

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

FLUI.MC - Q1 2025 Fluidra SA Earnings Call

EVENT DATE/TIME: MAY 07, 2025 / NTS GMT

CORPORATE PARTICIPANTS

Clara Valera *Fluidra SA - Strategy, Investor Relations and FP&A Senior Director*

Eloy Planes Corts *Fluidra SA - Executive Chairman of the Board*

Jaime Ramírez *Fluidra SA - Chief Executive Officer*

Xavier Tintoré *Fluidra SA - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Francisco Ruiz *BNP Paribas - Analyst*

Manuel Lorente *Banco Santander - Analyst*

Lucas Ferhani *Jefferies - Analyst*

Juan Canovas *Alantra - Analyst*

Timothy Lee *Barclays - Analyst*

Anna Ractliffe *BofA Global Research - Analyst*

Christoph Greulich *Berenberg - Analyst*

Miguel González *JB Capital Markets - Analyst*

Luis de Toledo *ODDO BHF - Analyst*

PRESENTATION

Clara Valera - *Fluidra SA - Strategy, Investor Relations and FP&A Senior Director*

Good morning, and welcome to our first-quarter 2025 results call. I'm Clara Valera, Strategy, Investor Relations and FP&A Senior Director. Joining me today on this call is our Executive Chairman, Eloy Planes; our CEO, Jaime Ramírez; and Xavier Tintoré, our CFO. They will walk you through a few slides on our results, and then they will all be available to take your questions.

(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 will be made available on our website later today.

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

Eloy Planes Corts - *Fluidra SA - Executive Chairman of the Board*

Thank you, Clara. Good morning, and thank you for joining our first-quarter 2025 results call and for your interest in Fluidra. Jaime and Xavier will provide more details shortly, but let me start with a few key points from my side. We delivered a strong Q1 performance with sales up 7% and growth across all regions in a dynamic environment. This is our third consecutive quarter with year-on-year volumes growth, which is strongly up in North America and also growing in Europe. We are clearly outperforming the market.

We expanded gross margin by 250 basis points, thanks to the diligent execution of our simplification program, which is on track to deliver the savings expected for the year. We also reduced our leverage ratio compared to the first quarter of 2024 with a stable working capital to sales levels. As you know, we have been agile in implementing an action plan to offset the impact of tariffs. Jaime will talk about it in more detail later.

In line with our consistent capital allocation framework to generate sustainable value, we continue to invest in value-accretive acquisitions. You can see our two most recent deals on the slide. First, our strategic alliance and 27% investment in Aiper, an innovative cordless robotic pool cleaning

player that will help us develop our current product portfolio and provide presence on the direct-to-consumer channel. Completion is expected in the second half.

The second one, Pooltrackr, our latest acquisition, an excellent pool software platform created in Australia that can be rolled out worldwide and which will help us accelerate our digital strategy.

As you know, we are holding our Annual General Meeting today. On the agenda, we are pleased to propose a dividend of \$0.60 per share, testament to our confidence in the resilience of our business, representing around 50% adjusted EPS payout in line with our dividend policy and capital allocation framework.

Following a strong first quarter, we are maintaining our 2025 guidance as we move into our second quarter of main pool season. We continue to manage what is within our control to serve our customers and offset the impact of tariffs and are closely monitoring developments. While macro and geopolitical uncertainty remains elevated, we are confident we will continue to deliver sales and EBITDA growth this year.

We are a global leader in an attractive industry driven by long-term structural growth dynamics, having positioned the business for growth and transformation. I'm proud of the team's focus on long-term value creation while taking action today to navigate uncertainty.

We look forward to discussing our results with you this morning. And with that, I hand first to Jaime to continue with our presentation.

Jaime Ramírez - Fluidra SA - Chief Executive Officer

Thank you, Eloy. It is a pleasure to be here with all of you today. Moving to our Q1 performance on slide 5, I will provide some highlights and then turn it over to Xavier to share more detail on the financial results. Our performance in the quarter was strong, and I thank the team for their delivery in a dynamic start of the year. Sales were up 7% year on year, 5% on an organic basis to EUR564 million, with growth across all regions driven by higher volumes and pricing.

Adjusted EBITDA was up 10% year on year, 8% on a constant FX and perimeter basis to EUR131 million, which represents a 23% margin. This reflects the strength of our business model with consistent improvement in gross margin, driven by our initiatives to increase efficiency and productivity together with mix and partially offset by higher OpEx. Xavier will provide more color later.

Going down the P&L, adjusted EPS was up 12% year on year. We managed working capital well while growing the business and preparing for the pool season. The level of operating net working capital to sales in the last 12 months was around 29.6%, stable versus the prior year. And we reduced leverage by 0.3 times net debt to adjusted EBITDA on similar net debt levels.

On slide 6, you can see on the right-hand side chart, the strong volume contribution together with positive pricing. Organic growth was enhanced by the contribution of the bolt-ons we agreed last year in Australia, Portugal, and Central Europe. In North America, sales were up 7% organically year on year, in line with sell-through across our customer base, gaining market share. This performance is testament to our easy to do business with, customer-centric approach, our exposure to the Sun Belt and our mid- to high-end market positioning.

In Europe, the positive trend we started to see in Q3 2024 continued with around 3% organic growth in Q1. Softer trading in France was more than offset by the good performance in the rest of the main markets, and we achieved similar growth in the rest of the world on constant FX and perimeter. Overall, while new build demand remains soft, aftermarket demand was resilient, and we continue to gain share.

Turning to page 7. Let me provide some color on the action we're taking to offset the impact of tariffs we know so far. As you are aware, the tariffs enacted at present differ from those in effect at the time of our last earnings call. We now expect a lower effect from tariffs on imports from Mexico, given our high degree of USMCA compliance, but a greater impact of tariffs on Chinese imports.

We estimate the gross impact before any mitigation action will be around EUR50 million in April to December 2025, while the full year impact will be around EUR70 million. We know the situation remains fluid, and we continue to monitor it.

As Eloy pointed out earlier, we anticipated this tariff situation for some time and have an action plan to offset the impact, working with our suppliers and our teams to reduce costs. Additionally, we have implemented price increases in North America with further increases planned. Our expectation is to offset entirely the impact of tariffs on the P&L in 2025 with the action plan I just described.

Next, on the slide 8, let me quickly touch on our latest deal. I'm pleased to announce we just acquired Pooltrackr, an Australian SaaS player that offers a best-in-class management platform to streamline every aspect of the operations of a pool professional. Pooltrackr will be rolled out globally and make it easier for our customers to increase their scale by automating services, improve customer engagement, and boost digital sales and demand generation.

It is also worth highlighting the fact that this platform will allow connectivity and integration with the Fluidra Pool app. I'm excited about this acquisition, which will significantly accelerate our digital strategy and value creation. I believe digital technological transformation and innovation are critical to enhance the Pool Pro experience and drive demand generation. This EUR6 million acquisition is in line with our capital allocation framework and investment threshold.

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

Xavier Tintoré - Fluidra SA - Chief Financial Officer

Thank you, Jaime. Let's turn to page 9 to start with the P&L. Sales of EUR564 million represent a 6.9% increase year on year. FX represented a positive impact of 90 basis points and acquisitions added 90 basis points of growth. Gross margin reached 57.3%, 250 basis points higher than in 2024, driven by a positive contribution of the simplification program, favorable geographic mix, and pricing read-through despite declines in chemicals and some trade downs in cleaners.

Operating expenses reached EUR192 million, up 12.5% with enhanced investments in digitalization and R&D, inflation in labor, logistics and general cost, and M&A added roughly EUR2 million to OpEx. Adjusted EBITDA of \$131 million was up 10.4%, driven by higher gross margin despite some increased OpEx investments and inflation.

Adjusted EBITDA margin was 23.2%, 80 basis points higher than in 2024. I just want to highlight that our last 12 months' adjusted EBITDA amounted to EUR490 million. Adjusted EBITDA of EUR105 million is up 10.1% with a margin of 18.6%, which is 60 basis points above last year.

Below adjusted EBITDA line, PPA amortization is down 6% to EUR15 million. Restructuring, stock-based compensation, and other expenses of EUR7 million is 54% lower than prior year as one-off costs from the simplification program ramp down as we finalize the program.

Financial results amounted to EUR18 million, 35% higher than last year, driven by impact of FX. Tax rate was 26%, similar to the one of 2024. Net profit reached EUR48 million compared to EUR37 million in 2024, an increase of 29%.

As you know, we track adjusted 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. Adjusted net profit amounted to EUR66 million, 12.5% higher than last year.

On the next page, I will share our progress on the simplification program, which delivers long-term value and structurally strengthens our business. As of the end of March, we have achieved EUR75 million in cumulative savings since the start of the program, including a contribution of EUR7 million in Q1 2025. And we are on track to finish 2025, delivering the targeted EUR100 million savings. This year's incremental savings are driven by global strategic procurement efforts and product design to value initiatives.

Page 11 shows the free cash flow statement as well as the net debt evolution. As you know, Q1 is an investment quarter in this seasonal business. Free cash flow in the period has been a use of cash of EUR222 million that compares to EUR157 million last year. Let's look into the different components.

Cash flow from operating activities was a use of EUR177 million versus EUR133 million last year, entirely driven by net working capital, where we have invested in inventories to support our growth, while we have continued to improve in receivables. Overall, the net working capital to sales ratio is at 29.6%, in line with last year's.

Cash flow from investment activities was a use of EUR32 million with 19 million in acquisitions driven by the completion of BAC in Germany and Switzerland. And on the financing front, we have seen a flat evolution. Finally, net debt reached EUR1.335 billion, down 10 million compared to the prior year period. Our leverage ratio is 2.7 times versus 3 times ratio last year.

And now I will give the floor to Eloy to conclude today's call.

Eloy Planes Corts - *Fluidra SA - Executive Chairman of the Board*

Thank you, Xavier. We had a strong start to the year with continued growth across all regions and improving margins. The simplification program is well on track to deliver planned savings and drive further margin improvement. We are executing our action plan to offset tariffs. We are well prepared to implement further actions as required.

Given trading to date and our implemented price and cost actions to offset tariffs, we maintain guidance as we enter into the key pool season month in the Northern Hemisphere. We are taking actions to navigate a dynamic geopolitical and economic environment, which we continue to monitor. We are confident we will deliver sales and EBITDA growth.

Looking into the future, we are focused on accelerating growth, both organically and inorganically, fostering competitive differentiation and enhancing operational excellence while delivering improving returns on capital over the medium term in an industry with attractive structural growth.

QUESTIONS AND ANSWERS

Clara Valera - *Fluidra SA - Strategy, Investor Relations and FP&A Senior Director*

(Operator Instructions) Francisco Ruiz, BNP Paribas.

Francisco Ruiz - *BNP Paribas - Analyst*

Thank you for the presentation. I have two questions. The first one is on your sales guidance. I mean since probably the last presentation, things have changed as you have commented. And probably you will have a high contribution on pricing because of the tariff measures, but also you have a lower contribution of FX. So taking into account that your guidance is to grow between 2% to 7% this year, could you give us an idea of what are your main component of this growth for fiscal year '25?

And mainly, linked to this, I mean, according to what you mentioned, you increased prices in US by around 2% to 3%, another 3% in April. And correct me if I'm wrong, that you expect it to grow another 2% to 3% in June. Don't you expect any elasticity on the demand on these price hikes and how you will be able to maintain the EBITDA in this situation?

Jaime Ramírez - *Fluidra SA - Chief Executive Officer*

Okay. So let me start with the price -- with the second question first -- with the price question. It's really too soon to tell what's going to happen in the market with price increases. So we had our first price increase in April, 3.5%. And as we said in the call, in the speech, we're planning a second round of price increases that will be in the neighborhood of the first price increase.

We're going to have to monitor what happens with the market, what happens between the trade-off between price and volume. So far, you saw the numbers of Q1 and the beginning of Q2 has been also very positive from the volume perspective. But I think it's too early to tell if we're going to see volume impact. We will be watching the situation going forward.

So with that, I would say by the end of Q2, we will have better visibility of what's going to happen with the market dynamics.

Xavier Tintoré - Fluidra SA - Chief Financial Officer

On the first one, [Paco], I think that there's a lot of moving parts, as you can understand at this point in time. Clearly, pricing is going to be significantly higher than what we built into the initial guidance. And obviously, with the weaker dollar, we are not expecting the positive contribution that we built into the guidance. But all in all, we feel confident with -- as Jaime was saying, with the initial Q1, where we see Q2 trading, we feel confident in delivering the sales guidance.

Francisco Ruiz - BNP Paribas - Analyst

Thank you very much.

Clara Valera - Fluidra SA - Strategy, Investor Relations and FP&A Senior Director

Manuel Lorente, Santander.

Manuel Lorente - Banco Santander - Analyst

My first question -- sorry, it's on the tariffs again. I perceive a certain change on the speech regarding tariffs. The overall 50 million headwind remains in place, but now it's more biased towards China versus previous narrative that were more Mexico based. So I would like if you can elaborate a little bit how you see the tariffs going forward, especially from your positioning from China?

Jaime Ramírez - Fluidra SA - Chief Executive Officer

So Manuel, thank you for your question. Yes, I mean, the absolute number continues to be the same, the 50 million. We communicated 50 million in the first call. What has changed is the mix of the impact depending on the region. So the first time we talk more about Mexico impact because 50% of what the imports we have to the US come from Mexico. So Mexico was the main driver.

With the change in the tariff dynamics, with China going out to 145% and with Mexico with the USMCA compliance, the mix of -- the number changed completely for us. So we started to have now more impact from China and less from Mexico. That's why we kept the number but the mix is different.

Going forward, and our numbers going forward today, and our projections and our guidance are supported by these numbers, the 145% for China and the Mexico situation. I think what is more relevant about all this is that our plan is very solid from the cost perspective, from the negotiations with our suppliers and also from our price actions to mitigate the impact of the tariffs.

Manuel Lorente - Banco Santander - Analyst

And just a quick follow up on this. So this, let's say, different mix of China versus Mexico on tariffs, does it change also somehow, let's say, your footprint capabilities or the way you address the different imports market or not really?

Jaime Ramírez - Fluidra SA - Chief Executive Officer

Not really. We're working on reducing -- we're working on how we can continue reducing our risk from China. Is that going to be a relevant, a major change in our footprint? Not at all.

Manuel Lorente - Banco Santander - Analyst

Okay. And just a second question, if I may, this time more related to OpEx, right? OpEx remains increasing on a double digit. Xavier has explained a little bit the different moving parts beneath this 12% OpEx increase. But I would love if we can have a sense of a little bit more color on what we expect going forward and what is really beneath, let's say, that OpEx evolution?

Xavier Tintoré - Fluidra SA - Chief Financial Officer

Sure, Manuel. Look, I will refer to the guidance that we provided back in February, which is still valid. I mean, we expect inflation on fixed cost to the tune of 3% to 4%. And then we also guided to an incremental investment to support growth on the areas of digital, R&D and commercial activities to the tune of 10% to 15%.

And on top of that, you need to add the contribution of OpEx coming from the acquisitions that we have completed so far, which just back more or less represents around EUR5 million. So that's kind of the guidance for the full-year impact, and we are on track for this sort of approach that I'm just sharing.

Manuel Lorente - Banco Santander - Analyst

Okay. Thank you.

Clara Valera - Fluidra SA - Strategy, Investor Relations and FP&A Senior Director

Lucas, Jefferies.

Lucas Ferhani - Jefferies - Analyst

I have a couple. Maybe we start with the first one again, just on tariff. I wanted to better understand the mitigation plan. So on pricing, it's quite straightforward. But when it comes to the supply chain, I think you said you do not expect meaningful changes to the footprint.

Does that mean you're still operating from China, you're not looking maybe to get out of that given the highly punitive tariffs in that region? And can you highlight maybe a bit more what you're trying to do? Is it kind of more Mexico, more kind of intra-US, how are you trying to switching from the supply chain perspective? And then on cost reduction measures, can you highlight a bit more what you're trying to do there?

Jaime Ramírez - Fluidra SA - Chief Executive Officer

Okay. So on -- I'll take the first one on the tariffs and probably Xavier can take the second one. So on the tariff side, our plan to mitigate remains the same. We communicated in the beginning that we negotiated with our suppliers, we implemented cost actions, and we implemented price actions. The first price was the 3.5%.

At the same time, for China, we're looking for plans to reduce our risk from China. Right now, it's 15%. Our manufacturing team is working on how we can reduce that cost, number one. Number two, to see mitigation plans from the sourcing perspective in some areas, and of course, how we can be more competitive within our manufacturing footprint.

So definitely, we're not passive on reducing the risk and exposure to China in the process. At the same time, we see going forward, Mexico for us is the core area in terms of manufacturing for North America. But the exposure to Mexico, our plan is to reduce it from that 15% that we have today.

Xavier Tintoré - Fluidra SA - Chief Financial Officer

The cost side of it was related to this -- to the tariff mitigation plan as well. I think it was part of the same question, Lucas, and it's basically looking at some discretionary expense to finalize offsetting the impact. So the combination of price, discretionary spending, and rearranging the supply chain, as Jaime was explaining, to fully offset the impact of tariffs in the P&L in 2025.

Lucas Ferhani - Jefferies - Analyst

Perfect. Thank you. And then a quick follow up just on the potential secondary impact of tariff when it comes to kind of demand. Are you seeing any change kind of when it comes to the behavior of the consumer, whether it's in Europe or the US, especially on the more kind of discretionary build remodel, are you seeing any kind of early signs of weakness or April is still kind of going strong?

Jaime Ramírez - Fluidra SA - Chief Executive Officer

Yeah. I mean, it is what I said before, it's too early to tell exactly what is going on. So far and with the sell-through data we have from the market, the trend continues to be positive. That's what we're seeing so far this year up to April. We keep watching and monitoring the market to see what are the changes that will be coming.

But it's too early to make an assessment that volume will be affected. And at the same time, we're making sure that if you think about it with the sell-through that we have, we continue gaining market share in the process. So up until April, we're confident. Let's see what happens going forward, and we will be watching the market very closely.

Lucas Ferhani - Jefferies - Analyst

Understood. Thank you. And if I may, just a last one on the Pooltrackr, how do you think we should think about the acquisition? Is the goal to build kind of a SaaS platform and generate a lot of revenues from kind of selling this to the Pool Pros? Or is it really just a broad enabler to the business and increasing the loyalty? And so it won't be a big kind of element in itself, but it will drive sales for the overall kind of Fluidra Group?

Jaime Ramírez - Fluidra SA - Chief Executive Officer

That's a very good question. By the way, number one, we're very excited with this acquisition. So the way you have to see Pooltrackr is, first of all, a digital platform that we will use on a global basis. How we use it is going to be different when you take the North American market and when you take the rest of the world.

So to your question on revenue generation, yes, there will be a platform to generate revenue outside of North America. As you heard, this is a SaaS platform. It generates revenue today. So we keep that as part of the revenue generation, number one.

Number two, outside of North America, we will use it as a platform for Pros to sell products. But the core competency and the main reason why we bought this platform is to accelerate our digital transformation, our connectivity with the Pool Pro and our connectivity with the pool owner.

Clara Valera - Fluidra SA - Strategy, Investor Relations and FP&A Senior Director

Juan, Alantra.

Juan Canovas - Alantra - Analyst

I was wondering whether you could give us more detail on what drove you to gain market share in the first quarter? And I was wondering also whether you could tell us how your price increases compared to those of your rivals?

Jaime Ramírez - Fluidra SA - Chief Executive Officer

Okay. So the volume gain in Q1, as you heard from what we said, first of all, we gained market share and volume across all the geographies. So that's very good news for us. Having 5% volume growth for us, if you compare that to the rest of our competitors is a phenomenal result for our company. And as you heard, mainly driven by volumes in North America, where we gained 6% volume.

What is the main driver for us? It's really what I said before, is our proximity to the Pro, is how we serve the Pro, how we stay connected to the Pro. It's also our capacity to serve the Pro in a fantastic way. At the same time, we're very confident that the teams are doing a great job serving the market, serving our customers. In terms of the second question, do you want to go --?

Xavier Tintoré - Fluidra SA - Chief Financial Officer

In terms of pricing, as you know, this is an industry that takes price every year. This year hasn't been different from that perspective. We are now -- all the North American competitors taking action to protect the P&L from tariffs. Obviously, each and every one of us have a different supply chain structure, but are more or less impacted in a similar way. Obviously, we don't comment on pricing actions from competition. But please remember that we are all playing in an industry that is capable of taking price.

Jaime Ramírez - Fluidra SA - Chief Executive Officer

And let me go back on the volume piece. I think one important thing is, especially in the North American market where we have the biggest volume gains, that's mainly driven by our focus on the aftermarket. Aftermarket, our teams in the aftermarket are doing a phenomenal job. As you know, new build and new construction in the US is not positive this year. So this is coming mainly from the aftermarket.

Juan Canovas - Alantra - Analyst

Thank you so much.

Clara Valera - Fluidra SA - Strategy, Investor Relations and FP&A Senior Director

Tim Lee, Barclays.

Timothy Lee - Barclays - Analyst

Thanks for taking my question. So my first question is again about the pricing action. So I think your competitors were also mentioning that they will be making another price increase in June, say, around 4%. So I'm just wondering whether you have already started communicating with the

customers about the second price increase? And what's the feedback on that? And I think the -- whether they are willing to take another price hike or even the first price hike or any initial feedback from the end user that would be [suitable].

Clara Valera - Fluidra SA - Strategy, Investor Relations and FP&A Senior Director

Tim, it was really difficult to hear you, but I think I got the gist of your question. If I understood correctly, was your question around do you have any customer feedback about your second round of price increases in the US expected for later in June? Is that your question?

Timothy Lee - Barclays - Analyst

Yes, correct.

Jaime Ramírez - Fluidra SA - Chief Executive Officer

Well, that price increase, we are in the process of that implementation. That hasn't been communicated officially to the customers in North America. That's coming. But in general, we're seeing that the reaction from the market with price increases is -- this is an industry where price increases are part of how the industry works. So they understand the situation. They understand the tariff impact. So we think we're going to be working and it's going to be well taken by the industry.

Timothy Lee - Barclays - Analyst

Understood. Very helpful. My second question is about the competition in the US market. So I'm wondering whether you have any idea about what percentage of the market is supplied by Chinese players in the US market? So I'm just -- think about whether these Chinese players, now they are facing a higher tariff, what they are going to do in the market? Are they totally disappearing from the market or they are moving their personal footprint in the US? So any color about the competitive landscape, especially from the Chinese competitors that would be (inaudible).

Clara Valera - Fluidra SA - Strategy, Investor Relations and FP&A Senior Director

Tim, it's really difficult to hear you, but -- because there is a lot of background noise, but I understood your question to be how important are Chinese players or competition in the US market? And do we expect things to get easier now that they have a higher tariff. So I will take that one, if that's okay.

Generally speaking, the Chinese are not really that important for the US market in terms of installation equipment and the full professional channel. Yes, they are a player in some plug-and-play products, in particular, in robots. But bottom line, we don't expect a major change in the competitive landscape because of the tariffs on China. And we also recognize it remains a very dynamic environment and things may change.

So hope that answers your question. And the IR team is happy to take any further questions you may have later, if you don't mind, because the sound is really difficult -- it's really difficult to hear you, but very happy to take it offline.

Timothy Lee - Barclays - Analyst

Yeah. No problem. Thank you.

Clara Valera - Fluidra SA - Strategy, Investor Relations and FP&A Senior Director

Anna Ractliffe, Bank of America.

Anna Ractliffe - BofA Global Research - Analyst

I was hoping to get a little more color on April from a volume perspective. Was there any kind of customer decision delays at all? And maybe as a follow up to that, how you see new builds and remodels through the rest of the year?

Jaime Ramírez - Fluidra SA - Chief Executive Officer

So your question was about, if I hear you well, April volumes.

Clara Valera - Fluidra SA - Strategy, Investor Relations and FP&A Senior Director

Any delays or --

Jaime Ramírez - Fluidra SA - Chief Executive Officer

Okay. No, April is trading in line with expectations on how -- what happened in Q1, the trend continues. So April started in line with those expectations, I would say, across the globe. So we're very happy with how things are starting in Q2.

Anna Ractliffe - BofA Global Research - Analyst

Just to confirm, you still expect the stable new build through the year? And then any color on the remodeling piece would be helpful.

Clara Valera - Fluidra SA - Strategy, Investor Relations and FP&A Senior Director

Any color on new build expectations and remodel for the year?

Jaime Ramírez - Fluidra SA - Chief Executive Officer

So the reality -- the trend in new build, we're not seeing a significant change in the trend of new build. And what we said at the beginning of the year is the expectation was to be flat. In fact, new build has been a little bit negative so far this year. In terms of aftermarket, the trend continues positive, as I said before. And this is an area of focus for us. So we continue gaining share in the Sun Belt and the mid- and high-end products basically.

Clara Valera - Fluidra SA - Strategy, Investor Relations and FP&A Senior Director

Christoph, Berenberg.

Christoph Greulich - Berenberg - Analyst

Thank you for taking my questions. I wanted to ask about your customers' buying behavior with respect to the price increases. Have you seen any pre-buying ahead of price hikes? And is that something that you have seen in the past when you implemented intra-season pricing initiatives? And then I was also wondering if you could provide a bit of color how the sell-through of your products compares to your own reported growth? And if there are any noteworthy developments in the inventory situation at your major distribution partners?

Jaime Ramírez - Fluidra SA - Chief Executive Officer

Christoph, thank you for the question. We're not seeing any significant change. We -- and the major indicator for us is our sell-in connected to the sell-through. And that's very aligned. Our organic growth in sell-in is very connected to the sell-through information we're getting from our customers, from the market. And we're not seeing a disconnection between our sales and the inventory in channel. So we see a very healthy dynamics. So we're not that concerned today. We're not seeing that pre-buy behavior.

Christoph Greulich - Berenberg - Analyst

That's very clear. Thank you.

Clara Valera - Fluidra SA - Strategy, Investor Relations and FP&A Senior Director

Miguel González, JB Capital Markets.

Miguel González - JB Capital Markets - Analyst

Just a quick follow-up on tariffs. Sorry, if I missed it, I had some connection issues. But could you elaborate a bit on how you offset of this 50 million impact is split between price, cost or reallocation of supply chain? So I believe one of your competitors will reduce imports from China from 10% of the sourcing now to 3% by year-end. So you said you expect to reduce your exposure to Mexico. So that you're increasing your production in the US? Or where is this production capacity going? And how do you expect this to affect margins?

Xavier Tintoré - Fluidra SA - Chief Financial Officer

Thank you, Miguel, for the question. Yes, as Jaime explained, we are basically taking action to realign our supply chain, relying on our footprint in the US and Mexico and the fact that Mexico for the vast majority of the products that we do there, we are USMCA compliant, which allows us to go through without any tariff impact, okay?

So we are also, as I said earlier, cutting some discretionary expense and working with our contract manufacturers to improve productivity and reduce a little bit pricing. And finally, but is -- as you can understand by the amount of the price increases, a significant chunk of it is covered by pricing, by the pricing that we did in April and the one that we are announcing for June. So combination of effects to fully offset the impact on the P&L.

Jaime Ramírez - Fluidra SA - Chief Executive Officer

And Miguel, just to clarify, we're very focused on reducing our exposure to China in case -- I mean, that was not clear before when I was talking about the region. So this is -- that's what we're focused on.

Miguel González - JB Capital Markets - Analyst

Understood. Thank you.

Clara Valera - Fluidra SA - Strategy, Investor Relations and FP&A Senior Director

Luis Toledo, ODDO.

Luis de Toledo - ODDO BHF - Analyst

Two clarifications from my side. I was kind of surprised when the reported results without changes on the regional segmentation from the Capital Markets Day, I thought you were introducing some changes. Just to confirm that there's not been any change. And also if the regional segmentation that you provided has any implications on the way you're managing now? I thought you were grouping Australia and New Zealand with Europe and also all the emerging with Central Europe.

Just to confirm there's no changes on a reporting or margin perspective. And the second question would be, I thought Xavier mentioned some trade-down in some specific category. You mentioned some softness in chemicals, and I don't know if the other one was cleaners. I just want to confirm that.

Xavier Tintoré - Fluidra SA - Chief Financial Officer

I'll take that second one, and then I will look at here my colleagues to understand the first part of the question, which I wasn't able to follow. Sorry for that, Luis. Yeah, I mentioned that we are seeing some trade down on cleaners in addition to pricing declines on chemicals and some other, let's say, commodity-related products. We are seeing positive impact of pricing in general, as you have seen in the presentation. But in some pockets of our product offering, we are seeing pressure on pricing, okay?

Clara Valera - Fluidra SA - Strategy, Investor Relations and FP&A Senior Director

Luis, I'm not sure I understood your first part of the question either, but I think you said does the new regional split or regional structure into South Europe and Australia and Central and Northern Europe and emerging change at all the way we report or our reporting of sales?

I mean you see on page 6, we have sales by destination. So one thing doesn't affect the other. So it doesn't necessarily change it. But of course, when we publish numbers at the end of the year, we will have to follow the new segments. So it will change probably with the interim financial statements in June and the full-year statements at the end of the year.

Luis de Toledo - ODDO BHF - Analyst

Thanks.

Clara Valera - Fluidra SA - Strategy, Investor Relations and FP&A Senior Director

We don't have any more questions. So I'm just going to give a few seconds to see if anyone else raises their hand. Okay. So thank you for attending the call and thank you for your questions. There are no more questions. So this marks the end of today's presentation. We thank our speakers and all the participants on the call. And as always, the Investor Relations' team is around. So please reach out if you have further queries or further follow ups.

Thank you very much, and goodbye.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2025, Refinitiv. All Rights Reserved.