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FLUI.MC - Q1 2021 Fluidra SA Earnings Call

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PRESENTATION

Luis Boada *- Fluidra, S.A. - IR, Corporate Communications & Business Development Director*

Good morning, and welcome to Fluidra's 2021 First Quarter Results Presentation. I am Luis Boada, Investor Relations, Corporate Communications and Business Development Director at Fluidra, and it is a pleasure to be presenting our results to you today. Today's presenters will be Mr. Eloy Planes, our Executive Chairman; Mr. Bruce Brooks, our CEO; and Mr. Javier Tintore, our CFO.

You can follow this presentation in its original English version or in entirety in Spanish. You can select your preferred option in the drop-down menu at the bottom right of your screen. Today's presentation will include live Q&A. (Operator Instructions)

Today's presentation is accessible through our website, fluidra.com and was uploaded pre-market open to the CNMV as well. The replay of today's presentation will be made available on our website shortly after we finish.

Let us start then with the presentation by opening the floor to our Executive Chairman, Mr. Eloy Planes.

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

Thank you. Luis. Hope you are all safe and well. Some weeks ago, we had the pleasure to host our fifth Capital Markets Day and present our plan and initiatives for our company's stronger future. Today, I'm glad to report that Fluidra has recorded its strongest quarter ever. As Executive Chairman, I feel very proud of our team. I would like to start again by thanking them. They are the key factor behind Fluidra's strong figures.

Bruce and Javier will dive into the numbers later, but let me make some comments before. Superb Q1 execution, which combined with importance of outdoor living and the flight to the suburbs trend, have driven our great figures this quarter. We posted a magnificent 60% base growth from an already positive Q1 2020, and we expect a very strong 2021 residential pool season.

Our excellent cash generation allowed us to maintain our target leverage ratios even after closing 3 acquisitions this quarter and proposing to the Annual General Meeting, to be held some hours from now, EUR 78 million dividend distribution, nearly doubling the EUR 41 million distribution of 2020.

Probably the most important Capital Markets Day topic for me was unveiling our ESG-focused responsibility blueprint plan, including a case study about our pool system being the most efficient in the planet. The key points of this plan are the introduction of ESG performance-based variable remuneration for managers, the commitment to becoming carbon neutral in 2027 in terms of Scope 1 and Scope 2, the commitment to aiming for 0 net wage gap between men and women by 2024 and the commitment to reaching a rating score of 80 by 2030 based on S&P Analysis. You can learn more about our ESG responsibility blueprint in our website, fluidra.com, in the section Responsibility. A summary of it is included in the fifth Capital Market Day presentation, which you can find in our website as well.

As you can tell, our business fundamentals remain extremely strong. In fact, when you look at our last 12 months performance, we have already surpassed each of the targets in our 2022 strategic plan. That is over a year ahead of schedule. Remember, my Capital Markets Day comment of this being the end, the end of the beginning. We have a superb team that has managed to build a leading company and the best opportunities lay ahead of us.

Despite the unusual quarterly comparisons, the expected strong season, combined with the strength of our company, set the foundation for a new upgrade in our 2021 guidance. This is really a fantastic news.

And at this point, I give the floor -- the pool to Bruce, Fluidra's CEO, who, along with our CFO, Javier, will provide a deeper look at the 2021 first quarter figures and outlook.

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

(foreign language), Eloy. It's a pleasure for me to join you from Barcelona to share our earnings for the first quarter of 2021. Let me start with comments on our overall performance and highlights for the quarter and then turn it over to Javier, our CFO, to provide more details on the financial results. I will then return to provide some color on our outlook.

The numbers you see on Slide 5 are the 2020 and 2021 financial highlights for the first quarter. 2021 has started off incredibly strong. Our industry-leading global platform continued to demonstrate its value as we saw extraordinary growth in the quarter compared to an already positive Q1 2020, chasing the very strong demand in the channel and putting us in excellent position for the rest of the year.

In this quarter of 2021, sales grew 60% adjusted for currency and perimeter compared to the same quarter of 2020 to EUR 508 million. This superb growth was driven by strong continued demand in Residential Pool. Adjusted for currency and perimeter, EBITDA and EBITDA grew 173% and 256% to EUR 135 million and EUR 119 million, respectively. Both measures showed excellent operating leverage.

Cash earnings per share grew an outstanding 412% adjusted for currency and perimeter to EUR 0.42 per share. On operating net working capital, we ended the period 6% lower on currency and perimeter adjusted basis at EUR 449 million, improving the ratio to sales by 600 basis points.

Our net debt stood at EUR 977 million, having increased 7% on a currency and perimeter adjusted basis. Our last 12-month leverage ratio reduced a full turn to 2.4x despite an increase in net debt due to strong M&A activity.

Finally, I'm very glad to share that we have already surpassed our EUR 40 million cost synergies total target, exceeding the original target by more than EUR 5 million. The integration is officially complete. Great execution by the team.

Moving to Page 6. Let me share some highlights for the quarter. But before we do, I want to express our gratitude to the dedicated team of Fluidra that I'm fortunate to lead in these extraordinary times. Results like these month after month are not easy. They put significant strain on our infrastructure. Special thanks to all our supply chain and customer-facing employees for their tireless efforts.

The step change in the industry demand continues the hard experience and confirms the strong fundamentals of the business and the resilience of the industry, positioning us well to achieve our medium-term targets, as shared during our Capital Markets Day. We are seeing strong sell-through that along with the Texas freeze pool pros anticipating a strong 2021 pool season. It's important to keep in mind, quarterly comparisons are unusual due to COVID-19 impacts.

As we shared with you in the past, we put forward an additional price increase this year as we started to experience inflationary pressures on shipping, raw materials and some components. We still see this inflation pressure, which partially offsets gross margin expansion initiatives. Moreover, we saw marginal supply chain impacts for the quarter despite significantly increasing our Q1 production output as we continue to catch up to the strong demand, pressuring our preseason inventory levels.

Let's move to capital allocation. We have proposed increasing the dividend by 90% with a payout of EUR 0.40 per share to be evenly split into 2 payments as part of our approximately 50% cash net profit distribution policy.

On the M&A front, following the acquisition of Built Right early in the year, we also acquired CMP, a U.S. manufacturer of pool and spa components, that will further strengthen our leadership position in the pool and wellness industry. The acquisition values CMP at EUR 205 million and is expected to be cash EPS accretive from day 1.

We also strengthened the fast-growing mass market channel with the agreement to acquire the Splash and Zen businesses, which consists of the sale and distribution of a range of pool and spa maintenance products in Belgium. The transaction is expected to close in the second half of 2021 for EUR 3.5 million fixed payment and 3 additional revenue contingent earn-out payments for years '22 to '24.

Continuing this string of good news, the Spanish Technical Advisory Committee announced that Fluidra was selected to become part of the main index of the Spanish Stock Exchange, the IBEX 35, as of March 29, 2021. This inclusion strengthens the visibility of the company and its presence in passively managed and indexed funds.

Lastly, I would like to share an important milestone that underpins our ESG focus. We converted our syndicated revolver credit line of EUR 130 million, which was signed off on in 2018, into green financing, also called ESG-linked loans.

Turning now to Page 7. You see the sales evolution by geography, and I'll try not to run out of superlatives here. During this quarter, global sales grew 60% compared with the same period of 2020 on a constant FX and perimeter basis. Southern Europe's excellent momentum continued with currency and perimeter adjusted growth of 63%, driven by France, Italy and Spain. The rest of Europe also continued to deliver stellar results with the constant FX and perimeter adjusted growth of 66%, driven by outstanding performance in Germany. North America accelerated its growth momentum with sales up 86% on a currency and perimeter adjusted basis for the quarter and staggering 101% for the quarter, including CMP

Residential Pool's large aftermarket-led base was favored by the flight to the Sunbelt trend and the Texas freeze disaster. The rest of the world saw sales grow 9% for the quarter on a currency and perimeter adjusted basis. It is encouraging to note that this area saw double-digit growth in residential markets, which more than offset the weaker performance in the Commercial Pool segment. This overall performance demonstrates the continued and accelerating growth or step change of our business and strength of our market's fundamentals.

Next, on Page 8. We see the evolution by business unit. Residential Pool is our largest segment and accounted for 76% of Q1 sales. It grew 78% for the quarter, supported by strong demand due to the flight to the suburbs trend and favored by the focus on outdoor living.

As expected, Commercial Pool continued to be impacted by COVID-19's effect on the hospitality sector, with a decrease in sales of 13% for the quarter. New projects execution and leads remain soft. This compares to a strong double-digit growth Commercial Pool contribution in Q1 of 2020.

Pool Water Treatment grew 40% for the quarter. This business unit saw a very strong performance of the Water Care Equipment segment and a positive evolution in Chemicals. The Fluid Handling business grew in an excellent 37% for the quarter and benefited from North America's strong performance and a greater contribution from refurbishments and new builds.

In summary, our global footprint continues to play an integral role in helping us deliver strong growth, together with excellent cash generation. Again, I want to thank our talented team of more than 6,000 employees and business partners for their agility, positivity and sacrifices during these challenging times. Moving at full speed and keeping our customers and values at the center of all we do makes me know that we are truly one Fluidra, ready to continue executing the many opportunities that lay ahead of us.

With that, I'll turn it over to Javier to explain the financial results in more detail before I return to share our outlook and guidance.

Javier Tintore Segura - *Fluidra, S.A. - CFO*

Thank you, Bruce. Let's turn to Page 9 now. In order to provide you with a consistent view of the performance of the business, the profit and loss account in this page excludes nonrecurring expense in the cost of goods sold and OpEx line. Below EBITDA, you have the nonrecurring charges identified in one caption. In addition, in the appendix, you have the reported P&L with all the nonrecurring expense properly classified by nature. I am very pleased to share with you this excellent record-breaking quarter. Congratulations to the team.

Let's get started. Sales growth of 61%, that is 65% adjusted for currency and 60% adjusted for currency and perimeter, showing an acceleration over the strong sustained growth rates that we saw in Q3 and Q4 of 2020.

Gross margin reached 53.9%, 10 basis points higher than prior year, driven by price increases and positive impact of cost synergies, partially offset by commodity and freight inflation and country and product mix.

Operating expenses of EUR 139 million with an increase of 19% showed excellent operating leverage as a result of the significant volume increase in a well-managed expense base.

Provision for bad debt is EUR 1 million, or 0.2% of sales, with a significant decrease when compared to last year, driven by the good industry situation around the globe.

EBITDA reached a record EUR 135 million, with an increase of 162%, driven by higher sales volume, margin gains and excellent operating leverage. EBITDA margin reached 26.5% with an improvement of 1,020 basis points. I want to highlight one significant point that is not included in this slide. Our last 12-month EBITDA now starts with a 4, having reached EUR 404 million and representing a margin of 24%.

Nonrecurring expense of EUR 7 million showed an increase of EUR 3.4 million due to the M&A activity in the quarter. That includes CMP, Built Right and Zen and Splash deals as well as an increase of the stock-based compensation as a result of the improved performance.

Net financial result is EUR 7.2 million, 51% lower than 2020. The decrease is driven by lower leverage and better FX impact as a result of higher volumes and margins and great operating and financial leverage. Net income for Q1 reached a record EUR 67 million compared to a small profit of EUR 1.6 million in 2020

As you know, we track cash net profit, a good indicator for Fluidra as we have a very significant amortization entirely purchase accounting-related that impact our net profit and EPS calculation. Cash net profit, which is also a record amount of EUR 81 million with a 360% increase.

Page 10 shows the evolution of net working capital for the group. Operating net working capital reached EUR 449 million, flat to 2020 despite it includes EUR 38 million of acquisitions, which is mainly driven by the incorporation of CMP. It represents 27% of sales, an improvement of 600 basis points to prior year, which is linked to the significant increase in the level of activity.

On inventories, 22% increase over 2020. This is 10 points organic and almost 12 points acquisitions, driven again mainly by CMP. We invested into inventories for the start of the year, but clearly not to the level of demand that we have seen in Q1. And we continue to work hard to adjust our supply chain.

Account receivable continues to perform nicely, driven by a better geographical mix and good collection patterns around the globe. Acquisition represents 5.5 points of the increase. Accounts payable increase can be split in 32 points organic and 8 points inorganic. The increased level of activity drives the growth.

On the earnout and other items front, the most significant earnout is Fabtronics with EUR 5.8 million.

The following page shows the free cash flow statement for the first quarter as well as the net debt evolution. As you know, Q1 is an investment quarter due to our seasonality. From an operating cash flow perspective, the company has used EUR 95 million, that is EUR 35 million less than last year, driven by better results and lower interest paid, partially offset by high use of cash from net working capital and higher income tax paid .

On the investment section, there is a significant swing as during 2021, we have completed the acquisition of CMP and Built Right. Even with these material acquisitions included in our net debt, but with most of its contribution in the EBITDA -- but without most of its contribution in the EBITDA, our leverage ratio show a full turn of reduction in the last 12 months from 3.4 to 2.4.

So in summary, this is the best quarter I have ever presented, a phenomenal performance that prepares us for an excellent 2021. And with that, I will turn the call to Bruce and Eloy for the closing.

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

Thanks, Javier. Moving on to Page 12. Let's talk about our outlook and specific guidance. As discussed in today's call, we saw an excellent start to the year. April followed the strong step change momentum that confirmsthat2021willbeagreatyearforFluidra. As noted earlier, please keep in mind that due to the pandemic, quarterly comparisons will make little sense with lower comps during the first half of the year and a strong second half due to the pent-up demand, so we need to focus on the full year.

Despite our on-purpose push to accelerate funding for long-term future growth, including our IoT and new product strategic initiatives, CapEx is expected to remain in the 3% to 3.5% of sales range, including continued capacity expansion to support the step change in volume.

We are upgrading our guidance for 2021 as follows: sales growth between 25% and 30%; EBITDA margin between 23.7% to 24.7%; cash EPS growth of between 50% and 60%. It's important to point out that this guidance should be taken with the following assumptions: growth rates at constant FX and include already executed M&A, which contributes 6% plus growth; we're not assuming any COVID-19 resurgence shutdowns; tax rate of around 28% and assumed current FX rates.

Our highly cash-generative business will see us continue with our policy of accretive capital allocation. We see ourselves as market consolidators through a disciplined process that delivers value on the capital employed, and the M&A pipeline for 2021 continues to be strong.

And now back to the Chairman to wrap up the prepared remarks before moving to Q&A.

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

Thank you, Bruce. Thank you, Javier. Our execution during Q1 was very strong, and the market dynamics present very encouraging prospects, as you have seen from today's presentation. We are experiencing a step change, aided by the flight to the suburbs with the pool as the anchor of the backyard experience, confirming once again, the strong fundamentals of the business as well as the industry resiliency. This position us very well to achieve our medium-term targets while we remain cautious and ready to execute against a dynamic market.

Our strategy and our investment thesis are demonstrating continued success and remain unchanged. We are the global leader in a resilient and attractive market, exhibiting a strong structural growth. We drive our business through our customer-focused platform, leading the fuel in IoT where we are investing for further growth, delivering continued margin expansions and strong cash conversion. This strong growth, combined with margin expansion and accretive capital allocation initiatives, including potential for further inorganic growth, deliver attractive and improving returns on capital.

We are delighted with our overall results in this quarter, but more so as we look into the future, expecting a very strong 2021 as reflected in our new guidance. Thank you for joining us today and for your continued interest. I hope you all stay safe.

And now I will turn the call back over to Luis to begin the Q&A session.

QUESTIONS AND ANSWERS

Luis Boada - *Fluidra, S.A. - IR, Corporate Communications & Business Development Director*

Many thanks, Eloy, Bruce and Javier, for your presentation. We will now begin the Q&A session. (Operator Instructions). Katy, please go ahead with the first question.

Operator

So our first question comes from George Featherstone from Bank of America.

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

Congratulations on a very strong quarter. My first question would be, is it possible for you to separate and quantify the contribution to Q1 from the Texas freeze disaster and also the pull forward effect that you've mentioned?

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

Thanks for the best wishes there. It is quite an extraordinary quarter. As far as the Texas piece, we think the Texas piece is worth about EUR 30 million to EUR 40 million of sales on an annualized basis. And we would say that less than half of that kind of came through in the first quarter. As far as pull forward, that's much harder for us to tease out. And frankly, probably would have been easier to see this if it wasn't for the backlog of orders that we have at the moment. So I think there's just a sentiment out there, George, that it's going to be a very strong season, and folks are trying to prepare as best they can for the season once it really kicks in.

Javier Tintore Segura - *Fluidra, S.A. - CFO*

Thanks for your question, George. Sorry, go ahead.

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

Sorry. So in terms of the refurbishment activity that you're actually seeing in Texas, how would you characterize this coming out of the unfortunate disaster there? Is it a case that when looking to refer the pool owners, they are also upgrading at the same time and perhaps including more of the IoT-based equipment?

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

I think it's really more specific one-offs, George. It's -- what happens in Texas, and just to remind everybody is, those pools are not set for freeze protection. And when they lost electricity for several days, and it was more than just Texas. I mean, there were several other states around it all the way to the panhandle of Florida. You see cracked valves, cracked filters, cracked pumps, those types of things. So this is a more kind of urgent triage, if you will, to get the pool back up and running as opposed to a remodel trend.

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

My final question would be, how should we think about the momentum in newbuild activity? Can you give us some color on the backlogs for pool professionals by region?

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

I'll give it to you -- sure, I can give it to you for everywhere but South Africa and Latin America. So the backlog for build has gotten quite strong and continues to move to the right, as we like to say. So right now, we're seeing pretty much 6 months and beyond in the Northern Hemisphere. And in many cases, we're now out into 2022. So that's the same trend, really, in the U.S. as we're seeing across Europe, which is fantastic for us.

We've also seen the new build demand pick up in Australia. And they're starting to report that the backlog for new build in Australia is moving into the back half of the year. So -- and I guess the only other thing I would add there, George, is that leads remain strong. So we think this is not about the pandemic and the lockdown at this point, but more of the macro trends of the flight to the suburbs, the outdoor living and with the pool really being the anchor of that backyard experience.

Operator

Our next question comes from Iris Zheng from Crédit Suisse.

Xiaolu Zheng - *Crédit Suisse AG, Research Division - Research Analyst*

Congratulations to you, Eloy, Bruce, Javier on a fantastic quarter. I've got quite a few questions, but I will stick to 3 and go back to the queue. So my first question is just on the cost inflation. And can you give us a bit flavor on how much the input costs have risen for you and if you plan for any extraordinary price increase?

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

Okay. So I'll take that first one, Iris, and thank you. Our current forecast is about EUR 15 million to EUR 20 million of incremental inflation this year beyond what we had planned for. I'll remind everybody that we took already an extraordinary price increase in our eyes. We took our usual preseason increase in North America and -- which would have been in October of last year, and Europe at the beginning of January. And then we have since taken another price increase, really, across the board of more than 2% in Europe that kicked in, in the beginning of March and more than 3% that kicked in at the beginning of April in North America. We're still in the setting process of what we will do for the Southern Hemisphere as we're prior to their season.

But we think these 2 price increases put us in pretty good shape against the inflation that we see out there, especially when you combine it with the value improvement and lean initiatives that the teams continue to drive. So we feel like we're going to be able to offset the headwind that we see.

Xiaolu Zheng - *Crédit Suisse AG, Research Division - Research Analyst*

Great. My second question is on the inventory because you've mentioned that the demand in Q1 was so good that you were not maybe fully enough to cater for the demand. So can you maybe quantify, so have you been able to fully fulfill the demand? And then how much the growth could have been, basically to quantify the impact that could may be moved to the future quarters?

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

Yes. So what I would tell you, Iris, is our supply chain team has been phenomenal. We have increased our capacity in Q1 by over 70%, and we've got extra shifts that we've put on, additional molds. I mean it's a paint line for our gas heaters. I mean, every line we're looking at, where is the bottleneck and where can we invest to break through? So we continue to do that. And I think the team did phenomenal at that, more than 70% in production in Q1.

With that said, it was not enough to fully fulfill all the orders that we have, but we're not at a point where we can share the type of backlog and that type of detail. So I hope that helps.

Xiaolu Zheng - *Crédit Suisse AG, Research Division - Research Analyst*

Yes, sure. That's fully understandable. And my next question is on competitive landscape. Because Fluidra is relatively a later reporter versus the other peers of yours who have already reported, so if we compare your performance with some of your peers in Q1 and also the full year guidance, so it sounds like, for example, you have 1 peer that has grown like 40% to 45% -- that is guiding at 40% to 45% percent growth for the full year, while as the other ones may be guiding more for like mid-teens. And if I look at Fluidra, the implied organic growth is about around 20% for the full year.

So I wonder if this is -- you think maybe some elements of competitive landscape changing with some gaining shares? Or maybe it's just different -- management teams' different levels of cautiousness and optimism? And also maybe not just among the bigger peers and also among smaller peers, how do you see the market share has been changing in the recent quarters, especially post-COVID?

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

Okay. There's a lot to unpack in that question, Iris. So I guess, from a -- and I really can't reflect on the exact timing of some of our competitors' numbers and results. And I think when you have early buy dynamics and quarterly and kind of the demand acceleration that the whole industry is seeing right now, there are going to be some unusual comparisons. And I would say it's going to take some time to see how the overall market share position would play out.

We look at market share on an annualized basis. And I would say for 2020, we saw our typical point-type plus share expansion. We saw particular gains and momentum in IoT, in heat and in some of our cleaning from some of the new products that we launched. We see continued progress in the aftermarket, specifically in North America. And when new construction accelerates, that certainly favors Fluidra because we have a very strong position in new construction. And last but not least, I mean, we did do a few deals that helped us continue to consolidate the market.

When you look at it on a quarterly basis, again, I just don't -- I don't think we can go there. I mean, I think it's an excellent market for the industry. I would say we probably are seeing some benefit, especially versus smaller players as it relates to supply chain strength. And really having the global footprint that we do and the team that we do and the scale that we do allows us to leverage in this environment. I mean, it's an environment where components can be scarce, especially electronics, even resins these days. So our scale certainly helps us there.

As far as overall market share for '21, it's obviously way too early. This season really hasn't run. But I think we're confident we'll still see our typical type of share growth in '21.

Operator

(Operator Instructions) Our next question comes from Miguel González from JB Capital Markets.

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

Congratulations for the results. Most of them has been answered, but I've got a follow-up on a previous question. After this extraordinary results and increase in full year guidance, in which your guidance has increased significantly to more than 25%. I'm more interested on your long-term view not affected by the same trends we saw during the pandemic. I don't know if you could give us your view on 2022 revenues, for instance, whether you expect that sales decline compared to this year, or do you expect to continue growing. Would you keep the -- your 6% revenue guidance growth also for 2022?

And related to this, I wonder if you could provide how much of the total revenues for this quarter relate to new build activity. I guess most of this growth came from aftermarket sales.

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

Okay, Miguel. Thank you for the question, and thanks for the congrats. I think it's probably too early to give you specific guidance on 2022. But let me remind you, I guess, how we're thinking about it especially from the Capital Markets Day, and nothing's really changed from this. New pool leads remain strong. And backlog's moving into early 2022, which is great. I think maybe we'll go over the historic peak of pool builds, but in certain key markets like the U.S., we're still below the long-term average so we still feel good about new construction.

I think the important thing for everybody to remember is that as new construction accelerates, it just feeds into a larger aftermarket, which is more than 75% of our global market, which is great because it drives growth there. I think you're seeing inflation and average ticket increases have been really kind of above what we have historically seen, which is part of why we see the market continuing to grow.

I think you'll see commercial really begin to recover, whether it's in late 2021 or beginning of 2022. We still expect to increase our share and expect to continue to consolidate the market. So we still see a lot of positive signs for 2022 and, really, the midterm as we look forward.

Operator

Our next question comes from Christoph Greulich from Berenberg.

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

My first question is, there's one thing which should have impacted your year-over-year growth in Q1, and that's the shift of the early buy orders from Q4 last year into Q1 last year. So could you give us any idea or color on how meaningful that shift was for the year-over-year growth in the first quarter?

Javier Tintore Segura - *Fluidra, S.A. - CFO*

Christoph, we really don't provide guidance in terms of early buy and carry out into -- from quarter-to-quarter. I think the important point here is that the evolution of the demand is quite strong, and we continue to see these trends up to now accelerating. So business is strong and the carryout from quarter-to-quarter continues to be strong.

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

Yes. And then you mentioned during the presentation that there was a negative impact from the country and product mix. Yes, could you provide a bit more color on that?

Javier Tintore Segura - *Fluidra, S.A. - CFO*

Sure. It's a little bit a trend that we commented last year, several quarters. As you know, we -- especially in Europe, we carry distribution of several products, and this is especially true in the Northern parts of Europe. That accelerated growth in those product categories and, in some of those countries, has an impact in the mix as well as product. For example, a category that has grown quite significantly in the quarter is above-ground pool, carries slightly below average margin. So those are the same trends that we saw last year that have a negative impact on our mix.

Operator

Our next question comes from Manuel Lorente from Mirabaud.

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

Probably the first one is what has changed in 3 weeks for this new guidance?

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

Truthfully, Manuel, nothing. I had a feeling we might get this question. But for Capital Markets Day, we really wanted to focus on the mid and long-term and focus on strategy and our ESG initiatives and things like that. And we just had a sense that if we move the guidance and it would all be about the quarter and the short term. So we knew we had the 2 dates set up and we chose just to focus on that midterm on the Capital Markets Day and then share this with you today.

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

Okay. So midterm-wise, due to the fact that the strong 2020 and even stronger 2021, does it change anything? Because, of course, the quality way of thinking might not change in the sense that dynamics remains pretty solid, but the quantity of the numbers are significantly better than you would probably have expected.

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

So what we tried to keep referring to is that we're in a step change today, right? And there's a significant acceleration. You can see it across the industry. But the question, I think, that you're really asking is what happens after the acceleration? And we continue to believe that although the industry will normalize, that we feel good about our midterm projections. I think we talked about 6% to 11% type of top line growth, and we still feel good about that.

New pool construction continues to go. It's still below its long-term average in the U.S. Every new pool that adds just increases the aftermarket. And we're seeing excellent progression in average ticket. And we know that there's going to be price. So as long as we continue to execute as a team, we feel confident that we can continue to grow off of these accelerated basis. What we can't tell you is how long this acceleration is really going to run for before it normalizes.

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

Because doing simple math, I'm looking at Bloomberg and 2023 consensus is pointing to EUR 1.9 billion revenues and roughly EUR 470 million-something of EBITDA. And I'm telling you, doing simple math looks like your 2021 looks pretty similar to what currently consensus is expecting from 2023. That's a good way to sum it up, the current dynamics?

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

We're pointing that out to everybody. We agree.

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

All right. Okay. And probably my final question, sorry. When you are referring to strong April, can you give us an order of magnitude? Because we are moving here a little foggy. It is something similar to what we have seen in Q1? Or a little bit better? Or a little bit worse?

Javier Tintore Segura - *Fluidra, S.A. - CFO*

Yes, Carlos -- Manuel, we don't -- as you know, we don't comment on the specific growth rate for the month. We continue to see strong performance. Remember, however, that April last year was an easy comp because it was the month that was the most impacted by the pandemic. So, really, the comparison, on a monthly basis, doesn't really make that much sense or add any value. The market continues to be very strong with the same trends that we have seen during the last few quarters. And as you have seen, they have accelerated in Q1. So good, strong positive business.

Operator

Our next question comes from Paco Ruiz from Exane.

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

Congratulations for the strong figures. And also, I apologize because it's becoming more and more difficult to surprise us in the future. So I have 2 questions because most of them have already been answered. But first one is if you could give us some light on what's happening in the rest of the world markets. You commented on the pickup of the demand in Australia, but how about the other countries?

And second one is on utilization capacity, not only on the full professional, but also in your own utilization capacity. With such a big increase, how is the current situation? And despite you commented that you don't need any further CapEx expansion, what are the current levels?

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

So Paco, I guess, to start on the rest of the world sales. We're finally seeing a little bit more momentum in the rest of the world. We saw a double-digit increase on the residential components. I have to say it is our strongest commercial market, especially Asia. And we saw strong -- still a double-digit decrease in commercial in Asia. So for rest of the world to get positive was a good trend. We had a number of significant projects that were completed in the first quarter of last year in Asia. So that was a tough comp. So we're seeing the Australian market get a little bit healthier.

I would say South Africa, which is also a significant market, is maybe just okay. I still continue to see them as the market that's been the most impacted by the -- economically by the pandemic. So we don't see the same level of momentum in South Africa that we tend to see in the Northern Hemisphere. And then I'd say Latin has been pretty strong.

Javier Tintore Segura - *Fluidra, S.A. - CFO*

And Paco, to your second question in terms of utilization capacity and so on. We've -- I mean, I think Bruce has already commented to an earlier question the fact that we have increased capacity, taking a look at the different bottlenecks that we had at the manufacturing plants and outsourced contractors as well in order to be able to supply to this extraordinary demand that we have had in the quarter. We will continue to do so.

And in terms of CapEx, we will continue to move the company around this 3 to 3.5 percent of sales. In the past, this number used to be something around EUR 50 million or so. Clearly with expanded revenue that you are seeing, this is going to mean that we're going to spend EUR 10 million to EUR 12 million more. So we're going to be around that EUR 60 million to EUR 65 million in terms of CapEx for the year as we fund this additional capacity and also some future initiatives to further increase our growth.

Operator

Our next question comes from Alvaro Lenze from Alantra.

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

Congrats again for the very strong results. Most of my questions have already been answered. I just wanted to know, again, looking at CapEx, hopefully not repeating other people's questions, but how are you being able to increase capacity? I understand that you have much more demand. Are you rotating the SKUs or changing your focus from one type of product that you produce now more internally than others? Or maybe you are outsourcing some lower value-added products to incorporate these higher value-added products in your own production lines? And whether the price increase that we are seeing is mostly driven by this change in mix towards higher value-add in pools or whether it is just pure price increases that you explained today that you made in April and March?

And also second question would be on M&A. And in the past, you have mentioned that North America, of course, and Commercial Pool were key growth areas in terms of potential acquisitions. I was wondering whether the strong prospects for the residential market changes this view at any point, or maybe you are now more focused in increasing capacity inorganically as well in residential or whether commercial remains a key focus area.

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

Okay. I think we've answered the capacity question, but I'll try to maybe give you just a bit more color on it. I guess, in a way, the answer to your question is yes. We have outsourced a little bit of additional molding capacity, particularly on lower value type of things. We have increased our shifts, number of shifts. We've increased manpower. We have looked at individual lines, by line, where the bottleneck was.

So for example, in pumps, we've increased over 80%, but we had to add some new wet ends and some additional tool capacity. Filters, we've added new tools. Cleaners, we've got dual sourcing with our subcontractor. Gas heat, I talked about the painting line earlier. So it's really a case-by-case type of situation. That's where, I -- again, I complement our supply chain team because they've been really agile at finding ways to increase the capacity. And we're not holding them back in any way, shape or form. We continue to aggressively pursue capacity. We don't have an aging of inventory challenge, so we'll continue to invest in this space until we see a significant change there.

As far as pricing is concerned, the pricing moves that we've made are a weighted average. The numbers that I gave you are weighted average, but they are across the board price. So they are not just on higher ticket items. And there really has been significant inflation for a significant transportation. In particular, containers out of Asia are a mess still just trying to get them. And so therefore, the price has gone up. Copper, ruthenium, a number of components, resins are challenging to get. Electronic components -- lead time when electronics components continues to go out, and that makes you be a bit more creative on scraping the universe to try to find components. And obviously, that drives some inflation.

So like I said, we see the inflation. We don't see it mitigating in the short term. We think we've done enough on price at this point in time. But it's something that we'll constantly revisit if we see the trends go a different way.

From an M&A perspective, to move to your second question, I don't think our fundamental approach has changed or the areas where we would like to overweight. So we'd love to continue to overweight in North America and we'd love to overweight in commercial. Obviously, the CMP acquisition on top of the Built Right move means that we've made a substantial move in North America in 2021. But we feel like we still have capacity for more if the opportunities are out there. Commercial, on the other hand, has been a little disappointing so far. I think it just really reflects the overall marketplace and folks not wanting to sell at the reduced value of the market in the commercial space right now. But we still see commercial as a long-term invest opportunity for Fluidra. We're under-indexed to the size of the market. And it will come back around and we'll continue to be aggressive there.

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

Okay. And a follow-up, if I may. A quick one on the cost side. I understand that with this level of growth, you are probably not focused on efficiency gains and so on. But once this overshooting demand goes through, do you still think that you can continue to expand about 50 basis points margins per year?

Javier Tintore Segura - *Fluidra, S.A. - CFO*

Sure. We are -- we certainly see that guidance that we shared at the last Capital Markets Day. It's true that at this point in time, we are mainly focused on having product available for our customers and fulfilling the demand. But you are seeing, obviously, the operating leverage kicked in. But opportunity still is for further margin expansion.

Operator

We have another question from Iris Zheng from Crédit Suisse.

Xiaolu Zheng - *Crédit Suisse AG, Research Division - Research Analyst*

I've just got some follow-up questions. So firstly is that you've mentioned that you are now planning and seeing maybe EUR 15 million to EUR 20 million more incremental inflation for the year beyond what has already been planned for. And could you maybe give a bit color on what was the originally planned incremental inflation already built in?

Javier Tintore Segura - *Fluidra, S.A. - CFO*

Yes. If I understand correctly your question, this EUR 15 million to EUR 20 million that Bruce mentioned is really the full year impact of both commodity inflation as well as freight cost associated to those containers from Asia. And of that, it's probably around 15% or so that has already been hit our P&L in the first quarter, which doesn't really have that much of an impact because we still have some old contracts for commodities and so on.

But please remember that there is -- those price increases that we have commented to offset that incremental cost, we feel that, that plus the additional value initiative, lean cost synergies and so on will help us still handle our margin -- gross margin improvement plans.

Xiaolu Zheng - *Crédit Suisse AG, Research Division - Research Analyst*

Yes. Understood. That's very helpful, Javier. I was just more thinking that it sounds like the EUR 15 million to EUR 20 million was incremental. And I was just wondering if what was base case of your inflation before you saw the raw material and logistics cost inflation, but I think I kind of get the idea now.

So -- and I've got a next question, I -- which might be difficult to answer, but I thought I would try anyway. So basically, if I look at the run rate of the sales in Q1 at around EUR 500 million. And if I extrapolate this to the full year, i.e., time it by 4 and to take out some impact from the Texas freeze impact of EUR 30 million to EUR 40 million, as you've mentioned, then that will still get me to a full year-on-year growth of revenue of more than 30%. So I'm just wondering, I mean, other than the tough comp in the second half of the year, what are the -- is there any other reasons why maybe -- for any maybe cautiousness in there?

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

I would say, Iris, it's a good question. I think what you're really asking is, are we conservative here? And I would say it's probably always, right? What I would remind you about is it's the very beginning of May. It's not -- the pool season is really just getting started as people open up their pools. And frankly, we feel like 25% to 30% guidance at this point is prudent. But we're confident that we can go deliver that.

Operator

Our final question comes from Manuel Lorente from Mirabaud.

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

Looking at your indirect cost, it has represented roughly 27% in the quarter, which is an impressive positive evolution versus the 37% of the last quarter last year, or if I'm correct, the 32% -- 31% on the full year 2020. So probably my question here is which is the new normal? The -- do you believe that you can consolidate further savings? Or what we should expect going forward?

Javier Tintore Segura - *Fluidra, S.A. - CFO*

Yes. Manuel, I think more than looking at our operating cost as a percent of sales on a quarterly basis, I think we've provided guidance for the full year that shows a nice operating leverage and nice margin gain with that EBITDA as a percent of sales moving between 23.7% to 24.7% as a result, obviously, of all the facts that you well know, which is pricing, this inflation and mix cost that we have already mentioned, the operating leverage and some of the cost initiatives that we have. So clearly, the volume has played a very significant role in the quarter, and it's going to play a significant role in the rest of the year, and that will define, as you say, what is the new normal.

Operator

We have no further questions.

Luis Boada - *Fluidra, S.A. - IR, Corporate Communications & Business Development Director*

Thank you. This marks the end of today's presentation. We thank our speakers and participants. As always, please feel free to reach out to our Investor Relations department for further queries. Have a great day.