



POOLCORP[®]

Where Outdoor Living Comes to Life

**Pitch: Long
\$POOL**

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POOLCORP[®]

10/1/2022

Agenda

1 Company Overview

2 Industry Overview

3 Thesis

4 Risks and Catalysts

5 Financials

A photograph of a swimming pool in a garden. The pool is rectangular with a blue interior and a light-colored stone deck. There are several potted plants and flowers around the pool. In the background, there are trees and a house. The PoolCorp logo is overlaid in the top right corner.

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Company Overview

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POOLCORP Company Overview

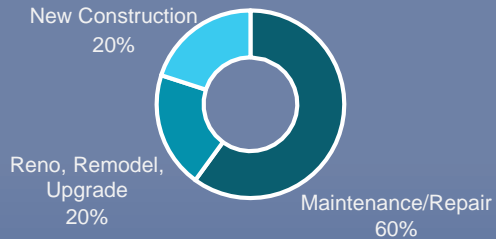
POOLCORP Performance

5-Year Stock Price Performance

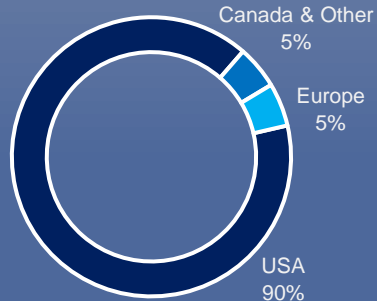


Product Application Breakdown

\$5.3B
FY '21 Sales



Geographic Markets



#1 distributor
of pool
products

Company Brands

SP Supplies
+
Equipment
+
Outdoor



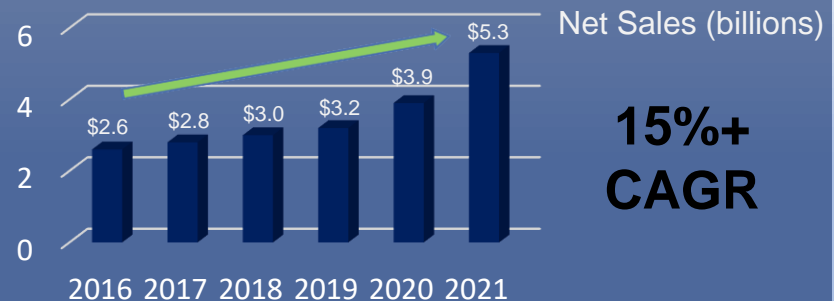
Irrigation
+
Landscape



Pool Tile
+
Hardscapes



Franchise
Model
+
Distribution



Company & Industry

Thesis

Risks & Catalysts

Valuation

POOLCORP History

History Timeline

1993

SCP Pool Corporation
Created

1995

SCP Pool becomes
publicly traded entity

2001

Acquired Pools Division of
Hughes Supply

2005

Acquired Automatic Rain
Company, now Horizon
Distributors

2019

Mr. Arvan appointed as
CEO

2021

Acquired Porpoise Pool &
Patio for ~\$789m



Company & Industry

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POOLCORP Management

Management

Peter D. Arvan, President and CEO



- Experience at SABIC gives leverageable skills applicable to Suncoast Chemical operations, which was acquired under Porpoise Pool & Patio
- Pool Corp is a wholesale distributor, thus managing supply chain and relations with suppliers is key, and experience at GE Supply (GM of Global Supply Chain)
- Understanding of key to success having worked up from Exec VP to COO to CEO

Jeffrey M. Clay, President of Horizon



- Dedicated management for Horizon, which is materially different from Pool Corp's main business
- Experience scaling and growing a business from scratch, Belltown Power Texas which is the case for Horizon, which is still in the growth stage/lifecycle of a company
- Direct prior experience with sunbelt states, which is one of the main areas for growth for Horizon

Company & Industry

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How does POOLCORP make money?

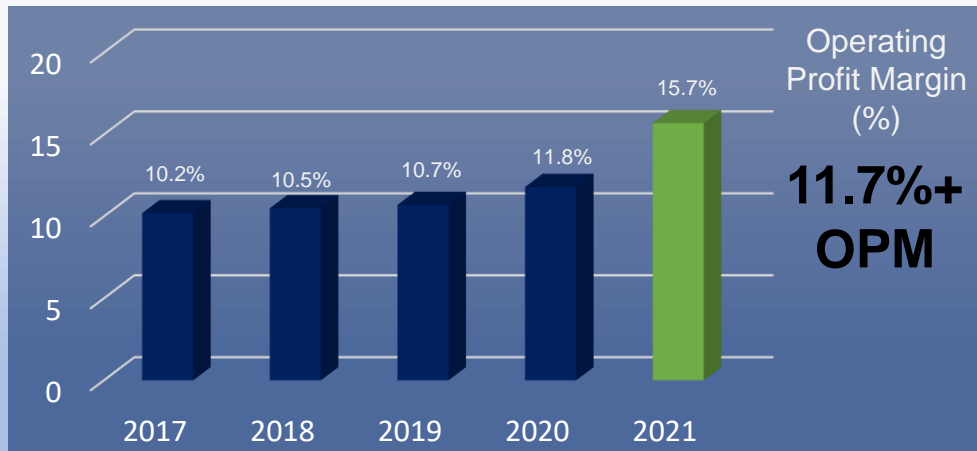
Overview

Pool Corp primarily generates revenue through the wholesale distribution of swimming pool supplies, equipment, and related leisure products.

One of the leading distributors of irrigation and landscape products in the US

Value Add

- Highly fragmented market
- Able to add value to industry by purchasing products from a large number of manufacturers (bulk-purchasing economies of scale)
- Able to get customers more favorable terms than if customers were to negotiate individually



Moat

- High margin business, so what prevents other entrants from joining? Not like Costco, high volume, low margin position
- Costco OPM is 2.65% compared to 11.78% 5Y avg for Pool Corp
- Company 410 sales centers are key with strategic geographic locations
- Over 70% of transactions occur directly at Sales Centers as opposed to online/other channels, highlighting importance of geographic locations
- Need to service immediately
- “come today, buy today, and use today” – Arvan
- Necessity is being close to areas of demand due to proximity to job site
- Primarily B2B and the 120k customers are mostly local contractors
- Difficult to replicate supplier and customer relationships
- Connecting 2,200 suppliers with 120,000 customers with expertise in between



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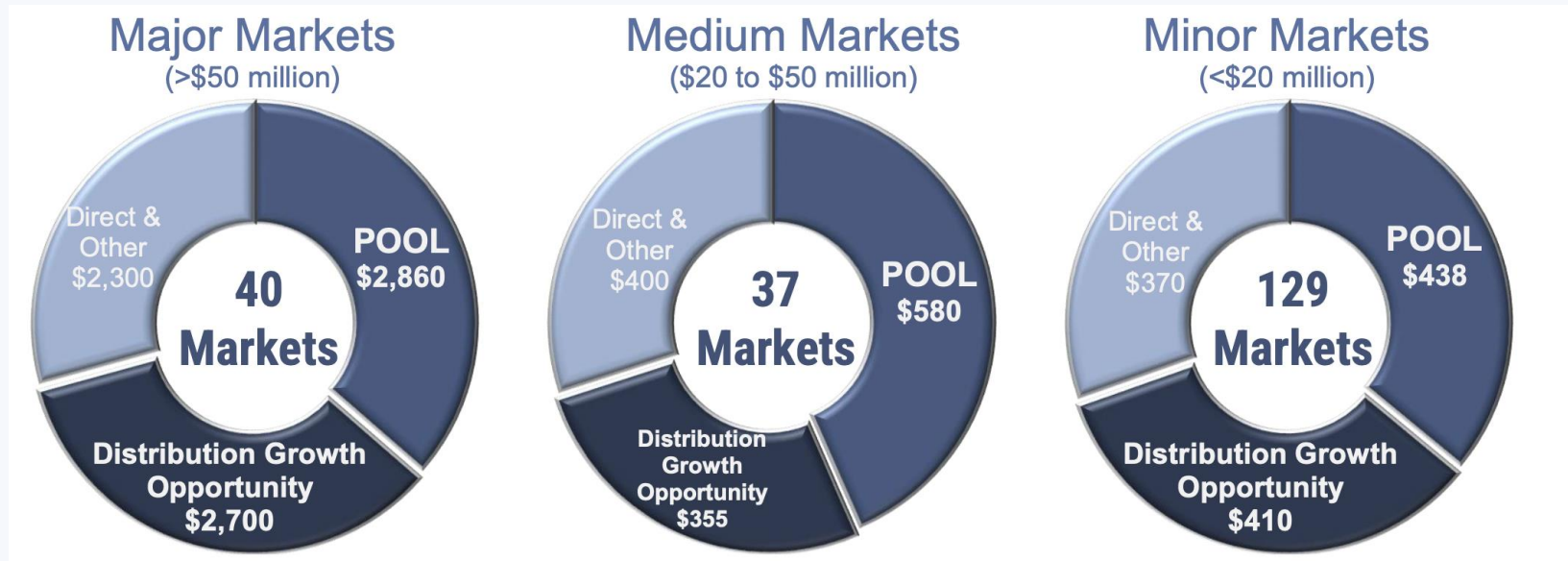
Where Outdoor Living Comes to Life

Industry Overview

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'Blue' Business Overview

Market Share & Revenue Breakdown



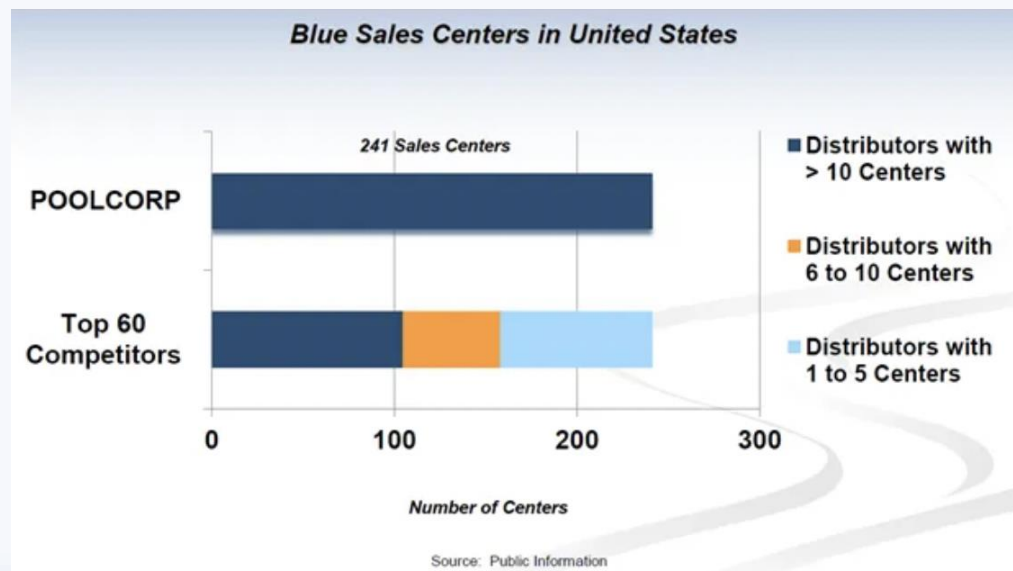
Source: company

- Pool Corp's market share has increased as markets have grown
- Share growth opportunity exists in all 3 market segments
- Over 40 markets with >50m revenue potential
- 37 markets with 20-50m revenue potential
- 129 markets with <20m revenue potential

'Blue' Business Overview Cont.

Pool Industry

Pool Industry is highly fragmented



- Pool Corp has more distribution than top 60 competitors combined
- Data is old now as this is from 2016 William Blair Conference
- Now over 400 sales centers

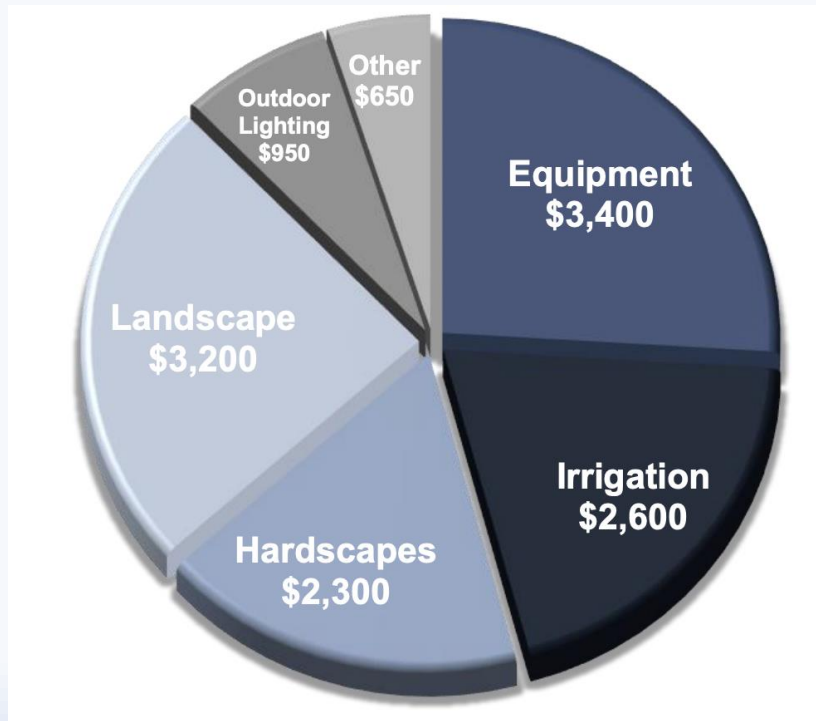
NATURE OF THE CASE

1. This action addresses PoolCorp's exclusionary acts and practices in the market for the distribution of residential and commercial swimming pool products. PoolCorp has unlawfully maintained its monopoly power by threatening to refuse to deal with any manufacturer that sells its pool products to a new distributor entering the market, thereby foreclosing potential rivals from an input necessary to compete. PoolCorp's conduct deters and impedes entry, raises its rivals' costs, and results in higher prices, reduced output and less consumer choice.

Source: FTC, 2011

'Green' Business Overview

Market



\$14bn TAM, in millions (US)

Market Share



~3% market share



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I. Opportunity to invest in a business that has been unfairly punished, being treated as housing correlated whereas 60%+ revenue is non-discretionary spending

II. Realizing value through the acquisition of Porpoise Pool and Patio which opens up the DIY market segment

III. Market mispricing the value of PLEX which will serve as an avenue for sustained margin growth

Thesis

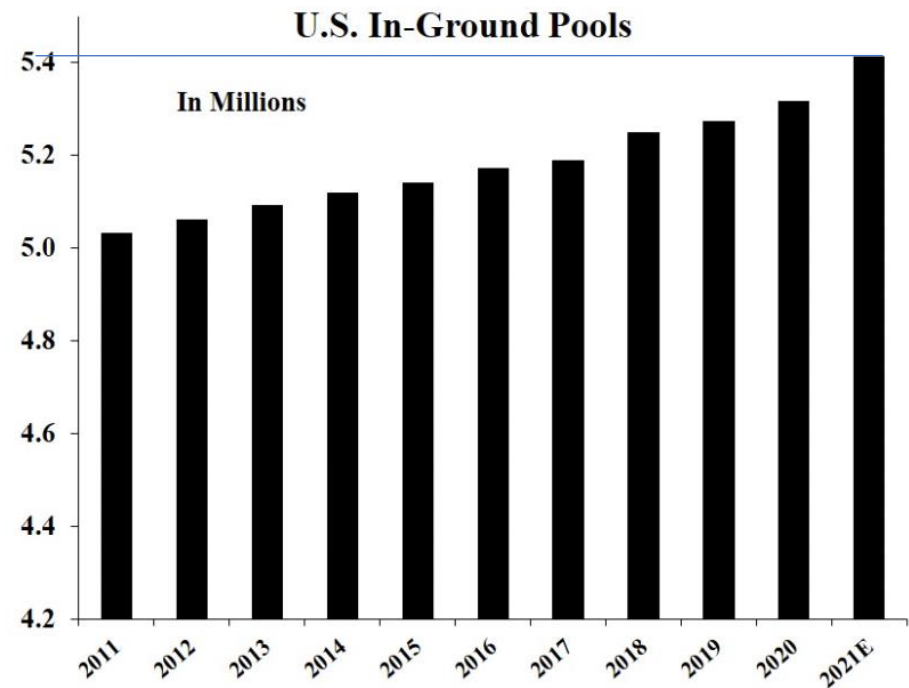


Thesis I: Unfairly Punished as Housing Correlated Stock

Understanding Spending

Pricing Game

- 60%+ consumer spending in industry is for maintenance of existing stock
- Maintaining proper sanitisation, repair of equipment (pumps, filters, safety equipment) is necessary
- Creates non-discretionary demand for pool chemicals, equipment, and supplies
- Strong recurring revenue base with over 5.4m+ installed In-Ground Pools
- Serves as cushion against economic declines which otherwise adversely impact consumer discretionary spending



Source: company

Installed Pool Base

- Replacement + refurbishment account for 20-25% of consumer spending in industry
- Age of installed base of pools in North America is ~25 years, lots of pools that will be in need of modernisation and update
- Upselling also possible through new tech (automation, heating, variable speed pumps etc.)

Thesis I: Unfairly Punished as Housing Correlated Stock

New Swimming Pool Construction

- New swimming pool construction accounts for final 15-20% of consumer spending
- Market is unfairly pricing a collapse in new pool construction associated with recessionary fears
- “backlogs are smaller but does not translate into less work being done”
- “plenty of work out there for new pool construction”
- - Arvan Q2 2022
- Weather not so conducive in early Q2 for construction, so behind on number of units not in the amount of work they have

Trends Driving > Pool Demand

- Changing climate with significantly hotter temperatures making pools more attractive in sunbelt states
- Zillow Research Surveys: importance of a house with a pool or spa jumped to 35% in 2021 from just 25% in 2019

AMERICA'S "EXTREME HEAT BELT"

NUMBER OF DAYS PER YEAR EXCEEDING THE HEAT INDEX TEMPERATURE OF 100°F IN 2053

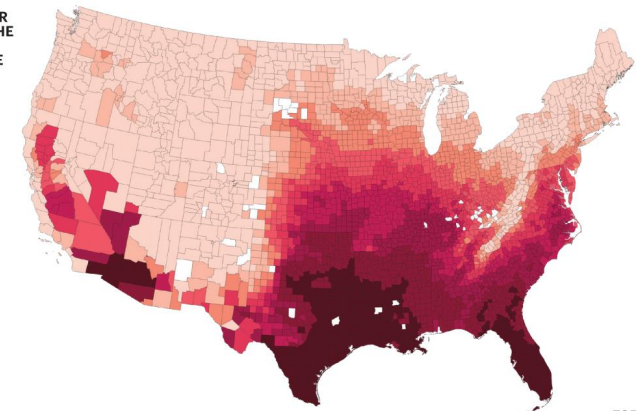
131 DAYS

27 DAYS

0 DAY

□ NO DATA

SOURCE: FIRST STREET FOUNDATION




Thesis I: Unfairly Punished as Housing Correlated Stock

Record Performance in Q2 2022

Net Sales of \$2.1 billion

Record buy-back in Q2 of \$216m



-45% from 52W High

Access to Credit Allowing for Continued M&A and Greenfield

“So could there be opportunities on the M&A side? Certainly. Are we in a position to jump on them if we like them? Absolutely.” – Peter Arvan Q2 2022

- Most importantly, made possible by strong cash flow generation
- Further \$179m is available for borrowing under the credit facility
- Receivables securitization facility, allowing to borrow up to 350m against accounts receivable
- Approx. 6 new sales centers per year domestically

Continual Acquisitions

- December 2021, acquired Wingate Supply
- June 2021, acquired Vak Pak Builders Supply
- April 2021, acquired Pool Source
- December 2020, acquired TWC Distributors

Credit Profile

- \$1.25bn issued in H2 2021, 2026 maturity
- Interest paid on variable rate based on one month LIBOR+margin, approx. 2.6%
- Management hedged through interest rate swaps taking advantage of low interest rate environment, sitting on \$25m of unrealized gains
- \$600m notional amount in interest rate swaps and forward-starting interest rate swaps

Company & Industry

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Thesis II: Acquisition of Porpoise Pool & Patio to Further Unlock Value

Compelling acquisition: opening up of DIY market segment and ownership of Pinch a Penny franchise

Transaction Summary	
Purchase Price	Transaction valued at \$789m Approx. 3.75x FY2021 Revenue

- \$1.78bn increase in market cap for a company which would add \$210m in revenue was not justified
- Since the acquisition Pool Corp has corrected significantly, making the acquisition much more appealing, and now mispriced by the market

Following earnings beat & announcement of acquisition of Porpoise Pool and Patio ~1.78bn increase in market cap



Market was euphoric and drastically overestimated the value of the acquisition. Regardless of the combined synergies

POOL gains access to \$3bn DIY customer market

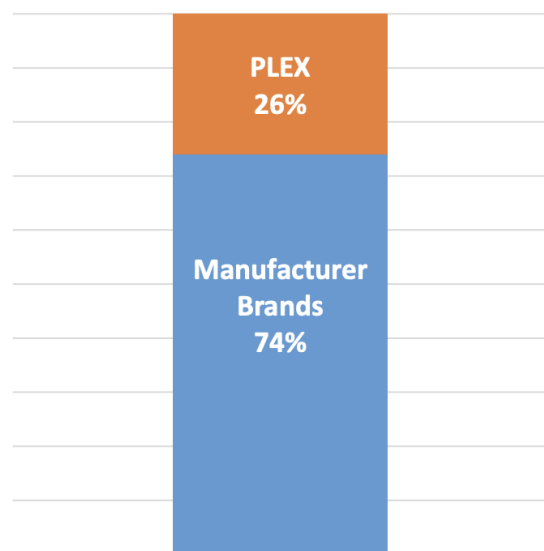


- Currently most of Pool Corp's customers are local contractors, and thus primarily B2B
- Pinch a Penny opens up the DIY segment
- 8-12 new franchise stores opening up per year under company's growth plan
- Leverages Pool Corp's nationwide distribution
- Operating cost synergies through transportation and logistics experience
- DIY market would again enable higher margin potential
- Pinch a penny already a well-known brand with local customer knowledge

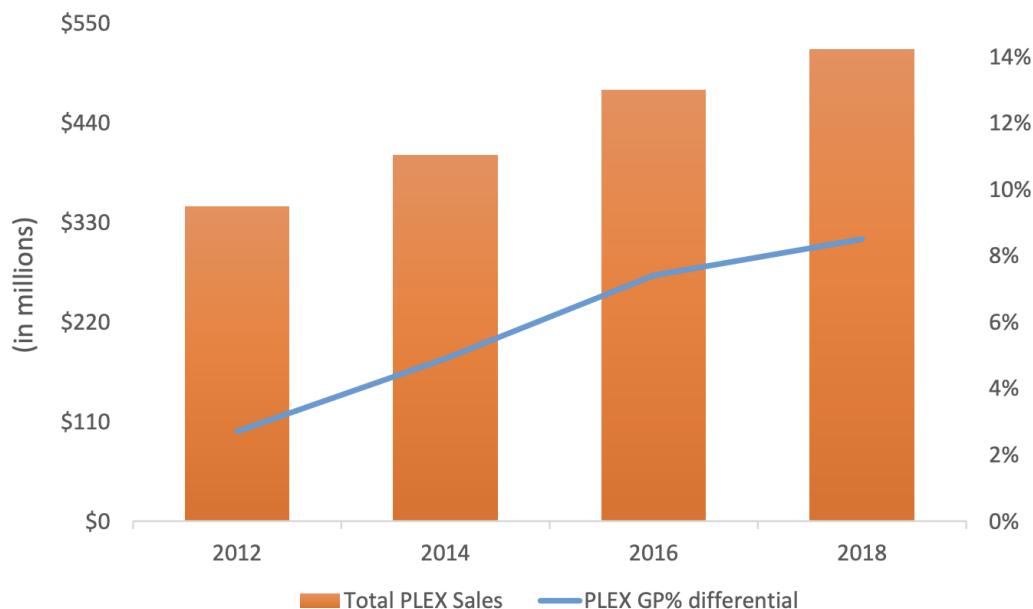
Thesis III: Market Mispricing the value of PLEX

Growing significance of Private Label & Exclusive Products

% Total 2018
US Blue Gross Profit



Sales Growth & Margin Differential



Source: Company Financial Information

Source: company

- PLEX products will help to build brand loyalty, and a sense of end consumer loyalty which is not possible if just wholesaling OEM products
- Creates competitive advantage
- Most importantly, PLEX products are much higher margin than OEM branded products
- According to company information gross margins on PLEX products are 8-8.5% higher for similarly/competitively priced products
- Will be further enhanced by Suncoast chemical which was part of the acquisition of Porpoise Pool and Patio
- Will allow the higher OPM of 15.7% seen in 2021 to continue into future, which market is not pricing in
- PLEX only directly mentioned in 2022 Investor Day Presentation once

Company & Industry

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Thesis III: Suncoast Chemicals Fitting into PLEX

Porpoise Pool & Patio: Suncoast Chemicals

- 105,000 sq ft production operations located in Clearwater, Florida
- Packages and distributes substantially all franchisee chemical product requirements
- Also packages and distributes products to SCP, Superior Pool Products and other independent customers
- Chemical inflation approx. 20% in 2021
- Given inelastic demand able to pass on to customers who passed it on to end customers
- Able to capture margin by having packaging in house
- Chemical sales growing fast, 25% QoQ, 14% of 'blue' business
- Potential drive significantly higher margins on Trichlor and Calico



Source: company

Company & Industry

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Risks & Catalysts

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Thesis III: PLEX Range of Products



Full line of Private Label Chemicals

Source: company



Full line of Private Label Maintenance Products and Parts



Unique Tile Designs & Pool Finishes

Company & Industry

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Valuation

A photograph of a swimming pool in a garden. The pool is surrounded by a paved deck and has several steps leading into the water. There are various plants and flowers around the pool, including a large potted plant in the foreground. The PoolCorp logo is overlaid in the top right corner.

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Risks and Catalysts

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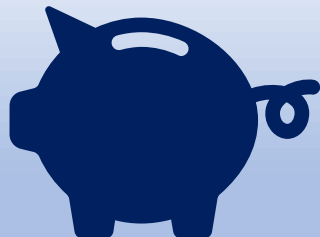
Risks and Catalysts

Risks



Weaker Housing Market

Water Scarcity Issues



Access to Financing for New-Builds

Catalysts



Favourable Legislation

Strategic Acquisitions



Rising temperatures and demographic changes

Catalysts: In-Depth

Favourable Legislation Driving Green Technology Adoption

- In 2017 DOE (department of energy) issued regulation which took place starting July 2021 requiring replacement DPPP (type of motor) to have variable speed pump and motor
- Due to greater trend towards environment conservation and reducing carbon footprint legislation will drive upgrades for an aging pool base which will be a major catalyst for future revenue
- Rising energy costs will also serve as an equal catalyst which will drive green tech adoption

Upselling

- When legislation catalyzes renovation, very easy for contractors to upsell and include new upgrades
- Currently only less than 30% of pools have automation, so still nascent and lots of potential for growth

Old Tech	Price Range	New Tech	Price Range	Benefits
Single Speed Pump	\$400 - \$600	Variable Speed Pump	\$800 - \$1,200	Lower energy consumption; quieter pump operation
Incandescent Pool/Spa Light	\$200 - \$300	LED Pool/Spa Light	\$400 - \$600	Lower energy consumption
Pool Heater	\$1,500 - \$2,500	Hi-Efficiency Heat Pump	\$2,500 - \$4,000	Higher efficiency; increased water temperature control

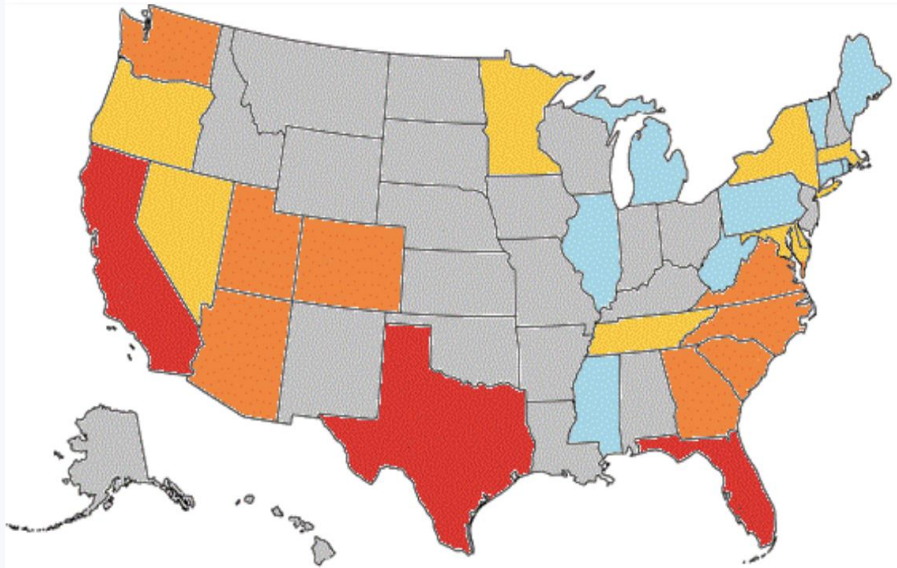
Product Category	2021 growth vs 2019
Automation Controls	91%
Sanitizing Systems <i>(Salt chlorination, UV, Ozone)</i>	100%
Heaters & Heat Pumps	101%
Robotic Cleaners	102%
Variable Speed Pumps	103%
Natural Stone Pavers	108%
LED Lighting	109%

Source: company

Catalysts: In-Depth

Demographic Changes

> 5 million + 1 – 5 million + 0.5 – 1 million + 0 – 0.5 million Pop Decrease



Rising Temperatures

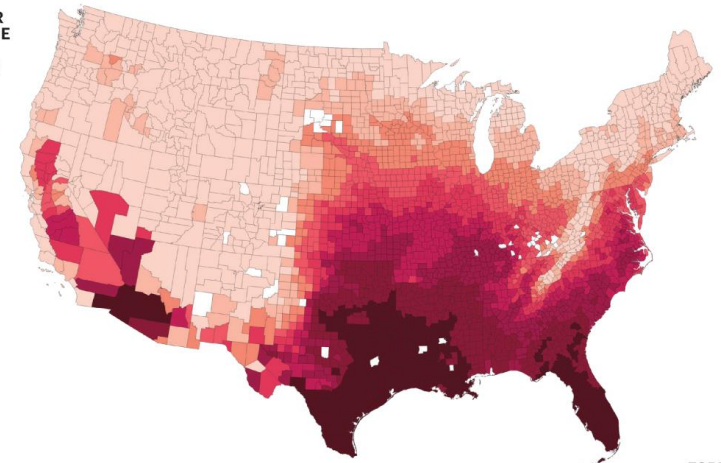
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131 DAYS
27 DAYS
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SOURCE: FIRST STREET FOUNDATION



FORTUNE

Demographic trends, climate trends and housing trends are all in favour of continued growth in outdoor living

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A photograph of a swimming pool in a garden. The pool is rectangular with a blue interior and a light-colored stone or concrete deck. The garden is lush with greenery, including trees, shrubs, and potted plants. In the background, a house is partially visible. The PoolCorp logo is overlaid in the top right corner.

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Financials

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Pool Corp DCF Valuation

Pool Corporation - DCF valuation

2 DCF valuation

USD million	Total	Actual	Explicit forecast period					Fade period				Terminal value	
		2021a	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e		2031e
Revenue	71,517	5,296	5,296	5,296	5,826	6,117	6,423	6,744	7,081	7,435	7,807	8,197	
% growth			+0.0%	-	+10.0%	+5.0%	+5.0%	+5.0%	+5.0%	+5.0%	+5.0%	+5.0%	
EBIT	10,763	830	794	794	874	918	963	1,012	1,062	1,115	1,171	1,230	
% margin		15.7%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	
(-) Tax	(2,637)	(204)	(195)	(195)	(214)	(225)	(236)	(248)	(260)	(273)	(287)	(301)	
NOPAT	8,126	627	600	600	660	693	727	764	802	842	884	928	
(-) Capex	(538)	(38)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	
% of sales		0.7%	0.9%	0.9%	0.9%	0.8%	0.8%	0.7%	0.7%	0.7%	0.6%	0.6%	
(-) Change in Working cap	(944)	(392)	-	-	(101)	(55)	(58)	(61)	(64)	(67)	(71)	(74)	
% of sales		(7.4%)	-	-	(1.7%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)	
(+) D&A	601	30	35	40	45	50	55	60	65	70	75	80	
% of sales		0.6%	0.7%	0.7%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	
Free Cash Flow (FCF)	7,245	226	584	589	554	637	674	712	752	794	838	884	23,324
% growth			+158.5%	+0.9%	(6.0%)	+15.0%	+5.8%	+5.7%	+5.6%	+5.6%	+5.5%	+5.4%	
WACC (%)			7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Discount period (#)			-	1	2	3	4	5	6	7	8	9	9
Discounted FCF	4,965		584	547	477	509	499	490	480	470	460	450	11,875
Sum of FCF	USDm	4,965											23,324
Discounted TV	USDm	11,875	1	0.928	0.861	0.798	0.741	0.687	0.638	0.592	0.549	0.509	0.472
Total EV	USDm	16,839		547	477	509	499	490	480	470	460	450	11,017
Net debt	USDm	(1,159)											
Total equity value	USDm	15,680											
Shares outstanding	# million	41											
Implied share price	USD	386											

1.22220

Company & Industry

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Valuation