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FDR.MC - Q1 2019 Fluidra SA Earnings Call

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CORPORATE PARTICIPANTS

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PRESENTATION

Cristina del Castillo García - *Fluidra, S.A. - Director of Investor and Shareholders Relations*

(technical difficulty)

[Interpreted] presentation results. My name is Cristina del Castillo, Director of investors with -- of Investor Relations and Shareholders of Fluidra. Today's presentation will be made Mr. Eloy Planes, Executive Chairman; Mr. Bruce Brooks, CEO; and Mr. Xavier Tintore, CFO.

You can follow the presentation through the screen on your devices. (Operator Instructions)

All of the documents are available on our website, www.fluidra.com. It is also being sent this very morning to the national stock exchange authorities. Likewise, this multi-conference will be available [deferred] on our website as of this afternoon

So let's now start with the presentation. Mr. Eloy Planes has the floor.

Eloy Planes Corts - *Fluidra, S.A. - Executive Chairman*

[Interpreted] Thank you, Cristina. Good morning, and welcome to the presentation of Fluidra's results for the first quarter 2019.

After the merger with Zodiac was formalized on 2nd July 2018, today, we present the results of the new Fluidra for the first quarter of 2019. For greater transparency and to ease understanding, to facilitate comprehension, you will see that in the same line we made in last year's results, we have provided you with information of the new Fluidra on a pro forma basis and excluding nonrecurring items. Additionally, you will also find the reconciliation in the annex in order to perfectly understand the different steps between the pro forma and the reported consolidation.

The figures for the first quarter show a bad performance in the American market. After the merger, 31% of our total sales correspond to the U.S.A., and therefore, quarters like this one can show comparisons that are a bit peculiar. And this is so because the purchase pattern changes of distributors or the seasonality of sales due to the weather may have temporary impact in a region in which we only act as manufacturers. Therefore, we have to put the results of this first quarter into perspective in order to understand the reality of the market.

And in the case of the States, the sales figure is basically affected by temporary impacts: an unusually cold and wet weather in California, Arizona and Texas; the change in the sales model of certain categories of products [in Amazon]; and the transfer of our gas heater plant from the U.S. to Mexico. We value the impact of these sales at about EUR 20 million. These impacts should actually be offset slowly in the next few quarters.

In other markets, the season started dynamically. Europe, which accounts for 50% of our figure, keeps the trends we observed during the second quarter of 2018. The good performance of the rest of markets offset the fall in the U.S.A. The information we have about America and Europe points out to the fact that the business fundamentals are still robust and solid, and we expect this to be a very good campaign. During his presentation, Bruce will explain in greater detail the different temporary impacts in the U.S.A. and also an updated perspective of the other markets.

From an operational point of view, 2019 is the year for the integration and implementation of synergies. Our teams have been working on this since last July, and we are making progress fast. We know the effort this implies for a company that, through its normal activity, must face an incredible number of tasks to assure the goals are reached. Our will is to implement this as fast as possible in order to focus all the resources as soon as possible on the business.

You will see that the executed synergies level shows an annual run rate close to EUR 17 million, and this places us in an excellent position to reach the EUR 19 million cost synergies in 2019 and thus reach the EUR 35 million that we defined in our strategic plan. The P&L account has been impacted by the drop in volume in the U.S.A., but it shows a substantial improvement of the gross margin, thanks to the price management and the implemented synergies. This margin improvement shows a good performance of results as we recover the sales volume.

It has been an unusual start of the campaign basically because of temporary impacts on U.S.A. sales, but beyond this, Europe shows good dynamics. Margins are performing well. The company keeps on implementing its integration at a very good pace. And as I've just told you, there are no changes in the industry's fundamentals. Therefore, with this information, we keep our forecasts for 2019, and we're still focused on the implementation of the strategic plan.

So without any further ado, I'm going to give the floor now to Bruce, the company's CEO, who together with Xavier, our CFO, will present and analyze that -- the results of this first quarter.

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

Good morning. I appreciate the opportunity to be here today to discuss our results for the first quarter of 2019, which, as Eloy already mentioned, include some short-term difficulties balanced out with some real long-term progress. I'll start with comments on our overall performance and trends in the business and then turn it over to Xavier to provide more details on the financial results.

The numbers you see on Slide 5 are the 2018 and 2019 figures for January through March for Fluidra and Zodiac combined. I'll remind you that the merger was officially completed on the 2nd of July 2018. In addition, on this, in the following slide, you'll see a new column that references our results impacted by the new IFRS 16 requirements. Xavier will speak more to this accounting change as I will keep my comments focused on apple-to-apple pro forma comparisons.

For this first quarter, sales slowed 1.1% compared to Q1 2018. We're also down 1.1% if adjusted for currency and perimeter as the 2 cancel each other out. The weak start to the U.S. pool season, in addition to other temporary factors which we will discuss later, contributed to this decrease. However, America's performance was mostly offset by our balanced global footprint with strong performance in Europe and the rest of the World.

Gross margin improved globally due to read-through of price increase and product mix. This, in combination with the synergies, enabled us to reach an EBITDA of EUR 44.3 million or a 14.1% margin. This represents a 5.3% decrease driven by the impact of lost volume in the U.S. and despite the positive contribution from cost synergies and price increases. We continue to focus on long-term value creation via improving quality, value initiatives, integration synergies and new products to keep us on track with our margin goals in our strategic plan.

Net working capital ended the quarter and EUR 446.1 million. Year-on-year quarter growth was a very small 1.9%. Good management of accounts payables helped mitigate the buildup of inventories due to the softer sales in North America and preparation for the peak season in the Northern Hemisphere. This performance keeps us in good position to achieve our annual goal.

Net financial debt stands at EUR 857.1 million. Adjusted for currency, the evolution is 0.3%, which is in line with the situation of Q1 2018 and a good performance in the quarter in which we use the most cash.

Turning to Page 6. The integration process is a fundamental part of our plan to solidify Fluidra's position as the global leader in the pool and wellness industry. Our plan and objectives are clear: to effectively combine our talented worldwide teams and build on our customer-first approach to deliver strong sales growth while we unlock substantial merger-related synergies and value initiatives to drive higher margins and cash flow. The integration process is working really well, with over 20 teams and 200 of our best people focused on executing a well-thought-out plan. We have identified more than 4,400 actions as part of the plan, and we've already completed 82% of them. By the end of 2019, the vast majority of actions will be complete.

Our progress on delivering cost synergies in the first quarter of 2019 was excellent with an additional EUR 8 million of full year run rate synergies on top of the EUR 8.7 million achieved last year for a merger run rate of EUR 16.7 million. More specifically, we've executed over 30 commercial synergy projects with a value greater than EUR 10 million and 22 supply chain projects for more than EUR 6.2 million of savings, and we have many more projects to go in both categories.

We're pleased to announce the successful merger of operations in Spain, Italy and Portugal in the first quarter, followed by the successful integration of South Africa in May. Merging our duplicate operations in the different geographies is a pivotal landmark to fill our perfect Pool & Wellness experience mission. It's also key to reach our synergy targets.

You need to keep in mind that in successfully merging 2 companies, there's the need to appropriately deliver coordinated efforts on all company fronts, legal, IT, finance, marketing, sales, et cetera. This strong track record builds positive momentum, providing comfort for future integrations. We still plan to integrate the U.S. and Australia this calendar year.

We are very pleased with our progress on the integration and plan to keep the strong momentum as we go through 2019. We reaffirm our guidance for EUR 19 million of run rate cost synergies by the end of 2019 and are well positioned for the EUR 35 million as per the strategic plan. Our focus continues to be balancing integration, synergies and continued growth of the business.

Turning now to Page 7. You see the sales evolution by geography. For the first quarter, sales slowed 1.1%, also down 1.1% if adjusted for currency and perimeter compared to the first quarter of 2018. The majority of geographic areas performed very well with the exception being North America. Southern Europe grew 3.5% and a strong 9.7% when adjusted for currency and perimeter. That's principally the Aquatron divestiture. With a good start in France and Italy, the rest of Europe displayed double-digit growth of close to 13% on an adjusted basis with outstanding performance in Northern Europe and somewhat slower growth in Eastern Europe. Together, approximately 51% of our sales come from the European area.

As mentioned earlier, North America suffered an approximately EUR 20 million temporary top line setback as sales decreased 13.2% or 20.1% at constant FX and perimeter basis. The weak start to the U.S. pool season in addition to changes in the distribution ordering pattern as well as San Diego's gas heater plant move to Tijuana contributed to this decrease. We see these factors as temporary, but with the scale of the miss, we feel like these results warrant more color.

The weather in the U.S. was abnormally cold and wet, slowing the start to the season, as I'm sure you're not surprised to hear. However, the season always arrives. In fact, April has begun the recovery and delivered more than 20% growth year-on-year. Builder backlogs are robust, and the marketplace remains optimistic for the 2019 campaign.

As to changes in distribution ordering pattern, Amazon who buys through distribution, decided to stop stocking pool equipment directly to focus pool activity on its third-party marketplace. This change takes them out of the preseason load while not affecting end-user demand principally for our pool cleaners. We anticipate this change to have a temporary effect on our revenues as other retailers and third-party pool Internet players pick up this business during the second and third quarters.

The plant move from San Diego to Tijuana is an important milestone of our integration and synergy-related activity. Unfortunately, the start-up of this facility got off to a later start than planned. Therefore, shipments of this product family in North America are not comparable year-on-year due to the move and have a [material] impact on our Q1 sales. This phasing difference will dissipate through the remainder of the year as product is now flowing but will remain tight through the peak of the season as the teams work to catch up.

All in all, we see no fundamental change to our business or the market in North America. Slow Q1 weather will make it difficult for the full year to be in the upper end of the growth range for that region, but with Amazon and heat coming back online, we still forecast a normal year. The Rest of the World grew close to 2% or a solid 6.2% at constant FX and perimeter, driven by good performance in Latin America and South Africa and somewhat weaker evolution in Australia.

If you turn to Page 8, we see the evolution by business unit. Residential Pool was impacted by the aforementioned U.S. performance and the divestiture of Aquatron. As a result, sales from this business unit decreased 1.9%. Adjusted for this divestiture, sales increased 1.1%. As a reminder, Aquatron's divestiture resulted from a commitment to the European Commission as part of the regulatory approval process for the merger, and we were able to complete it within the time line set by the commission.

Commercial Pool starts to show a positive growth trend with sales of EUR 23.2 million or plus 3.2%. Sales evolution in this business unit is primarily driven by projects where we have a strong pipeline, like Fluidra's recently landed contracts in Asia and South America worth approximately EUR 10 million.

The Pool Water Treatment business shows mixed results with sales of EUR 43.1 million, down 1.5%. This business has displayed a positive evolution in chemicals and somewhat weaker performance in water care equipment. Pool Fluid Handling sales increased 1.5% for the quarter, resulting in sales of EUR 19.7 million.

So while disappointed with the start of the year in the U.S., I'm encouraged by our overall results in the first quarter of 2019. We were able to leverage our global footprint to offset temporary blips, and I'm confident of even better performance in 2019's quarters to come.

We delivered solid sales growth in our main markets outside of North America. We continue to improve operational efficiency to drive margins and are well on track with our integration and synergy targets. This progress and a strong recovery in North America in April allows us to maintain our guidance for 2019.

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

Xavier Tintore - *Fluidra, S.A. - Corporate General Manager*

Thank you.

[Interpreted] Thank you, Bruce. The results on Page 9 has a goal to ease the understanding of the business evolution by comparing equivalent figures. The reported accounts which are not comparable due to the merger that took place in July 2018 are to be seen in this presentation appendices together with a reconciliation of the pro forma and reported accounts in this page. This page excludes also all other nonrecurring expenses associated to the transaction or the integration of both companies.

Additionally and given the implementation of the IFRS 16 rule, we have excluded its impact on the central column referring to 2019 in order to be able to mention comparable figures with 2018. We have added an additional column on the right-hand side headed by IFRS 16 with data adjusted for these concepts.

Having said that, we will now analyze the evolution of the main P&L lines. The pro forma sales figure decreased 1.1%, and if we exclude foreign exchange, it would be a decrease of 3.4%. And if we adjust perimeter because of the divestiture in Aquatron, the decrease would be 1.1%.

As Bruce has just said, the year started in an uneven way. On the one hand, the campaign started slowly in the U.S.A. due to a combination of temporary factors, both market factors and internal factors. And on the other hand, Europe and the Rest of the World have started very well.

The gross margin reached 53.7%, which is 130 basis points above the previous year. We would like to highlight positive factors like the impact of the sale price increases and the merger synergies which more than offset the increase in our raw materials and the imports tariffs in the U.S.A., which resulted from the trade discussions between the U.S.A. and China.

Operational expenses before provisions and amortizations reached EUR 123.3 million with a growth rate of 3.7%. This increase, which is net of the synergy savings, shows the investments in our key commercial initiatives, like our growth in the aftermarket sector in the U.S.A., the development of new connected products based on the Internet of Things or the reinforcement of our commercial teams devoted to sale synergies. As I've said beforehand, this chapter includes nonrecurrent integration expenses; in other words, those expenses needed to reach the cost synergies.

Provisions for bad debt reached EUR 1.2 million with a worsening compared to the previous year due mainly to the evolution in Australia and the south of Europe. EBITDA reached EUR 44.3 million with a decrease of 5.3%, which is a figure very similar when we adjusted for currency and perimeter. The reduction in EBITDA is due to the loss of volume due to the operations in the U.S.A., which we expect to recover during the next quarters.

Below EBITDA, the account shows a significant increase in amortizations associated to the allocation of goodwill to intangibles to be depreciated through purchase accounting. The financial result reached EUR 9.5 million, and it is 6.4% below the sum of the financial expenses of both companies in 2018. The variation in the financial result is due mainly to the impact of exchange rate differences. The net result adjusted for nonrecurrent expenses shows a reduction due to the loss of volume in the U.S.A. and due also to the increase in the amortizations of the merger intangibles.

As I've said at the beginning, we have included a column that shows the effect of the application of the IFRS 16 rule. As you may see, the implementation of this new rule shows a reduction of OpEx of EUR 5.7 million due to operational leases, which are transformed into a depreciation increase of EUR 5.1 million and financial increase of EUR 1.1 million, with an impact on the last line of the company's P&L account of EUR 0.4 million. As we shall see in the next slides, the balance sheet impact, both in assets and liabilities, is [up] approximately EUR 100 million.

As we have been doing ever since the merger with Zodiac was signed, we have included in the appendices the reported accounts of the company and a detailed reconciliation to the pro forma used for this page. Given that the structure of the information is similar and with less reconciliation chapters compared to the previous year, we will not make any comments about this in this presentation.

Page #10 shows us the evolution of the group's working capital. The net working capital reached EUR 446.1 million with an increase of 1.9%, which is 1.7% adjusted for currency and perimeter. Inventories grew by 9.1% as a result of the slow start of the campaign in the U.S.A., and they are offset with an increase of accounts payable, which grew by 14.4%.

In this page, we have also added the column for 2019 adjusted for the IFRS 16 at the end of the page in order to show the impact of the new rule in accounts payable. The adjustment refers to incentives received by the lessors.

On Page 11, we show the evolution of the net financial debt and the free cash flow. We have -- we show a flow based on EBITDA due to the existence of nonrecurrent items associated to the transaction, which will distort the comparison between 2018 and 2019. The first quarter is an investment quarter given the weight of the Northern Hemisphere in the group's activities.

The cash used is EUR 103.7 million, 15.5% above the previous year as a result of a lower EBITDA and a greater consumption of working capital. CapEx is also above, associated to the investments for the Tijuana plant and the new offices -- the new premises in San Diego as differential factors compared to 2018. The debt is EUR 857.1 million, 7.2% above the previous year's.

Now if we adjust last year's debt to the exchange rate at the end of the quarter, the debt is practically flat with an increase of 0.3% due mainly to the debt volume in U.S. dollars and the evolution of that currency. The peak of use of cash for the new Fluidra is to be [found] in April, and that's why the increasing debt since the end of last year is perfectly natural, and it's well explained by the evolution in -- the business evolution of the company.

Without any further ado, I'm going to give the floor to our Executive Chairman, Mr. Eloy Planes, to conclude this presentation.

Eloy Planes Corts - *Fluidra, S.A. - Executive Chairman*

[Interpreted] Thank you, Bruce. Thank you, Xavier. Now the results for this first quarter show a start of the campaign that's quite unusual, basically influenced by the temporary impact in U.S.A. sales, the impact that, as we have said, we value at about EUR 20 million in sales. And this should be slowly recovered during the next quarters.

The other international markets show a good performance, and they practically offset the fall in the U.S.A. The information we have both about the American market and the European market point out to the fact that the business fundamentals are still solid. In April, Europe keeps its trend and the U.S.A. shows the start of its recovery with growth in sales above 20% and with a robust backlog.

From an operational point of view, 2019 is the year for the integration and the execution of cost synergies. We have our teams working on it since last July, and we are making headway very fast. As you may have seen, the level of cost synergies that have been executed so far show already an annual run rate close to EUR 17 million, which positions us in an excellent way to reach the EUR 19 million synergies in 2019 and thus be able to reach the EUR 35 million defined in our strategic plan.

We have shared with you the quarterly results, and we want to insist on the need to assess Fluidra's performance on an annual basis. Bearing in mind that the fundamentals in the U.S.A. and Europe are still solid and the company's gross margin is going up and that the integration is being implemented at a very good pace, we keep our forecast for 2019: sales, between EUR 1.3 billion and EUR 1.4 billion; EBITDA, between EUR 240 million and EUR 260 million; and our net debt-over-EBITDA ratio below 2.6x.

Our goals and our plans are clear. We have to keep on combining our effort in the execution of the integration and the synergies in order to improve our margins and cash flows whilst we keep our focus on the markets and the customers to keep on growing at a good pace. Our estimates for 2019 and the level of implementation of the integration position us in an excellent way to reach our midterm goals in our Strategic Plan 2022.

And with this, we end our presentation for today. The only thing I've left to do is to thank you for your participation in this multi-conference and to tell you that we will be delighted to answer any questions you may have.

Cristina del Castillo García - *Fluidra, S.A. - Director of Investor and Shareholders Relations*

[Interpreted] Well, thank you, Eloy, Bruce and Xavier for your presentations. And now we will start the Q&A session with all of the questions that have been received so far. (Operator Instructions)

QUESTIONS AND ANSWERS

Cristina del Castillo García - *Fluidra, S.A. - Director of Investor and Shareholders Relations*

[Interpreted] The first question asks for a detail about the different factors out of the EUR 20 million impact we have mentioned in the U.S.A. sales. And additionally, they asked since when do we know about this impact given that beforehand, we have never referred to them.

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

The EUR 20 million -- excuse me, I got to take off the translation there. For the EUR 20 million, we don't disclose the breakdown of that level of information to the investment community. But I think just to help you out a little bit, you can think of the 3 factors of weather, the change of distribution policy of Amazon and the move to Tijuana to be roughly similar, with the factor of weather being the smallest or the least.

Cristina del Castillo García - *Fluidra, S.A. - Director of Investor and Shareholders Relations*

[Interpreted] Well, thank you. Next question, could you give us greater visibility about the sales evolution in Europe and in the U.S.A. in April?

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

Sure. So as we mentioned in the presentation, sales in North America were up north of 20%. Actually, it was 22%-plus. Sales continued to be strong in Europe, continuing to grow quite well up until the Easter holiday. We saw a little slowness after Easter, but now it seems to be returning to normal and the run rate that we were seeing earlier in the season.

Cristina del Castillo García - *Fluidra, S.A. - Director of Investor and Shareholders Relations*

[Interpreted] How do you see the slowdown of the real estate market in the U.S.A.?

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

I've obviously been reading about that. As far as the pool industry, we haven't seen it. It tends to be a lagging indicator as far as housing starts and those types of things. It looks to me like it's more about the availability of housing than a true slowdown. What we're really seeing is equity in people's homes, which we see as the driving force behind investment in pools to be growing. And ever since that equity in people's homes has been growing, we've seen the pool industry respond quite favorably.

Cristina del Castillo García - *Fluidra, S.A. - Director of Investor and Shareholders Relations*

[Interpreted] Thank you. With regards to the pro forma data for 2019, they want us to give a greater color. Does it include nonrecurring expenses or [none] of the integration of Zodiac? And which would be the EBITDA and the EBIT -- the real EBITDA and EBIT?

Xavier Tintore - *Fluidra, S.A. - Corporate General Manager*

[Interpreted] I've mentioned that, as we did in previous quarters, in the annex to the presentation, you have the detail of all nonrecurrent -- or nonrecurring expenses on Page 16, and you have a reconciliation between the adjusted EBITDA of EUR 44 million and the reported EBITDA which is EUR 40 million. Now the main factors are EUR 7 million expenses -- nonrecurring expenses associated with the integration; EUR 2.4 million for compensation in shares; and a positive impact for the application of the IFRS 16 of EUR 5.7 million, as I've mentioned during my presentation.

Cristina del Castillo García - *Fluidra, S.A. - Director of Investor and Shareholders Relations*

[Interpreted] Thank you. Next question, we are -- do you still expect a sales growth rate of 0.5 digit in the North America for the rest of the year -- 0.5 digit -- 0.5% growth, 0.5 digit -- growth in North America in sales, 0.5%, 0.5%?

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

The slow start to the season from a weather perspective, we expect to get most of that volume back. When you think about weather, it really depends on the timing, and when it comes in Q1, it's -- the demand continues and usually has limited impact. As I've commented before with low unemployment, you see some impact on builder capacity that pushes their backlogs out further that may have a smaller impact on the full year.

It does tend to impact the chemical business, but as we've talked before, the U.S. is not really in the chemical business. So there might be a little bit of an impact from the weather, but not significant. And then as you think about the heater plant coming back online and the timing of Amazon, we would still expect that -- our overall year to come back into that mid-digit range.

Cristina del Castillo García - *Fluidra, S.A. - Director of Investor and Shareholders Relations*

[Interpreted] With regards to the depreciation and amortization levels, this quarter has been EUR 25 million compared to EUR 20 million in the previous quarter. Why is that? What's the global volume that we should expect for the whole of the year?

Xavier Tintore - *Fluidra, S.A. - Corporate General Manager*

[Interpreted] Well, the depreciation of volume and the amortization volume which has been impacted, as I've mentioned, by the increase in the depreciation of the purchase accounting, the annual volume that we should expect for the end of the year is approximately EUR 100 million, which is, well, consistent with what we have been mentioning in previous presentations. And obviously, it has had a great impact of the amortization of intangibles associated to the merger, which, as we have said beforehand in previous presentations, it accounts for approximately EUR 65 million.

Cristina del Castillo García - *Fluidra, S.A. - Director of Investor and Shareholders Relations*

[Interpreted] The evolution of the working capital for the year, please?

Unidentified Company Representative

[Interpreted] Right. The evolution of the working capital has also been mentioned in previous presentations. The peak -- the profile -- the company's profile after the merger changed slightly, and the peak of the greatest use of working capital happens in April, May. And the lowest point, which -- the trough, which was normally December is now in September. And in principle, as we have given the long-term guidance, we should be able to position the working capital over sales at about 25%.

Cristina del Castillo García - *Fluidra, S.A. - Director of Investor and Shareholders Relations*

[Interpreted] Now the estimate for the net debt/EBITDA ratio below 2.6x is based on which exchange rate between the dollar and the euro?

Unidentified Company Representative

[Interpreted] It's calculated based on the exchange rate we had in January and February, which is not far from where we are now. It's at about $1.15 approximately for the dollar.

Cristina del Castillo García - *Fluidra, S.A. - Director of Investor and Shareholders Relations*

[Interpreted] What are the Commercial Pool developments in the U.S.A.? When do we expect the first contracts?

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

On the sale synergies in total, we haven't disclosed sales synergies at this point in time. But as I've mentioned before, we see the sale synergy opportunity in both Europe or around the world and in the States in particular. In Europe, we're now in the process of training the teams and starting to spread some of the legacy Zodiac product out into the broader footprint of Fluidra. And in the States, we're working to develop the product.

So Europe will actually come a little bit faster. And from a commercial standpoint, in the States -- we have to make sure that the product that we have in Europe is NSF certified, converted from metric to imperial, and those types of things in order to begin selling. So you won't see anything in 2019. The sales synergies in total will start to become more material in 2020. And as you think about commercial, it probably lags a little bit behind the comments that I just made.

Cristina del Castillo García - *Fluidra, S.A. - Director of Investor and Shareholders Relations*

[Interpreted] And finally, we are asked about when will we start knowing about this negative -- when did you find out about these negative factors in the U.S.A.?

Unidentified Company Representative

[Interpreted] Let's see. Our results presentation was in February, and some of these factors, especially the internal ones, well, we knew about them. Of course, we didn't know the magnitude. We didn't know the reach of the market development, but we do not make any comments.

We do not report on specific guidances for quarters. It is true though that, in the presentation, we already pointed out, when we gave the guidance for the full year, that there could be certain variability between quarters due to changes both in the order processes by the distribution and due to internal issues associated with integration, which could give rise to temporary differences from one quarter to the next.

Cristina del Castillo García - *Fluidra, S.A. - Director of Investor and Shareholders Relations*

[Interpreted] Fine. Thank you very much indeed. This is the end of today's presentation. We thank all of our speakers, and we thank you all for your participation. And as you usual, you know that the Department of the Investor Relations will be delighted to answer any questions you may have. Thank you, and have a very good day.

[Portions of this transcript that are marked Interpreted were spoken by an interpreter present on the live call.]
