UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 30, 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: 001-39667

LESLIE'S, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**20-8397425**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2005 East Indian School Road Phoenix, AZ	**85016**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (602) 366-3999

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	LESL	The Nasdaq Global Select Market

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, the Registrant had 184,742,767, shares of common stock, $0.001 par value per share, outstanding.

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical fact contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations or financial condition, business strategy, legal proceedings, competitive advantages, market size, growth opportunities, industry expectations, and plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” or “would,” or the negative of these words or other similar terms or expressions. Our actual results or outcomes could differ materially from those indicated in these forward-looking statements for a variety of reasons, including, among others:

- our ability to execute on our growth strategies;
- supply disruptions;
- our ability to maintain favorable relationships with suppliers and manufacturers;
- competition from mass merchants and specialty retailers;
- impacts on our business from the sensitivity of our business to weather conditions, changes in the economy (including rising interest rates, recession fears, and inflationary pressures), geopolitical events or conflicts, and the housing market;
- disruptions in the operations of our distribution centers;
- our ability to implement technology initiatives that deliver the anticipated benefits, without disrupting our operations;
- our ability to attract and retain senior management and other qualified personnel;
- regulatory changes and development affecting our current and future products including evolving legal standards and regulations concerning environmental, social and governance (“ESG”) matters;
- our ability to obtain additional capital to finance operations;
- commodity price inflation and deflation;
- impacts on our business from epidemics, pandemics, or natural disasters;
- impacts on our business from cyber incidents and other security threats or disruptions;
- our ability to remediate material weaknesses or other deficiencies in our internal control over financial reporting or to maintain effective disclosure controls and procedures and internal control over financial reporting; and
- other risks and uncertainties, including those listed in the section titled “Risk Factors” in our filings with the United States Securities and Exchange Commission (“SEC”).

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended September 30, 2023 and in our other filings with the SEC. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events, and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results or outcomes could differ materially from those described in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q, and, while we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q are based on events or circumstances as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information, changed expectations, the occurrence of unanticipated events or otherwise, except as required by law. We may not actually achieve the plans, intentions, outcomes, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments.

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

LESLIE'S, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands, Except Share and Per Share Amounts)

	March 30, 2024 (Unaudited)	September 30, 2023 (Audited)	April 1, 2023 (Unaudited)
Assets			
Current assets			
Cash and cash equivalents	$ 8,436	$ 55,420	$ 8,701
Accounts and other receivables, net	32,693	29,396	37,988
Inventories	379,090	311,837	492,328
Prepaid expenses and other current assets	33,413	23,633	52,701
Total current assets	453,632	420,286	591,718
Property and equipment, net	89,820	90,285	80,612
Operating lease right-of-use assets	260,221	251,460	231,428
Goodwill and other intangibles, net	216,973	218,855	216,594
Deferred tax assets	34,297	7,598	—
Other assets	40,305	45,951	42,878
Total assets	$ 1,095,248	$ 1,034,435	$ 1,163,230
Liabilities and stockholders' deficit			
Current liabilities			
Accounts payable	$ 112,441	$ 58,556	$ 139,804
Accrued expenses and other current liabilities	79,989	90,598	82,900
Operating lease liabilities	61,571	62,794	61,587
Income taxes payable	—	5,782	—
Current portion of long-term debt	8,100	8,100	8,100
Total current liabilities	262,101	225,830	292,391
Deferred tax liabilities	—	—	676
Operating lease liabilities, noncurrent	193,818	193,222	173,531
Revolving Credit Facility	97,000	—	172,000
Long-term debt, net	770,157	773,276	776,542
Other long-term liabilities	3,144	3,469	3,055
Total liabilities	1,326,220	1,195,797	1,418,195
Commitments and contingencies			
Stockholders' deficit			
Common stock, $0.001 par value, 1,000,000,000 shares authorized and 184,742,767, 184,333,670, and 183,843,169 issued and outstanding as of March 30, 2024, September 30, 2023, and April 1, 2023, respectively.	185	184	184
Additional paid in capital	103,775	99,280	94,705
Retained deficit	(334,932)	(260,826)	(349,854)
Total stockholders' deficit	(230,972)	(161,362)	(254,965)
Total liabilities and stockholders' deficit	$ 1,095,248	$ 1,034,435	$ 1,163,230

See accompanying notes which are an integral part of these condensed consolidated financial statements.

LESLIE'S, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Sales	$ 188,664	$ 212,844	$ 362,624	$ 407,948
Cost of merchandise and services sold	134,336	141,674	257,888	271,482
Gross profit	54,328	71,170	104,736	136,466
Selling, general and administrative expenses	84,856	96,357	171,734	188,638
Operating loss	(30,528)	(25,187)	(66,998)	(52,172)
Other expense:				
Interest expense	18,153	17,247	35,224	30,607
Total other expense	18,153	17,247	35,224	30,607
Loss before taxes	(48,681)	(42,434)	(102,222)	(82,779)
Income tax benefit	(14,128)	(10,907)	(28,116)	(20,993)
Net loss	$ (34,553)	$ (31,527)	$ (74,106)	$ (61,786)
Earnings per share:				
Basic	$ (0.19)	$ (0.17)	$ (0.40)	$ (0.34)
Diluted	$ (0.19)	$ (0.17)	$ (0.40)	$ (0.34)
Weighted average shares outstanding:				
Basic	184,625	183,729	184,504	183,621
Diluted	184,625	183,729	184,504	183,621

See accompanying notes which are an integral part of these condensed consolidated financial statements.

Table of Contents

LESLIE'S, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(Amounts in Thousands)
(Unaudited)

	Common Stock		Additional		Total
	Shares	Amount	Paid in Capital	Retained Deficit	Stockholders' Deficit
Balance, December 31, 2022	183,564	$ 184	$ 92,508	$ (318,327)	$ (225,635)
Issuance of common stock under the Plan	367	—	—	—	—
Equity-based compensation	—	—	3,517	—	3,517
Restricted stock units surrendered in lieu of withholding taxes	(88)	—	(1,320)	—	(1,320)
Net loss	—	—	—	(31,527)	(31,527)
Balance, April 1, 2023	183,843	$ 184	$ 94,705	$ (349,854)	$ (254,965)
Balance, December 30, 2023	184,513	$ 184	$ 101,547	$ (300,379)	$ (198,648)
Issuance of common stock under the Plan	320	1	—	—	1
Equity-based compensation	—	—	2,688	—	2,688
Restricted stock units surrendered in lieu of withholding taxes	(90)	—	(460)	—	(460)
Net loss	—	—	—	(34,553)	(34,553)
Balance, March 30, 2024	184,743	$ 185	$ 103,775	$ (334,932)	$ (230,972)

	Common Stock		Additional		Total
	Shares	Amount	Paid in Capital	Retained Deficit	Stockholders' Deficit
Balance, October 1, 2022	183,481	$ 183	$ 89,934	$ (288,068)	$ (197,951)
Issuance of common stock under the Plan	477	1	—	—	1
Equity-based compensation	—	—	6,510	—	6,510
Restricted stock units surrendered in lieu of withholding taxes	(115)	—	(1,739)	—	(1,739)
Net loss	—	—	—	(61,786)	(61,786)
Balance, April 1, 2023	183,843	$ 184	$ 94,705	$ (349,854)	$ (254,965)
Balance, September 30, 2023	184,334	$ 184	$ 99,280	$ (260,826)	$ (161,362)
Issuance of common stock under the Plan	541	1	—	—	1
Equity-based compensation	—	—	5,383	—	5,383
Restricted stock units surrendered in lieu of withholding taxes	(132)	—	(888)	—	(888)
Net loss	—	—	—	(74,106)	(74,106)
Balance, March 30, 2024	184,743	$ 185	$ 103,775	$ (334,932)	$ (230,972)

See accompanying notes which are an integral part of these condensed consolidated financial statements.

Table of Contents

LESLIE'S, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)
(Unaudited)

	Six Months Ended	
	March 30, 2024	April 1, 2023
Operating Activities		
Net loss	$ (74,106)	$ (61,786)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	16,173	17,425
Equity-based compensation	5,383	6,510
Amortization of deferred financing costs and debt discounts	1,116	1,006
Provision for doubtful accounts	318	123
Deferred income taxes	(26,699)	1,944
Loss on asset dispositions	88	118
Changes in operating assets and liabilities:		
Accounts and other receivables	(3,615)	7,919
Inventories	(67,253)	(127,365)
Prepaid expenses and other current assets	(9,780)	(30,897)
Other assets	5,461	(6,734)
Accounts payable	53,885	(16,652)
Accrued expenses and other current liabilities	(9,649)	(25,049)
Income taxes payable	(5,782)	(12,511)
Operating lease assets and liabilities, net	(622)	(41)
Net cash used in operating activities	(115,082)	(245,990)
Investing Activities		
Purchases of property and equipment	(24,008)	(14,828)
Business acquisitions, net of cash acquired	—	(9,939)
Proceeds from asset dispositions	44	1,176
Net cash used in investing activities	(23,964)	(23,591)
Financing Activities		
Borrowings on Revolving Credit Facility	130,500	193,000
Payments on Revolving Credit Facility	(33,500)	(21,000)
Repayment of long-term debt	(4,050)	(4,050)
Payment of deferred financing costs	—	(222)
Payments of employee tax withholdings related to restricted stock vesting	(888)	(1,739)
Net cash provided by financing activities	92,062	165,989
Net decrease in cash and cash equivalents	(46,984)	(103,592)
Cash and cash equivalents, beginning of period	55,420	112,293
Cash and cash equivalents, end of period	$ 8,436	$ 8,701
Supplemental Information:		
Cash paid for interest	$ 33,517	$ 28,339
Cash paid for income taxes, net of refunds received	6,046	11,932

See accompanying notes which are an integral part of these condensed consolidated financial statements.

LESLIE'S, INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1—Business and Operations

Leslie's, Inc. ("Leslie's," "we," "our," "us," "its," or the "Company") is the leading direct-to-consumer pool and spa care brand. We market and sell pool and spa supplies and related products and services, which primarily consist of maintenance items such as chemicals, equipment and parts, and cleaning accessories, as well as safety, recreational, and fitness-related products. We currently market our products through over 1,000 company-operated locations in 39 states and e-commerce websites.

Note 2—Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

We prepared the accompanying interim condensed consolidated financial statements following United States generally accepted accounting principles ("GAAP"). The financial statements include all normal and recurring adjustments that are necessary for a fair presentation of our financial position and operating results. The interim condensed consolidated financial statements include the accounts of Leslie's, Inc. and our subsidiaries. All significant intercompany accounts and transactions have been eliminated. These interim condensed consolidated financial statements and the related notes should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended September 30, 2023.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on our results of operations.

Fiscal Periods

We operate on a fiscal calendar that results in a fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to September 30th. In a 52-week fiscal year, each quarter contains 13 weeks of operations; in a 53-week fiscal year, each of the first, second and third quarters includes 13 weeks of operations and the fourth quarter includes 14 weeks of operations. References to the three months ended March 30, 2024 and April 1, 2023 refer to the 13 weeks ended March 30, 2024 and April 1, 2023, respectively. References to the six months ended March 30, 2024 and April 1, 2023 refer to the 26 weeks ended March 30, 2024 and April 1, 2023, respectively.

Use of Estimates

Management is required to make certain estimates and assumptions during the preparation of the condensed consolidated financial statements in accordance with GAAP. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the condensed consolidated financial statements. They also impact the reported amount of net income (loss) during any period. Actual results could differ from those estimates.

Significant estimates underlying the accompanying condensed consolidated financial statements include inventory reserves, lease assumptions, vendor rebate programs, our loyalty program, the determination of income taxes payable and deferred income taxes, sales returns reserve, self-insurance liabilities, the recoverability of intangible assets and goodwill, fair value of assets acquired in a business combination, and contingent consideration related to business combinations.

Seasonality

Our business is highly seasonal. Sales and earnings are highest during our third and fourth fiscal quarters, being April through September, which represent the peak months of swimming pool use. Sales are substantially lower during our first and second fiscal quarters.

Summary of Other Significant Accounting Policies

There have been no changes to our Significant Accounting Policies since our Annual Report on Form 10-K for the year ended September 30, 2023. For more information regarding our Significant Accounting Policies and Estimates, see Note 2—Summary of Significant Accounting Policies included in our Annual Report on Form 10-K for the year ended September 30, 2023.

Recent Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which includes amendments that further enhance income tax disclosures, primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. This update is effective for annual periods beginning after December 15, 2024, though early adoption is permitted. We are currently evaluating the ASU to determine its impact on our disclosures; however, we do not expect there to be a material impact.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which require an entity to disclose the title and position of the Chief Operating Decision Maker ("CODM") and the significant segment expenses that are regularly provided to the CODM and included within each reported measure of segment profit or loss. This update is effective for annual periods beginning after December 15, 2023 and interim disclosures beginning after December 15, 2024, though early adoption is permitted. This update is effective retrospectively upon adoption to all periods presented in the financial statements. We are currently evaluating the ASU to determine its impact on our disclosures; however, we do not expect there to be a material impact.

Note 3 —Goodwill and Other Intangibles, Net

Goodwill

The following table details the changes in goodwill (in thousands):

	March 30, 2024	September 30, 2023	April 1, 2023
Balance at beginning of the period	$ 180,698	$ 173,513	$ 173,513
Acquisitions, net of measurement period adjustments	—	7,185	2,831
Balance at the end of the period	$ 180,698	$ 180,698	$ 176,344

Other Intangible Assets

Other intangible assets consisted of the following as of March 30, 2024 (in thousands, except weighted average remaining useful life):

	Weighted Average Remaining Useful Life (in Years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
Trade name and trademarks (finite life)	9.4	$ 22,100	$ (4,350)	$ 17,750
Trade name and trademarks (indefinite life)	Indefinite	9,350	—	9,350
Non-compete agreements	4.9	2,260	(1,265)	995
Consumer relationships	7.0	15,400	(7,332)	8,068
Other intangibles	4.6	4,000	(3,888)	112
Total		$ 53,110	$ (16,835)	$ 36,275

Other intangible assets consisted of the following as of September 30, 2023 (in thousands, except weighted average remaining useful life):

	Weighted Average Remaining Useful Life (in Years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
Trade name and trademarks (finite life)	9.8	$ 26,740	$ (7,958)	$ 18,782
Trade name and trademarks (indefinite life)	Indefinite	9,350	—	9,350
Non-compete agreements	5.4	8,683	(7,585)	1,098
Consumer relationships	7.4	24,100	(15,317)	8,783
Other intangibles	5.1	6,620	(6,476)	144
Total		$ 75,493	$ (37,336)	$ 38,157

Table of Contents

Other intangible assets consisted of the following as of April 1, 2023 (in thousands, except weighted average remaining useful life):

	Weighted Average Remaining Useful Life (in Years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
Trade name and trademarks (finite life)	10.3	$ 26,740	$ (6,915)	$ 19,825
Trade name and trademarks (indefinite life)	Indefinite	9,350	—	9,350
Non-compete agreements	5.9	8,683	(7,482)	1,201
Consumer relationships	7.6	24,100	(14,419)	9,681
Other intangibles	5.6	6,620	(6,427)	193
Total		$ 75,493	$ (35,243)	$ 40,250

Amortization expense was $0.9 million and $1.3 million for the three months ended March 30, 2024 and April 1, 2023, respectively. Amortization expense was $1.9 million and $2.2 million for the six months ended March 30, 2024 and April 1, 2023. No impairment of goodwill or other intangible assets was recorded during the three and six months ended March 30, 2024 and April 1, 2023, respectively.

The following table summarizes the estimated future amortization expense related to finite-lived intangible assets on our condensed consolidated balance sheet as of March 30, 2024 (in thousands):

	Amount
Remainder of fiscal 2024	$ 1,846
2025	3,632
2026	3,385
2027	3,262
2028	3,154
Thereafter	11,646
Total	$ 26,925

Note 4—Accounts and Other Receivables, Net

Accounts and other receivables, net consisted of the following (in thousands):

	March 30, 2024	September 30, 2023	April 1, 2023
Vendor and other rebates receivable	$ 14,597	$ 6,818	$ 18,114
Customer receivables	15,120	18,334	16,560
Other receivables	4,668	5,900	4,805
Allowance for doubtful accounts	(1,692)	(1,656)	(1,491)
Total	$ 32,693	$ 29,396	$ 37,988

Note 5—Inventories

Inventories consisted of the following (in thousands):

	March 30, 2024	September 30, 2023	April 1, 2023
Raw materials	$ 4,693	$ 3,076	$ 7,184
Finished goods	374,397	308,761	485,144
Total	$ 379,090	$ 311,837	$ 492,328

Note 6—Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	March 30, 2024	September 30, 2023	April 1, 2023
Prepaid insurance	$ 5,777	$ 1,236	$ 6,125
Prepaid occupancy costs	2,167	1,967	1,937
Prepaid sales tax	3,396	4,060	3,027
Prepaid maintenance	5,329	4,426	2,589
Prepaid other	2,024	1,813	1,405
Income taxes receivable	1,682	—	22,362
Other current assets	13,038	10,131	15,256
Total	$ 33,413	$ 23,633	$ 52,701

Note 7—Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	March 30, 2024	September 30, 2023	April 1, 2023
Accrued payroll and employee benefits	$ 15,587	$ 18,558	$ 18,439
Customer deposits	6,370	7,356	8,766
Interest	1,179	581	1,604
Inventory related accruals	8,498	13,843	15,444
Loyalty and deferred revenue	7,577	6,785	6,379
Sales tax	6,532	9,146	7,534
Self-insurance reserves	11,477	9,138	9,662
Other accrued liabilities	22,769	25,191	15,072
Total	$ 79,989	$ 90,598	$ 82,900

As of March 30, 2024, September 30, 2023, and April 1, 2023, capital expenditures included in other accrued liabilities were $0.6 million, $1.5 million, and $1.2 million, respectively.

Note 8—Long-Term Debt, Net

Our long-term debt, net consisted of the following (in thousands, except interest rates):

	Effective Interest Rate (1)	March 30, 2024	September 30, 2023	April 1, 2023
Term Loan	8.19 % (2)	$ 785,700	$ 789,750	$ 793,800
Revolving Credit Facility	6.70 % (3)	97,000	—	172,000
Total long-term debt		882,700	789,750	965,800
Less: current portion of long-term debt		(8,100)	(8,100)	(8,100)
Less: noncurrent Revolving Credit Facility		(97,000)	—	(172,000)
Less: unamortized discount		(2,068)	(2,316)	(2,562)
Less: deferred financing charges		(5,375)	(6,058)	(6,596)
Total long-term debt, net		$ 770,157	$ 773,276	$ 776,542

(1)Effective interest rates as of March 30, 2024.
(2)Carries interest at a specified margin over the Term Secured Overnight Financing Rate ("SOFR") between 2.50% and 2.75% with a minimum SOFR of 0.50% plus a SOFR adjustment.
(3)Carries interest at a specific margin between 0.25% and 0.75% with respect to base rate loans and between 1.25% and 1.75% with respect to Term SOFR loans, with a SOFR adjustment.

Term Loan

In June 2023, we entered into Amendment No. 1 (“Term Loan Amendment”) to our Amended and Restated Term Loan Credit Agreement (“Term Loan”). The Term Loan Amendment (i) replaced the existing LIBOR-based interest rate benchmark with a Term SOFR-based benchmark and (ii) amended certain other related terms and provisions, including the addition of a SOFR adjustment of (a) 0.11448% per annum for one-month, (b) 0.26161% per annum for three months, and (c) 0.42826% per annum for six months. The other material terms of the Term Loan remained substantially unchanged.

The Term Loan provides for an $810.0 million secured term loan facility with a maturity date of March 9, 2028. Borrowings under the Term Loan have an initial applicable rate, at our option, of (i) 2.75% for loans that are Term SOFR loans and (ii) 1.75% for loans that are ABR loans (the “Applicable Rate”). The Applicable Rate of the Term Loan is based on our first lien leverage ratio as follows: (a) if the first lien leverage ratio is greater than 2.75 to 1.00, the applicable rate will be 2.75% for Term SOFR loans and 1.75% for ABR loans and (b) if the first lien leverage ratio is less than or equal to 2.75 to 1.00, the applicable rate will be 2.50% for Term SOFR loans and 1.50% for ABR loans. For Term SOFR loans, the loans will bear interest at the Term SOFR-based benchmark rate plus the Applicable Rate and the SOFR adjustment, as defined above.

Revolving Credit Facility

In March 2023, we entered into Amendment No. 6 to our $200.0 million credit facility (“Revolving Credit Facility”) maturing on August 13, 2025 (the “Amendment”). The Amendment (i) increased the revolving credit commitments under the Revolving Credit Facility in the amount of $50.0 million, such that the aggregate commitments are $250.0 million and (ii) replaced the existing LIBOR-based rate with a Term SOFR-based rate, as an interest rate benchmark. The Revolving Credit Facility has (i) an applicable margin on base rate loans with a range of 0.25% to 0.75%, (ii) an applicable margin on Term SOFR loans with a range of 1.25% and 1.75%, (iii) a SOFR Adjustment of 0.10% for all borrowing periods, (iv) a floor of 0% per annum, and (v) a commitment fee rate of 0.25% per annum. The other material terms of the Revolving Credit Facility prior to the Amendment remained substantially unchanged.

On April 3, 2024, we entered into Amendment No. 7 to our Revolving Credit Facility (the “2024 Amendment”). The 2024 Amendment (i) extended the maturity date to April 3, 2029 and (ii) revised the applicable margin on Term SOFR and base rate loans. The other material terms of the Revolving Credit Facility prior to the 2024 Amendment remained substantially unchanged.

As of March 30, 2024, we had $97.0 million outstanding on our Revolving Credit Facility. No amounts were outstanding on the Revolving Credit Facility as of September 30, 2023. The amount available under our Revolving Credit Facility was reduced by $10.7 million and $11.4 million of existing standby letters of credit as of March 30, 2024 and September 30, 2023, respectively.

Representations and Covenants

Substantially all of our assets are pledged as collateral to secure our indebtedness. The Term Loan does not require us to comply with any financial covenants. The Term Loan and the Revolving Credit Facility contain customary representations and warranties, covenants, and conditions to borrowing. No event of default occurred as of March 30, 2024, September 30, 2023, and April 1, 2023.

Future Debt Maturities

The following table summarizes the debt maturities and scheduled principal repayments of our indebtedness as of March 30, 2024 (in thousands):

		Amount
Remainder of fiscal 2024	$	4,050
2025		10,125
2026		8,100
2027		8,100
2028		755,325
Thereafter		97,000
Total	$	882,700

Note 9—Income Taxes

Our effective income tax rate was 27.5% for the six months ended March 30, 2024, compared to 25.4% for the six months ended April 1, 2023. The difference between the statutory rate and our effective rate for the six months ended March 30, 2024 and April 1, 2023 was primarily attributable to state taxes. Our effective income tax rate can fluctuate due to factors including valuation allowances, changes in tax laws, federal and state audits, and the impact of other discrete items.

Note 10—Commitments & Contingencies

Contingencies

On September 8, 2023, a class action complaint for violation of federal securities laws was filed by West Palm Beach Police Pension Fund in the U.S. District Court for the District of Arizona against us, our Chief Executive Officer and our former Chief Financial Officer. The complaint alleges that we violated federal securities laws by issuing materially false and misleading statements that failed to disclose adverse facts about our financial guidance, business operations and prospects, and seeks class certification, damages, interest, attorneys' fees, and other relief. Due to the early stage of this proceeding, we cannot reasonably estimate the potential range of loss, if any. We dispute the allegations of wrongdoing and intend to defend ourselves vigorously in this matter.

On March 13, 2024 and March 14, 2024, derivative actions were separately filed in the U.S. District Court for the District of Arizona and Delaware by John Clemens and Sally Flynn, on behalf of the Company, against our officers and directors. Both complaints include substantially the same allegations as those in the securities class action, and allege that the defendant directors and officers harmed the Company by either making false or misleading statements, or allowing false or misleading statements to be made. The complaints seek the award of damages, costs and attorneys' fees, and other declaratory relief. The parties in the Delaware derivative action filed a joint stipulation to stay the action pending resolution of the securities class action. Due to the early stage of these proceedings, we cannot reasonably estimate the potential range of loss, if any. We dispute the allegations of wrongdoing and intend to defend ourselves vigorously in these matters.

We are defendants in lawsuits or potential claims encountered in the normal course of business. When the potential liability from a matter can be estimated and the loss is considered probable, we record the estimated loss. Due to uncertainties related to the resolution of lawsuits, investigations and claims, the ultimate outcome may differ from the estimates. We do not expect that the resolutions of any of these matters will have a material effect on our condensed consolidated financial position or results of operations. We did not record any material loss contingencies as of March 30, 2024, September 30, 2023, and April 1, 2023.

Our workers' compensation insurance program, general liability insurance program, and employee group medical plan have self-insurance retention features of up to $0.4 million per event as of March 30, 2024, September 30, 2023, and April 1, 2023. We had standby letters of credit outstanding in the amount of $10.7 million as of March 30, 2024 for the purpose of securing such obligations under our workers' compensation self-insurance programs.

Note 11—Related Party Transactions

On December 14, 2021, the Company entered into a share repurchase agreement with Bubbles Investor Aggregator, L.P. and Explorer Investment Pte. Ltd. (together, the "Selling Stockholders"), each a greater than 5% beneficial owner of the Company's common stock at the time of the transaction, providing for the repurchase by the Company from the Selling Stockholders of an aggregate of 7.5 million shares of common stock, conditioned on the closing of a contemporaneous secondary public offering (the "Offering"). The price per share of repurchased common stock paid by the Company was $20.25, which represents the per share price at which shares of common stock were sold to the public in the Offering less the underwriting discount. The repurchase transaction closed on December 16, 2021. See Note 12—Share Repurchase Program for detailed information regarding our share repurchase program.

Note 12—Share Repurchase Program

On December 3, 2021, the board of directors authorized a share repurchase program for up to an aggregate of $300 million of the Company's outstanding shares of common stock over a period of three years, expiring December 31, 2024. The amount, price, manner, and timing of repurchases are determined by the Company in its discretion and depends on a number of factors, including legal requirements, price, economic and market conditions, the Company's financial condition, capital requirements, cash flows, results of operations, future business prospects, and other factors our management may deem relevant. The share repurchase program may be amended, suspended, or discontinued at any time. Shares may be repurchased from time-to-time using a variety of methods, including on the open market and/or in privately negotiated transactions, including under plans complying with Rule 10b5-1 under the Exchange Act, as part of accelerated share repurchases, and other methods.

On December 16, 2021, the Company repurchased and retired 7.5 million shares of common stock at a price per share of $20.25 under the program. The Company paid $151.9 million ($152.1 million including offering costs) to fund the share repurchase using existing cash on hand. The Company accounted for the share repurchase and retirement of shares under the cost method by deducting its par value from common stock, reducing additional paid-in-capital by $127.5 million (using the share price when the shares were originally issued), and increasing retained deficit by the remaining excess cost of $24.4 million.

As of March 30, 2024, approximately $147.7 million remained available for future purchases under our share repurchase program.

The following table presents information about our repurchases of common stock under our share repurchase program (in thousands):

	Three Months Ended		Six Months Ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Total number of shares repurchased	—	—	—	27
Total amount paid for shares repurchased	$ —	$ —	$ —	$ 419

Note 13—Equity-Based Compensation

Equity-Based Compensation

2020 Omnibus Incentive Plan

In October 2020, we adopted the Leslie's, Inc. 2020 Omnibus Incentive Plan (the "Plan"). The Plan was most recently amended and restated in March 2024. The Plan provides for the grant of awards such as non-qualified stock options to purchase Leslie's common stock (each, a "Stock Option"), restricted stock units ("RSUs") and performance stock units ("PSUs") which may settle in Leslie's, Inc. common stock to our directors, executives, and eligible employees of the Company. The vesting of the Company's outstanding and unvested Stock Options, RSUs, and PSUs is contingent upon each holder's continued service through the date of each applicable vesting event. On March 15, 2024 the Company's shareholders approved an amendment to the Plan increasing the shares of common stock available for future grants by 7.2 million shares. As of March 30, 2024, we had approximately 13.9 million shares of common stock available for future grants under the Plan.

As of March 30, 2024, the aggregate unamortized value of all outstanding equity-based compensation awards was approximately $21.5 million, which is expected to be recognized over a weighted average period of approximately 2.5 years.

Stock Options

Stock Options granted under the Plan generally expire ten years from the date of grant and consist of Stock Options that vest upon the satisfaction of time-based requirements. The following tables summarizes our Stock Option activity under the Plan during the six months ended March 30, 2024 (in thousands, except per share amounts):

	Number of Options	Weighted Average Exercise Price
Outstanding, Beginning as of October 1, 2023	3,308	$ 18.10
Granted	—	—
Exercised	—	—
Forfeited/Expired	(475)	18.46
Balance, Ending as of March 30, 2024	2,833	$ 18.04
Vested and exercisable as of March 30, 2024	2,289	$ 17.85

	As of March 30, 2024
Aggregate intrinsic value of options outstanding	$ —
Unamortized value of unvested stock options	$ 1,786
Weighted average years that expense is expected to be recognized	0.7
Weighted average remaining contractual years outstanding	6.9

Restricted Stock Units and Performance Units

RSUs represent grants that vest ratably upon the satisfaction of time-based requirements. PSUs represent grants potentially issuable in the future based upon the Company's achievement of certain performance conditions. The fair value of our RSUs and PSUs are calculated based on the Company's stock price on the date of the grant.

The following table summarizes our RSU and PSU activity under the Plan during the six months ended March 30, 2024 (in thousands, except per share amounts):

	Number of RSUs/PSUs	Weighted Average Grant Date Fair Value
Outstanding, Beginning as of October 1, 2023	2,084	$ 11.92
Granted	1,758	5.53
Vested	(540)	7.01
Forfeited	(317)	11.93
Balance, Ending March 30, 2024	2,985	$ 9.04

During the six months ended March 30, 2024, 0.4 million PSUs were granted subject to the Company achieving certain adjusted net income and sales performance targets on a cumulative basis during fiscal years 2024 and 2025. The criteria are based on a range of these performance targets in which participants may earn between 0% to 200% of the base number of awards granted. The weighted average grant date fair value of the PSUs was $5.43. The Company assesses the attainment of target payout rates each reporting period. Equity-based compensation expense is recognized for awards deemed probable of vesting.

In December 2022, the Company granted 0.3 million PSUs subject to the Company achieving certain adjusted net income and sales performance targets on a cumulative basis during each of the fiscal years 2023, 2024, and 2025. The criteria are based on a range of these performance targets in which participants may earn between 0% to 200% of the base number of awards granted. As of March 30, 2024, the performance targets had not been met for the PSUs to vest, and no PSUs had vested as of such date.

	As of March 30, 2024
Unamortized value of unvested RSUs/PSUs	$ 19,704
Weighted average period (years) expense is expected to be recognized	2.7

During the three months ended March 30, 2024 and April 1, 2023, equity-based compensation expense was $2.7 million and $3.5 million, respectively. During the six months ended March 30, 2024 and April 1, 2023, equity-based compensation expense was $5.4 million and $6.5 million, respectively. Equity-based compensation expense is reported in selling, general, & administrative expenses ("SG&A") in our condensed consolidated statements of operations.

Note 14—Earnings Per Share

The following is a reconciliation of basic weighted average common shares outstanding to diluted weighted average common shares outstanding (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Numerator:				
Net loss	$ (34,553)	$ (31,527)	$ (74,106)	$ (61,786)
Denominator:				
Weighted average shares outstanding - basic	184,625	183,729	184,504	183,621
Effect of dilutive securities:				
Stock Options	—	—	—	—
RSUs	—	—	—	—
Weighted average shares outstanding - diluted	184,625	183,729	184,504	183,621
Basic earnings per share	$ (0.19)	$ (0.17)	$ (0.40)	$ (0.34)
Diluted earnings per share	$ (0.19)	$ (0.17)	$ (0.40)	$ (0.34)

The following number of weighted-average potentially dilutive shares were excluded from the calculation of diluted earnings per share because the effect of including such shares would have been antidilutive (in thousands):

	Three Months Ended		Six Months Ended	
	March 30, 2024	April 1. 2023	March 30, 2024	April 1, 2023
Stock Options	2,915	3,573	3,048	3,636
RSUs	1,512	1,761	1,620	1,865
Total	4,427	5,334	4,668	5,501

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

The following discussion and analysis of our financial condition and results of operations should be read together with our condensed consolidated financial statements and related notes, which are included elsewhere in this Quarterly Report on Form 10-Q. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Actual results or outcomes may differ materially from those anticipated in these forward-looking statements, which are subject to risks, uncertainties, and other factors, including those described in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023 and in our other filings with the SEC.

We operate on a fiscal calendar that results in a fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to September 30th. In a 52-week fiscal year, each quarter contains 13 weeks of operations; in a 53-week fiscal year, each of the first, second and third quarters includes 13 weeks of operations and the fourth quarter includes 14 weeks of operations. References to the three months ended March 30, 2024 and April 1, 2023 refer to the 13 weeks ended March 30, 2024 and April 1, 2023, respectively. References to the six months ended March 30, 2024 and April 1, 2023 refer to the 26 weeks ended March 30, 2024 and April 1, 2023, respectively.

Our Company

We are the largest and most trusted direct-to-consumer brand in the $15 billion United States pool and spa care industry, serving residential and professional consumers. Founded in 1963, we are the only direct-to-consumer pool and spa care brand with national scale, operating an integrated marketing and distribution ecosystem powered by a physical network of over 1,000 branded locations and a robust digital platform. We have a market-leading share of approximately 15% of residential aftermarket product spend as of 2022, our physical network is larger than the sum of our 20 largest competitors' physical networks and our digital sales are estimated to be greater than five times as large as that of our largest digital competitor. We offer an extensive assortment of professional-grade products, the majority of which are exclusive to Leslie's, as well as certified installation and repair services, all of which are essential to the ongoing maintenance of pools and spas. Our dedicated team of associates, pool and spa care experts, and experienced service technicians are passionate about empowering our consumers with the knowledge, products, and solutions necessary to confidently maintain and enjoy their pools and spas. The considerable scale of our integrated marketing and distribution ecosystem, which is powered by our direct-to-consumer network, uniquely enables us to efficiently reach and service every pool and spa in the continental United States.

We operate primarily in the pool and spa aftermarket industry, which is one of the most fundamentally attractive consumer categories given its scale, predictability, and growth outlook. More than 80% of our assortment is comprised of non-discretionary products essential to the care of residential and commercial pools and spas. Our assortment includes chemicals, equipment and parts, cleaning and maintenance equipment, and safety, recreational, and fitness-related products. We also offer important essential services, such as equipment installation and repair for residential consumers and professional pool operators. Consumers receive the benefit of extended vendor warranties on purchased products from our locations and on installations or repairs from our certified in-field technicians. We offer complimentary, commercial-grade in-store water testing and analysis via our proprietary AccuBlue® system, which increases consumer engagement, conversion, basket size, and loyalty, resulting in higher lifetime value. Our water treatment expertise is powered by data and intelligence accumulated from the millions of water tests we have performed over the years, positioning us as the most trusted water treatment service provider in the industry. Due to the non-discretionary nature of our products and services, our business has historically delivered strong growth and profitability in challenging market environments, including through the Great Recession and the COVID-19 pandemic.

We have a legacy of leadership and disruptive innovation. Since our founding in 1963, we have been the leading innovator in our category and have provided our consumers with the most advanced pool and spa care available. As we have scaled, we have leveraged our competitive advantages to strategically reinvest in our business and intellectual property to develop new value-added capabilities. We have pioneered complimentary in-store water testing, offered complimentary in-store equipment repair services, introduced the industry's first loyalty program, and developed an expansive platform of owned and exclusive brands. These differentiated capabilities allow us to meet the needs of any pool and spa owner, whether they care for their pool or spa themselves or rely on a professional, whenever, wherever, and however they choose to engage with us.

Key Factors and Measures We Use to Evaluate Our Business

We consider a variety of financial and operating measures in assessing the performance of our business. The key measures we use under United States generally accepted accounting principles ("GAAP") are sales, gross profit and gross margin, selling, general and administrative expenses ("SG&A"), and operating income (loss). The key non-GAAP measures and other operating measures we use are comparable sales, comparable sales growth, Adjusted EBITDA, Adjusted net income (loss), and Adjusted earnings per share.

Sales

We offer a broad range of products that consists of regularly purchased, non-discretionary pool and spa maintenance items such as chemicals, equipment, cleaning accessories and parts, as well as installation and repair services for pool and spa equipment. Our offering of proprietary, owned, and third-party brands across diverse product categories drives sales growth by attracting new consumers and encouraging repeat visits from our existing consumers. Revenue from merchandise sales at retail locations is recognized at the point of sale, revenue from services is recognized when the services are rendered, and revenue from e-commerce merchandise sales is generally recognized upon shipment of the merchandise. Revenue is recorded net of related discounts and sales tax. Payment from retail customers is generally at the point of sale and payment terms for professional pool operator customers are based on our credit requirements and generally have terms of less than 60 days. When we receive payment from a consumer before the consumer has taken possession of the merchandise or the service has been performed, the amount received is recorded as deferred revenue or as a customer deposit until the sale or service is complete. Sales are impacted by product mix and availability, as well as promotional and competitive activities and the spending habits of our consumers. Growth of our sales is primarily driven by comparable sales growth and expansion of our locations in existing and new markets.

Comparable Sales and Comparable Sales Growth

We measure comparable sales growth as the increase or decrease in sales recorded by the comparable base in any reporting period, compared to sales recorded by the comparable base in the prior reporting period. The comparable base includes sales through our locations and through our e-commerce websites and third-party marketplaces. Comparable sales growth is a key measure used by management and our board of directors to assess our financial performance.

We consider a new or acquired location comparable in the first full month after it has completed one year of sales. Closed locations become non-comparable during their last partial month of operation. Locations that are relocated are considered comparable at the time the relocation is complete. Comparable sales is not calculated in the same manner by all companies, and accordingly, is not necessarily comparable to similarly titled measures of other companies and may not be an appropriate measure for performance relative to other companies.

The number of new locations reflects the number of locations opened during a particular reporting period. New locations require an initial capital investment in location buildouts, fixtures, and equipment, which we amortize over time as well as cash required for inventory.

As of March 30, 2024, we operated over 1,000 locations in 39 states across the United States. We owned 27 locations and leased the remainder of our locations. Our initial lease terms are typically five years with options to renew for multiple successive five-year periods. We evaluate new opportunities in new and existing markets based on the number of pools and spas in the market, competition, our existing locations, availability and cost of real estate, and distribution and operating costs of our locations. We review the performance of our locations on a regular basis and evaluate opportunities to strategically close locations to improve our profitability. Our limited investment costs in individual locations and our ability to transfer sales to our extensive network of remaining locations and e-commerce websites allows us to improve profitability as a result of any strategic closures.

Gross Profit and Gross Margin

Gross profit is equal to our sales less our cost of merchandise and services sold. Cost of merchandise and services sold reflects the direct cost of purchased merchandise, costs to package certain chemical products, including direct materials and labor, costs to provide services, including labor and materials, as well as distribution and occupancy costs. The direct cost of purchased merchandise includes vendor rebates. We recognize vendor rebates based on historical data. Distribution costs include warehousing and transportation expenses, including costs associated with third-party fulfillment centers used to ship merchandise to our e-commerce consumers. Occupancy costs include the rent, common area maintenance, real estate taxes, and depreciation and amortization costs of all retail locations. These costs are significant and are expected to continue to increase proportionate to our growth.

Gross margin is gross profit as a percentage of our sales. Gross margin is impacted by merchandise costs, pricing and promotions, product mix and availability, inflation, and service costs, which can vary. Our proprietary brands, custom-formulated products, and vertical integration provide us with cost savings, as well as greater control over product availability and quality as compared to other companies in the industry. Gross margin is also impacted by the costs of distribution and occupancy costs, which can vary.

Our gross profit is variable in nature and generally follows changes in sales. The components of our cost of merchandise and services sold 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.

Selling, General and Administrative Expenses

Our SG&A includes selling and operating expenses across our retail locations and digital platform, and our corporate-level general and administrative expenses. Selling and operating expenses at retail locations include payroll, bonus and benefit costs for personnel, supplies, and credit and debit card processing costs. Corporate expenses include payroll, bonus, and benefit costs for our corporate and field support functions, equity-based compensation, marketing and advertising, insurance, utilities, occupancy costs related to our corporate office facilities, professional services, and depreciation and amortization for all assets, except those related to our retail locations and distribution operations, which are included in cost of merchandise and services sold. Selling and operating expenses generally vary proportionately with sales and the change in the number of locations. In contrast, general and administrative expenses are generally not directly proportional to sales and the change in the number of locations and may increase over time to support our growth and public company obligations. The components of our SG&A may not be comparable to the components of similar measures of other companies.

Operating Income (Loss)

Operating income (loss) is gross profit less SG&A. Operating income (loss) excludes interest expense, loss on debt extinguishment, income tax expense (benefit), and other (income) expenses, net. We use operating income (loss) as an indicator of the productivity of our business and our ability to manage expenses.

Adjusted EBITDA

Adjusted EBITDA is defined as earnings before interest (including amortization of debt issuance costs), taxes, depreciation and amortization, management fees, equity-based compensation expense, loss (gain) on debt extinguishment, loss (gain) on asset and contract dispositions, executive transition costs, severance, costs related to equity offerings, strategic project costs, merger and acquisition costs, and other non-recurring, non-cash or discrete items. Adjusted EBITDA is a key measure used by management and our board of directors to assess our financial performance. Adjusted EBITDA is 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 to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions, and to compare our performance against that of other companies using similar measures.

Adjusted EBITDA is not a recognized measure of financial performance under GAAP but is used by some investors to determine a company’s ability to service or incur indebtedness. Adjusted EBITDA is not calculated in the same manner by all companies, and accordingly, is not necessarily comparable to similarly titled measures of other companies and may not be an appropriate measure for performance relative to other companies. Adjusted EBITDA should not be construed as an indicator of a company’s operating performance in isolation from, or as a substitute for, net income (loss), cash flows from operations or cash flow data, all of which are prepared in accordance with GAAP. We have presented Adjusted EBITDA solely as supplemental disclosure because we believe it allows for a more complete analysis of results of operations. Adjusted EBITDA is not intended to represent, and should not be considered more meaningful than, or as an alternative to, measures of operating performance as determined in accordance with GAAP. In the future, we may incur expenses or charges such as those added back to calculate Adjusted EBITDA. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by these items.

Adjusted Net Income (Loss) and Adjusted Earnings per Share

Adjusted net income (loss) and Adjusted earnings per share are additional key measures used by management and our board of directors to assess our financial performance. Adjusted net income (loss) and Adjusted earnings per share are also frequently used by analysts, investors, and other interested parties to evaluate companies in our industry, when considered alongside other GAAP measures.

Adjusted net income (loss) is defined as net income (loss) adjusted to exclude management fees, equity-based compensation expense, loss (gain) on debt extinguishment, loss (gain) on asset and contract dispositions, executive transition costs, severance, costs related to equity offerings, strategic project costs, merger and acquisition costs, and other non-recurring, non-cash, or discrete items. Adjusted diluted earnings per share is defined as Adjusted net income (loss) divided by the diluted weighted average number of common shares outstanding.

Factors Affecting the Comparability of our Results of Operations

Our reported results have been affected by, among other events, the following events, which must be understood in order to assess the comparability of our period-to-period financial performance and condition.

Impact of Macroeconomic Events and Uncertainties

Our financial performance and condition may be impacted to varying extents from period to period by macroeconomic and geopolitical developments, including public health crises, escalating global conflicts, supply chain disruptions, labor market constraints, rising rates of inflation, rising interest rates, general economic slowdown, and potential failures among financial institutions. The direct and indirect impact COVID-19 has had on our financial and operating performance since 2020 has made period-to-period analysis and accurate forecasting difficult. Due to the non-discretionary nature of our products and services, our business delivered strong growth and profitability throughout the pandemic, in spite of restrictions on the operation of our locations and distribution facilities. Significant disruption to our supply chain for products we sell, as a result of COVID-19, geopolitical conflict or otherwise, can also have a material impact on our sales and earnings and cause unpredictable changes in results. In addition, we believe adverse macroeconomic trends and uncertainties also increase consumers' sensitivity to price and result in cost-conscious behavior inclusive of high ticket items, which can result in corresponding declines in sales and/or gross profit.

An additional uncertainty that can impact our results of operations is consumer purchasing patterns. Due to the highly unstable supply of granular chlorine compounds over the last three years, we believe some customers stockpiled chemicals, resulting in unexpected changes in demand. As a result of such behavior, our revenue may be higher than normal during the periods of stockpiling and may be lower than normal during the periods after stockpiling has occurred.

Results of Operations

We derived our condensed consolidated statements of operations for the three and six months ended March 30, 2024 and April 1, 2023 from our condensed consolidated financial statements. Our historical results are not necessarily indicative of the results that may be expected in the future. The following table summarizes key components of our results of operations for the periods indicated, both in dollars and as a percentage of our sales (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
Statements of Operations Data:	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Sales	$ 188,664	$ 212,844	$ 362,624	$ 407,948
Cost of merchandise and services sold	134,336	141,674	257,888	271,482
Gross profit	54,328	71,170	104,736	136,466
Selling, general and administrative expenses	84,856	96,357	171,734	188,638
Operating loss	(30,528)	(25,187)	(66,998)	(52,172)
Other expense:				
Interest expense	18,153	17,247	35,224	30,607
Total other expense	18,153	17,247	35,224	30,607
Loss before taxes	(48,681)	(42,434)	(102,222)	(82,779)
Income tax benefit	(14,128)	(10,907)	(28,116)	(20,993)
Net loss	$ (34,553)	$ (31,527)	$ (74,106)	$ (61,786)
Earnings per share				
Basic	$ (0.19)	$ (0.17)	$ (0.40)	$ (0.34)
Diluted	$ (0.19)	$ (0.17)	$ (0.40)	$ (0.34)
Weighted average shares outstanding				
Basic	184,625	183,729	184,504	183,621
Diluted	184,625	183,729	184,504	183,621
Percentage of Sales(1)	(%)	(%)	(%)	(%)
Sales	100.0	100.0	100.0	100.0
Cost of merchandise and services sold	71.2	66.6	71.1	66.5
Gross margin	28.8	33.4	28.9	33.5
Selling, general and administrative expenses	45.0	45.3	47.4	46.2
Operating loss	(16.2)	(11.8)	(18.5)	(12.8)
Other expense:				
Interest expense	9.6	8.1	9.7	7.5
Total other expense	9.6	8.1	9.7	7.5
Loss before taxes	(25.8)	(19.9)	(28.2)	(20.3)
Income tax benefit	(7.5)	(5.1)	(7.8)	(5.1)
Net loss	(18.3)	(14.8)	(20.4)	(15.1)
Other Financial and Operations Data:				
Number of new and acquired locations, net	3	5	2	7
Number of locations open at end of period	1,010	997	1,010	997
Comparable sales growth(2)	(11.7)%	(13.5)%	(11.7)%	(9.4)%
Adjusted EBITDA(3)	$ (19,278)	$ (8,440)	$ (43,698)	$ (20,355)
Adjusted EBITDA as a percentage of sales(3)	(10.2)%	(4.0)%	(12.1)%	(5.0)%
Adjusted net loss(3)	$ (31,998)	$ (25,659)	$ (68,761)	$ (50,992)
Adjusted diluted earnings per share	$ (0.17)	$ (0.14)	$ (0.37)	$ (0.28)

(1)Components may not add to totals due to rounding.
(2)See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors and Measures We Use to Evaluate Our Business."
(3)The tables below provide a reconciliation from our net loss to Adjusted EBITDA and net loss to Adjusted net loss for the three and six months ended March 30, 2024 and April 1, 2023 (in thousands).

	Three Months Ended		Six Months Ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Net loss	$ (34,553)	$ (31,527)	$ (74,106)	$ (61,786)
Interest expense	18,153	17,247	35,224	30,607
Income tax benefit	(14,128)	(10,907)	(28,116)	(20,993)
Depreciation and amortization expense(1)	7,843	8,922	16,173	17,425
Equity-based compensation expense(2)	2,710	3,662	5,438	6,706
Strategic project costs(3)	540	1,294	663	2,014
Executive transition costs and other(4)	157	2,869	1,026	5,672
Adjusted EBITDA	$ (19,278)	$ (8,440)	$ (43,698)	$ (20,355)

	Three Months Ended		Six Months Ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Net loss	$ (34,553)	$ (31,527)	$ (74,106)	$ (61,786)
Equity-based compensation expense(2)	2,710	3,662	5,438	6,706
Strategic project costs(3)	540	1,294	663	2,014
Executive transition costs and other(4)	157	2,869	1,026	5,672
Tax effects of these adjustments(5)	(852)	(1,957)	(1,782)	(3,598)
Adjusted net loss	$ (31,998)	$ (25,659)	$ (68,761)	$ (50,992)

(1)Includes depreciation related to our distribution centers and locations, which is reported in cost of merchandise and services sold in our condensed consolidated statements of operations.
(2)Represents charges related to equity-based compensation and our related payroll tax expense, which are reported in SG&A in our condensed consolidated statements of operations.
(3)Represents non-recurring costs, such as third-party consulting costs related to first-generation technology initiatives, replacements of systems that have been no longer supported by our vendors, investment in and development of new products outside of the course of continuing operations, or other discrete strategic projects that are infrequent or unusual in nature and potentially distortive to continuing operations. These items are reported in SG&A in our condensed consolidated statements of operations.
(4)Includes certain senior executive transition costs and severance associated with completed corporate restructuring activities across the organization, losses (gains) on asset dispositions, merger and acquisition costs, and other non-recurring, non-cash, or discrete items as determined by management. Amounts are reported in SG&A in our condensed consolidated statements of operations.
(5)Represents the tax effect of the total adjustments based on our combined U.S. federal and state statutory tax rates. Amounts are reported in income tax benefit in our condensed consolidated statements of operations.

Selected Financial Information

Sales

Sales decreased to $188.7 million for the three months ended March 30, 2024, from $212.8 million in the prior year period, a decrease of $24.1 million, or 11.4%. The decrease was primarily driven by a reduction in average order volume of approximately 5% primarily due to chemical pricing actions and a decrease in transaction volume of 6%. Comparable sales decreased $25.6 million, or 12.1%, compared to the prior year period. Non-comparable sales including acquisitions and new stores contributed $1.5 million in the period.

Sales decreased to $362.6 million for the six months ended March 30, 2024, from $407.9 million in the prior year period, a decrease of $45.3 million, or 11.1%. The decrease was primarily driven by a reduction in average order volume of approximately 7% primarily due to chemical pricing actions and a decrease in transaction volume of 4%. Comparable sales decreased $48.5 million, or 11.9%, compared to the prior year period. Non-comparable sales including acquisitions and new stores contributed $3.2 million in the period.

Gross Profit and Gross Margin

Gross profit decreased to $54.3 million for the three months ended March 30, 2024 from $71.2 million in the prior year period, a decrease of $16.9 million, or 23.7%. Gross margin decreased to 28.8% compared to 33.4% in the prior year period, which represents a decrease of 460 basis points. The decrease in gross margin was primarily driven by deleverage of 229 basis points on occupancy costs due to lower comparable sales and a negative impact of 131 basis points related to chemical pricing actions. Gross profit decreased to $104.7 million for the six months ended March 30, 2024 from $136.5 million in the prior year period, a decrease of $31.8 million, or 23.3%. Gross margin decreased to 28.9% compared to 33.5% in the prior year period, which represents a decrease of approximately 460 basis points. The decrease in gross margin was primarily driven by deleverage of 214 basis points on occupancy costs due to lower comparable sales and a negative impact of 112 basis points due to the timing of rebate recognition.

Selling, General and Administrative Expenses

SG&A decreased to $84.9 million during the three months ended March 30, 2024 from $96.4 million in the prior year period, a decrease of $11.5 million, or 11.9%. The decrease in SG&A was primarily related to a decrease in merchant fees of $1.3 million associated with lower sales, lower payroll costs of $3.0 million, lower executive transition costs of $1.4 million, and lower store expenses of $1.2 million.

SG&A decreased to $171.7 million during the six months ended March 30, 2024 from $188.6 million in the prior year period, a decrease of $16.9 million, or 9.0%. The decrease in SG&A was primarily related to a decrease in merchant fees of $2.3 million associated with lower sales, lower payroll costs of $4.5 million, lower executive transition costs of $2.5 million, and lower store expenses of $1.5 million.

Interest Expense

Interest expense increased to $18.2 million for the three months ended March 30, 2024 from $17.2 million in the prior year period, an increase of $1.0 million. Interest expense increased to $35.2 million for the six months ended March 30, 2024 from $30.6 million in the prior year period, an increase of $4.6 million.

These increases for the three and six months ended was due to higher interest rates on our Term Loan and Revolving Credit Facility.

Income Taxes

Income tax benefit increased to $14.1 million for the three months ended March 30, 2024 compared to $10.9 million in the prior year period, an increase of $3.2 million. Income tax benefit increased to $28.1 million for the six months ended March 30, 2024 compared to $21.0 million in the prior year period, an increase of $7.1 million. These increases were primarily attributable to a higher pretax loss.

The effective income tax rate was a benefit of 29.0% and 27.5% for the three and six months ended March 30, 2024, respectively. The effective income tax rate was a benefit of 25.7% and 25.4% for the three and six months ended April 1, 2023, respectively.

Net Loss and Earnings per Share

Net loss increased to $(34.6) million for the three months ended March 30, 2024 compared to $(31.5) million in the prior year period, an increase of $3.1 million. Net loss increased to $(74.1) million for the six months ended March 30, 2024 compared to $(61.8) million in the prior year period, an increase of $12.3 million. These increases in net loss were primarily due to decreases in gross profit. Diluted earnings per share was $(0.19) for the three months ended March 30, 2024 compared to $(0.17) in the prior year period. Diluted earnings per share was $(0.40) for the six months ended March 30, 2024 compared to $(0.34) in the prior year period.

Adjusted net loss increased to $(32.0) million for the three months ended March 30, 2024 compared to $(25.7) million in the prior year period, an increase of $6.3 million. Adjusted net loss increased to $(68.8) million for the six months ended March 30, 2024 compared to $(51.0) million in the prior year period, an increase of $17.8 million. Adjusted diluted earnings per share was $(0.17) for the three months ended March 30, 2024 compared to $(0.14) in the prior year period. Adjusted diluted earnings per share was $(0.37) for the six months ended March 30, 2024 compared to $(0.28) in the prior year period.

Adjusted EBITDA

Adjusted EBITDA decreased to $(19.3) million for the three months ended March 30, 2024 compared to $(8.4) million in the prior year period, a decrease of $10.9 million. Adjusted EBITDA decreased to $(43.7) million for the six months ended March 30, 2024 compared to $(20.4) million in the prior year period, a decrease of $23.3 million. These decreases were primarily due to decreases in gross profit.

Seasonality and Quarterly Fluctuations

Our business is highly seasonal. Sales and earnings are highest during the third and fourth fiscal quarters, which include April through September, and represent the peak months of swimming pool use. Sales are substantially lower during our first and second fiscal quarters. We have a long track record of investing in our business throughout the year, including in operating expenses, working capital, and capital expenditures related to new locations and other growth initiatives. While these investments drive performance during the primary selling season in our third and fourth fiscal quarters, they have a negative impact on our earnings and cash flow during our first and second fiscal quarters.

We typically experience a build-up of inventory and accounts payable during the first and second fiscal quarters in anticipation of the peak swimming pool supply selling season. We negotiate extended payment terms with certain of our primary suppliers as we receive merchandise in December through March, and we pay for merchandise in April through July.

The principal external factor affecting our business is weather. Hot weather can increase purchases of chemicals and other non-discretionary products as well as purchases of discretionary products and can drive increased purchases of installation and repair services. Unseasonably cool weather or significant amounts of rainfall during the peak sales season can reduce chemical consumption in pools and spas and decrease consumer purchases of our products and services. In addition, unseasonably early or late warming trends can increase or decrease the length of the pool season and impact timing around pool openings and closings and, therefore, our total sales and timing of our sales.

We generally open new locations before our peak selling season begins and we generally close locations after our peak selling season ends. We expect that our quarterly results of operations will fluctuate depending on the timing and amount of sales contributed by new locations.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are net cash provided by operating activities and borrowing availability under our Revolving Credit Facility. Historically, we have funded working capital requirements, capital expenditures, payments related to acquisitions, debt service requirements and repurchases of shares of our common stock with internally generated cash on hand and through our Revolving Credit Facility.

Cash and cash equivalents consist primarily of cash on deposit with banks. Cash and cash equivalents totaled $8.4 million and $55.4 million as of March 30, 2024 and September 30, 2023, respectively. As of March 30, 2024, we had $97.0 million outstanding on our Revolving Credit Facility. We had no amounts outstanding on our Revolving Credit Facility as of September 30, 2023.

Our primary working capital requirements are for the purchase of inventory, payroll, rent, other facility costs, distribution costs, and general and administrative costs. Our working capital requirements fluctuate during the year, driven primarily by seasonality and the timing of inventory purchases.

Our capital expenditures are primarily related to infrastructure-related investments, including investments related to upgrading and maintaining our information technology systems, ongoing location improvements, expenditures related to our distribution centers, and new location openings. We expect to fund capital expenditures from net cash provided by operating activities.

Based on our growth plans, we believe our cash and cash equivalents position, net cash provided by operating activities and borrowing availability under our Revolving Credit Facility will be adequate to finance our working capital requirements, planned capital expenditures, strategic acquisitions, share repurchases, and debt service over the next 12 months. If cash provided by operating activities and borrowings under our Revolving Credit Facility are not sufficient or available to meet our capital requirements, then we may need to obtain additional equity or debt financing. There can be no assurance that equity or debt financing will be available to us if we need it or, if available, whether the terms will be satisfactory to us.

As of March 30, 2024, outstanding standby letters of credit totaled $10.7 million and, after considering borrowing base restrictions, we had $142.3 million of available borrowing capacity under the terms of the Revolving Credit Facility. As of March 30, 2024, we were in compliance with the covenants under the Revolving Credit Facility and our Term Loan agreements.

Summary of Cash Flows

A summary of our cash flows from operating, investing, and financing activities is presented in the following table (in thousands):

	Six Months Ended	
	March 30, 2024	April 1, 2023
Net cash used in operating activities	$ (115,082)	$ (245,990)
Net cash used in investing activities	(23,964)	(23,591)
Net cash provided by financing activities	92,062	165,989
Net decrease in cash and cash equivalents	$ (46,984)	$ (103,592)

Cash Used in Operating Activities

Net cash used in operating activities was $115.1 million for the six months ended March 30, 2024 compared to $246.0 million in the prior year period, a decrease of $130.9 million. The decrease was primarily driven by changes in working capital related to reductions in product inventories.

Cash Used in Investing Activities

Net cash used in investing activities was $24.0 million for the six months ended March 30, 2024 compared to $23.6 million in the prior year period, an increase of $0.4 million. This increase was primarily driven by lower investments for business acquisitions of $9.9 million partially offset by higher purchases of property and equipment of $9.2 million.

Cash Provided by Financing Activities

Net cash provided by financing activities for the six months ended March 30, 2024 was $92.1 million compared to $166.0 million in the prior year period, a decrease of $73.9 million. This decrease was primarily driven by lower borrowings on our Revolving Credit Facility during the period.

Share Repurchase Program

On December 3, 2021, the board of directors authorized a share repurchase program for up to an aggregate of $300 million of the Company's outstanding shares of common stock over a period of three years, expiring December 31, 2024. As of March 30, 2024, approximately $147.7 million remained available for future purchases under our share repurchase program (see Note 12—Share Repurchase Program to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q).

Contractual Obligations and Other Commitments

There have been no material changes to our contractual obligations and other commitments during the three months and six ended March 30, 2024 from those disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

Critical Accounting Estimates

The preparation of our condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of sales and expenses during the reported periods. The SEC has defined a company's critical accounting policies as the ones that are most important to the portrayal of a company's financial condition and results of operations, and which require a company to make its most difficult and subjective judgments. Based on this definition, we have identified the critical accounting policies and judgments, which are disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023. We base these estimates on historical results and various other assumptions we believe to be reasonable, all of which form the basis for making estimates concerning the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

There have been no material changes to our critical accounting estimates during the three and six months ended March 30, 2024 from those disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, see Note 2—Summary of Significant Accounting Policies to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

There have been no material changes in our primary risk exposures or management of market risks from those disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

Impact of Inflation and Deflation

There have been no material changes in our exposure to inflation or deflation from those disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

Item 4. Controls and Procedures.

Management's Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) are designed to ensure that information required to be disclosed by us in reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the appropriate time periods specified in SEC 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 discussions regarding required disclosure. We, under the supervision of and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures as of March 30, 2024. Based on that evaluation, our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) have concluded that the design and operation of our disclosure controls and procedures were ineffective as the material weaknesses in internal control over financial reporting disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023 were not yet remediated as of March 30, 2024.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 30, 2024 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except as described below.

Ongoing Remediation Efforts

As previously disclosed in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2023, we are in the process of implementing a plan to address the material weaknesses in internal control over financial reporting that were disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023. We are enhancing the design and implementation of existing controls and creating new controls as needed with respect to inventory control as follows:

- examination of our current controls and identifying the root cause(s) for the deficiencies;
- examination and enhancement of the procedures regarding certain of our annual physical inventory counts, including the augmentation of employee training and validation of system generated reports utilized in performing certain annual physical counts and clarifying instructions as to the process for recording adjustments to inventory as a result of physical counts and validation of data used in inventory costing;
- enhanced supervision of personnel during and subsequent to physical inventory counts to confirm compliance with established Company policies;
- examination and enhancement of the procedures regarding the completeness and accuracy of data utilized in computing inventory reserves.

We are enhancing the design and implementation of existing controls and creating new controls as needed with respect to vendor rebates as follows:

- implementing and executing enhanced controls to detect potential material misstatements in the data utilized to calculate vendor rebates earned and timing of vendor rebate income recognition, to aid in the detection of potential deviations that may be relied upon in our financial reporting processes.

The actions we are taking are subject to continued senior management review as well as Audit Committee oversight. The material weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We are committed to continuing to improve our internal control processes, and, as we continue to evaluate and work to improve our internal control over financial reporting, we may take additional measures to address control deficiencies, or we may modify certain of our remediation measures as described above or as described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

We are subject to other litigation, claims, and other proceedings that arise from time-to-time in the ordinary course of business. We believe these actions are routine and incidental to the business. As of March 30, 2024, we had established reserves for claims that are probable and estimable and such reserves were not significant. While we cannot feasibly predict the outcome of these matters with certainty, we believe, based on examination of these matters, experience to date and discussions with counsel, that the ultimate liability, individually or in the aggregate, will not have a material adverse effect on our business, financial position, results of operations, or cash flows.

Except as set forth in Note 10 - Commitments & Contingencies to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, there have been no material changes to the legal proceedings described in Part I Item 3 “Legal Proceedings” of our Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

Item 1A. Risk Factors.

There have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K for the year ended September 30, 2023.

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

Issuer Purchases of Equity Securities

None.

Sales of Unregistered Securities

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

(a) Information Required to be Disclosed on Form 8-K

None.

(b) Changes to Procedures for Recommending Director Nominees

Not applicable.

(c) Trading Plans

During the quarter ended March 30, 2024, no director or Section 16 officer adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

Table of Contents

Item 6. Exhibits.

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Exhibit	Filing Date/ Period End Date
10.1	Leslie's Inc. Amended and Restated 2020 Omnibus Incentive Plan	8-K	10.1	03/19/2024
10.2*	Executive Severance Pay Plan, dated April 23, 2024, by and between Leslie's Poolmart, Inc. and Benjamin Lindquist			
10.3	Amendment No. 7, dated as of April 3, 2024, to the Credit Agreement among Leslie's Poolmart, Inc., and the subsidiary borrowers named therein, Bank of America, N.A., as Administrative Agent, and U.S. Bank National Association, Co-Collateral Agent	8-K	10.1	04/09/2024
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934			
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934			
32.1+	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350			
32.2+	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350			
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 Schema Document With Embedded Linkbase Documents			
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document).			

* Filed herewith.
+ Furnished herewith and not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

Table of Contents

SIGNATURES

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

LESLIE'S, INC.

Date: May 8, 2024	By:	/s/ Scott Bowman **Scott Bowman** **Chief Financial Officer** **(Principal Financial Officer and Principal Accounting Officer)**

Exhibit 10.2

LESLIE'S POOLMART, INC. EXECUTIVE SEVERANCE PAY PLAN

Leslie's Poolmart, Inc. (hereinafter the "Company") hereby adopts the Leslie's Poolmart, Inc. Executive Severance Pay Plan (the "Plan"), effective upon the date of its execution.

Section 1: Purpose; Definitions

1.1 ***Purpose.*** The purpose of the Plan is to provide severance pay to eligible executives of the Company in the circumstances and on the conditions specified. The Plan is an "employee welfare benefit plan" within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended, (hereinafter "ERISA"). Neither the receipt nor the amount of any severance payment is contingent, directly or indirectly, on an employee's retirement. Severance payments are contingent, prospective payments that may be provided under the circumstances and conditions described.

1.2 ***Definitions***.

a. *Cause.* With respect to any Participant, Cause means (i) the willful and continued failure by Participant to substantially perform their duties with the Company; (ii) conviction of any felony; (iii) conviction of any crime involving moral turpitude or dishonesty that causes, or is likely to cause, harm to the Company; (iv) participation in a fraud or willful act of dishonesty against the Company that causes, or is likely to cause, harm to the Company; (v) intentional and material damage to the Company's property; (vi) the Participant's intentional failure to follow, or intentional conduct that violates the Company's written policies that are generally applicable to all officers of the Company or (vii) the Participant's intentional violation of any term of agreement between the Participant and the Company, including non-disclosure and non-competition agreements, or any statutory duty the Participant owes to the Company.

b. *COBRA*. The Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

c. *Code.* The Internal Revenue Code of 1986, as amended from time to time, or any successor thereto.

d. *Compensation Committee.* The Compensation Committee means the Compensation Committee of the Company's board of directors.

e. *Covered Employer*. For purposes of the Plan, the term "Covered Employer" is defined to mean the Company or one of the Company's subsidiaries.

f. *Eligible Employee.* An individual designated by the Company, who (i) has been an employee of the Company for a minimum of ninety (90) days prior to a Separation From Service, (ii) is not eligible for severance benefits under any other plan, program, policy, procedure or agreement of or with the Company, (iii) incurs a Separation From Service without Cause, by action of the Company, other than as a result of death, total disability as contemplated by a long term disability plan of the Company, or any voluntary resignation or termination, and (iv) executes a Final Release, at the time of Separation From Service.

g. *Final Release*. A general release effective between or among the Company and the Participant, which is satisfactory in form and substance to the Company, as applicable, including non-disclosure, non-competition and non-solicitation restrictions, and for which the period has expired for the exercise of any revocation rights of the Participant with respect thereto.

h. *Medical Benefits Continuation*. Means, subject to a Participant's (a) timely election of continuation coverage under COBRA, with respect to the Company's group health insurance plans in which such Participant participated immediately prior to the Separation from Service and (b) continued payment by such Participant of premiums for such plans at the "active employee" rate (excluding, for purposes of calculating cost, Participant's ability to pay premiums with pre-tax dollars), the Company shall provide COBRA continuation coverage for such Participant and his or her eligible dependents until the earliest of (x) expiration of twelve (12) months following the date of the Separation From Service, (y) Participant or his or her eligible dependents, as the case may be, ceasing to be eligible under COBRA, and (z) Participant becoming eligible for coverage under the health insurance plan of a subsequent employer. If the Company is unable to provide, or is unable to continue to provide, Medical Benefits Continuation as contemplated hereunder due to restrictions imposed by law, the Company shall pay Participant a cash amount equal to the number of months remaining in the severance period multiplied by the applicable active employee rate.

i. *Participant*. Each Eligible Employee.

j. *Plan Administrator***.** The Compensation Committee is the Plan Administrator. The Compensation Committee may delegate its authority under the Plan to such person(s) as it deems necessary or appropriate from time to time, and any such delegation shall carry with it the Plan Administrator's discretionary authority.

k. *Separation From Service*. A termination of substantial services for the Company and any affiliate thereof within the contemplation of Code Sections 414(b) and 414(c). An individual will not be treated as having incurred a Separation From Service where the individual's level of future services for the Company and any affiliate is reasonably anticipated by the Employer to exceed 30% of the average level of bona fide services provided by that individual in any capacity for the prior 36 month period, or the prior period of services if less, but will be treated as having incurred a Separation From Service at any time when such reasonably anticipated level of future services is equal to or less than such 30% average level of prior services.

l. *Senior Officer*. An officer of the Company at or above the level of Senior Vice President and serves on the Company's Executive Board as determined by the Company's Chief Executive Officer.

Section 2: Eligibility

Each individual is a Participant in the Plan as of the date the individual becomes a Senior Officer and satisfies all elements of the definition of an Eligible Employee. No other persons have any rights under the Plan or to receive any benefit under the Plan. No employee will be eligible to receive a benefit under the Plan unless the employee and the Company execute a Participation Agreement substantially in the form attached as Exhibit A to the Plan (or another form approved by the Compensation Committee). The executed Participation Agreement will constitute an agreement between the Company and the employee that binds both of them to the terms of the Plan and will bind their heirs, executors, administrators, successors, and assigns, both present and future.

Section 3: Plan Benefits

3.1 Benefits. A Participant is eligible to receive (a) periodic severance payments for a duration of 12 (twelve) months following date of Separation From Service and (b) Medical Benefits Continuation.

3.2 ***Payment of Benefits***. Plan benefits will be the Participant's base pay amount, for the duration described in Section 3.1(a), using the payroll date frequency in effect for the Participant as of the date the individual incurs a Separation From Service, as provided in this Section 3.2.

a. *Payment Timing*. Payment of Plan benefits will commence on the 30th day following the Participant's Separation From Service, provided the Participant has executed a Final Release (for which any revocation rights have expired) before the end of such 30 day period. Plan benefits with respect to the period from the date of Separation From Service until such payment commencement date will be accumulated and paid on the first business date which occurs after the expiration of such 30 day period, and remaining Plan benefits will be paid thereafter on normal payroll cycles (except as otherwise provided in Section 5.3 with respect to certain death benefits).

b. *No Final Release*. If an otherwise Eligible Employee fails to execute a Final Release (for which any revocation rights have expired) before the end of the 30 day period described in Section 3.2.a. above, such individual shall be ineligible for Plan benefits.

3.3 ***Deductions.*** The employer will effect all legally required deductions. All payments under the Plan will be subject to tax withholding or other withholding required or permitted by applicable law to the extent deemed necessary by the Plan Administrator. The Participant will bear the cost of any taxes not withheld on benefits provided under the Plan, regardless of whether withholding is required.

Section 4: Financing Plan Benefits

All Plan benefits shall be paid directly by the Company or designated subsidiary out of its general assets. All Plan benefits are unfunded and unsecured until paid.

Section 5: Covenants

5.1 ***Generally.*** In consideration for the benefits provided under the Plan, each Participant will agree to the covenants set forth in this Section 5.

5.2 ***No Disparagement.*** The Participant will at no time make any derogatory, misleading or otherwise negative statement about the actions, performance or behavior of the Company or its officers, directors, employees and agents.

5.3 ***Cooperation.*** The Participant will cooperate with the Company in order to ensure an orderly transfer of his or her duties and responsibilities. In addition, the Participant will at all times, both before and after termination of employment, (a) provide reasonable cooperation in connection with any action or proceeding (or any appeal from any action or proceeding) that relates to events occurring during the Participant's employment hereunder, provided that such cooperation does not materially interfere with the Participant's then current employment, and (b) cooperate with the Company in executing and delivering documents requested by the Company, and taking any other actions, that are necessary or requested by the Company to assist the Company in patenting, copyrighting, or registering any programs, ideas, inventions, discoveries, patented or copyrighted material, or trademarks, and to vest title thereto in the Company.

5.4 ***Recoupment.*** If the Participant breaches any of the covenants set forth in this Section 5 or any additional covenants set forth in the Final Release, the Company will have no further obligation to pay to the Participant any benefit under the Plan, and the Participant will be obligated to repay to the Company all benefits previously paid to, or on behalf of, the Participant under the Plan.

Section 6: Miscellaneous

6.1 ***Employment Rights.*** No provisions of the Plan and no action taken by the Company or the Plan Administrator will give any person any right to be retained in the employ of the Company. The Plan does not constitute a contract of employment and the Company and Participant acknowledge that Participant's employment is and will continue to be at-will, as defined under applicable law. Participation does not give any person the right to be rehired or retained.

6.2 ***Controlling Law.*** ERISA shall be controlling in all matters relating to the Plan. The provisions of this Plan are intended to be applied in a manner consistent with Section 409A (as defined below), but neither the Company nor any affiliate thereof shall be liable for any determination by any person(s) that the arrangement or the administration thereof is subject to the tax provisions of Section 409A.

6.3 ***No Right To Assets.*** Participation in the Plan does not create, in favor of any Participant, any right or lien in or against any asset of the Company. Nothing contained in the Plan, and no action taken under its provisions, will create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and a Participant or any other person. The Company's promise to pay benefits under the Plan will at all times remain unfunded as to each Participant, whose rights under the Plan are limited to those of a general and unsecured creditor of the Company.

6.4 ***Interests Not Transferable.*** The interests of persons entitled to benefits under the Plan may not be sold, transferred, alienated, assigned nor encumbered; provided, however, that upon the death of a Participant in pay status under the Plan, the sum of any remaining scheduled benefit payments will be paid in a lump sum to the surviving spouse of the Participant, if any, or if none then to the estate of the Participant.

6.5 ***Headings.*** The headings of sections and subsections herein are for convenience of reference only and shall not be construed or interpreted as part of the Plan.

6.6 ***Severability.*** If any provision of the Plan shall be held to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if such illegal or invalid provision had never been contained in the Plan.

6.7 ***Administration.*** The Plan Administrator shall have the sole and final power, duty, discretion, authority and responsibility of directing and administering the Plan. All directions by the Plan Administrator shall be conclusive on all parties concerned. The Plan Administrator shall have the sole, absolute and final right and power to construe, interpret and administer the provisions of the Plan including, but not limited to, the power (i) to construe any ambiguity and interpret any provision of the Plan or supply any omission or reconcile any inconsistencies in such manner as it deems proper, (ii) to determine eligibility to become a Participant in the Plan in accordance with its terms, (iii) to decide all questions of eligibility for, and determine the amount, manner, and time of payment of, any benefits hereunder, and (iv) to establish uniform rules and procedures to be followed in any matters required to administer the Plan.

6.8 ***Section 409A Compliance*.**

a. This Plan is intended to comply with the requirements of Section 409A of the Code and the regulations and guidance promulgated thereunder ("Section 409A") or an exemption from Section 409A. The Company shall undertake to administer, interpret, and construe this Plan in a manner that does not result in the imposition on a Participant of any additional tax, penalty, or interest under Section 409A. Each payment under this Plan shall be treated as a separate payment for purposes of Section 409A.

b. Notwithstanding anything herein to the contrary, in the event that a Participant is a "specified employee" within the meaning of that term under Section 409A(a)(2)(B) of the Code, then with regard to any payment or the provision of any benefit (whether under this Plan or otherwise) that is considered deferred compensation under Section 409A payable on account of a "separation from service," and that is not exempt from Section 409A as involuntary separation pay or a short-term deferral (or otherwise), to the extent necessary to avoid the imposition of excise taxes under Section 409A, such payment or benefit shall be made or provided at the date which is the earlier of (i) the expiration of the six (6)-month period measured from the date of such "separation from service" of the Participant or (ii) the date of the Participant's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 6.8(b) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Participant in a lump sum without interest, and any remaining payments and benefits due under this Plan shall be paid or provided in accordance with the normal payment dates specified for them herein.

c. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A, all such payments shall be made on or before the last day of the calendar year following the calendar year in which the expense occurred.

6.9 ***Equity Awards.*** The Plan does not affect the terms of any outstanding equity awards. The treatment of any outstanding equity awards shall be determined in accordance with the terms of the Company equity plan or plans under which they were granted and any applicable award agreements.

Section 7: Amendment and Termination

The Company reserves the right, in its sole discretion, to amend the Plan from time to time or to terminate the Plan, all without prior notice. No representation by anyone can extend the Company's severance pay policies to provide for severance payments that are not covered by the Plan.

Exhibit A

Date: **April 23, 2024**

To: **Benjamin Lindquist**

Subject: Leslie's Poolmart, Inc. Executive Severance Plan Participation Agreement

I am pleased to advise that you have been designated as an "Eligible Employee" for the purposes of the Leslie's Poolmart, Inc. Executive Severance Plan, as amended from time to time (the "Plan"). A copy of the current plan document is enclosed). For clarification, this Plan supersedes and replaces in its entirety any and all other Company executive severance plans, including without limitation, the Leslie's Poolmart, Inc. 2019 Executive Severance Plan.

This means that, upon your execution of this agreement, you will be eligible to receive the severance benefits described in the Plan in the event you experience a Separation From Service without Cause as defined under the Plan. If you have any questions, please contact me, Naomi Cramer or Scott Bowman.

By signing the attached signature page and in consideration of the opportunity to participate in the Plan, you agree to be bound by the terms of the Plan, including the covenants set forth in Section 5 of the Plan. Your participation in the Plan does not confer any rights to continue in the employ of Leslie's or any of its affiliates.

Please sign the attached signature page and return the original to Naomi Cramer and Scott Bowman as soon as possible.

Best regards,

/s/ Michael R. Egeck

Michael R. Egeck
Chief Executive Officer

Leslie's Poolmart, Inc. Executive Severance Plan
Agreement Signature Page

April 23, 2024

I, **Benjamin Lindquist**, have read the Leslie's Poolmart, Inc. Executive Severance Plan and agree to its terms, and I agree to be bound by the terms of the covenants in Section 5 of the Plan. This agreement supersedes any and all prior agreements and communications, whether written or oral, between the Company and me regarding the subject matter of the Plan.

/s/ Benjamin Lindquist	04/23/24
Signature	Date

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael R. Egeck, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of Leslie's, 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 Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(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.

Date: May 8, 2024	By:	/s/ Michael R. Egeck
		Michael R. Egeck
		Chief Executive Officer
		(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott Bowman, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of Leslie’s, 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 Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(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.

Date: May 8, 2024	By:	/s/ Scott Bowman
		Scott Bowman
		Chief Financial Officer
		(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

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 on Form 10-Q of Leslie's, Inc. (the "Company") for the quarter ended March 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1)The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2024	By:	/s/ Michael R. Egeck
		Michael R. Egeck
		Chief Executive Officer
		(Principal Executive Officer)

Exhibit 32.2

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 on Form 10-Q of Leslie's, Inc. (the "Company") for the quarter ended March 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1)The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2024	By:	/s/ Scott Bowman **Scott Bowman** **Chief Financial Officer** **(Principal Financial Officer and Principal Accounting Officer)**