



Baird Conference Presentation

June 6, 2022



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.

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.

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 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.



2022 Baird Conference



Mike Egeck

Chief Executive Officer

Steve Weddell

*Executive Vice President and
Chief Financial Officer*



Nasdaq: LESL





Leslie's at a glance

Largest and most trusted direct-to-consumer brand in the pool and spa care industry

Physical network larger than the sum of our 20 largest competitors

Digital sales are ~5x as large as that of our largest digital competitor

Listed on Nasdaq Global Select Market under the ticker symbol "**LESL**" since October 29, 2020

>\$1.3B

FY21
Sales

20.7%

Sales
Growth

\$271M

FY21
Adj. EBITDA¹

48.0%

Adj. EBITDA¹
Growth

Record Fiscal Year and 58th consecutive year of growth



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





What makes us unique

Advantaged Industry

- **Large**
 - U.S. pool & spa installed base = 14M
 - U.S. aftermarket opportunity = \$14B
- **Annuity-like Demand**
 - 80%+ non-discretionary product sales
- **Predictable Growth**
 - Installed base has grown every year for 52 years
 - 7%+ industry CAGR from 2016-2021

Integrated Ecosystem

- **Consumer-centric**
 - 12M+ direct consumer relationships
- **Unmatched Scale and Reach**
 - 970 locations across 39 states
 - Digital properties capture 60% of specialty DTC pool traffic
- **Total Solutions Provider**
 - Proprietary AccuBlue water testing
 - Omni-channel capabilities
 - Serving consumers whatever their need, whenever, wherever, and however they choose to engage with us

Clear Path To Continued Growth

- **Six Proven Growth Initiatives**
 - Growing Consumer File
 - Deeper Customer Relationships
 - The PRO Market
 - Programmatic M&A
 - Residential Whitespace
 - Disruptive Innovations





First half Fiscal 2022 highlights

Continued sales momentum and Adj. EBITDA¹ performance

+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 growth¹

Adj. EBITDA¹ of \$10M

- Adj. EBITDA¹ margin: 2.4%
- LTM Adj. EBITDA¹: \$271M
- LTM Adj. EBITDA¹ margin: 19.1%

Key Updates

- 1H22 **target file growth of +8%**
- 1H22 **average revenue per customer growth of +14%**
- **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 three additional acquisitions** that are expected to close during the third quarter
- Added a net total of **seventeen locations** year-to-date
- Now operating **970 physical locations** across 39 states, with **nearly 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.

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



Fiscal 2022 guidance revised May 5th

Revised Fiscal 2022 Guidance		Prior Fiscal 2022 Guidance		Long-term Growth Algorithm
Sales \$1,575M – \$1,610M	Sales Growth 17% – 20%	Sales \$1,495M – \$1,520M	Sales Growth 11% – 13%	Annual Sales Growth MSD to HSD %
Gross Profit \$700M – \$715M	Gross Margin +5bps to +15bps	Gross Profit \$665M – \$675M	Gross Margin +5bps to +15bps	Gross Margin Flat to +25bps
Adj. EBITDA¹ \$315M – \$330M	Adj. EBITDA¹ Growth 16% – 22%	Adj. EBITDA¹ \$300M – \$310M	Adj. EBITDA¹ Growth 11% – 15%	Adj. EBITDA¹ Growth LDD %
Adj. Net Income¹ \$193M – \$205M	Adj. Net Income¹ Growth 20% – 27%	Adj. Net Income¹ \$183M – \$193M	Adj. Net Income¹ Growth 13% – 19%	Earnings Growth Mid- to high-teens %
Fiscal 2022 Guidance Commentary				Leslie's Long-term Growth Drivers

- ✓ 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
- ✓ Note on seasonality: Historically, Q3 represents approx. 60% to 70% of second half profitability. In 2021, it was towards the high end of the range and we expect it to be towards the low to mid point of the range this year.

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

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





GAAP to non-GAAP reconciliation tables

	Six Months Ended		
	April 2, 2022	April 3, 2021	March 28, 2020
Net loss	\$ (21,891)	\$ (36,709)	\$ (56,013)
Interest expense	13,812	19,642	45,126
Income tax benefit	(8,929)	(17,624)	(24,215)
Depreciation and amortization expense ⁽¹⁾	15,817	12,858	14,088
Management fees ⁽²⁾	—	382	1,940
Equity-based compensation expense ⁽³⁾	5,712	14,111	1,195
Loss on debt extinguishment ⁽⁴⁾	—	9,169	—
Costs related to equity offerings ⁽⁵⁾	550	9,209	—
Strategic project costs ⁽⁶⁾	3,787	—	—
Executive transition costs and other ⁽⁷⁾	934	(1,753)	794
Adjusted EBITDA	\$ 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 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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Strategic project costs ⁽⁵⁾	3,787	—	—
Executive transition costs and other ⁽⁶⁾	934	(1,753)	794
Tax effects of these adjustments ⁽⁷⁾	(2,746)	(7,809)	(986)
Adjusted net loss	<u>\$ (13,654)</u>	<u>\$ (13,400)</u>	<u>\$ (53,070)</u>
Diluted earnings per share	\$ (0.12)	\$ (0.20)	\$ (0.36)
Adjusted diluted earnings per share	\$ (0.07)	\$ (0.07)	\$ (0.34)
Weighted average shares outstanding			
Basic	185,592	181,900	156,500
Diluted	185,592	181,900	156,500

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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 benefit in our condensed consolidated statements of operations.



GAAP to non-GAAP reconciliation tables

	Year Ended		
	October 2, 2021	October 3, 2020	September 28, 2019
Net income	\$ 126,634	\$ 58,561	\$ 702
Interest expense	34,410	84,098	98,578
Income tax expense	36,495	2,627	14,855
Depreciation and amortization expense ⁽¹⁾	26,553	28,925	30,424
Management fees ⁽²⁾	382	4,900	4,533
Equity-based compensation expense ⁽³⁾	25,621	1,785	2,130
Loss on debt extinguishment ⁽⁴⁾	9,169	—	—
Costs related to equity offerings ⁽⁵⁾	10,444	—	—
Executive transition costs and other ⁽⁶⁾	905	1,874	8,781
Adjusted EBITDA	<u>\$ 270,613</u>	<u>\$ 182,770</u>	<u>\$ 160,003</u>

Notes: Year ended October 3, 2020 included 53 weeks. Financials are unaudited. Amounts are presented in thousands except per share data

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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 February, June and September 2021 which are reported in other expenses, net in our consolidated statements of operations.
6. Includes executive transition costs, losses (gains) on disposition of fixed assets, mark-to-market on interest rate cap 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 consolidated statements of operations.

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Loss on debt extinguishment ⁽³⁾	9,169	—	—
Costs related to equity offerings ⁽⁴⁾	10,444	—	—
Executive transition costs and other ⁽⁵⁾	905	1,874	8,781
Tax effects of these adjustments ⁽⁶⁾	(11,677)	(2,147)	(3,381)
Adjusted net income	<u>\$ 161,478</u>	<u>\$ 64,973</u>	<u>\$ 12,765</u>

	Year Ended		
	October 2, 2021	October 3, 2020	September 28, 2019
Diluted earnings per share	\$ 0.67	\$ 0.37	\$ 0.00
Adjusted diluted earnings per share	\$ 0.85	\$ 0.42	\$ 0.08
Weighted average shares outstanding			
Basic	185,412	156,500	156,500
Diluted	190,009	156,500	156,500

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