute. We won't call out a long-term target. We've got one in mind that we're going for. But again, I think a lot of confidence that we could build margin from here and have levers to offset if we face higher inflation or tariff costs from here.

Peter Grom
Super helpful. And then maybe as a follow-up and more near-term, when you speak to substantial inflation, is there a way to unpack specifically what you're expecting or embedding in the guidance for this year?

Fran Weissman
Yeah. So I think when we think about inflation and we look at how we're exiting in Q4, we've got a combination of core inflation. You've got the annualization of tariffs, and we've got oil and commodity prices increasing more in line with what we're seeing right now in terms of oil prices and what the EIA outlook has been, which is roughly around the mid-80s. So we'd expect more pressures in the first half, easing in the second half. And as we cycle next year, overall inflation is about 300 basis points as we look at all of those components. And I think what mitigates that is well over 250 basis points of productivity and volume absorption. As we're increasing our overall units, we're getting better capacity against our plans, and we're really focused on price and revenue management, which will help to mitigate and balance the overall gross margin profile and put us in a position where we're expanding year-over-year.

Peter Grom

Great. Thank you both. I'll pass it on.

Operator
The next question will come from Chris Carey with Wells Fargo Securities. Please go ahead.

Chris Carey
Hi, everybody. Thanks for the question. Just first on the private label dynamic, can you just give us a sense of how this headwind evolved through fiscal '26? Perhaps give us some idea of the quarterly cadence and how impactful it was. I think I heard kind of a way to frame it for the full year, but I just want to understand how it evolved through the year. And then, what's your visibility on this supply constraint improving? And just give us a sense of how that's going to look, North America versus international. Then I have a follow-up.

Rod Little
Yeah. Good morning, Chris. So look, all the private label dynamics and supply constraints are being driven largely by the new plant consolidation effort that we're running in Wet Shave. Again, from a strategic point of view, it's a very important project for us. This is a massive cost unlock, scale, automation, all the good things that will go with this over time. So we're in the early phase of that journey, roughly 50% of the way through that project of four plants consolidated into one new greenfield site.

As it relates to the fiscal '26 plan, we were cutting orders from the beginning of the year in North American private label. And to put context to it, in the year just finished, '26, private label was down about 10% in shave, branded up about 2%. And so it was the drag, and it was supply constrained, driving that much more than consumer demand or impact. What you see, though, is we did pick up some of that decline in growth in branded. But we were cutting in North America all year from the beginning of the year.

As we talked, we reduced the tail, cut out low gross margin customers across the year to focus on our most profitable customers. That's actually a positive for us as we go forward. As we hit into Q3, that's really when it peaked out, where we were cutting also in Europe, and you saw that in our reported results. The good news as we exit the year, what you see is we're coming up the curve on production output through less constrained lines.

You saw the improvement in Q4, particularly in the European business, where we returned to growth as that production output came online and we have good line of sight to what we built this year. Being quarter one, really the quarter that's most impacted by that constraint. As we get into Q2, three, four, we lap it, and we actually have growth planned in the back half of '27 on the private brands business. So we know where we are. We don't love where we are, but we feel good about where we are. And the other thing I would point out as we go forward here, the branded business has been very strong. And so as we get into the back half of the year and we get this unlocked, we'll be in a good place, I think, on the shave portfolio.

The final piece of this is we've applied all the learning, obviously, from the first two sites that have been consolidated in, to the last two sites to go. We're underway with the transfer of the last two sites, so that's moving forward. And I think we've appropriately phased the savings out of fiscal '27 into our fiscal '28. So the guide contemplated has no savings from that program in it, and that will then begin to come in fiscal '28, '29.

Chris Carey

OK. All right, great. Sustainability of some of your faster growth areas of the portfolio, including grooming, can you just give us a sense of how the pipeline looks in the near-term? And maybe also, if you could, just comment on your two largest brands in sun care and how you see some of that market share developing into next year, given momentum for one is quite a bit better than the other right now. That's it for me. Thanks.

Rod Little
Yeah. So on the faster growth areas, Cremo's leading the way, 50% in the quarter. Past eight quarters, 20%-plus growth, so there's an acceleration in that brand. It's driven by innovation, new product launches, better distribution outcomes that we do expect to continue. And that's now broad-based strength in that brand, not only across beard care, which is growing in a declining segment. That was the heritage of the brand when we bought it. Body, body washes in particular, fast-growing.

More recently, adds into antiperspirant deodorant as we expand the range across there. So we view Cremo growth as very durable and a lot more to come there. Bulldog's the other brand I call out, fast-growing, done really well for us across the European markets. Again, great innovation, really nice pipeline, and really tight focus on the marketing message and the target we're going after there.

Hawaiian Tropic, Banana Boat, very different outcomes in fiscal '26. Hawaiian Tropic grew almost 300 basis points of share across the year, increasing household penetration, all the consumer metrics where you want, as we put investment behind that business in the year past. As we look to '27, we think we'll continue to have good momentum on Hawaiian Tropic. And the big news is going to be on Banana Boat, which we expect to go from share decline into more of a share hold position, because we relaunched the brand, brand-new packaging restage, retailers, consumers have been very positive on the reaction to that, a new campaign, great content with that. So I think Banana Boat, which was a leaky bucket in '26, will not be as we look to '27.

Chris Gough
Thank you, Chris.

Chris Carey
OK. Thank you.

Chris Gough
Operator, next question, please.

Operator
The next question will come from Susan Anderson with Canaccord Genuity. Please go ahead.

Susan Anderson
Hi, good morning. Thanks for taking my questions. I guess maybe just to follow up on that, if you could maybe just -- it sounds like you're relaunching Banana Boat, but maybe also if there's any new innovation coming out across the portfolio, whether it's sun and skin or shave, if you could talk about for 2027. And then also just any updated thoughts on M&A to maybe add some faster-growing brands to your portfolio in your core areas. Thanks.

Rod Little
Yeah. Good morning, Susan. We have a lot of innovation going out across the portfolio. I won't be specific to mention specific products or changes that we're making, but there's a whole suite

of innovation coming out across Cremo and our grooming brands. Same with our sun care brands, we've got some new launches and formulations coming under Hawaiian Tropic and Banana Boat, both next year. What I haven't talked about yet is shave. We've got some really compelling innovation. We've announced, and it's already launched, just launched actually last month in Japan, Schick First Acne Safe. So this is extending on our Schick First Tokyo launch, which we launched over a year ago. We're now coming with an upgrade and an add to that line with a razor that is the safest razor ever put on the market and works well with acne-prone skin. And that just launched, and we've got a good investment behind that to drive that, and really good distribution outcomes behind that as we look across Japan and then more broadly across Asia.

Domestically in the U.S., we've got some launches of some technologies and brands we've had other places, primarily on Schick, as we look into what we're launching here. Billie will be the focus point of new innovation that we're bringing to market this year on the Billie brand. Again, I'm not going to be specific with what that is, but as we get into the spring planogram resets, you'll see that roll out. And it's the biggest innovation we've had coming on the Billie line since we acquired it a few years ago. So we feel good about the broad-based innovation we have, being something that year-over-year should be accretive to our growth rate as we look at the total innovation plot for the year.

Susan Anderson
OK. Great. And then maybe just on sun and skin, it sounds like grooming was the big driver there. Maybe I missed it, but if you could just talk about performance of sun across North America and international. I think the sellouts, according at least to Circana in North America, have been pretty strong, so just curious how the sell-ins have been for you there and how the season inventory ended at retail. Thanks.

Rod Little
Yeah. Overall, I'll start, and then Fran, you build. What I'll say is, sun care internationally was weak, primarily weather in Europe and Latin America were not great. The sun care category here domestically in the U.S. was just OK. It was pretty wet. It did grow. There's better penetration. But I would say from an overall category weather perspective, kind of an average to below average year that we're cycling.

Fran Weissman
Yeah. And Susan, I would just say, when we look at U.S. sun, we broadly delivered low single-digit growth, which was what we intended, broadly flat share, and we were up 90 basis points for the year. Of course, there's puts and takes between the quarters, but we had really strong consumption in Q4, where quarter share was up about 70 basis points. So in terms of retail inventory, we feel really good that consumption has been strong and our sell-in has been strong. As Rod talked through, most of the weakness that we saw in sun did come from weather-impacted areas in LATAM and in Europe, but we remain really confident with our performance in the U.S., and that's been in line with expectations.

Susan Anderson
OK. Great. Thanks so much. [Inaudible]

Rod Little
Thank you, Susan. Operator, next question, please.

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

Olivia Tong
Great. Thanks. Good morning. Can you compare and contrast your performance in shave versus sun and skin for this year, and then where you think the bigger rate of change will be next year? And then specifically on sun care, obviously great progress on Hawaiian Tropic. Sounds like Banana Boat, you have some activity planned for fiscal 2027. So how do you think about sort of the rate of change there? Clearly this year held back a bit by the weather, unfortunately. But you also have some changes in terms of formulations across the category coming in '27, so thinking about how you plan for that. Thanks.

Fran Weissman
Yeah. Thanks, Olivia. So let me just take your questions in two parts. One, to just wrap up the sun season for this year and Hawaiian Tropic and Banana Boat, we always anticipated some share declines in Banana Boat, and that was factored into our outlook. Broadly, overall share performed in line with what we expected. So Hawaiian Tropic was up about 280 basis points, some declines in Banana Boat, but overall unit share up about 90 basis points. And when we think about how we delivered the year, we returned to top-line growth. We saw that consistently coming through branded Wet Shave, still low single-digit growth. When we think about sun, grooming was high single-digit growth. So when we think about segment performance, we really see strong branded segment performance.

And specifically, even in the U.S., our core brands that we've been focusing on was up around 4%. So while we do see that North America stabilized, we see that in our core brands, we are actually performing in line with expectations. That's up low single digits, and we are seeing that contributing to our overall branded share trajectory, which is up about 40. So we feel really good about the investments that we are making and the improving proof points that we are seeing around brand equity.

As we look across 2027, we see that continuing. We anticipate that branded Wet Shave will continue to grow, and we will continue to hold and gain share in those markets. Sun and skin will also continue to grow. We see that with a combination of growth both in sun and in grooming, where we anticipate grooming will be around high single digits.

The only drag in terms of overall growth profile for the year next year will be a little bit private label, where we expect some declines in the first half, and that returning to growth. And that's what helps us get to the phasing of half one, we are at the low end of the range, half two at the high end of the range, and that really also supports Rod's earlier point around distribution, as a lot of our innovation is going to be ramping up in half two.

Rod Little
And Olivia, I'd just build on this to summarize it. We have known each other for a while here. What is different as we look to '27 versus any time in the recent past is the depth and breadth of the growth profile we have. You know grooming is growing rapidly. We have both sun, skin, and shave growing next year, right? That is our projection. So we have all segments growing.

We have got a very balanced spread now between international and North America, with both international and North America growing. So whether you look brand, segment, geography, everything is growing, and that's what's different. We have gotten rid of the leaky buckets, some of it via M&A choices, and a lot of it via just improvement in terms of how we run our brands and the teams that run those brands. And so that's the piece that looks different. We have everything contributing to growth from here.

Olivia Tong
Got it. Thanks. And then can I ask a follow-up in terms of advertising? You mentioned about 13% next year. What do you think is the right level of ad spend relative to your sales over the long term? Is that 13% kind of where you think it should be, or is there a possibility that it even goes higher from there as you focus more on the branded initiatives?

Fran Weissman
Thanks, Olivia. I think when we look at overall A&P spend, we've been intentionally taking a step up over the last couple of years to make sure that we're delivering sustainable brand equity across our brands. And that step-up has been intentional and considerable over the last 18 months. In half two, we disproportionately increased our A&P investment to really support that return to growth trajectory. And now as we enter into fiscal '27, you're going to see disproportionately more increased A&P in the first half, because that has been a deliberate choice to ensure that we are all consistently throughout the year and always on media approach across all our brands.

So as we exit fiscal '27 into '28, we're going to see better leverage coming out of our A&P spend, where we're going to have consistency in growth, and the step-up in terms of what we're seeing over the last two years will start to moderate. As we think about absolute rate of sales, we're not targeting an absolute target; we're making sure that we are improving in terms of our ROI across these brands, and we're focused around investing around the right aspects for brand-building and a better balance between our coupon spend and our commercial investment.

I think the last piece you'll see is some of the improvement that we've seen in gross margin has come from intentionally focused on revenue management. We've talked about throughout the year where we're balancing more around lowering our coupon spend and shifting that spend to upper funnel activity. We've seen that hold traction. We've seen that improve our brand equity scores, our household penetration. So I think what you'll also continue to see as we move forward is just a better balance of commercial investment between point of purchase and also brand-building and upper funnel.

Olivia Tong
Great. Thank you.

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

CONCLUSION

Operator
As there are no more questions in the queue, I would like to turn the conference back over to Mr. Rod Little for any closing remarks. Please go ahead.

Rod Little
All right. Thank you, everybody. Look, we had a strong finish to the fourth quarter. We've got a balanced plan and outlook for the year ahead that continues the momentum that we exited last year with. And I'll end with, we have a really good team with better capabilities, better leadership profile driving the business, and I do want to thank the team for their efforts because it's now starting to show up in results. So thank you, and we'll talk again in early February with the report out on Q1.

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