

Edgewell

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Dara Mohsenian: Hey, good morning, everyone. I'm Dara Mohsenian, Morgan Stanley's household products and beverage analyst. Just before we get started, a quick disclosure. Please see the Morgan Stanley Research website at www.morganstanley.com for important research disclosures and contact your Morgan Stanley representative if you have any questions. And with that, I'm very pleased to welcome Edgewell back to Morgan Stanley's Global Consumer and Retail Conference. Joining us today are Rod Little, President and CEO, and Fran Weissman, CFO. Thank you very much for being here, guys.

Fran Weissman: Thank you.

Rod Little: Thank you.

Dara Mohsenian: Rod, I thought maybe we could just start high level. You've made meaningful changes across the organization in the last year, including new leadership in North America, a move to a regional hub model globally, now reshaping the portfolio with the recent FemCare divestiture, optimization of North American Wet Shave. A lot of changes. As you look at the business today, A), just help us understand how these changes might strengthen your execution. How significant you think the payback from these changes will be. And if they can drive higher top line growth going forward. And just B), organizationally now, what are your biggest focus points or priorities post these changes?

Rod Little: Yeah. Well, thank you, Dara. And thanks to everybody for attending today and for the interest. We're at a really interesting moment with the company where we've I think are making the biggest moves and the most strategic moves that we've made since the separation from Energizer right now. Many of which we've been working on for multiple years, all coming together now.

Let's start with, just simply, what are the couple of things that are working really well as context for then what do we need to fix and address? First is our international growth, which is 40% of the portfolio, is super durable. We've been growing mid-single digits now for 4 years running. We expect that to continue in fiscal '26, which for us started October 1, so we're in our Q1 right now.

In addition to the sales growth, we're building gross margin every year in international. It's a very powerful model that we've got with 40% of our sales growing mid-single digits and growing margin. The second thing we have going for us is our cost productivity work. A very consistent 200 to 300 basis points of cost of goods sold productivity year on

year. We have line of sight to that continuing, and we'll talk about it even ramping up as we look to '27 and '28.

The third thing that is working, and I think rock solid for us, is our new innovation model. We went away from a globally structured model to a locally tailored model. Very local with our consumer insights, very local with our NPD development, and we're seeing all the new product development we put into the market winning on average in a much bigger way and being communicated to consumers in a much more engaging way. International growth, cost productivity, innovation model, all really good.

The area that, frankly, just being really straight, that has not worked well for us is North America. And we needed a commercial reset in North America. Which the good news is, team is in place. They've been working together now for a while. And we'll start to see all the good things come out of that North America reset as we get into the Q3/Q4 for us, which is April, May, June, July, August, September period. A lot of good things happening there.

In addition to a whole new leadership team, Jess Spence, the new president, recruited in October of '24. The team underneath her, really talented backgrounds, really capable brand builders. And in a streamlined structure where we now went from 5 business units in North America to 2. A pure play shave business unit and a sun, skin, and grooming business unit. Two heads, 2 leaders underneath Jess running those businesses. A new sales leader in, Procter & Gamble background, knew him from my network. Top rated person over there that's now running our U.S. sales team. We put a new CMO position in. Unilever background, Americas Unilever CMO style background, so some real talent upgrades in addition to a streamlined structure.

The final piece of the North America plan is we're investing incrementally in brand support behind the brands in a meaningful way. Corporately, I'll get into it later, we've increased our spend dramatically over a 2-year period, but that's all going into the U.S. brand building work to reignite and drive growth back into the U.S.

My structure is now very simple at the top. I've got 4 regional leads. I've got 4 functional heads that report to me directly. The COO layer was always a temporary layer to be in there to allow me to put focus on getting North America fixed and winning. That's done now. And we've announced the FemCare divestiture, sold at a premium to the total company for our worst performing unit if you will.

Consolidation of shave manufacturing sites from 4 sites into one mega site with over \$100 million of investment going in there and new capital, new line equipment to make even better blades.

And so our focus as we go forward, kind of to your point on the priorities, is really twofold. One, it's winning in shave globally. We're already winning internationally, which is 55% of our shave business, and prioritizing winning in the U.S. in shave is priority one for the total company. Priority 2 is continuing to build out the expansion of our sun care and grooming business globally. And we have big opportunities outside the U.S. for both of those portfolios, which we're still in the early innings of driving. A lot going on, but frankly, I'm excited to be at this moment because we're at a point where the execution of the strategy will really start to show up this year in '26.

Dara Mohsenian:

Great. We started with the internal changes you made. The external environment, certainly fluid. Difficult I think is an accurate characterization. You've got muted growth across CPG categories. Can you give us a bit of an update on first the consumer, your

perspective there, specifically in the U.S., and internationally what you're seeing? And then B), just the promotional environment in the U.S., which seems to be ramping up. How are you managing through that? Is there anything incremental to what you expected, or is that competitive activity more in sort of the normal day-to-day course of business?

Rod Little:

If you look at our categories and take an aggregate average across shave, grooming, sun, skin care, where we play, the average growth rate globally is about 2%. And domestically here in the U.S., it's about the same. We're seeing in that 1.5% to 2.5% range. Generally in line with the past 52-week average, the past 26-week average, so we're not seeing a meaningful change in category growth rate, either domestically here or internationally. There are a few markets that look a little different, but on average, a very resilient and robust consumer to this point I would say.

We have seen though some challenges, certainly at the lower middle income consumer. Demographics where there's been more pressure in the categories, people deal seeking a little bit more, seeking value with price pack counts maybe a little higher, things like that. We're the number one private label manufacturer in the world. We're not seeing private label share grow in shave. Very steady, very stable. But what that's created is a higher promotional environment in '25. We're not expecting the category growth rates nor the promotional trends to change in '26.

And we've budgeted accordingly. We've budgeted effectively at low single digit category growth rate. And we've budgeted similar promotional trends carrying forward, which is an elevated promotional level, particularly in women's shave has been quite promotional. FemCare has been very promotional. We, after January 30th, are not going to have to worry about that one. But I would say a healthy enough category and consumer environment for us to be successful in.

Dara Mohsenian:

Great. You recently announced the sale of your FemCare business. What does that do for you organizationally in terms of opening up greater focus or capital for other areas, Rod? And then maybe, Fran, you can just, if you can discuss capital allocation priorities post the divestiture?

Rod Little:

Yeah, I think the divestiture of our FemCare business is a transformational moment for the company. I don't want to understate the importance of getting this done, and I'll share a little background as to why. We are a globally scaled business in every category except for FemCare. It's a regional business for us. We do not have the rights with trademark rights and names to operate globally. And even if we did and we could acquire them, the cost to compete and the investment required would not make sense. Financially, it just would not make sense.

We have a regional scaled business now moving to a buyer who is globally scaled. Their whole is the North American geography. They didn't have a brand set to play here. And we've been looking at this business now for 6 or 7 years on what to do with it. We've never had a buyer bring us the value that we thought beat what we could generate ourselves. Even in a flat growth area, just the cash flow it generated, created a present value stream of cash flow. It was actually quite substantial. There was one buyer in the world that could beat that, and it was Essity. When Essity came forward and was willing to give us the value that's at a premium to the total company for our most dilutive asset, it became a no-brainer to do this deal.

Financially, it makes a ton of sense. Selling it for \$340 million, value premium for what is the growth dilutive asset in the portfolio, the margin dilutive asset in the portfolio, and the highest capital intensive asset we have in the portfolio, we now have out as of January

30th. What we're left with is more flexibility operationally, more optionality financially, and a real focus on our core, which is shave, grooming, sun and skin care globally with the rights to win and play and be successful globally. I love the focus we have and I love the value we got for the sale.

Fran Weissman: And I think building on our capital allocation strategy, our purchase price was about \$340 million. That was the economics of the deal. 80% of that is what we expect will be converted into cash. And I think in the short term, we're really focused on strengthening our balance sheet and paying down debt. I think that's our initial focus.

From our capital allocation strategy, clearly we've anchored across a couple of key areas. Capital investment that's really focused around either driving efficiency or driving innovation growth. We've got a share repurchase program that we've had historically and over the last 12 to 18 months have really taken advantage of what we believe is an undervalued stock price. And so, we have already repurchased in fiscal '25 about \$90 million. I think in the short term for '26, our focus is really to offset dilution and really focus around getting our debt leverage to our target, which we believe the Fem proceeds will help do that.

And then when we look at M&A, we're always looking at M&A, there are lots of great brands out there. But our threshold is pretty high and we have filters that we want to focus on creating value. Fem Care proceeds give us optionality for us to continue to look, but right now, the threshold is high around M&A. In the short term, it's really strengthening our balance sheet.

Dara Mohsenian: Okay, and as we look out the fiscal '27, how quickly do you think you can cut out the stranded overhead in the business? Post the deal, once the TSA agreement concludes, and after putting the proceeds to work, can this be accretive as you look out to fiscal '27? What are your thoughts around that?

Fran Weissman: Yeah, I think in terms of timeline over the long term, we do believe it will be accretive. You know, we do have a level of stranded costs. The full year EBITDA for FemCare is about \$25 million. That's what we realized in fiscal '25. Our expectation is the headwind in the short term will be somewhere around \$35 million to \$45 million, and that factors in the profit that we're losing, the stranded costs that remain because we are an entangled business. And then we do have a TSA that we expect will take us through at least early part of '27, so about 12 months.

Our focus is to really address stranded costs and make sure that we are putting our cost base in line with our streamlined portfolio. That will take time. But we do have a TSA that we think will extend about a year. We're finalizing the scoping of that. We'll come forward in Q1 to give more specifics around that. But over time, we will anticipate taking the stranded costs out.

Dara Mohsenian: Okay. On the subject of cutting out costs, beyond FemCare, can you just discuss further opportunities on productivity longer term? Rod mentioned earlier how productivity has been a focus and has enabled margin expansion and gross margin expansion. Just give us a sense of the pipeline going forward, what the key buckets are in terms of driving continued productivity going forward relative to the strong track record in recent years.

Fran Weissman: Yeah, great. Look, we've been building productivity into our DNA for quite a bit of time. We've been delivering well over 250 basis points of productivity efforts, 4 plus years in the making. And I think in '26, when you double click, our core productivity is about 260 basis points. And then we've got about 50 basis points of additional tariff mitigation. Our

total productivity savings is about 300 basis points in fiscal '26.

When we think about where we focus, it's really a couple of key drivers. We look at our supply chain and how we distribute. That is an area where we've continually optimized and drove efficiency, especially across markets. We look at labor in our manufacturing plants, whether it's balancing out our full-time/part-time mix, but it's also about automation and taking labor out of the process. And that's been core in how we've been able to deliver productivity.

And then we've got footprint optimization. Rod talked about our consolidation within North America. I think what gives us confidence right now is, we've got strategies in place where we look across markets around footprint optimization. We've got a big strategy within North America specifically on Wet Shave to continue to drive efficiency there. And we've already realized the cost to achieve by the end of '26 will be about 90%. So now as we fast forward to '27 and '28, those new programs are going to help reinforce the consistency of our productivity initiatives and delivery.

And I think when we think about '26 overall in gross margin, we're accreting, we're growing about 60 basis points on a reported basis and 20 basis points in constant currency. And a lot of our productivity in '26 has gone to offset tariffs, which the net impact is about \$25 million to us. We'll continue to have productivity as a source. It will continue to drive gross margin accretion. Hopefully, not just to offset tariffs in the long term, but really become a source of our reinvestment model.

Dara Mohsenian: Great. And Rod, you're planning to increase A&P spending as a percent of sales in fiscal '26. That's versus cutbacks we've seen in prior years as a percent of sales. Why is now the right time to step up spend? And Fran, maybe you can touch on just the level of ROI you're expecting in terms of topline growth from that higher spend, particularly given the difficult environment.

Rod Little: Look, now's the right time to increase spend because we've got the right team in place to generate really interesting content, really engaging content in campaigns that break through and ultimately drive sales. The time is right to do it. In fact, we started the investment last fiscal year as we got into the spring and summer, and we saw our plans coming together, specifically around a Cremo Scent Kings campaign. Cremo's the fastest grooming brand in the set at Walmart, up 40% last year on a units basis alone. That campaign was a big driver in that.

Hawaiian Tropic, we put a new campaign in place last year. Tana Sutra was the name of the campaign with Alix Earle. There is going to be a multi-year campaign with that. The fastest growing brand in the suncare set last year was Hawaiian Tropic, partly behind that campaign. And we put a new campaign in place on Hydra Silk, Schick Hydra Silk, on Women's Legacy Shave. It was very successful.

As we started to see that, Fran can talk about some more of the results, it gives us confidence as we go into '26 to lean in and invest even more because it's the right thing to do for the long-term health of the business. You'll see us bring new campaigns in addition to those I mentioned on Billie, a new master brand campaign on Schick, and a new campaign on Banana Boat.

What's interesting is, you look at where we were 2 years ago in '24, the low point was about 10% of sales was invested in A&P. The '26 plan is based on 12%, so a 2-point increase. And if you adjust for our private label business, which consumes no brand support, it's more like 150 to 200 basis points higher on a branded business. We actually

think we're to a quite healthy place now with how we've budgeted this year. And the reason we weren't spending 12% in fiscal '24, frankly, the thinking and the campaigns weren't good enough. They wouldn't have given us a return. We're very confident in what we have now that it will.

Fran Weissman:

And I think building on that point, it is about the quality of the spend, not just the absolute. Now, we've taken an investment stance. We increased about 80 basis points in '25, and our expectation is to reach 12% in '26. And a lot of that in terms of proof points, I'll take that in 2 parts. International first. We've been on this journey to really build equity within international. And what we've seen is really durable mid-single digit growth. We weren't there a couple of years ago. And now because we've been more focused on through-the-line activation, engaging with our customers differently, and more importantly, activating innovation, we've been able to see that proof point come through in our international growth.

And now as we fast forward with the changes that we've seen in North America, our focus around how we invest, how we engage with the brands, how we're bringing the brands to life, is actually in a very new and different way. And we see those green shoots. If you look at North America where they landed in Q4, they're actually at slightly under 1% declines versus their full year at over 4%. And that is also translating into unit market share and total market share.

In Q4 alone, we've seen North America grow, specifically in Wet Shave where now it's growing versus declining. We saw continued growth in sun and grooming. I think those green shoots give us really the confidence as we move forward that the campaigns are working. We know that brand building takes time, but as we fast forward to '26, we expect a trend improvement within North America. We expect that North America will land close to where they're landing in Q4, which is flattish to down one. And that will really catapult into more growth trajectory into fiscal '27.

And then in absolute basis as far as spend is concerned, I agree with Rod, we're really at a healthy level right now. And I think what we'll anticipate is driving more efficiency on that absolute spend, because you've got that durable growth that's happening in our core brand building.

Dara Mohsenian:

Great. Rod, the international business is now 40% of sales as you mentioned, solid mid-single-digit growth in recent years, so it's been a strong growth driver. We touched on earlier some of the factors behind that growth, but just perhaps dimensionalize growth opportunity going forward by geography and product category internationally. What gives you confidence you can sustain that mid-single digit level going forward?

Rod Little:

Yeah, so we are confident we can sustain mid-single digits internationally. We've done that the last 4 years running. The big driver behind all of this at the core of it is people. We've got really strong leaders and now really strong leadership teams in place that work very well together internationally. The average engagement rate positively for the company is 82%. In some of the international markets, it's over 90% in terms of positive engagement. They are super motivated teams, very good at what they do, and success breeds success. When you're winning, you start to feel like you're running downhill a little bit, and that's where they are.

As we look to it, China's an interesting market. China was a tough market just category growth-wise last year. We grew double digits in China as an example. We're the market leader in Japan in Shave. We're growing in Japan in Shave, and I think we feel like we can actually accelerate our growth. Geographically, Asia will continue to grow and drive

our growth longer term.

In the short term, Europe is likely to be our biggest growth driver. Interestingly enough, in a bit of a flat, challenged market, we've got real competence and competitiveness around Shave internationally. It's 55% of our business, we're growing. We're holding share in every single market internationally that we operate in Shave.

And where we're the leader in Japan, we're growing the category. For example, we launched Shick First Tokyo. It's aimed at getting young kids into the category, get more kids into the category sooner. And what's interesting is, the younger you go in cohorts, they're shaving more often. They're shaving more body parts more often. That's a global phenomenon. And so we've got an innovation pipeline aimed at new market entry into the category.

The other thing I would call out then if you go to categories, to your question, Shave will for sure continue to grow we think in that low to mid-single digit range. But the real growth driver internationally over the next 3 to 5 years is going to be sun and grooming. As we look at our path forward, we're just launching Cremo now, only online, into Europe, with the same formulations, the same positioning. They're hugely successful here. We will have tripled that brand size from when we bought it, about \$50 million 3 years ago, by the end of this next year. Just launching that into Europe with real strength and real growth tailwinds behind it.

SunCare, Hawaiian Tropic is winning everywhere. It's growing double digits everywhere. The Alix Earle campaign that we put in place here, there's a similar campaign in Europe. It's working and we have huge potential to grow market share in SunCare outside the U.S. with more distribution points, more brands where we have Banana Boat, bring Hawaiian Tropic, and vice versa.

Feel really good about the growth internationally. Geographically, everybody contributing, and from all categories. And kind of on the strategy we laid out a couple of years ago, where we said grooming and sun care are going to be accelerants to our growth profile, we're seeing that today in international, we think that will even become a bigger spread as we go forward as Cremo starts to come online.

Dara Mohsenian: Great. And then looking at the U.S., you have plans to stabilize organic sales growth, as you mentioned, this upcoming fiscal year. What's it take longer term to get the business back to growth? What are the key drivers? And how much visibility do you think you have on that near-term improvement to get back closer to stability in the U.S. business?

Rod Little: Yeah, visibility to goodness in the U.S., Dara, very high actually. Which may sound odd given where we're coming from, but we know we've got the team right. We've seen the consumer response to plans and programs we've put in place. And we're kind of at this moment where we're inflecting the trends as we speak, and there's nothing there that should change that trend line.

Let's start. Categories, low single digit growth rate, so not greatness, but also not declining. In an environment where our categories are growing low single digits, if we hold share, we can grow low single digits. Last year, fiscal '25, down 4.5% organic net sales, as Fran mentioned. Q4, the end of last year, we exited at minus 1%. We budgeted '26 at kind of that minus 1% to flat range. But the back half of '26, that April to September period, is going to be in that low single digit growth range.

And we have line of sight to pricing coming online. We have line of sight to better

distribution outcomes across the entire portfolio, committed retailer by retailer. We've not baked all of that into our plan because we've tried to plan a little more conservatively because we think there's real value in building our credibility back of just doing what we say and hitting our numbers. And whether it be inflation or tariffs or foreign exchange or whatever, we need to have the leverage to be able to absorb that and still deliver. And that North American step change that we're seeing happening right now gives us confidence that we can do that.

Final thing I'll say on the North America piece, you get the team right, we're putting incremental investment into North America, another full margin point next year behind new campaigns and these 5 power brands that I mentioned earlier. And so it's -- we're putting our money where our mouth is investment wise if you will, too. Look, I feel really confident in the North American business despite where we're coming from.

Dara Mohsenian: Okay. Maybe we can go deeper into a couple of product categories. Grooming, can you talk about the growth opportunity there from a brand perspective, category growth you're seeing? And then on Wet Shave, maybe you can detail the various pieces of the business there. And also, category growth and competitive environment relative to market share.

Rod Little: Yeah, we'll take them in order. Grooming, we love the category. We've acquired into it with Jack Black, Bulldog, and Cremo. It's now globally about 10% of our sales when you put all that together from zero a few years ago. We think it's mid to high single digit growth rate, both domestically and globally. If you look in Europe, Bulldog is the leader in grooming in the UK market. For example, we put a premium line in with Bulldog on skin care. It's a real authority in the UK market and across pan-Europe. A lot of success with Bulldog. We like our portfolio in grooming and we think there's real tailwinds in that category that will continue. We just need to keep doing what we're doing effectively.

On Wet Shave, very, very interesting category. And by way of background, I know it really well. I was at P&G when we acquired Gillette. I was on the deal team that brought Gillette in. I've been in their manufacturing plants historically over time. I've operated around that business. We had the deal done to buy Harry's. We spent a year with them, tried to plan and get that done before the FTC blocked us in '20.

We bought the other nascent startup, Billie. Dollar Shave Club from time to time has been offered to us. We know -- and BIC is right across the street from us. We know every single competitor in this landscape. And what I will tell you that's fundamentally different in the shave category than it was 10 years ago, 5 years ago, even 3 years ago, it is less competitive today.

Internationally, there's still 2 players that play. Harry's has tried to launch internationally and failed. They've gone into a couple of European markets and are effectively coming back out. There's 2 players. It's us and Gillette globally. Domestically, Dollar Shave Club, you know that story. Unilever paid \$1 billion for it, sold it for inventory value to a PE firm on the West Coast. That's come and gone. And it's us and it's Gillette and it's Harry's. And Harry's has done a really nice job. Part of why we wanted to acquire them was their brand building skills. But it's gotten to a level now it's difficult for them to grow from here. They're primarily a men's business, and retailers are looking for a full player across men's, women's, disposables, and private label.

We're the only brand of private label manufacturer. There's a relative competitiveness to this category right now that it's just less competitive than it was previously. Retailers are open to us and wanting us to win and be successful because they know we've got the technology to be able to compete and win and be a counterbalance to Gillette, which

frankly the category does need. Because the Harry story is interesting because as retailers look at it, it's only destroyed value. Despite them growing, it's traded \$4 blade cartridges to \$2 and taken value out of the category. It's up to us to step up and be part of the growth story in the category, which we're prepared to do.

I mentioned at the beginning, we're elevating shave as a total company priority and we're investing in it, including investing in men's domestically here in the U.S., which we've not done in 5 years. It's a very interesting moment for Shave. And a lot of it is applying what we're doing that's winning internationally back to the U.S. market. For example, some of our Japanese innovation will show up in market here over the next 2 years.

Dara Mohsenian: Great, that's helpful. We've covered a lot today on the internal changes of the company. Anything as you look at the Edgewell story, Rod, that you think maybe the investment community is overlooking or is underappreciated?

Rod Little: I think there's 2 things. One is the announcement we made a couple of weeks ago on divesting Fem and the consolidation of our shave manufacturing platform, which was 4 legacy acquired sites that were all suboptimal, underinvested in over time, going into a new single site with massive investment behind it. The combination of those 2 things, the optionality, the flexibility that it will give us, is fundamentally different than what we've had the last 4 or 5 years. And so, I think financial flexibility is one. Whereas we've planned '26, we're confident we can deliver. That's one that I don't think is fully internalized yet. And I understand we've got to earn it. We've got to prove it quarter by quarter and do what we say and become a reliable deliverer, like we were a couple of years ago.

The second big thing for me is the power of people and the team we have in North America. I would put it up against any team in any category we compete against. It's a really, really talented group, and it'll show I think in our results quite quickly here. Again, that's a proven story. We were coming off of not great results domestically, so we've got to prove it. But it's all in place there. It's all there. And weirdly, we sit here more confident today than we've been at any recent point, despite where the stock is trading, because we know we've got the right plans in place and the right investments to really be successful here.

Dara Mohsenian: Great. That's helpful. And we talked a little bit about capital allocation earlier with Fran. How do you think strategically, longer term, multi-year, about M&A fitting into your growth priorities? Is it really a lot on your plate internally in growth opportunities, and that's not a big focus point? Or could this eventually adding another leg to growth be a focus point for you?

Rod Little: Yeah, I think it's an and there, to be honest. I'm a big shareholder at this point with what I've accumulated over the past couple of years, and so I very much think shareholder first. I always have. I have a financial background. But now more than ever, to be a responsible steward of go get the organic opportunities. They're there to be had, and we've got a good plan for that. If we can accelerate and transform our valuation in a positive way, everything needs to be on the table. It may look different than what we've done in the past.

We didn't get credit for Billie, a great acquisition in my view. We didn't get credit for Cremo, a great acquisition. Why? Because other things were happening that offset that. As we get the organic business really rock solid and firm and deliver on that front, if there are ways to accelerate value creation via M&A, whatever it is, we're super open. But it's going to -- when you read about it, kind of like the Fem divestiture, ah, that

makes sense. Nice one. It would need to read like that for us to do anything with our capital. Otherwise, we like leverage reduction at this point. And at some point, we like share repurchase at this point as well. But that's the last priority.

Dara Mohsenian: Great. That's very helpful. We're out of time, so we'll end things there. But thank you very much for being here. Thank you.

Fran Weissman: Thank you.

Rod Little: Thank you.