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Earnings Call

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Presentation

Operator

Ladies and gentlemen, thank you for standing by. Good day, and welcome to the WD-40 Company Fourth Quarter and Full Fiscal Year 2025 Earnings Conference Call. Today's call is being recorded. [Operator Instructions].

I would like to turn the presentation over to our host for today's call, Wendy Kelley, Vice President, Stakeholder and Investor Engagement. Please proceed.

Wendy D. Kelley
Director of Investor Relations & Corporate Communications

Thank you. Good afternoon, and thanks to everyone for joining us today. On our call today are WD-40 Company's President and Chief Executive Officer, Steve Brass; and Vice President and Chief Financial Officer, Sara Hyzer. In addition to the financial information presented on today's call, we encourage investors to review our earnings presentation, earnings press release and Form 10-K for the period ending August 31, 2025. These documents will be made available on our Investor Relations website at investor.wd40company.com. A replay and transcript of today's call will also be made available shortly after this call. On today's call, we will discuss certain non-GAAP measures. The descriptions and reconciliations of these non-GAAP measures are available in our SEC filings as well as the earnings documents posted on our Investor Relations website.

As a reminder, today's call includes forward-looking statements about our expectations for the company's future performance. Actual results could differ materially. The company's expectations, beliefs and projections are expressed in good faith, but there can be no assurance that they will be achieved or accomplished. Please refer to the risk factors detailed in our SEC filings for further discussion. Finally, for anyone listening to a webcast replay or reviewing a written transcript of this call, please note that all information presented is current only as of today's date, October 22, 2025. The company disclaims any duty or obligation to update any forward-looking information as a result of new information, future events or otherwise. With that, I'd now like to turn the call over to Steve.

Steven A. Brass
CEO, President & Director

Thank you, Wendy, and thanks to all of you for joining us this afternoon. Fiscal year 2025 was marked by complexity and resilience, a tale of navigating global headwinds while making strategic progress. Despite challenges ranging from geopolitical tensions to shifting economic policies, WD-40 Company seized opportunities and continue to build on the strong foundation that has supported our success for more than 72 years. Today, I'll start with an overview of our sales results for the fourth quarter and full fiscal year 2025 and then provide an update on the progress we've made against our 4x 4 strategic framework. Then Sara will dive deeper into our financial performance, review our business model, give an update on the divestiture of our Home Care and cleaning businesses and share our outlook for fiscal year 2026.

After that, we'll open the floor for your questions. Today, we reported consolidated net sales of $163 million for the fourth quarter and $620 million for the full fiscal year. Each reflecting approximately 5% growth compared to the prior year. This performance represented a record quarter for the company and underscores the continued strength of our brand and the resilience of our business. As you know, maintenance products remain our primary strategic focus, accounting for approximately 95% of total net sales in both the fourth quarter and the full fiscal year. Net sales for these products reached $156 million. Sales in the Americas, which includes the United States, Latin America and Canada, decreased 2% or $1.7 million to $77 million compared to last year.

In reported currency, sales of maintenance products decreased 2% or $1.2 million to $74 million compared to last year. The decline was primarily driven by lower sales in Latin America, influenced by the impacts of foreign currency exchange fluctuations, the timing of customer orders and broader

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macroeconomic challenges, especially in Mexico. Sales of maintenance products in the United States and Canada were also down slightly, primarily due to the timing of customer orders and in Canada, broader macroeconomic challenges. In the Americas, sales of WD-40 Specialist remained constant compared to the same period last year.

Homecare and cleaning product sales declined $600,000 compared to last year, reflecting our strategic shift toward higher-margin maintenance products in alignment with our 4x4 strategic framework. In total, our Americas segment made up 47% of our global business in the fourth quarter. For the full fiscal year, maintenance product sales in the Americas totaled $277 million, reflecting a 4% increase compared to the prior year. Although this growth was slightly below our long-term target of 5% to 8% annual growth for the region, we remain confident in the Trade Blocks long-term growth potential. Now let's take a look at sales in EMEA, which includes Europe, India, the Middle East and Africa. Total sales grew 7% or $4.1 million to $63 million compared to last year. After adjusting for the impact of foreign currency translation, EMEA net sales were unchanged from the same quarter last year.

In reported currency, sales of maintenance products increased 8% or $4.6 million to $60.7 million compared to last year. The strong growth was driven most significantly by higher sales volumes of WD-40 Multi-Use product in our direct markets. Sales increased most significantly in DACH, France and Benelux, which were up 20%, 19% and 23%, respectively. Strong sales in our direct markets were offset by softer performance in our EMEA distributor markets, driven by the timing of customer orders and ongoing instability in certain regions. In EMEA, sales of WD-40 Specialist increased 18% compared to last year, driven primarily by increased demand and higher volumes across several direct markets, especially in DACH and France, where targeted promotional activity with key customers proved highly effective.

Home Care and cleaning product sales declined approximately $500,000 compared to the same period last year. In the fourth quarter, we completed the divestiture of our U.K. home care and cleaning product businesses to Supreme Imports Limited. This strategic move allows us to sharpen our focus on higher growth, higher-margin maintenance products and reinforces our commitment to growing the blue and yellow brand with a little red top. In total, our EMEA segment made up 38% of our global business in the fourth quarter. For the full fiscal year, maintenance product sales in EMEA totaled $230 million, a 9% increase compared to the prior year. This growth aligns with our long-term target of 8% to 11% annual growth.

Now turning to Asia Pacific. Sales in Asia Pacific, which includes Australia, China and other countries in the Asia region, grew 28% or $5.1 million to $23 million compared to last year. Foreign currency translation had no material impact on our fourth quarter results. Sales of maintenance products increased 30% or $4.8 million to $21 million compared to last year. This growth was primarily driven by a 44% increase in sales of WD-40 Multi-Use Products in our Asia distributor markets, where we saw strong demand across nearly all countries, particularly in Indonesia, Malaysia, Singapore and the Philippines, fueled by geographic expansion, broader distribution and the timing of customer orders.

Sales of maintenance products also grew in Australia and China, increasing by 12% and 6%, respectively, compared to the same period last year. In Asia Pacific, sales of WD-40 Specialist increased 38% compared to last year due to higher sales volume from successful promotions and marketing efforts in our Asia distributor markets in China. Sales of home care and cleaning products, our no vac carpet cleaners and solvent hand cleaners sold in Australia increased 15% or approximately $300,000 compared to the same period last year. Our Home Care portfolio in Australia benefits from strong brand recognition, a solid competitive position and meaningful growth opportunities. In total, our Asia Pacific segment made up 15% of our global business in the fourth quarter. For the full fiscal year, maintenance product sales in Asia Pacific totaled $84 million, a 6% increase compared to the prior year.

While this growth falls short of our long-term target of 10% to 13% annual growth for the region, we remain confident in the strong fundamentals of this high-growth trade block. Now let's take a look at the strategic progress we made in fiscal year 2025 against our 4x4 strategic framework. As you recall, this framework was designed to drive profitable growth and sustainable value creation and is built around our 4 must-win battles and 4 strategic enablers. Our must-win battles focus on what we do to increase sales and profitability and [indiscernible] our long-term growth drivers will focus on full year results. Starting

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with Must-Win Battle #1, the geographic expansion. Global sales of WD-40 Multi-Use Products in fiscal year '25 were $478 million, representing growth of 6% over the prior year.

We experienced solid sales of our Signature Multi-Use Product brand in all 3 trade blocks with 8% growth in EMEA, 4% growth in the Americas and 6% growth in Asia Pacific. We saw solid sales growth this year, 12% in Latin America, 10% in China, 14% in France and 20% in India. But what's most important to emphasize is that we still have significant room to grow. Geographic expansion is our most significant long-term growth opportunity. Over the last 5 years, we've achieved a compound annual growth rate for net sales of WD-40 Multi-Use Product of 9.4%. Our path forward is clear. We're expanding availability across more channels and geographies while deepening product penetration by increasing brand awareness through sampling and putting more cans in the hands of end users around the world.

We estimate the global attainable market for WD-40 Multi-Use Product to be approximately $1.9 billion, based on our updated benchmark sales potential. And to date, we've achieved only 25% of our benchmark growth potential, leaving a growth opportunity of approximately $1.4 billion. Our second must-win battle is accelerating premiumization. Innovation is at the core of this strategy. We develop products like Smart Straw and EZ Reach with our end users at the center of every decision. Their needs drive our product development efforts, enabling us to deliver high-performance solutions that solve real-world problems. This end user-focused innovation fosters brand loyalty and contributes to gross margin expansion and differentiated offerings. In fiscal year '25, global sales of Smart Straw and EZ Reach when combined were up 7% over the prior year.

Premiumized products currently account for approximately 50% of WD-40 Multi-Use product sales and 40% of units sold, leaving considerable room for continued growth. Over the last 5 years, we've achieved a compound annual growth rate for net sales of premiumized products of 9.4%. On a go-forward basis, we'll be targeting a compound annual growth rate for net sales of premium format products of greater than 10%. Our third must-win battle is to drive growth in WD-40 Specialist. This product line is a strategic extension of our trusted core brand designed to meet the evolving needs of professionals and industrial users. When we introduced WD-40 Specialist alongside WD-40 Multi-Use Products, we're not just adding variety, we're strengthening our brand, capturing new segments and offering end users more choice without diluting what makes our core brand iconic.

By leveraging the strength of the WD-40 brand, we're driving category leadership and expanding market share in adjacent segments. In fiscal year '25, global sales of WD-40 Specialist products were $82 million, up 11% over the prior year. Once again, we saw growth of WD-40 Specialist products across all 3 trade blocks with growth of 6% in the Americas, 15% in EMEA and 12% in Asia Pacific. Over the last 5 years, we've achieved a compound annual growth rate for net sales of WD-40 Specialist of 14.4%. On a go-forward basis, we'll be targeting a compound annual growth rate for net sales of WD-40 Specialist of greater than 10%. The WD-40 Specialist has matured and its market base has expanded, we've recalibrated our long-term growth expectations to reflect the product line's evolution within its life cycle.

We estimate the global attainable market for WD-40 Specialist to be approximately $665 million based on our updated benchmark sales potential. And to date, we've achieved only 12% of our benchmark growth potential, leaving a growth opportunity of approximately $583 million. Our Source and find the Must-Win Battle is to accelerate digital commerce. Our digital commerce strategy is a catalyst for growth across the business, not merely a channel to online sales. It plays a vital role in advancing each of our must-win battles by increasing brand visibility, improving accessibility and driving deeper engagement with end users across global markets. In fiscal year '25, e-commerce sales increased 10%, reflecting strong momentum in our digital strategy.

But digital is more than a transactional platform, it's a powerful engine for brand building and education. For example, the digital space serves as a dynamic environment for product discovery. It allows us to showcase new applications for our products while fostering peer-to-peer learning. Many of these insights originate from our end users themselves who continually uncover innovative ways to use our products, often in ways we hadn't imagined. By leveraging digital touch points, we're deepening engagement, enhancing product understanding and strengthening brand affinity across the globe. Turning to the

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second element of our 4x4 strategic framework, our strategic enablers. Our strategic enablers focus on operational excellence, and they collectively underpin and drive the success of our must-win battles.

Strategic enabler #1 is ensuring a people-first mindset. At WD-40 Company, our most powerful competitive advantage is the commitment of our 714 employees. We've long said we're a purpose-driven values-guided organization, and that's not just a tagline. Our values are the foundation of our culture. They shape how we lead, how we collaborate and how we make decisions every day. In our February 2025 global engagement survey, 94% of our people reported being engaged in their work, more than 4x Gallup's global average of 21%. 90% said they feel a strong sense of belonging and 95% expressed pride in our purpose, mission and values. This deep connection to who we are and what we stand for translates directly into growth and opportunity. Nearly 40% of our people experienced career progression within their first 5 years of the company.

To our employees, thank you for consistently showing what it means to live our purpose, to create positive lasting memories in everything you do. What our investors and stakeholders see in our performance is a direct reflection of your commitment to doing meaningful work the right way. Strategic enabler #2 is to build an enduring business for the future. A WD-40 company, long-term value creation means operating with a clear commitment to balancing economic growth, environmental responsibility and social impact. One of our primary objectives under this strategic enabler is to lead our category with high-performing products designed for environmental sustainability. I'm excited to share that in the upcoming fiscal year, we'll introduce a new innovation under the WD-40 Specialist product line, which will be our first bio-based format of our multi-use product.

Our latest maintenance product is designed to reduce our environmental impact and to have a reduced carbon footprint, utilizing ISO standard 14067 while still delivering the trusted performance expected from WD-40 brand products. The product will launch in select European markets later this fiscal year, and we look forward to sharing updates with you in the quarters ahead. Strategic enabler #3 is achieving operational excellence in our supply chain. Profitable growth at WD-40 Company depends on the supply chain that is optimized, high-performing and resilient. In fiscal year '25, the strategic enabler played a vital role in protecting gross margins. We delivered several million dollars in economic value through cost reduction initiatives such as packaging enhancements, logistics efficiencies and strategic sourcing.

These efforts helped to offset the financial impact of tariffs, underscoring the importance of this enabler. Operationally, in fiscal year 2025, we achieved global on-time delivery of 96.4%, above our current target and also inventory levels of 99 days on hand, coming closer to our target of 90 days. Strategic enabler #4 is to drive productivity through enhanced systems. At WD-40 Company, technology is a key enabler of productivity and resilience. We're building a scalable digital infrastructure designed to support global growth and enhance operational agility, accelerating our strategic execution. By partnering with leading technology companies, we're investing in proven AI-enabled systems such as D365 and Salesforce that we believe will drive future gains in productivity.

While we are taking a pragmatic approach to adopting AI across our organization, we've already identified several promising use cases that will help us to boost employee productivity, build our brand more effectively around the world and accelerate learning and improve collaboration within our global community. With that, I'll now turn the call over to Sara.

Sara K. Hyzer
VP of Finance, Treasurer, CFO & Principal Accounting Officer

Thanks, Steve, for that overview of our sales results and strategic framework. I'm pleased to share that we delivered a strong fourth quarter performance, culminating in an excellent bottom line finish to fiscal year 2025. Today, I'll walk through how we performed against our fiscal year 2025 guidance. share insights into our business model and highlight key takeaways from our fourth quarter financial results. I'll also provide an update on the divestiture of our home care and cleaning business in the U.K. and close with our outlook for fiscal year 2026. Let's start with a discussion about how we performed against our fiscal year 2025 guidance. As a reminder, we issued our guidance in fiscal year 2025 on a pro forma basis.

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I encourage investors to review our earnings presentation, which includes a pro forma view. Since we issued our fiscal year 2025 guidance on a pro forma basis, I will provide the following summary on the non-GAAP pro forma basis. We expect the net sales growth adjusted for currency to be between 6% and 9%, with net sales of between $600 million and $620 million over our pro forma 2024 results. Today, we reported pro forma net sales adjusted for currency of $603 million, a 6% increase over the 2024 pro forma results. If we include the assets held for sale, consolidated net sales adjusted for currency were $622 million in fiscal year 2025. We expected full year gross margin to be in the range of 55% to 56%.

Today, we reported gross margin of 55.6%, in line with our expectations. We expected our advertising and promotion investment to be around 6% of net sales. Today, we reported an A&P investment of 6%. We expected operating income to be between $96 million and $101 million. Today, we reported operating income of $98.1 million, in line with our expectations. We expected diluted EPS of between $5.30 and $5.60. Today, we reported diluted EPS of $5.50, in line with our expectations. I'm pleased with the resilience and performance of our business in what has been a volatile and uncertain environment. Throughout fiscal year 2025, we navigated a range of challenges from tariffs and macroeconomic instability to geopolitical tensions and shifting policy landscapes.

Despite these headwinds, we grew our top line, expanded margins and delivered solid bottom line growth. Thank you to all our employees for their focus, adaptability and commitment to delivering meaningful results for our stakeholders. Let's start with a look at our business model. Our business model is a strategic tool we use to guide our business. The model is built around 3 core areas: gross margin, cost of doing business and adjusted EBITDA. Let's look at our fourth quarter gross margin performance. In the fourth quarter, our gross margin was 54.7% compared to 54.1% last year, which represents an improvement of 60 basis points and was most significantly impacted by the following favorable factors.

110 basis points from lower specialty chemical costs, 110 basis points from higher average selling prices, including the impact of premiumization and 60 basis points from lower input costs. Offsetting those benefits to gross margin were a few unfavorable factors, 140 basis points from unfavorable sales mix and other miscellaneous mix impacts and 60 basis points from higher warehousing, distribution and freight costs, primarily in the Americas. I am happy to share that gross margin performance this quarter was strong across all 3 trade blocks with results either exceeding our stated target or showing year-over-year improvement. In the Americas, gross margin increased by 70 basis points compared to the prior year fourth quarter, reaching 53.2%. EMEA held steady at 55.5%, remaining above our target.

And in Asia Pacific, gross margin increased by 110 basis points compared to the prior year fourth quarter, reaching 57.5%. For the full fiscal year, gross margin was 55.1% compared to 53.4% last year, which represents an improvement of 170 basis points. As Steve mentioned earlier, we're very encouraged by the consistent improvement to gross margin we've seen over the past 3 years. Today, we're proud to report full fiscal year gross margin over the high end of our targeted range of 50% to 55%, recovering our gross margin a year ahead of schedule and marking a significant milestone in our recovery journey. It's important for stakeholders to understand that while certain external risks such as cost volatility, tariff uncertainty and inflationary pressures will always be part of the operating environment, we're actively pursuing a range of initiatives designed to help us mitigate those risks and strengthen gross margin over time.

These include supply chain cost reduction projects, cost optimization efforts, progress on asset divestitures, new product introductions, premiumization strategies and geographic expansion. Each of these levers contributes positively to gross margin and reinforces our confidence in its long-term potential. Backed by our current performance and strategic initiatives, we're confident in our ability to sustain gross margin above 55% in fiscal year 2026. In addition, gross margin enhancement remains a key priority for senior leaders who continue to be incentivized to drive further improvement.

Now turning to our cost of doing business, which we define as total operating expenses less adjustments for certain noncash expenses. Our cost of doing business is primarily driven by 3 key areas: strategic investments in our people, global brand building efforts and freight expenses associated with delivering products to our customers. In the fourth quarter, our cost of doing business was 36% compared to 38% in the prior year quarter. In dollar terms, our cost of doing business remained relatively stable period-over-

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period. For the full fiscal year, cost of doing business was 37% compared to 36% last year. In dollar terms, our cost of doing business increased $19 million or 9% period-over-period.

In the fourth quarter, advertising and promotion expenses increased $1.6 million or 15% period-over-period. As a percentage of net sales, A&P investment was 7.6% this quarter compared to 7% in the same period last year. The phasing of our A&P investments are not evenly distributed over the course of the year. And in recent years, our brand building activities have been more heavily weighted in the second half of the year. For the full fiscal year, our A&P investment remained within our annual expectations. While our long-term goal is to manage cost of doing business within the 30% to 35% range, we continue to make thoughtful strategic investments to support long-term growth. WD-40 Company has long been committed to operating with discipline and efficiency, a commitment reflected in our ability to manage the business with just 714 employees, each generating approximately $860,000 in revenue.

This level of productivity speaks volume about the strength of our culture, the effectiveness of our operating model, the awareness of our brand and the value we deliver across our global footprint. What continues to evolve is our need to operate as a global business in an increasingly complex and uncertain environment. To reduce risk and drive top line growth, we've implemented a number of structural changes in recent years to strengthen and sustain our business for the future. We're investing with discipline across technology, sustainability, innovation, research and development, legal risk management, brand building to strengthen our foundation, build brand awareness and ensure long-term resilience and growth.

We also need time to absorb the loss of revenues associated with the home care and cleaning divestitures. These investments have pushed our cost of doing business above our target range. However, we believe they've strengthened the business, enhanced its resilience and positioned us to deliver sustainable long-term value to our stakeholders. Turning now to adjusted EBITDA margin. We believe adjusted EBITDA as a percentage of sales is a valuable metric for assessing both profitability and operational efficiency. It reflects our operating performance and cash-generating ability, providing the clearest view of our company's underlying financial health. Our 25% target for adjusted EBITDA margin is a long-term aspiration. However, we continue to believe we can move adjusted EBITDA margin back to our midterm target range of 20% to 22% once we have absorbed the loss of revenues associated with the home care and cleaning divestitures.

In the fourth quarter, our adjusted EBITDA was $30.5 million, up 16% from the same period last year. Our adjusted EBITDA margin this quarter was 18% compared to 17% in the same period last year. For the full fiscal year, our adjusted EBITDA was $114.4 million, up 8% from the same period last year. Adjusted EBITDA margin this year was 18%, which is the same as last year. Now let's turn to other key measures of our financial performance, operating income, net income and earnings per share in the fourth quarter. Operating income improved to $28 million in the fourth quarter, an increase of 17% over the prior period. Net income improved to $21.2 million in the fourth quarter, an increase of 27% compared to the prior period. Diluted earnings per common share for the quarter were $1.56 compared to $1.23 in the prior period, reflecting an increase of 27% over the prior period.

Our diluted EPS reflects 13.6 million weighted average shares outstanding. Now let's review our balance sheet and capital allocation strategy. We maintain a strong financial position and healthy liquidity, enabling a disciplined capital allocation approach that both fuels long-term growth and generate significant value for our stockholders. Maintaining a disciplined and balanced capital allocation approach remains a priority for us. For the foreseeable future, we expect CapEx of between 1% and 2% of sales per fiscal year, which is in line with our asset-light strategy. Our cash flow from operations this quarter was $30 million, and we elected to use approximately $9.5 million of that cash to pay down a portion of our short-term higher interest rate borrowings.

Although our usual target for debt to adjusted EBITDA is 1 to 2x, we are currently slightly below that range. This provides us with strategic flexibility as we explore opportunities to return capital to stockholders and drive long-term growth. We continue to return capital to our stockholders through regular dividends and buybacks. Annual dividends will continue to be our priority and are targeted at greater than 50% of earnings. On October 9, our Board of Directors approved a quarterly cash dividend of $0.94 per share. During fiscal year 2025, we repurchased approximately 50,000 shares of stock at a

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total cost of $12.3 million under our share repurchase plan. We have approximately $30 million remaining under our current repurchase plan, which is set to expire at the end of this fiscal year.

Looking ahead, we intend to accelerate our buyback activity and fully utilize the remaining authorization, underscoring our strong conviction in the long-term fundamentals of the business. We're focused on accretive capital returns that reflect our confidence in the long-term value of our stock. In fiscal year 2025, excluding the positive impact of the onetime noncash income tax adjustment, our return on invested capital was 26.9%, improving from 25.5% last fiscal year and ahead of our target of 25%. In September, we announced the sale of our 1001 and 1001 Carpet Fresh brands in the U.K. to Supreme Imports Limited, a Manchester-based consumer products company.

The all-cash transaction valued at up to $7.5 million was completed in the fourth quarter of fiscal year 2025. WD-40 Company is providing limited transition services for up to 3 months. This divestiture reflects our continued focus on optimizing our portfolio and directing resources toward areas that drive long-term value. We continue to make progress on the sale of our Americas home care and cleaning product brands. Our investment base continues active discussions with multiple potential buyers. Although there is no certainty of a deal, we remain optimistic, and I will provide further updates as appropriate. Now moving to FY '26 guidance. Given the anticipated divestiture of our Americas Home Care and Cleaning brands, we are continuing to present this year's guidance on a pro forma basis, excluding the financial impact of the assets held for sale.

We're also providing a pro forma view of fiscal year 2025, excluding the brands we divested in the U.K. in the fourth quarter, the brands currently held for sale and the impact of the onetime tax benefit recorded in the second quarter to help with modeling and period-over-period comparisons. Please refer to our fourth quarter and full year earnings presentation on our Investor Relations website for those details. Now with that backdrop, let's take a closer look at our guidance for fiscal year 2026. We're excited about what lies ahead in fiscal year 2026. By balancing strong performance today with thoughtful investments for tomorrow, we're building a foundation for lasting growth and long-term value creation.

For fiscal year 2026, we expect net sales growth from the pro forma 2025 results is projected to be between 5% and 9%, with net sales between $630 million and $655 million after adjusting for foreign currency impacts. Gross margin is expected to be between 55.5% and 56.5%. Advertising and promotion investment is projected to be around 6% of net sales. Operating income is expected to be between $103 million and $110 million, representing growth of between 5% and 12% from the pro forma 2025 results. The provision for income tax is expected to be between 22.5% and 23.5%. And diluted earnings per share is expected to be between $5.75 and $6.15, which is based on an estimated 13.4 million weighted average shares outstanding. This range represents growth of between 5% and 12% over the pro forma 2025 results.

This guidance assumes no major changes to the current economic environment. Unanticipated inflationary headwinds and other unforeseen events may affect our view of fiscal year 2026. In the event we are unsuccessful in the divestiture of the Americas Home Care and Cleaning brands, our guidance would be positively impacted by approximately $12.5 million in net sales, $3.6 million in operating income and $0.20 in diluted EPS on a full year basis. That completes the financial overview. Now I would like to turn the call back to Steve.

Steven A. Brass
CEO, President & Director

Thank you, Sara, for that update. As we close another fiscal year at WD-40 Company, I'm reminded how fortunate we are to lead such a remarkable business. We have a world-class brand with a sustainable competitive advantage, a highly diversified global footprint and a long runway for growth. Our capital-light efficient business model generates significant cash, providing a strong financial foundation that allows us to invest in growing our brands and accelerate the development of our future leaders while continuing to prioritize returning capital to our investors.

As if that's not enough, what did you hear from us on this call? You heard that we reported currency adjusted pro forma net sales of $603 million, a 6% increase over FY '24 results and right in line with our

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expectations. You heard that sales of our maintenance products were up 6% in both the fourth quarter and fiscal year and that this performance aligns with our long-term growth target. You heard that we estimate the benchmark sales opportunity for WD-40 Multi-Use Product to be approximately $1.9 billion and that we have achieved only 25% of that benchmark opportunity. You heard that we estimate the benchmark sales opportunity for WD-40 Specialist to be approximately $665 million, and now we've achieved only 12% of that benchmark opportunity.

You heard that we sold our U.K. home care and cleaning product brands. You heard that the full fiscal year, we delivered a gross margin of 55.1% or 55.6% if we remove the financial impact of the assets held for sale. You heard that for the fourth quarter, we delivered a gross margin of 54.7%, an impressive 730 basis point improvement from the fourth quarter of fiscal year 2021. You heard that supported by current performance and our strategic initiatives, we believe we're well positioned to target a gross margin of above 55% in FY '26. You heard that by looking ahead to fiscal year '26, we intend to accelerate our buyback activity and fully utilize the remaining authorization, underscoring our strong conviction in the long-term fundamentals of the business. And you heard that we're issuing guidance for fiscal year '26 on a pro forma basis, excluding the brands we expect to divest this year. Thank you for joining our call today. We'd now be pleased to answer your questions.

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Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Daniel Rizzo from Jefferies.

Daniel Rizzo
Jefferies LLC, Research Division

I just need a clarification. So when you guys gave your initial guidance last year, that excluded the home care sales, same thing as this year. But when you report it throughout the year, you reported including the Home Care sales, is that correct?

Sara K. Hyzer
VP of Finance, Treasurer, CFO & Principal Accounting Officer

Daniel, yes. So in the press release and in the 10-Q, you'll see those include them, obviously, because those are reported on a GAAP basis or a U.S. GAAP basis. In the investor deck on every quarter, we showed a pro forma view so that you could back out those sales, although you can easily see those sales in our footnotes because we do break out the HCCP sales in both the Americas and the EMEA regions, but the pro forma view went a step further to take you all the way down in the P&L, so you could actually see the impact down to EPS.

Daniel Rizzo
Jefferies LLC, Research Division

Okay. So I'm looking at pro forma was $5.50 EPS in '25, right?

Sara K. Hyzer
VP of Finance, Treasurer, CFO & Principal Accounting Officer

That's correct.

Daniel Rizzo
Jefferies LLC, Research Division

All right. Sorry. I just wanted a clarification on that. So then you mentioned I said kind of a mix headwind. I was wondering if you could provide color on that. I mean I assume the premiumization is kind of a mixed tailwind, but I was wondering what's kind of countering that, that you pointed out on the gross margin.

Sara K. Hyzer
VP of Finance, Treasurer, CFO & Principal Accounting Officer

On the gross margin from a tailwind for the year?

Daniel Rizzo
Jefferies LLC, Research Division

Well, you said there was a mix headwind and other things. I was wondering what you were referring to.

Sara K. Hyzer
VP of Finance, Treasurer, CFO & Principal Accounting Officer

I think the mix, what I -- so maybe it wasn't clear. The mix is a sales mix and other miscellaneous sales or other miscellaneous mix impact. So yes, so the premiumization, if you look at it for the full year, Actually, it's more for the quarter, the impact for the quarter, the sales mix and other miscellaneous mix impacts had a headwind of up about 140 basis points.

Daniel Rizzo
Jefferies LLC, Research Division

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I'm sorry, just looking what exactly that is? Is that like -- is that -- I mean, just going distributor versus direct or.

Sara K. Hyzer
VP of Finance, Treasurer, CFO & Principal Accounting Officer

It's a mix -- so yes, it's a mix of both how the markets play out, so direct and distributors, but then it is also a mix of products. So premiumization into that, but also bulk and specialist and [MOP]. It's just a general product sales mix in addition to the market mix.

Daniel Rizzo
Jefferies LLC, Research Division

Okay. And then my final question. With premiumization, that's doing fairly well with the multiuse product. I wonder if a premiumization like an EZ reach straw or something like that would be applied to like the specialist product line. Is that something that's being considered? Or we kind of far from that? Or how we should think about it?

Steven A. Brass
CEO, President & Director

Daniel, it's Steve. And so specialist, the specialist -- the whole specialist line sells at a higher gross margin as well. So effectively, that is a premium. Every can of WD-40 specialist we sell is margin accretive. And so that is a separate form of premiumization. Having said that, we already in several countries around the world, we've also launched particularly the EZ Reach delivery system on things like our penetrant product, which we have in the U.S., 1 or 2 other countries around the world. And so -- and certainly, Smart Straw, we leverage as part of our specialist premiumization strategy. So yes, it applies to both the core product and to specialists as well, Daniel.

Operator

Your next question comes from the line of Keegan Cox from DA Davidson.

Unknown Analyst

Keegan on for Mike Baker today. I just wanted to ask if you could give any color or thoughts on potential gross margin headwinds and tailwinds that you're expecting within your 2026 guidance?

Sara K. Hyzer
VP of Finance, Treasurer, CFO & Principal Accounting Officer

Keegan, this is Sara. So yes, I would say in our guidance, we have built in both headwinds and tailwinds. We are seeing stability from a cost input standpoint. And when you look at what we've built into our gross margin guidance, if oil stays at the levels that they're at right now, that could be a small tailwind for us as we've tried to be a little bit conservative in what we've built in for an oil assumption because you just never really know which direction that is going to go. But there are a number of cost-saving initiatives that we have in the pipeline based on actions that we've taken in FY '25 that will feed into FY '26, along with new actions that we've built around cost supply chain optimization and continuation of the efforts that we've had in FY '25 on the sourcing side. We had a lot of success this year from a global sourcing standpoint and exceeded our cost savings expectations that we have this year. Some of those will then benefit our margin going into FY '26.

Unknown Analyst

Got it. And then as I looked at kind of the sales results in Asia Pacific, specifically, say that 5x. It looks like the distributors accounted for most of the growth there. What is kind of the runway left for, I guess, that distributor market?

Steven A. Brass
CEO, President & Director

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Sure. It's a very, very long runway. And so China also had a good -- well, all 3 areas, Rob, right? So Australia, I believe, was up 6% for the year. China was up in double digits. And then yes, for the fourth quarter, in particular, we had a very strong comeback in distributor markets. And so as we look at all of those markets, there's a very, very long runway for growth in places like Indonesia, where we've introduced our new kind of hybrid business model has been growing at a CAGR of around 20% over the past few years.

Many of those other key markets across the Asia region have a very, very long runway for growth. And so improved performance in the back half in Asia. There may be some kind of impact in terms of because the distributors are a little more lumpy, right? And so going into the first quarter, you may see some kind of pullback. That's just really kind of inventory management in Asia for Q1. But beyond that, we see a really strong rebound in Asia Pacific later in the fiscal year.

Operator
Ladies and gentlemen, that does conclude our allotted time for questions. We thank you for your participation on today's conference call and ask that you please disconnect your line.

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