SharkNinja, Inc. NYSE:SN

Earnings Call

Wednesday, August 5, 2026 1:30 PM GMT

Call Participants

EXECUTIVES

Adam Quigley
CFO & EVP

James Lamb
Senior VP of Investor Relations & Treasury

Mark Adam Barrocas
President, CEO & Director

ANALYSTS

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

Peter Jacob Keith
Piper Sandler & Co., Research Division

Randal J. Konik
Jefferies LLC, Research Division

Steven Paul Forbes
Guggenheim Securities, LLC, Research Division

Presentation

Operator

Hello, everyone. Thank you for joining us, and welcome to the SharkNinja Second Quarter 2026 Earnings Call. [Operator Instructions]

I will now hand the conference over to James Lamb, Senior Vice President of Investor Relations and Treasury. James, please go ahead.

James Lamb
Senior VP of Investor Relations & Treasury

Good morning, and welcome to SharkNinja's Second Quarter 2026 Earnings Conference Call. Earlier today, we issued our Q2 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 Q2 financial results and share our outlook for 2026. Mark will then offer some closing remarks before we open the call to questions. During the Q&A session, please limit yourself to one question and one follow-up.

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

Mark Adam Barrocas
President, CEO & Director

Thank you, James. Good morning, everyone, and thank you for joining us today. Let me get right to it. Q2 was a blowout quarter for SharkNinja. We delivered our 13th consecutive quarter of double-digit net sales growth. And we didn't just sustain our pace, we accelerated to over 22% growth year-over-year. This is our fastest growth rate since Q4 2024.

And here's the key takeaway. SharkNinja's products are resonating globally, not in one category, not in one region, across consumer demographics, across geographies and across channels. Everywhere we compete, we are winning by engaging and delighting consumers. We believe this quarter demonstrates the global power of our diversified business model in action.

Domestic net sales grew more than 15% in Q2, a meaningful step-up from last quarter with first half 2026 net sales up greater than 12%. International grew nearly 37%, fueled by the U.K., Europe and Latin America. Every cylinder in our engine is firing, powered by our diversified 3-pillar growth strategy. Just as important, our profitability performance was exceptional. Gross margin beat our expectations even as tariffs remained a real headwind.

Adjusted EBITDA increased nearly 19% year-over-year, driven by another quarter of leverage on adjusted operating expenses. And adjusted earnings per share increased nearly 30% year-over-year, clear proof that we're compounding earnings, not just growing sales.

I want to be direct. When some investors ask me about SharkNinja's growth, I can sense some skepticism. It's hard to believe that double-digit growth in a business our size in a market that isn't growing much can be durable. Today, I will explain why we believe it is and why it comes down to the most misunderstood part of our business, the size and strength of our core.

When people think about SharkNinja's growth story, they often think about new innovations we bring to market like SLUSHi, CryoGlow, ChillPill, the products that go viral. There is a misperception that these subcategories are an outsized part of the business that requires enormous growth to drive total sales and that their success comes from SharkNinja effectively pioneering these markets in a way that isn't repeatable.

Category expansion is a real and important part of our story, but it overlooks what really powers our success. The base business franchises like vacuums, blenders and air fryers, the products consumers already know us for, are very large categories. They are diversified and they are growing, not flat, not managed for decline, growing.

Here's a simple way to think about our growth. On average, over the last 3 years, our existing categories typically grow mid- to high single digits. Layer on international expansion, layer on new category launches, add those 3 together and you can get a double-digit growth profile. That's not a fragile formula built on 1 or 2 hit products. That's a durable compounding growth engine with multiple sources of fuel. The 3-pillar growth strategy that has been in place for years and one we intend to keep running for years to come.

Success within the core is the centerpiece of this strategy, and it comes from relentless innovation in the areas we already dominate. Cleaning is a great proof point this quarter with multiple product launches. The Shark Luxe Home collection brings elevated new finishes to our flagship PowerDetect robot and cordless vacuums. The Shark CarpetForce lineup debuted to give consumers powerful deep cleaning in a lightweight ultracompact design. And the Shark PowerDetect Transformer is a true game changer that brings together 3 cleaning tools in one, an upright for deep cleaning, a stick vacuum for maneuverability and a handheld for above floor and tight spaces like the car.

That's 3 meaningful innovations in a single quarter inside a category we've sold for decades. This is emblematic of SharkNinja, driving continuous innovation within the largest categories we compete in. And it's a big reason our core isn't just holding steady, it's thriving.

Motorized kitchen appliances are another great example. This quarter, our blending franchise drove excellent growth within the Food Preparation category. The Ninja BlendBOSS, a complete reinvention of our tumbler blender, has reinvigorated our business in the subcategory. Consumers are responding to the product's unique combination of power and function, not to mention personal style, in a big way. Colors have also been a huge win for the BlendBOSS, another element that keeps this part of our blending franchise thriving.

There's a second idea I want to leave you with today because I believe it's just as important as the strength of our core. SharkNinja is not a cleaning company or a kitchen appliances company. We're a consumer problem-solving company. That is the lens through which we approach every aspect of our business, and the number of consumer problems left to solve is for all practical purposes, endless. Every category we've ever entered started the same way, not with a product we wanted to create, but with a problem we noticed, a soggy sandwich in a cooler, a hot styling tool that damages hair, a stain that traditional cleaner couldn't lift. That mindset doesn't run out. It compounds.

The bigger and more diversified we get, the more problems we're positioned to see and solve first. That's why I don't think about our core and our new categories as 2 separate stories. They're the same story told at different stages. Cleaning is new every single quarter because we keep finding fresh problems inside of it. And our newest categories will eventually mature into core, the same way things like CREAMi have, which I'll come back to later.

Our focus on the core shows up in how we drive innovation, not just how we talk about it. Roughly 20 of the 25 new products we launch each year go into existing categories. That's deliberate. A vibrant, healthy base business is what powers everything else we do at SharkNinja. And that core doesn't sit still. It gets larger and more diversified every year as we layer on new categories, channels and geographies. That's the strength of our core today.

Now I want to spend a minute on 2 things I believe will extend that advantage for years to come. First, channel expansion, specifically social commerce. Platforms like TikTok Shop aren't just a place to sell our newest, most viral products, they're becoming a front door for entirely new customers to discover our core products for the first time. One of my favorite examples is cutlery, a category we've been in for almost 5 years. Our Ninja NeverDull Knife system have become a smash hit on TikTok Shop in the U.S. with this channel now in the top 3 for sales in the category.

Even better, we're appealing to a mostly younger demographic than we typically see purchasing these products. Social commerce represents a new promising acquisition channel for many of our oldest, largest categories, and it's one that we're scaling globally. At the end of the quarter, we were live with TikTok Shop in 7 countries compared to 0 in the year ago period. But we're not stopping there with a goal of more than double that number by this holiday season.

Second, artificial intelligence. Last quarter, we described Jailbreak SharkNinja, our initiative that encourages and rewards employees for developing AI tools. One of the most tangible places we're seeing it pay off is product development. AI is compressing the fuzzy front end of innovation. That phase where we conceptualize a product's form factor and style, that used to take months. It's getting shorter and faster iteration should enable a stronger overall pipeline, not just for splashy new categories, but mainly for the core.

AI is also meaningfully enhancing our consumer insights team. Increasingly, we can see the full conversation, not just our own channels. The best marketing we have is our consumers. They're sharing recipes, building fan communities and turning our products into a cultural moment. Previously, we could only fully analyze content where people used our hashtags, but less than 20% of user content actually uses hashtags. AI has meaningfully improved our ability to process social media content and find our products.

Today, AI has lifted our capture rate to 60% plus accuracy across the full ecosystem of users, influencers and creators engaging with our brand organically. This gives us a more complete real-time view of what's driving demand, and it's increasingly shaping both our marketing and product development strategy. At the company level, we continue to rapidly progress on our most important AI initiatives. Coming out of our Jailbreak Live, our all-company hack week, we're laser-focused on 8 big bet projects and 20 quick win projects.

Two examples of big bet projects are POS attribution and media analytics and optimization. In both cases, we're partnering with major tech companies and other thought leaders in the AI space. Across all these initiatives, we have created a very unique approach, similar to how we operate in product development. Every project has a 2-week cycle. The leadership team meets every 2 weeks with the project leads for updates and plans the next 2 weeks. The concept of a 6- to 9-month project no longer exists at SharkNinja. If we don't see tangible progress on an initiative every 2 weeks, resources are reallocated elsewhere. Decisive action has always been part of our DNA and AI is helping us move even faster. Both of these social commerce as a discovery channel and AI accelerated innovation enhance our confidence that the core business isn't simply healthy today, it's built to keep winning.

With that context on the core, let me walk through our 3-pillar growth strategy, beginning with our first pillar, expansion into new and adjacent categories. A common question we hear at SharkNinja is when do we run out of the categories we can go into. In our minds, we've been answering these for 18 years and counting with a relentless focus on solving consumer problems. Independent of whether we already possess a core technology or expertise, we feel like the white space ahead of us is enormous.

Let's take an age-old consumer problem, settling for soggy leftovers and unevenly heated meals using traditional microwaves. Building on the success of the Ninja Crispi platform, Ninja just reimagined the microwave experience with the revolutionary Ninja Crispi Microwave. The breakthrough is FusionCrisp technology. It starts with microwave cooking, then automatically finishes with Ninja's legendary air frying using superheated cyclonic air up to 450 degrees to take food from frozen to crispy in 10 minutes. Early consumer reaction has been outstanding. In just the first week alone, we've had over 8 million impressions across our social media landscape. This is an incredible adjacency for us in an established multibillion-dollar market, adding a TAM that is brand new to SharkNinja and taking our total subcategory count to 40.

The Ninja Crispi Microwave is another example of us finding a category that hasn't seen real innovation in years and asking what SharkNinja can do differently. And you will recognize the same thing again in a few weeks when we launch a new category that addresses yet another problem in a space with minimal innovation for years.

Let's turn to our second growth pillar, growing share in existing categories. I spent time earlier discussing the size and strength of our core business using cleaning and blending as examples. Now let's focus on frozen treats, where the Ninja CREAMi has become a scaled global business with revenue coming from over 30 different countries. The first CREAMi launched in 2021, and we've transformed it from a single product into a family of products, each with different features and price points with even more innovation coming as part of our road map. This is exactly the pattern we want.

A new category doesn't stay new forever. It matures into an existing franchise, and then we keep innovating inside it to become one part of a massive diversified core business that continues to evolve and compound. Fans were also a standout in the quarter, both domestically and particularly in EMEA. Hot temperatures this summer, coupled with our innovative lineup, drove exceptional demand for products like the Shark FlexBreeze and Shark TurboBlade. In fact, we sold out and couldn't capture all the demand we saw. This presents a major opportunity for us to scale next year, especially as we expand to more European countries. Fans are a great example of a subcategory that started domestic and is now scaling into international, another proof point of how our playbook travels.

This leads us nicely to our third pillar, international expansion, where we demonstrated a sensational quarter. Net sales growth of nearly 37% was powered by broad-based strength across regions, led by U.K., Europe and Latin America. The U.K. grew nearly 19% year-over-year as the power of our diversified category and channel strategy continues to shine. Latin America remains incredibly robust for SharkNinja with contributions across the region.

In EMEA, we saw strong performance from France and Germany and a successful transition in Italy and Spain, 2 markets we recently converted from distributor-led to direct markets. Importantly, we're now done for the foreseeable future with these distributor conversions, laying the groundwork for future growth. We've also finished the rollout of our new direct-to-consumer platform across our major international markets. Social commerce initiatives like TikTok shop launches are going exceptionally well across the geographies where we've turned them on. These efforts represent a multiyear, heavily complex transition, and we've now crossed the finish line. This unlocks real focus for our international teams going forward and a major opportunity for SharkNinja.

We've demonstrated that operating directly enables us to really scale countries under our leadership. In fact, a few weeks ago, we brought together leaders from across the company to our quarterly business review in London. We focused the multi-day meeting on EMEA with the key takeaway being boundless opportunities for growth. The biggest component of this is driving core business expansion market by market.

France and Germany are the clearest examples. A year ago, SharkNinja participated in a low double-digit number of categories in each market. Today, that number is up over 50%, with the incremental launches largely coming from our established core. Even with the expansion, we estimate that we're still less than 10% penetrated on an overall category basis across EMEA today. I see so much potential ahead of us for years to come as we keep introducing successful legacy categories while taking share within existing ones.

What excites me the most about our international expansion is how our social demand generation model is scaling. As we built out our teams, scaled up local language content and learn what works in different countries, we're creating consumer demand across the globe. Just as important is how many more ways we have to reach the end consumer than we did a year ago. Our omnichannel strategy is flourishing. Retailers are making bigger commitments to SharkNinja as partnerships deepen, and we are grateful.

We're building momentum across countries with major partners like Amazon globally and Mercado Libre in Latin America. And we're complementing all of it with our meaningfully enhanced DTC and social commerce presence. SharkNinja moves fast. In the past, the natural pace of expansion in brick-and-mortar could limit this speed. At times, there were more products we wanted to launch than we could. Today, we can move even faster, thanks to our expanded retailer relationships globally in combination with the flexibility of our DTC and social commerce capabilities.

Let's take TikTok Shop as a prime example. We launched in multiple new countries in Q2 and the early success has been phenomenal. In the case of Germany, within weeks, our sales volume in this channel started to reach levels that took us months to achieve in the U.S. and U.K. We think this speaks to how much we've learned over the last 9 months on the platform, particularly how to maximize social media marketing.

To wrap up, SharkNinja has a battle-tested strategy driving our massive success. Our core is large, diversified and growing. Our new categories keep finding white space. Our domestic business is humming across the board, including with our largest retailers. Our international business go-to-market transformation is complete and ready to scale. Put these pieces together, and we believe we have a balanced, powerful growth engine capable of delivering excellent results into the future.

All these factors drive huge excitement and confidence for 2026. We meaningfully raised our guidance today well beyond the benefit we expect from tariff refunds, a reflection of the continued strength we see for the remainder of the year. We were active with our share repurchase program in the second quarter, and we head into the back half with real momentum in the places that matter most, products that excite consumers, a marketing strategy that works globally and more channels to drive sales than ever before. The SharkNinja consumer is proving to be remarkably resilient. We intend to keep pressing that advantage.

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

Adam Quigley
CFO & EVP

Thank you, Mark, and good morning, everyone. Q2 was an outstanding quarter for SharkNinja across the board, and I'm excited to walk through the details. Net sales in the second quarter increased 22.2% year-over-year to $1.77 billion. By geography, domestic net sales increased 15.5% to $1.14 billion. International net sales were $624 million, up 36.6%.

Our U.K. business continued its great start to the year with net sales up 18.7% year-over-year to $255 million. We saw particular strength within our Beauty and Home Environment business in the U.K., along with heated cooking in multiple other categories. The rest of the international business also performed quite well in the quarter. Our EMEA region grew robustly with multiple countries contributing to our success. Mexico performance remains very strong, along with the rest of the Latin America region.

Turning to performance by category. Net sales in the Cleaning category increased 4.1% year-over-year to $522 million. One of our largest subcategories, cordless vacuums drove our success and carpet extraction had another strong quarter. Net sales in the Cooking and Beverage category increased 36.5% year-over-year to $499 million. Two of our flagship Ninja franchises, the Ninja Luxe Café and the Ninja Crispi continue to see very strong momentum globally.

Net sales in the Food Preparation category increased 13.3% year-over-year to $459 million. Blending was the standout in Q2, as Mark mentioned, and our frozen treats business grew nicely as well. Finally, our Beauty and Home Environment category increased 65.3% year-over-year to $286 million. The Shark beauty technology portfolio performed very well in the quarter, along with sizable contribution from our home environment subcategories.

Now let's move to gross profit, where the results in the quarter exceeded our internal expectations. Tariffs remain the primary headwind due mostly to the annualization impact from 2025. We partially offset this pressure through continued cost optimization and favorable mix coming from product and channels.

Adjusted gross margins in the second quarter decreased approximately 70 basis points year-over-year to 48.7% of net sales and GAAP gross margins decreased roughly 30 basis points to 48.7% of net sales.

Moving down the P&L. Our adjusted operating expenses this quarter totaled $629 million or 35.6% of net sales. This compares to 36% of net sales in the year ago quarter or roughly 40 basis points of favorability year-over-year. SharkNinja has now driven leverage on adjusted operating expense as a percentage of net sales for 5 quarters in a row. We remain confident in our ability to balance robust reinvestment in the business while also finding opportunities to optimize spending. This discipline enables SharkNinja to remain flexible regardless of the macro environment around us.

I will now break down our operating expense line items on a GAAP and non-GAAP basis. GAAP research and development expenses increased 22.3% year-over-year to $109 million compared to $89 million in the prior year period. Non-GAAP research and development expenses increased 16.4% year-over-year to $101 million compared to $87 million in the prior year period, leveraging almost 30 basis points year-over-year. We believe R&D is one of the most important competitive advantages for SharkNinja. As a result, we will continue to invest in this area as a key component of innovation engine.

GAAP sales and marketing expenses increased 23.4% year-over-year to $442 million compared to $358 million in the prior year period. Non-GAAP sales and marketing expenses increased 22.3% year-over-year to $425 million compared to $347 million in the prior year period, essentially flat year-over-year as a percentage of net sales. As we had previewed last quarter, there was more media spending in June 2026 compared to the prior year based on the timing of Prime Day.

GAAP general and administrative expenses increased 40.8% year-over-year to $130 million compared to $92 million in the prior year period. The majority of this increase was due to an increase in share-based compensation. Non-GAAP general and administrative expenses increased 18.8% year-over-year to $103 million compared to $87 million in the prior year period, leveraging about 20 basis points year-over-year. Investments in SharkNinja personnel, along with professional and consulting fees drove the increase.

SharkNinja's profitability goal centers on delivering full year adjusted EBITDA growth that outpaces net sales growth. Due to the annualization of 2025 tariffs, our adjusted EBITDA growth slightly trailed our sales growth in Q2, increasing 18.6% year-over-year to $265 million. This represents a 15% adjusted EBITDA margin, down approximately 50 basis points compared to the prior year period. As you can see from our guidance, we continue to anticipate adjusted EBITDA growing ahead of net sales for the full year 2026.

To wrap up the income statement, our GAAP effective tax rate in Q2 was 20.7%, while our non-GAAP effective tax rate was 19.7%. Adjusted net income in the period was $178 million or $1.26 per diluted share compared to $138 million or $0.97 per diluted share in the year ago period. Our adjusted net income per share in Q2 grew roughly 30% year-over-year, marking growth in excess of 23% for 11 of the last 12 quarters.

Turning to the balance sheet and cash flow. At the end of the second quarter, cash and cash equivalents totaled almost $780 million, up more than 300% year-over-year. Total debt outstanding at quarter end was $719 million, and we continue to have nearly $490 million of capacity available to us on our $500 million revolving credit facility. Total inventories were $1.14 billion exiting the quarter, up 8.6% year-over-year. Recall that we are still lapping the large tariff prebuild inventory levels from late 2024 and early 2025. We view our inventory position as healthy and capable of continuing to support our growth plans.

Cash flow performance year-to-date is worth highlighting with cash flow from operations of nearly $275 million through the first 6 months of 2026. This includes meaningful buyback activity. In Q2, we repurchased roughly $100 million worth of stock as part of our authorization. We are pleased with our buyback activity year-to-date and continue to utilize the program opportunistically.

Let's move to our outlook. As 2026 has unfolded, we are seeing tremendous global momentum in our business alongside greater visibility to certain cost items. Consistent with prior quarters, our updated 2026 outlook assumes current tariff levels persist for the remainder of the year, including minimum rates of 10% for Indonesia, Malaysia and Cambodia and a recent increase from 10% to 12.5% for China, Vietnam and Thailand. We now anticipate receiving a tariff refund benefit in 2026, the details of which are available in our Form 10-Q. In July 2026, SharkNinja submitted refund claims of approximately $247.1 million to the U.S. Customs and Border Protection, or CBP, refund process, and the CBP accepted those claims. As a result, we expect to recognize a benefit of approximately $247.1 million as a reduction of cost of sales with a corresponding receivable in the third quarter of 2026.

The underlying duties subject to refund are expected to be split approximately evenly between amounts previously expensed in fiscal 2025 and in the first half of 2026. We are treating the refunds consistently with the period in which the underlying tariff costs were recognized. Refunds associated with tariffs expensed in 2025 will benefit our GAAP results and cash flow, but will be excluded from adjusted net income, adjusted EBITDA and adjusted net income per diluted share in our fiscal 2026 outlook. Refunds associated with tariffs incurred in 2026 will be reflected in these same adjusted metrics as part of our revised full year outlook, consistent with the treatment of the original expense.

Our updated outlook reflects stronger underlying operating performance complemented by the expected net benefit from the tariff refund. We are opportunistically choosing to reinvest a portion of that benefit in targeted areas that support long-term growth, including retail activation, media, technology and AI capabilities and mitigation of the ongoing updated tariff and input cost pressures. For transparency and clarity, we have separated the net tariff impact where applicable in our outlook.

For the full year 2026, we now expect net sales to increase between 16% and 17% compared to our prior guidance of an 11.5% to 12.5% increase. Adjusted net income per diluted share is now expected to be in the range of $6.45 to $6.55 compared to $6 to $6.10 previously. Of the $0.45 increase, approximately $0.15 is associated with the expected net tariff refund benefit.

Adjusted EBITDA is now expected to be in the range of $1.36 billion to $1.37 billion, representing growth of 19.5% to 20.5% year-over-year compared to the prior expectation of $1.29 billion to $1.3 billion, representing growth of 13.5% to 14.5% year-over-year. Of the $67 million to $69 million increase, approximately $30 million is associated with the expected net tariff refund benefit.

Net interest expense is now expected to be down relative to 2025. Our GAAP effective tax rate expectation remains approximately 22% to 23% and capital expenditures are still expected to be between $190 million and $210 million for the year, where we are tracking toward the high end.

To close, we are proud of our Q2 performance as evidence of continued steady execution in a macro environment that remains uncertain. The strength of our net sales is perhaps the most encouraging data point because we see it coming from so many different places. And it reinforces our belief that consumers continue to recognize the value of our innovation and choose our products across categories, channels and geographies.

As Mark discussed, it all starts with a healthy base business, a core that is larger, more diversified and more powerful than many realize. We enter the second half of 2026 with great enthusiasm about how SharkNinja can continue to positively impact consumers' lives globally, and we're already underway with planning for 2027 and beyond. Thank you.

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

Mark Adam Barrocas
President, CEO & Director

Thanks, Adam. Our exceptional Q2 results and outlook for the remainder of the year underscore the global strength we see in our business. While execution behind the scenes is extraordinarily complex, the goal is simple: grow domestic and grow international. With domestic, our goal is to be a double-digit grower in '26, and we feel confident about that beacon. Just look at what we're doing with one of our biggest retail partners, Walmart. We recently rolled out large, exceptionally curated end caps at a large number of stores. These displays showcase the best of Shark and Ninja products, and the response so far has been incredible.

We're also deploying some of our social media tactics with retail partners. Influencers and other social media personalities are creating content about amazing SharkNinja finds they're discovering in stores. And our D2C business is just scratching the surface of the opportunity we see ahead. Internationally, the breadth of our reach is significantly better than even when we began 2026. The balance of paths we now have to the consumer, retailers, large e-commerce platforms, DTC and social commerce is enormously powerful.

Add in how quickly we're learning how to drive demand generation with social media, and you have an incredibly exciting opportunity for years to come. Success like this doesn't happen by chance. It's the output of the SharkNinja playbook consistently applied across all aspects of our business. While this strategy isn't changing, we're hopeful that the way people understand SharkNinja can. To that end, we have added 2 new slides to our investor presentation published today. These additional resources are intended to bring incremental clarity to our 3-pillar growth strategy, particularly on the size and strength of our core. Thank you.
This concludes our prepared remarks, and I'll turn it over to the operator to kick off Q&A. Operator?

Question and Answer

Operator

[Operator Instructions] Your first question comes from Randy Konik with Jefferies.

Randal J. Konik
Jefferies LLC, Research Division

Mark, you laid out a lot of good notes on how we should be thinking about the durability of growth through new product generation or innovation, continuing to innovate the core and geographic expansion. One thing that would be probably helpful is to kind of dimensionalize the size of TAM and SAM. I remember 3 years ago, when we picked up coverage, you kind of talked about a TAM size of well about $100 -- I think, $12 billion and a SAM of about $40 billion, which is a massive opportunity or a massive category. Maybe kind of give us your thoughts on how you think about that size, the true size and the global opportunity and how you layer that in with all this product innovation and continuing to kind of refresh the core?

Mark Adam Barrocas
President, CEO & Director

Yes, Randy, absolutely. Thanks for the question. Look, when we started the second quarter, I think we viewed the available TAM at roughly about $120 billion. So if you think about what our current guide is, there's an enormous amount of runway. Now that TAM continues to keep growing. As you heard in the remarks, we just launched the Ninja Crispi Microwave. That now enters us into a category that we never participated in that is a multibillion-dollar TAM, over a $3 billion TAM. So it opens up a whole new set of categories for us.

In Q3, as we get toward the end of Q3, we'll be entering into our 41st subcategory that is also a multibillion-dollar subcategory. So I think by coming out of the year, Randy, we'll be participating in $125 billion to $130 billion available TAM against the overall revenue that we have. So lots and lots of white space.

And I would also just like to point out that there's been so much talk about the market. What SharkNinja did in the U.S. this quarter, I think, is astounding. I mean our business, our shipments grew 18% in the United States. Our POS was even higher than that in the U.S. It bodes well as we head into the second half of the year. So it really points to the fact that kind of SharkNinja is able to create the market by getting consumers excited about our products and driving the viral marketing that we're driving.

Randal J. Konik
Jefferies LLC, Research Division

That's great. And I guess following up, one thing that kind of strikes me is you're talking about success in TikTok and you merged the websites and you have this one website you kind of came out with last fall. So I was just curious in thinking about how you just kind of think about long-term penetration potential for direct selling versus wholesale? And maybe Adam can give us some perspective on the margin differential there.

And then on top of that, the other area that seems interesting is from a margin opportunity while you still invest is marketing where you did say marketing, I think, was flat as a percent of sales year-over-year. But I think as history lessons go, as you get more brand awareness or more penetration in a country or geographic area, it seems like you could get marketing leverage while just becoming more efficient in that area as well. So net-net, it seems like either with direct and marketing, there's continued potential for margin expansion opportunity long term. Just want to get your thoughts on how you think about that as well.

Mark Adam Barrocas
President, CEO & Director

Yes. So let me answer the first part, and then Adam can answer the second piece. First is in the second quarter is when we just completed the Salesforce DTC launches in the rest of Europe. So the results that you're seeing in the second quarter, with the exception of the United States and Canada really do not have any impact. In fact, they may even have a little bit of hurt as a result of the DTC transition and just going through those transitions and then scaling back up.

We're going to continue to maintain our omnichannel strategy. I mean we think that, that's what is so compelling about us. I mean you heard me talk in the prepared remarks about what we're doing with Walmart, which is exciting and continuing to grow other retailers. We're excited about partnership we're developing with Mercado Libre in Latin America. We're launching Allegro in Poland that's going to continue to expand our pure-player presence.

But there's no doubt that TikTok, affiliates, DTC in '27 is going to grow as a faster percentage of our sales than the rest of the business. And I think as you get into the third and fourth quarter and particularly into '27, I think you're going to see a lot of acceleration from the investments that we've made in the DTC platform and some of the new Salesforce tools that will be launching and optimizing and the CRM benefits that will be coming.

But let me, Adam, turn it over to you on the other piece.

Adam Quigley
CFO & EVP

Sure. Yes, Randy, I'll hit on the margin makeup overall. So obviously, DTC, TikTok Shop, overall social commerce does come at a higher structural gross margin. That's sort of the initial benefit. And so as Mark noted, those are the channels that we have seen and we will continue to see growing faster than retail. The more exciting piece there is then how much control we have within those channels in terms of what assortment we're putting out there, what colors we're putting out there, collectibles, the ability to be changing price, changing promotions, reacting quickly.

So there's a lot more that then stands in our control as we go forward in terms of how we can impact that margin, but certainly higher gross margin opportunity overall. And then as we scale that business, we start to see overall benefits across our distribution network, across customer service, et cetera. So for us, it's looking forward to what is then the ability to leverage the scale of these channels while also recognizing that structurally, they come at a higher gross margin overall.

Operator

Your next question comes from Brooke Roach with Goldman Sachs.

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

Mark, I was hoping you could unpack the growth that you're seeing in the domestic business, which was really strong. How large is your DTC business domestically today? And how are you thinking about the pace of contribution from DTC and TikTok Shop to domestic growth this year and into 2027? Similarly, on the other hand of your business, you spoke to stronger POS versus shipments. Where do inventory levels sit in the channel? And how are you thinking about the opportunity for sell-in versus sell-through to more closely align? Maybe bottom line, do you think that you can grow the domestic business at a double-digit rate in the back half?

Mark Adam Barrocas
President, CEO & Director

Yes. So thanks for the question, Brooke. Look, I have been excited since the beginning of the year saying that I believe our domestic business is a double-digit growth business. We came out of the first half of the year. It is a double-digit growth business, and I believe it will grow double digits in the back half of the year as well. So I'm confident if we look at the second quarter results, the U.S. business grew 18%. The Canada business was down 17% as we flow through all of the remaining changes in Canada. Canada is going to grow in second half of the year. The U.S. is going to grow. So I feel very, very good about a double-digit second half number for the domestic business.

We don't break out the percentage of our D2C business. What I can tell you is that I do expect D2C and affiliates to grow at a faster rate than the rest of the business through the end of '27. I would also tell you that we've had some start-ups with Salesforce. We transitioned the U.K. that had a couple of week blip in the second quarter. We transitioned Germany and France and the rest of Europe. By the fourth quarter, we'll be live in Europe in 14 different countries with Salesforce. So I don't think you're seeing in the numbers the benefits today of what is going to come from Salesforce and from our D2C site. I think you'll start to see that in Q4 of this year, and you'll really see it accelerate as we get into 2027.

But as I said in the last question, I still stay firm to our omnichannel strategy. I mean retailers are making big bets with SharkNinja. Our brands are the most searched brands on the pure-player sites. And I think we want to be relevant wherever the consumer chooses to shop for our products.

Adam Quigley
CFO & EVP

And then as far as the POS ships piece, Brooke, we do see that normalizing as you get into the back half of the year. The Q2 difference is largely driven by the timing of Prime Day. So POS certainly outpaced ships at that point. Overall, the retailer inventory is extremely healthy. We're not seeing any pullback on that front. Our inventory levels remain extremely healthy as well. And so I think we're really well positioned for the back half of the year and feel good about where POS ships is in relation to that.

Mark Adam Barrocas
President, CEO & Director

And look, I would say, if anything, I think retailers could take a bit more inventory, not they're consciously working down their inventory, but I think there's a lot of demand to capture. And I think that we could see inventory levels -- we will at least push for inventory levels to grow as we head into Q4.

Operator

Your next question comes from Steven Forbes with Guggenheim.

Steven Paul Forbes
Guggenheim Securities, LLC, Research Division

Mark, I appreciate the comments around SharkNinja's partnership with Walmart and new end caps. But I was curious if you can maybe broaden those comments out to other sort of retail partners. And as we think about sort of planogram changes or opportunities ahead of Holiday 2026, like how do you sort of summarize what the real change on a year-over-year basis given what happened last year with missing some of those planogram dates?

And then maybe equally as important, just given the growth and the opportunity, like are you starting to have even earlier conversations with some of those new international partners about planogram opportunities even in the first half of next year? Or how do you sort of think about -- or how should we think about sort of the performance of the business impacting the ability to change planograms maybe earlier than anticipated in those new markets?

Mark Adam Barrocas
President, CEO & Director

Yes, Steve, let me start with your international question first because I said something in the prepared remarks, and I want to make sure that it's clear to folks. If we were sitting here last year at this time, SharkNinja did not have a lot of ways to get to the end consumer in some of these European markets that it does today. We didn't have D2C sites set up. TikTok Shop was not set up in these countries a year ago at this time. We were not set up and scaling the pure players. So I don't want to minimize -- we've done a great job expanding our planogram placement with all of the European retailers heading into holiday of this year.

But we've got a lot more ways to get to the end consumer in Europe than we did a year ago. We'll be up on TikTok platforms in 13 countries. As I said, we'll be in places like Allegro and Amazon and other pure players. Our D2C business has stood up heading into Q4. So we have a lot of ways now to get to the end consumer in Europe that we didn't have a year ago.

Now that being said, yes, we are having lots of conversations with the European retailers. Some are willing to move their annual planogram changes. Some are simply not. But I feel very confident in our ability to be able to launch more products into Europe and get to more consumers as a result of social commerce, pure players and our D2C site. So that's on the Europe side.

On the U.S. side, I think there's a really interesting dynamic. I mentioned Walmart and the end caps that we've done. We've got some great promotions that are coming up with Target. They're a retailer that has really recognized the colors that we're doing and how we're bringing excitement to a lot of these products. They are going all in with us on that in both their dot-com sites as well as in-store on end caps. We've got some great things that we're working on with people like Costco and Sam's.

So overall, I think that retailers are seeing us in lots of different ways than they did a year ago. I think our products have very much become part of culture. I mean, I'll give you one example. We never sold any products other than hair care and skin care to Ulta, and we showed them our Shark ChillPill and they said this would be an amazing product for them to add to their assortment. They launched the ChillPill. They've done great with it. In fact, Vogue and Elle have written up ChillPill as the hit product of summer in Europe. We're seeing people writing that up in the United States as well. So it's really helping us get incremental placement at retailers that were not selling these types of products a year or 2 years ago.

Steven Paul Forbes
Guggenheim Securities, LLC, Research Division

That's helpful. And then maybe just a quick follow-up on sort of the AI-related acceleration agenda. You gave some color there on innovation, Jailbreak. We've talked in the past about sort of efficiency capture around promotion and media spending. So maybe if you can update us on sort of that initiative as it pertains to driving better ROAS or promotional optimization. Where are we today? And how would you sort of summarize the opportunity that you're chasing?

Mark Adam Barrocas
President, CEO & Director

Look, we went live a couple of weeks ago with a Phase 1 initiative on promotions and optimization management with Palantir. The first couple of weeks, the results of that showed a lot of promise to the point where we actually have now moved ahead with a Phase 2 initiative with Palantir that will take about 4 months to implement. I think you'll see the benefits of the Palantir work come through in Q4 promotions and Q4 media planning, primarily in the United States, U.K., Germany and France. It will expand to the rest of the markets as we get closer towards the end of the year. So I'm very, very optimistic about the work that we've done on promotions management, on marketing, on pricing.

I think we are going live at the end of September on a system that we've worked on with Amazon, with AWS around media optimization. And I think you'll see a little bit of the benefit of that come through in Q4, but really for the most part, that won't scale until '27. But Steve, we're seeing a tremendous amount of optimization in lots of the quick wins work that we're doing and lots of the AI Sharks work that we're doing. I mean, yes, we're investing and we're seeing benefit.

But I think what you're going to see is that as we turn the page on '26 and we go into '27, I think you're going to see us be able to really leverage compensation in a big way in '27, not to the extent of seeing any type of large reductions, but I think we're going to continue to be able to keep growing the business on roughly flat headcount as we get into '27. And I think that's going to be a big benefit for us in terms of leveraging operating expense and then being able to choose where do we invest that operating expense maybe into other areas that will drive a higher return on investment for us.

Operator

Your next question comes from Peter Keith with Piper Sandler.

Peter Jacob Keith
Piper Sandler & Co., Research Division

Nice results. I wanted to just dig into the strength in the core categories. I guess the one that really stood out to us was the Cooking and Beverage Appliance category was the strongest, I think, in at least 2 years. Could you just unpack a little bit of what you're seeing in that category that's driving such strong growth?

Mark Adam Barrocas
President, CEO & Director

Yes, Peter, look, I would say a few things. One is our espresso and coffee business has seen very significant growth globally. During the quarter, we launched a fully automatic coffee maker, the Ninja AutoBarista that launched at $949 and was off to a great start. We've continued to scale our espresso business in more and more countries around the world into places like Spain and Italy that we just launched. We expanded it more into Latin America.

Our Ninja Crispi business has done great in the quarter. We've really built that into a whole franchise of products. We launched our original Crispi, then we expanded into the Ninja Crispi Pro. And in the quarter, we launched in the United States, the Ninja DualZone Crispi. And so you'll see that start to scale out to the rest of the world as we get through this year and into the early part of Q1 of next year. So I think expansion in our Crispi business, expansion in our espresso business, solid results in items like our oven business, our multi-cooker business. You kind of put all of those things together and you just look at kind of further penetration of our heated cooking products into more new countries, and that's what drove really nice growth in the quarter. I mean, look, cooking did great.

I would also point to the fact that Home and Beauty had a standout quarter, growing over 60%. Our Cleaning business in the first half of the year had very strong growth relative to the market. And our Food Prep business grew double digits. So it was great to see that all 4 of our major product categories grew in the quarter.

Peter Jacob Keith
Piper Sandler & Co., Research Division

Yes, agreed. The other thing I just picked up on the call is it sounds like you're going to now launch 3 subcategories this year. I want to confirm if that's right. And then I guess, if so, it sounds like an accelerated pace of innovation. It might be early, but is this anything related to the Jailbreak initiative?

Mark Adam Barrocas
President, CEO & Director

Not really. So Peter, we are -- we launched the BlastBoss earlier in the year. We launched the Crispi Microwave a couple of weeks ago. We have a new subcategory that's going to launch in Q3. I think we've publicly said that we would launch in a minimum of 2 subcategories a year. I'm really excited about what we have coming in 2027. And we have to obviously get through '26, but we have a great pipeline of new categories for '27. And I think that's where you're really going to see the impact of AI and the Jailbreak work on our product development. I mean you'll see some new products that are coming out Q3 and Q4 of this year that are using kind of enhanced software capability in them. But I think the innovation changes that we've made, particularly using AI and consumer insights through AI, you'll start to see really come through in '27.

Operator
This concludes the question-and-answer session. This concludes the call. Thank you for attending. You may now disconnect.