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# SharkNinja, Inc. (SN)

## Q2 2024 Earnings Call

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# MANAGEMENT DISCUSSION SECTION

**Operator**: Thank you for standing by. I would like to welcome everyone to the SharkNinja Second Quarter 2024 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I would now like to turn the call over to Arvind Bhatia, Head of Investor Relations. Please go ahead.

## Arvind Bhatia

*Senior Vice President-Investor Relations, SharkNinja, Inc.*

Good morning and welcome to the SharkNinja Second Quarter 2024 Earnings Conference Call. Our second quarter earnings release was issued this morning and can be found on the company's website at ir.sharkninja.com. And shortly after today's call, a webcast will be available there for replay.

Let me remind you that today's discussion contains forward-looking statements based on the environment as you currently see it, and as such does include risks and uncertainties. If you refer to the earnings release and the company's most recent SEC filings, you'll see a discussion of factors that could cause the company's actual results to differ materially from these forward-looking statements. The company undertakes no obligation to update or revise these forward-looking statements in the future.

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

With me today are Chief Executive Officer, Mark Barrocas; and Chief Financial Officer, Patraic Reagan. Mark will provide a business update. Patrick will review our Q2 financial results and discuss our 2024 outlook. Mark will then share brief closing remarks and we will open up the call for your questions.

Now, I will turn the call over to Mark.

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## Mark Adam Barrocas

*Chief Executive Officer & Director, SharkNinja, Inc.*

Thank you, Arvind. Good morning, everyone, and thank you for joining us today. Let me begin with a review of our second quarter performance. Our teams once again delivered exceptional performance in the quarter. We grew adjusted net sales an incredible 38%. This was on top of 20% growth in the year ago period, and it was all organic and highly profitable growth.

On an adjusted basis, EBITDA increased 48% while earnings per share was up 51%. Our strategic initiatives around supplier diversification, competitive bidding, value engineering, and pricing management drove nearly 600 basis points of adjusted gross margin improvement in the quarter. Adjusted EBITDA margins increased 90 basis points even as we continue to significantly reinvest in our growth initiatives. Our growth in the quarter was broad-based across product categories and geographies, and our innovation continued to drive market share gains.

Each of our four key categories delivered at least double-digit growth. Cleaning grew 20%, our strongest performance in this category since COVID. Our overall domestic business accelerated, growing an incredible 35%. And this performance was even more remarkable considering the domestic market was relatively flat. The international segment had another very strong quarter. Adjusted net sales increased 46% with emerging markets like Germany and France delivering triple-digit growth.

Our performance was also balanced across our three growth pillars as we continue to increase our share in existing categories, enter new categories, and expand our global footprint. Our first growth pillar entering new and adjacent categories remains a key growth driver. With the launch of fans and coolers earlier this year and the recent release of our frozen drink makers, we've already entered into three new subcategories in 2024. We're now in 34 subcategories, up from 27 at the end of 2022. This is testament to our conscious and purposeful strategy to drive growth, while diversifying and mitigating risk.

With each new category, we're creating new experiences and offering high quality, innovative products that solve key consumer pain points. Last month, we launched Ninja SLUSHi, our professional grade frozen drink maker. Our research showed that consumers love slushies, but enjoying one requires a trip to a convenience store, the movies or the mall. With Ninja SLUSHi, consumers can create commercial quality frozen drinks without stepping out of their homes. Our proprietary RapidChill technology eliminates the need for ice and prevents drinks from getting watered down. It's early days, but I'm pleased to share that Ninja SLUSHi became the fastest selling new product ever during launch week on our direct-to-consumer site. The initial inventory sold out within a few days. Ninja SLUSHi has already gone viral and is quickly becoming a social media sensation. Our teams are working hard to fill orders on the waitlist and to support broader distribution to our retail partners later this year.

Our Ninja CREAMi is already the number one ice cream maker in the US. And now with the addition of Ninja SLUSHi, we're on our way to becoming the leader in frozen treats. Shark FlexBreeze, our indoor-outdoor cooling system, launched earlier this year and continues to outperform initial expectations. Based on the strong response from consumers as well as our retail partners, we see significant whitespace for us to capture. We're excited by the upside potential of FlexBreeze and look forward to launching additional SKUs in 2025 and beyond as we build on the initial success and momentum. With Shark FlexBreeze, we're creating a new market just as we did with Ninja CREAMi.

On the other hand, with the Ninja FrostVault cooler, we're disrupting a large category with entrenched competitors, underscoring we can be successful with both strategies. FrostVault's technology and innovation are resonating with consumers and driving better-than-expected performance, including strong results on Prime Day. FrostVault has also enabled our entry into the sporting goods channel, an important breakthrough for us. We plan to launch additional SKUs and drive broader distribution next year to capture the upside.

Our 2023 launches are also delivering strong performance, highlighting the sustainability of our innovation flywheel. In less than a year following launch, we become a leading player in the deep carpet cleaning market with our Shark CarpetXpert and StainStriker products. With our outdoor ovens, we continue to successfully expand our global presence in outdoor cooking. We expect momentum to continue with additional innovation next year. Consumers already love our offerings inside the home, and they're increasingly accepting Ninja as an outdoor brand as well. With our outdoor cooking products combined with fans, coolers, and portable blenders, we're extending our outdoor portfolio and expanding our global addressable market.

Our second growth pillar is gaining share in existing categories. Nothing illustrates this better than the incredible performance of our cleaning category. Following strong performance during COVID, the broader cleaning market has been a bit soft. Over the last 18 months, our engineering and product development teams have remained laser-focused on bringing innovation to this category. This is beginning to pay off now, driving additional market share gains for us. As I mentioned earlier, cleaning with more than 40% of our adjusted net sales last year delivered 20% growth in the quarter. This was an acceleration from 6% growth in the first quarter of this year and a 5% decline for the full year in 2023.

Within cleaning core subcategories such as Upright and corded stick vacuums performed particularly well. We continue to innovate and recently launched our new POWERDETECT Upright vacuum with our most advanced cleaning technology. In the second half of this year, we're launching several innovative products within the cordless, hard floor, and robot subcategories, which should continue to support strong growth for us.

The cooking and beverage category grew 12% in the quarter on top of nearly 70% growth in the second quarter last year. Our base business in this category remains quite healthy. We've expanded our air fryer assortment with the launch of the Ninja DoubleStack Air Fryer. This is a vertical air fryer that doubles the performance of a single zone air fryer while requiring only half the counter space.

I'm super excited to share that we recently entered the premium coffee and espresso subcategory with our Ninja Luxe Cafe. While coffee isn't a new category for us, we're entering the super premium segment for the first time with a unique and highly differentiated product. This is a big opportunity for us to expand our coffee business in Europe with a product that's designed to appeal to a global coffee and espresso loving consumer. The Ninja Luxe Café is an all-in-one espresso, drip coffee, and cold brew system that creates cafe quality drinks at home. Our consumer insight showed us espresso machines are a bit intimidating and difficult to use. They're quite expensive and offer limited drink options. We've created an affordable, multi-functional coffee and espresso machine that's easy to use and has endless drink options for our discerning global consumers.

The food prep category delivered outstanding performance with adjusted net sales increasing more than 90% in the quarter. The growth was broad based across ice cream makers, kitchen systems, traditional and compact blenders. Our Ninja CREAMi ice cream maker continues to grow rapidly and is becoming a global phenomenon as we launch in additional countries. In Q2, CREAMi delivered strong performance globally, especially in Europe.

And the Ninja Blast, our portable blender, is driving amazing results and large market share gains in the single-serve blending subcategory.

Our other categories delivered exceptional results, increasing 250% in the quarter with strength across beauty, [ph] sands (00:13:14), and air purifiers. Beauty, led by FlexStyle hot hairstylers remains strong both in our domestic and international markets. We continue to bring newness and excitement to the category and to find key moments in culture to highlight our brand. For example, at this year's Met Gala, we launched FlexStyle Sparkle with Chris Appleton, Shark Beauty's Global Brand Ambassador. And while we won't be announcing details yet, I'm pleased to share that we're on track to launch another very exciting subcategory within beauty in Q4 of this year. Our ability to consistently innovate and refresh existing categories remains the bedrock of our strategy to drive market share gains. To that end, we're on track to launch 25 new products this year, with more than 80% of the launches in existing categories.

Next, I will turn to our third key growth pillar, expansion in international markets. We grew our international business 46% in the quarter on top of adjusted sales growth of 66% in Q2 last year. UK, which was our largest international market, grew nearly 7% in the quarter and is up 10% in the first half of this year, in line with our expectations. While growth has moderated compared to 70% growth in the first half of last year, our UK business is more diversified, more profitable, and overall healthier than ever before. Within Continental Europe, we drove triple-digit growth in Germany and France, where the overall markets were relatively stagnant. Our footprint and brand awareness in these countries is increasing and our business is more diversified.

From just an idea a few years ago, these two markets have come a long way and are approaching meaningful scale. We also see tremendous growth opportunities in markets like Nordics, Benelux, Poland, Italy, Spain, and the Middle East. Our Mexico business grew strong double-digits in the quarter.

We are well-positioned in the market and expect robust performance in the coming years, especially as we switch to a direct model at the beginning of next year. We are also looking forward to launching in Brazil in Q4 this year and exploring other Latin American markets for launch in the future.

Next, I want to take a moment to highlight our always-on 360-marketing strategy, which remains highly effective. Our full funnel approach is driving increased brand awareness as well as consumer demand for our products in emerging markets like Germany, France, and Mexico. We're investing in TV, digital, social media, and other relevant channels. We're leveraging our strategic brand partnerships with David Beckham, Global Brand Ambassador for Ninja, and Chris Appleton, our Global Brand Ambassador for Shark Beauty. Shark Beauty was the official hair sponsor of the Girls Aloud 2024 UK and Ireland tour this year.

Ahead of this summer's key sporting events, the Eurocup and Olympics, we launched a Summer of Sports ad campaign in partnership with elite European soccer players with reach of nearly 40 million people. We're also investing in additional in-store retail displays to drive POS and build greater brand awareness. Across our EMEA markets, we're targeting 3,000 branded retail displays by the end of the year, including shops-in-shops within Currys, Boulanger, Expert, and Sharaf DG. We're already seeing a strong payoff from our marketing investment, as evidenced by our incredible top line and margin performance. And it's setting us up for success in 2025 and beyond. Our ability to invest significantly in marketing remains a key competitive advantage for us. We also know that these investments take time to pay off, as we're new entrants into many of these markets and we need to grow our business one great consumer experience at a time.

As we look forward, we're cognizant of the continued challenges in the macroeconomic environment and do not take our success for granted. We're addressing these challenges head on. We've doubled down on our consumer insights driven innovation with seven new and exciting subcategories and added to our portfolio since the end of 2022. We leaned in our marketing strategies to drive consumer demand and build brand awareness. We're leveraging our agile supply chain and longstanding relationships to maneuver macro challenges. We're putting our foot on the gas and ramping up production even faster outside of China. And we're always asking ourselves, what can we do better, what consumer problems can we solve? This relentless focus on execution has enabled our teams to navigate the environment and consistently deliver strong performance. I'm confident in our ability to execute the same playbook going forward.

To that end, business momentum has remained strong in the third quarter in both our domestic and international markets. In July, we had a highly successful Prime Day globally with SharkNinja recognized as two of the top brands in the home and kitchen category in North America and UK. With better than expected year-to-date performance and good line of sight into the rest of the year, we're significantly increasing our full year guidance on key metrics. Patraic will share the details in his prepared remarks. I'm more confident than ever that we are on the right path for the long-term. We have $120 billion total addressable market that continues to grow as we add more subcategories. This gives us significant runway for growth.

And now, Patraic will walk you through our second quarter financials and updated 2024 outlook.

## Patraic Reagan

*Chief Financial Officer, SharkNinja, Inc.*

Thank you, Mark, and good morning, everyone. I'll begin with a review of our second quarter results and then provide an update on our 2024 guidance before turning it back over to Mark for closing. As you have already heard, our second quarter results were very strong, driven by our three-pillar growth strategy. Net sales increased 31% and adjusted net sales, which exclude our divested APAC business, were up 38% to nearly $1.25 billion. We delivered adjusted EBITDA growth of 48% to $168 million, with adjusted EBITDA margins improving nearly 90 basis points year-over-year.

Focusing on performance by region. Net sales in North America were up 35% to $869 million, representing 70% of our sales mix with broad-based strength across our key categories. Adjusted net sales in international markets were up 46% to $379 million, driven by additional expansion into EMEA and robust results in Germany and France. Our Latin American markets also delivered strong growth driven by Mexico. We're in the beginning stages of our expansion into Latin America and are very bullish about our future here.

Next, let me take a minute to provide color on the Q2 performance and our four major product categories, which all saw growth in the quarter. Adjusted net sales in the cleaning category, which includes vacuums, carpet extraction, as well as floor care products such as steam mops in wet and dry cleaning products, accelerated delivery growth of 20% to $466 million from $388 million. We saw a broad-based strength in the category, including strong performance in cordless and uprights, as well as carpet extraction, which is a newer subcategory for us.

Adjusted net sales in the cooking and beverage category, which includes air fryers, multi-cookers, outdoor grills and ovens, and carbonation, increased 12% to $379 million, compared to $340 million in the prior year. This performance was primarily driven by continued strength in Europe, particularly in Germany and France. Outdoor grills and ovens also delivered strong performance globally.

Food preparation, which includes blenders, food processors, ice cream makers, and coolers delivered another strong quarter. Adjusted net sales in this category increased 91% to $265 million, compared to $139 million in the prior year. Strong performances from our CREAMi ice cream makers, kitchen systems, traditional and portable blenders contributed to the robust growth in this category.

Finally, the other category, which includes beauty products such as hair dryers and stylers and home environment products such as air purifiers and indoor-outdoor fans had an excellent quarter and was our fastest growing category. Adjusted net sales in this category were up 251% to $138 million, compared to $39 million in the prior year. Beauty was particularly strong as we continue to increase our global market share in the subcategory. In addition, our recently launched FlexBreeze indoor-outdoor cooling system is resonating well with consumers and continues to exceed our expectations.

Moving to gross profit. In the second quarter GAAP gross profit increased 51% to $601 million or 48.1% of net sales. Adjusted gross profit increased 56% to $614 million, or 49.2% of adjusted net sales. We drove 570 basis points of adjusted gross margin expansion over the prior year while absorbing the impact of Red Sea disruption. Gross margin expansion was primarily driven by our continued cost optimization efforts, combined with mix in foreign exchange favorability.

Over the last 18 months, our cross-functional teams have been working very hard to drive sustainable gross margin improvements. Our cost optimization initiatives are driving manufacturing cost down, while enhancing product performance and functionality. And our continued focus on assortment and promotional mix management is helping us maintain healthy pricing. Our strong gross margin remains a key competitive advantage for us.

With respect to operating expenses in the quarter, we continue to reinvest a significant portion of our gross margin upside in product innovation, brand awareness, and global infrastructure to strengthen our competitive moat and drive future growth. R&D expenses increased 48% to $90 million compared to $61 million in Q2 last year. We continued to invest primarily in head count to support new product categories and new market expansion. In addition, during the second quarter, we incurred professional fees and additional prototype costs to support future growth. As a percentage of sales, R&D was 7.2% of net sales compared to 6.4% last year.

Sales and marketing expenses increased 46% to $303 million or 24.3% of net sales, compared to $208 million or 21.9% of net sales in the year ago period. This increase was driven by our continued reinvestment in advertising and personnel related expenses to support our new product launches and expansion in existing and new markets in subcategories. Like previous quarters, a portion of the increase in sales and marketing dollars also resulted from increased delivery and distribution costs driven by higher volumes, particularly in our direct-to-consumer business.

General and administrative expenses increased to $104 million or 8.3% of net sales, compared to $72 million or 7.6% of net sales in the prior year, primarily due to increased legal and other professional fees, including public company expenses, incremental share-based compensation, and information technology and facility investments.

Our GAAP effective tax rate was 24.1% in the second quarter, down slightly compared to 25.1% in the prior year and in line with our expectations. GAAP net income for the quarter was $68 million compared to $12 million in the prior year. Adjusted net income was $100 million or $0.71 per share, compared to $65 million or $0.47 per share in the prior year, reflecting growth of 51% on a per share basis. Adjusted EBITDA for the quarter increased 48% to $168 million or 13.4% of adjusted net sales, compared to $114 million or 12.5% of adjusted net sales in the prior year, reflecting strong adjusted gross margin expansion of 570 basis points in the quarter, partially offset by continued investments in growth initiatives.

Now we move to the balance sheet. As of the end of the second quarter, we had cash of $138 million, total debt outstanding of $910 million, and a net leverage ratio of 0.9 times. We had inventory of $841 million at quarter end, up 56% compared to Q2 of last year. While our inventory growth outpaced sales growth, we believe our inventory levels in mix remain healthy. Consistent with what we discussed in the first quarter there were four key factors that contributed to the year-over-year increase.

First, inventory levels at the end of second quarter of 2023 were below our internal targets, declining 25% year-over-year as retailers remain cautious with their inventory levels. Given this data point, when we compare current inventory to the second quarter of 2022, our inventory is up 17% while our net sales are up 60% over the same period. Second, we increased inventory levels this year to support a strong anticipated consumer demand in Q3, including for Prime Day, which as Mark mentioned was a huge success. I also want to note that our inventory in the channel was very clean and healthy exiting the second quarter and our retail partners have slightly lower weeks of supply year-over-year. Third, we pre-built inventory in anticipation of Section 301 tariff exemptions, which expired at the end of May. And fourth, we proactively increased our weeks of supply to mitigate potential shipment delays in Europe due to the Red Sea situation.

Next, I will touch on two key topics that are likely [ph] top of mind (00:29:59) for everyone. Rising freight costs and potential escalation in China tariffs next year. The global ocean freight situation remains fluid following the recent upswing in container spot rates driven by current constraints reducing capacity. Our supply chain teams have been working tirelessly to ensure we are able to support our rapid growth globally. We've acted decisively and navigated the Red Sea disruption with minimal interruptions to our business. Overall, we are confident in our approach. Our increased 2024 guidance does assume some cost impacts from the ongoing disruption, but we expect the impact to be immaterial.

In terms of tariffs, we continue to make excellent progress in our efforts to diversify outside of China and mitigate tariff risk. Our teams are highly proactive and super focused in their approach and we remain on track to have the capacity to move almost all of our US volume outside of China by the end of 2025. We are working closely with our manufacturing partners in Southeast Asia, we have increased our investment in tooling to move even faster, and we continue to explore additional partnerships in the region. With respect to Section 301 tariffs, as expected, they were reinstated on June 1st this year. The financial impact of these tariffs is small for SharkNinja and was already baked into our full year guidance.

With that, let me now turn to our outlook for 2024. Given the better-than-expected results in Q2 and momentum we have heading into the second half of the year, we are raising our fiscal year 2024 guidance. For the full year, we now expect adjusted net sales to increase between 22% and 24% above our prior guidance of a 12% to 14% increase. We expect adjusted EPS to be in the range of $4.05 to $4.21, an increase of 26% to 31% year-over-year. This compares to our prior guidance of $3.66 to $3.82 per share, or a 14% to 19% increase.

Adjusted EBITDA is now expected to be in the range of $910 million to $940 million, representing growth of 20% to 31% year-over-year, compared to our prior expectation of $840 million to $870 million or 17% to 21% growth. Consistent with our previous guidance, we continue to expect net interest expense of approximately $65 million for the year, GAAP effective tax rate of approximately 24 to 25%, and capital expenditures to be between $160 million and $180 million for the year.

In closing our financial recap, we feel very good about our performance in the first half of 2024. As we continue to execute our three-pillar growth strategy, we invest thoughtfully and strategically across the business and continue to solve everyday consumer problems. We are confident we can deliver strong revenue and profit growth in 2024 and beyond.

With that, I'll hand it back to Mark.

### Mark Adam Barrocas

*Chief Executive Officer & Director, SharkNinja, Inc.*

Thanks, Patraic. Our second quarter results were a testament to the hard work and dedication of our incredible global team of SharkNinja associates. We once again delivered profitable organic growth and offered high performance products that solve consumer problems, fueled by our best-in-class innovation engine. As I reflect on the progress we've made, I'm even more excited looking forward to the future and the tremendous opportunity we have in front of us. Our global addressable market is $120 billion and growing.

We expect our market share will continue to grow as we keep rolling out new innovative products, entering new categories both in and outside the home, and expanding our brand presence worldwide. Our expertise and consumer insight-driven R&D will help us lead the way and set the industry standard with game-changing innovation. We will continue to lean into our always-on 360-marketing strategy to increase brand awareness and create consumer demand globally. And we'll continue to leverage our high quality, agile, and scalable supply chain to drive success. I'm more confident than ever in our ability to deliver sustainable long-term growth.

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

# QUESTION AND ANSWER SECTION

**Operator**: Thank you. [Operator Instructions] We will begin the question-and-answer session. Your first question comes from the line of Andrea Teixeira from JPMorgan Chase. Your line is open.

### Andrea Teixeira

*Analyst, JPMorgan Securities LLC*

Q

Thank you, operator, and good morning, everyone. So congrats on your performance. I have a question on guidance and then a follow-up on Brazil. My question is how to think about the guidance raises. Similar to what happened last quarter that you've raised only due to the beat but kept most of the second half estimate intact. You sounded a very strong momentum to your work in the recent trends. So perhaps if you can elaborate if we should be thinking about high-teens or low-20s growth in Q3 and then wait to see if the trends hold into the fourth quarter and react to that in the next earnings call?

And then on the entry to Brazil, when are you expecting to start shipping in what categories given the country import tariffs? As far as I've been very abreast being Brazilian myself, are you planning to have local third-party manufacturing or sourcing there? And what is the TAM or the categories you're looking to sell there? Thank you very much.

### Mark Adam Barrocas

*Chief Executive Officer & Director, SharkNinja, Inc.*

A

[audio gap] (00:36:38) question. As you said, Brazil is a challenging market from a manufacturing standpoint. We are launching into the market in Q4 of this year. We're using a third-party distributor partner, but we are directing and taking over the advertising and marketing. I mean, we believe that we want to control that aspect of how our brand gets communicated to the Brazilian consumers. We're starting with beauty and with motorized kitchen appliances. Those are the two main categories we'll be starting with in Q4 of this year. We're exploring local manufacturing. But to start off with, we are importing that product from the outside. So Q4, there'll be kind of a small launch with beauty and motorized and it'll ramp up further as we get into 2025. We think it's a big addressable market and it just goes along with our strategy of we're seeing growth in Argentina, we're seeing growth in Chile. I mean, we think South America is a strong potential market for us. We're also taking back our distributor in Mexico starting January 1st. So it's all part of our kind of broader Latin American strategy.

As it relates to the guidance question, I'll turn it over to Patraic.

**Patraic Reagan**
*Chief Financial Officer, SharkNinja, Inc.*

A

Hi. Thanks, Andrea. Appreciate the question. So if you recall back in our first quarter call, we effectively raised and then we said that we would revisit second half guidance in this call. And so what you're seeing in terms of the raise and beat that we've communicated to you all is that we're increasing our second half guidance in addition to taking the beat from Q2. So how you can think about it, I'll just kind of center around the revenue side of this is that from a second half standpoint, roughly, we're in, what I would call kind of the mid to high mid-teens growth over Q3 and Q4. We're not providing guidance from a Q3, Q4 specific point of view at this point in time, but you can think about that from a second half perspective. As we get into the balance of the year and when we come back for Q3 earnings call, we'll of course update the balance of year at that point in time. So I hope that helps you think about it.

**Andrea Teixeira**
*Analyst, JPMorgan Securities LLC*

Q

Yeah. And then if I can just squeeze one quick one in terms of like what you lost in terms of the categories that you are not able to fulfill, of course, similar to what has happened with CREAMi, you didn't know what you didn't know, right, the demand for SLUSHi and for different categories and coming up with new innovation. How we should be thinking of like what is the, probably the lost sale and how fast can you actually fulfill your waitlist?

**Mark Adam Barrocas**
*Chief Executive Officer & Director, SharkNinja, Inc.*

A

Yeah. So, Andrea, I think we never kind of assume from an inventory perspective that we're going to launch and have a blowout success. So we always take a somewhat conservative approach and we chase it. And I don't necessarily think it's lost forever. I think it's kind of temporarily moved. So the demand that we can fulfill for SLUSHi, for example, in Q3, we right now have a waitlist of 100,000 units on that product. I think as that product comes in, because it's so unique and it's a category of one to SharkNinja, we'll fulfill that demand. And it may be that it pushes into Q4 into Q1 of next year. In terms of the time for ramp-up, generally speaking, we will chase for the next 90 to 120 days. I would anticipate in a product like SLUSHi, we won't be able to catch up by the end of this calendar year, but we will as we get into kind of Q1 of next year. So I think it's something that by design, we recognize that, if we have a runaway success and we're seeing also great success from our Ninja Café Luxe product that has just launched, we know that we're going to be chasing that for some period of time.

**Andrea Teixeira**
*Analyst, JPMorgan Securities LLC*

Q

Okay. That's great. Thank you so much. Congrats again.

**Mark Adam Barrocas**
*Chief Executive Officer & Director, SharkNinja, Inc.*

A

Thank you.

**Operator**: Thank you. The next question comes from the line of Steven Forbes of Guggenheim Securities. Your line is open.

**Steven Forbes**
*Analyst, Guggenheim Securities LLC*

Q

Good morning. Mark, I was hoping to maybe just take a step back and maybe you can help us reframe how you're thinking about the US opportunity, right? Just given the year-to-date outperformance and the magnitude of growth, right. Like any sort of way to think through maybe what are more secular versus transient drivers of growth? I mean, as you look out the next year, is there anything that we should be considering that you might have to cycle from a onetime benefit or what is the right sort of way to baseline how the US segment should progress given the product pipeline and the success you're seeing right through a distribution point standpoint?

**Mark Adam Barrocas**
*Chief Executive Officer & Director, SharkNinja, Inc.*

A

Yeah, sure. So, Steve, look, I think it's important to point out that the US market declined considerably in 2022 and 2023. So from a market perspective, I mean, the market overall has kind of firmed up a little bit. I mean, we're seeing kind of low single-digit to kind of flat market performance in the US. Our core base categories are performing very well. I mean, our corded vacuum cleaner business is up in the US, our cordless business is up, our motorized business is up. So I think we've got a solid base business that we're continuing to gain market share in. And so that's kind of one piece to the puzzle.

I think second is, we're entering into new categories. I mean, just in the quarter, extractors and spot cleaners added a significant amount of revenue in our cleaning category. Our Shark FlexBreeze added a significant amount of revenue in our other category. So the entrance into new categories is really delivering some scale to the business. So that, I would say, is kind of point number two.

Number three is, we're expanding into new retailers. We're starting to mature now and getting to a full chain perspective on Ulta and Sephora, but we're really just starting out when it comes to the sporting goods channels, we're just starting out when it's coming to lot of the grocery channels. There's still a lot of growth to come in the beauty channels as we expand and get more SKU placements. So I think you're seeing a firming up and a gaining market share in the base. I think you're seeing new categories driving real scale. I think you're seeing new retailers and I wouldn't necessarily say there's kind of one time, I mean, because you would expect that we would be launching new products and new categories as we enter into 2025. And we've demonstrated that over the course of every year previously.

**Steven Forbes**
*Analyst, Guggenheim Securities LLC*

Q

And then just a quick follow-up on that, right, given the step change in sort of the base and the firming up that you're referencing, it looks like advertising expenses is one of the things you're leaning into, clearly. But how would you sort of frame your current thinking around reinvestment of this outperformance, right, just to further strengthen the business for the out-year? Any other sort of highlights you want to talk through as it thinks about – as you think about sort of just reinvesting from a position of strength?

**Mark Adam Barrocas**
*Chief Executive Officer & Director, SharkNinja, Inc.*

A

Yeah. I mean, look, Steve, I think there's two pieces from a reinvestment standpoint. I think one is on the R&D side. I mean, we're hiring, this year, we'll hire 150 more engineers across the business globally. On the R&D side, we spent nearly 7% of sales on R&D in the second quarter. So product, I mean, really stepping on the gas from a product innovation standpoint, I think it's so critical. I mean, not resting on our laurels of we've launched a great product to kind of what's next and what's next. So I would first say kind of R&D investment is critical.

The second, as you said, is advertising. And there's two aspects to the advertising piece. There's advertising into new categories. We simply – we're still very young in our journey in the beauty space. We're still very young in our journey in the outdoor space. We're still launching into lots of new categories that the Shark and Ninja brands have never been in before. And then there's the geographic expansion. I mean, we're driving real – starting to drive some real scale, particularly in Germany and France. I mean, both of those markets, we're triple-digits in the quarter. I think by the time we get to the end of the year, you're going to see those markets be real contributors to the business.

But there's other places in Europe as well. I mean, the Nordics, Benelux, Italy, and Spain are showing nice growth. Mexico is showing nice growth. And that investment today, likely won't pay off until next year or two years from now as our brands continue to become stronger and stronger. I mean, let's keep in mind that, we didn't sell the first product to a German consumer three years ago. So we're still trying to drive much more brand awareness. We're still trying to kind of diversify into more categories. And I think you'll continue to keep seeing more investments that we make in these new international markets.

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**Patraic Reagan** A
*Chief Financial Officer, SharkNinja, Inc.*

And Steve, if I could just add to that, I think you really hit it in your question when you said, from a position of strength. And so that's where we see ourselves right now and in the near-term. So what you see happening from a reinvestment standpoint is we're playing from that position of strength. We've got a lot of category innovation that we're putting into the marketplace. We've got a lot of communication that we've got to get out in front of consumers. And so the mindset here is that we're really specific and intentional in terms of how we're investing today to help drive future growth. So hopefully that gives you a little bit more context.

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**Steven Forbes** Q
*Analyst, Guggenheim Securities LLC*

Thank you.

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**Operator**: Thank you. Our next question comes from the line of Randy Konik of Jefferies. Your line is open.

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**Randal J. Konik** Q
*Analyst, Jefferies LLC*

Yeah. Thanks a lot. And good morning, everybody. I guess, Mark, you may have some continued new people on the call, investors. So maybe it will be super helpful is you remind us on how you kind of think about framing up the different regions internationally and maybe some country specific commentary on how you think that those markets can unfold from a size perspective going forward over the next few years? That'd be super helpful.

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**Mark Adam Barrocas** A
*Chief Executive Officer & Director, SharkNinja, Inc.*

Yeah, sure. Well, Randy, look, our international business grew 46% overall, and that's on top of very significant growth that we're comping last year. And that 46% is on real scale. I'll start with the UK, which is our largest international market. That market grew 7% in the quarter. That was on top of a 70% growth last Q2. And I think it's important to kind of recognize in the UK that we had a lot of growth last year, particularly in the air fryer category. The business this year, as I said in my remarks, is more diversified, is highly profitable. We're scaling into lots of new retailers. I think we've got a much, much more healthier business in the UK than we did a year ago. We grew 15% in the first quarter. So we're up double-digits and we think that business will continue to grow at double-digits as we move forward the rest of the year.

I would say, secondly, I'll point to Germany and France. Our business in the UK this year will be over $1 billion. The market in Germany is slightly bigger than the UK, the market in France is slightly smaller than the UK. We believe that the German market could be over $1 billion. We believe the French market would be slightly under that. Both of those markets, we're driving significant growth. We're driving significant share. We're getting into more and more retailers. Retailers are giving us more and more placements. And as I said, those markets grew at triple-digits in the first quarter and then followed that up with triple-digit growth in the second quarter as well.

Third, I would say, our kind of other major markets in Europe where the European retailers are pushing us to enter into faster. So, for example, you take a retailer like Euronics, they're the largest electronics retailer in Poland, in addition to being the largest electronics retailer in Germany. They're pushing us to enter Poland faster, and so we'll be doing that in the second half of this year. Currys, one of our largest retailers in the UK, also owns Elkjøp in the Nordics. We will be expanding our business in the Nordics significantly in the second half of the year.

So, unlike in the US, where we might be talking about a retailer like a Walmart or a Costco, I mean, lots of these retailers in Europe are cross-border, which is driving our expansion faster than we anticipated into other markets in Europe. And then I would say lastly would be Latin America. I mentioned earlier that we are taking back our distributorship in Mexico. We see a lot of growth potential for us in Mexico, our business in Mexico is growing quite a bit, both the Shark and the Ninja side of the business. That will take place January 1st of next year. We're growing in many other markets in Latin America as well. So I think sitting here today versus a year ago, a year ago, really amazing growth out of the UK, really starting to plant lots of seeds around the world. I think sitting here today, that 46% growth, a lot of that growth, the majority of that growth was driven by outside of the UK and shows much more diversification and much more balance of the overall international business.

**Randal J. Konik**
*Analyst, Jefferies LLC*

Q

Super helpful. I guess my last question, when you think about the evolution of the brand 16 years ago, maybe the consumer perception was one of great products, great value. And then all these years later, with the rise of the breadth of the assortment and the quality that the consumer perceives of the products, it's interesting to me that you're launching or have launched this super premium type product in coffee, and it almost [indiscernible] (00:52:21) opportunity to kind of further produce some premium type of products or expand the breadth further from a price point perspective in other product categories. So can you kind of touch on that opportunity or potential focus or not over the coming years in not just coffee but other areas of potential opportunity for more discerning customers that would want even more premium products of the great products you guys already produce?

**Mark Adam Barrocas**
*Chief Executive Officer & Director, SharkNinja, Inc.*

A

Yeah. So look, I think, Randy, that listen, it starts with identifying a known or unknown consumer problem and trying to solve that problem. And we want to deliver market leading performance. We want to deliver high quality, reliable products. And we want to do it at an extraordinary value. You point out the Ninja Café Luxe, which we launched at $499. I think if you read a lot of the consumer reviews on that product and even the press reviews, what they're going to highlight is the performance of it, the versatility of it, the fact that it enables the consumer to do so much. But they're also going to point out the fact that even at $499, it's a great value. And to be honest with you, I don't ever want to lose that. I don't fully understand per se, that like are we pushing price points up because we want to push price points up, are we pushing price points up because we think there's an area of the market that we can penetrate but still give the consumer extraordinary value. So I don't want to deviate from that.

Now, that doesn't mean that we're going to be launching some robot products here in Q3 that are going to be pushing price points up. We're going to be launching some other categories of products that are going to be pushing price points up in the beauty space. But I think what comes along with pushing those price points up is the consumer still feels like they're getting extraordinary value with what it is that we're delivering. That's the quotient that I don't want to move away from.

**Randal J. Konik**
*Analyst, Jefferies LLC*

Q

Very helpful. Thanks, guys.

**Operator**: Thank you. Our next question comes from the line of Brooke Roach of Goldman Sachs. Your line is open.

**Brooke Roach**
*Analyst, Goldman Sachs & Co. LLC*

Q

Good morning and thank you for taking our question. Mark, I'm hoping to get your updated thoughts on SharkNinja's approach to portfolio management in the US, including the pace of scaling in new categories relative to history. How are you thinking about balancing the tailwinds from new category entrants and distribution expansion with the mandate for long-term sustainable growth? And beyond 2024, how are you thinking about the pace and impact of additional new category expansion?

**Mark Adam Barrocas**
*Chief Executive Officer & Director, SharkNinja, Inc.*

A

Yeah. Sure, Brooke. Well, look, I would say first and foremost, it's about having a healthy, stable base business. And I think if you look kind of underlying in our business, there's a core healthy base business and we're innovating into the base. I mean, I think a great example of that is we have tremendous market share in things like air fryers, but we just went and launched in the first half of this year, the Ninja Stackable Air Fryer, which is a completely new innovation in that category and it's become our number one selling air fryer product just after being in the market for a very short period of time. So I think, let's start with there's a really stable base and we're driving innovation into that stable base. We're not milking it. We're not driving average sell price down. I mean, we just launched a brand new upright vacuum cleaner called the Shark POWERDETECT. It's $499, it's got amazing technology. It's going to continue to help us not just maintain and grow market share in the corded upright business, but it's also going to help us drive up the average sell price. It's also going to help us promote less. So there's this core healthy, stable base that it starts with.

I think secondly, there's a lot of new categories that we still feel like there are to enter into. You see what we've done this year. I mean, there's still more new categories that we'll be entering into as we get into the second half of next year. I've publicly stated that we'll launch at least one new product category in the Shark brand and one new product category in the Ninja brand each year moving forward. But I think history would show you that we've been able to even do better than that. And I think our roadmap has lots of additional categories for us to be able to expand into. When it comes to some of the retail partners, again, we've got another couple of years of distribution expansion even in places like North America, let alone, multi-years of expansion in some of these international markets where we have anywhere from 6 to 10 of our categories of our 34 overall categories. So I think it's about [indiscernible] (00:57:47) our three-pillar growth strategy. It's driving share in the existing categories. It's continuing to expand into these new categories that we believe that there's more of. And it's continued international expansion that's going to ebb and flow in different markets around the world as we move forward over the next couple of years.

**Brooke Roach**
*Analyst, Goldman Sachs & Co. LLC*

Q

Thanks, Mark. As a follow-up, we've heard a lot of discussion about a potential slowdown in the macro in recent months in the US, as well as some increased competition and promotionality. Are you seeing any change in retail posture with regard to SharkNinja products as you move into the holiday season beyond your core innovation market share gains?

**Mark Adam Barrocas**
*Chief Executive Officer & Director, SharkNinja, Inc.*

A

Yeah. Well, look, I mean, clearly, the consumer has been under tremendous inflationary pressure. And we're empathetic of the challenges that they face. Consumers are more discerning and are continuing to expect more for their hard earned dollars that they invest. And our mission of positively impacting people's lives and our approach to affordable, accessible innovation, we think is kind of a winning recipe right now in today's consumer environment. Retailers are cautious, but I think also retailers have recognized that SharkNinja is driving growth in their business. I think retailers recognize that in the fourth quarter of last year, they were out of stock in a lot of our products as we got to early December. So I'm not necessarily right now, Brooke, seeing any slowdown. I mean, I am seeing cautiousness, but I'm also seeing excitement that the retailers have for the products that we plan to bring to market and the investments in media and advertising that we've shared with them that we're planning to make over the coming months.

**Patraic Reagan**
*Chief Financial Officer, SharkNinja, Inc.*

A

And Brooke, the other thing I would add in that is that, of course, we're very concerned about the macros. Of course, we are. But we continue to believe that we will win through the innovation pipeline with consumer. And so as Mark spoke about earlier, it's like we continue to innovate both from a new and also an existing standpoint. And so, yes, we feel like the consumer will be under pressure, but we also feel like the consumer will continue to vote with his or her wallet in terms of great innovation coming into the home. So we think fundamentally that the [ph] company use (01:00:15) that are going to win, the companies are – and the brands that are going to win over the potential economic cycle that we're starting to hear about are going to be the ones that have got strong brands, going to be the companies that have got strong innovation, and so that's our proposition to the consumer.

**Brooke Roach**
*Analyst, Goldman Sachs & Co. LLC*

Q

Great. Thanks so much. I'll pass it on.

**Mark Adam Barrocas**
*Chief Executive Officer & Director, SharkNinja, Inc.*

A

Thank you.

**Operator**: Thank you. The next question comes from the line of Megan Alexander from Morgan Stanley. Your line is open.

**Megan Alexander**
*Analyst, Morgan Stanley & Co. LLC*

Q

Hi. Thanks so much for taking our question and good morning. I apologize if I missed this. I was just curious whether you could speak to sell-through trends, particularly in North America. In the quarter, obviously, the overall kind of shipment growth rate accelerated. But would be curious if you could talk to what that sell-through looked like relative to I think you spoke about mid-teens in 1Q. Thanks.

**Mark Adam Barrocas**
*Chief Executive Officer & Director, SharkNinja, Inc.*

A

Yeah. So if we just isolate out US retail shipments, US retail shipments grew about 30% and our POS out the door grew about 20%. Retailer weeks of supply are down year-on-year. They were 9.8 weeks of supply at the end of Q2 2023 and they're 8.6 weeks of supply at the end of 2024. The difference between the – I mean, the POS number was very strong at 20% growth. The difference between the POS and the shipments is really an anticipated strong build and result from Amazon Prime Day. Amazon ships in June and the POS comes through in July. So you'll see that in our third quarter POS numbers.

In addition to that, Amazon did build up base business inventory in advance of significant traffic that would be coming through on our brands and even non-Prime Day deals. And we saw that as well from retailers that were running competitive deals around similar time with Amazon. So I think, all in all, our guidance for the balance of the year assumes that POS and shipments are going to be flat. There's always kind of changes quarter-to-quarter where there might be shipping in September and a sell-through in October and November for the holiday season. But in general, we feel good about a strong 20% sell-through at the US retailers.

**Megan Alexander**
*Analyst, Morgan Stanley & Co. LLC*

Q

Awesome. That's helpful. Thanks, Mark. And then, Patraic, maybe just a follow-up on the gross margin expectation for the back half. I think, prior to today, you had been talking about maybe gross margin looking flattish in the back half. It does seem like the guide implies the margin expansion in the back half. Is that due to a better gross margin outlook or is that just leverage on G&A? If you could just kind of unpack the margin expectation too, that would be helpful.

**Patraic Reagan**
*Chief Financial Officer, SharkNinja, Inc.*

A

Yeah. Megan, I think you hit it spot on. So we continue through the first half of the year to see strength in gross margin. And so, as we updated our guidance for second half, that was absolutely part of what we raised through the totality of the P&L. So you can kind of think about for full year now, we're calling out roughly about 175 to 200 basis points of expansion on a full year basis. And so how that breaks down is we obviously saw outsized margin accretion in the first couple of quarters of this year. We see that continuing to expand, but expanding at a slower rate as we now start to lap in the second half some increased margin expansion versus prior year. But we continue to see strength in margin. We're bullish about it and we feel good about where we are. And it also kind of ties back into your question earlier on sell-through. Inventory we feel exceptionally good at right now. So you heard my prepared remarks that we've been very intentional in terms of where we've invested from an inventory standpoint to give us an advantage as we turn into the second half. And so you see that comes through in terms of both our guidance and the inventory levels that we're currently sitting at. So we feel we're in a great position.

**Megan Alexander**
*Analyst, Morgan Stanley & Co. LLC*

Q

Great. Thank you so much.

**Mark Adam Barrocas**
*Chief Executive Officer & Director, SharkNinja, Inc.*

A

Thanks.

**Operator**: Thank you. Our next question comes from the line of Alex Perry from Bank of America. Your line is open.

**Alexander Perry**
*Analyst, BofA Securities, Inc.*

Q

Hi. Thanks for taking my questions here and congrats on a strong quarter. Just first, I wanted to ask, can you talk about how much of the sales growth was driven by new product contribution versus existing products both during the quarter and sort of how you're thinking about that for the back half? And then within the new products that you called out, which do you expect to provide the highest uplift, if we think about sort of FrostVault versus SLUSHi versus the new [ph] EV (01:05:39) category in the fourth quarter? Thanks.

**Mark Adam Barrocas**
*Chief Executive Officer & Director, SharkNinja, Inc.*

A

Yeah. So, Alex, look, I mean, obviously, the lion's share of the revenue was driven by existing products. I mean new products that we launched this year are generating rather small amounts of revenue this year. They'll continue to build as we go through the year. I had referenced on previous calls, for example, that our Shark FlexBreeze, this year would deliver about $40 million in revenue for us. I think that number will probably be more like $50 million. So that kind of gives you a sense of there was a good new product launch, expanded for us about $50 million in sales in the first half of this year.

In terms of what do we expect moving forward, look, we think the SLUSHi business is going to be great. I mean, we're super excited about that. We're only launching that in the US in 2024. That will launch globally in the first quarter of 2025. Café Luxe will launch globally in the second half of this year. So that will not just be the US. We'll launch that in Germany, in France, in the UK, and Canada. We are very excited about that. That super premium coffee espresso market in Europe is very, very large definable market, and we feel like we've got a really disruptive product there. So I'm exceptionally excited about Café Luxe. We just launched our SpeedStyle Pro FLEX Hair Dryer a couple of days ago. And that's one of a couple of beauty products that are going to launch over the next few months. So I think beauty will be a nice growth and uplift for us. But I'll still point back to, we're driving a lot of growth from our new products that we launched in 2022 and 2023. And it's that compounding effect of a strong base business coupled with new products that continue to keep compounding on themselves over the last five years.

**Alexander Perry**
*Analyst, BofA Securities, Inc.*

Q

Incredibly helpful. And then just my follow-up was sort of a similar question about wholesale. Are you seeing strong growth as a result of new wholesale distribution [ph] if you think of like (01:08:12) sporting goods, for instance. And are there any plans for new wholesale distribution in terms of new retailers, both within like a sporting goods, for instance, or maybe expanding into new channels? Thanks.

**Mark Adam Barrocas**
*Chief Executive Officer & Director, SharkNinja, Inc.*
A

Yeah. Well, look, Alex, it's funny, like we've talked about sporting goods, right. But we only, in the quarter, shift one retailer, Dick's, at a very small amount because we were mostly out of stock in the quarter. So I would say that the expansion into sporting goods potentially hasn't even started. I mean, Academy won't ship until Q3. Scheels won't ship until likely Q4. So that whole market of sporting goods, you really won't see any kind of meaningful revenue impact until we get into 2025 or even beyond. In Europe, in Latin America, we're in lots of retailers for the very first time. Retailers like Expert and Euronics and Fnacdarty and Boulanger and Corte Inglés in Spain. And so I would say that all of those are very much kind of in their – they're new in their infancy stages. And then you go into grocery, similar situation. I mean, we're just starting to get products placed into the grocery channel. So small impact to a lot of these things in 2024 and really just setting ourselves up more for 2025-2026.

**Alexander Perry**
*Analyst, BofA Securities, Inc.*
Q

Incredibly helpful. Best of luck going forward.

**Mark Adam Barrocas**
*Chief Executive Officer & Director, SharkNinja, Inc.*
A

Thanks.

**Operator**: Thank you. And that concludes our question-and-answer session. I will now turn the call over to Mark Barrocas for closing remarks.

## Mark Adam Barrocas
*Chief Executive Officer & Director, SharkNinja, Inc.*

Yeah. Well, thank you for joining us and we look forward to speaking with you again soon. Have a great day, everyone.

**Operator**: Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.