

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2024

or

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

For the transition period from _____ to _____



POOL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

0-26640

(Commission File Number)

36-3943363

(I.R.S. Employer
Identification No.)

109 Northpark Boulevard,
Covington, Louisiana

(Address of principal executive
offices)

70433-5001

(Zip Code)

(985) 892-5521

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	POOL	Nasdaq Global Select Market

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of October 24, 2024, there were 38,055,527 shares of common stock outstanding.

POOL CORPORATION
Form 10-Q
For the Quarter Ended September 30, 2024

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (Unaudited)</u>	
<u>Consolidated Statements of Income</u>	<u>1</u>
<u>Consolidated Statements of Comprehensive Income</u>	<u>2</u>
<u>Consolidated Balance Sheets</u>	<u>3</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>4</u>
<u>Consolidated Statements of Changes in Stockholders' Equity</u>	<u>5</u>
<u>Notes to Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>15</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>29</u>
<u>Item 4. Controls and Procedures</u>	<u>29</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>30</u>
<u>Item 1A. Risk Factors</u>	<u>30</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>30</u>
<u>Item 5. Other Information</u>	<u>30</u>
<u>Item 6. Exhibits</u>	<u>31</u>
<u>SIGNATURE</u>	<u>33</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

POOL CORPORATION
Consolidated Statements of Income
(Unaudited)
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales	\$ 1,432,879	\$ 1,474,407	\$ 4,323,474	\$ 4,538,545
Cost of sales	1,016,476	1,045,676	3,038,370	3,172,276
Gross profit	416,403	428,731	1,285,104	1,366,269
Selling and administrative expenses	240,050	234,288	728,550	699,046
Operating income	176,353	194,443	556,554	667,223
Interest and other non-operating expenses, net	12,355	13,599	39,818	46,327
Income before income taxes and equity in earnings	163,998	180,844	516,736	620,896
Provision for income taxes	38,361	43,079	119,891	149,339
Equity in earnings of unconsolidated investments, net	64	78	180	235
Net income	<u>\$ 125,701</u>	<u>\$ 137,843</u>	<u>\$ 397,025</u>	<u>\$ 471,792</u>
Earnings per share attributable to common stockholders:				
Basic	<u>\$ 3.29</u>	<u>\$ 3.54</u>	<u>\$ 10.37</u>	<u>\$ 12.09</u>
Diluted	<u>\$ 3.27</u>	<u>\$ 3.51</u>	<u>\$ 10.30</u>	<u>\$ 12.00</u>
Weighted average common shares outstanding:				
Basic	<u>37,983</u>	<u>38,735</u>	<u>38,104</u>	<u>38,816</u>
Diluted	<u>38,187</u>	<u>39,023</u>	<u>38,330</u>	<u>39,112</u>
Cash dividends declared per common share	\$ 1.20	\$ 1.10	\$ 3.50	\$ 3.20

The accompanying Notes are an integral part of the Consolidated Financial Statements.

POOL CORPORATION
Consolidated Statements of Comprehensive Income
(Unaudited)
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$ 125,701	\$ 137,843	\$ 397,025	\$ 471,792
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	5,066	(5,025)	(3,286)	245
Unrealized (loss) gain on interest rate swaps, net of the change in taxes of \$2,192, \$(305), \$1,909 and \$(202)	(6,577)	916	(5,727)	604
Total other comprehensive (loss) income	(1,511)	(4,109)	(9,013)	849
Comprehensive income	\$ 124,190	\$ 133,734	\$ 388,012	\$ 472,641

The accompanying Notes are an integral part of the Consolidated Financial Statements.

POOL CORPORATION
Consolidated Balance Sheets
(In thousands, except share data)

	September 30, 2024	September 30, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
Assets			
Current assets:			
Cash and cash equivalents	\$ 91,347	\$ 85,220	\$ 66,540
Receivables, net	119,538	140,997	145,723
Receivables pledged under receivables facility	306,155	320,585	197,187
Product inventories, net	1,180,491	1,259,308	1,365,466
Prepaid expenses and other current assets	43,168	26,414	40,444
Total current assets	1,740,699	1,832,524	1,815,360
Property and equipment, net	243,308	213,732	223,929
Goodwill	700,147	699,270	700,078
Other intangible assets, net	292,722	300,237	298,282
Equity interest investments	1,434	1,383	1,305
Operating lease assets	309,648	293,673	305,688
Other assets	79,431	89,915	83,426
Total assets	\$ 3,367,389	\$ 3,430,734	\$ 3,428,068
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	\$ 401,702	\$ 429,436	\$ 508,672
Accrued expenses and other current liabilities	185,118	157,172	134,676
Short-term borrowings and current portion of long-term debt	44,683	37,788	38,203
Current operating lease liabilities	95,412	84,724	89,215
Total current liabilities	726,915	709,120	770,766
Deferred income taxes	65,106	55,226	67,421
Long-term debt, net	879,146	996,109	1,015,117
Other long-term liabilities	43,612	37,885	40,028
Non-current operating lease liabilities	220,101	214,168	221,949
Total liabilities	1,934,880	2,012,508	2,115,281
Stockholders' equity:			
Common stock, 0.001 par value; 100,000,000 shares authorized; 38,083,401, 38,676,960 and 38,354,829 shares issued and outstanding at September 30, 2024, September 30, 2023 and December 31, 2023, respectively	38	39	38
Additional paid-in capital	632,523	600,009	606,177
Retained earnings	802,379	811,434	699,990
Accumulated other comprehensive (loss) income	(2,431)	6,744	6,582
Total stockholders' equity	1,432,509	1,418,226	1,312,787
Total liabilities and stockholders' equity	\$ 3,367,389	\$ 3,430,734	\$ 3,428,068

The accompanying Notes are an integral part of the Consolidated Financial Statements.

POOL CORPORATION
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2024	2023
Operating activities		
Net income	\$ 397,025	\$ 471,792
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	26,848	23,355
Amortization	6,514	6,425
Share-based compensation	14,391	14,592
Equity in earnings of unconsolidated investments, net	(180)	(235)
Goodwill impairment	—	550
Other	3,123	1,157
Changes in operating assets and liabilities, net of effects of acquisitions:		
Receivables	(80,362)	(110,078)
Product inventories	181,326	330,850
Prepaid expenses and other assets	57,151	(23,431)
Accounts payable	(109,021)	20,667
Accrued expenses and other liabilities	(8,196)	14,374
Net cash provided by operating activities	<u>488,619</u>	<u>750,018</u>
Investing activities		
Acquisition of businesses, net of cash acquired	(4,435)	(11,500)
Purchases of property and equipment, net of sale proceeds	(45,951)	(42,958)
Other investments, net	944	(48)
Net cash used in investing activities	<u>(49,442)</u>	<u>(54,506)</u>
Financing activities		
Proceeds from revolving line of credit	1,146,900	1,154,601
Payments on revolving line of credit	(1,274,400)	(1,497,501)
Payments on term loan under credit facility	(18,750)	(6,250)
Proceeds from asset-backed financing	623,900	465,500
Payments on asset-backed financing	(606,300)	(422,700)
Payments on term facility	—	(47,313)
Proceeds from short-term borrowings and current portion of long-term debt	8,873	19,428
Payments on short-term borrowings and current portion of long-term debt	(8,643)	(19,182)
Payments of deferred financing costs	(1,731)	(52)
Payments of deferred and contingent acquisition consideration	—	(551)
Proceeds from stock issued under share-based compensation plans	11,955	9,278
Payments of cash dividends	(134,181)	(124,983)
Repurchases of common stock	(159,408)	(187,110)
Net cash used in financing activities	<u>(411,785)</u>	<u>(656,835)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(2,585)</u>	<u>952</u>
Change in cash and cash equivalents	<u>24,807</u>	<u>39,629</u>
Cash and cash equivalents at beginning of period	66,540	45,591
Cash and cash equivalents at end of period	<u>\$ 91,347</u>	<u>\$ 85,220</u>

The accompanying Notes are an integral part of the Consolidated Financial Statements.

POOL CORPORATION
Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)
(In thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balance at December 31, 2023	38,355 \$	38 \$	606,177 \$	699,990 \$	6,582 \$	1,312,787
Net income	—	—	—	78,885	—	78,885
Foreign currency translation	—	—	—	—	(3,668)	(3,668)
Interest rate swaps, net of the change in taxes of \$(742)	—	—	—	—	2,226	2,226
Repurchases of common stock, net of retirements	(41)	—	—	(16,304)	—	(16,304)
Share-based compensation	—	—	5,328	—	—	5,328
Issuance of stock under share-based compensation plans	148	—	8,773	—	—	8,773
Declaration of cash dividends	—	—	—	(42,343)	—	(42,343)
Balance at March 31, 2024	38,462 \$	38 \$	620,278 \$	720,228 \$	5,140 \$	1,345,684
Net income	—	—	—	192,439	—	192,439
Foreign currency translation	—	—	—	—	(4,684)	(4,684)
Interest rate swaps, net of the change in taxes of \$459	—	—	—	—	(1,376)	(1,376)
Repurchases of common stock, net of retirements	(181)	—	—	(68,519)	—	(68,519)
Share-based compensation	—	—	5,016	—	—	5,016
Issuance of stock under share-based compensation plans	8	—	1,053	—	—	1,053
Declaration of cash dividends	—	—	—	(45,944)	—	(45,944)
Balance at June 30, 2024	38,289 \$	38 \$	626,347 \$	798,204 \$	(920) \$	1,423,669
Net income	—	—	—	125,701	—	125,701
Foreign currency translation	—	—	—	—	5,066	5,066
Interest rate swaps, net of the change in taxes of \$2,192	—	—	—	—	(6,577)	(6,577)
Repurchases of common stock, net of retirements	(219)	—	—	(75,632)	—	(75,632)
Share-based compensation	—	—	4,047	—	—	4,047
Issuance of stock under share-based compensation plans	13	—	2,129	—	—	2,129
Declaration of cash dividends	—	—	—	(45,894)	—	(45,894)
Balance at September 30, 2024	38,083 \$	38 \$	632,523 \$	802,379 \$	(2,431) \$	1,432,509

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balance at December 31, 2022	39,069	\$ 39	\$ 575,776	\$ 653,484	\$ 5,895	\$ 1,235,194
Net income	—	—	—	101,699	—	101,699
Foreign currency translation	—	—	—	—	2,469	2,469
Interest rate swaps, net of the change in taxes of \$1,269	—	—	—	—	(3,809)	(3,809)
Repurchases of common stock, net of retirements	(144)	—	—	(50,549)	—	(50,549)
Share-based compensation	—	—	4,923	—	—	4,923
Issuance of stock under share-based compensation plans	108	—	5,896	—	—	5,896
Declaration of cash dividends	—	—	—	(39,073)	—	(39,073)
Balance at March 31, 2023	39,033	\$ 39	\$ 586,595	\$ 665,561	\$ 4,555	\$ 1,256,750
Net income	—	—	—	232,250	—	232,250
Foreign currency translation	—	—	—	—	2,801	2,801
Interest rate swaps, net of the change in taxes of \$(1,166)	—	—	—	—	3,497	3,497
Repurchases of common stock, net of retirements	—	—	—	—	—	—
Share-based compensation	—	—	5,073	—	—	5,073
Issuance of stock under share-based compensation plans	16	—	1,413	—	—	1,413
Declaration of cash dividends	—	—	—	(42,945)	—	(42,945)
Other	—	—	—	(307)	—	(307)
Balance at June 30, 2023	39,049	\$ 39	\$ 593,081	\$ 854,559	\$ 10,853	\$ 1,458,532
Net income	—	—	—	137,843	—	137,843
Foreign currency translation	—	—	—	—	(5,025)	(5,025)
Interest rate swaps, net of the change in taxes of \$(305)	—	—	—	—	916	916
Repurchases of common stock, net of retirements	(385)	—	—	(138,003)	—	(138,003)
Share-based compensation	—	—	4,596	—	—	4,596
Issuance of stock under share-based compensation plans	13	—	2,332	—	—	2,332
Declaration of cash dividends	—	—	—	(42,965)	—	(42,965)
Balance at September 30, 2023	38,677	\$ 39	\$ 600,009	\$ 811,434	\$ 6,744	\$ 1,418,226

The accompanying Notes are an integral part of the Consolidated Financial Statements.

POOL CORPORATION
Notes to Consolidated Financial Statements
(Unaudited)

Note 1 – Summary of Significant Accounting Policies

Pool Corporation (the *Company*, which may also be referred to as *we*, *us* or *our*) prepared the unaudited interim Consolidated Financial Statements following U.S. generally accepted accounting principles (GAAP) and the requirements of the Securities and Exchange Commission (SEC) for interim financial information. As permitted under those rules, we have condensed or omitted certain footnotes and other financial information required for complete financial statements.

The interim Consolidated Financial Statements include all normal and recurring adjustments that are necessary for a fair presentation of our financial position and operating results. All significant intercompany accounts and intercompany transactions have been eliminated.

A description of our significant accounting policies is included in our 2023 Annual Report on Form 10-K. You should read the interim Consolidated Financial Statements in conjunction with the Consolidated Financial Statements and accompanying notes in our 2023 Annual Report on Form 10-K. The results for our three and nine-month periods ended September 30, 2024, are not necessarily indicative of the expected results for our fiscal year ending December 31, 2024.

Income Taxes

We reduce federal and state income taxes payable by the tax benefits associated with the exercise of nonqualified stock options and the lapse of restrictions on restricted stock awards. To the extent realized tax deductions exceed the amount of previously recognized deferred tax benefits related to share-based compensation, we record an excess tax benefit. We record all excess tax benefits as a component of income tax benefit or expense on the Consolidated Statements of Income in the period in which stock options are exercised or restrictions on restricted stock awards lapse. We recorded excess tax benefits of \$0.5 million in the third quarter of 2024 compared to \$0.4 million in the third quarter of 2023 and \$8.3 million in the nine months ended September 30, 2024, compared to \$5.9 million in the nine months ended September 30, 2023.

Retained Earnings

We account for the retirement of repurchased shares as a reduction of Retained earnings. As of September 30, 2024, the Retained earnings on our Consolidated Balance Sheets reflects cumulative net income, the cumulative impact of adjustments for changes in accounting pronouncements, share retirements since the inception of our share repurchase programs of \$2.6 billion and cumulative dividends of \$1.2 billion.

Accumulated Other Comprehensive (Loss) Income

The table below presents the components of our Accumulated other comprehensive (loss) income balance (in thousands):

	September 30,		December 31,
	2024	2023	2023
Foreign currency translation adjustments	\$ (15,985)	\$ (19,363)	\$ (12,699)
Unrealized gains on interest rate swaps, net of tax	13,554	26,107	19,281
Accumulated other comprehensive (loss) income	<u>\$ (2,431)</u>	<u>\$ 6,744</u>	<u>\$ 6,582</u>

Recent Accounting Pronouncements Pending Adoption

The following table summarizes recent accounting pronouncements that we plan to adopt in future periods:

Standard	Description	Effective Date	Effect on Financial Statements and Other Significant Matters
Accounting Standards Update (ASU) 2023-09, <i>Income Taxes (Topic 740): Improvements to Income Tax Disclosures</i>	In December 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-09, <i>Income Taxes - Improvements to Income Tax Disclosures</i> , which will require enhancements and further transparency to various income tax disclosures, most notably the tax rate reconciliation and income taxes paid.	Annual periods beginning after December 15, 2024 on a prospective basis. Retrospective application for all periods presented is permitted. Early adoption is also permitted.	We are currently evaluating the effect this standard will have on our disclosures.
ASU 2023-07, <i>Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures</i>	In November 2023, the FASB issued ASU 2023-07, <i>Segment Reporting - Improvements to Reportable Segment Disclosures</i> , which intends to improve reportable segment disclosures by requiring enhanced disclosures about significant segment expenses, enhance interim disclosure requirements, refine situations in which an entity can disclose multiple segment measures of profit or loss and provide advanced segment disclosure requirements for entities with a single reportable segment, as well as other disclosure requirements.	Annual periods beginning after December 15, 2023 on a retrospective basis for all periods presented. Early adoption is permitted.	We are currently evaluating the effect this standard will have on our disclosures.
ASU 2023-06, <i>Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative</i>	In October 2023, the FASB issued ASU 2023-06, <i>Disclosure Improvements - Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative</i> , which will impact various disclosure areas, including the statement of cash flows, accounting changes and error corrections, earnings per share, debt, equity, derivatives and transfers of financial assets.	The amendments in ASU 2023-06 will be effective on the date the related disclosures are removed from Regulation S-X or Regulation S-K by the SEC and will no longer be effective if the SEC has not removed the applicable disclosure requirement by June 30, 2027. Early adoption is prohibited.	We are currently evaluating the effect this standard will have on our disclosures.

Note 2 – Earnings Per Share

We calculate basic and diluted earnings per share using the two-class method. Earnings per share under the two-class method is calculated using net income attributable to common stockholders, which is net income reduced by the earnings allocated to participating securities. Our participating securities include share-based payment awards that contain a non-forfeitable right to receive dividends and are considered to participate in undistributed earnings with common shareholders. Participating securities excluded from weighted average common shares outstanding were 206,000 for the three months ended September 30, 2024 and 205,000 for the three months ended September 30, 2023, and 206,000 for the nine months ended September 30, 2024 and 207,000 for the nine months ended September 30, 2023.

The table below presents the computation of earnings per share, including the reconciliation of basic and diluted weighted average shares outstanding (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$ 125,701	\$ 137,843	\$ 397,025	\$ 471,792
Amounts allocated to participating securities	(654)	(726)	(2,071)	(2,504)
Net income attributable to common stockholders	<u>\$ 125,047</u>	<u>\$ 137,117</u>	<u>\$ 394,954</u>	<u>\$ 469,288</u>
Weighted average common shares outstanding:				
Basic	37,983	38,735	38,104	38,816
Effect of dilutive securities:				
Stock options and employee stock purchase plan	204	288	226	296
Diluted	<u>38,187</u>	<u>39,023</u>	<u>38,330</u>	<u>39,112</u>
Earnings per share attributable to common stockholders:				
Basic	<u>\$ 3.29</u>	<u>\$ 3.54</u>	<u>\$ 10.37</u>	<u>\$ 12.09</u>
Diluted	<u>\$ 3.27</u>	<u>\$ 3.51</u>	<u>\$ 10.30</u>	<u>\$ 12.00</u>
Anti-dilutive stock options excluded from diluted earnings per share computations ⁽¹⁾	<u>88</u>	<u>31</u>	<u>57</u>	<u>64</u>

⁽¹⁾ Since these options have exercise prices that are higher than the average market prices of our common stock, including them in the calculation would have an anti-dilutive effect on earnings per share.

Note 3 – Acquisitions

In May 2024, we acquired the distribution assets of Swimline Distributors, Inc., a wholesale distributor of swimming pool products and supplies, adding one location in Georgia.

In January 2024, we acquired the distribution assets of Shoreline Pool Distribution, a wholesale distributor of swimming pool products and supplies, adding one location in Mississippi.

In December 2023, we acquired the distribution assets of A.C. Solucoes para Piscinas, Lda., a wholesale distributor of swimming pool equipment, chemicals and supplies, adding one location in Braga, Portugal.

In June 2023, we acquired the distribution assets of Pioneer Pool Products, Inc., a wholesale distributor of swimming pool equipment, chemicals and supplies, adding one location in Alabama.

In May 2023, we acquired the distribution assets of Recreation Supply Company, a wholesale distributor of commercial swimming pool products, adding one location in North Dakota.

In March 2023, we acquired the distribution assets of Pro-Water Irrigation & Landscape Supply, Inc., a wholesale distributor of irrigation and landscape supply products, adding two locations in Arizona.

We have completed our acquisition accounting for these acquisitions, subject to adjustments for standard holdback provisions per the terms of the purchase agreements, which are not material.

Note 4 – Fair Value Measurements and Interest Rate Swaps

Recurring Fair Value Measurements

Our assets and liabilities that are measured at fair value on a recurring basis include the unrealized gains or losses on our interest rate swap contracts and our deferred compensation plan asset and liability. The three levels of the fair value hierarchy under the accounting guidance are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; or
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The table below presents our assets and liabilities measured and recorded at fair value on a recurring basis (in thousands):

	Input Level	Classification	Fair Value at September 30,	
			2024	2023
Assets				
Unrealized gains on interest rate swaps	Level 2	Prepaid expenses and other current assets	\$ 1,905	\$ —
Unrealized gains on interest rate swaps	Level 2	Other assets	16,213	34,854
Deferred compensation plan asset	Level 1	Other assets	18,179	14,075
Liabilities				
Deferred compensation plan liability	Level 1	Other long-term liabilities	\$ 18,179	\$ 14,075

Interest Rate Swaps

We utilize interest rate swap contracts and forward-starting interest rate swap contracts to reduce our exposure to fluctuations in variable interest rates for future interest payments on a portion of our variable rate borrowings.

We use significant other observable market data or assumptions (Level 2 inputs) in determining the fair value of our interest rate swap contracts and forward-starting interest rate swap contract that we believe market participants would use in pricing similar assets or liabilities, including assumptions about counterparty risk. Our fair value estimates reflect an income approach based on the terms of the interest rate swap contracts and inputs corroborated by observable market data including interest rate curves.

We recognize any differences between the variable interest rate in effect and the fixed interest rates per our swap contracts as an adjustment to interest expense over the life of the swaps. To the extent our derivatives are effective in offsetting the variability of the hedged cash flows, we record the changes in the estimated fair value of our interest rate swap contracts to Accumulated other comprehensive (loss) income on the Consolidated Balance Sheets.

We currently have two swap contracts in place. These swap contracts were previously forward-starting and convert the variable interest rate to a fixed interest rate on a portion of our variable rate borrowings. Interest expense related to the notional amounts under these swap contracts is based on the fixed rates plus the applicable margin on a portion of our variable rate borrowings. Changes in the estimated fair value of these interest rate swap contracts are recorded to Accumulated other comprehensive (loss) income on the Consolidated Balance Sheets.

The following table provides additional details related to these swap contracts:

Derivative	Inception Date	Effective Date	Termination Date	Notional Amount (in millions)	Fixed Interest Rate
Interest rate swap 1	February 5, 2020	February 26, 2021	February 28, 2025	\$150.0	1.3260%
Interest rate swap 2	March 9, 2020	September 29, 2022	February 26, 2027	\$150.0	0.6690%

For the interest rate swap contracts in effect at September 30, 2024, a portion of the change in the estimated fair value between periods relates to future interest expense. Recognition of the change in fair value between periods attributable to accrued interest is reclassified from Accumulated other comprehensive (loss) income on the Consolidated Balance Sheets to Interest and other non-operating expenses, net on the Consolidated Statements of Income. These amounts were not material in the three and nine-month periods ended September 30, 2024 or September 30, 2023.

We also have in place a forward-starting interest rate swap contract to extend the hedged period for future interest payments on a portion of our variable rate borrowings. The following table provides details related to our forward-starting interest rate swap contract:

Derivative	Inception Date	Effective Date	Termination Date	Notional Amount (in millions)	Fixed Interest Rate
Forward-starting interest rate swap	March 9, 2020	February 28, 2025	February 26, 2027	\$150.0	0.7630%

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

Our interest rate swap contracts and forward-starting interest rate swap contract are subject to master netting arrangements. According to our accounting policy, we do not offset the fair values of assets with the fair values of liabilities related to these contracts.

Other

Our deferred compensation plan asset represents investments in securities (primarily mutual funds) traded in an active market (Level 1 inputs) held for the benefit of certain employees as part of our deferred compensation plan. We record an equal and offsetting deferred compensation plan liability, which represents our obligation to participating employees. Changes in the fair value of the plan asset and liability are reflected in Selling and administrative expenses on the Consolidated Statements of Income.

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate fair value due to the short maturity of those instruments. The carrying value of our long-term debt approximates its fair value. Our determination of the estimated fair value reflects a discounted cash flow model using our estimates, including assumptions related to borrowing rates (Level 3 inputs).

Note 5 – Debt

The table below presents the components of our debt (in thousands):

	September 30,	
	2024	2023
Variable rate debt		
Current portion of long-term debt:		
Australian credit facility	\$ 13,433	\$ 12,788
Current portion of term loans under credit facility	31,250	25,000
Short-term borrowings and current portion of long-term debt	<u>\$ 44,683</u>	<u>\$ 37,788</u>
Long-term portion:		
Revolving credit facility	\$ 125,000	\$ 176,811
Term loan under credit facility	437,500	468,750
Term facility	109,938	109,938
Receivables securitization facility	209,300	242,300
Less: financing costs, net	2,592	1,690
Long-term debt, net	<u>879,146</u>	<u>996,109</u>
Total debt	<u>\$ 923,829</u>	<u>\$ 1,033,897</u>

Credit Facility

On September 30, 2024, we entered into the Third Amended and Restated Credit Agreement (the Amended Agreement) by and among us, as U.S. Borrower, SCP Distributors Canada Inc., as Canadian Borrower, SCP International, Inc., as Euro Borrower, Wells Fargo Bank, National Association, as Administrative Agent, and certain other lenders party thereto. The Amended Agreement amended and restated the terms of the Company's predecessor revolving credit facility principally by increasing its borrowing capacity from \$750.0 million to \$800.0 million and extending its maturity date from September 25, 2026 to September 30, 2029.

Otherwise, the Amended Agreement retained the core features of the predecessor credit agreement, including:

- a \$500.0 million term loan facility;
- an accordion feature permitting us to request one or more incremental term loans or revolving credit facility commitment increases up to \$250.0 million;
- an option permitting us to extend the maturity date of the revolving credit facility up to two years, subject to various conditions and restrictions; and
- sublimits for the issuance of swingline loans and standby letters of credit.

Revolving and term loan borrowings under the Amended Agreement bear interest at a variable rate based on a one-month Term Secured Overnight Financing Rate (Term SOFR), plus an applicable margin. The term loan under the Amended Agreement continues to require quarterly amortization payments, with all remaining principal due on the term loan maturity date of September 25, 2026.

Substantially all of the other terms of the term loan and revolving credit facility in the Amended Agreement remain similar to the predecessor credit agreement. The Amended Agreement continues to require us to maintain a maximum average total leverage ratio and a minimum fixed charge coverage ratio consistent with the terms specified in the predecessor credit agreement. All obligations under the Amended Agreement continue to be guaranteed on an unsecured basis by substantially all of our existing and future domestic subsidiaries. The Amended Agreement also continues to contain various customary affirmative and negative covenants and events of default. Failure to comply with any of the financial covenants or the occurrence of any other events of default would permit the lenders to, among other things, require immediate payment of all amounts outstanding under the Amended Agreement.

Receivables Securitization Facility

Our accounts receivable securitization facility (the Receivables Facility) provides for the sale of certain of our receivables to a wholly-owned subsidiary (the Securitization Subsidiary). The Securitization Subsidiary transfers variable undivided percentage interests in the receivables and related rights to certain third-party financial institutions in exchange for cash proceeds, limited to the applicable funding capacities.

We account for the sale of the receivable interests as a secured borrowing on our Consolidated Balance Sheets. The receivables subject to the agreement collateralize the cash proceeds received from the third-party financial institutions. We classify the entire outstanding balance as Long-term debt, net on our Consolidated Balance Sheets as we intend and have the ability to refinance the obligations on a long-term basis. We present the receivables that collateralize the cash proceeds separately as Receivables pledged under receivables facility on our Consolidated Balance Sheets.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion in conjunction with the accompanying interim Consolidated Financial Statements and notes, the Consolidated Financial Statements and accompanying notes in our 2023 Annual Report on Form 10-K and Management's Discussion and Analysis in our 2023 Annual Report on Form 10-K.

Forward-Looking Statements

This report contains forward-looking information that involves risks and uncertainties. Our forward-looking statements express our current expectations or forecasts of possible future results or events, including projections of earnings and other financial performance measures, statements of management's expectations regarding our strategic, operational and capital allocation plans and objectives, management's views on industry, economic, competitive, technological and regulatory conditions and other forecasts of trends and other matters. Forward-looking statements speak only as of the date of this filing, and we undertake no obligation to publicly update or revise such statements to reflect new circumstances or unanticipated events as they occur. You can identify these statements by the fact that they do not relate strictly to historic or current facts and often use words such as "anticipate," "estimate," "expect," "intend," "believe," "will likely result," "outlook," "project," "may," "can," "plan," "target," "potential," "should" and other words and expressions of similar meaning.

No assurance can be given that the expected results in any forward-looking statement will be achieved, and actual results may differ materially due to one or more factors, including the sensitivity of our business to weather conditions; changes in economic conditions, consumer discretionary spending, the housing market, inflation or interest rates; our ability to maintain favorable relationships with suppliers and manufacturers; the extent to which home-centric trends associated with the pandemic will continue to moderate or reverse; competition from other leisure product alternatives or mass merchants; our ability to continue to execute our growth strategies; changes in the regulatory environment; new or additional taxes, duties or tariffs; excess tax benefits or deficiencies recognized under ASU 2016-09 and other risks detailed in our 2023 Annual Report on Form 10-K, as updated by our subsequent filings with the U.S. Securities and Exchange Commission. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

OVERVIEW

Financial Results

Net sales decreased 3% in the third quarter of 2024 to \$1.4 billion compared to \$1.5 billion in the third quarter of 2023. Base business results approximated consolidated results for the period. Following similar trends from the first half of the year, our third quarter results were anchored by strong sales of non-discretionary maintenance products, while sales of pool construction and discretionary products remained soft compared to the third quarter of 2023. Net sales benefited approximately 2% from one more selling day in the third quarter of 2024 versus the same period in 2023.

Gross profit decreased 3% to \$416.4 million in the third quarter of 2024 from \$428.7 million in the same period of 2023. Gross margin remained consistent at 29.1% for each of the third quarters of 2024 and 2023.

Increases in our selling and administrative expenses (operating expenses) moderated during the third quarter of 2024, growing 2% to \$240.1 million compared to \$234.3 million in the third quarter of 2023. Expense increases in the quarter primarily related to inflationary impacts, the expansion of our network and our technology initiatives and were partially offset by lower variable costs and a timing shift of certain expenses from the third quarter of 2024 to the fourth quarter of 2024. As a percentage of net sales, operating expenses increased to 16.8% in the third quarter of 2024 compared to 15.9% in the same period of 2023.

Operating income in the third quarter of 2024 decreased 9% to \$176.4 million from \$194.4 million in 2023. Operating margin was 12.3% in the third quarter of 2024 compared to 13.2% in the third quarter of 2023.

Interest and other non-operating expenses, net for the third quarter of 2024 decreased \$1.2 million compared to the third quarter of 2023, primarily due to a decrease in average debt between periods.

We recorded a \$0.5 million tax benefit from Accounting Standards Update (ASU) 2016-09, *Improvements to Employee Share-Based Payment Accounting*, in the quarter ended September 30, 2024, compared to a tax benefit of \$0.4 million realized in the same period of 2023. This resulted in a \$0.01 per diluted share tax benefit in the third quarter of 2024 consistent with the \$0.01 per diluted share tax benefit realized in the same period of 2023.

Net income decreased 9% to \$125.7 million in the third quarter of 2024 compared to \$137.8 million in the third quarter of 2023. Earnings per diluted share decreased 7% to \$3.27 in the third quarter of 2024 compared to \$3.51 in the same period of 2023. Without the impact from ASU 2016-09 in both periods, earnings per diluted share decreased 7% to \$3.26 compared to \$3.50 in the third quarter of 2023. See RESULTS OF OPERATIONS below for definitions of our non-GAAP measures and reconciliations of our non-GAAP measures to GAAP measures.

References to product line and product category data throughout this report generally reflect data related to the North American swimming pool market, as this data is more readily available for analysis and represents the largest component of our operations.

In this Form 10-Q and other of our public disclosures, we estimate the impact that favorable or unfavorable weather had on our operating results. In connection with these estimates, we make several assumptions and rely on various third-party sources. It is possible that others assessing the same data could reach conclusions that differ from ours.

Financial Position and Liquidity

Total net receivables, including pledged receivables, trended in line with net sales activity at September 30, 2024 compared to September 30, 2023. Our days sales outstanding (DSO), as calculated on a trailing four quarters basis, was 26.7 days at September 30, 2024 and 26.3 days at September 30, 2023. Our allowance for doubtful accounts balance was \$10.0 million at September 30, 2024 and \$10.6 million at September 30, 2023.

Our inventory management efforts reduced our inventory levels compared to September 30, 2023 by \$78.8 million, or 6%, to \$1.2 billion. Our inventory reserve was \$28.6 million at September 30, 2024 and \$25.9 million at September 30, 2023. Our inventory turns, as calculated on a trailing four quarters basis, were 2.8 times at September 30, 2024 and 2.6 times at September 30, 2023.

As allowed for companies impacted by Hurricane Francine, we deferred our 2024 third quarter estimated federal tax payment of \$42.0 million, which will be paid in February 2025.

Total debt outstanding was \$923.8 million at September 30, 2024, down \$110.1 million from September 30, 2023, as we have used a portion of operating cash flows to reduce our debt over the past year.

For additional information, see "Liquidity and Capital Resources" below.

Current Trends and Outlook

For a detailed discussion of trends impacting us through 2023, see the Current Trends and Outlook section of Management's Discussion and Analysis included in Part II, Item 7 of our 2023 Annual Report on Form 10-K.

We expect sales for the full year of 2024 to decline by approximately 5% from 2023 based on the following factors and assumptions:

- a 15-20% decline in volumes of discretionary products used for swimming pool construction;
- a 10-15% decline in volumes of products used in the remodeling, renovation and upgrading of swimming pools;
- sustained demand for pool maintenance products, although less prominent to our fourth quarter sales mix; and
- inflationary product cost increases of approximately 1%.

As previously disclosed in our 2023 Annual Report on Form 10-K, we expect gross margin for the full year of 2024 to be in line with our long-term outlook of approximately 30.0%. Our actual gross margin will depend on amounts and timing of inflationary price increases, product mix and customer mix.

We expect to leverage our existing infrastructure and manage discretionary spending to mitigate inflationary impacts while continuing to invest in our business.

We project that our annual effective tax rate (without the benefit from ASU 2016-09) for 2024 will be around 25.0%. We expect our effective tax rate will fluctuate from quarter to quarter due to ASU 2016-09, particularly in periods when employees elect to exercise their vested stock options or when restrictions on share-based awards lapse. We recorded an \$8.3 million, or \$0.21 per diluted share, tax benefit from ASU 2016-09 for the nine months ended September 30, 2024. We may recognize additional tax benefits related to stock option exercises in 2024 from grants that expire in future years. We have not included any expected tax benefits in our full year guidance beyond what we have recognized as of September 30, 2024.

We expect 2024 diluted EPS in the range of \$11.06 to \$11.46, including the impact of year-to-date tax benefits of \$0.21. We

expect to continue to use cash for the payment of cash dividends as and when declared by our Board of Directors (Board) and to fund opportunistic share repurchases under our Board-authorized share repurchase program.

The forward-looking statements in the foregoing section and elsewhere in this report are based on current market conditions, speak only as of the filing date of this report, are based on several assumptions and are subject to significant risks and uncertainties. See "Cautionary Statement for Forward-Looking Statements."

RESULTS OF OPERATIONS

As of September 30, 2024, we conducted operations through 447 sales centers in North America, Europe and Australia. For the nine months ended September 30, 2024, approximately 96% of our net sales were from our operations in North America.

The following table presents information derived from the Consolidated Statements of Income expressed as a percentage of net sales:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	70.9	70.9	70.3	69.9
Gross profit	29.1	29.1	29.7	30.1
Selling and administrative expenses	16.8	15.9	16.9	15.4
Operating income	12.3	13.2	12.9	14.7
Interest and other non-operating expenses, net	0.9	0.9	0.9	1.0
Income before income taxes and equity in earnings	11.4 %	12.3 %	12.0 %	13.7 %

Note: Due to rounding, percentages presented in the table above may not add to Operating income or Income before income taxes and equity in earnings.

We have included the results of operations from acquisitions in 2024 and 2023 in our consolidated results since the acquisition dates.

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

Base Business

When calculating our base business results, we exclude sales centers that are acquired, opened in new markets or closed for a period of 15 months. We also exclude consolidated sales centers when we do not expect to maintain the majority of the existing business and existing sales centers that we consolidate with acquired sales centers.

We generally allocate corporate overhead expenses to excluded sales centers on the basis of their net sales as a percentage of total net sales. After 15 months, we include acquired, consolidated and new market sales centers in the base business calculation including the comparative prior year period.

We have not provided separate base business income statements within this Form 10-Q as our base business results for the three and nine months ending September 30, 2024 closely approximated consolidated results for the same period. Acquired and new market sales centers excluded from base business contributed less than 1% to the change in net sales.

The table below summarizes the changes in our sales center count during the first nine months of 2024:

December 31, 2023	439
Acquired locations	2
New locations	9
Consolidated/closed locations	(3)
September 30, 2024	447

Net Sales

(in millions)	Three Months Ended September 30,		Change	
	2024	2023		
Net sales	\$ 1,432.9	\$ 1,474.4	\$ (41.5)	(3)%

Net sales of \$1.4 billion in the third quarter of 2024 decreased 3% compared to \$1.5 billion in the third quarter of 2023. In the third quarter, recurring maintenance product sales remained strong, while spending on larger semi-discretionary items, as well as new pool construction and renovation projects, showed a more measured pace.

The following factors impacted our sales during the quarter and are listed in order of estimated magnitude:

- approximately 2% benefit from one more selling day in the third quarter of 2024 compared to the same quarter in 2023;
- stability from maintenance-related activities evidenced by volume growth in chemicals; sales of chemicals increased 2% compared to the third quarter of 2023 and represented 17% of our net sales;
- approximately net 1% benefit from price comprised of a 2% benefit from inflation-driven price increases on equipment, offset by moderate declines in areas like chemical sanitizers and commodities; and
- lower sales volumes due to a decline in pool construction and discretionary spending (see discussion below).

In the third quarter of 2024, sales of equipment, which is used across maintenance, renovation and new construction and includes swimming pool heaters, pumps, lights, filters and automation, grew 1% versus the same period last year, and collectively represented approximately 29% of net sales for the period. Sales of building materials, which are primarily used in new construction and remodeling, decreased 9% compared to the third quarter of 2023 and represented approximately 11% of net sales in the third quarter of 2024.

Sales to specialty retailers that sell swimming pool supplies and customers who service large commercial installations are included in the appropriate existing product categories, and sales trends in these product categories are reflected in the discussion above. Sales to our retail customers declined by 2% in the third quarter of 2024, as steady maintenance sales during a key seasonal period partially offset ongoing weakness in discretionary demand, compared to the third quarter of 2023. Retail sales represented approximately 14% of our total net sales in the third quarter of 2024. Sales to commercial swimming pool customers remained strong with an increase of 7% in the third quarter of 2024 compared to the third quarter of 2023 and represented approximately 5% of our net sales for the third quarter of 2024.

Gross Profit

(in millions)	Three Months Ended September 30,		Change	
	2024	2023		
Gross profit	\$ 416.4	\$ 428.7	\$ (12.3)	(3)%
Gross margin	29.1 %	29.1 %		

Gross margin remained consistent at 29.1% in both the third quarters of 2024 and 2023. While being affected by unfavorable product and customer mix in the current environment, strategic gross margin-related initiatives and progress on our pricing optimization efforts sustained our gross margin.

Operating Expenses

(in millions)	Three Months Ended September 30,		Change	
	2024	2023		
Selling and administrative expenses	\$ 240.1	\$ 234.3	\$ 5.8	2%
Operating expenses as a % of net sales	16.8 %	15.9 %		

Operating expenses increased 2% in the third quarter of 2024 compared to the third quarter of 2023. Expense growth drivers included inflationary increases, costs associated with opening new locations and investments in our technology initiatives. These increases were partially offset by lower variable costs and a shift of certain expenses from the third quarter of 2024 to the fourth quarter of 2024.

Interest and Other Non-Operating Expenses, Net

Interest and other non-operating expenses, net for the third quarter of 2024 decreased \$1.2 million compared to the third quarter of 2023, primarily due to a decrease in average debt between periods. Our weighted average effective interest rate remained unchanged at 5.2% in the third quarter of 2024 compared to the third quarter of 2023 on average outstanding debt of \$946.1 million and \$1.0 billion for the respective periods.

Income Taxes

Our effective income tax rate was 23.4% for the three months ended September 30, 2024, compared to 23.8% for the three months ended September 30, 2023. We recorded a \$0.5 million tax benefit from ASU 2016-09 in the quarter ended September 30, 2024, compared to a tax benefit of \$0.4 million realized in the same period last year. Without the benefit from ASU 2016-09 in both periods, our effective tax rate was 23.7% for the third quarter of 2024 and 24.1% for the third quarter of 2023. Our third quarter effective income tax rate is typically lower compared to other quarters due to the annual expiration of statutes of limitations in the various jurisdictions where we have recorded uncertain tax positions.

Net Income and Earnings Per Share

Net income decreased 9% to \$125.7 million in the third quarter of 2024 compared to \$137.8 million in the third quarter of 2023. Earnings per diluted share decreased 7% to \$3.27 in the third quarter of 2024 compared to \$3.51 in the same period of 2023. Without the impact from ASU 2016-09 in both periods, earnings per diluted share decreased 7% to \$3.26 in the third quarter of 2024 compared to \$3.50 in the third quarter of 2023. See the reconciliation of GAAP to non-GAAP measures below.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Net Sales

(in millions)	Nine Months Ended September 30,		Change	
	2024	2023		
Net sales	\$ 4,323.5	\$ 4,538.5	\$ (215.0)	(5)%

Net sales for the first nine months of 2024 decreased 5% compared to the same period last year. In the first nine months of 2024, maintenance activities were stable, reflecting steady demand for non-discretionary products, while pool construction and discretionary spending were softer, impacted by current macroeconomic conditions.

The following factors also impacted our sales and are listed in order of estimated magnitude:

- stability from maintenance-related activities evidenced by volume growth in chemicals; sales of chemicals increased 1% compared to the first nine months of 2023 and represented 15% of our net sales;
- approximately 1% benefit from inflationary product cost increases; and
- negative volume impacts from reduced pool construction and discretionary activities (see discussion below).

In the first nine months of 2024, sales of equipment, which is used across maintenance, renovation and new construction and includes swimming pool heaters, pumps, lights, filters and automation, decreased approximately 1% compared to the same period last year and collectively represented 30% of net sales in the first nine months of 2024. Sales of building materials, which are primarily used in new pool construction and remodeling, decreased 10% compared to the first nine months of 2023 and represented approximately 12% of net sales in the first nine months of 2024.

Sales to specialty retailers that sell swimming pool supplies and customers who service large commercial installations are included in the appropriate existing product categories, and sales trends in these areas are reflected in the discussion above. Sales to retail customers decreased 4% in the first nine months of 2024 compared to the first nine months of 2023 and represented approximately 15% of our consolidated net sales. Sales to commercial customers increased 8% in the first nine months of 2024 compared to the first nine months of 2023 and represented approximately 5% of our consolidated net sales in the first nine months of 2024.

Gross Profit

(in millions)	Nine Months Ended September 30,		Change	
	2024	2023		
Gross profit	\$ 1,285.1	\$ 1,366.3	\$ (81.2)	(6)%
Gross margin	29.7 %	30.1 %		

Gross margin declined 40 basis points to 29.7% in the nine months ended September 30, 2024, compared to 30.1% in the first nine months of 2023. In the first nine months of 2024, our gross margin was impacted by:

- carrying a large amount of lower cost strategically-purchased inventory in the beginning of 2023 that was successfully reduced to normalized levels by the end of 2023;
- less favorable product and customer mix;
- higher levels of vendor incentives earned versus 2023 due to increased purchasing as compared to the prior year when we were actively reducing inventory levels; and
- a benefit of \$12.6 million, or 30 basis points, related to a reduction of estimated import taxes previously recorded in the fourth quarter of 2022.

Operating Expenses

(in millions)	Nine Months Ended September 30,		Change	
	2024	2023		
Selling and administrative expenses	\$ 728.6	\$ 699.0	\$ 29.6	4%
Operating expenses as a % of net sales	16.9 %	15.4 %		

Operating expenses for the nine months ended September 30, 2024 were up 4% compared to the prior year period. Expense growth drivers included inflationary wage, rent and insurance increases, higher costs associated with the expansion of our network and additions related to our technology initiatives. We partially mitigated these increases with close management of variable costs.

Interest and Other Non-Operating Expenses, Net

Interest and other non-operating expenses, net for the first nine months of 2024 decreased \$6.5 million compared to the same period last year, as a decrease in average debt between periods more than offset higher average interest rates. Our weighted average effective interest rate increased to 5.2% from 5.1% for the respective periods on average outstanding debt of \$1.0 billion for the first nine months of 2024 versus \$1.2 billion for the same period of 2023.

Income Taxes

Our effective income tax rate was 23.2% for the nine months ended September 30, 2024, compared to 24.1% for the nine months ended September 30, 2023. We recorded an \$8.3 million, or \$0.21 per diluted share, tax benefit from ASU 2016-09 in the nine months ended September 30, 2024, compared to a \$5.9 million, or \$0.15 per diluted share, tax benefit in the same period of 2023. Without the benefits from ASU 2016-09, our effective tax rate was 24.8% for the nine months ended September 30, 2024, and 25.0% for the nine months ended September 30, 2023.

Net Income and Earnings Per Share

Net income decreased 16% to \$397.0 million for the nine months ended September 30, 2024, compared to \$471.8 million for the nine months ended September 30, 2023. Earnings per diluted share decreased 14% to \$10.30 for the nine months ended September 30, 2024, versus \$12.00 per diluted share for the nine months ended September 30, 2023. Without the impact from ASU 2016-09 in both periods, earnings per diluted share decreased 15% to \$10.09 for the nine months ended September 30, 2024, compared to \$11.85 for the nine months ended September 30, 2023. See the reconciliation of GAAP to non-GAAP measures below.

Reconciliation of Non-GAAP Financial Measures

The non-GAAP measures described below should be considered in the context of all of our other disclosures in this Form 10-Q.

Adjusted Diluted EPS

We have included adjusted diluted EPS, a non-GAAP financial measure, as a supplemental disclosure, because we believe this measure is useful to management, investors and others in assessing our period-to-period operating performance.

Adjusted diluted EPS is a key measure used by management to demonstrate the impact of tax benefits from ASU 2016-09 on our diluted EPS and to provide investors and others with additional information about our potential future operating performance to supplement GAAP measures.

We believe this measure should be considered in addition to, not as a substitute for, diluted EPS presented in accordance with GAAP, and in the context of our other disclosures in this Form 10-Q. Other companies may calculate this non-GAAP financial measure differently than we do, which may limit its usefulness as a comparative measure.

The table below presents a reconciliation of diluted EPS to adjusted diluted EPS.

(Unaudited)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Diluted EPS	\$ 3.27	\$ 3.51	\$ 10.30	\$ 12.00
ASU 2016-09 tax benefit	(0.01)	(0.01)	(0.21)	(0.15)
Adjusted diluted EPS	<u>\$ 3.26</u>	<u>\$ 3.50</u>	<u>\$ 10.09</u>	<u>\$ 11.85</u>

Seasonality and Quarterly Fluctuations

Our business is seasonal. In general, sales and operating income are highest during the second and third quarters, which represent the peak months of both swimming pool use and installation and irrigation and landscape installations and maintenance. Sales are lower during the first and fourth quarters. In 2023, we generated approximately 60% of our net sales and 70% of our operating income in the second and third quarters of the year.

We typically experience a build-up of product inventories and accounts payable during the winter months in anticipation of the peak selling season. Excluding borrowings to finance acquisitions and share repurchases, our peak borrowing usually occurs during the second quarter, primarily because extended payment terms offered by our suppliers typically are payable in April, May and June, while our peak accounts receivable collections typically occur in June, July and August.

The following table presents certain unaudited quarterly income statement and balance sheet data for the most recent eight quarters to illustrate seasonal fluctuations in these amounts. We believe this information reflects all normal and recurring adjustments considered necessary for a fair presentation of this data. The results of any one or more quarters are not necessarily a good indication of results for an entire fiscal year or of continuing future trends for a variety of reasons, including the seasonal nature of our business and the impact of new and acquired sales centers.

(Unaudited) (in thousands)	QUARTER							
	2024				2023			
	Third	Second	First	Fourth	Third	Second	First	Fourth
Statement of Income Data								
Net sales	\$ 1,432,879	\$ 1,769,784	\$ 1,120,810	\$ 1,003,050	\$ 1,474,407	\$ 1,857,363	\$ 1,206,774	\$ 1,095,920
Gross profit	416,403	530,141	338,560	293,775	428,731	567,783	369,755	315,731
Operating income	176,353	271,481	108,720	79,344	194,443	327,009	145,771	107,295
Net income	125,701	192,439	78,885	51,437	137,843	232,250	101,699	71,863
Balance Sheet Data								
Total receivables, net	\$ 425,693	\$ 577,529	\$ 527,175	\$ 342,910	\$ 461,582	\$ 630,950	\$ 564,171	\$ 351,448
Product inventories, net	1,180,491	1,295,600	1,496,947	1,365,466	1,259,308	1,392,886	1,686,683	1,591,060
Accounts payable	401,702	515,645	907,806	508,672	429,436	485,100	739,749	406,667
Total debt	923,829	1,116,553	979,177	1,053,320	1,033,897	1,184,586	1,365,750	1,386,803

We expect that our quarterly results of operations will continue to fluctuate depending on the timing and amount of revenue contributed by new and acquired sales centers. Based on our peak summer selling season, we generally open new sales centers and close or consolidate sales centers, when warranted, either in the first quarter before the peak selling season begins or in the fourth quarter after the peak selling season ends.

Weather is one of the principal external factors affecting our business. The table below presents some of the possible effects resulting from various weather conditions.

<u>Weather</u>	<u>Possible Effects</u>
Hot and dry	• Increased purchases of chemicals and supplies for existing swimming pools • Increased purchases of above-ground pools and irrigation and lawn care products
Unseasonably cool weather or extraordinary amounts of rain	• Fewer pool and irrigation and landscape installations • Decreased purchases of chemicals and supplies • Decreased purchases of impulse items such as above-ground pools and accessories
Unseasonably early warming trends in spring/late cooling trends in fall (primarily in the northern half of the U.S. and Canada)	• A longer pool and landscape season, thus positively impacting our sales
Unseasonably late warming trends in spring/early cooling trends in fall (primarily in the northern half of the U.S. and Canada)	• A shorter pool and landscape season, thus negatively impacting our sales

Weather Impacts on 2024 and 2023 Results

The third quarter of 2024 saw a mix of weather conditions across the continental U.S. Several regions faced notable weather events during the quarter. Tropical weather brought localized flooding and heavy rainfall particularly to the coastal areas of Florida, Louisiana and the Carolinas. Wetter conditions and cooler temperatures in July of 2024, compared to July of 2023, impacted maintenance activities in Texas, a key market, during a prominent selling month. The Northeast and Midwest regions experienced generally warm and dry conditions throughout the quarter, which was favorable for pool-related activities. The West, particularly in California, continued its trend of above-average temperatures and dry conditions, which supported outdoor and construction activities. Collectively, weather conditions in the third quarter of 2024 had a relatively neutral impact on the overall business.

The second quarter of 2024 was marked by precipitation variability across the U.S. with wetter conditions in the central U.S. and Texas and below average precipitation in the western U.S. Maintenance activities benefited from warmer-than-average temperatures across most regions, particularly in June. Overall, mixed weather conditions led to varied impacts across our markets. In contrast, weather conditions in the second quarter of 2023 unfavorably impacted sales due to cooler temperatures across the West through the mid-Atlantic region and the impact of wildfires in Canada.

The first quarter of 2024 was the tenth wettest first quarter on record leading to mixed impacts across our markets, particularly in the month of March, which is seasonally our highest sales month of the first quarter. However, we also observed above-average temperatures during the quarter contributing positively to economic activities in many regions, such as improvement in California during March. The adverse effects of cooler and wetter weather in Florida and the Southeast compared to the first quarter of last year and excessive precipitation in Texas and the Northeast outweighed the positives, resulting in an unfavorable net impact on net sales. In the first quarter of 2023, varied weather conditions had a more pronounced unfavorable impact on net sales due to unusually wet and cold weather in the western U.S., particularly California and Arizona. This wet and cold weather was partially offset by generally favorable conditions in our southern markets, where sales benefited from warmer weather and below-average precipitation.

CRITICAL ACCOUNTING ESTIMATES

We prepare our Consolidated Financial Statements in accordance with U.S. generally accepted accounting principles (GAAP), which require management to make estimates and assumptions that affect reported amounts and related disclosures. Management identifies critical accounting estimates as:

- those that require the use of assumptions about matters that are inherently and highly uncertain at the time the estimates are made; and
- those for which changes in the estimates or assumptions, or the use of different estimates and assumptions, could have a material impact on our consolidated results of operations or financial condition.

Management has discussed the development, selection and disclosure of our critical accounting estimates with the Audit Committee of our Board. For a description of our critical accounting estimates that require us to make the most difficult, subjective or complex judgments, please see our 2023 Annual Report on Form 10-K. We have not changed any of these policies from those previously disclosed in that report.

Recent Accounting Pronouncements

See Note 1 of "Notes to Consolidated Financial Statements," included in Part I, Item 1 of this Form 10-Q for discussion of recent accounting pronouncements.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is defined as the ability to generate adequate amounts of cash to meet short-term and long-term cash needs. We assess our liquidity in terms of our ability to generate cash to fund our operating activities, taking into consideration the seasonal nature of our business. Significant factors which could affect our liquidity include the following:

- cash flows generated from operating activities;
- the adequacy of available bank lines of credit;
- the quality of our receivables;
- acquisitions;
- dividend payments;
- capital expenditures;
- changes in income tax laws and regulations;
- the timing and extent of share repurchases; and
- the ability to attract long-term capital with satisfactory terms.

Our primary capital needs are seasonal working capital obligations, debt repayment obligations and other general corporate initiatives, including acquisitions, opening new sales centers, technology-related investments, dividend payments and share repurchases. Our primary working capital obligations are for the purchase of inventory, payroll, rent, other facility costs and selling and administrative expenses. Our working capital obligations fluctuate during the year, driven primarily by seasonality and the timing of inventory purchases. Our primary sources of working capital are cash from operations supplemented by bank borrowings, which have historically been sufficient to support our growth and finance acquisitions. We have funded our capital expenditures and share repurchases in substantially the same manner.

We prioritize our use of cash based on investing in our business, maintaining a prudent capital structure, including a modest amount of debt, and returning cash to our shareholders through dividends and share repurchases. Our specific priorities for the use of cash are as follows:

- capital expenditures primarily for maintenance and growth of our sales center network, technology-related investments and fleet vehicles;
- inventory and other operating expenses;
- strategic acquisitions executed opportunistically;
- payment of cash dividends as and when declared by our Board;
- repayment of debt to maintain an average total target leverage ratio (as defined below) between 1.5 and 2.0; and
- discretionary repurchases of our common stock under our Board-authorized share repurchase program.

We focus our capital expenditure plans based on the needs of our sales centers. Our capital spending primarily relates to leasehold improvements, delivery and service vehicles and information technology. In recent years, we have increased our investment in technology and automation enabling us to operate more efficiently and better serve our customers.

Historically, our capital expenditures have averaged roughly 1.0% of net sales. Capital expenditures were 1.1% of net sales in 2023 and 0.7% of net sales in 2022 and 2021. In 2022 and 2021, our capital expenditures as a percentage of net sales were lower than our historical average due to our significant sales growth in those years. Based on management's current plans, we project capital expenditures for 2024 will be approximately 1.0% to 1.5% of net sales.

Sources and Uses of Cash

The following table summarizes our cash flows (in thousands):

	Nine Months Ended September 30,	
	2024	2023
Provided by operating activities	\$ 488,619	\$ 750,018
Used in investing activities	(49,442)	(54,506)
Used in financing activities	(411,785)	(656,835)

Net cash provided by operations decreased to \$488.6 million for the first nine months of 2024 from \$750.0 million for the first nine months of 2023, impacted by our prior year inventory reduction efforts of \$330.9 million during the first nine months of 2023 and lower net income in 2024.

Net cash used in investing activities for the first nine months of 2024 decreased \$5.1 million compared to the first nine months of 2023, primarily due to a decrease of \$7.1 million in cash used for acquisitions, partially offset by a \$3.0 million increase in net capital expenditures.

Net cash used in financing activities was \$411.8 million for the first nine months of 2024 compared to \$656.8 million for the first nine months of 2023, primarily reflecting \$128.4 million of net debt payments in the first nine months of 2024 versus \$353.4 million of net debt payments in the first nine months of 2023, partially offset by a \$27.7 million decrease in share repurchases and a \$9.2 million increase in dividends paid in the first nine months of 2024 compared to the same period in 2023.

Future Sources and Uses of Cash

To supplement cash from operations as our primary source of working capital, we plan to continue to utilize our three major credit facilities, which are the Third Amended and Restated Revolving Credit Facility (the Credit Facility), the Term Facility (the Term Facility) and the Receivables Securitization Facility (the Receivables Facility). For additional details regarding these facilities, see the summary descriptions below and more complete descriptions in Note 5 of our "Notes to Consolidated Financial Statements," included in Part II, Item 8 in our 2023 Annual Report on Form 10-K and Note 5 of "Notes to Consolidated Financial Statements" included in Part I, Item 1 of this Form 10-Q.

Credit Facility

Our Credit Facility, as recently amended, provides for \$1.3 billion in borrowing capacity consisting of an \$800.0 million unsecured revolving credit facility and a \$500.0 million term loan facility. The Credit Facility also includes an accordion feature permitting us to request one or more incremental term loans or revolving credit family commitment increases up to \$250.0 million and sublimits for the issuance of swingline loans and standby letters of credit. We pay interest on revolving and term loan borrowings under the Credit Facility at a variable rate based on the one-month Term SOFR, plus an applicable margin. The term loan requires quarterly amortization payments with all remaining principal due on September 25, 2026. We intend to continue to use the Credit Facility for general corporate purposes, for future share repurchases and to fund future growth initiatives.

Under our Credit Facility, at September 30, 2024, there was \$125.0 million of revolving borrowings outstanding, a \$468.8 million term loan, \$15.1 million of standby letters of credit outstanding and \$659.9 million available for borrowing. The weighted average effective interest rate for the Credit Facility as of September 30, 2024, was approximately 4.1%, excluding commitment fees and including the impact of our interest rates swaps.

Term Facility

Our Term Facility provides for \$185.0 million in borrowing capacity and matures on December 30, 2026. Proceeds from the Term Facility were used to pay down the Credit Facility in December 2019, adding borrowing capacity for future share repurchases, acquisitions and growth-oriented working capital expansion. We pay interest on borrowings under the Term Facility at a variable rate based on one-month TermSOFR, plus an applicable margin. The Term Facility is repaid in quarterly

installments of 1.250% of the Term Facility on the last business day of each quarter beginning in the first quarter of 2020 with the final principal repayment due on the maturity date. We may prepay amounts outstanding under the Term Facility without penalty other than interest breakage costs. In June 2023, we made a prepayment on the Term Facility of \$45.0 million with \$32.4 million applied against the remaining quarterly installments and the remainder applied against the amount due at maturity.

At September 30, 2024, there was \$109.9 million outstanding under the Term Facility with a weighted average effective interest rate of 6.1%.

Receivables Securitization Facility

Our two-year accounts receivable securitization facility (the Receivables Facility) offers us a lower-cost form of financing. Under this facility, we can borrow up to \$350.0 million between April through August and from \$210.0 million to \$340.0 million during the remaining months of the year. The Receivables Facility matures on November 1, 2024 and it is our intent to complete a renewal in advance of the current maturity date. We classify the entire outstanding balance as Long-term debt on our Consolidated Balance Sheets as we intend and have the ability to refinance the obligations on a long-term basis.

The Receivables Facility provides for the sale of certain of our receivables to a wholly-owned subsidiary (the Securitization Subsidiary). The Securitization Subsidiary transfers variable undivided percentage interests in the receivables and related rights to certain third-party financial institutions in exchange for cash proceeds, limited to the applicable funding capacities. Upon payment of the receivables by customers, rather than remitting to the financial institutions the amounts collected, we retain such collections as proceeds for the sale of new receivables until payments become due.

At September 30, 2024, there was \$209.3 million outstanding under the Receivables Facility at a weighted average effective interest rate of 5.7%, excluding commitment fees.

Financial Covenants

Financial covenants of the Credit Facility, Term Facility and Receivables Facility include maintenance of a maximum average total leverage ratio and a minimum fixed charge coverage ratio, which are our most restrictive financial covenants. As of September 30, 2024, the calculations of these two covenants are detailed below:

- ***Maximum Average Total Leverage Ratio.*** On the last day of each fiscal quarter, our average total leverage ratio must be less than 3.25 to 1.00. Average Total Leverage Ratio is the ratio of the sum of (i) Total Non-Revolving Funded Indebtedness as of such date, (ii) the trailing twelve months (TTM) Average Total Revolving Funded Indebtedness and (iii) the TTM Average Accounts Securitization Proceeds divided by TTM EBITDA (as those terms are defined in the Credit Facility). As of September 30, 2024, our average total leverage ratio equaled 1.41 (compared to 1.42 as of June 30, 2024) and the TTM average total indebtedness amount used in this calculation was \$989.5 million.
- ***Minimum Fixed Charge Coverage Ratio.*** On the last day of each fiscal quarter, our fixed charge ratio must be greater than or equal to 2.25 to 1.00. Fixed Charge Ratio is the ratio of the TTM EBITDAR divided by TTM Interest Expense paid or payable in cash plus TTM Rental Expense (as those terms are defined in the Credit Facility). As of September 30, 2024, our fixed charge ratio equaled 5.22 (compared to 5.37 as of June 30, 2024) and TTM Rental Expense was \$100.3 million.

The Credit Facility and Term Facility limit the declaration and payment of dividends on our common stock to a manner consistent with past practice, provided no default or event of default has occurred and is continuing, or would result from the payment of dividends. We may declare and pay quarterly dividends so long as (i) the amount per share of such dividends is not greater than the most recently publicly announced amount of dividends per share and (ii) our Average Total Leverage Ratio is less than 3.25 to 1.00 both immediately before and after giving pro forma effect to such dividends. Under the Credit Facility and Term Facility, we may repurchase shares of our common stock provided no default or event of default has occurred and is continuing, or would result from the repurchase of shares, and our maximum average total leverage ratio (determined on a pro forma basis) is less than 3.25 to 1.00.

Other covenants in each of our credit facilities include restrictions on our ability to grant liens, incur indebtedness, make investments, merge or consolidate, and sell or transfer assets. Failure to comply with any of our financial covenants or any other terms of our credit facilities could result in, among other things, higher interest rates on our borrowings or the acceleration of the maturities of our outstanding debt.

Interest Rate Swaps

We utilize interest rate swap contracts and forward-starting interest rate swap contracts to reduce our exposure to fluctuations in variable interest rates for future interest payments on our variable rate borrowings. Interest expense related to the notional amounts under all swap contracts is based on the fixed rates plus the applicable margin on the respective borrowings.

As of September 30, 2024, we had two interest rate swap contracts in place and one forward-starting interest rate swap contract, each of which has the effect of converting our exposure to variable interest rates on a portion of our variable rate borrowings to fixed interest rates. For more information, see Note 4 of "Notes to Consolidated Financial Statements" included in Part I, Item 1 of this Form 10-Q.

Compliance and Future Availability

As of September 30, 2024, we were in compliance with all material covenants and financial ratio requirements under our Credit Facility, our Term Facility and our Receivables Facility. We believe we will remain in compliance with all material covenants and financial ratio requirements throughout the next twelve months. For additional information regarding our debt arrangements, see Note 5 of "Notes to Consolidated Financial Statements," included in Part II, Item 8 of our 2023 Annual Report on Form 10-K, as updated by Note 5 of "Notes to Consolidated Financial Statements," included in Part I, Item 1 of this Form 10-Q.

We believe we have adequate availability of capital to fund present operations and the current capacity to finance any working capital needs that may arise. We continually evaluate potential acquisitions and hold discussions with acquisition candidates. If suitable acquisition opportunities arise that would require financing, we believe that we would have the ability to finance any such transactions.

As of October 24, 2024, \$497.0 million remained available to purchase shares of our common stock under our current Board-approved share repurchase program. We expect to repurchase shares on the open market from time to time subject to market conditions. We plan to fund these repurchases with cash provided by operations and borrowings under the above-described credit facilities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

There have been no material changes in our exposure to interest rate risk during the nine months ended September 30, 2024, from what we reported in our 2023 Annual Report on Form 10-K. For additional information on our interest rate risk, refer to "Quantitative and Qualitative Disclosures about Market Risk" included in Part II, Item 7A in our 2023 Annual Report on Form 10-K.

Currency Risk

There have been no material changes in our exposure to currency risk during the nine months ended September 30, 2024, from what we reported in our 2023 Annual Report on Form 10-K. For additional information on our currency risk, refer to "Quantitative and Qualitative Disclosures about Market Risk" included in Part II, Item 7A in our 2023 Annual Report on Form 10-K.

Item 4. Controls and Procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the Act). The rules refer to the controls and other procedures designed to ensure that information required to be disclosed in reports that we file or submit under the Act is (1) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. As of September 30, 2024, management, including our CEO and CFO, performed an evaluation of the effectiveness of our disclosure controls and procedures. Based on that evaluation, management, including our CEO and CFO, concluded that as of September 30, 2024, our disclosure controls and procedures were effective.

We maintain a system of internal control over financial reporting that is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Based on the most recent evaluation, we have concluded that no change in our internal control over financial reporting occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The effectiveness of our system of disclosure controls and procedures or internal control over financial reporting is subject to certain limitations, including the exercise of judgment in designing, implementing and evaluating such systems, the assumptions used in identifying the likelihood of future events and the inability to eliminate misconduct completely. As a result, there can be no assurance that our control systems will detect all errors or fraud. By their nature, our system can provide only reasonable assurance regarding management's control objectives.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are subject to various claims and litigation arising in the ordinary course of business, including product liability, personal injury, commercial, contract and employment matters. While the outcome of any litigation is inherently unpredictable, based on currently available facts and our current insurance coverages, we do not believe that the ultimate resolution of any of these matters will have a material adverse impact on our financial condition, results of operations or cash flows.

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties, which could adversely affect our business, financial condition or future results. We urge you to carefully consider (i) the other information set forth in this report and (ii) the risk factors discussed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no material changes to the risk factors disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below summarizes the repurchases of our common stock in the third quarter of 2024:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan ⁽²⁾	Maximum Approximate Dollar Value of Shares That May Yet be Purchased Under the Plan ⁽²⁾
July 1-31, 2024	33,428	\$ 299.12	33,424	\$ 572,102,000
August 1-31, 2024	119,467	\$ 351.53	119,467	\$ 530,105,785
September 1-30, 2024	65,929	\$ 347.57	65,929	\$ 507,191,154
Total	218,824	\$ 342.33	218,820	

⁽¹⁾ These shares may include shares of our common stock surrendered to us by employees in order to satisfy minimum tax withholding obligations in connection with certain exercises of employee stock options or lapses upon vesting of restrictions on previously restricted share awards, and/or to cover the exercise price of such options granted under our share-based compensation plans. There were 4 shares surrendered for this purpose in the third quarter of 2024.

⁽²⁾ In May 2024, our Board authorized an additional \$316.2 million under our share repurchase program for the repurchase of shares of our common stock in the open market at prevailing market prices bringing the total authorization available under the program to \$600.0 million. As of October 24, 2024, \$497.0 million of the authorized amount remained available for use under our current share repurchase program. The share repurchase program does not obligate us to acquire any specific amount of shares and does not have an expiration date.

Our Board may declare future dividends at their discretion, after considering various factors, including our earnings, capital requirements, financial position, contractual restrictions and other relevant business considerations. For a description of restrictions on dividends in our Credit Facility, Term Facility and Receivables Facility, see the "Liquidity and Capital Resources" section of Management's Discussion and Analysis in Part I, Item 2 of this Form 10-Q. We cannot assure shareholders or potential investors that dividends will be declared or paid any time in the future if our Board determines that there is a better use of our funds.

Item 5. Other Information

During the quarter ended September 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408(a) of Regulation S-K).

Item 6. Exhibits

Exhibits filed as part of this report are listed below.

No.	Description	Filed/ Furnished with this Form 10-Q	Incorporated by Reference		
			Form	File No.	Date Filed
3.1	Restated Certificate of Incorporation of the Company.		10-Q	000-26640	8/9/2006
3.2	Amended and Restated Bylaws of the Company.		8-K	000-26640	10/25/2023
4.1	Form of certificate representing shares of common stock of the Company.		8-K	000-26640	5/19/2006
10.1	Third Amendment, dated as of September 30, 2024, to Credit Agreement, dated December 30, 2019, by and among Pool Corporation as the Borrower, Certain Subsidiaries of the Borrower Party Hereto, as the Guarantors, and BANK OF AMERICA, N.A., as Lender.	X			
10.2	Third Amended and Restated Credit Agreement dated as of September 30, 2024, by and among Pool Corporation, as U.S. Borrower, SCP Distributors Canada Inc., as Canadian Borrower, SCP International, Inc., as Euro Borrower, Wells Fargo Bank, National Association, as Administrative Agent, and certain other lenders party thereto.		8-K	000-26640	10/2/2024
31.1	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
31.2	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
32.1	Certification by Chief Executive Officer and Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X			
101.INS	+ Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X			
101.SCH	+ Inline XBRL Taxonomy Extension Schema Document	X			
101.CAL	+ Inline XBRL Taxonomy Extension Calculation Linkbase Document	X			
101.DEF	+ Inline XBRL Taxonomy Extension Definition Linkbase Document	X			
101.LAB	+ Inline XBRL Taxonomy Extension Label Linkbase Document	X			
101.PRE	+ Inline XBRL Taxonomy Extension Presentation Linkbase Document	X			
104	+ Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)	X			

+ Attached as Exhibit 101 to this report are the following items formatted in iXBRL (Inline Extensible Business Reporting Language):

1. Consolidated Statements of Income for the three and nine months ended September 30, 2024 and September 30, 2023;
2. Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2024 and September 30, 2023;
3. Consolidated Balance Sheets at September 30, 2024, December 31, 2023 and September 30, 2023;

4. Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 and September 30, 2023;
5. Consolidated Statements of Changes in Stockholders' Equity for the three and nine months ended September 30, 2024 and September 30, 2023; and
6. Notes to Consolidated Financial Statements.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on October 30, 2024.

POOL CORPORATION

By: /s/ Melanie Housey Hart
Melanie Housey Hart
Vice President and Chief Financial Officer, and duly authorized signatory on behalf
of the registrant

THIRD AMENDMENT TO CREDIT AGREEMENT

This **THIRD AMENDMENT TO CREDIT AGREEMENT** is dated effective as of September 30, 2024 (this "Third Amendment"), is by and among POOL CORPORATION, a Delaware corporation (the "Borrower"), the Guarantors (as defined in the Credit Agreement referenced below), and BANK OF AMERICA, N.A., as the Lender.

BACKGROUND

A. The Borrower, the Guarantors and the Lender are parties to that certain Credit Agreement, dated as of December 30, 2019, as amended by the certain First Amendment to Credit Agreement dated as of October 12, 2021 and as amended by that certain Second Amendment to Credit Agreement, dated as of June 30, 2023 (such agreement, as amended, supplemented or modified, the "Credit Agreement"). All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement.

B. The Borrower has requested that the Lender amend the Credit Agreement to make certain revisions to the terms and conditions of the Credit Agreement as specifically set forth in this Third Amendment.

NOW THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Borrower and the Lender hereby agree as follows:

§1. Amendment to Credit Agreement. Section 7.01(p) of the Credit Agreement is hereby amended and restated as follows:

(p) Indebtedness of the Borrower and its Subsidiaries in respect of the Revolving Credit Agreement in a maximum amount not to exceed \$1,275,000,000; provided that such Indebtedness (i) shall not be guaranteed by any Person that has not also guaranteed all of the Obligations, provided that this clause (i) shall not prohibit the Euro Subsidiary from guaranteeing the obligations of the Canadian Subsidiary under the Revolving Credit Agreement, (ii) shall not rank higher than pari passu with the Obligations, (iii) shall not have restrictions, limitations or encumbrances on the ability of the Borrower or any its Subsidiaries to incur Liens to secure the Obligations (other than customary equal and ratable provisions that would permit the Obligations to be secured on at least a pari passu basis with such Indebtedness); and

§2. Conditions to Effectiveness. This Third Amendment shall become effective as of the date set forth above (the "Third Amendment Effective Date") upon the satisfaction of the following conditions:

- (a) the Lender shall have received a counterpart signature page to this Third Amendment, duly executed and delivered by the Borrower and each Guarantor;
- (b) the Borrower shall have paid in immediately available funds all reasonable invoiced fees and expenses of the Lender's counsel, Greenberg Traurig, LLP;
- (c) the representations and warranties set forth in Section 3 of this Third Amendment shall be true and correct in all material respects; and
- (d) no event has occurred and is continuing which constitutes a Default or an Event of Default.

§3. Representations and Warranties. By its execution and delivery hereof, the Borrower represents and warrants to the Lender that, as of the date hereof, and immediately after giving effect to this Third Amendment:

(a) the representations and warranties of the Borrower and each other Loan Party contained in Article II and Article V of the Credit Agreement and in each other Loan Document, or which are contained in any document that has been furnished under or in connection herewith or therewith, are (i) with respect to representations and warranties that contain a materiality qualification, true and correct and (ii) with respect to representations and warranties that do not contain a materiality qualification, are true and correct in all material respects, and except that for purposes hereof, (x) the representations and warranties contained in Sections 5.15 of the Credit Agreement shall be deemed to refer to the most recent statements furnished pursuant to Sections 6.01(a) and (b) of the Credit Agreement, respectively and (y) any representation and warranty that by its terms is made only as of an earlier date, is true and correct in all material respects (or in the case of such representations and warranties that are subject to a materiality qualification, in all respects) as of such earlier date;

(b) (i) the Borrower and each Guarantor has full power and authority to execute and deliver this Third Amendment, (ii) this Third Amendment has been duly executed and delivered by the Borrower, (iii) this Third Amendment has been duly executed and delivered by each Guarantor, (iv) this Third Amendment and the Credit Agreement, as amended hereby, constitute the legal, valid and binding obligations of the Borrower and each Guarantor enforceable in accordance with their respective terms, except in each case, as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state of federal Debtor Relief Laws from time to time in effect which affect the enforcement of creditors' rights in general and availability of equitable remedies and (v) the execution, delivery and performance by the Borrower of this Third Amendment do not require any consent or authorization of, filing with, or other act in respect of, an arbitrator, a Governmental Authority or any other Person not previously obtained.

§4. No Other Amendments, etc. Except as expressly provided in this Third Amendment, (a) all of the terms and conditions of the Credit Agreement and the other Loan Documents (as amended and restated in connection herewith, if applicable) remain unchanged, and (b) all of the terms and conditions of the Credit Agreement, as amended hereby, and of the other Loan Documents (as amended and restated in connection herewith, if applicable) are hereby ratified and confirmed and remain in full force and effect. Nothing herein shall be construed to be an amendment, consent or a waiver of any requirements of the Borrower, the Guarantors or of any other Person under the Credit Agreement or any of the other Loan Documents except as expressly set forth herein or pursuant to a written agreement executed in connection herewith.

§5. Guarantor's Acknowledgment. By signing below, each Guarantor (i) acknowledges, consents and agrees to the execution, delivery and performance by the Borrower of this Third Amendment, (ii) acknowledges and agrees that its obligations in respect of its Guaranty are not released, diminished, waived or modified, impaired or affected in any manner by this Third Amendment or any of the provisions contemplated herein, (iii) ratifies and confirms its obligations under its Guaranty and (iv) acknowledges and agrees that it has no claims or offsets against, or defenses or counterclaims to, its Guaranty.

§6. Reference to the Credit Agreement Upon the effectiveness of this Third Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", or words of like import shall mean and be a reference to the Credit Agreement, as modified hereby. This Third Amendment shall be a Loan Document.

§7. Costs, Expenses and Taxes. The Borrower agrees to pay on demand all costs and expenses of the Lender in connection with the preparation, reproduction, execution and delivery of this Third Amendment and the other instruments and documents to be delivered hereunder (including the reasonable and documented fees and out-of-pocket expenses of counsel for the Lender with respect thereto).

§8. Execution in Counterparts. This Third Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument. For purposes of this Third Amendment, a counterpart hereof (or signature page thereto) signed and transmitted by any Person party hereto to the Lender (or its counsel) by facsimile or other electronic imaging means (e.g., "pdf" or "tif") is to be treated as an original. The signature of such Person thereon, for purposes hereof, is to be considered as an original signature, and the counterpart (or signature page thereto) so transmitted is to be considered to have the same binding effect as an original signature on an original document.

§9. Governing Law; Binding Effect THIS THIRD AMENDMENT AND THE OTHER LOAN DOCUMENTS (EXCEPT, AS TO ANY OTHER LOAN DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT (EXCEPT, AS TO ANY OTHER LOAN DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. THE TRANSACTIONS CONTEMPLATED HEREBY AND

THEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK. This Third Amendment shall be binding upon the parties hereto and their respective successors and assigns.

§10. Headings. Section headings in this Third Amendment are included herein for convenience of reference only and shall not constitute a part of this Third Amendment for any other purpose.

§11. ENTIRE AGREEMENT. THE CREDIT AGREEMENT, AS AMENDED BY THIS THIRD AMENDMENT, AND THE CREDIT ADVANCEMENT DOCUMENTS, REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY ANY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have duly executed this Third Amendment as of the date first set forth above.

BORROWER: POOL CORPORATION

/s/ Melanie Housey Hart
Melanie Housey Hart
Vice President, Chief Financial Officer & Treasurer

GUARANTORS: SCP DISTRIBUTORS LLC

/s/ Melanie Housey Hart
Melanie Housey Hart
Vice President, Chief Financial Officer & Treasurer

SPLASH HOLDINGS, INC.

/s/ Melanie Housey Hart
Melanie Housey Hart
Chief Financial Officer & Treasurer

ALLIANCE TRADING, INC.

/s/ Kristin Byars
Kristin Byars
President & Secretary

CYPRESS, INC.

/s/ Kristin Byars
Kristin Byars
President & Secretary

SUPERIOR POOL PRODUCTS LLC

/s/ Melanie Housey Hart
Melanie Housey Hart
Vice President, Chief Financial Officer & Treasurer

SCP INTERNATIONAL, INC.

/s/ Melanie Housey Hart
Melanie Housey Hart
Vice President, Chief Financial Officer & Treasurer

Signature Page to Third Amendment to Credit Agreement

POOL DEVELOPMENT LLC

/s/ Melanie Housey Hart

Melanie Housey Hart

Vice President, Chief Financial Officer & Treasurer

HORIZON DISTRIBUTORS, INC.

/s/ Melanie Housey Hart

Melanie Housey Hart

Vice President, Chief Financial Officer & Treasurer

POOLFX SUPPLY LLC

/s/ Melanie Housey Hart

Melanie Housey Hart

Vice President, Chief Financial Officer & Treasurer

FROY, LLC

/s/ Melanie Housey Hart

Melanie Housey Hart

Vice President, Secretary & Treasurer

PINCH A PENNY, LLC

/s/ Melanie Housey Hart

Melanie Housey Hart

Vice President & Treasurer

SUN WHOLESALE SUPPLY, LLC

/s/ Melanie Housey Hart

Melanie Housey Hart

Vice President & Treasurer

CEPCOT, LLC

/s/ Melanie Housey Hart

Melanie Housey Hart

Vice President & Treasurer

Signature Page to Third Amendment to Credit Agreement

BANK OF AMERICA, N.A.,
as Lender

/s/ Adam Rose

Adam Rose
Senior Vice President

Signature Page to Third Amendment to Credit Agreement

ACTIVE702777913v4

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Melanie Housey Hart, certify that:

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

Date: October 30, 2024

/s/ Melanie Housey Hart

Melanie Housey Hart

Vice President and Chief Financial Officer

**Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Peter D. Arvan, certify that:

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

Date: October 30, 2024

/s/ Peter D. Arvan

Peter D. Arvan
President and Chief Executive Officer

**Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Quarterly Report on Form 10-Q of Pool Corporation (the "Company") for the period ending September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Peter D. Arvan, as Chief Executive Officer of the Company, and Melanie Housey Hart, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: October 30, 2024

/s/ Peter D. Arvan

Peter D. Arvan
President and Chief Executive Officer

/s/ Melanie Housey Hart

Melanie Housey Hart
Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.