GRIZZLY Research

We Believe SharkNinja, Inc (NYSE: SN) is a China Hustle Based on Rampant Looting and Conflicts of Interest with the Chinese Chairman

By **GRIZZLY RESEARCH**, November 21, 2024

- SharkNinja Inc (NYSE:SN) is a brand-name household appliance company. Our research indicates that SN's Chinese Chairman and controlling shareholder, Xuning Wang, is taking advantage of the company to the detriment of public shareholders.
- Our research findings highlight that SN is engaged in some of the worst practices of old-school China hustle stocks, namely:
    - Secretly transferring critical assets to an entity controlled by insiders for a nominal consideration
    - Aggressively overleveraging the company before taking it public to pay special dividends to controlling shareholder
    - Aggressive selling after SN went public by key stakeholders
    - Seemingly undisclosed related party in the same line of business as SN
    - Nepotism
- SharkNinja has sold a key subsidiary that according to our research holds the rights to important online storefronts on JD.com and Alibaba's platform Tmall to its Chairman for only nominal consideration.
- The company aggressively increased its debt before going public by over $300m. At the same time, SharkNinja's Chairman raided its balance sheet by transferring over $600m through special dividends and related-party loans.
- SAIC shows that SharkNinja shares an address with an undisclosed related party that SN's Chairman, Xuning Wang, controls and apparently in a similar business. The presence of such an undisclosed related party is, at best, bad corporate governance and, at worst, hints at financial manipulation and/or insider enrichment, as profits and costs can be easily transferred between public and private companies.

- Our findings make us worry about SN's over $3 billion purchases from its related parties from 2021 to 2023. Similarly, there was a big increase in supplier purchases from another company that SN's Chairman controls, Joyoung. Joyoung is a struggling China A-share listed company. We are afraid that SN public shareholders will get disadvantageous terms as the interests of SN and insiders directly conflict.
- It appears there is also nepotism going on at the company, as SN has recently appointed the 28-year-old son of the controlling shareholder Xuning Wang to the board of directors.
- SN is trading at a premium valuation, with a price-to-sales ratio of 2.7 and a price-to-earnings ratio of 37.9 based on the company's trailing twelve months. Investors seem largely unaware of SN's corporate governance issues.
- The incoming Trump administration increases the risk of tariffs disrupting the business. SN currently depends on tariff exemptions for certain of its products, and Donald Trump has announced that he will take a tough stance on Chinese imports.
- In summary, we believe SharkNinja is a showcase for a China Hustle. While the products are real, SN shareholders need to ask themselves if they are comfortable being at the mercy of a Chinese Chairman who has direct conflicting interests.

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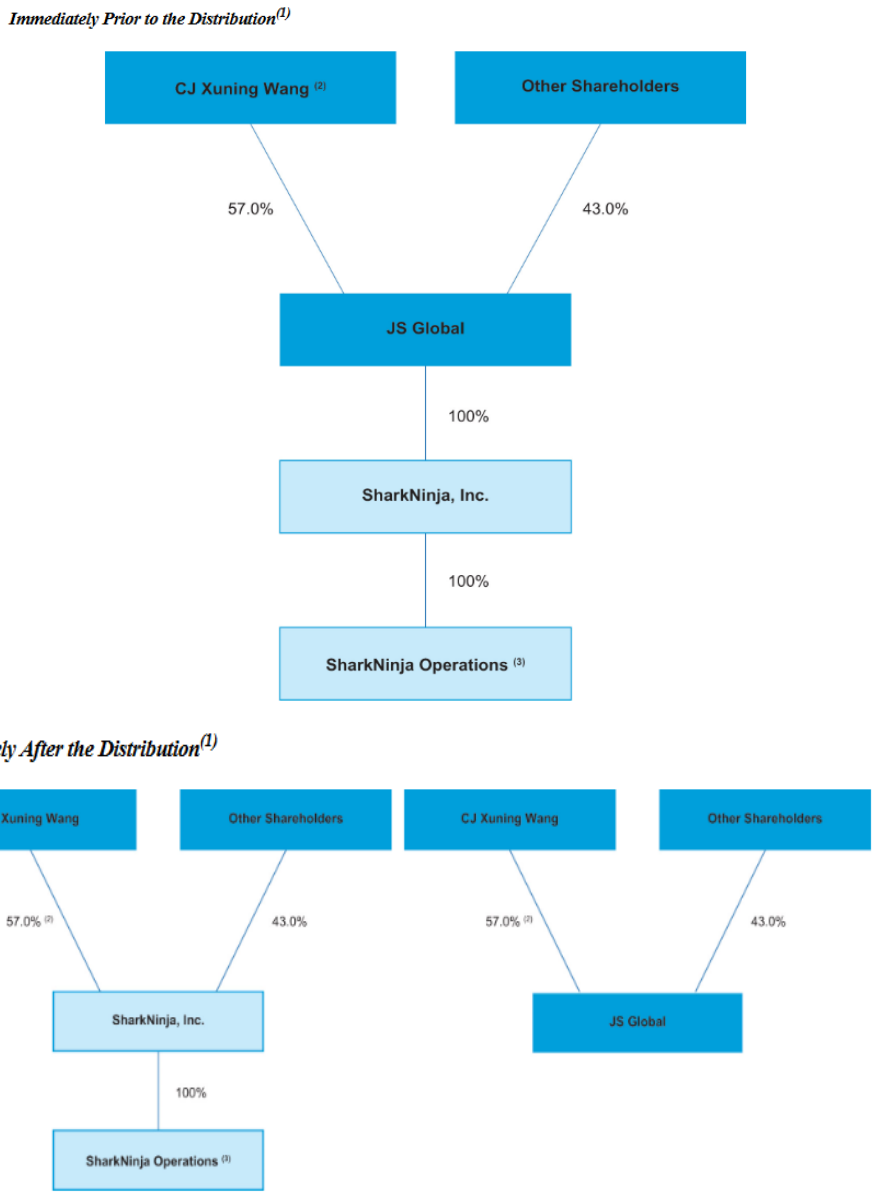
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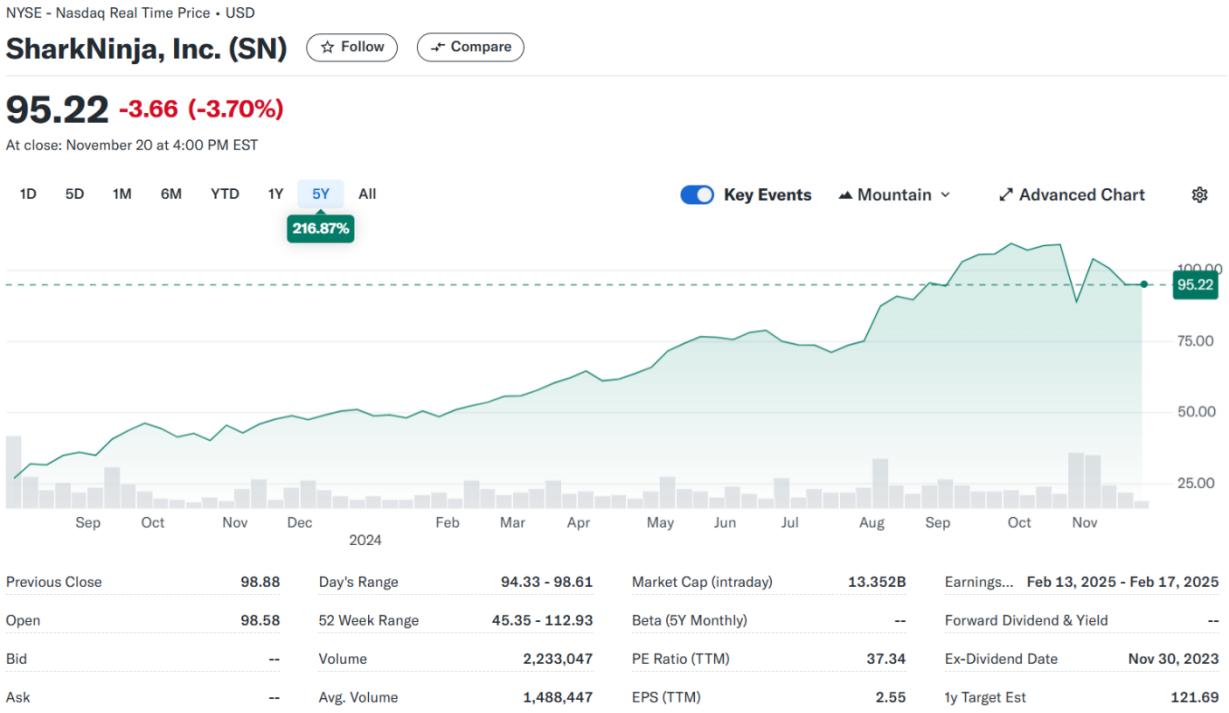
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Background

SharkNinja, Inc. (NYSE: SN) has a convoluted corporate history culminating in its recent New York Stock Exchange listing. The origins of this home appliance company date back to the 90s. Fast forward to 2017, the company became part of Chinese JS Global Lifestyle Company Limited (Hong Kong Stock Exchange: 1691.HK). The company was called SharkNinja Global SPV, Ltd. at this point.

On May 17, 2023, SharkNinja, Inc. was established to facilitate its NYSE listing and to assume the operations of SharkNinja Global SPV, Ltd. Following a strategic restructuring, JS Global contributed all outstanding SharkNinja Global SPV, Ltd. shares to SharkNinja, Inc. in exchange for shares of the newly formed entity. Subsequently, SharkNinja, Inc. began trading on the NYSE under the ticker symbol "SN" on July 31, 2023. According to the company's disclosure, the relationship between its controller Xuning Wang, JS Global, and SharkNinja Inc. before and after the separation is shown below.





Source: Yahoo Finance

As a global product design and technology company, SharkNinja focuses on creating innovative lifestyle products, primarily in cleaning, cooking, beverage, and food preparation appliances. It operates under the well-known brands "Shark" and "Ninja."



Source: Company's August 2024 Investor Presentation

Investors attach a premium valuation as the company has a P/S ratio of 2.7 and a P/E ratio of 37.9 based on the trailing twelve-month numbers. We, on the other hand, come to a very different conclusion that SharkNinja is a very low-quality company with a ton of

governance issues and a dishonest Chairman and controlling shareholder, Xuning Wang, who is looting the company to the detriment of public shareholders.

SharkNinja reminds us of a company that we published a bearish report on before, and that company is Playtika Holding Corp. (NASDAQ: PLTK) (report link). The table below summaries the similarity of these two situations.

SN reminds us in many ways of some of the worst Chinese companies that we accused in the past of fraudulent behavior.

	Playtika Holding Corp.	Hebron Technology Co Ltd	Peak Fintech Group Inc.	SharkNinja, Inc.
Theft of Assets			X	X
Stripping Public Company of Cash	X	X	X	X
Aggressive Insider Selling	X	X	X	X
Undisclosed Related Parties		X		X
Return Since Publication	-50%	-63%	-99%	

Our Research Shows the Chairman Secretly Stole Key Assets

According to SharkNinja's disclosure, the company had an equity investment in a joint venture called SharkNinja (China) Technology Co. In July 2022, SharkNinja transferred its investment in SharkNinja (China) to an entity controlled by JS Global. The investment was transferred for a nominal consideration, according to SN's own disclosure.

> ***Joint Venture***
>
> **……**
>
> *In July 2022, the Company transferred its equity method investment in SharkNinja (China) Technology Co. Ltd to an entity controlled by JS Global. Such investment had a carrying amount of zero and was transferred for nominal consideration.*
>
> *- Prospectus, page F-10*

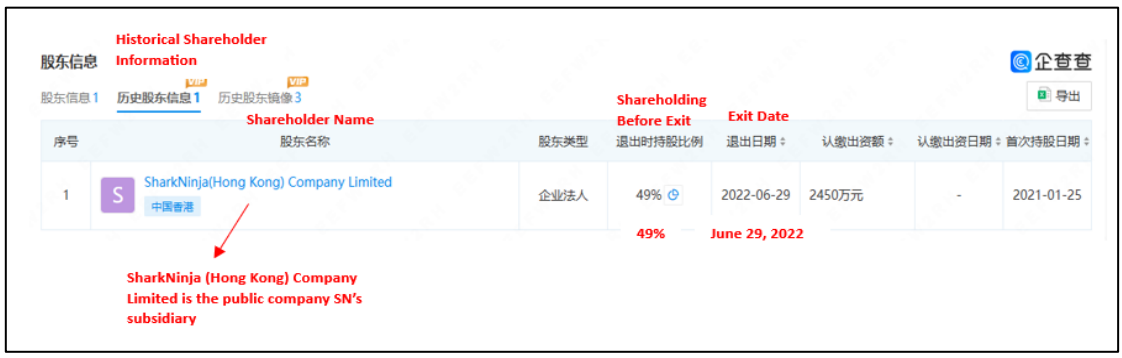
According to Qichacha, a database for Chinese private and public companies, SharkNinja (China) Technology's legal representative is Run Han. Based on our research, Run Han is Joyoung's Vice Chairwoman and is also JS Global's CFO and Director.



Currently SharkNinja (China) Technology is 100% owned by Joyoung, the A-Share listed company that is also controlled by Xuning Wang.



Before June 29, 2022, SharkNinja, via its subsidiary SharkNinja (Hong Kong) Company Limited, owned 49% of SharkNinja (China) Technology. Subsequently, SharkNinja exited as a shareholder and Joyoung has been owning 100% of SharkNinja (China) Technology since.

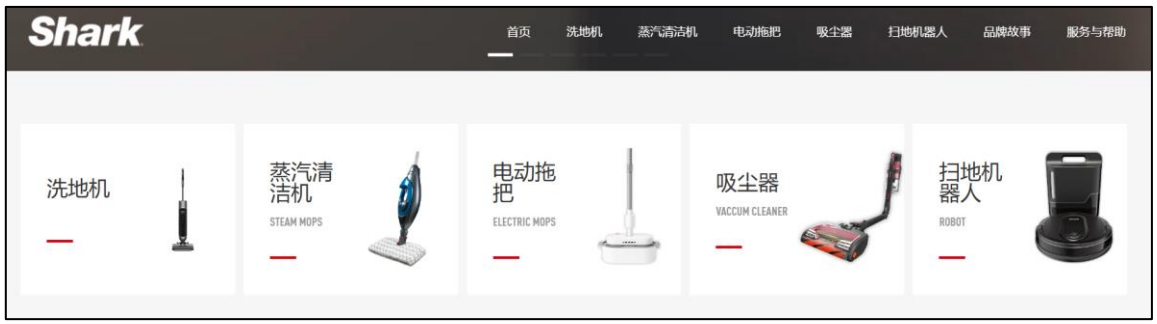


Source: Qichacha

According to Qichacha, SharkNinja (China) Technology has two registered websites (link 1 and link 2) and it has two online stores on e-commerce platforms JD.com (link 3) and T-mall (one of Alibaba's main e-commerce platforms) (link 4). We also found that these storefronts are the only official-looking SharkNinja storefronts on JD.com and T-mall. SN does not even own these storefronts anymore.

For the case of T-mall, we find further clear corroboration of SharkNinja (China) Technology being the legal entity behind the storefront rather than any SN-related entity by investigating the website's source code. The Mandarin legal denotation "尚科宁家（中国）科技有限公司" for SharkNinja (China) Technology is mentioned several times as the product's maker on T-malls website taobao.com, but none of the legal names of SN or its subsidiaries are mentioned.

SharkNinja (China) Technology mainly sells Shark-branded home appliance products such as mops and vacuums. The picture below is from one of its websites.



Source: https://www.sharkclean.com.cn/

Joyoung disclosed SharkNinja (China) Technology's certain financial data in its 2021 annual report and 2022 half-year report. We estimate the trailing twelve months' revenues as of 1H 2022 for SharkNinja (China) Technology to be around $9 million. Applying the current Price to Sales that SN is trading at we estimate the part of value that SN shareholder lost to be roughly $12 million. Based on our research, we strongly believe that 49% of SharkNinja (China) Technology should not be sold for only a nominal consideration.

More importantly, SN shareholders are under the impression that they own the whole SharkNinja group. It appears that the Chinese Chairman has already secretly moved assets out of SN shareholders' control.

We believe the fact that SN transferred its interest in such an asset for only a nominal consideration to the entity controlled by its chairman shows fraudulent intent. We see this as an example of Chinese nationals wanting to cash out their businesses to US shareholders, while still staying in control of the key assets.

The Controlling Shareholder Seems to Use SharkNinja as a Piggy Bank

SharkNinja's controlling shareholder and chairman, Xuning Wang, received significant amounts of cash in the form of dividends and related party loans before SharkNinja went public. SharkNinja also took on additional debt to pay out as much money as possible to Xuning Wang.

According to SharkNinja's disclosure, from 2021 to 2023, right before SharkNinja went public, SharkNinja transferred $665 million to the controlling shareholder JS Global, mainly in the form of special dividends.

> ***Loans, Contributions and Dividends***
>
> *On March 18, 2021, we declared and paid a special cash dividend of $42.0 million to JS Global. On May 26, 2022, we declared and paid a special cash dividend of $83.5 million to JS Global. On May 26, 2022, we also entered into a loan agreement and transferred a total of $49.3 million to JS Global in 2022, on which $0.8 million of interest had accrued through December 31, 2022. On February 15, 2023, we declared and paid a special cash dividend of $15.5 million to JS Global. On February 27, 2023, we declared and paid a*

> *special dividend of $94.9 million to JS Global, which consisted of a cash dividend of $44.5 million and amounts receivable of $50.4 million under an intercompany note in satisfaction of such note. We also paid $5.0 million of withholding taxes associated with that dividend. In connection with the separation, we declared and paid a special cash dividend of $375.0 million to JS Global for the repayment by JS Global of its portion of the outstanding debt under the Facilities Agreement.*
>
> *- 2023 Annual Report, page 90*

During the same period, SharkNinja's total debt increased from $485.3 million as of December 31, 2021 (with shareholder equity of $1.76 billion), to $799.6 million at the end of 2023 (with shareholder equity of $1.48 billion). The company's debt-to-equity ratio increased from 0.275 in 2021 to 0.54 in 2023, an almost 100% increase in this ratio.

We find it worrisome that SharkNinja decided to take on additional debt before going public. Even more worrisome, management chose to pay out the raised capital and available cash on the balance sheet to chairman Xuning Wang rather than invest in the business operations.

The Controlling Shareholder Has been Continuously Selling SharkNinja Shares

On top of the special dividends, and other related party transactions, it comes as no surprise that Xuning Wang has been consistently selling shares after SharkNinja went public. Wang has sold 9.59 million shares for nearly $569.5 million, accounting for 6.85% of the total outstanding shares of SharkNinja since the go public.

The first sale was months after the company went public in early December 2023. Wang registered and sold 3.2 million shares, netting him over $145 million dollars.

			Assuming no exercise of the underwriters' option			Assuming full exercise of the underwriters' option		
	Securities beneficially owned prior to this offering			Shares beneficially owned after this offering			Shares beneficially owned after this offering	
Name of Beneficial Owner	Number	Percentage of total ordinary shares	Shares offered hereby	Number	Percentage of total ordinary shares	Shares offered hereby	Number	Percentage of total ordinary shares
Selling Shareholders and 5%+ Shareholders								
CJ Xuning Wang[(1)]	79,258,113	57.0%	3,200,000	76,058,113	54.7%	3,200,000	76,058,113	54.7%

Only two months after cashing out on $145 million dollars, Wang registered and sold more shares. On March 19th, 2024, SN filed a prospectus for Wang to sell 4,691,899 shares, netting him $262,605,587.

Name of Beneficial Owner	Securities beneficially owned prior to this offering		Assuming no exercise of the underwriters' option			Assuming full exercise of the underwriters' option		
				Shares beneficially owned after this offering			Shares beneficially owned after this offering	
	Number	Percentage of total ordinary shares	Shares offered hereby	Number	Percentage of total ordinary shares	Shares offered hereby	Number	Percentage of total ordinary shares
Selling Shareholders and 5%+ Shareholders								
CJ Xuning Wang[(1)]	76,058,114	54.4%	4,691,899	71,366,215	51.0%	5,395,684	70,662,430	50.5%

The most recent sale came in the form of a filled 144, where Wang sold an additional 1.7 million shares for proceeds of 161,789,000.

Xuning Wang isn't the only insider that is actively selling. Mark Barrocas is the company's CEO. Through October alone, he has sold 100,000 shares for total proceeds of $11 million and now only owns 1.7 million share or 1.25% of the company.

Insider Trading	Relationship	Date	Transaction	Cost	#Shares	Value ($)
Barrocas Mark	Officer	Oct 28 '24	Proposed Sale	111.01	3,581	397,544
Barrocas Mark	Officer	Oct 25 '24	Proposed Sale	110.11	3,007	331,112
Barrocas Mark	Officer	Oct 24 '24	Proposed Sale	110.05	841	92,554
Barrocas Mark	Officer	Oct 23 '24	Proposed Sale	110.77	1,795	198,828
Barrocas Mark	Officer	Oct 22 '24	Proposed Sale	110.21	9,745	1,073,971
Barrocas Mark	Officer	Oct 21 '24	Proposed Sale	110.01	19,689	2,166,036
Barrocas Mark	Officer	Oct 09 '24	Proposed Sale	110.03	9,059	996,775
Barrocas Mark	Officer	Oct 08 '24	Proposed Sale	110.05	32,283	3,552,739
Barrocas Mark	Officer	Oct 04 '24	Proposed Sale	110.00	20,000	2,200,000

Source: Finviz

Suspicious Undisclosed Related Party

SharkNinja discloses three China Mainland based subsidiaries and one of the subsidiaries is called Shenzhen SharkNinja Technology Co., Ltd. (深圳尚科宁家科技有限公司).



Source: Qichacha

According to Qichacha, there is another company called Shenzhen Jiushang Small Home Appliances Co., Ltd. (深圳九尚小家电有限公司) that has the same registration address as Shenzhen SharkNinja Technology Co., Ltd. Shenzhen Jiushang was established on May 23, 2023, and its legal representative is Run Han. As mentioned before, Run Han is Joyoung's Vice Chairwoman and is also JS Global's CFO and Director.



Source: Qichacha

Our due diligence team contacted Shenzhen Jiushang. To our surprise, we were told that Shenzhen Jiushang sells small home appliance products and concentrates on overseas sales rather than domestic commerce in China. This surprised us because, according to JS Global's disclosure, Shenzhen Jiushang's principal activities are "*Procurement and office support service*." We were not able to get a clear answer on the relationship between Shenzhen Jiushang and Joyoung.

The presence of undisclosed related parties who seem to be secretly involved in the same line of business is a big red flag.

We Believe the Related Party Transactions between SharkNinja, JS Global, and Joyoung Might not be in the Best Interest of SharkNinja Shareholders

According to the SharkNinja's disclosure, SharkNinja purchased $1.36 billion, $1.41 billion, and $1.04 billion in goods and services from JS Global in 2021, 2022, and 2023, respectively.

The following is a summary of the related party transactions associated with JS Global:

Related party revenue in USD'000	2023	2022	2021
Sale of goods	1,264	1,451	12,107
Royalty income	1,869	—	—

Related party expense/(income) in USD'000	2023	2022	2021
Cost of sales - purchases of goods and services, net	1,037,844	1,413,098	1,358,827
Research and development services, net	3,004	3,561	4,030
General and administrative	-1,250	—	—

Source: 2023 Annual Report

SharkNinja has paid a total of $3.8 billion to JS Global for goods and services from 2021 to 2023. The total cost of sales of SharkNinja from 2021 to 2023 was $6.94 billion. Almost 55% of the overall cost of sales went to JS Global within these 3 years.

Additionally, starting in 2023, SharkNinja also started to pay large sums of money to Joyoung, which is also controlled by Xuning Wang.

> *In addition, we have historically been, and continue to be, party to certain supplier agreements with entities that are wholly owned by Joyoung. For the years ended December 31, 2023, 2022 and 2021, we paid $148.1 million, $0 and $46.5 thousand, respectively, to these entities for finished goods inventory.*
>
> *- 2023 annual report, page 92*

Joyoung's business has been under pressure in the past few years mainly due to intense competition in the small household appliance industry and consumer sensitivity to price. Additionally, Joyoung's stock performance in the A share market endured a continuous decline after it reached a high during the pandemic period in 2020.



Source: Yahoo Finance

Given that our research reveals rampant abuse by SharkNinja's chairman, we are especially worried that shareholders are getting disadvantageous terms in these excessive related-party dealings.

Nepotism

According to SharkNinja's introduction, Tianhao Wang was appointed as a member of the board in July 2024. He is only 28 years old and the son of Chairman Xuning Wang.

> ***Barney Tianhao Wang** has served as a member of our Board since July 2024. Mr. Wang has served as Senior National Account Manager, Sales at the Company since 2024, and previously served in a number*

of other positions in Strategic Sales and Analytics since joining the Company in 2020. Prior to joining SharkNinja, Mr. Wang served as an investment analyst at the Clocktower Group. Mr. Wang holds a Bachelor of Arts from Columbia University and Master of Science in Business from Babson College. Mr. Wang is the son of CJ Xuning Wang, the Chairperson of our Board.

We do not believe that Barney Wang would be considered for this position if his father was not controlling the company. Barney seems utterly unqualified for a board position at a major public company. This is textbook nepotism.

Tariff Risk That Cannot Be Ignored

According to the media report, President-Elect Trump plans to install a blanket tariff of 10% to 20% on all imports and 60% to 100% tariffs on goods imported from China. Since SharkNinja's supply chain heavily relies on China, we believe that even if a portion of the planned tariffs were eventually imposed, SharkNinja's margins could be heavily impacted.

SharkNinja's annual report states that the company benefits from exclusions to 25% tariffs on certain products imported from China, and "If these exclusions are not extended, we would face a substantial increase in costs. The expiration of these exclusions or additional tariff increases could require us to increase our prices, which could decrease consumer demand for our products." In addition, the diversification of the supply chain into other countries outside of China might require more investment and expense, and it also takes time for the production in these different regions to meet the quality standard that the company desires.

We believe the new administration's tariff policy could create high uncertainty and potentially high costs for SharkNinja, who currently relies on tariff exemptions.

Conclusion

We believe SharkNinja is not what investors hope it to be and that, in fact, the controlling shareholder and Chairman Xuning Wang is taking advantage of the US investors. Unfortunately, the appeal of the underlying Shark and Ninja brands does not matter all that much once you realize the economic value is controlled by a Chinese national whose interests directly conflict with other SN shareholders. Other corporate governance issues, such as nepotism, fit into the picture.

Based on our research, SharkNinja does not deserve a premium valuation north of $13 billion in market capitalization. To the contrary, we are afraid that once Xuning Wang has cashed out his SharkNinja shares, the economics for SharkNinja will worsen substantially as SN is dependent on related parties whose economic interests directly conflict with SN. SN is also a company that could be one of the biggest losers from tariff policies that the new Trump administration might introduce.