

FOURTH QUARTER AND FULL YEAR 2024 EARNINGS

February 27, 2025

 **HAYWARD** | 100
SINCE 1925



FOURTH QUARTER AND FULL YEAR 2024 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. Such forward-looking statements relating to Hayward are based on the beliefs of Hayward’s management as well as assumptions made by, and information currently available to it. These forward-looking statements include, but are not limited to, statements about Hayward’s strategies, plans, objectives, expectations, intentions, expenditures and assumptions and other statements contained in or incorporated by reference in this earnings release that are not historical facts. When used in this presentation, words such as “guidance,” “may,” “will,” “should,” “could,” “intend,” “potential,” “continue,” “anticipate,” “believe,” “estimate,” “expect,” “plan,” “target,” “predict,” “project,” “seek” and similar expressions as they relate to Hayward are intended to identify forward-looking statements. Examples of forward-looking statements include, among others, statements Hayward makes regarding: Hayward’s 2025 guidance; business plans and objectives; general economic and industry trends; business prospects; future product development and acquisition strategies; future channel stocking levels; growth and expansion opportunities; operating results; and working capital and liquidity. 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; Hayward’s exposure to credit risk on its accounts receivable; 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; misuse of its technology-enabled products could lead to reduced sales, liability claims or harm to its reputation; the impact of product manufacturing disruptions, including as a result of catastrophic and other events beyond Hayward’s control; the potential adverse impact of tariffs and other trade restrictions on its business; 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, maintain and effectively enforce 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, or address the impacts of climate change; the outcome of litigation and governmental proceedings; uncertainties related to distribution channel inventory practices and its impact on sales volumes; Hayward’s ability to realize cost savings from restructuring activities; and other factors set forth in Hayward’s most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

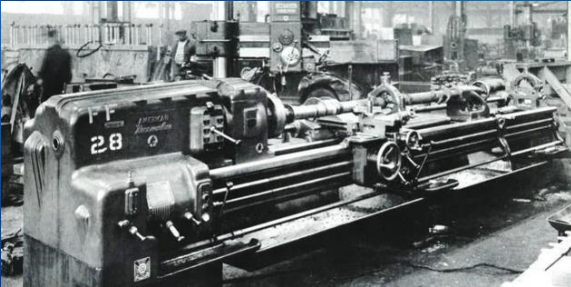
The forward-looking statements included in this presentation are made only as of the date of this presentation. Unless required by United States federal securities laws, Hayward neither intends nor assumes any obligation to update these forward-looking statements for any reason to conform these statements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

Celebrating 100 Years of Hayward

FROM HUMBLE BEGINNINGS TO GLOBAL PUBLIC COMPANY



Irving Hayward
Establishes Hayward

1925



Oscar Davis
Acquires Hayward &
Enters Pool Market

1960s



Hayward IPO
NYSE: HAYW

2021



Hayward Celebrating
100 Years

Today

Key Messages

- 1 Reported Q4 2024 results ahead of expectations; net sales +17% YoY
- 2 Delivered solid margin expansion; record full year gross profit margin¹ of 50.5%
- 3 Generated strong cash flow; reduced net leverage² to 2.8x
- 4 Executed key strategic initiatives; well positioned for profitable growth
- 5 Introduced full year 2025 guidance

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

2. 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. Adjusted EBITDA is a non-GAAP financial measure. See the appendix for a reconciliation to the most directly comparable GAAP measure.

Financial Overview

Q4 2024

- Net sales of \$327.1M
- Gross profit margin of 51.4%
- Adj. EBITDA¹ of \$98.7M
- Adj. EBITDA margin¹ of 30.2%
- Adj. diluted EPS¹ of \$0.27

FY 2024

- Net sales of \$1.052B
- Gross profit margin of 50.5%
- Adj. EBITDA¹ of \$277.4M
- Adj. EBITDA margin¹ of 26.4%
- Adj. diluted EPS¹ of \$0.67

RESULTS REFLECT:

- Continued solid execution, notably in NAM
- Positive net price realization and increased volumes
- Strong gross profit margin and adjusted EBITDA margin expansion
- Targeted strategic growth investments

2024 Highlights

Executed Key Strategic Initiatives; Well-positioned for Profitable Growth



Product Innovation

- ✓ Increased investments in RD&E
- ✓ Introduced successful new product (Microchannel Heat+Chill Pump, Omni Pro App, etc.)



Operational Excellence

- ✓ Consolidated manufacturing footprint in Europe
- ✓ Strategic investments in automation and productivity driving continuous improvement



Customer Experience

- ✓ Invested in enhanced customer service and support, improved customer loyalty rewards programs
- ✓ Launched the first “Hayward Hub”, a training and support center for dealers and trade professionals



Senior Leadership

- ✓ Further strengthened the senior leadership team
- ✓ Appointed four proven leaders to key executive roles within the organization



Financial

- ✓ Increased net sales 6% YoY
- ✓ Expanded gross margins 240 bps, adjusted EBITDA margins 150 bps
- ✓ Increased free cash flow 22% to \$188M
- ✓ Reduced net leverage from 3.7x to 2.8x while deploying capital



Capital Deployment

- ✓ \$123M early debt repayment
- ✓ \$55M acquisition of ChlorKing®



Corporate Strategy



Organic Growth

- Execute global product and technology leadership roadmaps
- Advance regional sales & marketing strategies
- Expand customer experience initiatives
- Accelerate growth plans in Commercial Pool and Flow Control markets



Margin Expansion

- Proven culture of operational excellence, driving productivity and continuous improvement
- Higher-margin technology product mix
- Leverage top-line growth, increase capacity utilization
- Price-cost management



Disciplined Capital Allocation

- Growth investments (products/technologies, customer programs, productivity)
- Strategic M&A and partnerships
- De-levering, early debt repayment
- Return to shareholders

Fourth Quarter 2024 Financials

NET SALES OF \$327.1M

NET SALES +17.5% YoY

- Net price +4%
- Volume +12%
- Acquisition +2% (ChlorKing)

GROSS PROFIT OF \$168.0M

GROSS PROFIT MARGIN OF 51.4%

- Increased 220 bps YoY despite 50 bps purchase accounting impact
- Strong execution, increased operational efficiencies
- Positive price realization offsetting inflation

ADJ. EBITDA¹ OF \$98.7M

ADJ. EBITDA¹ MARGIN OF 30.2%

- Increased 300 bps YoY
- Disciplined cost control, operating leverage

ADJ. DILUTED EPS¹ OF \$0.27

DILUTED EPS OF \$0.25; ADJ. DILUTED EPS¹ OF \$0.27

Full Year 2024 Financials

NET SALES OF \$1.052B

NET SALES +6.0% YoY

- Net price +3%
- Volume +2%
- Acquisition +1% (ChlorKing)

GROSS PROFIT OF \$530.8M

GROSS PROFIT MARGIN OF 50.5%

- Increased 240 bps YoY despite 30 bps purchase accounting impact
- Strong execution, increased operational efficiencies
- Positive price realization offsetting inflation

ADJ. EBITDA¹ OF \$277.4M

ADJ. EBITDA¹ MARGIN OF 26.4%

- Increased 150 bps YoY
- Targeted strategic investments in sales, customer service, engineering
- Normalized annual incentive compensation

ADJ. DILUTED EPS¹ OF \$0.67

DILUTED EPS OF \$0.54; ADJ. DILUTED EPS¹ OF \$0.67

Fourth Quarter 2024 Segment Overview

NORTH AMERICA

NET SALES	GROSS PROFIT	ADJ. SEGMENT INCOME ¹
\$286.0M	\$155.1M	\$104.9M
YoY Change: +20.1%	Gross Profit Margin: 54.2%	Adj. Segment Income Margin ¹ : 36.7%

- Net price +5%, volume +13%, M&A +2%
- US +20%, Canada +23%
- Volume increase due to increased in-quarter and early buy demand
- Gross margin increased 310 bps YoY driven by volume leverage and operational efficiencies

EUROPE & REST OF WORLD

NET SALES	GROSS PROFIT	ADJ. SEGMENT INCOME ¹
\$41.1M	\$12.9M	\$5.3M
YoY Change: +1.9%	Gross Profit Margin: 31.4%	Adj. Segment Income Margin ¹ : 12.8%

- Net price +1%, volume +2%, F/X -1%
- Europe +1%, Rest of World +2%
- Volume increase in Europe due to early buy demand
- Gross margin reduced 680 bps YoY largely due to discrete inventory adjustments in Europe and unfavorable mix

Full Year 2024 Segment Overview

NORTH AMERICA

NET SALES	GROSS PROFIT	ADJ. SEGMENT INCOME ¹
\$895.5M	\$474.3M	\$291.0M
YoY Change: +8.8%	Gross Profit Margin: 53.0%	Adj. Segment Income Margin ¹ : 32.5%

- Net price +4%, volume +4%, acquisitions +1%
- US +8%, Canada +16%
- Volume increases primarily due to normalized channel inventory movements
- Gross margin increased 310 bps YoY

EUROPE & REST OF WORLD

NET SALES	GROSS PROFIT	ADJ. SEGMENT INCOME ¹
\$156.1M	\$56.5M	\$22.9M
YoY Change: (7.7%)	Gross Profit Margin: 36.2%	Adj. Segment Income Margin ¹ : 14.6%

- Net price +1%, volume -9%
- Europe -1%, Rest of World -16%
- Volume reduction in Rest of World due to macroeconomic conditions and lower demand in certain regions
- Gross margin reduced 300 bps YoY

Balance Sheet and Cash Flow Highlights

BALANCE SHEET (\$M)

	12/31/2024
Cash and cash equivalents	\$197
Total debt principal	\$974
Term debt (2028 maturity) ¹	\$965
ABL revolver (2026 maturity)	\$0
LTM adjusted EBITDA ²	\$277
Net leverage ³	2.8x

\$600M fixed rate,
remainder variable

Blended interest
rate of 6.4%⁵

>> Net leverage reduced to 2.8x from 3.7x at year end 2023

>> No near-term debt maturities; \$360M total liquidity⁴

CASH FLOW (\$M)

	FY 2024	FY 2023
Cash flow from operating activities	\$212	\$185
Less capex	(\$24)	(\$31)
Free cash flow ⁶	\$188	\$154

>> FY 2024 cash flow from operating activities +15% YoY to \$212M

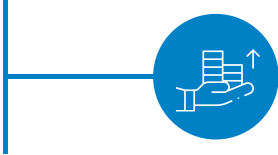
>> FY 2024 FCF +22% YoY to \$188M; exceeded guidance of ~\$160M

Capital Allocation **Priorities**

1

GROWTH INVESTMENTS

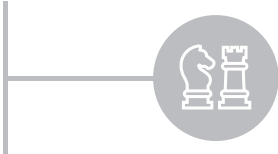
- Innovative new product development, IoT digital leadership
- Commercial programs, dealer conversions
- Operational excellence, productivity, growth capex



2

STRATEGIC M&A

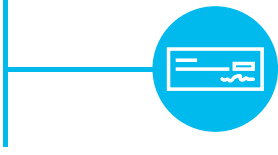
- Pipeline of tuck-in opportunities to complement our product offering, geographic footprint, commercial relationships



3

DE-LEVERING

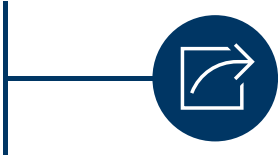
- Debt repayment



4

RETURN TO SHAREHOLDERS

- \$400M remaining on existing \$450M authorization



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

FY 2025 Financial Outlook

Net sales of \$1.060B to \$1.100B

Seasonality expectations

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

Adjusted EBITDA¹ of \$280M to \$290M

Free cash flow¹ of ~\$160M, >100% of net income

Modeling assumptions:

- Net interest expense ~\$50M
- Effective tax rate ~25%
- Capex ~\$35M

OUTLOOK REFLECTS:

- Resilient non-discretionary aftermarket maintenance
- Discretionary new construction, remodel, upgrade impacted by economic and interest rate environment
- Net price realization of ~2-3%
- Robust margins
- Solid cash flow generation

Key Messages

- 1 Reported Q4 2024 results ahead of expectations; net sales +17% YoY
- 2 Delivered solid margin expansion; record full year gross profit margin¹ of 50.5%
- 3 Generated strong cash flow; reduced net leverage² to 2.8x
- 4 Executed key strategic initiatives; well positioned for profitable growth
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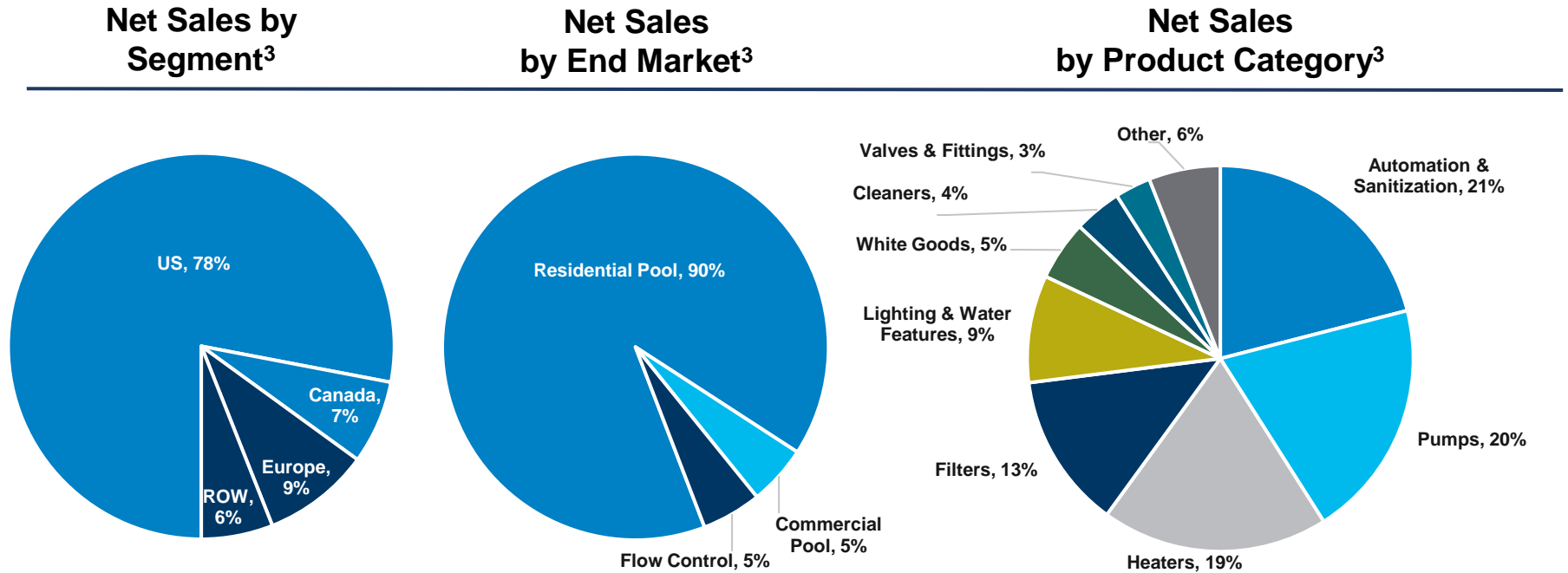
COMPANY OVERVIEW

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Hayward at a Glance

<p>\$1.05B 2024 Net Sales</p>	<p>50.5% 2024 Gross Profit margin</p>
<p>26.4% 2024 Adj. EBITDA¹ margin</p>	<p>#1 products brand amongst U.S. pool professionals</p>
<p>~80% of sales from aftermarket² historically</p>	<p>>550 current / pending patents globally</p>
<p>~90% of products associated with sustainability themes</p>	<p>94% attach rate for the Omni app²</p>

- ✓ 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



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 for year ending December 31, 2024.

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

- Aftermarket¹ sales mix historically ~80%
- 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
- Gross margin ~50%, mid-to-high 20s adjusted EBITDA margins on an annual basis
- 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 2024 industry top quartile rating

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



APPENDIX

Non-GAAP Reconciliations

Adjusted EBITDA & Adjusted EBITDA Margin Reconciliation

APPENDIX

(Dollars in thousands)

	Three Months Ended		Twelve Months Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Net income	\$ 54,733	\$ 31,036	\$ 118,655	\$ 80,687
Depreciation	6,149	2,965	20,078	15,983
Amortization	9,484	9,276	35,783	37,079
Interest expense	13,563	17,645	62,163	73,584
Income taxes	8,686	8,057	25,527	20,400
Loss on extinguishment of debt	—	—	4,926	—
EBITDA	92,615	68,979	267,132	227,733
Stock-based compensation ^(a)	52	269	608	1,270
Currency exchange items ^(b)	(366)	(490)	(836)	786
Acquisition and restructuring related expense, net ^(c)	3,976	6,993	6,464	13,213
Other ^(d)	2,422	(96)	4,079	4,271
Total Adjustments	6,084	6,676	10,315	19,540
Adjusted EBITDA	\$ 98,699	\$ 75,655	\$ 277,447	\$ 247,273
Net income margin	16.7 %	11.1 %	11.3 %	8.1 %
Adjusted EBITDA margin	30.2 %	27.2 %	26.4 %	24.9 %

- (a) Represents non-cash stock-based compensation expense related to equity awards issued to management, employees, and directors. 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").
- (b) Represents unrealized non-cash (gains) losses on foreign denominated monetary assets and liabilities and foreign currency contracts.
- (c) Adjustments in the fiscal quarter ended December 31, 2024 are primarily driven by \$2.9 million of compensation expenses for the retention of key employees acquired in the ChlorKing acquisition. Pursuant to the ChlorKing acquisition agreement, this \$3.2 million was part of a total \$6.3 million employee retention payment that was deposited into an escrow account on the date of acquisition. The full amount held in escrow will be released to the specified key employees if such employees are employed by Hayward on the one-year anniversary of the acquisition. These payments are contingent on continued employment and are not dependent on the achievement of any metric or performance measure. The retention costs will be recognized over the twelve-month period from the date of acquisition. Also included in adjustments for the fiscal quarter ended December 31, 2024 is \$0.9 million of termination benefits related to a reduction-in-force within E&RW and \$0.1 million of transaction and integration costs associated with the acquisition of the ChlorKing business.

Adjustments in the fiscal quarter ended December 31, 2023 are primarily driven by \$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 year ended December 31, 2024 are primarily driven by \$3.2 million of compensation expenses for the retention of key employees acquired in the ChlorKing acquisition. Pursuant to the ChlorKing acquisition agreement, this \$3.2 million was part of a total \$6.3 million employee retention payment that was deposited into an escrow account on the date of acquisition. The full amount held in escrow will be released to the specified key employees if such employees are employed by Hayward on the one-year anniversary of the acquisition. These payments are contingent on continued employment and are not dependent on the achievement of any metric or performance measure. The retention costs will be recognized over the twelve-month period from the date of acquisition. Further, other adjustments for the year ended December 31, 2024 include \$1.1 million of transaction and integration costs associated with the acquisition of the ChlorKing business, \$0.9 million of termination benefits related to a reduction-in-force within E&RW, \$0.8 million of separation and other costs associated with the centralization and consolidation of operations in Europe and \$0.4 million of costs to finalize restructuring actions initiated in prior years.

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.

- (d) Adjustments in the fiscal quarter ended December 31, 2024 are primarily driven by a \$1.6 million increase in cost of goods sold resulting from the fair value inventory step-up adjustment recognized as part of the purchase accounting for the acquisition of the ChlorKing business and \$0.7 million of costs sustained from flood damage associated with a hurricane at a contract manufacturing facility.

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 year ended December 31, 2024 are primarily driven by a \$3.3 million increase in cost of goods sold resulting from the fair value inventory step-up adjustment recognized as part of the purchase accounting for the acquisition of the ChlorKing business, \$0.7 million of costs sustained from flood damage associated with a hurricane at a contract manufacturing facility and \$0.5 million of costs incurred related to litigation, partially offset by \$0.5 million of gains on the sale of assets.

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.

Adjusted Net Income & Adjusted EPS Reconciliation

APPENDIX

(Dollars in thousands, except per share data)

	Three Months Ended		Twelve Months Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Net income	\$ 54,733	\$ 31,036	\$ 118,655	\$ 80,687
Tax adjustments ^(a)	(7,167)	974	(9,389)	(1,930)
Other adjustments and amortization:				
Stock-based compensation ^(b)	52	269	608	1,270
Currency exchange items ^(c)	(366)	(490)	(836)	786
Acquisition and restructuring related expense, net ^(d)	3,976	6,993	6,464	13,213
Other ^(e)	2,422	(96)	4,079	4,271
Total other adjustments	6,084	6,676	10,315	19,540
Loss on extinguishment of debt	—	—	4,926	—
Amortization	9,484	9,276	35,783	37,079
Tax effect ^(f)	(3,892)	(2,890)	(12,356)	(12,507)
Adjusted net income	\$ 59,242	\$ 45,072	\$ 147,934	\$ 122,869
Weighted average number of common shares outstanding, basic	215,584,373	213,768,108	215,028,683	213,144,063
Weighted average number of common shares outstanding, diluted	221,872,482	220,848,098	221,370,188	220,688,616
Basic EPS	\$ 0.25	\$ 0.15	\$ 0.55	\$ 0.38
Diluted EPS	\$ 0.25	\$ 0.14	\$ 0.54	\$ 0.37
Adjusted basic EPS	\$ 0.27	\$ 0.21	\$ 0.69	\$ 0.58
Adjusted diluted EPS	\$ 0.27	\$ 0.20	\$ 0.67	\$ 0.56

- (a) Tax adjustments for the three and twelve months ended December 31, 2024 reflect a normalized tax rate of 25% and 24.2% compared to our effective tax rate of 13.7% and 17.7%, respectively. Our effective tax rate for the three and twelve months ended December 31, 2024 primarily includes the tax benefits resulting from prior period return-to-provision adjustments, revaluation of deferred tax liabilities as a result of state tax changes, and the exercise of stock options along with other miscellaneous items. 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.
- (b) Represents non-cash stock-based compensation expense related to equity awards issued to management, employees, and directors. 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.
- (c) Represents unrealized non-cash (gains) losses on foreign denominated monetary assets and liabilities and foreign currency contracts.
- (d) Adjustments in the fiscal quarter ended December 31, 2024 are primarily driven by \$2.9 million of compensation expenses for the retention of key employees acquired in the ChlorKing acquisition. Pursuant to the ChlorKing acquisition agreement, this \$3.2 million was part of a total \$6.3 million employee retention payment that was deposited into an escrow account on the date of acquisition. The full amount held in escrow will be released to the specified key employees if such employees are employed by Hayward on the one-year anniversary of the acquisition. These payments are contingent on continued employment and are not dependent on the achievement of any metric or performance measure. The retention costs will be recognized over the twelve-month period from the date of acquisition. Also included in adjustments for the fiscal quarter ended December 31, 2024 is \$0.9 million of termination benefits related to a reduction-in-force within E&RW and \$0.1 million of transaction and integration costs associated with the acquisition of the ChlorKing business.

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Adjustments in the year ended December 31, 2024 are primarily driven by \$3.2 million of compensation expenses for the retention of key employees acquired in the ChlorKing acquisition. Pursuant to the ChlorKing acquisition agreement, this \$3.2 million was part of a total \$6.3 million employee retention payment that was deposited into an escrow account on the date of acquisition. The full amount held in escrow will be released to the specified key employees if such employees are employed by Hayward on the one-year anniversary of the acquisition. These payments are contingent on continued employment and are not dependent on the achievement of any metric or performance measure. The retention costs will be recognized over the twelve-month period from the date of acquisition. Further, other adjustments for the year ended December 31, 2024 include \$1.1 million of transaction and integration costs associated with the acquisition of the ChlorKing business, \$0.9 million of termination benefits related to a reduction-in-force within E&RW, \$0.8 million of separation and other costs associated with the centralization and consolidation of operations in Europe and \$0.4 million of costs to finalize restructuring actions initiated in prior years.

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.

- (e) Adjustments in the fiscal quarter ended December 31, 2024 are primarily driven by a \$1.6 million increase in cost of goods sold resulting from the fair value inventory step-up adjustment recognized as part of the purchase accounting for the acquisition of the ChlorKing business and \$0.7 million of costs sustained from flood damage associated with a hurricane at a contract manufacturing facility.

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 year ended December 31, 2024 are primarily driven by a \$3.3 million increase in cost of goods sold resulting from the fair value inventory step-up adjustment recognized as part of the purchase accounting for the acquisition of the ChlorKing business, \$0.7 million of costs sustained from flood damage associated with a hurricane at a contract manufacturing facility and \$0.5 million of costs incurred related to litigation, partially offset by \$0.5 million of gains on the sale of assets.

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.

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

Adjusted Segment Income Three Months Ended Reconciliation

APPENDIX

(Dollars in thousands)

	Three Months Ended December 31, 2024		Three Months Ended December 31, 2023	
	NAM	E&RW	NAM	E&RW
Segment income	\$ 95,089	\$ 4,832	\$ 71,079	\$ 7,871
Depreciation	\$ 5,370	\$ 424	\$ 2,658	\$ 246
Amortization	2,111	—	1,692	—
Stock-based compensation	—	—	20	11
Other ^(a)	2,356	—	—	—
Total adjustments	9,837	424	4,370	257
Adjusted segment income	<u>\$ 104,926</u>	<u>\$ 5,256</u>	<u>\$ 75,449</u>	<u>\$ 8,128</u>
Segment income margin %	33.2 %	11.8 %	29.8 %	19.5 %
Adjusted segment income margin %	36.7 %	12.8 %	31.7 %	20.2 %

- (a) Adjustments in the fiscal quarter ended December 31, 2024 for NAM are primarily driven by a \$1.6 million increase in cost of goods sold resulting from the fair value inventory step-up adjustment recognized as part of the purchase accounting for the acquisition of the ChlorKing business and \$0.7 million of costs sustained from flood damage associated with a hurricane at a contract manufacturing facility.

Adjusted Segment Income Twelve Months Ended Reconciliation

APPENDIX

(Dollars in thousands)

	Twelve Months Ended December 31, 2024		Twelve Months Ended December 31, 2023	
	NAM	E&RW	NAM	E&RW
Segment income	\$ 261,735	\$ 21,632	\$ 215,425	\$ 33,518
Depreciation	\$ 17,989	\$ 1,215	\$ 14,610	\$ 940
Amortization	6,985	—	6,718	—
Stock-based compensation	176	10	437	45
Other ^(a)	4,079	—	503	—
Total adjustments	29,229	1,225	22,268	985
Adjusted segment income	\$ 290,964	\$ 22,857	\$ 237,693	\$ 34,503
Segment income margin %	29.2 %	13.9 %	26.2 %	19.8 %
Adjusted segment income margin %	32.5 %	14.6 %	28.9 %	20.4 %

(a) Adjustments in the year ended December 31, 2024 for NAM include a \$3.3 million increase in cost of goods sold resulting from the fair value inventory step-up adjustment recognized as part of the purchase accounting for the acquisition of the ChlorKing business and \$0.7 million of costs related to a flood sustained at a contract manufacturer.

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



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