Edgewell Personal Care

Q3 2026 Earnings Call

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CORPORATE PARTICIPANTS

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Rod Little - *President, CEO & Director*

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PRESENTATION

Operator
Good morning and welcome to Edgewell's third quarter fiscal year 2026 earnings call. All participants will be in listen-only mode. Should you need assistance, please signal conference questions by pressing the star and zero on your telephone keypad. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your telephone keypad. To withdraw your question, please press star then two. Please note this event is being recorded.

I will now turn the conference over to Chris Gough, Vice President, Investor Relations. Please go ahead.

Chris Gough
Good morning, everyone, and thank you for joining us this morning for Edgewell's third quarter fiscal year 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 third quarter 2026 results and full year fiscal 2026 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 and repositioning actions, impacts from tariffs and other recent developments such as the conflict in the Middle East, 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 that 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. 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 not superior to, measures of financial performance prepared in accordance with GAAP. However, management believes these non-GAAP measures provide investors with valuable information on the underlying trends of our business and allows 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. We delivered a solid third quarter that represented an important step forward in our fiscal 2026 progression. Organic net sales returned to growth, driven by a meaningful improvement in North America, where performance exceeded our expectations. We saw strength across sun care, grooming, and branded wet shave, reflecting improved execution across the business. Adjusted earnings per share and adjusted EBITDA were ahead of our expectations, while adjusted gross margin performance was in line with the outlook we outlined last quarter.

At the beginning of the year, we anticipated that fiscal 2026 would be a back half story and that the company would return to both organic sales growth and earnings growth for the full year at the midpoint of our ranges. Despite market uncertainty and increased pressure, we have stayed the course and the destination remains unchanged. We grew sales in the third quarter. We expect stronger overall growth in Q4. And with growth across international markets in North America, our outlook for the full year adjusted earnings per share and adjusted EBITDA is unchanged at the midpoint.

Importantly, the quarter provides encouraging evidence that the investments we have made and the actions we have taken are strengthening our brands and capabilities and are beginning to translate into improved business performance.

While the operating environment remains dynamic and challenging, consumption trends remained relatively stable during the quarter. North America returned to growth, and our priority brands continued to gain traction. Together, these results reinforce our confidence in the underlying trajectory of the business and our ability to deliver against our commitments.

Before turning the call over to Fran, I'd like to take a step back and share why we believe Edgewell is becoming a stronger business. We believe Edgewell today is stronger, more focused, and better positioned than it was just a few years ago. Our confidence is not based on any single quarter. Rather, it is based on a series of actions and investments that have strengthened the business and we believe position us to deliver improved performance over time.

There are four factors in particular that give us confidence in the path ahead, including our setup heading into fiscal 2027. First, we have fundamentally improved our ability to execute. Over the last several years, we have strengthened our leadership team, improved commercial capabilities, enhanced our analytics and revenue growth management tools, simplified the organization, and increased accountability throughout the business. These investments have strengthened how we plan, execute, and allocate resources across the business. Sustainable performance ultimately depends on consistent execution, and we believe the capabilities we have built are beginning to show up more clearly in our results.

Second, we've become a more focused company. Following the feminine care divestiture, our portfolio is simpler and allows us to direct a greater share of investment towards our highest return growth opportunities. In particular, we have increased investment behind our global-focused brands, concentrating advertising, innovation, and commercial resources where we believe they can create the greatest long-term value. In addition to the campaigns we outlined last quarter for Schick, Billie, and Cremo, this quarter saw another step up in investment, including year two of our Hawaiian Tropic campaign. We believe this focus is helping create a stronger foundation for sustainable growth, profitability, and cash generation.

Third, we are seeing encouraging evidence that our US business is improving. The US remains our largest value creation opportunity. During the quarter, North America returned to growth as commercial execution improved, distribution gains increased, and a number of our strategic initiatives gained traction. Importantly, we are seeing encouraging proof points across several of the areas where we have been concentrating investments. Hawaiian Tropic delivered strong growth during the quarter, supported by positive brand momentum, increased distribution, and continued retailer support. Cremo continued to gain traction across mass retail through expanded distribution and strong consumer demand, while Schick delivered encouraging performance across key portions of the portfolio. We also continue to see positive momentum across the Billie Shave portfolio, which delivered continued share growth despite a highly competitive category environment.

Notably, the progress we're seeing is not limited to sales results alone. Across many of our priority brands, awareness metrics are improving. Branded search activity has increased this quarter, and our recent Brand Lift studies indicate strengthening consumer engagement and brand relevance. While these indicators may not immediately translate into marketplace results, we believe they provide additional evidence that the investments we are making behind our brands are resonating with consumers.

The progress we are seeing is becoming increasingly broad-based. It is not being driven by a single initiative, customer, or brand. Rather, we are seeing positive indicators across distribution, brand performance, and category execution, which gives us increasing confidence that our focused investments are beginning to translate into improved marketplace results.

While we still have work to do and recognize that performance will not improve in a straight line every quarter, we believe the results we delivered in North America this quarter reflect meaningful progress and are consistent with the trajectory we expected to see.

Fourth, we are accelerating the transformation of our operating model. As we look ahead, we see meaningful opportunities to further simplify the organization, improve speed and agility, enhance decision-making, and create a structurally lower cost base. These actions are intended to help offset stranded costs associated with the feminine care divestiture while positioning Edgewell to become what we believe will be a faster, more efficient, and more responsive organization.

An important part of this effort is increased investment in technology, advanced analytics, and AI-enabled capabilities. We see significant opportunities to leverage these tools to improve consumer insights, accelerate innovation, enhance commercial execution, and drive productivity across the enterprise.

We believe these initiatives, together with our broader transformation and productivity efforts, will help create a simpler, more agile organization that is better positioned to deliver more consistent growth, profitability, and cash flow over time, even in a dynamic external environment. We look forward to providing additional details on these initiatives and our broader fiscal 2027 priorities during our year-end earnings call in November.

One important example of this transformation is our wet shave manufacturing consolidation, which is the largest operational initiative we have undertaken since becoming a standalone company in 2015. The project's objectives are straightforward - simplify our manufacturing network, modernize our capabilities, improve service levels, and create a structurally lower cost position. As we discussed previously, the project has created some temporary disruption as we transition

production across the network. While those impacts extended longer than originally anticipated and affected supply greater than expected in certain international markets during the third quarter, we continue to make meaningful progress against the implementation plan. As network performance improves, we expect to further strengthen production volumes, service levels, and overall operational effectiveness, positioning the business to deliver meaningful productivity margin, working capital, and free cash flow benefits over time.

Finally, disciplined capital allocation remains central to our strategy. We plan to continue investing behind the business where we see the highest returns, strengthening the balance sheet, reducing net debt leverage, and maintaining the flexibility necessary to create long-term shareholder value. Taken together, these actions give us confidence that Edgewell is moving on to a better performance path.

While it remains too early to provide specific guidance for fiscal 2027, the combination of four factors -- one, better execution; two, a more focused portfolio; three, improving U.S. performance; and four, a major operational transformation approaching its inflection point -- is why we believe we will enter fiscal '27 from a stronger position than we have been in several years.

The third quarter provided further evidence that this strategy is working. We returned to organic net sales growth, North America returned to growth, and we delivered earnings ahead of expectations, reinforcing our confidence in the path ahead.

With that, I'll turn it over to Fran to walk through our third quarter results and outlook in greater detail.

Francesca Weissman
Thank you, Rod. As Rod outlined, the third quarter marked an important step forward in our fiscal '26 progression, with organic sales returning to growth, adjusted EBITDA and adjusted EPS ahead of our expectations. I'll now walk through the quarter in more detail, beginning with top line performance, then the P&L, and our outlook for the balance of fiscal '26.

Now let's turn to our performance in the quarter on a continuing operations basis. Organic net sales increased 1.1% in the quarter as strong performance across grooming, sun, and skin, along with growth in branded wet shave more than offset continued weakness in private label wet shave driven by the supply disruptions previously discussed. North America organic sales increased 3%, driven by double-digit grooming growth, mid-single-digit growth in sun and skin, and a return to growth in branded wet shave. International organic sales declined 1.4%, reflecting the impact of the Middle East conflict, lower private label sales due to the temporary supply disruption discussed earlier, and a weaker than anticipated start to the sun season in Europe and Latam. Importantly, we continue to deliver growth in several of our key international markets, and we expect overall international to return to growth in the fourth quarter as supply chain challenges improve.

On a year-to-date basis, we have grown or held dollar market share in nearly 70% of our markets. Specifically in the US, branded unit market share has held steady or increased in 39 of the past 43 weeks.

Wet shave organic net sales declined 1.9% as continued supply disruption within private label more than offset growth across the branded portfolio. Encouragingly, branded wet shave returned to growth during the quarter, reflecting improving performance across our bogus brands and that our commercial initiatives in the US are beginning to gain traction.

In US razors and blades, category consumption increased 160 basis points in a heightened competitive and promotional environment. Our overall share remained pressured by private label availability constraints, but branded share declined 40 basis points as we cycled elevated promotional activity from a year ago and changes in our approach to couponing primarily in the drug channel.

Sun and skincare organic net sales increased 5%, driven by mid-single-digit growth in sun in North America, strong global grooming performance, and continued growth in skincare. Hawaiian Tropic, Cremo, and Wet Ones all delivered encouraging results in the quarter, supported by increased distribution, innovation, and brand investment. Cremo completed its seventh consecutive quarter of approximately 20% or more growth in grooming.

In the US, sun care category consumption declined approximately 2% in the quarter. Our value share declined 60 basis points. As expected, market share declines in Banana Boat more than offset 110 basis points share growth in Hawaiian Tropic. As sun care consumption can shift meaningfully between quarters, depending on weather patterns and the timing of seasonal demand, we believe a broader year-to-date market share view provides a more accurate read on the season than any single quarter. Looking at the category year to date, consumption through mid-July increased by 1.4% and overall market share was flat, generally in line with our expectations.

Now turning to the P&L, adjusted gross margin declined 30 basis points compared to prior year and broadly in line with our expectations. While margin ultimately came in as planned, the underlying drivers were somewhat different than what we anticipated entering the quarter. Inflation, particularly across certain commodities and input costs, was higher than expected. However, those pressures were largely offset by modest tariff refunds and higher productivity realized during the quarter.

As compared to prior year, productivity savings of approximately 200 basis points and 40 basis points of favorable currency movements were more than offset by unfavorable mix and promotional levels as well as inflation and net tariff impacts.

A&P expenses were 14.6% of net sales, up from 13.6% last year, as spending increased to support the new campaign launches as expected. While this was slightly below the levels we outlined for the quarter, the difference was largely timing-related as our outlook for the full year is unchanged.

Adjusted SG&A was 18.4% of net sales compared to 17.6% last year, primarily driven by higher incentive compensation and unfavorable currency impacts in the current year, partly offset by lower people and consulting expenses. Adjusted operating income was $53 million or 9.3% of net sales compared to $63.6 million or 11.3% of net sales last year, primarily reflecting the impact of lower gross margins, higher A&P, and SG&A expenses.

GAAP diluted net earnings per share from continuing operations were $0.26 compared to $0.46 in the third quarter of fiscal '25. Adjusted earnings per share from continuing operations were $0.72 and flat to prior year quarter. Currency favorably impacted adjusted EPS by $0.04 in the quarter.

Adjusted EBITDA was $78.9 million, inclusive of a $2.1 million favorable currency impact compared to $81.2 million in the prior year. Net cash provided by operating activities was

approximately $47 million for the first nine months of fiscal '26 compared to approximately $44 million last year, primarily due to changes in working capital. For the third quarter of fiscal '26, cash provided from operating activities was approximately $119 million. As a reminder, cash flow is presented on a consolidated basis for both continuing and discontinued operations. We continued our quarterly dividend payout, declaring a $0.15 per share dividend for the third quarter and returned approximately $7 million to shareholders via dividend.

Now turning to our outlook for fiscal '26, consistent with Rod's comments, our underlying expectations for the year and the second half are intact. As we enter the final quarter of the fiscal year, we are updating our outlook to reflect year-to-date performance and narrowing our guidance ranges. Following our return to organic sales growth in third quarter, we expect growth to strengthen in the fourth quarter, supported by a return to normalized growth trends in international and continued growth in North America. We also continue to expect material gross margin expansion in the fourth quarter, driven primarily by significant productivity savings, the cycling of one-time costs from a year ago, and favorable foreign exchange.

While we have modestly reduced our full year gross margin rate outlook to reflect a somewhat more challenging cost environment and the impact of lower international sales in the third quarter, we continue to expect gross margin expansion for the full year. Importantly, we remain committed to our planned level of investment behind the business as our expectations for AMP are largely unchanged. We expect favorable SG&A and financing items to provide some offset.

Overall, our outlook remains consistent with the framework we outlined at the beginning of the year. While the operating environment remains dynamic, we continue to expect stronger fourth quarter performance, gross margin expansion, and adjusted EBITDA and adjusted EPS and free cash flow that remain largely in line with prior expectations. Just as importantly, we are maintaining our planned investment levels behind our brands and strategic priorities while continuing to improve productivity and offset external pressures.

With that context, I'll walk through the core metrics of our fiscal '26 outlook. Organic net sales are expected to be in the range of flat to plus 50 basis points. Adjusted EPS is expected to be in the range of $1.80 to $2 per share. Adjusted EBITDA is expected to be in the range of $250 million to $260 million. Adjusted free cash flow excluding the impacts of fem care divestiture is expected to be approximately $80 million to $110 million. And we expect adjusted net debt leverage to end the year in the range of 3.3 to 3.4 times, which includes an estimated 0.3 to 0.4 negative turn impact from temporary fem care divestiture timing and related items.

Taken together, we believe the actions we've implemented position the business well to finish fiscal '26 on a strong note and enter fiscal '27 from a position of strength. 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
Thank you. We will now begin the question and answer session. To ask a question, you may press star, then one on your telephone keypad. If you're using a speakerphone, please pick up your handset before pressing the keys. If any time your question has been addressed and you would like to withdraw it, please press star, then two. At this time, we will pause momentarily to assemble the roster.

And the first question comes from Peter Grom with UBS.

Peter Grom

Great, thank you. Good morning, everybody. Hope you're doing well. So I wanted to start just on the top line and maybe just thinking about the fourth quarter a little bit. So can you maybe just help us understand the confidence behind the implied acceleration in the fourth quarter, especially kind of given the weaker wet shave and international results in 3Q?

Rod Little
Yeah, good morning, Peter. Thank you for the question there, I mean, that's the focus for us, has been the focus. We've said from the beginning of the year, we provided the guide that this was going to be a back half inflection to growth. You see the result for Q3, and as we look to Q4, implied is an acceleration in Q4 off of Q3. I think we feel confident in that. All segments of the portfolio from a branded perspective are growing in Q3. We see that continuing in Q4.

Q3, as you would have seen, was impacted by what is more of a transitory impact around supply chain, primarily around private label products into both Europe and Latin America. And as we cycle that and look to Q4, that improves. And July is a data point that we have line of sight to, and we've seen what we expected there in July. So I think we feel good about Q4.

The other thing we're doing, you're seeing our A&P spend for the year be unchanged. We've not changed or reduced that spend on a full year basis. There is a profile shift as we looked at the execution from Q3 to Q4. So implied in the forward-looking guide is more spend in Q4, as well, which gives us confidence with the campaigns we have in place, July in the books and that spend that we can deliver the step up. I don't know if you'd add anything, Fran.

Francesca Weissman
Yeah, I think you covered all the points, Rod. Maybe a finer point on Q3 performance for international - we do view this as transitory. The impact was probably about 350 to 400 basis points to international, so their run rate would have been right around 3%, which is where we expected them to be. And looking ahead to Q4, we're expecting mid-single-digit growth, which is in line with our overall expectations, especially on a back-ended sun season.

Peter Grom
Great. And then I guess, I know we're not getting guidance today and the category growth remains volatile, but I guess as you look forward to '27, do you believe you're kind of exiting '26 with a better underlying growth profile than maybe the results reported in 3Q would suggest?

Rod Little
I think, Peter, we feel good in that, if you go back a year ago when we provided the guide for the year, there was an implied step up in the second half of the year. It was more in the range of our old algorithm that we had talked about, kind of in that low single digit growth rate. And now we sit here in the back half of the year, and we have line of sight for the second half to that. And I think as we look at how we move forward, the brand momentum, the brand strength we have, how we're coming through the supply chain manufacturing change, that headwind here that you saw in Q3 is largely going to be behind us. We can't predict that perfectly.

So I think if you look at the second half in total, we think that's a good proxy as we look out to '27 for top-line growth rate. We should be growing next year. We're not ready to give guidance on that. We'll do that next quarter. But we have increasing confidence that we can do that. And I'll tell you, part of what's different today than a couple of years ago is the absolute strength we have in some of our brands. Cremo's now 20 plus percent for the seventh consecutive quarter. In the quarter just finished, Cremo grew 70 plus percent at the top retailer; North America is now a top three brand in all of men's. That brand has tripled and headed towards a quadruple in a very short period of time. That provides real tailwinds to us.

The other brand strength piece I would call out is Hawaiian Tropic. A year ago, that was the number six brand in sun care. Today, it's the number four brand in sun care, and it's had the largest increase in household penetration in the category.

So it shows you the teams that are building these brands are doing an excellent job. And then as we go out to retailers, we talked about distribution outcomes -- we had net gains in distribution this year. There's no reason we can't have at least neutral or better gains as we look to next year. So I do think there's underlying strength. Again, we feel good about branded shave. In the quarter just finished, private label shave was down 10%. Branded shave was up nearly one, right? And so as we sort the private label piece out, I think we feel good overall in our capabilities just being better to grow as we move forward.

Peter Grom
Great. Thank you so much. I'll pass it on.

Rod Little
Thank you.

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

Operator
Yes, the next question comes from Chris Carey with Wells Fargo Securities.

Chris Carey
Hi. Good morning, everybody.

Rod Little
Morning.

Chris Carey
I wanted to ask first about gross margin. I think in fiscal Q4, you're implied to deliver your best gross margin in at least five years. I think, clearly, there was a restructuring -- not restructuring of the business, but your portfolio is different following the divestiture of feminine care. So if you look at the last few quarters of gross margin delivery inclusive of what's implied for Q4, it would be suggesting a decently higher run rate than what you're landing on the full year this year. Is there any reason why gross margins shouldn't be up next year, given that you're operating a structurally higher gross margin business, or are there anomalies that you would highlight in the -- namely into the back half of the year gross margin that won't repeat.

Rod Little

Great. Yeah, no, Chris, let me just give some overall perspective, and then Fran can build on this. Look, part of the rationale in divesting fem care is it was gross margin profit dilutive, and it was a capital-intensive business, right? So strategically, we moved away from that, and we put our investments in the higher-margin businesses that are less capital intensive. Strategically, directionally, that's where we're going. And so we have that fact as we go into next year.

The other thing we have as we go into next year is we start to lap what is a net investment period and begin to realize some level of return on the plant manufacturing consolidation program. And so what we don't control and know is what is the inflation rate we face next year, right? That's an open input as you look at oil and the whole commodities complex, where does that sit. So we're not going to give a guide for next year, but what I would tell you as we go into next year, I expect gross margin to be up year-over-year percentage points versus fiscal '26. So we're not going to give a specific range on that, but yes, we should be up year over year with what we have line of sight to. So Fran, I don't know what you would add to that or -- Q4?

Francesca Weissman
Yeah. Thanks, Rod. So, Chris, I think when we look at Q4, and we talked about it at the last quarter, we always expected in half two we would have gross margin acceleration that was concentrated in Q4. And when you double-click into Q4, it's two factors. One is really related to productivity initiatives and how they phased out in tariff mitigation, which we anticipated we'd be at run rate in Q4, and that's about a third of the uptick in gross margin. Two-thirds of it though is what we're cycling versus last year. Just significant portion is FX and also one-time items where we had inventory adjustments and deflator changes.

So when you really remove the cycling aspect of it, we're pretty much at the absolute run rate that we've seen in Q3 and what we're seeing in the full year average. So structurally, we're in a healthy place; we just have to get rid of the noise in Q4 of what we're cycling versus the year before, which we're realizing disproportionately this quarter.

I think when you press on to fiscal '27, as Rod said, we would expect that we would be accreting gross margin really based on the factors that we've had all along, significant productivity savings, more modest inflation, and continued focus on SRGM and mixed management with healthier brands going into fiscal '27. But we do know there's market volatility. And at the last quarter, we talked about oil, and we tried to size it at that point in time. Clearly, these prices have been continually changing. So we're not giving a guidance in terms of what we're expecting as far as oil is concerned. But based on where the spot rate is right now, it is materially less than what we had quantified last quarter and definitely in a much more manageable place.

Chris Carey
Okay. Thank you. One follow-up would be there were headlines during the quarter about an unsolicited offer and that the Board had rejected the offer as insufficient. To the extent that you're able to comment, can you just talk about how you view the long-term opportunity at Edgewell and the value creation relative to perhaps how others may view the value of the company? Thanks so much.

Rod Little
Yeah. Look, Chris, we can't comment specifically on rumors or speculation in the market. So there's nothing to say or confirm relative to that story that broke mid-quarter. What I would tell you is, as you can see in our numbers as they're evolving and in the line of sight we have towards '27, our focus is on building value organically. And we're increasingly confident we can grow sales, build margin, and improve the structural profitability of the company. We're laser focused on that.

The board has a fiduciary duty. If there's ever something that comes inbound that can beat that organic plan, which we have financial advisors and legal advisors, we go through a very strict fiduciary process to consider anything that's inbound versus the value of the organic plan, and if it beats it, then it beats it and the board would follow that through. And so I can assure you we're focused on building organic value, and if there's something added to that, I and the board are open to whatever that is.

Chris Carey
Okay. All right. Thanks so much.

Rod Little
Thank you.

Chris Gough
Thank you, Chris. Operator, next question, please.

Operator
That comes from Susan Anderson with Canaccord Genuity.

Susan Anderson
Hi, good morning. Thanks for taking my questions. I guess maybe I just wanted to follow up on the international weakness. It sounded like maybe it was mainly private label. I don't know if you could talk about just how the branded or Schick performed, particularly in Japan in the quarter. And then also, the Billie data in the US has been a little light of late. I guess just curious, is that brand -- is it just more maturing of the brand or is it increased competition and what you're expecting out of the brand as we look forward? Thanks.

Rod Little
Yeah, we'll take those in order. Again, I think the Q3 results, if you look at the international step back in the quarter, we -- that was primarily private label and shave, and it was focused primarily in a couple of European markets and Latin America. Again, branded shave in the quarter grew in international in line with what we expected. So the weak spot there was uniquely limited to private label in a couple of markets.

We have now solved much of that from a production capacity standpoint as we look to July. The step-up we're expecting to international being back in that mid-single-digit growth rate, we actually saw happen. And so we are confident that that part of this is transitory.

Japan continues to be a strong market for us, exactly as we expected in the quarter. Japan will be in growth as you look at Q3, Q4 combined in that mid to high single-digit rate. We have very strong innovation that's gone into Japan on the Base Hydro lines, both men's and women's. And we have new innovation coming in our Schick First Tokyo range that will hit towards the end of the fiscal year here. And so I think we feel really good about not only Japan, but international branded shave with the gap in private label closing off.

As it relates to Billie, I'll let Fran give a couple of details there, but we feel really good about the business. We continue to grow share in every period. The absolute growth rate is slowing versus where it was a couple of years ago. But again, the brand is growing. The brand is growing market share. And I'm excited about the portfolio and the innovation to come in Billie as we start to look at next year. We haven't had a focus on innovation in that brand over the last couple of years like

we have now and what will be coming over what is a multi-year string of new innovation to come on that brand with what we think is some pretty breakthrough technology in shave. Fran, I don't know if we're missing anything.

Francesca Weissman
Yeah, Susan, specifically on your Billue point, what we have seen in Shave is that Billie actually grew about low to mid-single digit in the quarter. We see continued share gains. And I think more importantly, what we're encouraged by is the increase in household penetration because that really does point to the structural health of the brand and supported by now a campaign that we just launched in Q3. So we really feel good about overall Billie shave. some noise around Billie's grooming and portfolio in terms of what we're cycling versus last year. But shave, which is the core focus of Billie, has been performing in line with our expectations.

Susan Anderson
Okay, great. And then maybe just one follow-up on the sun care business and the strength we've seen there - I guess, should we expect any more replenishment or do you think that's done for the season? And then just curious, any comments around inventory at retail in your categories, if you're seeing any destocking or anything?

Rod Little
Yeah, we have -- we expect some to grow in Q4 with what we've -- kind of what's implied here. It would suggest some replenishment into Q4. One of the things we've seen is the season has had a bit of a longer tail domestically here in the U.S. the last couple of years. So we do have that implied. What I would point you to on sun care, though, is if you look at a year-to-date range and you take the quarterly noise out of it, the category is up about 1.5% year-to-date through the first nine months. Our performance is very much in line with that. We had planned -- there's two different stories on the brands. We had planned Banana Boat to be down this year with some distribution changes - has come in as expected ahead of what is a multi-year restage of that brand. You've seen the marketing, the positioning change. We've just lit up a new campaign around Banana Boat. And then the big move as we launch into next year is a new packaging refresh, which is being super well received, obviously, by the consumers in the test markets, but also retailers are very positive on that.

And then Hawaiian Tropic, I mentioned earlier, is now the number four brand in sun care, up from number six year ago, has grown 110 basis points on the year. And I think from a portfolio perspective, we feel good about what we take into next year.

Susan Anderson
Okay, great. Thank you so much.

Rod Little
Thank you, Susan.

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

Operator
And that comes from Olivia Tong with Raymond James.

Olivia Tong

Thanks. Good morning. I know the backdrop is obviously pretty dynamic at the moment between the consumer constraints and higher costs, as well as the actions you're taking, like the manufacturing consolidation. So understood that you narrowed the full-year '26 range. That said, it clearly implies a pretty wide range of potential results for Q4. So can you talk about what underlying expectations you have that gets you from one end to the other, given that some of the supply chain things that you mentioned, you feel like you've remedied, you have pretty good line of sight with respect to both the cost -- the gross margin acceleration as well as the advertising shifts? =

And then just for fiscal '27, I know we'll get a fuller outlook next quarter, but you did mention that you're in a stronger position than you have been for several years. So as you see it today, just specifically on organic sales, you're back to growth in North America. You did provide some clarity in terms of gross margin optimism, so we'd love a little bit more color in terms of your puts and takes on the organic sales line. Thank you.

Rod Little
Sure. Good morning, Olivia. So from an overall consumer perspective, I think similar to some others that reported before us, we're seeing similar things, remarkable resilience here. The categories, if you look at the average -- aggregate growth rate average, a little bit of slowing, a little more competitiveness, but not a meaningful change in terms of trend change and direction. So I think consumer continues to hang in there. You're absolutely right on the higher cost. Tariffs are not hurting us as we go forward here. And then we've got this potential inflation around the whole oil complex. So that's what we face.

Our Q4 guide, I guess what's implied, if you look at the year, I would have you focus on the midpoint, right? That's what we're focused on, making sure we deliver and are working very hard to beat that. That's what we set out at the beginning of the year. That has not changed. The ranges around it have, more than anything, reflecting the dynamism in the market and just the volatility that I think warrants a bit of a wider range versus normal times, and that's up and down, right? So I think it's appropriate for where we are. I'll come back to the sales growth thought for next year, but Fran, anything to add to the guide range piece?

Francesca Weissman
I think you covered it, Rod. As we look back to half two, our midpoint of our guide we've not really changed, right? There's been some phasing shifts between Q3 and Q4 for expectation for the year [inaudible] that's what we're focused on. We've just tightened the range to really focus on volatility that could happen. But more importantly, we've been consistently delivering over the last few quarters in line with our expectations and feel really good as we go forward into Q4.

Rod Little
Yeah. And then as -- in looking at that sales line for next year, Olivia, I think there's a couple of things going on. Overall categories, we're seeing a little bit of a slowdown. If you look forward and look at what are people projecting, not only domestically in the US, but across European markets, in our categories, there's a view that there may be a little bit of a slowdown coming at us. We'll plan accordingly, right? We're not going to plan for categories to accelerate from here, certainly. So from a planning basis, I think that's how we're looking at it - stable, potentially a little slower growth in our categories.

But as we've referenced on the call earlier, what we take into next year is stable if not growing distribution in aggregate globally. We take a stronger brand help with growing household penetration in many of our brands. And we take into next year significantly improved capabilities

in our frontline commercial sales and marketing teams across the board that we just have confidence in. And so when you stack that up, I don't want to give a range or a number or predict anything next year, but back to this low single digits growth rate, that ought to be achievable, right, as we build our plans and work towards giving you all a guide three months from now.

Olivia Tong
Great, thank you.

Chris Gough
Thank you, Olivia. Operator, next question, please.

Operator
There are no more questions in the queue. I would like to turn the comments back over to Rob Little for any closing comments.

CONCLUSION

Rod Little
All right. Hey, thank you, everybody, for taking the time to be with us this morning. We're pleased with where we are this year against the commitments we made at the beginning of the year, given the environment we're operating in, to have line of sight to deliver the commitment we made at the beginning of the year. There's three things driving that - more consistent delivery around top line and how we're planning and the investment approach we've taken where we're investing significantly more in advertising and promotion behind our brands. Second, we're building more and more resiliency into our plans, and I think you see that as we face headwinds, some external, some self-inflicted from time to time. We're now in a planning stance where we're able to offset that, and that's what we want to continue going forward. And I think as we have more parts of the portfolio winning and stronger, it becomes incrementally easier to do that. And third, we are very focused on improving structural profitability in the company. We'll talk more about that next quarter, but as we look to simplify our operations, improve productivity, and lower our cost base, as we bring that together with some top line momentum, we think we have an opportunity to not only invest but also build margin. So anyway, we'll talk in November. Thanks for the time. And our year-end call in November will provide more color towards '27. Thank you.

Francesca Weissman
Thank you.

Operator
Thank you. That concludes today's conference. Thank you for attending today's presentation. You may now disconnect your lines.