

REFINITIV

# DELTA REPORT

## 10-Q

LATHAM GROUP, INC.

10-Q - JUNE 29, 2024 COMPARED TO 10-Q - MARCH 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 858

 CHANGES 196

 DELETIONS 302

 ADDITIONS 360

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 10-Q**

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**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934**

For the quarterly period ended **March 30, June 29, 2024**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934**

For the transition period from    to   

Commission file number: **001-40358**

**Latham Group, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**

**83-2797583**

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(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer Identification No.)

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**787 Watervliet Shaker Road, Latham, NY**

**12110**

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(Address of principal executive offices)

(Zip Code)

**(800) 833-3800**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

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Title of each class

Trading Symbol(s)

Name of each exchange on which registered

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of **May 3, 2024** **August 2, 2024**, **115,572,774** **115,577,103** shares of the registrant's common stock, \$0.0001 par value, were outstanding.

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**PART I — FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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**Latham Group, Inc.**  
**Condensed Consolidated Balance Sheets**  
(in thousands, except share and per share data)  
(unaudited)

	March 30, 2024	December 31, 2023	June 29, 2024	December 31, 2023
<b>Assets</b>				
Current assets:				
Cash	\$ 43,811	\$ 102,763	\$ 90,768	\$ 102,763
Trade receivables, net	73,944	30,407	65,872	30,407
Inventories, net	95,151	97,137	83,668	97,137
Income tax receivable	1,411	983	1,648	983
Prepaid expenses and other current assets	6,996	7,327	9,428	7,327
Total current assets	221,313	238,617	251,384	238,617
Property and equipment, net	112,795	113,014	112,650	113,014
Equity method investment	26,341	25,940	24,920	25,940
Deferred tax assets	7,310	7,485	7,968	7,485
Operating lease right-of-use assets	28,696	30,788	26,993	30,788
Goodwill	130,987	131,363	131,178	131,363
Intangible assets, net	275,876	282,793	269,696	282,793
Other assets	5,294	5,003	5,237	5,003
Total assets	<u>\$ 808,612</u>	<u>\$ 835,003</u>	<u>\$830,026</u>	<u>\$ 835,003</u>
<b>Liabilities and Stockholders' Equity</b>				
Current liabilities:				
Accounts payable	\$ 25,022	\$ 17,124	\$ 26,567	\$ 17,124
Accounts payable – related party	—	8	—	8
Current maturities of long-term debt	3,250	21,250	3,250	21,250
Current operating lease liabilities	6,823	7,133	6,631	7,133
Accrued expenses and other current liabilities	35,781	40,691	41,692	40,691
Total current liabilities	70,876	86,206	78,140	86,206
Long-term debt, net of discount, debt issuance costs, and current portion	279,531	279,951	279,111	279,951
Deferred income tax liabilities, net	40,088	40,088	40,088	40,088
Non-current operating lease liabilities	22,963	24,787	21,449	24,787
Other long-term liabilities	3,386	4,771	3,107	4,771
Total liabilities	<u>\$ 416,844</u>	<u>\$ 435,803</u>	<u>\$421,895</u>	<u>\$ 435,803</u>
Commitments and contingencies				
Stockholders' equity:				
Preferred stock, \$0.0001 par value; 100,000,000 shares authorized as of both March 30, 2024 and December 31, 2023; no shares issued and outstanding as of both March 30, 2024 and December 31, 2023	—	—	—	—
Common stock, \$0.0001 par value; 900,000,000 shares authorized as of March 30, 2024 and December 31, 2023; 115,389,689 and 114,871,782 shares issued and outstanding, as of March 30, 2024 and December 31, 2023, respectively	11	11	—	—

Preferred stock, \$0.0001 par value; 100,000,000 shares authorized as of both June 29, 2024 and December 31, 2023; no shares issued and outstanding as of both June 29, 2024 and December 31, 2023	—	—	—
Common stock, \$0.0001 par value; 900,000,000 shares authorized as of June 29, 2024 and December 31, 2023; 115,577,103 and 114,871,782 shares issued and outstanding, as of June 29, 2024 and December 31, 2023, respectively	12	11	—
Additional paid-in capital	460,927	459,684	463,027
Accumulated deficit	(64,820)	(56,956)	(51,541)
Accumulated other comprehensive loss	(4,350)	(3,539)	(3,367)
<b>Total stockholders' equity</b>	<b>391,768</b>	<b>399,200</b>	<b>408,131</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 808,612</b>	<b>\$ 835,003</b>	<b>\$ 830,026</b>
			<b>\$ 835,003</b>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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**Latham Group, Inc.**  
**Condensed Consolidated Statements of Operations**  
(in thousands, except share and per share data)  
(unaudited)

	<b>Fiscal Quarter Ended</b>	
	<b>March 30, 2024</b>	<b>April 1, 2023</b>
Net sales	\$ 110,629	\$ 137,719
Cost of sales	80,040	104,349
Gross profit	30,589	33,370
Selling, general, and administrative expense	26,250	33,057
Amortization	6,412	6,632
Loss from operations	(2,073)	(6,319)
Other expense:		
Interest expense, net	4,982	10,804
Other expense, net	1,586	210

Total other expense, net	6,568	11,014		
Earnings from equity method investment	1,309	37		
Loss before income taxes	(7,332)	(17,296)		
Income tax expense (benefit)	532	(2,928)		
Net loss	<u>\$ (7,864)</u>	<u>\$ (14,368)</u>		
Net loss per share attributable to common stockholders:				
Basic	\$ (0.07)	\$ (0.13)		
Diluted	\$ (0.07)	\$ (0.13)		
Weighted-average common shares outstanding – basic and diluted				
Basic	115,038,929	112,102,198		
Diluted	115,038,929	112,102,198		
	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Net sales	\$ 160,122	\$ 177,128	\$ 270,751	\$ 314,847
Cost of sales	107,100	126,895	187,140	231,244
Gross profit	53,022	50,233	83,611	83,603
Selling, general, and administrative expense	26,588	30,209	52,838	63,266
Amortization	6,428	6,635	12,840	13,267
Income from operations	20,006	13,389	17,933	7,070
Other expense:				
Interest expense, net	6,013	4,486	10,995	15,290
Other expense (income), net	804	(1,036)	2,390	(826)
Total other expense, net	6,817	3,450	13,385	14,464
Earnings from equity method investment	532	660	1,841	697
Income (loss) before income taxes	13,721	10,599	6,389	(6,697)
Income tax expense	442	4,884	974	1,956
Net income (loss)	<u>\$ 13,279</u>	<u>\$ 5,715</u>	<u>\$ 5,415</u>	<u>\$ (8,653)</u>
Net income (loss) per share attributable to common stockholders:				
Basic	\$ 0.12	\$ 0.05	\$ 0.05	\$ (0.08)
Diluted	\$ 0.11	\$ 0.05	\$ 0.05	\$ (0.08)
Weighted-average common shares outstanding – basic and diluted				
Basic	115,469,246	112,248,822	115,254,088	112,175,510
Diluted	117,023,112	112,692,543	116,472,164	112,175,510

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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**Latham Group, Inc.**  
**Condensed Consolidated Statements of Comprehensive **Loss** **Income** (Loss)**  
(in thousands)  
(unaudited)

	<b>Fiscal Quarter Ended</b>	
	<b>March 30, 2024</b>	<b>April 1, 2023</b>
Net loss	\$ (7,864)	\$ (14,368)
Other comprehensive loss, net of tax:		
Foreign currency translation adjustments	(811)	(144)
Total other comprehensive loss, net of tax	<u>(811)</u>	<u>(144)</u>
Comprehensive loss	<u>\$ (8,675)</u>	<u>\$ (14,512)</u>
	<b>Fiscal Quarter Ended</b>	
	<b>June 29, 2024</b>	<b>July 1, 2023</b>
Net income (loss)	\$ 13,279	\$ 5,715
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	983	(329)
Total other comprehensive income (loss), net of tax	<u>983</u>	<u>(329)</u>
Comprehensive income (loss)	<u>\$ 14,262</u>	<u>\$ 5,386</u>
	<b>Two Fiscal Quarters Ended</b>	
	<b>June 29, 2024</b>	<b>July 1, 2023</b>
	\$ 5,415	\$ (8,653)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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**Latham Group, Inc.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
(in thousands, except share amounts)  
(unaudited)

	<b>Accumulated</b>			
	<b>Additional</b>		<b>Other</b>	<b>Total</b>
	<b>Paid-in</b>	<b>Accumulated</b>	<b>Comprehensive</b>	<b>Stockholders'</b>

	Shares	Amount	Capital	Deficit	Loss	Equity
<b>Balances at December 31, 2022</b>	114,667,975	\$ 11	\$440,880	\$ (54,568)	\$ (3,533)	\$ 382,790
Net loss	—	—	—	(14,368)	—	(14,368)
Foreign currency translation adjustments	—	—	—	—	(144)	(144)
Issuance of common stock upon release of restricted stock units	22,078	—	—	—	—	—
Stock-based compensation expense	—	—	6,769	—	—	6,769
<b>Balances at April 1, 2023</b>	114,690,053	\$ 11	\$447,649	\$ (68,936)	\$ (3,677)	\$ 375,047
<b>Accumulated</b>						
<b>Additional</b>						
<b>Paid-in</b>						
<b>Accumulated</b>						
<b>Deficit</b>						
<b>Other</b>						
<b>Total</b>						
<b>Stockholders' Equity</b>						
<b>Balances at December 31, 2022</b>	114,667,975	\$ 11	\$440,880	\$ (54,568)	\$ (3,533)	\$ 382,790
Net loss	—	—	—	(14,368)	—	(14,368)
Foreign currency translation adjustments	—	—	—	—	(144)	(144)
Issuance of common stock upon release of restricted stock units	22,078	—	—	—	—	—
Stock-based compensation expense	—	—	6,769	—	—	6,769
<b>Balances at April 1, 2023</b>	114,690,053	\$ 11	\$447,649	\$ (68,936)	\$ (3,677)	\$ 375,047
Net income	—	—	—	5,715	—	5,715
Foreign currency translation adjustments	—	—	—	—	(329)	(329)
Repurchase and retirement of common stock under repurchase program	(54,271)	—	—	—	—	—
Issuance of common stock upon release of restricted stock units	98,974	—	—	—	—	—
Stock-based compensation expense	—	—	5,764	—	—	5,764
<b>Balances at July 1, 2023</b>	114,734,756	\$ 11	\$453,413	\$ (63,221)	\$ (4,006)	\$ 386,197

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**Latham Group, Inc.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
(in thousands, except share amounts)  
(unaudited)

	Shares	Amount	Capital	Accumulated		
				Paid-in	Accumulated	Other Total
				Deficit	Comprehensive	Loss Stockholders' Equity
<b>Balances at December 31, 2023</b>	114,871,782	\$ 11	\$459,684	\$ (56,956)	\$ (3,539)	\$ 399,200
Net loss	—	—	—	(7,864)	—	(7,864)
Foreign currency translation adjustments	—	—	—	—	(811)	(811)
Issuance of common stock upon release of restricted stock units	517,907	—	—	—	—	—
Stock-based compensation expense	—	—	1,243	—	—	1,243
<b>Balances at March 30, 2024</b>	115,389,689	\$ 11	\$460,927	\$ (64,820)	\$ (4,350)	\$ 391,768
	Shares	Amount	Capital	Accumulated		
				Paid-in	Accumulated	Other Total
				Deficit	Comprehensive	Loss Stockholders' Equity
<b>Balances at December 31, 2023</b>	114,871,782	\$ 11	\$459,684	\$ (56,956)	\$ (3,539)	\$ 399,200
Net loss	—	—	—	(7,864)	—	(7,864)
Foreign currency translation adjustments	—	—	—	—	(811)	(811)
Issuance of common stock upon release of restricted stock units	517,907	—	—	—	—	—
Stock-based compensation expense	—	—	1,243	—	—	1,243
<b>Balances at March 30, 2024</b>	115,389,689	\$ 11	\$460,927	\$ (64,820)	\$ (4,350)	\$ 391,768
Net income	—	—	—	13,279	—	13,279
Foreign currency translation adjustments	—	—	—	—	983	983
Issuance of common stock upon release of restricted stock units	187,414	1	—	—	—	1
Stock-based compensation expense	—	—	2,100	—	—	2,100
<b>Balances at June 29, 2024</b>	115,577,103	\$ 12	\$463,027	\$ (51,541)	\$ (3,367)	\$ 408,131

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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**Latham Group, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(in thousands)  
(unaudited)

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	March 30, 2024		June 29, 2024	
	April 1, 2023	July 1, 2023		
<b>Cash flows from operating activities:</b>				
Net loss	\$ (7,864)	\$ (14,368)		
Adjustments to reconcile net loss to net cash used in operating activities:				
Net income (loss)			\$ 5,415	\$ (8,653)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	10,374	9,258	20,967	19,284
Amortization of deferred financing costs and debt discount	430	430	860	860
Non-cash lease expense	1,780	1,877	3,550	3,738
Change in fair value of interest rate swaps	(1,804)	4,866	(2,101)	2,930
Stock-based compensation expense	1,243	6,769	3,343	12,533
Bad debt expense	1,299	1,700	1,277	4,390
Other non-cash, net	1,757	860	1,731	1,166
Earnings from equity method investment	(1,309)	(37)	(1,841)	(697)
Distributions received from equity method investment	908	—	2,860	—
Changes in operating assets and liabilities:				
Trade receivables	(44,895)	(55,286)	(36,831)	(37,276)
Inventories	1,648	15,615	13,139	38,902
Prepaid expenses and other current assets	467	(593)	(2,309)	(916)
Income tax receivable	(428)	(2,816)	(665)	(1,409)
Other assets	(146)	(1,225)	323	(392)
Accounts payable	8,179	20,947	9,817	8,935
Accrued expenses and other current liabilities	(5,987)	(3,190)	(1,181)	(6,882)
Other long-term liabilities	(164)	717	(443)	(224)
Net cash used in operating activities	(34,512)	(14,476)		
Net cash provided by operating activities			17,911	36,289
<b>Cash flows from investing activities:</b>				
Purchases of property and equipment	(5,345)	(9,942)	(9,833)	(23,365)
Net cash used in investing activities	(5,345)	(9,942)	(9,833)	(23,365)
<b>Cash flows from financing activities:</b>				

Payments on long-term debt borrowings	(18,813)	(813)	(19,625)	(1,625)
Proceeds from borrowings on revolving credit facility	—	48,000	—	48,000
Payments on revolving credit facilities			—	(48,000)
Repayments of finance lease obligations	(189)	(101)	(380)	(259)
Net cash (used in) provided by financing activities	(19,002)	47,086		
Net cash used in financing activities			(20,005)	(1,884)
Effect of exchange rate changes on cash	(93)	(278)	(68)	(550)
<b>Net (decrease) increase in cash</b>	<b>(58,952)</b>	<b>22,390</b>	<b>(11,995)</b>	<b>10,490</b>
Cash at beginning of period	102,763	32,626	102,763	32,626
Cash at end of period	\$ 43,811	\$ 55,016	\$ 90,768	\$ 43,116
<b>Supplemental cash flow information:</b>				
Cash paid for interest	\$ 9,513	\$ 5,123	\$ 16,131	\$ 11,247
Income taxes paid, net	39	637	2,581	1,206
<b>Supplemental disclosure of non-cash investing and financing activities:</b>				
Purchases of property and equipment included in accounts payable and accrued expenses	\$ 426	\$ 5,849	\$ 28	\$ 1,111
Capitalized internal-use software included in accounts payable – related party	—	359	—	325
Right-of-use operating and finance lease assets obtained in exchange for lease liabilities	198	1,625	198	4,108

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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**Notes to Condensed Consolidated Financial Statements**

**1. NATURE OF THE BUSINESS**

Latham Group, Inc. (the "Company") wholly owns Latham Pool Products, Inc. ("Latham Pool Products") (together, "Latham"), a designer, manufacturer, and marketer of in-ground residential swimming pools in North America, Australia, and New Zealand. Latham **Pool Products** offers a portfolio of in-ground swimming pools and related products, including pool liners and pool covers.

***Stock Split, Initial Public Offering and Reorganization***

On April 13, 2021, the Company's certificate of incorporation was amended and restated. On April 13, 2021, the Company effected a ~~109,673,709-for-one~~ 109,673,709 for-one stock split of its issued and outstanding shares of common stock. Accordingly, all share and per share data included in these condensed consolidated financial statements and notes thereto ~~have been adjusted retroactively to reflect the impact of the amended and restated certificate of incorporation and the stock split.~~

On April 27, 2021, the Company completed its initial public offering (the "IPO"), pursuant to which it issued and sold 23,000,000 shares of common stock, inclusive of 3,000,000 shares sold by the Company pursuant to the full exercise of the underwriters' option to purchase additional shares. The aggregate net proceeds received by the Company from the IPO were \$399.3 million, after deducting underwriting discounts and commissions and other offering costs.

Prior to the closing of the Company's IPO, the Company's parent entity, Latham Investment Holdings, L.P., merged with and into Latham Group, Inc.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### ***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements and accompanying notes have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The Company's unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

### ***Unaudited Interim Financial Information***

The unaudited condensed consolidated balance sheet at December 31, 2023 was derived from audited financial statements but does not include all disclosures required by GAAP. The accompanying unaudited condensed consolidated financial statements as of ~~March 30, 2024~~ June 29, 2024 and for the fiscal ~~quarter and two fiscal~~ quarters ended ~~March 30, 2024~~ June 29, 2024 and ~~April 1, 2023~~ July 1, 2023, respectively, have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial statements. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These condensed consolidated financial statements should be read in conjunction with Latham Group, Inc.'s audited consolidated financial statements and the notes thereto for the fiscal year ended December 31, 2023 included in the Company's 2023 Annual Report on Form 10-K, filed with the SEC on March 13, 2024 (the "Annual Report"). In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of these condensed consolidated financial statements, have been included. The Company's results of operations for the fiscal quarter and two fiscal quarters ended ~~March 30, 2024~~ June 29, 2024 are not necessarily indicative of the results of operations that may be expected for the fiscal year ending December 31, 2024 or other interim periods thereof.

### ***Use of Estimates***

The preparation of the Company's condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure

of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Company bases its estimates on historical experience, known trends, and other market-specific relevant factors that it believes to be reasonable under the circumstances. Estimates are evaluated on an ongoing basis and

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revised as there are changes in circumstances, facts, and experience. Changes in estimates are recorded in the period in which they become known.

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***Reclassifications***

Certain prior period balances have been reclassified to conform to the current period presentation in the condensed consolidated financial statements and the accompanying notes.

***Seasonality***

Although the Company generally has demand for its products throughout the fiscal year, its business is seasonal and weather is one of the principal external factors affecting the business. Historically, net sales and net income are highest (or net loss is lowest) during the second and third fiscal quarters, representing the peak months of swimming pool use, pool installation, and remodeling and repair activities. Severe weather may also affect net sales in all periods.

***Significant Accounting Policies***

Refer to the Annual Report for a discussion of the Company's significant accounting policies, as updated below.

***Recently Issued Accounting Pronouncements***

The Company qualifies as "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 and has elected to "opt in" to the extended transition related to complying with new or revised accounting standards, which means that when a standard is issued or revised and it has different application dates for public and nonpublic companies, the Company will adopt the new or revised standard at the time nonpublic companies adopt the new or revised standard

and will do so until such time that the Company either (i) irrevocably elects to "opt out" of such extended transition period or (ii) no longer qualifies as an emerging growth company. The Company may choose to early adopt any new or revised accounting standards whenever such early adoption is permitted for private companies.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which improves financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful analysis. For all entities, ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The amendments should be applied retrospectively to all prior periods presented in the financial statements, with early adoption permitted. The Company is currently evaluating ASU 2023-07 and its potential impact on the notes to the condensed consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), in an effort to enhance the transparency and decision usefulness of income tax disclosures. For all entities, ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. The amendments should be applied prospectively with retrospective application permitted. Early adoption is also permitted. The Company is currently evaluating ASU 2023-09 and its potential impact on the notes to the condensed consolidated financial statements.

In March 2024, the FASB issued ASU 2024-01, *Compensation – Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards* ("ASU 2024-01"), which improves financial reporting by providing clarity on when an entity should apply the scope guidance in paragraph 718-10-15-3. For all public entities, ASU 2024-01 is effective for public business entities for fiscal years beginning after December 15, 2024. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024 December 15, 2025. The amendments should be applied retrospectively to all prior periods presented in the financial statements, with early adoption permitted. The Company is currently evaluating ASU 2024-01 and its potential impact on the notes to the condensed consolidated financial statements.

### 3. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value.

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.

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Level 3 — Unobservable inputs that reflect the Company's own assumptions incorporated into valuation techniques. These valuations require significant judgment.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. When there is more than one input at different levels within the hierarchy, the fair value is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessment of the significance of a particular input to the fair value measurement in its entirety requires substantial judgment and consideration of factors specific to the asset or liability. Level 3 inputs are inherently difficult to estimate. Changes to these inputs can have significant impact on fair value measurements. Assets and liabilities measured at fair value using Level 3 inputs are based on one or more of the following valuation techniques: market approach, income approach or cost approach. There were no transfers between fair value measurement levels during the two fiscal quarters ended **March 30, 2024 and April 1, 2023** **June 29, 2024 or July 1, 2023**.

***Assets and liabilities measured at fair value on a nonrecurring basis***

The Company's non-financial assets such as goodwill, intangible assets, and property and equipment are measured at fair value upon acquisition and remeasured to fair value when an impairment charge is recognized. Such fair value measurements are based predominantly on Level 2 and Level 3 inputs.

***Fair value of financial instruments***

The Company considers the carrying amounts of cash, trade receivables, prepaid expenses and other current assets, accounts payable, and accrued expenses and other current liabilities to approximate fair value because of the short-term maturities of these instruments.

***Term loan***

The Company's **term loan** (see **Term Loan** (as defined below; see Note 6) is carried at amortized cost; however, the Company estimates the fair value of the **term loan** **Term Loan** for disclosure purposes. The fair value of the **term loan** **Term Loan** is determined using inputs based on observable market data of a non-public exchange, which are classified as Level 2 inputs. The following table sets forth the carrying amount and fair value of its **term loan** **Term Loan** (in thousands):

	March 30, 2024				December 31, 2023				June 29, 2024		December 31, 2023	
	Carrying		Estimated		Carrying		Estimated		Carrying	Estimated	Carrying	Estimated
	Value	Fair Value	Value	Fair Value	Value	Fair Value	Value	Fair Value	Value	Fair Value	Value	Fair Value
Term Loan	\$ 282,781	\$ 277,832	\$ 301,201	\$ 289,153	\$282,361	\$274,596	\$301,201	\$289,153				

## Interest rate swap

The Company estimates the fair value of interest rate swaps (see Note 6) on a fiscal quarterly basis using Level 2 inputs, including the forward SOFR curve. The fair value is estimated by comparing (i) the present value of all future monthly fixed rate payments versus (ii) the variable payments based on the forward SOFR curve. As of **March 30, 2024**, **June 29, 2024** and December 31, 2023, the fair value of the Company's interest rate swap was an asset of **\$0.6 million** **\$0.9 million** and a liability of **\$1.2 million**, **\$1.2 million**, respectively, which were recorded within other assets and other long-term liabilities, respectively, on the condensed consolidated balance sheets, respectively.

## 4. GOODWILL AND INTANGIBLE ASSETS, NET

### Goodwill

The carrying amount of goodwill as of March 30, 2024 and as of December 31, 2023 was **\$131.0 million** and **\$131.4 million**, respectively. The change in the carrying value during the fiscal quarter ended March 30, 2024 was solely because of fluctuations in foreign currency exchange rates.

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## 4. GOODWILL AND INTANGIBLE ASSETS, NET

### Goodwill

The carrying amount of goodwill as of June 29, 2024 and as of December 31, 2023 was **\$131.2 million** and **\$131.4 million**, respectively. The change in the carrying value during the two fiscal quarters ended June 29, 2024 was solely because of fluctuations in foreign currency exchange rates.

### Intangible Assets

Intangible assets, net as of **March 30, 2024**, **June 29, 2024** consisted of the following (in thousands):

	March 30, 2024				June 29, 2024			
	Gross	Foreign		Net	Gross	Foreign		Net
	Carrying	Currency	Accumulated	Amount	Carrying	Currency	Accumulated	Amount
	Amount	Translation	Amortization	Amount	Amount	Translation	Amortization	Amount
Trade names and trademarks	\$148,100	\$ (251)	\$ 31,233	\$116,616	\$148,100	\$ (88)	\$ 32,884	\$115,128
Patented technology	16,126	(4)	9,111	7,011	16,126	(1)	9,508	6,617
Technology	13,000	—	2,023	10,977	13,000	—	2,240	10,760
Pool designs	13,628	(124)	3,207	10,297	13,628	(44)	3,441	10,143

Franchise relationships	1,187	—	1,187	—	1,187	—	1,187	—
Dealer relationships	197,376	(1)	66,400	130,975	197,376	—	70,328	127,048
Order backlog	1,600	—	1,600	—	1,600	—	1,600	—
Non-competition agreements	2,476	—	2,476	—	2,476	—	2,476	—
	<b>\$393,493</b>	<b>\$ (380)</b>	<b>\$ 117,237</b>	<b>\$275,876</b>	<b>\$393,493</b>	<b>\$ (133)</b>	<b>\$ 123,664</b>	<b>\$269,696</b>

The Company recognized \$6.4 million and \$12.8 million of amortization expense related to intangible assets during the fiscal quarter and two fiscal quarters ended **March 30, 2024** **June 29, 2024**. The Company recognized \$6.6 million and \$13.3 million of amortization expense related to intangible assets during the fiscal quarter and two fiscal quarters ended **April 1, 2023** **July 1, 2023**.

Intangible assets, net as of December 31, 2023 consisted of the following (in thousands):

	December 31, 2023				
	Gross		Foreign		
	Carrying	Currency	Accumulated	Net	
	Amount	Translation	Amortization	Amount	
Trade names and trademarks	\$148,100	\$ 72	\$ 29,583	\$118,589	
Patented technology	16,126	1	8,713	7,414	
Technology	13,000	—	1,806	11,194	
Pool designs	13,628	35	2,973	10,690	
Franchise relationships	1,187	—	1,187	—	
Dealer relationships	197,376	—	62,470	134,906	
Order backlog	1,600	—	1,600	—	
Non-competition agreements	2,476	—	2,476	—	
	<b>\$393,493</b>	<b>\$ 108</b>	<b>\$ 110,808</b>	<b>\$282,793</b>	

The Company estimates that amortization expense related to definite-lived intangible assets will be as follows in each of the next five years and thereafter (in thousands):

Year Ended	Estimated Future	
	Amortization	
	Expense	
Remainder of fiscal year 2024	\$ 19,282	
2025	25,551	
2026	25,551	
2027	25,551	
2028	24,593	
Thereafter	<b>155,348</b>	
	<b>\$ 275,876</b>	

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The Company estimates that amortization expense related to definite-lived intangible assets will be as follows in each of the next five fiscal years and thereafter (in thousands):

Fiscal Year Ending	Estimated Future	
	Amortization	Expense
Remainder of fiscal year 2024		\$ 12,854
2025		25,551
2026		25,551
2027		25,551
2028		24,592
Thereafter		155,597
		<u>\$ 269,696</u>

## 5. INVENTORIES, NET

Inventories, net consisted of the following (in thousands):

	March 30, 2024	December 31, 2023	June 29, 2024	December 31, 2023
Raw materials	\$ 53,145	\$ 55,081	\$ 53,089	\$ 55,081
Finished goods	42,006	42,056	30,579	42,056
	<u>\$ 95,151</u>	<u>\$ 97,137</u>	<u>\$ 83,668</u>	<u>\$ 97,137</u>

## 6. LONG-TERM DEBT

The components of the Company's outstanding long-term debt obligations consisted of the following (in thousands):

	March 30, 2024	December 31, 2023	June 29, 2024	December 31, 2023
Term Loan	\$ 290,500	\$ 309,313	\$ 289,688	\$ 309,313
Revolving Credit Facility	—	—	—	—
Less: Unamortized discount and debt issuance costs	(7,719)	(8,112)	(7,327)	(8,112)
Total debt	282,781	301,201	282,361	301,201
Less: Current portion of long-term debt	(3,250)	(21,250)	(3,250)	(21,250)
Total long-term debt	<u>\$ 279,531</u>	<u>\$ 279,951</u>	<u>\$ 279,111</u>	<u>\$ 279,951</u>

On February 23, 2022, Latham Pool Products entered into an agreement (the "Credit Agreement") with Barclays Bank PLC, which provides a senior secured multicurrency revolving line of credit (the "Revolving Credit Facility") in an initial principal amount of \$75.0 million and a U.S. Dollar senior secured term loan facility (the "Term Loan") in an initial principal amount of \$325.0 million.

As of **March 30, 2024** **June 29, 2024**, the Company was in compliance with all financial covenants under the Credit Agreement.

### ***Revolving Credit Facility***

The Revolving Credit Facility may be utilized to finance ongoing general corporate and working capital needs and permits Latham Pools Pool Products to borrow loans in U.S. Dollars, Canadian Dollars, Euros and Australian Dollars. The Revolving Credit Facility matures on February 23, 2027. Loans outstanding under the Revolving Credit Facility denominated in U.S. Dollars and Canadian Dollars bear interest, at the borrower's option, at a rate per annum based on Term SOFR or CDO (each, as defined in the Credit Agreement), as applicable, plus a margin of 3.50%, or at a rate per annum based on the Base Rate or the Canadian Prime Rate (each, as defined in the Credit Agreement), plus a margin of 2.50%. Loans outstanding under the Revolving Credit Facility denominated in Euros or Australian Dollars bear interest based on EURIBOR or the AUD Rate (each, as defined in the Credit Agreement), respectively, plus a margin of 3.50%. A commitment fee accrues on any unused portion of the commitments under the Revolving

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Credit Facility. The commitment fee is due and payable quarterly in arrears, and initially was 0.375% per annum and thereafter accrues at a rate per annum ranging from 0.25% to 0.50%, depending on the First Lien Net Leverage Ratio (as defined in the Credit Agreement, the "First Lien Net Leverage Ratio") Agreement). Borrowings under the Revolving Credit Facility are due at maturity.

The Company incurred debt issuance costs of \$0.8 million related to the Revolving Credit Facility. The debt issuance costs were recorded within other assets on the condensed consolidated balance sheet as of the applicable period and are being amortized over the life of the Revolving Credit Facility.

The Company is required to meet certain financial covenants in connection with the Revolving Credit Facility, including maintaining specific liquidity measurements. There are also negative covenants, including certain restrictions on the Company's and its subsidiaries' ability to incur additional indebtedness, create liens, make investments, consolidate, or merge with other entities, enter into transactions with affiliates, make prepayments with respect to certain indebtedness, make dividend payments, loans, or advances to the Company, declare dividends and make restricted payments and other distributions.

As of **March 30, 2024** **June 29, 2024**, there were no outstanding borrowings on the Revolving Credit Facility and \$75.0 million was available for future borrowing.

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### **Term Loan**

The Term Loan matures on February 23, 2029. The Term Loan bears interest, at the borrower's option, at a rate per annum based on Term SOFR (as defined in the Credit Agreement), plus a margin ranging from 3.75% to 4.00%, depending on the First Lien Net Leverage Ratio, or based on the Base Rate (as defined in the Credit Agreement), plus a margin ranging from 2.75% to 3.00%, depending on the First Lien Net Leverage Ratio. The Term Loan is subject to scheduled quarterly amortization payments of \$812,500, equal to 0.25% of the initial principal amount of the Term Loan. The Credit Agreement contains customary mandatory prepayment provisions for the Term Loan, including requirements to make mandatory prepayments with 50% of any excess cash flow and with 100% of the net cash proceeds from the incurrence of indebtedness not otherwise permitted to be incurred by the covenants, asset sales, and casualty and condemnation events, in each case, subject to customary exceptions.

During the **quarter two fiscal quarters** ended **March 30, 2024** **June 29, 2024**, the Company made a payment of \$18.0 million.

Outstanding borrowings as of **March 30, 2024** **June 29, 2024** were **\$282.8** **\$282.4** million, net of unamortized discount and debt issuance costs of **\$7.7** **\$7.3** million. In connection with the Term Loan, the Company is subject to various negative, reporting, financial, and other covenants, including maintaining specific liquidity measurements.

As of **March 30, 2024** **June 29, 2024**, the unamortized debt issuance costs and discount on the Term Loan were **\$4.3** **\$4.1** million and **\$3.4** **\$3.3** million, respectively. The effective interest rate was **9.89%** **9.98%** at **March 30, 2024** **June 29, 2024**, including the impact of the Company's interest rate swaps.

### **Interest Rate Risk**

Interest rate risk associated with the Credit Agreement is mitigated partially through interest rate swaps.

The Company executed an interest rate swap on April 30, 2020. The swap had an effective date of May 18, 2020 and a termination date of May 18, 2023. In February 2022, the Company amended its interest rate swap to change the index rate from LIBOR to SOFR in connection with the entry into the Credit Agreement. Under the terms of the amended swap, the Company fixed its SOFR borrowing rate at 0.496% on a notional amount of \$200.0 million. The interest rate swap was not designated as a hedging instrument for accounting purposes (see Note 3).

Additionally, the Company entered into an interest rate swap that was executed on March 10, 2023. The swap has an effective date of May 18, 2023 and a termination date of May 18, 2026. Under the terms of the swap, the Company fixed its SOFR borrowing rate at 4.3725% on a notional amount of \$161.0 million. The interest rate swap is not designated as a hedging instrument for accounting purposes (see Note 3).

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### **Debt Maturities**

Principal payments due on the outstanding debt, excluding the Revolving Credit Facility, in the next five fiscal years, excluding any potential payments based on excess cash flow, are as follows (in thousands):

<b>Year Ended</b>	<b>Term Loan</b>
Remainder of fiscal year 2024	\$ 2,438
2025	3,250
2026	3,250
2027	3,250
2028	3,250
Thereafter	275,062
	<b><u>\$ 290,500</u></b>

<b>Fiscal Year Ending</b>	<b>Term Loan</b>
Remainder of fiscal year 2024	\$ 1,625
2025	3,250
2026	3,250
2027	3,250
2028	3,250

Thereafter	275,063
	<u>\$ 289,688</u>

### Guarantees

The obligations under the Credit Agreement are guaranteed by certain wholly owned subsidiaries (the "Guarantors") of the Company as defined that are party to that certain security agreement, which was executed in connection with the security agreement. Credit Agreement. The obligations under the Credit Agreement are secured by substantially all of the Guarantors' tangible and intangible assets, including their accounts receivables, equipment, intellectual property, inventory, cash and cash equivalents, deposit accounts, and security accounts. The Credit Agreement also restricts payments and other distributions unless certain conditions are met, which could restrict the Company's ability to pay dividends.

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## 7. PRODUCT WARRANTIES

The warranty reserve activity consisted of the following (in thousands):

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	March 30, 2024	April 1, 2023	June 29, 2024	July 1, 2023
Balance at the beginning of the fiscal year	\$ 3,161	\$ 3,990	\$ 3,161	\$ 3,990
Adjustments to reserve	537	354	1,613	2,280
Less: Settlements made (in cash or in kind)	(679)	(761)	(1,475)	(2,871)
Balance at the end of the fiscal quarter	<u>\$ 3,019</u>	<u>\$ 3,583</u>	<u>\$ 3,299</u>	<u>\$ 3,399</u>

## 8. LEASES

For leases with initial terms greater than 12 months, the Company considers these right-of-use assets and records the related asset and obligation at the present value of lease payments over the term. For leases with initial terms equal to or less than 12 months, the Company does not consider them as right-of-use assets and instead considers them short-term lease costs that are recognized on a straight-line basis over the lease term. The Company's leases may include escalation clauses, renewal options, and/or termination options that are factored into the Company's determination of lease term and lease payments when it is reasonably certain the option will be exercised. The Company elected to take the practical expedient and not separate lease and non-lease components of contracts. The Company estimates an incremental

borrowing rate to discount the lease payments based on information available at lease commencement because the implicit rate of the lease is generally not known.

The Company leases manufacturing facilities, office space, land, and certain vehicles and equipment under operating leases. The Company also leases certain vehicles and equipment under finance leases. The Company determines if an arrangement is a lease at inception. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The components of lease expense for the fiscal quarters ended March 30, 2024 and April 1, 2023 were as follows (in thousands):

	Fiscal Quarter Ended	
	March 30, 2024	April 1, 2023
Operating lease expense	\$ 2,163	\$ 2,351
Finance lease amortization of assets	212	109
Finance lease interest on lease liabilities	84	52
Short-term lease expense	56	54
Variable lease expense	158	327
<b>Total lease expense</b>	<b>\$ 2,673</b>	<b>\$ 2,893</b>

Operating and finance lease right-of-use assets and lease-related liabilities as of March 30, 2024 and December 31, 2023 were as follows (in thousands):

	March 30, 2024	December 31, 2023	Classification
<b>Lease right-of-use assets:</b>			
Operating leases	\$ 28,696	\$ 30,788	Operating lease right-of-use assets
Finance leases	3,887	3,912	Other assets
<b>Total lease right-of-use assets</b>	<b>\$ 32,583</b>	<b>\$ 34,700</b>	
<b>Lease-related liabilities</b>			
Current			
Operating leases	\$ 6,823	\$ 7,133	Current operating lease liabilities
Finance leases	782	746	Accrued expenses and other current liabilities
Non-current			
Operating leases	22,963	24,787	Non-current operating lease liabilities
Finance leases	3,247	3,285	Other long-term liabilities
<b>Total lease liabilities</b>	<b>\$ 33,815</b>	<b>\$ 35,951</b>	

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inception. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The components of lease expense for the fiscal quarter and two fiscal quarters ended June 29, 2024 and July 1, 2023 were as follows (in thousands):

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Operating lease expense	\$ 2,129	\$ 2,317	\$ 4,292	\$ 4,668
Finance lease amortization of assets	212	156	424	265
Finance lease interest on lease liabilities	80	68	164	120
Short-term lease expense	64	96	120	150
Variable lease expense	122	268	280	595
Total lease expense	<u>\$ 2,607</u>	<u>\$ 2,905</u>	<u>\$ 5,280</u>	<u>\$ 5,798</u>

Operating and finance lease right-of-use assets and lease-related liabilities as of June 29, 2024 and December 31, 2023 were as follows (in thousands):

	June 29, 2024	December 31, 2023	Classification
<b>Lease right-of-use assets:</b>			
Operating leases			
Operating leases	\$ 26,993	\$ 30,788	Operating lease right-of-use assets
Finance leases	3,675	3,912	Other assets
Total lease right-of-use assets	<u>\$ 30,668</u>	<u>\$ 34,700</u>	
<b>Lease-related liabilities</b>			
Current			
Operating leases	\$ 6,631	\$ 7,133	Current operating lease liabilities
Finance leases	786	746	Accrued expenses and other current liabilities
Non-current			
Operating leases	21,449	24,787	Non-current operating lease liabilities
Finance leases	3,053	3,285	Other long-term liabilities
Total lease liabilities	<u>\$ 31,919</u>	<u>\$ 35,951</u>	

The table below presents supplemental information related to leases as of **March 30, 2024** **June 29, 2024** and December 31, 2023:

	March 30, 2024	December 31, 2023	June 29, 2024	December 31, 2023
Weighted-average remaining lease term (years)				
Finance leases	5.0	5.2	4.8	5.2

Operating leases	5.6	5.7	5.4	5.7
Weighted-average discount rate				
Finance leases	8.2 %	8.2 %	8.2 %	8.2 %
Operating leases	5.0 %	5.1 %	5.0 %	5.1 %

The table below presents supplemental information related to the cash flows for operating leases recorded on the condensed consolidated statements of cash flows (in thousands):

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	March 30, 2024	April 1, 2023	June 29, 2024	July 1, 2023
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows for operating leases	\$ 1,794	\$ 1,817	\$ 3,578	\$ 3,781

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The following table summarizes fiscal year maturities of operating lease liabilities as of March 30, 2024 June 29, 2024 (in thousands):

	Operating Leases	Finance Leases	Total	Operating Leases	Finance Leases	Total
	\$ 6,260	\$ 813	\$ 7,073	\$ 4,139	\$ 542	\$ 4,681
Remainder of fiscal year 2024						
2025	7,309	1,030	8,339	7,339	1,030	8,369
2026	5,805	934	6,739	5,831	934	6,765
2027	4,097	858	4,955	4,109	858	4,967
2028	3,111	845	3,956	3,114	845	3,959
Thereafter	7,637	436	8,073	7,626	436	8,062
Total lease payments	34,219	4,916	39,135	32,158	4,645	36,803
Less: Interest	(4,433)	(886)	(5,319)	(4,078)	(806)	(4,884)
Present value of lease liability	\$ 29,786	\$ 4,030	\$ 33,816	\$ 28,080	\$ 3,839	\$ 31,919

## 9. NET SALES

The following table sets forth the Company's disaggregation of net sales by product line (in thousands):

	Fiscal Quarter Ended		Fiscal Quarter Ended		Two Fiscal Quarters Ended			
	March 30, 2024		April 1, 2023		June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
	\$ 59,832	\$ 78,612	26,868	32,745	53,661	57,839	140,791	169,146
In-ground Swimming Pools	\$ 59,832	\$ 78,612	26,868	32,745	53,661	57,839	140,791	169,146
Covers					25,503	28,755	52,371	61,500
Liners					110,629	137,719	160,122	177,128
							270,751	314,847

## 10. INCOME TAXES

The effective income tax rate for the fiscal quarter and two fiscal quarters ended **March 30, 2024** **June 29, 2024** was **(7.2)%** **3.2%** and **15.2%**, respectively, compared to **16.9%** **46.1%** and **(29.2)%** for the fiscal quarter and two fiscal quarters ended **April 1, 2023** **July 1, 2023**. The differences between the U.S. federal statutory income tax rate and our effective income tax rates for the fiscal quarter ended **March 30, 2024** **June 29, 2024** and the fiscal quarter ended **April 1, 2023** **July 1, 2023** were primarily attributable to the discrete impact impacts of stock stock-based compensation expense for which there is no associated tax benefit and foreign income.

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## 11. STOCKHOLDERS' EQUITY

### *Repurchase Program*

On May 10, 2022, the Board of Directors of the Company approved a stock repurchase program (the "Repurchase Program"), which authorizes the Company to repurchase up to \$100 million of the Company's shares of common stock by May 2025. The Company may effect these repurchases in open market transactions, privately negotiated purchases, or other acquisitions. The Company is not obligated to repurchase any of its shares of its common stock under the Repurchase Program and the timing and amount of any repurchases will depend on market conditions, the Company's stock price, alternative uses of capital, the terms of the Company's debt instruments, and other factors.

As of **March 30, 2024** **June 29, 2024**, \$77.0 million remained available for share repurchases pursuant to the Repurchase Program. The Company did not repurchase any shares of its common stock during the fiscal quarter ended **March 30, 2024** **June 29, 2024**. The Company accounts for the excess of the repurchase price over the par value of shares acquired as a reduction to additional paid-in capital.

## 12. STOCK-BASED COMPENSATION

On April 12, 2021, the Company's stockholders approved the 2021 Omnibus Equity Incentive Plan (the "2021 Omnibus Equity Plan"), which became effective on April 22, 2021, upon pricing of its initial public offering. The 2021 Omnibus Equity Plan provides for the issuance of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance stock units and other stock-based and cash-based awards. The maximum grant date fair value of cash and equity awards that may be awarded to a

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non-employee director under the 2021 Omnibus Equity Plan during any one fiscal year, together with any cash fees paid to such non-employee director during such fiscal year, is \$750,000.

On May 2, 2023, at the 2023 annual meeting of stockholders of the Company, the stockholders approved the first amendment (the "First Amendment") to the 2021 Omnibus Equity Plan, which was previously approved by the Board of Directors of the Company. The First Amendment became effective upon stockholder approval, and included an increase by 8,000,000 shares of the share pool, i.e. the maximum number of shares of the Company's common stock that may be issued pursuant to awards granted under the 2021 Omnibus Equity Plan.

Except as amended by the First Amendment, the other terms of the 2021 Omnibus Equity Plan remain in full force and effect. Subsequent to the First Amendment, the maximum aggregate number of shares reserved for issuance under the 2021 Omnibus Equity Plan is 21,170,212 shares.

The following table summarizes the Company's stock-based compensation expense (in thousands):

	Fiscal Quarter Ended	
	March 30, 2024	April 1, 2023
Cost of sales	\$ —	\$ 426
Selling, general, and administrative	1,243	6,343
	<u>\$ 1,243</u>	<u>\$ 6,769</u>

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Cost of sales	\$ —	\$ (626)	\$ —	\$ (200)
Selling, general, and administrative	2,100	6,390	3,343	12,733
	<u>\$ 2,100</u>	<u>\$ 5,764</u>	<u>\$ 3,343</u>	<u>\$ 12,533</u>

As of **March 30, 2024** **June 29, 2024**, total unrecognized stock-based compensation expense related to all unvested stock-based awards was **\$13.3 million** **\$12.8 million**, which is expected to be recognized over a weighted-average period of **2.22.1** years.

#### **Restricted Stock Awards**

The following table represents the Company's restricted stock awards activity during the **two fiscal quarters** ended **March 30, 2024** **June 29, 2024**:

	Weighted-Average Grant-Date Fair Value		Weighted-Average Grant-Date Fair Value	
	Shares		Shares	
Outstanding at January 1, 2024	42,886	\$ 19.00	42,886	\$ 19.00
Granted	—	—	—	—
Vested	—	—	(21,443)	19.00
Forfeited	—	—	—	—
Outstanding at March 30, 2024	42,886	\$ 19.00		
Outstanding at June 29, 2024			21,443	\$ 19.00

#### **Restricted Stock Units**

The following table represents the Company's restricted stock units activity during the **two fiscal quarters** ended **June 29, 2024**:

	Weighted-Average Grant-Date Fair Value	
	Shares	
Outstanding at January 1, 2024	2,235,479	\$ 3.60
Granted	2,616,819	2.87
Vested	(598,715)	3.60
Forfeited	(115,296)	2.95
Outstanding at June 29, 2024	4,138,287	\$ 3.16

### Restricted Stock Units

The following table represents the Company's restricted stock units activity during the fiscal quarter ended March 30, 2024:

	Shares	Weighted-Average Date Fair Value
Outstanding at January 1, 2024	2,235,479	\$ 3.60
Granted	2,282,336	2.87
Vested	(411,301)	3.94
Forfeited	(85,392)	2.93
Outstanding at March 30, 2024	<u>4,021,122</u>	<u>\$ 3.17</u>

### Stock Options

The following table represents the Company's stock option options activity during the two fiscal quarters ended March 30, 2024 June 29, 2024:

	Weighted-Average				Weighted-Average			
	Exercise Price		Remaining Contract Term		Exercise Price		Remaining Contract Term	
	Shares	per Share	(in years)	Aggregate	Shares	per Share	(in years)	Aggregate
Outstanding at January 1, 2024	1,554,294	\$ 15.43			1,554,294	\$ 15.43		
Granted	—	—			—	—		
Exercised	—	—			—	—		
Forfeited	(42,004)	16.92			(50,433)	16.88		
Expired	(57,616)	17.78			(82,007)	17.79		
Outstanding at March 30, 2024	<u>1,454,674</u>	<u>\$ 15.30</u>	<u>7.58</u>	<u>\$ —</u>				
Vested and expected to vest at March 30, 2024	<u>1,454,674</u>	<u>\$ 15.30</u>	<u>7.58</u>	<u>\$ —</u>				
Options exercisable at March 30, 2024	<u>678,477</u>	<u>\$ 16.10</u>	<u>7.38</u>	<u>\$ —</u>				

Outstanding at June 29, 2024	<u>1,421,854</u>	\$ <u>15.25</u>	<u>7.39</u>	\$ <u>—</u>
Vested and expected to vest at June 29, 2024	<u>1,421,854</u>	\$ <u>15.25</u>	<u>7.39</u>	\$ <u>—</u>
Options exercisable at June 29, 2024	<u>779,935</u>	\$ <u>16.45</u>	<u>7.19</u>	\$ <u>—</u>

The aggregate intrinsic value of stock options is calculated as the difference between the exercise price of the stock options and the fair value of the Company's common stock for those stock options that had exercise prices lower than the fair value of the Company's common stock.

#### ***Stock Appreciation Rights***

During the fiscal quarter ended April 1, 2023, as a portion of the annual equity award grants to the Company's executive officers, the Compensation Committee of the Board of Directors approved stock appreciation rights for an aggregate of 790,181 shares of the Company's common stock, with a strike price of \$3.24 per share. At the time of such approval, the Company did not have enough shares of the Company's common stock in the share pool under the 2021 Omnibus Equity Plan to support such grant. As of April 1, 2023, the contingent grant of stock appreciation rights remained subject to stockholder approval of the First Amendment. On May 2, 2023, following stockholder approval of the First Amendment, the foregoing stock appreciation right awards became effective without condition.

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The following table represents the Company's stock appreciation rights activity during the two fiscal quarters ended **March 30, 2024** **June 29, 2024**:

	Shares	Exercise Price per Share	Weighted-	Weighted-
			Average	Average
			Remaining Contract Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2024	755,802	\$ 3.16		
Granted	—	—	—	—

Exercised	—	—	—	—
Forfeited	(49,342)	3.24	9.13	\$ 569,296
Outstanding at March 30, 2024	<u>706,460</u>	<u>\$ 3.15</u>	<u>9.13</u>	<u>\$ 569,296</u>
Vested and expected to vest at March 30, 2024	<u>706,460</u>	<u>\$ 3.15</u>	<u>9.13</u>	<u>\$ 569,296</u>
Stock appreciation rights exercisable at March 30, 2024	<u>161,893</u>	<u>\$ 3.24</u>	<u>9.09</u>	<u>\$ 116,563</u>

	Shares	Weighted-	Weighted-	Aggregate (in thousands)
		Average	Average	
		Exercise Price	Remaining Contract Term (in years)	
Outstanding at January 1, 2024	755,802	\$ 3.16		
Granted	—	—		
Exercised	—	—		
Forfeited	(49,342)	3.24		
Outstanding at June 29, 2024	<u>706,460</u>	<u>\$ 3.15</u>	<u>8.88</u>	<u>\$ 48,280</u>
Vested and expected to vest at June 29, 2024	<u>706,460</u>	<u>\$ 3.15</u>	<u>8.88</u>	<u>\$ 48,280</u>
Stock appreciation rights exercisable at June 29, 2024	<u>161,893</u>	<u>\$ 3.24</u>	<u>8.84</u>	<u>\$ —</u>

The aggregate intrinsic value of stock appreciation rights is calculated as the difference between the strike price of the stock appreciation rights and the fair value of the Company's common stock for those stock appreciation rights that had strike prices lower than the fair value of the Company's common stock.

No stock appreciation rights were granted under this plan during the fiscal quarter ended March 30, 2024. [20](#)

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### **Performance Stock Units**

During the [two fiscal quarter](#)[quarters](#) ended [March 30, 2024](#)[June 29, 2024](#), the Compensation Committee of the Board of Directors approved the grant of performance stock units ("PSUs") as a portion of the annual equity award to the Company's executive [officers](#) for an aggregate of 427,145 shares of the Company's common stock.[officers](#).

The PSUs will be earned at 0% to 200% of the target PSUs (with 100% of PSUs being earned at target performance, and linear interpolation between threshold and target and maximum performance) based on the Company's achievement of Adjusted EBITDA, as defined in the award agreement, over a [one-year](#)[one-fiscal year](#) performance period ending December 31, 2024. Any earned PSUs cliff vest on the third anniversary of the grant date. Adjusted EBITDA is considered a performance condition and the grant date fair value corresponds with management's expectation of the probable

outcome of the performance condition as of the grant date. The grant date fair value is determined based on the fair market value of the Company's stock at market close on the grant date multiplied by the target number of shares subject to the award. The probability of achieving the performance criteria is assessed quarterly during the performance period. Compensation expense related to unvested PSUs is recognized ratably over the service period.

The following table represents the Company's PSU activity during the **two fiscal quarters** ended **March 30, 2024** **June 29, 2024**:

	Weighted-Average		Weighted-Average	
	Grant Date		Grant Date	
	Shares	Fair Value	Shares	Fair Value
Outstanding at January 1, 2024	—	\$ —	—	\$ —
Granted	427,145	2.87	443,100	2.91
Adjustment for expected performance achievement (1)	—	—	—	—
Forfeited	—	—	—	—
Outstanding at March 30, 2024 (2)	<u>427,145</u>	<u>\$ 2.87</u>	—	—
Outstanding at June 29, 2024 (2)	<u>443,100</u>	<u>\$ 2.91</u>	—	—

(1) Represents the adjustment to previously granted PSUs based on performance expectations as of the end of each respective fiscal year.

(2) An additional 427,145 PSUs could potentially be included if the maximum performance level of 200% is earned for all PSUs outstanding as of March 30, 2024.

(1)

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[Table](#)[Represents the adjustment to previously granted PSUs based on the Company's performance expectations as of](#)  
[Contents](#)[June 29, 2024.](#)

(2) An additional 443,100 PSUs could potentially be included if the maximum performance level of 200% is earned for all PSUs outstanding as of June 29, 2024.

### 13. NET LOSS INCOME (LOSS) PER SHARE

Basic and diluted net **loss** **income** **(loss)** per share attributable to common stockholders was calculated as follows (in thousands, except share and per share data):

	Fiscal Quarter Ended		Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	March 30, 2024	April 1, 2023	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Numerator:						
Net loss attributable to common stockholders	\$ (7,864)	\$ (14,368)				
Net income (loss) attributable to common stockholders			\$ 13,279	\$ 5,715	\$ 5,415	\$ (8,653)
Denominator:						
Weighted-average common shares outstanding						
Basic	115,038,929	112,102,198	115,469,246	112,248,822	115,254,088	112,175,510
Diluted	115,038,929	112,102,198	117,023,112	112,692,543	116,472,164	112,175,510
Net loss per share attributable to common stockholders:						
Net income (loss) per share attributable to common stockholders:						
Basic	\$ (0.07)	\$ (0.13)	\$ 0.12	\$ 0.05	\$ 0.05	\$ (0.08)
Diluted	\$ (0.07)	\$ (0.13)	\$ 0.11	\$ 0.05	\$ 0.05	\$ (0.08)

As of **March 30, 2024** **June 29, 2024** and December 31, 2023, **115,346,803** **115,555,660** and 114,828,896 shares of common stock were issued and outstanding for accounting purposes, respectively.

The following table includes the number of shares that may be dilutive common shares in the future that were not included in the computation of diluted net loss income (loss) per share because the effect was anti-dilutive:

	Fiscal Quarter Ended		Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	March 30, 2024	April 1, 2023	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Restricted stock awards	42,886	2,576,219	—	87,576	21,443	1,331,897
Restricted stock units	24,146	500,751	58,259	102,129	41,203	301,440
Stock options	1,521,158	1,886,497	1,432,041	1,730,204	1,476,599	1,808,350
Stock appreciation rights	657,999	—	647,582	529,681	652,790	264,841
Performance stock units	75,937	—	7,189	—	41,563	—

#### 14. RELATED PARTY TRANSACTIONS

##### *BrightAI Services*

Starting in 2020, BrightAI Corporation ("BrightAI") has rendered services to the Company, for which the cost has been capitalized as internal-use software. A co-founder of BrightAI ~~Services~~ served on the Company's Board of Directors from December 9, 2020 until his resignation on February 21, 2024. In December 2022, the Company executed an additional agreement with BrightAI for the provision of hardware to run the technology developed by BrightAI and the Company. ~~The During the two fiscal quarters ended June 29, 2024 and July 1, 2023, the Company had incurred no material transactions amounts and \$0.8 million, respectively, associated with services performed by BrightAI, during which was recorded as construction in progress within property and equipment, net on the quarters ended March 30, 2024 and April 1, 2023~~ condensed consolidated balance sheet as of July 1, 2023. As of December 31, 2023, the Company had no accounts payable related to BrightAI.

#### 15. RESTRUCTURING COSTS

During the second and third fiscal quarters of 2023, the Company initiated an additional plan focused on efforts to improve efficiencies and decrease costs. The plan involved a reduction in the Company's workforce as well as closures of various manufacturing facilities. The Company had an exit or disposal cost related liability of ~~less than~~ \$0.1 million as of ~~March 30, 2024~~ June 29, 2024 and \$0.2 million as of December 31, 2023.

#### 16. SUBSEQUENT EVENT

On August 2, 2024, the Company completed a stock acquisition of CoverStar Central, LLC. ("CoverStar Central"), the Company's exclusive dealer of automatic safety covers in 29 states – mainly in the center of the U.S. The purchase price was \$64.5 million, subject to certain adjustments, including for working capital as compared to an agreed target and transaction expenses. The Company fully funded the transaction with cash on hand.

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### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our 2023 Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, ("SEC") on March 13, 2024 (the "Annual Report").*

*As used in this Quarterly Report on Form 10-Q, references to "Latham," "the Company," "we," "us" and "our," refer to the Company and its consolidated subsidiaries unless otherwise indicated or the context requires otherwise.*

#### **Cautionary Note Regarding Forward-Looking Statements**

Certain statements in this report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this report other than statements of historical fact may constitute forward-looking statements, including statements regarding our future operating results and financial position, our business strategy and plans, business and market trends, our objectives for future operations, macroeconomic and geopolitical conditions, the implementation of our cost reduction plans and expected annualized cost savings, the implementation of our digital transformation and lean manufacturing activities, a potential non-cash impairment charge for goodwill, the recent acquisition of Coverstar Central, LLC. ("Coverstar Central"), and the sufficiency of our cash balances, working capital and cash generated from operating, investing, and financing activities for our future liquidity and capital resource needs. These forward-looking statements are generally identified by the use of forward-looking terminology, including the terms "anticipate," "believe," "confident," "continue," "could," "estimate," "expect," "intend," "likely," "may," "plan," "possible," "potential," "predict," "project," "should," "target," "will," "would" and, in each case, their negative or other various or comparable terminology. These statements involve known and unknown risks, uncertainties, assumptions and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including those set forth under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in the Annual Report and as described in other subsequent reports we file or furnish with the SEC, including elsewhere in this Quarterly Report on Form 10-Q. For similar reasons, our past results may not be a reliable indicator of future performance and trends. We encourage you to read this report and our other filings with the SEC carefully. You also should be aware that these risk factors and other information do not describe every risk that we face. New emerging risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business, financial condition, results of operations and cash flows. We operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. Although we believe that the expectations reflected in the forward-looking statements are reasonable and our expectations based on third-party information and projections are from sources that management believes to be reputable, we cannot guarantee future results, levels of activities, performance, or achievements.

These forward-looking statements reflect our views with respect to future events as of the date of this Quarterly Report on Form 10-Q or the date specified herein, and we have based these forward-looking statements on our current

expectations and projections about future events and trends. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Except as required by law, we undertake no obligation to update or review publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Quarterly Report on Form 10-Q. We anticipate that subsequent events and developments will cause our views to change. 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 qualify all of our forward-looking statements by these cautionary statements.

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### **Overview**

We are the largest designer, manufacturer, and marketer of in-ground residential swimming pools in North America, Australia, and New Zealand. We hold the leading position in North America in every product category in which we compete. It is our view that we are the most sought-after brand in the pool industry and the only pool company that has established a direct relationship with the homeowner. We are Latham, The Pool Company.

With an operating history that spans over 65 years, we offer the industry's broadest portfolio of pools and related products, including in-ground swimming pools, pool liners, and pool covers.

We have a heritage of innovation. In an industry that has traditionally marketed on a business-to-business basis (pool manufacturer to dealer), we pioneered the first "direct-to-homeowner" digital and social marketing strategy that has transformed the homeowner's purchase journey. Through this marketing strategy, we are able to create demand for our pools and to provide high quality, purchase-ready consumer leads to our dealer partners.

Partnership with our dealers is integral to our collective success, and we have enjoyed long-tenured relationships averaging over 14 years. We support our dealer network with business development tools, co-branded marketing programs, and in-house training, as well as an operations platform consisting of approximately 1,800 employees across **approximately 24** locations.

The full resources of our company are dedicated to designing and manufacturing high-quality pool products, with the homeowner in mind, and positioning ourselves as a value-added partner to our dealers.

We conduct our business as one operating and reportable segment that designs, manufactures, and markets in-ground swimming pools, pool liners, and pool covers.

### **Recent Developments**

#### ***Highlights for the fiscal quarter ended **March 30, 2024** **June 29, 2024*****

- Decrease in net sales of 19.7% 9.6%, or \$27.1 million \$17.0 million, to \$110.6 million \$160.1 million for the fiscal quarter ended March 30, 2024 June 29, 2024, compared to \$137.7 million \$177.1 million for the fiscal quarter ended April 1, 2023 July 1, 2023.
- Decrease Increase in net loss income of \$6.5 million \$7.6 million to \$7.9 million \$13.3 million and representing a 7.1% an 8.3% net loss income margin for the fiscal quarter ended March 30, 2024 June 29, 2024, compared to net loss income of \$14.4 million \$5.7 million and representing a 3.2% net income margin for the fiscal quarter ended April 1, 2023 July 1, 2023.
- Increase in Adjusted EBITDA (as defined below) of \$1.3 million \$3.5 million to \$12.3 million \$34.5 million for the fiscal quarter ended March 30, 2024 June 29, 2024, compared to \$11.0 million \$31.0 million for the fiscal quarter ended April 1, 2023 July 1, 2023. Adjusted EBITDA margin improved from 17.5% to 21.5%.

#### **Highlights for the two fiscal quarters ended June 29, 2024**

- Decrease in net sales of 14.0%, or \$44.0 million, to \$270.8 million for the two fiscal quarters ended June 29, 2024, compared to \$314.8 million for the two fiscal quarters ended July 1, 2023.
- Increase in net income of \$14.1 million to a net income of \$5.4 million and representing a 2.0% net income margin for the two fiscal quarters ended June 29, 2024, compared to net loss of \$8.7 million for the two fiscal quarters ended July 1, 2023.
- Increase in Adjusted EBITDA (as defined below) of \$4.8 million to \$46.8 million for the two fiscal quarters ended June 29, 2024, compared to \$42.0 million for the two fiscal quarters ended July 1, 2023. Adjusted EBITDA margin improved from 13.3% to 17.3%.

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#### **Business Update**

Ongoing macroeconomic challenges have softness has impacted and are is expected to continue to impact consumer spending and demand. As anticipated, this resulted in a decline in U.S. new in-ground residential pool installations in the first quarter half of 2024, mainly driven by lower packaged pool demand. Fiberglass products continue to show strength relative to packaged pools.

We continue to make progress executing our strategy to drive adoption and awareness of fiberglass pools and automatic safety covers and gain additional operating efficiencies through value engineering and lean manufacturing initiatives. We continue to take a disciplined approach to capital investments, with the focus on the completion of previously announced projects such as our recent multi-year capital plan to invest in our facilities, technology and

systems. Notably, this involves continued investment in our sales, marketing, engineering and research and development efforts that are designed to accelerate conversion to fiberglass pool products and ongoing digital transformation programs.

We have responded to economic uncertainty by implementing cost reduction programs and lean manufacturing initiatives that structurally reduce our cost basis, while maintaining capacity. We expect to realize ~~realized~~ an additional \$4.8 million of annualized savings during 2024 from plans initiated in the second and third quarters of 2023, with \$2.7 million realized in the first fiscal quarter and ~~the remainder expected to be \$2.1 million~~ realized in the second fiscal quarter.

### **Strategic Acquisition**

Strategic transactions continue to be part of our growth strategy. On August 2, 2024, we completed a stock acquisition (the "Coverstar Central Acquisition") of Coverstar Central, our exclusive dealer of automatic safety covers in 29 states – mainly in the center of the U.S. Coverstar Central has been our trusted partner since 2006, and this acquisition represents a valuable strategic opportunity that we expect to benefit from in multiple ways. First, the vertical integration of our automatic safety cover product line in the acquired geographies is expected to increase margins. Second, as one company with a fully integrated sales and marketing strategy, we expect to accelerate the sales growth of this product line. Finally, we see opportunities to leverage Coverstar Central's long-standing relationships with pool builders in its markets to increase the awareness of, and conversion to, fiberglass pools. We believe the Coverstar Central Acquisition will be immediately accretive to our net income, Adjusted EBITDA and Adjusted EBITDA margin for the fiscal year ending December 31, 2024 and enhance our gross margins in the long-term. The purchase price was \$64.5 million, subject to certain adjustments, including for working capital, as compared to an agreed upon target and transaction expenses. The transaction was fully funded with cash on hand.

### **Key Performance Indicators**

#### **Net Sales**

We derive our revenue from the design, manufacture, and sale of in-ground swimming pools, pool covers, and pool liners. We sell fiberglass pools, which are one-piece manufactured fiberglass pools that are ready to be installed in a consumer's backyard, and custom vinyl pools, which are manufactured pools that are made out of non-corrosive steel, aluminum, or composite polymer frame, on top of which a vinyl liner is installed. We sell liners for the interior surface of vinyl pools (including pools that were not manufactured by us). We also sell all-season covers, which are winterizing mesh or solid pool covers that protect pools against debris and cold or inclement weather, and automatic safety covers for pools that can be operated with a switch.

Our sales are made through one-step and two-step business-to-business distribution channels. In our one-step distribution channel, we sell our products directly to dealers who, in turn, sell our products to consumers. In our two-step distribution channel, we sell our products to distributors who warehouse our products and sell them on to dealers, who ultimately sell our products to consumers.

Each product shipped is considered to be one performance obligation. With the exception of our extended service warranties and our custom product contracts, we recognize our revenue when control of our promised goods is transferred to our customers (dealer in one-step distribution channel or distributor in two-step distribution channel), either upon shipment or arrival at our customer's destination depending upon the terms of the purchase order. Sales are recognized net of any estimated rebates, returns, allowances, cash discounts, or other sales incentives. Revenue that is derived from our extended service warranties, which are separately priced and sold, is recognized over the term of the contracts.

Revenue from custom products is recognized over time utilizing an input method that compares the cost of cumulative work-in-process to date to the most current estimates for the entire cost of the performance obligation.

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**Gross Margin**

Gross margin is gross profit as a percentage of our net sales. Gross margin depends upon several factors, such as the prices we charge buyers, changes in prices of raw materials, the volume and relative sales mix among product lines, and plant performance, among other factors. Gross margin is also impacted by the costs of distribution and occupancy costs, which can vary.

Our gross profit is primarily variable in nature and generally follows changes in net sales. The components of our cost of sales may not be comparable to the components of cost of sales or similar measures of other companies. As a result, our gross profit and gross margin may not be comparable to similar data made available by other companies.

**Adjusted EBITDA and Adjusted EBITDA Margin**

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, to utilize as a significant performance metric in our incentive compensation plans, and to compare our

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performance against that of other companies using similar measures. 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 we do not believe are indicative of our core operating performance, such as (i) depreciation and amortization, (ii) interest expense, net, (iii) income tax (benefit) expense, (iv) loss (gain) 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) the Odessa fire and other such unusual events and (xi) other.

Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures and should not be considered as alternatives to net income (loss) 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.

For a discussion of Adjusted EBITDA and Adjusted EBITDA margin and the limitations on their use, and the reconciliation of Adjusted EBITDA to net loss, income (loss), the most directly comparable GAAP financial measure, and our calculation of Adjusted EBITDA margin see “— Non-GAAP Financial Measures” below.

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### Results of Operations

**Fiscal Quarter Ended March 30, 2024 June 29, 2024 Compared to Fiscal Quarter Ended April 1, 2023 July 1, 2023**

The following table summarizes our results of operations for the fiscal quarter ended March 30, 2024 June 29, 2024 and April 1, 2023 July 1, 2023 (dollars in thousands):

	Fiscal Quarter Ended					
	% of Net		% of Net		Change	Change in %
	March 30, 2024	Sales	April 1, 2023	Sales	Amount	of Net Sales
<hr/>						
Net sales	\$ 110,629	100.0 %	\$ 137,719	100.0 %	\$(27,090)	0.0 %

Cost of sales	80,040	72.3 %	104,349	75.8 %	(24,309)	(3.5)%
Gross profit	30,589	27.7 %	33,370	24.2 %	(2,781)	3.5 %
Selling, general, and administrative expense	26,250	23.8 %	33,057	24.0 %	(6,807)	(0.2)%
Amortization	6,412	5.8 %	6,632	4.8 %	(220)	1.0 %
Loss from operations	(2,073)	(1.9)%	(6,319)	(4.6)%	4,246	2.7 %
Other expense:						
Interest expense, net	4,982	4.5 %	10,804	7.8 %	(5,822)	(3.3)%
Other expense, net	1,586	1.4 %	210	0.1 %	1,376	1.3 %
Total other expense, net	6,568	5.9 %	11,014	8.0 %	(4,446)	(2.0)%
Earnings from equity method investment	1,309	1.2 %	37	0.0 %	1,272	1.2 %
Loss before income taxes	(7,332)	(6.6)%	(17,296)	(12.6)%	9,964	6.0 %
Income tax expense (benefit)	532	0.5 %	(2,928)	(2.1)%	3,460	2.6 %
Net loss	\$ (7,864)	(7.1)%	\$ (14,368)	(10.4)%	\$ 6,504	3.3 %
Adjusted EBITDA <sup>(a)</sup>	\$ 12,293	11.1 %	\$ 11,033	8.0 %	\$ 1,260	3.1 %

	Fiscal Quarter Ended					
	% of Net		% of Net		Change	Change in %
	June 29, 2024	Sales	July 1, 2023	Sales	Amount	of Net Sales
	(dollars in thousands)					
Net sales	\$ 160,122	100.0 %	\$ 177,128	100.0 %	\$ (17,006)	0.0 %
Cost of sales	107,100	66.9 %	126,895	71.6 %	(19,795)	(4.7)%
Gross profit	53,022	33.1 %	50,233	28.4 %	2,789	4.7 %
Selling, general, and administrative expense	26,588	16.6 %	30,209	17.1 %	(3,621)	(0.5)%
Amortization	6,428	4.0 %	6,635	3.7 %	(207)	0.3 %
Income from operations	20,006	12.5 %	13,389	7.6 %	6,617	4.9 %
Other expense (income):						
Interest expense, net	6,013	3.8 %	4,486	2.5 %	1,527	1.3 %
Other expense (income), net	804	0.5 %	(1,036)	(0.6)%	1,840	1.1 %
Total other expense, net	6,817	4.3 %	3,450	1.9 %	3,367	2.4 %
Earnings from equity method investment	532	0.4 %	660	0.3 %	(128)	0.1 %
Income before income taxes	13,721	8.6 %	10,599	6.0 %	3,122	2.6 %
Income tax expense	442	0.3 %	4,884	2.8 %	(4,442)	(2.5)%
Net income	\$ 13,279	8.3 %	\$ 5,715	3.2 %	\$ 7,564	5.1 %
Adjusted EBITDA <sup>(a)</sup>	\$ 34,478	21.5 %	\$ 30,999	17.5 %	\$ 3,479	4.0 %

(a) Adjusted EBITDA is a non-GAAP measure. See "Non-GAAP Financial Measures" for a reconciliation to net loss, income (loss), the most directly comparable GAAP measure, and for information regarding our use of Adjusted EBITDA.

#### Net Sales

Net sales were \$110.6 million \$160.1 million for the fiscal quarter ended March 30, 2024 June 29, 2024, compared to \$137.7 million \$177.1 million for the fiscal quarter ended April 1, 2023 July 1, 2023. The \$27.1 million \$17.0 million, or 19.7% 9.6%, decrease in net sales was due to because of a \$25.8 million \$16.4 million decrease in sales volume and a \$1.3 million \$0.6 million decrease from lower pricing. The sales volume decrease was primarily driven by continued difficult economic conditions, lower backlog entering the year and macroeconomic softness, partially offset by normalized seasonality. The decrease in total net sales of \$27.1 million \$17.0 million across our product lines consisted of \$18.8 million \$9.6 million for in-ground swimming pools, \$5.9 million \$4.2 million for pool covers liners and \$2.4 million \$3.3 million for pool liners covers.

#### **Cost of Sales and Gross Margin**

Cost of sales was \$80.0 million \$107.1 million for the fiscal quarter ended March 30, 2024 June 29, 2024, compared to \$104.3 million \$126.9 million for the fiscal quarter ended April 1, 2023 July 1, 2023. Gross margin increased by 4.7%, to 33.1% of net sales for the fiscal quarter ended June 29, 2024, compared to 28.4% of net sales for the fiscal quarter ended July 1, 2023. The \$24.3 million \$19.8 million, or 23.3% 15.6%, decrease in cost of sales was primarily the result of the decrease in fixed cost leverage and sales volume, the impact of production efficiencies resulting from lean manufacturing and value engineering programs and lower material costs, partially offset by a \$0.4 million decrease \$0.6 million increase in non-cash stock-based compensation expense. Gross margin increased by 3.5%, to 27.7% of net sales for the fiscal quarter ended March 30, 2024, compared to 24.2% of net sales for the fiscal quarter ended April 1, 2023. The 3.5% 4.7% increase in gross margin was primarily driven by our improved cost structure, increased productivity associated with ongoing the impact of previously announced restructuring programs, the impact of production efficiencies resulting from lean manufacturing and value engineering efforts programs, cost control and lower raw material costs.

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#### **Selling, General, and Administrative Expense**

Selling, general, and administrative expense was \$26.3 million \$26.6 million for the fiscal quarter ended March 30, 2024 June 29, 2024, compared to \$33.1 million \$30.2 million for the fiscal quarter ended April 1, 2023 July 1, 2023, and decreased as a percentage of net sales by 0.2% 0.5%. The \$6.8 million \$3.6 million, or 20.6% 12.0%, decrease in selling, general, and administrative expense was primarily driven by a \$5.1 million \$4.3 million decrease in non-cash stock-based compensation expense, lower headcount as well as our cost containment initiatives and reduced expenses.

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[Table restructuring projects, partially offset by an increase of \*\*Contents\*\*](#) \$4.8 million in accrued performance-based compensation.

### **Amortization**

Amortization was \$6.4 million for the fiscal quarter ended **March 30, 2024** **June 29, 2024**, compared to \$6.6 million for the fiscal quarter ended **April 1, 2023** **July 1, 2023**. The \$0.2 million, or **3.3%** **3.1%**, decrease in amortization was driven by certain definite-lived intangible assets becoming fully amortized during the fiscal year ended December 31, 2023.

### **Interest Expense, net**

Interest expense, net was **\$5.0 million** **\$6.0 million** for the fiscal quarter ended **March 30, 2024** **June 29, 2024**, compared to **\$10.8 million** **\$4.5 million** for the fiscal quarter ended **April 1, 2023** **July 1, 2023**. The **\$5.8 million** **\$1.5 million**, or **53.9%** **34.0%**, decrease increase in interest expense, net was primarily the result of the change in the fair value of our interest rate swap, compared to the fiscal quarter ended **April 1, 2023**, partially offset by a higher effective interest rate on lower total borrowings. **July 1, 2023**.

### **Other Expense (Income), Net**

Other expense (income), net was **\$1.6 million** **\$0.8 million** for the fiscal quarter ended **March 30, 2024** **June 29, 2024**, compared to **\$0.2 million** **\$(1.0) million** for fiscal quarter ended **April 1, 2023** **July 1, 2023**. The **\$1.4 million** **\$1.8 million** increase in other expense (income), net was primarily driven by an unfavorable change in net foreign currency transaction gains and losses associated with our international subsidiaries.

### **Earnings from Equity Method Investment**

Earnings from our equity method investment in Premier Pools & Spa were **\$1.3 million** **\$0.5 million** for the fiscal quarter ended **March 30, 2024** **June 29, 2024**, compared to **less than \$0.1 million** **\$0.7 million** for the fiscal quarter ended **April 1, 2023** **July 1, 2023**, because of the financial performance of Premier Pools & Spa.

### **Income Tax Expense (Benefit)**

Income tax expense was **\$0.5 million** **\$0.4 million** for the fiscal quarter ended **March 30, 2024** **June 29, 2024**, compared to income tax benefit expense of **\$(2.9) million** **\$4.9 million** for the fiscal quarter ended **April 1, 2023** **July 1, 2023**. Our effective tax rate was **(7.2)%** **3.2%** for the fiscal quarter ended **March 30, 2024** **June 29, 2024**, compared to **16.9%** **46.1%** for the fiscal quarter ended **April 1, 2023** **July 1, 2023**. The difference between the U.S. federal statutory income tax rate and our effective income tax rate for both the fiscal quarters ended **March 30, 2024** **June 29, 2024** and **April 1, 2023** **July 1, 2023** was primarily attributable to the discrete impact impacts of stock-based compensation expense and foreign income.

### **Net Loss Income**

Net loss income was **\$7.9 million** **\$13.3 million** for the fiscal quarter ended **March 30, 2024** **June 29, 2024**, compared to **\$14.4 million** **\$5.7 million** for the fiscal quarter ended **April 1, 2023** **July 1, 2023**. The **\$6.5 million** **\$7.6 million**, or **45.3%** **132.4%**, decrease increase in net loss income was primarily because of the factors described above.

### **Net Loss Income Margin**

Net loss income margin was 7.1% 8.3% for the fiscal quarter ended March 30, 2024 June 29, 2024, compared to 10.4% 3.2% for the fiscal quarter ended April 1, 2023 July 1, 2023. The 3.3% decrease 5.1% increase in net loss income margin was driven by a \$6.5 million decrease \$7.6 million increase in net loss, income compared to the fiscal quarter ended April 1, 2023 July 1, 2023 because of the factors described above.

### **Adjusted EBITDA**

Adjusted EBITDA was \$12.3 million \$34.5 million for the fiscal quarter ended March 30, 2024 June 29, 2024, compared to \$11.0 million \$31.0 million for the fiscal quarter ended April 1, 2023 July 1, 2023. The \$1.3 million \$3.5 million, or 11.4% 11.2%, increase in Adjusted EBITDA was primarily because of the increase decrease in gross margin cost of sales

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and the reduction in selling, general and administrative expenses, partially offset by the decrease in net sales, as well as the other factors described above.

### **Adjusted EBITDA Margin**

Adjusted EBITDA margin was 11.1% 21.5% for the fiscal quarter ended March 30, 2024 June 29, 2024, compared to 8.0% 17.5% for the fiscal quarter ended April 1, 2023 July 1, 2023. The 3.1% 4.0% increase in Adjusted EBITDA margin was primarily because of a \$1.3 million \$3.5 million increase in Adjusted EBITDA, and a \$27.1 million decrease in net sales, compared to the fiscal quarter ended April 1, 2023 July 1, 2023, which were impacted by the factors described above.

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### **Two Fiscal Quarters Ended June 29, 2024 Compared to Two Fiscal Quarters Ended July 1, 2023**

The following table summarizes our results of operations for the two fiscal quarters ended June 29, 2024 and July 1, 2023:

Category	Two Fiscal Quarters Ended June 29, 2024	Two Fiscal Quarters Ended July 1, 2023
Net Sales	\$1.2 billion	\$1.3 billion
Net Income	\$100 million	\$120 million
EBITDA	\$12.3 million	\$34.5 million
EBITDA Margin	11.1% 21.5%	8.0% 17.5%
Net Loss Income Margin	7.1% 8.3%	10.4% 3.2%

	Two Fiscal Quarters Ended					
	% of Net		% of Net		Change	Change in %
	June 29, 2024	Sales	July 1, 2023	Sales	Amount	of Net Sales
					(dollars in thousands)	
Net sales	\$ 270,751	100.0 %	\$ 314,847	100.0 %	\$ (44,096)	0.0 %
Cost of sales	187,140	69.1 %	231,244	73.4 %	(44,104)	(4.3)%
Gross profit	83,611	30.9 %	83,603	26.6 %	8	4.3 %
Selling, general, and administrative expense	52,838	19.5 %	63,266	20.1 %	(10,428)	(0.6)%
Amortization	12,840	4.8 %	13,267	4.3 %	(427)	0.5 %
Income from operations	17,933	6.6 %	7,070	2.2 %	10,863	4.4 %
Other expense (income):						
Interest expense, net	10,995	4.1 %	15,290	4.9 %	(4,295)	(0.8)%
Other expense (income), net	2,390	0.8 %	(826)	(0.3)%	3,216	1.1 %
Total other expense, net	13,385	4.9 %	14,464	4.6 %	(1,079)	0.3 %
Earnings from equity method investment	1,841	0.7 %	697	0.3 %	1,144	0.4 %
Income (loss) before income taxes	6,389	2.4 %	(6,697)	(2.1)%	13,086	4.5 %
Income tax expense	974	0.4 %	1,956	0.6 %	(982)	(0.2)%
Net income (loss)	\$ 5,415	2.0 %	\$ (8,653)	(2.7)%	\$ 14,068	4.7 %
Adjusted EBITDA(a)	\$ 46,770	17.3 %	\$ 42,032	13.3 %	\$ 4,738	4.0 %

(a) Adjusted EBITDA is a non-GAAP measure. See "Non-GAAP Financial Measures" for a reconciliation to net income (loss), the most directly comparable GAAP measure, and for information regarding our use of Adjusted EBITDA.

### Net Sales

Net sales were \$270.8 million for the two fiscal quarters ended June 29, 2024, compared to \$314.8 million for the two fiscal quarters ended July 1, 2023. The \$44.0 million, or 14.0%, decrease in net sales was because of a \$42.2 million decrease in sales volume and a \$1.9 million decrease from lower pricing. The sales volume decrease was primarily driven by continued macroeconomic softness, lower backlog entering the fiscal year and normalized seasonality. The decrease in net sales of \$44.0 million across our product lines consisted of \$28.4 million for in-ground swimming pools, \$9.1 million for covers and \$6.6 million for liners.

### Cost of Sales and Gross Margin

Cost of sales was \$187.1 million for the two fiscal quarters ended June 29, 2024, compared to \$231.2 million for the two fiscal quarters ended July 1, 2023. Gross margin increased by 4.3%, to 30.9% of net sales for the two fiscal quarters ended June 29, 2024, compared to 26.6% of net sales for the two fiscal quarters ended July 1, 2023. The \$44.1 million, or 19.1%, decrease in cost of sales was primarily the result of the decrease in sales volume, the impact of production efficiencies resulting from lean manufacturing and value engineering programs and lower material costs, partially offset by a \$0.2 million increase in non-cash stock-based compensation expense. The 4.3% increase in gross margin was primarily driven by the impact of previously announced restructuring programs, the impact of production efficiencies from lean

manufacturing and value engineering programs, cost control, material deflation in line with expectations and supplier optimization.

#### ***Selling, General, and Administrative Expense***

Selling, general, and administrative expense was \$52.8 million for the two fiscal quarters ended June 29, 2024, compared to \$63.3 million for the two fiscal quarters ended July 1, 2023, and decreased as a percentage of net sales by 0.6%. The \$10.5 million, or 16.5%, decrease in selling, general, and administrative expense was primarily driven by a \$9.4 million decrease in non-cash stock-

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based compensation expense, as well as our cost containment initiatives and restructuring projects, partially offset by an increase of \$4.8 million in accrued performance-based compensation.

#### ***Amortization***

Amortization was \$12.8 million for the two fiscal quarters ended June 29, 2024, compared to \$13.3 million for the two fiscal quarters ended July 1, 2023. The \$0.5 million, or 3.2%, decrease in amortization was driven by certain definite-lived intangible assets becoming fully amortized during the fiscal year ended December 31, 2023.

#### ***Interest Expense, net***

Interest expense, net was \$11.0 million for the two fiscal quarters ended June 29, 2024, compared to \$15.3 million for the two fiscal quarters ended July 1, 2023. The \$4.3 million, or 28.1%, decrease in interest expense, net was primarily the result of the change in the fair value of our interest rate swap, compared to the two fiscal quarters ended July 1, 2023.

#### ***Other Expense (Income), Net***

Other expense (income), net was \$2.4 million for the two fiscal quarters ended June 29, 2024, compared to \$(0.8) million for the two fiscal quarters ended July 1, 2023. The \$3.2 million increase in other expense (income), net was primarily driven by an unfavorable change in net foreign currency transaction gains and losses associated with our international subsidiaries.

#### ***Earnings from Equity Method Investment***

Earnings from our equity method investment in Premier Pools & Spa were \$1.8 million for the two fiscal quarters ended June 29, 2024, compared to \$0.7 million for the two fiscal quarters ended July 1, 2023, because of the financial performance of Premier Pools & Spa.

#### ***Income Tax Expense***

Income tax expense was \$1.0 million for the two fiscal quarters ended June 29, 2024, compared to income tax expense of \$2.0 million for the two fiscal quarters ended July 1, 2023. Our effective tax rate was 15.2% for the two fiscal quarters ended June 29, 2024, compared to (29.2)% for the two fiscal quarters ended July 1, 2023. The difference between the U.S. federal statutory income tax rate and our effective income tax rate for both the two fiscal quarters ended June 29, 2024 and July 1, 2023 was primarily attributable to the impacts of stock-based compensation expense and foreign income.

#### ***Net Income (Loss)***

Net income was \$5.4 million for the two fiscal quarters ended June 29, 2024, compared to \$8.7 million of net loss for the two fiscal quarters ended July 1, 2023. The \$14.1 million, or 162.6%, increase in net income was primarily because of the factors described above.

#### ***Net Income (Loss) Margin***

Net income margin was 2.0% for the two fiscal quarters ended June 29, 2024, compared to net loss margin of 2.7% for the two fiscal quarters ended July 1, 2023. The 4.7% increase in net income margin was driven by a \$14.1 million increase in net income, compared to the two fiscal quarters ended July 1, 2023 because of the factors described above.

#### ***Adjusted EBITDA***

Adjusted EBITDA was \$46.8 million for the two fiscal quarters ended June 29, 2024, compared to \$42.0 million for the two fiscal quarters ended July 1, 2023. The \$4.8 million, or 11.3%, increase in Adjusted EBITDA was primarily because of the decrease in cost of sales and selling, general and administrative expenses, partially offset by the decrease in net sales, as well as the other factors described above.

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#### ***Adjusted EBITDA Margin***

Adjusted EBITDA margin was 17.3% for the two fiscal quarters ended June 29, 2024, compared to 13.3% for the two fiscal quarters ended July 1, 2023. The 4.0% increase in Adjusted EBITDA margin was primarily because of a \$4.8 million increase in Adjusted EBITDA, compared to the two fiscal quarters ended July 1, 2023, which was impacted by the other factors described above.

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## Non-GAAP Financial Measures

### ***Adjusted EBITDA and Adjusted EBITDA Margin***

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, to utilize as a significant performance metric in our incentive compensation plans, and to compare our performance against that of other companies using similar measures. 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 we do not believe are indicative of our core operating performance, such as (i) depreciation and amortization, (ii) interest expense, net, (iii) income tax (benefit) expense, (iv) loss (gain) on sale and disposal of property and equipment, (v) restructuring charges, (vi) stock-based compensation expense, (vii) unrealized losses (gains) losses on foreign currency transactions, (viii) strategic initiative costs, (ix) acquisition and integration related costs, (x) the Odessa fire and other such unusual events and (xi) other.

Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures and should not be considered as alternatives to net income (loss) 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 stock-based compensation, which will remain a key element of our overall 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.

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Management compensates for these limitations by primarily relying on our GAAP results, while using Adjusted EBITDA and Adjusted EBITDA margin as supplements to the corresponding GAAP financial measures.

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The following table provides a reconciliation of our net **loss** **income (loss)** to Adjusted EBITDA for the periods presented and the calculation of Adjusted EBITDA margin:

Fiscal Quarter Ended		Fiscal Quarter Ended		Two Fiscal Quarters Ended	
March 30, 2024	April 1, 2023	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023

	(dollars in thousands)					
Net loss	\$ (7,864)	\$ (14,368)				
<b> </b>						
	(dollars in thousands)					
Net income (loss)	\$ 13,279	\$ 5,715	\$ 5,415	\$ (8,653)		
Depreciation and amortization	10,375	9,258	10,593	10,026	20,967	19,284
Interest expense, net	4,982	10,804	6,013	4,486	10,995	15,290
Income tax expense (benefit)	532	(2,928)				
Income tax expense		442	4,884	974	1,956	
Loss on sale and disposal of property and equipment	12	8	65	5	77	13
Restructuring charges(a)	318	519	47	278	365	797
Stock-based compensation expense(b)	1,243	6,769	2,100	5,764	3,343	12,533
Unrealized losses on foreign currency transactions (c)	1,584	730				
Unrealized losses (gains) on foreign currency transactions (c)		806	(1,198)	2,390	(468)	
Strategic initiative costs(d)	1,123	1,067	851	935	1,974	2,002
Acquisition and integration related costs(e)	—	11	375	—	375	11
Odessa fire(f)	—	(864)	—	93	—	(771)
Other(g)	(12)	27	(93)	11	(105)	38
<b>Adjusted EBITDA</b>	<b>\$ 12,293</b>	<b>\$ 11,033</b>	<b>\$ 34,478</b>	<b>\$ 30,999</b>	<b>\$ 46,770</b>	<b>\$ 42,032</b>
<b>Net sales</b>	<b>\$ 110,629</b>	<b>\$ 137,719</b>	<b>\$ 160,122</b>	<b>\$ 177,128</b>	<b>\$ 270,751</b>	<b>\$ 314,847</b>
<b>Net loss margin</b>	<b>(7.1)%</b>					
<b>Net income (loss) margin</b>	<b>8.3 %</b>					
<b>Adjusted EBITDA margin</b>	<b>11.1 %</b>					
	<b>8.0 %</b>					
	<b>21.5 %</b>					
	<b>17.5 %</b>					
	<b>17.3 %</b>					
	<b>13.3 %</b>					

(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.

(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.

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### **Liquidity and Capital Resources**

#### **Overview**

Our primary sources of liquidity are net cash provided by operating activities and availability under our Revolving Credit Facility (as defined below). Historically, we have funded working capital requirements, capital expenditures, payments related to acquisitions, and debt service requirements with internally generated cash on hand, borrowings under our credit facilities, and the issuance of shares of our common stock. Our primary cash needs are to fund working capital, capital expenditures, debt service requirements, any acquisitions, or investments we may undertake, and any share repurchases we may make.

As of **March 30, 2024** **June 29, 2024**, we had **\$43.8 million** **\$90.8 million** of cash, **\$282.8 million** **\$282.4 million** of outstanding indebtedness and an additional **\$75.0 million** of borrowing availability under our Revolving Credit Facility. On **August 2, 2024**, we completed the **Coverstar Central Acquisition**. The purchase price was **\$64.5 million**, subject to certain adjustments, including for working capital, as compared to an agreed upon target and transaction expenses. The **Coverstar Central Acquisition** was fully funded with cash on hand. While our existing cash balances and net cash provided by operating activities have generally been sufficient to fund our general corporate and working capital needs, our use of significant existing cash on hand to fund the **Coverstar Central Acquisition** may require us in the future to utilize a portion of our borrowing availability under our Revolving Credit Facility.

Our primary working capital requirements are for the purchase of inventory, payroll, rent, facility costs and other selling, general, and administrative costs. Our working capital requirements fluctuate during the fiscal year, driven primarily

by seasonality and the timing of raw material purchases. Our capital expenditures are primarily related to investments in lean manufacturing and value engineering, including production capacity, diversifying our product offerings, storage, and delivery equipment. We are in the midst of a multi-year capital plan to invest in our facilities, technology, and systems.

We believe that our existing cash, cash generated from operations and availability under our Revolving Credit Facility will be adequate to fund our operating expenses and capital expenditure requirements over the next 12 months, as well as our longer-term liquidity needs. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect. We may issue debt or equity securities, which may provide an additional source of liquidity. However, there can be no assurance equity or debt financing will be available to us when we need it or, if available, the terms will be satisfactory to us and not dilutive to our then-current stockholders.

### ***Our Indebtedness***

On February 23, 2022, Latham Pool Products, Inc. ("Latham Pool Products"), our wholly owned subsidiary, entered into an agreement (the "Credit Agreement") with Barclays Bank PLC, which provides a senior secured multicurrency revolving line of credit in an initial principal amount of \$75.0 million (the "Revolving Credit Facility") and a U.S. Dollar senior secured term loan (the "Term Loan") in an initial principal amount of \$325.0 million (the "Refinancing"). On such date, proceeds under the Credit Agreement were used to repay and replace \$294.0 million under, and terminate, the previous credit agreement and for general corporate purposes.

As of **March 30, 2024** **June 29, 2024**, we were in compliance with all covenants under the Revolving Credit Facility and the Term Loan.

#### *Revolving Credit Facility*

The Revolving Credit Facility may be utilized to finance ongoing general corporate and working capital needs and permits Latham Pools Pool Products to borrow loans in U.S. Dollars, Canadian Dollars, Euros and Australian Dollars. The Revolving Credit Facility matures on February 23, 2027. Loans outstanding under the Revolving Credit Facility denominated in U.S. Dollars and Canadian Dollars bear interest, at the borrower's option, at a rate per annum based on Term SOFR or CDO (each, as defined in the Credit Agreement), as applicable, plus a margin of 3.50%, or at a rate per annum based on the Base Rate or the Canadian Prime Rate (each, as defined in the Credit Agreement), plus a margin of 2.50%. Loans outstanding under the Revolving Credit Facility denominated in Euros or Australian Dollars bear interest based on EURIBOR or the AUD Rate (each, as defined in the Credit Agreement), respectively, plus a margin of 3.50%. A commitment fee accrues on any unused portion of the commitments under the Revolving Credit Facility. The commitment fee is due and payable quarterly in arrears, and initially was 0.375% per annum and thereafter accrues at a rate per annum ranging from 0.25% to 0.50%, depending on the First Lien Net Leverage Ratio (as defined in the Credit Agreement, the "First Lien Net Leverage Ratio" Agreement). The Revolving Credit Facility is not subject to amortization.

We are also required to meet certain financial covenants, including maintaining specific liquidity measurements. There are also negative covenants, including certain restrictions on our ability and the ability of our subsidiaries to incur additional indebtedness, create liens, make investments, consolidate, or merge with other entities, enter into transactions with affiliates, make prepayments with respect to certain indebtedness, make dividend payments, loans, or advances to the Company, declare dividends and make restricted payments and other distributions.

As of **March 30, 2024** **June 29, 2024**, we had no outstanding borrowings under the Revolving Credit Facility and \$75.0 million was available for future borrowing.

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### *Term Loan*

The Term Loan matures on February 23, 2029. Loans outstanding under the Term Loan bear interest, at the borrower's option, at a rate per annum based on Term SOFR (as defined in the Credit Agreement), plus a margin ranging from 3.75% to 4.00%, depending on the First Lien Net Leverage Ratio, or based on the Base Rate (as defined in the Credit Agreement), plus a margin ranging from 2.75% to 3.00%, depending on the First Lien Net Leverage Ratio. Loans under the Term Loan are subject to scheduled quarterly amortization payments equal to 0.25% of the initial principal amount of the Term Loan.

The obligations under the Credit Agreement are guaranteed by certain of our wholly owned subsidiaries **as defined that are party to that certain security agreement, which was executed in connection with the security agreement. Credit Agreement.** The obligations under the Credit Agreement are secured by substantially all of the guarantors' tangible and intangible assets, including, but not limited to, their accounts receivables, equipment, intellectual property, inventory, cash and cash equivalents, deposit accounts and security accounts. The Credit Agreement also restricts payments and other distributions unless certain conditions are met, which could restrict our ability to pay dividends.

As of **March 30, 2024** **June 29, 2024**, we had **\$282.8 million** **\$282.4 million** of outstanding borrowings under the Term Loan.

### *Share Repurchase Program*

On May 10, 2022, our Board of Directors approved a stock repurchase program (the "Repurchase Program"), which authorizes us to repurchase up to \$100 million of our shares of common stock by May 2025. We may effect these repurchases in open market transactions, privately negotiated purchases or other acquisitions. We are not obligated to repurchase any of our outstanding shares under the Repurchase Program and the timing and amount of any repurchases will depend on market conditions, our stock price, alternative uses of capital, the terms of our debt instruments and other factors. We did not repurchase any shares of our common stock during the fiscal quarter ended **March 30, 2024** **June 29,**

2024. As of **March 30, 2024** **June 29, 2024**, \$77.0 million remained available for share repurchases pursuant to our Repurchase Program.

### Cash Flows

The following table summarizes our sources and uses of cash for each of the periods presented:

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	March 30, 2024	April 1, 2023	June 29, 2024	July 1, 2023
Net cash used in operating activities	\$ (34,512)	\$ (14,476)	\$ 17,911	\$ 36,289
Net cash provided by operating activities				
Net cash used in investing activities	(5,345)	(9,942)	(9,833)	(23,365)
Net cash (used in) provided by financing activities	(19,002)	47,086		
Net cash used in financing activities			(20,005)	(1,884)
Effect of exchange rate changes on cash	(93)	(278)	(68)	(550)
Net (decrease) increase in cash	<u>\$ (58,952)</u>	<u>\$ 22,390</u>	<u>\$ (11,995)</u>	<u>\$ 10,490</u>

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#### *Operating Activities*

During the **two fiscal quarter****quarters** ended **March 30, 2024** **June 29, 2024**, operating activities **used** \$34.5 million **provided** \$17.9 million of cash. Net **loss**, **income**, after adjustments for non-cash items, provided cash of \$6.8 million \$36.1 million. Cash **used in** **provided by** operating activities was **further** driven by changes in our operating assets and liabilities, **of** \$41.3 million which **used** \$18.2 million. Net cash used by changes in our operating assets and liabilities for the **two fiscal quarter****quarters** ended **March 30, 2024** **June 29, 2024** consisted primarily of a \$44.9 million \$36.8 million increase in trade receivables, a \$6.0 million \$2.3 million increase in prepaid expenses and other current assets, a \$1.2 million decrease in accrued expenses and other current liabilities, a \$0.4 million \$0.7 million increase in income tax receivable and a \$0.2 million \$0.4 million decrease in other long-term liabilities, and a \$0.1 million increase in other assets, partially offset by a \$8.2 million \$13.1 million decrease in inventories, a \$9.8 million increase in accounts payable and a

**\$1.6 million** **\$0.3 million** decrease in inventories and a **\$0.5 million** decrease in prepaid expenses and other current assets. The change in trade receivables was primarily driven by the timing of net sales. The sales, the change in inventories was driven by efforts to meet a reduced demand outlook while maintaining lead times and service levels and the changes in accrued expenses and other current liabilities and accounts payable were primarily driven by volume of purchases and timing of payments.

During the two fiscal quarter quarters ended April 1, 2023 July 1, 2023, operating activities used \$14.5 million provided \$36.3 million of cash. Net loss, after adjustments for non-cash items, provided cash of \$11.4 million \$35.6 million. Cash used in provided by operating activities was further driven by changes in our operating assets and liabilities, of \$25.8 million which provided \$0.7 million. Net cash used provided by changes in our operating assets and liabilities for the two fiscal quarter quarters ended April 1, 2023 July 1, 2023 consisted primarily of a \$55.3 million \$38.9 million decrease in inventories, and a \$8.9 million increase in accounts payable, partially offset by a \$37.3 million increase in trade receivables, a \$2.8 million \$6.9 million decrease in accrued expenses and other current liabilities, a \$1.4 million increase in income tax receivable, a \$1.2 million increase in other assets, a \$0.6 million \$0.9 million increase in prepaid expenses and other current assets, a \$0.4 million increase in other assets, and a \$3.2 million \$0.2 million decrease in accrued expenses and other current liabilities, partially offset by a \$15.6 million decrease in inventories, a \$20.9 million increase in accounts

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payable, and a \$0.7 million increase in other long-term liabilities. The change in trade receivables was primarily driven by the timing of net sales, and the decrease in inventories was primarily driven by efforts to meet demand outlook while maintaining lead times and service levels. The changes in accrued expenses and other current liabilities and accounts payable were primarily driven by volume of purchases and timing of payments.

### *Investing Activities*

During the two fiscal quarter quarters ended March 30, 2024 June 29, 2024, investing activities used \$5.3 million \$9.8 million of cash, consisting of purchases of property and equipment for \$5.3 million \$9.8 million. The purchase of property and equipment was primarily to expand capacity for production and diversify offerings, especially for fiberglass pools, the majority of which relates to finishing up carryover projects from the prior fiscal year.

During the two fiscal quarter quarters ended April 1, 2023 July 1, 2023, investing activities used \$9.9 million \$23.4 million of cash, consisting of purchases of property and equipment for \$9.9 million \$23.4 million. The purchase of property and equipment was primarily to expand capacity for production, especially for fiberglass pools.

### *Financing Activities*

During the two fiscal quarter quarters ended March 30, 2024 June 29, 2024, financing activities used \$19.0 million \$20.0 million of cash, primarily consisting of repayments on long-term debt borrowings of \$18.8 million \$19.6 million

and repayments of finance lease obligations of \$0.2 million \$0.4 million.

During the two fiscal quarter quarters ended April 1, 2023 July 1, 2023, financing activities provided \$47.1 million used \$1.9 million of cash, primarily consisting of borrowings repayments on revolving credit facility facilities of \$48.0 million, partially offset by repayments on long-term debt borrowings of \$0.8 million \$1.6 million, and repayments of finance lease obligations of \$0.1 million \$0.3 million, partially offset by borrowings on revolving credit facilities of \$48.0 million.

## **Contractual Obligations**

There have been no material changes, outside of the ordinary course of business, to our contractual obligations during the two fiscal quarter quarters ended March 30, 2024 June 29, 2024 from those described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations" in our Annual Report.

## **Critical Accounting Policies and Estimates**

Our condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States. Throughout the preparation of these financial statements, we have made estimates and assumptions that impact the reported amounts of assets, liabilities, and the disclosure of contingent liabilities at the date of the financial statements and revenues

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and expenses during the reporting period. Our critical accounting policies and estimates are described below and under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in our Annual Report and Note 2 to our condensed consolidated financial statements in this Quarterly Report on Form 10-Q. These estimates are based on historical results, trends, and other assumptions we believe to be reasonable. We evaluate these estimates on an ongoing basis. Actual results may differ from estimates.

### ***Impairment of Goodwill***

We evaluate goodwill for impairment at least annually, or more frequently when events or changes in circumstances indicate that the carrying value may not be recoverable. We have selected the first day of the fourth fiscal quarter to perform our annual goodwill impairment testing.

We may assess our goodwill for impairment initially using a qualitative approach, or step zero, to determine whether conditions exist to indicate that it is more likely than not that the fair value of the reporting unit is less than its carrying value. The qualitative assessment requires significant judgments by management about economic conditions including the entity's operating environment, its industry and other market considerations, entity-specific events related to financial

performance or loss of key personnel, and other events that could impact the reporting unit. If management concludes, based on assessment of relevant events, facts, and circumstances, that it is more likely than not that the reporting unit's fair value is greater than its carrying value, no further impairment testing is required.

If our assessment of qualitative factors indicates that it is more likely than not that the fair value of the reporting unit is less than its carrying value, then a quantitative assessment is performed. We may also elect to initially perform a quantitative analysis instead of

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starting with step zero. The quantitative analysis requires comparing the carrying value of the reporting unit, including goodwill, to its fair value. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and no further testing is required. If the carrying amount of the reporting unit exceeds its fair value, there is an impairment of goodwill and an impairment loss is recorded. We calculate the impairment loss by comparing the fair value of the reporting unit less the carrying value, including goodwill. The maximum goodwill impairment is the carrying value of the goodwill.

The qualitative factors we assessed as part of our annual impairment testing included economic conditions, industry and market considerations, cost factors, overall financial performance, and other entity specific events. In addition, we considered our market capitalization based on quoted market prices of our securities on the Nasdaq Global Select Market, adjusted for the effect of a control premium as contemplated by ASC 350.

Based on the results of the quantitative assessment performed for our one reporting unit, we determined that goodwill was not impaired at October 1, 2023. However, if factors exist that could indicate an impairment in the future, including a sustained decrease in our stock price, we may be required to record impairment charges in future periods.

## **Recently Issued and Adopted Accounting Pronouncements**

A description of recently issued accounting pronouncements that may potentially impact our financial position, results of operations or cash flows is disclosed in Note 2 to our condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

### **Quantitative and Qualitative Disclosures about Market Risk**

Market risk is the potential loss that may result from market changes associated with our business or with an existing or forecasted financial transaction. The value of a financial instrument may change as a result of changes in interest rates, exchange rates, commodity prices, equity prices and other market changes. We are exposed to changes in interest rates and foreign currency exchange rates because we finance certain operations through variable rate debt instruments and

denominate some of our transactions in foreign currencies. Changes in these rates may have an impact on future cash flow and earnings. We manage these risks through normal operating and financing activities.

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During the two fiscal quarters ended **March 30, 2024** June 29, 2024, there have been no material changes to the information included under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk” in our Annual Report.

### **Interest Rate Risk**

We entered into an additional interest rate swap that was executed on March 10, 2023. The swap has an effective date of May 18, 2023 and a termination date of May 18, 2026. Under the terms of the swap, we fixed our SOFR borrowing rate on a notional amount of \$161.0 million. The interest rate swap is not designated as a hedging instrument for accounting purposes.

An increase or decrease of 1% in the effective interest rate, giving effect related to interest rate swaps, as of **March 30, 2024** June 29, 2024, would cause an increase or decrease to annual interest expense, net of approximately \$1.3 million.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of **March 30, 2024** June 29, 2024.

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Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of **March 30, 2024** **June 29, 2024**.

### **Changes in Internal Control over Financial Reporting**

Starting in the second quarter of 2024, as part of a multi-year implementation of a new enterprise resource planning ("ERP") system, the Company began utilizing certain aspects of the new ERP system. Eventually, this ERP system will replace the existing core financial systems. The ERP system is designed to accurately maintain the Company's financial records, enhance the flow of financial information, improve data management and provide timely information to its management team. The Company does not believe the changes implemented to date represent a material change in internal controls over financial reporting.

There were no other changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Limitations on Effectiveness of Controls and Procedures**

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of a control system must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements related to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected.

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## **PART II — OTHER INFORMATION**

### **Item 1. Legal Proceedings**

From time to time, we are involved in litigation relating to claims arising out of our operations and businesses, including, among others, contract and employment claims, personal injury claims, intellectual property claims, product liability claims and warranty claims. Currently, there are no claims or proceedings against us that we believe will have a material adverse effect on our business, financial condition, results of operations or cash flows. Further, no material legal proceedings were terminated, settled, or otherwise resolved during the fiscal quarter ended **March 30, 2024** **June 29,**

2024. However, the results of any current or future litigation cannot be predicted with certainty and, regardless of the outcome, we may incur significant costs and experience a diversion of management resources as a result of litigation.

#### **Item 1A. Risk Factors**

We have disclosed under the heading "Risk Factors" in our Annual Report, the risk factors that materially affect our business, financial condition, and results of operations. There have been no material changes from the risk factors previously disclosed in our Annual Report. You should carefully consider the risks, uncertainties, assumptions and other important factors set forth in the Annual Report and other subsequent reports we file or furnish with the SEC, including this Quarterly Report on Form 10-Q, any of which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied. For similar reasons, our past results may not be a reliable indicator of future performance and trends. You also should be aware that these risk factors and other information do not describe every risk that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may affect us. We operate in a very competitive and rapidly changing environment and new risks emerge from time to time, and we anticipate that subsequent events and developments will cause our views to change. In addition, these risks do not reflect the potential impact of any future acquisitions, merger, dispositions, joint ventures or investments we may undertake. Any of these known or emerging factors may materially adversely affect our business, financial condition, and operating results, as well as the trading price of our common stock.

#### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

On May 10, 2022, our Board of Directors approved a stock repurchase program, which authorizes us to repurchase up to \$100.0 million of our shares of common stock by May 2025. We may effect these repurchases in open market transactions, privately negotiated purchases or other acquisitions. We are not obligated to repurchase any of our shares of our common stock under the program and the timing and amount of any repurchases will depend on market conditions, our stock price, alternative uses of capital, the terms of our debt instruments and other factors. As of **March 30, 2024** **June 29, 2024**, \$77.0 million remained available for share repurchases pursuant to the repurchase program. We did not repurchase any shares of our common stock during the fiscal quarter ended **March 30, 2024** **June 29, 2024**.

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#### **Item 5. Other Information**

##### **Rule 10b5-1 Trading Plans – Directors and Section 16 Officers**

During the fiscal quarter ended **March 30, 2024** **June 29, 2024**, none of the **Company's** **Company's** directors or Section 16 officers adopted or terminated (i) any contract, instruction or written plan for the purchase or sale of Company securities

that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or (ii) any "non-Rule" "non-Rule 10b5-1 trading arrangement."<sup>11</sup>

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### **Item 6. Exhibits**

#### **Exhibit**

#### **Exhibit**

No.	Description
3.1	<a href="#">Amended and Restated Certificate of Incorporation of Latham Group, Inc. (incorporated by reference to Exhibit 3.1 to Latham Group, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on June 3, 2021 (File No. 001-40358))</a>
3.2	<a href="#">Amended and Restated Bylaws of Latham Group, Inc. (incorporated by reference to Exhibit 3.2 to Latham Group, Inc.'s Quarterly Report on Form 10-Q filed with the SEC on June 3, 2021 (File No. 001-40358))</a>
10.1†	<a href="#">Form of Performance Stock Unit Award Agreement under the 2021 Omnibus Equity Incentive Plan (incorporated by reference to Exhibit 10.20 to Latham Group, Inc.'s Annual Report on Form 10-K filed with the SEC on March 13, 2024 (File No. 001-40358))</a>
10.2*†	<a href="#">Latham Group, Inc. Amended and Restated Non-Employee Director Compensation Policy</a>
31.1*	<a href="#">Certification of CEO, pursuant to SEC Rule 13a-14(a) and 15d-14(a)</a>
31.2*	<a href="#">Certification of CFO, pursuant to SEC Rule 13a-14(a) and 15d-14(a)</a>
32.1**	<a href="#">Certification by the CEO, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2**	<a href="#">Certification by the CFO, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS**	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH**	Inline XBRL Taxonomy Extension Schema Document
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document

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† Indicates management contract or compensatory plan.  
\* Filed herewith.  
\*\* Furnished herewith.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date May 8, 2024 Date: August 7, 2024

LATHAM GROUP, INC.

/s/ Oliver C. Gloe

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Oliver C. Gloe  
Chief Financial Officer  
(Principal Financial Officer)

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**Amended and Restated**  
**Non-Employee Director Compensation Policy**  
**(Effective March 4, 2024)**

Each "non-employee director" of Latham Group, Inc. (the "Company") will be entitled to receive the following compensation (directors that are (i) employees of the Company or any of its subsidiaries or (ii) directors that are employed by or affiliated with our Sponsors (Pamplona Capital Management, LLC and Wynnchurch Capital, L.P.) shall not be entitled to the compensation listed below or any additional compensation in respect of their service as a member of the Company's board of directors (the "Board")):

1. Annual Cash Retainer: \$75,000; to be paid in quarterly installments.
2. Annual Equity Grant: \$95,000. The number of shares granted will be equal to \$95,000 divided by the fair market value of the underlying stock on the date of grant. The Annual Equity Grant will be shares of restricted stock or restricted stock units and such shares will vest and the restrictions will lapse on the first anniversary of the date of grant, unless the director is removed for cause or resigns prior to such date.
3. Chairman of the Board: (COB):
  - a. Annual COB Cash Retainer \$50,000; to be paid in quarterly instalments.
  - b. Annual COB Equity Grant \$30,000. The number of shares granted will be equal to \$30,000 divided by the fair market value of the underlying stock on the date of grant. The Annual COB Equity Grant will be shares of restricted stock or restricted stock units and such shares will vest and the restrictions will lapse on the first anniversary of the date of grant, unless the COB is removed for cause or resigns prior to such date.
4. Audit Committee: Retainer for Chairperson of the Audit Committee: \$20,000; paid in quarterly installments.
5. Compensation Committee: Retainer for the Chairperson of the Compensation Committee: \$15,000; paid in quarterly installments.
6. Nominating and Corporate Governance Committee: Retainer for the Chairperson of the Nominating and Corporate Governance Committee: \$10,000; paid in quarterly installments.
7. Payments: All payments which are made in installments are subject to the director's continued service on the Board on the date such installment is required to be paid.

8. Amendment; Modification; Termination & Administration. This policy is to be administered by the Company's Compensation Committee or their designee, unless the Board determines to administer this policy itself (the Committee or Board, as applicable, in its role administering this policy, the "Administrator"). The Administrator is permitted to amend or modify the policy in its discretion.

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**Exhibit 31.1**

**LATHAM GROUP, INC.**

I, Scott M. Rajeski, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Latham Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Securities Exchange Act Rule 13-a15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 8, August 7, 2024

/s/ Scott M. Rajeski

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Scott M. Rajeski  
Chief Executive Officer and President  
Latham Group, Inc.

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**Exhibit 31.2**

**LATHAM GROUP, INC.**

I, Oliver C. Gloe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Latham Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Securities Exchange Act Rule 13-a15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 8, August 7, 2024

/s/ Oliver C. Gloe

Oliver C. Gloe

Chief Financial Officer  
Latham Group, Inc.

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**Exhibit 32.1**

**LATHAM GROUP, INC.**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Latham Group, Inc. (the “Company”) on Form 10-Q for the period ending **March 30, 2024** **June 29, 2024** as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Scott M. Rajeski, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

**May 8, August 7, 2024**

**/s/ Scott M. Rajeski**

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Scott M. Rajeski  
Chief Executive Officer and President  
Latham Group, Inc.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

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**Exhibit 32.2**

**LATHAM GROUP, INC.**  
**CERTIFICATION PURSUANT TO**  
**18 U.S.C. SECTION 1350,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Latham Group, Inc. (the “Company”) on Form 10-Q for the period ending **March 30, 2024****June 29, 2024** as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Oliver C. Gloe, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 8, August 7, 2024

*/s/ Oliver C. Gloe*

Oliver C. Gloe  
Chief Financial Officer  
Latham Group, Inc.

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

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