



## Pool Corporation Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### **Operator**

Your first question comes from the line of Michael Cox from Piper Jaffray. Your line is open.

#### **Michael Cox – Piper Jaffray & Co.**

Congratulations on the quarter, guys.

#### **Manuel Perez de la Mesa**

Thank you.

#### **Michael Cox – Piper Jaffray & Co.**

My first question is on the gross margin. I was hoping you could potentially quantify the impact of selling and replacement costs versus the input costs that were flowing through your cost-of-goods-sold in the quarter?

#### **Manuel Perez de la Mesa**

That's a good question, Michael, and in fact I'm glad you brought it up. In the quarter and year-to-date the impact there is relatively minor. The lion's share of the vendor price increases are coming through now, and therefore that's more of a impact will be seen over the course of the next several months as those increases roll through. But really in the third quarter, that impact was relatively nominal.

#### **Michael Cox – Piper Jaffray & Co.**

Okay. That's helpful. And as you look at the pre-buy opportunities since the price increases are coming through now, are they less attractive than what we've seen in prior years?

#### **Manuel Perez de la Mesa**

The nature of the price increases this year are a little greater than in years past, so given warehouse capacity and the merits of the individual case-by-case basis, our purchasing operations team look and evaluate those individually and then provide a ranking based on the opportunity.

So they would be a little bit greater than in years past but then we also have to factor in the key component there is time as well as warehouse capacity. And in that regard, we can't go out too far because then it becomes – it negates the value.

**Michael Cox – Piper Jaffray & Co.**

Okay, that's helpful. And then my last question, recognizing there's a lot of uncertainty in the market, but if you could maybe share your sort of initial '09 expectations from a Pool construction standpoint that would be helpful.

**Manuel Perez de la Mesa**

Sure. Well, certainly given the events of the last two, three years, pool construction and irrigation for that matter have declined to such a degree that it becomes less and less significant in terms of our overall business. When you look at our business collectively, our domestic pool business in '08 will be 85% or so related to maintenance, repair and replace, and logically the irrigation side as well as our international business is a little bit more weighted towards construction and that brings the number down closer to 80.

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