

# Q4 2024 Earnings Call

March 4, 2025



*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, on a historical and pro forma basis, which are non-GAAP financial measures. Our pro forma presentation gives effect to the Coverstar Central, LLC ("Coverstar Central") acquisition as if it occurred as of January 1, 2023. 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.

# 2024 Key Takeaways

**1**

**Outperformed vs. The Market**

**2**

**Increased market penetration of Fiberglass Pools**

**3**

**Strong Adjusted EBITDA margin –  
ahead of prior year on lower sales**

**4**

**Benefits from Coverstar Central acquisition**

**5**

**Maintained strong financial position**



# Expanding Share in the Sand States | Key Priorities

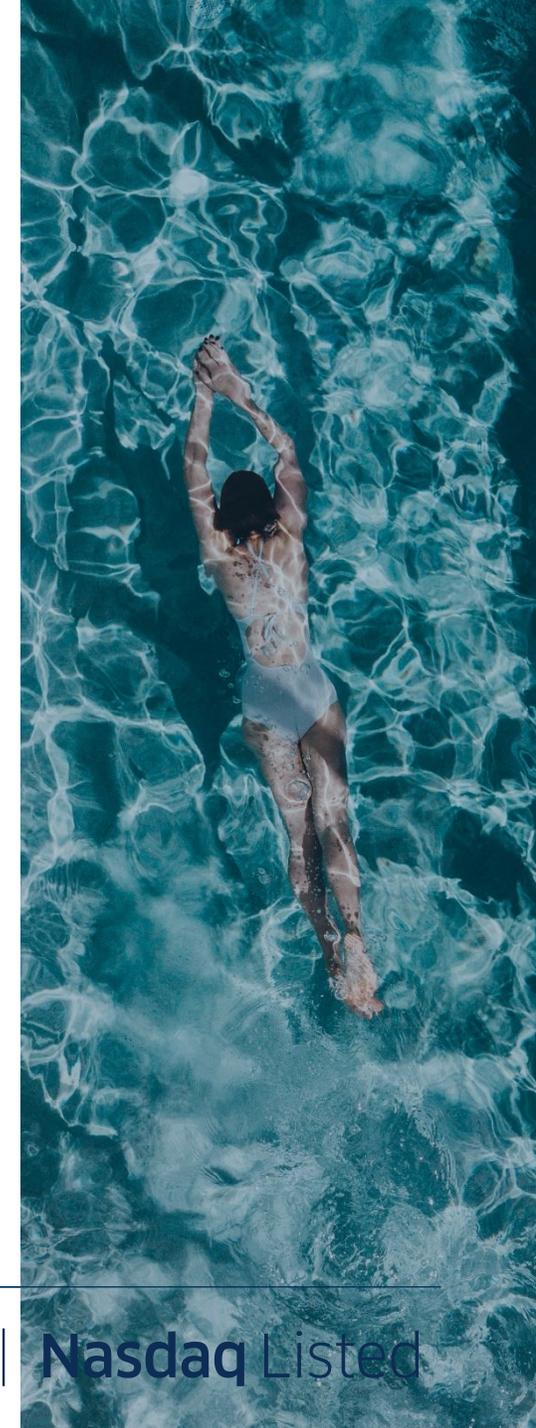
- 1 Expanding the Pool Dealer Base**
- Driving pool builder expansion and development
  - Opportunities to “stand up” new builders and convert concrete builders to Fiberglass

- 2 Targeting Master Planned Communities (MPC’s)**
- Massive opportunity in Master Planned Communities; ~30K new homes constructed in Master Planned Communities in 2023
  - 75% of largest Master Planned Communities found in Florida and Texas<sup>(1)</sup>

- 3 Aligning Products with Demand**
- Rectangular shapes, pool/spa combos, and plunge pools are increasingly popular in the Sand States
  - Extending pool model offerings to meet this demand

- 4 Marketing to Consumers & Builders**
- Highlight Fiberglass benefits to consumers: faster installation, lower cost of ownership than concrete
  - Highlight Fiberglass benefits to builders: more profitable, faster to scale than concrete
  - Launched a new Fiberglass marketing campaign in Texas – “Get Out Of The Stone Age” (GOOTSA) – with plans to broaden its reach in 2025
  - Hosted events at Master Planned Community in Florida, producing large turnout and solid lead generation

(1) RCLCO Real Estate Consulting, 2024 Sales Top 50, Master-Planned Communities Ranking.



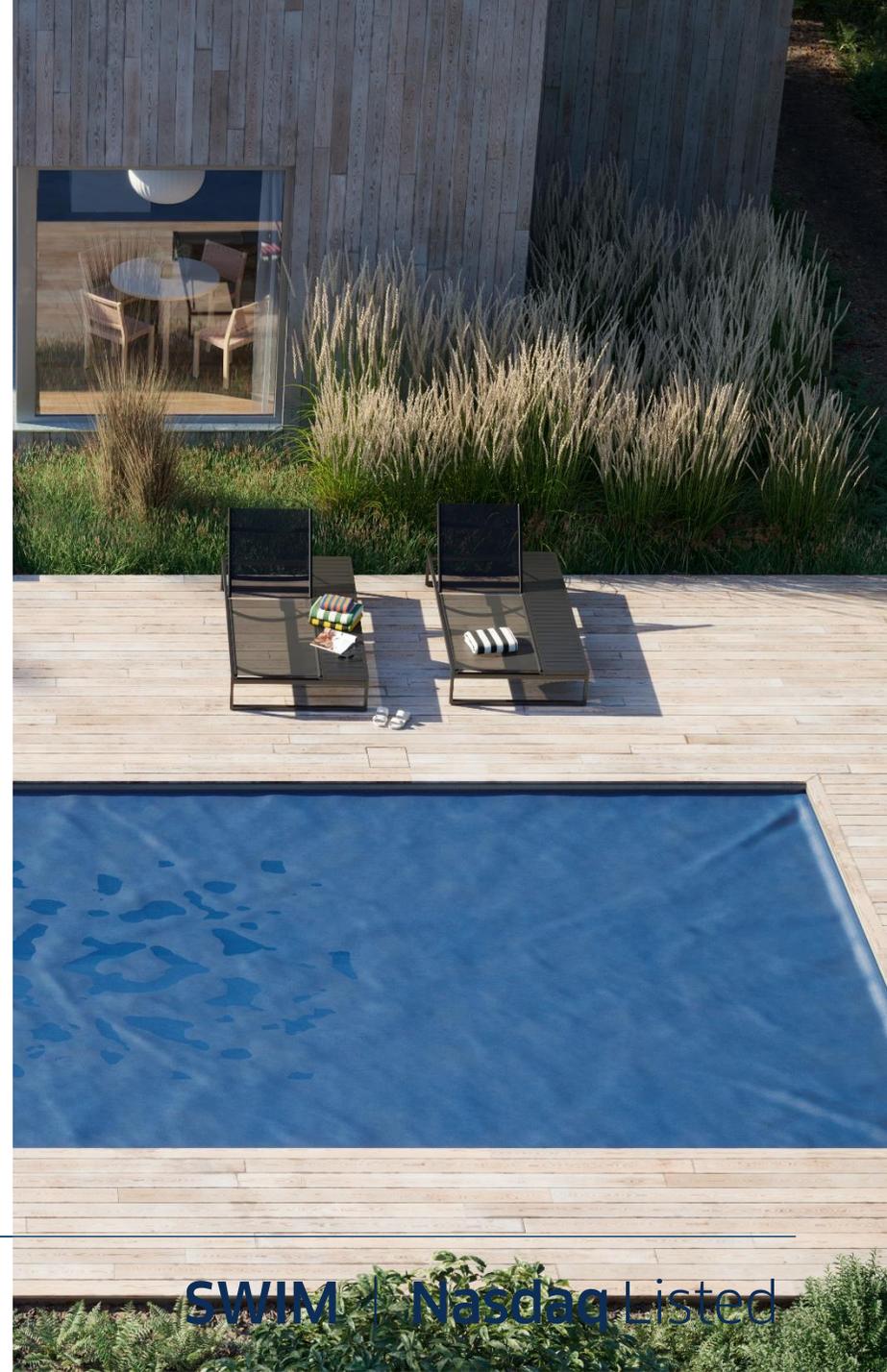
# Strengthening Position in Automatic Safety Covers

## Opportunity & Benefits

- Autocovers represent a **large market opportunity**, especially in the Sand States
- Consumers benefit from **unparalleled safety and savings benefits**; the cost of an Autocover is offset by maintenance savings to the homeowner within 4-5 years

## Strategic Acquisitions

- **Coverstar Central** acquisition closed August 2024; Latham's largest Autocover dealer
- Recent **Coverstar New York** and **Coverstar Tennessee acquisitions**; smaller but with strategic benefits
- Synergies from such acquisitions include integrated sales & marketing strategies and combined resources, and have begun to **accelerate sales growth and expand Adjusted EBITDA margin**





# 2025 Outperformance

Forecasting new U.S. pool starts flat vs. 2024; currently in market trough



*Drivers of Outperformance vs. The Market:*

Accelerating **Fiberglass Share Gain in the Sand States** along with ongoing market penetration



Continuing to Drive **Awareness and Adoption of Automatic Safety Covers**



Benefits from **Coverstar Central, Coverstar New York, and Coverstar Tennessee** acquisitions



# Q4 2024 Financial Highlights

## Net Sales (\$ in millions)



## Adjusted EBITDA<sup>(1)</sup> (\$ in millions)



## Q4 2024 Key Drivers

- YoY volume declines from industry softness; Q4 is the seasonally slowest period
- Declines partially offset by Fiberglass conversion, Coverstar Central acquisition
- Despite lower sales, achieved 25% gross margin, up 130 bps YoY
- Gained production efficiencies from lean manufacturing & value engineering initiatives
- Adj. EBITDA declines due to increased sales/marketing spend to drive sales growth; higher performance-based comp

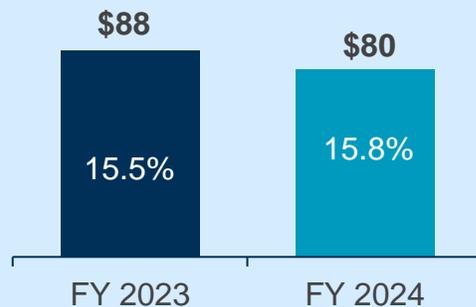
(1) See Appendix for the reconciliation of Adjusted EBITDA to net income (loss). Adjusted EBITDA margin is Adjusted EBITDA divided by net sales.

# Full Year 2024 Financial Highlights

## Net Sales (\$ in millions)



## Adjusted EBITDA<sup>(1)</sup> (\$ in millions)



## FY 2024 Key Drivers

- Sales volumes primarily impacted by industry softness
- Despite lower sales, achieved 30% gross margin, up 320 bps YoY
- Gross margin benefits driven by:
  - Previously announced restructuring programs
  - Production efficiencies from lean manufacturing & value engineering
  - Cost containment programs
  - Supplier optimization
  - Modest deflation

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

# 2024 Lean Manufacturing & Value Engineering Initiative Highlights



## MARGIN IMPROVEMENT

Drove gross margin expansion by 320 bps in 2024, despite lower YoY sales



## COST REDUCTIONS

Continued earning substantial benefits from lean manufacturing & value engineering initiatives



## SAVINGS

Achieved \$4M in savings from restructuring programs, and \$9M from cost reduction actions in 2024

# Ended Q4 With A Strong Balance Sheet

## **Strong cash position**

post-Coverstar Central acquisition  
& repayment of debt

## **Significant resilience**

managing through market trough

## **Capital allocation strategy**

supported by strong cash flow,  
with flexibility to be opportunistic



# Balance Sheet & Cash Flow Highlights

<b>Year-End Liquidity<sup>(1)</sup></b>	<b>\$131 million</b> vs. \$178 million at YE 2023	<ul style="list-style-type: none"> <li>Maintained substantial financial flexibility even post-\$65M Coverstar Central acquisition and \$21M debt repayment</li> </ul>
<b>Net Cash Provided by Operating Activities</b>	<b>\$6 million</b> \$61 million YTD	<ul style="list-style-type: none"> <li>Includes approx. \$23M benefit from inventory reduction YTD</li> </ul>
<b>Capital Expenditures</b>	<b>\$6 million</b> \$20 million YTD	<ul style="list-style-type: none"> <li>In-line with expected quarterly run-rate of \$5M to invest in efficiency, maintenance, and safety</li> </ul>
<b>Net Debt Leverage Ratio<sup>(2)</sup></b>	<b>2.8x</b> (2.6x pro forma)	<ul style="list-style-type: none"> <li>Pro forma for the Coverstar Central acquisition</li> </ul>

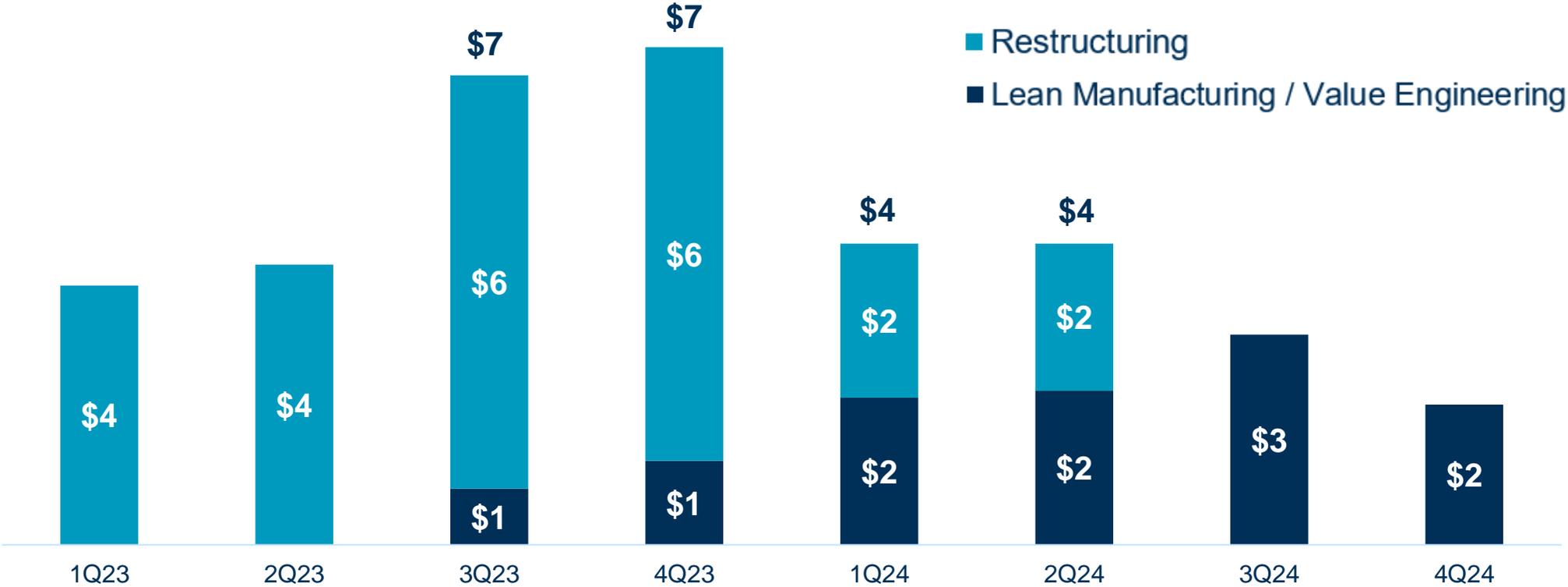
(1) Liquidity represents cash plus revolver availability.

(2) Calculated by net debt divided by LTM Adjusted EBITDA for the four quarters ended December 31, 2024. 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.

# Productivity Gains | Cost Structure

*Drove Meaningful Cost Structure Improvements Since 2023*

(in millions)



# Coverstar Acquisitions

## Coverstar Central

- Acquisition closed in August 2024
- \$20M expected increase in annualized Net Sales
- 140 bps expected expansion in annualized Adj. EBITDA Margin

## Coverstar New York

- Both acquisitions closed earlier in Q1
- \$5M expected increase in annualized Net Sales, combined
- \$1M expected increase in annualized Adj. EBITDA, combined
- Expecting additional strategic benefits from acquisition synergies

## Coverstar Tennessee

# Full Year 2025 Outlook<sup>(1)</sup>

\$ in millions	Outlook	
	Low	High
Net Sales	\$535	\$565
Adjusted EBITDA <sup>(2)</sup>	\$90	\$100
Capital Expenditures	\$27	\$33

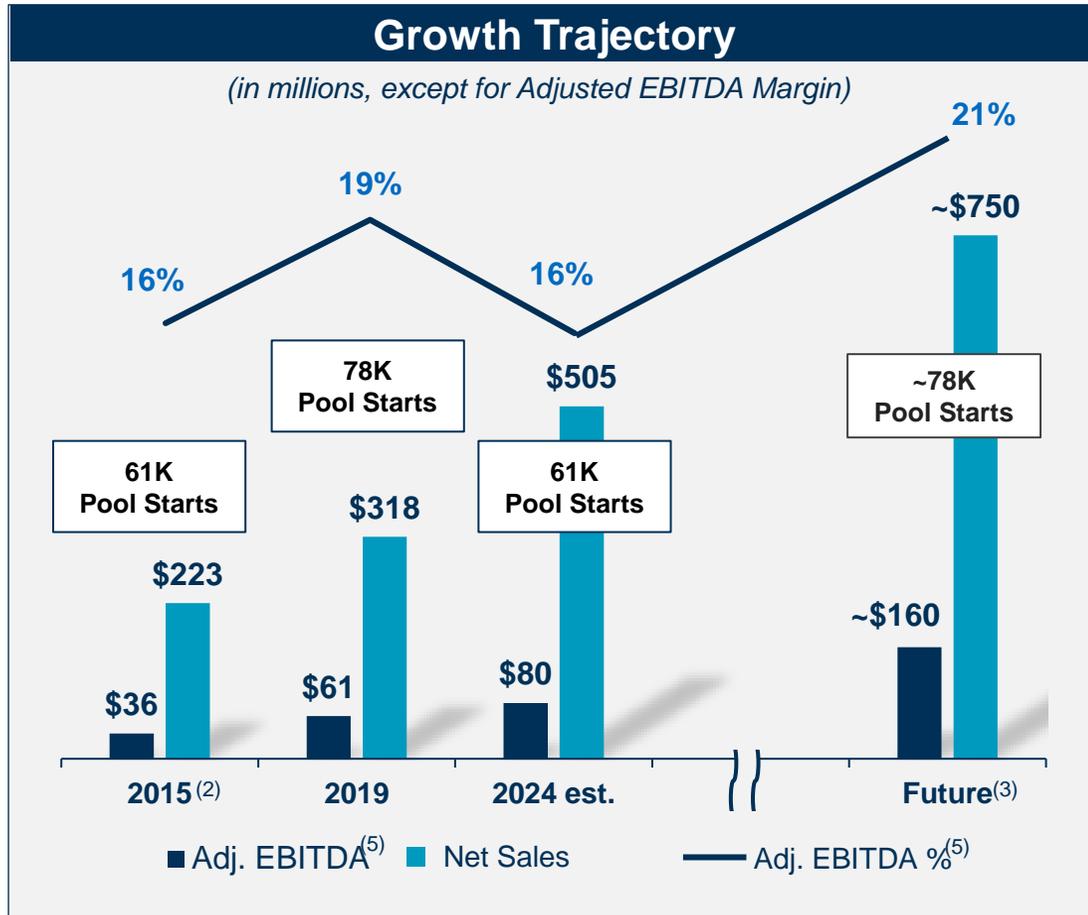
## Reflects

- Forecasting flat new U.S. pool starts in 2025 vs. 2024.
- Targeting growth in Net Sales and Adjusted EBITDA driven by accelerated Fiberglass Pool share gains in the Sand States and increased adoption of Automatic Safety Covers.
- Raising CAPEX spend YoY due to planned development of new pool molds targeting the Sand States, and the addition of useable space in our Florida and Oklahoma manufacturing facilities for future expansion.

(1) Represents guidance given by the Company as of March 4, 2025. 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) for 2024 is not available without unreasonable effort due to uncertainty related to our future income tax expense (benefit).

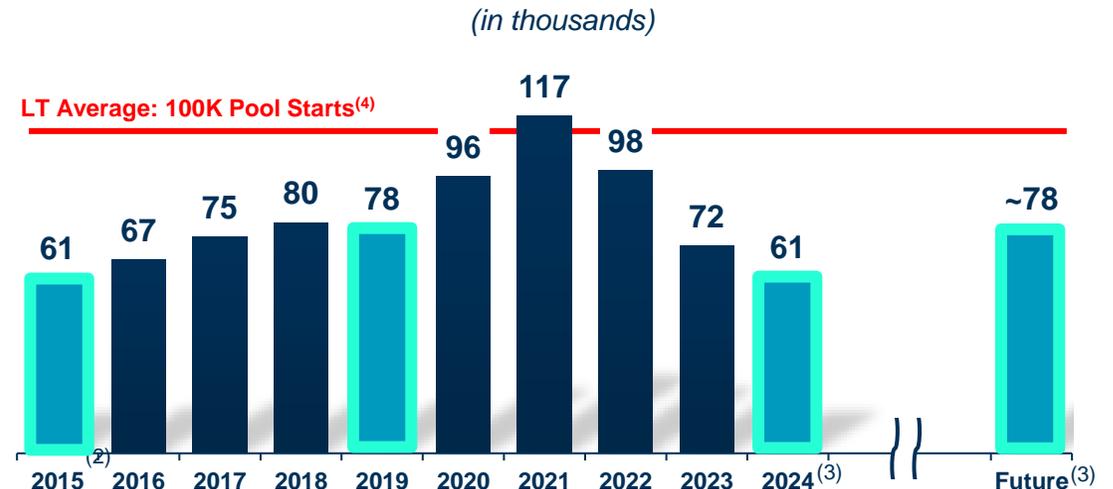
# Impact of Growth Initiatives & Production Efficiencies



### Initiatives

1. Drive growth in Fiberglass share in the **Sand States**
2. Drive growth in **Automatic Safety Covers**, aided by the Coverstar Central acquisition
3. Drive growth in pool Liners and Covers, aided by the full roll-out of “**Measure by Latham**”
4. Continued impacts of **Lean Manufacturing & Value Engineering**

### U.S. Pool Starts<sup>(1)</sup>



(1) Historical U.S. pool starts determined from PK Data; 2024 and beyond are based on management estimates.  
 (2) Unaudited  
 (3) Management model  
 (4) 25-year average (1999-2024)  
 (5) See Appendix for reconciliation of Adjusted EBITDA. Adjusted EBITDA Margin is Adjusted EBITDA divided by Net Sales.

# 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

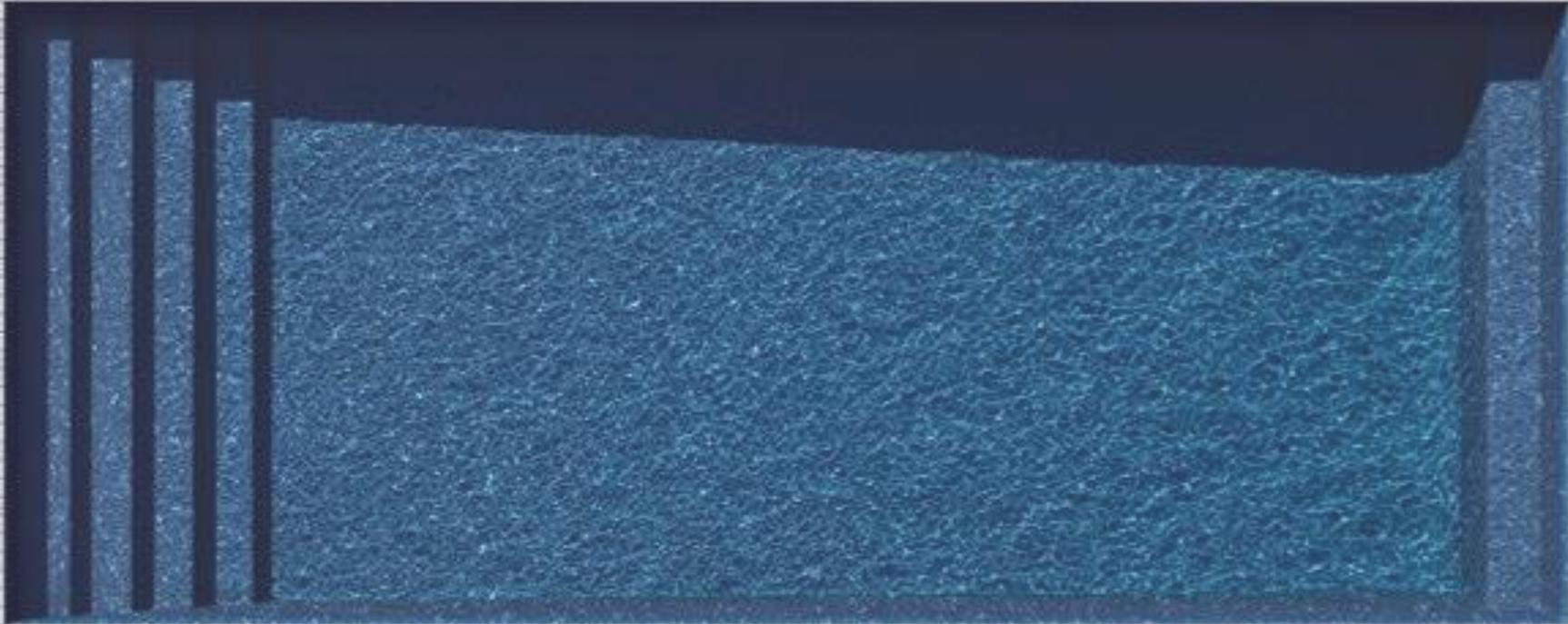


Multiple levers to continue to drive efficiencies



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		Fiscal Year Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
(in thousands)				
Net (loss) income	\$ (29,170)	\$ 111	\$ (17,860)	\$ (2,388)
Depreciation and amortization	12,156	10,966	44,446	40,751
Interest expense, net	4,690	9,646	24,840	30,916
Income tax (benefit) expense	8,189	(16,313)	9,120	(7,672)
Loss on sale and disposal of property and equipment	290	7	408	138
Restructuring charges <sup>(a)</sup>	15	1,112	512	3,727
Stock-based compensation expense <sup>(b)</sup>	2,206	3,917	7,392	18,804
Unrealized losses (gains) on foreign currency transactions <sup>(c)</sup>	4,555	(1,042)	6,223	(110)
Strategic initiative costs <sup>(d)</sup>	648	1,026	3,329	4,092
Acquisition and integration related costs <sup>(e)</sup>	43	900	2,348	911
Odessa fire <sup>(f)</sup>	—	(1,840)	—	(2,600)
Other <sup>(g)</sup>	—	1,419	(539)	1,456
Adjusted EBITDA	\$ 3,622	\$ 9,909	\$ 80,219	\$ 88,025
Net sales	\$ 87,273	\$ 90,867	\$ 508,520	\$ 566,492
Net (loss) income margin	(33.4)%	0.1%	(3.5)%	(0.4)%
Adjusted EBITDA margin	4.2%	10.9%	15.8%	15.5%

- (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 (gains) 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)	<b>December 31, 2024</b>
Total debt	\$ 281,521
Less:	
Cash	(56,398)
Net Debt	225,123
LTM Adjusted EBITDA <sup>(a)</sup>	80,219
Net Debt Leverage Ratio	2.8x
LTM Pro Forma Adjusted EBITDA <sup>(2)</sup>	87,965
Pro Forma Net Debt Leverage Ratio	2.6x

(1) LTM Adjusted EBITDA is defined as Adjusted EBITDA for the most recent twelve (12) month period.

(2) LTM Pro Forma Adjusted EBITDA includes pre-acquisition portion of Adjusted EBITDA for the trailing twelve months that is not included in historical results.

(a) LTM Adjusted EBITDA is the sum of the Company's Adjusted EBITDA for the four quarters ended December 31, 2024. See Appendix for the reconciliation of Adjusted EBITDA to net income (loss).

# Non-GAAP Reconciliations

## Adjusted EBITDA and Adjusted EBITDA Margin

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2015 (unaudited)</u>
<i>(in thousands)</i>		
Net (loss) income	\$ 7,457	\$ (9,992)
Depreciation and amortization	21,659	14,466
Interest expense	22,639	8,228
Income tax expense (benefit)	(4,671)	3,384
Loss on sale and disposal of property and equipment	680	—
Restructuring charges <sup>(a)</sup>	980	—
Management fees <sup>(b)</sup>	500	539
Stock-based compensation expense	808	—
Unrealized losses (gains) on foreign currency transactions <sup>(c)</sup>	(300)	505
Strategic initiative costs <sup>(d)</sup>	964	587
Acquisition and integration related costs <sup>(e)</sup>	3,612	11,696
Other <sup>(f)</sup>	6,722	6,703
Adjusted EBITDA	<u>\$ 61,050</u>	<u>\$ 36,116</u>
Net sales	\$ 317,975	\$ 223,103
Net (loss) income margin	<u>2.3%</u>	<u>(4.5)%</u>
Adjusted EBITDA margin	<u>19.2%</u>	<u>16.2%</u>

(a) Represents the cost of shutting down production and warehouse facilities in Decatur, Georgia and Mississauga, Ontario, Canada, including the cost to transfer and dispose of property and equipment and involuntary workforce reductions. Also includes severance and other costs for our executive management changes.

(b) Represents management fees paid to our Principal Stockholders in accordance with our arrangement.

(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.

(d) Represents fees paid to external consultants for our strategic initiatives, including our rebranding initiative.

(e) Represents acquisition and integration costs primarily related to the acquisition of Narellan in 2019 and the Wynnchurch acquisition of Latham in 2015, as well as other costs related to a transaction that was abandoned.

(f) 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 by Pamplona and the acquisition of Narellan, which are amortized through cost of sales in the annual consolidated statements of operations, and (iii) other items.