Edgewell Personal Care

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Lauren Lieberman: We're going to get started. We're excited to have Edgewell's CEO, Rod Little, with us today, and excited to welcome the company's CFO, Fran Weissman, to our conference for the first time. Great to have you here. I thought we could start by stepping back and discussing some of the more strategic work that you're doing before we get into recent performance and outlook. Rod, since you joined Edgewell in 2018, suddenly it's been a while.

Rod Little: Feels that way. Wow.

Lauren Lieberman: You've made significant changes to the company's culture, capabilities, and ways of working. Which changes do you think have been most important now, looking back in getting to where you are and building a stronger business?

Rod Little: Yes. Thanks, Lauren, and great to be with you here today. Look, one of the things that I think happens more often than not is when a company separates itself out, as we did from Energizer in 2015 and became two separate independent, publicly traded companies, you don't always have everything you need to win and be successful in that moment. When I joined, part of the journey was to create a company that could stand on its own, win and compete, and be successful against some of the best players in the world, which we go against every day. It's taken a while, but I think we're there now in terms of having what we need to compete and be successful. So I'd point out a couple of things, maybe two or three things, that matter in terms of what we've put in place and done.

The first is people. When I arrived, the positivity engagement score was 59%. So 4 out of 10 were actively or passively disengaged and not interested in what we were doing. That doesn't work. Today, that is north of 80%. So we're at 82% last year positive engagement, and so we've got a fired-up, motivated team who cares about what we do. We've got a new--it's not new anymore, but we've put in place a new purpose, values, and behaviors structure to the company. The purpose is make useful things joyful. We have four values. It's in the lexicon of how we talk to each other and run the company. So it's pretty cool that we've got that embedded. That's a big part of the foundational work.

The other thing we've done is we have upgraded the leadership teams, not only the leaders that lead each of the units but the teams underneath, with a significant talent infusion. So the first thing is this whole thing around having great people who are highly capable and can win is the first thing I'd call out.

The second thing is a consumer focus. The company historically ran with global teams. It became kind of the United Nations, if you will. It sounded good. You theoretically had some scale, but you didn't really resonate locally with the messaging and the way we were building the brands with any local consumers anywhere. And so by putting the consumer at the center of everything we do and then localizing how we go to market and basically eliminating the global teams has been a big enabler. That would be the second thing I'd call out.

Then the third thing is the portfolio. We've done a lot of work on the portfolio. We have a significantly better portfolio today. We divested an infant care business, Diaper Genie, Litter Genie, and all of that in 2019. We divested our Fem Care business. As you know, this year we closed the deal. Fran led that deal, closed it in February. Sold it at a premium valuation to the total company, despite it being growth dilutive, margin dilutive, and capital intensive and not fitting. That was a big deal for us, to monetize that and frankly, sell it to Essity, who's a much better parent for that business.

In the meantime, we bought four separate businesses--Bulldog, Cremo, Jack Black, and Billie--which are now a key part of the portfolio, all growing nicely and a real part of the growth program going forward. So people, consumer focus, and portfolio are the things I would point to.

Lauren Lieberman: Great. A lot of transformation work you just went through, so when do you move past what we would call transformation and into the next phase? What does this next phase of the company really look like?

Rod Little: Yes. I think about this all the time, and I think in some respects, a company our size is always going to be in transformation of some sort. Things are moving so fast around us. The capabilities you needed in the past to win are not the capabilities in the future. And so I've mentally set myself towards we're always going to be doing something or needing to do something. The transformation phase we're just completing is, I talked about the portfolio sale of Fem Care. We're still running a TSA on that. That's about done. We've got a plant consolidation program in our shave network, going from four shave plants to one here in the Americas. We're midstream on that, and the North American turnaround has been a big part of the transformation for us. And so that's been the focus.

As I look to the future and we get that all behind us, we're a more capable company that can grow and win with this work, but we still have a big gap in front of us. We've been put together via a series of acquisitions over the years, so our systems aren't harmonized. In some cases, our hierarchies don't align, and the work we do every day is too manual in nature. And so the next phase is going to be not only a structure and process way of working simplification, but a technology enablement to automate more of how we run the company. No better time than today to get on the AI train, and in some cases accelerate that technology transformation that in the past would have taken years. There's some ways to cut the cycle and move faster.

And so I would say simplification enabled by technology is the next journey of transformation we're looking at.

Lauren Lieberman: Okay, great. Let's turn to more specific elements and talk a bit about top line. You returned to growth in the third quarter, so I'd love to talk a bit about what drove that. Maybe we'll start with North America. It's been roughly a year since you discussed the three key elements of your transformation and in 3Q sales inflected the positive territories you'd anticipated. What gives you confidence that the improvement in North America can be sustained, and what should investors watch to assess continued progress?

Rod Little: Yes. We were declining in North America for the better part of the last 2 years, a little over 2 years. Not only were we declining in our organic net sales, but we were coming off a period where we had lost market share for the previous 4 or 5 years, kind of over that time period. And so as we came into this year, we put a guide out there, and I think you and some others were, I'm not saying you were skeptical, but people were skeptical, could we step up and deliver the second half inflection that we're doing right now? What was underlying that was the North American step-up from decline into growth. North America grew 3% in the quarter that we just reported, the first growth quarter in that way in a couple of years.

The quarter we're in right now, they'll grow again. We've got line of sight to that. So we believe we now have the ability to grow consistently as we go forward and potentially accelerate that over time in North America. The leadership in that team is great now. The leader herself and the entire team underneath her are all new over the last 2 years and recruited in a way that when you have 59% engagement and not a place people love to work, hard to recruit, it's easier and easier to recruit. So we have a really talented team.

We have some of the leading brands now in structurally attractive and healthy categories. So we play pure play sun, skin, shave, grooming. That's our zone, and we have the fastest-growing brands in two of those categories. In men's grooming, the fastest growing brand today is Cremo. It's accelerating 7 consecutive quarters at 20-plus percent. We're heading towards 40% in some cases, and the business was $50 million when we bought it 5 years ago. It's approaching $200 million. And so there's a lot of growth in Cremo. That's a big driver for us.

We have the fastest-growing brand in the sun care set in Hawaiian Tropic. There's some virality about that, and that's giving us credentials. When you have those leading brands along with a legacy brand where no one's expecting you to have success, Schick Men Systems, we have turned to growth, and we're growing behind the new campaign that we did with Nick Jonas and a lot of other things that we're doing.

So we're making investments. Growth is not free. We've made big investments into increased advertising media dollars into the business because we like the content we have, and we think that's very durable. So I'm very confident that we can continue to grow.

I'll just leave you with two other things relative to North America. One is over the past 52 weeks, we've grown unit share in that aggregate set 48 of the 52 weeks. We have grown share 11 of the past 11 months. This is month 12 of our fiscal year. We'll do it all 12. Coming into the year, our plan for North America was just to hold share. We thought share growth would actually be out another year, and we have an acceleration happening versus what we thought we could do. We have line of sight to that. Retailers see that, and so our distribution outcomes are becoming better and better as well, which really helps when you start to get distribution tailwinds as well.

Lauren Lieberman: That's great. At one point you had talked about needing to operate more like a disruptor in North America, and you certainly have brands that fit that bill, but also to leverage scale where you have it. Can you maybe give us some examples of how you've achieved that disruptor mindset, but also then leveraging scale?

Rod Little: Yes. We had a decision to make 4 or 5 years ago, and it was were we going to lean into scale and try to leverage scale, or were we going to try to be more like the disruptor and get faster and be more consumer-oriented? We made the decision to be more like the disruptor. We're never, ever going to have the scale organically that some of our peers do. But we can certainly get faster and operate better.

We've had the privilege of acquiring, I talked about those four businesses we acquired. Two I'll call out that were founder-led, that we brought the founders with us, kept them on for 3-year terms. We're still friends today. We've gone on in some cases and done more work with the founders in supporting what came next for them.

This has provided us great learning. We didn't just try to apply our Edgewell way of working our model to what they were doing. We were really interested in learning from them and applying what they were doing to our core business. So we learned two things and again, I would point out Cremo and Billie as the best examples that we learned from. They moved at a pace and had an agility level that we just did not have, so we had to fundamentally rethink how we were running our business to look a lot more like theirs. The second thing is they were maniacally focused on the consumer. 70% to 80% of their meeting conversations would be about how whatever they were doing was touching or helping the consumer, and we were maybe 10% of that. So that's been the biggest thing we've learned from them that we've applied back over.

Then you take a heritage brand that we already had, Hawaiian Tropic. Applying those principles to Hawaiian Tropic has just put growth into the brand that was not there in the prior decade. The example I'll use, at this time last year, in the spring of last year, spring of 2025, we were agreeing with the board that we wanted to make Hawaiian Tropic a priority and get after growing it because we thought we had the right to do it. We agreed in March-April that we were going to do that and put incremental spending against that brand. You recall we put some incremental money in last year. We launched the campaign on Memorial Day, 2 months later.

We had Alix Earle signed up, we had content that went viral, and we had the ability to supply what we had committed out to retailers, and we actually grew at a rate about 20% more in Hawaiian Tropic last year. We thought we could hit the surge on supply. So that's just an example of a heritage brand that we've modernized with a lot of the learning we got from the disruptor. So it's something that I feel really good about.

Today, if you walked into our company, it would feel like a younger, newer company. We're only 10 years old, 11 years old. It would not feel like a 30- or 40-year-old legacy CPG company.

Lauren Lieberman: That's great. International markets have generally been resilient despite a challenging consumer environment and the disruption from the Wet Shave consolidation. What gives you confidence internationally that businesses can continue to deliver consistently going forward?

Rod Little: We have a track record. Lauren, as you know, the last 4 years, we've done mid-single-digit growth rate in international. It's led our performance while North America was being turned around. It will be there again next year in fiscal '27. That starts next month. We've got good line of sight to that mid-single-digit growth rate again.

For them, this year, the only thing that held them back really was product availability. We had orders we couldn't ship in private label, primarily in Europe and Latin America. As we worked our way through the plant consolidation, it was a conscious choice to look at our customer set and serve the most strategic and most profitable. We had to cut the tail in some cases, and that disproportionately impacted them in quarter 3, just finished. Quarter 4 we're in now, we already see them stepping back up. The product availability has improved.

Lauren Lieberman: Okay, great. Sorry, glasses. So let's stick with Wet Shave but go deeper from a portfolio standpoint. Wet Shave is now the majority of the continuing portfolio. Recent results have shown a meaningful difference between improving branded shave and then the weaker private label business. What does, quote, "winning in shave" mean for Edgewell over the next several years beyond just stabilizing the current business?

Rod Little: Wet Shave is, I think, a great category. It's not the fastest-growing category, but it is a growing category. At worst, it's flat to up 1% or 2%. So for us, in our model, with what we put forward and what we need to be successful, that works actually, because we have exposure to other faster-growing categories.

It's a high-margin category. The gross margin structure, the incremental profitability from an extra unit sold, the contribution economics Fran knows are really, really good. It's a tight category. Supply, manufacturing, IP, technology know-how is still very tightly held amongst a few players. So strategically and structurally, it's a good category. The challenge is how do you grow over time? I would define success in that category, or winning, as you asked, as winning market share.

We can't just grow with category growth rate. We've got to beat the category and win share. That's what we're signing up for. That's what we're challenging the teams to do. More and more, that's what we're starting to see happen in our shave portfolio, from what was a share decline to more neutrality as we tick positive. If you go outside the US, 60% of our shave business is outside the US. We're already in share growth territory in most of those geographies. It's a less competitive category outside the US. It's typically us, Gillette, and a local player outside the US. The US market looks very, very different than the rest of the world.

Lauren Lieberman: Great. What would you say is your most defensible advantage in shave today? Is it blade technology? Is it consumer positioning, retail relationships, value architecture? What's the most defensible competitive advantage?

Rod Little: In a way, it's a combination of all of those. All of those matter. The most important thing, I think, is technology and the ability to produce a sharp, durable blade consistently off a manufacturing line every single time. It's very, very difficult to do that in the tolerance levels you need to have, and it's protected with IP and know-how. You don't go buy this manufacturing equipment anywhere. It's all homegrown, self-made. And so technology is the thing that ultimately delivers smooth, comfortable shave performance, which consumers still care about and are willing to pay a premium for, despite some of the disruption that's happened from some of the startup companies here domestically. You also need scale globally. I think that's very important. And then the third thing I would say, play in the full portfolio.

To have strong customer relationships and partnerships with retailers, they want suppliers and partners who can give them men's systems, women's systems, men's disposables, women's disposables, premium value, and in our case, we also offer private label and store brand. We do supply roughly 25% of our shave business is supplying Walmart, Amazons and the likes, their store brand business, which is important to them and helps with the retailer relationship as well. So tech scale and full portfolio play.

Lauren Lieberman: Okay, great. Let's move to sun and skin. I know we already talked a little bit about Hawaiian Tropic and the momentum you've seen there over the past year. Banana Boat, sort of more of a broader restage. What has to change in the combined sun portfolio for it to be a more consistent value driver for the company, even with this inherent seasonal volatility that that they have?

Rod Little: Yes. The volatility is always there, and that's typically more month to month or quarter to quarter on an annualized basis. That smooths out. We actually don't see a lot of volatility annualized. We've got Hawaiian Tropic where it needs to be. We know where that's going, and that's continued growth. We feel really good about that. Banana Boat has been the brand that has held us back this year. It declined this year. As we had planned it, we planned for a decline, and it's coming in at exactly where we thought it would be. What's going to be different for the future, what has to be different, is we've got to pull Banana Boat apart from Hawaiian Tropic.

Historically, they came together via the same acquisition. They were distributed by the same sales teams, in some cases crafted by the same marketing teams, and so they got too close to each other. And so as we're pulling them apart, Hawaiian Tropic is an 18- to 30-year-old female. That's the target. The Banana Boat target is us. The family, it skews older and then family, and all about just great protection when you're outside that you can count on, will last longer, be effective in water, sweating, whatever you need. Banana Boat Sport, that is what it is, and it's at a great value tier price point. The category is premiumizing right now, which is actually an opportunity for us. Volumes are up, pricing is up. It's not going the other way.

So with Banana Boat, making it stand for something and be the democratized best player in that value tier for sun protection for your family is the positioning. We have a complete brand restage and overhaul we're launching in next year that we think will return the brand to growth. A complete package restage, bringing the heritage look and feel together in a very modernized way, new content, new campaign, and incremental investment going behind it. So we're quite excited. A lot of the team that had crafted some of the things on Hawaiian Tropic have lent a hand to the team crafting Banana Boat, and so we will have those two brands going forward domestically here, I think both in growth phase next year. Then internationally, Hawaiian Tropic is on fire everywhere we have it, growing double digits internationally. So there's a big international opportunity that I won't get into now, but that is going to be, I think, continued tailwinds for us as we go.

Lauren Lieberman: Okay, great. Let me jump. On grooming overall, how would you say grooming overall can become a more second scaled growth engine like sun for Edgewell? Do you need more brands? We talked about the success you're having with Cremo, but just more broadly, do you need more brands in grooming?

Rod Little: We don't need more brands. We love the three we have--Cremo, Bulldog, Jack Black--all in growth territory. Bulldog, for example, has grown 6 times the size it was when we bought it not that long ago and has real momentum. So we've got the right brand set. It's now more than 10% of the company and it is fast growing. And so for us, it's just how do we pump the resources it needs in to grow in a responsible way? We think, again, potentially accelerate from here with some of the momentum we have.

Lauren Lieberman: Okay, great.

Rod Little: Got the brand set, though.

Lauren Lieberman: Move to some closer-in questions. Fran, for you, can you give us a sense for what category growth is in your categories currently, and if you have seen any changes in consumption or promotional activity in any market that's worth calling out?

Fran Weissman: Yes. I think when you ladder back structurally, the categories are relatively stable. We see low-single-digit growth, and I think we operate in those everyday products, so there's a bit of consumer insulation that you get from that around sentiment. But overall, the consumer's resilient. We see some value-seeking behaviors, but we haven't really seen deterioration.

I think building on Rod's previous point, we're advantaged in wet shave because we actually operate in all the price tiers, from premium to prestige to value, and we actually supply private label. So we have a pretty good purview of what is happening across those different segments and we're not seeing brand deterioration. In fact, we're seeing our branded unit share growth growing, and it's not coming at the cost of private label. So from that standpoint, we're in a healthy place.

Promotional intensity varies by market. In the US, we definitely see some promotional intensity, but we really try to balance the combination of our brand investment, our revenue management principles, and price pack architecture to really just try to balance out the price value equation with the consumer. So we feel like that's in a balanced place, and we're in a position to provide that value.

Lauren Lieberman: Okay, great. You have talked about fourth quarter being the strongest of the year from an organic sales growth and gross margin standpoint. Just a couple questions. One is, how much of this is driven, the acceleration is driven by comps or one-time factors versus an underlying improvement in trends? And then also, I was hoping we could just get, related to gross margin, a reminder of current expectations for tariffs and inflation and what flexibility you have in the P&L should things be tougher.

Fran Weissman: Yeah, no, that's great. So Q4, I'll take that in two parts. I think our performance is a combination of things that we're cycling from last year and structural improvement. If we think at top line growth, that's structural improvement. We always recognize that half 2 was going to be this inflection point towards growth. We saw that in Q3. We anticipate Q4 being our strongest quarter, and that's really underpinned by a lot of the key points that Rod highlighted. Better performance within North America, that's structural with better consumer health metrics, household penetration, market share growth. We've also had brand investment. We intentionally phased out our brand investment to make sure that we're supporting our strongest growth quarters. So we've got a substantial amount of brand investment coming into Q4 to support that, and we believe international will get back to its more normalized growth trend. So some of this transitory noise that we've had around supply constraints really start to normalize out. So top line growth is definitely structural as we look at that pivot point.

I think what ends up having some noise is gross margin. It's an extreme step-up within Q4. Some of that we had anticipated from the start of the year. We were cycling through one-time costs from last year. We were also cycling through FX movements that phased out differently. So that's about two-thirds of the step-up. But one-third of the gross margin step-up is actually our productivity initiatives. So those are phasing out more into Q4, but that's a structural improvement overall, year over year in the quarter but also the year. And I think when you combine that with tariffs and inflation and ladder back for the year, clearly, as you've said, it's volatile. So trying to predict exactly where that's going to land, I think that changes every day.

But I think from what we can control, we are very focused on our productivity levers, our revenue management levers, and those have been the things that have helped us to mitigate those inflationary pressures. And this year, despite tariffs being a net headwind and oil commodities being higher than we expected, we still anticipate growing gross margin year over year for the full year. So I think that's a testament to the levers that we do have to manage through that. But we can't predict fiscal '27, nor are we giving guidance on that at this point. But we think we've got the right levers to try to mitigate.

Lauren Lieberman: Okay. And just sticking with '27 for a minute, productivity is creating more flexibility. The past 2 years have been big reinvestment years. So how should we just think about broadly--I know you're not giving guidance-- but the balance between reinvestment, margin, earnings delivery, into '27?

Fran Weissman: Yes, great question. They don't come mutually exclusive, right? Our job overall and our ambition is to deliver consistent top line and bottom line performance. I think it's about really balancing the different components, so productivity is core to what we do. But I also think, as Rod mentioned earlier, we are moving towards making sure that our cost base is also optimized. So as we think about simplification, as we think about reducing and getting more efficient in our cost base, it actually gives us flexibility to be able to reinvest that back into our brands. And you're right. We have leaned in on investment, and we needed to do that to really improve the brand health metrics.

We want structural top-line growth, and that really has to come on the backs of investing in our brands to make sure that that brand health will give us future growth moving forward. We think we're in a pretty good position for that. So while the step-up has been steep over the last 2 years, we still believe we'll continue to invest incrementally, but we're going to be focused on really higher-return type of ROI initiatives and making sure that we're balancing that brand and capability investment towards those higher profit leverage initiatives.

So moving forward, while we're not giving guidance, our expectation is it's really a balance of all of it. We need to invest in our brands, we need to drive efficiency in our cost base and margin, and we need to really provide top and bottom line performance and cash flow generation. That's our equation, and we anticipate doing that moving forward.

Lauren Lieberman: Okay, great. You mentioned cash flow. One of the hallmarks of Edgewell historically has been the company's ability to generate strong free cash flow. Fiscal '26 is a step up from last year, but it's still below the $150 million to $200 million we've been seeing over the past decade. Can you just talk maybe conceptually about how the company can re-accelerate cash flow generation?

Fran Weissman: Yes, great question. I think cash flow has definitely been one of the stronger advantages for Edgewell overall, and the step back that we've seen over the last 2 years, a lot of that has been intentional. We talked about the Wet Shave consolidation, taking four plants into one plant. That has required a significant amount of capital and one-time investments. Those were things that we were intentional about, and those disproportionately have been hitting '25 and '26. Those savings are to come, and we'll see that over the next couple of years. But really, the one-time cost headwind and the cash headwind, we're feeling it right now, and we're also feeling it within working capital as we're making sure that our inventory is there to protect service and our customers.

So as we look forward, benefits now from the consolidation will be a tailwind, and we expect that those one-time costs will also begin to moderate. So as we think about our levers, it's still earnings and top-line growth. It's making sure that we're disciplined in our capital allocation, but it's also making sure that now as we're moving forward to growth, we've got a lot more tailwind to get back to that more historical growth trend.

Lauren Lieberman: Okay, great. Rod, we've seen many transformational deals within consumer staples over the past year. Without commenting on market speculation, how do you assess Edgewell's competitive advantages and opportunities for value creation as a focused personal care company?

Rod Little: We're in a great space. We love where we are. It's taken us a while to get here, but being in the four core categories--shave, grooming, sun, and skin--that I talked about, we think structurally healthy categories going forward, our relative position in the categories has improved. We like our positioning within the categories. We've got the ability to grow from here. The capabilities are in place to do that now, and as Fran lined out, we've got cost leverage opportunities not only in our cost of goods with the manufacturing consolidation that monetizes from here.

We also know that we've got opportunity to lower our structural cost base and our overhead SG&A lines as well, which we're working diligently post the Fem Care sale, not only to right size the structure of the company that's a smaller, tighter company, but to go beyond that and really streamline and simplify and unlock cost leverage on the overhead line as well.

So when you put that together, we've got more flexibility and more leverage than we've had before as we move forward with a leverage line that's also much lower and a much better place as well, that I think it just gives us more optionality, whether it be organic to grow our own business or anything inorganic that may come. We know what our business is worth. If there's an opportunity that creates more value than that, we're open. We know what we have, we know what we're worth, and we are very serious about maximizing value for our shareholders.

Lauren Lieberman: Great. So hopefully as we're sitting here again next year, so consider that an invitation.

Rod Little: Accepted.

Lauren Lieberman: Great. Perfect. What are one or two things you'd like to see Edgewell doing differently or better as you think about this goal of achieving sustainable top and bottom line growth?

Rod Little: For me, it is growth. We are talking about growth this year as quarter 3. And I think that's got to be consistently delivered. That's the one thing for me that is the most important. It's the priority to deliver consistent growth. So if we're sitting here next year, our implied guide for this year as we come to the end is, I think, flat to up a 0.5%. So we call it flat. We ought to be sitting here talking about 2% to 3+% That would be what success looks like to me. We're not guiding to that, but gosh, with healthy categories and improved capabilities, that's my focus, is driving growth in this company consistently. And the consistent piece matters as well. And I know Fran's probably got a different view. Likes the growth, but will keep me accountable on the cost line, I suspect.

Fran Weissman: Growth is required, for sure. I think for me, I'd like us to continue our productivity efforts, but make that more towards structurally lowering our cost base as well post Fem. And I think we've got those efforts underway that simplify and really change how we work, especially in a tighter portfolio. So I think as we fast forward to '27, the realization of that is really what's going to be my near focus.

Lauren Lieberman: Okay, perfect. We're going to end there and go to breakout. So Rod, Fran, thank you.

Fran Weissman: Thank you.

Lauren Lieberman: Thank you so much for being here. It was great.

Rod Little: Thank you.