

SiteOne Landscape Supply, Inc.
Form 10-K
March 15, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended January 1, 2017

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: 001-37793

SiteOne Landscape Supply, Inc.

(Exact name of registrant as specified in its charter)

Delaware 46-4056061
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

Mansell Overlook, 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:

Common stock, par value \$0.01 per share	New York Stock Exchange
(Title of Each Class)	(Name of Each Exchange on which Registered)

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

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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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check One):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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 3, 2016, there were 39,542,239 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 the CD&R Investor and Deere (each as defined below), directors and officers may be affiliates) was approximately \$411,966,679 based on the closing price of SiteOne Landscape Supply, Inc.'s common stock on the NYSE on July 1, 2016 (the last trading day of our most recently completed fiscal second quarter).

As of March 10, 2017, the number of shares of the registrant's common stock outstanding were 39,585,917, 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 2017 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 1, 2017.

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Regarding Forward-Looking Statements and Information

This Annual Report on Form 10-K contains forward-looking statements and cautionary statements within the meaning of the Private Securities Litigation Reform Act of 1995. Some of the forward-looking statements can be identified by the use of terms such as “may,” “intend,” “might,” “will,” “should,” “could,” “would,” “expect,” “believe,” “estimate,” “anticipate,” “project,” “potential,” or the negative of these terms, and similar expressions. You should be aware that these forward-looking statements are subject to risks and uncertainties that are beyond our control. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors emerge from time to time that may cause our business not to develop as we expect, and it is not possible for us to predict all of them. Factors that may cause actual results to differ materially from those expressed or implied by the forward-looking statements include, but are not limited to, the following:

- cyclical nature of residential and commercial construction markets;
- general economic and financial conditions;
- weather conditions, seasonality and availability of water to end-users;
- laws and government regulations applicable to our business that could negatively impact demand for our products;
- public perceptions that our products and services are not environmentally friendly;
- competitive industry pressures;
- product shortages and the loss of key suppliers;
- product price fluctuations;
- inventory management risks;
- ability to implement our business strategies and achieve our growth objectives;
- acquisition and integration risks;
- increased operating costs;
- risks associated with our large labor force;
- adverse credit and financial markets events and conditions;
- credit sale risks;
- retention of key personnel;
- performance of individual branches;
- environmental, health and safety laws and regulations;
- hazardous materials and related materials;
- construction defect and product liability claims;
- computer data processing systems;
- security of personal information about our customers;
- intellectual property and other proprietary rights;
- requirements of being a public company;
- risks related to our internal controls;
- the possibility of securities litigation;
- our substantial indebtedness and our ability to obtain financing in the future;
- increases in interest rates; and
- risks related to other factors discussed under “Risk Factors” and elsewhere in this Annual Report.

You should read this report completely and with the understanding that actual future results may be materially different from expectations. All forward-looking statements made in this report are qualified by these cautionary statements. These forward-looking statements are made only as of the date of this report, and we do not undertake any obligation, other than as may be required by law, to update or revise any forward-looking or cautionary statements to reflect changes in assumptions, the occurrence of events, unanticipated or otherwise, changes in future operating results over time or otherwise.

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.

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PART I

As used in this Annual Report on Form 10-K for the fiscal year ended January 1, 2017, 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 “2016 Fiscal Year,” “the “2015 Fiscal Year” and the “2014 Fiscal Year” refer to the fiscal year ended January 1, 2017, the fiscal year ended January 3, 2016 and the fiscal year ended December 28, 2014, respectively.

Item 1. Business

The following discussion of our business contains “forward-looking statements,” as discussed in “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 March 10, 2017, we had 469 branch locations in 45 states and five provinces. Through our expansive North American network, we offer a comprehensive selection of more than 100,000 SKUs including irrigation supplies, fertilizer and control products (e.g., herbicides), landscape accessories, nursery goods, hardscapes (including pavers, natural stones and blocks), outdoor lighting and ice melt products. We also provide value-added consultative services to complement our product offering and to help our customers operate and grow their businesses. Based on our 2016 Fiscal Year net sales, we estimate that we are more than four times the size of our largest competitor and larger than the next two through ten competitors combined. We believe, based on management’s estimates, that we have either the number one or number two local market position in nearly 80% of MSAs where we have one or more branches. Our market leadership, coast-to-coast presence, broad product selection and extensive technical expertise provide us with significant competitive advantages and create a compelling value proposition for both our customers and suppliers. Our customers choose us for a number of reasons, including the breadth and availability of the products we offer, our high level of expertise, the quality of our customer service, the convenience of our branch locations and the consistency of our timely delivery. Our ability to provide a “one-stop shop” experience for our customers is aligned with the growing trend of landscape contractors providing an increasingly broad array of products and services. Because extensive technical knowledge and experience are required to successfully design, install and maintain outdoor spaces, we believe our customers find great value in the advice and recommendations provided by our knowledgeable sales and service associates, many of whom are former landscape contractors or golf course superintendents. Our consultative services include assistance with irrigation network design, commercial project planning, generation of sales leads, marketing services and product support, as well as a series of technical and business management seminars that we call SiteOne University. These value-added services foster an ongoing relationship with our customers that is a key element of our business strategy.

We have a diverse base of more than 180,000 customers, and our top 10 customers accounted for approximately 4% of our 2016 Fiscal Year net sales, with no single customer accounting for more than 2% of net sales. 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 1,400 delivery vehicles position us well to meet the needs of our customers and ensure timely delivery of products.

Our strong supplier relationships support our ability to provide a broad selection of products at attractive prices. We believe we are the largest customer for many of our key suppliers, who benefit from the size and scale of our distribution network. We source our products from more than 2,500 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, Toro, Oldcastle, Bayer, Syngenta, BASF, Dow AgroSciences, Vista and NDS. We also develop and sell products under our proprietary and market-leading brands LESCO and Green Tech, which together accounted for approximately 19% of our 2016 Fiscal Year net sales. We believe these highly recognized brands attract customers to our branches and create incremental sales opportunities for other products.

We have a balanced mix of sales across product categories, construction sectors and end markets. We derived approximately 54% of our 2016 Fiscal Year net sales from the residential construction sector, 31% from the commercial (including institutional)

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construction sector and 15% from the recreational and other construction sector. By end market, we derived approximately 43% of our 2016 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 39% of our 2016 Fiscal Year net sales. These products primarily include irrigation, nursery, hardscapes, outdoor lighting and landscape accessories. We expect sales in the new construction end market to continue to grow as a result of the ongoing recovery in the demand for new single-family homes, multi-family housing units and non-residential buildings. Approximately 18% of our 2016 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 2016 Fiscal Year

As of March 10, 2017, we have completed the acquisition of 16 companies since the CD&R Acquisition (as defined below) in December 2013, and we intend to pursue additional acquisitions to complement our organic growth and achieve our strategic objectives. Our organic and acquisition-driven growth strategies have led to significant increases in net sales and Adjusted EBITDA. For our 2016 Fiscal Year, we generated net sales of \$1,648.2 million, net income of \$30.6 million and Adjusted EBITDA of \$134.3 million, compared to net sales of \$1,451.6 million, net income of \$28.9 million and Adjusted EBITDA of \$106.5 million for our 2015 Fiscal Year. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Results of Operations-Quarterly Results of Operations Data” for a reconciliation of our Adjusted EBITDA to net income (loss).

Our Executive Leadership

Doug Black joined us as our Chief Executive Officer in April 2014. Mr. Black is the former President and COO of Oldcastle, the North American arm of CRH plc, where he helped grow net sales by over ten times and oversaw more than 100 acquisitions, including Oldcastle’s expansion into building products distribution. Mr. Black has joined a strong operational team with top-tier associates who have positively contributed to our performance. Mr. Black has also strengthened the capabilities of our executive leadership team by bringing in highly qualified senior managers with functional expertise in strategy development, mergers and acquisitions, talent management, marketing, category management, supply chain management, national sales and information technology. These individuals have prior experience at a number of well-known companies within the building products and industrial distribution sectors, including Oldcastle, HD Supply, Grainger, MSC Industrial Direct, Wesco, Newell Rubbermaid and The Home Depot. Under Mr. Black’s leadership, we have established a focused business strategy to develop and attract industry-leading talent, deliver more value to customers, generate superior financial performance, drive organic growth, execute on attractive acquisitions and increase working capital efficiency. We are also undertaking a variety of initiatives targeting pricing, category management, sales force performance and supply chain management. At the local level, we have increased our focus on gaining market share by adding capabilities to our 50 geographic areas and 469 branches and by empowering area managers and their teams to develop local strategies. These initiatives are in the early stages of implementation, and we believe they will continue to enhance our growth and profitability.

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 \$17 billion in revenue in 2016. 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 distribution industry, products sold for residential applications represent the largest construction sector, followed by the commercial and recreational & other sectors. Based on management estimates, we believe

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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 & other accounting for approximately one-tenth of industry sales.

The wholesale landscape supply distribution 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, such as lawn care, tree and foliage maintenance firms. 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 "one-stop shop" with a larger variety of products and services, particularly given the recurring nature of landscape maintenance services.

According to an August 2015 Freedonia Group report, the U.S. wholesale landscape supply distribution industry was expected to grow at a CAGR meaningfully higher than that of the overall economy through 2019. Hardscape and outdoor lighting products were expected to grow the fastest of our major landscape product categories through 2019 at an estimated CAGR of 7.3% and 8.1%, respectively.

Residential Construction Sector Growth Trends

The purchase of a home, whether new or existing, is a common reason for upgrading or modifying lawns, gardens and other outdoor spaces. Industry surveys indicate that the majority of homeowners prefer to hire landscape professionals for help with their outdoor projects.

Growth in the market for landscape products is primarily driven by new residential construction. Housing starts are expected to grow 6% in 2017 to 1.2 million and 8% in 2018 to 1.3 million, according to the National Association of Home Builders. The chart below sets forth the total number of U.S. housing starts from 2000 through 2015, NAHB's projected numbers for 2016 through 2018 and the long-term median (1959-2015).

Historical and projected U.S. total housing starts (in thousands)

Source: U.S. Census Bureau, National Association of Homebuilders (Housing and Interest Rate Forecast).

Rising interest in more complex, decorative and functional landscaping spurred by the recent popularity of home and garden television shows and magazines has further boosted demand for professional landscape services. The increasingly popular concept of "outdoor living," which involves relaxation, entertainment and spending more time with family and friends outdoors, continues to drive higher demand for landscape solutions that provide more functional living space and increase the value of the home. Freedonia projects that demand for outdoor lighting will increase as homeowners continue to enhance property values with architectural features, monuments and plants that warrant illumination during non-daylight hours. In addition, an increasing shift from AC to low voltage DC power sources and advances in LED technology simplify installation and facilitate more reliable and attractive outdoor lighting systems. As residents face lawn watering restrictions resulting from recent drought conditions in the Western and Southern regions of the United States, demand for eco-friendly landscape products that promote water conservation has also grown meaningfully. This includes the use of hardscapes as lawn substitutes as well as smart water systems for increased water efficiency.

Another growth driver in our industry includes residential repair and remodel spending, which has historically been less cyclical than spending on new residential construction. According to the Harvard Joint Center for Housing Studies as of January 2016, the U.S.

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home improvement products market reached a peak of \$277 billion in 2006 before declining by approximately 20% to \$222 billion in 2009. The industry has since rebounded to an estimated \$297 billion in 2016.

Driven by the rebound in existing home sales, rising home prices, the ongoing rehabilitation of previously foreclosed properties, the availability of consumer capital at low interest rates, the increasing age of U.S. housing stock and demand for energy-efficient projects, industry analysts expect significant long-term growth in residential repair and remodel expenditures. The Harvard Joint Center for Housing Studies forecasts that the home improvement products market will grow at a CAGR of 7% from 2015 to 2017.

U.S. spending on home improvement products (\$ in billions)

Source: Harvard JCHS

Commercial and Recreational Construction Sector Growth Trends

Demand for landscape products in the commercial and recreational construction sector is driven by factors such as new building construction and companies renovating the exteriors of their facilities to attract new customers and tenants. Additionally, eco-friendly landscape products are frequently specified by design professionals for use in commercial, institutional and municipal landscape irrigation applications. Technology solutions include fully integrated rainwater harvesting/reuse systems, organic fertilizers, remote water management systems, energy efficient pump systems and solar-powered irrigation controller assemblies.

The non-residential construction market has rebounded strongly following the 2008-2009 recession with steady growth through 2016. According to Dodge Data & Analytics, U.S. non-residential construction spending is forecasted to grow 7% in 2017 and 6% in 2018. The chart below sets forth the total dollars spent on U.S. non-residential construction from 2006 to 2018.

U.S. non-residential construction spending (\$ in billions)

Source: Source: U.S. Census Bureau, Dodge Data & Analytics

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Our Competitive Strengths

We believe we benefit from the following competitive strengths:

Clear Market Leader in an Attractive Industry

We are the largest wholesale distributor of landscape supplies in the United States. Based on our 2016 Fiscal Year net sales, we estimate that we are more than four times the size of our largest competitor and larger than the next two through ten competitors combined.

We believe, based on management's estimates, that we have either the number one or number two local market position in nearly 80% of MSAs where we have at least one branch. Our industry is highly fragmented, comprised of thousands of small, private or family-run businesses that compete with us primarily on a local market basis. We are the only national distributor in the landscape supply industry, with an estimated market share of approximately 10% based on third quarter of 2016 Fiscal Year net sales. As a result, we believe we have significant opportunities to increase our market share. Our national scale, broad product and service offering and market leadership also enable us to play an important role in the landscape supplies value chain by connecting a large and diverse set of manufacturers with a highly fragmented customer base.

Broadest Product Offering

We believe we offer the industry's most comprehensive portfolio of landscape products with over 100,000 SKUs from more than 2,500 suppliers. This broad product offering creates a "one-stop shop" for our customers and positively distinguishes us from our competitors. We maintain a high standard of product availability and timely delivery, which generally allows our customers to avoid investing significant capital to maintain their own inventory. In addition, our branches order specialty products directly from suppliers on behalf of our customers, who thereby benefit from our national purchasing scale, and we are able to supply custom services and products, such as fertilizers and soil blends, to meet specific job requirements. We also provide several proprietary products, including our LESCO and Green Tech brands, as well as promotional items offered through arrangements with selected manufacturers.

Superior Customer Value

We offer a variety of complementary, value-added services to support the sale of our products. At the local branch level, we have teams of experienced sales and service associates, many of whom are former landscape contractors or golf course superintendents. Our local staff provides customers with consultative services such as product selection and support, assistance with the design and implementation of landscape projects, and potential sales leads for new business opportunities. Our sales and service associates also coordinate the delivery of customer orders and help us to maintain our high delivery standards and fill rates. In addition, through our SiteOne University, we provide customers with technical training, licensing and business management seminars. We also offer a loyalty program, which we refer to as our Partners Program, under which customers can earn points redeemable for gift cards, account credits and other attractive commercial benefits. Our Partners Program, which had more than 12,000 enrolled customers as of January 1, 2017, also offers customers the opportunity to leverage our national buying power to purchase services for their businesses and employees. We believe the services we provide are an important differentiator that enhances the strength and longevity of our customer relationships.

Strong and Scalable Platform for Driving Growth

Our national scale and geographic footprint make us an attractive partner for our customers and suppliers. Over the past two and a half years, we have invested in management, corporate infrastructure and information systems for operating a company significantly larger than our current scale. Our local area and branch managers benefit from the substantial business and industry knowledge of our executive and senior operational management teams to help grow our business in their markets. We believe our platform can be leveraged to expand our customer base and grow our business with existing products and services, as well as to support the launch of new product offerings in our existing markets. We expect our greatest opportunities to expand will be in markets in which we currently operate but do not yet have a leading market position in one or more of our product categories.

Proven Ability to Identify, Execute and Integrate Acquisitions

We are a leading player in the consolidation of the fragmented industry for wholesale distribution of landscape supplies. Our current management team has extensive experience in identifying, executing and integrating acquisitions. Our industry leadership position, geographic footprint, ability to integrate acquisitions and access to

financial resources make us the buyer of choice for many of our potential targets and give us an advantage over competing potential acquirers. As a result, we are able to achieve attractive multiples in primarily negotiated transactions. As of March 10, 2017, we have completed the acquisition of 16 companies since the CD&R Acquisition (as defined below) in December 2013, which we have integrated or are in the process of integrating into our business. A key element of our integration strategy is to achieve synergies at acquired companies from procurement, overhead cost reduction, sales initiatives and sharing of best practices across our organization. Our recent acquisitions have moved us into the leading position in several additional

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local markets or product categories. 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.

Balanced Mix of Maintenance, New Construction and Repair and Upgrade Business

We have strategically invested in our product portfolio to position us to benefit from the ongoing recovery in the residential and commercial construction markets and to continue to benefit from stable growth of our maintenance products. We believe the new construction and repair and upgrade end markets provide us substantial upside in an economic upturn, and we are well-positioned to grow our business as a result of the continuing recovery in the housing sector and in construction spending for commercial buildings and facilities. In addition, our distribution of maintenance products provides a steady stream of more recurring sales, which we expect will further support our business through economic cycles. We believe our balanced sales mix in support of the maintenance, new construction and repair and upgrade end markets positions us to achieve consistent growth through our branch networks nationally.

Experienced and Proven Management Team Driving Organic and Acquisition Growth

We believe our management team, including regional vice presidents, area managers, area business managers and branch managers, is among the most experienced in the industry. Members of our executive leadership team have a strong track record of improving performance and successfully driving both internal and acquisitive growth during their tenure with SiteOne and prior to joining our company. Our team not only has a clearly defined operational strategy to promote growth and profitability for SiteOne but also an ambitious vision to be a world-class leader in the industry. We believe the scale of our business and our leading market position will allow us to continue to attract and develop industry-leading talent.

Our Strategies

We intend to leverage our competitive strengths to increase shareholder value through the following core strategies:

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 180,000 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. Our customers in turn benefit from our local market leadership, talented associates, broad product offering and high inventory availability, timely delivery and complementary value-added services. 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. As we continue to grow, we believe our strong customer and supplier relationships will enable us to expand our market share in the landscape supplies industry.

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 24% of the U.S. MSAs 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 recently completed acquisitions, we have added new markets in the United States 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 grow our market share and enhance our local market leadership positions by taking advantage of our scale, operational experience and acquisition know-how to pursue and integrate attractive targets. We believe we have significant opportunities to add product categories in our existing markets through acquisitions. In addition, we

currently have branches in 177 of the 381 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 corporate costs.

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Execute on Identified Operational Initiatives

We have undertaken significant 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. In addition, we work closely with our local area team leaders to improve sales, delivery and branch productivity. Although we are still in the early stages of these initiatives, they have already 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, while at the area and branch level we have built a vibrant and entrepreneurial culture that rewards performance. We promote ongoing, open and honest communication with our associates 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 History and Ownership

Our company was established in 2001, when Deere & Company (“Deere”) entered the market for wholesale landscape distribution through the acquisition of McGinnis Farms, a supplier of irrigation and nursery products with branches located primarily in the Southeastern United States. Subsequent acquisitions under Deere’s ownership included 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.

Holdings indirectly owns 100% of the membership interest in SiteOne Landscape Supply Holding, LLC (referred to in this Annual Report on Form 10-K as “Landscape Holding”). Landscape Holding is the parent and sole owner of SiteOne Landscape Supply, LLC (referred to in this Annual Report on Form 10-K as “Landscape”). Prior to the CD&R Acquisition described below, Deere was the sole owner of Landscape Holding.

On December 23, 2013 (the “Closing Date”), a wholly-owned subsidiary of Holdings acquired 100% of the ownership interest in Landscape Holding from Deere in exchange for common shares of Holdings representing 40% of Holdings’ then outstanding capital stock (assuming conversion of the cumulative convertible participating redeemable preferred stock, or the “Preferred Stock”) plus cash consideration of approximately \$314 million, net of pre-closing and post-closing adjustments. Holdings also issued 174,000 shares of Preferred Stock to CD&R Landscapes Holdings, L.P. (the “CD&R Investor”), an affiliate of Clayton, Dubilier & Rice, LLC (“CD&R”), representing 60% of the then outstanding capital stock of Holdings (on an as-converted basis). As part of the transaction, Landscape Holding also acquired from Deere the affiliated company LESCO. We refer to the transactions described in this paragraph as the “CD&R Acquisition.”

On May 17, 2016, we completed the initial public offering (“IPO”) of our common stock at a price to the public of \$21.00 per share. In connection with the IPO, the CD&R Investor and Deere together sold an aggregate of 10,000,000 shares of common stock. The underwriters also exercised their option to purchase an additional 1,500,000 shares of common stock from the CD&R Investor and Deere, at the public offering price less the underwriting discounts and commissions. The CD&R Investor and Deere received all of the net proceeds and bore all commissions and discounts from the sale of our common stock. We did not receive any proceeds from the IPO. On the day prior to the closing of the IPO, all of our then-outstanding Preferred Stock converted into shares of common stock, resulting in the issuance by us of an additional 25,303,164 shares of our common stock. The conversion of Preferred Stock is accounted for from the date of conversion and is not retroactively adjusted in our financial statements and related notes included in this Annual Report on Form 10-K.

Holdings registered on behalf of certain stockholders the offering and sale of 9,000,000 shares of common stock, as well as 1,350,000 shares of common stock sold to the underwriters pursuant to an option to purchase additional shares. On December 5, 2016, the selling stockholders completed the offering of 10,350,000 shares of common stock at a price of \$33.00 per share. Holdings did not receive any of the proceeds from the aggregate 10,350,000 shares of common stock sold by the selling stockholders.

As of March 10, 2017, the CD&R Investor and Deere hold approximately 27.9% and 14.9% of Holdings' common stock, respectively.

Following the CD&R Acquisition, we have revitalized our acquisition strategy and have acquired 16 businesses as of March 10, 2017. The historical annual net sales of these businesses prior to their respective acquisition dates totaled more than \$450 million.

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Our Products and Services

Our ability to provide a broad range of products is essential to our success. We believe we offer the industry's most comprehensive portfolio of landscape products with over 100,000 SKUs from more than 2,500 suppliers. Our product portfolio includes irrigation, fertilizer & other, control products, landscape accessories, nursery goods, hardscapes and outdoor lighting products. In each of the 2016, 2015 and 2014 Fiscal Years, sales of irrigation, fertilizer & other and control products each accounted for 10% or more of our net sales. In addition, sales of nursery goods accounted for 10% or more of our net sales in the 2016 and 2015 Fiscal Years. Landscape accessories accounted for 10% or more of our net sales in the 2016 and 2014 Fiscal Years.

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 that items such as nursery goods and hardscapes require provides us with a competitive advantage over many competitors who offer a more limited selection of product categories.

See Note 12 to our audited financial statements for more information on our net sales in the agronomic (fertilizer & other and control products), irrigation and outdoor lighting, landscape accessories and hardscapes and nursery goods categories.

Irrigation

Our irrigation products include controllers, valves, sprinkler heads and irrigation and drainage pipes. The market for irrigation products has historically provided stable growth and is driven primarily by new home construction and maintenance of existing irrigation systems. We believe water conservation regulations and rising consumer interest in more complex decorative and functional landscaping will continue to drive demand for upgraded irrigation systems.

Fertilizer & Other

Our fertilizer & 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.

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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. We expect that future growth for control products will be aided by the introduction of new bio-pesticides derived from natural materials.

Landscape Accessories

Our landscape accessories products include mulches, soil amendments, 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 fertilizers and control products, as well as sales of nursery goods and hardscape products.

Nursery Goods

Our nursery goods include deciduous shrubs, evergreen shrubs and trees, ornamental trees, shade trees, both field grown and container-grown nursery stock and hundreds of plant species and cultivars available in a number of heights and bloom colors. We believe increased demand for nursery goods will be driven by the rising interest in outdoor living spaces, including patios, outdoor kitchens, open-air living rooms and decks that extend the living space to the outdoors. We also believe the nursery goods category represents a growth opportunity due to its size and our relatively low penetration of the market to date.

Outdoor Lighting

Our outdoor lighting products include accent lights, dark lights, path lights, up lights, down lights, wall lights and pool and aquatic area lighting. Outdoor lighting products are expected to grow at an estimated 8.1% through 2019, according to Freedonia, due in part to growing trends in outdoor living and an interest in improving the exterior appearance of homes. In addition, the recent shift from AC to low voltage DC power sources and advances in LED technology are expected to contribute to additional demand for outdoor lighting products.

Hardscapes

Hardscapes include paving stones, blocks and other durable materials. According to Freedonia, the hardscape market is expected to grow at an estimated CAGR of 7.3% through 2019. We believe that this trend, combined with our relatively low market share in hardscapes, provides us with a significant growth opportunity.

Proprietary Branded Products

In addition to distributing branded products of third parties, we offer products under our proprietary brands. Sales of LESCO and Green Tech together accounted for approximately 19% of our 2016 Fiscal Year net sales, the large majority of which is attributable to LESCO.

LESCO

We acquired LESCO and its associated brands in 2007. 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. In 2015, we introduced Basic Seed and Basic Nutrition, “sub-brands” of LESCO, under which we offer fertilizer and landscape accessories. LESCO products are sold through our branches and retail outlets such as The Home Depot and Ace Hardware.

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Green Tech

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

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 products we provide as well as on job 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 design.

Partners Program

We also offer a loyalty program, our Partners Program, which had more than 12,000 enrolled customers as of January 1, 2017 and provides business and personal rewards, access to business services at preferred rates and technical training and support. Reward points may be spent, 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 resources services, cell phone services, office supplies, auto and fleet insurance and fuel rebates. For the 2016 Fiscal Year, Partners Program participants accounted for approximately 48% 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 corporate functions.

At the local market level, we organize our 469 branches and approximately 358 outside sales representatives into 50 designated "areas" that each serve a defined geography, typically 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 an area business manager responsible for executing the local market strategies and key initiatives to grow sales and profitability. Branch managers report to the area business manager, while outside sales representatives report to the area manager directly.

We support our 469 branches and 50 areas with regional management and company-wide corporate functions providing: management of business performance; development and execution of local strategies; sharing of best practices; execution and integration of acquisitions; finance and accounting expertise (credit/collections, payables); category management and procurement; supply chain (planners, buyers); pricing strategies; marketing; and information technology. All of 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.

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Sales

We are the largest and only national wholesale distributor of landscape supplies in the United States, and we have a growing presence in Canada. We have an extensive North American platform of 469 branch locations in 45 states and five provinces. Approximately 99% of our 2016 Fiscal Year net sales were within the United States.

Our approximately 2,900 field associates including, 358 outside sales representatives, have regular interaction with our customers due to the recurring nature of landscape services and the fact that most contractors tend to buy products on an as-needed basis. We rely heavily on local teams for sales, marketing and strategy execution, with our strategic marketing initiatives supported by company-wide customer analytics and programs in order to drive acquisition and retention of customers. Our high-touch customer service model strengthens relationships, builds loyalty and drives repeat business with our customers.

Our outside sales force is organized by geographic area and specialty. 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 to the golf industry.

We have a national account sales organization which leads sales strategy and execution for our largest national and regional customers. The national sales team is organized around five different market sectors: landscape and grounds maintenance, golf, retail, international and engineering, procurement and construction. 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.

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Pricing

Our pricing strategy is developed nationally and deployed locally with input from regional and area managers to adjust for market-specific conditions. Depending upon the local competitive dynamics, pricing can be tailored to the region, market or customer level as needed. Our pricing team monitors market supply and demand trends that impact our supplier community and customer base and is able to adjust pricing based upon those trends in order to remain competitive.

Category Management

Our category management initiatives are developed at the national level, with input from local and regional level management. We track product demand, market size and share and we use this information to improve our product mix and select appropriate suppliers. We believe these initiatives enable us to provide improved service to customers and drive supply chain efficiencies, leading to increased market share and margin growth. We have a dedicated team for each category, which enables us to build specific category strategies that are nationally based but can be, through a series of menu options, tailored to support a specific region or area.

Marketing

Our marketing department is integral to our strategy and helps drive the business through brand management, print marketing, including catalogs and promotional fliers, and digital marketing, which includes search engine optimization and website development. Our marketing department is also responsible for customer management and is focused on developing ways to successfully acquire, retain and reactivate customers. We also focus on branch merchandising by evaluating our customers' buying patterns and seeking opportunities to showcase products that we believe will attract customer interest and help promote our "one-stop shop" capabilities.

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 highly valuable connection between our suppliers and our customers. Of our approximately 2,700 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 unfeasible 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 of them. 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 supply, wells or ponds. Branches are strategically located near residential areas with good 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 in some branches.

Direct Distribution

Our direct distribution business provides point-to-point logistics for bulk quantities of landscape products between producers and customers. Our direct distribution business provides customers with sourcing and logistics support services for inventory management and delivery, in many cases more economically 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 producer relationships, marketing expertise and ordering and logistics infrastructure to serve this demand, requiring less working capital investment for these sales. Approximately 7% of our 2016 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 vendor 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.

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Construction Sectors

We supply products primarily to contractors in the residential, commercial and recreational & other construction sectors. Approximately 54% of our 2016 Fiscal Year net sales derived from the residential sector, 31% from the commercial sector and 15% from the recreational & other construction sector.

Residential

Our residential sector includes installation work (e.g., irrigation systems, nursery goods, outdoor lighting, hardscapes, etc.) for new single-family and multi-family housing as well as repair, upgrade and maintenance activities for existing homes. Demand in our residential sector is primarily influenced by general economic conditions, population growth, employment levels, mortgage rates and consumer spending. Many of the customers we serve in this sector are small, local landscape service companies and installers.

Commercial

Our commercial sector includes products for landscape installation, repair, upgrade and maintenance for non-residential buildings, such as office space, hotels, retail centers, manufacturing plants, warehouses, schools, hospitals and government facilities. The key drivers for this sector are general levels of economic activity, vacancy rates and government spending. Customers in this sector include small, private landscape contractors as well as larger, more regionally-focused landscape firms.

Recreational & Other

Our recreational sector consists primarily of the sale of agronomic products to golf courses. We also include within this sector our sales to other recreational facilities, such as parks, athletic fields and outdoor resorts; sales to infrastructure-related projects for state and municipal governments; and sales to other customers unrelated to residential or commercial construction. Key drivers of this sector are consumer confidence, levels of recreational activity and government spending. A large proportion of the customers in this sector are facility operators who buy directly from us instead of using an intermediary landscape contractor.

End Markets

Our sales can be broken down into three separate end markets: (1) landscape maintenance, (2) the installation of landscape materials for new construction and (3) the repair and upgrade of existing landscaping. These categories accounted for 43%, 39% and 18%, respectively, of our 2016 Fiscal Year net sales.

Maintenance

We sell a variety of items that are designed to maintain the health of existing landscaping, such as fertilizers and control products, pesticides and herbicides. Ice melt is also a significant maintenance product that is used to maintain walkways and driveways during cold weather periods. Our maintenance sales tend to be more stable through economic cycles than our sales for either the new construction or repair and upgrade end markets.

New Construction

We sell a variety of products that are frequently installed during the construction of new single-family or multi-family residences. These items typically include irrigation systems, nursery goods, outdoor lighting and hardscapes. These products are also frequently installed by our customers during the construction of non-residential buildings, such as commercial office space and retail centers, though often on a much larger scale. Our sales and service associates have significant expertise and tools available to assist customers with the planning and design of new landscape installations, including irrigation networks, which positively differentiates us from competitors and creates substantial value for our customers.

Repair and Upgrade

Similar to new construction, repair and upgrade of existing landscaping is common and can be triggered by a number of potential factors and events, including changing consumer preferences, home prices, environmental regulations, weather damage, product obsolescence and technological improvements. In particular, a recent or pending sale of a home has been cited as a key driver of residential repair and upgrade activity. The same types of products we sell for new construction are generally sold to our customers for repair and upgrade projects.

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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 180,000 firms and individuals, with our top 10 customers accounting for approximately 4% of our 2016 Fiscal Year net sales, with no single customer accounting for more than 2% of net sales. Small customers, with annual purchases of up to \$10,000, made up 18% of our 2016 Fiscal Year net sales. Medium customers, with annual purchases between \$10,000 and \$200,000, made up 54% of our 2016 Fiscal Year net sales. Large customers, with annual purchases over \$200,000, made up 27% of our 2016 Fiscal Year net sales. Some of our largest customers include BrightView, The Home Depot, Davey Tree Expert Company and TruGreen. Distribution of our LESCO proprietary branded products on a wholesale basis to retailers represented approximately 1% of our 2016 Fiscal Year net sales.

Suppliers

Our market leadership, coast-to-coast market presence, broad product selection and extensive technical expertise have allowed us to develop strong relationships with our suppliers. Our size and broad national network make us an attractive partner for many industry-leading manufacturers, which has allowed us to maintain strong, long-term relationships with our supply base. Our scale advantages also lead to larger volume-based rebates, and we believe we are generally able to negotiate more favorable purchasing terms than many of our smaller competitors in the industry. We source our products from more than 2,500 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, Toro, Oldcastle, Bayer, Syngenta, BASF, Dow AgroSciences, Vista and NDS. Purchases from our top 10 suppliers accounted for approximately 33% of total purchases for our 2016 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 and service, service levels, delivery terms and their strategic positioning. We generally 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 target purchase volumes. Our ability to earn these volume-based incentives is an important factor in our financial results. In limited cases, we have entered into supply contracts with terms that exceed one year for the manufacture of our LESCO branded fertilizer and 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. SiteOne is one of the only wholesale distributors which carries the full line of irrigation, fertilizer & other, control products, landscape accessories, nursery goods, hardscapes and outdoor lighting products.

We believe our top nine largest competitors include Ewing, Harrell's, Horizon Distributors (a subsidiary of Pool Corporation), Imperial Sprinkler Supply, Central Turf & Irrigation Supply, Atlantic Irrigation, Reinders, FIS Outdoor and Longhorn.

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We believe smaller, regional or local competitors still comprise approximately 82% of the landscape supply industry based on 2016 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.

Associates

As of March 10, 2017, we had approximately 3,300 associates, none of whom were affiliated with labor unions. We believe that we have good relations with our associates. Additionally, we believe that the training provided through our development programs and our entrepreneurial, performance-based culture provides significant benefits to our associates. Approximately 95% of our associates are employed on a full-time, year-round basis. Our associate count currently includes approximately 165 seasonal associates, who are temporarily employed due to the weather-dependent nature of our business. An associate is anyone employed by the Company.

Our Brand

We transitioned from using variations on the Deere name and logo to using the SiteOne brand name as of December 31, 2015. We believe the SiteOne name highlights the benefits of our “one-stop shop” business model, whereby professional landscape contractors can fulfill their landscape product needs in one place.

We believe that our strong customer and supplier relationships have led to the rapid acceptance of our new brand that supports our mission of providing top quality services and products to our customers.

Service Marks, Trademarks and Trade Names

We hold various trademark registrations, including SiteOne and LESCO, which we consider important to our marketing activities. Generally, trademark rights have a perpetual life, provided that 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

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 historically incurred net losses in these quarters. Seasonal variations in operating results may also be significantly impacted by inclement weather conditions, such as snow or rain, which can not only impact the demand for certain products like fertilizer and ice melt but also delay construction projects where our products are used.

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.

In 2012, the United States Supreme Court upheld the majority of the provisions in the Patient Protection and Affordable Care Act (the “Act”). The Act places requirements on employers to provide a minimum level of benefits to employees and assesses penalties on employers if the benefits do not meet the required minimum level or if the cost of coverage to employees exceeds affordability thresholds specified in the Act. The minimum benefits and affordability requirements took effect in 2014. The Act also imposes an excise tax beginning in 2018 on plans whose average cost exceeds specified amounts. We have analyzed the effects on us from the provisions of the Act and we do not currently

anticipate a significant financial impact.

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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. See "Note 10. Commitments and Contingencies" to our audited consolidated and combined financial statements included in this Annual Report.

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.

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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.

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, 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, availability of credit, 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 new residential construction. 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. Beginning in mid-2006 and continuing through late-2011, the homebuilding industry experienced a significant downturn. The decrease in homebuilding activity had a significant adverse effect on our business during such time. According to the U.S. Census Bureau, 1.2 million housing units were started in 2016, representing an increase of approximately 5% from 2015. Nevertheless, housing starts in 2016 remained significantly below their historical long-term average. In addition, some analysts project that the demand for residential construction may be negatively impacted as the number of renting households has increased in recent years and as a shortage in the supply of affordable housing is expected to result in lower home ownership rates. 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 similarly recently experienced a severe downturn. 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 most recent downturn in the commercial construction market lasted over four years, resulting in a market decline of approximately 60%.

According to U.S. Census Bureau, total private commercial construction put in place began to recover in 2013 and increased approximately 20% in 2014, 6% in 2015 and 11% in 2016. However, 2016 new commercial construction spending was still well below pre-recession levels. We cannot predict the duration of the current market conditions 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, 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 home-owners to perform landscape upgrades or maintenance themselves rather than outsource to contractors may adversely affect our business. There was a significant

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decline in economic growth in the United States, which began in the second half of 2007 and continued through the last quarter of 2009. There can be no guarantee that the improvements since that time in the general economy and our markets will be sustained or continue.

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, however, are 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 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 shortage 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. In California, for instance, mandatory water restrictions went into effect across the state in 2015. We have also recently 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 drought conditions in some of the geographic markets we serve, or that demand will change in ways that we are unable to predict.

Furthermore, adverse weather conditions, such as droughts, severe storms and significant rain or snowfall, can adversely impact the demand for our products, timing of product delivery, or our ability to deliver products at all. For example, severe winter storms can cause hazardous road conditions, which may prevent personnel from traveling or delivering to service locations. In addition, unexpectedly 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 writedowns.

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.

Public perceptions that the products we use and the services we deliver are not environmentally friendly or safe may 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, damage our brand names and otherwise have a material adverse impact on our business, financial position, results of operations and cash flows.

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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 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.

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.

Former associates may start landscape supply businesses similar to ours, in competition with us. Our industry faces low barriers to entry, making the possibility of former associates starting similar businesses 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.

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. 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.

Our ability to continue to identify and develop relationships with qualified suppliers who can 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, particularly in light of continuing economic difficulties in various regions of the United States and the world, fail to comply with applicable laws, encounter supply disruptions, shipping interruptions or increased costs, or face other factors beyond our control.

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, suppliers may stop offering us favorable 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.

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. Many of our contracts with suppliers include prices for commodities such as grass seed and chemicals used in fertilizer that are not fixed or are tied to an index, which allows our suppliers to change the prices of their products as the input

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prices fluctuate. Our business is exposed to these fluctuations, as well as to fluctuations in our costs for transportation and distribution. 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. 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.

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 timeframe, 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 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, the smooth transition of new senior leadership and our executive management team's ability to execute the new 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. 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.

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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;
- potential impairment of goodwill;
- 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;
- the risks inherent in the systems of the acquired business and risks associated with unanticipated events or liabilities;
- and
- our inability to obtain financing necessary to complete acquisitions on attractive terms or at all.

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.

Increases in operating costs could 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.

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 fluctuated significantly in recent years. Prices and availability of petroleum products are subject to political, economic and market factors that are outside our control. Political events in petroleum-producing regions as well as 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. Besides passing fuel costs on to 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, 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.

Risks associated with our large labor force could have a significant adverse effect on our business.

We have an employee base of approximately 3,300 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. Our hourly employment positions have historically had high turnover rates, which can lead to increased spending on training and retention

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and, as a result, increased labor costs. If we are unable to effectively retain highly qualified associates in the future, 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.

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 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 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.

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 1, 2017, goodwill represented approximately 9% of our total assets. Goodwill is 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 indicate that the carrying amount of goodwill may not be recoverable. Any impairment of goodwill 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 being cancelled, 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 Substantial 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 2016 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

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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, 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, supported by corporate executives and services in our headquarters, with local 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 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, 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, or the "EPA," and similar state agencies before they can be sold or applied. 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. 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.

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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 at commercially reasonable rates in the future adequate insurance coverage 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.

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 have been subject to such claims in the past, which have been resolved without material financial impact.

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 employment, tort proceedings, including toxic tort actions, 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.

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 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. Our

systems also run older generations of software that may be unable to perform as efficiently as, and fail to communicate well with, newer systems. We are in the process of upgrading our management information technology systems. As we implement or develop new systems in the future, we may elect to modify, replace or discontinue certain technology initiatives, which could result in write-downs, and 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, interruption or security breach of our systems 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. 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

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customers, associates, shareholders or regulatory agencies. 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, 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 application 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 brand names SiteOne and LESCO. 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.

The requirements of being a public company, including compliance with the reporting requirements of the Exchange Act and the requirements of the Sarbanes-Oxley Act and the NYSE, may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner. Our initial public offering was completed on May 17, 2016. Prior to that, we operated as a private company since our separation from Deere, and before that operated as a subsidiary of Deere. As a public company, we face significant legal, accounting, compliance and other expenses that we did not incur as a private company. We are obligated to file annual and quarterly information and other reports with the SEC, as required by the Securities Exchange Act of 1934, as amended, or the Exchange Act, and applicable SEC rules. We are also subject to other reporting and corporate governance requirements, including certain requirements of the NYSE, which impose significant compliance obligations upon us and increase our operating costs. Among other things, we instituted a comprehensive compliance function related to various regulations, established additional internal policies and controls and are required to prepare financial statements that are compliant with SEC reporting requirements on a timely basis, draft a proxy statement and hold annual meetings of stockholders, appoint independent directors, comply with additional corporate governance matters and utilize outside counsel and accountants in the above activities.

The Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules subsequently implemented by the SEC and the NYSE, have imposed increased regulation and disclosure obligations and have required enhanced corporate governance practices of public companies. Our efforts to comply with evolving laws, regulations and standards are likely to result in increased administrative expenses and a diversion

of management's time and attention from sales-generating activities. These changes require a significant commitment of additional resources. We may not be successful in complying with these requirements. If we do not comply with such requirements, we might be subject to sanctions or investigation by regulatory authorities, such as the SEC or the NYSE. Any such action could harm our reputation and the confidence of investors and could materially adversely affect our business and cause our stock price to decline.

These changes also place additional demands on our finance and accounting staff and on our financial accounting and information systems. Other expenses associated with being a public company include increases in auditing, accounting and legal fees and expenses, investor relations expenses, increased directors' fees and director and officer liability insurance costs, registrar and transfer agent fees

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and listing fees, as well as other expenses. As a public company, we are required, among other things, to define and expand the roles and the duties of our board of directors and its committees and institute more comprehensive compliance and investor relations functions.

Any deficiencies in our financial reporting or internal controls could adversely affect our business and the trading price of our common stock.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal control over financial reporting. Beginning with our second annual report following our initial public offering, we will be required to provide a management report on internal control over financial reporting.

If we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. In addition, our internal control over financial reporting may not prevent or detect all errors and fraud. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

If there are material weaknesses or failures in our ability to meet any of the requirements related to the maintenance and reporting of our internal controls, investors may lose confidence in the accuracy and completeness of our financial reports, which in turn could cause the price of our common stock to decline. Moreover, effective internal controls are necessary to produce reliable financial reports and to prevent fraud. If we have deficiencies in our internal controls, it may negatively impact our business, results of operations and reputation. In addition, we could become subject to investigations by the NYSE, the SEC or other regulatory authorities, which could require additional management attention and which could adversely affect our business.

We may be subject to securities litigation, which is expensive and could divert management attention and resources from our business.

Our share price may be volatile and, in the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Litigation of this type could result in substantial costs and diversion of management's attention and resources, which could adversely impact our business. Any adverse determination in litigation could also subject us to significant liabilities.

Risks Related to Our Substantial Indebtedness

We have substantial 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 1, 2017 we had \$388.9 million aggregate principal amount of total long-term consolidated indebtedness outstanding and \$11.0 million of capital leases.

Landscape Holding and Landscape are parties to a credit agreement dated December 23, 2013, which has been amended pursuant to Amendment No. 1 dated June 13, 2014, Amendment No. 2 dated January 26, 2015, Amendment No. 3 dated February 13, 2015 and Amendment No. 4 dated October 20, 2015 (such agreement, as so amended, the "ABL Credit Agreement"), providing for an asset-based loan facility in the amount of up to \$325.0 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").

Landscape Holding and Landscape are parties to an amended and restated credit agreement dated April 29, 2016, providing for a senior secured term loan facility in the amount of \$275.0 million 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 "Term Loan Facility" and, together with the ABL Facility, the "Credit Facilities"). On November 23, 2016, we amended our Term Loan Facility to increase the aggregate principal amount to \$298.6 million and used the proceeds to, among other things, repay \$21.0 million of borrowings under our ABL Facility. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations-Term Loan Facility Amendments."

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

• our ability to engage in acquisitions without raising additional equity or obtaining additional debt financing is limited;

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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;

we are exposed to the risk of increased interest rates because borrowings under the Credit Facilities and certain floating rate operating and capital 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 would increase the cost of servicing our indebtedness and could materially reduce our profitability and cash flows. As of January 1, 2017 each one percentage point change in interest rates would result in an approximately \$0.9 million change in the annual interest expense on the amount outstanding under the ABL Facility. As of January 1, 2017, each one percentage point change in interest rates would result in an approximately \$3.0 million change in the annual interest expense on the Term Loan Facility. The impact of increases in interest rates could be more significant for us than it would be for some other companies because of our substantial indebtedness.

A lowering or withdrawal of the ratings, outlook or watch assigned to our debt securities by rating agencies may increase our future borrowing costs and reduce our access to capital.

The ratings, outlook or watch assigned to our indebtedness could be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, current or future circumstances relating to the basis of the rating, outlook, or watch such as adverse changes to our business, so warrant. Based on the financial performance of our businesses and the outlook for future years, our credit ratings, outlook or watch could be negatively impacted. Any lowering of our ratings, outlook or watch likely would make it more difficult or more expensive for us to obtain additional debt financing.

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

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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 October 20, 2020. The final maturity date of the Term Loan Facility is April 29, 2022. 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 2009, 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 market price of our common stock may fluctuate significantly. Among the factors that could affect our stock price are:

- industry or general market conditions;
- domestic and international economic factors unrelated to our performance;
- changes in our customers' or their end-users' preferences;

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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 or lack of research coverage and reports by industry analysts;
action by institutional stockholders or other large stockholders (including the CD&R Investor and Deere), including future sales;
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;
war, 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 you that you will be able to resell your shares at or above your purchase price. The stock markets have experienced extreme 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.

Future sales of shares by us or our existing stockholders could cause our stock price to decline.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could cause the market price of our common stock to decline. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

As of March 10, 2017, we had 39,585,917 shares of common stock outstanding. Of these shares, all of the 11,500,000 shares sold in our initial public offering, and the 10,350,000 shares sold in the November 2016 secondary offering by certain of our stockholders are freely transferable without restriction or further registration under the Securities Act of 1933 (the "Securities Act"), except for any shares held by "affiliates," as that term is defined in Rule 144 under the Securities Act. In May 2016, we filed a registration statement on Form S-8 under the Securities Act to register the shares of common stock to be issued under our equity compensation plans and, as a result, all shares of common stock acquired upon exercise of stock options granted under our plans are also freely tradable under the Securities Act, unless purchased by our affiliates. As of January 1, 2017, there were stock options outstanding to purchase a total of 3,162,642 shares of our common stock, 18,973 shares of our common stock subject to restricted stock units ("RSUs") and 26,020 shares of our common stock subject to deferred stock units ("DSUs"). In addition, as of January 1, 2017, 1,748,464 shares of our common stock were reserved for future issuance under our Omnibus Incentive Plan.

17,692,239 shares of common stock outstanding as of January 1, 2017 are restricted securities within the meaning of Rule 144 under the Securities Act, but will be eligible for resale subject to applicable volume, means of sale, holding period and other limitations of Rule 144 under the Securities Act or pursuant to an exemption from registration under Rule 701 under the Securities Act.

In addition, our significant stockholders may distribute shares that they hold to their investors who themselves may then sell into the public market. Such sales may not be subject to the volume, manner of sale, holding period and other limitations of Rule 144 under the Securities Act. The market price of our common stock could decline if the holders of those shares sell them or are perceived by the market as intending to sell them. Furthermore, the CD&R Investor and Deere have the right to require us to register shares of common stock for resale in certain circumstances.

In the future, we may issue additional shares of common stock or other equity or debt securities convertible into common stock in connection with a financing, acquisition, litigation settlement or associate arrangement or otherwise. Any of these issuances could result in substantial dilution to our existing stockholders and could cause the trading price of our common stock to decline.

If securities or industry analysts do not publish research or publish misleading or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts that cover our common stock downgrade our stock or publish misleading or unfavorable research about our business, our stock price may decline. If one or more of these analysts ceases coverage of our company

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or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price or trading volume to decline.

A few significant stockholders will have significant influence over us and may not always exercise their influence in a way that benefits our public stockholders.

As of March 10, 2017, the CD&R Investor and Deere hold approximately 27.9% and 14.9%, respectively, of the outstanding shares of our common stock. In connection with our initial public offering in May 2016 we, the CD&R Investor and Deere entered into an amendment and restatement to our existing stockholders agreement, or the amended stockholders agreement, pursuant to which the CD&R Investor and Deere agreed to vote in favor of one another's designees to our board of directors, among other matters. As a result, the CD&R Investor and Deere will continue to exercise significant influence over all matters requiring stockholder approval for the foreseeable future, including approval of significant corporate transactions, which may reduce the market price of our common stock. The CD&R Investor and Deere no longer collectively beneficially own more than 50% of our outstanding common stock. However, they will likely still be able to assert significant influence over our board of directors and certain corporate actions, including the approval of significant corporate transactions such as mergers and the sale of substantially all of our assets. The CD&R Investor will continue to have the right to designate for nomination for election at least 20% of the total number of directors comprising our board of directors at such time as long as the CD&R Investor owns at least 15% but less than 30% of the outstanding shares of our common stock; and at least 10% of the total number of directors comprising our board of directors at such time as long as the CD&R Investor owns at least 5% but less than 15% of the outstanding shares of our common stock. Deere will continue to have the right to designate for nomination for election at least 10% of the total number of directors comprising our board of directors at such time as long as Deere owns at least 5% but less than 15% of the outstanding shares of our common stock. Because the CD&R Investor's and Deere's interests may differ from your interests, actions the CD&R Investor and Deere take as our significant stockholders may not be favorable to you. For example, the concentration of ownership held by the CD&R Investor and Deere could delay, defer or prevent a change of control of us or impede a merger, takeover or other business combination which another stockholder may otherwise view favorably. Other potential conflicts could arise, for example, over matters such as employee retention or recruiting, or on our dividend policy. Under our amended and restated certificate of incorporation, the CD&R Investor and Deere and their respective affiliates and, in some circumstances, any of our directors and officers who is also a director, officer, employee, member or partner of the CD&R Investor or Deere and their respective affiliates, have no obligation to offer us corporate opportunities.

The policies relating to corporate opportunities and transactions with the CD&R Investor or Deere set forth in our second amended and restated certificate of incorporation, or amended and restated certificate of incorporation, address potential conflicts of interest between Holdings, on the one hand, and the CD&R Investor or Deere and their respective officers, directors, employees, members or partners who are directors or officers of our company, on the other hand. In accordance with those policies, the CD&R Investor and Deere may pursue corporate opportunities, including acquisition opportunities that may be complementary to our business, without offering those opportunities to us. Any person purchasing or otherwise acquiring any interest in common stock of Holdings will be deemed to have notice of and have consented to these provisions of our amended and restated certificate of incorporation. Although these provisions are designed to resolve conflicts between us and the CD&R Investor or Deere and their respective affiliates fairly, conflicts may not be so resolved.

Future offerings of debt or equity securities may adversely affect the market price of our common stock.

If, in the future, we decide to issue debt or equity securities that rank senior to our common stock, it is likely that such securities will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and may result in dilution to owners of our common stock. We and, indirectly, our stockholders, will bear the cost of issuing and servicing such securities.

Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings.

Thus, holders of our common stock will bear the risk of our future offerings reducing the market price of our common

stock and diluting the value of their stock holdings in us.

Anti-takeover provisions in our amended and restated certificate of incorporation and 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 and second 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:

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- 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 if the CD&R Investor and Deere cease to own at least 40% of the outstanding shares of our common stock;
- 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 if the CD&R Investor and Deere cease to own at least 40% of the outstanding shares of our common stock;
- prohibit stockholder action by written consent, thereby requiring all actions to be taken at a meeting of the stockholders, if the CD&R Investor and Deere cease to own at least 40% of the outstanding shares of our common stock;
- establish advance notice requirements for nominations of candidates for election as directors or to bring other business before an annual meeting of our stockholders; and
- require the approval of holders of at least 66 2/3% of the outstanding shares of our common stock to amend our amended and restated by-laws and certain provisions of our amended and restated certificate of incorporation if the CD&R Investor and Deere cease to own at least 40% of the outstanding shares of our common stock.

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, as well as the significant amount of common stock that the CD&R Investor and Deere own, 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.

We do not intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We do not intend to declare and pay dividends on our common stock for the foreseeable future. We currently intend to invest our future earnings, if any, to service our debt, to fund our growth, to develop our business, for working capital needs and for general corporate purposes. Therefore, you are not likely to receive any dividends on your common stock for the foreseeable future and the success of an investment in shares of our common stock will depend upon any future appreciation in their value. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares. In addition, Holdings’ operations are conducted entirely through our subsidiaries. As such, 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 Holdings for the payment of dividends. Further, the agreements governing the Credit Facilities significantly restrict the ability of our subsidiaries to pay dividends or otherwise transfer assets to us.

We are no longer a “controlled company” within the meaning of the NYSE rules. However, we may continue to rely on exemptions from certain corporate governance requirements during a one-year transition period.

After the completion of the November 2016 secondary offering, the CD&R Investor and Deere no longer control a majority of the voting power of our outstanding common stock. Accordingly, we are no longer a “controlled company” within the meaning of the NYSE corporate governance standards. Consequently, the NYSE rules will require that we (i) have a majority of independent directors on our board of directors within one year of the date we no longer qualified as a “controlled company”; (ii) have Compensation and Nominating and Corporate Governance Committees composed entirely of independent directors within one year of such date and (iii) perform an annual performance

evaluation of the Nominating and Corporate Governance and Compensation Committees. During this transition period, we may continue to utilize the available exemptions from certain corporate governance requirements as permitted by the NYSE rules. Accordingly, during the transition period you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the NYSE.

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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, or 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 43,000 square feet and the lease will expire in April 2026.

We and our operating companies own and lease a variety of facilities in 45 states and five provinces for 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 in some branches. In addition, we entered into an operating lease for a distribution center and commenced shipping operations during the first quarter of 2017. The significant majority of our facilities are subject to operating leases, and we own 16 properties. As of March 10, 2017, we operated 469 branches in the following locations:

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State /Province	Number of Locations	State /Province	Number of Locations
California	51	Wisconsin	5
Florida	48	Colorado	4
Texas	35	Oregon	4
North Carolina	31	Utah	4
Massachusetts	20	Hawaii	3
Michigan	18	Idaho	3
New Jersey	18	Kentucky	3
Illinois	18	Nebraska	3
New York	16	New Hampshire	3
Georgia	15	Iowa	2
Ohio	14	Louisiana	2
South Carolina	14	Arkansas	1
Connecticut	13	Delaware	1
Virginia	13	Maine	1
Maryland	11	Mississippi	1
Pennsylvania	11	Nevada	1
Tennessee	11	New Mexico	1
Indiana	10	North Dakota	1
Missouri	10	Rhode Island	1
Alabama	8	South Dakota	1
Minnesota	6	British Columbia	4
Oklahoma	6	Ontario	4
Arizona	5	Alberta	2
Kansas	5	Manitoba	1
Washington	5	Saskatchewan	1

Item 3. Legal Proceedings

We are not currently involved in any material litigation or arbitration. We anticipate that, similar to the rest of the landscape supply industry, 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 or 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.

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PART II

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

Common Stock Market Prices

Shares of our common stock have traded on the NYSE under the symbol "SITE" since May 12, 2016. Prior to that date, there was no market for our common stock. The range of high and low sale prices of our common stock as reported by the NYSE is set forth in the table below:

	High Sales Price	Low Sales Price
2016:		
Second quarter (beginning May 12, 2016)	\$35.17	\$21.00
Third quarter	\$40.56	\$34.78
Fourth quarter	\$36.85	\$29.82

Holders

As of March 10, 2017, there were 18 registered holders of our common stock. The actual number of holders of our common stock is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers 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. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Limitations of 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

See 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 2017 Annual Meeting of Stockholders.

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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 below presents 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 our Fiscal Year 2016, commencing May 12, 2016 (the Company’s initial day of trading). All values assume a \$100 initial investment at the opening price of the Company’s common stock on the NYSE and 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 month-end values based on the last trading day of each fiscal month. The comparisons are based on historical data and are not indicative of, nor intended to forecast, the future performance