



# HONEST<sup>®</sup>

## Investor Strategic Update 2024

Updated Post Q2 2024 Earnings

# Forward Looking Statements

This presentation contains certain forward-looking statements within the meaning of the federal securities laws, including statements about the outlook of our business and industry and other matters referenced in our earnings release and SEC filings. All statements other than statements of historical fact contained in this presentation, including statements on our business strategy, plans, objectives, financial results, operating results, potential market and growth opportunities, or competitive position, are forward-looking statements. These forward-looking statements involve a number of risks and uncertainties, some of which management cannot predict, that could cause actual results to differ materially. Please refer to our SEC filings and earnings releases for a more detailed description of the risk factors that may affect our results.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this presentation primarily on our current expectations and projections about future events and trends that we believe may impact our business, financial condition and operating results. Please note that these forward-looking statements reflect our opinions only as of the date of this presentation and we undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements in light of new information, future events, or the occurrence of unanticipated events, except as required by law.

Market data and industry information used through this presentation are based on management's knowledge of the industry and the good faith estimates of management. We also relied upon management's review of independent industry surveys and publications and other available information prepared by a number of third-party sources. All of the market data and industry information used in this presentation involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such data, information, and estimates. Although we believe that these sources are reliable, we cannot guarantee the accuracy or completeness of this information, and we have not independently verified the information provided by these or any other third-party sources referred to in this presentation. We make no representations or warranties as to the accuracy of any such statements, data, information, or estimates. Projections, assumptions, and estimates of our and our industry's future performance are subject to a high degree of uncertainty and risk. These uncertainties and risks, as well as other factors, could cause results to differ materially from those expressed in our estimates and beliefs and in the estimates prepared by third-parties.

# A modern CPG company poised for growth

Strengthened financial foundation



Modern brand



Dynamic leadership and culture



Scalable growth



## Our story

- Founded in 2012 with the goal to create **a new personal care company with clean ingredients and sustainability at its core**
- The portfolio resonated with a new generation of families



Our story

The Honest Company is a personal care company **on a mission to challenge ingredients, ideals and industries so people can protect who they love.**



Our story

Since 2012 we have channeled this mission into action:

# We call this **The Honest Standard**



## Ingredients

Raising the bar on ingredient formulation



## Ideals

Breaking the mold on the status quo and revitalizing ideals



## Industries

Driving change that creates a ripple effect strong enough to reshape industries

# A higher standard of clean

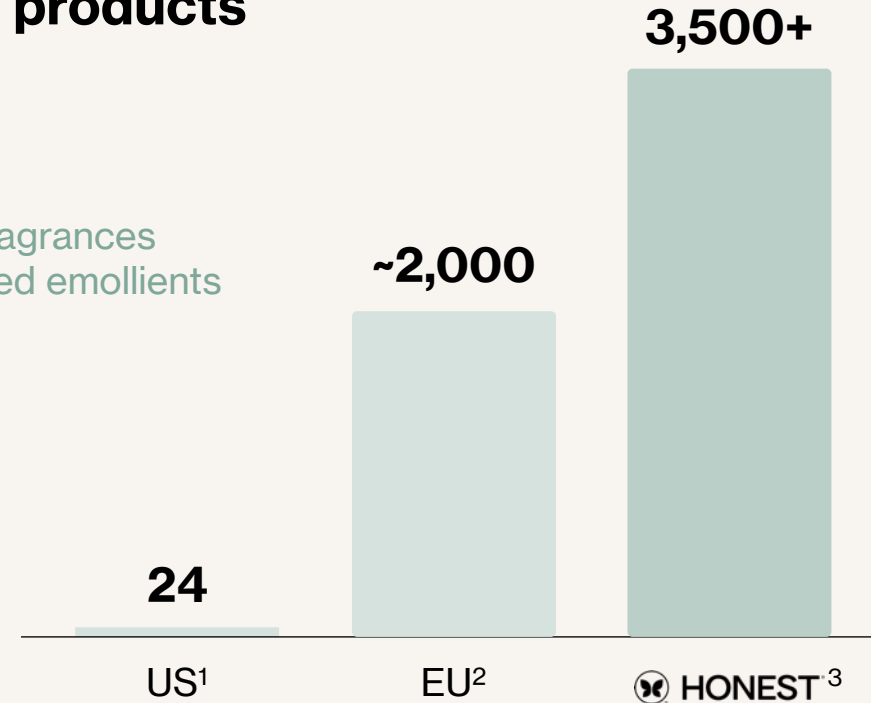
**1 Clean ingredients**  
We ban 3,500+ ingredients

**2 In-house labs**  
We use innovative, proprietary formulas

**3 Toxicologist audited**  
We conduct rigorous research and testing

## Number of ingredients not permitted in products

- No parabens
- No sulfates
- No phthalates
- No synthetic fragrances
- No petro-derived emollients
- No PEGs
- No mineral oil
- No PFAs



Our story

# One powerful brand capable of spanning aisles

## Honest is a **Branded House**

Category 1    Category 2    Category 3    Category 4



## Conventional CPG: **House of Brands**

Category 1    Category 2    Category 3    Category 4

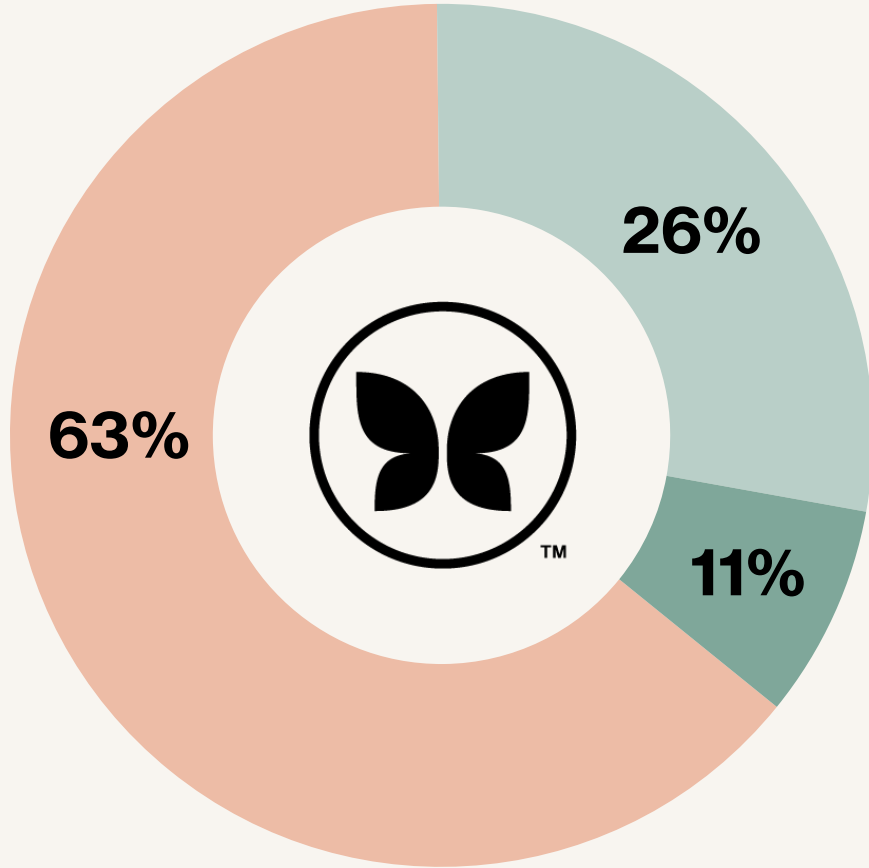




# Our portfolio

2023 Revenue (%)

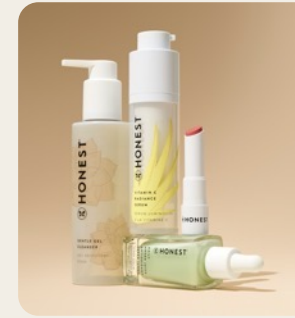
Total: \$344 M



Diapers & Wipes

Skin & Personal Care

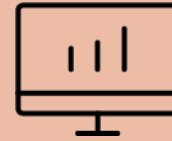
Household & Wellness



# Our portfolio

# #1

natural<sup>1</sup> brand in baby care



All product segments growing share<sup>1</sup>



Top ranked purpose-driven personal care brand<sup>2</sup>

Household penetration growing at

# 13%

## 4 Year CAGR<sup>3</sup>

Fastest growing wipes brand<sup>4</sup>



# #1

climate-pledge friendly mascara on Amazon<sup>5</sup>



Oprah's Favorite Things<sup>6</sup>:  
"Fam Jams"  
4 years in a row



# The next Honest chapter

● 2021

The Honest Company IPO

● 2023

New management team in place

● 2023–2024

Transformation Initiative is underway; bearing early fruit

● Today

Sharing our vision for continued scaling across categories and channels

# Strengthened financial foundation



# Honest is on a transformation journey

● 2023

**Transform**

● 2024

**Transform & Strengthen**

● 2025+

**Accelerate**

Brand Maximization - *leverage brand to drive growth through innovation & improved marketing*

Margin Enhancement - *expand margins through mix and cost savings activities*

Operating Discipline - *build a culture of executional excellence*

Strengthened financial foundation

# Transformation Initiative delivered stronger 2023

## Brand Maximization

**+10%**

Revenue growth via units & pricing<sup>1</sup>

**+6%**

Year end retail distribution<sup>2</sup>

## Margin Enhancement

**+600 bps**

YoY Q4 gross margin<sup>3</sup>

**+\$11M**

YoY FY Adj. EBITDA<sup>1</sup>

## Operating Discipline

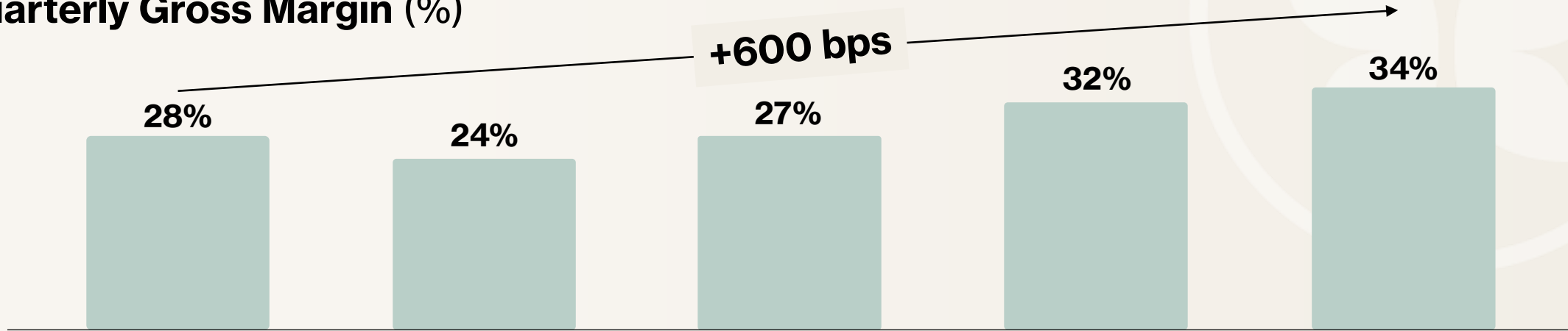
**\$42M**

Inventory reduction<sup>1</sup>

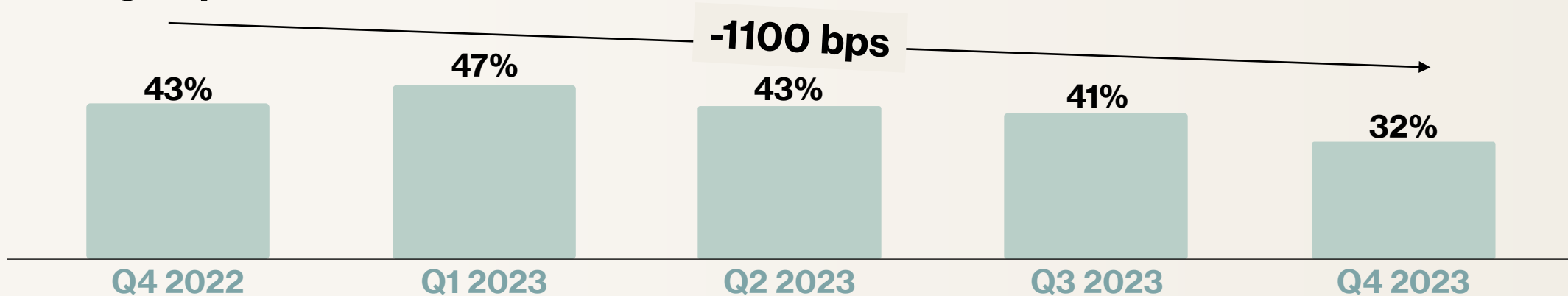
High-performing practices from leading CPG, Tech and Retail

# Gross margin & OpEx Improvement

Quarterly Gross Margin (%)



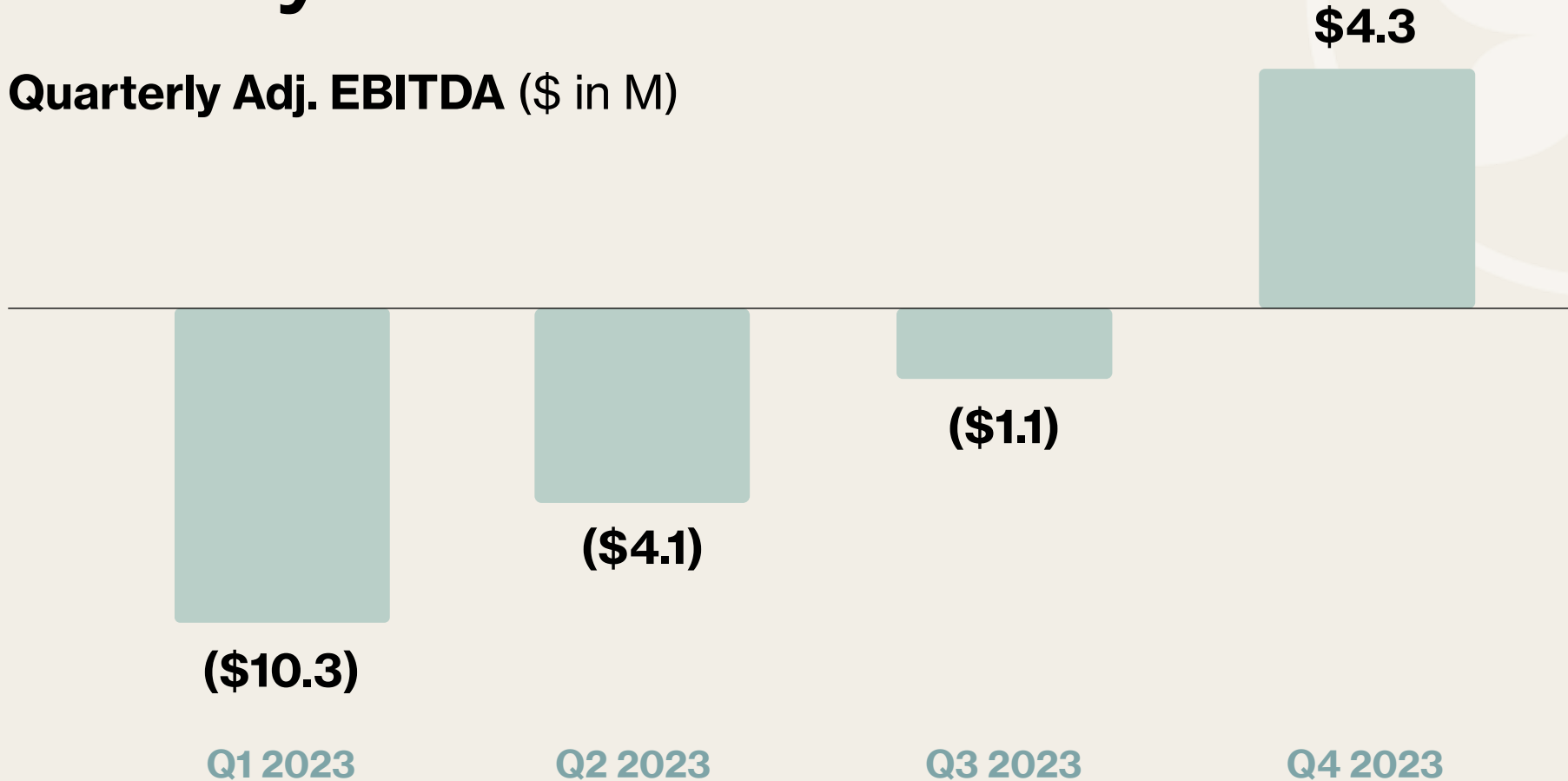
Operating Expense % of Sales (%)



Strengthened financial foundation

# Achieved Adj. EBITDA profitability

Quarterly Adj. EBITDA (\$ in M)





Strengthened financial foundation

# 2023 financial summary

	2023 Results
Revenue Growth	<b>+10%</b> vs. 2022
Gross Margin %	<b>+ 600 bps YoY</b> Q4 2023
Adj. EBITDA	<b>+\$11M</b> vs. 2022
Positive Cash Flow	<b>+\$18M</b> in 2023
Debt	<b>\$0M</b> year-end 2023

# 1H 2024 Earnings Highlights



# Q1 2024

	Q1 2024 Results
Revenue Growth	<b>+3%</b> vs. Q1 2023
Gross Margin %	<b>+1,275 bps</b> vs. Q1 2023
Adj. EBITDA	<b>+\$3M</b> vs. Q1 2023
Debt	<b>\$0M</b> as of Q1 2024

**Reaffirmed 2024 Revenue and Adjusted EBITDA Outlook**

# Q2 2024

Revenue Growth

**+10%** vs. Q2 2023

Gross Margin %

**+ 1120 bps** vs. Q2 2023

Adj. EBITDA

**+\$12M** vs. Q2 2023

**Raised FY 2024 Revenue and Adjusted EBITDA Outlook**

# 2024 and long-term outlook



# 2024 guidance

	<b>FY24 Prior Outlook</b>	<b><u>Updated</u> FY24 Current Outlook</b>
Revenue	<b>+ Low to mid-single percentage digit growth</b>	<b>+Mid to high-single digit percentage growth</b>
Adjusted EBITDA	<b>Positive Adj. EBITDA</b> (Low to mid-single digit millions)	<b>Positive Adj. EBITDA</b> (\$15 million to \$18 million range)

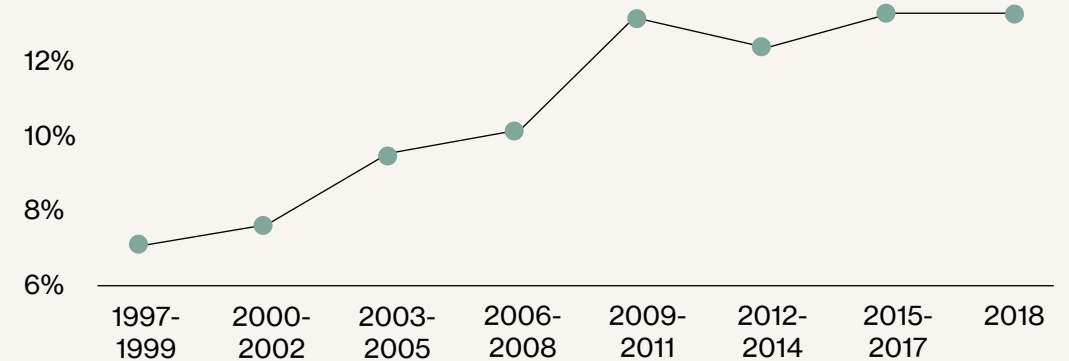
# Modern brand



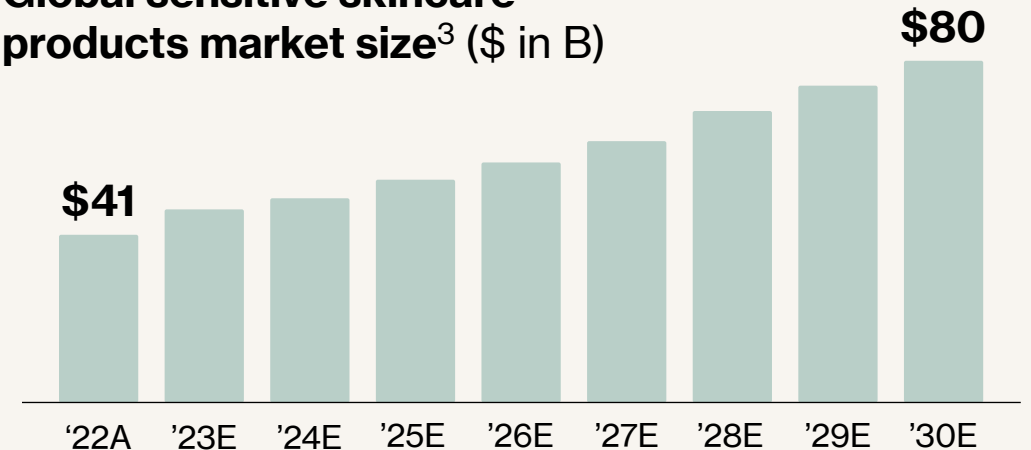
# Consumers have new needs

- Skin allergies among children have **nearly doubled** since 1997<sup>1</sup>
- **51% of consumers** research their personal care ingredients (+25% vs. 2022)<sup>2</sup>
- Market for sensitive skin products expected to **nearly double** by 2030<sup>3</sup>
- Natural Personal Care expected to **grow 3x faster** than conventional<sup>4</sup>

Children (0-17) with a skin allergy the past 12 months over 3 year period<sup>1</sup> (%)



Global sensitive skincare products market size<sup>3</sup> (\$ in B)





Modern brand

# Revolutionized baby care



Brought modern designs to diaper category



Launched organic apparel to match diapers



Created baby spa moments



Baby gifting



Online community

# Scalable growth



TM



# Distribution expansion a focal point of growth

- 1 Increasing Total Distribution Points reflects the most significant growth opportunity
- 2 Distribution remains underpenetrated relative to competition
- 3 Innovation supports our objective of increased availability



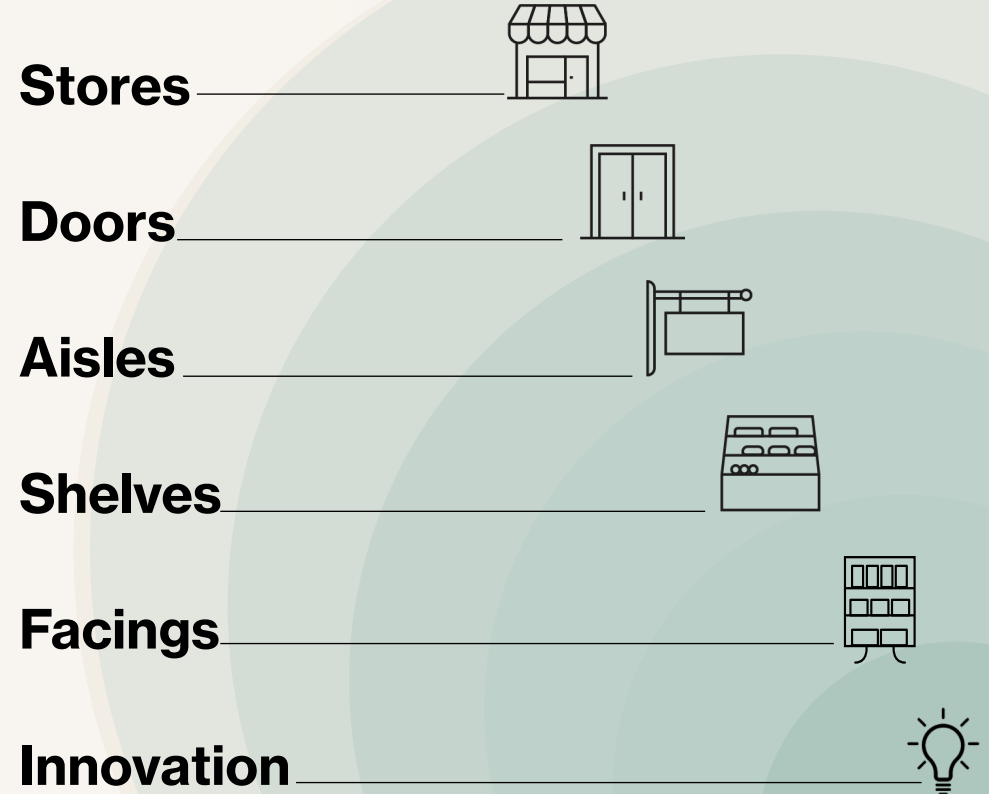
Scalable growth

# Widely available with room to grow

## Our retail partners today



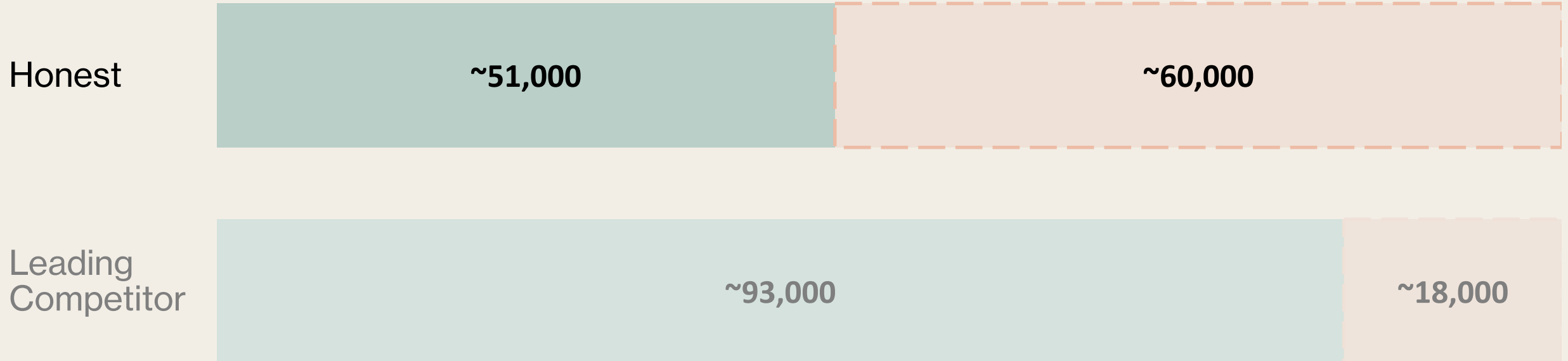
## Multiple levels of opportunity



# Large runway for growth into more doors



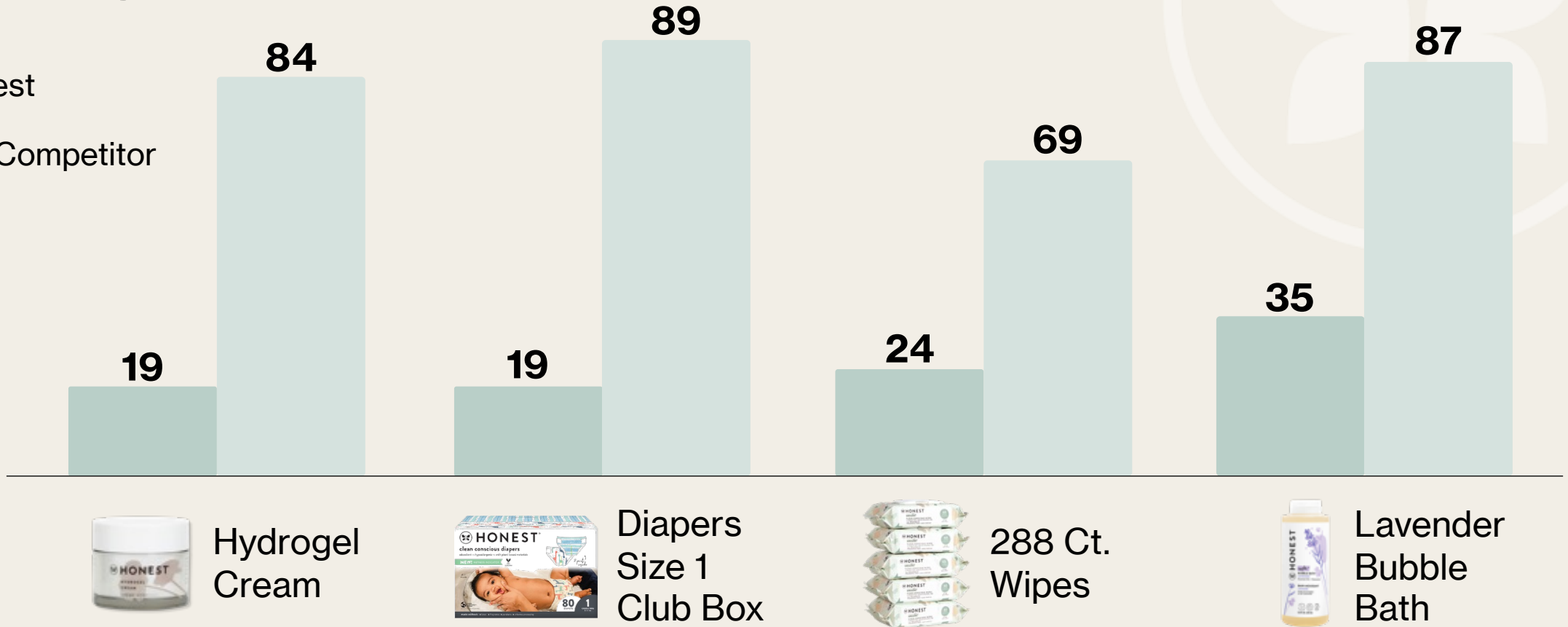
## 2023 year-end total doors selling



# Hero products under-distributed

## Max ACV % by SKU

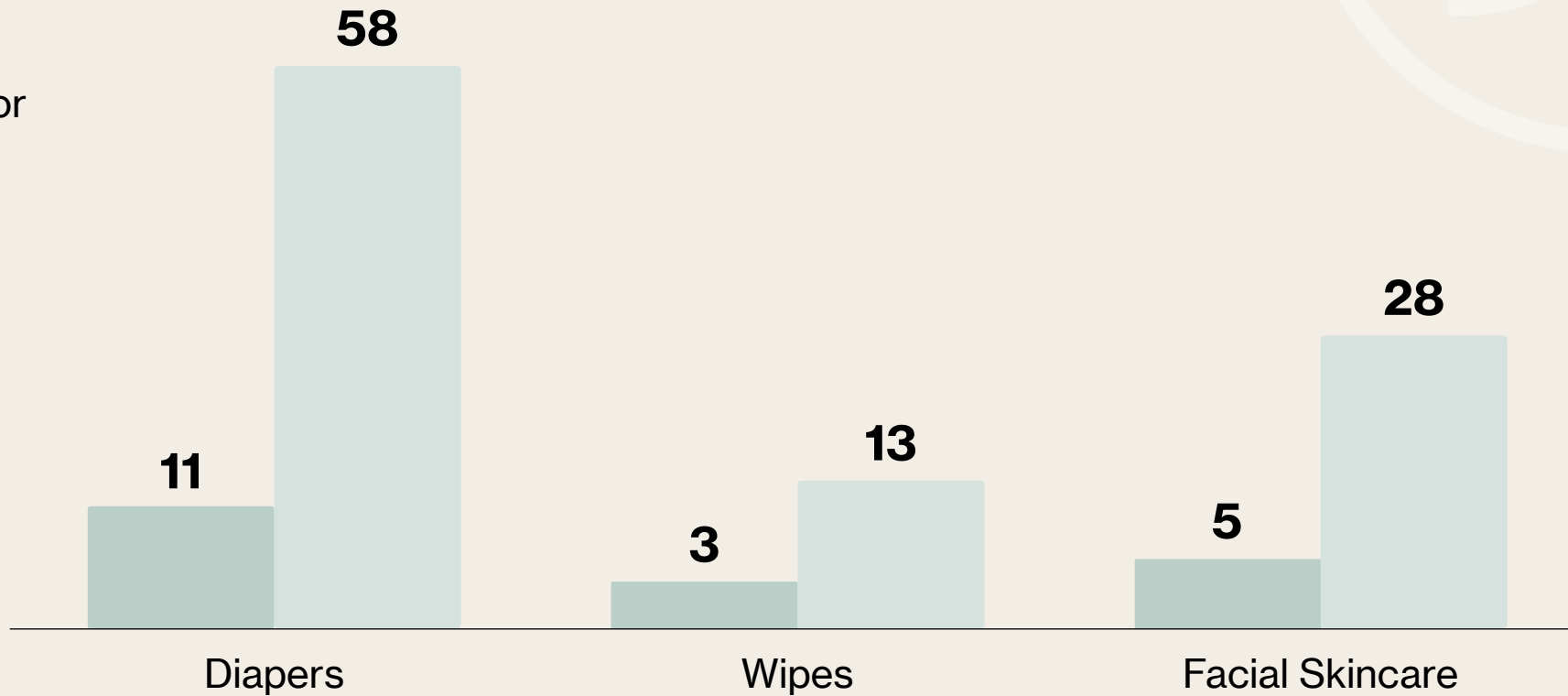
- Honest
- Key Competitor



# Opportunity for larger presence on shelf

## Average products on shelf per store selling

- Honest
- Key Competitor



Dynamic leadership & culture

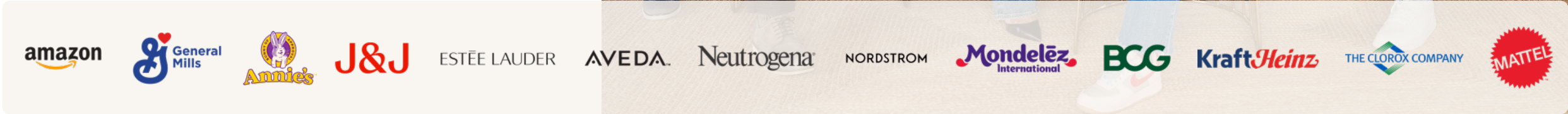
# The right leaders for the mission



**Dave Loretta**  
Chief Financial Officer

**Carla Vernón**  
Chief Executive Officer

Broadly experienced leadership team:





# Reasons to invest

- 🦋 Business model transformed for profitability
- 🦋 New leadership team
- 🦋 Strong runway for growth
- 🦋 Growing consumer need, large market potential
- 🦋 Vibrant brand built for today's family needs
- 🦋 Proven success in omnichannel



# Appendix



TM



# Reconciliation of GAAP and Non-GAAP Financial Measures

## Adjusted EBITDA (\$ millions)

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
Net income (loss)	(\$18.9)	(\$13.4)	(\$8.1)	\$1.1	(\$39.2)
Interest and other (income) expense, net	0.2	0.0	0.1	(0.0)	0.3
Income tax provision	0.0	0.0	0.0	0.0	0.1
Depreciation and amortization	0.7	0.7	0.7	0.7	2.7
Stock-based compensation	3.8	6.4	3.7	1.9	15.8
Securities Litigation expense	1.2	1.8	1.4	0.4	4.7
CEO and CFO transition expense	1.3	0.0	0.8	0.0	2.1
Restructuring costs	1.4	0.4	0.4	0.1	2.2
Payroll tax expense related to stock-based compensation	0.1	0.0	0.0	0.0	0.1
<b>Adj. EBITDA</b>	<b>(\$10.3)</b>	<b>(\$4.1)</b>	<b>(\$1.1)</b>	<b>\$4.3</b>	<b>(\$11.2)</b>