



# Third Quarter 2022 Earnings

August 5, 2022



## Disclaimer

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### Non-GAAP Financial Measures

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.

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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.

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; our ability to attract and retain senior management and other qualified personnel; 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 incidents 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.



## Third Quarter 2022 Earnings Call



**Mike Egeck**

*Chief Executive Officer*

**Steve Weddell**

*Executive Vice President and  
Chief Financial Officer*



Nasdaq: LESL





## Third Quarter 2022 Summary

Record Third Quarter Sales, Margin, and Adj. EBITDA<sup>1</sup>

**+13%**

Sales growth

**Sales of \$674M**

- Comp sales growth: +7%
- Two-year stack comp: +27%

**45.1%**

Margin rate

**Margin of \$304M**

- Reported growth: +7%
- Decline in margin rate driven by business mix, product margin, and DC expenses

**+2%**

Adj. EBITDA<sup>1</sup>  
growth

**Adj. EBITDA<sup>1</sup> of \$183M**

- Adj. EBITDA<sup>1</sup> growth: +\$4M vs. prior year

## Key Updates

- **Key macro trends – demand continues to be fueled by:**
  - Homeowners investing in the home and backyard
  - The desire for a healthy outdoor lifestyle
  - Migration to the Sunbelt
  - A heightened sense of safety and sanitization
  - Hybrid and work from home schedules
- **Residential Pool grew +7%**
- **Pro Pool grew +17%**
- **Residential Hot Tub grew +94%**
- Third quarter customer file:
  - **Contracted (2)%**
  - **Grew 6%** adjusted for estimated impact of prior year chlorine media coverage
  - **Grew +14%** on an unadjusted two-year stack basis
- **Built 10 new locations** during the quarter, including 5 new PRO locations
- **Completed 29 PRO conversions** during the quarter
- **Acquired Spring Dance Hot Tubs**, adding four locations to our network

**Record third quarter results despite NJ distribution center and product margin challenges**

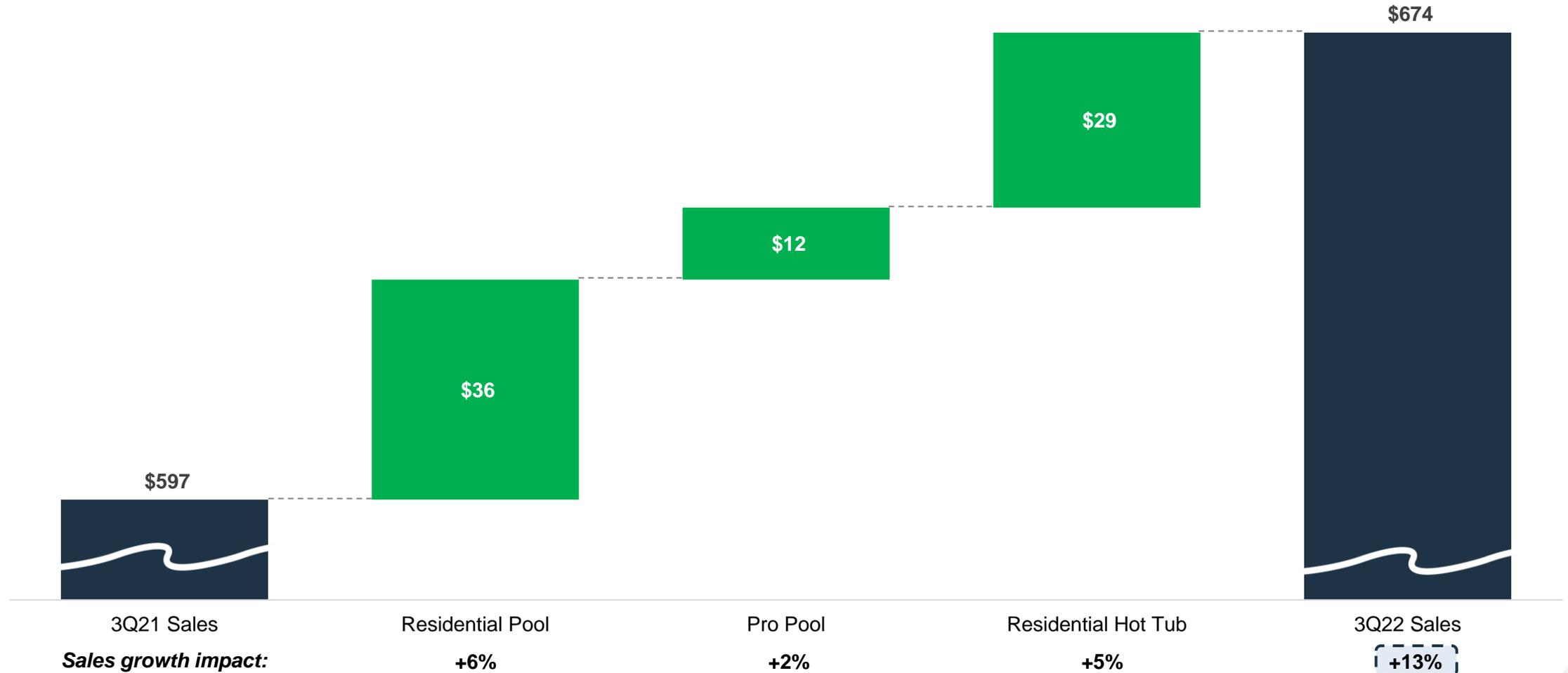
<sup>1</sup> – See Appendix for reconciliation of non-GAAP measures to the most directly comparable GAAP measures.





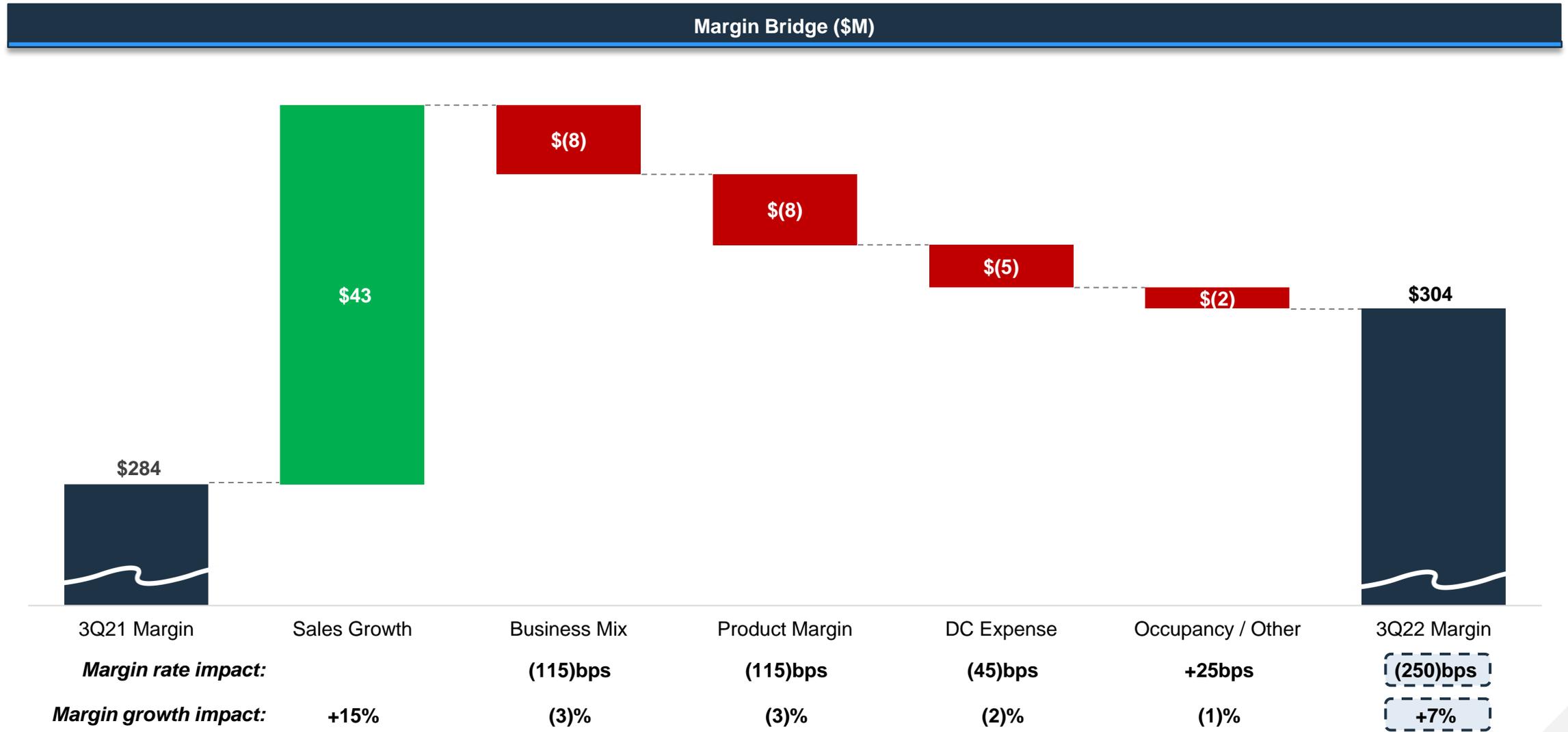
## Leslie's Delivered Positive Sales Growth Across All Consumer Groups in Q3

Customer Sales Bridge (\$M)





## Q3 Margin Drivers



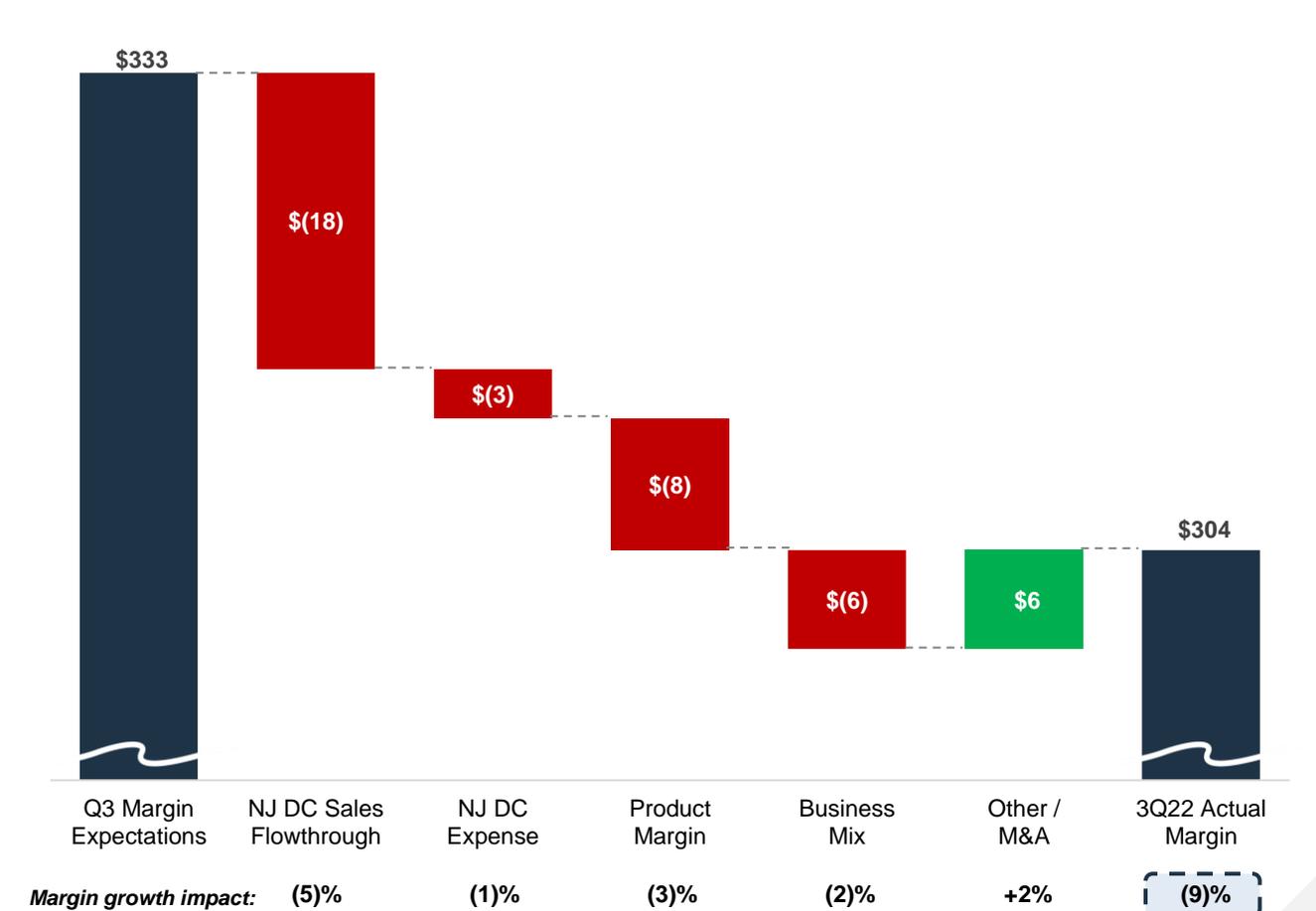
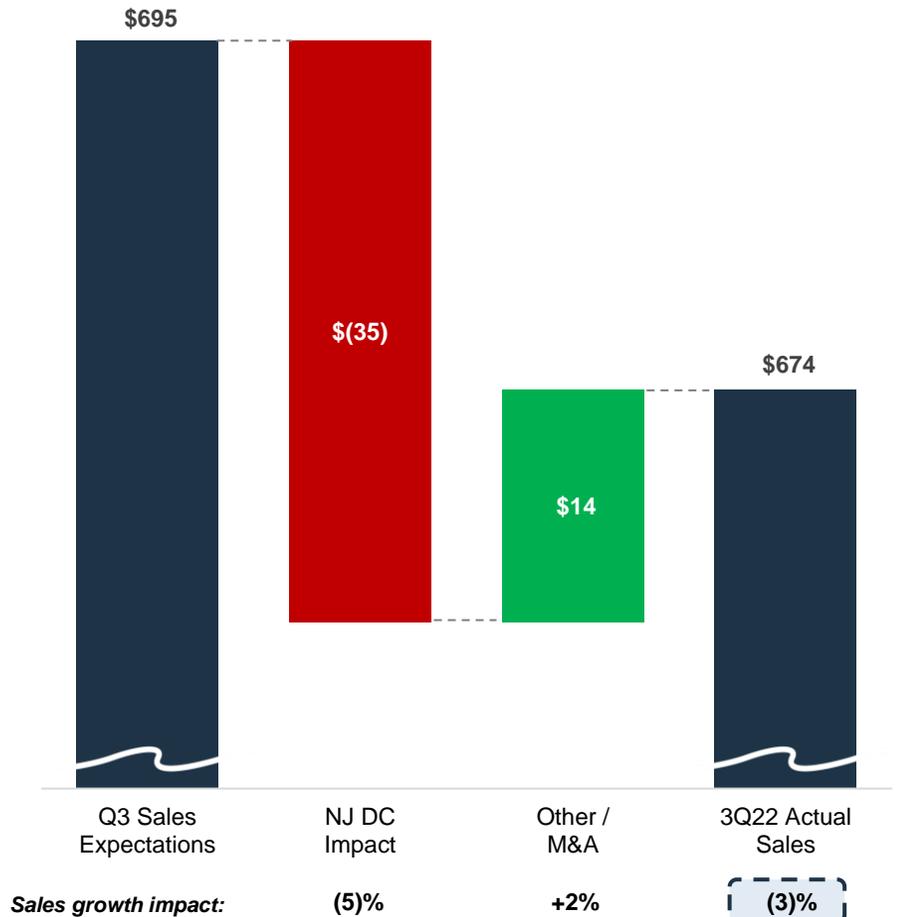
Note: Growth impact figures may not sum due to rounding



## Q3 Sales and Margin Shortfall to Expectations

**Sales Bridge (\$M)**

**Margin Bridge (\$M)**





## Year to Date Third Quarter Fiscal 2022 Summary

Record Sales, Margin, and Adj. EBITDA<sup>1</sup>

**+16%**

Sales growth

**Sales of \$1,087M**

- Comp sales growth: +11%
- Two-year stack comp: +34%

**42.0%**

Margin rate

**Margin of \$457M**

- Reported growth: +12%

**+2%**

Adj. EBITDA  
growth<sup>1</sup>

**Adj. EBITDA<sup>1</sup> of \$193M**

- Adj. EBITDA margin: 18.3%

### Key Updates

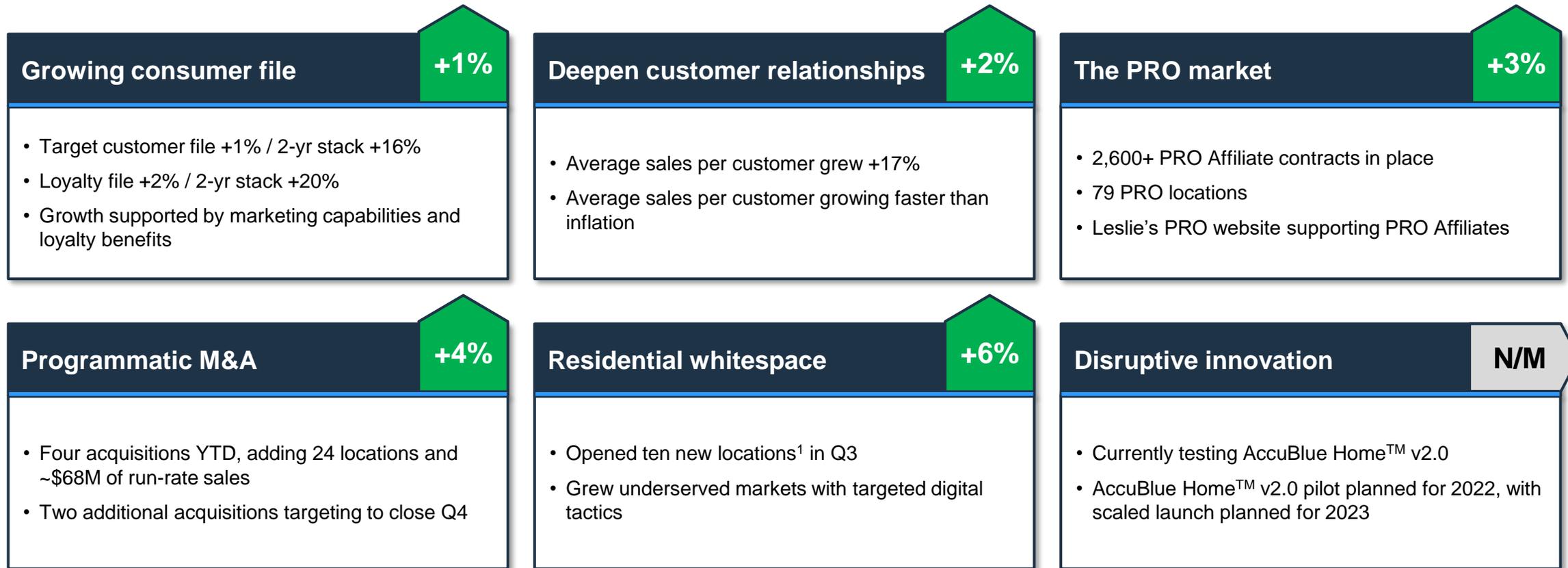
- **Residential Pool** grew +10%
- **PRO Pool** grew +22% YTD and represents ~15% of LTM sales
- **Residential Hot Tub** grew +81% YTD and represents ~10% of LTM sales
- Year to date customer file:
  - Grew +1%
  - Grew +7% adjusted for estimated impact of prior year chlorine media coverage
  - Grew +16% on an unadjusted 2-year stack basis
- **Acquired Texsun Pools** in July, adding six locations in the Houston market
- **Four acquisitions YTD**, adding 24 locations and ~\$68M of run-rate sales
- **Two additional acquisitions** targeting to close Q4
- Added a net total of **thirty-five locations** year-to-date
- Now operating **987 locations** in 39 states

Leslie's is on pace to deliver its 59<sup>th</sup> consecutive year of sales growth

<sup>1</sup> See Appendix for reconciliation of non-GAAP measures to the most directly comparable GAAP measures.



## Strategic Growth Initiatives Drive 16% Year-to-Date Sales Growth

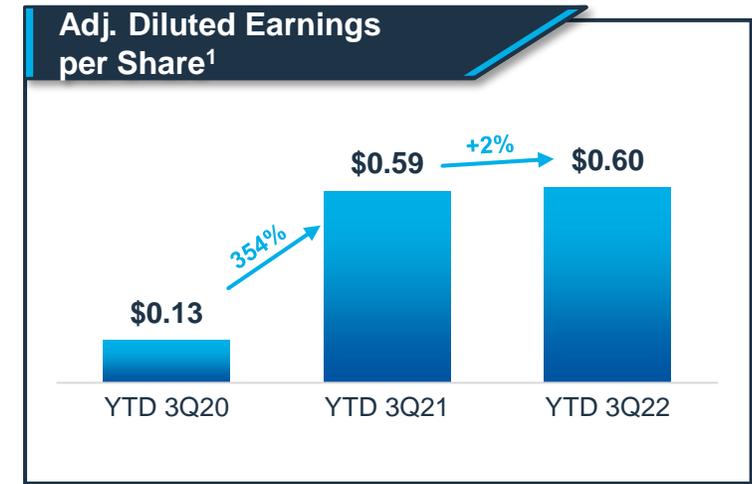
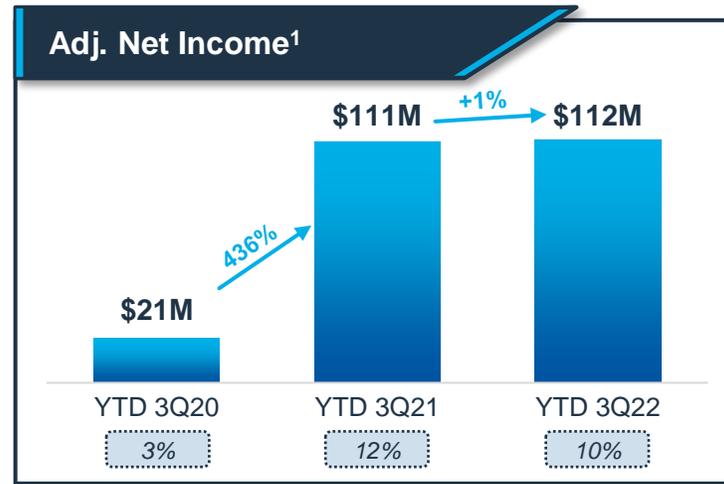
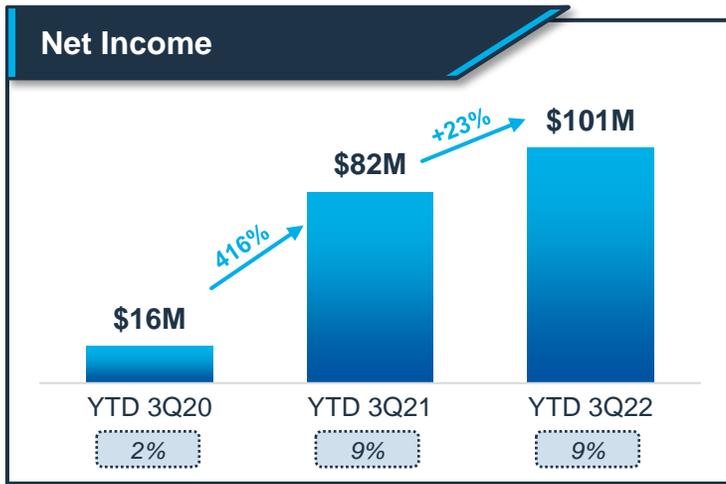
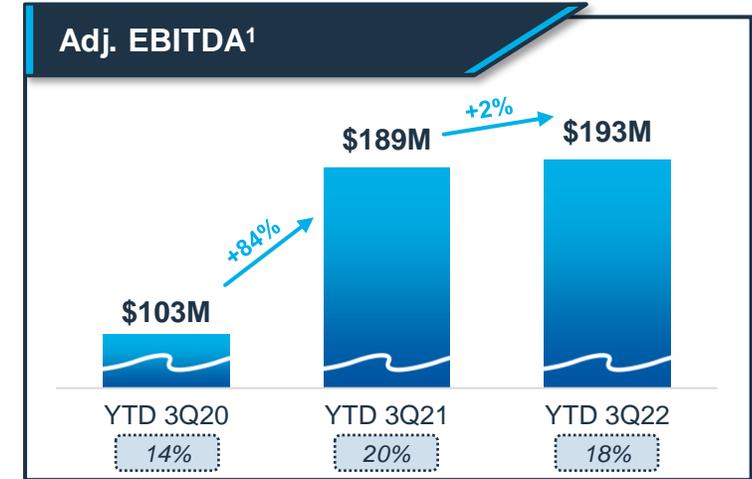
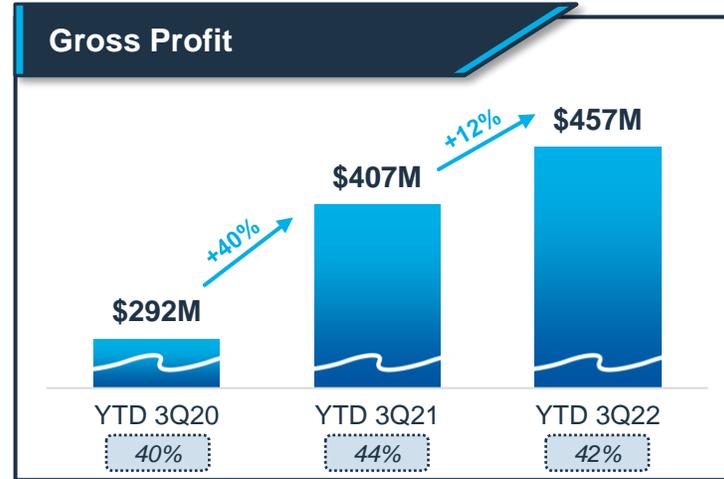
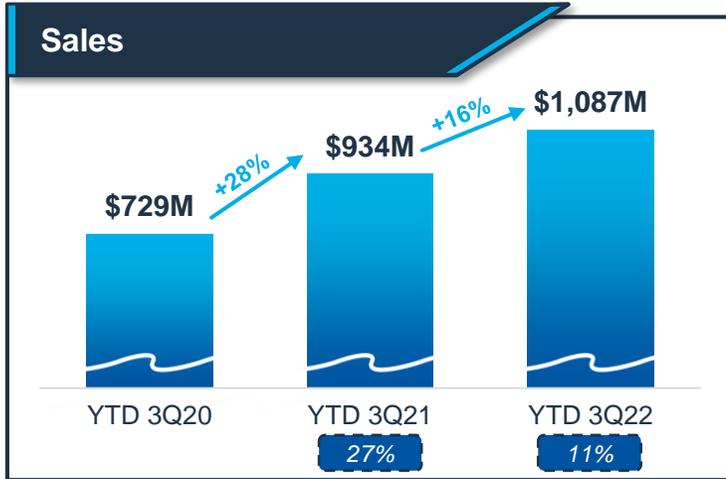


**Year-to-date sales growth broad based across strategic growth initiatives**

<sup>1</sup> Includes new Residential, PRO, and Hot Tub locations.



## Year-to-Date Third Quarter Fiscal 2022 Summary Financial Results



<sup>1</sup> See Appendix for reconciliation of non-GAAP measures to the most directly comparable GAAP measures.





## *Industry Update*



# Industry Update

## Macro Trends

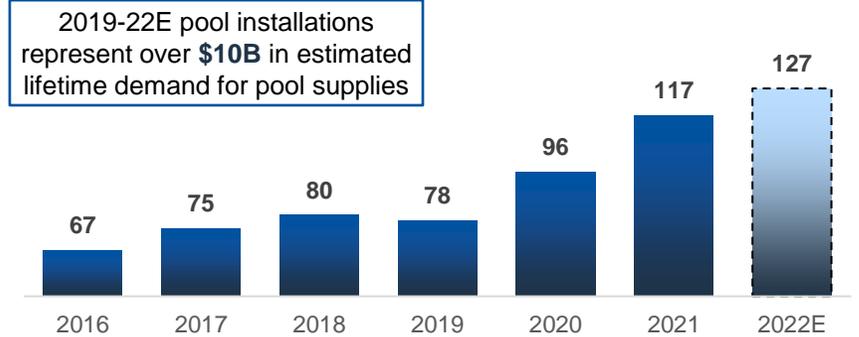
### Consumers are continuing to:

- Focus time and investment on their homes
- Work from home
- Pursue healthy outdoor lifestyles
- Migrate to the Sunbelt
- Increase attention to safety and sanitization

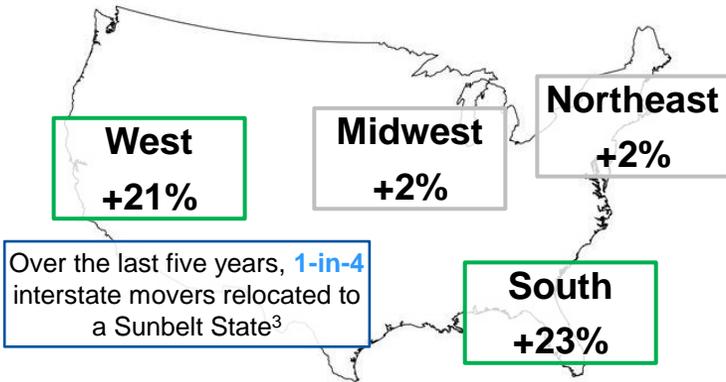
### Resulting in elevated levels of:

- Pool & spa usage
- Interest in pool & spa ownership
- New pool installations and construction backlogs
- New spa purchases and order backlogs

## New In Ground Pool Installations (thousands)<sup>1</sup>

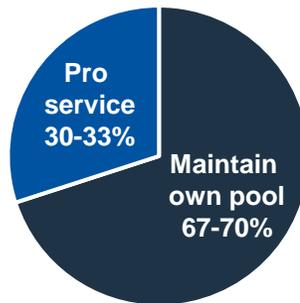


## Proj. U.S. Population Growth through 2040<sup>2</sup>

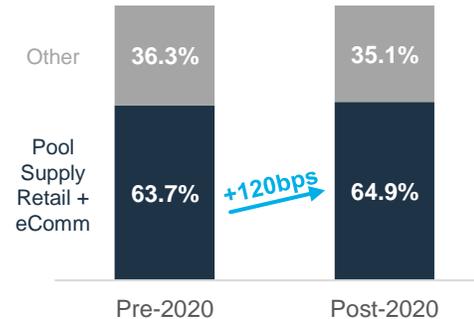


## Consumer Behavior Continues to Favor Leslie's Competitive Positioning Within the Industry<sup>1</sup>

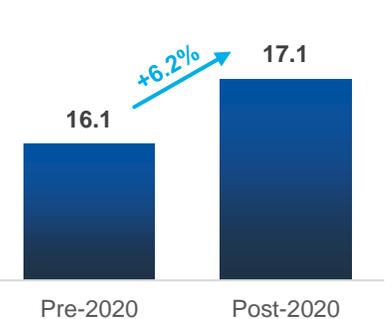
2021 residential pool maintenance: DIY vs. Professional Service



Residential chemical purchases by channel, pre- and post-2020



Average days per month of pool usage, pre- and post-2020



**Demand being driven by the durability of macro trends that accelerated with the onset of the pandemic and were further elevated by work from home**

<sup>1</sup> Source: P.K. Data.

<sup>2</sup> Source: U.S. Census Bureau, Weldon Cooper Center for Public Service, Demographics Research Group.

<sup>3</sup> Source: U.S. Census Bureau; Sunbelt States include California, Arizona, Texas, and Florida.





## ***Durable Business Model***



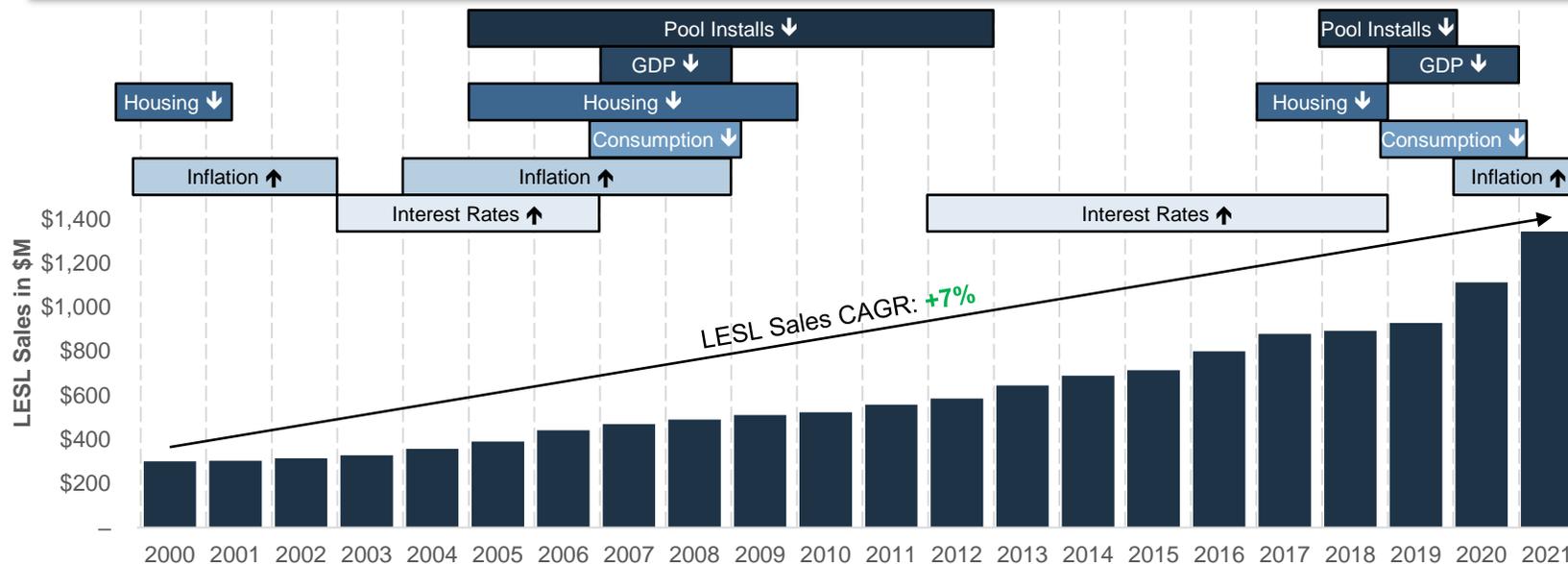


# Leslie's Has Grown for 58 Consecutive Years through a Range of Macro Environments

## Leslie's Performance through Select Macro Environments since 2000

	Decline in New Pool Installations	Decline in Nominal GDP	Decline in Housing Starts	Decline in Consumer Spending	High Inflation	Rising Interest Rates
Leslie's sales growth <sup>1</sup>	+6%	+12%	+6%	+12%	+6%	+8%
Change in macro indicator <sup>1</sup>	(14.2)% CAGR	(0.9)%	(24.6)% CAGR	(1.9)%	+2.4%	+256bps
Instances since 2000	2	2	3	2	3	2
Years affected since 2000	8	2	6	2	7	9

## Leslie's Sales History and Timing of Key Macro Events



## Key Performance Highlights | 2000-2022

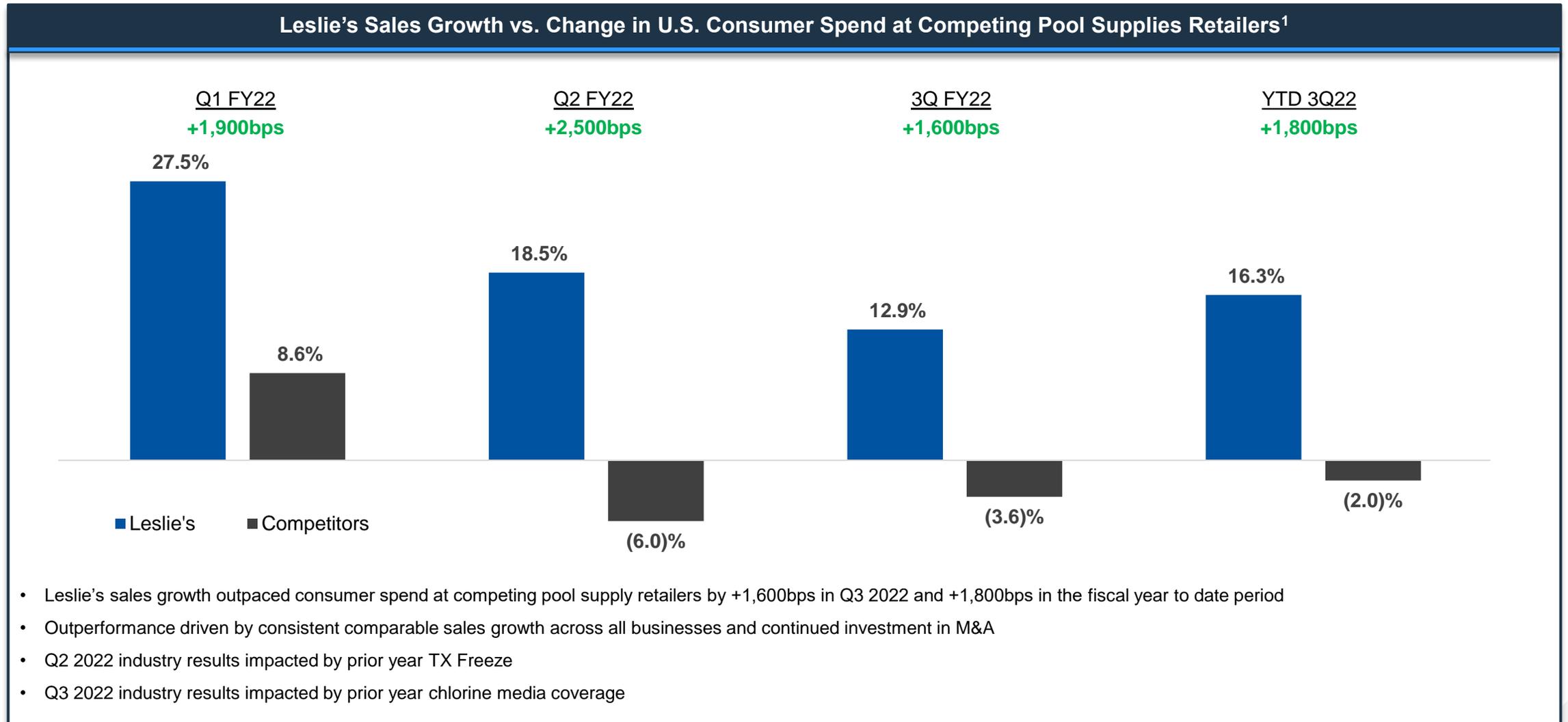
- Leslie's grew its topline each year from 2000-2022, with a +7% sales CAGR through the period
- Delivered positive comp sales growth in all but four of the last 22 years – Leslie's comped down 1% in three of those four years, and down 2% in the remaining year
- During the financial crisis, 2006-09, Leslie's:
  - Grew sales at a +16% CAGR
  - Comped positive in each year
  - Expanded margin rate by +350bps
  - Grew Adj. EBITDA by +47%
- Leslie's grew its Adj. EBITDA in 20 of the last 22 years
- Since 2000, Leslie's Adj. EBITDA has grown at a 14% CAGR, and its Adj EBITDA margins have expanded by ~1,400bps

<sup>1</sup> Represents weighted average change during affected years





## Leslie's Continues to Win Market Share



<sup>1</sup> – Source: Bank of America aggregated card data; Company estimates. 'Pool supplies retailers' represents merchants that serve residential, professional and commercial consumers and provide chemicals, equipment, parts for in/above-ground pools and water testing/pool cleaning services. Assumes Leslie's represents 15% of category spend.



## *Revised Guidance*



## Fiscal 2022 Guidance

Revised Fiscal 2022 Guidance		Prior Fiscal 2022 Guidance		Long-term Growth Algorithm
<b>Sales</b> \$1,550M – \$1,570M	<b>Sales Growth</b> 15% – 17%	<b>Sales</b> \$1,575M – \$1,610M	<b>Sales Growth</b> 17% – 20%	<b>Annual Sales Growth</b> MSD to HSD %
<b>Gross Profit</b> \$655M – \$670M	<b>Gross Margin</b> (165)bps to (205)bps	<b>Gross Profit</b> \$700M – \$715M	<b>Gross Margin</b> +5bps to +15bps	<b>Gross Margin</b> Flat to +25bps
<b>Adj. EBITDA<sup>1</sup></b> \$287M – \$297M	<b>Adj. EBITDA<sup>1</sup> Growth</b> 6% – 10%	<b>Adj. EBITDA<sup>1</sup></b> \$315M – \$330M	<b>Adj. EBITDA<sup>1</sup> Growth</b> 16% – 22%	<b>Adj. EBITDA<sup>1</sup> Growth</b> LDD %
<b>Adj. Net Income<sup>1</sup></b> \$168M – \$178M	<b>Adj. Net Income<sup>1</sup> Growth</b> 4% – 10%	<b>Adj. Net Income<sup>1</sup></b> \$193M – \$205M	<b>Adj. Net Income<sup>1</sup> Growth</b> 20% – 27%	<b>Earnings Growth</b> Mid- to high-teens %
<b>Adj. EPS<sup>1</sup></b> \$0.90 – \$0.96	<b>Adj. EPS<sup>1</sup> Growth</b> 6% – 13%	<b>Adj. Net Income<sup>1</sup></b> \$1.02 – \$1.10	<b>Adj. Net Income<sup>1</sup> Growth</b> 20% – 29%	

### Fiscal 2022 Guidance Commentary

- Sales growth stronger than long-term growth algorithm driven by strategic growth initiatives
- Margin and profitability impacted by New Jersey DC, product margin, and distribution expenses

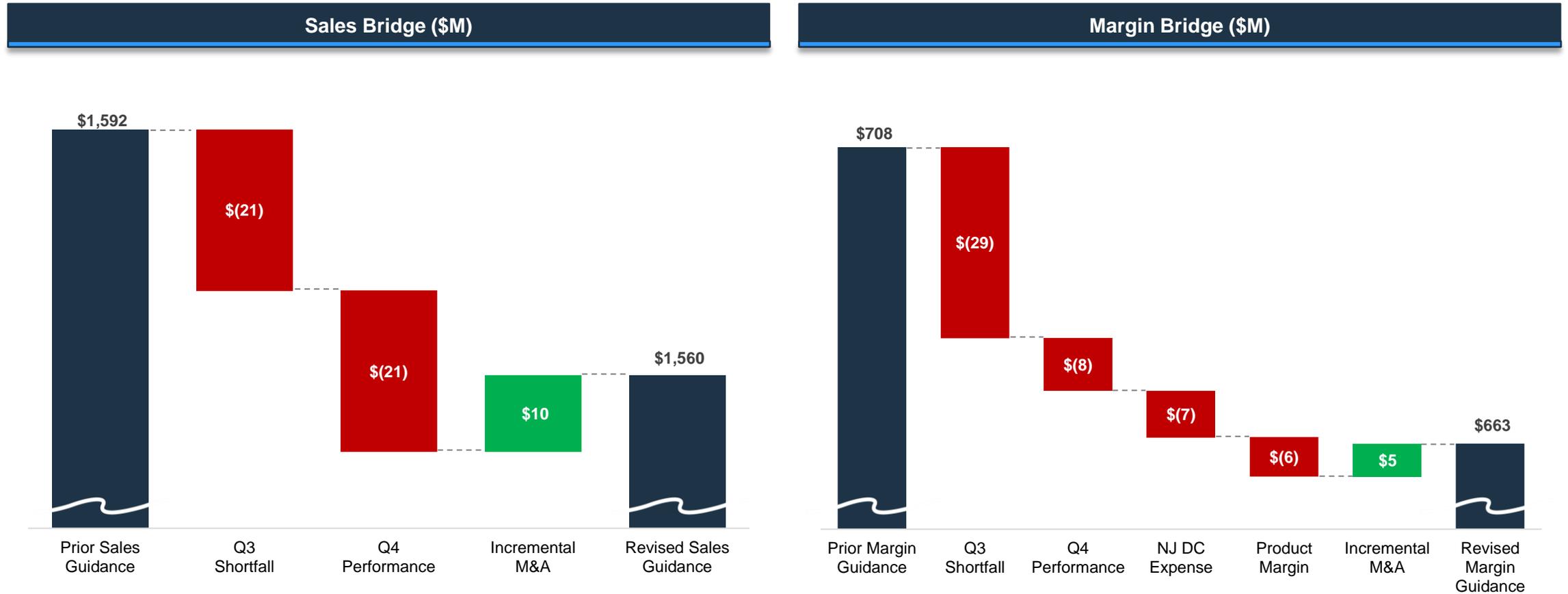
### Leslie's Long-term Growth Drivers

- ✓ Consistent industry growth
- ✓ Leslie's differentiated market position
- ✓ Leslie's unique capabilities and strategic initiatives

<sup>1</sup> See Appendix for reconciliation of non-GAAP measures to the most directly comparable GAAP measures.



## Revised Guidance Reflects Flowthrough of Q3 Performance and Revised Q4 Outlook, Partially Offset by M&A



### Commentary

- Bridges compare prior guidance and revised guidance at mid-points
- Reflects Q4 comp sales increase consistent with Q3 at +7%
- Q4 2022 product margin in line with Q3 2022 trend
- Outlook includes continuation of run-rate New Jersey DC expense

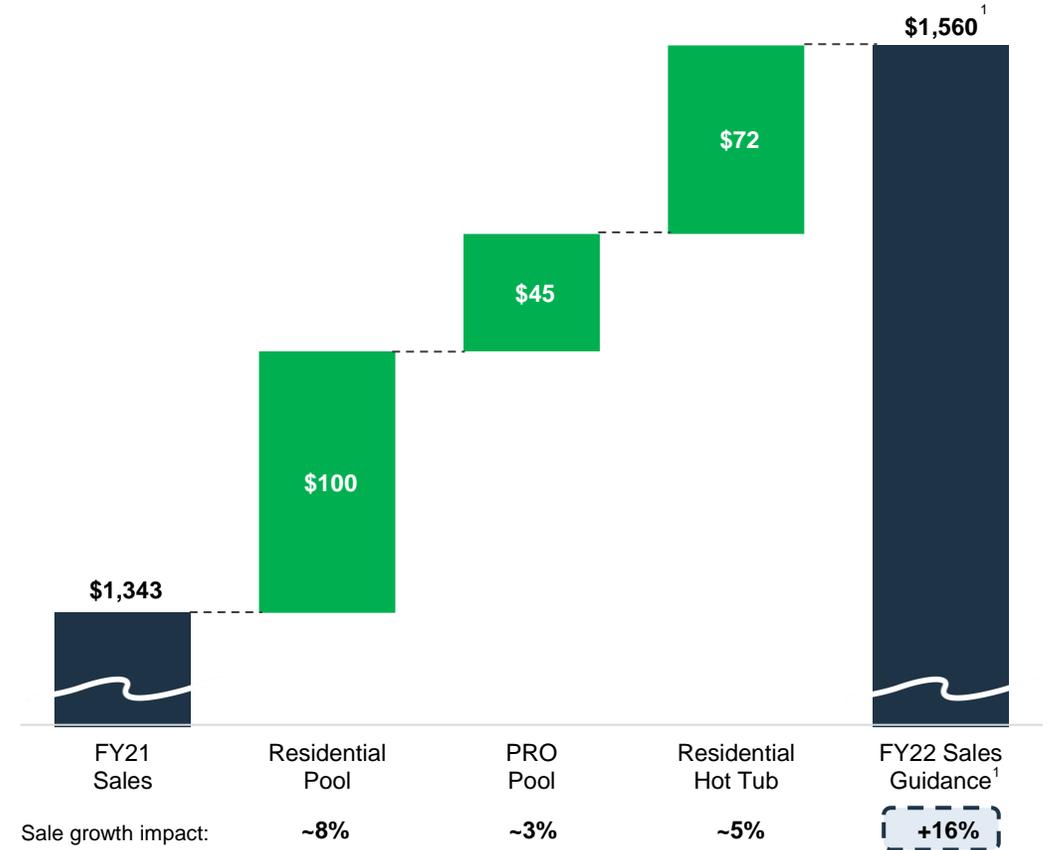
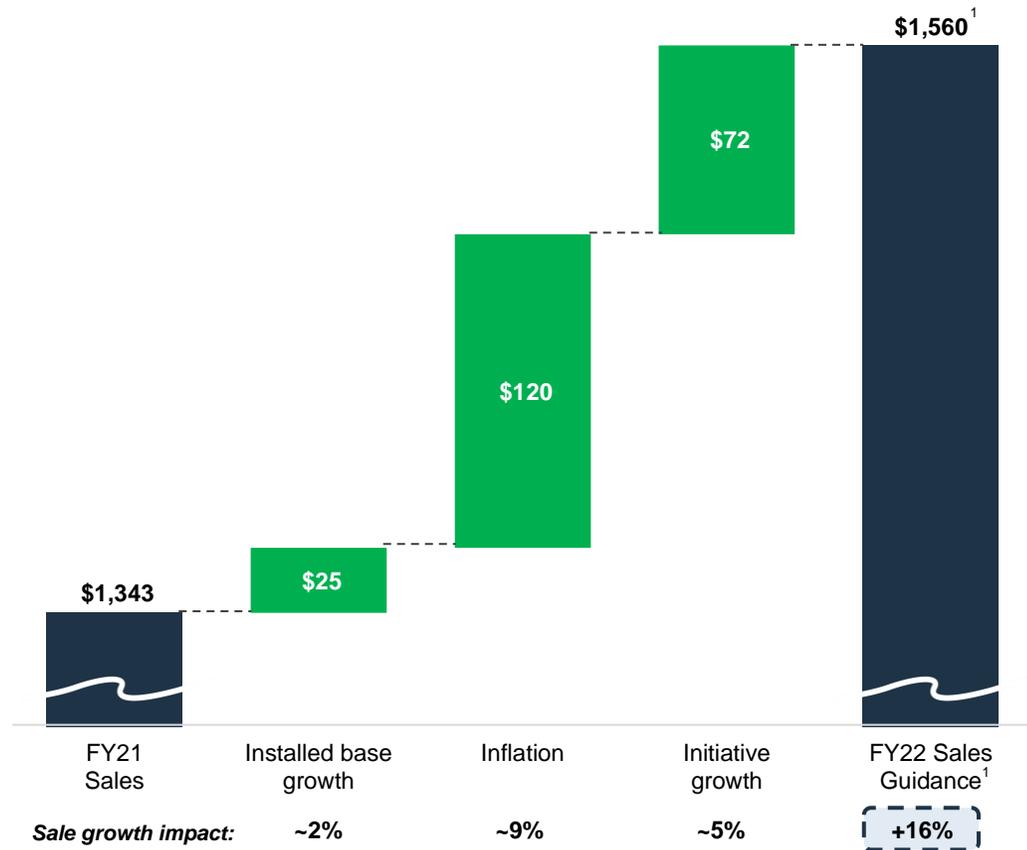




## Fiscal 2022 Outlook – Bridge to 16% Sales Growth

Sales Bridge (\$M)

Customer Bridge (\$M)



<sup>1</sup> Reflects midpoint of FY22 sales guidance.





## Leslie's Value Proposition

The largest and most trusted direct-to-consumer brand in the highly advantaged and fragmented pool and spa care industry

### Advantaged industry

Large / demand annuity / predictable growth



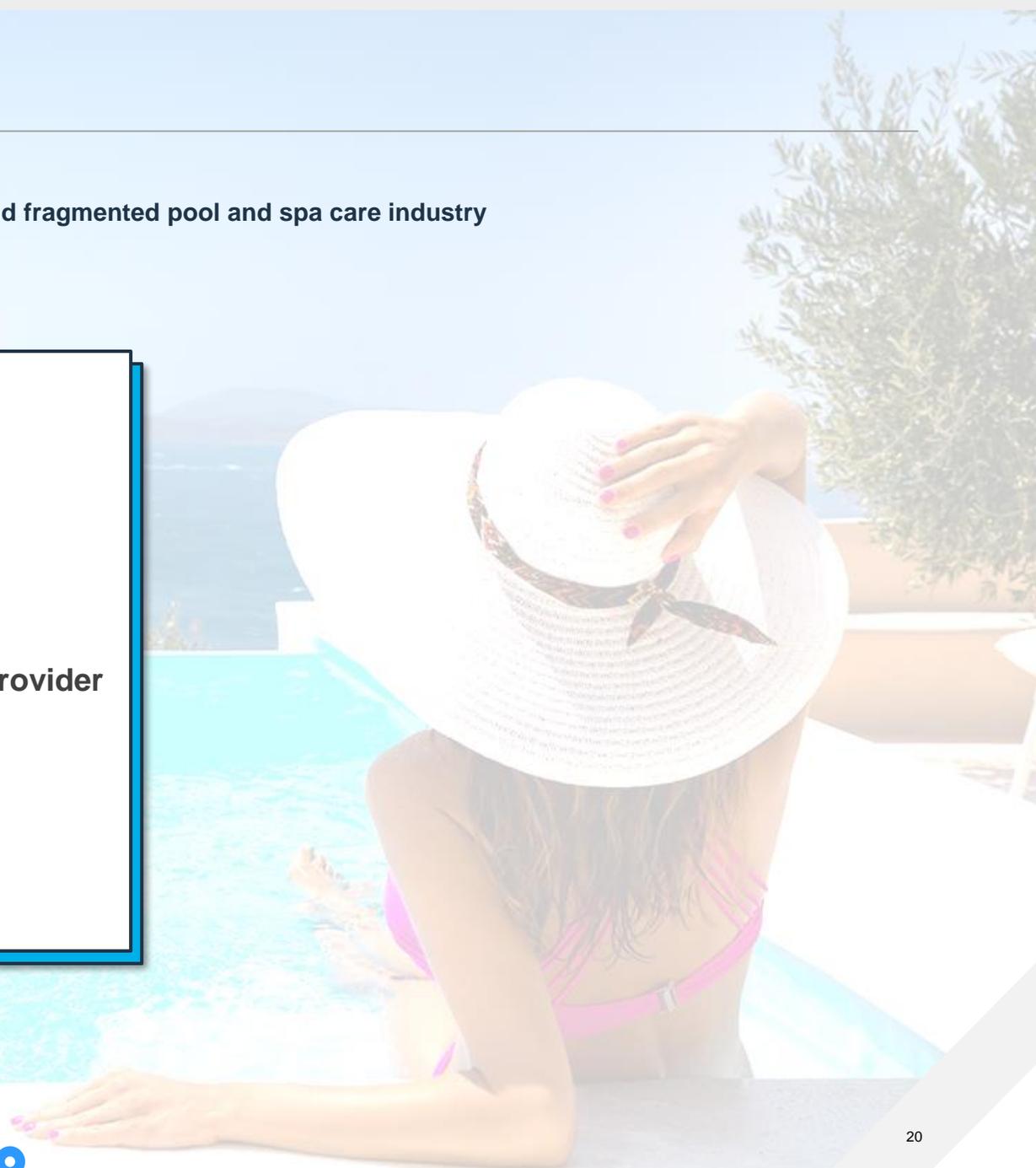
### Integrated ecosystem

Consumer-centric / unmatched scale and reach / total solution provider



### Clear path to growth

Whitespace / proven growth levers / disruptive innovator





**LESLIE'S**<sup>®</sup>  
We know pools.





## GAAP to Non-GAAP Reconciliation Tables

	Three Months Ended			Nine Months Ended		
	July 2, 2022	July 3, 2021	June 27, 2020	July 2, 2022	July 3, 2021	June 27, 2020
Net income	\$ 122,986	\$ 118,802	\$ 71,934	\$ 101,095	\$ 82,093	\$ 15,921
Interest expense	6,847	7,399	19,472	20,659	27,041	64,597
Income tax expense (benefit)	42,448	39,372	19,613	33,519	21,749	(4,602)
Depreciation and amortization expense <sup>(1)</sup>	7,063	6,347	6,374	22,880	19,205	20,462
Management fees <sup>(2)</sup>	—	—	1,209	—	382	3,148
Equity-based compensation expense <sup>(3)</sup>	3,113	6,480	597	8,825	20,591	1,792
Loss on debt extinguishment <sup>(4)</sup>	—	—	—	—	9,169	—
Costs related to equity offerings <sup>(5)</sup>	—	778	—	550	9,986	—
Strategic project costs <sup>(6)</sup>	641	—	—	4,428	—	—
Executive transition costs and other <sup>(7)</sup>	(156)	168	601	778	(1,585)	1,396
Adjusted EBITDA	\$ 182,942	\$ 179,346	\$ 119,800	\$ 192,734	\$ 188,631	\$ 102,714

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 during the nine months ended July 3, 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 that 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, losses (gains) on disposition of fixed assets, 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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Strategic project costs <sup>(5)</sup>	641	—	—	4,428	—	—
Executive transition costs and other <sup>(6)</sup>	(156)	168	601	778	(1,585)	1,396
Tax effects of these adjustments <sup>(7)</sup>	(899)	(1,864)	(604)	(3,645)	(9,672)	(1,590)
Adjusted net loss	\$ 125,685	\$ 124,364	\$ 73,737	\$ 112,031	\$ 110,964	\$ 20,667

	Three Months Ended			Nine Months Ended		
	July 2, 2022	July 3, 2021	June 27, 2020	July 2, 2022	July 3, 2021	June 27, 2020
Diluted earnings per share	\$ 0.67	\$ 0.61	\$ 0.46	\$ 0.54	\$ 0.43	\$ 0.10
Adjusted diluted earnings per share	\$ 0.68	\$ 0.64	\$ 0.47	\$ 0.60	\$ 0.59	\$ 0.13
Weighted average shares outstanding						
Basic	182,937	188,264	156,500	184,707	184,021	156,500
Diluted	184,721	194,200	156,000	186,695	189,603	156,000

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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 (benefit) in our condensed consolidated statements of operations.

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