

S&P Global
Market Intelligence

SharkNinja, Inc. NYSE:SN

Earnings Call

Thursday, November 6, 2025 1:30 PM GMT

CALL PARTICIPANTS	2
PRESENTATION	3
QUESTION AND ANSWER	11

Call Participants

EXECUTIVES

Adam Quigley
Chief Financial Officer

James Lamb
Senior VP of Investor Relations & Treasury

Mark Adam Barrocas
President, CEO & Director

ANALYSTS

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

Brian Christopher McNamara
Canaccord Genuity Corp., Research Division

Brooke Siler Roach
Goldman Sachs Group, Inc., Research Division

Phillip Blee
William Blair & Company L.L.C., Research Division

Randal J. Konik
Jefferies LLC, Research Division

Rupesh Dhinoj Parikh
Oppenheimer & Co. Inc., Research Division

Steven Paul Forbes
Guggenheim Securities, LLC, Research Division

Presentation

Operator

Good morning, and thank you all for attending the SharkNinja's Third Quarter 2025 Earnings Call. My name is Brika, and I will be your moderator for today. [Operator Instructions]

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 VP of Investor Relations & Treasury

Good morning, and welcome to SharkNinja's Third Quarter 2025 Earnings Conference Call. Earlier today, we issued our Q3 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, Adam Quigley. Mark will start by providing a business update, followed by Adam, who will review our Q3 financial results and share our outlook for 2025. Mark will then offer some closing remarks before we open the call to questions. [Operator Instructions]

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

Mark Adam Barrocas

President, CEO & Director

Thank you, James. Good morning, everyone, and thank you for joining us today.

During a year of massive upheaval across our ecosystem, supply chain disruptions, consumer uncertainty, industry headwinds and other challenges, SharkNinja has continued to triumph. At our core, we're a company of problem solvers. We thrive on tackling problems head on to deliver innovative and groundbreaking solutions time and time again. As 2025 has unfolded, the monumental series of challenges has gotten the better of many companies.

I believe SharkNinja, on the other hand, is a true outlier. We've steadily and meaningfully taken market share across categories and geographies. We've continued delivering disruptive innovation at breakneck speed, and we've done it all with best-in-class profitability and impressive execution. In short, SharkNinja has been exemplary.

The third quarter is a testament to all these factors with outstanding results across the board. Net sales grew over 14% year-over-year, our tenth quarter in a row of double-digit top line growth, all of which is organic. Adjusted gross margins expanded more than 90 basis points year-over-year to surpass 50%, and adjusted EBITDA grew nearly 21% year-over-year. We also delivered our second quarter in a row of leverage of adjusted operating expense as a percentage of net sales.

These are truly outstanding numbers, and one might ask just how we're able to deliver them. I think they are the byproduct of 2 essential aspects of our culture, 2 things that drive everything we do: Our mission of positively impacting people's lives every day and every home around the world and the existential need

to be the absolute best at whatever we do, not just like everyone else, but the best. Our performance this quarter and for the last 17 years proves that this is a winning formula.

Let's deep dive into sales, where SharkNinja continues to materially outpace the competition. Our point-of-sale trends in Q3 demonstrate enviable momentum over a broad base of products and categories. While our data indicates the total U.S. market that we participate in declined slightly year-over-year, excluding SharkNinja's performance, our own POS grew in the low double digits. The outperformance expanded in the last 4 weeks exiting the quarter with our POS reaching mid-teens growth as the market weakened further, again, excluding SharkNinja.

We're also seeing tremendous success internationally, where net sales growth in Q3 accelerated to almost 26% year-over-year compared to just over 20% year-over-year in the second quarter. Our top line strength reflects expanding relationships with consumers and retailers. Recent innovative product launches are generating exceptional consumer engagement across reviews, social media and elsewhere.

The trusted relationship that SharkNinja has earned with consumers remains our priority. I believe it's why we've maintained our pace of innovation despite a difficult environment. It's why we keep a maniacal focus on consumer satisfaction, and it's why we continue to expand the places consumers can shop for our products. These elements help ensure SharkNinja is driving extraordinary value to the consumer. I believe as we earn more trust, we build lifetime value and brand loyalty. This advantage means that as we enter new categories, consumers are all ears about what's new with SharkNinja.

On the retailer side, our global relationship status continues to strengthen. The commercial team and I spent time during Q3 with the top leaders at our largest and most important partners across the globe. The feedback was incredibly encouraging and remarkably consistent. SharkNinja is a brand unlike anyone else in our marketplace: Fast-moving, uniquely innovative and steadfastly committed to marketing and demand generation. I think this is a rare combination of attributes for any company, but exceptionally so given the extreme difficulties so many have faced in 2025.

Our differentiation has earned us an important seat at the table. You're seeing this already in the lead up to holiday 2025 with meaningful traction in orders. Even with some shipments moving out of Q3 into Q4 as we anticipated, September was a record month for SharkNinja. As we head through the remainder of the year and into 2026, we could not be more excited about SharkNinja's position with our wholesale partners.

This enthusiasm extends to our direct-to-consumer business as well. In October, we launched a completely redesigned sharkninja.com, consolidating 3 outdated domains into one streamlined destination. Our new platform is a massive upgrade. It should enable us to engage the consumer in powerful new ways and provide a more seamless e-commerce experience. Now we can instantly showcase the value of SharkNinja as the innovation powerhouse behind 2 multibillion-dollar brands. Over time, we believe this can be an important driver of traffic, conversion and cross-selling activity.

We're also partnering with major retailers to enhance the SharkNinja experience on their online properties through new creative, enhanced imagery and by leveraging some of our celebrity ambassador content. We will continue to roll out modernized DTC sites across Latin America and EMEA in the first half of 2026 with the goal of learning and optimizing as we get into the second half.

Making great products is one thing, but creating widespread viral demand for them is another. SharkNinja employs a very sophisticated approach of doing this in multiple ways, leveraging global brand ambassadors, micro ambassadors, influencers and experiential events.

At the top of the pyramid, our roster of global brand ambassadors continues to expand with 2 tremendous new additions to highlight. We are thrilled to welcome comic sensation Kevin Hart and NFL icon Tom Brady to the SharkNinja family. Kevin and Tom each bring their own unique and authentic connection to fans and audiences worldwide. I encourage you to watch the first installment of Kevin and David Beckham, a long-time global brand ambassador, as neighbors in a new digital series we're creating and be sure to check out the new Tom Brady Roast featuring him using our new Ninja Crispi Pro Air Fryer. We have a lot more exciting content to debut in the coming months from our celebrity partners, so stay tuned.

We're also rapidly expanding our influencer network globally, driving more localized content across key markets in Latin America, Europe and the Middle East. We now have SharkNinja content creators in these markets developing content every single day.

The considerable scope of expertise that we're building should be durable and not easily replicable by others. We believe our investments into effective localized content can strengthen our social media marketing advantage worldwide. The same playbook that we've developed successfully in North America is now coming to the rest of the world. This evolution is another proof point of SharkNinja continuing to evolve into a true global business.

I will now turn to our 3-pillar growth strategy, starting with our first growth pillar; expanding into new and adjacent categories. We're now officially in 38 subcategories with the Q3 launch of Ninja Fireside360, our revolutionary outdoor heater and fire pit combination. This product exemplifies how we utilize consumer insights to solve problems with innovation. Fireside360 combines the benefits of traditional heaters and fire pits while eliminating common drawbacks like poor heat distribution and cleanup hassles. The initial consumer response has been excellent, and we're excited to expand further into the outdoor lifestyle space.

Turning to Beauty. We've delivered significant new product momentum during the second half of 2025. Shark Glam epitomizes our engineering-first approach to solving real consumer problems. It's the first multi-styler that combines ceramic heat and powerful airflow to deliver salon quality results for even the most challenging hair types.

The Shark Glossi leverages the same breakthrough technology in a versatile brush product appealing to a broader consumer base at a more accessible price point. Together, these launches showcase our ability to evolve individual products into comprehensive franchises with hair care as the latest example. We now offer a vast ecosystem of products across multiple use cases and price points, reinforcing our position as an innovation leader transforming the beauty space.

Earlier this year, in the U.S., we entered the skin care market with the Shark CryoGlow. In under 12 months, Shark CryoGlow is the #1 skin care facial device in the U.S. and Shark Beauty is the #1 skin care facial devices brand in the U.S., both according to Circana.

Acting quickly on the heels of this runaway success, we've just launched our next revolutionary innovation in skin care, the Shark FacialPro Glow with DePuffi. We anticipate this hydrofuel device will redefine the at-home facial experience to deliver spa level results in 10 minutes, combining cleansing, moisturizing and depuffing technology. FacialPro Glow has been an enormous success so far with 25,000 people on the waitlist and a complete sellout of Amazon in 3 hours.

Our ambition is to be the runaway leader in beauty technology, and we believe cutting-edge products like the Shark CryoGlow and Shark FacialPro Glow pave the way for that success.

Taking a step back, what other company launches products as wide-ranging as an outdoor heater fire pit combo and a facial extracting and sculpting device in a single quarter? This is the magic of SharkNinja. We relentlessly pursue the next great breakthroughs across an infinite number of consumer problems to solve.

We remain fully committed to delivering on our 2025 innovation road map with 25 new products as promised. This is a tall task considering all the supply disruptions earlier this year. But we believe we enter next year with meaningful momentum as new products ramp and our exciting 2026 launches roll out.

Now let's turn to our second growth pillar, growing share in existing categories. I mentioned earlier how profoundly we outperformed the market we served in Q3, and the same pattern has been evident all year. Year-to-date, our internal data supports clear market share gains across all 4 of our category groupings: Cleaning, cooking, food preparation and beauty and home environment.

The cleaning business was a particular standout in Q3 with growth across all subcategories. Our Robotics division continues to gain traction, while our extraction products also performed well. Extraction represents a great example of one of the hallmarks of SharkNinja, the drive to deliver demonstrably superior product than what we believe the market is currently offering. As Shark grew into a powerhouse

within the vacuum and floor care markets, retailers asked us for years to enter extraction. We resisted it first because initially, it wasn't clear how we could solve the consumers' problems in a better, more innovative way. We kept at it and introduced our Shark StainStriker platform to great success. In just a few years, we've gone from 0% share to a meaningful position in the extraction market.

In Q3, we took another leap forward with the introduction of the Shark StainForce. This revolutionary cordless stain elimination system addresses what we call stainxiety, the stress consumers feel when faced with tough stains or spill emergencies. The product became a viral sensation on social media with plenty of user-generated content. Best of all, authentic consumer enthusiasm is translating directly into strong sales performance, reinforcing the power of our consumer-centric product development approach.

Another social media standout is the Ninja BlendBOSS, our first-ever tumbler blender that's redefining portable wellness with an ultra-powerful motor and 100% leakproof design. The innovative on-the-go solution demonstrates the potency of our integrated marketing approach and the launch post went viral. We've seen millions of impressions across TikTok, Instagram, YouTube and Facebook, driving exceptionally strong sales in the first few weeks. I think Ninja BlendBOSS is breathing new life into a category that's been dormant, similar to what we spoke about last quarter with fans, and it represents another step in our expansion beyond traditional kitchen appliances to meet consumers' active lifestyles. This kind of organic consumer engagement reflects the genuine excitement our innovations generate in the marketplace.

Lastly, I want to highlight the Ninja Crispi Pro launch, that further extends our leadership in the glass system air fryer category. Ninja Crispi Pro represents the latest building block in our next-generation air frying franchise with expanded XL capacity and enhanced functionality. We have additional breakthrough Crispi products coming in 2026 that I believe will keep one of our largest categories refreshed and vibrant for consumers.

A common thread unites all 3 of the products I just highlighted. They represent disruptive innovation within some of our core existing businesses. The Shark StainForce delivers the best stain fighting in the category with no cords and no setup. The Ninja BlendBOSS completely rethinks the way the consumer can utilize a single-serve blending platform as a fashionable, unique and on-the-go product. The Ninja Crispi meaningfully expands the kinds of meals our revolutionary glass system air fryer can handle. In each case, we believe we're delivering compelling newness to help accelerate the replacement cycle across these core franchises.

I think innovating within the base is the key to a healthy and thriving set of existing categories. It's a vital component of our growth algorithm, and we focus on it constantly.

Our third growth pillar, international expansion, delivers exceptional results in Q3. I'm particularly excited about our U.K. business, which saw a dramatic reacceleration to 27% year-over-year net sales growth compared to roughly 6% in the prior quarter. Our diversified portfolio of products in the U.K. is resonating with consumers in both new and existing categories. The air fryer headwind we've observed throughout 2025 in the U.K. has started to diminish, offset by strength across espresso, beauty, fans, floor care, robotics, frozen treats and more.

Mexico continues to perform exceptionally well, and we believe we're building significant momentum heading into 2026. Our business is firing on all cylinders. Consumer demand is outstanding with extraordinary point-of-sale metrics since the transition to a direct model. Retailers are responding in kind by expanding the number of categories they buy through SharkNinja. This flywheel is supported by the dedicated resources we have deployed across sales, marketing and operations.

Our success in Mexico is creating a halo effect across other Latin America markets. Our investments in Spanish language media are paying off in multiple countries, driving strong consumer engagement and stellar POS trends. In Q3, we experienced broad-based triple-digit growth in Latin America overall. These trends drive confidence in our expectations for a robust holiday forecast across the region.

Moving to EMEA. We continue to strengthen and build out our business in Germany and France. These are large definable markets where SharkNinja still has significant market share opportunity. Recent meetings

with our key retail partners reinforce their excitement to expand shelf placements across more categories throughout Europe.

I believe the power of our 3-pillar growth strategy cannot be overstated. This balanced approach across new categories, existing category share gains and international expansion has enabled us to deliver 10 consecutive quarters of double-digit growth. Our diversification across products, distribution channels and geographies should only fortify our position as we move forward. While many view SharkNinja as a product and marketing company, we're fundamentally a company intently focused on execution and delivering results consistently across all areas of our business.

Given our strong performance and expectations for Q4, we're excited to raise our full year guidance ranges once again while narrowing them as we enter the final quarter. We're particularly enthusiastic about the holiday season, where our innovative product portfolio and strong retailer relationships have historically positioned us well.

To wrap up, I'm incredibly proud about how we've navigated 2025 during a prolonged period of turbulence around us. We have performed admirably across the dimensions we prioritize, extraordinary sales growth with contributions across geographies, gross margin expansion despite significant tariff headwinds and leverage on operating expense without sacrificing on innovation, marketing or reinvestment in the business.

I think this performance in such a challenging environment demonstrates how resilient and unique SharkNinja is. It's also a testament to the talented group of leaders who have relentlessly worked to drive such strong performance. Results like these don't just happen without coordinated excellence across supply chain, operations, commercial, product development, customer service and more. The breadth of our execution is a critical factor in the success of SharkNinja from new joiners up to our most tenured executives.

And I'd like to formally welcome the newest member of this executive leadership team, Adam Quigley. Adam and I have worked together for more than a decade, and I've witnessed firsthand his exceptional financial acumen and strategic thinking ability. He succeeded throughout his SharkNinja tenure from a manager role when we were under \$1.5 billion in revenue to our SVP of Global Planning and Analysis. His responsibilities have spanned some of the most complex challenges: The sale of the business in 2017, listing on the Hong Kong Exchange in 2019, navigating through the COVID-19 pandemic and architecting our tariff mitigation strategy, among others. I believe Adam's deep understanding of our business model and proven track record make him the ideal leader for our finance organization during this exciting growth phase. I'm thrilled to announce our Board of Directors has officially confirmed him to be SharkNinja's new Chief Financial Officer.

And now Adam will walk you through our third quarter financial updated and 2025 outlook.

Adam Quigley
Chief Financial Officer

Thank you, Mark, for the kind introduction, and good morning, everyone. I'm honored to step into the CFO role and join you on the earnings call. I approach this opportunity the same way I have every step of my journey at SharkNinja over the last 11 years, relentlessly focused on enabling the business to thrive while working side-by-side with Mark and the rest of the executive team. My vision is to continue building our finance function as a strategic partner that helps propel SharkNinja's continued growth and success.

With that, let's review the quarter that yielded record earnings per share for our investors. Net sales in Q3 increased 14.3% year-over-year to \$1.63 billion. Looking at our performance by geography, domestic net sales increased 9.5% year-over-year to just over \$1.1 billion.

International net sales were \$530 million, up 25.8% year-over-year as reported and 21.6% in constant currency. As Mark mentioned earlier, our U.K. net sales were incredibly strong in the third quarter, up 26.7% year-over-year to \$237 million. Mexico was also a standout performer in the quarter, while growth in our EMEA business outside of the U.K. moderated slightly. Overall, these excellent results drive

confidence in our expectation that international net sales growth will accelerate in the second half of 2025 compared to the first half.

Looking at performance by category, net sales in the cleaning category increased 12.4% year-over-year to \$593 million. Robotics, extraction and corded and uprights all contributed to the success, and we gained considerable market share in the category. Net sales in the cooking and beverage category returned to growth, increasing 6.3% year-over-year to \$437 million. Trends here are similar to last quarter with the Ninja Luxe Cafe espresso strength offsetting difficult compares in other subcategories such as air fryers outside the U.S.

Net sales in the food preparation category increased 11.9% year-over-year to \$411 million. The Ninja SLUSHi continues to be a global sensation with availability now across our largest global markets. Finally, our beauty and home environment category increased 56.7% year-over-year to \$189 million. We experienced broad-based growth across fans, air purifiers, hair care and skin care in the quarter.

Now let's move to gross profit, where we were able to offset higher tariff costs with our relentless focus on profitability. It's worth noting that the 2-year sourcing services agreement with JS Global ended as planned on July 31 of this year. In the third quarter, GAAP gross profit increased 17.6% year-over-year to \$818 million or 50.1% of net sales. This represents a record high for GAAP gross margin since our U.S. listing and a significant milestone for SharkNinja above the 50% threshold this quarter.

Adjusted gross profit increased 16.4% year-over-year to \$820 million or 50.3% of net sales. Adjusted gross margin increased approximately 90 basis points year-over-year with multiple elements of our mitigation strategy offsetting a notable headwind from tariffs. The biggest positive contributor to adjusted gross margin this quarter came from multiple initiatives across our product cost optimization. We continually assess gross margin levels to drive improvement in value engineering to reduce bill of material costs and by introducing replacement versions of existing products that carry higher underlying gross margins without impacting consumer value. We also made further progress this quarter by diversifying production across our supply chain to drive further savings and flexibility with our dual source model.

While we are pleased with adjusted gross margin performance in the quarter, it's important to note that roughly 1/3 of the year-over-year expansion came from true outperformance, while 2/3 was the result of favorability related to the timing of tariffs flowing through the financials.

Moving down to P&L. Our adjusted operating expenses this quarter totaled \$531 million or 32.6% of net sales. This compares to 32.7% of net sales in the year-ago quarter or 16 basis points of leverage year-over-year. As we've committed before, SharkNinja remains laser-focused on balancing cost discipline with the necessary reinvestment levels to fuel our exceptional growth, and we're delivering on that pledge.

I will now review the components of our operating expenses on an adjusted basis. Research and development expenses decreased 3.2% year-over-year to \$89 million compared to \$92 million in the prior year period, leveraging 99 basis points year-over-year. I believe this quarter exemplifies how our personnel strategy drives both innovation and efficiency. A year ago, we hired external subject matter experts across new technologies and areas of expertise as we work to develop new solutions to consumer problems. Consistent with our R&D operating model, we strategically brought a portion of that talent in-house, allowing us to retain and develop our knowledge base while optimizing overall operating costs.

Sales and marketing expenses increased 20.7% year-over-year to \$355 million compared to \$294 million in the prior year period, deleveraging 116 basis points year-over-year. We continue to invest confidently in our differentiated marketing and demand generation efforts, particularly in new and growing geographies.

General and administrative expenses increased 7.6% year-over-year to \$87 million compared to \$81 million in the prior year period, leveraging 33 basis points year-over-year. The bulk of that increase relates to higher merchant fees in our direct-to-consumer business driven by channel growth in EMEA.

Profitability improvement is the cornerstone of our financial philosophy at SharkNinja with a focus on adjusted EBITDA. We are very pleased to deliver outstanding performance with adjusted EBITDA growing 20.7% year-over-year to \$317 million. This represents a 19.4% adjusted EBITDA margin, up 100 basis points compared to the prior year period, a really incredible effort by the team here. We will continue to

prioritize adjusted EBITDA margin improvement by pursuing opportunity on both the gross margin and operating expense lines.

To wrap up the income statement, our GAAP effective tax rate in Q3 was 22.6%, while our non-GAAP effective tax rate was 22.3%. Adjusted net income for the period was \$213 million or \$1.50 per diluted share compared to \$170 million or \$1.21 per diluted share in the year-ago period. This represents an incredible 24% increase year-over-year with SharkNinja achieving record results for both GAAP and non-GAAP earnings per share in the third quarter.

Turning to the balance sheet and cash flow. We continue to prioritize flexibility given the substantial advantages our balance sheet provides relative to what we observed across the peer group. At the end of the third quarter, cash and cash equivalents totaled \$264 million, up more than 100% year-over-year, with total debt outstanding of \$746 million. We continue to have nearly \$490 million of capacity available to us on our \$500 million revolving credit facility.

Total inventories were \$1.16 billion exiting the quarter, up 7.6% year-over-year. We've worked through the majority of the tariff prebuild inventory that we strategically added in late 2024 and early 2025. Our healthy inventory levels position us well heading into the holiday season.

Let's move to the updated outlook. Entering Q4, we remain confident in our ability to outperform the market. While tariffs remain a dynamic challenge, our revised outlook assumes current tariff levels persist, including minimum rates of 20% for China, 20% Vietnam, 19% for Indonesia, Thailand, Malaysia and Cambodia.

For the fourth quarter of 2025, we expect our net sales growth to be around 16% year-over-year. We anticipate the timing impacts I mentioned earlier related to tariffs will put pressure on our adjusted gross margin by roughly 50 basis points compared to the prior year period. We also anticipate nearly 250 basis points of year-over-year leverage on adjusted operating expense as a percentage of net sales. This sizable improvement comes from seasonally strong fourth quarter sales, combined with our continued cost discipline.

Finally, we expect adjusted EBITDA margin in Q4 to increase approximately 200 basis points compared to the prior year period. This expansion, of course, is also impacted by timing shifts related to tariffs. When combined with our Q3 adjusted EBITDA performance, we anticipate second half 2025 adjusted EBITDA margin to demonstrate notable improvement compared to the second half of 2024.

For the full year 2025, we now expect net sales to increase between 15% and 15.5% compared to our prior year guidance of a 13% to 15% increase. Adjusted net income per diluted share is now expected to be in the range of \$5.05 to \$5.15 compared to \$5 to \$5.10 previously. Adjusted EBITDA is now expected to be in the range of \$1.115 billion to \$1.125 billion, representing growth of 17.2% to 18.3% year-over-year compared to the prior expectation of \$1.1 billion to \$1.12 billion, representing growth of 16% to 18% year-over-year.

Net interest expense is now expected to be down \$5 million to \$10 million relative to 2024 compared to our previous outlook of flat. Our GAAP effective tax rate expectation is now in a range of approximately 23% to 24% compared to a range of approximately 24% to 25% previously.

Our capital expenditures guidance remains \$180 million to \$200 million for the year. We are tracking toward the lower end of that range due to more efficient deployment of capital.

To close, our performance in Q3 exceeded expectations across the board. Reflecting on my tenure, I marvel at how we've evolved and what we've accomplished. While we continue delivering strong growth and profitability, the drivers are now much more expansive. We believe our diversification across products, retailers and geographies should enable us to navigate challenges more effectively than ever before.

I've also witnessed tremendous development across our finance organization during my decade plus at SharkNinja. It is my distinct honor to lead this amazingly talented group as we work to continue driving value for consumers, employees and shareholders.

I'll now turn it back to Mark.

Mark Adam Barrocas
President, CEO & Director

Thanks, Adam. 2025 has been a year of unprecedented challenges for businesses around the world. While many companies struggle in this environment, SharkNinja is thriving in uncertain times, where others may lack the willingness or capability to innovate and seize the moment, we're forging ahead full throttle.

Why do we operate like this? It's our existential drive to be the absolute best at what we do. This is the cornerstone of the outrageously extraordinary mindset that fuels everything from consumer insights and product development, to supply chain and marketing. But mindset means nothing without execution, which is core to our DNA. Our success is inextricably linked to the why and the how of SharkNinja, which I believe distinguishes us from everyone else.

I'm proud of what we've accomplished this year and even more excited about what's to come in 2026 and beyond. My sincere gratitude to everyone at SharkNinja who has gone above and beyond to drive our great results. Thank you.

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

Question and Answer

Operator

[Operator Instructions] The first question comes from Brooke Roach with Goldman Sachs.

Brooke Siler Roach

Goldman Sachs Group, Inc., Research Division

Mark, can you speak to your outlook for category growth for holiday and into 2026? How confident are you in your ability to continue to outperform the category to the same degree into next year? And is your portfolio of new innovation robust enough to cycle your own tough comparisons and continue to deliver a double-digit level of U.S. growth into 2026?

Mark Adam Barrocas

President, CEO & Director

Yes. Thanks so much, Brooke, for the question. I guess I'll start with your second question first on new innovation. The pipeline of new innovation that we have coming out, I think, is great. You can just see what we've done over the last couple of weeks now. I mean our consumer problem-solving machine was on full display. I mean we reinvented outdoor heating and fire pit. We solved the problem of stainxiety with our cordless StainForce. We brought an at-home facial solution that extracts, moisturizes and de-puffs your skin. I'm not sure that there's another company solving all of these different types of problems.

So I think we've got a great road map of innovation. What I think I'm also really excited about, Brooke, is things that we're doing like, for example, with the BlendBOSS, we're reinventing existing categories. I think what we've done with Crispi Pro, look at how we're not resting on our laurels with the air fryer category, but we're trying to completely actually reinvent the air fryer category with Crispi and now Crispi Pro. So the innovation is coming not just from new categories and kind of home run new ideas, but it's coming from reinventing the base. And I think as we go into '26, I think we're going to see an increasingly larger amount of new products coming from reinventing the base.

On your first question in terms of category growth, I mean, look, I think we've consistently outperformed the market now for the 10 quarters that we've been a U.S. public company. I believe the innovation cycle is there. I think we're getting better and better at our content creation that we're developing. We're engaging with consumers more. So I'm excited about where things are headed.

Operator

Your next question comes from Randy Konik with Jefferies.

Randal J. Konik

Jefferies LLC, Research Division

Just wanted to kind of go through -- Adam, first and foremost, congratulations on your new role. In terms of -- if I think about the new design center opening up in the last week or so, Mark, can you talk about what are your hopes in terms of utilizing that design center to kind of continue to build more muscle into the organization, build more innovation, where do you see that kind of fitting into the rest of the infrastructure you've built around the world? Kind of let's start there.

Mark Adam Barrocas

President, CEO & Director

Yes, Randy, I think I would start with going back to 2014 when we opened up our engineering office in Central London and recognized that there was a talent base in London for design engineering that we just couldn't attract in Boston to the degree that we wanted to at the time. And fast forward today, we have over 200 engineers in the Battersea Power Station that has really helped build this kind of chasing-the-sun innovation approach that SharkNinja has developed.

I think there's a lot of parallels and similarities with that here in New York, and I'm actually in New York now. I think from a creative standpoint, there is just a level of creative talent that's exceptional in New York. I think from a design perspective, I think PR, media buying, social media, we'll have a content creator studio that will be here right in Midtown. I think it's exciting that we're actually going to be designing and developing products here in Midtown Manhattan. I actually had the Dean of Columbia Engineering School here last week that was excited to send down students and interns here at the facility.

So all in all, I think it's just going to be a great magnet for talent for us. And I think it's going to blend together really well with our teams in Boston and London and around the world to just bring together the best and brightest people.

Randal J. Konik

Jefferies LLC, Research Division

Super helpful. And I guess my last follow-up would be, when you think about the next few years and driving continued international growth. Maybe remind us kind of just the way you think about international and how big it should be as a proportion of the total business within a few years and where you see the biggest opportunities? You keep talking about massive continued growth in the U.K. and beyond.

And then, Adam, just a follow-up on gross margin. I think you talked about there's still ability to kind of bring that further higher in the years ahead. Maybe talk to some of the puts and takes you think about high level from a gross margin standpoint as we think about the next couple of years.

Mark Adam Barrocas

President, CEO & Director

Yes. Look, on the international side, I think what's most exciting is that our model is replicating globally. I mean let's start with that. I mean, if I go back a couple of years ago, people would say, well, Europe is so different. It's so fragmented. Latin America, how do you even get to that market? Is it even accessible to you? And I think we've kind of proven out that the model of disruptive consumer-focused product innovation and viral marketing that creates consumer demand is a global translatable strategy, and we're seeing that in countries around the world.

I'm very excited about Europe. I'm very excited about Latin America. But I'm also excited that we're continuing to build a strong business in the U.K. I mean there's strong nice growth in the U.K. I'll continue to reinforce that I think over time, our business in Germany, just because of the market size will ultimately be bigger than the U.K., and France, maybe a little bit smaller. But for right now, Randy, we're very focused on the path to getting to 50% of our business outside of the U.S., and that's kind of the short to midterm immediate target for us.

Adam Quigley

Chief Financial Officer

Yes. And on the gross margin front, I mean, as you continue to see from us, we've expanded gross margin considerably every quarter thus far. And what we're seeing as we move forward is the changes that we're making, they're structural changes, right? We're improving our product cost through value engineering efforts. We're improving the product cost through where we source the product through the supply chain that we've talked a lot about. And also, we're entering into new categories that are commanding higher price points that have more structural higher gross margins. And so the durability of our ability to expand gross margin, I think we feel very good about going into the future because it's really -- it's no one thing. It's coming from multiple avenues.

Operator

We now have Rupesh Parikh with Oppenheimer.

Rupesh Dhinoj Parikh

Oppenheimer & Co. Inc., Research Division

So just going back to your commentary on the inventory side, it appears to be in really good shape. I think you had a high single-digit growth this quarter. Do you believe you have the inventory right now to meet underlying demand or even stronger demand out there? Because I know at times, you guys have been inventory constrained in recent quarters.

Adam Quigley

Chief Financial Officer

Yes. Thanks for the question, Rupesh. I think where we're at with inventory right now is you saw last year, we really leaned into our balance sheet strength and brought in prebuilt inventory ahead of some of the tariffs coming into place, and that served us quite well throughout this year. What you saw in Q3 of growing about 7%, 8% year-over-year is we've got healthy inventory stock. We're not in an overstock position by any means. The stock that we have on hand, we feel good about going into the holiday season.

We've talked about some NPDs shifting in terms of timing and potentially picking that up in 2026. But overall, heading into the holiday season, I think we feel really good. And also reflecting on some of the actions that were taken a year ago, feeling really good about that and what's been able to help us on the gross margin front.

Rupesh Dhinoj Parikh

Oppenheimer & Co. Inc., Research Division

Great. And then maybe just a quick follow-up question. Just on the elasticity front, we've heard from some players out there, just some of the challenges they've had in actually taking price while you guys have done quite well. So just curious what you're seeing from an elasticity perspective and overall, how you feel about your price gaps.

Mark Adam Barrocas

President, CEO & Director

Yes. Rupesh, we've taken price, but we've done it very, very cautiously. I mean we understand the consumer is challenged. I mean, we're particularly watching the impact of the government shutdown. And what we've seen to date is that we're still delivering extraordinary value to the consumer. I mean we're not the highest-priced products in the market. We're not the lowest-priced products. You could still buy a SharkNinja product for \$59 or for \$999. So I think we're in all of the key price points that consumers are looking for.

And as long as we continue to maintain market-leading performance and high-quality products and still deliver them to consumers at a great value, I think that will work out fine for us.

Operator

We now have Brian McNamara with Canaccord Genuity.

Brian Christopher McNamara

Canaccord Genuity Corp., Research Division

So there was a lot of concern from investors for the last several weeks heading into this print, pretty much all of which has kind of proven unfounded with these results and guidance. A number of your competitors have reported much weaker results and one common headwind has been kind of retailer inventory levels. So you had a European competitor profit warm last month and called out U.S. retailers' "wait-and-see" attitudes," while a U.S. competitor last week called out a retailer inventory adjustment in Q3 as kind of higher inventory value due to tariffs were absorbed by the market. So I'm just curious how your business was impacted by these market dynamics.

Mark Adam Barrocas

President, CEO & Director

Yes. Brian, I mean, I guess on your first point, we've delivered 10 consecutive quarters of double-digit top and bottom line growth since we've been a U.S. public company. So I can't speak to what investor concerns were specifically.

As it relates to retailer inventory, yes, I mean, we're experiencing good retailer support. I mean I think the retailers are leaning in with SharkNinja. I think they believe in our innovation. I think they believe in the demand generation that we're going to bring to them. I mean there are, of course, situations where maybe there isn't the inventory levels that we'd like them to be.

I think we distribute through lots of different channels. I mean, from dot-com to brick-and-mortar to D2C. Our job is just to make sure that our innovation is able to be purchased by consumers when we create the demand for it. And we love full retailer participation. In some cases, we get it. In some cases, we don't get it. But we still have to drive demand and fulfill orders for consumers.

Adam Quigley

Chief Financial Officer

And Brian, I was just going to mention, too, I think one of the things that we can point to is our Q4 guidance is sort of the confidence that we have in the retail orders that are ahead. And so I think you're seeing that reflected also in what we've put out today.

Brian Christopher McNamara

Canaccord Genuity Corp., Research Division

Great. And then secondly, obviously, I don't want to front run '26 guidance, but you've consistently said you're a double-digit growth company. Is that a reasonable expectation for the top line next year?

Adam Quigley

Chief Financial Officer

Yes. I mean, I think as we go forward, we're continuing to be very proud of where we're going to land in 2025. We're not in a position right now to give any guidance on 2026. But I think we've got a really incredible Q3 that we've just put out today, and I think we're really excited about Q4.

Operator

Your next question comes from Steven Forbes with Guggenheim Securities.

Steven Paul Forbes

Guggenheim Securities, LLC, Research Division

Mark, Adam, maybe just a follow-up on international expansion. As we look out sort of over the next couple of quarters here, I was hoping maybe for a formal update on the transitions of the international markets from third-party distribution to self-distribution. I don't know if you can give us maybe a road map to think through. And then maybe broader comments on how has the risk parameters of that transition period changed? I mean we're coming off, right, the Mexico transition. I think you talked about some optimism on a smoother transition ahead. So maybe just would love to hear your most updated thoughts as we look ahead to those transitions.

Mark Adam Barrocas

President, CEO & Director

Yes, Steve, I mean, I think the biggest -- as we talked about on previous calls, I mean, I think the biggest learning was not to approach these things from a big bang perspective that in each market, likely there is a role for a distributor, particularly in countries that do have a sizable amount of small retailers that maybe it's just not in our best interest to be working with on a direct basis. I mean you take a country like Spain, there's 4 major retailers that we're going to work with, but there's a whole lot of other retailers that we might be better off just being serviced by a distributor.

And so I think that's more of the model that we're moving towards. You're going to see that in the Nordics, you're going to see that in Poland. You're going to see that in Spain and Italy, likely see that in

some countries in South America. So I think that it shouldn't be kind of an event situation. I think you should see it as more of a kind of just an ongoing smoother transition as we take over some of the larger retailer relationships and continue to partner with distributors to reach the secondary and tertiary retailers in the market.

Steven Paul Forbes

Guggenheim Securities, LLC, Research Division

And then just a quick follow-up. I don't know if you can provide maybe a formal update on the path to becoming a domestic filer. It seems to be a point of interest from your -- from investors. So I don't know if there's a formal statement that you guys can provide.

Adam Quigley

Chief Financial Officer

As we look ahead to 2026, we have officially failed the foreign private issuer test. And so certainly making our way forward as a domestic filer, and that will occur in 2026. So yes, on track on that front, what we've said before.

Operator

We have Phillip Blee with William Blair.

Phillip Blee

William Blair & Company L.L.C., Research Division

Adam, congrats on the new role. I wanted to focus on the beauty space a bit more. Can you maybe provide a bit of color around the consumer response to all the newness you've released in hair and skin over the past few months? What kind of lift that could have during this holiday season as a more giftable option? And then what's the opportunity to expand the availability of your skin assortment to retail partners beyond just the specialty beauty space?

Mark Adam Barrocas

President, CEO & Director

Yes. Thanks. Phillip. Look, we're really excited about what we're doing in beauty, both in hair and in skin and what that potentially opens up for us to other categories in beauty. This will be the first holiday selling season for CryoGlow in the United States and most of Europe. So we're excited about that. We're seeing great momentum. It's the #1 selling skincare beauty device in the U.S. in just a very short period of time.

We just launched a product called the Shark FacialPro Glow. We think it's off to a great start. It won't have broad distribution in Q4, but we think it will as we start to roll it out into Q1 and Q2 and beyond. I think what's exciting about that product is the replenishment topical that is sold with it. I mean we developed that with this Korean formulation company. So I'm excited that we're not just selling a product, but we're selling a system that the consumer will kind of ongoing engage with us.

In the hair care space, we've got a lot of new innovation and technology happening, not just with what we launched today, but the pipeline of what's to come moving forward. I don't view it as that we're only looking at the beauty business to sell that in the prestige retailers. I think you're going to see broadened retail distribution from us. I mean we want to be able to positively impact everyone. We think everyone should feel beautiful with our haircare products and our skincare products.

So I think you'll continue to see broader distribution as we get into '26, but we're in very much our early stages in the expansion of our overall beauty business.

Phillip Blee

William Blair & Company L.L.C., Research Division

Okay. Great. That's super helpful. And then just now that a lot of this accelerated supply chain diversification efforts are behind you and inventory levels seem to be in good shape, how do you think

about the potential to accelerate the category availability in international markets more in line with what's available here in the U.S.? And then what kind of lift could that have on the segment?

Mark Adam Barrocas
President, CEO & Director

Yes. Phillip, I think inventory and our global sourcing model obviously has impacted our ability to roll out as fast as we want or fulfill as much demand as we wanted to globally. But I think there's another constraint also that we've talked about, which is marketing and just being able to invest a sufficient amount of marketing on each category to be able to get a foothold in these new markets.

I mean, let's not forget, like 3 years ago, a German consumer didn't know who Shark or Ninja was. And there was no German consumer that had our products in their homes. And so there's still a lot of brand building that's needed. I mean there's still a lot of education that we need to do in a lot of these markets.

So supply chain is a component of it, but I almost see marketing as an equal or bigger component of it. And it's just going to take us some time as we move forward. And really, I don't want to make the mistake of pushing too far too fast and not being able to support it properly from a marketing standpoint.

Operator

We have Andrea Teixeira with JPMorgan now.

Andrea Faria Teixeira
JPMorgan Chase & Co, Research Division

Congrats, Adam, on the promotion. I wanted to go back, Mark, with the commentary because you did say in the beginning of September at a competitor conference that some of the inventory may have slipped through into the fourth quarter. And you also mentioned some of the innovation also that had been planned for 2025 could come to fruition in 2026.

So I was just hoping to see if, one, that concern that some of these shipments would shift into the fourth quarter actually did not materialize at the end of the quarter. In other words, you don't have that benefit potentially in the fourth quarter. Obviously, we can do the math, but we just want to figure how consumption and shipment dynamics are unfolding and inventory levels.

And then if you think on the innovation, obviously, you have announced a very strong pipeline now. But just wondering how that pipeline compares with when you started the year or as it unfolded and how it sets you for 2026?

Adam Quigley
Chief Financial Officer

Andrea, let me take the question around Q3 and Q4 and some of the retailer shipment timing. I think every year at this time, we're actively watching and monitoring daily what inventory patterns are and what the retailer shipments are. And so as the retailers ramp up for the holiday season and we also ramp up our inventory for the holiday season, that Q3, Q4 timing is often quite tricky.

I will say our sales and operations team did an incredible job to really get as much out as we could with the retailers that we had. And I think one of the items that Mark mentioned earlier in the call was retailers really view us quite favorably right now. And we know we're operating in an uncertain consumer environment and that retailers, we can't speak for them, but they're going to make their own choices and they're going to make their own bets across who they're buying inventory from and when. And I think we've positioned ourselves really well for them to prioritize us because they know that we're going to stand behind the products. They know that we're investing behind the brand and the products that we're launching. And I think they're looking to win in Q4 with us.

Mark Adam Barrocas
President, CEO & Director

Yes. In terms of the innovation, listen, I think we feel very good about the pipeline of what we've developed across lots of different categories. And as I said earlier, I think we're doing a really good job of innovating in the base. And that's something that I really want to reinforce to investors because we have a great healthy base business, which is the foundation of the overall business that we've created. So things like BlendBOSS and things like Crispi Pro and things like improvements to our core vacuum business, those are all, I think, really, really exciting that maybe do not get some of the fanfare out there that they should.

Operator

Thank you. I can confirm that does conclude the question-and-answer session here. And that does conclude today's call. Thank you all for your participation. You may now disconnect, and please enjoy the rest of your day.

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