



# Third Quarter 2023 Earnings

August 2, 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.

## 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 other 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.





## Third Quarter 2023 Earnings Call

**Mike Egeck**

*Chief Executive Officer*

**Steve Weddell**

*Executive Vice President and  
Chief Financial Officer*


**Scott Bowman**

*Chief Financial Officer Designate*

Nasdaq: LESL



# Third Quarter Key Takeaways



💧 Highly unusual and challenging pool season for Leslie's and the industry

💧 Traffic and sales adversely impacted by:

- Weather
- Increased consumer price sensitivity
- Pool owners with greater than normal amount of chemicals left over from prior year

💧 Gross profit negatively impacted by:

- Higher distribution costs driven by pre-season inventory build
- Higher product costs that could not be passed through
- Sales decreases and deleverage of fixed costs

💧 Pool industry fundamentals remain intact

💧 Aggressively managing inventory and SG&A

💧 Continuing to prudently execute strategic growth initiatives to capture long-term opportunity



## Third Quarter 2023 Results

**(9)%**

Sales change

**Sales of \$611M**

- Comp sales: (12)%
- Two-year stack comp: (4)%
- Three-year stack comp<sup>2</sup>: +15%
- Four-year stack comp<sup>2</sup>: +35%

**41.2%**

Margin rate

**Gross Profit of \$252M**

- Year-over-year change in gross profit: (17)%
- Gross margin rate contracted 390bps vs. prior year

**Adj. EBITDA<sup>1</sup> of \$129M**

- Adj. EBITDA<sup>1</sup> lower by \$54M vs. prior year

**PRO Pool**

**(3)%**  
Sales change

**Residential Pool**

**(10)%**  
Sales change

**Residential Hot Tub**

**(14)%**  
Sales change

### Key Updates

- **Total sales (9)% driven by:**
  - Average Order Value +3% and Transactions (12)%
  - Average Revenue per Customer (1)% and Customer File (8)%
  - Non-discretionary sales (6)%
  - Discretionary sales (24)%
  - Trichlor sales (16)%
  - Equipment sales (8)%
- **Adverse weather drove (5)% comp headwind**
- **Opened seven new locations** during the quarter
- **Completed two bolt-on acquisitions** during Q3, adding five locations across Florida & California
- **AccuBlue Home®** launched in May of 2023

## YTD Q3 2023 Results

**(6)%**

Sales change

**Sales of \$1,019M**

- Comp sales: (11)%
- Two-year stack comp: flat
- Three-year stack comp<sup>2</sup>: +23%
- Four-year stack comp<sup>2</sup>: +39%

**38.1%**

Margin rate

**Gross Profit of \$388M**

- Year-over-year change in gross profit: (15)%
- Gross margin rate contracted 390bps vs. prior year

**Adj. EBITDA<sup>1</sup> of \$108M**

- Adj. EBITDA<sup>1</sup> lower by \$84M vs. prior year

**PRO Pool**

**+2%**  
Sales change

**Residential Hot Tub**

**(1)%**  
Sales change

**Residential Pool**

**(9)%**  
Sales change

### Key Updates

- **Total sales (6)% driven by:**
  - Average Order Value (1)% and Transactions (5)%
  - Average Revenue per Customer (1)% and Customer File (5)%
- **Adverse weather** impacted YTD 3Q23 sales by (4)%
- Completed **five bolt-on acquisitions** year-to-date, adding 12 locations across Florida, Arizona, California, and Louisiana
- Added a net total of **19 new locations** year-to-date<sup>3</sup>
- Now operating **1,009 locations** across 39 states<sup>3</sup>



Q3 FY2023  
EARNINGS

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

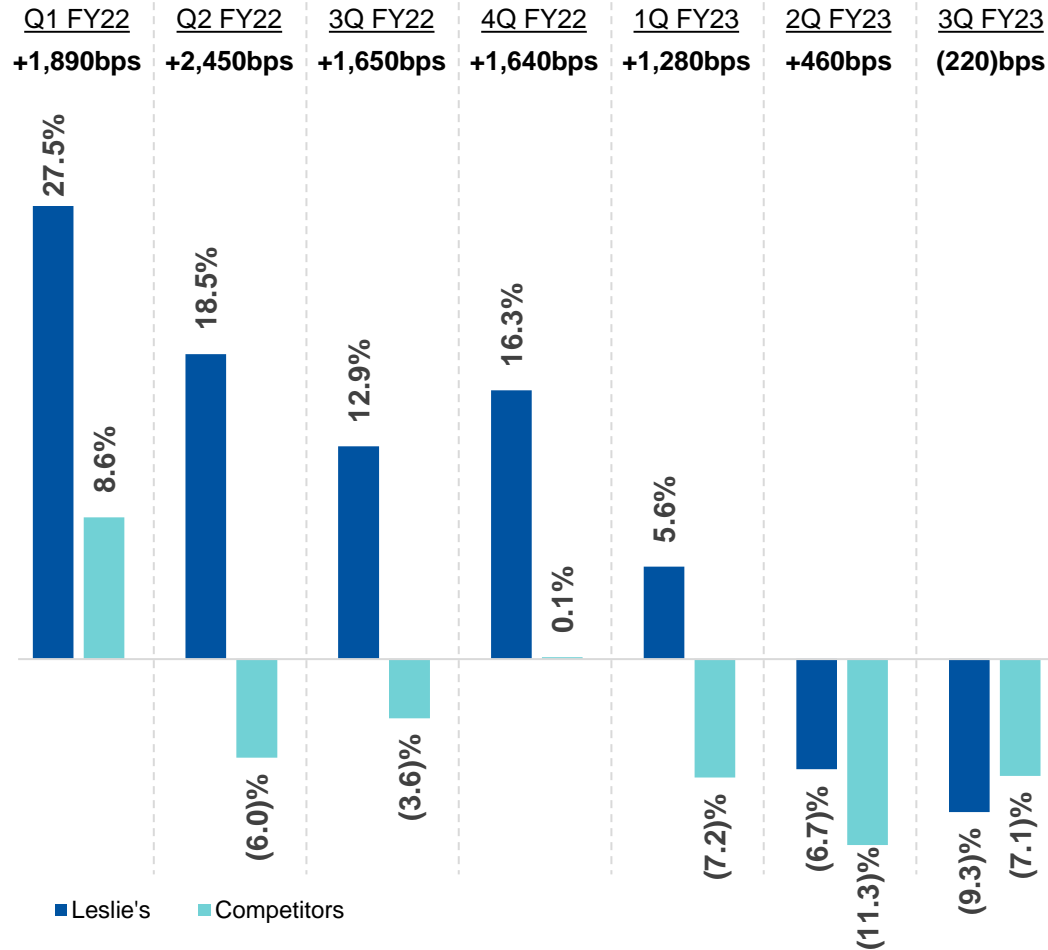
<sup>2</sup> Adjusted for the impact of the 53<sup>rd</sup> week in fiscal 2020 and related calendar shift.

<sup>3</sup> Includes Residential, PRO, and Hot Tub locations.

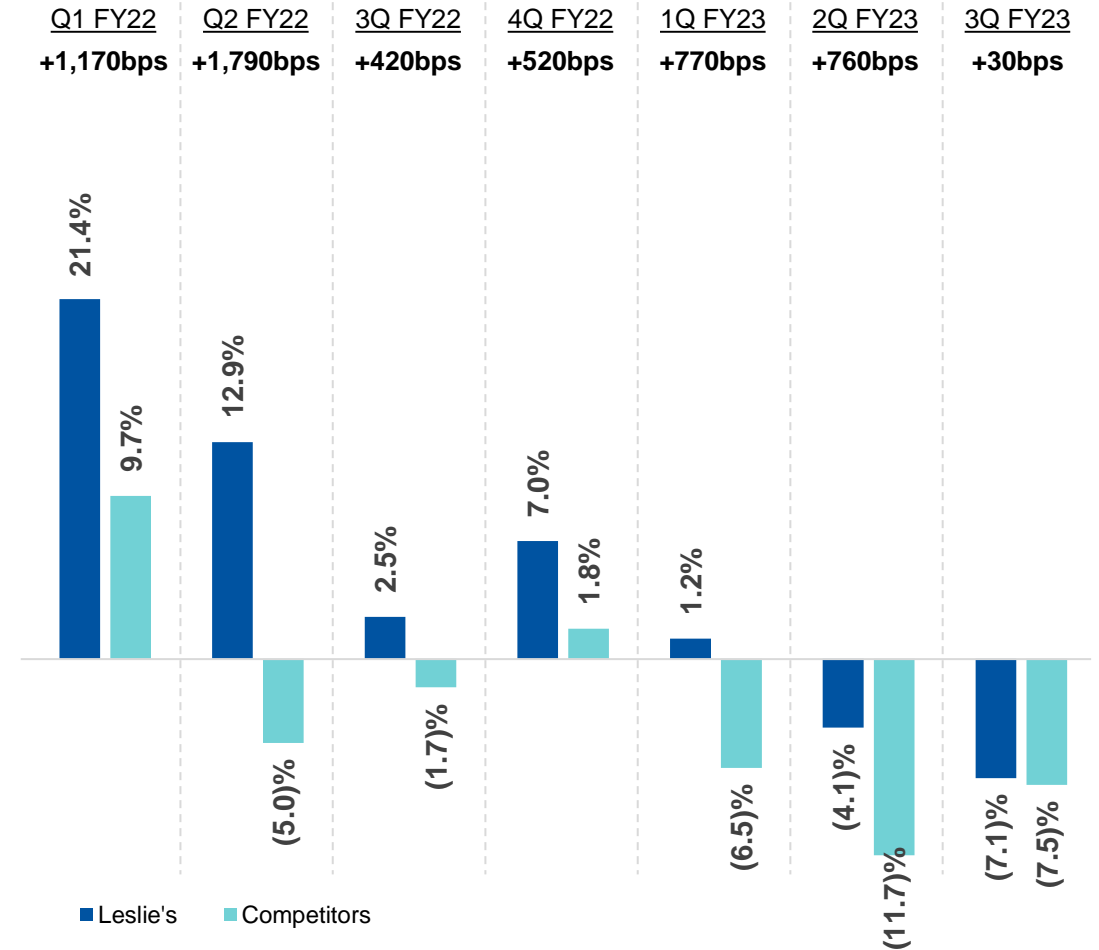
# Leslie's Market Share

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

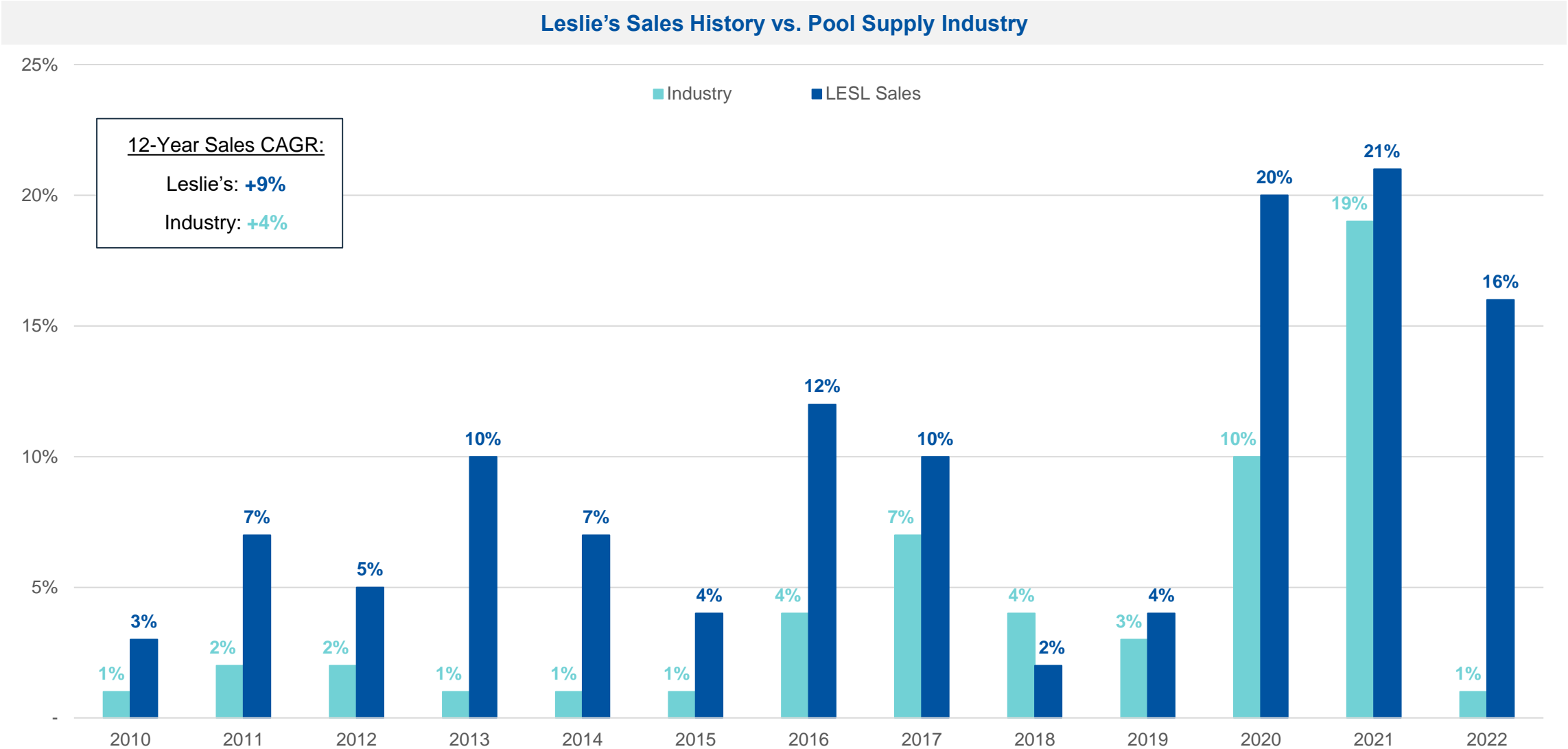
### Total Company Sales



### Total Company Sales ex. Residential Hot Tub & Marketplace

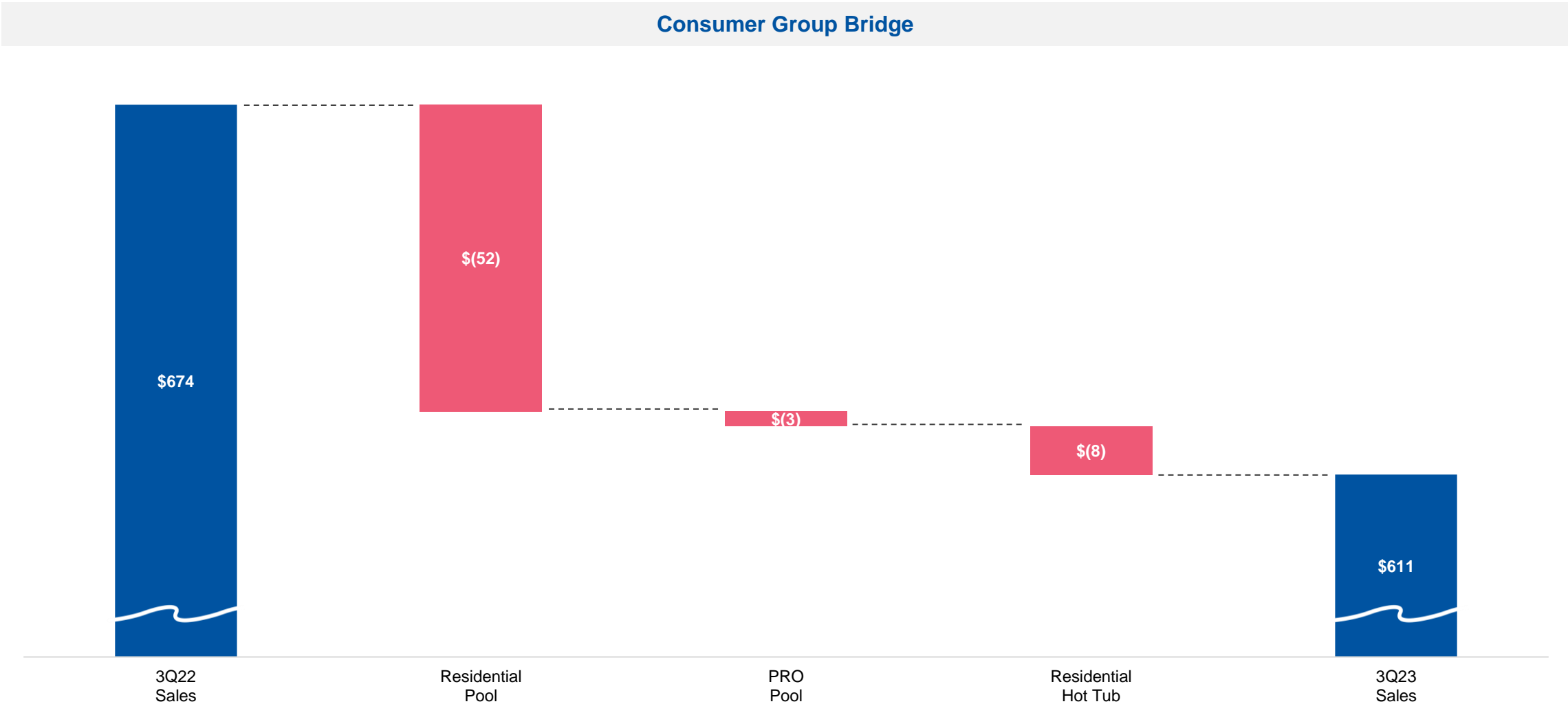


# Leslie's Sales Growth has Outpaced Industry

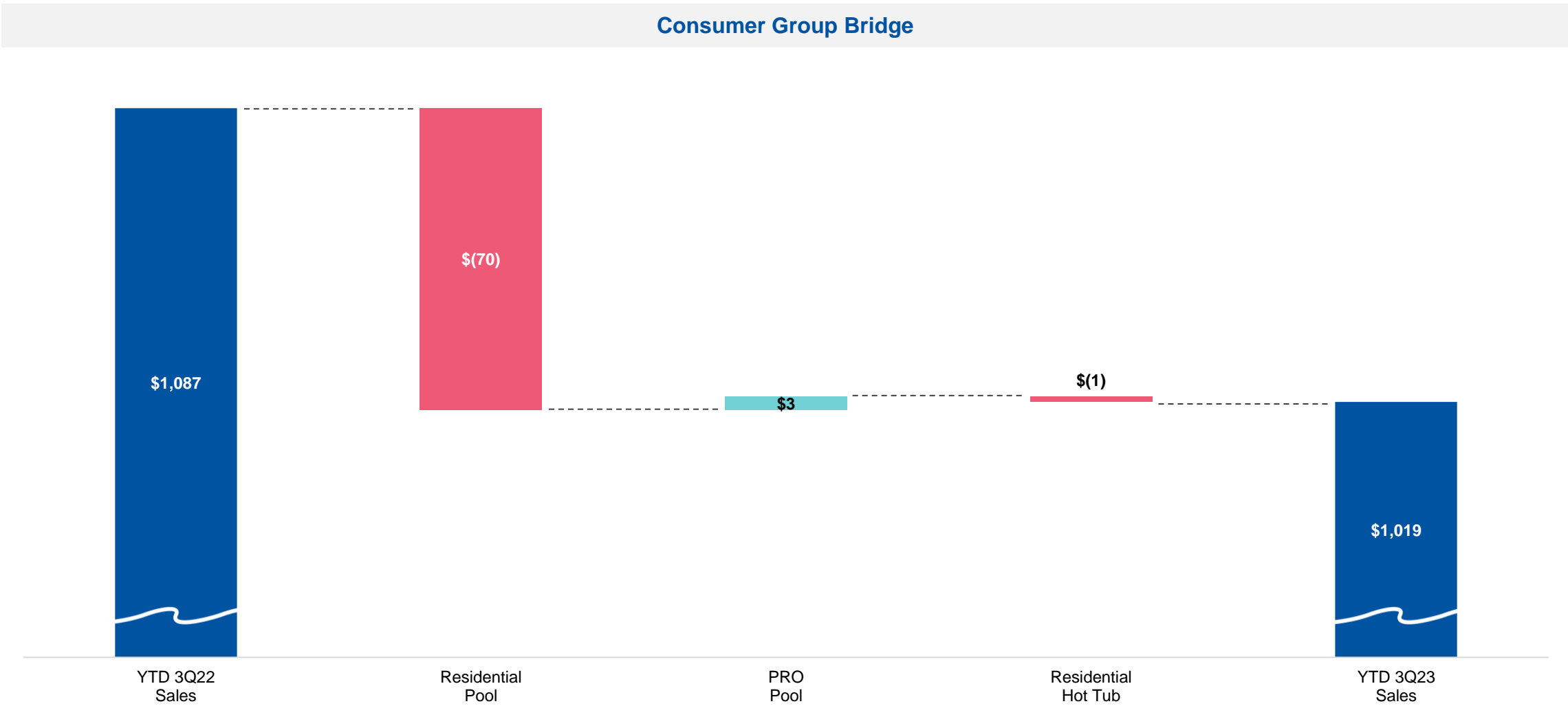




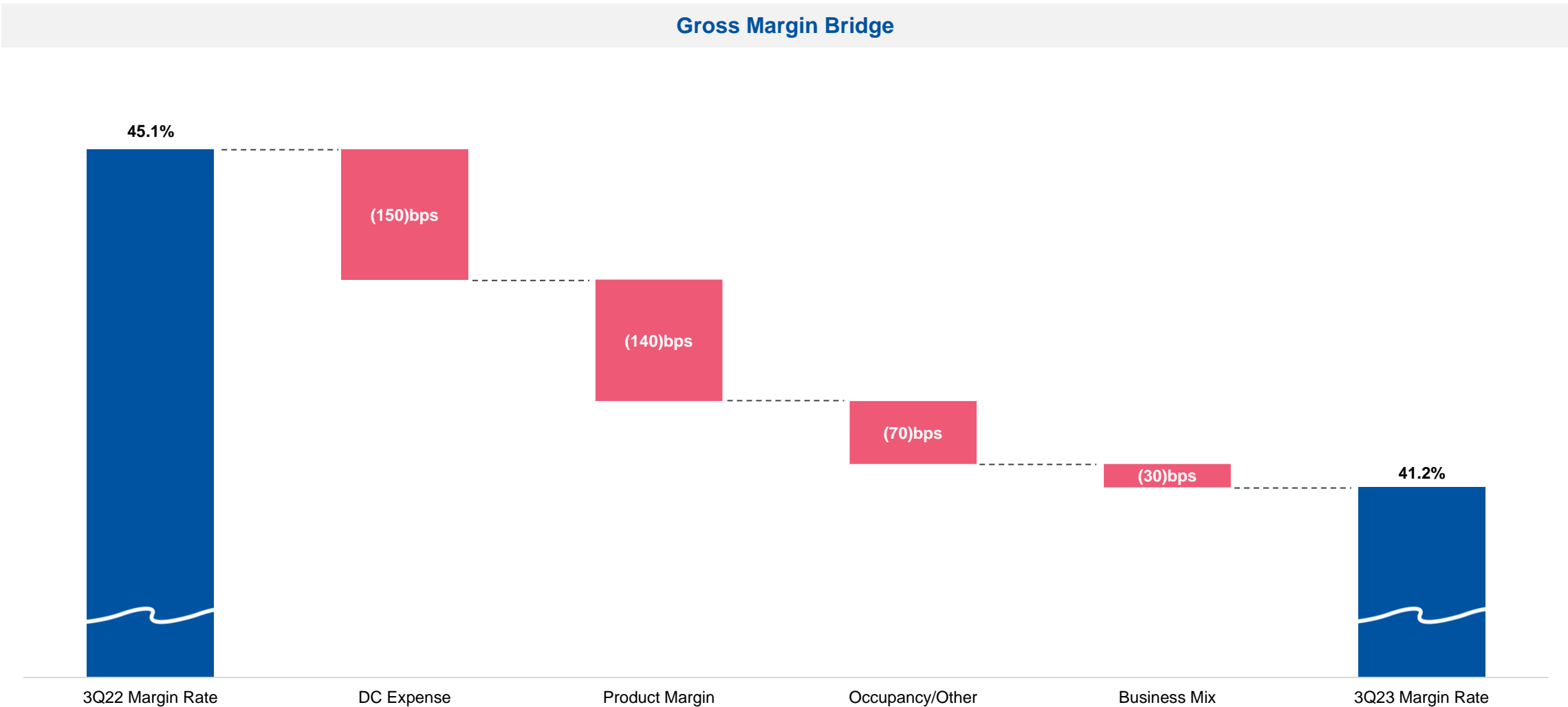
# Third Quarter 2023 Sales Bridge (\$M)



# Year-to-Date Q3 2023 Sales Bridge (\$M)



# Third Quarter 2023 Gross Margin Bridge





# Strategic Growth Initiatives Update

## Third Quarter 2023 Updates

### Grow Our Consumer File

- Customer file contracted 8% in Q3 vs. prior year driven by decreases in traffic

### Deepen Customer Relationships

- Average revenue per customer (1)%
- Loyalty member sales were down (3)% in the quarter

### The PRO Market

- 3,700+ PRO Partner contracts in place
- 98 PRO Locations
- Leslie's PRO website supporting PRO Partners

### Programmatic M&A

- Five acquisitions year-to-date, adding 12 locations
- One additional acquisition under LOI

### Whitespace

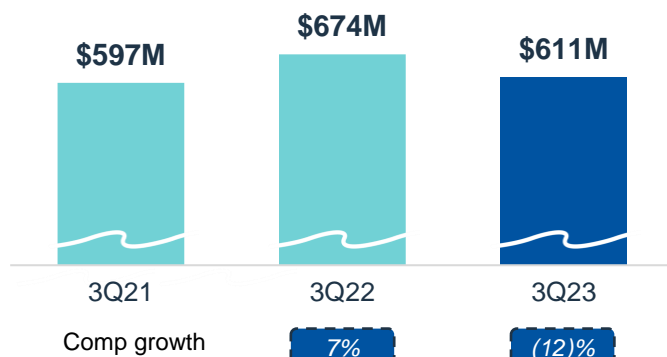
- Now operating 1,009 locations<sup>1</sup>
- Continue to grow underserved markets with targeted digital tactics

### Disruptive Innovation

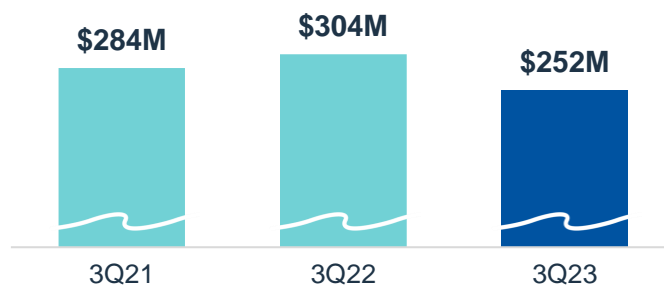
- AccuBlue Home® launched in May – currently working with our manufacturing partner to increase production

# Third Quarter 2023 Financial Results

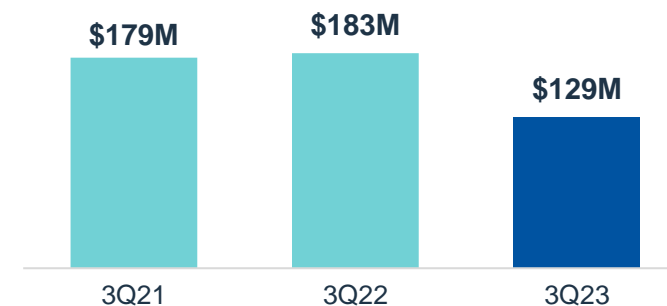
## Sales



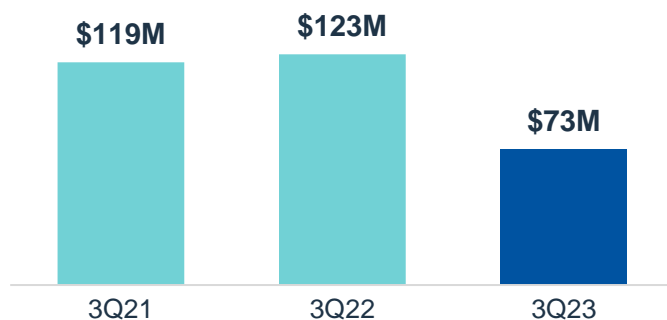
## Gross Profit



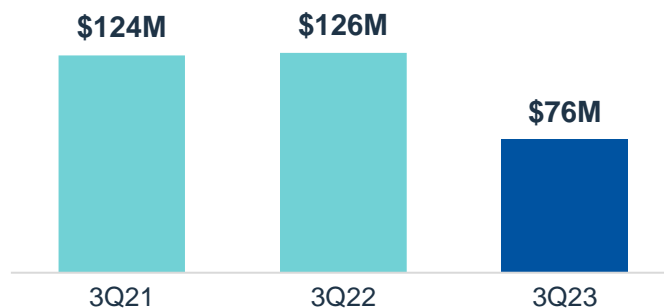
## Adj. EBITDA<sup>1</sup>



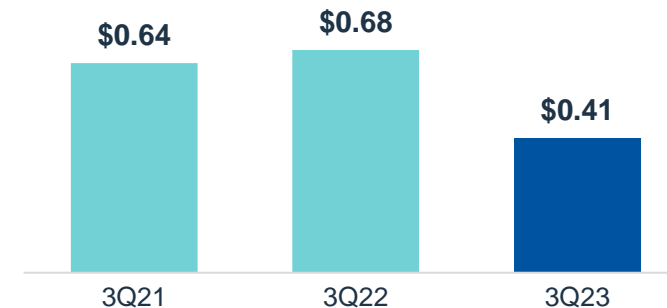
## Net Income



## Adj. Net Income<sup>1</sup>

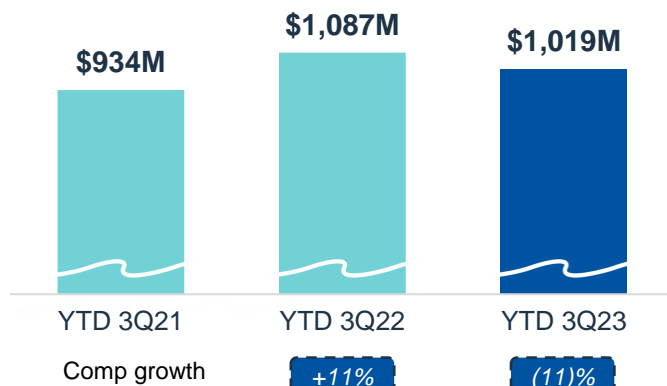


## Adj. Diluted EPS<sup>1</sup>

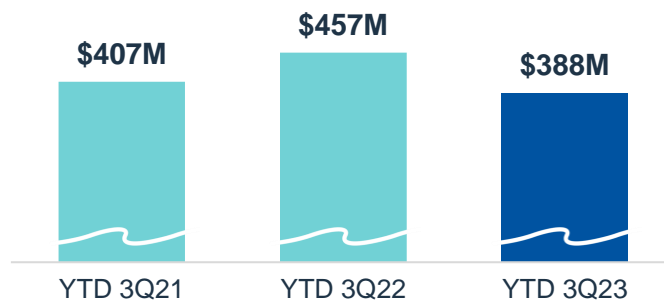


# Year-to-Date Q3 2023 Financial Results

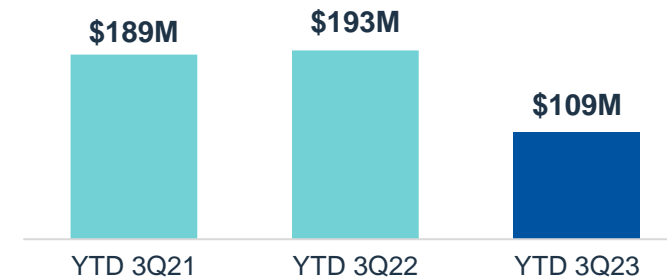
## Sales



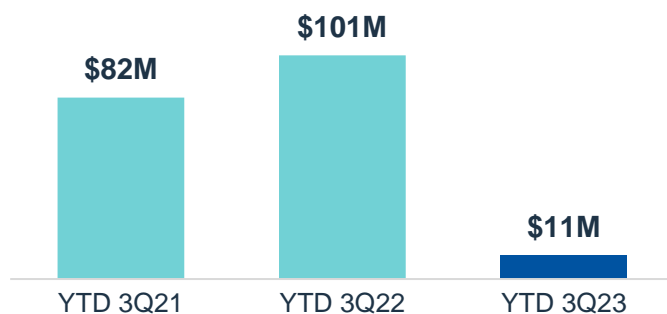
## Gross Profit



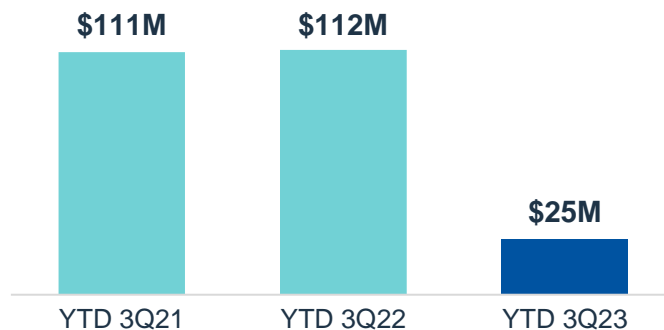
## Adj. EBITDA<sup>1</sup>



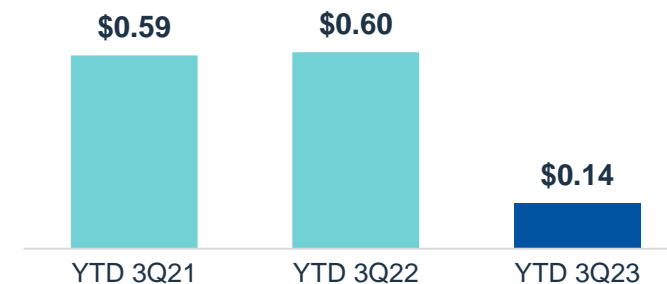
## Net Income



## Adj. Net Income<sup>1</sup>



## Adj. Diluted EPS<sup>1</sup>





## Reaffirm Fiscal 2023 Guidance

	Fiscal 2023 Guidance as presented July 13, 2023
	\$
Sales	\$1,430M to \$1,450M
Gross Profit	\$549M to \$559M
Adj. EBITDA <sup>1</sup>	\$170M to \$180M
Adj. Net Income <sup>1</sup>	\$52M to \$59M
Adj. EPS <sup>1</sup>	\$0.28 to \$0.32



## Advantaged Industry

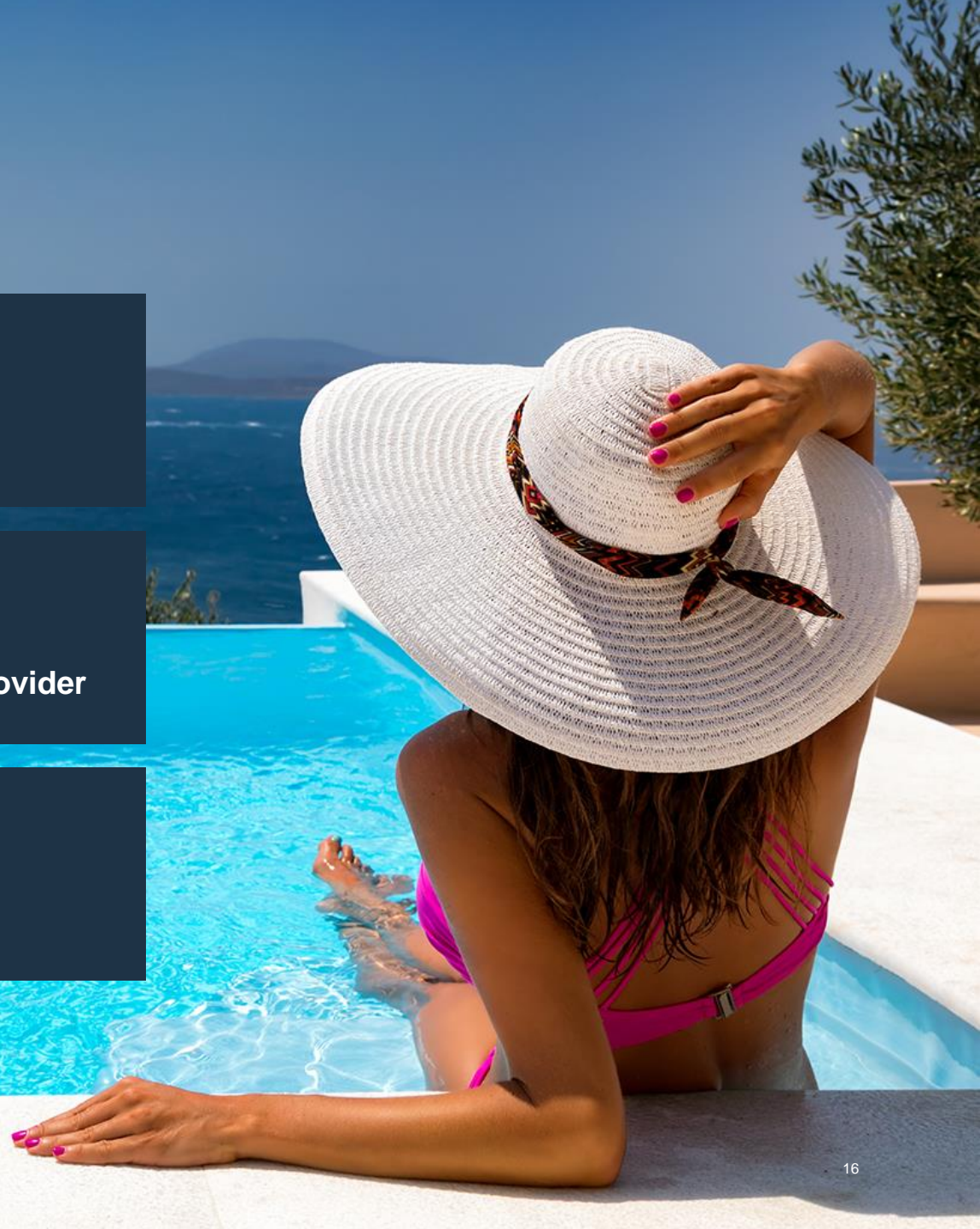
Large / Annuity-Like Demand / Predictable Growth

## 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)

	Three Months Ended			Nine Months Ended		
	July 1, 2023	July 2, 2022	July 3, 2021	July 1, 2023	July 2, 2022	July 3, 2021
Net income	\$ 72,547	\$ 122,986	\$ 118,802	\$ 10,761	\$ 101,095	\$ 82,093
Interest expense	17,675	6,847	7,399	48,282	20,659	27,041
Income tax expense	25,585	42,448	39,372	4,592	33,519	21,749
Depreciation and amortization expense <sup>(1)</sup>	8,144	7,063	6,347	25,569	22,880	19,205
Management fees <sup>(2)</sup>	—	—	—	—	—	382
Equity-based compensation expense <sup>(3)</sup>	2,754	3,113	6,480	9,460	8,825	20,591
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>	749	641	—	2,763	4,428	—
Executive transition costs and other <sup>(7)</sup>	1,584	(156)	168	7,256	778	(1,585)
Adjusted EBITDA	\$ 129,038	\$ 182,942	\$ 179,346	\$ 108,683	\$ 192,734	\$ 188,631

(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 asset dispositions, 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.

# GAAP to Non-GAAP reconciliation tables

(\$ in thousands, except per share data)

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Management fees <sup>(1)</sup>	—	—	—	—	—	382
Equity-based compensation expense <sup>(2)</sup>	2,754	3,113	6,480	9,460	8,825	20,591
Loss on debt extinguishment <sup>(3)</sup>	—	—	—	—	—	9,169
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Strategic project costs <sup>(5)</sup>	749	641	—	2,763	4,428	—
Executive transition costs and other <sup>(6)</sup>	1,584	(156)	168	7,256	778	(1,585)
Tax effects of these adjustments <sup>(7)</sup>	(1,272)	(899)	(1,864)	(4,870)	(3,645)	(9,672)
Adjusted net income	\$ 76,362	\$ 125,685	\$ 124,364	\$ 25,370	\$ 112,031	\$ 110,964

	Three Months Ended			Nine Months Ended		
	July 1, 2023	July 2, 2022	July 3, 2021	July 1, 2023	July 2, 2022	July 3, 2021
Diluted earnings per share	\$ 0.39	\$ 0.67	\$ 0.61	\$ 0.06	\$ 0.54	\$ 0.43
Adjusted diluted earnings per share	\$ 0.41	\$ 0.68	\$ 0.64	\$ 0.14	\$ 0.60	\$ 0.59
Weighted average shares outstanding						
Basic	183,932	182,937	188,264	183,725	184,707	184,021
Diluted	184,760	184,721	194,200	184,752	186,695	189,603

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(7) 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 condensed consolidated statements of operations.

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