

Bill: Good morning, everyone. Thanks for joining us. My name is Bill Reuter and I'm the High Yield Consumer Products Analyst here at Bank of America.

We're lucky enough to talk to the team from Edgewell this morning on the heels of an exciting announcement this week, the acquisition of Billie, which fits into the company's shaving and body care categories. With us from the team we have Dan Sullivan, who's the CFO. We have Mary Lombardi, the Corporate Treasurer, as well as Chris Gough, the VP of IR and Treasury.

We're going to play a short video and then Dan is going to go into some comments and we will have time at the end of the presentation for Q&A. So please go through your interface to ask me those questions. And with that, we'll play the video.

[Video]

Dan: Well, thanks, Bill, for the welcome and good morning, everyone. We're really excited to be here this morning. Appreciate everyone getting in for the early start. We have a lot of information we'd love to share with you. And you may ask, why did we start with that video? And we're going to talk a lot over the next 30 minutes about a new and different Edgewell. And you're going to see that in our strategy, you're going to see it in our performance, but you see it really clearly in that video.

And we're going to live into this new mission that we have to make useful things joyful, and that video helps to bring that to life. And so, not only is the business in a very different place than two years ago, but working here at Edgewell and what it means to be a teammate in our organization is also very different. We wanted to share that with you.

My name is Dan Sullivan. I'm the CFO. I have the pleasure of speaking to you today. I'm joined by Chris and Mary in our IR and treasury teams. And I'm going to skip us ahead to Page 5 and talk a bit about the new strategy that we have. And you may have heard us talk about this just over a year ago when we had our first ever Investor Day. And there's really three elements, if I had to boil it all down to a single page. There's sort of three elements that I'd want to share.

The first is on the left side of the page; that we have a very new, very robust, a very compelling go-forward strategy. And it's baked in the premise that we have a portfolio of brands that we think about on two different dimensions. We think about a piece of our portfolio that has a clear right to win, so that would be our Sun, our Grooming, and our Skin business. And right to win for us is defined by market leading positions in growing categories where we are outpacing that growth and therefore gaining share. That's what we have done and that's what you can expect that we will continue to do.

The other side of our portfolio, which we refer to as right to play, that would be shave and FemCare, are areas of our portfolio where we also have leading positions. Categories that in the past have been a bit unhealthy, they have started now to recover, and our ambition longer-term is to grow with category and hold share. So that's sort of the strategy under the picture.

As you move to the right side of the page, there's two other elements to share. One is how do we run this business? And that is defined by what we think about as consistent organic growth productivity throughout the P&L, and terrific cash flow profile that gives us a lot of optionality in terms of capital allocation.

And then the last piece on the page, what we refer to as our financial algorithm, what can you expect from this business, both near and long term? And that's a business that grows 2 to 3% at the top consistently. That growth rate then is exceeded in terms of EBITDA and EPS with tremendous cash flow characteristics and productivity.

That's the business model of Edgewell. I'll show you in a minute how we actually outpaced that in 2021, the year we just completed. But that is the expectation for us as we go forward.

If you turn to the next page, I wanted to spend a minute on highlighting four elements of this business that are key to our success. Two of which, the left side of the page, fairly new part of our evolution as an organization and the right side of our page core to our DNA.

On the left side, we have grown our capabilities and our focus on taking innovation from technology-driven, what's the next blade we can produce, to consumer-driven. How do we let the needs of the consumer guide all that we do across our categories? And I'll show you examples of that a bit later.

We've also been on this journey for the last two years of significantly enhancing our capabilities in digital. We have completely re-architected our tech stack. We are now on Shopify. We have done a lot of work to improve and change the shopping experience on our site. We have brought in-house now capabilities around content development and copy and how we engage with consumers, execute and drive buying behavior on the site. And over the course of the last year alone, we stood up seven new or redefined sites for our brands.

The right side of the page, if you know the Edgewell story, is just core to who we are. We know how to run a better business. We just completed the Fuel Program, which took \$280 million of gross costs out of the business, and the work that we

will do here doesn't end with fuel. We have line-of-sight to an additional \$125 million of savings over the next two years.

And then that leads us to how we think about capital management; disciplined, thoughtful, balanced. Putting our cash flow to work for us, not only in supporting our growth, and you'll hear more about an exciting piece of that puzzle with Billie in a minute, but also how we structurally now initiated a dividend and began to repurchase shares.

If I turn then to Page 7, putting 2021 sort of with a bow around it, the year that was, 4% organic growth at the top. And you can see that double digit growth where we think about right to win and 1% growth in right to play. The second piece on the top there is really important for us. We estimate that about 70% of our portfolio is either holding or gaining share. That is a very different picture than if you looked in at our business 2, 3, 4 years ago. So the health here of our brands in our categories is very different.

Speaking to that digital evolution that we're on. We just generated 25% growth online, on top of 80% growth a year ago, taking our e-commerce sales up to about 9% of total sales. Then the bottom of the page, sort of more of the financial metrics for the year, in a world where everyone dealt with horrendous inflation, tremendous supply chain and sourcing challenges, we were one of the few that delivered gross margin accretion 30 basis points for the year. That was driven in large part by the \$280 million of fuel savings, \$68 of which came last year.

And then coming to the middle of the page, \$175 million in free cash flow generation. And I would say that we're probably one of the few folks who came out of the initial days of COVID with a stronger balance sheet than when we went in. We have completely revamped our capital structure. We have increased our liquidity, and we've created a scenario where we can go and buy Billie and initiate a dividend and structurally repurchase shares. And I'll talk more about that in a minute.

Turning to Page 8, the story of Edgewell is not just about the results and the strategy. It is also about a different company. And I mentioned earlier, when we talked about the video, how that's coming to life and a new mission statement, also in purpose, values, and behaviors, which we have spent about a year designing and deploying across the organization. And these three are core building blocks to that.

We are focused and continue to be focused on sustainability. And you will have seen that in our new Sustainable Care Program 2030. We have made diversity, equity, and inclusion the top of our priority list for people first organization. And

probably like many through the COVID situation, we have made employee wellness core to who we are.

Turning to Page 9 then, if I put all of the results for 2021 back in the form of our algorithm, you can see very clearly that we exceeded our algorithm expectations at the top. We generated 3.7% organic growth for the year, we generated 7% EBITDA growth, and about 11% EPS growth. And we're operating a business now that is roughly two times levered.

Turning to Page 10. As we move now into '22, we're actually more excited than we were even a year ago, and hopefully these two points can highlight why. I mentioned earlier the journey that we're on to make innovation consumer-centric; to move away from surely technology-driven innovation and new product development. And the examples on the left-side of the page, all of which come to market in fiscal '22, are great examples of that.

We are completely re-architecting the Schick brand here in the US, so strengthening our men's portfolio with a new brand proposition, consolidating the previous brands, you know it as Hydro and others, into a new master brand strategy that connects with consumer on emotional level, not just on a performance level. Yes, it will come with the new packaging and new on-shelf look that you would expect. But it is an emotionally-driven campaign, speaking to not only who is the Schick brand, but who are our trusted customers.

We're bringing exciting new products to market in '22. A couple of examples here around new products in Sun, which you would expect from us as the market leader, but also a really exciting line extension in Cremo, where we take all of the strengths of the Cremo brand and put it with all of the strengths of the Edgewell manufacturing machine and come out with a new, beautiful blade, new system that will play at the top end of the price tier with the Cremo name.

And then you could also see on the left-side of the page, we will bring two new brands to market in '22. And that's a big difference from us from past. We've not brought a new organic brand to market since we spun from Energizer. We'll do it twice. We'll do it in Sun through the Evry brand and we'll do it in grooming.

And then on the right-side of the page, you start to see the fruits of the labors of all of the work we've been doing in the last two years playing out on-shelf. We are gaining significant new distribution in club. Banana Boat has full distribution for the entire year, Sam's and Costco. Wet Ones gains new distribution in Sam's. And the bottom of the page, we're super excited about two straight years of meaningful share growth in Sun has led to meaningful gains at Walmart, both in-aisle and in their Islander Program _____.

So turning to Page 11 then and putting '22 in the same form of our algorithm, we remain bullish to deliver growth that is in line with, in fact, the top end of our range for the algorithm. We're pegging about 3% organic growth. So 3% growth on top of almost 4% growth. Now the P&L for us, in terms of profit and EPS, playing out slightly less than the algorithm; will be more in the 2 to 3% camp, largely because of the inflationary pressures that we've seen. And we want to remain in investment mode for this business and for these brands. We think we're at a really important moment, somewhat of an inflection point, that we want to continue to invest in the brand. So we'll take a slight step back from the algorithm next year in order to continue to fund investment.

And then lastly, as I think about this business and capital allocation, for us it is always about being very balanced, being very disciplined, and being very thoughtful. And this is a particularly important topic in light of the news we announced earlier this week. Because we have always said, and we've said it consistently over the last two years, our cash flow characteristics are so compelling that our capital allocation strategy is an "and" strategy, not an "or."

We're going to continue to prioritize investing in growth. You saw that 15 months ago in Cremo, you saw that three days ago in Billie. In addition to that, we're also going to continue to improve our capital return. We initiated a very compelling dividend a year ago, targeting a payout ratio of around 20% with an attractive yield. And in our earnings call, about two months ago, talked about a more systemic share repurchase program. All of that while managing a business that is currently around two times levered and can operate very comfortably two to three times.

So that's the Edgewell story. Hopefully familiar, but also a bit of a refresher. Let me spend a few minutes talking about the exciting new news of a few days ago, and that is the acquisition of the Billie brand.

Turning to Page 14, just to put the transaction in a bit of perspective, we have gone out and acquired the leading digitally-native brand in the category. It is the clear share leader online and it's ours. Now we were the supplier to this business. We now take the brand into our portfolio, and I'll show you how compelling that is in terms of our women's shave business. This is a really, really interesting acquisition at exactly the perfect time because the brand itself is about to enter retail in January '22.

It turns out to be a \$310 million purchase, so less than four times in terms of a revenue multiple. There was no risk here or there is no risk in terms of FTC clearance. It was a simultaneous sign and close. If you think about the Billie business itself, it is about a \$90 million TTM revenue line, all of which would be in DTC. So as I mentioned, it's now coming to retail in '22. It has shown a growth

profile of 50% on a three-year CAGR, 30% for 2021. And it is perfectly aligned with how we think about the role of M&A growth and overall portfolio. And as I mentioned earlier, perfectly timed given its expansion into retail in the coming weeks.

We're not going to talk today in too specific terms around the deal, the business, the financials. We'll have a lot more to say about that in our February earnings call.

Turning to Page 15, and I think this page really highlights why we're so excited. This is a brand that is the leading digital brand in the space. It has a higher social engagement level, defined by likes and comments, than the rest of the industry combined. It fuels tremendous brand loyalty and market-leading repeat levels. So that's the DTC side of the business that has been growing now for three to four years.

Now you bring that business to the right-side of a page with an exclusive retail launch in 2022. That launch is accompanied by full fleet distribution across the entire chain. It is fueled by in-aisle display, in-aisle signage, and multiple pulses during the year of endcap. So a truly exciting execution at retail. We're not at liberty to discuss who that is other than to say it'll begin in January with an exclusive launch.

Turning to the next page, how does the brand fit into our portfolio? Many ways to think about this. You can think about it at consumer level and it fits into a perfect open space around female first positioning, unapologetically female. It champions a different consumer than where Intuition and Hydro Silk play. And perhaps more importantly, it plays in a price tier that is where our portfolio didn't exist. And it is exactly the price tier where you've seen so much of the disruption in the category, largely on the men's side, also a bit in the women's side in recent years. So by acquiring Billie and this wonderful brand, we now become the disruptor to the category.

Turning then to Page 17, and closing out by remarks before I turn to Q&A, just to put a finer point on why the strategic rationale is so strong. We have a number of filters we run potential opportunities through. And while not hit on every single one of the filters, the Billie brand certainly comes very close. It provides us a tremendous growth opportunity, which I think you've seen now, particularly with the retail expansion. They bring great digital capabilities, social media leader, great brand building. They've driven tremendous loyalty and repeat with a core consumer.

They brought in this brand building consumer-centric mindset, which is really important because you can start to think about the Billie brand well beyond just

the shaving business. It is a business that, on a standalone basis, will be slightly profitable in '22, so it doesn't bring with it these meaningful losses that you see in other business models that have been online. And this is clearly in our M&A strategy in terms of low-risk, tuck-in acquisition that we are essentially funding with on-hand cash and revolver.

So that's our business. That's an update on our strategy. Hopefully also bringing to life some of the underlying rationale and excitement for why we think the Billie acquisition is so compelling in '22 and beyond.

With that, I'm going to. Bill, I'll turn it back over to you and happy to begin the Q&A.

Bill: Thanks, Dan. So I was going to ask a little more about Billie, but it seems like maybe we should be patient and wait until early next year you give us a little more detail. I guess, is there anything you can say at this point about the retail rollout in terms of the speed at which you think it will hit the market and just some general breadth of which you'll be getting immediate distribution?

Dan: Yeah. So it'll begin online with the retailer in early January and then in store mid to late January. I would say, Bill, you can probably anticipate two, three weeks that it'll take to ramp up and build out in store. It is fleet-wide, so it's obviously very compelling in terms of the breadth of it.

I mentioned in my prepared remarks, the amount of, let's say, investment and execution by the retail is the retailer is best-in-class. You're going to see the in-aisle disruption and display. You're going to see the in-aisle signage. You're going to see the endcap execution. And then obviously we will compliment that with a tremendous amount of our own investment and execution, both in traditional media and digital.

Dan: This is a little bit of a difficult question, but I guess, big picture, you have lots of internal exciting things going on in terms of innovation. You're relaunching your shaving business here domestically in terms of the Hydro and how it's going to come to market. When you think out three to five years, how do you think this business will look at that point in terms of, well, how much of growth may have come from acquisition versus how much might be organic growth, etcetera.

Dan: I think you have to kind of go back to our algorithm and say, okay, how might this business look in two or three years. And not just a numerically, but what's the path there. I think the categories that we define as right to win are going to lead the growth profile. And you're going to see that business continue to increase as a percentage of our total business.

You look at the Sun business, you look at grooming, skin, that combined business, a double digit growth profile to it. It's what we saw in 2021. It's what we saw in 2020. I think that is a reasonable bet that that will continue to gain share, lead growth. And you'll see that now increase as a percentage of the Edgewell business.

The Shave and Fem business, what we call right to play, we shouldn't discount that as well. That is a sizeable piece of our business. The categories are getting healthier. We're getting better in that space, and it just got significantly helped by the acquisition of this week. So I don't think it's unrealistic to think about that business with a flattish to slightly growing profile, particularly as those categories get healthier. That's the numeric answer, Bill.

I think kind of unpack that, you know what we're already really good at. We're really good at manufacturing, an IP technology and formulation and quality control and sourcing of product, which is particularly important in Sun. We're really good at incubating brands and bringing brands into this portfolio and growing them. You've seen it in Jack Black and Bulldog, Cremo, you'll see it in Billie. And we're really good at retail execution.

What I think you're going to see us continue to get good at it, I think what Edgewell will be about two years from now is incredibly good in digital execution and much better in terms of consumer-centric innovation. Pull all of that together, I think two or three years from now that's the Edgewell business you will see.

Bill: I guess thinking a little bit about the demand outlook for some of those categories, which the reopening this year benefited such as Sun Care, as well as shaving, we still have offices in some way being either largely or very much partially operating remotely. Do you believe that those categories will continue to have tailwinds next year if the Omicron variant doesn't change things materially? Or do you think that there was such spell(?) in this year that there's still a lot of products in consumer shelves and it will actually be challenging comparisons?

Dan: It's a great question, and I'm glad you prefaced it with pending the new variant because we just don't know. But I think if you break it down by category, in the Sun category, yes, we saw some recovery in the US for sure and we've benefited from that disproportionately gaining share. That recovery, though, was largely sort of post Memorial Day.

What you didn't see in the sun season a year ago was that sort of bullish start to the season that you would have seen pre-COVID. You didn't see the spring break business, you didn't see the Easter business; that early season. So I think that is an area of opportunity. And then internationally, in terms of our Sun Care business, you didn't see any recovery at all. And that is a business for us that is heavily

dependent on global travel, tourism travel, beaches, and getaways. That business has not come back. We are hopeful we'll start to see that begin to recover. And you're seeing that a little bit in consumer behavior, but we're not even expecting a full recovery in that piece of our business in '22. So I think there is still room for Sun as a category to continue to recover.

On the Shave side, look, we've gone through some choppy times. You've seen shaving incidences decline significantly pre-COVID. You started to see that recover again. And you were actually getting close to more of a flattish shaving incidents view pre-COVID. We've obviously now taken a dip back. I think as you see folks not only return to the office, but return to a more normal social schedule, social interaction daily regimen, you'll see that start to normalize as well. And I don't think it's unrealistic that you'd see more of a flattish picture in terms of Shave. So I think you'll continue to see a slight recovery there as well.

Bill: A hot topic is obviously inflation, and I think you've put out some expectations around 3.5 to 4% next year. In terms of the price increases that have rolled in across the different segments over the last year or 15 months, something like that, are those sufficient at this point? Or given continued challenges, do you expect you're going to have to implement further price increases that have not been communicated at this point?

Dan: Yeah, we may. I mean certainly price is a piece of the equation and I can tell you that the pricing environment today has been extremely productive. I think everyone understands the role that we're in and understands the pressure that it creates. We have pushed through a combination of what I would call broad-brushed price increases.

So FemCare has gone up mid-single digits. We took a double digit price increase in our Wet Ones portfolio last year so we'll still pick up about six months of tailwinds there. And wet shave for us internationally, we've taken a – while it's a market-by-market execution, we've been able to take a pretty broad brush pricing strategy.

Where you see it more surgically than in the US is in the shave business. We're not in a position to be a price leader. We're much more of a price follower. We've been much more surgical in our execution and we'll continue to monitor. And if we see opportunities in categories where we can lead, we will. If we see others in the space going up in categories where we follow, we certainly would look to do that as well.

Bill: So you had been active in share repurchases, which to me indicated you thought there were better opportunities in terms of your own valuation than there were in the market. Now we see Billie, which seemingly has changed that. I guess, how

should we think about share repurchases in light of the most recent acquisition? And then when you look at other opportunities out there outside of Billie, is there still a handful of either smaller tuck-ins or medium sized businesses that you think would fit in well?

Dan: Good point. I think it's fair to say we think our stock is undervalued. Hence we think share repurchase is a useful way to deploy capital. But again, you have to go back. The way we think about it is ands/not or. We had a full line-of-sight to the Billie acquisition when we announced our intent to be more structured and proactive in share buybacks, so it does not change our thinking at all. In fact, we've been already active in our fiscal Q1 buying back share. So the Billie acquisition, in fact, complements how we think about capital allocation. It doesn't change our commitment, both in terms of dividends and opportunistic, and now more structured share repurchase.

Looking forward there's a lot of assets out there. There's a lot of brands on the market. We're certainly looking at all of them as you would hope we would. What I would say is, acquisitions from here on out for us have an extremely high bar to them. That bar has been made higher by the Billie acquisition. So obviously it will take a unique situation for us given our cash flow profile, given our commitment on dividends and buybacks, but we're looking at a lot of different opportunities, Bill.

Bill: Just for a last question. Your leverage target is relatively conservative, which all credit investors appreciate. Are there things that could change in the business that would change that target upwards? Meaning, either if you got to a certain scale size diversification or do you believe that these industries and their growth profiles probably suggest that this is the right level for an extended period?

Dan: The 2 to 3% is our guidepost. And that doesn't mean it's our absolute rule. We certainly, if we thought it was the right thing to do for the business, would go above the three times simply because we know we have a cash flow profile that can handle that. It would not make me uncomfortable if the business opportunity were significant to go above three times.

As I said, though, it would carry with it very high criteria and carry with it opportunities that we feel are just so unique in this moment that we're going to take advantage of them. The one thing in M&A you can't control is timing. And so, while we're looking at everything and we're certainly applying a high bar to any potential further acquisition, we can't control timing and circumstance. And if we have to go above three times, I think we've all shown this as a business that can certainly handle it in the short-term.

Bill: I think we're out of time. Thank you so much for joining us Dan, Chris, and Mary, all of the team. Wish you Happy Holidays and good luck in the New Year.

Dan: Thanks, Bill. Great to be with you. Happy Holidays.

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