SITEONE LANDSCAPE SUPPLY ANNOUNCES SECOND QUARTER 2023 EARNINGS

August 02, 2023

Second Quarter 2023 Highlights (Compared to Second Quarter 2022):

- Net sales increased 11% to $1.35 billion
- Organic Daily Sales increased 4%
- Gross profit increased 6% to $489.4 million; gross margin contracted 170 basis points to 36.2%
- SG&A as a percentage of Net sales increased 130 basis points to 23.7%
- Net income decreased 12% to $124.0 million
- Adjusted EBITDA decreased 5% to $211.2 million; Adjusted EBITDA margin was 15.6%
- Operating cash flow increased $159.1 million to $253.8 million
- Closed two acquisitions: Adams Wholesale Supply and Link Outdoor Lighting

Post-Quarter Highlights

- Closed one acquisition: Hickory Hill Farm & Garden
- Successfully increased term loan by $120 million to $372 million

ROSWELL, Ga.--(BUSINESS WIRE)-- SiteOne Landscape Supply, Inc. (the "Company" or "SiteOne") (NYSE: SITE) announced earnings for its second quarter ended July 2, 2023 ("Second Quarter 2023").

"Our second quarter results were in line with our expectations as we delivered solid Organic Daily Sales growth which helped to mitigate the ongoing normalization of gross margin and EBITDA margin," said Doug Black, SiteOne's Chairman and CEO. "Our teams have continued to perform well in serving our customers, gaining market share, and successfully managing through the near-term commodity price deflation for select products. End market demand has been resilient which allowed us to achieve positive organic volume growth and strong growth in operating cash flow during the quarter. Finally, we completed two acquisitions during the quarter with one more completed in July. Overall, we are pleased with our first half performance and feel good about our outlook for the remainder of 2023. With strong teams, a robust acquisition pipeline, and a winning strategy to create significant value for our stakeholders, we are confident in our ability to continue delivering exceptional performance and growth in the years to come."

Second Quarter 2023 Results

Net sales for the Second Quarter 2023 increased to $1.35 billion, or 11%, compared to $1.22 billion for the prior-year period. Organic Daily Sales increased 4% compared to the prior-year period primarily due to volume growth on solid end market demand. Acquisitions contributed $86.1 million, or 7%, to Net sales growth for the quarter.

Gross profit increased 6% to $489.4 million for the Second Quarter 2023 compared to $461.1 million for the prior-year period. Gross margin contracted 170 basis points to 36.2% due to the absence of

the large price realization benefit in the prior year period, partially offset by lower freight costs and the positive impact of acquisitions.

Selling, general and administrative expenses ("SG&A") for the Second Quarter 2023 increased to $320.6 million from $272.7 million for the prior-year period. SG&A as a percentage of Net sales increased 130 basis points to 23.7% due to the impact of acquisitions, continued inflation and higher operating costs supporting our growth.

Net income for the Second Quarter 2023 was $124.0 million, compared to net income of $140.7 million for the same period in the prior year, as higher Net sales were more than offset by lower gross margin and increased SG&A expense.

Adjusted EBITDA decreased 5% to $211.2 million for the Second Quarter 2023, compared to $222.0 million for the prior-year period. Adjusted EBITDA margin decreased 260 basis points to 15.6%.

Operating cash flow increased $159.1 million to $253.8 million for the Second Quarter 2023 compared to $94.7 million for the prior-year period. The record operating cash flow reflects our progress in reducing inventory levels that we increased in prior periods in response to supply chain uncertainty.

Net debt, calculated as long-term debt (net of issuance costs and discounts) plus finance leases, net of cash and cash equivalents on our balance sheet as of July 2, 2023, was $385.4 million compared to $436.3 million as of July 3, 2022. Net debt to Adjusted EBITDA for the last twelve months was 0.9 times which was unchanged from the prior year period.

Outlook

"We were pleased to generate positive Organic Daily Sales growth in the second quarter with continued resilient end market demand and contributions from our commercial initiatives. We expect pricing to be down versus prior year in the second half due to commodity price deflation which will cause pricing for the full year 2023 to be approximately flat," Doug Black continued. "Accordingly, we expect Organic Daily Sales growth in the second half to be slightly down with negative pricing offsetting volume. We expect gross margin to be flat and adjusted EBITDA margin to be slightly lower in the second half of 2023 compared to the second half of 2022."

For Fiscal 2023, we now expect our Adjusted EBITDA to be in the range of $400 million to $425 million. Our guidance does not include any contributions from unannounced acquisitions.

Reconciliation for the forward-looking full-year 2023 Adjusted EBITDA outlook is not being provided, as the Company does not currently have sufficient data to accurately estimate the variables and individual adjustments for such reconciliation.

Conference Call Information

SiteOne management will host a conference call today, August 2, 2023, at 8:00 a.m. Eastern Time, to discuss the Company's financial results. The conference call can be accessed by dialing 844-825-9789 (domestic) or 412-317-5180 (international), or by clicking on this link for instant telephone access to the call. A telephonic replay will be available approximately two hours after the call by dialing 844-512-2921, or for international callers, 412-317-6671. The passcode for the live call is 1823770 and the replay is 10180700. The replay will be available until 11:59 p.m. (ET) on August 16, 2023.

Interested investors and other parties can listen to a webcast of the live conference call by logging onto the Investor Relations section of the Company's website at http://investors.siteone.com. The online replay will be available for 30 days on the same website immediately following the call. A slide

presentation highlighting the Company's results and key performance indicators will also be available on the Investor Relations section of the Company's website.

To learn more about SiteOne, please visit the company's website at http://investors.siteone.com.

About SiteOne Landscape Supply, Inc.

SiteOne Landscape Supply, Inc. is the largest and only national full product line wholesale distributor of landscape supplies in the United States and has a growing presence in Canada. Its customers are primarily residential and commercial landscape professionals who specialize in the design, installation and maintenance of lawns, gardens, golf courses and other outdoor spaces.

Forward-Looking Statements

This release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may include, but are not limited to, statements relating to our 2023 Adjusted EBITDA outlook and our share repurchase program. Some of the forward-looking statements can be identified by the use of terms such as "may," "intend," "might," "will," "should," "could," "would," "expect," "believe," "estimate," "anticipate," "predict," "project," "potential," or the negative of these terms, and similar expressions. You should be aware that these forward-looking statements are subject to risks and uncertainties that are beyond our control. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors emerge from time to time that may cause our business not to develop as we expect, and it is not possible for us to predict all of them. Factors that may cause actual results to differ materially from those expressed or implied by the forward-looking statements include, but are not limited to, the following: cyclicality in residential and commercial construction markets; general economic and financial conditions, including a prolonged economic recession; seasonality of our business and its impact on demand for our products; weather and climate conditions; prices for the products we purchase may fluctuate; market variables, including inflation and rising interest rates; increases in operating costs; public health emergencies such as the COVID-19 pandemic; public perceptions that our products and services are not environmentally friendly or that our practices are not sustainable; competitive industry pressures, including competition for our talent base; supply chain disruptions, product or labor shortages, and the loss of key suppliers; inventory management risks; ability to implement our business strategies and achieve our growth objectives; acquisition and integration risks, including increased competition for acquisitions; risks associated with our large labor force and our customers' labor force and labor market disruptions; retention of key personnel; construction defect and product liability claims; impairment of goodwill; adverse credit and financial markets events and conditions; inefficient or ineffective allocation of capital; credit sale risks; performance of individual branches; climate, environmental, health and safety laws and regulations; hazardous materials and related materials; laws and government regulations applicable to our business that could negatively impact demand for our products; cybersecurity incidents involving our systems or third-party systems; failure or malfunctions in our information technology systems; security of personal information about our customers; intellectual property and other proprietary rights; unanticipated changes in our tax provisions; threats from terrorism, violence, uncertain political conditions, and geopolitical conflicts such as the ongoing conflict between Russia and Ukraine; financial institution disruptions; risks related to our current indebtedness and our ability to obtain financing in the future; risks related to our common stock; and other risks, as described in Item 1A, "Risk Factors", and elsewhere in our Annual Report on Form 10-K for the fiscal year ended January 1, 2023, as may be updated by subsequent filings under the Securities Exchange Act of 1934, as amended, including Forms 10-Q and 8-K.

Non-GAAP Financial Information

This release includes certain financial information, not prepared in accordance with U.S. GAAP. Because not all companies calculate non-GAAP financial information identically (or at all), the presentations herein may not be comparable to other similarly titled measures used by other companies. Further, these measures should not be considered substitutes for the information contained in the historical financial information of the Company prepared in accordance with U.S. GAAP that is set forth herein.

We present Adjusted EBITDA in order to evaluate the operating performance and efficiency of our business. Adjusted EBITDA represents EBITDA as further adjusted for items permitted under the covenants of our credit facilities. EBITDA represents our Net income (loss) plus the sum of income tax (benefit) expense, interest expense, net of interest income, and depreciation and amortization. Adjusted EBITDA represents EBITDA as further adjusted for stock-based compensation expense, (gain) loss on sale of assets and termination of finance leases not in the ordinary course of business, financing fees as well as other fees and expenses related to acquisitions, and other non-recurring (income) loss. Adjusted EBITDA does not include pre-acquisition acquired Adjusted EBITDA. Adjusted EBITDA is not a measure of our liquidity or financial performance under U.S. GAAP and should not be considered as an alternative to Net income, operating income or any other performance measures derived in accordance with U.S. GAAP, or as an alternative to cash flow from operating activities as a measure of our liquidity. The use of Adjusted EBITDA instead of Net income has limitations as an analytical tool. Because not all companies use identical calculations, our presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies, limiting its usefulness as a comparative measure. Net debt is defined as long-term debt (net of issuance costs and discounts) plus finance leases, net of cash and cash-equivalents on our balance sheet. Leverage Ratio is defined as Net debt to trailing twelve months Adjusted EBITDA. Free Cash Flow is defined as Cash Flow from Operating Activities, less capital expenditures. We define Organic Daily Sales as Organic Sales divided by the number of Selling Days in the relevant reporting period. We define Organic Sales as Net sales, including Net sales from newly-opened greenfield branches, but excluding Net sales from acquired branches until they have been under our ownership for at least four full fiscal quarters at the start of the fiscal year. Selling Days are the number of business days, excluding Saturdays, Sundays, and holidays, that SiteOne branches are open during the relevant reporting period.

SiteOne Landscape Supply, Inc.

Consolidated Balance Sheets (Unaudited)

(In millions, except share and per share data)

Assets	**July 2, 2023**	**January 1, 2023**
Current assets:		
Cash and cash equivalents	$ 69.6	$ 29.1
Accounts receivable, net of allowance for doubtful accounts of $22.2 and $21.7, respectively	569.6	455.5

Inventory, net			865.4			767.7	
Income tax receivable			—			10.9	
Prepaid expenses and other current assets			81.4			56.1	
Total current assets			1,586.0			1,319.3	
Property and equipment, net			201.8			188.8	
Operating lease right-of-use assets, net			364.0			321.6	
Goodwill			433.9			411.9	
Intangible assets, net			274.2			276.0	
Deferred tax assets			3.8			3.7	
Other assets			8.8			12.6	
Total assets		$	2,872.5		$	2,533.9	
Liabilities and Stockholders' Equity							
Current liabilities:							
Accounts payable		$	382.3		$	279.7	
Current portion of finance leases			18.4			14.8	
Current portion of operating leases			73.4			70.1	
Accrued compensation			57.9			81.2	
Long-term debt, current portion			4.1			4.0	
Income tax payable			24.8			—	
Accrued liabilities			122.0			110.0	
Total current liabilities			682.9			559.8	

Other long-term liabilities			14.8				12.8	
Finance leases, less current portion			56.1				43.9	
Operating leases, less current portion			299.7				260.1	
Deferred tax liabilities			7.6				7.8	
Long-term debt, less current portion			376.4				346.6	
Total liabilities			1,437.5				1,231.0	
Commitments and contingencies								
Stockholders' equity:								
Common stock, par value $0.01; 1,000,000,000 shares authorized; 45,273,918 and 45,148,312 shares issued, and 45,041,897 and 44,916,291 shares outstanding at July 2, 2023 and January 1, 2023, respectively			0.5				0.5	
Additional paid-in capital			589.3				577.1	
Retained earnings			862.4				742.9	
Accumulated other comprehensive income			8.1				7.7	
Treasury stock, at cost, 232,021 and 232,021 shares at July 2, 2023 and January 1, 2023, respectively			(25.3	)			(25.3	)
Total stockholders' equity			1,435.0				1,302.9	
Total liabilities and stockholders' equity		$	2,872.5			$	2,533.9	

Consolidated Statements of Operations (Unaudited)

(In millions, except share and per share data)

	Three Months Ended		Six Months Ended	
	July 2, 2023	**July 3, 2022**	**July 2, 2023**	**July**
Net sales	$ 1,353.7	$ 1,216.6	$ 2,191.1	$
Cost of goods sold	864.3	755.5	1,414.6	
Gross profit	489.4	461.1	776.5	
Selling, general and administrative expenses	320.6	272.7	612.0	
Other income	2.5	1.7	6.5	
Operating income	171.3	190.1	171.0	
Interest and other non-operating expenses, net	7.3	4.6	14.2	
Income before taxes	164.0	185.5	156.8	
Income tax expense	40.0	44.8	37.3	
Net income	$ 124.0	$ 140.7	$ 119.5	$

Net income per common share:												
Basic		$	2.75		$	3.12		$	2.65		$	
Diluted		$	2.71		$	3.07		$	2.62		$	
Weighted average number of common shares outstanding:												
Basic			45,093,712			45,034,633			45,069,781			4
Diluted			45,682,976			45,779,173			45,661,533			4

SiteOne Landscape Supply, Inc.

Consolidated Statements of Cash Flows (Unaudited)

(In millions)

		Six Months Ended			
		July 2, 2023		**July 3, 2022**	
Cash Flows from Operating Activities:					
Net income		$ 119.5		$ 173.0	
Adjustments to reconcile Net income to net cash provided by (used in) operating activities:					
Amortization of finance lease right-of-use assets and depreciation		31.0		21.1	
Stock-based compensation		15.7		9.5	
Amortization of software and intangible assets		30.8		23.7	
Amortization of debt related costs		0.5		0.6	

Gain on sale of equipment			(0.2	)			(0.3	)
Other			(2.5	)			0.6	
Changes in operating assets and liabilities, net of the effects of acquisitions:								
Receivables			(111.2	)			(122.5	)
Inventory			(84.8	)			(215.2	)
Income tax receivable			10.9				3.3	
Prepaid expenses and other assets			(16.7	)			(9.1	)
Accounts payable			98.5				80.8	
Income tax payable			24.8				34.6	
Accrued expenses and other liabilities			(15.1	)			(23.7	)
Net Cash Provided By (Used In) Operating Activities		$	101.2			$	(23.6	)
Cash Flows from Investing Activities:								
Purchases of property and equipment			(16.3	)			(16.6	)
Purchases of intangible assets			(1.1	)			(7.2	)
Acquisitions, net of cash acquired			(58.6	)			(122.0	)
Proceeds from the sale of property and equipment			1.1				1.1	
Net Cash Used In Investing Activities		$	(74.9	)		$	(144.7	)
Cash Flows from Financing Activities:								
Equity proceeds from common stock			2.1				2.3	
Repurchases of common stock			(0.6	)			—	

Repayments under term loan			(1.3	)			(1.3	)
Borrowings on asset-based credit facility			302.8				319.8	
Repayments on asset-based credit facility			(271.5	)			(133.8	)
Payments on finance lease obligations			(8.3	)			(5.8	)
Payments of acquisition related contingent obligations			(2.7	)			(8.9	)
Other financing activities			(6.5	)			(7.4	)
Net Cash Provided By Financing Activities		$	14.0			$	164.9	
Effect of exchange rate on cash			0.2				(0.2	)
Net change in cash			40.5				(3.6	)
Cash and cash equivalents:								
Beginning			29.1				53.7	
Ending		$	69.6			$	50.1	
Supplemental Disclosures of Cash Flow Information:								
Cash paid during the year for interest		$	13.9			$	6.8	
Cash paid during the year for income taxes		$	2.2			$	13.7	

SiteOne Landscape Supply

Adjusted EBITDA to Net Income Reconci

(In millions)

The following table presents a reconciliation of Adjusted EBITDA to Net income:

	2023			20
	Qtr 2	Qtr 1	Qtr 4	Qtr 3
Reported Net income (loss)	$ 124.0	$ (4.5)	$ (0.9)	$ 73.3
Income tax (benefit) expense	40.0	(2.7)	(4.6)	22.9
Interest expense, net	7.3	6.9	5.5	5.6
Depreciation and amortization	31.0	30.8	31.6	27.4
EBITDA	202.3	30.5	31.6	129.2
Stock-based compensation[(a)]	7.1	8.6	4.3	4.5
(Gain) loss on sale of assets[(b)]	0.2	(0.4)	0.2	(0.7)
Financing fees[(c)]	0.1	—	—	0.1
Acquisitions and other adjustments[(d)]	1.5	1.1	2.8	2.5
Adjusted EBITDA[(e)]	$ 211.2	$ 39.8	$ 38.9	$ 135.6

(a)		Represents stock-based compensation expense recorded during the period.
(b)		Represents any gain or loss associated with the sale of assets and termination of finance leases not in the ordinary course of business.

(c)		Represents fees associated with our debt refinancing and debt amendments.
(d)		Represents professional fees, retention and severance payments, and performance bonuses related to historical acquisitions. Although we have incurred professional fees, retention and severance payments, and performance bonuses related to acquisitions in several historical periods and expect to incur such fees and payments for any future acquisitions, we cannot predict the timing or amount of any such fees or payments.
(e)		Adjusted EBITDA excludes any earnings or loss of acquisitions prior to their respective acquisition dates for all periods presented.

SiteOne Landscape Supply, Inc.

Organic Daily Sales to Net Sales Reconciliation (Unaudited)

(In millions, except Selling Days)

The following table presents a reconciliation of Organic Daily Sales to Net sales:

	2023		2022	
	Qtr 2	Qtr 1	Qtr 2	Qtr 1
Reported Net sales	$ 1,353.7	$ 837.4	$ 1,216.6	$ 805.3
Organic Sales[(a)]	1,252.4	777.6	1,201.4	802.0
Acquisition contribution[(b)]	101.3	59.8	15.2	3.3
Selling Days	64	64	64	65
Organic Daily Sales	$ 19.6	$ 12.2	$ 18.8	$ 12.3

(a)		Organic Sales equal Net sales less Net sales from branches acquired in 2023 and 2022.
(b)		Represents Net sales from acquired branches that have not been under our ownership for at least four full fiscal quarters at the start of the 2023 Fiscal Year. Includes Net sales from branches acquired in 2023 and 2022.

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