SharkNinja, Inc. NYSE:SN

Earnings Call

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Presentation

Operator

Hello, everybody, and welcome to the SharkNinja's Fourth Quarter '25 and FY '25 Earnings Call. My name is Elliot, and I will be coordinating your call today. [Operator Instructions]

I would now like to hand over to James Lamb, Senior Vice President of Investor Relations and Treasury. Please go ahead.

James Lamb
Senior VP of Investor Relations & Treasury

Good morning, and welcome to SharkNinja's Fourth Quarter 2025 Earnings Conference Call. Earlier today, we issued our Q4 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 Q4 and full year 2025 financial results and share our outlook for 2026. Mark will then offer some closing remarks before we open the call up 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. 2025 concluded on a high note for SharkNinja. It was an outstanding holiday season driven by broad-based strength across product categories, geographies and channels. Our remarkable fourth quarter and full year performance reflect many factors, but the simplest are the most crucial. Consumers want Shark and Ninja products, and they're discovering them in more places than ever before. We believe we are meeting consumers where they are by delivering accessible innovation and exceptional value. We're incredibly proud of what SharkNinja accomplished this year, record financial results, swift and decisive execution and an ever-growing array of groundbreaking products that consumers love.

Our most important objective this year and every year is building trust with consumers. We win when consumers around the world get excited to buy our products and feel delighted when using them. To this day, nothing makes me happier than reading a 5-star review online and nothing gets me more motivated than feedback telling us where we can improve. Obsession with the consumer is in our DNA. It powers everything we do. We believe that when we successfully captivate consumers, we earn permission to expand further into their lives. With a never-ending spectrum of consumer problems to solve, we feel the opportunity ahead of us is enormous.

Our Q4 results were excellent across the board with net sales increasing nearly 18% year-over-year, the fastest growth rate of 2025. Domestic growth accelerated to almost 16% , complemented by International growth of over 21%. Adjusted gross margin expanded by nearly 40 basis points and adjusted EBITDA increased 36% year-over-year. This performance reflects our third consecutive quarter of leverage in adjusted operating expenses as a percentage of net sales, a pattern we believe demonstrates the scalability of our model.

Importantly, this performance came against a challenging macro backdrop. While our markets remained under pressure throughout 2025 on top of declines in both '24 and '23, we continue to rapidly gain share. According to Circana, the total U.S. market that we participate in declined in the low single digits year-over-year for the full year 2025, excluding SharkNinja's performance. Q4 was even more challenging for the industry with mid-single-digit declines year-over-year, again, excluding SharkNinja. The magnitude of our outperformance is noteworthy with market share gains across each of our 4 category groupings in '25, Cleaning, Cooking and Beverage, Food Preparation and Beauty and Home Environment.

Despite macro headwinds, SharkNinja delivered its 11th consecutive quarter of double-digit top line growth, and we did it while staying true to our core strategy, continuing to invest to drive innovation and maintaining our marketing momentum. We kept executing the same tried and true playbook even with every challenge presented in 2025. In the face of uncertainty, our goal is consistent execution and durable performance, not just for 1 quarter but for every quarter. We're confident in our ability to operate effectively in tough consumer environment and diversification is a central reason why.

Diversification is a foundational driver of success across our business. The most obvious benefit is revenue growth. We have more products, more channels and more geographies, giving us multiple paths to expand. I'll return to this when I discuss our 3-pillar growth strategy. But first, let's look at the several ways diversification differentiates SharkNinja, starting with the consumer. Consumer diversification allows us to reach a broader demographic than ever before. Years ago, our core customer was typically a 35- to 55-year-old woman. Today, we have high school students asking for Shark and Ninja products for the holidays, 60-year-old men sharing product reviews on social media and everything in between. As we enter new categories, especially in beauty and outdoor, we expect this reach to expand further. Most importantly, a more diverse consumer base generates deeper insights that fuel our disruptive innovation engine.

Supply chain diversification is another major differentiator. Our work here began more than 5 years ago, driven by significant investment in people, infrastructure and time. Today, we have the ability to manufacture nearly 100% of our U.S. volume outside of China. We think our multi-country sourcing footprint across Southeast Asia gives us meaningful advantages in supply predictability, cost efficiency and risk management. With this supply chain transformation largely complete, 2026 represents our first full year of optimization, unlocking even greater potential benefits ahead.

Marketing diversification continues to expand our reach and engagement from Tom Brady spots during major football events on connected platforms to our engineers engaging directly with consumers on forms like Reddit. SharkNinja's marketing ecosystem is both expansive and distinctive. Our social-first ecosystem has been deliberately built to foster affinity and loyalty amongst consumers. One analyst recently highlighted our social media momentum. SharkNinja reached 3.9 million followers across Instagram and TikTok in 2025, reflecting 119% year-on-year growth, far outpacing peers who averaged just 8% growth on these platforms on a much smaller base of followers.

Reaching consumers broadly requires an equally diversified go-to-market strategy. In 2025, we deepened partnerships with key retailers, gaining increased flexibility in pricing and promotions. At the same time, we significantly enhanced our direct-to-consumer capabilities. Our newly redesigned sharkninja.com is already delivering strong early results with higher engagement, improved conversion and increased average order value.

Finally, investment diversification, particularly in technology, is strengthening our foundation for long-term growth. In 2025, we completed the final stages of our global Oracle implementation. We launched Salesforce in the U.S. and Canada to power our new DTC platform, and we rolled out advanced ROI dashboards for social media spending. We also leaned in materially with artificial intelligence from product innovation to consumer experience.

Our goal is to embed a greater level of AI capabilities in all of our products going forward, some of which will debut as early as the second half of 2026 in categories like coffee, air purification and robotics. We're on track to hire 100 new software engineers to help drive this AI ambition from more intelligent user interfaces to greater automation to app-based companion features. We believe consumer experience is another rich area of AI-powered potential. As an example, we've moved from sampling under 5% of contact center calls to AI scoring nearly 100% of interactions for quality, empathy and listening.

Additionally, we feel the massive amount of consumer insight data that sharpening our processes can benefit from AI applications. Our objective is faster, more precise product innovation and improved messaging and content to resonate in a stronger way with consumers. This is the SharkNinja flywheel. Consumer insights, a resilient global supply chain, always-on marketing and omnichannel distribution. We believe it's a competitive advantage that exceedingly difficult to replicate at our scale. The diversification shows up very clearly in our financial results, sustained double-digit growth, expanding margins and strong free cash flow.

I'd like to spotlight our balance sheet where years of compounding success have put us in a net cash position as we exit 2025, an achievement that opens meaningful new options for SharkNinja. Today, the leadership team and I are thrilled to announce that our Board of Directors has authorized an inaugural $750 million share repurchase program. We're excited about the potential that our record levels of cash and equivalents and our anticipated future cash flow could have to drive shareholder value for years. We intend to utilize this authorization to repurchase shares opportunistically while also planning to offset the natural dilution from stock-based compensation. We believe this is a significant milestone for SharkNinja and a testament to our operational discipline and cash management execution.

With that, let me turn to our 3-pillar growth strategy, beginning with our first pillar, expansion into new and adjacent categories. In 2025, we met our goal of entering 2 additional subcategories, finishing the year at 38 with the additions of propane grill and outdoor fire pit. We plan to add 2 more categories to our portfolio in 2026 with significant excitement around both launches. Category expansion is one of our most foundational differentiators. It grows our addressable market and reshapes how consumers perceive the Shark and Ninja brands.

A standout example is Shark Beauty, which we feel is rapidly emerging as a leader in beauty technology. We view this opportunity as a massive global white space. In 2025, we established Shark Beauty as a disruptive innovator in skin care with the global launch of Shark CryoGlow and the recent debut of Shark FacialPro Glow with DePuffi, our revolutionary at-home hydro-powered facial device with contrast therapy. These products were runaway holiday successes, complementing our strong hair care performance and helping to cement Shark Beauty as the #1 skincare facial device brand in the U.S.

We see clear runway ahead, not only in hair and skin, but across the broader health and wellness ecosystem. The Ninja FireSide 360, our combo smokeless fire pit and propane-powered outdoor space heater exemplifies how new categories bring new consumers into our brands. For many buyers, this innovative product was their first Ninja purchase, opening the door to a lifetime relationship with SharkNinja. It also demonstrates how we built new technical competencies. By investing in propane expertise, we successfully paved the way to launch the Ninja FlexFlame and Ninja FireSide 360, creating a foundation for future innovation. This model, engaging experts, learning deeply and innovating boldly is core to SharkNinja. It underpins our expansion across heated cooking, frozen treats, food prep and beyond. We believe our 2026 pipeline also reflects years of capability building, and we're exceptionally excited about what lies ahead.

Our second growth pillar is growing share in existing categories. Maintaining leadership in large mature categories requires relentless innovation, execution and focus. Two standout examples from 2025 are the Ninja Crispi and the Ninja Luxe Cafe. Ninja Crispi represents the next generation of air frying, promoting healthier cooking with the benefits of glass. Our larger format Crispi Pro delivered a strong holiday performance, setting the stage for broader global expansion in 2026. Ninja Luxe Cafe is one of the most exciting success stories. By reimagining the at-home espresso experience, we've created the best-selling espresso SKU in the United States in under 1 year. In 2026, we will extend this platform with 2 major innovations, positioning Luxe Cafe as a powerful growth engine across a wider spectrum of consumers.

Our Shark Cleaning franchise also delivered outstanding results with continued market share gains across corded and cordless vacuums. In 2026, we plan to introduce breakthrough innovations across several legacy categories, including corded uprights and traditional blending, reinforcing our leadership position. Our third pillar, international expansion, delivered another year of strong performance. The most important takeaway is that our model can scale globally. We believe the most critical parts of our strategy are applicable worldwide, not just to a few countries. Driving widespread consumer demand with 5-star reviews, expanding retail partnerships and producing viral local language marketing are all key elements to our International playbook. These attributes can be scaled even more as we evolve from a distributor-led to a direct model in more countries.

In Q4, we successfully transitioned to direct operating businesses in the Nordics, Poland and Benelux, while preparing to convert Italy and Spain in the first half of 2026. In each case, we've established a hybrid model, distributor partnerships to serve fragmented customers and a direct relationship with the larger retailers. At the same time, we're upgrading our DTC platforms across major International markets, creating a powerful growth combination.

The U.K. delivered another strong quarter with over 9% year-over-year growth, while EMEA saw robust results across multiple geographies and channels. Our Latin America business also performed exceptionally well. In Mexico, we believe triple-digit growth underscores the strength of our momentum and the exciting opportunities ahead. The success that we're seeing across Latin America is fueling consumer interest for our products in places we don't currently sell, like Ecuador and Peru. In 2026, we're focusing more attention on expanding our reach by ramping a new partnership with the dominant e-commerce player in the region.

Stepping back, diversification remains a central theme. While it introduces complexity, it is powered by constant experience leadership and innovation-driven culture, unwavering consumer focus and disciplined execution. This approach has enabled us to build 2 multibillion-dollar brands, and we believe we're only at the beginning. This momentum carries directly into our outlook for 2026 with yet another year of double-digit growth reflected in our net sales guidance. We also remain committed to expanding profitability on the adjusted EBITDA line with an even faster rate of expected growth versus top line. As our track record demonstrates, SharkNinja is focused on delivering consistent quarter-after-quarter performance.

With that, I'll turn it over to Adam, who will walk you through our financial results and share our outlook for 2026.

Adam Quigley
Chief Financial Officer

Thank you, Mark, and good morning, everyone. I'm excited to review our results for the fourth quarter and full year 2025. Starting with a summary of 2025, SharkNinja achieved $6.4 billion in net sales, up nearly 16% year-over-year. Our Domestic net sales grew 13.5% and International net sales increased 20.8%. Adjusted EBITDA increased more than 19% year-over-year to $1.14 billion for the full year, with adjusted EBITDA margins expanding approximately 50 basis points.

Finally, adjusted earnings per share reached a new record for SharkNinja at $5.28, up nearly 21% year-over-year. A moment ago, Mark highlighted the consistency SharkNinja strives to achieve in our results. We think our sales growth this year is a powerful proof point of this model in action. On a rounded basis, our year-over-year total net sales increased 15%, 16%, 14% and 18% through the 4 quarters of 2025.

Now let's dive into more detail about our performance in Q4 specifically, starting with sales. Net sales in the fourth quarter increased 17.6% year-over-year to $2.1 billion. By geography, Domestic net sales increased 15.7% to just over $1.37 billion. International net sales were $729 million, up 21.4%. Our U.K. business grew nicely in Q4 with net sales up 9.2% year-over-year to $326 million. For the full year, our U.K. business grew 7.3% year-over-year. Even while air fryers, our single largest category in the U.K. declined throughout 2025, the rest of our portfolio of categories more than offset the headwind, a testament to the power of our diversification. Our global category performance further reinforces how SharkNinja can win through diversification. Our overall air fryer sales increased in 2025 despite the tough comparables in the U.K.

Across the rest of our International business, we experienced a robust holiday selling season with high retailer enthusiasm to partner with SharkNinja. The EMEA region performed well with strength across multiple countries. Latin America continues to grow rapidly, led by Mexico. Overall, we expected our International net sales growth to accelerate exiting 2025, and we accomplished just that. Year-over-year net sales grew 23.2% in the second half of 2025 compared with 17.3% in the first half. We see enormous future growth opportunity within International in 2026 and the years to come.

Turning to performance by category. Net sales in the Cleaning category increased 3.4% year-over-year to $670 million. Carpet extraction was a particular standout, partially driven by disruptive innovation like the Shark StainForce cordless spot and stain cleaner. Net sales in the Cooking and Beverage category increased 11.7% year-over-year to $667 million. As we've seen in prior quarters, the Ninja Luxe Cafe espresso machine has continued to be a growing hit worldwide.

Net sales in the Food Preparation category increased 28.1% year-over-year to $438 million. Our frozen treats business saw further global momentum in the quarter to help propel this category. As we progress throughout 2026, we are excited to introduce new innovations in frozen treats and beyond. Finally, our Beauty and Home Environment category increased 63.2% year-over-year to $326 million, our highest growth rate of the year. Importantly, this strength came from multiple subcategories, including fans, air purifiers and our portfolio of Shark Beauty tech products.

Now let's move to gross profit, where our results in the quarter exceeded our internal expectations driven by 2 primary factors. First, our International gross margins expanded nicely based on a number of elements, including cost optimization and channel mix. Secondly, our overall sales mix was more favorable than anticipated, driving margin upside. We did start to see the increased impact of tariffs on our Domestic gross margins in Q4, partially offset by this mix benefit on top of the robust and evolving set of mitigation strategies that we have spoken about previously.

Adjusted gross margins in the fourth quarter increased nearly 40 basis points year-over-year to 48.2% of net sales and GAAP gross margins increased roughly 90 basis points to 47.9% of net sales. Similar to last quarter, the difference between our adjusted and GAAP gross profit results is negligible and should diminish further as 2026 progresses. For the full year, our adjusted gross margins improved approximately 30 basis points year-over-year to 49.4% of net sales. This outcome exemplifies SharkNinja's core competency on gross margin and our diversified approach to driving upside even in a challenging environment.

Moving down the P&L. Our adjusted operating expenses this quarter totaled $645 million or 30.7% of net sales. This compares to 33.5% of net sales in the year ago quarter or nearly 280 basis points of favorability year-over-year. We have now produced adjusted operating expense leverage for 3 consecutive quarters, a clear demonstration of our continued cost discipline balanced with considerable reinvestment in the business to fuel growth.

Research and development expenses increased 13.1% year-over-year to $98 million compared to $87 million in the prior year period, leveraging 20 basis points year-over-year. We believe investing behind R&D resources such as personnel and prototypes remains critical to power our innovation engine. Sales and marketing expenses increased 8% year-over-year to $459 million compared to $425 million in the prior year period, leveraging almost 200 basis points year-over-year. Our performance this quarter is a great example of the balance I mentioned a moment ago between cost control and investment for growth.

Relative to last year, we have internally developed more sophisticated social media optimization tools. These help us more efficiently spend advertising dollars in social channels to drive strong ROI. At the same time, we have added meaningful global talent to our SharkNinja team of content creators in cities across the world. We believe our sales and marketing capabilities provide a key competitive differentiator for SharkNinja, one that we will work to enhance globally into the future. General and administrative expenses decreased 13% year-over-year to $107 million compared to $123 million in the prior year period, leveraging about 180 basis points year-over-year. The bulk of the decrease this quarter relates to lower expenses on personnel, including stock-based compensation favorability year-over-year.

At SharkNinja, our ultimate goal is profitability growth in excess of net sales growth with adjusted EBITDA as our key metric. We emphatically succeeded on this dimension in Q4 with adjusted EBITDA growing 36% year-over-year to $395 million, roughly double the rate of top line growth. This represents an 18.8% adjusted EBITDA margin, up approximately 250 basis points compared to the prior year period. For the full year 2025, our adjusted EBITDA margin reached 17.7% of net sales, up roughly 50 basis points year-over-year. As we enter 2026, we will continue to utilize our diversified set of gross margin levers and operating expense discipline to keep laser focused on adjusted EBITDA margin improvement potential.

To wrap up the income statement, our GAAP effective tax rate in Q4 was 22.6%, while our non-GAAP effective tax rate was 21.9%. Adjusted net income in the period was $275 million or $1.93 per diluted share compared to $198 million or $1.40 per diluted share in the year ago period. Our adjusted earnings per share in Q4 grew 38% year-over-year, while GAAP earnings per share nearly doubled from $0.91 per diluted share to $1.80 per diluted share.

Turning to the balance sheet and cash flow. Total inventories were $1 billion exiting the quarter, up 11.4% year-over-year. With all the tariff prebuilt stock now sold through, our inventory levels exiting the year reflect a healthy position to support our future growth plans. Our strong fourth quarter results across net sales and profitability delivered record cash flow performance for SharkNinja. In 2025, we achieved $634 million of cash from operating activities and ended the year with over $777 million of cash and cash equivalents, up more than 100% year-over-year. Total debt outstanding at the quarter end was $739 million, and we continue to have nearly $490 million of capacity available to us on our $500 million revolving credit facility.

We feel this level of cash generation and balance sheet strength gives us the durable financial foundation to invest in growth, thoughtfully deploy capital and maintain optionality as the environment evolves. As Mark touched on, we have deliberately strengthened SharkNinja's financial profile through years of disciplined execution. We have long viewed our balance sheet as a key advantage relative to peers. In 2024 and '25, we prioritized flexibility around elements like inventory and working capital. In 2026 and beyond, we feel we are in a prime position to remain nimble while also prioritizing capital allocation in a more meaningful way. This is why we are so excited about the $750 million share repurchase authorization. We view it as another means by which we can drive long-term value for our shareholders.

Let's move to our outlook. We entered the year excited about the multiple growth opportunities ahead and cognizant of the tariff-related headwinds that are now fully manifesting in the P&L. Consistent with prior quarters, our initial 2026 outlook assumes current tariff levels persist, including minimum rates of 20% for China, 20% for Vietnam and 19% for Indonesia, Thailand, Malaysia and Cambodia. For the full year 2026, we expect our net sales to increase between 10% and 11%, adjusted net income per diluted share to be in the range of $5.90 to $6, an increase of 12% to 14% year-over-year. Adjusted EBITDA to be in the range of $1.27 billion to $1.28 billion, representing growth of 12% to 13% year-over-year. Net interest expense to be flat relative to 2025, our GAAP effective tax rate to be approximately 22% to 23% and capital expenditures to be between $190 million to $210 million for the year.

To close, our performance in Q4 capped off a truly remarkable year for SharkNinja. In the face of extraordinary challenges, we relentlessly executed to drive value for our consumers, retail partners, employees and shareholders. 2025 will likely be remembered as an exceptionally unique period, but in many ways, it has been business as usual for SharkNinja. We remain squarely focused on delivering our goals quarter after quarter, year after year.

With that, I will now turn it back to Mark.

Mark Adam Barrocas
President, CEO & Director

Thanks, Adam. During our Q1 conference call back in May, I reflected on some of the major macroeconomic challenges during my 17-year tenure. The great financial crisis, the COVID-19 pandemic, component shortages and now the tariff-related upheaval of 2025. Our tremendous results this year reinforce our perspective that these are not roadblocks. There are opportunities. We believe SharkNinja has emerged from this period stronger, smarter, more agile and unwaveringly committed to winning, all powered by our diversification strategy across the business. This is why I'm so excited for 2026 as a fresh chapter in SharkNinja's evolution as a company.

On the business side, we're now a direct operator in more markets than ever before. There is a huge opportunity ahead to scale our International business, supported by the success in Mexico and early indications in EMEA. We also entered the year with a meaningfully stronger omnichannel presence, more placements at retailers and momentum with many of our largest partners. This is complemented by our revamped direct-to-consumer presence rolling out across the globe in early 2026.

On the financial side, we've achieved our goal of becoming a domestic filer. This is an exciting milestone for SharkNinja and the final step needed to earn consideration for broader index inclusion. Keep an eye out for our annual report on Form 10-K in the next few weeks and our proxy later in the spring. Across all facets of our business, we believe SharkNinja is set up incredibly well for success for years to come.

I'm often asked by investors how and why we continue our pattern of strong net sales growth and profitability improvements going forward. We think the answer is simple. We focus on 2 foundational cornerstones, disruptive consumer-focused product innovation and viral marketing capabilities that create consumer demand. We feel the combination of these driving forces is powerful and differentiated, especially when considering how much white space we see, new categories to pursue, existing categories where we can go deeper and new countries to enter. With so much opportunity ahead, we think our culture is a key enabler of success as long as we stay grounded in what matters the most, positively impacting people's lives every day in every home around the world and the existential need to be the very best.

These mantras permeate everything we do. Our focus on the consumer, our multilayered flywheel, our growth pillars, our ability to execute and our guiding principles. To the over 4,000 team members committed to the outrageously extraordinary mindset, I thank you for a truly incredible 2025. We feel like we're still at the beginning of an exciting journey and a bright future for SharkNinja.
Thank you. 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, given the momentum in the business, I was hoping you could outline what you believe is an appropriate medium-term growth algorithm for your U.S. business. What does that mean for U.S. growth in 2026? And what contribution do you expect from units versus price?

Mark Adam Barrocas
President, CEO & Director

Brooke, I'm sorry, the ending. What contribution do you expect from units versus price?

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

Correct. Yes. Thank you, Mark.

Mark Adam Barrocas
President, CEO & Director

Okay. Yes. Yes. So Brooke, look, we came out of Q4 and delivered great growth in the U.S. Our D2C business is growing nicely. Our retailer partners gave us tremendous support in the holiday season, and they're continuing to do that into 2026. New channels are emerging like TikTok Shop as we've talked about. So we think the U.S. business is a double-digit growth business. We delivered that the 25...

[Technical Difficulty]

Operator

Sorry, ladies and gentlemen, following the technical difficulties. We now turn to Steve Forbes from Guggenheim.

Steven Paul Forbes
Guggenheim Securities, LLC, Research Division

I'll try to get through this. We're having a little trouble hearing you guys on the call here. But my question really is about the International segment growth. So you mentioned triple-digit growth in Mexico, a lot of excitement around Lat Am, but you also commented on the recent transitions to a direct model, right, in a variety of countries. As we think about the first quarter in particular, right, the quarter we're in, given that we're cycling the disruption from Mexico last year, any way to help us just think through how you guys are planning for the International segment growth profile to evolve as we work through 2026?

Adam Quigley
Chief Financial Officer

Can you hear us now?

Steven Paul Forbes
Guggenheim Securities, LLC, Research Division

Yes, that is much better.

Adam Quigley
Chief Financial Officer

Okay. We'll try this. I think I got most of your questions, Steve. This is Adam. So as we look at the International growth profile, we do continue to see International growing at a faster rate than the Domestic business. We're seeing incredible momentum out of the Lat Am business, specifically in Mexico, continuing to accelerate as we entered and exited the second half of this year. We do expect that to continue into the first half of 2026, and we've really laid some really great framework and foundations in that market to continue to build upon.

Over on EMEA, I think what you've seen is an acceleration overall from the first half into the second half of 2025 as well. Obviously, we've talked a lot about lapping pretty strong air fryer comps overall. We're pleased with the diversification that we're seeing, particularly on the U.K. U.K. in a really good growth position now, having lapped and continuing to lap pretty strong air fryer comps there. Similar trends on Germany and France, where, again, our focus is on diversification in those markets, continuing to bring the wealth of category expansions that we have across our developed markets into some of those new and expansion markets.

Mark Adam Barrocas
President, CEO & Director

Look, Steve, I mean, we grew in the fourth quarter, 21% International. We said that there was going to be some noise in the numbers due to the transition of Benelux, Poland, the Nordics. In Q1, there's some disruption as it relates to the movement of Spain and Italy. So yes, we are comping the Mexico transition. There will be some kind of transition impacts that are going to happen in Q1. By the end of Q2, we're still on track to kind of have a normalized business moving forward.

And so we think this was the right thing to do. We're up and running now on a direct basis in the Nordics, Benelux and Poland. By the second quarter, we'll be up on a direct basis in Spain and Italy. And we think this kind of distributor direct major transitions will be gone as we come out of the second quarter.

But overall, the U.K. growth was very nice. Our European business continues to be very strong. Latin America, we pointed out. And I'm very excited as we go into the second half of this year to the Middle East. I mean, I think we're seeing some really good signs out of some products that we launched in Q4 in the Middle East that our distributor will start getting back into inventory toward the end of Q1. So I think there's a lot of pathways for growth for us in the International business.

Steven Paul Forbes
Guggenheim Securities, LLC, Research Division

Maybe I'll just stick, Mark, with the International commentary because it's sort of where I was getting with the question, you think about the success in Mexico post the transition, post the disruption that you experienced, I don't know if you can maybe frame up for us here on the call, like how much visibility do you have into those countries that you've transitioned as you look out to the second half of '26 into 2027, planning for 2028. I mean you're on record talking about the mix of the business eventually getting to 50-50. Obviously, that's some pretty exciting International growth implications. So maybe I'll just leave the question there and have you comment on just the visibility behind the growth profile as we get past the disruptions.

Mark Adam Barrocas
President, CEO & Director

Look, Steve, I think the biggest thing is, let's start off with do consumers love the products, okay? Like first and foremost, like are they resonating with the products? And I think we've got really good visibility as it relates to that. I mean I think if you -- whether you go online and you look at online reviews in Norway or you look at online reviews in Mexico, I mean the products are really resonating with consumers and not just across 1 or 2 categories, but across lots of categories.

The second is, is our demand generation model resonating and working? And while Adam pointed out the great Q4 that we had in Mexico, all of that Spanish language media is spilling over into the rest of Latin America as well. I mean our PriceSmart business was very strong in Q4. We talked about expanding quite a bit with Mercado Libre in 2026. That's all coming because demand is being generated in -- throughout

Latin America by the social media and the demand generation that's happening in Mexico that's spilling over into these other markets.

So I think we have great visibility on the consumers love the products. I think we have really good visibility on is our demand generation model working. I think we're -- it's always slower to get into brick-and-mortar retailer placements, but our pure player business is growing quite a bit. Our D2C business is growing quite a bit.

And look, the brick-and-mortars will come online as their planograms set and things like that. But at the end of the day, it's a matter of how are we resonating with the consumer, how -- what kind of relationship are we building with the consumer? And I think whether it's Norway or Poland or Belgium or Mexico or Colombia, the consumer is resonating with our model and with our products. And so we're excited as we go into '26.

Operator

We now turn to Jungwon Kim with TD Cowen.

Jungwon Kim
TD Cowen, Research Division

Just wanted to double-click a little bit on the Beauty segment. Could you talk about the customers you're acquiring to Shark brands through Beauty? Any notable characteristics of these customers versus your other brands and products? And then also just related to that, how do you see the distribution opportunity within beauty? What are some white space both domestically and internationally?

Mark Adam Barrocas
President, CEO & Director

Okay. Look, what is the difference? I mean, like we're obviously attracting a younger demographic. I mean we're attracting a young female demographic in particular. You'd be surprised actually in our skin care business. We're also attracting a young male demographic in that. I think that we're creating lots of social media excitement, whether it's CryoGlow or whether it's FacialPro Glow. But I'll give you an interesting -- a couple of interesting points about the Beauty business.

I mean let's think about Christmas 2024. If you wanted to buy an LED mask, it was a fringe product that was sold online and it was mainly sold with some no-name brands. I mean in 2025, I mean we democratize the category. I mean you could buy a Shark CryoGlow at Costco in Bloomington, Indiana. And I think what bodes so well for this is that we're enlarging the size of the market. I mean the total LED mask market in the United States was $35 million in 2024. We did more than 2x that just in '25 ourselves.

So what we're doing in skin care is a lot like what we did with the CREAMI or a lot like what we did in other categories where we're developing the category. I mean we're the #1 skin care facial device in the U.S. coming out of the holiday season. But more than that, I mean our goal is we want to be the #1 beauty tech company in the world. And we think it starts with hair, and we think it extends into skin and we think there's a lot of other places for us to go within the beauty space. I mean scalp, I think, is an interesting place. I think nails is an interesting place. I think wellness is quite interesting, and we're looking into. So I think it bodes really well for a big expansive global category for us to develop, but it also opens up the next doors for us as to where to Shark and Ninja go next.

Operator

We now turn to Andrew Didora with Bank of America.

Andrew George Didora
BofA Securities, Research Division

So Mark, I guess, in 2025, you launched several new celebrity campaigns for the likes of Tom Brady, Kevin Hart. I guess, how would you define the success of these campaigns? And maybe what new initiatives do you have to continue to engage your customer this year?

Mark Adam Barrocas
President, CEO & Director

Look, I think in '25, we absolutely became more part of culture. Our social media followers grew over 100%. Our engagement with consumers grew over 100%. Everything from how consumers viewed us in the F1 movie, which was a tremendous success for us. I think Tom and Kevin and David and what we're doing with those celebrity partnerships are kind of the tip of the pyramid. But I think it's all part of kind of a campaign that starts at the celebrity level and looks at macro influencers like people like Alix Earle.

We go -- we work with tons of micro influencers that have very high engagement and followership in specific categories. I mean that could be in something like outdoor cooking or that could be in something like CleanTalk or food prep or other areas. But I think it's all part of how do we meet the consumer where they're engaging in content, whether that is ask me anything on Reddit, whether that is TikTok Shop, whether that is Instagram, whether that's outdoor billboards. It's all part of kind of a total demand generation approach.

And I'll tell you something that I think is really exciting as we look at our business right now heading into '26, it's the spillover effect of all the media. This social media has no borders to it. And so when you run social media content in the U.S. or the U.K., it's being viewed in places all around the world. I mean we're now tracking influencer content based on what countries view their content and engage with their content. We're getting much more sophisticated in does an influencer only have followership in the United States? Or if we hire them, does the influencer also have followership in Mexico and France and Germany and in other places.

So I think the whole approach to our demand generation strategy is getting much, much more sophisticated. The analytics behind it are getting much more sophisticated. That's going to allow us to make sure that we're targeting the right content with the right influencers to the right consumers to drive POS.

Andrew George Didora
BofA Securities, Research Division

That's great. Very helpful. Just a follow-up for Adam, and sorry if I missed this, I think things were cutting in and out a little bit. But can you speak to any gross margin kind of headwinds and tailwinds that you see for this year? And how would you characterize your ability to grow gross margins in 2026?

Adam Quigley
Chief Financial Officer

Yes, certainly. Thanks, Andrew, and a good piece to hit on. So as we look at the first half of 2026, we will be normalizing tariffs as we go into the year and paying -- having them come through the P&L in a way that we didn't have last year in the first half. We, of course, didn't really start to see those flow into our P&L until Q3 a bit and then into Q4. And so the first half, we expect a decent gross margin headwind driven by tariffs with slight offsets driven by all the cost optimization efforts that we have talked about before, and we've continued to ramp up.

The other piece is that you will start -- you will continue to see the operating expense leverage from us in the first half and into the second half as well as we continue to not only optimize across various initiatives and spend areas, but also continue to execute against some of the initiatives that we've been doing for years now. So our goal overall remains, and you see it, obviously, in the guidance is that our goal is to expand EBITDA rate as a percentage of sales, and we're certainly intent on doing just that, and you'll see that in the first half right out of the gate.

Operator

We now turn to Phillip Blee with William Blair.

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

So fourth quarter was very strong. Domestic growth of almost 16% is very impressive. So how do you think about that momentum flowing through into the first quarter, first half of this year? And then how do you think about lapping any retailer stockpiling ahead of tariffs or potentially some sales left on the table from inventory constraints last year? And then I just want to confirm, since we had some sound issues earlier. You mentioned the U.S. growth should be sustainable in the double-digit range, correct?

Mark Adam Barrocas
President, CEO & Director

Yes. I mentioned, Phillip, that I think the U.S. should continue to grow at double digits. We saw strong momentum coming out of '25. We feel good about our placement in '26 with retailers. We feel good about the momentum that our D2C site is going to continue to get as we get through the year, and we stand that up with additional functionality. Look, I mean there's always inventory issues that you're lapping or constraints or one-offs or one-times. I mean that's part of the diversification across the business that we're managing. I mean it's hard for us to comment on like any one specific thing at a quarterly level.

I think the more important thing is that our business has multiple pathways of growth. I mean we're going to enter into 2 new product categories this year in '26. We've got a really great pipeline of innovation in '26 that we're going to be bringing to market with 25 new products. We're building our base business. We're continuing to take share in the base business, not just in North America, but in Europe and Latin America as well.

And we think there's a lot of continued pathways for International growth. So it's hard to comment on any individual onetime blip quarter-to-quarter. I think at a macro level, how do we feel about our three-pillar growth strategy? I mean we feel like it's strong, and we feel like we've got good momentum as we head into '26.

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

Okay. Great. Very helpful. And then you've spoken a bit about how you're getting smarter about social spend, how you're paying affiliates. We saw quite a bit of leverage then in sales and marketing line this quarter. So how should we think about the impact of those efforts, both from maybe a marketing effectiveness standpoint, but then also a financial perspective? Should we expect that line to remain more flattish as a percentage of sales for the time being? Or how should we think about that?

Adam Quigley
Chief Financial Officer

Yes. Thanks, Phillip. So as we look at sales and marketing, again, you'll see -- you saw significant leverage in Q4 across that line item. And that's really driven by a number of different factors. It's the media optimization type efforts that Mark talked about earlier, it's allocations between media spend and price and promo depending on the category, depending on the region. And so that bucket has a lot of different moving pieces within it.

But also, as we look ahead and move forward, there's a lot of great optimization efforts that will allow us to continue to leverage that line item. We're at a point of scale now that we can leverage some of these global campaigns Mark touched on earlier, F1 movie as an example, some of the global brand ambassadors that are on board. Those are all assets that appeal across many different markets.

So sales and marketing is certainly a line that while it is a competitive advantage and will remain one that we continue to lean in on via investment for new geographies, new categories. It's also a massive area of leverage. So it's not about harvesting any sort of forced leverage there. It's really about optimizing what is a very large and healthy base of investment.

Operator

And our final question today comes from Rupesh Parikh with Oppenheimer.

Rupesh Dhinoj Parikh

Oppenheimer & Co. Inc., Research Division

So just curious, as you guys think about this upcoming fiscal year, how are you thinking about the consumer category backdrop? Do you expect it to be same or better than the prior year? And then just any thoughts on whether your categories could benefit from stimulus in the U.S. market?

Mark Adam Barrocas
President, CEO & Director

Yes. Look, Rupesh, I mean I think other than -- I think I mentioned this, other than the 18 months during COVID, I don't remember kind of a frothy consumer time for us. So I would say the consumer is going to be kind of expected to be flat to where we were last year in general. Listen, when there is stimulus in the United States, it does seem like that stimulus does flow through the economy quite fast and consumers use that money to spend on things that they want. I can't comment until we understand what that exactly looks like.

But I would expect the consumer to be flat, and I think it's our job to earn the consumers' hard-earned dollar by making great products and delivering them at a great value and letting them choose as to whether they go out to dinner 2x more, they buy a Shark or Ninja product. I mean I don't think we're competing against our industry per se. I mean, I think we're competing against a pool of consumer discretionary dollars and how do we make sure that we put our best foot forward in making the case as to why they should invest in SharkNinja.

Operator
Ladies and gentlemen, that's all the time we have for questions. So this concludes our Q&A and today's conference call. We'd like to thank you for your participation. You may now disconnect your lines.