

SiteOne Landscape Supply, Inc.

Form DEF 14A

April 03, 2019

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14A-6(E)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

SiteOne Landscape Supply, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1)

Amount Previously Paid:

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Form, Schedule or Registration Statement No.:

(3)

Filing Party:

(4)

Date Filed:

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2019 PROXY STATEMENT

AND

NOTICE OF 2019 ANNUAL

MEETING OF STOCKHOLDERS

Wednesday, May 15, 2019

9:00 a.m., Eastern Time

Atlanta Airport Marriott

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300 Colonial Center Parkway
Suite 600
Roswell, Georgia 30076
April 3, 2019

Dear Fellow Stockholders:

On behalf of the Board of Directors of SiteOne Landscape Supply, Inc., I would like to express our appreciation for your continued interest in our company.

It is my pleasure to invite you to SiteOne's Annual Meeting of Stockholders, to be held at the Atlanta Airport Marriott, 4711 Best Road, Atlanta, Georgia 30337 on Wednesday, May 15, 2019, at 9:00 a.m., Eastern Time.

The formal Notice of Annual Meeting and Proxy Statement are enclosed with this letter. The Proxy Statement describes the matters to be acted upon at the Annual Meeting. It also describes how the Board operates and provides compensation and other information about the management team and Board.

Your vote is important. Whether or not you plan to attend the Annual Meeting, I strongly encourage you to vote as soon as possible. You may vote over the Internet, by telephone or by mailing a proxy or voting instruction card. For instructions on voting, please refer to the Notice of Internet Availability of Proxy Materials you received in the mail, the section entitled "How Do I Vote By Proxy" beginning on page 9 of the Proxy Statement, or, if you received a paper copy of the Proxy Statement, your enclosed proxy card.

In closing, I would like to emphasize that the Board places a very high value on our interactions with stockholders. In fiscal 2018, we commenced a proactive stockholder outreach program, where we met with investors who collectively hold more than 60% of our outstanding shares. Please review our summary of the outreach program on page 3 of the Proxy Statement. The feedback we received during these meetings contributed positively to our boardroom conversations and decision-making, and we look forward to continuing this program in the future.

Thank you for your ongoing support of SiteOne.

Sincerely,

Doug Black
Chief Executive Officer and Chairman of the Board

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300 Colonial Center Parkway
Suite 600
Roswell, Georgia 30076

NOTICE OF 2019 ANNUAL MEETING OF STOCKHOLDERS

- Date and Time: Wednesday, May 15, 2019, at 9:00 a.m., Eastern Time.
- Place: Atlanta Airport Marriott, 4711 Best Road, Atlanta, Georgia 30337
- Record Date: March 18, 2019
- Business To Be Conducted:
 - Elect the three Class III nominees named in the accompanying Proxy Statement as Class III directors for a term expiring at the 2022 Annual Meeting of Stockholders.
 - Approve management’s proposal to amend and restate our Charter to eliminate supermajority voting requirements and other obsolete provisions.
 - Hold a non-binding advisory vote to approve executive compensation.
 - Ratify the selection of Deloitte & Touche LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 29, 2019.
 - Transact such other business as may properly come before the 2019 Annual Meeting of Stockholders or any reconvened meeting following any adjournment or postponement thereof.

RECOMMENDATION OF THE BOARD

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE YOUR SHARES “FOR” THE ELECTION OF EACH OF THE DIRECTOR NOMINEES NAMED IN THE PROXY STATEMENT AND “FOR” EACH OF THE OTHER ABOVE PROPOSALS.

Admission: To attend the meeting in person, you will need to present a form of government-issued photo identification, and beneficial stockholders will need to present proof of beneficial stock ownership (see page 8 for acceptable proof of beneficial ownership) as of the record date.

Your vote is important. For instructions on voting, please refer to the Notice of Internet Availability of Proxy Materials you received in the mail, the section entitled “How Do I Vote By Proxy” beginning on page 9 of the Proxy

Statement, or, if you received a paper copy of the Proxy Statement, your enclosed proxy card.

L. Briley Brisendine
Executive Vice President, General Counsel and Secretary
Roswell, Georgia
April 3, 2019

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2019 PROXY STATEMENT

We are providing this Proxy Statement in connection with the solicitation by the board of directors (the “Board”) of SiteOne Landscape Supply, Inc. of proxies to be voted at our 2019 Annual Meeting of Stockholders and at any reconvened or rescheduled meeting following any adjournment or postponement. The Annual Meeting will be held at the Atlanta Airport Marriott on Wednesday, May 15, 2019, at 9:00 a.m., Eastern Time.

This Proxy Statement contains important information for you to consider when deciding how to vote. Please read this information carefully.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be Held on May 15, 2019: This Proxy Statement is first being sent to stockholders on or about April 3, 2019. This Proxy Statement and our 2018 Annual Report on Form 10-K are available at www.proxyvote.com.

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2018 HIGHLIGHTS

This summary highlights information regarding our financial performance, compensation program and governance. The summary does not contain all of the information that you should consider, and we encourage you to read the entire Proxy Statement before voting.

2018 Performance Highlights

(1)

Adjusted EBITDA is a non-GAAP financial measure. Reconciliation to the corresponding GAAP financial measure can be found in Appendix A to this Proxy Statement.

Governance Evolution and Highlights

The Board is committed to strong corporate governance. As we continue our transition from a “controlled company” to a widely-held company following the completion of our former sponsors’ sell-down of their equity ownership positions in 2017, we are committed to evolving our Board and our corporate governance processes to reflect the changes in our company’s business and stockholder base. We are committed to establishing and maintaining strong corporate governance practices that reflect high standards of ethics and integrity and promote long-term stockholder value. Since our IPO, we have undertaken an extensive board refreshment process to transition to a board with the independence, skills and qualifications reflective of our business and ownership. Of particular importance, we have prioritized enhancing the diversity of the Board, as evidenced by the addition of two minority and one female incumbent directors, with another female candidate nominated for election at this year’s Annual Meeting. Following the election of our Board nominees at this year’s Annual Meeting, a majority of our directors and nominees will represent diverse backgrounds.

In addition, based on feedback from stockholders representing over 67% of our outstanding shares (see “Stockholder Engagement & Responsive Actions” below), at this year’s Annual Meeting we are seeking stockholder approval to remove supermajority voting requirements from our Charter as described in Proposal 2. The Board has adopted conforming amendments to our By-laws that will become effective as described in Proposal 2 if these amendments to our Charter are approved by stockholders. The Board believes that implementing a majority voting standard to amend our By-laws and Charter enhances the ability of our stockholders to influence our governance structure and is consistent with the principles of strong corporate governance.

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We have a highly-experienced Board that brings a range of relevant skills and qualifications to the Company. Key highlights of our Board composition include:

Board Independence	Board Diversity
86% 6 of 7 continuing directors and nominees are independent	57% 4 of 7 continuing directors and nominees are women or from diverse backgrounds
Board Refreshment	Average Tenure
43% 3 of 7 continuing directors and nominees have been added since 2017	2.8Yrs Average director tenure

In addition, our governance “best practices” include the following:

- Independent Committees All of our committees are comprised solely of independent directors
- Our independent directors elect our independent Lead Director
- Our Lead Director has broad powers including:
 - serving as liaison between independent directors and the Chairman;
 - chairing executive sessions of independent directors; and
 - consulting with the CEO on matters relating to management effectiveness and Board performance
- The Board annually evaluates the CEO’s performance
- Board Leadership Evaluation and Succession Planning The Board annually conducts a rigorous review and assessment of the succession planning process for the CEO and other executive officers
- Majority Vote Threshold(1) If approved by stockholders at the Annual Meeting, our Charter and By-laws may be amended by a majority vote of our stockholders
- Board & Committee Evaluations The Board and each of our committees conduct detailed annual self-evaluations
- Limits on Outside Board Service
 - Outside directors are limited to service on four other public company boards
 - Currently, our CEO does not serve on any other public company boards

- Anti-Hedging Policy Our insider trading policy bars our directors, executive officers and associates from entering into hedging or monetization transactions designed to limit the financial risk of ownership of the Company's securities
- None of our directors or executive officers have any pledged SiteOne equity
- No "Poison Pill" We do not have a "poison pill" plan in place
- The Board and Board committees meet regularly in executive session
- Executive Sessions In 2018, the non-management directors met in executive session at each of the Board's four quarterly meetings
- At least once a year, the independent directors meet in an executive session, and the non-management directors meet with the CEO (without the other executive officers), with the Lead Director presiding at such sessions

(1)
Approved by the Board and pending approval by stockholders.

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Stockholder Engagement & Responsive Actions

Consistent with the Board's commitment to strong corporate governance, we regularly review our corporate governance structure and compensation practices to ensure they are consistent with the current needs of the business and evolve with changes in broader market best practices.

Stockholder feedback received through engagement is an integral part of the Board's corporate governance review process. The Board and management team are committed to building and maintaining open communication whereby stockholders can express their views, as well as gain insight into our perspectives on long-term stockholder value.

In 2018, in response to significant withhold votes for a number of our directors, the Board initiated an extensive stockholder engagement process to deepen the Board's understanding of our stockholders' interests and priorities. In addition to ordinary course investor conferences, earnings calls and one-on-one investor conference calls and meetings, in which we have been actively involved since our IPO, we conducted targeted outreach with stockholders representing a substantial portion of our stockholder base to discuss our corporate governance practices:

- We invited our largest 20 stockholders, representing approximately 73% of our outstanding shares at the time of engagement, to provide feedback on our governance practices.

- Of these stockholders, we engaged with 16 of our top 20 stockholders. These exchanges represented dialogues with more than 67% of our outstanding shares at the time of engagement.

- Additionally, some stockholders did not require a meeting as they either indicated their support for our governance practices or did not have concerns at this time.

The Nominating and Corporate Governance Committee of the Board (the "Nominating and Corporate Governance Committee") and the Board's Compensation Committee (the "Compensation Committee") reviewed feedback from our stockholders. Through these conversations, some of our stockholders have suggested that we consider substantive changes or additional disclosures. The feedback we received covered a number of key issues including:

- Our classified board structure;

- The supermajority voting requirement to amend our Charter and By-laws (each as defined below);

- The inclusion of performance-based awards in executive compensation; and

- Enhanced transparency and disclosure regarding director skills and qualifications and CEO succession.

Below are the primary changes we have made since last year as a result of these discussions as well as our ongoing review of our corporate governance practices as we transition away from being a controlled company:

- Proactively approved, subject to stockholder approval, amendments to the Company's Second Amended and Restated Certificate of Incorporation ("Charter") and the Company's Second Amended and Restated By-laws (the "By-laws") to eliminate supermajority voting requirements as described in Proposal 2;

- Incorporated performance-based awards into the long-term equity incentive compensation of our named executive officers ("NEOs") for 2019;

- Provided additional disclosure in our Proxy Statement regarding the skills, experience and qualifications of our directors; and

- Enhanced disclosure in our Proxy Statement regarding our CEO succession planning process.

Regarding our classified board structure, we had extensive conversations with our stockholders. Stockholders noted the general trend towards annually-elected boards, particularly for large capitalization companies, but also noted the Company's specific circumstances including a relatively small market capitalization, cyclical industry and track record of shareholder returns since its IPO. Through our

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discussions, we learned that our investors generally have a positive or constructive view of our classified board structure at this point in time as a result of these company-specific circumstances. Of the stockholders we engaged with, investors representing less than 8% of our outstanding shares at the time of engagement (12% of the outstanding shares which participated in the engagement) opposed our classified board structure.

We intend to continue a cycle of year-round stockholder engagement in 2019, including our regular participation at analyst meetings and conferences and periodic engagement on corporate governance and compensation topics. In addition to input on current corporate governance topics, we invite dialogue about any other topics or trends our stockholders may wish to discuss. The Board considers feedback from these conversations during its deliberations, and our engagement activities have produced valuable feedback that informs our decisions and our strategy.

The Board has established a process for stockholders to communicate with its members. Any stockholder or interested party who wishes to communicate with the Board as a whole, any of its committees, the independent directors, or any individual member of the Board may write to or email the Company at SiteOne Landscape Supply, Inc., 300 Colonial Center Parkway, Suite 600, Roswell, Georgia 30076, Attention: Briley Brisendine, Secretary, or boardofdirectors@siteone.com.

Compensation Highlights

Our executive compensation program is designed to encourage high performance and results that will create value for our stockholders while avoiding unnecessary risks. We structure compensation to pay for performance, with clear and measurable goals and aggressive performance targets. To create a “pay for performance” environment, compensation is weighted toward at-risk compensation. Our long-term equity incentive program, which consisted of approximately 75% stock options and 25% restricted stock units (“RSUs”) for the fiscal year ended December 30, 2018 (the “2018 Fiscal Year”), is designed to serve stockholders’ best interests in our sustained long-term performance by including extended vesting schedules and significant stock ownership requirements. The value of the option grants depends on our future performance, as the options carry a strike price based on the trading price of our stock on the date of grant and, under our long-term equity incentive plan, underwater options are prohibited from being repriced without stockholder approval. We believe our NEOs are compensated in a manner consistent with our strategy, competitive practice, sound compensation governance principles and alignment with stockholder interests.

In order to further ensure that our executive compensation aligns with pay for performance and facilitates long-term stockholder value creation, in February 2019, the Compensation Committee approved performance-based awards (“PSUs”) as part of our NEOs’ long term-equity incentive compensation. For the fiscal year ending December 29, 2019 (the “2019 Fiscal Year”), PSUs will represent 25% of our NEOs’ long-term incentive compensation, with stock options and RSUs representing the remaining 50% and 25%, respectively. The PSUs, which reflect a target number of shares that may be issued to the award recipient at the end of a three-year award cycle based on the achievement of rigorous performance targets established at the time of grant, utilize a three-year relative pre-tax earnings growth performance metric closely linked to stock price, with the actual number of shares granted subject to modification based on a three-year average absolute return on invested capital metric. PSUs are capped at 200% of “target.”

For the 2018 Fiscal Year, base salaries for our NEOs were, in aggregate, between the 25th and 50th percentile of our peer group. The target for the Adjusted EBITDA metric under our annual incentive program was \$191.0 million, an increase of approximately 22% compared to the results for the fiscal year ended December 31, 2017 (the “2017 Fiscal Year”). Maximum payouts under the Adjusted EBITDA metric are now capped at 250% of target. Notwithstanding our strong financial results that delivered double-digit growth, short-term cash incentive payouts for each of our NEOs on the Adjusted EBITDA component (constituting 70% of the performance metric weighting for each of our NEOs) was only 54% of target for the 2018 Fiscal Year as our Adjusted EBITDA fell short of plan.

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Compensation Best Practices:

What We Do

Strong emphasis on performance-based compensation, with a significant portion of NEOs' overall compensation tied to Company performance

Aggressive annual Adjusted EBITDA targets

Mix of short-term and long-term incentives, with performance awards representing a portion of long-term incentive pay beginning in 2019

Annual cash incentives for NEOs limited to 250% and 150% of "Target," for financial performance and other metrics, respectively

Double-trigger change-in-control cash severance benefits

Robust clawback policy for incentive compensation paid to our executive officers

What We Don't Do

Discount or reprice stock options

Gross up excise taxes that may become due upon a change in control

Provide incentives that encourage executive risk-taking

Compensation Committee, like all of the Board committees, comprised solely of independent directors

Rigorous and subjective measures tied to Company Net Promoter Score, Company safety and individual performance

Independent Compensation Committee advised by independent compensation consultant

Meaningful share ownership requirements for executives

Annual incentive plan financial performance metric capped at 250% of "Target," with the other components capped at 150% of "Target"

Allow hedging or short sales

Guarantee incentive awards for executives

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PROXY STATEMENT Q&A

What are the proxy materials and why am I receiving them?

The accompanying proxy is delivered and solicited on behalf of the Board of SiteOne Landscape Supply, Inc., a Delaware corporation (referred to as “SiteOne,” the “Company,” “we,” “us,” or “our”), in connection with our Annual Meeting be held at the Atlanta Airport Marriott, located at 4711 Best Road, Atlanta, Georgia 30337, on Wednesday, May 15, 2019, at 9:00 a.m., Eastern Time. As a stockholder, you are invited to attend the Annual Meeting and are requested to vote on the items of business described in this Proxy Statement. This Proxy Statement includes information that we are required to provide to you under U.S. Securities and Exchange Commission (“SEC”) rules and is designed to provide you with information relevant to the voting of your shares at the Annual Meeting. The proxy materials include this Proxy Statement and our Annual Report for the 2018 Fiscal Year, and have been made available to you by either mail or Notice (as defined below).

All stockholders and beneficial owners may access the proxy materials at www.proxyvote.com. In addition, this Proxy Statement and our Annual Report are available on our investor relations website located at <http://investors.siteone.com/sec-filings>. If you would like to receive a paper copy of our proxy materials, at no charge, please write to SiteOne Landscape Supply, Inc., c/o Briley Brisendine, Executive Vice President, General Counsel and Secretary, 300 Colonial Center Parkway, Roswell, Georgia 30076.

What is Notice and Access and why did we elect to use it?

As permitted by the SEC, Notice and Access provides companies with the ability to make proxy materials available to stockholders electronically via the Internet. We have elected to provide our stockholders with a Notice of Internet Availability of Proxy Materials (“Notice”) instead of mailing a full set of printed proxy materials in the mail. The Notice is a document that provides instructions regarding how to:

- View our proxy materials on the internet

- View your shares