Latham Group, Inc.

Third Quarter 2026 Earnings Conference Call

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CORPORATE PARTICIPANTS

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Oliver Gloe--*Chief Financial Officer*

Casey Kotary--*Investor Relations Representative*

PRESENTATION

Operator
Good afternoon, everyone, and welcome to the Latham Group Third Quarter 2026 Earnings Conference Call. [Operator Instructions]. Please also note, today's event is being recorded.

At this time, I'd like to turn the conference call over to Casey Kotary, Investor Relations Representative. Please go ahead.

Casey Kotary
Thank you. This afternoon, we issued our third quarter 2026 earnings press release, which is available on the Investor Relations portion of our website. On today's call are Latham's President and CEO, Sean Gadd; and CFO, Oliver Gloe. Following their remarks, we will open the call to questions.

During this call, the company may make certain statements that constitute forward-looking statements, which reflect the company's views with respect to future events and financial performance as of today or the date specified. Actual events and results may differ materially from those contemplated by such forward-looking statements due to risks and other factors that are set forth in the company's annual report on Form 10-K and subsequent reports filed or furnished with the SEC as well as today's earnings release.

The company expressly disclaims any obligation to update any forward-looking statements, except as required by applicable law. In addition, during today's call, the company will discuss certain non-GAAP financial measures. Reconciliations of the directly comparable GAAP measures to these non-GAAP measures can be found in the slide presentation that is available on our Investor Relations website.

I'll now turn the call over to Sean Gadd.

Sean Gadd
Thank you, Casey, and thank you all for participating in today's call to review our third quarter results and discuss our business outlook. This was another strong quarter for Latham, in which we effectively executed on our strategic priorities and delivered substantial growth in sales and profitability.

The key takeaway from both our third quarter and year-to-date performance is that Latham is not waiting for the market to rebound. We are driving growth in our established markets through high-impact marketing campaigns and sales execution, taking advantage of our market development approach to accelerate material conversion in the Sand States and strengthening our market leadership across all our product categories.

And the successful execution of our strategy is demonstrated in our financial results as well as in the substantial operating progress we're making that sets up for our continued growth in 2027 and beyond.

Looking at our Q3 and year-to-date financial highlights. Third quarter sales increased 12.5% to $182.2 million, led by organic growth of 8.4%, bringing our year-to-date sales growth to 11.4% with organic growth at 7.9%.

Sales in the Sand States increased by 21%, led by accelerated growth in Florida and Texas. For the first 9 months, Sand States sales were up 16.6%. And adjusted EBITDA increased 18.1% in the third quarter and 14.2% year-to-date, significantly outpacing sales growth while we continue to invest in growth initiatives.

Taking a closer look at the main contributors to our third quarter and year-to-date sales growth, you can see that the operating progress that underpins our confidence in Latham's ability to continue to outperform the market.

We are very pleased with our year-to-date net sales growth of 11.4%, including 7.9% organic growth. This performance was driven primarily by in-ground pool sales, which were up 22.6% in the third quarter, including 13.9% organically from the same period last year. This increase in in-ground pools was driven almost entirely by fiberglass pools, which are on track to account for about 80% of our total in-ground pool sales this year.

Based on our internal data, we expect fiberglass to gain at least one additional percentage point of total market share in 2026 to represent 25% of total U.S. in-ground pool sales. This makes us the market leader in a growing category within the pool industry and supports our conviction that Latham is gaining share within trough market conditions.

We also are a leader in the growing autocovers category where strong sales momentum led to 8.7% growth in cover sales in the third quarter and 8.4% growth for the first 9 months. Autocovers, which provide critical safety benefits and are compatible with all types of in-ground pools, have also been supported by the revenue synergies from our past acquisitions of several of our Coverstar dealers.

Last quarter, I spoke about concentrating our efforts on 4 strategic priorities to drive growth, namely, to continue to grow our core business in established markets, to drive material conversion to fiberglass from concrete in the Sand States, to increase the attachment rate of our autocovers and to continue to complete accretive acquisitions.

To support these growth drivers, I spoke about the need to achieve sales excellence across all our markets, follow a disciplined market development approach, market directly to the consumer, and own their path to purchase. I'm pleased to report that not only are all these initiatives currently underway, but we already see important positive results from these efforts, which support our confidence heading into 2027.

Our disciplined and direct-to-consumer marketing approach is working and nowhere are the results more apparent than in the Sand States. Success in these markets has the potential to drive a step change in company-wide sales over time. Sales in the Sand States accelerated to 21% in the third quarter, demonstrating the contributions of our strategic growth initiatives.

Several initial successes are worth noting. First, as part of our new market development framework, we hosted 3 community pool events in targeted Florida neighborhoods, celebrating the installations of 3 fiberglass pools. These events resulted in 15 additional pools sold in these neighborhoods.

Second, we're taking our market development framework to additional neighborhoods in Florida and Texas with more events planned before year-end. We are also adding field resources in Florida and plan further expansion in Texas and Arizona as we head into 2027.

Third, our advertising and marketing campaigns are resonating with consumers in the Sand States. Year-to-date, overall national leads were up 25% versus prior year, and Florida and Texas have seen dramatic increases in lead volume, up 89% and 115%, respectively.

Our website traffic increased substantially, and Latham remained the number 1 brand searched among fiberglass competitors. Taking advantage of the softer market to accelerate growth, Latham is the only fiberglass pool manufacturer investing with this type of scale in advertising and marketing campaigns in today's market, helping strengthen our competitive position among pool builders and increasing brand recognition among consumers.

Fourth, we are launching 3 new pool models ahead of the 2027 season that are purpose-built for the Sand States. All 3 are rectangular shaped with spacious swim areas and built-in bench seating that offer a resort-inspired backyard experience perfect for these year-round markets.

Lastly, we are leveraging my homebuilder experience to establish a foothold in this market and unlock a new growth opportunity for Latham. In the third quarter, we partnered with a national homebuilder to offer Latham fiberglass pools as an option in new home construction in Florida. One Latham pool is already installed in a model home, and we look forward to expanding this relationship. More to come on this as it develops.

Beyond the Sand States, I'm pleased to report that we have advanced the build-out of our commercial organization with the appointment of our new Chief Commercial Officer, Todd Antonelli, and the addition of key leadership across sales strategy and sales operations, establishing the foundation for a world-class commercial organization that will drive Latham's growth across our product lines and geographic footprint.

As we strengthen and accelerate our commercial execution, we continue to gain efficiencies through lean manufacturing and value engineering while also reinforcing our commitment to safety across all of Latham's facilities.

To sum up, I would like to thank the entire Latham organization for their commitment and hard work in achieving our results. We are pleased with our sales performance to date and the way Latham is effectively navigating challenging market conditions while delivering substantial growth and profitability.

Our Board of Directors approved a 3-year $100 million stock repurchase program, reflecting the growth opportunities we see ahead and demonstrating our confidence in Latham's long-term outlook. Our strong financial position is a key element supporting our current and future success.

And I will now turn over the call to our CFO, Oliver Gloe, for a financial review. Oliver?

Oliver Gloe
Thank you, Sean, and good afternoon, everyone. I'm pleased to report on our strong third quarter financial performance, which highlighted Latham's progress on our growth initiatives and continued ability to outperform the market. Please note that all comparisons that I will discuss today on a year-over-year basis compared to the third quarter and first 9 months of fiscal 2025, unless otherwise noted.

Net sales for the third quarter were $182 million, 12.5% above $162 million in the prior year, which represented 8.4% organic growth and 4.1% acquisition-related growth contributed by Freedom

Pools. Across our product categories, in-ground pool sales were $92 million, up 22.6% in the third quarter or 13.9% organically.

Organic growth was driven almost entirely by fiberglass pools, reflecting our progress in executing on our strategy to continue to grow in our established markets while accelerating our sales in the important Sand States.

Through our branding and marketing initiatives, we are highlighting the speed and efficiency of fiberglass installation compared with concrete, while educating consumers on the durability, attractive finishes and long-term cost savings of Latham fiberglass pools.

With fiberglass representing approximately 70% of the pool market in Australia, which has the highest rate of residential pool ownership in the world and accounting for approximately 40% to 50% of the European market, we see significant opportunity to increase penetration across the U.S. as awareness of the quality and value of our products continues to grow.

Cover sales were $60 million, an increase of 8.7%, led by autocovers, which represents approximately two-thirds of our cover sales, and which continue to benefit from revenue synergies from our 3 Coverstar acquisitions. Liner sales were $30 million, a decrease of 4.9%, primarily related to a difficult comparison to last year when liner sales were up 13% from the prior year's third quarter.

Gross profit increased 16.6% to $67 million. Gross margin was 36.7% in the third quarter, a 130-basis point expansion, primarily due to greater plant absorption on higher volumes as we resolved the manufacturing capacity constraints that we faced in the second quarter, along with the continued benefits from our lean manufacturing and value engineering initiatives.

SG&A expenses increased to $36 million, up $7 million. Similar to last quarter, this is primarily due to investments in our growth strategies, the timing of sales and marketing initiatives related to our fiberglass conversion strategy, acquisition and integration-related costs, which included $3.2 million of performance-based compensatory earn-out expenses related to our Coverstar Central acquisition in 2024 and costs related to our digital transformation program.

Net income was $12 million or $0.10 per diluted share, an increase of $4 million or 48.5% compared to $8 million or $0.07 per diluted share in the prior year period. Third quarter net income included a one-time loss on extinguishment and modification of debt of $5 million related to our debt refinancing. Net income margin was 6.6% compared to 5% for the prior year's third quarter.

Adjusted EBITDA of $45 million increased by $7 million or 18.1% from last year's $38 million, and our adjusted EBITDA margin was 24.8%, a 110-basis point increase from 23.7% in the prior year period, reflecting higher gross margin that more than offset higher sales and marketing initiatives designed to drive share gains for fiberglass pools and autocovers.

Now turning to our year-to-date results comparisons. Net sales were $497 million, up 11.4% compared to $446 million. Gross profit increased by 12.9% to $174 million from $154 million, and gross margin increased by 40 basis points to 35%.

Net income was $16 million compared to $18 million in the prior year period. Net income margin was 3.3% compared to 4.1% and included the one-time loss on modification and extinguishment of debt of $5 million related to our debt refinancing that I previously mentioned. Adjusted EBITDA

was $102 million, up 14.2% compared to $89 million in the prior year. Adjusted EBITDA margin increased by 50 basis points to 20.5% from 20%.

Turning to our balance sheet and cash flow statement. We continue to maintain a strong financial position with cash of $95 million at the end of the quarter. Net cash provided by operating activities was $49 million in the third quarter and $55 million for the first 9 months.

During the third quarter, we refinanced our existing credit agreements to extend maturities and enhance financial flexibility in support of our strategic priorities. The new financing includes a $300 million term loan facility maturing in 2033 and a $75 million revolving credit facility maturing in 2031, providing long-term financing stability at similar conditions to our prior facilities.

It strengthens the balance sheet, supports organic investment and strategic M&A, while maintaining disciplined leverage. Our refinancing was well received with Moody's and S&P affirming their ratings.

Total debt as of the end of the period was $293 million with a net debt leverage ratio of 1.8x, ahead of our year-end target of 2.0x. Our capital expenditures were $6 million for the third quarter and $34 million for the first 9 months of 2026, which includes the purchase of 4 key previously leased fiberglass production facilities.

I would like to emphasize our capital allocation priorities: reinvesting in the business to capture organic growth opportunities, selectively pursuing strategic acquisitions, and returning capital to shareholders while maintaining a strong balance sheet. As Sean mentioned, given our strong cash flow and in light of our confidence in Latham's current and future prospects, our Board of Directors authorized a 3-year $100 million share buyback program.

Moving on to our outlook. With peak pool building season now behind us and based on our current visibility through year-end, we have reaffirmed and narrowed our 2026 guidance ranges for net sales and adjusted EBITDA while continuing to expect growth across all product categories. Our net sales guidance range is now $605 million to $615 million, representing 11.7% year-over-year growth at the midpoint, and our adjusted EBITDA range is now $112 million to $118 million, representing 15.2% year-over-year growth at the midpoint.

Our narrowed guidance reflects our assessment of the fourth quarter impact of the ongoing conflict in the Middle East. We have increased the previously implemented freight surcharge to offset higher transportation costs. And we've also announced price increases on pool liners and autocovers to mitigate commodity cost pressures.

With respect to the recently announced Canadian tariffs and counter tariffs, we proactively positioned the balance of our 2026 seasonal inventory within the appropriate jurisdictions. And as a result, we currently expect an immaterial impact on our 2026 financial results.

As we plan for 2027, we are leveraging our U.S. fiberglass manufacturing footprint to support markets previously served from Canada and are pursuing additional localization initiatives across other product categories. These actions are designed to mitigate tariff exposure while maintaining service levels and operational flexibility.

With that, I will turn the call back to Sean for his closing remarks.

Sean Gadd
Thanks, Oliver. At Latham, we are creating spaces where lifelong memories are made, and this is an important and exciting time for our organization. We are experiencing solid growth in our established markets and are gaining meaningful traction in the important Sand State markets, which account for approximately two-thirds of the annual new pool starts in the U.S. and where Latham has been underrepresented historically.

We're working on developing relationships with national homebuilders that, if successful, would open another large market to us, and we are doing all this while continuing to drive margin expansion. The longer I am at Latham, the more potential I see to expand our share across the markets we serve and throughout our product portfolio.

We are grateful for the dedication and engagement of our employees and the continued loyalty and trust of our dealers and customers. We remain committed to delivering the high-quality products that make us all proud.

With that, operator, please open the call for questions.

QUESTION AND ANSWER

Operator
At this time, we will begin the question-and-answer session. [Operator Instructions] Our first question today comes from Robert Schultz from Baird. Please go ahead with your question.

Robert Schultz
Hey, guys. Good afternoon.

Sean Gadd
Good afternoon.

Robert Schultz
I know it's early, but just curious, any initial thoughts on how you're thinking about '27 pool starts. It sounds like there's confidence there to drive continued outperformance in the market. But just curious, any feedback you've gotten early from dealers or builders in terms of what they're seeing?

Sean Gadd
Yes, I'll start. I think from my perspective, Robert, there's no big macro news that's changing. Obviously, if anything, it might be getting a little bit worse. We're not -- we are thinking and based on what I've heard in the marketplace, that's from dealers, that's from our distributors, that's from builders, it's pretty much another flat year for 2027. So we'll be planning for a flat year.

And then obviously, we're not waiting for the market to rebound. We've got -- we're certainly taking share. We continue to think we can do that. So we're going to continue to grow through '27, but we're not thinking we're going to get a lot of help from the market.

Robert Schultz
Got it. And then with the hiring of Todd, the new Chief Commercial Officer, where do you see the biggest opportunity to really sharpen the commercial execution? Is it getting more productivity from your existing dealers, adding distribution or improving lead conversion? Just curious your thoughts there?

Sean Gadd
Yes, it's a little bit of everything. I think I'll start with Todd brings, obviously, comes with experience. He comes from Marvin, and Marvin has got a good structure in which to go and attack the market. I think he's also got a background with Cabinetworks, which is about really getting down and dirty, getting with builders and trying to figure out how to win.

So I think he brings in the right experience with him, and he and I have shared the same view of how our sales organization should run. And that really is getting some discipline around sales process, getting discipline around sales efficiency, sales effectiveness and continuously driving improvements to your sales team to get more time with our customers, which should drive better performance.

And then generally, on market development experience Todd is also experienced as well with Marvin which allows us to accelerate some of the work in the Sand States, I believe. And then quite honestly, as we get better with our sales process, part of that is account management. And I do think we have a great opportunity with our distribution partners to continuously lean in.

And when I say lean in, it's really from the top, CEO to CEO, all the way down to the branches, and getting a disproportionate amount of time of our distribution partners, because we can drive more growth than any one of their suppliers. So I just see us really getting gains in all of those areas.

Robert Schultz
Awesome. Thanks. I will leave it there.

Sean Gadd
Thank you.

Operator
Our next question comes from Ryan Merkel from William Blair. Please go ahead with your question.

Ryan Merkel
Hey, everyone. Nice job this quarter. First question is on the topic of price / cost. You mentioned freight surcharges and I think some price increases. So, my question is, do you expect to be price / cost neutral in 4Q and then also entering 2027?

Oliver Gloe
Yes. I think it's fair to say -- first of all, thanks, Ryan, for the question. Let me start with Q3 first, I think because I think it's very important to understand the sequential impact. In Q3, for the first time, you have now coming from the Middle East conflict, you have both the transportation headwinds as well as the commodity headwinds.

And what we saw in Q3, remember, in Q2, we had oil prices spiking all the way up to $113. So we saw elevated oil prices all the way through Q3. So we probably in Q3 had more headwinds than tailwinds as we, throughout Q3, both increased the surcharge as well as implemented pricing for liners and autocovers.

But to answer your question, going forward, at current oil prices, at current commodity prices and the current transportation rates, I think we are well-positioned to fully offset the headwinds as they present themselves today.

Ryan Merkel
Got it. Okay. Great. And then my other question, packaged pools and liners, it looked like the growth slowed a little bit this quarter. Anything to call out?

Sean Gadd
Nothing to call out. I think from our perspective, obviously we're coming towards the end of the season. That's the first thing. We also had a weird comp last year. We had significant growth in the same quarter last year with one of our competitors having some issues, that doesn't repeat. So we don't see any share loss.

I would say, definitely, as you talk through to our customers, that you think about a K-type economy, that the pool segment certainly has been impacted by the macro more than our fiberglass pools. But in general, we're still taking share in all of our product lines.

Ryan Merkel
All right. Sounds good. Thanks. Best of luck.

Sean Gadd
Thank you.

Operator
Our next question comes from Andrew Carter from Stifel. Please go ahead with your question.

Andrew Carter
Yeah. Thank you. Good evening. Just kind of backing into what you said on the fiberglass, taking out the M&A from in-ground pools, I think you said all the growth was primarily fiberglass and making kind of an assumption in that 77% range for last year would imply like a high-teens growth rate for the fiberglass pool business in the quarter.

So I wonder if you could just kind of break that down a little bit. How much pricing is in there, low single digits, but I want to know. And then just how much Sand States are contributing to that, just to kind of give kind of the magnitude of the performance of your fiberglass business relative to the market? Thank you.

Oliver Gloe
Andrew, let me take that one. So overall, year-over-year, we had a 12.5% growth in Q3. 8.4% of that was organic with Freedom, and that's entirely a fiberglass business, adding the remaining 4.1%. Out of the 8.4%, think of price being 200, maybe a little bit more, basis points.

That is pretty much equal across the product lines, leaving the majority of the organic growth really in that volume-driven basket. And that's primarily, as we said in the prepared remarks, between autocovers and fiberglass.

The other categories, with the exception of liners - they're adding as well, but it's over proportionally in fiberglass and autocovers. And you're right with the calculation on fiberglass organic growth being in the upper teens here.

Honestly, while we are very, very pleased with the growth in the Sand States being 21% in the quarter, it's still a relatively small number. But as we grow on the Sand States, ultimately, that becomes bigger and will be more of a driver of total company performance going forward.

Andrew Carter
Second question I want to ask about, you did say Sand States, yes, small, but you are getting some momentum on that. So the first thing I want to ask is, as you've assessed that, number one, do you think you can go to market -- continue to go to market or maybe you are changing it, I don't know, with kind of the same price point on shells to kind of address some of the cost numbers there. As you're getting into it, do you feel like there's a lack of awareness a lot of misperception out there, things like you need to do with marketing investment?

And then just one more. You did mention the homebuilder relationship. I wanted to ask kind of what's your kind of target price you're going after kind of with the new homes? And then also, can you -- could that business as you're working through it, you might not know this yet, be as profitable as the rest of your business given the homebuilder demand? Thanks.

Sean Gadd
Okay. I think the first thing I'll start with fiberglass growth in the Sand Statesis a good sign for us. While it is small relative to the size of -- the total size of the business, it's growing. And obviously, we decided to talk about it, I guess, more transparently this quarter because we've hit some milestones. So I think that's an important piece for that.

In terms of misconceptions, end of the day, whenever you're selling against the standard and the standard being gunite, everyone is very familiar with gunite. Everybody understands how to install it. Everybody knows what it is. There's nothing to explain. So people may have a view of it, they may even not be accurate. But they believe because they see it everywhere that their view is accurate.

The misconceptions aren't a problem. I mean, they're a fact. Obviously, people who are learning new products, any time you take on a new technology, a new product, you have to overcome the fact that there's barriers and some of those barriers are real and some of them are perceived. Most of the barriers, as we've seen, are perceived.

And the value proposition of our fiberglass pools, easy install, low maintenance. We've got some data now from both Texas and Florida that says a homeowner who buys fiberglass has less regret than those who do buy cement. So we feel like that's just an awareness thing. We're going to continue to drive that message.

The more dealers we've got at the kitchen table giving our message and giving the story of Latham and fiberglass, the more we're going to win. We don't need to win everywhere yet, because obviously, we're just breaking in, which is why we're doing segmentation, targeting and positioning, and why we've got a neighborhood approach. What I can say is, where we're targeting, we're winning.

And so I don't worry too much about the misconceptions because we can attack them. That comes through marketing, that comes through our sales team, that comes through our dealer network. And so I feel good about where we're at.

In terms of the homebuilder, we're early on in the game. We've got a model now that would suggest we can participate with the homebuilders in an affordable way for them and in a profitable way for us. I'm not going to get into price points for homebuilders.

What I can tell you is in Florida, for example, we believe 50% of the homes that go in go with a pool. Those are homes anywhere from sort of move-up all the way through to custom. We'll be able to participate in all of those price points based on the models that we have and the future path that we have for that builder.

Andrew Carter
Thanks. That's all.

Sean Gadd
Thank you.

Operator
Our next question comes from Greg Palm from Craig-Hallum Capital Group. Please go ahead with your question.

Greg Palm
Yeah, thanks. I'm a little surprised that you're still only assuming one point of fiberglass penetration this year. I mean you're seeing some really nice growth this year. Our work suggests you're not the only manufacturer that's growing volumes this year.

So I would love to just get a little bit more color on kind of what you're seeing from a structural driver standpoint and then how you're thinking about that and then your own company-specific strategy that, I don't know, maybe it translates into additional increased penetration rates going forward?

Sean Gadd
Yeah, I mean, I think we're being conservative with 1%. I truly believe we are taking -- I know we are taking -- share. We're waiting to see and get confirmed pretty much with PK. It's good for us to say but it’s better if someone else tells us. I believe it could be more like 1.5% to 2%.

And so again, a good year, solid year. We're doing what we need to do. It's white space for us in terms of where we're marketing. It is, we have a strong sales team. We've got a clear strategy on how we go to market.

We're following the strategy and we're delivering results. I'm not here to debate 1% or 2%. What I can tell you, and I keep thinking about this as we pull into future years, we should be taking -- at least one point of share every year, and we will have achieved that this year.

Greg Palm
Yeah, okay. And then just following up on a previous question, just to be clear, your confidence in the ability to pass through these inflationary costs, whether it's freight or material, some of the commodity material stuff you mentioned so that you're continuing to expand margins in fiscal '27?

Oliver Gloe
Greg, at current implemented surcharges and price increases, it's pretty much a full pass-through. Now obviously, the environment continues to be dynamic, right? But at least in the current ZIP code of oil prices, gasoline prices, diesel prices and then commodity prices, we are covered.

Sean Gadd
I'll just add, I mean the homeowners that are buying a pool today are predominantly cash buyers. So this isn't a game changer for us. I mean, we don't like the fact that we have to put inflationary pricing through, but it's not going to change the equation for a homeowner.

Greg Palm
Yep. Understood. Okay. Thanks for the color.

Sean Gadd
Thank you.

Operator
Our next question comes from Matthew Bouley from Barclays. Please go ahead with your question.

Elizabeth Langan
Hi. You have Elizabeth Langan on for Matt tonight. Thank you for taking the questions. I was wondering, you know, you talked about how you were able to kind of remove some of the manufacturing constraints that you had last quarter. And I was wondering if you could talk about how your inventory positions are tracking and kind of how you're thinking about that through the end of the year?

Oliver Gloe
Yes. Thanks for the question. So you summarized the issue that we corrected from -- last quarter, we obviously reported on the manufacturing performance being constrained -- we've resolved those constraints in Q3.

We are now fully back to where the inventory needs to sit at the end of the third quarter, actually slightly ahead even, and that represents our intention to get into the 2027 season, with higher levels of inventory to make sure that we supply on customer demand within the appropriate lead times.

Elizabeth Langan
Okay. Thank you. And I guess kind of touching further on the demand point you made. I was wondering if you could talk about anything you can offer around the timeline for your Sand State strategy, how you're thinking about that moving into Arizona and further into Texas next year?

Sean Gadd
Yes. We are all about manned up now in Florida. We are currently hiring and filling roles in Texas. We'll have those completed by year-end. And then obviously, getting people trained is key. And then start of next year, pretty much January, we'll start moving into Arizona.

Elizabeth Langan
All right. Great. Thank you very much.

Sean Gadd
Thank you.

Oliver Gloe
Thank you.

Operator
Our next question comes from Susan Maklari from Goldman Sachs. Please go ahead with your question.

Charles Perron-Piché
Good afternoon. This is Charles Perron in for Susan. Thanks for taking my question.

Sean Gadd

Hi, Charles.

Charles Perron-Piché
Hi. Yes. Just first, I want to -- recognizing the strength that you saw in order sales and traffic throughout the quarter, but given the macro uncertainty, I was wondering if you can help us parse out the trends in the quarter in the Sand States and through October you've seen on web traffic and on conversion in sales as rising financing rates have come through?

Sean Gadd
Yes. From our perspective, web traffic is pretty good. It's obviously up over last year. We talked about 25% nationally. Where we're really focused within the Sand States where we're seeing tremendous traffic to our website and lead generation is up 89% and above. So in general, the desire for homeowners to want a pool hasn't really changed.

And I don't think business will change over time -- in fact, I think it might grow. And the reason I say that is, one, we're getting our brand more out there, people are starting to recognize who we are. And also, the reality is when you get to Florida, I mean, the temperature of Florida is so high, you need a pool. I mean, that's the reality. Everybody gets a pool now whether they get it when they buy the house, in the first year, or the fourth year they're going to end up with a pool.

What's important for us is we have a path to purchase plan that allows the homeowner when they dream about getting a pool to the time when they actually install a pool that we hold their hand all along the way. And we're building that out as we speak, and we'll be rolling that out early next year. I'm very excited about that, because that allows us to hold a consumer’s hand all the way through, which should get us better conversion of our leads.

And then you add the fact that, we're being very targeted with our approach. And, while the macro is not great, it's not all that different from what it was a quarter ago or a quarter before that. I think the reality is it is what it is. And with the K-type economy, mainly cash buyers, I think we're not seeing a dip as of right now.

Oliver Gloe
I think continuing addressing the rising financing rates that you asked about, we believe that today, the share of pools being financed is minimal, right? So I think you do have the upside once financing normalizes and rates decrease a little bit of that part of the market coming back in. But I think there's limited downside just because the pools being financed is just a minimum quantity right now.

Charles Perron-Piché
Got it. That make sense. That’s a very good color. And shifting to capital allocation, how do you see the M&A pipeline today now that your leverage is below 2x? And how do you approach it opportunistically versus the $100 million of share buyback program you've announced today?

Sean Gadd
Yes. From our perspective, obviously, we're looking to ensure, we want to put money back into our business first. We want to invest in ourselves, first on growth, second on capital and M&A. We've got some targets we continue to look at. We've always said, we're looking for targets that will open up new markets for us and/or adjacencies and that are accretive.

I think we've got a couple. But in the scheme of things, there's no -- we don't have any one large target. It's more a handful of medium-sized targets. So we're continuing to progress on those avenues. And obviously, that will continue when they fall in place, they fall in place. But we're not -- we're definitely focused there, but it starts with our internal growth as the number one.

Charles Perron-Piché
Got it. Thank you for the color, guys. And good luck with the quarter.

Sean Gadd
Thank you.

Oliver Gloe
Thank you.

Operator
And our next question comes from Shaun Calnan from Bank of America. Please go ahead with your question.

Shaun Calnan
Hi, guys. Thank you for taking my questions. On your last call, you talked about Florida being the main driver of the Sand State growth and Texas might take a little longer. But it seems like Texas was also really strong this quarter. So can you talk about what drove the strength there and if you've accelerated the push into Texas faster than you previously expected?

Sean Gadd
Yeah, I think -- so I appreciate the question. I think Texas is up. I know it's up. It's definitely a result of, in my mind, less about us driving leads, but more about us having the sales organization in place working with our dealers and getting our dealers in the right place to be ready for the season. I think we've been very diligent around that. The dealers we have in our network are very, very strong dealers, and they are certainly fulfilling the demand that's coming their way. So that's good.

We definitely have had focus in Texas. It's not like we haven't – last year we sort of pulled back from Texas to focus on Florida. Most of the stuff we're learning in Florida is transferring into Texas. And the sales organization is doing a lot of the same things as we were doing in Florida. What I can say is we're doing it with too with a few people, and now we're adding the resources in Texas to sort of accelerate that even faster.

Shaun Calnan
Okay, great. And you guys talked a lot about the fuel inflation and surcharges. Can you talk about what you're seeing in terms of resin inflation at this point? And do you expect to have to raise price on fiberglass pools to offset some of that in 2027?

Oliver Gloe
Yes. I think as part of the overall raw material basket resins are increasing. I think, as I said in the prior answer, in the combination of the fuel surcharges as well as the price increases cover us going forward and that is true for all of our product categories.

Shaun Calnan
Okay, great. Thank you.

Oliver Gloe
Thank you.

Conclusion

Operator
And with that, ladies and gentlemen, we'll be concluding today's question-and-answer session. I'd like to turn the floor back over to management for any closing remarks.

Sean Gadd
I just want to say thank you for joining the call. I'm proud of what the team has done and what our organization has delivered this quarter. I'm most proud of the fact that we are sticking to our strategies. We're driving results. We're taking share, which is essentially what it's all about.

We have the best products in the marketplace. I believe we have the best team in the marketplace. We have great manufacturing capability, value engineering, and lean. And I think it's all starting to show up in a nice way. So thank you very much.

Operator
And with that, we'll conclude today's conference call and presentation. We thank you for joining. You may now disconnect your lines.