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VALUATION ENGINE

METHODOLOGY · III

Discounted Cash Flow

An intrinsic equity valuation derived from forecast unlevered free cash flows discounted at the weighted average cost of capital.

SUBJECT

Pool Corporation (POOL)

Reporting currency: USD · Implied share price: 32.93

DATA AS OF	WACC	TERMINAL g	RISK-FREE 10Y
4 May 2026	9.27%	2.50%	4.40%

GREENBLATT VERDICT

MAGIC FORMULA	IMPLIED IRR VS HURDLE	DISTRESS / AUDIT
n/a	**BELOW_MIN**	**n/a**
score n/a	*IRR —*	*0 flags • greenblatt-v2*

OVERVIEW

Discounted Cash Flow — POOL

This report presents a discounted cash flow analysis for Pool Corporation (POOL), a prominent entity within the Industrials sector. The valuation employs a Free Cash Flow to Equity (FCFE) methodology, projecting cash flows over a ten-year explicit forecast horizon. The analysis culminates in an estimated equity value per share, which is then compared against the prevailing market price.

MACRO CONTEXT

Prevailing market conditions

The macroeconomic environment influencing this valuation is characterized by a 10-year U.S. Treasury yield of 4.40% as of April 30, 2026. The Federal Funds Rate stood at 3.64% on the same date, while the 10-year minus 2-year Treasury spread was 0.51%. These rates inform the risk-free rate component within the cost of equity calculation, reflecting current market conditions for long-term, risk-free investments.

The 10-year Treasury yield (DGS10) stood at 4.40% on 2026-04-30. The Federal Funds rate (DFF) was 3.64% on 2026-04-30. The 10-year minus 2-year Treasury spread (T10Y2Y) was 0.51 percentage points on 2026-05-01. These figures, sourced live from the St. Louis Federal Reserve (FRED), anchor the discount-rate environment in which this valuation is rendered.

SUBJECT

Subject company snapshot

FIELD	VALUE
Company	Pool Corporation (POOL)
Sector	Industrials
Country	US
Reporting currency	USD
Last share price	208.09
Implied share price (DCF)	32.93
Implied upside / (downside)	-84.2%
Diluted shares (m)	37.1
Net debt (m)	1.53b

WACC build-up

The Weighted Average Cost of Capital (WACC) employed in this analysis is 9.27%. This rate is derived from a cost of equity of 10.27% and a post-tax cost of debt of 4.43%, weighted according to the company's target capital structure. The cost of equity utilizes a risk-free rate of 4.40% and an equity market risk premium of 5.00%. The raw beta of 1.262 was adjusted to 1.175 using the Blume adjustment method, then unlevered and re-levered to reflect the target debt-to-equity ratio of 17.07%. The tax rate applied in the post-tax cost of debt calculation is 25%, consistent with the unlevered tax calculation within the FCFE. This WACC reflects the required return for a company with Pool Corporation's risk profile and capital structure.

COMPONENT	VALUE
Risk-free rate (Rf)	4.40%
Equity market risk premium (EMRP)	5.00%
Beta — raw / published	1.26
Beta — Blume-adjusted	1.17
Beta — unlevered (de-levered from existing structure)	1.02
Beta — re-levered to target	1.17
Cost of equity (Ke = Rf + ;+tTÕ% •	10.27%
Cost of debt — pre-tax (Rf + CRP)	5.90%
Cost of debt — post-tax (Kd × (1 " t))	4.43%
Tax rate (cash)	25.00%
Target D / (D + E)	17.07%
Target E / (D + E)	82.93%
Weighted average cost of capital (WACC)	9.27%

10-year explicit forecast — five-driver fade

The explicit forecast period spans ten years, concluding in 2028. Revenue projections for Pool Corporation indicate a period of contraction through 2027, with a growth rate of -7.00% in 2026 and -2.25% in 2027, before returning to positive growth of 2.50% in 2028. This trajectory reflects a normalization following periods of significant volatility, as evidenced by the -26.01% growth in 2022 and -21.26% in 2023. EBITA margins are projected to stabilize around 9.29% by the end of the explicit forecast period, having fluctuated from a high of 13.24% in 2021 to 9.65% in 2026. Free Cash Flow to Equity (FCFE) is calculated as EBITA plus depreciation, less capital expenditures, less the change in net working capital, and less unlevered tax, ensuring that interest tax shields are not double-counted.

YEAR	REVENUE	9BP	EBITA	MARGIN	D&A	CAPEX	9Dåt0	TAX	FCFE	PV F.	PV FCFE
2019-12-30	3.20b	-40.3%	317m	9.92%	46m	59m	-216m	79m	440m	0.957	421m
2020-12-30	3.80b	+18.9%	327m	8.58%	54m	69m	61m	82m	170m	0.875	149m
2021-12-30	5.20b	+36.7%	689m	13.24%	74m	92m	139m	172m	360m	0.801	288m
2022-12-30	3.85b	-26.0%	399m	10.38%	55m	66m	-135m	100m	424m	0.733	311m
2023-12-31	3.03b	-21.3%	309m	10.20%	43m	50m	-82m	77m	306m	0.671	205m
2024-12-31	2.53b	-16.5%	253m	10.02%	36m	41m	-50m	63m	235m	0.614	144m
2025-12-31	2.23b	-11.8%	219m	9.83%	32m	35m	-30m	55m	191m	0.562	107m
2026-12-31	2.08b	-7.0%	200m	9.65%	30m	32m	-16m	50m	164m	0.514	84m
2027-12-31	2.03b	-2.3%	192m	9.47%	29m	30m	-5m	48m	148m	0.471	70m
2028-12-31	2.08b	+2.5%	193m	9.29%	30m	30m	5m	48m	140m	0.431	60m

TERMINAL VALUE

Terminal value & valuation summary

The terminal value, representing the present value of all cash flows beyond the explicit forecast period, is calculated using the Free Cash Flow Perpetuity Growth Model. This method assumes that Free Cash Flow to Equity will grow at a constant rate indefinitely after the explicit forecast period. A long-run growth rate (g) of 2.50% has been applied, which is strictly less than the calculated WACC of 9.27%, satisfying a critical methodological constraint. The undiscounted terminal value is estimated at $2,115 million, which, when discounted back to the valuation date, contributes $911 million to the enterprise value. This approach assumes a stable, mature business operating in perpetuity, with reinvestment rates supporting the perpetual growth.

COMPONENT	VALUE
Terminal value method	FCF perpetuity (Gordon)
Terminal growth rate (g)	2.50%
Year 11 EBITA (m)	198m
Year 11 EBITDA (m)	228m
Year 11 FCFE (m)	143m
Terminal value, undiscounted (m)	2.11b
PV factor	0.431
PV of terminal value (m)	911m

VALUATION

DCF valuation roll-up

LINE	VALUE
PV of explicit forecast FCFE (m)	1.84b
PV of terminal value (m)	911m
Enterprise value (EV) (m)	2.75b
TV as % of EV	33.11%

Enterprise value to equity value

The enterprise value (EV) derived from the discounted explicit cash flows and terminal value is $2,750 million. To bridge this to equity value, net debt of $1,527 million is deducted. The analysis currently assumes no material pension deficit, operating lease liabilities, or minority interests requiring adjustment. Furthermore, no value for equity-accounted joint ventures or associates has been included, as this data was not supplied for the current run. The resulting equity value is $1,223 million.

BRIDGE LINE	VALUE
Enterprise value (m)	2.75b
Less: Net debt (m)	(1.53b)
Less: Pension deficit, net of tax (m)	(0m)
Less: PV of operating leases (m)	(0m)
Less: Minority interest, market value (m)	(0m)
Plus: JV / associates value (equity-accounted) (m)	0m
Implied equity value (m)	1.22b
Diluted shares (m)	37.1
Implied share price	32.93
Current share price	208.09
Implied upside / (downside)	-84.2%

Implied share price — WACC × g

G \ WACC	8.27%	8.77%	9.27%	9.77%	10.27%
1.50%	36.58	32.87	29.60	26.69	24.08
2.00%	38.84	34.74	31.16	28.01	25.21
2.50%	41.48	36.91	32.96	29.52	26.49
3.00%	44.63	39.45	35.05	31.25	27.94
3.50%	48.44	42.48	37.50	33.26	29.60

The valuation is inherently sensitive to key assumptions, particularly the terminal growth rate and the Weighted Average Cost of Capital. A minor alteration in either of these parameters can lead to a significant change in the implied equity value. Given the terminal growth rate of 2.50% is well below the WACC of 9.27%, the model exhibits less immediate sensitivity to the 'g' assumption compared to scenarios where 'g' approaches WACC. Nonetheless, careful consideration of these inputs is paramount, as they exert substantial influence on the final valuation output.

Methodology audit

RULE	STATUS	DETAIL
Nominal cash flows discounted with nominal WACC	PASS	Engine applies nominal Rf and nominal growth throughout; no inflation adjustment is
No interest tax shield added to FCFE (avoid double-count with post-tax Kd)	PASS	Tax in FCFE = tax × EBITA (unlevered tax). Tax shield is captured exclusively in WACC via post-tax Kd.
Same target D/(D+E) used for WACC weights and beta re-levering	PASS	Engine de-levers existing ;" B rã R F†Vâ &RĐ levers and weights WACC at 17.1%
JV consolidation consistent (equity-accounted !’ add back; proportional !’ no add)	REVIEW	JV value not supplied; engine assumes zero. Confirm consolidation policy.
Same EBITDA basis used for explicit period and exit multiple	PASS	Not applicable (TV method is not exit-multiple)
Diluted share count is rolled forward to as-of date	REVIEW	Engine uses the most recent published diluted share count; analyst should confirm post-period buybacks/issuance.
Terminal growth strictly less than WACC	PASS	g = 2.50% vs WACC = 9.27%

Several items warrant further review to enhance the robustness of this valuation. The consolidation policy for joint ventures should be confirmed, as the model currently assumes a zero value for JV associates. Additionally, the diluted share count utilized is based on the most recent published figures; any post-period buybacks or issuances should be verified by the analyst. The significant projected decline in revenue growth over the initial explicit forecast years represents a key operational risk to the company's future cash flow generation.

Source notes

FIELD	FLAG	SOURCE	NOTE
share_price	OK	FMP /stable/quote.price	
shares_outstanding_m	OK	FMP /stable/quote.sharesOutstanding	
equity_method_investments_m	REVIEW	FMP /stable/balance-sheet-statement (longTermInvestments fallback)	Carrying value; mark to peer P/B in the EV bridge
insiderOwnershipPct	FAIL	FMP /stable/institutional-ownership/symbol-ownership	Endpoint failed: []
insiderNet90dUsd	FAIL	FMP /stable/insider-trading	Endpoint failed: []
share_options_and_exercise_prices	REVIEW	manual analyst input	FMP does not provide this in a comparable-ready format
free_float_and_significant_shareholdings	REVIEW	manual analyst input	FMP does not provide this in a comparable-ready format
minority_interest_market_value	REVIEW	manual analyst input	FMP does not provide this in a comparable-ready format
associates_and_jvs_market_value	REVIEW	manual analyst input	FMP does not provide this in a comparable-ready format
pension_deficit_or_surplus	REVIEW	manual analyst input	FMP does not provide this in a comparable-ready format
operating_lease_present_value	REVIEW	manual analyst input	FMP does not provide this in a comparable-ready format
true_exceptional_or_extraordinary_items	REVIEW	manual analyst input	FMP does not provide this in a comparable-ready format
pro_forma_acquisition_disposal_adjustments	REVIEW	manual analyst input	FMP does not provide this in a comparable-ready format
broker_consensus_forecasts	REVIEW	manual analyst input	FMP does not provide this in a comparable-ready format
beta_levered_published	OK	FMP /stable/profile.beta (5y levered)	
analyst_estimates	OK	FMP /stable/analyst-estimates?period=annual	10 forward years available
capital_structure	OK	Derived from snapshot total_debt_m and	Existing D/(D+E) = 17.1% (market values)
risk_free_rate_10y	OK	FRED — DGS10	4.4% as of 2026-04-30
country_tax_rate	REVIEW	default for country=US	Tax rate = 25.0%
transcript	REVIEW	FMP /stable/earning-call-transcript-dates	74 historical transcripts available; latest could not be fetched
terminal_value	WARNING	FCF perpetuity formula	FCF perpetuity does not auto-correct for reinvestment;
pension_deficit_net_of_tax_m	REVIEW	analyst input	Pension deficit not supplied; bridged at zero
pv_operating_leases_m	REVIEW	analyst input	PV of operating leases not supplied; bridged at zero (post-IFRS 16 these may be inside debt already)

This discounted cash flow analysis provides a quantitative framework for assessing the intrinsic value of Pool Corporation. The results are predicated upon the detailed assumptions outlined herein and should be considered within the broader context of qualitative factors and market dynamics. This report does not constitute investment advice.