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PRESENTATION

Clara Valera - *Fluidra, S.A. - IR & Business Development Director*

Good morning, and welcome to our first quarter 2023 results call. I am Clara Valera, Investor Relations and Business Development Director. Joining me today on this call is our Executive Chairman, Eloy Planes; our CEO, Bruce Brooks; and Xavier Tintore, our CFPO. They will walk you through a few slides on our results, and then they will be available to take your questions.

You can follow this presentation in its original English version or in Spanish. Please select your preferred option in the drop-down menu at the bottom right-hand side of your screen. (Operator Instructions) The presentation is accessible via our website, fluidra.com, and has also been uploaded to the Stock Exchange Commission this morning. A replay of today's presentation will be made available on our website later today.

With that, I hand over to our Executive Chairman, Eloy Planes.

Eloy Planes Corts - *Fluidra, S.A. - Executive Chairman, Executive President, MD & CEO*

Thanks, Clara. Good morning to all of you, and thank you for your interest in Fluidra and for taking the time to join us this morning. Today, we are presenting our first quarter 2023 results and Bruce and Xavier will provide more detail shortly. But first, let me summarize the points I wanted to get across to you this morning.

First quarter performance was slightly exceeding our expectations. It is important to highlight that gross margin is recovering with good price breakthrough in all the geographies. Volumes in the first quarter were affected by channel destocking together with softer demand, driven by the macro environment and weather effects, in particular, in the U.S.

In this context, we are taking the right steps to strengthen our business for the long term. I'm pleased we are delivering our simplification plan, which is progressing well, as you will see during the presentation. While working capital and net debt remain elevated as our industry normalizes, and we prepare for the pool season, our balance sheet is robust, and it gives us the financial strength to keep our global leadership in an industry with an attractive long-term structural growth.

As you know, we are holding today our Annual General Meeting. On the agenda, we propose a dividend of EUR 0.70 per share, a 50% payout, in line with our dividend policy and capital allocation framework.

And finally, I would like to point out that despite the volatile environment with our Q1 results, we are maintaining the 2023 full year guidance.

With that, I pass the floor to Bruce to present in more detail our results.

Bruce Walker Brooks - *Fluidra, S.A. - Co-CEO & Executive Director*

Gracias, Eloy, and thank you all for participating today on this conference call.

Moving to Slide #5. Let me start with comments on our overall performance and highlights for the first quarter and then turn it over to Xavier to provide more details on the financial results. The numbers you see on Slide 5 are the 2022 and 2023 financial highlights for the first quarter. Sales declined by 17% to EUR 554 million compared to very strong growth in the prior year period and driven by lower volumes, partially offset by higher pricing.

Let me remind you that the growth in the first quarter of 2022 was 14% when adjusted for currency and perimeter on top of a 60% growth in the first quarter of 2021. Adjusted for currency and perimeter, sales in Q1 2023 declined by 18%. This performance was slightly better than expected.

EBITDA was 29% lower compared to a strong prior year period, reflecting sequential gross margin recovery supported by price increase readthrough and the effect of lower sales. Fixed cost inflation was mitigated by cost control.

Going down the P&L, cash EPS was lower year-on-year as a result of the quarter's operating performance and a higher cash interest charge.

Trading conditions in the first quarter of 2023 have also influenced our working capital levels. Operating net working capital to sales in the last 12 months was around 32% compared to 25% last year. As trading normalizes, the slowdown in procurement and production impacts payables. Xavier will provide more detail later.

Lastly, the ratio of net debt to last 12-month EBITDA at the end of the quarter was around 3.2x, seasonally above normal levels. We expect to generate cash as our working capital levels normalize.

Moving to Slide #6. Let me share our progress on the simplification program. This program, which will enhance our resilience and deliver long-term value, is mainly built on 2 core areas: one focused on improving gross margin and the other focused on reducing structural overlaps and streamlining our operations. It is also underpinned by our drive to foster an agile and dynamic organization, our culture and our values. My thanks go out to our teams for their continued efforts on this front.

We expect to deliver EUR 100 million of EBITDA over the next 3 years with 1/3 accumulating in each of the years and total one-off costs below 1x. We've made outstanding progress. As you see on the right-hand side of the slide, we have, to date, around 300 initiatives being implemented, which amount to savings of EUR 47 million on an annual run rate basis, representing around 50% of the total program.

We expect EUR 24 million will be reflected in our 2023 performance, up from the EUR 17 million we reported at the end of February. Most of the 2023 savings relate to our efforts to reduce our fixed cost base, simplifying our organizational structure to become more efficient. In 2023, we also expect a contribution from our initiatives to enhance gross margin, which will have a greater impact on an annual run rate basis in the future. These first phase of initiatives are centered around leveraging our scale and global strategic procurement efforts. We are confident on delivering 1/3 of the program's total savings in 2023. We will continue to provide you with regular updates.

Moving to Slide #7. I'd like to talk a bit about our focus on innovation and sustainable pool solutions, which goes hand in hand with understanding our customers and end users' needs. In particular, today, in light of the situation in some parts of Southern Europe, we have chosen examples of products that contribute to preserve water and reduce other environmental impacts.

First, on the left-hand side, the DEL AOP sanitizer aims to kill bacteria while reducing the need for chlorine in the pools creating a more natural swimming experience.

In the middle, you can see our AstralPool's automatic pool cover. Evaporation often accounts for the majority of a pool's water loss our automatic pool covers can deliver water savings of around 80%.

Lastly, our AstralPool's XC cartridge filter, through a process called backwashing, reduces the water needed to wash the pool filter by more than 80%. It also requires lower maintenance, reducing costs.

With these solutions, the water consumption of a covered pool in an average Spanish home will be less than 10% of the total household's consumption. These are just a few examples of our contribution to a more sustainable pool experience. Water is one of the most valuable natural resources in the world, and we all have the responsibility to take care of it as much as possible.

We continue to be focused on innovation, developing sustainable pool solutions to contribute to a better world and achieve the goals set in our responsibility blueprint of sustainable product sales amounting to more than 80% by 2035.

Moving to Slide #8. On the right-hand side of the slide, you can see the positive contribution of price to sales performance in the quarter and the volume decline. This compares to 14% organic growth in Q1 last year in addition to the 60% growth in Q1 2021.

Overall, sales were slightly above our expectations, but with varying moving parts. The unfavorable weather in the U.S. and a tougher global macro environment have been headwinds during the period. Although new construction was somewhat weaker, maintenance and remodel held up better than expected. Commercial pool sales were in line.

The adjustment of inventory in the channel has been slower than we anticipated, and we will -- we expect it will take 1 to 2 more quarters to adjust. Some of our customers needed to refill some product categories to prepare for the peak of the season, while others might be heavy in other categories.

By region, the general development was roughly as anticipated maybe with the exception of Central and Eastern Europe, where sales are lower than anticipated.

On balance, our expectations for the year are within the range of the guidance we shared with you in February as we head into the more seasonally important second and third quarter.

With that, I'll turn it over to Xavier to explain the financial results in more detail.

Xavier Tintore Segura - Fluidra, S.A. - Chief Financial & Transformation Officer

Thank you, Bruce. Let's turn to Page 9 and take a look at the P&L in some more detail.

Sales declined by 17% in the quarter to EUR 554 million. Gross margin reached 52.1%, 70 basis points lower than prior year with sequential gross margin improvement from 51.6% in the fourth quarter of 2022. As explained by Bruce, we have seen good pricing read-through of 7%, which is offset by the impact of lower manufactured volumes due to adjusting inventories, product mix and still some inflation impacts.

Operating expenses reached EUR 168 million, a decrease of 8%, with lower logistics and transportation costs where we are seeing deflation, contribution from our simplification program and investments in IT and R&D.

EBITDA reached EUR 121 million, a decrease of 29% driven by the impact of lower volumes and margin contribution, which cannot be offset by reduced expenses. However, this is the third year in a row of EBITDA over EUR 100 million in Q1 and more than doubles the value of 2019 and 2020. EBITDA margin reached 21.8%.

EBITA of EUR 99 million was down 34% with a margin of 17.9%. Below the EBITA line, amortization is flat at EUR 17 million. Nonrecurring expenses of EUR 9 million include simplification, one-off cost of EUR 6 million, stock-based compensation of EUR 2 million and M&A cost and other nonrecurring expenses of EUR 1 million.

Net financial results amounts to EUR 17 million, EUR 9 million lower than last year despite higher interest rates as 2022 had a EUR 12 million write-off of noncash fees generated in the refinancing.

Tax rate was at 26% versus a 27% rate in 2022. Net profit reached EUR 41 million compared to EUR 75 million in 2022. As you know, we track cash net profit a good indicator for Fluidra as we have a significant amortization charge, entirely purchase accounting related, that impacts our net profit and EPS calculation. Cash net profit amounted to EUR 60 million, down 41% on the prior year.

Page 10 shows the free cash flow statement as well as the net debt evolution. Free cash flow for the first quarter has been a use of EUR 160 million versus a use of EUR 149 million in 2022 with very similar components. Operating cash flow is broadly flat year-on-year with lower EBITDA being compensated by lower investment in net working capital.

If we zoom into net working capital, which you have in the appendix on Page 18, it is important to highlight that receivables are up 6% despite the net sales decline due to the normalized terms on early buy orders, which will be collected in Q2. While last year, all orders were collected within the month as there was no early buy in October 2021. Notably, inventories were lower than in the prior year. But as we correct inventory levels with lower purchases, which in turn mean lower payables by more than EUR 130 million.

All in all, we continue to execute on our plan to normalize net working capital, working towards our year-end target of around 20%. On the investment and financing fronts, cash usage is very similar to what we used last year.

Finally, net debt reached EUR 1.478 billion, up EUR 238 million. Our leverage ratio is 3.2x that compares to a 2.1x in 2022. This is a temporary effect driven by not yet normalized net working capital, as we have discussed earlier. We are confident that this effect will correct in the following quarters.

And with that, I will give the floor to Eloy for closing comments.

Eloy Planes Corts - Fluidra, S.A. - Executive Chairman, Executive President, MD & CEO

Thanks, Xavier, and thanks, Bruce. Moving to the Slide 11, I would like to summarize a few key takeaways. Our industry is normalizing and performance in the first quarter was slightly exceeding our expectations, which factor in a weaker quarter compared to a very strong performance in the prior 2 years, channel inventory correction and a challenging macro environment.

We are executing our simplification plan, which will continue to deliver value into the future. As we have shared with you today, we are well on track to achieve our target for the year and to deliver margin enhancement in the years to come. Our focus is now on cash generation and the normalization of our levels of working capital. Our leverage is seasonally higher as expected. While it is above our target level, our balance sheet remains solid and provides flexibility to navigate through this macro environment. We expect to the leverage from here as the year progresses.

Earlier this year, we shared with you a wide 2023 guidance. The pool season is commencing and while the macro environment is uncertain, our outlook remains within those expectations. We are, therefore, maintaining our 2023 guidance. And looking into the future, we are confident in the attractiveness of our sector and our ability to create value for our stakeholders. We are well positioned to continue to lead the pool and wellness market with our broad product and geographic footprint, our leadership in connected and sustainable pools and our simplification program to transform Fluidra, enhance our margins and become a more efficient organization.

Thank you all for your participation today. And now we open the Q&A that Bruce and Xavier and myself, we are ready to take today your questions. Thank you.

QUESTIONS AND ANSWERS

Clara Valera - Fluidra, S.A. - IR & Business Development Director

Many thanks, Eloy, Bruce and Xavier, for your presentation. We now begin the Q&A session. (Operator Instructions) The first question comes from George at Bank of America.

George Featherstone - BofA Securities, Research Division - Research Analyst & Associate

So first one would just be on the sort of destocking or industry normalization, as you put it. The time line you saw offset is extended, but I wonder if the absolute impact that you had originally explained to us has also been extended or if that's just the same, but spread over more quarters now. That would be the first one.

Bruce Walker Brooks - Fluidra, S.A. - Co-CEO & Executive Director

George, this is Bruce. I'll take the first shot at that one. I don't think the value has really changed. We believe, at the end of Q1, channel inventory has continued to correct, but there's still some inventory in the channel, which probably will take most of Q2, with some categories leaking into the rest of the season or really Q3. So this, of course, will depend on the macro, how that will impact demand.

The correction, frankly, was a little bit behind our expectations in part because of the macro and the weather in the U.S. impacting POS. But it's also the time of year where our customers are getting ready for the season. They might be heavy in some product categories like heat or above-ground pools, but they were light in some others. So they needed to refill those to prepare for the season. Hence, why we think we're a little bit ahead on the top line.

George Featherstone - BofA Securities, Research Division - Research Analyst & Associate

That's useful color, Bruce. And then when we think about the volume outlook, I mean, before you said you expected, I think, something like minus 10% to minus 16% for the full year. And obviously, you've had minus 35% in Q1. So I just wondered how you're feeling about that volume outlook now taking into account your comments that Q1 was ahead of expectations.

Bruce Walker Brooks - Fluidra, S.A. - Co-CEO & Executive Director

George, just to close out on that last one, we've been giving numbers on the amount of inventory out there. Now that we're kind of getting into the final phase of the reduction, I think it's getting really hard to give you precise data. So that gives you overall look.

Hey, if we want to go to volume, let me talk about the building blocks of how we see the demand shaking out versus what we saw or what we shared with you guys in February. Frankly, new build was somewhat worse than we expected in Q1. New pool permits in the U.S. are pointing to greater than 30% down, and I think that's pretty consistent with what you're hearing from our peer groups.

From our customers, we're seeing the same type of thing. We're seeing new pools slowing with really the exception of the high-end projects. Our expectations for the year on new construction are still within the range we provided in February, perhaps towards the lower end or the 25% as the comps get a little bit easier.

Aftermarket remains resilient. Maintenance held up well, with the exception of a couple categories like above-ground pools and heaters, which I mentioned earlier. Those were the ones that were a bit more pulled forward during the pandemic. Within the aftermarket, we saw remodel activity performed really better than we expected with many builders kind of focusing on remodeling projects to offset slowing on the new construction side. Commercial was really in line, but I think it continues momentum, and we're hearing encouraging things about the pipeline.

Price. We feel like price held up really well. Again, there's, I guess, puts and takes all the way through this thing, but weather was a bit worse, especially in places in the U.S. like California. Global macro environment has definitely been headwinds during the period. And the adjustment in the inventory has been a little bit slower, so that will take us just a bit longer as we get through the season to get rid of it all.

By region, I'd say the general development was roughly as anticipated, maybe with the exception of Central Europe, Eastern Europe where sales are lower than anticipated.

On balance, I'd say our expectations for the year are really within the range of guidance we shared with you in February as we head into the more important part of the season. So we'll definitely know more in July. And let's not forget, we've seen a lot of inventory come out of this marketplace over the last several quarters. So the comps certainly get easier, especially as we get into the back half.

George Featherstone - *BofA Securities, Research Division - Research Analyst & Associate*

Final one for me on EBITDA and the guide you have there. I mean for Q1, the performance is pretty good in the context of the guidance for the year with your stronger seasonal quarter still to come. So does this speak to a level of conservatism you still have in your expectations for the year? Or is there something else we should be considering that's perhaps distorting the numbers later in the year?

Xavier Tintore Segura - *Fluidra, S.A. - Chief Financial & Transformation Officer*

George, I'll take that one. I think it's a little bit too early to really reassess the guidance. We're maintaining our outlook for the year as we head into the more important quarters. And I think more news to come when we see that flow in the second quarter. So a little bit too early.

Clara Valera - *Fluidra, S.A. - IR & Business Development Director*

And the next question comes from Francisco Ruiz at BNP Paribas Exane.

Francisco Ruiz - *BNP Paribas Exane, Research Division - Research Analyst*

So I have a couple of questions. First one is regarding some news that are raining in some newspapers of some ban of selling pools in the south of France. This, together with the current drought season that we are living, do you think that this could be a headwind for new sales in the summer season in Europe or this is something that is going to be not meaningful at all?

The second question is -- the second and the last question is also in the margin following the previous question. Could you give us an idea of how much the savings has been in this quarter on this fixed income -- sorry, fixed cost savings?

Bruce Walker Brooks - *Fluidra, S.A. - Co-CEO & Executive Director*

Paco, I'll take the first one on the water. The restrictions right now are very regional. Frankly, we usually see them pop up in California, and California has had the other impact with lots of rain. But in some areas of Southern France and Spain, there are temporary prohibition on filling the pools and we just heard yesterday about some on a potential ban on some construction. I'd say it's difficult to calculate the potential impact this might have in terms of our sales, but let's not forget, this is not the first time we've seen this type of thing or we've faced this type of thing. We have a portfolio of products, which I think can drive water and energy savings. So in the long term, we believe we can be part of the solution here.

We continue to work with the authorities and the industry associations to educate and engage them. And I'd remind everybody that the consumption of water for pools is a small proportion of a household. An average 4 people home in Spain, it could be about 25% if the pool does not have that cover that we were talking about earlier or the cartridge filter. The infrastructure needs some investment and some innovation, for sure. But with

the products that we shared with you, we can dramatically reduce the need for water by about 80% and end up using less than 10% for a household. So it could be some noise in the short term, but we really feel like we can be part of the long-term solution, Paco.

Francisco Ruiz - *BNP Paribas Exane, Research Division - Research Analyst*

Okay.

Xavier Tintore Segura - *Fluidra, S.A. - Chief Financial & Transformation Officer*

I'll take the second one. I would say that in the first quarter, you have roughly around 4 -- a little bit over EUR 4 million of impact, mainly on the fixed cost piece of it. I would remind everyone that the simplification program has, as Bruce has mentioned, the 2 components. One that goes more to the fixed cost side of it, that's the one that's going to have most of the impact in 2023. There's a second component that really looks at more of the product cost, and that's going to be the bigger part of the overall program, but that's going to have more impact towards the end of this year and beginning of -- and then 2024 and 2025. I think that we are happy with the progress, specifically on your question around EUR 4 million on Q1.

Clara Valera - *Fluidra, S.A. - IR & Business Development Director*

Thank you, Paco. The next question comes from Andre at Credit Suisse.

Andre Kukhnin - *Crédit Suisse AG, Research Division - Mechanical Engineering Capital Goods Analyst*

Can I just check on simplification program? First, you said you reached EUR 47 million run rate already in Q1. I guess that points to savings in the region of, I mean, at least EUR 50 million for the year now, right, or above.

Xavier Tintore Segura - *Fluidra, S.A. - Chief Financial & Transformation Officer*

Andre, I'll take that one. No, what it means is that we have initiatives either executed or on path for execution that are going to deliver over the next 3 years, a run rate of EUR 47 million. That doesn't mean that those are going to impact 2023 or in some cases, 2024. I mean there's initiatives that have different timing. So that's why we provide where we are in terms of the full program run rate, which is this EUR 47 million and what is the impact that we are seeing on -- or we are expecting in 2023, which is the other number we shared of EUR 24 million.

Andre Kukhnin - *Crédit Suisse AG, Research Division - Mechanical Engineering Capital Goods Analyst*

Okay. Got it. And if I may just switch to the end market outlook. Could you comment on what you expect in North America for aftermarket and particularly for remodel piece? It's interesting that you see that holding up. I think some of your peers commented a bit more negatively.

Bruce Walker Brooks - *Fluidra, S.A. - Co-CEO & Executive Director*

Yes, I'll take that one. As far as aftermarket, we're finding the resilience that we, I guess, always expect. With that said, we thought that the aftermarket would be down 10% to 15% impacted about 5% by inventory. So that hasn't fundamentally changed. We expect to, therefore, remodel to be as the more discretionary piece in that same type of neighborhood impact. And what we found in the first quarter is that remodel was closer to flat to slightly negative. So from our perspective, that was an encouraging sign. Does that answer your question?

Andre Kukhnin - *Crédit Suisse AG, Research Division - Mechanical Engineering Capital Goods Analyst*

Yes. And if I may just ask for maybe a bit of outlook for the full year for that piece for remodel, would you think that can hold up or continue to hold up?

Bruce Walker Brooks - *Fluidra, S.A. - Co-CEO & Executive Director*

I think -- again, I mean, there's a lot of volatility in the first quarter. It's a seasonally less important period. So I would kind of come back to the overall building blocks that we talked about, with new pool potentially being on the higher end of the range that we suggested. Right now, remodel looks on the good side. Price looks on the good side. So I think it's puts and takes, and that's why we've come back and just held the guidance that we shared with you.

Andre Kukhnin - *Crédit Suisse AG, Research Division - Mechanical Engineering Capital Goods Analyst*

That's very helpful. If I may, just the last one. It may be a bit early in the year, but how do you feel your market share has evolved in last maybe a couple of quarters rolling?

Bruce Walker Brooks - *Fluidra, S.A. - Co-CEO & Executive Director*

Yes. I think it's interesting to look at all the numbers that come out, and I think there's a lot of noise and volatility in them. And so it's hard, I think, to judge the manufacturers on a quarter-over-quarter basis. But we're confident that if you put our 3-year stack against anybody, we continue to take share in the marketplace.

Clara Valera - *Fluidra, S.A. - IR & Business Development Director*

Thank you, Andre. The next question comes from Manuel Lorente at Mirabaud.

Manuel Lorente - *Mirabaud Securities Limited, Research Division - Analyst*

Can you hear me?

Clara Valera - *Fluidra, S.A. - IR & Business Development Director*

We can hear you.

Manuel Lorente - *Mirabaud Securities Limited, Research Division - Analyst*

My first question probably is on pricing, which my way of seeing it has been supportive in the current destocking process. So can you explain a little bit the dynamics? You're seeing pricing-wise ease a few pricing effect, there has been positive mix or different dynamics by region.

Clara Valera - *Fluidra, S.A. - IR & Business Development Director*

Manuel, it was a bit difficult to hear you. But if I understood your question correctly, it's around price and providing some more color about pricing per region in the first quarter. Is that correct?

Manuel Lorente - *Mirabaud Securities Limited, Research Division - Analyst*

Correct.

Bruce Walker Brooks - *Fluidra, S.A. - Co-CEO & Executive Director*

Okay. From a price perspective, we were pleased with what we saw reading through. We implemented price increases for the 2023 season really in the Q4 period, and we're seeing those read through. We're also anniversary-ing some price increases from 2022 and timing on the backlog that didn't have full pricing read through. So we're pleased with what we're seeing through.

We're not seeing material price pressure. We do see some pricing pressure in the commoditized space, mainly in areas like chemicals, but frankly, a little bit less than we were anticipating. You see some pockets of pricing noise on heat pumps or above ground pools, which certainly affect Europe more than in the states, and you might see a little bit of discounting there. But in general, the industry, the demand is relatively inelastic. And so you just don't see a lot of price change out there.

Manuel Lorente - *Mirabaud Securities Limited, Research Division - Analyst*

And is there any meaningful difference between Europe and the U.S.?

Bruce Walker Brooks - *Fluidra, S.A. - Co-CEO & Executive Director*

I think we reported earlier in the year the price increase in Europe was 1% to 2%, and the price increase for Europe -- for the U.S. was more like 4%. So that's kind of material in my mind, but it really relates back to the mix of products, U.S. not being in the chemical market and European in chemicals.

Manuel Lorente - *Mirabaud Securities Limited, Research Division - Analyst*

Okay. And then moving to the working capital issue, it looks like the adjustment on the inventory level in Italy will be slower than initially expected. However, you are keeping the guidance in terms of working capital over sales on a full year basis. This is a combination that this is still too early on the year or -- because of the way mathematical work in the sense that slowdown in the inventory correction might be offset by higher top line. So at the end, in percentage cadence, the percentage is more or less the same.

Clara Valera - *Fluidra, S.A. - IR & Business Development Director*

Again, I will repeat the question back to you to make sure we got that right. I think your question is around whether we are maintaining our working capital guidance or cadence for the remainder of the year, given inventory correction is slightly behind our expectations and the industry is normalizing. Is that correct?

Manuel Lorente - *Mirabaud Securities Limited, Research Division - Analyst*

Correct.

Xavier Tintore Segura - *Fluidra, S.A. - Chief Financial & Transformation Officer*

Yes. Manuel, I think that, yes, we are basically maintaining our guidance. As we know, if we have a mid-term target of around 18% of investment of cash in terms of net working capital to sales ratio, we are working towards that number, towards that mid-term target. And as we shared before,

we will not get there by the end of this year. This year, probably will be around 20%. And I think that the fact that now inventory correction is taking a little bit longer, it just changes a little bit the mix between the quarters, but it doesn't change our long-term outlook.

Clara Valera - Fluidra, S.A. - IR & Business Development Director

Thank you, Manuel. The next question comes from Erik Salz of JPMorgan.

Erik Salz - JPMorgan Chase & Co, Research Division - Analyst

I think -- I appreciate there is -- you already answered a couple of questions in relation to this -- to the price and volume topic. But at the point of discussing Slide #8, you reminded us of sort of the plus 16%, 14% and now minus 18% in sales and the impacts of price and volume for this year. But if you look over the 3-year period, can you remind us on what sort of price you have taken and what was volume impact? And of that sort of combined 50% over the 3-year period, what do you expect is still to normalize in the next year or so?

Bruce Walker Brooks - Fluidra, S.A. - Co-CEO & Executive Director

Okay. From a pricing perspective, you're testing my memory on how it went by quarter by year. So I'm just going to give you the macro number and say that the price over that 3-year period was a little more than 25%.

Xavier Tintore Segura - Fluidra, S.A. - Chief Financial & Transformation Officer

Yes. I don't know if there was a second part of the question around pricing for the future and so on, Erik. I think maybe if you can clarify that.

Erik Salz - JPMorgan Chase & Co, Research Division - Analyst

Yes. So I mean that will be good to understand, too, and also the price increases which you have put through in 2022, when will that end? And will it be an end of the impact of those price increases? Or when do you need to sort of do further price increases in the near future?

Bruce Walker Brooks - Fluidra, S.A. - Co-CEO & Executive Director

I think from a price read through, you'll see it gradually come down, and we'll get more in line with what we suggested at the beginning of the year, which was the kind of the 4-plus range in the states and the 1% to 2% in Europe. We have just announced our price increase in the Southern Hemisphere as they're in their off-season. We'll come back and look at what our cost base is before making the decision on where we go for 2024. Typically, for the Northern Hemisphere, we take our price in the October time frame.

So we really see things returning to normal. Right now, we're getting some positive news on things like transportation and some of the commodities. It's taking a long time to read through just because of the level of inventory that we have in our supply base has. On top of that, we're still seeing inflation be a bit stubborn with the fact that it's impacted so many folks from a labor perspective. So we don't expect to see a lot of relief in that cost curve. And so we'll evaluate as we're coming through the summer, what it looks like for price as we look for 2024.

Erik Salz - JPMorgan Chase & Co, Research Division - Analyst

Okay. And maybe as a last thing, I think you also touched upon this, but is the potentially like longer term -- the longer term that it takes for the industry to normalize, as you mentioned, so possibly this extending beyond the second quarter or I think in previous announcements, you mentioned it mainly be in the first half of the year, which would see that industry normalization. Is that potentially longer -- taking longer? Is that the key reason for you to be cautious on the guidance? Or is there anything else?

Bruce Walker Brooks - Fluidra, S.A. - Co-CEO & Executive Director

I think it's just too early, Erik. I mean this is an industry where the second and third quarter is really where the work gets done. So let's get into the season and see how it goes.

Of course, from an inventory perspective, we see a little bit of leak. There's a few categories, mainly heat pumps, gas heaters and above ground pools where we're seeing inventory come out slower than we expected, and that's why we've shared that it will leak into the -- into Q3 in pockets. Our belief is that we're going to be really normalized in '23 and headed back into '24, separating out the macro economics, but heading back into '24 with kind of the usual attractive nature of this industry with a new construction arm that feeds into an ever-expanding aftermarket.

Clara Valera - Fluidra, S.A. - IR & Business Development Director

Thank you, Erik. The next question comes from Christoph at Berenberg.

Christoph Greulich - Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst

You mentioned that the weather had a negative impact on the Q1 performance. Just to understand the magnitude of that effect, is it possible to roughly quantify it?

Bruce Walker Brooks - Fluidra, S.A. - Co-CEO & Executive Director

We don't go down to that level, Christoph. And frankly, it's really hard. We saw really tougher weather, particularly in the West. There was a lot of volatility in the Southeast, although Southeast performed well. And then we've seen the water restrictions and those types of things in some of the spots in Southern Europe. So if I had to hazard a guess, I'd probably say 1% to 2%. But generally, it's really hard for us to be that precise on something like weather.

Christoph Greulich - Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst

Yes. That is helpful. And then, yes, would you be willing to share a few words on how trading evolves after the end of Q1, so in April and at the start of May?

Bruce Walker Brooks - Fluidra, S.A. - Co-CEO & Executive Director

Yes, I think -- well, I guess what I'd start by saying is we don't really guide by quarter, so just put that out there. And I think if you think about last year, the first half was really strong and inventory was continuing to build. So this year, we're seeing people continue to destock. I'd say our expectation, if you will, to maybe go a little bit different in your question is that second quarter top line percent would probably be more similar to the neighborhood of what you saw in Q1, but off of a larger base.

Christoph Greulich - Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst

Great. And then just finally on the full year guidance. And I fully appreciate that it's maybe a bit too early to make material changes to the guidance. One thing, yes, I wanted to ask a bit further is on the margin. So if you look at the margin you achieved in Q1, the 21.8%. I mean, that is above the margin that is implied by the midpoint of your full year guidance. If you look historically at the profitability in the different quarters, I mean, Q1 in the pre-pandemic years was, let's say, seasonal -- a quarter of seasonally low profitability, plus we have the additional further cost savings coming in from the simplification program. So just wondering if there are any other factors we have to take into account that could lead to a slightly different seasonality with regard to the margin than what we have seen in the kind of pre-pandemic years.

Xavier Tintore Segura - Fluidra, S.A. - Chief Financial & Transformation Officer

As I said a little bit earlier to a similar question, Christoph, I would say that it's a little bit too early to say. There's nothing out there that we haven't really shared with you that would point to that negative. I mean it's -- we've talked about the declining impact of pricing. It's true that we have different weights of quarters as things normalize. All in all, what I would say is we've provided wide enough range at the beginning of the year because there's still a lot of elements of volatility. And at this point in time, we're still within that range, and it's a little bit too early to comment or to provide additional details.

Clara Valera - Fluidra, S.A. - IR & Business Development Director

Thank you, Christoph. The next question comes from Miguel González at JB Capital.

Miguel González - JB Capital Markets, Sociedad de Valores, S.A., Research Division - VP

Most of my questions have been answered, but maybe 2 quick follow-ups, if I may. The first one, you mentioned impact from inventory in the quarter was lower than expected and my understanding maybe in the second quarter. So I wonder whether you could clarify what has been the impact from inventory destocking in the U.S. in the quarter. And what sort of we expect spent for the rest of the year? So in February, you guided for EUR 120 million impact, so would you still stick to this figure?

And secondly, I don't know if I missed this one, but pricing was 7% about and -- about last year and your guidance also provided in February. So do you think this is sustainable for the rest of the year? Or do you expect a more normalized price increases in the range of 4%-plus in the coming quarters?

Bruce Walker Brooks - Fluidra, S.A. - Co-CEO & Executive Director

Okay. I'll try to take the inventory, although I think we've pretty well covered it at this point. We don't see any fundamental change to the numbers that we shared with you in the past. But now as the inventory is coming down, I think it's really hard to be precise on a number. I think if we -- you can read in between the lines, we slightly beat where we thought we were going to be from a top line in Q1. And we think a little bit of inventory will drift into Q3 on a couple of product categories that are particularly heavy.

So these are fairly material swings out there right now, and we feel like we're within the range of what we shared with you and are giving you the best information we have at the time. So I think things are headed to normalize for us and the industry. And I know you're focused on the U.S. there, but I think it's a similar comment for Europe.

Xavier Tintore Segura - Fluidra, S.A. - Chief Financial & Transformation Officer

I would say that pricing in the first quarter was this 7%. And as we've said, it's going to evolve towards that guidance that we provided earlier based on the price increases that are a little bit higher in the U.S. of around 4% and the price increases that we implemented in EMEA that are around 1% to 2%. What you're seeing here right now is that as we -- you have to remember that as we comp last year, the pricing increases were not applied to the backlog, and therefore, you're seeing a higher impact right now. But as we get ahead into the year, that effect is going to disappear.

Clara Valera - Fluidra, S.A. - IR & Business Development Director

Thank you, Miguel. The last question comes from Alvaro Lenze at Alantra.

Alvaro Lenze Julia - *Alantra Equities Sociedad de Valores, S.A., Research Division - Research Analyst*

The first one is if you could provide a brief update or any color on the trends in April and early May that you're seeing in terms of volumes.

The second one is if you could guide us on the evolution of gross margin? Prices were up 7% in Q1. Margin is -- gross margin is a little bit down. I assume that you still have some price inventories there. When should this, so to speak, price inventories depleted and see further margin improvement as I assume that the price increases that you implemented last year will stay?

And then third question would be on working capital. You already guided that you had some significant investment in Q1 that should revert. I'm just trying to look at whether in a full year basis, do you expect working capital to be roughly neutral or still to see some investment?

And lastly, if you could -- just from a modeling standpoint, if you could give us some of the phasing that you expect of the restructuring cost, which, if I am not mistaken, from Q4 conference call, Bruce, you guided for similar nonrecurring expenses in 2023 as we saw in 2022.

Bruce Walker Brooks - *Fluidra, S.A. - Co-CEO & Executive Director*

Okay, Alvaro. I'll take the first one, which was on April and May. Again, probably gave a little bit more on Q2 than I normally would. So I'll keep it more focused on April and May. April and May, we were still delivering the backlog last year. So stock was still building in the channels. So we see April, May with similar trends to what we've seen on the first quarter. So that's about as specific as I think I can get.

Xavier Tintore Segura - *Fluidra, S.A. - Chief Financial & Transformation Officer*

Yes. I'll take the other three, Alvaro, starting with gross margin. We saw we were happy with the impact of pricing. But as you well point out, it didn't entirely read through to improve our margin over what we had in Q1 last year, although sequentially, this is the third quarter in a row in which we improved our gross margin.

We're still seeing a little bit of impact coming from the fact that we are manufacturing lower volumes. We are also seeing some negative mix impact as well as the last point of -- slip out of my mind. But anyway, so we don't guide by quarters. I think we will continue to see the impact of our initiatives continue to impact our -- it came to my mind. We're also seeing a little bit of inflation, not only on -- I mean, we're seeing positive evolution on raw materials. But when you look at semi finished goods, we see still some inflation as they incorporate some of the increases in labor costs. So all in all, I mean, there's positives and negatives, but we continue to improve our gross margin. And we expect that as we look into the remainder of 2023, we will also see positive impact coming from the simplification effort.

Net working capital, as we said, we continue to work towards that, let's say, being around 20% at year-end and implementing more mid-term plans to go towards that 18% of sales kind of target.

And then on your last question, in terms of restructuring, we said in the -- you're right, we said in the last call that the number would be around EUR 40 million to EUR 45 million of expense, and I would say that will probably be evenly split throughout the following quarters.

Clara Valera - *Fluidra, S.A. - IR & Business Development Director*

Thank you, Alvaro. This marks the end of today's presentation. We thank our speakers and all the participants on the call. And as always, please feel free to reach out to the Investor Relations team for any further queries you may have. Thank you, and goodbye.

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