
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of August 2023

Commission File Number: 001-41754

SHARKNINJA, INC.

(Translation of registrant's name into English)

89 A Street

Needham, MA 02494

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F ☒ Form 40-F ☐

Explanatory Note

On August 24, 2023, SharkNinja, Inc. (the “Company”) announced its financial results for the second quarter ended June 30, 2023 and released its 2022 quarterly financial results for the four quarters in the 2022 fiscal year. The announcement of the Company’s financial results for the second quarter ended June 30, 2023 is furnished as Exhibit 99.3 to this Report on Form 6-K and the Company’s 2022 quarterly financial results are furnished as Exhibit 99.4 to this Report on Form 6-K.

Exhibit 99.1 and Exhibit 99.2 to this Report on Form 6-K of SharkNinja, Inc. is hereby incorporated by reference as an exhibit to the Registration Statement on Form S-8 (File No. 333-273518) of SharkNinja, Inc., as amended or supplemented.

EXHIBIT INDEX

Exhibit	Description of Exhibit
<u>99.1</u>	<u>Unaudited Condensed Consolidated Interim Financial Statements as of June 30, 2023</u>
<u>99.2</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
<u>99.3</u>	<u>Press Release of SharkNinja, Inc. dated August 24, 2023</u>
<u>99.4</u>	<u>2022 Unaudited Selected Quarterly Financial Information</u>

SIGNATURE

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

SHARKNINJA, INC.

By: /s/ Pedro J. Lopez-Baldrich

Name: Pedro J. Lopez-Baldrich

Title: Chief Legal Officer

Date: August 24, 2023

SHARKNINJA GLOBAL SPV, LTD.

INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Page
<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	<u>2</u>
<u>Condensed Consolidated Statements of Income (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited)</u>	<u>4</u>
<u>Condensed Consolidated Statements of Shareholders' Equity (Unaudited)</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u>	<u>7</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>8</u>

SHARKNINJA GLOBAL SPV, LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)
(unaudited)

	As of	
	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 256,379	\$ 192,890
Restricted cash	23,207	25,880
Accounts receivable, net ⁽¹⁾	922,290	766,503
Inventories	537,676	548,588
Prepaid expenses and other current assets ⁽²⁾	96,790	181,831
Total current assets	1,836,342	1,715,692
Property and equipment, net	143,178	137,341
Operating lease right-of-use assets	68,883	67,321
Intangible assets, net	485,196	492,709
Goodwill	839,753	840,148
Deferred tax assets, noncurrent	4,047	6,291
Other assets, noncurrent	44,038	35,389
Total assets	<u>\$ 3,421,437</u>	<u>\$ 3,294,891</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable ⁽³⁾	\$ 371,391	\$ 328,122
Accrued expenses and other current liabilities ⁽⁴⁾	638,955	552,023
Tax payable	151	1,581
Current portion of long-term debt	99,503	86,972
Total current liabilities	1,110,000	968,698
Long-term debt	299,529	349,169
Operating lease liabilities, noncurrent	65,292	61,779
Deferred tax liabilities, noncurrent	52,362	60,976
Other liabilities, noncurrent	27,744	25,980
Total liabilities	<u>1,554,927</u>	<u>1,466,602</u>
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Ordinary shares, \$0.20 par value per share, 250,000 shares authorized, 50,000 shares issued and outstanding as of June 30, 2023 and December 31, 2022	10	10
Additional paid-in capital	941,210	941,210
Retained earnings	935,487	896,738
Accumulated other comprehensive loss	(10,197)	(9,669)
Total shareholders' equity	<u>1,866,510</u>	<u>1,828,289</u>
Total liabilities and shareholders' equity	<u>\$ 3,421,437</u>	<u>\$ 3,294,891</u>

⁽¹⁾ Including amounts from a related party of \$1,816 and \$1,033 as of June 30, 2023 and December 31, 2022, respectively.

⁽²⁾ Including amounts from a related party of \$40 and \$20,069 as of June 30, 2023 and December 31, 2022, respectively.

⁽³⁾ Including amounts to a related party of \$283,524 and \$231,805 as of June 30, 2023 and December 31, 2022, respectively.

⁽⁴⁾ Including amounts to a related party of \$10,251 and \$8,399 as of June 30, 2023 and December 31, 2022, respectively.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SHARKNINJA GLOBAL SPV, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net sales ⁽¹⁾	\$ 950,312	\$ 778,197	\$ 1,805,594	\$ 1,587,823
Cost of sales ⁽²⁾	553,391	486,730	1,008,130	944,430
Gross profit	396,921	291,467	797,464	643,393
Operating expenses:				
Research and development ⁽³⁾	61,014	54,016	119,739	105,987
Sales and marketing	208,316	146,641	360,436	272,182
General and administrative	71,959	54,711	139,027	106,736
Total operating expenses	341,289	255,368	619,202	484,905
Operating income	55,632	36,099	178,262	158,488
Interest expense, net	(7,031)	(6,078)	(15,520)	(10,082)
Other expense, net	(32,670)	(6,965)	(35,450)	(10,874)
Income before income taxes	15,931	23,056	127,292	137,532
Provision for income taxes	3,995	6,561	28,260	32,126
Net income	\$ 11,936	\$ 16,495	\$ 99,032	\$ 105,406
Net income per share, basic and diluted	\$ 0.09	\$ 0.12	\$ 0.71	\$ 0.76
Weighted-average number of shares used in computing net income per share, basic and diluted ⁽⁴⁾	138,982,872	138,982,872	138,982,872	138,982,872

(1) Including amounts from a related party of \$493 and \$266 for the three months ended June 30, 2023 and 2022, respectively; and \$1,251 and \$766 for the six months ended June 30, 2023 and 2022, respectively.

(2) Including amounts from a related party of \$403,696 and \$341,973 for the three months ended June 30, 2023 and 2022, respectively; and \$696,005 and \$667,337 for the six months ended June 30, 2023 and 2022, respectively.

(3) Including amounts from a related party of \$905 and \$845 for the three months ended June 30, 2023 and 2022, respectively; and \$1,766 and \$1,801 for the six months ended June 30, 2023 and 2022, respectively.

(4) The number of shares transferred in the separation and distribution from JS Global were used as the denominator in calculating net income per share. Refer to Footnote 11 for further information.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SHARKNINJA GLOBAL SPV, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	\$ 11,936	\$ 16,495	\$ 99,032	\$ 105,406
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	3,156	(15,251)	8,413	(19,857)
Unrealized loss on derivative instruments, net	(6,589)	—	(8,941)	—
Comprehensive income	<u>\$ 8,503</u>	<u>\$ 1,244</u>	<u>\$ 98,504</u>	<u>\$ 85,549</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SHARKNINJA GLOBAL SPV, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except share data and per share amount)
(unaudited)

Three Months Ended June 30, 2022						
	Ordinary shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount				
Balance as of March 31, 2022	50,000	\$ 10	\$ 957,005	\$ 814,907	\$ 4,342	\$ 1,776,264
Distribution paid to Parent	—	—	—	(52,750)	—	(52,750)
Intercompany note to Parent (Note 9)	—	—	—	(87)	—	(87)
Share-based compensation	—	—	1,876	—	—	1,876
Recharge from Parent for share-based compensation	—	—	(15,300)	—	—	(15,300)
Other comprehensive loss, net of tax	—	—	—	—	(15,251)	(15,251)
Net income	—	—	—	16,495	—	16,495
Balance as of June 30, 2022	<u>50,000</u>	<u>\$ 10</u>	<u>\$ 943,581</u>	<u>\$ 778,565</u>	<u>\$ (10,909)</u>	<u>\$ 1,711,247</u>
Three Months Ended June 30, 2023						
	Ordinary shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount				
Balance as of March 31, 2023	50,000	\$ 10	\$ 941,210	\$ 923,551	\$ (6,764)	\$ 1,858,007
Share-based compensation	—	—	2,317	—	—	2,317
Recharge from Parent for share-based compensation	—	—	(2,317)	—	—	(2,317)
Other comprehensive loss, net of tax	—	—	—	—	(3,433)	(3,433)
Net income	—	—	—	11,936	—	11,936
Balance as of June 30, 2023	<u>50,000</u>	<u>\$ 10</u>	<u>\$ 941,210</u>	<u>\$ 935,487</u>	<u>\$ (10,197)</u>	<u>\$ 1,866,510</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SHARKNINJA GLOBAL SPV, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except share data and per share amount)
(unaudited)

Six Months Ended June 30, 2022						
	Ordinary shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount				
Balance as of December 31, 2021	50,000	\$ 10	\$ 954,435	\$ 797,970	\$ 8,948	\$ 1,761,363
Distribution paid to Parent	—	—	—	(83,450)	—	(83,450)
Intercompany note to Parent (Note 9)	—	—	—	(41,361)	—	(41,361)
Share-based compensation	—	—	4,446	—	—	4,446
Recharge from Parent for share-based compensation	—	—	(15,300)	—	—	(15,300)
Other comprehensive loss, net of tax	—	—	—	—	(19,857)	(19,857)
Net income	—	—	—	105,406	—	105,406
Balance as of June 30, 2022	50,000	\$ 10	\$ 943,581	\$ 778,565	\$ (10,909)	\$ 1,711,247

Six Months Ended June 30, 2023						
	Ordinary shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount				
Balance as of December 31, 2022	50,000	\$ 10	\$ 941,210	\$ 896,738	\$ (9,669)	\$ 1,828,289
Distribution paid to Parent	—	—	—	(60,283)	—	(60,283)
Share-based compensation	—	—	3,165	—	—	3,165
Recharge from Parent for share-based compensation	—	—	(3,165)	—	—	(3,165)
Other comprehensive loss, net of tax	—	—	—	—	(528)	(528)
Net income	—	—	—	99,032	—	99,032
Balance as of June 30, 2023	50,000	\$ 10	\$ 941,210	\$ 935,487	\$ (10,917)	\$ 1,866,510

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SHARKNINJA GLOBAL SPV, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 99,032	\$ 105,406
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	51,795	40,165
Share-based compensation	3,165	4,446
Provision for credit losses	1,218	947
Non-cash lease expense	6,383	8,478
Amortization of debt discount	392	430
Deferred income taxes, net	(5,864)	(8,025)
Loss from equity method investment	—	360
Changes in operating assets and liabilities:		
Accounts receivable ⁽¹⁾	(143,549)	261,056
Inventories	16,008	(113,391)
Prepaid expenses and other assets ⁽²⁾	78,613	(85,286)
Accounts payable ⁽³⁾	33,605	(80,872)
Tax payable	(1,326)	(4,886)
Operating lease liabilities	(10,165)	(7,665)
Accrued expenses and other liabilities ⁽⁴⁾	71,078	(135,237)
Net cash provided by (used in) operating activities	<u>200,385</u>	<u>(14,074)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(46,273)	(32,687)
Purchase of intangible asset	(1,120)	(2,799)
Capitalized internal-use software development	(123)	(2,519)
Investment in equity method investment	—	(360)
Other investing activities, net	(300)	(300)
Net cash used in investing activities	<u>(47,816)</u>	<u>(38,665)</u>
Cash flows from financing activities:		
Proceeds from issuance of debt, net of issuance cost	—	200,000
Repayment of debt	(37,501)	(130,000)
Intercompany note to Parent (Note 9)	—	(41,286)
Distribution paid to Parent	(60,283)	(45,438)
Recharge from Parent for share-based compensation	—	(15,300)
Net cash used in financing activities	<u>(97,784)</u>	<u>(32,024)</u>
Effect of exchange rates changes on cash	6,031	(7,656)
Net increase (decrease) in cash, cash equivalents, and restricted cash	60,816	(92,419)
Cash, cash equivalents, and restricted cash at beginning of period	218,770	240,597
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 279,586</u>	<u>\$ 148,178</u>
Supplemental disclosures of noncash investing and financing activities:		
Purchase of property and equipment accrued and not yet paid	\$ 1,405	\$ 468
Share-based compensation recharge not yet paid	(3,165)	—
Unrealized loss on cash flow hedges	(9,964)	—
Reconciliation of cash, cash equivalents and restricted cash within the Condensed Consolidated Balance Sheets to the amounts shown in the Condensed Consolidated Statements of Cash Flows above:		
Cash and cash equivalents	\$ 256,379	\$ 130,455
Restricted cash	23,207	17,723
Total cash, cash equivalents and restricted cash	<u>\$ 279,586</u>	<u>\$ 148,178</u>

⁽¹⁾ Including changes in related party balances of \$(783) and \$3,706 for the six months ended June 30, 2023 and 2022, respectively.

⁽²⁾ Including changes in related party balances of \$20,029 and \$(1,714) for the six months ended June 30, 2023 and 2022, respectively.

⁽³⁾ Including changes in related party balances of \$51,719 and \$(56,018) for the six months ended June 30, 2023 and 2022, respectively.

⁽⁴⁾ Including changes in related party balances of \$1,852 and \$(992) for the six months ended June 30, 2023 and 2022, respectively.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

SHARKNINJA GLOBAL SPV, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Organization and Description of Business

SharkNinja Global SPV, Ltd. (together with its subsidiaries, “SharkNinja” or the “Company”) was incorporated in the Cayman Islands on June 27, 2017. SharkNinja is a global product design and technology company that creates innovative lifestyle product solutions across multiple sub-categories, including Cleaning Appliances, Cooking and Beverage Appliances, Food Preparation Appliances and Other products under the brands of “Shark” and “Ninja.” The Company operates as a combination of wholly-owned businesses of JS Global Lifestyle Company Limited (the “Parent” or “JS Global”), which is a listed entity on the Hong Kong Stock Exchange.

On May 17, 2023, SharkNinja, Inc. was incorporated as a subsidiary of JS Global. As part of the separation from JS Global in July 2023, JS Global contributed all outstanding shares of the Company to SharkNinja, Inc. in exchange for shares of SharkNinja, Inc. On July 31, 2023, JS Global distributed all ordinary shares of SharkNinja, Inc. to the holders of JS Global ordinary shares, and SharkNinja, Inc. began trading on the New York Stock Exchange.

SharkNinja is headquartered in Needham, Massachusetts, and its operations have been primarily in the United States and the United Kingdom (“UK”).

2. Summary of Significant Accounting Policies

Basis of Presentation

The condensed consolidated financial statements that accompany these notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include the accounts of SharkNinja Global SPV, Ltd. and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

The condensed consolidated balance sheet as of December 31, 2022 was derived from the audited consolidated financial statements as of that date, but does not include all of the disclosures, including certain notes required by U.S. GAAP on an annual reporting basis. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations of the Securities and Exchange Commission (“SEC”). Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2022.

The Company has identified the significant accounting policies that are critical to understanding its business and results of operations. SharkNinja believes that there have been no significant changes during the six months ended June 30, 2023 to the significant accounting policies disclosed in the Company’s audited consolidated financial statements and related notes thereto as of and for the year ended December 31, 2022 within the Form F-1 filed on July 28, 2023.

In management’s opinion, the unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the Company’s financial position as of June 30, 2023 and the Company’s condensed consolidated statements of income, comprehensive income and shareholders’ equity for the three and six months ended June 30, 2023 and 2022 and cash flows for the six months ended June 30, 2023 and 2022. The results for the three and six months ended June 30, 2023 are not necessarily indicative of the operating results expected for the year ended December 31, 2023 or any future operating periods.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of net sales and expenses during the reporting periods and accompanying notes. Significant items subject to such estimates and assumptions include but are not limited to variable consideration for returns, sales rebates and discounts, the allowance for credit losses, reserve for product warranties, the fair value of financial assets and liabilities including the accounting and fair value of derivatives, valuation of inventory, the fair value of acquired intangible assets and goodwill, the useful lives of acquired intangible assets, determination of incremental borrowing rate for leases, share-based compensation and the valuation of deferred tax assets and uncertain tax positions. Actual results could differ from those estimates.

SHARKNINJA GLOBAL SPV, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Concentration of Credit Risks

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents, restricted cash, accounts receivable, and forward contracts. The Company maintains its cash, cash equivalents and restricted cash with high-quality financial institutions, the composition and maturities of which are regularly monitored by the Company.

The Company has outstanding accounts receivable balances with retailers, distributors and direct-to-consumer (“DTC”) customers. The Company is exposed to credit risk in the event of nonpayment by customers to the extent of the amounts recorded in the condensed consolidated balance sheets. The Company extends different levels of credit to customers, without requiring collateral deposits, and when necessary, maintains reserves for potential credit losses based upon the expected collectability of accounts receivable. The Company manages credit risk related to its customers by performing periodic evaluations of credit worthiness and applying other credit risk monitoring procedures.

The Company sells a significant portion of its products through retailers and, as a result, maintains individually significant receivable balances with these parties. If the financial condition or operations of these retailers deteriorates substantially, the Company’s operating results could be adversely affected.

The following table summarizes the Company’s customers that represented 10% or more of accounts receivable, net:

	As of	
	June 30, 2023	December 31, 2022
Customer A	20.1%	15.1%
Customer B	13.6	*
Customer C	12.7	19.8

* Represents less than 10%

The following table summarizes the Company’s customers that represented 10% or more of net sales:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Customer A	22.0%	21.5%	18.8%	18.6%
Customer B	*	10.6	10.1	11.7
Customer C	14.3	16.2	14.8	15.2

* Represents less than 10%

Accounts Receivable, Net

Accounts receivable are presented net of allowance for credit losses and allowance for chargebacks. Accounts receivable are presented net of liabilities when a right of setoff exists. The Company determined the allowance for customer incentives and allowance for sales returns should be recorded as a liability.

The Company maintains an allowance related to customer incentives based on specific terms and conditions included in the customer agreements or based on historical experience and the Company’s expectation of discounts.

The Company maintains an allowance for credit losses to provide for the estimated amount of receivables that will not be collected. To estimate the allowance for credit losses the Company applied the loss-rate method using relevant available information including historical write-off activity, current conditions and reasonable and supportable forecasts. The allowance for credit losses is measured on a pooled basis when similar risk characteristics exist. When assessing whether to measure certain financial assets on a pooled basis, the Company considered various risk characteristics, including geographic location and industry of the customer.

SHARKNINJA GLOBAL SPV, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Expected credit losses are estimated over the contractual term of the financial assets. Write-offs of accounts receivable are recorded to the allowance for credit losses. Any subsequent recoveries of previously written off balances are recorded as a reduction to credit loss expense.

Below is a rollforward of the Company's allowance for credit losses:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Beginning balance	\$ 8,067	\$ 1,982	\$ 6,998	\$ 1,783
Provision (recovery) for credit losses	474	(754)	1,218	947
Write-offs and other adjustments	(1,615)	(268)	(1,290)	(1,770)
Ending balance	<u>\$ 6,926</u>	<u>\$ 960</u>	<u>\$ 6,926</u>	<u>\$ 960</u>

Transfer of Financial Instruments

On August 31, 2022, the Company entered into a Receivable Purchase Agreement ("RPA") with a financial institution ("Purchaser") to sell its accounts receivable for a cash advanced payment and a deferred payment in the form of a deferred purchase price receivable. All transfers under the RPA meet the criteria of sales accounting and are accounted for as a true sale in accordance with ASC 860, *Transfers and Servicing*. The Company sells, conveys, transfers and assigns to the Purchaser all its rights, title and interest in the receivables upon the sale and transfer of the receivables to the Purchaser. The Company continues to service, administer and collect the receivables on behalf of the Purchaser. The financial statement impact associated with the servicing liability was immaterial for all periods presented.

As part of the RPA transaction, accounts receivable sold are derecognized from the condensed consolidated balance sheets and a deferred purchase price ("DPP") receivable is recognized at fair value. The DPP represents the difference between the fair value of the trade receivables sold and the cash purchase price. The DPP is subsequently remeasured each reporting period to account for activity during the period, such as the seller's interest in any newly transferred receivables, collections on previously transferred receivables attributable to the DPP and changes in estimates. The DPP is valued using unobservable inputs such as Level 3 inputs, primarily discounted cash flows. Due to the short maturity of the instruments, the carrying value of the DPP receivable approximates the fair value of the DPP. Please refer to Note 4 – *Fair Value Measurement* for additional details.

As of December 31, 2022, the outstanding principal on receivables sold was \$101.8 million, and the Company's risk of loss following the sale of the receivables was limited to the uncollected portion of the DPP at \$22.3 million. During the six months ended June 30, 2023, cash collections from customers on receivables sold were \$96.3 million, of which the cash collections on the DPP receivable were \$16.8 million. All amounts on sold receivables were collected as of June 30, 2023.

SHARKNINJA GLOBAL SPV, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The following table summarizes the activity related to the DPP receivable:

	As of	
	June 30, 2023	December 31, 2022
	(in thousands)	
Beginning balance	\$ 22,294	\$ —
Non-cash addition to DPP receivable	—	64,710
Cash collected on DPP receivable	(16,777)	(42,416)
Non-cash adjustments	(5,517)	—
Ending balance	<u>\$ —</u>	<u>\$ 22,294</u>

Disaggregation of Net Sales

The following table summarizes net sales by region based on the billing address of customers:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
	Amount	Percentage of Net Sales	Amount	Percentage of Net Sales	Amount	Percentage of Net Sales	Amount	Percentage of Net Sales
	(in thousands, except percentages)							
North America ⁽¹⁾	\$ 646,348	68.0%	\$ 600,639	77.2%	\$ 1,247,641	69.1%	\$ 1,243,530	78.3%
Europe ⁽²⁾	235,841	24.8	131,359	16.9	455,730	25.2	262,007	16.5
Rest of World	68,123	7.2	46,199	5.9	102,223	5.7	82,286	5.2
Total net sales	<u>\$ 950,312</u>	<u>100%</u>	<u>\$ 778,197</u>	<u>100%</u>	<u>\$ 1,805,594</u>	<u>100%</u>	<u>\$ 1,587,823</u>	<u>100%</u>

The following table presents net sales by brand:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
	Amount	Percentage of Net Sales	Amount	Percentage of Net Sales	Amount	Percentage of Net Sales	Amount	Percentage of Net Sales
	(in thousands, except percentages)							
Shark	\$ 463,887	48.8%	\$ 436,252	56.1%	\$ 944,638	52.3%	\$ 884,919	55.7%
Ninja	486,425	51.2	341,945	43.9	860,956	47.7	702,904	44.3
Total net sales	<u>\$ 950,312</u>	<u>100%</u>	<u>\$ 778,197</u>	<u>100%</u>	<u>\$ 1,805,594</u>	<u>100%</u>	<u>\$ 1,587,823</u>	<u>100%</u>

⁽¹⁾ Net sales from the United States represented 63.0% and 71.2% of total net sales for the three months ended June 30, 2023 and 2022, respectively, and 64.2% and 72.9% of total net sales for the six months ended June 30, 2023 and 2022, respectively.

⁽²⁾ Net sales from the UK represented 20.1% and 14.2% of total net sales for the three months ended June 30, 2023 and 2022, respectively, and 20.7% and 13.6% of total net sales for the six months ended June 30, 2023 and 2022, respectively.

SHARKNINJA GLOBAL SPV, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The following table presents net sales by product category:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
	Amount	Percentage of Net Sales	Amount	Percentage of Net Sales	Amount	Percentage of Net Sales	Amount	Percentage of Net Sales
	(in thousands, except percentages)							
Cleaning Appliances	\$ 413,797	43.5%	\$ 411,227	52.8%	\$ 828,667	45.9%	\$ 848,187	53.4%
Cooking and Beverage Appliances	343,050	36.1	204,028	26.2	599,732	33.2	436,131	27.5
Food Preparation Appliances	143,376	15.1	137,687	17.7	261,224	14.5	266,166	16.8
Other	50,089	5.3	25,255	3.3	115,971	6.4	37,339	2.3
Total net sales	<u>\$ 950,312</u>	<u>100%</u>	<u>\$ 778,197</u>	<u>100%</u>	<u>\$ 1,805,594</u>	<u>100%</u>	<u>\$ 1,587,823</u>	<u>100%</u>

Warranty Costs

The Company accrues the estimated cost of product warranties at the time it recognizes net sales and records warranty expense to cost of goods sold. The Company's standard warranty provides for repair or replacement of the associated products during the warranty period. The amount of the provision for the warranties is estimated based on sales volume and past experience of the level of repairs and returns. If actual product failure rates or repair costs differ from estimates, revisions to the estimated warranty obligation may be required.

Product warranty liabilities and changes were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Beginning balance	\$ 20,075	\$ 15,268	\$ 20,958	\$ 17,828
Accruals for warranties issued	7,679	3,636	13,750	8,057
Changes in liability for pre-existing warranties	—	482	—	1,486
Settlements made	(6,581)	(4,920)	(13,535)	(12,905)
Ending balance	<u>\$ 21,173</u>	<u>\$ 14,466</u>	<u>\$ 21,173</u>	<u>\$ 14,466</u>

Segment Information

The Company operates in one operating and reportable segment. Operating segments are defined as components of an enterprise about which separate financial information is evaluated regularly by the chief operating decision maker, who is the Company's chief executive officer ("CEO"), in deciding how to allocate resources and assessing performance. The Company's CEO allocates resources and assesses performance based upon discrete financial information at the consolidated level.

SHARKNINJA GLOBAL SPV, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Net sales by geographical region can be found in the disaggregation of net sales in Note 2 above. The following table presents the Company's property and equipment, net of depreciation and amortization, by geographic region:

	As of	
	June 30, 2023	December 31, 2022
	(in thousands)	
United States	\$ 66,207	\$ 74,054
China	66,287	55,170
Rest of World	10,684	8,117
Total property and equipment, net	<u>\$ 143,178</u>	<u>\$ 137,341</u>

3. Condensed Consolidated Balance Sheet Components

Property and Equipment, Net

Property and equipment, net consisted of the following:

	As of	
	June 30, 2023	December 31, 2022
	(in thousands)	
Molds and tooling	\$ 237,458	\$ 209,984
Computer and software	93,172	88,483
Displays	98,935	90,722
Equipment	16,631	14,653
Furniture and fixtures	9,846	11,418
Leasehold improvements	34,607	31,315
Total property and equipment	<u>490,649</u>	<u>446,575</u>
Less: accumulated depreciation and amortization	(364,788)	(322,022)
Construction in progress	17,317	12,788
Property and equipment, net	<u>\$ 143,178</u>	<u>\$ 137,341</u>

Depreciation and amortization expenses were \$23.4 million and \$14.5 million for the three months ended June 30, 2023 and 2022, respectively, and \$40.6 million and \$29.1 million for the six months ended June 30, 2023 and 2022, respectively.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	As of	
	June 30, 2023	December 31, 2022
	(in thousands)	
Prepaid expenses	\$ 59,701	\$ 86,274
Related party receivables	40	20,069
Derivative assets	—	22,676
DPP receivable	—	22,294
Other receivables	37,049	30,518
Prepaid expenses and other current assets	<u>\$ 96,790</u>	<u>\$ 181,831</u>

SHARKNINJA GLOBAL SPV, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	As of	
	June 30, 2023	December 31, 2022
	(in thousands)	
Accrued customer incentives	\$ 321,182	\$ 230,195
Accrued expenses	119,363	99,962
Accrued compensation and benefits	51,526	71,762
Accrued returns	25,863	45,529
Accrued tax payables	31,010	43,243
Accrued warranty	21,173	20,958
Operating lease liabilities, current	11,440	13,038
Derivative liabilities	23,392	—
Other	34,006	27,336
Accrued expenses and other current liabilities	<u>\$ 638,955</u>	<u>\$ 552,023</u>

4. Fair Value Measurements

The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2023:

	June 30, 2023			
	Fair Value	Level 1	Level 2	Level 3
	(in thousands)			
Financial Liabilities:				
Derivatives not designated as hedging instruments:				
Forward contracts included in accrued expenses and other current liabilities (Note 5)	\$ 15,780	\$ —	\$ 15,780	\$ —
Derivatives designated as hedging instruments:				
Forward contracts included in accrued expenses and other current liabilities (Note 5)	\$ 7,612	\$ —	\$ 7,612	\$ —
Total financial liabilities	\$ 23,392	\$ —	\$ 23,392	\$ —

The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2022:

	December 31, 2022			
	Fair Value	Level 1	Level 2	Level 3
	(in thousands)			
Financial Assets:				
Derivatives not designated as hedging instruments:				
Forward contracts included in prepaid expenses and other current assets (Note 5)	\$ 22,676	\$ —	\$ 22,676	\$ —
DPP receivable included in prepaid expenses and other current assets (Note 2)	22,294	—	—	22,294
Total financial assets	\$ 44,970	\$ —	\$ 22,676	\$ 22,294

The Company classifies its derivative financial instruments within Level 2 because they are valued using inputs other than quoted prices which are directly or indirectly observable in the market, including readily-available pricing sources for the identical underlying security which may not be actively traded. The Company classifies its DPP receivable within Level 3 because it is valued using unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. There were no transfers into or out of Level 3 fair value measurement for the periods ended June 30, 2023 and December 31, 2022.

SHARKNINJA GLOBAL SPV, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Because no market exists for a DPP in sold receivables, fair value estimates are based on judgements regarding current economic conditions and the risk characteristics of the expected collection percentage of the remaining receivables outstanding. Those estimates that are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision are included in Level 3. Changes in assumptions could significantly affect the fair value of the DPP receivable presented.

5. Derivative Financial Instruments and Hedging

Notional Amount of Forward Contracts

The gross notional amounts of the Company's forward contracts are USD denominated. The notional amounts of outstanding forward contracts in USD as of the periods presented were as follows:

	As of	
	June 30, 2023	December 31, 2022
	(in thousands)	
Derivatives Designated as Hedging Instruments:		
Forward contracts	\$ 330,200	\$ —
Derivatives Not Designated as Hedging Instruments:		
Forward contracts	483,260	956,191
Total derivative instruments	<u>\$ 813,460</u>	<u>\$ 956,191</u>

Effect of Forward Contracts on the Condensed Consolidated Statements of Income

Total (loss) gain recognized from derivatives that were not designated as hedging instruments was \$(27.6) million and \$2.1 million for the three months ended June 30, 2023 and 2022, respectively, and \$(25.7) million and \$2.1 million for the six months ended June 30, 2023 and 2022, respectively, and it was recorded in other expense, net within the condensed consolidated statements of income.

Effect of Forward Contracts on Accumulated Other Comprehensive Income

The following table represents the unrealized losses of forward contracts that were designated as hedging instruments, net of tax effects, that were recorded in accumulated other comprehensive income as of June 30, 2023, and their effect on other comprehensive income for the six months ended June 30, 2023:

	Three Months Ended	Six Months Ended
	June 30, 2023	
	(in thousands)	
Beginning balance	\$ (2,352)	\$ —
Amount of net losses recorded in other comprehensive income	(7,739)	(10,091)
Amount of net losses reclassified from other comprehensive income to earnings	1,150	1,150
Ending balance	<u>\$ (8,941)</u>	<u>\$ (8,941)</u>

The Company did not have any forward contracts that were designated as hedging instruments for the three and six months ended June 30, 2022.

SHARKNINJA GLOBAL SPV, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

6. Intangible Assets, Net and Goodwill

Intangible Assets, Net

Intangible assets consisted of the following as of June 30, 2023:

	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u> (in thousands)	<u>Net Carrying Value</u>	<u>Weighted- Average Remaining Useful Life</u> (in years)
Intangible assets subject to amortization:				
Customer relationships	\$ 143,083	\$ (91,414)	\$ 51,669	3.3
Patents	53,815	(22,319)	31,496	5.9
Developed technology	22,437	(4,740)	17,697	8.7
Total intangible assets subject to amortization	<u>\$ 219,335</u>	<u>\$ (118,473)</u>	<u>\$ 100,862</u>	
Intangible assets not subject to amortization:				
Trade name and trademarks	384,334	—	384,334	Indefinite
Total intangible assets, net	<u>\$ 603,669</u>	<u>\$ (118,473)</u>	<u>\$ 485,196</u>	

Intangible assets consisted of the following as of December 31, 2022:

	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u> (in thousands)	<u>Net Carrying Value</u>	<u>Weighted- Average Remaining Useful Life</u> (in years)
Intangible assets subject to amortization:				
Customer relationships	\$ 143,083	\$ (83,465)	\$ 59,618	3.8
Patents	52,695	(19,874)	32,821	6.2
Developed technology	21,381	(5,151)	16,230	9.2
Total intangible assets subject to amortization	<u>\$ 217,159</u>	<u>\$ (108,490)</u>	<u>\$ 108,669</u>	
Intangible assets not subject to amortization:				
Trade name and trademarks	384,040	—	384,040	Indefinite
Total intangible assets, net	<u>\$ 601,199</u>	<u>\$ (108,490)</u>	<u>\$ 492,709</u>	

Amortization expenses for intangible assets were as follows:

	<u>Three Months Ended June 30,</u> <u>2023</u>	<u>2022</u>	<u>Six Months Ended June 30,</u> <u>2023</u>	<u>2022</u>
		(in thousands)		
Research and development	\$ 1,638	\$ 1,442	\$ 3,286	\$ 3,025
Sales and marketing	3,975	3,975	7,950	7,950
Total amortization expenses	<u>\$ 5,613</u>	<u>\$ 5,417</u>	<u>\$ 11,236</u>	<u>\$ 10,975</u>

SHARKNINJA GLOBAL SPV, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The expected future amortization expenses related to the intangible assets as of June 30, 2023 were as follows:

	Amount (in thousands)
Year Ending December 31,	
Remainder of 2023	\$ 11,617
2024	23,265
2025	23,265
2026	19,290
2027	6,444
Thereafter	16,981
Total	<u>\$ 100,862</u>

Goodwill

The following table represents the changes to goodwill:

	Carrying Amount (in thousands)
Balance as of December 31, 2022	\$ 840,148
Effect of foreign currency translation	(395)
Balance as of June 30, 2023	<u>\$ 839,753</u>

7. Debt

On March 17, 2020, the Company entered into a term loan and revolving credit agreement (“2020 Facilities Agreement”) with Bank of China Limited, Macau Branch, as administrative agent, and certain banks and financial institutions party thereto as lenders and issuing banks. The 2020 Facilities Agreement provided for a \$500.0 million term loan facility (the “2020 Term Loans”) and \$200.0 million revolving credit facility (“2020 Revolving Facility”). The 2020 Term Loans and the 2020 Revolving Facility mature five years from the initial utilization date on March 20, 2020, and both facilities bear interest at a rate of the London Interbank Offered Rate (“LIBOR”) plus 1.8%.

The Company was required to meet certain financial covenants customary with this type of agreement, including, but not limited to, maintaining a maximum ratio of indebtedness and a minimum specified interest coverage ratio. As of June 30, 2023, the Company was in compliance with the covenants under the 2020 Facilities Agreement.

The obligations under the 2020 Facilities Agreement with respect to the 2020 Term Loans and the 2020 Revolving Facility were secured by substantially all the Company’s U.S. assets, except for goodwill and investments in subsidiaries, and were required to be guaranteed by certain material subsidiaries of the Company if, at the end of future financial quarters, certain conditions were not met. The 2020 Term Loans were secured by equity interests in certain of the Company’s subsidiaries and substantially all of the Company’s U.S. entity assets.

No amounts were outstanding under the 2020 Revolving Facility as of June 30, 2023 and December 31, 2022.

SHARKNINJA GLOBAL SPV, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Long-term debt related to the 2020 Term Loans consisted of the following:

	As of	
	June 30, 2023	December 31, 2022
	(in thousands)	
2020 Term Loans with principal payments due on March 20 each year; interest at LIBOR plus 1.8%; final balance due on maturity date of March 19, 2025	\$ 400,000	\$ 437,500
Less: deferred financing costs	(968)	(1,359)
Less: current portion	(99,503)	(86,972)
Long-term debt, net of current portion	<u>\$ 299,529</u>	<u>\$ 349,169</u>

Aggregate maturities of long-term debt as of June 30, 2023 were as follows:

	Amount
	(in thousands)
Years Ending December 31,	
Remainder of 2023	\$ 50,000
2024	150,000
2025	200,000
Total future principal payments	<u>\$ 400,000</u>

The Company recognizes and records interest expense related to the 2020 Term Loans in interest expense, net, which totaled \$7.3 million and \$5.1 million for the three months ended June 30, 2023 and 2022, respectively, and \$14.3 million and \$8.1 million for the six months ended June 30, 2023 and 2022, respectively.

In July 2023, the Company entered into a credit agreement ("2023 Credit Agreement") with Bank of America, N.A., as administrative agent, and certain banks and financial institutions party thereto as lenders and issuing banks. The 2023 Credit Agreement provides for an \$810.0 million term loan facility (the "2023 Term Loans") and a \$500.0 million revolving credit facility ("2023 Revolving Facility"). The 2023 Term Loans and 2023 Revolving Facility mature in July 2028, and both facilities bear interest at the Secured Overnight Financing Rate ("SOFR") plus 1.875%. The Company has the ability to increase the total commitments related to the 2023 Revolving Facility as long as certain financial covenants are met. The 2023 Credit Agreement replaced the 2020 Facilities Agreement in its entirety and the Company used the net proceeds of \$802.9 million from the 2023 Term Loans to repay the remaining principal balance of \$400.0 million and accrued interest of \$9.2 million related to the 2020 Term Loans.

8. Commitments and Contingencies

Non-Cancelable Purchase Obligations

In the normal course of business, the Company enters into non-cancelable purchase commitments. As of June 30, 2023, the outstanding non-cancelable purchase obligations with a term of 12 months or longer were immaterial.

Indemnifications and Contingencies

The Company enters into indemnification provisions under certain agreements with other parties in the ordinary course of business. In its customer agreements, the Company has agreed to indemnify, defend and hold harmless the indemnified party for third-party claims and related losses suffered or incurred by the indemnified party from actual or threatened third-party intellectual property infringement claims. For certain large or strategic customers, the Company has agreed to indemnify, defend and hold harmless the indemnified party for non-compliance with certain additional representations and warranties made by the Company.

SHARKNINJA GLOBAL SPV, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Legal Proceedings

From time to time, the Company may be involved in various legal proceedings arising from the normal course of business activities. The Company investigates these claims as they arise. The Company is not presently a party to any litigation the outcome of which the Company believes, if determined adversely to the Company, would individually or taken together, have a material adverse effect on its business, financial condition and results of operations.

9. Shareholders' Equity and Equity Incentive Plan

Intercompany Note to Parent

During the year ended December 31, 2022, the Company entered into a note agreement with Parent (the "2022 Intercompany Note to Parent") in which SharkNinja could transfer up to \$43.3 million on the day the note was entered into. Parent could subsequently request up to \$36.3 million of funds on or prior to January 1, 2023. The Company initially transferred \$41.3 million to JS Global during the six months ended June 30, 2022. Subsequently, in September 2022, the Company transferred an additional \$8.0 million to JS Global. The note bore interest at a blended Applicable Federal Rate. Due to the nature of the note receivable, the Company considered it to be an in-substance distribution to its Parent accounted for as contra-equity. As of December 31, 2022, the outstanding balance of the note, including interest, recorded as a reduction to retained earnings was \$50.1 million. During the six months ended June 30, 2023, the Company declared and issued distributions to Parent of \$110.4 million, which included amounts receivable of \$50.4 million under the 2022 Intercompany Note, including interest, in satisfaction of such note.

Restricted Share Units

Restricted share unit ("RSU") activities for the six months ended June 30, 2023 for RSUs granted under JS Global's restricted share units plan ("JS RSU Plan") to the Company's employees were as follows:

	Number of Shares	Weighted Average Grant Date Fair Value per share
Unvested as of December 31, 2022	10,254,734	\$ 0.97
Vested	(9,177,987)	\$ 0.97
Cancelled/Forfeited	(1,076,747)	\$ 0.97
Unvested as of June 30, 2023	<u>—</u>	<u>—</u>

Share-Based Compensation

The share-based compensation by line item in the accompanying condensed consolidated statements of income is summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Research and development	\$ 840	\$ 585	\$ 1,070	\$ 1,406
Sales and marketing	411	79	512	336
General and administrative	1,066	1,212	1,583	2,704
Total share-based compensation	<u>\$ 2,317</u>	<u>\$ 1,876</u>	<u>\$ 3,165</u>	<u>\$ 4,446</u>

As of June 30, 2023, the Company does not have any unrecognized share-based compensation cost related to RSUs granted under the JS RSU Plan.

Pursuant to the share-based compensation recharge agreement with Parent entered into in the year ended December 31, 2022, the Company reimbursed share-based compensation costs to Parent in the amount of \$2.3 million and \$15.3 million during the three months ended June 30, 2023, and 2022 respectively, and \$3.2 million and \$15.3 million during the six months ended June 30, 2023 and 2022, respectively.

SHARKNINJA GLOBAL SPV, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

10. Income Taxes

The Company recorded income tax expenses of \$4.0 million and \$6.6 million for the three months ended June 30, 2023 and 2022, respectively, and \$28.3 million and \$32.1 million for the six months ended June 30, 2023 and 2022, respectively. The Company's effective tax rate was 25.1% and 28.5% for the three months ended June 30, 2023 and 2022, respectively, and 22.2% and 23.4% for the six months ended June 30, 2023 and 2022, respectively.

For interim periods, the Company's income tax expense and resulting effective tax rate are based upon an estimated annual effective tax rate adjusted for the effects of items required to be treated as discrete to the period, including jurisdiction mix of earnings, changes in income before taxes, non-deductible expenses, tax credits, uncertain tax positions and other items.

11. Net Income Per Share

On July 31, 2023, in connection with the separation from JS Global, 138,982,872 shares of common stock of SharkNinja, Inc. were distributed to JS Global shareholders. The distributed share amount of SharkNinja, Inc. is utilized for the calculation of basic and diluted net income per share of the Company for all periods presented prior to the separation and distribution from JS Global. For the three and six months ended June 30, 2023 and 2022, these shares are treated as issued and outstanding for purposes of calculating historical net income per share. For periods prior to the separation and distribution, it is assumed that there are no dilutive equity instruments as there were no equity awards of SharkNinja, Inc. outstanding prior to the separation and distribution.

The following table sets forth the computation of basic and diluted net income per share for the periods presented:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<u>(in thousands, except share and per share data)</u>			
Numerator:				
Net income	\$ 11,936	\$ 16,495	\$ 99,032	\$ 105,406
Denominator:				
Weighted-average shares used in computing net income per share, basic and diluted	138,982,872	138,982,872	138,982,872	138,982,872
Net income per share, basic and diluted	<u>\$ 0.09</u>	<u>\$ 0.12</u>	<u>\$ 0.71</u>	<u>\$ 0.76</u>

SHARKNINJA GLOBAL SPV, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

12. Related Party Transactions

The Company entered into transactions in the ordinary course of business with related parties detailed below that are under common control of JS Global.

		As of	
		June 30, 2023	December 31, 2022
		(in thousands)	
Related party assets			
Balances and transactions with other entities controlled by JS Global			
Accounts receivable, net	\$	1,816	\$ 1,033
Prepaid expenses and other current assets		40	2,886
Related party liabilities			
Balances and transactions with other entities controlled by JS Global			
Accounts payable	\$	283,524	\$ 231,805
Accrued expenses and other current liabilities		3,084	861
Balances with JS Global			
Accrued expenses and other current liabilities	\$	7,167	\$ 7,538
		Three Months Ended June 30,	Six Months Ended June 30,
		2023	2022
		(in thousands)	
Related party revenue			
Balances and transactions with joint venture			
Sale of goods	\$	—	\$ 266
			\$ —
			\$ 766
Balances and transactions with other entities controlled by JS Global			
Sale of goods	\$	493	\$ —
			\$ 1,251
			\$ —
Related party expense			
Balances and transactions with other entities controlled by JS Global			
Purchase of goods	\$	412,165	\$ 350,474
			\$ 712,027
			\$ 683,644
Purchase of services		905	845
			1,766
			1,801

Supplier Agreements

The Company has historically relied on JS Global entities to provide certain procurement and quality control services to the Company. In connection with these agreements, the Company incurred costs which were reimbursed by JS Global entities. For the three months ended June 30, 2023 and 2022, JS Global entities paid the Company \$8.5 million and \$8.5 million, respectively, and for the six months ended June 30, 2023 and 2022, JS Global entities paid the Company \$16.0 million and \$16.3 million, respectively, recorded as a reduction to cost of sales for services rendered under these agreements.

Recourse Promissory Notes

During the year ended December 31, 2021, the Company issued recourse promissory notes of \$17.6 million to certain employees (the “2021 Employee Notes”) to satisfy their individual tax withholding requirements. As of December 31, 2022, the outstanding balance of 2021 Employee Notes, including interest, was \$11.2 million and was included in prepaid expenses and other current assets. During the six months ended June 30, 2023, the Company received full repayment on the 2021 Employee Notes and no amounts remained outstanding as of June 30, 2023.

SHARKNINJA GLOBAL SPV, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

During the year ended December 31, 2022, the Company issued recourse promissory notes of \$6.0 million to certain employees (the “2022 Employee Notes”) to satisfy their individual tax withholding requirements. As of December 31, 2022, the outstanding balance of 2022 Employee Notes, including interest, was \$6.0 million and was included in prepaid expenses and other current assets. During the six months ended June 30, 2023, the Company received full repayment on the 2022 Employee Notes and no amounts remained outstanding as of June 30, 2023.

Transactions with Parent

See *Note 9 – Shareholders’ Equity and Equity Incentive Plan* for details on the Company’s equity transaction with Parent including distribution to Parent and share-based compensation recharge from Parent.

13. Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through August 24, 2023, the date on which these condensed consolidated financial statements were available to be issued.

Distribution

In July 2023, upon the debt refinancing discussed in Footnote 7, the Company declared and paid a special cash distribution of \$375.0 million to JS Global for the repayment of JS Global’s outstanding debt under the 2020 Facilities Agreement.

Separation and Distribution Agreements

In July 2023 in connection with the separation, the Company entered into a separation and distribution agreement with JS Global and various other agreements to provide a framework for our relationship with JS Global after the separation, including a transition services agreement, an employee matters agreement, a brand license agreement, sourcing services agreements and a product development agreement.

Equity Incentive Plan

In July 2023, SharkNinja, Inc. adopted a new equity incentive plan (the “Equity Plan”). The total number of shares of SharkNinja, Inc. common stock reserved and available for grant and issuance pursuant to this Equity Plan is 13,898,287 shares. As of August 24, 2023, 9.9 million shares remained available for future grant under the Equity Plan.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provide information that management believes is relevant to an assessment and understanding of our results of operations and financial condition. You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our Unaudited Interim Condensed Consolidated Balance Sheets as of June 30, 2023, Unaudited Interim Condensed Consolidated Statements of Income and Statements of Comprehensive Income and Statements of Shareholders' Equity for the three and six months ended June 30, 2023, Unaudited Interim Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2023, and Notes to the Condensed Consolidated Financial Statements thereto included elsewhere in this Form 6-K, and our audited consolidated financial statements and the related notes and other information for the year ended December 31, 2022 included in our Form F-1 as filed with the U.S. Securities and Exchange Commission (the "Commission" or the "SEC") under the Securities Act of 1933 on July 28, 2023 (the "Form F-1").

Cautionary Note Regarding Forward Looking Statements

Some information in this Form 6-K may contain forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended), that reflect our current views with respect to, among other things, future events and our future business, financial condition, results of operations and prospects. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "projection," "would" and "outlook," or the negative version of those words or phrases or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not statements of historical fact, and are based on current expectations, estimates and projections about our industry as well as certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. These forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, which you should consider and read carefully, including but not limited to:

- our ability to maintain and strengthen our brands to generate and maintain ongoing demand for our products;
- our ability to commercialize a continuing stream of new products and line extensions that create demand;
- our ability to effectively manage our future growth;
- general economic conditions and the level of discretionary consumer spending;
- our ability to expand into additional consumer markets;
- our ability to maintain product quality and product performance at an acceptable cost;
- our ability to compete with existing and new competitors in our markets;
- problems with, or loss of, our supply chain or suppliers, or an inability to obtain raw materials;
- the risks associated with doing business globally;
- inflation, changes in the cost or availability of raw materials, energy, transportation and other necessary supplies and services;
- our ability to hire, integrate and retain highly skilled personnel;
- our ability to maintain, protect and enhance our intellectual property;
- our ability to securely maintain consumer and other third-party data;
- our ability to comply with ongoing regulatory requirements;

- the increased expenses associated with being a public company;
- our status as a “controlled company” within the meaning of the rules of NYSE;
- our ability to achieve some or all of the anticipated benefits of the separation; and
- the other risks and uncertainties described under “Risk Factors” in our Form F-1 as filed with the SEC under the Securities Act of 1933 on July 28, 2023.

This list of factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this Form 6-K. We operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Form 6-K, and our future levels of activity and performance, may not occur and actual results could differ materially and adversely from those described or implied in the forward-looking statements. As a result, you should not regard any of these forward-looking statements as a representation or warranty by us or any other person or place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

In addition, statements that contain “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Form 6-K. While we believe that this information provides a reasonable basis for these statements, this information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements. We qualify all of our forward-looking statements by the cautionary statements contained in this section and elsewhere in this Form 6-K.

Overview

SharkNinja is a global product design and technology company that creates innovative 5-star rated lifestyle solutions for consumers around the world. We have built two billion-dollar brands that drive strong growth and innovation across the 28 sub-categories in which we compete today. We have a proven track record of entering and establishing leadership positions by disrupting the market across household product categories, including Cleaning, Cooking, Food Preparation and Other, which includes Home Environment and Beauty.

Our success is centered around our advanced engineering and innovation capabilities coupled with our deep understanding of consumer needs. We relentlessly seek to deliver innovative home appliances at compelling value in order to delight consumers. Our continued growth in sales and increasing market share demonstrate that our products deliver lifestyle solutions that meet our consumers’ evolving needs and desires.

We drive high brand engagement through our dynamic approach to solutions-driven storytelling in categories that we believe have not been historically known for high engagement. This solutions-driven approach focuses on educating the consumer on our innovative solution to a consumer problem that makes their experience more efficient and more enjoyable. Our differentiated storytelling complements our innovative products across a variety of channels, including in-store, online, on television and across social media. This approach engages current and new consumers, fueling demand for our solutions across a variety of categories. Utilizing this strategy, we have built a global community of passionate brand ambassadors who we believe value our innovation, quality and performance.

We sell our products using an omnichannel distribution strategy that consists primarily of retail and direct-to-consumer (“DTC”) channels. Our retail channel covers brick-and-mortar retailers, e-commerce platforms and multichannel retailers, which, in turn, sell our products to the end consumers. Some of the largest retailers we sell to include Walmart, Amazon, Target and Best Buy, as well as a significant number of independent retailers. Our DTC channel covers sales directly to consumers through our websites. The goal of our omnichannel distribution strategy is to be the most prominent and relevant brand wherever our consumers choose to shop.

We have built an agile and efficient supply chain over time and have made significant investments to optimize manufacturing and sourcing. Our supply chain infrastructure harnesses three differentiating factors: (i) long-standing factory partnerships that allow us to rapidly develop and produce our products, (ii) factory flexibility that allows us to incorporate insights and adapt at any stage of the production process and (iii) our volumes and long-term strategic partnerships with key shippers allow us to attain competitive inbound freight rates, even when the market is constrained. We have also made significant investments in local talent to help oversee the production process and ensure that our manufacturers' products meet our strenuous quality standards.

Key Factors Affecting Our Performance

We believe that our performance and results of operations have been and will continue to be, affected by a number of factors, including those described below and in the "Risk Factors" included in our Form F-1 filed on July 28, 2023.

Continued Product Innovation in Existing Categories and New Adjacent Categories

Our future growth depends, in part, on our ability to introduce new and enhanced products in our existing categories and enter adjacent categories. The success of our new products depends on many factors, including finding innovative solutions to consumer problems, differentiating our products from those of our competitors, obtaining protection for our intellectual property and anticipating consumer trends. By introducing new products, we appeal to a broader range of consumers, which expands our use cases and increases our presence in underserved or untapped markets. To continue with our rapid pace of innovation, we will need to continue to invest in R&D to enhance our product offerings. We believe that our consumer insight capabilities and robust in-house R&D teams, with dedicated engineering and development experts around the globe, enables us to maintain a product pipeline several years into the future. We are relentlessly focused on staying at the forefront of our product categories while entering new adjacent categories through our continuous innovation and ever-evolving consumer insights.

Ability to Attract and Retain Consumers and Increase Consumer Engagement

We believe that we are still in the early stages of growth across our markets and that we can significantly grow our consumer base and the number of our products per household. Our performance will depend on our continued ability to retain existing consumers and attract new consumers to purchase products across our portfolio, which is reliant on us maintaining consumer loyalty and satisfaction. Consumer engagement with our brands is integral to the continued growth and success of our business. We have strategically invested and will continue to invest, significant time and resources towards our marketing initiatives, including long-form advertising to the latest social media platforms, that educate consumers, highlight our quality and value, inspire conversion in-store and online. We have also invested and expect to continue to invest, in our ability to glean consumer insights from a variety of sources, including direct and indirect interactions with consumers and consumer reviews of our products. We believe that continued interactions with consumers allow us to understand their needs and desires, enhancing our product storytelling and inspiring purchases.

Continued Geographic Expansion Within Existing and New International Markets

We believe our ability to expand within existing international markets and enter new international markets will continue to play an integral role in our future growth. We have cultivated our presence in international markets for years, accumulating experience and local resources while building long-term, in-depth cooperation with key retailers. Our ability to grow our business in new international markets will depend on factors such as our marketing efforts, continued consumer satisfaction with our products and understanding consumer preferences in different markets. International expansion may require us to invest in sales and marketing, infrastructure and personnel. As we scale in new markets, we anticipate that we will leverage our existing relationships with key international retail partners and build partnerships with new retailers.

Ability to Manage Costs and Inventory

Our results of operations are affected by our ability to manage our manufacturing and supply costs effectively. Our product costs vary based on the category, level of technological innovation and complexity, as well as the arrangements with our manufacturing partners and the input costs they face. We have continuously expanded our supplier base as we have expanded into new categories and geographies. We ensure that we are multi-sourced across high-volume products to ensure sufficient product supply. Our supply chain remains highly agile with competitive bidding to secure favorable pricing, allowing us to offer greater value to our consumers. Further, we generally have long-standing relationships with our key suppliers that have solidified our supply chain infrastructure and enabled us to source our products effectively.

Continued Execution of Our Omni-channel Strategy

Since our inception, we have relentlessly focused on meeting our consumers where they shop. Our omnichannel strategy has continued to evolve as consumer shopping habits have evolved. We have established credibility through key retail channels, built numerous years' worth of trust with leading retailers and have had success in our DTC channel, allowing us to gain deeper consumer insights. We have also invested and expect to continue to invest, in growing our teams of sales representatives to keep pace with increasing consumer demand and expand our relationships with both brick-and-mortar and online retailers. Our ability to execute this strategy will depend on various factors such as retailer satisfaction with the sales and profitability of our products, our ability to continue to innovate and our ability to maintain and expand the number of categories in which we are a category captain at key retailers.

Economic Conditions and Seasonality

Demand for our products is impacted by various economic factors that affect our consumers, such as consumer confidence, demographic trends, employment levels, inflation and other economic factors. These factors may influence the extent to which consumers purchase small household appliances. We believe that small appliances, such as our product offerings, are less cyclical than large appliances, which are typically more expensive and involve less frequent purchases by consumers. We also believe that consumers are attracted to our products because of the potential to save money; for instance, purchasing a Ninja Coffee Maker or Foodi Oven enables consumers to reduce spend on coffee and food away from home. In addition, we believe that our net sales include a seasonal component. We expect our net sales to be highest in our third and fourth quarters as retailers are buying products in advance of the holiday season and our online retail and DTC sales, in particular, increase during the holiday season. We expect this seasonality to continue to be a factor in our results of operations.

Key Components of Results of Operations

Net Sales

We offer a broad range of products that span 28 sub-categories primarily within small household appliances. We generate net sales from product sales to retailers, both brick-and-mortar and online, as well as through DTC sales and distributors. We recognize sales upon transfer of control of products to retailers, consumers and distributors, net of returns, discounts and allowances provided to retailers and funding provided to retailers for promotions and advertising of our products. Control is generally transferred upon shipment or delivery of the products, depending on shipping terms. Net sales are impacted by the effect of foreign exchange rates, competition, consumer spending habits and general economic conditions.

We disaggregate the net sales of our products across four categories:

- Cleaning Appliances, which includes corded and cordless vacuums, including handheld and robotic vacuums, as well as other floorcare products including steam mops and wet/dry cleaning floor products;
- Cooking and Beverage Appliances, which includes air fryers, multi-cookers, outdoor and countertop grills and ovens, coffee systems, carbonation, cookware, cutlery, kettles, toasters and bakeware;
- Food Preparation Appliances, which includes blenders, food processors, stand mixers, ice cream makers and juicers; and
- Other, which includes beauty appliances such as hair dryers and stylers, home environment products, such as air purifiers, humidifiers and garment care products.

Gross Profit and Gross Margin

Gross profit reflects net sales less the cost of sales. Cost of sales primarily consists of the purchase cost of our products from third-party manufacturers, inbound freight costs, tariffs, product quality testing and inspection costs, the costs associated with receiving inventory into our warehouses, depreciation on molds and tooling that we own, warranty costs, damages, obsolescence and shrinkage costs and allocated overhead, including the service fee paid to JS Global for supply chain services.

We calculate gross margin as gross profit divided by net sales. Gross margin is generally impacted by changes in channel mix since our DTC sales usually generate a higher gross margin than sales to retailers and distributors. Additionally, gross margin is also impacted by product category mix, changes in foreign currency fluctuations, changes in tariff policies, fluctuations in inbound freight costs and fluctuations in commodity and component costs.

Operating Expenses

Our operating expenses consist of research and development, sales and marketing and general and administrative expenses. Advertising expenses are the most significant component of our operating expenses and consist of television advertising as well as digital advertising. Personnel-related expenses are the second most significant component of operating expenses and consist of salaries and bonuses, share-based compensation and employee benefit costs. Our operating expenses also include allocated overhead. Overhead costs that are not substantially dedicated for use by a specific functional group are allocated based on headcount. Allocated overhead costs include shared costs associated with facilities, including rent and utilities, information technology and related personnel and depreciation of property and equipment. We expect our operating expenses to increase on an absolute dollar basis for the foreseeable future as we continue to increase investments to support our growth including through increasing staff levels, expanding research and development and greater marketing activities. We also anticipate increased administrative and compliance costs as a result of becoming a public company.

Research and Development

Research and development costs primarily consist of salaries and related costs for our engineering and product development personnel responsible for the design, development and testing of our products, contractors and consulting expenses, the cost of components and test equipment used for product, tooling and prototype development, prototype expenses, overhead cost and amortization of intangible assets related to patents and amortization expenses related to capitalized development software.

Sales and Marketing

Sales and marketing expenses primarily consist of advertising, marketing and other brand-building costs, salaries and associated expenses for sales and marketing teams, shipping and fulfillment costs, including costs for third-party delivery services and shipping materials, overhead cost, amortization expenses of intangible assets related to customer relationships and depreciation expenses.

General and Administrative

General and administrative expenses primarily consist of salaries and associated costs for finance, legal, human resources, information technology and administrative functions, third-party professional service fees for external legal, accounting and other consulting services, depreciation expenses and overhead costs.

In future periods, we expect to incur additional general and administrative expenses as a result of operating as a public company, including expenses to comply with the rules and regulations of the SEC and the listing rules of NYSE, as well as higher expenses for corporate insurance, director and officer insurance, investor relations and professional services.

Interest Expense, Net

Interest expense, net of any interest earned on our cash and cash equivalents and restricted cash, primarily consists of interest on our borrowings, including our term loan facility. See “—Liquidity and Capital Resources—Indebtedness.”

Other Expense, Net

Other expense, net primarily consists of gains and losses on foreign currency transactions, equity method investments and foreign currency forward contracts. See “—Quantitative and Qualitative Disclosures About Market Risk—Foreign Currency Exchange Risk.”

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes in the United States and other foreign jurisdictions in which we conduct our business.

Results of Operations

The following table sets forth our selected condensed consolidated statements of income information for each of the periods indicated:

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net sales	\$ 950,312	\$ 778,197	\$ 1,805,594	\$ 1,587,823
Cost of sales	553,391	486,730	1,008,130	944,430
Gross profit	396,921	291,467	797,464	643,393
Operating expenses:				
Research and development ⁽¹⁾	61,014	54,016	119,739	105,987
Sales and marketing ⁽¹⁾	208,316	146,641	360,436	272,182
General and administrative ⁽¹⁾	71,959	54,711	139,027	106,736
Total operating expenses	341,289	255,368	619,202	484,905
Operating income	55,632	36,099	178,262	158,488
Interest expense, net	(7,031)	(6,078)	(15,520)	(10,082)
Other expense, net	(32,670)	(6,965)	(35,450)	(10,874)
Income before income taxes	15,931	23,056	127,292	137,532
Provision for income taxes	3,995	6,561	28,260	32,126
Net income	\$ 11,936	\$ 16,495	\$ 99,032	\$ 105,406

(1) Includes share-based compensation as follows:

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Research and development	\$ 840	\$ 585	\$ 1,070	\$ 1,406
Sales and marketing	411	79	512	336
General and administrative	1,066	1,212	1,583	2,704
Total share-based compensation	\$ 2,317	\$ 1,876	\$ 3,165	\$ 4,446

The following table sets forth our selected condensed consolidated statements of income information as a percentage of our total net sales for each of the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net sales	100%	100%	100%	100%
Cost of sales	58.2	62.5	55.8	59.5
Gross profit	41.8	37.5	44.2	40.5
Operating expenses:				
Research and development	6.4	6.9	6.6	6.7
Sales and marketing	21.9	18.8	20.0	17.1
General and administrative	7.6	7.0	7.7	6.7
Total operating expenses	35.9	32.7	34.3	30.5
Operating income	5.9	4.8	9.9	10.0
Interest expense, net	(0.7)	(0.8)	(0.9)	(0.6)
Other expense, net	(3.5)	(1.0)	(2.0)	(0.7)
Income before income taxes	1.7	3.0	7.0	8.7
Provision for income taxes	0.4	0.9	1.5	2.1
Net income	1.3%	2.1%	5.5%	6.6%

Comparison of the Three Months Ended June 30, 2023 and 2022

Net Sales

(\$ in thousands, except %)	Three Months Ended June 30,			
	2023	2022	\$ Change	% Change
Net sales	\$ 950,312	\$ 778,197	\$ 172,115	22.1%

Our net sales increased by \$172.1 million, or 22.1%, for the three months ended June 30, 2023, compared to the three months ended June 30, 2022. The increase in net sales resulted primarily from strong sales of recently launched products in the outdoor cooking and beauty categories.

Net sales in our product categories were as follows:

(\$ in thousands, except %)	Three Months Ended June 30,			
	2023	2022	\$ Change	% Change
Cleaning Appliances	\$ 413,797	\$ 411,227	\$ 2,570	0.6%
Cooking and Beverage Appliances	343,050	204,028	139,022	68.1%
Food Preparation Appliances	143,376	137,687	5,689	4.1%
Other	50,089	25,255	24,834	98.3%
Total net sales	\$ 950,312	\$ 778,197	\$ 172,115	22.1%

- Cleaning Appliances net sales increased by \$2.6 million, or 0.6%, to \$413.8 million in the three months ended June 30, 2023, compared to \$411.2 million for the three months ended June 30, 2022. The increase was driven by growth in the multi-floorcare sub-category and by new product innovation. This increase was partially offset by softness in the North America market, specifically in corded vacuums as consumers shifted towards cordless.

- Cooking and Beverage Appliances net sales increased by \$139.0 million, or 68.1%, to \$343.1 million in the three months ended June 30, 2023, compared to \$204.0 million for the three months ended June 30, 2022. This increase was driven by growth in Europe, specifically in the United Kingdom, where we further strengthened our leading market position. Our global growth was also supported by the full quarter of sales of our outdoor grill that launched in the second half of 2022, which continues to perform well across the US and European markets.
- Food Preparation Appliances net sales increased by \$5.7 million, or 4.1%, to \$143.4 million in the three months ended June 30, 2023, compared to \$137.7 million for the three months ended June 30, 2022 driven by strong sales from our ice cream makers.
- Other net sales increased by \$24.8 million, or 98.3%, to \$50.0 million in the three months ended June 30, 2023, compared to \$25.3 million for the three months ended June 30, 2022. This increase was driven by continued strength of the Shark FlexStyle, our new product launch in the beauty category, at the end of 2022.

Gross Profit and Gross Margin

(\$ in thousands, except %)	Three Months Ended June 30,			
	2023	2022	\$ Change	% Change
Gross profit	\$ 396,921	\$ 291,467	\$ 105,454	36.2%
Gross margin	41.8%	37.5%		

Our gross profit increased by \$105.5 million, or 36.2%, for the three months ended June 30, 2023, compared to the three months ended June 30, 2022.

Our gross margin increased by 430 basis points for the three months ended June 30, 2023, compared to the three months ended June 30, 2022. The increase in gross margin was primarily attributable to cost tailwinds, including lower average inbound freight on major shipping lanes. We also drove strong sales through our higher margin DTC channel, specifically in the beauty category.

Operating Expenses

(\$ in thousands, except %)	Three Months Ended June 30,			
	2023	2022	\$ Change	% Change
Research and development	\$ 61,014	\$ 54,016	\$ 6,998	13.0%
Percentage of net sales	6.4%	6.9%		
Sales and marketing	\$ 208,316	\$ 146,641	\$ 61,675	42.1%
Percentage of net sales	21.9%	18.8%		
General and administrative	\$ 71,959	\$ 54,711	\$ 17,248	31.5%
Percentage of net sales	7.6%	7.0%		
Total operating expenses	\$ 341,289	\$ 255,368	\$ 85,921	33.6%
Percentage of net sales	35.9%	32.7%		

Research and Development

Research and development expenses increased by \$7.0 million, or 13.0%, for the three months ended June 30, 2023, compared to the three months ended June 30, 2022. This increase was primarily attributable to an increase of \$5.4 million in personnel-related expenses driven by increased headcount to support new product categories and new market expansion. The remainder of the overall increase, which amounted to \$1.6 million, was attributable to other miscellaneous expenses.

Sales and Marketing

Sales and marketing expenses increased by \$61.7 million, or 42.1%, for the three months ended June 30, 2023, compared to the three months ended June 30, 2022. This increase was primarily attributable to an increase of \$27.0 million in advertising-related expenses to support our launch into new markets and new sub-categories, an increase of \$14.9 million in fulfillment expenses to support our sales growth, an increase of \$9.0 million in personnel-related expenses driven by additional headcount to support the overall growth in the business and new market expansion, an increase of \$2.9 million in professional services related to third-party consulting fees and a \$2.6 million increase in payment processing fees. The remainder of the overall increase, which amounted to \$5.3 million, was attributable to other miscellaneous expenses.

General and Administrative

General and administrative expenses increased by \$17.3 million, or 31.5%, for the three months ended June 30, 2023, compared to the three months ended June 30, 2022. Included in general and administrative expenses in the second quarter of 2023 is \$16.6 million of costs related to the separation and distribution from JS Global.

Interest Expense, Net

(\$ in thousands, except %)	Three Months Ended June 30,			
	2023	2022	\$ Change	% Change
Interest expense, net	\$ (7,031)	\$ (6,078)	\$ (953)	15.7%
Percentage of net sales	(0.7)%	(0.8)%		

Interest expense, net increased by \$1.0 million, or 15.7%, for the three months ended June 30, 2023, compared to the three months ended June 30, 2022. This increase was primarily due to a \$3.1 million increase in interest expense on our term loans, which was driven by increases in the London Interbank Offered Rate ("LIBOR"). This increase in interest expense was partially offset by an increase in interest income of \$1.1 million driven by higher yields on our cash and cash equivalents and a \$0.8 million decrease in interest expense on our revolving credit facility, driven by the repayment of outstanding borrowings in December 2022.

Other Expense, Net

(\$ in thousands, except %)	Three Months Ended June 30,			
	2023	2022	\$ Change	% Change
Other expense, net	\$ (32,670)	\$ (6,965)	\$ (25,705)	369.1%
Percentage of net sales	(3.5)%	(1.0)%		

Other expense, net increased by \$25.7 million, or 369.1%, for the three months ended June 30, 2023, compared to the three months ended June 30, 2022. The increase was primarily attributable to losses related to foreign currency, including losses on the change in fair value of foreign currency forward contracts.

Provision for Income Taxes

(\$ in thousands, except %)	Three Months Ended June 30,			
	2023	2022	\$ Change	% Change
Provision for income taxes	\$ 3,995	\$ 6,561	\$ (2,566)	(39.1)%
Percentage of income before income taxes	25.1%	28.5%		

Provision for income taxes decreased by \$2.6 million, or 39.1%, for the three months ended June 30, 2023, compared to the three months ended June 30, 2022. Our effective tax rate was 25.1% and 28.5% of our income before income taxes for the three months ended June 30, 2023 and 2022, respectively. Our effective tax rate is affected by tax rates in foreign jurisdictions and the relative amounts of income we earn in those jurisdictions, as well as non-deductible expenses.

Comparison of the Six Months Ended June 30, 2023 and 2022

Net Sales

(\$ in thousands, except %)	Six Months Ended June 30,			
	2023	2022	\$ Change	% Change
Net sales	\$ 1,805,594	\$ 1,587,823	\$ 217,771	13.7%

Our net sales increased by \$217.8 million, or 13.7%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022. The increase in net sales resulted primarily from strong sales of recently launched products in the outdoor cooking and beauty categories.

Net sales in our product categories were as follows:

(\$ in thousands, except %)	Six Months Ended June 30,			
	2023	2022	\$ Change	% Change
Cleaning Appliances	\$ 828,667	\$ 848,187	\$ (19,520)	(2.3)%
Cooking and Beverage Appliances	599,732	436,131	163,601	37.5%
Food Preparation Appliances	261,224	266,166	(4,942)	(1.9)%
Other	115,971	37,339	78,632	210.6%
Total net sales	\$ 1,805,594	\$ 1,587,823	\$ 217,771	13.7%

- Cleaning Appliances net sales decreased by \$19.5 million, or 2.3%, to \$828.7 million in the six months ended June 30, 2023, compared to \$848.2 million for the six months ended June 30, 2022. This decrease was a result of softness in the North America market, specifically in corded vacuums as consumers shifted towards cordless. This sales decline was partially offset by growth in the multi-floorcare sub-category driven by new product innovation.
- Cooking and Beverage Appliances net sales increased by \$163.6 million, or 37.5%, to \$599.7 million in the six months ended June 30, 2023, compared to \$436.1 million for the six months ended June 30, 2022. This increase was driven by growth in Europe, specifically in the United Kingdom, where we strengthened our leading market position, partially offset by modest declines in North America. Our global growth was further supported by the full six months of sales of our outdoor grill that launched in the second half of 2022, which continues to perform well across the US and European markets.
- Food Preparation Appliances net sales decreased by \$4.9 million, or 1.9%, to \$261.2 million in the six months ended June 30, 2023, compared to \$266.2 million for the six months ended June 30, 2022 driven by strong sales from our ice cream makers.
- Other net sales increased by \$78.6 million, or 210.6%, to \$116.0 million in the six months ended June 30, 2023, compared to \$37.3 million for the six months ended June 30, 2022. This increase was primarily a result of strong sales of our new product launch in the beauty category, the Shark FlexStyle, at the end of 2022.

Gross Profit and Gross Margin

(\$ in thousands, except %)	Six Months Ended June 30,			
	2023	2022	\$ Change	% Change
Gross profit	\$ 797,464	\$ 643,393	\$ 154,071	23.9%
Gross margin	44.2%	40.5%		

Our gross profit increased by \$154.1 million, or 23.9%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022.

Our gross margin increased by 370 basis points for the six months ended June 30, 2023, compared to the six months ended June 30, 2022. The increase in gross margin was primarily attributable to cost tailwinds, including lower average inbound freight on major shipping lanes. We also drove strong sales through our higher margin DTC channel, specifically in the beauty category.

Operating Expenses

(\$ in thousands, except %)	Six Months Ended June 30,			
	2023	2022	\$ Change	% Change
Research and development	\$ 119,739	\$ 105,987	\$ 13,752	13.0%
Percentage of net sales	6.6%	6.7%		
Sales and marketing	\$ 360,436	\$ 272,182	\$ 88,254	32.4%
Percentage of net sales	20.0%	17.1%		
General and administrative	\$ 139,027	\$ 106,736	\$ 32,291	30.3%
Percentage of net sales	7.7%	6.7%		
Total operating expenses	\$ 619,202	\$ 484,905	\$ 134,297	27.7%
Percentage of net sales	34.3%	30.5%		

Research and Development

Research and development expenses increased by \$13.8 million, or 13.0%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022. This increase was primarily attributable to an increase of \$8.3 million in personnel-related expenses driven by increased headcount to support new product categories and new market expansion and an increase of \$2.7 million in depreciation and amortization expenses. The remainder of the overall increase, which amounted to \$2.8 million, was attributable to other miscellaneous expenses.

Sales and Marketing

Sales and marketing expenses increased by \$88.3 million, or 32.4%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022. This increase was primarily attributable to an increase of \$37.1 million in advertising-related expenses to support our launch into new markets and new sub-categories, an increase of \$21.3 million in fulfillment expenses to support increased sales, an increase of \$13.1 million in personnel-related expenses driven by increased headcount to support the overall growth in the business and new market expansion, an increase of \$4.3 million in professional services related to third-party consulting fees and an increase of \$3.2 million in depreciation and amortization expenses. The remainder of the overall increase, which amounted to \$9.3 million, was attributable to other miscellaneous expenses.

General and Administrative

General and administrative expenses increased by \$32.3 million, or 30.3%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022. Included in general and administrative expenses in 2023 is \$35.1 million of costs related to the separation and distribution from JS Global.

Interest Expense, Net

(\$ in thousands, except %)	Six Months Ended June 30,			
	2023	2022	\$ Change	% Change
Interest expense, net	\$ (15,520)	\$ (10,082)	\$ (5,438)	53.9%
Percentage of net sales	(0.9)%	(0.6)%		

Interest expense, net increased by \$5.4 million, or 53.9%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022. This increase was primarily due to a \$7.1 million increase in interest expense on our term loans, which was driven by increases in LIBOR. This increase in interest expense was partially offset by an increase in interest income of \$2.3 million driven by higher yields on our cash and cash equivalents. The remainder of the overall increase, which amounted to \$0.6 million, was attributable to other miscellaneous expenses.

Other Expense, Net

(\$ in thousands, except %)	Six Months Ended June 30,			
	2023	2022	\$ Change	% Change
Other expense, net	\$ (35,450)	\$ (10,874)	\$ (24,576)	226.0%
Percentage of net sales	(2.0)%	(0.7)%		

Other expense, net increased by \$24.6 million, or 226.0%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022. The increase was primarily attributable to losses related to foreign currency, including losses on the change in fair value of foreign currency forward contracts.

Provision for Income Taxes

(\$ in thousands, except %)	Six Months Ended June 30,			
	2023	2022	\$ Change	% Change
Provision for income taxes	\$ 28,260	\$ 32,126	\$ (3,866)	12.0%
Percentage of income before income taxes	22.2%	23.4%		

Provision for income taxes decreased by \$3.9 million, or 12.0%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022. Our effective tax rate was 22.2% and 23.4% of our income before income taxes for the six months ended June 30, 2023, compared to the six months ended June 30, 2022, respectively. Our effective tax rate is affected by tax rates in foreign jurisdictions and the relative amounts of income we earn in those jurisdictions, as well as non-deductible expenses.

NON-GAAP FINANCIAL MEASURES

In addition to the measures presented in our condensed consolidated financial statements, we regularly review other financial measures, defined as non-GAAP financial measures by the SEC, to evaluate our business, measure our performance, identify trends, prepare financial forecasts and make strategic decisions.

The key non-GAAP financial measures we consider are Adjusted Net Sales, Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Operating Income, Adjusted Net Income, Adjusted Net Income Per Share, EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin. These non-GAAP financial measures are used by both management and our Board, together with comparable GAAP information, in evaluating our current performance and planning our future business activities. These non-GAAP financial measures provide supplemental information regarding our operating performance on a non-GAAP basis that excludes certain gains, losses and charges of a non-cash nature or which occur relatively infrequently and/or which management considers to be unrelated to our core operations and excludes the financial results from our Asia Pacific Region and Greater China (“APAC”) distribution channels, both of which will be transferred to JS Global concurrently with the separation (the “Divestitures”), as well as the cost of sales from inventory markups that will be eliminated as a result of transitioning certain product procurement functions from a subsidiary of JS Global to SharkNinja concurrently with the separation (the “Product Procurement Adjustment”). Management believes that tracking and presenting these non-GAAP financial measures provides management and the investment community with valuable insight into our ongoing core operations, our ability to generate cash and the underlying business trends that are affecting our performance. We believe that these non-GAAP measures, when used in conjunction with our GAAP financial information, also allow investors to better evaluate our financial performance in comparison to other periods and to other companies in our industry and to better understand and interpret the results of the ongoing business following the separation and distribution. These non-GAAP financial measures should not be viewed as a substitute for our financial results calculated in accordance with GAAP and you are cautioned that other companies may define these non-GAAP financial measures differently.

We define Adjusted Net Sales as net sales as adjusted to exclude certain items that we do not consider indicative of our ongoing operating performance following the separation, including net sales from our Divestitures. We believe that Adjusted Net Sales is an appropriate measure of our performance because it eliminates the impact of our Divestitures that do not relate to the ongoing performance of our business.

The following table reconciles Adjusted Net Sales to the most comparable GAAP measure, net sales, for the periods presented:

(\$ in thousands, except %)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net sales	\$ 950,312	\$ 778,197	\$ 1,805,594	\$ 1,587,823
Divested subsidiary adjustment ⁽¹⁾	(44,700)	(21,790)	(64,349)	(41,870)
Adjusted Net Sales	<u>\$ 905,612</u>	<u>\$ 756,407</u>	<u>\$ 1,741,245</u>	<u>\$ 1,545,953</u>

(1) Adjusted for net sales of \$22.2 million and \$14.1 million from SharkNinja Co., Ltd. (“SNJP”) for the three months ended June 30, 2023 and 2022, respectively; \$22.5 million and \$7.7 million from the APAC distribution channels for the three months ended June 30, 2023 and 2022, respectively; \$37.2 million and \$28.1 million from SNJP for the six months ended June 30, 2023 and 2022, respectively; and \$27.2 million and \$13.8 million from the APAC distribution channels for the six months ended June 30, 2023 and 2022, respectively, as if such Divestitures occurred on January 1, 2022.

We define Adjusted Gross Profit as gross profit as adjusted to exclude certain items that we do not consider indicative of our ongoing operating performance following the separation, including the net sales and cost of sales from our Divestitures and the cost of sales from the Product Procurement Adjustment. We define Adjusted Gross Margin as Adjusted Gross Profit divided by Adjusted Net Sales. We believe that Adjusted Gross Profit and Adjusted Gross Margin are appropriate measures of our operating performance because each eliminates the impact our Divestitures and certain other adjustments that do not relate to the ongoing performance of our business.

The following table reconciles Adjusted Gross Profit and Adjusted Gross Margin to the most comparable GAAP measure, gross profit and gross margin, respectively, for the periods presented:

(\$ in thousands, except %)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net sales	\$ 950,312	\$ 778,197	\$ 1,805,594	\$ 1,587,823
Cost of sales	(553,391)	(486,730)	(1,008,130)	(944,430)
Gross profit	396,921	291,467	797,464	643,393
Gross margin %	41.8%	37.5%	44.2%	40.5%
Divested subsidiary net sales adjustment ⁽¹⁾	(44,700)	(21,790)	(64,349)	(41,870)
Divested subsidiary cost of sales adjustment ⁽²⁾	24,460	13,991	37,487	25,936
Product Procurement Adjustment ⁽³⁾	16,923	17,471	29,794	32,890
Adjusted Gross Profit	<u>\$ 393,604</u>	<u>\$ 301,139</u>	<u>\$ 800,396</u>	<u>\$ 660,349</u>
Adjusted Net Sales	<u>\$ 905,612</u>	<u>\$ 756,407</u>	<u>\$ 1,741,245</u>	<u>\$ 1,545,953</u>
Adjusted Gross Margin	43.5%	39.8%	46.0%	42.7%

(1) Adjusted for net sales of \$22.2 million and \$14.1 million from SNJP for the three months ended June 30, 2023 and 2022, respectively; \$22.5 million and \$7.7 million from the APAC distribution channels for the three months ended June 30, 2023 and 2022, respectively; \$37.2 million and \$28.1 million from SNJP for the six months ended June 30, 2023 and 2022, respectively; and \$27.2 million and \$13.8 million from the APAC distribution channels for the six months ended June 30, 2023 and 2022, respectively, as if such Divestitures occurred on January 1, 2022.

(2) Adjusted for cost of sales of \$10.4 million and \$8.0 million from SNJP for the three months ended June 30, 2023 and 2022, respectively; \$14.1 million and \$6.0 million from the APAC distribution channels for the three months ended June 30, 2023 and 2022, respectively; \$19.7 million and \$15.3 million from SNJP for the six months ended June 30, 2023 and 2022, respectively; and \$17.8 million and \$10.6 million from the APAC distribution channels for the six months ended June 30, 2023 and 2022, respectively, as if such Divestitures occurred on January 1, 2022.

(3) Represents cost of sales of \$16.9 million and \$17.5 million for the three months ended June 30, 2023 and 2022, respectively, and \$29.8 million and \$32.9 million for the six months ended June 30, 2023 and 2022, respectively, related to the Product Procurement Adjustment. As a result of the separation, we intend to purchase 100% of our inventory from one of our subsidiaries, SharkNinja (Hong Kong) Company Limited (“SNHK”), and will no longer purchase inventory from a purchasing office wholly owned by JS Global. Thus, the markup on all inventory purchased subsequent to the separation will be completely eliminated in consolidation.

We define Adjusted Operating Income as operating income excluding (i) share-based compensation, (ii) certain litigation costs, (iii) amortization of certain acquired intangible assets, (iv) certain separation and distribution costs and (v) certain items that we do not consider indicative of our ongoing operating performance following the separation, including operating income from our Divestitures and cost of sales from our Product Procurement Adjustment.

The following table reconciles Adjusted Operating Income to the most comparable GAAP measure, operating income, for the periods presented:

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating income	\$ 55,632	\$ 36,099	\$ 178,262	\$ 158,488
Share-based compensation ⁽¹⁾	2,317	1,876	3,165	4,446
Litigation costs ⁽²⁾	461	3,844	635	4,005
Amortization of acquired intangible assets ⁽³⁾	4,897	4,897	9,794	9,794
Separation and distribution related costs ⁽⁴⁾	16,625	—	35,093	—
Product Procurement Adjustment ⁽⁵⁾	16,923	17,471	29,794	32,890
Divested subsidiary operating income adjustment ⁽⁶⁾	(8,190)	(546)	(8,743)	(3,143)
Adjusted Operating Income	<u>\$ 88,665</u>	<u>\$ 63,641</u>	<u>\$ 248,000</u>	<u>\$ 206,480</u>

(1) Represents non-cash expense related to restricted stock unit awards issued from JS Global's equity incentive plans.

(2) Represents litigation costs incurred for iRobot Corporation's ("iRobot") patent infringement claims and false advertising claims against us.

(3) Represents amortization of acquired intangible assets that we do not consider normal recurring operating expenses, as the intangible assets relate to JS Global's acquisition of our business. We exclude amortization charges for these acquisition-related intangible assets for purposes of calculated Adjusted Net Income, although revenue is generated, in part, by these intangible assets, to eliminate the impact of these non-cash charges that are significantly impacted by the timing and valuation of JS Global's acquisition of our business, as well as the inherent subjective nature of purchase price allocations.

(4) Represents certain costs incurred related to the separation and distribution from JS Global.

(5) Represents cost of sales of \$16.9 million and \$17.5 million for the three months ended June 30, 2023 and 2022, respectively, and \$29.8 million and \$32.9 million for the six months ended June 30, 2023 and 2022, respectively, related to the Product Procurement Adjustment. As a result of the separation, we intend to purchase 100% of our inventory from one of our subsidiaries, SNHK, and will no longer purchase inventory from a purchasing office wholly owned by JS Global. Thus, the markup on all inventory purchased subsequent to the separation will be completely eliminated in consolidation.

(6) Adjusted for operating income of \$0.9 million and \$(0.8) million from SNJP for the three months ended June 30, 2023 and 2022, respectively; \$7.3 million and \$1.3 million from the APAC distribution channels for the three months ended June 30, 2023 and 2022, respectively; \$0.7 million from SNJP for the six months ended June 30, 2023 and 2022, respectively; and \$8.0 million and \$2.4 million from the APAC distribution channels for the six months ended June 30, 2023 and 2022, respectively, as if the Divestitures occurred on January 1, 2022.

We define Adjusted Net Income as net income excluding (i) share-based compensation, (ii) certain litigation costs, (iii) foreign currency gains and losses, (iv) amortization of certain acquired intangible assets, (v) certain separation and distribution costs, (vi) certain items that we do not consider indicative of our ongoing operating performance following the separation, including net income from our Divestitures and cost of sales from our Product Procurement Adjustment and (vii) the tax impact of the adjusted items.

Adjusted Net Income Per Share is defined as Adjusted Net Income divided by the diluted weighted average number of ordinary shares.

The following table reconciles Adjusted Net Income and Adjusted Net Income Per Share to the most comparable GAAP measures, net income and net income per share, diluted, respectively, for the periods presented:

(\$ in thousands, except share and per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	\$ 11,936	\$ 16,495	\$ 99,032	\$ 105,406
Share-based compensation ⁽¹⁾	2,317	1,876	3,165	4,446
Litigation costs ⁽²⁾	461	3,844	635	4,005
Foreign currency losses, net ⁽³⁾	35,468	7,902	39,617	12,622
Amortization of acquired intangible assets ⁽⁴⁾	4,897	4,897	9,794	9,794
Separation and distribution related costs ⁽⁵⁾	16,625	—	35,093	—
Product Procurement Adjustment ⁽⁶⁾	16,923	17,471	29,794	32,890
Tax impact of adjusting items ⁽⁷⁾	(16,872)	(7,918)	(25,982)	(14,027)
Divested subsidiary net income adjustment ⁽⁸⁾	(6,585)	1,865	(6,980)	576
Adjusted Net Income	<u>\$ 65,170</u>	<u>\$ 46,432</u>	<u>\$ 184,168</u>	<u>\$ 155,712</u>
Net income per share, diluted	<u>\$ 0.09</u>	<u>\$ 0.12</u>	<u>\$ 0.71</u>	<u>\$ 0.76</u>
Adjusted Net Income Per Share	<u>\$ 0.47</u>	<u>\$ 0.33</u>	<u>\$ 1.33</u>	<u>\$ 1.12</u>
Diluted weighted-average number of shares used in computing net income per share and Adjusted Net Income Per Share ⁽⁹⁾	138,982,872	138,982,872	138,982,872	138,982,872

(1) Represents non-cash expense related to restricted stock unit awards issued from JS Global's equity incentive plans.

(2) Represents litigation costs incurred for iRobot's patent infringement claims and false advertising claims against us.

(3) Represents foreign currency transaction gains and losses recognized from the remeasurement of transactions that were not denominated in the local functional currency, including gains and losses related to foreign currency derivatives not designated as hedging instruments. The total net (loss) gain recognized on our derivative instruments related to forward contracts outstanding not designated as hedging instruments included in the total of foreign currency losses, net, was \$(27.5) million and \$2.1 million for the three months ended June 30, 2023 and 2022, respectively, and \$(25.7) million and \$2.1 million for the six months ended June 30, 2023 and 2022, respectively.

(4) Represents amortization of acquired intangible assets that we do not consider normal recurring operating expenses, as the intangible assets relate to JS Global's acquisition of our business. We exclude amortization charges for these acquisition-related intangible assets for purposes of calculated Adjusted Net Income, although revenue is generated, in part, by these intangible assets, to eliminate the impact of these non-cash charges that are significantly impacted by the timing and valuation of JS Global's acquisition of our business, as well as the inherent subjective nature of purchase price allocations.

(5) Represents certain costs incurred related to the separation and distribution from JS Global.

(6) Represents cost of sales of \$16.9 million and \$17.5 million for the three months ended June 30, 2023 and 2022, respectively, and \$29.8 million and \$32.9 million for the six months ended June 30, 2023 and 2022, respectively, related to the Product Procurement Adjustment. As a result of the separation, we intend to purchase 100% of our inventory from one of our subsidiaries, SNHK, and will no longer purchase inventory from a purchasing office wholly owned by JS Global. Thus, the markup on all inventory purchased subsequent to the separation will be completely eliminated in consolidation.

(7) Represents the income tax effects of the adjustments included in the reconciliation of net income to Adjusted Net Income determined using the tax rate of 22.0%, which approximates our effective tax rate, excluding the divested subsidiary net income adjustment described in footnote (8).

(8) Adjusted for net income (loss) of \$0.8 million and \$(2.9) million from SNJP for the three months ended June 30, 2023 and 2022, respectively; \$5.7 million and \$1.0 million from the APAC distribution channels for the three months ended June 30, 2023 and 2022, respectively; \$0.7 million and \$(2.5) million from SNJP for the six months ended June 30, 2023 and 2022, respectively; and \$6.3 million and \$1.9 million from the APAC distribution channels for the six months ended June 30, 2023 and 2022, respectively, as if the Divestitures occurred on January 1, 2022.

(9) In calculating net income per share and Adjusted Net Income Per Share, we used the number of shares transferred in the separation and distribution for the denominator.

We define EBITDA as net income excluding: (i) interest expense, net, (ii) provision for income taxes and (iii) depreciation and amortization. We define Adjusted EBITDA as EBITDA excluding (i) share-based compensation cost, (ii) certain litigation costs, (iii) foreign currency gains and losses, net, (iv) certain separation and distribution costs and (v) certain items that we do not consider indicative of our ongoing operating performance following the separation, including net income from our Divestitures and cost of sales from our Product Procurement Adjustment. We define Adjusted EBITDA Margin as Adjusted EBITDA divided by Adjusted Net Sales. We believe EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are appropriate measures because they facilitate a comparison of our operating performance on a consistent basis from period to period that, when viewed in combination with our results according to GAAP, we believe provide a more complete understanding of the factors and trends affecting our business than GAAP measures alone.

The following table reconciles EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin to the most comparable GAAP measure, net income, for the periods presented:

(\$ in thousands, except %)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	\$ 11,936	\$ 16,495	\$ 99,032	\$ 105,406
Interest expense, net	7,031	6,078	15,520	10,082
Provision for income taxes	3,995	6,561	28,260	32,126
Depreciation and amortization	29,038	19,961	51,792	40,165
EBITDA	\$ 52,000	\$ 49,095	\$ 194,604	\$ 187,779
Share-Based compensation ⁽¹⁾	2,317	1,876	3,165	4,446
Litigation costs ⁽²⁾	461	3,844	635	4,005
Foreign currency losses, net ⁽³⁾	35,468	7,902	39,617	12,622
Separation and distribution related costs ⁽⁴⁾	16,625	—	35,093	—
Product Procurement Adjustment ⁽⁵⁾	16,923	17,471	29,794	32,890
Divested subsidiary Adjusted EBITDA adjustment ⁽⁶⁾	(10,187)	978	(11,285)	(1,341)
Adjusted EBITDA	\$ 113,607	\$ 81,166	\$ 291,623	\$ 240,401
Adjusted Net Sales	\$ 905,612	\$ 756,407	\$ 1,741,245	\$ 1,545,953
Adjusted EBITDA Margin	12.5%	10.7%	16.7%	15.6%

(1) Represents non-cash expense related to restricted stock unit awards issued from JS Global's equity incentive plans.

(2) Represents litigation costs incurred for iRobot's patent infringement claims and false advertising claims against us.

(3) Represents foreign currency transaction gains and losses recognized from the remeasurement of transactions that were not denominated in the local functional currency, including gains and losses related to foreign currency derivatives not designated as hedging instruments. The total net (loss) gain recognized on our derivative instruments related to forward contracts outstanding not designated as hedging instruments included in the total of foreign currency losses, net, was \$(27.5) million and \$2.1 million for the three months ended June 30, 2023 and 2022, respectively, and \$(25.7) million and \$2.1 million for the six months ended June 30, 2023 and 2022, respectively.

(4) Represents certain costs incurred related to the separation and distribution from JS Global.

(5) Represents cost of sales of \$16.9 million and \$17.5 million for the three months ended June 30, 2023 and 2022, respectively, and \$29.8 million and \$32.9 million for the six months ended June 30, 2023 and 2022, respectively, related to the Product Procurement Adjustment. As a result of the separation, we intend to purchase 100% of our inventory from one of our subsidiaries, SNHK, and will no longer purchase inventory from a purchasing office wholly owned by JS Global. Thus, the markup on all inventory purchased subsequent to the separation will be completely eliminated in consolidation.

(6) Adjusted for Adjusted EBITDA of \$2.9 million and \$(2.3) million from SNJP for the three months ended June 30, 2023 and 2022, respectively; and \$7.3 million and \$1.3 million from the APAC distribution channels for the three months ended June 30, 2023 and 2022, respectively; \$3.2 million and \$(1.1) million from SNJP for the six months ended June 30, 2023 and 2022, respectively; and \$8.0 million and \$2.4 million from the APAC distribution channels for the six months ended June 30, 2023 and 2022, respectively, as if the Divestitures occurred on January 1, 2022. The divested subsidiary Adjusted EBITDA adjustment represents net (loss) income from our Divestitures excluding interest expense, income tax expense, depreciation and amortization expense and foreign currency gains and losses recorded at the subsidiary level.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash and cash equivalents and cash generated from operations. Our principal uses of cash in recent periods have been investing in international expansion, new product development, capital expenditures, repayment of debt and business acquisitions. As of June 30, 2023, our principal sources of liquidity were cash and cash equivalents of \$256.4 million. Our cash and cash equivalents consist primarily of cash on deposits with banks.

We believe that our existing cash and cash equivalents together with cash provided by operations will be sufficient to meet our needs for at least the next 12 months. We plan to use our current cash on hand, cash generated by operations and additional financing raised through our credit facility to support our core business operations and strategic plan to accelerate our go-to-market strategy, invest in new product development and enhance our global distribution. We may be required to seek additional equity or debt financing to fund our activities. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, the results of operations and financial conditions of the business would be materially and adversely affected.

Indebtedness

In March 2020, we, along with JS Global, entered into a term loan and revolving credit agreement (“2020 Facilities Agreement”) with Bank of China Limited, Macau Branch, as administrative agent, and certain banks and financial institutions party thereto as lenders and issuing banks. The 2020 Facilities Agreement provided for a \$500.0 million term loan facility (“2020 Term Loans”) and \$200.0 million revolving credit facility (“2020 Revolving Facility”).

We were required to meet certain financial covenants customary with this type of agreement, including, but not limited to, maintaining a maximum ratio of indebtedness and a minimum specified interest coverage ratio. As of June 30, 2023, we had \$400.0 million of debt outstanding under the 2020 Term Loans and were in compliance with the covenants under the 2020 Facilities Agreement. The 2020 Term Loans and the 2020 Revolving Facility mature five years from the initial utilization date of March 20, 2020, and both facilities bear interest at a rate of LIBOR plus 1.80%.

No amounts were outstanding under the 2020 Revolving Facility as of June 30, 2023 and December 31, 2022, and therefore the available balance was \$200.0 million at each respective date.

In July 2023, we entered into a credit agreement (“2023 Credit Agreement”) with Bank of America, N.A., as administrative agent, and certain banks and financial institutions party thereto as lenders and issuing banks. The 2023 Credit Agreement provides for an \$810.0 million term loan facility (the “2023 Term Loans”) and a \$500.0 million revolving credit facility (“2023 Revolving Facility”). The 2023 Term Loans and 2023 Revolving Facility mature in July 2028, and both facilities bear interest at the Secured Overnight Financing Rate (“SOFR”) plus 1.875%. We have the ability to increase the total commitments related to the 2023 Revolving Facility as long as certain financial covenants are met, which are on-going and reported on a quarterly basis. The 2023 Credit Agreement replaced our 2020 Facilities Agreement in its entirety and we used the net proceeds of \$802.9 million from the 2023 Term Loans to repay the remaining principal balance of \$400.0 million and accrued interest of \$9.2 million related to the 2020 Term Loans. As of July 2023, we do not have any LIBOR-based debt after completing the refinancing described above.

Cash Flows

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

(\$ in thousands)	Six Months Ended June 30,	
	2023	2022
Net cash provided by (used in) operating activities	\$ 200,385	\$ (14,074)
Net cash used in investing activities	(47,816)	(38,665)
Net cash used in financing activities	(97,784)	(32,024)

Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2023 of \$200.4 million was primarily related to our net income of \$99.0 million, adjusted for non-cash charges of \$57.1 million and net cash inflows of \$44.3 million from changes in our operating assets and liabilities. Non-cash charges primarily consisted of depreciation and amortization of \$51.8 million, non-cash lease expenses of \$6.4 million, share-based compensation of \$3.2 million, provision for credit losses of \$1.2 million and amortization of debt discount of \$0.4 million, offset by deferred income tax of \$5.9 million. The main drivers of the net cash inflows derived from the changes in operating assets and liabilities were related to an increase in accrued expenses and other liabilities of \$71.1 million, a decrease in prepaid expenses and other assets of \$78.6 million, an increase in accounts payable of \$33.6 million and a decrease in inventories of \$16.0 million, partially offset by an increase in accounts receivable of \$143.5 million, a decrease in operating lease liabilities of \$10.1 million and a decrease in tax payable of \$1.3 million.

Net cash used in operating activities for the six months ended June 30, 2022, of \$14.1 million was primarily related to net cash outflows of \$166.3 million from changes in our operating assets and liabilities, partially offset by our net income of \$105.4 million, adjusted for non-cash charges of \$46.8 million. Non-cash charges primarily consisted of depreciation and amortization of \$40.2 million, non-cash lease expenses of \$8.5 million, share-based compensation of \$4.4 million, provision for credit losses of \$0.9 million, loss on equity investments of \$0.4 million and amortization of debt discount of \$0.4 million, offset by deferred income tax of \$8.0 million. The main drivers of the net cash outflows derived from the changes in operating assets and liabilities were related to a decrease in accrued expenses and other liabilities of \$135.2 million, a decrease in accounts payable of \$80.9 million, an increase in inventories of \$113.4 million, an increase in prepaid expenses and other assets of \$85.3 million and a decrease in operating lease liabilities of \$7.7 million, and a decrease in tax payable of \$4.9 million, partially offset by a decrease in accounts receivable of \$261.1 million.

Investing Activities

Investing activities consist primarily of purchases of property and equipment and intangible assets and payments related to business acquisitions.

Cash used in investing activities for the six months ended June 30, 2023 of \$47.8 million consisted of purchases of property and equipment of \$46.3 million, purchases of intangible assets for \$1.1 million, capitalized software development costs of \$0.1 million and other investing activities, net for \$0.3 million.

Cash used in investing activities for the six months ended June 30, 2022 of \$38.7 million consisted of purchases of property and equipment of \$32.7 million, purchases of intangible assets for \$2.8 million, capitalized software development costs of \$2.5 million, equity investments of \$0.4 million and other investing activities, net for \$0.3 million.

Financing Activities

Financing activities consist primarily of proceeds we receive from the issuance of debt and debt repayments, as well as contributions and distributions to and from JS Global prior to the separation and distribution.

Cash used in financing activities for the six months ended June 30, 2023 of \$97.8 million consisted of repayment of debt of \$37.5 million and distributions paid to JS Global of \$60.3 million.

Cash used in financing activities for the six months ended June 30, 2022 of \$32.0 million consisted of repayment of debt of \$130.0 million, distributions paid to JS Global of \$45.4 million, note payable to JS Global of \$41.3 million, and a recharge from JS Global for share-based compensation of \$15.3 million, which was offset by proceeds from the issuance of debt of \$200.0 million.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is principally the result of fluctuations in interest rates and foreign currency exchange rates.

Interest Rate Risk

Our exposure to interest rate risk relates to the interest income generated by cash, cash equivalents and interest expense on our debt. Our interest rate sensitivity is affected by changes in the general level of U.S. interest rates, particularly because our cash equivalents are in the form of checking accounts, government money market funds and money market deposit accounts in the United States. Interest income is sensitive to changes in the general level of interest rates. However, due to the short-term maturities of our cash equivalents and restricted cash, we believe a hypothetical 100 basis point increase or decrease in interest rates during any of the periods presented would not have had a material impact on our consolidated financial statements.

During the six months ended June 30, 2023 and 2022, average debt borrowings, excluding the impact of deferred financing costs, totaled \$431.3 million and \$481.3 million, respectively, with interest rates tied to LIBOR. A hypothetical 100 basis point fluctuation to interest rates would have increased or decreased interest expense by \$4.3 million and \$4.8 million for the six months ended June 30, 2023 and 2022, respectively.

Foreign Currency Exchange Risk

Our international net sales, cost of sales and expenses are denominated in multiple currencies, including British Pounds, Canadian Dollars, Chinese Renminbi, and Euros. As such, we have exposure to adverse changes in exchange rates associated with the net sales and operating expenses of our foreign operations. Any fluctuations in other currencies will have minimal direct impact on our international net sales.

The functional currency of our non-U.S. subsidiaries is generally the respective local currency, although there are some subsidiaries whose functional currency is not their respective local currency. Asset and liability balances denominated in non-U.S. Dollar currencies are translated into U.S. Dollars using period-end exchange rates, while translation of net sales and expenses is based on average monthly rates. Translation adjustments are recorded as a component of accumulated other comprehensive income and transaction gains and losses are recorded in other income (expense), net in our condensed consolidated statements of income.

Our primary foreign currency exchange risk relates to the purchase of inventory from manufacturers located in China. Although our inventory purchases are denominated in U.S. Dollars, as the foreign exchange rate between the Chinese Yuan (“CNY”) and the U.S. Dollars fluctuates, the amount paid to suppliers for our inventory will generally fluctuate accordingly based on our contractual terms. Our subsidiaries in Europe conduct business in their local currencies but are exposed to fluctuations between their functional currency and the U.S. Dollar, in particular due to their inventory purchases being denominated in U.S. Dollars. We regularly monitor the forecast of non-U.S. Dollar expense and the level of non-U.S. Dollar monetary asset and liability balances to determine if any actions, including possibly entering into foreign currency contracts, should be taken to minimize the impact of fluctuating exchange rates on our results of operations.

We currently utilize foreign currency forward contracts, with financial institutions to protect against a portion of foreign exchange risks, mainly the exposure to changes in the exchange rate of the CNY and GBP against the U.S. Dollar that are associated with future cash flows denominated in CNY and GBP. These contracts do not subject us to material balance sheet risk due to exchange rate movements because gains and losses on these derivatives are intended to offset gains and losses on the hedged CNY and GBP denominated cash flows. The fair value of outstanding derivative instruments and associated disclosure are presented within “Note 2—Significant Accounting Policies” and “Note 4—Fair Value Measurements” to our consolidated financial statements included in our Form 6-K. We may in the future enter into other derivative financial instruments if it is determined that such hedging activities are appropriate to further reduce our foreign currency exchange risk.

The estimated translation impact to our condensed consolidated financial statements of a hypothetical 10% change in foreign currency exchange rates would amount to \$2.3 million, \$0.2 million, \$5.9 million and \$0.6 million for the three months ended June 2023 and 2022 and six months ended June 30, 2023 and 2022, respectively. During the three months ended June 2023 and 2022, and six months ended June 30, 2023 and 2022, approximately 27.2%, 18.6%, 27.4% and 18.2%, respectively, of our net sales and approximately 30.7%, 31.3%, 29.5% and 30.8%, respectively, of our expenses were denominated in non-U.S. Dollar currencies.

Critical Accounting Policies and Estimates

There have been no material changes to our critical policies and accounting estimates as compared to those disclosed in the Form F-1 filed on July 28, 2023.

SharkNinja Reports Second Quarter 2023 Results

Net Sales Increased 22.1% and Adjusted Net Sales Increased 19.7%

Net Income Declined 27.6% and Adjusted Net Income Grew 40.4%

Provides Fiscal Year 2023 Outlook

NEEDHAM, Massachusetts, August 24, 2023 – SharkNinja, Inc. (“SharkNinja” or the “Company”) (NYSE: SN), a global product design and technology company, today announced its financial results for the second quarter ended June 30, 2023.

Highlights for the Second Quarter 2023 as compared to the Second Quarter 2022

- Net sales increased 22.1% to \$950.3 million and Adjusted net Sales increased 19.7%, both driven by strong sales of recently launched products in the outdoor cooking and beauty categories.
- Gross margin and Adjusted Gross Margin increased 430 and 370 basis points, respectively, as we benefited from cost tailwinds including inbound freight costs.
- Net income decreased 27.6% to \$11.9 million. Adjusted Net Income increased 40.4% to \$65.2 million.
- Adjusted EBITDA increased 40.0% to \$113.6 million, or 12.5% of Adjusted Net Sales.

Mark Barrocas, Chief Executive Officer, commented, “We believe our strong performance in the second quarter as well as the first half of the year, highlighted by double-digit sales and EBITDA growth, demonstrates our ability to execute on our three-pillar growth strategy. We continue to increase market share in existing categories, pioneer new categories through innovation, and globalize our brand. These results build upon a proven track record of delivering profitable, organic growth through high performance products that address everyday consumer challenges.”

“Our recent debut as a public company in the US was an important milestone for us. However, we believe we are only just getting started. We are committed to creating long-term shareholder value through continued diversification across categories, channels, and geographies as we strive to capture additional share of our large global addressable market.”

Three Months Ended June 30, 2023

Net sales increased 22.1% to \$950.3 million, compared to \$778.2 million during the same period last year. Adjusted Net Sales increased 19.7% to \$905.6 million, compared to \$756.4 million during the same period last year, or 19.8% on a constant currency basis. The increase in net sales and Adjusted Net Sales resulted primarily from strong sales of recently launched products in the outdoor cooking and beauty categories.

- Cleaning Appliances net sales increased by \$2.6 million, or 0.6%, to \$413.8 million, compared to \$411.2 million in the prior year quarter, driven by growth in the multi-floorcare sub-category and by new product innovation. This increase was partially offset by softness in the North America market, specifically in corded vacuums as consumers shifted towards cordless.
 - Cooking and Beverage Appliances net sales increased by \$139.0 million, or 68.1%, to \$343.1 million, compared to \$204.0 million in the prior year quarter. This increase was driven by growth in Europe, specifically in the United Kingdom, where we further strengthened our leading market position. Our global growth was also supported by the full quarter of sales of our outdoor grill that launched in the second half of 2022, which continues to perform well across the US and European markets.
 - Food Preparation Appliances net sales increased by \$5.7 million, or 4.1%, to \$143.4 million, compared to \$137.7 million in the prior year quarter driven by strong sales from our ice cream makers.
-

- Other net sales increased by \$24.8 million, or 98.3%, to \$50.0 million, compared to \$25.3 million in the prior year quarter. This increase was driven by continued strength of the Shark FlexStyle, our new product launch in the beauty category at the end of 2022.

Gross profit increased 36.2% to \$396.9 million, or 41.8% of net sales, compared to \$291.5 million, or 37.5% of net sales, in the second quarter of 2022. Adjusted Gross Profit increased 30.7% to \$393.6 million, or 43.5% of Adjusted Net Sales, compared to \$301.1 million, or 39.8% of Adjusted Net Sales in the second quarter of 2022. The increase in gross margin and Adjusted Gross Margin of 430 and 370 basis points, respectively, was primarily driven by cost tailwinds, including lower average inbound freight on major shipping lanes. We also drove strong sales through our higher margin direct-to-consumer (“DTC”) channel, particularly in the beauty category.

Research and development expenses increased 13.0% to \$61.0 million, or 6.4% of net sales, compared to \$54.0 million, or 6.9% of net sales, in the prior year quarter. Increased headcount to support new product categories and new market expansion was the primary driver of the year-over-year increase in research and development expense.

Sales and marketing expenses increased 42.1% to \$208.3 million, or 21.9% of net sales, compared to \$146.6 million, or 18.8% of net sales, in the second quarter of 2022. The increase was primarily attributable to \$27.0 million in higher advertising-related expenses to support our launch into new markets and new sub-categories, a \$14.9 million increase in fulfillment expenses to support our sales growth, and a \$9.0 million increase in personnel-related expenses driven by additional increased headcount to support the overall growth in the business and new market expansion.

General and administrative expenses increased 31.5% to \$72.0 million, or 7.6% of net sales, compared to \$54.7 million, or 7.0% of net sales in the prior year quarter. Included in general and administrative expenses in the second quarter of 2023 is \$16.6 million of costs related to the separation and distribution from JS Global.

Operating income increased 54.1% to \$55.6 million, or 5.9% of net sales, compared to \$36.1 million, or 4.8% of net sales, during the prior year quarter. Adjusted Operating Income increased 39.3% to \$88.7 million, or 9.8% of Adjusted Net Sales, compared to \$63.6 million, or 8.4% of Adjusted Net Sales, in the second quarter of 2022.

Net income decreased 27.6% to \$11.9 million, or 1.3% of net sales, compared to \$16.5 million, or 2.1% of net sales, in the prior year quarter. Net income per diluted share decreased 27.6% to \$0.09, compared to \$0.12 in the prior year quarter.

Adjusted Net Income increased 40.4% to \$65.2 million, or 7.2% of Adjusted Net Sales, compared to \$46.4 million, or 6.1% of Adjusted Net Sales, in the prior year quarter. Adjusted Net Income per diluted share increased 40.4% to \$0.47, compared to \$0.33 in the prior year quarter.

Adjusted EBITDA increased 40.0% to \$113.6 million, or 12.5% of Adjusted Net Sales, compared to \$81.2 million, or 10.7% of Adjusted Net Sales in the prior year quarter.

Six Months Ended June 30, 2023

Net sales increased 13.7% to \$1,805.6 million, compared to \$1,587.8 million during the same period last year. Adjusted Net Sales increased 12.6% to \$1,741.2 million, compared to \$1,546.0 million during the same period last year, or 14.2% on a constant currency-basis. The increase in net sales and Adjusted Net Sales resulted primarily from strong sales of recently launched products in the outdoor cooking and beauty categories.

- Cleaning Appliances net sales decreased by \$19.5 million, or 2.3%, to \$828.7 million, compared to \$848.2 million during the same period last year driven by softness in the North America market, specifically in corded vacuums as consumers shifted towards cordless. This sales decline was partially offset by growth in the multi-floorcare sub-category driven by new product innovation.
- Cooking and Beverage Appliances net sales increased by \$163.6 million, or 37.5%, to \$599.7 million, compared to \$436.1 million during the same period last year. This increase was driven by growth in Europe, specifically in the United Kingdom where we strengthened our leading market position, partially offset by modest declines in North America. Our global growth was further supported by the full six months of sales of our outdoor grill that launched in the second half of 2022, which continues to perform well across the US and European markets.
- Food Preparation Appliances net sales decreased by \$4.9 million, or 1.9%, to \$261.2 million, compared to \$266.2 million during the same period last year driven by strong sales from our ice cream makers.
- Other net sales increased by \$78.6 million, or 210.6%, to \$116.0 million, compared to \$37.3 million during the same period last year. This increase was primarily a result of strong sales of our new product launch in the beauty category, the Shark FlexStyle, at the end of 2022.

Gross profit increased 23.9% to \$797.5 million, or 44.2% of net sales, compared to \$643.4 million, or 40.5% of net sales, in the same period last year. Adjusted Gross Profit increased 21.2% to \$800.4 million, or 46.0% of Adjusted Net Sales, compared to \$660.4 million, or 42.7% of Adjusted Net Sales. The increase in gross margin and Adjusted Gross Margin of 370 and 330 basis points, respectively, was primarily driven by cost tailwinds, including lower average inbound freight on major shipping lanes. We also drove strong sales through our higher margin DTC channel, specifically in the beauty category.

Research and development expenses increased 13.0% to \$119.7 million, or 6.6% of net sales, compared to \$106.0 million, or 6.7% of net sales during the same period last year. This increase was primarily attributable to an increase of \$8.3 million in personnel-related expenses driven by increased headcount to support new product categories and new market expansion and an increase of \$2.7 million in depreciation and amortization expenses.

Sales and marketing expenses increased 32.4% to \$360.4 million, or 20.0% of net sales, compared to \$272.2 million, or 17.1% of net sales during the same period last year. This increase was primarily attributable to an increase of \$37.1 million in advertising-related expenses to support our launch into new markets and new sub-categories, an increase of \$21.3 million in fulfillment expenses to support increased sales, an increase of \$13.1 million in personnel-related expenses driven by increased headcount to support the overall growth in the business and new market expansion, an increase of \$4.3 million in professional services related to third-party consulting fees and an increase of \$3.2 million in depreciation and amortization expenses.

General and administrative expenses increased 30.3% to \$139.0 million, or 7.7% of net sales, compared to \$106.7 million, or 6.7% of net sales during the same period last year. Included in general and administrative expenses in 2023 is \$35.1 million of costs related to the separation and distribution from JS Global.

Operating income increased 12.5% to \$178.3 million, or 9.9% of net sales, compared to \$158.5 million, or 10.0% of net sales, during the same period last year. Adjusted Operating Income increased 20.1% to \$248.0 million, or 14.2% of Adjusted Net Sales, compared to \$206.5 million, or 13.4% of Adjusted Net Sales, during the same period last year.

Net income decreased 6.0% to \$99.0 million, or 5.5% of net sales, compared to \$105.4 million, or 6.6% of net sales, during the same period last year. Net income per diluted share decreased 6.0% to \$0.71, compared to \$0.76 in the prior year period.

Adjusted Net Income increased 18.3% to \$184.2 million, or 10.6% of Adjusted Net Sales, compared to \$155.7 million, or 10.1% of Adjusted Net Sales in the prior year period. Adjusted Net Income per diluted share increased 18.3% to \$1.33, compared to \$1.12 in the prior year period.

Adjusted EBITDA increased 21.3% to \$291.6 million, or 16.7% of Adjusted Net Sales, compared to \$240.4 million, or 15.6% of Adjusted Net Sales in the prior year period.

Balance Sheet and Cash Flow Highlights

Cash and cash equivalents increased to \$256.4 million, compared to \$192.9 million as of December 31, 2022.

Inventories decreased 2.0% to \$537.7 million, compared to \$548.6 million as of December 31, 2022.

Total debt, excluding unamortized deferred financing costs, was \$400.0 million, compared to \$437.5 million as of December 31, 2022. In July 2023, we entered into a new credit facility to replace our existing term loan and revolving credit agreement. The new credit facility provides for a \$810.0 million term loan and a \$500.0 million revolving credit facility.

Fiscal 2023 Outlook

For fiscal year 2023, SharkNinja expects:

- Net sales to increase 9% to 11% and Adjusted Net Sales to increase between 10% and 12% compared to the prior year.
- Adjusted Net Income per diluted share between \$2.85 and \$3.02, reflecting a 20% to 27% increase compared to the prior year.
- Adjusted EBITDA between \$650 million and \$680 million, reflecting a 25% to 31% increase compared to the prior year.
- 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 non-deductible costs associated with the separation and distribution from JS Global.
- Diluted weighted average shares outstanding of approximately 139.3 million.
- Capital expenditures of \$120 million to \$140 million primarily to support investments in new product launches and technology.

Conference Call Details

A conference call to discuss the second quarter 2023 financial results is scheduled for today, August 24, 2023, at 8:00 a.m. Eastern Time. A live audio webcast of the conference call will be available online at <http://ir.sharkninja.com>. Investors and analysts interested in participating in the live call are invited to dial 1-877-407-4018 or 1-201-689-8471. The webcast will be archived and available for replay.

About SharkNinja, Inc.

SharkNinja is a diversified, global product design and technology company that creates 5-star rated lifestyle solutions through innovative products for consumers around the world. The Company seeks to leverage its global, agile and cross-functional engineering know-how, product development and manufacturing expertise along with solutions-driven marketing to increase the efficiency, convenience and enjoyment of consumers' daily tasks and improve everyday lives. Powered by two trusted, global brands, Shark and Ninja, the Company has a proven track record of bringing disruptive products to market, and developing one consumer solution after another has allowed SharkNinja to enter multiple product categories, driving significant growth and market share gains. The Company's products are sold at key retailers, online and offline, and through distributors around the world. For more information, please visit ir.sharkninja.com.

Forward-looking statements

This press release contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect our current views with respect to, among other things, future events and our future business, financial condition, results of operations and prospects and Fiscal 2023 outlook. These statements are often, but not always, made through the use of words or phrases such as “may,” “should,” “could,” “predict,” “potential,” “believe,” “will likely result,” “expect,” “continue,” “will,” “anticipate,” “seek,” “estimate,” “intend,” “plan,” “projection,” “would” and “outlook,” or the negative version of those words or phrases or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not statements of historical fact, and are based on current expectations, estimates and projections about our industry as well as certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. These forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, which you should consider and read carefully, including but not limited to:

- our ability to maintain and strengthen our brands to generate and maintain ongoing demand for our products;
 - our ability to commercialize a continuing stream of new products and line extensions that create demand;
 - our ability to effectively manage our future growth;
 - general economic conditions and the level of discretionary consumer spending;
 - our ability to expand into additional consumer markets;
 - our ability to maintain product quality and product performance at an acceptable cost;
 - our ability to compete with existing and new competitors in our markets;
 - problems with, or loss of, our supply chain or suppliers, or an inability to obtain raw materials;
 - the risks associated with doing business globally;
 - inflation, changes in the cost or availability of raw materials, energy, transportation and other necessary supplies and services;
 - our ability to hire, integrate and retain highly skilled personnel;
 - our ability to maintain, protect and enhance our intellectual property;
 - our ability to securely maintain consumer and other third-party data;
 - our ability to comply with ongoing regulatory requirements;
 - the increased expenses associated with being a public company;
 - our status as a “controlled company” within the meaning of the rules of NYSE; and
 - our ability to achieve some or all of the anticipated benefits of the separation.
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This list of factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this press release. We operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this press release, and our future levels of activity and performance, may not occur and actual results could differ materially and adversely from those described or implied in the forward-looking statements. As a result, you should not regard any of these forward-looking statements as a representation or warranty by us or any other person or place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law. In addition, statements that contain “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this press release. While we believe that this information provides a reasonable basis for these statements, this information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements. We qualify all of our forward-looking statements by the cautionary statements contained in this press release.

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SHARKNINJA GLOBAL SPV, LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)
(unaudited)

	As of	
	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 256,379	\$ 192,890
Restricted cash	23,207	25,880
Accounts receivable, net	922,290	766,503
Inventories	537,676	548,588
Prepaid expenses and other current assets	96,790	181,831
Total current assets	1,836,342	1,715,692
Property and equipment, net	143,178	137,341
Operating lease right-of-use assets	68,883	67,321
Intangible assets, net	485,196	492,709
Goodwill	839,753	840,148
Deferred tax assets, noncurrent	4,047	6,291
Other assets, noncurrent	44,038	35,389
Total assets	<u>\$ 3,421,437</u>	<u>\$ 3,294,891</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 371,391	\$ 328,122
Accrued expenses and other current liabilities	638,955	552,023
Tax payable	151	1,581
Current portion of long-term debt	99,503	86,972
Total current liabilities	1,110,000	968,698
Long-term debt	299,529	349,169
Operating lease liabilities, noncurrent	65,292	61,779
Deferred tax liabilities, noncurrent	52,362	60,976
Other liabilities, noncurrent	27,744	25,980
Total liabilities	<u>1,554,927</u>	<u>1,466,602</u>
Commitments and contingencies		
Shareholders' equity:		
Ordinary shares, \$0.20 par value per share, 250,000 shares authorized, 50,000 shares issued and outstanding as of		
June 30, 2023 and December 31, 2022	10	10
Additional paid-in capital	941,210	941,210
Retained earnings	935,487	896,738
Accumulated other comprehensive loss	(10,197)	(9,669)
Total shareholders' equity	<u>1,866,510</u>	<u>1,828,289</u>
Total liabilities and shareholders' equity	<u>\$ 3,421,437</u>	<u>\$ 3,294,891</u>

SHARKNINJA GLOBAL SPV, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net sales ⁽¹⁾	\$ 950,312	\$ 778,197	\$ 1,805,594	\$ 1,587,823
Cost of sales	553,391	486,730	1,008,130	944,430
Gross profit	396,921	291,467	797,464	643,393
Operating expenses:				
Research and development	61,014	54,016	119,739	105,987
Sales and marketing	208,316	146,641	360,436	272,182
General and administrative	71,959	54,711	139,027	106,736
Total operating expenses	341,289	255,368	619,202	484,905
Operating income	55,632	36,099	178,262	158,488
Interest expense, net	(7,031)	(6,078)	(15,520)	(10,082)
Other expense, net	(32,670)	(6,965)	(35,450)	(10,874)
Income before income taxes	15,931	23,056	127,292	137,532
Provision for income taxes	3,995	6,561	28,260	32,126
Net income	\$ 11,936	\$ 16,495	\$ 99,032	\$ 105,406
Net income per share, basic and diluted	\$ 0.09	\$ 0.12	\$ 0.71	\$ 0.76
Weighted-average number of shares used in computing net income per share, basic and diluted ⁽²⁾	138,982,872	138,982,872	138,982,872	138,982,872

⁽¹⁾ Net sales in our product categories were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(\$ in thousands)	2023	2022	2023	2022
Cleaning Appliances	\$ 413,797	\$ 411,227	\$ 828,667	\$ 848,187
Cooking and Beverage Appliances	343,050	204,028	599,732	436,131
Food Preparation Appliances	143,376	137,687	261,224	266,166
Other	50,089	25,255	115,971	37,339
Total net sales	\$ 950,312	\$ 778,197	\$ 1,805,594	\$ 1,587,823

⁽²⁾ The number of shares transferred in the separation and distribution from JS Global were used as the denominator in calculating net income per share.

SHARKNINJA GLOBAL SPV, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 99,032	\$ 105,406
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	51,795	40,165
Share-based compensation	3,165	4,446
Provision for credit losses	1,218	947
Non-cash lease expense	6,383	8,478
Amortization of debt discount	392	430
Deferred income taxes, net	(5,864)	(8,025)
Loss from equity method investment	—	360
Changes in operating assets and liabilities:		
Accounts receivable	(143,549)	261,056
Inventories	16,008	(113,391)
Prepaid expenses and other assets	78,613	(85,286)
Accounts payable	33,605	(80,872)
Tax payable	(1,326)	(4,886)
Operating lease liabilities	(10,165)	(7,665)
Accrued expenses and other liabilities	71,078	(135,237)
Net cash provided by (used in) operating activities	<u>200,385</u>	<u>(14,074)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(46,273)	(32,687)
Purchase of intangible asset	(1,120)	(2,799)
Capitalized internal-use software development	(123)	(2,519)
Investment in equity method investment	—	(360)
Other investing activities, net	(300)	(300)
Net cash used in investing activities	<u>(47,816)</u>	<u>(38,665)</u>
Cash flows from financing activities:		
Proceeds from issuance of debt, net of issuance cost	—	200,000
Repayment of debt	(37,501)	(130,000)
Intercompany note to Parent	—	(41,286)
Distribution paid to Parent	(60,283)	(45,438)
Recharge from Parent for share-based compensation	—	(15,300)
Net cash used in financing activities	<u>(97,784)</u>	<u>(32,024)</u>
Effect of exchange rates changes on cash	6,031	(7,656)
Net increase (decrease) in cash, cash equivalents, and restricted cash	60,816	(92,419)
Cash, cash equivalents, and restricted cash at beginning of period	218,770	240,597
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 279,586</u>	<u>\$ 148,178</u>

Non-GAAP Financial Measures

In addition to the measures presented in our consolidated financial statements, we regularly review other financial measures, defined as non-GAAP financial measures by the SEC, to evaluate our business, measure our performance, identify trends, prepare financial forecasts, and make strategic decisions.

The key non-GAAP financial measures we consider are Adjusted Net Sales, Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Operating Income, Adjusted Net Income, Adjusted Net Income Per Share, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted Net Sales growth on a constant currency basis. These non-GAAP financial measures are used by both management and our Board, together with comparable GAAP information, in evaluating our current performance and planning our future business activities. These non-GAAP financial measures provide supplemental information regarding our operating performance on a non-GAAP basis that excludes certain gains, losses and charges of a non-cash nature or which occur relatively infrequently and/or which management considers to be unrelated to our core operations and excludes the financial results from our former Japanese subsidiary, SharkNinja Co., Ltd., and our Asia Pacific Region and Greater China distribution channels, both of which were transferred to JS Global Lifestyle Company Limited (“JS Global”) concurrently with the separation (the “Divestitures”), as well as the cost of sales from inventory markups that were eliminated as a result of transitioning certain product procurement functions from a subsidiary of JS Global to SharkNinja concurrently with the separation (the “Product Procurement Adjustment”). Management believes that tracking and presenting these non-GAAP financial measures provides management and the investment community with valuable insight into our ongoing core operations, our ability to generate cash and the underlying business trends that are affecting our performance. We believe that these non-GAAP measures, when used in conjunction with our GAAP financial information, also allow investors to better evaluate our financial performance in comparison to other periods and to other companies in our industry and to better understand and interpret the results of the ongoing business following the separation and distribution. These non-GAAP financial measures should not be viewed as a substitute for our financial results calculated in accordance with GAAP and you are cautioned that other companies may define these non-GAAP financial measures differently.

SharkNinja does not provide a reconciliation of forward-looking Adjusted Net Income and Adjusted EBITDA to GAAP net income because such reconciliations are not available without unreasonable efforts. The is due to the inherent difficulty in forecasting with reasonable certainty certain amount that are necessary for such reconciliation, including, in particular, the realized and unrealized foreign currency gains or losses reported within other expense. For the same reasons, we are unable to forecast with reasonable certainty all deductions and additions needed in order to provide forward-looking GAAP net income at this time. The amount of these deductions and additions may be material, and, therefore, could result in forward-looking GAAP net income being materially different or less than forward-looking Adjusted Net Income and Adjusted EBITDA. See “Forward-looking statements” above.

We define Adjusted Net Sales as net sales as adjusted to exclude certain items that we do not consider indicative of our ongoing operating performance following the separation, including net sales from our Divestitures. We believe that Adjusted Net Sales is an appropriate measure of our performance because it eliminates the impact of our Divestitures that do not relate to the ongoing performance of our business.

The following table reconciles Adjusted Net Sales to the most comparable GAAP measure, net sales, for the periods presented:

(\$ in thousands, except %)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net sales	\$ 950,312	\$ 778,197	\$ 1,805,594	\$ 1,587,823
Divested subsidiary adjustment ⁽¹⁾	(44,700)	(21,790)	(64,349)	(41,870)
Adjusted Net Sales	<u>\$ 905,612</u>	<u>\$ 756,407</u>	<u>\$ 1,741,245</u>	<u>\$ 1,545,953</u>

- (1) Adjusted for net sales of \$22.2 million and \$14.1 million from SharkNinja Co., Ltd. (“SNJP”) for the three months ended June 30, 2023 and 2022, respectively; \$22.5 million and \$7.7 million from the APAC distribution channels for the three months ended June 30, 2023 and 2022, respectively; \$37.2 million and \$28.1 million from SNJP for the six months ended June 30, 2023 and 2022, respectively; and \$27.2 million and \$13.8 million from the APAC distribution channels for the six months ended June 30, 2023 and 2022, respectively, as if such Divestitures occurred on January 1, 2022.

We define Adjusted Gross Profit as gross profit as adjusted to exclude certain items that we do not consider indicative of our ongoing operating performance following the separation, including the net sales and cost of sales from our Divestitures and the cost of sales from the Product Procurement Adjustment. We define Adjusted Gross Margin as Adjusted Gross Profit divided by Adjusted Net Sales. We believe that Adjusted Gross Profit and Adjusted Gross Margin are appropriate measures of our operating performance because each eliminates the impact our Divestitures and certain other adjustments that do not relate to the ongoing performance of our business.

The following table reconciles Adjusted Gross Profit and Adjusted Gross Margin to the most comparable GAAP measure, gross profit and gross margin, respectively, for the periods presented:

(\$ in thousands, except %)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net sales	\$ 950,312	\$ 778,197	\$ 1,805,594	\$ 1,587,823
Cost of sales	(553,391)	(486,730)	(1,008,130)	(944,430)
Gross profit	396,921	291,467	797,464	643,393
Gross margin %	41.8%	37.5%	44.2%	40.5%
Divested subsidiary net sales adjustment ⁽¹⁾	(44,700)	(21,790)	(64,349)	(41,870)
Divested subsidiary cost of sales adjustment ⁽²⁾	24,460	13,991	37,487	25,936
Product Procurement Adjustment ⁽³⁾	16,923	17,471	29,794	32,890
Adjusted Gross Profit	<u>\$ 393,604</u>	<u>\$ 301,139</u>	<u>\$ 800,396</u>	<u>\$ 660,349</u>
Adjusted Net Sales	<u>\$ 905,612</u>	<u>\$ 756,407</u>	<u>\$ 1,741,245</u>	<u>\$ 1,545,953</u>
Adjusted Gross Margin	43.5%	39.8%	46.0%	42.7%

- (1) Adjusted for net sales of \$22.2 million and \$14.1 million from SNJP for the three months ended June 30, 2023 and 2022, respectively; \$22.5 million and \$7.7 million from the APAC distribution channels for the three months ended June 30, 2023 and 2022, respectively; \$37.2 million and \$28.1 million from SNJP for the six months ended June 30, 2023 and 2022, respectively; and \$27.2 million and \$13.8 million from the APAC distribution channels for the six months ended June 30, 2023 and 2022, respectively, as if such Divestitures occurred on January 1, 2022.
- (2) Adjusted for cost of sales of \$10.4 million and \$8.0 million from SNJP for the three months ended June 30, 2023 and 2022, respectively; \$14.1 million and \$6.0 million from the APAC distribution channels for the three months ended June 30, 2023 and 2022, respectively; \$19.7 million and \$15.3 million from SNJP for the six months ended June 30, 2023 and 2022, respectively; and \$17.8 million and \$10.6 million from the APAC distribution channels for the six months ended June 30, 2023 and 2022, respectively, as if such Divestitures occurred on January 1, 2022.
- (3) Represents cost of sales of \$16.9 million and \$17.5 million for the three months ended June 30, 2023 and 2022, respectively, and \$29.8 million and \$32.9 million for the six months ended June 30, 2023 and 2022, respectively, related to the Product Procurement Adjustment. As a result of the separation, we intend to purchase 100% of our inventory from one of our subsidiaries, SharkNinja (Hong Kong) Company Limited (“SNHK”), and will no longer purchase inventory from a purchasing office wholly owned by JS Global. Thus, the markup on all inventory purchased subsequent to the separation will be completely eliminated in consolidation.

We define Adjusted Operating Income as operating income excluding (i) share-based compensation, (ii) certain litigation costs, (iii) amortization of certain acquired intangible assets, (iv) certain separation and distribution costs and (v) certain items that we do not consider indicative of our ongoing operating performance following the separation, including operating income from our Divestitures and cost of sales from our Product Procurement Adjustment.

The following table reconciles Adjusted Operating Income to the most comparable GAAP measure, operating income, for the periods presented:

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating income	\$ 55,632	\$ 36,099	\$ 178,262	\$ 158,488
Share-based compensation ⁽¹⁾	2,317	1,876	3,165	4,446
Litigation costs ⁽²⁾	461	3,844	635	4,005
Amortization of acquired intangible assets ⁽³⁾	4,897	4,897	9,794	9,794
Separation and distribution related costs ⁽⁴⁾	16,625	—	35,093	—
Product Procurement Adjustment ⁽⁵⁾	16,923	17,471	29,794	32,890
Divested subsidiary operating income adjustment ⁽⁶⁾	(8,190)	(546)	(8,743)	(3,143)
Adjusted Operating Income	<u>\$ 88,665</u>	<u>\$ 63,641</u>	<u>\$ 248,000</u>	<u>\$ 206,480</u>

(1) Represents non-cash expense related to restricted stock unit awards issued from JS Global's equity incentive plans.

(2) Represents litigation costs incurred for iRobot Corporation's ("iRobot") patent infringement claims and false advertising claims against us.

(3) Represents amortization of acquired intangible assets that we do not consider normal recurring operating expenses, as the intangible assets relate to JS Global's acquisition of our business. We exclude amortization charges for these acquisition-related intangible assets for purposes of calculated Adjusted Net Income, although revenue is generated, in part, by these intangible assets, to eliminate the impact of these non-cash charges that are significantly impacted by the timing and valuation of JS Global's acquisition of our business, as well as the inherent subjective nature of purchase price allocations.

(4) Represents certain costs incurred related to the separation and distribution from JS Global.

(5) Represents cost of sales of \$16.9 million and \$17.5 million for the three months ended June 30, 2023 and 2022, respectively, and \$29.8 million and \$32.9 million for the six months ended June 30, 2023 and 2022, respectively, related to the Product Procurement Adjustment. As a result of the separation, we intend to purchase 100% of our inventory from one of our subsidiaries, SNHK, and will no longer purchase inventory from a purchasing office wholly owned by JS Global. Thus, the markup on all inventory purchased subsequent to the separation will be completely eliminated in consolidation.

(6) Adjusted for operating income of \$0.9 million and \$(0.8) million from SNJP for the three months ended June 30, 2023 and 2022, respectively; \$7.3 million and \$1.3 million from the APAC distribution channels for the three months ended June 30, 2023 and 2022, respectively; \$0.7 million from SNJP for the six months ended June 30, 2023 and 2022, respectively; and \$8.0 million and \$2.4 million from the APAC distribution channels for the six months ended June 30, 2023 and 2022, respectively, as if the Divestitures occurred on January 1, 2022.

We define Adjusted Net Income as net income excluding (i) share-based compensation, (ii) certain litigation costs, (iii) foreign currency gains and losses, net (iv) amortization of certain acquired intangible assets, (v) certain separation and distribution costs, (vi) certain items that we do not consider indicative of our ongoing operating performance following the separation, including net income from our Divestitures and cost of sales from our Product Procurement Adjustment and (vii) the tax impact of the adjusted items.

Adjusted Net Income Per Share is defined as Adjusted Net Income divided by the diluted weighted average number of ordinary shares.

The following table reconciles Adjusted Net Income and Adjusted Net Income Per Share to the most comparable GAAP measures, net income and net income per share, diluted, respectively, for the periods presented:

(\$ in thousands, except share and per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	\$ 11,936	\$ 16,495	\$ 99,032	\$ 105,406
Share-based compensation ⁽¹⁾	2,317	1,876	3,165	4,446
Litigation costs ⁽²⁾	461	3,844	635	4,005
Foreign currency losses, net ⁽³⁾	35,468	7,902	39,617	12,622
Amortization of acquired intangible assets ⁽⁴⁾	4,897	4,897	9,794	9,794
Separation and distribution related costs ⁽⁵⁾	16,625	—	35,093	—
Product Procurement Adjustment ⁽⁶⁾	16,923	17,471	29,794	32,890
Tax impact of adjusting items ⁽⁷⁾	(16,872)	(7,918)	(25,982)	(14,027)
Divested subsidiary net income adjustment ⁽⁸⁾	(6,585)	1,865	(6,980)	576
Adjusted Net Income	<u>\$ 65,170</u>	<u>\$ 46,432</u>	<u>\$ 184,168</u>	<u>\$ 155,712</u>
Net income per share, diluted	<u>\$ 0.09</u>	<u>\$ 0.12</u>	<u>\$ 0.71</u>	<u>\$ 0.76</u>
Adjusted Net Income Per Share	<u>\$ 0.47</u>	<u>\$ 0.33</u>	<u>\$ 1.33</u>	<u>\$ 1.12</u>
Diluted weighted-average number of shares used in computing net income per share and Adjusted Net Income Per Share ⁽⁹⁾	138,982,872	138,982,872	138,982,872	138,982,872

(1) Represents non-cash expense related to restricted stock unit awards issued from JS Global's equity incentive plans.

(2) Represents litigation costs incurred for iRobot's patent infringement claims and false advertising claims against us.

(3) Represents foreign currency transaction gains and losses recognized from the remeasurement of transactions that were not denominated in the local functional currency, including gains and losses related to foreign currency derivatives not designated as hedging instruments. The total net (loss) gain recognized on our derivative instruments related to forward contracts outstanding not designated as hedging instruments included in the total of foreign currency losses, net, was \$(27.5) million and \$2.1 million for the three months ended June 30, 2023 and 2022, respectively, and \$(25.7) million and \$2.1 million for the six months ended June 30, 2023 and 2022, respectively.

(4) Represents amortization of acquired intangible assets that we do not consider normal recurring operating expenses, as the intangible assets relate to JS Global's acquisition of our business. We exclude amortization charges for these acquisition-related intangible assets for purposes of calculated Adjusted Net Income, although revenue is generated, in part, by these intangible assets, to eliminate the impact of these non-cash charges that are significantly impacted by the timing and valuation of JS Global's acquisition of our business, as well as the inherent subjective nature of purchase price allocations.

(5) Represents certain costs incurred related to the separation and distribution from JS Global.

(6) Represents cost of sales of \$16.9 million and \$17.5 million for the three months ended June 30, 2023 and 2022, respectively, and \$29.8 million and \$32.9 million for the six months ended June 30, 2023 and 2022, respectively, related to the Product Procurement Adjustment. As a result of the separation, we intend to purchase 100% of our inventory from one of our subsidiaries, SNHK, and will no longer purchase inventory from a purchasing office wholly owned by JS Global. Thus, the markup on all inventory purchased subsequent to the separation will be completely eliminated in consolidation.

(7) Represents the income tax effects of the adjustments included in the reconciliation of net income to Adjusted Net Income determined using the tax rate of 22.0%, which approximates our effective tax rate, excluding the divested subsidiary net income adjustment described in footnote (8).

(8) Adjusted for net income (loss) of \$0.8 million and \$(2.9) million from SNJP for the three months ended June 30, 2023 and 2022, respectively; \$5.7 million and \$1.0 million from the APAC distribution channels for the three months ended June 30, 2023 and 2022, respectively; \$0.7 million and \$(2.5) million from SNJP for the six months ended June 30, 2023 and 2022, respectively; and \$6.3 million and \$1.9 million from the APAC distribution channels for the six months ended June 30, 2023 and 2022, respectively, as if the Divestitures occurred on January 1, 2022.

(9) In calculating net income per share and Adjusted Net Income Per Share, the Company has used the number of shares transferred in the separation and distribution for the denominator.

We define EBITDA as net income excluding: (i) interest expense, net, (ii) provision for income taxes and (iii) depreciation and amortization. We define Adjusted EBITDA as EBITDA excluding (i) share-based compensation cost, (ii) certain litigation costs, (iii) foreign currency gains and losses, net, (iv) certain separation and distribution costs and (v) certain items that we do not consider indicative of our ongoing operating performance following the separation, including net income from our Divestitures and cost of sales from our Product Procurement Adjustment. We define Adjusted EBITDA Margin as Adjusted EBITDA divided by Adjusted Net Sales. We believe EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are appropriate measures because they facilitate a comparison of our operating performance on a consistent basis from period to period that, when viewed in combination with our results according to GAAP, we believe provide a more complete understanding of the factors and trends affecting our business than GAAP measures alone.

The following table reconciles EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin to the most comparable GAAP measure, net income, for the periods presented:

(\$ in thousands, except %)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	\$ 11,936	\$ 16,495	\$ 99,032	\$ 105,406
Interest expense, net	7,031	6,078	15,520	10,082
Provision for income taxes	3,995	6,561	28,260	32,126
Depreciation and amortization	29,038	19,961	51,792	40,165
EBITDA	\$ 52,000	\$ 49,095	\$ 194,604	\$ 187,779
Share-Based compensation ⁽¹⁾	2,317	1,876	3,165	4,446
Litigation costs ⁽²⁾	461	3,844	635	4,005
Foreign currency losses, net ⁽³⁾	35,468	7,902	39,617	12,622
Separation and distribution related costs ⁽⁴⁾	16,625	—	35,093	—
Product Procurement Adjustment ⁽⁵⁾	16,923	17,471	29,794	32,890
Divested subsidiary Adjusted EBITDA adjustment ⁽⁶⁾	(10,187)	978	(11,285)	(1,341)
Adjusted EBITDA	\$ 113,607	\$ 81,166	\$ 291,623	\$ 240,401
Adjusted Net Sales	\$ 905,612	\$ 756,407	\$ 1,741,245	\$ 1,545,953
Adjusted EBITDA Margin	12.5%	10.7%	16.7%	15.6%

(1) Represents non-cash expense related to restricted stock unit awards issued from JS Global's equity incentive plans.

(2) Represents litigation costs incurred for iRobot's patent infringement claims and false advertising claims against us.

(3) Represents foreign currency transaction gains and losses recognized from the remeasurement of transactions that were not denominated in the local functional currency, including gains and losses related to foreign currency derivatives not designated as hedging instruments. The total net (loss) gain recognized on our derivative instruments related to forward contracts outstanding not designated as hedging instruments included in the total of foreign currency losses, net, was \$(27.5) million and \$2.1 million for the three months ended June 30, 2023 and 2022, respectively, and \$(25.7) million and \$2.1 million for the six months ended June 30, 2023 and 2022, respectively.

(4) Represents certain costs incurred related to the separation and distribution from JS Global.

(5) Represents cost of sales of \$16.9 million and \$17.5 million for the three months ended June 30, 2023 and 2022, respectively, and \$29.8 million and \$32.9 million for the six months ended June 30, 2023 and 2022, respectively, related to the Product Procurement Adjustment. As a result of the separation, we intend to purchase 100% of our inventory from one of our subsidiaries, SNHK, and will no longer purchase inventory from a purchasing office wholly owned by JS Global. Thus, the markup on all inventory purchased subsequent to the separation will be completely eliminated in consolidation.

(6) Adjusted for Adjusted EBITDA of \$2.9 million and \$(2.3) million from SNJP for the three months ended June 30, 2023 and 2022, respectively; and \$7.3 million and \$1.3 million from the APAC distribution channels for the three months ended June 30, 2023 and 2022, respectively; \$3.2 million and \$(1.1) million from SNJP for the six months ended June 30, 2023 and 2022, respectively; and \$8.0 million and \$2.4 million from the APAC distribution channels for the six months ended June 30, 2023 and 2022, respectively, as if the Divestitures occurred on January 1, 2022. The divested subsidiary Adjusted EBITDA adjustment represents net (loss) income from our Divestitures excluding interest expense, income tax expense, depreciation and amortization expense and foreign currency gains and losses recorded at the subsidiary level.

We refer to growth rates in Adjusted Net Sales on a constant currency basis so that results can be viewed without the impact of fluctuations in foreign currency exchange rates. These amounts are calculated by translating current year results at prior year average exchange rates. We believe elimination of the foreign currency translation impact provides useful information in understanding and evaluating trends in our operating results.

SHARKNINJA GLOBAL SPV, LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)
(unaudited)

	As of			
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Assets				
Current assets:				
Cash and cash equivalents	\$ 116,828	\$ 130,455	\$ 181,950	\$ 192,890
Restricted cash	17,316	17,723	17,727	25,880
Accounts receivable, net	730,169	579,469	672,140	766,503
Inventories	665,104	715,873	688,550	548,588
Prepaid expenses and other current assets	133,722	121,018	167,812	181,831
Total current assets	1,663,139	1,564,538	1,728,179	1,715,692
Property and equipment, net	103,462	113,963	121,284	137,341
Operating lease right-of-use assets	69,184	73,820	70,112	67,321
Intangible assets, net	506,555	500,900	494,246	492,709
Goodwill	840,850	840,388	839,906	840,148
Deferred tax assets, noncurrent	1	1	1	6,291
Other assets, noncurrent	46,418	51,686	43,652	35,389
Total assets	<u>\$ 3,229,609</u>	<u>\$ 3,145,296</u>	<u>\$ 3,297,380</u>	<u>\$ 3,294,891</u>
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable	\$ 346,863	\$ 362,490	\$ 349,502	\$ 328,122
Accrued expenses and other current liabilities	362,138	362,711	419,841	552,023
Tax payable	25,978	1,865	25,059	1,581
Revolving line of credit	105,000	95,000	155,000	—
Current portion of long-term debt	63,087	61,940	88,037	86,972
Total current liabilities	903,066	884,006	1,037,439	968,698
Long-term debt	397,486	398,845	347,913	349,169
Operating lease liabilities, noncurrent	60,420	67,200	64,283	61,779
Deferred tax liabilities, noncurrent	72,375	60,978	58,308	60,976
Other liabilities, noncurrent	19,998	23,020	21,079	25,980
Total liabilities	1,453,345	1,434,049	1,529,022	1,466,602
Shareholders' equity:				
Ordinary shares	10	10	10	10
Additional paid-in capital	957,005	943,581	944,550	941,210
Retained earnings	814,907	778,565	850,592	896,738
Accumulated other comprehensive income (loss)	4,342	(10,909)	(26,794)	(9,669)
Total shareholders' equity	1,776,264	1,711,247	1,768,358	1,828,289
Total liabilities and shareholders' equity	<u>\$ 3,229,609</u>	<u>\$ 3,145,296</u>	<u>\$ 3,297,380</u>	<u>\$ 3,294,891</u>

SHARKNINJA GLOBAL SPV, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended			
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Net sales	\$ 809,626	\$ 778,197	\$ 946,897	\$ 1,182,646
Cost of sales	457,700	486,730	603,413	759,329
Gross profit	351,926	291,467	343,484	423,317
Operating expenses:				
Research and development	51,971	54,016	53,968	55,705
Sales and marketing	125,541	146,641	133,137	216,634
General and administrative	52,025	54,711	47,299	97,172
Total operating expenses	229,537	255,368	234,404	369,511
Operating income	122,389	36,099	109,080	53,806
Interest expense, net	(4,004)	(6,078)	(8,479)	(8,460)
Other (expense) income, net	(3,909)	(6,965)	2,033	16,472
Income before income taxes	114,476	23,056	102,634	61,818
Provision for income taxes	25,565	6,561	22,325	15,179
Net income	\$ 88,911	\$ 16,495	\$ 80,309	\$ 46,639
Net income per share, basic and diluted	\$ 0.64	\$ 0.12	\$ 0.58	\$ 0.34
Weighted-average number of shares used in computing net income per share, basic and diluted	138,982,872	138,982,872	138,982,872	138,982,872

SHARKNINJA GLOBAL SPV, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended			
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Net cash (used in) provided by operating activities	\$ (101,130)	\$ 87,056	\$ 53,503	\$ 165,535
Net cash (used in) provided by investing activities	\$ (11,134)	\$ (27,531)	\$ (24,773)	\$ 11,054
Net cash provided by (used in) financing activities	\$ 8,026	\$ (40,050)	\$ 26,895	\$ (155,041)

Non-GAAP Financial Measures

We define Adjusted Net Sales as net sales as adjusted to exclude certain items that we do not consider indicative of our ongoing operating performance following the separation, including net sales from our Divestitures. We believe that Adjusted Net Sales is an appropriate measure of our performance because it eliminates the impact of our Divestitures that do not relate to the ongoing performance of our business.

The following table reconciles Adjusted Net Sales to the most comparable GAAP measure, net sales, for the periods presented:

(\$ in thousands, except %)	Three Months Ended			
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Net sales	\$ 809,626	\$ 778,197	\$ 946,897	\$ 1,182,646
Divested subsidiary adjustment ⁽¹⁾	(20,080)	(21,790)	(24,003)	(31,561)
Adjusted Net Sales	<u>\$ 789,546</u>	<u>\$ 756,407</u>	<u>\$ 922,894</u>	<u>\$ 1,151,085</u>

(1) Adjusted for net sales of \$14.0 million, \$14.1 million, \$14.6 million, and \$21.3 million from SharkNinja Co., Ltd. ("SNJP") for the three months ended March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, respectively; \$6.1 million, \$7.7 million, \$9.4 million, and \$10.3 million from the APAC distribution channels for the three months ended March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, respectively, as if such Divestitures occurred on January 1, 2022.

We define Adjusted Gross Profit as gross profit as adjusted to exclude certain items that we do not consider indicative of our ongoing operating performance following the separation, including the net sales and cost of sales from our Divestitures and the cost of sales from the Product Procurement Adjustment. We define Adjusted Gross Margin as Adjusted Gross Profit divided by Adjusted Net Sales. We believe that Adjusted Gross Profit and Adjusted Gross Margin are appropriate measures of our operating performance because each eliminates the impact our Divestitures and certain other adjustments that do not relate to the ongoing performance of our business.

The following table reconciles Adjusted Gross Profit and Adjusted Gross Margin to the most comparable GAAP measure, gross profit and gross margin, respectively, for the periods presented:

(\$ in thousands, except %)	Three Months Ended			
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Net sales	\$ 809,626	\$ 778,197	\$ 946,897	\$ 1,182,646
Cost of sales	(457,700)	(486,730)	(603,413)	(759,329)
Gross profit	<u>351,926</u>	<u>291,467</u>	<u>343,484</u>	<u>423,317</u>
Gross margin %	43.5%	37.5%	36.3%	35.8%
Divested subsidiary net sales adjustment ⁽¹⁾	(20,080)	(21,790)	(24,003)	(31,561)
Divested subsidiary cost of sales adjustment ⁽²⁾	11,945	13,991	15,387	23,183
Product Procurement Adjustment ⁽³⁾	15,419	17,471	18,341	19,064
Adjusted Gross Profit	<u>\$ 359,210</u>	<u>\$ 301,139</u>	<u>\$ 353,209</u>	<u>\$ 434,003</u>
Adjusted Net Sales	<u>\$ 789,546</u>	<u>\$ 756,407</u>	<u>\$ 922,894</u>	<u>\$ 1,151,085</u>
Adjusted Gross Margin	45.5%	39.8%	38.3%	37.7%

- (1) Adjusted for net sales of \$14.0 million, \$14.1 million, \$14.6 million, and \$21.3 million from SharkNinja Co., Ltd. (“SNJP”) for the three months ended March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, respectively; \$6.1 million, \$7.7 million, \$9.4 million, and \$10.3 million from the APAC distribution channels for the three months ended March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, respectively, as if such Divestitures occurred on January 1, 2022.
- (2) Adjusted for cost of sales of \$7.3 million, \$8.0 million, \$8.2 million, and \$15.5 million from SNJP for the three months ended March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, respectively; \$4.6 million, \$6.0 million, \$7.2 million, and \$7.7 million from the APAC distribution channels for the three months ended respectively, as if such Divestitures occurred on January 1, 2022.
- (3) Represents cost of sales of \$15.4 million, \$17.5 million, \$18.3 million, and \$19.1 million for the three months ended respectively, related to the Product Procurement Adjustment. As a result of the separation, we intend to purchase 100% of our inventory from one of our subsidiaries, SharkNinja (Hong Kong) Company Limited (“SNHK”), and will no longer purchase inventory from a purchasing office wholly owned by JS Global. Thus, the markup on all inventory purchased subsequent to the separation will be completely eliminated in consolidation.

We define Adjusted Operating Income as operating income excluding (i) share-based compensation, (ii) certain litigation costs, (iii) amortization of certain acquired intangible assets, (iv) certain separation and distribution costs and (v) certain items that we do not consider indicative of our ongoing operating performance following the separation, including operating income from our Divestitures and cost of sales from our Product Procurement Adjustment.

The following table reconciles Adjusted Operating Income to the most comparable GAAP measure, operating income, for the periods presented:

(\$ in thousands)	Three Months Ended			
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Operating income	\$ 122,389	\$ 36,099	\$ 109,080	\$ 53,806
Share-based compensation ⁽¹⁾	2,570	1,876	969	94
Litigation costs ⁽²⁾	161	3,844	19	489
Amortization of acquired intangible assets ⁽³⁾	4,897	4,897	4,897	4,896
Separation and distribution related costs ⁽⁴⁾	–	–	275	2,621
Executive Bonus ⁽⁵⁾	–	–	–	34,000
Product Procurement Adjustment ⁽⁶⁾	15,419	17,471	18,341	19,064
Divested subsidiary operating income adjustment ⁽⁷⁾	(2,597)	(546)	(1,668)	(282)
Adjusted Operating Income	<u>\$ 142,839</u>	<u>\$ 63,641</u>	<u>\$ 131,913</u>	<u>\$ 114,688</u>

- (1) Represents non-cash expense related to restricted stock unit awards issued from JS Global’s equity incentive plans.
- (2) Represents litigation costs incurred for iRobot Corporation’s (“iRobot”) patent infringement claims and false advertising claims against us.
- (3) Represents amortization of acquired intangible assets that we do not consider normal recurring operating expenses, as the intangible assets relate to JS Global’s acquisition of our business. We exclude amortization charges for these acquisition-related intangible assets for purposes of calculated Adjusted Net Income, although revenue is generated, in part, by these intangible assets, to eliminate the impact of these non-cash charges that are significantly impacted by the timing and valuation of JS Global’s acquisition of our business, as well as the inherent subjective nature of purchase price allocations.
- (4) Represents certain costs incurred related to the separation and distribution from JS Global.
- (5) Represents a one-time discretionary bonus.
- (6) Represents cost of sales of \$15.4 million, \$17.5 million, \$18.3 million, and \$19.1 million for the three months ended respectively, related to the Product Procurement Adjustment. As a result of the separation, we intend to purchase 100% of our inventory from one of our subsidiaries, SNHK, and will no longer purchase inventory from a purchasing office wholly owned by JS Global. Thus, the markup on all inventory purchased subsequent to the separation will be completely eliminated in consolidation.
- (7) Adjusted for operating income of \$1.5 million, \$(0.8) million, \$(0.1) million, and \$(1.8) million from SNJP for the three months ended March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, respectively; \$1.1 million, \$1.3 million, \$1.7 million, and \$2.1 million from the APAC distribution channels for the three months ended March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, respectively, as if the Divestitures occurred on January 1, 2022.

We define Adjusted Net Income as net income excluding (i) share-based compensation, (ii) certain litigation costs, (iii) foreign currency gains and losses, net (iv) amortization of certain acquired intangible assets, (v) certain separation and distribution costs, (vi) certain items that we do not consider indicative of our ongoing operating performance following the separation, including net income from our Divestitures and cost of sales from our Product Procurement Adjustment and (vii) the tax impact of the adjusted items.

Adjusted Net Income Per Share is defined as Adjusted Net Income divided by the diluted weighted average number of ordinary shares.

The following table reconciles Adjusted Net Income and Adjusted Net Income Per Share to the most comparable GAAP measures, net income and net income per share, diluted, respectively, for the periods presented:

(\$ in thousands, except share and per share amounts)	Three Months Ended			
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Net income	\$ 88,911	\$ 16,495	\$ 80,309	\$ 46,639
Share-based compensation ⁽¹⁾	2,570	1,876	969	94
Litigation costs ⁽²⁾	161	3,844	19	489
Foreign currency losses, net ⁽³⁾	4,720	7,902	(839)	(21,058)
Amortization of acquired intangible assets ⁽⁴⁾	4,897	4,897	4,897	4,896
Separation and distribution related costs ⁽⁵⁾	—	—	275	2,621
Executive Bonus ⁽⁶⁾	—	—	—	34,000
Product Procurement Adjustment ⁽⁷⁾	15,419	17,471	18,341	19,064
Tax impact of adjusting items ⁽⁸⁾	(6,109)	(7,918)	(5,206)	(8,823)
Divested subsidiary net income adjustment ⁽⁹⁾	(1,289)	1,865	479	(2,513)
Adjusted Net Income	<u>\$ 109,280</u>	<u>\$ 46,432</u>	<u>\$ 99,244</u>	<u>\$ 75,409</u>
Net income per share, diluted	<u>\$ 0.64</u>	<u>\$ 0.12</u>	<u>\$ 0.58</u>	<u>\$ 0.34</u>
Adjusted Net Income Per Share	<u>\$ 0.79</u>	<u>\$ 0.33</u>	<u>\$ 0.71</u>	<u>\$ 0.54</u>
Diluted weighted-average number of shares used in computing net income per share and Adjusted Net Income Per Share ⁽¹⁰⁾	138,982,872	138,982,872	138,982,872	138,982,872

(1) Represents non-cash expense related to restricted stock unit awards issued from JS Global's equity incentive plans.

(2) Represents litigation costs incurred for iRobot's patent infringement claims and false advertising claims against us.

(3) Represents foreign currency transaction gains and losses recognized from the remeasurement of transactions that were not denominated in the local functional currency, including gains and losses related to foreign currency derivatives not designated as hedging instruments. The total net (loss) gain recognized on our derivative instruments related to forward contracts outstanding not designated as hedging instruments included in the total of foreign currency losses, net, was \$1.9 million, 0.2 million \$3.8 million, and \$22.7 million for the three months ended March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, respectively.

(4) Represents amortization of acquired intangible assets that we do not consider normal recurring operating expenses, as the intangible assets relate to JS Global's acquisition of our business. We exclude amortization charges for these acquisition-related intangible assets for purposes of calculated Adjusted Net Income, although revenue is generated, in part, by these intangible assets, to eliminate the impact of these non-cash charges that are significantly impacted by the timing and valuation of JS Global's acquisition of our business, as well as the inherent subjective nature of purchase price allocations.

(5) Represents certain costs incurred related to the separation and distribution from JS Global.

(6) Represents a one-time discretionary bonus.

(7) Represents cost of sales of \$15.4 million, \$17.5 million, \$18.3 million, and \$19.1 million for the three months ended respectively, related to the Product Procurement Adjustment. As a result of the separation, we intend to purchase 100% of our inventory from one of our subsidiaries, SNHK, and will no longer purchase inventory from a purchasing office wholly owned by JS Global. Thus, the markup on all inventory purchased subsequent to the separation will be completely eliminated in consolidation.

- (8) Represents the income tax effects of the adjustments included in the reconciliation of net income to Adjusted Net Income determined using the tax rate of 22.0%, which approximates our effective tax rate, excluding the divested subsidiary net income adjustment described in footnote (9).
- (9) Adjusted for net income (loss) of \$0.4 million, \$(2.9) million, \$(1.8) million, and \$0.9 from SNJP for the three months ended March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, respectively; \$0.9 million, \$1.0 million, \$1.3 million, and \$1.6 million from the APAC distribution channels for the three months ended respectively, as if the Divestitures occurred on January 1, 2022.
- (10) In calculating net income per share and Adjusted Net Income Per Share, the Company has used the number of shares transferred in the separation and distribution for the denominator.

We define EBITDA as net income excluding: (i) interest expense, net, (ii) provision for income taxes and (iii) depreciation and amortization. We define Adjusted EBITDA as EBITDA excluding (i) share-based compensation cost, (ii) certain litigation costs, (iii) foreign currency gains and losses, net, (iv) certain separation and distribution costs and (v) certain items that we do not consider indicative of our ongoing operating performance following the separation, including net income from our Divestitures and cost of sales from our Product Procurement Adjustment. We define Adjusted EBITDA Margin as Adjusted EBITDA divided by Adjusted Net Sales. We believe EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are appropriate measures because they facilitate a comparison of our operating performance on a consistent basis from period to period that, when viewed in combination with our results according to GAAP, we believe provide a more complete understanding of the factors and trends affecting our business than GAAP measures alone.

The following table reconciles EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin to the most comparable GAAP measure, net income, for the periods presented:

(\$ in thousands, except %)	Three Months Ended			
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Net income	\$ 88,911	\$ 16,495	\$ 80,309	\$ 46,639
Interest expense, net	4,004	6,078	8,479	8,460
Provision for income taxes	25,565	6,561	22,325	15,179
Depreciation and amortization	20,204	19,961	21,395	25,148
EBITDA	\$ 138,684	\$ 49,095	\$ 132,508	\$ 95,426
Share-Based compensation ⁽¹⁾	2,570	1,876	969	94
Litigation costs ⁽²⁾	161	3,844	19	489
Foreign currency losses, net ⁽³⁾	4,720	7,902	(839)	(21,058)
Separation and distribution related costs ⁽⁴⁾	—	—	275	2,621
Executive Bonus ⁽⁵⁾	—	—	—	34,000
Product Procurement Adjustment ⁽⁶⁾	15,419	17,471	18,341	19,064
Divested subsidiary Adjusted EBITDA adjustment ⁽⁷⁾	(2,319)	978	(459)	(2,237)
Adjusted EBITDA	\$ 159,235	\$ 81,166	\$ 150,814	\$ 128,399
Adjusted Net Sales	\$ 789,546	\$ 756,407	\$ 922,894	\$ 1,151,085
Adjusted EBITDA Margin	20.2%	10.7%	16.3%	11.2%

(1) Represents non-cash expense related to restricted stock unit awards issued from JS Global's equity incentive plans.

(2) Represents litigation costs incurred for iRobot's patent infringement claims and false advertising claims against us.

(3) Represents foreign currency transaction gains and losses recognized from the remeasurement of transactions that were not denominated in the local functional currency, including gains and losses related to foreign currency derivatives not designated as hedging instruments. The total net (loss) gain recognized on our derivative instruments related to forward contracts outstanding not designated as hedging instruments included in the total of foreign currency losses, net, was \$1.9 million, 0.2 million \$3.8 million, and \$22.7 million for the three months ended March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, respectively.

- (4) Represents certain costs incurred related to the separation and distribution from JS Global.
 - (5) Represents a one-time discretionary bonus.
 - (6) Represents cost of sales of \$15.4 million, \$17.5 million, \$18.3 million, and \$19.1 million for the three months ended respectively, related to the Product Procurement Adjustment. As a result of the separation, we intend to purchase 100% of our inventory from one of our subsidiaries, SharkNinja (Hong Kong) Company Limited (“SNHK”), and will no longer purchase inventory from a purchasing office wholly owned by JS Global. Thus, the markup on all inventory purchased subsequent to the separation will be completely eliminated in consolidation.
 - (7) Adjusted for Adjusted EBITDA of \$1.2 million, \$(2.3) million, \$(1.3) million, and \$0.2 million from SNJP for the three months ended respectively; and \$1.1 million, \$1.3 million, \$1.7 million, and \$2.1 million, from the APAC distribution channels for the three months ended respectively, as if the Divestitures occurred on January 1, 2022. The divested subsidiary Adjusted EBITDA adjustment represents net (loss) income from our Divestitures excluding interest expense, income tax expense, depreciation and amortization expense and foreign currency gains and losses recorded at the subsidiary level.
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