



latham

The Pool Company

Q2 2022 EARNINGS CALL

AUGUST 11, 2022

SWIM | Nasdaq Listed

Disclaimer

Forward-looking Statements

Certain 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. In addition, our management may from time to time make oral forward-looking statements. All statements, other than statements of historical facts, are forward-looking statements. 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 and inflation; the impact of the war between the Russian Federation and Ukraine, including the impact of sanctions imposed by Western governments; 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, including the ability to generate additional potential sales leads for our dealers and the ability to convert leads generated into ultimate sales of products to consumers; 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; fluctuations in our operating results; inability to compete successfully against current and future competitors; and other risks, uncertainties and factors described under the section titled "Risk Factors" in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings filed with the U.S. Securities and Exchange Commission (the "SEC") by the Company, as well as other filings that the Company will make, or has made, with the SEC. 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 update or review publicly any forward-looking statements, whether as a result of new information, future events 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, 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 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) other, (xii) underwriting fees related to offering of common stock, (xiii) Odessa fire and (xiv) 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 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 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.



Q2 / 1H 2022 Highlights

Q2 2022

NET SALES

(\$ IN MILLIONS)

+14%

\$181

\$207

Q2 2021

Q2 2022

ADJUSTED EBITDA¹

(\$ IN MILLIONS)

+14%

\$43

\$49

Q2 2021

Q2 2022

1H 2022

NET SALES

(\$ IN MILLIONS)

+21%

\$330

\$398

1H 2021

1H 2022

ADJUSTED EBITDA¹

(\$ IN MILLIONS)

+27%

\$76

\$97

1H 2021

1H 2022

- Continued topline growth driven by favorable price and strength of fiberglass, liners and covers segments; offset by softening volume of in-ground pools driven by packaged pools
- Strengthened supply chain and improved product lead times
- Significant investment to expand fiberglass production capacity
- Improving dealer productivity and installation capacity through robust Latham training programs
- Augmented strong fiberglass backlog with incremental investment in online lead generation
- Executed a buyback of \$15 million in the second quarter
- Published inaugural Environmental, Social and Governance report

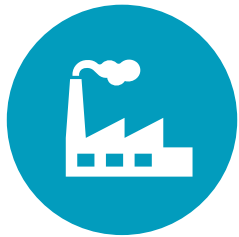


Note:

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

Q2 2022 Operational Achievements

Q2 was another quarter of sequential operational improvements, and we are well-positioned from a manufacturing and supply chain perspective for 2H22



Improved North American Fiberglass Production

- 14% growth quarter-over-quarter and 30% year-to-date growth
- Continued progress working through fiberglass order backlog
- Improved lead times
- Construction of Kingston, Canada facility in full swing



Progress on Raw Material Challenges

- Taken significant steps to resolve temporary flake shortage
- Flake shortage had minimal impact on Q2 2022 results; anticipated to be fully resolved by the end of Q3 2022

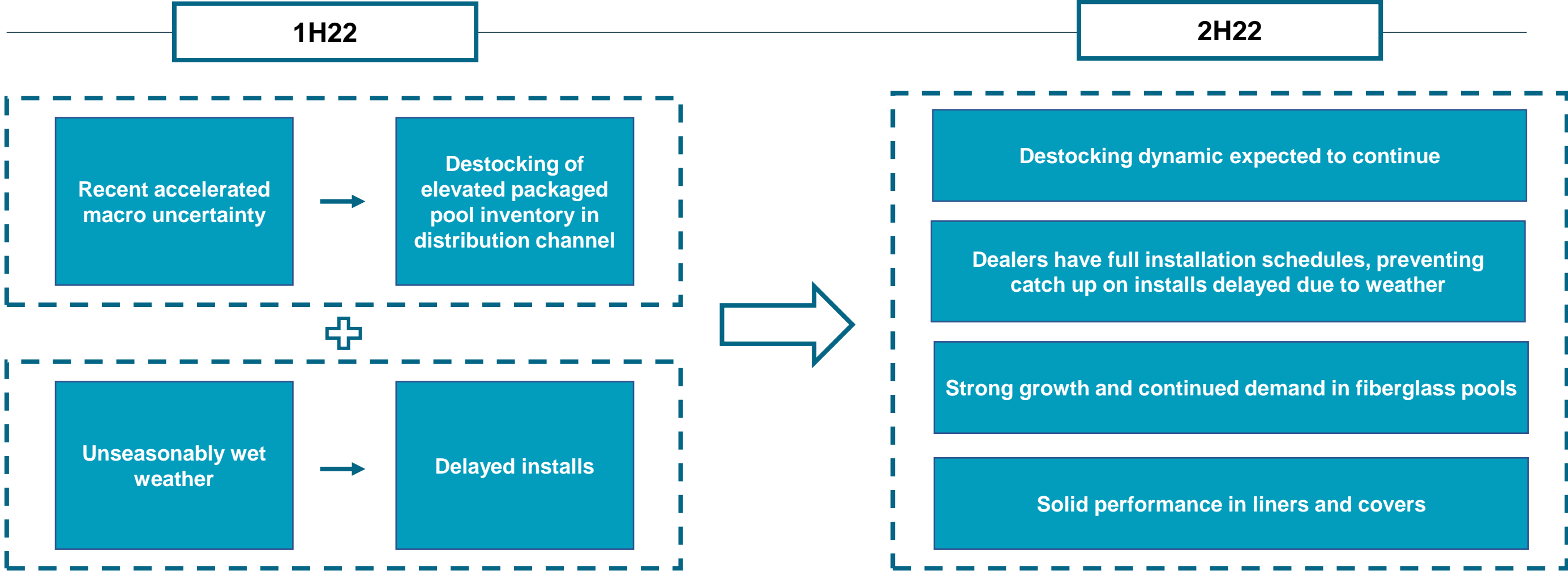


Streamlined Operations

- Improved service levels across the business
- Lead times for our non-fiberglass products have returned to historic levels
- Shifted all production affected by the fire at our Odessa facility to other sites with minimal impact to sales



Resetting Fiscal 2022 Guidance



Updated Guidance to Implies Year-over-Year Net Sales Growth of 19% to 22% and Year-over-Year Adjusted EBITDA Growth of 18% to 25%¹



Note:
 1. Represents guidance given by the Company as of August 11, 2022. 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.

Fiberglass Conversion Provides Significant Runway for Growth

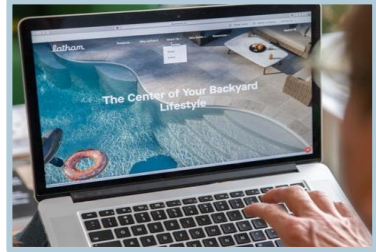


- 1 Premium quality and exceptional design**
With impressive strength that outperforms concrete and our proprietary stunning finishes, our fiberglass pools are the most durable and attractive swimming pools in the market
- 2 Less chemicals, saltwater friendly**
The smooth, non-porous finish of fiberglass eliminates the need for harsh chemicals. It also allows you to opt for an eye and skin-friendly, saltwater pool, without concerns of saltwater corrosion
- 3 Lower cost: now and for a lifetime**
Fiberglass pools cost less and have lower repair expenses, compared to concrete. No more worrying about cracks, tears, mold and refinishing
- 4 Buy today, swim tomorrow**
Fiberglass pools can be installed in less than one week, and in some cases, one day, compared to three months for some concrete pools. Rapid installation means less time managing a construction site and more time swimming
- 5 Built to last**
Your Latham pool is guaranteed for a lifetime. Say goodbye to re-finishing and resurfacing concrete pools



Digital Initiatives Remain a Key Differentiator

SUITE OF DIGITAL ASSETS



LAUNCHED IN 2019,
OUR NEW WEBSITE
HAS US ON TOP OF
SEARCH RESULTS



AR
VISUALIZER



LINER
VISUALIZER



MY
LATHAM

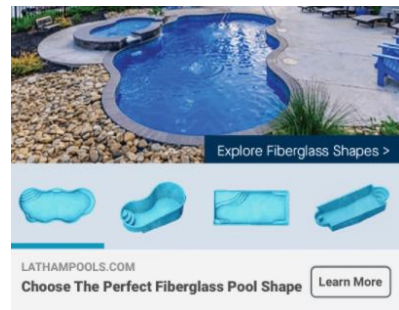


POOL COST
ESTIMATOR



OUR POOL-SHOPPING APPS
ARE CHANGING THE WAY
PURCHASES ARE MADE

LEAD ENGINE



OUR NEW LEAD ENGINE DROVE
~30K LEADS TO DEALERS IN
2021

Lead engine is delivering purchase-ready leads

- Lead generation engine continues to improve the quality and quantity of leads for our dealer partners
- Implemented new lead qualification program to nurture leads as prospects by leveraging our MyLatham platform and leading market automation software
- Began activating new regional campaigns in May for major markets where Latham dealers have installation capacity, and our manufacturing plants have production capacity
- New rounds are planned for the back half of the year, with national campaigns, organic content and SEO in sync with these efforts

1st Week of
Activation



Leads increased **25%**

2nd Week of
Activation



Leads increased **76%**

8th Week of
Activation



Produced approximately the **same number of leads** as generated in the **first 20 weeks of the year**



Inaugural ESG Report

- On July 6, 2022, Latham published the release of our inaugural Environmental, Social and Governance report
- This is just the first step in our efforts to set clear goals, measure progress and increase transparency of Latham's environmental impacts, social outcomes and business practices
- **Highlights:**
 - Reduced wastewater from our plants to zero
 - Recycle all vinyl and steel scrap. In 2020, this prevented 3,916,763 lb of vinyl waste and 2,817,638 lb of steel waste going to landfill
 - Distributed over 18,000 water safety resources with our pools in 2021
 - Sponsor of the National Drowning Prevention Alliance
 - Sold over 175,000 automatic safety covers and 200,000 safety covers, helping to keep family members and pets safe from harm in the last 10 years



Resilient Pool Market Underpinned by R&R

HOMEOWNER TRENDS

- Pool ownership has highest ranked customer satisfaction
- Generational shift in spending from indoor to outdoor
- Meaningful migration to suburban areas from urban areas as well as southern states where pool ownership is higher

...DRIVING POOL MARKET GROWTH...

- Consumers show a significant increase in pool interest, supporting demand expansion
- Homeowners are purchasing many add-ons including high quality finishes, spillover spas and tanning ledges, multiple in pool features, and automatics safety covers

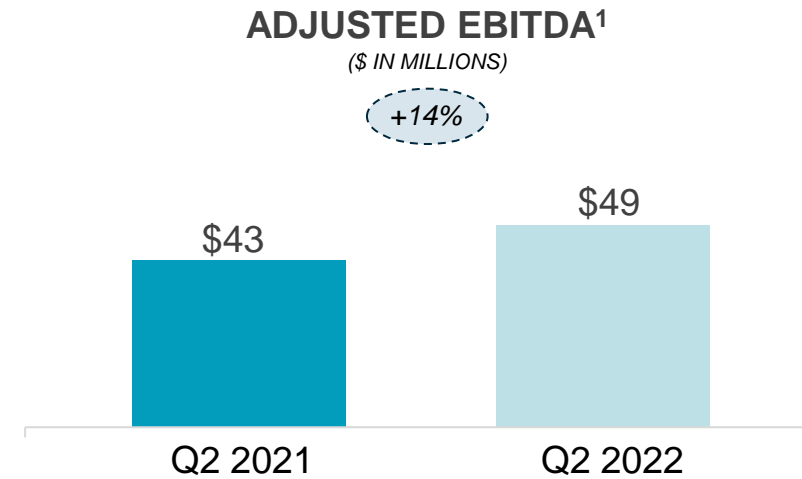
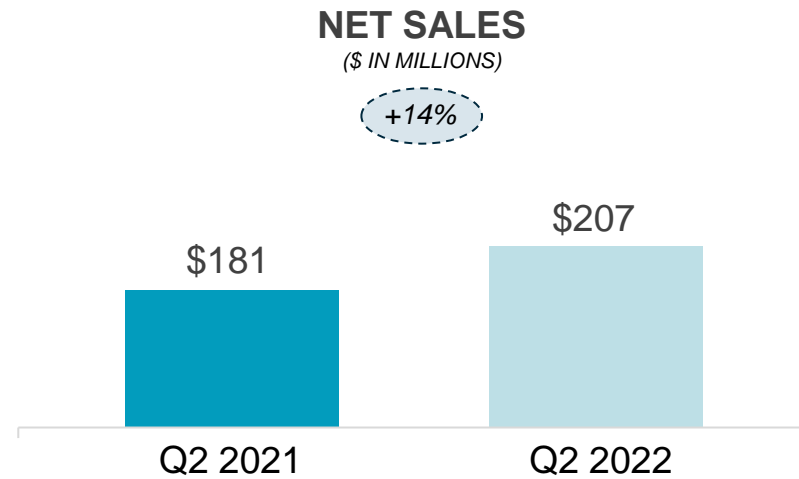
...WHILE INDUSTRY CAPACITY REMAINS CONSTRAINED

- Primary limitation on industry is installation labor availability, which fiberglass helps to alleviate
- We are the leader in our industry with unmatched manufacturing capacity that would be expensive and timely to duplicate
- Sub-scale competitors lack sufficient headroom on their permits to grow alongside the market

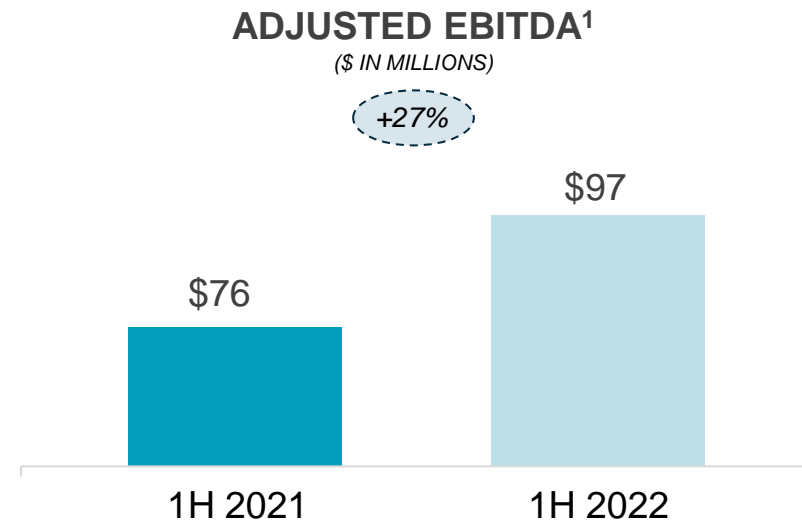
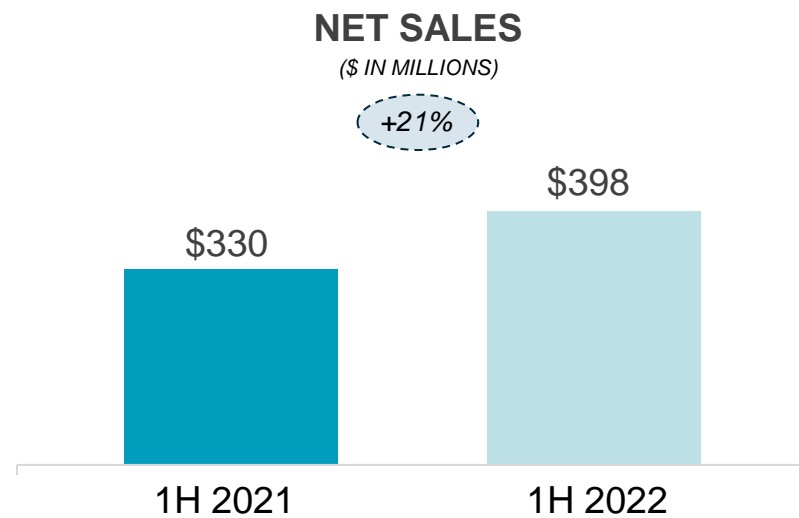


Q2 / 1H 2022 Financial Highlights

Q2 2022



1H 2022



Note:

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



Capital Allocation Priorities

Capital Philosophy:

Maintaining the ability to execute on our strategic growth objectives through the cycle to maximize value for our shareholders

Reinvesting in the business to enhance future growth opportunities

Selective tuck in M&A and business development investments

Paying down debt

Returning capital to shareholders



Financial Outlook

FISCAL 2022 OUTLOOK¹

Net Sales
\$750 million to \$770 million

Adjusted EBITDA
\$165 million to \$175 million

Capital Expenditures
\$40 million to \$50 million

Key Drivers in 2H 2022:

- Lower than expected in-ground pool sales, primarily driven by softness in packaged pool line
 - Distribution channel inventory reduction
 - Weather impact on installation schedules
- Robust fiberglass pools sales growth and strong performance in liners and covers business segments
 - Continued consumer interest and investment in the backyard
 - Fiberglass pool share gains accelerated by Latham's investment in online lead generation

THREE TO FIVE YEAR TARGETS²

Net Sales Growth
10% to 12%

Adjusted EBITDA Growth
12% to 15%

Adjusted EBITDA Margin
+500 bps

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

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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.



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

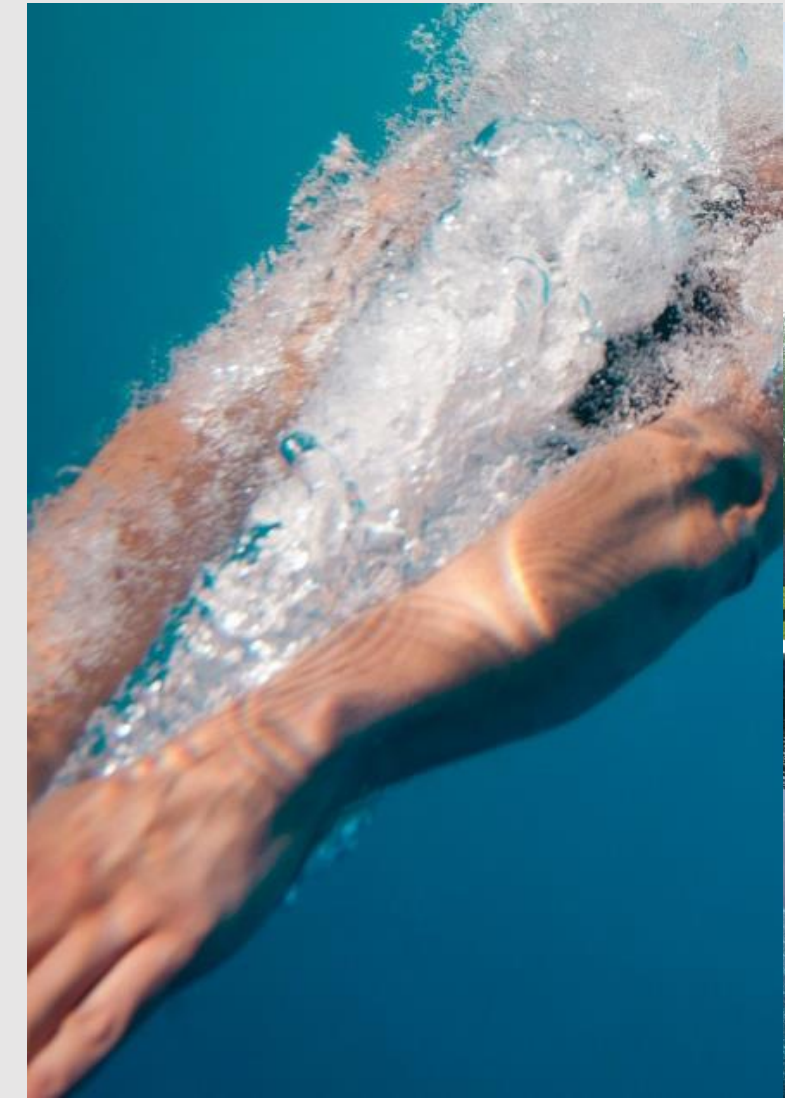
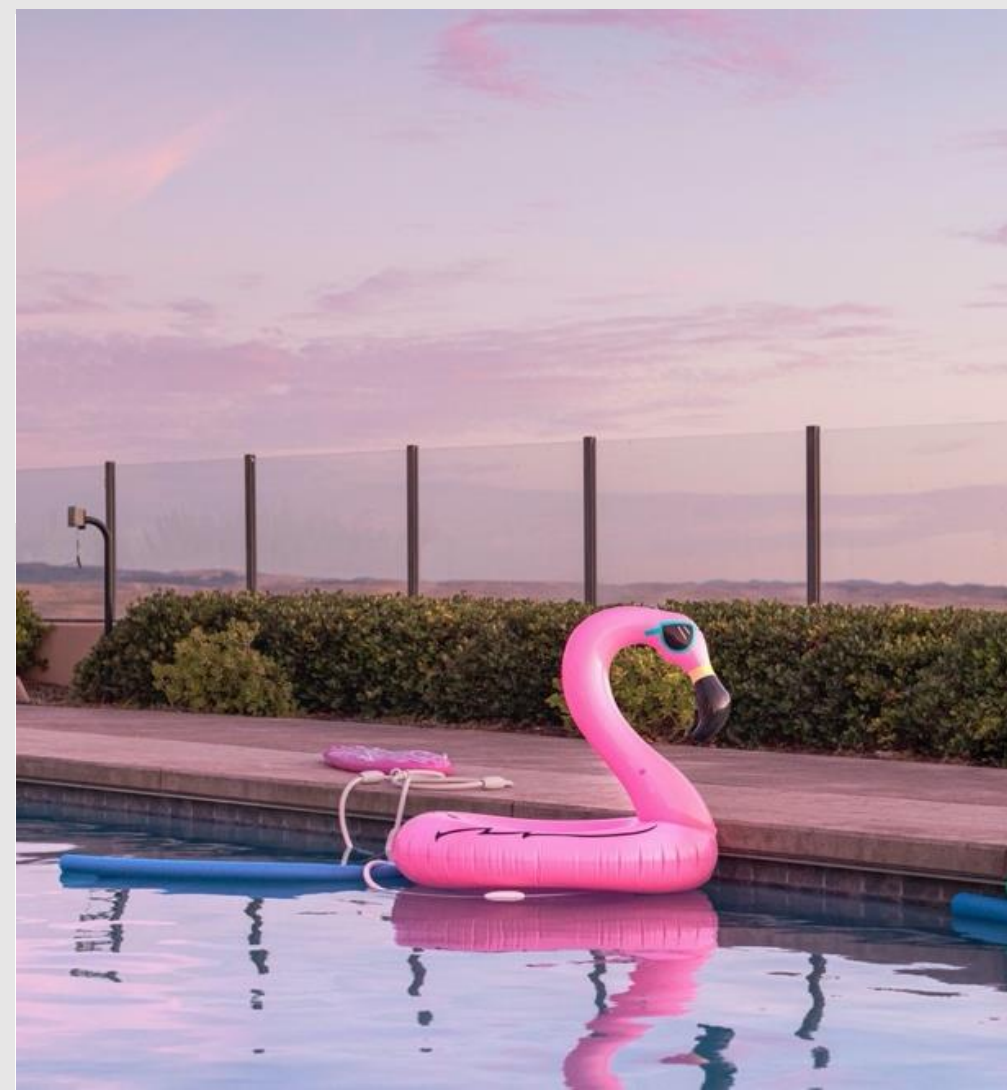


Visionary management team with proven track record of execution





Q&A

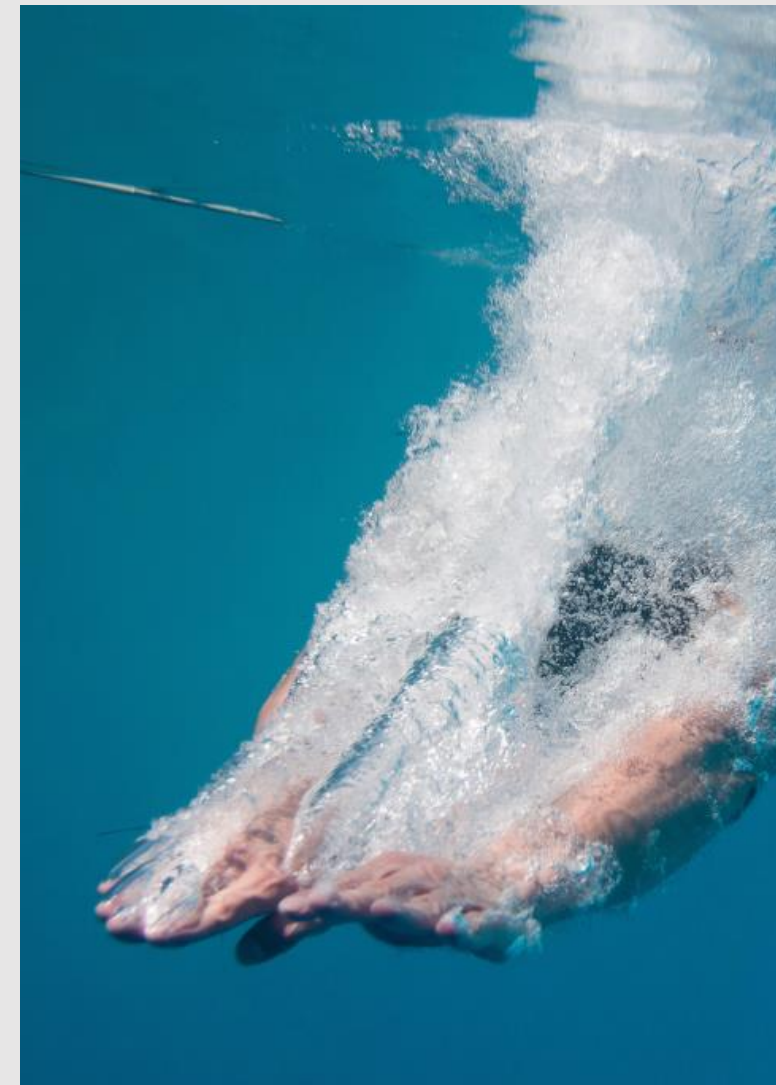
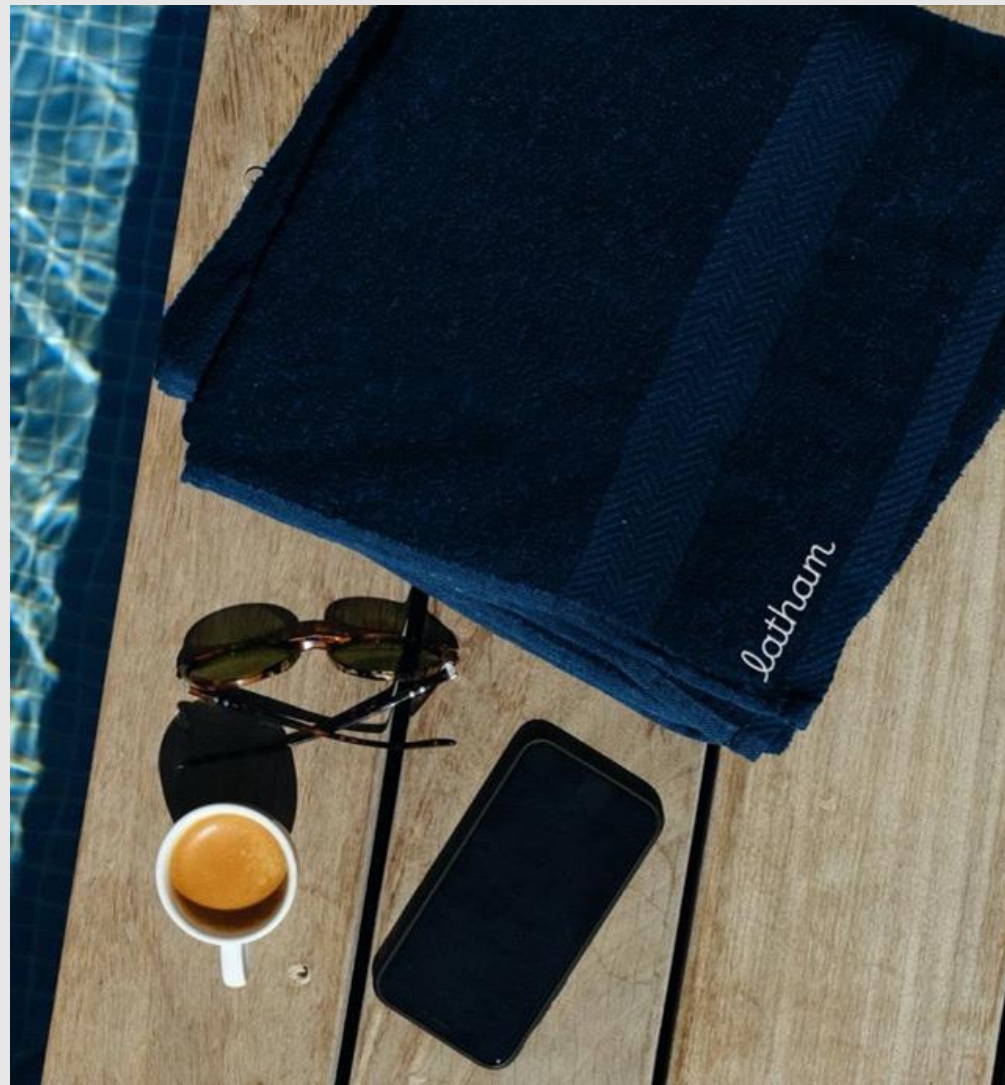




Appendix



Latham
The Pool Company



Non-GAAP Reconciliations

(in thousands)	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Net income (loss)	\$ 4,303	\$ (53,598)	\$ 1,463	\$ (45,065)
Depreciation and amortization	9,780	7,770	19,274	15,670
Interest expense	3,164	7,516	4,929	16,572
Income tax (benefit) expense	10,983	5,218	16,290	8,101
Loss on sale and disposal of property and equipment	124	22	124	187
Restructuring charges(a)	106	36	119	407
Stock-based compensation(b)	16,429	75,511	33,354	76,975
Unrealized (gains) losses on foreign currency transactions(c)	1,718	(731)	1,714	(792)
Strategic initiative costs(d)	669	376	2,487	376
Acquisition and integration related costs(e)	—	4	257	72
Loss on extinguishment of debt (f)	—	—	3,465	—
Other(g)	(146)	(355)	179	(91)
Underwriting fees related to offering of common stock (h)	—	—	11,437	—
Odessa fire (i)	1,523	—	1,523	—
IPO Costs (j)	—	1,079	—	3,956
Adjusted EBITDA	\$ 48,653	\$ 42,848	\$ 96,615	\$ 76,368
Net sales	\$ 206,800	\$ 180,889	\$ 398,414	\$ 329,635
Net income (loss) margin	2.1%	(29.6)%	0.4%	(13.7)%
Adjusted EBITDA Margin	23.5%	23.7%	24.2%	23.2%

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

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

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

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

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

(f) Represents the loss on extinguishment of debt in connection with our refinancing.

(g) Other costs consist of other discrete items as determined by management, primarily including (i) fees paid to external advisors for various matters, (ii) non-cash adjustments to record the step-up in the fair value of inventory related to the acquisitions of GLI and Radiant, which are amortized through cost of sales in the condensed consolidated statements of operations, and (iii) other items.

(h) Represents underwriting fees related to our share offering which was completed in January 2022.

(i) Represents costs incurred related to a production facility fire in Odessa, Texas.

(j) These expenses are primarily composed of legal, accounting and professional fees incurred in connection with our initial public offering that are not capitalizable, which are included within selling, general and administrative expense

