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SharkNinja

Second Quarter 2023 Earnings Call

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PRESENTATION

Operator

Greetings. Welcome to SharkNinja's Second Quarter 2023 Earnings Call.

At this time all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. (Operator instructions).

Please note this conference is being recorded.

At this time I'll turn the conference over to Arvind Bhatia with Investor Relations. Mr. Bhatia, you may now begin.

Arvind Bhatia

Hello everyone. Good morning and welcome to SharkNinja's Second Quarter 2023 Earnings Conference Call. Joining me on today's call are Mark Barrocas, SharkNinja's Chief Executive Officer, and Larry Flynn, interim Chief Financial Officer and Chief Accounting Officer.

Mark will begin by providing an overview of SharkNinja's business model and the key reasons we believe we are well positioned for long-term growth. Larry will then review our financial results and discuss our 2023 outlook. After that, we will open the call for your questions.

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By now, everyone should have access to the earnings release for the period ended June 30, 2023 issued this morning. The press release is accessible on the Company's website at ir.sharkninja.com and shortly after the conclusion of today's call our webcast will be archived and available for replay.

Before we begin, let me remind everyone that today's discussion contains forward-looking statements based on the environment as we currently see it, and as such does include risks and uncertainties. If you refer to SharkNinja's earnings release as well as the Company's most recent SEC filings, you will see a discussion of factors that could cause the Company's actual results to differ materially as a result of these forward-looking statements. Please remember the Company undertakes no obligation to update or revise these forward-looking statements in the future.

During the call we will make a number of references to non-GAAP financial measures. We believe that these measures provide investors with useful perspective on the underlying growth trends of the business and have included in our earnings release a full reconciliation of non-GAAP financial measures to the most comparable GAAP measures.

Now, I will turn the call over to Mark.

Mark Barrocas

Thanks, Arvind.

Good morning everyone and thank you for joining us on SharkNinja's first earnings call as a public company following our successful listing on the New York Stock Exchange last month. I am thrilled to have the opportunity to discuss with you our powerful business model, strong second quarter results and positive outlook. Let me start by telling you a bit about SharkNinja.

We create innovative products that solve consumer problems. We have built a repeatable consumer problem solving engine with a mission to positively impact people's lives every day in every home in the markets that we serve.

We are not an overnight success. I have been leading SharkNinja's day-to-day business since 2008, and have been surrounded by an incredible team that has driven the Company's transformation from an early stage pioneer in small household appliances to a leading global product design company. We have grown our net sales from less than $250 million in 2008 to over $3.7 billion in 2022, a compound annual growth rate of 20% over the last 15 years. We have delivered growth in 14 out of these 15 years, and this growth has been organic. We have not bought a dollar of growth over that period.

Our two billion-dollar brands, Shark and Ninja, have each disrupted the categories in which they operate. Our brands are deeply trusted by consumers and our business is highly diversified, which has allowed us to drive sustainable long-term global growth. We are diversified across brands, products, product categories, distribution channels and geographies, and we are not dependent on any one retailer or supplier.

We are currently in 28 product subcategories across these two brands, and have presence in 26 markets globally. We sell our products through more than 150 retailers, from mass retail to department stores to specialty retail, and online through our own websites, leading ecommerce platforms and marketplaces. This is a conscious strategy we've been working on since the beginning and we aim to further this diversification over time.

Before elaborating on these points, let me provide a quick overview of our second quarter results and our full-year outlook.

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During the quarter we grew adjusted net sales by 20% and Adjusted EBITDA by 40%, while expanding Adjusted EBITDA margin by 180 basis points year-over-year. These results demonstrate our ability to execute on our three-pillar growth strategy as we continue to increase market share in existing categories, pioneer new categories through innovation, and globalize our brand.

We delivered growth in all four key categories: cleaning, cooking and beverage, food prep and other, which includes home environment and beauty. Recently launched products in the beauty and outdoor cooking categories delivered strong results. Geographically, European markets performed particularly well, continuing to exceed our internal expectations.

Our Q2 and first half results build upon a proven track record of delivering profitable organic growth through high-performance products that address everyday consumer challenges.

Looking forward, for the full year we expect trends to remain strong. We are well positioned to deliver adjusted net sales growth of 10% to 12%, Adjusted EBITDA growth of 25% to 31%, and Adjusted EBITDA margin expansion of approximately 200 basis points year-over-year. Larry will provide additional guidance in his prepared remarks.

Next, I want to share how we plan to deliver sustainable growth over the foreseeable future. Our growth strategy can be defined by three key pillars: one, driving growth within existing categories by continuing to rapidly innovate and take market share; two, expanding across new subcategories and adjacencies which drives more use occasions and more products per household for the brands; and finally, building out the SharkNinja presence in our key international growth markets and globalizing our brand. Let me talk about each of these in a little more detail as they're critical to understanding the SharkNinja's story and our plans to unlock value for our shareholders.

We have a proven track record of driving growth and gaining share in the subcategories in which we operate. Shark was the number one selling floor care brand in 2022 and Ninja was the number one selling small kitchen appliance brand for the last three years in the U.S. according to NPD. Once we enter a category, our plan is to consistently launch new products with new features and functionality while optimizing the cost of existing products. This strategy allows us to reach additional price points, diversify our products and increase shelf space.

Turning to expansion into new and adjacent categories. we're very intentional about the categories that we enter. We believe that we are uniquely positioned to disrupt large and fragmented categories through our proprietary consumer insights and innovative product development approach. Let me share a few recent examples.

In 2021, we entered the ice cream category with the introduction of the Ninja CREAMi which quickly became the number one selling ice cream maker in the U.S., while also doubling the entire category size. In 2021, we also entered the beauty category with the launch of the Shark HyperAIR Hair Dryers. Within a year, it became the number one selling hair dryer in its price range. This was followed by the successful launch in the fall of last year of FlexStyle, an innovative hair styler and dryer. Year-to-date in 2023, we have a leading market share in hair stylers in the U.S. Additionally, we have also successfully launched FlexStyle in over 17 European countries.

During 2022, we entered the outdoor grill category with the launch of Ninja Woodfire. Building upon our success in indoor cooking, we developed a unique grilling technology, allowing our consumers to deliver authentic woodfire flavors in a sleek and compact product. We have further expanded our presence in outdoor cooking with the recent launch of the Ninja Outdoor Oven. And just this month, we entered the fast-growing beverage category with our newest innovation, the Ninja Thirsti Drink System. With Thirsti,

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consumers can personalize and create thousands of drink variations with numerous combinations of flavor, flavor strengths, fizz levels, and sizes at the touch of a button. Through consumer research, we identified the challenges of many households to find better drink options without having to buy a shopping cart full of drinks. These are just a few examples that demonstrate that solving consumer problems and pain points is at the center of our strategy across every category which we operate.

As we look forward, we believe our new product development pipeline remains strong, positioning us well for continued growth over the foreseeable future. On an annual basis, we aim to launch more than 20 new products across existing and new categories.

Turning to our third growth pillar, international expansion remains a key area of strategic focus for us. We currently operate in 26 markets across the globe, including the U.S., Canada, U.K., Germany, France, Italy, and Spain, where we operate directly, and the remaining markets where we sell through distributors. We make informed decisions to go direct in key markets and have consistently leveraged this model to successfully enter and meaningfully grow in new markets.

Our success in the U.K. market is a good example of that. We pivoted in the U.K. from a distributor model to a direct SharkNinja operation in 2014, leveraging our core competencies across marketing, distribution and innovation to drive rapid share gains. Since then, we have grown our U.K. business 10-fold from $50 million to nearly $500 million in net sales last year. Driven by the U.K. and European markets, our international business continues to grow rapidly and it's fast approaching a billion dollars. Continued expansion in these markets remains a key priority for us.

So, how do we plan to deliver our three-pillar growth strategy? As we have done in the past, we will stay focused on the consumer, leverage our best-in-class innovation engine, ensure our go-to-market strategy is highly effective and continue to rely on our agile and scalable supply chain. Each of these elements is a critical piece of our growth flywheel, so let me share additional insights in these areas.

First is an intense focus on the consumer. Serving them is at the forefront of every decision we make, and we believe that consumers deserve the highest performance and greatest value for their hard-earned dollars. Our global consumers are discerning, understand value and have done their research, and are consistently delighted by our products. We don't take anything for granted and know that our educated consumers who are buying our products won't always give us a second chance, so we aim for perfection every time. We strive to deliver on all four of the critical consumer value points in every innovative product we bring to market: speed, as we aim to be first to market; performance, with the goal of exceeding consumer expectations; quality, as we deliver durable and reliable 5-star products and experiences; and value, making prices accessible.

Next, I will spend a minute on our disruptive innovation driven by consumer insights and dynamic testing. We have a scaled engineering powerhouse where product design is a fundamental part of our culture and our approach to innovation, and design really powers our idea generation machine. Our global in-house team comprises more than 700 engineer and design associates across Boston, London and China and encompasses the full range of skill sets from R&D, industrial design, mechanical design, mechatronics, electronics, software and IoT. This allows us to have a 24/7 development cycle, enabling ideas to go from sketch to production very quickly.

Our approach to problem solving and designing products is centered around delivering market-leading performance. Multifunctionality, high-quality and extraordinary value to the consumer. Consumer products deal with everyday tasks, which can be very easy to take for granted and to accept that this is just the way things are done. Our design teams do not accept this, and we pushed to constantly analyze consumers' interactions with small home appliances and leverage consumer reviews to really understand and identify new and unique ways of doing things. By listening to and testing the consumer at the outset, we aim to

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develop technologies and systems that are disruptive in the marketplace. Even in subcategories that haven't seen disruptive technology in decades, such as cookware and cutlery, we found a way to bring innovation to the table.

Across both the Shark and Ninja brands, we have used our award-winning technologies and engineering excellence to repeatedly disrupt and quickly gain share in large adjacent markets. Whether you're making ice cream, grilling a steak or styling your hair, a key disruptive feature of SharkNinja engineering is how we break down and simplify complex and difficult everyday jobs and design products which makes these tasks accessible for all. You don't need to be a professional stylist or a barbecue chef to get positive results from our products. Our consumer insight-led engineering and design process enables us to invent systems and develop user interactions which allow consumers to unlock user-friendly and proven output.

Next, let me cover our differentiated go-to-market strategy and how that has enabled us to deliver growth and market share gains year after year across various categories.

We plan to continue to deploy this proven strategy going forward. From a sales and marketing standpoint, we have an omnichannel distribution strategy and we support it with diversified marketing efforts to drive traffic and sales. We are retailer- and channel-agnostic and ensure our products are available wherever our consumers are.

Globally, we have partnerships with over 150 retailers. We have been able to gain improved placement at key retailers for our product categories given our strong strategic relationships and a proven track record of launching and winning share. Retailers want to be on the front end of SharkNinja's innovation, and we see strong support from our retailer partners both in existing and new categories. From 2021 to 2022 alone, we gained an incremental 113,000 distribution points at retail, driven by innovation and retailer support. In addition, we have a rapidly growing and higher-margin direct-to-consumer business that allows us to strengthen our connection with consumers.

Our marketing efforts focus on both long-form infomercials, short-form linear TV, streaming services, organic and paid social media, and influencer and marketing platforms. We have 95% aided brand awareness, largely attributable to our ability to cultivate online communities comprised not only of consumers, but also brand advocates. These passionate ambassadors actively share their personal experiences showcasing how SharkNinja effectively address their needs and challenges. This combination of what we refer to as our always-on marketing approach and distribution strategy allows us to drive sales and gain share across various markets.

Let me now take a moment to talk about our supply chain, which is another differentiator for us.

We have built a predictable, flexible and resilient supply chain that delivers high-quality products. We have a highly diversified supplier base across Asia with low supplier concentration. We have purposely built redundancy into our supply chain for high-volume SKUs. Our approach helped to minimize the impact of COVID shutdowns on our business and inbound supply plan. Our approach also means that if tariffs are reinstated, we expect we will be well prepared. Our relationships with our suppliers have been built and cultivated over the past 15 years and these relationships are competitive advantage.

Over the last 15 years, we have made significant investments in our infrastructure, including hiring 700 SharkNinja employees in Asia. We have embedded many of these employees in our factories, which allows us to deliver better quality at a lower cost. Another benefit to these relationships is incredible flexibility, enabling speed to pivot our supply chain in alignment with demand changes. For example, we have partnered with our factories to go from industry-typical 75-day PO lead time to 30-day PO lead time. We also have strong, long-standing partnerships with our shippers that enable competitive inbound freight rates

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and capacity, even when the market is constrained. Bottom line, we believe SharkNinja supply chain is unlike any other, providing a competitive advantage.

To sum it all up, while we have come a long way over the last 15 years, when I think about the white space in front of us I believe our journey is just getting started. We estimate our current total global addressable market is above $100 billion and continues to grow.

With net sales approaching $4 billion, our market penetration rate is still relatively low. As we continue to launch new products in existing categories, expand into new categories both inside and outside the home, and continue to expand our brands globally, we expect to gain additional market share. Leveraging our deep understanding of consumer needs and our engineering prowess, we aim to continue pioneering disruptive innovation that shape the industry.

I would now like to turn the call over to Larry, who will walk you through our second quarter financials and outlook in more detail. Larry?

Larry Flynn

Thank you, Mark, and good morning everyone.

I'm excited to be speaking to you here on our first earnings call as a public company. I'll start with a review of our strong second quarter results, followed by our positive outlook for 2023.

During the second quarter, net sales increased 22% year-over-year to $950 million. Adjusted net sales, which excludes sales from our former Japanese subsidiary and APAC distribution channels, increased 20% to $906 million. Our sales growth was driven by strength in Europe, particularly in the U.K., as well as the success of our recent product launches in the outdoor cooking and beauty categories, notably the Outdoor Grill and the Shark FlexStyle.

Looking at the first half of this year, we delivered net sales growth of 14% and adjusted net sales growth of 13%.

To help analyze our business, we break down our sales into four categories and, as Mark mentioned, we grew sales in all four categories during the second quarter. First is Cleaning, which includes vacuums as well as other floor care products such as steam mops and wet and dry cleaning floor products. For the second quarter, net sales in the Cleaning category increased slightly to $414 million, representing 44% of net sales, compared to $411 million or 53% of net sales in the prior year. Growth in the multi-floor care subcategory was partially offset by softness in the North America market, specifically in corded vacuums as consumers shifted towards cordless.

The second category is Cooking and Beverage, which includes appliances such as air fryers, multi-cookers, outdoor and countertop grills and ovens and carbonation. Net sales in this category increased a strong 68% to $343 million, representing 36% of net sales, compared to $204 million or 26% of net sales in the prior year. Growth here was primarily driven by the U.K. where we grew an already dominant market position as well as a full quarter contribution from our outdoor grill subcategory which successfully launched in the second half of 2022.

The third category is Food Preparation, which includes blenders, food processors and ice cream makers. Net sales in this category increased 4% to $143 million, representing 15% of net sales, compared to $138 million or 18% of net sales in the prior year. We saw strong sales growth from our ice cream makers, but this was partially offset by timing of retailer shipments and reduced retailer inventory with overall consumer demand remaining flat and our market share expanding slightly in the category.

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And finally, our Other category, which includes beauty products such as hair dryers and stylers, and home environment products such as air purifiers and humidifiers. Sales in Other nearly doubled to $50 million, representing 5% of net sales from $25 million or 3% of net sales in the prior year. This growth was fueled by strong sales of our successful product launch in the beauty category, the Shark FlexStyle at the end of 2022.

Now looking at performance by region, net sales in North America were up 8% to $646 million, representing 68% of net sales. Within North America, net sales in the U.S. were up 8% and represented 63% of the overall net sales mix. Net sales in Europe increased 80% to $236 million, representing 25% of the overall net sales mix. Within Europe, net sales in the U.K. were up 71% and represented 20% of net sales for the quarter. Finally, Rest of World net sales were up 47% to $68 million, representing 7% of net sales.

Moving down to gross profit, in the second quarter, GAAP gross profit increased 36% to $397 million or 41.8% of net sales, an expansion of 430 basis points compared to the prior year. Adjusted gross profit increased 31% to $394 million or 43.5% of adjusted net sales, representing expansion of 370 basis points over the prior year. The expansion in gross margin was primarily driven by cost tailwinds including lower freight costs, as well as strong sales through our higher-margin direct-to-consumer channel, specifically in the beauty category.

Turning now to operating expenses, we continue to invest in research and development, primarily in head count to support new product categories and new market expansion. During the quarter, R&D expenses increased 13% year-over-year to $61 million, compared to $54 million in Q2 last year. As a percentage of sales, R&D expenses decreased 50 basis points due to fixed cost leverage on our strong top line performance.

Sales and marketing expenses increased 42% to $208 million or 21.9% of sales, compared to $147 million or 18.8% in the year-ago period. This increase was mainly because of higher advertising, fulfillment and personnel expenses to support our product launches and expansion into existing and new markets and subcategories.

General and administrative expenses increased 32% to $72 million, compared to $55 million in the prior year, primarily due to costs related to the spin-off from JS Global.

Our effective tax rate was 25.1% in the second quarter compared to 28.5% in the prior year.

GAAP net income for the quarter was $12 million compared to $16 million in the prior year. Adjusted net income was $65 million or $0.47 per share, compared to $46 million or $0.33 per share in the prior year, reflecting growth of over 40%.

Adjusted EBITDA for the quarter increased 40% to $114 million or 12.5% of adjusted net sales compared to $81 million or 10.7% of adjusted net sales in the prior year.

Turning to the balance sheet, as of the end of the second quarter, we had cash of more than $250 million and total debt outstanding of $400 million. After the quarter end, we entered into a new domestic credit facility that provides for an $810 million term loan and a $500 million revolving credit facility. The new credit agreement fully replaced our prior facility with Bank of China. On a pro forma basis, as of the end of Q2, our net leverage ratio was approximately 1.0X.

From an inventory perspective, we believe our inventory level and mix are healthy. At the end of the quarter, we had inventories of $538 million, down approximately 2% compared to Q4 2022. Inventories were down

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25% year-over-year compared to the more elevated level at the end of Q2 last year driven by retailer destocking.

With that, let me now turn to our outlook for 2023.

On the heels of a strong first half, we expect momentum in our business to continue. For the full year, we expect net sales on a GAAP basis to increase between 9% and 11% and adjusted net sales to increase between 10% and 12%. Adjusted EPS is expected to be in the range of $2.85 to $3.02, up 20% to 27% versus the prior year. We expect Adjusted EBITDA to be in the range of $650 million to $680 million, representing year-over-year growth of 25% to 31% and margin expansion of approximately 200 basis points.

Net interest expense for the full year is expected to be approximately $45 million, which reflects our recent refinancing. We expect a GAAP effective tax rate of approximately 35% to 36%, inclusive of approximately 10 to 11 percentage points of impact related to withholding taxes and nondeductible costs associated with the spin-off from JS Global.

Finally, we expect capital expenditures of $120 million to $140 million, primarily to support investments in new product launches and technology.

In closing, our Q2 results demonstrate the continued success of our three-pillar growth strategy, and we remain focused on reinvesting in our business to drive top and bottom line growth over the long term. Our industry-leading margin profile and asset-light model allows us to deliver strong free cash flow. Our balance sheet remains strong and will continue to support us as we remain focused on our goal of maximizing shareholder value.

With that, I will hand the call back over to Mark.

Mark Barrocas

Thanks, Larry.

In conclusion, we are off to a great start in 2023. We delivered a very strong second quarter and first half, and believe we have significant momentum. Over the long term, we strive to enter new markets and reach every living room, bedroom, kitchen and backyard as we drive growth and profitability. We believe our commitment to innovation and international expansion and our compelling financial profile sets us apart from our peers. We are confident that we are on the right path towards fulfilling our mission while simultaneously creating significant value for all our shareholders.

That concludes our prepared remarks, and I will now turn it over to the operator to kick off Q&A. Operator.

Operator

Thank you. At this time we will be conducting a question-and-answer session. (Operator instructions).

Thank you. Our first question today comes from the line of Phillip Blee with William Blair. Please proceed with your questions.

Phillip Blee

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Hi. Thanks for the questions and congrats on your first quarter. Can you just provide a bit more color on your marketing expense this quarter? It's up quite a bit year-over-year. Can you just speak to how much of that growth is attributable to the ramp of new products, and then maybe the split between U.S. and international markets?

Mark Barrocas

Yes. Sure, Phillip. I'll start and Larry can chime in here. So we have grown marketing expense, and it's really attributable to a few things. One is this was the first full year that we were in outdoor cooking. The seasonality of that business is very heavily in the second quarter. We were not in that category back in 2022, so there was a chunk of advertising that was invested in the outdoor cooking space.

We expanded marketing expense quite a bit in Europe and the U.K. Again, we're continuing to aggressively ramp our European business. We're launching lots of new product categories in the U.K, and so, it's really a combination of kind of those three things: outdoor cooking in the U.S., expansion in Europe and lots of new categories in the U.K.

Phillip Blee

Okay. Great. Then just as a quick follow-up, can you maybe speak then to how we should think about growth in this line going forward as you continue to invest in product innovation, as well as any seasonality around potential new products and then international growth?

Mark Barrocas

So Phillip, we had 80% growth this quarter in our international segment and so we're very excited about the momentum that the international business is having, both deeper penetration in new markets like Germany and France, as well as just expanding into more product categories in those markets as well. You'll notice that over the course of the last few weeks, we just launched into two new major new product categories with our expansion into the Ninja Thirsti product, which is an at-home beverage maker. It's the first time that we're entering that segment of business. We also launched a product called the Shark CarpetXpert which puts us into the carpet extraction and spot cleaning business. These are kind of 2 big definable new categories on the Ninja side as well as on the Shark side.

We're launching 14 new products over the course of what has really been over the last 30 days and over the next couple of weeks in nearly every one of our major categories, and so you'll see a lot of new innovation from the business, both in keeping our existing categories exciting for the consumer, and also entering into those new categories.

I think you're going to hear the same mantra from us over and over again, which is international expansion, expanding into new big definable categories, and continuing to grow share in the existing categories that we're in.

Phillip Blee

Okay, that makes sense. Thanks a lot and appreciate it. Congrats again on the print.

Mark Barrocas

Thank you.

Operator

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Our next question is from the line of Rupesh Parikh with Oppenheimer. Please proceed with your questions.

Rupesh Parikh

Good morning and thanks for taking my question. I just wanted to start off with the macro question. Just curious how you would characterize the consumer backdrop you're seeing in the U.S. right now, and maybe some of your other key markets?

Mark Barrocas

Sure, Rupesh. We're obviously empathetic to the consumer in these uncertain inflationary times, but we think that the combination of the innovation and performance and quality and affordable, accessible value that SharkNinja is providing is giving a reason for the consumer to continue to purchase our products.

I think at a macro level we're starting to see retailer inventory stabilize after a few quarters of kind of retailer inventories destocking, and so we think that's a positive sign. We're not necessarily seeing those inventories increase, but at least we're starting to see them now stabilize.

We believe that we're giving the consumer a reason to invest and spend, and in these uncertain times I think consumers are kind of looking for value and they're looking for something exciting, and SharkNinja I think is delivering that.

Rupesh Parikh

Great. Then maybe just one follow-up question. Really strong gross margin performance this quarter. As you look out for the balance of the year, curious on the puts and takes on the gross margin line, and then how you're thinking about the promotional backdrop for the balance of the year as well.

Mark Barrocas

Yes. I think we're seeing normalization of our freight rates versus prior year. We're seeing a normalization of our commodity prices. So those are obviously providing some kind of tailwind benefit for us on a year-on-year basis. We've talked about the fact that 2022 was a very challenging year on the cost side. So I think from a margin standpoint, we believe that kind of the full impact of some of those tailwinds will not really hit us until kind of the end of Q3 and potentially even into the beginning of Q4.

Larry, maybe there's some (cross-talking).

Larry Flynn

Yes. We saw through the first half of '23, right, from a gross margin perspective, expansion of 330 basis points. I guess, as we look at the back half of the year kind of with what Mark talked about, we kind of see that expansion year-over-year kind of expanding at a faster rate in the second half relative to the first half.

Rupesh Parikh

Great. Thank you.

Operator

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The next question is from the line of Steven Forbes with Guggenheim Securities. Please proceed with your questions.

Anders Myhre

Good morning, Mark, Larry. This is Anders Myhre on for Steven Forbes. I wanted to start it off with market share. Within your Investor Day presentation you have a slide showing share gains from 2019 to 2022, and I just hear that your business was a beneficiary of the COVID period, so maybe a two-part question here. One, can you walk us through the key factors that allowed for such tremendous categorical share gains during that period? Two, how does the team internally think of the medium- and longer-term share capture opportunities? Thank you.

Mark Barrocas

Yes. I think how we think about market share is identifying what we think is the white space in the market and creating innovative products that solve unmet consumer needs in those categories. We've been able to demonstrate that, as you pointed out, across a number of the subcategories that we're in, but it really comes from this combination of innovation and performance; high-quality, reliable products at affordable accessible prices, supported by a very significant investment in media and creating consumer demand for our products; and then a dominant omnichannel strategy where our products are distributed across nearly every brick-and-mortar outlet. We're some of the most search brands on Amazon and other dot.coms and a robust direct-to-consumer business. I think it's a combination of all of those things that are driving those market share gains that you see.

We don't talk about market share at a quarterly level. We'll talk to market share at our year end, but we believe that with what we have in the marketplace right now and the new products that we're continuing to launch, we're set up for a strong market share position as we move forward.

Anders Myhre

Got it. Thank you. With the consumer becoming more savvy and increasing competition, how do you position SharkNinja products to win in the consideration process?

Mark Barrocas

There's a lot of factors to that. Obviously, we have a strong investment in media and advertisement. Our products are some of the most watched products on social media. You can look at our Ninja CREAMi product that has nearly 800 million views on TikTok, our Shark FlexStyle with over 400 million views. We're broadening the demographics of our consumers. I mean, consumers are coming into our brands at a younger age than they ever have before. Our expansion into categories like outdoor cooking and robotics are bringing in a more male consumer.

I think we believe that as we expand into new categories where we're cross-selling consumers from Shark and Ninja, consumers are buying more than one product across brands. It really is ultimately comes down to our ability to continue to create innovative products that solve consumer problems. It all kind of ties back, I think, to the product piece.

Anders Myhre

Awesome. Thank you, guys.

Operator

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Our next question is from the line of Megan Alexander with Morgan Stanley. Please proceed with your questions.

Megan Alexander

Hi guys. Thanks very much for taking our question. I just wanted to follow up on your comment on retail destocking and maybe some softness in North America. Could you maybe expand on those two points a bit? Maybe talk about what you're seeing from a POS perspective, so what DTC versus wholesale looks like. Then as you're talking to retailers about replenishing, how are they thinking about ordering for the holiday season, which is obviously a very important time for many of your categories?

Mark Barrocas

Sure. Sure, Megan. We obviously saw significant retailer inventory destocking in the second half of last year and into the first quarter of this year. We have also seen very nice growth in our direct-to-consumer business. Our direct-to-consumer business right now is the fastest-growing portion of our overall business. In the second quarter, I think we saw a leveling off of that destocking where kind of POS was more matching inventory shipments.

I think that we are cautiously optimistic that as we move into the holiday season, we'll start to see some retailers that may have lost some sales as a result of running inventory levels too low and too tight. I don't know that that's going to be a drastic kind of bounce back or rebound; I think some retailers are still quite cautious around that. But I think when the consumer is not able to find those products on a retailer's shelf, they are also turning to our direct-to-consumer channel, which is helping us as well.

I think we're kind of cautiously optimistic that we'll see a little bit of tick up in inventory levels, but not planning for that to be significant.

Megan Alexander

Awesome. That's helpful. Maybe a follow-up on that/ To your point, there's a lot of moving parts this year with the retail destocking, some pressure on the consumer, and you're still expecting to grow sales 10% to 12%. How are you thinking about a more normalized top line algo for the business? This category tends to grow in the low single-digit range; you're going well above that. Is the expectation you can continue to grow the top line double digit beyond this year?

Larry Flynn

Yes. Great question, Megan. Obviously we've given here our 2023 kind of outlook at this point in time. In terms of the longer-term kind of algo and how we think about even just the top line growth, not something that we're necessarily commenting on at this point in time, but we think there obviously is great opportunities. Mark talked about existing categories and taking share and then obviously expansion into new categories and internationally. There's obviously a lot of good pieces to the story there, but not something we're giving specific guidance on at this point in time.

Megan Alexander

Okay. Thank you very much.

Operator

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Our next question is from the line of Noah Zatzkin with KeyBanc Capital Markets. Please proceed with your questions.

Noah Zatzkin

Hi. Congrats on the first quarter and thanks for taking my questions. Can you talk a bit about how you're thinking about the runway for cooking and beverage as well as beauty? Obviously, nice growth there via new launches, so just trying to understand how you're thinking about the opportunity there maybe relative to your more mature categories over time?

Mark Barrocas

Yes. Noah, I mean, I think we're excited about those categories. You'll notice if you go online, that we recently just signed a partnership with Chris Appleton, a very popular celebrity hairstylist, and at the same time also launched two new products in our haircare space, the Shark SmoothStyle and the Shark SpeedStyle. The goal is for us to now continue to expand the beauty category from a SKU base very much in the same way that we've been able to do across all the other product categories. I mean, break into the market and then continue to keep expanding across different price points, across different feature sets. The SmoothStyle is going to be sold for $99. I think it's going to bring in a more opening price consumer into our haircare space; our SpeedStyle at $199 and our FlexStyle at $299.

On the cooking and beverage space, the launch of the Ninja Thirsti I think puts us into a really exciting new category that is very much consumable led. We're selling the consumer a product that allows them to make still or sparkling drinks on their countertop, but then we're selling them drink pods and CO2 canisters that they will be coming back to purchase from us. So we're excited about what that's going to enable us to be able to do from just an ongoing relationship with the consumer as we expect them to come back multiple times over the course of the year to buy those consumable products.

Then lastly, I would say in outdoor cooking we launched our Ninja Woodfire Grill. That has been a big success for us, both in the U.S. as well as in Europe. We recently just launched last month our Ninja Woodfire Outdoor Oven; again, further kind of penetrating an expansion into this outdoor cooking space now with not just grills but with ovens as well.

I think you'll see a similar formula across all of those new categories that we've entered into.

Noah Zatzkin

Great. Maybe just one more follow-up? From a product innovation perspective, could you talk about the development process a bit as it relates to consumer preferences in different markets? Do you aim to produce product that's one size fits all, for lack of a better term, or is product differentiated by geography? Thanks.

Mark Barrocas

I would say, Noah, that probably 80% of the products that we're developing today are products that we're developing for a global consumer. For the most part, those are very similar across geographies. There's probably 20% of our products that are a little bit more geographic specific or might have certain changes to the product for some sort of geographic reason. Maybe more carpets in North America and the U.K. versus Latin America or Europe. But 80% of our products today are developed on a global basis.

Noah Zatzkin
Thank you.

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Operator

Thank you. At this time, we have reached end of our question-and-answer session. I'll turn the call over to Mark Barrocas for closing remarks.

Mark Barrocas

Thank you. We appreciate your participation on today's call. We'd like to thank you for taking the time to learn more about the SharkNinja story. It's been tremendously gratifying to grow the business, and as we take our next step as a public U.S. company, I'm excited to share the future of SharkNinja with all of you.

We look forward to speaking with you again on our third quarter earnings call, and have a great day. Thanks so much.

Operator

This will conclude today's conference. You may disconnect your lines at this time. Thank you for your participation.

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