

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant To Section 13 OR 15(d) Of The Securities Exchange Act Of 1934**

Date of report (Date of earliest event reported)

July 28, 2022

PATRICK INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Indiana

(State or other jurisdiction
of incorporation)

000-03922

(Commission
File Number)

35-1057796

(IRS Employer
Identification Number)

107 W. Franklin Street, P.O. Box 638

(Address of Principal Executive Offices)

Elkhart,

Indiana

46515

(Zip Code)

Registrant's Telephone Number, including area code

(574)

294-7511

(Former name or former address if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, no par value	PATK	NASDAQ

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On July 28, 2022, the Company issued a press release announcing operating results for the second quarter ended June 26, 2022. A copy of the press release is furnished herewith as Exhibit 99.1 and incorporated herein by reference.

Item 7.01 Regulation FD Disclosure

The information referenced in this Form 8-K is furnished pursuant to Item 7.01, "Regulation FD Disclosure." Such information, including the Exhibit attached hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

(a) Slides for Earnings Presentation as contained in Exhibit 99.2

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

[Exhibit 99.1](#) - Press Release issued July 28, 2022

[Exhibit 99.2](#) - Slides for Earnings Presentation

Exhibit 104 - Cover Page Interactive Date File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PATRICK INDUSTRIES, INC.

(Registrant)

Date: July 28, 2022

By: /s/ Jacob R. Petkovich

Jacob R. Petkovich

Executive Vice President - Finance, Chief Financial Officer, and Treasurer

Patrick Industries, Inc. Reports Second Quarter 2022 Financial Results

Second Quarter 2022 Highlights *(compared to Second Quarter 2021 unless otherwise noted)*

- Net sales of \$1.5 billion increased 45%, reflecting contributions from all end markets and from 2021 and 2022 acquisitions
- Gross profit of \$327 million increased 60%
- Gross margin of 22.2% increased 220 basis points
- Operating income of \$174 million increased 83%
- Operating margin of 11.8% increased 250 basis points
- Net income of \$117 million increased 98%
- Diluted earnings per share of \$4.79 increased 90%, and includes a reduction for the impact of the accounting treatment for convertible notes and purchase accounting inventory step-up adjustments totaling \$0.52 per share
- Operating cash flows of \$97 million increased 242%
- Acquired Diamondback Towers

ELKHART, IN - July 28, 2022 - Patrick Industries, Inc. (NASDAQ: PATK), a leading component solutions provider for the Leisure Lifestyle and Housing markets today reported financial results for the second quarter ended June 26, 2022.

Net sales in the second quarter of 2022 increased \$456 million, or 45%, to \$1.5 billion from \$1.0 billion in the second quarter of 2021. The increase reflects continued strong performance in our Leisure Lifestyle markets and our Housing end markets, market share gains, and the contribution of acquisitions completed in 2021 and 2022.

Operating income of \$174 million increased \$79 million, or 83%, from \$95 million in the second quarter of 2021. Operating margin of 11.8% in the second quarter of 2022 increased 250 basis points compared to 9.3% in the same period a year ago. The operating margin improvement was driven principally by the realization of productivity improvements and labor efficiencies, increased throughput, leveraging certain fixed costs, the accretive margin profile of recent acquisitions, and returns from investments in human capital and innovation.

Net income increased 98% to \$117 million, from \$59 million in the second quarter of 2021. Diluted earnings per share of \$4.79 increased 90%, compared to \$2.52 for the second quarter of 2021. Second quarter 2022 diluted earnings per share includes \$0.41 for the accounting treatment of convertible notes discussed below and an \$0.11 reduction from purchase accounting inventory step-up adjustments.

In the first quarter of 2022, the Company adopted a new accounting standard that requires its 1.00% convertible notes due 2023 to be presented on an "if converted" basis in the calculation of diluted earnings per share. As a result of the adoption of this standard, the Company's second quarter 2022 diluted earnings per share was reduced by \$0.41. Prior year results do not reflect the adoption of the new accounting standard. The Company does not intend to issue shares in settlement of 1.00% convertible notes due 2023 that may be converted by their holders.

"We are pleased with our second quarter performance as our team continued to work closely with our customers across all end markets to support their production requirements and align with their schedules," said Andy Nemeth, Chief Executive Officer. "We continued to leverage our investments in technology, automation, and human capital to meet customer needs while maintaining a nimble posture that supports our ability to flex rapidly with changing customer demand. While we have seen subsiding pressures in the supply

chain, our team continues to work tirelessly to ensure that we continue to be a priority option as a first-choice scalable solutions provider for our customers while maintaining our capacity and maneuverability."

Jeff Rodino, President, said, "In May, we welcomed Diamondback Towers into the Patrick family, which represents our continued strategic investment into the marine end market and related aftermarket and further solidifies our presence as the leading provider of ski and wake towers. Additionally, during the quarter, we saw the benefits of our investment of over \$100 million in capital expenditures over the last 18 months, as our automation and technology initiatives are helping us leverage our labor resources to allow us to drive continued production efficiencies and strong returns."

Second Quarter 2022 Revenue by Market Sector (compared to Second Quarter 2021 unless otherwise noted)

RV (57% of Revenue)

- Revenue of \$837 million increased 41% while wholesale RV industry unit shipments remained relatively flat
- Content per wholesale RV unit (on a trailing twelve-month basis) increased 34% to \$4,754

Marine (20% of Revenue)

- Revenue of \$290 million increased 74% while estimated wholesale powerboat industry unit shipments increased 10%
- Estimated content per wholesale powerboat unit (on a trailing twelve-month basis) increased 66% to \$4,699

Manufactured Housing ("MH") (13% of Revenue)

- Revenue of \$200 million increased 44% while estimated wholesale MH industry unit shipments increased 14%
- Estimated content per wholesale MH unit (on a trailing twelve-month basis) increased 22% to \$5,851

Industrial (10% of Revenue)

- Revenue of \$148 million increased 24% while housing starts increased 3%

Balance Sheet, Cash Flow and Capital Allocation

Cash provided by operations for the second quarter of 2022 of \$97 million increased 242% compared to \$28 million in the second quarter of 2021, reflecting improved performance in all four end markets, partially offset by continued investment in working capital as we partnered with our customers to ensure that we met their requirements. Cash used in business acquisitions in the second quarter of 2022 totaled \$19 million, primarily related to our acquisition of Diamondback Towers. Capital expenditures in the second quarter of 2022 totaled \$26 million, compared to \$12 million in the second quarter of 2021, reflecting continued investments in infrastructure and automation initiatives to better align resources for increased scalability and to support customer growth.

In alignment with our capital allocation strategy, we returned \$24 million to shareholders in the second quarter of 2022, including \$17 million through opportunistic repurchases of approximately 288,600 shares and \$7 million of dividends.

Our total debt at the end of the quarter was approximately \$1.5 billion, resulting in a total net leverage ratio of 1.9x (as calculated in accordance with our credit agreement). Available liquidity, comprised of borrowing availability under our credit facility and cash on hand, was approximately \$346 million.

Business Outlook and Summary

"Late in the second quarter we began to see a meaningful reduction in RV OEM wholesale unit production, signaling the start of a calibration of wholesale and retail RV unit shipments, which we believe reflects thoughtful discipline," continued Mr. Nemeth. "Our other markets, which represent 43% of our business, appear to have runway for continued strong results, supported by continued lean marine, MH, and housing inventories. We believe Patrick's diversified end markets, combined with our flexible and nimble operating model and highly variable cost structure, well position us to navigate through an uncertain macroeconomic environment. Additionally, our diligent focus on innovation, investments in infrastructure, and our disciplined capital allocation strategy are expected to continue to support our goal of delivering long-term value for our shareholders, team members, partners, and communities."

Conference Call Webcast

As previously announced, Patrick Industries will host an online webcast of its second quarter 2022 earnings conference call that can be accessed on the Company's website, www.patrickind.com, under "For Investors," on Thursday, July 28, 2022 at 10:00 a.m. Eastern time. In addition, a supplemental earnings presentation can be accessed on the Company's website, www.patrickind.com under "For Investors."

About Patrick Industries, Inc.

Patrick Industries (NASDAQ: PATK) is a leading component solutions provider for the RV, marine, manufactured housing and various industrial markets – including single and multi-family housing, hospitality, institutional and commercial markets. Founded in 1959, Patrick is based in Elkhart, Indiana, with over 12,000 employees across the United States.

Use of Financial Metrics

In addition to reporting financial results in accordance with U.S. GAAP, the Company also provides financial metrics, such as net leverage ratio, content per unit, net debt and available liquidity, which we believe are important measures of the Company's business performance. These metrics should not be considered alternatives to U.S. GAAP. Our computations of net leverage ratio, content per unit, net debt and available liquidity may differ from similarly titled measures used by others. We calculate net debt by subtracting cash and cash equivalents from the gross value of debt outstanding. RV wholesale unit shipments are provided by the RV Industry Association. Marine wholesale unit shipments are provided by the National Marine Manufacturers Association. MH wholesale unit shipments are provided by the Manufactured Housing Institute. Housing starts are provided by the U.S. Census Bureau. You should not consider these metrics in isolation or as substitutes for an analysis of our results as reported under U.S. GAAP.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains certain statements related to future results, our intentions, beliefs and expectations or predictions for the future, which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from either historical or anticipated results depending on a variety of factors. Potential factors that could impact results include: the impact of the continuing financial and operational uncertainty due to the COVID-19 pandemic, including its impact on the overall economy, our sales, customers, operations, team members, suppliers, and the countries where we have operations or from which we source products and raw materials, such as China; adverse economic and business conditions, including cyclical and seasonality in the industries we sell our products; the deterioration of the financial condition of our customers or suppliers; the ability to adjust our production schedules up or down quickly in response to rapid changes in demand; the loss of a significant customer; changes in consumer preferences; pricing pressures due to competition; conditions in the credit market limiting the ability of consumers and wholesale customers to obtain retail and wholesale financing for RVs, manufactured homes, and marine products; the imposition of restrictions and taxes on imports of raw

materials and components used in our products; information technology performance and security; any increased cost or limited availability of certain raw materials; the impact of governmental and environmental regulations, and our inability to comply with them; our level of indebtedness; the ability to remain in compliance with our credit agreement covenants; the availability and costs of labor and production facilities and the impact of labor shortages; inventory levels of retailers and manufacturers; the ability to generate cash flow or obtain financing to fund growth; future growth rates in the Company's core businesses; realization and impact of efficiency improvements and cost reductions; the successful integration of acquisitions and other growth initiatives; increases in interest rates and oil and gasoline prices; the ability to retain key executive and management personnel; the disruption of business resulting from natural disasters or other unforeseen events, and adverse weather conditions impacting retail sales.

There can be no assurance that any forward-looking statement will be realized or that actual results will not be significantly different from that set forth in such forward-looking statement. Information about certain risks that could affect our business and cause actual results to differ from those expressed or implied in the forward-looking statements are contained in the section entitled "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, and in the Company's Forms 10-Q for subsequent quarterly periods, which are filed with the Securities and Exchange Commission ("SEC") and are available on the SEC's website at www.sec.gov. Each forward-looking statement speaks only as of the date of this press release, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date on which it is made.

Contact:

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PATRICK INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(thousands except per share data)	Second Quarter Ended		Six Months Ended	
	June 26, 2022	June 27, 2021	June 26, 2022	June 27, 2021
NET SALES	\$ 1,475,693	\$ 1,019,953	\$ 2,817,868	\$ 1,870,436
Cost of goods sold	1,148,589	815,476	2,195,419	1,504,427
GROSS PROFIT	327,104	204,477	622,449	366,009
Operating Expenses:				
Warehouse and delivery	44,047	34,815	85,216	64,728
Selling, general and administrative	90,485	60,365	166,045	111,597
Amortization of intangible assets	18,545	14,031	35,406	25,937
Total operating expenses	153,077	109,211	286,667	202,262
OPERATING INCOME	174,027	95,266	335,782	163,747
Interest expense, net	14,802	14,580	29,688	25,759
Income before income taxes	159,225	80,686	306,094	137,988
Income taxes	42,701	21,701	76,897	31,490
NET INCOME	\$ 116,524	\$ 58,985	\$ 229,197	\$ 106,498
BASIC NET INCOME PER COMMON SHARE	\$ 5.24	\$ 2.57	\$ 10.25	\$ 4.66
DILUTED NET INCOME PER COMMON SHARE	\$ 4.79	\$ 2.52	\$ 9.33	\$ 4.56
Weighted average shares outstanding - Basic	22,230	22,948	22,369	22,844
Weighted average shares outstanding - Diluted	24,444	23,435	24,655	23,360

PATRICK INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(thousands)	As of	
	June 26, 2022	December 31, 2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 77,025	\$ 122,849
Trade receivables, net	355,352	172,392
Inventories	738,908	614,356
Prepaid expenses and other	52,087	64,478
Total current assets	1,223,372	974,075
Property, plant and equipment, net	339,624	319,493
Operating lease right-of-use assets	165,631	158,183
Goodwill and intangible assets, net	1,289,075	1,191,833
Other non-current assets	7,129	7,147
TOTAL ASSETS	\$ 3,024,831	\$ 2,650,731
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt	\$ 7,500	\$ 7,500
Current operating lease liabilities	43,211	40,301
Accounts payable	219,315	203,537
Accrued liabilities	203,385	181,439
Total current liabilities	473,411	432,777
Long-term debt, less current maturities, net	1,474,743	1,278,989
Long-term operating lease liabilities	125,198	120,161
Deferred tax liabilities, net	40,515	36,453
Other long-term liabilities	13,374	14,794
TOTAL LIABILITIES	2,127,241	1,883,174
TOTAL SHAREHOLDERS' EQUITY	897,590	767,557
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 3,024,831	\$ 2,650,731

PATRICK INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(thousands)	Six Months Ended	
	June 26, 2022	June 27, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 229,197	\$ 106,498
Depreciation and amortization	62,975	48,715
Stock-based compensation expense	10,244	10,336
Amortization of convertible notes debt discount	924	3,643
Other adjustments to reconcile net income to net cash provided by operating activities	(1,355)	10,426
Change in operating assets and liabilities, net of acquisitions of businesses	(227,689)	(100,873)
Net cash provided by operating activities	74,296	78,745
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(44,467)	(26,345)
Business acquisitions and other investing activities	(143,093)	(254,548)
Net cash used in investing activities	(187,560)	(280,893)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Increase (decrease) in cash and cash equivalents	(45,824)	13,635
Cash and cash equivalents at beginning of year	122,849	44,767
Cash and cash equivalents at end of period	\$ 77,025	\$ 58,402

PATRICK INDUSTRIES, INC.
Net Income Per Common Share

The table below illustrates the calculation for diluted share count which shows the dilutive impact of the adoption of ASU 2020-06 on our 1.00% convertible notes due 2023 as mentioned above:

(thousands except per share data)	Second Quarter Ended		Six Months Ended	
	June 26, 2022	June 27, 2021	June 26, 2022	June 27, 2021
Numerator:				
Net income for basic per share calculation	\$ 116,524	\$ 58,985	\$ 229,197	\$ 106,498
Effect of interest on potentially dilutive convertible notes, net of tax	481	—	939	—
Net income for dilutive per share calculation	\$ 117,005	\$ 58,985	\$ 230,136	\$ 106,498
Denominator:				
Weighted average common shares outstanding - basic	22,230	22,948	22,369	22,844
Weighted average impact of potentially dilutive convertible notes	2,052	—	2,047	—
Weighted average impact of potentially dilutive securities	162	487	239	516
Weighted average common shares outstanding - diluted	24,444	23,435	24,655	23,360
Net income per common share:				
Basic net income per common share	\$ 5.24	\$ 2.57	\$ 10.25	\$ 4.66
Diluted net income per common share	\$ 4.79	\$ 2.52	\$ 9.33	\$ 4.56



Q2 2022 Earnings Presentation

July 28, 2022



Forward Looking Statements

This presentation contains certain statements related to future results, our intentions, beliefs and expectations or predictions for the future which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from either historical or anticipated results depending on a variety of factors. These risks and uncertainties include, but are not limited to, the impact of the continuing financial and operational uncertainty due to the COVID-19 pandemic, including its impact on the overall economy, our sales, customers, operations, team members and suppliers. Further information concerning the Company and its business, including factors that potentially could materially affect the Company's financial results, is contained in the Company's filings with the Securities and Exchange Commission.

This presentation includes market and industry data, forecasts and valuations that have been obtained from independent consultant reports, publicly available information, various industry publications and other published industry sources. Although we believe these sources are reliable, we have not independently verified the information and cannot make any representation as to the accuracy or completeness of such information.

We disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this presentation or to reflect any change in our expectations after the date of this presentation or any change in events, conditions or circumstances on which any statement is based.

Use of Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures. These measures, the purposes for which management uses them, why management believes they are useful to investors, and a reconciliation to the most directly comparable GAAP financial measures can be found in the Appendix of this presentation. All references to profit measures and earnings per share on a comparable basis exclude items that affect comparability.

Q2 2022 Quarterly Highlights



Growth in Total Revenue of +45% Y/Y

- RV / Marine driven by outdoor recreation trends, strong execution of nimble platform
- RV channel has reached healthy inventory levels, while marine and MH channels continue to be lean
- Industrial and MH driven by housing demand and shift from urban to suburban



Operating Margin Expansion of +250bps Y/Y

- Efficient and flexible platform that leverages fixed costs as well as higher margin product
- Automation and technology initiatives to help alleviate persisting commodity and labor pressures
- Strong execution, flexible and leverageable platform, contribution of acquired companies and close partnership with customers



Continued Strategic Diversification of Marine and Aftermarket Presence + Increased CapEx

- Acquisition of Diamondback Towers further expands marine and leisure lifestyle markets
- Deploying CapEx to invest in expanded capacity, improved efficiency and increased automation



Continued Progress on ESG Initiatives

- Ensuring well-being, health and safety of team members
- Waste minimization and recycling & upcycling initiatives
- Community development projects and local non-profit support
- Publication of first sustainability report targeted for year-end 2022

Continued Strong Execution

Performance by Market Sectors



RV

Marine

MH

Industrial

Revenue of \$837 MM

57% of Q2 '22 Sales

↑ +41%

CPU¹ of \$4,754

↑ +34%

Revenue of \$290 MM

20% of Q2 '22 Sales

↑ +74%

CPU¹ of \$4,699

↑ +66%

Revenue of \$200 MM

13% of Q2 '22 Sales

↑ +44%

CPU¹ of \$5,851

↑ +22%

Revenue of \$148 MM

10% of Q2 '22 Sales

↑ +24%

Housing Starts

↑ +3%

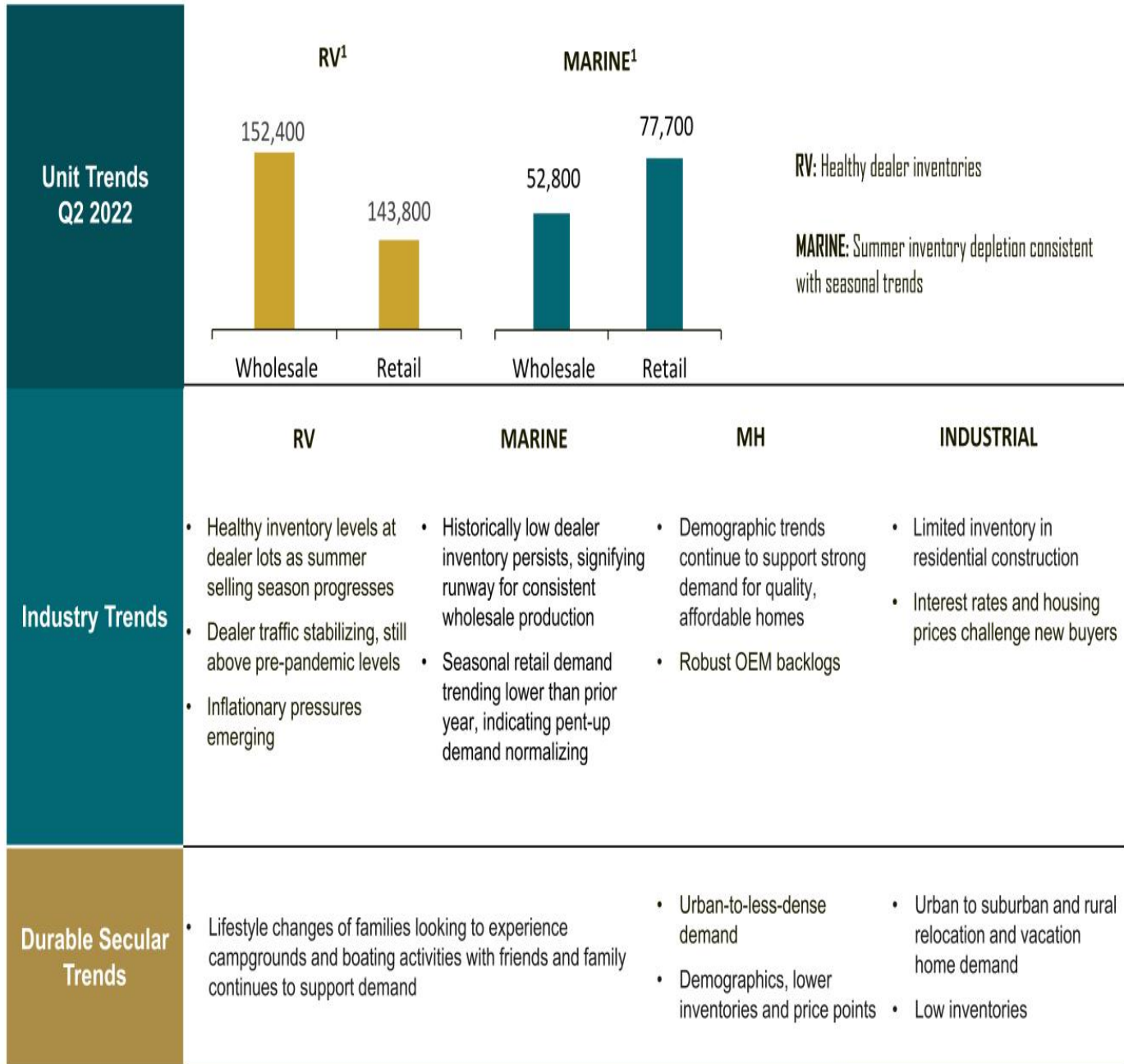


¹CPU = Content per wholesale unit on a trailing twelve-month basis

Q2 2022 Earnings Presentation

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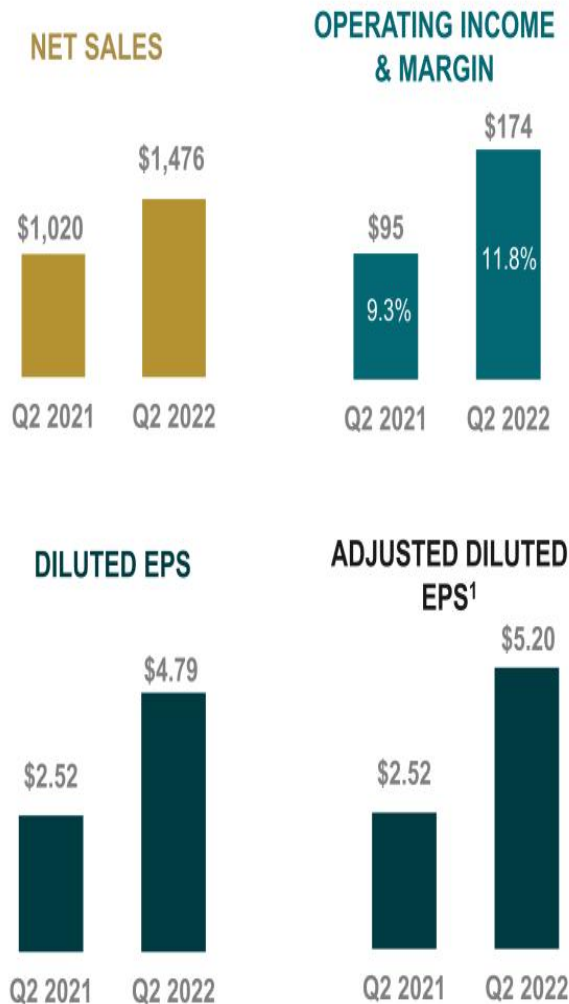
Market Sector Trends



¹ Company estimates supported by RVIA, NMMA & SSI

Q2 2022 Financial Performance

(\$ millions except per share data)



- ✓ **45% increase in Net Sales** driven by increased demand in each of our four end markets
- ✓ **Gross and Operating margin improved** through realization of efficiency initiatives, investments in automation and technology, and higher margin profiles of acquisitions
- ✓ **Investments in inventory mitigated supply chain pressures** and ensured customer needs were met
- ✓ **Invested \$26 million in capital expenditures** to support automation, information technology and production and capacity initiatives
- ✓ Adjusted diluted EPS for Q2 2022 excludes \$0.41 impact of new convertible notes accounting standard



¹ Adjusted Diluted EPS for Q2 2022 represents adjustments for new accounting standard related to 2023 Convertible Notes of \$0.41. The Company plans to settle the Notes in cash. Prior year quarter was not impacted by adoption of accounting standard.

Balance Sheet, Cash Flow and Liquidity

DEBT STRUCTURE AND MATURITIES¹

- \$150M Term Loan (\$142.5M o/s), pre-determined quarterly installments; balance due April 2026
- \$550M (\$275M o/s) Senior Secured Revolver, due April 2026
- \$172.5M 1.00% Convertible Senior Notes, due February 2023
- \$300M 7.50% Senior Notes, due October 2027
- \$259M 1.75% Convertible Senior Notes, due December 2028
- \$350M 4.75% Senior Notes, due May 2029

COVENANTS AND RATIOS²

- Consolidated Total Net Leverage Ratio – 1.92x
- Consolidated Secured Net Leverage Ratio – 0.41x versus 2.75x maximum
- Consolidated Fixed Charge Coverage Ratio – 6.42x vs. minimum 1.50x

NET LEVERAGE² (\$ millions)

Total Debt Outstanding	\$ 1,498.8
Less: Cash and Debt Paid as Defined by the Credit Agreement	(126.6)
Net Debt	\$ 1,372.2
TTM Adj. EBITDA	\$ 713.0
Net Debt to Adj. EBITDA	1.92x

LIQUIDITY (\$ millions)

Total Revolver Credit Capacity	\$ 550.0
Less: Total Revolver Used (including outstanding letters of credit)	(280.6)
Unused Credit Capacity	\$ 269.4
Add: Cash on Hand	77.0
Total Available Liquidity	\$ 346.4

Appendix

Non-GAAP Reconciliation

RECONCILIATION OF NET INCOME TO EBITDA TO TTM ADJUSTED EBITDA

(\$ in millions)	TTM 6/26/2022
Net Income	\$347.6
+ Depreciation & Amortization	118.9
+ Interest Expense, net	61.8
+ Income Taxes	114.3
EBITDA	\$642.6
+ Stock Compensation Expense	22.8
+ Acquisition proforma, transaction-related expenses & other	47.6
Adjusted EBITDA	\$713.0

RECONCILIATION OF NET LEVERAGE*

(\$ in millions)	
Total debt outstanding at 6/26/2022	\$1,498.8
Less: Cash and Debt Paid Defined by the Credit Agreement	(126.6)
Net debt at 6/28/2022	\$1,372.2
Adjusted EBITDA	\$ 713.0
Net Debt to Adjusted EBITDA	1.92x

Use of Non-GAAP Financial Information

* As defined by credit agreement which includes debt and cash balances

-Earnings before interest, taxes, depreciation and amortization ("EBITDA"), Adjusted EBITDA, and Net Debt to Adjusted EBITDA are non-GAAP financial measures. In addition to reporting financial results in accordance with accounting principles generally accepted in the United States, we provide non-GAAP operating results adjusted for certain items and other one-time items.

-We adjust for the items listed above in all periods presented, unless the impact is clearly immaterial to our financial statements.

-We utilize the adjusted results to review our ongoing operations without the effect of these adjustments and for comparison to budgeted operating results.

We believe the adjusted results are useful to investors because they help them compare our results to previous periods and provide important insights into underlying trends in the business and how management oversees our business operations on a day-to-day basis.



www.patrickind.com



