Q4 2023 Earnings Call

March 12, 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

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. This presentation includes certain 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 measures to these non-GAAP measures can be found in the Appendix to this presentation.

For the definitions of certain non-GAAP measures, how such non-GAAP 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.

Net Debt and Net Debt Leverage Ratio are non-GAAP financial measures used in monitoring and evaluating our overall liquidity, financial flexibility, and leverage. Other companies may calculate similarly-titled non-GAAP measures differently, limiting their usefulness as comparative measures. 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.

2023 Highlights

1

Continued to drive the conversion to fiberglass pools over concrete pools

- Outperformed the decline in new pool starts in the U.S. by ~10 percentage points

2

Maintained strong competitive position with leading market share, an energized dealer network, and greater consumer engagement

- Added 100 Grand dealers doing over 5 pools since 2019
- 50%[(1)] market share in US Fiberglass pool market

3

Fundamentally improved our cost structure

- Realized $20 million of $24 million of announced savings in 2023
- Reduced our structural costs, continue to leverage Value Engineering programs and accelerate lean manufacturing programs

4

Strengthened our financial position, ending the year with a record cash position over $100 million

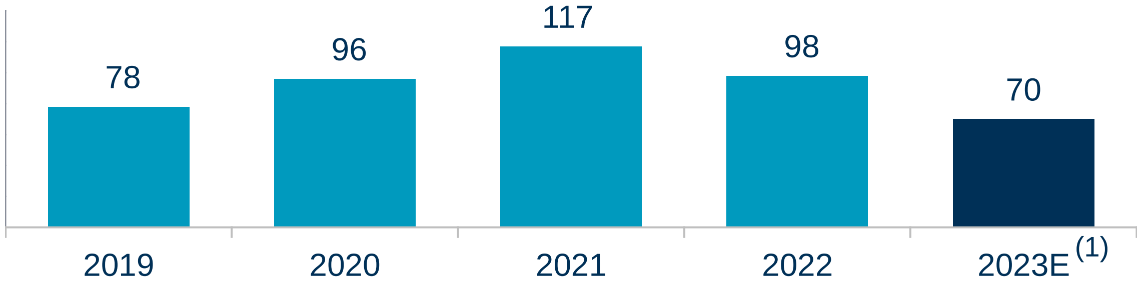
- Generated significant positive operating cash flows and reduced inventory
- Net Debt Leverage Ratio of 2.25 times at year end 2023 compared to 2.0 times at the end of 2022

(1) Management estimates

U.S. Fiberglass Penetration Continues to Grow

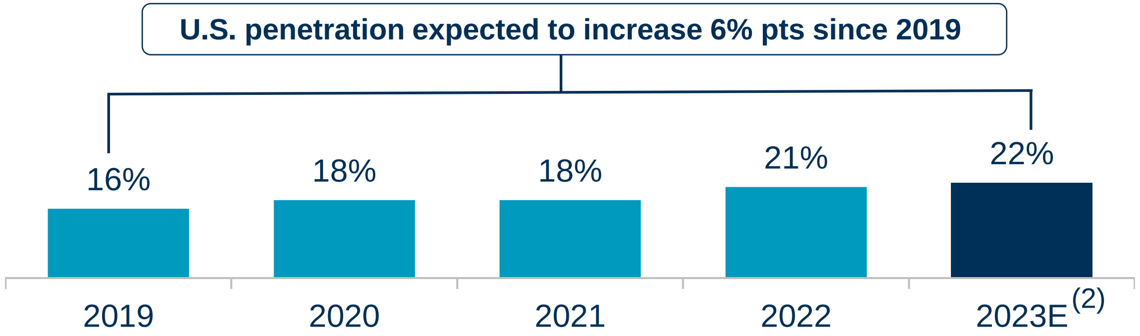
New U.S. In-ground Residential Pool Installations[1]

(000s of residential in-ground swimming pool installed)



Fiberglass Share of Pool Installations

(% of residential in-ground swimming pools)



- 15% CAGR since 2019, in a market that was -2.7% CAGR
- Fiberglass represented 73% of in-ground pool sales in 2023

Latham's Fiberglass Leadership

~50%

Share of the fiberglass category in North America

Source: Management's analysis based on information from studies by a third-party research consulting firm in 2019-2020 commissioned by the Company, management's knowledge of market participants, and PK Data.
(1) Defined as new in-ground pool starts, per PK Data.
(2) Management estimates

Fiberglass Value Proposition

Cost(1)

- ~25-30% lower upfront costs vs. concrete
- ~35-40% lower overall cost of ownership over time

Installation

- Can be installed as fast as one day, and two to three days on average, versus three to six months for most concrete pools

Eco-Friendly

- More eco-friendly than concrete pools; uses less chlorine, does not require the ongoing maintenance, repair, and refinishing needed for concrete pools, and eliminates the pollution created by the production of concrete

(1) Based on an average-cost comparison for a similar-sized pool. Cost varies widely by region.

Conversion Driven by Latham's Marketing Initiatives

Unique direct-to-homeowner and dealer strategies continue to yield results

Successful dealer productivity & recruitment efforts

- In 2023, Latham had approximately 300 fiberglass Grand dealers who sold at least 5 pools – approximately 100 more than in 2019
- 2023 initiatives to increase dealer productivity included: the Latham Design Center, Latham's Fiberglass boot camp training sessions, and lead-generation programs

Marketing efforts continue to drive increased website activity and qualified leads to dealers

- Latham ranks #1 for 'Fiberglass pools'
- 2023 website traffic increased over 2022 levels, signaling pent-up consumer demand
- Direct engagement with consumers, via marketing programs and digital tools, provides our dealers with highly-qualified leads

Pool Covers & Liners

~47% of Latham's total 2023 sales came from our cover and liner product lines

- **The majority are replacement products that are more resilient to cyclical downturns**

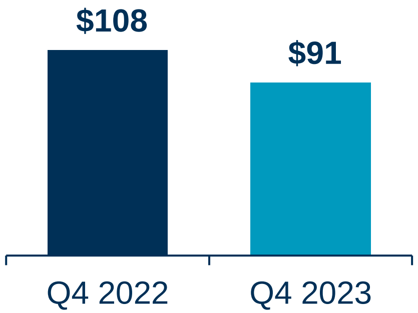
- Automatic safety covers saw continued consumer adoption and demand in 2023 – also offering homeowners energy, water, and maintenance savings

- "Measure by Latham", Latham's AI-powered measuring tool for safety covers and in-ground liners, should continue to help drive demand for these product lines in 2024

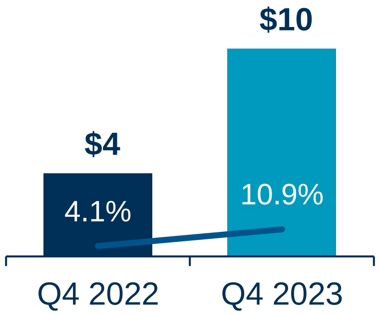
Q4 and FY 2023 Financial Highlights

Q4

Net Sales
($ in millions)

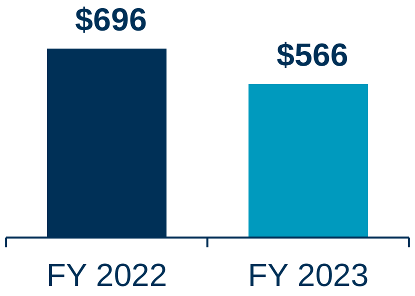


Adjusted EBITDA[1]
($ in millions)

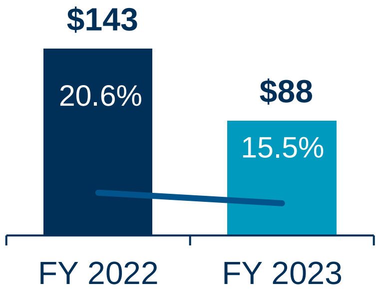


FY 2023

Net Sales
($ in millions)



Adjusted EBITDA[1]
($ in millions)



2023 Key Drivers

- Year-over-year volume declines due to continued macroeconomic challenges
- Sell-through of higher-cost inventory
- Reducing inventory
- Benefits of cost containment actions
- Modest material deflation

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

Balance Sheet & Cash Flow Highlights

Year-End Cash Balance	**$103 million** + $70 million versus 2022	• Substantial financial flexibility to navigate a range of economic scenarios
2023 Operating Cash Flow	**$116 million** + $84 million versus 2022	• Strong cash generation of our business augmented by reduction of inventory
Capital Expenditures	**$33 million** Down 16% / $7 million versus 2022	• Completion of investment in Kingston facility
Net Debt Leverage Ratio	**2.25 times at year end 2023** 2.0 times at year end 2022	• Repaid $13 million of our term debt in 2023 • Repaid $18 million of our term debt in Q1 2024

(1) Calculated by net debt divided by LTM Adjusted EBITDA for the four quarters ended December 31, 2023. 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

Full Year 2024 Outlook[1]

$ in millions	Updated Outlook	
Metric	**Low**	**High**
Net Sales	$490	$520
Adjusted EBITDA[2]	$60	$70
Capital Expenditures	$18	$22

Reflects

- Managing to ~15% decline in new in-ground pool installations in 2024, planning for recovery in 2025;
- Benefits from our cost containment, productivity, and continuous improvement initiatives; and
- Continued investment in sales and marketing, value engineering and R&D, and ongoing digital transformation programs + normalized performance-based compensation.

(1) Represents guidance given by the Company as of March 12, 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 income (loss) is not available due to uncertainty related to our future income tax expense.

2024 Priorities

Drive material conversion to fiberglass & autocover adoption

Gain additional operating efficiencies through value engineering and lean manufacturing

Maintain a strong balance sheet

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

Appendix

Non-GAAP Reconciliations
Adjusted EBITDA and Adjusted EBITDA Margin

	Quarter Ended		Year Ended	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
(in thousands)				
Net income (loss)	$ 111	$ (19,033)	$ (2,388)	$ (5,694)
Depreciation and amortization	10,966	9,341	40,751	38,175
Interest expense, net	9,646	6,560	30,916	15,753
Income tax (benefit) expense	(16,313)	(5,984)	(7,672)	19,415
Loss on sale and disposal of property and equipment	7	47	138	193
Restructuring charges[a]	1,112	1,201	3,727	1,607
Stock-based compensation expense[b]	3,917	10,219	18,804	50,634
Unrealized (gains) losses on foreign currency transactions[c]	(1,042)	(283)	(110)	2,534
Strategic initiative costs[d]	1,026	929	4,092	3,948
Acquisition and integration related costs[e]	900	69	911	326
Loss on extinguishment of debt[f]	—	—	—	3,465
Underwriting fees related to offering of common stock[g]	—	—	—	11,437
Odessa fire[h]	(1,840)	869	(2,600)	869
Other[i]	1,419	450	1,456	590
Adjusted EBITDA	$ 9,909	$ 4,385	$ 88,025	$ 143,252
Net sales	$ 90,867	$ 107,924	$ 566,492	$ 695,736
Net income (loss) margin	0.1%	(17.6)%	(0.4)%	(0.8)%
Adjusted EBITDA margin	10.9%	4.1%	15.5%	20.6%

(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 plan announced in 2023, which includes 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 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 debt refinancing on February 23, 2022.
(g) Represents underwriting fees related to our offering of common stock that was completed in January 2022.
(h) Represents costs incurred and insurance recoveries in excess of costs incurred for the period related to a production facility fire in Odessa, Texas.
(i) 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 acquisition of Radiant, which was amortized through cost of sales in the condensed consolidated statements of operations, and (iii) other items.

Non-GAAP Reconciliations
Net Debt and Net Debt Leverage Ratio

(in thousands)	December 31, 2023	December 31, 2022
Total debt	$ 301,201	$ 312,881
Less:		
Cash	(102,763)	(32,626)
Net Debt	198,438	280,255
LTM Adjusted EBITDA[(a)]	88,025	143,252
Net Debt Leverage Ratio	2.25x	2.0x

(a) LTM Adjusted EBITDA is the sum of the Company's Adjusted EBITDA for the four quarters ended December 31, 2023 and September 30, 2023. See Appendix for the reconciliation of Adjusted EBITDA to net income (loss).