



The model, not the brands.

Church & Dwight bought almost every brand it owns, and has sold some of them again. Fourteen years of published accounts show whether the operating model that runs them got better.

Did the model learn?

Fourteen years of published accounts, adjusted for inflation.



Baking soda since 1846. A portfolio since 2001.

- **1846.** John Dwight and Austin Church begin making sodium bicarbonate. For 125 years it is essentially a one-product company.
- **1970s to 1990s.** The fridge-deodoriser campaign stretches Arm & Hammer into laundry, cat litter, toothpaste and deodorant.
- **2001.** Carter-Wallace's consumer brands (Trojan, Nair, First Response) turn it into a brand portfolio.
- **2004 to 2016.** The playbook: buy number one or two brands in niche, growing categories, run them on a lean shared platform, and focus on a short list of power brands.
- **Bolt-ons.** OxiClean, Orajel, Batiste, Avid's gummy vitamins (2012), Waterpik (2017), TheraBreath, Hero, Touchland (2025).
- **Today.** About \$6.2bn of sales and about 5,550 people. Seven power brands make up roughly 70% of sales and profit.

Where it finds its leaders

CEO	Years	Came from
Jim Craigie	2004 to 2016	Commercial: Kraft, then ran Spalding
Matt Farrell	2016 to 2025	Chief Financial Officer
Rick Dierker	2025 to date	CFO and Head of Operations

Where a company finds its leaders is under-read. A commercial operator designed the model; two finance leaders have run it since. That fits a company that sees its asset as the machine rather than any one brand. Its deal announcements speak the same language: EPS, EBITDA and cost savings.



One number, three drivers

$$\text{GP per head} = \text{gross margin} \times \text{asset turnover} \times \text{capital per head}$$

Capital here is tangible operating capital: property, plant and equipment, leased assets, inventories and receivables, less payables. Goodwill and acquired intangibles are not included in this measure.

Our guide: allowing time to recover

A fall in value per head after a deal or an investment is not, on its own, a verdict. Integration takes time. As a reading guide, we look for:

- **Acquisitions and investment:** recovery to the pre-event level within about three years.
- **Exits:** a benefit within about twelve months, since there is nothing to integrate.
- **Two benchmarks:** the company's own pre-event level, and a fair peer set.

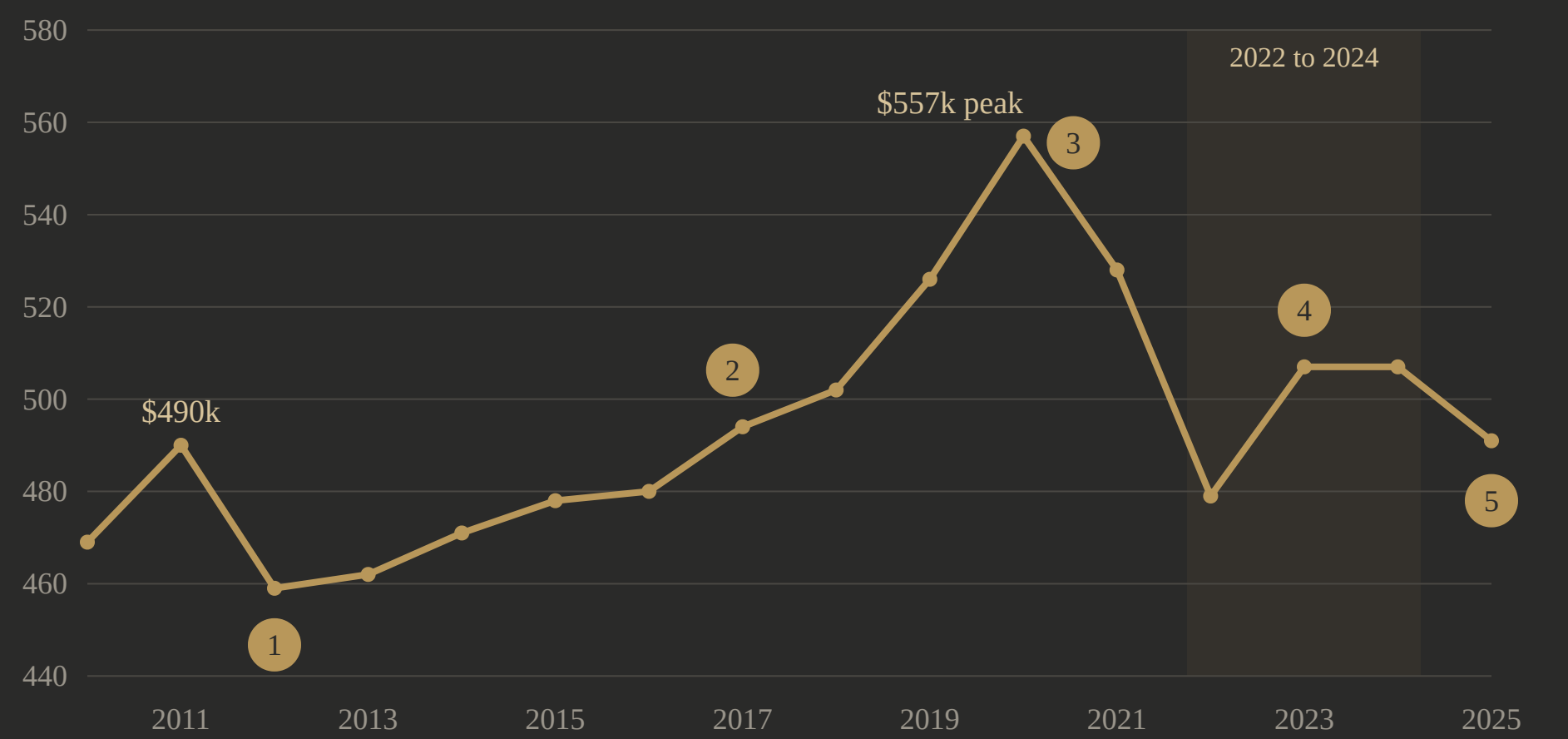
These are our guides, not targets the company set. Where a business sets its own, those are the ones to hold it to. In this issue we report the recovery times that actually happened.

Basis: average headcount; averaged opening and closing balances; leases included from 2019 (Church & Dwight) and FY2020 (Clorox, P&G), when US accounting rules brought them on to the balance sheet; 2025 US dollars, deflated by US CPI-U. Full notes on page 12.



Fourteen years in real terms

Gross profit per head in \$k, 2025 prices. Where the line turns, something changed.



Back to its pre-pandemic level of about \$527k would be worth about \$200m more gross profit a year at 2025 headcount.

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Avid bought, 2012: five years to recover
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Waterpik bought, 2017: no dip
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Pandemic demand peak, 2020
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Laundry and litter capacity: not yet recovered
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Devices and vitamins exited, 2025

Church & Dwight, real terms						
	Gross margin	×	Asset turnover	×	Capital per head	= GP per head
2011 to 2025	↑ 0.5 pts	×	↑ 7%	×	↓ 8%	= → 0%
2015 to 2020	↑ 0.7 pts	×	↑ 20%	×	↓ 4%	= ↑ 17%
2020 to 2025	↓ 0.5 pts	×	↓ 11%	×	→ 0%	= ↓ 12%



Avid: a dilutive deal, and a five-year recovery

What was said, 2012

Price	~\$650m
Sales (12 months)	~\$230m
EBITDA	~\$58m (25%)
Cost savings	~\$15m by 2014
EPS	-\$0.02 in 2012, then accretive

What the per-head view adds

Headcount step, 2011 to 2012	~+900
Avid revenue per head*	~\$255k
Group revenue per head, 2011	~\$775k
Real GP per head, 2011 to 2012	\$490k to \$459k
Group value per head recovered	Five years

Avid was a young, founder-run maker of gummy vitamins in Vancouver, Washington, that had just doubled its plant capacity. Church & Dwight made no vitamins anywhere else, so it bought a manufacturing capability, then added a second plant in Pennsylvania.

Buying a business that dilutes value per head is a legitimate choice. It means believing the gap can be closed, and knowing how. The deal case named the platform as the how: distribution, operating discipline and support functions. On our estimate Avid ran at about a third of the group's revenue per head, so the gap was wide. Group value per head took five years to recover, though the accounts cannot show how much of that recovery came from Avid itself. Then the category matured, and in 2025 the business was sold with its plants, at a loss.

Dilutive: believe you can close the gap, and know how.

*Our inference: the filings do not attribute the 2012 headcount step to Avid.



Waterpik: a deal that did not dilute

What was said, 2017

Price	~\$1bn
Sales (12 months)	~\$265m
EBITDA	~\$80m (30%)
Synergies	~\$10m by 2019
EPS	Neutral, then ~3% accretive

What the per-head view adds

Headcount, end 2016 to 2017	4,500 to 4,700
Also bought in 2017	Viviscal (\$160m)
Real GP per head, 2016 to 2018	\$480k to \$502k
Group value per head	No dip

Waterpik was founded in Fort Collins, Colorado, in 1962, spent three decades inside Teledyne, listed in 1999, and then passed through Carlyle and MidOcean. By 2017 it had had more than a decade of private equity discipline. It arrived lean; Avid had arrived young and plant-heavy.

A deal that comes in at or above your own value per head asks a different question: what does this business know that you don't? Group headcount rose by only about 200 in a year that added two businesses, so either Waterpik brought few people or the platform absorbed them. The filings do not say which, and the answer would tell you what there was to learn.

Accretive: ask what you can learn and take into the core.

In both cases, the seller shaped what was bought: a founder-run business and one shaped by private equity are different purchases at the same price.



Laundry and litter: more profit, not yet more per head

	2021	2022	2023	2024	2025
Capital spending (\$m)	119	179	224	180	122
Capital spending, % of sales	2.3%	3.3%	3.8%	2.9%	2.0%
Net PP&E, year end (\$m)	653	761	928	932	823
Gross margin	43.6%	41.9%	44.1%	45.7%	44.7%
Asset turnover	4.74	4.45	3.98	3.76	4.12
Average headcount	5,100	5,175	5,400	5,650	5,650
Real gross profit (\$m)	2,693	2,479	2,738	2,865	2,775
Real GP per head	\$528k	\$479k	\$507k	\$507k	\$491k

In 2022 Church & Dwight began a three-year programme to add manufacturing capacity in laundry detergent and cat litter, two of Arm & Hammer's largest categories. Capital spending rose from 2.3% of sales to a peak of 3.8% in 2023, with a stated aim of returning to about 2% by 2025, which it did. In all, it spent about \$235m more than a 2% run rate would have.

Has it paid back? It depends on the measure. Gross profit is up about \$510m since 2021 in cash terms, and about \$80m (3%) after inflation, so the business is making more. But headcount rose 11% over the same period, and real value per head is still below its 2021 level of \$528k. More profit, then, but not yet more per head. The spending plan was stated publicly; the expected return was not.

Not all of this is the capacity programme. TheraBreath (2021) and Hero (2022) also added people and profit, and much of the cash growth is price. The capacity sits in the core consumables the model is built on; if the volume comes through, value per head should follow.

2020 (\$557k) was flattered by pandemic demand, so we use 2021 as the pre-programme baseline.



The reset: consumables in, durables out

Exited in 2025	What it was	Scale
Flawless, Spinbrush, Waterpik showerheads	Devices	~\$118m sales
Vitamins, with the Vancouver and Ridgefield plants	Plant-heavy	Under 5% of sales
Bought: Touchland (2025), Miss Mouth's (2026)	Consumables	~\$700m; ~\$300m*

About \$400m of revenue left. Three of the four exits were hardware; the fourth was the most manufacturing-heavy business in the group. The model appears to work best on cheap, frequently bought consumables with a light capital footprint.

First half of 2026 against the first half of 2025

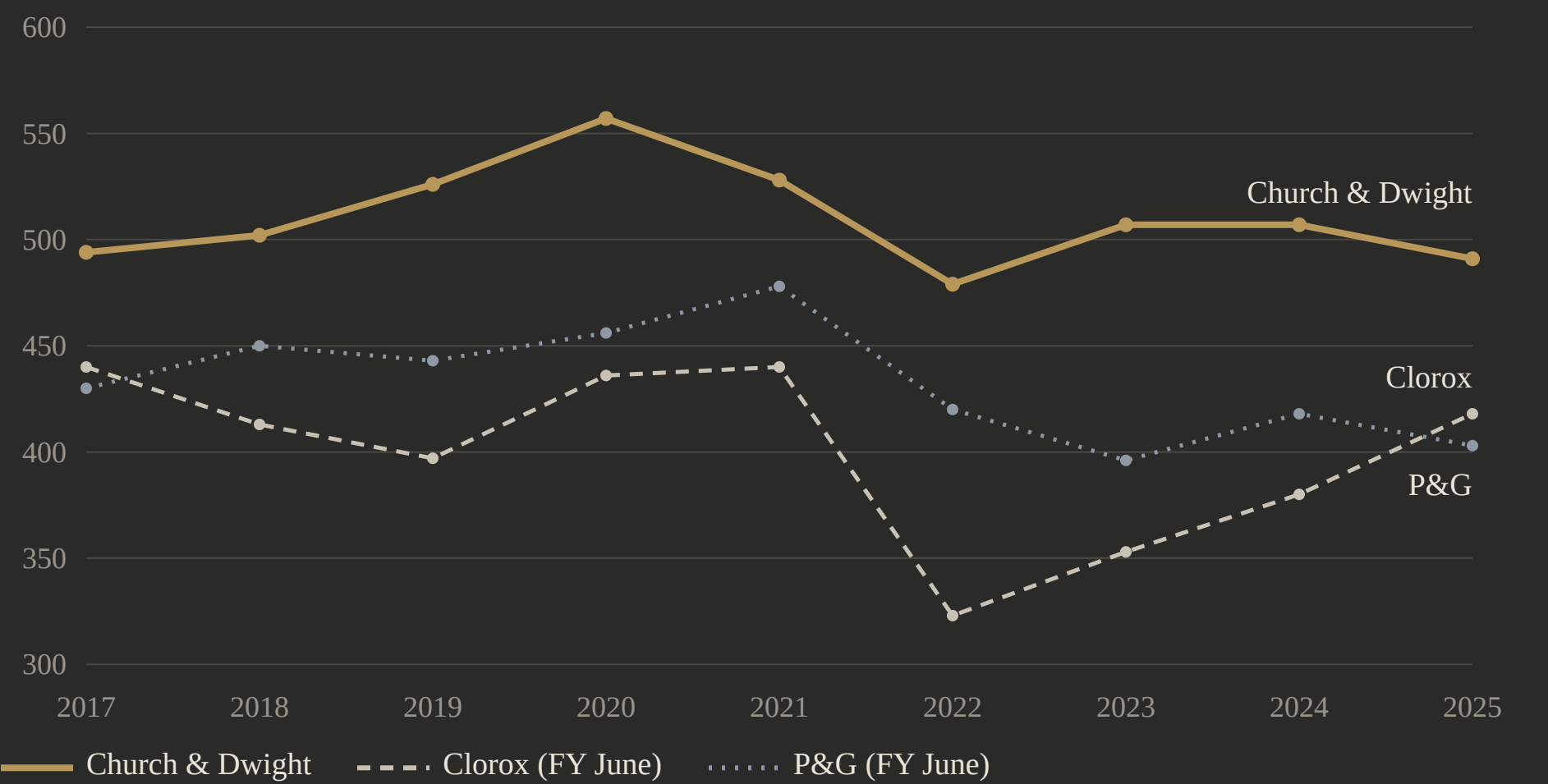
	Evidence	Reading
Gross margin	Adjusted 45.9%, up 90bps	Exits ran below group margin
Capital	~6.5% of sales took ~12% of fixed assets	Exits about twice as capital-heavy
People	Year-end 2025 headcount down 200	Not testable from public data
GP per head (estimate)	Up ~2% in real terms	A benefit within the first year

Selling a weaker business lifts the average mechanically, so part of this is subtraction rather than improvement. *First-half acquisition cash; the company does not link it to Miss Mouth's explicitly.



Three answers to the same question

Gross profit per head in \$k, 2025 prices.



Real GP per head	2017	Peak	Low point	2025
Church & Dwight	\$494k	\$557k (2020)	\$479k (-14%)	\$491k
Clorox	\$440k	\$440k (FY21)	\$323k (-27%)	\$418k
P&G	\$430k	\$478k (FY21)	\$396k (-17%)	\$403k

Capital per head sits in a similar band for all three, so the gap is in what each person produces, not the capital behind them. Church & Dwight's answer was integration on a lean platform; P&G's was simplification, cutting brands and people; Clorox's was to hold steady and then cut.



So, did it learn?

We set out to find a learning organisation: one whose value per head rises above a fair benchmark. The answer depends on which benchmark.

Yes

against its peers: it learned how to grow

Against its peers: learned growth

Since 2017	People	Real GP per head
Church & Dwight	+23%	−1% (held)
P&G	+9%	−6%
Clorox	−3%	−5%

More from more is a legitimate strategy. Church & Dwight grew by nearly a quarter without diluting value per head, while both peers lost value per head on flat or modest growth. Its premium is the value of that learning: at 2025 headcount, worth about \$500m of gross profit a year against P&G's level per head, and about \$410m against Clorox's.

Against itself: not yet more from the same

From 2011 to 2025, headcount and real gross profit both grew by about 60%, so real value per head ended almost exactly where it started. The step up came from 2015 to 2020, when value per head rose 17% on a falling capital base as the platform absorbed Avid and then Waterpik. It did not hold through the laundry and litter capacity programme.

To be a learning organisation on both counts, it needs the capacity programme to convert, the 2025 exits to hold their early gains, and new deals chosen and tracked per head as well as per share.

It has learned to grow without dilution. It has not yet learned to get more from the same.



Four questions before any deal

- **Where are we in our own cycle?** How much capacity is in use, what value per head is today, and which way both are moving. A deal changes all three.
- **What is the target's value per head, division by division, against ours?** Some will say it is implicit in a traditional deal case. Made explicit, it changes the conversation: Avid and Waterpik would have looked very different side by side.
- **If it dilutes, what closes the gap, and how long should that take?** Avid closed in five years. Name the mechanism and the time before signing, then track both.
- **If it accretes, what do we learn and take into the core?** A business that already runs leaner than you is a lesson as well as an asset.

The brands come and go. The model is the asset, and the model is what to measure.

What the accounts can show, we have shown. What only an insider can answer, such as headcount by business and the returns management expected from its capacity, we have left as questions.



Method, sources and gaps

Basis. Gross profit per head = gross margin $\times$ asset turnover $\times$ tangible operating capital (TOC) per head. TOC = net PP&E + operating lease right-of-use assets + inventories + trade receivables – trade payables, averaged over opening and closing balances. Headcount is the average of year-end figures as reported, which the companies round. Every year passes the identity check.

Leases. Included from adoption of ASC 842: Church & Dwight 2019; Clorox and P&G FY2020. This adds about \$25k to \$35k to capital per head at the break.

Real terms. US CPI-U, 2025 dollars. Calendar-year average for Church & Dwight; July to June average for Clorox and P&G, whose years end in June. Peer comparisons start at 2017 because P&G's earlier gross profit is restated for divestments while its headcount is not.

Recovery guides. The three-year and twelve-month windows on page 3 are LIME's reading guides, not targets set by the company.

Sources. Church & Dwight Form 10-K 2010 to 2025 and Form 10-Q for the first half of 2026; deal announcements for Avid (20 August 2012) and Waterpik (2017); FY2022 and Q1 2023 results releases (capacity programme and capital spending outlook); vitamins sale release (9 December 2025); Q4 2025 and Q2 2026 results releases. Lease assets from SEC XBRL data. Clorox and P&G Form 10-K. Company histories from company and press sources.

Estimates and gaps. Attribution of the 2012 headcount step to Avid is our inference. Waterpik's headcount at acquisition is not disclosed. First-half 2026 per-head figures assume year-end 2025 headcount; no mid-year figure is published. The exited businesses' share of fixed assets is estimated from a PP&E roll-forward. Vitamins sale proceeds of \$160.3m are from the 2025 cash flow statement in the Q4 2025 results release. The capacity overspend of about \$235m is measured against 2% of sales.

Not advice. An analysis of published accounts for discussion, not investment advice.