latham

The Pool Company

Q3 2021 EARNINGS CALL

NOVEMBER 10, 2021

SWIM | Nasdaq Listed

DISCLAIMER

Forward-looking Statements

Some of the statements contained in this presentation are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are generally identified by the use of words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will," "would" and, in each case, their negative or other various or comparable terminology. These forward-looking statements reflect our views with respect to future events as of the date of this release and are based on our management's current expectations, estimates, forecasts, projections, assumptions, beliefs and information. Although management believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. All such forward-looking statements are subject to risks and uncertainties, many of which are outside of our control, and could cause future events or results to be materially different from those stated or implied in this document. It is not possible to predict or identify all such risks. These risks include, but are not limited to: 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; general economic conditions and uncertainties affecting markets in which we operate and economic volatility that could adversely impact the Company's business, including the COVID-19 pandemic; changes in access to consumer credit or increases in interest rates impacting consumers' ability to finance their purchases of pools; the impact of weather on the Company's business; the Company's ability to attract new customers and retain existing customers; the Company's ability to sustain further growth and to manage it effectively; the ability of the Company's suppliers to continue to deliver the quantity or quality of materials sufficient to meet the Company's needs to manufacture the Company's products; the availability and cost of third-party transportation services for the Company's products and raw materials; product quality issues; the Company's ability to successfully defend litigation brought against the Company; the Company's ability to adequately obtain, maintain, protect and enforce the Company's intellectual property and proprietary rights and claims of intellectual property and proprietary right infringement, misappropriation or other violation by competitors and third parties; failure to hire and retain qualified employees and personnel; exposure to risks associated with international sales and operations, including foreign currency exchange rates, corruption and instability; security breaches, cyber-attacks and other interruptions to the Company's and the Company's third-party service providers' technological and physical infrastructures; catastrophic events, including war, terrorism and other international conflicts, public health issues or natural catastrophes and accidents; risk of increased regulation of the Company's operations, particularly related to environmental laws and other risks, uncertainties and factors described under the section titled "Risk Factors" in the registration statement on Form S-1 filed with the U.S. Securities and Exchange Commission (the "SEC") by the Company, as well as other filings that the Company will make with the SEC, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this presentation and in other filings. We expressly disclaim any obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

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) and Adjusted EBITDA margin, which 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. 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 to the applicable most comparable GAAP measure, net income, throughout this presentation.

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 and to compare our performance against that of other companies using similar measures. 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 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 on sale and disposal of property and equipment, (v) restructuring charges, , (vi) stock-based compensation, (vii) unrealized (gains) losses on foreign currency transactions, (viii) strategic initiative costs, (ix) acquisition and integration related costs, (x) other and (xi) IPO costs.

Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures and should not be considered as alternatives to net income 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 following this offering, 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 equity compensation, which will remain a key element of our overall equity-based 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.

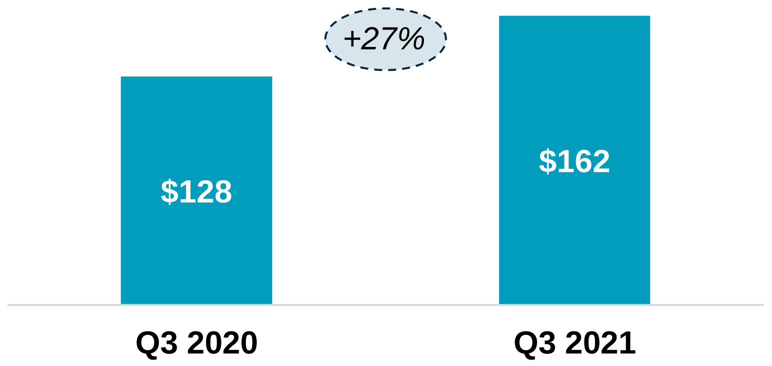
Although depreciation and amortization are eliminated in the calculation of Adjusted EBITDA and Adjusted EBITDA margin, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA and Adjusted EBITDA margin do not reflect any costs of such replacements.

Q3 2021 | QUARTERLY RESULTS

- **Record Q3 Sales**
  - Net sales rose 27% to $162 million
  - Growth achieved despite supply chain disruptions, particularly in fiberglass pools
  - Orders continue to grow across the product lines with the most aggressive growth in Fiberglass
- **Adjusted EBITDA rose modestly vs. prior year**
  - Adjusted EBITDA rose 3% to $36 million
  - Flow through from sales growth hampered by supply chain disruptions, especially for the resin used in fiberglass pools
  - Additional resin supply now on line in Q4 with further sources expected in 2022

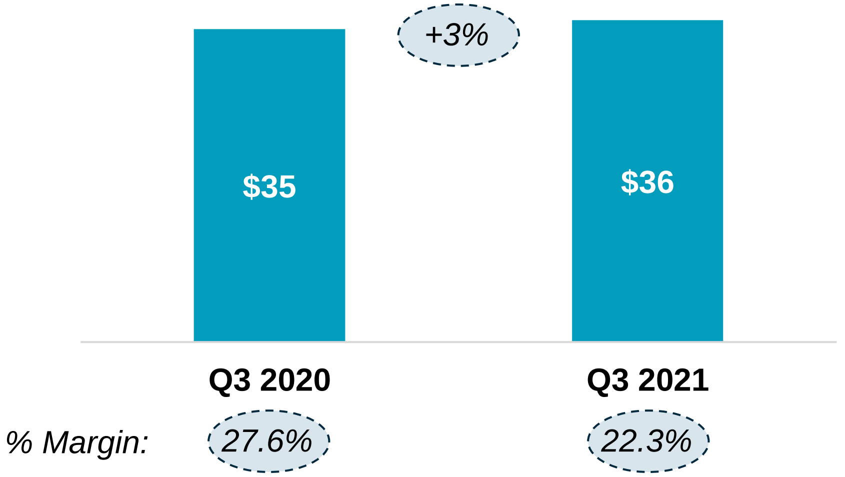
Net Sales

($ IN MILLIONS)



Adjusted EBITDA [1]

($ IN MILLIONS)



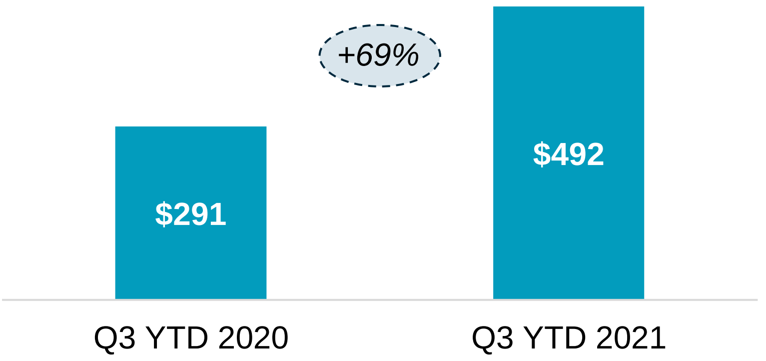
Note:
1. See Appendix for the reconciliation of Adjusted EBITDA to net (loss) income. Adjusted EBITDA margin is Adjusted EBITDA divided by net sales.

Q3 2021 | YEAR-TO-DATE RESULTS

- **Q3 YTD Sales Growth**
  - Net sales rose 69% to $492 million
    - $201 million of sales growth vs. prior year
  - Reaffirm 2021 full year outlook of $600 million to $620 million in net sales
- **Strong Q3 YTD Adjusted EBITDA Growth**
  - Adjusted EBITDA rose 70% to $113 million
    - $46 million of Adjusted EBITDA growth vs. prior year
  - Reaffirm 2021 full year outlook of $130 million to $138 million in Adjusted EBITDA

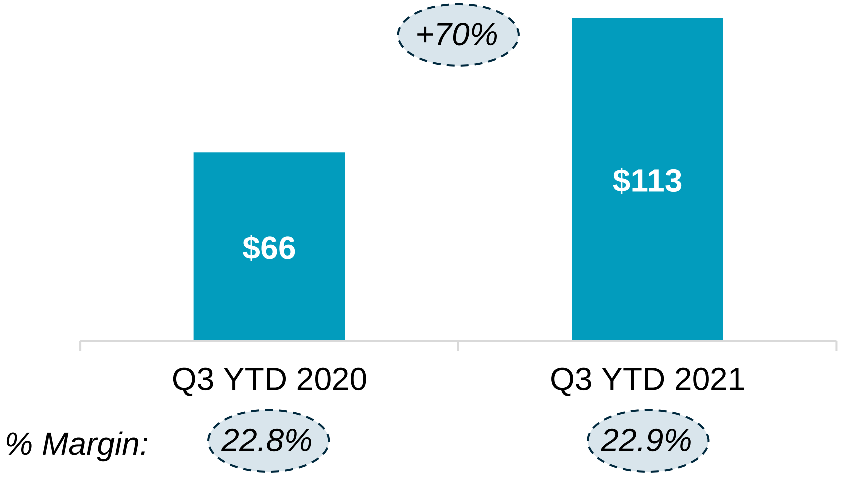
Net Sales

($ IN MILLIONS)



Adjusted EBITDA [1]

($ IN MILLIONS)



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

RESIN SHORTFALL

2021 Raw Material Supply Challenge

March	June	July	3Q
Deep freeze in TX leads to prolonged disruption in resin supply	Shortages in resin inputs (Epoxy and methyl acrylic acid "MAA") further limit resin supply	Resin inputs remain reduced with equipment issue at upstream supplier of MAA	Ongoing MAA shortages, Hurricane Ida, and logistics challenges magnify and prolong resin shortages

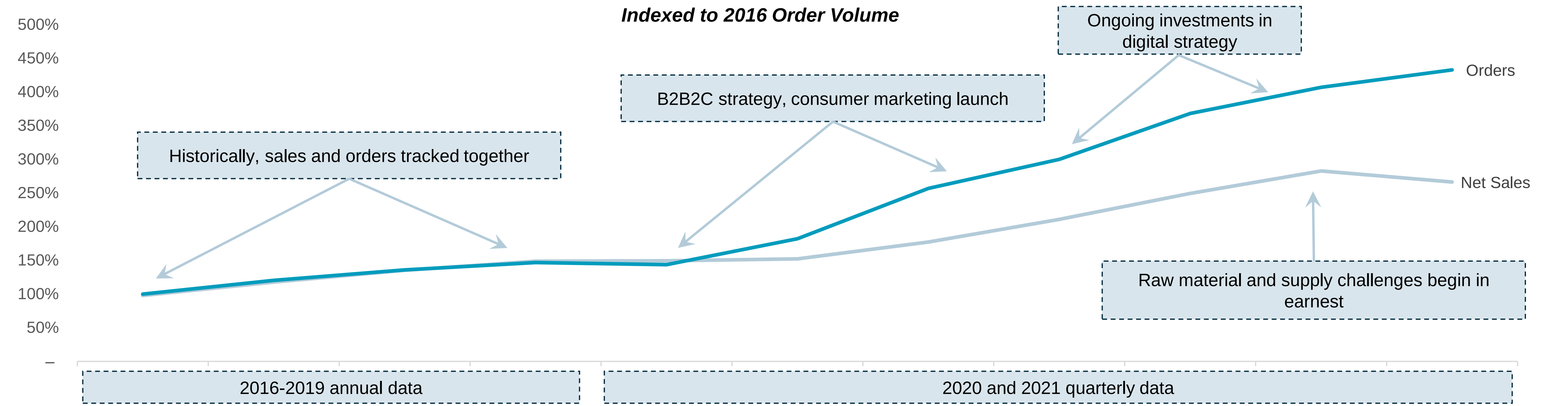
- **Resin shortfall mitigated profit flow through from record sales**
  - Negative margin mix shift from fewer fiberglass sales
  - Manufacturing inefficiencies and fixed cost deleverage
  - Timing gap between raw material inflation and pricing actions

Response

- **Secure additional sources of resin supply**
  - New source now on line in Q4
  - Additional source expected in Q1 2022
  - Current suppliers working to increase their shipments
  - Further supply sources being developed
- **Improve fiberglass yields**
  - Secure maximum production from available supply
  - Lower cost of production
- **Increase Latham's supply storage capacity for key materials to mitigate any future supply issues**

U.S. FIBERGLASS DEMAND EXCEEDS CURRENT SUPPLY

LTM Fiberglass Orders and Sales [1]



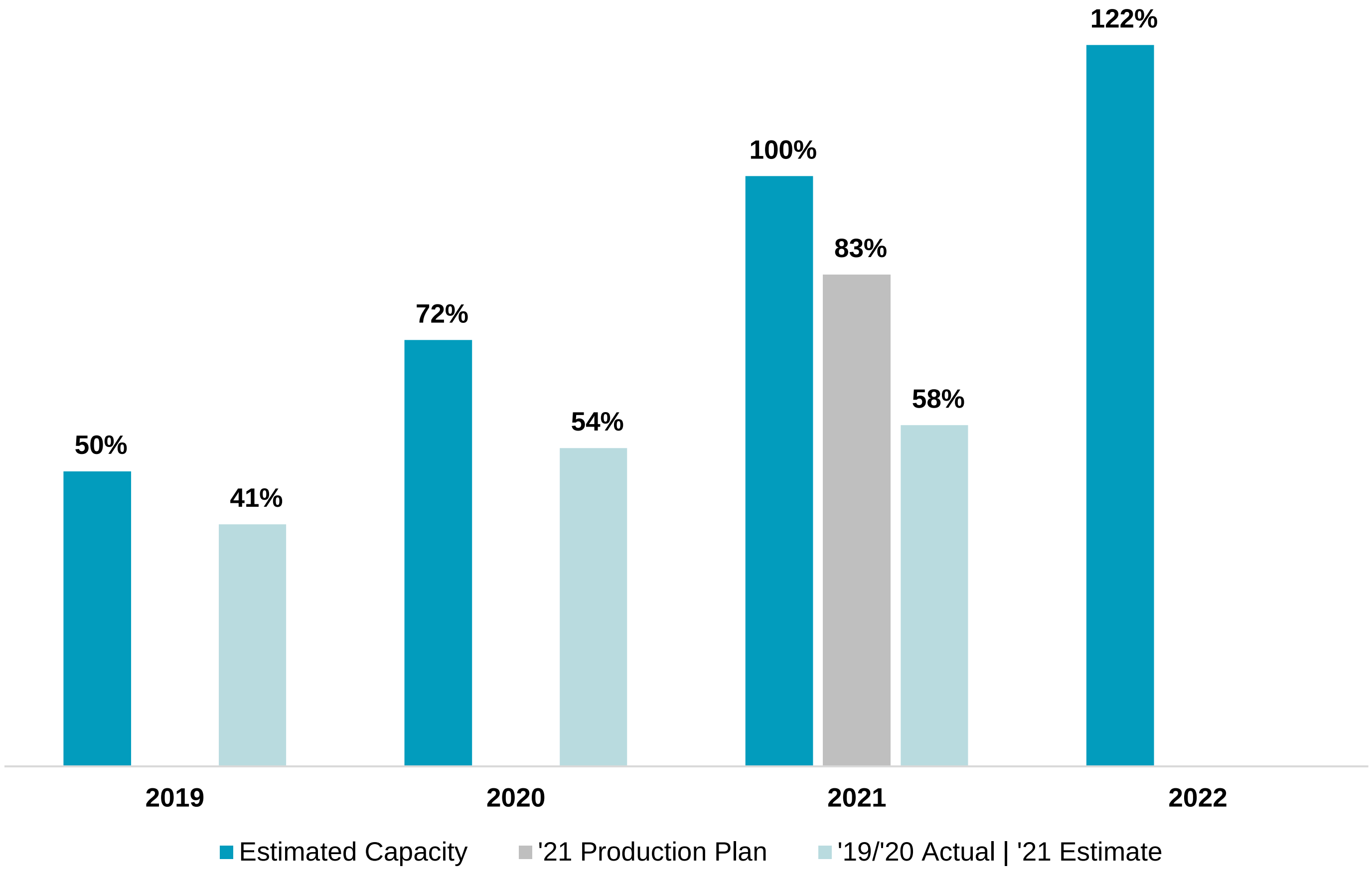
- Although resin shortages have extended lead times and driven higher consumer prices, homeowner demand is growing
- Our purchase-ready lead volume is increasing our orders and the size of our fiberglass backlog, which positions us to sell everything that we can produce far into 2022

Note:
1. Represents North American Latham Classic Fiberglass orders and sales.

NORTH AMERICAN FIBERGLASS CAPACITY[1]

Fiberglass Capacity and Production [1]

Indexed to 2021 Unconstrained Capacity



Commentary

- **Despite strong homeowner demand, resin shortfall will limit 2021 North American fiberglass production to just ~58% of capacity**
- **Latham expects to have the manufacturing capacity to more than double fiberglass production in 2022**
  - Increased capacity in 8 of our 9 North American fiberglass facilities since 2020
  - Kingston, Canada greenfield will serve Eastern Canada, the Northeast U.S., and the Upper Midwest U.S. beginning in 2023
- **The Company is adding operations employees to meet the demand opportunity**
  - Concerted effort to retain operations employees through the resin shortfall despite impact to the P&L
  - Adding and training operations talent to be ready for increased resin supply

Note:
1. Represents historical actuals and management estimates for North American Fiberglass capacity and production. Excludes impact of Kingston facility, which is not expected to begin production until 2023.

PRICING VS. INFLATION

- **Latham made a strategic decision not to fully raise pricing on our fiberglass order backlog**
    - Protect our dealer partners
    - Continue to build the brand
    - Confirm the market’s positive view on fiberglass
- **Additional fiberglass pricing has now been implemented**
- **Price protecting the backlog opened a gap between the material inflation associated with supply issues and when the additional pricing took effect**
    - Gap was a leading driver of gross margin compression in Q3’21 and year-to-date results
    - Gap opened in Q2’21, increased in Q3’21, and is expected to narrow as we move forward
- **Pricing taken will reverse this gross margin compression moving forward and allow gross margins to resume their upward trajectory as we move through 2022**
    - Fiberglass gross margins will improve
    - Further boost from a higher mix of sales from fiberglass

STRATEGIC INITIATIVES UPDATE

Digital and Brand Initiatives

- “Go To” resource for homeowners
- Generate purchase-ready leads for dealer partners
- Driving down cost per lead

Product Portfolio

- Investing in all 3 of our product lines
- Significant expansion of our fiberglass capacity across North America
- Expand industry’s broadest catalogue of fiberglass molds

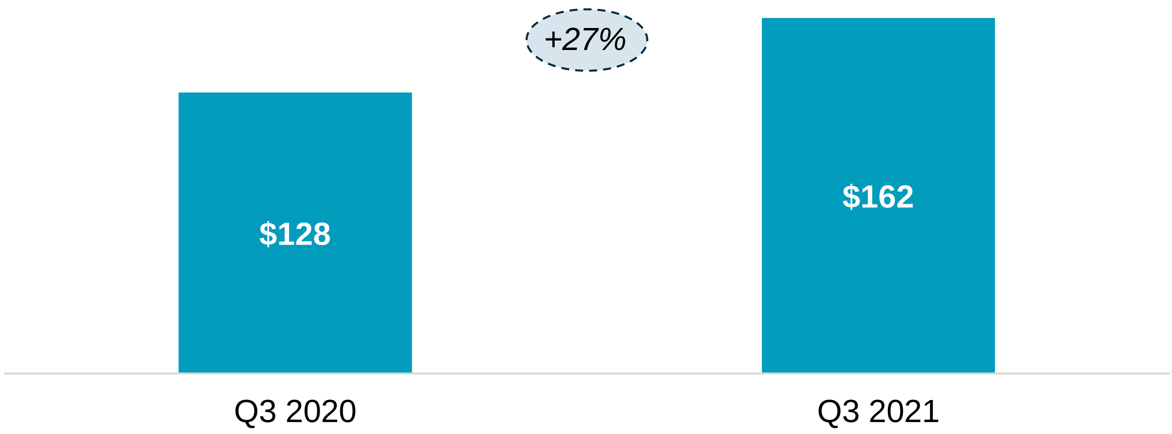
Dealer Partners

- Increase production across all our product lines, especially fiberglass
- Increase the volume of purchase-ready orders
- Enhance training and one-on-one support

Q3 2021 FINANCIAL PERFORMANCE

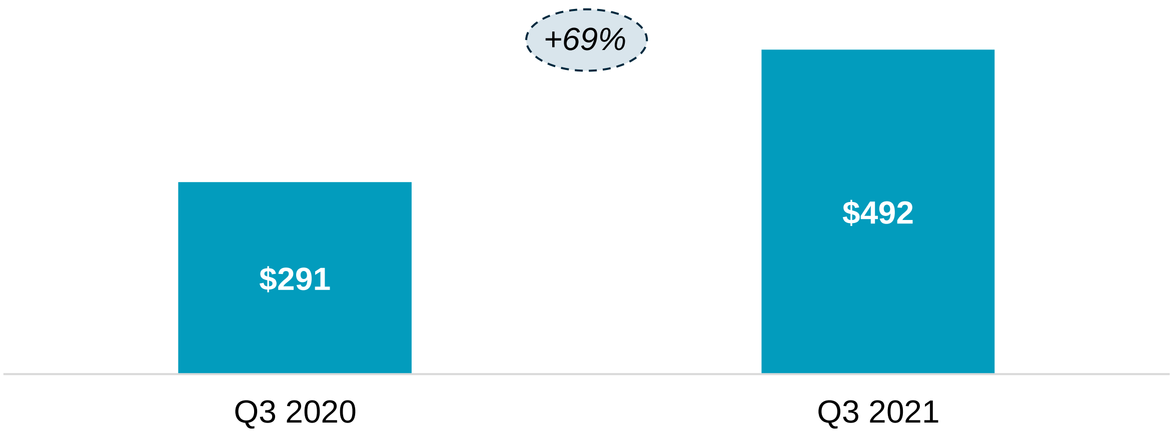
Q3 Net Sales

($ IN MILLIONS)



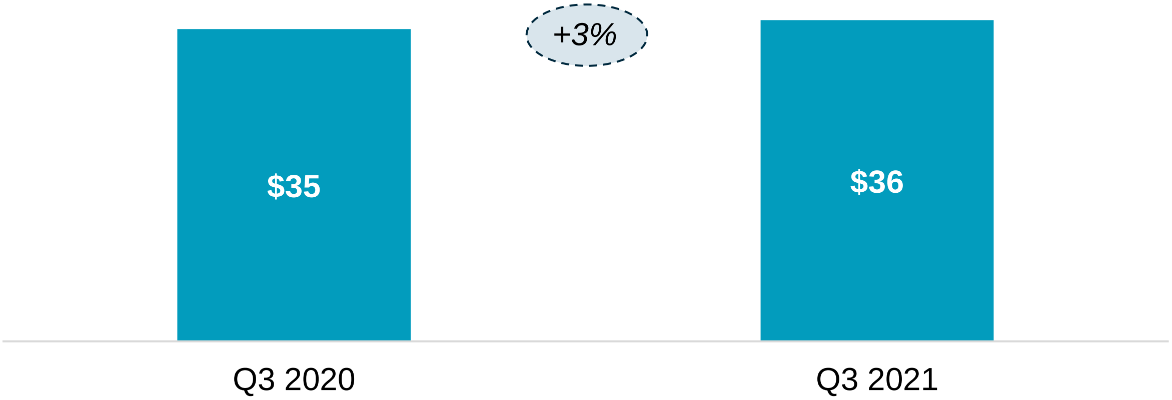
Q3 YTD Net Sales

($ IN MILLIONS)



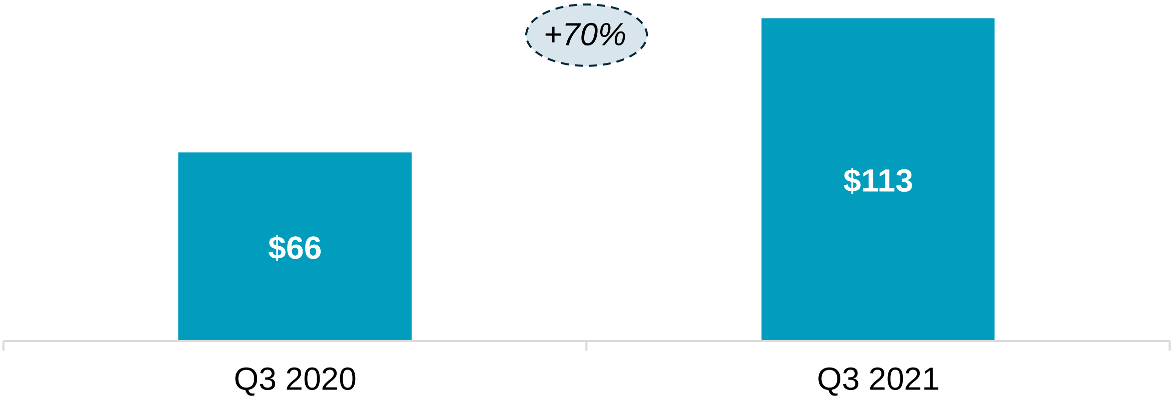
Q3 Adjusted EBITDA (1)

($ IN MILLIONS)



Q3 YTD Adjusted EBITDA (1)

($ IN MILLIONS)



% Margin: *27.6%* *22.3%* *22.8%* *22.9%*

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

2021 FINANCIAL OUTLOOK

Fiscal 2021 Outlook [1]	Three to Five Year Targets [2]
Net Sales $600 million to $620 million	**Annual Net Sales Growth** 10% to 12%
Adjusted EBITDA $130 million to $138 million	**Adjusted EBITDA Growth** 12% to 15%
Capital Expenditures* $24 million to $28 million	**Adjusted EBITDA margin** +500 Bps

**Capital Expenditures represents a reduction from prior guidance of $28 million to $36 million*

Key Drivers:

- Consumer demand continues to remain strong
- We will increase fiberglass pool production because of our new source for resin, though will need still more to satisfy all homeowner demand
- Ongoing improvements in productivity paired with the impact of already-taken pricing actions improves profit trajectory

Key Drivers:

- Our consumer-driven strategy, as evidenced by our proven ability to generate sales qualified leads
- Material conversion from concrete to manufactured pools, particularly fiberglass
- Latham's capacity investments
- Our disciplined approach to price and cost management

The full impact of our (a) commercial organization momentum, (b) ongoing progress in overcoming supply chain disruptions, and (c) the financial impact of 2021's price actions will be laid out in our 2022 guidance after the close of the current fiscal year

Note:

1. *Represents guidance given by the Company as of November 10, 2021. 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.*
2. *These are goals/targets and are not projections. These are forward-looking statements, which are subject to significant business, economic, regulatory and competitive uncertainties and contingencies, many of which are beyond the control of the Company and its management, and are based upon assumptions with respect to future decisions, which are subject to change. Actual results will vary and those variations may be material. Nothing in this presentation should be regarded as a representation by any person that these goals/targets will be achieved. See "Forward-looking statements" on page 2 of this presentation.*

Q&A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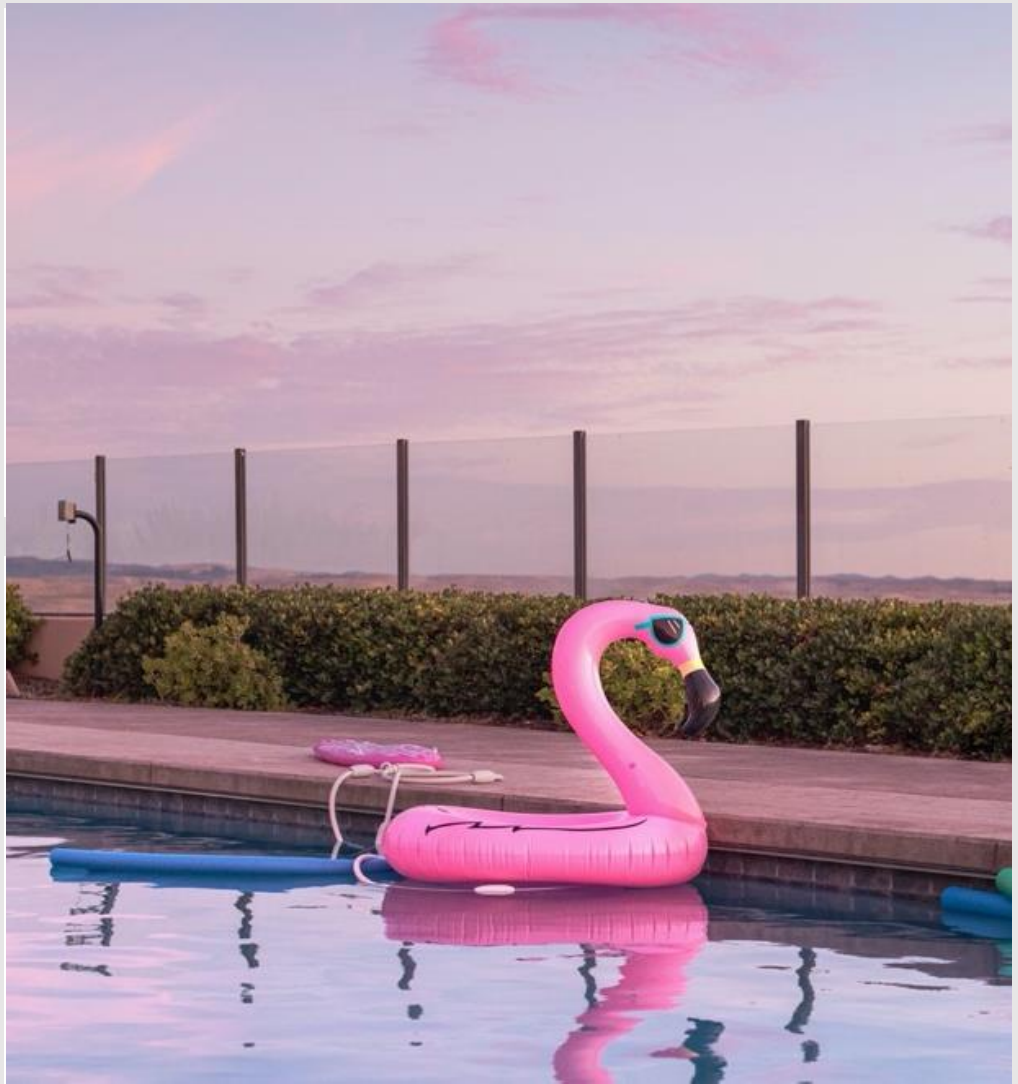

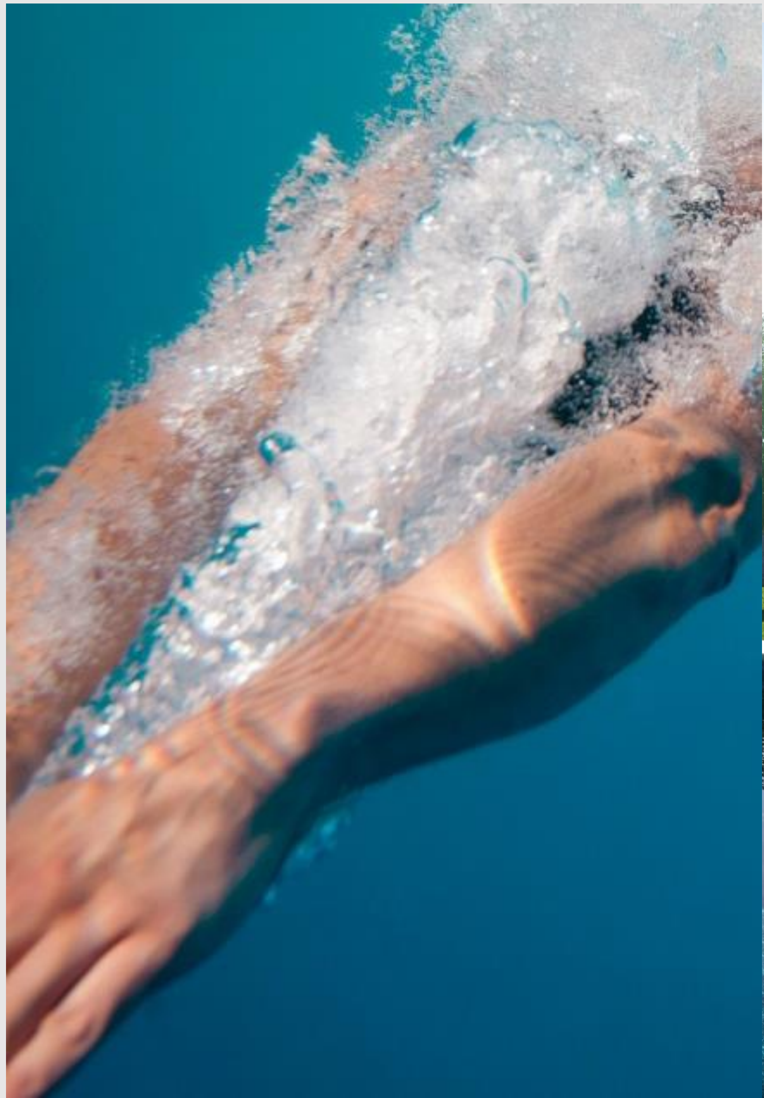


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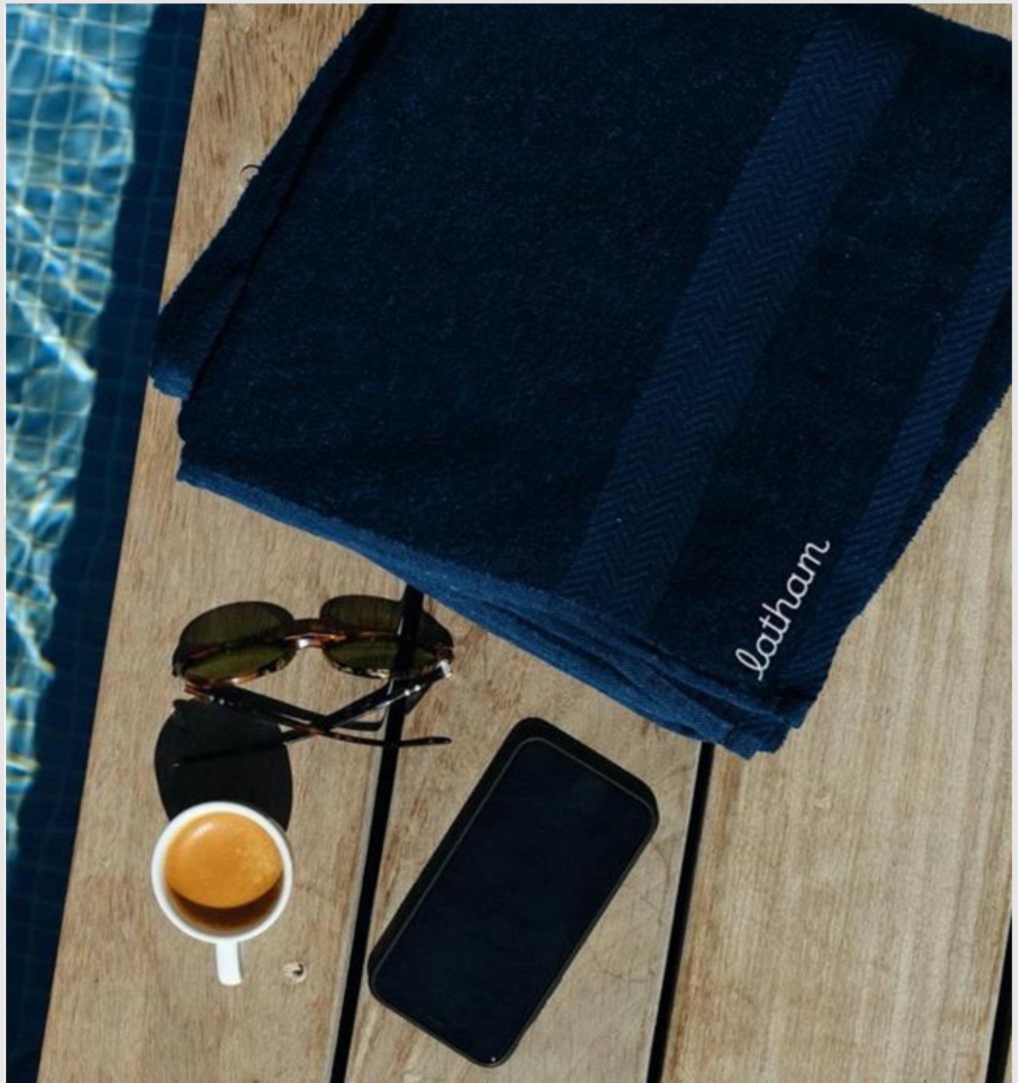
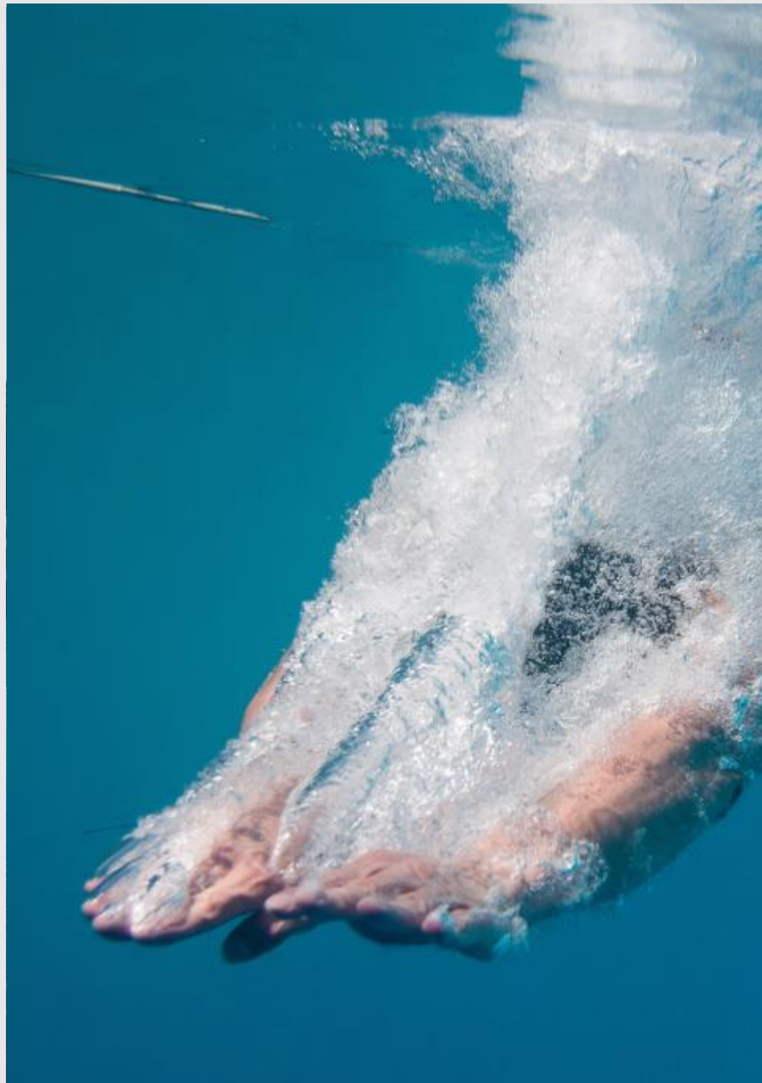
APPENDIX





NON-GAAP RECONCILIATIONS

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Net (loss) income	$ (11,296)	$ 17,740	$ (56,361)	$ 18,703
Depreciation and amortization	8,019	5,852	23,689	17,461
Interest expense	4,271	3,992	20,843	13,633
Income tax expense	7,807	5,811	15,908	8,251
Loss on sale and disposal of property and equipment	38	211	225	211
Restructuring charges(a)	376	199	783	832
Stock-based compensation (b)	27,603	978	104,578	1,442
Unrealized (gains) losses on foreign currency transactions(c)	1,740	(1,377)	948	1,188
Strategic initiative costs(d)	778	1,148	1,154	3,697
Acquisition and integration related costs(e)	306	34	378	272
Other(f)	(3,535)	563	(3,626)	671
IPO costs(g)	-	-	3,956	-
Adjusted EBITDA	$ 36,107	$ 35,151	$ 112,475	$ 66,361
Net sales	161,957	127,512	491,592	291,468
Net (loss) income margin	(7.0%)	13.9%	(11.5%)	6.4%
Adjusted EBITDA margin	22.3%	27.6%	22.9%	22.8%

(a) Represents severance and other costs for our executive management changes.

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

(c) 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 Group Pty Limited and its subsidiaries, which was settled in September 2020.

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

(e) Represents acquisition and integration costs primarily related to the acquisition of GLI, the equity investment in Premier Pools & Spas, as well as other costs related to potential transactions.

(f) 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) costs incurred in response to the COVID-19 pandemic, offset by government grants received in the United States, Canada and New Zealand and (iv) gain on sale of equity method investment.

(g) Represents items management believes are not indicative of ongoing operating performance. These expenses are primarily composed of legal, accounting and professional fees incurred in connection with the IPO that are not capitalizable, which are included within selling, general and administrative expense.