



The Honest Company Reports First Quarter 2025 Results

May 7, 2025

**Achieves Quarterly Revenue of \$97 Million, an Increase of 13% from Prior Year Quarter
Delivers Net Income of \$3 Million and Expands Gross Margin 170 Basis Points to 39% from Prior Year Quarter
Reaffirms Full Year 2025 Financial Outlook**

LOS ANGELES, May 07, 2025 (GLOBE NEWSWIRE) -- The Honest Company (NASDAQ: HNST), a personal care company dedicated to creating cleanly-formulated and sustainably-designed products, today reported financial results for the three months ended March 31, 2025.

First Quarter 2025 Financial Highlights Compared to Prior Year Period:

- Revenue of \$97 million increased 13%
- Gross margin of 39% expanded 170 basis points
- Net income of \$3 million, compared to net loss of \$1 million
- Adjusted EBITDA⁽¹⁾ of \$7 million improved by \$4 million

“Our first quarter results demonstrate our solid start to 2025, with double-digit revenue growth, gross margin expansion, and positive net income in the period reflecting the continued strength of our strategy and disciplined execution of our team,” said Chief Executive Officer, Carla Vernón. “Our Transformation Pillars of Brand Maximization, Margin Enhancement, and Operating Discipline have enabled us to navigate a dynamic environment with agility and focus. With a healthy balance sheet and growing consumer demand for our cleanly-formulated and sustainably-designed products, we remain confident that our long-term growth strategy positions us well to scale across our categories and grow the Honest Brand. As we continue to navigate evolving market conditions and manage the impact of economic headwinds, we are reaffirming our full year 2025 financial outlook.”

First Quarter Results

(All comparisons are versus the first quarter of 2024)

	For the three months ended March 31,		
	2025	2024	Change
<i>(In thousands, except percentages)</i>			
Revenue	\$ 97,250	\$ 86,217	12.8 %
Gross margin	38.7 %	37.0 %	170 bps
Operating expenses	\$ 35,163	\$ 33,197	\$ 1,966
Net income (loss)	\$ 3,254	\$ (1,403)	\$ 4,657
Adjusted EBITDA ⁽¹⁾	\$ 6,929	\$ 2,642	\$ 4,287
Net income (loss) margin	3.3 %	(1.6) %	490 bps
Adjusted EBITDA Margin ⁽¹⁾	7.1 %	3.1 %	400 bps

Revenue increased 13% to \$97 million compared to \$86 million, driven by strong performance across our wipes portfolios and baby personal care products. Tracked channel consumption⁽²⁾ for the Company grew 8%, outperforming the comparative categories, which were down 1% in the same period. Consumption⁽³⁾ for the Company’s products at the Company’s largest digital customer increased 28%.

(1) See the reconciliation of adjusted EBITDA and adjusted EBITDA Margin, non-GAAP financial measures, to net income (loss) and net income (loss) margin in the table under “Use of Non-GAAP Financial Measures” below in this press release.

(2) According to Circana, Inc. MULO+ tracked channel consumption data. Reflects consumption for diapers, wipes, cosmetics, and baby and adult personal care for the latest 13 weeks ended April 6, 2025.

(3) According to Fuelcomm, Inc. (“Stackline”) consumption data for the 13 weeks ended April 6, 2025.

Gross margin expanded 170 basis points to 38.7% compared to 37.0%. This growth was primarily driven by product cost savings, supply chain cost savings and product mix.

Operating expenses increased \$2 million to \$35 million. Operating expenses as a percentage of revenue decreased 230 basis points. The increase in operating expenses was primarily driven by an increase in marketing expenses, partially offset by a decrease in selling, general & administrative expenses as the Company continues to maintain expense discipline across the enterprise.

Net income increased approximately \$5 million to \$3 million compared to a net loss of \$1 million.

Adjusted EBITDA⁽¹⁾ was \$7 million compared to \$3 million. This represents the Company’s sixth consecutive quarter of positive adjusted EBITDA.

(1) See the reconciliation of adjusted EBITDA and Adjusted EBITDA Margin, non-GAAP financial measures, to net income (loss) and net income (loss) margin in the table under “Use of Non-GAAP Financial Measures” below in this press release.

Balance Sheet and Cash Flow

The Company ended the first quarter of 2025 with \$73 million in cash and cash equivalents, an increase of \$39 million compared to the first quarter of 2024, primarily from the exercise of stock options granted prior to the Company's initial public offering. The Company had no debt on its balance sheet as of March 31, 2025.

Net cash used in operating activities was \$3 million for the three months ended March 31, 2025, compared to net cash provided by operating activities of \$336 thousand in the prior year period.

Reaffirmed Full Year 2025 Outlook

The Company is reaffirming its financial outlook for the full fiscal year 2025 for revenue and adjusted EBITDA. Our financial outlook reflects what we currently know about tariffs related to our product sourcing in China, but it is uncertain at this time to what extent trade policy, tariff rates, and other changes in practices affecting international trade might have an adverse effect on our business, results of operation, and our financial outlook. As of today, our diapers are USMCA-compliant⁽²⁾ goods and are currently exempt from the March 4, 2025 tariff on goods from Mexico. For 2025, the Company continues to expect:

- Revenue growth of 4% to 6%
- Positive Adjusted EBITDA⁽¹⁾ in the range of \$27 million to \$30 million

(1) We do not provide guidance for the most directly comparable GAAP measure, net income (loss), and similarly cannot provide a reconciliation between our adjusted EBITDA outlook and net income (loss) without unreasonable effort due to the unavailability of reliable estimates for certain components of net income (loss), including interest and other (income) expense, net, and the respective reconciliations. These items are not within our control and may vary greatly between periods and could significantly impact our financial results calculated in accordance with GAAP.

(2) USMCA refers to United States–Mexico–Canada Agreement.

Webcast and Conference Call Information

A webcast and conference call to discuss first quarter 2025 results is scheduled for today, May 7, 2025, at 1:45 p.m. Pacific time/4:45 p.m. Eastern time. Those interested in participating in the conference call by phone, please go to this link <https://register-conf.media-server.com/register/Bl2f586548a5c5439f921a67b858396a1e> and you will be provided with dial in details. A live webcast of the conference call will be available online at: <https://investors.honest.com>. A replay of the webcast will be available on the Company's website for one year.

Forward-Looking Statements

This press release and earnings call referencing this press release contain forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this press release are forward-looking statements. Such statements may address the Company's expectations regarding revenue, profit margin or other future financial performance and liquidity, other performance measures and cost savings, strategic initiatives and future operations or operating results. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will" or "would" or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning our expectations regarding future results of operations and financial condition, including our revenue and adjusted EBITDA outlook for 2025; our expectations under our long-term financial algorithm and growth strategy; our ability to scale across our categories and grow the Honest Brand; our ability to navigate evolving market conditions and manage the impact of economic headwinds; our expectations on the impact of tariffs on our business; our ability to achieve or sustain profitability and continue generating positive cash flow; continued positive momentum in our business and strength of the Honest brand; our ability to continue to benefit from our Transformation Pillars of Brand Maximization, Margin Enhancement, and Operating Discipline; and other business strategies, plans and objectives of management for future operations.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this press release and the earnings call referencing this press release primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results.

The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled "Risk Factors" in the Annual Report, on Form 10-K for the year ended December 31, 2024, filed with the Securities and Exchange Commission on February 26, 2025, and subsequent filings with the Securities and Exchange Commission. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this press release or the earnings call referencing this press release. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that contain "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this press release. While we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this press release and the earnings call referencing this press release relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this press release to reflect events or circumstances after the date of this press release or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

About The Honest Company

The Honest Company (NASDAQ: HNST) is a personal care company dedicated to creating cleanly-formulated and sustainably-designed products spanning categories across diapers, wipes, baby personal care, beauty, apparel, household care and wellness. Founded in 2012, the Company is on a mission to challenge ingredients, ideals, and industries through the power of the Honest brand, the Honest team, and the Honest Standard. For more information about the Honest Standard and the Company, please visit www.honest.com.

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The Honest Company, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(in thousands, except share and per share amounts)

	For the three months ended March 31,	
	2025	2024
Revenue	\$ 97,250	\$ 86,217
Cost of revenue	59,580	54,335
Gross profit	37,670	31,882
Operating expenses		
Selling, general and administrative	21,041	22,420
Marketing	12,270	9,096
Research and development	1,852	1,681
Total operating expenses	35,163	33,197
Operating income (loss)	2,507	(1,315)
Interest and other income (expense), net	787	(63)
Income (loss) before provision for income taxes	3,294	(1,378)
Income tax provision	40	25
Net income (loss)	\$ 3,254	\$ (1,403)
Net income (loss) per share attributable to common stockholders:		
Basic	\$ 0.03	\$ (0.01)
Diluted	\$ 0.03	\$ (0.01)
Weighted-average shares used in computing net income (loss) per share attributable to common stockholders:		
Basic	109,552,550	96,273,168
Diluted	114,571,119	96,273,168
Comprehensive income (loss)	\$ 3,254	\$ (1,403)

The Honest Company, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

	March 31, 2025	December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	\$ 72,818	\$ 75,435
Accounts receivable, net	42,759	43,476
Inventories	90,262	85,266
Prepaid expenses and other current assets	28,782	9,741
Total current assets	234,621	213,918
Operating lease right-of-use asset	15,599	17,239

Property and equipment, net	10,558	11,394
Goodwill	2,230	2,230
Intangible assets, net	216	235
Other assets	2,080	2,377
Total assets	<u>\$ 265,304</u>	<u>\$ 247,393</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 22,782	\$ 22,807
Accrued expenses	50,065	35,869
Deferred revenue	1,110	1,213
Total current liabilities	<u>73,957</u>	<u>59,889</u>
Long term liabilities		
Operating lease liabilities, net of current portion	10,990	13,197
Total liabilities	<u>84,947</u>	<u>73,086</u>
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized at March 31, 2025 and December 31, 2024, none issued or outstanding as of March 31, 2025 and December 31, 2024	—	—
Common stock, \$0.0001 par value, 1,000,000,000 shares authorized at March 31, 2025 and December 31, 2024; 110,488,696 and 109,159,697 shares issued and outstanding as of March 31, 2025 and December 31, 2024, respectively	11	11
Additional paid-in capital	662,284	659,488
Accumulated deficit	(481,938)	(485,192)
Total stockholders' equity	<u>180,357</u>	<u>174,307</u>
Total liabilities and stockholders' equity	<u>\$ 265,304</u>	<u>\$ 247,393</u>

The Honest Company, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the three months ended March 31,	
	2025	2024
Cash flows from operating activities		
Net income (loss)	\$ 3,254	\$ (1,403)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	717	717
Stock-based compensation	2,412	2,523
Amortization of operating ROU assets	1,640	1,593
Other	1,122	(2,111)
Changes in assets and liabilities:		
Accounts receivable, net	738	2,559
Inventories	(5,768)	1,117
Prepaid expenses and other assets	902	471
Accounts payable, accrued expenses and other long-term liabilities	(5,757)	(2,873)
Deferred revenue	(103)	(269)
Operating lease liabilities	(2,095)	(1,988)
Net cash (used in) provided by operating activities	<u>(2,938)</u>	<u>336</u>
Cash flows from investing activities		
Purchases of property and equipment	(62)	(76)
Net cash used in investing activities	<u>(62)</u>	<u>(76)</u>
Cash flows from financing activities		
Proceeds from exercise of stock options	384	508
Payments on finance lease liabilities	(1)	(10)
Net cash provided by financing activities	<u>383</u>	<u>498</u>
Net (decrease) increase in cash and cash equivalents	(2,617)	758
Cash and cash equivalents		
Beginning of the period	75,435	32,827
End of the period	<u>\$ 72,818</u>	<u>\$ 33,585</u>

Supplemental disclosures of noncash activities

Capital expenditures included in accounts payable and accrued expenses	\$	—	\$	1
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The Honest Company, Inc.
Use of Non-GAAP Financial Measures

We prepare and present our condensed consolidated financial statements in accordance with GAAP. However, management believes that adjusted EBITDA and adjusted EBITDA margin, non-GAAP financial measures, provides investors with additional useful information in evaluating our performance.

We calculate adjusted EBITDA as net income (loss), adjusted to exclude: (1) interest and other (income) expense, net; (2) income tax provision; (3) depreciation and amortization; (4) stock-based compensation expense, including payroll tax; (5) litigation and settlement fees associated with certain non-ordinary course securities litigation claims; and (6) founder and former Chief Creative Officer (“CCO”) transition expenses. The Company calculates adjusted EBITDA margin by dividing adjusted EBITDA by revenue.

Adjusted EBITDA and adjusted EBITDA margin are financial measures that are not required by, or presented in accordance with GAAP. We believe that adjusted EBITDA and adjusted EBITDA margin, when taken together with our financial results presented in accordance with GAAP, provides meaningful supplemental information regarding our operating performance and facilitates internal comparisons of our historical operating performance on a more consistent basis by excluding certain items that may not be indicative of our business, results of operations or outlook. In particular, we believe that the use of adjusted EBITDA and adjusted EBITDA margin are helpful to our investors as they are measures used by management in assessing the health of our business, determining incentive compensation and evaluating our operating performance, as well as for internal planning and forecasting purposes.

Adjusted EBITDA and adjusted EBITDA margin are presented for supplemental informational purposes only, have limitations as analytical tools and should not be considered in isolation or as substitutes for financial information presented in accordance with GAAP. Some of the limitations of adjusted EBITDA and adjusted EBITDA margin include that (1) they do not reflect capital commitments to be paid in the future; (2) although depreciation and amortization are non-cash charges, the underlying assets may need to be replaced and adjusted EBITDA and adjusted EBITDA margin do not reflect these capital expenditures; (3) they do not consider the impact of stock-based compensation expense; (4) they do not reflect other non-operating expenses, including interest expense; (5) they do not reflect tax payments that may represent a reduction in cash available to us; and (6) they do not include certain non-ordinary cash expenses that we do not believe are representative of our business on a steady-state basis, such as founder/CCO transition expenses. In addition, our use of adjusted EBITDA and adjusted EBITDA margin may not be comparable to similarly titled measures of other companies because they may not calculate adjusted EBITDA and adjusted EBITDA margin in the same manner, limiting their usefulness as comparative measures. Because of these limitations, when evaluating our performance, you should consider adjusted EBITDA and adjusted EBITDA margin alongside other financial measures, including our revenue, net income (loss) and other results stated in accordance with GAAP.

The following table presents a reconciliation of net income (loss) and net income (loss) margin, the most directly comparable financial measures stated in accordance with GAAP, to adjusted EBITDA and adjusted EBITDA margin, for each of the periods presented:

<i>(In thousands)</i>	For the three months ended March 31,	
	2025	2024
Reconciliation of Net Income (Loss) to Adjusted EBITDA		
Net income (loss)	\$ 3,254	\$ (1,403)
Interest and other (income) expense, net	(787)	63
Income tax provision	40	25
Depreciation and amortization	717	717
Stock-based compensation	2,412	2,523
Securities litigation expense	1,036	402
Founder/CCO transition expense ⁽¹⁾	—	158
Payroll tax expense related to stock-based compensation	257	157
Adjusted EBITDA	\$ 6,929	\$ 2,642
Revenue	\$ 97,250	\$ 86,217
Net income margin	3.3 %	(1.6)%
Adjusted EBITDA margin	7.1 %	3.1 %

(1) Includes separation costs related to the termination of our former founder and CCO.