WD-40 Company NasdaqGS:WDFC

Earnings Call

Thursday, July 9, 2026 10:00 PM GMT

Call Participants

EXECUTIVES

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CFO, VP of Finance & Treasurer

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CEO, President & Director

Wendy D. Kelley
Director of Investor Relations & Corporate Communications

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Presentation

Operator

Good day, and welcome to WD-40 Company's Third Quarter Fiscal Year 2026 Earnings Conference Call. Today's call is being recorded. [Operator Instructions]

I will now turn the call over to Wendy Kelley, Vice President, Stakeholder and Investor Engagement. Please go ahead.

Wendy D. Kelley
Director of Investor Relations & Corporate Communications

Thank you, and good afternoon. Thank you 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 today's discussion, we encourage investors to review our earnings presentation, press release and Form 10-Q for the period ending May 31, 2026, available on our Investor Relations website at investor.wd40company.com. A replay and transcript of today's call will also be posted shortly. We will discuss certain non-GAAP measures today. Reconciliations to GAAP results are available in our SEC filings and earnings materials. Today's call also includes forward-looking statements. Actual results may differ materially. Please refer to the risk factors in our SEC filings for more information. Finally, please note that all information presented is current as of July 9, 2026, and we undertake no obligation to update forward-looking statements.

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

Steven A. Brass
CEO, President & Director

Thanks, Wendy, and thanks to everyone for joining us today. I'll begin with an overview of our third quarter performance and progress against select areas of our Four-by-Four Strategic Framework. Sara will then review our financial results and outlook, and we'll conclude with your questions.

Third quarter consolidated net sales increased 24% year-over-year to $195.1 million. Maintenance products, which represented 97% of total net sales increased 26% to $189.7 million and were up 22% on a constant currency basis, exceeding our long-term growth expectations and setting a new record for the company. Sales of maintenance products in our direct markets increased 28% year-over-year, while sales through our marketing and distributor markets increased 18%. We'll discuss the drivers of this performance in a moment. Gross margin increased 40 basis points year-over-year to 56.6%. We're encouraged by this momentum and remain focused on the levers within our control. Although we expect gross margin to experience some temporary pressure from external cost factors in the coming months, we are confident that the actions we've taken position us well for recovery thereafter. We will vigorously defend our gross margins and may need to take further action in fiscal year 2027 as required. Sara will provide additional perspective on our outlook in a moment.

Now let's review third quarter sales results by trade bloc. Unless otherwise noted, I'll discuss net sales on a reported basis compared to the third quarter of last fiscal year. Sales in the Americas increased 29% year-over-year to $101.2 million, driven by a 31% increase in maintenance products to $98.3 million. This growth was driven primarily by increased sales of WD-40 Multi-Use Products in the U.S. and Latin America, where sales increased $17.2 million and $2.6 million, respectively. Strong performance of WD-40 Multi-Use product in the U.S. was driven by several factors, including expanded distribution, robust e-commerce sales and strong promotional activity, including a high-impact promotional campaign, featuring a limited edition can collaboration with Disney Entertainment and the Home Depot.

In Latin America, sales increased across Brazil and Mexico, supported by higher sales volume in Brazil and a combination of sales growth and favorable foreign currency translation in Mexico. WD-40 Specialist sales increased by 22%, driven by higher U.S. volumes, reflecting new distribution gains, strong placement with large retailers and growth in online sales. Homecare and cleaning product sales declined 9%, reflecting our strategic focus on higher-margin maintenance products. Sara will give an update on our U.S. homecare and cleaning business later in the call. Looking ahead, we expect low double-digit growth in maintenance products in the Americas for fiscal year 2026.

Turning to EMEA. Sales increased 17% year-over-year to $66.6 million, reflecting higher sales volume in both direct and distributor markets as well as favorable foreign currency exchange rates. On a constant currency basis, sales were up 10%. In our EMEA direct markets, sales increased by $6.6 million, driven by double-digit growth in maintenance products across key markets including Iberia and DACH. In these regions, sales and maintenance products rose by $2.2 million and $1.5 million, respectively, supported by strong commercial execution, promotional activity and merchandising.

In our distributor markets, sales increased by $4.4 million, reflecting a strong rebound after several softer quarters and positive impact of completed strategic distribution changes. Growth was driven by higher sales volumes across key markets, including Saudi Arabia and the United Arab Emirates, supported by the timing of customer orders and increased inventory build within the region.

In India, sales increased $1.6 million, primarily due to favorable order timing and foreign currency impacts. Sales in the EMEA region also benefited from some advanced buying as customers proactively manage inventory levels and the uncertainty around product availability, following geopolitical developments in the Middle East. We also experienced some advanced buying ahead of price increases, which became effective in early Q4. As a result of both of these factors, a portion of fourth quarter demand shifted into the third quarter. WD-40 Specialist sales increased 31%, driven by growth across most of our direct and distributor markets. Growth was led by France and Iberia by strong marketing programs and new product introductions supported higher sales.

As a reminder, the divestiture of the U.K. homecare and cleaning portfolio in fiscal 2025 reduced third quarter sales by $1.1 million. Despite ongoing uncertainty in the Middle East, we expect maintenance product sales in EMEA to increase by low to mid-single digits in constant currency and high single digits in reported currency in fiscal year 2026. In Asia Pacific, sales increased 24% year-over-year to $27.3 million and were up 18% on a constant currency basis. Growth was broad-based across the region, driven primarily by China and Asia distributor markets, which increased $3 million and $1.4 million, respectively.

In China, growth was driven by higher sales volumes, supported by promotional and marketing programs, including online influencers and expanding distribution across online retail and industrial channels. Sales also benefited from advanced buying ahead of planned price increases later in the year, which shifted a portion of expected fourth quarter demand into the third quarter. In our Asia distributor market, sales increased driven by promotional programs, particularly in the Philippines, Indonesia and Malaysia. WD-40 Specialist sales increased $1 million or 32%, driven by growth across the region with the strongest gains in China where higher volumes were supported by promotional and marketing programs and expanded distribution. We remain encouraged by regional momentum and expect high single-digit to double-digit growth in maintenance products in Asia Pacific for fiscal year 2026.

Now let's talk about our Must-Win Battles, a core element of our strategy to accelerate revenue growth in maintenance products. Starting with Must-Win Battle, #1 lead geographic expansion, year-to-date sales of WD-40 Multi-Use Product increased 13% to $398 million, driven by solid performance across all 3 trade blocs. We are seeing strong progress across key markets with year-to-date growth of 20% in the U.S., 21% in China and 27% in Iberia, we continue to execute from a proven playbook, expanding distribution, sampling programs to build awareness with end users across 176 countries and territories and 62 trade channels. We estimate the attainable market to WD-40 Multi-Use Product to be approximately $1.9 billion. For fiscal year '25 sales of $478 million, we believe there remains a significant long-term growth opportunity.

Next is Must-Win Battle #2, accelerating premiumization. Year-to-date sales of WD-40 Smart Straw and EZ Reach when combined, increased 19% and now represent approximately 50% of WD-40 Multi-Use Product sales. These premium formats strengthen brand loyalty, support gross margin expansion and provide meaningful runway for continued growth. We continue to target annual growth of more than 10% in premiumized products.

Our third Must-Win Battle is driving WD-40 Specialist growth. Year-to-date sales increased 22% to $72.9 million. We estimate the attainable market for WD-40 Specialist at approximately $665 million. The fiscal year '25 sales of $82 million were still in the very early stages of capturing a significant growth opportunity. Today, 90% of our WD-40 Specialist sales come from just 10 markets, highlighting a significant opportunity to expand through geographic growth and product innovation.

In the third quarter, we launched our first bio-based lubricant across several European markets. Whilst it's still early, we are very encouraged by the initial results and look forward to rolling out the product across additional markets in the coming quarters. We continue to target annual growth of more than 10% on WD-40 specialists as we expand our portfolio of purpose-built maintenance solutions.

Our fourth Must-Win Battle is to Turbo-Charge Digital Commerce. Year-to-date e-commerce sales increased 22%, led by the United States and China. E-commerce pure-play remained one of our fastest-growing channels. Across digital, we're strengthening execution on key platforms. Our social media and video channels are driving much of our digital reach, helping us connect with both new and existing end users in more engaging ways. As a result, for reaching and engaging more end users than ever before, digital commerce continues to support each of our Must-Win Battles by improving access to our products and increasing brand visibility and relevance.

We'll now move to our strategic enablers, which support operational excellence across the business. Zig Ziglar once said, "You don't build a business, you build people and then the people build the business." That philosophy is core to WD-40 Company and is the foundation of our people-first mindset. Our people are remarkably resilient, agile and innovative. Over the past 5 years, they have navigated a series of external challenges from the global pandemic to geopolitical uncertainty while strengthening cost discipline, implementing new systems, enhancing how we serve customers and leveraging our globally decentralized supply chain network all in the face of significant uncertainty.

Last month, we announced a planned leadership transition to build on the strong foundation we have in place. As part of this transition, we introduced new roles to strengthen alignment and accelerate strategy execution, ensuring we have the right structure and leadership in place to support continued growth. These new roles include Chief Strategy and Innovation Officer and Chief Brand and Marketing Officer, and will be filled by experienced WD-40 company leaders transitioning from within the company. These newly created roles are designed to enhance collaboration, accelerate innovation and proactively harness AI and digital technologies to drive growth and advance the company's long-term strategy. We also announced that Sara Hyzer will transition to President of our Americas division, reflecting our commitment to developing leaders from within. Sara will continue to serve in her current role during the transition until a successor is named. These changes are designed to support continued growth and position the business for long-term success.

With that, I'll now turn the call over to Sara.

Sara K. Hyzer
CFO, VP of Finance & Treasurer

Thanks, Steve. I appreciate the opportunity to take on my new role and excited about what lies ahead for our Americas business. In the meantime, I remain fully focused on my current responsibilities and on delivering value for our stakeholders. Today, I will review our third quarter performance against our business model, introduce enhancements we are making to further strengthen it, provide an update on the divestiture of our Americas homecare and cleaning business and discuss our fiscal year 2026 guidance and key assumptions.

We were encouraged by our third quarter performance with net sales up 24% and operating income growing 47%, reflecting the benefits of scale in our business. The difference between those growth rates highlights the leverage in our business model as higher revenue flowed through to profitability. As expected, results strengthened as the year progressed, with improvement across both the top and bottom line.

Turning to our business model, which expresses gross margin, cost of doing business and adjusted EBITDA as a percentage of revenue. This quarter, we are seeing the benefits of higher revenue and scale reflected across the model. Starting with gross margin, performance remains strong. Third quarter gross margin was 56.6%, up 40 basis points year-over-year. This increase was driven by 80 basis points from lower aerosol cans and fill fees, as well as 60 basis points from favorable sales mix and other miscellaneous mix, partially offset by 60 basis points of increases in other input costs.

Third quarter gross margin performed as expected despite external cost pressures, driven by recent geopolitical developments, reflecting the benefit of higher inventory levels entering the quarter. We expect those costs to move through our production and inventory cycles over the next several months. In response, we have already implemented pricing and cost-saving initiatives across many regions, positioning the business to realize the benefits of these actions with most of the impact expected in fiscal year 2027. As these actions take hold and the external environment stabilizes, we anticipate gross margin improvement over the course of fiscal year 2027. While the exact timing and pace of that recovery are difficult to forecast, we believe we are well positioned to navigate the environment, strengthen profitability and drive continued progress.

Turning to cost of doing business, which represents operating expenses adjusted for certain noncash items. It decreased to 34% of net sales from 38% last year, reflecting operating leverage from higher revenue and scale. Advertising and promotional investment increased to 6.1% of net sales from 5.8% last year, driven primarily by higher promotional activity in the U.S. We still anticipate being around 6% of net sales for the full year, which is in line with our guidance. Finally, adjusted EBITDA margin increased to 23% from 20% last year, reflecting operating leverage from higher revenue and scale.

Now I'd like to provide an update on the Homecare and Cleaning divestiture. Last fiscal year, we announced our intent to sell these brands in the Americas and the U.K. We successfully completed the divestiture of the U.K. Homecare and Cleaning brands in August of 2025. After extensive engagement with potential buyers, it became clear that the current macro environment was not conducive to divesting of these brands as a bundle. As a result, we are no longer actively marketing these brands for the foreseeable future, and have reclassified these assets as held for use. We continue to view these homecare and cleaning brands as noncore. We will remain open and opportunistic and are evaluating each brand individually should the right opportunity present itself. For the time being, we will manage these as harvest brands, expecting gradual top line decline while continuing to generate attractive returns.

As a reminder, the Americas household brands combined represent $12 million in annual sales, less than 2% of our global revenue. Consistent with accounting guidance, we resumed amortization and recorded $1.3 million in expense during the quarter related to prior periods when these assets were classified as held for sale. Given the onetime nature of this catch-up expense, we are including this as a non-GAAP adjustment to help investors better evaluate the underlying performance of the business. Additionally, this decision will impact our reporting in 2 other ways. First, we issued fiscal year 2026 guidance on a pro forma basis, excluding the home care and cleaning businesses to provide clear visibility into the performance of the core business. With the reclassification to held for use, our fiscal year 2026 guidance now includes associated sales and earnings from these assets, which favorably impacts elements of our outlook. I'll discuss in more detail when I walk through our updated guidance for the year.

Second, our decision to retain the homecare and cleaning business prompted us to reassess and sunset our long-standing 55/30/25 business model. As part of this reassessment, we developed our new enduring business model, which provides a disciplined framework for how we manage the business and create long-term value. It is anchored in 4 key drivers. Maintenance product sales growth targeted at mid- to high single digits, gross margin targeted above 55%. Adjusted EBITDA growing faster than net sales and an asset-light model that requires minimal capital investment.

Together, these drivers support strong outcomes, including returns on invested capital above 25%. Strong free cash flow conversion and a balanced capital allocation approach that prioritizes organic growth, dividends and share repurchases. The enduring business model was designed to drive leverage and long-term returns for stockholders that are reflecting our strength as the perpetual compounder. We will continue to report under the 55/30/25 model through fiscal year 2026 and transition to the enduring business model in fiscal year 2027 to better align our metrics with our long-term strategy.

Turning now to other key measures of financial performance. Let's review operating income, net income and earnings per share for the third quarter. Operating income increased 47% to $40.3 million with foreign currency being a tailwind for us. On a constant currency basis, operating income increased by 42%, primarily driven by higher sales and improved gross margin, partially offset by increased operating expenses. Excluding amortization expense related to the reclassification of our homecare and cleaning brands, non-GAAP net income was $31.5 million, up 50% to prior year. On a non-GAAP basis, diluted earnings per common share were $2.33, up from $1.54 in the prior year quarter.

Turning from how we measure performance to how we deploy capital. Our balance sheet remains strong and supports a disciplined approach to investing in organic growth and returning value to stockholders. Our capital allocation strategy remains a consistent foundation. On June 15, 2026, our Board of Directors authorized a new share repurchase program of up to $100 million. The program has no expiration date and the timing and amount of repurchases will be determined based on market conditions and other factors.

So let's turn to fiscal year 2026 guidance. As a reminder, our fiscal year 2026 guidance was originally provided on a pro forma basis, excluding the Americas homecare and cleaning business that was classified as assets held for sale. Following the reclassification of these assets, to held for use. The business has been incorporated back into our guidance, and I will walk through the specific impact to our guidance to help bridge those changes. We have also narrowed our guidance ranges based on our year-to-date performance and outlook. In addition, our guidance is provided on a non-GAAP basis and excludes the onetime amortization catch-up expense of $1.3 million recorded in the third quarter.

For fiscal year 2026, we now expect net sales in constant currency to be between $652 million and $667 million, representing growth of 6% to 9%, compared to pro forma fiscal year 2025 net sales of $614 million. This outlook includes approximately $12 million in net sales from assets recently reclassified as held for use. It also reflects a narrower guidance range, providing a more refined view of our expected performance for the remaining part of the fiscal year. Based on current exchange rates, we expect reported net sales to be between $675 million and $690 million, representing growth of 10% to 12% compared to pro forma fiscal 2025 net sales.

Gross margin is now expected to be between 54.5% and 55.5%. This revised outlook incorporates a 40 basis point adjustment due to the reclassification of homecare and cleaning brands, along with an additional 60 basis points from higher-than-expected cost increases. The company has implemented pricing actions and cost-saving initiatives with the majority of the expected benefit of anticipated in fiscal year 2027. Advertising and promotion investment remains projected to be approximately 6% of net sales. We now expect non-GAAP operating income to be between $107 million and $113 million, representing growth of 5% to 11% compared to pro forma fiscal 2025 results. This outlook includes approximately $2.9 million in operating income related to those assets recently reclassified as held for use. Our provision for income tax is now expected to be around 22.5%.

Finally, we expect non-GAAP diluted earnings per share to be between $6.05 and $6.35 based on an estimated 13.5 million weighted average shares outstanding. This outlook includes approximately $0.17 per share related to the assets recently reclassified as held for use and represents growth of 6% to 11% compared to pro forma fiscal 2025 results. Our guidance reflects a euro to U.S. dollar exchange rate assumption of approximately $1.17 in the fourth quarter. Actual results may vary as conditions evolve.

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. In summary, what did you hear from us today? You heard that we delivered 24% net sales growth and 47% operating income growth, demonstrating the operating leverage inherent in our business model. You heard that third quarter sales benefited from advanced buying due to market uncertainty as well as planned price increases later in the year, which shifted a portion of expected fourth quarter demand into the third quarter. You heard that our must-win battles continue to perform well with solid double-digit year-to-date growth in geographic expansion, WD-40 Specialist, premiumized products and e-commerce. You heard that our People First mindset remains central to how we operate, supported by leadership changes that strengthen alignment and support long-term growth.

You heard gross margin was strong at 56.6%, up 40 basis points from last year, while higher input costs are expected to pressure margins in the near term, pricing and cost optimization actions are underway, and we expect margin recovery of those benefits are realized. We will vigorously defend our gross margins and may need to take further action in FY '27 as required. You heard that we decided to no longer actively market our Americas homecare and cleaning brands and have reclassified these assets as held for use. You heard that we're introducing our enduring business model framework designed to drive leverage and long-term returns to stockholders better reflecting our strength as a perpetual compounder. And you heard that we're updating our guidance to incorporate the homecare and cleaning business into our outlook and to narrow our guidance ranges based on our year-to-date performance and outlook.
Thank you for joining our call today. We'd now be pleased to answer your questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Aaron Reed from Northcoast Research.

Aaron Bruce Reed
Northcoast Research Partners, LLC

Congratulations on that front. I guess my first question really is, I was wondering if you could speak to how sustainable do you think margins being above 55% are? It seems like something that obviously you're shooting towards that or kind of want your 2 cents on what's the sustainability? Or how would you kind of speak to that?

Sara K. Hyzer
CFO, VP of Finance & Treasurer

Aaron, this is Sara. Thanks for that question. We had indicated at the end of Q2 that we believed our margins were going to hold in the third quarter, and they did hold, but that we did anticipate some cost increases as we were -- as a result of the disruption in the Middle East. And so those cost increases did happen in the months subsequent to Q2. We had enough inventory on the balance sheet to sustain our margin in the third quarter, but we do anticipate those cost increases to begin to flow through in the fourth quarter.

That said, we did also implement price increases, as Steve mentioned, and those price increases will begin to take effect really starting in fiscal year FY '27. So we'll start to mitigate some of those cost increases that we anticipate to see our cost increases impacting our P&L that we anticipate in the fourth quarter. So those actions have already been taken. We've also taken some cost reduction actions as well to help mitigate the exposure in the fourth quarter. With that said, we're really pleased with where the full year is going to land between 54.5% and 55.5%. Considering what's happening around the world, we feel really good about where the year is landing.

Aaron Bruce Reed
Northcoast Research Partners, LLC

Okay. Great. And I guess one other question is involved that. When you rolled out the price increases, and I'm not sure if the price of oil was a component to it. I know it's a small piece of that. But did oil return to $70 faster than you anticipated? Or when you're modeling that, what do you expect in terms of input cost normalization?

Sara K. Hyzer
CFO, VP of Finance & Treasurer

Yes. So when we look at the rates that the cost increases went up, so if we look at the kind of the range of the $95 to $115, that was indicating about a 40% increase. The reality is we did experience decoupling. So the input cost of the specialty chemicals and the base oils that we buy did go up in excess of the 40%. So in some cases, it was 50%. In some cases, it was double. So we saw really significant price increases in those 3 months. The good news is in June, we have started to see some of that pull back.

So the reality is the pace of the -- while we've seen the spot pricing on the commodity pricing kind of come back down within that $70 range, you're not seeing the pacing of the cost decreases on the actual input costs come down at the same rate. And we are seeing them pull back about 20% to 25% in the month of June. And we do anticipate it to be a slower step down. It's just the nature of the environment, the costs go up pretty fast and then there's a slower pace for it to step down. That said, assuming things don't escalate further in the Middle East, we do anticipate that pacing back down to the levels that we saw pre-war.

Operator

Your next question comes from the line of Michael Baker from D.A. Davidson.

Michael Allen Baker
D.A. Davidson & Co., Research Division

All right. So I guess just to follow up on that question. Can you just talk about your -- the fourth quarter outlook, sort of implied guidance, if you will? Just the math, if you do the math on the full year guidance plus what you've earned year-to-date, it does seem like the sales are in line with the consensus, earnings a little bit lower. But I guess my question, too, is, is your fourth quarter outlook now better, worse or the same as it was 3 months ago. My assumption is same on the top line, maybe a little bit worse on the margins because of how the oil is playing out. But I guess, just how are you looking at the fourth quarter now versus where you thought it 3 months ago?

Sara K. Hyzer
CFO, VP of Finance & Treasurer

Mike, it's Sara, again. So the fourth quarter outlook changed a little bit in the sense that there is some phasing, right, that we saw between Q3 and Q4. So there was a little bit more that was pulled into the third quarter than it was in the fourth quarter. But when you look at the 2 quarters combined, we are landing in that mid- to higher end of our guidance range. And so it was really more timing that impacted ultimately the fourth quarter outlook. We feel good about the fourth quarter. It's going to actually be the second strongest quarter of the year. We knew going into the second half of the year that the majority of the growth this year was going to be in the back half. And the phasing of that just really -- the timing of that fell more in the third quarter than it did into the fourth quarter.

You did mention on the gross margin, there is a little bit more of a pullback than what we had anticipated coming out of Q2, and that was just -- it was really hard to anticipate the cost increases. But to be able to hold guidance within 50 to 60 basis points as to where we were a few months ago, considering the environment, I think we feel really good about that. And again, always a reminder that whatever pullback we get on those cost increases, there is an offset to that with our rewards program that helps protects the bottom line. And so really, when we look at the full year, we are increasing our bottom line guidance, both on operating income and EPS as a result of being able to reduce some of our discretionary spending in the fourth quarter to help protect the bottom line.

Michael Allen Baker
D.A. Davidson & Co., Research Division

Okay. So that was -- just a follow up on that as my second question. Just because, frankly, there's a lot of sort of moving parts in question, tough to do the math. But what you're saying is your guidance is up not just on now, including the HCCP Americas business, but you're increasing your guidance on that, but also some things within the business, i.e., cost savings as you just mentioned?

Sara K. Hyzer
CFO, VP of Finance & Treasurer

Yes. So I'll give an example, Michael, if I look at the operating income of where we were in Q2, we guided to $103 million to $110 million. And if you add in the $2.9 million, that would have put us at $105.9 million to $112.9 million and we're guiding to $107 million to $113 million. So we are upping our bottom end by about $1.1 million, and we're pretty tight on the top end. So the narrowing that we've mentioned is really raising the bottom end of both our top end and our -- sorry, top line revenue and our operating income and EPS. In all 3 scenarios, the bottom is coming up.

Operator

Your next question comes from the line of David Shakno from William Blair & Company.

David Shakno
William Blair & Company L.L.C., Research Division

This is David Shakno on for John Anderson. Two quick questions for me. First, you announced about a month ago or so, a promotion, a King of the Hill promotion at a large retailer. Just wanted to understand any early reads there and just how the performance there has been?

Steven A. Brass
CEO, President & Director

Sure. King of the Hill, yes, the promotion in partnership with Disney and with the Home Depot, is one of the largest promotions we've ever run in our history. If you walk into our Home Depot store, you're going to see some beautiful displays of WD-40 there. It's been in the market for about a month. It's got a few months to go. We're in the process of ramping up our marketing activity. And so I believe in the month of July, we're going to be hitting about 80 million consumers across the U.S. in terms of targeting.

And so yes, it's really driving really strong incremental sales. It's proving to be after 1 month, about 75% incremental and so there's very little cannibalization from the promotion. And so yes, we're very pleased. It's a major promotion for us. One of many promotions, right? It's not the only act we've got in the U.S. There's lots of things going on in the U.S. We've coupled with strong distribution gains. We've got very strong WD-40 Specialist growth, very strong e-commerce growth. But this -- and a couple of other meaningful promotions are really helping drive the results you've got in the U.S.

David Shakno
William Blair & Company L.L.C., Research Division

Got it. And then just wanted to follow up on -- I know you talked about pricing a little bit earlier, but just wanted to understand more if you could help us with the magnitude at all of pricing? And also any -- I realize most of the impact is going to be in fiscal '27. So it's probably hard to see any kind of elasticities there. But I wanted to understand if there's been any pushback from retailers so far, just what the response has been in general?

Steven A. Brass
CEO, President & Director

Sure. And so the price increases we've executed are across Asia Pacific and Europe. If you recall or maybe you don't, we actually launched price increases in the first quarter in the U.S. earlier in the fiscal year. And so we will review the situation in the U.S. next year as well. But these price increases have been pretty well implemented across most of Europe and Asia Pacific, where the bulk of kind of the impact has been felt.

Mid- to high single digits in terms of the scale of the increases, a little bit more on our bulk products, which have felt a little bit more cost pressure. And they were implemented between June and July, some of that stretching perhaps into August, but the main impact of the price increases and so going in, you'll see that coming in the back half of Q4 and into Q1, you'll feel the full benefit. We did have a little bit of -- as well as some disruption, right? We talked about a pull forward. That was probably about a $3 million amount of business that was pulled forward globally between countries like India, which were concerned about security of supply and they just place larger more inventory on hand. And in places like China, where we had a little bit of a kind of advanced buy-in as well as some of our European countries. So about $3 million in magnitude for the whole impact.

Operator

Your next question comes from the line of Daniel Rizzo from Jefferies.

Daniel Rizzo
Jefferies LLC, Research Division

Just a couple of things. One, I'm sorry, did you say it's a 20 -- roughly 20% contribution from homecare for the year -- the U.S. homecare for a year now. Is that -- that's how we kind of think about it going forward?

Sara K. Hyzer

CFO, VP of Finance & Treasurer

Yes, that's pretty close. If you look at the $12 million on the top line and then the operating income, Daniel, is just shy of $3 million.

Daniel Rizzo
Jefferies LLC, Research Division

Okay. I just want to make sure that I had that right. And then -- so you're kind of changing the way you're presenting things. You walked away from some of the things we've done in the past. The regional sales kind of goals for the Americas for -- that you've talked about in the past? Are we not really focusing on that anymore either. It's kind of more holistic? Or is that something that's still kind of where we guide towards?

Steven A. Brass
CEO, President & Director

No, absolutely, that stays the same. That doesn't change. The one area that really changes with the enduring business model, Daniel, is really the commitment from the business to drive EBITDA growth ahead of revenue growth. And so that's a significant change. It's a commitment we want to make. And the reason we're making that is, over the past few years, we've had to make significant investments to -- in things like IT and sustainability and innovation. Those kind of -- a lot of those big investments are now incremental. And so we're in a position having recovered our gross margins as well, largely to really drive the bottom line faster than the revenue line. And so that is the commitment from leadership to achieve that going forward.

Daniel Rizzo
Jefferies LLC, Research Division

Okay. Excellent. That's great too. Okay. And then with the recently announced price hikes, assuming things kind of -- and this is a big assumption, things kind of don't go crazy again. What you've already done in price hikes, will that ultimately -- and the cost cutting, too. That will only offset the higher input costs that we're seeing now with everything being the same. So I mean, by the end of next year, you kind of be back to where you were, right, before the war started, frankly.

Steven A. Brass
CEO, President & Director

So we've guided to a midpoint of 55% gross margin, including the household brands, which brings down the margin by about 40 basis points globally for this fiscal year. I think it would be unwise for us to guide the next fiscal year given the volatility of the situation at the moment. Our stated goal, and I had talked to it in my strict, is a vigorous to defend our gross margins. And so you may have a couple of quarters going where it's reestablished the gross margin from here on in. But then the aim would absolutely be to defend our gross margin subject to the limitations of what's possible in the external environment.

Daniel Rizzo
Jefferies LLC, Research Division

Okay. And then final question. In the past, you kind of had to hold more inventory, but that was a unique situation with logistics. But I was wondering given the current volatility, if you're going to keep your inventories a little elevated, just to make sure you can meet demand like we've seen, and we saw it really during the post-COVID issues?

Sara K. Hyzer
CFO, VP of Finance & Treasurer

No. I think from an inventory balance standpoint, I mean, we were carrying higher inventory levels in Q2. That has started to rightsize a lot of that inventory shipped during the quarter. So we're back closer, I would not say we're at our 90 days, but we are closer to the 90 days. We still have a target and believe that even in this environment, getting back to 90 days is a good goal of ours and can still supply the demand at that level.

Operator

Your next question comes from the line of Linda Bolton Weiser from Water Tower.

Linda Bolton Weiser
Water Tower Research LLC

So I wanted to ask about the pricing action. We had -- you took pricing in your -- the previous cycle, a few years ago, when costs spiked quite a bit. And I think the price increases were in the, I don't know, even 15% to 25% range. You did lose, I think, some customers, I think it was mostly in Europe. Do you see things transpiring differently this time around in terms of your ability to keep customers versus lose them versus the last cycle? Is there anything that you can talk to that's different this time around?

Steven A. Brass
CEO, President & Director

Linda, good to hear from you. This is Steve. Yes, I think this is a very different set of circumstances. The price increases we're putting through and nothing like the scale of what we had to put through before. Obviously, that can change going forward. And so we've made some initial moves now quickly. We'll have to assess the situation and see what we need to do perhaps going into next fiscal year depending on what happens out there in the world. But yes, the scale of the increases and so the resulting kind of pushback, if you like, from partners has been significantly less and the price increases as being adopted across the world. Because of the scale, more limited scale quite easily, I think, this time.

Linda Bolton Weiser
Water Tower Research LLC

Okay. Is there anything going on in your conversations with customers about the fact that like the spikes or the volatility in oil we're seeing are event driven. Does that make it harder in some way to put the price increases through because they could argue that it's temporary and event driven. Is there anything going on like that type of conversation?

Steven A. Brass
CEO, President & Director

And so I think we always try to -- we don't rush into making these decisions. We try and take a view on what's likely to happen beyond kind of events. And what's going to happen kind of multi-month and over the kind of the period over the next 12 to 18 months. And so we take that kind of view. And so the price increases we've put through now do not fully represent the scale of the cost increases we've seen. We've assumed some reduction, right, month by month, as Sara kind of highlighted. And so that's why we'll have to take another look in early '27 to see whether we need further action as well.

Linda Bolton Weiser
Water Tower Research LLC

Okay. And then just finally on that topic of gross margin. Sara, I think you said something like we should expect in FY '27 progressive improvement. So I guess I sort of read that to mean gross margin down year-over-year, but down less year-over-year as the year progresses. Is that kind of watching that when you were talking about that?

Sara K. Hyzer
CFO, VP of Finance & Treasurer

It is hard, Linda, at this point for us to comment too far out into next fiscal year. We do expect there, right? I mean, based on what we are sitting on our balance sheet, we know that there will be some impact to our gross margin in the fourth quarter and going into next fiscal year, the length of how long it progressively or the pace of it progressively coming back up really does depend on how the next few months go from a cost reduction standpoint. And if we continue to see kind of the pacing of those costs reducing, which can change daily, frankly, based on what continues to be happening over in the Middle East. So it is -- just given the environment, it is hard to comment on that at this point in time.

Linda Bolton Weiser
Water Tower Research LLC

Okay. And then my last question just has to do with the revenue line. I think you said earlier last quarter or something and maybe you mentioned again that you have like some new distribution in the U.S. I forgot what you said maybe dollar store channel or something. And that, combined with the really successful promotion you have this year, does that create really like unusually hard comparisons for next year? Like was there some channel sale related to the new customer? Anything like that we should be aware of as we think about next year?

Steven A. Brass
CEO, President & Director

I think sort of the new distribution you're referring to is a single point of new distribution where we had about 7,000 new outlets. So it's a major new customer for use in a 2.75 ounce product. So driving incremental sales, and that will ramp up over a 2-year period as we expand distribution into all of those stores. And so more growth from that particular initiative next year.

In terms of promotion, it's just been one of those years for the U.S. where a lot of things went right. We've had promotions across multiple channels, across agriculture, across hardware. The scale of this one, certainly the King of the Hill is very significant. But when you think about it, I mean, we can do that because of the iconic nature of our brand. And so when you take that formula of brand partnerships between the likes of WD-40 and Disney and the Home Depot, that's a powerful formula. It's a repeatable formula going forward. And so I think we've tapped into something, which can really leverage the power of the brand going forward and which is absolutely repeatable. Whether it's one big chunk or multiple smaller chunks going forward, leveraging the brand with these sort of brand partnerships is a powerful formula.

Linda Bolton Weiser
Water Tower Research LLC

Okay. And congratulations, Sara, on your new appointment.

Sara K. Hyzer
CFO, VP of Finance & Treasurer

Thank you, Linda.

Operator

Your next question comes from the line of Aaron Reed from Northcoast Research.

Aaron Bruce Reed
Northcoast Research Partners, LLC

I'm back. I got one last question here for you. And that is, can you tell us a little bit more about where you're finding success with the Specialist products. I feel like this is something that's been adopted a little bit faster than I would have anticipated. I was wondering if you could go into a little bit more what segments are you seeing the adoption in? What channels is it going through? If you can just kind of speak to that a little bit more.

Steven A. Brass
CEO, President & Director

Sure. Absolutely. So Aaron, yes, I mean, WD-40 Specialist is growing very strong double digits all across the world. And so we're very pleased. And so one of the things we've done with the mantra of kind of learn faster to grow faster is really leverage global teams to exchange best practice and look at what's working around the world. And so we very much have a focused concentration on the best-selling items within that range and getting those out into distribution consistently executing around the biggest selling items. We have 6 products that do about some 80% of sales in the specialist range.

And so that kind of disciplined execution and learning is really driving sales. And so you look at places like China where specialists is growing fantastically well. I mean, even in the U.S., we're in high double digits now, about 18%, 19% for the year-to-date. And in Europe continues to grow very, very well on the WD-40 specialist. You then layer over that new product innovations. And so Europe had a couple of big ones this year, degrees or products doing very, very well, for example, and then the new bio loop formulation in Europe is going very, very well as well. And so we're really pleased in France, which was our initial launch country for the bio-lube product, which will be launched globally over the coming 18 months or so. The bio-lube item has gone straight to one of the top-selling items on WD-40 specialists.

And so a combination of simply expanding distribution, but also a little bit of innovation driving. We did also say that 90% of our WD-40 Specialist sales come from 10 countries only. And so we're only just really getting going. We have a very, very significant runway for growth on specialists around the world, and we are really starting to pick up the pace.

Aaron Bruce Reed
Northcoast Research Partners, LLC

Great. And our -- last follow-up question and then I'm done, are the distributors are fairly receptive to be specialist products as well, too, are they really much more focused on the multi-purpose product?

Steven A. Brass
CEO, President & Director

Now what -- I mean you've got to look at it both together, right? And so WD-40 Specialist and WD-40 Multi-Use Products together really help us have a category approach. And so we're helping retailers with their category approach. And so really, you're going to look at both of them acting together. And so the specialist range helps protect, gain shelf space for the overall brand. And so it's kind of like a virtuous circle of helping protect the core brand, but also leveraging specialists to take market share on those items, which may be newer to us.

Operator
At this time, there are no further questions. This concludes today's call. Thank you all for attending. You may now disconnect.