Company Name: Edgewell Personal Care Company (EPC)
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<<Susan Anderson, Analyst, Canaccord Genuity>>

Thanks for attending our conference. I'm Susan Anderson, one of Canaccord's consumer analysts. And I'm very excited to have with us Edgewell Personal Care, and in particular CFO, Fran Weissman; and Chris Gough, Vice President, IR, Corporate Development, and Treasury.

So, Fran, I guess I'd maybe like to start off with just a broader question. At the beginning of the year, you laid out a framework that the business would return to growth, and I think there was some skepticism around it. But then nine months later, we're here, and we've seen the business return to growth, North America's returned to growth. We've really seen a nice inflection. So maybe if you can talk about the key drivers there behind that improvement and the initiatives that you have helped – that have helped to return the business to growth.

<<Francesca Weissman, Chief Financial Officer>>

Thanks, Susan, and thanks for having us here this morning. Our framework has been pretty consistent, and I'm glad you mentioned the fact that it's remained largely unchanged from the beginning of the year. We took deliberate steps to really simplify our portfolio and sharpen our focus, and the exit of Fem Care was an important milestone for that, because it allowed us to focus capital, focus our management's attention, and more importantly, focus our innovation capabilities around categories and a portfolio of brands where we felt we had more of a competitive advantage to win. We were always a back-half story, and a lot of that was driven off of the fact that we started our investment profile over 18 months ago.

And we knew that those distribution gains, specifically within the U.S., and planogram resets were more towards the second half. And it's encouraged to see Q3 return to growth, and it's really driven off of North America. And what we're seeing is better commercial execution. We're seeing better shelf presence and distribution gains and really stronger brand support across the business. When you look at our focus brands like Hawaiian Tropic, CREMO, Schick, you're really seeing momentum improve, not only in our sales trajectory, but also in our share trajectory. So there is still a lot more work to do, particularly in North America to drive consistency of growth, but we really feel like we have the right actions in place to continue to deliver long-term.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Great. So I guess, yeah, just looking out over the long term, given the improvement we've seen and the optimism there, how are you thinking about the long-term growth trajectory? I think in the past; you've talked about 2% to 3%. Is that kind of what we should expect, or can we expect maybe even a little bit higher than that? And then also maybe if you can talk about international versus domestic and where you see the differences in growth coming from.

<<Francesca Weissman, Chief Financial Officer>>

Yeah. We're not giving fiscal 2027 guidance today. We will come back in November and give more detail. But I think what I can share is that as we exit fiscal 2026, we're in a much stronger position, and I think that growth trajectory in the second half really becomes a good proxy for what we anticipate moving forward. And there is a couple of factors that give me confidence. First and foremost, we have a much better and focused portfolio globally that now with brands having stronger equity, stronger penetration, and good distribution gains. We're leading into 2027 in a much healthier position around distribution and formidable growth.

I think the other piece is that 40% of our portfolio is actually in sun and skin, and those are faster-growing categories. And we're participating with brands like Hawaiian Tropic and CREMO, which has consistently been growing market share, and CREMO has been growing double digits. I think the last piece is that now we've got multiple growth engines. We now see that all markets are contributing to growth. Historically, it's disproportionately been international, but we see North America returning to growth, and that's driving more durability in our future stance. So we've got the right actions in place. It's not one particular initiative. So I think we're in a much better position moving forward.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Okay, great. And then maybe just looking – stepping back and looking a little bit more near term, maybe if you could talk about the drivers that you put in place that drove the organic sales growth in this quarter, and then also what gives you confidence that that will continue into fourth quarter.

<<Francesca Weissman, Chief Financial Officer>>

Yeah. I think for Q3, what we knew is that we actually, within the U.S., had brand campaigns that were focused around all our five core brands, and it was really important to see the unit share growth. We've been growing 39 of the last 43 weeks, specifically within North America, and about 70% of our markets are actually growing or holding share year-to-date. So those become a really great platform for proof points to continue on, and to continue our growth factor. Half two was always going to be a growth story, and Q4 is our strongest growth quarter, and what we're anticipating is the combination of international returning back to mid-single-digit growth. They've always been very strong in Q4, back-loaded in terms of the sun season.

And now that we've worked through some of the wet shave disruptions that we had in Q3, we see international returning back to that mid-single-digit growth. North America, we've seen the proof points. We think they will continue to remain at a growth trajectory through Q4, and it's really supported by a step up in A&P. We talked about growing A&P about 70 basis points for the year, and within half two, 60% of that incremental spend is actually in Q4. So we're set up to really end the year in a positive note and start fiscal 2027 strong.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Okay, great. And then maybe let's turn to the segments, starting with the sun and skin care. Maybe if we could start off with sun care. The sun season has been better this year, modest, a little bit weaker last year. Maybe if you could talk about Hawaiian Tropic, which has seen some really good performance. You guys had a great marketing campaign around the brand this year. Where do you see that brand longer-term, and is there innovation to be had there?

<<Chris Gough, Vice President, Investor Relations and Treasury>>

Yeah, I'll take that one, Susan. And I'm going to go back to a point that Fran made, and I'll talk about sun and skin in total first, and then we can get into the piece parts. But 40% of the whole company now in that faster-growing categories, we've got better market share, better rate to win. So that's a real big accomplishment. When we laid out that structure several years ago in our last investor day, it was 25% of the business, right. We got it up to over a third of the business. That was before the FemCare divestiture, and now it's 40.

So being able to grow that part of the business is meaningful, and that's U.S. and international. Within that, Hawaiian Tropic, one of the stronger growing brands. It's beauty and premium based. It's on trend with tanning. We started the campaign a couple of years ago to refresh the packaging, refresh the brands. Innovation is always at the core there. We're expanding across greater, not really beauty, but just other adjacencies within the Sun Care space. We've got higher investment against it, household penetration increasing, share increasing.

So we think there's a lot of legs for Hawaiian Tropic, and it fits from a segmentation point of view in that beauty and premiumization space, which is very different from the next topic, which is Banana Boat.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Yeah. Okay, great.

<<Chris Gough, Vice President, Investor Relations and Treasury>>

So I will go to Banana Boat.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Yeah. Go ahead and go to Banana Boat.

<<Chris Gough, Vice President, Investor Relations and Treasury>>

How about that? It's in a different phase. First of all, it's family, it's protection, it's outdoor, it's very different. It's an iconic brand that's always been in that space. It's the same with Hawaiian Tropic, it's reimagining kind of an iconic brand to what it stands for.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Yeah.

<<Chris Gough, Vice President, Investor Relations and Treasury>>

And Banana Boat has not had the refresh that Hawaiian Tropic has had. The team's working on that now. What we'll see moving forward is you'll see – I mean you started to see some of the messaging come out now, but it'll be around those factors I said, and it'll be simplified. The shelf has gotten kind of cluttered over time trying to fit all these different spaces and needs. That'll be simplified.

There'll be some SKU rationalization, there'll be higher investment and some really interesting packaging that I think will get back to what Banana Boat stands for. So that should lead, we think, because it's the same team that did Hawaiian Tropic refresh, to better distribution, better growth as we move forward with that. We're excited about Banana Boat.

<<Susan Anderson, Analyst, Canaccord Genuity>>

And that's going into next year.

<<Chris Gough, Vice President, Investor Relations and Treasury>>

That's going into next year.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Yeah. Okay, great. That's exciting. And then maybe just talk in general about the sun season. It's been a better sun season than last year. How should we think about how the rest of the year plays out? How do you feel about inventory levels at retail?

<<Chris Gough, Vice President, Investor Relations and Treasury>>

Yeah, interesting. It's – everybody has a different view on the Sun Care season, how well it is, because depending on the month or the week or the weather that. What is it? We did something different with Sun Care this year because we know that the weather can create a lot of volatility. We don't want to be chasing an assumption that the weather is going to get better.

So something Fran did this year was when we gave an outlook for the year, we assumed Sun Care category would be a reasonable category growth, low single digit. That, in our history, we would have probably given an outlook higher than that because last year was such a poor season.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Yeah.

<<Chris Gough, Vice President, Investor Relations and Treasury>>

We did not do that. So fortunately, we did not do that because year-to-date, through mid-July, the Sun Care category is up 1.5%. Right? We are about the same. Our share is flat. Hawaiian Tropic is up; Banana Boat is down for the reasons I spoke to. But the season hasn't been great. It has been about what it was last year.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Okay.

<<Chris Gough, Vice President, Investor Relations and Treasury>>

When you combine it. Now, where we go from here, we are assuming growth, we are assuming international grows a little bit faster in the fourth quarter than North America, but growth in both, but not assuming some massive improvement in the category.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Okay, great. Hopefully, we see that next year. I guess let's move on to Wet Shave, which is your largest category still and where many of your operational initiatives have been. Maybe if you could give us an overview of Schick, the main brand, and also talk about Billie and maybe just how you would characterize the health of the business. I guess we could start off with Schick and just kind of the improvements that you're making there.

<<Francesca Weissman, Chief Financial Officer>>

Yeah, I think Wet Shave, if we compare to where we were a year ago, we're in a much healthier spot, and it's an actual profitable segment for us. 55% of our sales is actually in Wet Shave, and when you break that out between the markets, 58% is actually in international, so they over-penetrate that of the U.S.

In Q3, we returned back to growth in branded Wet Shave, and a lot of that was driven off of the innovation pipeline that we put in in the second half. Specifically, in international, we took Billie into Australia late in 2025. Schick, we relaunched our master brand strategy in Japan, and we also relaunched Wilkinson Sword, and that's what's been driving the overall growth trajectory that we're seeing, especially in international.

And within the U.S., we started putting more investment around Hydro Silk last year, but then this year launched our Do Right By Your Skin Campaign, which featured Nick Jonas. That's been really resonating overall, improving brand health metrics, and what's most important is that North America also returned back to growth in Q3. So the combination of these factors now looking at our more focused brands, we have marketing campaigns against all of our systems, men's system, women's systems, across the various brands within Schick, Billie, and also Wilkinson Sword.

So we are in a much healthier position as we go forward into 2027.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Yeah. Okay, great. And then maybe just talk a little bit about, you do have a private label business and then the disposable business as well, which the systems have been outperforming. Those are kind of what the consumers want, but the private label and the disposables maybe have been down a little bit, which have been weighing on overall results. So maybe if you could just talk about those two. And then also recently, there was some manufacturing disruptions which impacted the private label business.

<<Francesca Weissman, Chief Financial Officer>>

Yeah. So our private label business, we're in a unique position where within our shave category, we actually participate across multiple segments. We have branded systems, we have disposables, and we have private label. So we're able to see price points both from premium and value consumers, and it really provides us a unique position, especially in international where our private label business is really strong.

We're in the process right now of consolidating four plants into one within our North America shave consolidation. It's probably the largest project that we've had since becoming a standalone company. And we knew that there would be some disruption as you're ramping up any kind of consolidation efforts. I think the uniqueness of the quarter is that disproportionately we saw a little bit more in international than we anticipated.

The good news is we've been really focused on leveraging our complete network, leveraging service focus first, and we're starting to see that improvement and resolution within international. And that's part of the reason why we're confident that we'll return back to growth in Q4. But private label overall provides that point of differentiation and allows us to reach different customers across the price streams.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Okay, great. And then I guess the last segment, if we could move on to grooming, maybe Chris, if you could talk about the grooming business, which has been on fire, talk about the brands there such as CREMO and how it's been performing in the U.S. and internationally and how you see the business longer term?

<<Chris Gough, Vice President, Investor Relations and Treasury>>

Yeah, great. So I'll go back to where I started before. That's part of the Sun and Skin segment. It's been one of the keys to increasing that segment size relative to the rest of the company. It's CREMO, which is primarily North America, but we're starting to expand internationally. It's Bulldog, which is primarily one of our international brands. Those are the big growth drivers. And then there's Jack Black, which is a more premium space.

CREMO, seven quarters in a row of over 20% growth. We're really seeing expansion of that, of the men's personal care platform for grooming. We've expanded into APDO, beyond body washes. We see a lot of legs there, right? So there's – we've got more innovation in the pipeline. We believe there's a lot more distribution to come. And we're not forecasting where that business can go to, but that's one of our strongest brands. And we see a lot of runway for that. We've just started last year moving that into international markets, mostly online. So, we're still working our way through that, but we believe that brand can travel there as well.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Yeah.

<<Chris Gough, Vice President, Investor Relations and Treasury>>

And then Bulldog, was 5x what we bought the company for, primarily international, but really booming in Europe. And we think there's a strong case for continued growth there as well. So, that grooming space growing in the mid to high single digit, really adds a lot to the Sun and Skin segment.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Great. And then, so maybe let's move on to the financials for the last part. So I guess maybe just talking a little bit about gross margin, you've had some nice expansion there. Maybe if you could talk about the opportunity to continue to drive gross margin and where you see it longer term?

<<Francesca Weissman, Chief Financial Officer>>

Yeah, gross margin has actually been part of our growth story over time. And despite external challenges, we've been able to grow gross margin year over year. And what's been the focus is not necessarily one specific action. It's structural. Our margin recovery has been underpinned by our productivity initiatives.

And over the last four plus years, we've been growing 200 basis points to 250 basis points of productivity. And it's focused on really improving our operational performance around our supply chain. We've been changing how we work. We've been simplifying our network. We've been taking work out of the system, and that's what's been driving productivity. We've also been focused on our revenue management capabilities, really streamlining our portfolio, focusing on SKU rationalization. So these levers continue to give us confidence moving forward.

We talked a little bit about the Wet Shave consolidation, and that's focused also on simplifying the network, lowering our cost base, really improving our working capital and cash flow. So that gives us confidence as we move forward. The savings and the benefits that's to come, we're mostly through our consolidation, at least of two plants. And as we move forward now, we will be realizing the benefits of that consolidation efforts. So that will give us future ammunition as we move forward to continue to drive productivity initiatives. So we've got the right ingredients and the right levers to be able to improve gross margin over time. We can't predict the volatility of inflation or commodity pressures, but we've been able to really execute these levers and try to mitigate that.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Okay, great. And then maybe if I could just throw in there too, marketing expense. You guys have been investing more in the brands, especially after you divested the Fem Care business. Talk about kind of where you're at with that and what should we expect from marketing investment going forward?

<<Francesca Weissman, Chief Financial Officer>>

Yeah, we've been pretty intentional over the last two years to invest in our brands, not only for the short-term purchase activity, but in building the longer-term health of our brands. Specifically, in 2026, we're growing A&P about 70 basis points, and we've been growing that over the last two years. And it's really been focused on upper funnel and lower funnel activities, and we want to make sure that we're actually improving the underlying health of the brand because that's what's going to give us more structural improvement. And we've seen that improvement. We've actually seen the proof points starting to come into fruition. These investments take time, but what we're seeing is unit market share growth.

We're seeing in brands, and Chris Gough talked about it, like Hawaiian Tropic and CREMO, where we're now in year two of our investment profile, and those brands have been accelerating both net sales growth, but also in unit share growth. And I think what's most encouraging is we also see household penetration increasing. So even in brands like Banana Boat, where household penetration is actually stable, we see those trends now improving to give us a structural bandwidth to move forward and continue to improve the brand. So our A&P investment is really core to how our growth trajectory has been in providing that solid platform for continual and consistent top-line growth.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Okay, great. And then maybe let's move on to cash flow and capital structure. You've had a history of strong free cash flow generation. Maybe if you could talk about what that looks like now that you divested the Feminine Care business, and then also give us an update on your capital allocation priorities?

<<Chris Gough, Vice President, Investor Relations and Treasury>>

Yeah, I will take that one, Susan. Yeah, free cash flow has been a strength to this company since the inception, so anywhere from $150 million to $175 million in free cash flow that we generate each year. This year is a little bit less. I will get into the details. It is about $80 million to $100 million, is what we forecast for the year. At the core, we have got very profitable categories and brands, and you put the productivity initiatives that Fran discussed, and this business can throw off a lot of cash. Particularly when we get that top line moving.

In fiscal 2026, we had the consolidation project, so you have got significant one-time costs. You have got inventory builds to get through that process as well. So there were some one-timers that really weighed down free cash flow. But as we move into next year, as that project begins to ramp down a bit, CapEx requirements are a little bit lower, and we are generating profit, you should see free cash flow start to move its way back to the normal ranges for us.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Okay. And just capital allocation priorities?

<<Chris Gough, Vice President, Investor Relations and Treasury>>

Yeah. Well, with that, so it goes hand-in-hand, but we have been working, we said our priority this year is to pay down debt and get our net debt leverage down below 3 times, is where we would like to operate at. So our outlook for this year is 3.3 times to 3.4 times net debt leverage. That has been our focus. Our overall strategy there is a balanced one. So it's obviously funding the business that Fran discussed. It's returning cash to shareholders through dividends and buybacks, and it is M&A. So we believe once we get back to that 3 times and below, with the forecast for improving top and bottom line, the company can support all three of those in a balanced and measured way.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Great. And I just have a couple more questions here. One, I wanted to just ask on the health of the consumer. How are you guys seeing the consumer? How do you feel like the consumer is going to look, what is the consumer going to look like, their spending intentions, as we go out into the back half of this year and then into next year?

<<Francesca Weissman, Chief Financial Officer>>

Yeah. I think the categories in which we compete in have been pretty stable and pretty resilient. The consumer, while we have been seeing some value-seeking behavior, overall, we have not really seen category disruption or deterioration. And I think the personal care categories that we operate in, it sort of insulates us in terms of consumer sentiment to a large degree. And I think the other piece, and we talked about it earlier, is that specifically within our shave business, we participate across the realm.

So we've got private label, we've got disposables, we've got systems. So from premium to value, we offer those offerings, and we are not seeing that the consumer is actually significantly trading down. In fact, the branded shave business, as it returned back to growth still pretty resilient despite the competitive environment. So I think overall, we see consumer behavior as largely stable this year as we are moving into next year.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Yeah. Okay, great. That's good. And then I guess maybe just to wrap up, we've covered a lot here. It looks like Edgewell is really transitioning into a modern-day consumer personal care company. What gets you most excited about the company, and what gives you the greatest confidence in the future of the business?

<<Francesca Weissman, Chief Financial Officer>>

We are definitely in a much stronger position as we've gone into 2027, and we are heading into 2027, than we have ever been, and I think there is a couple of factors for that. One, we've got better execution across the board when you think about our commercial execution. But also internally, we have been very focused on streamlining our organization, focusing on lowering our cost base.

So that has also provided fuel for us to continue to drive investment. So we see stronger focused brands, and we see better share of performance and shelf space. So that stronger brand, those improving brand health metrics, are translating at retail and at the shelf, which is really important as we think about structural and consistent growth trends. And we see improving brand health metrics.

So when you take those three factors, we're very much in a position to now be able to consistently be growing. And we've got a business model now that as we're driving top-line growth, we're very focused on gross margin accretion. So it's really about driving consistent growth, both top and bottom, with a free cash flow conversion that has been really core to our story and has driven us to really spin off a considerable amount of cash as we've moved forward. So we think we've got the right ingredients to set us up to enter into fiscal 2027, and I look forward to coming back in November and talking through that with all of you.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Exciting. Thank you so much for being here with us.

<<Francesca Weissman, Chief Financial Officer>>

Yeah. Thank you.

<<Chris Gough, Vice President, Investor Relations and Treasury>>

Thanks, Susan.

<<Francesca Weissman, Chief Financial Officer>>

Thank you.

<<Chris Gough, Vice President, Investor Relations and Treasury>>

Thank you.