

Homebuilders and Building Products

December data deep dive: pool spending and channel trends

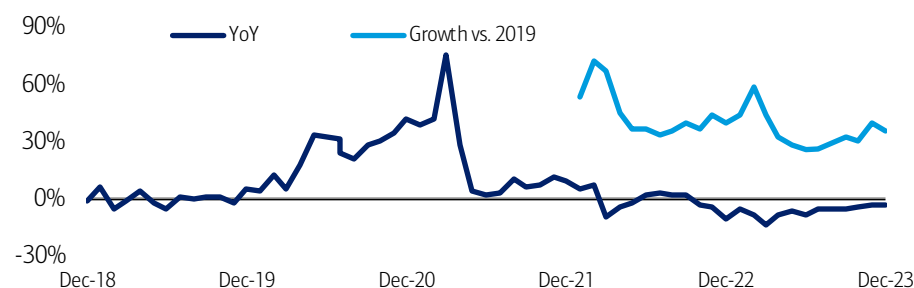
Industry Overview

Pool retail spending declines (3.0%) YoY in December

For the month of December, spending at pool supplies merchants was (3.0%) lower YoY, the 15th consecutive month of YoY decline, per BAC aggregated credit and debit card data (BAC card data). On a month-over-month basis, spending was down (18.9%) in December, slightly underperforming normal seasonality. Compared to 2019, retail spending on pool supplies increased 35.3% in December 2023. In 4Q23, BAC card spending on pool supplies fell (3.6%) YoY (compared to down 5.1% YoY in 3Q23) and seasonally decreased (33.7%) QoQ. We remain cautious on the outlook for the pool industry given spending continues to decline YoY against easier comparisons. See the latest [BofA on USA](#) note for an explanation of the methodology, disclaimers and limitations related to BAC card data.

Exhibit 1: Monthly BAC aggregated credit and debit card data for pool supplies

Dec 2023 spending fell 3.0% YoY, the 15th straight month of YoY declines



Source: BAC internal data

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Channel inventory looks elevated, but improving

In 3Q23, average manufacturer base sales declined 14%, distributor base sales (POOL) declined 9% and average retail sales (LESL same-store sales and BAC card spending) declined 8%. Across the value chain, sales have declined for three consecutive quarters due to weak end market demand and industry destocking. Manufacturer sales have trailed distributor/retailer sales through 2023, which has brought down channel inventory from peak levels in late 2022. We believe inventory days at distributors and retailers have improved but are still above pre-COVID levels. We expect manufacturer sales to inflect positive in 2024 as they lap significant destocking, which could offset a challenging end market demand backdrop, especially in new construction. See Exhibit 2.

Pool searches down double-digit YoY in December

Google trends for “inground pools” and “fiberglass pools” were down (19%) and (10%) YoY in December (trailing 4-week avg). The number of searches for Fiberglass pools now represents 35% of searches for inground pools (above 2022 of 31%, and above 2019 levels of 28%).

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SWIM: Latham Group, Inc.

LESL: Leslie's

POOL: Pool Corp.

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Exhibit 2: Pool industry sales growth (calendar year)

Sell out trends have outperformed sell in and sell through for the last 3 quarters, but inventory remains a bit elevated

Manufacturer Base Sales (YoY)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
Fluidra	-1%	6%	4%	6%	1%	4%	25%	17%	60%	43%	24%	19%	14%	4%	-8%	-15%	-18%	-18%	-11%
Hayward					16%	15%	38%	12%	96%	66%	56%	35%	24%	11%	-32%	-28%	-49%	-31%	-10%
Pentair (pool)	-6%	-2%	-5%	1%	11%	0%	46%	15%	49%	50%	32%	35%	23%	20%	-4%	-18%	-16%	-28%	-21%
Distributor Base Sales (YoY)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
Pool Corp	0%	6%	10%	7%	13%	14%	27%	39%	50%	32%	18%	18%	25%	10%	10%	1%	-20%	-10%	-9%
Retail Base Sales (YoY)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
Leslie's	-7%	1%	3%	3%	14%	19%	23%	16%	51%	24%	10%	21%	13%	7%	10%	-4%	-14%	-11%	-11%
BAC aggregated card data	0%	-2%	1%	1%	7%	29%	24%	35%	55%	10%	7%	10%	-1%	-2%	3%	-5%	-10%	-7%	-5%
Channel Inventory	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
POOL Days in Inventory	115	140	117	101	113	134	93	85	102	116	96	107	133	154	143	134	137	150	127
POOL Days in Inventory (YoY)	17%	9%	9%	-5%	-2%	-4%	-20%	-15%	-10%	-13%	3%	25%	31%	33%	49%	26%	3%	-3%	-11%
LESL Days in Inventory			100	122	158	109	83	97	145	111	97	116	159	155	149	174	200	179	126
LESL Days in Inventory (YoY)							-16%	-21%	-8%	1%	16%	20%	9%	40%	53%	50%	26%	16%	-15%

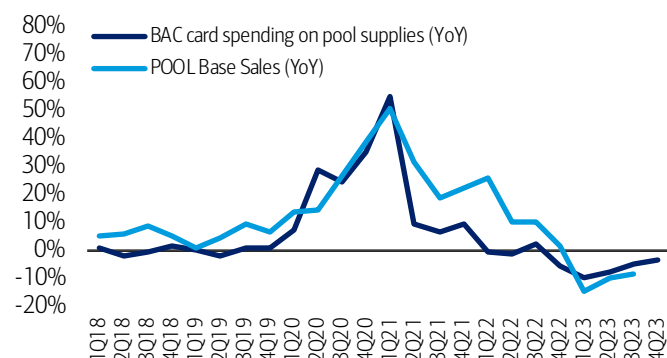
Source: Company reports, BAC internal data

Note: For sales growth blue indicates stronger sales growth, Red indicates weaker sales growth; For channel inventory, Blue indicates lower channel inventory level and slower inventory growth, Red indicates higher channel inventory level and faster inventory growth.

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Pool Retail Spending and Search Trends**Exhibit 3: Quarterly BAC aggregated credit and debit card data for pool supplies vs. POOL base sales**

Retail spending outperformed POOL base revenue growth in 3Q23 and the last three quarters

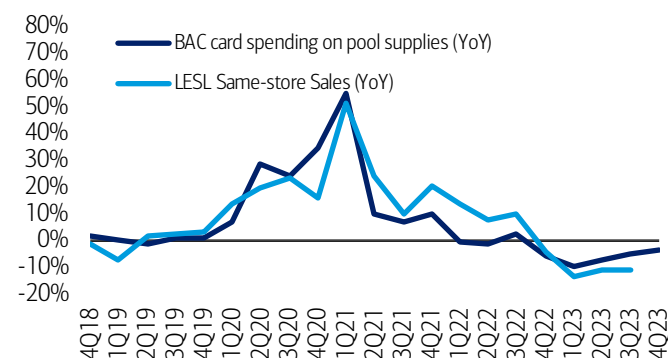


Source: BAC internal data, company reports

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Exhibit 4: Quarterly BAC aggregated credit and debit card data for pool supplies vs. LESL same-store sales

Retail spending outperformed LESL same-store sales growth in 3Q23 and the last three quarters

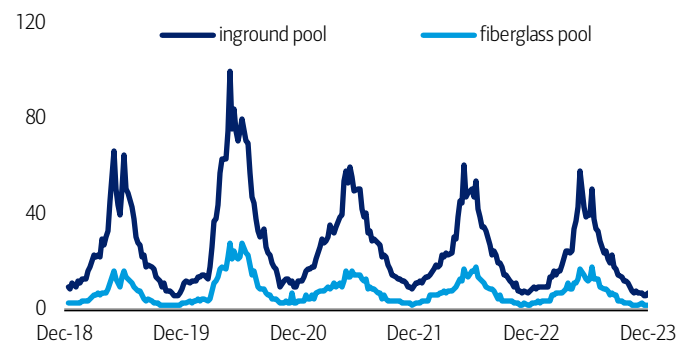


Source: BAC internal data, company reports

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Exhibit 5: Google trends: "inground pool" & "fiberglass pool"

December 2023 google searches for "inground pool" and "fiberglass pool" were both in-line with pre-COVID levels



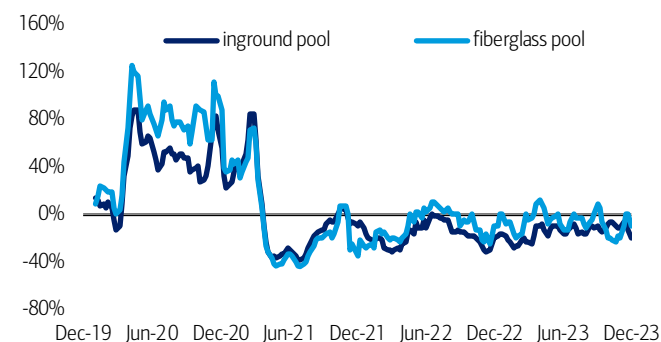
Source: BofA Global Research, Google Trends

Note: Data through week of December 24, 2023.

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Exhibit 6: "inground pool" & "fiberglass pool" change in trends (trailing 4-week avg)

Inground and fiberglass pool searches were down (18.8%) and (10.0%) YoY, respectively, in December



Source: BofA Global Research, Google Trends

Note: Data through week of December 24, 2023.

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Exhibit 7: Data category and description

Merchants are categorized based on products/services they provide

Data category	Description
Pool supplies	Merchants that serve residential, professional, and commercial consumers and provide chemicals, equipment, parts for in/above-ground pools and water testing/pool cleaning services

Source: BofA Global Research

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Methodology explained

Readers should be aware that although the BAC datasets utilized in our analysis represent a significant number of data points, they nevertheless present a degree of selection bias, including but not limited to income levels and geographies. In addition, the data is limited to debit and credit cards and does not include other payment methods such as cash or checks.

Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

BAC data used in this report include spending from active US households only. Spending from corporate cards are excluded.

Additional information about the methodology used to aggregate the data is available upon request.



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^{R1} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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