



First Quarter 2023 Earnings

February 2, 2023

Disclaimer

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.



First Quarter 2023 Earnings Call



Mike Egeck

Chief Executive Officer

Steve Weddell


*Executive Vice President and
Chief Financial Officer*



Nasdaq: LESL



First Quarter Key Takeaways



Record first quarter sales, in-line with expectations

Diversified initiatives drove growth despite significant weather headwind

Continued market share gains

Gross margin lower vs. LY due primarily to business mix

Earnings in-line with expectations

First quarter is the smallest sales quarter of our year

Reaffirming FY2023 Guidance

First Quarter 2023 Results

+6%

Sales growth

Sales of \$195M

- Comp sales: (4)%
- Two-year stack comp: +17%
- Three-year stack comp: +42%

33.5%

Margin rate

Gross Profit of \$65M

- Year-on-year change in gross profit: (3)%
- Gross margin rate contracted 290bps vs. prior year

Adj. EBITDA¹ of \$(12)M

- Adj. EBITDA¹ lower by \$13M vs. prior year

Residential Hot Tub

+35%

Sales growth

PRO Pool

+11%

Sales growth

Residential Pool

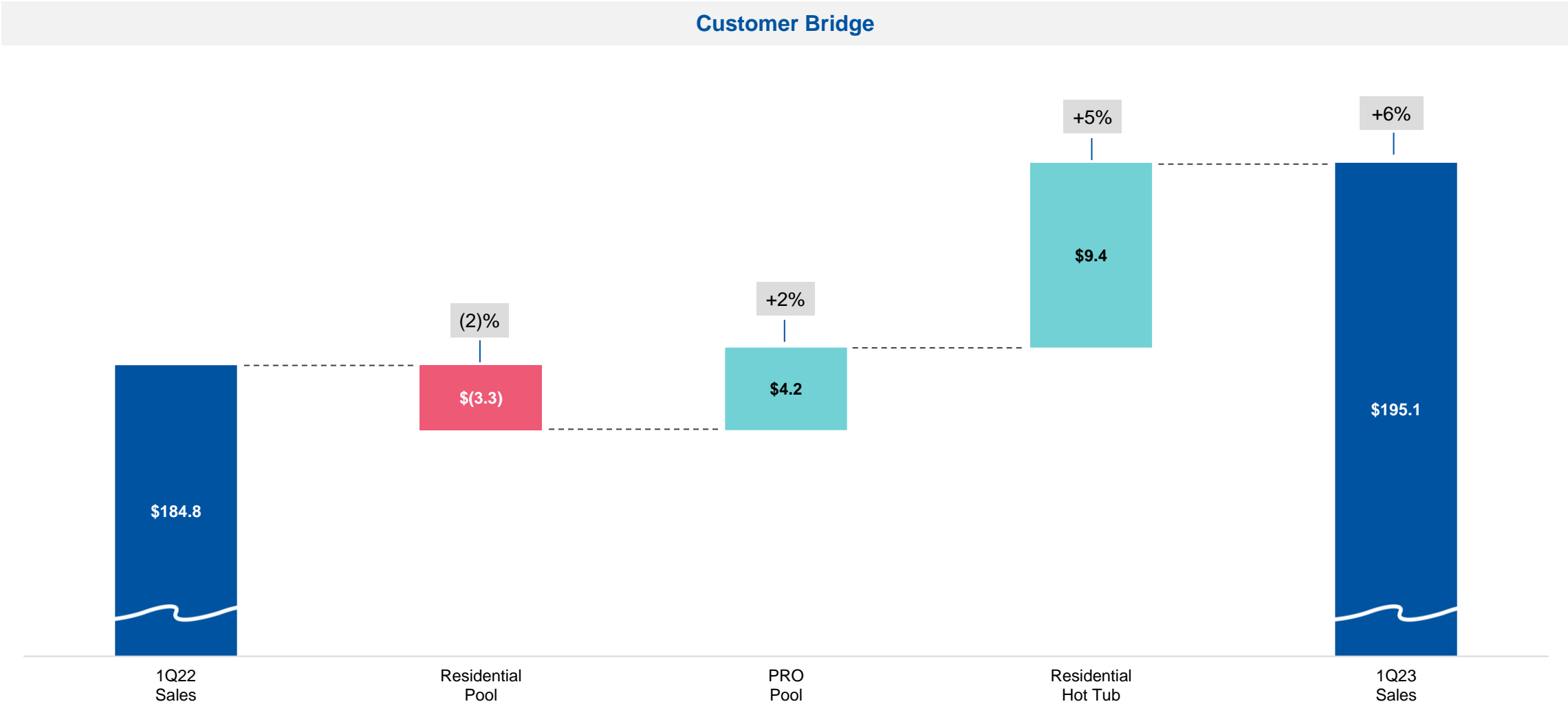
(3)%

Sales change

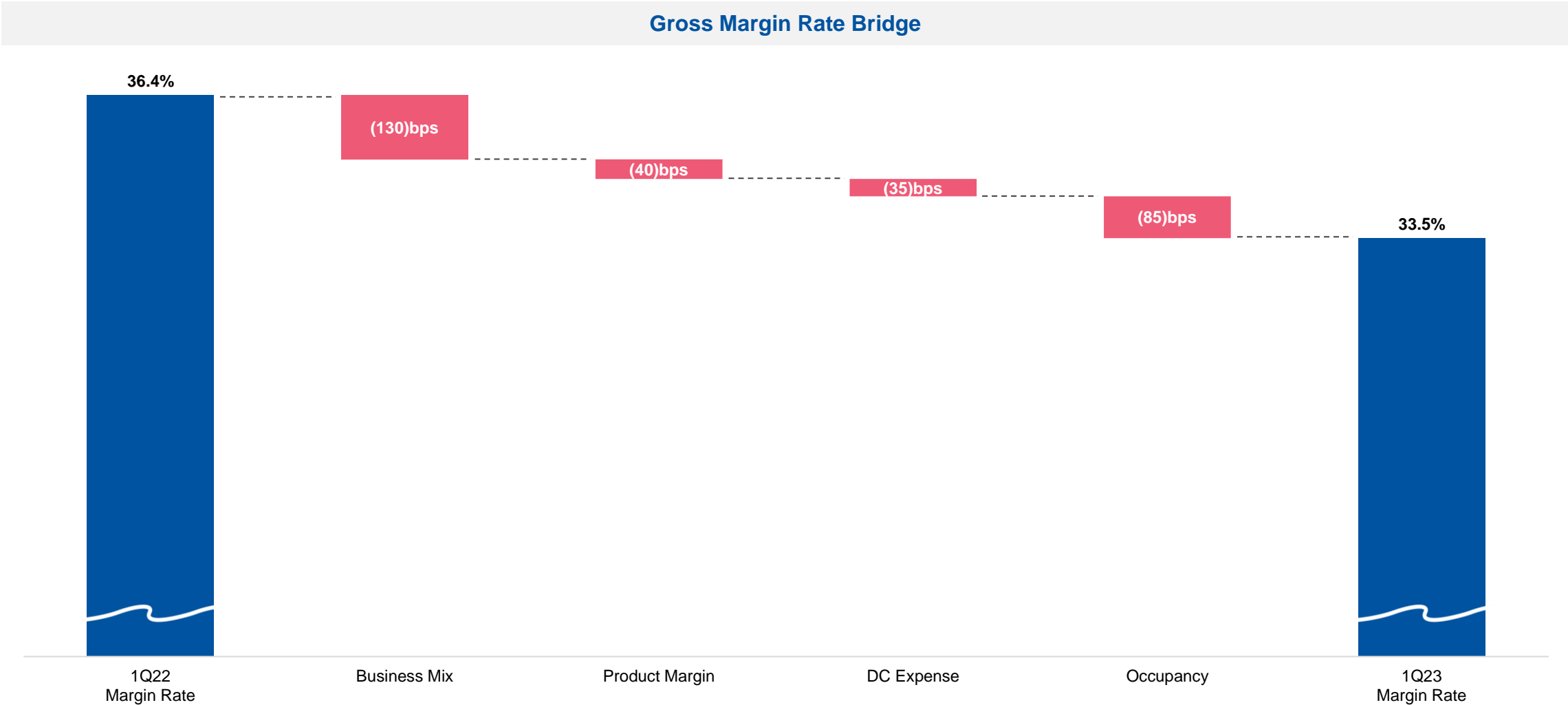
Key Updates

- **Total sales growth of 6% driven by:**
 - Average Order Value +7% and Transactions (1)%
 - Average Revenue per Customer +6% and Customer File Flat
 - Customer File Grew +11% on a two-year stack basis
- **Adverse weather drove (5)% comp headwind**, the largest impact in 10+ quarters
- **Opened one new location** during the quarter
- **Acquired Splash Pools** during Q1, adding five locations across Florida & Louisiana
- **Acquired Backyard Water** in January, adding one more location in Florida
- Currently operating **more than 990 locations** and on plan to operate **over 1,000 locations** by the start of the pool season

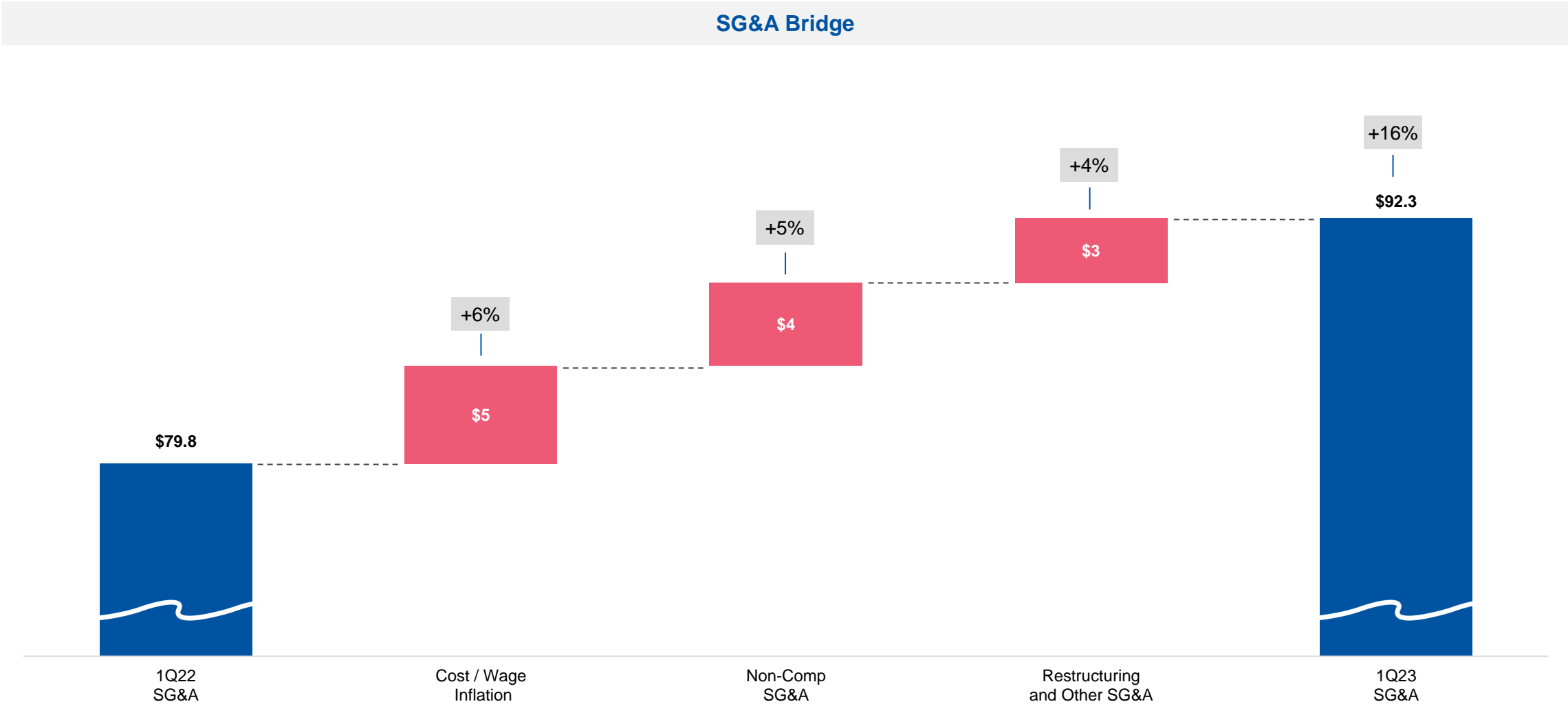
First Quarter 2023 Sales Bridge (\$M)



First Quarter 2023 Gross Margin Rate Bridge



First Quarter 2023 SG&A Bridge (\$M)



First Quarter Performance vs. Fiscal 2023 Guidance Scenarios

| | | % FY22 Sales | Guidance Midpoint | Guidance Midpoint Sales Growth <u>Contribution</u> | 1Q23A Sales Growth <u>Contribution</u> |
|-------------------------|---|--------------------|---------------------------------|---|---|
| Comp Sales Drivers | Non-discretionary Sales ex. Trichlor | 66% | (2.5%) <i>ex. inflation</i> | 1.3% | (2.5)% |
| | Trichlor | 14% | (12.5)% <i>ex. inflation</i> | + (1.1)% | + 1.0% |
| | Discretionary Sales | 20% | (17.5)% <i>ex. inflation</i> | + (2.7)% | + (2.5)% |
| | Inflation | | 5% | <i>Included within comp sales drivers</i> | <i>Included within comp sales drivers</i> |
| Comp Sales ¹ | | | (2.5)% | = (2.5)% | = (4.0)% |
| Non-Comp Sales | | | 5.0% | + 5.0% | + 9.6% |
| Total Sales | | | 2.5% | = 2.5% | = 5.6% |

The sales growth contribution figures for the comp sales drivers in the table above represent the impact each of these three distinct components have on total comparable sales growth. The figures are calculated as follows: (independent sales growth ex. inflation + inflation) x (percent of sales)

Strategic Growth Initiatives Update

First Quarter 2023 Updates

Grow Our Consumer File

- Customer file flat in Q1 despite weather and macro headwinds

Deepen Customer Relationships

- Average sales per customer grew 6%
- Loyalty members +15% vs. prior year Q1

The PRO Market

- 2,850+ PRO Partner contracts in place
- 80 PRO Locations
- Leslie's PRO website supporting PRO Partners

Programmatic M&A

- Two acquisitions year-to-date, adding six locations
- Five additional acquisitions under LOI, adding 13 locations

Residential Whitespace

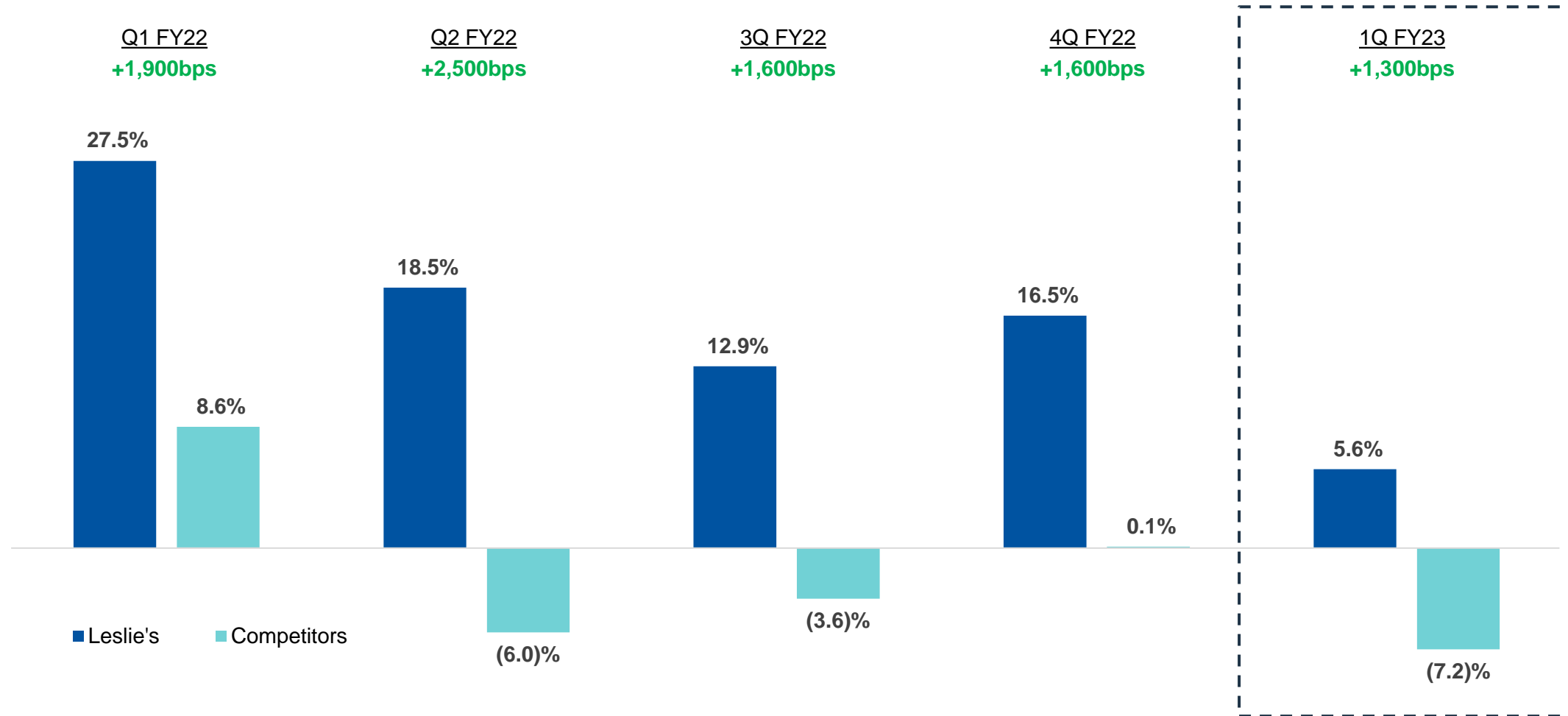
- Planning to open at least 10 new locations¹ for the upcoming pool season
- Continue to grow underserved markets with targeted digital tactics

Disruptive Innovation

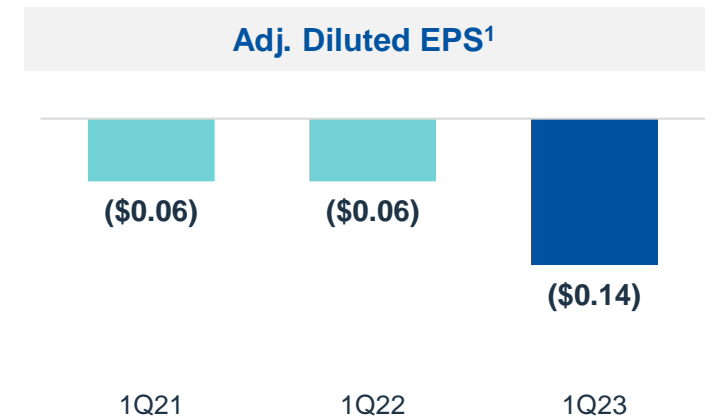
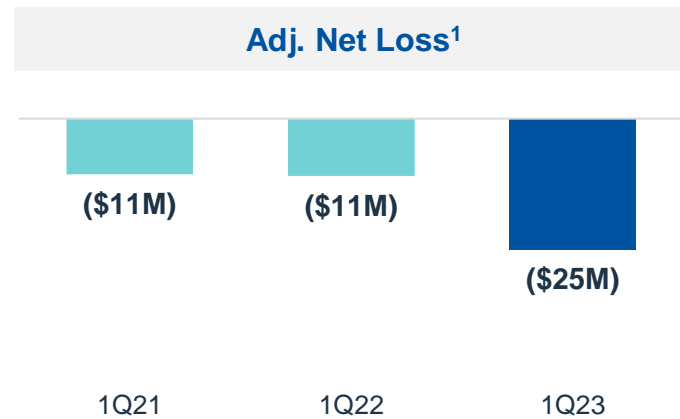
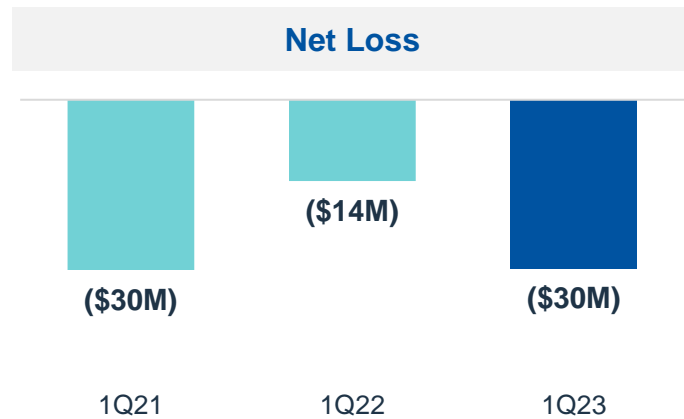
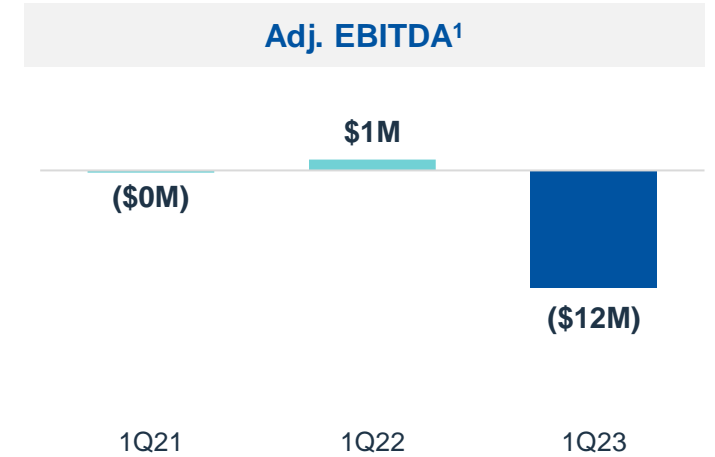
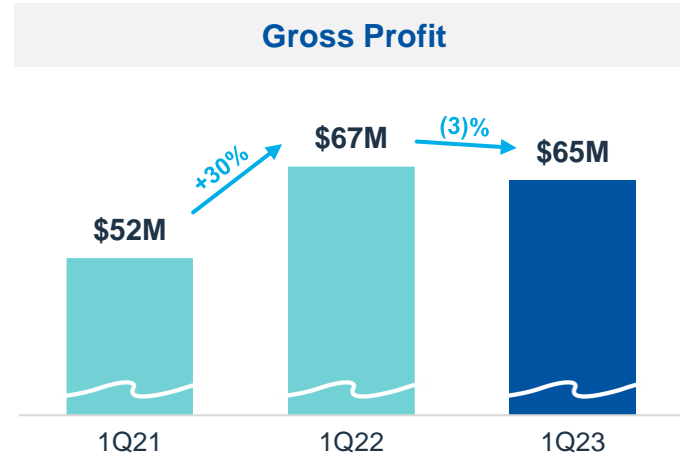
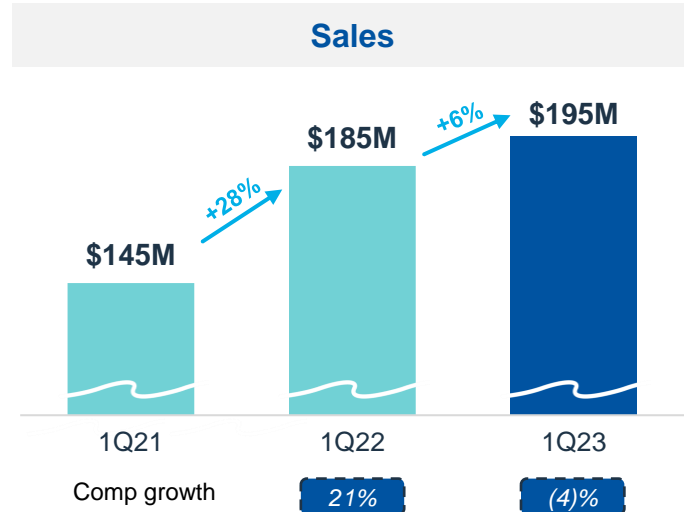
- Commercial launch of AccuBlue Home™ on schedule for pool season 2023

Leslie's Continues to Win Market Share

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



First Quarter 2023 Financial Results



Fiscal 2023 Guidance

| | FY23 | | Long-term Algorithm |
|------------------------------|----------------------|-----------------|----------------------|
| | \$ | Δ | Δ |
| Sales | \$1,560M to \$1,640M | Flat to +5% | MSD to HSD % |
| Gross Profit | \$667M to \$708M | (35)bps to flat | Flat to +25bps |
| Adj. EBITDA ¹ | \$280M to \$310M | (4)% to +6% | LDD % |
| Adj. Net Income ¹ | \$145M to \$160M | (18)% to (9)% | Mid- to High-teens % |
| Adj. EPS ¹ | \$0.78 to \$0.86 | (18)% to (9)% | |



Advantaged Industry

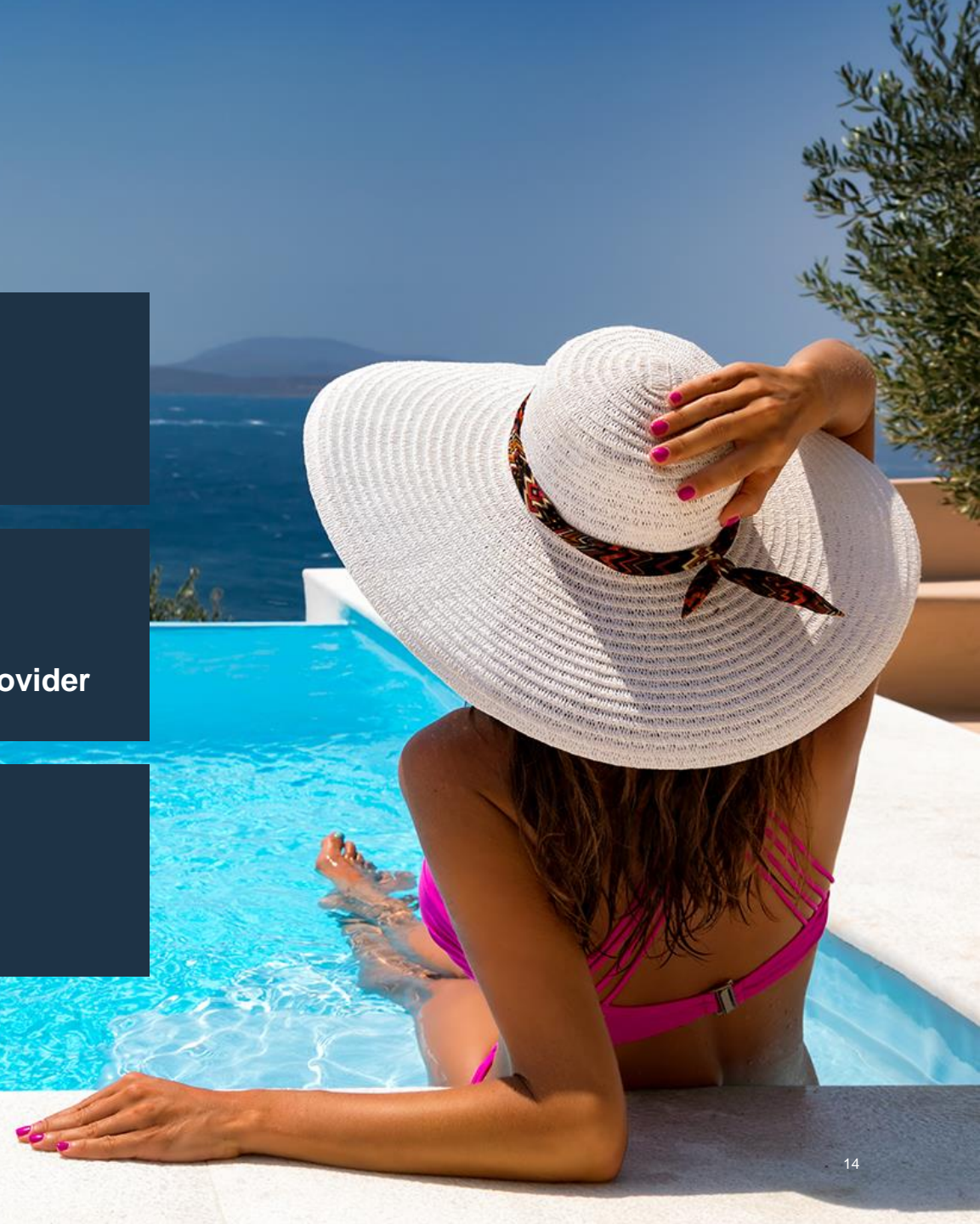
Large / Annuity-Like Demand / Predictable Growth

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

| | Three Months Ended | | |
|--|--------------------|-----------------|-----------------|
| | December 31, 2022 | January 1, 2022 | October 3, 2020 |
| Net loss | \$ (30,259) | \$ (14,451) | \$ (30,257) |
| Interest expense | 13,360 | 6,863 | 11,516 |
| Income tax benefit | (10,086) | (5,270) | (14,314) |
| Depreciation and amortization expense ⁽¹⁾ | 8,503 | 9,241 | 6,595 |
| Management fees ⁽²⁾ | — | — | 382 |
| Equity-based compensation expense ⁽³⁾ | 3,044 | 2,794 | 12,160 |
| Loss on debt extinguishment ⁽⁴⁾ | — | — | 7,281 |
| Costs related to equity offerings ⁽⁵⁾ | — | 389 | 8,152 |
| Strategic project costs ⁽⁶⁾ | 720 | 1,513 | — |
| Executive transition costs and other ⁽⁷⁾ | 2,803 | 17 | (1,758) |
| Adjusted EBITDA | <u>\$ (11,915)</u> | <u>\$ 1,096</u> | <u>\$ (243)</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 disposition of fixed assets, 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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| Strategic project costs ⁽⁵⁾ | 720 | 1,513 | — |
| Executive transition costs and other ⁽⁶⁾ | 2,803 | 17 | (1,758) |
| Tax effects of these adjustments ⁽⁷⁾ | (1,641) | (1,178) | (6,579) |
| Adjusted net income | \$ (25,333) | \$ (10,916) | \$ (10,619) |

| | Three Months Ended | | |
|-------------------------------------|--------------------|-----------------|-----------------|
| | December 31, 2022 | January 1, 2022 | October 3, 2020 |
| Diluted earnings per share | \$ (0.16) | \$ (0.08) | \$ (0.17) |
| Adjusted diluted earnings per share | \$ (0.14) | \$ (0.06) | \$ (0.06) |
| Weighted average shares outstanding | | | |
| Basic | 183,513 | 188,507 | 176,990 |
| Diluted | 183,513 | 188,507 | 176,990 |

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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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