NASDAQ: LESL

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Investment Thesis

Thesis

Leslie's (NASDAQ: LESL) is experiencing strong growth through its effective business model and strong market position that is underappreciated by the market due to misplaced concerns over its financial activity and expansion capabilities

Rationale

1

Competitively Advantaged Against Industry Peers

- Leslie's operates in an industry in which it is the sole major player which allows it to beat competitors' prices, maintain high profit margins, and produce steady cash flows

2

Ample Room for Growth

- The fragmented nature of its industry as well as favorable macroeconomic conditions suggest that Leslie's has an expanding ability to deploy its capital and grow organically and inorganically

3

Market Inefficiency and Undervaluation

- Leslie's stock price has lagged in growth despite record growth in revenue and profitability due to unwarranted market sell-offs as a result of restricted stock agreements

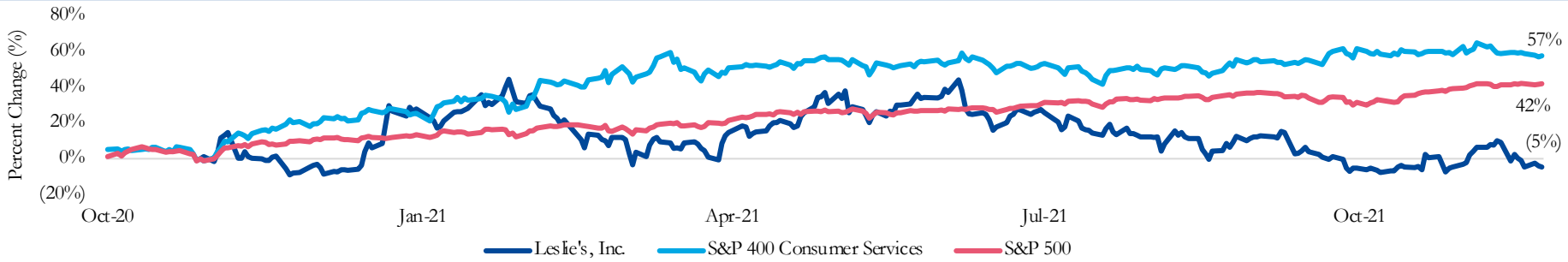
Base Price Target: **$26.53**
30.5% upside from current price

I. Macroeconomic/Industry Overview

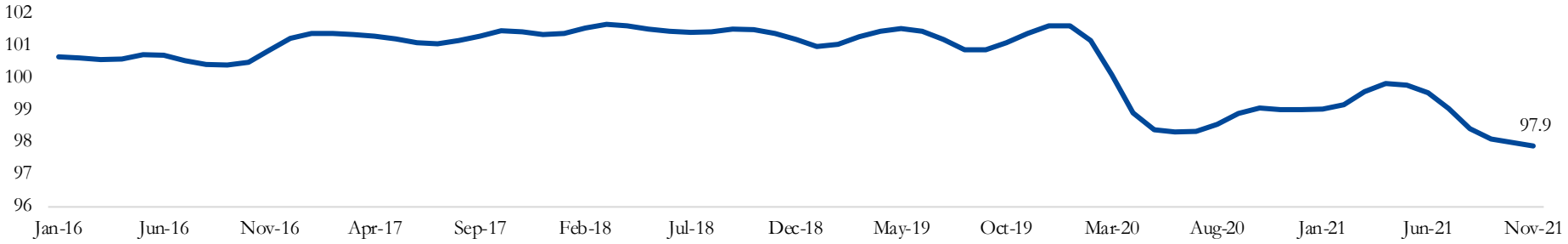
Macroeconomic Overview

Although the COVID-19 pandemic led to a decrease in consumer confidence, a spike in housing starts has benefitted companies that offer products and services which coincide with new home construction

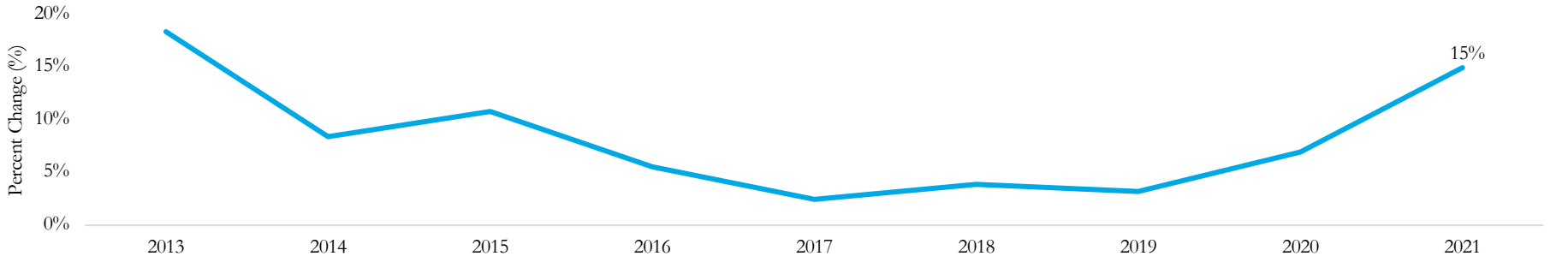
Performance Relative to S&P 500 and S&P 400 Consumer Services Sector



U.S. Consumer Confidence Index (CCI)



U.S. Housing Starts



Sources: CapIQ, OECD, IBIS World

Swimming Pool Equipment Stores

The Swimming Pool Equipment Stores industry's high fragmentation provides an opportunity for larger players to consolidate market share and compete with online retailers, big-box, and home improvement stores

Industry Overview

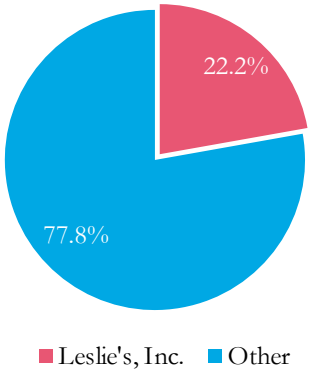
- Companies in this industry primarily sell above ground swimming pools and hot tubs
- These companies also sell swimming pool equipment, including pool chemicals, cleaning and maintenance equipment, and recreational items intended for swimming pool use
- Industry demand has been boosted by an eruption of new pool construction

Key Drivers

E-commerce sales	Private spending on home improvements	Housing starts

A Highly Fragmented Landscape

Major Players



Other Companies

Demaray pool supply

pools | patios | hot tubs Namco

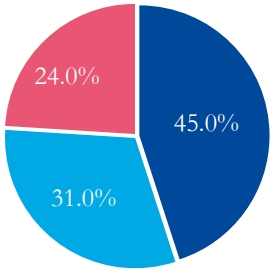
PINCH·A·PENNY POOL·PATIO·SPA The Perfect People For A Perfect Pool

Most stores are privately owned and operate one retail location within regional markets

Leslie's market share concentration expected to increase as it competes with online retailers and big-box stores

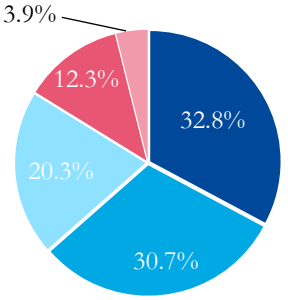
Products and Market Segmentation

Products and Services



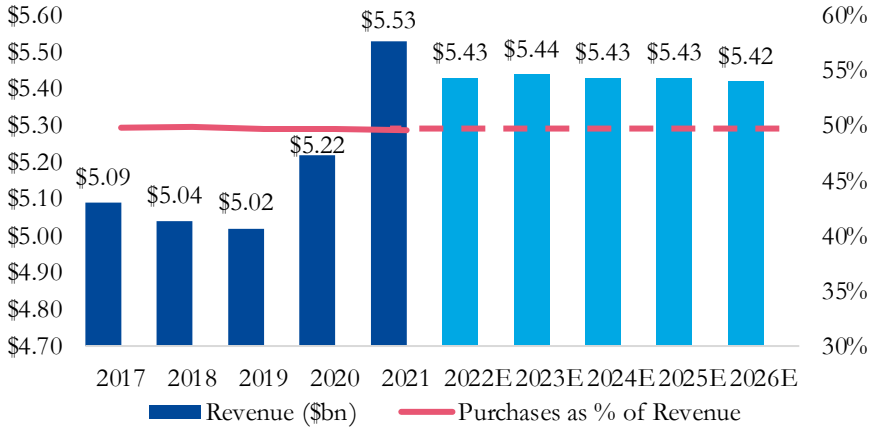
- Pool Chemicals
- Pool Equipment and Recreational Items
- All Other Products

Markets



- Homeowners with Hot Tub
- Homeowners with In-Ground Pool
- Homeowners with Surface Pool
- Pool and Property Managers
- Municipalities

Revenue Trends



Sources: IBIS World

II. Company Profile

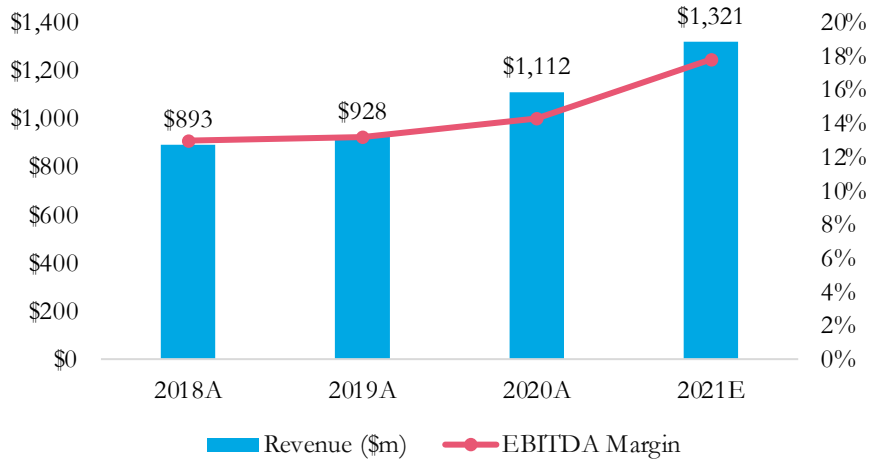
Company Overview

Leslie's operates as the only direct-to-consumer manufacturer and distributor of pool and spa care products including mainly maintenance items along with related ongoing in-field service provisions. Leslie's is a dominant player in the industry with a successful integrated platform and omni-channel capabilities

Company Description

- Leslie's serves as a **one-stop-shop for all pool and spa care needs** with a differentiated product offering of over 30,000 SKUs and in-field services
- The company is the **only direct-to-consumer pool & spa brand** with national scale with 943 branded locations spanning 38 states across the U.S.
- The company serves all customers in the aftermarket of the industry through **residential pool & spa, professional pool, and commercial pool channels**
- Established a **consumer-centric integrated ecosystem** with physical locations, distribution centers, and proprietary e-commerce sites including their own app
- Entrenched relations with customers allow for **annuity-like demand** and 57 years of consecutive revenue growth, uninterrupted during downturns
- Prior to Leslie's **IPO in October 2020**, private equity firm L. Catterton acquired Leslie's in 2017 through an LBO

Historical Financials



Management Team

Michael R. Egeck, *CEO*
- Served as CEO since February 2020
- Previously served as CEO of PSEB Group and Hurley International, proven track record of driving growth

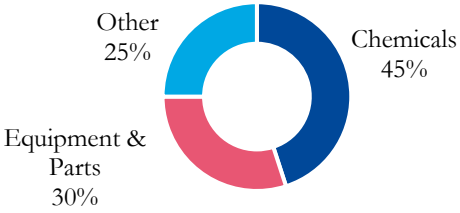
Steven M. Weddell, *CFO, Secretary & Treasurer*
- Served as CFO since June 2015
- Previously worked at Goldman, Sachs & Co. in the Investment Banking Group from 2003 to 2015

Paula F. Baker, *CRO*
- Served as CRO since March 2020
- Previously served as Chief People and Performance Officer since 2019 for Leslie's

Selected Financials

Net-Debt/EBITDA	2.0x	Gross Margin	43.7%
EV/EBITDA	13.7x	Profit Margin	9.5%
2001-2019 Revenue CAGR	6.41%	FCF Margin	11.7%

Product Segmentation



- Leslie's has a diversified product portfolio
- 55% of products sold are proprietary brands including 80% proprietary chemicals

Sources: Company Filings, CapIQ

Business Model

Leslie's integrates physical locations, distribution centers, and proprietary e-commerce websites including their own app into one platform in order to seamlessly provide total solutions through a consumer-centric focus enabling the company to maintain entrenched customer relationships and a competitive advantage

Integrated Platform

Physical Locations

- Strategically located residential locations across 38 states with a range of differentiated in-store and on-site service offerings
- 16 PRO locations located along popular service routes with additional SKUs targeted towards professional consumers
- Full service hot tub/spa locations in select markets

Digital Network

- Portfolio of branded proprietary e-commerce websites combined with marketplace storefronts through Amazon, Walmart, & eBay allows Leslie's to serve all digital consumer demands

Commercial Service Centers

- 17 Largest locations with extensive assortment of products and service provisions equipped to fulfill bulk orders
- Allows for fulfillment of special orders with experienced service technicians on site to conveniently serve commercial consumers

E-Commerce Breakdown

- Full offering of products from trusted brands with the highest online pool traffic in the industry
- Website dedicated to pool professionals with full assortment of products
- Broad assortment at entry to mid price points with the highest online sales volume in the industry
- Mobile app allows for synching in-store prescriptions, monitoring performance, and completing transactions (>500K downloads)
- Marketplaces consist of offerings of basic pool care supplies
- Leslie's is the highest marketplace volume player in the industry

Over 60% of all online pool traffic is captured through Leslie's Digital Platform

Customer Relationships

Leslie's has over 11 million direct relationships with customers

Marketing strategies dedicated to invest in acquiring new consumers and retention of existing customers

Sticky. long-term customer relationships from the pairing of diverse array of products with in-store/on-site service offerings & prescriptions

80% of sales are recurring, demonstrating annuity-like demand from customers

Proprietary Brands

- Leslie's diverse portfolio of owned and exclusive brands differentiates them from big-box retailers and maintains strong relationships with their customers
- Proprietary brands comprise of over 55% of total sales and allow Leslie's to control their supply chain and capture attractive margins

Jacuzzi

RIGHTFIT POOL PARTS

AccuBlue®

MyLife HOT TUBS

Sources: Company Filings, CapIQ

III. Investment Rationale

Competitive Advantage

Leslie's has a competitive advantage in its industry as it is able to cut costs and generate higher profits than local competitors; it also offers specialization that larger competitors are unable to match

Vertical Integration

Self-Owned Facilities

- Leslie's uses company-operated packaging plants and third-party contract packaging facilities
- High-volume items sell at a premium

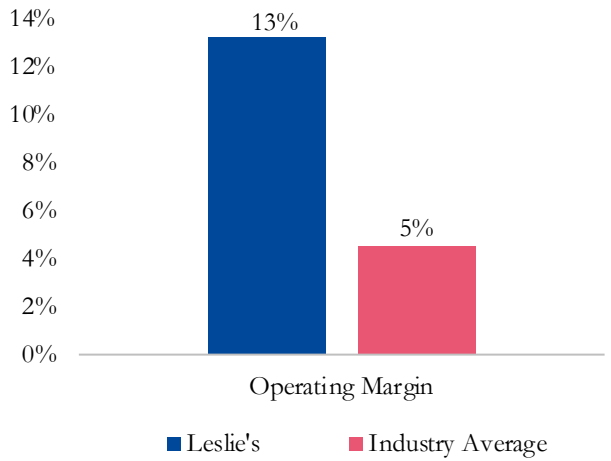
Diversified Supplier Base

- The company sources a variety of raw materials and chemicals from a large supplier base
- No supplier represents more than 10% of purchases

Distribution Capabilities

- Leslie's operates a national network of self-operated distribution centers
- Facilities replenish inventory and fulfill online orders

Cost Efficiency



Leslie's vertical integration and scaling ability allows it to maintain high margins and have the potential to undercut the price points of smaller, local competitors

Mass-Market and Home Improvement Retailers

Disadvantages

- Seasonal Selection
- Lack of Employee Expertise
- Maintenance Services N/A

Customer Relationships

Leslie's emphasis on building a strong reputation through pool and spa expertise as well as unique product services in an industry characterized by repeat customers allows it to keep shoppers from switching to mass-retailers that are generally seen as more convenient

Sources: IBIS World, Company Filings

Key Acquisitions & Strategic Outlook

Leslie's strategic acquisitions have allowed them to consolidate market share, a strategy that is expected to continue by way of their ambitious growth plans and increasing focus on ESG initiatives

January 4, 2013
Leslie's acquires Warehouse Pool Supply, Inc, which operates a chain of pool and spa supply retail stores primarily in Texas

November 2, 2013
Leslie's acquires one of the nation's premier internet retailers of swimming pool supplies

February 5, 2018
Leslie's acquires the assets of Valley Pool Sales, Inc, which include six retail stores, ecommerce operations, and related warehouses and corporate office facilities

October 29, 2020
Leslie's raises ~$680 million in **initial public offering** on NASDAQ

May 5, 2021
Leslie's acquires International Hot Tub Company, Inc, which operates as a supplier of hot tub, swim spa, and fireplace products

August 4, 2021
Leslie's acquires Oregon Hot Tub, which operates as a dealer of hot tubs throughout metropolitan Oregon

August 4, 2021
Leslie's acquires Capital Hot Tubs, which operates in the Greater Washington, D.C. metro area

Forward Looking Strategy

- **Growing Consumer Profile**
  New marketing capabilities & tools; Leverage existing database of new & existing pools and spas
- **Deepening Relationships with Existing Customers**
  Loyalty 2.0 launched May 2021; Enhanced product and service assortment
- **Attacking the Professional Market**
  200+ PRO location whitespace; Affiliate program; Dedicated PRO website launched 2021
- **Continuing Programmatic M&A**
  Execute on pipeline of identified opportunities; Multiple recently completed acquisitions
- **Addressing Residential Whitespace**
  Address 700+ underserved markets with mix of digital assets and physical locations
- **Pursuing/Launching Disruptive Innovations**
  Launch AccuBlue Home®, an integrated smart pool subscription solution for residential consumers

Sustainable Product Offering

Water Conservation

Leslie's Elite Cartridges

Designed to provide longer cleaning cycles and require less frequent cleaning

Chemical Efficiency

Leslie's Perfect Weekly Triple Action Phosphate Remover

Reduces chlorine consumption by using enzymes to break down organic matter in the pool water

Sources: Company Website, CapIQ

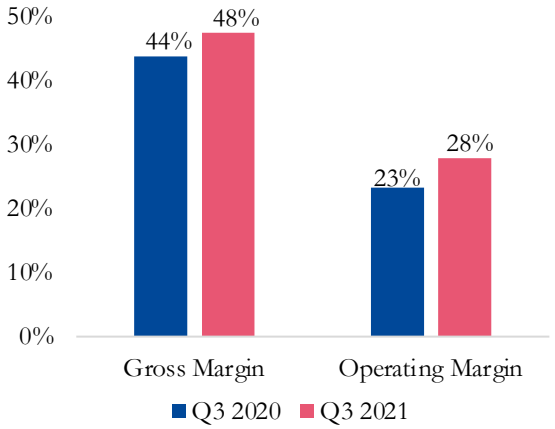
Situation Update

After completing an IPO in 2020, Leslie's has undergone substantial revenue and profitability growth in 2021 – partially due to a demand spike from the COVID-19 pandemic

General Overview

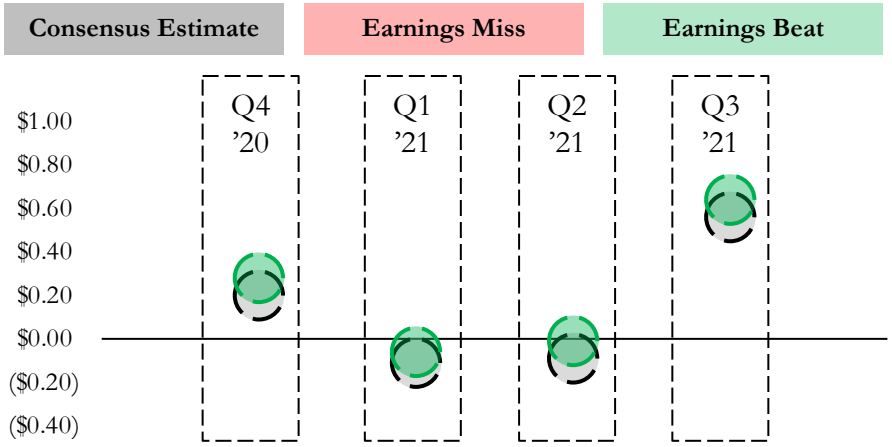
- After being bought out by L. Catterton in 2017, Leslie's, Inc. completed a successful IPO in November of 2020 worth $680 million
- The company has since undergone significant growth including a revenue increase of 19.8% from 2019 to 2020
- Much of Leslie's growth has been driven by heightened pool supply demand as a result of the COVID-19 pandemic
- Consumer trends included a shift towards pool construction as a placeholder for travel/vacations
- However, Leslie's has been especially successful compared to industry peers – increasing market share by 3.2% over the past two years
- Although COVID-19 has been a net-positive for Leslie's, profitability increases have been partially offset by supply chain issues and heightened price commodity inputs such as chlorine

Margin Expansion



Leslie's growth in profitability has partially been driven by margin expansion that has come through cost efficiency and vertical integration that is unique to the industry

Earnings Beats



Financial Activity

Debt Restructuring

- In November of 2020, Leslie's paid the entirety of its $390.0 million Senior Unsecured Notes
- In March of 2021, the company renegotiated its term loan to decrease the interest rate by 75 basis points and extend maturity date from Jun 2024 to Mar 2028

Equity Issuances

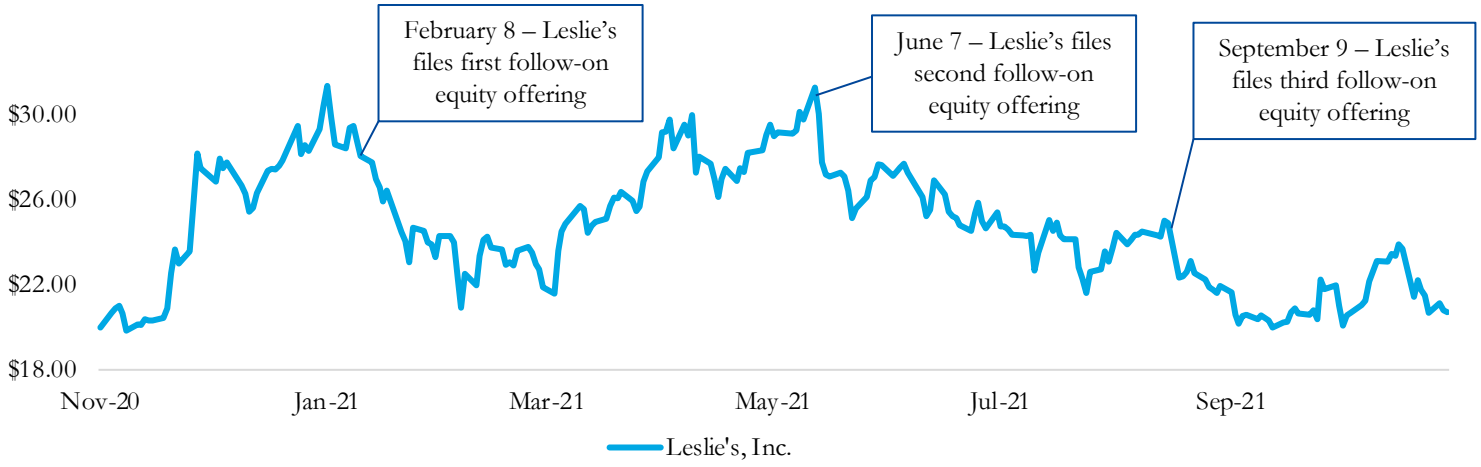
- In February, June, and September of 2021, Leslie's completed secondary offerings of 29.0, 24.5, and 13.0 million shares, respectively
- The proceeds in these offerings were received by selling stockholders – causing minimal share dilution

Sources: Company Filings, IBIS World

Market Inefficiency

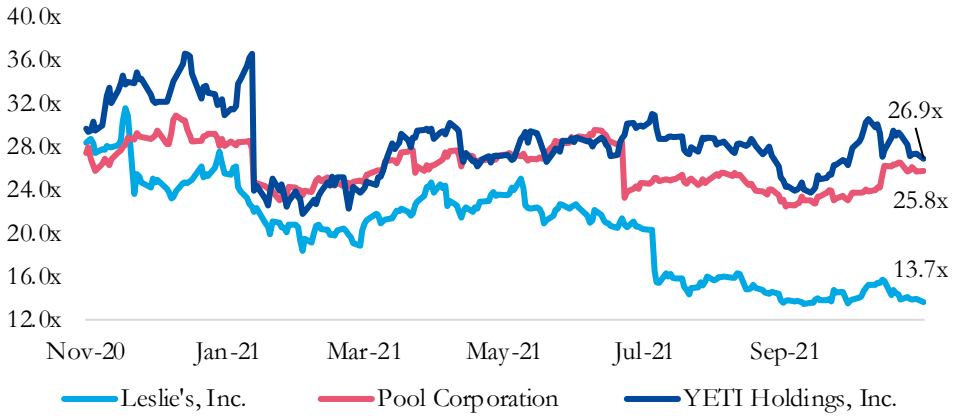
Despite strong performance, Leslie's stock has become available at an attractive price due to unwarranted sell-offs relating to restricted stock agreements from its IPO in November of 2020

Artificial Price Depression from Sell-Offs



In 2021, Leslie's stock price has undergone precipitous price drops related to its equity offerings despite record profitability and share dilution of just 1.7% throughout the year

Multiple Comparison (EV/EBITDA)



Notable Investors Increasing Positions (Q3 2021)

Vanguard Group, Inc.	41.7% Change
Champlain Investment Partners, LLC	58.5% Change
BlackRock, Inc.	7.0% Change

Sources: CapIQ, Company Filings, NASDAQ Website

IV. Final Recommendation

Assumptions Highlighted

FCF Build - Base Case

($ in thousands)	FYE December 9,			FYE December 9,					
	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E
Total Revenue	**$892,600**	**$928,203**	**$1,112,229**	**$1,315,767**	**$1,421,028**	**$1,506,290**	**$1,581,604**	**$1,644,869**	**$1,694,215**
Revenue Growth		4.0%	19.83%	18.30%	8.00%	6.00%	5.00%	4.00%	3.00%
Expenses									
COGS	535,464	548,463	651,516	757,586	818,193	867,284	910,648	947,074	975,487
Gross Profit	**$357,136**	**$379,740**	**$460,713**	**$558,181**	**$602,836**	**$639,006**	**$670,956**	**$697,794**	**$718,728**
Gross Margin	40.01%	40.91%	41.42%	42.42%	42.42%	42.42%	42.42%	42.42%	42.42%
SG&A	241,669	258,152	216,317	255,903	276,375	292,958	307,606	319,910	329,507
Other Operating Expenses	1,759	7,453	1,759	2,081	2,247	2,382	2,501	2,601	2,679
Operating Expenses	243,428	265,605	218,076	257,984	278,623	295,340	310,107	322,511	332,187
D&A	31,611	30,424	28,925	34,218	36,956	39,173	41,132	42,777	44,060
Operating Income (EBIT)	**$82,097**	**$83,711**	**$213,712**	**$265,979**	**$287,257**	**$304,493**	**$319,717**	**$332,506**	**$342,481**
EBIT Margin	9.20%	9.02%	19.21%	20.21%	20.21%	20.21%	20.21%	20.21%	20.21%
Income Tax Expense	(4,926)	(14,855)	(2,627)	(40,973)	(43,774)	(45,893)	(46,675)	(46,976)	(46,779)
EBIAT	**$77,171**	**$68,856**	**$211,085**	**$225,006**	**$243,483**	**$258,599**	**$273,042**	**$285,530**	**$295,702**
Cash Flow									
Plus: D&A	31,611	30,424	28,925	34,218	36,956	39,173	41,132	42,777	44,060
Discretionary Cash Flow	**$108,782**	**$99,280**	**$240,010**	**$259,225**	**$280,439**	**$297,773**	**$314,174**	**$328,307**	**$339,763**
Less: Increase in NWC		2,600	10,419	(19,129)	8,732	9,610	10,368	1,424	1,110
Less: Capex	(28,786)	(27,444)	(20,630)	(24,405)	(28,489)	(32,458)	(36,453)	(40,379)	(44,131)
Free Cash Flow	**$79,996**	**$74,436**	**$229,799**	**$215,690**	**$260,682**	**$274,924**	**$288,088**	**$289,352**	**$296,742**
Free Cash Flow Growth		(6.95%)	208.72%	(6.14%)	20.86%	5.46%	4.79%	0.44%	2.55%

Terminal Value	
Exit Multiple Method	
2026 EBITDA	386,541.5
Exit Multiple	13.0x
Terminal Value	5,025,040.1
Present Value of Terminal Valu	3,597,757.8

Terminal Value	
Perpetuity Growth Method	
2026 FCFF	296,741.7
Terminal Growth Rate	2.0%
Terminal Value	7,099,624.1
Present Value of Terminal V	5,083,089.4

Upside/Downside	
Blended Implied Share Price	$26.53
Current Share Price	$20.33
% Change	30.5%

Blended Implied Share Price	
Perpetuity Growth Method	$30.45
Exit Multiple Method	$22.61
Blended Share Price	$26.53

- "We talk about what allows us to drive rate improvement year in, year out. It's our direct vendor relationships, it's our proprietary product offerings. It's our vertical integration of our supply chain and manufacturing operations." – *Steve Weddell, CFO*
- "The team is laser-focused on identifying opportunities to improve [margin] rates irrespective of where we're starting from. – *Steve Weddell, CFO*

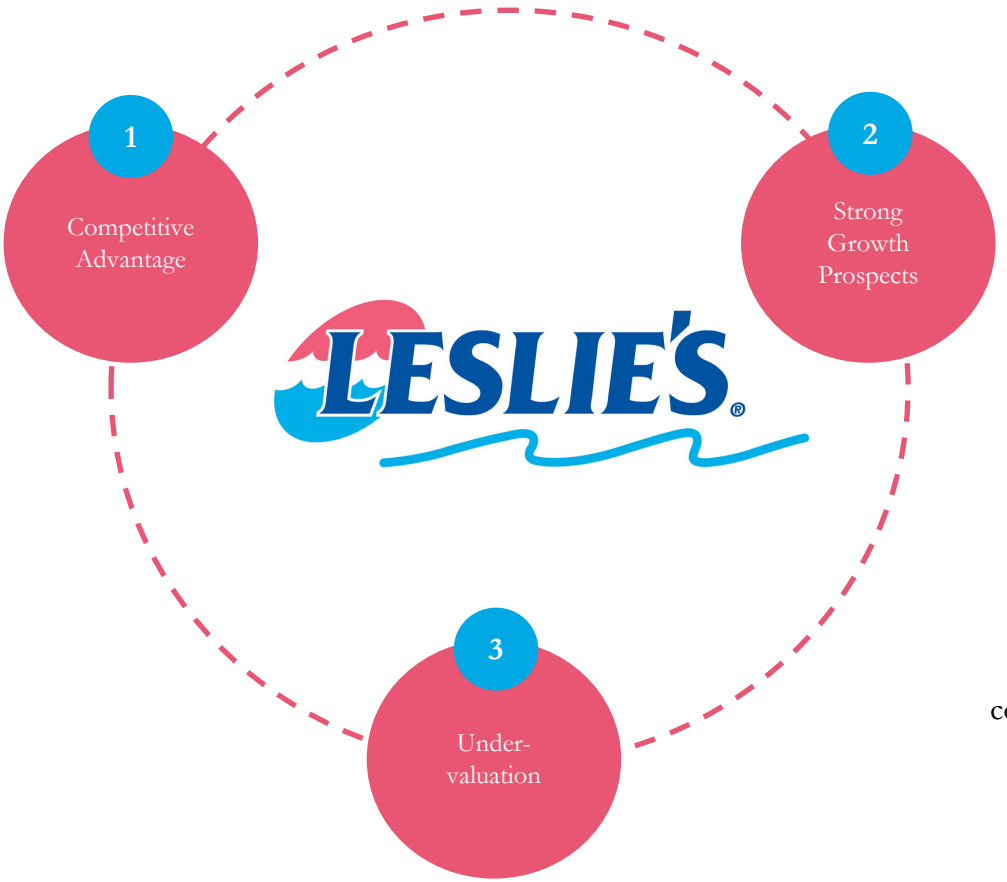
1. **Revenue projections use results from management and Wall Street estimates adjusted downwards**
   - 6 year revenue CAGR is 7.27% which is only 1.13% higher than Leslie's revenue CAGR from 2001-2019 of 6.41%
2. **2021 EBIT margins reflect management projections in quarter three 10-Q**
   - 2022-2026 include conservative assumption that margins fail to expand at all
3. **Terminal value growing at inflationary 2% by end of projection**
   - Chosen with explicit purpose of being conservative
4. **Wall Street consensus has share price at median value of $34.50 and a mean of $32.42**
   - Our projection represents a 18.2% decrease from the mean and a 23.1% decrease from the median
5. **Exit multiple at lower end at 13.0x**
   - 3.5x decrease from EV/EBITDA mean from comps and .7x decrease from current EV/EBITDA

Risk Analysis

Leslie's strong market position and steady business model will prevent any serious risks from materializing

Potential Risk	Mitigant
Leslie's substantial debt obligations leads to financial strain in a business downturn and causes eventual default	Leslie's current earnings cover its debt adequately as it has a net-debt/EBITDA of 2.0x and recently received a credit rating upgrade to Ba3 from Moody's
Demand for pools and therefore pool supplies decreases due to a drop-off in home improvement spending following COVID-19	The pandemic gave Leslie's access to a wider customer base which will persist despite pool construction reaching a peak in 2021 and the company has a history of resilience during recessionary periods
Leslie's success attracts new competitors which take market share and wither away profitability	Part of Leslie's strategic growth plan is to acquire upcoming competitors and its margin superiority will allow it to undercut competitors' prices and compete with larger, big-box retailers
Additional future sales of shares by existing stockholders cause the stock price to decline rapidly	75% of Leslie's share lock-up agreements expired in April of 2021 and any further sell-offs will likely be temporary
The cost of raw materials and other commodities rise and increase Leslie's costs of goods sold	Leslie's has had success in passing input price increases to customers as demand is relatively inelastic

Final Recommendation



1. Leslie's serves as the only major player in its industry and thus has the ability to beat competitor prices, maintain high profit margins, and produce steady cash flows
2. Leslie's has an expanding ability to deploy its capital and grow both organically and inorganically with their proven track record and the fragmented nature of its industry combined with favorable macroeconomic conditions
3. Despite record growth in revenue and profitability, Leslie's stock price has lagged in growth to unwarranted market sell-offs as a result of restricted stock agreements

We expect the market to recognize the true value of Leslie's as they successfully expand their market share capturing more consumers in underpenetrated regions and continue to experience growth moving forward. Therefore, we recommend a BUY.

Price Target Downside:	Price Target Base Case:	Price Target Upside:
$18.66	$26.53	$30.41
(8.2%) downside to $20.33	30.5% upside to $20.33	49.6% upside to $20.33

V. Appendix

Comparable Companies Analysis

Valuation Statistics *($ in millions)*

Company	Ticker	Market Capitalization	Enterprise Value	EV/Revenue 2020A	EV/Revenue NTM	EV/EBITDA 2020A	EV/EBITDA NTM	Debt/EBITDA-Capex 2020A	Debt/EBITDA-Capex NTM
Pool Corporation	POOL	22,788	23,292	4.6x	4.2x	25.8x	25.6x	0.7x	-
YETI Holdings, Inc.	YETI	8,478	8,410	6.3x	5.4x	27.1x	23.4x	0.7x	-
DICK's Sporting Goods, Inc.	DKS	11,025	12,707	1.1x	1.1x	4.5x	7.1x	1.2x	1.8x
Walmart	WMT	408,627	4,585,960	0.8x	0.8x	10.3x	12.2x	1.8x	2.0x
Costco	COST	242,884	242,630	1.2x	1.1x	25.5x	25.6x	1.9x	1.9x
XXL ASA	XXL	411	458,596	0.7x	0.6x	8.0x	5.3x	5.6x	-
Leslie's, Inc.	LESL	3,934	4,594	3.5	3.3x	13.9x	16.1x	3.1x	-
	Low	411	8,410	0.7x	0.6x	4.5x	5.3x	0.7x	1.8x
	Mean	115,702	888,599	2.5x	2.2x	16.9x	16.5x	2.0x	1.9x
	Median	16,907	132,961	1.2x	1.1x	17.9x	17.8x	1.5x	1.9x
	High	408,627	4,585,960	6.3x	5.4x	27.1x	25.6x	5.6x	2.0x

Operating Statistics

Company	Ticker	Revevnue LTM	Revevnue NTM	EBITDA LTM	EBITDA NTM	Margins Gross	Margins EBITDA	Margins Net Income
Pool Corporation	POOL	5,099.30	5,532.81	806.90	910.59	30.10%	15.8%	11.8%
YETI Holdings, Inc.	YETI	1,343.60	1,565.62	293.80	359.45	58.50%	21.9%	15.0%
DICK's Sporting Goods, Inc.	DKS	12,066.50	11,825.14	2,235.20	1,800.45	37.40%	18.5%	11.6%
Walmart	WMT	571,962.00	578,319.04	40,713.00	37,617.38	25.00%	7.1%	1.4%
Costco	COST	195,929.00	213,829.83	9,004.00	9,489.54	12.90%	4.6%	2.6%
XXL ASA	XXL	1,082.90	1,171.69	32.10	140.30	40.40%	3.0%	2.1%
Leslie's, Inc.	LESL	1,316.90	1,391.86	264.10	285.61	43.70%	20.1%	9.5%
	Low	$1,082.90	1171.69	32.10	140.30	12.90%	3.00%	1.40%
	Mean	$131,247.22	135374.02	8847.50	8386.29	34.05%	11.82%	7.41%
	Median	$8,582.90	8678.98	1521.05	1355.52	33.75%	11.45%	7.06%
	High	$571,962.00	578319.04	40713.00	37617.38	58.50%	21.90%	15.04%

DCF Output: Base Case

FCF Build - Base Case

($ in thousands)	FYE December 9,			FYE December 9,					
	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E
Total Revenue	**$892,600**	**$928,203**	**$1,112,229**	**$1,315,767**	**$1,421,028**	**$1,506,290**	**$1,581,604**	**$1,644,869**	**$1,694,215**
Revenue Growth		4.0%	19.83%	18.30%	8.00%	6.00%	5.00%	4.00%	3.00%
Expenses									
COGS	535,464	548,463	651,516	757,586	818,193	867,284	910,648	947,074	975,487
Gross Profit	**$357,136**	**$379,740**	**$460,713**	**$558,181**	**$602,836**	**$639,006**	**$670,956**	**$697,794**	**$718,728**
Gross Margin	40.01%	40.91%	41.42%	42.42%	42.42%	42.42%	42.42%	42.42%	42.42%
SG&A	241,669	258,152	216,317	255,903	276,375	292,958	307,606	319,910	329,507
Other Operating Expenses	1,759	7,453	1,759	2,081	2,247	2,382	2,501	2,601	2,679
Operating Expenses	243,428	265,605	218,076	257,984	278,623	295,340	310,107	322,511	332,187
D&A	31,611	30,424	28,925	34,218	36,956	39,173	41,132	42,777	44,060
Operating Income (EBIT)	**$82,097**	**$83,711**	**$213,712**	**$265,979**	**$287,257**	**$304,493**	**$319,717**	**$332,506**	**$342,481**
EBIT Margin	9.20%	9.02%	19.21%	20.21%	20.21%	20.21%	20.21%	20.21%	20.21%
Income Tax Expense	(4,926)	(14,855)	(2,627)	(40,973)	(43,774)	(45,893)	(46,675)	(46,976)	(46,779)
EBIAT	**$77,171**	**$68,856**	**$211,085**	**$225,006**	**$243,483**	**$258,599**	**$273,042**	**$285,530**	**$295,702**
Cash Flow									
Plus: D&A	31,611	30,424	28,925	34,218	36,956	39,173	41,132	42,777	44,060
Discretionary Cash Flow	**$108,782**	**$99,280**	**$240,010**	**$259,225**	**$280,439**	**$297,773**	**$314,174**	**$328,307**	**$339,763**
Less: Increase in NWC		2,600	10,419	(19,129)	8,732	9,610	10,368	1,424	1,110
Less: Capex	(28,786)	(27,444)	(20,630)	(24,405)	(28,489)	(32,458)	(36,453)	(40,379)	(44,131)
Free Cash Flow	**$79,996**	**$74,436**	**$229,799**	**$215,690**	**$260,682**	**$274,924**	**$288,088**	**$289,352**	**$296,742**
Free Cash Flow Growth		(6.95%)	208.72%	(6.14%)	20.86%	5.46%	4.79%	0.44%	2.55%
Unlevered Free Cash Flow									
WACC	**6.3%**								
Discount Period				0.5	1.5	2.5	3.5	4.5	5.5
Present Value of Free Cash Flow				**$209,237**	**$237,978**	**$236,186**	**$232,908**	**$220,142**	**$212,457**

Terminal Value	
Exit Multiple Method	
2026 EBITDA	386,541.5
Exit Multiple	13.0x
Terminal Value	5,025,040.1
Present Value of Terminal Valu	3,597,757.8

Terminal Value	
Perpetuity Growth Method	
2026 FCFF	296,741.7
Terminal Growth Rate	2.0%
Terminal Value	7,099,624.1
Present Value of Terminal V	5,083,089.4

Enterprise Value	
Exit Multiple Method	
PV of Projection Method	1,348,908.2
PV of Terminal Value	3,597,757.8
Implied EV	4,946,666.0
(-) Debt	968,470.0
(+) Cash	309,100.0
Implied Equity Value	4,287,296.0
Shares Outstanding	189,603.0
Implied Share Price	$22.61

Enterprise Value	
Perpetuity Growth Method	
PV of Projection Method	1,348,908.2
PV of Terminal Value	5,083,089.4
Implied EV	6,431,997.6
(-) Debt	968,470.0
(+) Cash	309,100.0
Implied Equity Value	5,772,627.6
Shares Outstanding	189,603.0
Implied Share Price	$30.45

Blended Implied Share Price	
Perpetuity Growth Method	$30.45
Exit Multiple Method	$22.61
Blended Share Price	$26.53

Upside/Downside	
Blended Implied Share Price	$26.53
Current Share Price	$20.33
% Change	30.5%

DCF Sensitivity Analysis

EV/EBITDA \ WACC	4.3%	5.3%	6.3%	7.3%	8.3%
10.6x	$40.68	$30.44	$24.78	$21.10	$18.47
11.8x	$41.65	$31.36	$25.65	$21.93	$19.26
13.0x	$42.62	$32.28	$26.53	$22.77	$20.05
14.2x	$43.59	$33.20	$27.40	$23.60	$20.84
15.4x	$44.56	$34.13	$28.28	$24.43	$21.63

DCF Output: Downside Case

FCF Build - Downside Case

($ in thousands)	FYE December 9,			FYE December 9,					
	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E
Total Revenue	**$892,600**	**$928,203**	**$1,112,229**	**$1,313,542**	**$1,416,524**	**$1,499,249**	**$1,559,219**	**$1,605,996**	**$1,638,116**
Revenue Growth		4.0%	19.83%	18.10%	7.84%	5.84%	4.00%	3.00%	2.00%
Expenses									
COGS	535,464	548,463	651,516	795,711	858,095	908,208	944,536	972,872	992,330
Gross Profit	**$357,136**	**$379,740**	**$460,713**	**$517,831**	**$558,429**	**$591,041**	**$614,683**	**$633,124**	**$645,786**
Gross Margin	40.01%	40.91%	41.42%	39.42%	39.42%	39.42%	39.42%	39.42%	39.42%
SG&A	241,669	258,152	216,317	282,218	304,796	323,084	339,238	352,807	363,391
Other Operating Expenses	1,759	7,453	1,759	3,391	5,073	6,869	8,703	10,570	12,419
Operating Expenses	243,428	265,605	218,076	285,609	309,869	329,952	347,941	363,377	375,811
D&A	31,611	30,424	28,925	45,982	49,587	52,483	54,583	56,220	57,344
Operating Income (EBIT)	**$82,097**	**$83,711**	**$213,712**	**$186,240**	**$198,973**	**$208,606**	**$212,160**	**$213,526**	**$212,631**
EBIT Margin	9.20%	9.02%	19.21%	14.18%	14.05%	13.91%	13.61%	13.30%	12.98%
Income Tax Expense	(4,926)	(14,855)	(2,627)	(40,973)	(43,774)	(45,893)	(46,675)	(46,976)	(46,779)
EBIAT	**$77,171**	**$68,856**	**$211,085**	**$145,267**	**$155,199**	**$162,713**	**$165,485**	**$166,551**	**$165,852**
Cash Flow									
Plus: D&A	31,611	30,424	28,925	45,982	49,587	52,483	54,583	56,220	57,344
Discretionary Cash Flow	**$108,782**	**$99,280**	**$240,010**	**$191,249**	**$204,786**	**$215,196**	**$220,067**	**$222,771**	**$223,196**
Less: Increase in NWC		15,591	10,419	9,165	18,464	28,625	39,215	40,391	41,199
Less: Capex	(28,786)	(27,444)	(20,630)	(26,991)	(30,524)	(33,806)	(36,717)	(39,425)	(41,851)
Free Cash Flow	**$79,996**	**$87,427**	**$229,799**	**$173,423**	**$192,726**	**$210,015**	**$222,565**	**$223,737**	**$222,544**
Free Cash Flow Growth		9.29%	162.85%	(24.53%)	11.13%	8.97%	5.98%	0.53%	(0.53%)
Unlevered Free Cash Flow									
WACC	**6.3%**								
Discount Period				0.5	1.5	2.5	3.5	4.5	5.5
Present Value of Free Cash Flow				**$168,234**	**$175,941**	**$180,423**	**$179,935**	**$170,221**	**$159,334**

Terminal Value	
Exit Multiple Method	
2026 EBITDA	269,975.2
Exit Multiple	13.0x
Terminal Value	3,509,677.5
Present Value of Terminal Valu	2,512,809.8

Terminal Value	
Perpetuity Growth Method	
2026 FCFF	222,544.4
Terminal Growth Rate	2.0%
Terminal Value	5,324,433.5
Present Value of Terminal V	3,812,113.3

Enterprise Value	
Exit Multiple Method	
PV of Projection Method	1,034,088.7
PV of Terminal Value	2,512,809.8
Implied EV	3,546,898.5
(-) Debt	968,470.0
(+) Cash	309,100.0
Implied Equity Value	2,887,528.5
Shares Outstanding	189,603.0
Implied Share Price	$15.23

Enterprise Value	
Perpetuity Growth Method	
PV of Projection Method	1,034,088.7
PV of Terminal Value	3,812,113.3
Implied EV	4,846,202.1
(-) Debt	968,470.0
(+) Cash	309,100.0
Implied Equity Value	4,186,832.1
Shares Outstanding	189,603.0
Implied Share Price	$22.08

Blended Implied Share Price	
Perpetuity Growth Method	$22.08
Exit Multiple Method	$15.23
Blended Share Price	$18.66

Upside/Downside	
Blended Implied Share Price	$18.66
Current Share Price	$20.33
% Change	-8.2%

DCF Sensitivity Analysis

EV/EBITDA \ WACC	4.3%	5.3%	6.3%	7.3%	8.3%
10.6x	$29.32	$21.66	$17.43	$14.69	$12.74
11.8x	$30.00	$22.30	$18.04	$15.27	$13.29
13.0x	$30.67	$22.95	$18.66	$15.86	$13.84
14.2x	$31.35	$23.59	$19.27	$16.44	$14.39
15.4x	$32.03	$24.24	$19.88	$17.02	$14.95

DCF Output: Upside Case

FCF Build - Upside Case

($ in thousands)	FYE December 9,			FYE December 9,					
	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E
Total Revenue	**$892,600**	**$928,203**	**$1,112,229**	**$1,326,889**	**$1,446,309**	**$1,547,551**	**$1,640,404**	**$1,722,424**	**$1,791,321**
Revenue Growth		4.0%	19.83%	19.30%	9.00%	7.00%	6.00%	5.00%	4.00%
Expenses									
COGS	535,464	548,463	651,516	763,990	832,749	891,041	928,100	974,505	1,013,485
Gross Profit	**$357,136**	**$379,740**	**$460,713**	**$562,900**	**$613,560**	**$656,510**	**$712,304**	**$747,920**	**$777,836**
Gross Margin	40.01%	40.91%	41.42%	42.42%	42.42%	42.42%	43.42%	43.42%	43.42%
SG&A	241,669	258,152	216,317	242,745	261,170	275,786	288,468	298,856	306,635
Other Operating Expenses	1,759	7,453	1,759	2,098	2,287	2,447	2,594	2,724	2,833
Operating Expenses	243,428	265,605	218,076	244,844	263,458	278,234	291,063	301,580	309,468
D&A	31,611	30,424	28,925	34,508	37,613	40,246	42,661	44,794	46,586
Operating Income (EBIT)	**$82,097**	**$83,711**	**$213,712**	**$283,548**	**$312,490**	**$338,030**	**$378,581**	**$401,546**	**$421,782**
EBIT Margin	9.20%	9.02%	19.21%	21.37%	21.61%	21.84%	23.08%	23.31%	23.55%
Income Tax Expense	(4,926)	(14,855)	(2,627)	(62,381)	(68,748)	(74,367)	(83,288)	(88,340)	(92,792)
EBIAT	**$77,171**	**$68,856**	**$211,085**	**$221,168**	**$243,742**	**$263,663**	**$295,293**	**$313,206**	**$328,990**
Cash Flow									
Plus: D&A	31,611	30,424	28,925	34,508	37,613	40,246	42,661	44,794	46,586
Discretionary Cash Flow	**$108,782**	**$99,280**	**$240,010**	**$255,675**	**$281,355**	**$303,910**	**$337,954**	**$358,000**	**$375,576**
Less: Increase in NWC		15,591	10,419	(19,071)	8,952	10,023	9,552	1,773	1,490
Less: Capex	(28,786)	(27,444)	(20,630)	(27,265)	(31,166)	(34,895)	(38,629)	(42,283)	(45,765)
Free Cash Flow	**$79,996**	**$87,427**	**$229,799**	**$209,339**	**$259,142**	**$279,038**	**$308,878**	**$317,490**	**$331,300**
Free Cash Flow Growth		9.29%	162.85%	(8.90%)	23.79%	7.68%	10.69%	2.79%	4.35%
Unlevered Free Cash Flow									
WACC	**6.3%**								
Discount Period				0.5	1.5	2.5	3.5	4.5	5.5
Present Value of Free Cash Flow				**$203,076**	**$236,571**	**$239,720**	**$249,715**	**$241,550**	**$237,200**

Terminal Value	
Exit Multiple Method	
2026 EBITDA	468,368.0
Exit Multiple	13.0x
Terminal Value	6,088,784.5
Present Value of Terminal Valu	4,359,362.6

Terminal Value	
Perpetuity Growth Method	
2026 FCFF	331,300.2
Terminal Growth Rate	2.0%
Terminal Value	7,926,445.4
Present Value of Terminal V	5,675,065.4

Enterprise Value	
Exit Multiple Method	
PV of Projection Method	1,407,832.4
PV of Terminal Value	4,359,362.6
Implied EV	5,767,195.0
(-) Debt	968,470.0
(+) Cash	309,100.0
Implied Equity Value	5,107,825.0
Shares Outstanding	189,603.0
Implied Share Price	$26.94

Enterprise Value	
Perpetuity Growth Method	
PV of Projection Method	1,407,832.4
PV of Terminal Value	5,675,065.4
Implied EV	7,082,897.8
(-) Debt	968,470.0
(+) Cash	309,100.0
Implied Equity Value	6,423,527.8
Shares Outstanding	189,603.0
Implied Share Price	$33.88

Blended Implied Share Price	
Perpetuity Growth Method	$33.88
Exit Multiple Method	$26.94
Blended Share Price	$30.41

Upside/Downside	
Blended Implied Share Price	$30.41
Current Share Price	$20.33
% Change	49.6%

DCF Sensitivity Analysis

EV/EBITDA \ WACC	4.3%	5.3%	6.3%	7.3%	8.3%
10.6x	$46.10	$34.64	$28.29	$24.15	$21.19
11.8x	$47.28	$35.75	$29.35	$25.16	$22.15
13.0x	$48.46	$36.87	$30.41	$26.17	$23.11
14.2x	$49.63	$37.99	$31.47	$27.18	$24.07
15.4x	$50.81	$39.11	$32.53	$28.19	$25.02

WACC

WACC Calculation

Capital Structure	
Debt-to-Total Capitalization	20.08%
Equity-to-Total Capitalization	79.92%
Cost of Debt	
Cost of Debt	3.25%
Tax Rate	22.00%
After-tax Cost of Debt	**2.54%**
Cost of Equity	
Risk-free Rate	1.98%
Market Risk Premium	6.00%
Levered Beta	0.87
Cost of Equity	**7.20%**
WACC	**6.26%**

As of Jul-03-2021 **($ in thousands)**

Debt Outstanding	Amount	Interest Rate	% of Total	Weighted
Term Loan due Mar 2028	807975	3.25%	100.00%	3.2500%
Less: Current Portion of LTD		3.25%	0.00%	0.0000%
Less: Unamortized Discount		3.25%	0.00%	0.0000%
Less: Deferred Financing Charges		3.25%	0.00%	0.0000%
Total Long-Term Debt	**$807,975**			**3.3%**
Current Share Price	$20.33			
Current Shares Outstanding	189,603			
Equity Value	$3,854,628.99			
Total Debt	**$968,470**			
Total Equity	**$3,854,629**			