

FOURTH QUARTER AND FULL YEAR 2023 EARNINGS

February 29, 2024

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FOURTH QUARTER AND FULL YEAR 2023 EARNINGS CALL

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Forward-Looking Statements and Non-GAAP Financial Measures

Forward-Looking Statements

This presentation includes certain statements that are “forward-looking statements” as that term is defined under the Private Securities Litigation Reform Act of 1995 that are based on the beliefs of Hayward’s management as well as assumptions made by, and information currently available to it. Examples of forward-looking statements include, among others, statements Hayward makes regarding: Hayward’s 2024 financial guidance and business outlook for future periods; business plans and objectives; anticipated SG&A cost savings and capital expenditures; future channel inventory stocking levels; general economic and industry trends; business prospects; future product development and acquisition strategies; and growth and expansion opportunities. Hayward may not achieve the plans, intentions or expectations disclosed in Hayward’s forward-looking statements, and you should not place significant reliance on its forward-looking statements. Important factors that could affect Hayward’s future results and could cause those results or other outcomes to differ materially from those indicated in its forward-looking statements include the following: its relationships with and the performance of distributors, builders, buying groups, retailers and servicers who sell Hayward’s products to pool owners; impacts on Hayward’s business from the sensitivity of its business to seasonality and unfavorable economic, business and weather conditions; competition from national and global companies, as well as lower-cost manufacturers; Hayward’s ability to develop, manufacture and effectively and profitably market and sell its new planned and future products; its ability to execute on its growth strategies and expansion opportunities; impacts on Hayward’s business from political, regulatory, economic, trade, and other risks associated with operating foreign businesses, including risks associated with geopolitical conflict; its ability to maintain favorable relationships with suppliers and manage disruptions to its global supply chain and the availability of raw materials; Hayward’s ability to identify emerging technological and other trends in its target end markets; failure of markets to accept new product introductions and enhancements; the ability to successfully identify, finance, complete and integrate acquisitions; its reliance on information technology systems and susceptibility to threats to those systems, including cybersecurity threats, and risks arising from its collection and use of personal information data; regulatory changes and developments affecting Hayward’s current and future products; volatility in currency exchange rates and interest rates; Hayward’s ability to service its existing indebtedness and obtain additional capital to finance operations and its growth opportunities; Hayward’s ability to establish and maintain intellectual property protection for its products, as well as its ability to operate its business without infringing, misappropriating or otherwise violating the intellectual property rights of others; the impact of material cost and other inflation; Hayward’s ability to attract and retain senior management and other qualified personnel; the impact of changes in laws, regulations and administrative policy, including those that limit U.S. tax benefits, impact trade agreements and tariffs, or address the impacts of climate change; the outcome of litigation and governmental proceedings; impacts on Hayward's product manufacturing disruptions, including as a result of catastrophic and other events beyond its control; uncertainties affecting the pace of distribution channel destocking and its impact on sales volumes; Hayward's ability to realize cost savings from restructuring activities; Hayward’s and its customers’ ability to manage product inventory in an effective and efficient manner; and other factors set forth in Hayward’s most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

The forward-looking statements included in this presentation are made only as of the date of this presentation. Unless required by United States federal securities laws, Hayward neither intends nor assumes any obligation to update these forward-looking statements for any reason to conform these statements to actual results or to changes in Hayward’s expectations.

Non-GAAP Financial Measures

This presentation includes certain financial measures not presented in accordance with the generally accepted accounting principles in the United States (“GAAP”) These measures should not be considered in isolation or as an alternative to their comparable measures under GAAP. See the appendix for a reconciliation of historical non-GAAP measures to the most directly comparable GAAP measures.

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Key Messages

1. Reported Q4 2023 sales and earnings growth in line with expectations
2. Delivered record gross profit margin[1]; cash flow exceeded guidance
3. Entered 2024 with more normalized channel inventory levels
4. Executed key strategic initiatives; well positioned for profitable growth
5. Introduced full year 2024 guidance

1. Record gross profit margin since Hayward's IPO.

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Financial Overview

Q4 2023

- Net sales of $278.5M
- Gross profit margin of 49.2%
- Adj. EBITDA[1] of $75.7M
- Adj. EBITDA margin[1] of 27.2%
- Adj. diluted EPS[1] of $0.20

FY 2023

- Net sales of $992.5M
- Gross profit margin of 48.1%
- Adj. EBITDA[1] of $247.3M
- Adj. EBITDA margin[1] of 24.9%
- Adj. diluted EPS[1] of $0.56



RESULTS REFLECT:

- Solid execution in a challenging economic environment
- Positive price realization
- Normalized distributor inventory levels
- Record gross profit margins
- Disciplined SG&A cost control

1. Non-GAAP financial measure. See the appendix for a reconciliation to the most directly comparable GAAP measure.

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Business Update

END DEMAND

- ✓ Resilient aftermarket
- ✓ Discretionary spending impacted by economic and interest rate environment

CHANNEL INVENTORY

- ✓ Channel inventory levels largely normalized
- ✓ Channel partners taking a cautious approach ahead of peak season

PRICE - COST

- ✓ Annual price increases implemented to maintain price-cost neutrality
- ✓ Expecting ~2% net price realization in 2024

OPERATIONAL EXCELLENCE

- ✓ Expanding gross margins through disciplined cost control, productivity improvements
- ✓ Manufacturing footprint consolidation

WORKING CAPITAL

- ✓ Effective working capital management resulting in strong cash flow generation
- ✓ Reduced our inventory 24% in 2023, 31% from 2022 peak

SENIOR LEADERSHIP

- ✓ John Collins promoted to Chief Commercial Officer
- ✓ Enhanced focus on technology leadership and business intelligence capabilities

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2023 Highlights

Executed Key Strategic Initiatives; Well-positioned for Profitable Growth



TECHNOLOGY

Strengthened Technology Leadership

- ✓ Gaining traction with new product introductions
- ✓ Investments in innovative new products and connected pool technology



OPERATIONS

Demonstrated Operational Excellence

- ✓ Rightsized production levels and cost structure
- ✓ Global manufacturing footprint consolidation
- ✓ Investments in automation and productivity



PARTNERS

Enhanced Dealer Advocacy of Hayward

- ✓ New Partner Summits
- ✓ New Builder Councils
- ✓ New dealer loyalty incentives, rewards trips



SUSTAINABILITY

Continued Progress on Our Journey

- ✓ New dedicated website
- ✓ First published data sheet
- ✓ Sustainalytics “Regional Top Rated” award
- ✓ MSCI upgrade to “A” rating



FINANCIAL

Strong Margin, Cash Flow Performance

- ✓ Significant gross margin expansion at lower volume
- ✓ Delivered SG&A savings while maintaining growth investments
- ✓ Solid cash flow growth

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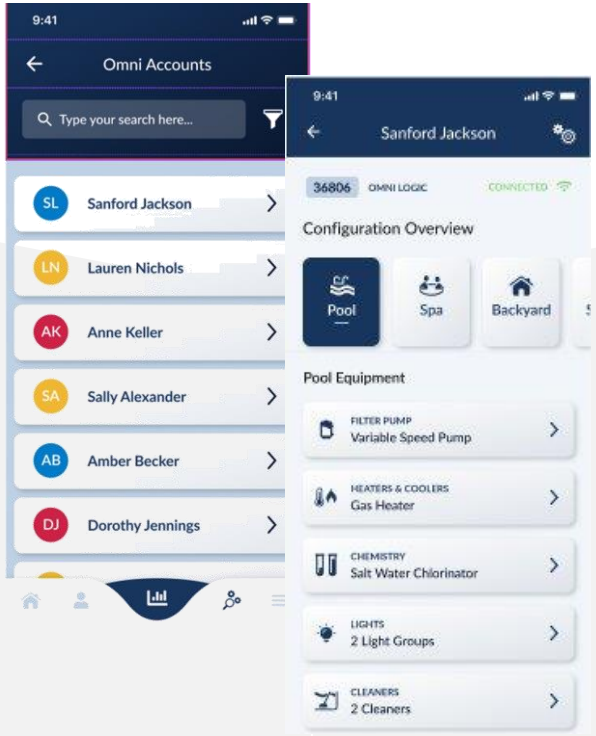
New Technology for Early 2024



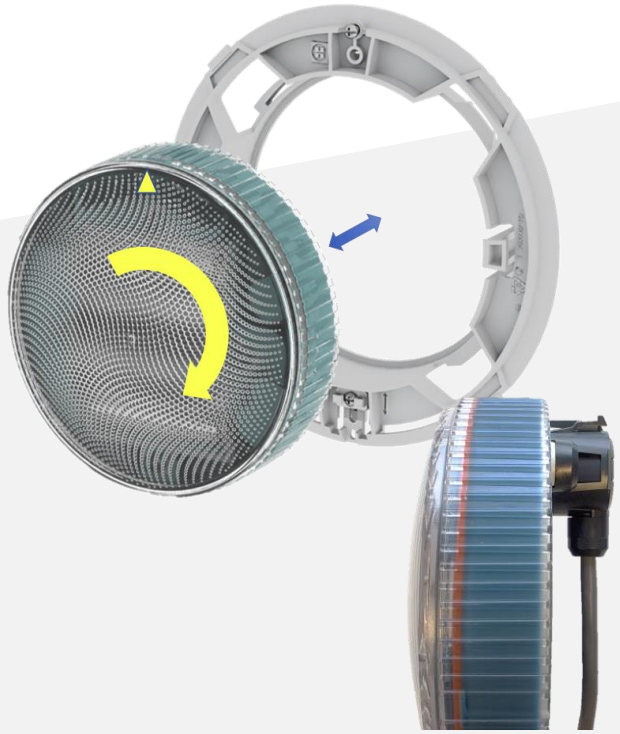
Microchannel Temperature Control

- ✓ Pool industry's first Microchannel Temperature Exchanger
- ✓ Robust, lightweight, Heat/Cool models
- ✓ Industry leading cooling capacity (chills to 40º) opens cold-plunge pool market



Servicer Omni Pro App

- ✓ Servicer access to all Omni accounts on contract
- ✓ Remote configuration & control of pool
- ✓ Platform for future servicer functionality



Universal ColorLogic 2.0 LED Lights

- ✓ Directional optics to maximize illumination
- ✓ Detachable cord for ease of service
- ✓ Stainless steel trim options

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Fourth Quarter 2023 Financials

NET SALES OF $278.5M

NET SALES +8% YoY
- Net price +2%
- Volume +6%

GROSS PROFIT OF $137.1M

GROSS PROFIT MARGIN OF 49.2%; INCREASED 690 BPS YoY
- Strong execution, volume leverage
- Positive price realization

ADJ. EBITDA[1] OF $75.7M

ADJ. EBITDA[1] MARGIN OF 27.2%; INCREASED 660 BPS YoY
- Disciplined cost control

ADJ. DILUTED EPS[1] OF $0.20

DILUTED EPS OF $0.14; ADJ. DILUTED EPS[1] OF $0.20

HAYWARD

Source: Company financial data.
1. Non-GAAP financial measure. See Appendix for a reconciliation to the most directly comparable GAAP measure.

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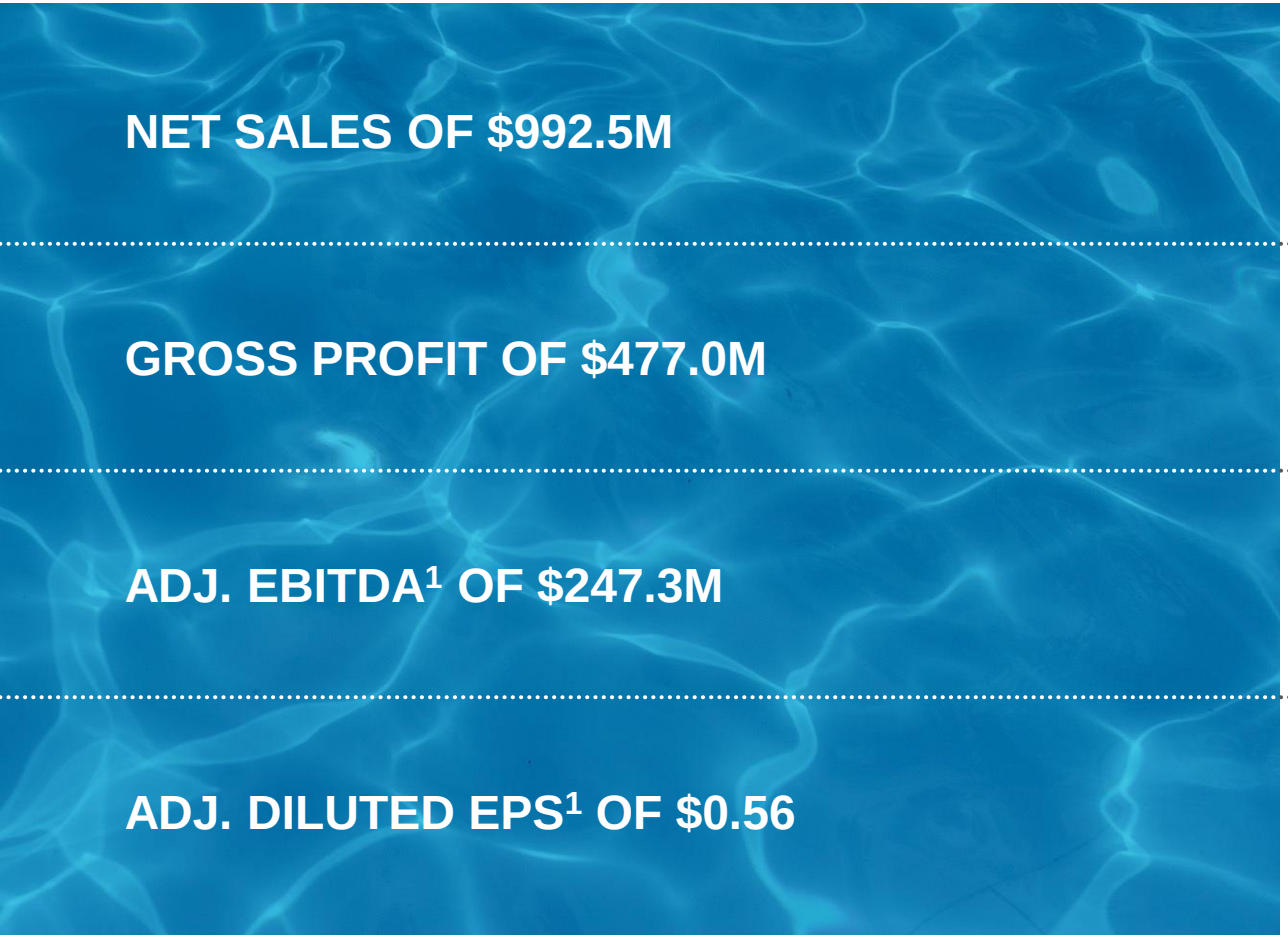
Full Year 2023 Financials



NET SALES OF $992.5M

NET SALES (24%) YoY

- Net price +3%
- Volume -28% (lower demand, channel inventory destocking)
- Acquisitions +1%

GROSS PROFIT OF $477.0M

GROSS PROFIT MARGIN OF 48.1%; INCREASED 270 BPS YoY

- Strong execution, rightsized production levels, disciplined cost control
- Price-cost neutrality

ADJ. EBITDA[1] OF $247.3M

ADJ. EBITDA[1] MARGIN OF 24.9%

- Realized full expected savings under prior SG&A cost reduction plans
- Lower discretionary expenses offset by volume deleverage

ADJ. DILUTED EPS[1] OF $0.56

DILUTED EPS OF $0.37; ADJ. DILUTED EPS[1] OF $0.56

Source: Company financial data.
1. Non-GAAP financial measure. See Appendix for a reconciliation to the most directly comparable GAAP measure.

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Fourth Quarter 2023 Segment Overview

NORTH AMERICA

NET SALES	GROSS PROFIT	ADJ. SEGMENT INCOME[1]
$238.2M	$121.7M	$75.4M
YoY Change: +9.8%	*Gross Profit Margin: 51.1%*	*Adj. Segment Income Margin[1]: 31.7%*

- Price +2%, volume +8%
- Volume growth due to increased in-season and Early Buy demand
- Gross margin increased 810 bps YoY

EUROPE & REST OF WORLD

NET SALES	GROSS PROFIT	ADJ. SEGMENT INCOME[1]
$40.3M	$15.4M	$8.1M
YoY Change: (4.4%)	*Gross Profit Margin: 38.2%*	*Adj. Segment Income Margin[1]: 20.2%*

- Price +2%, volume -9%, F/X +2%
- Volume reductions due to lower end demand and channel inventory levels
- Gross margin reduced 60 bps YoY

1. Non-GAAP financial measure. See Appendix for a reconciliation to the most directly comparable GAAP measure.

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Full Year 2023 Segment Overview

NORTH AMERICA

NET SALES	GROSS PROFIT	ADJ. SEGMENT INCOME[1]
$823.3M	$410.6M	$237.7M
YoY Change: (25.8%)	*Gross Profit Margin: 49.9%*	*Adj. Segment Income Margin[1]: 28.9%*

- Price +2%, volume -29%, acquisitions +1%
- Volume reductions due to lower end demand and channel inventory levels
- Gross margin increased 350 bps YoY

EUROPE & REST OF WORLD

NET SALES	GROSS PROFIT	ADJ. SEGMENT INCOME[1]
$169.2M	$66.3M	$34.5M
YoY Change: (17.6%)	*Gross Profit Margin: 39.2%*	*Adj. Segment Income Margin[1]: 20.4%*

- Price +4%, volume -22%
- Volume reductions due to lower end demand, channel inventory levels, geopolitical events
- Gross margin reduced 80 bps YoY

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1. Non-GAAP financial measure. See Appendix for a reconciliation to the most directly comparable GAAP measure.

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Balance Sheet and Cash Flow Highlights

BALANCE SHEET ($M)

	12/31/2023
Cash and cash equivalents	$178
Short-term investments	$25
Total debt principal	$1,112
Term debt (2028 maturity)[1]	$1,098
ABL revolver (2026 maturity)	$0
LTM adjusted EBITDA[2]	$247
Net leverage[3]	3.7x

$600M fixed rate, remainder variable

Blended interest rate of 6.5%[4]

>> $460M total liquidity

>> No near-term debt or interest rate swap maturities

CASH FLOW ($M)

	FY 2023	FY 2022
Cash flow from operating activities	$185	$116
Less capex	($31)	($30)
Free cash flow[5]	$154	$86

>> Cash flow growth due to working capital management

>> FY 2023 FCF exceeded high end of guidance range

1. $600M of the term debt is swapped with interest rate swap maturities in 2025 ($250M), 2026 ($100M) and 2027 ($250M).
2. Non-GAAP financial measure. See Appendix for a reconciliation to the most directly comparable GAAP measure.
3. Net leverage is a non-GAAP measure and calculated as (A) total debt less cash & cash equivalents and short-term investments divided by (B) the sum of last twelve months adjusted EBITDA.
4. Excluding financing fees.
5. Free cash flow is calculated as net cash provided by operating activities less capital expenditures.

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Capital Allocation Priorities

1

GROWTH INVESTMENTS

- Innovative new product development, IoT digital leadership
- Commercial programs, dealer conversions
- Operational excellence, productivity, growth capex



2

DE-LEVERING

- Debt repayment



3

STRATEGIC M&A

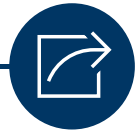
- Pipeline of tuck-in opportunities to complement our product offering, geographic footprint, commercial relationships



4

RETURN TO SHAREHOLDERS

- $400M remaining on existing $450M 3-year authorization



Funding strategic growth investments and shareholder returns while maintaining prudent financial leverage

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FY 2024 Financial Outlook

Net sales of $1.010B to $1.060B, up ~2% to 7%

Seasonality expectations

- Normal seasonal strength in Q2 / Q4
- Q1 lowest sales quarter of the year

Adjusted EBITDA[1] of $255M to $275M

Free cash flow[1] of ~$160M, >100% of net income

Modeling assumptions:

- Net interest expense ~$70M
- Effective tax rate ~25%
- Capex ~$35M



OUTLOOK REFLECTS:

- Uncertain macro conditions
  - Resilient aftermarket
  - New construction, remodel, upgrade and certain international markets impacted by economic and interest rate environment
- Net price realization of ~2%
- Margin expansion
- Solid cash flow generation

1. Reconciliation for the full-year fiscal 2024 Adjusted EBITDA and free cash flow guidance is not being provided, as Hayward does not currently have sufficient data to accurately estimate variables and individual adjustments for such reconciliation, Adjusted EBITDA and free cash flow estimated for full-year fiscal 2024 are calculated in a manner consistent with historical adjusted EBITDA and free cash flow, respectively, included in this presentation

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Key Messages

1. Reported Q4 2023 sales and earnings growth in line with expectations
2. Delivered record gross profit margin[1]; cash flow exceeded guidance
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5. Introduced full year 2024 guidance

1. Record gross profit margin since Hayward's IPO.

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COMPANY OVERVIEW

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Hayward at a Glance

~$1B
2023
Net Sales

$247M
2023
Adj. EBITDA[1]
(25% margin)

#1
products brand amongst U.S. pool professionals

>80%
of sales from aftermarket[2]

>550
current / pending patents globally

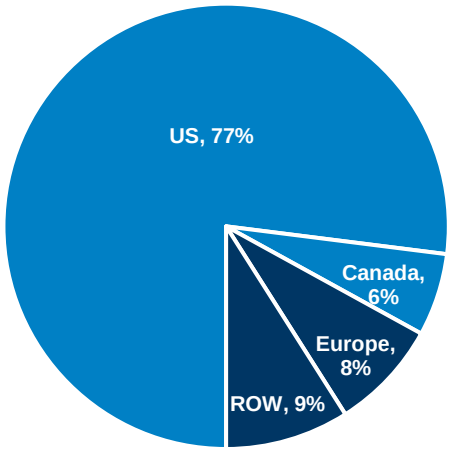
~90%
of products associated with sustainability themes

94%
attach rate for the Omni app[2]

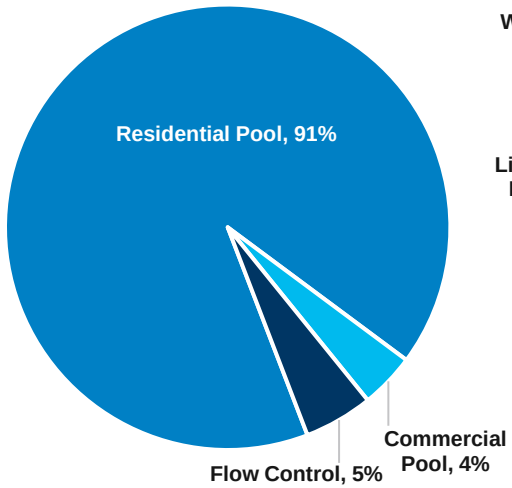
20+
year relationships with top 20 customers

- ✓ Global leader in pool and outdoor living technology with the industry's most recognized and trusted brand
- ✓ Strong, recurring aftermarket sales driven by one of the largest installed bases in the world
- ✓ Energy-efficient, environmentally sustainable products catering to increased focus on outdoor living
- ✓ Industry-leading smart home technology (Omni) for increased pool owner connectivity and automation

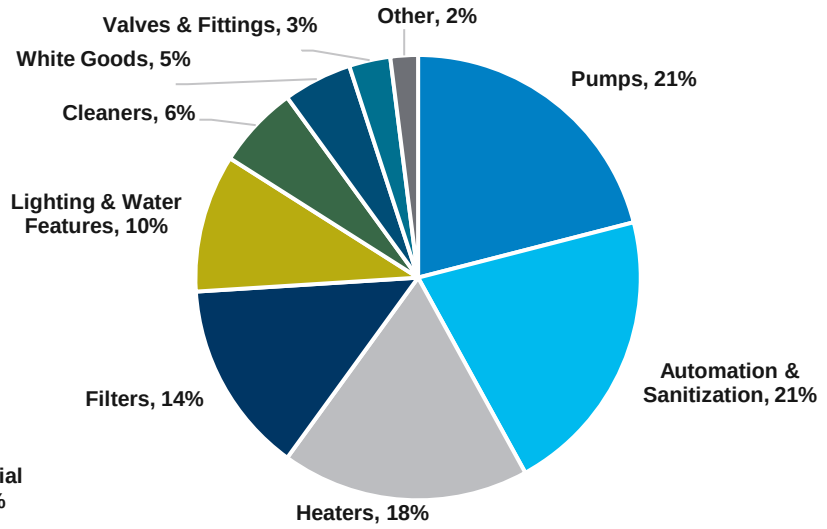
Net Sales by Segment[3]



Net Sales by End Market[3]



Net Sales by Product Category[3]



1. See Appendix for a reconciliation of non-GAAP measures to the most directly comparable GAAP measures. 2. Aftermarket equipment sales are driven primarily by the ongoing repair, replacement, remodeling and upgrading of equipment for existing pools. Aftermarket sales based upon feedback from certain representative customers and management's interpretation of available industry and government data, and not upon our GAAP net sales results. 3. Source: company financial data.

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Why Invest in Hayward?

Pure Play Leader In Attractive Industry

Attractive Industry

- Secular tailwinds (sunbelt migration, healthy outdoor living)
- Large installed base that grows every year
- Disciplined industry, demonstrated pricing power

Recurring Aftermarket Model

- Aftermarket sales mix of ~80% and increasing
- Majority non-discretionary purchases to maintain existing pools
- Early in the technology adoption cycle of IoT-enabled smart products

Competitive Advantages

- Technology leadership. Innovative, best-in-class products in high-growth categories
- Operational excellence. Agile manufacturing and supply chain management
- Go-to-market. New customer acquisition / loyalty programs with significant traction

Strong Financial Profile

- Long-term organic sales CAGR of mid-to-high single digits
- High 40s gross margins, mid-to-high 20s adjusted EBITDA margins
- Robust FCF generation, capital allocation optionality

Commitment to Sustainability

- Energy-efficient, environmentally sustainable products
- Established strategy and reporting framework – Products, Planet, People, Principles
- Morningstar Sustainalytics 2023 “Regional Top Rated” award, MSCI “A” rating

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Attractive Long-Term Growth Dynamics

Secular Tailwinds

- ✓ Healthy outdoor living
- ✓ Sunbelt migration
- ✓ “Smart home” IoT adoption
- ✓ Environmentally sustainable products

Industry Drivers

- ✓ Growing, aging installed base
- ✓ Predictable, non-discretionary aftermarket spending
- ✓ Demonstrated pricing power
- ✓ Conversion to connected product technologies

Competitive Advantages

- ✓ Strong brand and installed base
- ✓ Technology leadership
- ✓ Operational excellence
- ✓ Multi-channel strength

HAYWARD IS WELL POSITIONED TO DRIVE COMPELLING LONG-TERM GROWTH

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APPENDIX

Non-GAAP Reconciliations

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Adjusted EBITDA & Adjusted EBITDA Margin Reconciliation

APPENDIX

(Dollars in thousands)	Three Months Ended		Twelve Months Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Net income	$ 31,036	$ 15,968	$ 80,687	$ 179,347
Depreciation	2,965	5,315	15,983	19,246
Amortization	9,276	9,956	37,079	38,393
Interest expense	17,645	16,282	73,584	51,387
Income taxes	8,057	6,922	20,400	54,890
EBITDA	68,979	54,443	227,733	343,263
Stock-based compensation [(a)]	269	354	1,270	1,602
Currency exchange items [(b)]	(490)	(1,850)	786	926
Acquisition and restructuring related expense, net [(c)]	6,993	(1,337)	13,213	8,162
Other [(d)]	(96)	1,652	4,271	13,622
Total Adjustments	6,676	(1,181)	19,540	24,312
Adjusted EBITDA	$ 75,655	$ 53,262	$ 247,273	$ 367,575
Adjusted EBITDA margin	27.2 %	20.6 %	24.9 %	28.0 %

(a) Represents non-cash stock-based compensation expense related to equity awards issued to management, employees, and directors. Beginning in the three months ended July 2, 2022, the adjustment includes only expense related to awards issued under the 2017 Equity Incentive Plan, which were awards granted prior to the effective date of Hayward's initial public offering (the "IPO"), whereas in prior periods, the adjustment included stock-based compensation expense for all equity awards. Under the current presentation, the stock-based compensation adjustment for the year ended December 31, 2022 would have been $0.4 million.

(b) Represents unrealized non-cash losses (gains) on foreign denominated monetary assets and liabilities and foreign currency contracts.

(c) Adjustments in the fiscal quarter ended December 31, 2023 are primarily driven by a $6.7 million of costs related to the discontinuation of a product line leading to an impairment of the associated fixed assets, inventory and intangible assets.

Adjustments in the fiscal quarter ended December 31, 2022 include a $2.4 million gain resulting from the release of certain reserves associated with the exit of an early-stage product line discontinued in 2021, partially offset by separation costs associated with a reduction-in-force.

Adjustments in the year ended December 31, 2023 primarily include $6.7 million of costs related to the discontinuation of a product line leading to an impairment of the associated fixed assets, inventory and intangible assets, $2.4 million related to programs to centralize and consolidate operations and professional services in Europe, $1.9 million of costs associated with the relocation of the corporate headquarters to Charlotte, North Carolina, $1.2 million separation costs associated with the 2022 cost reduction program and $0.8 million of costs associated with integration costs from prior acquisitions.

Adjustments in the year ended December 31, 2022 primarily include $5.0 million of costs associated with the relocation of the Corporate headquarters, $2.9 million separation costs associated with a reduction-in-force, $1.9 million transaction costs associated with the acquisition of the specialty lighting business of Halco Lighting Technologies, LLC ("Specialty Lighting Business"), partially offset by a $2.4 million gain resulting from the release of certain reserves associated with the exit of an early-stage product line discontinued in 2021.

(d) Adjustments in the fiscal quarter ended December 31, 2023 are primarily related to programs to centralize and consolidate operations and professional services in Europe.

Adjustments in the fiscal quarter ended December 31, 2022 primarily includes a $0.7 million non-cash increase in cost of goods sold resulting from the fair value inventory step-up adjustment recognized as part of the purchase accounting for the Specialty Lighting Business, $0.7 million of transitional expenses incurred to enable go-forward public company regulatory compliance, and other immaterial items.

Adjustments in the year ended December 31, 2023 primarily include $1.8 million related to inventory and fixed asset write-offs in Europe and $1.5 million of costs incurred related to the selling stockholder offerings of shares in March, May and August 2023, which are reported in SG&A in our consolidated statements of operations.

Adjustments in the year ended December 31, 2022 primarily include $5.5 million of expenses associated with the discontinuation of a product joint development agreement, a $3.3 million non-cash increase in cost of goods sold resulting from the fair value inventory step-up adjustment recognized as part of the purchase accounting for the Specialty Lighting Business, $2.3 million of transitional expenses incurred to enable go-forward public company regulatory compliance, $1.4 million of costs incurred related to the selling stockholder offering of shares in May 2022, which are reported in SG&A in our consolidated statements of operations, $0.9 million of expenses related to the Corporate headquarters transition, $0.2 million bad debt reserves related to certain customers impacted by the conflict in Russia and Ukraine, and other immaterial items, partially offset by subsequent collections and $1.1 million of gains resulting from an insurance policy reimbursement related to the fire incident in our manufacturing and administrative facilities in Yuncos, Spain.

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Adjusted Net Income and Adjusted EPS Reconciliation

APPENDIX

(Dollars in thousands, except per share data)	Three Months Ended		Twelve Months Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Net income	$ 31,036	$ 15,968	$ 80,687	$ 179,347
Tax adjustments [a]	974	1,164	(1,930)	(2,676)
Other adjustments and amortization:				
Stock-based compensation [b]	269	354	1,270	1,602
Currency exchange items [c]	(490)	(1,850)	786	926
Acquisition and restructuring related expense, net [d]	6,993	(1,337)	13,213	8,162
Other [e]	(96)	1,652	4,271	13,622
Total other adjustments	6,676	(1,181)	19,540	24,312
Amortization	9,276	9,956	37,079	38,393
Tax effect [f]	(2,890)	(2,207)	(12,507)	(15,379)
Certain transactional-related adjustments [g]:				
Acquisitions	—	—	—	2,761
Tax effect [f]	—	—	—	(678)
Adjusted net income	$ 45,072	$ 23,700	$ 122,869	$ 226,080
Weighted average number of common shares outstanding, basic	213,768,108	211,406,214	213,144,063	219,945,024
Weighted average number of common shares outstanding, diluted	220,848,098	219,958,655	220,688,616	229,726,497
Basic EPS	$ 0.15	$ 0.08	$ 0.38	$ 0.82
Diluted EPS	$ 0.14	$ 0.07	$ 0.37	$ 0.78
Adjusted basic EPS	$ 0.21	$ 0.11	0.58	1.03
Adjusted diluted EPS	$ 0.20	$ 0.11	0.56	0.98

(a) Tax adjustments for the three and twelve months ended December 31, 2023 reflect a normalized tax rate of 18.1% and 22.1% compared to our effective tax rate of 20.6% and 20.2%, respectively. Our effective tax rate for the three months ended December 31, 2023 includes discrete tax expenses related to state tax audit settlements and stock options exercises, partially offset by the tax benefits from a state franchise tax adjustment and other miscellaneous items. Our effective tax rate for the twelve months ended December 31, 2023 includes the tax benefits resulting from the exercise of stock options and prior period return-to-provision adjustments, partially offset by the impact of a discrete tax expense related to a change in the indefinite reinvestment assertion for one jurisdiction and other miscellaneous items. Tax adjustments for the three and twelve months ended December 31, 2022 reflect a normalized tax rate of 25.2% and 24.6% compared to our effective tax rate of 30.2% and 23.4%, respectively. Our effective tax rate for the three months ended December 31, 2022 includes discrete tax expense associated with withholding taxes related to the repatriation of foreign earnings and share-based compensation activity. Our effective tax rate for the twelve months ended December 31, 2022 includes discrete tax expenses related to the impact of the revaluation of deferred tax liabilities as a result of state tax law changes, the exercise of stock options and return to provision items, partially offset by a tax benefit from withholding taxes related to the repatriation of foreign earnings.

(b) Represents non-cash stock-based compensation expense related to equity awards issued to management, employees, and directors. Beginning in the three months ended July 2, 2022, the adjustment includes only expense related to awards issued under the 2017 Equity Incentive Plan, which were awards granted prior to the effective date of Hayward's IPO, whereas in prior periods, the adjustment included stock-based compensation expense for all equity awards. Under the current presentation, the stock-based compensation adjustment for the year ended December 31, 2022 would have been $0.4 million.

(c) Represents unrealized non-cash losses (gains) on foreign denominated monetary assets and liabilities and foreign currency contracts.

(d) Adjustments in the fiscal quarter ended December 31, 2023 are primarily driven by a $6.7 million of costs related to the discontinuation of a product line leading to an impairment of the associated fixed assets, inventory and intangible assets.

Adjustments in the fiscal quarter ended December 31, 2022 include a $2.4 million gain resulting from the release of certain reserves associated with the exit of an early-stage product line discontinued in 2021, partially offset by separation costs associated with a reduction-in-force.

Adjustments in the year ended December 31, 2023 primarily include $6.7 million of costs related to the discontinuation of a product line leading to an impairment of the associated fixed assets, inventory and intangible assets, $2.4 million related to programs to centralize and consolidate manufacturing operations and professional services in Europe, $1.9 million of costs associated with the relocation of the corporate headquarters to Charlotte, North Carolina, $1.2 million separation costs associated with the 2022 cost reduction program and $0.8 million of costs associated with integration costs from prior acquisitions.

Adjustments in the year ended December 31, 2022 primarily include $5.0 million of costs associated with the relocation of the Corporate headquarters, $2.9 million separation costs associated with a reduction-in-force, $1.9 million transaction costs associated with the acquisition of the Specialty Lighting Business, partially offset by a $2.4 million gain resulting from the release of certain reserves associated with the exit of an early-stage product line discontinued in 2021.

(e) Adjustments in the fiscal quarter ended December 31, 2023 are primarily related to programs to centralize and consolidate operations and professional services in Europe.

Adjustments in the fiscal quarter ended December 31, 2022 primarily includes a $0.7 million non-cash increase in cost of goods sold resulting from the fair value inventory step-up adjustment recognized as part of the purchase accounting for the Specialty Lighting Business, $0.7 million of transitional expenses incurred to enable go-forward public company regulatory compliance, and other immaterial items.

Adjustments in the year ended December 31, 2023 primarily include $1.8 million related to inventory and fixed asset write-offs in Europe and $1.5 million of costs incurred related to the selling stockholder offerings of shares in March, May and August 2023, which are reported in SG&A in our consolidated statements of operations.

Adjustments in the year ended December 31, 2022 primarily include $5.5 million of expenses associated with the discontinuation of a product joint development agreement, a $3.3 million non-cash increase in cost of goods sold resulting from the fair value inventory step-up adjustment recognized as part of the purchase accounting for the Specialty Lighting Business, $2.3 million of transitional expenses incurred to enable go-forward public company regulatory compliance, $1.4 million of costs incurred related to the selling stockholder offering of shares in May 2022, which are reported in SG&A in our consolidated statements of operations, $0.9 million of expenses related to the Corporate headquarters transition, $0.2 million bad debt reserves related to certain customers impacted by the conflict in Russia and Ukraine, and other immaterial items, partially offset by subsequent collections and $1.1 million of gains resulting from an insurance policy reimbursement related to the fire incident in our manufacturing and administrative facilities in Yuncos, Spain.

(f) The tax effect represents the immediately preceding adjustments at the normalized tax rates as discussed in footnote (a) above.

(g) The adjustments for the twelve months ended December 31, 2022 represent adjustments related to the acquisition of the Specialty Lighting Business as if the acquisition had occurred at the beginning of the period.

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Adjusted Segment Income Reconciliation

APPENDIX

(Dollars in thousands)	Three Months Ended December 31, 2023			Three Months Ended December 31, 2022		
	Total	NAM	E&RW	Total	NAM	E&RW
Net sales	$ 278,469	$ 238,150	$ 40,319	$ 258,967	$ 216,809	$ 42,158
Gross profit	137,138	121,730	15,408	109,492	93,130	16,362
Gross profit margin %	49.2 %	51.1 %	38.2 %	42.3 %	43.0 %	38.8 %
Income from operations before income taxes	$ 39,093			$ 22,890		
Expenses not allocated to segments						
Corporate expense, net	8,882			6,142		
Acquisition and restructuring related expense (income)	6,993			(1,337)		
Amortization of intangible assets	7,584			8,301		
Interest expense, net	17,645			16,282		
Other (income) expense, net	(1,247)			(3,107)		
Segment income	$ 78,950	$ 71,079	$ 7,871	$ 49,171	$ 40,773	$ 8,398
Segment income margin %	28.4 %	29.8 %	19.5 %	19.0 %	18.8 %	19.9 %
Depreciation	$ 2,904	$ 2,658	$ 246	$ 4,809	$ 4,614	$ 195
Amortization	1,692	1,692	—	1,656	1,656	—
Stock-based compensation [(a)]	31	20	11	(617)	(566)	(51)
Other [(b)]	—	—	—	568	716	(148)
Total adjustments	4,627	4,370	257	6,416	6,420	(4)
Adjusted segment income	$ 83,577	$ 75,449	$ 8,128	$ 55,587	$ 47,193	$ 8,394
Adjusted segment income margin %	30.0 %	31.7 %	20.2 %	21.5 %	21.8 %	19.9 %

(a) Represents non-cash stock-based compensation expense related to equity awards issued to management, employees, and directors.

(b) Adjustments in the fiscal quarter ended December 31, 2022 for NAM primarily includes a $0.7 million non-cash increase in cost of goods sold resulting from the fair value inventory step-up adjustment recognized as part of the purchase accounting for the Specialty Lighting Business

Adjustments in the fiscal quarter ended December 31, 2022 for E&RW primarily includes collections of previously reserved bad debt expense related to certain customers impacted by the conflict in Russia and Ukraine.

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Adjusted Segment Income Reconciliation

APPENDIX

(Dollars in thousands)	Twelve Months Ended December 31, 2023			Twelve Months Ended December 31, 2022		
	Total	NAM	E&RW	Total	NAM	E&RW
Net sales	$ 992,452	$ 823,276	$ 169,176	$1,314,136	$1,108,859	$ 205,277
Gross profit	476,950	410,641	66,309	597,035	514,855	82,180
Gross profit margin %	48.1 %	49.9 %	39.2 %	45.4 %	46.4 %	40.0 %
Income from operations before income taxes	$ 101,087			$ 234,237		
Expenses not allocated to segments						
Corporate expense, net	30,147			30,151		
Acquisition and restructuring related expense	13,213			8,162		
Amortization of intangible assets	30,361			32,129		
Interest expense, net	73,584			51,387		
Other (income) expense, net	551			(51)		
Segment income	$ 248,943	$ 215,425	$ 33,518	$ 356,015	$ 308,627	$ 47,388
Segment income margin %	25.1 %	26.2 %	19.8 %	27.1 %	27.8 %	23.1 %
Depreciation	$ 15,550	$ 14,610	$ 940	$ 17,815	$ 17,049	$ 766
Amortization	6,718	6,718	—	6,265	6,265	—
Stock-based compensation [(a)]	482	437	45	(434)	(494)	60
Other [(b)]	503	503	—	9,534	9,332	202
Total adjustments	23,253	22,268	985	33,180	32,152	1,028
Adjusted segment income	$ 272,196	$ 237,693	$ 34,503	$ 389,195	$ 340,779	$ 48,416
Adjusted segment income margin %	27.4 %	28.9 %	20.4 %	29.6 %	30.7 %	23.6 %

(a) Represents non-cash stock-based compensation expense related to equity awards issued to management, employees, and directors. Beginning in the three months ended July 2, 2022, the adjustment includes only expense related to awards issued under the 2017 Equity Incentive Plan, which were awards granted prior to the effective date of the IPO, whereas in prior periods, the adjustment included stock-based compensation expense for all equity awards. Under the current presentation, the stock-based compensation adjustment for the twelve months ended December 31, 2023 would have been an income of $0.7 million and expense of $0.1 million for NAM and E&RW, respectively.

(b) Adjustments in the year ended December 31, 2023 for NAM include miscellaneous items we believe are not representative of our ongoing business operations.

Adjustments in the year ended December 31, 2022 for NAM include $5.5 million of expenses associated with the discontinuation of a product joint development agreement and a $3.3 million non-cash increase in cost of goods sold resulting from the fair value inventory step-up adjustment recognized as part of the purchase accounting for the Specialty Lighting Business, and other immaterial items.

Adjustments in the year ended December 31, 2022 for E&RW include $0.2 million bad debt reserves related to certain customers impacted by the conflict in Russia and Ukraine partially offset by subsequent collections.

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