

Company Name: Edgewell Personal Care (EPC)  
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<<Olivia Tong, Analyst, Raymond James>>

Our first presenter today is Edgewell Personal Care. The company has made many changes over the last few years to better position their portfolio and improve delivery of results. They grew organic revenue at a 4% run rate for the second consecutive year in fiscal '22. We look forward to hearing more today from the company with CFO and President, Europe and Latin America, Dan Sullivan; and VP Investor Relations, Chris Gough.

Chris, I'll turn it over to Chris in a second, but Dan will run through a few prepared marks and then we'll come back for Q&A later. Thank you for joining us, Chris.

<<Chris Gough, VP Investor Relations and Treasury>>

Thanks, Olivia. Good morning everyone. Thanks for joining us. I'm pretty excited. Pretty good crowd for 7:30. You're always worried with that slot. Nice to be here again, a little bit of repetition. It feels good after you guys were the trendsetters a year ago. So it feels like not much has changed or onto it. Dan and I haven't changed either [indiscernible] last year. We'll make -- be making forward-looking statements and using non-GAAP financial measures. These are both posted on our website as of now.

Where we're going to start today is with the transformation of Edgewell that we announced in November of 2020. As a lot of you know, since the launch of the company, we had difficulties growing the top-line for many years. We had an acquisition of Harry's that was blocked by the FTC and we're in the middle of COVID and we launched this strategy in November of 2020.

So we want to use that kind of as the starting point, and I'll take you through that strategy, the key pillars pretty quickly. And then Dan will take you through how we've done in, since then the outlook for '23, which has some pretty compelling components of '23, which has continued growth and importantly an inflection point for margin in the back half of '23.

So we'll take, we'll walk you through that pretty quickly and have time for Olivia. Now for those of you they don't know us, we're a company built around a diversified portfolio of brands. We've got leading market shares, number one or number two in most of the categories in which we compete. We're diverse globally, about 40% of our sales come from international markets and we're in growing categories that that are everyday use products, which is pretty compelling in this kind of environment we're in today.

Now, bigger picture, when you look at this slide, this is our top-line strategy really on a page. And it starts on the left side where you have accelerated growth or what we call our Right to Win brand of products. And on the right side, you've got our stabilize our Right to Play products, and you can see the products listed here.

Going back to the left side, what are the characteristics about that? It's categories that are faster growing. We have leading market share, and we believe we continue to take share in those categories and generate double-digit growth for the business. That was about 25% of Edgewell sales in 2020 when we launched this strategy.

On the right side, you have stable to recovering categories. The shape category had been down for several years. In those spaces, our market share is not as strong. Our goal that we set at this point in time was to stabilize those businesses for ourselves, hold market share in categories that we're not growing very much. Giving you an outlook that was for flat to slightly down. You combine the two of them and you get the 2% to 3% growth, which is our algorithm, which we'll get to in a few moments.

Two, one important point here that Cremo on the left and Billie on the right, neither one of those was included in our portfolio when we launched this. We acquired both of those since then, pretty important and pretty compelling acquisitions, and Dan's going to get in some more detail on those.

So what's important about the growth for us is we really have some strong underlying fundamentals. We have a -- in our DNA, relentless cost management, some of it because we had to over the years when we're not growing, but we really built up this capability around cost and productivity. And you saw that for several years. You see it this year and you'll see it going forward.

The portfolio has really strong gross margin characteristics that drives a lot of strong cash flow, which gives us optionality, the M&A that I talked about investing in the business. And it gives us a balanced approach to capital allocation. So when we launched the strategy, we launched our first dividend. Since then, we announced share repurchases of 300 million over a three-year time period. And we can fund both M&A and organic investment in the business.

Really importantly though is the transformation of Edgewell was around capabilities and people and how we show up in the marketplace. And here's a couple of examples I'll take you through. First, it's innovation. We know that innovation is the core to everything that we do and our type of company does. What we really did is we shifted more from a technology based innovation mindset to consumer based. And a couple of examples, the Hydro Silk Dermaplaning Wand that we launched during COVID stood extremely successful in sun care down below, new ways to deliver sun care.

So the Mineral Hawaiian Tropic brush, which easy to put on, it's translucent, very popular as it launched. The Banana Boat roll on sport. Very easy to use. It's not messy. And importantly when you come to Florida, you can get it through TSA. Pretty

compelling innovation Dan's going to talk about even more to come. Enhanced commercial capabilities that's both at retail and at online. And Dan will talk more about retail.

Just a few examples of what's happening online. Hydro Silk, that was actually the number one selling personal care product on Amazon during COVID. It's still our number one selling product on Amazon. And what's interesting is the number two selling product is Edge. Edge has been around forever and there's a lot of work going on. Dan will talk about more about that as well. But pretty hot on Amazon right now as well. We just launched Intuition, Schick Intuition on Costco online. So a lot of good things happening online. Online is about 13% of total sales for the company. And then cost reduction, you're going to see that on many slides, but that's an important piece that we'll get into.

That leads us to my last slide, which is the algorithm. And it's fairly simple when you think about it. And it all comes down to this top-line growth. If we can deliver the consistent sustained growth, which will take you through the case for that, we can invest in the business. If we can continue to drive cost out, we can invest, we can generate that cash flow and it gives us pretty compelling growth rates for both EBITDA and EPS. You couple that with the cash flow and the ability to buy back shares, the ability to pay dividend. We think we have a pretty compelling case for TSR and value creation. And that in a nutshell is kind of how we think about the company.

So now I'll hand it over to Dan to take you through how we've done against that, that strategy.

<<Daniel Sullivan, Chief Financial Officer and President, Europe and Latin America>>

Thanks, Chris. Good morning everyone. So let me jump to the punchline and kind of work my way back. If you knew us a couple of years ago before we launched our new strategy, before our Investor Day, you would have seen the picture or the words on the left of the page. We were a struggling business. We were in categories that weren't super healthy at the time. Our brands were weak on shelf, and not surprisingly, we suffered low single-digit, mid single-digit year-over-year declines.

We fast forward now 2.5 years later to the picture on the right. We've posted 4% organic growth two years in a row. We're positioned this year at the midpoint of our outlook to deliver another 4% growth. So we have proven, I think you all will be the test of this, that we can sustainably grow the business.

Let me try to unpack some of the reasons why. And I think before I get into the details, this is sort of a 2022 results on a page. There's a lot here to unpack. I won't go through it all, but I think what I would highlight, you see all of the elements Chris talked about right around good cost productivity, good margin performance, leaning in on ICE [indiscernible] allocation. The number that should jump out to the one on the top middle, 85% of our portfolio holding or growing share. A very different outcome than if I went back a couple of years.

How are we doing it? I think there's probably a handful of underlying catalysts for the new Edgewell, and the new performance. I think the first one starts here. Chris alluded to some of these elements. We're simply a different commercial organization than we were two, three, four years ago. And certainly when we came out of the split with Energizer, Chris talked a bit about some of the innovation we've brought to market now.

We are much more consumer-centric than we have ever been in the past. We probably over relied on technology and IP as we thought about how to innovate in the categories. Now we're much more centered on what the consumer needs and meeting a certain unmet capacity for the consumer. And you see some of the examples Chris talked about some of these already.

We're much better at brand building in a real sort of modern CPG way. We're investing better. We get better returns on that investment. We're track and we understand where every dollar we put, what that generates for us. And we're much better at revenue management. Of course, the pricing environment has helped. Frontline price is a piece of the story certainly in the last 12 months. But we're much better also at understanding promotion, mix management, pack management. How do we drive greater productivity from the SKUs beyond just Frontline price?

So topic one, commercially we're better. As Chris alluded to, M&A has played a really important role for us in a number of ways. It was at the heart of our portfolio strategy, because it was the catalyst to diversify, which is what Chris referred to when he said Right to Win. We wanted to get away from being a Heavy Shave Fem Care business. M&A was the platform to do that. We essentially built our grooming portfolio over three transactions.

And you see the results there at the bottom of the page. Bulldog has grown 5x; Jack Black just under 2x; and Cremo, which we've had now for a couple of cycles growing in the 20% range. In addition to the growth, and Chris alluded to this, M&A has been an incredibly important catalyst for driving capabilities for us as an organization. You see a couple of examples there.

One of the reasons we're much better at brand building than we ever were is we bought great talent at Cremo and at Billie to help us do this. Not surprisingly, when you buy the preeminent digitally Native Shave brand in Billie, you're going to get better at DTC, execution and how you think about reaching the consumer online as part of an omnichannel strategy, which we've had that brand now and that organization for a little over a year.

I think the most exciting piece though is how we think about new brands. Organic brand development, we had not brought a new brand to market since the spinoff from Energizer. And we've now got two brands. One is already to market, which is Fieldtrip, which is a men's skin brand that has launched online this year with further expansion next

year. That brand was entirely developed by the folks that we acquired when we bought Jack Black and Cremo. So that team led that work.

And I think the more exciting piece is how we're thinking about Sun Care, because there is a white space within Sun Care today that we don't operate in, which is the everyday use aspect of the products. We're going to bring a third brand to that space. It's in final design today and what's really -- you've got legacy Edgewell skills around formulation, manufacturing, and retail execution. But what's driving this brand from a creative consumer packaging activation is the Billie team.

So there you get a really good example of capabilities now that we bought in Billie in a Shave brand, how we bring a third sun brand to market. Good segue into Billie, I'm sure you've seen and heard a lot about it. We're super excited about this brand and the potential. It is a shave brand today. It is making its way across retail, which I'll talk about, but we're 100% convinced this brand can travel across categories. Given the equity, the trust, the loyalty of the consumer, it has all the right elements to start to think about adjacencies outside of shave.

In the meantime, we launched it in Walmart in 2022 exclusively. You see the results there. We could not have asked for a better launch at Walmart, because that then serves as the catalyst for retail expansion this year, which is literally happening as we speak. And I won't run through all of that. We started in drug. Those sets hit in early Feb. So if you're in a CVS for example, or a Walgreens, you will see it on the floor. It is now making its way through grocery. Target is happening as we speak. Amazon is up and running. So truly a national retail launch for the Billie brand in '23.

The other element worth talking about is just how our Shave business has diversified over time. And it's pretty interesting. Maybe a couple of things you might not know about the shave portfolio. The first one is on the left side of the page. We're actually a bigger international Shave business than North America. It's close. It's a couple of tenths of a point. But the point is that shave plays a really important role outside of the U.S. for us.

The second thing that jumps out is on the right side of the page and the strength we have with our women's portfolio, obviously aided by the Billie acquisition. We are the number one women shave portfolio by share at Walmart as an example.

And then the piece I do want to highlight here, we call it custom brands. You might refer to it as private label or PBG. This is a super exciting part of our business and yes, it does have that entry price point aspect to it, a small degree, but what that business represents are actually brands like Billie all around the world high growth, incredibly interesting economics with a contribution margin largely in line with the Edgewell family. So not your typical sort of entry price point economics. And again, as you can see, meaningful part of our shave portfolio.

So the interesting thing here also is, we are the only supplier that operates across all aspects of the category from branded to dispo to private label. Get all of that right and

you can look at a page like this where the brands are healthier, the innovation pipeline is stronger, the consumer response is better. We're getting better distribution outcomes on shelf. We're no longer chasing holes year-over-year declines. We're actually gaining distribution and not just Billie as part of a national launch. Our Sun Care business now will gain share three straight years in the U.S., three straight years of distribution gains at Walmart, for example. So we're showing up better, we're healthier on shelf and not surprisingly market share results follow.

And then the last piece, sort of our turnaround, Chris alluded to it is we're really good at cost discipline and cost takeout. We completed a three-year program, we called Fuel left side of the page just under \$300 million in cost takeout. About 75% of that was in COGS. And after immediately completing that, we moved to another program which were in our second year of \$125 million in growth savings, which we're on track to deliver '22 and '23.

So we know how to manage the business. We know how to take costs out. It's part of our DNA as Chris mentioned. So what does all that mean for '23? You can see sort of the year we expect on the page. I won't run through all of this. I'll make two comments though. One is we actually have a very, very high degree of confidence to see our way to margin accretion this year, despite about a 100 basis points of FX headwinds. And two, if you just look at our business on a constant currency basis, you would see 4% growth at the top, you would see 8% and 12% growth in EBITDA and EPS. Again constant currency. So underlying fundamentals of the business we think are quite strong.

And then lastly, just to put it on a picture so you can see how it all lines up our outlook, constant currency view and the long-term algorithm that Chris spoke to earlier. So our takeaway is, hopefully you see this in the presentation that we've given portfolio much stronger than it's ever been, both organic brands, Edgewell legacy brands and acquisition. We're running a really tight business model, which is obviously super important in the environment. We're starting to come out of now, which is high inflation. And we have a really good line of sight to our 2023 outlook, which is another year of growth for the business.

So that's it for prepared. I guess Olivia will turn it to you.

<<Olivia Tong, Analyst, Raymond James>>

Thank you. Thanks for the presentation. You talked a fair bit in your presentation about the number of changes over the last few years. You added to the shape portfolio, you made -- you answered the skincare portfolio and you made changes in Sun Care as well. So what do you think still needs to be done to either adapt to structure, capabilities or even the talent?

<<Daniel Sullivan, Chief Financial Officer and President, Europe and Latin America>>

Yes, it's a great question. As you've heard now, Chris and I both talked about capabilities, right? And if you kind of ladder back for Edgewell, you might see it sort of in two distinct ways. The legacy Edgewell capabilities, which are best-in-class formulation, manufacturing know-how, IP, technology, retail execution, like that's sort of the Edgewell view.

And then what you've heard is we've sort of now augmented that with much better brand and brand development capabilities and skills, innovation, sort of consumer-centric thinking and DTC. And so we've sort of put all of that together and the ladder has come both organically. We've added about 60 people to the organization in those functions I just mentioned. And also obviously through acquisition. That was at the heart of the Cremo deal and the Billie deal. So we are a different organization capability-wise.

I don't know Olivia, that I would say there's sort of white space left in terms of capabilities. I think we're lining up really well there. I think there are two areas that we are maniacally focused on getting better at. One is continuing to put the consumer at the center of all that we do, and two is speed. I think we have an opportunity to be faster even than how we're operating today. And that's around innovation pipeline, that's around new brand development, that's around consumer campaigns and alike. I think speed can play a really interesting part for us in getting even better results than what you've seen.

<<Olivia Tong, Analyst, Raymond James>>

Great. And then as I mentioned in my prepared marks, you were able to grow 4% in the last two years, and you're looking to do it again this year. So how should we think about your growth expectations over the longer-terms? Any plans to revisit the long-term algo?

<<Daniel Sullivan, Chief Financial Officer and President, Europe and Latin America>>

Yes, we love this question, because when we rolled out the strategy at our first Investor Day in 2020 and we posted a 2% to 3% organic growth, there was quite a bit of skepticism, rightfully so, right? You saw the results that we posted coming into that. So to be sitting here 2.5 years later asking the absolute right question, which is how should we think about this longer-term? And are you going to take that number up?

Boy, we love it. It's a great validation of the work of the team. I think Chris made an interesting point, right? We're posting 4% organic growth and at the time we did the algorithm, we did not own Cremo, nor did we own Billie. And Billie has not yet contributed to organic growth, right? It wasn't in the portfolio organically last year.

So there's certainly opportunity for us to rethink the algorithm. I think we're going to be thoughtful about that and careful. We're also operating in a pretty choppy time, COVID reopening, while probably fully reopened here in the U.S. We've not seen it yet in many of our international markets. The consumer is going to come under continued pressure, we think. So I don't know that now's the right time. But we'll look at that for sure. I think

most importantly, we're super confident in our ability to deliver growth. And at this point now slightly above the algorithm is we're at a 4% for 2023.

<<Olivia Tong, Analyst, Raymond James>>

Let me switch over to margins. Because Q1, you saw signs of -- you had pricing, you had productivity, still a lot of cost inflation, but you were able to offset it. And you're looking for gross margin expansion in second half as some of those costs dissipate. So can you talk about how confident you are in your pricing and productivity opportunity and what more disciplined RGM, revenue growth management can yield? And what happens if categories do start to become more promotional?

<<Daniel Sullivan, Chief Financial Officer and President, Europe and Latin America>>

Yes, okay. There's a lot there. Let me try to unpack it. I think first of all, we have a very, very high degree of confidence in the underlying elements of structural margin that we can control, right? Cost and price and revenue management. And you've seen that in our behavior, in our results and the like.

In Q1, the role of cost productivity and price gains was about 500 basis points in total fully offset what we saw in inflation. We understand the math really well. We model the math really well. We have a really good line of sight to the cost side of the equation and all of the pricing that underpins our outlook has been communicated and executed.

So I think the short answer there is we feel really good about that. We feel really good about our ability to continue to do that. We also think 500 basis points of inflation is probably the high watermark year-over-year or the year. So now those tailwinds of price and productivity start to work against less and less year-over-year inflation, hence margin accretion. So feel really good.

Yes, I think it is a fair point. I think the consumer is likely going to continue to come under more and more pressure. I think that's a realistic outlook, certainly how we thought about it. But we don't know that it'll necessarily get disruptive or irrational in the categories in which we operate. We have not seen signs of that, nor do we anticipate that. Might it get a little bit more promotional over the summer in sun? It might. But we're prepared for that. Our outlook fully contemplates that.

And then as we think about to your last question will be like the go-forward. Yes, I think revenue management and again, not just frontline pricing in a world where market leaders are all taking up price, but really good revenue management, understanding promotional intensity and return on that spend, understanding product pack mix, getting really good at that. We've started that journey. I think that can also be a key enabler for us once we cycle through this, this highly price inflationary environment.

<<Olivia Tong, Analyst, Raymond James>>

Can you talk about just want to unpack that a little bit more in terms of revenue growth management, things that you've done so far and what's on the docket in terms of things that you are planning to do to get to that optimization?

<<Daniel Sullivan, Chief Financial Officer and President, Europe and Latin America>>

Yes, so we've taken frontline price across our entire portfolio except Wet Ones here in the U.S. Every other brand category combination U.S. and international has been touched with price. In markets like the U.S. Shave, where we're not the market leader. We'll obviously evaluate as market leaders move and make the right decisions for the brands. But in markets like Sun in the U.S. where we are the market leader, we also are the price leader. And so we'll be, we were thoughtful about that and we took about a 7%, 8% price increase at the start of the fiscal year in sun.

So I think that's the price -- frontline price side. We've also invested quite a bit in technology modeling capabilities to understand what type of response do we get on promotion and where is the next best dollar spent. When you think about investing behind the brands, so there's a number of ways that you can do it both in retail and online.

And then I think the third aspect is we've done quite a bit of work in rationalizing the portfolio and taking less productive or lower margins SKUs out of the range, so that rising tides lift the margin profile for the categories. That's not something we had done in the past. I think we were probably a little too concerned with chasing volume on shelf. We spent a lot of time over the last 18 months skinning down the portfolio and focusing on velocity and margin profile.

<<Olivia Tong, Analyst, Raymond James>>

Great. I'm going to ask my last question. I mean, my next question -- excuse me. But if anybody in the audience has any questions, please feel free to let us know. My next question is around price elasticity and the macros obviously a big topic right now, because price elasticities have held up well for you, your peers, et cetera, the whole industry. So do you see any change there? Can you compare and contrast the performance in your private label versus branded business? And given what could be more volatile macros in the upcoming years? Can you discuss your positioning today if the backdrop were to get more challenging versus prior downturns?

<<Daniel Sullivan, Chief Financial Officer and President, Europe and Latin America>>

Yes, sure. We have not seen yet any sign of consumer trade down. None. And we would see it, you saw in our shave slide, if the consumer were moving down the price ladder, maybe moving out of branded into dispo or into private label, we would see it, right? We would see it in our underlying business. We have not seen that. Dispo business consumption wise grown about 1% to where it's been the last 52 weeks. PBG business growing low single-digits where it's been. So you're not seeing yet any sign of that consumer making different choices, for example, in shave.

We do think that will change. There's been a lot of price that's been put on the consumer's lap over the last 12 months. And so our outlook does contemplate slightly more promotional intensity and likely the consumer starting to shift behavior.

However, in our categories where everyday use products, right, they're not discretionary in nature. You're not going to not buy Sun Care, because there was a price issue. It's a product you need for efficacy. And so I think our categories, while not, I wouldn't say immune to price and consumer sentiment are highly, highly protected. That's what we've seen in the past. If in fact the consumer decides to start to vote in a different way, we do have the opportunity, our outlook contemplates. We can get more promotional to support the brands on shelf, particularly Sun Care over the back half of the year.

<<Olivia Tong, Analyst, Raymond James>>

Any questions? Why don't we talk a little bit about Wet Shave and the state of Wet Shave right now. Obviously, the category saw a long period of disruption. You saw some declines, then you had COVID shutdowns. So what's your view on growth for the category going forward and your own expectations and your share positions?

<<Daniel Sullivan, Chief Financial Officer and President, Europe and Latin America>>

Yes, the Shave business in the U.S. is as healthy as it has been in the last four, five, six years. Shaving incidences have leveled off after years of declines heading into COVID. Reopening has obviously helped as folks are more social, back to work, but also engaging socially. We've sort of cycled our way through the disruption on shelf of brands that have come in at a lower price tier. And we've sort of worked our way through that, but they aren't growing anymore on shelf.

So I think we're in a very healthy, normal category, growing low single-digits, which is what we've seen here in the U.S. Within that realm, our branded business is roughly flat in terms of share. The men's side of the equation, which is obviously much smaller, down about 30 basis points last 52 weeks. The women's side of the portfolio, you saw it on the page growing 200 basis points of share.

So we're operating in a healthy category here in the U.S. And the women's business is certainly leading the way. And as I mentioned in my remarks, that is actually the number one portfolio of women's brands in Walmart. And we think Billie will continue to be a catalyst for that. So expectation over the long-term, category remains healthy, we'll win share in the category.

<<Olivia Tong, Analyst, Raymond James>>

Great. With that, we're out of time. Thank you, Dan. Thank you, Chris. Appreciate it. And we'll go to breakout.

<<Daniel Sullivan, Chief Financial Officer and President, Europe and Latin America>>

Thank you.

<<Chris Gough, VP Investor Relations and Treasury>>

Thanks.