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PRESENTATION

Clara Valera - Fluidra SA - Investor Relations & Business Development Director

Good morning, and welcome to our first half 2024 results call. I am Clara Valera, Strategy, Investor Relations and M&A, Senior Director. Joining me today on this call is our Executive Chairman, Eloy Planes; our outgoing CEO, Bruce Brooks; and Xavier Tintore, our CFO. They will walk you through a few slides on our results and then they will be available to take your questions.

I'm also pleased to have on the call Jaime Ramirez, Fluidra's new CEO, who joined us on 1 June. 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. (Event Instructions)

Please register to receive dial-in in details. After the registration process, you will need to press star five on your telephone keypad to ask your question. 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 SA - Executive Chairman of the Board

Thanks, Clara. Good morning to you all, and thank you for taking the time to join us this morning and for your interest in Fluidra. Today, we are presenting our second quarter and first half 2024 results. Bruce and Xavier will provide more detail shortly. But first, let me summarize the key points I want to convey this morning.

Our first half performance was very strong and in line with our expectations for the year. Sales in the second quarter improved sequentially across all regions with North America delivering a strong performance while Europe was affected by wet weather and sluggish macro environment.

The Simplification Program continues to strengthen our business for the long term. This program, together with our actions on price led a strong expansion on gross margin and other quarter. Cash generation was excellent. We made outstanding progress in working capital management and reduced net debt levels in the first half of the year.

Having six months of trading behind us, we are confident on delivering our full year 2024 guidance. Bruce will give more details later. Today's call is a special one for me. This is the last earnings call with Bruce as CEO, who has been instrumental to Fluidra's success over the past six years. I only have words of gratitude for him, and I look forward to his continued contribution as Non-Executive Director.

At the same time, I'm delighted to welcome Jaime as our new CEO. With his extensive experience in global consumer and industrial products, proven track record and strategic vision, he is the ideal leader to guide Fluidra in the next phase of development. Jaime?

Jaime Ramirez - Fluidra SA - Chief Executive Officer

Thank you, Eloy and team for the warm welcome.

Hello, everybody. I'm really excited to be here and be part of the Fluidra family. I do believe there are plenty of opportunities for the Group as a leading player in an industry with attractive fundamentals. I must say that my onboarding has been fantastic and the transition with was very smooth. I have had the opportunity to visit key operations, meet our teams and some of our customers across a number of countries. Delivering shareholder value is top of mind for me on my list, and I look forward to working with you in the future.

Now I'll let Bruce present results in more detail.

Bruce Brooks - Fluidra SA - Non-Executive Director

Good morning and thank you all for participating today on this conference call.

Moving to slide number five, let me start with some highlights on our overall performance, and then turn it over to Xavier to provide more details on the financial results.

Revenues were up 1% in the second quarter, improving sequentially across all regions with a remarkable performance in North America, where sales were up 7% in the quarter. Our first half performance was strong in a normalized trading environment where we still see some demand weakness in new construction and remodel. In that context, sales declined by 1% to EUR1,171 million.

EBITDA was up 3% year on year to EUR296 million or 25% margin. This reflects the strength of our business model and the actions we have been taking with consistent improvement in gross margin driven by the contribution of the simplification program, partially offset by inflation in OpEx. Xavier will provide more color later.

Going down the P&L, cash EPS was up 4% year on year. We manage working capital very well. Operating net working capital to sales in the last 12 months was around 24% compared to 30% at the same time last year, down more than 660 basis points. Cash generation in the period was excellent, placing the ratio of net debt to last 12-month EBITDA at the end of June at around 2.5 times.

Moving to slide 6, let me share our progress on the simplification program, which is delivering long-term value and structurally strengthening our business. We have built the program around two areas, improving gross margin together with reducing organizational overlaps and streamlining our operations. Driving an agile and dynamic culture underpins these initiatives.

In total, the simplification program delivers cost savings of around EUR100 million between 2023 and 2025, with total related one-off costs of approximately 1 times the annual ramped-up savings. We have achieved to date EUR47 million of cumulative savings, and we are on track to finish 2024, delivering an annual run rate of over EUR60 million.

2024 incremental savings are driven by global strategic procurement efforts and product design to value initiatives. We remain confident on achieving the full year target, we'll continue to provide you with regular updates. On slide number seven, I'd like to talk to you about our world-class commercial pool offering. Commercial Pool sales in the first half were up 3% on constant FX and perimeter to around EUR100 million. We see this area as a growth opportunity for the business.

We provide a range of pool wellness, fountains and lagoon solutions for a number of sectors from sports clubs to hospitality. You can see here a few examples from highly technical competition pools to solutions for hotels, motels and apartments and condominiums or HMAC.

On the left, you can see our project for the European Aquatic Championship in Belgrade this past June. We upgraded an existing Olympic pool and temporarily converted it into a three meter deep pool, deploying our Skypool technology. Skypool panels allow an easy, safe and reliable installation with great accuracy complying with the most stringent requirements.

In the center, you can see a picture of the Masyaf Lagoon's project in Egypt, where we are delivering the water treatment solution for this real estate development. Artificial lakes and lagoons, enhance the surroundings and can accommodate a wide range of leisure activities.

On the right, you can see a project for a resort in Oklahoma from standard to custom in a wide range of finishes, our deck equipment can add form, fun and function to any pool. The cornerstones of our success in commercial pool are an unmatched complete product offering and turnkey project services.

We have a broad product portfolio which we have expanded with acquisitions in North America. In EMEA and APAC, our specialized team can support our customers from ideation to design and execution of commercial pool, wellness, fountains and lagoon projects around the world.

Moving to slide number eight. On the right side of the slide, you can see the positive contribution of price to sales performance in the first six months and the small volume decline, with FX and perimeter broadly offsetting each other.

Notably looking at Q2 performance standalone, sales were up around 1%, driven by North America, where we saw positive sell through in line with sell-in. As mentioned, sales in the first half were in line with our expectations for the year. New construction demand has been at the lower end of our expectations, while aftermarket has been resilient as anticipated.

By region, sales were stronger in North America, up 4% with positive sell through. This performance is testament to our easy to do business with customer centric approach, our exposure to the Sunbelt and our mid to high end market positioning and continues to demonstrate we're gaining market share.

Sales were also supported by the tailwind of not having a correction of inventory in the channel. In Europe, where we believe we are also outperforming the market, we saw unfavorable weather in some key countries along with some macro uncertainty and weaker consumer confidence in France and Germany.

We are confident on delivering our full year guidance, maintaining the midpoint while narrowing the range. This is based on our performance to date with continued sequential sales improvement. The positive trading we have seen in July and our consistent margin expansion.

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

Xavier Tintore Segura - Fluidra SA - Chief Financial, Sustainability & Transformation Officer

Thank you, Bruce. Let's turn to page 9 to start with the P&L. Sales of EUR1,171 million in the first half represent a 1.2% decline year on year, of which FX is a negative impact of 40 basis points and acquisitions add 70 basis points of growth. Sales in the second quarter improved sequentially across all regions.

Gross margin reached 55.9%, 340 basis points higher than in 2023 being the fifth consecutive quarter with gross margin higher than the prior year period. We have seen impact of the simplification program, favorable geographic mix, positive pricing read-through despite declines in chemicals and deflation on raw materials with only limited impact from inflation in frame.

Operating expenses reached EUR358 million, up 7%, with some increase in provisions, inflation on labor costs and our continued investment in digitalization and R&D. EBITDA of EUR296 million was up 3%, driven by higher gross margin despite lower volumes, OpEx inflation and some increase investments. EBITDA margin reached 25.3%, a 100 basis points higher than 2023.

If we look at margins of Q2 on a stand-alone basis, we have reached 27.6%, the second highest in Fluidra's history. The business is well positioned for when volumes return. EBITA of EUR250 million is up also 3% with a margin of 21.4%, which is 80 bps above last year's.

Below the EBITDA line, PPA amortization is down 6% to EUR32 million. Restructuring stock-based compensation and other expenses of EUR28 million are flat year on year with higher one-off costs from simplification and lower stock-based compensation.

Net financial result amounts to EUR35 million, 2% lower than last year's, driven by lower debt. Tax rate was at 27% versus 28% rate in the first half of 2023. Net profit reached EUR112 million compared to EUR104 million last year. 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 EUR157 million, 4% higher than last year.

Page 10 shows the free cash flow statement as well as the net debt evolution. Free cash flow in the period of EUR41 million, significantly better than last year's EUR13 million. Operating cash flow generation was EUR96 million versus EUR68 million last year, mainly driven by a EUR30 million one-off payment in 2023 related to the older long-term incentive plan.

If we zoom into net working capital component, which you have in the appendix, you will see an excellent net working capital management with more than 660 basis points improvement, reaching net working capital to sales of 24%, driven by lower inventories and receivables and higher payables. On the investment front, we have used EUR31 million, slightly below the prior year. On the financing front, cash usage of EUR24 million, a bit higher than in 2023.

Finally, net debt reached EUR1,151 million, down around EUR150 million compared to the prior year period. Our leverage ratio is 2.5 times versus a 3 times ratio last year. Nicely trending down somewhat 2 times data. Just to remind you, we have a solid balance sheet. Our main funding facility is a EUR1.1 billion TLB in euros and US dollars that matures in 2029. 80% of the TLB has swapped interest rate until June 2026.

Finally, I would like to take this opportunity to thank Bruce for his support and leadership over the last six years. It has been a pleasure working with you, and I look forward to partnering with Jaime to continue to drive the business forward and deliver value for all our stakeholders.

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

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

Thanks, Xavier. Let's move to slide number 11, and I would like to summarize here a few key takeaways. We had a strong performance in the first half in lined with our expectations, in a more normalized trading environment with sequential sales improvement in the second quarter across all the reasons.

Creating value for our stakeholders remains our priority. We are the leader in an attractive industry. The global pool and wellness market with long term structural growth. Our position is further improving, driven by our customer-centric approach, innovative product offering, global leading footprint and leadership in connected and sustainable pools, which will define the future winners in our sector.

We are structurally improving our group. We are executing our simplification program, which will continue to deliver value by expanding margins and improving efficiency sustainably. Earlier this year, we share with you the full year 2024 outlook. Based on our performance to date, we are confident on delivering our [items]. We are excited about our future and remain focused on growing profitability and delivering improving returns on capital over the medium term in an industry with attractive structural growth.

I would like to thanks, Bruce, once more for his leadership all these years at the [helm], his unwavering commitment and his dedication. The measure is far behind us. It has been seven years of constant evolution after the merger, more acquisition were made to strengthen the Company in North America [name at the pandemic and the Simplification Program.

We have built shoulder to shoulder and day by day, the global leader in the port sector. The best platform to continue growing and evolving in an exceptional market. It has been a real pleasure to work together to learn from you and build a deep friendship. I wish you, Bruce, nothing but the best in the next step of your journey. I certainly look forward to your contribution as Non-Executive Director.

Bruce Brooks - Fluidra SA - Non-Executive Director

The pleasure is mine. I want to thank you and certainly XT. I feel privileged to have led the company during these years. I'm very proud of our team and all that we have achieved together. I think you are in very good hands with Jaime. I'm sure that he will do an excellent job leading the Company in this next phase of development.

I'd like to sincerely thank the investors, analysts, customers, employees, suppliers and all the incredible people I've met along the journey. Now we open the Q&A. Eloy, Xavier, and I are ready to take your questions. Thank you.

QUESTIONS AND ANSWERS

Clara Valera - Fluidra SA - Investor Relations & Business Development Director

Many thanks, Eloy, Bruce and Xavier, for your presentation. We now begin the Q&A session. (Event Instructions)

Chitrita, JPMorgan.

Chitrita Sinha - JPMorgan Chase & Co - Analyst

Good morning. Thank you for taking my questions. I have three please. So firstly, on North America, where the organic growth in the quarter was clearly a very positive result. How do you see this developing in the second half and maybe you could shed some light and with regards to market trends, given some weak commentary amongst peers and distributors.

Bruce Brooks - Fluidra SA - Non-Executive Director

Okay. I think there's a lot to unpack in that. Alright, so we wanted to talk about second half. We wanted to talk about peers and distributors as well, right.

Chitrita Sinha - JPMorgan Chase & Co - Analyst

Please.

Bruce Brooks - Fluidra SA - Non-Executive Director

Okay. So I guess if I start with -- if I start with, let's say, some of the distributors and retailers, I think bottom line is we're super pleased to maintain our guidance even if narrowing the range. Our sell through in the H1 in the US was positive. I think at some it's really encouraging to see bottom line as I feel like we're gaining market share.

Our performance is supported by our easy to do business customer centric approach and our mid to high market positioning. I think in addition, you have to say we play in a little bit of a different part of the value chain. And as a manufacturer, I think we have tailwind of not having the inventory correction in the channel, which certainly helps.

And I think in particular in America, our product exposure varies slightly different from the folks that you're talking about. When I think about versus the competition, my feeling is from an overall perspective, I think we see the market in a pretty similar fashion. If you think about demand trends as far as new build and aftermarket, there certainly can be some noise in the quarterly sales performance depending on the timing of correction of inventory and those type of channel comparables.

But for Fluidra, we're really pleased. I mean, we saw consistent sequential quarterly sales improvement this year and encouraged by positive trading again in July. So I think in comparing ourselves to our competitors, I think we see the market pretty similarly but if you look at it over a long timeframe, let's say three to five years, we're confident that we are gaining share.

Does that give you what you need on that one --

Chitrita Sinha - JPMorgan Chase & Co - Analyst

Absolutely. Thank you. Very clear. And I guess just to maybe delve a bit deeper in terms of what you're seeing in newbuild remodeling and the guest service developing for the full year? Maybe if you can quantify that versus what you previously said?

Bruce Brooks - Fluidra SA - Non-Executive Director

Sure. So again, I'm going to say that I'm super pleased with seeing that the sell through and sell out or sell-in and sell through is was pretty much matched up in the US for the first half. I think that's a sign that the inventory in the channel situation is really gone. We're confident on delivering the midpoint of the guidance.

As you think about the building blocks, certainly we believe that we are getting a tailwind of the correction of the inventory in the channel -- I think that's a positive again, showing that the market's clean. From a macro environment, I think it's still pretty mixed out there. We see new build at the lower end of our initial expectations. So still expecting around a 15% decline for the year with high end projects faring better than the low to mid-price point that tends to be more financed and that's certainly favorable for Fluidra.

Our remodel activity performing slightly better than newbuild. So we would expect it down up to 15%. Aftermarket in particular, maintenance and repair remaining super resilient given their less discretionary nature. So let's call that flattish. We still see price holding up well -- US kind of in a 2% to 4% range, rest of the World, more 0% to 1% with moderate increases in equipment, but lower due to chemical prices.

So overall for the Group, let's call it, 1% to 2%. Contribution of the Simplification Program, mostly in gross margin, inflation in labor, in general costs. So our cost mix is slightly different than we were expected with gross margin better than expected, but OpEx slightly higher, but bottom line confident on delivering the EBITDA.

Chitrita Sinha - JPMorgan Chase & Co - Analyst

Perfect. My final question was on pricing. So that's answered.

Thanks very much, Bruce. All the best.

Bruce Brooks - Fluidra SA - Non-Executive Director

Thank you.

Clara Valera - Fluidra SA - Investor Relations & Business Development Director

Manuel Lorente, Santander.

Manuel Lorente - Banco Santander - Analyst

Yeah, hi. Good morning, everybody. My first question probably was related to trends in Europe, whether you can add some color regarding the differing behaviors that we are seeing or you are perceiving in the south versus the north of Europe. Any particular region or area that is concerning you and especially focusing the minus 5% of the sales are in Europe.

Bruce Brooks - Fluidra SA - Non-Executive Director

Okay. So thanks for the question, Manuel. I think from a European perspective, we were pleased with the sequential improvement in the second trait -- in the second quarter and also pleased with July where it feels like the heat finally turned on, and we're seeing positive results.

Spain and France, we consider in Southern Europe were affected by weather than average weather, along with some macro uncertainties, specifically in the case of France, which we think delayed the start of the pool season. In Europe, we continue to see weakness in Germany, while some other markets are doing a bit better like Austria, UK and Eastern Europe. And broadly, we still see weakness in above-ground pools where all the other categories have really stabilized.

Manuel Lorente - Banco Santander - Analyst

Okay, thanks. And that's nice. Second question probably is on Bruce, you have a perfectly detailed a number of issues pointing out the very favorable plus 7% growth in North America. You mentioned Sunbelt exposure on market share gains, no correction in the inventory channel, mid to high product positioning. So I don't know it's difficult to assess probably.

But did you say that these very positive performance in the US, it's a contribution or mildly contribution from all these factors or do you believe that you will highlight one or two of them versus the other?

Bruce Brooks - Fluidra SA - Non-Executive Director

Yeah, I think that's a -- as you stated, I think that's a pretty hard one. I mean, we're really -- we're excited to see that the channel inventory is clean. I think that certainly helped. I think from my perspective, that elevation of our customer centric, easy to do business, global leading platform is key. I think the team is executing really well with a combination of innovation, integrations, new business initiatives, kind of like our commercial initiative or our aftermarket 2.0. They're all working well and therefore, we're gaining share. So I just wanted to give a big recognition to the team.

Manuel Lorente - Banco Santander - Analyst

Okay. Thanks and just my final one on the pricing trends. Since we are perceiving, let's say, a very different evolution between you guys and all the distributor peers. And do you perceive any, let's say, volatility in prices going forward?

Bruce Brooks - Fluidra SA - Non-Executive Director

No, I really don't and remember on the performance versus the distribution guys, we were in the exact opposite position last year. I think you're asking the question from the other side, I think it's too early to talk about price for 2025, but this industry has demonstrated over and over the ability to take price. And I would expect us to at least offset inflation, labor, transport and some of the other components as we look forward. So no real change.

Manuel Lorente - Banco Santander - Analyst

Okay. Super helpful. As usually grows and hope to the best.

Bruce Brooks - Fluidra SA - Non-Executive Director

Thank you.

Clara Valera - Fluidra SA - Investor Relations & Business Development Director

Thank you, Manuel.

Jingyi, UBS

Let's give a couple of seconds. We can't hear you, Jingyi.

Jingyi Zheng - UBS - Analyst

Hi. Hopefully, you can hear me okay now?

Clara Valera - Fluidra SA - Investor Relations & Business Development Director

Yes, we can.

Jingyi Zheng - UBS - Analyst

Good morning, all. Thanks for taking my question. I have two questions, if I may. So first one, I appreciate you don't guide into 2025 at this stage, but some of your peers have indicated confidence in new pool construction in Americas returning to growth in 2025. So I wonder is that what you are seeing at the moment?

And my second question is for the incoming CEO, Jaime, hope you are doing well and good to hear that transition has been very smooth so far. I wonder if you'd be able to share what are the key priorities for the near term, say the first 100 day at Fluidra and if and when we can expect a mid-term framework update? Thank you.

Bruce Brooks - Fluidra SA - Non-Executive Director

Okay, Jingyi, I'll take the first part of that one. I'm encouraged for 2025. I think what we're seeing in the market with sell through matching sell in right now, particularly in North America, means that the channel inventory is clean. I think it demonstrates again that the aftermarket is resilient. I

mean, this is a Bruce opinion I should qualify, but I think it means that we're near the bottom on new construction in the cycle. Migration, healthy outdoor living, all those things are still in play for the long haul.

So we expect 2025 to be positive and as Xavier said in his remarks, I think we're super well positioned for when volume returns.

Jaime Ramirez - Fluidra SA - Chief Executive Officer

Okay. From my side and nice to meet you. So my transition, my onboarding has been fantastic, as I mentioned before, and I'm very excited to be in Fluidra. Answering your specific question, in terms of priorities, first of all, I will continue working on what Eloy, Bruce and the team have put together is a phenomenal platform.

When I joined the company, I mean there is a clear direction on how we accelerate growth in Fluidra. Number one. Number two. How we continue with the transformation of this business, the Simplification Program they put in place. That will continue to be an ongoing process for the Company on how we become more agile and how we speed up, a lot of how we do things in the business. At the same time, working on innovation, as Bruce mentioned, is a key priority on how we can differentiate ourselves from our competitors.

And last, the piece on digital and technology, it's a real need that can make a critical difference for the business, can help the transformation of the business and can make us way better. So growth is a key focus area for us. In terms of when you will be able to see more detail on this, that's going to be in the Capital Market Day, that's going to happen in Q2 of 2025. And I will be working with the team on bringing all the information for all of you to give you a clear perspective on the future of Fluidra going forward.

Jingyi Zheng - UBS - Analyst

Great. Thank you very much. Looking forward to that.

Clara Valera - Fluidra SA - Investor Relations & Business Development Director

Francisco Ruiz, BNP Paribas Exane

Francisco Ruiz - BNP Paribas Exane - Analyst

Yeah, thank you. Well, first of all, I will add to the -- thanks to Bruce for this fantastic seven years, all your patience, all we have learned with you -- probably in my case, I will need another two or five years to learn a little bit more about this business but thank you very much. And I hope to see you in one of the events for the Company reorganizing in the future.

So most of my questions have been already answered, I would like to insist a little bit on the inventory in the channel because one of your -- two of your competitors, the distributor (inaudible) commented on some headwinds or leaner inventory situation in indeed and also, you could comment on the situation in Europe.

My second question is on the free cash flow. It's a technical question. You have other operating cash flow last year of EUR60 million negative this year, only EUR20 million. Is that EUR30 million payment that you have commented earlier or is this that if you have postponed some of the restructuring payments for the second half of the year.

And last but not least on working capital, we have seen the reduction on the working capital vessel sales. Last year, we did it extremely well in Q4. What's your expectation for the working capital to be at the end of the year? Thank you.

Bruce Brooks - Fluidra SA - Non-Executive Director

Thanks for the questions, [Paco], and also thanks for the kind words. It's been a great experience for me. So happy that has been good, both directions. I think from an inventory perspective, I feel like I've said it a few times today. I don't want to overemphasize it, but at the same time, we worked very hard to trying to match our sell-in with sell through and when you start to see that matching after all the volatility that we've had over the last couple of years with COVID and the supply chain, I think we're really pleased and convinced that the inventory in the channels is clean. And I think that's the best testament to it.

If you remember, the inventory in the channel was a much more significant factor in North America than it was in Europe with us being both the manufacturer and the leading distributor in Europe. You don't have that same amount of buildup. So we feel like from a European perspective, again, the inventory in the channel is pretty clean. We don't believe that we're building going into the future. We feel like we're in good position.

I pass the free cash flow on to my friend XT.

Xavier Tintore Segura - Fluidra SA - Chief Financial, Sustainability & Transformation Officer

Yeah, I'll take the next to free cash flow question. Simple answer, there Paco. It does reflect the one-off tax payment related to the old long-term incentive plan that happened in H1 2023. It's around EUR30 million of the variance where there's no delay in payments for restructuring or anything like that. It's just one off payment impacting the cash flow.

And then in terms of net working capital, our teams have done a -- continued to do a fantastic job in managing net working capital. We have performed extremely well in Q2 as well, but we still target that 18% to sales by year end of 2024, the target that we shared with you at the beginning of the year. So that's still a valid target.

Clara Valera - Fluidra SA - Investor Relations & Business Development Director

Alvaro Lenze, Alantra.

Alvaro Lenze - Alantra Equities Sociedad de Valores - Analyst

Hi. Thanks for taking my questions and also congratulations to Bruce on your achievements and welcome Jaime. Just we have seen a very different performance, these different messages between distributors and manufacturers, you're both. I just wanted to know you could maybe make a theoretical exercise. If you were to split Fluidra within manufacturing and selling products and the distribution, how those two business have performed.

I don't know if that's a bigger driver of performance or a smaller. Your performance has been more impacted by the difference in the geographies. So I think that could be helpful. Thank you.

Bruce Brooks - Fluidra SA - Non-Executive Director

Okay. So thanks for the question, Alvaro, and then thanks for the for the kind words. And I think it's a really difficult question to answer. And I think that where I would start is just by going the go-to-market strategy for us is very different in North America than it is in Europe. So in North America, we play as a traditional kind of branded manufacturer, where in Europe, where both the manufacturer and the distributor.

And I would also say the COVID surge, if you will, was much stronger impact in North America and therefore, the supply chain impacts were greater. So again, I feel really good about how Fluidra is positioned in both of the markets and how we're performing versus our peers.

Alvaro Lenze - Alantra Equities Sociedad de Valores - Analyst

Thank you.

Clara Valera - Fluidra SA - Investor Relations & Business Development Director

Thank you. We've got three more questions.

Tim Lee, Barclays.

Tim Lee - Barclays - Analyst

Hi. Thanks for taking my questions and congratulations to exceptional well results and for Bruce for your future development. I think most of my questions have been answered but I just want to understand more about the Europe market developments. So as you mentioned, sequential improvement in the second quarter and also in July. So I'm not sure whether you have any sense about when you think the Europe market can turn into positive sales development? This is something that you expect happening this year or probably next year. So I would love to hear what you think about the marketing --

Bruce Brooks - Fluidra SA - Non-Executive Director

Yeah, I think again, thanks for the question, Tim. I think Europe had a very difficult weather challenge in Q2. We usually say that weather is plus minus 1%. I have to say I believe it was more than 2% in the first half of the year. I'm super excited to see how hot it's been in July and that summer has finally come and to see the pace pick up, what exactly what will be in the back half, I think is a difficult call. But in the end, I think we do see Europe returning to positive in 2025

Tim Lee - Barclays - Analyst

And my next question would be about the end market developments, especially on the new builds. I think you mentioned it's probably at the lower end of your expectations around a [15%] decline for the full year. Can you differentiate between unlike in Europe and in US. How do you see the (technical difficulty) developments respectively.

Clara Valera - Fluidra SA - Investor Relations & Business Development Director

It's difficult to hear you Tim. I think I heard the question, could you give more color on the new build expectation --

Tim Lee - Barclays - Analyst

Yes, yes.

Clara Valera - Fluidra SA - Investor Relations & Business Development Director

US versus Europe let's say on your expectations.

Tim Lee - Barclays - Analyst

Yeah. Correct

Bruce Brooks - Fluidra SA - Non-Executive Director

Okay. I actually think it's going to end up being fairly similar in both US and Europe for this year at around down 15%. So again, it will vary in Europe, country by country. We see Germany and France a bit on the higher end and some of the other southern Iberian Peninsula in a little bit better shape. So it varies. You could say the same thing in the US. I mean, we see the Sunbelt performing better than we do the snowbelt or the seasonal markets. And again, I think in all markets we see the higher ends -- the mid to higher end non-finance pool being performing better.

As far as the longer-term outlook, it's always a difficult one to call. I might be, say too early to say what we think it will be for 2025. But I still believe in the long-term correlation or soft correlation that we've seen for, I don't know, 30, 40, 50 years in the industry, which is linked to new housing starts and that link is about 10%. So clearly, we are very low against what that run rate would be at least in North America. And I would expect over time that it would return towards that norm.

Tim Lee - Barclays - Analyst

It's clearly. Excellent. That's very helpful. Thank you very much.

Clara Valera - Fluidra SA - Investor Relations & Business Development Director

Christophe <unk>, Berenberg. Christoph, please go ahead.

Christoph Greulich - Berenberg Bank - Analyst

Good morning, and thank you for taking my questions. Yes. So three from my side, please. First one, regarding the follow-up on the statements you made regarding the market share gain, yeah, if you could just let us know if there was more pronounced for a specific product category and also in specific regions or states or if it's really quite similar across the board.

And then if you could also clarify on who you're taking that market share from? Is it your large competitors or is it more from the fragmented tail of the market?

Bruce Brooks - Fluidra SA - Non-Executive Director

Okay. So there's not a great industry statistics. And so we do this in a number of different ways, Christoph. So interesting question, tough question, but I think -- what I would point you to is, don't get hung up on quarter over quarter, especially in a space like this in the seasonal space where we've gone through something like COVID.

I would just steer you back to the run rates over, let's call it a three-year period or a five-year period. And it's impossible for me to say exactly who were or where they're coming from. But I think we've had good success with our innovation, specifically connected product, where we are leader. I love the expansion into some of the categories like commercial ladders and rails, white goods that some of our acquisitions have put us in place to do and therefore being able to take advantage of our really broad global footprint.

So I just feel again, like the team is executing very well on our customer-centric approach, and I think it shows up in the numbers over time.

Christoph Greulich - Berenberg Bank - Analyst

Great. The next one would be regarding the commercial markets. You mentioned also briefly in the presentation as a growth area for the Group for the years ahead. Just if I look in the appendix of the presentation, I mean, we see that in Q2, your commercial segment actually had an organic

decline, a slight one or minus one. I think, from a quite strong increase in Q1 of around plus 10%. So just trying to understand what happens, if you will, kind of trend you expect also in H2?

Bruce Brooks - Fluidra SA - Non-Executive Director

Yeah, sure. So we like the commercial space long term because certainly we feel like we're under indexed to the market. H1 year to date, commercial pool is still growing. In Q2, we saw a bit of a slowdown in EMEA impacted by some timing, some macro uncertainty specifically in France. And I think the unfavorable weather.

On the other hand, North America continues to gain momentum with really strong growth. Commercial represents about 10% of our demand. And again, we're underrepresented. So I think it's a great growth opportunity for us for long term.

Christoph Greulich - Berenberg Bank - Analyst

And then the last one is just a brief technical one on the net financial results, as I probably want to ask Xavier. Yeah, just wondering what is the step-up between Q1 and Q2 here. I think we went from EUR13 million in Q1 to EUR22 million in Q2. Are there any extra one-offs effect in there or what has driven the increase?

Xavier Tintore Segura - Fluidra SA - Chief Financial, Sustainability & Transformation Officer

No, there's nothing there other than, you know, a little bit of higher use of credit lines and a little bit of FX impact. Nothing more.

Christoph Greulich - Berenberg Bank - Analyst

Geart, thanks a lot for the answers and all the best to you Bruce.

Bruce Brooks - Fluidra SA - Non-Executive Director

Thanks, Christoph.

Clara Valera - Fluidra SA - Investor Relations & Business Development Director

Luis de Toledo, ODDO.

Luis de Toledo - ODDO BHF - Analyst

Good morning, thanks for taking my question. First to working capital improvement, but specifically to the improvement in trade payables also in other payables, I don't know if there's situations to that. You have reiterated your working capital targets, but if you've noticed any structural improvement, is a seasonal factor or something you can comment on that front? Thanks.

Clara Valera - Fluidra SA - Investor Relations & Business Development Director

(inaudible) Could you repeat that? I guess you mentioned the improvement in payables. I understood you meant, is it returning to the structural level where it should be or is it seasonal? I think that was your question. Did I get that right?

Luis de Toledo - ODDO BHF - Analyst

Yes.

Xavier Tintore Segura - Fluidra SA - Chief Financial, Sustainability & Transformation Officer

It is getting back to a normalized level. Remember that in late 2022 and early 2023, we had significant level of inventory that we were trying to work out, both ourselves as well as inventory in the channel. Therefore, our plant and our procurement teams were running at very low volumes. We are, as we said, since late last year, are back to normal and therefore, plants are running at normal speed.

And therefore, you're seeing that volume on payables. So we are going to see a little bit of help on payables. As you have seen in H1, you will see that also in H2. There's a little bit of a seasonal component as well, as you know, we tend to go up in working cap, in especially Q1 and Q2, and then we come down in Q3 Q4.

Luis de Toledo - ODDO BHF - Analyst

Thank you.

Clara Valera - Fluidra SA - Investor Relations & Business Development Director

Thank you, Luis. Thank you, Xavier.

And the next question comes from at Bank of America. I think from -- either Alex or Anna? I'm not quite sure of it.

Unidentified Participant

This is Anna on for Alex. Just a quick one from me. We saw your comment on the July trading being in positive and wondering if you could give us a little more detail there, is that across geographies, any key areas of strength to call out? Thanks for taking the question.

Bruce Brooks - Fluidra SA - Non-Executive Director

Yeah, no problem, Anna. Obviously, July is not closed on the order book, and so we just wanted to give a little flavor, but we were super pleased to see that July was strong around the globe. So it was really in all our markets.

Unidentified Participant

Great. Thank you.

Clara Valera - Fluidra SA - Investor Relations & Business Development Director

Thank you. that marks the end of today's call. I'd like to thank our speakers and the participants for joining the call. And if you have any further questions, please contact the Investor Relations team. Thank you.

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