Q4 & FY 2022 Earnings Call

March 7, 2023

latham Group

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Disclaimer

Forward-looking Statements

Certain statements in this presentation constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this presentation other than statements of historical fact may constitute forward-looking statements, including statements regarding our future operating results and financial position, our business strategy and plans, business and market trends, our objectives for future operations, macroeconomic and geopolitical conditions, and the sufficiency of our cash balances, working capital and cash generated from operating, investing, and financing activities for our future liquidity and capital resource needs. These statements involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside of our control, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including: secular shifts in consumer demand for swimming pools and spending on outdoor living spaces; slow pace of material conversion from concrete pools to fiberglass pools in the pool industry; changes in access to consumer credit or increases in interest rates impacting consumers' ability to finance their purchases of pools; macroeconomic conditions; our ability to sustain further growth in our business; adverse weather conditions; natural disasters, war, terrorism, public health issues or other catastrophic events; our ability to attract, develop and retain highly qualified personnel; our ability to attract dealers and distributors to purchase our products; the loss of our largest customers or suppliers; our ability to source the quantity or quality of raw materials and components, and increases in costs thereof; inflationary impacts; product quality issues, warranty claims or safety concerns; competition; failure to meet customer specifications or consumer expectations; our inability to collect accounts receivables from our customers; challenges in the implementation of our enterprise resource planning system; changes or increases in environmental, health, safety, transportation and other government regulations; the effects of climate change and the expanding legal and regulatory restrictions intended to address climate change; our ability to obtain transportation services to deliver our product and to obtain raw materials timely, and increases in transportation costs; enforcement of intellectual property rights by or against us; the risks of doing business internationally; cyber security breaches and data leaks, and our dependence on information technology systems; and other factors set forth under "Risk Factors" and elsewhere in our most recent Annual Report on Form 10-K and subsequent reports we file or furnish with the SEC. New emerging risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business, financial condition, results of operations and cash flows. Although we believe that the expectations reflected in the forward-looking statements are reasonable and our expectations based on third-party information and projections are from sources that management believes to be reputable, we cannot guarantee future results, levels of activities, performance or achievements. These forward-looking statements reflect our views with respect to future events as of the date hereof or the date specified herein, and we have based these forward-looking statements on our current expectations and projections about future events and trends. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Except as required by law, we undertake no obligation to update or review publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date hereof. We anticipate that subsequent events and developments will cause our views to change. Our forward-looking statements further do not reflect the potential impact of any future acquisitions, merger, dispositions, joint ventures or investments we may undertake.

Non-GAAP Financial Measures

We track our non-GAAP financial measures to monitor and manage our underlying financial performance. This presentation includes the presentation of Adjusted EBITDA (including on a last twelve months' basis), Adjusted EBITDA margin, Net Debt, and Net Debt Leverage Ratio. Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures that exclude the impact of certain costs, losses and gains that are required to be included in our profit and loss measures under GAAP. Net Debt and Net Debt Leverage Ratio are non-GAAP financial measures used in monitoring and evaluating our overall liquidity, financial flexibility, and leverage. Although we believe these measures are useful to investors and analysts for the same reasons it is useful to management, as discussed below, these measures are neither a substitute for, nor superior to, U.S. GAAP financial measures or disclosures. Other companies may calculate similarly-titled non-GAAP measures differently, limiting their usefulness as comparative measures. We have reconciled Adjusted EBITDA and Net Debt to the applicable most comparable GAAP measure, net income (loss) and total debt, respectively, throughout this presentation.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA and Adjusted EBITDA margin are key metrics used by management and our board of directors to assess our financial performance. Adjusted EBITDA and Adjusted EBITDA margin are also frequently used by analysts, investors and other interested parties to evaluate companies in our industry, when considered alongside other GAAP measures. We use Adjusted EBITDA and Adjusted EBITDA margin to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions, to utilize as a significant performance metric in our annual management incentive bonus plan compensation, and to compare our performance against that of other companies using similar measures, and as a performance measure in certain employee incentive programs. We have presented Adjusted EBITDA and Adjusted EBITDA margin solely as supplemental disclosures because we believe they allow for a more complete analysis of results of operations and assist investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that are non-cash items or which we do not believe are indicative of our core operating performance, such as (i) depreciation and amortization, (ii) interest expense, (iii) income tax (benefit) expense, (iv) loss (gain) on sale and disposal of property and equipment, (v) restructuring charges, (vi) stock-based compensation expense, (vii) unrealized (gains) losses on foreign currency transactions, (viii) strategic initiative costs, (ix) acquisition and integration related costs, (x) loss on extinguishment of debt, (xi) underwriting fees related to offering of common stock, (xii) the Odessa fire and other such unusual events, (xiii) IPO costs and (xiv) other.

Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures and should not be considered as alternatives to net income (loss) as a measure of financial performance or any other performance measure derived in accordance with GAAP, and they should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA and Adjusted EBITDA margin, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. There can be no assurance that we will not modify the presentation of Adjusted EBITDA and Adjusted EBITDA margin in the future, and any such modification may be material. Our presentation of Adjusted EBITDA and Adjusted EBITDA margin should not be construed to imply that our future results will be unaffected by any such adjustments. In addition, other companies, including companies in our industry, may not calculate Adjusted EBITDA and Adjusted EBITDA margin at all or may calculate Adjusted EBITDA and Adjusted EBITDA margin differently and accordingly, are not necessarily comparable to similarly entitled measures of other companies, which reduces the usefulness of Adjusted EBITDA and Adjusted EBITDA margin as tools for comparison.

Adjusted EBITDA and Adjusted EBITDA margin have their limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are that Adjusted EBITDA and Adjusted EBITDA margin:

- do not reflect every expenditure, future requirements for capital expenditures or contractual commitments;
- do not reflect changes in our working capital needs;
- do not reflect the interest expense, or the amounts necessary to service interest or principal payments, on our outstanding debt;
- do not reflect income tax (benefit) expense, and because the payment of taxes is part of our operations, tax expense is a necessary element of our costs and ability to operate;
- do not reflect non-cash stock-based compensation, which will remain a key element of our overall compensation package; and
- do not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations.

Although depreciation and amortization are eliminated in the calculation of Adjusted EBITDA and Adjusted EBITDA margin, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA and Adjusted EBITDA margin do not reflect any costs of such replacements.

Net Debt and Net Debt Leverage Ratio

We define Net Debt as total debt less cash and cash equivalents. We define the Net Debt Leverage Ratio as Net Debt divided by last twelve months ("LTM") of Adjusted EBITDA. We believe this measure is an important indicator of our ability to service our long-term debt obligations. There are material limitations to using Net Debt Leverage Ratio as we may not always be able to use cash to repay debt on a dollar-for-dollar basis.

FY 2022 Highlights

Product Leadership

- Delivered year-over-year net sales growth across all three product lines

Fiberglass Conversion

- Grew fiberglass volume, overcoming a year-over-year decline in the industry for U.S. in-ground pool installations in 2022
- Made significant progress in construction of Kingston, Ontario fiberglass facility
- Acquired fiberglass manufacturing assets in Oklahoma

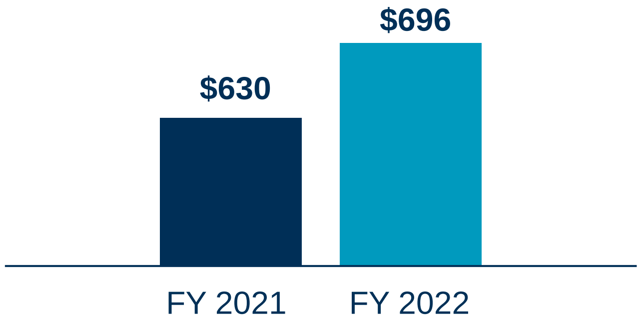
Strengthened Supply Chain

- Strengthened supply position and enhanced North American fiberglass production
- Returned to normalized lead times across the product portfolio

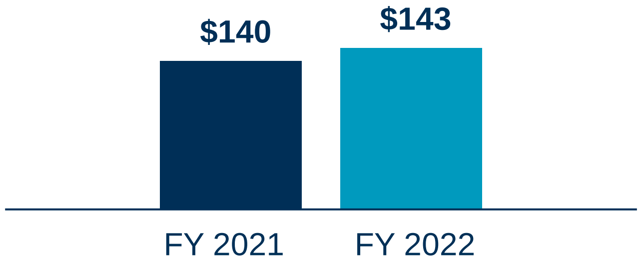
Operational Efficiency

- Implemented lean initiatives aimed at driving continuous improvement in our operations
- Took deliberate actions to manage costs in response to challenging market environment

Net Sales
($ in millions)
+10% YoY Growth



Adjusted EBITDA[1]
($ in millions)
+2% YoY Growth



NOTE:
1. See Appendix for the reconciliation of Adjusted EBITDA to net income (loss)

Strategic Priorities

1. Drive material conversion from concrete to fiberglass
2. Leverage direct-to-homeowner strategy and digital innovations
3. Enhance and expand strategic partnerships with Latham Grand dealers
4. Execute continuous improvement initiatives and prudently manage costs

Innovating Our Fiberglass Products

Drive Fiberglass Conversion

- Expanding fiberglass product portfolio with Tuscan and Enchantment, which cater to popular pool shapes, sizes, and colors
- Will begin the roll out of these models in 1H' 23

Innovating Our Fiberglass Installation Process

Drive Fiberglass Conversion

- Launching “Backfill Made Easy” for popular Corinthian models in 2023
- New reinforcement build process designed to make the installation on select models easier and faster for dealers

Introducing "Measure by Latham"

- Latham's new AI-powered measuring tool will modernize and simplify the measuring experience for dealers for safety covers and in-ground liners
- Cutting-edge 3D technology and scanning techniques measure the entire pool perimeter and captures interior renderings of the pool shape and unique features
- Provides dealers with precise specifications for safety covers within minutes
- Seamlessly integrates with the Latham Measure App, giving dealers access to Latham's Builder Management Portal

Measure
By Latham Pools

Enhancing and Expanding Strategic Partnerships with Latham Grand Dealers

Enhance Strategic Partnerships with Latham Grand Dealers

ProEssentials

- Comprehensive turnkey collection of tools aimed at creating a better buying experience for homeowners and supporting sales growth for our dealers
- Consists of four categories - Exterior Essentials, Interior Essentials, Field Essentials, and Digital Essentials

Latham Pro Site Tool

- Central online location for all the tools and resources we provide to dealers
- Simplifies how we engage and communicate with builders through a carefully designed online user experience
- Offers access to sales material, loyalty and incentive programs, leads, and orders

Execute Continuous Improvement Initiatives and Prudently Manage Costs

Continuous Improvement & Prudent Cost Management

- On track to realize annualized operating expense savings of ~$12 million in FY’23
  - All anticipated actions implemented, including the closure of our Bossier City liner and cover manufacturing facility earlier in 2023

- Renewed focus on continuous improvement initiatives and investments
  - Emphasis on lean and value engineering efforts to improve the efficiency of our manufacturing processes

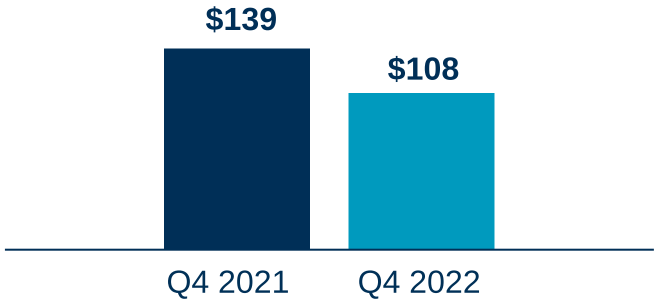
- Manage inventory levels to match current demand outlook while maintaining our lead times and service levels

- Remain disciplined in our capital investment strategy with a focus on completing ongoing projects, including our fiberglass manufacturing facilities in Kingston, Ontario and Oklahoma

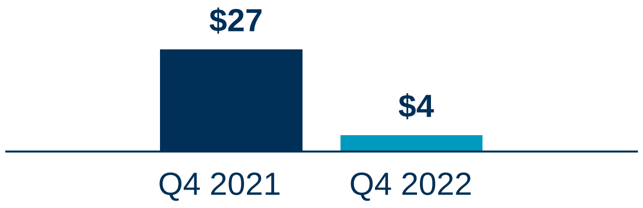
Q4 and FY 2022 Financial Highlights

Q4 2022

Net Sales
($ in millions)



Adjusted EBITDA[1]
($ in millions)

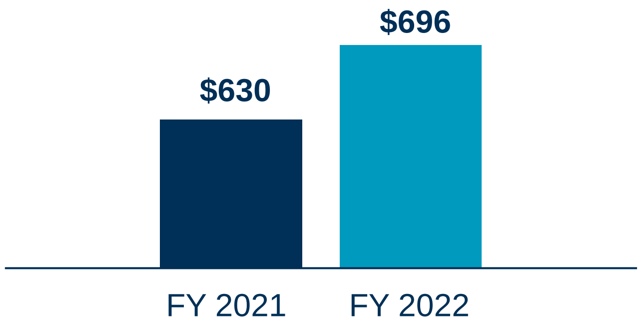


Key Drivers

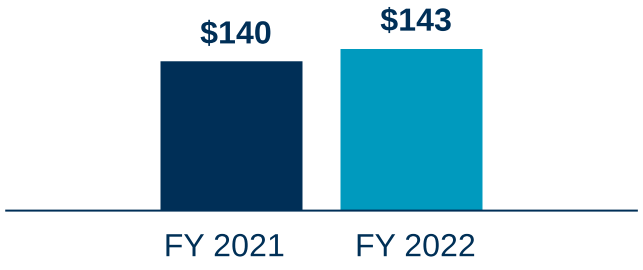
- Return to historical seasonality
- Volume decline driven by packaged pool inventory destocking in the wholesale distribution channel
- Negative fixed cost leverage due to volume declines
- Impact of inflation on margins

FY 2022

Net Sales
($ in millions)



Adjusted EBITDA[1]
($ in millions)



Key Drivers

- Net sales growth across all three product lines
- Fiberglass volume growth
- Pricing actions to offset inflation, although not at a magnitude to hold margins
- Negative fixed cost leverage driven by volume declines, primarily in packaged pools

NOTE:
1. See Appendix for the reconciliation of Adjusted EBITDA to net income (loss)

Disciplined Approach to Capital Allocation

Reinvesting in the Business	• Targeted investments in organic growth opportunities that generate significant returns and value creation • Focus on fiberglass production / delivery equipment and new fiberglass molds
Selective Strategic Investments in Inorganic Growth	• Strong history of successful M&A integration • Ample opportunity for additional add-ons given industry fragmentation
Maintaining a Strong Balance Sheet	• As of December 31, 2022, cash and cash equivalents of $33 million, total debt of $313 million, and $75 million of availability on our Revolving Credit Facility • Net debt leverage ratio[1] was 2.0x at end of Q4 2022
Returning Capital to Shareholders	• As of December 31, 2022, the Company had repurchased $23 million of its $100 million authorization of its shares of Common Stock at an average price of $5.14

NOTE:
1. Calculated by net debt divided by LTM Adjusted EBITDA for the four fiscal quarters ended December 31, 2022. See appendix for the reconciliation of Adjusted EBITDA to net income (loss) and net debt and net debt leverage ratio to the comparable GAAP measure.

Financial Outlook

Fiscal 2023 Outlook[1]

Metric	Low	High
Net Sales	$565 million	$615 million
Adjusted EBITDA	$90 million	$110 million
Capital Expenditures	$35 million	$40 million

Reflects:

- The impact of macroeconomic uncertainty on consumer spending and demand, resulting in anticipated declines in the industry for U.S. new in-ground pool installations in 2023 versus 2022
- Normalization of packaged pool channel inventory in the wholesale distribution channel from elevated levels, which is expected to remain a headwind through at least the first half of 2023
- Continued progress executing our strategy to drive material conversion from concrete to fiberglass swimming pools
- Benefits from previously announced cost reduction actions and continuous improvement initiatives
- Disciplined capital investments with a focus on the completion of projects for the Kingston, Ontario and Seminole, Oklahoma fiberglass manufacturing facilities.

Q1 2023 Outlook[1]

Metric	Low	High
Net Sales	$120 million	$130 million
Adjusted EBITDA	$6 million	$10 million

Reflects:

- Return to historical seasonality
- The impact of macroeconomic uncertainty on consumer spending and demand
- Continued destocking of packaged pool inventory in the wholesale distribution channel from elevated levels

NOTE
1. Represents guidance given by the Company as of March 7, 2023. These are forward-looking statements. See "Forward-looking statements" on page 2 of this presentation. A reconciliation of Latham's projected Adjusted EBITDA to net income is not available due to uncertainty related to our future income tax expense.

Latham: A Compelling Growth Story

- **Serving a large and attractive market benefitting from material conversion**
- **The leading consumer brand in the residential pool market**
- **Unique direct-to-homeowner model driving business for our dealer partners**
- **Broadest portfolio of branded products known for quality, durability, and aesthetics**
- **Broad reach, regulatory expertise, and technological capabilities create significant competitive advantages**
- **Multiple levers to continue to drive growth across our platform**
- **Visionary management team with proven track record of execution**

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Q&A

Appendix

Non-GAAP Reconciliations

Adjusted EBITDA and Adjusted EBITDA Margin

(in thousands)	Fiscal Quarter Ended December 31, 2022	Fiscal Quarter Ended December 31, 2021	Fiscal Year Ended December 31, 2022	Fiscal Year Ended December 31, 2021
Net loss	$ (19,033)	$ (5,987)	$ (5,694)	$ (62,348)
Depreciation and amortization	9,341	8,541	38,175	32,230
Interest expense	6,560	3,590	15,753	24,433
Income tax (benefit) expense	(5,984)	(7,090)	19,415	8,818
Loss on sale and disposal of property and equipment	47	50	193	275
Restructuring charges[a]	1,201	123	1,607	906
Stock-based compensation expense	10,219	24,197	50,634	128,775
Unrealized (gains) losses on foreign currency transactions[b]	(283)	203	2,534	1,151
Strategic initiative costs[c]	929	1,377	3,948	2,531
Acquisition and integration related costs[d]	69	3,198	326	3,576
Loss on extinguishment of debt[e]	—	—	3,465	—
Underwriting fees related to offering of common stock[f]	—	—	11,437	—
Odessa fire[g]	869	—	869	—
IPO costs[h]	—	—	—	3,956
Other[i]	450	(858)	590	(4,484)
Adjusted EBITDA	$ 4,385	$ 27,344	$ 143,252	$ 139,819
Net sales	$ 107,924	$ 138,864	$ 695,736	$ 630,456
Net loss margin	(17.6)%	(4.3)%	(0.8)%	(9.9)%
Adjusted EBITDA margin	4.1%	19.7%	20.6%	22.2%

(a) Represents costs related to a cost reduction plan announced in 2022 to optimize production and shift schedules, implement a workforce reduction, and to shut down our Bossier City, Louisiana facility. Also includes severance and other costs for our executive management changes.
(b) Represents foreign currency transaction (gains) and losses associated with our international subsidiaries and changes in the fair value of the contingent consideration recorded in connection with the acquisition of Narellan, which was settled in September 2020.
(c) Represents expenses for our strategic initiatives, including our rebranding initiative and fees paid to external consultants.
(d) Represents acquisition and integration costs primarily related to the acquisitions of GLI and Radiant, the equity investment in Premier Pools & Spas, as well as other costs related to potential transactions.
(e) Represents the loss on extinguishment of debt in connection with our debt refinancing on February 23, 2022.
(f) Represents underwriting fees related to our offering of common stock that was completed in January 2022.
(g) Represents costs incurred and insurance recoveries related to a production facility fire in Odessa, Texas.
(h) These expenses are primarily composed of legal, accounting and professional fees incurred in connection with our initial public offering that are not capitalizable, and that are included within selling, general and administrative expense.
(i) Other costs consist of other discrete items as determined by management, primarily including: (i) fees paid to external advisors for various matters, (ii) the cost incurred and insurance proceeds related to our production facility fire in Picton, Australia in 2020, (iii) non-cash adjustments to record the step-up in the fair value of inventory related to the acquisitions of GLI and Radiant, which were amortized through cost of sales in the consolidated statements of operations, (iv) gain on sale of portion of equity method investment, and (v) other items.

Non-GAAP Reconciliations
Net Debt and Net Debt Leverage Ratio

(in thousands)		As of December 31, 2022
Total debt	$	312,881
Less:		
Cash		(32,626)
Net Debt		280,255
LTM Adjusted EBITDA[(a)]		143,252
Net Debt Leverage Ratio		2.0x

(a) LTM Adjusted EBITDA is the sum of the Company's Adjusted EBITDA for the four fiscal quarters ended December 31, 2022. See Appendix for the reconciliation of Adjusted EBITDA to net income (loss).