04-Aug-2026

Suja Life, Inc. (SUJA)

Q2 2026 Earnings Call

CORPORATE PARTICIPANTS

Maria D. Stipp
Chief Executive Officer & Director, Suja Life, Inc.

Jeff Pedersen
Chief Financial Officer, Suja Life, Inc.

OTHER PARTICIPANTS

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Kaumil Gajrawala
Analyst, Jefferies LLC

Robert Ottenstein
Analyst, Evercore Group LLC

Jon Andersen
Analyst, William Blair & Co. LLC

Peter T. Galbo
Analyst, BofA Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and thank you for standing by. Welcome to the Suja Life Second Quarter 2026 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] As a reminder, this conference call is being recorded.

At this time, I would like to turn the conference over to [ph] Mr. John Mills (00:00:30). Sir, please begin.

Unverified Participant

Good afternoon and welcome to Suja Life second quarter 2026 Earnings Conference Call. With us on the call today are Maria Stipp, Chief Executive Officer; and Jeff Pedersen, Chief Financial Officer. By now, everyone should have access to the earnings press release that was issued earlier today and is available on the Investor Relations section of Suja Life's website at ir.sujalife.com. This call is also being webcast and a replay will be available on the site shortly after this call concludes.

Before we begin, please note that today's discussion will include forward-looking statements which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements reflect the company's expectations and projections with respect to its financial results, opportunities and its perspective on the business and industry environment and are subject to several risks and uncertainties that could cause actual results to differ materially from those described in these forward-looking statements. Please refer to today's earnings press release and the company's most recent filings with the SEC for more detailed discussion of the risk 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. You can find a full reconciliation of these measures to their most closely comparable GAAP measures in our earnings press release and on our SEC filings. We are unable to reconcile forward-looking non-GAAP measures without unreasonable effort.

With that, I'd like to turn the call over to Maria Stipp, Chief Executive Officer of Suja Life.

Maria D. Stipp

Chief Executive Officer & Director, Suja Life, Inc.

Thank you, [ph] John (00:02:10). And hello, everyone. Today I'd like to share what I see in our second quarter results, what I see on the horizon for the rest of the year and what I see in our team and our business that gives me confidence going forward. I'm proud of what we delivered in the second quarter.

Net sales grew 11.6% to $83.9 million, and adjusted EBITDA grew 50% to $14.6 million, a 17.5% margin, up from 13% a year ago. That strong flow through on our top line and it's in line with the expectations we set on an overall basis. We outperformed the natural healthy beverage category relative to other players, gained share and widened our performance gap in cold-pressed juice versus our primary competitor. Jeff will walk through the segment and margin detail in a moment.

We also continued building the platform, investing in our brands, expanding distribution with a 16% increase in TDP in Q2 versus prior year, and scaling our Oceanside, California manufacturing campus to support future demand. Now, as I look to the rest of the year, we're seeing recent signs of softness in the third quarter concentrated primarily in grocery. I want to be specific about what we're seeing and more importantly, what we're going to do about it. The total beverage category grew 5% in the first quarter of 2026 versus prior year, but the growth slowed to 2% in the second quarter of 2026 versus prior year, with price and mix driving most of that growth. NHB continues to outpace total beverage, up 4% in the second quarter, though at a more moderate pace than the double-digit growth we've seen in recent years, including 13% category growth in 2025. We're also seeing shoppers lean into value with some channel shifting, most visible in grocery where roughly a third of our mix sits as of Q2 versus about 12% in mass over the same time period. In response, some competitors are leaning more heavily into price and promotion.

Over the last few weeks, these trends have started to impact bookings and our team has been quick to take action to accelerate our performance. We've already built a specific list of actions to address it head on, which I'll talk through in a moment. To be clear, we expect some near-term softness in the third quarter led by grocery, but we are not sitting back and waiting for the macro to turn in our favor. We're going on offense. Given what we're seeing, we're widening our full year net sales guidance to $360 million to $369 million from our prior range of $367 million to $371 million.

This is an adjustment to reflect our near-term uncertainty. All other assumptions underlying our plan remain unchanged. We have a long list of commercial tactics already in motion to target the top end of this range. We are reiterating our adjusted EBITDA guidance of $70 million to $72 million. Our operational efficiencies and continued cost discipline give us confidence we can protect profitability even as we manage through a more dynamic top line environment. We've been here before. Our growth has been strong over our history, though it has not always been perfectly linear. What we've seen time and time again is our ability to navigate periods of adjustment and emerge well positioned, continuing to build our leadership position in the category.

I expect this time to be no different. Our cold-pressed juice business is a great example of why I have confidence in our team and our business. In 2023 and early 2024, Suja Organic saw early signs of category noise with an expanding set of consumer options. We took specific action, repositioning the brand around function, rationalizing the line and innovating on our core, strengthening our messaging, stepping up media investment and refining our price pack architecture. That work has compounded. In the second quarter, Suja Organic posted a 21-point delta in dollar volume performance versus our nearest competitor, as reported by Nielsen.

Suja Organic's cold-pressed juice scanned dollars grew approximately 18% in the second quarter, with our refresher lineup more than 75% and booster juice up more than 30% all versus the prior year, as reported by Nielsen. Watermelon Love our newest refresher has been a standout, it just won Best Fruit Juice in People Magazine's 2026 Food Awards. We're leaning into that momentum with our Summer of Love campaign featuring our Ginger Love, Turmeric Love and Watermelon Love [ph] SKUs (00:07:37). What that story demonstrates is that we know how to identify where performance is falling short of our expectations. Build the right action plan and execute it in the market to change the trajectory.

We're applying that same discipline now to our shots and Emerging Brands businesses. Both grew double-digits in the second quarter. They came in below where we expected and that gap is exactly why we're prioritizing incremental investment and commercial initiatives behind these products to drive demand in the second half. We are laser focused on the following action plan. First, we talked about how we invest 10% of net sales back into marketing. We're sharpening that marketing investment to drive more immediate returns and velocity, shifting dollars toward the programs and channels with the clearest, most direct near-term impact anticipated.

Second, we're planning to accelerate distribution with back half shelf resets, expanding shelf presence for key parts of our portfolio, including new flavor launches already gaining acceptance with major retailers, with continued runway across grocery, club and away from home channels. You've heard me talk about the leadership position we hold in natural healthy beverage and that in many of our retailers we are the category captain. We see it as our responsibility to actively partner with them with the goal of growing the total category, not just our own shelf space. That means bringing forward sharp category insights, smarter merchandising and [ph] price tech (00:09:14) architecture at shelf and joint programming that can grow the pie for everyone. Done well, this can drive our own distribution and placement gains, grow the category overall and serve the customer better. A win for us, a win for our retail partners and a win for our shared consumers.

Going forward, we plan to go toe to toe with competitors on promotional activity where it matters. Leveraging our position as the lowest cost producer in the set to fund reinvestment in our brands and protect our share. Because we know shoppers are actively trading toward value right now, we're working directly with our club and mass retail partners to accelerate programming built specifically to capture that shift, value pack formats, targeted promotional support and expanded distribution in exactly the channels where the value seeking consumers are shopping.

Finally, as we look out to 2027, we're planning to launch meaningful new innovation to reinforce our category leadership and strengthen our competitive position. This year, we launched Suja Organic Detox Juice and Watermelon Love, as well as Slice Dirty Soda, all of which climbed our [ph] SKU (00:10:35) rankings quickly. We're proud of that work and we're building our 2027 pipeline with urgency. Our innovation pipeline is at the center of how well-positioned this business for future growth. I want to leave you today with confidence. We've identified the softness, We have a clear list of actions with a goal to convert it to wins. And our team is fully committed to executing in the second half of 2026 and beyond to deliver what we believe this business can achieve.

With that, I'll turn it over to Jeff to walk through our second quarter results and full year outlook in more detail.

Jeff Pedersen

Chief Financial Officer, Suja Life, Inc.

Thank you, Maria, and good afternoon, everyone. I'll begin with detail on our second quarter results and then walk through our outlook for the full year. Through the first half of the year, our overall financial performance is right in line with our expectations. Net sales for our second quarter ended June 29, 2026, increased 11.6% to $83.9 million, driven primarily by volume growth across key products and retailers and new product distribution gains that were partially offset by slightly unfavorable shipment timing at the beginning of the quarter that benefited Q1.

Now looking at the second quarter net sales by segment. As a reminder, Suja Core represents our wellness shots and cold-pressed juices and reflects the financial results of Suja Organic and Vive Organic. Emerging Brands consists of Slice, which remains in the early stages of revenue, scale and market development. Suja Core net sales increased 9.8% to $81.9 million, reflecting three dynamics this quarter. First, our branded wellness shots, Vive Organic and Suja Organic, delivered double-digit growth versus prior year, with meaningfully stronger performance in non-measured Nielsen retailers then in Nielsen measured channels consistent with historical patterns in our business. That said, as Maria mentioned, this growth came in slightly below our expectations.

Second, we more than offset that gap with better than expected growth in cold-pressed juice led by our refreshers and boosted juice categories, both of which meet consumer demand for functional refreshment, particularly in the warmer months. Third, we continue to see outsized growth in multi-pack formats, reinforcing consumer routinization of both cold-pressed juice and wellness shots.

Now, in our Emerging Brands segment, net sales increased 61.2% to $3 million, driven by volume growth as we continue to expand distribution and drive trial of Slice in its second year on shelf. Suja Life's gross profit increased 10% to $39.2 million or 46.8% of net sales, compared to $35.6 million or 47.4% of net sales in the prior year period. The slight decline in gross margin was primarily driven by unfavorable absorption timing as we built finished goods inventory in Q1 to satisfy Q2 shipment demand that resulted in offsetting unfavorable absorption in Q2 as these finished goods were shipped and inventory returned to historical levels in the second quarter. Setting aside absorption timing, the team was able to leverage our competitive moat of vertical integration and deliver margin improvement versus the prior year as operational efficiency gains more than offset inflationary pressures.

Selling, general and administrative expenses were $59.7 million in Q2, which includes $25.1 million in one-time IPO related transaction costs. Other selling general and administrative expenses were $34.6 million versus $33.8 million in the prior year. As a percentage of net sales, SG&A leveraged 360 basis points year-over-year as we benefited from lapping one-time startup costs in Emerging Brands and demonstrated thoughtful, fixed spend management throughout the business.

These benefits were partially offset by increased costs of operating as a public company. Net loss was $27.8 million, compared to a net loss of $5.7 million in the prior year period. This included one-time IPO related transaction costs of $25.1 million and loss on debt extinguishment of $2.3 million. Adjusted EBITDA increased 50% to $14.6 million or 17.5% of net sales, compared to $9.8 million or 13% of net sales in the prior year period, reflecting a strong flow through of our top line growth.

On a segment level, Suja Core adjusted EBITDA increased 2.9% to $16 million and Emerging Brands adjusted EBITDA was a loss of $1.3 million, an improvement of $4.4 million, compared to the second quarter of 2025. As of June 29, 2026, we had cash of $20.6 million and total debt of $163 million following debt pay down using the proceeds from our IPO. We believe our liquidity position supports continued execution of our growth agenda. Additionally reducing our cost of capital has been a priority since the IPO and the business today supports a different lender base than the one that financed us as a private company. We are engaging in a process with commercial banks and have received written indications from our lead banks of their support for the transaction. We are working towards necessary documentation and anticipate closing in the current quarter. While we won't discuss specific pricing until then, we'd expect a substantial reduction in our borrowing spread and a corresponding benefit to free cash flow. This would be a cost of capital transaction. We're not adding leverage. Our guidance today does not reflect the expected benefits of this refinancing and there will be one-time cost that close associated with retiring the existing facilities, which will detail then.

Turning to our outlook. As Maria noted, we're widening our full fiscal year net sales guidance given recent volatility. With that in mind, we now expect for the full year ending December 28, 2026. Net sales of $360 million to $369 million, reflecting an increase of 10.2% to 13% year-over-year, compared to $326.6 million in 2025. And we're reiterating our previously provided adjusted EBITDA guidance of $70 million to $72 million, reflecting an increase of 72.8% to 77.7%, year-over-year, compared to $40.5 million in 2025. Consistent with our previous communication, we expect net interest expense of $19 million, while our base tax rate of 26.1% reflects an improvement compared to our prior expectation of 27.4%.

Given the change in outlook today, I wanted to provide a little more color than usual on quarterly dynamics in the back half of the year. As Maria mentioned, the softness we're seeing is concentrated in grocery and it's showing up in the bookings trends we've tracked through the month of July. Reflecting that, our latest estimate for Q3 net sales is approximately $71 million, gross margin of approximately 47.8% and adjusted EBITDA margin of approximately 15.2% each respectively at the midpoint of our full year range.

As a reminder, net sales for our business is typically weighted heavier in the first and fourth quarters of the fiscal year, compared to the second and third quarters. That seasonal pattern and the near-term grocery dynamics Maria described are reflected in our updated Q3 estimate.

In closing, we've built a very resilient business over the last decade and are well-versed in leveraging the value our brands bring to our consumers, our retailer partnerships and our vertically integrated competitive moat to use macroeconomic conditions like these to our advantage and strategically invest to drive incremental growth and take market share while protecting the bottom line. Our confidence in the long-term trajectory of this business remains unchanged. The brands we have built, the operational platform that supports them and the whitespace still ahead of us in household penetration and distribution represent a compelling opportunity that we are fully committed to capturing.

With that, I'll turn it over to the operator for Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Please stand by while we compile the Q&A roster. Our first question or comment comes from the line of Bonnie Herzog from Goldman Sachs. Ms. Herzog, your line is open.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

All right. Thank you. Hi, everyone. Hope you're all doing well. And I had a question on your updated guidance for the year. As you touched on, you lowered your top line growth slightly, calling out some near-term softness in the grocery channel, but you did maintain your adjusted EBITDA range. and as such, your guidance does now imply much slower top line growth in 2H versus 1H, but I guess just slightly lower EBITDA margins.

So first, can you give us a sense maybe of how your sales evolved through Q2? And I'd be curious to hear when you first started or noticed some of the softness. And then second, Maria, you touched on this, you mentioned some new strategies that you're not sitting still. So I'm curious to hear maybe what you're most excited about.

And then finally, should we assume, I guess, the grocery channel is a lower margin channel, or are there other drivers that you expect to help offset the slower top line expectations in the back half? Thank you.

Maria D. Stipp
Chief Executive Officer & Director, Suja Life, Inc.

A

Hi, Bonnie. I'll take the first part of the question, I'll have Jeff fill in blanks as noted. First let's talk about the fact that, yes, we started to see a shift in early July, where it was a sizable shift specifically in the grocery channel, where our bookings were coming off of our overall forecast. And as we dove into that and we would actually reach out, work specifically with our retailers and talk with them. It was coming primarily from the consumer compression at retail and some of the pressures that our grocers are in at this time around foot traffic and so forth.

And so the good news in here, this story that, we do want to convey is that we were the top growth contributor in the natural healthy beverage category for Q2, albeit with still having some of the softness in our grocery channel. So just leading to what I'm really excited about is that this is a call to action with our grocery channel as well as our other channels to try to drive additional programming in the back half of the year. So we've had a lot of our grocery accounts work directly with us to steepen the programs that we have lined up with them. We're going to be meeting our competition toe-to-toe with pricing. We're getting very aggressive on promo. And we're lowering our marketing investment into the funnel. So we talked a lot about full funnel marketing in our past.

As we think about really gearing down and being specific with activities that drive velocities, we're going to be marketing to the lower end of the funnel to really drive that. The other thing, we're proud of is the distribution gains that we experienced so far this year. We're well ahead of our plan for added distribution. And our new innovation is working really well for us and it's opened up the door to add additional distribution into the back half of the year and we've got retailers supporting that, which is great news as well.

And then finally, I will just say, steepening a lot of the activities around areas where we see the consumer going, which is a lot of value-seeking shoppers, moving to club and mass, and we've added a lot of programs versus what we've done in the past in that channel as well. And then finally, I think you mentioned a bit about holding our guidance for EBITDA, which is true, and that really comes from just being very disciplined in our overall approach as it relates to cost management across the company. It's not just about how we manage the efficiencies and the production that we own, but it's across every department in the company. And we do our best to navigate, cutting those costs and moving those dollars [indiscernible] (00:24:38) that I just described.

Jeff Pedersen
Chief Financial Officer, Suja Life, Inc.

A

Yeah. So following up, Bonnie, on Maria's comment here, is that we have spent the last decade really building a profitable, resilient business that is very adept at navigating marketing dynamics like this to our advantage. So as Maria mentioned, we're strategically investing in incremental growth to help take share, but we're also leveraging our vertical integration, our competitive moat, to really help protect that bottom line. And I mentioned in my comments that we are pleased to say that we are navigating macroeconomic pressures and commodity pressures as many others are. But because of that vertical moat, we're actually – our cost savings initiatives this year are putting us in a favorable position. So we're taking advantage of those favorable cost leverage benefits and continuing to use those to help protect the bottom line.

Bonnie Herzog
Analyst, Goldman Sachs & Co. LLC

Q

All right. Thank you so much for all the color. I'll pass it on.

Operator: Thank you. Our next question or comment comes from the line of Kaumil Gajrawala from Jefferies. Sir, your line is now open.

Kaumil Gajrawala
Analyst, Jefferies LLC

Q

Hey, guys.

Maria D. Stipp
Chief Executive Officer & Director, Suja Life, Inc.

A

Hi.

Kaumil Gajrawala
Analyst, Jefferies LLC

Q

Hi, everybody. Good afternoon. I want to just a clarification from your comment, Maria. When you said lowering marketing, you meant lowering it in the funnel, not lowering the marketing dollars. Is that correct?

Maria D. Stipp
Chief Executive Officer & Director, Suja Life, Inc.

A

Lower funnel marketing, lower funnel marketing.

Kaumil Gajrawala
Analyst, Jefferies LLC

Q

Lower funnel, yeah.

Maria D. Stipp
Chief Executive Officer & Director, Suja Life, Inc.

A

Yeah, we are still holding firm to the percent of net revenue that we've always spent. We're just converting the dollars down into the funnel versus the higher level.

Kaumil Gajrawala
Analyst, Jefferies LLC

Q

Perfect. I thought so. I just want to make sure that was clear [indiscernible] (00:26:14) understanding maybe just, again, still digging into these grocery bookings is, when you think about your growth, the components of growth, some amount of that is from the expanded distribution, some of it is existing accounts. In terms of what's happened at these grocers, you mentioned a little bit of macro, but you also mentioned competition and promos and some of these other things. How much of it is the competitive set? How much of it is the overall category at that grocer? And the how should we think about as we're looking at the future, dealing with any of these sort of economic cyclical pressures by expanding distribution at perhaps a different rate so that your overall numbers keep moving in the same direction?

Maria D. Stipp
Chief Executive Officer & Director, Suja Life, Inc.

A

Right. So I want to be clear. This is kind of a category and channel story, concentrated specifically in grocery. It's exactly why we're confident about our ability to manage through it. So we're still driving the growth in the category. So we're number one in terms of overall volume growth [ph] in NHB (00:27:33) through Q2. We grew 1.1 share points in the category. There are other segments of the category that are significantly declining. Even that, with the NHB category growth in Q2 of 4%, Suja Life, in terms of overall dollar volume, is growing 11%. So we feel like we're still definitely outpacing the category and adding share, which is helpful. And so, we've just got to keep being very aggressive at retail. And to your point, yes, we have seen competitors steepen their level of promotion and we're going to be right there with them. And the good news is that we have the margin structure, as Jeff was describing, the in-house production that is allowing us to pay for all of these promotions without really degrading on the margin side.

Kaumil Gajrawala
Analyst, Jefferies LLC

Q

Okay. Got it. And then maybe my follow-up is going to be on margins. You had a specific quote in the release that there's a lot of cost pressures. You are able to absorb many of them because of the uniqueness of your structures. Can you maybe just talk about what some of those areas of inflation were, how you were able to absorb them? Was it related to productivity? Was it related to the fact that maybe you weren't impacted as much as others on these cost increases? What was it that was part of your business model that allowed you to manage through some of that?

Jeff Pedersen
Chief Financial Officer, Suja Life, Inc.

A

Kaumil, this is Jeff. That's a great question. So the majority of the commodity pressures that we saw were really kind of centered around fuel and nobody is really immune to that. But because of our vertical integration, we have an initiative that we worked on with our transportation management system to further optimize and get greater utilization out of the trucks we use for outbound freight. But just driving additional efficiency to kind of offset that. We also, on some other elements, were able to leverage our scale and take some volume discounts that we were able to take advantage of because of our growth. So there's a handful of areas around there, we also deployed some capital to drive efficiency in our production floor. So we were able to drive greater throughput on same labor cost relative to what we've done in the past that allowed us to take advantage of that. And then obviously, we got benefit of gaining some leverage in favorable absorption as we grew the business.

Kaumil Gajrawala
Analyst, Jefferies LLC

Q

Okay. Got it. Thank you very much.

Operator: Thank you. Our next question or comment comes from the line of Robert Ottenstein from Evercore ISI. Your line is open, sir.

Robert Ottenstein
Analyst, Evercore Group LLC

Q

Great. Thank you very much. Just so I'm completely clear, it sounds like the major issue is a problem with the grocery channel itself and consumers going to other channels rather than competitive issues within the channel. Is that right or is it kind of more 50-50 between the two?

Maria D. Stipp
Chief Executive Officer & Director, Suja Life, Inc.

A

It's much more the channel shifting, the consumer choices with seek value seeking. I think chasing promotion, certainly, I think that's the largest portion of what we're seeing in grocery today.

Robert Ottenstein
Analyst, Evercore Group LLC

Q

And I guess what – I'm a little bit confused on or surprised. I mean in general, for a while, it's my understanding, correct me if I'm wrong, that grocery has been losing little bits of share on and off for some time now. So I'm just trying to understand why, all of a sudden – why in July something happened that would've made things different. And in your discussions with grocery stores, how are they thinking about combating this? And what are they going to do about that if things have gotten, all of a sudden taken a turn for the worse that is away from where the trend line was? Thank you.

Maria D. Stipp
Chief Executive Officer & Director, Suja Life, Inc.

A

Yeah. Well, to be clear, we're still growing our grocery business. It's just not growing as fast as we had planned. It's been a big growth driver of ours for years. So we've constantly built our share and built that channel over time. So to be clear, it's just not growing as fast as we had originally planned, I think what we're seeing is that by working with our retail partners, in terms of being category captains, being able to build this partnership when the category and the total retailer is under pressure is a really important role that we can play because we can be at the table hearing firsthand what we're trying to solve for and build programs arm-in-arm.

So we've had several [ph] top to tops (00:32:53) over the last few weeks and those [ph] top to tops (00:32:55) have given us a solid working to-do list of ways to really meet them where they need us to be and really set up those programs for additional expansion.

So we just had a key retailer here, I think two weeks ago, where we spent a day and a half with them, not just walking through what we're going to do in the back half, but how we're going to actually grow our programs into 2027 with our innovation pipeline. And we've got green lights across the board to get it done. So the good news here I see and where I continue to be confident, is that we're rolling into the back half of the year. The Q4 time window is, we've got the tailwind of seasonality playing for us. We do very well in the winter months, as you all know, and we've got retailers leaning in with us to drive additional aggressive programming into the back half of the year. They need it, we need it. We all want to grow together.

Robert Ottenstein
Analyst, Evercore Group LLC

Q

Great. And then just one other question. And I know it's very small, but it's certainly very promising. Can you give a little bit more detail, in terms of the Slice rollout and your distribution gains there and shelf space and how that's being received? Thank you.

Maria D. Stipp
Chief Executive Officer & Director, Suja Life, Inc.

A

Yeah. So our distribution is up 94% for Slice. And we have had a great breakout success with our Slice Dirty Sodas as of – a very short time ago, we released Orange and Strawberry Dirty Soda that quickly grew to be some of our top selling [ph] SKUs (00:34:38) at Target, which is one of our key retailers that we sell those. So we are actively pursuing at a pretty sizable and aggressive expansion on Slice Dirty Sodas across other retailers in the back half of the year.

Robert Ottenstein
Analyst, Evercore Group LLC

Q

Great. Thank you very much.

Maria D. Stipp
Chief Executive Officer & Director, Suja Life, Inc.

A

Thank you.

Operator: Thank you. Our next question or comment comes from the line of Jon Andersen from William Blair. Mr. Anderson, your line is now open.

Jon Andersen
Analyst, William Blair & Co. LLC

Q

Good afternoon. Thanks for the questions. I wanted to ask about the second half sales guidance. Based on the cadence that you described, it looks like you're expecting sales down mid-single digits in the third quarter, which then I guess, implies a really hefty rebound in the fourth quarter well into the double-digits or the teens. Can you kind of give us some sense of what's driving that re-acceleration? And I hope I'm doing my math right, but I think the $71 million gets you down about 4% or 5% in Q3 and you grow mid-teens in the fourth quarter, which seems like a pretty big uptick. But just give us a sense, is that accurate? Is that what you're expecting, baking in and what gives you the confidence that happens in the fourth quarter? Thanks.

Maria D. Stipp
Chief Executive Officer & Director, Suja Life, Inc.

A

Yeah. So, the math is correct. And let me just reiterate some of the actions that why I feel as confident as I am. We recognized there's always going to be lumpiness in different types of quarters and we recognized it very early on in Q3 and we put action plans immediately in place for it. Our retailers have been very receptive to a lot of the programs that we're putting in place. As I said, these are arm-in-arm as we work with them in the category, not just for ourselves, but for building this category. So we are working on those programs already, some are already approved, some we'll be working on putting those into execution mode. But I'll tell you that the reception of these steeper programs, more aggressive programs, have been very positive.

The other thing that we have typically done and I mentioned this before, is we worked on sort of that full funnel marketing strategy, everything from top of funnel initiatives all the way to low funnel initiatives. We're shifting gears and we're getting extremely aggressive on the lower funnel marketing spend, which really is our way of converting customers to purchase aggressively. And We've seen those work really well in our past and we're going full throttle into the back half of the year on that. And then our distribution gains, like we've had one of the best years we've had recently with our distribution gains across the company. So Suja Life is up 16% in overall distribution. So it gives us a great amount of growth into the back half of the year as we capitalize on all of that new distribution into Q3 and Q4. So we're going to be putting a lot of programs around that innovation to drive additional volume.

And then finally, I'll just end with grocery is under pressure, certainly, but we have seen customers going into the club and mass channels, and we've steepened our overall promotional and approach for those two different channels as well.

Jon Andersen
Analyst, William Blair & Co. LLC

Q

Okay. That's helpful. Thanks. Just one follow-up. I think in the prepared remarks you mentioned kind of the scaling Oceanside and putting plans in place to expand capacity. Could you just give us an update, based on your current commentary around sales, whether anything is changing there from a placement of new equipment, capital expenditure and whether there's any – with a little bit of the short-term diminution in the sales outlook, I would think there might be some margin pressure associated with that, whether it just be fixed overhead absorption or something and where kind of the offset is coming from to be able to preserve the EBITDA target for the year? Thanks so much.

Maria D. Stipp
Chief Executive Officer & Director, Suja Life, Inc.

A

Yeah, I'll start with the first part. So we have been fortunate enough to be alerted of additional space here on our Oceanside campus. Those are always great opportunities for us because it helps us leverage our labor and really capitalize on some needed different space requirements, whether that's cold storage or some additional space we need for HPPs and so forth. So we have really got the keys to just a little bit more space here in Oceanside, which is what we noted in our talking points.

Jeff Pedersen
Chief Financial Officer, Suja Life, Inc.

A

Yeah. And Jon, I'd say a couple of things to that is, as Maria mentioned, we were able to take on some additional warehousing space, both refrigerated and ambient. And the benefit to that is it's got built-in savings in it, because we reduced our freight transfer costs and we've reduced our 3PL storage costs. So those are nice wins that actually help benefit margins as we pick them up. I guess the other thing that I'd point to is, that we have a long list of operational efficiency activities that we were long down the path in deploying and we're continuing to deploy those at the rate that we need to. And we've been fortunate to have benefited from more than offsetting the inflationary pressures that we've seen thus far. So that's, I guess, a point of strength in this vertically integrated business that we talk about that we're very much leaning on as we look towards the back half of the year.

Jon Andersen
Analyst, William Blair & Co. LLC

Q

Okay. Thank you. That's helpful.

Operator: Thank you. [Operator Instructions] Our next question or comment comes from the line of Peter Galbo from Bank of America. Mr. Galbo, your line is now open.

Peter T. Galbo
Analyst, BofA Securities, Inc.

Q

Hi. Good afternoon. Thanks for taking the questions. Maria, maybe just to follow up on Jon's first question in the sales cadence. I believe in the fourth quarter of last year, you had a pretty significant MVM or promotion in club, that was maybe unexpected, and that's creating a pretty meaningful, difficult compare for the fourth quarter [indiscernible] (00:41:16) any update, in terms of whether you're planning to repeat that and so that drives some of the re-acceleration in sales in Q4 or if it's really just predicated kind of on the other components that you outlined a bit earlier.

Maria D. Stipp
Chief Executive Officer & Director, Suja Life, Inc.

A

Well, I think the best way to answer that is we're well aware of the promotions that we had in place in Q4 of last year. And we've got to meet and exceed that obviously, as we think about our planning in 2026. So yes, I can tell you I'm confident that we're stacking up promotions and programs to make sure that we do meet and exceed how we thought about our promotional calendar last year. I don't particularly want to get into the retailer-specific details.

Peter T. Galbo
Analyst, BofA Securities, Inc.

Q

Okay. Fair enough. And just Jeff, maybe a broader question. Like it's still a reasonably wide range given the sales base for the back half of the year. Like just what could go right or wrong to push it to the high end or the low end of that? And again, obviously knowing there's some prudence baked into the third quarter, but it still leaves a relatively wide, I guess, range of outcomes for Q4. And again, the reason I ask all of that is that the exit rate kind of informs how we begin thinking about 2027. So anything you can do to help us put a finer point on that, I think would be appreciated? Thanks very much.

Maria D. Stipp
Chief Executive Officer & Director, Suja Life, Inc.

A

Yeah, we provided a range for reason, obviously, given what we've seen in Q3 really led us to believe that a range is the most prudent way to describe how we're thinking about the business. But again, I want to stress, our goal is to hit the top end of that range for all the reasons that I laid out in my action plan.

Jeff Pedersen
Chief Financial Officer, Suja Life, Inc.

A

Yeah. And I guess, Peter, I guess what I'd say to that is, is obviously we saw a pretty significant change very quickly, in terms of what was happening in the macroeconomic environment and what was happening, how that was affecting the category and that's something that is very much out of our control. But as we look at what is in our control, it's very much tied back to the actions that Maria mentioned, right? So I think the range should hopefully give you an indication that we've acted very quickly and secured some incremental activity. We've chosen to invest because we're at a point of strength with our margin structure to be able to do so, and we've been able to do it very quickly. I think, I would also say that there's more that we're working on and there's optimism and confidence that we believe that we can continue to work against this and continue to grow versus what we've got right now.

Maria D. Stipp
Chief Executive Officer & Director, Suja Life, Inc.

A

Yeah. And just reiterating one last point, which is we're talking about Q4. It's a great quarter for us. We get a lot of tailwinds from the consumer. And just to be clear, like we fundamentally believe that the trends that we see with consumer, just like a lot of our retail partners see, this trend is only increasing. This whole idea of health and wellness is still very much alive and it will continue to drive growth for our company.

Peter T. Galbo
Analyst, BofA Securities, Inc.

Q

Okay. Thank you.

Operator: Thank you. I'm showing no additional questions in the queue at this time. I'd like to turn the conference back over to Mr. Maria Stipp for any closing remarks.

Maria D. Stipp
Chief Executive Officer & Director, Suja Life, Inc.

Thank you, everyone, for the time. We appreciate and we look forward to talking with you in the future. Thank you.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This concludes the program. You may now disconnect. Everyone, have a wonderful day. Speakers, standby.