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 December 31, 2022

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 January 27, 2023, the Registrant had 183,660,455 shares of common stock, $0.001 par value per share, outstanding.

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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 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;
- 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 the material weakness in our internal control over financial reporting or additional material weaknesses or other deficiencies in the future 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 October 1, 2022. 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 or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, 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.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	December 31, 2022 (Unaudited)	October 1, 2022 (Audited)	January 1, 2022 (Unaudited)
Assets			
Current assets			
Cash and cash equivalents	$ 2,691	$ 112,293	$ 53,341
Accounts and other receivables, net	46,375	45,295	39,353
Inventories	429,517	361,686	244,632
Prepaid expenses and other current assets	29,921	23,104	38,173
Total current assets	508,504	542,378	375,499
Property and equipment, net	75,049	78,087	65,883
Operating lease right-of-use assets	233,852	236,477	207,291
Goodwill and other intangibles, net	218,119	213,701	132,428
Deferred tax assets	—	1,268	2,327
Other assets	41,258	37,720	27,837
Total assets	$ 1,076,782	$ 1,109,631	$ 811,265
Liabilities and stockholders' deficit			
Current liabilities			
Accounts payable and accrued expenses	$ 182,763	$ 266,972	$ 188,824
Operating lease liabilities	63,251	60,373	56,873
Income taxes payable	480	12,511	411
Current portion of long-term debt	8,100	8,100	8,100
Total current liabilities	254,594	347,956	254,208
Deferred tax liabilities	676	—	—
Operating lease liabilities, noncurrent	174,954	179,835	153,834
Revolving Credit Facility	91,000	—	—
Long-term debt, net	778,133	779,726	784,527
Other long-term liabilities	3,060	65	—
Total liabilities	1,302,417	1,307,582	1,192,569
Commitments and contingencies			
Stockholders' deficit			
Common stock, $0.001 par value, 1,000,000,000 shares authorized and 183,564,172, 183,480,545, and 182,496,645 issued and outstanding as of December 31, 2022, October 1, 2022, and January 1, 2022, respectively.	184	183	182
Additional paid in capital	92,508	89,934	80,062
Retained deficit	(318,327)	(288,068)	(461,548)
Total stockholders' deficit	(225,635)	(197,951)	(381,304)
Total liabilities and stockholders' deficit	$ 1,076,782	$ 1,109,631	$ 811,265

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	
	December 31, 2022	January 1, 2022
Sales	$ 195,104	$ 184,824
Cost of merchandise and services sold	129,808	117,508
Gross profit	65,296	67,316
Selling, general and administrative expenses	92,281	79,785
Operating loss	(26,985)	(12,469)
Other expense:		
Interest expense	13,360	6,863
Other expenses, net	—	389
Total other expense	13,360	7,252
Loss before taxes	(40,345)	(19,721)
Income tax benefit	(10,086)	(5,270)
Net loss	$ (30,259)	$ (14,451)
Earnings per share:		
Basic	$ (0.16)	$ (0.08)
Diluted	$ (0.16)	$ (0.08)
Weighted average shares outstanding:		
Basic	183,513	188,507
Diluted	183,513	188,507

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

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

	Common Stock		Additional Paid in Capital (Deficit)	Retained Deficit	Total Stockholders' Deficit
	Shares	Amount			
Balance, October 2, 2021	189,821	$ 190	$ 204,711	$ (422,459)	$ (217,558)
Issuance of common stock under the Plan	176	—	100	—	100
Equity-based compensation	—	—	2,751	—	2,751
Repurchase and retirement of common stock	(7,500)	(8)	(127,500)	(24,638)	(152,146)
Net loss	—	—	—	(14,451)	(14,451)
Balance, January 1, 2022	182,497	$ 182	$ 80,062	$ (461,548)	$ (381,304)
Balance, October 1, 2022	183,481	$ 183	$ 89,934	$ (288,068)	$ (197,951)
Issuance of common stock under the Plan	110	1	—	—	1
Equity-based compensation	—	—	2,993	—	2,993
Restricted stock units surrendered in lieu of withholding taxes	(27)	—	(419)	—	(419)
Net loss	—	—	—	(30,259)	(30,259)
Balance, December 31, 2022	183,564	$ 184	$ 92,508	$ (318,327)	$ (225,635)

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

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

	Three Months Ended	
	December 31, 2022	January 1, 2022
Operating Activities		
Net loss	$ (30,259)	$ (14,451)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	8,503	9,241
Equity-based compensation	2,993	2,751
Amortization of deferred financing costs and debt discounts	502	496
Provision for doubtful accounts	10	249
Deferred income taxes	1,944	1,407
Loss on disposition of assets	6	17
Changes in operating assets and liabilities:		
Accounts and other receivables	(1,090)	(742)
Inventories	(64,770)	(43,723)
Prepaid expenses and other current assets	(6,429)	(17,593)
Other assets	(3,601)	(2,741)
Accounts payable and accrued expenses	(80,809)	(48,528)
Income taxes payable	(12,031)	(6,534)
Operating lease assets and liabilities, net	622	(5,408)
Net cash used in operating activities	(184,409)	(125,559)
Investing Activities		
Purchases of property and equipment	(5,697)	(5,402)
Business acquisitions, net of cash acquired	(8,540)	(5,146)
Proceeds from disposition of fixed assets	488	21
Net cash used in investing activities	(13,749)	(10,527)
Financing Activities		
Borrowings on Revolving Credit Facility	91,000	—
Repayment of long-term debt	(2,025)	(2,025)
Proceeds from options exercised	—	100
Repurchase and retirement of common stock	—	(152,146)
Payments of employee tax withholdings related to restricted stock vesting	(419)	—
Net cash provided by (used in) financing activities	88,556	(154,071)
Net decrease in cash and cash equivalents	(109,602)	(290,157)
Cash and cash equivalents, beginning of period	112,293	343,498
Cash and cash equivalents, end of period	$ 2,691	$ 53,341
Supplemental Information:		
Interest	$ 12,593	$ 6,725
Income taxes, net of refunds received	1	(50)

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

LESLIE’S, INC.
NOTES TO THE 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 992 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 October 1, 2022.

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 December 31, 2022 and the three months ended January 1, 2022 refer to the 13 weeks ended December 31, 2022 and January 1, 2022, 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 updates to our Significant Accounting Policies since our Annual Report on Form 10-K for the year ended October 1, 2022. 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 October 1, 2022.

Recent Accounting Pronouncements

In March 2020, January 2021 and December 2022, the FASB issued ASU No. 2020-04, 2021-01 and 2022-06, respectively, regarding Reference Rate Reform (collectively "Topic 848"). This collective guidance is in response to accounting concerns regarding contract modifications and hedge accounting because of impending rate reform associated with structural risks of interbank offered rates, and particularly, the risk of cessation of the London Inter-Bank Offer Rate ("LIBOR") related to regulators in several jurisdictions around the world having undertaken reference rate reform initiatives to identify alternative reference rates. The intended cessation date of the overnight 1-, 3-, 6-, and 12-month tenors of LIBOR is expected to be June 30, 2023. In addition, Topic 848 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The guidance is effective upon issuance and may be applied through December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. In anticipation of its adoption and based on management's initial evaluation of the projected impact to our condensed consolidated financial statements, we do not estimate there to be a material impact.

Note 3—Business Combinations

Our condensed consolidated financial statements include the results of operations of these acquisitions from the date of acquisition. The total purchase consideration was allocated to the tangible and intangible assets acquired and the liabilities assumed at their estimated fair values as of each acquisition date, with the excess recorded to goodwill. The goodwill resulting from these acquisitions is expected to be deductible for income tax purposes. During the measurement periods, which will not exceed one year from each closing, we will continue to obtain information to assist us in finalizing the acquisition date fair values. Any qualifying changes to our preliminary estimates will be recorded as adjustments to the respective assets and liabilities, with any residual amounts allocated to goodwill.

Fiscal 2023 Acquisition

During the three months ended December 31, 2022, we acquired a business for a purchase price of $8.5 million. This acquisition expanded our pool and spa footprint and added five new locations across Florida and Louisiana. The purchase accounting for this acquisition has not yet been completed.

Fiscal 2022 Acquisitions

In fiscal 2022, we acquired six businesses for an aggregate purchase price of $107.7 million, inclusive of contingent consideration of up to $4.0 million if certain performance metrics are achieved within one to three years of the respective closing dates. These acquisitions expanded our pool and spa footprint and added 27 new locations as well as expanded our manufacturing capabilities. The following table sets forth the preliminary purchase price allocation of these acquisitions, net of immaterial measurement period adjustments, in the aggregate (in thousands). The purchase accounting for four of the six acquisitions is complete.

		Total
Total purchase consideration, net of cash acquired	$	107,663
Fair value of assets acquired and liabilities assumed:		
Inventories		20,050
Finite-lived intangible assets		15,200
Other assets and liabilities, net		1,692
Total assets acquired, net of liabilities assumed		36,942
Goodwill	$	70,721

Note 4 —Goodwill and Other Intangibles, Net

Goodwill

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

	December 31, 2022	October 1, 2022	January 1, 2022
Balance at beginning of the period	$ 173,513	$ 101,114	$ 101,114
Acquisitions, net of measurement period adjustments	2,650	72,399	4,675
Balance at the end of the period	$ 176,163	$ 173,513	$ 105,789

Other Intangible Assets

Other intangible assets consisted of the following as of December 31, 2022 (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)	10.5	$ 27,140	$ (6,224)	$ 20,916
Trade name and trademarks (indefinite life)	Indefinite	9,350	—	9,350
Non-compete agreements	6.1	8,683	(7,431)	1,252
Consumer relationships	7.7	24,100	(13,879)	10,221
Other intangibles	5.8	6,620	(6,403)	217
Total		$ 75,893	$ (33,937)	$ 41,956

Other intangible assets consisted of the following as of October 1, 2022 (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)	11.0	$ 24,440	$ (5,907)	$ 18,533
Trade name and trademarks (indefinite life)	Indefinite	9,350	—	9,350
Non-compete agreements	6.5	8,683	(7,379)	1,304
Consumer relationships	7.9	24,100	(13,339)	10,761
Other intangibles	6.2	6,620	(6,380)	240
Total		$ 73,193	$ (33,005)	$ 40,188

Other intangible assets consisted of the following as of January 1, 2022 (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)	6.5	$ 5,940	$ (5,311)	$ 629
Trade name and trademarks (indefinite life)	Indefinite	17,750	—	17,750
Non-compete agreements	7.2	8,633	(7,174)	1,459
Consumer relationships	6.3	19,000	(12,545)	6,455
Other intangibles	6.9	6,620	(6,274)	346
Total		$ 57,943	$ (31,304)	$ 26,639

Amortization expense was $0.9 million and $1.3 million for the three months ended December 31, 2022 and January 1, 2022, respectively. No impairment of goodwill or other intangible assets was recorded during the three months ended December 31, 2022 and January 1, 2022.

The following table summarizes the estimated future amortization expense related to finite-lived intangible assets on our condensed consolidated balance sheet as of December 31, 2022 (in thousands):

	Amount
Remainder of fiscal 2023	$ 3,580
2024	3,873
2025	3,777
2026	3,530
2027	3,407
Thereafter	14,439
Total	$ 32,606

Note 5—Accounts and Other Receivables, Net

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

	December 31, 2022	October 1, 2022	January 1, 2022
Vendor and other rebates receivable	$ 27,521	$ 24,546	$ 26,476
Customer receivables	15,969	17,708	11,415
Other receivables	4,512	4,553	4,155
Allowance for doubtful accounts	(1,627)	(1,512)	(2,693)
Total	$ 46,375	$ 45,295	$ 39,353

Note 6—Inventories

Inventories consisted of the following (in thousands):

	December 31, 2022	October 1, 2022	January 1, 2022
Raw materials	$ 7,987	$ 9,065	$ 4,741
Finished goods	421,530	352,621	239,891
Total	$ 429,517	$ 361,686	$ 244,632

Note 7—Prepaid Expenses and Other Current Assets

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

	December 31, 2022	October 1, 2022	January 1, 2022
Prepaid insurance	$ 6,812	$ 1,110	$ 6,372
Prepaid occupancy costs	2,004	1,840	1,727
Prepaid sales tax	1,753	2,874	1,079
Prepaid inventory	771	—	17,785
Prepaid other	4,382	4,847	2,931
Other current assets	14,199	12,433	8,279
Total	$ 29,921	$ 23,104	$ 38,173

Note 8—Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following (in thousands):

	December 31, 2022	October 1, 2022	January 1, 2022
Accounts payable	$ 117,269	$ 156,456	$ 99,540
Accrued payroll and employee benefits	13,154	34,010	16,354
Customer deposits	7,505	13,250	15,659
Interest	579	342	4,521
Inventory related accruals	11,254	16,034	9,166
Loyalty and deferred revenue	6,157	5,541	7,944
Sales tax	4,528	9,130	8,189
Self-insurance reserves	8,417	9,280	8,709
Other accrued liabilities	13,900	22,929	18,742
Total	$ 182,763	$ 266,972	$ 188,824

As of December 31, 2022 and October 1, 2022, capital expenditures included in other accrued liabilities of $0.4 million and $1.1 million, respectively. As of January 1, 2022, there were no capital expenditures included in other accrued liabilities.

Note 9—Long-Term Debt, Net

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

	Effective Interest Rate (1)	December 31, 2022	October 1, 2022	January 1, 2022
Term Loan—due on March 9, 2028	7.23 %(2)	$ 795,825	$ 797,850	$ 803,925
Revolving Credit Facility	5.99 %(3)	91,000	—	—
Total long-term debt		886,825	797,850	803,925
Less: current portion of long-term debt		(8,100)	(8,100)	(8,100)
Less: noncurrent Revolving Credit Facility		(91,000)	—	—
Less: unamortized discount		(2,684)	(2,805)	(3,164)
Less: deferred financing charges		(6,908)	(7,219)	(8,134)
Total long-term debt, net		$ 778,133	$ 779,726	$ 784,527

(1)Effective interest rates as of December 31, 2022.
(2)Carries interest at a specified margin over LIBOR between 2.50% and 2.75% with a minimum LIBOR of 0.50%.
(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 Eurodollar Rate loans.

Term Loan

In March 2021, we entered into an amendment to our term loan credit agreement ("Term Loan"). The amended 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 had an initial applicable rate, at our option, of (i) 2.75% for loans that are LIBOR loans and (ii) 1.75% for loans that are ABR loans. 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 LIBOR loans and 1.75% for ABR loans and (b) the first lien leverage ratio is less than or equal to 2.75 to 1.00, the applicable rate will be 2.50% for LIBOR loans and 1.50% for ABR loans. For LIBOR loans, the loans will bear interest at the adjusted LIBOR rate plus the applicable rate, where the adjusted LIBOR rate will not be less than 0.50%.

Revolving Credit Facility

In April 2021, we entered into Amendment No. 5 to our $200.0 million credit facility ("Revolving Credit Facility") maturing on August 13, 2025 (the "Amendment"). The Amendment has (i) an applicable margin on Base Rate loans with a range of 0.25% to 0.75%, (ii) an applicable margin on Eurodollar Rate loans with a range of 1.25% to 1.75%, (iii) a LIBOR floor of 0%, and (iv) a commitment fee rate of 0.25%.

We are also obligated to pay a commission on all outstanding letters of credit as well as customary administrative, issuance, fronting, amendment, payment, and negotiation fees. As of December 31, 2022, we had $91.0 million outstanding on the Revolving Credit Facility. As of October 1, 2022 and January 1, 2022, no amounts were outstanding on the Revolving Credit Facility. The amount available under our Revolving Credit Facility was reduced by $10.0 million of existing standby letters of credit as of December 31, 2022.

Representations and Covenants

Substantially all of our assets are pledged as collateral to secure our indebtedness. The Term Loan and the Revolving Credit Facility do 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 December 31, 2022, October 1, 2022, or January 1, 2022.

Future Debt Maturities

The following table summarizes the debt maturities and scheduled principal repayments of our indebtedness as of December 31, 2022 (in thousands):

		Amount
Remainder of fiscal 2023	$	6,075
2024		6,075
2025		101,125
2026		8,100
2027		8,100
Thereafter		757,350
Total	$	886,825

Note 10—Income Taxes

Our effective income tax rate was a benefit of 25.0% for the three months ended December 31, 2022, compared to 26.7% for the three months ended January 1, 2022. The differences between the statutory rate and our effective rate for the three months ended December 31, 2022 and January 1, 2022, were 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.

In August 2022, the Inflation Reduction Act of 2022 was signed into law and contains provisions effective January 1, 2023. The Company is currently evaluating its impact on future periods, and at this time the Company does not expect it to have a material impact on our condensed consolidated financial statements.

Note 11—Commitments & Contingencies

Contingencies

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 to our condensed consolidated financial position or results of operations. We did not record any material loss contingencies as of December 31, 2022, October 1, 2022, and January 1, 2022, respectively.

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 December 31, 2022, October 1, 2022 and January 1, 2022. We had standby letters of credit outstanding in the amount of $10.0 million as of December 31, 2022 for the purpose of securing such obligations under our workers' compensation self-insurance programs.

Note 12—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 13—Share Repurchase Program for detailed information regarding our share repurchase program.

Note 13—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 3, 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 December 31, 2022, 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	
	December 31, 2022	January 1, 2022
Total number of shares repurchased	27	7,500
Total amount paid for shares repurchased	$ 419	$ 151,875

Note 14—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 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 the holder's continued service through the date of each applicable vesting event. As of December 31, 2022, we had approximately 7.4 million shares of common stock available for future grants under the Plan.

As of December 31, 2022, the aggregate unamortized value of all outstanding equity-based compensation awards was approximately $35.6 million, which is expected to be recognized over a weighted average period of approximately 2.7 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 three months ended December 31, 2022 (in thousands, except per share amounts):

	December 31, 2022	
	Number of Options	Weighted Average Exercise Price
Outstanding, Beginning	3,780	$ 18.24
Granted	—	—
Exercised	—	—
Forfeited/Expired	(137)	18.69
Balance, Ending	3,643	$ 18.23
Vested and exercisable as of December 31, 2022	1,994	$ 17.87

	As of December 31, 2022
Aggregate intrinsic value of options outstanding	$ —
Unamortized value of unvested stock options	$ 7,920
Weighted average years that expense is expected to be recognized	1.6
Weighted average remaining contractual years outstanding	8.4

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 three months ended December 31, 2022 (in thousands, except per share amounts):

	December 31, 2022	
	Number of RSUs/PSUs	**Weighted Average Grant Date Fair Value**
Outstanding, Beginning	2,297	$ 10.04
Granted [1]	909	12.04
Vested	(110)	4.53
Forfeited	(79)	12.07
Balance, Ending	3,017	$ 10.79

(1)Includes 0.3 million PSUs granted in December 2022 subject to the Company achieving certain adjusted net income and sales performance targets on a cumulative basis during each of fiscal years 2023, 2024, and 2025. The criteria is 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 $12.04 and assumes attainment of target payout rates at 100% as set forth in the performance criteria. Equity-based compensation expense is recognized for awards deemed probable of vesting.

	As of December 31, 2022
Unamortized value of unvested RSUs/PSUs	$ 27,645
Weighted average period (years) expense is expected to be recognized	3.0

During the three months ended December 31, 2022 and January 1, 2022, equity-based compensation expense was $3.0 million and $2.8 million, respectively. Equity-based compensation expense is reported in selling, general, & administrative expenses ("SG&A") in our condensed consolidated statements of operations.

Note 15—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	
	December 31, 2022	**January 1, 2022**
Numerator:		
Net loss	$ (30,259)	$ (14,451)
Denominator:		
Weighted average shares outstanding - basic	$ 183,513	188,507
Effect of dilutive securities:		
Stock Options	—	—
RSUs	—	—
Weighted average shares outstanding - diluted	183,513	188,507
Basic earnings per share	$ (0.16)	$ (0.08)
Diluted earnings per share	$ (0.16)	$ (0.08)

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	
	December 31, 2022	**January 1, 2022**
Stock Options	3,699	2,214
RSUs	1,969	240
Total	5,668	2,454

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 October 1, 2022.

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 December 31, 2022 and the three months ended January 1, 2022 refer to the 13 weeks ended December 31, 2022 and January 1, 2022, 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 992 branded locations and a robust digital platform. 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. We have a highly predictable, recurring revenue model, as evidenced by our 59 consecutive years of sales growth. Approximately 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, uninterrupted growth and profitability in all market environments, including through the Great Recession and the ongoing 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. Over the course of our history, 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 GAAP are sales, gross profit and gross margin, 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 build-outs, fixtures, and equipment, which we amortize over time as well as cash required for inventory.

As of December 31, 2022, we operated 992 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 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, which are generally treated as a reduction of merchandise costs. We recognize such vendor rebates at the time the obligations to purchase products or perform services have been completed, and the related inventory has been sold. 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 but are expected to 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 on debt extinguishment, costs related to equity offerings, strategic project costs, executive transition costs, severance, losses (gains) on disposition of fixed assets, 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 on debt extinguishment, costs related to equity offerings, strategic project costs, executive transition costs, severance, losses (gains) on disposition of fixed assets, 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 the ongoing COVID-19 pandemic, escalating global conflicts, supply chain disruptions, labor market constraints, rising rates of inflation, and rising interest rates. The extent of the impact of COVID-19 on our financial and operating performance depends significantly on the duration and severity of the pandemic, the actions taken to contain or mitigate its impact, and any changes in consumer behaviors. While it is not possible to predict the likelihood, timing, or severity of future direct and indirect impacts of COVID-19 on our business, due to the non-discretionary nature of our products and services, our business has delivered strong growth and profitability thus far throughout the pandemic, despite 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, could have a material impact on our sales and earnings.

Business Acquisitions

See Note 3—Business Combinations to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for information regarding our business acquisitions.

Results of Operations

We derived our condensed consolidated statements of operations for the 13-weeks ended December 31, 2022 and January 1, 2022 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	
Statements of Operations Data:	**December 31, 2022**	**January 1, 2022**
Sales	$ 195,104	$ 184,824
Cost of merchandise and services sold	129,808	117,508
Gross profit	65,296	67,316
Selling, general and administrative expenses	92,281	79,785
Operating loss	(26,985)	(12,469)
Other expense:		
Interest expense	13,360	6,863
Other expenses, net	—	389
Total other expense	13,360	7,252
Loss before taxes	(40,345)	(19,721)
Income tax benefit	(10,086)	(5,270)
Net loss	$ (30,259)	$ (14,451)
Earnings per share		
Basic	$ (0.16)	$ (0.08)
Diluted	$ (0.16)	$ (0.08)
Weighted average shares outstanding		
Basic	183,513	188,507
Diluted	183,513	188,507
Percentage of Sales(1)	(%)	(%)
Sales	100.0	100.0
Cost of merchandise and services sold	66.5	63.6
Gross margin	33.5	36.4
Selling, general and administrative expenses	47.3	43.2
Operating loss	(13.8)	(6.7)
Other expense:		
Interest expense	6.8	3.7
Other expenses, net	—	0.2
Total other expense	6.8	3.9
Loss before taxes	(20.7)	(10.7)
Income tax benefit	(5.2)	(2.9)
Net loss	(15.5)	(7.8)
Other Financial and Operations Data:		
Number of new and acquired locations, net	2	7
Number of locations open at end of period	992	959
Comparable sales growth(2)	(4.0)%	20.5 %
Adjusted EBITDA(3)	$ (11,915)	$ 1,096
Adjusted EBITDA as a percentage of sales(3)	(6.1)%	0.6 %
Adjusted net loss(3)	$ (25,333)	$ (10,916)
Adjusted diluted earnings per share	$ (0.14)	$ (0.06)

(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 13-weeks ended December 31, 2022 and January 1, 2022 (in thousands).

	Three Months Ended	
	December 31, 2022	January 1, 2022
Net loss	$ (30,259)	$ (14,451)
Interest expense	13,360	6,863
Income tax benefit	(10,086)	(5,270)
Depreciation and amortization expense(1)	8,503	9,241
Equity-based compensation expense(2)	3,044	2,794
Costs related to equity offerings(3)	—	389
Strategic project costs(4)	720	1,513
Executive transition costs and other(5)	2,803	17
Adjusted EBITDA	$ (11,915)	$ 1,096

	Three Months Ended	
	December 31, 2022	January 1, 2022
Net loss	$ (30,259)	$ (14,451)
Equity-based compensation expense(2)	3,044	2,794
Costs related to equity offerings(3)	—	389
Strategic project costs(4)	720	1,513
Executive transition costs and other(5)	2,803	17
Tax effects of these adjustments(6)	(1,641)	(1,178)
Adjusted net loss	$ (25,333)	$ (10,916)

(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 the related Company payroll tax expense, which are reported in SG&A in our condensed consolidated statements of operations.
(3)Includes costs incurred for follow-on equity offerings, which are reported in other (income) expenses, net in our condensed consolidated statements of operations.
(4)Represents non-recurring costs, such as third-party consulting costs, which are not part of our ongoing operations and are incurred to execute differentiated, strategic projects, and are reported in SG&A in our condensed consolidated statements of operations.
(5)Includes executive transition costs, severance associated with corporate restructuring, losses (gains) on disposition of fixed assets, 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.
(6)Represents the tax effect of the total adjustments based on our actual statutory tax rate. Amounts are reported in income tax benefit in our condensed consolidated statements of operations.

Selected Financial Information

Sales

Sales increased to $195.1 million for the three months ended December 31, 2022, from $184.8 million in the prior year period, an increase of $10.3 million, or 5.6%. The increase was primarily driven by higher non-comparable sales of $17.7 million from acquisitions and new store growth. For the three months ended December 31, 2022, comparable sales growth decreased $7.4 million, or 4.0%, primarily due to adverse weather conditions compared to the prior year period.

Gross Profit and Gross Margin

Gross profit decreased to $65.3 million for the three months ended December 31, 2022 from $67.3 million in the prior year period, a decrease of $2.0 million, or 3.0%. Gross margin decreased to 33.5% compared to 36.4% in the prior year period, a decrease of 290 basis points. The decrease in gross profit was primarily due to a reduction in comparable sales. The decrease in gross margin was primarily due to business mix and occupancy deleverage.

Selling, General and Administrative Expenses

SG&A increased to $92.3 million during the three months ended December 31, 2022 from $79.8 million during the three months ended January 1, 2022, an increase of $12.5 million or 15.7%. This increase in SG&A was primarily related to a $12.0 million increase associated with higher sales, inflationary costs associated with payroll and digital marketing expenses and non-comparable SG&A associated with our acquisitions; a $2.8 million increase in executive transition and other costs primarily related to severance payments associated with the elimination of non-customer facing positions and nonrecurring merger and acquisition costs; and a $0.3 million increase in non-cash equity based compensation expense. These increases were offset by lower depreciation and amortization expense of $1.7 million and lower strategic project costs incurred of $0.8 million compared to the prior year period.

Total Other Expense

Total other expenses increased to $13.4 million for the three months ended December 31, 2022 from $7.3 million in the prior year period, an increase of $6.1 million. The increase in other expenses was primarily related the increase in interest expense of $6.5 million due to the increase in LIBOR rates on our floating rate debt compared to the prior year period.

Income Taxes

Income tax benefit increased to $10.1 million for the three months ended December 31, 2022 compared to $5.3 million in the prior year period, an increase of $4.8 million. The increase was primarily attributable to a higher pretax loss.

The effective income tax rate was a benefit of 25.0% for the three months ended December 31, 2022 and includes net income tax expenses attributable to equity-based compensation awards. The effective income tax rate was a benefit of 26.7% in the prior year period and includes net income tax benefits attributable to equity-based compensation awards.

Net Loss and Earnings per Share

Net loss increased to $(30.3) million for the three months ended December 31, 2022 compared to $(14.5) million in the prior year period, an increase of $15.8 million. Diluted earnings per share was $(0.16) for the three months ended December 31, 2022 compared to $(0.08) in the prior year period.

Adjusted net loss increased to $(25.3) million for the three months ended December 31, 2022 compared to $(10.9) million in the prior year period, an increase of $14.4 million. Adjusted diluted earnings per share was $(0.14) for the three months ended December 31, 2022 compared to $(0.06) in the prior year period.

Adjusted EBITDA

Adjusted EBITDA decreased to $(11.9) million for the three months ended December 31, 2022 compared to $1.1 million in the prior year period, a decrease of $13.0 million. This decrease was due primarily to the decrease in gross profit and higher SG&A.

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. In fiscal 2022, we generated approximately 75% of our sales and 95% of our Adjusted EBITDA in the third and fourth quarters of our fiscal year. 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 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 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 $2.7 million and $112.3 million as of December 31, 2022 and October 1, 2022, respectively. As of December 31, 2022, we had $91.0 million outstanding on our Revolving Credit Facility and we had no amounts outstanding as of October 1, 2022,

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 December 31, 2022, outstanding standby letters of credit totaled $10.0 million and, after considering borrowing base restrictions, we had $99.0 million of available borrowing capacity under the terms of the Revolving Credit Facility. As of December 31, 2022, 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):

	Three Months Ended	
	December 31, 2022	**January 1, 2022**
Net cash used in operating activities	$ (184,409)	$ (125,559)
Net cash used in investing activities	(13,749)	(10,527)
Net cash provided by (used in) financing activities	88,556	(154,071)
Net decrease in cash and cash equivalents	$ (109,602)	$ (290,157)

Cash Used in Operating Activities

Net cash used in operating activities increased to $184.4 million for the three months ended December 31, 2022 compared to $125.6 million in the prior year period, an increase of $58.8 million. This increase was primarily driven by changes in working capital related to strategic investment in product inventories to meet customer demand across product categories.

Cash Used in Investing Activities

Net cash used in investing activities increased to $13.7 million for the three months ended December 31, 2022 compared to $10.5 million in the prior year period, an increase of $3.2 million. This increase was primarily driven by higher investments for business acquisitions.

Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities for the three months ended December 31, 2022 was $88.6 million, and was primarily related to the borrowings on our Revolving Credit Facility of $91.0 million. Net cash used in financing activities for the three months ended January 1, 2022 was $154.1 million, and was primarily related to the repurchase and retirement of common stock of $152.1 million.

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 December 31, 2022, approximately $147.7 million remained available for future purchases under our share repurchase program (see Note 13—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 were no material changes to our contractual obligations outside the ordinary course of our business during the three months ended December 31, 2022 from those disclosed in our Annual Report on Form 10-K for the fiscal year ended October 1, 2022.

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 judgements. Based on this definition, we have identified the critical accounting policies and judgements, which are disclosed in our Annual Report on Form 10-K for the fiscal year ended October 1, 2022. 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 months ended December 31, 2022 from those disclosed in our Annual Report on Form 10-K for the fiscal year ended October 1, 2022.

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 October 1, 2022.

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 October 1, 2022.

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. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the design and operation of our disclosure controls and procedures were ineffective as the material weakness in internal control over financial reporting that was disclosed in our Annual Report on Form 10-K for the fiscal year ended October 1, 2022 was not yet remediated during the quarter ended December 31, 2022.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except as described below.

Remediation

As previously disclosed in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended October 1, 2022, we are in the process of implementing a plan to address the material weakness in internal control over financial reporting that was disclosed in our Annual Report on Form 10-K. The material weakness 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 anticipate that the remediation of this material weakness will be completed during fiscal year 2023. 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.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

We are subject to various litigations, 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 December 31, 2022, 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.

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 October 1, 2022.

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

Issuer Purchases of Equity Securities

The following table sets forth the repurchases of our common stock under our $300 million share repurchase program during the three months ended December 31, 2022:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Dollar Value of Shares that May Yet Be Purchased Under the Program
October 2, 2022 - October 29, 2022	—	$ —	—	$ —
October 30, 2022 - November 26, 2022 [1]	27,329	$ 15.32	27,329	$ 418,680
November 27, 2022 - December 31, 2022	—	$ —	—	$ —

(1)All repurchases disclosed in this table were repurchased as part of our publicly announced share repurchase program.

Sales of Unregistered Securities

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Exhibit	Filing Date/ Period End Date
10.1*	Leslie's, Inc. Annual Incentive Plan			
10.2*	Form of Restricted Stock Unit Award Agreement pursuant to 2020 Omnibus Incentive Plan			
10.3*	Form of Performance Unit Award Agreement pursuant to 2020 Omnibus Incentive Plan			
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			
101.SCH*	Inline XBRL Schema Document			
101.CAL*	Inline XBRL Calculation Linkbase Document			
101.LAB*	Inline XBRL Label Linkbase Document			
101.PRE*	Inline XBRL Presentation Linkbase Document			
101.DEF*	Inline XBRL Definition Linkbase Document			
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.

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SIGNATURES

Pursuant to the requirements of 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: February 3, 2023	By:	/s/ Steven M. Weddell **Steven M. Weddell** **Executive Vice President and Chief Financial Officer** **(Principal Financial Officer and Principal Accounting Officer)**

LESLIE’S, INC.
ANNUAL INCENTIVE PLAN

(Effective as of December 15, 2022)

Article I.PURPOSE AND DURATION

Section 1.01<u>**Purpose**</u>. This Leslie’s, Inc. Annual Incentive Plan, as amended from time to time (the “Plan”) is intended to: (a) attract and retain top performing employees; (b) motivate employees by tying compensation to the performance of the Company or any portion thereof, as applicable; and (c) reward exceptional individual performance that supports overall Company objectives.

Section 1.02<u>**Duration**</u>. The Plan is effective for performance periods beginning as of October 3, 2022, and will remain in effect until terminated pursuant to Article 8.

Article II.DEFINITIONS AND CONSTRUCTION

Section 2.01<u>**Definitions**</u>. Wherever used in the Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

(a)“Administrator” means, with respect to Executive Officers and other members of the Executive Board, the Committee, and with respect to all other Participants, the Chief Executive Officer of the Company.

(b)“Base Salary” of a Participant means the Participant’s base salary as of the last day of the Performance Period.

(c)“Board” means the Board of Directors of the Company.

(d)“Company” means Leslie’s, Inc., and its subsidiaries.

(e)“Committee” means the Compensation Committee of the Board.

(f)“Exchange Act” means the Securities Exchange Act of 1934, as amended. Any reference to a particular provision of the Exchange Act shall be deemed to include any successor provision thereto.

(g)“Executive Board” means the Executive Board of the Company as designated by the Chief Executive Officer from time to time.

(h)“Executive Officer” means an employee of the Company who is an “officer” within the meaning of Rule 16a-1(f) promulgated under the Exchange Act or, if at any time the Company does not have a class of securities registered pursuant to Section 12 of the Exchange Act, an employee of the Company who would be deemed an “officer” within the meaning of Rule 16a-1(f) if the Company had a class of securities so registered, as determined by the Board in its discretion.

(i)“Participant” means an Executive Officer or other employee who has been granted a Performance Award by the Administrator.

(j)“Performance Award” means an opportunity granted to a Participant to receive a payment based in whole or part on the extent to which one or more Performance Goals for one or more Performance Measures are achieved for the Performance Period, subject to the conditions described in the Plan and that the Administrator otherwise imposes.

(k)“Performance Measures” means the category or categories of performance that must be achieved as determined by the Administrator at the time of grant of a Performance Award. Performance Measures may be measured (1) for the Company on a consolidated basis, (2) for any one or more affiliates or divisions of the Company and/or (3) for any other business unit or units of the Company as defined by the Administrator. In addition, the Administrator may exercise discretion in determining eligibility for a Performance Award based on an individual or strategic performance evaluation as a condition to receiving all or any portion of an award payment.

(l)“Performance Goal” means the level(s) of performance for a Performance Measure that must be attained in order for a payment to be made under a Performance Award, and/or for the amount of payment to be determined based on the Performance Scale.

(m)“Performance Period” means a period of one fiscal year of the Company, or such other period as selected by the Administrator.

(n) “Performance Scale” means, with respect to a Performance Measure, a scale from which the level of achievement may be calculated for any given level of actual performance for such Performance Measure as determined by the Administrator.

(o)“Section 409A” means Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and other interpretive guidance issued thereunder, including any such regulations or guidance that may be amended or issued after the effective date hereof.

Article III.ELIGIBILITY

Section 3.01__**Eligibility**__. All Executive Officers, members of the Executive Board, and such other employees as designated by the Chief Executive Officer, shall be eligible to participate in the Plan.

Section 3.02__**New Hires; Promotions**__. New Participants who become eligible after the beginning of the Performance Period due to new hire or promotion will receive an appropriate proration of the Performance Award based on length of employment or length in an eligible position, as applicable. For clarification, no new hire commencing employment with the Company on or after July 1st of any Performance Period will be eligible for a Performance Award during that Performance Period.

Section 3.03__**Termination of Employment**__. Except as otherwise provided under the terms of an employment or severance agreement between a Participant and the Company, no Participant shall earn a Performance Award for a Performance Period unless the Participant is employed by the Company (or is on an approved leave of absence) on the payment date (determined in accordance with Section 5.02).

Article IV.CONTINGENT PERFORMANCE AWARDS

At the time of grant of a Performance Award, the Administrator shall determine for each award the Performance Measure(s), the Performance Goal(s) for each Performance Measure, the Performance Scale (which may vary for different Performance Measures), and the amount payable to the Participant if and to the extent the Performance Goals are met (as measured from the Performance Scale). The target bonus amount payable to a Participant may be designated as a flat dollar amount, as a percentage of the Participant's Base Salary, or as may be determined by any other means as the Administrator may specify at the time the Performance Award is granted.

Article V.PAYMENT

Section 5.01<u>Evaluating Performance and Computing Awards</u>.

(a)As soon as practicable following the close of a Performance Period, the Administrator shall determine whether and to what extent the Performance Goals and other material terms of the Performance Award issued for such period were achieved and shall determine whether any discretionary adjustments under Subsection (b) shall be made. The Administrator may appropriately adjust any evaluation of performance under a Performance Goal. The Administrator (or its delegate) shall then determine the award amount payable to a Participant under the Performance Award.

(b)The Administrator may adjust (up or down) each Participant's potential award amount under any Performance Award, based upon individual/strategic performance and/or any other factors, in the Administrator's sole discretion; provided that, in no event shall the final award amount to any individual Participant be greater than two hundred and forty percent (240%) of the target award amount for such Participant under a Performance Award; provided further that, aggregate payouts under the Plan for a fiscal year shall not exceed two hundred percent (200%) of the aggregate target bonus amounts of all Participants (determined at the end of the Performance Period).

(c)There is no minimum award or guaranteed payment with respect to any Performance Award individually or in aggregate; all Performance Awards under the Plan are discretionary on the part of the Company, and the Company reserves the right, at all times, to reduce the payment with respect to a Performance Award or to pay no amount, in its sole discretion.

Section 5.02<u>Timing and Form of Payment</u>. When the payment due to the Participant has been determined, payment shall be made in a cash lump sum, typically as soon as practicable after the Administrator has determined the extent to which the Performance Goals have been achieved. In no event will payment be made after the later of: (a) 2½ months after the end of the Company's first taxable year when the Performance Award is no longer subject to such "substantial risk of forfeiture" (under Section 409A), or (b) 2½ months after the end of a Participant's first taxable year when the Performance Award is no longer subject to such "substantial risk of forfeiture;" unless a later date is established by the Company, or the Company permits the Participant to designate a later date, in either case only as permitted under Section 409A.

Section 5.03 **Recoupment**. Compensation received by the Participant under the Plan shall be subject to the terms of any recoupment or clawback policy that may be adopted by the Company from time to time (including the Leslie's, Inc. Compensation Recovery Policy, as amended from time to time) and to any requirement of applicable law, regulation or listing standard that requires the Company to recoup or clawback compensation paid under this Plan.

Article VI. RIGHTS OF PARTICIPANTS

Section 6.01 **No Funding**. No Participant shall have any interest in any fund or in any specific asset or assets of the Company by reason of any Performance Award under the Plan. It is intended that the Company has merely a contractual obligation to make payments when due hereunder and it is not intended that the Company hold any funds in reserve or trust to secure payments hereunder.

Section 6.02 **No Transfer**. No Participant may assign, pledge, or encumber his or her interest under the Plan, or any part thereof.

Section 6.03 **No Implied Rights; Employment**. Nothing contained in this Plan shall be construed to:

(a) Give any employee or Participant any right to receive any award other than in the sole discretion of the Administrator;

(b) Limit in any way the right of the Company to terminate a Participant's employment at any time; or

(c) Be evidence of any agreement or understanding, express or implied, that a Participant will be retained in any particular position or at any particular rate of remuneration.

Article VII. ADMINISTRATION

Section 7.01 **General**. The Plan shall be administered by the Administrator.

Section 7.02 **Authority**. In addition to the authority specifically provided herein, the Administrator shall have full power and discretionary authority to: (a) administer the Plan, including but not limited to the power and authority to construe and interpret the Plan; (b) correct errors, supply omissions or reconcile inconsistencies in the terms of the Plan or any Performance Award; (c) establish, amend or waive rules and regulations, and appoint such agents, as it deems appropriate for the Plan's administration; and (d) make any other determinations, including factual determinations, and take any other action as it determines is necessary or desirable for the Plan's administration.

Section 7.03 **Decision Binding**. The Administrator's determinations and decisions made pursuant to the provisions of the Plan and all related orders or resolutions of the Board shall be final, conclusive and binding on all persons who have an interest in the Plan or an award, and such determinations and decisions shall not be reviewable.

Article VIII.AMENDMENT AND TERMINATION

Each of the Compensation Committee and the Board has the authority to terminate, change, modify or amend the provisions of the Plan at any time in its sole discretion, including during or after a Performance Period, which termination, change, modification or amendment may have retroactive effect. Furthermore, the Chief Executive Officer has the authority to make amendments to the Plan that do not significantly increase the cost of the Plan or increase or create the opportunity for an increase in the amount which an Executive Officer or member of the Executive Board receives under the Plan, and which in Chief Executive Officer's determination (a) clarify the terms of the Plan; (b) assist in the administration of the Plan; (c) are necessary or advisable for the Plan to comply with applicable law; or (d) are necessary or advisable for Performance Awards to be exempt from or comply with the requirements of Section 409A.

Article IX.TAX WITHHOLDING

The Company shall have the right to deduct from all cash payments made hereunder (or from any other payments due a Participant) any foreign, federal, state, or local taxes required by law to be withheld with respect to such cash payments.

Article X.SECTION 409A

The Plan is intended to be exempt from Section 409A and shall be administered and interpreted accordingly. Notwithstanding any other provision of the Plan, if any provision of the Plan conflicts with the requirements of Section 409A, the requirements of Section 409A shall supersede any such provision. In no event will the Company be liable for any additional tax, interest or penalties that may be imposed on a Participant by Section 409A or any damages for failing to comply with Section 409A.

Exhibit 10.2

LESLIE'S, INC.
2020 OMNIBUS INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD

[FULL NAME]

Leslie's, Inc. (the "Company") hereby grants you an award of Restricted Stock Units (your "Restricted Stock Units" and also referred to as this "Award") under the Leslie's, Inc. 2020 Omnibus Incentive Plan (the "Plan"), effective as of the Grant Date, with the following terms and conditions:

Grant Date:	[GRANT DATE]
Number of Restricted Stock Units:	[# SHARES GRANTED]
Vesting:	Your Restricted Stock Units will vest as follows, provided that you remain in continuous employment or service with the Company or an Affiliate until the applicable vesting date: 25% of the total Restricted Stock Units on each of the first four (4) anniversaries of the Grant Date. Upon a Change of Control, Section 17(c) of the Plan will apply to your Restricted Stock Units. Except as otherwise provided above, upon your termination of employment, or cessation of services to, the Company and its Affiliates prior to the date the Restricted Stock Units are fully vested, you will forfeit the unvested Restricted Stock Units.
Settlement of Restricted Stock Units:	As soon as practicable after your Restricted Stock Units vest (but in any event no later than March 15^{th} of the calendar year immediately following the calendar year in which vesting occurs), the Company will settle such vested Restricted Stock Units by issuing in your name certificate(s) or making an appropriate book entry for a number of Shares equal to the number of Restricted Stock Units that have vested.
Transferability of Restricted Stock Units:	You may not sell, transfer or otherwise alienate or hypothecate this Award or any of your Restricted Stock Units until they are vested. In addition, by accepting this Award, you agree not to sell any Shares acquired under this Award other than as set forth in the Plan and at a time when applicable laws, Company policies or an agreement between the Company and its underwriters do not prohibit a sale.
Rights as Shareholder:	You will not be deemed for any purposes to be a shareholder of the Company with respect to any of the Restricted Stock Units (including with respect to voting or dividends), unless and until a certificate for Shares is issued upon vesting of the Restricted Stock Units.

Taxes:	You (and not the Company or any Affiliate) shall be responsible for your federal, state, local or foreign tax liability and any of your other tax consequences that may arise as a result of the transactions contemplated by this Award. You shall rely solely on the determinations of your own tax advisors or your own determinations, and not on any statements or representations by the Company or any of its agents, with regard to all such tax matters. To the extent that the receipt, vesting or settlement of the Restricted Stock Units, or other event, results in income to you for federal, state or local income tax purposes, you shall deliver to the Company or its Affiliate, at the time the Company or its Affiliate, is obligated to withhold taxes in connection with such receipt, vesting, settlement or other event, as the case may be, such amount as the Company or its Affiliate requires to meet its withholding obligation under applicable tax laws or regulations, and if you fail to do so, the Company shall not be obligated to deliver any Shares to you and shall have the right and authority to deduct or withhold from other compensation payable to you an amount sufficient to satisfy its withholding obligations. In furtherance of the forgoing, unless alternative arrangements to fund tax withholding obligations are made in advance in a manner acceptable to the Company, your acceptance of the Award constitutes your instruction and authorization to the Company to cause to be sold (by the Company's designated broker) on your behalf a whole number of Shares from those Shares issued to you as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy your tax withholding obligations. Such Shares will be sold on the day of the event giving rise to the tax withholding obligation or as soon thereafter as practicable. You will be responsible for all broker's fees and other costs of sale. The number of Shares sold may be determined by considering any applicable withholding rates, including maximum applicable rates. You further acknowledge that the Company or its designee is under no obligation to arrange for such sale at any particular price.
Miscellaneous:	•Neither the Plan nor the grant of this Award shall constitute or be evidence of any agreement or understanding, express or implied, that you have a right to continue as an employee or otherwise remain in the service of the Company or any of its Affiliates for any period of time, or at any particular rate of compensation. Nothing in this Award will interfere with or restrict the rights of the Company or its Affiliates—which are expressly reserved—to remove, terminate or discharge you at any time for any reason whatsoever or for no reason, subject to the Company's certificate of incorporation, bylaws and other similar governing documents and applicable law. Any

value under your Restricted Stock Units is not part of your normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit. The grant of your Restricted Stock Units does not create any right to receive any future awards.

•The Plan and this Award constitute the entire understanding of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements between you and the Company with respect to the subject matter hereof. You expressly warrant that you are not accepting this Award in reliance on any promises, representations or inducements, other than those contained herein.

•By accepting the grant of your Restricted Stock Units, you agree not to sell any Shares acquired in connection with the Restricted Stock Units other than as set forth in the Plan and at a time when applicable laws, Company policies or an agreement between the Company and its underwriters do not prohibit a sale.

•As a condition of the granting of this Award, you agree, for yourself and your legal representatives or guardians, that this Award shall be interpreted by the Administrator, and that any interpretation by the Administrator of the terms of this Award or the Plan, and any determination made by the Administrator pursuant to this Award, shall be final, binding and conclusive.

•Subject to the terms of the Plan, the Administrator may modify or amend this Award without your consent as permitted by Section 15(c) of the Plan or: (i) to the extent such action is deemed necessary by the Administrator to comply with any applicable law or the listing requirements of any principal securities exchange or market on which the Shares are then traded; (ii) to the extent the action is deemed necessary by the Administrator to preserve favorable accounting or tax treatment of any award for the Company; or (iii) to the extent the Administrator determines that such action does not materially and adversely affect the value of this Award or that such action is in the best interest of you or any other person who may then have an interest in this Award.

•You acknowledge and expressly agree to the governing law and jurisdiction and waiver of jury trial terms of Section 18(g) of the Plan (and any successor terms).

•This Award may be executed in counterparts. The Company may deliver any documents related to current or future participation in the Plan by electronic means. You consent to receive those documents by electronic delivery and to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

•The invalidity or unenforceability of any term of the Plan or this Agreement will not affect the validity or enforceability of any other term of the Plan or this Agreement, and each other term of the Plan and this Agreement will be severable and enforceable to the extent permitted by applicable law.

•You must, upon request of the Company, do all acts and execute, deliver and perform all additional documents, instruments and agreements that may be reasonably required by the Company to implement this Agreement.

•All awards, amounts, and benefits received or outstanding under the Plan will be subject to clawback, cancellation, recoupment, rescission, payback, reduction or other similar action in accordance with the terms of any Company clawback or similar policy or any applicable law related to such actions, as may be in effect from time to time. You acknowledge and expressly agree to the Company's application, implementation and enforcement of any applicable Company clawback or similar policy that may apply to you, whether adopted before or after the Grant Date, and any term of applicable law relating to clawback, cancellation, recoupment, rescission, payback or reduction of compensation, and the Company may take such actions as may be necessary to effectuate any such policy or applicable law, without further consideration or action.

This Award is granted under and governed by the terms and conditions of the Plan. The terms of the Plan to the extent not stated herein are expressly incorporated herein by reference and in the event of any conflict between this Award and the Plan, the terms of the Plan shall govern, control and supersede over the provisions of this Award. Capitalized terms used in this Award and not defined shall have the meanings given in the Plan.

BY ACCEPTING THIS AWARD, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED HEREIN AND IN THE PLAN. YOU ALSO ACKNOWLEDGE RECEIPT OF THE PLAN. YOU REPRESENT TO THE COMPANY THAT YOU HAVE READ AND FULLY UNDERSTAND THIS AWARD AND THE PLAN AND THAT YOUR DECISION TO PARTICIPATE IN THE PLAN IS COMPLETELY VOLUNTARY. YOU ALSO ACKNOWLEDGE THAT YOU ARE RELYING SOLELY ON YOUR OWN ADVISORS REGARDING THE TAX CONSEQUENCES OF YOUR RESTRICTED STOCK UNITS. **YOU MUST ACCEPT THIS AWARD WITHIN THIRTY (30) DAYS AFTER IT IS FIRST PRESENTED TO YOU FOR REVIEW, BY RETURNING A SIGNED**

COPY TO THE COMPANY IN ACCORDANCE WITH SUCH PROCEDURES AS THE COMPANY MAY ESTABLISH.

[Signature Pages Follow]

LESLIE'S, INC.

By: ________________________
Steve Weddell
Executive Vice President,
Chief Financial Officer

Date: [GRANT DATE]

PARTICIPANT

By: _______________________
 [FULL NAME]

Date: _______________________

Exhibit 10.3

LESLIE'S, INC.
2020 OMNIBUS INCENTIVE PLAN
PERFORMANCE UNIT AWARD

[FULL NAME]

Leslie's, Inc. (the "Company") hereby grants you an award of Performance Units (your "Performance Units" and also referred to as this "Award") under the Leslie's, Inc. 2020 Omnibus Incentive Plan (the "Plan"), effective as of the Grant Date, with the following terms and conditions:

Grant Date:	[GRANT DATE]
Target Number of Performance Units:	TARGET [#] SHARES GRANTED
Maximum Number of Performance Units:	200% of Target Number of Performance Units
Performance Periods:	First Performance Period: Fiscal year 2023 Second Performance Period: Fiscal year 2023 through Fiscal year 2024 Third Performance Period: Fiscal year 2023 through Fiscal year 2025
Vesting and Settlement:	Your Performance Units are eligible to be earned in accordance with <u>Appendix A</u>, attached hereto, provided that you remain in continuous employment or service with the Company or an Affiliate through the applicable Settlement Date (as defined below). If, prior to the Settlement Date that follows the Third Performance Period, your employment or service with the Company or its Affiliates is terminated due to your Disability, or due to your death, this Award will be earned and be settled promptly as to the sum of (i) the number of Performance Units that were earned as of the end of any completed Performance Period but were not yet settled, and (ii) 100% of the Target Number of Performance Units that remain subject to any incomplete Performance Period. For purposes of this Award, "Disability" means you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months. Except as otherwise provided above (or below, in connection with a Change of Control), upon your termination of employment, or cessation of services to, the Company and its Affiliates prior to any Settlement Date, you will forfeit the Performance Units that have not yet been settled.
Change of Control	If a Change of Control occurs in which the Administrator determines that the successor or surviving corporation (or parent thereof) has assumed or substituted the Performance Units granted hereby in the manner contemplated by Section 17(c) of the Plan, then the

	performance measures in Appendix A shall be deemed achieved based on actual performance for completed fiscal years within the applicable Performance Period and at the Target performance for any incomplete fiscal years within the applicable Performance Period, and you will be entitled to receive that number of Performance Units so long as you remain in the continuous employment or service by the Company or one of its Affiliates through the applicable Settlement Date. Notwithstanding anything to the contrary herein, if, within the 24-month period following such Change of Control, your employment or service with the Company and its Affiliates is terminated by the Company or one of its Affiliates without Cause (other than due to death or Disability) [or by you with Good Reason] , then the number of Performance Units eligible to be earned under the paragraph above shall become fully earned as of the date of termination of employment or service. [“Good Reason” means, for the purposes of this Award, your resignation within 60 days after the occurrence any of the following events without your consent: (i) a material reduction in your duties that is inconsistent with your position at the time of the Grant Date, (ii) any material reduction in your base annual salary or target annual bonus (other than in connection with a general decrease in the base salaries or target bonuses for all officers of the Company), (iii) a requirement by the Company that you relocate your principal office to a facility more than 50 miles from your principal office immediately prior to the Change of Control (which relocation increases your commute); or (iv) there is a willful failure or refusal by the Company to perform any material obligation under any written employment agreement between you and the Company; provided however, that with regard to (i) through (iv) you must provide the Company with written notice of the event allegedly constituting “Good Reason,” and the Company will have 15 days from the date it receives such written notice to cure such event.] If a Change of Control occurs in which the successor or surviving corporation (or parent thereof) has not assumed or substituted the Performance Units granted hereby in the manner contemplated by Section 17(c) of the Plan, then the performance measures in Appendix A shall be deemed achieved based actual performance for completed fiscal years within the applicable Performance Period and Target performance for incomplete fiscal years within the applicable Performance Period, and you shall fully earn that number of Performance Units immediately prior to the Change of Control.
Settlement of Performance Units:	As soon as administratively practicable after the end of each Performance Period, the Administrator shall solely and exclusively make all determinations with regard to the calculation of performance (pursuant to Appendix A) during the applicable Performance Period and the number of Performance Units which the participant is entitled to receive under this Award. Settlement shall occur on a date chosen by the Administrator following certification of performance, if applicable, or otherwise following an event triggering earlier

	settlement as explicitly provided for in this Award, but in any event within ninety (90) days following the end of the applicable Performance Period (or other triggering event) and in any event no later than March 15th of the calendar year immediately following the calendar year in which such trigger event occurs (the "Settlement Date"). The Company will settle your earned Performance Units by issuing in your name certificate(s) or making an appropriate book entry for a number of Shares equal to the number of Performance Units that have been earned.
Transferability of Performance Units:	You may not sell, transfer or otherwise alienate or hypothecate this Award or any of your Performance Units until they are earned and settled. In addition, by accepting this Award, you agree not to sell any Shares acquired under this Award other than as set forth in the Plan and at a time when applicable laws, Company policies or an agreement between the Company and its underwriters do not prohibit a sale.
Rights as Shareholder; Dividend Equivalents:	You will not be deemed for any purposes to be a shareholder of the Company with respect to any of the Performance Units (including with respect to voting or dividends), unless and until a certificate for Shares is issued upon settlement of the Performance Units. Notwithstanding the preceding sentence, each Performance Unit shall be credited with dividend equivalents, which shall be withheld by the Company for your account. Dividend equivalents credited to your account and attributable to a Performance Unit shall be distributed (without interest) to you at the same time as the underlying Share is delivered upon settlement of such Performance Unit and, if such Performance Unit is forfeited, you shall have no right to such dividend equivalents. Any adjustments for dividend equivalents shall be in the sole discretion of the Administrator and may be payable (i) in cash, (ii) in Shares with a Fair Market Value as of the applicable settlement date equal to the dividend equivalents, or (iii) in an adjustment to the underlying number of Shares subject to the Performance Units.
Taxes:	You (and not the Company or any Affiliate) shall be responsible for your federal, state, local or foreign tax liability and any of your other tax consequences that may arise as a result of the transactions contemplated by this Award. You shall rely solely on the determinations of your own tax advisors or your own determinations, and not on any statements or representations by the Company or any of its agents, with regard to all such tax matters. To the extent that the receipt, earning or settlement of the Performance Units, or other event, results in income to you for federal, state or local income tax purposes, you shall deliver to the Company or its Affiliate, at the time the Company or its Affiliate, is obligated to withhold taxes in connection with such receipt, earning, settlement or other event, as the case may be, such amount as the Company or its Affiliate requires to meet its withholding obligation under applicable tax laws or regulations, and if you fail to do so, the Company shall not be obligated to deliver any Shares to you and shall

have the right and authority to deduct or withhold from other compensation payable to you an amount sufficient to satisfy its withholding obligations.

In furtherance of the forgoing, unless alternative arrangements to fund tax withholding obligations are made in advance in a manner acceptable to the Company, your acceptance of the Award constitutes your instruction and authorization to the Company to cause to be sold (by the Company's designated broker) on your behalf a whole number of Shares from those Shares issued to you as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy your tax withholding obligations. Such Shares will be sold on the day of the event giving rise to the tax withholding obligation or as soon thereafter as practicable. You will be responsible for all broker's fees and other costs of sale. The number of Shares sold may be determined by considering any applicable withholding rates, including maximum applicable rates. You further acknowledge that the Company or its designee is under no obligation to arrange for such sale at any particular price.

Miscellaneous:

•Neither the Plan nor the grant of this Award shall constitute or be evidence of any agreement or understanding, express or implied, that you have a right to continue as an employee or otherwise remain in the service of the Company or any of its Affiliates for any period of time, or at any particular rate of compensation. Nothing in this Award will interfere with or restrict the rights of the Company or its Affiliates—which are expressly reserved—to remove, terminate or discharge you at any time for any reason whatsoever or for no reason, subject to the Company's certificate of incorporation, bylaws and other similar governing documents and applicable law. Any value under your Performance Units is not part of your normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit. The grant of your Performance Units does not create any right to receive any future awards.

•The Plan and this Award constitute the entire understanding of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements between you and the Company with respect to the subject matter hereof. You expressly warrant that you are not accepting this Award in reliance on any promises, representations or inducements, other than those contained herein.

•By accepting the grant of your Performance Units, you agree not to sell any Shares acquired in connection with the Performance Units other than as set forth in the Plan and at a time when applicable laws, Company policies or an agreement between the Company and its underwriters do not prohibit a sale.

•As a condition of the granting of this Award, you agree, for yourself and your legal representatives or guardians, that this Award shall be interpreted by the Administrator, and that any interpretation by the Administrator of the terms of this Award or the Plan, and any determination made by the Administrator pursuant to this Award, shall be final, binding and conclusive.
•Subject to the terms of the Plan, the Administrator may modify or amend this Award without your consent as permitted by Section 15(c) of the Plan or: (i) to the extent such action is deemed necessary by the Administrator to comply with any applicable law or the listing requirements of any principal securities exchange or market on which the Shares are then traded; (ii) to the extent the action is deemed necessary by the Administrator to preserve favorable accounting or tax treatment of any award for the Company; or (iii) to the extent the Administrator determines that such action does not materially and adversely affect the value of this Award or that such action is in the best interest of you or any other person who may then have an interest in this Award.
•You acknowledge and expressly agree to the governing law and jurisdiction and waiver of jury trial terms of Section 18(g) of the Plan (and any successor terms).

•This Award may be executed in counterparts. The Company may deliver any documents related to current or future participation in the Plan by electronic means. You consent to receive those documents by electronic delivery and to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

•The invalidity or unenforceability of any term of the Plan or this Agreement will not affect the validity or enforceability of any other term of the Plan or this Agreement, and each other term of the Plan and this Agreement will be severable and enforceable to the extent permitted by applicable law.

•You must, upon request of the Company, do all acts and execute, deliver and perform all additional documents, instruments and agreements that may be reasonably required by the Company to implement this Agreement.

•All awards, amounts, and benefits received or outstanding under the Plan will be subject to clawback, cancellation, recoupment, rescission, payback, reduction or other similar action in accordance with the terms of any Company clawback or similar policy or any applicable law related to such actions, as may be in effect from time to time. You acknowledge and expressly agree to the Company's application, implementation and enforcement of any applicable Company clawback or similar policy that may apply to you, whether adopted before or after the Grant Date, and any term of applicable law relating to clawback, cancellation, recoupment, rescission, payback or reduction of compensation, and the Company may take such actions as may be necessary to effectuate any such policy or applicable law, without further consideration or action.

•This Award, and any issuance of Shares hereunder, is intended to comply and shall be interpreted in accordance with Section 409A of the Code. Upon your "separation from service," the Company shall determine whether any Shares issued to you in accordance with this Award could be determined to be payments from a nonqualified deferred compensation plan and whether you are a "specified employee" as of the applicable payment date (each as defined by Section 409A of the Code). If you are determined to be a "specified employee" and any such payments are payable in connection with your separation from service, and are not exempt from Section 409A of the Code as a short-term deferral or otherwise, these payments, to the extent otherwise payable within 6 months after your date of separation from service, will be paid in a lump sum on the earlier of: (i) the date that is 6 months after your date of separation from service or (ii) the date of your death . The foregoing 6-month delay shall be applied if and only to the extent necessary to avoid the imposition of taxes under Section 409A of the Code. For purposes of Section 409A of the Code, the payments to be made to you in accordance with this Agreement shall be treated as a right to a series of separate payments.

This Award is granted under and governed by the terms and conditions of the Plan. The terms of the Plan to the extent not stated herein are expressly incorporated herein by reference and in the event of any conflict between this Award and the Plan, the terms of the Plan shall govern, control and supersede over the provisions of this Award. Capitalized terms used in this Award and not defined shall have the meanings given in the Plan.

BY ACCEPTING THIS AWARD, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED HEREIN AND IN THE PLAN. YOU ALSO ACKNOWLEDGE RECEIPT OF THE PLAN. YOU REPRESENT TO THE COMPANY THAT YOU HAVE READ AND FULLY UNDERSTAND THIS AWARD AND THE PLAN AND THAT YOUR DECISION TO PARTICIPATE IN THE PLAN IS COMPLETELY VOLUNTARY. YOU ALSO ACKNOWLEDGE THAT YOU ARE RELYING SOLELY ON YOUR OWN ADVISORS REGARDING THE TAX CONSEQUENCES OF YOUR PERFORMANCE UNITS. **YOU MUST ACCEPT THIS AWARD WITHIN THIRTY (30) DAYS AFTER IT IS FIRST PRESENTED TO YOU FOR REVIEW, BY RETURNING A SIGNED**

COPY TO THE COMPANY IN ACCORDANCE WITH SUCH PROCEDURES AS THE COMPANY MAY ESTABLISH.

[Signature Pages Follow]

LESLIE'S, INC.

By: ________________________
Steve Weddell
Executive Vice President,
Chief Financial Officer

Date: [GRANT DATE]

PARTICIPANT

By: _______________________
[FULL NAME]

Date: _______________________

Appendix A

Except as may otherwise be provided in the Award, the number of Performance Units that will be eligible to be earned under the Award shall be determined based on the following formula:

First Performance Period

• 33 1/3% of Target Performance Units granted x 75% x the Achievement Percentage corresponding to the final 2023 Adjusted Net Income achieved (as described below); plus

• 33 1/3% of Target Performance Units granted x 25% x the Achievement Percentage corresponding to the final 2023 Sales achieved (as described below)

Second Performance Period

• 33 1/3% of Target Performance Units granted x 75% x the Achievement Percentage corresponding to the final 2023-2024 Cumulative Adjusted Net Income achieved (as described below); plus

• 33 1/3% of Target Performance Units granted x 25% x the Achievement Percentage corresponding to the final 2023-2024 Cumulative Sales achieved (as described below)

Third Performance Period

• 33 1/3% of Target Performance Units granted x 75% x the Achievement Percentage corresponding to the final 2023-2025 Cumulative Adjusted Net Income achieved (as described below); plus

• 33 1/3% of Target Performance Units granted x 25% x the Achievement Percentage corresponding to the final 2023-2025 Cumulative Sales achieved (as described below)

Adjusted Net Income Achievement

Performance Level	Achievement Percentage*	2023 Adjusted Net Income	2023-2024 Cumulative Adjusted Net Income	2023-2025 Cumulative Adjusted Net Income
Threshold	50%	$150	$310	$480
Target	100%	$160	$335	$540
Maximum	200%	$165	$365	$605

** Intermediate levels of achievement between Threshold and Target and between Target and Maximum will be determined using linear interpolation. For the avoidance of doubt, the Achievement Percentage will be 0% for all levels of achievement below the Threshold.*

Sales Achievement

Performance Level	Achievement Percentage*	2023 Sales	2023-2024 Cumulative Sales	2023-2025 Cumulative Sales
Threshold	50%	$1,570	$3,175	$4,810
Target	100%	$1,610	$3,320	$5,130
Maximum	200%	$1,650	$3,470	$5,470

** Intermediate levels of achievement between Threshold and Target and between Target and Maximum will be determined using linear interpolation. For the avoidance of doubt, the Achievement Percentage will be 0% for all levels of achievement below the Threshold.*

Defined Terms

For purposes of this Agreement, "Adjusted Net Income" means: net income (loss) adjusted to exclude equity-based compensation expense; loss on debt extinguishment; costs related to debt or equity offerings; strategic project costs; executive transition or reorganization costs; gain or loss on disposition of assets; mark-to-market on interest rate hedging contracts; non-recurring transaction and transition costs related to a merger, acquisition, divestiture, or joint venture; the impact on net income from an acquisition or divesture that occurs during the applicable measurement period with a purchase or sale price that is greater than $150 million; material litigation charges or gains; goodwill impairment charges; items related to changes in accounting principles, applicable law or regulations; and other non-recurring, non-cash or discrete items as determined to be appropriate by the Compensation Committee (which may include adjustments taken into account in calculating Adjusted Net Income as reported by the Company in one or more of its earnings releases for the applicable Performance Period), in each case, as determined by the Compensation Committee to be appropriate taking into account all relevant objective information or financial data.

For purposes of this Agreement, "Cumulative Adjusted Net Income" means the sum of Adjusted Net Income for the applicable fiscal years in the Performance Period.

For purposes of this Agreement, "Cumulative Sales" means the sum of Sales for the applicable fiscal years in the Performance Period adjusted to exclude the impact on net income from an acquisition or divesture that occurs during the applicable measurement period with a purchase or sale price that is greater than $150 million.

For purposes of this Agreement, "Sales" means sales, as disclosed in the Company's Annual Report on Form 10-K for the applicable fiscal year.

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: February 3, 2023	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, Steven M. Weddell, 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: February 3, 2023	By:	/s/ Steven M. Weddell
		Steven M. Weddell
		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 December 31, 2022 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: February 3, 2023	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 December 31, 2022 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: February 3, 2023	By:	/s/ Steven M. Weddell **Steven M. Weddell** **Chief Financial Officer** **(Principal Financial Officer and Principal Accounting Officer)**