



# Fourth Quarter & Fiscal Year 2023 Earnings

November 28, 2023



# Disclaimer

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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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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, legal proceedings, plans and 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 (including rising interest rates, recession fears, and inflationary pressures), geopolitical events or conflicts, and the housing market; disruptions in the operations of our distribution centers; 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 including evolving legal standards and regulations concerning environmental, social and governance ("ESG") matters; our ability to obtain additional capital to finance operations; commodity price inflation and deflation; impacts on our business from epidemics, pandemics, or natural disasters; impacts on our business from cyber incidents and other security threats or disruptions; our ability to remediate material weaknesses or other deficiencies in our internal control over financial reporting or to maintain effective disclosure controls and procedures and internal control over financial reporting; 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.

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To the extent forward looking non-GAAP financial measures are provided herein, they are not reconciled to comparable forward-looking GAAP measures as a reconciliation 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.





## Fourth Quarter 2023 Earnings Call

**Mike Egeck**  
*Chief Executive Officer*

**Scott Bowman**  
*Chief Financial Officer*

Nasdaq: LESL



## Our Mission

As the trusted leader in pool and spa care, we are committed to delivering unparalleled expertise, service, and innovative solutions

Backyard moments that  
**become memories**

Purpose

Pride and joy in the pool

Leslie's  
Solution

Trusted pool expertise

Core  
Beliefs

- Get it Right
- Here to Serve
- Make it Easy
- Have Some Fun

Consumer  
Challenge

A clean, safe, and beautiful pool



# Leslie's is the largest and most trusted direct-to-consumer brand in the advantaged pool and spa industry

## Pool & Spa Care Industry



**Large & Fragmented Market:** 14M+ bodies of water / \$15B+ TAM

**Consistent Growth:** The installed base of pools has grown each year for 50+ years

**Annuity-like Demand:** Predominately non-discretionary products

**Favorable Dynamics:** Ongoing investment in the home and migration to the sunbelt

**1,000+ locations**, more than our 20 largest competitors combined

80% of U.S. pools are **within 20 miles of a Leslie's location**

Digital sales **~5x our largest competitor**

Industry's **only loyalty program**

# Fiscal 2023 Key Takeaways



💧 Unusual and challenging pool season for Leslie's and the overall industry

💧 Headwinds:

- Weather
- Increased consumer price sensitivity
- Pool owners with carryover of chemicals from prior year

💧 Gross profit negatively impacted by:

- Non-recurring factors related to inventory and rebate adjustments
- Higher distribution costs driven by third-party storage
- Chemical retail price adjustments

💧 Aggressively managing inventory and SG&A

💧 Pool industry fundamentals remain intact

💧 Underlying health of the Leslie's business remains strong:

- Brand awareness, in stock service levels and corresponding NPS scores are at all-time highs
- Loyalty program and customer lifetime value increased vs. prior year
- Aggregated industry credit card data indicates Leslie's gained market share again in fiscal 2023

💧 Executing strategic initiatives to capture long-term growth opportunity as industry normalizes



## Fourth Quarter 2023 Results

**(9)%**

Sales change

**Sales of \$432M**

- Comp sales: (11)%
- Two-year stack comp: (1)%
- Three-year stack comp<sup>1</sup>: +15%
- Four-year stack comp<sup>1</sup>: +38%

**37.0%**

Gross margin

**Gross Profit of \$160M**

- Year-over-year change in gross profit: (26)%
- Gross margin rate contracted 860bps vs. prior year quarter

**Adj. EBITDA<sup>2</sup> of \$60M**

- Adj. EBITDA<sup>2</sup> lower by \$40M vs. prior year quarter

**PRO Pool**

**(5)%**  
Sales change

**Residential Pool**

**(9)%**  
Sales change

**Residential Hot Tub**

**(17)%**  
Sales change

### Key Updates

- **Total sales (9)% driven by:**
  - Average Order Value (4)% and Transactions (5)%
  - Average Revenue per Customer (3)% and Customer File (6)%
  - Non-discretionary sales (6)%
  - Discretionary sales (23)%
  - Chemical sales (4)%
  - Equipment sales (17)%
- **Weather did not have a material impact** on sales during the quarter
- **Traffic improved** in the quarter to down high-single digits

# Fiscal 2023 Results

**(7)%**

Sales change

**Sales of \$1,451M**

- Comp sales: (11)%
- Two-year stack comp: flat
- Three-year stack comp<sup>1</sup>: +21%
- Four-year stack comp<sup>1</sup>: +39%

**37.8%**

Margin rate

**Gross Profit of \$548M**

- Year-over-year change in gross profit: (19)%
- Gross margin contracted 530bps vs. prior year

**Adj. EBITDA<sup>2</sup> of \$168M**

- Adj. EBITDA<sup>2</sup> lower by \$124M vs. prior year

PRO Pool

**Flat**

Sales change

Residential Hot Tub

**(6)%**

Sales change

Residential Pool

**(9)%**

Sales change

## Key Updates

- **Total sales (7)% driven by:**
  - Average Order Value +1% and Transactions (8)%
  - Average Revenue per Customer (1)% and Customer File (6)%
- **Adverse weather** impacted FY23 sales by ~(3)%<sup>3</sup>
- Completed **five bolt-on acquisitions**, adding 12 locations across Florida, Arizona, California, and Louisiana
- Added a net total of **18 new locations**<sup>4</sup>
- Now operating **1,008 locations** across 39 states<sup>4</sup>
- Gross margin impacted by **chemical retail pricing, lower rebates, and non-recurring factors related to inventory adjustments and elevated DC costs including third-party storage costs**



Q4 FY2023  
EARNINGS

Note: Unless otherwise stated, all comparisons are relative to the prior year period

<sup>1</sup> Adjusted for the impact of the 53<sup>rd</sup> week in fiscal 2020 and related calendar shift.

<sup>2</sup> See Appendix for reconciliation of non-GAAP measures to the most directly comparable GAAP measures.

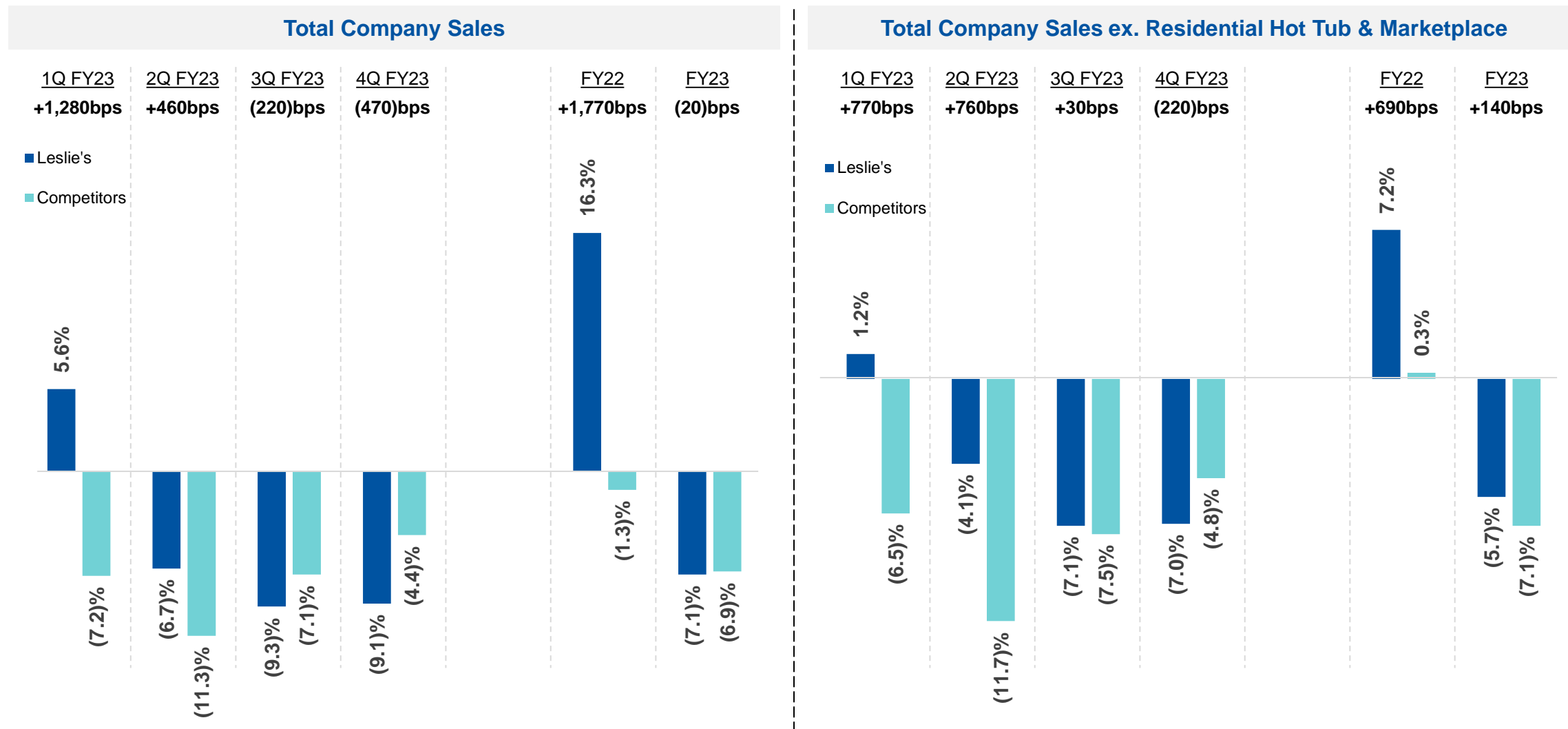
<sup>3</sup> Source: Planalytics

<sup>4</sup> Includes Residential, PRO, and Hot Tub locations.



# Credit Card Data Indicates Leslie's Grew Market Share Again in Fiscal 2023

## Leslie's YoY Sales Growth vs. Change in U.S. Consumer Spend at Competing Pool Supply Retailers<sup>1</sup>

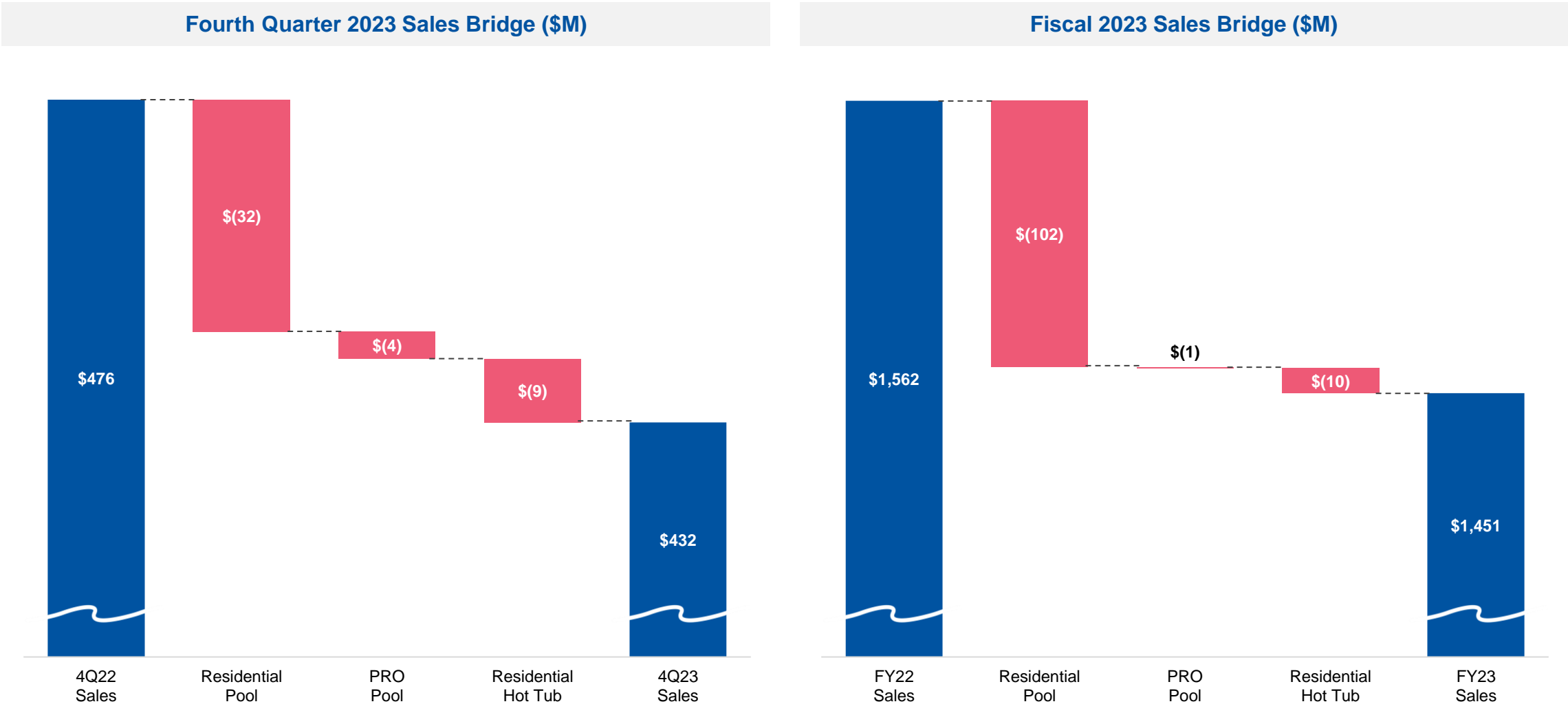


Q4 FY2023  
EARNINGS

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

Note: figures may not sum due to rounding.

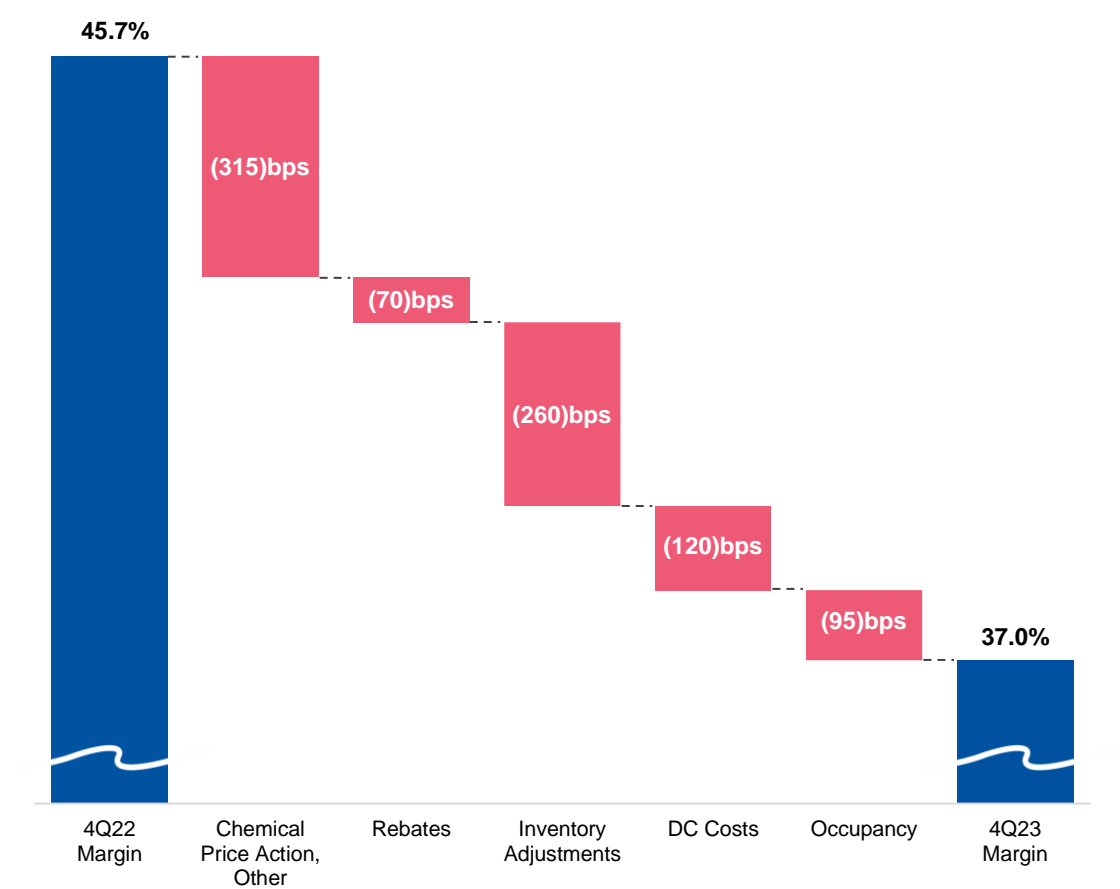
# Sales Bridges – Fourth Quarter and Fiscal Year 2023



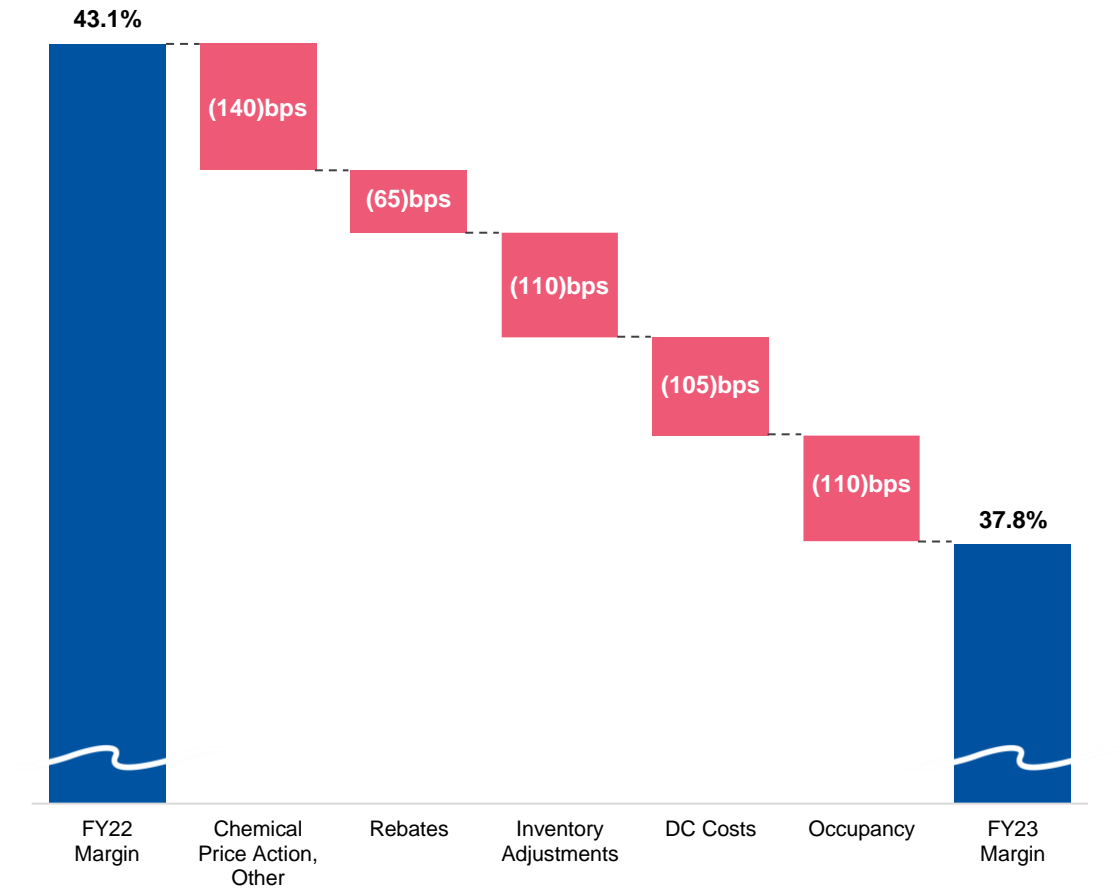


# Gross Margin Bridges – Fourth Quarter and Fiscal Year 2023

Fourth Quarter 2023 Gross Margin Bridge (\$M)



Fiscal 2023 Gross Margin Bridge (\$M)



# Strategic Growth Initiatives Update

## Fiscal 2023 Updates

### Grow Our Consumer File

- Customer file contracted 6% in FY23 vs. prior year primarily driven by decreases in traffic

### Deepen Customer Relationships

- Average revenue per customer (1)%
- Loyalty member sales (1)% in the quarter and (2)% for the year

### The PRO Market

- 3,900+ PRO Partner contracts in place
- 98 PRO locations
- Leslie's PRO website supporting PRO Partners

### Programmatic M&A

- Five acquisitions during FY23, adding 12 locations

### Location Growth

- Added 18 net locations<sup>1</sup>
- Now operating 1,008 locations<sup>1,2</sup>

### Disruptive Innovation

- AccuBlue Home® launched in May – production is ramping up ahead of FY24 season





# Fiscal 2024 Guidance



## Fiscal 2024 and First Quarter Fiscal 2024 Guidance

	FY24		First Quarter FY24
	\$	Δ	\$
Sales	\$1,410M to \$1,470M	(3)% to +1%	\$166M to \$172M
Adj. EBITDA <sup>1</sup>	\$170M to \$190M	+1% to +13%	\$(27)M to \$(24)M
Adj. Net Income <sup>1</sup>	\$46M to \$60M	(11)% to +18%	\$(39)M to \$(37)M
Adj. EPS <sup>1</sup>	\$0.25 to \$0.33	(11)% to +18%	\$(0.21) to \$(0.20)



## FY24 Guidance Considerations (\$M)

Anticipated Driver	Headwind / Tailwind	Anticipated P&L Line-item Impact	Anticipated Timing
Normalized Weather	Tailwind	Sales / Gross Profit / EBITDA	1Q24 through 3Q24
Discretionary Product Demand Heaters / AG Pools / Hot Tubs	Headwind	Sales / Gross Profit / EBITDA	Full Year
FY23 Chemical Price Actions	Headwind	Sales / Gross Profit / EBITDA	1Q24 through 3Q24
Inventory Adjustments	Tailwind	Gross Profit / EBITDA	4Q24
DC Costs	<b>Net Neutral</b> <i>Exiting third-party storage: tailwind</i> <i>Expensing Capitalized DC Cost: headwind</i>	Gross Profit / EBITDA	1Q-3Q24 Headwind 4Q24 Tailwind

# Capital Allocation – Debt Paydown is a Priority

	FY23	FY24
<b>Optimize Balance Sheet</b>	<ul style="list-style-type: none"><li>• Net debt divided by adjusted EBITDA of 4.4x<sup>1</sup></li><li>• Total liquidity of ~\$294M</li></ul>	<ul style="list-style-type: none"><li>• Targeting end of FY24 net debt divided by adjusted EBITDA of 3.5x to 3.7x<sup>1</sup></li></ul>
<b>Invest in Growth</b>	<ul style="list-style-type: none"><li>• Invested \$52M in growth initiatives, including \$16M in M&amp;A</li><li>• Completed five acquisitions, adding 12 locations</li><li>• Added a net total of 18 locations<sup>2</sup></li></ul>	<ul style="list-style-type: none"><li>• Capex at ~4% of sales</li><li>• Expand store base through new locations</li><li>• Continued infrastructure investments</li></ul>
<b>Return Capital to Shareholders</b>	<ul style="list-style-type: none"><li>• No share repurchases in 2023</li></ul>	<ul style="list-style-type: none"><li>• \$148M total authorization available</li></ul>



## Advantaged Industry

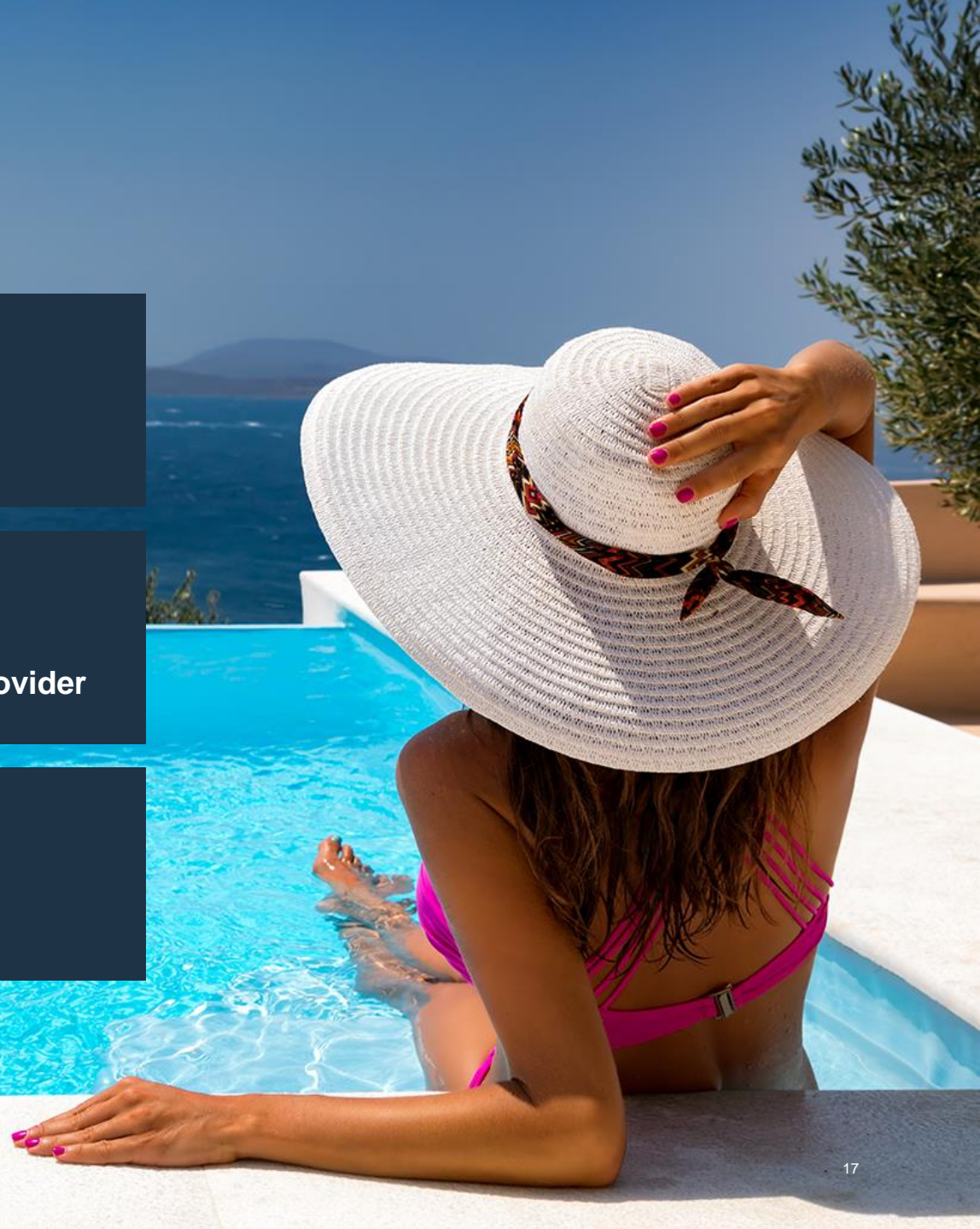
Large / Annuity-Like Demand / Predictable Growth

## 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, except per share amounts)  
(unaudited)

	Three Months Ended		Year Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net income	\$ 16,481	\$ 57,934	\$ 27,242	\$ 159,029
Interest expense	17,156	9,581	65,438	30,240
Income tax expense	4,907	15,569	9,499	49,088
Depreciation and amortization expense <sup>(1)</sup>	8,573	7,889	34,142	30,769
Equity-based compensation expense <sup>(2)</sup>	2,607	3,097	12,067	11,922
Loss on asset and contract dispositions <sup>(3)</sup>	6,276	195	6,379	426
Executive transition costs <sup>(4)</sup>	2,470	442	6,160	883
Costs related to equity offerings <sup>(5)</sup>	—	—	—	550
Strategic project costs <sup>(6)</sup>	241	532	3,004	4,960
Other non-recurring costs <sup>(7)</sup>	755	4,303	4,218	4,409
Adjusted EBITDA	\$ 59,466	\$ 99,542	\$ 168,149	\$ 292,276

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Tax effects of these adjustments <sup>(8)</sup>	(3,087)	(2,143)	(7,957)	(5,788)
Adjusted net income	\$ 25,743	\$ 64,360	\$ 51,113	\$ 176,391

	Three Months Ended		Year Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Diluted earnings per share	\$ 0.09	\$ 0.31	\$ 0.15	\$ 0.85
Adjusted diluted earnings per share	\$ 0.14	\$ 0.35	\$ 0.28	\$ 0.95
Weighted average shares outstanding				
Basic	184,181	183,267	183,839	184,347
Diluted	184,782	184,688	184,716	186,148

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

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

(3) Includes losses on asset and contract dispositions, which are reported in SG&A in our consolidated statements of operations.

(4) Includes executive transition costs and severance associated with corporate restructuring, which are reported in SG&A in our consolidated statements of operations.

(5) Includes costs incurred for follow-on equity offerings, which are reported in other (income) expenses, net in our 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 consolidated statements of operations.

(7) Includes merger and acquisition costs, and other non-recurring, non-cash, or discrete items as determined by management, which are reported in SG&A in our consolidated statements of operations.

(8) Represents the tax effect of the total adjustments based on our combined U.S. federal and state statutory tax rates. Amounts are reported in income tax expense in our 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.