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SharkNinja, Inc. (SN)

Q3 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the SharkNinja Third Quarter 2023 Conference Earnings Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Arvind Bhatia, Head of Investor Relations. Thank you, sir. You may begin.

Arvind Bhatia

Vice President-Investor Relations, SharkNinja, Inc.

Good morning and welcome to SharkNinja's third quarter 2023 earnings conference call. Joining me on today's call are Mark Barrocas, SharkNinja's Chief Executive Officer; and Larry Flynn, Interim Chief Financial Officer and Chief Accounting Officer. Mark will begin by providing a business update, and Larry will then provide a review of our financial results and discuss our updated 2023 outlook. After that, we will open the call for your questions.

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

Before we begin, let me remind everyone that today's discussion contains forward-looking statements based on the environment as we currently see it, and as such does include risks and uncertainties. If you refer to SharkNinja's earnings release, as well as the company's most recent SEC filings, you will see a discussion of factors that could cause the company's actual results to differ materially as a result of these forward-looking statements. Please remember, the company undertakes no obligation to update or revise these forward-looking statements in the future. During the call, we will make a number of references to non-GAAP financial measures. We believe that these measures provide investors with useful perspective on the underlying growth trends of the

business and have included in our earnings release a full reconciliation of non-GAAP financial measures to the most comparable GAAP measures.

Now I will turn the call over to Mark.

Mark Adam Barrocas

Chief Executive Officer & Director, SharkNinja, Inc.

Thanks, Arvind. I really appreciate everyone taking the time to join us this morning. We're excited to report another strong quarter. This is our second one as a public company and we are optimistic about the rest of the year. Since our listing on the New York Stock Exchange a few months ago, people have been pleasantly surprised by our scale and diversification. We're on track to exceed \$4 billion in net sales and achieve close to \$700 million in adjusted EBITDA this year. This will make us one of the largest and most profitable companies in our industry.

We're also highly diversified. We're now in 31 subcategories. We sell our products in 26 countries. We partner with more than 150 brick-and-mortar and online retailers and have a rapidly growing direct-to-consumer business. The investment community has been asking me, what's SharkNinja's secret sauce? I always have to pause before responding because it's not just one thing. It's a combination of so many different things that make us unique and different. Our disruptive innovation engine continues to deliver amazing products at accessible price points. Our marketing and communications approach has created strong consumer demand for our products.

Our omni-channel strategy allows us to be channel-agnostic. Our products are available wherever our consumers want to shop for them. We have a nimble, efficient, and scalable supply chain that helps us drive industry leading margins, but it really comes down to the SharkNinja mindset and culture. This is really what differentiates us and is hard to replicate. Everyone here has a desire to win and to exceed expectations. This approach permeates throughout the company and drives our success.

Turning to third quarter results. We grew adjusted net sales by nearly 15%. That's strong double-digit growth and increased our market share across both the Shark and Ninja brands. Adjusted EBITDA grew more than 38%, continuing the strong trend from the second quarter. We delivered more than 300 basis points of adjusted EBITDA margin expansion, including 950 basis points of adjusted gross margin improvement. The team did a great job. Q3 gross margins were ahead of expectations and reflected a few things. Continued supply chain tailwinds, cost optimization efforts, and a favorable pricing and promotional mix. Earlier this year, we set out a long-term target to get back to pre-COVID gross margin levels of 45%. That's up from 40% in 2022. We're currently on pace to hit that target this year, well ahead of plan. We took a portion of the gross margin upside in the quarter and invested it back in the business.

Our awareness in new markets and new categories continues to grow. Q4 is off to a great start. While the macroeconomic environment remains uncertain, we have good visibility for demand through the end of the year. We're raising our full year guidance and now expect adjusted net sales growth of 12.5% to 13.5%, up from 10% to 12% that was previously provided. Adjusted EBITDA is expected to be in the range of \$690 million to \$705 million or growth of 33% to 36% compared to our prior guidance of \$650 million to \$680 million. Our team has set us up to be in a great position both this year and as we head into 2024.

We believe our three-pillar growth strategy has enabled us to drive market share, growing share in existing categories, entering new and adjacent categories, and international expansion. Our results demonstrate how we remain focused on all three growth pillars. Our new and adjacent subcategories have great momentum and have been important contributors to our growth. Subcategories like beauty and outdoor cooking that we launched in the

last 12 to 18 months continue to perform well. Shark SpeedStyle and Shark SmoothStyle are two new innovative products that recently launched to help expand our beauty portfolio. We partnered with Chris Appleton, celebrity hairstylist to Kim Kardashian and Jennifer Lopez as our Shark Beauty brand ambassador. This is our first beauty partnership. I could have never imagined a few years ago that more than 200 influencers would stand in line in SoHo, New York, during Fashion Week to check out the latest Shark Beauty products. But that's exactly what happened. We believe there is this natural synergy between beauty, and the right celebrity that works, and we're just getting started.

Outdoor cooking continues to deliver strong results and great consumer feedback. The Ninja Woodfire Outdoor Grill, which launched last year, is seeing strong sell through and satisfaction among consumers, both in North America and Europe. Consumers loved it so much that they told us they wanted something even bigger. Because of the flexibility and speed of our team to adapt, I'm thrilled to share that we recently launched the Ninja Woodfire XL Grill, expanding our offering in this segment.

I'm also excited about the new subcategories we have entered in 2023. We launched four new subcategories of products in 2023 that have runway for expansion moving forward. In the Ninja brand, we launched our first Outdoor Woodfire Oven, which is performing well. During Q3, we entered the in-home beverage category with our carbonation drink system, the Ninja Thirsti. Consumers now have the ability to dispense a single drink for a wide variety of offering, making it fun, convenient, and exciting for the entire family. The Thirsti started to see strong social engagement on TikTok and Instagram. We're pleased with the initial response from consumers and plan to launch the Ninja Thirsti internationally in 2024.

On the Shark side, we entered the carpet extractor segment, a large definable market with two innovative products the Shark CarpetXpert and the Shark StainStriker. We believe these products will help consumers to maintain and brighten their carpets and give them the power to remove stubborn spills and stains in a way that hasn't been done before. Shark saw a need to help consumers vacuum the unvacuumable launching our brand new Shark MessMaster. Whether it's glass, pet messes or a day in the workshop, the MessMaster is designed to pick up virtually anything. Shark was already the number one selling floorcare brand in the US in 2022. But with these differentiated products and our built in equity with floorcare consumers, we expect to drive additional market share over time. These are all great examples of how we can get into new categories by staying focused on identifying and solving consumer problems that others either don't see or unable to solve. We believe we are offering great performance and extraordinary value. This is the hallmark of SharkNinja products.

Our innovation continues within existing categories. We recently launched a new series of robotic and cordless vacuums using our proprietary Detect Pro technology. These are smarter, stronger and more convenient for consumers. In the home environment segment, the Shark NeverChange Air Purifiers recently launched, which don't require filter replacement for five years and are getting strong consumer reviews. In the Ninja brand, we've introduced the Ninja Combi, our next generation version of multi-cookers. And in food prep, we've reinvigorated the blender and kitchen system with improved features and functionality through the launch of Ninja Detect Pro. These new products keep our offerings fresh and our consumers excited.

SharkNinja's strategy is to maintain and grow market share in our existing categories through a relentless focus on new innovation to keep the consumer excited for what's next. International was again the strongest growth driver in Q3, as adjusted net sales were up a staggering 80%. This was driven by continued success in the UK and the rest of Europe. In Italy, Spain, and Latin America, we're in the early stages of establishing our presence. Those markets all have great potential for growth. We have a large opportunity outside of North America. We're working hard to capitalize on that as we globalize our brand. About 80% of the products that we develop today are for a global consumer. This has been a game changer for us over the last few years. It's helped us to enter new

markets using the same playbook that has worked well in the US and UK. The market opportunity outside the US is large, and we expect international to remain a key growth driver for us.

Our three pillars of organic growth strategy continue to deliver industry-leading growth. We leverage our disruptive and best-in-class innovation engine, our proven go-to-market strategy, and our agile and scalable supply chain. Our approach to consumer problem solving and designing products is centered around delivering market-leading performance, multi-functionality, high quality and extraordinary value. We're on track to deliver more than 25 new SKUs this year within new and existing categories. We have clear line of sight to our planned 2024 product lineup, and our 2025 product roadmap is also beginning to take shape. We're attracting world class engineering and design talent across software, electronics, app, IoT, mechatronics and other fields. We're growing our talent base in our key R&D centers in Boston, London and China. [indiscernible] (00:15:45) bringing amazing products to the market is not enough, we continue to create demand and drive market share by leveraging our proven go-to-market strategy.

During the quarter, we reinvested gross margin dollars into media and advertising to increase awareness within our international markets and to support new category launches, providing strong media support to our nascent markets and newer categories is a key part of our organic growth strategy. Our newer categories are helping us drive increased shelf space not only at existing retailers, but also at retailers new to us, ranging from Sephora and Ulta, the Cabela's Bass Pro Shops, Ace Hardware and others.

Our consumer demographics are expanding and reaching new audiences from teenagers that are raving about our haircare products on social media to male consumers who can't wait to show off their cooking skills on our outdoor grills and ovens. On a personal note, my two daughters and their friends are big fans of the Shark FlexStyle, and now think I'm a cool dad for the very first time. Social media is a major focus of our advertising efforts. We're seeing extraordinary organic user generated content across TikTok and Instagram grow for both the Shark and Ninja brands. As an example, the Ninja CREAMi is fast approaching 1 billion views on TikTok. Our strength lies in our ability to launch and market products that consumers love.

However, today's discussions would not be complete without highlighting our best-in-class supply chain. We believe this is a competitive advantage for us. We're seeing the benefits of many years of investments in our supply chain and the long-standing partnerships we have built with suppliers in Asia. We expect to have great momentum as we head into 2024 by tapping into our in-depth understanding of what consumers want. In our engineering expertise, we plan to keep blazing a trail with groundbreaking innovations that are reshaping the industry. Our sights are set on entering into new markets and making our presence felt in every household while driving growth and profitability. Our commitment to innovation and international expansion backed by our compelling financial profile sets us apart from our competitors. I'm confident we're on the right track to fulfill our mission of positively impacting people's lives every day, in every home around the world, and to deliver substantial value to our stakeholders.

Larry will now walk you through our third quarter financials and updated outlook in more detail. Larry?

Larry Flynn

Interim Chief Financial Officer & Chief Accounting Officer, SharkNinja, Inc.

Thank you, Mark, and good morning, everyone. I'll start with a review of our third quarter results, followed by an update on our outlook for 2023. As Mark mentioned, our third quarter results were strong. Net sales increased 13%, and adjusted net sales, which excludes sales from our divested APAC business, were up 15% to \$1.1 billion. We delivered adjusted EBITDA growth of 38% to nearly \$209 million, with adjusted EBITDA margins increasing 340 basis points year-over-year.

Looking at top line performance by region. Net sales in North America were up over 2% to \$797 million, representing 75% of adjusted net sales. Adjusted net sales in international markets were up 80% to \$260 million, including UK, which was up 65%, continuing the strong trend. In North America, our POS was up high single-digits during Q3, according to NPD, compared to the 2% growth in shipments. So, while destocking is mostly behind us, retailers continue to manage inventory tightly as we head into the holiday period. We have factored this into our full year guidance, which I will speak to momentarily.

Next, let me take a minute to provide color on our four major product categories. Adjusted net sales in the cleaning category, which includes vacuums as well as other floorcare products such as steam mops and wet and dry cleaning floor products decreased 9% to \$442 million from \$486 million. While our shipments in the cleaning category were down, our global POS sales were up slightly according to industry data. Given our POS performance and our recent launch into the extraction category, we expect our fourth quarter growth in shipments in the cleaning category to improve.

Adjusted net sales in the cooking and beverage category, which includes air fryers, multicookers, outdoor grills and ovens, and carbonation, increased a strong 31% to \$338 million, compared to \$258 million in the prior year. This performance was primarily driven by strength in Europe, specifically in the UK, where we expanded our dominant market position. In terms of products, we benefited from continued strength in air fryers and outdoor grills, and the launch of outdoor ovens and carbonation during the quarter. Our performance in the food prep category, which includes blenders, food processors, and ice cream makers, was also very strong. Adjusted net sales in this category increased more than 33% to \$209 million, compared to \$157 million in the prior year. Growth in food prep was driven by continued strong performance of our ice cream makers and blenders led by the launch of our new portable blenders.

And finally, other, which includes beauty products such as hairdryers and stylers, and home environment products such as air purifiers and humidifiers was again our fastest growing category. Adjusted net sales in this category more than tripled to \$67 million, representing 6% of adjusted net sales from \$22 million or 2% of adjusted net sales in the prior year. This growth was fueled by the strong performance of our haircare products, including FlexStyle, SpeedStyle, and SmoothStyle.

Moving down to gross profit. In the third quarter, GAAP gross profit increased 42% to \$487 million or 45.5% of net sales, an expansion of 920 basis points compared to the prior year. Adjusted gross profit increased 43% to \$505 million or 47.8% of adjusted net sales, representing expansion of 950 basis points over the prior year. As Mark mentioned, this margin expansion was primarily driven by cost tailwinds, cost optimization efforts, and a favorable pricing and promotional mix.

Turning now to operating expenses. During the quarter, R&D expenses increased 12% to \$61 million, compared to \$54 million in Q3 last year. As a percentage of sales, R&D was 5.7% of net sales flat versus last year. We continue to invest in research and development, primarily in head count, to support new product categories and new market expansion. Sales and marketing expenses increased to \$208 million or 19.4% of net sales, compared to \$133 million or 14.1% of net sales in the year ago period. This increase was mainly due to our reinvesting of some gross margin dollars back into the business via advertising and personnel to support our new product launches and expansion into new markets, as well as fueling healthy top line growth through media versus promotional activity. A portion of the increase in sales and marketing dollars also resulted from increased delivery and distribution costs driven by higher volumes, particularly in our direct-to-consumer business.

General and administrative expenses increased to \$125 million compared to \$47 million in the prior year, primarily due to costs related to the spin-off from JS Global and stock compensation expense associated with new RSU grants. Our GAAP effective tax rate was 75.3% in the third quarter, compared to 21.8% in the prior year. This GAAP effective tax rate for Q3 reflects the expected impact of withholding taxes and certain non-deductible costs associated with the separation and distribution from JS Global. GAAP net income for the quarter was \$19 million compared to \$80 million in the prior year. Adjusted net income was \$133 million or \$0.95 per share compared to \$99 million or \$0.71 per share in the prior year, reflecting growth of 34%. Adjusted EBITDA for the quarter increased 38% to \$209 million or 19.7% of adjusted net sales, compared to \$151 million or 16.3% of adjusted net sales in the prior year, reflecting strong margin expansion of 340 basis points in the quarter.

Turning to the balance sheet, as of the end of the third quarter, we had cash of \$170 million and total debt outstanding of \$810 million. As a reminder, in July 2023, we entered into a new domestic credit facility that provides for an \$810 million term loan and a \$500 million revolving credit facility, which fully replaced our prior term loan and revolving credit agreement with the Bank of China. As of the end of Q3, our net leverage ratio was approximately 1.0 times. From an inventory perspective, we believe our inventory level and mix are healthy. At the end of the quarter, we had inventories of \$792 million, up approximately 15% compared to Q3 2022, in line with our sales growth.

Shifting to capital allocation. We are pleased to announce that our board of directors approved a special cash dividend of \$1.08 per share, payable on December 11, 2023 to shareholders of record on December 1. This special dividend reflects management and the board's confidence in the business, the strength of our balance sheet position, and our ability to continue to generate strong free cash flow.

With that, let me now turn to our outlook for 2023. Given our strong performance year-to-date and our confidence in sustaining positive momentum through the end of the year, we are raising our fiscal year 2023 guidance. For the full year, we now expect GAAP net sales to increase between 11.5% and 12.5% compared to between 9% and 11% that we expected previously. We expect adjusted net sales to increase between 12.5% and 13.5% in line with our year-to-date performance and above our prior guidance of between 10% and 12%. We expect adjusted EPS to be in the range of \$3.06 to \$3.14 compared to the previously provided range of \$2.85 to \$3.02 and reflects a year-over-year increase of 29% to 32%.

Adjusted EBITDA is now expected to be in the range of \$690 to \$705 million, compared to \$650 million to \$680 million expected previously, and represent year-over-year growth of 33% to 36%. Net interest expense guidance for the full year remains unchanged at approximately \$45 million. We now expect a GAAP effective tax rate of approximately 42% to 43%, up from our prior guidance of 35% to 36%. This includes approximately 14 to 15 percentage points of impact related to withholding taxes and non-deductible costs associated with the spin-off from JS Global and certain related party transactions, as well as approximately 3 percentage points of impact related to withholding taxes associated with the Q4 cash dividend.

And finally, we continue to expect capital expenditures of \$120 million to \$140 million for the year. To close, we are excited by our Q3 results as our impressive growth demonstrates the effectiveness of our three-pillar growth strategy and our ability to continue to strategically reinvest in our business to fuel top- and bottom-line performance for the long-term. We have also improved upon our industry-leading margin profile and we continue to deliver strong free cash flow.

With that, I will hand it back to Mark.

Mark Adam Barrocas

Chief Executive Officer & Director, SharkNinja, Inc.

Thanks, Larry. 2023 is a testament to our track record of delivering profitable organic growth through high performance products that address everyday consumer challenges. We've made incredible progress so far, but I'm even more excited looking to the future as we think about the tremendous whitespace and potential opportunity in front of us. Our current total global addressable market is above \$100 billion and continues to grow as we plan to keep rolling out new innovative products, entering new categories, both in and outside the home, and expanding our brand presence worldwide, I believe we're going to see our market share continue to grow. We plan to use consumer insights and our engineering expertise to keep leading the way with game changing innovations that set the industry standard.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] Our first question comes from Brooke Roach with Goldman Sachs. Please proceed with your question.

Brooke Roach

Analyst, Goldman Sachs & Co. LLC

Q

Good morning. And thank you for taking our question. Mark, I was hoping you could elaborate on the underlying demand trends you're seeing in the US today for both the category and for SharkNinja. As you look ahead, what signals are you seeing among your key North American wholesale partners, both in terms of sell-in versus sell-through that give you confidence to raise the outlook today?

Mark Adam Barrocas

Chief Executive Officer & Director, SharkNinja, Inc.

A

Yeah. Thanks, Brooke for the question. So, I would say that, we feel like we have good momentum as we head into Q4. We've launched a lot of new products in the third quarter, many of which launched toward the end of the third quarter. So, we didn't see much of an impact within Q3. But we will as we start to move through Q4, and into the holiday season, that has enabled us to get incremental shelf space in many of our existing retailers. It's also allowed us to be able to enter into new retailers, for example, for our haircare products now in the third quarter, just launched into Ulta for the first time.

Yeah, I would say that retailers overall are being very conservative as it relates to inventory in North America. We've seen more desire for just-in-time inventory taking promotional orders closer to the holiday season. In September, we did see a little bit of destocking pull back on the base business, but not anything that we're – overly concerned about. We think it's just some timing challenges. But, overall, our business is being driven by higher ASP items. Some of the more innovative products, some of the more media-driven products. And we feel that, our model of giving the consumer extraordinary value and innovation is really what's going to propel the momentum moving forward.

Brooke Roach

Analyst, Goldman Sachs & Co. LLC

Q

Great. Thank you so much. I'll pass it on.

Operator: Our next question comes from Randy Konik with Jefferies. Please proceed with your question.

Randal J. Konik

Analyst, Jefferies LLC

Q

Yeah. Thanks a lot. And good morning. And Mark, it's good to hear that you're a cool dad now. I'm trying to figure that out myself. But, as it relates to the beauty category success, what has changed in terms of your thought process on category expansion or categories you would go into now versus maybe, I don't know, 10 years ago. I'm sure you weren't thinking about the beauty category per se. So, can you give us some perspective of how you're thinking – how that – how you and the rest of the team think about different subcategories. You mentioned in the script inside and outside the home, it would just be really interesting to hear your perspective and how it's changed over the years.

And relatedly, when you look at the international success, particularly in the UK, it might be helpful for us to understand what's made that market in particular extremely successful and maybe different than how you approach the United States. And then how are you kind of taking that UK success and looking to replicate that into other markets you mentioned again in the script Germany, I think Spain, and other markets as well. Thanks.

Mark Adam Barrocas

Chief Executive Officer & Director, SharkNinja, Inc.

A

Yeah, yeah, yeah. Absolutely Randy. So, sort of take the first part of your question on category expansion, I would put it into kind of a few buckets to think about. So, beauty, you mentioned and again, as we think about beauty, we think it goes beyond haircare. I mean that's part of why we've identified this segment of our business as beauty. I mean we think that now that we're in the bathroom, now that we're in a different subset of retailer partners, there are many other categories within the beauty space for us to bring innovation and excitement to. So, that's something that we feel like scales beyond just the haircare business.

We just launched in this quarter, the Ninja Thirsti Drink System. You'll also notice that in conjunction with that, we also launched our first drinkware products, Ninja Thirsti Drinkware, which is drinkware that is specially designed for carbonated beverages. I mean, we saw that as a whitespace of consumers not being adequately served by wanting to transport carbonated beverages. And we developed a technology that enables consumers to be able to do that with Drinkware. And so, that's our first entry into the drinkware category.

Outdoor cooking. Again, we've expanded now from grills into ovens. We're starting to think about the outdoor more as a kitchen, and not just a place to store a grill. There's lots of things that you might want to, cook outdoors, that you can't cook indoors because of smoke or high temperatures or things like that. And we think there's other areas for the brands to expand into from the outdoor side as we move over into 2024. So, I think, Randy, it comes down to – we've got this great consumer insights team. We're bubbling up lots and lots of ideas. We're putting them through our kind of innovation funnel and assessing where do we think the brand can expand into, where we have the technology competency to be able to bring something to the consumer that they're not currently being served with today? And we think there's a lot more places for us to be able to do that and a lot more categories for the Shark and Ninja brands to be able to do that.

As it relates to the UK, look, I think that's an interesting one. Again, you might think that our UK business is kind of overnight success. We launched in the UK in 2014, and it really took us a number of years before we got the product right, before we got the messaging right. And I think what's interesting is that although we're in 31 product categories in North America, we're still only in 18, 19 categories in the UK. We've just had this big backlog of

category expansion opportunities. And as the retailers in the UK are having success with us, they're just giving us more shelf space, they're giving us more category expansion, we're getting into more product categories. And so, we're kind of seeing that pipeline of just expanding into more categories accelerate in the UK, that is just at an earlier stage in Germany and France.

I mean in Germany and France, we're in seven, eight product categories. But we've got 15, 17 more that we think are very applicable to launch into those markets over the coming years. So, we think it's the same playbook in continental Europe. It's – our ability to bring disruptive products that consumers love. You can go online and look at our reviews in Germany and France. Consumers are giving us strong 5 star reviews. It's the big investment in media that we're making and awareness of our brands because we're starting from a low point. We've got to invest a lot to really become a brand of choice and notoriety in the market. And then three, this dominant omni-channel strategy with online, offline, and direct-to-consumer. So, we really think continental Europe is the same playbook that we've applied into the UK.

Randal J. Konik

Analyst, Jefferies LLC

Q

Super helpful. Thanks so much.

Operator: [Operator Instructions] Our next question comes from Phillip Blee with William Blair. Please proceed with your question.

Sabrina Baxamusa

Analyst, William Blair & Co. LLC

Q

Good morning. This is Sabrina on for Phillip. Thanks for taking my question. Given the importance of product newness and its contribution to your top line growth, could you provide some more color on how long the newness lasts or what a typical product's time to maturity looks like? And then if there is any variation by category or geography?

Mark Adam Barrocas

Chief Executive Officer & Director, SharkNinja, Inc.

A

Sure. Sabrina, it's hard to like paint a broad brush on that, for, everything. I mean we have products that we launched in 2010 that are still on retailers' shelves today, like our Shark Lift-Away vacuum. I would say that when we launch a product, it phases out across retailers and starts to build. I mean, products that we launched in, let's say Q3 of this year, we won't kind of see full momentum until we get into next year's holiday season. I mean, we'll benefit from sales this holiday season. We'll benefit obviously from sales through the first few quarters of next year. But really we would look at kind of next holiday season to be the first big holiday season where all retailers have the product. We have a large number of search relevance, a large amount of social media awareness on TikTok and Instagram. So, I'd say it kind of takes a year [indiscernible] (00:41:55) to build to that point.

And in terms of, where do those products stay? Look, I mean, the business model is about bringing newness constantly. I mean, we're going to launch 25 new products this year in existing categories and new categories. We anticipate a similar pipeline of new products for next year. So, it's hard to kind of say that there's one measure across each product, but it kind of takes a year for us to really get to the place where the product has strong momentum behind it.

Sabrina Baxamusa

Analyst, William Blair & Co. LLC

Q

Got it. That's helpful. And then just a quick follow up. Could you provide us with some detail on what your team has been doing to ignite some more crossover demand between the Shark and Ninja brands?

Mark Adam Barrocas

Chief Executive Officer & Director, SharkNinja, Inc.

A

Yeah, sure. I mean, it's – we've really been focused a lot more of that. And our direct-to-consumer business is globally, obviously marketing, to our existing file, Shark and Ninja products, where we're continuing to see an uptick on our D2C business of consumers buying more than one product within an existing brand or buying products cross brand. So, that – that's really the best visibility that we have. It's hard to kind of see that when it gets into the retailer space because most consumers don't register their products with us. But as it relates to direct-to-consumer, I think really through marketing to our existing consumer base is where we're doing the most to try to cross-sell across Shark and Ninja brands.

Sabrina Baxamusa

Analyst, William Blair & Co. LLC

Q

Thank you. Congrats.

Operator: There are no further questions at this time. I would now like to turn the floor back over to Mark Barrocas for closing comments.

Mark Adam Barrocas

Chief Executive Officer & Director, SharkNinja, Inc.

Great. Thanks everyone for joining us on our third quarter call. We look forward to speaking with you at upcoming investor events. Meanwhile, please feel free to reach out if you have any additional questions. And have a great day. Thanks.

Operator: This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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