

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 31, 2025

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from to

Commission File Number: 001-40378



**The Honest Company, Inc.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)  
**12130 Millennium Drive, #500**  
**Los Angeles, CA**  
(Address of Principal Executive Offices)

**90-0750205**  
(I.R.S. Employer  
Identification No.)

**90094**  
(Zip Code)

**(888) 862-8818**  
(Registrant's Telephone Number, Including Area Code)

N/A  
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)  
Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value per share	HNST	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 2, 2025, the registrant had 110,237,061 shares of common stock, \$0.0001 par value per share outstanding.

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**The Honest Company, Inc.**

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” (within the meaning of Section 27A of the Securities Act of 1933, as amended (“Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”)) about us and our industry that involve substantial risks and uncertainties. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will” or “would” or the negative of these words or other similar terms or expressions. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements that we make. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements, including, without limitation, those set forth in Part II, Item 1A, “Risk Factors,” and other factors set forth in other parts of this Quarterly Report on Form 10-Q as well as in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (the “Annual Report”), filed with the Securities and Exchange Commission (“SEC”) on February 26, 2025. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. These forward-looking statements include, but are not limited to, statements concerning our expectations regarding our future results of operations and financial condition, including our ability to achieve or maintain profitability; our ability to continue to launch new products; our ability to attract and retain customers; our ability to execute on and to continue driving benefit from our Transformation Pillars of Brand Maximization, Margin Enhancement, and Operating Discipline; our marketing strategies; our continued focus on research, development and innovation; our expectations regarding consumer demand and the timing and amount of orders from our largest retail customers; the effect of macroeconomic factors, including supply chain disruptions, tariffs, and inflationary pressures; anticipated trends, growth rates, and challenges in our business and in the markets in which we operate; and our ability to execute on other business strategies, including strategic shift away from lower margin channels, plans and objectives of management for future operations.

**PART I—FINANCIAL INFORMATION**

**Item 1. Condensed Consolidated Financial Statements.**

**The Honest Company, Inc.**  
**Condensed Consolidated Balance Sheets**  
*(Unaudited)*  
*(in thousands, except share and per share amounts)*

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 72,818	\$ 75,435
Accounts receivable, net	42,759	43,476
Inventories	90,262	85,266
Prepaid expenses and other current assets	28,782	9,741
Total current assets	234,621	213,918
Operating lease right-of-use asset	15,599	17,239
Property and equipment, net	10,558	11,394
Goodwill	2,230	2,230
Intangible assets, net	216	235
Other assets	2,080	2,377
Total assets	\$ 265,304	\$ 247,393
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 22,782	\$ 22,807
Accrued expenses	50,065	35,869
Deferred revenue	1,110	1,213
Total current liabilities	73,957	59,889
Long term liabilities		
Operating lease liabilities, net of current portion	10,990	13,197
Total liabilities	84,947	73,086
Commitments and contingencies (Note 7)		
Stockholders' equity		
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized at March 31, 2025 and December 31, 2024, none issued or outstanding as of March 31, 2025 and December 31, 2024	—	—
Common stock, \$0.0001 par value, 1,000,000,000 shares authorized at March 31, 2025 and December 31, 2024; 110,488,696 and 109,159,697 shares issued and outstanding as of March 31, 2025 and December 31, 2024, respectively	11	11
Additional paid-in capital	662,284	659,488
Accumulated deficit	(481,938)	(485,192)
Total stockholders' equity	180,357	174,307
Total liabilities and stockholders' equity	\$ 265,304	\$ 247,393

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

**The Honest Company, Inc.**  
**Condensed Consolidated Statements of Comprehensive Income (Loss)**  
*(Unaudited)*  
*(in thousands, except share and per share amounts)*

	<b>For the three months ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
Revenue	\$ 97,250	\$ 86,217
Cost of revenue	59,580	54,335
Gross profit	37,670	31,882
Operating expenses		
Selling, general and administrative	21,041	22,420
Marketing	12,270	9,096
Research and development	1,852	1,681
Total operating expenses	35,163	33,197
Operating income (loss)	2,507	(1,315)
Interest and other income (expense), net	787	(63)
Income (loss) before provision for income taxes	3,294	(1,378)
Income tax provision	40	25
Net income (loss)	\$ 3,254	\$ (1,403)
Net income (loss) per share attributable to common stockholders:		
Basic	\$ 0.03	\$ (0.01)
Diluted	\$ 0.03	\$ (0.01)
Weighted-average shares used in computing net income (loss) per share attributable to common stockholders:		
Basic	109,552,550	96,273,168
Diluted	114,571,119	96,273,168
Comprehensive income (loss)	\$ 3,254	\$ (1,403)

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

**The Honest Company, Inc.**  
**Condensed Consolidated Statements of Stockholders' Equity (Deficit)**  
*(Unaudited)*  
*(in thousands, except share amounts)*

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
	Shares	Amount				
<b>Balances at December 31, 2023</b>	95,868,421	\$ 9	\$ 602,198	\$ (479,068)	\$ —	\$ 123,139
Net loss	—	—	—	(1,403)	—	(1,403)
Stock options exercised	126,000	—	508	—	—	508
Stock-based compensation	—	—	2,523	—	—	2,523
Vested restricted stock units	1,174,282	—	—	—	—	—
<b>Balances at March 31, 2024</b>	<u>97,168,703</u>	<u>\$ 9</u>	<u>\$ 605,229</u>	<u>\$ (480,471)</u>	<u>\$ —</u>	<u>\$ 124,767</u>

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
	Shares	Amount				
<b>Balances at December 31, 2024</b>	109,159,697	\$ 11	\$ 659,488	\$ (485,192)	\$ —	\$ 174,307
Net income	—	—	—	3,254	—	3,254
Stock options exercised	75,000	—	384	—	—	384
Stock-based compensation	—	—	2,412	—	—	2,412
Vested restricted stock units	1,253,999	—	—	—	—	—
<b>Balances at March 31, 2025</b>	<u>110,488,696</u>	<u>\$ 11</u>	<u>\$ 662,284</u>	<u>\$ (481,938)</u>	<u>\$ —</u>	<u>\$ 180,357</u>

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

**The Honest Company, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
*(Unaudited)*  
*(in thousands)*

	<b>For the three months ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ 3,254	\$ (1,403)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	717	717
Stock-based compensation	2,412	2,523
Amortization of operating ROU assets	1,640	1,593
Other	1,122	(2,111)
Changes in assets and liabilities:		
Accounts receivable, net	738	2,559
Inventories	(5,768)	1,117
Prepaid expenses and other assets	902	471
Accounts payable, accrued expenses and other long-term liabilities	(5,757)	(2,873)
Deferred revenue	(103)	(269)
Operating lease liabilities	(2,095)	(1,988)
Net cash (used in) provided by operating activities	(2,938)	336
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(62)	(76)
Net cash used in investing activities	(62)	(76)
<b>Cash flows from financing activities</b>		
Proceeds from exercise of stock options	384	508
Payments on finance lease liabilities	(1)	(10)
Net cash provided by financing activities	383	498
Net (decrease) increase in cash and cash equivalents	(2,617)	758
<b>Cash and cash equivalents</b>		
Beginning of the period	75,435	32,827
End of the period	\$ 72,818	\$ 33,585
<b>Supplemental disclosures of noncash activities</b>		
Capital expenditures included in accounts payable and accrued expenses	\$ —	\$ 1

*The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.*

**The Honest Company, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
*(in thousands, except share and per share amounts, percentages and as otherwise indicated)*  
*(Unaudited)*

**1. Nature of Business**

The Honest Company, Inc. (the "Company") was incorporated in the State of California on July 19, 2011 and on May 23, 2012 was re-incorporated in the State of Delaware under the same name. The Company is a personal care company dedicated to creating cleanly-formulated and sustainably-designed products.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial information. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2024. The condensed consolidated financial statements are unaudited. The unaudited interim condensed consolidated financial statements have been prepared on a basis consistent with that used to prepare the audited annual consolidated financial statements and include, in the opinion of management, all adjustments, consisting of normal recurring items, necessary for the fair statement of the condensed consolidated financial statements. The consolidated balance sheet as of December 31, 2024 has been derived from the audited financial statements at that date but does not include all of the disclosures required by GAAP. The condensed consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries after elimination of intercompany transactions and balances.

Certain reclassifications to the Company's previously reported financial information have been made to conform to the current period presentation. The Company made reclassifications to the condensed consolidated statement of cash flows, including a reclassification of \$1.6 million was made from "Other" to "Amortization of operating right-of-use ("ROU") assets" in the "adjustments to reconcile net loss to net cash provided by (used in) operating activities" section of the consolidated statements of cash flow for the three months ended March 31, 2024 to conform to the current year presentation, among other immaterial reclassifications.

**Segment Reporting and Geographic Information**

The Company's principal business primarily focuses on creating cleanly-formulated and sustainably-designed products. The Company's Chief Executive Officer ("CEO"), as the chief operating decision maker ("CODM"), organizes the Company, manages resource allocations, and measures performance on the basis of one operating segment. All of the Company's long-lived assets are located in the United States and substantially all of the Company's revenue is from customers located in the United States.

The Company evaluates performance based on consolidated net income (loss). The CODM additionally considers forecasted information on a quarterly basis for net income (loss) when making decisions regarding capital and personnel needs. The CODM reviews information at the consolidated entity level, and does not distinguish the principal business, or group the operations, by geographic locations or industry types for purposes of measuring performance or allocating resources. While the Company creates products that are sold across retail channels and direct-to-consumer ("DTC"), all products are managed as one brand of products under one operating and reportable segment. Furthermore, the Company notes that monitoring financial results as one reportable segment helps the CODM manage expenses on a consolidated basis, consistent with the Company's operations.

The Company does not regularly provide the CODM with more detailed segment expense information beyond what is included in the condensed consolidated statements of comprehensive income (loss). The significant expense categories which are used to manage operations are those reflected in the Company's condensed consolidated statements of comprehensive income (loss). Refer to the condensed consolidated statements of comprehensive income (loss) included in the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for more information.

**Use of Estimates**

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and contingent liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates. The Company's estimates, which are subject to varying degrees of judgment, include the valuation of inventories, sales returns and allowances, allowances for credit losses, valuation of short-term investments, capitalized software, useful lives associated with long-lived assets, goodwill

impairment, incremental borrowing rates associated with leases, valuation allowances with respect to deferred tax assets, accruals and contingencies, recoverability of non-cash marketing credits, and the valuation and assumptions underlying stock-based compensation. On an ongoing basis, the Company evaluates its estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities.

The Company assessed certain accounting matters and estimates that generally require consideration of forecasted information in context with the information reasonably available to the Company as of March 31, 2025 and through the date these condensed consolidated financial statements were issued. Management is not aware of any specific event or circumstance that would require an update to estimates or judgments or a revision to the carrying value of assets or liabilities. However, these estimates and judgments may change as new events occur and additional information is obtained, which may result in changes being recognized in the Company's consolidated financial statements in future periods.

### **Cash and Cash Equivalents**

Cash equivalents consist of short-term, highly liquid investments with stated maturities of three months or less from the date of purchase. Cash equivalents comprise amounts invested in money market funds.

### **Accounts Receivable**

Accounts receivable are presented as net of allowance for credit losses. The Company does not accrue interest on its trade receivables. The Company evaluates accounts receivable estimated to be uncollectible by considering the lifetime expected credit losses of the Company's accounts receivable at time of inception, and records an allowance for credit losses, as necessary, with the balance of the Company's accounts receivable presented at the amortized cost. The Company considers factors in its allowance for credit losses such as historical analysis, credit quality of customers, the age of the accounts receivable balances and macroeconomic conditions that may have an impact on the Company's customers' ability to pay. The allowance for credit losses was \$0.4 million and \$0.4 million as of March 31, 2025 and December 31, 2024, respectively.

### **Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses the following hierarchy in measuring the fair value of the Company's assets and liabilities, focusing on the most observable inputs when available:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active for identical or similar assets and liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement of the assets or liabilities. Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Fair value is based on quoted market prices, if available. If listed prices or quotes are not available, fair value is based on internally developed models that primarily use market-based or independently sourced market parameters as inputs. Cash equivalents, consisting primarily of money market funds, represent highly liquid investments with maturities of three months or less at purchase. Market prices, which are Level 1 in the fair value hierarchy, are used to determine the fair value of the money market funds. Investments in debt securities are measured using broker provided indicative prices developed using observable market data, which are considered Level 2 in the fair value hierarchy. Certain assets, including long-lived assets, goodwill and intangible assets are also subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired as a result of an impairment review. The fair value of such assets is measured using Level 3 inputs in the fair value hierarchy.

### **Recent Accounting Pronouncements**

As an "emerging growth company," the Jumpstart Our Business Startups Act allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use the adoption dates applicable to private companies. As a result, the Company's financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective date for new or revised accounting standards that are applicable to public companies.

#### *Recently Issued Accounting Pronouncements*

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes: Improvements to Income Tax Disclosures*. This guidance requires consistent categories and greater disaggregation of information in the rate reconciliation and disclosures of income taxes paid by jurisdiction. For public business entities, the amendments in this update are effective for annual periods

beginning after December 15, 2024. The adoption of ASU No. 2023-09 is not expected to have a material impact on the Company's consolidated financial statements or disclosures.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. This update is to improve the disclosures of components of certain income statement expense items. For public business entities, the amendments in this update are effective for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact that ASU No. 2024-03 will have on its consolidated financial statements or related disclosures.

### 3. Revenue

#### Retail and Third-Party Ecommerce

For retail and third-party ecommerce sales, the Company's performance obligation consists of the sale of finished goods to retailers and third-party ecommerce customers. Revenue is recognized when control of the promised goods is transferred to those customers at time of shipment or delivery, depending on the contract terms. After the completion of the performance obligation, the Company has the right to consideration as outlined in the contract. Payment terms vary among the retail and third-party ecommerce customers although terms generally include a requirement of payment within 30 to 45 days of product shipment.

#### Direct-to-Consumer

For direct sales to the consumer through the Company's website, Honest.com, the Company's performance obligation consists of the sale of finished goods to the consumer. Consumers may purchase products at any time or enter into subscription arrangements. Consumers place orders online in accordance with the Company's standard terms and conditions and authorize payment when the order is placed. Credit cards are charged at the time of shipment and payments are typically processed within two to three business days. For subscription arrangements, consumers sign up to receive products on a periodic basis. Subscriptions are cancellable at any time without penalty, and no amounts are collected from the consumer until products are shipped. Revenue is recognized when transfer of control to the consumer takes place, which is when the product is delivered to the carrier. Sales taxes collected from consumers are accounted for on a net basis and are excluded from revenue. Revenue generated from Honest.com was 11% and 15%, respectively, of the Company's total revenue during the three months ended March 31, 2025 and 2024.

#### Non-Monetary Transactions

The Company has in the past and may in the future enter into trade agreements with a vendor to exchange excess inventory for future marketing and transportation credits. The Company recognizes revenue reflecting the fair value of the marketing and transportation credits upon delivery of goods, with the corresponding short and long-term asset included in prepaid expenses and other current assets, and other assets in the accompanying condensed consolidated balance sheets. The Company may use the marketing and transportation credits over four years from the date of the respective agreement, with an option to extend for another two years if agreed upon by both parties. For the three months ended March 31, 2025, the Company did not enter into any new trade agreements.

For the three months ended March 31, 2025 and 2024, the Company did not recognize any revenue or associated cost of revenue related to these marketing and transportation credits. The Company assesses the recoverability of the marketing and transportation credits periodically. Factors considered in evaluating the recoverability include management's history of credit usage and future plans with respect to advertising, freight and other services for which these credits can be used. Any impairment losses are charged to marketing expense in the condensed consolidated statements of comprehensive income (loss) as they become determinable. For the three months ended March 31, 2025 and 2024, the Company recorded no impairment losses related to these credits and used an aggregate of \$0.4 million and \$19 thousand of credits, respectively.

### 4. Fair Value Measurements

Financial assets measured and recorded at fair value on a recurring basis consist of the following as of:

	March 31, 2025			
	Level 1	Level 2	Level 3	Total
<i>(In thousands)</i>				
<b>Cash equivalents</b>				
Money market funds	\$ 55,865	\$ —	\$ —	\$ 55,865
Total cash equivalents	\$ 55,865	\$ —	\$ —	\$ 55,865

**December 31, 2024**

<i>(In thousands)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Cash equivalents</b>				
Money market funds	\$ 55,280	\$ —	\$ —	\$ 55,280
Total cash equivalents	<u>\$ 55,280</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 55,280</u>

The carrying amounts for the Company's cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value due to their short maturities.

## 5. Credit Facilities

In January 2023, the Company entered into a first lien credit agreement (the "2023 Credit Facility"), with JPMorgan Chase Bank, N.A., as administrative agent and lender, and the other lenders party thereto, which provides for a \$35.0 million revolving credit facility that matures on April 30, 2026. The 2023 Credit Facility includes a sub-facility that provides for the issuance of letters of credit in an amount of up to \$15.0 million at any time outstanding. Availability of the 2023 Credit Facility is based upon a borrowing base formula and periodic borrowing base certifications valuing certain of the Company's accounts receivable and inventory as reduced by certain reserves. The 2023 Credit Facility includes an uncommitted accordion feature that allows for increases in the revolving commitment to as much as an additional \$35.0 million, for up to \$70.0 million in potential revolving commitment. The 2023 Credit Facility is subject to customary fees for loan facilities of this type, including a commitment fee based on the average daily undrawn portion of the 2023 Credit Facility. The Company recognizes the commitment fee as incurred in interest and other income (expense), net in the condensed consolidated statements of comprehensive income (loss). For the three months ended March 31, 2025 and 2024, the commitment fee incurred was immaterial. As of March 31, 2025, there were \$2.5 million of outstanding letters of credit and \$30.3 million available to be drawn upon. As of March 31, 2025, there was no outstanding balance under the 2023 Credit Facility.

The interest rate applicable to the 2023 Credit Facility is, at the Company's option, either (a) the Adjusted Term SOFR rate (subject to a 0.00% floor), plus a margin ranging from 1.50% to 2.25% or (b) the CB floating rate, (i) plus a margin of 0.25% or (ii) minus a margin ranging from 0.25% to 0.50%. The margin is based upon the Company's fixed charge coverage ratio. The CB floating rate is the higher of (a) the Wall Street Journal prime rate and (b) 2.50%.

The 2023 Credit Facility will terminate and borrowings thereunder, if any, would be due in full on April 30, 2026. Debt under the 2023 Credit Facility is guaranteed by substantially all of the Company's material domestic subsidiaries and is secured by substantially all of the Company's and such subsidiaries' assets.

The 2023 Credit Facility contains covenants that restrict, among other things, the Company's ability to sell assets, make investments and acquisitions, grant liens, change the Company's lines of business, pay dividends and make certain other restricted payments. The Company is subject to certain affirmative and negative covenants including the requirement that it maintains a minimum total fixed charge coverage ratio during the periods set forth in the 2023 Credit Facility. Failure to do so, unless waived by the lenders under the 2023 Credit Facility pursuant to its terms, as amended, would result in an event of default under the 2023 Credit Facility. As of March 31, 2025, the Company is in compliance with all covenants under the 2023 Credit Facility.

## 6. Accrued Expenses

Accrued expenses consisted of the following:

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
<i>(In thousands)</i>		
Payroll and payroll related expenses <sup>(1)</sup>	\$ 2,731	\$ 8,410
Accrued inventory purchases	13,168	13,095
Accrued returns	48	102
Accrued rent <sup>(2)</sup>	8,652	8,541
Accrued securities litigation settlement <sup>(3)</sup>	20,000	—
Other accrued expenses	5,466	5,721
Total accrued expenses	<u>\$ 50,065</u>	<u>\$ 35,869</u>

(1) Includes \$27 thousand and \$0.3 million of executive transition related expenses as of March 31, 2025 and December 31, 2024, respectively.

(2) Represents short-term operating lease liabilities. Refer to Note 11, "Leases" included in these consolidated financial statements for more information on leases.

(3) The accrued securities litigation settlement will be fully funded by the Company's insurance carriers. Refer to Note 7, "Commitments and Contingencies" included in these consolidated financial statements for more information regarding the securities litigation settlement.

## 7. Commitments and Contingencies

### Litigation

From time to time, the Company is subject to various claims and contingencies which are in the scope of ordinary and routine litigation incidental to its business, including those related to regulation, business transactions, employee-related matters and taxes, among others. When the Company becomes aware of a claim or potential claim, the likelihood of any loss or exposure is assessed. If it is probable that a loss will result and the amount or range of the loss can be reasonably estimated, the Company records a liability for the loss and discloses the possible loss in the consolidated financial statements.

On September 23, 2020, the Center for Advanced Public Awareness ("CAPA") served a 60-Day Notice of Violation on the Company, alleging that the Company violated California's Health and Safety Code ("Prop 65") because of the amount of lead in the Company's Diaper Rash Cream and seeking statutory penalties and product warnings available under Prop 65. On October 22, 2021, CAPA filed a complaint in California Superior Court in the County of San Francisco (the "Court") for the alleged Prop 65 violations contained in its 60-Day Notice of Violation. The Company filed its answer and notice of related cases against Prestige Consumer Healthcare, Inc., Burt's Bees, Inc., and Hain Celestial Group, Inc. on January 7, 2022 and has stipulated to relate these cases and transfer them to the Court's Complex Division. On April 30, 2024, the Company filed its motion for summary judgment. On January 23, 2025, the Court granted the Company's motion for summary judgment. On April 8, 2025, CAPA served its Notice of Appeal in the matter. The Company intends to vigorously defend itself in this matter. The matter's outcome and materiality are uncertain at this time. Therefore, the Company cannot estimate the probability of loss or make an estimate of the loss or range of loss in this matter.

On September 15, 2021, Cody Dixon filed a putative class action complaint in the U.S. District Court for the Central District of California alleging federal securities law violations by the Company, certain current officers and directors, and certain underwriters in connection with the Company's initial public offering ("IPO") ("Securities Litigation Case"). A second putative class action complaint containing similar allegations against the Company and certain current officers and directors was filed by Stephen Gambino on October 8, 2021 in the U.S. District Court for the Central District of California. These related complaints have been transferred to the same court and a Lead Plaintiff has been appointed in the matter, and a putative consolidated class action complaint was filed by the Lead Plaintiff on February 21, 2022, alleging claims and seeking relief under Sections 11 and 15 of the Securities Act of 1933 relating to the Company's IPO. Defendants' motion to dismiss the putative consolidated class action complaint was filed on March 14, 2022. On July 18, 2022, the Company's motion to dismiss was granted in part and denied in part. On May 1, 2023, the Lead Plaintiff's motion for class certification in the consolidated class action was granted in part and denied in part, with the U.S. District Court for the Central District of California limiting the certified class to only those persons and entities that purchased or otherwise acquired the Company's publicly traded common stock pursuant and traceable to the Company's IPO offering documents prior to August 19, 2021, as well as all persons and entities that acquired ownership of a trading account, retirement account, or any other similar investment account or portfolio containing the Company's publicly traded common stock that was purchased or otherwise acquired pursuant and traceable to the IPO offering documents prior to August 19, 2021, and were damaged thereby. On August 14, 2023, the Lead Plaintiff filed an amended consolidated class action complaint naming as additional defendants Catterton Management Company L.L.C., L Catterton VIII, L.P., L Catterton VIII Offshore, L.P., THC Shared Abacus, LP, Catterton Managing Partner VIII, L.L.C., and C8 Management, L.L.C. On October 16, 2023, those additional defendants filed a motion to dismiss the amended consolidated complaint with respect to the claims against them. On January 31, 2024, that motion to dismiss was granted by the court to the extent those additional defendants challenged

the claims as untimely. The court granted Lead Plaintiff leave to amend within fourteen days of that order. On February 14, 2024, the Lead Plaintiff filed a second amended consolidated complaint against the additional defendants. The additional defendants filed a motion to dismiss the second amended consolidated complaint, which was denied by the court on April 22, 2024. On January 21, 2025, the parties filed a joint stipulation stating that they had reached an agreement in principle to fully settle all pending claims in the action and asking the court to stay the case so the parties could have additional time to negotiate the terms of a formal stipulation of settlement and related documentation. The court entered an order staying the case on the same day. On April 14, 2025, the court preliminarily approved the parties' settlement. Under the terms of the settlement, in exchange for the release and dismissal with prejudice of all claims against the defendants in the second amended consolidated complaint, we have agreed to pay \$20,000,000 to resolve the dispute, to be fully funded by the Company's insurance carriers. The Company has recorded the settlement amount of \$20,000,000 within accrued expenses and a corresponding insurance recovery of \$20,000,000 within prepaids and other current assets related to the legal settlement on the consolidated balance sheet as of March 31, 2025. The determination that the recorded insurance recovery receivable is probable of collection is based on the terms of the applicable insurance policies, settlement agreement, and communications with the insurers. The proposed settlement does not constitute an admission of fault or wrongdoing by the Company, the named individual defendants, or the underwriters. The proposed settlement remains subject to final approval by the Court and certain other conditions and contingencies out of our control. There can be no guarantee that all of these conditions and contingencies will occur. Should a material condition or contingency to the settlement fail to occur, one or both of the parties to the settlement may exercise their right to terminate the settlement agreement.

A derivative complaint was filed by Hayato Ono on behalf of the Company on November 29, 2021 in the U.S. District Court for the Central District of California, alleging breach of fiduciary duties, unjust enrichment, waste, gross mismanagement, and federal securities law violations by the Company's directors and certain officers. On December 17, 2021, a second derivative complaint containing similar allegations against the Company's directors and certain officers was filed by Mike Wang in the U.S. District Court for the Central District of California. These two federal derivative cases have been transferred to the same judge who is presiding over the securities class action complaints. A third derivative complaint was filed by Leah Bisch and Raluca Corobana in California Superior Court for the County of Los Angeles on January 3, 2022 with similar allegations. A fourth derivative complaint was filed by David Butler in the U.S. District Court for the District of Delaware on October 19, 2022 with similar allegations. Each of these federal and state court derivative cases have been stayed. These matters are in the preliminary stages of litigation with uncertain outcomes at this time. Therefore, the Company cannot estimate the probability of loss or make an estimate of the loss or range of loss in these matters.

As of March 31, 2025 and December 31, 2024, the Company was not subject to any other currently pending legal matters or claims that based on its current evaluation are expected to have a material adverse effect on its financial position, results of operations, or cash flows should such matters be resolved unfavorably.

## Indemnifications

In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to investors, directors and officers with respect to certain matters, including, but not limited to, losses arising out of the Company's breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third parties. These indemnifications may survive termination of the underlying agreement and the maximum potential number of future payments the Company could be required to make under these indemnification provisions may not be subject to maximum loss clauses. The maximum potential number of future payments the Company could be required to make under these indemnification provisions is indeterminable. The Company has never been involved in litigation in connection with these indemnification arrangements. As of March 31, 2025 and December 31, 2024, the Company has not accrued a liability for these guarantees as the likelihood of incurring a payment obligation, if any, in connection with these guarantees is not probable or reasonably estimable due to the unique facts and circumstances involved.

## 8. Stock-Based Compensation

### Stock Options

The following table summarizes the stock option activity:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
<b>Outstanding at December 31, 2024</b>	4,985,886	\$ 5.41
Granted	—	\$ —
Exercised	(75,000)	\$ 5.13
Forfeited/Cancelled	(650,750)	\$ 5.13
<b>Outstanding at March 31, 2025</b>	<u>4,260,136</u>	\$ 5.45

## 2021 Equity Incentive Plan

In April 2021, the Company's board of directors adopted the Company's 2021 Equity Incentive Plan (the "2021 Plan"), which became effective in connection with the IPO. All equity-based awards granted on or after the effectiveness of the 2021 Plan are granted under the 2021 Plan. The 2021 Plan provides for grants of incentive stock options ("ISOs") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), to the Company's employees and its parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options ("NSOs"), stock appreciation rights, restricted stock awards, restricted stock units ("RSUs") awards, performance awards and other forms of awards to the Company's employees, directors and consultants and any of its affiliates' employees and consultants. Initially, the maximum number of shares of the Company's common stock that may be issued under its 2021 Plan will not exceed 25,025,580 shares of the Company's common stock. In addition, the number of shares of the Company's common stock reserved for issuance under its 2021 Plan will automatically increase on January 1 of each year for a period of ten years, beginning on January 1, 2022 and continuing through January 1, 2031, in an amount equal to (1) 4% of the total number of shares of the Company's common stock outstanding on December 31 of the immediately preceding year, or (2) a lesser number of shares determined by the Company's board of directors prior to the date of the increase. On January 1, 2025, 4,356,092 additional shares were reserved for issuance pursuant to this provision. The maximum number of shares of the Company's common stock that may be issued on the exercise of ISOs under its 2021 Plan is 75,100,000 shares.

## 2023 Inducement Plan

In March 2023, the Company's Compensation Committee adopted the 2023 Inducement Plan (the "2023 Inducement Plan"). The 2023 Inducement Plan reserved 4,000,000 shares of the Company's common stock for issuance under the 2023 Inducement Plan to individuals who satisfy the standards for inducement grants under the relevant Nasdaq Stock Market rules. As of March 31, 2025, there were 159,961 shares available for future grant under the 2023 Inducement Plan.

On March 16, 2025, the Company granted 115,122 RSUs to the Senior Vice President of Supply Chain under the 2023 Inducement Plan.

The following table summarizes the RSU activity under the 2021 Equity Incentive Plan and the 2023 Inducement Plan:

	Number of Shares		Weighted Average Grant Date Fair Value Per Share	
	Non-Employee Directors	Directors, Officers and Employees	Non-Employee Directors	Directors, Officers and Employees
<b>Unvested RSUs at December 31, 2024</b>	726,573	6,956,604	\$ 2.70	\$ 2.81
Granted	39,061	2,225,086	\$ 6.93	\$ 5.10
Vested	(9,764)	(1,244,235)	\$ 6.93	\$ 3.16
Forfeited	—	(85,230)	\$ —	\$ 3.81
<b>Unvested RSUs at March 31, 2025</b>	<b>755,870</b>	<b>7,852,225</b>	<b>\$ 2.86</b>	<b>\$ 3.39</b>

As of March 31, 2025, there was \$26.5 million of unrecognized stock-based compensation expense related to unvested RSUs, which is expected to be recognized over a weighted-average period of 2.7 years.

## 2021 Employee Stock Purchase Plan

In April 2021, the Company's board of directors adopted the Company's 2021 Employee Stock Purchase Plan (the "2021 ESPP"). The Company authorized the issuance of 1,175,000 shares of common stock under the 2021 ESPP. In addition, the number of shares available for issuance under the 2021 ESPP will be annually increased on January 1 of each year for a period of ten years, beginning on January 1, 2022 and continuing through January 1, 2031 by the lesser of (i) 1% of the total number of shares of common stock outstanding on December 31 of the immediately preceding year; and (ii) 3,525,000 shares, except before the date of any such increase, the Company's board of directors may determine that such increase will be less than the amount set forth in clauses (i) and (ii). On January 1, 2025, 1,089,023 additional shares were reserved for issuance pursuant to this provision. Subject to any limitations contained therein, the 2021 ESPP allows eligible employees to contribute (in the form of payroll deductions or otherwise to the extent permitted by the administrator) an amount established by the administrator from time to time in its discretion to purchase common stock at a discounted price per share.

Under the 2021 ESPP, eligible employees are granted the right to purchase shares of common stock at the lower of 85% of the fair value at the time of grant or 85% of the fair value at the time of exercise. The right to purchase shares of common stock is granted in May and November of each year for an offering period of approximately six months. For the three months ended March 31, 2025, shares were purchased under the 2021 ESPP. As of March 31, 2025, the Company had 3,616,908 remaining authorized shares available for purchase.

The following table summarizes the key input assumptions used in the Black-Scholes option-pricing model to estimate the grant-date fair value of the 2021 ESPP:

	<b>For the three months ended March 31, 2025</b>
Expected life of options (in years)	0.50
Expected stock price volatility	70.18%
Risk free interest rate	4.44%
Expected dividend yield	—%
Weighted average grant-date fair value per share	\$2.56

### Stock-Based Compensation Expense

Stock-based compensation expense related to RSU awards under the 2021 Equity Incentive Plan and the 2023 Inducement Plan, 2021 ESPP purchases and stock options, as applicable, are as follows:

	<b>For the three months ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
<i>(In thousands)</i>		
Selling, general and administrative	\$ 2,241	\$ 2,413
Research and development	171	110
Total stock-based compensation expense	<u>\$ 2,412</u>	<u>\$ 2,523</u>

### 9. Net Income (Loss) per Share Attributable to Common Stockholders

Basic net income (loss) attributable to common stockholders per share is calculated by dividing net income (loss) attributable to common stockholders by the weighted-average number of shares of common stock outstanding. The Company computes diluted net income per share under a two-class method where income is reallocated between common stock, potential common stock and participating securities, if any. Diluted net income (loss) per share attributable to common stockholders adjusts the basic net income (loss) per share attributable to common stockholders and the weighted-average number of shares of common stock outstanding for the potentially dilutive impact of stock options using the treasury stock method.

The following table sets forth the computation of the Company's basic and diluted net income (loss) per share attributable to common stockholders:

	<b>For the three months ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
<i>(In thousands, except for share and per share values)</i>		
<b>Numerator:</b>		
Net income (loss)	\$ 3,254	\$ (1,403)
Net income (loss) attributable to common stockholders — basic	<u>\$ 3,254</u>	<u>\$ (1,403)</u>
Net income (loss) attributable to common stockholders - diluted	<u>\$ 3,254</u>	<u>\$ (1,403)</u>
<b>Denominator:</b>		
Weighted average shares of common stock outstanding — basic	109,552,550	96,273,168
Add: effect of dilutive RSUs	4,727,055	—
Add: effect of dilutive stock options	291,514	—
Weighted average shares of common stock outstanding - diluted	<u>114,571,119</u>	<u>96,273,168</u>
Net income (loss) per share, attributable to common shareholders:		
Basic	<u>\$ 0.03</u>	<u>\$ (0.01)</u>
Diluted	<u>\$ 0.03</u>	<u>\$ (0.01)</u>

The following potentially dilutive shares were excluded from the computation of diluted net income (loss) per share because including them would have been antidilutive:

	<b>For the three months ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
Stock options to purchase common stock	51,000	13,161,255
Unvested restricted stock units	310,362	11,718,223
Employee stock purchase plan	20,753	71,142
Total	<u>382,115</u>	<u>24,950,620</u>

## 10. Income Taxes

In determining quarterly provisions for income taxes, the Company uses the annual estimated effective tax rate applied to the actual year-to-date loss, adjusted for discrete items arising in that quarter. The Company's annual estimated effective tax rate differs from the U.S. federal statutory rate of 21% primarily as a result of a valuation allowance against net deferred tax assets, stock-based compensation, state taxes, nondeductible executive compensation and other permanent differences.

The Company has evaluated the available positive and negative evidence supporting the realization of its gross deferred tax assets, including cumulative losses, and the amount and timing of future taxable income, and has determined it is more likely than not that the assets will not be realized. Accordingly, the Company has recorded a full valuation allowance against the U.S. federal and state deferred tax assets as of each balance sheet date presented.

During the three months ended March 31, 2025 and 2024, the Company has not recorded any uncertain tax positions and has not recognized interest or penalties in the condensed consolidated statements of comprehensive income (loss).

## 11. Leases

The Company's lease portfolio includes both real estate and non-real estate type leases, which are accounted for as either finance or operating leases. Real estate leases generally include office and warehouse facilities and non-real estate leases generally include office equipment and machinery. The Company determines if a contract is or contains a lease at inception. The Company's leases have remaining lease terms of less than three years.

The components of lease expense were as follows (in thousands):

	<b>For the three months ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
Finance lease expense:		
Amortization	\$ —	\$ 7
Operating lease expense:		
Operating lease expense <sup>(1)</sup>	1,792	1,792
Sublease income	(501)	(501)
Total lease expense, net	<u>\$ 1,291</u>	<u>\$ 1,298</u>

(1) Represents the straight-line lease expense of operating leases, inclusive of amortization of ROU assets and the interest component of operating lease liabilities.

Based on the nature of the Right-Of-Use ("ROU") assets, amortization of finance leases and amortization of operating ROU assets, operating lease expense and other lease expense are recorded within either cost of revenue or selling, general and administrative expenses and interest on finance lease liabilities is recorded within interest and other expense, net in the condensed consolidated statements of comprehensive income (loss).

The following tables set forth the amount of lease assets and lease liabilities included in the Company's condensed consolidated balance sheets (in thousands):

Assets	Financial Statement Line Item	March 31, 2025
Operating lease assets	Operating lease right-of-use asset	\$ 15,599
<b>Total lease assets</b>		<b>\$ 15,599</b>
<b>Liabilities</b>		
Current		
Operating lease liabilities	Accrued expenses	8,652
Non-current		
Operating lease liabilities	Operating lease liabilities, net of current portion	10,990
<b>Total lease liabilities</b>		<b>\$ 19,642</b>

Supplemental information related to the Company's leases for the three months ended March 31, 2025 was as follows:

**Weighted-average remaining lease term (in years)**

Finance leases	—
Operating leases	2.3

**Weighted-average discount rate**

Finance leases	— %
Operating leases	2.29 %

**Cash paid for amounts included in the measurement of lease liabilities (in thousands)**

Operating cash flows used in operating leases	\$ 2,095
Financing cash flows used in finance leases	\$ 1

The Company did not have any non-cash ROU assets obtained in exchange for lease liabilities during the three months ended March 31, 2025 for either finance or operating leases.

**12. Subsequent Events**

On April 14, 2025, the court preliminarily approved the parties' settlement in the Securities Litigation Case. Refer to Note 7, "Commitments and Contingencies" included in these consolidated financial statements for more information regarding the Securities Litigation Case settlement.

On May 7, 2025, the Company announced the appointment of Curtiss Bruce as the Company's Chief Financial Officer, effective June 2, 2025 (the "Effective Date"). A copy of the Bruce Employment Agreement is attached as Exhibit 10.1 to this Quarterly Report. Mr. Loretta will retire as of the Effective Date from his current role as Chief Financial Officer of the Company, and his employment with the Company will terminate on June 16, 2025.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and related notes as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (the "Annual Report"), filed with the Securities and Exchange Commission ("SEC") on February 26, 2025. This discussion, particularly information with respect to our future results of operations or financial condition, business strategy and plans, and objectives of management for future operations, includes forward-looking statements that involve risks and uncertainties as described under the heading "Special Note Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q. You should review the disclosure under the heading "Risk Factors" in this Quarterly Report on Form 10-Q as well as in the Annual Report for a discussion of important factors that could cause our actual results to differ materially from those anticipated in these forward-looking statements. Unless the context otherwise requires, all references in this Quarterly Report on Form 10-Q to "we," "us," "our," "our company," "the Company" and "Honest" refer to The Honest Company, Inc. and its consolidated subsidiaries.

## Overview

The Honest Company, Inc. (“Honest” and, together with its consolidated subsidiaries, the “Company,” “we,” “us” and “our”) is a personal care company dedicated to creating cleanly-formulated and sustainably-designed products. Our commitment to our core values, continual innovation and engaging our community has differentiated and elevated our brand and our products. Since our launch in 2012, we have been dedicated to developing clean, sustainable, effective and thoughtfully-designed products. By doing so with transparency, we have cultivated deep trust around what matters most to our consumers: their health, their families and their homes. We are an omnichannel brand, seeking to ensure our products are available wherever our consumers shop. Our differentiated platform positions us for continued growth through our trusted brand, award-winning multi-category product offerings and omnichannel availability.

Our integrated multi-category product portfolio is intentionally designed to serve our consumers every day, at every age and through every life stage. We believe this drives loyalty, increases our consumer wallet share and generates attractive consumer lifetime value.

We believe that our consumers are modern, aspirational and style-forward and that they seek out high quality, effective and thoughtfully-designed products. We believe that they are very choiceful about the products that they purchase and use. And, we believe they are enthusiastic ambassadors for brands they trust. As purpose-driven consumers, they transcend any one demographic, spanning gender, age, geography, ethnicity and household income. Honest consumers are often young, mobile-centric and digitally-inclined. We build relationships with these consumers through a disruptive digital marketing strategy that engages them with digital content. Our direct connection with our community enables us to understand what consumers’ needs are and inspires our product innovation pipeline, generating a significant competitive advantage over more traditional consumer packaged goods (“CPG”) peers.

Our omnichannel presence seeks to meet consumers wherever they want to shop, balancing deep consumer connection with broad convenience and availability. Since our launch, we have built a well-integrated omnichannel presence by expanding our product availability, including the launch of strategic partnerships with Target, Amazon and Walmart in 2014, 2017 and 2022, respectively. We maintain direct relationships with our consumers via our flagship digital platform, Honest.com, which allows us to influence brand experience and better understand consumer preferences and behavior. We also increase the availability of our products to more consumers through our leading retailers and their websites, and third-party ecommerce sites. Our integrated omnichannel presence provides meaningful benefits to our consumers which we believe are not easily replicated by our competitors.

## Transformation Initiative

In 2023, we executed a broad-based Transformation Initiative designed to build the Honest brand and drive growth in higher-margin areas of the portfolio, strengthen our cost structure, drive focus on the most productive areas of our business, deliver greater impact from brand-building investments, and improve executional excellence across the enterprise. The restructuring element of the Transformation Initiative was substantially completed by December 31, 2023.

The Company expects to continue driving benefits from its three Transformation Pillars of Brand Maximization, Margin Enhancement, and Operating Discipline:

### 1) Brand Maximization

- Leveraging the strength of the Honest brand to drive growth through greater availability, expanded household penetration, product innovation, margin-accretive products, and marketing effectiveness.
- Pricing strategy as a driver of revenue is also a component of Brand Maximization. This includes the ongoing benefit of pricing increases across the majority of our product portfolio in 2022 and 2023.

### 2) Margin Enhancement

- Focusing our resources on North America, which included the exit of our low-margin business in Europe and Asia.
- Exiting low-margin elements of the cleaning and sanitization business in 2023.
- Executing an inventory, or stock-keeping unit (“SKU”), rationalization program in 2023.
- Re-directing resources to accelerate cost savings, including optimization of our contract manufacturing strategies, reduced shipping and logistic costs, and product costs.
- Realigning resources to reflect the prioritization of higher-margin opportunities, including strategic shift away from our lower margin channels, including our direct-to-consumer (“DTC”) business.

### 3) Operating Discipline

- Focusing on improving our executional excellence in how we operate as an enterprise.
- Building a culture that emphasizes returns across growth drivers, including marketing, trade promotion, and innovation.
- Managing working capital including the reduction of inventory.

## **Key Factors Affecting Our Performance**

We believe that the growth of our business and our future success are dependent on many factors. While each of these factors presents significant opportunities for us, they also pose important challenges that we must successfully address to enable us to sustain the growth of our business and improve our operations while staying true to our mission, including those discussed below and in the section titled “Risk Factors” in this Quarterly Report on Form 10-Q and in our Annual Report.

### ***Operational and Marketing Efficiency***

To grow our business, we intend to continue to improve our operational and marketing efficiency, which includes attracting new consumers, increasing community engagement and improving fulfillment and distribution operations. Our marketing model is inclusive of a best-in-class modern approach across paid, owned, and earned marketing channels. We invest significant resources in marketing and content generation, use a variety of brand and performance marketing channels and work continuously to improve brand exposure at our retail customers to acquire new consumers. It is important to maintain reasonable costs for these marketing efforts relative to the revenue we expect to derive from our consumers. We leverage proprietary consumer insights and best-in-class analytics to guide our omnichannel strategy and inform our marketing spend optimization. Our future success depends in part on our ability to effectively attract consumers on a cost-efficient basis and achieve efficiencies in our operations. In addition, we believe we have been able to achieve some operational and marketing efficiency as part of cost savings in connection with our Brand Maximization Transformation Pillar.

### ***Ability to Execute Increasing Physical Availability***

The core of our growth strategy centers around increasing physical availability of our products through expanded stores, doors, aisles, shelves and facings. While we have made significant progress in our distribution gains, we are still under indexed compared to competition. Our partnerships with leading third-party retail platforms and national retailers have broadened our consumer reach, raised our brand awareness and enhanced our margins through operating leverage. With the higher costs of shipping and fulfillment activities related to our DTC business and other related costs, we will continue to shift our focus and investments towards more efficient and scalable distribution models with our current retail and digital customers. As we move forward beyond 2025, we will gradually transition away from Honest.com as a shipping and fulfillment channel, while ensuring the site remains a resource for educating consumers, showcasing our complete product portfolio, and driving consumers to purchase offsite. We will continue to pursue partnerships with a wide variety of retailers, including mass retailers, online retailers, club retailers, grocery stores, drugstores and specialty retailers. Our ability to execute this strategy will depend on a number of factors, such as competitive dynamics and retailers’ satisfaction with the sales and profitability of our products, channel shifts of their customers, and their own supply chain, order timing, and inventory needs, which may fluctuate from period to period.

Our product mix is a driver of our financial performance given our focus on accretive product launches and innovation to increase product margins. Even though our growth strategy aims to boost sales across products by increasing total distribution, we intend to prioritize growth in products with attractive margin characteristics, including wipes, and leverage our brand equity and consumer insights to extend into new products.

### ***Ability to Grow Our Brand Awareness***

Our brand is integral to the growth of our business and is essential to our ability to engage and stay connected with the growing clean products consumer market. In order to increase the share of wallet of our existing consumers and to attract new consumers, our brand has to maintain its trustworthiness and authenticity. Our ability to attract new consumers will depend on, among other things, the efficacy of our marketing efforts, our ability to successfully produce products that are free of defects and our ability to communicate the value of those products as cleanly-formulated and sustainably-designed and effective and the offerings of our competitors. Beyond preserving the integrity of our brand, our performance will depend on our ability to augment our reach and increase the number of consumers aware of Honest and our product portfolio. We believe our brand strength will enable us to continue to launch new products, allowing us to deepen relationships with consumers. Our performance depends significantly on factors that may affect the level and pattern of consumer spending in the product categories in which we operate.

### ***Continued Innovation***

Research, development and innovation are core elements underpinning our growth strategy. Through our in-house research and development laboratories, we are able to access the latest advancements in clean ingredients. Based in Los Angeles, California, our research and development team, including experts in chemistry and toxicology, develop innovative cleanly-formulated products based on the latest green technology. At Honest, product innovation is top of mind. The improvement of existing products and the introduction of new products have been, and continue to be, integral to our growth. We have made

significant investments in our product development capabilities and plan to continue to do so in the future. We believe our rigorous approach to product innovation has helped redefine and grow the clean and natural product categories in which we operate. Our continued focus on research and development will be central to attracting and retaining consumers in the future. Our ability to successfully develop, market and sell new products will depend on a variety of factors, including our continued investment in innovation. We are also committed to bringing our Honest Standard to new products where we believe there is a need for a higher standard for clean personal care.

### ***Overall Macro Trends***

We believe consumers' increasing interest in cleanly-designed products and purpose-driven companies has contributed to higher demand for certain products, which we believe we are strategically positioned to benefit from. At the same time, changes in macro-level trends, including as a result of global pandemics, changing consumer attitudes or behavior or other macroeconomic conditions, such as inflation, tariffs or supply chain disruptions, have resulted and could in the future result in fluctuations in our operating results.

### ***Business Operations***

Global economic and political uncertainty have increased due to the impact of continued inflationary pressures, adverse impact on confidence in financial markets and geopolitical events, including recently imposed tariffs on certain foreign goods and the possibility of expanding the tariffs to capture other types of goods. Additionally, the extent of the impact of macroeconomic trends on the Company's operational and financial performance in the future will depend on future developments. Prolonged unfavorable economic conditions, including as a result of changing consumer attitudes or behaviors or other macroeconomic conditions, such as rising inflation and interest rates, tariffs, supply chain disruptions, trade disputes, foreign exchange volatility, financial market instability and any resulting recession or slowed economic growth, have had and may continue to have an adverse effect on our sales and profitability. All of these factors are difficult to predict considering the rapidly evolving landscape as the Company continues to expect a variable operating environment going forward.

### ***Supply Chain Disruptions***

There has been and continues to be an adverse impact on global economic conditions, specifically inflationary pressures, which has adversely affected our supply chain in regards to cost of revenue. We have experienced and anticipate continued increases in product costs and labor costs due to inflationary pressures and higher transportation costs from ocean container delivery, which has in the past and could continue to hamper our ability to drive margin expansion. In addition, current or future tariffs or other restrictive trade measures may raise the cost of raw materials, components or finished goods, which may adversely impact both our product offerings and our operational expenses. We have taken measures to bolster key aspects of our supply chain, such as ensuring sufficient inventory to support our continued growth, minimizing lead times for raw materials, and implementing a robust cost-savings program, as part of our Operating Discipline Transformation Pillar. We expect to continue to receive fulfillment costs savings due to warehouse and labor operational efficiencies gained with our Las Vegas, Nevada fulfillment center partner. If we are not successful in negotiating future renewals with our other fulfillment partner such that these renewals are at increased costs to us, our business, financial condition, results of operations and prospects could be adversely affected. Additionally, we have experienced purchase price increases from our third-party manufacturers in the past and could face escalation of purchase costs and cost of revenue in the future.

We implemented price increases that took effect in 2022 and 2023 and we may implement additional price increases in the future as needed to offset current and future input cost inflation and to pursue productivity initiatives to offset inflation. However, we may not be able to increase our prices or productivity sufficiently enough to offset these costs. Customer demand for our products may change based on price increases.

### ***Consumer Preferences***

We believe in the power of our omnichannel distribution model. We believe consumers value the flexibility in terms of where and when they choose to purchase Honest products. We also believe that consumers research their personal care ingredients and recognize the quality of Honest products, knowing that there are over 3,500 chemicals and materials that we choose not to formulate with.

### ***Inventory***

Inventory is reflected at net realizable value which includes a reserve for excess inventory. We estimate reserve requirements based on current and forecasted demand, including the ability to liquidate excess inventory and estimated liquidation value. Depending on future consumer behavior in relation to the macroeconomic environment or otherwise and related aging of inventory, among other factors, we have in the past and expect to incur in the future additional inventory write-downs, customer returns or incur donation expense or disposal costs as we reduce excess inventory. For the three months ended March 31, 2025, we recorded an inventory write-down of \$3.2 million, inclusive of overhead costs and tariffs, which included a \$3.0 million write-

down related to our new diaper renovation as we transition our new diaper products and replace our prior diaper products in the marketplace, which is included in cost of revenue on the consolidated statements of comprehensive income (loss).

In connection with the termination of the Likeness Agreement with Jessica Warren, as part of Ms. Warren's departure from her Chief Creative Officer position, after April 4, 2025 we are prohibited from selling existing inventory that uses certain specified licensed intellectual property on its packaging, which resulted in inventory write-offs in the past and may result in future inventory write-offs.

### **Supplier Services Agreement**

In August 2022, we entered into a supplier services agreement with Butterblu, LLC (“Butterblu”) pursuant to which Butterblu provides certain design, manufacturing, sales and marketing services to us. As part of the supplier services agreement, we have agreed to purchase and own inventory for the term of the supplier service agreement, which is until December 31, 2026, unless terminated sooner. We are currently in discussions with Butterblu regarding our respective obligations under the supplier services agreement. Butterblu continues to operate and maintain our baby apparel offerings independently through the honestbabyclothing.com website under our supplier services agreement and its sales are reflected as revenue in our condensed consolidated statements of comprehensive income (loss). These discussions could result in termination of the supplier services agreement prior to its termination date, potential disputes over the terms of termination, and costs to us related to the inventory we agreed to purchase and own for the term of the agreement. In addition, any loss of the relationship with Butterblu may negatively impact sales of our baby apparel, which will adversely affect our results of operations.

### **Components of Results of Operations**

#### ***Revenue***

We generate revenue through the sale of our products through our leading retailers and their websites, third-party ecommerce sites and Honest.com. Our revenue is recognized net of allowances for returns, discounts, credits and any taxes collected from consumers.

#### ***Cost of Revenue***

Cost of revenue includes the purchase price of merchandise sold to customers, inbound and outbound shipping and handling costs, freight and duties, shipping and packaging supplies, credit card processing fees and warehouse fulfillment costs incurred in operating and staffing warehouses, including rent. Cost of revenue also includes depreciation and amortization for warehouse fulfillment facilities and equipment, allocated overhead and direct and indirect labor for warehouse personnel, inventory reserves and destruction costs.

#### ***Gross Profit and Gross Margin***

Gross profit represents revenue less cost of revenue. Gross margin is gross profit expressed as a percentage of revenue. Our gross margin may in the future fluctuate from period to period based on a number of factors, including commodity costs, manufacturing costs, warehousing and transportation rates, the promotional environment in the marketplace, the mix of products we sell, the channel through which we sell our products, and innovation initiatives we undertake in each product category, among other factors.

#### ***Operating Expenses***

Our operating expenses consist of selling, general and administrative, marketing and research and development expenses.

##### ***Selling, General and Administrative***

Selling, general and administrative expenses consist primarily of personnel costs, principally for our selling and administrative functions. These include personnel-related expenses, including salaries, bonuses, benefits and stock-based compensation expenses. Selling, general and administrative expenses also include technology expenses; professional fees, including audit and legal expenses; donation expenses including overhead and tariffs; facility costs, including insurance, utilities and rent relating to our headquarters; third-party service fees related to our supplier services agreement for Honest baby clothing, our baby apparel business; and, depreciation and amortization expenses. We expect our general and administrative expenses to decrease as a percentage of revenue as we continue to grow our business and organizational capabilities and efficiencies. We expect in the future to incur additional third-party professional fees related to compliance obligations as a public company.

### ***Marketing***

Marketing expenses include costs related to our branding initiatives, retail customer marketing activities, point of purchase displays, targeted online advertising through sponsored search, display advertising, email and influencer marketing campaigns, market research, content production, consumer insights research, and other public relations and promotional initiatives. Given higher costs in digital marketing and increased retail distribution, we have shifted the focus of our marketing spend towards supporting retail marketing programs and top of funnel marketing activities. We will continue to invest in marketing initiatives in our best-selling products with key retailers, as well as expand brand awareness, introduce new product innovation across multiple product categories and implement new marketing strategies. As we launch new products, we expect to make marketing investments to build brand awareness, drive trial and set the foundation for future revenue growth.

### ***Research and Development***

Research and development expenses consist primarily of personnel-related expenses for our research and development team. Research and development expenses also include costs incurred for the development of new products, improvement in the quality of existing products and the development and implementation of new technologies to enhance the quality and value of products. This includes the expense related to claims and clinical trials as well as formulation and packaging testing. Research and development expenses also include allocated depreciation and amortization and overhead costs. We expect research and development expenses to increase in absolute dollars as we invest in the enhancement of our product offerings through innovation and the introduction of new adjacent product categories.

### ***Interest and Other Income (Expense), Net***

Interest income consists primarily of interest income earned on our short-term investments and our cash and cash equivalents balances. Interest expense includes fees incurred under our 2023 Credit Facility, including commitment fees and debt issuance costs.

Other income (expense), net consists of our foreign currency exchange gains, losses relating to transactions denominated in currencies other than the U.S. dollar and contingent gains. We expect our foreign currency gains and losses to be immaterial in future periods but continue to fluctuate due to changes in both the volume of foreign currency transactions and foreign currency exchange rates.

### ***Income Tax Provision***

We are subject to federal and state income taxes in the United States. Our annual estimated tax rate differed from the U.S. federal statutory rate of 21% primarily as a result of a valuation allowance against deferred tax assets, stock-based compensation, state taxes, nondeductible executive compensation and other permanent differences. We maintain a full valuation allowance for our federal and state deferred tax assets, including net operating loss carryforwards, as we have concluded that it is not more likely than not that the deferred tax assets will be realized.

## Results of Operations

The following table sets forth our condensed consolidated statements of comprehensive income (loss) data for each of the periods indicated:

	For the three months ended March 31,	
	2025	2024
<i>(In thousands)</i>		
Revenue	\$ 97,250	\$ 86,217
Cost of revenue	59,580	54,335
Gross profit	37,670	31,882
Operating expenses		
Selling, general and administrative <sup>(1)</sup>	21,041	22,420
Marketing	12,270	9,096
Research and development <sup>(1)</sup>	1,852	1,681
Total operating expenses	35,163	33,197
Operating income (loss)	2,507	(1,315)
Interest and other income (expense), net	787	(63)
Income (loss) before provision for income taxes	3,294	(1,378)
Income tax provision	40	25
Net income (loss)	\$ 3,254	\$ (1,403)

<sup>(1)</sup> Includes stock-based compensation expense as follows:

	For the three months ended March 31,	
	2025	2024
<i>(In thousands)</i>		
Selling, general and administrative	\$ 2,241	\$ 2,413
Research and development	171	110
Total	\$ 2,412	\$ 2,523

The following table sets forth our condensed consolidated statements of comprehensive income (loss) data expressed as a percentage of revenue\*:

	<b>For the three months ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
	<b>(as a percentage of revenue)</b>	
Revenue	100.0 %	100.0 %
Cost of revenue	61.3	63.0
Gross profit	38.7	37.0
Operating expenses		
Selling, general and administrative	21.6	26.0
Marketing	12.6	10.6
Research and development	1.9	1.9
Total operating expenses	36.2	38.5
Operating income (loss)	2.6	(1.5)
Interest and other income (expense), net	0.8	(0.1)
Income (loss) before provision for income taxes	3.4	(1.6)
Income tax provision	—	—
Net income (loss)	3.3 %	(1.6) %

\* Amounts may not sum due to rounding.

#### **Comparison of the Three Months Ended March 31, 2025 and 2024**

##### **Revenue**

	<b>For the three months ended March 31,</b>			
	<b>2025</b>	<b>2024</b>	<b>\$ change</b>	<b>% change</b>
<i>(In thousands, except percentages)</i>				
Revenue	\$ 97,250	\$ 86,217	\$11,033	12.8 %

Revenue was \$97.3 million for the three months ended March 31, 2025, as compared to \$86.2 million for the three months ended March 31, 2024. The increase of \$11.0 million, or 12.8%, was primarily due to an increase in wipes revenue of \$9.7 million and an increase in baby personal care revenue of \$2.6 million.

##### **Cost of Revenue and Gross Profit**

	<b>For the three months ended March 31,</b>			
	<b>2025</b>	<b>2024</b>	<b>\$ change</b>	<b>% change</b>
<i>(In thousands, except percentages)</i>				
Cost of revenue	\$ 59,580	\$ 54,335	\$ 5,245	9.7 %
Gross profit	\$ 37,670	\$ 31,882	\$ 5,788	18.2 %

Cost of revenue was \$59.6 million for the three months ended March 31, 2025, as compared to \$54.3 million for the three months ended March 31, 2024. The increase of \$5.2 million, or 9.7%, was primarily driven by an increase in product costs due to sales volume growth and an increase in inventory reserve related to our new diaper renovation, partially offset by supply chain cost savings. Cost of revenue as a percentage of revenue decreased by 176 basis points compared to the three months ended March 31, 2024.

Gross profit was \$37.7 million for the three months ended March 31, 2025, as compared to \$31.9 million for the three months ended March 31, 2024. The increase of \$5.8 million, or 18.2%, was primarily related to sales volume growth, supply chain cost savings, and product mix, partially offset by the increase in inventory reserve related to our new diaper renovation, which is included in cost of revenue.

## Operating Expenses

### Selling, General and Administrative Expenses

	For the three months ended March 31,			
	2025	2024	\$ change	% change
(In thousands, except percentages)				
Selling, general and administrative	\$ 21,041	\$ 22,420	\$ (1,379)	(6.2) %

Selling, general and administrative expenses were \$21.0 million for the three months ended March 31, 2025, as compared to \$22.4 million for the three months ended March 31, 2024. The decrease of \$1.4 million, or 6.2%, was primarily due to a \$0.6 million decrease in general administrative expenses, a \$0.5 million decrease in donation expense and a \$0.3 million decrease in legal expenses. Selling, general and administrative expenses as a percentage of revenue decreased 4.4% as compared to the three months ended March 31, 2024.

### Marketing Expenses

	For the three months ended March 31,			
	2025	2024	\$ change	% change
(In thousands, except percentages)				
Marketing	\$ 12,270	\$ 9,096	\$ 3,174	34.9 %

Marketing expenses were \$12.3 million for the three months ended March 31, 2025, as compared to \$9.1 million for the three months ended March 31, 2024. The increase of \$3.2 million, or 34.9%, was primarily due to a \$1.6 million increase in digital brand advertising and a \$1.5 million increase in retail marketing. Marketing expenses as a percentage of revenue increased 2.1% as compared to the three months ended March 31, 2024.

### Research and Development Expenses

	For the three months ended March 31,			
	2025	2024	\$ change	% change
(In thousands, except percentages)				
Research and development	\$ 1,852	\$ 1,681	\$ 171	10.2 %

Research and development expenses were \$1.9 million for the three months ended March 31, 2025, as compared to \$1.7 million for the three months ended March 31, 2024. Research and development expenses as a percentage of revenue decreased 0.05% as compared to the three months ended March 31, 2024.

### Interest and Other Income (Expense), Net

	For the three months ended March 31,		
	2025	2024	\$ change
(In thousands, except percentages)			
Interest income (expense), net	\$ 615	\$ (25)	\$ 640
Other income (expense), net	172	(38)	210
Interest and other income (expense), net	\$ 787	\$ (63)	\$ 850

Interest and other income (expense), net was net income of \$0.8 million for the three months ended March 31, 2025, as compared to net expense of \$0.1 million for the three months ended March 31, 2024.

## Liquidity and Capital Resources

As of March 31, 2025, we had \$72.8 million of cash and cash equivalents. Although we are dependent on our ability to generate sufficient cash flow from operations or raise capital to achieve our business objectives, we believe our existing cash and cash equivalents together with cash generated from operations will be sufficient to meet our short-term projected operations for

the next 12 months from the date of issuance of our condensed consolidated financial statements. We will need to generate sufficient cash from operations or raise additional capital to meet our long-term working capital and capital expenditure needs. We also have availability under our 2023 Credit Facility, which was not drawn as of March 31, 2025.

### **2023 Credit Facility**

In January 2023, we entered into a first lien credit agreement (the “2023 Credit Facility”), with JPMorgan Chase Bank, N.A., as administrative agent and lender, and the other lenders party thereto, which provides for a \$35.0 million revolving credit facility that matures on April 30, 2026. The 2023 Credit Facility includes a sub-facility that provides for the issuance of letters of credit in an amount of up to \$15.0 million at any time outstanding. Availability of the 2023 Credit Facility is based upon a borrowing base formula and periodic borrowing base certifications valuing certain of our accounts receivable and inventory as reduced by certain reserves. The 2023 Credit Facility includes an uncommitted accordion feature that allows for increases in the revolving commitment to as much as an additional \$35.0 million, for up to \$70.0 million in potential revolving commitment. The 2023 Credit Facility is subject to customary fees for loan facilities of this type, including a commitment fee based on the average daily undrawn portion of the 2023 Credit Facility. We recognize the commitment fee as incurred in interest and other income (expense), net in the condensed consolidated statements of comprehensive income (loss). For the three months ended March 31, 2025, the commitment fee incurred was immaterial. As of March 31, 2025, there were \$2.5 million of outstanding letters of credit and \$30.3 million available to be drawn upon. As of March 31, 2025, there was no outstanding balance under the 2023 Credit Facility.

The interest rate applicable to the 2023 Credit Facility is, at our option, either (a) the Adjusted Term SOFR rate (subject to a 0.00% floor), plus a margin ranging from 1.50% to 2.25% or (b) the CB floating rate, (i) plus a margin of 0.25% or (ii) minus a margin ranging from 0.25% to 0.50%. The margin is based upon our fixed charge coverage ratio. The CB floating rate is the higher of (a) the Wall Street Journal prime rate and (b) 2.50%.

The 2023 Credit Facility will terminate and borrowings thereunder, if any, would be due in full on April 30, 2026. Debt under the 2023 Credit Facility is guaranteed by substantially all of our material domestic subsidiaries and is secured by substantially all of our and such subsidiaries’ assets.

The 2023 Credit Facility contains covenants that restrict, among other things, our ability to sell assets, make investments and acquisitions, grant liens, change our lines of business, pay dividends and make certain other restricted payments. We are subject to certain affirmative and negative covenants including the requirement that we maintain a minimum total fixed charge coverage ratio during the periods set forth in the 2023 Credit Facility. Failure to do so, unless waived by the lenders under the 2023 Credit Facility pursuant to its terms, as amended, would result in an event of default under the 2023 Credit Facility. As of March 31, 2025, we are in compliance with all covenants under the 2023 Credit Facility.

Refer to Note 5 “Credit Facilities” included in the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for more information on the 2023 Credit Facility.

### **Cash Flows**

The following table summarizes our cash flows for the periods presented:

	<b>For the three months ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
<i>(In thousands)</i>		
Net cash (used in) provided by operating activities	\$ (2,938)	\$ 336
Net cash used in investing activities	\$ (62)	\$ (76)
Net cash provided by financing activities	\$ 383	\$ 498

### **Operating Activities**

Our largest source of operating cash is from the sales of our products to our consumers and customers. Our primary uses of cash from operating activities are for cost of revenue, selling, general and administrative expenses, marketing expenses and research and development expenses. We have in the three months ended March 31, 2025 and in the past generated negative cash flows from operating activities and have in the past supplemented working capital requirements through net proceeds from the sale and maturity of short-term investments.

Net cash used in operating activities of \$2.9 million for the three months ended March 31, 2025 was primarily due to a net decrease in cash related to changes in operating assets and liabilities of \$12.1 million, partially offset by non-cash adjustments of \$5.9 million and net income of \$3.3 million. Change in inventory reserves and accounts receivable reserves and utilization of marketing credits are included in "other" in the accompanying condensed consolidated statements of cash flows. Changes in cash flows related to operating assets and liabilities primarily consisted of a \$5.8 million increase in inventory, a \$5.8 million decrease

in accounts payable and accrued expenses due to timing of employee related expenses, a \$2.1 million use of cash due to operating lease obligations, partially offset by a \$0.9 million decrease in prepaid expenses and other assets and a \$0.7 million decrease in accounts receivable. Non-cash adjustments primarily consisted of stock-based compensation of \$2.4 million, amortization of operating ROU assets of \$1.6 million, change in inventory reserves of \$0.8 million, depreciation and amortization of \$0.7 million and utilization of marketing credits of \$0.4 million.

Net cash provided by operating activities of \$0.3 million for the three months ended March 31, 2024 was primarily due to non-cash adjustments of \$2.7 million, partially offset by a net loss of \$1.4 million and a net decrease in cash related to changes in operating assets and liabilities of \$1.0 million. Non-cash adjustments primarily consisted of change in inventory reserves of \$2.1 million, which is included in "other" in the accompanying consolidated statements of cash flows, stock-based compensation of \$2.5 million, amortization of operating ROU assets of \$1.6 million and depreciation and amortization of \$0.7 million. Changes in cash flows related to operating assets and liabilities primarily consisted of a \$1.1 million decrease in inventory, a \$2.6 million decrease in accounts receivable due to improved collections and a \$0.5 million decrease in prepaid expenses and other assets, partially offset by uses of cash including \$2.9 million higher accounts payable and accrued expenses due to timing of payments to vendors and a \$2.0 million use of cash due to operating lease obligations.

### ***Investing Activities***

Our primary source of investing cash historically has been the sale and maturity of short-term investments. Our primary use of investing cash historically has been the purchase of short-term investments and currently is property and equipment.

Net cash used in investing activities of \$0.1 million for the three months ended March 31, 2025 was due to purchases of property and equipment.

Net cash used in investing activities of \$0.1 million for the three months ended March 31, 2024 was due to purchases of property and equipment of \$0.1 million.

### ***Financing Activities***

Our financing activities primarily consisted of proceeds from sales of securities, proceeds from stock option award exercises and principal payments of financing lease obligations.

Net cash provided by financing activities of \$0.4 million for the three months ended March 31, 2025 consisted primarily of \$0.4 million of proceeds from stock option award exercises.

Net cash provided by financing activities of \$0.5 million for the three months ended March 31, 2024 consisted of \$0.5 million of proceeds from stock option award exercises.

### ***Dividends***

We do not anticipate declaring or paying any cash dividends in the foreseeable future. Any future determination regarding the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions (including any restrictions in our then-existing debt arrangements), capital requirements, business prospects and other factors our board of directors may deem relevant. The 2023 Credit Facility contains restrictions on our ability to pay dividends.

### ***Non-GAAP Financial Measure***

We prepare and present our condensed consolidated financial statements in accordance with GAAP. However, management believes that adjusted EBITDA, a non-GAAP financial measure, provides investors with additional useful information in evaluating our performance.

We calculate adjusted EBITDA as net income (loss), adjusted to exclude: (1) interest and other (income) expense, net; (2) income tax provision; (3) depreciation and amortization; (4) stock-based compensation expense, including payroll tax; (5) litigation and settlement fees associated with certain non-ordinary course securities litigation claims; and (6) founder and former Chief Creative Officer ("CCO") transition expenses.

Adjusted EBITDA is a financial measure that is not required by, or presented in accordance with GAAP. We believe that adjusted EBITDA, when taken together with our financial results presented in accordance with GAAP, provides meaningful supplemental information regarding our operating performance and facilitates internal comparisons of our historical operating performance on a more consistent basis by excluding certain items that may not be indicative of our business, results of operations or outlook. In particular, we believe that the use of adjusted EBITDA is helpful to our investors as it is a measure used by

management in assessing the health of our business, determining incentive compensation and evaluating our operating performance, as well as for internal planning and forecasting purposes.

Adjusted EBITDA is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. Some of the limitations of adjusted EBITDA include that (1) it does not reflect capital commitments to be paid in the future; (2) although depreciation and amortization are non-cash charges, the underlying assets may need to be replaced and adjusted EBITDA does not reflect these capital expenditures; (3) it does not consider the impact of stock-based compensation expense; (4) it does not reflect other non-operating expenses, including interest expense; (5) it does not reflect tax payments that may represent a reduction in cash available to us; and (6) it does not include certain non-ordinary cash expenses that we do not believe are representative of our business on a steady-state basis, such as founder/CCO transition expenses. In addition, our use of adjusted EBITDA may not be comparable to similarly titled measures of other companies because they may not calculate adjusted EBITDA in the same manner, limiting its usefulness as a comparative measure. Because of these limitations, when evaluating our performance, you should consider adjusted EBITDA alongside other financial measures, including our revenue, net income (loss) and other results stated in accordance with GAAP.

The following table presents a reconciliation of net income (loss), the most directly comparable financial measure stated in accordance with GAAP, to adjusted EBITDA, for each of the periods presented:

<i>(In thousands)</i>	<b>For the three months ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>Reconciliation of Net Income (Loss) to Adjusted EBITDA</b>		
Net income (loss)	\$ 3,254	\$ (1,403)
Interest and other (income) expense, net	(787)	63
Income tax provision	40	25
Depreciation and amortization	717	717
Stock-based compensation	2,412	2,523
Securities litigation expense	1,036	402
Founder/CCO transition expense <sup>(1)</sup>	—	158
Payroll tax expense related to stock-based compensation	257	157
Adjusted EBITDA	\$ 6,929	\$ 2,642

(1) Includes separation costs related to the termination of our former founder and CCO.

### **Material Cash Requirements**

As of March 31, 2025, there were no changes to our material cash requirements from those described under “Management's Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report.

### **Critical Accounting Policies and Estimates**

Our condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q are prepared in accordance with GAAP. The preparation of condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from our estimates. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

Our critical accounting estimates are described under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in our Annual Report and the notes to the audited consolidated financial statements appearing in our Annual Report. During the three months ended March 31, 2025, there were no material changes to our critical accounting estimates from those discussed in our Annual Report.

### **Recent Accounting Pronouncements**

Refer to Note 2, “Summary of Significant Accounting Policies” to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for a discussion of recently issued accounting pronouncements.

## **Emerging Growth Company Status**

In April 2012, the JOBS Act was enacted. Section 107(b) of the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the extended transition period to comply with new or revised accounting standards and to adopt certain of the reduced disclosure requirements available to emerging growth companies. As a result of the accounting standards election, we are not subject to the same implementation timing for new or revised accounting standards as other public companies that are not emerging growth companies which may make comparison of our financials to those of other public companies more difficult.

## **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Under SEC rules and regulations, as a smaller reporting company, we are not required to provide the information required by this item.

## **Item 4. Controls and Procedures.**

### **Evaluation of Disclosure Controls and Procedures**

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the “Exchange Act”), that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of the period ended March 31, 2025, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

### **Changes in Internal Control over Financial Reporting**

There was no change in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2025 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Limitations on Effectiveness of Controls and Procedures**

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. Our management, including our principal executive officer and principal financial officer, believe that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings.

The information contained under the heading “Litigation” in Note 7 to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q is incorporated by reference into this Item.

### Item 1A. Risk Factors.

#### RISK FACTOR SUMMARY

*Our business is subject to numerous risks. The following summary highlights some of the risks you should consider with respect to our business and prospects. You should carefully consider the risks and uncertainties described in our Annual Report, together with all of the other information in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and related notes as disclosed in our Annual Report. The risks and uncertainties described in our Annual Report and in this Quarterly Report on Form 10-Q are not the only ones we face. Additional risk and uncertainties that we are unaware of or that we deem immaterial may also become important factors that adversely affect our business. The realization of any of these risks and uncertainties could have a material adverse effect on our reputation, business, financial condition, results of operations, growth and future prospects as well as our ability to accomplish our strategic objectives. In that event, the market price of our common stock could decline and you could lose part or all of your investment.*

Investing in our common stock involves substantial risks. Some of the more significant risks include the following:

- Our past growth may not be indicative of our future growth and we may not be able to effectively manage our future growth or evaluate our future prospects. If we fail to effectively manage our future growth or evaluate our future prospects, our business could be adversely affected.
- Our quarterly operating results may fluctuate, which could cause our stock price to decline.
- Our future success depends, in part, on our ability to achieve our long-term strategy.
- Consolidation of retail customers, the loss of a significant retail or third-party ecommerce customer or a significant change in such customers' historical purchasing patterns has in the past and could in the future negatively impact our sales and ability to achieve or maintain profitability.
- International trade disputes and the U.S. government's trade policy, including recently enacted tariffs and potential new tariffs, could adversely affect our business, financial condition, results of operations and prospects.
- Overall macroeconomic trends, including due to pandemics or disease outbreaks, have had and may continue to have an adverse effect on our business, financial condition, results of operations and prospects.
- If we fail to cost-effectively acquire new consumers or retain our existing consumers, our business could be adversely affected. Our sales and profit are dependent upon our ability to expand our existing consumer relationships and acquire new consumers.
- We may not be able to compete successfully in our highly competitive market.
- Our strategic initiatives, including as part of the Transformation Initiative, to reduce our costs could have long-term adverse effects on our business, financial condition, results of operations and prospects, could result in total costs and expenses that are greater than expected, and we may not realize the operational or financial benefits from such actions.
- We must expend resources to maintain consumer awareness of our brand, build brand loyalty and generate interest in our products. Our marketing strategies and channels will evolve and shifts in our marketing strategies and efforts may or may not be successful.
- Our brand and reputation may be diminished due to real or perceived quality, safety, efficacy or environmental impact issues with our products, which could have an adverse effect on our business, financial condition, results of operations and prospects.
- Our ability to maintain our competitive position is largely dependent on the services of our senior management and other key personnel.
- We have a history of net losses and we may not be able to achieve or maintain profitability in the future.
- Our business may be adversely affected if we are unable to provide our consumers with a technology platform that is able to respond and adapt to rapid changes in technology.
- A disruption in our operations could have an adverse effect on our business.
- Our business, including our costs and supply chain, is subject to risks associated with sourcing, manufacturing, warehousing, distribution and logistics, and the loss of any of our key suppliers or logistical service providers could negatively impact our business.
- We rely on third-party suppliers, manufacturers, retail and ecommerce customers and other vendors, and they may not continue to produce products or provide services that are consistent with our standards or applicable regulatory requirements, which could harm our brand, cause consumer dissatisfaction, and require us to find alternative suppliers of our products or services.
- Health and safety incidents or advertising inaccuracies or product mislabeling may have an adverse effect on our business by exposing us to lawsuits, product recalls or regulatory enforcement actions, increasing our operating costs and reducing demand for our product offerings.

- Increasing scrutiny and evolving expectations from stakeholders with respect to our ESG practices, performance, commitments and disclosures may impact our reputation, increase our costs and impact our access to capital.
- We are increasingly dependent on information technology and our ability to process data in order to operate and sell our products, and if we (or our third parties) are unable to protect against software and hardware vulnerabilities, service interruptions, data corruption, cyber-based attacks, ransomware or security breaches, or if we fail to comply with our commitments and assurances regarding the privacy and security of such data, we could experience adverse consequences, including but not limited to regulatory investigations or actions; litigation; fines and penalties; disruptions to our business operations; interruptions in our ability to provide our goods and services exposure to liability; reputational harm; loss of revenue or profits; loss of customers or sales; and other adverse consequences.

## RISK FACTORS

*Other than the risk factors set forth below, there have been no material changes to the risk factors set forth in the section titled “Risk Factors” included in our Annual Report.*

***International trade disputes and the U.S. government’s trade policy, including recently enacted tariffs and potential new tariffs could adversely affect our business, financial condition, results of operations and prospects.***

International trade disputes or changes in government priorities could result in tariffs and other protectionist measures that could adversely affect our business. Tariffs could increase the cost of our products and the components and raw materials that go into making them. These increased costs could adversely impact the gross margin that we earn on our products. Countries may also adopt other protectionist measures that could limit our ability to offer our products. The recent announcements of substantial new tariffs and other restrictive trade policies have created a dynamic and unpredictable trade landscape, which could adversely impact our business.

The U.S. government has adopted, and indicated its intent to continue to adopt, a new approach to trade policy, and in some cases to renegotiate, or potentially terminate, certain existing bilateral or multi-lateral trade agreements. It has also initiated tariffs on certain foreign goods and has raised the possibility of imposing significant, additional tariff increases or expanding the tariffs to capture other types of goods. Although the tariffs that have been initiated as of March 31, 2025 have not had a material impact on our operating results, to the extent that significant additional tariffs are imposed including the new tariffs being imposed under the new presidential administration they could have a material impact on our operating results. In April 2025, the U.S. government announced a baseline tariff of 10% on products from all countries and an additional individualized reciprocal tariff on the countries with which the United States has the largest trade deficits, including an additional tariff of 145% on certain goods imported from China, and a 25% tariff on certain goods imported from Mexico and Canada. Certain products, such as our baby wipes, are imported from China, our diapers are imported from Mexico and certain other components of our products are sourced from other countries and could be subject to the new tariffs. The imposition of tariffs, including the April 2025 tariffs and certain tariffs in the past, have led costs on products from China to increase, including our wipes products, and other new tariffs imposed by the United States could cause costs to increase further, which could lead to price increases on these products, which may not be absorbed by consumers or may lead to decreased demand; or any such tariffs could require a shift in manufacturing location, which could have an adverse effect on results of operations and could introduce uncertainty, including on product quality, with a new manufacturer. Our manufacturers, suppliers and distribution channels are also affected by the current trade environment, and we may experience supply chain disruptions as a result of increased costs and uncertainty, as well as risks to the long-term viability of key vendors, which may impact our ability to meet customer demand or manage inventory efficiently. Tariff and other trade-related cost pressures and supply chain disruptions may lead to reputational harm if we are unable to deliver products on expected timelines or if any price increases are poorly received by our consumers. Any attempt to mitigate the adverse effects of these tariffs may not be successful.

We cannot predict the extent to which the United States or other countries will impose quotas, duties, tariffs, taxes or other similar restrictions upon the import or export of our products in the future, nor can we predict future trade policy or the terms of any renegotiated trade agreements and their impact on our business. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies may exacerbate unfavorable macroeconomic conditions including inflationary pressures, foreign exchange volatility, financial market instability, and economic recessions or downturns, which may also adversely impact demand for our products, our costs, our consumers, our suppliers, and limit our access to capital, which in turn could have an adverse effect on our business, financial condition, results of operations and prospects. Ongoing tariff, trade restrictions and macroeconomic uncertainty also may contribute to volatility in the price of our common stock.

While we continue to monitor trade developments, the ultimate impact of these risks remains uncertain and any prolonged economic downturn, escalation in trade tensions, or deterioration in international perception of U.S.-based companies could materially and adversely affect our business, results of operations, financial condition and prospects. In addition, tariffs and other trade developments have and may continue to heighten the risks related to the other risk factors described in the section titled “Risk Factors” included in our Annual Report.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

*Rule 10b5-1 Trading Arrangements and Non-Rule 10b5-1 Trading Arrangements*

None of our officers or directors entered into a 10b5-1 trading plan during the three months ended March 31, 2025. The sell-to-cover arrangements adopted pursuant to Rule 10b5-1 authorized the pre-arranged sale of shares to satisfy tax withholding obligations of the Company arising exclusively from the vesting of time-vesting or performance-vesting restricted stock units and the related issuance of shares of Common Stock. The amount of shares of Common Stock to be sold to satisfy the Company's tax withholding obligations under these arrangements is dependent on future events which cannot be known at this time, including the future trading price of Company shares. The expiration date relating to these arrangements is dependent on future events which cannot be known at this time, including the final vest date of the applicable time-vesting or performance-vesting restricted stock units and the officer's termination of service.

**Item 6. Exhibits.****EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Exhibit Description</b>
<a href="#">3.1</a>	Amended and Restated Articles of Incorporation, as currently in effect (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-40378), filed with the SEC on May 11, 2021).
<a href="#">3.2</a>	Amended and Restated Bylaws, as currently in effect (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-40378), filed with the SEC on March 12, 2025).
<a href="#">10.1</a>	Employment Agreement, dated April 17, 2025, by and between the Company and Curtiss Bruce.
<a href="#">31.1</a>	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<a href="#">31.2</a>	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<a href="#">32.1</a> *	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
<a href="#">32.2</a> *	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
104	Cover page formatted as inline XBRL and contained in Exhibit 101

\* Furnished herewith and not deemed to be "filed" for purposes of Section 18 of the Exchange Act, and shall not be deemed to be incorporated by reference into any filing under the Securities Act, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 7, 2025

The Honest Company, Inc.  
By: /s/ Carla Vernón

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**Carla Vernón**  
**Chief Executive Officer and Director**  
*(Principal Executive Officer)*

Date: May 7, 2025

By: /s/ David Loretta

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**David Loretta**  
**Executive Vice President, Chief Financial Officer**  
*(Principal Financial Officer and  
Accounting Officer)*

April 17, 2025

Curtiss Bruce  
Prosper, TX

**Re: Employment Agreement**

Dear Curtiss:

The Honest Company, Inc. (the “Company”) is pleased to offer you at-will employment in the position of EVP, Chief Financial Officer on the terms and conditions set forth in this letter agreement (the “Agreement”).

**1. Employment by the Company.** This Agreement and your employment under the terms hereunder shall take effect on June 2, 2025 (the “Effective Date”). This is an exempt position, and during your employment with the Company, you will devote your best efforts and substantially all of your business time and attention to the business of the Company, except for approved vacation periods and reasonable periods of illness or other incapacities permitted by the Company’s general employment policies. You shall perform such duties, consistent with your position, as are required by the Company’s Chief Executive Officer (“CEO”), to whom you will report. Your primary work location, at which the Company expects you to work on a regular basis, shall be the Company’s office located in Los Angeles, California. The Company reserves the right to reasonably require you to perform your duties at places other than your primary office location from time to time, and to require reasonable business travel.

**2. Compensation.**

**2.1. Base Salary.** For services to be rendered hereunder, you shall receive a base salary at the rate of \$500,000 per year (the “Base Salary”), subject to standard payroll deductions and withholdings and payable in accordance with the Company’s regular payroll schedule.

**2.2. Annual Bonus.** You will be eligible for an annual discretionary bonus with a target amount of 70% of your then current annual Base Salary (the “Annual Bonus”). Whether you receive an Annual Bonus for any given year, and the amount of any such Annual Bonus, will be determined by the Board of Directors of the Company and/or its Compensation Committee (the “Board”) in its discretion based upon the achievement of corporate and/or individual objectives and milestones that are determined in the sole discretion of the Board and other criteria to be determined by the Board. You must continue to be employed through the date the Annual Bonus is paid in order to earn such bonus. If your employment terminates for any reason prior to the payment date (except as provided in Section 7.1), you will not have earned, and will not be paid, any pro-rated bonus. The Annual Bonus, if earned, shall be paid to you in a lump sum no later than March 15<sup>th</sup> of the calendar year that follows the performance year, subject to applicable

payroll deductions and withholdings. You are eligible for a pro-rated Annual Bonus for FY2025. Your Annual Bonus will be subject to any recoupment policy adopted by the Company or as required by law.

**2.3. Sign on Bonus.** You will be paid a cash sign on bonus of \$150,000, subject to applicable withholdings. The sign on bonus will be paid in the first payroll cycle following the Effective Date. You will also be paid a cash retention award of \$125,000, subject to applicable withholdings. The first installment of 50% of the retention award will be paid out within six months of the Effective Date, and the remaining 50% will be paid out by twelve months of the Effective Date. Each after-tax portion of the retention payment is subject to repayment to the Company if you resign without Good Reason or are terminated for Cause within 12 months of the payment. This retention award will be subject to any recoupment policy adopted by the Company or as required by law.

**2.4. Relocation.** If you relocate to the Southern California area within 24 months of the Effective Date, you will be entitled to a lump sum of \$100,000, less any applicable withholdings, to be paid in the first payroll cycle following your relocation.

**2.5. Equity.** Subject to the approval of the Board and you remaining employed by the Company through the grant date, the Company will grant you restricted stock units ("RSUs") having a grant date value approximately equal to \$1,000,000 as soon as administratively practicable following the Effective Date, with the number of RSUs to be calculated by dividing the grant value by the 30-day trailing average closing price of a share of the Company's common stock on the date of grant. The RSUs will be granted under and governed by the Company's 2023 Inducement Plan (the "2023 Plan"), the Company's standard restricted stock unit award agreement and grant notice approved by the Board for use under the 2023 Plan, and subject to compliance with Section 409A of the Internal Revenue Code and any other applicable law. Twenty-five percent (25%) of the RSUs will vest on the Company quarterly vesting date closest to the one-year anniversary of the Effective Date, and one-twelfth (1/12th) of the remaining RSUs will vest on each of the next twelve (12) Company quarterly vesting dates thereafter, subject to your Continuous Service (as defined in the 2023 Plan) on each vesting date. For clarity, the Board will determine the Company quarterly vesting dates at the time of grant in its sole and absolute discretion.

Subject to the approval of the Board and you remaining employed by the Company through the grant date, the Company will grant you RSUs having a grant date value approximately equal to \$800,000 in Q1 2026 or at the same time as 2026 annual grants are made to other of the Company's executives, with the number of RSUs to be calculated by dividing the grant value by the 30-day trailing average closing price of a share of the Company's common stock on the date of grant. The RSUs will be granted under and governed by the Company's 2021 Equity Incentive Plan (the "2021 Plan"), the Company's standard restricted stock unit award agreement

and grant notice approved by the Board for use under the 2021 Plan, and subject to compliance with Section 409A of the Internal Revenue Code and any other applicable law. Twenty-five percent (25%) of the RSUs will vest on the Company quarterly vesting date following the one-year anniversary of the grant date, and one-twelfth (1/12th) of the remaining RSUs will vest on each of the next twelve (12) Company quarterly vesting dates thereafter, subject to your Continuous Service (as defined in the 2021 Plan) on each vesting date. For clarity, the Board will determine the Company quarterly vesting dates at the time of grant in its sole and absolute discretion.

You will be eligible for future equity awards as determined by the Board in its sole discretion. RSU awards are generally subject to income and employment tax withholding upon settlement.

**3. Business Expenses.** You will be eligible for reimbursement of all reasonable, necessary and documented out-of-pocket business, entertainment, and travel expenses, including travel expenses to and from your current residence and our headquarters in Southern California, incurred by you in connection with the performance of your duties hereunder in accordance with the Company's expense reimbursement policies and procedures.

**4. Company Policies; Standard Company Benefits.** The employment relationship between the parties shall be governed by the general employment policies and practices of the Company, except that when the terms of this Agreement differ from or are in conflict with the Company's general employment policies or practices, this Agreement shall control. You shall remain eligible to participate in all employee benefit programs for which you are eligible under the terms and conditions of the benefit plans that may be in effect from time to time. The Company reserves the right to cancel or change the benefit plans or programs it offers to its employees, including senior management, at any time. The Company shall promptly pay or reimburse the legal fees incurred by the CFO in negotiating and preparing this Agreement and related documents, up to a maximum of \$25,000.

**5. At-Will Employment.** Your employment relationship is at-will. Either you or the Company may terminate the employment relationship at any time, with or without cause or advance notice. Subject to the "Good Reason" provision set forth in Section 7 and Section 8.3, the Company may, in its sole discretion, adjust salaries, incentive compensation, stock plans, benefits, job titles, locations, duties, responsibilities, and reporting relationships. Upon termination of your employment for any reason, you shall resign from all positions and terminate any relationships as an employee, advisor, officer or director with the Company and any of its affiliates, each effective on the date of termination.

**6. Outside Activities During Employment.** Except with the prior written consent of the Board, you will not during the term of your employment with the

Company undertake or engage in any other employment, occupation or business enterprise, other than ones in which you are a passive investor. You may engage in civic and not-for-profit activities so long as such activities do not materially interfere with the performance of your duties hereunder. You agree not to acquire, assume or participate in, directly or indirectly, any position, investment or interest known to be adverse or antagonistic to the Company, its business or prospects, financial or otherwise.

## 7. Termination; Severance.

**7.1. Involuntary Termination.** If you are subject to an Involuntary Termination and provided that you remain in compliance with the terms of this Agreement (including the conditions described in Section 7.3 below), the Company shall provide you with the following **Severance Benefits**:

**(a) Cash Severance.** The Company shall pay you, as severance, the equivalent of 12 months (the “**Severance Period**”) of your Base Salary in effect as of the date of your employment termination, subject to standard payroll deductions and withholdings and will pay, as described in Section 7.1(b), an amount equal to 12 months of health insurance under COBRA on an after-tax basis (the “**Severance**”). The Severance will be paid as a continuation on the Company’s regular payroll, beginning no later than the first regularly-scheduled payroll date following the sixtieth (60<sup>th</sup>) day after your Separation from Service, provided the Separation Agreement (as discussed in Section 7.3) has become effective. The Company shall also pay you, as severance, your Annual Bonus, less standard payroll deductions and withholdings, pro-rated for the employment period you worked during year in which your termination occurs, and subject to the achievement of applicable corporate and/or individual objectives and milestones (as determined in the sole discretion of the Board of Directors of the Company and/or its Compensation Committee) for the year in which your termination occurs. Your pro-rated Annual Bonus severance payment will be paid in the year following your termination at the same time as the Company pays bonuses to the Company’s other executives. In the event an Involuntary Termination takes place after January 1 of a given year, but before the payment of the prior year’s Annual Bonus, the Company will pay you the prior year’s Annual Bonus (as determined in the sole discretion of the Board of Directors of the Company and/or its Compensation Committee based on the achievement of applicable corporate and/or individual objectives and milestones) at the same time that the Company pays bonuses to the Company’s other executives.

**(b) Payment of Continued Group Health Plan Benefits.** If you are eligible for and timely elect continued group health plan coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 or any state law of similar effect (“**COBRA**”) following your Involuntary Termination, the Company will pay your COBRA group health insurance premiums for you and your eligible dependents directly to the insurer until the earliest of (A) the end of the period

immediately following your Involuntary Termination that is equal to the Severance Period (the “**COBRA Payment Period**”), (B) the expiration of your eligibility for continuation coverage under COBRA, or (C) the date when you become eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment. For purposes of this Section, references to COBRA premiums shall not include any amounts payable by you under a Section 125 health care reimbursement plan under the Code. Notwithstanding the foregoing, if at any time the Company determines, in its sole discretion, that it cannot pay the COBRA premiums without potentially incurring financial costs or penalties under applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then regardless of whether you elect continued health coverage under COBRA, and in lieu of providing the COBRA premiums, the Company will instead pay you on the last day of each remaining month of the COBRA Payment Period, a fully taxable cash payment equal to the COBRA premiums for that month, subject to applicable tax withholdings (such amount, the “**Special Severance Payment**”), which payments shall continue until the earlier of expiration of the COBRA Payment Period or the date when you become eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment. On the first payroll date following the effectiveness of the Release, the Company will make the first payment to the insurer under this clause (and, in the case of the Special Severance Payment, such payment will be to you, in a lump sum) equal to the aggregate amount of payments that the Company would have paid through such date had such payments instead commenced on the date of your Involuntary Termination, with the balance of the payments paid thereafter on the schedule described above. If you become eligible for coverage under another employer’s group health plan, you must immediately notify the Company of such event, and all payments and obligations under this subsection shall cease.

**7.2. Termination for Cause; Resignation Without Good Reason; Death or Disability.** If you resign without Good Reason, or the Company terminates your employment for Cause, or upon your death or disability, then all payments of compensation by the Company to you hereunder will terminate immediately (except as to amounts already earned), and you will not be entitled to any Severance Benefits.

**7.3. Conditions to Receipt of Severance Benefits.** The receipt of the Severance Benefits will be subject to you signing and not revoking a separation agreement and release of claims in a form reasonably satisfactory to the Company (the “**Separation Agreement**”) by no later than the sixtieth (60th) day after your employment termination (“**Release Deadline**”). No Severance Benefits will be paid or provided until the Separation Agreement becomes effective. You shall also resign from all positions and terminate any relationships as an employee, advisor, officer or director with the Company and any of its affiliates, each effective on the date of termination.

## 8. Definitions.

**8.1. Cause.** For purposes of this Agreement, “Cause” means any one of the following: (a) willful material breach by you of any material Company policy (including, but not limited to, the Company’s policies on nondiscrimination, anti- harassment, and confidential information) or your duties or obligations hereunder which is injurious to the Company; (b) your willful engagement in conduct materially injurious to the Company, monetarily or otherwise; (c) acts of fraud, theft or other willful illegal acts calling into question your personal integrity or conviction on a felony charge, whether or not related to your employment hereunder, excluding traffic offenses; or (d) your willful refusal to follow lawful instructions of the Board that are consistent with your position. In order to terminate your employment for Cause pursuant to (a) or (d), but only to the extent the Board determines in its reasonable discretion that such breach is amenable to cure, the Board must provide you written notice within thirty (30) days after the first occurrence of the event giving rise to Cause setting forth the basis for the existence of Cause, allow you thirty (30) days from receipt of such written notice to cure such event, and if such event is not reasonably cured within such period, the Company must terminate your employment not later than thirty (30) days after the expiration of the cure period.

**8.2. Code.** For purposes of this Agreement, “Code” means the U.S. Internal Revenue Code of 1986 (as it has been and may be amended from time to time) and any regulations and guidance that has been promulgated or may be promulgated from time to time thereunder and any state law of similar effect.

**8.3. Good Reason.** For purposes of this Agreement, “Good Reason” means any one of the following without your consent: (a) an assignment of duties or responsibilities (including reporting responsibilities) materially inconsistent with, or which materially reduce, your duties, authority, responsibilities and status with the Company; (b) an adverse change in your title; (c) any material reduction in your Base Salary, other than a reduction, generally applicable to other executives of the Company, by not more than 25%; (d) the relocation of your principal place of employment to a location that is more than twenty-five (25) miles away from its current location; or (e) the uncured breach of any material provision of this Agreement (or any other agreement with you) by the Company. In order to resign for Good Reason, you must provide written notice to the Company’s Board within thirty (30) days after the first occurrence of the event giving rise to Good Reason setting forth the basis for your resignation, allow the Company thirty (30) days from receipt of such written notice to cure such event, and if such event is not reasonably cured within such period, you must resign from all positions you then hold with the Company not later than thirty (30) days after the expiration of the cure period.

**8.4. Involuntary Termination.** For purposes of this Agreement, “Involuntary Termination” means a termination of your employment with the

Company pursuant to either (i) a termination initiated by the Company without Cause, or (ii) your resignation for Good Reason, and provided in either case such termination constitutes a Separation from Service. An Involuntary Termination does not include any other termination of your employment, including a termination due to your death or disability.

**8.5. Separation from Service.** For purposes of this Agreement, “Separation from Service” means a “separation from service”, as defined under Treasury Regulation Section 1.409A-1(h).

**9. Proprietary Information Obligations.** As a condition of your continued employment, you shall execute and abide by the Company’s standard form of Employee Confidential Information and Invention Assignment Agreement, attached as **Exhibit A**. In your work for the Company, you will be expected not to use or disclose any confidential information, including trade secrets, of any former employer or other person to whom you have an obligation of confidentiality. Rather, you will be expected to use only that information which is generally known and used by persons with training and experience comparable to your own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company. You acknowledge that you have not brought onto Company premises any unpublished documents or property belonging to any former employer or other person to whom you have an obligation of confidentiality and have disclosed to the Company any contract you have signed that may restrict your activities on behalf of the Company.

**10. Section 409A.** It is intended that all of the severance benefits and other payments payable under this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Code Section 409A provided under Treasury Regulations Sections 1.409A 1(b)(4), 1.409A 1(b)(5) and 1.409A 1(b)(9), and this Agreement will be construed to the greatest extent possible as consistent with those provisions, and to the extent not so exempt, this Agreement (and any definitions hereunder) will be construed in a manner that complies with Section 409A. For all purposes of Code Section 409A (including, without limitation, for purposes of Treasury Regulations Sections 1.409A 2(b)(2)(i) and (iii)), your right to receive any installment payments under this Agreement (whether severance payments, reimbursements or otherwise) shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment. Notwithstanding any provision to the contrary in this Agreement, if you are deemed by the Company at the time of your Separation from Service to be a “specified employee” for purposes of Code Section 409A(a)(2)(B)(i), and if any of the payments upon Separation from Service set forth herein and/or under any other agreement with the Company are deemed to be “deferred compensation,” then to the extent delayed commencement of any portion of such payments is required in order to avoid a prohibited distribution under Code Section 409A(a)(2)(B)(i) and the related adverse taxation

under Section 409A, such payments shall not be provided to you prior to the earliest of (i) the first date following expiration of the six-month period following the date of your Separation from Service with the Company, (ii) the date of your death or (iii) such earlier date as permitted under Section 409A without the imposition of adverse taxation. Upon the first business day following the expiration of such applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Paragraph shall be paid in a lump sum to you, and any remaining payments due shall be paid as otherwise provided herein or in the applicable agreement. No interest shall be due on any amounts so deferred. If the severance benefits are not covered by one or more exemptions from the application of Section 409A and the Release Deadline occurs in the calendar year following the calendar year of your Separation from Service, the Release will not be deemed effective any earlier than the Release Deadline for purposes of determining the timing of provision of any severance benefits.

## **11. Arbitration of All Disputes.**

**11.1. Agreement to Arbitrate.** To ensure the timely and economical resolution of disputes that may arise between you and the Company, both you and the Company mutually agree that pursuant to the Federal Arbitration Act, 9 U.S.C.

§1-16, and to the fullest extent permitted by applicable law, you and the Company will submit solely to final, binding and confidential arbitration any and all disputes, claims, or causes of action arising from or relating to: **(i)** the negotiation, execution, interpretation, performance, breach or enforcement of this Agreement; or **(ii)** your application, hiring, and employment with the Company (including but not limited to all statutory claims); or **(iii)** the termination of your employment with the Company (including but not limited to all statutory claims). **BY AGREEING TO THIS ARBITRATION PROCEDURE, BOTH YOU AND THE COMPANY WAIVE THE RIGHT TO RESOLVE ANY SUCH DISPUTES THROUGH A TRIAL BY JURY OR JUDGE OR THROUGH AN ADMINISTRATIVE PROCEEDING.**

**11.2. Arbitrator Authority.** The arbitrator shall have the sole and exclusive authority to determine whether a dispute, claim or cause of action is subject to arbitration under this Section and to determine any procedural questions which grow out of such disputes, claims or causes of action and bear on their final disposition.

**11.3. Individual Capacity Only.** All claims, disputes, or causes of action under this Section, whether by you or the Company, must be brought solely in an individual capacity, and shall not be brought as a plaintiff (or claimant) or class member in any purported class or representative proceeding, nor joined or consolidated with the claims of any other person or entity. The arbitrator may not consolidate the claims of more than one person or entity, and may not preside over any form of representative or class proceeding. To the extent that the preceding sentences in this Section are found to violate applicable law or are otherwise found

unenforceable, any claim(s) alleged or brought on behalf of a class shall proceed in a court of law rather than by arbitration.

**11.4. Arbitration Process.** Any arbitration proceeding under this Section shall be presided over by a single arbitrator and conducted by Judicial Arbitration and Mediation Services, Inc. (“JAMS”) in Los Angeles County, California, or as otherwise agreed to by you and the Company, under the then applicable JAMS rules for the resolution of employment disputes (available upon request and also currently available at <http://www.jamsadr.com/rules-employment-arbitration/>). You and the Company both have the right to be represented by legal counsel at any arbitration proceeding, at each party’s own expense. The Arbitrator shall: **(i)** have the authority to compel adequate discovery for the resolution of the dispute; **(ii)** issue a written arbitration decision, to include the arbitrator’s essential findings and conclusions and a statement of the award; and **(iii)** be authorized to award any or all remedies that you or the Company would be entitled to seek in a court of law. The Company shall pay all JAMS arbitration fees.

**11.5. Excluded Claims.** This Arbitration section shall not apply to any action or claim that cannot be subject to mandatory arbitration as a matter of law, including, without limitation, claims brought pursuant to the California Private Attorneys General Act of 2004, as amended, to the extent such claims are not permitted by applicable law to be submitted to mandatory arbitration and such applicable law is not preempted by the Federal Arbitration Act or otherwise invalid (collectively, the “**Excluded Claims**”). In the event you intend to bring multiple claims, including any Excluded Claims, the Excluded Claims may be filed with a court, while any other claims will remain subject to mandatory arbitration.

**11.6. Injunctive Relief and Final Orders.** Nothing in this Section is intended to prevent either you or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any final award in any arbitration proceeding hereunder may be entered as a judgment in the federal and state courts of any competent jurisdiction and enforced accordingly.

**12. General Provisions.** This Agreement, together with the Confidential Information and Inventions Assignment Agreement, constitutes the entire agreement between you and the Company with regard to this subject matter and is the complete, final, and exclusive embodiment of the parties’ agreement with regard to this subject matter. This Agreement is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations (the “**Prior Agreements**”). You agree and acknowledge that you are not eligible for, and will not receive, any compensation, benefits, or severance pursuant to the Prior Agreements. You also agree and acknowledge that there are no circumstances as of the date of this Agreement that constitute, and nothing contemplated in this Agreement or otherwise shall be deemed for any purpose to be or to create, an involuntary termination without Cause or a Good Reason resignation right,

including for purposes of the Prior Agreements, or any other severance or change in control plan, agreement or policy maintained by the Company or its affiliates. This Agreement cannot be modified or amended except in a writing signed by you and a duly authorized officer of the Company. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction to the extent possible in keeping with the intent of the parties. Any waiver of any breach of any provisions of this Agreement must be in writing to be effective, and it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement. This Agreement is intended to bind and inure to the benefit of and be enforceable by you and the Company, and their respective successors, assigns, heirs, executors and administrators. The Company may freely assign this Agreement, without your prior written consent. You may not assign any of your duties hereunder and you may not assign any of your rights hereunder without the written consent of the Company. This Agreement shall become effective as of the Start Date and shall terminate upon your termination of employment with the Company. The obligations as forth under Sections 7, 8, 9, 10, 11, and 12 will survive the termination of this Agreement. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the laws of the State of California.

- 13. Indemnification; D&O Insurance.** The Company shall indemnify and hold you harmless, to the full extent permitted under the Company's charter, bylaws and applicable law (including advances of legal expenses subject to an undertaking to refund in the event that a final determination is entered that you are not eligible for indemnification) relating to or arising out of your employment. You shall at all relevant times be covered as an insured under any director and officer liability insurance. This Section 13 shall survive any termination of this Agreement or termination of your employment.

Accepted and agreed:

Best regards,

**The Honest Company, Inc.**

/s/ Carla Vernón

---

Carla Vernón

Chief Executive Officer

**Accepted and agreed:**

/s/ Curtiss Bruce

---

Curtiss Bruce

Date: 4/18/2025

**Exhibit A**

**Employee Confidential Information and Invention Assignment Agreement**

12.

# THE HONEST COMPANY, INC.

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## CONFIDENTIAL INFORMATION AND INVENTION ASSIGNMENT AGREEMENT

As a condition of my employment with The Honest Company, Inc. (including its subsidiaries, affiliates, successors or assigns) (“the Company”), and in consideration of my employment with the Company and my receipt of the compensation now and hereafter paid to the Employee by Company, I agree to the following provisions of this Confidential Information and Invention Assignment Agreement (“Agreement”):

### 1. CONFIDENTIAL INFORMATION.

(a) Definition; Exclusions. The Employee agrees at all times during the term of employment and thereafter, to hold in strictest confidence, and not to use, except for the benefit of the Company, or to disclose to any person or entity without written authorization of the Board of Directors of the Company, any Confidential Information of the Company. The Employee understands that “Confidential Information” means any Company proprietary information, technical data, trade secrets or know-how, including, but not limited to, research, product plans, products, services, customer lists and customers (including, but not limited to, customers of the Company the Employee called or with whom the Employee became acquainted during the term of employment), vendors and vendor lists, markets, software, developments, inventions, patents, patent applications, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, marketing, finances or other business information disclosed to the Employee by the Company either directly or indirectly in writing, orally or by drawings or observation of parts or equipment intended for use in intrastate as well as interstate or foreign commerce transactions. Notwithstanding the foregoing, Confidential Information shall not include any such information which the Employee can establish (i) was publicly known or made generally available prior to the time of disclosure by Company to the Employee; (ii) becomes publicly known or made generally available after disclosure by Company to the Employee through no wrongful action or omission by the Employee; or (iii) is in my rightful possession, without confidentiality obligations, at the time of disclosure by Company as shown by my then-contemporaneous written records; provided that any combination of individual items of information shall not be deemed to be within any of the foregoing exceptions merely because one or more of the individual items are within such exception, unless the combination as a whole is within such exception. The Employee understands that nothing in this Agreement is intended to limit employees’ rights to discuss the terms, wages, and working conditions of their employment, as protected by applicable law.

(b) Duty to Maintain Confidentiality of Third Party Information. The Employee recognizes that the Company has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company’s part to maintain the confidentiality of such information and to use it only for certain limited purposes. The Employee agrees that his/her obligations under this Agreement apply equally with respect to that information, and as such agrees to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in carrying out the Employee’s work for the Company consistent with the Company’s agreement with such third party.

(c) Confidential and/or Proprietary Information of Others. During employment with the Company, the Employee agrees not to improperly use or disclose any confidential and/or proprietary information or trade secrets of any former or concurrent employer or other person or entity and not bring

onto the premises of the Company any unpublished document or proprietary information belonging to any such employer, person or entity unless consented to in writing by such employer, person or entity.

(d) Notice of Immunity. Notwithstanding the nondisclosure obligations set forth in this Section, pursuant to 18 U.S.C. Section 1833(b), Employee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret: (1) that is made in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (2) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. If Employee files a lawsuit for retaliation by Company for reporting a suspected violation of law, Employee may disclose Company's trade secrets to his or her attorney and use the trade secret information in the court proceeding, provided that Employee files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

## 2. INVENTIONS.

(a) Inventions Retained and Licensed. Attached hereto as Exhibit A, is a list describing all inventions, original works of authorship, discoveries, developments, improvements, and other trade secrets or other proprietary information or intellectual property which were made by the Employee prior to employment with the Company and/or owned by any third-party (collectively referred to as "Prior Inventions"), which belong to the Employee, which relate to the Company's proposed business, products or research and development, and which are not assigned to the Company hereunder; or, if no such list is attached, the Employee represents that there are no such Prior Inventions. The Employee will not incorporate any Prior Inventions into any Inventions without the Company's prior written permission. If, in the course of employment with the Company, the Employee incorporates into a Company product, process, or machine a Prior Invention owned by the Employee or in which the Employee has an interest, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such Prior Invention as part of or in connection with such product, process or machine.

(b) Assignment of Inventions. The Employee agree to promptly make full written disclosure to the Company, to hold in trust for the sole right and benefit of the Company, and hereby irrevocably assign to the Company, or its designee, all right, title and interest in and to any and all inventions, original works of authorship, copyrightable material, notes, records, drawings, designs, logos, developments, concepts, improvements, discoveries, ideas, or trade secrets, whether or not patentable or registrable under copyright or similar laws, conceived, discovered, authored, invented, developed or reduced to practice by the Employee, solely or in collaboration with others, during the period of time the Employee is in the employ of the Company (including during my off-duty hours), or with the use of Company's equipment, supplies, facilities, or Confidential Information, and any copyrights, patents, trade secrets, mask work rights or other intellectual property rights relating to the foregoing, except as provided below (collectively, "Inventions"), as the sole property of the Company, except as provided in subsection (d) below. The Employee agrees that this assignment includes a present conveyance to the Company of ownership of Inventions that are not yet in existence. The Employee further acknowledges that all original works of authorship which are made by the Employee (solely or jointly with others) within the scope of and during the period of employment with the Company and which are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act. The Employee further understands and agrees that the decision whether or not to commercialize or market any Inventions is within the Company's sole discretion and for the Company's sole benefit, and that no

royalty or other consideration will be due to the Employee as a result of the Company's efforts to commercialize or market any such Inventions.

(c) Moral Rights. Any assignment to the Company of Inventions includes all rights of attribution, paternity, integrity, modification, disclosure and withdrawal, and any other rights throughout the world that may be known as or referred to as "moral rights," "artist's rights," "droit moral," or the like (collectively, "Moral Rights"). To the extent that Moral Rights cannot be assigned under applicable law, I hereby waive and agree not to enforce any and all Moral Rights, including, without limitation, any limitation on subsequent modification, to the extent permitted under applicable law.

(d) Exception to Assignments. The Employee understands that the provision(s) of this Agreement requiring assignment of Inventions to the Company do not apply to any invention which qualifies fully under the provisions of California Labor Code Section 2870 (attached hereto as Exhibit B). The Employee shall advise the Company promptly in writing of any inventions that, in the Employee's belief, meets the criteria in California Labor Code Section 2870 and not otherwise disclosed on Exhibit A to permit a determination of ownership by the Company.

(e) Maintenance of Records. The Employee agrees to keep and maintain adequate and current written records of all Inventions made by the Employee (solely or jointly with others) during the term of his or her employment with the Company. The records will be in the form of notes, sketches, drawings and any other format that may be specified by the Company. The records will be available to and remain the sole property of the Company at all times.

(f) Patent and Copyright Registrations. The Employee agrees to assist the Company, or its designee, at the Company's expense, in every proper way to secure the Company's rights in the Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, including the disclosure of the Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which the Company shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to the Company, its successors, assigns and nominees the sole and exclusive rights, title and interest in and to such Inventions, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. The Employee further agrees that any obligation to execute or cause to be executed, when it is in the Employee's power to do so, any such instrument or papers shall continue after the termination of this Agreement. If the Company is unable because of the Employee's mental or physical incapacity or for any other reason to secure a signature to apply for or to pursue any application of any United States or foreign patents or copyright registrations covering Inventions or original works of authorship assigned to the Company as above, then the Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as the Employee's agent and attorney in fact, to act for and in behalf of the Employee to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by the Employee.

(g) Further Assurances. I agree to assist the Company, or its designee, at the Company's expense, in every proper way to secure the Company's rights in the Inventions in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments, and all other instruments that the Company shall deem proper or necessary in order to apply for, register, obtain, maintain, defend, and enforce such rights, and in order to deliver, assign and convey to the Company, its successors, assigns, and nominees the sole and exclusive rights, title, and interest in and to all Inventions, and testifying in a suit or other proceeding relating to such Inventions. I further agree that my obligations under this Section shall continue after the termination of this Agreement.

(h) Attorney-in-Fact. I agree that, if the Company is unable because of my unavailability, mental or physical incapacity, or for any other reason to secure my signature with respect to any Inventions, including, without limitation, for the purpose of applying for or pursuing any application for any United States or foreign patents or mask work or copyright registrations covering the Inventions assigned to the Company herein, then I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney-in-fact, to act for and on my behalf to execute and file any papers and oaths, and to do all other lawfully permitted acts with respect to such Inventions to further the prosecution and issuance of patents, copyright and mask work registrations with the same legal force and effect as if executed by me. This power of attorney shall be deemed coupled with an interest, and shall be irrevocable.

### **3. CONFLICTING EMPLOYMENT.**

The Employee agrees that, during the term of employment with the Company, the Employee will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company is now involved or becomes involved during the term of his or her employment, nor will the Employee engage in any other activities that conflict with the Employee's obligations to the Company.

### **4. REPRESENTATIONS.**

The Employee shall execute any proper oath or verify any proper document required to carry out the terms of this Agreement. The Employee represents that the performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary information acquired by the Employee in confidence or in trust prior to employment by the Company. The Employee further agrees that if the Employee has signed a confidentiality agreement or similar type of agreement with any former employer or other entity, the Employee will comply with the terms of any such agreement to the extent that its terms are lawful under applicable law. The Employee represents and warrants that after undertaking a careful search (including searches of computers, cell phones, electronic devices, and documents), the Employee has returned all property and confidential information belonging to all prior employers (and/or other third parties the Employee has performed services for in accordance with the terms of an applicable agreement). The Employee has not entered into, and shall not enter into, any oral or written agreement in conflict herewith. Moreover, the Employee agrees to fully indemnify the Company, its directors, officers, agents, employees, investors, shareholders, administrators, affiliates, divisions, subsidiaries, predecessor and successor corporations, and assigns for all verdicts, judgments, settlements, and other losses incurred by any of them resulting from any breach of the Employee's obligations under any agreement with a former employer or its contracted third parties to which the

Employee is a party or obligation to which the Employee is bound, as well as any reasonable attorneys' fees and costs if the plaintiff is the prevailing party in such an action, except as prohibited by law.

#### **5. NOTIFICATION OF NEW EMPLOYER.**

In the event that the Employee leaves the employ of the Company, the Employee hereby grants consent to notification by the Company to the new employer about any rights and obligations under this Agreement.

#### **6. RESERVED.**

#### **7. RETURNING COMPANY PROPERTY.**

The Employee agrees that, at the time of leaving the employ of the Company, the Employee will deliver to the Company (and will not keep in his or her possession, recreate or deliver to anyone else) any and all devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property or reproductions of any aforementioned items developed by the Employee pursuant to such employment with the Company or otherwise belonging to the Company, its successors or assigns.

#### **8. GENERAL PROVISIONS.**

(a) Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by the Parties, and their respective successors, assigns, heirs, executors and administrators; provided, that neither Party may assign any duties or her rights hereunder without the written consent of the other Party, which consent shall not be withheld unreasonably. Notwithstanding the foregoing, the Company may assign this Agreement without consent to (a) any of its affiliates or (b) the surviving entity in the event of a merger or acquisition or sale of substantially all of the assets of the Company.

(b) Waiver and Amendment. Neither Party may waive any of the terms or conditions of this Agreement, nor may this Agreement be amended or modified, except by writing duly signed by both Parties and referring to the specific provision to be waived, amended or modified.

(c) Entire Agreement. This Agreement constitutes the entire agreement with respect to the subject matter hereof, and supersedes all other prior agreements (including but not limited to any prior Employment, Confidential Information, and Assignment of Inventions Agreement) and understandings, both written and oral, among the Parties hereto and their affiliates.

(d) Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

(e) Captions. The Section and Paragraph captions herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof.

(f) Governing Law. This Agreement shall be governed by the laws of the State of California, without regard to its conflicts of law provisions.

(g) No Representations. Neither Party has relied upon any representations or statements made by the other Party hereto which are not specifically set forth in this Agreement.

(h) Counterparts/Electronic Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. For purposes of this Agreement, use of a facsimile, e-mail or other electronic medium shall have the same force and effect as an original signature.

*[Remainder of Page Intentionally Left Blank]*

**IN WITNESS WHEREOF**, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first written above.

**THE HONEST COMPANY, INC.**

By: /s/ Brendan Sheehey \_\_\_\_\_  
Brendan Sheehey  
SVP, General Counsel

**EMPLOYEE**

/s/ Curtiss Bruce \_\_\_\_\_  
Signature  
Curtiss Bruce \_\_\_\_\_  
Printed Name  
4/18/2025 \_\_\_\_\_  
Date

Signature Page to Employment, Confidential Information and  
Assignment of Inventions Agreement

**LIST OF PRIOR INVENTIONS AND ORIGINAL WORKS OF AUTHORSHIP**

Title	Date	Identifying Number or Brief Description

I have no inventions or improvements to list. \_\_\_\_\_  
(Initials)

I have attached \_\_\_\_\_ additional sheets to this Exhibit A. \_\_\_\_  
(Initials)

Date: \_\_\_\_\_

\_\_\_\_\_  
Employee Name

**CALIFORNIA LABOR CODE SECTION 2870**  
**EMPLOYMENT AGREEMENTS; ASSIGNMENT OF RIGHTS**

- (a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:
  - (1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer.
  - (2) Result from any work performed by the employee for the employer.
- (b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable."

**CERTIFICATION**

I, Carla Vernón, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Honest Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2025

By:           /s/ Carla Vernón          

Carla Vernón  
Chief Executive Officer and Director  
*(Principal Executive Officer)*

**CERTIFICATION**

I, David Loretta, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Honest Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2025

By: /s/ David Loretta

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David Loretta  
Executive Vice President, Chief Financial Officer  
*(Principal Financial Officer and Accounting Officer)*



