

1 Q1 2026 Earnings Script

2 **Introduction**

3 Ladies and gentlemen, thank you for standing by - welcome to The Honest Company's first
4 quarter 2026 Earnings Call. At this time, all participants are in listen-only mode. After the
5 speakers' presentation, there will be a question-and-answer session. Please be advised that
6 today's conference is being recorded. I would now like to hand the conference call over to Chris
7 Mandeville, Interim Head of Investor Relations at the Honest Company. Please go ahead.

8 **Chris Mandeville**

9 Good afternoon and thank you for joining our first quarter 2026 conference call. With me
10 today are Carla Vernón, our Chief Executive Officer and Curtiss Bruce, our Chief Financial
11 Officer.

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

17 We will also discuss certain non-GAAP financial measures. Reconciliations to the most directly
18 comparable GAAP measures are included in our earnings release and accompanying
19 presentation, which are available at 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 13 weeks ended
22 March 29, 2026, as compared to the prior year.

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

24 **Carla Vernón**

25 Opening Remarks & Setting the Tone

26 Thank you, Chris, and hello to everyone joining us.

27 Today, I will provide a high-level look at our first quarter performance and offer insights into
28 how we are successfully executing our strategy to profitably scale the Honest brand. Following
29 my remarks, Curtiss will provide greater detail on our Q1 financial results and discuss our
30 reaffirmed full-year outlook.

31 We are pleased with our start to 2026 as our recent actions to optimize our portfolio are
32 bearing fruit. Our Q1 results demonstrate that Powering Honest Growth is leading to an
33 enterprise that is more strategically focused, growth-driven, and structurally profitable.

34 Let me begin with our first quarter results. By bringing a sharpened focus to our right-to-win
35 categories and channels, we delivered organic revenue growth of 3.9%. Delivering this growth
36 on top of double-digit growth in the prior year underscores the momentum across our
37 portfolio. As we continue to increase the availability of Honest products, we are also expanding
38 our business across a broader set of households.

39 Over the last three years, we've been disciplined in our focus on driving shareholder value
40 through top-line scale and bottom-line expansion. And, in Q1, we did exactly that. In addition
41 to delivering organic revenue growth, our adjusted gross margin of 43.5% was the strongest in
42 our history. This year-over-year gross margin expansion of 480-basis points demonstrates the
43 impact of our Powering Honest Growth initiative. By streamlining the focus to our right-to-win
44 categories, we have ignited a virtuous cycle that allows our teams to successfully execute
45 against our three strategic pillars of Brand Maximization, Margin Enhancement, and Operating
46 Discipline.

47 In Q1, our Brand Maximization strategy of growing revenue scale and consumer strength of the
48 Honest brand was evident. We delivered 8.3% consumption growth, significantly ahead of our
49 comparative category average growth of 2.6% and a notable acceleration from the 3.4% we
50 delivered in Q4 2025. Best of all, our momentum continued to be volume-led, with unit
51 consumption up 20%.

52 As I shared last quarter, the Honest brand benefits from two powerful dynamics: The first, and
53 most foundational, is the growing consumer interest in cleanly-formulated and effective
54 products for people with sensitive skin. And the second dynamic is the unique competitive
55 advantage of the Honest brand, which drives our commitment to upholding the highest
56 standards in everything we do. This gives us the ability to build deep consumer trust and
57 loyalty across a diverse range of households. This spans families with babies and toddlers to
58 those with big kids and teenagers, and even households with no kids at all.

59 In the United States, 89% of households do not have any children under the age of six, while
60 75% of households have no children at all. This is why we are purposeful in designing a growth

61 strategy that provides a broad range of products developed with a wide range of ages in mind.
62 And as a reminder, according to Numerator, over half of Honest's current buyers are from no-
63 kid households.

64 Across all household types, the love for our cleanly-formulated and sustainably designed
65 personal care products continues to grow. At Honest, every product must meet our industry-
66 leading Honest Standard, which is a set of guiding principles that includes a list of over 3,500
67 ingredients we do not use, and that shapes every step of product innovation and development
68 to ensure our high expectations for safety, efficacy, and design.

69 This appeal is evident in our growth. In Q1, our total household penetration reached a new all-
70 time high of 8.1%, up fifty basis points from year end. We are proud to have welcomed 1.6
71 million new households over the past year. And as we look at the opportunity in household
72 penetration, we still have significant runway ahead. For example, in baby personal care, key
73 branded competitors hold household penetration anywhere from 2 to 6 times greater than
74 ours. And in all-purpose wipes, larger brands have as much as 5 to 7 times the household
75 penetration of Honest. This considerable market opportunity presents a clear line of sight to
76 our next phase of growth, with a focus on transitioning existing category buyers to Honest and
77 welcoming entirely new households into these categories.

78 Now, allow me to share more on each of these portfolios beginning with wipes. In Q1, our total
79 wipes portfolio delivered consumption growth of nearly 25%. With a wide and growing array of
80 formats, Honest wipes are expanding throughout the store and across household types with
81 products ranging from adult flushable wipes and hand sanitizing wipes to toddler flushable
82 wipes and all-purpose baby wipes.

83 The consumption of our all-purpose baby wipes grew by 14% this quarter, reflecting just how
84 much our community loves having a stylish pop of design on their changing table, countertop,
85 or in their bag for those everyday clean-up moments. This quarter was the national roll out of
86 our updated, more shopper-friendly packaging for our all-purpose wipes. With this new bolder,
87 more shoppable package design, it is much easier for people to discover these wipes on store
88 shelves. And we introduced our largest packaging format to date, a mega pack that allows
89 parents to maximize value and stay fully stocked on our wonderful sensitive skin safe wipes.

90 And, our Honest adult flushable wipes are a clear standout in our portfolio, delivering Q1
91 consumption growth of more than 200% off of a still emerging base. These plush, moist, and
92 plumbing-safe flushable wipes have now grown at more than 10 times the category rate for
93 three consecutive quarters. As a result, we are now the #4 flushable wipes brand in the
94 category, up from the #5 spot in Q4 2025. This momentum illustrates how our growing Honest
95 community loves the unique combination of fashion, function, and flushability we bring to the
96 category. And we are just getting started.

97 A few weeks ago, we adopted a very stylish and thoroughly modern, new approach to our
98 marketing of flushable wipes. We kicked things off with a high-profile social media campaign
99 in March, partnering with mega-influencers specifically chosen to resonate across our target
100 households. Whether you love an intimate conversation with Tia Mowry, a bestie moment with
101 Kat Stickler, or a freestyle rap by Hannah Berner, we had something for you. The response
102 from followers was immediate, and the algorithm did its thing. In fact, one post amassed 1.5
103 million views across Instagram and TikTok in just its first 12 hours.

104 Building on that incredible digital engagement, we launched a national campaign in April
105 across a broad media landscape of video, social, out-of-home, festivals and more. The ads,
106 posts, and videos put the spotlight on the moments when even the most stylish and
107 glamorous women get honest about why they love our flushable wipes.

108 And we didn't stop there. This quarter, we also refreshed our collection of hand sanitizing
109 wipes. In Q1, we relaunched our lavender and grapefruit scents in updated, counter-worthy
110 packaging and rolled out pocket packs in those two fresh scents. For the quarter we saw a
111 consumption increase of more than 60% on our hand sanitizing wipes, maintaining our
112 position as the #2 brand in the category.

113 Now, shifting to personal care. Our personal care collection delivered consumption growth of
114 16% in Q1. Our shampoo, body wash, bubble bath, and lotion have long been a trusted choice in
115 the 11% of U.S. households with children under the age of six. In fact, with consumption
116 growing seven times faster than the category, Honest has officially become the #2 brand across
117 total baby personal care, jumping from the #4 position last year. And now, to build on that
118 momentum, we are expanding our reach. We are pleased to have introduced our new Pixar Toy
119 Story collection, bringing The Honest Standard to the 89% of U.S. households with big kids
120 and kids at heart. Initially, we launched the collection both in-store and online at Walmart.
121 And as of a few weeks ago, I am excited to announce that we added this collection to Amazon,
122 which will meaningfully expand our reach just in time for the Toy Story 5 movie release next
123 month.

124 Speaking of going 'to infinity and beyond,' our brand literally reached new heights recently.
125 During the live stream of the NASA Artemis II mission in April, Astronaut Christina Koch

126 radioed Houston to ask mission control for help in tracking down the Honest lotion the crew
127 had packed onboard. It was an incredible, organic moment that highlights just how essential
128 our products are to our community, even in orbit.

129 Not only was this an incredible affirmation that Honest products are for everyone. But, because
130 my own mother was a NASA Hidden Figure, this was a full circle moment in more ways than
131 one.

132 And finally, let me share an update on our diaper portfolio where we have seen progress on our
133 performance. Our consumption declines in diapers were nearly cut in half, moderating to
134 negative 9.6% in Q1, from minus 18.3% in Q4 2025, as we lapped the distribution losses of
135 gender specific prints at a key retailer late in the quarter.

136 However, our outlook for the broader diaper category remains cautious. We are navigating a
137 highly competitive and promotional environment that we expect will continue to pressure the
138 category. While diapers remain an important option for families looking for the Honest
139 standard of clean, we will prioritize our growth in households with babies and families with
140 little kids through our higher growth, higher margin wipes and personal care platforms.

141 Despite these localized category pressures, the broader strength of our portfolio is shining
142 through. Our positive Q1 results show that we are financially stronger and on the right path,
143 with great possibilities ahead.

144 With that, I will now turn the call over to Curtiss to provide more detail on our Q1 financial
145 results and walk through our reaffirmed full year 2026 outlook.

146 **Curtiss Bruce**

147 Thank you, Carla, and good afternoon, everyone.

148 As Carla mentioned, our first quarter results are a clear indication that the structural
149 improvements we made to our business last year through our Powering Honest Growth
150 initiative are driving our growth and profitability today. We are pleased with our start to the
151 year.

152 Before diving into the financial results, I want to provide a brief update on this transformation.
153 We are seeing the immediate, accelerated benefits of a highly favorable margin mix, driven by
154 our sharpened focus on our right-to-win categories, alongside the positive impact of our right-
155 sized SG&A. As we look to the balance of the year, we remain firmly on track to realize our
156 expected supply chain efficiencies in the second half of 2026. As a reminder, we expect
157 Powering Honest Growth to deliver between \$10 to \$15 million in annualized savings, serving
158 as a powerful catalyst to further fortify our bottom-line health and generate the fuel needed to
159 reinvest in our growth.

160 Now, turning to our first quarter performance. Revenue was \$78.1 million, compared to \$97.3
161 million in the prior year period, primarily reflecting the impact of our strategic Powering
162 Honest Growth category and channel exits.

163 On an organic basis, revenue grew 3.9% to \$78.1 million. This growth is particularly notable as
164 it was achieved over a difficult prior-year comparison, which was bolstered by retailer
165 inventory buildup ahead of the 2025 tariffs. Our performance this quarter reflects strong
166 momentum behind our higher growth, higher margin wipes and personal care platforms,
167 partially offset by moderating diaper sales declines. These diaper results were driven by the

168 initial lapping of previously disclosed headwinds related to a key retailer's transition to gender-
169 neutral prints.

170 Q1 reported gross margin came in at 42.6%, a 390-basis point improvement compared to the
171 prior year period. On an adjusted basis, our gross margin of 43.5% was historically strong,
172 reflecting favorable freight costs, as well as mix from our higher growth, higher margin wiper
173 and personal care platforms, which was accelerated by Powering Honest Growth. These items
174 were partially offset by tariffs.

175 Total operating expenses decreased by \$1.2 million year-over-year, including a modest
176 restructuring charge related to Powering Honest Growth.

177 Excluding this transitional cost, our adjusted operating expenses declined by \$1.8 million. This
178 reduction was driven by our structural SG&A improvements, which more than offset our plan
179 to drive a double-digit increase in marketing investments directed specifically toward our
180 higher growth, higher margin wiper and personal care platforms.

181 Coupling these structural cost savings with our meaningful adjusted gross margin expansion
182 creates a powerful financial engine, underscoring our capacity to strategically reinvest in our
183 brand while right sizing our SG&A at the same time.

184 Looking at our bottom line, we reported a net loss of less than \$0.1 million for the quarter. Q1
185 Adjusted EBITDA was \$4 million, representing an Adjusted EBITDA margin of 5.1%, down
186 from \$6.9 million and a 7.1% margin in the prior year period, largely due to lower reported
187 revenue.

188 Regarding our balance sheet and cash flow, we continue to be in an exceptionally strong
189 position. We ended the quarter with \$90.4 million in cash and cash equivalents and zero debt,
190 while Q1 free cash flow was \$3.8 million, a substantial improvement compared to negative \$3
191 million in the prior year period. This year-over-year increase was primarily driven by
192 continued working capital improvements stemming from Powering Honest Growth and our
193 rigorous focus on operating discipline.

194 During the quarter, we utilized \$3 million of our newly authorized \$25 million share
195 repurchase program, with an additional \$8.3 million deployed subsequent to quarter end. In
196 total, these repurchases were executed at an average price of \$3.26 per share. These actions
197 reflect our confidence in the structural improvements we have made to our business, the
198 significant financial flexibility generated by our asset-light operating model, and our
199 commitment to balancing aggressive reinvestment in our growth initiatives with returning
200 meaningful value to our shareholders.

201 Moving to our outlook, while we are encouraged by our start to 2026, we are also mindful that
202 it is still early in the year, and we are navigating an environment where several macroeconomic
203 uncertainties remain.

204 That said, the actions we've taken to optimize our portfolio have created a much stronger
205 foundation for profitable growth. We have effectively shifted our resources toward the
206 categories where Honest has the clearest competitive advantage, and our 2026 framework
207 reflects both the early returns of that discipline and our prudent approach to the balance of the
208 year.

209 With that context, we are reaffirming our full-year 2026 outlook. We continue to expect the
210 following:

- 211 • Reported revenue declines of 18% to 16% due to our strategic exits;
- 212 • Organic revenue growth of 4% to 6%, in line with our long-term algorithm;
- 213 • Adjusted gross margins in the low 40s; and
- 214 • Adjusted EBITDA of \$20 million to \$23 million.

215 As I wrap up, I want to emphasize how pleased we are with our start to the year. We believe our
216 first quarter results clearly demonstrate that sharpening our focus on our right-to-win
217 categories has built a highly resilient financial foundation. We are executing with strict
218 operational discipline and maintaining a clear line of sight toward sustainable, profitable
219 growth.

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

221 **Carla Vernón**

222 Thank you, Curtiss.

223 As we shared last quarter, Powering Honest Growth was about unlocking the full potential of
224 our business model by serving as a force multiplier to our strategic pillars. We believe our Q1
225 results confirm that the heavy lifting we did in 2025 is paying off. I'd like to thank our team of
226 Honest Butterflies for their commitment and diligence in building our shared vision for
227 Honest.

228 And now, more than ever, Honest is well-positioned to deliver strong value creation for
229 investors, expand our Honest community, and build the enduring strength and meaning of the
230 Honest brand.

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