

Q2 2024 Earnings Call

August 6, 2024



latham Group

SWIM | Nasdaq Listed

Disclaimer

Forward-looking Statements

Certain statements in this presentation constitute forward-looking statements under federal securities laws. These forward-looking statements reflect our views with respect to future events and financial performance as of the date of this presentation or otherwise specified herein. Actual events and results may differ materially from those contemplated by such forward-looking statements due to risks and other factors that are set forth in our Annual Report on Form 10-K and subsequent reports filed or furnished with the SEC, as well as our earnings release issued as of the date of this presentation. Our forward-looking statements further do not reflect the potential impact of any future acquisitions, merger, dispositions, joint ventures or investments we may undertake. We expressly disclaim any obligation to update any forward-looking statements, except as required by applicable law.

Non-GAAP Financial Measures

This presentation includes Adjusted EBITDA (including on a last twelve months' basis), Adjusted EBITDA margin, Net Debt, and Net Debt Leverage Ratio which are non-GAAP financial measures. These non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to GAAP financial measures, and they should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Reconciliations of directly comparable GAAP financial measures to these non-GAAP financial measures can be found in the Appendix to this presentation.

For the definitions of certain non-GAAP financial measures, how such non-GAAP financial measures provide useful information to investors, how management utilizes them and the limitations on their use, see our earnings release issued as of the date of this presentation.

Q2 2024 Highlights

1

Market conditions in-line with our forecast

2

Latham outperformed on profitability

3

Fiberglass pools continued to show relative strength

RECENT ACTIVITY



Accretive acquisition of Coverstar Central –
Latham’s exclusive automatic safety cover dealer in 29 states





Continued Strong Execution on Key 2024 Priorities

Continued to drive awareness and adoption of
Fiberglass Pools and Auto-Covers



Margins benefited from multiple cost reduction actions



Maintained and utilized our strong balance sheet
and financial flexibility



Advanced Fiberglass Pools and New Product Innovations

Fiberglass Pools

- Continued to represent the majority of our in-ground pool sales; market intelligence suggests continued fiberglass penetration and acceptance in the market

New Pool Models

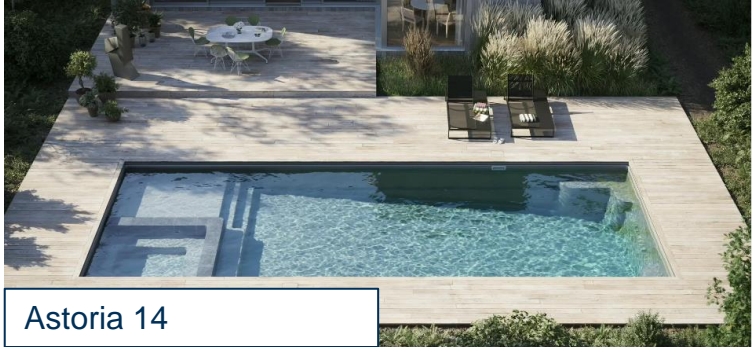
- Added the “Astoria 14” to our fiberglass plunge pool line-up, specifically targeting the Sand States, and preparing to launch a vinyl plunge pool series in Spring 2025

Measure by Latham

- Continued high level of adoption of our “Measure by Latham” tool by pool dealers



Fiberglass Pools



Astoria 14



Measure by Latham

Coverstar Central Acquisition

1 Margin Expansion

Vertical integration expected to expand Adjusted EBTIDA Margin by ~140bps on an annualized basis

2 Synergies

Integrated sales and marketing strategy, and combined resources, expected to accelerate sales growth

3

Fiberglass Conversion

Plan to leverage Coverstar Central's 400+ pool builder relationships to advance awareness and adoption of fiberglass pools

4

Talent & Cultural Alignment

Mutually beneficial cross pollination of industry expertise and commitment to superior customer service



- Latham's exclusive automatic safety cover dealer in 29 states
- Dealer partner of almost 20 years
- Industry leader in product sales, installation, and after-market services for automatic pool covers
- Nation's largest automatic pool cover distribution center and parts database

Regional Footprint



Continued to Benefit from Lean Manufacturing & Value Engineering Initiatives



COST BENEFITS

Structural cost benefits will have a long-term positive impact on Latham's margin profile



PRODUCTION EFFICIENCIES

Achieved 27% reduction in production time across North American fiberglass plants in H1 2024 YoY



LABOR EFFICIENCIES

8% improved labor efficiency in safety cover and vinyl liner manufacturing facilities in H1 2024 YoY

Ended Q2 With A Strong Balance Sheet

Strong cash position

benefiting from inventory reduction
beyond usual seasonal inflows

Significant resilience

to manage through soft industry
environment

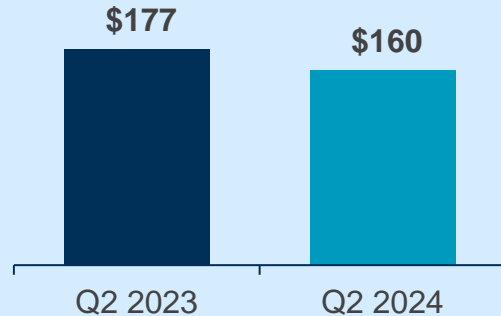
Capital allocation strategy

supported by strong cash flow

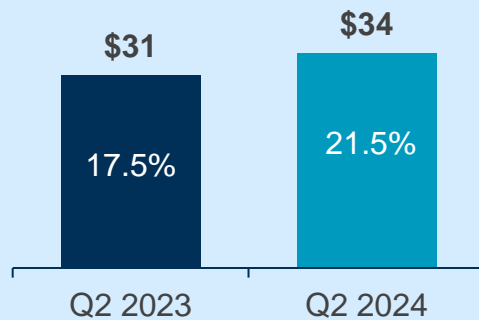


Q2 2024 Financial Highlights

Net Sales (\$ in millions)



Adjusted EBITDA⁽¹⁾ (\$ in millions)

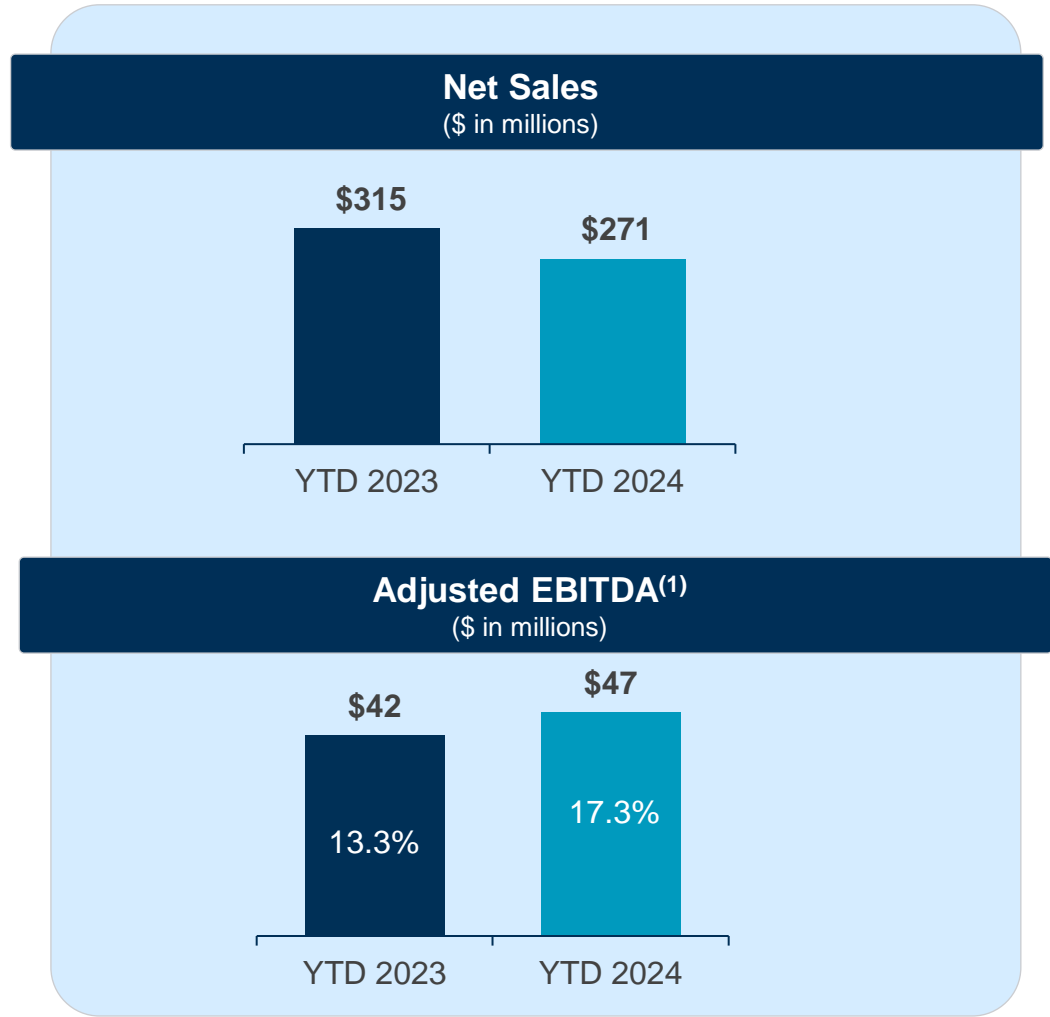


Q2 2024 Key Drivers

- YoY volume declines primarily due to continued industry softness
- Successful execution of Q2 sales plan, in-line with forecast for peak pool building season
- Improved gross margins and lean manufacturing & value engineering led strength in Adj. EBITDA
- Fully-implemented restructuring programs contributed to cost savings

(1) See Appendix for the reconciliation of Adjusted EBITDA to net income (loss). Adjusted EBITDA margin is Adjusted EBITDA divided by net sales.

Year-to-Date 2024 Financial Highlights



- ## YTD 2024 Key Drivers
- 2024 Themes:**
- Sales volumes impacted by soft industry conditions and a normalizing sales cadence
 - Significant margin improvement driven by:
 - Restructuring programs
 - Lean manufacturing & value engineering programs
 - Ongoing cost containment
 - Lower raw material costs

(1) See Appendix for the reconciliation of Adjusted EBITDA to net loss. Adjusted EBITDA margin is Adjusted EBITDA divided by net sales

Balance Sheet & Cash Flow Highlights

Quarter-End Liquidity⁽¹⁾	\$166 million + \$48 million versus 2Q23	<ul style="list-style-type: none"> Substantial financial flexibility at quarter-end, as well as post-Coverstar Central acquisition, to navigate soft industry conditions and opportunistic organic and acquisitive growth initiatives
Net Cash Provided by Operating Activities	\$52.4 million \$17.9 million YTD	<ul style="list-style-type: none"> Includes an additional \$15M benefit from inventory reduction beyond normal seasonality
Capital Expenditures	\$4.5 million \$9.8 million YTD	<ul style="list-style-type: none"> In-line with expected quarterly run-rate of \$5M to invest in efficiency, maintenance, and safety
Net Debt Leverage Ratio⁽²⁾	2.1x Versus 1Q24 at 2.7x	<ul style="list-style-type: none"> Repaid \$19.6 million of our term debt in the first half of the year

(1) Liquidity represents cash plus revolver availability.

(2) Calculated by net debt divided by LTM Adjusted EBITDA for the four quarters ended June 29, 2024 and March 30, 2024. See Appendix for the reconciliation of Adjusted EBITDA to net loss and Net Debt and Net Debt Leverage Ratio to the comparable GAAP measure.

Coverstar Central Acquisition

\$65M Purchase Price – Paid with Cash on Hand	Strong cash generation enabled purchase with internally-generated funds
+\$20M Net Sales, Annualized	Expected increase in annualized Net Sales
+140 bps Adj. EBITDA Margin Expansion, Annualized	Accretive transaction expected to expand Adjusted EBITDA Margin on an annual basis

Revising Full Year 2024 Outlook⁽¹⁾

\$ in millions	2024 Outlook			
	Updated		Original	
	Low	High	Low	High
Net Sales	\$495	\$525	\$490	\$520
Adjusted EBITDA ⁽²⁾	\$75	\$85	\$60	\$70
Capital Expenditures	\$18	\$22	\$18	\$22

Reflects

- Maintaining forecast of a ~15% decline in new in-ground pool installations in 2024;
- Increasing revenue guidance by \$5M for an expected 5-month contribution from the Coverstar Central acquisition; and
- Increasing Adjusted EBITDA guidance by \$15M – \$12M of benefit from ongoing lean manufacturing, value engineering, and cost containment programs, and \$3M of expected contribution from Coverstar Central.

(1) Represents guidance given by the Company as of August 6, 2024. These are forward-looking statements. See "Forward-Looking Statements" on page 2 of this presentation.

(2) A reconciliation of Latham's projected Adjusted EBITDA to net loss is not available without unreasonable effort due to uncertainty related to our future income tax expense.



Latham: A Compelling Long-term Growth Story



Serving a large and attractive market benefitting from fiberglass market share gains



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

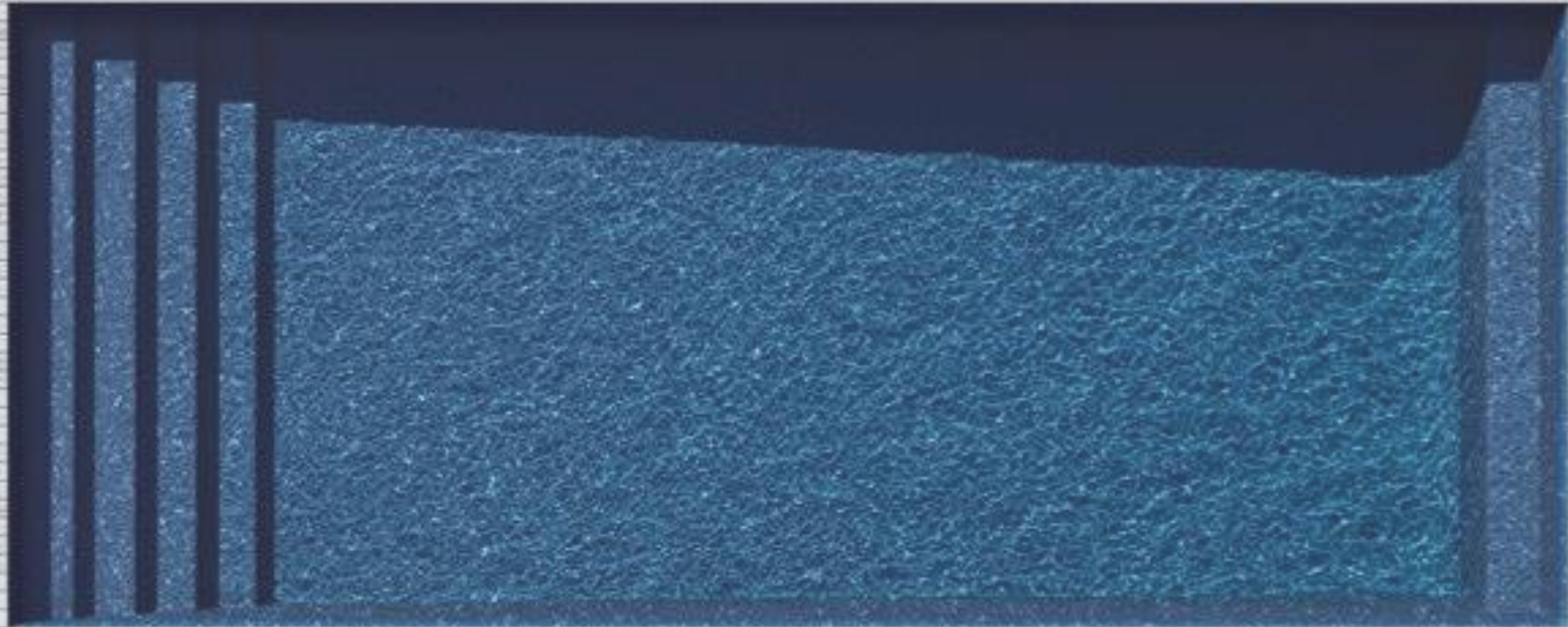


Multiple levers to continue to drive efficiencies



Positioned for accelerated, profitable growth as pool industry rebounds

Q&A



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Appendix

Non-GAAP Reconciliations

Adjusted EBITDA and Adjusted EBITDA Margin

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
(in thousands)				
Net income (loss)	\$ 13,279	\$ 5,715	\$ 5,415	\$ (8,653)
Depreciation and amortization	10,593	10,026	20,967	19,284
Interest expense, net	6,013	4,486	10,995	15,290
Income tax expense	442	4,884	974	1,956
Loss on sale and disposal of property and equipment	65	5	77	13
Restructuring charges ^(a)	47	278	365	797
Stock-based compensation expense ^(b)	2,100	5,764	3,343	12,533
Unrealized losses (gains) on foreign currency transactions ^(c)	806	(1,198)	2,390	(468)
Strategic initiative costs ^(d)	851	935	1,974	2,002
Acquisition and integration related costs ^(e)	375	—	375	11
Odessa fire ^(f)	—	93	—	(771)
Other ^(g)	(93)	11	(105)	38
Adjusted EBITDA	\$ 34,478	\$ 30,999	\$ 46,770	\$ 42,032
Net sales	\$ 160,122	\$ 177,128	\$ 270,751	\$ 314,847
Net income (loss) margin	8.3%	3.2%	2.0%	(2.7)%
Adjusted EBITDA margin	21.5%	17.5%	17.3%	13.3%

(a) Represents costs related to a cost reduction plan that includes severance and other costs for our executive management changes and additional costs related to our cost reduction plans, which include further actions to reduce our manufacturing overhead by reducing headcount in addition to facility shutdowns.

(b) Represents non-cash stock-based compensation expense.

(c) Represents unrealized foreign currency transaction losses associated with our international subsidiaries.

(d) Represents fees paid to external consultants and other expenses for our strategic initiatives.

(e) Represents acquisition and integration costs, as well as other costs related to potential transactions.

(f) Represents costs incurred and insurance recoveries related to a production facility fire in Odessa, Texas.

(g) Other costs consist of other discrete items as determined by management, primarily including: (i) fees paid to external advisors for various matters and (ii) other items.

Non-GAAP Reconciliations

Net Debt and Net Debt Leverage Ratio

(in thousands)	<u>June 29, 2024</u>	<u>March 30, 2024</u>
Total debt	\$ 282,361	\$ 282,781
Less:		
Cash	<u>(90,768)</u>	<u>(43,811)</u>
Net Debt	191,593	238,970
LTM Adjusted EBITDA ^(a)	<u>92,763</u>	<u>89,285</u>
Net Debt Leverage Ratio	2.1x	2.7x

(a) LTM Adjusted EBITDA is the sum of the Company's Adjusted EBITDA for the four quarters ended June 29, 2024 and March 30, 2024, respectively. See Appendix for the reconciliation of Adjusted EBITDA to net income (loss).