



Second Quarter 2023 Earnings

May 3, 2023

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INDUSTRY INFORMATION

This presentation includes market data and certain other statistical information and estimates that are based on reports and other publications from industry analysts, market research firms, and other independent sources, as well as management's own good faith estimates and analyses. We believe these third-party reports to be reputable, but have not independently verified the underlying data sources, methodologies, or assumptions. Information that is based on estimates, forecasts, projections, market research, or similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances reflected in this information.

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Included in this presentation and the accompanying oral presentation are certain non-GAAP financial measures designed to supplement the Company's financial information presented in accordance with U.S. generally accepted accounting principles ("GAAP"). These non-GAAP measures should not be considered in isolation or as substitutes for the Company's results as reported under GAAP. In addition, these non-GAAP financial measures are not calculated in the same manner by all companies, and accordingly, are not necessarily comparable to similarly titled measures of other companies and may not be appropriate measures for performance relative to other companies. Our presentation of the non-GAAP measures, which may include adjustments to exclude unusual or non-recurring items, should not be construed to imply that our future results will be unaffected by these or other unexpected items. See the appendix to this presentation for a reconciliation of each of these non-GAAP measures to their most comparable financial measure compiled in accordance with GAAP.

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical fact contained in this presentation, including statements regarding our future results of operations or financial condition, business strategy and plans, objectives of management for future operations, and expected industry dynamics, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will," or "would" or the negative of these words or other similar terms or expressions.

Our actual results or outcomes could differ materially from those indicated in these forward-looking statements for a variety of reasons, including, among others: our ability to execute on our growth strategies; supply disruptions; our ability to maintain favorable relationships with suppliers and manufacturers; competition from mass merchants and specialty retailers; impacts on our business from the sensitivity of our business to weather conditions, changes in the economy, and the housing market; our ability to implement technology initiatives that deliver the anticipated benefits, without disrupting our operations; regulatory changes and development affecting our current and future products; our ability to obtain additional capital to finance operations; commodity price inflation and deflation; impacts on our business from the COVID-19 pandemic, impacts on our business from cyber and other security threats or disruptions; and other risks and uncertainties, including those listed in the section titled "Risk Factors" in our filings with the U.S. Securities and Exchange Commission, including but not limited to, our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this presentation primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, and operating results. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this presentation. The results, events, and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this presentation are based on events or circumstances as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this presentation, to reflect events or circumstances after the date of this presentation or to reflect new information or the occurrence of unanticipated events, except as required by law.

To the extent forward looking non-GAAP financial measures are provided herein, they are not reconciled to comparable forward-looking GAAP measures due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation.



Second Quarter 2023 Earnings Call



Mike Egeck
Chief Executive Officer


Steve Weddell
*Executive Vice President and
Chief Financial Officer*



Nasdaq: LESL



Second Quarter Key Takeaways



💧 Results in line with low end of expectations

💧 Second quarter results reflect normalized seasonal purchase patterns and the impact of adverse weather in key markets

💧 Continued market share gains

💧 Now operating over 1,000 locations¹

💧 Fundamental drivers of pool industry remain intact

💧 Well-prepared for pool season 2023

💧 No change in FY23 outlook

¹ Includes Residential, PRO, and Hot Tub locations, including store openings shortly after the close of 2Q23.

Second Quarter 2023 Results

(7)%

Sales change

Sales of \$213M

- Comp sales: (14)%
- Two-year stack comp: Flat
- Three-year stack comp: +35%

33.4%

Margin rate

Gross Profit of \$71M

- Year-on-year change in gross profit: (17)%
- Gross margin rate contracted 410bps vs. prior year

Adj. EBITDA¹ of \$(8)M

- Adj. EBITDA¹ lower by \$17M vs. prior year

PRO Pool

+3%

Sales growth

Residential Hot Tub

(8)%

Sales change

Residential Pool

(9)%

Sales change

Key Updates

- **Total sales (7)% driven by:**
 - Average Order Value (8)% and Transactions +1%
 - Average Revenue per Customer (7)% and Customer File Flat
 - Customer File +3% on a two-year stack basis
- **Pandemic purchase pattern benefitted last year's Q2 sales by ~\$33M**
- **Adverse weather drove (3)% comp headwind**
- **Opened four new locations** during the quarter
- **Completed two bolt-on acquisitions** during Q2, adding two locations across Florida & Arizona
- **Acquired Sparkle Brite Pools** in April, adding three more locations in Florida

First Half 2023 Results

(1)%

Sales change

Sales of \$408M

- Comp sales: (9)%
- Two-year stack comp: +7%
- Three-year stack comp: +38%

33.5%

Margin rate

Gross Profit of \$136M

- Year-on-year change in gross profit: (11)%
- Gross margin rate contracted 360bps vs. prior year

Adj. EBITDA¹ of \$(20)M

- Adj. EBITDA¹ lower by \$30M vs. prior year

Residential Hot Tub

+12%

Sales growth

PRO Pool

+7%

Sales growth

Residential Pool

(6)%

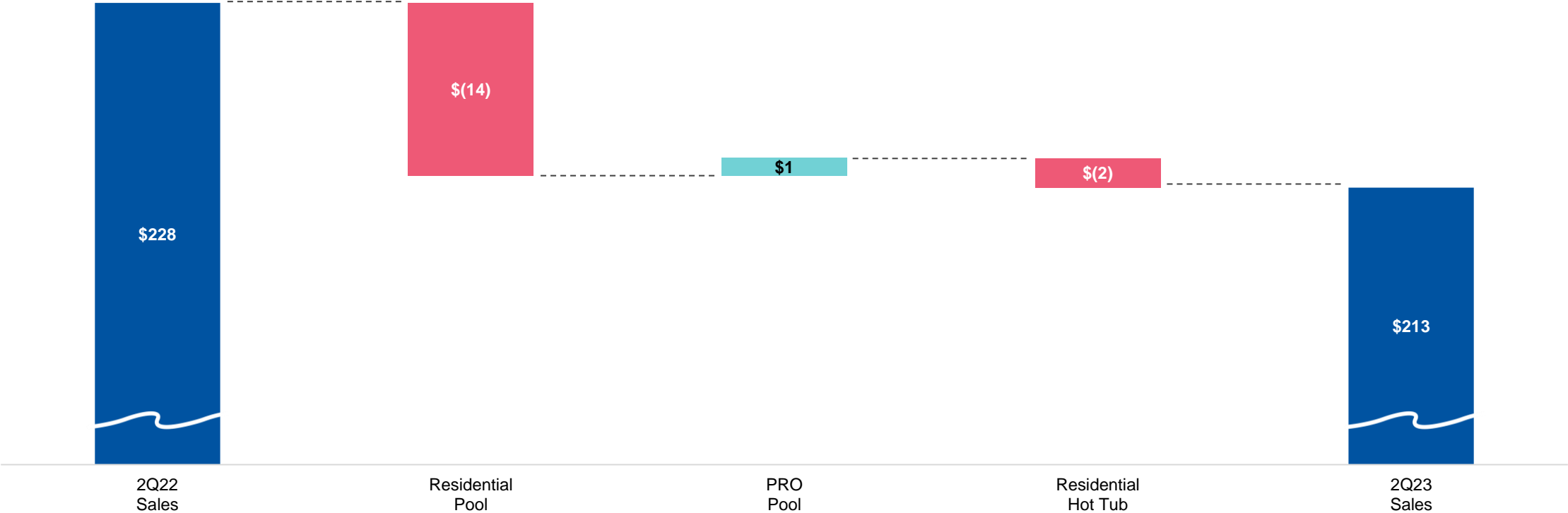
Sales change

Key Updates

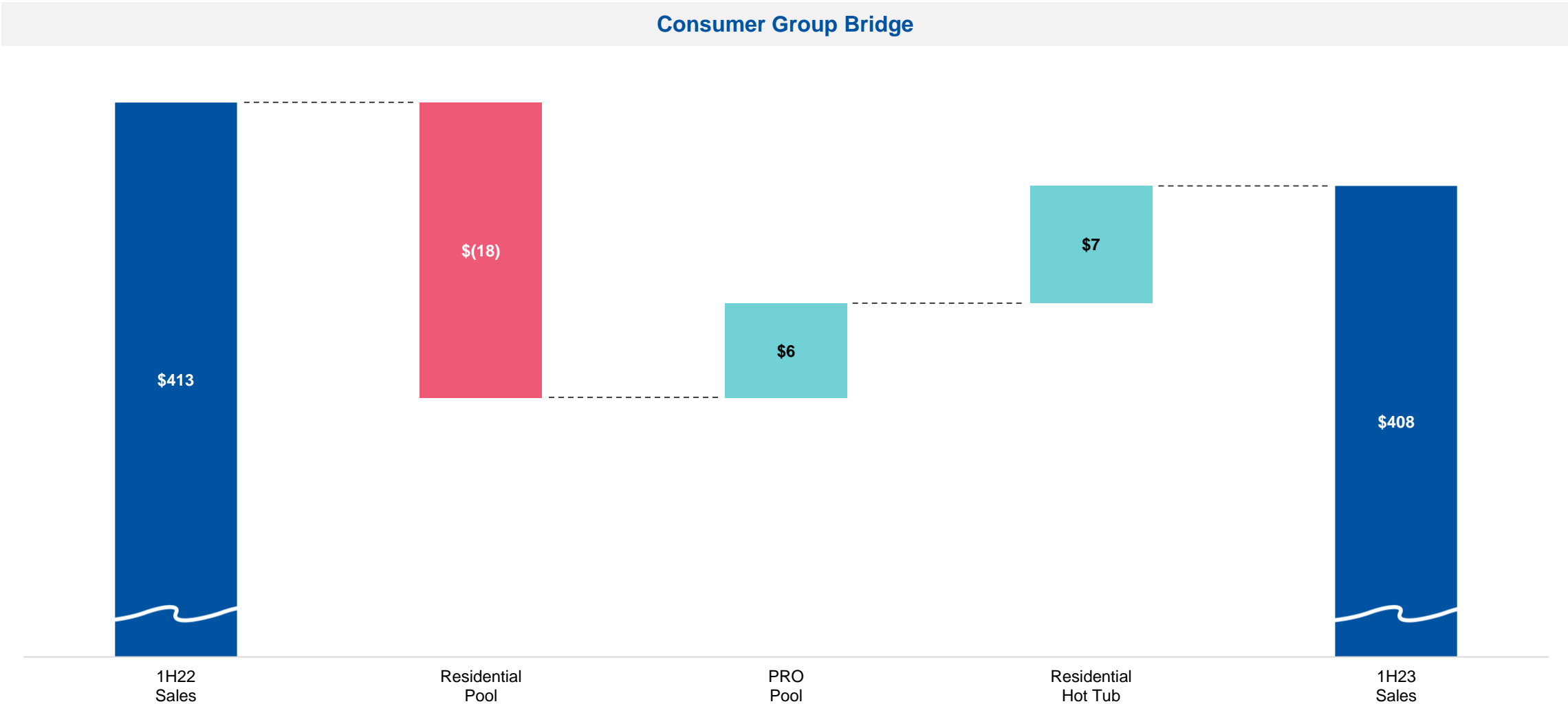
- **Total sales (1)% driven by:**
 - Average Order Value flat and Transactions (1)%
 - Average Revenue per Customer (1)% and Customer File Flat
- **Adverse weather** impacted 1H23 sales by (4)%
- Normalization of consumer purchase behavior to a **pre-pandemic seasonal pattern**
- Completed **four bolt-on acquisitions** year-to-date, adding ten locations across Florida, Arizona, and Louisiana
- Added a net total of **twelve new locations** year-to-date²
- Now operating **more than 1,000 locations** across 39 states²
- **AccuBlue Home** launching pool season 2023

Second Quarter 2023 Sales Bridge (\$M)

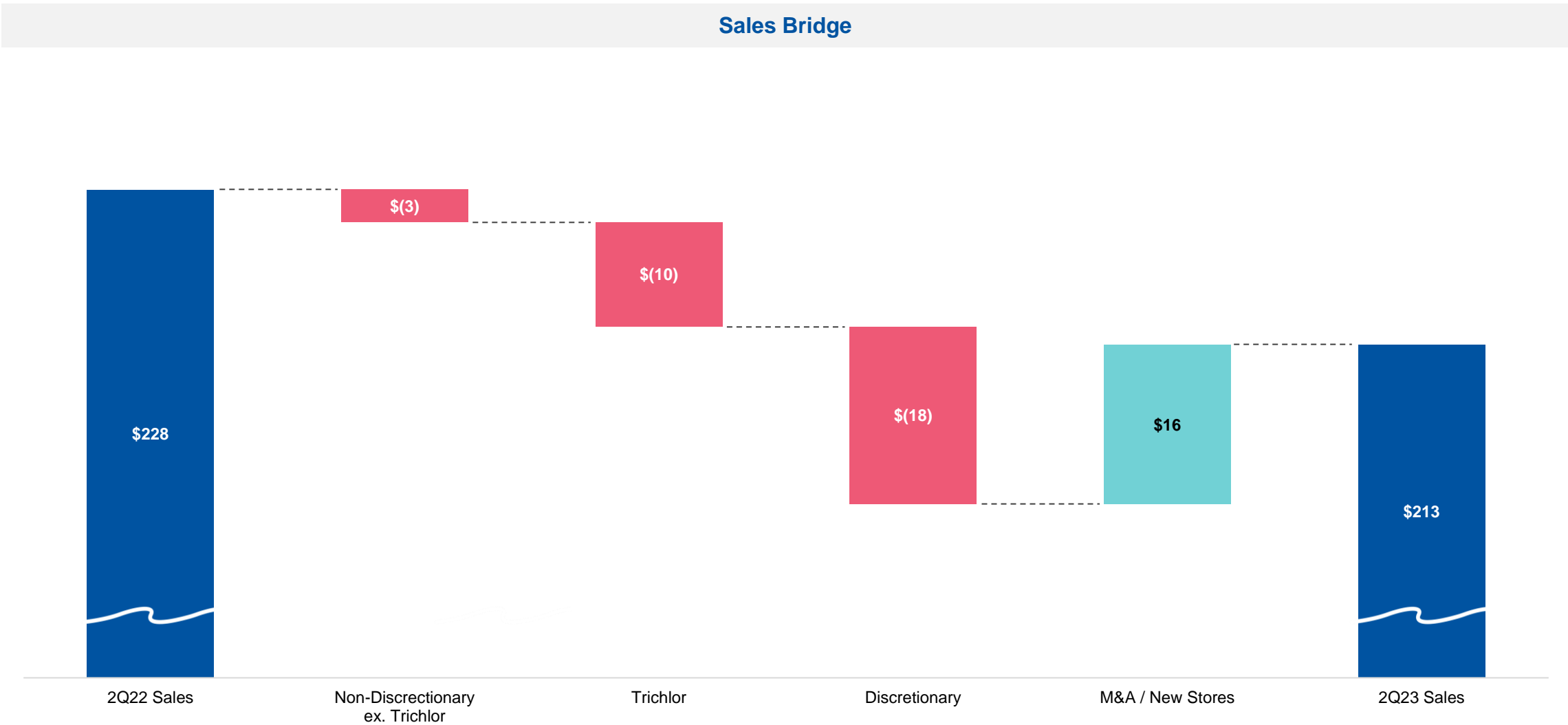
Consumer Group Bridge



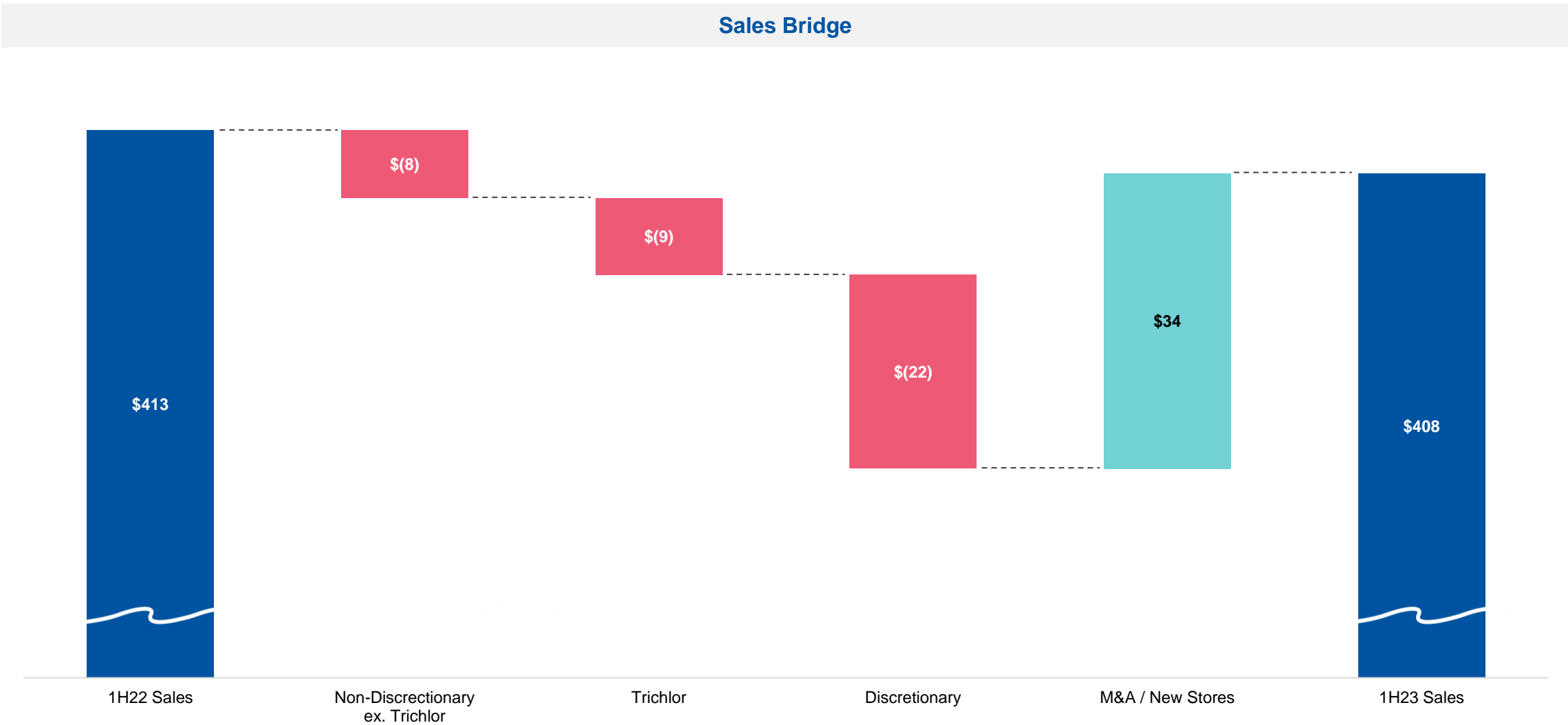
First Half 2023 Sales Bridge (\$M)



Second Quarter 2023 Sales Bridge (\$M)

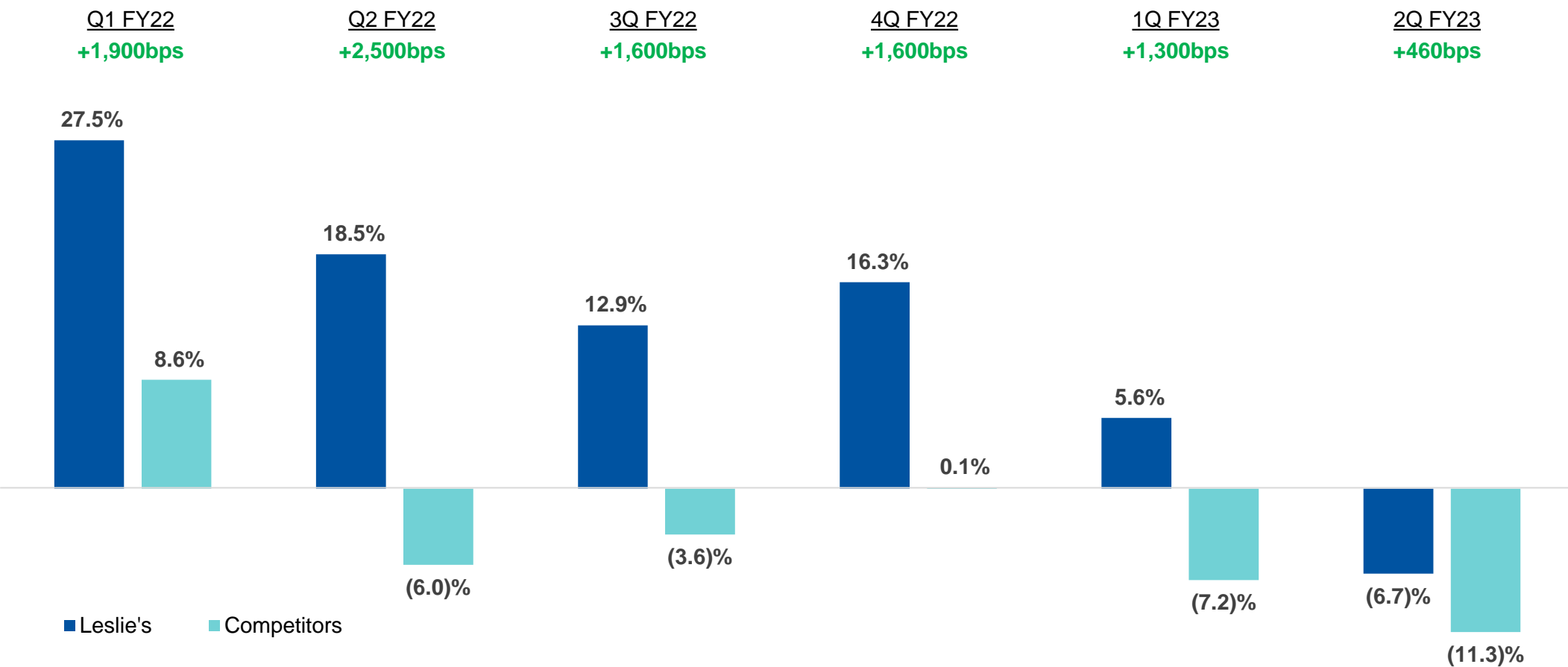


First Half 2023 Sales Bridge (\$M)

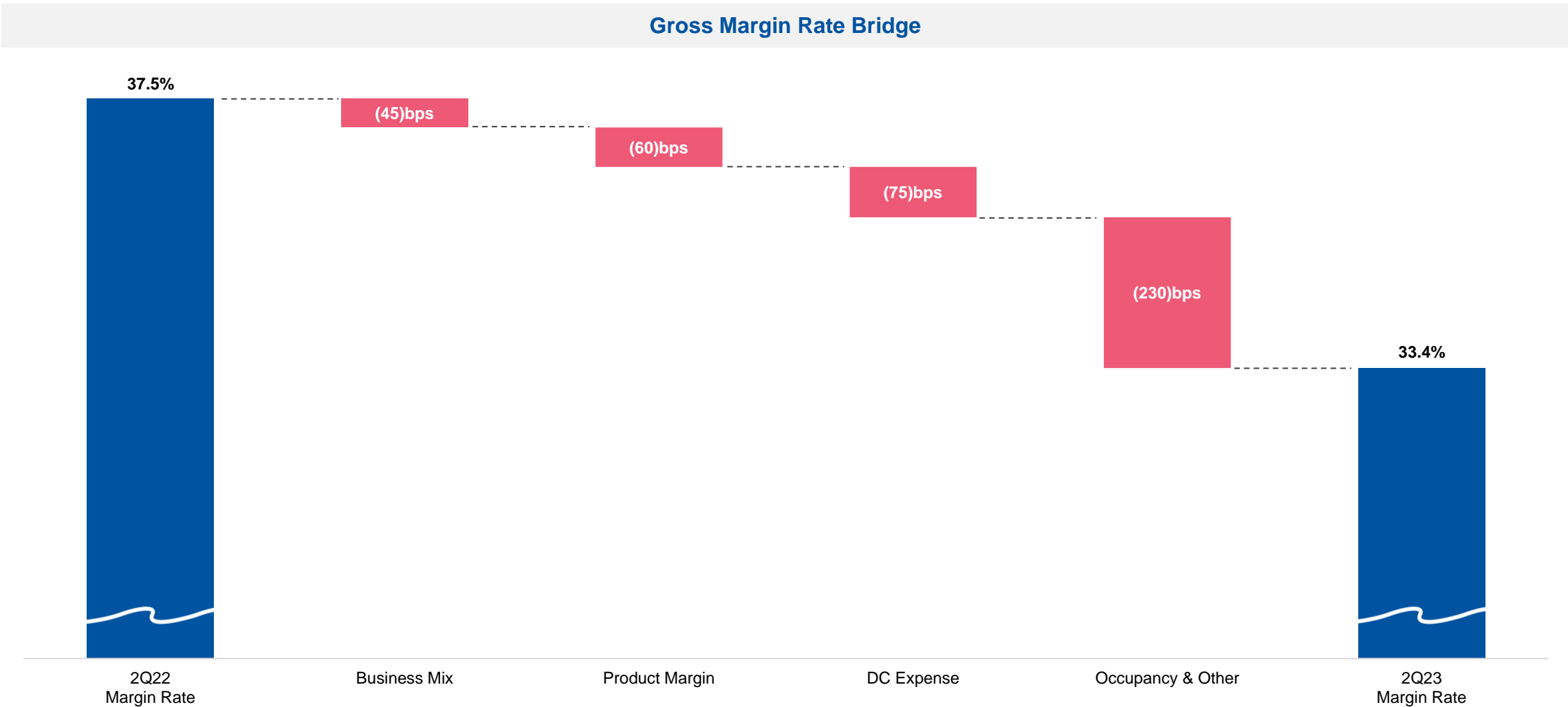


Leslie's Continues to Win Market Share

Leslie's YoY Sales Growth vs. Change in U.S. Consumer Spend at Competing Pool Supply Retailers



Second Quarter 2023 Gross Margin Rate Bridge



Strategic Growth Initiatives Update

Second Quarter 2023 Updates

Grow Our Consumer File

- Customer file flat in Q2 despite change in seasonal purchase patterns and adverse weather

Deepen Customer Relationships

- Average revenue per customer (7)% primarily due to a decline in big ticket above ground pool & hot tub unit sales
- Loyalty members +14% vs. prior year Q2

The PRO Market

- 3,300+ PRO Partner contracts in place
- 98 PRO Locations
- Leslie's PRO website supporting PRO Partners

Programmatic M&A

- Four acquisitions year-to-date, adding ten locations
- Two additional acquisitions under LOI

Residential Whitespace

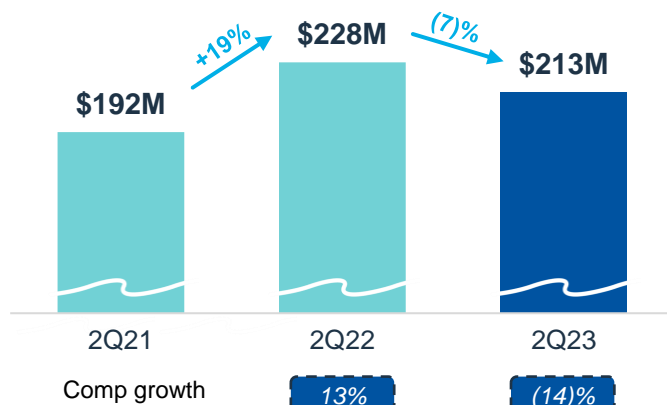
- Now operating over 1,000 locations¹
- Continue to grow underserved markets with targeted digital tactics

Disruptive Innovation

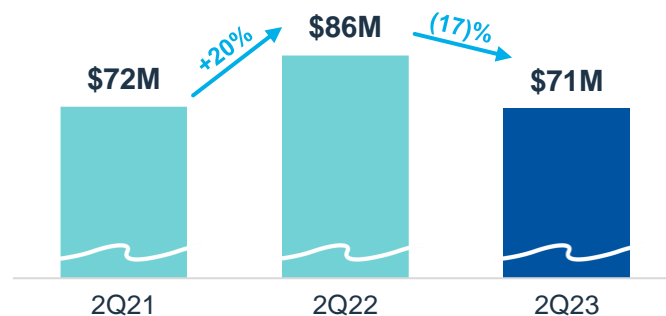
- Commercial launch of AccuBlue Home™ for pool season 2023

Second Quarter 2023 Financial Results

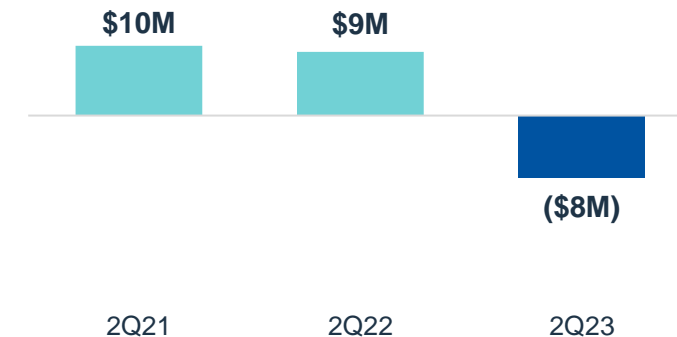
Sales



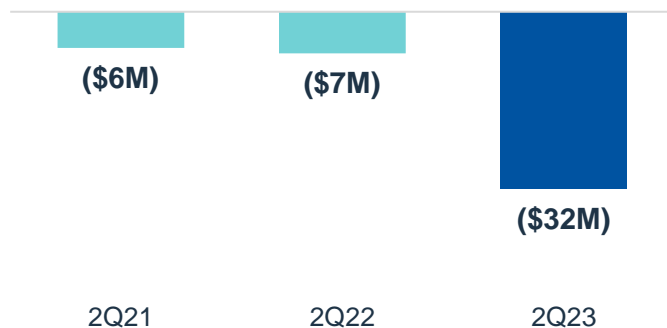
Gross Profit



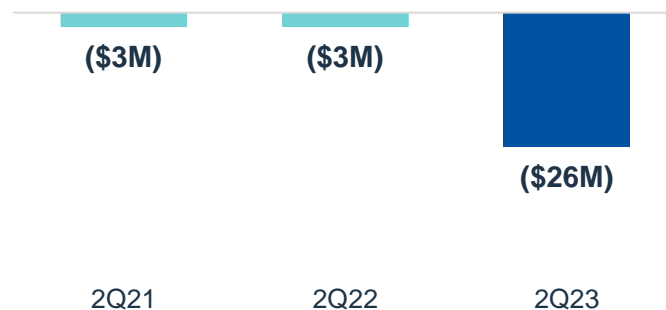
Adj. EBITDA¹



Net Loss



Adj. Net Loss¹

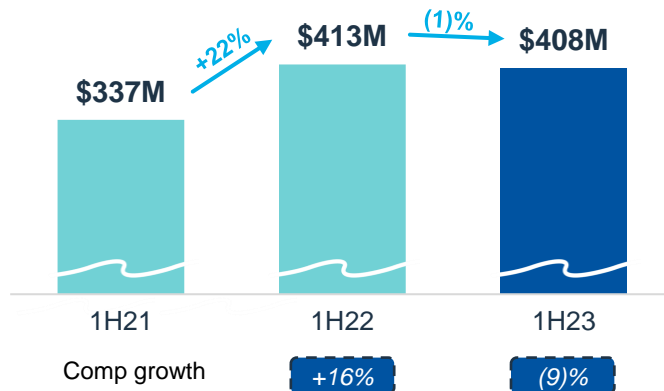


Adj. Diluted EPS¹

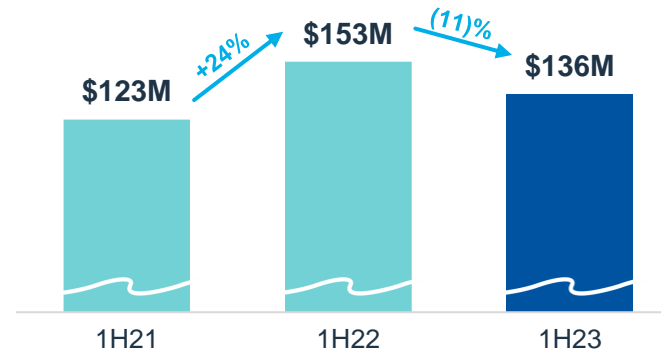


First Half 2023 Financial Results

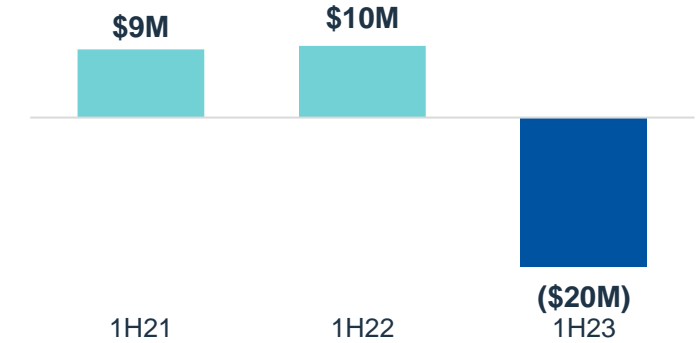
Sales



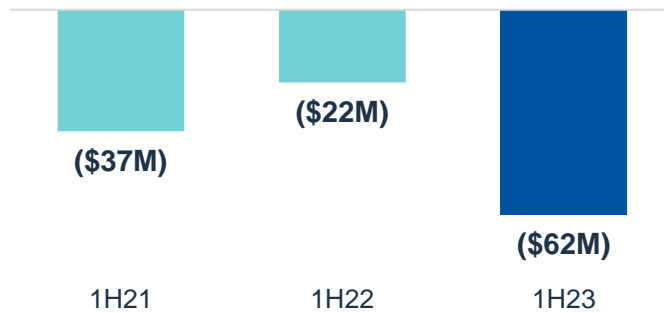
Gross Profit



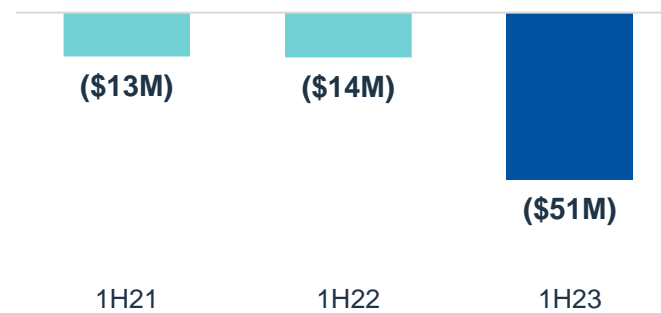
Adj. EBITDA¹



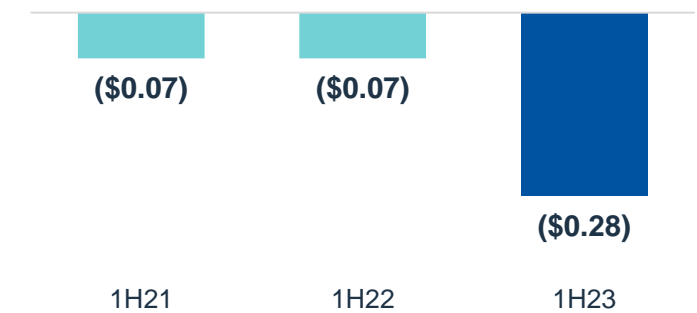
Net Loss



Adj. Net Loss¹



Adj. Diluted EPS¹



Supply Chain – 2023 Pool Season Readiness Checklist

Expanded Capacity	<ul style="list-style-type: none">• Now operating two-shift, seven-day a week model for pool season at distribution centers• New 3PL operating in the northeast to support seasonal volumes• Expanded offsite storage to increase control over product replenishment cycle during season• Increased hours and days of operation at existing 3PLs
Stocked More Inventory Across Network	<ul style="list-style-type: none">• Total inventory of \$492M• Stores and digital inventory in-stock and positioned for season• Achieved peak inventory in advance of season to control product replenishment cycle
Diversified Supplier Base	<ul style="list-style-type: none">• Added more than a dozen new vendor partners to our supplier base• Focused on high turn chemical products
New Leadership, Talent, & Capabilities	<ul style="list-style-type: none">• New Vice President of Omni Distribution and Director of Omnichannel in role• Enhanced processes to increase throughput and efficiency across DC network• Implemented new inventory management and merchandise financial planning systems

Well prepared and positioned to serve our customers for pool season 2023

Reaffirming Fiscal 2023 Guidance

	FY23		
	\$	Δ	Commentary based on 1H23 performance
Sales	\$1,560M to \$1,640M	Flat to +5%	• In line
Gross Profit	\$667M to \$708M	(35)bps to flat	• Gross profit in line • Margin rate under pressure
Adj. EBITDA ¹	\$280M to \$310M	(4)% to +6%	• In line
Adj. Net Income ¹	\$145M to \$160M	(18)% to (9)%	• In line
Adj. EPS ¹	\$0.78 to \$0.86	(18)% to (9)%	



Advantaged Industry

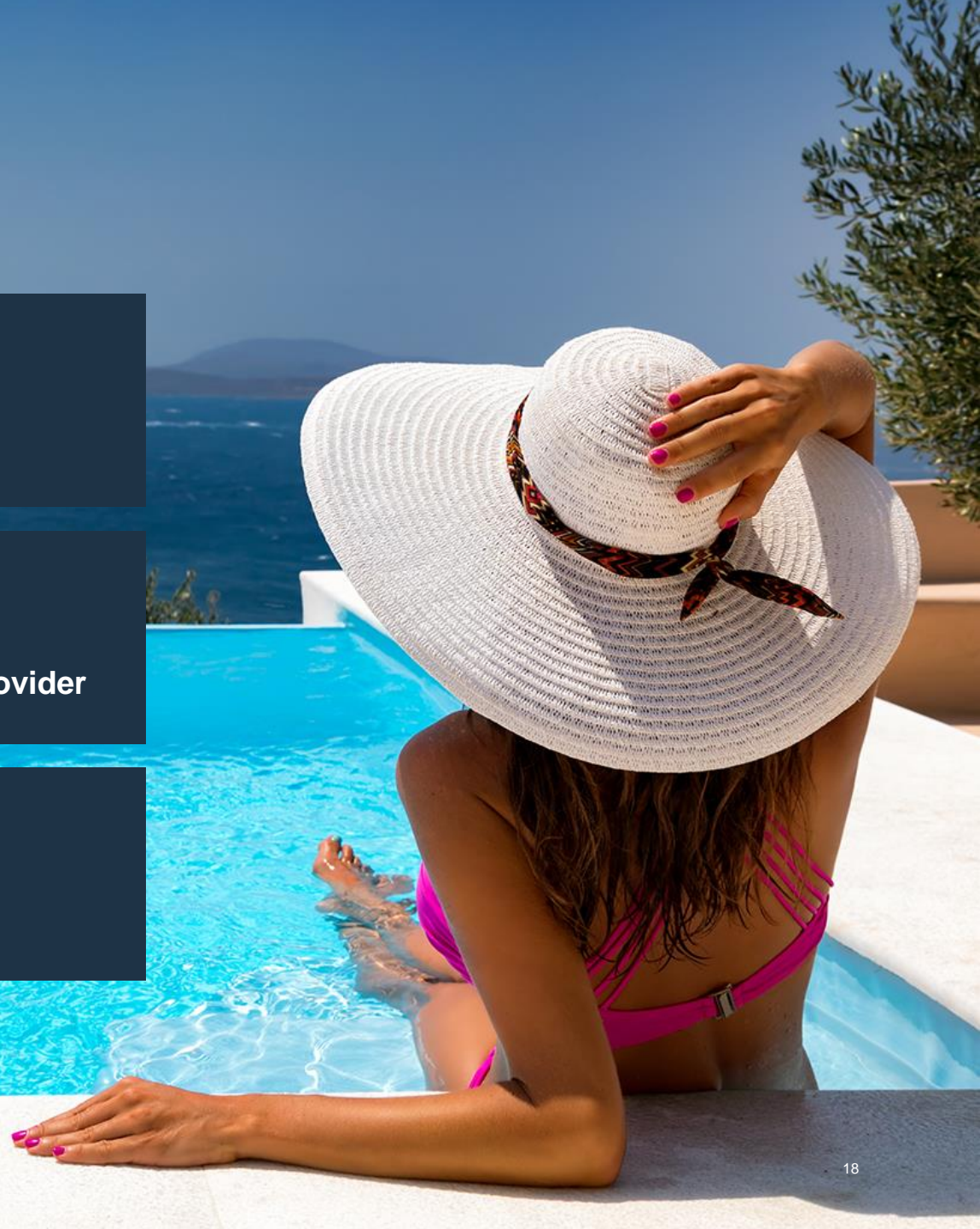
Large / Annuity-Like Demand / Predictable Growth

Integrated Ecosystem

Unmatched Scale and Reach / Consumer-Centric / Total Solution Provider

Clear Path to Growth

Six Strategic Growth Initiatives





GAAP to Non-GAAP reconciliation tables

(\$ in thousands)

	Three Months Ended			Six Months Ended		
	April 1, 2023	April 2, 2022	April 3, 2021	April 1, 2023	April 2, 2022	April 3, 2021
Net loss	\$ (31,527)	\$ (7,440)	\$ (6,452)	\$ (61,786)	\$ (21,891)	\$ (36,709)
Interest expense	17,247	6,949	8,126	30,607	13,812	19,642
Income tax benefit	(10,907)	(3,659)	(3,310)	(20,993)	(8,929)	(17,624)
Depreciation and amortization expense ⁽¹⁾	8,922	6,576	6,263	17,425	15,817	12,858
Management fees ⁽²⁾	—	—	—	—	—	382
Equity-based compensation expense ⁽³⁾	3,662	2,918	1,951	6,706	5,712	14,111
Loss on debt extinguishment ⁽⁴⁾	—	—	1,888	—	—	9,169
Costs related to equity offerings ⁽⁵⁾	—	161	1,057	—	550	9,209
Strategic project costs ⁽⁶⁾	1,294	2,274	—	2,014	3,787	—
Executive transition costs and other ⁽⁷⁾	2,869	917	5	5,672	934	(1,753)
Adjusted EBITDA	<u>\$ (8,440)</u>	<u>\$ 8,696</u>	<u>\$ 9,528</u>	<u>\$ (20,355)</u>	<u>\$ 9,792</u>	<u>\$ 9,285</u>

(1) Includes depreciation related to our distribution centers and locations, which is reported in cost of merchandise and services sold in our condensed consolidated statements of operations.

(2) Represents amounts paid or accrued in connection with our management services agreement, which was terminated upon the completion of our IPO in November 2020 and are reported in SG&A in our condensed consolidated statements of operations.

(3) Represents charges related to equity-based compensation and the related Company payroll tax expense, which are reported in SG&A in our condensed consolidated statements of operations.

(4) Represents non-cash expense due to the write-off of deferred financing costs related to the term loan modification and the repayment of our senior unsecured notes in Fiscal 2021, which are reported in loss on debt extinguishment in our condensed consolidated statements of operations.

(5) Includes one-time payments of contractual amounts incurred in connection with our IPO that was completed in November 2020, which are reported in SG&A, and costs incurred for follow-on equity offerings, which are reported in other (income) expenses, net in our condensed consolidated statements of operations.

(6) Represents non-recurring costs, such as third-party consulting costs, which are not part of our ongoing operations and are incurred to execute differentiated, strategic projects, and are reported in SG&A in our condensed consolidated statements of operations.

(7) Includes executive transition costs, severance associated with corporate restructuring, losses (gains) on asset dispositions, merger and acquisition costs and other non-recurring, non-cash or discrete items as determined by management. Amounts are reported in SG&A and other (income) expenses, net in our condensed consolidated statements of operations.

Note: A reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis without unreasonable effort due to the uncertainty of expenses that may be incurred in the future, although it is important to note that these factors could be material to our results computed in accordance with GAAP.

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(\$ in thousands, except per share data)

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Tax effects of these adjustments ⁽⁷⁾	(1,957)	(1,568)	(1,230)	(3,598)	(2,746)	(7,809)
Adjusted net income	<u>\$ (25,659)</u>	<u>\$ (2,738)</u>	<u>\$ (2,781)</u>	<u>\$ (50,992)</u>	<u>\$ (13,654)</u>	<u>\$ (13,400)</u>

	Three Months Ended			Six Months Ended		
	April 1, 2023	April 2, 2022	April 3, 2021	April 1, 2023	April 2, 2022	April 3, 2021
Diluted earnings per share	\$ (0.17)	\$ (0.04)	\$ (0.03)	\$ (0.34)	\$ (0.12)	\$ (0.20)
Adjusted diluted earnings per share	\$ (0.14)	\$ (0.01)	\$ (0.01)	\$ (0.28)	\$ (0.07)	\$ (0.07)
Weighted average shares outstanding						
Basic	183,729	182,678	186,810	183,621	185,592	181,900
Diluted	183,729	182,678	186,810	183,621	185,592	181,900

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(7) Represents the tax effect of the total adjustments based on our actual statutory tax rate. Amounts are reported in income tax expense in our condensed consolidated statements of operations.

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