

Q1 2024 Earnings Call

May 7, 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.

Q1 2024 Highlights

1

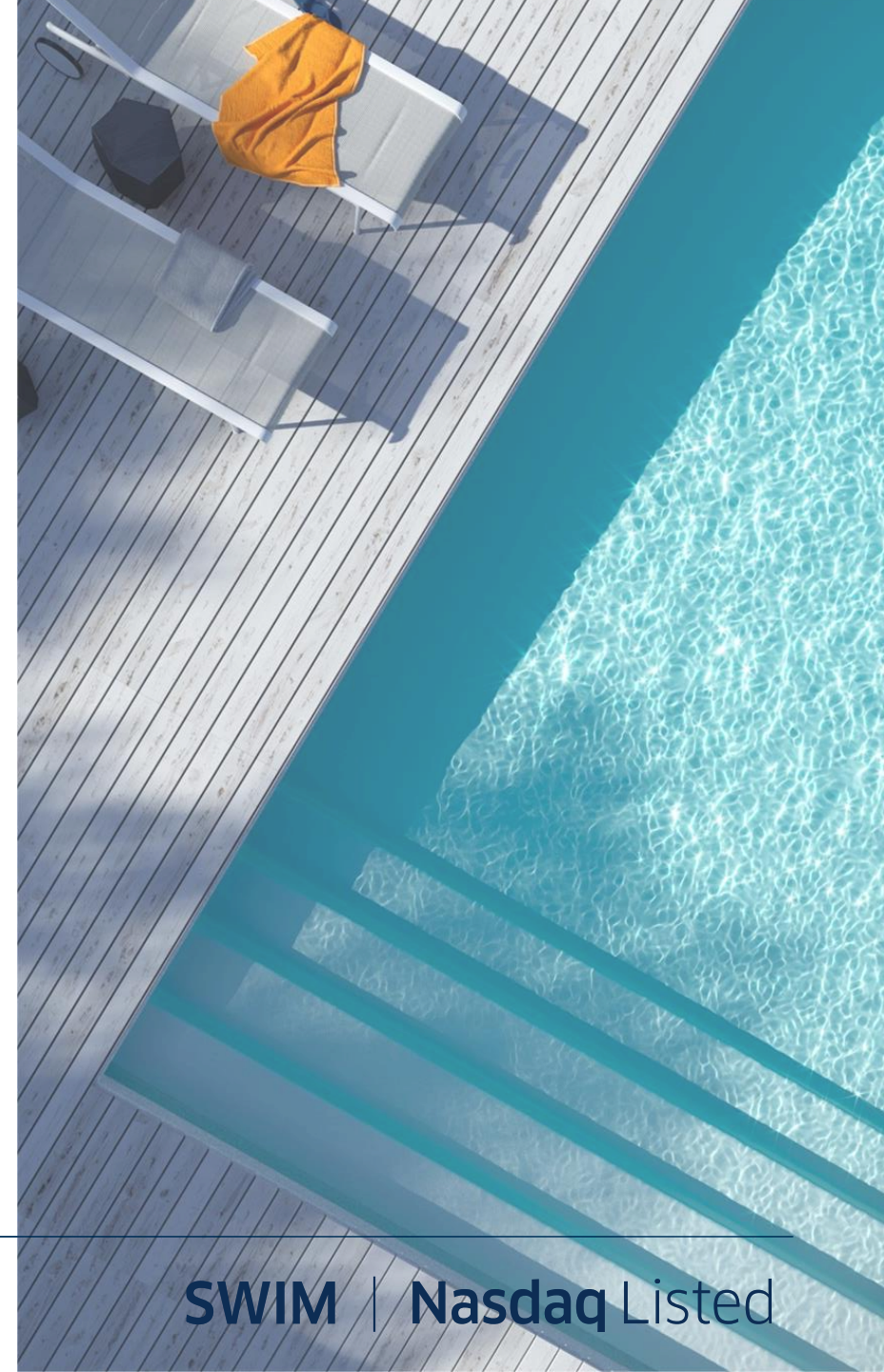
First quarter results exceeded guidance and represented a solid start to the year

2

Demonstrated strong execution and benefited from cost savings, lean manufacturing & value engineering initiatives

3

Ended Q1 with a strong cash position
Seasonal net working capital build in-line with expectations





Executed Effectively on Key 2024 Priorities

Continued to drive awareness and adoption of fiberglass and introduced new and innovative pool designs



Gained additional operating efficiencies through lean and value engineering initiatives



Maintained a strong balance sheet



Moved Forward With New and Refreshed Products + New Dealer Conversions

Plunge Pools

- Launched the Enchantment plunge pool series to serve the important California, Arizona, and Nevada markets

Refreshed Pool Models

- Refreshed the Tuscan and Providence series – trendy rectangular pools with an attractive side-entry feature

New Pool Models

- Completing a new fiberglass pool model with a broad array of features, currently available to our largest dealers

Automatic Safety Covers

- Advanced marketing of our automatic safety covers to the Latham distributor network and other dealers

Measure by Latham

- Continued the rollout of “Measure by Latham”

Dealer Conversion

- Converted several new dealers in the U.S. and Canada



Enchantment



Providence



Measure by Latham

Gained Operating Efficiencies Through Lean and Value Engineering Initiatives



COST BENEFITS

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



PRODUCTION EFFICIENCIES

Driving ongoing production efficiencies and incremental capacity



LABOR EFFICIENCIES

8% improved labor efficiency and 20% increased throughput + overall improvement in employee health and safety achieved at our largest liner and cover manufacturing plant

Ended Q1 With A Strong Balance Sheet

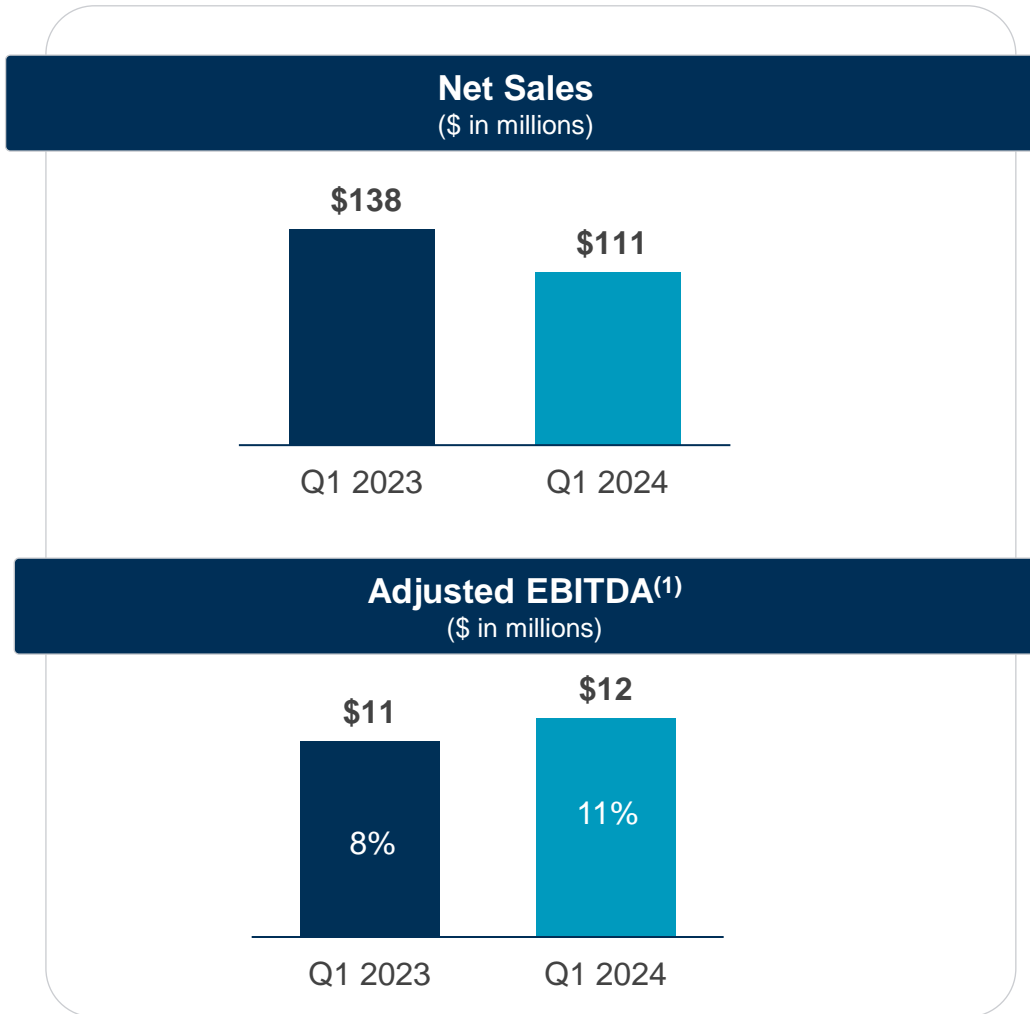
Substantial cash position after usual seasonal outlays

Significant resilience to manage through difficult economic conditions

Financial flexibility to take advantage of future growth opportunities



Q1 2024 Financial Highlights



Q1 2024 Key Drivers

- Year-over-year volume declines due to continued economic challenges
- Effective execution helped to meet an up-tick in demand late in the quarter
- Cost-saving benefits from ongoing lean and value engineering initiatives
- Modest material deflation

(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⁾	\$119 million + \$37 million versus 1Q23	<ul style="list-style-type: none"> Substantial financial flexibility to navigate difficult economic conditions and continue to deploy our capital allocation policy
Net Cash Used in Operating Activities	\$34.5 million In line with expectations	<ul style="list-style-type: none"> Seasonal cash usage following significant net working capital decrease in 2023
Capital Expenditures	\$5.3 million Down 46% / \$4.6 million versus 1Q23	<ul style="list-style-type: none"> Ongoing quarterly run-rate of \$5M to invest in efficiency, maintenance and safety
Net Debt Leverage Ratio⁽²⁾	2.7x Versus 1Q23 at 2.9x	<ul style="list-style-type: none"> Repaid \$18.8 million of our term debt in 1Q24

(1) Liquidity represents cash plus revolver availability.

(2) Calculated by net debt divided by LTM Adjusted EBITDA for the four quarters ended March 30, 2024 and April 1, 2023. See appendix for the reconciliation of Adjusted EBITDA to net loss and Net Debt and Net Debt Leverage Ratio to the comparable GAAP measure.

Re-Affirming Full Year 2024 Outlook⁽¹⁾

\$ in millions	2024 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 saving, and lean and value engineering 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 loss is not available 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

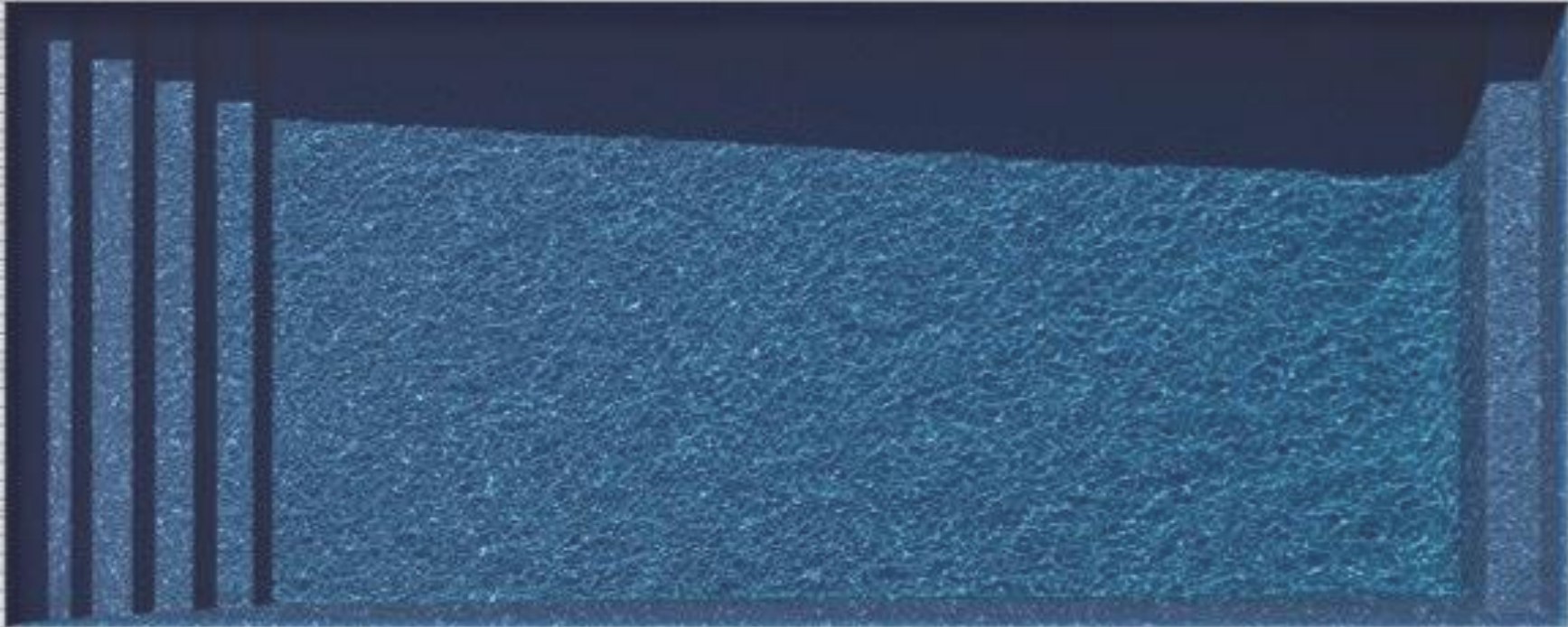


Multiple levers to continue to drive efficiencies



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

	<u>Quarter Ended</u>	
	<u>March 30, 2024</u>	<u>April 1, 2023</u>
(in thousands)		
Net loss	\$ (7,864)	\$ (14,368)
Depreciation and amortization	10,375	9,258
Interest expense, net	4,982	10,804
Income tax expense (benefit)	532	(2,928)
Loss on sale and disposal of property and equipment	12	8
Restructuring charges ^(a)	318	519
Stock-based compensation expense ^(b)	1,243	6,769
Unrealized losses on foreign currency transactions ^(c)	1,584	730
Strategic initiative costs ^(d)	1,123	1,067
Acquisition and integration related costs ^(e)	—	11
Odessa fire ^(f)	—	(864)
Other ^(g)	(12)	27
Adjusted EBITDA	<u>\$ 12,293</u>	<u>\$ 11,033</u>
Net sales	\$ 110,629	\$ 137,719
Net loss margin	<u>(7.1)%</u>	<u>(10.4)%</u>
Adjusted EBITDA margin	<u>11.1%</u>	<u>8.0%</u>

(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>March 30, 2024</u>	<u>April 1, 2023</u>
Total debt	\$ 282,781	\$ 360,461
Less:		
Cash	<u>(43,811)</u>	<u>(55,016)</u>
Net Debt	238,970	305,455
LTM Adjusted EBITDA ^(a)	<u>89,285</u>	<u>106,323</u>
Net Debt Leverage Ratio	2.7x	2.9x

(a) LTM Adjusted EBITDA is the sum of the Company's Adjusted EBITDA for the four quarters ended March 30, 2024 and April 1, 2023. See Appendix for the reconciliation of Adjusted EBITDA to net income (loss).