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SharkNinja, Inc. (SN)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and thank you all for attending the SharkNinja's Q1 2025 Earnings Call. My name is Brika, and I will be your moderator for today. All lines will be muted during the presentation portion of the call with an opportunity for questions and answers at the end. [Operator Instructions] Thank you.

I would now like to pass the conference over to your host, James Lamb, Senior Vice President of Investor Relations and Treasury. Thank you. You may proceed, James.

James Lamb

Senior Vice President of Investor Relations and Treasury, SharkNinja, Inc.

Good morning and welcome to SharkNinja's first quarter 2025 earnings conference call. Earlier today, we issued our Q1 earnings release, which is available on the company's website at ir.sharkninja.com. A replay of today's webcast will also be available on the site shortly after the call.

Before we begin, let me remind you that today's discussion will include forward-looking statements based on our current perspective of the business environment. These statements involve risks and uncertainties and actual results may differ materially. For more details, please refer to our earnings release and the company's most recent SEC filings, which outline factors that could impact these statements. The company assumes no obligation to update or revise forward-looking statements in the future.

Additionally, during the call, we will reference non-GAAP financial measures, which we believe provide valuable insight into the underlying growth trends of our business. You can find a full reconciliation of these measures to their most directly comparable GAAP measures in the earnings release.

Joining me today are our Chief Executive Officer, Mark Barrocas and Chief Financial Officer Patraic Reagan. Mark will start by providing a business update, followed by Patraic, who will review our Q1 financial results and share our outlook for 2025. Mark will then offer some closing remarks before we open the call to questions. During the Q&A session, please limit yourself to one question and one follow-up.

I would now like to turn the call over to Mark.

Mark Adam Barrocas

Chief Executive Officer & Director, SharkNinja, Inc.

Thank you, James. Good morning, everyone, and thank you for joining us today. This is undoubtedly a challenging time for business, and I'm excited to discuss how SharkNinja has engaged and is responding to the moment.

Our first quarter results demonstrate the consistent strength and adaptability of SharkNinja with our eighth consecutive quarter of healthy double-digit revenue growth. Net sales increased nearly 15% year-over-year globally in a market that is not delivering much growth, a reflection of demonstrable market share gains driven by continued demand for our five-star products that customers love. This revenue growth produced outstanding profitability with adjusted gross margin of 50% and adjusted EBITDA of $200 million in the quarter.

Most importantly, Q1 has given our team an opportunity to do what we do best, rallying together and taking quick action to solve problems. This isn't the first time SharkNinja has encountered really difficult obstacles in the macro environment. We've been here before.

During my 17-year tenure running the day-to-day business, SharkNinja has experienced the Great Financial Crisis, the COVID-19 pandemic, component shortages, and many other challenging periods along the way. In each case, we not only overcame adversity, but we also emerged stronger than ever by sticking to our time-tested playbook focused on customer problem-solving innovation and maniacal execution.

I will speak about how this theme manifests in our exciting product pipeline and three-pillar growth strategy a little later, but I first want to address what is likely top of mind for investors, how we're rising to the challenge of tariffs.

SharkNinja has been navigating tariffs for many years, going back to the original series of tariff actions in 2018 that largely targeted China. We successfully implemented a multi-faceted approach to offset these impacts and our business flourished. In fact, from 2018 through 2024, our adjusted net sales grew at a compounded annual growth rate of more than 20%, and our adjusted gross margin expanded significantly to 49%.

Since that time, we've been actively diversifying our manufacturing capabilities to other countries around the world, mainly across Southeast Asia. We took these steps, many of which required sizable investment and multi-year execution ahead of our competition, a group that largely remains considerably more dependent on China.

Due to our proactive supplier expansion, we expect to have moved roughly 90% of our US volume outside of China by the end of the second quarter and nearly all by the end of 2025. Our high-quality, fast-turn, low-cost, and highly diversified supply chain has taken an enormous effort to achieve and stands as a key competitive advantage for SharkNinja.

The current tariff dynamic has brought considerable new challenges, but despite the evolving policies and resulting uncertainty, I'm extraordinarily proud of the actions we have already taken in a short period to continue driving our three-pillar growth strategy while materially offsetting the impact of tariffs.

Before I get into detail, let me start by saying we have not responded to the moment by pulling back or slowing down. It's quite the opposite. We continue to make decisions that are necessary to drive our confidence in sustainable, long-term global growth and invest behind all the areas that make SharkNinja special, like product innovation, marketing, and go-to-market capabilities. The approach we're taking is not focused only through the lens of our domestic business, but rather globally, with over a-third of our net sales forecasted to come from outside the United States this year.

Our comprehensive tariff mitigation strategy has three key components, how we source, how we sell, and how we control operating costs, each of which I will describe in more detail. The first area of focus is what we internally call the buy-side, ways in which we can drive efficiencies on product costs. I want to break this down into two key areas that we've addressed quickly, factory costs and value engineering.

SharkNinja is fortunate to have deep, trusted relationships with our suppliers, many of which go back decades. In a short time, we mobilized our global supply teams to secure cost downs, and our factory partners are engaging actively with the majority of our largest Tier 1 and Tier 2 suppliers, granting concessions. Additionally, we're leveraging our diversified global supply chain and expanding dual-source capabilities to shift production to partners with the lowest-cost offers. This flexibility enables us to substitute high-tariff items in China with products from Vietnam, Indonesia, Cambodia, Thailand, and Malaysia.

Value engineering is a core competency that optimizes function and value with the pursuit of reduced manufacturing costs, all while maintaining the quality and reliability that customers expect from SharkNinja. In the first week after reciprocal tariffs were announced, we engaged in a large-scale value engineering effort to identify over 1,500 cost savings opportunities, changes to configurations, features, packaging, finishes, all of which will help lower product costs while continuing to delight consumers.

Let's move to the sell-side, where there are four areas of focus, pricing, promotions, retailer programs, and assortment management and mix. From a pricing perspective, we sell in the mid-to-upper tier of the market, and we don't participate in the opening price segments. Our promise to the consumer is to deliver products that are highly innovative, with market-leading performance and exceptional quality at a great value.

We can maintain this value proposition to consumers as we strategically identify areas where we can drive increased average sell price for our products, not just in the United States, but globally. We're already selectively increasing prices for several of our key products, and we'll continue to look for additional opportunities.

Our Ninja Luxe Café premium Espresso product exemplifies this strategy, as we recently raised the price on this product from $499 to $549 with no degradation in demand. It has, in fact, now become the number-one selling Espresso maker SKU in the US market just six months after launch.

Marketing and advertising plays a major role in our pricing power. We continue to invest in demand generation to drive awareness for our five-star products, many of which become viral hits fueled by user-generated content.

The power of this organic demand allows us to charge a premium for these kinds of products without impacting overall sales trends, and we're executing on this advantage. As we continue to invest here, we have also been able to lower the degree of promotional activity. We've already started optimizing our promotional calendar, and while we still want to participate in key selling periods, we believe we can do so with a limited product assortment and at lower discount levels.

This concept extends further to how we work creatively with retailers to address program elements. We've taken steps to reduce certain retailer programs and fixed expenses, like [ph] in-cap (00:11:28) placement, and instead collaborate on revenue generating co-investments that become a true win-win.

Our long-standing relationships with our retail partners, together with a strong pipeline of products, allows us to quickly execute these changes.

Finally, let's touch on assortment management and mix. We're working closely with our retail partners to optimize our product assortment by eliminating low-margin products and replacing them with higher-margin versions. The inventory pre-build we've been executing in anticipation of tariffs is allowing us to quickly move on these substitutions with our retail partners.

On the mix side, we're looking at gross margins and pricing of our new products to maximize both at launch. As an example, we originally intended to price CryoGlow in the US at $299, but launched it at $349 based on the strength of the product distinction and the consumer appetite, and the reception has been phenomenal.

FlexFlame is a similar story. And the retail price of $999 in the US is the highest in our overall product lineup. Mix also relates to how we're thinking about geographic expansion. Products that were originally going to launch first in the US this year are now going to initially launch in other markets. Our global footprint enables this optionality as we continue to utilize some of the capacity from US production for international markets like LATAM and EMEA.

There's a high demand globally for products like Espresso, SLUSHi, CryoGlow, CREAMi, robots, hair care, and many more as we're taking a portfolio management approach to direct volumes to the right markets.

The third area we're looking at closely is how we can strategically manage operating expenses. While the overall orientation of SharkNinja definitely remains towards growth, we're scrutinizing certain places where our spending can be streamlined and optimized. We're focusing efficiency efforts on our largest OpEx categories, including head count additions and certain media spending, while maintaining an aggressive growth strategy.

In parallel, our commercial and operations groups are driving additional cost savings. Critically, we don't expect these cost reductions will limit investment in our key differentiators, R&D and product innovation. With a healthy balance of investment for growth and overall cost discipline, we expect to see leverage on operating expenses as -a percentage of net sales for the full year. So let's bring it all together with an update on where we stand.

When we last spoke in February, we had already leveraged this proven three-prong approach to fully absorb the incremental 10% tariff increase on China at that time. Since then, even as the scope of global tariffs has expanded significantly, our teams have gone above and beyond working around the clock to identify, quantify, and implement powerful offsetting measures.

We've upped our efforts significantly across buy-side optimization, sell-side optimization, and operating expense management to be in a confident position to lead through this dynamic and evolving tariff landscape. Our updated 2025 guidance, where we're raising numbers across the board, reflects this confidence as we remain nimble and drive our strategy forward to win.

Now, let me turn back to Q1 and our three-pillar growth strategy, starting with our first pillar, expanding into new and adjacent categories. SharkNinja now participates in 37 subcategories with a commitment to enter at least two more per year as we further expand within and around the home.

In 2024, we overachieved by launching into four new subcategories that are generating a lot of engagement. Frozen drink appliances, skin care, coolers, and fans. We're thrilled to see how this innovation is resonating with customers and our retail partners.

In the Ninja business, our SLUSHi frozen drink maker is a smash hit with incredible engagement on social media, including over 1 billion impressions globally as consumers share recipes, photos, and more.

On the Shark side, CryoGlow is revolutionizing the at-home experience for MedSpa-quality skin care. After the runaway success of our launches in the UK and Mexico, we debuted the product in the US at the beginning of 2025 and people are raving. Feedback from influencers, celebrities, and adult consumers of all ages and demographics have highlighted the numerous benefits that CryoGlow can provide across acne, fine lines, and other skin wellness use cases.

As I touched on earlier, when discussing demand generation, social media plays a vital role in creating buzz and driving demand, especially for new product introductions. This quarter, our innovative new Shark TurboBlade fan has become a viral sensation on TikTok and other platforms with nearly 100 million impressions already.

Countless unboxing videos and other content showcase the ease of setup, eye-catching aesthetic, and incredible versatility of this one-of-a-kind bladeless multi-directional fan. This groundswell of consumer excitement is delivering very strong sales momentum for TurboBlade as well.

Outside of the home, our Ninja FrostVault and Shark FlexBreeze product lines are getting more placement, including at several prominent outdoor retailers as we look forward to this summer season.

In Q1, we rolled out exciting new product extensions on both products, including several styles of wheeled coolers, multiple size options, and different colors for FrostVault. Within our FlexBreeze family, the launches of HydroGo and Pro Mist offer incredible versatility for almost any occasion with misting capabilities and easy portability for indoor and outdoor use.

As SharkNinja continues to reimagine what's possible with outdoor products, our new Ninja FlexFlame propane grill stands out as truly revolutionary. This innovation is the brand's first propane system that offers the cooking features of a grill, a smoker, a pizza oven, a roaster, and a griddle all under one hood.

In a category where there's generally very limited newness, we believe FlexFlame is the most disruptive product in years. We can't wait to see what we're able to accomplish in this $5 billion-plus global market as we're off to a fast start.

The product debuted in North America in Q1 with Ninja brand ambassador David Beckham, and consumers are reacting with great fanfare. Across our two brands, we have several exciting new product launches planned for the second half of 2025 and no intention whatsoever of slowing down our unstoppable innovation engine.

Let's turn to our second growth pillar, growing shared existing categories. We attack this initiative in two primary ways, adding brand new SKUs into a category where we already have a strong position and bringing innovation to a legacy platform that solves customer problems in a new and differentiated way.

A good example is ice cream, where Ninja Swirl by CREAMi is redefining a category that we currently already lead. Many of you know that the CREAMi ice cream system has been a runaway success, but that didn't stop us from listening to customers about how we could improve even further.

This feedback led to Swirl by CREAMi, which adds soft serve capability in a fun and versatile way. It's important to underscore just how much of a wow factor this carries, both for consumers and for SharkNinja. Not only has demand been outstanding from brand new customers, we're actually seeing scores of existing CREAMi owners interested in upgrading to Swirl because the feature set is so compelling and differentiated.

Internally, Swirl is a testament to how we're rarely satisfied, even with mega hits, because we always challenge ourselves to rapidly achieve the next breakthrough before anyone else does. Consistently delivering on this promise within our existing product lines is something SharkNinja excels at, with several other highlights to call out this quarter.

Shark cordless vacuums are a staple of our cleaning business and perform strongly in Q1, driven by our proprietary PowerDetect technology that senses debris, floor types, and other elements to maximize cleaning efficiency.

Finally, I'd like to spotlight Ninja CRISPi, our portable air fryer product that lets consumers prep, cook, serve, store, and re-crisp all in one system. With our exclusive tempered glass containers, consumers can enjoy all the benefits of cooking and storing with glass, in addition to the huge convenience unlock that our portable air frying system enables.

Within the US and EMEA air fryer markets, where Ninja already owns the number one brand position, CRISPi saw another strong quarter of growth as evidence on how ingenuity born from our relentless focus on consumer needs is rewarded in the market by consumers and retailers alike.

Ground-breaking products like Swirl or CRISPi might represent another company's entire innovation calendar for a given year, but at SharkNinja, they're examples of the kinds of disruptive innovation we aim for across our whole portfolio of categories.

Our third growth pillar focuses on international growth, where we've consistently found success due to the global appeal of our products. Our international business has grown considerably over the past several years, and is now approaching a third of total net sales as we continue to build vibrant global brands that stand for innovation and quality.

International remains a huge growth opportunity for SharkNinja and grew a robust 14% year-over-year in the quarter, but there are two items we have previously called out that impacted this quarter. The first is in our UK business, where the shift of Easter-related shipments into Q2 created a Q1 timing issue. Also, we intentionally prioritized North America demand for key launches like CRISPi, SLUSHi, and Luxe Café in Q4 2024 and Q1 of 2025. As we turn into Q2, we expect these new product launches will accelerate growth, reinforcing our position of strength in the UK market.

Second, we mentioned in February that the transition of our Mexico business from a distributor model to a direct market triggers a one-time revenue reversal as we repurchase distributor inventory. This impact landed almost entirely in Q1, so we expect the Mexico business to grow once again for the remainder of the year.

Elsewhere in Latin America, we're growing meaningfully in markets like Chile, Colombia, and Central America. Strong and growing relationships with retail partners are just as critical to our international success as they are within domestic business. In Europe specifically, I'm pleased to say we have recently completed new agreements with most of our major partners to gain considerable additional shelf space ahead of holiday 2025.

Consumers are clamoring for our products. Retailers are committing to us in a bigger way, and we're very enthusiastic about the potential we see all around the globe. The breadth of our three-pillar growth strategy equips SharkNinja with multiple ways to drive towards durable success.

This distinction has never been more important than right now with pronounced cross-currents in the macro economy. Despite the level of uncertainty and shifting consumer sentiment, our product hallmark, performance, quality, and value are still resonating. You can see this in our results and retailer data with strong POS trends year-to-date ahead of shipments and a carefully crafted strategy around inventory growth to complement our tariff-mitigation plan.

Patraic will walk through the details in a moment, but we feel very good about our inventory position as a key advantage to fuel future growth, and we consider our liquidity and leverage profiles to be excellent.

It's also important to remember just how diversified SharkNinja has become over the last several years. We participate in vast addressable markets across various price points, channels, retailers, demographics, geographies, and more. Our strong and growing portfolio of categories and distribution vectors is a huge part of our long-term strategy that also guards against becoming overly dependent on just one or two ways to win.

We remain committed to launching at least 25 new products in 2025 with an unwavering focus on our future pipeline. As I spoke about earlier, the more disruptive innovation SharkNinja can bring at the enormous and compounding scale we have today, the more distance we'll continue to put between ourselves and everyone else.

Before I wrap up, I'd like to reiterate a few of the key reasons we're so pleased about Q1 and so optimistic about moving forward. First, we've implemented various initiatives that are taking aggressive actions to mitigate the impact of tariffs across buy-side, sell-side, and OpEx workstreams, as discussed.

Second, consumer demand for SharkNinja products remains high. The various top-line metrics we monitor were solid throughout Q1, and Q2 is off to a good start. Finally, we're confident in our ability to gain market share against the competition, despite any macroeconomic shifts that may manifest this year. This confidence comes from all the things that make SharkNinja unique.

An obsession for the consumer, our exceptional innovation engine, our world-class demand generation capabilities, a healthy and improving financial profile, our diversified and resilient global supply chain, and the tireless pursuit of excellence that is core to our culture. These success drivers have always defined SharkNinja from within, and we're proud to see this reflected with external recognition as well.

This quarter, we received two tremendous honors. First, Newsweek named us to their list of Most Trustworthy Companies in America 2025. This accolade is based on a survey result from over 25,000 US residents overlaid with a proprietary social listening analysis.

We were also named to Fast Company's prestigious list of the World's 50 Most Innovative Companies of 2025, earning the number 27 spot overall and number two in the Design category.

In an excerpt from our press release, Fast Company editor-in-chief Brendan Vaughan made a fitting observation. He described this year's list of winners by saying in part, at a time when the world is rapidly shifting, these companies are charting the way forward. None of this momentum would be possible without the incredible team at SharkNinja, for which I'm incredibly thankful, especially during these last several weeks as we mobilize to face new challenges head on.

As I said at the beginning, this is what we do best. We don't wait. We act. We don't pull back. We deliver, and we win together. And now Patraic will walk you through our first quarter financials and updated 2025 outlook.

Patraic Reagan

Chief Financial Officer, SharkNinja, Inc.

Thank you, Mark, and good morning, everyone. We're off to a strong start in 2025, and I'm excited to review our first quarter results and increase guidance. As mentioned in our previous earnings call, Q1 had a lot of puts and takes, but in the end, we did what we said we were going to do and overachieved our plans.

We continue to succeed by executing on our clear three-pillar growth strategy. Our Q1 performance demonstrates that we are delivering on this strategy while at the same time navigating complex operational shifts. We continue to expand both product categories in which we compete and geographies where we serve our consumer. And we are delivering these results all against the backdrop of policy uncertainty affecting our manufacturing centers.

Now, let's review the quarter. Net sales in Q1 increased 14.7% year-over-year to more than $1.2 billion. Adjusted EBITDA decreased 13% to $200 million, which was, from an investment perspective, largely the purposeful result of substantial investments to fuel our growth, including driving international expansion, new product development, and advancing our supply chain diversification initiatives.

We expected our geographical regions to grow similarly in Q1, and we saw just that. As year-over-year, net sales grew 15% domestically and 14% internationally. As we previously discussed, the transition of our Mexico distributor business to a direct model occurred in Q1 and has been successful, albeit with known revenue in adjusted EBITDA headwinds in the quarter. Additionally, our international business outside of our UK air fryer business grew significantly across all regions with particular strength in Central Europe.

Turning to performance by category, all four of our major product categories saw growth in the quarter. Net sales in the cleaning category increased 5% year-over-year to $441 million from $422 million. Our cordless and extraction subcategories drove performance this quarter, while corded and robotic vacuums lagged a bit. Net sales in the cooking and beverage category increased 5% year-over-year to $346 million, compared to $330 million.

As we mentioned last quarter, we expected a challenging compare in the UK air fryer business in Q1 due to outsized growth last year. But this was more than offset by the strength of CRISPi in the US and our Espresso business globally.

Net sales in the food preparation category increased 45% year-over-year to $297 million, compared to $205 million. This strong growth was driven by the continued success of our SLUSHi frozen drink maker, as well as the launch of Swirl by CREAMi, which Mark touched on earlier.

Finally, our beauty and home environment category increased 26% year-over-year to $138 million, compared to $110 million. Exciting momentum behind our new CryoGlow skin care product and broad-based strength in FlexBreeze fans and air purifiers fueled growth in this category.

Now, let's move to gross profit. In the first quarter, adjusted gross profit increased 13% year-over-year to $613 million, or 50.2% of net sales. Adjusted gross margin declined roughly 60 basis points year-over-year, as anticipated, with cost optimization and mixed upside offset primarily by the impact of tariffs and the lapping of full price sell-in within EMEA of certain products like air fryers.

Investing to drive further separation between us and the competition is a crucial strategic imperative at SharkNinja. As a result, we will continue to prioritize investment specifically, but not limited to R&D, product development, sales and marketing, geographic expansion, and supply chain diversification. In short, we continue to keep our foot on the gas, investing in ourselves and our growth strategy.

Research and development expenses increased 26% year-over-year to $88 million, compared to $70 million in the year-ago period. We are very excited about our new product pipeline for 2025 and beyond, fueled by our powerhouse product development and engineering talent we have on staff and continue to add to our teams.

Sales and marketing expenses increased 29% year-over-year to $276 million, compared to $215 million in the year-ago period. As with previous quarters, this increase was driven primarily by our strategic investment in advertising and personnel to support our new product rollouts and expansion into new markets, as well as higher delivery and distribution costs from increased order volumes, mainly in our direct-to-consumer businesses.

General and administrative expenses increased 8% year-over-year to $95 million, compared to $88 million in the year-ago period. Personnel additions and strategic technology investments made up the majority of the increase this quarter.

Our GAAP-effective tax rate was 19% in Q1, driven by a discrete benefit in the quarter related to stock-based compensation, while our non-GAAP-effective tax rate was 23%. Adjusted net income for the first quarter was $124 million, or $0.87 per diluted share, compared to $149 million, or $1.06 per diluted share, in the year-ago period. Adjusted EBITDA for the quarter decreased by 13% year-over-year to $200 million, or 16.4% of net sales, compared to $231 million, or 21.6% of net sales in the prior year.

Turning to the balance sheet and cash flow, one of the key advantages SharkNinja holds is our strong financial foundation that enables us to move quickly and opportunistically. You saw this throughout 2024 as we pre-built inventory while also accelerating our investments to diversify our manufacturing capabilities. In Q1, we once again utilized our strong balance sheet to secure additional inventory and make further progress on our goal to shift US volumes outside of China to enable enhanced optionality regarding future production.

At the end of the first quarter, cash and cash equivalents totaled $225 million, up 70% year-over-year, with total debt outstanding of $770 million for a net leverage ratio of 0.6 times. We also have nearly $490 million of capacity available to us on our $500 million revolving credit facility. Our minimal debt and strong liquidity enable rapid decision-making that transforms challenges into opportunities, as demonstrated by our strategic inventory management and manufacturing diversification.

Inventories reached $973 million, exiting the quarter, up 30% year-over-year, with just under half of this increase due to intentional pre-builds related to tariffs.

Before I turn to our updated outlook for 2025, I want to provide some context regarding the dynamic operating environment we find ourselves managing through. The evolving rates on both imports from China and our other manufacturing centers have us analyzing and modeling a wider range of scenarios and outcomes.

As Mark mentioned earlier, we have been exercising all opportunities available to us on both our buy-side and sell-side as we navigate the ambiguous environment. The strength of our innovative products, deep consumer connections, and strong relationships with our factory partners provide us with a powerful playbook of options in working with retailers and consumers while evaluating a wide array of tariff outcomes. Our revised outlook assumes tariffs remain where they are today, reflecting 145% for China and 10% for the remainder of Southeast Asia.

Our guidance ranges are inclusive of these tariff assumptions in our mitigation efforts to offset, which are highly dependent on evolving global actions and reactions, as well as yet unknown relative consumer strength in retailer strategies.

I want to underscore that even in this current environment of heightened macro and policy uncertainty, SharkNinja remains relentlessly confident in our existing products, robust innovation pipeline, and our ability to execute. While no one has a crystal ball on exactly how things will play out, we believe the resilience of our three-pillar growth strategy and our financial flexibility positions us well to adapt in the near term and continue to grow stronger in the mid to longer term.

With the above context in mind, let's review our updated outlook. For the full year 2025, we now expect net sales to increase between 11% and 13%, slightly above our prior guidance of a 10% to 12% increase. Adjusted net income per diluted share is now expected to be in the range of $4.90 to $5, compared to $4.80 and $4.90 previously. Adjusted EBITDA is now expected to be in the range of $1.09 billion to $1.11 billion, representing growth of 15% to 17% year-over-year, compared to $1.07 billion to $1.09 billion, representing growth of 13% to 15% year-over-year. Net interest expense is still expected to be flat to 2024, and our GAAP-effective tax rate remains in a range of approximately 24% to 25%.

Now, with respect to capital expenditures, we are reaffirming our previous guidance of $180 million to $200 million for the year, likely at the higher end of the range. Mirroring our conviction behind critical investments in operating expenses, we are intentionally tracking toward the higher end of our CapEx range as we remain committed to foundational supply chain investments that we believe will benefit SharkNinja now and into the future.

To close, our strong Q1 performance demonstrates the continued effectiveness of our three-pillar growth strategy and our ability to deliver impressive results across key categories and markets. We feel especially confident about the aggressive actions we are taking to mitigate tariff impacts through our comprehensive initiatives around sourcing, supply chain, pricing, mix, and operational efficiency, all while maintaining our strong margin profile.

With our diversified portfolio, strong consumer demand for SharkNinja products, and exceptional innovation engine, we remain confident in our position to drive exciting top and bottom-line growth in 2025 and beyond.

Finally, I would like to welcome James Lamb as our new Senior Vice President of Investor Relations and Treasury. James joins us from Wayfair, where he led both functions in addition to capital markets and tax during his tenure. Previously, he spent 18 years as a long-only equity research analyst. He's looking forward to working with all of you, and we are happy to have him on board.

Now, I will hand it back to Mark.

Mark Adam Barrocas

Chief Executive Officer & Director, SharkNinja, Inc.

Thanks, Patraic. By design, we've gone into great detail today to really illustrate how comprehensive and unique our strategy is to power through all the uncertainty out there. It is exceedingly rare to take on all these things we're doing while still driving world-class innovation across dozens of major categories.

What we're accomplishing is hard to do, plain and simple. And there is one final point I want to drive home. SharkNinja has never prioritized solving for today at the expense of tomorrow. By steadily investing behind consumer insight, innovation, marketing, and distribution, we're continuously planting the seeds that produce durable organic growth over time.

This winning strategy has proven itself time and time again for SharkNinja. In past periods of great upheaval or seemingly impossible challenges, we've come out better positioned for the long term, smarter, more differentiated, and more determined than ever. Thank you.

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

QUESTION AND ANSWER SECTION

Operator: Thank you, Mark. We will now begin the question-and-answer session. [Operator Instructions] The first question we have comes from Randy Konik with Jefferies. You may proceed.

Randal J. Konik
Analyst, Jefferies LLC

Q

Good morning, guys, and great stuff yet again. So one thing, Mark, I wanted to ask you about that would be super helpful. We put out a product that kind of tracks search interest across your different products. There's a ton of them.

And one thing that we notice a lot in our work is this accelerated search and interest in the new products, which you want. It's a super healthy demand indicator. What do you think is different today beyond social media that is really helping the consumer discover or find out and notice these new products more quickly than in years past?

Just really kind of – we all know about the innovation engine you have, but I think it's also just as important to understand that discovery process that's accelerating as well on the side of the consumer. Thanks.

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

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Yeah, thanks, Randy. So, look, if I go back in the business 10 years ago, we would put a product out in the market. No one would know the day that we're launching it. There'd be no sign up. There'd be no waitlist. It would take three to six months for kind of the demand to start building on the product. I mean, even if we run advertising around it, it would take some time to kind of ramp up.

I think one of the things that is first exciting, Randy, is the installed base that we have. The email file that we have, I mean, when we go out with a new product and on the day that we're launching it, we generally have a very large amount of signups from consumers that are already interested in purchasing it.

I mean, we launched the Swirl by CREAMi in the first quarter of this year. We launched it on a Tuesday morning at nine o'clock, and we were selling a unit every eight seconds. So, we could have launched the product 10 years ago, and on the day that we launched, we would have sold two units, and likely those were two units that sold to the competition.

So, I think we've got this big installed base. We've got a big file that we're marketing to. We've got consumers that are kind of waiting for the next product. We're seeding influencers with our products before launch, so they're already going out and they're already teasing the products.

I mean, Swirl was a great example. We brought about 15, 20 really strong CREAMi influencers behind the scenes. We let them use the product for 30 days. We let them develop content, and they were already seeding content two weeks before the product was launching into the market. So, it was already starting to build excitement and awareness for the product before we even launched.

So, I think it's a model that we continue to keep refining. It's a model that we're seeing that's working in the United States and Canada and particularly in the UK. It's a model that we're tweaking for places like France and Germany and Mexico. But overall, I mean, there is just a lot more awareness and excitement the day a product launches versus waiting for three to six months for that to build up.

Randal J. Konik
Analyst, Jefferies LLC

Q

Super helpful. And my last question is, in the script, you talked about solid sell-through and expanded shelf space, I think, acquired in the European market, obviously beyond the UK. Maybe elaborate on that a little bit more on what countries, [ph] could be (00:48:16) a little more specific there? And then maybe weave that in with all the exciting talent announcements you've been kind of putting out there from press releases that seem to be kind of analyzing even more ability for this business to continue to scale and globalize going forward? Thanks, guys.

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

A

Yeah, so, I mean, specific to the Europe part, I mean, I think what's exciting, Randy, is the relationships that are being built with the European retailers all the way up to the CEO's level. I had a CEO of a major UK retailer in Boston and had dinner with them a couple weeks ago. I'm headed to Paris next week and I'm meeting with the CEO of a major retailer there and having dinner with them, same in Germany.

So, I think the relationships have really, really developed considerably because they're seeing the innovation, they're seeing the viral marketing, they're seeing the investment that we're making in the category. Many of these categories in Europe are not growing today. And I think they're recognizing the kind of SharkNinja as a partner that they want to build their business around.

And so, as a result of that we've seen an increase in commitments that we've received for particularly this holiday selling season in both the Shark and Ninja brands. And it's Germany, it's France, it's Benelux, it's the Nordics we're expanding in Poland, we're expanding in Spain. And a lot of these European retailers have stores in multiple countries and so they're pushing us to continue to expand with them into these other markets.

On the talent side, I think that one is a really exciting one. We have this concept here that we talk about, which is building an unstoppable team of people that you would never want to compete against. And I think that on the product development and engineering side I think we've done that over the course of the last 10 or 15 years.

I mean, I think we have an extraordinary team of product developers and engineers. We made a big new hire with Linus Karlsson coming in to really develop our global creative teams. We also announced in conjunction with that that we were opening a creative marketing design office in New York City.

We've just expanded that now with Michelle coming on board and Kleona coming on board. I mean, we think beauty is going to be a category that is going to generate significant global growth for us over the next five years. And we really feel like we need the talent that is going to be able to help us propel in those categories to the next level.

But that's not only happening at the senior level. I mean, it's also happening down in the organization as we continue to keep bringing in really talented really bright folks to help us expand and grow the business.

Randal J. Konik
Analyst, Jefferies LLC Q

Super helpful. Thanks, guys.

Operator: Thank you. We now have Brooke Roach with Goldman Sachs on the line.

Brooke Roach
Analyst, Goldman Sachs & Co. LLC Q

Good morning, and thank you for taking our question. Mark, I was hoping you can provide some further color on tariff mitigation. There's a lot said in the prepared remarks, but have you fully offset the current tariff rates based on your initiatives for the US this year? What proportion of that mitigation is driven by the buy-side, the sell-side, and your proactive inventory builds?

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

Yeah. Okay. So, Brooke, I mean tariffs have hit us obviously in multiple phases. I mean obviously the 301-Tariff Exclusion lapsed in 2024, and so we had 25% tariffs coming in on many of our categories in 2024. We had the 10% tariff in February, the additional 10% in March the other tariffs that came into effect in April. And we quickly mobilized around the three pillars that I talked about in the prepared remarks on the buy-side, the sell-side, and the operating expense side.

The impact of the tariffs was hundreds of millions of dollars. I wouldn't say that we have 100% mitigated the impact of that. I think we got comfortable to the point where we feel that we were able to put out the numbers that we were able to put out based on the world that is today, I mean, which is 145% tariff in China and 10% tariff everywhere else. I mean, we're assuming that that's what it's going to be through the end of our fiscal year.

In terms of the breakdown on the buy-side, sell-side, and the operating expense side, look the operating expense is the most fixed one because that's the one that's totally in our control, and we've made those changes, and I'm at least happy to say that we're not going to go after places like R&D and innovation. I mean, we're going to continue to launch 25 new products into the market this year. We do need to get more efficient with our marketing and advertising spending.

And so that was a project we were already working on. We've continued to accelerate that, and we've identified kind of other operating expense areas for us to be able to pare back on and find efficiencies with.

On the sell-side, look, that's going to be a fluid thing. I mean, we're going to raise prices on certain products. Some of those prices are going to stick and have no demand generation impact. Other of those, we might have to dial back a little bit. So what I could tell you, Brooke, is that this is a business that gets the data, reacts very quickly, adapts to the environment that we're in, pivots quickly, but I think between the buy-side, the sell-side, and the operating expense side we feel like there's a good portion of those tariffs that are going to be mitigated, but it's obviously not 100%.

Patraic Reagan
Chief Financial Officer, SharkNinja, Inc.

A

Yeah. Hey, Brooke, this is Patraic. One thing I would just add on to what Mark was saying is leading up to the call we'd seen a lot in the press and then even some notes this morning that were just like how is SharkNinja able to pivot so quickly?

And what I would just kind of add on is that we've essentially been in training for this for several years. And so where we feel like we've got a competitive advantage in this is all the work, the playbook that we leverage in terms of how we have agility and flexibility in our supply chain.

And when April 2nd hit, we had already been working the problem. We obviously saw that we got some news that we didn't expect, the world got some news that wasn't expected, and we quickly pivoted into that playbook. And we've been able to kind of work through that in really a truly unique SharkNinja way.

And just to tie this back to one comment that Mark made earlier is this gets right to the heart of the talent and talent profile and the culture that's in play every day here at SharkNinja. So, it's allowed us to take quick and decisive actions as we try to manage the uncertainty that we're facing into.

Brooke Roach
Analyst, Goldman Sachs & Co. LLC

Q

Patraic, one quick follow-up. Can you help us understand what gross margin assumptions are embedded within the guidance and how that should cadence throughout the year?

Patraic Reagan
Chief Financial Officer, SharkNinja, Inc.

A

Yeah. So fundamentally, Brooke, without going into too great a detail, I mean, you saw that overarchingly, we've not only reiterated, but we've raised our guidance on a full-year basis. So, we fundamentally feel very strong about how we're managing through the year.

Now with that being said, we're continuing, as Mark mentioned earlier, to be very nimble in how we're evaluating gross margin as we make our way through the year. And so, what you can expect is, as we get into the back half of Q2, into the second half of the year, that we're going to continue to evaluate the levers that we're pulling, whether that's on price, consumer reaction, strategies with our retailers. And we'll adjust particularly on what we call the sell-side as we move forward throughout the year.

So while I can't give you a specific number on gross margin, that's how we're managing our way through it. So, it's kind of constant read and react.

Operator: Thank you. We have the next question from Rupesh Parikh with Oppenheimer & Co. Please go ahead.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

Good morning, and thanks for taking my question. So, I guess just going back to North America, so very positive comments during quarter-to-date POS trends. Any sense of whether you saw any pull-forward in demand in North America? And then how you think about just the growth for North America, just given a more uncertain environment going forward?

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

A

Yeah. So, Rupesh, I don't think that we saw a pull-forward per se. I mean, I our products are have an average sell price of $199 to $229. I mean, I think that may be kind of higher ticket items that you might be seeing the pull-forward from.

In terms of how do I see North America going forward, baked into our numbers, I mean, we're assuming that there will be some revenue disruption in North America as a result of out of stocks that there'll be products that we will not be able to bring in sufficient inventory from China. I talked about we're going to be moving some of our new products that we expected to launch in North America or in the United States.

We're now going to launch them first in Europe. It's kind of the opposite of what we faced last year where last year, we had such strong demand that we didn't launch some of these new products in Europe. We only kept the inventory that we had for the United States.

I think you'll see the opposite of some of that this year, where there'll be products as we get into Q3 and Q4 that we've now quickly shifted and said we'll launch in Europe and the UK first and then see how things play out and kind of move those products outside of China and then be able to bring them into the United States, maybe in Q4 or into Q1 of next year.

So, look, I think demand in North America we continue to feel upbeat about it. I mean, the retailers are supporting us. I mean, the retailers feel that they're excited. I mean, they're obviously concerned about supply. But I think we'll get over some of those little hiccups in supply and kind of movement in NPD. And overall, I mean, I feel like the domestic business is healthy.

Rupesh Parikh
Analyst, Oppenheimer & Co., Inc.

Q

Great. Thank you. I'll pass it along.

Operator: Thank you. We now have a question from Steven Forbes with Guggenheim Securities. You may proceed with your question.

Steven Forbes
Analyst, Guggenheim Securities LLC

Q

Good morning, Mark, Patraic, James. Mark, maybe just expanding on that point, right? You think about this environment in the retailer-vendor relationships and how they're evolving, where the opportunity is specifically for Shark?

Can you maybe just reframe for us? I know you provided some comment in the prepared remarks, but can you just talk about how the conversation with your core US retail partners has evolved? What are they really asking from you today? Is there a huge shelf space opportunity ahead for Shark this year in particular, right, due to the advantages you highlighted in the prepared remarks? And how do you sort of give them confidence of this sort of mutually beneficial outcome that Shark can bring to the table?

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

A

Yeah. Steve, the conversations, I think, have been highly collaborative. I mean, they understand the situation that we're in. They see the steps that we're taking. I think the increases that we're talking about passing along are smaller than what they're going to see from others in certain categories. I think they're very appreciative of the fact that we made some of the supply moves outside of China much faster.

I think they're asking us is the innovation pipeline going to continue at the pace that it's been at? Are you going to continue to keep investing in media at the way that you are? I mean, those are some of the big questions that they – what they're hearing a lot from vendor communities is big pullbacks, big retrenching. And what I think they really want to know is, is SharkNinja still investing? Is SharkNinja still going to drive people into their stores and drive people online? And is it still going to maintain its innovation flywheel cadence and its viral marketing approach?

And so I think that's the assurance that we need to give them and have been giving them that this is not a business that is going to recoil but we're going to invest. And they've asked us a lot of questions about our new product pipeline. We're going to do everything we possibly can to make sure that the holiday selling season is as great as it possibly can be.

I mean, we've got a great balance sheet. I mean, we're investing. They're counting on us for growth, and I think we need to step up and deliver for them.

Operator: Thank you. I can confirm that does conclude the SharkNinja's Q1 2025 earnings call. You may now disconnect. Thank you for your participation, and please enjoy the rest of your day.