

Q3 2024 Earnings Call

November 5, 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, 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.

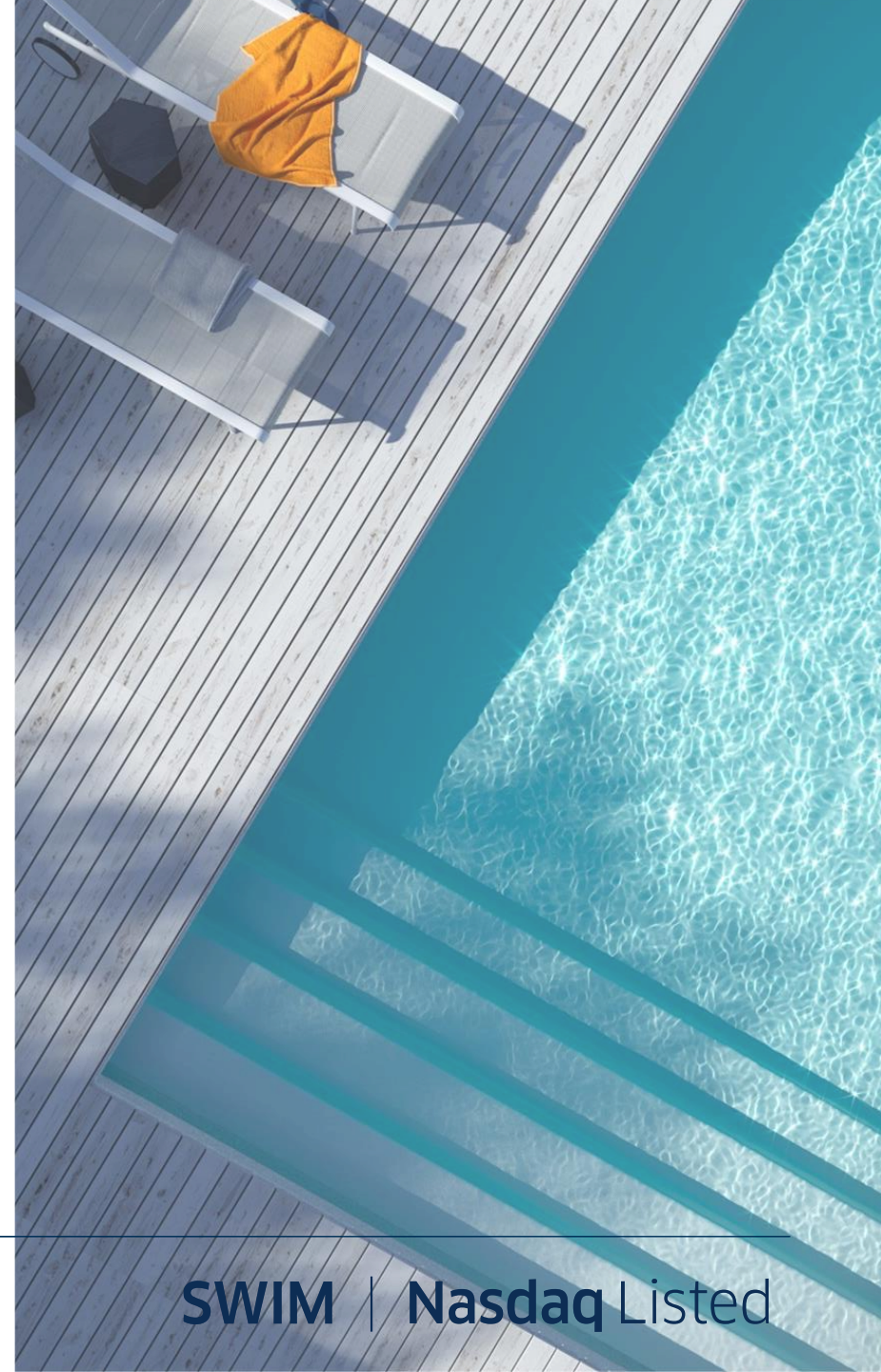
Q3 2024 Key Takeaways

1 Market conditions in-line with our forecast

2 Continue to drive awareness and adoption of
Fiberglass Pools and Automatic Safety Covers

3 Meaningful cost reductions from lean manufacturing,
value engineering & improved procurement

4 Maintained strong financial position





Continued Strong Execution on Key 2024 Priorities

Positioned to benefit from market recovery due to leadership in Fiberglass Pools and Auto-Covers



Cost reduction actions continued to yield substantial benefits



Maintained strong balance sheet and financial flexibility



Leadership in Fiberglass Pools

The Benefits of Fiberglass

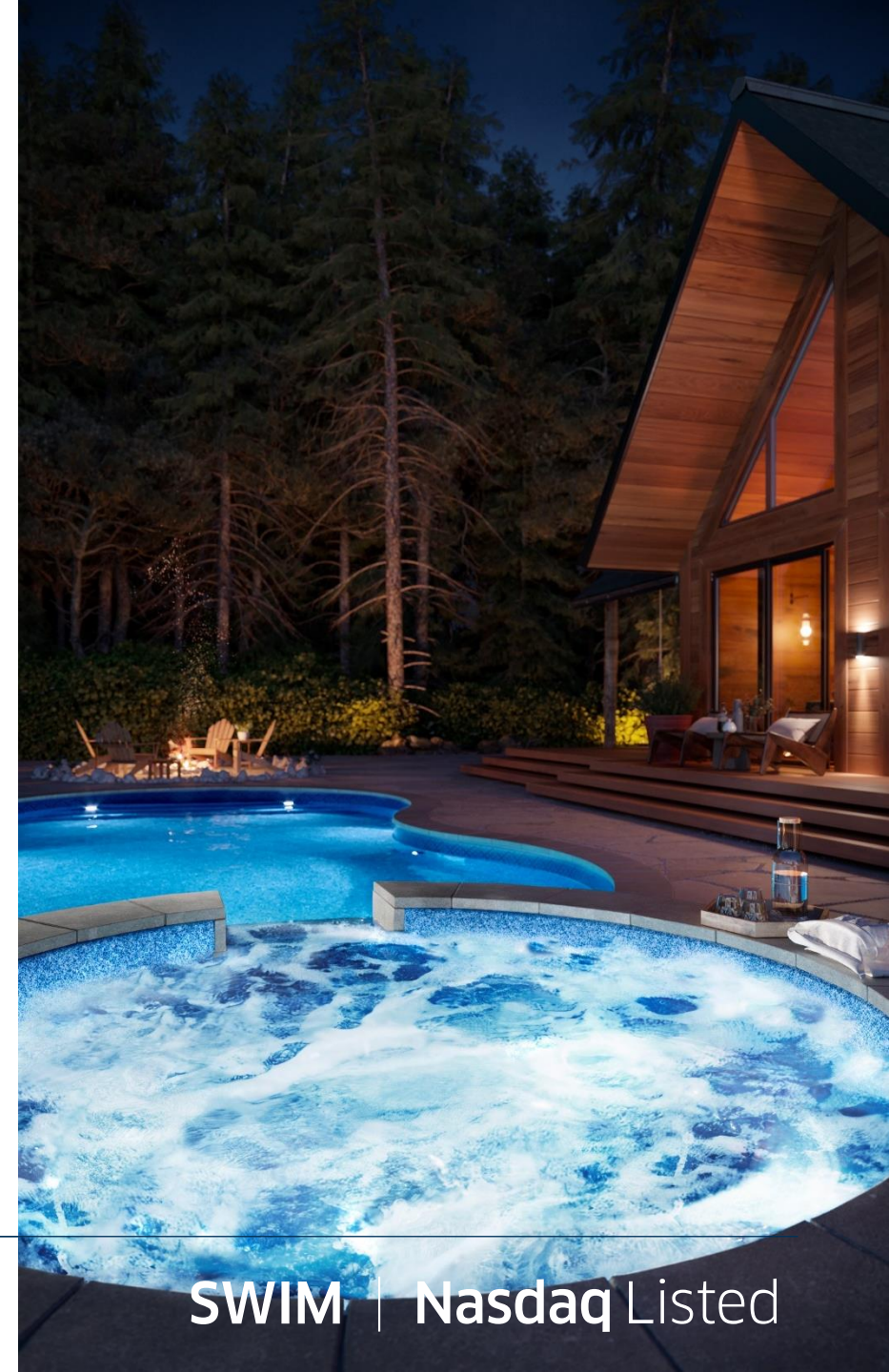
- Lower total ownership / operating cost for the homeowner
- Fast and easy to install
- Easier to maintain

Our Unparalleled Product Offerings & Reach

- Broadest line-up of pool configurations
- Widest range of price points
- Greatest array of specialty features
- 12 fiberglass manufacturing facilities globally

In Tune with Consumer Preferences

- Continue to increase the number of plunge pool offerings
- Plunge pools are attractive in the “Sand States” where consumers seek space-saving options
- Furthering the awareness & adoption of Fiberglass in this target market to gain future share



Strengthened Position in Automatic Safety Covers

1

Acquisition of Coverstar Central

Closed on August 2nd – key integration activities complete; revenue synergy initiatives underway

2

Synergies

Integrated sales and marketing strategy, and combined resources, expected to accelerate sales growth

3

Auto-Cover Benefits

Unparalleled safety and cost savings for homeowners – reduced heating and electricity costs and water and chemical use

4

Fiberglass Conversion

Plan to leverage Coverstar Central's 400+ pool builder relationships to advance awareness and adoption of Fiberglass Pools and other Latham products



- Latham's exclusive automatic safety cover dealer in 29 states
- Dealer partner of almost 20 years
- Industry leader in product sales, installation, and after-market services for automatic pool covers
- Nation's largest automatic pool cover distribution center and parts database

Regional Footprint



Continued to Benefit from Lean Manufacturing & Value Engineering Initiatives



MARGIN IMPROVEMENT

Maintained Q3 gross profit levels YoY, and expanded gross margin 250bps, despite lower sales



COST REDUCTIONS

Earned substantial benefits from lean manufacturing and value engineering initiatives over the last two years



SAVINGS

Achieved nearly \$8M in savings from cost reduction actions YTD



Positioning For An Industry Recovery

Structurally Changed Operating & Financial Model



- Recent actions, such as restructuring programs and lean manufacturing & value engineering initiatives, have structurally changed our operating and financial model
- The benefits from these actions will enable us to realize increased earnings when volumes rebound

Drivers of Organic Growth



- Increased awareness & adoption of Fiberglass Pools and Automatic Safety Covers
- Accelerated investment in sales & marketing and product development
- The combined resources of Latham & Coverstar Central – reaching more builders and consumer markets

Opportunities in the Sand States



- Focused on gaining share
- Evolving product mix to appeal to target markets
- Pursuing opportunities with master-planned communities

Ended Q3 With A Strong Balance Sheet

Strong cash position

post-Coverstar Central acquisition
& repayment of debt

Significant resilience

continuing to manage through soft
industry environment

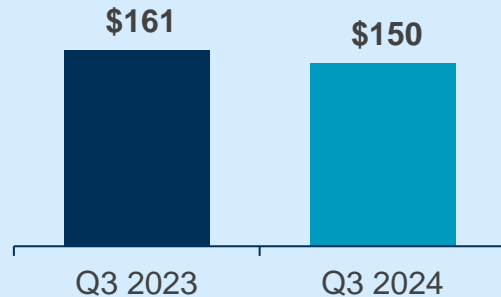
Capital allocation strategy

supported by strong cash flow,
with flexibility to be opportunistic

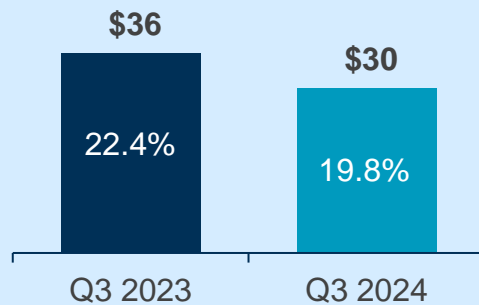


Q3 2024 Financial Highlights

Net Sales (\$ in millions)



Adjusted EBITDA⁽¹⁾ (\$ in millions)

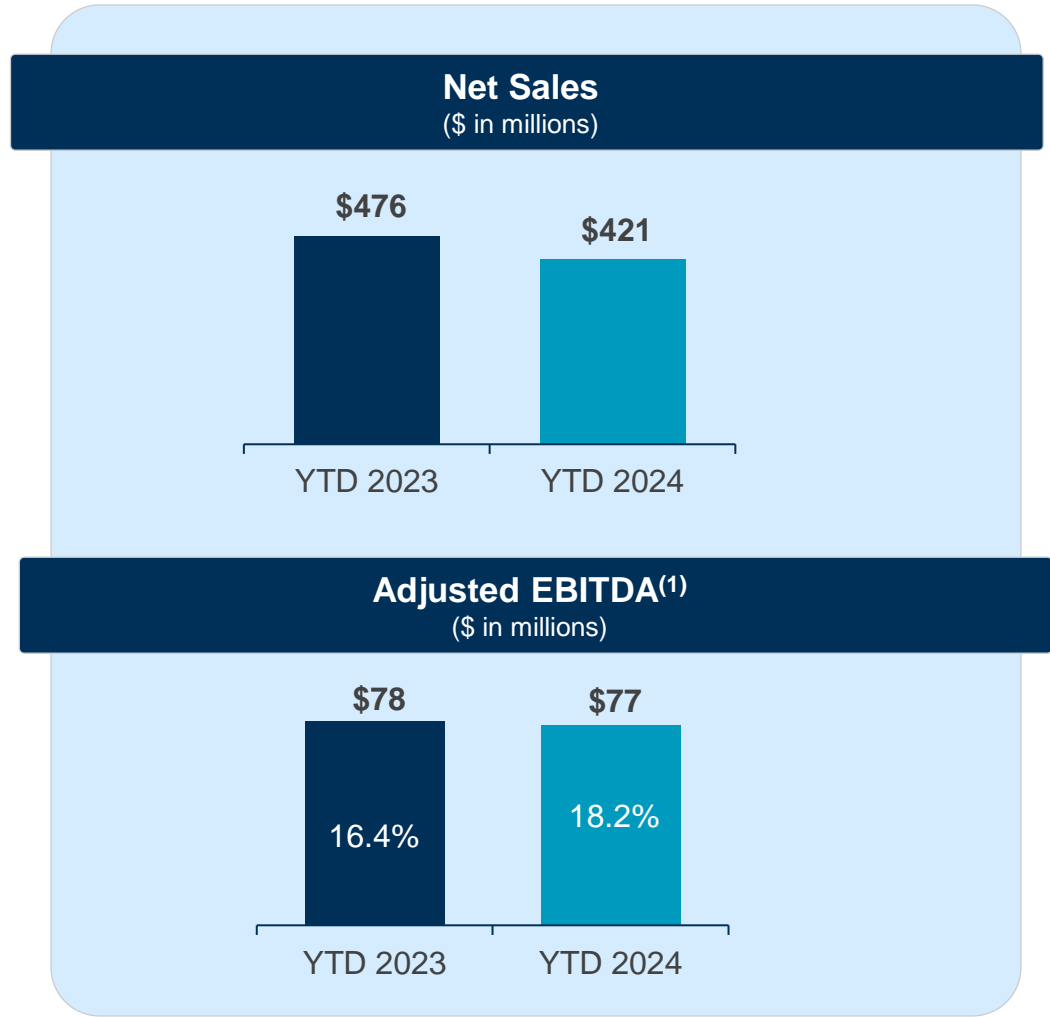


Q3 2024 Key Drivers

- YoY volume declines primarily due to lower new pool starts
- Consistent with expectations for a 15% decline in new pool starts in 2024
- Outperformance driven by leadership in Fiberglass Pools & Auto-Covers
- Lean manufacturing & value engineering initiatives contributed to cost savings

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

Year-to-Date 2024 Financial Highlights



- ## YTD 2024 Key Drivers
- 2024 Themes:**
- Sales volumes primarily impacted by lower new pool starts YoY
 - Gross margin benefits driven by:
 - Previously-announced restructuring programs
 - Production efficiencies from lean manufacturing & value engineering initiatives
 - Cost containment programs
 - Supplier optimization
 - Modest 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⁾	\$135 million Vs. \$153 in 3Q23	<ul style="list-style-type: none"> Maintained substantial financial flexibility even post-\$65M Coverstar Central acquisition and \$20M debt repayment
Net Cash Provided by Operating Activities	\$37.2 million \$55.2 million YTD	<ul style="list-style-type: none"> Includes over \$22M benefit from inventory reduction YTD
Capital Expenditures	\$4.0 million \$13.9 million YTD	<ul style="list-style-type: none"> In-line with expected quarterly run-rate of \$5M to invest in efficiency, maintenance, and safety
Net Debt Leverage Ratio⁽²⁾	2.6x (2.4x pro forma) Vs. 2.1x in 2Q24	<ul style="list-style-type: none"> Up from the prior quarter primarily due to the Coverstar Central acquisition

(1) Liquidity represents cash plus revolver availability.

(2) Calculated by net debt divided by LTM Adjusted EBITDA for the four quarters ended September 28, 2024 and June 29, 2024. See Appendix for the reconciliation of Adjusted EBITDA to net loss and Net Debt and Net Debt Leverage Ratio to the comparable GAAP measure.

Coverstar Central Acquisition

Expectations remain in-line with prior guidance

\$65M

Purchase Price – Paid with Cash on Hand

Acquisition closed on August 2nd

+\$20M

Net Sales, Annualized

Expected increase in annualized Net Sales

+140 bps

Adj. EBITDA Margin Expansion, Annualized

Accretive transaction expected to expand Adjusted EBITDA Margin on an annual basis

Full Year 2024 Outlook⁽¹⁾ – Narrowing Revenue & Adjusted EBITDA

\$ in millions	2024 Outlook			
	Updated		Prior	
	Low	High	Low	High
Net Sales	\$500	\$510	\$495	\$525
Adjusted EBITDA ⁽²⁾	\$77	\$83	\$75	\$85
Capital Expenditures	\$18	\$22	\$18	\$22

Reflects

- Maintaining forecast of a ~15% decline in new in-ground pool installations in 2024;
- Narrowing revenue guidance range related to the impact of recent hurricanes and our visibility through year-end; and
- Narrowing Adjusted EBITDA guidance by \$2M at the high and low ends, and reaffirming \$80M midpoint.

(1) Represents guidance given by the Company as of November 5, 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) for 2024 is not available without unreasonable effort due to uncertainty related to our future income tax expense (benefit).

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

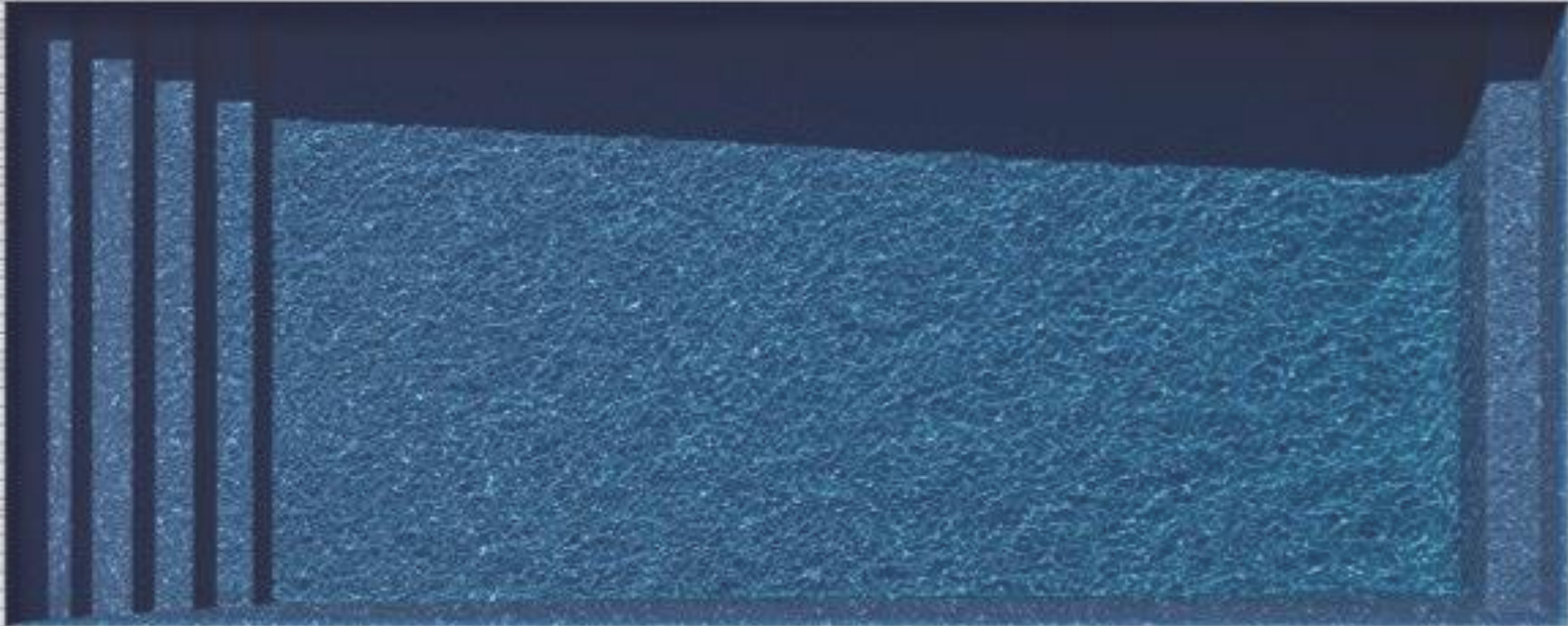


Multiple levers to continue to drive efficiencies



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		Three Fiscal Quarters Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
(in thousands)				
Net income (loss)	\$ 5,896	\$ 6,153	\$ 11,310	\$ (2,500)
Depreciation and amortization	11,323	10,500	32,291	29,784
Interest expense, net	9,155	5,980	20,150	21,270
Income tax (benefit) expense	(43)	6,686	931	8,642
Loss on sale and disposal of property and equipment	41	118	118	131
Restructuring charges ^(a)	132	1,818	497	2,615
Stock-based compensation expense ^(b)	1,844	2,354	5,187	14,887
Unrealized (gains) losses on foreign currency transactions ^(c)	(722)	1,400	1,668	932
Strategic initiative costs ^(d)	706	1,063	2,680	3,065
Acquisition and integration related costs ^(e)	1,930	—	2,305	11
Odessa fire ^(f)	—	11	—	(760)
Other ^(g)	(433)	—	(539)	38
Adjusted EBITDA	\$ 29,829	\$ 36,083	\$ 76,598	\$ 78,115
Net sales	\$ 150,496	\$ 160,778	\$ 421,247	\$ 475,625
Net income (loss) margin	3.9%	3.8%	2.7%	(0.5)%
Adjusted EBITDA margin	19.8%	22.4%	18.2%	16.4%

- (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)	September 28, 2024	June 29, 2024
Total debt	\$ 282,753	\$ 282,361
Less:		
Cash	(59,862)	(90,768)
Net Debt	222,891	191,593
LTM Adjusted EBITDA ^(a)	86,511	92,763
Net Debt Leverage Ratio	2.6x	2.1x
LTM Pro Forma Adjusted EBITDA ⁽²⁾	94,257	
Pro Forma Net Debt Leverage Ratio	2.4x	

(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 September 28, 2024 and June 29, 2024, respectively. See Appendix for the reconciliation of Adjusted EBITDA to net income (loss).