



## Second Quarter and First Half 2022 Earnings

May 5, 2022



## Disclaimer

### Industry Information

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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; 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.

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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.



## Second Quarter 2022 Earnings Call



**Mike Egeck**  
*Chief Executive Officer*

**Steve Weddell**  
*Executive Vice President and  
Chief Financial Officer*



Nasdaq: LESL





## Second Quarter 2022 Highlights

### Record Second Quarter Sales and Gross Profit

**+19%**

Sales growth

#### Sales of \$228M

- Comp sales growth: +13%
  - Excl. TX freeze: +20%
- Two-year stack comp: +49%
  - Excl. TX freeze: +48%

**+30bps**

Gross margin expansion

#### Gross Profit of \$86M

- Gross margin: 37.5%
- Reported growth: +20%

**\$9M**

Adj. EBITDA<sup>1</sup>

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

- Decline in Adj. EBITDA<sup>1</sup> vs. prior year driven by continued SG&A investments to support growth

### 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 suburbs and exurbs, particularly in the Sunbelt
  - A heightened sense of safety and sanitization
  - Hybrid and work from home schedules
- Second quarter **target file growth of +3%**
- Second quarter **loyalty file growth of +2%**
- **PRO business grew +27%<sup>2</sup>** in the second quarter
- **Acquired Pool City** in Q2, adding seven locations to our network
- Team is successfully navigating **challenging industry dynamics** and locations are well-stocked and prepared for pool season

In second quarter 2022, strong execution of our strategic growth initiatives by the Leslie's team drove significant sales growth

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

<sup>2</sup> Excludes impact of Texas freeze in 2Q21





## First Half Fiscal 2022 Highlights

Continued sales momentum and Adj. EBITDA<sup>1</sup> performance as we enter pool season

**+22%**

Sales growth

### Sales of \$413M

- Comp sales growth: +16%
- Two-year stack comp: +48%

**+40bps**

Gross margin expansion

### Gross Profit of \$153M

- Gross margin: 37.0%
- Reported growth: +24%

**+5.5%**

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

### Adj. EBITDA<sup>1</sup> of \$10M

- Adj. EBITDA margin: 2.4%
- LTM Adj. EBITDA: \$271M
- LTM Adj. EBITDA margin: 19.1%

## Key Updates

- 1H22 **target file growth of +8%**
- 1H22 **loyalty file growth of +5%**
- **PRO business grew +27%** in 1H22 and represents approximately 15% of LTM total sales
- **Residential Hot Tub business grew +68%** in 1H22
- Entering pool season with **total inventory of \$345M**, a 24% increase vs. prior year, as we focus on serving our growing consumer file
- Completed **two bolt-on acquisitions** year-to-date, adding fourteen new locations and approximately \$37M of run-rate sales
- **Under LOI on two additional acquisitions** that are expected to close during the third quarter
- Added a net total of **fourteen locations** year-to-date
- Now operating **966 physical locations** across 38 states, with **more than 10 new openings** planned for Q3

Our first half performance features robust sales growth, continued margin expansion, further share gains, and continued investments to enable growth. Leslie's is entering pool season 2022 with significant operational and category tailwinds.

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



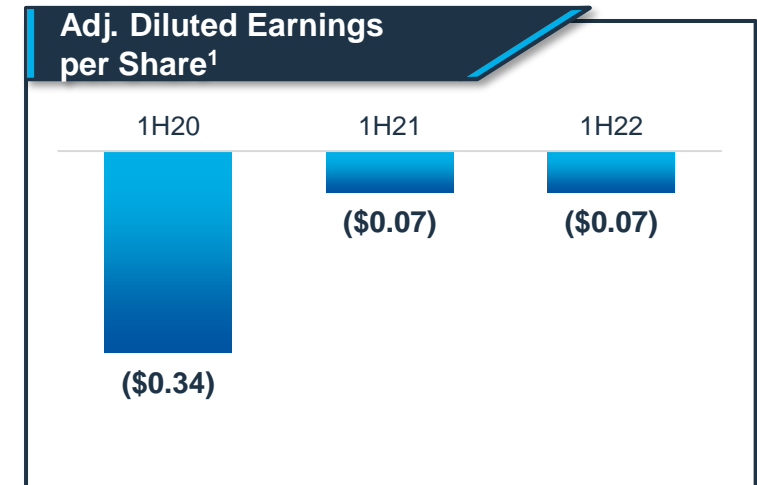
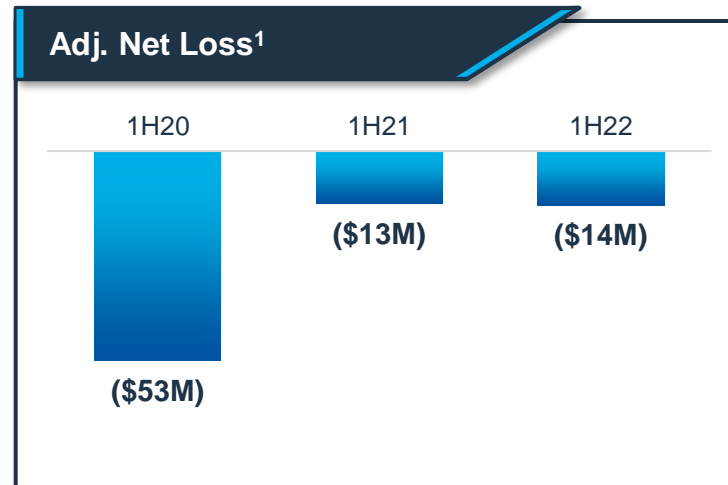
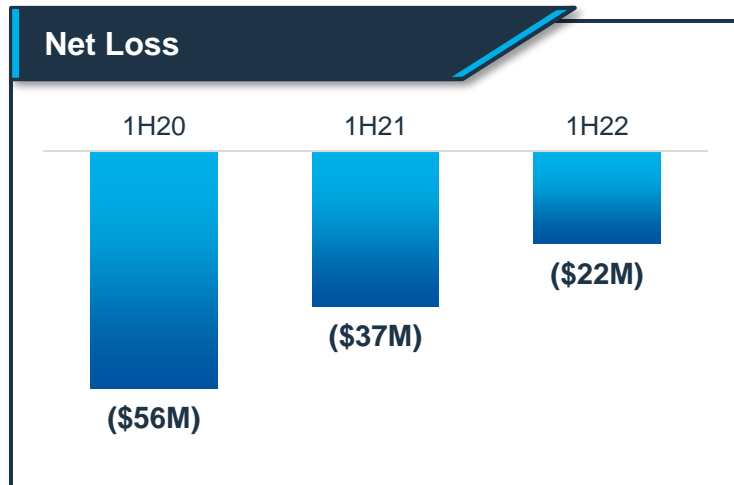
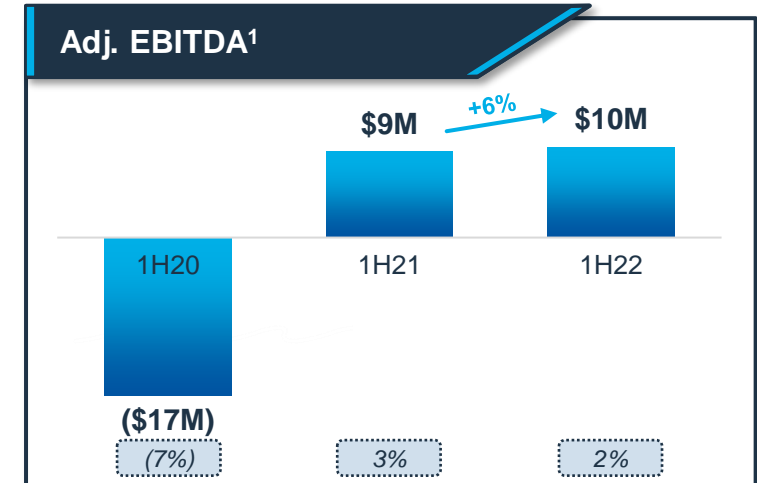
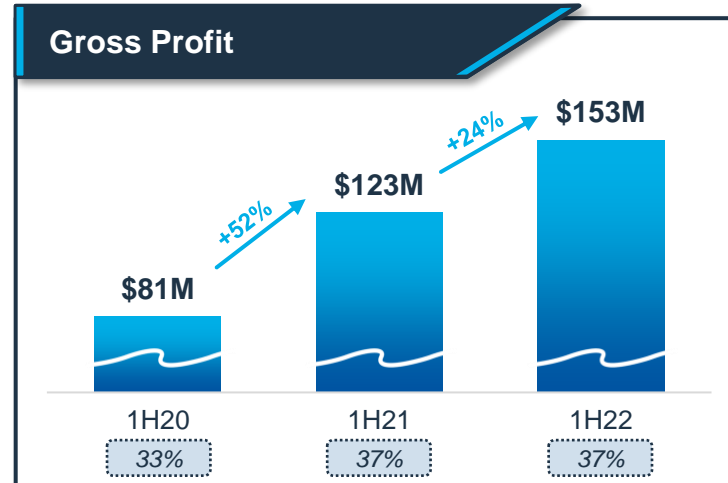
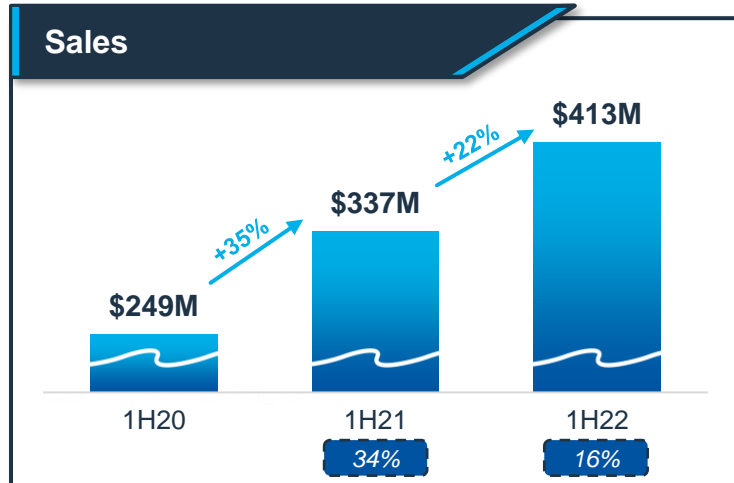
## Strategic Growth Initiatives Drive 22% Year-to-Date Sales Growth

<b>Growing consumer file</b> <b>+3%</b> <ul style="list-style-type: none"> <li>Target customer file +8%</li> <li>Loyalty file +5%</li> <li>Growth supported by new marketing capabilities, enhanced loyalty benefits, and our advantaged inventory position</li> </ul>	<b>Deepen customer relationships</b> <b>+4%</b> <ul style="list-style-type: none"> <li>Average sales per customer grew +14%</li> <li>Average sales per customer grew faster than inflation</li> </ul>	<b>The PRO market</b> <b>+5%</b> <ul style="list-style-type: none"> <li>2,100+ PRO Affiliate contracts in place</li> <li>79 PRO locations to be operating prior to season</li> <li>Leslie's PRO website supporting PRO Affiliates</li> </ul>
<b>Programmatic M&amp;A</b> <b>+5%</b> <ul style="list-style-type: none"> <li>Completed two acquisitions year-to-date, adding fourteen locations to our physical network and \$37M of run-rate sales</li> <li>Under LOI on two additional opportunities which are expected to close in Q3</li> </ul>	<b>Residential whitespace</b> <b>+5%</b> <ul style="list-style-type: none"> <li>More than ten new locations<sup>1</sup> under construction</li> <li>Grew underserved markets with targeted digital tactics</li> </ul>	<b>Disruptive innovation</b> <b>N/M</b> <ul style="list-style-type: none"> <li>Currently testing AccuBlue Home™ v2.0</li> <li>AccuBlue Home™ v2.0 pilot planned for 2022 pool season, with scaled launch planned for 2023</li> </ul>

**Leslie's first half 2022 sales growth was broad based across strategic initiatives**

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

## First Half 2022 Summary Financial Results













Record first half 2022 financial results

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

## 1H22 Product Category Performance

Leslie's operates in an industry that is able to pass through cost increases and has the ability to take pricing actions to protect margins

1H22 vs. 1H21	Trichlor	Hot Tubs	Heaters & Heat Pumps	Variable Speed Pumps	Robotic Pool Cleaners
Sales Growth – %	<b>+70%</b>	<b>+78%</b>	<b>+27%</b>	<b>+48%</b>	<b>+73%</b>
<i>Price</i>	+49%	+29%	+9%	+11%	(1%)
<i>Volume</i>	+21%	+49%	+18%	+37%	+74%
Change in Gross Margin					
Inventory Position vs. 2Q21					



## *Industry Update*



## Industry Update

### Macro Trends

#### Consumers are continuing to:

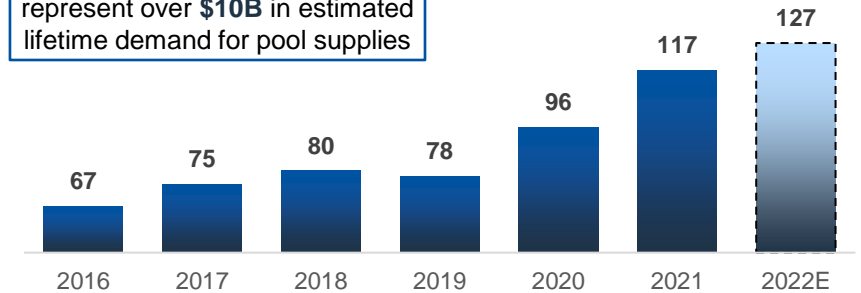
- Focus time and investment on their homes
- Work from home
- Pursue healthy outdoor lifestyles
- Move to the suburbs and exurbs, particularly in the South and Southwest
- Increase attention to safety and sanitization

#### Resulting in elevated levels of:

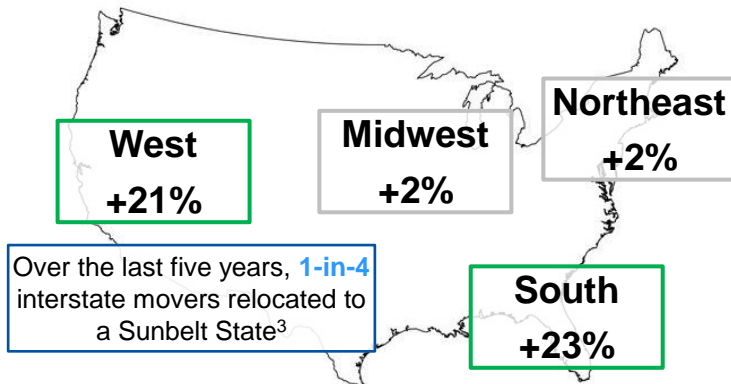
- Pool & spa usage
- Interest in pool & spa ownership
- New pool installations and construction backlogs
- New spa purchases and order backlogs

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

2019-22E pool installations represent over **\$10B** in estimated lifetime demand for pool supplies

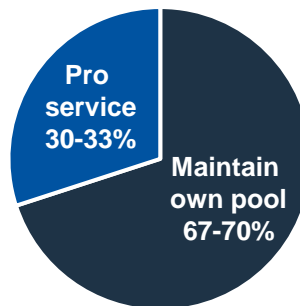


### Proj. U.S. Population Growth through 2040<sup>2</sup>

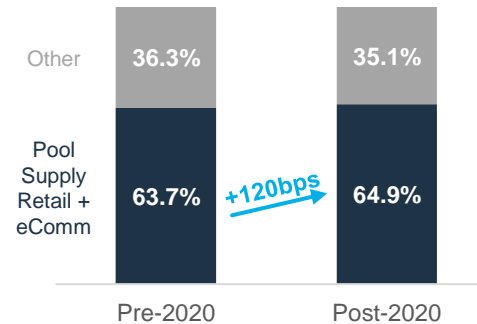


### Consumer Behavior Continues to Favor Leslie's Competitive Positioning Within the Industry<sup>1</sup>

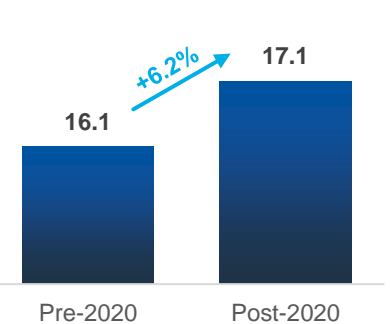
2021 residential pool maintenance: DIY vs. Professional Service



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



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



**Demand is being driven by the continuation of the macro trends that accelerated with the onset of the pandemic, were further elevated by work from home, and are showing no signs of slowing**

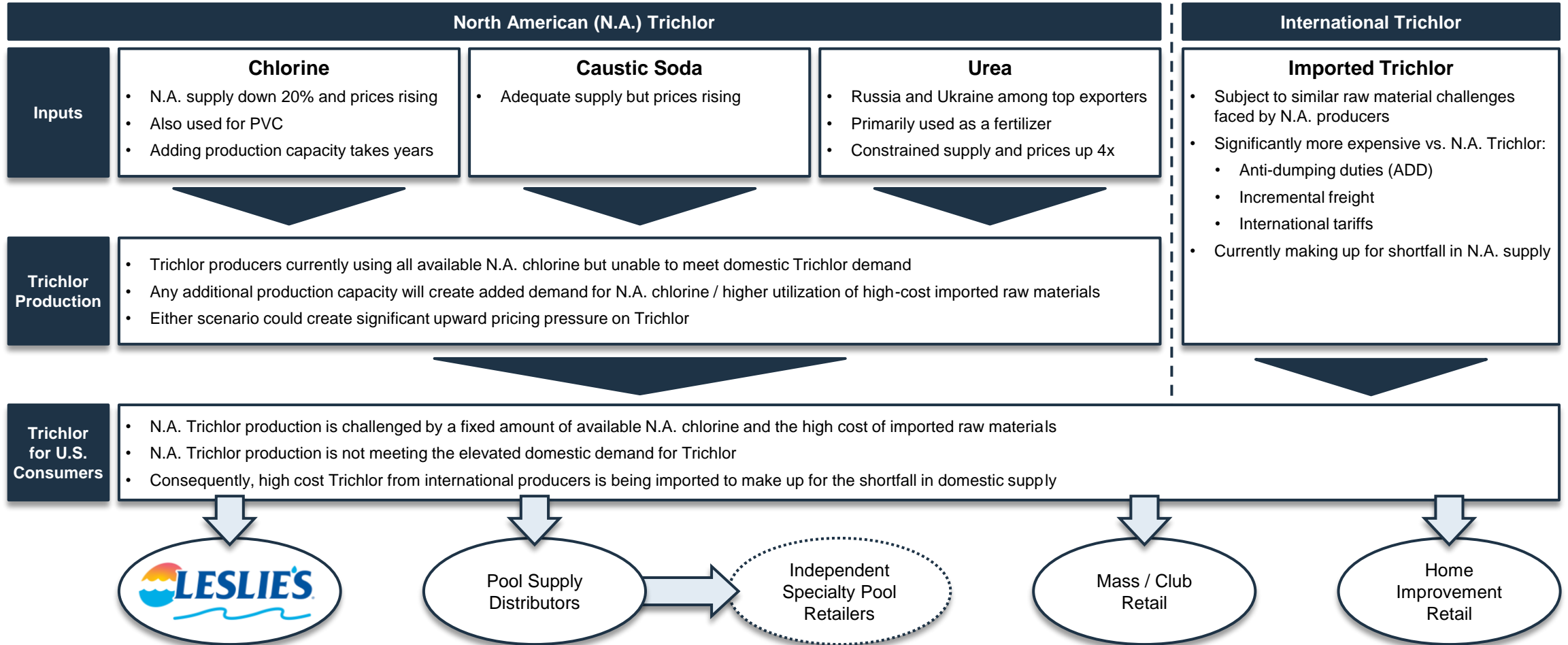
<sup>1</sup> Source: P.K. Data.

<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.

## Domestic Trichlor Production Impacted by Constrained Input Availability and Higher Costs






U.S. producers are procuring high-cost Trichlor from international sources to meet elevated consumer demand



Given these supply dynamics, and continued robust demand, we believe it is highly unlikely the cost of Trichlor and the retail price of Trichlor tabs will fall in 2023

## Leslie's is Well-Positioned to Navigate Current Industry Dynamics

While demand remains elevated, the category is faced with many of the same challenges observed across all industries

Industry Dynamic	Structural Advantages and Measures Taken
 <b>Cost Inflation</b>	<ul style="list-style-type: none"> <li>• Vertical integration</li> <li>• Long-term supply relationships</li> <li>• Ability to pass on costs</li> </ul>
 <b>Supply Chain Disruption</b>	<ul style="list-style-type: none"> <li>• Leveraging our scale and balance sheet to secure inventory</li> <li>• 20%+ more inventory on hand</li> <li>• 'Always on' inventory procurement</li> </ul>
 <b>Tight Labor Market</b>	<ul style="list-style-type: none"> <li>• Increased wages and minimum wage</li> <li>• Equity distribution to store managers</li> <li>• Enhanced recruiting capabilities</li> </ul>
 <b>COVID-19</b>	<ul style="list-style-type: none"> <li>• Established as an 'essential business,' providing protection against further shutdowns</li> <li>• Robust digital presence</li> <li>• 80% non-discretionary – pool and spa owners cannot forgo maintenance</li> </ul>
 <b>Trichlor Supply</b>	<ul style="list-style-type: none"> <li>• Procured more Trichlor for 2022 pool season</li> <li>• Constraints in N.A. raw chlorine supply creating upward cost pressure, even as additional Trichlor production comes online</li> </ul>



## ***Durable Business Model***



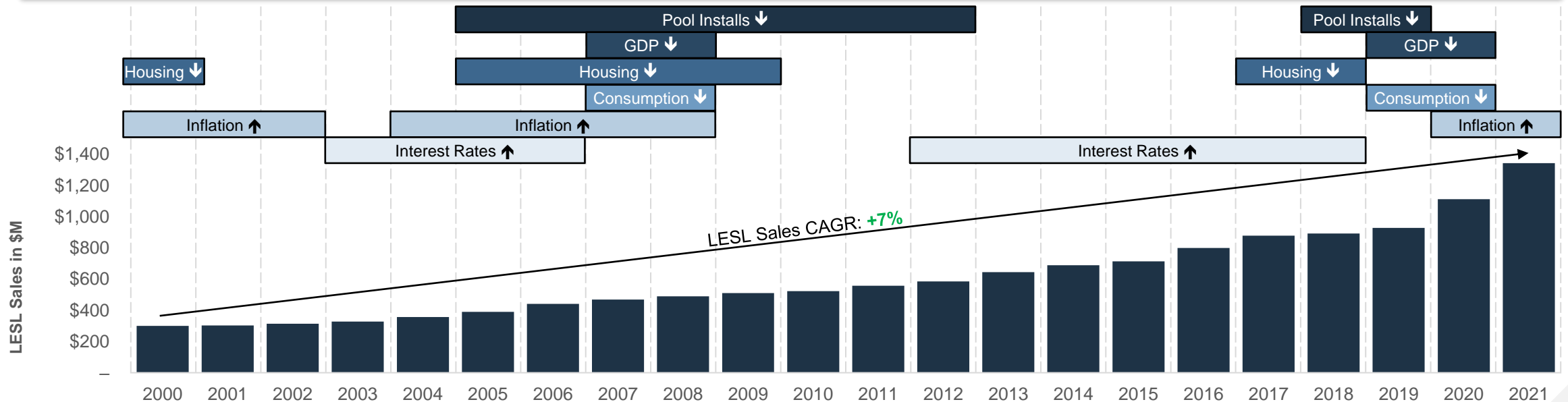


## Leslie's Has Grown for 58 Consecutive Years through a Range of Macro Environments

### 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
<b>Leslie's sales growth<sup>1</sup></b>	<b>+6%</b>	<b>+12%</b>	<b>+6%</b>	<b>+12%</b>	<b>+6%</b>	<b>+8%</b>
Change in macro indicator <sup>1</sup>	<b>(14.2%) CAGR</b>	<b>(0.9%)</b>	<b>(24.6%) CAGR</b>	<b>(1.9%)</b>	<b>+2.4%</b>	<b>+256bps</b>
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



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





## *Revised Guidance*



## Fiscal 2022 Guidance

Revised Fiscal 2022 Guidance		Prior Fiscal 2022 Guidance		Long-term Growth Algorithm
<b>Sales</b> \$1,575M – \$1,610M	<b>Sales Growth</b> 17% – 20%	<b>Sales</b> \$1,495M – \$1,520M	<b>Sales Growth</b> 11% – 13%	<b>Annual Sales Growth</b> MSD to HSD %
<b>Gross Profit</b> \$700M – \$715M	<b>Gross Margin</b> +5bps to +15bps	<b>Gross Profit</b> \$665M – \$675M	<b>Gross Margin</b> +5bps to +15bps	<b>Gross Margin</b> Flat to +25bps
<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></b> \$300M – \$310M	<b>Adj. EBITDA<sup>1</sup> Growth</b> 11% – 15%	<b>Adj. EBITDA<sup>1</sup> Growth</b> LDD %
<b>Adj. Net Income<sup>1</sup></b> \$193M – \$205M	<b>Adj. Net Income<sup>1</sup> Growth</b> 20% – 27%	<b>Adj. Net Income<sup>1</sup></b> \$183M – \$193M	<b>Adj. Net Income<sup>1</sup> Growth</b> 13% – 19%	<b>Earnings Growth</b> Mid- to high-teens %
Fiscal 2022 Guidance Commentary				Leslie's Long-term Growth Drivers

### At the midpoint of our guidance:

- ✓ Sales and earnings growth stronger than long-term growth algorithm driven by investments in strategic growth initiatives
- ✓ Gross margin growth inline with long-term growth algorithm

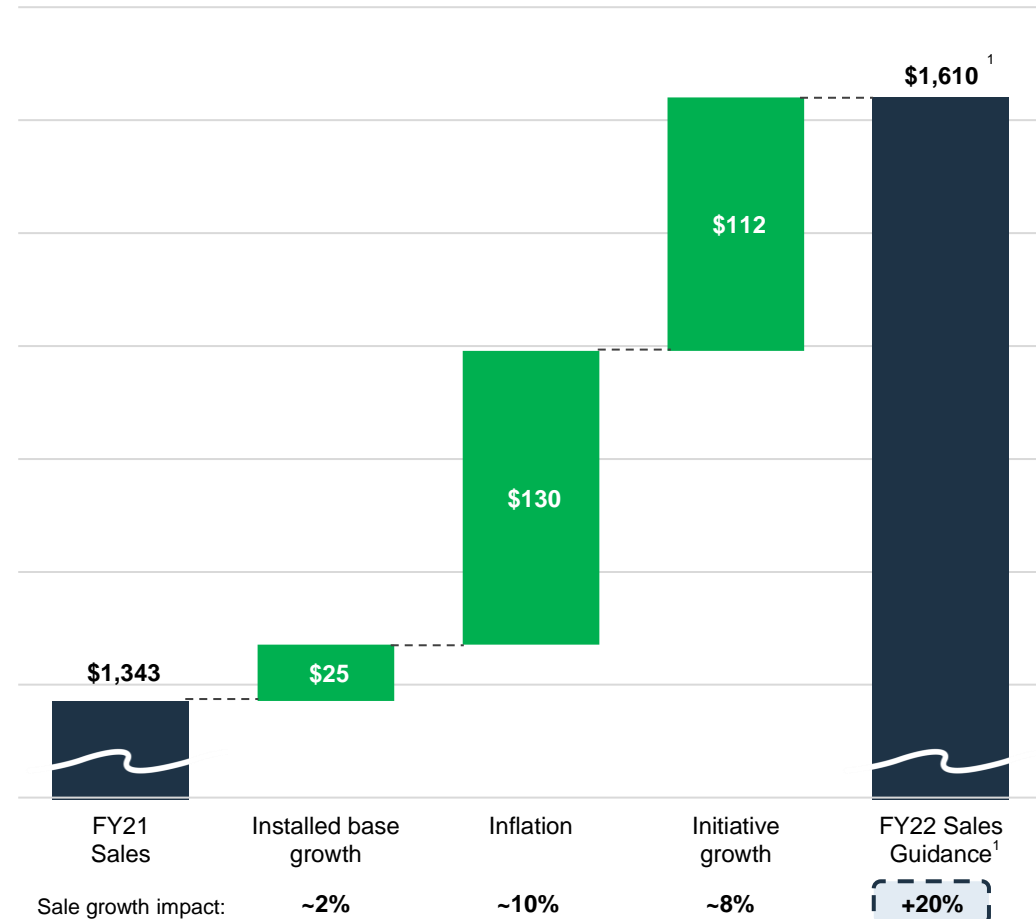
- ✓ Consistent industry growth
- ✓ Leslie's differentiated market position
- ✓ Leslie's unique capabilities and strategic initiatives

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

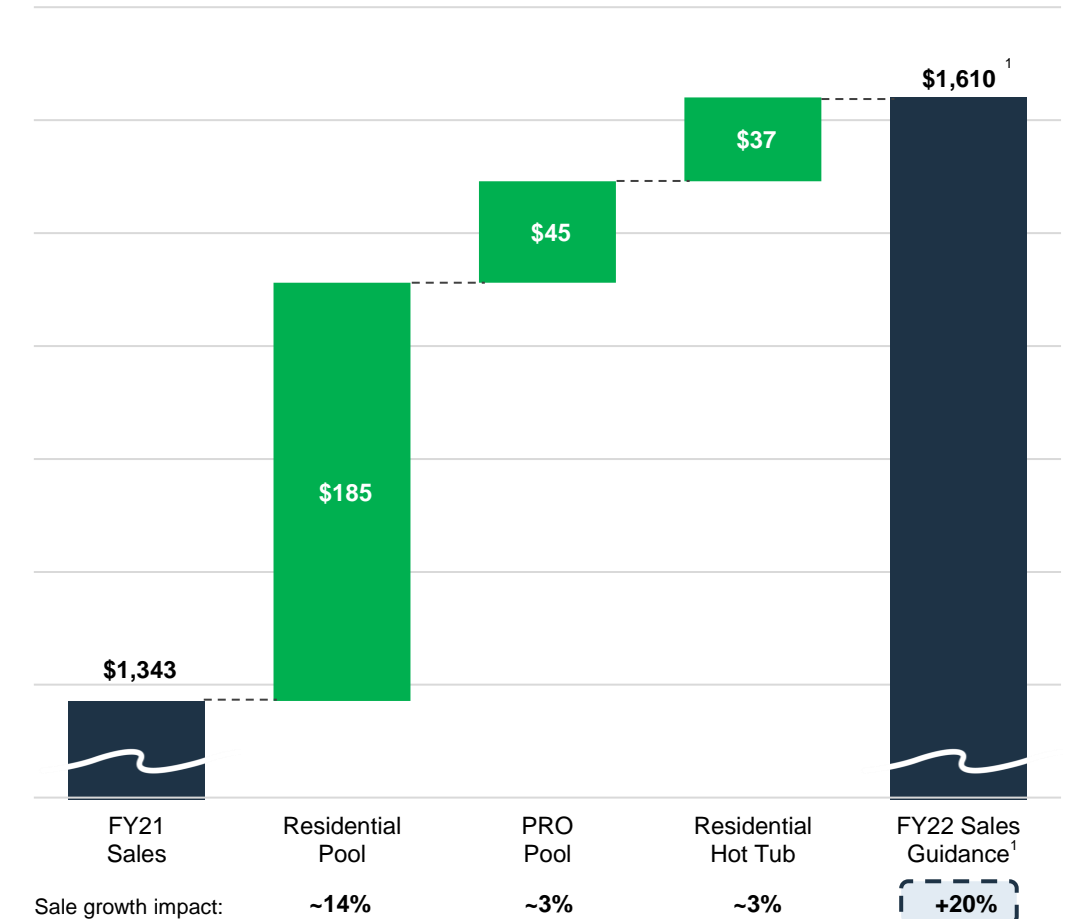


## Fiscal 2022 Outlook – Bridge to 20% Sales Growth

Sales Bridge (\$M)



Customer Bridge (\$M)



<sup>1</sup> Reflects high-end 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





We know pools.





## GAAP to Non-GAAP Reconciliation Tables

	Three Months Ended			Six Months Ended		
	April 2, 2022	April 3, 2021	March 28, 2020	April 2, 2022	April 3, 2021	March 28, 2020
Net loss	\$ (7,440)	\$ (6,452)	\$ (29,826)	\$ (21,891)	\$ (36,709)	\$ (56,013)
Interest expense	6,949	8,126	22,709	13,812	19,642	45,126
Income tax benefit	(3,659)	(3,310)	(9,205)	(8,929)	(17,624)	(24,215)
Depreciation and amortization expense <sup>(1)</sup>	6,576	6,263	6,812	15,817	12,858	14,088
Management fees <sup>(2)</sup>	—	—	617	—	382	1,940
Equity-based compensation expense <sup>(3)</sup>	2,918	1,951	598	5,712	14,111	1,195
Loss on debt extinguishment <sup>(4)</sup>	—	1,888	—	—	9,169	—
Costs related to equity offerings <sup>(5)</sup>	161	1,057	—	550	9,209	—
Strategic project costs <sup>(6)</sup>	2,274	—	—	3,787	—	—
Executive transition costs and other <sup>(7)</sup>	917	5	214	934	(1,753)	794
Adjusted EBITDA	\$ 8,696	\$ 9,528	\$ (8,081)	\$ 9,792	\$ 9,285	\$ (17,085)

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 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 primarily related to the term loan modification during the three months ended April 3, 2021 and the repayment of our senior unsecured notes during the six months ended April 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 in December 2021 which are reported in other 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 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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Executive transition costs and other <sup>(6)</sup>	917	5	214	934	(1,753)	794
Tax effects of these adjustments <sup>(7)</sup>	(1,568)	(1,230)	(359)	(2,746)	(7,809)	(986)
Adjusted net loss	<u>\$ (2,738)</u>	<u>\$ (2,781)</u>	<u>\$ (28,756)</u>	<u>\$ (13,654)</u>	<u>\$ (13,400)</u>	<u>\$ (53,070)</u>
Diluted earnings per share	\$ (0.04)	\$ (0.03)	\$ (0.19)	\$ (0.12)	\$ (0.20)	\$ (0.36)
Adjusted diluted earnings per share	\$ (0.01)	\$ (0.01)	\$ (0.18)	\$ (0.07)	\$ (0.07)	\$ (0.34)
Weighted average shares outstanding						
Basic	182,678	186,810	156,500	185,592	181,900	156,500
Diluted	182,678	186,810	156,500	185,592	181,900	156,500

1. 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.
2. Represents equity-based compensation and the related Company payroll tax expense which are reported in SG&A in our condensed consolidated statements of operations.
3. Represents non-cash expense due to the write-off of deferred financing costs primarily related to the term loan modification during the three months ended April 3, 2021 and the repayment of our senior unsecured notes during the six months ended April 3, 2021 which are reported in loss on debt extinguishment in our condensed consolidated statements of operations.
4. 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 in December 2021 which are reported in other expenses, net in our condensed consolidated statements of operations.
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6. 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 expenses, net in our condensed consolidated statements of operations.
7. Represents the tax effect of the total adjustments based on our actual statutory tax rate. Amounts are reported in income tax benefit in our condensed consolidated statements of operations.

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