UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 July 3, 2021

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 (State or other jurisdiction of incorporation or organization)	**20-8397425** (I.R.S. Employer Identification No.)
2005 East Indian School Road **Phoenix, AZ** (Address of principal executive offices)	**85016** (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, 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 August 2, 2021, the registrant had 189,323,108 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 facts 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 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;
- 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, and the housing market;
- our ability to implement technology initiatives that deliver the anticipated benefits, without disrupting our operations;
- 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 the COVID-19 pandemic;
- impacts on our business from cyber incidents and other security threats or disruptions; 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

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” of our Annual Report on Form 10-K for the year ended October 3, 2020, Part II, Item 1A, “Risk Factors” of our Quarterly Report on Form 10-Q for the quarter ended January 2, 2021, Part II, Item 1A, “Risk Factors” of this Quarterly Report on Form 10-Q, and elsewhere in this Quarterly Report on Form 10-Q. 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, events, or circumstances 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)

	July 3, 2021	October 3, 2020	June 27, 2020
Assets	(Unaudited)	(Audited)	(Unaudited)
Current assets			
Cash and cash equivalents	$ 309,077	$ 157,072	$ 148,901
Accounts and other receivables, net	47,848	31,481	35,854
Inventories	224,526	148,966	181,108
Prepaid expenses and other current assets	28,615	34,614	24,539
Total current assets	610,066	372,133	390,402
Property and equipment, net	66,363	66,391	69,254
Operating lease right-of-use assets	169,001	177,655	191,343
Goodwill and other intangibles, net	127,740	121,186	121,711
Deferred tax assets	6,386	6,583	—
Other assets	18,238	2,490	1,193
Total assets	$ 997,794	$ 746,438	$ 773,903
Liabilities and stockholders' deficit			
Current liabilities			
Accounts payable	$ 155,525	$ 92,372	$ 133,090
Accrued expenses	117,888	101,167	112,628
Operating lease liabilities	53,700	54,459	63,606
Income taxes payable	18,906	1,857	—
Current portion of long-term debt	8,100	8,341	8,341
Total current liabilities	354,119	258,196	317,665
Deferred tax liabilities	—	—	782
Operating lease liabilities, noncurrent	118,941	130,234	142,307
Long-term debt, net	787,731	1,179,550	1,182,780
Other long-term liabilities	2,729	5,457	1
Total liabilities	1,263,520	1,573,437	1,643,535
Commitments and contingencies			
Stockholders' deficit			
Common stock, $0.001 par value, 1,000,000,000 shares authorized and 189,284,566 issued and outstanding as of July 3, 2021 and 156,500,000 shares authorized, issued and outstanding as of October 3, 2020 and June 27, 2020, respectively.	189	157	157
Additional paid in capital (deficit)	201,085	(278,063)	(278,056)
Retained deficit	(467,000)	(549,093)	(591,733)
Total stockholders' deficit	(265,726)	(826,999)	(869,632)
Total liabilities and stockholders' deficit	$ 997,794	$ 746,438	$ 773,903

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		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Sales	$ 596,543	$ 479,929	$ 933,991	$ 729,285
Cost of merchandise and services sold	312,845	269,160	526,895	437,526
Gross profit	283,698	210,769	407,096	291,759
Selling, general and administrative expenses	117,264	99,165	265,127	214,933
Operating income	166,434	111,604	141,969	76,826
Other expense:				
Interest expense	7,399	19,472	27,041	64,597
Loss on debt extinguishment	—	—	9,169	—
Other expenses, net	861	585	1,917	910
Total other expense	8,260	20,057	38,127	65,507
Income before taxes	158,174	91,547	103,842	11,319
Income tax expense (benefit)	39,372	19,613	21,749	(4,602)
Net income	$ 118,802	$ 71,934	$ 82,093	$ 15,921
Net income per share:				
Basic	$ 0.63	$ 0.46	$ 0.45	$ 0.10
Diluted	$ 0.61	$ 0.46	$ 0.43	$ 0.10
Weighted average shares outstanding:				
Basic	188,264	156,500	184,021	156,500
Diluted	194,200	156,500	189,603	156,500

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	Retained	Total Stockholders'
	Shares	Amount	(Deficit)	Deficit	Deficit
Balance, March 28, 2019	156,500	$ 157	$ (278,653)	$ (663,667)	$ (942,163)
Equity-based compensation	—	—	597	—	597
Net income	—	—	—	71,934	71,934
Balance, June 27, 2020	156,500	$ 157	$ (278,056)	$ (591,733)	$ (869,632)
Balance, April 3, 2021	186,885	$ 187	$ 194,605	$ (585,802)	$ (391,010)
Issuance of shares under stock incentive plans	2,400	2	—	—	2
Equity-based compensation	—	—	6,480	—	6,480
Net income	—	—	—	118,802	118,802
Balance, July 3, 2021	189,285	$ 189	$ 201,085	$ (467,000)	$ (265,726)

	Common Stock		Additional Paid in Capital	Retained	Total Stockholders'
	Shares	Amount	(Deficit)	Deficit	Deficit
Balance, September 28, 2019	156,500	$ 157	$ (279,848)	$ (607,666)	$ (887,357)
Impact of adoption of new accounting pronouncements	—	—	—	12	12
Equity-based compensation	—	—	1,792	—	1,792
Net income	—	—	—	15,921	15,921
Balance, June 27, 2020	156,500	$ 157	$ (278,056)	$ (591,733)	$ (869,632)
Balance, October 3, 2020	156,500	$ 157	$ (278,063)	$ (549,093)	$ (826,999)
Issuance of shares under stock incentive plans	2,785	2	—	—	2
Issuance of common stock upon initial public offering, net of offering costs	30,000	30	458,557	—	458,587
Equity-based compensation	—	—	20,591	—	20,591
Net income	—	—	—	82,093	82,093
Balance, July 3, 2021	189,285	$ 189	$ 201,085	$ (467,000)	$ (265,726)

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)

	Nine Months Ended	
	July 3, 2021	June 27, 2020
Operating Activities		
Net income	$ 82,093	$ 15,921
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,205	20,462
Equity-based compensation	20,591	1,792
Amortization of deferred financing costs and debt discounts	1,551	2,548
Provision for doubtful accounts	134	368
Deferred income taxes	197	(457)
(Gain) loss on disposition of assets	(1,668)	486
Loss on debt extinguishment	9,169	—
Changes in operating assets and liabilities:		
Accounts and other receivables	(16,501)	(16,194)
Inventories	(74,401)	(30,380)
Prepaid expenses and other current assets	6,289	(2,993)
Other assets	(15,696)	227
Accounts payable and accrued expenses	73,761	86,283
Income taxes payable	17,049	(6,713)
Operating lease assets and liabilities, net	(3,397)	14,571
Net cash provided by operating activities	118,376	85,921
Investing Activities		
Purchases of property and equipment	(17,799)	(15,483)
Business acquisitions, net of cash acquired	(6,806)	(6,188)
Proceeds from disposition of fixed assets	2,429	7
Net cash used in investing activities	(22,176)	(21,664)
Financing Activities		
Borrowings on revolving commitment	—	238,750
Payments on revolving commitment	—	(238,750)
Repayment of long term debt	(394,110)	(6,255)
Issuance of long term debt	907	—
Payment of deferred financing costs	(9,579)	—
Proceeds from issuance of common stock upon initial public offering, net	458,587	—
Net cash provided by (used in) financing activities	55,805	(6,255)
Net increase in cash and cash equivalents	152,005	58,002
Cash and cash equivalents, beginning of period	157,072	90,899
Cash and cash equivalents, end of period	$ 309,077	$ 148,901
Supplemental Disclosure of Cash Payments for:		
Interest	$ 29,549	$ 68,599
Income taxes	$ 4,503	$ 2,832

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, cleaning accessories, as well as safety, recreational, and fitness-related products. We currently market our products through 946 company-operated locations in 38 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 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 condensed consolidated financial statements and notes for the years ended October 3, 2020 and September 28, 2019.

Initial and Subsequent Public Offering

In November 2020, the Company completed an initial public offering ("IPO") of 30.0 million shares of common stock at a public offering price of $17.00 per share for net proceeds of $458.6 million, after deducting underwriting discounts and commissions of $45.0 million and offering costs of $6.3 million. The shares of common stock sold in the IPO and the net proceeds from the IPO included the full exercise of the underwriters' option to purchase additional shares. The Company used the net proceeds from the IPO to repay the entire outstanding amount related to its $390.0 million Senior Unsecured Notes. The remaining proceeds will be used for working capital and general corporate purposes.

In February 2021, certain of the Company's stockholders, completed a subsequent public offering of 29.0 million shares of common stock, with a 30-day option for the underwriters to purchase up to 4.4 million additional shares of common stock, at a public offering price of $26.00 per share for net proceeds of $731.4 million, after deducting underwriting discounts and commissions of $22.6 million. All proceeds from the sale of shares of common stock in this offering were received by the selling stockholders.

In June 2021, certain of the Company's stockholders, completed an additional subsequent public offering of 24.5 million shares of common stock, with a 30-day option for the underwriters to purchase up to 3.7 million additional shares of common stock, at a public offering price of $27.64 per share for net proceeds of $656.9 million, after deducting underwriting discounts and commissions of $20.3 million. All proceeds from the sale of shares of common stock in this offering were received by the selling stockholders.

Stock Split

All share and per share information included in the accompanying condensed consolidated financial statements has been adjusted to reflect a 156,500-for-1 stock split which was effective on October 23, 2020. The par value of the common stock was not adjusted as the result of the stock split.

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 fiscal year 2021 refer to the fiscal year ending October 2, 2021, which contains 52 weeks, and references to fiscal year 2020 refer to the fiscal year ended October 3, 2020, which contained 53 weeks. References to the three months ended July 3, 2021 and the three months ended June 27, 2020 refer to the 13 weeks ended July 3, 2021 and June 27, 2020, respectively. References to the nine months ended July 3, 2021 and the nine months ended June 27, 2020 refer to the 39 weeks ended July 3, 2021 and June 27, 2020, respectively.

Use of Estimates

To prepare financial statements that conform to GAAP, we make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Our most significant estimates relate to the allowance for doubtful accounts, inventory obsolescence reserves, vendor programs, income taxes, self-insurance, and goodwill impairment evaluations. We continually review our estimates and make adjustments as necessary, but actual results could be significantly different from what we expected when we made these estimates.

Fair Value Measurements

As of July 3, 2021 and October 3, 2020, we heldno assets that were required to be measured at fair value on a recurring basis.

Fair Value of Financial Instruments

We evaluate our financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level of classification for each reporting period.

The fair value of the Term Loan due in 2028 (see Note 7) was determined to be $804.4 million as of July 3, 2021. These fair value estimates, determined to be Level 2, are subjective in nature and involve uncertainties and matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The fair value of the interest rate cap agreements (see Note 7) was determined to be Level 2 and is included in other assets on the condensed consolidated balance sheets as of October 3, 2020. Our interest rate cap agreements expired in March 2021; consequently, we had no interest rate cap agreements as of July 3, 2021. Changes in fair value of the interest rate cap are recorded in other expenses, net on our condensed consolidated statements of operations.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term maturity of these instruments.

There were no transfers between levels in the fair value hierarchy during the three and nine months ended July 3, 2021 and June 27, 2020, respectively.

Seasonality

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

Prior Period Reclassifications

Reclassifications of certain immaterial prior period amounts have been made to conform to current period presentation.

Note 3—Business Combinations

The following acquisitions did not have a material impact on our financial position or results of operations. 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 assets acquired and the liabilities assumed at their estimated fair values as of the date of acquisition, as determined by management. The excess of the purchase price over the amounts allocated to assets acquired and liabilities assumed has been recorded as goodwill. The goodwill resulting from these acquisitions are expected to be deductible for income tax purposes.

Fiscal 2021 Acquisitions

In March 2021, we acquired the assets of a retailer of supplies and services for hot tubs, swim spas and fireplaces withfour locations in the Denver, Colorado area, expanding our physical presence to 38 states. In May 2021, we acquired the assets of a similar retailer withone location in the Medford, Oregon area. Our estimates and assumptions are subject to change as we gather additional information throughout the measurement period, which is up to 12 months after the acquisition date, and if we make changes to the amounts recorded, such amounts are recorded in the period in which they are identified.

Fiscal 2020 Acquisition

In October 2019, we acquired the assets of a retailer of supplies and services for hot tubs, swim spas and saunas. The acquisition includedsix locations in the Pacific Northwest and expanded our physical presence to 37 states. The purchase accounting for this acquisition is complete.

Note 4 —Goodwill and Other Intangibles, Net

Goodwill

The carrying amounts of goodwill are as follows (in thousands):

	Carrying Value
Balance, July 3, 2021	$ 98,669
Balance, October 3, 2020	93,295
Balance, June 27, 2020	92,821

Changes in the carrying value of goodwill relate to acquisition activity.

Other Intangible Assets

Other intangible assets consisted of the following as of July 3, 2021 (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)	2.9	$ 5,940	$ (5,236)	$ 704
Trade name and trademarks (indefinite life)	Indefinite	17,750	—	17,750
Non-compete agreements	7.4	9,333	(7,174)	2,159
Consumer relationships	6.5	19,000	(11,276)	7,724
Internally developed software	7.4	4,000	(3,577)	423
Other intangibles	0.5	2,620	(2,309)	311
Total		$ 58,643	$ (29,572)	$ 29,071

Other intangible assets are as follows as of October 3, 2020 (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)	3.6	$ 5,540	$ (5,139)	$ 401
Trade name and trademarks (indefinite life)	Indefinite	17,750	—	17,750
Non-compete agreements	8.3	8,633	(6,872)	1,761
Consumer relationships	6.1	17,200	(10,118)	7,082
Internally developed software	8.2	4,000	(3,434)	566
Other intangibles	1.3	2,584	(2,253)	331
Total		$ 55,707	$ (27,816)	$ 27,891

Other intangible assets are as follows as of June 27, 2020 (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)	3.9	$ 5,540	$ (5,111)	$ 429
Trade name and trademarks (indefinite life)	Indefinite	17,750	—	17,750
Non-compete agreements	7.0	8,633	(6,410)	2,223
Consumer relationships	6.3	17,200	(9,683)	7,517
Internally developed software	8.5	4,000	(3,371)	629
Other intangibles	1.5	2,584	(2,242)	342
Total		$ 55,707	$ (26,817)	$ 28,890

Amortization expense for the three months ended July 3, 2021 and June 27, 2020 was $0.7 million and $0.5 million, respectively. Amortization expense for the nine months ended July 3, 2021 and June 27, 2020 was $1.0 million and $1.6 million, respectively. No impairment of goodwill or other intangible assets was recorded during the three and nine months ended July 3, 2021 and June 27, 2020.

The following table summarizes the estimated future amortization expense related to finite-lived intangible assets on our balance sheet as of July 3, 2021 (in thousands):

	Amount
Remainder of Fiscal 2021	$ 657
2022	2,375
2023	2,009
2024	1,371
2025	1,274
Thereafter	3,635
Total	$ 11,321

Note 5—Inventories

Inventory consisted of the following (in thousands):

	July 3, 2021	October 3, 2020	June 27, 2020
Raw materials	$ 5,382	$ 1,967	$ 1,404
Finished goods	219,144	146,999	179,704
Inventories	$ 224,526	$ 148,966	$ 181,108

Note 6—Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	July 3, 2021	October 3, 2020	June 27, 2020
Accrued payroll and employee benefits	$ 27,409	$ 32,420	$ 25,690
Interest	4,919	9,377	10,990
Sales taxes	18,841	11,164	15,411
Self-insurance reserves	6,402	6,518	6,639
Customer deposits	19,275	13,286	17,022
All other current liabilities	41,042	28,402	36,876
Total	$ 117,888	$ 101,167	$ 112,628

Note 7—Long-Term Debt

Our debt obligations consisted of the following (in thousands, except interest rates):

	Effective Interest Rate (1)	July 3, 2021	October 3, 2020	June 27, 2020
Term Loan—due on March 9, 2028	3.25 %(2)	$ 807,975	$ 811,178	$ 815,349
Senior Unsecured Notes		—	390,000	390,000
ABL Credit Facility	1.25 %(3)	—	—	—
Total long-term debt		807,975	1,201,178	1,205,349
Less: current portion of long-term debt		(8,100)	(8,341)	(8,341)
Less: unamortized discount		(3,402)	(9,348)	(9,955)
Less: deferred financing charges		(8,742)	(3,939)	(4,273)
Long-term debt, net		$ 787,731	$ 1,179,550	$ 1,182,780

(1) Effective interest rates as of July 3, 2021.
(2) Carries interest at a specified margin over LIBOR of 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 amended and restated term loan credit agreement (the “Term Loan”). The Term Loan provides for an $810.0 million secured term loan facility, decreased pricing by 75 basis points and extended the maturity date to March 9, 2028. The other material terms of the Term Loan prior to the amendment remained substantially unchanged. In addition, as a result of the Term Loan, during the nine months ended July 3, 2021, we recognized a $1.9 million loss on early debt extinguishment related to the prepayment of the underlying loan tranches prepaid in connection with the amended Term Loan.

Borrowings under the Term Loan have an initial applicable rate, at our option of, (i)2.75% for loans that are LIBOR loans and (ii)1.75% of 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 to2.75 to 1.00, the applicable rate will be2.50% 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%.

Substantially all of our assets are pledged as collateral to secure our indebtedness. The Term Loan does not require us to comply with any financial covenants. The Term Loan contains customary events of default and no event of default had occurred under the Term Loan as of July 3, 2021 or October 3, 2020.

ABL Credit Facility— On April 12, 2021, we entered into Amendment No. 5 to our $200.0 million ABL Credit Facility maturing on August 13, 2025 (the "Amendment"). The Amendment (i) decreased the applicable margin on the Base Rate loans to a range of 0.25% to 0.75% from 0.75% to 1.00%, (ii) decreased the applicable margin on the Eurodollar Rate loans to a range of 1.25% to 1.75% from 1.75% to 2.00%, (iii) changed the LIBOR floor to0% from 0.75%, and (iv) decreased our commitment fee rate to 0.25% from 0.375%. The other terms of the ABL Credit Facility prior to the amendment thereof remain substantially unchanged.

In addition, 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 July 3, 2021, and October 3, 2020, no amounts were outstanding on the ABL Credit Facility. The amount available was reduced by $9.2 million of existing standby letters of credit as of July 3, 2021.

Substantially all of our assets are pledged as collateral to secure our indebtedness The ABL Credit Facility does not require us to comply with any financial covenants. The ABL Credit Facility contains customary events of default, including default upon the nonpayment of principal, interest, fees or other amounts, or the occurrence of a change of control. No event of default had occurred under the ABL Credit Facility as of July 3, 2021 and October 3, 2020.

Senior Unsecured Notes—The Senior Unsecured Notes principal of $390.0 million was paid in full on November 3, 2020 resulting in a loss on debt extinguishment of $7.3 million for the nine months ended July 3, 2021. The Senior Unsecured Notes were guaranteed on a senior basis by us and all our present and future domestic wholly owned subsidiaries. Interest-only payments on the Senior Unsecured Notes were payable quarterly on January 10, April 10, July 10, and October 10 of each year. We incurred interest of 8.50% plus LIBOR, subject to a minimum rate of 1.00%, on the Senior Unsecured Notes. The Senior Unsecured Notes had restrictive covenants that limited the ability to, among other things, incur or guarantee additional indebtedness or issue preferred stock; pay dividends and make other restricted payments; incur restrictions on the payment of dividends or other distributions; create or incur certain liens; make certain investments; transfer or sell assets; engage in transactions with affiliates; and merge or consolidate with other companies or transfer all or substantially all of our assets.

Interest Rate Cap Agreements

In March 2017, we entered into interest rate cap agreements in order to manage the variability of cash flows related to a portion of our floating rate indebtedness. Pursuant to the agreements, we capped LIBOR at 3.00% with respect to the aggregate notional amount of $750.0 million. In March 2021, our interest rate cap agreements expired.

The fair value of our interest rate cap agreements werezero as of October 3, 2020. We did not recognize any gain or loss on our interest rate cap agreements during the three and nine months ended July 3, 2021 and June 27, 2020, respectively.

Future Debt Maturities

The following table summarizes the debt maturities and scheduled principal repayments of our indebtedness as of July 3, 2021 (in thousands):

		Amount
Remainder of Fiscal 2021	$	2,025
2022		8,100
2023		8,100
2024		6,075
2025		10,125
Thereafter		773,550
Total	$	807,975

Note 8—Leases

Lessee Arrangements

Operating Leases

We lease certain store, office, distribution, and manufacturing facilities under operating leases that expire at various dates throughOctober 2031. We are obligated to make cash payments in connection with various lease obligations and purchase commitments. All of these obligations require cash payments to be made by us over varying periods of time. Certain leases are renewable at our option for periods of five to ten years. Certain of these arrangements are cancelable on short notice and others require payments upon early termination.

The following table summarizes the future annual minimum lease payments as of July 3, 2021 (in thousands):

		Amount
Remainder of Fiscal 2021	$	17,323
2022		64,774
2023		53,324
2024		40,280
2025		25,922
Thereafter		22,010
Total	$	223,633
Less: amount of lease payments representing imputed interest		50,992
Present value of future minimum lease payments		172,641
Less: current obligations under leases		53,700
Long-Term lease obligations	$	118,941

Operating lease expense totaled $16.7 million and $16.1 million for the three months ended July 3, 2021 and June 27, 2020, respectively. Operating lease expense totaled $50.3 million and $48.4 million for the nine months ended July 3, 2021 and June 27, 2020, respectively.

Note 9 —Income Taxes

Our effective income tax rate was20.9% for the nine months ended July 3, 2021, compared to a benefit of40.7% for the nine months ended June 27, 2020. The difference between the statutory rate and our effective rate for the nine months ended July 3, 2021 was primarily attributable to a reduction in the valuation allowance for our interest limitation carryforward during the period and net income tax benefits attributable to equity-based compensation awards. The difference between the statutory rate and our effective rate for the nine months ended June 27, 2020 was primarily attributable to a reduction in the valuation allowance for our interest limitation carryforward from the impact of the Coronavirus Aid, Relief, and Economic Security Act, (the “CARES Act”). Our effective income tax rate can fluctuate due to factors including valuation allowances, changes in tax laws, federal and state audits, and the impact of other discrete items.

Note 10—Commitments & Contingencies

Contingencies

We are defendants in lawsuits or potential claims encountered in the normal course of business. When the potential liability from a matter can be estimated and the loss is considered probable, we record the estimated loss. Due to uncertainties related to the resolution of lawsuits, investigations and claims, the ultimate outcome may differ from the estimates. We do not expect that the resolutions of any of these matters will have a material effect on our condensed consolidated financial position or results of operations. We did not record any material loss contingencies as of July 3, 2021, October 3, 2020, and June 27, 2020.

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 July 3, 2021 and October 3, 2020 respectively. We had standby letters of credit outstanding in the amounts of $9.2 million and $11.6 million as of July 3, 2021 and October 3, 2020, respectively, for the purpose of securing such obligations under our workers’ compensation self-insurance programs.

Purchase Commitments

In addition to our lease obligations, we maintain future purchase commitments related to inventory and operational requirements.

The following table summarizes the future minimum purchase commitments as of July 3, 2021 (in thousands):

	Amount
Remainder of Fiscal 2021	$ 21,574
2022	90,988
2023	92,025
2024	72,924
2025	51,062
Thereafter	8,154
Total	$ 336,727

Note 11—Related Party Transactions

In February 2017, we entered into a management services agreement with our private equity sponsors in connection with our acquisition in February 2017. The management services agreement provides that we will pay an annual fee for them to provide management and advisory services to us and our affiliates, including general management consulting services, support and analysis with respect to financing alternatives and strategic planning functions. The management services agreement terminated in October 2020 in connection with the completion of our initial public offering. During the three months ended June 27, 2020, we paid or accrued management fees in the amount of $1.2 million. During the nine months ended July 3, 2021 and June 27, 2020, we paid or accrued management fees in the amount of $0.4 million and $3.2 million, respectively.

Note 12—Net Income Per Share

The following is a reconciliation of basic weighted average common shares outstanding to diluted weighted average common shares outstanding (in thousands):

	Three Months Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Numerator:				
Net income	$ 118,802	$ 71,934	$ 82,093	$ 15,921
Denominator:				
Weighted average shares outstanding - basic	188,264	156,500	184,021	156,500
Effect of dilutive securities:				
Stock options	2,792	-	1,914	-
RSUs	3,144	-	3,668	-
Weighted average shares outstanding - diluted	194,200	156,500	189,603	156,500
Basic net income per share	$ 0.63	$ 0.46	$ 0.45	$ 0.10
Diluted net income per share	$ 0.61	$ 0.46	$ 0.43	$ 0.10

The weighted average potentially dilutive stock options and RSUs excluded from the computation of diluted net income per share were 0.5 million and 0.6 million for the three months ended July 3, 2021, respectively, and 0.2 million and 0.6 million for the nine month ended July 3, 2021, respectively. In addition, diluted weighted average shares outstanding excludes approximately 1.2 million stock options with performance conditions that have not yet been met or have not yet been established during the three and nine months ended July 3, 2021. There were no potentially dilutive securities outstanding during the three and nine months ended June 27, 2020.

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. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended October 3, 2020, Part II, Item 1A, "Risk Factors" of our Quarterly Report on Form 10-Q for the quarter ended January 2, 2021, Part II, Item 1A, "Risk Factors" of this Quarterly Report on Form 10-Q, or other sections of this Quarterly Report on Form 10-Q.

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 fiscal year 2021 refer to the fiscal year ending October 2, 2021, which contains 52 weeks. References to fiscal year 2020 refer to the fiscal year ended October 3, 2020, which contained 53 weeks.

Our Company

We are the largest and most trusted direct-to-consumer brand in the $11 billion United States pool and spa care industry, serving residential, professional, and commercial 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 946 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 57 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 and commercial consumers. Consumers receive the benefit of extended vendor warranties when purchasing product through our locations or when our certified in-field technicians install or repair equipment on-site. 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 our history, 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 the Great Recession and the COVID-19 pandemic.

We have a legacy of leadership and disruptive innovation. Since our founding in 1963, we have been the leading innovator in our category and have provided our consumers with the most advanced pool and spa care available. As we have scaled, we have leveraged our competitive advantages to strategically reinvest in our business and intellectual property to develop new value-added capabilities. 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 GAAP measures and we use are sales, gross profit and gross margin, selling, general and administrative expenses, and operating income. The key non-GAAP measures and other operating measures we use are comparable sales, comparable sales growth, Adjusted EBITDA, Adjusted net income, and Adjusted net income 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 are 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 commercial customers are based on the Company's 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 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 52 weeks 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 are not calculated in the same manner by all companies, and accordingly, are 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.

We operated 946 and 934 retail locations in 38 and 37 states across the United States as of July 3, 2021 and June 27, 2020, respectively. We own 27 locations and lease 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 as our company grows.

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 selling, general and administrative expenses ("SG&A") include selling and operating expenses at our retail locations and 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, 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 will be expected to increase over time to support the needs of our growing company. The components of our SG&A may not be comparable to the components of similar measures of other companies.

Operating Income

Operating income is gross profit less SG&A. Operating income excludes interest expense, loss on debt extinguishment, income tax expense, and other expenses, net. We use operating income 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 costs), taxes, depreciation, amortization, loss (gain) on disposition of assets, management fees, equity-based compensation expense, mark-to-market on interest rate cap, 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 entitled 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 and Adjusted Net Income per Share

Adjusted net income and adjusted net income per share are additional key measures used by management and our board of directors to assess our financial performance. Adjusted net income and adjusted net income 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 is defined as net income adjusted to exclude loss (gain) on disposition of assets, management fees, equity-based compensation expense, mark-to-market on interest rate cap, and other non-recurring, non-cash or discrete items. Adjusted net income per share is defined as adjusted net income divided by the 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 COVID-19

We are closely monitoring the continuing impact of COVID-19 on all aspects of our business and in all of our locations. As of July 3, 2021, we operated 946 locations in 38 states and all locations are currently open. During the 13- and 39- weeks ended July 3, 2021, we maintained operations as an 'essential' business, as defined by various federal, state, and local authorities, by providing essential products and services that maintain the safety and sanitization of homes and businesses. From time to time, certain of our locations may be temporarily closed or restricted to curbside service only. Closures and restrictions did not have a material impact on our performance during the 13- and 39- weeks ended July 3, 2021. We remain committed to supporting federal, state, and local mandates to prevent the spread of COVID-19 while we operate our business and to do our part in protecting public health.

We help keep our communities safe from serious public health risks by providing essential products and services. Water that is not properly maintained can serve as a breeding ground for potentially fatal bacteria and viruses.

As a business, the health and safety of our consumers, communities, and associates remain our highest priority, and we continue to take all precautions recommended by the Centers for Disease Control and Prevention to ensure their safety and well-being. We have proactively implemented extensive measures in response to COVID-19 throughout our business operations, including:

- Required team members who are experiencing symptoms or have been in close contact with someone who has symptoms or has been exposed to the coronavirus to stay home;
- Provided additional employee benefits related to COVID-19, including covering the cost of the vaccine for our employees;
- Distributed personal protective equipment and implemented new monitoring protocols, including the installation of contactless temperature scanners in our corporate offices and distribution centers;
- Enhanced facility cleaning including routine sanitization of high touch surfaces;
- Implemented social distancing guidelines and capacity restrictions in our locations and reduced operating hours;
- Encouraged contactless payments and introduced curbside pickup and contact-free service calls;
- Incurred front line recognition pay for associates in our locations, distribution centers, and service technicians during the third and fourth quarters of 2020;
- Executed remote workforce plan for associates in our corporate offices; and
- Enacted mandatory travel restrictions.

We have also closely coordinated with our vendor partners to minimize the impact of supply disruptions and maintain the flow of essential products to meet the elevated demand from consumers in the current environment. The full 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. It is not possible to predict the likelihood, timing, or severity of the aforementioned direct and indirect impacts of COVID-19 on our business. Restrictions on the operation of our locations and distribution facilities could have a material impact on our sales and earnings. COVID-19 could also lead to significant disruption to our supply chain for products we sell and could have a material impact on our sales and earnings.

Business Acquisitions

Our business acquisitions did not have a material impact on our financial position or results of operations. See Note 3 – Business Combinations to the accompanying unaudited condensed consolidated financial statements for information regarding our business acquisitions.

Incremental Public Company Expenses

As a newly public company we incur significant expenses on an ongoing basis that we did not incur as a private company. Those costs include additional director and officer liability insurance expenses, as well as third-party and internal resources related to accounting, auditing, Sarbanes-Oxley Act compliance, legal, and investor and public relations expenses. These costs will generally be expensed under SG&A in the condensed consolidated statement of operations.

Results of Operations

We derived the condensed consolidated statements of operations for the 13- and 39- weeks ended July 3, 2021 and June 27, 2020 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 tables summarize key components of our results of operations for the periods indicated, both in dollars and as a percentage of our sales.

(dollars in thousands, except per share amounts)	Three Months Ended		Nine Months Ended	
Statements of income data:	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Sales	$ 596,543	$ 479,929	$ 933,991	$ 729,285
Cost of merchandise and services sold	312,845	269,160	526,895	437,526
Gross profit	283,698	210,769	407,096	291,759
Selling, general and administrative expenses	117,264	99,165	265,127	214,933
Operating income	166,434	111,604	141,969	76,826
Other expense:				
Interest expense	7,399	19,472	27,041	64,597
Loss on debt extinguishment	—	—	9,169	—
Other expenses, net	861	585	1,917	910
Total other expense	8,260	20,057	38,127	65,507
Income before taxes	158,174	91,547	103,842	11,319
Income tax expense (benefit)	39,372	19,613	21,749	(4,602)
Net income	$ 118,802	$ 71,934	$ 82,093	$ 15,921
Net income per share				
Basic	$ 0.63	$ 0.46	$ 0.45	$ 0.10
Diluted	$ 0.61	$ 0.46	$ 0.43	$ 0.10
Weighted average shares outstanding				
Basic	188,264	156,500	184,021	156,500
Diluted	194,200	156,500	189,603	156,500
Percentage of Sales(1)	(%)	(%)	(%)	(%)
Sales	100.0	100.0	100.0	100.0
Cost of merchandise and services sold	52.4	56.1	56.4	60.0
Gross margin	47.6	43.9	43.6	40.0
Selling, general and administrative expenses	19.7	20.7	28.4	29.5
Operating income	27.9	23.3	15.2	10.5
Other expense:				
Interest expense	1.2	4.1	2.9	8.9
Loss on debt extinguishment	-	-	1.0	-
Other expenses, net	0.1	0.1	0.2	0.1
Total other expense	1.4	4.2	4.1	9.0
Income before taxes	26.5	19.1	11.1	1.6
Income tax expense (benefit)	6.6	4.1	2.3	(0.6)
Net income	19.9	15.0	8.8	2.2
Other financial and operations data:				
Number of new and acquired locations	7	2	11	8
Number of locations open at end of period	946	934	946	934
Comparable sales growth(2)	23.9 %	19.4 %	27.2 %	15.5 %
Adjusted EBITDA(3)	$ 179,346	$ 119,800	$ 188,631	$ 102,714
Adjusted EBITDA as a percentage of sales(3)	30.1 %	25.0 %	20.2 %	14.1 %
Adjusted net income(3)	$ 124,364	$ 73,737	$ 110,964	$ 20,667
Adjusted net income per share	$ 0.64	$ 0.47	$ 0.59	$ 0.13

(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 income to Adjusted EBITDA and net income to Adjusted net income for the 13- and 39- weeks ended July 3, 2021 and June 27, 2020 (in thousands).

	Three Months Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Net income	$ 118,802	$ 71,934	$ 82,093	$ 15,921
Interest expense	7,399	19,472	27,041	64,597
Income tax expense (benefit)	39,372	19,613	21,749	(4,602)
Depreciation and amortization expenses(a)	6,347	6,374	19,205	20,462
Loss (gain) on disposition of fixed assets(b)	85	16	(1,668)	486
Management fee(c)	—	1,209	382	3,148
Equity-based compensation expense(d)	6,480	597	20,591	1,792
Mark-to-market on interest rate cap(e)	—	—	—	22
Loss on debt extinguishment(f)	—	—	9,169	—
Costs related to equity offerings(g)	778	—	9,986	—
Other(h)	83	585	83	888
Adjusted EBITDA	$ 179,346	$ 119,800	$ 188,631	$ 102,714

	Three Months Ended		Nine Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Net income	$ 118,802	$ 71,934	$ 82,093	$ 15,921
Loss (gain) on disposition of fixed assets(b)	85	16	(1,668)	486
Management fee(c)	—	1,209	382	3,148
Equity-based compensation expense(d)	6,480	597	20,591	1,792
Mark-to-market on interest rate cap(e)	—	—	—	22
Loss on debt extinguishment(f)	—	—	9,169	—
Costs related to equity offerings(g)	778	—	9,986	—
Other(h)	83	585	83	888
Tax effects of these adjustments(i)	(1,864)	(604)	(9,672)	(1,590)
Adjusted net income	$ 124,364	$ 73,737	$ 110,964	$ 20,667

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(a) Includes depreciation related to our distribution centers and stores, which is included in cost of merchandise and services sold in our condensed consolidated statements of income.

(b) Consists of loss (gain) loss on disposition of assets associated with store closures or the sale of property and equipment.

(c) Represents amounts paid or accrued in connection with our management services agreement, which was terminated upon the completion of our initial public offering in November 2020.

(d) Represents non-cash charges related to equity-based compensation included in selling, general and administrative expense in our condensed consolidated statements of income.

(e) Includes non-cash charges related to the change in fair value of our interest rate cap agreements, which expired in March 2021.

(f) Represents non-cash expense due to the write-off of deferred financing costs related to our Term Loan modification and the repayment of our Senior Unsecured Notes during the nine months ended July 3, 2021.

(g) Includes one-time payments of contractual amounts incurred in connection with our IPO that was completed in November 2020, which are reported in selling, general and administrative expenses, and our follow-on equity offerings in February and June 2021, which are reported in other expenses, net in our condensed consolidated statements of income.

(h) Other non-recurring, non-cash or discrete items as determined by management, such as transaction related costs, personnel-related costs, legal expenses, strategic project costs, and miscellaneous costs.

(i) Represents the tax effect of the total adjustments based on our actual statutory tax rate for fiscal year 2020 and our estimated statutory tax rate for fiscal year 2021.

Selected Financial Information

Sales

Sales increased to $596.5 million for the three months ended July 3, 2021 from $479.9 million in the prior year period, an increase of $116.6 million or 24.3%. This increase was primarily the result of an increase in comparable sales on a reported basis of 23.9% or $114.5 million, driven by an increase in consumer demand and elevated retail price inflation in the core sanitizer and equipment product categories.

Sales increased to $934.0 million for the nine months ended July 3, 2021 from $729.3 million in the prior year period, an increase of $204.7 million or 28.1%. This increase was primarily the result of an increase in comparable sales on a reported basis of 27.2% or $198.6 million, driven by an increase in consumer demand across all product categories due to higher use of residential pools and spas.

We believe that COVID-19 has accelerated secular trends in consumer behavior and has favorably impacted our sales. While the duration and effects of the COVID-19 pandemic are uncertain, we anticipate that the changes in consumer behavior will continue for the foreseeable future.

Gross Profit and Gross Margin

Gross profit increased to $283.7 million for the three months ended July 3, 2021 from $210.8 million in the prior year period, an increase of $72.9 million or 34.6%. Gross margin increased to 47.6% for the three months ended July 3, 2021 compared to 43.9% in the prior year period, an increase of 364 basis points. This increase in gross profit was primarily due to product margin improvements and occupancy leverage, partially offset by business mix.

Gross profit increased to $407.1 million for the nine months ended July 3, 2021 from $291.8 million in the prior year period, an increase of $115.3 million or 39.5%. Gross margin increased to 43.6% for the nine months ended July 3, 2021 compared to 40.0% in the prior year period, an increase of 358 basis points. This increase in gross profit and gross margin was primarily due to product margin improvements and occupancy leverage, partially offset by business mix.

Selling, General and Administrative Expenses

SG&A increased to $117.3 million for the three months ended July 3, 2021 from $99.2 million in the prior year period, an increase of $18.1 million or 18.2%. As a percentage of sales, SG&A decreased to 19.7% for the three months ended July 3, 2021 compared to 20.7% in the prior year period, a decrease of 101 basis points. The increase in SG&A for the three months ended July 3, 2021, consisted primarily of $18.2 million attributed to the increase in overall sales and our continued investments to support Company growth and $5.9 million related to higher non-cash equity-based compensation charges, partially offset by $6.0 million of lower costs compared to the prior year period associated with COVID-19.

SG&A increased to $265.1 million for the nine months ended July 3, 2021 from $214.9 million in the prior year period, an increase of $50.2 million or 23.4%. As a percentage of sales, SG&A decreased to 28.4% for the nine months ended July 3, 2021 compared to 29.5% in the prior year period, a decrease of 109 basis points. The increase in SG&A for the nine months ended July 3, 2021, consisted primarily of $29.8 million attributed to the increase in overall sales and our continued investments to support Company growth, $18.8 million related to non-cash equity-based compensation charges primarily due to the vesting of performance-based equity units at the time of the IPO, and $10.0 million of one-time contractual amounts incurred in connection with the IPO, partially offset by $4.8 million of lower costs compared to the prior year period associated with COVID-19 and $3.6 million of expenses related to the strategic consolidation of certain locations during the first quarter of fiscal year 2020.

Total Other Expenses

Total other expenses decreased to $8.3 million for the three months ended July 3, 2021 from $20.1 million in the prior period, a decrease of $11.8 million. Total other expenses decreased to $38.1 million for the nine months ended July 3, 2021 from $65.5 million in the prior year period, a decrease of $27.4 million. These decreases were primarily driven by lower interest expense of $12.1 million and $37.6 million for the three and nine months ended July 3, 2021, respectively, due to a reduction in interest rates and the repayment of our Senior Unsecured Notes with the proceeds of our initial public offering in November 2020, partially offset by a $9.2 million non-cash loss on debt extinguishment related to the repayment of our Senior Unsecured Notes and amendment to the Term Loan in the nine months ended July 3, 2021.

Income Taxes

Income tax expense increased to $39.4 million for the three months ended July 3, 2021 from $19.6 million compared to the prior year period, an increase of $19.8 million. Income tax expense increased to $21.7 million for the nine months ended July 3, 2021 as compared to an income tax benefit of $4.6 million in the prior year period. These increases were primarily attributable to higher income before taxes.

The effective income tax rate was 20.9% for the nine months ended July 3, 2021, and includes the reversal of a valuation allowance for our interest limitation carryforward as a result of our IPO and subsequent debt paydown and net income tax benefits attributable to equity-based compensation awards. The effective income tax rate was a benefit of 40.7% for the nine months ended June 27, 2020, and includes a decrease in the valuation allowance for our interest limitation carryforward due to favorable provisions of the CARES Act.

Net Income and Net Income per Share

Net income increased to $118.8 million for the three months ended July 3, 2021 from $71.9 million in the prior year period, an increase of $46.9 million or 65.2%. Diluted net income per share increased to $0.61 per share for the three months ended July 3, 2021 from $0.46 per share in the prior year period.

Net income increased to $82.1 million for the nine months ended July 3, 2021 from $15.9 million in the prior year period, an increase of $66.2 million or 416.4%. Diluted net income per share increased to $0.43 per share for the nine months ended July 3, 2021 from $0.10 per share in the prior year period.

Adjusted EBITDA

Adjusted EBITDA increased to $179.3 million for the three months ended July 3, 2021 from $119.8 million in the prior year period, an increase of $59.5 million or 49.7%. Adjusted EBITDA increased to $188.6 million for the nine months ended July 3, 2021 compared to $102.7 million in the prior year period, an increase of $85.9 million or 83.6%. These increases are due primarily to our increase in comparable sales, an improvement in gross margin and cost leverage.

Adjusted Net Income and Adjusted Net Income per Share

Adjusted net income increased to $124.4 million for the three months ended July 3, 2021 from $73.7 million in the prior year period, an increase of $50.6 million or 68.7%. Adjusted diluted net income per share increased to $0.64 for the three months ended July 3, 2021 from $0.47 in the prior year period.

Adjusted net income increased to $111.0 million for the nine months ended July 3, 2021 from $20.7 million in the prior year period, an increase of $90.3 million or 436.9%. Adjusted diluted net income per share increased to $0.59 for the nine months ended July 3, 2021 $0.13 in the prior year period.

Seasonality and Quarterly Fluctuations

Our business is highly seasonal. In general, sales and earnings are highest during our fiscal year third and fourth quarters, which include April through September and represent the peak months of swimming pool use. In fiscal year 2020, we generated 77% of our sales and 109% of our Adjusted EBITDA in the third and fourth quarters of our fiscal year. Sales are substantially lower during our fiscal first and second 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 experience a build-up of inventory and accounts payable during the fiscal first and second quarters of the year 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. As a result of lower sales volumes during our fiscal first and second quarters, we reach peak borrowing during our fiscal second quarter.

The principal external factor affecting our business is weather. Hot weather can increase purchases of chemicals and other non-discretionary products, purchases of discretionary products, and can drive increased activity around installation and repair services we offer. 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 availability under our ABL Credit Facility. Historically, we have funded working capital requirements, capital expenditures, payments related to acquisitions, and debt service requirements with internally generated cash on hand and borrowings under our ABL Credit Facility.

Cash and cash equivalents consist primarily of cash on deposit with banks. Cash and cash equivalents totaled $309.1 million as of July 3, 2021 and $157.1 million as of October 3, 2020. On April 12, 2021, we entered into an amendment to the $200.0 million ABL Credit Facility. See Note 7-Long-Term Debt to the notes of the unaudited condensed consolidated financial statements for more detail.

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 availability under our ABL Credit Facility will be adequate to finance our working capital requirements, planned capital expenditures, and debt service over the next 12 months. In the future, we may also allocate capital toward additional strategic acquisitions. If cash provided by operating activities and borrowings under our ABL Credit Facility are not sufficient or available to meet our capital requirements, then we will be required to obtain additional equity or debt financing in the future. There can be no assurance equity or debt financing will be available to us if we need it or, if available, the terms will be satisfactory to us.

As of July 3, 2021, outstanding standby letters of credit totaled $9.2 million and, after considering borrowing base restrictions, we had $190.8 million of available borrowing capacity under the terms of the ABL Credit Facility. As of July 3, 2021, we were in compliance with the covenants under our ABL Credit Facility and our Term Loan agreements.

Summary of Cash Flows

The following is a summary of our cash flows from operating, investing, and financing activities (in thousands):

	Nine Months Ended	
	July 3, 2021	June 27, 2020
Net cash provided by operating activities	$ 118,376	$ 85,921
Net cash used in investing activities	(22,176)	(21,664)
Net cash provided by (used in) financing activities	55,805	(6,255)
Net increase in cash and cash equivalents	$ 152,005	$ 58,002

Cash Provided by Operating Activities

Net cash provided by operating activities increased to $118.4 million for the nine months ended July 3, 2021 from $85.9 million in the prior year period, an increase of $32.5 million. This increase was primarily driven by the increase in net income related to our sales growth, partially offset by changes in working capital related to the build-up of product inventories to meet heightened customer demand across product categories.

Cash Used in Investing Activities

Net cash used in investing activities was $22.2 million for the nine months ended July 3, 2021 compared to $21.7 million in the prior year period. This slight increase was primarily driven by the timing of investments in property and equipment, offset in part by proceeds from asset dispositions in the current year.

Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities of $55.8 million for the nine months ended July 3, 2021, was primarily related to net proceeds raised during our initial public offering in November 2020 of $458.6 million, partially offset by net repayments of long-term debt and deferred financing costs of $402.8 million. Net cash used in financing activities of $6.3 million in the nine months ended June 27, 2020, represented the net paydown of long-term debt.

Contractual Obligations and Other Commitments

There were no material changes to our contractual obligations outside the ordinary course of our business during the three and nine months ended July 3, 2021 except for the $390.0 million repayment of the Senior Unsecured Notes in November 2020 and subsequent refinancing of our other debt obligations. See Note 7 – Long Term Debt and Note 10 – Commitments and Contingencies to the accompanying unaudited condensed consolidated financial statements for information regarding our contractual obligations and other commitments.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of July 3, 2021.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP and the applicable rules and regulations of the SEC for interim reporting. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

There have been no material changes to our critical accounting policies and estimates during the 13- and 39- weeks ended July 3, 2021 from those disclosed in our Annual Report on Form 10-K for the fiscal year ended October 3, 2020 filed with the SEC on December 23, 2020.

Recent Accounting Pronouncements

There have been no material changes to recent accounting pronouncements as of July 3, 2021 from those disclosed in our Annual Report on Form 10-K for the fiscal year ended October 3, 2020 filed with the SEC on December 23, 2020.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

Our operating results are subject to risk from interest rate fluctuations on our borrowings, which carry variable interest rates. Our borrowings include our ABL Credit Facility and Term Loan. Our ABL Credit Facility provides for revolving loans of up to $200.0 million, with a sub-commitment for issuance of letters of credit of $25.0 million. Because our borrowings bear interest at a variable rate, we are exposed to market risks relating to changes in interest rates. As of July 3, 2021, we had variable rate debt outstanding of $808.0 million under our Term Loan. No amounts were outstanding under our ABL Credit Facility as of July 3, 2021. In conjunction with our IPO all of our obligations related to the Senior Unsecured Notes have been settled. Based on the outstanding variable rate loan balance for the Term Loan an increase or decrease of 1% in the effective interest rate would cause an increase or decrease in interest cost of approximately $8.1 million over the next 12 months. From time to time we enter into interest rate cap agreements to manage interest rate risk. Such agreements cap the borrowing rate on variable debt to provide a hedge against the risk of rising rates. As of October 3, 2020, we had two interest rate cap agreements with a total notional amount of $750 million (the “Cap Agreements”) to mitigate the impact of fluctuations in the three-month LIBOR and effectively cap the LIBOR applicable to our variable rate debt at a rate of 3.00%. Fluctuations in the market value of the Cap Agreements are recorded in other expenses, net on our condensed consolidated statements of operations. In March 2021, our Cap Agreements expired.

Impact of Inflation

Our results of operations and financial condition are presented based on historical cost. We actively manage the impact of inflation, including tariffs, through strong relationships with our diverse supplier base, vendor negotiation, and price and promotion management. We also strategically invest through inventory purchases in order to obtain favorable pricing ahead of any vendor price increases. As a result, we believe we have an ability to substantially mitigate negative impacts of inflation.

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, and that such information is accumulated and communicated to the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely discussions regarding required disclosure. We, under the supervisions 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 concluded that the design and operation of our disclosure controls and procedures were effective as of July 3, 2021.

Changes in Internal Control over Financial Reporting

This Quarterly Report on Form 10-Q does not include disclosure of changes in internal control over financial reporting due to a transition period established by rules of the SEC for newly public companies.

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 July 3, 2021, 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 3, 2020, as updated by the risk factors disclosed in our Quarterly Report on Form 10-Q for the period ended January 2, 2021, other than the risk factors presented below.

Future sales of shares by existing stockholders could cause our stock price to decline.

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market after the contractual lock-up agreements described below expire and other restrictions on resale lapse, the trading price of our common stock could be adversely impacted. As of August 2, 2021, we had 189,323,108 million shares of common stock outstanding. In connection with our public offering in June 2021, our directors, executive officers and the selling stockholders in the offering entered into lock-up agreements with the underwriters for the offering prohibiting sales of our common stock, subject to certain exceptions, until August 8, 2021. In addition, as discussed in "Certain Relationships and Related Party Transactions," in our Annual Report on Form 10-K, pursuant to our registration rights and lock-up agreement, certain of our stockholders are subject to additional lock-up periods, including the following:

- each stockholder party to our registration rights and lock-up agreement will be prohibited from selling shares for 90 days following any public offering subject to such agreement, subject to limited waivers and exceptions, which created an additional lock-up period as a result of our public offering in June 2021 that expires on September 7, 2021; and
- any employee, member of management or director as of the time of closing of our initial public offering will be prohibited from selling shares for an additional 540 days, subject to limited waivers and exceptions, with such additional lock-up period expiring on October 18, 2022.

Upon expiration of each of these lock-up periods, all such shares will be eligible for resale in the public market, subject to applicable securities laws, including the Securities Act. The trading price of our common stock could be adversely impacted if any of these certain significant stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Table of Contents

Item 6. Exhibits.

Exhibit Number	Description
3.1	Fifth Amended and Restated Certificate of Incorporation, effective as of November 2, 2020 (filed with the SEC as Exhibit 3.1 to the Company's Form 8-K filed on November 2, 2020 and incorporated herein by reference).
3.2	Amended and Restated Bylaws, effective as of November 2, 2020 (filed with the SEC as Exhibit 3.2 to the Company's Form 8-K filed November 2, 2020 and incorporated herein by reference).
4.1	Second Amendment to Registration Rights and Lock-up Agreement between Leslie's, Inc. and Bubbles Investor Aggregator, L.P. (filed with the SEC as Exhibit 4.6 to the Company's S-1 filed on June 7, 2021 and incorporated herein by reference).
10.1	Amendment No. 5, dated as of April 12, 2021, to the Credit Agreement among Leslie's Poolmart, Inc., the subsidiary borrowers from time to time party thereto, Leslie's, Inc., each lender from time to time party thereto, Bank of America, N.A., as Administrative Agent, and U.S. National Association, as Co-Collateral Agent (filed with the SEC as Exhibit 10.2 to the Company's Form 10-Q filed on May 10, 2021 and incorporated herein by reference).
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934.
32.1+	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2+	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

* Filed herewith.

\# Indicates a management contract or compensatory plan or arrangement.

\+ 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.

SIGNATURES

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

LESLIE'S, INC.

Date: August 6, 2021

By: /s/ Steven M. Weddell

Steven M. Weddell
Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

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)) 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; and

   (b) 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

   (c) 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.

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: August 6, 2021

By: /s/ Michael R. Egeck
Michael R. Egeck
Chief 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)) 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; and

    (b) 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

    (c) 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.

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: August 6, 2021

By: /s/ Steven M. Weddell
Steven M. Weddell
Chief Financial 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 of Leslie's, Inc. (the "Company") on Form 10-Q for the quarter ending July 3, 2021 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 result of operations of the Company.

Date: August 6, 2021

By: /s/ Michael R. Egeck
Michael R. Egeck
Chief 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 of Leslie’s, Inc. (the “Company”) on Form 10-Q for the quarter ending July 3, 2021 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 result of operations of the Company.

Date: August 6, 2021

By: /s/ Steven M. Weddell
Steven M. Weddell
Chief Financial Officer