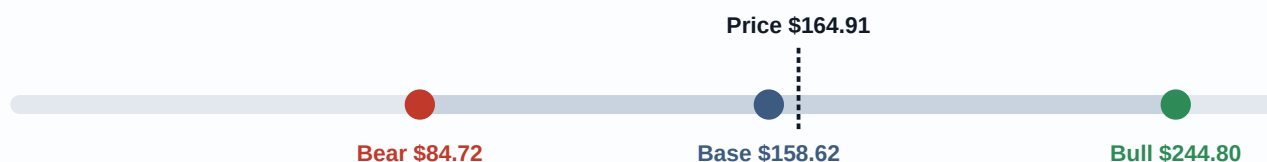


Initiated 2026-09-27 · Price \$164.91 (as of 2026-09-25 close, stockanalysis.com) · Mkt cap \$5.99bn · Consumer discretionary / distributors (pool supplies) · Model: verified

## Rating: Hold — Conviction: Low

Pool is the scale distributor to an installed base of pools that needs chemicals, parts and equipment every year. Its main retail rival, Leslie's, is shrinking and exploring a deleveraging. After a 47% fall over the year, the stock trades at ~11.4x trailing EBITDA and ~14.5x forward earnings. The model's base case sits almost exactly on that price. The upside needs new construction and remodel to recover, and there is no sign of that yet: permits are down, gross margin is slipping, and a new CEO took over mid-year. Conviction is Low because the bull and bear cases are about equally far from the price, and the rate path decides which one plays out.

### MODEL VALUE RANGE VS PRICE



## Business overview

Pool distributes pool chemicals, equipment (pumps, filters, heaters), parts, and building and remodel materials, plus landscape irrigation products through Horizon. It serves pool builders, remodelers, retail dealers and service firms from 455 sales centers. Q2 2026 sales rose 2% to \$1.822bn: chemicals fell 2% on price, equipment rose 3% and building materials 4%. Gross margin slipped 30bp to 29.7%, and operating income fell 2%. Recurring maintenance on the installed base is the stable core ("healthy recurring maintenance demand"). New construction and remodel are the discretionary swing. Earnings depend on discretionary project volume, gross margin (price, freight, chemical pricing, customer mix) and SG&A leverage. The FY2026 GAAP EPS guide is \$10.66–10.96, including \$0.21 of CEO transition costs, against \$10.85 in FY2025.

## Competition

The competitors that matter for the maintenance core are Leslie's, the largest pool-supply retailer, which sells direct to consumers and to service pros, and Heritage Pool Supply, part of Home Depot through SRS, a well-funded wholesale rival. Leslie's Q3 FY2026 sales fell 8.4% and comparable sales 6.2% (quarter reported 2026-08-12), and its gross margin fell to 36.5% from 39.6%. Pool's sales rose 2% over a similar period, which suggests Pool is holding or gaining share. The risk is that a distressed Leslie's, now exploring a deleveraging with its financial stakeholders, liquidates inventory or cuts chemical prices. That would hit Pool's chemical pricing first, and chemicals were already down 2% on price in Q2. The CEO has said pricing must be "sharply and competitively" local. No current share figure was retrieved. Among listed distributor comparables (stockanalysis TTM EV/EBITDA, 2026-09-25), Core & Main trades at 11.3x, SiteOne 13.0x, Ferguson 16.1x and Watsco 17.6x. Pool, at 11.9x on the same definition, is at the low end.

## Bull case

1. **Construction and remodel recover.** New builds and remodels are depressed after the 2020–22 boom, so a rate-driven recovery levers volume and SG&A. Plays out if mortgage rates fall and permits turn positive in 2027. *Model: rev\_growth, exit\_ev\_ebitda*
2. **Share gains from a weakened retailer.** Leslie's comparable sales are falling and it is exploring strategic alternatives, so service pros and consumers shift to Pool's dealers and sales centers. Plays out if Leslie's retrenches rather than discounting. *Model: rev\_growth*
3. **Margin recovers halfway.** POOL360 (18% of sales, a record), private label and SG&A discipline (adjusted SG&A +1% in Q2) lift EBITDA margin toward 14%. Plays out if freight costs ease and volume returns. *Model: ebitda\_margin*

## Bear case

1. **Discretionary stays depressed.** Permits are down low single digits year to date and a fund manager describes remodeling as "depressed"; price is moderating to ~2%. Plays out if the 10Y holds above 5% through 2027. *Model: rev\_growth, wacc*
2. **Gross margin erodes.** Freight costs were not recouped, chemicals are deflating, larger-customer mix is dilutive, and a distressed Leslie's could discount. Plays out if the 30bp gross-margin slip compounds. *Model: ebitda\_margin*
3. **A de-rated distributor multiple.** A new CEO and a two-year earnings decline keep the stock below Core & Main. *Model: exit\_ev\_ebitda*

## Valuation & balance sheet

| Metric (definition)                                             | Current                  | Own history (range or 5y avg)     | Peers                                           | Source, as-of                 |
|-----------------------------------------------------------------|--------------------------|-----------------------------------|-------------------------------------------------|-------------------------------|
| EV/EBITDA, aggregator (TTM, lease-inclusive)                    | 11.9x                    | n/a (unverified)                  | CNM 11.3x · SITE 13.0x · FERG 16.1x · WSO 17.6x | stockanalysis.com, 2026-09-25 |
| EV/EBITDA, model basis (EV \$7.30bn, operating leases excluded) | 11.6x FY2025 · 11.4x TTM | n/a                               | n/a (peers not restated)                        | model-inputs.json             |
| Forward P/E (stockanalysis consensus)                           | 14.5x                    | n/a (unverified)                  | CNM 13.4x · SITE 19.3x · FERG 18.9x · WSO 25.6x | stockanalysis.com, 2026-09-25 |
| FCF yield (TTM)                                                 | 5.0% (FCF \$301.1mm)     | FCF \$276mm–\$828mm FY2021–FY2025 | n/a                                             | stockanalysis.com, 2026-09-25 |

**Model-implied value range** (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$84.72 · Base \$158.62 · Bull \$244.80 per share, i.e. implied returns of –48.6% / –3.8% / +48.5% vs \$164.91. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits on the base case, midway between bull and bear, so the market prices flat margins and a slow, maintenance-led recovery.

**Re-rating.** The base exit of 11.5x is a 1% re-rating on 11.4x TTM and a 1% de-rating on 11.6x FY2025, so it is essentially today's multiple. The exit method gives \$169.38 (+2.7%). The Gordon method gives \$147.86, about 13% lower, because a 9.3% WACC with 3% terminal growth embeds a somewhat lower terminal multiple. The gap is modest, and both methods sit close to the price.

**Tail.** No product or customer is ≥50% of sales, and the bear case is a break rather than a plateau, so no concentration run was required. A downturn sensitivity was run on a scratch copy anyway. Revenue +1.5% / –8% / –3% / +2% / +3%, EBITDA margin falling to 9.5–10%, NWC 23.5% of revenue, an 8x exit and an 11% WACC give \$56.03 (–66.0%).

**Balance sheet:** net leverage 2.1x FY2025 EBITDA (model Credit; the company reports 1.78x on its own definition, within a 1.5–2.0x target), coverage 8.6x. Liquidity is n/a (unverified). Debt of \$1,340mm is mostly floating (revolver, term loan and receivables securitization); the components, maturities and ratings are n/a (unverified). Buybacks and dividends (\$461mm TTM) exceeded FCF (\$301mm), and debt rose \$110.8mm year to date.

### Model note:

- Tier `full` on five fiscal years (FY2021–FY2025). Status `built`, verification `verified` (LibreOffice recalculation matched all 3,207 formula cells). No unverified inputs; no assumptions without basis. Scenario consistency `OK` on all 14 rows.

- Base Y1 (FY2026) EPS of \$10.70 is within 1% of the GAAP guide midpoint (\$10.81).
- The tax rate (25%), debt coupon (5.5%) and debt maturity (2029) are estimates; the coupon and maturity affect EPS and the ladder only. Shares are the 36.34mm outstanding, above the 36.13mm Q2 diluted average (conservative).

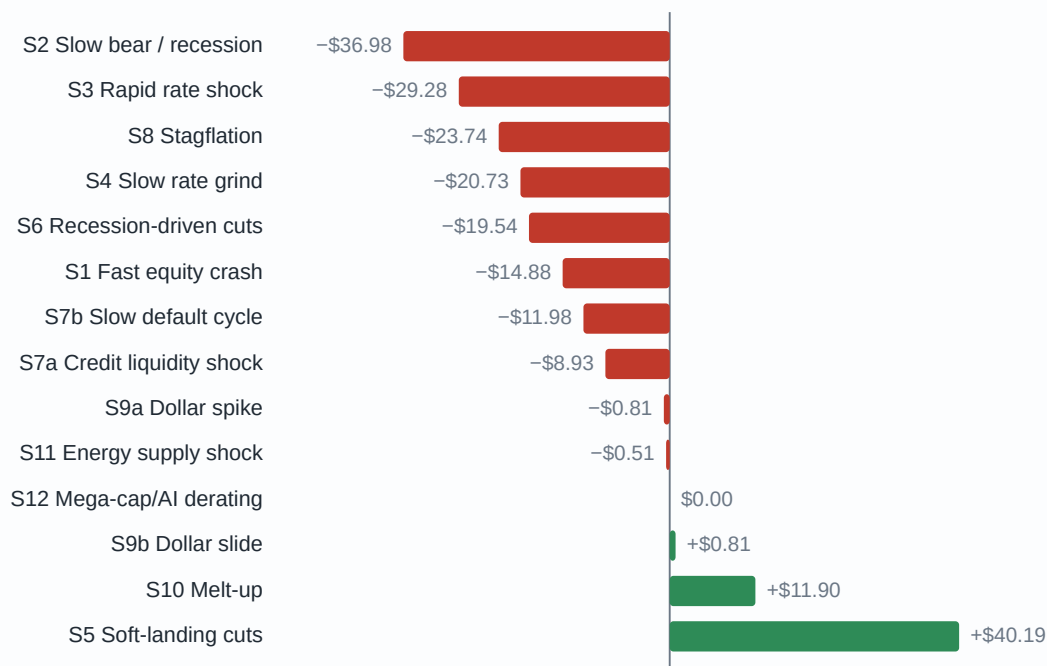
## Scenario stress test

*Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).*

| Scenario                   | Effect | Mechanism                                                                                                                                                                                                  | Magnitude | Model Δ value vs Base (\$/sh) |
|----------------------------|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-------------------------------|
| S1 Fast equity crash       | –      | Market de-rating of discretionary distributors; maintenance demand unaffected                                                                                                                              | Med       | –\$14.88                      |
| S2 Slow bear / recession   | –      | New construction and remodel fall sharply and SG&A deleverages. About half of Base – Bear (\$73.90) because maintenance holds in a transitory recession, whereas the bear case is a permanent margin reset | High      | –\$36.98                      |
| S3 Rapid rate shock        | –      | Pool builds and remodels are loan- and home-equity-financed; higher rates cut both                                                                                                                         | High      | –\$29.28                      |
| S4 Slow rate grind         | –      | Same channel, grinding                                                                                                                                                                                     | Med       | –\$20.73                      |
| S5 Soft-landing cuts       | +      | Lower rates and home turnover revive construction and remodel                                                                                                                                              | High      | +\$40.19                      |
| S6 Recession-driven cuts   | –      | Discretionary pool spending falls faster than lower rates help                                                                                                                                             | Med       | –\$19.54                      |
| S7a Credit liquidity shock | –      | Forced selling; 1.8x leverage on floating facilities                                                                                                                                                       | Low       | –\$8.93                       |
| S7b Slow default cycle     | –      | Builders and dealers lose credit; floating debt cost rises                                                                                                                                                 | Med       | –\$11.98                      |
| S8 Stagflation             | –      | Freight and wage costs rise ahead of price while discretionary demand slows                                                                                                                                | Med       | –\$23.74                      |
| S9a Dollar spike           | –      | Small European and Canadian business translates lower                                                                                                                                                      | Low       | –\$0.81                       |
| S9b Dollar slide           | +      | Mirror of S9a                                                                                                                                                                                              | Low       | +\$0.81                       |
| S10 Melt-up                | +      | Beaten-down cyclicals re-rate                                                                                                                                                                              | Med       | +\$11.90                      |
| S11 Energy supply shock    | –      | Inbound freight and delivery fuel spike; price follows with a lag. Small because the model applies it for one year                                                                                         | Low       | –\$0.51                       |
| S12 Mega-cap/AI derating   | 0      | No material effect, not modeled; not AI-linked                                                                                                                                                             | —         | \$0.00                        |

**Currently active/on watch per the playbook:** `state.md` lists S3 as partially active; the macro log records all three legs crossed from 2026-09-24 (10Y 5.17% on 2026-09-25). S8, S10 and S11 are on watch. S3 is High here, S8 and S10 Med, and S11 Low.

## MODEL VALUE CHANGE VS BASE, BY SCENARIO



## What would change the call

### Upgrades if:

- US new-pool permits or remodel activity turn positive year over year, and gross margin stabilizes at  $\geq 29.7\%$ ; or
- The price falls toward  $\sim 9\text{--}10\times$  TTM EBITDA with the FY2026 EPS guide intact.

### Downgrades if:

- The FY2026 EPS guide (\$10.66–10.96) is cut, or 2027 commentary points to another down year; or
- Leslie's restructuring turns into chemical price cuts that push Pool's chemical sales down more than 2% on price.

## Watch items

- **W1:** Q3 2026 sales growth and the price contribution (Q2: +2%; price  $\sim 3\%$  in H1,  $\sim 2\%$  expected in H2). Source: Q3 2026 release (late October 2026, date n/a unverified). *Model: rev\_growth*
- **W2:** Gross margin against the guide of  $\sim 30\text{bp}$  below 2025 (Q2: 29.7%). Source: Q3 2026 release and call. *Model: ebitda\_margin*
- **W3:** Leslie's restructuring outcome and pricing behavior (Q3 FY2026 comparable sales  $-6.2\%$ ; strategic alternatives). Source: Leslie's Q4 FY2026 release and 8-Ks. *Model: rev\_growth, ebitda\_margin*
- **W4:** New CEO John Watwood's first guide (FY2027) and capital allocation; leverage against the 1.5–2.0x target. Source: Q4 2026 release (early 2027). *Model: none*

## Sources

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- Peer statistics: CNM <https://stockanalysis.com/stocks/cnm/statistics/> · SITE <https://stockanalysis.com/stocks/site/statistics/> · WSO <https://stockanalysis.com/stocks/wso/statistics/> · FERG <https://stockanalysis.com/stocks/ferg/statistics/> — accessed 2026-09-27
- Daily macro log (10Y, S3 status), [logs/macro-2026-09.md](#) , 2026-09-24/25 entries

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*Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.*