Edgewell Personal Care

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Jason English: Consumer staples is on fire. I've been doing this a long time. Many of you have been doing this a long time. As you know, one of the best ways to make money in this space is to get involved with a turnaround story. A company that successfully turns itself around, the stock ultimately follows, the investors make money.

These stocks, though, ahead of that turnaround are usually cheap, and there's a crisis of confidence. But like any great epic story, a heroine or team of heroines emerge to defy the odds, overcome perilous obstacles, and ultimately prove victorious.

It is within this vein that I'm thrilled to have the Edgewell Personal Care company kicking off our conference this year. Gather around, because what you're about to hear is a story of an epic turnaround adventure. And to tell the tale firsthand are two of the heroines in this story: CEO, Rod Little; CFO, Dan Sullivan.

Gentlemen, heroines, thank you.

Dan Sullivan: I don't know how you follow that, Jason. That's a great kickoff.

Well, good morning, everyone. I'm going to quickly spend about five minutes just giving you the headline of Edgewell. I want to spend most of our time, obviously, in the Q&A with Jason. But there's two topics that I do want to hit on fairly quickly. One is exactly where Jason started, which is this strategic turnaround that we began about three years ago. There's a couple of underlying pillars to that strategy and that transformation that I'll share. And then, secondly, get to the proof points. We have seen a significant change in the trajectory of the business, top and bottom line. I'll share with you some of that.

That's us. You know these statements.

And now we get to the story. If I had to put seven months of work redefining our strategy on one page, this would be the page that I would use. Because at the core of our transformation is rethinking our portfolio. There's quite a bit on the page. Headlines are this. Healthier portfolio of brands. Diversifying away from a heavy-shave, heavy-fem care business, which is who we were three, four years ago. Using acquisition to move into interesting categories like grooming, with a much more attractive growth profile and a clear right for us to win. That's what the strategy calls for. I think, importantly,

underpinned by a commitment to enhance capabilities across the organization; most notably, in becoming a more forward-thinking CPG organization. So, brand building, DTC execution, innovation platform, all underpinning this notion around moving our portfolio from shave-, fem-heavy to groom- and sun-heavy.

Underpinning this business is how we operate. And this is probably a really good summary of how we think about running the business. We are maniacal on cost – if you know our story, you've seen that: 200 basis points a year in offsets coming out of COGS – which feeds a really attractive gross margin profile, exchange and inflationary pressures notwithstanding. And then, we're a business that has really attractive operating and free cash flow, which gives us great optionality in terms of how we think we want to allocate capital for the business.

This is the algorithm that we put out two and a half years ago at our first-ever Investor Day. We'll talk about it over the next 20, 25 minutes. It was met with skepticism, for sure. But what it called for was consistent top line growth, organic 2% to 3%, and it talked about a P&L that grew at a faster rate. So, you see EBITDA productivity, you see EPS productivity, and you land in a model that says 2% to 3% translates into 6% to 7%. That was the algorithm; I'll show you in a minute how we've performed against that.

So, what are the proof points? Is the strategy working? And is the transformation gaining traction? This is a really simple way to look at our top line story. If you were to rewind a couple of years ago, we were a company that was declining at the top, low to mid-single digits. Over the period leading into the pandemic, it was closer to mid-single digits. And in the three years running now, we're at about a 4.5% three-year stack. Obviously, playing out differently by portfolio. But we're seeing healthier brands in healthier categories, with an organization that's far more capable, with really interesting and compelling M&A that's helped us along the way; the Cremo and the Billie brands, which we'll talk about, being at the top of the list.

Here's our first half results on a page. We just released our 2Q results a week ago. I won't go through all of the data points, but you can really get a sense for some of the things Jason was alluding to. We've grown the business almost 8% for the first half of the year. We've grown EPS 16% on a constant currency basis.

And the next two points, you see what we've brought to the table not only in cost savings, which is bottom-left of the page, but in price gains. Two quarters in a row, we have fully offset inflationary pressures within gross margins. So, we have a really clear line of sight now back half of the year to see year-over-year margin accretion.

We think we've done the right things around capital and returning money to shareholders. We've seen some pretty interesting TSR results.

For the full year then if you look at the Edgewell business, we just took our top line outlook up to the high end of our range; so, 5% organic growth. You can see some of the numbers there.

We didn't talk about it earlier, but we think about a right-to-win portfolio and a right-to-play. We think right-to-win will grow double digits. We think right-to-play will grow low to mid-single digits.

I mentioned the margin profile is now starting to turn. We expect somewhere between 175 and 200 basis points of year-over-year margin accretion in Half 2. We're going to

continue to invest obviously behind the brands, start to generate OP margin accretion despite FX. This is the story that we are building in Year 3 of our journey.

So, key takeaways. It's a different company, being run in a different way, with a different portfolio of brands, and not surprisingly, delivering a much different outcome.

So, with that, I'll pause. Jason, I'll turn it back over you so we can get into the Q&A.

Jason English: Awesome. That's a great intro. Thank you, Dan.

So, I wanted to open up with a bit of a preamble in terms of pre and post the company since you guys joined. You gave us some of that, particularly around the portfolio front. I think you detailed the portfolio. You also mentioned that you've got an organization that's now more capable. I'm hoping that you can expound upon that a little bit. Because I think there's been also not just a change in portfolio, but a lot of change in terms of people and process and the way you do business. Can you elaborate more on that front?

Rod Little: I'll take that one. So, Dan and I took – we were in our positions that we're in today as of 2019; so, just ahead of the pandemic. And at that moment in time where were we met and came together, we were in the middle of trying to get a transaction done to acquire the Harry's business. You'll recall that. Ultimately, blocked by the FTC on that transaction in February of '20. And then the pandemic hit the next month, in March of '20.

At that moment, we were going to acquire some capabilities via acquisition. But with that being blocked and the pandemic hitting, we used Year 1 of the pandemic to radically transform the talent we had in the company. Because in those early days, a lot of interesting talent around DTC companies, more digitally oriented companies that didn't have a lot of cash flow, people were dislodged in the early moments of the pandemic. And we went out very aggressively and hired essentially the bulk of our digital team that we have in place today in those early days of the pandemic. Our North American president, who has spent time at jet.com, for example, we brought in, in the early phases of the pandemic. So, a lot of what we were going to acquire – the more modern, more capable, younger in profile – we ended up building out in that first year of the pandemic.

And so, I've got a leadership team that's better at every single position than what it historically was. We have a strategy that's clear. We have proof points that are out there now. And the type of talent we can acquire is just fundamentally different.

The final thing I'll say just around people and talent – because our purpose, values, and behaviors are all oriented around people first. People are the most important thing you have in a business. And we say that publicly with our team. We treat our team in a way that we've got to live up to that or they leave. People have options. And so, we've had better-than-industry turnover, by far, over the last couple of years, where we're well below where we were pre-pandemic in terms of our turnover, and the profile of who we're bringing into the company is just different and better.

We don't have to chase people to come to the company. We used to have to chase people and convince them "we are going to be successful, come be part of the turnaround." There's a certain person that responds positively to that – I did, Dan did – but there are other people who want to see the proof points before they jump on and join. And we have the proof points now. And so, our recruitment of who we're bringing in is just better.

And then we've got a really clean structure. It's efficient. It's simple. It's effectively global to local. We've eliminated some layers in between. And so, we're empowering local teams to do great things without all the bureaucracy in between. A straight line to us, for example, with Europe, Latin America, Japan, and China. They're direct reports into us now.

Jason English: Okay. That's a lot of change. So, the people you're hiring want proof points. Investors always want proof points, as well. Clearly, they've seen enough proof points to drive some relative rerating in your stock in the last couple of years. But frankly, your stock is still cheap relative to other HPC companies.

Rod Little: I agree with you.

Jason English: Substantially cheap. It's a hefty discount, suggesting of course that investors still want more proof points. And many can look and say, "Ah, this organic sales growth, like, it's a COVID bounce. Clearly, wet shave, coming back; sunscreen, coming back. And it's a lot of inflation. And so, you've got transitory price in the system that's causing top lines to be inflated. This isn't durable. When the dust settles and the COVID rebound is behind us" – which it probably is already – "then the price moderates. There's not a lot of access to growth."

And what would you say to those skeptics who don't really believe that there's real true durable growth underpinning this?

Dan Sullivan: It's an interesting question. I think we're sort of excited. We get asked more, when are we going to rethink the algorithm and take up the top line, versus can you deliver it. But it's a fair question with all the noise in the system, the rebound, the price, etc.

I would say a couple of things. One, on proof points, I think all of the capabilities that Rod talked about, all of the talent we've brought into the organization, manifests itself in the first way, which is we have a much better portfolio of brands that we architect and execute in a much better way than we ever have. The communication is different. The brand strategies are different. They're being executed in a different way. Our DTC platform is different.

So, I think the first thing I would say, Jason, is the portfolio has healthier brands in it today, that are executed better.

I think the second thing is the innovation platform is better. It is based much more on consumer insight than on technology. The program has been re-architected. We're faster now from concept to shelf. And we've seen actually that we've delivered some pretty interesting and compelling innovation.

And when you get the two of those right, I think it leads to the third point, which is shelf outcomes. Far more positive, far more predictable. In the early years, when I showed you that number of declining top line growth, that was fueled by losses on shelf, easily. That was the driver. We've now gotten to a position where not only in categories like men's shave or fem care, where we hold position on shelf, but in women's shave, both here in the U.S. and globally, where we're gaining on shelf.

And so, I think it's about brands and portfolio. It's about an innovation platform. And it's about shelf outcomes. The three of those in total make the growth profile sticky for us. We're confident that we can deliver.

Jason English: I think one other thing that's changed a lot – from you showed, like, your mid-single-digit declines back to pre COVID – is the category backdrop, particularly around wet shave. The men's category was in a tough position beforehand. Can you –? I'm not sure that everyone in the audience is familiar with that. So, maybe can you give us, first, a little bit of a history lesson in what was going on in the category? And then, give us some context of what you're seeing in terms of category dynamics, particularly around what wet shave in the U.S., and maybe walk around the world. Because you are a global company, and would love to hear some context of what you're seeing in Europe and maybe what you're seeing in Japan and the other markets that matter.

Rod Little: Let me start with that, and then we'll go.

The history lesson is important here on the category. And by way of background, I was at Procter & Gamble for 17 years. One of the things I was part of there is when we acquired Gillette. I was part of the group that brought Gillette in, and I was one of the lead people on the integration of Gillette into the business. I know Gillette very well. I know the people that work there. I know the technology. It's formidable. Gillette is Gillette. And we tried to buy Harry's. We were blocked by the FTC. We had a good look around Dollar Shave Club. So, I feel like I, as much as anyone, have a lens into this category from a competitive angle, from all the different lenses.

You have to go back to, historically, this was a two-player category. That's the historical dynamic. And in much of the world, that is still the case. Outside of the U.S. and the U.K., you still have primarily a two-player set here. When Dollar Shave and Michael Dubin launched their campaign in 2013-14 and Harry's came into the scene, there was massive disruption in the category that had never been disrupted before. And at that moment, both of those entrants were at low price points, value-oriented price points, lacking technology, IP, manufacturing excellence, which is still true today. But that was the case then. But the price was right and the tech was good enough for a certain set of consumers who chose to go to the disruptor brands.

Gillette's response to that was to take a 13% list price reduction across the board, just to drop the price on the value-oriented players. So, on top of that, you had increase in promotion spend and promotion rates. So, from 2015 to 2018-19, you had a declining category, double-digit declines in some cases, because at the same time you had that competitive dynamic with the pricing, you also had more beards being worn, more relaxed habits around grooming. So, less shave frequency, on average; in some cases, no shave frequency. So, you had that going on leading into the pandemic.

We had cycled most of the badness of that by 2019, in the very early part of 2020, where the category in the U.S. had actually come back to growth. It was growing low-single digits, because we were more like for like on the shave incidents and pricing had stabilized and the promotional intensity was out. Then the pandemic hit. Everybody went home and grew beards or shaved less often. The category was down mid-single digits in that first year of the pandemic.

But now two successive years, it's continued to grow. And it's a lot through price. You had two rounds, in our case, of price increases in the category. The category is less promotional. And you have a shave incident rate that is now flat to maybe even slightly up, depending on which segment you look at.

So, the category, not only in the U.S., is now fundamentally healthy and growing consistently quarter on quarter. You have that in Europe. You have that in Latin America back to growth. And Japan and China have been in decline for three years. The categories haven't recovered there. That's starting now with the reopenings. Japan just removed masks in March, was the mandate change there, and people were wearing them. And so, those are lagging categories.

But what I'll tell you, beyond the category being healthier, some of the things Dan was mentioning, our ability to compete and win and actually grow share in the category has never been better, and we're doing that now in many markets. In Japan, in Germany, in Latin America, and here in the U.S., we have been growing share in shave the last couple of quarters, with real strength in our women's portfolio.

And so, if you just take a snapshot of where we are today, categories are healthier. We're in a position where the disruptors have done their thing. There's no more IP or innovation to go. It's, like, they are where they are. And from here, it's who can innovate better, who can create better solutions for consumers, who can connect with consumers more and more digitally and via social media, ultimately, to drive sales and share. And we've got scale, and we've got IP, and we've now got know-how to connect with consumers. And you're now starting to see that come in the results.

The final thing I'll say, when money is free and you're not making money, it's pretty easy to go out and build a business to a certain level of scale. But when money becomes more expensive and you've got to make a profit, it levels the playing field back. And that's where we are now. We're in just a much better competitive position and the category is stable.

And we're the disruptor, by the way, with Billie. We're the ones getting new distribution, not other people. And that's fundamentally different.

Jason English: Well, let's expound upon that because – first, for context, I think a lot of people still think about the business as a men's branded wet shave business, a U.S. branded wet shave business. What percentage of sales is that for you, roughly, U.S. branded men's wet shave?

Rod Little: Two percent. U.S. mens.

Jason English: Marginal.

Rod Little: Total company, Wet Ones is bigger, by quite a bit.

Jason English: I think there's a big disconnect between perception and reality on that, which is why I wanted to shine a spotlight on that.

But you're having success in women's. Billie is leading out now, but you've been having success for a number of years. This isn't just a Billie story. It's a multi-pronged story.

Rod Little: Right.

Jason English: Let's expound upon that. Like, what have been the levers you've been pulling, the momentum you've had there? Then let's maybe finish off with Billie, which is your most recent edition to the portfolio, and where we stand with the progress of building that out.

Rod Little: Women's shave has always been the strength of our shave portfolio. We've historically had two really good brands: Hydro Silk and Intuition. Hydro Silk, more of a – think of it like-for-like for Venus price point. It's our best technology. Very, very high performing razor.

We've made that a head-to-toe hair removal, hair maintenance brand, as women are taking hair off in more places and managing hair, whether it be dermaplaning to take peach fuzz off the face or other body parts. Hydro Silk is the complete solution brand. We've got tools within that range to take care of all of that.

Intuition is a one-of-a-kind brand. It's very unique, very differentiated. It's got the soap bar and the bigger handle around the razor cartridge for ease of use in a bathtub or a shower. Very differentiated. Protected with IP. Nobody else has that format or range.

And so, if you think from a price point standpoint, Hydro Silk is the highest, Intuition is next. We did have an opportunity in the more value-oriented category. That's where Billie comes in. We'd been supplying Billie blades from the beginning. So, we know it's great tech. And it's beautifully crafted, at a demographic and a target that is younger, more diverse, at a value price point.

So, we now cover all the price ladders, with very differentiated propositions, with outstanding blade technology across the three. And it's a global business for us; not Billie today, but Intuition and Hydro Silk are global. And our shares in many cases are higher outside the U.S. than inside the U.S. Almost 60% of our shave business happens outside the U.S., ex-Billie. So, predominantly outside the U.S.

Jason English: Okay. And we're going to hear from Harry's later today, and Harry's is going to tell a story of how they're more than just a shave business. They took a brand, they have big shoulders, and they turned it into a whole grooming portfolio. Do you see similar opportunities with Billie?

Rod Little: Yes. So, Billie, Year 1 last year, DTC-native brand, launched in 2017. So, a quite young brand. Went into Walmart last year. Exceeded our expectations. Exceeded Walmart's expectations. Was the driver of growth in the category, that then became a very portable story as we come into Year 2. Effectively, a national launch that's happening now and we'll carry out over the next couple of years to be fully launched. Not only in blades and razors but, over time, much broader, more diversified.

I think the Harry's playbook there on how they have expanded and extended the brand directly applies to Billie. And we're already in long-lead conversations with the retailers you would want us to be talking to about logical and natural adjacencies, where we'll lead some disruption in some new categories.

Jason English: And we've seen you do something similar with Cremo and Jack Black, too. Like, this is a playbook you've deployed and deployed successfully before.

Rod Little: Correct. And it's not theoretical. It's happening.

Jason English: That's great. Another success story – that's a turnaround story. The other component of your portfolio that isn't really a turnaround story – it's been momentum and success building upon success – has been sun and skin, broadly. I think you're going into maybe your fourth season of share gains in sun, and many of us initially said, "It's a J&J. (inaudible) with their recall."

But damn, like year upon year, you're just building momentum. What's the secret to the success? And as we look forward to this upcoming season, I mean, we know the season is kind of won early because you get the distribution and merchandising. What's in the cards based on what you've secured already?

Rod Little: So, sun is one of our best businesses. It's one that – when I came in, no one wanted to talk about sun care. It was all shave, shave, shave.

And sun was quietly in the background. Good margin structure. Two great brands. We're not trying to be someone that we're not, with Banana Boat and Hawaiian Tropic. They're occasion-based brands. They live around people being active outdoors. Very differentiated targets. Banana Boat, oriented towards a mom, a family, a father. I buy sun care in my household. I did before I came to this company. Hawaiian Tropic, very much aimed at a beauty enthusiast, more female orientation, younger-skewing targets. So, we've put brand campaigns right on those targets very differentially.

The product formulations and the product efficacy is fantastic. Both brands don't leave white on skin. The rub-in is very good. The skin feel is good. Very light, ultra-light formulations now. So, you're getting to a point where it's not a terrible experience like it used to be and some kid-friendly formats in terms of how we play.

So, with that as the backdrop, you have to have that in place to have consistent growth. We also bring, on top of that, outstanding distribution and sales capability. We're the only player who has a direct store delivery sales force in high-volume markets. That is a priority for us. That helps us and advantages us on distribution outcomes, which have gotten significantly better this year versus last year, which was our best-ever set of outcomes.

And we do this all in-house. We're the only sun care manufacturer in the U.S. now who does end-to-end manufacturing in-house. We have complete control of quality, of flows, what we're going to run shift to shift. It shortens the supply chain. And everybody else is reliant on third-party partners, where the supply chain becomes much longer and you have less ability to react in season.

So, it took longer than you wanted on that maybe, but it's all of that together that's driving this sustained success in the business. And we've got opportunity for more brands to play in that space.

Jason English: I appreciate you taking some time. Because honestly, there was a couple of things in there that I didn't actually appreciate or know before. So, that's helpful, especially the DSD side. That was new news for me.

So, the sun – stepping back a couple of years ago, I saw the opportunity for you guys to improve in wet shave and the category to improve. We saw the momentum in sun and skin. We also saw a fem care business that was in a nosedive. And I think all of us, many of us – myself, particularly – had written it off as, like, an evergreen decliner. A lost cause for you. But you've turned this business around. What the heck happened there? And can we believe that this is durable? Or is this just a dead-cat bounce?

Rod Little: It is not a dead-cat bounce. It's completely durable. It looks like a dead-cat bounce now because it was a dead cat and we've had a nice bounce. But from here, I think we're very confident that we continue to grow in the category.

My very first job at Procter & Gamble, when I started into this industry space, was I was a financial analyst on fem care for them. Again, on the competitive brands.

Jason English: You've got a lot of competitive intel here.

Rod Little: I do. I think it's part of why I got the job (inaudible) because I could actually show I had some relevant background in some of these areas.

But in fem care's case, I wasn't convinced that we had the brands and the wherewithal to be successful when I joined. I wasn't. It wasn't focused for us. It was the last priority. Shave and sun came before. It was a bit of an afterthought. And you can't go against Procter & Gamble and Kimberly-Clark in anything with something as an afterthought.

So, we actually put the business up for sale. We did a strategic alternatives process. And we had a bid that we could have sold it for and looked you all in the eyes, and you would have said, "That's good value. We understand. You're getting focused on other things." But as we stared ourselves in the eye with that bid and got really honest with ourselves of what we learned in the process, we could create a lot more value by just running it properly.

And so, it starts with have focus, dedicated team. Our mantra is – we actually went to an internal private equity board, Dan and I and a couple of other people, to unlock fem care, get them out of the corporate infrastructure, get them a team that was directly focused on it, linked directly into the two of us, give them the resources to go be successful, take their incentive targets directly on their results, no corporate anything on it, and go after it.

So, we upgraded the team. We put a lot of focus on the business. We cleaned up the portfolio, which had been acquired through both Playtex and J&J. Parts of it came together. Got a marketing team on it that got very focused around a target for Playtex Sport. We had a bunch of legacy lines that we stopped. And very clear on a target for Carefree and Stayfree. Go after those targets with marketing messages. And off you go.

And good innovation, good marketing, good fundamentals, great team, strong focus. And here we sit, after multiple years of mid- to high-single-digit declines, we're now into mid- to high-single-digit gains in a way that, frankly, it's outperformed our expectations, if you go back to November 2020, more than anything in the portfolio.

And as we look at it, going forward, we've got really interesting things in the pipeline, that we think we're just at the beginning of the flywheel getting better.

The other thing, we're #2 in tampons now. So, that helps. We've passed Kimberly-Clark on that front. So, it's a very safe position now with retailers, when you can grow and you're #2, and we're #1 or #2, depending on how you look at it, in other segments.

And so, when you take what would look like a messy portfolio that was hopeless, you get focused now on key elements of the portfolio that are clear #2s and have rights to win with clarity on the target, it just – good things happen.

Jason English: It's impressive. We got about five minutes left. I've got more than enough questions to keep us going, but I want to invite the audience. If any of you have questions, feel free to raise a hand. And if you do get called upon, just there's a button in front of you you've got to press to talk into the mic.

Any questions out there? We got one over here.

Unidentified Audience Member: Great. Thanks so much. You mentioned that you hired the bulk of your digital team early on in the pandemic. Can you talk about how you're using digital, I guess, on the marketing side and how your shift in advertising spend has shifted over the past couple of years and what your expectations are, going forward? Sorry, that might be more than a five-minute kind of answer.

Rod Little: I'll be quick, because I've talked too long anyway. I know you had lots of questions.

Almost 100% of our spend now is digital when we look at our media spend in the activation. So, I would say 90%-plus. There's still a couple of markets where we do some non-digital activations. So, we've very much moved in that direction.

A lot of what we were doing pre-pandemic was reliant on third parties to help us, whether it be social media management, connections to influencers and working with influencers, activating Instagram or TikTok or any of the others. And so, we were reliant on people who looked at us as an uninteresting partner, just given our size and scale.

And we've in-housed all of that activity, effectively. We create our own content now. We're not reliant on big slow people to create the content. We do shoots on the beaches up in Connecticut, in Fairfield. We've got a studio in the office where we do shoots. And so, we do a lot of our own content creation. We have our own people, in many cases, in the content that's being activated out on TikTok, which is super cool. That's free, and they're into it.

And so, we're – Schick, men's and women's – within shave the #1 activated brand and followed brand on TikTok. We are. Like, who would think that? Well, it's a team that's been laser-focused on that as a priority, with really smart program towards influencers and doing it all in-house that with people that just love the brand. That's something disruptors do. Like, people join a new business, a new brand and grow it because they love the brand, they love the business, they think about a payout to come. But really, they just love the brand and they're into it. And we've got a team now that's really into it. Skewed younger. It's helped us to hire nationally now. We don't have to hire – we've got an office in Manhattan, an office right over in Soho. So, we've got a platform to hire people here now. We don't have to be all out in Fairfield County. And we've been very progressive in our mindset towards hiring remotely. We've got really smart, talented people spread all over the country helping us do this now.

Jason English: Fairfield County is not such a bad place to be though.

Rod Little: Ask my kids. They prefer here.

Jason English: Well, yes, I think everyone wants to escape where they grew up, until they get older and then they appreciate it.

A couple of more questions from me: one, on margins; one, on capital allocations. So, first, we've bent the trend on margins. Dan, you talked about this in your upfront slides. And you've got confidence in your ability to go, I think you said, 170 bps-plus for the full year. But last quarter, you were still 600 basis points below where you were two years ago. Are there any structural reasons – like, portfolio mix has changed a lot – like, any structural reasons to think you can't get back to, like, the 46%-ish type level? Or is that

just a matter of time? It's been eaten out with inflation and it's in FX, and you can chip away at it.

Dan Sullivan: We're very confident we will get the business back to pre-COVID margin levels, 45%-and-change. That, we're committed to. I think there's a question on pace and how quickly we can do that, just given some of the unknowns around inflation and FX.

But if you look at the underlying margin, the structural margin performance of the business, we've been consistent in offsetting cost inflation 200 to 250 basis points. We've now added new tools in the tool shed around revenue management, unit economic management, obviously price; that will be over 300 basis points for the year. So, as we see inflation start to ease, which we all think it will – we think the second half inflation will be half the rate of the first half – this business moves from, you're right, sort of margin-decretive to margin-accretive based on those good underlying structural capabilities.

Jason English: How about deflation? Is that in the cards? We've seen a lot of spot-level costs come in well off the peak.

Dan Sullivan: We're seeing it, Jason. We've already seen it on the distribution side of life. Diesel costs have gone down. Fuel costs have gone down. Freight is easier and flowing through the country better, faster, easier. We're starting to see it now in the commodity basket. So, many of the key areas – resin, board, steel – have moved year over year deflationary. It will take some time for that to pull through inventory, just given the model, obviously. But yes, we're already seeing signs of that movement.

Jason English: That's encouraging. Okay, capital allocation. You were transforming the portfolio for a while. M&A was clearly a priority. I think we're on six consecutive quarters of you out there in the market buying back your own stock. So, should we expect that to continue? Or is this just a moment in time, you're waiting for the next deal to come?

Dan Sullivan: We look at a lot of things. We're looking at probably six, seven, eight things a month. There's a ton of assets out there that are interesting. I can tell you in the last eight months, I've not brought Rod one item to look at. We just haven't seen the value.

I think paying down debt right now is a priority, even though 80%, 85% of our debt stack is fixed. It's just a good use of capital.

We're going to stay committed to the buybacks and to the dividend policy. But look, as the economics change, as the opportunities change, we're going to put the dollars where they can deliver the best return.

Jason English: Awesome. Look at that. So, 0:00. I mean, we landed this thing on a dime. Awesome.

I appreciate your time, guys. This is a great story. Congratulations on the success, and thank you for coming and joining us today.

Rod Little: Thank you.

Dan Sullivan: Thanks.