



**Implied Upside:  
23.5%**

Larry Wang, Liam Coohill,  
Nhi Tran, Qiyuan Shengni



**Edgewell**<sup>TM</sup>  
PERSONAL CARE

10/4/2019

# Meet the pitch team

## Pitch Team



**Larry Wang**  
*Senior Analyst*  
Class of 2021



**Liam Coohill**  
*Senior Analyst*  
Class of 2021



**Nhi Tran**  
*Treasurer*  
Class of 2020



**Qiyuan Shengni**  
*Guest Student*  
Class of 2023

# Agenda

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1

Company Overview

2

Industry Overview

3

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Valuation

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**Company Overview**



# Edgewell Personal Care Company Overview

## Egdewell Personal Care Performance

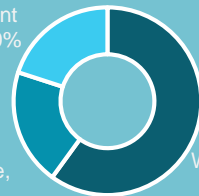


## Sales Breakdown

**\$2.2B**  
FY '18 Sales

Feminine, Infant care, Other, 20%

Sun and Skin Care, 20%



Wet shave, 60%

## Company Brands

Wet Shave

**SCHICK**

Skintimate

**PERSONNA**

WILKINSON  
SWORD

edge

**HARRY'S**

Sun and Skin Care

BANANA  
BOAT

HAWAIIAN  
Tropic

Wet  
Ones  
ANTIBACTERIAL  
HAND WASH

Jack Black  
Authentic and Original

**BULL  
DOG**  
NATURAL SKINCARE

Feminine & Baby Product

Playtex

Stayfree

Carefree

ob.

playtex

Others

LITTER  
genie  
LITTER GENIE

1992

Schick and  
Wilkinson's  
Sword merge

1994

Playtex:  
Banana Boat,  
Wet Ones,  
Diaper Genie

2000

Energizer IPO  
w/ Edgewell as  
personal care  
subsidiary

2015

Edgewell  
Spin-off

2019

Harry's  
acquisition

Company & Industry

Thesis

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Valuation



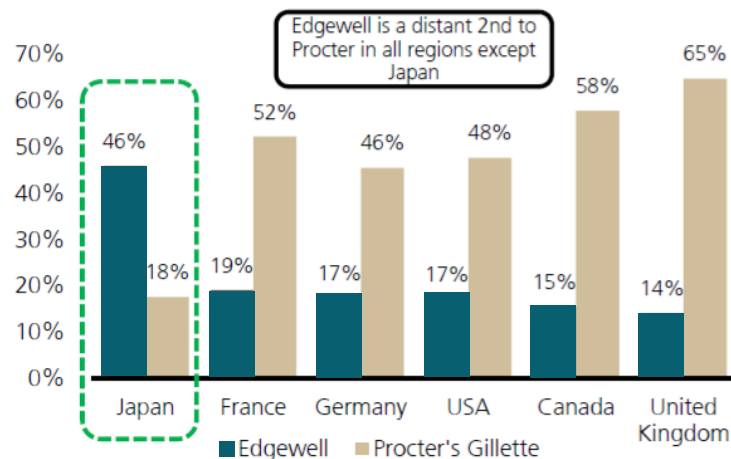
**Industry Overview**



# Wet Shave Segment Overview

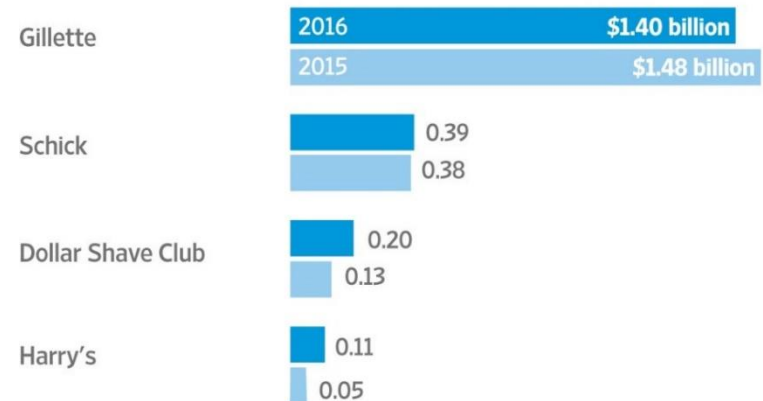
## Market Share

Figure 11: Wet Shave Market Share by region (2017)



## Revenue Breakdown

U.S. sales of men's razors, in billions



SOURCE: EUROMONITOR

WSJ

## Competitive Analysis

**Advantages over new businesses:** has extensive distribution network, a high degree of operational integrity, existing brand loyalty (\$300m), handsome investment in R&D (\$60m)

**Advantages over Procter and Gamble (Gillette):** enjoys a better reputation and can leverage this more positive brand image with creative digital marketing techniques from the acquisition of Harry's

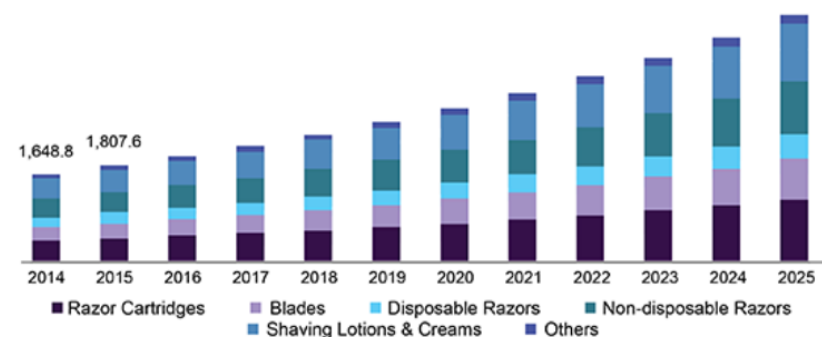
**Competition among big corporations:** Procter & Gamble (Gillette), Unilever PLC (Dollar Shave Club), Edgewell Personal Care Company (Shick), Beiersdorf AG, Raymond Limited, and Johnson & Johnson, Limited. Each has extensive distribution network and a high degree of operational integrity

**Gillette is losing its dominance:**

- Attitude shift preferring affordable razor with simple design
- Effectiveness of the DTC model adopted by Harry's
- Hard to keep the cost down due to expenditure on R&D and advertising

## Industry Growth

U.S. wet shave market size, by product, 2014 - 2025 (USD Million)





# The Razor and Blades Business Model

Understanding the drivers of recurring sales



## Razor Handle – “The Bait”

- One-time purchase, desirable handle sold at a discount
- **Low margin product** (sometimes even sold at a loss)
- Protected by patents for its cartridge docking system
- Creates **“lock-in” retention strategy** for the purchase of the blades

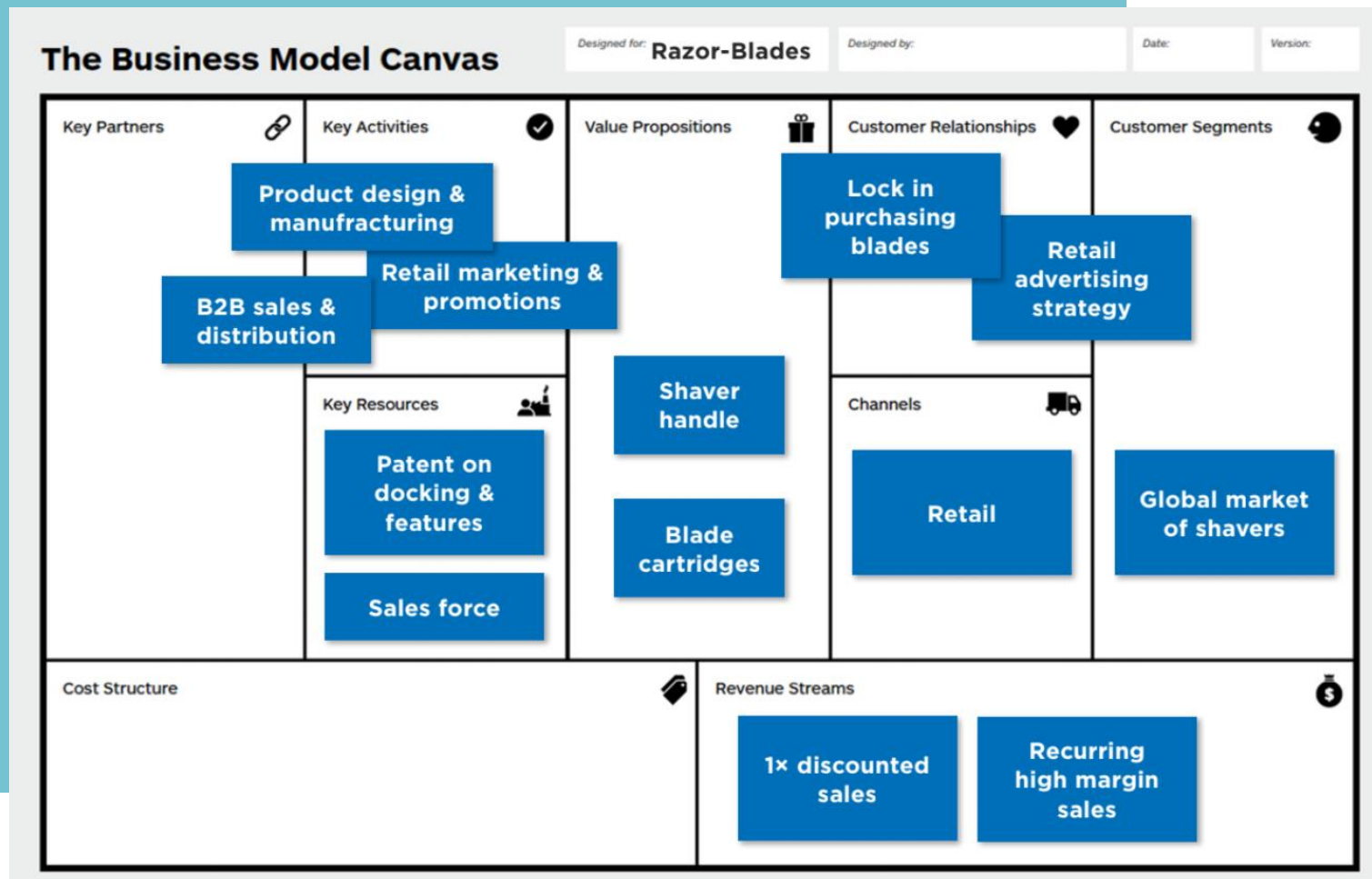
## Blade Cartridge – “The Hook”

- **High margin product** protected by a **vast range of patents**
- Higher barriers for competitors from creating compatible cartridges that fit the handle
- **Differentiable features** (numbers and types of blades, lubricating strips)
- **Highly recurring sales**



# The Razor and Blades Business Model

Traditional razor and blades business model



Company & Industry

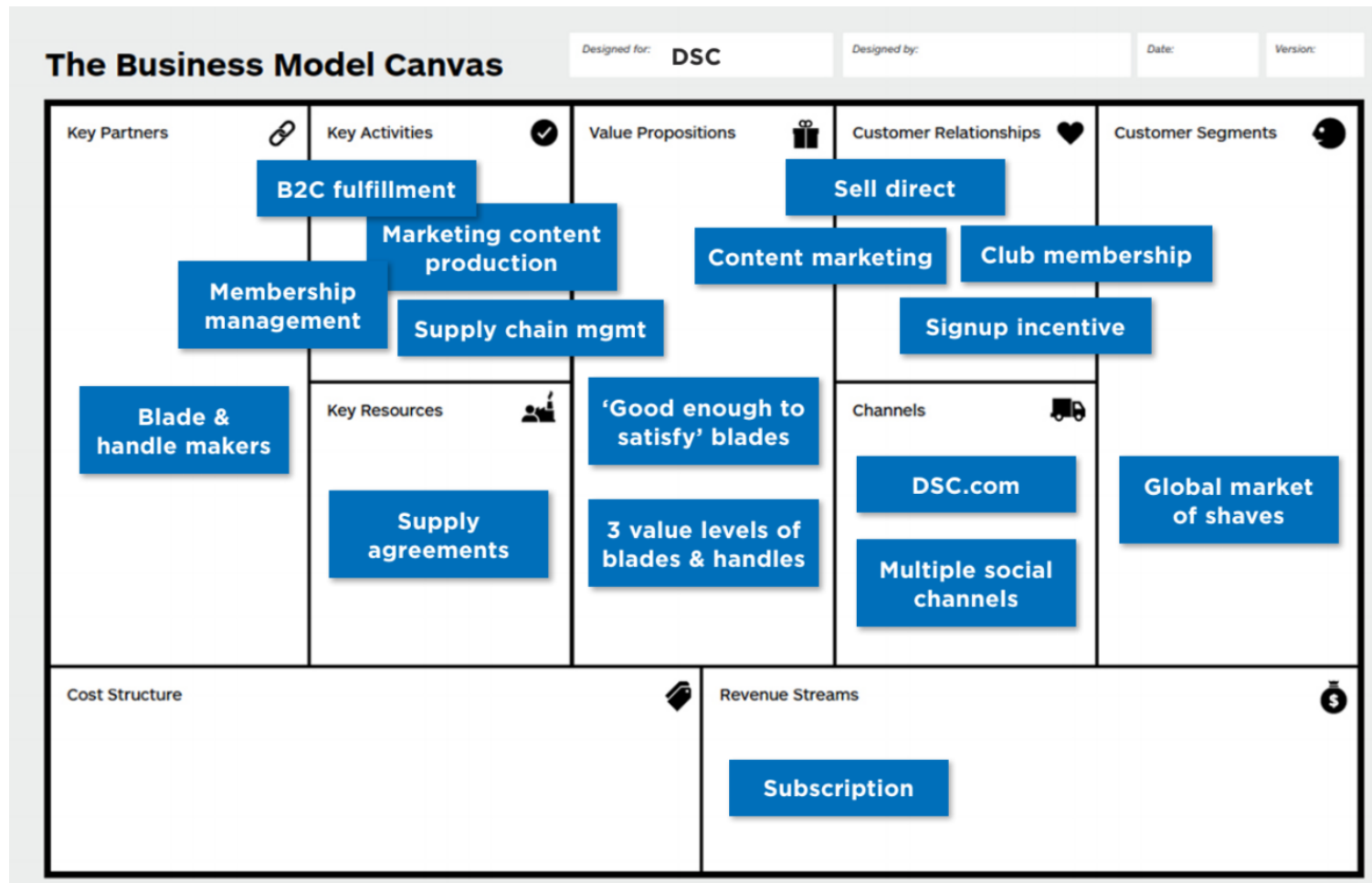
Thesis

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# Disrupting the Razor and Blades Business Model

## Dollar Shave Club Model



Company & Industry

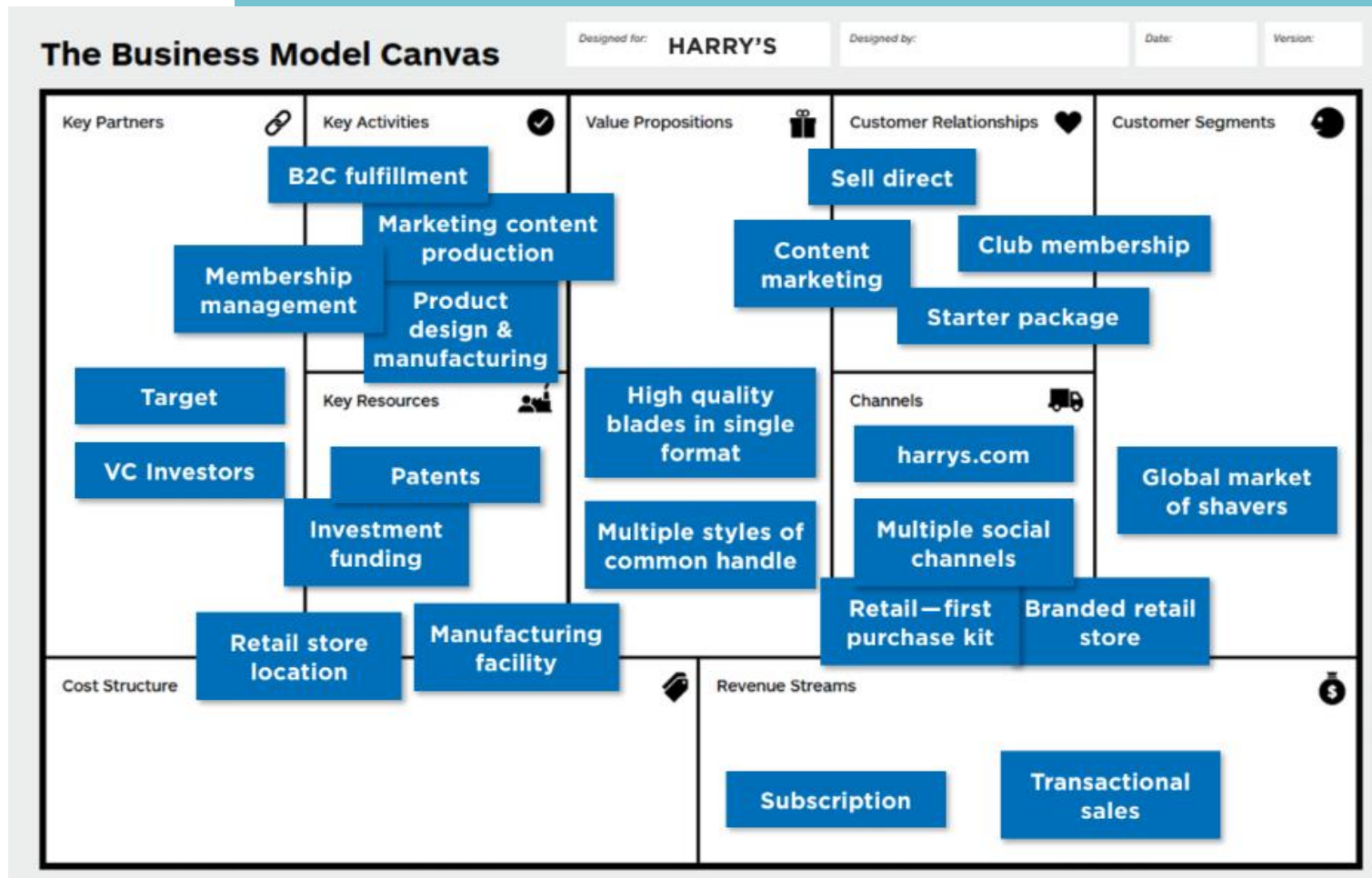
Thesis

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# Disrupting the Razor and Blades Business Model

## Harry's Model



Company & Industry

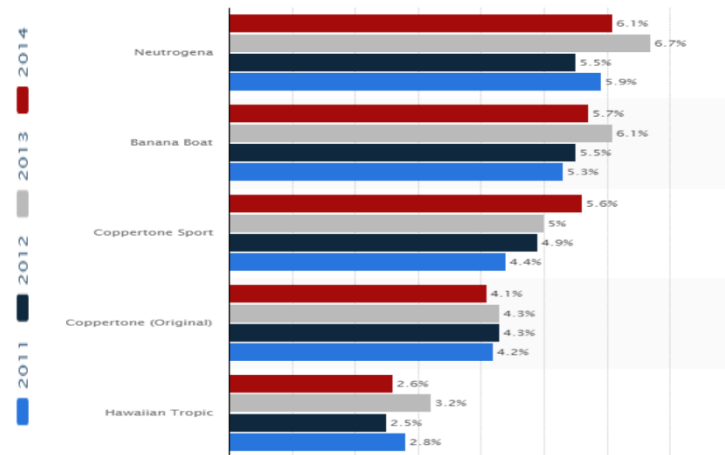
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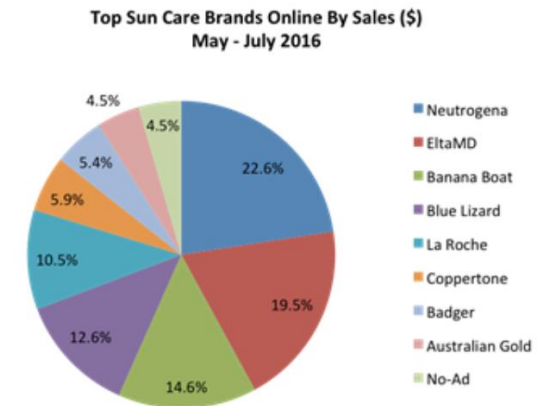
# Sun and Skin Care Segment Overview

## Market Share



## Revenue Breakdown

### Top Brands by Sales (\$)



Note: Read as X% of sales for Top 10 Brands

Source: 1010data Market Insights

## Competitive Analysis

**Advantages over new businesses:** The high initial investment cost coupled with complexities, stringent government regulations associated with the usage of ingredients, low product differentiation & brand loyalty, rising number of patents

**Advantages over incumbents:**

Focus on in-store visibility

Innovation (research facilities across the globe)

E-commerce strategy

**Competition analysis**

- o Intense competition
- o Tendency towards multi-purpose products
- o Turning to organic!

Company & Industry

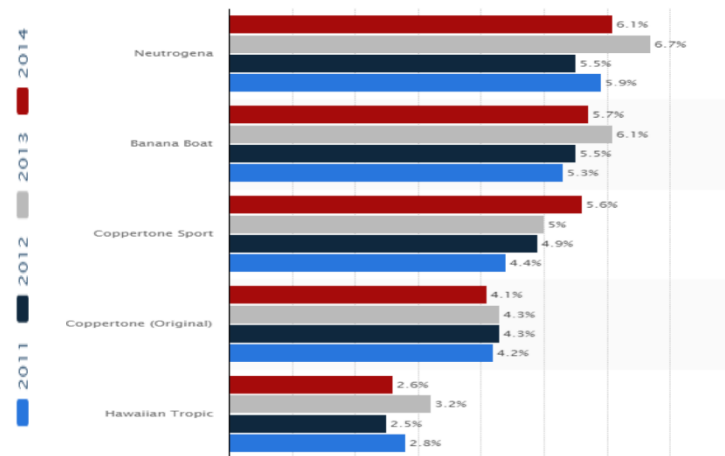
Thesis

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# Sun and Skin Care Segment Overview

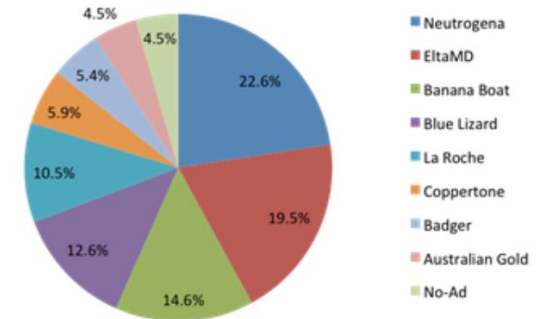
## Market Share



## Revenue Breakdown

### Top Brands by Sales (\$)

Top Sun Care Brands Online By Sales (\$) May - July 2016



Note: Read as X% of sales for Top 10 Brands

Source: 1010data Market Insights

## Competitive Analysis

**Advantages over new businesses:** The high initial investment cost coupled with complexities, stringent government regulations associated with the usage of ingredients, low product differentiation & brand loyalty, rising number of patents

**Advantages over incumbents:**

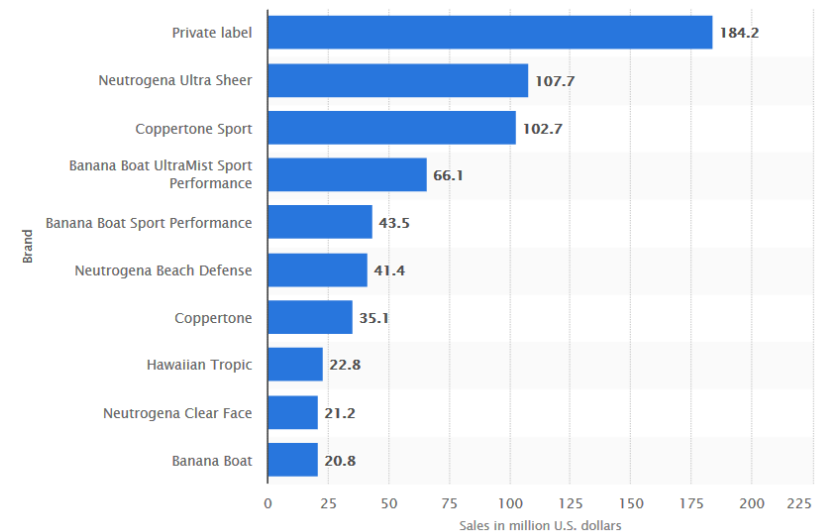
Focus on in-store visibility

Innovation (research facilities across the globe)

E-commerce strategy

**Competition analysis**

- o Intense competition
- o Tendency towards multi-purpose products
- o Turning to organic!



Company & Industry

Thesis

Risks

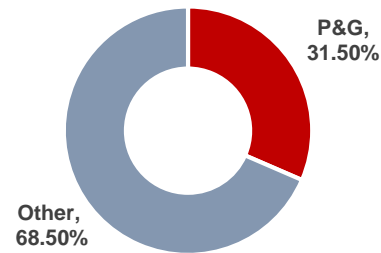
Valuation

# Feminine and Infant Care Segment Overview

## Sanitary Paper

### Sanitary Paper Product Market Share

**\$12.2B**  
*Industry revenue*

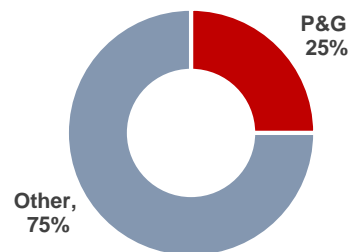


## Feminine Care

**Advantages over new businesses:** The business is sticky and has high brand loyalty in the US. In Japan, consumers value quality over brand.

**\$2B**  
*Industry revenue*

### Feminine Product Market Share

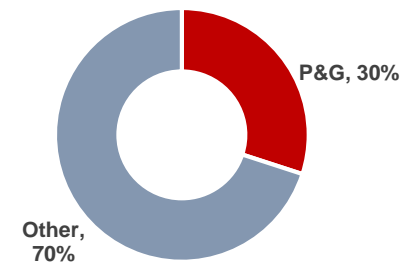


## Infant Care

**Key characteristic:** Constant demand, brand stickiness

**\$16B**  
*Industry revenue*

### Diaper Manufacturing/Sanitary Product



Company & Industry

Thesis

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Valuation

- I. Fear of competitive pressure in the wet shave industry is overblown
- II. Opportunity to invest in a structurally advantaged business at a cheap price
- III. Realizing value through the acquisition of Harry's

**Thesis**





# Thesis I: Wet Shaving is a Competitive Space

Historic Duopoly has been upset by Startups

## Market Share



## Revenue Breakdown

**Gillette**<sup>®</sup>



## Competitive Analysis



**HARRY'S**

## Industry Growth



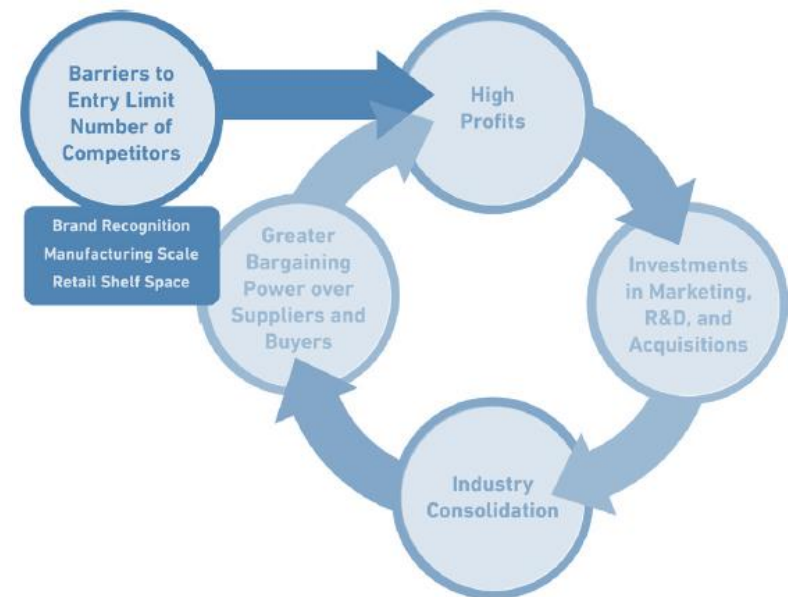
**DOLLAR SHAVE  
CLUB**

# Thesis I: Wet Shaving is a Competitive Space

## The Name of the Game: Pricing Power

### Pricing Game

- Pricing is relatively standard across the traditional brands
- Name brand razors from both Gillette, Schick, and Wilkinson compete heavily on price, especially in the United States
- Brands are placed immediately next to each other, and many consumers will go for the cheapest
- This helps fight against new entrants, who have higher costs as they have not achieved the economies of scale of the bigger brands

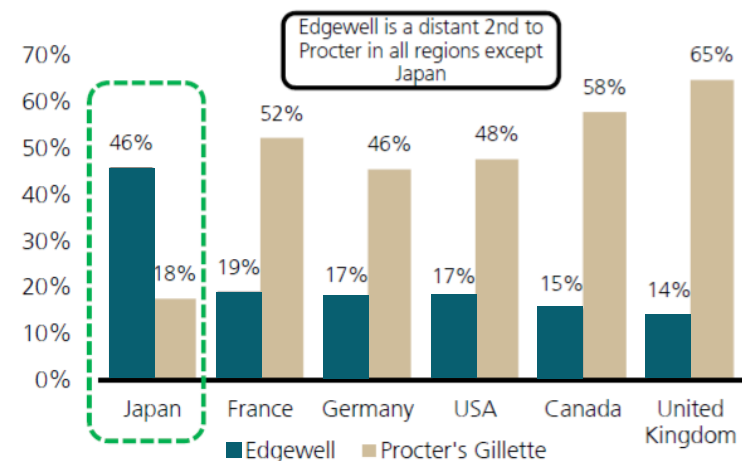


# Thesis I: Wet Shaving is a Competitive Space

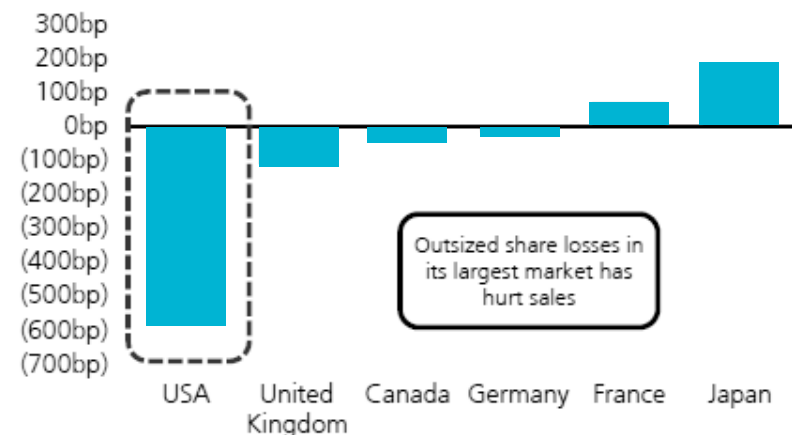
## Marketing and Market Share

- Edgewell has historically held a smaller market share than Procter and Gamble
- In recent years, Edgewell has lost ground in the USA, UK, and Canada
- This is entirely due to the new entrants Dollar Shave Club and Harry's, which began to gain significant share 5 years ago
- Market Share is key because of the organic growth benefits resulting from product recommendation

Figure 11: Wet Shave Market Share by region (2017)



EPC 5-yr Change in Wet Shave Market Share

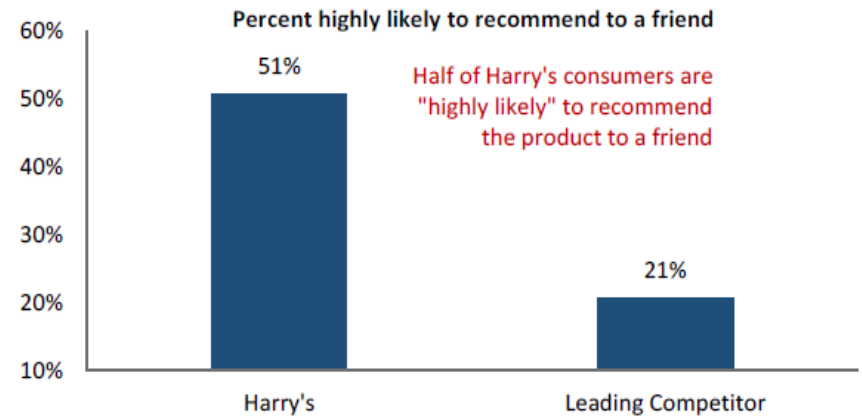


# Thesis II: Attractive Fundamentals

## Margin of Safety realized through Brand Value

### Product Fundamentals

- Product reviews on retailer websites are one of the most important drivers of product sales in this market
- Online reviews have been shown to impact 68% of purchasing decisions (Forbes)
- 84% of people trust online reviews as much as a personal recommendation from a friend
- A strong base of energized fans can create a margin of safety by drawing customers away from startup brands that have yet to generate loyalty



Source: Edgewell Personal Care, Harry's

$$\begin{aligned} \text{Consumer Value Yesterday} &= \frac{\text{Product Price}}{\text{Product Benefit}} \\ &\downarrow \\ \text{Consumer Value Today} &= \frac{\text{Product Price}}{(\text{Product Benefit} + \text{Recommendation})} \end{aligned}$$

Source: RBC Capital Markets

## Thesis II: Attractive Fundamentals

### Barriers to entry

#### Patent Protection and Capacity

- There is strong protection of patents as well as scarce production assets worldwide
- Edgewell and Harry's have a combined 2,900 patents, with another 450 pending approval
- There are a very limited number of manufacturers who can make high quality razor products
- 3+ blade razors require precision accuracy, and many are manufactured in Germany
- New entrants cannot get product due to capacity constraints at manufacturers

#### Limited Shelf Space

- Harry's has moved into major retailers including Walmart and Target
- This is an industry sensitive to Limited Shelf Space, capturing share is key
- While Edgewell's traditional brands have lost in a couple retailers, they usually pick up Harry's.
- Case in point: Walmart in Q4 of 2018, dropped Edgewell brands to bring in Harry's

## Thesis II: Attractive Fundamentals

### Gimme Fuel: EPC's Cost Cutting Program

#### Project Fuel Program

- Project Fuel: enacted by EPC to strengthen company position in the market
- \$115M was saved in 2019 alone, coming from restructuring and capex
  - Projected to increase to \$230M annually in 2021
- Fuel has driven margins up
- Although Edgewell has missed on revenue numbers, they have consistently over-delivered on an EPS and EBITDA basis, largely due to Project Fuel



## Thesis II: Attractive Fundamentals

### Japan: Notes on Product Quality

#### Japanese Consumers

- While Gillette (P&G) is the category leader in men's wet shave in the USA, Edgewell's brands lead in both Western Europe and Japan
- Japanese dominance is especially notable, as Japanese consumers tend to seek out the best quality products, and are willing to pay premiums
- Customer feedback indicates that Edgewell's products are "better than consumers' expectations based on their brand"



*McKinsey Quarterly: Brian Salsburg*

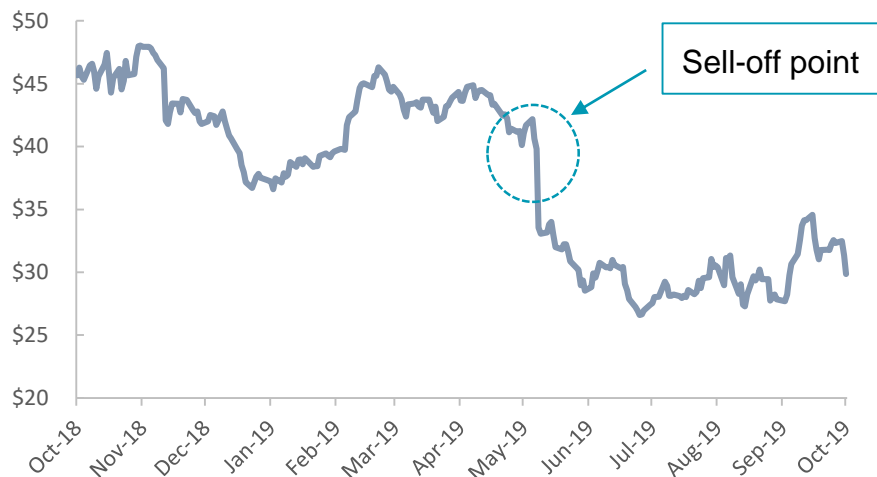
*"Japanese consumers'... love of brands sparked the emergence of a mass-luxury market where owning expensive, exclusive products is essential rather than aspirational"*



# Thesis III: Acquisition of Harry's to Further Unlock Value

## Sell off makes for a compelling entry point

### EPC Stock Price Performance



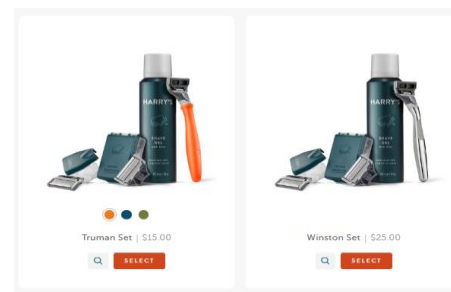
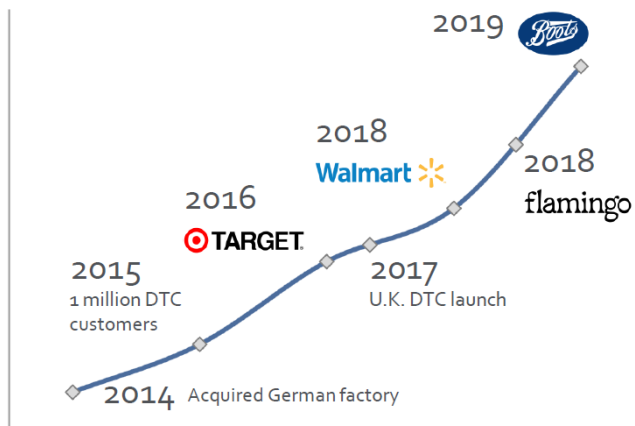
### Negative Market Sentiments

- EPC's acquisition of Harry's led to one-day sell-off of 16% in stock price, hitting a 52-week low, as the market currently believes that the merger "isn't as crazy as it looks"
- Investors' primary concerns are **near-term dilution** due to equity issuance and **higher leverage**
- The acquisition drew comparison to Unilever's acquisition Dollar Shave Club in 2016, which later failed to meet expectations
- However, we believe **this comparison is flawed**

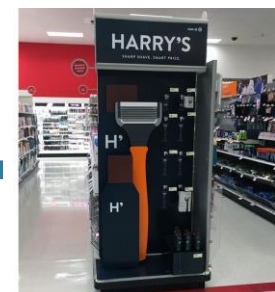
### Overview of Harry's

Launched in 2013, Harry's is one of the most successful challenger brands ever built:

- Captured ~5% of wet shave market share in five years
- Expected to reach \$325mm annual revenue in 2019



DTC Platform



Retail Channel



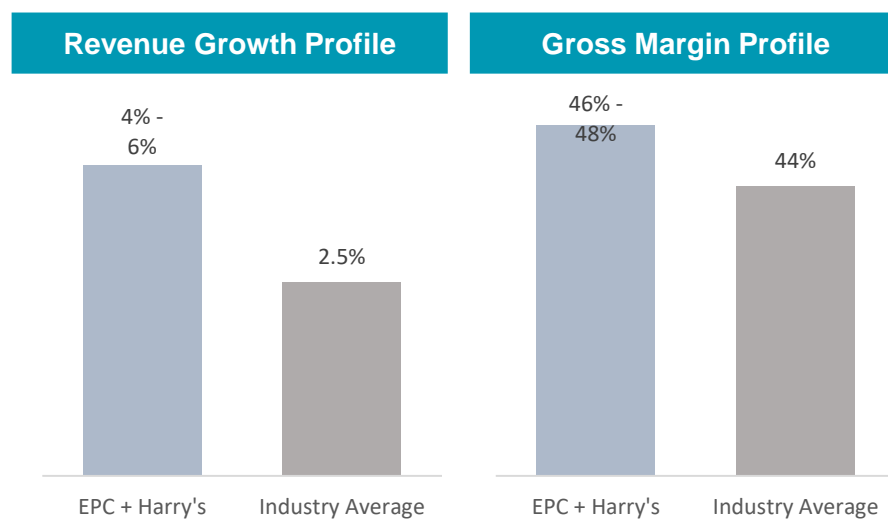
In-House Manufacturing

# Thesis III: Acquisition of Harry's to Further Unlock Value

Compelling synergies of ~\$40mm run-rate EBITDA impact by FY2023

Transaction Summary	
Purchase Price	<ul style="list-style-type: none"> <li>Transaction valued at \$1.37bn, comprised of:                             <ul style="list-style-type: none"> <li>\$1.085bn in cash</li> <li>\$285mm in roll-over equity</li> </ul> </li> <li>~4.2x implied EV/Sales</li> </ul>
Financing	<ul style="list-style-type: none"> <li>\$160mm cash on hand</li> <li>Financing Commitment includes:                             <ul style="list-style-type: none"> <li>\$400mm Revolver (undrawn at close)</li> <li>\$400mm Term Loan A</li> <li>\$800mm Term Loan B</li> </ul> </li> <li>Targeting 5.2x total debt/EBITDA at close</li> </ul>
Ownership	<ul style="list-style-type: none"> <li>Harry's management and investors to receive equity ownership in EPC</li> <li>Total pro-forma ownership of 11% rolled over</li> <li>Management incentives tied to combined business performance</li> </ul>
Anticipated Closing	<ul style="list-style-type: none"> <li>Seeking regulatory clearance from U.S., Germany, and Australia</li> <li>Expected to close by end of 2019</li> </ul>

Synergies
<p><u>~\$20mm Run-rate Cost Synergies</u></p> <ul style="list-style-type: none"> <li>Production &amp; supply chain optimization</li> <li>Benefits from joint purchasing and increase in distribution scale</li> <li>Capex savings from leveraging available EPC manufacturing plants and established distribution channel</li> <li>Talent and management team integration</li> </ul> <p><u>~20mm Run-rate Revenue Synergies</u></p> <ul style="list-style-type: none"> <li>Leveraging EPC's global footprint to accelerate Harry's international expansion</li> <li>Supporting new brand and product category launches</li> <li>Improving Harry's and Flamingo's product quality</li> </ul>

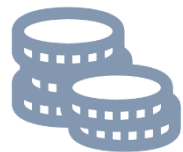


# Thesis III: Acquisition of Harry's to Further Unlock Value

Complimentary capabilities to drive business success



# HARRY'S



Best-in-Class  
R&D Platform



Proprietary  
Manufacturing  
Capability



Global  
Distribution  
Network



Established E-  
Commerce  
Presence



Talented  
Management  
Team



Modern  
Branding  
Success

High growth CPG company with omni-channel capabilities across global platform

Consumer centric, modernized brands supported by high quality products

Company & Industry

Thesis

Risks

Valuation

# Thesis III: Acquisition of Harry's to Further Unlock Value

Opportunity to strengthen omni-channel presence and accelerate Harry's international expansion through Edgewell's global reach

## Building Relationship through DTC

## Enabling Disruptive Presence in Retail

### Broad Reach

**~4M** Cumulative DTC Customers Acquired

### Deep Relationship

**2M+** Direct CX contacts completed

### Loyal Customer Base

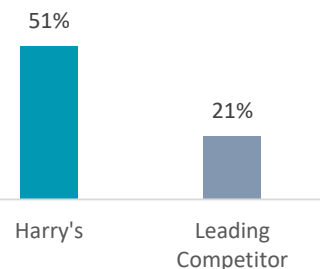
**77%** "Bill-through" rate on subscriptions

### High Engagement

**50%** Email open rates (3x e-commerce average)



Percent Highly Likely to Recommend to a Friend



$$\text{Consumer Value Yesterday} = \frac{\text{Product Price}}{\text{Product Benefit}}$$

↓

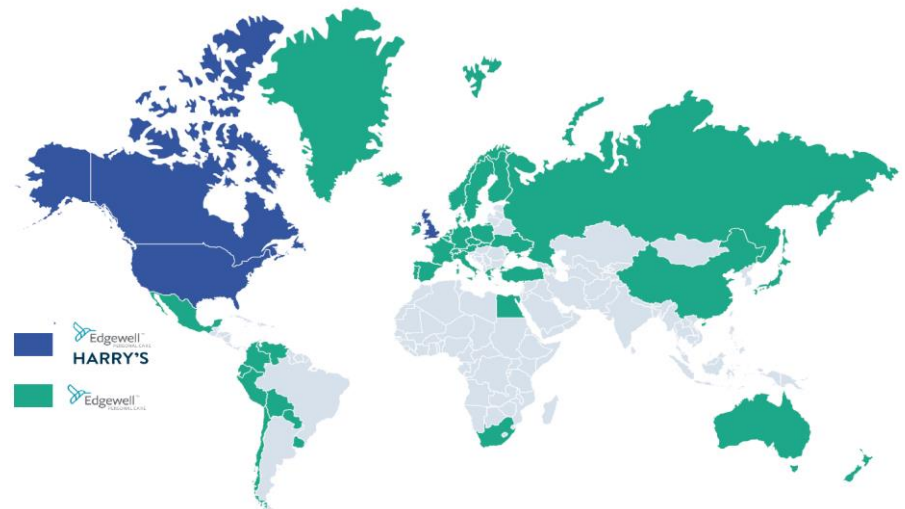
$$\text{Consumer Value Today} = \frac{\text{Product Price}}{(\text{Product Benefit} + \text{Recommendation})}$$

Walmart

CVS Health Walgreens

COSTCO WHOLESALE

TARGET



Company & Industry

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# Thesis III: Acquisition of Harry's to Further Unlock Value

Combined management team serves an undervalued asset



Rod R. Little  
President & CEO



Dan Sullivan  
Chief Financial Officer



Andy Katz-Mayfield  
Harry's Co-founder  
and Co-CEO



Jeff Raider  
Harry's Co-founder  
and Co-CEO

Focus on M&A Integration and Margin Expansion

New Co-Presidents of Edgewell U.S. Operations

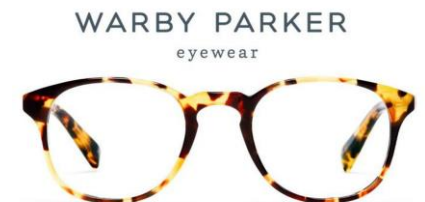
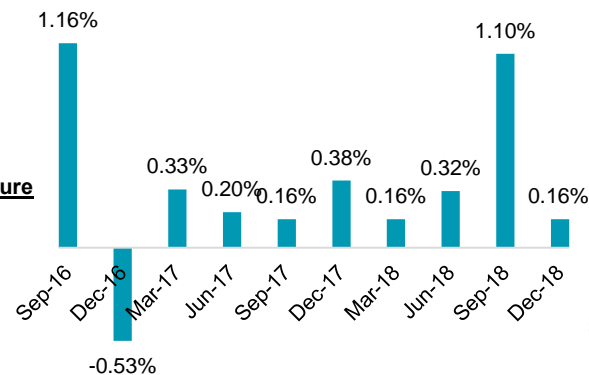
## Rod Little's M&A Experience

Event	Date
P&G acquired Wella	Mar-03
Sale of Arden to Revlon	Sep-16
Sale of HSN to Liberty Interactive	Jul-17

## Elizabeth Arden's margins during Rod Little's tenure

	FY2015	FY2016
Gross margin	43.0%	45.1%
SG&A as % Sales	49.7%	44.9%
Total OpEx as % Sales	53.8%	48.7%

## Party City Gross Margin Changes During Dan Sullivan's Tenure




Company & Industry

Thesis

Risks

Valuation



**Risks** | 



# Edgewell Debt Waterfall (Post-Acquisition)

There is no significant debt due in the near-term

Edgewell Personal Care Debt Schedule (\$ in Millions)	Coupon	Dec-19 1Q20E	Mar-20 2Q20E	Jun-20 3Q20E	Sep-20 4Q20E	Dec-20 1Q21E	Mar-21 2Q21E	Jun-21 3Q21E	Sep-21 4Q21E	Dec-21 1Q22E	Mar-22 2Q22E	Jun-22 3Q22E	Sep-22 4Q22E	Dec-22 1Q23E	Mar-23 2Q23E	Jun-23 3Q23E	Sep-23 4Q23E	Dec-23 1Q24E	Mar-24 2Q24E	Jun-24 3Q24E	Sep-24 4Q24E
<b>Total Company Debt</b>																					
Debt (start)		2,912.3	2,697.3	2,697.3	2,697.3	2,697.3	2,697.3	2,697.3	2,697.3	2,697.3	2,697.3	2,697.3	2,697.3	2,697.3	2,697.3	2,697.3	2,697.3	2,697.3	2,697.3	2,697.3	2,697.3
Change in Debt		215.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt (end)		2,709.9	2,709.9	2,709.9	2,709.9	2,709.9	2,709.9	2,709.9	2,709.9	2,709.9	2,709.9	2,709.9	2,709.9	2,709.9	2,709.9	2,709.9	2,709.9	2,697.3	2,697.3	2,697.3	2,697.3
Notes Payable		13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	0	0	0	0
Avg interest rate		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Interest expense		38.3	37.3	37.5	37.6	37.8	37.9	38.1	38.2	38.4	38.5	38.7	38.8	39.0	39.1	39.3	39.4	39.3	39.5	39.6	39.8
Avg interest rate		5.7%	5.5%	5.5%	5.6%	5.6%	5.6%	5.6%	5.6%	5.7%	5.7%	5.7%	5.7%	5.8%	5.8%	5.8%	5.8%	5.8%	5.9%	5.9%	5.9%
Libor (bps)		2.75	2.80	2.85	2.90	2.95	3.00	3.05	3.10	3.15	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.55	3.60	3.65	3.70
<b>Existing Debt</b>																					
<b>Senior Notes (4.7%, due 2021)</b>	<b>4.70%</b>	<b>Refinancing</b>																			
Principal Outstanding (start)		598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9
Principal Payments		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal Outstanding (end)		598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9	598.9
Interest Expense		7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
<b>Senior Notes (4.7%, due 2022)</b>	<b>4.70%</b>	<b>Refinancing</b>																			
Principal Outstanding (start)		498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4
Principal Payments		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal Outstanding (end)		498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4	498.4
Interest Expense		5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9
<b>Revolver/ST borrowing (\$725) (Variable Rate)</b>	<b>1.79%</b>	<b>Repayment</b>																			
Principal Outstanding (start)		215.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal Payments		215.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal Outstanding (end)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Expense		1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>New Acquisition Financing</b>																					
<b>Senior Secured Revolver (\$400m)</b>	<b>2.79%</b>	<b>Addition</b>																			
Principal Outstanding (start)		400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0
Principal Payments		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal Outstanding (end)		400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400
Interest Expense		2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
<b>Senior Secured Term Loan A (\$400m, Libor + 3.00%)</b>	<b>3.00%</b>	<b>Addition</b>																			
Principal Outstanding (start)		400.0	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400
Principal Payments		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal Outstanding (end)		400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400
Interest Expense		5.7	5.8	5.8	5.9	5.9	6.0	6.0	6.1	6.1	6.2	6.2	6.3	6.3	6.4	6.4	6.5	6.5	6.6	6.6	6.7
<b>Senior Secured Term Loan B (\$800m, Libor + 3.00%)</b>	<b>5.00%</b>	<b>Addition</b>																			
Principal Outstanding (start)		800.0	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800
Principal Payments		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal Outstanding (end)		800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800
Interest Expense		15.5	15.6	15.7	15.8	15.9	16.0	16.1	16.2	16.3	16.4	16.5	16.6	16.7	16.8	16.9	17.0	17.1	17.2	17.3	17.4

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# Edgewell Credit Profile

Total Debt / EBITDA does not tell the whole story

Base Case

Year	4Q19	2020E	2021E	2022E	2023E	2024E
<b>Unlevered Free Cash Flow</b>	<b>\$36.0</b>	<b>\$257.7</b>	<b>\$238.7</b>	<b>\$224.5</b>	<b>\$218.5</b>	<b>\$210.9</b>
(-) Interest Expense	(15.3)	(150.7)	(152.0)	(154.4)	(156.8)	(158.2)
(-) Debt Principal Payment	0.0	(215.0)	0.0	0.0	0.0	0.0
(+) New Debt Addition	0.0	1,600.0	0.0	0.0	0.0	0.0
(-) Acquisition of Harry's	0.0	(1,085.0)	0.0	0.0	0.0	0.0
<b>Levered Free Cash Flow</b>	<b>\$20.7</b>	<b>\$406.9</b>	<b>\$86.6</b>	<b>\$70.0</b>	<b>\$61.6</b>	<b>\$52.7</b>
<b>Memo:</b>						
Total Debt/EBITDA		6.8x	7.1x	7.3x	7.3x	7.4x
DSCR		1.1x	2.5x	2.4x	2.3x	2.3x
Interest Coverage		2.6x	2.5x	2.4x	2.3x	2.3x
EBITDA - Capex / Interest		2.1x	2.0x	1.9x	1.8x	1.8x
Fixed Charge Coverage		0.6x	1.5x	1.5x	1.4x	1.4x

Year	4Q19	2020E	2021E	2022E	2023E	2024E
<b>Unlevered Free Cash Flow</b>	<b>\$36.0</b>	<b>\$257.1</b>	<b>\$226.3</b>	<b>\$203.2</b>	<b>\$187.6</b>	<b>\$189.5</b>
(-) Interest Expense	(15.3)	(150.7)	(152.0)	(154.4)	(156.8)	(158.2)
(-) Debt Principal Payment	0.0	(215.0)	0.0	0.0	0.0	0.0
(+) New Debt Addition	0.0	1,600.0	0.0	0.0	0.0	0.0
(-) Acquisition of Harry's	0.0	(1,085.0)	0.0	0.0	0.0	0.0
<b>Levered Free Cash Flow</b>	<b>\$20.7</b>	<b>\$406.4</b>	<b>\$74.3</b>	<b>\$48.7</b>	<b>\$30.8</b>	<b>\$31.2</b>
<b>Memo:</b>						
Total Debt/EBITDA		7.0x	7.6x	8.1x	8.7x	9.0x
DSCR		1.1x	2.3x	2.1x	2.0x	1.9x
Interest Coverage		2.6x	2.3x	2.1x	2.0x	1.9x
EBITDA - Capex / Interest		2.0x	1.8x	1.6x	1.5x	1.4x
Fixed Charge Coverage		0.6x	1.4x	1.3x	1.1x	1.1x

Downside Case

Year	4Q19	2020E	2021E	2022E	2023E	2024E
<b>Unlevered Free Cash Flow</b>	<b>\$36.0</b>	<b>\$257.2</b>	<b>\$247.0</b>	<b>\$241.9</b>	<b>\$242.5</b>	<b>\$238.6</b>
(-) Interest Expense	(15.3)	(150.7)	(152.0)	(154.4)	(156.8)	(158.2)
(-) Debt Principal Payment	0.0	(215.0)	0.0	0.0	0.0	0.0
(+) New Debt Addition	0.0	1,600.0	0.0	0.0	0.0	0.0
(-) Acquisition of Harry's	0.0	(1,085.0)	0.0	0.0	0.0	0.0
<b>Levered Free Cash Flow</b>	<b>\$20.7</b>	<b>\$406.5</b>	<b>\$95.0</b>	<b>\$87.5</b>	<b>\$85.7</b>	<b>\$80.4</b>
<b>Memo:</b>						
Total Debt/EBITDA		6.6x	6.8x	6.7x	6.7x	6.6x
DSCR		1.1x	2.6x	2.6x	2.6x	2.6x
Interest Coverage		2.7x	2.6x	2.6x	2.6x	2.6x
EBITDA - Capex / Interest		2.1x	2.1x	2.1x	2.1x	2.1x
Fixed Charge Coverage		0.7x	1.6x	1.6x	1.6x	1.6x

Upside Case


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# Operating Build

Operating Build	Actual							Projected					
	Year	2016	2017	2018	1Q19	2Q19	3Q19	4Q19E	2019E	2020E	2021E	2022E	2023E
<b>Wet Shave/ Blades</b>	<b>1,426</b>	<b>1,375</b>	<b>1,330</b>	<b>288</b>	<b>294</b>	<b>328</b>	<b>341</b>	<b>1,251</b>	<b>1,188</b>	<b>1,176</b>	<b>1,188</b>	<b>1,212</b>	<b>1,242</b>
Net Sales Growth %	(1.1%)	(3.5%)	(3.3%)	(2.1%)	(14.7%)	(3.9%)	(2.5%)	(6.0%)	(5.0%)	(1.0%)	1.0%	2.0%	2.5%
<b>Skin Care</b>	<b>415</b>	<b>440</b>	<b>450</b>	<b>67</b>	<b>145</b>	<b>168</b>	<b>74</b>	<b>454</b>	<b>465</b>	<b>477</b>	<b>489</b>	<b>501</b>	<b>514</b>
Net Sales Growth %	2.8%	6.1%	2.1%	12.9%	(4.7%)	3.4%	(2.5%)	0.9%	2.5%	2.5%	2.5%	2.5%	2.5%
<b>Feminine Care</b>	<b>389</b>	<b>352</b>	<b>330</b>	<b>75</b>	<b>75</b>	<b>81</b>	<b>82</b>	<b>312</b>	<b>303</b>	<b>298</b>	<b>294</b>	<b>289</b>	<b>285</b>
Net Sales Growth %	(2.3%)	(9.6%)	(6.3%)	(9.5%)	(7.1%)	(3.0%)	(1.0%)	(5.3%)	(3.0%)	(1.5%)	(1.5%)	(1.5%)	(1.5%)
<b>Infant Care/Other</b>	<b>132</b>	<b>131</b>	<b>125</b>	<b>28</b>	<b>33</b>	<b>32</b>	<b>30</b>	<b>123</b>	<b>121</b>	<b>120</b>	<b>120</b>	<b>119</b>	<b>118</b>
Net Sales Growth %	(25.7%)	(1.0%)	(4.6%)	(13.8%)	7.3%	(1.2%)	1.0%	(1.9%)	(1.0%)	(1.0%)	(0.5%)	(0.5%)	(0.5%)
<b>Consolidated Sales</b>	<b>2,362</b>	<b>2,298</b>	<b>2,234</b>	<b>457</b>	<b>547</b>	<b>609</b>	<b>526</b>	<b>2,139</b>	<b>2,077</b>	<b>2,071</b>	<b>2,090</b>	<b>2,121</b>	<b>2,159</b>
Total Sales Growth %	(2.4%)	(2.7%)	(2.8%)					(4.3%)	(2.9%)	(0.3%)	0.9%	1.5%	1.8%
COGS	(1200)	(1167)	(1174)	(264)	(295)	(316)	(288)	(1163)	(1122)	(1112)	(1116)	(1126)	(1140)
<b>Gross profit</b>	<b>1162</b>	<b>1131</b>	<b>1060</b>	<b>194</b>	<b>251</b>	<b>293</b>	<b>238</b>	<b>976</b>	<b>956</b>	<b>959</b>	<b>974</b>	<b>995</b>	<b>1019</b>
GM %	49.2%	49.2%	47.4%	42.4%	46.0%	48.1%	45.2%	45.6%	46.0%	46.3%	46.6%	46.9%	47.2%
A&P	(337)	(318)	(293)	(52)	(48)	(92)	(62)	(253)	(243)	(246)	(251)	(255)	(259)
R&D	(72)	(68)	(61)	(13)	(14)	(13)	(15)	(54)	(56)	(56)	(56)	(57)	(58)
Corp w/ dis-synergies	(75)	(76)	(68)	(14)	(17)	(13)	(12)	(56)	(52)	(54)	(54)	(55)	(56)
Amortization of Intangibles	(14)	(18)	(18)	(5)	(5)	(4)	(5)	(18)	(19)	(19)	(19)	(19)	(19)
Legacy SG&A	(311)	(296)	(305)	(66)	(74)	(73)	(71)	(283)	(276)	(282)	(291)	(301)	(313)
<b>Total SG&amp;A</b>	<b>(810)</b>	<b>(776)</b>	<b>(745)</b>	<b>(149)</b>	<b>(157)</b>	<b>(195)</b>	<b>(164)</b>	<b>(664)</b>	<b>(646)</b>	<b>(657)</b>	<b>(671)</b>	<b>(687)</b>	<b>(706)</b>
Legacy Segment EBIT	442	449	401	63	116	115	91	385	380	375	376	382	389
<b>Operating Profit (EBIT)</b>	<b>352</b>	<b>355</b>	<b>315</b>	<b>45</b>	<b>95</b>	<b>98</b>	<b>74</b>	<b>311</b>	<b>310</b>	<b>302</b>	<b>303</b>	<b>308</b>	<b>313</b>
EBIT Margin %	14.9%	15.5%	14.1%	9.8%	17.3%	16.1%	14.1%	14.6%	14.9%	14.6%	14.5%	14.5%	14.5%
<b>EBITDA</b>	<b>445</b>	<b>450</b>	<b>413</b>	<b>67</b>	<b>119</b>	<b>121</b>	<b>98</b>	<b>405</b>	<b>406</b>	<b>399</b>	<b>400</b>	<b>404</b>	<b>410</b>
EBITDA Margin %	18.8%	19.6%	18.5%	14.7%	21.8%	19.8%	18.7%	18.9%	19.6%	19.3%	19.1%	19.1%	19.0%
<b>Consolidated Margins</b>													
Gross Profit	49.2%	49.2%	47.4%	42.4%	46.0%	48.1%	45.2%	45.6%	46.0%	46.3%	46.6%	46.9%	47.2%
YoY Change	0.1%	0.0%	(1.8%)	(0.2%)	(3.6%)	(0.8%)	(2.4%)	(1.8%)	0.4%	0.3%	0.3%	0.3%	0.3%
R&D expense	3.0%	2.9%	2.7%	2.8%	2.6%	2.1%	2.8%	2.5%	2.7%	2.7%	2.7%	2.7%	2.7%
YoY Change	0.1%	(0.1%)	(0.2%)	(0.7%)	0.0%	(0.3%)	0.1%	(0.2%)	0.2%	0.0%	0.0%	0.0%	0.0%
Advertising expense	14.3%	13.8%	13.1%	11.3%	8.8%	15.1%	11.8%	11.8%	11.7%	11.9%	12.0%	12.0%	12.0%
YoY Change	(0.9%)	(0.4%)	(0.7%)	0.8%	(3.7%)	(1.9%)	0.0%	(1.3%)	(0.1%)	0.2%	0.1%	0.0%	0.0%
Corp w/ dis-synergies	3.2%	3.3%	3.0%	3.0%	3.1%	2.2%	2.3%	2.6%	2.5%	2.6%	2.6%	2.6%	2.6%
YoY Change	(0.4%)	0.1%	(0.3%)	(0.9%)	(0.0%)	(0.7%)	(0.1%)	(0.4%)	(0.1%)	0.1%	0.0%	0.0%	0.0%
Amortization of intangibles	0.6%	0.8%	0.8%	1.0%	0.8%	0.7%	0.9%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%
YoY Change	0.2%	0.0%	0.0%	0.0%	0.1%	(0.0%)	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Share Based Compensation Expens	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
YoY Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Legacy SG&A	13.2%	12.9%	13.6%	14.5%	13.4%	12.0%	13.4%	13.3%	13.3%	13.6%	13.9%	14.2%	14.5%
YoY Change	(0.4%)	(0.3%)	0.8%	(1.5%)	0.5%	(0.6%)	(0.1%)	(0.4%)	0.0%	0.3%	0.3%	0.3%	0.3%
Total SG&A	34.3%	33.8%	33.3%	32.5%	28.6%	32.1%	31.1%	31.1%	31.1%	31.7%	32.1%	32.4%	32.7%
YoY Change	(1.0%)	(0.5%)	(0.4%)	(2.3%)	(3.0%)	(3.5%)	(0.2%)	(2.3%)	0.0%	0.6%	0.4%	0.3%	0.3%
<b>Operating Profit</b>	<b>14.9%</b>	<b>15.5%</b>	<b>14.1%</b>	<b>9.8%</b>	<b>17.3%</b>	<b>16.1%</b>	<b>14.1%</b>	<b>14.6%</b>	<b>14.9%</b>	<b>14.6%</b>	<b>14.5%</b>	<b>14.5%</b>	<b>14.5%</b>
YoY Change	1.1%	0.5%	(1.4%)	2.1%	(0.5%)	2.7%	(2.3%)	0.5%	0.3%	(0.3%)	(0.1%)	0.0%	0.0%

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# Operating Assumptions

Base	2020E	2021E	2022E	2023E	2024E	5-Year CAGR
<b>Revenue Growth</b>						
<b>Wet Shave</b>	<b>(7.0%)</b>	<b>(3.0%)</b>	<b>0.0%</b>	<b>1.0%</b>	<b>2.0%</b>	<b>(1.5%)</b>
Base	(7.0%)	(3.0%)	0.0%	1.0%	2.0%	(1.5%)
Downside	(9.0%)	(5.0%)	(3.0%)	(3.0%)	(3.0%)	(4.6%)
Upside	(5.0%)	(1.0%)	1.0%	2.0%	2.5%	(0.1%)
<b>Skin Care</b>	<b>1.5%</b>	<b>1.5%</b>	<b>1.5%</b>	<b>1.5%</b>	<b>1.5%</b>	<b>1.5%</b>
Base	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Downside	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Upside	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<b>Feminine Care</b>	<b>(4.0%)</b>	<b>(2.0%)</b>	<b>(2.0%)</b>	<b>(2.0%)</b>	<b>(2.0%)</b>	<b>(2.4%)</b>
Base	(4.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.4%)
Downside	(6.0%)	(4.0%)	(4.0%)	(4.0%)	(4.0%)	(4.4%)
Upside	(3.0%)	(1.5%)	(1.5%)	(1.5%)	(1.5%)	(1.8%)
<b>Infant Care/Other</b>	<b>(2.0%)</b>	<b>(1.5%)</b>	<b>(1.0%)</b>	<b>(1.0%)</b>	<b>(1.0%)</b>	<b>(1.3%)</b>
Base	(2.0%)	(1.5%)	(1.0%)	(1.0%)	(1.0%)	(1.3%)
Downside	(4.0%)	(3.5%)	(3.0%)	(3.0%)	(3.0%)	(3.3%)
Upside	(1.0%)	(1.0%)	(0.5%)	(0.5%)	(0.5%)	(0.7%)
<b>Total Revenue</b>	<b>(4.5%)</b>	<b>(1.8%)</b>	<b>(0.0%)</b>	<b>0.6%</b>	<b>1.1%</b>	<b>(0.9%)</b>
Base	(4.5%)	(1.8%)	(0.0%)	0.6%	1.1%	(0.9%)
Downside	(6.3%)	(3.5%)	(2.3%)	(2.3%)	(2.3%)	(3.3%)
Upside	(2.9%)	(0.3%)	0.9%	1.5%	1.8%	0.2%
<b>Profitability Analysis</b>						<b>5-Year Average</b>
<b>Gross Profit Margin</b>	<b>45.8%</b>	<b>45.8%</b>	<b>45.8%</b>	<b>45.8%</b>	<b>45.8%</b>	<b>45.8%</b>
Base	45.8%	45.8%	45.8%	45.8%	45.8%	45.8%
Downside	45.5%	45.0%	44.5%	44.0%	44.0%	44.6%
Upside	46.0%	46.3%	46.6%	46.9%	47.2%	46.6%
<b>R&amp;D as % Sales</b>	<b>2.7%</b>	<b>2.7%</b>	<b>2.7%</b>	<b>2.7%</b>	<b>2.7%</b>	<b>2.7%</b>
<b>Advertising as % Sales</b>	<b>11.7%</b>	<b>11.9%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>11.9%</b>
<b>Corp w/ dis-synergies</b>	<b>2.5%</b>	<b>2.6%</b>	<b>2.6%</b>	<b>2.6%</b>	<b>2.6%</b>	<b>2.6%</b>
<b>Amortization of intangibles</b>	<b>0.9%</b>	<b>0.9%</b>	<b>0.9%</b>	<b>0.9%</b>	<b>0.9%</b>	<b>0.9%</b>
<b>Legacy SG&amp;A</b>	<b>13.3%</b>	<b>13.6%</b>	<b>13.9%</b>	<b>14.2%</b>	<b>14.5%</b>	<b>13.9%</b>

Current Price: \$31.17

Base Case: \$38.51  
Implied Upside: 23.5%

Downside Case: \$33.38  
Implied Upside: 7.1%

Upside Case: \$44.65  
Implied Upside: 43.2%

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# Edgewell DCF Valuation (Base Case)

Year	4Q 19	2020E	2021E	2022E	2023E	2024E
<b>EBIT</b>	<b>\$74.0</b>	<b>\$300.4</b>	<b>\$283.1</b>	<b>\$275.0</b>	<b>\$270.6</b>	<b>\$267.5</b>
(-) Income Tax @ 24.5%	(18.1)	(73.6)	(69.4)	(67.4)	(66.3)	(65.5)
(+) D&A	24.2	96.8	96.8	96.8	96.8	96.8
(-) Change in NWC	(7.1)	22.1	8.1	0.0	(2.6)	(7.9)
(-) Capital Expenditure	(37.0)	(88.0)	(80.0)	(80.0)	(80.0)	(80.0)
<b>Unlevered Free Cash Flow</b>	<b>\$36.0</b>	<b>\$257.7</b>	<b>\$238.7</b>	<b>\$224.5</b>	<b>\$218.5</b>	<b>\$210.9</b>
Period	0.25	1.25	2.25	3.25	4.25	5.25
<b>Discounted Cash Flow</b>	<b>\$ 35.2</b>	<b>\$ 232.2</b>	<b>\$ 197.9</b>	<b>\$ 171.2</b>	<b>\$ 153.3</b>	<b>\$ 136.2</b>

Terminal Value: Perpetual Growth	
Perpetuity Growth Rate	2.0%
Free Cash Flow (T+1)	215
Terminal Value	3,279
Present Value of TV	2,117
EV	3,043
TV as % of EV	69.6%
Calculation of EV	
EV	3,043
Less: Net Debt	956
Equity Value	2,087
<b>Equity Value Per Share</b>	<b>\$38.51</b>
<b>Upside / (Downside)</b>	<b>23.5%</b>

Shares Outstanding	
Basic Shares Outstanding	54.2
Diluted Shares Outstanding	54.2
Stock Price	\$ 31.17
<b>Market Capitalization</b>	<b>\$ 1,689.4</b>

Terminal Value: Multiple Method	
Exit EV/EBITDA Multiple	9.5x
EBITDA	364
Terminal Value	3,461
Present Value of TV	2,235
EV	3,161
TV as % of EV	70.7%
Calculation of EV	
EV	3,161
Less: Net Debt	956
Equity Value	2,205
<b>Equity Value Per Share</b>	<b>\$40.67</b>
<b>Upside / (Downside)</b>	<b>30.5%</b>

Weighted Average Cost of Capital	
Risk Free Rate	2.11%
Beta	1.30
Equity Risk Premium	6.98%
Cost of Equity	11.18%
Cost of Debt	7.00%
Effective Tax Rate	24.50%
After-tax Cost of Debt	5.29%
Equity Financing	1,689.4
Debt Financing	1,235.1
Equity Weighting	57.77%
Debt Weighting	42.23%
<b>WACC</b>	<b>8.7%</b>

Sensitivity Analysis (Upside/Downside)						
Perpetuity Growth Rate						
	1.0%	1.5%	2.0%	2.5%	3.0%	
WACC	10.00%	-17.8%	-11.9%	-5.2%	2.4%	11.1%
	9.20%	-4.7%	2.7%	11.1%	20.8%	32.1%
	8.69%	5.1%	13.7%	<b>23.6%</b>	35.0%	48.5%
	8.20%	15.9%	25.8%	37.4%	51.1%	67.3%
	7.70%	28.4%	40.2%	54.0%	70.6%	90.6%
Exit Multiple						
	7.5x	8.5x	9.5x	10.5x	11.5x	
WACC	10.00%	-5.6%	7.5%	20.6%	33.7%	46.7%
	9.20%	-0.6%	13.0%	26.6%	40.1%	53.7%
	8.69%	2.7%	16.6%	<b>30.5%</b>	44.4%	58.3%
	8.20%	5.9%	20.1%	34.4%	48.7%	62.9%
	7.50%	10.6%	25.4%	40.1%	54.9%	69.6%

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Questions

A teal-colored icon of a safety razor head, positioned to the right of a vertical line. The icon is a stylized representation of the razor's head and guard.