



# First Quarter 2024 Earnings

February 1, 2024





# 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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## 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, legal proceedings, market size, growth opportunities, industry expectations, value proposition, 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.

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. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in our filings with the SEC. Moreover, we operate in a very competitive and rapidly changing environment. 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 or outcomes 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, changed expectations, the occurrence of unanticipated events or otherwise, 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 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.



## First Quarter 2024 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

### Core Beliefs

- Get it right
- Here to serve
- Make it easy
- Have some fun

### Consumer Need

A clean, safe, and beautiful pool

### Leslie's Solution

Trusted pool expertise and products



# 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:** Continued 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**

National, customer-centric **loyalty program**



# First Quarter Key Takeaways



- First quarter results in line with or ahead of expectations, supported by more favorable weather versus last year
- First quarter is historically the smallest sales quarter of our year
- Gross margin in line with expectations
- Managing inventory and SG&A to plan:
  - 22% reduction in inventory balance vs. prior year
  - 6% reduction in SG&A vs. prior year
  - In stock levels, service metrics and NPS scores remain at high levels
- Pool industry fundamentals and secular tailwinds remain intact
- Executing strategic initiatives to capture long-term growth and profit opportunity as industry normalizes
- Reaffirming fiscal 2024 Guidance



# First Quarter 2024 Results

## (11)%

Sales change

**Sales of \$174M**

- Comp sales: (12)%
- Two-year stack comp: (16)%
- Three-year stack comp: +4%

## 29.0%

Gross margin

**Gross Profit of \$50M**

- Year-over-year change in gross profit: (23)%
- Gross margin rate contracted 450bps vs. prior year quarter

**Adj. EBITDA<sup>1</sup> of \$(24)M**

- Adj. EBITDA<sup>1</sup> lower by \$12M vs. prior year quarter

PRO Pool	Residential Pool	Residential Hot Tub
(8)% Sales change	(10)% Sales change	(18)% Sales change

### Key Updates

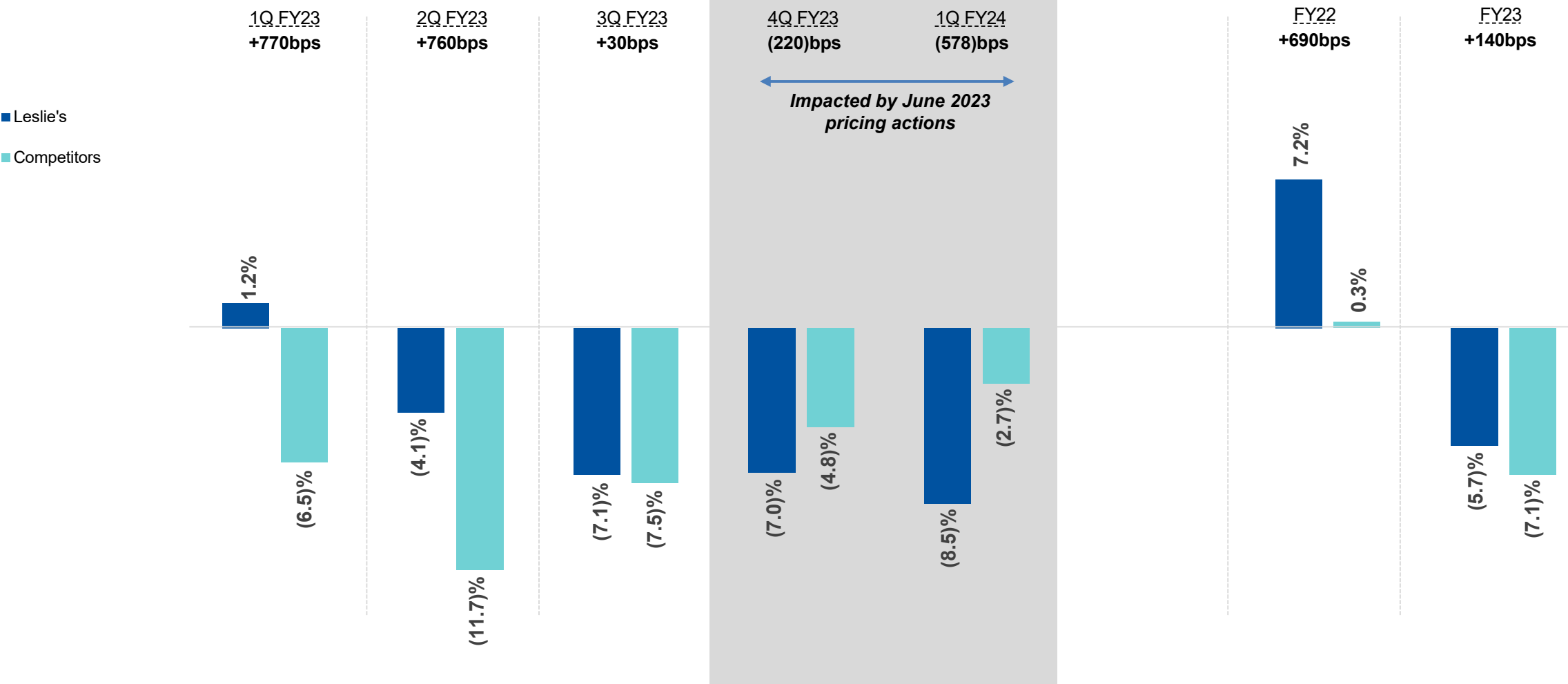
- **Total sales (11)% driven by:**
  - Average Order Value (5)% and Transactions (6)%
  - Average Revenue per Customer (3)% and Customer File (8)%
  - Non-discretionary sales (8)%
  - Discretionary sales (19)%
  - Chemical sales (3)%
  - Equipment sales (18)%
- **Weather was a +3% tailwind** vs. prior year, in line with our expectations of more normalized weather in fiscal 2024
- **Traffic improved** vs. prior quarter to down mid-single digits



# Leslie's Historical Sales Growth vs. Industry

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

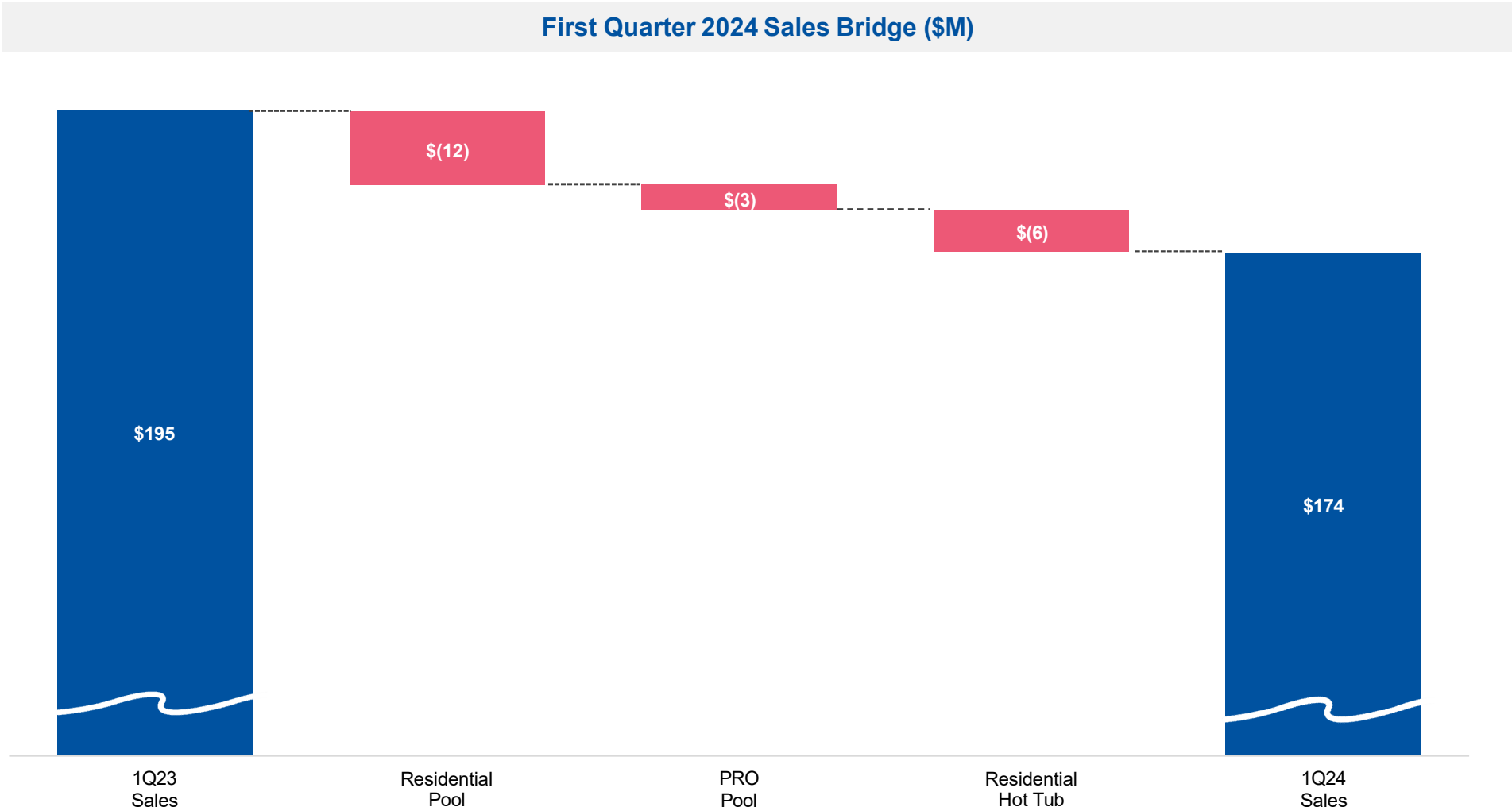
### Total Company Sales ex. Residential Hot Tub & Marketplace



<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 Bridge – First Quarter 2024





# Gross Margin Bridge – First Quarter 2024



# Strategic Growth Initiatives Update

## First Quarter 2024 Update

### Grow Our Consumer File

- Customer file contracted 8% in 1Q FY24 vs. prior year primarily driven by decreases in traffic

### Deepen Customer Relationships

- Average revenue per customer declined 3%
- Loyalty member sales declined 4% in the quarter

### The PRO Market

- 4,000 PRO Partner contracts in place
- 98 PRO locations
- Leslie's PRO website supporting PRO Partners

### Location Growth

- On track to open 15 new stores for FY24 pool season

### Disruptive Innovation

- AccuBlue Home® continuing to resonate with customers and device production on plan to support expected FY24 demand



## Reaffirming Fiscal 2024 Guidance

	FY24	
	\$	$\Delta$ (vs. FY23)
Sales	\$1,410M to \$1,470M	(3)% to +1%
Adj. EBITDA <sup>1</sup>	\$170M to \$190M	+1% to +13%
Adj. Net Income <sup>1</sup>	\$46M to \$60M	(11)% to +18%
Adj. EPS <sup>1</sup>	\$0.25 to \$0.33	(11)% to +18%



## Advantaged Industry

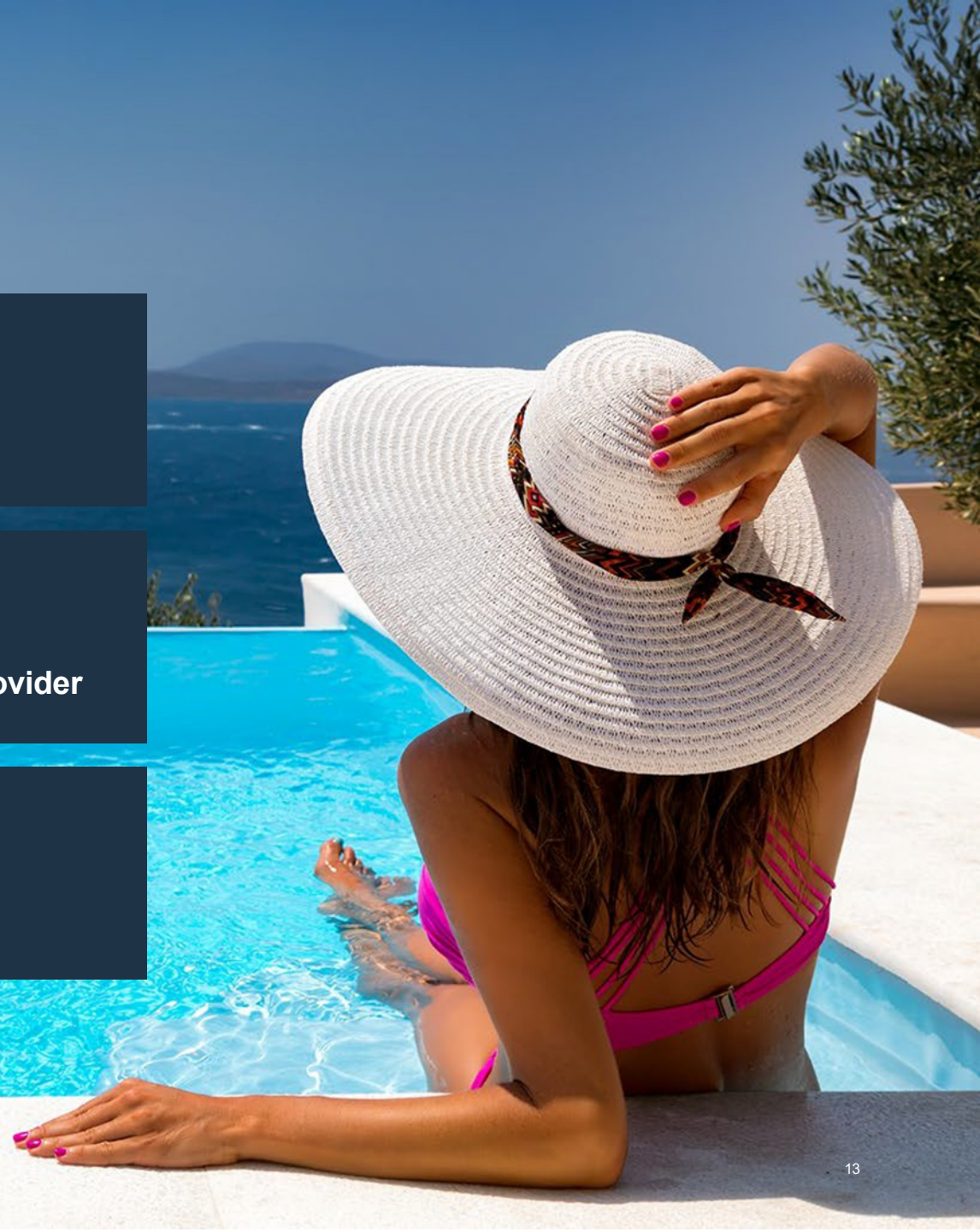
Large / Annuity-Like Demand / Predictable Growth

## 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	
	December 30, 2023	December 31, 2022
Net loss	\$ (39,553)	\$ (30,259)
Interest expense	17,071	13,360
Income tax benefit	(13,988)	(10,086)
Depreciation and amortization expense <sup>(1)</sup>	8,330	8,503
Equity-based compensation expense <sup>(2)</sup>	2,728	3,044
Strategic project costs <sup>(3)</sup>	123	720
Executive transition costs and other <sup>(4)</sup>	869	2,803
Adjusted EBITDA	<u>\$ (24,420)</u>	<u>\$ (11,915)</u>

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Equity-based compensation expense <sup>(2)</sup>	2,728	3,044
Strategic project costs <sup>(3)</sup>	123	720
Executive transition costs and other <sup>(4)</sup>	869	2,803
Tax effects of these adjustments <sup>(5)</sup>	(930)	(1,641)
Adjusted net loss	<u>\$ (36,763)</u>	<u>\$ (25,333)</u>
Diluted earnings per share	\$ (0.21)	\$ (0.16)
Adjusted diluted earnings per share	\$ (0.20)	\$ (0.14)
Weighted average shares outstanding		
Basic	184,383	183,513
Diluted	184,383	183,513

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

(3) 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.

(4) Includes certain senior executive transition costs and severance associated with completed corporate restructuring activities across the organization, 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 in our condensed consolidated statements of operations.

(5) 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 benefit 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.