The Honest Company
Q2 2026 Earnings Prepared Remarks
August 5, 2026

Chris Mandeville, Vice President of Investor Relations

Good afternoon and thank you for joining our second quarter 2026 conference call. With me today are Carla Vernón, our Chief Executive Officer and Curtiss Bruce, our Chief Financial & Operating Officer.

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

We will also discuss certain non-GAAP financial measures. Reconciliations to the most directly comparable GAAP measures are included in our earnings release and accompanying presentation, which are available at investors.honest.com.

Finally, please note that all consumption data included in our discussion today, unless otherwise noted, will reflect Circana MULO+ measured channel data for the 13 weeks ended June 28, 2026, as compared to the prior year.

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

Carla Vernón, Chief Executive Officer

Thank you, Chris. Before I share our results for the second quarter of 2026, I want to welcome Chris in his new role as Vice President of Investor Relations. While Chris has already been with us for our last two earnings calls, we are thrilled that he has officially joined Honest.

And now, I am pleased to share our results for the second quarter of 2026, which reflect the continued strength and momentum of our business. We achieved strong organic revenue growth of nearly 7% and our highest profit margins in the history of The Honest Company, with underlying adjusted gross margins of 43.8% and underlying Adjusted EBITDA margins of 9.8%. Given our sound first-half execution and confidence in the path ahead, we are raising our full-year outlook.

These Q2 results are a product of the ongoing, structural improvements to our business and the team's continued commitment to operational excellence. Importantly, this strengthened financial foundation provides us with additional horsepower to accelerate investments in support of all three of our strategic pillars of Brand Maximization, Margin Enhancement, and Operating Discipline.

Looking specifically at our first pillar, Brand Maximization, this quarter clearly showcased the power of our strategy. We are encouraged by our momentum, as we scale our broad collection of cleanly-formulated and sustainably designed Honest products. In addition to our top-line results, our overall consumption growth was up nearly 8%. This growth continued to be volume-led and significantly outpaced the 2% growth in our comparative categories.

Our vision to scale Honest is grounded in two important consumer truths. The first key consumer truth is the resonance of our Honest Standard. Our portfolio is formulated without

3,500 ingredients of concern that we choose not to use in our products. These high standards mean our products meet the high expectations of modern consumers who want clean formulation, excellent product performance, and joyful design in their personal care. The second key consumer truth is the broad appeal of Honest across households of all ages and stages. While we are often recognized for our wonderful portfolio of baby products, today, over half of our households have no kids at all. Our strength across household types is an important driver of scaling the Honest brand through our Brand Maximization strategy. Today, 89% of households in the United States do not have any children under the age of seven, and 75% of all US households have no children at all.

We continue to see progress in scaling Honest across a broad range of households. This quarter, our household penetration of 8.1% improved 100-basis points, with nearly two-thirds of that growth coming from no-kid households. This growth gives us material evidence that more households are embracing Honest each year.

In addition to this excellent progress, we are encouraged by the significant runway we see across our growth platforms. To put that opportunity into perspective: in baby personal care, key branded competitors hold household penetration anywhere from 2 to 6 times greater than we do, and in all-purpose wipes, larger brands have as much as 5 to 7 times our household penetration.

Let me share a closer look at how this momentum is being driven across our business, beginning with our wipes portfolio. Our total wipes portfolio delivered consumption growth of 26% versus comparative category growth of 2%. Our extensive wipes platform crosses several categories and uses. With such a wide-ranging collection of wipes, Honest offers a variety of benefits that appeal to a broad range of household types.

Our collections include:

- Our Clean Conscious wipes, which are the #1 natural baby wipe brand and grew 16% this quarter;
- Our flushable wipes, which grew more than 200% in Q2, making us the fastest-growing branded player in the segment,
- And our sanitizing wipes, which grew 55% in Q2 and are the second largest hand sanitizing wipes brand in the category.

These wipes businesses are all significantly outpacing the growth of their respective categories, and each delivers on our Honest Standard of clean formulation, strong product performance and joyful design.

This year, our flushable wipes entered the spotlight with a new campaign that speaks to the category in an elegant yet irreverent style that is candid in a way that only Honest can be. In fact, our groundbreaking campaign called, "It's Time to Get Honest", drove significant viral engagement, delivering well over 3 billion media impressions and increasing awareness of the Honest brand across a new, broader community.

In addition to meeting the high standards for product quality, our flushable wipes packaging is designed to be a room accessory that is both elegant and unapologetic. The collection is gaining strong traction online and across brick-and-mortar retailers, including our recent addition into the feminine care aisle at CVS. Building on this momentum, we see greater things ahead in expanding distribution, increasing product offerings, and driving greater brand awareness for our flushable wipes.

The strong Q2 performance of our wipes business also benefitted from our three-pronged strategy to maximize tentpole merchandizing events such as Amazon Prime Day. While strong consumer deal events can be treated as a one-time boost to sales, our team partners closely with retailers to ensure that we leverage these events to introduce our full Honest assortment to new shoppers, build recurring subscriptions, and increase brand discovery. We saw this working to great success across Prime Day, with 58% of the visitors to our Honest Storefront being entirely new to the Honest brand. And our team has great plans to build on these early relationships to earn lasting loyalty across our full collection of Honest products.

Now turning to personal care. In Q2, our personal care portfolio grew 19%, outpacing the category's 5% growth rate. We design our personal care products to bring genuine joy and happiness to everyday routines. For some members of our Honest community, that means utilizing rich, beautifully authentic touches like the naturally derived, soothing lavender in our signature baby personal care collection. And, for the members of our community with the most sensitive skin, it means providing products that are gentle yet effective and often fragrance-free. By delivering on both preferences seamlessly, we maintained our position as the #2 brand in total baby personal care.

And, earlier this year, the Honest brand made its debut into the big kid aisle, welcoming us into a new set of homes. The launch of our kid-friendly, personal care lineup was timed in coordination with the Toy Story 5 movie premiere and in partnership with Pixar’s media campaign. The film, which debuted 30 years after the original movie, delivered the #1 biggest global opening weekend in Pixar history.

The magic of brands like Pixar and Honest is that they unlock the power of multi-generational appeal. Our Toy Story collection, which launched earlier this year at Walmart and Amazon, is getting ready to greet new families in the Food channel, starting with retailers including H-E-B and select Ahold Delhaize banners.

More than ever, Honest is expanding to meet consumers with products they love, wherever they shop.

Before concluding my remarks, it is important to acknowledge that the strong results in the quarter include a dampening effect from our diaper business. Current headwinds and shifting consumer dynamics appear to be structural for the diaper category, with most national brands experiencing declines. While our diaper business is navigating these same pressures, we remain committed to providing families with a diaper offering that meets the expectations of the Honest Standard for quality, performance, and joy.

Because of the importance of families with babies, we are pleased to announce a new strategic partnership allowing the Honest brand to maintain its important place in baby and family-friendly apparel. Through a new licensing agreement with an industry-leading apparel manufacturer, Honest will transition back to an outbound licensing approach for this category. We are glad that families will have the Honest Standard available to them when choosing bedding and baby apparel for their newest little ones.

As you can see, we are energized about the strength of the Honest brand across all segments that we serve.

Three and a half years ago, we began what was a necessary transformation to build a more powerful Honest brand and Honest company. We are now a fundamentally stronger enterprise, built on a durable foundation. The evidence of our progress is clear across an array of metrics:

- First, we are more strategically focused. We have intentionally shifted our revenue mix towards our higher-growth, higher-margin wipes and personal care platforms, which now represent over 70% of our revenue.

- Second, we are more growth-driven. Since 2022, we have delivered an 11% consumption growth CAGR.

- And third, we are more structurally profitable. Our second quarter underlying adjusted gross margin of 44% is fifteen hundred basis points higher than where we were in 2022.

These gains have allowed us to make considerable progress toward operating a virtuous cycle for profitable growth.

But, our convictions are not simply based on metrics. Honest was founded to be more than a disruptor brand. We were built to bring the world a modern personal care company that delivers on a standard built for the modern era. Transformation alone is not the finish line. Our ongoing goal is to achieve true scale. With great intention and clarity, we have identified right-to-win categories where we are leading and delivering exactly what today's modern households need. And, we have executed this year in and year out with strict financial discipline.

As we scale operationally, many of the most important things about The Honest Company haven't changed. Our team of Honest Butterflies is an intense team of builders, that pairs passion and vision with a focused approach to execution. Every product we create upholds our rigorous guiding principles. It is this joy, commitment and uncompromising quality that makes Honest unique and meaningful to households of all types. And this is the true heartbeat giving the Honest Brand both relevance and power.

With that, I will now turn the call over to Curtiss to provide more detail on our Q2 financial results and walk through our raised full year outlook.

Curtiss Bruce, Chief Financial & Operating Officer

Thank you, Carla, and good afternoon, everyone.

As you just heard, Q2 was a significant milestone that clearly validates our trajectory and highlights the robust results generated when our strategic focus meets disciplined execution. Let's dive into how that performance materialized across our metrics, starting with the top line.

Second quarter reported revenue was $83.3 million dollars, a decrease of 10.9% compared to the prior year period. This reflects the impact of strategic exits under Powering Honest Growth and our diaper revenue declines, which were partially offset by our continued strength in wipes and personal care.

On an organic basis, revenue increased 6.7%, reflecting the momentum we continue to see in our higher-growth, higher-margin wipes and personal care platforms.

Our Q2 reported gross margin came in at 48.4%. On an adjusted basis, gross margin was 50.1%, an improvement of 970 basis points. This expansion includes a $6.6 million dollar tariff refund and dilution from our apparel liquidation. Excluding these two items, our underlying margin was 43.8%, an improvement of approximately 340 basis points. This was driven by favorable product mix and operational improvements, including earlier-than-expected realization of supply chain savings.

Total operating expenses decreased by $4.1 million dollars to $30.8 million dollars, highlighting progress made to right size our SG&A. Within this, we strategically increased marketing by nearly 20%. This step-up in spend, focused heavily on our wipes and personal care platforms, was designed to capitalize on our momentum heading into the second half of the year. This targeted allocation of capital supports our ongoing focus on driving household penetration, which remains our primary catalyst for sustaining long-term growth.

Net income for the quarter was $10.7 million dollars, compared to $3.9 million dollars in the prior year period. Adjusted EBITDA was $14.5 million dollars, yielding an Adjusted EBITDA margin of 17.3%. To understand our true underlying profitability, it is important to exclude the one-time tariff refund and apparel liquidation. When doing so, our underlying adjusted EBITDA margins of 9.8% expanded by approximately 160 basis points and marked an all-time high for the company.

Our asset-light operating model continues to provide exceptional financial flexibility. We ended the quarter with $105.9 million dollars in cash and cash equivalents and zero debt.

Free cash flow was $35.3 million dollars for the first six months of the year; a substantial improvement compared to negative free cash flow of $3.8 million dollars in the prior year period. This was primarily driven by increased earnings, continued working capital improvements and our asset-light operating model. While we do expect a timing benefit regarding inventory to partially reverse in the second half of the year, we maintain a distinct line of sight to further long-term working capital improvements.

Year-to-date, we have repurchased approximately 5.6 million shares for $18.7 million dollars at an average price of $3.35 per share. At the end of the quarter, $6.3 million dollars remained under our existing share repurchase authorization. These actions underscore our commitment to balancing aggressive reinvestment in our growth initiatives with returning value to our shareholders.

Our strong execution in the first half of the year, which drove both our top-line momentum and structural margin enhancements, gives us the confidence to raise our outlook. The tariff refunds provide additional flexibility and fuel for our strategic initiatives. We plan to aggressively reinvest these dollars now to accelerate household penetration and build a stronger Honest foundation for 2027 and beyond.

With that context, our raised full-year 2026 outlook is as follows:

- Reported revenue in the range of $319 to $325 million dollars, which now includes an approximate $10 million dollar benefit from apparel inventory liquidation revenue;
- Organic revenue growth of 5 to 7%, up from 4 to 6%, reflecting accelerated momentum in the second half vs. first half of the year;
- Adjusted gross margins to land in the mid-40s, up from the low 40s, as we expect a continuation of robust year-over-year expansion driven by favorable mix and supply chain efficiencies; and
- Adjusted EBITDA of $23 to $25 million dollars, up from $20 to $23 million dollars.

Lastly, please assume our new apparel licensing agreement will be immaterial to our 2026 financial results.

As I wrap up, I want to reiterate how pleased we are with our strong execution through the first half of the year. Our record underlying profitability and robust free cash flow generation prove that our financial model is fundamentally stronger today than ever before. With our pristine balance sheet, structural margin improvement and the strategic reinvestment of our tariff refund, we have the fuel needed to confidently fund our next phase of profitable growth.

With that, I will turn it back to Carla for final remarks.

Carla Vernón, Chief Executive Officer

Thank you, Curtiss.

Before we move to Q&A, I want to express my deep gratitude to our incredible team of Honest Butterflies. Their passion and dedication are the true driving force behind the business performance we shared today. As we look ahead, we will continue to deliver on our evergreen strategic pillars of Brand Maximization, Margin Enhancement, and Operating Discipline. By combining disciplined execution with our unwavering commitment to the Honest Standard, we are unlocking the true vision of a modern personal care company.

We enter the second half of the year well-positioned to build on our momentum, deliver on our raised 2026 outlook, and continue creating long-term shareholder value.

With that, I will now turn it over to the Operator to open the line for questions.