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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 2, 2022
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _____ to _____

Commission file number: 001-37760



SiteOne Landscape Supply, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

46-4056061
(IRS Employer
Identification No.)

300 Colonial Center Parkway, Suite 600, Roswell, Georgia 30076
(Address of principal executive offices) (Zip Code)

(470) 277-7000
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	SITE	New York Stock Exchange

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

None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 4, 2021, there were 44,516,942 shares of common stock of SiteOne Landscape Supply, Inc. outstanding, and the aggregate market value of the voting and non-voting common equity of SiteOne Landscape Supply, Inc. held by non-affiliates (assuming only for purposes of this computation that directors and officers may be affiliates) was approximately \$7,504,369,645 based on the closing price of SiteOne Landscape Supply, Inc.’s common stock on The New York Stock Exchange (“NYSE”) on July 2, 2021 (the last trading day of our most recently completed fiscal second quarter).

As of February 18, 2022, the number of shares of the registrant’s common stock outstanding were 44,841,212, par value \$0.01 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s proxy statement to be filed with the U.S. Securities and Exchange Commission in connection with the registrant’s 2022 Annual Meeting of Stockholders (the “Proxy Statement”) are incorporated by reference into Part III hereof. Such Proxy Statement will be filed within 120 days of the registrant’s fiscal year ended January 2, 2022.

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Special Note Regarding Forward-Looking Statements and Information

This Annual Report on Form 10-K, other periodic reports filed by us under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and other written or oral statements made from time to time by our management contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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 often signify forward-looking statements. Forward-looking statements are subject to risks and uncertainties that are beyond our control, and because they also relate to the future, they are likewise subject to inherent uncertainties and other factors that may cause actual results to differ materially from the views, beliefs, and projections expressed in such statements. 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. 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:

- cyclical in residential and commercial construction markets;
- economic downturn or recession;
- general economic and financial conditions;
- demand for our products;
- seasonality of our business;
- climate change-related events, weather conditions, seasonality, and availability of water to end-users;
- inflation and increased operating costs;
- the potential negative impact of the ongoing COVID-19 pandemic (which, among other things, may exacerbate each of the forward-looking statements discussed here);
- 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;
- cybersecurity incidents involving our systems or third party systems, including the July 2020 ransomware attack;
- prices for the products we purchase may fluctuate;
- ability to pass along product cost increases;
- 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 (including headwinds due to COVID-19) and ongoing labor market disruptions;
- retention of key personnel;
- construction defect and product liability claims;
- impairment of goodwill;
- adverse credit and financial markets events and conditions;
- 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;
- 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, public health emergencies, violence, or uncertain political conditions;
- risks related to our current indebtedness and our ability to obtain financing in the future;
- increases in interest rates;
- risks related to our common stock; and
- risks related to other factors discussed in this Annual Report on Form 10-K.

You should not place undue reliance on any forward-looking statements, which speak only as of the date made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible to predict all of them. We assume no obligation and do not intend to update or revise any forward-looking statements that are made from time to time, either as a result of future developments, new information or otherwise, except as may be required by law.

Comparisons of results for current and any prior periods are not intended to express any future trends, or indications of future performance, unless expressed as such, and should only be viewed as historical data.

PART I

As used in this Annual Report on Form 10-K for the fiscal year ended January 2, 2022, references to: “we,” “us,” “our,” “SiteOne,” or the “Company” refer to SiteOne Landscape Supply, Inc. and its consolidated subsidiaries. The term “Holdings” refers to SiteOne Landscape Supply, Inc. individually without its subsidiaries. References to the “2021 Fiscal Year,” the “2020 Fiscal Year,” and the “2019 Fiscal Year” refer to the fiscal years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively.

Item 1. Business

The following discussion of our business contains “forward-looking statements,” as discussed in “Special Note Regarding Forward-Looking Statements and Information” above. Our business, operations, and financial condition are subject to various risks as set forth in Part I, Item 1A., “Risk Factors” below. The following information should be read in conjunction with the Risk Factors, Management’s Discussion and Analysis of Financial Condition and Results of Operations, and the Financial Statements and Supplementary Data and related notes included elsewhere in this Annual Report on Form 10-K.

Company Overview

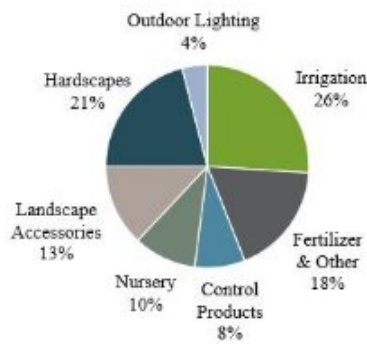
We are the largest and only national wholesale distributor of landscape supplies in the United States and have a growing presence in Canada. Our customers are primarily residential and commercial landscape professionals who specialize in the design, installation, and maintenance of lawns, gardens, golf courses, and other outdoor spaces. As of January 2, 2022, we had over 590 branch locations in 45 U.S. states and six Canadian provinces. Through our expansive North American network, we offer a comprehensive selection of more than 135,000 stock keeping units (“SKUs”) including irrigation supplies, fertilizer and control products (*e.g.*, herbicides), hardscapes (including pavers, natural stone, and blocks), landscape accessories, nursery goods, outdoor lighting, and ice melt products to green industry professionals. We also provide value-added consultative services to complement our product offerings and to help our customers operate and grow their businesses. Our consultative services include assistance with irrigation network design, commercial project planning, generation of sales leads, business operations, and product support services, as well as a series of technical and business management seminars that we call SiteOne University.

Our typical customer is a private landscape contractor that operates in a single market. We interact regularly with our customers because of the recurring nature of landscape services and because most contractors buy products on an as-needed basis. We believe our high-touch customer service model strengthens relationships, builds loyalty, and drives repeat business. In addition, our broad product portfolio, convenient branch locations, and nationwide fleet of over 1,900 delivery vehicles position us well to meet the needs of our customers and ensure timely delivery of products. We source our products from approximately 5,000 suppliers, including the major irrigation equipment manufacturers, turf and ornamental fertilizer/chemical companies, and a variety of suppliers who specialize in nursery goods, outdoor lighting, hardscapes, and other landscape products.

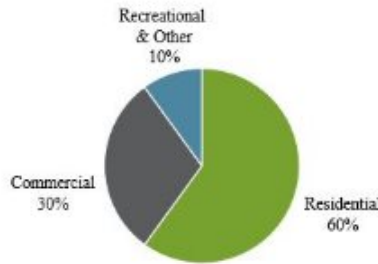
We have a balanced mix of sales across product categories, construction sectors, and end markets. We derived approximately 60% of our 2021 Fiscal Year Net sales from the residential construction sector, 30% from the commercial (including institutional) construction sector, and 10% from the recreational and other construction sector. By end market, we derived approximately 37% of our 2021 Fiscal Year Net sales from maintenance of residential, commercial, and recreational properties. The recurring nature of landscape maintenance demand helps to provide stability in our financial performance across economic cycles. Fertilizer and control products are the primary products used in maintenance. The sale of products relating to new construction of homes, commercial buildings, and recreational spaces accounted for approximately 36% of our 2021 Fiscal Year Net sales. These products primarily include irrigation, hardscapes, landscape accessories, nursery, and outdoor lighting. Approximately 27% of our 2021 Fiscal Year Net sales were derived from sales of products for the repair and upgrade of existing landscapes. These sales benefit from increasing existing home sales, increasing home prices, and rising consumer spending.

Net Sales for 2021 Fiscal Year

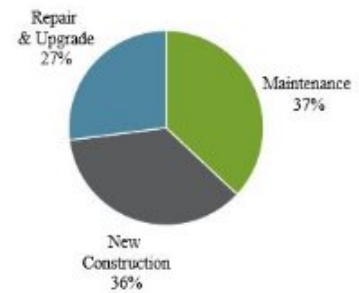
By product category as a % of net sales



By construction sector as a % of net sales



By end market as a % of net sales



Our History

Our company was established after Deere & Company (“Deere”) entered the wholesale landscape distribution market through the acquisitions of McGinnis Farms and Century Rain Aid in 2001, United Green Mark in 2005, and LESCO Inc. (“LESCO”) in 2007, each of which significantly expanded our geographic footprint and broadened our product portfolio. In December 2013, an affiliate of Clayton, Dubilier & Rice, LLC (“CD&R”) purchased a 60% interest in our company from Deere (“CD&R Acquisition”). On May 17, 2016, we completed the initial public offering of our common stock.

Our Industry

Based on management’s estimates, we believe that our addressable market in North America for the wholesale distribution of landscape supplies represented approximately \$23 billion in revenue in 2021. Growth in our industry is driven by a broad array of factors, including consumer spending, housing starts, existing home sales, home prices, commercial construction, repair and remodeling spending, and demographic trends. Within the wholesale landscape supply industry, products sold for residential applications represent the largest construction sector, followed by the commercial, and recreational and other sectors. Based on management estimates, we believe that nursery products represent the largest product category in the industry, with sales accounting for more than one-third of industry sales, followed by landscape accessories with approximately one-fifth of industry sales, and each of control products, hardscapes, irrigation products and outdoor lighting, and fertilizer and other accounting for approximately one-tenth of industry sales.

The wholesale landscape supply industry is highly fragmented, consisting primarily of regional private businesses that typically have a small geographic footprint, a limited product offering, and limited supplier relationships. Wholesale landscape supply distributors primarily sell to landscape service firms, ranging from sole proprietorships to national enterprises. Landscape service firms include general landscape contractors and specialty landscape firms, who provide services such as lawn care and tree and foliage maintenance. Over the past decade, professional landscape contractors have increasingly offered additional products and services to meet their customers’ needs. These firms historically needed to make numerous trips to branches in various locations to source their products. Consequently, landscape professionals have come to value distribution partners who offer a larger variety of product categories and services, particularly given the recurring nature of landscape maintenance services.

Our Strategies

Key elements of our strategy are as follows:

Build Upon Strong Customer and Supplier Relationships to Expand Organically

Our national footprint and broad supplier relationships, combined with our regular interaction with a large and diverse customer base, make us an important link in the supply chain for landscape products. Our suppliers benefit from access to our more than 280,000 customers, a single point of contact for improved production planning and efficiency, and our ability to bring new product launches quickly to market on a national scale. We intend to continue to increase our size and scale in customer, geographic, and product reach, which we believe will continue to benefit our supplier base. We will continue to work with new and existing suppliers to maintain the most comprehensive product offering for our customers at competitive prices and enhance our role as a critical player in the supply chain.

Grow at the Local Level

The vast majority of our customers operate at a local level. We believe we can grow market share in our existing markets with limited capital investment by systematically executing local strategies to expand our customer base, increase the amount of our customers' total spending with us, optimize our network of locations, coordinate multi-site deliveries, partner with strategic local suppliers, introduce new products and services, increase our share of underrepresented products in particular markets, and improve sales force performance. We currently offer our full product line in only approximately 30% of the metropolitan statistical areas ("MSAs") in the U.S. where we have a branch, and therefore believe we have the capacity to offer significantly more product lines and services in our geographic markets.

Pursue Value-Enhancing Strategic Acquisitions

Through acquisitions, we have added new markets in the U.S. and Canada, new product lines, talented associates, and operational best practices. In addition, we increased our sales by introducing products from our existing portfolio to customers of newly acquired companies. We intend to continue pursuing strategic acquisitions to better serve our customers, grow our market share, and enhance our local market leadership positions by taking advantage of our scale, operational experience, and acquisition know-how. In addition, we currently have branches in approximately 50% of the 384 U.S. MSAs and are focused on identifying and reviewing attractive new geographic markets for expansion through acquisitions. We will continue to apply a selective and disciplined acquisition strategy to maximize synergies obtained from enhanced sales and lower procurement and administrative costs.

Execute on Identified Operational Initiatives

We continue to undertake operational initiatives, utilizing our scale to improve our profitability, enhance supply chain efficiency, strengthen our category management capabilities, streamline and refine our marketing process, and invest in more sophisticated information technology systems and data analytics. Additionally, we have continued our digital initiative, to include the enhancement of our website and business-to-business ("B2B") e-Commerce platform. Although we are still primarily in the early stages of these initiatives, they have already enhanced our customer service, contributed to improvement in our profitability, and we believe we will continue to benefit from these and other operational improvements.

Be the Employer of Choice

We believe our associates are the key drivers of our success, and we aim to recruit, train, promote, and retain the most talented and success-driven personnel in the industry. Our size and scale enable us to offer structured training and career path opportunities for our associates. We have built a vibrant and entrepreneurial culture that rewards performance at the area and branch levels. We promote ongoing, open and honest communication with our associates, including periodic engagement surveys, to ensure mutual trust, engagement, and performance improvement. We believe that high-performing local leaders coupled with creative, adaptable, and engaged associates are critical to our success and to maintaining our competitive position, and we are committed to being the employer of choice in our industry.

Our Products and Services

Our comprehensive portfolio of landscape products consists of over 135,000 SKUs from approximately 5,000 suppliers. Our product portfolio includes irrigation supplies, fertilizer and control products, hardscapes, landscape accessories, nursery goods, and outdoor lighting products. Our customers value our product breadth and geographic reach, as well as our on-site expertise and consultative services. While pricing is important to our customers, availability, convenience, and expertise are also important factors in their purchase decisions. In addition to other capabilities, our ability to offer the significant yard space and special equipment required by items such as hardscapes and nursery goods provides us with a competitive advantage over many competitors who offer a more limited selection of product categories.

Refer to “[Note 2](#). Revenue from Contracts with Customers” to our audited financial statements for information on our Net sales in landscaping products (irrigation supplies, hardscapes, landscape accessories, nursery goods, and outdoor lighting) and agronomic and other products (fertilizer, control products, ice melt, equipment, and other products).

Irrigation Supplies

Our irrigation products include controllers, valves, sprinkler heads, and irrigation pipe. The market for irrigation products has historically provided stable growth and is driven primarily by new home construction and maintenance of existing irrigation systems.

Fertilizer and Other

Our fertilizer and other products include fertilizer, grass seed, and ice melt products. Fertilizer products are sold to the maintenance end market and accordingly are relatively stable through economic cycles.

Control Products

Our control products are specialty products that include herbicides, fungicides, rodenticides, and other pesticides. Similar to fertilizer products, control products sales are strongly tied to the maintenance end market and accordingly are relatively stable through economic cycles.

Hardscapes

Our Hardscapes include pavers, natural stone, blocks, and other durable materials.

Landscape Accessories

Our landscape accessories products include mulches, soil amendments, drainage pipe, tools, and sod. Landscape accessories are typically sold in combination with other landscape supply products. As a result, sales of these accessories are often tied to sales of fertilizers and control products, as well as sales of nursery goods and hardscapes products.

Nursery Goods

Our nursery goods include deciduous and evergreen shrubs, ornamental, shade, and evergreen trees, both field-grown and container-grown nursery stock, roses, perennials, annuals, bulbs, and thousands of plant species and cultivars that are available in a number of container sizes, heights, forms and bloom colors.

Outdoor Lighting

Our outdoor lighting products include lighting fixtures (path, area, accent, up, down, well, hardscape, deck, underwater, bistro, and holiday), LED lamps, wire, transformers, and accessories.

Proprietary Branded Products

In addition to distributing branded products of third parties, we offer products under our proprietary brands. Sales of LESCO[®], SiteOne Green Tech[®], and Pro-Trade[®] together accounted for approximately 15% of our 2021 Fiscal Year Net sales, the large majority of which is attributable to LESCO[®].

LESCO®

LESCO® is a premium brand and maintains strong brand awareness with golf and professional landscape contractors.

Under the LESCO® brand, we offer formulations of fertilizer (liquid and granular), combination products (pesticides on a fertilizer carrier), control products (liquid and granular pesticides), specialty chemicals, turf seed, application equipment (engine powered and walk behind or other non-engine powered), paint, maintenance products like engine oil, windshield washer fluid, ice melt, trimmer line, and soil tests. LESCO® products are sold through our branches and retail outlets such as The Home Depot, Lowe's, and True Value.

SiteOne Green Tech®

We offer pre-packaged landscape and irrigation management solutions that are designed to help customers manage and conserve water under the SiteOne Green Tech® brand. The core SiteOne Green Tech® product lines include central irrigation control systems, solar assemblies, fertilizer injection systems, irrigation pumps, and hand-held remote control equipment.

Pro-Trade®

In September 2017, we launched a line of professional-grade landscape lighting fixtures, LED lamps, and transformers under our Pro-Trade® brand. The Pro-Trade® line of products is sold exclusively through our branches and website, and has expanded to include landscape lighting products, irrigation products, long handle tools, wire connectors, landscape staples, glues and solvents, and a centrifugal pump. During 2021, we introduced 20 new products and plan to continue expanding our Pro-Trade® offering in 2022.

Services

We offer a variety of complementary, value-added services to support the sale of our products. We do not derive separate revenue for these services, but we believe they are an important differentiator in establishing our value proposition to our customers.

Product Knowledge and Technical Expertise

Consultative services provided by our local staff, many of whom are former landscape contractors or golf course superintendents, include product selection and support, assistance with design and implementation of landscape projects, and potential sales leads for new business opportunities. Our SiteOne University program provides customers with access to substantive training and informational seminars that directly support the growth of their businesses. The program includes technical training, licensing, certifications, and business management seminars. In addition, our product category experts provide technical knowledge on the features and benefits of our products as well as installation techniques.

Project Services

We partner with our customers by providing consultative services to help them save time, money, and effort in bidding for new projects and for new landscape installations. Our regionally based project services teams specialize in quoting, estimating, and completing sales for customers who compete in the commercial construction sector. Other services provided by our project services teams include specifications assistance and irrigation take-offs.

Partners Program

We offer a loyalty rewards program, our Partners Program, which had approximately 22,500 enrolled customers as of January 2, 2022 and provides business and personal rewards, access to business services at preferred rates, and technical training and support. Reward points may be utilized, for example, on credit on-account, trips and special events, gift cards to major retailers, and SiteOne University courses and educational events. Access to preferred rate business services includes, for example, payroll and select human resource services, cell phone services, office supplies, and fuel rebates. For the 2021 Fiscal Year, Partners Program participants accounted for approximately 50% of our Net sales.

Operational Structure

Our operational philosophy is to create local area teams and branch networks specifically designed to best meet our customers' needs at the local market level, while supporting these teams with the resources of a large company delivered through regional and divisional management, including company-wide functions.

At the local market level, we organize our over 590 branches and approximately 530 outside sales representatives into 42 designated "areas" that each typically serve a defined geography, a large MSA, or a combination of MSAs in close proximity. Area Managers are responsible for organization and talent planning, branch operations, sales strategy, and product delivery strategy. Area Managers are supported by Area Business Managers and Area Sales Managers who are responsible for executing the local market and operating strategies as well as key initiatives to grow sales and profitability.

We support our over 590 branches and 42 areas with regional management and company-wide functions by providing: management of business performance, development and execution of local strategies, sharing of best practices, execution and integration of acquisitions, finance and accounting expertise (e.g., credit/collections, payables), category management and procurement, supply chain (e.g., planners, buyers), pricing strategies, marketing, and information technology. Our branches are integrated on a single technology platform, allowing us to leverage our full operational scale for procurement, inventory management, financial support, data analytics, and performance reporting.

Our outside sales force is organized by geographic area. Each area maintains a number of outside sales representatives who drive sales growth on behalf of several branches across a variety of accounts from landscape contractors to municipal agencies. We also maintain a sales force of agronomic sales representatives who are focused on growing sales with customers in the golf industry. Our agronomic sellers also focus on contractors in the lawn care operations, maintenance and development, and sports turf verticals.

We have a national account sales organization that leads sales strategy and execution for our largest national and regional customers. The national sales team is organized around 10 different market verticals: facility management, golf, sports turf, international, lawn care operators, maintenance and development, pest control, retail, sod, and tree accounts. Each national account manager is responsible for a group of large accounts and coordinates our business with them both nationally and locally through our local sales representatives. National account managers negotiate national programs with our largest customers in order to increase our share of their business.

Distribution Network

We use two distribution models to offer a comprehensive selection of products and meet the needs of each local market.

Branches

Our branch network is the core of our operations and creates a valuable connection between our suppliers and our customers. Of our approximately 5,000 suppliers, few are set up to serve the shipping needs of our customers as their supply chains are typically focused on bulk quantities shipped from only a few locations. In contrast, many of our customers often require comparatively small quantities of products from numerous suppliers to complete a typical project, making it difficult to source directly from those suppliers. Our branch network provides significant value to our suppliers by maintaining local availability of core and complementary products in quantities our customers need.

The majority of our branches carry multiple product categories, but do not carry all. Branches that carry our full product lines combine our regular branch facilities with large 8-to-15 acre yards suitable for nursery goods and hardscape products. Yards are well-equipped to manage truckload-purchased landscape, nursery, and hardscape products and can maintain a diverse variety of greenhouse and nursery plants. All locations offering nursery goods have water distribution systems to maintain inventories, and many of these locations have access to municipal water supplies, wells, or ponds. Branches are strategically located near residential areas with convenient highway access. In-store merchandising displays are utilized to emphasize product features and seasonal promotions. We primarily lease 5,000 to 15,000 square foot facilities in both freestanding and multi-tenant buildings with secured outside storage yards averaging from 10,000 to 20,000 square feet.

Direct Distribution

Our direct distribution business provides point-to-point logistics for bulk quantities of landscape products between suppliers and customers. Our direct distribution business provides customers with sourcing and logistics support services for inventory management and delivery, and in many cases, these services are more economical than the producers might otherwise provide. We believe that producers view us not as competitors, but as providers of a valuable service, brokering these large orders through the use of our network. We typically do not maintain inventory for direct distribution, but rather use our existing supplier relationships, marketing expertise, and ordering and logistics infrastructure to serve this demand, requiring less working capital investment for these sales. Approximately 6% of our 2021 Fiscal Year Net sales were from direct distribution.

Direct distribution is preferred for contractors with large projects, typically designed by professional landscape architects. Contractors work hand-in-hand with our outside sales and inside sales teams, including project planning support with material take-offs, product sourcing, and bid preparation. Using our large supplier network, our associates arrange convenient direct shipments to jobs, coordinated and staged according to each phase of construction. This distribution channel primarily handles bulk nursery, agronomic, landscape, and hardscape products.

Customers

Our 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. Our customer base consists of more than 280,000 firms and individuals, with our top 10 customers collectively accounting for approximately 4% of our 2021 Fiscal Year Net sales, with no single customer accounting for more than 2% of Net sales. Small customers, with annual purchases of up to \$25,000, made up 24% of our 2021 Fiscal Year Net sales. Medium customers, with annual purchases from \$25,000 up to \$150,000, made up 33% of our 2021 Fiscal Year Net sales. Large customers, with annual purchases over \$150,000, made up 43% of our 2021 Fiscal Year Net sales. Some of our largest customers include BrightView, Weed Man, Lowe's, The Home Depot, Lawn Doctor, and Davey Tree. Distribution of our LESCO® proprietary branded products on a wholesale basis to retailers represented less than 1% of our 2021 Fiscal Year Net sales.

Suppliers

We source our products from approximately 5,000 suppliers, including the major irrigation equipment manufacturers, turf and ornamental fertilizer/chemical companies, and a variety of suppliers who specialize in nursery goods, outdoor lighting, hardscapes, and other landscape products. Some of our largest suppliers include Hunter, Rain Bird, Cresline, Oldcastle, Turf Care Supply, Bayer, NDS, Toro, Techo-Bloc, and Spears Manufacturing. Purchases from our top 10 suppliers accounted for approximately 34% of total purchases for our 2021 Fiscal Year.

We generally procure our products through purchase orders rather than under long-term contracts with firm commitments. We work to develop strong relationships with a select group of suppliers that we target based on a number of factors, including brand and market recognition, price, quality, product support, service levels, delivery terms, and their strategic positioning. We typically have annual supplier agreements, and while they generally do not provide for specific product pricing, many include volume-based financial incentives that we earn by meeting or exceeding purchase volume targets. Our ability to earn these volume-based incentives is an important factor in our financial results. In certain cases, we have entered into supply contracts with terms that exceed one year for the manufacture of our LESCO® branded fertilizer, some nursery goods, and grass seed, which may require us to purchase products in the future.

Competition

The majority of our competition comes from other wholesale landscape supply distributors. Among wholesale distributors, we primarily compete against a small number of regional distributors and many small, local, privately-owned distributors. Some of our competitors carry several product categories, while others mainly focus on one product category such as irrigation, fertilizer/control, nursery goods, or hardscapes. We are one of the only wholesale distributors which carries the full line of irrigation, fertilizer and other, control products, hardscapes, landscape accessories, nursery goods, and outdoor lighting products.

We believe our top nine largest competitors include Ewing, Heritage Landscape Supply Group (a subsidiary of SRS Distribution), Harrell's, Horizon Distributors (a subsidiary of Pool Corporation), BWI, Target Specialty Products, Howard Fertilizer and Chemical, BFG Supply, and Central Turf and Irrigation Supply.

We believe regional or local competitors comprise approximately 85% of the landscape supply industry based on 2021 Net sales. The principal competitive factors in our business include, but are not limited to, location, availability of materials and supplies, technical product knowledge and expertise, advisory or other service capabilities, delivery capabilities, pricing of products, and availability of credit.

Human Capital Management

As of January 2, 2022, we employed approximately 5,700 associates, none of whom were affiliated with labor unions. We periodically administer a company-wide associate engagement survey, the most recent of which occurred in November 2021, and we believe that we have good relations with our associates. Approximately 92% of our associates are employed on a full-time, year-round basis. Our associate count currently includes approximately 450 seasonal associates, who are temporarily employed due to the weather-dependent nature of our business. An associate is anyone employed by the Company.

At SiteOne, we believe our associates are our greatest asset and the safety, health, and wellness of our associates and their families is a top priority. The support that we offer to our associates is an important part of our vision to be a great place to work and the employer of choice in the Green Industry.

COVID-19 Response

Our primary objective during this uncertain period is to ensure the safety of our associates and customers. We created two new sick leave policies in response to COVID-19 – quarantine pay, which allows associates who quarantine in compliance with CDC or local guidelines to stay home with pay, and a paid time off donation program, which allows associates to donate paid time off to other associates whose family members are impacted by COVID-19. As of January 2, 2022, over 2,250 associates have received quarantine pay and approximately 7,400 hours of paid time off have been donated to provide support for 121 associates that have utilized the program.

Also, to reward exceptional performance during the challenging circumstances created by the COVID-19 pandemic, we made a special “thank you” payment in August 2020 to front-line branch associates. The aggregate payment totaled \$1.5 million. In March 2021, we made a second special “thank you” payment to front-line branch associates to reward their ongoing work during the pandemic. In aggregate, this second payment totaled \$0.4 million. In addition to the “thank you” payments, during 2021, we issued COVID-19 reward payments to associates who became fully vaccinated. As of January 2, 2022, we paid \$1.0 million towards this incentive.

SiteOne has also implemented the measures listed below to mitigate the risk of exposure at our branches and field support offices:

- Requiring associates who are not fully vaccinated to wear face coverings inside branches, warehouses, offices, vehicles, and outside in branch yards;
- Asking customers to follow all state and local face covering legal requirements while in branches and offices;
- Reducing non-essential travel for associates and canceling certain events and company gatherings to help limit exposure;
- Asking associates not to travel to any high-risk areas identified by the CDC;
- Sanitizing and disinfecting checkout areas, equipment, restrooms, and other shared areas on a regular basis; and
- Equipping all locations with additional cleaning and sanitizing supplies and instruction on how to properly disinfect frequently touched surfaces.

Safety

The first element of our SiteOne DNA is “Always Safe,” which means that we take personal responsibility for our own safety and for the safety of others. Our leadership team is focused on creating a culture of safety and evaluating ways to improve our operations that reduce the most common forms of on-the-job injuries. Our safety initiatives include:

- Our Environmental, Health, and Safety team which further enhances our safety efforts by establishing and monitoring safe work practices to prevent customer and associate injuries. As a result, we invest in safety equipment and practices at all branches with the goal of eliminating workplace injuries.
- A designated Safety Champion in each of our branches. Our Safety Champions are high potential, well-respected associates who help demonstrate and influence our culture of safety. Our goal is a robust culture of safety with all associates committed to working safely, every task, every day, 100% of the time.

Diversity and Inclusion

We believe in the power of teamwork and in creating a great place to work for all our associates, no matter their race, age, gender, sexual orientation, or military status. At SiteOne, a culture in which all our associates are respected and valued is critical. Our diversity and inclusion efforts focus on creating a work environment that is respectful and supportive of each of our associates and which places the team first. Our initiatives include the following:

- Metrics intended to increase the Company's diversity in certain field and field support associates' short-term incentive bonus plans.
- Associate Resource Groups ("ARGs") which are voluntary, employee-led groups tied to an aspect of diversity. Membership in each ARG is open to all SiteOne associates and diverse representation is encouraged. ARGs support business objectives, create diversity awareness, and offer an avenue of development for associates. Our ARGs include the following:
 - Black Resource Inclusion and Diversity Group for Excellence – BRIDGE provides a network for Black associates to be connected and supported, and to process and discuss life experiences in a safe space.
 - UNIDOS – UNIDOS aims to attract and retain engaged and diverse associates while enhancing SiteOne's understanding of and relationships with Hispanic communities and customers.
 - VETS1 – VETS1 fosters an environment of diverse and engaged associates while developing SiteOne's understanding of and relationships with Veteran associates, customers, and communities.
 - Women in the Green Growing – WIGG promotes an environment of diverse and engaged associates while advocating female growth within SiteOne and the Green Industry.
- The creation of a Diversity & Inclusion Council during 2020 that consists of ARG leaders, select operational and functional leaders, our Executive Vice President of Human Resources and our Chief Executive Officer. The Council assists executive leadership in the creation and execution of the Company's inclusion strategy, including key action items and milestones.
- Increasing Spanish-speaking capabilities in our branches, with the goal to employ at least one Spanish-speaking associate in each branch.

Benefits

We offer a competitive benefits package with the goal of enabling our associates to get the most out of work and life. In 2021, we added a paid military leave benefit that provides additional resources to our full-time associates as they continue to serve our country. We also adjusted our PTO carry-over rule for 2021 to allow associates to carry over additional hours into 2022. In 2020, we added a paid parental leave benefit for our full-time associates to help new parents during the early days of parenthood. The parental leave benefit provides time away from work within the first year of the birth or adoption of a child with 100% of base pay.

Training and Development

We believe that the training provided through our development programs and our entrepreneurial, performance-based culture provide significant benefits to our associates. Targeted skill development training is designed around an associate's development and career interests. We offer certification programs that include instructor-led training, online learning, in-field work, and exit exams. We also facilitate leadership training to develop an understanding of leadership style, our values, and key coaching techniques.

Engagement

We administer associate engagement surveys to determine how we are doing in our mission to be the employer of choice in the Green Industry. We review the survey results with all of our associates and seek their involvement in developing and executing action plans to continue our workplace improvements. We monitor associate satisfaction and aim to strengthen our pipeline of top talent by conducting talent reviews and succession planning for all critical roles in the organization. We identify, communicate, and utilize career development paths for key roles. This includes not only a path up for associates, but exposure to parallel roles across the organization.

Service Marks, Trademarks and Trade Names

We hold various trademark registrations, including SiteOne®, LESCO®, SiteOne Green Tech®, and Pro-Trade®, which we consider important to our marketing activities. Generally, trademark rights have a perpetual life, provided they are renewed on a timely basis and continue to be used properly as trademarks. We intend to maintain these trademark registrations and the other trademarks associated with our business so long as they remain valuable to our business. In addition, other than commercially available software licenses, we do not believe that any of our licenses for third-party intellectual property are material to our business, taken as a whole.

Weather Conditions and Seasonality

For a discussion regarding seasonality and weather, refer to Item 7., “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Weather Conditions and Seasonality,” of this Annual Report on Form 10-K.

Regulatory Compliance

Government Regulations

We are subject to various federal, state, provincial, and local laws and regulations, compliance with which increases our operating costs, limits or restricts the products and services we provide or the methods by which we offer and sell those products and services or conduct our business, and subjects us to the possibility of regulatory actions or proceedings. Noncompliance with these laws and regulations can subject us to fines or various forms of civil or criminal prosecution, any of which could have a material adverse effect on our reputation, business, financial position, results of operations, and cash flows.

These federal, state, provincial, and local laws and regulations include laws relating to consumer protection, wage and hour, deceptive trade practices, permitting and licensing, state contractor laws, workers’ safety, tax, healthcare reforms, collective bargaining and other labor matters, environmental, and employee benefits.

Environmental, Health and Safety Matters

We are subject to numerous federal, state, provincial, and local environmental, health and safety laws and regulations, including laws that regulate the emission or discharge of materials into the environment, govern the use, handling, treatment, storage, disposal, and management of hazardous substances and wastes, protect the health and safety of our associates and users of our products, and impose liability for investigating and remediating, and damages resulting from, present and past releases of hazardous substances at sites we have ever owned, leased or operated, or used as a disposal site.

In the United States, we are regulated under many environmental, health and safety laws, including the Comprehensive Environmental Response, Compensation and Liability Act, the Federal Environmental Pesticide Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Clean Air Act, the Clean Water Act, and the Occupational Safety and Health Act, each as amended. Certain laws, such as those requiring the registration of herbicides and pesticides, and regulating their use, also involve the oversight of regulatory authorities and public health agencies. Although we strive to comply with such laws and have processes in place designed to achieve compliance, we may be unable to prevent violations of these or other laws from occurring. We could also incur significant investigation and clean-up costs for contamination at any currently or formerly owned or operated facilities, including LESCO’s manufacturing and blending facilities. Refer to “[Note 10. Commitments and Contingencies](#)” to our audited consolidated financial statements.

In addition, we cannot predict the effect of possible future environmental, health, or safety laws on our operations. Changes in, or new interpretations of, existing laws, regulations or enforcement policies, the discovery of previously unknown contamination, or the imposition of other environmental liabilities or obligations in the future, including obligations with respect to any potential health hazards of our products, may lead to additional compliance or other costs.

Available Information

We make available free of charge on the “Investor Relations” page of our website, www.siteone.com, our filed and furnished reports on Forms 10-K, 10-Q, and 8-K, and all amendments thereto, as soon as reasonably practicable after the reports are filed with or furnished to the Securities and Exchange Commission (the “SEC”).

Our Environmental, Social, and Governance (“ESG”) Report, Corporate Governance Guidelines, Board of Directors Communication Policy, Business Code of Conduct and Ethics, Financial Code of Ethics, and the Charters of the Audit Committee, the Human Resources and Compensation Committee, and the Nominating and Corporate Governance Committee of the Board of Directors are also available on the “Investor Relations” page of our website. The information contained on our website is not incorporated herein by reference. Copies of these documents (without exhibits, when applicable) are also available free of charge upon request to us at 300 Colonial Center Parkway, Suite 600, Roswell, Georgia 30076, Attention: Investor Relations or by telephone at (404) 277-7000. In addition, the SEC maintains a website that contains reports, proxy, and information statements, and other information regarding issuers, including us, that file electronically with the SEC at www.sec.gov. We are required to disclose any change to, or waiver from, our Business Code of Conduct and Ethics for our executive officers and Board members. We use our website to disseminate this disclosure as permitted by applicable SEC rules.

Item 1A. Risk Factors

You should carefully consider the factors described below, in addition to the other information set forth in this Annual Report on Form 10-K. These risk factors are important to understanding the contents of this Annual Report on Form 10-K and of other reports. Our reputation, business, financial position, results of operations, and cash flows are subject to various risks. The risks and uncertainties described below are not the only ones relevant to us. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial may also adversely impact our reputation, business, financial position, results of operations, and cash flows.

Risk Factor Summary

The following is a summary of the principal risks that could adversely affect our business, operations, and financial results:

Risks Related to Our Business and Our Industry

- Cyclicity in our business could result in lower Net sales and reduced cash flows and profitability.
- Our business is affected by general business, financial market, and economic conditions.
- Seasonality affects the demand for our products and services and our results of operations and cash flows.
- Our operations are substantially dependent on weather conditions.
- The prices and costs of the products we purchase may be subject to large and significant price fluctuations.
- Inflation and increases in operating costs could adversely impact our business.
- Public health emergencies such as the COVID-19 pandemic have adversely affected, and could in the future, adversely affect our business and the business of our customers and suppliers.
- Public perceptions that the products we use and the services we deliver are not environmentally friendly or safe or that our practices are not sustainable may result in significant costs and adversely impact the demand for our products or services.
- Increased competitive pressures could reduce our market share.
- We may face supply chain delays or interruptions, product shortages or the loss of key suppliers or fail to develop relationships with qualified suppliers.
- We are subject to inventory management risks.
- We may not successfully implement our business strategies, including achieving our growth objectives.
- We may be unable to successfully acquire and integrate other businesses or increased competition for those businesses may result in less favorable acquisition terms.
- We face risks associated with our labor force and our customers' labor force.
- We may not be able to attract or retain key executives.
- We are exposed to construction defect and product liability claims as well as other legal proceedings.
- An impairment of goodwill and/or other intangible assets could reduce Net income.
- We may face adverse credit and financial market events and conditions.
- We may fail to collect monies owed by our credit sale customers.
- The operating results of individual branches may vary.
- Compliance with, or liabilities under, environmental, health and safety laws and regulations, including laws and regulations pertaining to the use and application of fertilizers, herbicides, insecticides, and fungicides, could result in significant costs.
- Our business exposes us to risks associated with hazardous materials and related activities, not all of which are covered by insurance.
- Laws and government regulations applicable to our business could increase our legal and regulatory expenses, and impact our business.
- We could experience operational interruptions, incur substantial additional costs, become subject to legal or regulatory proceedings or suffer damage to our reputation in the event of a cybersecurity incident.
- A large-scale malfunction or failure in our information technology systems could disrupt our business, create potential liabilities for us, or limit our ability to effectively monitor, operate, and control our operations.
- We may fail to protect the security of personal information about our customers.
- We may not be able to adequately protect our intellectual property and other proprietary rights that are material to our business.
- We may be subject to unanticipated changes in our tax provisions.
- We may face acts or threats of terrorism, public health emergencies, violence, or unfavorable or uncertain political conditions.

Risks Related to Our Indebtedness

- We have outstanding indebtedness and may incur substantial additional indebtedness, which could adversely affect our financial health and our ability to obtain financing in the future, react to changes in our business, or satisfy our obligations.
- Increases in interest rates.
- The agreements and instruments governing our indebtedness contain restrictions and limitations that could significantly impact our ability to operate our business.
- Our ability to generate the significant amount of cash needed to pay interest and principal on our indebtedness and our ability to refinance all or a portion of our indebtedness or obtain additional financing depends on many factors beyond our control.

Risks Related to Our Common Stock

- Holdings is a holding company with no operations of its own, and it depends on its subsidiaries for cash to fund all of its operations and expenses, including to make future dividend payments, if any.
- The market price of our common stock may be volatile.
- Anti-takeover provisions in our third amended and restated certificate of incorporation and third amended and restated by-laws could discourage, delay, or prevent a change of control of our company and may affect the trading price of our common stock.
- Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Risks Related to Our Business and Our Industry

Cyclicality in our business could result in lower Net sales and reduced cash flows and profitability. We have been, and in the future may be, adversely impacted by declines in the new residential and commercial construction sectors, as well as in spending on repair and upgrade activities.

We sell a significant portion of our products for landscaping activities associated with new residential and commercial construction sectors, which have experienced cyclical downturns in the past, some of which have been severe. The strength of these markets depends on, among other things, housing starts, consumer spending, non-residential construction spending activity and business investment, which are a function of many factors beyond our control, including interest rates, employment levels, changes in the tax laws, availability of credit, geopolitics, consumer confidence, and capital spending. Weakness or downturns in residential and commercial construction markets could have a material adverse effect on our business, operating results, or financial condition.

Sales of landscape supplies to contractors serving the residential construction sector represent a significant portion of our business, and demand for our products is highly correlated with residential construction, including repairs and upgrades. Housing starts are dependent upon a number of factors, including housing demand, housing inventory levels, housing affordability, foreclosure rates, demographic changes, the availability of land, local zoning and permitting processes, the availability of construction financing, and the health of the economy and mortgage markets. Unfavorable changes in any of these factors could adversely affect consumer spending, result in decreased demand for homes, and adversely affect our business. The timing and extent of any recovery in homebuilding activity and the resulting impact on demand for landscape supplies are uncertain.

Our Net sales also depend, in significant part, on commercial construction, which is cyclical in nature and subject to downturns, which can be severe. Previously, downturns in the commercial construction market have typically lasted about two to three years, resulting in market declines of approximately 20% to 40%, while the "Great Recession" downturn in the commercial construction market lasted over four years, resulting in a market decline of approximately 60%. We cannot predict the duration of the current market conditions, including the impacts that COVID-19 may have or the timing or strength of any future recovery of commercial construction activity in our markets.

We also rely, in part, on repair and upgrade of existing landscapes. High unemployment levels, high mortgage delinquency and foreclosure rates, lower home prices, limited availability of mortgage and home improvement financing, and significantly lower housing turnover, may restrict consumer spending, particularly on discretionary items such as landscape projects, and adversely affect consumer confidence levels and result in reduced spending on repair and upgrade activities.

Our business is affected by general business, financial market and economic conditions, which could adversely affect our financial position, results of operations, and cash flows.

Our business and results of operations are significantly affected by general business, financial market, and economic conditions. General business, financial market, and economic conditions that could impact the level of activity in the wholesale landscape supply industry include the level of new home sales and construction activity, interest rate fluctuations, inflation, unemployment levels, geopolitics, tax rates, capital spending, bankruptcies, volatility in both the debt and equity capital markets, liquidity of the global financial markets, the availability and cost of credit, investor and consumer confidence, global economic growth, local, state and federal government regulation, and the strength of regional and local economies in which we operate. With respect to the residential construction sector in particular, spending on landscape projects is largely discretionary and lower levels of consumer spending or the decision by homeowners to perform landscape upgrades or maintenance themselves rather than outsource to contractors, or to focus less on outdoor projects may adversely affect our business. While the COVID-19 pandemic has not yet adversely affected overall demand for our products, we cannot predict whether this trend will continue, the impact that future developments (including the duration and severity of the outbreak and the timing and efficacy of vaccination programs) will have on consumers, or the manner in which COVID-19 will impact economic conditions and consumer preferences over the long term.

Seasonality affects the demand for our products and services and our results of operations and cash flows.

The demand for our products and services and our results of operations are affected by the seasonal nature of our irrigation, outdoor lighting, nursery, landscape accessories, fertilizers, turf protection products, grass seed, turf care equipment, and golf course maintenance supplies. Such seasonality causes our results of operations to vary considerably from quarter to quarter. Typically, our Net sales and Net income have been higher in the second and third quarters of each fiscal year due to favorable weather and longer daylight conditions during these quarters. Our Net sales and Net income are typically significantly lower in the first and fourth quarters due to lower landscaping, irrigation, and turf maintenance activities in these quarters. Accordingly, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

Our operations are substantially dependent on weather and climate conditions.

We supply landscape, irrigation, and turf maintenance products, the demand for each of which is affected by weather conditions, including, without limitation, potential impacts, if any, from climate change. In particular, droughts could cause shortages in the water supply, which may have an adverse effect on our business. For instance, our supply of plants could decrease, or prices could rise, due to such water shortages, and customer demand for certain types of plants may change in ways in which we are unable to predict. Such water shortages may also make irrigation or the maintenance of turf uneconomical. Governments may implement limitations on water usage that make effective irrigation or turf maintenance unsustainable, which could negatively impact the demand for our products. For instance, over the course of the last decade, California has enacted laws aimed at reducing state-wide water consumption in response to the state's most recent drought, which lasted seven years and officially ended in March 2019. We have also seen an increased demand in California for products related to drought-tolerant landscaping, including hardscapes and plants that require low amounts of water. There is a risk that demand for landscaping products will decrease overall due to persistent or severe drought conditions in some of the geographic markets we serve, or that demand will change in ways that we are unable to predict.

Furthermore, natural disasters, adverse weather conditions and/or climate change-related events, such as droughts, severe storms, wildfires, hurricanes, and significant rain or snowfall, can adversely impact the demand for our products, availability of products, timing of product delivery, or our ability to deliver products at all. For example, severe winter storms and wildfires can cause hazardous road conditions, which may prevent personnel from traveling or delivering to service locations. Other types of unexpected severe weather conditions, such as excessive heat or cold, may result in certain applications in the maintenance product cycle being omitted for a season or damage to or loss of nursery goods, sod, and other green products in our inventory, which could result in losses requiring write-downs. In addition, our business and operating results could be impacted to a greater degree than we previously experienced to the extent that unfavorable weather conditions are exacerbated by global climate change or otherwise.

The prices and costs of the products we purchase may be subject to large and significant price fluctuations. We might not be able to pass cost increases through to our customers, and we may experience losses in a rising price environment. In addition, we might have to lower our prices in a declining price environment, which could also lead to losses.

We purchase and sell a wide variety of products, the price and availability of which may fluctuate, and may be subject to large and significant price increases, especially in periods of high inflation. For example, many of our contracts with suppliers include prices for commodities such as grass seed and chemicals used in fertilizer that are not fixed or tied to an index, which allows our suppliers to change the prices of their products as the input prices fluctuate. Conversely, we may experience lower Net sales in a deflationary environment. Our business is exposed to these fluctuations, as well as to fluctuations in our costs for transportation and distribution. For example, Urea, which is commonly used in fertilizer, experienced a significant increase in price during 2021. Changes in prices for the products that we purchase affect our Net sales and Cost of goods sold, as well as our working capital requirements, levels of debt, and financing costs. We might not always be able to reflect increases in our costs in our own pricing, especially in times of extreme price volatility. Any inability to pass cost increases on to customers may adversely affect our business, financial condition, and results of operations. In addition, if market prices for the products that we sell decline, we may realize reduced profitability levels from selling such products and lower revenues from sales of existing inventory of such products.

Inflation and increases in operating costs have adversely affected, and could in the future, adversely impact our business, financial position, results of operations, and cash flows.

Our financial performance is affected by the level of our operating expenses, such as occupancy costs associated with the leases for our branch locations and costs of fuel, vehicle maintenance, equipment, parts, wages and salaries, employee benefits, health care, self-insurance costs and other insurance premiums, as well as various regulatory compliance costs, all of which may be subject to inflationary pressures. In particular, our financial performance is adversely affected by increases in these operating costs. Given the inflation rates in the 2021 Fiscal Year, we experienced rising product and logistics costs as well as increased commodity costs.

Most of our facilities are located in leased premises. Many of our current leases are non-cancelable and typically have terms ranging from three to five years, with options to renew for specified periods of time. We believe that leases we enter into in the future will likely be long-term and non-cancelable and have similar renewal options. However, we may be unable to renew our current or future leases on favorable terms or at all, which could have an adverse effect on our operations and costs. In addition, if we close a location, we generally remain committed to perform our obligations under the applicable lease, which include, among other things, payment of the base rent for the balance of the lease term.

We deliver a substantial volume of products to our customers by truck. Petroleum prices have continued to fluctuate significantly in recent years. Prices and availability of petroleum products are subject to political, economic, and market factors that are outside our control. Political and military events in petroleum-producing regions, including the Middle East, U.S. energy policy, and hurricanes and other weather-related events may cause the price of fuel to increase. Our operating profit will be adversely affected if we are unable to obtain the fuel we require or to fully offset the anticipated impact of higher fuel prices through increased prices or fuel surcharges to our customers. We have not entered into any hedging arrangements that protect against fuel price increases and we do not have any long-term fuel purchase contracts. If shortages occur in the supply of necessary petroleum products and we are not able to pass along the full impact of increased petroleum prices to our customers, our results of operations would be adversely affected.

We cannot predict the extent to which we may experience future increases in costs of occupancy, fuel, vehicle maintenance, equipment, parts, wages and salaries, employee benefits, health care, self-insurance costs and other insurance premiums, as well as various regulatory compliance costs and other operating costs. To the extent such costs increase as a result of inflation or otherwise, we may be prevented, in whole or in part, from passing these cost increases through to our existing and prospective customers, and the rates we pay to our suppliers may increase, any of which could have a material adverse impact on our business, financial position, results of operations, and cash flows

Public health emergencies such as the COVID-19 pandemic have adversely affected, and could in the future, adversely affect our business and the business of our customers and suppliers.

An epidemic, pandemic or similar serious public health issue, and the measures undertaken by governmental authorities to address it, could significantly disrupt or prevent us and/or our customers from operating our business in the ordinary course for an extended period, and thereby, and/or along with any associated economic and/or social instability or distress, have a material adverse impact on our results of operations, cash flows, and financial condition.

The ongoing COVID-19 pandemic has significantly impacted worldwide economic conditions and could have a material adverse effect on our operations and business and those of our customers and suppliers. The ongoing COVID-19 pandemic began to impact our operations late in the first quarter of 2020 and is likely to continue to affect our business, particularly if government authorities reinstate mandatory business closures, “stay-at-home” or “shelter-in-place” orders, social distancing protocols, or seek voluntary facility closures or impose other restrictions. Further implementation of these actions could materially adversely affect our ability to adequately staff, manage, and maintain our operations, impair our ability to sustain sufficient financial liquidity, and impact our financial results. The ongoing effects of the COVID-19 pandemic, including the emergence of future variants, may cause the disruption or closure of our customers’ and/or suppliers’ facilities and supply chains, which could materially and adversely impact demand for our products, our ability to obtain or deliver inventory and our ability to collect accounts receivable as customers and suppliers face higher liquidity and solvency risks. For example, as a result of the Omicron and other COVID-19 variants in the fourth quarter of 2021, we experienced supply chain and branch staffing disruptions. There is significant uncertainty regarding the extent to which and how long the COVID-19 pandemic and related government directives, actions and economic relief efforts will disrupt the U.S. economy and level of employment, capital markets, supply chains, consumer confidence, demand for our products and the businesses of our customers and suppliers or contribute to inflation. As we cannot predict the duration or scope of the COVID-19 pandemic, any future or ongoing negative financial impact to our operating results cannot be reasonably estimated but could be material and last for an extended period of time.

Our business has been negatively impacted, and could also be negatively impacted over the medium-to-longer term if the ongoing disruptions related to COVID-19 and the spread of variant strains of COVID-19, among other things: limit the ability of our suppliers to manufacture, or procure from manufacturers, the products we sell, or to meet delivery requirements and commitments; limit the ability of our employees to perform their work due to impacts caused by the pandemic or local, state, or federal orders that restrict our operations or the operations of our customers; limit the ability of carriers to deliver our products to our branches and customers; limit the ability of our customers to conduct their business and purchase our products and services; decrease demand for our customers’ services; limit the ability of our customers to pay us on a timely basis; precipitate a prolonged economic downturn and/or an extended rise in unemployment or tempering of wage growth, any of which could lower demand for our products; impair our ability to operate in a typical manner or at all, generate revenues and cash flows, and/or access the capital or lending markets (or significantly increase the costs of doing so), as may be necessary to sustain our business. In Fiscal 2021, supply chain disruptions, labor shortages and rising commodity and product costs have been, and may continue to be, exacerbated by the COVID-19 pandemic.

The inherent uncertainty surrounding COVID-19, due in part to rapidly changing governmental directives, public health challenges and progress, and market reactions thereto, also makes it more challenging for our management to estimate the potential impact and the future performance of our business. Accordingly, the anticipated negative financial impact to our operating results cannot be reasonably estimated at this time but could be material and last for an extended period of time.

Public perceptions that the products we use and the services we deliver are not environmentally friendly or safe or that our practices are not sustainable may result in significant costs and adversely impact the demand for our products or services.

We sell, among other things, fertilizers, herbicides, fungicides, pesticides, rodenticides, and other chemicals. Public perception that the products we use and the services we deliver are not environmentally friendly or safe or are harmful to humans or animals, whether justified or not, or the improper application of these chemicals, could reduce demand for our products and services, increase regulation or government restrictions or actions, result in fines or penalties, impair our reputation, involve us in litigation that may result in significant costs, damage our brand names and otherwise have a material adverse impact on our business, financial position, results of operations, and cash flows. Customers are also using social media to provide feedback and information about our Company and products and services in a manner that can be quickly and broadly disseminated. To the extent a customer has a negative experience with, or view of, our Company and shares it over social media, it may adversely impact our brand and reputation.

In addition, companies across many industries are facing increasing interest from stakeholders related to their environmental, social, and governance (“ESG”) practices. Investor advocacy groups, certain institutional investors, investment funds and other influential investors are also increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. While we believe that we currently hold a favorable view from stakeholders related to our ESG practices, there can be no assurance that we will be able to meet the future expectations of our stakeholders, which are evolving rapidly. As a result, we may suffer from reputational damage and our business or financial condition could be adversely affected.

Our industry and the markets in which we operate are highly competitive and fragmented, and increased competitive pressures could reduce our share of the markets we serve and adversely affect our business, financial position, results of operations, and cash flows.

We operate in markets with relatively few large competitors, but barriers to entry in the landscape supply industry are generally low, and we may have several competitors within a local market area. Competition varies depending on product line, type of customer, and geographic area. Some local competitors may be able to offer higher levels of service, lower prices or a broader selection of inventory than we can in particular local markets. As a result, we may not be able to continue to compete effectively with our competitors. Any of our competitors may foresee the course of market development more accurately than we do, provide superior service, sell or distribute superior products, have the ability to supply or deliver similar products and services at a lower cost, or on more favorable credit terms, develop stronger relationships with our customers and other consumers in the landscape supply industry, adapt more quickly to evolving customer requirements than we do, develop a superior network of distribution centers in our markets, or access financing on more favorable terms than we can obtain. As a result, we may not be able to compete successfully with our competitors.

In addition, we may face increased competition from new market entrants or companies in adjacent industries expanding into the landscape supply industry. Such competition may result in the diminution of our market share or the loss of one or more of our major customers, either of which would adversely affect our business, financial position, results of operations, and cash flows. Further, existing and future competitors, and private equity firms, increasingly compete with us for acquisitions, which can increase prices and reduce the number of suitable opportunities available to us; the acquisitions they make may also adversely impact our market position.

Competition can also reduce demand for our products and services, negatively affect our product sales and services or cause us to lower prices. Consolidation of professional landscape service firms may result in increased competition for their business. Certain product manufacturers that sell and distribute their products directly to landscapers may increase the volume of such direct sales. Our suppliers may also elect to enter into exclusive supplier arrangements with other distributors.

We also face increased competition for our talent base from other employers, particularly competitors. If we are unable to retain our talent or lose talent to a competitor, our ability to achieve our strategic objectives may be adversely affected. In addition, former associates may start landscape supply businesses similar to ours, in competition with us. Given the low barriers to entry in our industry, the possibility of former associates starting similar businesses may be more likely. Increased competition from businesses started by former associates may reduce our market share and adversely affect our business, financial position, results of operations, and cash flows.

Our customers consider the performance of the products we distribute, our customer service, and price when deciding whether to use our services or purchase the products we distribute. Excess industry capacity for certain products in several geographic markets could lead to increased price competition. We may be unable to maintain our operating costs or product prices at a level that is sufficiently low for us to compete effectively. If we are unable to compete effectively with our existing competitors or new competitors enter the markets in which we operate, our financial condition, operating results, and cash flows may be adversely affected.

Supply chain delays or interruptions, product shortages, loss of key suppliers, failure to develop relationships with qualified suppliers or dependence on third-party suppliers and manufacturers could affect our financial health.

Our ability to offer a wide variety of products to our customers is dependent upon our ability to obtain adequate product supply from manufacturers and other suppliers. Any disruption in our sources of supply, particularly of the most commonly sold items, could result in a loss of revenues, reduced margins, and damage to our relationships with customers. Supply shortages may occur as a result of unanticipated increases in demand or difficulties in production or delivery. In addition, we may be materially adversely impacted by disruptions within our supply chain network. Such disruptions may result from weather-related events, natural disasters, international trade disputes or trade policy changes or restrictions, tariffs or import-related taxes, third-party strikes, lock-outs, work stoppages or slowdowns, shortages of supply chain labor and truck drivers, shipping capacity constraints, military conflicts, acts of terrorism, public health issues (including pandemics or quarantines (such as the COVID-19 pandemic) and related shut-downs, re-openings, or other actions by the government), civil unrest or other factors beyond our control. For example, in Fiscal 2021, our supply chains have been and may continue to be negatively impacted by the COVID-19 pandemic, especially with respect to freight and labor availability. When shortages occur, our suppliers often allocate products among distributors. The loss of, or a substantial decrease in the availability of, products from our suppliers or the loss of key supplier arrangements could adversely impact our financial condition, operating results, and cash flows, as well as our ability to benefit from ongoing supply chain initiatives.

Our ability to continue to identify and develop relationships with qualified suppliers who can comply with our Supplier Code of Conduct and satisfy our high standards for quality and our need to be supplied with products in a timely and efficient manner is a significant challenge. Our suppliers' ability to provide us with products can also be adversely affected in the event they become financially unstable, fail to comply with applicable laws, encounter supply disruptions, shipping interruptions, trade restrictions, tariffs or increased costs, or face other factors beyond our control, including, for example, as a result of the COVID-19 pandemic.

Our agreements with suppliers are generally terminable by either party on limited notice, and in some cases we do not have written agreements with our suppliers. If market conditions change or worsen, suppliers may stop offering us favorable terms, including volume-based incentive terms. Our suppliers may increase prices or reduce discounts on the products we distribute and we may be unable to pass on any cost increase to our customers, thereby resulting in reduced margins and profits. Failure by our suppliers to continue to supply us with products on favorable terms, commercially reasonable terms, or at all, could put pressure on our operating margins or have a material adverse effect on our financial condition, results of operations, and cash flows.

We are subject to inventory management risks; insufficient inventory may result in lost sales opportunities or delayed revenue, while excess inventory may harm our gross margins.

We balance the need to maintain inventory levels that are sufficient to ensure competitive lead times against the risk of inventory obsolescence because of changing customer requirements, fluctuating commodity prices, or the life-cycle of nursery goods, sod, and other green products. In order to successfully manage our inventories, including grass seed, chemicals used in fertilizers, and nursery goods, sod, and other green products, we must estimate demand from our customers and purchase products that substantially correspond to that demand. If we overestimate demand and purchase too much of a particular product, we face a risk that the price of that product will fall, leaving us with inventory that we cannot sell profitably. In addition, we may have to write down such inventory if we are unable to sell it for its recorded value. Contracts with certain suppliers require us to take on additional inventory or pay a penalty, even in circumstances where we have excess inventory. By contrast, if we underestimate demand and purchase insufficient quantities of a product and the price of that product were to rise, we could be forced to purchase that product at a higher price and forego profitability in order to meet customer demand. Insufficient inventory levels may lead to shortages that result in delayed revenue or loss of sales opportunities altogether as potential end-customers turn to competitors' products that are readily available. Our business, financial condition, and results of operations could suffer a material adverse effect if either or both of these situations occur frequently or in large volumes.

Many factors, such as weather conditions, agricultural limitations and restrictions relating to the management of pests and disease, affect the supply of nursery goods, grass seed, sod, and other green products. If the supply of these products available is limited, prices could rise, which could cause customer demand to be reduced and our revenues and gross margins to decline. For example, nursery goods, sod, and grass seed are perishable and have a limited shelf life. Should we be unable to sell our inventory of nursery goods, grass seed, sod, and other green products within a certain time frame, we may face losses requiring write-downs. In contrast, we may not be able to obtain high-quality nursery goods and other green products in an amount sufficient to meet customer demand. Even if available, nursery goods from alternate sources may be of lesser quality or may be more expensive than those currently grown or purchased by us. If we are unable to effectively manage our inventory and that of our distribution partners, our business, financial condition, and results of operations could be adversely affected.

We may not successfully implement our business strategies, including achieving our growth objectives.

We may not be able to fully implement our business strategies or realize, in whole or in part within the expected time frames, the anticipated benefits of our various growth, or other initiatives. Our various business strategies and initiatives, including our growth, operational, and management initiatives, are subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond our control. The execution of our business strategy and our financial performance will continue to depend in significant part on our executive management team and other key management personnel, and our executive management team's ability to execute the operational initiatives that they are undertaking. In addition, we may incur certain costs as we pursue our growth, operational, and management initiatives, and we may not meet anticipated implementation timetables or stay within budgeted costs. As these initiatives are undertaken, we may not fully achieve our expected efficiency improvements or growth rates, or these initiatives could adversely impact our customer retention, supplier relationships, or operations. Also, our business strategies may change from time to time in light of our ability to implement our business initiatives, competitive pressures, economic uncertainties or developments, or other factors.

We may be unable to successfully acquire and integrate other businesses.

Our historical growth has been driven in part by acquisitions, and future acquisitions are an important element of our business strategy. We may be unable to continue to grow our business through acquisitions. We may not be able to continue to identify suitable acquisition targets and may face increased competition for these acquisition targets by both existing competitors as well as new market entrants. In addition, acquired businesses may not perform in accordance with expectations, and our business judgments concerning the value, strengths and weaknesses of acquired businesses may not prove to be correct. We may also be unable to achieve expected improvements or achievements in businesses that we acquire. At any given time, we may be evaluating or in discussions with one or more acquisition targets, including entering into non-binding letters of intent. Future acquisitions may result in the incurrence of debt and contingent liabilities, legal liabilities, goodwill impairments, increased interest expense, and amortization expense, and significant integration costs.

Acquisitions involve a number of special risks, including:

- our inability to manage acquired businesses or control integration costs and other costs relating to acquisitions;
- potential adverse short-term effects on operating results from increased costs or otherwise;
- diversion of management's attention;
- failure to retain existing customers or key personnel of the acquired business and recruit qualified new associates at the location;
- failure to successfully implement infrastructure, logistics, and systems integration which could, among other things, increase the risk of a cybersecurity incident;
- potential impairment of goodwill;
- our inability to obtain financing necessary to complete acquisitions on attractive terms or at all;
- risks associated with the internal controls of acquired companies;
- exposure to legal claims for activities of the acquired business prior to acquisition and inability to realize on any indemnification claims, including with respect to environmental and immigration claims; and
- the risks inherent in the systems of the acquired business and risks associated with unanticipated events or liabilities.

Our strategy could be impeded if we do not identify, or face increased competition for, suitable acquisition targets, and such increased competition could result in higher purchase price multiples we have to pay for acquisition targets or reduce the number of suitable targets. Our business, financial condition, results of operations, and cash flows could be adversely affected if any of the foregoing factors were to occur.

Risks associated with our labor force and our customer's labor force could have a significant adverse effect on our business.

We have an employee base of approximately 5,700 associates. Various federal and state labor laws govern our relationships with our associates and affect our operating costs. These laws include employee classifications as exempt or non-exempt, minimum wage requirements, unemployment tax rates, workers' compensation rates, overtime, family leave, anti-discrimination laws, safety standards, payroll taxes, citizenship requirements, and other wage and benefit requirements for employees classified as non-exempt. As our associates may be paid at rates that relate to the applicable minimum wage, further increases in the minimum wage could increase our labor costs. Associates may make claims against us under federal or state laws, which could result in significant costs. Significant additional government regulations, including the Employee Free Choice Act, the Paycheck Fairness Act, and the Arbitration Fairness Act, could materially affect our business, financial condition, and results of operations. In addition, we compete with other companies for many of our associates in hourly positions, and we invest significant resources to train and motivate our associates to maintain a high level of job satisfaction. Like many companies in our industry, our hourly employment positions have historically had high turnover rates, which can lead to increased spending on training and retention and, as a result, increased labor costs. If we are unable to effectively retain highly qualified associates in our key positions to deliver the customer experience, particularly our transportation and supply chain associates, it could adversely impact our business, financial position, results of operations, and cash flows.

None of our associates are currently covered by collective bargaining or other similar labor agreements. However, if a larger number of our associates were to unionize, including in the wake of any future legislation that makes it easier for associates to unionize, our business could be negatively affected. Any inability by us to negotiate collective bargaining arrangements could cause strikes or other work stoppages, and new contracts could result in increased operating costs. If any such strikes or other work stoppages occur, or if other associates become represented by a union, we could experience a disruption of our operations and higher labor costs.

In addition, certain of our suppliers have unionized work forces and certain of our products are transported by unionized truckers. Strikes, work stoppages, or slowdowns could result in slowdowns or closures of facilities where the products that we sell are manufactured or could affect the ability of our suppliers to deliver such products to us. Any interruption in the production or delivery of these products could delay or reduce availability of these products and increase our costs.

Further, a large portion of our customers are in the landscape services industry, which is labor intensive. Demand for our products may be impacted by our customers' ability to attract, train, and retain workers. Restrictive immigration policy and increases in our customers' personnel costs or the inability of our customers to hire sufficient personnel, which may be amplified in tight labor market conditions, could adversely impact our business, financial position, results of operations, and cash flows.

We depend on a limited number of key personnel. We may not be able to attract or retain key executives, which could adversely impact our business and inhibit our ability to operate and grow successfully.

We depend upon the ability and experience of a number of our executive management and other key personnel who have substantial experience with our operations and within our industry, including Doug Black, our Chairman, President, and Chief Executive Officer. The loss of the services of one or a combination of our senior executives or key employees could have a material adverse effect on our results of operations. Our business may also be negatively impacted if one of our senior executives or key employees is hired or recruited by a competitor. Our success also depends on our ability to continue to attract, manage, and retain other qualified management personnel as we grow. We may not be able to continue to attract or retain such personnel in the future.

The nature of our business exposes us to construction defect and product liability claims as well as other legal proceedings.

We rely on manufacturers and other suppliers to provide us with the products we sell and distribute. As we do not have direct control over the quality of the products manufactured or supplied by such third-party suppliers, we are exposed to risks relating to the quality of the products we distribute. It is possible that inventory from a manufacturer or supplier could be sold to our customers and later be alleged to have quality problems or to have caused personal injury, subjecting us to potential claims from customers or third parties. We are subject to such claims from time to time.

We operate a large fleet of trucks and other vehicles. From time to time, the drivers of these vehicles are involved in accidents which could result in material personal injuries and property damage claims and in which goods carried by these drivers may be lost or damaged. We cannot make assurances that we will be able to obtain insurance coverage to address a portion of these types of liabilities on acceptable terms in the future, if at all, or that any such insurance will provide adequate coverage against potential claims. Further, while we seek indemnification against potential liability for products liability claims from relevant parties, including but not limited to manufacturers and suppliers, we do not have written indemnification agreements from all of our suppliers and we may be unable to recover under such indemnification agreements that exist. An unsuccessful product liability defense could be highly costly and accordingly result in a decline in revenues and profitability. Finally, even if we are successful in defending any claim relating to the products we distribute, claims of this nature could negatively impact customer confidence in our products and our company.

From time to time, we may be involved in government inquiries and investigations, as well as tort proceedings, including toxic tort and product liability actions, and employment and other litigation. We cannot predict with certainty the outcomes of these legal proceedings and other contingencies, including environmental investigation, remediation, and other proceedings commenced by government authorities. The outcome of some of these legal proceedings and other contingencies could require us to take, or refrain from taking, actions which could adversely affect our operations or could require us to pay substantial amounts of money. Additionally, defending against lawsuits and proceedings may involve significant expense and diversion of management's attention and resources from other matters regardless of the ultimate outcome.

An impairment of goodwill and/or other intangible assets could reduce Net income.

Acquisitions frequently result in the recording of goodwill and other intangible assets. As of January 2, 2022, goodwill represented approximately 15% of our total assets. Goodwill is currently not amortized for financial reporting purposes and is subject to impairment testing at least annually using a fair-value based approach. The identification and measurement of goodwill impairment involves the estimation of the fair value of our reporting units. Our accounting for impairment contains uncertainty because management must use its judgment in determining appropriate assumptions to be used in the measurement of fair value. We determine the fair values of our reporting units by using both a market and income approach.

We evaluate the recoverability of goodwill for impairment in between our annual tests when events or changes in circumstances including a sustained decline in our market capitalization, indicate that the carrying amount of goodwill may not be recoverable. Any impairment of goodwill or other intangible assets, as a result of market dynamics in connection with the COVID-19 pandemic or otherwise, will reduce Net income in the period in which the impairment is recognized.

Adverse credit and financial market events and conditions could, among other things, impede access to, or increase the cost of, financing or cause our customers to incur liquidity issues that could lead to some of our products not being purchased or orders being canceled, or result in reduced operating revenue and Net income, any of which could have an adverse impact on our business, financial position, results of operations, and cash flows.

Disruptions in credit or financial markets could, among other things, lead to impairment charges, make it more difficult for us to obtain, or increase our cost of obtaining, financing for our operations or investments or to refinance our indebtedness, cause our lenders to depart from prior credit industry practice and not give technical or other waivers under the Credit Facilities (as defined under “—Risks Related to Our Current Indebtedness” below), to the extent we may seek them in the future, thereby causing us to be in default under one or more of the Credit Facilities. These disruptions could also cause our customers to encounter liquidity issues that could lead to a reduction in the amount of our products purchased or services used, could result in an increase in the time it takes our customers to pay us, or could lead to a decrease in pricing for our products, any of which could adversely affect our accounts receivable, among other things, and, in turn, increase our working capital needs. In addition, adverse developments at federal, state, and local levels associated with budget deficits resulting from economic conditions could result in federal, state, and local governments increasing taxes or other fees on businesses, including us, to generate more tax revenues, which could negatively impact spending by customers on our products.

The majority of our Net sales are derived from credit sales, which are made primarily to customers whose ability to pay is dependent, in part, upon the economic strength of the geographic areas in which they operate, and the failure to collect monies owed from customers could adversely affect our working capital and financial condition.

The majority of our Net sales in our 2021 Fiscal Year were derived from the extension of credit to our customers whose ability to pay is dependent, in part, upon the economic strength of the areas where they operate. We offer credit to customers, generally on a short-term basis, either through unsecured credit that is based solely upon the creditworthiness of the customer, or secured credit for materials sold for a specific project where we establish a security interest in the material used in the project. The type of credit we offer depends on the customer’s financial strength. If any of our customers are unable to repay credit that we have extended in a timely manner, or at all, our working capital, financial condition, operating results, and cash flows would be adversely affected. Further, our collections efforts with respect to non-paying or slow-paying customers could negatively impact our customer relations going forward.

Because we depend on certain of our customers to repay extensions of credit, if the financial condition of our customers declines, our credit risk could increase as a result. Significant contraction in the residential and non-residential construction markets, coupled with limited credit availability and stricter financial institution underwriting standards, could adversely affect the operations and financial stability of certain of our customers. Should one or more of our larger customers declare bankruptcy, it could adversely affect the collectability of our accounts receivable, bad debt reserves, and Net income.

Because we operate our business through highly dispersed locations across the United States and Canada, our operations may be materially adversely affected by inconsistent practices and the operating results of individual branches may vary.

We operate our business through a network of highly dispersed locations throughout the United States and Canada, supported by executives and services from our headquarters, with local area and branch management retaining responsibility for day-to-day operations and adherence to applicable local laws. Our operating structure could make it difficult for us to coordinate procedures across our operations in a timely manner or at all. We may have difficulty attracting and retaining local personnel. In addition, our branches may require significant oversight and coordination from headquarters to support their growth. Inconsistent implementation of corporate strategy and policies at the local level could materially and adversely affect our overall profitability, prospects, business, results of operations, financial condition, and cash flows. In addition, the operating results of an individual branch may differ from that of another branch for a variety of reasons, including market size, management practices, competitive landscape, regulatory requirements, and local economic conditions. As a result, certain of our branches may experience higher or lower levels of growth and profitability than other branches.

Compliance with, or liabilities under, environmental, health and safety laws and regulations, including laws and regulations pertaining to the use and application of fertilizers, herbicides, insecticides and fungicides, could result in significant costs that adversely impact our reputation, business, financial position, results of operations, and cash flows.

We are subject to federal, state, provincial and local environmental, health and safety laws and regulations, including laws that regulate the emission or discharge of materials into the environment, govern the use, packaging, labeling, transportation, handling, treatment, storage, disposal, and management of chemicals and hazardous substances and waste, and protect the health and safety of our associates and users of our products. Such laws also impose liability for investigating and remediating, and damages resulting from, present and past releases of hazardous substances, including releases at sites we have ever owned, leased or operated or used as a disposal site. We could be subject to fines, penalties, civil or criminal sanctions, personal injury, property damage, or other third-party claims as a result of violations of, or liabilities under, these laws and regulations. We could also incur significant investigation and cleanup costs for contamination at any currently or formerly owned or operated facilities, including LESCO's manufacturing and blending facilities. In addition, changes in, or new interpretations of, existing laws, regulations, or enforcement policies as a result of the new Biden administration or otherwise, the discovery of previously unknown contamination, or the imposition of other environmental liabilities or obligations in the future, including obligations with respect to any potential health hazards of our products, may lead to additional compliance or other costs that could have a material adverse effect on our business, financial position, results of operations, and cash flows.

In addition, in the United States, products containing herbicides and pesticides generally must be registered with the U.S. Environmental Protection Agency ("EPA") and similar state agencies before they can be sold or distributed. The failure to obtain or the cancellation of any such registration, or the withdrawal from the marketplace of such products, could have an adverse effect on our business, the severity of which would depend in part on the products involved, whether other products could be substituted and whether our competitors were similarly affected. The herbicides and pesticides we use are manufactured by independent third parties and are evaluated by the EPA as part of its ongoing exposure risk assessment. The EPA may decide that a herbicide or pesticide we use will be limited or will not be re-registered for use in the United States. We cannot predict the outcome or the severity of the effect of the EPA's continuing evaluations.

In addition, the use of certain herbicide and pesticide products is regulated by various federal, state, provincial, and local environmental and public health agencies. We may be unable to prevent violations of these or other regulations from occurring. Even if we are able to comply with all such regulations and obtain all necessary registrations and licenses, the herbicides and pesticides or other products we supply could be alleged to cause injury to the environment, to people or to animals, or such products could be banned in certain circumstances. We are subject to such allegations from time to time. The regulations may also apply to customers who may fail to comply with environmental, health and safety laws and subject us to liabilities. Costs to comply with environmental, health and safety laws, or to address liabilities or obligations thereunder, could have a material adverse impact on our reputation, business, financial position, results of operations, and cash flows.

Further, there may also be new legislation or regulatory change in response to the perceived effects of climate change, the occurrence of which may be elevated due to newly elected members to the U.S. Congress and the election and inauguration of a new U.S. President following the 2020 U.S. federal elections. Changes in environmental and climate change laws or regulations, including laws relating to greenhouse gas emissions, could lead to new or additional investment in product designs that could increase our environmental compliance expenditures. Such changes in climate change laws or regulations could further subject us to additional costs and restrictions, including increased energy and raw material costs. The possible effects of climate change could include changes in rainfall patterns, water shortages, changing storm patterns and intensities, and changing temperature levels that could adversely impact our costs and business operation and the supply and demand for weather-sensitive products. Because of the uncertainty of weather volatility related to climate change and any resulting unfavorable weather conditions, we cannot predict its impact on our financial condition, results of operations, or cash flows.

Our business exposes us to risks associated with hazardous materials and related activities, not all of which are covered by insurance.

Because our business includes the managing, handling, storing, selling and transporting, and disposing of certain hazardous materials, such as fertilizers, herbicides, pesticides, fungicides, and rodenticides, we are exposed to environmental, health, safety, and other risks. We carry insurance to protect us against many accident-related risks involved in the conduct of our business and we maintain insurance coverage in accordance with our assessment of the risks involved, the ability to bear those risks, and the cost and availability of insurance. Each of these insurance policies is subject to exclusions, deductibles, and coverage limits. We do not insure against all risks and may not be able to insure adequately against certain risks and may not have insurance coverage that will pay any particular claim. We also may be unable to obtain adequate insurance coverage at commercially reasonable rates in the future for the risks we currently insure against, and certain risks are or could become completely uninsurable or eligible for coverage only to a reduced extent. Our business, financial condition, and results of operations could be materially impaired by environmental, health, safety, and other risks that reduce our revenues, increase our costs, or subject us to other liabilities in excess of available insurance.

Laws and government regulations applicable to our business could increase our legal and regulatory expenses, and impact our business, financial position, results of operations, and cash flows.

Our business is subject to significant federal, state, provincial, and local laws and regulations. These laws and regulations include laws relating to consumer protection, wage and hour requirements, the employment of immigrants, labor relations, permitting and licensing, building code requirements, workers' safety, the environment, employee benefits, marketing and advertising, and the application and use of herbicides, pesticides, and other chemicals. In particular, we anticipate that various federal, state, provincial, and local governing bodies may propose additional legislation and regulation that may be detrimental to our business, may decrease demand for the products we supply, or may substantially increase our operating costs, including proposed legislation, such as environmental regulations related to chemical or nutrient use, water use, climate change, equipment efficiency standards, and other environmental matters; other consumer protection laws or regulations; or health care coverage. It is difficult to predict the future impact of the broad and expanding legislative and regulatory requirements affecting our businesses and changes to such requirements may adversely affect our business, financial position, results of operations, and cash flows. In addition, if we were to fail to comply with any applicable law or regulation, we could be subject to substantial fines or damages, be involved in litigation, suffer losses to our reputation, or suffer the loss of licenses or incur penalties that may affect how our business is operated, which, in turn, could have a material adverse impact on our business, financial position, results of operations, and cash flows.

In the event of a cybersecurity incident, we could experience operational interruptions, incur substantial additional costs, become subject to legal or regulatory proceedings, or suffer damage to our reputation.

In addition to the disruptions that may occur from interruptions in our information technology systems, cybersecurity threats and sophisticated and targeted cyberattacks pose a risk to our information technology systems, as well as those of our third-party service providers and other third parties with whom we do business and communicate. We have established security policies, processes, and defenses designed to help identify and protect against intentional and unintentional misappropriation or corruption of our information technology systems and information and disruption of our operations. Despite these efforts, our information technology systems and those of third parties with whom we do business or communicate may be damaged, disrupted, or shut down due to attacks by unauthorized access, malicious software, computer viruses, undetected intrusion, hardware failures, or other events, and in these circumstances our disaster recovery plans may be ineffective or inadequate. These breaches or intrusions could lead to business interruption, exposure of proprietary or confidential information, data corruption, damage to our reputation, exposure to legal and regulatory proceedings, and other costs. A security breach might also lead to violations of privacy laws, regulations, trade guidelines or practices related to our customers and associates and could result in potential claims from customers, associates, shareholders, or regulatory agencies. Such events could adversely impact our reputation, business, financial position, results of operations, and cash flows. In addition, we could be adversely affected if any of our significant customers or suppliers experiences any similar events that disrupt their business operations or damage their reputation. Furthermore, our increased use of mobile and cloud technologies, including as a result of the shift to work-from-home arrangements as a result of the COVID-19 pandemic, has heightened these cybersecurity and privacy risks, including risks from cyber-attacks such as phishing, spam emails, hacking, social engineering, and malicious software.

While we maintain monitoring practices and protections of our information technology to reduce these risks and test our systems on an ongoing basis for potential threats, there can be no assurance that these efforts will prevent a cyber-attack or other security breach. We have not always been able in the past and may be unable in the future to anticipate or prevent techniques used to obtain unauthorized access or to compromise our systems because the techniques used change frequently and are generally not detected until after an incident has occurred.

In July 2020, we experienced a ransomware attack on our information technology systems. There can be no guarantees that the attack will not lead to the disclosure of customer data, our trade secrets, or other intellectual property, or personal information of our employees. There can be no guarantee that the release of any of this information will not have a material adverse effect on our business, reputation, financial condition, and results of operations. In addition, the July 2020 ransomware attack could result in potential claims from customers, associates, shareholders, or regulatory agencies, which could result in significant judgements against us, penalties, and fines. The cost of investigating, mitigating, and responding to potential data security breaches and complying with applicable breach notification obligations to individuals, regulators, partners, and others could be significant.

We carry cybersecurity insurance to help mitigate the financial exposure and related notification procedures in the event of intentional intrusion, including the July 2020 ransomware attack; however, there can be no assurance that our insurance will adequately protect against potential losses that could adversely affect our business.

We rely on our computer and data processing systems, and a large-scale malfunction or failure in our information technology systems could disrupt our business, create potential liabilities for us, or limit our ability to effectively monitor, operate, and control our operations and adversely impact our reputation, business, financial position, results of operations, and cash flows.

Our ability to keep our business operating effectively depends on the functional and efficient operation of our enterprise resource planning, telecommunications, inventory tracking, billing, and other information systems. We rely on these systems and the systems of certain third-party vendors to track transactions, billings, payments, and inventory, as well as to make a variety of day-to-day business decisions. We may experience system malfunctions, interruptions, or security breaches from time to time. Some of our systems run older generations of software that may be unable to perform as efficiently as, and fail to communicate well with, newer systems. As we implement or develop new systems in the future, we may elect to modify, replace, or discontinue certain technology initiatives. Changes or modifications to our information technology systems could cause disruptions to our operations or cause challenges with respect to our compliance with laws, regulations, or other applicable standards.

A significant or large-scale malfunction or interruption of our systems or the systems of third-party vendors could adversely affect our ability to manage and keep our operations running efficiently and damage our reputation. A malfunction that results in a wider or sustained disruption to our business could have a material adverse effect on our business, financial condition, and results of operations, as well as on the ability of management to align and optimize technology to implement business strategies. If our disaster recovery plans do not work as anticipated, or if any third-party vendors to which we have outsourced certain information technology or other services fail to fulfill their obligations to us, our operations may be adversely impacted and any of these circumstances could adversely impact our reputation, business, financial position, results of operations, and cash flows.

If we fail to protect the security of personal information about our customers, we could be subject to interruption of our business operations, private litigation, reputational damage and costly penalties.

We rely on, among other things, commercially available systems, software, tokenization, tools, and monitoring to provide security for collecting, processing, transmitting, and storing confidential customer information, such as payment card and personally identifiable information. The systems we currently use for payment card transactions, and the technology utilized in payment cards themselves, all of which can put payment card data at risk, are central to meeting standards set by the payment card industry, or PCI. We continue to evaluate and modify our systems and protocols for PCI compliance purposes; however, PCI data security standards may change from time to time. Activities by third parties, advances in computer and software capabilities and encryption technology, new tools and discoveries, and other events or developments may facilitate or result in a compromise or breach of our systems. Any compromises, breaches, or errors in applications related to our systems or failures to comply with data security standards set by the PCI, could cause damage to our reputation and interruptions in our operations, including our customers' ability to pay for our products and services by credit card or their willingness to purchase our products and services, and could further result in a violation of applicable laws, regulations, orders, industry standards, or agreements and subject us to costs, penalties, litigation, and liabilities which could have a material adverse impact on our reputation, business, financial position, results of operations, and cash flows.

We may not be able to adequately protect our intellectual property and other proprietary rights that are material to our business.

Our ability to compete effectively depends in part on our rights to service marks, trademarks, trade names, and other intellectual property rights we own or license, particularly our registered trademarks SiteOne®, LESCO®, SiteOne Green Tech®, and Pro-Trade®. We have not sought to register or protect every one of our marks or brand names either in the United States or in every country in which they are or may be used. Furthermore, because of the differences in foreign trademark, patent, and other intellectual property or proprietary rights laws, we may not receive the same protection in other countries as we would in the United States. If we are unable to protect our proprietary information and brand names, we could suffer a material adverse impact on our reputation, business, financial position, results of operations, and cash flows. Litigation may be necessary to enforce our intellectual property rights and protect our proprietary information, or to defend against claims by third parties that our products, services, or activities infringe their intellectual property rights.

We may be subject to unanticipated changes in our tax provisions, including further changes to applicable U.S. tax laws.

We are subject to income and other taxes in U.S. federal and state jurisdictions, as well as Canada. Changes in applicable U.S. or Canadian tax laws and regulations, or their interpretation and application, including the possibility of retroactive effect, could impact our tax expense and profitability. It is not possible to predict potential changes in the tax laws or changes in their interpretation and whether they could have a material adverse impact on our operating results. We have filed our tax returns in prior years based upon certain filing positions we believe are appropriate. If the Internal Revenue Service or state taxing authorities disagree with these filing positions, we may owe additional taxes.

There may also be technical corrections or superseding legislation proposed with respect to tax laws, the risk of which may be elevated due to newly elected members to the U.S. Congress and the election and inauguration of a new U.S. President following the 2020 U.S. federal elections, and the effect and timing cannot be predicted and may be adverse to us or our business, financial position, results of operations, and cash flows.

Acts or threats of terrorism, public health emergencies, violence, or unfavorable or uncertain political conditions could harm our business.

Acts of terrorism or war, public health emergencies, political or civil unrest and uncertainty, pandemics, and other catastrophes may disrupt commerce and undermine consumer confidence, which could negatively affect our sales by causing consumer spending to decline. Also, an act of terrorism or war, or the threat thereof, political or civil unrest or uncertainty, pandemics (such as the COVID-19 pandemic), and other catastrophes, could negatively affect our business by interfering with our ability to obtain products from our suppliers or distribute products to our customers.

Risks Related to Our Current Indebtedness

We have outstanding indebtedness and may incur substantial additional indebtedness, which could adversely affect our financial health and our ability to obtain financing in the future, react to changes in our business or satisfy our obligations.

As of January 2, 2022, we had \$260.2 million aggregate principal amount of total long-term consolidated indebtedness outstanding and \$45.4 million of finance leases.

SiteOne Landscape Supply Holding, LLC (“Landscape Holding”) and SiteOne Landscape Supply, LLC (“Landscape”) are parties to a credit agreement dated December 23, 2013, which has been amended pursuant to the First Amendment dated June 13, 2014, the Second Amendment dated January 26, 2015, the Third Amendment dated February 13, 2015, the Fourth Amendment dated October 20, 2015, the Omnibus Amendment dated May 24, 2017, and the Sixth Amendment dated February 1, 2019 (such agreement, as so amended, the “ABL Credit Agreement”), providing for an asset-based loan facility in the amount of up to \$375.0 million, subject to availability under a borrowing base, with UBS AG, Stamford Branch, as administrative agent and collateral agent, and the other financial institutions and lenders from time to time party thereto (the “ABL Facility”). As of January 2, 2022, we had available borrowing capacity of \$364.1 million under the ABL Facility.

Landscape Holding and Landscape are parties to an amended and restated credit agreement dated April 29, 2016, providing for a syndicated senior secured term loan facility (which was amended on November 23, 2016, May 24, 2017, December 12, 2017, August 14, 2018, and March 23, 2021 and as may be further amended, supplemented, waived or otherwise modified from time to time, the term loans and, together with the ABL Facility, the “Credit Facilities”). On March 23, 2021, we entered into the Fifth Amendment to the Amended and Restated Credit Agreement (“the Fifth Amendment”), with JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and the other financial institutions and lenders from time to time party thereto, in order to, among other things, incur \$325.0 million of term loans (“the New Term Loans”). The New Term Loans mature on March 23, 2028.

In addition, we are able to incur additional indebtedness in the future, subject to the limitations contained in the agreements governing our indebtedness. Our current indebtedness could have important consequences. Because of our current indebtedness:

- our ability to engage in acquisitions without raising additional equity or obtaining additional debt financing is limited;
- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, debt service requirements or general corporate purposes, and our ability to satisfy our obligations with respect to our indebtedness may be impaired in the future;
- a large portion of our cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness, thereby reducing the funds available to us for other purposes;
- although we enter into interest rate hedging transactions periodically, we are exposed to the risk of increased interest rates because borrowings under the Credit Facilities and certain floating rate operating and finance leases are at variable rates of interest;
- it may be more difficult for us to satisfy our obligations to our creditors, resulting in possible defaults on, and acceleration of, such indebtedness;
- we may be more vulnerable to general adverse economic and industry conditions;
- we may be at a competitive disadvantage compared to our competitors with proportionately less indebtedness or with comparable indebtedness on more favorable terms and, as a result, they may be better positioned to withstand economic downturns;
- our ability to refinance indebtedness may be limited or the associated costs may increase;

- our flexibility to adjust to changing market conditions and ability to withstand competitive pressures could be limited; and
- we may be prevented from carrying out capital spending and restructurings that are necessary or important to our growth strategy and efforts to improve operating margins of our businesses.

Increases in interest rates would increase the cost of servicing our indebtedness and could reduce our profitability.

Our indebtedness under the Credit Facilities bears interest at variable rates, and as a result, increases in interest rates could increase the cost of servicing our indebtedness and could materially reduce our profitability and cash flows. The impact of increases in interest rates could be more significant for us than it would be for some other companies because of our current indebtedness. As of January 2, 2022, there were no amounts outstanding under the ABL Facility, therefore, a change in interest rates of one percentage point would not result in additional annual interest expense under the ABL Facility. Additionally, as of January 2, 2022, an increase of one percentage point in interest rates would not result in a change in the annual interest expense on the term loans primarily due to our interest rate swap agreements.

In addition, in certain circumstances, our variable rate indebtedness uses the London Interbank Offer Rate (“LIBOR”) as a benchmark for establishing the interest rate. In July 2017, the UK’s Financial Conduct Authority, which regulates LIBOR, announced its intent to phase out LIBOR by the end of 2021. Publication of the one-week and two-month USD LIBOR ceased at December 31, 2021. The cessation date for submission and publication of rates for all other tenors of USD LIBOR has been extended by the ICE Benchmark Administration until mid-2023. While this announcement extends the transition period, the United States Federal Reserve issued a statement advising banks to stop new USD LIBOR issuances by the end of 2021. Accordingly, the potential effect of the phase-out or replacement of LIBOR cannot yet be determined and it is not possible to predict the effect of this announcement, including what alternative reference rates may replace LIBOR in use going forward, and how LIBOR will be determined for purposes of loans, securities, and derivative instruments currently referencing it if it ceases to exist.

We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the Investment Company Act of 1940. Additionally, we cannot assure you that financing will be available on acceptable terms, if at all. Deterioration in the credit markets, which could delay our ability to sell certain of our loan investments in a timely manner, could also negatively impact our cash flows.

The agreements and instruments governing our indebtedness contain restrictions and limitations that could significantly impact our ability to operate our business.

Our Credit Facilities contain customary representations and warranties and customary affirmative and negative covenants that restrict some of our activities. The negative covenants limit the ability of Landscape Holding and Landscape to: incur additional indebtedness; pay dividends, redeem stock or make other distributions; repurchase, prepay or redeem subordinated indebtedness; make investments; create restrictions on the ability of Landscape Holding’s restricted subsidiaries to pay dividends or make other intercompany transfers; create liens; transfer or sell assets; make negative pledges; consolidate, merge, sell or otherwise dispose of all or substantially all of Landscape Holding’s assets; enter into certain transactions with affiliates; and designate subsidiaries as unrestricted subsidiaries.

In addition, the ABL Facility is subject to various covenants requiring minimum financial ratios, and our additional borrowings may be limited by these financial ratios. Our ability to comply with the covenants and restrictions contained in the Credit Facilities, may be affected by economic, financial, and industry conditions beyond our control including credit or capital market disruptions. The breach of any of these covenants or restrictions could result in a default that would permit the applicable lenders to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest. If we are unable to repay indebtedness, lenders having secured obligations, such as the lenders under the Credit Facilities, could proceed against the collateral securing the indebtedness. In any such case, we may be unable to borrow under the Credit Facilities and may not be able to repay the amounts due under such facilities. This could have serious consequences to our financial position and results of operations and could cause us to become bankrupt or insolvent.

Our ability to generate the significant amount of cash needed to pay interest and principal on our indebtedness and our ability to refinance all or a portion of our indebtedness or obtain additional financing depends on many factors beyond our control.

Our ability to make scheduled payments on, or to refinance our obligations under, our indebtedness depends on the financial and operating performance of our subsidiaries, which, in turn, depends on their results of operations, cash flows, cash requirements, financial position, and general business conditions, and any legal and regulatory restrictions on the payment of dividends to which they may be subject, many of which may be beyond our control.

We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal and interest on our indebtedness. If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek to obtain additional equity capital, or restructure our indebtedness. In the future, our cash flow and capital resources may not be sufficient for payments of interest on and principal of our indebtedness, and such alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations.

The final maturity date of the ABL Facility is February 1, 2024. The final maturity date of the term loans is March 23, 2028. We may be unable to refinance any of our indebtedness or obtain additional financing, particularly because of our high levels of indebtedness. Market disruptions, such as those experienced in 2008 and 2020, as well as our significant indebtedness levels, may increase our cost of borrowing or adversely affect our ability to refinance our obligations as they become due. If we are unable to refinance our indebtedness or access additional credit, or if short-term or long-term borrowing costs dramatically increase, our ability to finance current operations and meet our short-term and long-term obligations could be adversely affected.

Risks Related to Our Common Stock

Holdings is a holding company with no operations of its own, and it depends on its subsidiaries for cash to fund all of its operations and expenses, including to make future dividend payments, if any.

Our operations are conducted entirely through our subsidiaries, and our ability to generate cash to fund operations and expenses, to pay dividends or to meet debt service obligations is highly dependent on the earnings, and the receipt of funds from our subsidiaries through dividends or intercompany loans. Deterioration in the financial condition, earnings, or cash flow of Landscape and its subsidiaries for any reason could limit or impair their ability to pay such distributions. Additionally, to the extent that Holdings needs funds, and its subsidiaries are restricted from making such distributions under applicable law or regulation or under the terms of our financing arrangements, or are otherwise unable to provide such funds, it could materially adversely affect our business, financial condition, results of operations, and cash flows.

Further, the terms of the agreements governing the Credit Facilities restrict the ability of our subsidiaries to pay dividends, make loans, or otherwise transfer assets to Holdings. Furthermore, our subsidiaries are permitted under the terms of the Credit Facilities and other indebtedness to incur additional indebtedness that may restrict or prohibit the making of distributions, the payment of dividends, or the making of loans by such subsidiaries to us. In addition, Delaware law may impose requirements that may restrict our ability to pay dividends to holders of our common stock.

We do not currently expect to declare or pay dividends on our common stock for the foreseeable future. Payments of dividends, if any, will be at the sole discretion of our board of directors after taking into account various factors, including general and economic conditions, our financial condition and operating results, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions, and implications of the payment of dividends by us to our stockholders or by our subsidiaries (including Landscape) to us, and such other factors as our board of directors may deem relevant. In addition, Delaware law may impose requirements that may restrict our ability to pay dividends to holders of our common stock. To the extent that we determine in the future to pay dividends on our common stock, none of our subsidiaries will be obligated to make funds available to us for the payment of dividends.

The market price of our common stock may be volatile.

The stock market in general and our common stock in particular have recently experienced significant volatility and the market price of our common stock may continue to fluctuate significantly. Among the factors that could affect our stock price are:

- industry or general market conditions, including as a result of the ongoing pandemic;
- domestic and international economic and political factors unrelated to our performance;
- changes in our customers' or their end-users' preferences;
- new regulatory pronouncements and changes in regulatory guidelines;
- lawsuits, enforcement actions, and other claims by third parties or governmental authorities;
- actual or anticipated fluctuations in our quarterly operating results;
- changes in securities analysts' estimates of our financial performance;
- action by institutional stockholders or other large stockholders, including future sales;
- comments by public figures or other third parties, including blogs, articles, message boards, and social and other media;
- failure to meet any guidance given by us or any change in any guidance given by us, or changes by us in our guidance practices;
- announcements by us of significant impairment charges;
- speculation in the press or investment community;
- investor perception of us and our industry;
- changes in market valuations or earnings of similar companies;
- announcements by us or our competitors of significant contracts, acquisitions, dispositions, or strategic partnerships;
- novel and unforeseen trading strategies adopted by retail investors or other market participants;
- war, civil unrest, terrorist acts, and epidemic disease;
- any future sales of our common stock or other securities; and
- additions or departures of key personnel.

In particular, we cannot assure that you will be able to resell your shares at or above your purchase price. The stock markets have experienced significant volatility in recent years that has been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. In the past, following periods of volatility in the market price of a company's securities, class action litigation has often been instituted against the affected company. Any litigation of this type brought against us could result in substantial costs and a diversion of our management's attention and resources, which would harm our business, results of operations, financial condition, and cash flows.

Anti-takeover provisions in our third amended and restated certificate of incorporation and third amended and restated by-laws could discourage, delay, or prevent a change of control of our company and may affect the trading price of our common stock.

Our third amended and restated certificate of incorporation, or amended and restated certificate of corporation, and third amended and restated by-laws, or amended and restated by-laws, include a number of provisions that may discourage, delay, or prevent a change in our management or control over us that stockholders may consider favorable. For example, our amended and restated certificate of incorporation and amended and restated by-laws collectively:

- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to thwart a takeover attempt;
- provide for a classified board of directors, which divides our board of directors into three classes, with members of each class serving staggered three-year terms, which prevents stockholders from electing an entirely new board of directors at an annual meeting;
- limit the ability of stockholders to remove directors;
- provide that vacancies on our board of directors, including vacancies resulting from an enlargement of our board of directors, may be filled only by a majority vote of directors then in office;
- prohibit stockholders from calling special meetings of stockholders;
- prohibit stockholder action by written consent, thereby requiring all actions to be taken at a meeting of the stockholders; and
- establish advance notice requirements for nominations of candidates for election as directors or to bring other business before an annual meeting of our stockholders.

These provisions may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if the provisions are viewed as discouraging takeover attempts in the future.

Our amended and restated certificate of incorporation and amended and restated by-laws may also make it difficult for stockholders to replace or remove our management. Furthermore, the existence of the foregoing provisions could limit the price that investors might be willing to pay in the future for shares of our common stock. These provisions may facilitate management entrenchment that may delay, deter, render more difficult, or prevent a change in our control, which may not be in the best interests of our stockholders.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is, to the fullest extent permitted by law, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed to us or our stockholders by any of our directors, officers, other employees, agents, or stockholders, (iii) any action asserting a claim arising out of or under the General Corporation Law of the State of Delaware (the "DGCL"), or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware (including, without limitation, any action asserting a claim arising out of or pursuant to our amended and restated certificate of incorporation or our amended and restated by-laws) or (iv) any action asserting a claim that is governed by the internal affairs doctrine. By becoming a stockholder in our company, you will be deemed to have notice of and have consented to the provisions of our amended and restated certificate of incorporation related to choice of forum. The choice of forum provision in our amended and restated certificate of incorporation may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or any of our directors, officers, other employees, agents or stockholders, which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations, and financial condition.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our corporate headquarters is located on leased premises at 300 Colonial Center Parkway, Suite 600, Roswell, Georgia 30076. Our corporate headquarters is approximately 55,000 square feet and the lease will expire in April 2026.

We own and lease a variety of facilities in 45 U.S. states and six Canadian provinces for our branch operations, offices, and storage. We primarily lease 5,000 to 15,000 square foot facilities in both freestanding and multi-tenant buildings with secured outside storage yards averaging from 10,000 to 20,000 square feet. As of January 2, 2022, we leased five distribution center facilities across the United States. We were in the process of completing the transition of our Southeast distribution center operations from Fairburn, Georgia to a new location in Palmetto, Georgia as of January 2, 2022. We intend to operate a single Southeast distribution center going forward. The Palmetto, Georgia distribution center is approximately 335,000 square feet and commenced operations in the fourth quarter of 2021. We also commenced operations of a new distribution center during the fourth quarter of 2021 in Hutchins, Texas, with approximately 338,000 square feet. In addition, we operate two other distribution centers in the United States with one located in Colton, California, with approximately 179,000 square feet, and the other in Carlisle, Pennsylvania, with approximately 201,000 square feet. Both of these distribution centers commenced operations in the first quarter of 2018. The significant majority of our facilities are subject to operating leases, and we own 15 properties. As of January 2, 2022, we operated 596 branches in the following locations:

State /Province	Number of Locations	State /Province	Number of Locations
California	74	Nevada	5
Florida	65	Oklahoma	5
Texas	41	Wisconsin	5
North Carolina	35	New Hampshire	4
Massachusetts	27	Oregon	4
New York	25	Kentucky	3
Georgia	22	Nebraska	3
Michigan	20	Utah	3
New Jersey	19	Delaware	2
Virginia	19	Iowa	2
South Carolina	17	Louisiana	2
Ohio	16	Arkansas	1
Illinois	15	Hawaii	1
Connecticut	14	Maine	1
Missouri	14	Mississippi	1
Arizona	13	New Mexico	1
Washington	13	North Dakota	1
Tennessee	11	Rhode Island	1
Maryland	10	South Dakota	1
Pennsylvania	10	Alberta	9
Colorado	9	British Columbia	7
Indiana	9	Ontario	6
Minnesota	9	Saskatchewan	3
Alabama	6	Manitoba	1
Idaho	5	Québec	1
Kansas	5		

Item 3. Legal Proceedings

We are not currently involved in any material litigation or arbitration. We anticipate that we will be subject to litigation and arbitration from time to time in the ordinary course of business. At this time, we do not expect any of these proceedings to have a material effect on our reputation, business, financial position, results of operations, and cash flows. However, we can give no assurance that the results of any such proceedings will not materially affect our reputation, business, financial position, results of operations, and cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock

Shares of our common stock trade on the NYSE under the symbol “SITE”. As of February 18, 2022, there was one registered holder of our common stock (this excludes stockholders whose shares are held of record by brokers, banks, or other nominees).

Dividends

We do not expect to declare or pay dividends on our common stock for the foreseeable future. Instead, we intend to retain future earnings, if any, to service our debt, finance the growth and development of our business, and for working capital and general corporate purposes. Our ability to pay dividends to holders of our common stock in the future will be limited as a practical matter by the Credit Facilities, insofar as we may seek to pay dividends out of funds made available to us by Landscape or its subsidiaries, because Landscape’s debt instruments directly or indirectly restrict Landscape’s ability to pay dividends or make loans to us. Any future determination to pay dividends on our common stock is subject to the discretion of our board of directors and will depend upon various factors, including our results of operations, financial condition, liquidity requirements, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends, restrictions imposed by applicable law, general business conditions, and other factors that our board of directors may deem relevant. Refer to Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Limitations on Distributions and Dividends by Subsidiaries” for a description of the restrictions on our ability to pay dividends.

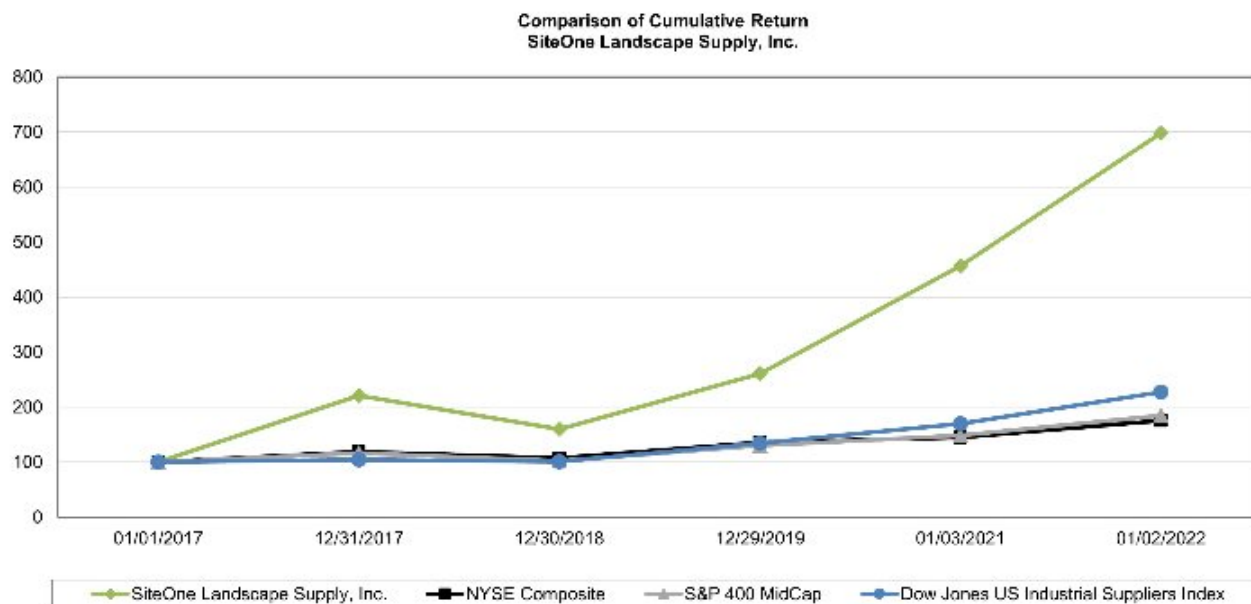
Securities Authorized for Issuance Under Equity Compensation Plans

Refer to Item 12. “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” in this Annual Report on Form 10-K, which information will be set forth in SiteOne’s Proxy Statement for the 2022 Annual Meeting of Stockholders.

Stock Performance Graph

This performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act of 1933, as amended, or the Exchange Act.

The graph and table below present the Company’s cumulative total shareholder returns relative to the performance of the NYSE Composite Index, Standard & Poor’s MidCap 400 Index, and Dow Jones US Industrial Supplier Index for the five most recent fiscal years. All values assume a \$100 initial investment at the closing price of the Company’s common stock on the NYSE and in each index on the last trading day of fiscal year 2016. The data for the NYSE Composite Index, Standard & Poor’s MidCap 400 Index, and Dow Jones US Industrial Supplier Index assumes all dividends were reinvested on the date paid. The points on the graph represent fiscal year-end values based on the last trading day of each fiscal year. The comparisons are based on historical data and are not indicative of, nor intended to forecast, the future performance of our common stock.



Company / Index	Fiscal Year Ended					
	January 1, 2017	December 31, 2017	December 30, 2018	December 29, 2019	January 3, 2021	January 2, 2022
SiteOne Landscape Supply, Inc.	\$ 100.00	\$ 220.85	\$ 160.06	\$ 260.47	\$ 456.75	\$ 697.61
NYSE Composite	\$ 100.00	\$ 118.73	\$ 107.30	\$ 135.94	\$ 145.16	\$ 175.17
S&P 400 MidCap	\$ 100.00	\$ 116.24	\$ 102.31	\$ 130.36	\$ 148.26	\$ 184.97
Dow Jones US Industrial Suppliers Index	\$ 100.00	\$ 104.26	\$ 101.24	\$ 134.51	\$ 170.10	\$ 227.27

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by Issuer and Affiliates Purchasers

None.

Item 6. [Reserved]

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the accompanying consolidated financial statements and related notes included in this Annual Report on Form 10-K.

For the discussion of the financial condition and results of operations for the year ended January 3, 2021 compared to the year ended December 29, 2019, refer to “Part II – Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations” and “Liquidity and Capital Resources” in our [Annual Report on Form 10-K for the fiscal year ended January 3, 2021](#) filed with the SEC on March 3, 2021, which discussion is incorporated herein by reference.

The following discussion may contain forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those factors discussed below and elsewhere in this Annual Report on Form 10-K, particularly in “Special Note Regarding Forward-Looking Statements and Information” and “Risk Factors” included elsewhere in this Annual Report on Form 10-K.

Overview

SiteOne Landscape Supply, Inc. (collectively with all of its subsidiaries referred to in this Annual Report on Form 10-K as “SiteOne,” the “Company,” “we,” “us,” and “our” or individually as “Holdings”) indirectly owns 100% of the membership interest in SiteOne Landscape Supply Holding, LLC (“Landscape Holding”). Landscape Holding is the parent and sole owner of SiteOne Landscape Supply, LLC (“Landscape”).

We are the largest and only national wholesale distributor of landscape supplies in the United States and have a growing presence in Canada. Our 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. As of January 2, 2022, we had over 590 branch locations in 45 U.S. states and six Canadian provinces. Through our expansive North American network, we offer a comprehensive selection of more than 135,000 SKUs, including irrigation supplies, fertilizer and control products (e.g., herbicides), hardscapes (including pavers, natural stone, and blocks), landscape accessories, nursery goods, outdoor lighting, and ice melt products to green industry professionals. We also provide value-added consultative services to complement our product offerings and to help our customers operate and grow their businesses.

Business Environment and Trends

Despite rapid product cost inflation, certain supply shortages, ongoing freight and labor constraints, and overall economic uncertainty, we continue to experience a high demand for our products due primarily to the stay-at-home trends associated with the remote work environment and COVID-19. As consumers spend more time at home, they are upgrading their backyards and patios and investing in their outdoor living spaces. Homeowners are spending more on maintaining their yards which has increased demand for agronomic products. The stay-at-home trend combined with low interest rates has also driven strong growth in the new construction end market, which has resulted in increased demand for landscaping products. Housing starts have increased 23% from 1,292 million in 2019 to 1,585 million in 2021. We achieved Net sales growth of 29% for the 2021 Fiscal Year compared to Net sales growth of 15% for the 2020 Fiscal Year. Organic Daily Sales growth was 22% for the 2021 Fiscal Year compared to 8% for the 2020 Fiscal Year.

In the 2021 Fiscal Year, significant price increases impacted the products we purchase and sell to our customers. We experienced higher prices in all product lines with significant increases in products like PVC pipe, fertilizer, and grass seed. To date, we have successfully mitigated the effects of product cost inflation by working with our suppliers and customers to pass through the cost increases that have occurred in the market. As a result, price inflation contributed approximately 11% to our Organic Daily Sales growth in the 2021 Fiscal Year. Due to ongoing product constraints, rising manufacturer input costs, and continued strong demand, we expect inflation to remain elevated for most of the 2022 Fiscal Year.

In addition, we continued to experience negative impacts from broad-based supply chain disruptions in the 2021 Fiscal Year. To date, such impacts have been minimized mainly through our ongoing supply chain initiatives, as discussed further below in “Strategic Initiatives”. We have benefited from strategic inventory purchases resulting in increased safety stock which has allowed us to largely satisfy customer demand when products are not immediately available from our suppliers. We have also executed on our freight and logistical initiatives which have allowed us to better manage disruptions and mitigate challenges in the shipping and trucking markets. These actions and the effective management of price inflation described above helped drive gross margin expansion of 160 basis points to 34.9% for the 2021 Fiscal Year.

We established our fourth major distribution center in Hutchins, Texas during the fourth quarter of 2021 to support our growing company and to further enhance the competitive advantage derived from our strong supply chain capabilities. We are also completing the transition of our Southeast distribution center operations to a larger facility in Palmetto, Georgia and commenced operations in the new location at the end of the 2021 Fiscal Year, further expanding our supply chain capabilities. In the 2022 Fiscal Year, we do expect supply chain disruptions to continue; however, by executing our supply initiatives, we believe we can significantly minimize the impact on our customers and our business operations.

As we continue to navigate the challenges discussed above, we remain confident in our ability to execute our commercial and operational initiatives to meet our customer's needs and drive further improvements in our business. See Part I, Item 1A. - "Risk Factors", for a discussion of risks related to inflation and increased operating costs as well as risks associated with supply chain delays or interruptions that could have a material adverse effect on our operations and financial results.

Impact of COVID-19 on Our Business

As a result of the ongoing COVID-19 global pandemic, we continue to keep the safety of our associates, customers, and suppliers as our top priority while striving to deliver quality products and exceptional service to our customers and communities. We continue to monitor developments and follow appropriate recommendations from health and government authorities while proactively implementing safe behaviors, minimizing potential exposures, and facilitating safe and healthy environments in our branches and other facilities.

Although we have experienced operational and other challenges to date, there has been no material adverse impact as a result of the pandemic on our results of operations during the 2021 Fiscal Year or 2020 Fiscal Year. In addition, we expect a continuing inflationary environment, marked by rising product and logistics costs as well as increased commodity costs. While we have not experienced significant disruptions in our operations during the 2021 Fiscal Year or 2020 Fiscal Year, risks of future negative impacts due to transportation, logistical, or supply constraints and higher commodity costs for certain products remain present. We are continuing to address these challenges on our operations. We also believe we have sufficient liquidity on hand to continue business operations during this volatile period. On August 6, 2020, we completed a public offering of shares of our common stock and received approximately \$261.7 million of net cash proceeds, further enhancing our cash position and increasing our financial flexibility. As disclosed in the Liquidity and Capital Resources section below, we had total available liquidity of \$417.8 million as of January 2, 2022, consisting of cash on hand and available capacity under an asset-based credit facility (the "ABL Facility"). In addition, we have no debt maturing under our ABL Facility until 2024.

As of the date of this Annual Report, significant uncertainty remains concerning the magnitude of the impact and duration of the COVID-19 pandemic, including, the impact of new strains and variants of the coronavirus, the pandemic's impact on the U.S. and global economies and supply chains, the timing, scope, and effectiveness of federal, state, and local government plans to administer vaccines to the general public, especially in areas where conditions have recently worsened, as well as the timing and amount of fiscal stimulus and relief program packages that are available to the general public.

We continue to actively monitor the ongoing COVID-19 pandemic and may take further actions that alter our business operations if required by federal, state, or local authorities or that we determine are in the best interests of our associates, customers, suppliers, and shareholders. While we are unable to determine or predict the nature, duration, or scope of the overall impact the ongoing COVID-19 pandemic will have on our business, results of operations, liquidity, or capital resources, we believe that it is important to provide this update on our Company, how our response to COVID-19 is progressing, and how our operations and financial condition may change as the fight against COVID-19 progresses. See Part I, Item 1A. - "Risk Factors", for a discussion of risks which could have a material adverse effect on our operations and financial results.

Presentation

Our financial statements included in this report have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). We use a 52/53 week fiscal year with the fiscal year ending on the Sunday nearest to December 31 in each year. Our fiscal quarters end on the Sunday nearest to March 31, June 30, and September 30, respectively.

This discussion of our financial condition is presented for the 2021 Fiscal Year, which ended on January 2, 2022 and included 52 weeks and 253 Selling Days and the 2020 Fiscal Year, which ended on January 3, 2021 and included 53 weeks and 256 Selling Days. "Selling Days" are defined below within the "Key Business and Performance Metrics" section.

We manage our business as a single reportable segment. Within our organizational framework, the same operational resources support multiple geographic regions and performance is evaluated at a consolidated level. We also evaluate performance based on discrete financial information on a regional basis. Since all of our regions have similar operations and share similar economic characteristics, we aggregate regions into a single operating and reportable segment. These similarities include (i) long-term financial performance, (ii) the nature of products and services, (iii) the types of customers we sell to, and (iv) the distribution methods utilized. Further, all of our product categories have similar supply chain processes and classes of customers.

Key Business and Performance Metrics

We focus on a variety of indicators and key operating and financial metrics to monitor the financial condition and performance of our business. These metrics include:

Net sales. We generate Net sales primarily through the sale of landscape supplies, including irrigation supplies, fertilizer and control products, hardscapes, landscape accessories, nursery goods, outdoor lighting, and ice melt products to our customers who are primarily landscape contractors serving the residential and commercial construction sectors. Our Net sales include billings for freight and handling charges, and commissions on the sale of control products that we sell as an agent. Net sales are presented net of any discounts, returns, customer rebates, and sales or other revenue-based taxes.

Non-GAAP Organic Sales. In managing our business, we consider all growth, including the opening of new greenfield branches, to be organic growth unless it results from an acquisition. When we refer to Organic Sales growth, we include increases in growth from newly-opened greenfield branches and decreases in growth from closing existing branches but exclude increases in growth from acquired branches until they have been under our ownership for at least four full fiscal quarters at the start of the fiscal reporting period.

Non-GAAP Selling Days. Selling Days are defined as business days, excluding Saturdays, Sundays, and holidays, that our branches are open during the year. Depending upon the location and the season, our branches may be open on Saturdays and Sundays; however, for consistency, those days have been excluded from the calculation of Selling Days.

Non-GAAP Organic Daily Sales. We define Organic Daily Sales as Organic Sales divided by the number of Selling Days in the relevant reporting period. We believe Organic Sales growth and Organic Daily Sales growth are useful measures for evaluating our performance as we may choose to open or close branches in any given market depending upon the needs of our customers or our strategic growth opportunities. Refer to “Results of Operations – Quarterly Results of Operations Data” for a reconciliation of Organic Daily Sales to Net sales.

Cost of goods sold. Our Cost of goods sold includes all inventory costs, such as the purchase price paid to suppliers, net of any volume-based incentives, as well as inbound freight and handling, and other costs associated with inventory. Our Cost of goods sold excludes the cost to deliver the products to our customers through our branches, which is included in Selling, general and administrative expenses. Cost of goods sold is recognized primarily using the first-in, first-out method of accounting for the inventory sold.

Gross profit and gross margin. We believe that Gross profit and gross margin are useful for evaluating our operating performance. We define Gross profit as Net sales less Cost of goods sold. We define gross margin as Gross profit divided by Net sales.

Selling, general and administrative expenses (operating expenses). Our operating expenses are primarily comprised of Selling, general and administrative costs, which include personnel expenses (salaries, wages, employee benefits, payroll taxes, stock-based compensation, and bonuses), rent, fuel, vehicle maintenance costs, insurance, utilities, repairs and maintenance, and professional fees. Operating expenses also include depreciation and amortization.

Non-GAAP Adjusted EBITDA. In addition to the metrics discussed above, we believe that Adjusted EBITDA is useful for evaluating the operating performance and efficiency of our business. 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 items such as stock-based compensation expense, (gain) loss on sale of assets and termination of finance leases not in the ordinary course of business, other non-cash items, financing fees, other fees and expenses related to acquisitions, and other non-recurring (income) loss. Refer to “Results of Operations – Quarterly Results of Operations Data” for more information regarding how we calculate EBITDA and Adjusted EBITDA and the limitations of those metrics.

Key Factors Affecting Our Operating Results

In addition to the metrics described above, a number of other important factors may affect our results of operations in any given period.

Weather Conditions and Seasonality

In a typical year, our operating results are impacted by seasonality. Historically, our Net sales and Net income have been higher in the second and third quarters of each fiscal year due to favorable weather and longer daylight conditions during these quarters. Our Net sales have been significantly lower in the first and fourth quarters due to lower landscaping, irrigation, and turf maintenance activities in these quarters, and we have incurred net losses in these quarters. Seasonal variations in operating results may also be significantly impacted by inclement weather conditions, such as snow storms, wet weather, and hurricanes, which not only impact the demand for certain products like fertilizer and ice melt, but also may delay construction projects where our products are used.

Industry and Key Economic Conditions

Our business depends on demand from customers for landscape products and services. The landscape supply industry includes a significant amount of landscape products, such as irrigation systems, outdoor lighting, lawn care supplies, nursery goods, and landscape accessories, for use in the construction of newly built homes, commercial buildings, and recreational spaces. The landscape supply industry has historically grown in line with rates of growth in residential housing and commercial building. The industry is also affected by trends in home prices, home sales, and consumer spending. As general economic conditions improve or deteriorate, consumption of these products and services also tends to fluctuate. The landscape supply industry also includes a significant amount of agronomic products such as fertilizer, herbicides, and ice melt for use in maintaining existing landscapes or facilities. The use of these products is also tied to general economic activity, but levels of sales are not as closely correlated to construction markets.

Popular Consumer Trends

Preferences in housing, lifestyle, and environmental awareness can also impact the overall level of demand and mix for the products we offer. Examples of current trends we believe are important to our business include a heightened interest in professional landscape services inspired by the popularity of home and garden television shows and magazines, the increasingly popular concept of “outdoor living,” which has been a key driver of sales growth for our hardscapes and outdoor lighting products, and the social focus on eco-friendly products that promote water conservation, energy efficiency, and the adoption of “green” standards.

Acquisitions

In addition to our organic growth, we continue to grow our business through acquisitions in an effort to better service our existing customers and to attract new customers. These acquisitions have allowed us to further broaden our product lines and extend our geographic reach and leadership positions in local markets. In accordance with GAAP, the results of the acquisitions are reflected in our financial statements from the date of acquisition forward. Additionally, we incur transaction costs in connection with identifying and completing acquisitions as well as ongoing integration costs as we integrate acquired companies and seek to achieve synergies. As of January 2, 2022, we have invested \$307.8 million in 19 acquisitions since the start of the 2020 Fiscal Year. The following is a summary of the acquisitions completed during the 2021 Fiscal Year and the 2020 Fiscal Year:

- In December 2021, we acquired the assets and assumed the liabilities of Bothe Trucking, Inc., doing business as Seffner Rock and Gravel (“Seffner”). With one location in Tampa, Florida, Seffner is a wholesale distributor of natural stone, bulk aggregates, mulch, soil, and other landscape supplies to landscape professionals.
- In November 2021, we acquired the assets and assumed the liabilities of Semco Distributing, Inc. (“Semco”). With four locations in Ohio and Missouri, Semco is a wholesale distributor of natural stone and landscape supplies to landscape professionals.
- In August 2021, we acquired the assets and assumed the liabilities of Green Brothers Earth Works and Southern Landscape Supply (“Green Brothers”). With four locations in the greater Atlanta, Georgia market, Green Brothers is a distributor of landscape supplies and hardscapes to landscape professionals.
- In May 2021, we acquired all of the outstanding stock of Rodvold Enterprises, Inc., doing business as Rock & Block Hardscape Supply (“Rock & Block”). With two locations in the San Diego, Southern Orange County and Inland Empire markets in California, Rock & Block is a distributor of hardscapes, masonry, and landscape supplies to landscape professionals.

- In April 2021, we acquired the assets and assumed the liabilities of Melrose Supply & Sales Corp (“Melrose”). With six locations throughout Florida, Melrose is a distributor of irrigation, lighting, and drainage products to landscape professionals.
- In April 2021, we acquired all of the outstanding stock of Timberwall Landscape & Masonry Products, Inc. (“Timberwall”). With one location in Victoria, Minnesota, Timberwall is a distributor of hardscapes and landscape supplies to landscape professionals.
- In April 2021, we acquired the assets and assumed the liabilities of Arizona Stone & Architectural Products and Solstice Stone (“Arizona Stone and Solstice”). With seven locations throughout Arizona and two locations in the Las Vegas, Nevada market, Arizona Stone and Solstice is a distributor of hardscapes, natural stone, and landscape supplies to landscape professionals.
- In February 2021, we acquired the assets and assumed the liabilities of Lucky Landscape Supply, LLC (“Lucky Landscape Supply”). With one location in the greater Houston, Texas market, Lucky Landscape Supply is a distributor of nursery products to landscape professionals.
- In December 2020, we acquired the assets and assumed the liabilities of Stone Center of Richmond, LLC and Stone Center of Fredericksburg, LLC (collectively, “Stone Center of Virginia”). With two locations in each of the Richmond and Fredericksburg, Virginia markets, Stone Center of Virginia is a distributor of hardscapes, natural stone, and landscape supplies to landscape professionals.
- In December 2020, we acquired the assets and assumed the liabilities of Dirt and Rock, LLC (“Dirt and Rock”). With one location in the greater Atlanta, Georgia market, Dirt and Rock is a distributor of hardscapes, natural stone, and landscape supplies to landscape professionals.
- In December 2020, we acquired the assets and assumed the liabilities of Alpine Materials (“Alpine”). With one location in the greater Dallas, Texas market, Alpine is a distributor of mulches, soils, and hardscape materials to landscape professionals.
- In October 2020, we acquired the assets and assumed the liabilities of Hedberg Supply (“Hedberg”). With two locations in the Twin Cities, Minnesota market, Hedberg is a distributor of hardscapes, nursery, and landscape supplies to landscape professionals.
- In October 2020, we acquired the assets and assumed the liabilities of BURNCO Landscape Centres Inc. (“BURNCO”). With 12 locations in the three Canadian provinces of British Columbia, Alberta, and Saskatchewan, BURNCO is a distributor of hardscapes and landscape supplies to landscape professionals.
- In August 2020, we acquired all of the outstanding stock of Modern Builders Supply, Inc. (“Modern Builders”). With two locations in the San Diego, Southern Orange County and Inland Empire markets in California, Modern Builders is a distributor of hardscapes and landscape supplies to landscape professionals.
- In August 2020, we acquired the assets and assumed the liabilities of Alliance Stone (“Alliance Stone”). With one location in the greater Atlanta, Georgia market, Alliance Stone is a distributor of hardscapes and natural stone to landscape professionals.
- In March 2020, we acquired the assets and assumed the liabilities of Big Rock Natural Stone and Hardscapes, Inc. (“Big Rock”). With one location in the greater Greenville, South Carolina market, Big Rock is a distributor of hardscapes and landscape supplies to landscape professionals.
- In January 2020, we acquired the assets and assumed the liabilities of The Garden Dept. Corp. (“Garden Dept.”). With three locations in the greater Long Island, New York market, Garden Dept. is a distributor of nursery and landscape supplies to landscape professionals.
- In January 2020, we acquired the assets and assumed the liabilities of Empire Supplies (“Empire”). With three locations in the greater Newark-Union, New Jersey market, Empire is a distributor of hardscapes and landscape supplies to landscape professionals.
- In January 2020, we acquired the assets and assumed the liabilities of Wittkopf Landscape Supply (“Wittkopf”). With two locations in the Spokane Valley, Washington market, Wittkopf is a distributor of hardscapes and landscape supplies to landscape professionals.

We expect the execution of synergistic acquisitions to continue to be an integral part of our growth strategy, and we intend to continue expanding our product line, geographic reach, market share, and operational capabilities through future acquisitions.

Volume-Based Pricing

We generally procure our products through purchase orders rather than under long-term contracts with firm commitments. We work to develop strong relationships with select suppliers that we target based on a number of factors, including brand and market recognition, price, quality, product support, service levels, delivery terms, and strategic positioning. We typically have annual supplier agreements, and while they generally do not provide for specific product pricing, many include volume-based financial incentives that we earn by meeting or exceeding purchase volume targets. Our ability to earn these volume-based incentives is an important factor in our financial results. In certain cases, we have entered into supply contracts with terms that exceed one year for the manufacture of our LESCO® branded fertilizer, some nursery goods, and grass seed, which may require us to purchase products in the future.

Strategic Initiatives

We continue to undertake operational initiatives, utilizing our scale to improve our profitability, enhance supply chain efficiency, strengthen our pricing and category management capabilities, streamline and refine our marketing process, and invest in more sophisticated information technology systems and data analytics. We are focusing on our procurement and supply chain management initiatives to better serve our customers and reduce sourcing costs. We are also implementing new inventory planning and stocking system functionalities and new transportation management systems in an effort to reduce costs as well as improve our reliability and level of service. In addition, we continue to enhance our website and B2B e-Commerce platform. We also work closely with our local branches to improve sales, delivery, and branch productivity. We believe we will continue to benefit from the following initiatives, among others:

- Category management initiatives, including the implementation of organic growth strategies, the development of our private label product strategy, the expansion of product lines, and the reorganization of brands and products by preferred suppliers.
- Supply chain initiatives, including the implementation of new inventory planning and stocking systems and functionalities, the installation of new distribution centers, local hubs in large markets, and local fleet utilization and cost improvements.
- Sales force performance initiatives, including the implementation of new compensation plans, the restructuring of our sales force, formal sales and product training for our sales force and sales force management, and the implementation of a comprehensive CRM.
- Marketing initiatives, including product marketing, customer strategy and analytics, Hispanic customer engagement, implementation of our digital marketing strategy, and the relaunch of our Partners Program.
- Digital initiatives, including increasing customer demand and adoption of our website and B2B e-Commerce platform SiteOne.com, which provides the convenience of an online sales channel, enhanced account management functionality, and industry specific productivity tools for our customers.
- Operational excellence initiatives, including the implementation of best practices in branch operations which encompasses safety, merchandising, stocking and assortment, customer engagement, delivery, labor management, as well as branch systems automation and enhancement including the rollout of barcoding.

Working Capital

Our business is characterized by a relatively high level of reported working capital, the effects of which can be compounded by changes in prices. In addition to affecting our Net sales, fluctuations in prices of supplies tend to result in changes in our reported inventories, trade receivables, and trade payables, even when our sales volumes and our rate of turnover of these working capital items remain relatively constant. Our working capital needs are exposed to these price fluctuations, as well as to fluctuations in our cost for transportation and distribution. We might not always be able to reflect these increases in our pricing. The strategic initiatives described above are designed to reduce our exposure to these fluctuations and maintain and improve our efficiency.

Results of Operations

In the following discussion of our results of operations, we make comparisons among the 2021 Fiscal Year and the 2020 Fiscal Year.

(in millions)	Consolidated Statements of Operations			
	January 4, 2021 to January 2, 2022		December 30, 2019 to January 3, 2021	
Net sales	\$ 3,475.7	100.0 %	\$ 2,704.5	100.0 %
Cost of goods sold	2,263.1	65.1 %	1,803.2	66.7 %
Gross profit	1,212.6	34.9 %	901.3	33.3 %
Selling, general and administrative expenses	900.6	25.9 %	728.2	26.9 %
Other income	1.7	— %	6.7	0.2 %
Operating income	313.7	9.0 %	179.8	6.6 %
Interest and other non-operating expenses, net	19.2	0.6 %	31.0	1.1 %
Income tax expense	56.1	1.6 %	27.5	1.0 %
Net income	\$ 238.4	6.9 %	\$ 121.3	4.5 %

Comparison of the 2021 Fiscal Year to the 2020 Fiscal Year*Net sales*

Net sales for the 2021 Fiscal Year increased 29% to \$3,475.7 million as compared to \$2,704.5 million for the 2020 Fiscal Year due to continued investment in outdoor living spaces as consumers spent more time at home, price inflation from rising product costs, and contributions from acquisitions. Organic Daily Sales for the 2021 Fiscal Year increased 22% due to the stay-at-home trend and price inflation. Price inflation contributed approximately 11% to Organic Daily Sales growth in the 2021 Fiscal Year. Organic Daily Sales for landscaping products (irrigation supplies, hardscapes, landscape accessories, nursery goods, and outdoor lighting) grew 21%. Organic Daily Sales for agronomic products (fertilizer, control products, ice melt, equipment, and other products) increased 24%. Acquisitions contributed 9%, or \$241.6 million, to Net sales growth.

Cost of goods sold

Cost of goods sold for the 2021 Fiscal Year increased 26% to \$2,263.1 million from \$1,803.2 million for the 2020 Fiscal Year. The increase in Cost of goods sold was primarily attributable to Net sales growth, including acquisitions and product cost inflation.

Gross profit and gross margin

Gross profit for the 2021 Fiscal Year increased 35% to \$1,212.6 million as compared to \$901.3 million for the 2020 Fiscal Year. Gross profit growth was driven by the Net sales growth, including acquisitions. Gross margin increased 160 basis points to 34.9% in the 2021 Fiscal Year as compared to 33.3% in the 2020 Fiscal Year. The increase in gross margin reflects the benefit of supply chain initiatives and favorable pricing.

Selling, general and administrative expenses

Selling, general and administrative expenses (“SG&A”) for the 2021 Fiscal Year increased 24% to \$900.6 million from \$728.2 million for the 2020 Fiscal Year. The increase in SG&A was primarily due to the additional operating expenses supporting our sales growth as well as contributions from acquisitions. SG&A as a percentage of Net sales decreased 100 basis points to 25.9% for the 2021 Fiscal Year compared to 26.9% for the 2020 Fiscal Year. The decrease in SG&A as a percentage of Net sales was primarily due to operating leverage resulting from our strong Organic Sales growth combined with disciplined expense management. Depreciation and amortization increased \$15.8 million to \$83.0 million primarily as a result of our acquisitions.

Interest expense and other non-operating expense

Interest expense and other non-operating expense decreased 38% to \$19.2 million in the 2021 Fiscal Year from \$31.0 million in the 2020 Fiscal Year. The decrease in interest expense primarily reflected a lower average outstanding debt balance and lower interest rates in the 2021 Fiscal Year as compared to the 2020 Fiscal Year.

Income tax expense

Income tax expense was \$56.1 million during the 2021 Fiscal Year as compared to \$27.5 million during the 2020 Fiscal Year. The effective tax rate was 19.0% for the 2021 Fiscal Year as compared to 18.5% for the 2020 Fiscal Year. The increase in the effective tax rate was due primarily to an increase in Income before taxes, partially offset by an increase in the amount of excess tax benefits from stock-based compensation recognized as a component of Income tax expense in the Consolidated Statements of Operations. Excess tax benefits of \$20.2 million were recognized for the 2021 Fiscal Year as compared to \$10.9 million for the 2020 Fiscal Year.

Net income

Net income for the 2021 Fiscal Year increased 97% to \$238.4 million as compared to \$121.3 million for the 2020 Fiscal Year. The increase in Net income was primarily driven by higher Net sales, gross margin improvement, and SG&A leverage.

Quarterly Results of Operations Data

The following tables set forth certain financial data for each of the most recent eight fiscal quarters including our unaudited Net sales, Cost of goods sold, Gross profit, Selling, general and administrative expenses, Net income (loss), and Adjusted EBITDA data (including a reconciliation of Adjusted EBITDA to Net income (loss)). We have prepared the quarterly data on a basis that is consistent with the financial statements included in this Annual Report on Form 10-K. In the opinion of management, the financial information reflects all necessary adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of these data. This information is not a complete set of financial statements and should be read in conjunction with our financial statements and related notes included in this Annual Report on Form 10-K. The results of historical periods are not necessarily indicative of the results of operations for a full year or any future period.

(In millions except per share information and percentages, unaudited)

	2021 Fiscal Year					2020 Fiscal Year				
	Year	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Year	Qtr 4	Qtr 3	Qtr 2	Qtr 1
Net sales	\$ 3,475.7	\$ 805.2	\$ 936.4	\$ 1,083.9	\$ 650.2	\$ 2,704.5	\$ 675.1	\$ 751.9	\$ 817.7	\$ 459.8
Cost of goods sold	2,263.1	522.8	595.9	695.7	448.7	1,803.2	452.8	501.8	531.6	317.0
Gross profit	1,212.6	282.4	340.5	388.2	201.5	901.3	222.3	250.1	286.1	142.8
Selling, general and administrative expenses	900.6	247.2	235.3	225.8	192.3	728.2	202.8	183.3	175.0	167.1
Other (income) expense, net	(1.7)	(0.1)	1.8	(2.2)	(1.2)	(6.7)	(2.7)	(1.8)	(1.2)	(1.0)
Operating income (loss)	313.7	35.3	103.4	164.6	10.4	179.8	22.2	68.6	112.3	(23.3)
Interest and other non-operating expenses, net	19.2	5.1	4.3	4.3	5.5	31.0	9.1	6.6	7.6	7.7
Income tax (benefit) expense	56.1	2.7	19.1	36.8	(2.5)	27.5	1.6	13.8	25.6	(13.5)
Net income (loss)	\$ 238.4	\$ 27.5	\$ 80.0	\$ 123.5	\$ 7.4	\$ 121.3	\$ 11.5	\$ 48.2	\$ 79.1	\$ (17.5)
Net income (loss) per common share:										
Basic	\$ 5.35	\$ 0.61	\$ 1.79	\$ 2.77	\$ 0.17	\$ 2.83	\$ 0.26	\$ 1.11	\$ 1.89	\$ (0.42)
Diluted	\$ 5.20	\$ 0.60	\$ 1.74	\$ 2.70	\$ 0.16	\$ 2.75	\$ 0.25	\$ 1.08	\$ 1.83	\$ (0.42)
Adjusted EBITDA ^(a)	\$ 415.1	\$ 61.8	\$ 128.2	\$ 190.6	\$ 34.5	\$ 260.2	\$ 43.9	\$ 87.8	\$ 132.1	\$ (3.6)
Net sales as a percentage of annual Net sales	100.0 %	23.2 %	26.9 %	31.2 %	18.7 %	100.0 %	25.0 %	27.8 %	30.2 %	17.0 %
Gross profit as a percentage of annual Gross profit	100.0 %	23.3 %	28.1 %	32.0 %	16.6 %	100.0 %	24.7 %	27.8 %	31.7 %	15.8 %
Adjusted EBITDA as a percentage of annual Adjusted EBITDA	100.0 %	14.9 %	30.9 %	45.9 %	8.3 %	100.0 %	16.9 %	33.7 %	50.8 %	(1.4)%

(a) In addition to our Net income (loss) determined in accordance with GAAP, we present Adjusted EBITDA in this Annual Report on Form 10-K to evaluate the operating performance and efficiency of our business. 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 is further adjusted for stock-based compensation expense, (gain) loss on sale of assets, other non-cash items, financing fees, other fees, and expenses related to acquisitions and other non-recurring (income) loss. We believe that Adjusted EBITDA is an important supplemental measure of operating performance because:

- Adjusted EBITDA is used to test compliance with certain covenants under our long-term debt agreements;
- Adjusted EBITDA is frequently used by securities analysts, investors, and other interested parties in their evaluation of companies, many of which present an Adjusted EBITDA measure when reporting their results;
- Adjusted EBITDA is helpful in highlighting operating trends, because it excludes the results of decisions that are outside the control of operating management and that can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate, age and book depreciation of facilities, and capital investments;
- we consider (gains) losses on the acquisition, disposal, and impairment of assets as resulting from investing decisions rather than ongoing operations; and
- other significant non-recurring items, while periodically affecting our results, may vary significantly from period to period and have a disproportionate effect in a given period, which affects comparability of our results.

Adjusted EBITDA is not a measure of our liquidity or financial performance under GAAP and should not be considered as an alternative to Net income, operating income, or any other performance measures derived in accordance with 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. For example, this measure:

- does not reflect changes in, or cash requirements for, our working capital needs;
- does not reflect our interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- does not reflect our Income tax (benefit) expense or the cash requirements to pay our income taxes;
- does not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments; and
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and does not reflect any cash requirements for such replacements.

Management compensates for these limitations by relying primarily on the GAAP results and by using Adjusted EBITDA only as a supplement to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. 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 their usefulness as a comparative measure.

The following table presents a reconciliation of Adjusted EBITDA to Net income (loss) (in millions, unaudited):

	2021 Fiscal Year					2020 Fiscal Year				
	Year	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Year	Qtr 4	Qtr 3	Qtr 2	Qtr 1
Reported Net income (loss)	\$ 238.4	\$ 27.5	\$ 80.0	\$ 123.5	\$ 7.4	\$ 121.3	\$ 11.5	\$ 48.2	\$ 79.1	\$ (17.5)
Income tax (benefit) expense	56.1	2.7	19.1	36.8	(2.5)	27.5	1.6	13.8	25.6	(13.5)
Interest expense, net	19.2	5.1	4.3	4.3	5.5	31.0	9.1	6.6	7.6	7.7
Depreciation & amortization	83.0	22.3	21.0	20.3	19.4	67.2	18.2	16.3	16.4	16.3
EBITDA	396.7	57.6	124.4	184.9	29.8	247.0	40.4	84.9	128.7	(7.0)
Stock-based compensation ^(a)	14.3	3.1	3.5	4.6	3.1	10.6	2.7	2.6	2.8	2.5
(Gain) loss on sale of assets ^(b)	(0.1)	0.2	(0.2)	(0.2)	0.1	(0.4)	(0.2)	(0.4)	0.1	0.1
Financing fees ^(c)	0.7	—	—	—	0.7	—	—	—	—	—
Acquisitions and other adjustments ^(d)	3.5	0.9	0.5	1.3	0.8	3.0	1.0	0.7	0.5	0.8
Adjusted EBITDA^(e)	\$ 415.1	\$ 61.8	\$ 128.2	\$ 190.6	\$ 34.5	\$ 260.2	\$ 43.9	\$ 87.8	\$ 132.1	\$ (3.6)

(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.

The following table presents a reconciliation of Organic Daily Sales to Net sales (In millions, except Selling Days; unaudited):

	2021 Fiscal Year					2020 Fiscal Year				
	Year	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Year	Qtr 4	Qtr 3	Qtr 2	Qtr 1
Reported Net sales	\$ 3,475.7	\$ 805.2	\$ 936.4	\$ 1,083.9	\$ 650.2	\$ 2,704.5	\$ 675.1	\$ 751.9	\$ 817.7	\$ 459.8
Organic sales ^(a)	3,158.9	726.9	843.7	975.0	613.3	2,629.3	641.0	732.7	799.2	456.4
Acquisition contribution ^(b)	316.8	78.3	92.7	108.9	36.9	75.2	34.1	19.2	18.5	3.4
Selling Days	253	61	63	64	65	256	65	63	64	64
Organic Daily Sales	\$ 12.5	\$ 11.9	\$ 13.4	\$ 15.2	\$ 9.4	\$ 10.3	\$ 9.9	\$ 11.6	\$ 12.5	\$ 7.1

(a) Organic sales equals reported Net sales less Net sales from branches acquired in 2020 and 2021.

(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 2021 Fiscal Year. Includes Net sales from branches acquired in 2020 and 2021.

Liquidity and Capital Resources

We assess our liquidity in terms of our cash and cash equivalents on hand and the ability to generate cash to fund our operating and investing activities and service our debt, taking into consideration available borrowings and the seasonal nature of our business. We expect that cash and cash equivalents on hand, cash provided from operations, and available capacity under the ABL Facility will provide sufficient funds to operate our business, make expected capital expenditures, complete acquisitions, and meet all of our liquidity requirements for the next 12 months, including payment of interest and principal on our debt. Longer-term projects or significant investments in acquisitions may be financed through borrowings under our credit facilities or other forms of financing and will depend on then-existing conditions.

As of January 2, 2022 and January 3, 2021, we had no revolving credit loans outstanding. Our borrowing base capacity under the ABL Facility was \$364.1 million and \$362.3 million as of as of January 2, 2022 and January 3, 2021, respectively. As of January 2, 2022, we had total cash and cash equivalents of \$53.7 million, total gross long-term debt of \$260.2 million, and total finance lease obligations (excluding interest) of \$45.4 million.

Working capital was \$615.9 million as of January 2, 2022, an increase of \$132.9 million as compared to \$483.0 million as of January 3, 2021. The change in working capital was primarily attributable to higher receivables reflecting our strong sales growth and higher inventory as a result of our decision to increase inventory stocking levels to mitigate supply chain disruptions and the impact of product cost inflation, as well as to support the expansion of our distribution center network.

Capital expenditures of \$32.5 million for the 2021 Fiscal Year were 0.9% of Net sales for the year. Capital expenditures have averaged \$23.5 million annually from the 2019 Fiscal Year to the 2021 Fiscal Year representing an average of 0.8% of Net sales over this time period. We expect capital expenditures to be in a range of 0.8% to 1.3% as a percentage of Net sales for the 2022 Fiscal Year.

The following table summarizes current and long-term material cash requirements for our aggregate contractual obligations and other commercial commitments as of January 2, 2022 (in millions):

	Total	Next 12 Months	Beyond 12 Months
Long-term debt, including current maturities	\$ 260.2	\$ 4.0	\$ 256.2
Interest on long-term debt	\$ 46.7	\$ 9.4	\$ 37.3
Finance leases	\$ 48.9	\$ 12.4	\$ 36.5
Operating leases	\$ 366.5	\$ 68.8	\$ 297.7
Purchase obligations	\$ 210.7	\$ 105.1	\$ 105.6

Our gross long-term debt balances have not significantly changed since January 3, 2021. We have current maturities on our long-term debt of \$4.0 million, which includes \$2.5 million related to the term loan facility and \$1.5 million related to the hybrid debt instruments. The projected interest payments on our debt only pertain to obligations and agreements outstanding as of January 2, 2022 and expected payments for agent administration fees. The projected interest payments are calculated for future periods through maturity dates of our long-term debt using interest rates in effect as of January 2, 2022. Certain of these projected interest payments may differ in the future based on changes in floating interest rates or other factors and events, including our entry into amendments of the term loan facility. Refer to “[Note 8](#). Long-Term Debt” in the notes to the consolidated financial statements for further information regarding our debt instruments.

Our finance leases consist primarily of leases for our vehicle fleet. Our operating leases consist primarily of leases for equipment and real estate, which includes office space, branch locations, and distribution centers. The table above provides our expected payments of finance lease obligations including interest and the undiscounted rental payment obligations under operating lease agreements for the amounts due in the next 12 months and beyond 12 months. Refer to “[Note 6](#). Leases” in the notes to the consolidated financial statements for additional information regarding our lease arrangements.

Our purchase obligations include various commitments with vendors to purchase goods and services, primarily inventory. The largest purchase obligations include contracts with various farmers that run through the 2025 Fiscal Year and obligate us to make payments for certain nursery products and grass seeds for approximately \$160.8 million, which includes expected payments of \$82.4 million for the 2022 Fiscal Year. There are also other supplier and service arrangements with vendors totaling \$49.9 million, of which \$22.7 million of payments are expected to be made in the 2022 Fiscal Year. These purchase obligations are generally cancelable, but we have no intent to cancel and incur a penalty for not meeting the minimum required purchases. We have excluded purchase orders and agreements made in the ordinary course of business that are cancelable without penalty. Any amounts for which we are liable under purchase orders for goods received are reflected in Accounts payable on our Consolidated Balance Sheets and are excluded from the table above. Refer to “[Note 10](#). Commitments and Contingencies” in the notes to the consolidated financial statements for additional information regarding our purchase commitments.

Cash Flow Summary

Information about our cash flows, by category, is presented in our statements of cash flows and is summarized below (in millions):

Net cash provided by (used in):	For the year	
	January 4, 2021 to January 2, 2022	December 30, 2019 to January 3, 2021
Operating activities	\$ 210.8	\$ 229.4
Investing activities	\$ (182.0)	\$ (184.2)
Financing activities	\$ (30.4)	\$ (9.1)

Cash flow provided by operating activities

Net cash provided by operating activities for the 2021 Fiscal Year was \$210.8 million compared to \$229.4 million for the 2020 Fiscal Year. The decrease was primarily due to higher inventory and receivables reflecting our sales growth and our decision to increase inventory stocking levels as described above in “Liquidity and Capital Resources”, partially offset by the increase in Net income.

Cash flow used in investing activities

Net cash used in investing activities for the 2021 Fiscal Year was \$182.0 million compared to \$184.2 million for the 2020 Fiscal Year. The decrease reflects a small decline in acquisition investments during the 2021 Fiscal Year. Capital expenditures of \$32.5 million were \$13.9 million higher in the 2021 Fiscal Year compared to \$18.6 million in the 2020 Fiscal Year due to increased investments in material handling equipment used in our branches.

Cash flow used in financing activities

Net cash used in financing activities was \$30.4 million for the 2021 Fiscal Year compared to \$9.1 million in the 2020 Fiscal Year. The increase in net cash used in financing activities primarily reflects a higher net amount of Long-term debt repayments partially offset by Equity proceeds, including the repayment of \$68.0 million of the New Term Loans principal on December 31, 2021, as well as the payment of debt issuance costs in connection with the Fifth Amendment of the term loans and higher finance lease, acquisition related contingent obligation, and Other financing payments during Fiscal Year 2021 as compared to Fiscal Year 2020.

External Financing

Term Loans

Landscape Holding and Landscape, as borrowers (collectively, the “Borrowers”), entered into the Fifth Amendment to the Amended and Restated Credit Agreement, the (“Fifth Amendment”), dated as of March 23, 2021, with JPMorgan Chase Bank, N.A. (the “New Agent”), as administrative agent and collateral agent, the several banks and other financial institutions party thereto and certain other parties party thereto from time to time. The Fifth Amendment amends and restates the Amended and Restated Credit Agreement, dated as of April 29, 2016, among the Borrowers, the lenders from time to time party thereto and UBS AG, Stamford Branch (the “Existing Agent”) as administrative agent and collateral agent (as amended prior to March 23, 2021, the “Existing Credit Agreement” and, as so amended and restated pursuant to the Fifth Amendment, the “Second Amended and Restated Credit Agreement”) in order to, among other things, incur \$325.0 million of term loans (the “New Term Loans”). The New Term Loans will mature on March 23, 2028.

Subject to certain conditions, without the consent of the then existing lenders (but subject to the receipt of commitments), the New Term Loans may be increased (or a new term loan facility, revolving credit facility, or letter of credit facility added) by up to (i) the greater of (a) \$275.0 million and (b) 100% of Consolidated EBITDA (as defined in the Second Amended and Restated Credit Agreement) for the trailing 12-month period plus (ii) an additional amount that will not cause the net secured leverage ratio after giving effect to the incurrence of such additional amount and any use of proceeds thereof to exceed 4.00 to 1.00.

The New Term Loans are subject to mandatory prepayment provisions, covenants, and events of default. Failure to comply with these covenants and other provisions could result in an event of default under the Second Amended and Restated Credit Agreement. If an event of default occurs, the lenders could elect to declare all amounts outstanding under the New Term Loans to be immediately due and payable and enforce their interest in collateral pledged under the agreement.

Amendments of the Term Loans

On March 23, 2021, the Borrowers entered into the Fifth Amendment in order to, among other things, (i) incur \$325.0 million of term loans, (ii) replace the Existing Agent as administrative and collateral agent with the New Agent, and (iii) make such other changes in the Second Amended and Restated Credit Agreement as agreed among the Borrowers and the lenders. Proceeds of the New Term Loans were used to, among other things, (i) to repay in full the Tranche E Term Loans outstanding under the Existing Credit Agreement immediately prior to effectiveness of the Fifth Amendment, (ii) to pay fees and expenses related to the Fifth Amendment and the Second Amended and Restated Credit Agreement, and (iii) for working capital and other general corporate purposes.

The New Term Loans bear interest, at Landscape Holding's option, at either (i) an adjusted LIBOR rate plus an applicable margin equal to 2.00% (with a LIBOR floor of 0.50%) or (ii) an alternative base rate plus an applicable margin equal to 1.00%. Voluntary prepayments of the New Term Loans are permitted at any time, in minimum principal amounts, without premium or penalty, subject to a 1.00% premium payable in connection with certain repricing transactions within the first twelve months after the date of the initial funding of the New Term Loans. The interest rate on the outstanding balance was 2.50% as of January 2, 2022.

On December 31, 2021, we paid down \$68.0 million of the New Term Loans principal with cash on hand. As a result of the repayment, unamortized debt issuance costs and discounts in the amount of approximately \$0.9 million were charged to interest expense for the year ended January 2, 2022.

On September 30, 2020 and December 31, 2020, we paid down \$138.4 million and \$31.0 million, respectively, of the Tranche E Term Loans principal with cash on hand. As a result of the repayments, unamortized debt issuance costs and discounts in the amount of \$2.2 million were charged to interest expense for the year ended January 3, 2021.

The Second Amended and Restated Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants limit the ability of Landscape Holding and Landscape to:

- incur additional indebtedness;
- pay dividends, redeem stock, or make other distributions;
- repurchase, prepay, or redeem subordinated indebtedness;
- make investments;
- create restrictions on the ability of Landscape Holding's restricted subsidiaries to pay dividends or make other intercompany transfers;
- create liens;
- transfer or sell assets;
- make negative pledges;
- consolidate, merge, sell, or otherwise dispose of all or substantially all of Landscape Holding's assets;
- change lines of business; and
- enter into certain transactions with affiliates.

ABL Facility

Landscape Holding and Landscape (collectively, the “ABL Borrower”) are parties to the credit agreement dated December 23, 2013 (as amended by the First Amendment to the Credit Agreement, dated June 13, 2014, the Second Amendment to the Credit Agreement, dated January 26, 2015, the Third Amendment to the Credit Agreement, dated February 13, 2015, the Fourth Amendment to the Credit Agreement, dated October 20, 2015, the Omnibus Amendment to the Credit Agreement, dated May 24, 2017, and the Sixth Amendment to the Credit Agreement, dated February 1, 2019, the “ABL Credit Agreement”) providing for an ABL Facility in the amount of up to \$375.0 million with the maturity date of February 1, 2024. The ABL Facility is secured by a first lien on the inventory and receivables of the Borrowers. The ABL Facility is guaranteed by SiteOne Landscape Supply Bidco, Inc. (“Bidco”), an indirect wholly-owned subsidiary of the Company, and each direct and indirect wholly-owned U.S. restricted subsidiary of Landscape. Availability is determined using borrowing base calculations of eligible inventory and receivable balances. The interest rate on the ABL Facility is LIBOR (as defined in the ABL Credit Agreement) plus an applicable margin ranging from 1.25% to 1.75% or an alternate base rate for U.S. denominated borrowings plus an applicable margin ranging from 0.25% to 0.75%. There were no outstanding balances under the ABL Facility as of January 2, 2022 and January 3, 2021. Additionally, the Borrowers paid a commitment fee of 0.25% on the unfunded amount as of January 2, 2022 and January 3, 2021.

The ABL Facility contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants are limited to the following: financial condition, fundamental changes, dividends and distributions, acquisitions, dispositions of collateral, payments and modifications of restricted indebtedness, negative pledge clauses, changes in line of business, currency, commodity and other hedging transactions, transactions with affiliates, investments, indebtedness, and liens. The negative covenants are subject to customary exceptions and also permit the payment of dividends and distributions, investments, permitted acquisitions, payments or redemptions of indebtedness under the Second Amended and Restated Credit Agreement, asset sales and mergers, consolidations, and sales of all or substantially all assets involving subsidiaries upon satisfaction of a “payment condition.” The payment condition is deemed satisfied upon 30-day specified excess availability and specified availability exceeding agreed upon thresholds and, in certain cases, the absence of specified events of default or known events of default and pro forma compliance with a consolidated fixed charge coverage ratio of 1.00 to 1.00.

Subject to certain conditions, without the consent of the then existing lenders (but subject to the receipt of commitments), the ABL Facility may be increased (or a new term loan facility added) by up to (i) the greater of (a) \$175.0 million and (b) 100% of Consolidated EBITDA (as defined in the Amended and Restated Term Loan Credit Agreement) for the trailing 12-month period plus (ii) an additional amount that will not cause the net secured leverage ratio after giving effect to the incurrence of such additional amount and any use of proceeds thereof to exceed 5.00 to 1.00.

There are no financial covenants included in the ABL Credit Agreement, other than a springing minimum consolidated fixed charge coverage ratio of at least 1.00 to 1.00, which is tested only when specified availability is less than 10.0% of the lesser of (x) the then applicable borrowing base and (y) the then aggregate effective commitments under the ABL Facility, and continuing until such time as specified availability has been in excess of such threshold for a period of 30 consecutive calendar days.

Failure to comply with the covenants and other provisions included in the ABL Credit Agreement could result in an event of default under the ABL Facility. If an event of default occurs, the lenders could elect to declare all amounts outstanding under the ABL Facility to be immediately due and payable, enforce their interest in collateral pledged under the agreement, or restrict the borrowers’ ability to obtain additional borrowings thereunder.

Limitations on Distributions and Dividends by Subsidiaries

The ability of our subsidiaries to make distributions and dividends to us depends on their operating results, cash requirements, financial condition, and general business conditions, as well as restrictions under the laws of our subsidiaries’ jurisdictions.

The agreements governing the Second Amended and Restated Credit Agreement and the ABL Facility restrict the ability of our subsidiaries to pay dividends, make loans, or otherwise transfer assets to us. Further, our subsidiaries are permitted under the terms of the Second Amended and Restated Credit Agreement and the ABL Facility and other indebtedness to incur additional indebtedness that may restrict or prohibit the making of distributions, the payment of dividends, or the making of loans to us.

Interest Rate Swaps

We are subject to interest rate risk with regard to existing and future issuances of debt. We utilize interest rate swap contracts to reduce our exposure to fluctuations in variable interest rates for future interest payments on existing debt. We have entered into forward-starting interest rate swap contracts and interest rate swap contracts to convert the variable interest rate to a fixed interest rate on portions of the borrowings under the term loans. During the first quarter of 2021, we amended and restructured certain of our interest rate swap contracts using a strategy commonly referred to as a “blend and extend”. In a blend and extend arrangement, the liability position of the existing interest rate swap arrangement is effectively blended into the amended or new interest rate swap arrangement and the term to maturity of the hedged position is extended.

We recognize any differences between the variable interest rate payments and the fixed interest rate settlements from the swap counterparties as an adjustment to interest expense over the life of the swaps. We have designated these swaps as cash flow hedges and record the changes in the estimated fair value of the swaps to Accumulated other comprehensive income (loss) (“AOCI”) on our Consolidated Balance Sheets. If it becomes probable that the forecasted transaction will not occur, the hedge relationship will be de-designated and amounts accumulated in AOCI will be reclassified to Interest and other non-operating expenses, net in the current period. To the extent the interest rate swaps are determined to be ineffective, we recognize the changes in the estimated fair value of the swaps in earnings.

Failure of the swap counterparties to make payments would result in the loss of any potential benefit to us under the swap agreements. In this case, we would still be obligated to pay the variable interest payments underlying the debt agreements. Additionally, failure of the swap counterparties would not eliminate our obligation to continue to make payments under the existing swap agreements if it continues to be in a net pay position.

As a result of the determination that the Interest rate swap arrangements executed on March 23, 2021 are hybrid debt instruments containing embedded at-market swap derivatives, we reclassified \$5.9 million from Accrued liabilities and Other long-term liabilities to long-term debt with \$1.5 million classified as Long-term debt, current portion and \$4.4 million classified as Long-term debt, less current portion on our Consolidated Balance Sheets. As of January 2, 2022, approximately \$1.5 million was classified as Long-term debt, current portion and approximately \$3.3 million was classified as Long-term debt, less current portion on our Consolidated Balance Sheets. For additional information, refer to “[Note 1](#). Nature of Business and Significant Accounting Policies” and “[Note 8](#). Long-Term Debt” in the notes to the consolidated financial statements.

Critical Accounting Estimates

In order to prepare our financial statements in accordance with GAAP, we make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Such estimates are based upon management’s current judgments, which are normally based on knowledge and experience with regard to past and current events and assumptions about future events. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may be significantly different from our expectations.

While there are a number of accounting policies and estimates affecting our financial statements, we have identified the following critical accounting estimates that require us to make the most subjective or complex judgments in order to fairly present our consolidated financial statements.

Inventory Valuation

Summary:

Product inventories represent our largest asset and are recorded at the lower of actual cost or estimated net realizable value. Our goal is to manage our inventory so that we minimize out of stock positions. To do this, we maintain an adequate inventory of more than 135,000 SKUs and manage inventory at each branch based on sales history. At the same time, we continuously strive to better manage our slower moving classes of inventory.

During the year, we perform periodic cycle counts and write off excess or obsolete inventory as needed. Prior to year-end, we conduct a physical inventory at each branch and record any necessary additional write-offs to dispose of excess or obsolete products. Our inventories are generally not susceptible to technological obsolescence.

Judgments and Uncertainties:

Significant judgment is required to estimate the net realizable value of our inventory as it requires assumptions and projections to be made based off the historical recovery rates for our slower moving inventory. We monitor our inventory levels by branch and record provisions for excess inventories. The assumptions we make to record adjustments for excess or obsolete inventory are based on these historical recovery rates, such as recent history of usage of our products, expected future demand for our products, current market conditions, and other factors, including liquidation value.

Sensitivity of Estimates to Change:

Changes to the relevant assumptions and projections would impact our consolidated financial results in periods subsequent to recording these estimates. If we anticipate a change in assumptions such as future demand or market conditions to be less favorable than our previous estimates, additional inventory write-downs may be required. Conversely, if we are able to sell inventories that had been written down to a level below the ultimate realized selling price in a previous period, sales would be recorded with a lower or no offsetting charge to cost of sales. A 10% change to our current reserve for excess and obsolete inventory would not result in a material change to our consolidated financial statements; however, given the value of inventory on hand, a significant change in demand or market conditions could result in a material adjustment to our reserve in future periods. We have not recorded any material net adjustments or such changes to our inventory reserves during the 2021 Fiscal Year or 2020 Fiscal Year.

Acquisitions

Summary:

From time to time, we enter into strategic acquisitions in an effort to better service existing customers and to attract new customers. When we acquire a controlling financial interest in an entity or group of assets that are determined to meet the definition of a business, we apply the acquisition method described in ASC Topic 805, *Business Combinations*. In accordance with GAAP, the results of the acquisitions we have completed are reflected in our financial statements from the date of acquisition forward.

We allocate the purchase consideration paid to acquire the business to the assets and liabilities acquired based on estimated fair values at the acquisition date, with the excess of purchase price over the estimated fair value of the net assets acquired recorded as goodwill. The value of residual goodwill is not amortized but is tested at least annually for impairment as described below in “Goodwill”. If during the measurement period (a period not to exceed 12 months from the acquisition date) we receive additional information that existed as of the acquisition date but at the time of the original allocation described above was unknown to us, we make the appropriate adjustments to the purchase price allocation in the reporting period the amounts are determined.

Judgments and Uncertainties:

Significant judgment is required to estimate the fair value of intangible assets and in assigning their respective useful lives. Accordingly, we typically engage third-party valuation specialists, who work under the direction of management, for the more significant acquired tangible and intangible assets. The fair value of the assets and liabilities acquired is determined through established valuation techniques, such as the income, cost, or market approach, and estimates are based on available historical information and on future expectations and assumptions deemed reasonable by management but are inherently uncertain.

We use the multi-period excess earnings method to estimate the fair value of customer relationship intangible assets, which is based on forecasts of the expected future cash flows attributable to the respective assets and includes the selection of discount rates. Significant estimates and assumptions inherent in the valuations reflect a consideration of other marketplace participants and include the amount and timing of future cash flows (including expected growth rates and profitability), a brand’s relative market position, and the appropriate discount rate applied to the cash flows. Changes in the underlying assumptions and estimates, including the selected discount rates, could have a significant impact on the fair value of intangible assets. Further, unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

Determining the useful life of an intangible asset also requires judgment. All of our acquired intangible assets (e.g., customer relationships, trademarks, and non-compete arrangements) are expected to have finite useful lives. Our assessment as to whether trademarks have an indefinite life or a finite life is based on a number of factors including competitive environment, market share, brand history, underlying product life cycles, operating plans, and the macroeconomic environment of the regions in which the brands are sold. Our estimates of the useful lives of finite-lived intangible assets are primarily based on these same factors. We consider the period of expected cash flows and the underlying data used to measure the fair value of the intangible assets when selecting a useful life. The majority of customer relationship intangible assets are amortized on an accelerated method.

Sensitivity of Estimates to Change:

We completed eight acquisitions during the 2021 Fiscal Year for an aggregate purchase price of \$147.2 million and the preliminary valuations of assets acquired included customer relationship intangible assets of \$54.2 million and trademarks and other intangible assets of \$8.3 million. Key assumptions used in determining the fair values of customer relationships included future earnings projections, customer attrition rates, and discount rates, among others. Additionally, assumptions used to calculate the fair values of trademarks and other intangible assets included relief-from-royalty models and revenue projections, royalty rates, future earnings projections, discount rates, and probabilities of competition and successful competition, among others. Estimates associated with the accounting for acquisitions may change as additional information becomes available regarding the assets acquired. We believe the estimates applied to be based on reasonable assumptions, but which are inherently uncertain. As a result, actual results may differ from the assumptions and judgments used to determine the fair values of the assets acquired, which could result in impairment losses in the future. Changes in business conditions may also require future adjustments to the useful lives of assets acquired. If we determine that the useful lives of assets acquired are shorter than we had originally estimated, the rate of amortization is accelerated over the assets' new, shorter useful lives. Changes in key assumptions resulting in a 10% revision of the estimated fair values of finite-lived intangible assets acquired during the 2021 Fiscal Year would impact amortization of acquisition intangible assets by \$6.3 million over a weighted-average amortization period of 17.7 years primarily on an accelerated basis. No material adjustments to the valuation of such assets, impairment loss, or accelerated amortization of intangible assets due to revised useful lives was recorded in the 2021 Fiscal Year or 2020 Fiscal Year.

Goodwill

Summary:

Goodwill represents the acquired fair value of a business in excess of the fair values of tangible and identified intangible assets acquired and liabilities assumed. We test goodwill on an annual basis as of July fiscal month end and additionally if an event occurs or circumstances change that would indicate the carrying amount may be impaired.

The goodwill impairment test requires us to estimate and compare the fair value of a reporting unit to its carrying amount, including goodwill. If the fair value exceeds the carrying amount, the goodwill is not considered impaired. To the extent a reporting unit's carrying amount exceeds its fair value, the reporting unit's goodwill is deemed impaired, and an impairment charge is recognized based on the excess of a reporting unit's carrying amount over its fair value.

Judgments and Uncertainties:

Significant judgment is required to determine whether impairment indicators exist and to estimate the fair value of our reporting units requires significant judgment. Estimating the fair value of reporting units using the discounted cash flow model requires us to make assumptions and projections of revenue growth rates, gross margins, selling, general and administrative expenses, capital expenditures, working capital, depreciation, terminal values, and weighted average cost of capital, among other factors.

The assumptions used to estimate fair value consider historical trends, macroeconomic conditions, and projections consistent with our operating strategy. Changes in these estimates could have a significant effect on whether or not an impairment charge is recorded and the magnitude of such a charge. Adverse market or economic events could result in impairment charges in future periods.

Sensitivity of Estimates to Change:

During the third quarter of the 2021 Fiscal Year, we performed our annual quantitative assessment of goodwill. No goodwill impairment charge was recorded as a result of the testing and the estimated fair value of each of our reporting units substantially exceeded its carrying value. In addition, a 10% decline in projected cash flows or a 10% increase in the discount rate assumption utilized in our annual quantitative testing would not result in an impairment of any of our reporting units.

Recently Issued and Adopted Accounting Pronouncements

Refer to [Note 1](#) to our audited consolidated financial statements included in this Annual Report on Form 10-K, for a description of recently issued and adopted accounting pronouncements.

Accounting Pronouncements Issued But Not Yet Adopted

Refer to [Note 1](#) to our audited consolidated financial statements included in this Annual Report on Form 10-K, for a description of accounting pronouncements that have been issued but not yet adopted.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and Qualitative Disclosures about Market Risk

The economy and its impact on discretionary consumer spending, labor wages, fuel, fertilizer, and other material costs, home sales, unemployment rates, insurance costs, foreign exchange, and medical costs could have a material adverse impact on future results of operations.

We are aware of the potentially unfavorable effects inflationary pressures may create through higher asset replacement costs and related depreciation, higher interest rates, and higher material costs.

Commodity Risk

Our operating performance may be affected by price fluctuations in commodity-based products like grass seeds, fertilizers, and PVC products that we purchase and sell. We are also exposed to fluctuations in fuel costs as we deliver a substantial portion of the products we sell by truck. We seek to minimize the effects of inflation and changing prices through economies of purchasing and inventory management, resulting in cost reductions and productivity improvements as well as price increases to maintain gross margins.

Product Price Risk

Our business model is to buy and sell at current market prices in quantities approximately equal to estimated customer demand. We do not take significant “long” or “short” positions in the products we sell in an attempt to speculate on changes in product prices. Because we maintain inventories in order to serve the needs of our customers, we are subject to the risk of reductions in market prices for the products we hold in inventory; however, we actively manage this risk by adjusting prices and managing our inventory levels.

Interest Rate Risk

We are subject to interest rate risk associated with our debt. While changes in interest rates do not affect the fair value of our variable-rate debt, they do affect future earnings and cash flows through higher interest expense. Interest rate swaps are entered into with the objective of converting variable to fixed rate debt, thereby reducing volatility in borrowing costs.

- The ABL Facility bears interest (i) in the case of U.S. dollar-denominated loans, either at LIBOR or an alternate base rate, at our option, plus applicable borrowing margins and (ii) in the case of Canadian dollar denominated loans, either at the Bankers’ Acceptances Rate or the Canadian Prime Rate, at our option, plus applicable borrowing margins. The borrowing margins are defined by a pricing grid, as included in the ABL Facility agreement, based on average excess availability for the previous quarter.
- The New Term Loans bear interest at either (i) an adjusted LIBOR rate plus an applicable margin equal to 2.00% (with a LIBOR floor of 0.50%) or (ii) an alternative base rate plus an applicable margin equal to 1.00%.

A 1% increase in interest rates on our variable-rate debt would not change our annual forecasted interest expense primarily due to our interest rate swap agreements.

Credit Risk

We have a credit policy in place and monitor exposure to credit risk on an ongoing basis. We perform credit evaluations on all customers requesting credit above a specified exposure level. In the normal course of business, we provide credit to our customers, perform ongoing credit evaluations of these customers, and maintain reserves for potential credit losses. Our typical credit terms extend 30 days from the date of purchase, but terms of up to 60 days are not uncommon. We typically have limited risk from a concentration of credit risk as no individual customer represents greater than 10% of the outstanding accounts receivable balance. Bad debt reserves, which we use as a proxy for our bad debt exposure, were approximately 3% of gross receivables as of January 2, 2022.

Investments, if any, are only in liquid securities and only with counterparties with appropriate credit ratings. Transactions involving derivative financial instruments are with counterparties with which we have a signed netting agreement and which have appropriate credit ratings. We do not expect any counterparty to fail to meet its obligations.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of SiteOne Landscape Supply, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SiteOne Landscape Supply, Inc. and subsidiaries (the “Company”) as of January 2, 2022 and January 3, 2021, the related consolidated statements of operations, comprehensive income, equity, and cash flows, for each of the three years in the period ended January 2, 2022, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 2, 2022 and January 3, 2021 and the results of its operations and its cash flows for each of the three years in the period ended January 2, 2022, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of January 2, 2022, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2022, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Acquisitions – Customer Relationship Intangible Assets – Refer to Note 1 (Acquisitions and Intangible Assets), Note 3, and Note 5 to the financial statements

Critical Audit Matter Description

The Company completed various acquisitions during the year ended January 2, 2022 for an aggregate purchase price of approximately \$147.2 million. The Company accounted for the acquisitions under the acquisition method of accounting for business combinations. Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their respective fair values, including customer relationship intangible assets of \$54.2 million. Management estimated the fair value of the customer relationship intangible assets using the multi-period excess earnings method, which is a specific discounted cash flow method. The fair value determination of customer relationship intangible assets required management to make significant estimates and assumptions, including the selection of the discount rates. Changes in the discount rates could have a significant impact on the fair value of customer relationship intangible assets.

We identified the initial valuation of customer relationship intangible assets as a critical audit matter because of the significant estimates and assumptions management makes to determine the fair value of these assets and the sensitivity of the fair value estimate to changes in the discount rates. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's selection of the discount rates used in the determination of the initial fair value of the customer relationship intangible assets.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the selection of the discount rates for the determination of fair value of customer relationship intangible assets included the following, among others:

- We tested the effectiveness of controls over the fair value of the customer relationship intangible assets, including management's controls over the selection of the discount rates.
- For a sample of acquisitions, with the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology and (2) discount rates by:
 - 1) Testing the source information underlying the determination of the discount rates and testing the mathematical accuracy of the calculation.
 - 2) Developing a range of independent estimates and comparing those to the discount rates selected by management.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
February 24, 2022

We have served as the Company's auditor since 2014.

SiteOne Landscape Supply, Inc.
Consolidated Balance Sheets
(In millions, except share and per share data)

Assets	January 2, 2022	January 3, 2021
Current assets:		
Cash and cash equivalents	\$ 53.7	\$ 55.2
Accounts receivable, net of allowance for doubtful accounts of \$13.5 and \$9.1, respectively	393.8	292.8
Inventory, net	636.6	458.6
Income tax receivable	3.3	6.8
Prepaid expenses and other current assets	41.4	38.2
Total current assets	1,128.8	851.6
Property and equipment, net (Note 4)	151.5	130.0
Operating lease right-of-use assets, net (Note 6)	298.5	256.5
Goodwill (Note 5)	311.1	250.6
Intangible assets, net (Note 5)	213.9	196.3
Deferred tax assets (Note 1) and (Note 9)	3.2	2.4
Other assets	9.1	8.3
Total assets	\$ 2,116.1	\$ 1,695.7
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 254.5	\$ 172.8
Current portion of finance leases (Note 6)	11.0	9.2
Current portion of operating leases (Note 6)	62.1	54.6
Accrued compensation	99.3	69.2
Long-term debt, current portion (Note 8)	4.0	2.8
Accrued liabilities	82.0	60.0
Total current liabilities	512.9	368.6
Other long-term liabilities	10.6	25.3
Finance leases, less current portion (Note 6)	34.4	32.4
Operating leases, less current portion (Note 6)	244.2	208.3
Deferred tax liabilities (Note 1) and (Note 9)	5.1	5.4
Long-term debt, less current portion (Note 1) and (Note 8)	251.2	260.7
Total liabilities	1,058.4	900.7
Commitments and contingencies (Note 10)		
Stockholders' equity (Note 1) :		
Common stock, par value \$0.01; 1,000,000,000 shares authorized; 44,788,385 and 44,300,380 shares issued, and 44,767,474 and 44,279,469 shares outstanding at January 2, 2022 and January 3, 2021, respectively	0.4	0.4
Additional paid-in capital	562.0	541.8
Retained earnings	497.5	259.1
Accumulated other comprehensive loss	(2.2)	(6.3)
Total stockholders' equity	1,057.7	795.0
Total liabilities and stockholders' equity	\$ 2,116.1	\$ 1,695.7

See Notes to Consolidated Financial Statements.

SiteOne Landscape Supply, Inc.
Consolidated Statements of Operations
(In millions, except share and per share data)

	For the year January 4, 2021 to January 2, 2022	For the year December 30, 2019 to January 3, 2021	For the year December 31, 2018 to December 29, 2019
Net sales	\$ 3,475.7	\$ 2,704.5	\$ 2,357.5
Cost of goods sold	2,263.1	1,803.2	1,584.3
Gross profit	1,212.6	901.3	773.2
Selling, general and administrative expenses	900.6	728.2	654.3
Other income	1.7	6.7	6.0
Operating income	313.7	179.8	124.9
Interest and other non-operating expenses, net	19.2	31.0	33.4
Income before taxes	294.5	148.8	91.5
Income tax expense	56.1	27.5	13.8
Net income	\$ 238.4	\$ 121.3	\$ 77.7
Net income per common share:			
Basic	\$ 5.35	\$ 2.83	\$ 1.89
Diluted	\$ 5.20	\$ 2.75	\$ 1.82
Weighted average number of common shares outstanding:			
Basic	44,578,649	42,858,691	41,218,843
Diluted	45,805,373	44,093,501	42,750,348

See Notes to Consolidated Financial Statements.

SiteOne Landscape Supply, Inc.
Consolidated Statements of Comprehensive Income
(In millions)

	For the year January 4, 2021 to January 2, 2022	For the year December 30, 2019 to January 3, 2021	For the year December 31, 2018 to December 29, 2019
Net income	\$ 238.4	\$ 121.3	\$ 77.7
Other comprehensive income (loss):			
Foreign currency translation adjustments	(0.1)	0.7	0.5
Interest rate swaps - net unrealized gains (losses) and reclassifications into earnings, net of taxes of \$(1.4), \$0.1, and \$2.3, respectively	4.2	(0.5)	(6.2)
Total other comprehensive income (loss)	4.1	0.2	(5.7)
Comprehensive income	\$ 242.5	\$ 121.5	\$ 72.0

See Notes to Consolidated Financial Statements.

SiteOne Landscape Supply, Inc.
Consolidated Statements of Equity
(In millions, shares in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at December 30, 2018	40,890.1	\$ 0.4	\$ 242.1	\$ 60.1	\$ (0.8)	\$ 301.8
Net income	—	—	—	77.7	—	77.7
Other comprehensive loss	—	—	—	—	(5.7)	(5.7)
Issuance of common shares under stock-based compensation plan	680.7	—	7.7	—	—	7.7
Stock-based compensation	—	—	11.7	—	—	11.7
Balance at December 29, 2019	41,570.8	\$ 0.4	\$ 261.5	\$ 137.8	\$ (6.5)	\$ 393.2
Net income	—	—	—	121.3	—	121.3
Other comprehensive income	—	—	—	—	0.2	0.2
Issuance of common stock in public offering, net of issuance costs	2,150.0	—	261.7	—	—	261.7
Issuance of common shares under stock-based compensation plan	558.7	—	8.0	—	—	8.0
Stock-based compensation	—	—	10.6	—	—	10.6
Balance at January 3, 2021	44,279.5	\$ 0.4	\$ 541.8	\$ 259.1	\$ (6.3)	\$ 795.0
Net income	—	—	—	238.4	—	238.4
Other comprehensive income	—	—	—	—	4.1	4.1
Issuance of common shares under stock-based compensation plan	488.0	—	5.9	—	—	5.9
Stock-based compensation	—	—	14.3	—	—	14.3
Balance at January 2, 2022	44,767.5	\$ 0.4	\$ 562.0	\$ 497.5	\$ (2.2)	\$ 1,057.7

See Notes to Consolidated Financial Statements.

SiteOne Landscape Supply, Inc.
Consolidated Statements of Cash Flows
(In millions)

	For the year January 4, 2021 to January 2, 2022	For the year December 30, 2019 to January 3, 2021	For the year December 31, 2018 to December 29, 2019
Cash Flows from Operating Activities:			
Net income	\$ 238.4	\$ 121.3	\$ 77.7
Adjustments to reconcile Net income to net cash provided by operating activities:			
Amortization of finance lease right-of-use assets and depreciation	36.2	29.4	25.1
Stock-based compensation	14.3	10.6	11.7
Amortization of software and intangible assets	46.8	37.8	34.4
Amortization of debt related costs	2.3	4.1	2.0
Loss on extinguishment of debt	0.8	—	0.4
(Gain) loss on sale of equipment	(0.1)	(0.4)	0.3
Deferred income taxes	(3.1)	0.4	(3.4)
Other	6.5	3.7	0.9
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Receivables	(92.1)	2.8	6.1
Inventory	(156.9)	(7.9)	(3.0)
Income tax receivable	3.5	0.2	3.0
Prepaid expenses and other assets	(3.2)	(11.0)	7.5
Accounts payable	74.4	(4.3)	(29.0)
Accrued expenses and other liabilities	43.0	42.7	(2.9)
Net Cash Provided By Operating Activities	\$ 210.8	\$ 229.4	\$ 130.8
Cash Flows from Investing Activities:			
Purchases of property and equipment	(32.5)	(18.6)	(19.5)
Purchases of intangible assets	(4.5)	(7.2)	(1.9)
Acquisitions, net of cash acquired	(147.2)	(159.4)	(71.5)
Proceeds from the sale of property and equipment	2.2	1.0	1.0
Net Cash Used In Investing Activities	\$ (182.0)	\$ (184.2)	\$ (91.9)
Cash Flows from Financing Activities:			
Equity proceeds from common stock	9.3	271.5	8.4
Borrowings under term loan	325.0	—	—
Repayments under term loan	(338.6)	(172.8)	(4.5)
Borrowings on asset-based credit facility	161.9	285.4	273.7
Repayments on asset-based credit facility	(161.9)	(378.2)	(304.0)
Payments of debt issuance costs	(2.4)	—	(0.9)
Payments on finance lease obligations	(10.4)	(8.5)	(6.5)
Payments of acquisition related contingent obligations	(8.6)	(4.8)	(3.0)
Other financing activities	(4.7)	(1.7)	(0.5)
Net Cash Used In Financing Activities	\$ (30.4)	\$ (9.1)	\$ (37.3)
Effect of exchange rate on cash	0.1	0.1	0.1
Net Change In Cash	(1.5)	36.2	1.7
Cash and cash equivalents:			
Beginning	55.2	19.0	17.3
Ending	<u>\$ 53.7</u>	<u>\$ 55.2</u>	<u>\$ 19.0</u>
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for interest	\$ 15.6	\$ 27.3	\$ 30.3
Cash paid during the year for income taxes	\$ 55.8	\$ 25.2	\$ 16.0

See Notes to Consolidated Financial Statements.

SiteOne Landscape Supply, Inc.
Notes to Consolidated Financial Statements

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Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

SiteOne Landscape Supply, Inc. (hereinafter collectively with all its consolidated subsidiaries referred to as the “Company” or individually as “Holdings”) is a wholesale distributor of irrigation supplies, fertilizer and control products (e.g., herbicides), hardscapes (including pavers, natural stone, and blocks), landscape accessories, nursery goods, outdoor lighting, and ice melt products to green industry professionals. The Company also provides value-added consultative services to complement its product offering and to help customers operate and grow their businesses. Substantially all of the Company’s sales are to customers located in the United States of America (“U.S.”), with less than four percent of sales and less than five percent of total assets in Canada for all periods presented. As of January 2, 2022, the Company had over 590 branches. Based on the nature of the Company’s products and customers’ business cycles, sales are significantly higher in the second and third quarters of each fiscal year.

Stock Offering

On August 3, 2020, the Company entered into an underwriting agreement (the “Underwriting Agreement”) with BofA Securities, Inc. (the “Underwriter”), relating to an underwritten public offering of 2,150,000 shares of the Company’s common stock, \$0.01 par value per share (the “Common Stock”). Under the terms of the Underwriting Agreement, the Company granted the Underwriter an option, exercisable for 30 days, to purchase up to an additional 322,500 shares of Common Stock. The Underwriter did not exercise the option to purchase additional shares of Common Stock. The aggregate proceeds to the Company from the sale of shares of Common Stock in the offering were approximately \$262.3 million before expenses of approximately \$0.6 million. The offering closed on August 6, 2020. The Company has used a portion of the proceeds and intends to use the remaining net proceeds from the offering for general corporate purposes, which may include the acquisition of companies or businesses, the repayment and refinancing of debt, working capital and capital expenditures.

The shares of Common Stock sold in the offering were issued pursuant to an automatically effective shelf registration statement on Form S-3ASR (Registration No. 333-240295) and the related prospectus that was filed with the Securities and Exchange Commission (“SEC”) on August 3, 2020, and a related prospectus supplement, dated August 3, 2020.

COVID-19 Pandemic

As a result of the ongoing novel coronavirus (or “COVID-19”) pandemic, the Company could experience impacts including, but not limited to, charges from potential adjustments of the carrying amounts of receivables and inventory, goodwill and other asset impairment charges, or deferred tax valuation allowances. There has been no material adverse impact to the Company’s consolidated financial statements for the year ended January 2, 2022; however, the extent to which the COVID-19 pandemic impacts the Company’s business, results of operations, and financial condition will depend on future developments, which remain highly uncertain and cannot be predicted, including, but not limited to the duration, spread, and severity of the COVID-19 pandemic, including the emergence of variant strains of the virus, the effects of the COVID-19 pandemic on the Company’s customers, suppliers, vendors, and associates and the remedial actions and stimulus measures adopted by local, state, and federal governments, and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, the Company may experience an impact to its business as a result of any economic downturn, recession, or depression that has occurred or may occur in the future.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted which includes measures to assist companies in response to the COVID-19 pandemic. In accordance with the CARES Act, the Company deferred the payment of qualifying employer payroll taxes of \$12.2 million during the fiscal year ended January 3, 2021, which are required to be paid over two years, with 50% to be paid by December 31, 2021 and the remainder by December 31, 2022. During the fiscal year ended January 2, 2022, the Company paid \$6.1 million of the previously deferred employer payroll taxes. As of January 2, 2022, the Company had \$6.1 million of qualifying employer payroll taxes included in Accrued compensation in its Consolidated Balance Sheets.

Basis of Financial Statement Presentation

Holdings indirectly owns 100% of the membership interest in SiteOne Landscape Supply Holding, LLC (referred to herein as “Landscape Holding”). Landscape Holding is the parent and sole owner of SiteOne Landscape Supply, LLC (referred to herein as “Landscape”). Prior to the transaction described below, Deere & Company (“Deere”) was the sole owner of SiteOne Landscape Supply Holding, LLC.

On December 23, 2013 (the “Closing Date”), the Company acquired 100% of the ownership interest in Landscape Holding from Deere in exchange for common shares of the Company initially representing 40% of the outstanding capital stock (on an as-converted basis) plus cash consideration of \$314 million, net of pre-closing and post-closing adjustments. In order to facilitate the transaction, the Company issued Redeemable Convertible Preferred Stock to Clayton, Dubilier & Rice, LLC (“CD&R”) for total consideration of \$174 million initially representing 60% of the outstanding capital stock (on an as-converted basis). As part of the same transaction, Landscape Holding also acquired from Deere the affiliated company LESCO, Inc. (“LESCO”). The Company continues to be the sole owner of Landscape Holding. The aforementioned transactions described in this paragraph are referred to herein as the “CD&R Acquisition”.

On May 17, 2016, the Company completed its initial public offering of its common stock and following consummation of the Company’s secondary offering on July 26, 2017, CD&R and Deere no longer have an ownership interest in the Company.

The Company’s chief operating decision maker (“CODM”) manages the business as a single reportable segment. Within the organizational framework, the same operational resources support multiple geographical regions and performance is evaluated primarily by the CODM at a consolidated level. The CODM also evaluates regional performance based on financial and operational measures and receives discrete financial information on a regional basis. Since all of the Company’s regions have similar operations and share similar economic characteristics, the Company aggregates regions into a single operating and reportable segment. These similarities include (i) long-term financial performance, (ii) the nature of products and services, (iii) the types of customers the Company sells to, and (iv) the distribution methods used. Further, all of the Company’s product categories have similar supply chain processes and classes of customers.

The accompanying audited consolidated financial statements of the Company included herein have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”).

The Consolidated Statements of Operations, Comprehensive Income, Equity, and Cash Flows for the Company are presented for the fiscal years ended January 2, 2022, January 3, 2021, and December 29, 2019. The consolidated financial statements for the Company include the assets and liabilities used in operating the Company’s business, including entities in which the Company owns or controls more than 50% of the voting shares. All of the Company’s subsidiaries are wholly owned. All intercompany balances and transactions have been eliminated in consolidation.

Significant accounting policies:

Use of estimates in the preparation of financial statements: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fiscal year: The Company’s fiscal year is a 52- or 53-week period ending on the Sunday nearest to December 31. The years ended January 2, 2022, January 3, 2021, and December 29, 2019 included 52 weeks, 53 weeks, and 52 weeks, respectively.

Cash and cash equivalents: Cash and cash equivalents include primarily cash on deposit with banks which, at times, may exceed federally insured limits. The Company has not experienced any losses in these accounts. Cash and cash equivalents also include unsettled credit card transactions.

Accounts receivable: Accounts receivable is presented at the original invoice amount, less any charge-offs and the allowance for credit losses and doubtful accounts. Allowances for credit losses and doubtful accounts are maintained in amounts considered to be appropriate in relation to the receivables outstanding based on collection experience, economic conditions, credit risk quality, and reasonable supportable forecasts. Receivables are written-off to the allowance when an account is considered uncollectible.

Activity in the allowance for doubtful accounts for the periods was as follows (in millions):

	For the year January 4, 2021 to January 2, 2022	For the year December 30, 2019 to January 3, 2021	For the year December 31, 2018 to December 29, 2019
Beginning balance	\$ 9.1	\$ 8.3	\$ 5.9
Provision for allowance	4.3	3.0	5.9
Recoveries (write-offs), net	0.1	(2.2)	(3.5)
Ending balance	<u>\$ 13.5</u>	<u>\$ 9.1</u>	<u>\$ 8.3</u>

Inventory: The majority of the Company’s inventories are valued at the lower of actual cost or estimated net realizable value, with cost determined by the first-in, first-out (“FIFO”) method. Inventory is primarily considered to be finished goods. The Company establishes a reserve for excess, slow-moving, and obsolete inventory that is equal to the difference between the cost and estimated net realizable value for that inventory. These reserves are based on a review of planned and historical sales. The reserve for obsolete and excess inventory was \$11.8 million and \$7.9 million as of January 2, 2022 and January 3, 2021, respectively.

Property and equipment, net: Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed on property and equipment using the straight-line method over the estimated useful lives of the assets, as noted below. Leasehold improvements are depreciated over the lesser of their estimated useful lives or the remaining lease terms. The amortization of the right-of-use (“ROU”) assets under finance leases is included in amortization expense. Expenditures for replacement or major renewals of significant items are capitalized. Expenditures for maintenance, repairs, and minor renewals are generally charged to expense as incurred.

Asset Class	Estimated Useful Life
Buildings and improvements	20 years
Branch equipment	2 to 12 years
Furniture and fixtures	2 to 12 years
Auto and truck	2 to 6 years
Tooling	7 years
Leasehold improvements	Shorter of the estimated useful life or the term of the lease, considering renewal options expected to be exercised.

Acquisitions: When the Company acquires a controlling financial interest in an entity or group of assets that are determined to meet the definition of a business, the acquisition method described in ASC Topic 805, *Business Combinations*, is applied. The Company allocates the purchase consideration paid to acquire the business to the assets and liabilities acquired based on estimated fair values at the acquisition date, with the excess of purchase price over the estimated fair value of the net assets acquired recorded as goodwill. If during the measurement period (a period not to exceed 12 months from the acquisition date) the Company receives additional information that existed as of the acquisition date but at the time of the original allocation described above was unknown, the Company makes the appropriate adjustments to the purchase price allocation in the reporting period in which the adjustments are identified.

Goodwill: Goodwill represents the acquired fair value of a business in excess of the fair values of tangible and identified intangible assets acquired and liabilities assumed. The Company tests goodwill on an annual basis as of July fiscal month-end and additionally if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Examples of such indicators include a significant change in the business climate, unexpected competition, loss of key personnel, or a decline in the Company’s market capitalization below the Company’s net book value. The Company performs impairment assessments at the reporting unit level, which is defined as an operating segment or one level below an operating segment, also known as a component.

For impairment tests using a quantitative approach, the Company is required to estimate and compare the fair value of a reporting unit to its carrying amount, including goodwill. If the fair value exceeds the carrying amount, the goodwill is not considered impaired. To the extent a reporting unit’s carrying amount exceeds its fair value, the reporting unit’s goodwill is deemed impaired, and an impairment charge is recognized based on the excess of a reporting unit’s carrying amount over its fair value. No impairment of goodwill has occurred during the periods presented. Refer to [Note 5](#) for a more detailed description of goodwill.

Intangible assets, net: Intangible assets include customer relationships as well as trademarks and other intangibles acquired through acquisitions. The fair value of customer relationships is determined using the multi-period excess earnings method, which is a specific discounted cash flow method that requires management to make significant estimates and assumptions, including the selection of the discount rates. Intangibles assets with finite useful lives are amortized on an accelerated method or a straight-line of amortization over their estimated useful lives. An accelerated amortization method reflecting the pattern in which the asset will be consumed is utilized if that pattern can be reliably determined. If that pattern cannot be reliably determined, a straight-line amortization method is used. The Company considers the period of expected cash flows and the underlying data used to measure the fair value of the intangible assets when selecting a useful life. The majority of customer relationships are amortized on an accelerated method. Refer to [Note 5](#) for more information regarding intangible assets amortization.

Impairment of long-lived assets: Long-lived assets, primarily property and equipment, finite-lived intangible assets, and long-term contracts included in other assets, are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset group may not be recoverable. The recoverability of an asset group is measured by a comparison of the carrying amount of the asset group to its future undiscounted cash flows.

If the recoverability test indicates the asset group balances are not recoverable, the Company would recognize an impairment charge in the current period to reduce the long-lived asset balances based on the fair value of the asset group. There were no impairment charges recognized during the years ended January 2, 2022, January 3, 2021, and December 29, 2019.

Fair value measurement: Fair value is defined as an exit price, representing an amount that would be received to sell an asset or the amount paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The inputs used to measure fair value are prioritized into the following three-tiered value hierarchy:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active or inputs, other than quoted prices in active markets, which are observable either directly or indirectly.
- Level 3: Unobservable inputs for which there is little or no market data.

The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The classification of fair value measurement within the hierarchy is based upon the lowest level of input that is significant to the measurement.

The Company's financial instruments consist of cash and cash equivalents, accounts receivables, and long-term debt. The variable interest rate on the long-term debt is reflective of current market borrowing rates. As such, the Company has determined that the carrying value of these financial instruments approximates fair value.

Interest Rate Swaps: The Company is subject to interest rate risk with regard to existing and future issuances of debt. The Company utilizes interest rate swap contracts to reduce its exposure to fluctuations in variable interest rates for future interest payments on existing debt. The Company has also amended and restructured its interest rate swap contracts using a strategy commonly referred to as a "blend and extend". In a blend and extend arrangement, the liability position of the existing interest rate swap arrangement is effectively blended into the amended or new interest rate swap arrangement and the term to maturity of the hedged position is extended. The Company evaluates its blend and extend arrangements under Accounting Standards Codification ("ASC"), Topic 815: Derivatives and Hedging, to determine if they are stand-alone derivative instruments or hybrid instruments.

The Company recognizes the unrealized gains or unrealized losses for interest rate swap contracts as either assets or liabilities at fair value on its Consolidated Balance Sheets. The interest rate swap contracts are subject to master netting arrangements. The Company has elected not to offset the fair value of assets with the fair value of liabilities related to these contracts. For determining the fair value of the interest rate swap contracts, the Company uses significant observable market data or assumptions (Level 2 inputs) that market participants would use in pricing similar assets or liabilities, including assumptions about counterparty risk. The fair value estimates reflect an income approach based on the terms of the interest rate swap contracts and inputs corroborated by observable market data including interest rate curves.

The Company recognizes any differences between the variable interest rate payments and the fixed interest rate settlements with the swap counterparties as an adjustment to interest expense over the life of the swaps. The Company has designated these swaps as cash flow hedges and records the estimated fair value of the swaps to Accumulated other comprehensive income (loss) ("AOCI") on its Consolidated Balance Sheets. If it becomes probable the forecasted transactions will not occur, the hedge relationship will be de-designated and amounts accumulated in AOCI will be reclassified to Interest and other non-operating expenses, net in the current period. Future changes in the fair value of derivatives not designated as hedging instruments will be reported in Interest and other non-operating expenses, net in the Consolidated Statements of Operations.

Revenue recognition: The Company recognizes revenue when control over a product or service is transferred to a customer. This transfer occurs primarily when goods are picked up by a customer at the branch or when goods are delivered to a customer location. Revenue is measured at the transaction price, which is based on the amount of consideration the Company expects to receive in exchange for transferring the promised goods or services to the customer. The transaction price will include estimates of variable consideration, such as returns and provisions for doubtful accounts and sales incentives, to the extent it is probable that a significant reversal of revenue recognized will not occur. In all cases, when a sale is recorded by the Company, no significant uncertainty exists surrounding the customer's obligation to pay. Net sales include billings for freight and handling charges and commissions on the sale of control products that we sell as an agent. Net sales are presented net of any discounts, returns, customer rebates, and sales or other revenue-based taxes. Provisions for returns are estimated and accrued at the time a sale is recognized. The Company also has entered into agency agreements with certain of its suppliers whereby the Company operates as a sales agent of those suppliers. The suppliers retain title to their merchandise until it is sold by the Company and determine the prices at which the Company can sell their merchandise. The Company recognizes these agency sales on a net basis and records only the product margin as commission revenue within Net sales.

Sales incentives: The Company offers certain customers rebates which are accrued based on sales volumes. In addition, the Company offers a points-based reward program which allows enrolled customers to earn loyalty rewards on purchases to be used on future purchases, to pay for annual customer trips hosted by the Company, or to obtain gift cards to other third-party retailers. The Company often receives cash payments from customers in advance of the Company's performance of the customer loyalty rewards program resulting in contract liabilities, which are determined on a contract-by-contract basis. These contract liabilities are classified in Accrued liabilities on the Company's Consolidated Balance Sheets.

Sales taxes: The Company collects and remits taxes assessed by different governmental authorities that are both imposed on and concurrent with revenue producing transactions between the Company and its customers. These taxes may include sales, use, value-added, and some excise taxes. The Company reports the collection of these taxes on a net basis (excluded from sales).

Cost of goods sold: Cost of goods sold includes all inventory costs, such as the purchase price from suppliers, net of any volume-based incentives, as well as inbound freight and handling, and other costs associated with the inventory, and is exclusive of the costs to deliver the products to customers.

Shipping and handling costs: Shipping and handling costs associated with inbound freight are included in Cost of goods sold.

Warranty reserves: Provisions for estimated warranty costs for the return of nursery products are provided for in the same period the related sales are recorded. The Company offers product warranties on selected nursery items. The warranty reserve is based on historical and current trends. The warranty reserve included in Accrued liabilities was \$0.1 million as of January 2, 2022 and January 3, 2021.

Leases: The Company determines if an arrangement is a lease at inception of a contract. The Company leases equipment and real estate including office space, branch locations, and distribution centers under operating leases. Finance lease obligations consist primarily of the Company's vehicle fleet. Most leases include one or more options to renew, with renewal terms that can extend the lease term from one year to five years or more. The exercise of lease renewal options is at the Company's sole discretion. Certain leases include options to purchase the leased property. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Leases with an initial term of 12 months or less are not recorded in the Consolidated Balance Sheets. The Company accounts for each separate lease component of a contract and its associated non-lease components as a single lease component. Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in lease payments based on changes in index rates or usage, are not included in the ROU assets or lease liabilities and are expensed as incurred and recorded as variable lease expense.

ROU assets represent the Company's right to use an underlying asset during the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the net present value of fixed lease payments over the lease term. ROU assets also include any advance lease payments and are adjusted for lease incentives. As most of the Company's operating leases do not provide an implicit interest rate, the Company uses an incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Finance lease agreements generally include an interest rate that is used to determine the present value of future lease payments. Operating fixed lease expense and finance lease amortization expense are recognized on a straight-line basis over the lease term. Refer to [Note 6](#) for further details regarding leases.

Advertising costs: Advertising costs are charged to expense as incurred and were \$10.4 million, \$4.7 million, and \$3.3 million, during the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively.

Stock-based compensation: The Company applies the fair value method to recognize compensation expense for stock-based awards. Using this method, the estimated grant-date fair value of the award is recognized on a straight-line basis over the requisite service period based on the portion of the award that is expected to vest.

Stock-based compensation expense for restricted stock units is measured based on the fair value of the Company's common stock on the grant date. The Company utilizes the Black-Scholes option pricing model to estimate the grant-date fair value of option awards. The exercise price of option awards is set to equal the value of the common stock at the date of the grant. The following weighted-average assumptions are also used to calculate the estimated fair value of option awards:

- Expected volatility: The expected volatility of the Company's shares is estimated using the historical stock price volatility over the most recent period commensurate with the estimated expected term of the awards.
- Expected term: For employee stock option awards, the Company determines the weighted average expected term equal to the weighted period between the vesting period and the contract life of all outstanding options.
- Dividend yield: The Company has not paid dividends and does not anticipate paying a cash dividend in the foreseeable future and, accordingly, uses an expected dividend yield of zero.
- Risk-free interest rate: The Company bases the risk-free interest rate on the implied yield available on a U.S. Treasury note with a term equal to the estimated expected term of the awards.

Refer to [Note 7](#) for further details regarding stock-based compensation.

Other income: Other income consists primarily of financing charges, net gain/loss on sale of assets, foreign currency gain/loss, and the fair value adjustments of acquisition related contingent obligations.

Income taxes: The Company files a consolidated federal income tax return and files both combined or unitary state income tax returns as well as separate state income tax returns in certain jurisdictions. Deferred taxes are provided on an asset and liability method in which deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Realization of deferred tax assets is dependent upon sufficient future taxable income.

The Company's operations involve dealing with uncertainties and judgments in the application of complex tax regulations in a multitude of jurisdictions. The Company reports a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return based on its estimate of whether, and the extent to which, additional taxes will be due. The Company recognizes interest, if any, related to unrecognized tax benefits within Interest and other non-operating expenses, and recognizes penalties in Selling, general and administrative expenses.

In March 2020, the CARES Act was enacted. The CARES Act included several changes to existing U.S. tax laws that impacted the Company, most notably the 2019 and 2020 change to the limitation on U.S. interest deductibility based on 50% of adjusted taxable income, the ability to defer the payment of qualifying employer payroll taxes to December 31, 2021 and December 31, 2022, and certain changes to the depreciable life of qualified improvement property. Refer to [Note 9](#) for further information pertaining to income taxes.

Foreign currency translation: The functional currency for the Company's Canadian operations is the Canadian dollar, the local currency. The assets and liabilities of these operations are translated into U.S. dollars at the end of the period exchange rates. The revenues and expenses are translated at average exchange rates for the period. The gains or losses from these translations are recorded in other comprehensive income (loss). Gains or losses recognized on transactions denominated in a currency other than the functional currency are included in Other income.

Recently Issued and Adopted Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-02, “*Leases (Topic 842)*,” amended by subsequent ASUs (collectively “ASC 842”), which superseded the guidance for recognition, measurement, presentation, and disclosures of lease arrangements. The amended standard requires recognition on the balance sheet for all leases with terms longer than 12 months as a lease liability and as a right-of-use (“ROU”) asset. The lease liability is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis, and the ROU asset is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. The Company adopted ASC 842 when it became effective in the first quarter of fiscal year 2019 using a modified transition approach under which prior comparative periods were not adjusted. The Company elected the package of practical expedients, which permitted not reassessing its prior conclusions about lease identification, lease classification, and initial direct costs. In addition, the Company made the election for certain classes of underlying assets to not separate non-lease components from lease components. However, the Company did not elect the lease term hindsight practical expedient. For leases less than 12 months, the Company made an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities as permitted by the guidance. The adoption of the new standard had a material impact on the Company’s Consolidated Balance Sheets, but an immaterial impact on its Consolidated Statements of Operations and Consolidated Statements of Cash Flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged.

In February 2018, the FASB issued ASU 2018-02, “*Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*” (“ASU 2018-02”). The FASB provided ongoing guidance on certain accounting and tax effects of the legislation in the Tax Cuts and Jobs Act (the “2017 Tax Act”), which was enacted in December 2017. ASU 2018-02 allowed a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the 2017 Tax Act. The amendments in ASU 2018-02 also required certain disclosures about stranded tax effects. The Company adopted ASU 2018-02 when it became effective in the first quarter of fiscal year 2019. The Company elected not to reclassify stranded tax effects resulting from the 2017 Tax Act. The adoption of ASU 2018-02 did not have a material impact on the Company’s consolidated financial statements and related disclosures.

In June 2018, the FASB issued ASU 2018-07, “*Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*” (“ASU 2018-07”) which simplified the accounting for nonemployee share-based payment transactions by expanding the scope of ASC Topic 718, *Compensation - Stock Compensation*, to include share-based payment transactions for acquiring goods and services from nonemployees. Under ASU 2018-07, most of the guidance on stock compensation payments to nonemployees is aligned with the requirements for share-based payments granted to employees. The Company adopted ASU 2018-07 when it became effective in the first quarter of fiscal year 2019. The adoption of ASU 2018-07 did not have a material impact on the Company’s consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-15, “*Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)*” (“ASU 2018-15”) which amended ASC 350-40 to address a customer’s accounting for implementation costs incurred in a cloud computing arrangement (“CCA”) that is a service contract. ASU 2018-15 amended ASC 350 and clarified that a customer should apply ASC 350-40 to determine which implementation costs should be capitalized in a CCA. The ASU did not expand on existing disclosure requirements except to require a description of the nature of hosting arrangements that are service contracts. Entities were permitted to apply either a retrospective or prospective transition approach to adopt the guidance. The Company early adopted the amended guidance on a prospective application basis during the first quarter of fiscal year 2019. The adoption of ASU 2018-15 did not have a material impact on the Company’s consolidated financial statements and related disclosures.

In October 2018, the FASB issued ASU 2018-16, “*Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes*” (“ASU 2018-16”). ASU 2018-16 allows for the use of the OIS rate based on the SOFR as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, *Derivatives and Hedging*. The Company adopted ASU 2018-16 when it became effective in the first quarter of fiscal year 2019. The adoption of ASU 2018-16 did not have a material impact on the Company’s consolidated financial statements and related disclosures.

In July 2019, the FASB issued ASU 2019-07, “*Codification Updates to SEC Sections - Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10532, Disclosure Update and Simplification, and Nos. 33-10231 and 33-10442, Investment Company Reporting Modernization and Miscellaneous Updates (SEC Update)*” (“ASU 2019-07”). ASU 2019-07 clarified or improved the disclosure and presentation requirements of a variety of codification topics by aligning them with the SEC’s regulations, thereby eliminating redundancies and making the codification easier to apply. ASU 2019-07 was effective upon issuance and did not have a material impact on the Company’s consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, “*Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments*,” amended by subsequent ASUs (collectively, “ASU 2016-13”), which changed the way companies evaluate credit losses for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans, and other instruments, entities are required to use a new forward-looking “expected loss” model to evaluate impairment, potentially resulting in earlier recognition of allowances for losses. The new standard also required enhanced disclosures, including the requirement to disclose the information used to track credit quality by year of origination for most financing receivables. The Company adopted ASU 2016-13 when it became effective in the first quarter of fiscal year 2020. The adoption of ASU 2016-13 did not have a material impact on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, “*Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*” (“ASU 2018-13”), which changed the fair value measurement disclosure requirements of ASC Topic 820. The ASU added new disclosure requirements and eliminated and modified existing disclosure requirements. Entities are no longer required to disclose the reasons for and amounts of transfers between Level 1 and Level 2 of the fair value hierarchy, but entities are required to disclose the range and weighted-average of significant unobservable inputs used to develop Level 3 fair value measurements. The Company adopted ASU 2018-13 when it became effective in the first quarter of fiscal year 2020. The adoption of ASU 2018-13 did not have a material impact on its consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12, “*Simplifying the Accounting for Income Taxes*” (“ASU 2019-12”). The amendments in ASU 2019-12 simplified the accounting for income taxes by removing certain exceptions to the general principles in ASC Topic 740, *Income Taxes*. The amendments also improved consistent application of and simplified U.S. GAAP for other areas of ASC Topic 740 by clarifying and amending existing guidance. ASU 2019-12 required adoption on either a prospective or retrospective basis, dependent upon each amendment within this update. The Company adopted ASU 2019-12 when it became effective in the first quarter of fiscal year 2021. The adoption of ASU 2019-12 did not have a material impact on its consolidated financial statements and related disclosures.

Accounting Pronouncements Issued But Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, “*Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*” (“ASU 2020-04”). The amendments provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In January 2021, the FASB issued ASU 2021-01, “*Reference Rate Reform (Topic 848): Scope*” (“ASU 2021-01”) to amend the scope of the guidance in ASU 2020-04 on the facilitation of the effects of reference rate reform on financial reporting. Specifically, the amendments in ASU 2021-01 clarify that “certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting can apply to derivatives that are affected by the discounting transition”. The amendments apply only to contracts and hedging relationships that reference the London Interbank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued due to reference rate reform. The expedients are applicable to contract modifications made and hedging relationships entered into on or before December 31, 2022. The guidance may be elected over time as reference rate reform activities occur. The Company has elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. The Company continues to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

In October 2021, the FASB issued ASU 2021-08, “*Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*” (“ASU 2021-08”). The guidance requires an acquirer in a business combination to recognize and measure contract assets and liabilities in accordance with ASC 2014-09, *Revenue from Contracts with Customers (Topic 606)* rather than at fair value. The new standard will be effective on a prospective basis for fiscal years beginning after December 15, 2022 and interim periods therein, with early adoption permitted. The Company is currently evaluating the amended guidance and the impact on its consolidated financial statements and related disclosures.

Note 2. Revenue from Contracts with Customers

The following table presents Net sales disaggregated by product category (in millions):

	For the year January 4, 2021 to January 2, 2022	For the year December 30, 2019 to January 3, 2021	For the year December 31, 2018 to December 29, 2019
Landscaping products ^(a)	\$ 2,584.8	\$ 1,980.9	\$ 1,670.7
Agronomic and other products ^(b)	890.9	723.6	686.8
	<u>\$ 3,475.7</u>	<u>\$ 2,704.5</u>	<u>\$ 2,357.5</u>

(a) Landscaping products include irrigation supplies, hardscapes, landscape accessories, nursery goods, and outdoor lighting.

(b) Agronomic and other products include fertilizer, control products, ice melt, equipment, and other products.

Remaining Performance Obligations

Remaining performance obligations related to ASC Topic 606 represent the aggregate transaction price allocated to performance obligations with an original contract term greater than one year that are fully or partially unsatisfied at the end of the period. Remaining performance obligations include the outstanding points balance related to the customer loyalty rewards program. The program allows enrolled customers to earn loyalty rewards on purchases to be used on future purchases, to pay for annual customer trips hosted by the Company, or to obtain gift cards to other third-party retailers.

As of January 2, 2022, the aggregate amount of the transaction price allocated to remaining performance obligations was \$8.8 million. The Company expects to recognize revenue on the remaining performance obligations over the next 12 months.

Contract Balances

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable, deferred revenue, and billings in excess of revenue recognized in the Company's Consolidated Balance Sheets.

Contract liabilities

As of January 2, 2022 and January 3, 2021, contract liabilities were \$8.8 million and \$5.7 million, respectively, and were included within Accrued liabilities in the accompanying Consolidated Balance Sheets. The increase in the contract liability balance during the year ended January 2, 2022 is primarily a result of cash payments received in advance of satisfying performance obligations, partially offset by \$8.2 million of revenue recognized and the expiration of points related to the customer loyalty rewards program during the period.

Note 3. Acquisitions

From time to time, the Company enters into strategic acquisitions in an effort to better service existing customers and to attract new customers. The Company made various acquisitions during the years ended January 2, 2022, January 3, 2021, and December 29, 2019. The following acquisitions had an aggregate purchase price of \$147.2 million, \$160.6 million, \$70.7 million, and deferred contingent consideration of \$4.8 million, \$12.4 million, and \$6.4 million, for the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively. The aggregate assets acquired were \$108.6 million, \$129.1 million, and \$69.5 million, aggregate liabilities assumed were \$15.5 million, \$26.9 million, and \$22.1 million, and excess purchase price attributed to goodwill acquired was \$58.9 million, \$70.8 million, and \$29.7 million for the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively. The Company has completed the acquisition accounting for each acquisition made during the 2019 Fiscal Year, the 2020 Fiscal Year, and the acquisition of Lucky Landscape Supply in February 2021. The Company has recorded the preliminary acquisition accounting for the remaining acquisitions completed during the 2021 Fiscal Year at their estimated fair values as of the respective acquisition dates.

- In December 2021, the Company acquired the assets and assumed the liabilities of Bothe Trucking, Inc., doing business as Seffner Rock and Gravel ("Seffner"). With one location in Tampa, Florida, Seffner is a wholesale distributor of natural stone, bulk aggregates, mulch, soil, and other landscape supplies to landscape professionals.

- In November 2021, the Company acquired the assets and assumed the liabilities of Semco Distributing, Inc. (“Semco”). With four locations in Ohio and Missouri, Semco is a wholesale distributor of natural stone and landscape supplies to landscape professionals.
- In August 2021, the Company acquired the assets and assumed the liabilities of Green Brothers Earth Works and Southern Landscape Supply (“Green Brothers”). With four locations in the greater Atlanta, Georgia market, Green Brothers is a distributor of landscape supplies and hardscapes to landscape professionals.
- In May 2021, the Company acquired all of the outstanding stock of Rodvold Enterprises, Inc., doing business as Rock & Block Hardscape Supply (“Rock & Block”). With two locations in the San Diego, Southern Orange County and Inland Empire markets in California, Rock & Block is a distributor of hardscapes, masonry, and landscape supplies to landscape professionals.
- In April 2021, the Company acquired the assets and assumed the liabilities of Melrose Supply & Sales Corp (“Melrose”). With six locations throughout Florida, Melrose is a distributor of irrigation, lighting, and drainage products to landscape professionals.
- In April 2021, the Company acquired all of the outstanding stock of Timberwall Landscape & Masonry Products, Inc. (“Timberwall”). With one location in Victoria, Minnesota, Timberwall is a distributor of hardscapes and landscape supplies to landscape professionals.
- In April 2021, the Company acquired the assets and assumed the liabilities of Arizona Stone & Architectural Products and Solstice Stone (“Arizona Stone and Solstice”). With seven locations throughout Arizona and two locations in the Las Vegas, Nevada market, Arizona Stone and Solstice is a distributor of hardscapes, natural stone, and landscape supplies to landscape professionals.
- In February 2021, the Company acquired the assets and assumed the liabilities of Lucky Landscape Supply, LLC (“Lucky Landscape Supply”). With one location in the greater Houston, Texas market, Lucky Landscape Supply is a distributor of nursery products to landscape professionals.
- In December 2020, the Company acquired the assets and assumed the liabilities of Stone Center of Richmond, LLC and Stone Center of Fredericksburg, LLC (collectively, “Stone Center of Virginia”). With two locations in each of the Richmond and Fredericksburg, Virginia markets, Stone Center of Virginia is a distributor of hardscapes, natural stone, and landscape supplies to landscape professionals.
- In December 2020, the Company acquired the assets and assumed the liabilities of Dirt and Rock, LLC (“Dirt and Rock”). With one location in the greater Atlanta, Georgia market, Dirt and Rock is a distributor of hardscapes, natural stone, and landscape supplies to landscape professionals.
- In December 2020, the Company acquired the assets and assumed the liabilities of Alpine Materials (“Alpine”). With one location in the greater Dallas, Texas market, Alpine is a distributor of mulches, soils, and hardscape materials to landscape professionals.
- In October 2020, the Company acquired the assets and assumed the liabilities of Hedberg Supply (“Hedberg”). With two locations in the Twin Cities, Minnesota market, Hedberg is a distributor of hardscapes, nursery, and landscape supplies to landscape professionals.
- In October 2020, the Company acquired the assets and assumed the liabilities of BURNCO Landscape Centres Inc. (“BURNCO”). With 12 locations in the three Canadian provinces of British Columbia, Alberta, and Saskatchewan, BURNCO is a distributor of hardscapes and landscape supplies to landscape professionals.
- In August 2020, the Company acquired all of the outstanding stock of Modern Builders Supply, Inc. (“Modern Builders”). With two locations in the San Diego, Southern Orange County and Inland Empire markets in California, Modern Builders is a distributor of hardscapes and landscape supplies to landscape professionals.
- In August 2020, the Company acquired the assets and assumed the liabilities of Alliance Stone (“Alliance Stone”). With one location in the greater Atlanta, Georgia market, Alliance Stone is a distributor of hardscapes and natural stone to landscape professionals.
- In March 2020, the Company acquired the assets and assumed the liabilities of Big Rock Natural Stone and Hardscapes, Inc. (“Big Rock”). With one location in the greater Greenville, South Carolina market, Big Rock is a distributor of hardscapes and landscape supplies to landscape professionals.
- In January 2020, the Company acquired the assets and assumed the liabilities of The Garden Dept. Corp. (“Garden Dept.”). With three locations in the greater Long Island, New York market, Garden Dept. is a distributor of nursery and landscape supplies to landscape professionals.

- In January 2020, the Company acquired the assets and assumed the liabilities of Empire Supplies (“Empire”). With three locations in the greater Newark-Union, New Jersey market, Empire is a distributor of hardscapes and landscape supplies to landscape professionals.
- In January 2020, the Company acquired the assets and assumed the liabilities of Wittkopf Landscape Supply (“Wittkopf”). With two locations in the Spokane Valley, Washington market, Wittkopf is a distributor of hardscapes and landscape supplies to landscape professionals.
- In December 2019, the Company acquired the assets and assumed the liabilities of Daniel Stone & Landscaping Supplies, Inc. (“Daniel Stone”). With one location in the greater Austin, Texas market, Daniel Stone is a distributor of hardscapes and landscape supplies to landscape professionals.
- In December 2019, the Company acquired all of the members’ interests of Dirt Doctors, Inc. (“Dirt Doctors”). With three locations in the greater New England market, Dirt Doctors is a distributor of hardscapes and landscape supplies to landscape professionals.
- In September 2019, the Company acquired the assets and assumed the liabilities of Design Outdoor, Inc. (“Design Outdoor”). With one location in the greater Reno/Lake Tahoe, Nevada area, Design Outdoor is a distributor of hardscapes products to landscape professionals.
- In August 2019, the Company acquired the assets and assumed the liabilities of Trendset Concrete Products, Inc. (“Trendset”). With one location in the greater Seattle, Washington market, Trendset is a distributor of hardscapes products to landscape professionals.
- In July 2019, the Company acquired the assets and assumed the liabilities of L.H. Voss Materials Dublin and its affiliates, Mt. Diablo Landscape Centers and Clark’s Home & Garden (collectively, “Voss”). With five locations across the East Bay in Northern California, Voss is a distributor of hardscapes and landscape supplies to landscape professionals.
- In May 2019, the Company acquired the assets and assumed the liabilities of Stone and Soil Depot, Inc. (“Stone and Soil”). With three locations in the greater San Antonio, Texas market, Stone and Soil is a market leader in the distribution of hardscapes and landscape supplies to landscape professionals.
- In April 2019, the Company acquired the assets and assumed the liabilities of Fisher’s Landscape Depot (“Fisher’s”). With two locations in Western Ontario, Canada, Fisher’s is a market leader in the distribution of hardscapes and landscape supplies to landscape professionals.
- In April 2019, the Company acquired the assets and assumed the liabilities of Landscape Depot, Inc. (“Landscape Depot”). With three locations in the greater Boston, Massachusetts market, Landscape Depot is a market leader in the distribution of hardscapes and landscape supplies to landscape professionals.
- In February 2019, the Company acquired the assets and assumed the liabilities of All Pro Horticulture, Inc. (“All Pro”). With one location in Long Island, New York, All Pro is a market leader in the distribution of agronomics and erosion control products to landscape professionals.
- In January 2019, the Company acquired the assets and assumed the liabilities of Cutting Edge Curbing Sand & Rock (“Cutting Edge”). With one location in Phoenix, Arizona, Cutting Edge is a market leader in the distribution of hardscapes and landscape supplies to landscape professionals.

These transactions were accounted for by the acquisition method, and accordingly, the results of operations were included in the Company’s consolidated financial statements from their respective acquisition dates.

Note 4. Property and Equipment, Net

Property and equipment consisted of the following (in millions):

	January 2, 2022	January 3, 2021
Land	\$ 12.2	\$ 12.2
Buildings and leasehold improvements:		
Buildings	7.8	7.8
Leasehold improvements	39.5	31.0
Branch equipment	81.0	58.6
Office furniture and fixtures and vehicles:		
Office furniture and fixtures	25.5	22.4
Vehicles	33.6	32.0
Finance lease right-of-use assets	77.5	64.5
Tooling	0.1	0.1
Construction in process	7.3	5.3
Total Property and equipment, gross	284.5	233.9
Less: accumulated depreciation and amortization	133.0	103.9
Total Property and equipment, net	\$ 151.5	\$ 130.0

Amortization of finance ROU assets and depreciation expense was \$36.2 million, \$29.4 million, and \$25.1 million for the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively.

Capitalized software has an estimated useful life of three years. The amounts of total capitalized software costs, including purchased and internally developed software, included in Other assets at January 2, 2022 and January 3, 2021 were \$12.8 million and \$12.9 million, less accumulated amortization of \$11.1 million and \$9.4 million, respectively. Amortization of these software costs was \$1.8 million, \$2.1 million and \$2.1 million for the years ended January 2, 2022, January 3, 2021 and December 29, 2019, respectively.

Note 5. Goodwill and Intangible Assets, Net

Goodwill

The changes in the carrying amount of goodwill for the years ended January 2, 2022 and January 3, 2021 are as follows (in millions):

	For the year January 4, 2021 to January 2, 2022	For the year December 30, 2019 to January 3, 2021
Beginning balance	\$ 250.6	\$ 181.3
Goodwill acquired during the year	58.9	70.8
Goodwill adjusted during the year	1.6	(1.5)
Ending balance	\$ 311.1	\$ 250.6

Additions to goodwill during the years ended January 2, 2022 and January 3, 2021 related to the acquisitions during the 2021 Fiscal Year and the 2020 Fiscal Year as described in [Note 3](#). There have been no impairments of the Company's goodwill for the years ended January 2, 2022 and January 3, 2021.

Intangible Assets

The following table summarizes the components of intangible assets (in millions, except weighted average remaining useful life):

	Weighted Average Remaining Useful Life	January 2, 2022			January 3, 2021		
		Amount	Accumulated Amortization	Net	Amount	Accumulated Amortization	Net
Customer relationships	17.0 years	\$ 394.8	\$ 197.3	\$ 197.5	\$ 340.5	\$ 156.9	\$ 183.6
Trademarks and other	3.7 years	34.1	17.7	16.4	25.8	13.1	12.7
Total intangibles		\$ 428.9	\$ 215.0	\$ 213.9	\$ 366.3	\$ 170.0	\$ 196.3

During the year ended January 2, 2022, the Company recorded \$62.6 million of intangible assets, including \$54.3 million in Customer relationship intangibles and \$8.3 million in Trademarks and other intangibles. The change in Customer relationship intangibles and Trademarks and other intangibles included additions of \$54.2 million and \$8.3 million, respectively, as a result of the acquisitions completed in 2021 as described in [Note 3](#). Foreign currency translation adjustments of Customer relationships and Trademarks and other intangibles related to prior year acquisitions were \$0.1 million and zero, respectively.

During the year ended January 3, 2021, the Company recorded \$81.4 million of intangible assets, including \$72.6 million in Customer relationship intangibles and \$8.8 million in Trademarks and other intangibles. The change in Customer relationship intangibles and Trademarks and other intangibles included additions of \$70.8 million and \$8.6 million, respectively, as a result of the acquisitions completed in 2020 as described in [Note 3](#). Adjustments to purchase price allocations related to prior year acquisitions during the allowable measurement period of Customer relationship intangibles and Trademarks and other intangibles were \$1.8 million and \$0.2 million, respectively.

The Customer relationship intangible assets will be amortized over a weighted-average period of approximately 20 years. The Trademarks and other intangible assets recorded will be amortized over a weighted-average period of approximately five years.

Amortization expense for intangible assets for the years ended January 2, 2022, January 3, 2021, and December 29, 2019 was \$45.0 million, \$35.7 million, and \$32.3 million, respectively.

Total future amortization estimated as of January 2, 2022, is as follows (in millions):

Fiscal year ending:

2022	\$	42.6
2023		34.8
2024		28.0
2025		22.5
2026		17.9
Thereafter		68.1
Total future amortization	\$	213.9

Note 6. Leases

The components of lease expense were as follows (in millions):

Lease cost	Classification	For the year January 4, 2021 to January 2, 2022	For the year December 30, 2019 to January 3, 2021
Finance lease cost			
Amortization of right-of-use assets	Selling, general and administrative expenses	\$ 10.8	\$ 9.1
Interest on lease liabilities	Interest and other non-operating expenses, net	1.5	1.3
Operating lease cost	Cost of goods sold	3.7	3.1
Operating lease cost	Selling, general and administrative expenses	70.4	64.8
Short-term lease cost	Selling, general and administrative expenses	1.5	1.9
Variable lease cost	Selling, general and administrative expenses	0.9	0.6
Sublease income	Selling, general and administrative expenses	(1.1)	(1.0)
Total lease cost		\$ 87.7	\$ 79.8

Supplemental cash flow information related to leases was as follows (in millions):

Other information	For the year January 4, 2021 to January 2, 2022	For the year December 30, 2019 to January 3, 2021
Cash paid for amounts included in the measurements of lease liabilities:		
Operating cash flows from finance leases	\$ 1.5	\$ 1.3
Operating cash flows from operating leases	\$ 72.5	\$ 66.0
Financing cash flows from finance leases	\$ 10.4	\$ 8.5
Right-of-use assets obtained in exchange for new lease liabilities:		
Finance leases	\$ 14.2	\$ 27.4
Operating leases	\$ 94.9	\$ 79.9

The aggregate future lease payments for operating and finance leases as of January 2, 2022 were as follows (in millions):

Maturity of Lease Liabilities	Operating Leases	Finance Leases
Fiscal year:		
2022	\$ 68.8	\$ 12.4
2023	64.7	11.8
2024	53.8	10.6
2025	42.3	7.7
2026	30.8	4.9
Thereafter	106.1	1.5
Total lease payments	366.5	48.9
Less: interest	60.2	3.5
Present value of lease liabilities	\$ 306.3	\$ 45.4

Average lease terms and discount rates were as follows:

Lease Term and Discount Rate	January 2, 2022
Weighted-average remaining lease term	
Finance leases	4.4 years
Operating leases	6.9 years
Weighted-average discount rate	
Finance leases	3.6 %
Operating leases	4.8 %

Note 7. Employee Benefit and Stock Incentive Plans

The Company sponsors a defined contribution benefit plan for substantially all of its employees. Company contributions to the plan are based on a percentage of employee wages. The Company's contributions to the plan were \$11.4 million, \$9.6 million, and \$8.5 million for the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively.

The Company's Omnibus Equity Incentive Plan (the "2016 Plan"), which became effective on April 28, 2016, provides for the grant of awards in the form of stock options that may be either incentive stock options or non-qualified stock options; stock purchase rights; restricted stock; restricted stock units ("RSUs"); performance shares; performance stock units ("PSUs"); stock appreciation rights ("SARs"); dividend equivalents; deferred stock units ("DSUs"); or other stock-based awards. The Company also has outstanding stock-based awards under its stock incentive plan ("Stock Incentive Plan"), which commenced in May 2014 and terminated upon adoption of the 2016 Plan. However, awards previously granted under the Stock Incentive Plan were unaffected by the termination of the Stock Incentive Plan.

At the 2020 Annual Meeting of Stockholders of the Company on May 13, 2020 (the "Effective Date"), the Company's stockholders approved the Company's 2020 Omnibus Equity Incentive Plan (the "2020 Plan"), which replaced the 2016 Plan. The 2020 Plan reserves 2,155,280 shares of the Company's common stock for issuance under the 2020 Plan, consisting of 1,600,000 new shares plus 555,280 shares that were previously authorized for issuance under the 2016 Plan and that, as of the Effective Date, were not subject to outstanding awards. No further grants of awards will be made under the 2016 Plan; however, outstanding awards granted under the 2016 Plan will remain outstanding and will continue to be administered in accordance with the terms of the 2016 Plan and the applicable award agreements. Any shares covered by an award, or any portion thereof, granted under the 2020 Plan, 2016 Plan, or Stock Incentive Plan that terminates, is forfeited, is repurchased, expires, or lapses for any reason will again be available for the grant of awards. Additionally, any shares tendered or withheld to satisfy the grant or exercise price or tax withholding obligations pursuant to any award under the 2020 Plan, 2016 Plan, or Stock Incentive Plan will again be available for issuance. The aggregate number of shares which may be issued under the 2020 Plan is 2,155,280 shares, of which 2,029,381 remain available as of January 2, 2022.

The stock options and RSUs granted to employees vest over a four-year period at 25% per year. The DSUs granted to non-employee directors vest immediately but settlement is deferred until termination of the director's service on the board or until a change of control of the Company. Stock options and RSUs expire ten years after the date of grant. PSUs granted to employees vest upon the achievement of the performance conditions, over a three-year period, measured by the growth of the Company's pre-tax income plus amortization relative to a select peer group, subject to adjustment based upon the application of a return on invested capital modifier.

The fair value of each stock option is estimated on the date of grant using the Black-Scholes options pricing model. Expected volatilities are based on the historical equity volatility of comparable publicly traded companies. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rates utilized for periods throughout the contractual life of the options are based on the U.S. Treasury security yields at the time of grant. The DSUs, RSUs, and PSUs have grant date fair values equal to the fair market value of the underlying stock on the date of grant. Share-based compensation expense is recognized in the financial statements based upon fair value on the date of grant. The compensation cost for stock options and RSUs is recognized on a straight-line basis over the requisite vesting period. The Company recognizes compensation expense for PSUs when it is probable that the performance conditions will be achieved. The Company reassesses the probability of vesting at each reporting period and adjusts its compensation cost accordingly.

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The estimated grant-date fair value of stock options is calculated using the Black-Scholes option-pricing model, based on the following weighted-average assumptions:

	January 2, 2022	January 3, 2021	December 29, 2019
Risk-free interest rate	0.70%	1.50%	2.52%
Expected dividends	—	—	—
Expected volatility	28%	22%	25%
Expected term	6.25 years	6.25 years	6.25 years

The following table summarizes the information about stock options as of and for the years ended January 2, 2022 and January 3, 2021:

	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Outstanding as of December 29, 2019	1,998.8	\$ 26.67	5.98 years	\$ 127.5
Granted	139.9	102.38		
Exercised	(528.0)	18.55		
Expired or forfeited	(15.4)	54.63		
Outstanding as of January 3, 2021	1,595.3	\$ 35.73	5.60 years	\$ 196.0
Granted	75.0	167.42		
Exercised	(449.0)	20.69		
Expired or forfeited	(28.0)	102.99		
Outstanding as of January 2, 2022	1,193.3	\$ 48.09	5.19 years	\$ 231.7
Exercisable as of January 2, 2022	853.9	\$ 30.15	4.23 years	\$ 181.1
Unvested and expected to vest after January 2, 2022	339.4	\$ 93.21	7.60 years	\$ 50.6

The following table summarizes other stock-based compensation award activities for the year ended January 2, 2022 (in thousands):

	RSUs	DSUs	PSUs
Outstanding as of January 3, 2021	174.1	41.0	44.2
Granted	84.7	4.5	19.9
Vested/Settled	(60.5)	—	—
Expired or forfeited	(11.7)	—	(3.6)
Outstanding as of January 2, 2022	186.6	45.5	60.5

The weighted average grant date fair value of awards granted during the year ended January 2, 2022 was as follows:

	Weighted Average Grant Date Fair Value
Stock options	\$ 48.51
RSUs	\$ 171.20
DSUs	\$ 174.42
PSUs	\$ 166.15

A summary of stock-based compensation expenses recognized during the periods was as follows (in millions):

	For the year January 4, 2021 to January 2, 2022	For the year December 30, 2019 to January 3, 2021
Stock options	\$ 4.0	\$ 4.7
RSUs	6.4	4.1
DSUs	0.6	0.8
PSUs	3.3	1.0
Total stock-based compensation	<u>\$ 14.3</u>	<u>\$ 10.6</u>

A summary of unrecognized stock-based compensation expense as of January 2, 2022 was as follows:

	Unrecognized Compensation (in millions)	Weighted Average Remaining Period
Stock options	\$ 5.5	2.3 years
RSUs	\$ 16.4	2.8 years
DSUs	\$ 0.2	0.8 years
PSUs	\$ 2.6	1.8 years

Note 8. Long-Term Debt

Long-term debt was as follows (in millions):

	January 2, 2022	January 3, 2021
ABL facility	\$ —	\$ —
Term loans	255.4	269.0
Hybrid debt instruments	4.8	—
Total gross long-term debt	260.2	269.0
Less: unamortized debt issuance costs and discounts on debt	(5.0)	(5.5)
Total debt	\$ 255.2	\$ 263.5
Less: current portion	(4.0)	(2.8)
Total long-term debt	\$ 251.2	\$ 260.7

ABL Facility:

SiteOne Landscape Supply Holding, LLC (“Landscape Holding”) and SiteOne Landscape Supply, LLC (“Landscape”) and together with Landscape Holding, the “Borrowers”), each an indirect wholly-owned subsidiary of the Company, are parties to the credit agreement dated December 23, 2013 (as amended by the First Amendment to the Credit Agreement, dated June 13, 2014, the Second Amendment to the Credit Agreement, dated January 26, 2015, the Third Amendment to the Credit Agreement, dated February 13, 2015, the Fourth Amendment to the Credit Agreement, dated October 20, 2015, the Omnibus Amendment to the Credit Agreement, dated May 24, 2017, and the Sixth Amendment to the Credit Agreement, dated February 1, 2019, the “ABL Credit Agreement”) providing for an asset-based credit facility (the “ABL Facility”) of up to \$375.0 million, subject to borrowing base availability. The ABL Facility is guaranteed by SiteOne Landscape Supply Bidco, Inc. (“Bidco”), an indirect wholly-owned subsidiary of the Company, and each direct and indirect wholly-owned U.S. restricted subsidiary of Landscape. The availability under the ABL Facility was \$364.1 million and \$362.3 million as of January 2, 2022 and January 3, 2021, respectively. Availability is determined using borrowing base calculations of eligible inventory and receivable balances less the current outstanding ABL Facility and letters of credit balances.

On February 1, 2019, the Company entered into the Sixth Amendment to Credit Agreement, to among other things, (i) extend the termination date to February 1, 2024, (ii) increase the aggregate principal amount of the commitments under the ABL Credit Agreement to \$375.0 million pursuant to an increase via use of the existing “incremental” commitment increase provisions of the ABL Credit Agreement, and (iii) amend certain terms of the ABL Credit Agreement and Guarantee and Collateral Agreement.

The interest rate on the ABL Facility is LIBOR plus an applicable margin ranging from 1.25% to 1.75% or an alternate base rate for U.S. denominated borrowings plus an applicable margin ranging from 0.25% to 0.75%. There were no outstanding balances under the ABL Facility as of January 2, 2022 and January 3, 2021. Additionally, the Borrowers paid a commitment fee of 0.25% on the unfunded amount as of January 2, 2022 and January 3, 2021.

The ABL Facility is subject to mandatory prepayments if the outstanding loans and letters of credit exceed either the aggregate revolving commitments or the current borrowing base, in an amount equal to such excess. Additionally, the ABL Facility is subject to various covenants, including incurrence covenants that require the Company to meet minimum financial ratios, and additional borrowings and other corporate transactions may be limited by failure to meet these financial ratios. Failure to meet any of these covenants could result in an event of default under these agreements. If an event of default occurs, the lenders could elect to declare all amounts outstanding under these agreements to be immediately due and payable, enforce their interest in collateral pledged under the agreement, or restrict the Borrowers’ ability to obtain additional borrowings under these agreements. The ABL Facility is secured by a first lien security interest over inventory and receivables and a second lien security interest over all other assets pledged as collateral.

The ABL Facility contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants consist of the following: financial condition, fundamental changes, dividends and distributions, acquisitions, dispositions of collateral, payments and modifications of restricted indebtedness, negative pledge clauses, changes in line of business, currency, commodity and other hedging transactions, transactions with affiliates, investments, indebtedness, and liens. The negative covenants are subject to the customary exceptions and also permit the payment of dividends and distributions, investments, permitted acquisitions and payments or redemptions of junior indebtedness upon satisfaction of a payment condition. As of January 2, 2022, the Company is in compliance with all of the ABL Facility covenants.

Term Loans:

The Borrowers entered into a syndicated senior term loan facility dated April 29, 2016, which was amended on November 23, 2016, May 24, 2017, December 12, 2017, and August 14, 2018. On March 23, 2021, the Borrowers entered into the Fifth Amendment to the Amended and Restated Credit Agreement (the “Fifth Amendment”), in order to, among other things, incur \$325.0 million of term loans (the “New Term Loans”) which were used in part to prepay all of the existing Tranche E Term Loans. The New Term Loans are guaranteed by Bidco and each direct and indirect wholly-owned U.S. restricted subsidiary of Landscape. The New Term Loans are secured by a second lien security interest over inventory and receivables and a first lien security interest over all other assets pledged as collateral. The New Term Loans will mature on March 23, 2028.

Amendments of the Term Loans:

The Company through its subsidiaries entered into the Fifth Amendment, dated as of March 23, 2021, by and among the Borrowers, JPMorgan Chase Bank, N.A. (the “New Agent”), as administrative agent and collateral agent, the several banks and other financial institutions party thereto and certain other parties party thereto from time to time. The Fifth Amendment amends and restates the Amended and Restated Credit Agreement, dated as of April 29, 2016, among the Borrowers, the lenders from time to time party thereto and UBS AG, Stamford Branch (the “Existing Agent”) as administrative agent and collateral agent (as amended prior to March 23, 2021, the “Existing Credit Agreement” and, as so amended and restated pursuant to the Fifth Amendment, the “Second Amended and Restated Credit Agreement”) in order to, among other things, (i) incur \$325.0 million of term loans, (ii) replace the Existing Agent as administrative and collateral agent with the New Agent, and (iii) make such other changes in the Second Amended and Restated Credit Agreement as agreed among the Borrowers and the lenders. Proceeds of the New Term Loans were used, among other things, (i) to repay in full the Tranche E Term Loans outstanding under the Existing Credit Agreement immediately prior to effectiveness of the Fifth Amendment, (ii) to pay fees and expenses related to the Fifth Amendment and the Second Amended and Restated Credit Agreement, and (iii) for working capital and other general corporate purposes.

The New Term Loans bear interest, at Landscape Holding’s option, at either (i) an adjusted LIBOR rate plus an applicable margin equal to 2.00% (with a LIBOR floor of 0.50%) or (ii) an alternative base rate plus an applicable margin equal to 1.00%. Voluntary prepayments of the New Term Loans are permitted at any time, in minimum principal amounts, without premium or penalty, subject to a 1.00% premium payable in connection with certain repricing transactions within the first twelve months after the date of the initial funding of the New Term Loans. The interest rate on the outstanding balance of the New Terms Loans was 2.50% at January 2, 2022.

The Second Amended and Restated Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants are limited to the following: limitations on indebtedness, restricted payments, restrictive agreements, sales of assets and subsidiary stock, transactions with affiliates, liens, fundamental changes, amendments, and lines of business. The negative covenants are subject to exceptions customary for transactions of the type.

The New Term Loans are payable in consecutive quarterly installments equal to 0.25% of the aggregate initial principal amount of the New Term Loans until the maturity date. In addition, the New Term Loans are subject to annual mandatory prepayments in an amount equal to 50% of excess cash flow, as defined in the Second Amended and Restated Credit Agreement for the applicable fiscal year if 50% of excess cash flow exceeds \$15.0 million and the secured leverage ratio is greater than 3.00 to 1.00. There are also mandatory prepayments with the proceeds of certain asset sales and from the issuance of debt not permitted to be incurred under the Second Amended and Restated Credit Agreement. As of January 2, 2022, the Company is in compliance with all of the Second Amended and Restated Credit Agreement covenants.

On December 31, 2021, the Company paid down \$68.0 million of the New Term Loans principal with cash on hand. As a result of the repayment, unamortized debt issuance costs and discounts in the amount of \$0.9 million were charged to interest expense for the year ended January 2, 2022.

On September 30, 2020 and December 31, 2020, the Company paid down \$138.4 million and \$31.0 million, respectively, of the Tranche E Term Loans principal with cash on hand. As a result of the repayments, unamortized debt issuance costs and discounts in the amount of \$2.2 million were charged to interest expense for the year ended January 3, 2021.

During the years ended January 2, 2022, January 3, 2021, and December 29, 2019, the Company incurred total interest expense of \$19.2 million, \$31.0 million, and \$33.4 million, respectively, of which \$14.7 million, \$25.9 million, and \$30.1 million, respectively, related to interest on the ABL Facility and the term loans. The debt issuance costs and discounts are amortized as interest expense over the life of the debt. As a result of the Fifth Amendment, unamortized debt issuance costs and discounts in the amount of \$0.8 million were written off to expense and new debt fees and issuance costs of \$2.4 million were capitalized during the year ended January 3, 2021, in accordance with ASC 470-50, "Debt Modifications and Extinguishments". In addition, as a result of the amendment of the ABL Facility in February 2019, unamortized debt issuance costs and discounts in the amount of \$0.4 million were written off to expense and new discounts and debt issuance costs of \$0.9 million were capitalized during the year ended December 29, 2019. No gain or loss was recorded as it related to all participating lenders. Amortization expense related to debt issuance costs and discounts was \$2.3 million, \$4.1 million, and \$2.0 million for the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively. The remaining \$1.4 million, \$1.0 million, and \$0.9 million of interest expense is primarily related to interest attributable to finance leases, partially offset by interest income for the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively.

Hybrid Debt Instruments:

As a result of the determination that the Interest rate swap arrangements executed on March 23, 2021 are hybrid debt instruments containing embedded at-market swap derivatives, the Company reclassified \$5.9 million from Accrued liabilities and Other long-term liabilities to long-term debt with \$1.5 million classified as Long-term debt, current portion and \$4.4 million classified as Long-term debt, less current portion on its Consolidated Balance Sheets during the first quarter of 2021. As of January 2, 2022, approximately \$1.5 million was classified as Long-term debt, current portion and approximately \$3.3 million was classified as Long-term debt, less current portion on the Company's Consolidated Balance Sheets. Refer to "[Note 1](#). Nature of Business and Significant Accounting Policies" and "Interest Rate Swaps" below for additional information regarding interest rate swaps and hybrid debt instruments.

Maturities of long-term debt outstanding, in principal amounts at January 2, 2022 are summarized below (in millions):

Fiscal year:		
2022	\$	4.0
2023		4.1
2024		3.4
2025		3.0
2026		3.2
Thereafter		242.5
Total	\$	<u>260.2</u>

Interest Rate Swaps

The Company is subject to interest rate risk with regard to existing and future issuances of debt. The Company utilizes interest rate swap contracts to reduce its exposure to fluctuations in variable interest rates for future interest payments on existing debt. The Company is party to forward-starting interest rate swap contracts and interest rate swap contracts to convert the variable interest rate to a fixed interest rate on the borrowings under the term loans.

The Company recognizes any differences between the variable interest rate payments and the fixed interest rate settlements with the swap counterparties as an adjustment to interest expense over the life of the swaps. The Company has designated these swaps as cash flow hedges and records the estimated fair value of the swaps to AOCI on its Consolidated Balance Sheets. If it becomes probable the forecasted transactions will not occur, the hedge relationship will be de-designated and amounts accumulated in AOCI will be reclassified to Interest and other non-operating expenses, net in the current period.

On March 23, 2021, the Company restructured the interest rate swap positions of its Forward-starting interest rate swaps 4, 5, and 6 to extend the terms to maturity using a strategy commonly referred to as a “blend and extend” in order to continue to manage its exposure to interest rate risk on borrowings under the term loans. As a result of these transactions, all existing agreements for Forward-starting interest rate swaps 4, 5, and 6 were amended and restructured as new agreements designated by the Company as Interest rate swaps 7, 8, and 9 with the same counterparties. Each of the amended Interest rate swap agreements mature on March 23, 2025 and effectively blended the liability positions of the Forward-starting interest rate swaps into the Interest rate swaps and extended the term of the hedged positions. The Interest rate swaps are indexed to three-month LIBOR and net settled on a quarterly basis with the counterparties for the difference between the fixed rates and the variable rates based upon three-month LIBOR (subject to a floor of 0.50%) as applied to the notional amounts of each Interest rate swap. Due to the size of the initial net investment amounts resulting from the termination values of the Forward-starting interest rate swaps that were rolled into the Interest rate swap arrangements, Interest rate swaps 7, 8, and 9 were determined to be hybrid debt instruments containing embedded at-market interest rate swap derivatives. As a result, the Company bifurcated the derivative instruments from the debt host instruments for accounting purposes. Refer to “[Note 1](#). Nature of Business and Significant Accounting Policies” and “Hybrid Debt Instruments” above for additional information regarding the Company’s hybrid debt instruments.

The Company also de-designated the hedging relationships for Forward-starting interest rate swaps 1 and 2 on March 23, 2021. The swaps were not terminated upon de-designation; however, hedge accounting was discontinued since these swaps were no longer designated as hedging instruments. The related accumulated losses for these swaps remained in AOCI upon de-designation and were recognized in earnings at the time the hedged interest payments impacted earnings.

As a result of the principal repayments of the Tranche E Term Loans on September 30, 2020 and December 31, 2020, the Company de-designated the hedging relationship for all of Forward-starting interest rate swap 6 and a portion of Forward-starting interest rate swap 5. The swaps were not terminated; however, hedge accounting was discontinued since these swaps were no longer designated as hedging instruments. Because the interest payments related to the repaid principal amounts were no longer probable of occurring, accumulated losses in the amount of \$1.1 million were reclassified into income for the year ended January 3, 2021, which were included in Interest and other non-operating expenses, net in the Consolidated Statements of Operations and in Accrued expenses and other liabilities within Changes in operating assets and liabilities, net of the effects of acquisitions in the Consolidated Statements of Cash Flows.

The following table provides additional details related to the swap contracts designated as hedging instruments as of January 2, 2022:

Derivatives designated as hedging instruments	Inception Date	Effective Date	Maturity Date	Notional Amount (in millions)	Fixed Interest Rate	Type of Hedge
Forward-starting interest rate swap 3	December 17, 2018	July 14, 2020	January 14, 2024	\$ 34.0	2.93450 %	Cash flow
Interest rate swap 7	March 23, 2021	March 23, 2021	March 23, 2025	\$ 50.0	0.99500 %	Cash flow
Interest rate swap 8	March 23, 2021	March 23, 2021	March 23, 2025	\$ 90.0	0.98600 %	Cash flow
Interest rate swap 9	March 23, 2021	March 23, 2021	March 23, 2025	\$ 70.0	0.99784 %	Cash flow

The following table provides additional details related to the swap contracts not designated as hedging instruments, which were terminated upon maturity on June 11, 2021:

Derivatives not designated as hedging instruments	Inception Date	Effective Date	Maturity Date	Notional Amount (in millions)	Fixed Interest Rate
Forward-starting interest rate swap 1	June 30, 2017	March 11, 2019	June 11, 2021	\$ 58.0	2.13450 %
Forward-starting interest rate swap 2	June 30, 2017	March 11, 2019	June 11, 2021	\$ 116.0	2.15100 %

The following tables summarize the fair value of the derivative instruments and the respective lines in which they were recorded in the Consolidated Balance Sheets as of January 2, 2022 and January 3, 2021 (in millions):

	Derivative Assets			
	January 2, 2022		January 3, 2021	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest rate contracts	Other assets	\$ 2.5	Other assets	\$ —
Total derivative assets		<u>\$ 2.5</u>		<u>\$ —</u>
	Derivative Liabilities			
	January 2, 2022		January 3, 2021	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest rate contracts	Accrued liabilities	\$ 1.2	Accrued liabilities	\$ 2.2
	Other long-term liabilities	0.6	Other long-term liabilities	2.6
Derivatives not designated as hedging instruments				
Interest rate contracts	Accrued liabilities	\$ —	Accrued liabilities	\$ 1.7
	Other long-term liabilities	—	Other long-term liabilities	2.6
Total derivative liabilities		<u>\$ 1.8</u>		<u>\$ 9.1</u>

As of January 2, 2022, the net fair value of the interest rate swaps in the amount of \$1.8 million, net of taxes, was recorded in Accumulated other comprehensive loss including \$0.6 million of accumulated gains related to derivatives designated as hedging instruments and \$2.4 million of accumulated losses related to derivatives not designated as hedging instruments. To the extent the interest rate swaps designated as hedging instruments are determined to be ineffective, the Company recognizes the changes in the estimated fair value of the swaps in earnings. For the year ended January 2, 2022, there was no ineffectiveness recognized in earnings. The estimated net amount of the existing losses reported in Accumulated other comprehensive loss expected to be reclassified into earnings within the next 12 months was \$3.1 million as of January 2, 2022. The ultimate amount recognized will vary based on fluctuations of interest rates through the maturity dates.

The table below details pre-tax amounts in AOCI and gain (loss) reclassified into income for derivatives designated as cash flow hedges for the years ended January 2, 2022 and January 3, 2021 (in millions):

	January 2, 2022			January 3, 2021		
	Gain (Loss) Recorded in OCI	Classification of Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Recorded in OCI	Classification of Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Reclassified from AOCI into Income
Derivatives in Cash Flow Hedging Relationships						
Interest rate contracts	\$ 1.0	Interest and other non-operating expenses, net	\$ (2.2)	\$ (0.6)	Interest and other non-operating expenses, net	\$ (4.1)

The table below details gain (loss) recorded in income and reclassified from AOCI into income for derivatives not designated as hedging instruments for the years ended January 2, 2022 and January 3, 2021 (in millions):

Derivatives not designated as hedging instruments	Location of Gain (Loss)	Gain (Loss) Reclassified from AOCI into Income		Gain (Loss) Recognized in Income	
		January 02, 2022	January 03, 2021	January 02, 2022	January 03, 2021
Interest rate contracts	Interest and other non-operating expenses, net	\$ (2.4)	\$ (1.1)	\$ (0.1)	\$ (0.6)

Failure of the swap counterparties to make payments would result in the loss of any potential benefit to the Company under the swap agreements. In this case, the Company would still be obligated to pay the variable interest payments underlying the debt agreements. Additionally, failure of the swap counterparties would not eliminate the Company's obligation to continue to make payments under the existing swap agreements if it continues to be in a net pay position.

Note 9. Income Taxes

In March 2020, the CARES Act was enacted. The CARES Act included several changes to existing U.S. tax laws that impacted the Company, most notably the 2019 and 2020 change to the limitation on U.S. interest deductibility based on 50% of adjusted taxable income, the ability to defer the payment of qualifying employer payroll taxes to December 31, 2021 and December 31, 2022, and certain changes to the depreciable life of qualified improvement property. Refer to "Note 1. Nature of Business and Significant Accounting Policies" for additional information.

The Company recorded Income tax expense of \$56.1 million, \$27.5 million, and \$13.8 million for the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively.

Components of Income before taxes were as follows (in millions):

	For the year January 4, 2021 to January 2, 2022	For the year December 30, 2019 to January 3, 2021	For the year December 31, 2018 to December 29, 2019
U.S.	\$ 286.3	\$ 144.5	\$ 87.5
Foreign	8.2	4.3	4.0
Total	\$ 294.5	\$ 148.8	\$ 91.5

Components of Income tax expense were as follows (in millions):

	For the year January 4, 2021 to January 2, 2022	For the year December 30, 2019 to January 3, 2021	For the year December 31, 2018 to December 29, 2019
Current income tax expense			
U.S. federal	\$ 44.1	\$ 19.2	\$ 11.7
U.S. state and local	12.4	7.5	4.4
Foreign	2.7	0.4	1.1
Total current	59.2	27.1	17.2
Deferred income tax (benefit) expense			
U.S. federal	(1.8)	0.8	(2.0)
U.S. state and local	(0.7)	(0.8)	(1.3)
Foreign	(0.6)	0.4	(0.1)
Total deferred	(3.1)	0.4	(3.4)
Total	\$ 56.1	\$ 27.5	\$ 13.8

The Company's effective tax rate was 19.0%, 18.5%, and 15.1% for the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively. The following table provides a reconciliation of Income tax expense at the statutory U.S. federal tax rate to actual Income tax expense for the periods presented (in millions):

	For the year January 4, 2021 to January 2, 2022	For the year December 30, 2019 to January 3, 2021	For the year December 31, 2018 to December 29, 2019
U.S. federal statutory expense	\$ 61.9	\$ 31.2	\$ 19.2
State and local income taxes, net ^(a)	9.1	5.1	2.2
Excess tax benefits	(16.5)	(8.9)	(7.7)
Other, net	1.6	0.1	0.1
Income tax expense	<u>\$ 56.1</u>	<u>\$ 27.5</u>	<u>\$ 13.8</u>

(a) Includes excess tax benefits pursuant to ASU 2016-09 of \$(3.7) million, \$(2.0) million, and \$(1.9) million for the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively.

Undistributed earnings of the Company's foreign subsidiaries approximate \$24.6 million as of January 2, 2022. Those earnings are considered indefinitely reinvested; accordingly, no provision for U.S. federal and state income taxes has been provided thereon. Upon repatriation of those earnings, in the form of dividends or otherwise, the Company may be subject to U.S. income taxes, state and local income taxes, and withholding taxes payable to the foreign country. From a U.S. income tax perspective, however, the Company expects to claim a 100% dividends received deduction to offset any U.S. federal income tax liability on the undistributed earnings. Determination of the amount of unrecognized state and local tax liability is not practicable due to the complexities associated with its hypothetical calculation. Withholding taxes of approximately \$1.2 million may be payable upon remittance of all previously unremitted earnings as of January 2, 2022.

Deferred income taxes reflect the expected future tax consequences of temporary differences between the financial statement carrying amount of the Company's assets and liabilities, tax credits, and loss carryforwards. The significant components of deferred income taxes are as follows (in millions):

	January 2, 2022	January 3, 2021
Deferred tax assets:		
Net operating losses	\$ 4.3	\$ 4.8
Allowance for uncollectible accounts	6.4	5.5
Inventory	3.4	2.7
Intangible assets	1.7	—
Accrued compensation	3.3	2.4
Stock compensation	6.0	4.7
Deferred employer payroll taxes	1.5	3.1
Environmental reserve	0.6	0.6
Deferred transaction costs	2.4	2.0
Operating lease liabilities	79.0	68.4
Interest rate swaps	—	2.3
Other	4.2	1.7
Total gross deferred tax assets	112.8	98.2
Valuation allowance	(4.2)	(4.5)
Total net deferred tax assets	108.6	93.7
Deferred tax liabilities:		
Fixed assets and land	(23.7)	(17.8)
Intangible assets	—	(4.9)
Goodwill	(9.1)	(6.5)
Deferred financing costs	(0.2)	(0.3)
Operating lease right-of-use assets	(75.7)	(65.5)
Interest rate swaps	(0.2)	—
Other	(1.6)	(1.7)
Total deferred tax liabilities	(110.5)	(96.7)
Net deferred tax liabilities	\$ (1.9)	\$ (3.0)

Deferred taxes are recorded as follows in the Consolidated Balance Sheets (in millions):

	January 2, 2022	January 3, 2021
U.S. state and local net deferred tax assets	\$ 2.8	\$ 2.4
Foreign net deferred tax assets	0.4	—
U.S. state and local and foreign net deferred tax assets	3.2	2.4
U.S. federal net deferred tax liabilities	(5.1)	(5.2)
Foreign net deferred tax liabilities	—	(0.2)
U.S. federal and foreign net deferred tax liabilities	(5.1)	(5.4)
Net deferred tax liabilities	\$ (1.9)	\$ (3.0)

The Company evaluates its deferred tax assets to determine the need for a valuation allowance, and to conclude whether it is more likely than not that those deferred income tax assets will be realized. Management assesses the available positive and negative evidence to establish whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. On the basis of this evaluation, as of January 2, 2022 and January 3, 2021, a valuation allowance of \$4.2 million and \$4.5 million, respectively, has been recorded against deferred tax assets related primarily to state net operating loss carryforwards the Company believes are more likely than not to expire unused. Activity within the tax valuation allowance for the periods was as follows (in millions):

	For the year January 4, 2021 to January 2, 2022	For the year December 30, 2019 to January 3, 2021	For the year December 31, 2018 to December 29, 2019
Beginning balance	\$ 4.5	\$ 4.6	\$ 4.8
Decrease in valuation allowance	(0.3)	(0.1)	(0.2)
Ending balance	<u>\$ 4.2</u>	<u>\$ 4.5</u>	<u>\$ 4.6</u>

As of January 2, 2022, the Company had available tax-effected state NOL carryforwards of \$4.3 million that generally expire at various dates through 2037, if not utilized.

The Company recognizes the tax effects of uncertain tax positions only if such positions are more likely than not to be sustained based solely upon its technical merits at the reporting date. The Company refers to the difference between the tax benefit recognized in its financial statements and the tax benefit claimed in the income tax return as an unrecognized tax benefit. There was no expense or liability recorded for unrecognized tax benefits for each period presented. The Company does not expect that the unrecognized tax benefit will materially change over the next 12 months.

The Company's policy for recording interest and penalties, if any, associated with uncertain tax positions is to recognize interest within Interest and other non-operating expenses, and to recognize penalties as a component of Selling, general and administrative expenses in the Company's Consolidated Statements of Operations. For each period presented, the Company had no accrued interest or penalties related to uncertain tax positions.

The Company is subject to U.S. federal income tax, income tax in multiple state jurisdictions, and Canadian federal and provincial income tax with respect to its foreign subsidiaries. With limited exceptions, years prior to the 2018 Fiscal Year are no longer open to U.S. federal, state, and local examination by the taxing authorities. Deere has indemnified the Company against any taxes, penalties, or interest for tax periods prior to the CD&R Acquisition, accruing after the CD&R Acquisition date.

Note 10. Commitments and Contingencies

Litigation: From time to time, the Company is subject to certain claims and lawsuits that have been filed in the ordinary course of business. The Company believes the reasonably possible range of losses for these unresolved legal actions in addition to amounts accrued would not have a material effect on the Company's assets and liabilities as of January 2, 2022 and January 3, 2021 and revenues, expenses, changes in equity, and cash flows for the years ended January 2, 2022, January 3, 2021, and December 29, 2019.

Environmental liability: As part of the sale by LESCO of its manufacturing assets in 2005, the Company retained the environmental liability associated with those assets. Remediation activities can vary substantially in duration and cost and it is difficult to develop precise estimates of future site remediation costs. The Company recorded in Other long-term liabilities the undiscounted cost estimate of future remediation efforts of \$3.9 million and \$3.6 million as of January 2, 2022 and January 3, 2021, respectively. As part of the CD&R Acquisition, Deere agreed to pay the first \$2.5 million of the liability and the Company's exposure is capped at \$2.4 million. The Company has recorded an indemnification asset in Other assets against the liability as a result of these actions of \$1.5 million and \$1.2 million as of January 2, 2022 and January 3, 2021, respectively.

Letters of credit: As of January 2, 2022 and January 3, 2021, outstanding letters of credit were \$10.9 million and \$8.7 million, respectively. There were no amounts drawn on the letters of credit for either period presented.

Purchase commitments: The Company has entered into contracts with various farmers that obligate the Company to purchase certain nursery products and grass seeds. These contracts run through fiscal year 2025. The total future obligation was \$160.8 million as of January 2, 2022 with expected payments of \$82.4 million, \$39.0 million, \$39.1 million, and \$0.3 million during the years ending December 2022, 2023, 2024, and 2025, respectively. The Company's purchases were \$68.3 million, \$50.6 million, and \$48.0 million for the years ended January 2, 2022, January 3, 2021, and December 29, 2019, respectively. The Company also contracted with a supplier beginning in 2020 and subsequently amended the contract in 2021 to purchase an aggregate minimum of 18,000 tons of fertilizer annually for 10 years or until the total purchase commitment of 180,000 tons of product is fulfilled. If the Company does not meet minimum volume commitments, the Company must pay a \$195 per tonnage shortfall. As of January 2, 2022, the total remaining amount contracted with this supplier was \$25.2 million. Another supplier agreement totals \$5.8 million for an arrangement that runs through fiscal year 2022. In addition, the Company has entered into various service commitments, of which, the maximum total future obligation was \$18.9 million as of January 2, 2022.

Note 11. Earnings (Loss) Per Share

The Company computes basic earnings (loss) per share (“EPS”) by dividing Net income (loss) attributable to common shares by the weighted average number of common shares outstanding for the period. The Company includes vested DSUs and PSUs that have not been settled in common shares in the basic weighted average number of common shares calculation. The Company’s computation of diluted EPS reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock, which include in-the-money outstanding stock options and RSUs. PSUs are excluded from the calculation of dilutive potential common shares until the performance conditions have been achieved on the basis of the assumption that the end of the reporting period was the end of the contingency period, if such shares issuable are dilutive. Using the treasury stock method, the effect of dilutive securities includes the additional shares of common stock that would have been outstanding based on the assumption that these potentially dilutive securities had been issued. The calculation of the effect of dilutive securities excludes any derived excess tax benefits or deficiencies from assumed future proceeds. RSUs and stock options with exercise prices that are higher than the average market prices of the Company’s common stock for the periods presented are excluded from the diluted EPS calculation because the effect is anti-dilutive.

The following table sets forth the computation of the weighted average number of diluted common shares outstanding for the periods ended January 2, 2022, January 3, 2021, and December 29, 2019:

	For the year January 4, 2021 to January 2, 2022	For the year December 30, 2019 to January 3, 2021	For the year December 31, 2018 to December 29, 2019
Shares used in the computation of basic earnings per share	44,578,649	42,858,691	41,218,843
Effect of dilutive securities:			
Stock options	1,066,589	1,153,367	1,471,361
RSUs and PSUs	156,074	73,321	48,416
DSUs	4,061	8,122	11,728
Shares used in the computation of diluted earnings per share	<u>45,805,373</u>	<u>44,093,501</u>	<u>42,750,348</u>

The diluted earnings per common share calculation for the years ended January 2, 2022, January 3, 2021, and December 29, 2019 excluded the effect of 4,690, 5,730, and 258,829 potential shares of common stock, respectively, because the assumed exercises of a portion of the Company’s employee stock options and RSUs were anti-dilutive

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as amended) as of January 2, 2022. Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of January 2, 2022, our disclosure controls and procedures were designed at a reasonable assurance level and were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (“SEC”), and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, and effected by the Company’s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that could have a material effect on the financial statements.

Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations which may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal controls over financial reporting as of January 2, 2022. In making this assessment, we used the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (“COSO”). Based on our assessment, we believe that, as of January 2, 2022, our internal control over financial reporting was effective at a reasonable assurance level based on those criteria.

Under guidelines established by the SEC, companies are allowed to exclude an acquired business from management’s report on internal control over financial reporting for the first year subsequent to the acquisition while integrating the acquired operations. Accordingly, management has excluded Arizona Stone and Solstice, Timberwall, Melrose, Rock & Block, Green Brothers, Semco, and Seffner from its annual report on internal control over financial reporting as of January 2, 2022. These excluded acquisitions collectively represented approximately 2% and 1% of the Company’s consolidated Total assets and consolidated Net sales, respectively, as of and for the year ended January 2, 2022.

There are no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Our Independent Registered Public Accounting Firm has issued a report on the Company’s internal control over financial reporting. This report appears below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of SiteOne Landscape Supply, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of SiteOne Landscape Supply, Inc. and subsidiaries (the “Company”) as of January 2, 2022, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 2, 2022, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended January 2, 2022 of the Company and our report dated February 24, 2022 expressed an unqualified opinion on those financial statements.

As described in Management’s Report on Internal Control over Financial Reporting, management has excluded Arizona Stone and Solstice, Timberwall, Melrose, Rock & Block, Green Brothers, Semco, and Seffner from its annual report on internal control over financial reporting as of January 2, 2022. These excluded acquisitions collectively represented approximately 2% and 1% of the Company’s consolidated Total assets and consolidated Net sales, respectively, as of and for the year ended January 2, 2022. Accordingly, our audit did not include the internal control over financial reporting at Arizona Stone and Solstice, Timberwall, Melrose, Rock & Block, Green Brothers, Semco, and Seffner.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
February 24, 2022

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not Applicable.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

The information required by this Item for SiteOne will be set forth in SiteOne's Proxy Statement for the 2022 Annual Meeting of Stockholders, which information is hereby incorporated by reference. SiteOne has omitted the information required by this Item pursuant to General Instruction I to the Form 10-K.

Item 11. Executive Compensation

The information required by this Item for SiteOne will be set forth in SiteOne's Proxy Statement for the 2022 Annual Meeting of Stockholders, which information is hereby incorporated by reference. SiteOne has omitted the information required by this Item pursuant to General Instruction I to the Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item for SiteOne will be set forth in SiteOne's Proxy Statement for the 2022 Annual Meeting of Stockholders, which information is hereby incorporated by reference. SiteOne has omitted the information required by this Item pursuant to General Instruction I to the Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item for SiteOne will be set forth in SiteOne's Proxy Statement for the 2022 Annual Meeting of Stockholders, which information is hereby incorporated by reference. SiteOne has omitted the information required by this Item pursuant to General Instruction I to the Form 10-K.

Item 14. Principal Accountant Fees and Services

The information required by this Item for SiteOne will be set forth in SiteOne's Proxy Statement for the 2022 Annual Meeting of Stockholders, which information is hereby incorporated by reference. SiteOne has omitted the information required by this Item pursuant to General Instruction I to the Form 10-K.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements, Schedules and Exhibits.

1. Financial Statements

Refer to [Index to Financial Statements](#) in Item 8 of Part II of this Annual Report on Form 10-K.

2. Financial Statements Schedules

[Schedule I - SiteOne Landscape Supply, Inc.'s Condensed Financial Statements](#)

3. Exhibits

The exhibits filed with this report are listed on the Exhibit Index. Entries marked by the symbol † next to the exhibit's number identify management contracts or compensatory plans or arrangements.

Exhibit Index

Note Regarding Reliance on Statements in Our Contracts: *In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about Holdings, its subsidiaries or affiliates, or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about Holdings, its subsidiaries and affiliates may be found elsewhere in this Annual Report on Form 10-K.*

<u>Exhibit Number</u>	<u>Description</u>
3.1	<u>Third Amended and Restated Certificate of Incorporation of SiteOne Landscape Supply, Inc., is incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of SiteOne Landscape Supply, Inc. filed May 16, 2019.</u>
3.2	<u>Third Amended and Restated By-Laws of SiteOne Landscape Supply, Inc., is incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of SiteOne Landscape Supply, Inc. filed May 16, 2019.</u>
4.1	<u>Form of Common Stock Certificate, is incorporated by reference to Exhibit 4.1 to the Form S-1.</u>
4.2*	<u>Description of the Registrant’s Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.</u>
10.1	<u>ABL Credit Agreement, dated as of December 23, 2013, by and among CD&R Landscapes Merger Sub, Inc., CD&R Landscapers Merger Sub 2, Inc., the Lenders (as defined therein), the Borrowers (as defined therein), UBS AG, Stamford Branch, as issuing lender, swingline lender, administrative agent and collateral agent, ING Capital LLC, as syndication agent, and the Co-Documentation Agents and Joint Lead Arrangers and Joint Bookrunners (each as defined therein), is incorporated by reference to Exhibit 10.10 to the Form S-1.</u>
10.2	<u>Amendment No. 1 to the ABL Credit Agreement, dated as of June 13, 2014, by and among SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC), SiteOne Landscape Supply, LLC (f/k/a John Deere Landscapes LLC), other subsidiary borrowers and the several banks and other financial institutions from time to time party thereto, and UBS AG, Stamford Branch, as administrative agent, is incorporated by reference to Exhibit 10.11 to the Form S-1.</u>
10.3	<u>Amendment No. 2 to the ABL Credit Agreement, dated as of January 26, 2015, by and among SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC), SiteOne Landscape Supply, LLC (f/k/a John Deere Landscapes LLC), other subsidiary borrowers and the several banks and other financial institutions from time to time party thereto, and UBS AG, Stamford Branch, as administrative agent, is incorporated by reference to Exhibit 10.12 to the Form S-1.</u>
10.4	<u>Amendment No. 3 to the ABL Credit Agreement, dated as of February 13, 2015, by and among SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC), SiteOne Landscape Supply, LLC (f/k/a John Deere Landscapes LLC), other subsidiary borrowers and the several banks and other financial institutions from time to time party thereto, and UBS AG, Stamford Branch, as administrative agent, is incorporated by reference to Exhibit 10.13 to the Form S-1.</u>
10.5	<u>Amendment No. 4 to the ABL Credit Agreement, dated October 20, 2015, by and among SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC), SiteOne Landscape Supply, LLC (f/k/a John Deere Landscapes LLC), other subsidiary borrowers and the several banks and other financial institutions from time to time party thereto, and UBS AG, Stamford Branch, as administrative agent is incorporated by reference to Exhibit 10.14 to the Form S-1.</u>
10.6	<u>Sixth Amendment to Credit Agreement, dated as of February 1, 2019, by and among SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC), SiteOne Landscape Supply, LLC (f/k/a John Deere Landscapes LLC), UBS AG, Stamford Branch, as administrative agent and collateral agent, and the several banks and other financial institutions party thereto, is incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of SiteOne Landscape Supply, Inc. filed February 4, 2019.</u>
10.7	<u>Term Loan Credit Agreement, dated as of December 23, 2013, by and among CD&R Landscapes Merger Sub, Inc., CD&R Landscapers Merger Sub 2, Inc., lenders party thereto, ING Capital LLC, as administrative agent and collateral agent, UBS Securities LLC, as syndication agent, and the Co-Documentation Agents, Joint Leader Arrangers and Joint Bookrunners (each as defined herein) is incorporated by reference to Exhibit 10.14 to the Form S-1.</u>
10.8	<u>Amendment No. 1 to the Term Loan Credit Agreement, dated as of June 13, 2014, by and among SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC), SiteOne Landscape Supply, LLC (f/k/a John Deere Landscapes LLC), other subsidiary borrowers and the several banks and other financial institutions from time to time party thereto, and ING Capital LLC, as administrative agent, is incorporated by reference to Exhibit 10.15 to the Form S-1.</u>
10.9	<u>Amendment No. 2 to the Term Loan Credit Agreement, dated as of January 26, 2015, by and among SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC), SiteOne Landscape Supply, LLC (f/k/a John Deere Landscapes LLC), other subsidiary borrowers and the several banks and other financial institutions from time to time party thereto, and ING Capital LLC, as administrative agent, is incorporated by reference to Exhibit 10.16 to the Form S-1.</u>
10.10	<u>Amendment No. 3 to the Term Loan Credit Agreement, dated as of April 29, 2016, by and among SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC), SiteOne Landscape Supply, LLC (f/k/a John Deere Landscapes LLC), other subsidiary borrowers and the several banks and other financial institutions from time to time party thereto, and UBS AG, Stamford Branch LLC, as successor administrative agent, is incorporated by reference to Exhibit 10.18 to the Form S-1.</u>
10.10A	<u>Amended and Restated Term Loan Credit Agreement, dated as of April 29, 2016 SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC), SiteOne Landscape Supply, LLC (f/k/a John Deere Landscapes LLC), other subsidiary borrowers and the several banks and other financial institutions from time to time party thereto, and UBS AG, Stamford Branch, as administrative agent, is incorporated by reference to Exhibit 10.18A to the Form S-1.</u>

<u>Exhibit Number</u>	<u>Description</u>
10.11	ABL Guarantee and Collateral Agreement, dated as of December 23, 2013, by and among SiteOne Landscape Supply Bidco, Inc. (f/k/a CD&R Landscapes Bidco, Inc.), SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC) and UBS AG, Stamford Branch, as collateral agent, is incorporated by reference to Exhibit 10.17 to the Form S-1.
10.12	Term Loan Guarantee and Collateral Agreement, dated as of December 23, 2013, by and among SiteOne Landscape Supply Bidco, Inc. (f/k/a CD&R Landscapes Bidco, Inc.), SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC) and ING Capital LLC, as collateral agent, is incorporated by reference to Exhibit 10.18 to the Form S-1.
10.13†	Amended and Restated SiteOne Landscape Supply, Inc. Stock Incentive Plan is incorporated by reference to Exhibit 10.19 to the Form S-1.
10.14†	Form of Employee Stock Option Agreement, is incorporated by reference to Exhibit 10.20 to the Form S-1.
10.15†	Form of Employee Stock Subscription Agreement, is incorporated by reference to Exhibit 10.21 to the Form S-1.
10.16†	Employment Agreement, dated as of April 21, 2014, by and among SiteOne Landscape Supply, LLC (f/k/a John Deere Landscapes LLC), SiteOne Landscape Supply, Inc. (f/k/a CD&R Landscapes Parent, Inc.) and Doug Black is incorporated by reference to Exhibit 10.22 to the Form S-1.
10.17†	Form of Director Indemnification Agreement between SiteOne Landscape Supply, Inc. and each of its directors, is incorporated by reference to Exhibit 10.25 to the Form S-1.
10.18†	SiteOne Landscape Supply, Inc. 2016 Omnibus Incentive Plan, is incorporated by reference to Exhibit 10.26 to the Form S-1.
10.19†	Amendment to SiteOne Landscape Supply, Inc. 2016 Omnibus Incentive Plan effective as of January 1, 2019, is incorporated by reference to Exhibit 10.4 of the Form 10-Q filed on May 1, 2019.
10.20†	Form of Performance Stock Unit Award Agreement under the SiteOne Landscape Supply, Inc., 2016 Omnibus Incentive Plan, is incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of SiteOne Landscape Supply, Inc. filed February 12, 2019.
10.21†	Form of Separation Benefit Agreement, is incorporated by reference to Exhibit 10.30 to the Form S-1.
10.22†	Form of Employee Offer Letter, is incorporated by reference to Exhibit 10.31 to the Form S-1.
10.23†	2016 Form of Employee Option Agreement, is incorporated by reference to Exhibit 10.32 to the Form S-1.
10.24†	2016 Form of Employee Restricted Stock Unit Agreement, is incorporated by reference to Exhibit 10.33 to the Form S-1.
10.25†	2016 Form of Non-Employee Director Deferred Stock Unit Agreement, is incorporated by reference to Exhibit 10.34 to the Form S-1.
10.26†	Summary of Non-Employee Director Compensation, as amended and restated on May 15, 2019, is incorporated by reference to Exhibit 10.1 to the Form 10-Q filed on July 31, 2019.
10.27†	Executive Stock Ownership Policy, is incorporated by reference to Exhibit 10.37 to the Form S-1.
10.28†	Separation Benefit Agreement, dated as of May 27, 2016, by and among SiteOne Landscape Supply, LLC, SiteOne Landscape Supply, Inc. and John Guthrie, is incorporated by reference to Exhibit 10.39 to the November 2016 Form S-1.
10.29†	Separation Benefit Agreement, dated as of May 27, 2016, by and among SiteOne Landscape Supply, LLC, SiteOne Landscape Supply, Inc. and Joe Ketter, is incorporated by reference to Exhibit 10.40 to the November 2016 Form S-1.
10.30†	Separation Benefit Agreement, dated as of August 17, 2015, by and among SiteOne Landscape Supply, LLC, SiteOne Landscape Supply, Inc. and Briley Brisendine, is incorporated by reference to Exhibit 10.41 to the November 2016 Form S-1.
10.31†	Separation Benefit Agreement by and between SiteOne Landscape Supply, LLC, SiteOne Landscape Supply, Inc., and Scott Salmon, dated April 1, 2019, is incorporated by reference to Exhibit 10.2 to the Form 10-Q, filed on July 31, 2019.
10.32†	Separation Benefit Agreement by and between SiteOne Landscape Supply, LLC, SiteOne Landscape Supply, Inc., and Greg Weller, dated May 26, 2019, is incorporated by reference to Exhibit 10.4 to the Form 10-Q filed on July 31, 2019.

<u>Exhibit Number</u>	<u>Description</u>
10.33†	Form of Employee Stock Option Agreement, as amended November 2016, is incorporated by reference to Exhibit 10.42 to the November 2016 Form S-1.
10.34†	Form of Employee Restricted Stock Unit Agreement, as amended November 2016, is incorporated by reference to Exhibit 10.43 to the November 2016 Form S-1.
10.35	First Amendment to Amended and Restated Credit Agreement, dated as of November 23, 2016, by and among SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC), SiteOne Landscape Supply, LLC (f/k/a John Deere Landscapes LLC), UBS AG, Stamford Branch, as administrative agent and collateral agent, and the several banks and other financial institutions party thereto, is incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of SiteOne Landscape Supply, Inc., filed November 23, 2016.
10.36	Increase Supplement, dated as of November 23, 2016, by and among SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC) and UBS AG, Stamford Branch, as increasing lender, is incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of SiteOne Landscape Supply, Inc., filed November 23, 2016.
10.37	Second Amendment to Amended and Restated Credit Agreement, dated as of May 24, 2017, by and among SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC), SiteOne Landscape Supply, LLC (f/k/a John Deere Landscapes LLC), UBS AG, Stamford Branch, as administrative agent and collateral agent, and the several banks and other financial institutions party thereto, is incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of SiteOne Landscape Supply, Inc., filed May 24, 2017.
10.38	Omnibus Amendment, dated as of May 24, 2017, by and among SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC), SiteOne Landscape Supply, LLC (f/k/a John Deere Landscapes LLC), UBS AG, Stamford Branch, as administrative agent and collateral agent, the several banks and other financial institutions party thereto and certain other parties party thereto from time to time, is incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of SiteOne Landscape Supply, Inc., filed May 24, 2017.
10.39	Third Amendment to Amended and Restated Credit Agreement, dated as of December 12, 2017, by and among SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC), SiteOne Landscape Supply, LLC (f/k/a John Deere Landscapes LLC), UBS AG, Stamford Branch, as administrative agent and collateral agent, and the several banks and other financial institutions party thereto, is incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of SiteOne Landscape Supply, Inc., filed December 12, 2017.
10.40	Increase Supplement, dated as of December 12, 2017, by and among SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC) and UBS AG, Stamford Branch, as increasing lender, is incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of SiteOne Landscape Supply, Inc., filed December 12, 2017.
10.41†	SiteOne Savings and Investment Plan is incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-8 of SiteOne Landscape Supply, Inc., filed November 9, 2017.
10.42†	Amendment to SiteOne Savings and Investment Plan is incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-8 of SiteOne Landscape Supply, Inc., filed November 9, 2017.
10.43†	Summary of Non-Employee Director Compensation Program, is incorporated by reference to Exhibit 10.3 to the Form 10-Q of SiteOne Landscape Supply, Inc., for the quarter ended July 2, 2017, file number 001-37760.
10.44†	Form of Employee Stock Option Agreement, is incorporated by reference to Exhibit 10.1 to the Form 10-Q of SiteOne Landscape Supply, Inc., for the quarter ended April 1, 2018, file number 001-37760.
10.45†	Form of Employee Restricted Stock Unit Agreement, is incorporated by reference to Exhibit 10.2 to the Form 10-Q of SiteOne Landscape Supply, Inc., for the quarter ended April 1, 2018, file number 001-37760.
10.46†	Summary of Non-Employee Director Compensation, is incorporated by reference to Exhibit 10.1 to the Form 10-Q of SiteOne Landscape Supply, Inc., for the quarter ended July 1, 2018, file number 001-37760.
10.47	Fourth Amendment to Amended and Restated Credit Agreement, dated August 14, 2018, by and among SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC), SiteOne Landscape Supply, LLC (f/k/a John Deere Landscapes LLC), UBS AG, Stamford Branch, as administrative agent and collateral agent, and the several banks and other financial institutions party thereto, is incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of SiteOne Landscape Supply, Inc., filed August 15, 2018.
10.48	Increase Supplement, dated as of August 14, 2018, by and among SiteOne Landscape Supply Holding, LLC (f/k/a JDA Holding LLC) and UBS AG, Stamford Branch, as increasing lender, is incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of SiteOne Landscape Supply, Inc., filed August 15, 2018.
10.49†	Form of Employee Stock Option Agreement under the SiteOne Landscape Supply, Inc. 2016 Omnibus Equity Incentive Plan, as amended February 2020, is incorporated by reference to Exhibit 10.1 to the Form 10-Q of SiteOne Landscape Supply, Inc., filed April 29, 2020.

<u>Exhibit Number</u>	<u>Description</u>
10.50†	Form of Employee Restricted Stock Unit Agreement under the SiteOne Landscape Supply, Inc. 2016 Omnibus Equity Incentive Plan, is incorporated by reference to Exhibit 10.2 to the Form 10-Q of SiteOne Landscape Supply, Inc., filed April 29, 2020.
10.51†	Form of Performance Stock Unit Agreement under the SiteOne Landscape Supply, Inc. 2016 Omnibus Equity Incentive Plan, is incorporated by reference to Exhibit 10.3 to the Form 10-Q of SiteOne Landscape Supply, Inc., filed April 29, 2020.
10.52†	SiteOne Landscape Supply, Inc. 2020 Omnibus Incentive Plan, is incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of SiteOne Landscape Supply, Inc., filed May 5, 2020.
10.53†	Form of Employee Stock Option Agreement under the SiteOne Landscape Supply, Inc. 2020 Omnibus Incentive Plan, is incorporated by reference to Exhibit 10.2 to the Form 10-Q of SiteOne Landscape Supply, Inc., filed July 29, 2020.
10.54†	Form of Employee Restricted Stock Unit Agreement under the SiteOne Landscape Supply, Inc. 2020 Omnibus Incentive Plan, is incorporated by reference to Exhibit 10.3 to the Form 10-Q of SiteOne Landscape Supply, Inc., filed July 29, 2020.
10.55†	Form of Non-Employee Director Deferred Stock Unit Agreement under the SiteOne Landscape Supply, Inc. 2020 Omnibus Incentive Plan, is incorporated by reference to Exhibit 10.5 to the Form 10-Q of SiteOne Landscape Supply, Inc., filed July 29, 2020.
10.56†	Summary of Non-Employee Director Compensation, as amended and restated on May 13, 2020, is incorporated by reference to Exhibit 10.6 to the Form 10-Q of SiteOne Landscape Supply, Inc., filed July 29, 2020.
10.57†	Form of Performance Stock Unit Award Agreement under the SiteOne Landscape Supply, Inc. 2020 Omnibus Equity Incentive Plan, is incorporated by reference to Exhibit 10.1 to the Form 8-K of SiteOne Landscape Supply, Inc., filed February 18, 2021.
10.58†	Summary of Non-Employee Director Compensation, as amended and restated on May 12, 2021, is incorporated by reference to Exhibit 10.1 to the Form 10-Q of SiteOne Landscape Supply, Inc., filed August 4, 2021.
10.59	Fifth Amendment to Amended and Restated Credit Agreement dated as of March 23, 2021, by and among SiteOne Landscape Supply Holding, LLC, SiteOne Landscape Supply, LLC, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and the several banks and other financial institutions party thereto, is incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 30, 2021.
10.60†	Form of Performance Stock Unit Award Agreement under the SiteOne Landscape Supply, Inc. 2020 Omnibus Equity Incentive Plan, is incorporated by reference to Exhibit 10.1 to the Form 8-K of SiteOne Landscape Supply, Inc., filed February 14, 2022.
21.1*	List of Subsidiaries of SiteOne Landscape Supply, Inc.
23.1*	Consent of Deloitte & Touche LLP.
31.1*	Certification of Chief Executive Officer of SiteOne Landscape Supply, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer of SiteOne Landscape Supply, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer of SiteOne Landscape Supply, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer of SiteOne Landscape Supply, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following audited financial information from this Annual Report on Form 10-K for the year ended January 2, 2022 is formatted in Inline XBRL (Inline Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.
104*	Cover Page Interactive Data File (formatted in Inline XBRL with applicable taxonomy extension information contained in Exhibit 101).

* Filed herewith.

† Denotes management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

Not applicable.

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 thereunto duly authorized.

SITEONE LANDSCAPE SUPPLY, INC.
(Registrant)

Date: February 24, 2022

By: /s/ John T. Guthrie
Name: John T. Guthrie
Title: Executive Vice President, Chief Financial Officer and Assistant Secretary
(Principal Financial and Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date:	February 24, 2022	By:	<u>/s/ Doug Black</u> Name: Doug Black Title: Chairman and Chief Executive Officer, Director (Principal Executive Officer)
Date:	February 24, 2022	By:	<u>/s/ John T. Guthrie</u> Name: John T. Guthrie Title: Executive Vice President, Chief Financial Officer and Assistant Secretary (Principal Financial Officer and Principal Accounting Officer)
Date:	February 24, 2022	By:	<u>/s/ Fred M. Diaz</u> Name: Fred M. Diaz Title: Director
Date:	February 24, 2022	By:	<u>/s/ William W. Douglas, III</u> Name: William W. Douglas, III Title: Director
Date:	February 24, 2022	By:	<u>/s/ Larisa J. Drake</u> Name: Larisa J. Drake Title: Director
Date:	February 24, 2022	By:	<u>/s/ W. Roy Dunbar</u> Name: W. Roy Dunbar Title: Director
Date:	February 24, 2022	By:	<u>/s/ Jeri L. Isbell</u> Name: Jeri L. Isbell Title: Director
Date:	February 24, 2022	By:	<u>/s/ Jack L. Wyszomierski</u> Name: Jack L. Wyszomierski Title: Director

Schedule I - SiteOne Landscape Supply, Inc.'s Condensed Financial Statements

SiteOne Landscape Supply, Inc.
Parent Company Only
Condensed Balance Sheets
(In millions, except share data)

	January 2, 2022	January 3, 2021
Assets		
Investment in wholly owned subsidiary	\$ 1,057.1	\$ 794.3
Deferred tax asset (Note 3)	0.6	0.7
Total assets	<u>\$ 1,057.7</u>	<u>\$ 795.0</u>
Liabilities and Stockholders' Equity		
Total liabilities	\$ —	\$ —
Stockholders' Equity:		
Common stock, par value \$0.01; 1,000,000,000 shares authorized; 44,788,385 and 44,300,380 shares issued, and 44,767,474 and 44,279,469 shares outstanding at January 2, 2022 and January 3, 2021, respectively	0.4	0.4
Additional paid in capital	562.0	541.8
Retained Earnings	497.5	259.1
Accumulated other comprehensive loss	(2.2)	(6.3)
Total stockholders' equity	<u>1,057.7</u>	<u>795.0</u>
Total liabilities and stockholders' equity	<u>\$ 1,057.7</u>	<u>\$ 795.0</u>

See Notes to Condensed Financial Statements.

SiteOne Landscape Supply, Inc.
Parent Company Only
Condensed Statements of Operations and Comprehensive Income
(In millions)

	For the year		
	January 4, 2021 to January 2, 2022	December 30, 2019 to January 3, 2021	December 31, 2018 to December 29, 2019
Equity in Net income of subsidiary	\$ 238.4	\$ 121.3	\$ 77.7
Income before taxes	238.4	121.3	77.7
Net income	\$ 238.4	\$ 121.3	\$ 77.7
Other comprehensive income (loss), net of tax	4.1	0.2	(5.7)
Comprehensive income	\$ 242.5	\$ 121.5	\$ 72.0

See Notes to Condensed Financial Statements.

SiteOne Landscape Supply, Inc.
Parent Company Only
Condensed Statements of Cash Flows
(In millions)

	For the year		
	January 4, 2021 to January 2, 2022	December 30, 2019 to January 3, 2021	December 31, 2018 to December 29, 2019
Cash Flows from Operating Activities:			
Net income	\$ 238.4	\$ 121.3	\$ 77.7
Adjustments to reconcile Net income to net cash provided by operating activities:			
Equity in Net income of subsidiary	(238.4)	(121.3)	(77.7)
Net cash provided by operating activities	\$ —	\$ —	\$ —
Cash Flows from Investing Activities:			
Distribution to subsidiary	—	(261.7)	—
Net cash used in investing activities	\$ —	\$ (261.7)	\$ —
Cash Flows from Financing Activities:			
Equity proceeds from common stock	—	261.7	—
Net cash provided by financing activities	\$ —	\$ 261.7	\$ —
Net change in cash and cash equivalents	—	—	—
Cash and cash equivalents:			
Beginning	—	—	—
Ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

See Notes to Condensed Financial Statements.

Notes to Condensed Parent Company Only Financial Statements

Note 1. Description of SiteOne Landscape Supply, Inc.

SiteOne Landscape Supply, Inc. (“Holdings” or the “Parent”) indirectly owns 100% of the membership interest in SiteOne Landscape Supply Holding, LLC (“Landscape Holding” or “subsidiary”), which it acquired from Deere & Company on December 23, 2013 (the “Closing Date”) in exchange for its common stock initially representing 40% of the outstanding capital stock (on an as-converted basis). In addition, Holdings issued cumulative convertible participating redeemable preferred stock (“Redeemable Convertible Preferred Stock”) to Clayton, Dubilier & Rice, LLC (“CD&R”) initially representing 60% of its remaining outstanding capital stock (on an as-converted basis) (both events collectively referred to herein as the “CD&R Acquisition”). On May 2, 2016, Holdings paid a one-time special cash dividend to all existing stockholders as of April 29, 2016. CD&R received \$112.4 million in accordance with its right to participate in all distributions to common stock on an as-converted basis, in accordance with its right as a preferred stockholder. On the day prior to the closing of the initial public offering, all of the then-outstanding Redeemable Convertible Preferred Stock converted into shares of common stock, resulting in the issuance by Holdings of an additional 25,303,164 shares of common stock. On December 5, 2016, May 1, 2017, and July 26, 2017, Holdings completed secondary offerings of its common stock in which Deere and CD&R were the sole sellers. Following consummation of the secondary offering on July 26, 2017, CD&R and Deere no longer have an ownership interest in Holdings. Holdings has no significant operations or assets other than its indirect ownership of the equity of Landscape Holding. Accordingly, Holdings is dependent upon distributions from Landscape Holding to fund its obligations. However, under the terms of Landscape Holding’s credit agreements governing Landscape Holding’s ABL Facility and New Term Loans, Landscape Holding’s ability to pay dividends or lend to Holdings is restricted. Landscape Holding has no obligation to pay dividends to Holdings except to pay specified amounts to Holdings in order to fund the payment of Holdings’ tax obligations.

Stock Offering

On August 3, 2020, Holdings entered into the Underwriting Agreement with BofA Securities, Inc., relating to an underwritten public offering of 2,150,000 shares of its common stock, \$0.01 par value per share. Under the terms of the Underwriting Agreement, Holdings granted the Underwriter an option, exercisable for 30 days, to purchase up to an additional 322,500 shares of Common Stock. The Underwriter did not exercise the option to purchase additional shares of Common Stock. The aggregate proceeds to Holdings from the sale of shares of Common Stock in the offering were approximately \$262.3 million before expenses of approximately \$0.6 million. The offering closed on August 6, 2020.

Note 2. Basis of Presentation

The accompanying Condensed Parent Company Only Financial Statements include the amounts of Holdings and its investment in subsidiary since the Closing Date under the equity method, and do not present the financial statements of Holdings and its subsidiary on a consolidated basis. Under the equity method, investment in subsidiary is stated at cost plus contributions and equity in undistributed income (loss) of subsidiary less distributions received since the date of acquisition. The condensed Parent Company Only Financial Statements should be read in conjunction with SiteOne Landscape Supply, Inc. Consolidated Financial Statements and their accompanying Notes to Consolidated Financial Statements.

Note 3. Income Taxes

In connection with the CD&R Acquisition, transaction expenses of \$9.8 million were recorded within the period ended December 29, 2013. Of the \$9.8 million of transaction expenses, \$3.7 million were not deductible for tax purposes and the remaining \$6.1 million (\$2.2 million tax-effected) were capitalized for tax purposes as a deferred tax asset. Amortization of the deferred tax asset for the years ended January 2, 2022 and January 3, 2021 was \$0.4 million (\$0.1 million tax-effected) and \$0.4 million (\$0.1 million tax-effected), respectively, which gives rise to a net operating loss and current tax benefit that offsets the deferred tax expense by the same amount. As of January 2, 2022, the deferred tax asset related to these transaction expenses has a balance of \$0.6 million.

In March 2020, the CARES Act was enacted. The CARES Act included several changes to existing U.S. tax laws that impacted Holdings, most notably the 2019 and 2020 change to the limitation on U.S. interest deductibility based on 50% of adjusted taxable income, the ability to defer the payment of qualifying employer payroll taxes to December 31, 2021 and December 31, 2022, and certain changes to the depreciable life of qualified improvement property.

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of January 2, 2022, SiteOne Landscape Supply, Inc. (the "Company," "us," "we," or "our") had one class of securities, our common stock, par value \$0.01 per share, registered under Section 12 of the Securities Exchange Act of 1934, as amended. Our common stock is listed on New York Stock Exchange under the symbol "SITE."

The following summary does not purport to be complete and is subject to and qualified in its entirety by reference to the General Corporation Law of the State of Delaware (the "DGCL"), our Third Amended and Restated Certificate of Incorporation ("Charter") and our Third Amended and Restated By-laws ("By-laws"), as each may be amended from time to time.

General

The Company has the authority to issue up to 1,000,000,000 shares of common stock, par value \$0.01 per share. As of February 18, 2022, there were 44,841,212 shares of our common stock issued and outstanding,

Common Stock

Holder of common stock are entitled:

- to cast one vote for each share held of record on all matters submitted to a vote of the stockholders;
- to receive, on a pro rata basis, dividends and distributions, if any, that our board of directors may declare out of legally available funds, subject to preferences that may be applicable to preferred stock, if any, then outstanding; and
- upon our liquidation, dissolution or winding up, to share equally and ratably in any assets remaining after the payment of all debt and other liabilities, subject to the prior rights, if any, of holders of any outstanding shares of preferred stock.

Our ability to pay dividends on our common stock is subject to our subsidiaries' ability to pay dividends to us, which is in turn subject to the restrictions set forth in the agreements that govern our indebtedness.

The holders of our common stock do not have any preemptive, cumulative voting, subscription, conversion, redemption or sinking fund rights. The common stock is not subject to future calls or assessments by us. The rights and privileges of holders of our common stock are subject to any series of preferred stock that we may issue in the future.

Annual Stockholders Meeting

Our By-laws provide that annual stockholder meetings will be held at a date, time and place, if any, as exclusively selected by our board of directors. To the extent permitted under applicable law, we may conduct meetings by remote communications, including by webcast.

Voting

The affirmative vote of a plurality of the shares of our common stock present, in person or by proxy, at the meeting and entitled to vote on the election of directors will decide the election of any directors, and the affirmative vote of a majority of the shares of our common stock present, in person or by proxy, at the meeting and entitled to vote at any annual or special meeting of stockholders will decide all other matters voted on by stockholders, unless the question is one upon which, by express provision of law, under our Charter, or under our By-laws, a different vote is required, in which case such provision will control.

Anti-Takeover Effects of Our Certificate of Incorporation and By-laws

The provisions of our Charter and By-laws summarized below may have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that you might consider in your best interest, including an attempt that might result in your receipt of a premium over the market price for your shares. These provisions are also designed, in part, to encourage persons seeking to acquire control of us to first negotiate with our board of directors, which could result in an improvement of their terms.

Authorized but Unissued Shares of Common Stock. Shares of our authorized and unissued common stock are available for future issuances without additional stockholder approval. While the additional shares are not designed to deter or prevent a change of control, under some circumstances we could use the additional shares to create voting impediments or to frustrate persons seeking to effect a takeover or otherwise gain control by, for example, issuing those shares in private placements to purchasers who might side with our board of directors in opposing a hostile takeover bid.

Authorized but Unissued Shares of Preferred Stock. Under our Charter, our board of directors has the authority, without further action by our stockholders, to issue up to 100,000,000 shares of preferred stock in one or more series and to fix the voting powers, designations, preferences and the relative participating, optional or other special rights and qualifications, limitations and restrictions of each series, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, liquidation preferences and the number of shares constituting any series. The existence of authorized but unissued preferred stock could reduce our attractiveness as a target for an unsolicited takeover bid since we could, for example, issue shares of preferred stock to parties who might oppose such a takeover bid or shares that contain terms the potential acquiror may find unattractive. This may have the effect of delaying or preventing a change of control, may discourage bids for the common stock at a premium over the market price of the common stock, and may adversely affect the market price of, and the voting and other rights of the holders of, our common stock.

Classified Board of Directors. In accordance with the terms of our amended and restated certificate of incorporation, our board of directors is divided into three classes, Class I, Class II and Class III, with members of each class serving staggered three-year terms. Under our Charter, our board of directors consists of such number of directors as may be determined from time to time by resolution of the board of directors, but in no event may the number of directors be less than one. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. Our Charter also provides that any vacancy on our board of directors, including a vacancy resulting from an enlargement of our board of directors, may be filled only by the affirmative vote of a majority of our directors then in office, even if less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy will hold office until such director's successor shall have been duly elected and qualified or until such director's earlier death, resignation or removal. Our classified board of directors could have the effect of delaying or discouraging an acquisition of us or a change in our management.

Removal of Directors. Our Charter provides that directors may be removed only for cause upon the affirmative vote of holders of at least a majority of the outstanding shares of common stock then entitled to vote at an election of directors.

Special Meetings of Stockholders. Our Charter provides that a special meeting of stockholders may be called only by the Chairman of our board of directors or by a resolution adopted by a majority of our board of directors. Stockholders are not permitted to call a special meeting of stockholders.

Stockholder Advance Notice Procedure. Our By-laws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors or to bring other business before an annual meeting of our stockholders. The By-laws provide that any stockholder wishing to nominate persons for election as directors at, or bring other business before, an annual meeting must deliver to our corporate secretary a written notice of the stockholder's intention to do so. These provisions may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed. We expect that these provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company. To be timely, the stockholder's notice must be delivered to our corporate secretary at our principal executive offices not less than 90 days nor more than 120 days before the first anniversary date of the annual meeting for the preceding year; provided, however, that in the event that the annual meeting is set for a date that is more than 30 days before or more than 70 days after the first anniversary date of the preceding year's annual meeting, a stockholder's notice must be delivered to our corporate secretary (x) not less than 90 days nor more than 120 days prior to the meeting or (y) no later than the close of business on the 10th day following the day on which a public announcement of the date of the meeting is first made by us.

No Stockholder Action by Written Consent. Our Charter provides that stockholder action may be taken only at an annual meeting or special meeting of stockholders.

Limitations on Liability and Indemnification

Our Charter contains provisions permitted under the DGCL relating to the liability of directors. These provisions eliminate a director's personal liability for monetary damages resulting from a breach of fiduciary duty, except in circumstances involving:

- any breach of the director's duty of loyalty;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law;
- Section 174 of the DGCL (unlawful dividends); or
- any transaction from which the director derives an improper personal benefit.

The principal effect of the limitation on liability provision is that a stockholder will be unable to prosecute an action for monetary damages against a director unless the stockholder can demonstrate a basis for liability for which indemnification is not available under the DGCL. These provisions, however, should not limit or eliminate our rights or any stockholder's rights to seek non-monetary relief, such as an injunction or rescission, in the event of a breach of a director's fiduciary duty. These provisions do not alter a director's liability under federal securities laws. The inclusion of this provision in our Charter may discourage or deter stockholders or management from bringing a lawsuit against directors for a breach of their fiduciary duties, even though such an action, if successful, might otherwise have benefited us and our stockholders. In addition, your investment may be adversely affected to the extent we pay costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

Our Charter and our By-laws require us to indemnify and advance expenses to our directors and officers to the fullest extent not prohibited by the DGCL and other applicable law, except in the case of a proceeding instituted by the director without the approval of our board of directors. Our Charter and our By-laws provide that we are required to indemnify our directors and executive officers, to the fullest extent permitted by law, for all judgments, fines, settlements, legal fees and other expenses incurred in connection with pending or threatened legal proceedings because of the director's or officer's positions with us or another entity that the director or officer serves at our request, subject to various conditions, and to advance funds to our directors and officers to enable them to defend against such proceedings. To receive indemnification, the director or officer must have been successful in the legal proceeding or have acted in good faith and in what was reasonably believed to be a lawful manner in our best interest and, with respect to any criminal proceeding, have had no reasonable cause to believe his or her conduct was unlawful.

Section 203 of Delaware General Corporation Law

The Company is subject to Section 203 of the Delaware General Corporation Law (“Section 203”), an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date such person became an interested stockholder, unless the business combination or the transaction in which such person became an interested stockholder is approved in a prescribed manner. Generally, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an “interested stockholder” is a person that, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status did own, 15% or more of a corporation’s voting stock. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the board, including discouraging attempts that might result in a premium over the market price for the shares of common stock.

Choice of Forum

Our Charter provides that the Court of Chancery of the State of Delaware is, to the fullest extent permitted by law, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed to us or our stockholders by any of our directors, officers, other employees, agents or stockholders, (iii) any action asserting a claim arising out of or under the DGCL or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware (including, without limitation, any action asserting a claim arising out of or pursuant to our Charter or our By-laws) or (iv) any action asserting a claim that is governed by the internal affairs doctrine. By becoming a stockholder in our company, you will be deemed to have notice of and have consented to the provisions of our Charter related to choice of forum.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

SUBSIDIARIES OF SITEONE LANDSCAPE SUPPLY, INC.

As of the date of this filing, SiteOne Landscape Supply, Inc. has the following subsidiaries:

Entity Name	Jurisdiction of Formation
SiteOne Landscape Supply Midco, Inc.	Delaware
SiteOne Landscape Supply Bidco, Inc.	Delaware
SiteOne Landscape Supply Holding, LLC	Delaware
SiteOne Landscape Supply, LLC	Delaware
SiteOne Services, LLC	Delaware
SiteOne Landscape Supply, Ltd.	Ontario, Canada
LESCO, Inc.	Ohio
Green Resource, LLC	North Carolina
GR4, LLC	North Carolina
Hydro-Scape Products, Inc.	California
Bissett Equipment Corp.	New York
American Builders Supply, Inc.	California
ABS Logistics LLC	Nevada
MasonryClub, Inc.	California
Canoga Masonry Supply, Inc.	California
Atlantic Irrigation Specialties, Inc.	New York
Atlantic Irrigation South, LLC	North Carolina
Atlantic Irrigation of Canada Inc.	Ontario, Canada
Sprinklersupplystore.com LLC (50% owned)	Delaware
Auto-Rain Supply, Inc.	Washington
LandscapeXpress, Inc.	Delaware
LandscapeXpress, Inc.	Massachusetts
Koppco, Inc.	Missouri
Kirkwood Material Supply, Inc.	Missouri
The Dirt Doctors, LLC	New Hampshire
Zaren Leasing, LLC	New Hampshire
Modern Builders Supply, Inc.	California
Timberwall Landscape & Masonry Products, Inc	Minnesota
Rodvold Enterprises, Inc.	California

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-211422, 333-221464, and 333-238527 on Form S-8 of our reports dated February 24, 2022, relating to the consolidated financial statements of SiteOne Landscape Supply, Inc. and subsidiaries (“the Company”) and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of SiteOne Landscape Supply, Inc. for the year ended January 2, 2022.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia
February 24, 2022

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OF THE EXCHANGE ACT, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Doug Black, certify that:

1. I have reviewed this Annual Report on Form 10-K of SiteOne Landscape Supply, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2022

/s/ Doug Black

Doug Black

Chairman and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) OF THE EXCHANGE ACT, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John T. Guthrie, certify that:

1. I have reviewed this Annual Report on Form 10-K of SiteOne Landscape Supply, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2022

/s/ John T. Guthrie

John T. Guthrie

Executive Vice President, Chief Financial Officer and Assistant Secretary (Principal Financial Officer and Principal Accounting Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of SiteOne Landscape Supply, Inc. (the "Company") on Form 10-K for the fiscal year ended January 2, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Doug Black, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 24, 2022

/s/ Doug Black

Doug Black

Chairman and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of SiteOne Landscape Supply, Inc. (the “Company”) on Form 10-K for the fiscal year ended January 2, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John T. Guthrie, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 24, 2022

/s/ John T. Guthrie

John T. Guthrie

Executive Vice President, Chief Financial Officer and Assistant Secretary (Principal Financial Officer and Principal Accounting Officer)