

1 **Q4 & FY 2025 Earnings Script**

2 Ladies and gentlemen, thank you for standing by - welcome to The Honest Company's  
3 fourth quarter and full year 2025 Earnings Call. At this time, all participants are in a  
4 listen-only mode. After the speakers' presentation, there will be a question-and-answer  
5 session. Please be advised that today's conference is being recorded. I would now like to  
6 hand the conference call over to Chris Mandeville, Interim Head of Investor Relations at  
7 the Honest Company. Please go ahead.

8 **Chris Mandeville**

9 Good afternoon and thank you for joining our fourth quarter and full year 2025  
10 conference call. With me today are Carla Vernón, our Chief Executive Officer and  
11 Curtiss Bruce, our Chief Financial Officer.

12 Before we begin, I will remind you that our remarks today include forward-looking  
13 statements subject to risks and uncertainties. We do not undertake any obligation to  
14 update these statements, and actual results may differ materially. For a detailed  
15 discussion of these factors, please refer to our safe harbor statements in today's earnings  
16 materials and our recent SEC filings.

17 We will also discuss certain non-GAAP financial measures. Reconciliations to the most  
18 directly comparable GAAP measures are included in our earnings release and  
19 accompanying presentation, which are available at [investors.honest.com](https://investors.honest.com).

20 Finally, please note that all consumption data included in our discussion today, unless  
21 otherwise noted, will reflect Circana MULO+ measured channel data for the 52 weeks  
22 ended January 4, 2026, as compared to the prior year.

23 With that, I'll turn the call over to Carla.

24 **Carla Vernón**

25 Thank you, Chris, and hello to everyone joining the call.

26 Honest enters 2026 as a more focused and agile organization. Over the last several  
27 months, we have moved assertively to execute the Powering Honest Growth  
28 transformation we laid out last November. By exiting Honest.com as a direct fulfillment  
29 website, the apparel category and our Canadian business, we have successfully narrowed  
30 our focus to our 'right to win' core of Wipes, Personal Care, and Diapers. With these  
31 exits, we have also right sized SG&A in line with this more focused revenue base. Later  
32 in the year we expect additional financial efficiency as we consolidate our warehouse  
33 footprint. As a result of these actions, we begin 2026 with a leaner, higher-margin  
34 operating model poised for growth.

35 Today my discussion will be focused on the organic view of the product and channel mix  
36 that defines the resulting business after the strategic exits from Powering Honest  
37 Growth. As a reminder “organic” excludes the impact of the exits of apparel, Canada and  
38 Honest.com fulfillment.

39 Our execution in Q4 enabled Honest to deliver on our revised guidance for the year. In  
40 2025, Honest delivered organic revenue of \$294 million, up 5.3% versus last year and  
41 squarely in line with our long-term algorithm. Consumption growth of 5%, driven by  
42 double-digit growth in unit sales, was in line with organic revenue growth and  
43 materially outpaced our comparative category growth of 2%. In 2025 our wipes and  
44 personal care portfolios delivered strong performance with consumption growth of over

45 30% and 12% respectively, which drove market share gains for both. This strength in  
46 momentum offset the softness in diaper performance. In 2026 we expect the growth on  
47 Wipes and personal care to continue offsetting weakness in diapers. I will share more on  
48 our diaper performance in a few moments.

49 Despite the volatile tariff environment, adjusted gross margins were 38.7%, an  
50 improvement of 50 basis points year-over-year, largely due to favorable product mix.  
51 Our 2025 adjusted EBITDA of \$21.8 million was in line with our most recent guidance.

52 We also closed out 2025 with a strengthened balance sheet, ending with \$90 million  
53 cash on hand and no debt. I am confident in the strength of our business, the discipline  
54 of our asset-light model, and our anticipated future cash generation. Based on that  
55 foundation, our Board of Directors has authorized a \$25 million share repurchase  
56 program. This authorization reflects deep confidence in our strategy and our  
57 commitment to delivering long-term value to our shareholders.

58 Looking back on 2025 performance in more detail, we are particularly encouraged that  
59 momentum improved across the second half of the year with Q4 organic revenue  
60 improving by six percentage points over the Q3 decline and returning the business to  
61 topline growth of 1% in Q4.

62 This inflection in revenue quarter-over-quarter was largely because we lapped two  
63 retailer specific activations in 2024 that were mostly contained to Q3. Additionally, our  
64 total consumption improved by nearly 200 basis points quarter-over-quarter, driven by  
65 our higher margin wipes and personal care portfolios. Taken together, these drivers  
66 allowed our underlying strength to resurface in the fourth quarter. We are proud that

67 this momentum is also reflected in our all-time highest household penetration of 7.6%  
68 at year end. This penetration growth represents an increase of 1.7 million households  
69 versus the prior year, proving that the Honest brand continues to resonate with a  
70 widening audience.

71 And now, turning to 2026. For the full year 2026, we expect to deliver organic revenue  
72 growth in the range of 4 to 6%, while also driving margin expansion due to our more  
73 efficient operating model. This dual focus on top line leadership and bottom-line health  
74 is central to our value creation thesis.

75 As a reminder, we continue to drive our strategy through the three strategic pillars that  
76 guide every piece of our work: Brand Maximization, Margin Enhancement, and  
77 Operating Discipline. This will be evident in our three growth drivers for 2026.

78 Our first two drivers support our goal of Brand Maximization, which is how we scale  
79 the Honest brand.

- 80 • Driver number one is our continued growth and leadership in the baby category.
- 81 • Driver number two is our plan to accelerate our growth in households beyond  
82 those with babies. In addition to being a top baby brand, Honest also performs  
83 quite well in households beyond baby. And, in the US, 89% of households do not  
84 have any children under the age of six. This includes the 75% of US households  
85 that have no children at all.
- 86 • To complement our strategy of broadening the Honest brand, our Third driver of  
87 2026, is grounded in our Margin Enhancement and Operating Discipline pillars

88           which allow us to make continued progress on strengthening our financial profile  
89           and operational excellence.

90   Let me begin with our Brand Maximization drivers. The Honest Brand is unique in its  
91   ability to travel seamlessly across categories, aisles, and demographics. This was evident  
92   in our household penetration growth in 2025, which was balanced across households  
93   with no kids and households with kids.

94   Even as we embrace this expanded approach to growth, our story always begins with  
95   babies. We believe there is no higher bar than the standard of care a parent gives to their  
96   precious babies. According to the National Institutes of Health, 42% of all parents and  
97   49% of all first-time parents are concerned that their children have sensitive skin. This  
98   is why our Honest Standard, our rigorous set of guiding principles that helps shape  
99   every step of product development, including our commitment to formulating without  
100   the use of more than 3,500 ingredients of concern, resonates so strongly with our  
101   community.

102   Honest is trusted by parents who demand a high standard of clean and refuse to  
103   compromise on safety or performance.

104   Let me spend a moment addressing our diaper performance in 2025. The double-digit  
105   consumption declines on our diaper business had a dampening effect on the otherwise  
106   strong growth of our wipes and personal care collections. And while diapers are no  
107   longer our largest category, they are an important way to introduce the brand to the 11%  
108   of US Households with kids ages 6 or under.

109 Our diaper declines were largely driven by retail assortment shifts at select brick-and-  
110 mortar retailers, the lapping of two large promotional events which I discussed earlier,  
111 and macroeconomic pressures driving consumers toward lower-priced items.

112 Because today's parents expect a value equation that balances price with performance  
113 and safety, we are strengthening that equation for our diaper business through  
114 thoughtful investment in pricing and improvements to price-pack architecture, while  
115 continuing to deliver the quality materials, fit and style that we are known for.

116 Now, turning to baby wipes and baby personal care. We are confident that our 2026  
117 baby growth plan will drive the ongoing strong momentum of our core products along  
118 with a robust lineup of baby-focused innovation, much of which is rolling out this  
119 quarter.

120 In 2025, our total Honest wipes portfolio delivered remarkable growth with  
121 consumption up more than 30%, which was six times faster than the comparative  
122 categories. A standout performer was our all-purpose baby wipes collection, which grew  
123 consumption by 25%, materially outpaced the category, and delivered the largest dollar  
124 share growth of any all-purpose baby wipes brand. One of the key drivers in this growth  
125 was trade up to larger sizes. In response to the demand for value and convenience, we  
126 are launching our largest baby wipes configuration to date: with 16 of our full-size  
127 packages for what we call our Mega Pack.

128 Our baby personal care success is driven by the same demand for clean, safe, ingredients  
129 we see across the Honest portfolio. With 12% consumption growth in 2025, we are  
130 building on this momentum with a strong innovation lineup in 2026. On the heels of the

131 successful launch of our first partnership with Disney, we are expanding our Mickey and  
132 Friends bath time and bedtime items into additional retailers this year.

133 Our baby personal care portfolio also focuses on bringing the sustainability and value  
134 that today's parents are seeking. This quarter, we are adding a new item to our collection  
135 of milk-carton style 32oz refills with the addition of our fragrance-free shampoo and  
136 body wash. This gable top package, which is our largest-size offering, uses 89% less  
137 plastic than our standard 10-ounce bottle.

138 And earlier this month, we launched our Fragrance-Free Sensitive Rich Cream  
139 moisturizer, with a beautifully light and creamy texture that is clinically proven to  
140 deliver 48-hour moisturization for babies' delicate skin.

141 As I shared earlier, in addition to growing with baby households in 2026, we will also  
142 bring intention and focus to our growth of Honest in households with bigger kids and no  
143 kids at all.

144 This leverages momentum that has been quietly building. According to Numerator data,  
145 54% of current Honest buyers are in no-kid households and we have a history of  
146 appealing to these households in several ways. Many families who trusted Honest for  
147 their babies stick with us even after the kids grow up. Some of our most popular items  
148 from the baby aisle, like our shampoo and body wash, body lotion, or our conditioners  
149 and detanglers are favorites among households that don't have babies anymore. There  
150 are also households that discover Honest through products like our sanitizing wipes or  
151 our adult flushable wipes.

152 Regardless of the reason, we have big plans to unlock more growth in households where  
153 the kids are older or where there may be no kids at all.

154 The next natural step in this journey is our expansion into the section of the store  
155 dedicated to products for big kids. We know that as kids grow, they want things that  
156 show that they are growing up, but that doesn't mean they lose the need for the gentle  
157 and clean formulations we bring.

158 So, we are practically cartwheeling with glee at our first launch into the big kid aisle in  
159 partnership with Disney Pixar's Toy Story. We are now taking bath time "to infinity and  
160 beyond" with a lineup of six-items that add Woody, Buzz, Jessie, and more Toy Story  
161 friends to the Honest family. The collection launched this month online and in stores at  
162 Walmart and the rollout will continue to additional retailers ahead of the Toy Story 5  
163 release this summer.

164 In 2026, we are also poised to continue our growth in the 75% of US households that  
165 don't have any babies or little kids.

166 We have a two-prong approach for growing with these no-kid households. In many  
167 instances, we have seen that our existing items are already a great solution for these  
168 households. So, in 2025, we began evolving our marketing messages to introduce these  
169 older households to our personal care items and wipes. We are also designing new items  
170 specifically with this broader set of households in mind.

171 A great example of this success is our beautiful counter-top friendly adult flushable  
172 wipes collection which grew consumption by 175% in 2025 and has ascended to the top  
173 5 in Amazon's personal cleansing wipes set. Following our 2025 launch into brick-and-

174 mortar retailers including HEB and Target, we are striking while the iron is hot as we  
175 rolled out our flushable wipes into Walmart stores earlier this month.

176 Also, in addition to our successful fragrance-free offering, we expanded the range of our  
177 sanitizing wipes by adding full-sized packs in two new scents, grapefruit and lavender,  
178 alongside convenient pocket packs for on-the-go occasions. These are rolling into  
179 market as we speak.

180 This strategy to grow across demographics is not a pivot; it is an advancement of what is  
181 working. Our community has spoken. The Honest brand and The Honest Standard are  
182 for everyone from babies and kids to kids at heart.

183 And finally, we are also driving value creation through our focus on Margin  
184 Enhancement and Operating Discipline.

185 Now that we have exited our lower-margin and less strategically aligned categories and  
186 channels, we will be able to deliver end-to-end efficiencies in our supply chain, along  
187 with improvements to inventory management, and reductions in SG&A. And with these  
188 Powering Honest Growth actions in place, we expect to deliver gross margins in the low  
189 40s in 2026.

190 We have strengthened our balance sheet, lowered our cost structure, and have clear  
191 momentum in our 'right to win' categories. And today, we believe Honest is better  
192 positioned than ever to deliver long-term value to our shareholders while building a  
193 stronger, bigger Honest.

194 With that, I'll now turn things over to Curtiss to provide more detail on our Q4 and full  
195 year 2025 performance as well as our 2026 outlook.

196 **Curtiss Bruce**

197 Thank you, Carla, and good afternoon everyone.

198 The financial results we are sharing today represent the conclusion of a necessary and  
199 decisive chapter for The Honest Company. While our headline numbers for 2025 reflect  
200 the deliberate streamlining of our portfolio, the underlying metrics reveal a business  
201 that is fundamentally stronger than it was a year ago.

202 Through Powering Honest Growth, we have built a stronger financial foundation,  
203 specifically designed to power our future expansion. This program is expected to deliver  
204 between \$10 to \$15 million in annualized savings, serving as a direct catalyst for margin  
205 expansion, while at the same time providing us with the fuel to reinvest and drive  
206 growth in our highest margin portfolios.

207 To that end, our execution is moving at pace. Since our announcement in November, we  
208 have seamlessly exited non-strategic channels and categories, taken actions to right size  
209 our SG&A, and initiated plans to consolidate our footprint that will deliver structural  
210 improvements and efficiencies in 2026 that will endure well beyond this year.

211 The performance and guidance I will detail today provide evidence of this continued  
212 scale for Honest.

213 Beginning with our fourth quarter results, revenue was \$88 million, down 11.8% year-  
214 over-year, this decline primarily reflects the deliberate impact of our strategic exits.

215 These headwinds were partially offset by the continued momentum Carla detailed in our  
216 total wipes and baby personal care collections.

217 On an organic basis, revenue grew 0.7% to \$71.3 million, reflecting continued  
218 momentum in our total wipes and personal care categories, largely offset by ongoing  
219 diaper sales declines. Importantly, this was a significant inflection from our third  
220 quarter performance as we lapped select merchandising headwinds, observed continued  
221 strength in our wipes and personal care portfolios, and executed on targeted  
222 investments.

223 Gross margin was 15.7%, compared to 38.8% in the prior year period. This was  
224 primarily related to a discrete inventory write-down on apparel as we finalized our exit  
225 of this lower margin portfolio. Additionally, an increase in tariff costs was also a slight  
226 headwind compared to the prior year period.

227 These pressures were partially mitigated by favorable product mix as we shift toward  
228 our higher margin wipes and personal care portfolios and a decrease in fulfillment costs.  
229 On an adjusted basis, our gross margin was 38.3% and generally in line with the prior  
230 year period.

231 Operating expenses increased \$2 million dollars year-over-year. This reflected \$4.2  
232 million of the total restructuring costs we expect to realize from Powering Honest  
233 Growth. This was partially mitigated by lower year-over-year SG&A, primarily reflecting  
234 a reduction in legal expenses. Q4 marketing expenses were consistent with the prior  
235 year period.

236 In the quarter, the Company reported a net loss of \$23.6 million, primarily related to  
237 the one-time costs associated with Powering Honest Growth. Adjusted EBITDA for the  
238 fourth quarter was \$3.8 million, down \$4.8 million vs. last year largely due to lower  
239 revenue. Adjusted EBITDA margin was 4.3%.

240 Turning to our full-year 2025 results, revenue was \$371.3 million, representing a 1.9%  
241 decrease compared to the prior year. This top-line performance primarily reflects the  
242 intentional impact of our strategic exits under Powering Honest Growth.

243 On an organic basis, full year revenue increased 5.3%, landing squarely within our long-  
244 term algorithm and highlighting the underlying strength in our core wipes and personal  
245 care portfolios.

246 Our GAAP gross margin for the year was 33.3%, compared to 38.2% in 2024. This  
247 contraction was driven largely by a discrete inventory write-down on apparel and a  
248 headwind from increased tariff costs. These factors were partially offset by a more  
249 favorable product mix. On an adjusted basis, gross margin was 38.7%, an increase of 50  
250 basis points over the prior year, highlighting the underlying health of our core business.

251 Total operating expenses decreased by \$9 million, or 5.8%, primarily driven by a  
252 reduction in SG&A related to lower legal and stock-based compensation expense  
253 compared to the prior year. This was partially offset by the aforementioned, discrete  
254 restructuring costs and a strategic increase in marketing to support our growth.

255 For the full year, we reported a net loss of \$15.7 million, compared to a loss of \$6.1  
256 million in 2024, with the variance almost entirely attributable to the discrete costs  
257 associated with our transformation. On an adjusted basis, net income was \$8.3 million.

258 Finally, Adjusted EBITDA was \$22 million, which landed within our updated outlook  
259 range, and compared to \$25.9 million in 2024.

260 Now turning to our cash flow and balance sheet for the year, we generated free cash flow  
261 of \$13.6 million, a substantial improvement compared to \$1.0 million in the prior year.  
262 This strength was driven by significant working capital improvements stemming from  
263 our focus on operating discipline.

264 Our balance sheet ended the year in an exceptionally strong position, with \$89.6 million  
265 in cash and cash equivalents and zero debt. This capital position, coupled with our asset-  
266 light operating model, provides us with significant financial flexibility.

267 As Carla shared earlier, with this strength as the backdrop, our Board of Directors has  
268 authorized our inaugural share repurchase program of up to \$25 million, effective  
269 immediately. This decision is a direct reflection of our confidence in Powering Honest  
270 Growth and the substantial near and long-term benefits we expect this transformation  
271 to deliver. We believe our current valuation does not fully reflect the structural  
272 improvements we are making to our operating model, and this program underscores our  
273 commitment to a disciplined capital allocation strategy—one that balances reinvestment  
274 in our growth initiatives with a clear focus on returning value to our shareholders.

275 As we look ahead, the decisive actions we've taken to optimize our portfolio have created  
276 a much stronger foundation for profitable growth. We have effectively shifted our  
277 resources toward the categories where Honest has the clearest competitive advantage,  
278 and our 2026 framework reflects the early returns of that discipline.

279 For 2026, we expect the following:

- 280 • Reported Revenue declines of 18% to 16% due to our strategic exits
- 281 • Organic revenue growth of 4% to 6%, in line with our long-term algorithm;
- 282 • Adjusted gross margins in the low 40s;
- 283 • And adjusted EBITDA of \$20 million to \$23 million.

284 To provide greater color on these figures, we anticipate sequential improvement in our  
285 organic growth throughout the year. While we face difficult comparisons in the first half  
286 of 2026—particularly in Q1 due to last year's retailer inventory buildup ahead of tariffs—  
287 our momentum will be driven by a robust pipeline of innovation and significant  
288 distribution gains established early in the year that will build throughout the remainder  
289 of 2026. For modeling purposes, it is also important to account for a high-teens  
290 percentage headwind to reported sales resulting from the strategic business exits we  
291 finalized in 2025. While this impacts the reported top line, it effectively concentrates our  
292 resources on our most profitable categories.

293 Our adjusted gross margin expectations reflect the continued success and ongoing shift  
294 in our revenue base toward our higher-growth, higher-margin wipes and personal care  
295 portfolios. As these categories represent an increasing share of our total business, we  
296 expect a consistent mix benefit to our consolidated margin profile. However, tariffs will  
297 remain a year-over-year headwind until they enter the base period beginning in Q2.

298 Regarding supply chain efficiencies realization under Powering Honest Growth, we  
299 expect these savings to materialize in the second half of the year as we move past the  
300 implementation phase of our footprint optimization.

301 Specifically, we are consolidating from two fulfillment centers into our state-of-the-art  
302 facility in Las Vegas with a focus on automated large scale retail fulfillment. We are  
303 executing against a comprehensive project plan designed to ensure the continuity and  
304 stability of our operations. By applying our core principle of operating discipline to this  
305 move, we are focused on maintaining strong service levels for our retail partners and  
306 consumers throughout the process.

307 Finally, our Adjusted EBITDA expectations reflect the operational leverage inherent in  
308 our leaner business model. To fully appreciate the significance of our profitability  
309 outlook, it is important to look beyond the absolute dollars. While we expect our  
310 adjusted EBITDA performance to be consistent with the prior year, it is being generated  
311 off a materially lower reported sales base. The fact that we are maintaining our profit  
312 levels while intentionally shedding nearly a fifth of our top line is a testament to the  
313 fundamental improvement in our business model.

314 In terms of shape of the year for adjusted EBITDA, we expect performance to strengthen  
315 as the year progresses, mirroring the cadence of our organic growth and gross margin  
316 profile.

317 When we look at the long-term earnings power of The Honest Company, we see a  
318 business that has moved past the era of structural complexity and into a phase of  
319 structural leverage.

320 Regarding our top-line potential, our 4 to 6% organic growth algorithm remains the  
321 appropriate yardstick for our long-term framework anchored in our focus on driving  
322 sustained market share gains.

323 Just as Brand Maximization is a catalyst for revenue growth, we see a similarly long  
324 runway for continued margin enhancement. As our higher-margin, higher-velocity  
325 products continue to outpace the broader portfolio, we are establishing a new, elevated  
326 baseline for gross margin. Additionally, the supply chain efficiencies and SG&A  
327 rightsizing we expect to realize are not one-time wins—we believe they are structural  
328 enhancements to our earnings power.

329 As I close, I want to express my confidence about 2026 and the great future ahead for  
330 Honest. We are moving forward with a more productive portfolio, a stronger financial  
331 foundation, and a clear line of sight toward sustainable, profitable growth. We are  
332 committed to ensuring that The Honest brand thrives in the modern household for  
333 years to come.

334 With that, I turn it over to Carla for final remarks.

335 **Carla Vernón**

336 Thank you, Curtiss.

337 Powering Honest Growth was never just about restructuring; it was about unlocking the  
338 full potential of the Honest business model and brand. In 2025, we did the heavy lifting  
339 to streamline our portfolio and establish a stronger financial foundation. And now, in  
340 2026 we will build on the great momentum of our core products, our strong brand  
341 building, and a great innovation lineup.

342 This year, as always, our progress is due to incredible execution by our team. Curtiss and  
343 I offer our sincere thanks to our employees, proudly known as our 'Honest Butterflies'—

344 across our LA, Las Vegas, and Minneapolis locations. Their resilience and commitment  
345 as a community continues to power our success.

346 We enter 2026 with a high degree of confidence in our ability to deliver sustainable,  
347 profitable growth. Thank you for your support as we build a stronger, more focused, and  
348 enduring Honest.

349 And now I turn it over to the Operator to open the line for questions.