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FLUI.MC - Q4 2023 Fluidra SA Earnings Call

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

**Bruce Brooks** *Fluidra, S.A. - CEO*

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**Francisco Ruiz** *BNP Paribas Exane - Analyst*

**Christoph Greulich** *Berenberg Bank - Analyst*

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## PRESENTATION

**Clara Valera** - *Fluidra, S.A. - Director, IR & Business Development*

Good morning, and welcome to our full year 2023 results call. I am Clara Valera, Investor Relations and Business Development Director at Fluidra. Joining me today on this call is our Executive Chairman, Eloy Planes; our CEO, Bruce Brooks, and; Xavier Tintoré, our CFTO. They will walk you through a few slides on our results and then they will be able to take your questions.

(Event Instructions) The presentation is accessible via our website, fluidra.com, and has also been uploaded to the Stock Exchange Commission this morning. A replay of today's presentation will be made available on our website later today. With that, I hand over to our Executive Chairman, Eloy Planes.

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

Thanks, Clara. Good morning. Thank you for your interest in Fluidra and for taking the time to join us this morning. Today, we are presenting the full year 2023 results, and Bruce and Xavier will provide more detail shortly. Let me start by summarizing a few key takeaways. Performance in the year was within our expectations in a challenging trading environment.

As you know, 2023 was a year marked by a correction of inventory levels in the channel as the sector normalized. This process was not unique to the pool industry. We are pleased to leave this behind us as we start 2024. New build demand was weaker while demand to maintain and repair the global pool install base remained resilient. We recovered margins despite declining volumes and inflation, thanks to the implemented price increases, together with a diligent execution of our simplification program.

In addition, working capital management has been outstanding, reducing net debt during the year while we complete a couple of acquisitions and pay the ordinary dividend. Our capital allocation framework remains unchanged with a continued focus on cash generation and deleveraging, while investing in organic growth, accretive M&A, and maintaining a consistent dividend policy.

We are introducing today our 2024 guidance. We expect margin progress, although also recognized uncertainty remains around the macro environment. Bruce will dive deeper on this. We are confident in our future. We continue to enhance our leadership of the pool and wellness market, delivering improving returns on capital over the medium term in an industry with attractive structural growth.

Next, I would like to put in context 2023's performance. Fluidra is a structurally stronger business today compared to four years ago. We have grown revenues at a component average growth rate of more than 10% and expanded EBITDA margins by 200 basis points. We are a more reliable partner, outperforming our peers, and having grown our share in a larger industry. The installed base has expanded, underpinning after market demand for the future.

Our work to strengthen and position the group for long-term success continues. We are committed to deliver the perfect pool and wellness experience responsibly, offering more connected and sustainable products, and creating value for our stakeholders. We look forward to discussing our solid results with you this morning. And with that, I hand first to Bruce to continue with our presentation.

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**Bruce Brooks** - *Fluidra, S.A. - CEO*

Good morning, Eloy, and thank you all for participating today on this conference call. Moving to slide 6. Let me start with comments on our overall performance and highlights for the full year, and then turn it over to Xavier to provide more details on the financial results. I will then return to provide some color on the outlook.

Sales declined by 13% on constant FX and perimeter to EUR2.051 billion driven by lower volumes more than offsetting higher prices. This performance was in line with our expectations. EBITDA was 11% lower, mainly due to the effect of lower sales, but supported by higher gross margin year on year and the contribution of the restructuring initiatives within our simplification program aimed to reduce the fixed cost base.

Going down the P&L, cash EPS was lower year on year on the back of the operating performance. Importantly, we made outstanding progress in terms of inventory reduction during the year, which is reflected in lower operating net working capital levels. We reduced net debt which is a testament to our strong cash generation profile and our leverage is stable year on year despite lower volumes.

Beyond financial results, page 7, we also continue to strengthen our global leading platform, which is recognized by our customers. Let me share some of the highlights of the year. First and foremost, our customer centricity, we improved data connectivity and intel exchange to better manage our supply chain.

We reinforced our sales and distribution network with seven new pro centers in EMEA, and two new distribution centers, one in Europe and one in the US to bring us closer to our customers. I'm proud we were awarded vendor of the Year by the top US distributors for the third year in a row. This was possible thanks to the effort of our teams and to our focus on tailored innovation.

We continue to develop cutting edge pool solutions to strengthen our product offerings and reinforce our aftermarket program across the regions where we operate. We made progress to be a more efficient and effective organization, executing our simplification program, which I will speak a bit more detail in a moment.

We are investing in our business both organically and inorganically. The integration of Meranus is going well, and we'll continue to evaluate opportunities as they arise. Last but not least, our responsibility blueprint is foundational for future growth. You can see on the slide some of our 2023 achievements with our efforts being recognized by well-known rating agencies.

Turning to slide 8, let me share in a bit more detail our progress on the simplification program. As a reminder, this program is delivering long-term value and enhancing our resilience. It is mainly built on two areas, one focused on improving gross margin and the other focused on reducing structural overlaps and streamlining our operations. It's also underpinned by our drive to foster an agile and dynamic organization.

In total, the simplification program delivers around EUR100 million of cost reduction between 2023 and 2025, with total related one-off cost of approximately 1 time. The expected savings in 2023 have been delivered following our actions to lower our fixed cost base by reducing headcount across the businesses and simplifying our organizational structure to become more efficient.

The program is also on track to generate more than EUR30 million of savings in 2024, driven mainly by global strategic procurement efforts and product design to value initiatives. We will continue to provide you with regular updates as we progress.

Moving to slide 9. Customer-centered innovation is core to our success to deliver long-term growth. We have balanced our cost restructuring initiatives with a focused innovation approach to enhance our offering. On the left hand side, you can see a simplified product development map to illustrate how feedback from users is properly taken into account in the process.

Our innovation efforts revolve around three focus areas. Digitalization, which helps connect with and create a simple, more enjoyable pool experience for the end user while improving pool management and business efficiency for the pool pro. Sustainability, where we continue to develop solutions that need less water, less energy and less chemicals. And Incorporating new design or technologies, which make the product easier to use, install, and service.

You can see some indicators on the right hand side of the slide. We allocate 1.5% to 2% of total sales to R&D. And we continue to hold 3 times more patents than our next competitor. In 2023, the ratio of sales from new products launched over the last five years to total sales reached 19%, an increase versus prior year. And our sales of sustainable products were more than 51% of the total, on track to deliver our sustainability commitment.

And last, but not least, we created Fluidra Ventures, a corporate venture capital fund to invest EUR20 million in the next three years in emerging companies with unique technologies to reinforce our leadership position in the pool industry.

Turning to slide 10. Without going into detail, here are a few examples of solutions developed with specific benefit for our customer in mind, be it the pool owner or the pool pro.

Moving to slide 11, into the details for the full year of 2023. On the right-hand side of the slide, you can see the positive contribution of price to sales performance in the year, the volume decline, and the negative FX impact. The 13% decline on constant FX and perimeter follows a flat 2022 and 36% organic growth seen in 2021. As mentioned, sales were within the range of our expectations.

Unfavorable weather, especially in the first half in the US, and a tougher global macro environment were headwinds during the period. We saw lower demand for residential new pool construction, while as anticipated, repair and maintenance demand was resilient. Commercial pool grew slightly above expectations.

The adjustment of inventory in the channel was broadly completed in Europe by the end of the second quarter and in the US by the end of the third quarter, which supported a good finish to the year with significantly easier comparables.

As a result, the decline in sales in the second half of the year was 4%, lower than the 18% decline seen in the first half. By region, the development was as expected, with the exception of Northern and Central Europe, where lower consumer confidence continues to impact demand. With that, I'll turn it over to Xavier to explain the financial results in more detail.

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**Xavier Tintoré** - *Fluidra, S.A. - Chief Financial & Transformation Officer*

Thank you, Bruce. Let's turn to page 12 to start with the P&L. Sales amounted to EUR2.051 billion, a 14% decline of which FX is a negative impact of 2.5 points and acquisitions at 1 point of growth. Gross margin reached 53.2%, 190 basis points higher than in 2022, being the third consecutive quarter with gross margin higher than the prior-year period.

We have seen continued good pricing read-through and favorable product and geographic mix, which more than offset the impact of lower manufactured volumes due to adjusting inventories and some inflation impacts.

Operating expenses reached EUR647 million, a decrease of 9% with lower logistics and transportation costs where we saw a deflation together with the contribution of our simplification program. While on the other side, we have a higher impact of the annual incentive program, and we continue to invest in digitalization.

EBITDA reached EUR445 million, a decrease of 13%, driven by the impact of lower volumes which cannot be offset by increased gross margin and reduced expenses. The EBITDA margin of 21.7% is 30 basis points higher than 2022, despite the top-line decline.

Q4's margin of 18.6% is 530 basis points higher than 2022, impacted by two factors. On one side, the higher contribution of North America, please remember that last year's Q4 had significant inventory correction, especially in that region, and on the other side, the continued results of our initiatives to manage margin and cost.

EBITA of EUR355 million was down 16%, with a margin of 17.3%. Below the EBITA line, amortization is down 10% to EUR67 million. Restructuring, stock-based compensation, and other expenses of EUR51 million are up from EUR42 million last year, driven mainly by the impact of the simplification one-off cost. Stock-based compensation of EUR9 million is 37% lower to the prior year period.

Net financial results amount to EUR78 million, EUR1 million lower than last year, driven by higher interest cost and currency effects, as 2022 had a EUR12 million write-off of non-cash fees generated in the refinancing. Tax rate was at 26% versus a 27% tax rate in 2022. Net profit reached EUR114 million compared to EUR160 million in 2022.

As you know, we track cash net profit, a good indicator for Fluidra as we have a significant amortization charge entirely purchase accounting related that impacts our net profit and EPS calculation. Cash net profit amounted to EUR211 million.

Page 13 shows the free cash flow statement as well as the net debt evolution. Free cash flow generation for the year was excellent generating EUR160 million in contrast with a use of EUR229 million in 2022. This was driven by EUR429 million record operating cash flow generation with weaker EBITDA more than compensated by a lower investment in working capital.

If we zoom into net working capital which you have in the appendix on page 23, you will see significant progress in our objectives to normalize it, with the ratio improving by 560 basis points. Inventories are EUR172 million lower than in the prior year. Receivables are 4% lower due to geographical mix, while payables have started to recover.

On the investment front, we have used EUR94 million flat to prior year with less CapEx, but more cash spent on acquisitions as we completed the acquisition of Kerex and Meranus. On the financing front, cash usage is mainly driven by the EUR134 million of dividend paid.

Finally, net debt reached EUR1.2 billion, down EUR147 million. Our leverage ratio is 2.6 times. Just to remind you, we have a solid balance sheet. Our main funding facility is a EUR1.1 billion TLB in Euros and US dollars that matures in 2029. 80% of the TLB has swap rate until June 2026. In summary, 2023 has been a challenging year with lower volumes, but as you have seen, our team has delivered on the margin and cash play that we shared with you at the beginning of the year. And with that, I will give the floor to Bruce and Eloy for closing comments.

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**Bruce Brooks** - *Fluidra, S.A. - CEO*

Moving to slide number 14, you can see the full year 2024 guidance. Leaving the correction of inventory in the channel behind us should be helpful. However, the macro environment remains uncertain with high interest rates weighing on some areas of demand for our products. We expect some weakness in residential new construction demand, which represents approximately 30% of our sales. On the other hand, we expect the aftermarket, in particular repair and maintenance, to remain resilient.

We have implemented moderate price hikes for the 2024 pool season. These, along with the positive contribution from the simplification program, should more than offset inflation in components, labor, and general costs. All in all, we are expecting sales between EUR2 billion and EUR2.15 billion, EBITDA between EUR440 million and EUR490 million, and cash EPS between EUR1.07 and EUR1.25. And now, back to the Executive Chairman to wrap up the prepared remarks before moving to Q&A.

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

Thanks, Bruce. Moving to slide number 15, I would like to summarize a few key takeaways before the end of the today's presentations. We delivered a solid performance in 2023 within the guidance we set out at the beginning of the year and against a difficult trading environment. This will not have been possible without our team's commitment, resilience, and passion for success, a big thank you to all of them.

The margin improvement against falling volumes is a testament to the resilience of our model. We have a strong cash generation profile, and I'm pleased with the reduction in operating net working capital and net debt levels during this year. We are ready for 2024. We are encouraged by our performance in 2023, while we also recognize the ongoing uncertainty around the macroeconomy.

Looking into the future, I'm confident in the attractiveness of our sector and our ability to create value for our stakeholders as the global leader in the pool and wellness sector. We are well-positioned to continue to lead the market with our broad product and global geographic footprint, our high quality and service, our leadership in connected and sustainable pools, and our simplification program to transform Fluidra, enhance our margins, and become a more efficient organization. Thank you all for your participation. And now, Clara, we open the Q&A turn, Bruce, Xavier and I, we are ready to take your questions.

## QUESTIONS AND ANSWERS

**Clara Valera** - *Fluidra, S.A. - Director, IR & Business Development*

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

**Jacqueline Li** - *Bank of America - Analyst*

Thanks, Clara. Good morning, everyone, and thanks for taking my questions. I have two, so I'm happy to go one at a time. My first question is on your guidance for 2024. Appreciate it Bruce, you've provided some color on it already. I'm wondering if you could talk through perhaps quantify some of your assumptions in arriving at that guidance. So in terms of the upper end and lower end, what do those numbers mean or imply for pricing, new build volumes, remodel, and then aftermarket in 2024? Thank you.

**Bruce Brooks** - *Fluidra, S.A. - CEO*

Okay. Happy to try to help you on that one, Jacqueline. So first of all, we're excited to have the inventory in the channel cleaned up and behind us. So we start with that, and we believe that, that should be a tailwind as we look forward. I would put that number at plus, minus EUR100 million, but it really depends on the level of demand. Just remember that this inventory correction is based on future demand as opposed to the backward looking number of just the actual inventory that came out of the channel.

From a macro environment, I think it remains pretty uncertain with the interest rate, I don't know, forecast that we see out there. From a new build perspective, we see it to be a bit softer year on year, but to a lot lesser extent compared to 2023. We would expect, let's call a 10% to 15% decline for the year, with high-end projects definitely faring better than entry level. And right now, we believe that US would probably outperform Europe.

From an aftermarket perspective, we expect it to remain resilient. Let's call it, maintenance and repair holding up, given their discretionary nature, let's call that one flattish. And then within aftermarket, remodel activity performing relatively better than new build with many builders focusing on remodeling projects, our call, in our range expects it down 5% to 15% type of range.

Commercial continuing to moderately grow, let's call that one [0% to 5%]. Price, we believe will continue to hold up, well, US up 2% to 4%, Rest of the World more in a 0% to 1%, with moderate increases in equipment, but lower chemical prices. So that puts the group at a 1% to 2% total price type of contribution.

We'll see continued contribution from the Simplification Program I spoke earlier of kind of that EUR30 million type of number and some inflation in the components, labor, and general costs. So that's roughly how we were calculating the range on the guidance.

**Jacqueline Li** - *Bank of America - Analyst*

Okay, great. Thank you. If I could sneak in a quick follow-up on that. What was the price versus volume split in terms of the organic constant currency impact in Q4?

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**Clara Valera** - *Fluidra, S.A. - Director, IR & Business Development*

Jackie, can you say that again? Sorry, we didn't get your question.

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**Bruce Brooks** - *Fluidra, S.A. - CEO*

Price versus organic split in Q4. Is that right, Jackie?

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**Jacqueline Li** - *Bank of America - Analyst*

Yes. Price versus volume in Q4.

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**Bruce Brooks** - *Fluidra, S.A. - CEO*

Going to have to dig a moment here.

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**Xavier Tintoré** - *Fluidra, S.A. - Chief Financial & Transformation Officer*

Hi, Jackie. I'll take that one. Basically, what we saw in Q4 is continued read through of pricing, as I said, more or less along the lines of what we've seen for the full year, and then perimeter basically added around [2 points] of growth. So what you have there is more or less flattish volumes and a little bit of negative impact from currency of around 5%.

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**Jacqueline Li** - *Bank of America - Analyst*

Okay, thank you. And then final question. You mentioned Europe versus the US. What's your outlook in terms of those different markets, in terms of demand in 2024? Maybe you can provide some color on the trends you're seeing in different European countries, Spain, France, et cetera. Thank you.

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**Bruce Brooks** - *Fluidra, S.A. - CEO*

Okay, I'll take that one. So first, I would remind everybody that on the inventory correction, the inventory correction was more significant in North America than it was in Europe. And so if I start about Q1 trading, I'd say first of all, it's still early days. We are technically still in February, and we don't guide by quarter.

But our expectation for Q1 is that we would be slightly down. This is consistent with our expectation for the year. Cold weather in the US did impact January deliveries, and year-to-date sell through in North America is down in that low single digit to mid-single digit with February starting to show better here late in February than where we were in January.

In Europe, we're seeing customers more in a wait-and-see type of mode. Central Europe and Northern Europe continues to be slow. So it's been maybe a little bit of a surprise for us, okay. But I would say, let's not forget that Easter actually comes early this year, and it falls in March. So that actually gives us less trading days in the quarter, and will give us some timing effects as people get ready for the season and frankly, when they start to open their pools.

**Clara Valera** - *Fluidra, S.A. - Director, IR & Business Development*

Thank you, Bruce.

**Jacqueline Li** - *Bank of America - Analyst*

That's very helpful. Thank you very much.

**Clara Valera** - *Fluidra, S.A. - Director, IR & Business Development*

Thank you, Jackie. Thanks for your questions, I should say. Leo Carrington, Citigroup.

**Leo Carrington** - *Citigroup Inc. - Analyst*

Good morning. Thank you. If I could firstly follow-up on those points around the new build demand and if you could just elaborate on the bright spots for demand in North America, your comments around what you're seeing from your distribution, or are there lead indicators within the product mix or macro indicators that you think are particularly encouraging?

And then also, in terms of the working capital dynamics for 2024, would you say in terms of your inventory levels and your working capital, these levels are now pretty stable or is there a further tailwind from further rationalization for the next year -- for this year, sorry? Thank you.

**Bruce Brooks** - *Fluidra, S.A. - CEO*

Okay, Leo, I'll take the first, and Xavier can have the working cap question. So from the work that we're doing in the US and our surveys, leads are definitely down, okay. So that's why we feel that there'll be some pressure in new construction, at least in the first half of the year.

Our high-end builders are holding up really well and feel like they've got a great order book for the year. So we don't see much degradation at the high end, and we continue to see a little bit stronger play in the Sunbelt than we do in the Snowbelt, and that's a good thing for Fluidra.

On the other hand, at that entry to mid-price point, pools that are more typically financed, we're still seeing a wait-and-see type of mindset. So we're seeing less leads come in, although the leads that come in are converting pretty well.

**Xavier Tintoré** - *Fluidra, S.A. - Chief Financial & Transformation Officer*

Yeah. As networking capital for 2024, I'll just remind everyone that we are a seasonal business. We go up in the first half and then go down in the second part of the year. But in terms of the expected level, we will be around that 18% mark at year-end. Probably on the inventory front, there's still a little bit of improvement in terms of the mix of raw materials versus finished product and so on, which will help us improve our service levels. But directionally, this 18% is the right number.

**Leo Carrington** - *Citigroup Inc. - Analyst*

Very clear. Thank you very much.

**Clara Valera** - *Fluidra, S.A. - Director, IR & Business Development*

Thank you, Leo. Thanks for your question. Francisco Ruiz, BNP.

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**Francisco Ruiz** - *BNP Paribas Exane - Analyst*

Hello. Good morning, and congratulations for the good figures, especially on the working capital. I have two questions. The first one, Bruce, you have talked about EUR100 million inventory reversal. So what does that mean? That means, that this will imply a maintenance business of growing 5% in sales or where is this benefit coming from? And the second question is if you could be a little bit more -- give more detail on your cost evolution for 2024 in terms of raw materials, labor cost, and OpEx. Thank you.

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**Bruce Brooks** - *Fluidra, S.A. - CEO*

All right. So if I get the first question and Xavier can help on the second. So I think your question was on the EUR100 million, I mean, it roughly equates to 5% of our sales. So we'll get a 5% tailwind going forward. As I mentioned earlier, Paco, I mean, I think that's the place that everybody will start. But then from there, you've got to look at what the demand expectations are from our customer base.

And so the way that they'll look at their inventory is based on where they see the future sales. So as long as the sales are running at that same type of sell through rate, then yeah, it's EUR100 million, but if it's a little slower, it's a little worse. And if the sell through rate is a little bit better, then it gets a little bit better. So that's the way we think of it. So that's why we go with the plus, minus EUR100 million.

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**Xavier Tintoré** - *Fluidra, S.A. - Chief Financial & Transformation Officer*

Sure. Paco, in terms of guidance or details around the 2024 cost evolution, basically, what we are seeing is that raw materials have come down in 2023, but still semi-finished goods that incorporate labor, we are seeing those persisting at higher levels as this labor inflation.

We expect that to continue into 2024. In terms of more the variable piece, we've seen improvements in transportation and logistics, but that happened more towards the first half of the year. And we've seen a flat evolution in the second half.

Minor impact of the Red Sea situation in terms of increased cost, but not materials. So we foresee flattish evolution. And then in terms of labor, we have seen inflation cost on mid-single digit type of range, and that's what we foresee also for 2024.

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**Francisco Ruiz** - *BNP Paribas Exane - Analyst*

Okay. Thank you.

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**Clara Valera** - *Fluidra, S.A. - Director, IR & Business Development*

Thank you, Paco, thanks for your question. Christoph Greulich, Berenberg.

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**Christoph Greulich** - *Berenberg Bank - Analyst*

Yeah, thank you and good morning, everyone. Thanks a lot for taking my questions. Yeah, two from my side, please if I may kind of follow-up on the previous question on the cost. So if I look at the P&L for Q4, I've seen a quite meaningful jump in the gross margin.

And Xavier, you already mentioned that there were some positive mix effects that played into that. I guess, the higher weight of North America was quite important for that. But just trying to see what we can expect as a sustainable level here on the gross margin for '24. I guess the simplification program might also further add to that.

So yeah, a bit more color on what gross margin level is baked-in, in your guidance for this year. And then, just also on the Q4 P&L, on the OpEx we've seen a bit of an increase compared to Q3. I think there was a slightly different evolution that we've seen from Q3 to Q4 last year. So I was just wondering what drove the increase in the OpEx from Q3 to Q4. Thank you.

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**Xavier Tintoré** - *Fluidra, S.A. - Chief Financial & Transformation Officer*

Sure, Christoph. If I go to the margin, to your first question, we are basically not guiding explicitly in terms of gross margin. However, we have implemented actions in order to protect the P&L from inflation. Bruce has talked about the pricing initiative and pricing levels for 2024 in the different regions. And then what we foresee is that most of the simplification impacts or savings that will hit P&L in 2024 will touch the gross margin number, okay.

And then looking specifically at what drives the evolution of Q4 operating expenses, I would say that a couple of factors. On one side, we are anniversarying some of the initial actions on the simplification program that heated already the last months of 2022. And then on the other side, we finished a little bit better than anticipated, I would say. And then that beefed a little bit the values more than what we thought.

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**Bruce Brooks** - *Fluidra, S.A. - CEO*

And Christoph, you were right on Q4 sales mix impacting margin. I mean, it's mostly driven by North America.

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**Xavier Tintoré** - *Fluidra, S.A. - Chief Financial & Transformation Officer*

North America, yeah.

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**Christoph Greulich** - *Berenberg Bank - Analyst*

Okay, thank you very much.

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**Clara Valera** - *Fluidra, S.A. - Director, IR & Business Development*

Thank you, Christoph. Tim Lee, Barclays.

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**Tim Lee** - *Barclays - Analyst*

Hi, everyone. Thanks for taking my question. I have one question on the inventory tailwind that you're expecting in the year. I think you are seeing the destocking in the channel to be behind us, but when I look at some of the commentaries from, like, POOLCORP, they were saying that in 2024, they will continue to reduce their inventory level compared to 2023. So I'm just trying to see how you divide the inventory tailwinds by quarter, for instance, to give us a better idea about how the inventory tailwind will evolve in the year. Thank you.

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**Bruce Brooks** - *Fluidra, S.A. - CEO*

Okay. So, I'll try to start. And see where I miss XT, you can jump in. I think, first off, POOLCORP made a macro comment for POOLCORP. We continue to work with them on what I would call a multi-level relationship, including our supply chain people being very close to theirs.

So I don't expect any significant surprises in our relationship and how the inventory pulls through. We track the POS daily with them and I think are very close to what that number will ultimately be. So first off, I wouldn't see a particular surprise from there.

Again, we don't guide by quarter, and so it's hard to sit there and say how the inventory will play in. But maybe just for a thought process, a little bit earlier in the year, I mean, I think you would expect a pretty material plus in Q1, specifically in North America.

But then, I think you got to remember that the new construction and remodel would be expected to be down in Q1. And although we talk about 30% of our overall business being impacted by new construction, it is going to be more weighted in Q1 just because new general pools are not open in the early season.

So therefore, you've got a little bit of a heavier impact there. We'll get a plus from price. Right now, we're thinking that sell-through will be flattish, so it could be a plus, minus. As we get into March, we'll get a better read on what that is.

Remember, we've got a couple of less trading days, and then, let's still call weather a bit of a wild card or a joker that could give us some positive or some negative. So that's how we're thinking about the early part of the season.

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**Clara Valera** - *Fluidra, S.A. - Director, IR & Business Development*

Thank you, Bruce. Thank you, Tim.

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**Tim Lee** - *Barclays - Analyst*

All right, helpful. Thank you.

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**Clara Valera** - *Fluidra, S.A. - Director, IR & Business Development*

Jackie, Bank of America.

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**Jacqueline Li** - *Bank of America - Analyst*

Hi, everyone. Thanks for taking my follow-up question. It's a clarification point about the EUR100 million potential sales benefit, and how you've arrived in that estimate. Have you based this number on, for example, your view of inventory days at distributors, or is the EUR100 million based on maybe your assumption of normal sell-in volumes versus 2019? If you could help us there, that would be great. Thanks.

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**Bruce Brooks** - *Fluidra, S.A. - CEO*

I'll take a crack at that, Jackie. So first of all, I'd say this inventory in the channel is not an exact science, okay. So I'd start there and say that it's directional. What we've tried do is take from the customers where we get sell through information, and compare the sell through information versus our sell-in and therefore, you get a sense of what the volume difference should be.

So that's generally how we do it, we also do surveys of our builders. And once you go past distribution, it's really hard to see what that inventory is and exactly where it is. So we're trying to combine those bits of data to come up with that directional piece. And so in the end, we look at the inventory in the channel, as it was really a headwind in 2023, and we shouldn't be facing that challenge as we look forward.

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**Jacqueline Li** - *Bank of America - Analyst*

Okay, great. Thank you very much.

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**Clara Valera** - *Fluidra, S.A. - Director, IR & Business Development*

Thank you, Jackie. This marks the end of today's presentation. We thank our speakers and participants. And as always, please feel free to reach the Investor Relations team for any further queries. Thank you, and goodbye.

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