SITEONE LANDSCAPE SUPPLY ANNOUNCES FIRST QUARTER 2023 EARNINGS

May 03, 2023

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

- Net sales increased 4% to $837.4 million
- Organic Daily Sales decreased 2%
- Gross profit increased 7% to $287.1 million; gross margin expanded 90 basis points to 34.3%
- SG&A as a percentage of Net sales increased 620 basis points to 34.8%
- Net loss of $4.5 million, compared to Net income of $32.3 million
- Adjusted EBITDA decreased 41% to $39.8 million; Adjusted EBITDA margin was 4.8%
- Closed two acquisitions: J&J Materials and Triangle Landscape Supplies

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

"Given the difficult weather this year and tough comparisons with the first quarter of last year, in which we achieved 17% Organic Daily Sales growth and strong margin expansion, I am pleased to report that SiteOne delivered Net sales growth and gross margin expansion in the first quarter of 2023," said Doug Black, SiteOne's Chairman and CEO. "We are serving our customers well and effectively managing the slowing pace of inflation to drive better-than-market organic growth. We also continue to execute our acquisition strategy, adding two excellent companies to the SiteOne family during the quarter, with many more opportunities in the pipeline. Our increase in SG&A as a percentage of Net sales reflects the business mix and seasonality of our recent acquisitions and a later start to the spring selling season. Overall, we are off to a solid start to the year, and we feel good about the resilient market demand and our outlook for 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."

First Quarter 2023 Results

Net sales for the First Quarter 2023 increased to $837.4 million, or 4%, compared to $805.3 million for the prior-year period. Organic Daily Sales decreased 2% compared to the prior-year period primarily due to unfavorable weather in Western and Northern markets and moderating economic conditions. Acquisitions contributed $56.5 million, or 7%, to Net sales growth for the quarter.

Gross profit increased 7% to $287.1 million for the First Quarter 2023 compared to $269.2 million for the prior-year period. Gross margin increased 90 basis points to 34.3% for the First Quarter 2023 as lower freight costs and contributions from acquisitions with higher gross margin offset the absence of the large price realization benefit in the First Quarter 2022.

Selling, general and administrative expenses ("SG&A") for the First Quarter 2023 increased to $291.4 million from $230.5 million for the prior-year period. SG&A as a percentage of Net sales increased 620 basis points to 34.8% due to the impact of acquisitions, cost inflation, and higher

operating costs supporting our growth combined with a later start to the spring season in a low-volume quarter.

Net loss for the First Quarter 2023 was $4.5 million, compared to Net income of $32.3 million for the same period in the prior year, as higher Net sales and gross margin were offset by the increase in SG&A expense. Adjusted EBITDA decreased 41% to $39.8 million for the First Quarter 2023, compared to $67.8 million for the prior-year period. Adjusted EBITDA margin decreased 360 basis points to 4.8%.

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 April 2, 2023, was $586.1 million compared to $416.6 million as of April 3, 2022. Net debt to Adjusted EBITDA for the last twelve months was 1.3 times compared to 0.9 times at the same period last year.

Outlook

"Net sales improved in April with the arrival of spring in the North and with more favorable weather in the West. While we expect demand for the full year to be lower than in 2022, we are pleased that our markets have remained resilient so far this year," Doug Black continued. "Additionally, we have seen high product inflation continue to moderate, and we expect prices in the second half of 2023 to be relatively flat versus the second half of 2022. Taken together with our ability to gain market share, we continue to expect Organic Daily Sales to be flat to down mid-single digits for the full year. We also continue to expect gross margin and EBITDA margin to normalize this year without the substantial benefits that we saw in 2022 due to our strategic inventory purchases ahead of the rapid inflation. Acquisitions will increase gross margin but will also increase SG&A, thereby having a minimal effect on EBITDA margin."

For Fiscal 2023, we continue to expect our Adjusted EBITDA to be in the range of $395 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, May 3, 2023, at 8:00 a.m. Eastern Time, to discuss the Company's financial results. The conference call can be accessed by dialing 877-704-4453 (domestic) or 201-389-0920 (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 and the replay is 13737885. The replay will be available until 11:59 p.m. (ET) on May 17, 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	**April 2, 2023**	**January 1, 2023**
Current assets:		
Cash and cash equivalents	$ 40.3	$ 29.1
Accounts receivable, net of allowance for doubtful accounts of $21.5 and $21.7, respectively	496.1	455.5
Inventory, net	943.1	767.7
Income tax receivable	14.0	10.9
Prepaid expenses and other current assets	73.6	56.1
Total current assets	1,567.1	1,319.3

Property and equipment, net			194.4		188.8
Operating lease right-of-use assets, net			358.7		321.6
Goodwill			422.4		411.9
Intangible assets, net			276.8		276.0
Deferred tax assets			3.8		3.7
Other assets			9.4		12.6
Total assets		$	2,832.6	$	2,533.9
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable		$	365.6	$	279.7
Current portion of finance leases			16.1		14.8
Current portion of operating leases			72.6		70.1
Accrued compensation			47.9		81.2
Long-term debt, current portion			4.1		4.0
Accrued liabilities			101.3		110.0
Total current liabilities			607.6		559.8
Other long-term liabilities			14.7		12.8
Finance leases, less current portion			47.4		43.9
Operating leases, less current portion			294.1		260.1
Deferred tax liabilities			7.3		7.8

Long-term debt, less current portion			558.8			346.6
Total liabilities			1,529.9			1,231.0
Commitments and contingencies						
Stockholders' equity:						
Common stock, par value $0.01; 1,000,000,000 shares authorized; 45,211,180 and 45,148,312 shares issued, and 44,979,159 and 44,916,291 shares outstanding at April 2, 2023 and January 1, 2023, respectively			0.5			0.5
Additional paid-in capital			583.1			577.1
Retained earnings			738.4			742.9
Accumulated other comprehensive income			6.0			7.7
Treasury stock, at cost, 232,021 and 232,021 shares at April 2, 2023 and January 1, 2023, respectively			(25.3)			(25.3)
Total stockholders' equity			1,302.7			1,302.9
Total liabilities and stockholders' equity		$	2,832.6		$	2,533.9

SiteOne Landscape Supply, Inc.

Consolidated Statements of Operations (Unaudited)

(In millions, except share and per share data)

		Three Months Ended				
		April 2, 2023			**April 3, 2022**	
Net sales		$	837.4		$	805.3

Cost of goods sold			550.3			536.1
Gross profit			287.1			269.2
Selling, general and administrative expenses			291.4			230.5
Other income			4.0			2.5
Operating income (loss)			(0.3)			41.2
Interest and other non-operating expenses, net			6.9			4.3
Income (loss) before taxes			(7.2)			36.9
Income tax (benefit) expense			(2.7)			4.6
Net income (loss)		$	(4.5)		$	32.3
Net income (loss) per common share:						
Basic		$	(0.10)		$	0.72
Diluted		$	(0.10)		$	0.70
Weighted average number of common shares outstanding:						
Basic			45,045,851			44,935,765
Diluted			45,045,851			45,850,602

SiteOne Landscape Supply, Inc.

Consolidated Statements of Cash Flows (Unaudited)

(In millions)

	Three Months Ended	
	April 2, 2023	April 3, 2022
Cash Flows from Operating Activities:		
Net income (loss)	$ (4.5)	$ 32.3
Adjustments to reconcile Net income (loss) to net cash used in operating activities:		
Amortization of finance lease right-of-use assets and depreciation	15.5	10.0
Stock-based compensation	8.6	3.7
Amortization of software and intangible assets	15.3	11.7
Amortization of debt related costs	0.3	0.3
Gain on sale of equipment	(0.4)	(0.1)
Other	(3.2)	(0.5)
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Receivables	(39.3)	(39.9)
Inventory	(168.2)	(216.1)
Income tax receivable	(3.1)	3.3
Prepaid expenses and other assets	(14.8)	(6.3)
Accounts payable	81.8	134.3
Income tax payable	—	1.6
Accrued expenses and other liabilities	(40.6)	(52.6)
Net Cash Used In Operating Activities	$ (152.6)	$ (118.3)

Cash Flows from Investing Activities:					
Purchases of property and equipment		(7.1)			(7.5)
Purchases of intangible assets		—			(2.5)
Acquisitions, net of cash acquired		(33.2)			(31.5)
Proceeds from the sale of property and equipment		0.7			0.5
Net Cash Used In Investing Activities	$	(39.6)		$	(41.0)
Cash Flows from Financing Activities:					
Equity proceeds from common stock		1.1			1.2
Repurchases of common stock		(0.6)			—
Repayments under term loan		(0.6)			(0.6)
Borrowings on asset-based credit facility		298.3			223.5
Repayments on asset-based credit facility		(85.3)			(60.8)
Payments on finance lease obligations		(3.9)			(2.9)
Payments of acquisition related contingent obligations		(1.6)			(5.6)
Other financing activities		(4.0)			(4.2)
Net Cash Provided By Financing Activities	$	203.4		$	150.6
Effect of exchange rate on cash		—			0.1
Net change in cash		11.2			(8.6)
Cash and cash equivalents:					

Beginning	29.1	53.7
Ending	$ 40.3	$ 45.1
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	$ 6.0	$ 3.2
Cash paid during the year for income taxes	$ 1.2	$ 2.4

SiteOne Landscape Supply, Inc.

Adjusted EBITDA to Net Income Reconciliation (U

(In millions)

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

	2023	2022			
	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Q
Reported Net income (loss)	$ (4.5)	$ (0.9)	$ 73.3	$ 140.7	$
Income tax (benefit) expense	(2.7)	(4.6)	22.9	44.8	
Interest expense, net	6.9	5.5	5.6	4.6	
Depreciation and amortization	30.8	31.6	27.4	23.1	
EBITDA	30.5	31.6	129.2	213.2	
Stock-based compensation[(a)]	8.6	4.3	4.5	5.8	

	(Gain) loss on sale of assets[(b)]		(0.4)			0.2			(0.7)			(0.2)				
	Financing fees[(c)]		—			—			0.1			0.2				
	Acquisitions and other adjustments[(d)]		1.1			2.8			2.5			3.0				
Adjusted EBITDA[(e)]		$	39.8		$	38.9		$	135.6		$	222.0		$		

(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 1			**Qtr 1**	
Reported Net sales	$	837.4		$	805.3	

	Organic Sales[(a)]		777.6			802.0
	Acquisition contribution[(b)]		59.8			3.3
Selling Days			64			65
Organic Daily Sales		$	12.2		$	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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