The Honest Company

Q3 2026 Earnings Prepared Remarks

November 5, 2026

Chris Mandeville, Vice President of Investor Relations

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

Before we begin, I will remind you that our remarks today include forward-looking statements, and that actual results could differ materially from those projected. Please review the risk factors described in our most recent Form 10-K and our subsequent filings with the SEC. We assume no obligation to update any forward-looking statements.

We will also discuss certain non-GAAP financial measures. Reconciliations of these measures to the most directly comparable GAAP measures are included in our earnings release and in the appendix to the presentation posted on our investor relations website.

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 September 27, 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, and hello to everyone joining us.

Three quarters into this year, Honest has done what we said we would do. We have grown the top line and expanded margins to record levels. This strength is an outcome of methodical improvements and focused execution. We believe these results are durable and enable us to continue building this generation's most iconic personal care brand. With our year-to-date performance, we are raising our full-year outlook on both the top and bottom line. As a further signal of their confidence in Honest's continued growth and financial health, The Honest Board of Directors has authorized a new $30 million share repurchase program. In a few minutes, Curtiss will share additional details about this program.

Now, let's take a closer look at our third quarter performance. Organic revenue grew by over 9%, led by wipes and personal care. Our underlying adjusted gross margin reached 49%, a new record for the company and an improvement of nearly twelve hundred basis points compared to the prior year period. Underlying adjusted EBITDA was $6.3 million dollars, resulting in an underlying EBITDA margin of 7.9%, which is an increase of 300 basis points year-over-year.

During this period of strong financial performance, our consumption growth for the quarter moderated to 1% growth over the prior year. The shift of Amazon Prime Day from Q3 last year to Q2 this year accounted for the vast majority of the change in our quarterly trend. Looking at our year-to-date, our organic revenue and consumption remain well-aligned, with organic revenue up 7% and consumption up 6%.

Additionally, our trends remain consistent from prior quarters, with significant strength in our personal care and wipes portfolios, which now make up more than 75% of our organic revenue and Q3 consumption of these categories grew by 13%.

Now, I'll share the detailed performance across our categories, beginning with wipes. Our Honest community loves our cleanly formulated and sustainably designed wipes for their excellent performance. And with wipes in categories including baby wipes, flushable wipes, hand sanitizing wipes and make-up remover wipes, we have an option for almost every room in the home or every bag that is taken on-the-go. Our total wipes portfolio grew 15%, which is over five times faster than the comparative category average. And now, turning to our three largest subcategories of wipes and their consumption strength in the quarter:

- Our Honest all-purpose baby wipes, the category's leading natural baby wipes brand, grew 4% versus a category growth of 1%. In Q1, we introduced our newest addition to this collection: the eleven hundred fifty-two count mega pack, which is the largest configuration we have ever had in our wipes portfolio. We are seeing strong performance as more households discover this offering. And the mega pack was instrumental in helping our portfolio take the number one position in total baby wipes during Amazon Prime Big Deal Days last month.

- And now, let's look at our flushable wipes. Our flushable wipes which are made with 99% water and begin to break down as fast as toilet paper does, grew nearly 170% in the quarter. And we remain the fastest growing branded player in the segment, doubling our market share year-over-year.

- And finally, Our sanitizing wipes grew 41%, which was more than two times faster than the category. This quarter, we also expanded distribution of our hand sanitizing wipes as we launched our naturally scented grapefruit variety into the drug channel with the addition of CVS.

The strong growth in consumption and market share is a sign of the trust that we have earned by holding to the Honest Standard in every product in our portfolio. It is our commitment to offering a portfolio formulated without using 3,500 ingredients of concern. This consistency makes the Honest brand an easy choice for households with sensitive skin and a high standard for clean.

In addition to the growth of our wipes portfolio, we also saw strength in our collection of personal care, where Honest consumption grew 11%. This was almost three times faster than the comparative category growth of 4%. With a collection designed to bring joy to daily routines, Honest is the number two ranked brand in total baby personal care with over 10% market share. And this year, we expanded our personal care collection into the big kid aisle with our fun collection of Pixar's Toy Story shampoo, body wash, lotion and bubble bath. In market for less than a year, it has already taken more than a 2% share of the kid personal care category and can be found in retailers including Amazon, Walmart, H-E-B and select Ahold Delhaize grocery banners. With the holidays just around the corner, our Disney offerings featuring Toy Story, Winnie the Pooh and Friends, and Mickey Mouse make the perfect seasonal gifts and stocking stuffers.

While wipes and personal care both grew well ahead of their categories, our diapers continued to be pressured. Diaper consumption declined 27% in the quarter. Our losses were not unexpected and were reflected in our plan.

We know there is an important segment of families that want a diaper thoughtfully designed to meet a high standard of sensitivity and care. And our focus is to provide the best option for these families at a price that works.

Zooming out, we provide a broad range of Honest branded offerings across the baby and toddler aisles, including diapers, baby personal care, and our licensed baby apparel products. This allows us to have a wide variety of ways to introduce young families to Honest and our high standard for clean done joyfully.

By leaning into our higher-growth, higher-margin personal care and wipes platforms, we are unlocking new scale and financial strength for Honest. For our current fiscal year, this strong performance can be seen across measures. Year-to-date, we have delivered nearly 7% organic revenue growth, an underlying adjusted gross margin of over 45%, record profit margins, and a robust $103 million in net cash. All of this gives us great confidence in our trajectory.

Yet our most promising growth opportunity lies in narrowing the gap between our current household penetration and the full opportunity of our addressable market. Since 2022, we have welcomed nearly three million new households to Honest. And in Q3, our household penetration of nearly 8% continued a multi-year trend of household growth.

The opportunity is clear when we look across our categories and see that our leading competitors have anywhere from 7 to 12 times more household penetration than Honest. In flushable wipes, our fastest-growing collection, household penetration is still under 1%. Each

point of penetration contributes meaningfully to our scale. For example, whether looking at baby personal care or flushable wipes, each additional point of penetration is estimated to be worth as much as $25 to $30 million dollars in annualized retail sales.

With one brand that brings a trusted and consistent meaning across all of our categories, Honest has a unique ability to be well accepted in every household demographic. Our initial strategy began with making products that earned the trust of the 11% of US households with babies. With nearly half of all parents expressing concern that their children have sensitive skin, Honest fits right in.

But, we also know that according to the National Institutes of Health and industry research, sensitive skin affects over 70% of adults. With this inspiration, we expanded our mission to include the remaining 89% of households with big kids or no kids at all. And in the third quarter, our growth in household penetration was a result of our successfully reaching these older households. Today, households without children make up more than half of all Honest households.

The broad trust of the Honest brand across households is one of our advantages. We also benefit from the variety of categories we serve. Across our categories, we see that one Honest product can serve as the introduction to an Honest product in another category. Households that arrive through wipes find their way to personal care and vice versa. And as we continue to grow and build trust with these households, we are turning everyday routines into repeat purchases, and repeat purchases turn into lasting subscriptions.

Our progress in securing new households is grounded in our strategic pillar of Brand Maximization. This is the pillar that guides our efforts to scale the Honest brand in availability,

revenue, awareness, and trial. We drive these gains through two key Brand Maximization levers: physical and mental availability.

Let me begin with physical availability, which is our focus in expanding our core items and innovations across more aisles, sets, and digital platforms. The physical availability of our wipes and personal care are a great example with distribution up nearly 20% year-to-date.

As we continue to scale the Honest brand, we are investing in consumer messaging to drive long-term growth. Whether our community shops online or in store, we want Honest to be the brand that they think of first and add to their shopping list by name. This is precisely the goal of the lever we call mental availability. This year, we are expanding our marketing efforts to build awareness, encourage trial, and deepen brand affinity across a broader range of households.

In the third quarter, this included the launch of “The Mother of All Standards”, a full-funnel campaign that highlights what differentiates Honest: our high standards for clean ingredients, effective performance and joyful design. The “Mother of All Standards” campaign debuted in July, with national and streaming TV advertising.

The strength of this campaign message is its ability to connect our products across categories and bring the Honest brand to life in new ways. In September, we expanded the campaign with a major activation around the US Open Tennis Championships. This was an opportunity to bring Honest into a moment of cultural significance through an authentic connection: the high standards that shape the lives of extraordinary athletes. Our out-of-home advertising appeared across New York City on buses, in subway stations, on billboards and in prominent locations around the tournament.

At the center of the experience was a conversation hosted by Honest between Maria Sharapova, a five-time Grand Slam champion and former world number one tennis player, and Allyson Felix, the most decorated woman in Olympics track and field history. With more than 50 lifestyle content creators in attendance, these two remarkable champions had a deeply personal conversation that volleyed back and forth about the standards that have shaped their lives as athletes, women and moms.

In addition to strong social media impressions generated by our creator community, the event marked one of the few times Maria Sharapova has stepped on a public court since her retirement. We are honored that she shared that Honest-branded moment with her 4.8 million followers in a video that generated almost 19 million views, becoming one of the highest performing posts of her career. By any measure, a very good return. Along with a great boost in brand awareness from the campaign, we also saw Q3 search interest in Honest rise roughly 40% over the prior quarter. With our “The Mother of All Standards” marketing campaign, we are making the investments necessary to expand our reach and earn our place in new households. Powerful brand-building investments like these drive our business forward.

Additionally, our strategic pillar of Operating Discipline is what lets the business turn that investment into an increasingly sound and effective business structure. We are putting that same rigor into the systems and capabilities of the enterprise. This quarter, we added some core technology and information management systems that support data-driven decisions and greater financial efficiency.

Today, we are a more growth-driven and structurally profitable enterprise. More people are choosing Honest, and it is undeniable that the brand has graduated from early stage to center

court. With a clear balance of investments and executional discipline, we will continue to execute on our three strategic pillars of Brand Maximization, Margin Enhancement, and Operating Discipline. With this progress in hand, we believe Honest is well positioned to be the most iconic personal care brand of this generation.

And now, I will turn the call over to Curtiss to provide more detail on our third quarter financial performance and our raised outlook.

Curtiss Bruce, Chief Financial & Operating Officer

Thank you, Carla, and good afternoon, everyone.

The third quarter is our strategy showing up in the numbers. We delivered record margin, growth concentrated in the platforms we chose, and cash generated without leverage. That is the earnings power of the Honest model we have built to last. Let me take you through the quarter, and then our updated outlook.

Starting with the top line, third quarter reported revenue was $84.6 million dollars, a decrease of 8.6% compared to the prior year period. This decline reflects the strategic exits under Powering Honest Growth and lower diaper revenue.

On an organic basis, revenue increased 9.2% to $79.3 million dollars, driven by wipes and personal care.

Turning to gross margin, our Q3 reported gross margin came in at 45%. On an adjusted basis, gross margin was 45.8%, an improvement of 850 basis points. Excluding the dilution from our apparel inventory liquidation, our underlying adjusted gross margin was 48.9%. That is a

record for the company and an improvement of eleven hundred and sixty basis points. This expansion was driven by supply chain efficiencies, lower fulfillment costs, and favorable mix.

Adjusted operating expenses increased $2.3 million to $36.5 million dollars. This increase was driven entirely by a $2.9 million dollar or 20% increase in marketing to support our higher-growth, higher-margin wipes and personal care platforms. This was partially offset by lower selling, general & administrative costs.

Net income for the quarter was $91.3 million dollars, compared to $0.8 million dollars in the prior year period. Results include an $89.4 million dollar income tax benefit related to the release of substantially all of our valuation allowance against deferred tax assets previously carried on our books. This outcome is a testament to the hard work across our entire organization to execute on our strategy. It reflects the objective strength of our current financial model and management's clear expectation for sustained, positive earnings in the years ahead. Adjusted and underlying adjusted net income were both $3.1 million dollars, compared to $0.8 million dollars in the prior year period.

Adjusted EBITDA was $6.3 million dollars or 7.4% as a percentage of sales and 360 basis points above the prior year. On an underlying basis, which removes apparel liquidation revenue, our EBITDA margin was 7.9%, 300 basis points above the prior year.

Our asset-light operating model continues to provide financial flexibility. We ended the quarter with $103 million dollars in cash and cash equivalents and zero debt. Year-to-date, free cash flow was $30.5 million dollars.

Turning to capital allocation, this quarter we completed our inaugural $25 million dollar share repurchase program, which was authorized this past February. With that execution behind us,

and with the balance sheet strength I just described, our Board of Directors has authorized a new share repurchase program of up to $30 million dollars, effective immediately. This decision is a direct reflection of our confidence in the structural improvements we have made to our operating model and in the cash this business now generates. We believe our current valuation does not fully reflect those improvements. The program underscores our commitment to a disciplined capital allocation strategy, one that balances reinvestment in our growth initiatives with a clear focus on returning value to our shareholders.

Given our year-to-date execution, we are raising our full-year guidance. Our updated full-year 2026 outlook is as follows:

- Reported revenue in the range of $322 to $325 million dollars, up from $319 to $325 million dollars.
- Organic revenue growth of 6 to 7%, up from 5 to 7%.
- Adjusted gross margin of 45.5 to 46.5%, up from the mid-40s.
- And adjusted EBITDA of $25 to $26 million dollars, up from $23 to $25 million dollars.

Let me provide some additional color on Q4. As part of our ongoing strategy, we are stepping up our investments in SG&A and marketing. This is deliberate as it funds the capabilities that let us scale efficiently and the brand work that drives household penetration, which is the measure that compounds for our business over time. At the same time, the structural margin improvement we have delivered so far this year remains intact.

Taken together, the third quarter is a continuation of what we have delivered all year: growth concentrated in our priority platforms, a business structurally more profitable than a year ago, and cash generated without leverage. Ultimately, this consistency powerfully validates our

strategy. It gives us the confidence to raise our outlook today, and the conviction that we will continue executing at a high level moving forward.

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. These results are a demonstration of what a modern personal care company can deliver when the brand, the portfolio, and the P&L are pointed in the same direction and operated with excellence. Taken together, our performance to date and the strength of this team gives us the confidence to deliver the raised outlook we shared today.

Anchored by the Honest Standard, we are on course to be this generation's most iconic personal care brand.

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