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CORPORATE PARTICIPANTS

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

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

Luis Boada

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

PRESENTATION

Luis Boada

Good morning, and welcome to Fluidra's 2019 Full Year Results Presentation. I am Luis Boada, Investor Relations, Corporate Communications and Business Development Director at Fluidra. It is a pleasure to be presenting ourselves to you today. Today's presenters will be Mr. Eloy Planes, our Executive Chairman; Mr. Bruce Brooks, our CEO; and Mr. Xavier Tintore, our CFO. (Operator Instructions)

Today's presentation is accessible through our website, fluidra.com and was also sent a few hours earlier to the CNMV. The replay of today's presentation will be made available on our website shortly after we finish.

Let's start with the presentation by opening the floor to Mr. Eloy Planes.

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

Thank you, Luis. Good morning, and welcome to our full year 2019 earnings presentation. This is the first full calendar year of the new Fluidra after the merger with Zodiac.

As you know, 2019 has been a key year for us and probably the most critical for our 2022 Strategic Plan because it has been the year when both companies integrated. I'm very happy to inform you that the vast majority of the integration process is behind us, with a very successful execution and great achievement of cost synergies. Although the 2019 season started late, sales in the following quarters show a solid recovery. I'm pleased that we delivered guidance and that the full year figures show growth in all geographies.

Even in an environment of adverse weather conditions, the sector's strong fundamentals were solid. Our sales grew almost 4%. This was best-in-class growth, even though it was a merger year for us. After closing 2019 and following the successful integration, we generally see a positive trend across all markets, which combined with our resumed customer focus should lead us to better growth.

Thanks to our team that has been working on achieving synergies for over a year, we have beaten this year forecast. We achieved EUR 29 million in cost synergies and also increased the total target to EUR 40 million as we communicated to you in October, during our Fourth Capital Markets Day in Barcelona. The profit and loss statement show growth on sales, margin improvement as well as EBITDA leverage. We look at 2020 with optimism and foresee continued improvement in margins, not only from greater volumes but also from cost synergies and reducing inefficiencies related to the merger.

I would also like to highlight our excellent cash flow generation. Our net financial debt stood at 2.6x EBITDA, lower than the 2.8x limit set in our strategic plan. This allowed us to prepay EUR 100 million of debt as announced some weeks ago and also reprice the interest rate on our term loan and revolving credit facility.

Our outstanding cash generation also means we are now able to resume dividend distribution and M&A as part of our value-adding capital allocation priorities. M&a is a strategic lever that generates a lot of value. In that regard, we announced 2 weeks ago the acquisition of the Australian company Fabtronics, on which Bruce will provide more color in a few minutes.

And now I know everyone is anxious about the coronavirus. We do not expect any real impact for our first quarter results with regards to it. This is a dynamic situation, which we are monitoring closely. At this stage, we are not assuming any substantial impact from COVID-19 on our 2020 objectives.

As I said, merger is behind us. We have had a good 2019, which has led the foundation for an even better 2020. And at this point, I give the floor to Bruce, Fluidra's CEO; who along with our CFO Xavier, will provide a deeper look at the 2019 result.

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

(foreign language) It is a pleasure to be here today to discuss our performance during this 12-month period of 2019. I'll start with comments on our overall performance and key developments, and then turn it over to Xavier, our CFO, to provide more details on the financial results. The numbers you see on Slide 5 are the pro forma 2018 and 2019 figures for January through December for Fluidra and Zodiac combined. I'll remind you that the merger was officially completed on the 2nd of July 2018.

The strength of our global platform shines through as both Europe and North America continue to display strong growth momentum. We are pleased to present full year results within guidance. For the year 2019, sales grew 3.9%, 3.7% if adjusted for currency and perimeter to EUR 1,367.6 billion compared to 2018. This marks a strong close to 2019. This good sales progress is driven by top line resilience and the emergence of revenue synergies.

On a full year basis, we grew our EBITDA 10.3% to EUR 244 million despite the negative leverage associated with the drop in volume during the first half of the year in North America, merger-related inefficiencies and tariff headwinds. We overcame these challenges with cost synergies, our value improvement process and lean margin expansion. We continue to invest prudently in OpEx, while realizing synergies, allowing for margin read-through and still positioning us strongly for long-term sales growth.

EBITDA and cash earnings per share grew 10.9% and 12.1%, respectively. The results corroborate our improving return story, which I have mentioned in the past is a key part of our strategic plan. We've continued to focus on improving product quality, reducing product cost, capturing integration synergies and new products to keep us on track with our longer-term goals.

As for net working capital, we ended the period 14.4% lower from the same period last year at approximately EUR 276 million, based on strong management of all line items and some onetime benefits. These full year results reflect our excellent cash generation as net debt stands at EUR 635 million, having decreased 13% from last year on a constant currency basis.

Moving to Page 6, we have a quick overview of some key milestones for the year as well as some recent positive developments. As previously mentioned by Eloy, the successful integration was a pivotal point for our company in our first full year. The vast majority of the integration is now behind us and we face the future with a stronger platform that embraces the one Fluidra culture. An increase of the overall cost synergies target from EUR 35 million to EUR 40 million was a testament to the excellent integration process.

During our fourth Capital Markets Day, we also introduced our targeted revenue synergies with an ambition of EUR 59 million to be reached by 2022, EUR 42 million net of dis-synergies. We're already executing on those in North America by launching a new commercial pool business, primarily focused on the HMAC space. This unit leverages on our existing manufacturing footprint and internal know-how as well as expanding the residential pool offering with the breadth of product of our leading global platform.

Meanwhile, we are also executing revenue synergies in Europe and Southern Hemisphere by cross selling products. For 2019, we experienced very positive growth synergies of EUR 11.8 million, vastly driven by the quicker to implement initiatives of Europe and Southern Hemisphere. We also encountered EUR 12.8 million of dis-synergies, mostly related to the remedy impact of Aqua products as well as some minor customer attrition.

The negative EUR 1 million net impact is ahead of our plan as presented on our Fourth Capital Markets Day. We are very well positioned to start having net revenue synergies by the end of 2020, providing further upside opportunity or at least some hedge to our 2022 Strategic Plan.

It is also worth highlighting how we've been able to run our supply chain, manufacturing operations and bill of materials more efficiently through value initiatives and lean. We increased our target of EUR 13 million to EUR 16 million savings for this year. And importantly, increased the overall target from EUR 25 million to EUR 30 million by 2022. This disciplined process is a continuous effort that will deliver value beyond our 2022 Strategic Plan.

If we move to this year's significant developments, we started the year with a EUR 10 million agreement with BWT, which releases us from the Aquatron Robot's minimum purchasing volume commitment for 2020 through 2022. The release from this volume commitment allows us to focus on the distribution of Zodiac Cleaners that provide better margin.

I remind you, we divested Aquatron to BWT as part of the regulatory approval process for the merger. This solution will be beneficial starting in 2020. During 2019, the remedy implementation performed poorly, and as a consequence, we suffered revenue dis-synergies at our Aqua products business.

We also started the year with the successful completion of the debt repricing process that Xavier will share in more detail shortly. This repricing, combined with EUR 150 million repayment, will generate interest savings of more than EUR 7 million a year.

We have recently resumed our disciplined M&A activity with the acquisition of Fabtronics, an Australian company that will strengthen our R&D capabilities globally. The purchase price for 80% of Fabtronics shares was AUD 15 million for an approximate EUR 6 million EBITDA business, with additional earn-outs staggered over the next 3 calendar years.

Turning now to Page 7, you see the sales evolution by geography. During this 12-month period, global sales grew 3.9% compared to the same period of 2018. All geographic areas had positive sales trends. We continue to accelerate growth on the back of more normal weather in the Northern Hemisphere. Southern Europe grew 2.7%, with a strong performance in France. Perimeter-adjusted growth was 5.3%. The rest of Europe showed exemplary growth of close to 7%, driven by an outstanding performance in Eastern Europe.

When adjusted for perimeter and currency, net growth clocked in at 7.3%. Altogether, approximately 49% of our sales came from the European area, highlighting our global diversification. North America continued to claw back against the slow start to the season. We experienced a 5.7% growth in the area, which was up 1% when adjusted for currency. This is best-in-class, bearing in mind the impact of the remedy dis-synergies at Aqua products. Those negative impacts aside we would have grown at mid- single digit rates, in line with distribution in a weather-impacted year. Growth was helped by strong sell-through in the channel in the back half of the year.

I'm also pleased to report that we were able to catch up in terms of gas heaters backlog shipments and record a very positive performance in this product family. The North American stand-alone currency and perimeter-adjusted growth in Q4 was an impressive 8.2%. This performance demonstrates the resiliency of our business and our belief in the continued strength of our market's fundamentals.

The rest of the world grew 1% or close to 2% when adjusted for currency. This was driven by a good performance in Asia, which more than offset weaker performance in South Africa and merger-related challenges in Australia. As you may recall, we merged our Australian operations in August and operated during the remainder of the year with some IT integration issues that negatively impacted our business. Overall, we have seen continued strength in the vast majority of our geographies, enabling us to deliver a solid year in an integration and remedy related environment.

Next on Page 8, you'll see the evolution by business unit. Residential Pool grew 3.7%, driven by gas heaters, above ground pools and pool covers. Adjusted for perimeter, the growth was an even more respectable 5.7%. Commercial accelerated its growth to 4.2%, confirming the positive trend we saw in the first 9 months of the year and setting us up well for 2020. The Pool Water Treatment business continued to accelerate, delivering growth of 7%. Growth was broad-based, driven by chemicals and water care equipment. Pool and Wellness Fluid handling recorded a weaker evolution in Q4, with negative 1.6% growth year-on-year.

So in summary, we're delighted with the integration process, feeling positive about our excellent cash generation and pleased with our overall results for this 12-month period of 2019. Our global footprint helped us to deliver positive growth even after a challenging Q1 for North America.

Despite some merger-related teething issues and tariffs, we've laid a very strong foundation for further margin improvement via synergies, value initiatives and operating leverage.

With a full calendar year behind us, we're on track with the integration, well ahead on our synergy targets and poised to continue to accelerate our results going forward. I want to thank our talented team of more than 5,300 employees for propelling the business forward during the always challenging first full year of a merger.

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

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

Thank you, Bruce. Results on Page 9 are pro forma for 2018 and 2019 in order to help you understand business evolution.

Reported financials are different as the merger with Zodiac took place in July 2018 and they are included in the appendix of this presentation, with a reconciliation between reported and pro forma. Also note that the P&Ls on this page exclude nonrecurring expenses. In addition, the central column on this slide excludes the impact of IFRS 16 for comparability purposes. The column at the right of the slide includes the impact of this new accounting rule.

Let's take now a look at the profit and loss account of the company. Sales growth of 3.9%, that is 2.3% adjusted for currency and 3.7% adjusted for currency and perimeter. Gross margin for the year reaches 51.8%, 10 basis points higher than prior year, driven by price increases, positive impact of cost synergies, partially offset by U.S. tariff impact.

For the full year, U.S. tariff represents approximately 40 basis points of cost. Margin for Q4 on a stand-alone basis is 100 basis points higher than Q4 of last year due to a more natural mix of products in the Early Buy campaign of this year and some U.S. tariff relief, driven by an easier comparable as Q4 2018 already had some impact.

Operating expenses of EUR 469.9 million, with a growth of 1.9%, which reflect our investments in key commercial initiatives like the aftermarket growth in the U.S., the IoT product development or the expansion of the commercial teams for revenue synergies, partially offset by cost synergies.

Provision for bad debt is EUR 4.1 million with an increase over last year, driven by the evolution in Rest of the World. EBITDA reaches EUR 244.2 million with an increase of 10.3% and a very similar number if we adjust for currency and perimeter. Margin reaches 17.9%, with an improvement of 110 basis points, driven by cost synergies achieved and increased volume. EBITDA increases by almost 11%.

Below the EBITDA line, the increase in amortization is driven by the value of intangibles associated to the Zodiac merger. Net financial result is EUR 50.5 million and includes approximately EUR 5 million for the impact of the purchase of the remaining 21% shares of Idegis, the group subsidiary specialized in the design and manufacturing of water treatment equipment from the minority shareholders. Pro forma net income adjusted for nonrecurring expense is EUR 62.0 million, impacted by the increase in amortization and financial expense.

As we have done since the Zodiac merger, we have included in the appendix, the reported financial statements and its reconciliation to the adjusted pro forma statements. On Page 16, you will see that integration-related nonrecurring expense was EUR 23.5 million, EUR 1.5 million higher than what we guided for but consistent with the overachievement of cost synergies. And the EUR 14 million of losses from sales of subsidiaries that includes, among others, the EUR 10 million of BWT agreement that Bruce has mentioned earlier in this call.

With most of the integration behind us, these lines that reconcile adjusted EBITDA to reported EBITDA will be significantly smaller in 2020. You should expect stock-based compensation for roughly EUR 10 million, and the final portion of integration-related expense for approximately EUR 5 million.

Page 10 shows the evolution of net working capital for the group. Net working capital reaches EUR 276.3 million or 20.2% of sales, a 14.4% improvement to prior year, where it represented 24.5% of sales. This year-end level is impacted by a few one-off adjustments that when normalized, should bring the level to around 22%. These one-offs include, amongst others, payables for BWT and Idegis deals that will be reversed in Q1 2020 as payments are executed. Nevertheless, this year-end result is ahead of our 2022 guidance and demonstrate the focus on net working capital management.

Inventory and accounts receivable show a positive evolution, significantly below net sales growth for the year. Accounts payable also reflect an EUR 8 million increase due to the implementation of the IFRIC 23 accounting rule.

The following page shows the net financial debt evolution as well as the free cash flow generation in the form of an EBITDA to cash or cash conversion ratio. A more traditional cash flow statement would be heavily impacted by nonrecurring expense and pro forma adjustments and would not be indicative of the true business evolution.

Cash conversion is close to 100%, up from last year's 73% due to the positive evolution of net working capital that we have just explained. Net financial debt has reached EUR 635 million, showing a decrease of 11.8%, that if we adjust for currency, is an excellent 13%. Debt-to-EBITDA ratio has reached 2.6x deleveraging from last year's 3.3x by 0.7x. This positive evolution has allowed the company to repay [EUR 110 million] of debt early 2020. It has also helped to reprice margin on our Term Loan B, reducing 75 basis points on the euro tranche, 25 basis points on the U.S. dollar tranche, leaving the margin at 200 basis points over the reference.

In addition, the revolving credit facility has also been repriced, with a reduction of 50 basis points, bringing the margin down to 175 basis points. This transaction will be generating cash savings of more than EUR 7 million in 2020. At these levels of leverage and with most of the integration expense already behind us, we will start to allocate cash in a disciplined way into other value-accretive initiatives beyond deleveraging.

And with that, I will turn the call to our Executive Chairman, Eloy Planes to close the quarterly call.

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

Thank you, Xavier. Gracias, Bruce. The 2019 results confirm our growth trajectory, with a good recovery in North America. On a full year basis, our main markets have performed well, almost 4% sales growth, more than 10% EBIT expansion, and more importantly, 0.7x net financial debt deleverage.

From an integration point of view, 2019 has been a critical year for the merger, one that carried higher risks. And that is now behind us. Our well implemented integration process has over-delivered on cost synergies. This excellent performance confirms we are in a good shape to achieve our total updated cost synergies target of EUR 40 million.

As we disclosed during our last Capital Market Day, it is important to point out that we will achieve almost EUR 60 million in gross sales synergies by 2022. During this year, our focus will be on the business and on the execution of the strategic plan. Our markets and fundamentals remain strong. The company's EBITDA margin is in expansion mode and the integration has been completed. At these levels of leverage and with our accelerating cash generation, we will start to allocate capital in a disciplined manner through value-accretive initiatives.

With that in mind, we would like to share our guidance for 2020, sales between EUR 1.435 billion and EUR 1.465 billion; an EBITDA between EUR 265 million and EUR 285 million, with a strong cash generation. I'm speaking for all the team when I say we are optimistic about our future. It is our conviction that we are in excellent position to achieve our targets.

Thank you for joining us today and for your continued interest. With that, I will turn the call back over to Luis to begin our Q&A session.

QUESTIONS AND ANSWERS

Luis Boada

Many thanks, Eloy, Bruce and Xavier for your presentation. (Operator Instructions)

Our first question relates to pricing. You commented that positive pricing supported the gross margin. Could you please comment on whether you see an opportunity to continue moving pricing up? And whether competitive dynamics limit this opportunity.

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

Okay. Thanks, Luis. I'll take that one. We're fortunate to participate in a market that really takes price every year. In North America, I'd say, in low inflationary times, it tends to take 1% to 2%, in higher inflationary times, it takes 2% to 3%, I would say, '18 and '19, were a bit more extraordinary years where we took north of 3%. Europe gets a little less, depending on the trends in the marketplace. But again, this is a market that takes price annually, and I would expect that to continue.

Luis Boada

Next question. Given the recent refinancing and the implementation of IFRS 16, what financing costs should we expect in 2020?

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

Thank you, Luis. Given that this year's IFRS 16 financial aspects -- financial results landing was at around EUR 55 million, you have to deduct, as we have commented on the call, the impact of the Idegis deal as well as EUR 7 million savings of the repricing, and that would give you a result of around EUR 42 million, EUR 43 million.

Luis Boada

Next question is on coronavirus. Have you seen any disruption to your supply chain from the incidence of COVID-19 in China?

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

It's -- surprised it took this long to get to the coronavirus question. There's just a lot of speculation out there on the impact of coronavirus, certainly more speculation than fact. China is a small pool market for us, represents less than 1,000 -- I mean, excuse me, less than 1% of our sales, and overall, less than 10% of our sales come from Chinese finished goods. What we're seeing right now is that almost all manufacturers are now back into production and progressively ramping up. So they did not come on at full capacity, but they continue to ramp up, including our Dongchuan facility. There are potential risk to our sales in the first quarter that we see is about EUR 3 million on the top line. So really not a significant impact to Q1.

I think the question is also really what happens if this continues? We can see in our supply chain into about mid- to late May, right now at this point. So if it continues, it could be about another EUR 7 million top line risk or maybe EUR 10 million in total, which would represent less than 1% of our sales.

I think -- I mean, the question if this continues longer, it could have additional impacts on to the supply chain for sure. And at this point, we have really -- we haven't seen any impact on demand. But that will be the interesting question, if it gets really into the season later in Q2.

Luis Boada

Next question. Reported to adjusted EBITDA shows a difference of over EUR 60 million. What shall we expect for 2020?

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

Yes. We've commented this already on my part of the presentation. But basically, moving forward, as we are now -- we have completed most of the integration. There's going to be a significant reduction in integration-related expenses, bringing that number down to something approximately of around EUR 5 million. Then we should expect, as also I indicated, stock-based compensation expense of around EUR 10 million and run rate effect of synergies, which should also be reduced compared to 2019. So as I said, all of this will really help our cash generation for 2020.

Luis Boada

Next question. Again, on debt leverage. What is your net financial debt deleverage expected for 2020, excluding M&A?

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

Yes. We're really no longer guiding on net financial debt anymore because we feel comfortable at the levels at which we are operating. And as we have said, we will start to allocate cash to other initiatives and really deleveraging. But I know you can clearly come up with an estimate of free cash flow generation with the information that we have provided, starting off the number that we have indicated for EBITDA. We will be investing as we grow our sales, that level of around 22% of net working capital normalized level that I mentioned, CapEx that ranges around EUR 45 million to EUR 50 million, and that interest expense that I mentioned earlier on the Q&A session, considering the pricing -- the repricing of debt and the repayment of debt.

And then with that, now we have indicated at our Capital Market Day that we will resume dividends. And we will start bolt-on acquisitions with a certain amount devoted to those initiatives.

Luis Boada

Next question is on Fabtronics, is it part of your guidance? What was Fluidra's contribution to Fabtronics' sales and EBITDA?

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

Fabtronics is included in our guidance, a little more than 85% of sales of Fabtronics are to Fluidra, so you shouldn't really expect any impact on our top line from this acquisition. Yearly EBITDA contribution is about 1% so -- and is really just beginning.

Luis Boada

Next question. Can you update on your appetite and probability to execute M&A on the next 3 to 12 months for U.S. commercial segment?

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

I guess, I haven't done a very good job keeping it a secret that we're interested in M&A in the commercial space in the U.S. We're really excited about our commercial initiative that we've launched in the fall. And I think the team has done a great job getting this started. We have a plan that does not depend on acquisition in any way, shape or form. But no doubt, my feeling is that we could accelerate our venture into commercial with an acquisition.

Now we're excited about the cash generation, where we are on the integration and so clearly, we've signaled that we're interested and have already demonstrated with Fabtronics that we're back in the M&A game. But I think it would be way premature to speculate on any individual opportunity in any of our markets.

Luis Boada

Next question. Could you elaborate on the main drivers supporting the strong quarter year-on-year working capital to sales evolution? Is this driven by the exposure to the Early Buy season in the U.S.? Do you believe that December '19 working capital to sales ratio is a good year-end proxy for the future?

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

Yes. Obviously, we have a seasonal business, and that seasonality get reflected in our evolution of net working capital. I think that as I have mentioned in the call, this year-end was impacted by some one-offs. And if we normalize, the normalized level should be around 22%. That's ahead of our Strat Plan 2022 target, but we believe that this 22% level is something that should be sustainable going forward as the year-end target.

Luis Boada

Next question. What are the drivers for synergies delivered ahead of targets? And do you see further room to obvious synergy target?

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

I'm assuming cost synergies, right? Okay. So from a cost synergies perspective, we were ahead on commercial cost synergies, you can think of that more of SG&A or OpEx, depending on how you'd like to label that duplication of employees or structures or things like that in countries as we merge. So we got off to a terrific start there, and we're able to maintain that lead.

As far as operations, that's where we're really working through now. The team has actually done a great job in covering up the expected synergies from the divestiture of Aquatron. So in isolation, I'd say that they're already ahead, but that puts us on plan. We're comfortable with the performance and the guidance that we have given at this point. And we'll continue to work for more.

Luis Boada

Next question. Can you discuss further the other initiatives you would like to invest cash into now? And how much you intend to invest in growth projects?

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

Yes. Sure. As we disclosed at the Fourth Capital Market Day that took place in Barcelona in the fall, we already indicated that at the leverage of -- at the levels of leverage that the company was going to reach at year-end, to start allocating capital not only to really delever but we will be looking at bolt-on acquisitions, which should target a level of around -- depending on the year, but around EUR 20 million to EUR 25 million. And we would resume dividends with a target over the strategic planned period of between EUR 30 million to EUR 50 million on dividends, as I said. Taking, obviously, on consideration, that we will continue to delever the company towards those levels where we feel comfortable.

Luis Boada

Next question. What type of impact are you expecting from tariffs in 2020? And can you remind us what you're doing to reserve the negative effects from this year?

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

As far as tariffs are concerned, for 2020, I guess, there's been good progress between China and the U.S., but we really haven't seen material change. In the fourth quarter, we saw a little bit of a benefit and ultimately, the impact on tariffs for 2019 ended up being about 40 basis points instead of the 50 that we had originally adopted. Part of that is because of the good work that our supply chain team has been doing and continuing to work to find alternatives to China. We are continuing down that path. So the impact for 2020 will be significantly less than what we saw in 2019.

And in addition to that, as I was mentioning earlier, this is a business that takes price and the North American team took north of 3% price this year in line really, with the marketplace.

Luis Boada

Next question. In terms of reporting from Q1 2020 onwards, are we going to have only reported P&L figures? I.e., no pro forma figures?

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

Yes. Starting 2020, obviously, we will start to report reported figures. IFRS 16 adjusted only since we now have a base of comparability. So that plus the addition of, as I mentioned earlier, the fact that the integration is almost behind us, the level of adjustments between reported EBITDA and adjusted EBITDA will be very, very small, including just stock-based compensation and again, that EUR 5 million integration and integration-related nonrecurring number that I have guided to a little bit earlier in the call.

Luis Boada

Next question. There was a strong increase in the impact of operational leases on debt this quarter. Is the last reported figure a good proxy for 2020?

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

The increase in the quarter is due to the fact that we have reached an agreement for a number of industrial facilities that we operate in Southern Europe that were about to expire in terms of the contracts and we have managed to reach a positive agreement with the owners to extend the lease for an extra 10 years.

Luis Boada

Next question is on EBITDA margin. It is to jump more in 2020 than in 2019, a year that reflected higher synergy savings. Why a higher margin expansion in 2020 than in 2019?

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

So we know we continue to execute on our Strategic Plan 2022, which includes cost synergies, includes value initiatives. And in 2020, we would also benefit from a reduced impact of merger-related inefficiencies and tariffs from the U.S. as mentioned earlier by Bruce.

Luis Boada

Could you give us more detail on the Fabtronics product range and synergies? What products and geographies are you targeting for acquisitions?

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

Okay. As far as Fabtronics is concerned, as we mentioned before, north of 85% of their sales go to Fluidra in the -- basically for Australia at this point in time. They really have an expertise in electronics and PC boards. I mean, you can think about that more as interfaces. So we really like their R&D strength on interfaces, think for pumps, things like saltwater chlorinators and lights. So certainly, it's an opportunity to leverage that R&D strength for us globally.

As far as acquisitions, we've guided that we're back in the game. We've hinted at some areas that were attractive to us, like the commercial space. But what we're really looking for is value-accretive opportunities. We like to look at opportunities that are less than 7x on a multiple. And so they could really pop up anywhere in the world, giving us a nice arbitrage and nice benefit for our investors.

Luis Boada

Next question. Did you see any impact on demand from previous outbreaks like SARS?

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

For -- actually, I'm looking at the guys here, for both legacy business, we would say 0.

Luis Boada

Next question. On the U.S. market, how do you compare in terms of pricing versus Hayward and Pentair? Have they increased prices as much as you did in Q4?

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

I'm going to answer that question over the course of 2 years as opposed to just Q4. I would say over the -- first of all, the pricing in the U.S., you tend to take pricing once a year, being a seasonal business. So you do that before the season. That usually takes place around Q4 and if I looked at the big 3 manufacturers over the course of 2 years, it would be in the same range. So some might have been a little up faster, a little lower the second round or vice versa.

Luis Boada

There's a follow-up question on reported versus adjusted EBITDA for 2020. Is it correct to assume around EUR 15 million to EUR 20 million difference?

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

Yes. It is correct to assume the differences that you are mentioning, between EUR 15 million and EUR 20 million.

Luis Boada

There are no further questions. So 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. Good morning.