

**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 November 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 November 9, 2023, SharkNinja, Inc. (the “Company”) announced its financial results for the third quarter ended September 30, 2023. The announcement of the Company’s financial results for the third quarter ended September 30, 2023 is furnished as Exhibit 99.3 to this Report on Form 6-K.

Exhibit 99.1, Exhibit 99.2 and Exhibit 99.4 to this Report on Form 6-K of SharkNinja, Inc. are hereby incorporated by reference as exhibits 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 September 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 November 9, 2023</u>
<u>99.4</u>	<u>Risk Factor Update</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.

Date: November 9, 2023

By: /s/ Pedro J. Lopez-Baldrich

Name: Pedro J. Lopez-Baldrich

Title: Chief Legal Officer

SHARKNINJA, INC.

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

	As of	
	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 170,377	\$ 192,890
Restricted cash	—	25,880
Accounts receivable, net ⁽¹⁾	938,081	766,503
Inventories	792,195	548,588
Prepaid expenses and other current assets ⁽²⁾	86,471	181,831
Total current assets	1,987,124	1,715,692
Property and equipment, net	149,250	137,341
Operating lease right-of-use assets	64,156	67,321
Intangible assets, net	481,754	492,709
Goodwill	833,972	840,148
Deferred tax assets, noncurrent	—	6,291
Other assets, noncurrent	48,983	35,389
Total assets	<u>\$ 3,565,239</u>	<u>\$ 3,294,891</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable ⁽³⁾	\$ 646,697	\$ 328,122
Accrued expenses and other current liabilities ⁽⁴⁾	451,400	552,023
Tax payable	2,615	1,581
Current portion of long-term debt	19,127	86,972
Total current liabilities	1,119,839	968,698
Long-term debt	785,443	349,169
Operating lease liabilities, noncurrent	62,616	61,779
Deferred tax liabilities, noncurrent	47,266	60,976
Other liabilities, noncurrent	27,730	25,980
Total liabilities	2,042,894	1,466,602
Commitments and contingencies (Note 9)		
Shareholders' equity:		
Ordinary shares, \$0.0001 par value per share, 1,000,000,000 shares authorized and 138,982,872 shares issued and outstanding as of September 30, 2023 and December 31, 2022	14	14
Additional paid-in capital	959,248	941,206
Retained earnings	571,174	896,738
Accumulated other comprehensive loss	(8,091)	(9,669)
Total shareholders' equity	1,522,345	1,828,289
Total liabilities and shareholders' equity	<u>\$ 3,565,239</u>	<u>\$ 3,294,891</u>

⁽¹⁾ Including amounts from a related party of \$6,081 and \$1,033 as of September 30, 2023 and December 31, 2022, respectively.

⁽²⁾ Including amounts from a related party of \$0 and \$20,069 as of September 30, 2023 and December 31, 2022, respectively.

⁽³⁾ Including amounts to a related party of \$112,131 and \$231,805 as of September 30, 2023 and December 31, 2022, respectively.

⁽⁴⁾ Including amounts to a related party of \$0 and \$8,399 as of September 30, 2023 and December 31, 2022, respectively.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net sales ⁽¹⁾	\$ 1,070,617	\$ 946,897	\$ 2,876,211	\$ 2,534,720
Cost of sales ⁽²⁾	583,124	603,413	1,591,254	1,547,843
Gross profit	487,493	343,484	1,284,957	986,877
Operating expenses:				
Research and development ⁽³⁾	60,691	53,968	180,430	159,955
Sales and marketing	207,599	133,137	568,035	405,319
General and administrative ⁽⁴⁾	124,655	47,299	263,682	154,035
Total operating expenses	392,945	234,404	1,012,147	719,309
Operating income	94,548	109,080	272,810	267,568
Interest expense, net	(13,003)	(8,479)	(28,523)	(18,561)
Other (expense) income, net	(5,865)	2,033	(41,315)	(8,841)
Income before income taxes	75,680	102,634	202,972	240,166
Provision for income taxes	56,958	22,325	85,218	54,451
Net income	\$ 18,722	\$ 80,309	\$ 117,754	\$ 185,715
Net income per share, basic	\$ 0.13	\$ 0.58	\$ 0.85	\$ 1.34
Net income per share, diluted	\$ 0.13	\$ 0.58	\$ 0.85	\$ 1.34
Weighted-average number of shares used in computing net income per share, basic	139,073,181	138,982,872	139,059,206	138,982,872
Weighted-average number of shares used in computing net income per share, diluted	139,430,805	138,982,872	139,179,724	138,982,872

⁽¹⁾ Including amounts from a related party of \$620 and \$223 for the three months ended September 30, 2023 and 2022, respectively; and \$1,871 and \$989 for the nine months ended September 30, 2023 and 2022, respectively.

⁽²⁾ Including amounts to a related party of \$259,784 and \$354,369 for the three months ended September 30, 2023 and 2022, respectively; and \$953,013 and \$1,021,705 for the nine months ended September 30, 2023 and 2022, respectively.

⁽³⁾ Including amounts to a related party of \$640 and \$712 for the three months ended September 30, 2023 and 2022, respectively; and \$2,405 and \$2,513 for the nine months ended September 30, 2023 and 2022, respectively.

⁽⁴⁾ Including amounts from a related party of \$500 and \$0 for the three and nine months ended September 30, 2023 and 2022, respectively.

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

SHARKNINJA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 18,722	\$ 80,309	\$ 117,754	\$ 185,715
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(12,380)	(15,885)	(3,967)	(35,742)
Unrealized gain on derivative instruments, net	14,486	—	5,545	—
Comprehensive income	<u>\$ 20,828</u>	<u>\$ 64,424</u>	<u>\$ 119,332</u>	<u>\$ 149,973</u>

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

SHARKNINJA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except share data)
(unaudited)

Three Months Ended September 30, 2023

	Ordinary shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount				
Balance as of June 30, 2023	138,982,872	\$ 14	\$ 941,206	\$ 935,487	\$ (10,197)	\$ 1,866,510
Share-based compensation	—	—	21,337	—	—	21,337
Distribution paid to Former Parent	—	—	—	(383,035)	—	(383,035)
Sale of SharkNinja Co, Ltd. to Former Parent	—	—	(3,295)	—	—	(3,295)
Other comprehensive income, net of tax	—	—	—	—	2,106	2,106
Net income	—	—	—	18,722	—	18,722
Balance as of September 30, 2023	138,982,872	\$ 14	\$ 959,248	\$ 571,174	\$ (8,091)	\$ 1,522,345

Three Months Ended September 30, 2022

	Ordinary shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount				
Balance as of June 30, 2022	138,982,872	\$ 14	\$ 943,577	\$ 778,565	\$ (10,909)	\$ 1,711,247
Intercompany note to Former Parent (Note 10)	—	—	—	(8,283)	—	(8,283)
Share-based compensation	—	—	969	—	—	969
Other comprehensive loss, net of tax	—	—	—	—	(15,885)	(15,885)
Net income	—	—	—	80,309	—	80,309
Balance as of September 30, 2022	138,982,872	\$ 14	\$ 944,546	\$ 850,591	\$ (26,794)	\$ 1,768,357

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

SHARKNINJA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except share data)
(unaudited)

Nine Months Ended September 30, 2023

	Ordinary shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount				
Balance as of December 31, 2022	138,982,872	\$ 14	\$ 941,206	\$ 896,738	\$ (9,669)	\$ 1,828,289
Distribution paid to Former Parent	—	—	—	(443,318)	—	(443,318)
Share-based compensation	—	—	24,502	—	—	24,502
Recharge from Former Parent for share-based compensation	—	—	(3,165)	—	—	(3,165)
Sale of SharkNinja Co, Ltd. to Former Parent	—	—	(3,295)	—	—	(3,295)
Other comprehensive income, net of tax	—	—	—	—	1,578	1,578
Net income	—	—	—	117,754	—	117,754
Balance as of September 30, 2023	138,982,872	\$ 14	\$ 959,248	\$ 571,174	\$ (8,091)	\$ 1,522,345

Nine Months Ended September 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	138,928,872	\$ 14	\$ 954,431	\$ 797,970	\$ 8,948	\$ 1,761,363
Distribution paid to Former Parent	—	—	—	(83,450)	—	(83,450)
Intercompany note to Former Parent (Note 10)	—	—	—	(49,644)	—	(49,644)
Share-based compensation	—	—	5,415	—	—	5,415
Recharge from Former Parent for share-based compensation	—	—	(15,300)	—	—	(15,300)
Other comprehensive loss, net of tax	—	—	—	—	(35,742)	(35,742)
Net income	—	—	—	185,715	—	185,715
Balance as of September 30, 2022	138,928,872	\$ 14	\$ 944,546	\$ 850,591	\$ (26,794)	\$ 1,768,357

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

SHARKNINJA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 117,754	\$ 185,715
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	77,394	61,560
Share-based compensation	24,502	5,415
Provision for credit losses	2,266	1,149
Non-cash lease expense	9,688	12,318
Amortization of debt discount	694	700
Loss on extinguishment of debt	968	—
Deferred income taxes, net	3,905	(13,620)
Loss from equity method investment	—	361
Changes in operating assets and liabilities:		
Accounts receivable ⁽¹⁾	(192,209)	137,191
Inventories	(258,982)	(86,068)
Prepaid expenses and other assets ⁽²⁾	65,508	(104,114)
Accounts payable ⁽³⁾	343,603	(93,877)
Tax payable	883	18,308
Operating lease liabilities	(9,280)	(11,603)
Accrued expenses and other liabilities ⁽⁴⁾	(90,914)	(74,006)
Net cash provided by operating activities	95,780	39,429
Cash flows from investing activities:		
Purchase of property and equipment	(70,501)	(52,872)
Purchase of intangible asset	(6,905)	(4,919)
Capitalized internal-use software development	(683)	(4,986)
Cash receipts on beneficial interest in sold receivables	16,777	—
Investment in equity method investment	—	(361)
Other investing activities, net	(3,051)	(300)
Net cash used in investing activities	(64,363)	(63,438)

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

SHARKNINJA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from financing activities:		
Proceeds from issuance of debt, net of issuance cost	800,915	259,895
Repayment of debt	(437,500)	(155,000)
Intercompany note to Former Parent (Note 10)	—	(49,286)
Distribution paid to Former Parent	(435,292)	(45,438)
Recharge from Former Parent for share-based compensation	(3,165)	(15,300)
Net cash used in financing activities	(75,042)	(5,129)
Effect of exchange rates changes on cash	(4,768)	(11,782)
Net decrease in cash, cash equivalents, and restricted cash	(48,393)	(40,920)
Cash, cash equivalents, and restricted cash at beginning of period	218,770	240,597
Cash, cash equivalents, and restricted cash at end of period	\$ 170,377	\$ 199,677
Supplemental disclosures of noncash investing and financing activities:		
Purchase of property and equipment accrued and not yet paid	\$ 408	\$ 480
Cancellation of related party note through distribution	(8,026)	—
Unrealized loss on cash flow hedges	5,725	—
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	\$ 170,377	\$ 181,950
Restricted cash	—	17,727
Total cash, cash equivalents and restricted cash	\$ 170,377	\$ 199,677

⁽¹⁾ Including changes in related party balances of \$(5,048) and \$5,238 for the nine months ended September 30, 2023 and 2022, respectively.

⁽²⁾ Including changes in related party balances of \$18,555 and \$(9,330) for the nine months ended September 30, 2023 and 2022, respectively.

⁽³⁾ Including changes in related party balances of \$(119,704) and \$(47,863) for the nine months ended September 30, 2023 and 2022, respectively.

⁽⁴⁾ Including changes in related party balances of \$(8,399) and \$(1,542) for the nine months ended September 30, 2023 and 2022, respectively.

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

SHARKNINJA, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Organization and Description of Business

SharkNinja, Inc. 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.” SharkNinja, Inc. is headquartered in Needham, Massachusetts, and distributes products throughout North America, Europe, and other select international markets.

SharkNinja, Inc. was incorporated in the Cayman Islands on May 17, 2023 as a wholly-owned subsidiary of JS Global Lifestyle Company Limited (“JS Global” or the “Former Parent”). The Company was formed for the purpose of completing the listing of the Company on the New York Stock Exchange (“NYSE”) and related transactions to carry on the business of SharkNinja Global SPV, Ltd., and its subsidiaries.

SharkNinja Global SPV, Ltd. was incorporated in 2017 as a wholly-owned subsidiary of JS Global. Prior to July 28, 2023, SharkNinja Global SPV, Ltd. operated as a combination of wholly-owned businesses of JS Global, which is a listed entity on the Hong Kong Stock Exchange.

On July 30, 2023, in connection with (1) the separation (the “separation”) of the Company from JS Global and (2) the distribution to the holders of JS Global ordinary shares of all of JS Global’s equity interest in SharkNinja Global SPV, LTD. in the form of a dividend of the Company’s ordinary shares, JS Global contributed all outstanding shares of SharkNinja Global SPV, Ltd. to SharkNinja, Inc. in exchange for shares of SharkNinja, Inc. On July 31, 2023, JS Global distributed 138,982,872 shares of common stock of SharkNinja, Inc. to the holders of JS Global ordinary shares and SharkNinja, Inc. began trading on the NYSE.

Because the separation and distribution was considered a transaction between entities under common control, the financial statements for periods prior to the transaction and the listing on the NYSE have been adjusted to combine the previously separate entities, SharkNinja, Inc. and SharkNinja Global SPV, Ltd., for presentation purposes. Further, the distributed share amount of SharkNinja, Inc. is reflected for all shares and related financial information in these condensed consolidated financial statements.

SharkNinja Global SPV, Ltd. prior to the separation and distribution, together with SharkNinja, Inc. and its subsidiaries subsequent to the separation and distribution are herein referred to as “SharkNinja” or the “Company”.

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, Inc. 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 U.S. 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.

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 September 30, 2023 and the Company's condensed consolidated statements of income, comprehensive income and shareholders' equity for the three and nine months ended September 30, 2023 and 2022 and cash flows for the nine months ended September 30, 2023 and 2022. The results for the three and nine months ended September 30, 2023 are not necessarily indicative of the operating results expected for the year ended December 31, 2023 or any future operating periods.

The Company has identified the significant accounting policies that are critical to understanding its business and results of operations. SharkNinja believes that other than updates to the share-based compensation policy upon the approval of the 2023 SharkNinja Equity Incentive Plan on July 28, 2023 that follows, there have been no significant changes during the nine months ended September 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.

Share-Based Compensation

Restricted stock units ("RSUs") are stock awards that are granted to employees and directors entitling the holder to shares of our common stock as the award vests. RSUs that vest only upon service conditions are measured at fair value based on the quoted price of our common stock at the date of grant. The Company amortizes the fair value of RSUs that vest only upon service conditions as share-based compensation cost over the vesting term, which is typically over a three-year requisite service period, on a straight-line basis, with the amount of compensation cost recognized at any date at least equaling the portion of the grant-date fair value of the award that is vested at that date.

Certain RSUs may vest upon achievement of certain company-based performance conditions and a requisite service period. On the date of grant, the fair value of a performance-based award is calculated using the same method as our service-based RSUs described above. The Company assesses whether it is probable that the individual performance targets would be achieved. If assessed as probable, compensation cost will be recorded for these awards over the estimated performance period using the accelerated attribution method. At each reporting period, the Company reassesses the probability of achieving the performance targets and the performance period required to meet those targets. The estimation of whether the performance targets will be achieved and the performance period required to achieve the targets requires judgment, and to the extent actual results or updated estimates differ from our current estimates, the cumulative effect on current and prior periods of those changes will be recorded in the period estimates are revised, or the change in estimate will be applied prospectively depending on whether the change affects the estimate of total compensation cost to be recognized or merely affects the period over which compensation cost is to be recognized. The ultimate number of shares issued and the related compensation cost recognized will be based on a comparison of the final performance metrics to the specified targets.

Certain RSUs granted to executives vest upon achievement of specified levels of market conditions. The fair value of our RSUs with market-based conditions are estimated at the date of grant using a Monte-Carlo simulation model. The probabilities of the actual number of market-based RSUs expected to vest and resultant actual number of shares of common stock expected to be awarded are reflected in the grant date fair values; therefore, the compensation costs for these awards will be recognized ratably over the derived service period for each tranche assuming the requisite service is rendered and are not adjusted based on the actual number of awards that ultimately vest.

Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive these awards, and subsequent events are not indicative of the reasonableness of the Company's original estimates of fair value. The Company accounts for forfeitures in the period in which they occur, rather than estimating expected forfeitures.

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, including probability of the attainment of awards with performance conditions and grant-date fair value of awards with market conditions, and the valuation of deferred tax assets and uncertain tax positions. Actual results could differ from those estimates.

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	
	September 30, 2023	December 31, 2022
Customer A	21.4 %	15.1 %
Customer B	10.0	*
Customer C	13.0	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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Customer A	19.2 %	18.5 %	18.9 %	18.6 %
Customer B	*	10.5	*	11.3
Customer C	15.2	14.1	15.0	14.8

* 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.

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Beginning balance	\$ 6,926	\$ 960	\$ 6,998	\$ 1,783
Provision for credit losses	1,048	202	2,266	1,149
Write-offs and other adjustments	(1,328)	(212)	(2,618)	(1,982)
Ending balance	<u>\$ 6,646</u>	<u>\$ 950</u>	<u>\$ 6,646</u>	<u>\$ 950</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 5 - Fair Value Measurements 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 nine months ended September 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 September 30, 2023.

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

	As of	
	September 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	\$ —	\$ 22,294

Disaggregation of Net Sales

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

	Three Months Ended September 30,				Nine Months Ended September 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⁾	\$ 797,344	74.5 %	\$ 778,044	82.2 %	\$ 2,044,986	71.1 %	\$ 2,021,574	79.7 %
Europe ⁽²⁾	236,461	22.1	127,717	13.5	692,191	24.1	389,724	15.4
Rest of World	36,812	3.4	41,136	4.3	139,034	4.8	123,422	4.9
Total net sales	\$ 1,070,617	100.0 %	\$ 946,897	100.0 %	\$ 2,876,211	100.0 %	\$ 2,534,720	100.0 %

⁽¹⁾ Net sales from the United States represented 67.8% and 75.5% of total net sales for the three months ended September 30, 2023 and 2022, respectively, and 65.5% and 73.6% of total net sales for the nine months ended September 30, 2023 and 2022, respectively.

⁽²⁾ Net sales from the United Kingdom ("UK") represented 16.6% and 11.4% of total net sales for the three months ended September 30, 2023 and 2022, respectively, and 19.2% and 12.8% of total net sales for the nine months ended September 30, 2023 and 2022, respectively.

The following table presents net sales by brand:

	Three Months Ended September 30,				Nine Months Ended September 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	\$ 519,828	48.6 %	\$ 525,204	55.5 %	\$ 1,464,466	50.9 %	\$ 1,410,731	55.7 %
Ninja	550,789	51.4	421,693	44.5	1,411,745	49.1	1,123,989	44.3
Total net sales	\$ 1,070,617	100.0 %	\$ 946,897	100.0 %	\$ 2,876,211	100.0 %	\$ 2,534,720	100.0 %

The following table presents net sales by product category:

	Three Months Ended September 30,				Nine Months Ended September 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	\$ 449,319	42.0 %	\$ 503,388	53.2 %	\$ 1,277,986	44.4 %	\$ 1,351,576	53.3 %
Cooking and Beverage Appliances	339,328	31.7	260,438	27.5	939,060	32.7	696,568	27.5
Food Preparation Appliances	211,461	19.7	161,256	17.0	472,685	16.4	427,422	16.9
Other	70,509	6.6	21,815	2.3	186,480	6.5	59,154	2.3
Total net sales	\$ 1,070,617	100.0 %	\$ 946,897	100.0 %	\$ 2,876,211	100.0 %	\$ 2,534,720	100.0 %

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(in thousands)				
Beginning balance	\$ 21,173	\$ 14,466	\$ 20,958	\$ 17,828
Accruals for warranties issued	17,738	4,643	31,488	12,700
Changes in liability for pre-existing warranties	(964)	—	(964)	1,486
Settlements made	(13,621)	(6,155)	(27,156)	(19,060)
Ending balance	\$ 24,326	\$ 12,954	\$ 24,326	\$ 12,954

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.

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	
	September 30, 2023	December 31, 2022
	(in thousands)	
United States	\$ 60,941	\$ 74,054
China	78,213	55,170
Rest of World	10,096	8,117
Total property and equipment, net	<u>\$ 149,250</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	
	September 30, 2023	December 31, 2022
	(in thousands)	
Molds and tooling	\$ 261,403	\$ 209,984
Computer and software	96,317	88,483
Displays	84,719	90,722
Equipment	17,316	14,653
Furniture and fixtures	10,222	11,418
Leasehold improvements	34,977	31,315
Total property and equipment	504,954	446,575
Less: accumulated depreciation and amortization	(369,476)	(322,022)
Construction in progress	13,772	12,788
Property and equipment, net	<u>\$ 149,250</u>	<u>\$ 137,341</u>

Depreciation and amortization expenses were \$20.0 million and \$16.0 million for the three months ended September 30, 2023 and 2022, respectively, and \$60.6 million and \$45.1 million for the nine months ended September 30, 2023 and 2022, respectively.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	As of	
	September 30, 2023	December 31, 2022
	(in thousands)	
Prepaid expenses	\$ 41,525	\$ 86,274
Related party receivables	—	20,069
Derivative assets	8,270	22,676
DPP receivable	—	22,294
Other receivables	36,676	30,518
Prepaid expenses and other current assets	<u>\$ 86,471</u>	<u>\$ 181,831</u>

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	As of	
	September 30, 2023	December 31, 2022
	(in thousands)	
Accrued customer incentives	\$ 146,031	\$ 230,195
Accrued expenses	118,754	99,962
Accrued compensation and benefits	61,487	71,762
Accrued returns	43,394	45,529
Accrued tax payables	14,696	43,243
Accrued warranty	24,326	20,958
Operating lease liabilities, current	9,449	13,038
Derivative liabilities	7,905	—
Other	25,358	27,336
Accrued expenses and other current liabilities	<u>\$ 451,400</u>	<u>\$ 552,023</u>

4. Sale of SharkNinja Co., Ltd

On July 27, 2023, as part of the separation, the Company executed a reorganization whereby SharkNinja sold its Japanese subsidiary, SharkNinja Co., Ltd., to JS Global for a note equal to \$8.0 million. The transaction did not result in a change in reporting entity or meet the criteria for discontinued operations and, therefore, the Company has reflected SharkNinja Co., Ltd. in its financial position and results of operations using SharkNinja Co., Ltd.'s carrying values, prior to the separation, and has accounted for the transaction on a prospective basis.

The transaction was accounted for as a common control transaction, whereby the difference of \$3.3 million between the proceeds received through the note of \$8.0 million and the net carrying value of the assets at the time of the transaction of \$11.3 million was recorded as a reduction to additional paid-in capital. The note of \$8.0 million was then distributed to JS Global and recorded as a reduction to retained earnings.

5. 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 September 30, 2023:

September 30, 2023				
	Fair Value	Level 1	Level 2	Level 3
(in thousands)				
Financial Assets:				
Derivatives designated as hedging instruments:				
Forward contracts included in prepaid expenses and other current assets (Note 6)	\$ 8,270	\$ —	\$ 8,270	\$ —
Total financial assets	<u>\$ 8,270</u>	<u>\$ —</u>	<u>\$ 8,270</u>	<u>\$ —</u>
Financial Liabilities:				
Derivatives not designated as hedging instruments:				
Forward contracts included in accrued expenses and other current liabilities (Note 6)	\$ 7,905	\$ —	\$ 7,905	\$ —
Total financial liabilities	<u>\$ 7,905</u>	<u>\$ —</u>	<u>\$ 7,905</u>	<u>\$ —</u>

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 6)	\$ 22,676	\$ —	\$ 22,676	\$ —
DPP receivable included in prepaid expenses and other current assets (Note 2)	22,294	—	—	22,294
Total financial assets	<u>\$ 44,970</u>	<u>\$ —</u>	<u>\$ 22,676</u>	<u>\$ 22,294</u>

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 September 30, 2023 and December 31, 2022.

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.

6. 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	
	September 30, 2023	December 31, 2022
	(in thousands)	
Derivatives designated as hedging instruments:		
Forward contracts	\$ 330,900	\$ —
Derivatives not designated as hedging instruments:		
Forward contracts	218,620	956,191
Total derivative instruments	<u>\$ 549,520</u>	<u>\$ 956,191</u>

Effect of Forward Contracts on the Condensed Consolidated Statements of Income

Total gain (loss) recognized from derivatives that were not designated as hedging instruments was \$0.7 million and \$9.2 million for the three months ended September 30, 2023 and 2022, respectively, and \$(31.6) million and \$12.8 million for the nine months ended September 30, 2023 and 2022, respectively, and 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 gains of forward contracts that were designated as hedging instruments, net of tax effects, that were recorded in accumulated other comprehensive income as of September 30, 2023, and their effect on other comprehensive income for the nine months ended September 30, 2023:

	Three Months Ended	Nine Months Ended
	September 30, 2023	
	(in thousands)	
Beginning balance	\$ (8,941)	\$ —
Amount of net gains recorded in other comprehensive income	15,698	5,607
Amount of net gains reclassified from other comprehensive income to earnings	(1,212)	(62)
Ending balance	<u>\$ 5,545</u>	<u>\$ 5,545</u>

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

7. Intangible Assets, Net and Goodwill

Intangible Assets, Net

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

	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Value</u>	<u>Weighted-Average Remaining Useful Life</u>
	(in thousands)			(in years)
Intangible assets subject to amortization:				
Customer relationships	\$ 143,083	\$ (95,389)	\$ 47,694	3.0
Patents	55,902	(23,541)	32,361	5.8
Developed technology	22,094	(5,035)	17,059	8.4
Total intangible assets subject to amortization	<u>\$ 221,079</u>	<u>\$ (123,965)</u>	<u>\$ 97,114</u>	
Intangible assets not subject to amortization:				
Trade name and trademarks	<u>\$ 384,640</u>	<u>\$ —</u>	<u>\$ 384,640</u>	Indefinite
Total intangible assets, net	<u>\$ 605,719</u>	<u>\$ (123,965)</u>	<u>\$ 481,754</u>	

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

	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Value</u>	<u>Weighted-Average Remaining Useful Life</u>
	<u>(in thousands)</u>			<u>(in years)</u>
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	\$ 601,199	\$ (108,490)	\$ 492,709	

Amortization expenses for intangible assets were as follows:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<u>(in thousands)</u>			
Research and development	\$ 1,632	\$ 1,424	\$ 4,918	\$ 4,449
Sales and marketing	3,975	3,975	11,924	11,924
Total amortization expenses	<u>\$ 5,607</u>	<u>\$ 5,399</u>	<u>\$ 16,842</u>	<u>\$ 16,373</u>

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

	Amount (in thousands)
Years ending December 31,	
Remainder of 2023	\$ 6,205
2024	23,474
2025	23,474
2026	19,499
2027	6,653
Thereafter	17,809
Total	<u>\$ 97,114</u>

Goodwill

The following table represents the changes to goodwill:

	Carrying Amount (in thousands)
Balance as of December 31, 2022	\$ 840,148
Goodwill related to sale of SharkNinja Co, Ltd. (See Note 4)	(5,739)
Effect of foreign currency translation	(437)
Balance as of September 30, 2023	<u>\$ 833,972</u>

8. 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 were to mature five years from the initial utilization date on March 20, 2020, and both facilities bore interest at a rate of the London Interbank Offered Rate (“LIBOR”) plus 1.8%.

No amounts were outstanding under the 2020 Revolving Facility as of December 31, 2022 and there were no draw downs on the 2020 Revolving Facility in 2023.

On July 20, 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 by a minimum principal amount of \$10.0 million to a maximum principal amount of \$520.0 million, 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 \$800.9 million from the 2023 Term Loans to repay the remaining principal balance of \$400.0 million, accrued interest of \$9.2 million related to the 2020 Term Loans and to distribute a \$375.0 million dividend to JS Global, as discussed in Note 10 - Shareholders' Equity and Equity Incentive Plan. The Company accounted for the repayment as an extinguishment and recorded a loss on the extinguishment of debt of \$1.0 million related to the unamortized debt issuance costs associated with the 2020 Facilities Agreement to other income (expense), net. As of September 30, 2023, \$9.8 million of letters of credit were outstanding, resulting in an available balance of \$490.2 million under the 2023 Revolving Facility.

The Company is 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 September 30, 2023, the Company was in compliance with the covenants under the 2023 Credit Agreement.

The obligations of the loan parties under the 2023 Credit Agreement with respect to the 2023 Term Loans and 2023 Revolving Facility are secured by (i) equity interests owned by the loan parties in each other loan party and in certain of the Company's wholly-owned domestic restricted subsidiaries and (ii) substantially all assets of the domestic loan parties (subject to certain customary exceptions). In addition, subject to certain customary exceptions, these obligations are guaranteed by (i) the Company, (ii) each subsidiary of the Company that directly or indirectly owns a borrower and (iii) each other direct and indirect wholly-owned domestic restricted subsidiary of the Company.

Long-term debt related to the 2020 and 2023 Term Loans consisted of the following:

	As of	
	September 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	\$ —	\$ 437,500
2023 Term Loans with principal payments due quarterly; interest at SOFR plus 1.875%; final balance due on maturity date of July 20, 2028	810,000	—
Less: deferred financing costs	(5,430)	(1,359)
Less: current portion	(19,127)	(86,972)
Long-term debt, net of current portion	<u>\$ 785,443</u>	<u>\$ 349,169</u>

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

	Amount (in thousands)
Years ending December 31,	
Remainder of 2023	\$ 5,062
2024	25,313
2025	40,500
2026	40,500
2027	40,500
2028	658,125
Total future principal payments	<u>\$ 810,000</u>

The Company recognizes and records interest expense related to the 2020 and 2023 Term Loans in interest expense, net, which totaled \$14.0 million and \$5.7 million for the three months ended September 30, 2023 and 2022, respectively, and \$28.3 million and \$13.8 million for the nine months ended September 30, 2023 and 2022, respectively.

9. Commitments and Contingencies

Non-Cancelable Purchase Obligations

In the normal course of business, the Company enters into non-cancelable purchase commitments. As of September 30, 2023, the outstanding non-cancelable purchase obligations primarily consisted of long-term agreements to acquire tooling that are not reflected on the consolidated balance sheet. Future payments under non-cancelable purchase obligations with a remaining term in excess of one year as of September 30, 2023, were \$8.4 million.

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.

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.

10. Shareholders' Equity and Equity Incentive Plan

Intercompany Note to Former Parent

During the year ended December 31, 2022, the Company entered into a note agreement with the Former Parent (the “2022 Intercompany Note to Former Parent”) in which SharkNinja could transfer up to \$43.3 million on the day the note was entered into. The Former Parent could subsequently request up to \$36.3 million of funds on or prior to January 1, 2023. During the year ended December 31, 2022 the Company transferred \$49.3 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 Former 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.

Distributions to Former Parent

During the nine months ended September 30, 2023, the Company declared and issued distributions to the Former Parent of \$485.4 million, which included amounts receivable of \$50.4 million under the 2022 Intercompany Note, including interest, in satisfaction of such note, a cash distribution of \$60.3 million paid in February, a cash distribution of \$375.0 million paid in July for the repayment of JS Global’s outstanding debt under the 2020 Facilities Agreement as discussed in Note 8 - Debt, and a non-cash distribution of the note of \$8.0 million related to the sale of the Company's Japanese subsidiary, SharkNinja Co., Ltd, as discussed in Note 4 - Sale of SharkNinja Co., Ltd.

Restricted Share Units

JS RSU Plan

RSU activities for the nine months ended September 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 September 30, 2023	—	\$ —

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 \$3.2 million and \$15.3 million during the nine months ended September 30, 2023 and September 30, 2022, respectively. No amounts were reimbursed during the three months ended September 30, 2023 and 2022, respectively.

SharkNinja Equity Incentive Plan

On July 28, 2023, the Company's board of directors adopted the 2023 Equity Incentive Plan (the "2023 Plan") to grant cash and equity incentive awards to eligible participants in order to attract, motivate and retain talent. The 2023 Plan provides for the issuance of stock options, share appreciation rights, restricted stock awards, RSUs, performance awards and other awards. The 2023 Plan initially made 13,898,287 ordinary shares available for future award grants.

The 2023 Plan contains an evergreen provision whereby the shares available for future grants are increased on the first day of each calendar year from January 1, 2025 through and including January 1, 2033. As of September 30, 2023, 9,913,950 ordinary shares were available for future grant under the 2023 Plan. Shares or RSUs forfeited, withheld for maximum statutory tax obligations, and unexercised stock option lapses from the 2023 Plan are available for future grant under the 2023 Plan.

RSUs granted for the nine months ended September 30, 2023 under the 2023 Plan were 4,044,337, of which 1,281,042 RSUs were granted to employees and directors with service-only conditions, 1,659,235 performance-based RSUs were granted to employees with vesting conditions tied to the achievement of certain performance growth metrics, such as net sales, gross profit and operating cash flow, and 1,104,060 market-based RSUs were granted to certain of the Company's senior executives with conditions tied to the achievement of certain levels of market capitalization over a consecutive period of time.

Employee Stock Purchase Plan

On July 28, 2023, the board of directors approved the 2023 Employee Share Purchase Plan (the "ESPP Plan"). A maximum of 1% of the Company's outstanding ordinary shares (or 1,389,828 shares) were made available for sale under the ESPP Plan. The ESPP Plan contains an evergreen provision whereby the shares available for sale will automatically increase on the first day of each calendar year from January 1, 2025 through and including January 1, 2033, in an amount equal to the lesser of (i) 0.15% of the total number of shares of the Company's ordinary shares outstanding on December 31 of the preceding year; (ii) 300,000 shares; or (iii) such lesser number of shares as determined by the board at any time prior to the first day of a given calendar year.

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Research and development	\$ 3,160	\$ 263	\$ 4,229	\$ 1,669
Sales and marketing	1,920	115	2,432	451
General and administrative	16,257	591	17,841	3,295
Total share-based compensation	<u>\$ 21,337</u>	<u>\$ 969</u>	<u>\$ 24,502</u>	<u>\$ 5,415</u>

As of September 30, 2023, the Company did not have any unrecognized share-based compensation cost related to RSUs granted under the JS RSU Plan. As of September 30, 2023, the Company had \$93.2 million unrecognized share-based compensation cost related to RSUs granted under the 2023 Plan that will be recognized over the weighted average period of 1.8 years. Of this unrecognized share-based compensation cost, \$41.3 million and \$17.5 million related to RSUs granted under the 2023 Plan with performance and market conditions, respectively.

For those RSUs with service conditions, performance conditions or a combination of both, the grant date fair value was measured based on the quoted price of our common stock at the date of grant. The weighted average grant date fair value of these awards for the nine months ended September 30, 2023 was \$30.26 per share.

The Company estimated the fair value for the RSUs with a market condition using the Monte Carlo simulation model on the date of grant. The weighted-average grant date fair value of the RSUs with a market condition granted in the nine months ended September 30, 2023 was \$23.14 per share, using the following assumptions:

Stock price at valuation date	\$	—
Expected volatility		44.99 % to 47.62 %
Risk-free interest rate		4.30 % to 5.07 %
Expected dividends		0 %
Expected term (in years)		1.48 to 4.01

The total grant-date fair value of RSUs vested during the nine months ended September 30, 2023 was \$4.1 million.

11. Income Taxes

The Company recorded income tax expenses of \$57.0 million and \$22.3 million for the three months ended September 30, 2023 and 2022, respectively, and \$85.2 million and \$54.5 million for the nine months ended September 30, 2023 and 2022, respectively. The Company's effective tax rate ("ETR") was 75.3% and 21.8% for the three months ended September 30, 2023 and 2022, respectively, and 42.0% and 22.7% for the nine months ended September 30, 2023 and 2022, respectively. This increase in the ETR is primarily related to non-deductible costs associated with the separation and distribution and withholding taxes associated with the dividend to the Former Parent in conjunction with the refinancing.

12. 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 nine months ended September 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(in thousands, except share and per share data)				
Numerator:				
Net income	\$ 18,722	\$ 80,309	\$ 117,754	\$ 185,715
Denominator:				
Weighted-average shares used in computing net income per share, basic	139,073,181	138,982,872	139,059,206	138,982,872
Dilutive effect of RSUs	357,624	—	120,518	—
Weighted-average shares used in computing net income per share, diluted	139,430,805	138,982,872	139,179,724	138,982,872
Net income per share, basic	\$ 0.13	\$ 0.58	\$ 0.85	\$ 1.34
Net income per share, diluted	\$ 0.13	\$ 0.58	\$ 0.85	\$ 1.34

Potential ordinary shares of certain performance-based and market-based RSUs of approximately 1,943,801 for both the three and nine months ended September 30, 2023, for which all targets required to trigger vesting had not been achieved, were excluded from the calculations of weighted average shares used in computing diluted net income per share.

13. Related Party Transactions

Prior to the separation, the Company had operated as part of JS Global's broader corporate organization rather than as a stand-alone public company and the Company had engaged in various transactions with JS Global entities. Following the separation and distribution, JS Global continued to be a related party due to a common shareholder that has majority control of both the Company and JS Global. Our arrangements with JS Global entities and/or other related persons or entities as of the separation are described below.

The Company entered into transactions with related parties as follows:

	As of	
	September 30, 2023	December 31, 2022
(in thousands)		
Related party assets		
Balances and transactions with entities controlled by JS Global		
Accounts receivable, net	\$ 6,081	\$ 1,033
Prepaid expenses and other current assets	—	2,886
Related party liabilities		
Balances and transactions with entities controlled by JS Global		
Accounts payable	\$ 112,131	\$ 231,805
Accrued expenses and other current liabilities	—	861
Balances with JS Global		
Accrued expenses and other current liabilities	\$ —	\$ 7,538

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(in thousands)				
Related party revenue				
Balances and transactions with joint venture				
Sale of goods	\$ —	\$ —	\$ —	\$ 766
Balances and transactions with entities controlled by JS Global				
Sale of goods	\$ 13	\$ 223	\$ 1,264	\$ 223
Sale of services	1,275	—	1,275	—
Related party expense				
Balances and transactions with entities controlled by JS Global				
Purchase of goods	\$ 261,764	\$ 361,909	\$ 971,015	\$ 1,045,553
Purchase of services	808	712	2,573	2,513

Supplier Agreements

The Company has 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 that were reimbursed by JS Global entities. For the three months ended September 30, 2023 and 2022, JS Global entities paid the Company \$2.0 million and \$7.5 million, respectively, and for the nine months ended September 30, 2023 and 2022, JS Global entities paid the Company \$18.0 million and \$23.8 million, respectively, which were 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 nine months ended September 30, 2023, the Company received full repayment on the 2021 Employee Notes and no amounts remained outstanding as of September 30, 2023.

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 nine months ended September 30, 2023, the Company received full repayment on the 2022 Employee Notes and no amounts remained outstanding as of September 30, 2023.

Transactions with Former Parent

See Note 10 - Shareholders' Equity and Equity Incentive Plan for details on the Company's equity transaction with Parent including distribution to Former Parent and share-based compensation recharge from Former Parent.

Transition Services Agreement

In connection with the separation, the Company entered into a transition services agreement with JS Global pursuant to which the Company provides certain transition services to JS Global, in order to facilitate the transition of the separated JS Global business. The services are provided on a transitional basis for a term of twenty-four months. JS Global may extend the performance of any service for an additional period of three months on the same terms by providing notice to us, unless otherwise expressly set forth on the schedules. For the three and nine months ended September 30, 2023, service fees related to this agreement were \$0.5 million and were recorded as a reduction of general and administrative expenses.

Employee Matters Agreement

In connection with the separation, the Company entered into an employee matters agreement with JS Global that will govern the Company's and JS Global's respective rights, responsibilities and obligations with respect to certain employees (including those employed by us through a professional employer organization) located in Australia, Hong Kong, Japan, PRC, Singapore and South Korea, as well as allocate the assets, liabilities and responsibilities relating to such employees, employment matters, and employee compensation and benefit plans and programs.

Brand License Agreement

In connection with the separation, the Company entered into a brand license agreement with JS Global, in which the Company granted to JS Global the non-exclusive rights to obtain, produce and source, and the exclusive rights to distribute and sell, our brands of products in certain international markets in APAC. The brand license agreement has a term of 20 years from the date of the separation. Under this agreement, JS Global pays to SharkNinja a royalty of 3% of net sales of licensed products. For the three and nine months ended September 30, 2023, the Company earned royalty income of \$0.6 million which was included in net sales.

Sourcing Services Agreement

In connection with the separation, the Company entered into a sourcing services agreement. Pursuant to the agreement, the Company procures products from certain suppliers in APAC, and JS Global provides coordination, process management and relationship management support to us with respect to such suppliers. The Company retains the right to procure such products and services from third parties. The Company pays JS Global a service fee based on the aggregate amount of products procured by the Company from such suppliers managed by JS Global under the agreement. The Sourcing Services Agreement has a term commencing July 28, 2023 and ending on June 30, 2025. The Company will pay JS Global the following: (i) for the period July 28, 2023 to June 30, 2024, an amount equal to 4% of the procurement amount during such period; and (ii) for the period from July 1, 2024 until December 31, 2024, an amount equal to 2% of the procurement amount during such period; and (iii) for the period from January 1, 2025 until the end of the Term, an amount equal to 1% of the procurement amount during such period. For the three and nine months ended September 30, 2023, fees incurred by the Company related to this agreement were \$19.0 million and were included in cost of sales.

14. Subsequent Events

The Company has evaluated subsequent events from the balance sheet date up to the date the consolidated financial statements were issued.

Cash Dividend

On November 8, 2023, the board of directors approved the declaration and payment of a special cash dividend of \$1.08 per share, or approximately \$150 million in the aggregate, payable on or about December 11, 2023 to its shareholders of record as of December 1, 2023. The dividend is expected to be funded by cash on hand.

Cash Bonuses from Related Parties

In November 2023, Mr. Xuning Wang, the Chairperson of the board of directors and the Company's controlling shareholder, agreed to pay Mr. Mark Barrocas, the Company's Chief Executive Officer, a cash bonus of \$24.0 million on behalf of the Company in December 2023, which will be recorded as an operating expense by the Company but will have no impact on the Company's overall cash flow. The bonus is subject to repayment to Mr. Wang if, among other things, the Company terminates Mr. Barrocas' employment for cause, or Mr. Barrocas terminates his service, other than for good reason (as defined in his employment agreement), within 18 months from the payment date.

In November 2023, Mr. Wang agreed to pay Mr. Neil Shah, the Company's Chief Commercial Officer, EVP, a cash bonus of \$8.2 million on behalf of the Company in December 2023, which will be recorded as an operating expense by the Company but will have no impact on the Company's overall cash flow. The bonus is subject to repayment to Mr. Wang if, among other things, the Company terminates Mr. Shah's employment for cause, or Mr. Shah terminates his service, other than for good reason (as defined in his employment agreement), within 12 months from the payment date.

These bonuses are being paid in recognition of the strong performance under the leadership of Mr. Barrocas and Mr. Shah, as well as to continue to incentivize the management team. The payment of these bonuses also reflect the fact that the tax burden on Mr. Barrocas and Mr. Shah as a result of the Company's separation and distribution from JS Global, which was not determinable at the time of the separation and distribution, has been determined to be significant.

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 September 30, 2023 and December 31, 2022, Unaudited Interim Condensed Consolidated Statements of Income, Comprehensive Income and Shareholders' Equity for the three and nine months ended September 30, 2023 and September 30, 2022, Unaudited Interim Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2023 and September 30, 2022, 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 and Exhibit 99.4 to our Form 6-K as filed with the SEC under the Securities Exchange Act of 1934 on November 9, 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 31 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 Research and Development (“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 continued to expand our supplier base as we have expanded into new categories and geographies. We strive to 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 31 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, wet/dry cleaning floor products and carpet extraction;
- 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, ice cream makers and juicers; and
- Other, which includes beauty appliances such as hair dryers and stylers, home environment products, such as air purifiers and humidifiers.

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 personnel-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 personnel-related 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net sales	\$ 1,070,617	\$ 946,897	\$ 2,876,211	\$ 2,534,720
Cost of sales	583,124	603,413	1,591,254	1,547,843
Gross profit	487,493	343,484	1,284,957	986,877
Operating expenses:				
Research and development ⁽¹⁾	60,691	53,968	180,430	159,955
Sales and marketing ⁽¹⁾	207,599	133,137	568,035	405,319
General and administrative ⁽¹⁾	124,655	47,299	263,682	154,035
Total operating expenses	392,945	234,404	1,012,147	719,309
Operating income	94,548	109,080	272,810	267,568
Interest expense, net	(13,003)	(8,479)	(28,523)	(18,561)
Other (expense) income, net	(5,865)	2,033	(41,315)	(8,841)
Income before income taxes	75,680	102,634	202,972	240,166
Provision for income taxes	56,958	22,325	85,218	54,451
Net income	\$ 18,722	\$ 80,309	\$ 117,754	\$ 185,715

(1) Includes share-based compensation as follows:

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Research and development	\$ 3,160	\$ 263	\$ 4,229	\$ 1,669
Sales and marketing	1,920	115	2,432	451
General and administrative	16,257	591	17,841	3,295
Total share-based compensation	\$ 21,337	\$ 969	\$ 24,502	\$ 5,415

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net sales	100 %	100 %	100 %	100 %
Cost of sales	54.5	63.7	55.3	61.1
Gross profit	45.5	36.3	44.7	38.9
Operating expenses:				
Research and development	5.7	5.7	6.3	6.3
Sales and marketing	19.4	14.1	19.7	16.0
General and administrative	11.6	5.0	9.2	6.1
Total operating expenses	36.7	24.8	35.2	28.4
Operating income	8.8	11.5	9.5	10.5
Interest expense, net	(1.2)	(0.9)	(1.0)	(0.7)
Other (expense) income, net	(0.6)	0.3	(1.4)	(0.4)
Income before income taxes	7.0	10.9	7.1	9.4
Provision for income taxes	5.3	2.4	3.0	2.1
Net income	1.7 %	8.5 %	4.1 %	7.3 %

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

Net Sales

(\$ in thousands, except %)	Three Months Ended September 30,			
	2023	2022	\$ Change	% Change
Net sales	\$ 1,070,617	\$ 946,897	\$ 123,720	13.1 %

Our net sales increased by \$123.7 million, or 13.1%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The increase in net sales resulted primarily from growth in the cooking and beverage appliances, food preparation appliances and other net sales product categories, partially offset by a decline in the cleaning appliances product category.

Net sales in our product categories were as follows:

(\$ in thousands, except %)	Three Months Ended September 30,			
	2023	2022	\$ Change	% Change
Cleaning Appliances	\$ 449,319	\$ 503,388	\$ (54,069)	(10.7)%
Cooking and Beverage Appliances	339,328	260,438	78,890	30.3
Food Preparation Appliances	211,461	161,256	50,205	31.1
Other	70,509	21,815	48,694	223.2
Total net sales	\$ 1,070,617	\$ 946,897	\$ 123,720	13.1 %

- Cleaning Appliances net sales decreased by \$54.1 million, or 10.7%, to \$449.3 million in the three months ended September 30, 2023, compared to \$503.4 million for the three months ended September 30, 2022. This decrease was a result of softness in the North America market for corded and cordless vacuums. This was further reduced by the transfer of Asia Pacific Region and Greater China ("APAC") to JS Global. This net sales decline was partially offset by growth in the carpet extraction sub-category driven by new product innovation.
- Cooking and Beverage Appliances net sales increased by \$78.9 million, or 30.3%, to \$339.3 million in the three months ended September 30, 2023, compared to \$260.4 million for the three months ended September 30, 2022. This increase was driven by growth in Europe, specifically in the United Kingdom, where we 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. The increase was partially offset by the transfer of APAC to JS Global.
- Food Preparation Appliances net sales increased by \$50.2 million, or 31.1%, to \$211.5 million in the three months ended September 30, 2023, compared to \$161.3 million for the three months ended September 30, 2022 driven by strong sales of our ice cream makers and compact blenders, led by the launch of our new portable blenders. The increase was partially offset by the transfer of APAC to JS Global.
- Other net sales increased by \$48.7 million, or 223.2%, to \$70.5 million in the three months ended September 30, 2023, compared to \$21.8 million for the three months ended September 30, 2022. This increase was primarily driven by continued strength of haircare products within the beauty category.

Gross Profit and Gross Margin

(\$ in thousands, except %)	Three Months Ended September 30,			
	2023	2022	\$ Change	% Change
Gross profit	\$ 487,493	\$ 343,484	\$ 144,009	41.9 %
Gross margin	45.5 %	36.3 %		

Our gross profit increased by \$144.0 million, or 41.9%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022.

Our gross margin increased by 920 basis points for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The increase in gross margin was primarily attributable to continued supply chain tailwinds, cost optimization efforts and a favorable pricing and promotional mix.

Operating Expenses

(\$ in thousands, except %)	Three Months Ended September 30,			
	2023	2022	\$ Change	% Change
Research and development	\$ 60,691	\$ 53,968	\$ 6,723	12.5 %
Percentage of net sales	5.7 %	5.7 %		
Selling and marketing	\$ 207,599	\$ 133,137	\$ 74,462	55.9 %
Percentage of net sales	19.4 %	14.1 %		
General and administration	\$ 124,655	\$ 47,299	\$ 77,356	163.5 %
Percentage of net sales	11.6 %	5.0 %		
Total operating expenses	\$ 392,945	\$ 234,404	\$ 158,541	67.6 %
Percentage of net sales	36.7 %	24.8 %		

Research and Development

Research and development expenses increased by \$6.7 million, or 12.5%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. This increase was primarily driven by incremental personnel-related expenses of \$7.1 million driven by increased headcount to support new product categories and new market expansion, as well as a \$2.9 million increase in share-based compensation. The remainder of the overall movement, which amounted to a decrease of \$0.4 million, was attributable to other miscellaneous expenses.

Sales and Marketing

Sales and marketing expenses increased by \$74.5 million, or 55.9%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. This increase was primarily attributable to increases of \$38.2 million in advertising-related expenses and \$9.6 million in personnel-related expenses to support new product launches and expansion into new markets, which includes an incremental \$1.8 million of share-based compensation, an increase of \$14.0 million in delivery and distribution costs driven by higher volumes, particularly in our direct-to-consumer ("DTC") business, an increase of \$4.6 million in public relations expenses, and a \$2.9 million increase in depreciation and amortization expenses. The remainder of the overall increase, which amounted to \$5.2 million, was attributable to other miscellaneous expenses.

General and Administrative

General and administrative expenses increased by \$77.4 million, or 163.5%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. Included in general and administrative expenses in the third quarter of 2023 is \$41.5 million of costs related to the separation and distribution from JS Global, as well as incremental personnel-related expenses of \$21.9 million, of which \$15.7 million is attributable to increased share-based compensation.

Interest Expense, Net

(\$ in thousands, except %)	Three Months Ended September 30,			
	2023	2022	\$ Change	% Change
Interest expense, net	\$ 13,003	\$ 8,479	\$ 4,524	53.4 %
Percentage of net sales	1.2 %	0.9 %		

Interest expense, net increased by \$4.5 million, or 53.4%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. This increase was primarily due to a \$6.4 million increase in interest expense on our term loans, which was driven by an increase in term loans outstanding as a result of the refinancing completed during July 2023 in conjunction with the separation from JS Global, offset by outstanding borrowings on our revolving line of credit in the prior year period. This increase in interest expense was partially offset by an increase in interest income of \$1.9 million driven by higher yields on our cash and cash equivalents.

Other (Expense) Income, Net

(\$ in thousands, except %)	Three Months Ended September 30,			
	2023	2022	\$ Change	% Change
Other (expense) income, net	\$ (5,865)	\$ 2,033	\$ (7,898)	(388.5)%
Percentage of net sales	(0.6)%	0.3 %		

Other (expense) income, net decreased by \$7.9 million, or 388.5%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The decrease 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 September 30,			
	2023	2022	\$ Change	% Change
Provision of income taxes	\$ 56,958	\$ 22,325	\$ 34,633	155.1 %
Percentage of income before income taxes	75.3 %	21.8 %		

Provision for income taxes increased by \$34.6 million, or 155.1%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. Our effective tax rate ("ETR") was 75.3% and 21.8% of our income before income taxes for the three months ended September 30, 2023 and 2022, respectively. This increase in the ETR is primarily related to the impacts of the separation and distribution and refinancing, such as withholding taxes and transaction costs.

Comparison of the Nine Months Ended September 30, 2023 and 2022

Net Sales

(\$ in thousands, except %)	Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change
Net sales	\$ 2,876,211	\$ 2,534,720	\$ 341,491	13.5 %

Our net sales increased by \$341.5 million, or 13.5%, for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The increase in net sales resulted primarily from growth in the cooking and beverage appliances, food preparation appliances and other net sales product categories, partially offset by a decline in the cleaning appliances product category.

Net sales in our product categories were as follows:

(\$ in thousands, except %)	Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change
Cleaning Appliances	\$ 1,277,986	\$ 1,351,576	\$ (73,590)	(5.4)%
Cooking and Beverage Appliances	939,060	696,568	242,492	34.8
Food Preparation Appliances	472,685	427,422	45,263	10.6
Other	186,480	59,154	127,326	215.2
Total net sales	\$ 2,876,211	\$ 2,534,720	\$ 341,491	13.5 %

- Cleaning Appliances net sales decreased by \$73.6 million, or 5.4%, to \$1,278.0 million in the nine months ended September 30, 2023, compared to \$1,351.6 million for the nine months ended September 30, 2022 driven by softness in the North America market for corded and cordless vacuums. This was further reduced by the transfer of APAC to JS Global. This net sales decline was partially offset by growth in the carpet extraction sub-category driven by new product innovation.
- Cooking and Beverage Appliances net sales increased by \$242.5 million, or 34.8%, to \$939.1 million in the nine months ended September 30, 2023, compared to \$696.6 million for the nine months ended September 30, 2022. This increase was driven by growth in Europe, specifically in the United Kingdom with air fryers, where we strengthened our leading market position. Our global growth was further supported by the full nine 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 increased by \$45.3 million, or 10.6%, to \$472.7 million in the nine months ended September 30, 2023, compared to \$427.4 million for the nine months ended September 30,

2022 driven by strong sales of our ice cream makers and blenders. The increase was partially offset by the transfer of APAC to JS Global.

- Other net sales increased by \$127.3 million, or 215.2%, to \$186.5 million in the nine months ended September 30, 2023, compared to \$59.2 million for the nine months ended September 30, 2022. This increase was driven by continued strength of haircare products within the beauty category.

Gross Profit and Gross Margin

(\$ in thousands, except %)	Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change
Gross profit	\$ 1,284,957	\$ 986,877	\$ 298,080	30.2 %
Gross margin	44.7 %	38.9 %		

Our gross profit increased by \$298.1 million, or 30.2%, for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

Our gross margin increased by 580 basis points for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The increase in gross margin was primarily attributable to continued supply chain tailwinds, cost optimization efforts and a favorable pricing and promotional mix. We also drove strong sales through our higher margin DTC channel, specifically in the beauty category.

Operating Expenses

(\$ in thousands, except %)	Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change
Research and development	\$ 180,430	\$ 159,955	\$ 20,475	12.8 %
Percentage of net sales	6.3 %	6.3 %		
Selling and marketing	\$ 568,035	\$ 405,319	\$ 162,716	40.1 %
Percentage of net sales	19.7 %	16.0 %		
General and administration	\$ 263,682	\$ 154,035	\$ 109,647	71.2 %
Percentage of net sales	9.2 %	6.1 %		
Total operating expenses	\$ 1,012,147	\$ 719,309	\$ 292,838	40.7 %
Percentage of net sales	35.2 %	28.4 %		

Research and Development

Research and development expenses increased by \$20.5 million, or 12.8%, for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. This increase was primarily attributable to an increase of \$15.4 million in personnel-related expenses driven by increased headcount to support new product categories and new market expansion, as well as a \$2.6 million increase in share-based compensation, and an increase of \$2.4 million in travel expenses. The remainder of the overall increase, which amounted to \$2.7 million, was attributable to other miscellaneous expenses.

Sales and Marketing

Sales and marketing expenses increased by \$162.7 million, or 40.1%, for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. This increase was primarily attributable to increases of \$75.2 million in advertising-related expenses and \$22.7 million in personnel-related expenses to support new product launches and expansion into new markets, which includes an incremental \$2.0 million of share-based compensation, an increase of \$35.2 million in delivery and distribution costs driven by higher volumes, particularly in our DTC business, an increase of \$7.3 million in public relations expenses, an increase of \$6.1 million in depreciation and amortization, an increase of \$5.4 million in professional services related to third-party consulting fees and a \$3.9 million increase in payment processing fees related to the DTC channel. The remainder of the overall increase, which amounted to \$6.9 million, was attributable to other miscellaneous expenses.

General and Administrative

General and administrative expenses increased by \$109.6 million, or 71.2%, for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. Included in general and administrative expenses in 2023 is \$76.5 million of costs related to the separation and distribution from JS Global, as well as incremental personnel-related expenses of \$22.1 million, of which \$14.5 million is attributable to increased share-based compensation.

Interest Expense, Net

(\$ in thousands, except %)	Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change
Interest expense, net	\$ 28,523	\$ 18,561	\$ 9,962	53.7 %
Percentage of net sales	1.0 %	0.7 %		

Interest expense, net increased by \$10.0 million, or 53.7%, for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. This increase was primarily due to a \$16.5 million increase in interest expense on our term loans, which was driven by increases in LIBOR on the 2020 Term Loans and higher interest on the new debt entered into on July 20, 2023. This increase in interest expense was partially offset by an increase in interest income of \$4.2 million driven by higher yields on our cash and cash equivalents and a \$2.5 million decrease in interest expense on our revolving credit facility, driven by the repayment of outstanding borrowings in December 2022. The remainder of the overall increase, which amounted to \$0.2 million, was attributable to other miscellaneous expenses.

Other Expense, Net

(\$ in thousands, except %)	Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change
Other expense, net	\$ (41,315)	\$ (8,841)	\$ (32,474)	367.3 %
Percentage of net sales	(1.4)%	(0.4)%		

Other expense, net increased by \$32.5 million, or 367.3%, for the nine months ended September 30, 2023, compared to the nine months ended September 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 %)	Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change
Provision of income taxes	\$ 85,218	\$ 54,451	\$ 30,767	56.5 %
Percentage of income before income taxes	42.0 %	22.7 %		

Provision for income taxes increased by \$30.8 million, or 56.5%, for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. Our ETR was 42.0% and 22.7% of our income before income taxes for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, respectively. This increase in the ETR is primarily related to the impacts of the separation and distribution and refinancing, such as withholding taxes and transaction costs.

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 APAC distribution channels, both of which were transferred to JS Global concurrently with the separation (the “Divestitures”), as well as the cost of sales from (i) inventory markups that will be eliminated as a result of the transition of certain product procurement functions from a subsidiary of JS Global to SharkNinja concurrently with the separation and (ii) costs related to the transitional Sourcing Services Agreement with JS Global that was entered into in connection with the separation (collectively, 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net sales	\$ 1,070,617	\$ 946,897	\$ 2,876,211	\$ 2,534,720
Divested subsidiary adjustment ⁽¹⁾	(13,196)	(24,003)	(77,544)	(65,873)
Adjusted Net Sales	<u>\$ 1,057,421</u>	<u>\$ 922,894</u>	<u>\$ 2,798,667</u>	<u>\$ 2,468,847</u>

(1) Adjusted for net sales from SharkNinja Co., Ltd. (“SNJP”) and the APAC distribution channels for the three and nine months ended September 30, 2023 and 2022, 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net sales	\$ 1,070,617	\$ 946,897	\$ 2,876,211	\$ 2,534,720
Cost of sales	(583,124)	(603,413)	(1,591,254)	(1,547,843)
Gross profit	487,493	343,484	1,284,957	986,877
Gross margin %	45.5 %	36.3 %	44.7 %	38.9 %
Divested subsidiary net sales adjustment ⁽¹⁾	(13,196)	(24,003)	(77,544)	(65,873)
Divested subsidiary cost of sales adjustment ⁽²⁾	7,628	15,387	45,116	41,323
Product Procurement Adjustment ⁽³⁾	23,574	18,341	53,369	51,231
Adjusted Gross Profit	<u>\$ 505,499</u>	<u>\$ 353,209</u>	<u>\$ 1,305,898</u>	<u>\$ 1,013,558</u>
Adjusted Net Sales	<u>\$ 1,057,421</u>	<u>\$ 922,894</u>	<u>\$ 2,798,667</u>	<u>\$ 2,468,847</u>
Adjusted Gross Margin	47.8 %	38.3 %	46.7 %	41.1 %

(1) Adjusted for net sales from SNJP and the APAC distribution channels for the three and nine months ended September 30, 2023 and 2022, as if such Divestitures occurred on January 1, 2022.

(2) Adjusted for cost of sales from SNJP and the APAC distribution channels for the three and nine months ended September 30, 2023 and 2022, as if such Divestitures occurred on January 1, 2022.

(3) Represents cost of sales incurred related to the Product Procurement Adjustment. As a result of the separation, we purchase 100% of our inventory from one of our subsidiaries, SNHK, and 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. As a result of the separation, we pay JS Global a sourcing service fee to provide value-added sourcing services on a transitional basis under a Sourcing Services Agreement.

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating income	\$ 94,548	\$ 109,080	\$ 272,810	\$ 267,568
Share-based compensation ⁽¹⁾	21,337	969	24,502	5,415
Litigation costs ⁽²⁾	3,965	19	4,600	4,024
Amortization of acquired intangible assets ⁽³⁾	4,897	4,897	14,690	14,691
Separation and distribution related costs ⁽⁴⁾	41,455	275	76,549	275
Product Procurement Adjustment ⁽⁵⁾	23,574	18,341	53,369	51,231
Divested subsidiary operating income adjustment ⁽⁶⁾	287	(1,668)	(8,456)	(4,811)
Adjusted Operating Income	<u>\$ 190,063</u>	<u>\$ 131,913</u>	<u>\$ 438,064</u>	<u>\$ 338,393</u>

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

(2) Represents litigation costs incurred for certain 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 calculating 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 incurred related to the Product Procurement Adjustment. As a result of the separation, we purchase 100% of our inventory from one of our subsidiaries, SNHK, and 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. As a result of the separation, we pay JS Global a sourcing service fee to provide value-added sourcing services on a transitional basis under a Sourcing Services Agreement.

(6) Adjusted for operating income from SNJP and the APAC distribution channels for the three and nine months ended September 30, 2023 and 2022, as if such 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 (vii) the tax impact of the adjusted items and (viii) certain withholding taxes.

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 18,722	\$ 80,309	\$ 117,754	\$ 185,715
Share-based compensation ⁽¹⁾	21,337	969	24,502	5,415
Litigation costs ⁽²⁾	3,965	19	4,600	4,024
Foreign currency losses (gains), net ⁽³⁾	3,862	(839)	43,479	11,783
Amortization of acquired intangible assets ⁽⁴⁾	4,897	4,897	14,690	14,691
Separation and distribution related costs ⁽⁵⁾	41,455	275	76,549	275
Product Procurement Adjustment ⁽⁶⁾	23,574	18,341	53,369	51,231
Tax impact of adjusting items ⁽⁷⁾	(4,704)	(5,206)	(30,686)	(19,232)
Tax withholding adjustment ⁽⁸⁾	19,474	—	19,474	—
Divested subsidiary net income adjustment ⁽⁹⁾	394	479	(6,586)	1,055
Adjusted Net Income	\$ 132,976	\$ 99,244	\$ 317,145	\$ 254,957
Net income per share, diluted	\$ 0.13	\$ 0.58	\$ 0.85	\$ 1.34
Adjusted Net Income Per Share	\$ 0.95	\$ 0.71	\$ 2.28	\$ 1.83
Diluted weighted-average number of shares used in computing net income per share and Adjusted Net Income Per Share ⁽¹⁰⁾	139,430,805	138,982,872	139,179,724	138,982,872

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

(2) Represents litigation costs incurred for certain 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 gain (loss) 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 \$0.7 million and \$9.2 million for the three months ended September 30, 2023 and 2022, respectively, and \$(31.6) million and \$12.8 million for the nine months ended September 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 incurred related to the Product Procurement Adjustment. As a result of the separation, we purchase 100% of our inventory from one of our subsidiaries, SNHK, and 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. As a result of the separation, we pay JS Global a sourcing service fee to provide value-added sourcing services on a transitional basis under a Sourcing Services Agreement.
- (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%, which approximates our effective tax rate, excluding (i) the withholding adjustment described in footnote (8), (ii) divested subsidiary net income adjustment described in footnote (9), and (iii) certain share-based compensation costs and separation and distribution-related costs that are not tax deductible.
- (8) Represents withholding taxes associated with the cash dividend paid to JS Global in connection with the separation and related refinancing.
- (9) Adjusted for net income (loss) from SNJP and the APAC distribution channels for the three and nine months ended September 30, 2023 and 2022, as if such Divestitures occurred on January 1, 2022.
- (10) 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 for all periods prior to completion of the separation and distribution on July 31, 2023.

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 Adjusted EBITDA 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 18,722	\$ 80,309	\$ 117,754	\$ 185,715
Interest expense, net	13,003	8,479	28,523	18,561
Provision for income taxes	56,958	22,325	85,218	54,451
Depreciation and amortization	25,602	21,395	77,394	61,560
EBITDA	114,285	132,508	308,889	320,287
Share-based compensation ⁽¹⁾	21,337	969	24,502	5,415
Litigation costs ⁽²⁾	3,965	19	4,600	4,024
Foreign currency losses (gains), net ⁽³⁾	3,862	(839)	43,479	11,783
Separation and distribution related costs ⁽⁴⁾	41,455	275	76,549	275
Product Procurement Adjustment ⁽⁵⁾	23,574	18,341	53,369	51,231
Divested subsidiary Adjusted EBITDA adjustment ⁽⁶⁾	264	(459)	(11,020)	(1,800)
Adjusted EBITDA	\$ 208,742	\$ 150,814	\$ 500,368	\$ 391,215
Adjusted Net Sales	\$ 1,057,421	\$ 922,894	\$ 2,798,667	\$ 2,468,847
Adjusted EBITDA Margin	19.7 %	16.3 %	17.9 %	15.8 %

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

(2) Represents litigation costs incurred for certain 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 gain (loss) recognized on our derivative instruments related to forward contracts outstanding not designated as hedging instruments included in the total of foreign currency gains (losses), net, was \$0.7 million and \$9.2 million for the three months ended September 30, 2023 and 2022, respectively, and \$(31.6) million and \$12.8 million for the nine months ended September 30, 2023 and 2022, respectively.

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

(5) Represents cost of sales incurred related to the Product Procurement Adjustment. As a result of the separation, we purchase 100% of our inventory from one of our subsidiaries, SNHK, and 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. As a result of the separation, we pay JS Global a sourcing service fee to provide value-added sourcing services on a transitional basis under a Sourcing Services Agreement.

(6) Adjusted for Adjusted EBITDA from SNJP and the APAC distribution channels for the three and nine months ended September 30, 2023 and 2022, as if such 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, cash generated from operations and our revolving credit facility (“2023 Revolving Facility”). Our principal uses of cash in recent periods have been investing in international expansion, new product development, capital expenditures, and repayment of debt. As of September 30, 2023, our principal sources of liquidity were cash and cash equivalents of \$170.4 million and our available balance of \$490.2 million under our 2023 Revolving Facility. 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 and the availability under our 2023 Revolving Facility 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 our 2023 Revolving 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.

No amounts were outstanding under the 2020 Revolving Facility as of December 31, 2022 and there were no draw downs on the 2020 Revolving Facility in 2023.

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 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 \$800.9 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 September 30, 2023, we had \$810.0 million debt outstanding under the 2023 Credit Agreement.

No amounts were outstanding under the 2023 Revolving Facility as of September 30, 2023. As of September 30, 2023, \$9.8 million of letters of credit were outstanding, resulting in an available balance of \$490.2 million under the 2023 Revolving Facility.

Cash Flows

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

(\$ in thousands)	Nine Months Ended September 30,	
	2023	2022
Net cash provided by operating activities	\$ 95,780	\$ 39,429
Net cash used in investing activities	(64,363)	(63,438)
Net cash used in financing activities	(75,042)	(5,129)

Operating Activities

Net cash provided by operating activities for the nine months ended September 30, 2023 of \$95.8 million was primarily related to our net income of \$117.8 million, adjusted for non-cash charges of \$119.4 million and net cash outflows of \$141.4 million from changes in our operating assets and liabilities. Non-cash charges primarily consisted of depreciation and amortization of \$77.4 million, share-based compensation of \$24.5 million, non-cash lease expenses of \$9.7 million, deferred income tax of \$3.9 million, provision for credit losses of \$2.2 million, loss on extinguishment of debt of \$1.0 million and amortization of debt discount of \$0.7 million. The main drivers of the net cash outflows derived from the changes in operating assets and liabilities were related to an increase in inventories of \$259.0 million, an increase in accounts receivable of \$192.2 million, a decrease in accrued expenses and other liabilities of \$90.9 million and a decrease in operating lease liabilities of \$9.3 million, partially offset by an increase in accounts payable of \$343.6 million, a decrease in prepaid expenses and other assets of \$65.5 million and an increase in tax payable of \$0.9 million.

Net cash provided by operating activities for the nine months ended September 30, 2022, of \$39.4 million was primarily related to our net income of \$185.7 million, adjusted for non-cash charges of \$67.9 million and net cash outflows of \$214.2 million from changes in our operating assets and liabilities. Non-cash charges primarily consisted of depreciation and amortization of \$61.6 million, non-cash lease expenses of \$12.3 million, share-based compensation of \$5.4 million, provision for credit losses of \$1.1 million, amortization of debt discount of \$0.7 million and loss on equity investments of \$0.4 million, offset by deferred income tax of \$13.6 million. The main drivers of the net cash outflows derived from the changes in operating assets and liabilities were related to an increase in prepaid expenses and other assets of \$104.1 million, a decrease in accounts payable of \$93.9 million, an increase in inventories of \$86.1 million, a decrease in accrued expenses and other liabilities of \$74.0 million and a decrease in operating lease liabilities of \$11.6 million, partially offset by a decrease in accounts receivable of \$137.2 million and an increase in tax payable of \$18.3 million.

Investing Activities

Investing activities consist primarily of purchases of property and equipment and intangible assets and cash receipts on beneficial interest in sold receivables.

Cash used in investing activities for the nine months ended September 30, 2023 of \$64.4 million consisted of purchases of property and equipment of \$70.5 million, purchases of intangible assets of \$6.9 million, capitalized software development costs of \$0.7 million and other investing activities, net of \$3.1 million, which was partially offset by cash receipts on beneficial interest in sold receivables of \$16.8 million.

Cash used in investing activities for the nine months ended September 30, 2022 of \$63.4 million consisted of purchases of property and equipment of \$52.9 million, purchases of intangible assets for \$4.9 million, capitalized software development costs of \$5.0 million, equity investments of \$0.3 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 nine months ended September 30, 2023 of \$75.0 million consisted of repayment of the principal balance on the 2020 Term Loans of \$437.5 million, distributions paid to JS Global of \$435.3 million, and a recharge from JS Global for share-based compensation of \$3.1 million, which was offset by the net proceeds from the issuance of the 2023 Term Loans of \$800.9 million.

Cash used in financing activities for the nine months ended September 30, 2022 of \$5.1 million consisted of repayment of debt of \$155.0 million, distributions paid to JS Global of \$45.4 million, note payable to JS Global of \$49.3 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 \$259.9 million.

Liquidity and Capital Resources—Subsequent Event – Cash Dividend

On November 8, 2023, the board of directors approved the declaration and payment of a special cash dividend of \$1.08 per share, or approximately \$150 million in the aggregate, payable on or about December 11, 2023 to its shareholders of record as of December 1, 2023. The dividend is expected to be funded by cash on hand.

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 and 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 nine months ended September 30, 2023 and 2022, average debt borrowings, excluding the impact of debt issuance costs, totaled \$512.0 million and \$472.5 million, respectively, with interest rates tied to LIBOR for 2022 and up until July 20, 2023, and to SOFR thereafter. A hypothetical 100 basis point fluctuation to interest rates would have increased or decreased interest expense by \$5.1 million and \$4.7 million for the nine months ended September 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 related 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 \$3.4 million, \$1.3 million, \$9.2 million and \$1.9 million for the three months ended September 30, 2023 and 2022 and nine months ended September 30, 2023 and 2022, respectively. During the three months ended September 30, 2023 and 2022, and nine months ended September 30, 2023 and 2022, approximately 22.6%, 15.1%, 25.6% and 17.1%, respectively, of our net sales and approximately 27.1%, 27.5%, 28.6% and 29.7%, 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 Third Quarter 2023 Results

Declares Special Cash Dividend

Raises Fiscal Year 2023 Outlook on Key Metrics

NEEDHAM, Massachusetts., November 9, 2023 – SharkNinja, Inc. (“SharkNinja” or the “Company”) (NYSE: SN), a global product design and technology company, today announced its financial results for the third quarter ended September 30, 2023.

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

- Net sales increased 13.1% to \$1,070.6 million and Adjusted Net Sales increased 14.6% to \$1,057.4 million.
- Gross margin and Adjusted Gross Margin increased 920 and 950 basis points, respectively.
- Net income decreased 76.7% to \$18.7 million. Adjusted Net Income increased 34.0% to \$133.0 million
- Adjusted EBITDA increased 38.4% to \$208.7 million, or 19.7% of Adjusted Net Sales.

Mark Barrocas, Chief Executive Officer, commented, “I’m thrilled with our strong performance in the third quarter. This is a result of a lot of hard work by our teams across the globe. We continue to deliver on our three-pillar growth strategy of gaining market share in existing categories, entering new and adjacent categories and international expansion. We are leveraging our disruptive innovation engine, our highly effective go-to-market strategy, and our efficient supply chain as we strive to deliver industry-leading growth and profitability.”

“We have good momentum as we head into the holiday season. As we look into our future, I’m excited about the tremendous whitespace in front of us. I am 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 all our stakeholders.”

Three Months Ended September 30, 2023

Net sales increased 13.1% to \$1,070.6 million, compared to \$946.9 million during the same period last year. Adjusted Net Sales increased 14.6% to \$1,057.4 million, compared to \$922.9 million during the same period last year, or 12.8% on a constant currency basis. The increase in net sales and Adjusted Net Sales resulted primarily from growth in the cooking and beverage appliances, food preparation appliances and other net sales product categories, partially offset by a decline in the cleaning appliances product category.

- Cleaning Appliances net sales decreased by \$54.1 million, or 10.7%, to \$449.3 million, compared to \$503.4 million in the prior year quarter. Adjusted Net Sales of Cleaning Appliances decreased by \$43.6 million, or 9.0%, from \$486.1 million to \$442.5 million, driven by softness in the North America market for corded and cordless vacuums. This net sales decline was partially offset by growth in the carpet extraction sub-category driven by new product innovation.
 - Cooking and Beverage Appliances net sales increased by \$78.9 million, or 30.3%, to \$339.3 million, compared to \$260.4 million in the prior year quarter. Adjusted Net Sales of Cooking and Beverage Appliances increased by \$80.0 million, or 31.0%, from \$258.2 million to \$338.1 million, driven by growth in Europe, specifically in the United Kingdom, where we 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 \$50.2 million, or 31.1%, to \$211.5 million, compared to \$161.3 million in the prior year quarter. Adjusted Net Sales of Food Preparation Appliances increased by \$52.5 million, or 33.5%, from \$156.8 million to \$209.3 million, driven by strong sales of our ice cream makers and compact blenders, led by the launch of our new portable blenders.
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- Other net sales increased by \$48.7 million, or 223.2%, to \$70.5 million, compared to \$21.8 million in the prior year quarter. Adjusted Net Sales in the other category increased by \$45.7 million, or 209.3%, from \$21.8 million to \$67.5 million, primarily driven by continued strength of haircare products within the beauty category.

Gross profit increased 41.9% to \$487.5 million, or 45.5% of net sales, compared to \$343.5 million, or 36.3% of net sales, in the third quarter of 2022. Adjusted Gross Profit increased 43.1% to \$505.5 million, or 47.8% of Adjusted Net Sales, compared to \$353.2 million, or 38.3% of Adjusted Net Sales in the third quarter of 2022. The increase in gross margin and Adjusted Gross Margin of 920 and 950 basis points, respectively, was primarily driven by continued supply chain tailwinds, cost optimization efforts and a favorable pricing and promotional mix.

Research and development expenses increased 12.5% to \$60.7 million, or 5.7% of net sales, compared to \$54.0 million, or 5.7% of net sales, in the prior year quarter. This increase was primarily driven by incremental personnel-related expenses of \$7.1 million driven by increased headcount to support new product categories and new market expansion, as well as a \$2.9 million increase in share-based compensation.

Sales and marketing expenses increased 55.9% to \$207.6 million, or 19.4% of net sales, compared to \$133.1 million, or 14.1% of net sales, in the third quarter of 2022. This increase was primarily attributable to increases of \$38.2 million in advertising-related expenses and \$9.6 million in personnel-related expenses to support new product launches and expansion into new markets, which includes an incremental \$1.8 million of share-based compensation, and an increase of \$14.0 million in delivery and distribution costs driven by higher volumes, particularly in our direct-to-consumer ("DTC") business.

General and administrative expenses increased 163.5% to \$124.7 million, or 11.6% of net sales, compared to \$47.3 million, or 5.0% of net sales in the prior year quarter. Included in general and administrative expenses in the third quarter of 2023 is \$41.5 million of costs related to the separation and distribution from JS Global, as well as incremental personnel-related expenses of \$21.9 million, of which \$15.7 million is attributable to increased share-based compensation.

Operating income decreased 13.3% to \$94.5 million, or 8.8% of net sales, compared to \$109.1 million, or 11.5% of net sales, during the prior year quarter. Adjusted Operating Income increased 44.1% to \$190.1 million, or 18.0% of Adjusted Net Sales, compared to \$131.9 million, or 14.3% of Adjusted Net Sales, in the third quarter of 2022.

Net income decreased 76.7% to \$18.7 million, or 1.7% of net sales, compared to \$80.3 million, or 8.5% of net sales, in the prior year quarter. Net income per diluted share decreased 76.8% to \$0.13, compared to \$0.58 in the prior year quarter.

Adjusted Net Income increased 34.0% to \$133.0 million, or 12.6% of Adjusted Net Sales, compared to \$99.2 million, or 10.8% of Adjusted Net Sales, in the prior year quarter. Adjusted Net Income per diluted share increased 33.6% to \$0.95, compared to \$0.71 in the prior year quarter.

Adjusted EBITDA increased 38.4% to \$208.7 million, or 19.7% of Adjusted Net Sales, compared to \$150.8 million, or 16.3% of Adjusted Net Sales in the prior year quarter.

Nine Months Ended September 30, 2023

Net sales increased 13.5% to \$2,876.2 million, compared to \$2,534.7 million during the same period last year. Adjusted Net Sales increased 13.4% to \$2,798.7 million, compared to \$2,468.8 million during the same period last year, or 13.7% on a constant currency-basis. The increase in net sales resulted primarily from growth in the cooking and beverage appliances, food preparation appliances and other net sales product categories, partially offset by a decline in the cleaning appliances product category.

- Cleaning Appliances net sales decreased by \$73.6 million, or 5.4%, to \$1,278.0 million, compared to \$1,351.6 million during the same period last year. Adjusted Net Sales of Cleaning Appliances decreased by \$72.7 million, or 5.6%, from \$1,301.3 million to \$1,228.6 million driven by softness in the North America market for corded and cordless vacuums. This net sales decline was partially offset by growth in the carpet extraction sub-category driven by new product innovation.
- Cooking and Beverage Appliances net sales increased by \$242.5 million, or 34.8%, to \$939.1 million, compared to \$696.6 million during the same period last year. Adjusted Net Sales of Cooking and Beverage Appliances increased by \$242.2 million, or 35.1%, from \$690.7 million to \$932.9 million driven by growth in Europe, specifically in the United Kingdom with air fryers, where we strengthened our leading market position. Our global growth was further supported by the full nine 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 increased by \$45.3 million, or 10.6%, to \$472.7 million, compared to \$427.4 million during the same period last year. Adjusted Net Sales of Food Preparation Appliances increased by \$46.6 million, or 11.2%, from \$417.7 million to \$464.4 million driven by strong sales of our ice cream makers and blenders.
- Other net sales increased by \$127.3 million, or 215.2%, to \$186.5 million, compared to \$59.2 million during the same period last year. Adjusted Net Sales in the other category increased by \$113.6 million, or 192.1%, from \$59.2 million to \$172.8 million driven by continued strength of haircare products within the beauty category.

Gross profit increased 30.2% to \$1,285.0 million, or 44.7% of net sales, compared to \$986.9 million, or 38.9% of net sales, in the same period last year. Adjusted Gross Profit increased 28.8% to \$1,305.9 million, or 46.7% of Adjusted Net Sales, compared to \$1,013.6 million, or 41.1% of Adjusted Net Sales. The increase in gross margin and Adjusted Gross Margin of 580 and 560 basis points, respectively, was primarily driven by continued supply chain tailwinds, cost optimization efforts and a favorable pricing and promotional mix. We also drove strong sales through our higher margin DTC channel, specifically in the beauty category.

Research and development expenses increased 12.8% to \$180.4 million, or 6.3% of net sales, compared to \$160.0 million, or 6.3% of net sales during the same period last year. This increase was primarily attributable to an increase of \$15.4 million in personnel-related expenses driven by increased headcount to support new product categories and new market expansion, as well as a \$2.6 million increase in share-based compensation.

Sales and marketing expenses increased 40.1% to \$568.0 million, or 19.7% of net sales, compared to \$405.3 million, or 16.0% of net sales during the same period last year. This increase was primarily attributable to increases of \$75.2 million in advertising-related expenses and \$22.7 million in personnel-related expenses to support new product launches and expansion into new markets, which includes an incremental \$2.0 million of share-based compensation, and an increase of \$35.2 million in delivery and distribution costs driven by higher volumes, particularly in our DTC business. The remaining increase in sales and marketing was driven by an increase in public relations expenses, depreciation and amortization, professional services, and payment processing fees related to the DTC channel.

General and administrative expenses increased 71.2% to \$263.7 million, or 9.2% of net sales, compared to \$154.0 million, or 6.1% of net sales during the same period last year. Included in general and administrative expenses in 2023 is \$76.5 million of costs related to the separation and distribution from JS Global, as well as incremental personnel-related expenses of \$22.1 million, of which \$14.5 million is attributable to increased share-based compensation.

Operating income increased 2.0% to \$272.8 million, or 9.5% of net sales, compared to \$267.6 million, or 10.6% of net sales, during the same period last year. Adjusted Operating Income increased 29.5% to \$438.1 million, or 15.7% of Adjusted Net Sales, compared to \$338.4 million, or 13.7% of Adjusted Net Sales, during the same period last year.

Net income decreased 36.6% to \$117.8 million, or 4.1% of net sales, compared to \$185.7 million, or 7.3% of net sales, during the same period last year. Net income per diluted share decreased 36.7% to \$0.85, compared to \$1.34 in the prior year period.

Adjusted Net Income increased 24.4% to \$317.1 million, or 11.3% of Adjusted Net Sales, compared to \$255.0 million, or 10.3% of Adjusted Net Sales in the prior year period. Adjusted Net Income per diluted share increased 24.2% to \$2.28, compared to \$1.83 in the prior year period.

Adjusted EBITDA increased 27.9% to \$500.4 million, or 17.9% of Adjusted Net Sales, compared to \$391.2 million, or 15.8% of Adjusted Net Sales in the prior year period.

Balance Sheet and Cash Flow Highlights

Cash and cash equivalents decreased to \$170.4 million, compared to \$192.9 million as of December 31, 2022.

Inventories increased 44.4% to \$792.2 million, compared to \$548.6 million as of December 31, 2022, primarily driven by demand planning for the upcoming holiday season.

Total debt, excluding unamortized deferred financing costs, was \$810.0 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.

Special Cash Dividend

On November 8, 2023, our board of directors approved the declaration and payment of a special cash dividend of \$1.08 per share, or approximately \$150 million in the aggregate, payable on or about December 11, 2023 to our shareholders of record as of December 1, 2023. The dividend is expected to be funded by cash on hand.

Fiscal 2023 Outlook

For fiscal year 2023, SharkNinja expects:

- Net sales to increase 11.5% to 12.5% and Adjusted Net Sales to increase between 12.5% and 13.5% compared to the prior year.
 - Adjusted Net Income per diluted share between \$3.06 and \$3.14, reflecting a 29% to 32% increase compared to the prior year.
 - Adjusted EBITDA between \$690 million and \$705 million, reflecting a 33% to 36% increase compared to the prior year.
 - A GAAP effective tax rate of approximately 42% to 43%, inclusive of approximately 14 to 15 percentage points of impact related to withholding taxes and non-deductible costs associated with the separation and distribution from JS Global and certain related party transactions, and approximately 3 percentage points of impact related to withholding taxes associated with the special cash dividend in the fourth quarter.
 - 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 third quarter 2023 financial results is scheduled for today, November 9, 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, Inc. (NYSE: SN) is a global product design and technology company, with a diversified portfolio of 5-star rated lifestyle solutions that positively impact people's lives in homes around the world. Powered by two trusted, global brands, Shark and Ninja, the company has a proven track record of bringing disruptive innovation to market, and developing one consumer product after another has allowed SharkNinja to enter multiple product categories, driving significant growth and market share gains. Headquartered in Needham, Massachusetts with more than 2,800 associates, the company's products are sold at key retailers, online and offline, and through distributors around the world. For more information, please visit SharkNinja.com and follow @SharkNinja.

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.
-

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.

Contacts

Investor Relations:
Arvind Bhatia, CFA
VP, Investor Relations
IR@sharkninja.com

Anna Kate Heller
ICR
SharkNinja@jcrinc.com

Media Relations:
Sarah McKinney
VP, Corporate Communications
PR@sharkninja.com

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

	As of	
	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 170,377	\$ 192,890
Restricted cash	—	25,880
Accounts receivable, net	938,081	766,503
Inventories	792,195	548,588
Prepaid expenses and other current assets	86,471	181,831
Total current assets	1,987,124	1,715,692
Property and equipment, net	149,250	137,341
Operating lease right-of-use assets	64,156	67,321
Intangible assets, net	481,754	492,709
Goodwill	833,972	840,148
Deferred tax assets, noncurrent	—	6,291
Other assets, noncurrent	48,983	35,389
Total assets	\$ 3,565,239	\$ 3,294,891
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 646,697	\$ 328,122
Accrued expenses and other current liabilities	451,400	552,023
Tax payable	2,615	1,581
Current portion of long-term debt	19,127	86,972
Total current liabilities	1,119,839	968,698
Long-term debt	785,443	349,169
Operating lease liabilities, noncurrent	62,616	61,779
Deferred tax liabilities, noncurrent	47,266	60,976
Other liabilities, noncurrent	27,730	25,980
Total liabilities	2,042,894	1,466,602
Commitments and contingencies		
Shareholders' equity:		
Ordinary shares, \$0.0001 par value per share, 1,000,000,000 shares authorized and 138,982,872 shares issued and outstanding as of September 30, 2023 and December 31, 2022	14	14
Additional paid-in capital	959,248	941,206
Retained earnings	571,174	896,738
Accumulated other comprehensive loss	(8,091)	(9,669)
Total shareholders' equity	1,522,345	1,828,289
Total liabilities and shareholders' equity	\$ 3,565,239	\$ 3,294,891

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net sales ⁽¹⁾	\$ 1,070,617	\$ 946,897	\$ 2,876,211	\$ 2,534,720
Cost of sales	583,124	603,413	1,591,254	1,547,843
Gross profit	487,493	343,484	1,284,957	986,877
Operating expenses:				
Research and development	60,691	53,968	180,430	159,955
Sales and marketing	207,599	133,137	568,035	405,319
General and administrative	124,655	47,299	263,682	154,035
Total operating expenses	392,945	234,404	1,012,147	719,309
Operating income	94,548	109,080	272,810	267,568
Interest expense, net	(13,003)	(8,479)	(28,523)	(18,561)
Other (expense) income, net	(5,865)	2,033	(41,315)	(8,841)
Income before income taxes	75,680	102,634	202,972	240,166
Provision for income taxes	56,958	22,325	85,218	54,451
Net income	\$ 18,722	\$ 80,309	\$ 117,754	\$ 185,715
Net income per share, basic	\$ 0.13	\$ 0.58	\$ 0.85	\$ 1.34
Net income per share, diluted	\$ 0.13	\$ 0.58	\$ 0.85	\$ 1.34
Weighted-average number of shares used in computing net income per share, basic	139,073,181	138,982,872	139,059,206	138,982,872
Weighted-average number of shares used in computing net income per share, diluted	139,430,805	138,982,872	139,179,724	138,982,872

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(\$ in thousands)	2023	2022	2023	2022
Cleaning Appliances	\$ 449,319	\$ 503,388	\$ 1,277,986	\$ 1,351,576
Cooking and Beverage Appliances	339,328	260,438	939,060	696,568
Food Preparation Appliances	211,461	161,256	472,685	427,422
Other	70,509	21,815	186,480	59,154
Total net sales	\$ 1,070,617	\$ 946,897	\$ 2,876,211	\$ 2,534,720

SHARKNINJA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 117,754	\$ 185,715
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	77,394	61,560
Share-based compensation	24,502	5,415
Provision for credit losses	2,266	1,149
Non-cash lease expense	9,688	12,318
Amortization of debt discount	694	700
Loss on extinguishment of debt	968	—
Deferred income taxes, net	3,905	(13,620)
Loss from equity method investment	—	361
Changes in operating assets and liabilities:		
Accounts receivable	(192,209)	137,191
Inventories	(258,982)	(86,068)
Prepaid expenses and other assets	65,508	(104,114)
Accounts payable	343,603	(93,877)
Tax payable	883	18,308
Operating lease liabilities	(9,280)	(11,603)
Accrued expenses and other liabilities	(90,914)	(74,006)
Net cash provided by operating activities	95,780	39,429
Cash flows from investing activities:		
Purchase of property and equipment	(70,501)	(52,872)
Purchase of intangible asset	(6,905)	(4,919)
Capitalized internal-use software development	(683)	(4,986)
Cash receipts on beneficial interest in sold receivables	16,777	—
Investment in equity method investment	—	(361)
Other investing activities, net	(3,051)	(300)
Net cash used in investing activities	(64,363)	(63,438)

SHARKNINJA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from financing activities:		
Proceeds from issuance of debt, net of issuance cost	800,915	259,895
Repayment of debt	(437,500)	(155,000)
Intercompany note to Former Parent	—	(49,286)
Distribution paid to Former Parent	(435,292)	(45,438)
Recharge from Former Parent for share-based compensation	(3,165)	(15,300)
Net cash used in financing activities	(75,042)	(5,129)
Effect of exchange rates changes on cash	(4,768)	(11,782)
Net decrease in cash, cash equivalents, and restricted cash	(48,393)	(40,920)
Cash, cash equivalents, and restricted cash at beginning of period	218,770	240,597
Cash, cash equivalents, and restricted cash at end of period	\$ 170,377	\$ 199,677

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 (i) inventory markups that will be eliminated as a result of the transition of certain product procurement functions from a subsidiary of JS Global to SharkNinja concurrently with the separation and (ii) costs related to the transitional Sourcing Services Agreement with JS Global that was entered into in connection with the separation (collectively, 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net sales	\$ 1,070,617	\$ 946,897	\$ 2,876,211	\$ 2,534,720
Divested subsidiary net sales adjustment ⁽¹⁾	(13,196)	(24,003)	(77,544)	(65,873)
Adjusted Net Sales ⁽²⁾	<u>\$ 1,057,421</u>	<u>\$ 922,894</u>	<u>\$ 2,798,667</u>	<u>\$ 2,468,847</u>

(1) Adjusted for net sales from SharkNinja Co., Ltd. (“SNJP”) and the APAC distribution channels for the three and nine months ended September 30, 2023 and 2022, as if such Divestitures occurred on January 1, 2022.

(2) The following tables reconcile Adjusted Net Sales to net sales per product category, for the periods presented:

(\$ in thousands, except %)	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022		
	Net sales	Divested subsidiary adjustment	Adjusted Net Sales	Net sales	Divested subsidiary adjustment	Adjusted Net Sales
Cleaning appliances	\$ 449,319	\$ (6,838)	\$ 442,481	\$ 503,388	\$ (17,285)	\$ 486,103
Cooking appliances	339,328	(1,190)	338,138	260,438	(2,259)	258,179
Food Preparation Appliances	211,461	(2,133)	209,328	161,256	(4,459)	156,797
Other	70,509	(3,035)	67,474	21,815	—	21,815
Total net sales	<u>\$ 1,070,617</u>	<u>\$ (13,196)</u>	<u>\$ 1,057,421</u>	<u>\$ 946,897</u>	<u>\$ (24,003)</u>	<u>\$ 922,894</u>

(\$ in thousands, except %)	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 2022		
	Net sales	Divested subsidiary adjustment	Adjusted Net Sales	Net sales	Divested subsidiary adjustment	Adjusted Net Sales
Cleaning appliances	\$ 1,277,986	\$ (49,392)	\$ 1,228,594	\$ 1,351,576	\$ (50,303)	\$ 1,301,273
Cooking appliances	939,060	(6,161)	932,899	696,568	(5,895)	690,673
Food Preparation Appliances	472,685	(8,289)	464,396	427,422	(9,675)	417,747
Other	186,480	(13,702)	172,778	59,154	—	59,154
Total net sales	<u>\$ 2,876,211</u>	<u>\$ (77,544)</u>	<u>\$ 2,798,667</u>	<u>\$ 2,534,720</u>	<u>\$ (65,873)</u>	<u>\$ 2,468,847</u>

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net sales	\$ 1,070,617	\$ 946,897	\$ 2,876,211	\$ 2,534,720
Cost of sales	(583,124)	(603,413)	(1,591,254)	(1,547,843)
Gross profit	487,493	343,484	1,284,957	986,877
Gross margin %	45.5%	36.3%	44.7%	38.9%
Divested subsidiary net sales adjustment ⁽¹⁾	(13,196)	(24,003)	(77,544)	(65,873)
Divested subsidiary cost of sales adjustment ⁽²⁾	7,628	15,387	45,116	41,323
Product Procurement Adjustment ⁽³⁾	23,574	18,341	53,369	51,231
Adjusted Gross Profit	<u>\$ 505,499</u>	<u>\$ 353,209</u>	<u>\$ 1,305,898</u>	<u>\$ 1,013,558</u>
Adjusted Net Sales	<u>\$ 1,057,421</u>	<u>\$ 922,894</u>	<u>\$ 2,798,667</u>	<u>\$ 2,468,847</u>
Adjusted Gross Margin	47.8%	38.3%	46.7%	41.1%

- (1) Adjusted for net sales from SNJP and the APAC distribution channels for the three and nine months ended September 30, 2023 and 2022, as if such Divestitures occurred on January 1, 2022.
- (2) Adjusted for cost of sales from SNJP and the APAC distribution channels for the three and nine months ended September 30, 2023 and 2022, as if such Divestitures occurred on January 1, 2022.
- (3) Represents cost of sales incurred related to the Product Procurement Adjustment. As a result of the separation, we purchase 100% of our inventory from one of our subsidiaries, SNHK, and 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. As a result of the separation, we pay JS Global a sourcing service fee to provide value-added sourcing services on a transitional basis under a Sourcing Services Agreement.

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating income	\$ 94,548	\$ 109,080	\$ 272,810	\$ 267,568
Share-based compensation ⁽¹⁾	21,337	969	24,502	5,415
Litigation costs ⁽²⁾	3,965	19	4,600	4,024
Amortization of acquired intangible assets ⁽³⁾	4,897	4,897	14,690	14,691
Separation and distribution related costs ⁽⁴⁾	41,455	275	76,549	275
Product Procurement Adjustment ⁽⁵⁾	23,574	18,341	53,369	51,231
Divested subsidiary operating income adjustment ⁽⁶⁾	287	(1,668)	(8,456)	(4,811)
Adjusted Operating Income	<u>\$ 190,063</u>	<u>\$ 131,913</u>	<u>\$ 438,064</u>	<u>\$ 338,393</u>

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

(2) Represents litigation costs incurred for certain 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 calculating 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 incurred related to the Product Procurement Adjustment. As a result of the separation, we purchase 100% of our inventory from one of our subsidiaries, SNHK, and 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. As a result of the separation, we pay JS Global a sourcing service fee to provide value-added sourcing services on a transitional basis under a Sourcing Services Agreement.

(6) Adjusted for operating income from SNJP and the APAC distribution channels for the three and nine months ended September 30, 2023 and 2022, as if such 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, (vii) the tax impact of the adjusted items and (viii) certain withholding taxes.

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 18,722	\$ 80,309	\$ 117,754	\$ 185,715
Share-based compensation ⁽¹⁾	21,337	969	24,502	5,415
Litigation costs ⁽²⁾	3,965	19	4,600	4,024
Foreign currency losses (gains), net ⁽³⁾	3,862	(839)	43,479	11,783
Amortization of acquired intangible assets ⁽⁴⁾	4,897	4,897	14,690	14,691
Separation and distribution related costs ⁽⁵⁾	41,455	275	76,549	275
Product Procurement Adjustment ⁽⁶⁾	23,574	18,341	53,369	51,231
Tax impact of adjusting items ⁽⁷⁾	(4,704)	(5,206)	(30,686)	(19,232)
Tax withholding adjustment ⁽⁸⁾	19,474	—	19,474	—
Divested subsidiary net income adjustment ⁽⁹⁾	394	479	(6,586)	1,055
Adjusted Net Income	\$ 132,976	\$ 99,244	\$ 317,145	\$ 254,957
Net income per share, diluted	\$ 0.13	\$ 0.58	\$ 0.85	\$ 1.34
Adjusted Net Income Per Share	\$ 0.95	\$ 0.71	\$ 2.28	\$ 1.83
Diluted weighted-average number of shares used in computing net income per share and Adjusted Net Income Per Share ⁽⁹⁾	139,430,805	138,982,872	139,179,724	138,982,872

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

(2) Represents litigation costs incurred for certain 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 gain (loss) 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 \$0.7 million and \$9.2 million for the three months ended September 30, 2023 and 2022, respectively, and \$(31.6) million and \$12.8 million for the nine months ended September 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 incurred related to the Product Procurement Adjustment. As a result of the separation, we purchase 100% of our inventory from one of our subsidiaries, SNHK, and 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. As a result of the separation, we pay JS Global a sourcing service fee to provide value-added sourcing services on a transitional basis under a Sourcing Services Agreement.
- (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 (i) the withholding adjustment described in footnote (8), (ii) divested subsidiary net income adjustment described in footnote (9), and (iii) certain share-based compensation costs and separation and distribution-related costs that are not tax deductible.
- (8) Represents withholding taxes associated with the cash dividend paid to JS Global in connection with the separation and related refinancing.
- (9) Adjusted for net income (loss) from SNJP and the APAC distribution channels for the three and nine months ended September 30, 2023 and 2022, as if such Divestitures occurred on January 1, 2022.
- (10) 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 for all periods prior to completion of the separation and distribution on July 31, 2023.

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 Adjusted EBITDA 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 18,722	\$ 80,309	\$ 117,754	\$ 185,715
Interest expense, net	13,003	8,479	28,523	18,561
Provision for income taxes	56,958	22,325	85,218	54,451
Depreciation and amortization	25,602	21,395	77,394	61,560
EBITDA	114,285	132,508	308,889	320,287
Share-based compensation ⁽¹⁾	21,337	969	24,502	5,415
Litigation costs ⁽²⁾	3,965	19	4,600	4,024
Foreign currency losses (gains), net ⁽³⁾	3,862	(839)	43,479	11,783
Separation and distribution related costs ⁽⁴⁾	41,455	275	76,549	275
Product Procurement Adjustment ⁽⁵⁾	23,574	18,341	53,369	51,231
Divested subsidiary Adjusted EBITDA adjustment ⁽⁶⁾	264	(459)	(11,020)	(1,800)
Adjusted EBITDA	\$ 208,742	\$ 150,814	\$ 500,368	\$ 391,215
Adjusted Net Sales	\$ 1,057,421	\$ 922,894	\$ 2,798,667	\$ 2,468,847
Adjusted EBITDA Margin	19.7%	16.3%	17.9%	15.8%

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

(2) Represents litigation costs incurred for certain 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 gain (loss) recognized on our derivative instruments related to forward contracts outstanding not designated as hedging instruments included in the total of foreign currency gains (losses), net, was \$0.7 million and \$9.2 million for the three months ended September 30, 2023 and 2022, respectively, and \$(31.6) million and \$12.8 million for the nine months ended September 30, 2023 and 2022, respectively.

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

(5) Represents cost of sales incurred related to the Product Procurement Adjustment. As a result of the separation, we purchase 100% of our inventory from one of our subsidiaries, SNHK, and 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. As a result of the separation, we pay JS Global a sourcing service fee to provide value-added sourcing services on a transitional basis under a Sourcing Services Agreement.

(6) Adjusted for Adjusted EBITDA from SNJP and the APAC distribution channels for the three and nine months ended September 30, 2023 and 2022, as if such 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.

Risk Factor Update

The following risk factor updates and supplements, and should be read together with, the risks and uncertainties described under “Risk Factors” in SharkNinja Inc.’s Form F-1 as filed with the U.S. Securities and Exchange Commission under the Securities Act of 1933 on July 28, 2023.

We have identified material weaknesses in our internal control over financial reporting. We are obligated to maintain internal control over financial reporting and to evaluate and determine its effectiveness. Identification of material weaknesses in the future or any failure of our internal systems, controls and procedures could have an adverse effect on our business, financial condition, results of operations and investor confidence.

Pursuant to Section 404 of the Sarbanes-Oxley Act (“Section 404”) and the related rules adopted by the SEC and the Public Company Accounting Oversight Board, our management are required to report on the effectiveness of our internal control over financial reporting starting with our second annual report that we file with the SEC after the completion of the separation and distribution. Prior to becoming a public company, we were not required to make an assessment of the effectiveness of our internal controls, or to deliver a report that assesses the effectiveness of our internal control over financial reporting. The process of designing and implementing effective internal controls compliant with Section 404 is a continuous effort and requires the investment of substantial time and resources, including by our Chief Financial Officer and other members of our senior management.

The report prepared by management assessing the effectiveness of our internal control over financial reporting needs to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. A material weakness is a deficiency or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company’s annual and interim financial statements will not be detected or prevented on a timely basis.

The rules governing the standards that must be met for our management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. Testing and maintaining internal controls may divert our management’s attention from other matters that are important to our business.

In the course of preparing the financial statements that were included in our Form F-1 filed with the SEC under the Securities Act of 1933 on July 28, 2023, as well as the financial statements for the third quarter ended September 30, 2023, we identified material weaknesses in our internal control over financial reporting. The material weaknesses identified related to controls to ensure proper accounting for non-routine and complex transactions, as well as controls over the financial statement close process. We concluded that the material weaknesses in our internal control over financial reporting existed because we did not have the necessary business processes, appropriate accounting personnel and related internal controls necessary to satisfy the accounting and financial reporting requirements of a public company.

We have taken and will continue to take action to remediate the material weaknesses, including hiring additional accounting resources with sufficient public company experience and technical accounting expertise. We have also engaged, and will continue to engage as necessary, external specialists to augment our internal resources in accounting for transactions of greater complexity or where specific technical expertise is needed. Furthermore, we are taking actions to improve processes, documentation and review of the analysis and accounting for non-routine and complex transactions, as well as implementing additional processes and controls to support our financial statement close.

We will not be able to fully remediate the identified material weaknesses until the ongoing steps described above have been completed and our internal controls have been operating effectively for a sufficient period of time. We believe we will make significant progress in our remediation plan within fiscal year 2023, but cannot assure you that we will be able to fully remediate the material weaknesses by such time. We may also incur significant costs to execute various aspects of our remediation plans but cannot provide a reasonable estimate of such costs at this time.

Furthermore, we cannot assure you that we have identified all material weaknesses. In the future, it is possible that additional material weaknesses or significant deficiencies may be identified that we may be unable to remediate timely. If we fail to maintain effective systems, controls and procedures, including disclosure controls and procedures and internal controls over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations and prevent fraud could be adversely impacted. We are upgrading and standardizing our information systems and related controls, but failure to achieve these goals effectively or in a timely manner could adversely impact our ability to maintain an effective internal control environment and our financial results. We may also experience higher than anticipated operating expenses during and after the implementation of any of these changes to our systems, controls or procedures, or become subject to investigations by the SEC or other regulatory authorities. Additionally, we do not expect that our internal control systems, even if timely and well established, will prevent all errors and all fraud. Internal control systems, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

Further, if we are unable to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404, our independent registered public accounting firm may not issue an unqualified opinion as to the effectiveness of our internal control over financial reporting. If we are unable to conclude that we have effective internal control over financial reporting, investors could lose confidence in our reported financial information, which could have a material adverse effect on the trading price of our ordinary shares. Failure to remedy any material weaknesses in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

Irrespective of compliance with Section 404, as we mature, we will need to further develop our internal control systems and procedures to keep pace with our rapid growth and we are currently working to improve our controls. Our current controls and any new controls that we develop may become inadequate because, among other reasons, they may not keep pace with our growth or the conditions in our business may change. We are in the process of developing and implementing an enterprise risk management framework, but this development and implementation may not proceed on our projected timetable, and this framework may not fully protect us against operational risks and losses.