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The Big League

An in-depth look at the opportunities and challenges of this year's *Pool & Spa News* Top 50 Builders

By Shabnam Mogharabi

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New home construction in Tampa, Fla., increased 25- to 30 percent in 2005. Pool-building firms such as Elite-Weiler Pools Inc. had their hands full.



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"There was a tremendous boom in home building," says John D. Kennedy, CEO of the Sarasota, Fla.-based firm (No. 35). "Many of our clients are national home builders. It was an extremely busy time."

As a result of their numerous successes in the past five years, the company opened a second pool operation called Superior Pools of Southwest Florida Inc. (No. 25). "They're two separate, stand-alone companies with basically the same owners, but we did this to be able to consolidate the geographic areas that we serve so we can better service our customers in terms of performing construction," Kennedy says.

Such aggressive expansion plans are just one of the reasons why this year's *Pool & Spa News* Top 50 Builders shattered records. The honorees grossed more than \$2 billion in 2005, thanks to strong housing markets, expansions, acquisitions and a number of other factors. Looking ahead, they hope to continue that growth despite a softening economy.

Leaps and bounds

As an industry closely linked to the housing market, pool construction continued to prosper in the first three quarters of 2005, during which time existing and new home sales stayed strong.

“Interest rates were still favorable,” says Paul Porter, CEO of Premier Pools & Spas Inc. in Rancho Cordova, Calif. (No. 7), a division of KPJ Holdings. “Housing starts and sales, and the appreciation rate, were still good. On top of that, our company is well-positioned, our team is well-trained and we’re growing in the areas where we have less market share.”

Indeed, this year’s Top 50 Builders showed revenues of \$2.08 billion, nearly 15 percent more than the \$1.81 billion total in 2004. Revenue has grown consistently since 2001 when *Pool & Spa News* unveiled its Top 50 Builders program.

Top 50 Total Revenue*	
2003:	\$1,436,492,841
2004:	\$1,810,730,118
2005:	\$2,080,906,307
* Includes retail, service, residential and commercial construction.	

Construction dollars followed in line. Median revenue rose more than 25 percent to \$17.8 million. “Nearly every month, we had record-breaking numbers at our company,” says Steve Ast, vice president of sales and marketing at Phoenix-based Shasta Industries (No. 5). “There was incredible demand for swimming pools and spas. Last year was one of the best markets we’ve ever experienced in terms of new- pool construction.”

The boom was due in part to the growth in residential renovation revenue. As a group, the Top 50 Builders averaged \$1,350,875 in renovation dollars, nearly seven times the \$205,000 average in 2004. Ten builders reported that more than 10 percent of their revenue is coming from renovations.

Still, 21 builders have no renovation business at all. That explains why renovations accounted for only \$67.5 million, or 4 percent, of the Top 50 Builders’ total construction revenue.

Median Construction Revenue†	
2003:	\$14,220,000
2004:	\$14,269,000
2005:	\$17,837,920
† Includes all residential and commercial construction.	

Despite the disparities among companies, growth was evident across the board. Only two Top 50 Builders saw a dip in numbers this year; the majority reported revenue increases ranging from 2 percent to 89 percent.

Leading the charge were list newcomers Pools by Bradley (No. 46) and Superior Pools of Southwest Florida, the sister company of Elite-Weiler. Both are based in Florida. In fact, six of the Top 10 fastest-growing companies operate in the Sunshine State. What’s more, of the seven newcomers this year, five are based there.

Bill Krawczyk, CEO at Superior Pools of Southwest Florida, attributes the near doubling of his business to post-hurricane construction and a healthy building environment in the Southeast. “We’re in a hot, robust market,” Krawczyk says. “A lot of home builders, due to Hurricane Charley in 2004, started building spec homes, and we got flooded with business.”

Mother Nature influenced business in other parts of the country

as well. In the Midwest, gloomy weather affected the construction business in the first half of 2005.

“Sales in this area weren’t as robust, but we were able to grow exponentially,” says Bruce Holmes, CEO of Pools of Fun Inc. (No. 41) in Plainfield, Ind. “We’ve expanded into different markets. We have an aggressive marketing campaign. We established a Construction Alliance Program in the state. And that has all helped build our company.”

Transaction frenzy

In fact, expansions, acquisitions, consolidations and similar deals were rampant in 2005, and are continuing in 2006.

“It pays to consolidate,” explains Porter of Premier Pools & Spas. “Through the consolidation, you can create more revenue and compete at a more sophisticated level. The pool industry is one of the few industries that hasn’t yet consolidated.”

For instance, last year, Pools of Fun acquired two fiberglass firms, increasing fiberglass to 13 percent of the company’s construction business. In April 2005, Paddock Pool Construction Co. (No. 4) in Scottsdale, Ariz., was recapitalized by a private equity firm, helping the company free funds to expand its operations.

In January 2006, Gilbert, Ariz.-based Presidential Pools and Spas (No. 9) also was purchased by a private equity firm to achieve the same purpose.

Pool and spa builders did not stop there. Besides expanding their construction business, many companies entered new arenas. Shasta aggressively grew its commercial construction and manufacturing operations. Similarly, 29 companies on the Top 50 Builders list earned revenue from commercial construction, raking in nearly \$94.5 million from such public and municipal works.

Meanwhile, Premier Pools & Spas completed a merger in late 2005 with Litehouse Products, LLC, a retail chain located throughout the Northeast and Midwest. That’s one reason why the company’s retail revenue doubled in 2005.

“That was a direct result of our relationship with Litehouse. They brought their retail expertise into our company and that helped grow that part of our business.” Porter says.

Overall, nearly half of the builders on this year’s list sell products in retail outlets; four of those companies derive more than one-quarter of their gross revenue from retail operations. In all, the

Total Retail Revenue	
2003:	\$75,770,151
2004:	\$95,815,693
2005:	\$101,107,572

Top 50 Builders raked in more than \$101 million in retail sales, up 6 percent from \$96 million in 2004. Still, retail revenue accounted for only 5 percent of the Top 50 Builders’ gross revenue in 2005.

Pool building burdens

For most pool builders, however, financial transactions, retail sales and gross revenue aren't the nitty-gritty of their business. Their day-to-day efforts focus on putting pools in the ground.

The Top 50 Builders constructed a total of 46,513 pools last year, up 10 percent from 42,253 in 2004. The top five volume builders had less pronounced growth, inching up 6 percent from 21,338 pools in 2004 to 22,656 pools in 2005.

Total Top 50 Volume	
2003:	35,568
2004:	42,253
2005:	46,513

Overall, volume for the Top 50 Builders ranged from 30 pools built by high-end leader Platinum-Poolcare Aquatech Ltd. (No. 50) to more than 8,000 installations by industry behemoth Blue Haven Pools & Spa (No. 1). Conversely, average pool prices ranged from Platinum-Poolcare's \$135,000 per pool down to \$22,782 at one of the Top 10 volume builders, The Pool People Inc. (No. 13).

The average pool price for the entire Top 50 group shot up to \$43,423, a whopping 17 percent over the previous year's \$37,203. Many report that this increase will continue due to skyrocketing costs of raw materials, fuel and labor.

"Rising costs are a big challenge," says Holmes of Pools of Fun. "In years past, suppliers and vendors would give us price increases off and on. This year, it's been across the board. Fuel has really taken a toll as well."

Materials costs weren't the only factor driving pool price increases, however. Many Top 50 Builders say their aquascapes continue to be feature-packed as the entire industry moves toward embracing the "backyard living" concept. Salt-chlorine generators, energy-efficient pumps, upscale patio furniture and hot tubs were among the most popular additions in 2005.

Despite this energy and movement last year, some Top 50 Builders are wary about the future. In the fourth quarter of 2005, they say the fruitful situation began to change.

"We've had a dramatic drop in the whole economic climate in our industry. Interest rates started inching up. We got a new Fed chair. Housing inventories started rising. There's going to be a big transition in 2006," Porter says.

R'nelle Lazlo has similar concerns. "We're just starting to feel the impact of the rising interest rates. I think it's having an impact in certain markets, California being one," says the vice president of national marketing at San Diego-based Blue Haven Pools & Spas. "Rising construction costs and materials costs were also a big challenge."

Despite this, Blue Haven Pools & Spas has aggressive plans to expand into new markets. "We're looking at mid-sized markets in the Sunbelt and large metropolitan areas in the Midwest where we don't have offices, markets like Milwaukee, Boston,

Albuquerque and El Paso,” Lazlo says.

Regardless of what may come in 2006, the pool industry is sure to look ahead, survive and prosper.

“I think the pool industry goes through its blips,” says Shasta’s Ast. “People continue to move to the Sunbelt states. They continue to look at the home as a pride-of-ownership investment. And the pool and spa industry has to work to take that pride of ownership into the backyard. I’ve never been as excited as I am now about the future of the pool business.”

Editor's note: Though every effort was made to ensure the accuracy of the information in this article, Pool & Spa News relies on the honest disclosure of revenue by participating builders.

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