

A Work Project, presented as part of the requirements for the Award of a Master Degree in Finance from the  
NOVA School of Business and Economics.

**Private Equity Challenge - Fluidra S.A. - Value Creation Initiatives**

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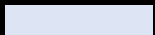
## Abstract

This Investment Committee Paper was elaborated by a group of students from the Master's in Finance Program at Nova School of Business and Economics which is intended to be used for academic purposes only. It consists of an investment proposal for a leveraged buyout on Fluidra SA, a global leader in the Pool and Wellness industry, with a robust international presence and an extensive portfolio. Operating in both new build and aftermarket sub-sectors, providing high quality swimming pool equipment that ranges from above-ground and in-ground pools to a complete line of accessories and chemical products. The group sought to determine how to best structure an LBO acquisition of Fluidra SA and what returns it could provide, with this work focusing particularly on analyzing and forecasting the impacts of different value creation initiatives.

**Keywords:** Pool and wellness, COVID-19, Wavepools, Leveraged buyout, Dividend recap

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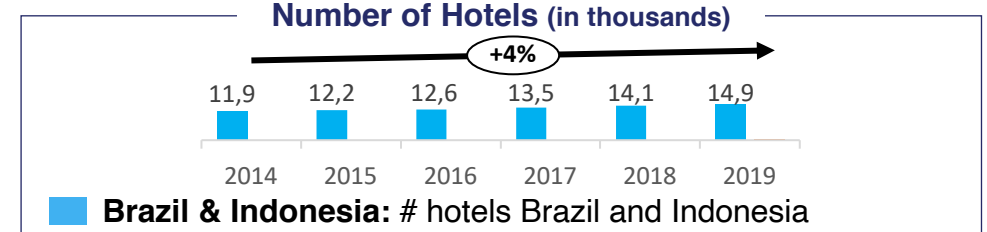
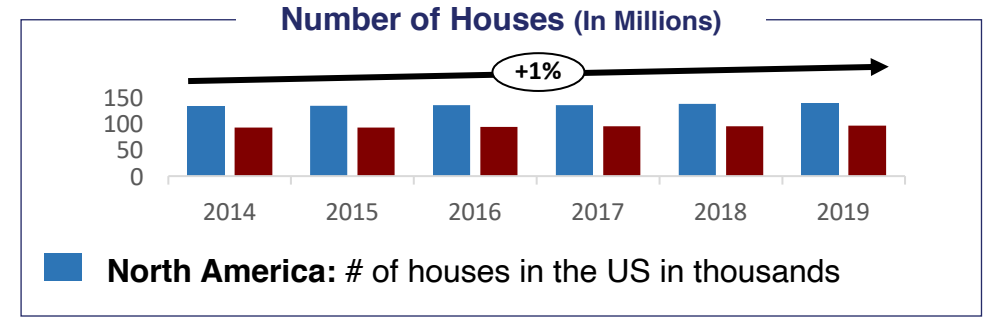
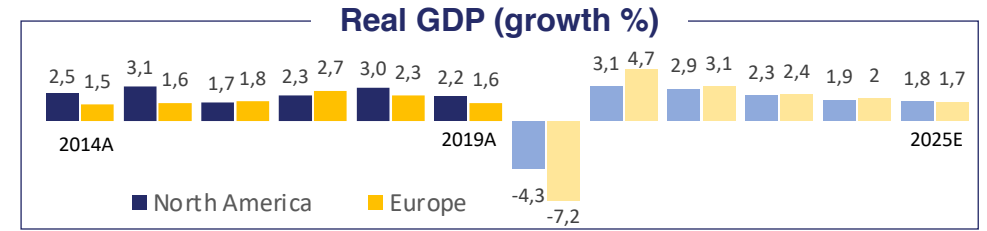
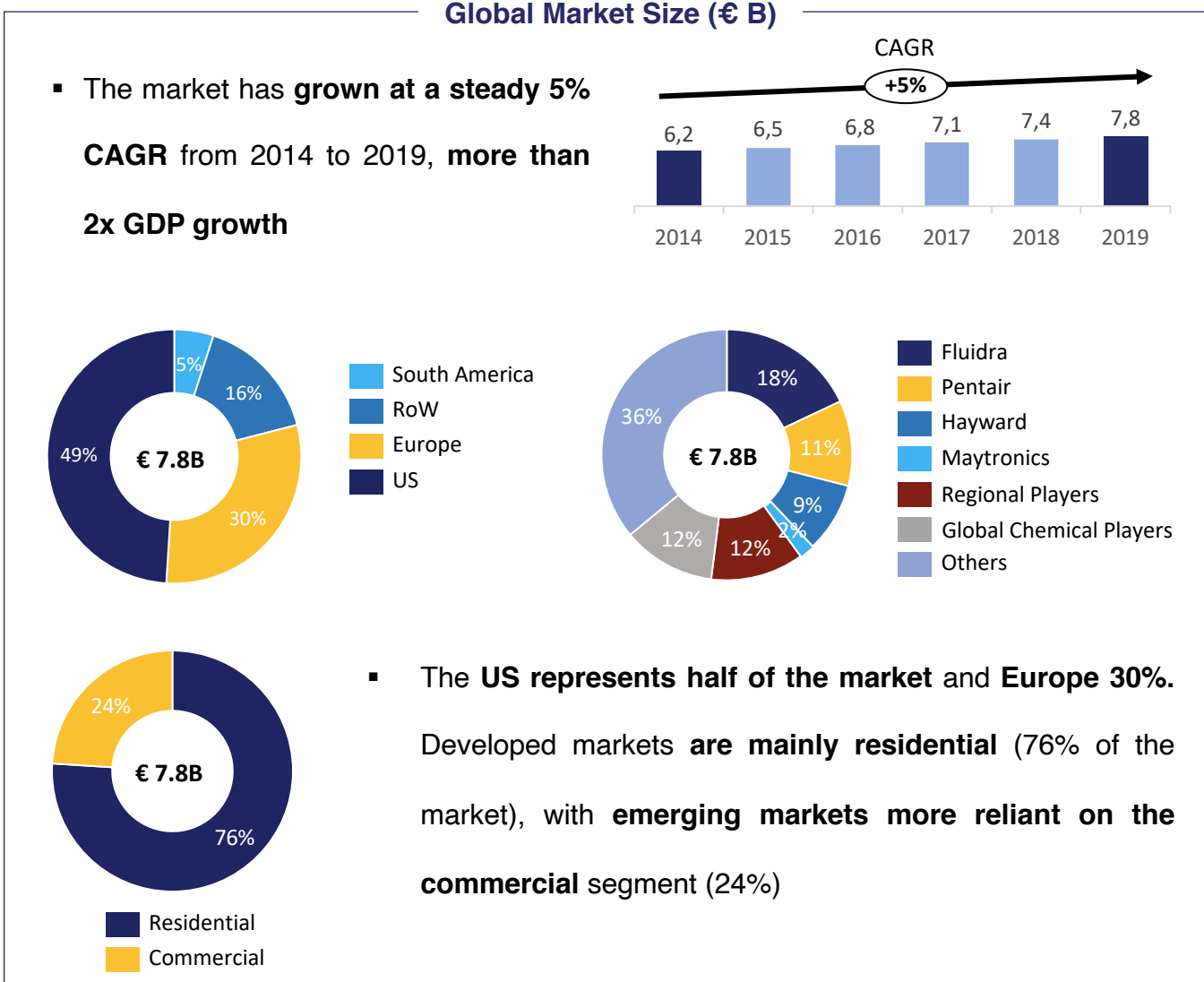
# Group Part

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# GROUP I MARKET OVERVIEW | MARKET SIZING & MACRO DRIVERS (I/II)

The pool and wellness market value is c. € 7.8B, growing at 5% CAGR. It is fragmented, 76% share in residential and half in North America

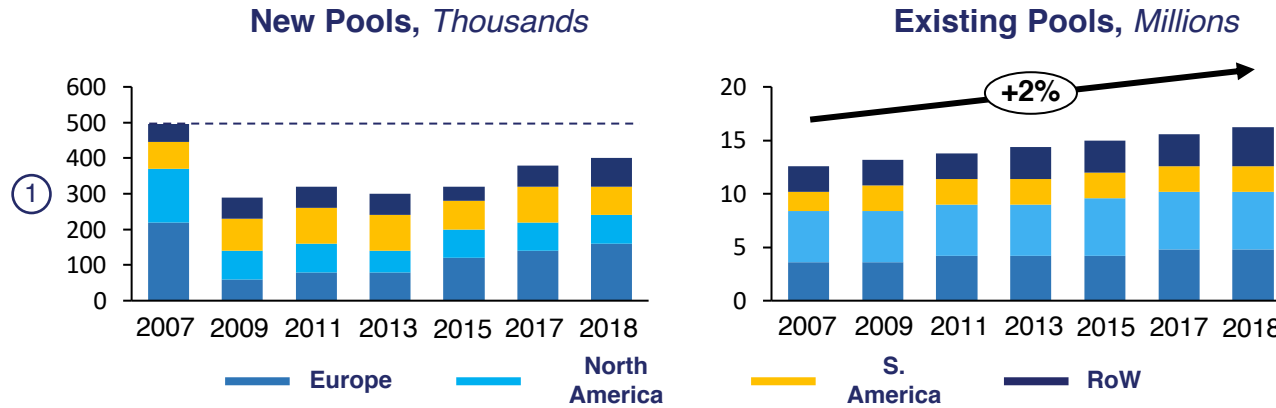


### COVID Impact

+ **Residential:** The first 9 months of 2020 are being very good for the market, with developed markets growing due to a demand increase from shift in preferences

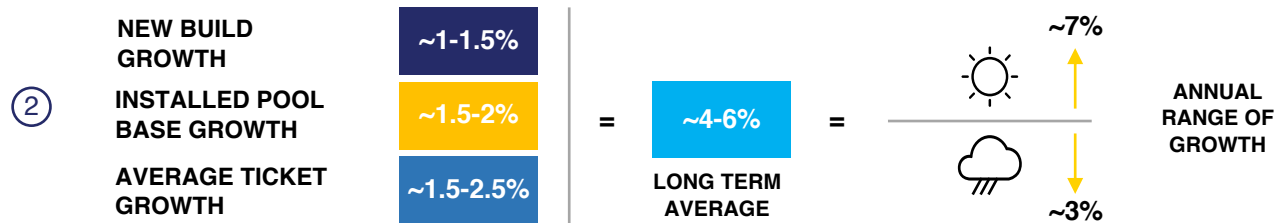
# GROUP I MARKET OVERVIEW | GROWTH DRIVERS (I/II)

Pool & Wellness sector was estimated to grow between 4-6% in the future before covid. New build, Aftermarket have 27%, 73% of sales

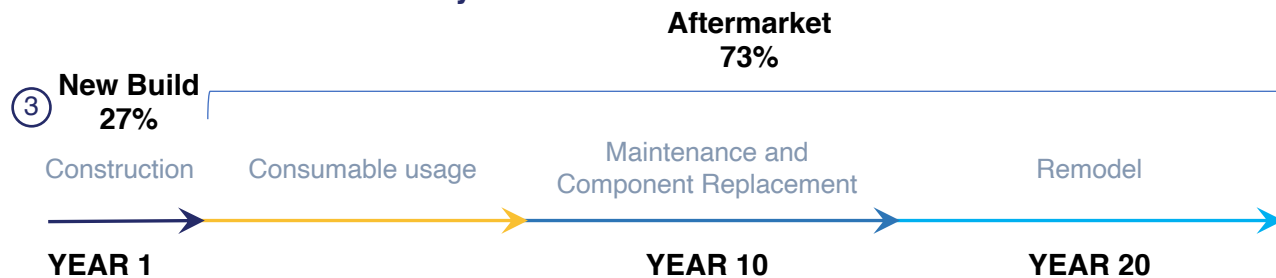


- Comments**
- ① **New pools & Existing pool base:** P & W sector segments:
    - **New construction of pools (27%):** Growing trend since financial crisis but still significantly below
    - **Installed pool base (Aftermarket – 73%):** Highly recurrent sales from maintenance and upgrades
  - ② **Growth Drivers in the pool market worldwide:** The future growth is expected to rely on 3 main factors:
    - **New build (1-1.5%):** Correlated with Real Estate and economic cycle. Recession from Covid may impact negatively in near future, mostly commercial segment
    - **Installed pool base growth (1.5-2%):** increase due to new construction and remodelling of existing facilities
    - **Average ticket growth (1.5-2.5%):** higher than inflation growth due to more sophisticated pools

## Growth Drivers in the Pool Market Worldwide



## Life of a Pool and Renewal Cycle

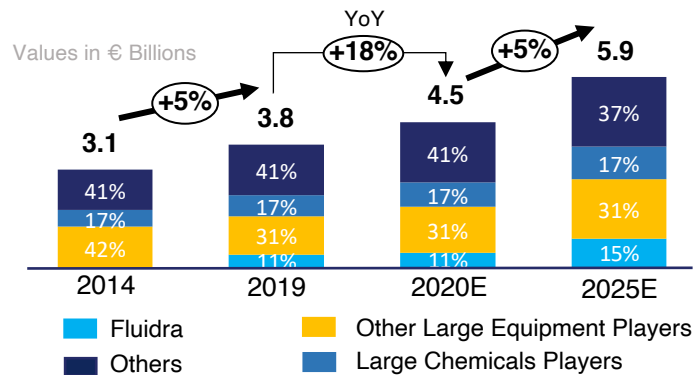


# GROUP I MARKET OVERVIEW | GEOGRAPHICAL SEGMENTS (I/II)

The pool markets vary greatly in terms of market size and structure across region. North America is the largest and most competitive

## North America

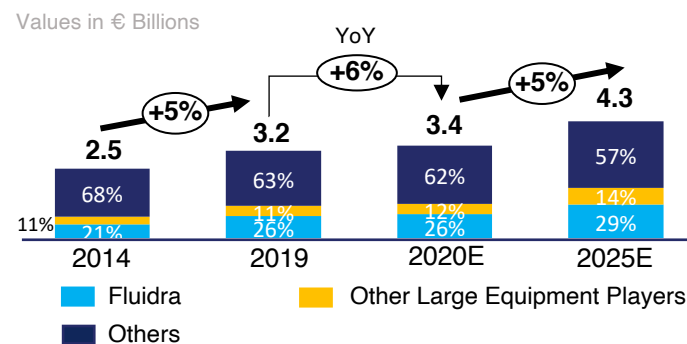
- **Size:** € 3.8B market 2019, 5% CAGR from 2014
- **Growth:** in 2020 very high growth due to home upgrades. **Expected to grow historical levels**
- **BUs:** Residential 53% of the market in 2019



- In 2019, after merging with Zodiac, **Fluidra got 11%** of this market. Large equipment peers like **Pentair and Hayward take 31%**,

## ESA Developed

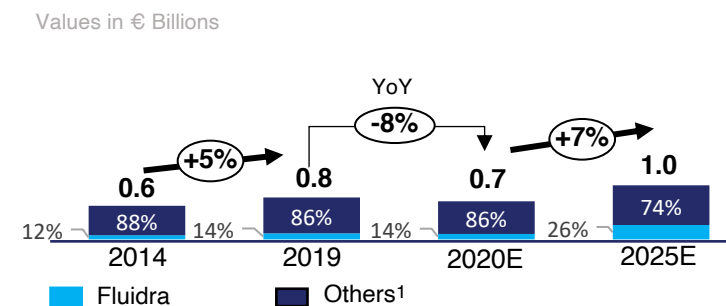
- Includes developed countries in Europe, the Southern hemisphere and Asia.
- **Size:** € 3.2B market 2019, 5% CAGR from 2014
- **Growth:** 2020 flat Southern Europe but high growth in rest. **Expected growth at same rate**
- **BUs:** Residential lead, Commercial fragmented



- **Fluidra is the clear market leader** in this segment with a vertically integrated model.

## ESA Emerging

- Includes all the other countries where Fluidra operates
- **Size:** € 0.8B market 2019, 5% CAGR from 2014
- **Growth:** In 2020 decreased due to reliance on Commercial. **Expected to grow at 7% CAGR**



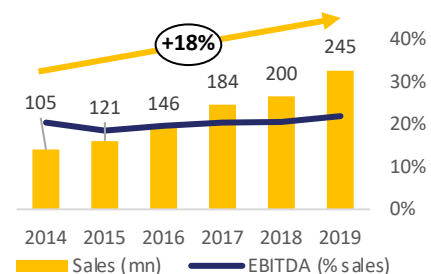
- Greatly fragmented market with **no global player being reference in this market in 2019**

6 Sources: Fluidra's and Peers' Websites, Reports, and Presentations;  
1) Includes Other Large Equipment Players (15% market share) and Others

Fluidra's major peers are concentrated in the North American market. Moreover, Fluidra presents a strong, vertically integrated, Value Chain.

## Maytronics

- **Maytronics** is an Israeli company, specialized in robot cleaners for both **residential** (80% of sales) and **commercial** (10%) pools
- Its products are sold in **Europe** and **US**, **controlling 50% of the global robotic cleaners' segment**

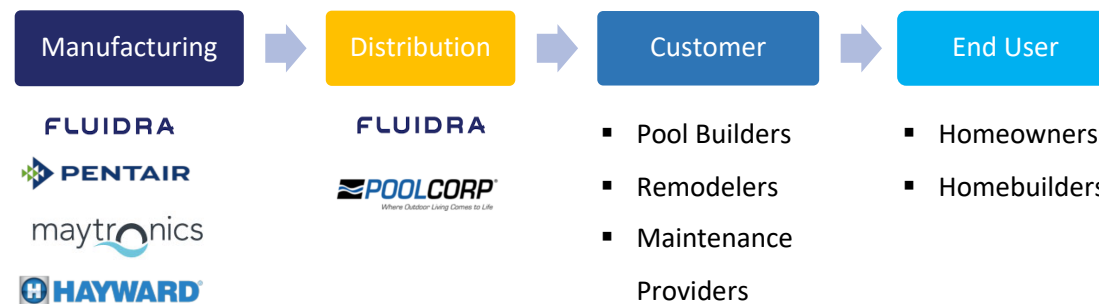


## Key Observations

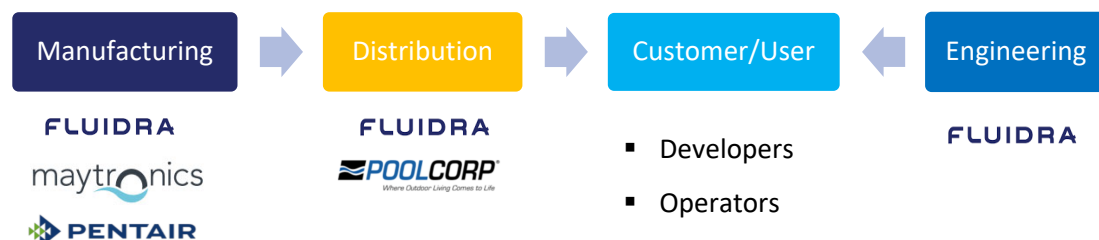
- **Value Chain:** In Residential, Fluidra mainly manufacturer but also distributes. In Commercial Fluidra also provides engineering services as part of its Push & Pull strategy
- **Peers:** mainly **operate in North America** where the market is larger and more consolidated. In the other **fragmented geographies smaller domestic players are more prominent**

## Value Chain

### Residential Segment



### Commercial Segment

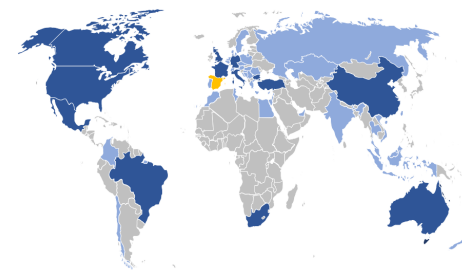


Fluidra is the leading vertically integrated company in the Pool and Wellness industry, with broad geographic and product footprints

## Company Introduction

- Founded in 1969 in Spain as a family business, **Fluidra** is a publicly-listed **global leader in the Pool and Wellness industry**, operating in both **new build** and **aftermarket sub-sectors**
- The company is a prominent **vertically integrated player**, particularly in Europe, with a robust **international presence** and an extensive **portfolio of more than 75.000 products**
- Fluidra has been characterized by strong **M&A activity**, through the **acquisition of players** in strategic geographies/sectors and **mergers**, particularly the 2018 merger with Zodiac

## Geographical Footprint

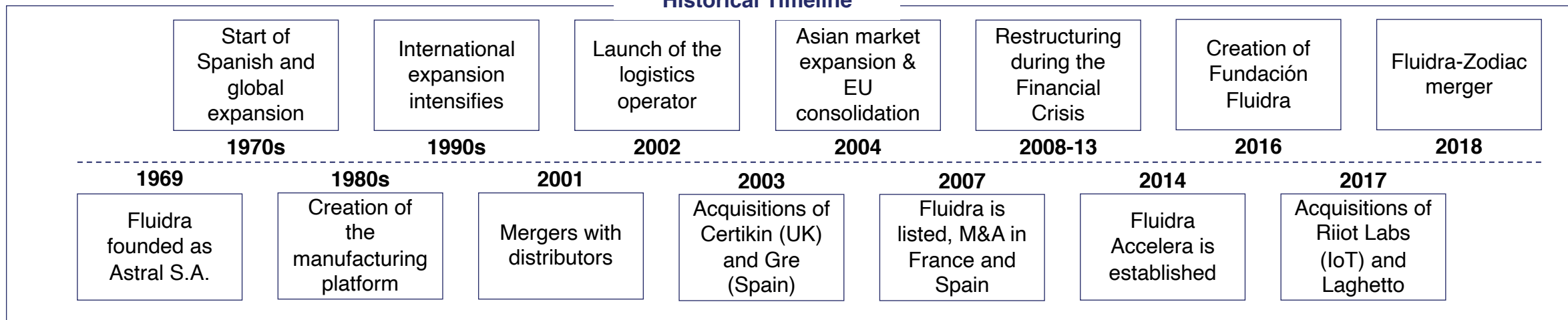


- **Broad geographic footprint**, being the **#1 in 30 countries** and **top 3 in 16 others**, resulting in a **top 3 presence in 93% world pool base**.
- Its products reach **150 nations**, with subsidiaries in **46 countries**
- Operating **+35 factories** in **14 countries**

# GROUP I COMPANY OVERVIEW | A BRIEF INTRODUCTION (I/II)

Fluidra is the leading vertically integrated company in the Pool and Wellness industry, with broad geographic and product footprints

## Historical Timeline



## Main Brands

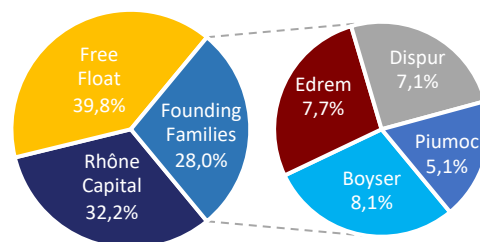
- Fluidra owns 6 of the 10 most recognized brands in the world
- Brands have geographical focus, with full vertical products particularly in Europe



## Ownership Structure

Fluidra's equity belongs to **three groups**<sup>1</sup>:

- Rhone Capital: 32%** - a PE group that gained its stake after the Zodiac merger
- Founding Families: 28%** - between 4 families
- Free Float: 40%**



9 Sources: Fluidra's Website, Reports, and Presentations  
1) As of December 2019

Fluidra is present in all the major markets in the world, with higher focus on Europe, and on most business segments, with Residential leading

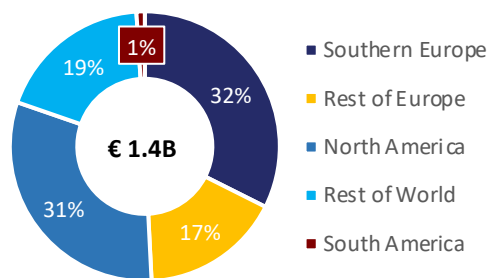
## Geographical Presence

- Fluidra's international expansion has been driven through **organic growth and acquisitions** that have created value throughout the value chain of its business model:
  - Certikin in 2003** to strengthen Fluidra's presence in the **UK**, on both new builds and aftermarkets. **Zodiac (and Jandy) in 2018** to enhance Fluidra's aftermarket position around the globe and especially in North America

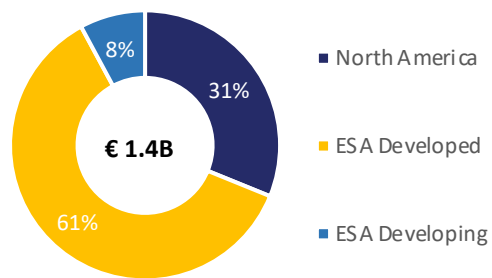
## Business Units

- Pool and Wellness (91% of sales):**
  - Residential Pool (70%):** This major submarket covers both **new builds**, in-ground and above-ground, and the **aftermarkets**, with products such as pumps, cleaners and chemicals -> **AstralPool, Zodiac, Gre and Jandy** brands
  - Commercial Pool (7%):** All **public use pools**, such as pools in hotels, spas and top-level competition pools -> **AstralPool, Zodiac, CTX and Certikin** brands

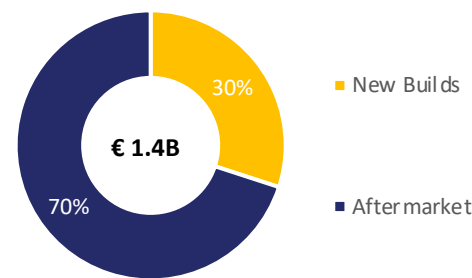
Turnover by Geography (2019)



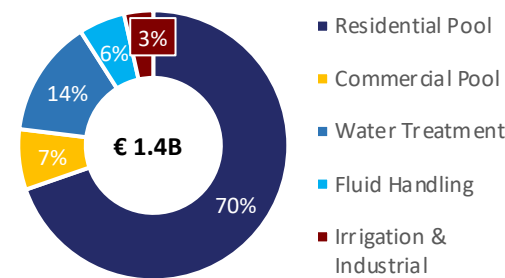
Turnover by Segments (2019)



Turnover by Type (2019)



Turnover by BU (2019)



Fluidra is present in all the major markets in the world, with higher focus on Europe, and on most business segments, with Residential leading

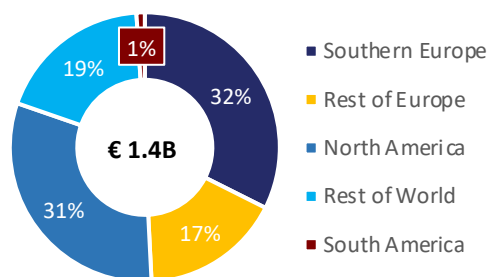
## Geographical Presence

- **Europe (49% of sales):** This is Fluidra's major market. The firm is the market leader in this fragmented geography with a c. **28% market share**. Fluidra has a unique **vertically integrated** business model in both new build and the aftermarket. AstralPool, CTX brands
- **North America (31%):** The North American market gained increased relevance with the Zodiac merger. Fluidra mainly operates in the aftermarkets of the **Residential Pool**, with a **20% market share** of this North American subsector, with brands such as Zodiac and Jandy.
- **Rest of the World (20%):** Southern Hemisphere and Emerging markets

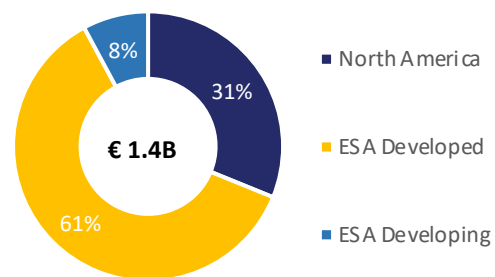
## Business Units

- **Water Treatment (14%):** This business unit focuses on **improving the quality of water**, with products ranging from descaling units to reverse osmosis purifiers and filtration systems -> **Jandy** brand
- **Fluid Handling, Irrigation, Industrial and Others (9%):** These two subsectors comprise on **fluid handling and flow control**, and residential and commercial **irrigation systems**, dedicated to the pool, irrigation and industrial markets -> **Cepex** brand

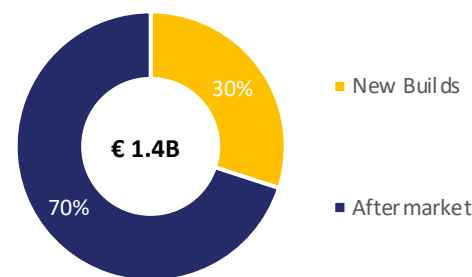
Turnover by Geography (2019)



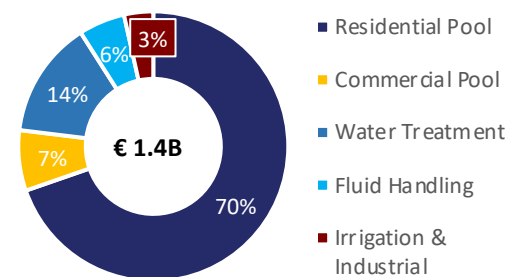
Turnover by Segments (2019)



Turnover by Type (2019)



Turnover by BU (2019)



The aim is to implement strategies that will allow for sustained top line growth as well as margin improvements

## Deal Rationale

1

### Growing and Resilient Industry

#### Growing market:

- **Historic CAGR of 5%** and despite COVID-19 the market is expected to grow at a **CAGR of 6%** from 2019 until 2025 due to higher demand for better houses
- **Fragmented market** makes further consolidation opportunities attractive

#### Resilient industry:

- More than **70% of total sales in the market stem from the Aftermarket**, which is **highly recurrent** and **very low cyclical**

### Market Leader with Strong Fundamentals

#### Market Leader:

- **Global market leader** with few direct competitors and high barriers to entry
- **Strong growth opportunities** from geographical and BU diversification
- **History of successful M&A** allows for synergies from further consolidation

#### Strong Fundamentals:

- **High cash flow generation** and room for further operational optimization
- **Leverageable BS** due to recurrent cash flows, low capex and robust assets

The aim is to implement strategies that will allow for sustained top line growth as well as margin improvements

## Value Creation Initiatives

### Buy & Build

#### ESA Developing

- **South America:** Large market where Fluidra has low presence, with both Residential and Commercial segments and high growth



- **Asia:** Very large countries (e.g. Indonesia, China) are expected to **grow fast**, allowing Fluidra to boost its presence in this region



- **Low Multiples:** Firms in these markets rely more on Commercial which is suffering from COVID-19 thus may be acquirable at attractive multiples

#### North America

- **USA:** Acquisitions to explore further synergies from Zodiac merger



### Target Markets

### Organic Growth

#### Wavepool segment

- Enter the **wave-pool segment**, by making a **partnership/acquiring a minority stake in Wavegarden**, a Spanish firm market leader in wavepools, which are just starting to emerge in the world and are **expected to grow very quickly**

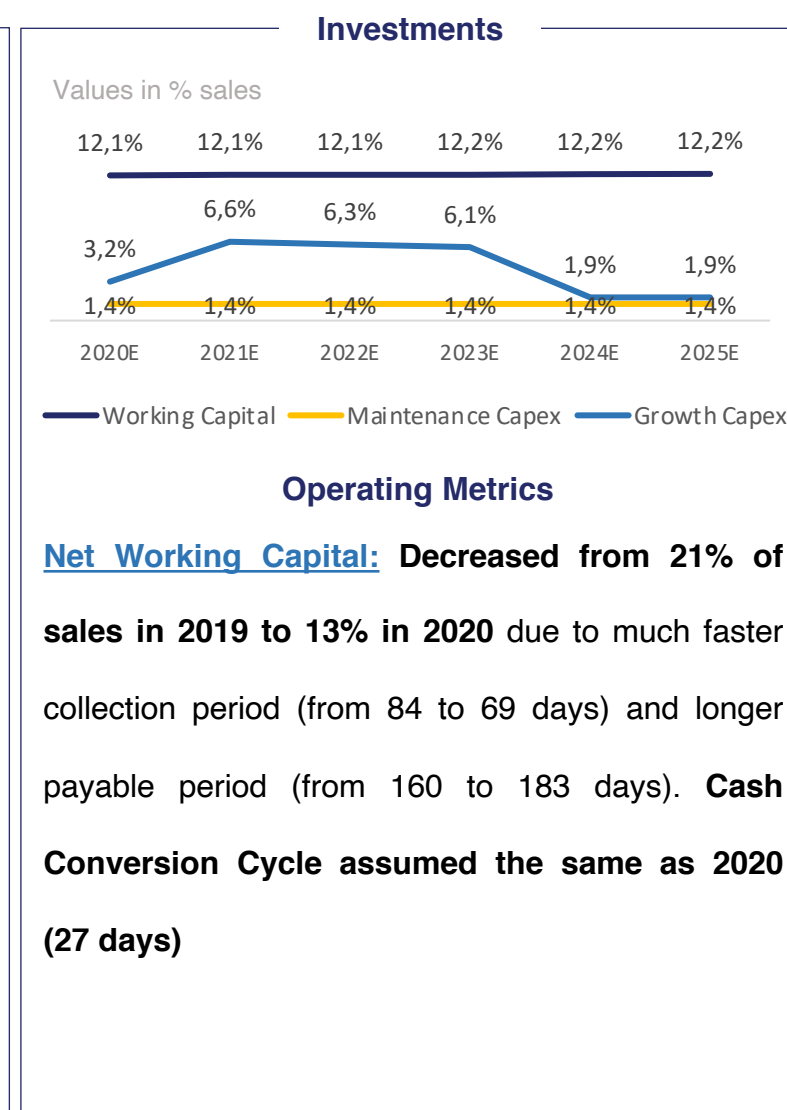
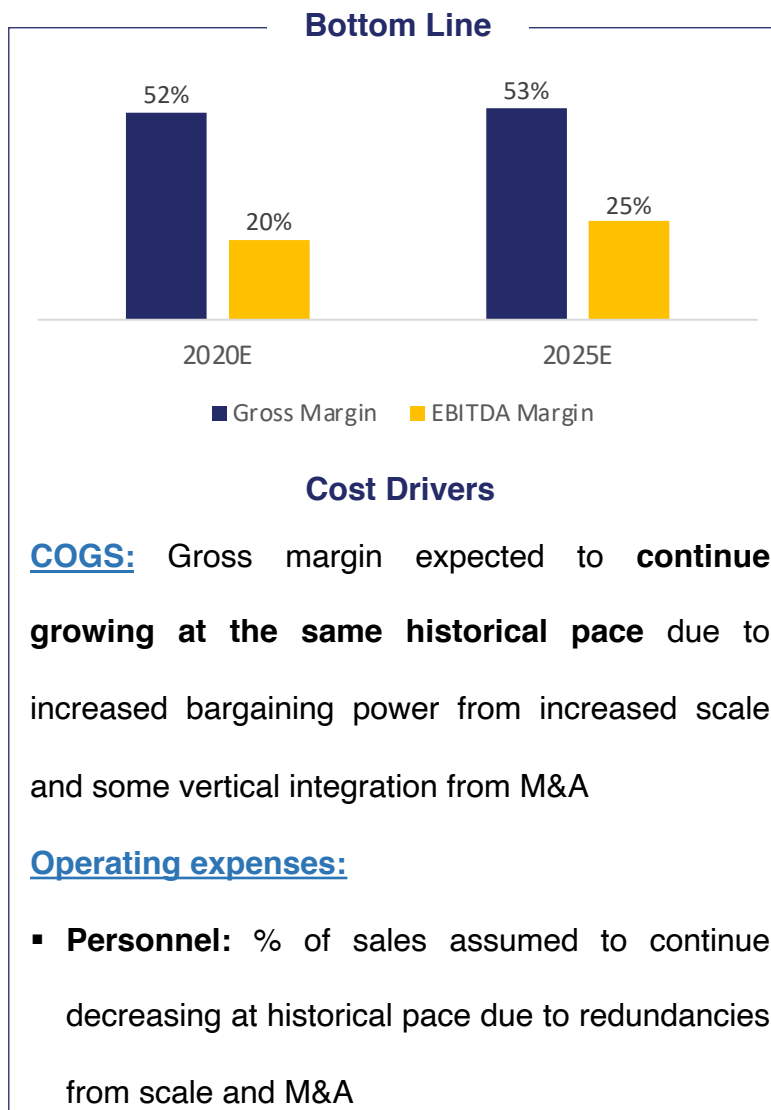
#### Market Share Growth NA & ESA Developed

- Explore **revenue synergies from Zodiac and M&A** in NA and focus on Rest of Europe

#### Operational Improvement

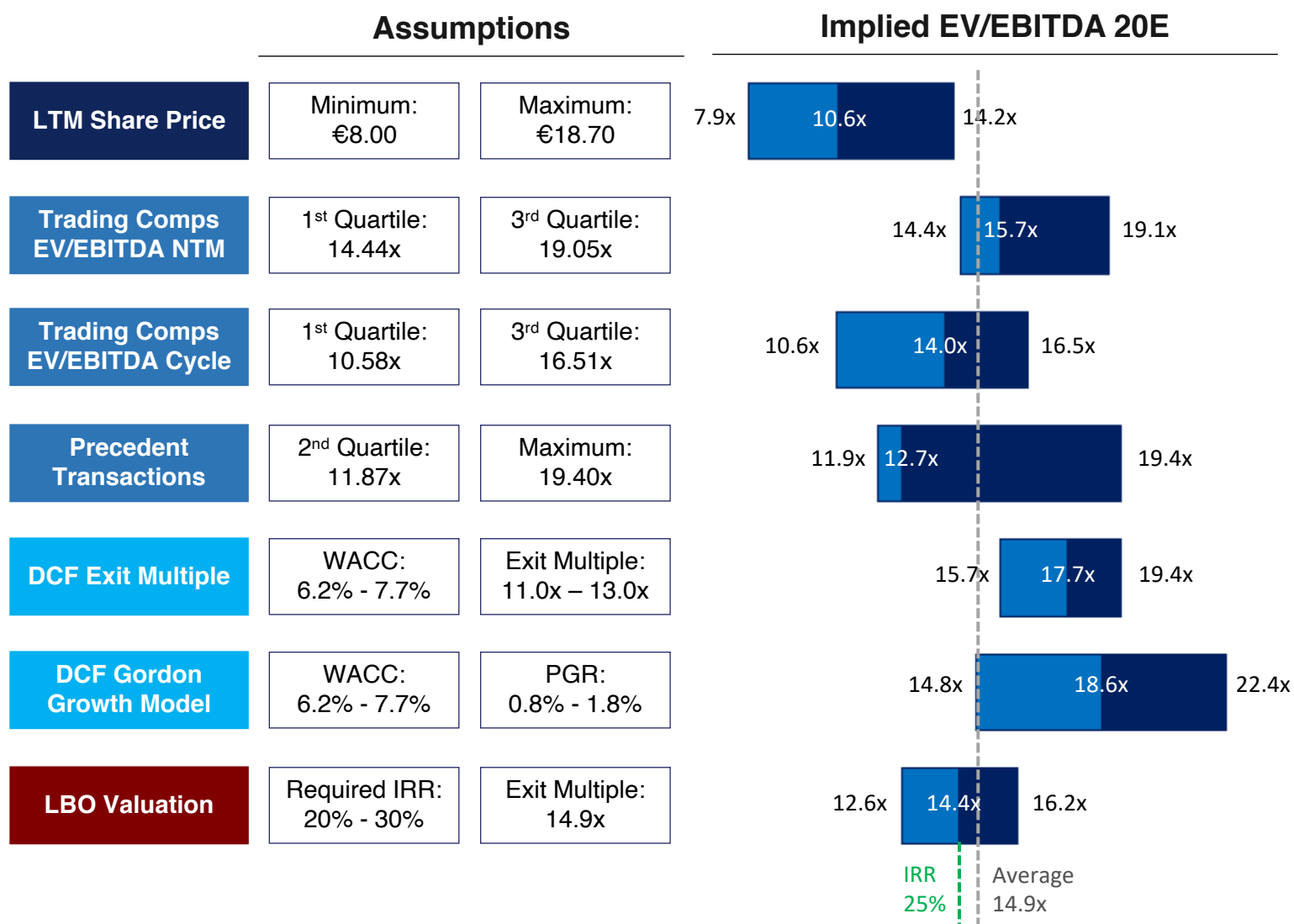
- **EBITDA margin still lags peers' average** thus **optimize synergies** from merger with Zodiac and **perform cost-savings initiatives** to improve performance

The Value Creation initiatives alongside a resilient market growth will drive strong EBITDA growth and cash flow generation



# GROUP I VALUATION | INTRINSIC & RELATIVE VALUATION MODELS

Using both intrinsic and relative valuation methods the entry multiple stands at 14.9x EBITDA, which implies an EV of €4.4B



## Comments

**Valuation:** The average of the implied median multiples using these methods (except LBO) gives a **multiple of 14.9x**. It implies an **acquisition premium of 25% over the average price of the last 3 months and 7% over the last closing price (4 Dec)**

**LTM Share Price:** Provides the range of valuation within the last year, which highlights the recent pandemic-driven increase

**EV/EBITDA NTM:** Multiples for 7 representative trading peers, with a positive correlation between the size and the multiple.

**EV/EBITDA Cycle:** Multiples for the last 10 years. There has been an upward trend which the pandemic further boosted

# GROUP I CAPITAL STRUCTURE | S&U AND DEBT STRUCTURE (I/II)

The acquisition should be pursued with 39% Debt and 61% Equity, with a Dividend Recapitalization in 2023 of 1.5x EBITDA

## Sources and Uses

| SOURCES                | in € millions | % Total      | EBITDAx      | USES                     | in € millions | % Total      |
|------------------------|---------------|--------------|--------------|--------------------------|---------------|--------------|
| <b>Total Debt</b>      | <b>1 777</b>  | <b>38,8%</b> | <b>6,0x</b>  | EBITDA 2020E             | 296           |              |
| Term Loan A            | 592           | 12,9%        | 2,0x         | Multiple                 | 14,9x         |              |
| Term Loan B            | 1 037         | 22,6%        | 3,5x         | <b>Enterprise Value</b>  | <b>4 419</b>  | <b>96,4%</b> |
| Mezzanine              | 148           | 3,2%         | 0,5x         | Net Debt                 | 606           | 13,2%        |
| <b>Total Equity</b>    | <b>2 807</b>  | <b>61,2%</b> | <b>9,5x</b>  | Operating Cash           | -23           | -0,5%        |
| Subordinated Loan      | 2 675         | 58,4%        | 9,0x         | Non-Controlling Interest | 6             | 0,1%         |
| Ordinary Equity        | 132           | 2,9%         | 0,4x         | Fluidra Shareholders Equ | 3 829         | 83,5%        |
| Institutional Investor | 119           | 2,6%         |              | <b>Total Fees</b>        | <b>166</b>    | <b>3,6%</b>  |
| Sweet Equity           | 13            | 0,3%         |              | Due Dilligence           | 22            | 0,5%         |
| <b>Total Sources</b>   | <b>4 584</b>  | <b>100%</b>  | <b>15,5x</b> | Investment Bank          | 11            | 0,2%         |
|                        |               |              |              | Banking fees             | 88            | 1,9%         |
|                        |               |              |              | Arrangement fees         | 44            | 1,0%         |
|                        |               |              |              | <b>Total Uses</b>        | <b>4 584</b>  | <b>100%</b>  |

## Dividend Recapitalization 2023

- **Rationale:** Since term loan A is amortizable and Fluidra generates a lot of cash, a dividend recap could be done in 2023 to **provide returns earlier**
- **Debt Structure:** Tranche X is **equal to Term Loan A** since it is assumed to be a replacement of the already amortized part
- **Impact on covenants:** The amount was determined as the maximum that does **not compromise any bank case covenant**

## Debt Structure

| DEBT STRUCTURE                    | Term (Years) | Amort.             | x EBITDA    | Amount (€ M) | Margin       | Interest rate |
|-----------------------------------|--------------|--------------------|-------------|--------------|--------------|---------------|
| <b>Senior debt</b>                | <b>6,6</b>   | <b>n.a.</b>        | <b>5,5x</b> | <b>1 629</b> | <b>5,73%</b> | <b>4,97%</b>  |
| Term Loan A                       | 6            | Amortizable        | 2,0x        | 592          | 5,57%        | 4,81%         |
| Term Loan B                       | 7            | Bullet             | 3,5x        | 1 037        | 5,82%        | 5,06%         |
| <b>Mezzanine</b>                  | <b>9</b>     | <b>Bullet</b>      | <b>0,5x</b> | <b>148</b>   | <b>n.a.</b>  | <b>n.a.</b>   |
| PIK Element                       |              |                    |             |              |              | 6,00%         |
| Cash Element                      |              |                    |             |              | 6,00%        | 5,24%         |
| <b>Fixed Return Instrument</b>    | <b>10</b>    | <b>Bullet</b>      | <b>9,0x</b> | <b>2 675</b> | <b>n.a.</b>  | <b>10,00%</b> |
| PIK Element                       |              |                    |             |              |              | 10,00%        |
| <b>Dividend Recap (Tranche X)</b> | <b>6</b>     | <b>Amortizable</b> | <b>1,5x</b> | <b>597</b>   | <b>5,57%</b> | <b>4,81%</b>  |

## Bank Case

- **Key Assumption:** **All the revenues**, including organic and through M&A and *Wavegarden*, **every year**, are assumed to be **only 85% of the estimated values in the Investment Case**

The optimal strategy would be a Secondary Sale. If future market conditions are favorable, an IPO should also be considered

Rationale

Pros & Cons

Conclusion

## Secondary Sale

- **Selling the company to another Private Equity fund**, harnessing the value of the future prospects of the firm

### Pro-Deal Reasons:

- ✓ **Appetite:** Recent PE transactions seen in the sector
- ✓ **Availability:** Mounting levels of dry powder
- ✓ **Reliability:** Quicker deal with less failure in the process

### Anti-Deal Reasons:

- × **Process:** Fierce negotiations with the counterparty
- × **Returns:** Potentially the worst paying exit option
- × **Inv. Thesis:** Need of strategy to continue the business

- **Strong possibility** given the **recent PE activity** in the industry, the **availability**, and **reliability** of the deal

## Strategy Decision: Secondary Sale

- After analysing the different exit options and its pros & cons, we believe that the **Secondary Sale could prove to be the best exit strategy** for Fluidra's leveraged buyout.
- If **future market conditions are favourable**, an **IPO should be studied as an alternative**

## Player Decision: PE funds consortium

- As for the **player decision**, the best option would be a consortium of private equity funds with **water treatment, water flow, and chemicals** focused firms on their portfolios. Well known funds such as Bain Capital and KKR fit this criteria and are thus potential acquirers

   selected

# GROUP I RETURNS | FUND & MANAGEMENT (I/II)

The LBO acquisition of Fluidra is expected to generate an IRR of 24.2% and a MOIC of 2.8x through a 5-year investment period

## Institutional & Management Returns

|                               | Exit year     |               |               |               |               |               |              |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Returns                       | 2021E         | 2022E         | 2023E         | 2024E         | 2025E         | 2026E         | 2027E        |
| Mgmt Exit Ords Proceeds       | 84            | 154           | 179           | 258           | 345           | 432           | 529          |
| Mgmt Div Recap Proceeds       | 0             | 0             | 60            | 60            | 60            | 60            | 60           |
| Mgmt Equity                   | 13            | 13            | 13            | 13            | 13            | 13            | 13           |
| <b>Management MOIC</b>        | <b>6,4x</b>   | <b>11,7x</b>  | <b>18,1x</b>  | <b>24,1x</b>  | <b>30,8x</b>  | <b>37,3x</b>  | <b>44,7x</b> |
| <b>IRR Management</b>         | <b>539,6%</b> | <b>241,5%</b> | <b>162,8%</b> | <b>134,4%</b> | <b>116,4%</b> | <b>103,5%</b> | <b>94,4%</b> |
| Fund Proceeds (Sub Loan+Ords) | 3 701         | 4 620         | 5 174         | 6 237         | 7 418         | 8 627         | 9 974        |
| Fund Div Recap Proceeds       | 0             | 0             | 538           | 538           | 538           | 538           | 538          |
| Fund Equity                   | 2 794         | 2 794         | 2 794         | 2 794         | 2 794         | 2 794         | 2 794        |
| <b>Fund MOIC</b>              | <b>1,3x</b>   | <b>1,7x</b>   | <b>2,0x</b>   | <b>2,4x</b>   | <b>2,8x</b>   | <b>3,3x</b>   | <b>3,8x</b>  |
| <b>IRR Fund</b>               | <b>32,5%</b>  | <b>28,6%</b>  | <b>26,9%</b>  | <b>25,4%</b>  | <b>24,2%</b>  | <b>22,9%</b>  | <b>21,9%</b> |

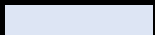
## Institutional & Management Returns

- Since the MOIC is not sensitive to the timings of the returns it does not consider the full impact of the dividend recapitalization in 2023
- At exit (2025) **management earns € 405M**, corresponding to a 31x MOIC and IRR of 116%
- **The fund is expected to earn a MOIC of 2.8x and IRR of 24.2%**

## Value Creation & Valuation Sensitivity Analyses – Fund IRR

| IRR            | Exit Year |       |       |       |       | IRR   | Exit Year     |        |       |       |       | IRR (2025) | Personnel Expenses % of sales YoY growth (g) |                |       |       |       |       |       |       |
|----------------|-----------|-------|-------|-------|-------|-------|---------------|--------|-------|-------|-------|------------|--|----------------|-------|-------|-------|-------|-------|-------|
|                | 24,2%     | 2023  | 2024  | 2025  | 2026  |       | 2027          | 24,2%  | 2023  | 2024  | 2025  |            | 2026   | 2027           | 24,2% | -5,1% | -4,1% | -3,1% | -2,1% | -1,1% |
| Init. Activity | 0,0%      | 21,7% | 21,0% | 20,2% | 19,5% | 18,8% | Exit Multiple | 13,92x | 23,6% | 23,1% | 22,4% | 21,5%      | 20,8%  | OpEx % sales g | -3,2% | 27,7% | 26,8% | 25,9% | 24,9% | 23,9% |
|                | 50,0%     | 24,4% | 23,2% | 22,2% | 21,2% | 20,4% |               | 14,42x | 25,3% | 24,3% | 23,3% | 22,2%      | 21,3%  |                | -2,2% | 26,9% | 26,0% | 25,1% | 24,1% | 23,0% |
|                | 100,0%    | 26,9% | 25,4% | 24,2% | 22,9% | 21,9% |               | 14,92x | 26,9% | 25,4% | 24,2% | 22,9%      | 21,9%  |                | -1,2% | 26,0% | 25,1% | 24,2% | 23,1% | 22,0% |
|                | 150,0%    | 29,4% | 27,5% | 26,0% | 24,5% | 23,3% |               | 15,42x | 28,5% | 26,5% | 25,0% | 23,6%      | 22,4%  |                | -0,2% | 25,1% | 24,2% | 23,2% | 22,1% | 21,0% |
|                | 200,0%    | 31,7% | 29,5% | 27,7% | 25,9% | 24,6% |               | 15,92x | 30,0% | 27,6% | 25,8% | 24,2%      | 22,9%  |                | 0,8%  | 24,1% | 23,2% | 22,2% | 21,1% | 19,9% |

- Value creation (M&A + Wavegarden) scenario analysis
- The impact of a possible multiple arbitrage on returns
- The 2 key operational improvement assumptions



# Individual Part

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Given Fluidra's profile and the highly fragmented market, the best path to take is to make several micro acquisitions

Rationale

## One Large Acquisition

- **Description:** A large acquisition would make **Fluidra stand-out as a global leader** and increase its presence across regions and segments
- **Synergies:** Given the **success in the recent large merge with Zodiac** at both revenue and operational level, the idea would be to replicate that

## Many Micro Bolt-on Acquisitions

- **Description:** Many micro acquisitions to expand geographically and across segments
- **History:** Fluidra has been **executing bolt-on acquisitions focused on small highly specialized companies**, acquiring them at attractive multiples
- **Synergies:** Vertical integration, geographies, technology, fixed costs, sales channels

## The Decision: Many Micro Bolt-on Acquisitions

- **Micro bolt-on acquisitions are more suitable to grow Fluidra.** Fluidra is already a global leader and there are only a handful of large players in North America and Europe, which could make Fluidra too dominant or have integration problems since it just finished the acquisition of Zodiac. Besides, in the fast-growing Emerging region there are mainly SMEs

## Value Creation & Key Factors

selected

- **Value Creation Impact:** Grouping several micro bolt-on acquisitions would boost the Value Creation strategy, providing a **better multiple arbitrage** than a large acquisition
- **Key Factor:** **Fluidra's management is decisive** in this strategy as they are **very experienced in micro acquisitions**

Given Fluidra's profile and the highly fragmented market, the best path to take is to make several micro acquisitions

## One Large Acquisition

### Pro-Deal Reasons:

- ✓ **Market consolidation:** Global champion with increased geographical and segment reach
- ✓ **Synergies:** Potential for EBITDA margin increase from synergies across supply chain

### Anti-Deal Reasons:

- ✗ **Valuation & Entry multiple:** Significant capital commitment and higher entry multiples
- ✗ **Regulation:** Potential regulation problems from becoming too dominant in this market

- **Maytronics:** A swimming pool cleaner manufacturer with strong growth prospects that overlaps geographically with Fluidra and would allow synergies in cleaners sub-sector

## Many Micro Bolt-on Acquisitions

### Pro-Deal Reasons:

- ✓ **Valuation & Entry multiple:** Lower capital commitment and lower entry multiples
- ✓ **Targets:** Multitude of targets and the relative ease and swiftness of implementation

### Anti-Deal Reasons:

- ✗ **Structure:** These may be highly reliant on key people that could lose commitment
- ✗ **Uncertainty & Impact:** Acquisitions are uncertain and potential for integration issues

- **EMERALD and QUIMIL:** Two examples of potential bolt-on acquisitions to be undertaken by Fluidra, operating in North America and Brazil, respectively

# INDIVIDUAL | VALUE CREATION | BUY & BUILD STRATEGY: MICRO ACQUISITIONS ILLUSTRATIVE TARGETS

Fluidra will be targeting two acquisitions in the emerging markets and one in the North American market in each of the first 3 years

Overview

Key Metrics

## Target 1: CUDELL

- **Segment:** Irrigation & pool equipment
- **Geography:** Portugal
- **Turnover (2019, € M):** 7.7
- **EBITDA (€ M / % Mg):** 0.8 / 10%
- **Entry Multiple Estimate:** 6.0x
- **Deal Value (€ M):** 4.6

## Target 2: QUIMIL

- **Segment:** Swimming Pool Chemicals
- **Geography:** Brazil
- **Turnover (2017, € M):** 13.8
- **EBITDA (€ M / % Mg):** 2.4 / 17%
- **Entry Multiple Estimate:** 6.5x
- **Deal Value (€ M):** 15.7

## Target 3: EMAUX

- **Segment:** Swimming pool equipment
- **Geography:** China & Europe
- **Turnover (2017, € M):** 20.8
- **EBITDA (€ M / % Mg):** 1.1 / 5%
- **Entry Multiple Estimate:** 6.5x
- **Deal Value (€ M):** 7.1

## Target 4: EMERALD

- **Segment:** New pool builds
- **Geography:** United States
- **Turnover (2019, € M):** 34.6
- **EBITDA (Est.) (€ M / % Mg):** 6.0 / 17%
- **Entry Multiple Estimate:** 7.5x
- **Deal Value (€ M):** 45.3

## Proxy Targets per Segment

- **ESA Emerging:** The typical targets for this market should be of a scale between CUDELL and QUIMIL, with avg turnover of € 11M. The goal is to execute two acquisitions each of the first 3 years, at an entry multiple of 6.5x, leading to c. € 22M outflow per year

## Impact on the Value Creation

- **Investment:** lower capital commitment and entry multiples than in a large acquisition will allow for multiple arbitrage at exit given higher multiple for Fluidra

# INDIVIDUAL | VALUE CREATION | BUY & BUILD STRATEGY: MICRO ACQUISITIONS ILLUSTRATIVE TARGETS

Fluidra will be targeting two acquisitions in the emerging markets and one in the North American market in each of the first 3 years

Rationale

## Target 1: CUDELL

- Integrate Fluidra's Fluid Handling and Irrigation BU in the Iberian peninsula
- Vertically integrate this distributor to the Fluidra's distribution platform

## Target 2: QUIMIL

- Enter the chemicals segment, adding products to Fluidra's global operations
- Strengthen the position in Brazil, reinforcing the Ten Four acquisition

## Target 3: EMAUX

- Diversified player in the Chinese and European market
- Strengthen Fluidra's ESA Developing (China) market position

## Target 4: EMERALD

- Enter the new pool builds segment in the North American Market
- Reinforce Fluidra's position in the NA, integrating Zodiac's operations

selected

## Proxy Targets per Segment

- **North America:** EMERALD is assumed typical target to be acquired in this market, targeting one similar firm each of the first 3 years at an entry multiple of 7.5x, leading to c. € 45M invested in acquisitions per year in this market

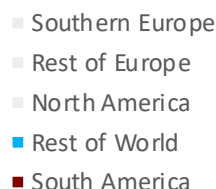
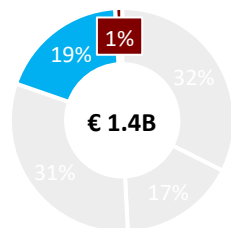
## Impact on the Value Creation

- **Synergies:** Fluidra's scale and resources could potentially leverage this type of small companies' operations with relative ease and swiftness of implementation
- **Incremental Value:** The value creation will be based on inorganic incremental revenue and EBITDA growth in the acquisition year and continuous organic growth afterwards

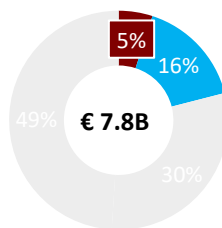
The proposed Buy & Build is based on geographical and segment diversification. Fluidra aims to boost presence in the faster-growing regions

## Emerging Markets

Fluidra's Sales 2019

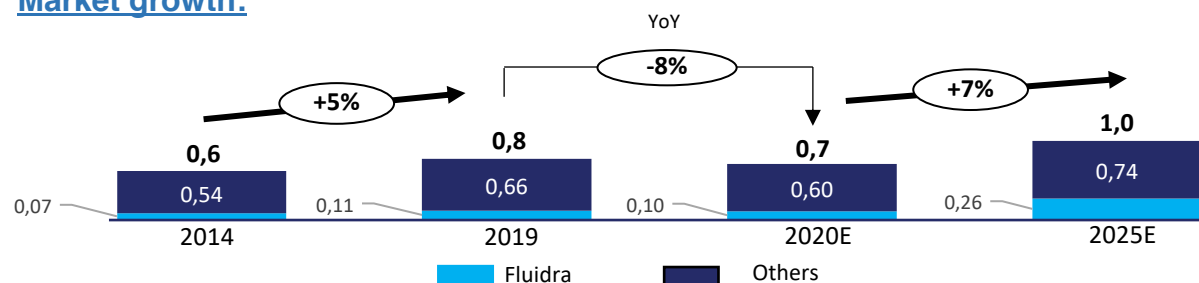


Global Market Size 2019



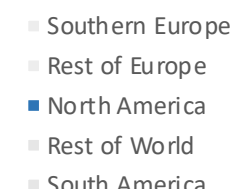
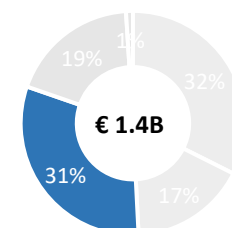
**Geographical Rationale:** Fluidra's sales in RoW were higher than the market due to Australia (c. 60%) but lagged in South America and Asia where future growth is expected to outpace the market

### Market growth:

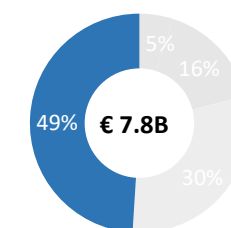


## North America

Fluidra's Sales 2019

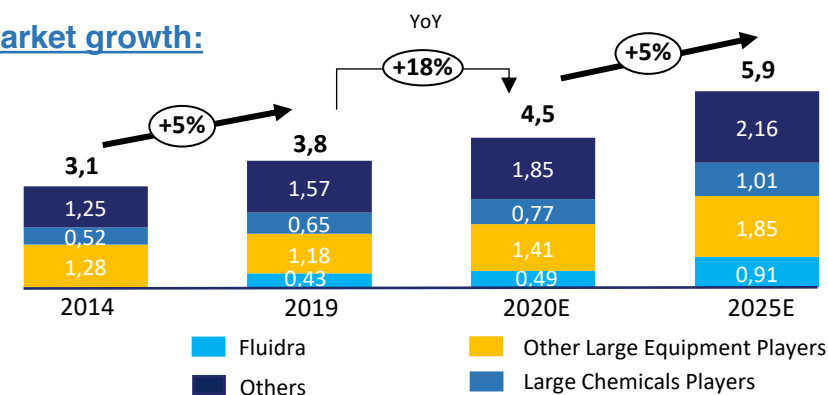


Global Market Size 2019



- Largest market by geography, with 49% market share, but only accounts for 31% of Fluidra's Sales
- Fragmented market, with 41% of the companies SMEs, thus there is room for further consolidation through M&A

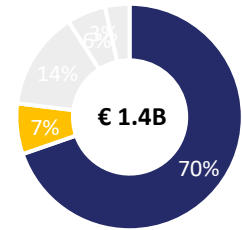
### Market growth:



The proposed Buy & Build is based on geographical and segment diversification. Fluidra aims to boost presence in the faster-growing regions

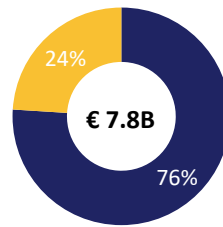
## Emerging Markets

Fluidra's Sales 2019



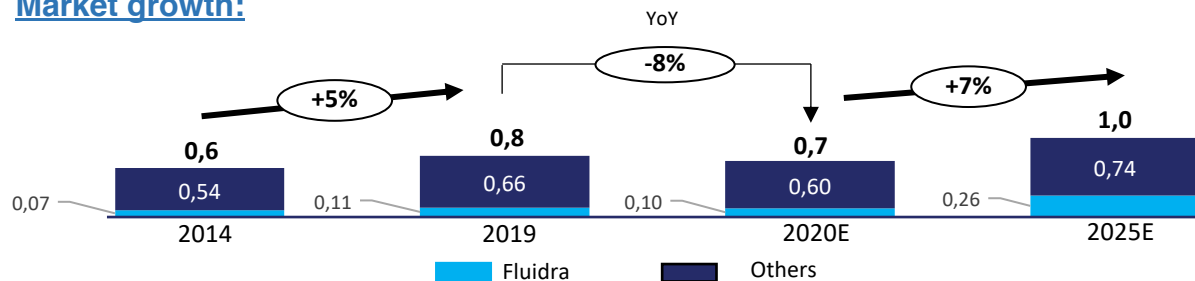
Residential  
Commercial

Global Market Size 2019



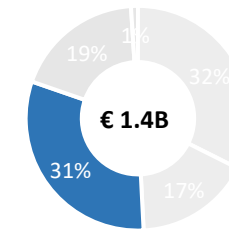
**Segment Rationale:** Reliant on Commercial and very fragmented, Fluidra could boost its capabilities in Commercial

### Market growth:



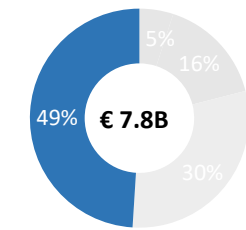
## North America

Fluidra's Sales 2019



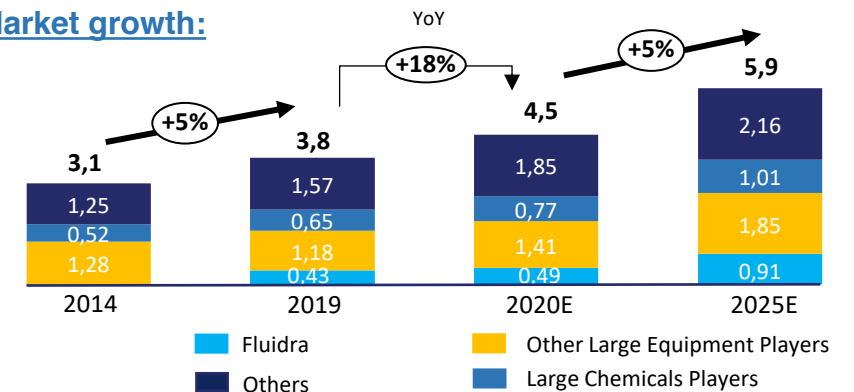
Southern Europe  
Rest of Europe  
North America  
Rest of World  
South America

Global Market Size 2019



- This is the most resilient market, with 79% of sales coming from Aftermarket, thus increasing sales here makes Fluidra more resilient

### Market growth:



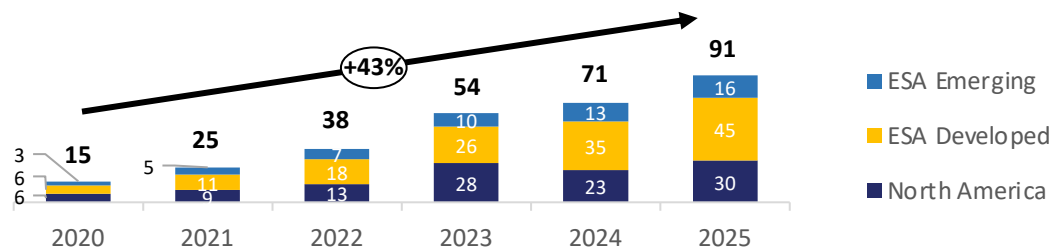
The Wavepool market is just emerging and presents an opportunity for Fluidra to increase revenues through a partnership with *Wavegarden*

## Wavepool Market

- **Overview:** Wavepools provide an **alternative to traditional surfing**: Man-made, predictable and customizable waves suitable for all-levels
- **Competition:** SurfLoch, KS Wave Company, Surf Lakes and AWM are the most relevant peers. Each operates 1-2 pools and aims to open 4-6 more.

Wavegarden is market leader

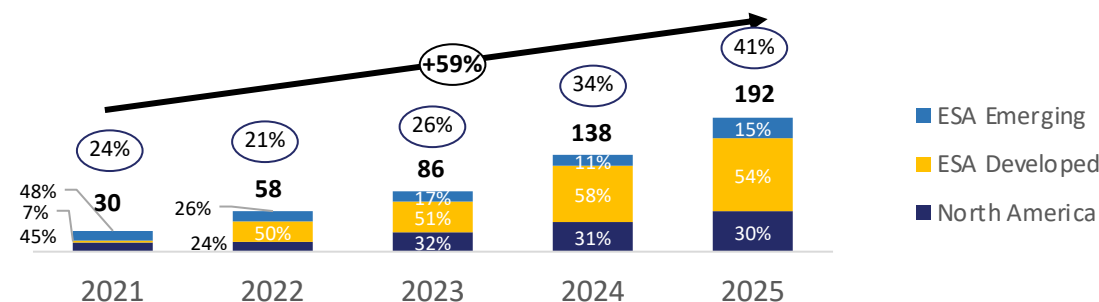
Market Size (#pools)



## Wavegarden

- **Overview:** Wavegarden currently has 27% market share, expected to rise to 41% by 2025 due to number of pools in planning phase
- **Market Positioning:** The main product is the **Cove model**, a premium wavepool. The **average revenue per Cove is c. € 13.5M**

Wavegarden Projected Revenue (€ M)

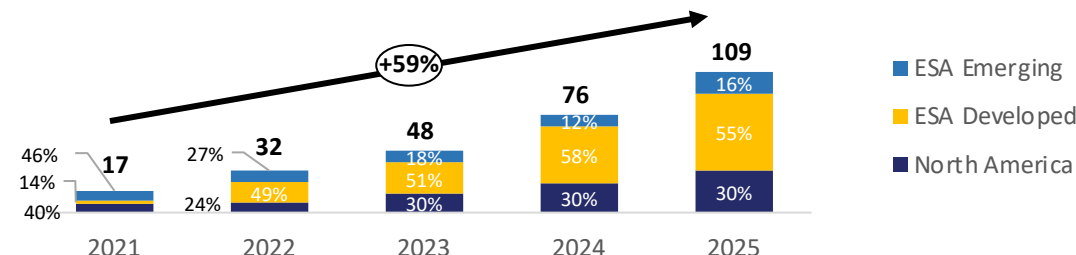


○ % Market Share by # of pools

## Proposed Initiative

- **Proposed Initiative:** Partnership for Fluidra to build 75% of Wavegarden Wavepools
- **What's in it for Fluidra:** Fluidra can enter this fast-growing segment and increase revenues from the New Build and Aftermarket of these very large pools

Fluidra Incremental Revenue (€ M)

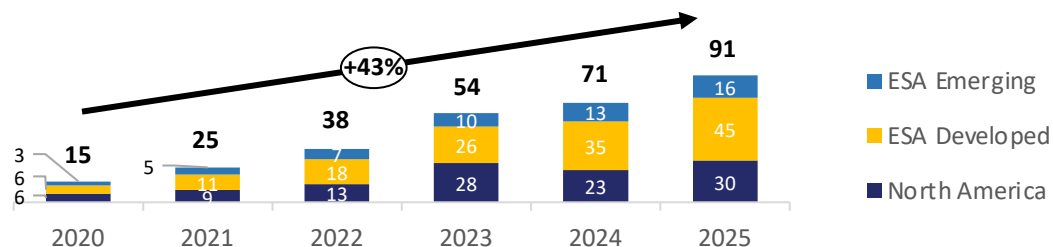


The Wavepool market is just emerging and presents an opportunity for Fluidra to increase revenues through a partnership with *Wavegarden*

## Wavepool Market

- Growth:** Demand is growing exponentially. There are **currently only 15 units** operating worldwide, with **76 more in planning/construction phases**. Increasing popularity of surfing (new olympic sport) and overcrowding of surf spots sustains future demand

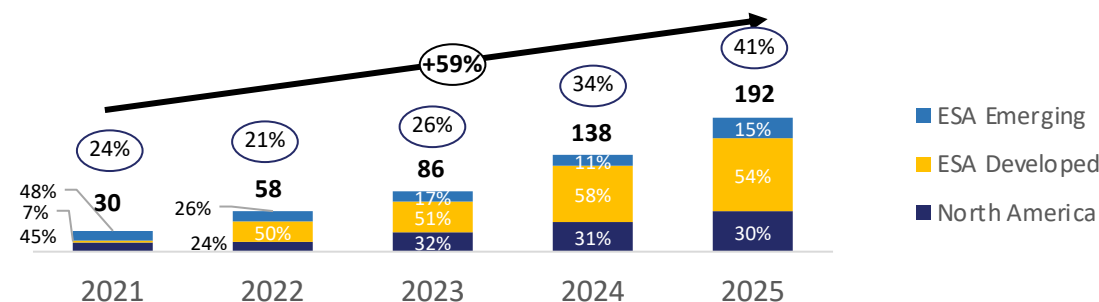
**Market Size (#pools)**



## Wavegarden

- Growth:** Wavegarden built 4 wavepools so far, with another 4 to be concluded in 2020/22. The firm has signed contracts for the **construction of over 30 projects worldwide**

**Wavegarden Projected Revenue (€ M)**

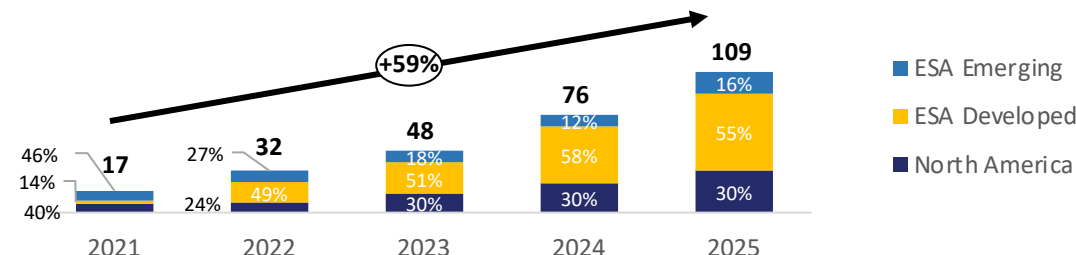


○ % Market Share by # of pools

## Proposed Initiative

- What's in it for Wavegarden:** 1) Lower pool construction and maintenance costs which leads to higher profit margins; 2) Fluidra could integrate Wavegarden in *Fluidra Accelera*, a startup accelerator, and provide funding and expertise to sustain the expected growth

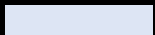
**Fluidra Incremental Revenue (€ M)**



The man-made wave industry is an interesting case and there are a few factors that point to its growth

## The Future of Wavepools

Firstly, demand for waves is at an all-time high and is expected to continue growing. The sport of surfing is exponentially gaining notoriety: surfing is now an Olympic sport (Tokyo 2020 delayed); professional surfers are now mainstream celebrities; Prize pools are increasing and the level of surfing in the WQS has never been higher. The aforementioned factors point to surfing's fanbase and population growth, with the Olympic sport component being key in the development of the sport in landlocked countries. Secondly, supply for waves is limited. There are only so many surf spots with rideable waves. With surfing's increasing population and interest, it's only a matter of time until most spots become too crowded to surf (less enjoyable experience, safety concerns...). Thirdly, supply is conditioned by weather and seasonality. The quality of waves at any spot is dependent on changing conditions, which means that it is common to have bad conditions across all existing surf spots in an area. Seasonality is also a factor as, for example, Summer weather conditions often lead to months of "flat" days at certain spots. It seems that man-made waves are the obvious solution for the expected discrepancies between wave supply and demand, providing for a consistent flow of perfect waves. However, there are a few financial caveats to developing said wavepools. The costs of developing a wave pool can range from 4 to 50 million € and maintenance costs are also significant. Monetization of the pool through efficient business and operating models seems key to making wavepools a profitable investment. Firstly, one must consider revenue. The amount the public is willing to pay to use the wavepools is likely to vary across populations with different purchasing powers and amount of surf spots available. After all, wavepools are an alternative to the "free to use" ocean. Secondly, one must consider the operational aspect. Wavepools have limited capacity, thus there might be difficulties in capitalizing on high affluence occasions and these seem likely to occur often – When conditions are bad, pools have high affluence and when conditions are good, affluence is low. In conclusion, in spite of the high growth potential of the industry, the current development and maintenance costs combined with potentially uncertain and unstable cash flows make wavepool development a potentially risky investment, which is sure to cripple the growth of the industry.



# Appendix

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Maytronics is an attractive buy-and-build target, but some anti-deal reasons make it an unreliable acquisition

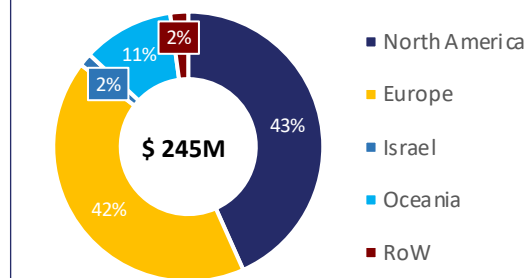
## Company Overview

- It manufactures cleaners for both **residential** (80% of sales) and **commercial** (10%) pools
- Maytronics is an **exports focused company**, manufacturing in Israel and **exporting 98% of its production**. Its exporting markets are **North America** (43% of sales) and **Europe** (42%)

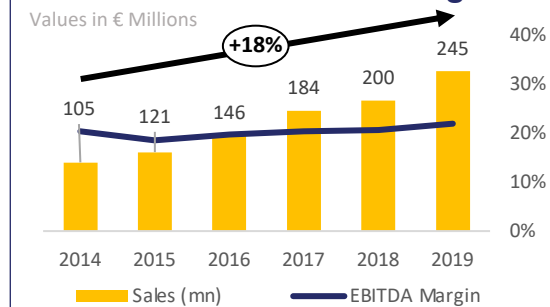
## Key Metrics

- Valuation (EV/EBITDA):** 22x
- Geographies:** Europe, North America and Oceania
- Market Segment:** Swimming pool robotic cleaners

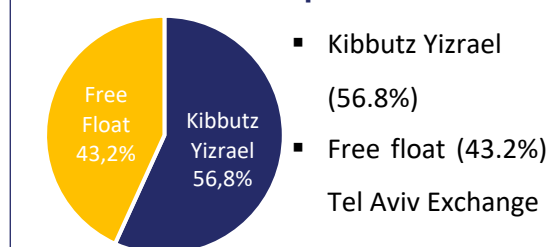
## Sales by Region (2019)



## Sales & EBITDA Margin



## Ownership Structure<sup>1</sup>



## Pro-Deal Reasons

- Synergies:** The deal could provide supply chain, distribution channels and **operational improvements for both firms**, taking advantage of **Maytronics' specialization** and **Fluidra's scale**

## Anti-Deal Reasons

- Anti-trust regulations:** In 2018, as a result of the merger, Fluidra was forced to divest from Aquatron, a company that operates in the same market as Maytronics, due to **market power concerns**
- Highly concentrated ownership structure:** Kibbutz Yizrael, a **collective community company**, owns a **controlling stake**

Maytronics is an attractive buy-and-build target, but some anti-deal reasons make it an unreliable acquisition

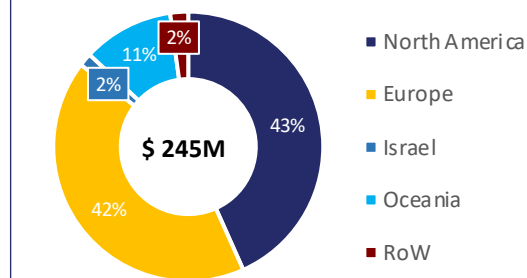
## Company Overview

- **Maytronics** is an Israeli company **specialized in the swimming pool robots' segment**, holding 48% of the global market share, this segment accounts for 26% of pool cleaners' market
- This **high specialization** in a particular segment, allows for **high margins**, and a clear **control of the robotic cleaners' market**

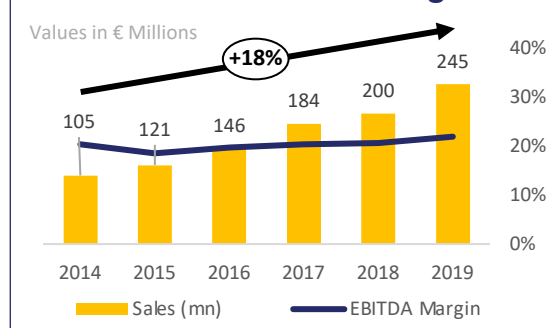
## Key Metrics

- **Turnover (2019):** USD (\$) 245M
- **EBITDA (2019):** \$ 54M
- **EBITDA Margin (2019):** 22%
- **Deal Value:** \$ c. 1.2B

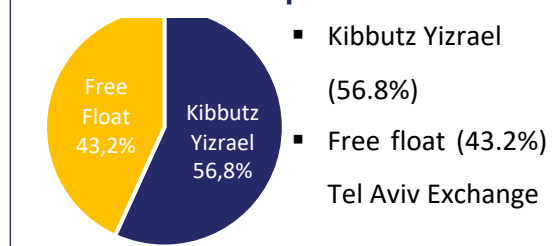
## Sales by Region (2019)



## Sales & EBITDA Margin



## Ownership Structure<sup>1</sup>



## Pro-Deal Reasons

- **Financials & Operational:** Exponential sales growth with a 18% CAGR for the past 6 years. The EBITDA margin has remained high, reaching 22% in 2019
- **Market Consolidation:** Further consolidation in the swimming pool cleaners' market where Maytronics holds c. 48% market share and Fluidra holds c. 30%

## Anti-Deal Reasons

- **Investment Thesis incompatibility:** High presence in Europe and NA, instead of the targeted markets, such as Brazil or Indonesia
- **Valuation:** Maytronics' market cap has increased 550%+ in the past 5 years, with EV/EBITDA of 22x while Fluidra has 18x

# APPENDIX I VALUE CREATION I FLUIDRA'S MICRO ACQUISITIONS HISTORY

Fluidra has a long history of frequent micro acquisitions that focus on vertical integration and R&D efforts

Rationale

## Fabtronics (2020)

- Had **partnered in the past with Fluidra to design its chlorinator circuits**
- **Boost R&D capabilities and improve Fluidra's products**

## Aquafive (2020)

- **Longstanding partners, as Aquafive was the exclusive distributor of Zodiac's products in the Benelux**
- **Expand the reach of Fluidra's products**

## Riiot Labs (2018)

- The acquisition of this startup would propel Fluidra into the **Internet of Pools and product connectivity**
- **Create value and foster innovation**

## SIBO (2016)

- **International leader in bio-pools.**
- Additional **geographical presence and product portfolio, being able to offer bio-pools throughout its network**

## Future Micro Acquisitions

- **Overall Rationale:** These future micro acquisitions would **mainly cover final pool products' manufacturers but could also target intermediate products' manufacturers**
- **New markets & market consolidation:** This strategy would primarily focus acquisitions on the markets targeted in the Investment Thesis, Brazil and

- Indonesia
- **Entry Multiples:** To estimate the low end of an Entry Multiple for future acquisitions we will take an average of SIBO's and Aquafive's multiples, getting a 5.9x EV/EBITDA

# APPENDIX I VALUE CREATION I FLUIDRA'S MICRO ACQUISITIONS HISTORY

Fluidra has a long history of frequent micro acquisitions that focus on vertical integration and R&D efforts

Overview

Key Metrics

## Fabtronics (2020)

- **Segment:** Electronics manufacturer
- **Geography:** Oceania
- **Turnover (€ M):** 11.0
- **EBITDA (€ M / % Mg):** 3.7 / 33%
- **Entry Multiple:** 3.1x
- **Deal Value (€ M):** 9.2 (for 80%)<sup>1</sup>

## Aquafive (2020)

- **Segment:** Pool products distributor
- **Geography:** Benelux
- **Turnover (€ M):** 7.0
- **EBITDA (€ M / % Mg):** 0.9 / 13%
- **Entry Multiple:** 5.3x
- **Deal Value (€ M):** 4.8 (for 100%)

## Riit Labs (2018)

- **Segment:** Pool maintenance startup
- **Geography:** Belgium
- **Turnover (€ M):** --
- **EBITDA (€ M / % Mg):** -- / --
- **Entry Multiple:** --
- **Deal Value (€ M):** 3.3 (for 100%)

## SIBO (2016)

- **Segment:** Biological and natural pools
- **Geography:** Netherlands & Europe
- **Turnover (€ M):** 17.0
- **EBITDA (€ M / % Mg):** 2.0 / 12%
- **Entry Multiple:** 6.5x
- **Deal Value (€ M):** 9.1 (for 70%)

## Historical Micro Acquisitions

- **Overall Rationale:** Most of these companies enjoyed a **previous relationship with Fluidra** and thus these acquisitions were about **vertically integrating a partner/distributor**
- **New markets & market consolidation:** SIBO and Aquafive acquisitions were focused on **tackling a specific market**, entering **new geographies and segments**, respectively
- **R&D Focus:** Fabtronics and Riit Labs acquisitions were driven by **Fluidra's R&D focused approach**, combining these companies into Fluidra would **boost its innovation efforts**

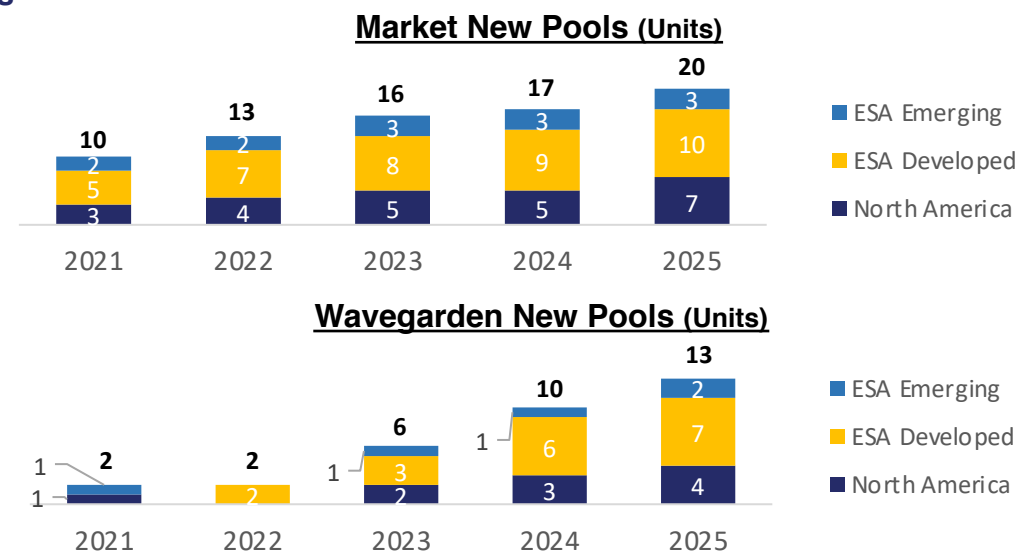
# APPENDIX I VALUE CREATION I ORGANIC GROWTH : WAVEPOOLS - ASSUMPTIONS

Fluidra is assumed to build 75% of each new pool built by Wavegarden, charging 50% of the total price for its equipments and maintenance

## Market Assumptions

### 2020 Overview:

- Number of pools: 6 in North America, 6 in ESA Developed and 3 in ESA Emerging
- Range of pools: Development costs can range from € 4M (*Wavegarden's Lagoon* model and *AWM* pools) to € 50M (*Kelly Slater Wave Co. Pools*).

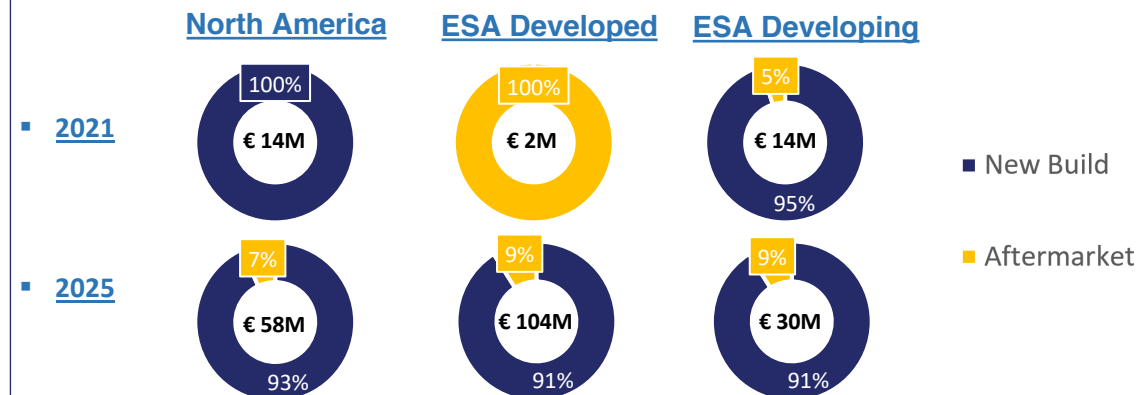


## Fluidra Revenue Assumptions

### New Build:

- Average price to Wavegarden: € 13.5M including all wave-generating technologies
- Cost to Fluidra: 50% of Wavegarden revenues to cover equipments built by Fluidra
- % of pools built by Fluidra: 75%, to avoid over dependence on single supplier

## Regional

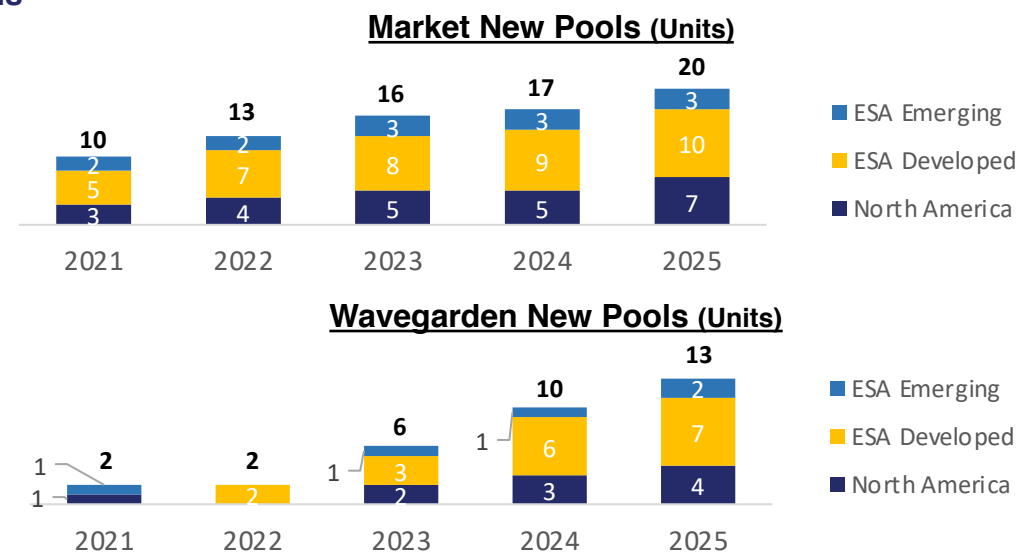


# APPENDIX I VALUE CREATION I ORGANIC GROWTH : WAVEPOOLS - ASSUMPTIONS

Fluidra is assumed to build 75% of each new pool built by Wavegarden, charging 50% of the total price for its equipments and maintenance

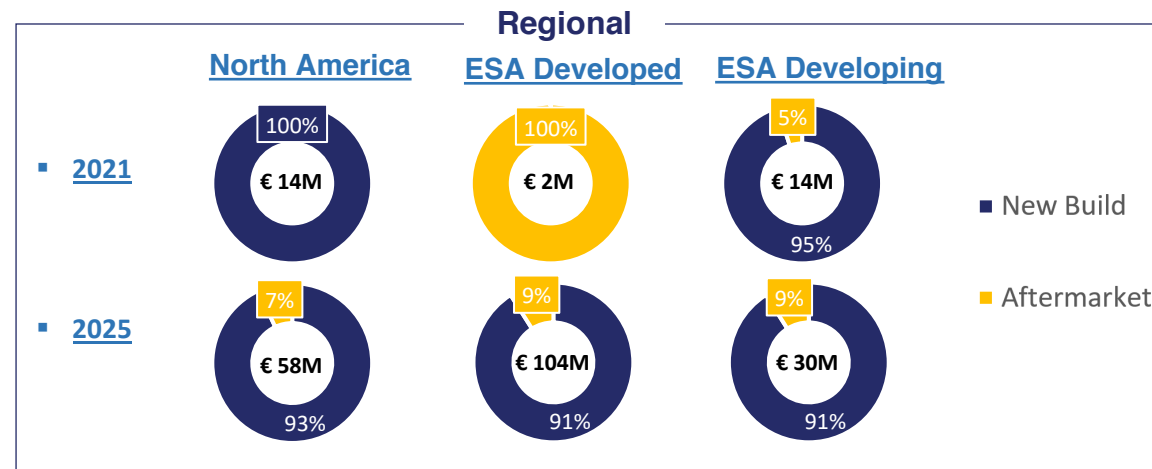
## Market Assumptions

- **Market growth:**
- **Source:** Map with detailed description of all disclosed projects by WavepoolMag
- **Key assumption:** Pool development takes 3-5 years. Given total expected number of 91 pools in 2025, a steady growth was assumed leading to c. 15 new pools per year
- **Wavegarden:**
- **Key assumption:** 4 pools in 2020, with 4 more expected by 2022. Given expected 37 pools in 2025, a steady growth was assumed leading to c. 7 new pools per year



## Fluidra Revenue Assumptions

- **Aftermarket:**
- **Overview:** Sales from maintenance for every pool built by Fluidra
- **Key assumption:** Maintenance costs assumed to equal depreciation - Average pool life of 20 years and straight-line depreciation leads to € 675K per pool annually



# APPENDIX I VALUE CREATION I OPERATIONAL IMPROVEMENT

The 2 key drivers of operational improvement are personnel expenses and other opex, which benefit from synergies derived from scale

| Income Statement in € millions                  | 2019A        | 2020E        | 2021E        | 2022E        | 2023E        | 2024E        | 2025E        | 2026E        |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Gross Profit</b>                             | <b>708</b>   | <b>769</b>   | <b>872</b>   | <b>979</b>   | <b>1 102</b> | <b>1 194</b> | <b>1 293</b> | <b>1 382</b> |
| ① Gross Margin                                  | 51,8%        | 52,2%        | 52,4%        | 52,6%        | 52,9%        | 53,1%        | 53,3%        | 53,5%        |
| Gross Margin growth rate                        |              |              | ⑤ 0,4%       | 0,4%         | 0,4%         | 0,4%         | 0,4%         | 0,4%         |
| <b>Personnel expenses</b>                       | <b>-278</b>  | <b>-282</b>  | <b>-308</b>  | <b>-334</b>  | <b>-362</b>  | <b>-379</b>  | <b>-396</b>  | <b>-408</b>  |
| ② % of Sales                                    | 20,3%        | 19,1%        | 18,5%        | 17,9%        | 17,4%        | 16,8%        | 16,3%        | 15,8%        |
| % of sales growth rate                          |              |              | ⑥ -3,1%      | -3,1%        | -3,1%        | -3,1%        | -3,1%        | -3,1%        |
| <b>Other operating expenses</b>                 | <b>-225</b>  | <b>-240</b>  | <b>-267</b>  | <b>-295</b>  | <b>-327</b>  | <b>-349</b>  | <b>-372</b>  | <b>-391</b>  |
| ③ % of Sales                                    | 16,5%        | 16,3%        | 16,1%        | 15,9%        | 15,7%        | 15,5%        | 15,3%        | 15,1%        |
| % of sales growth rate                          |              |              | ⑦ -1,2%      | -1,2%        | -1,2%        | -1,2%        | -1,2%        | -1,2%        |
| <b>Income from services rendered</b>            | <b>25</b>    | <b>31</b>    | <b>35</b>    | <b>39</b>    | <b>43</b>    | <b>47</b>    | <b>50</b>    | <b>54</b>    |
| ④ % of Sales                                    | 1,8%         | 2,1%         | 2,1%         | 2,1%         | 2,1%         | 2,1%         | 2,1%         | 2,1%         |
| ④ <b>Work capitalised as non-current assets</b> | <b>14</b>    | <b>17</b>    | <b>20</b>    | <b>22</b>    | <b>25</b>    | <b>27</b>    | <b>29</b>    | <b>31</b>    |
| % of Sales                                      | 1,0%         | 1,2%         | ⑧ 1,2%       | 1,2%         | 1,2%         | 1,2%         | 1,2%         | 1,2%         |
| <b>EBITDA</b>                                   | <b>244</b>   | <b>296</b>   | <b>351</b>   | <b>411</b>   | <b>481</b>   | <b>540</b>   | <b>604</b>   | <b>667</b>   |
| <b>EBITDA Margin</b>                            | <b>17,9%</b> | <b>20,1%</b> | <b>21,1%</b> | <b>22,1%</b> | <b>23,0%</b> | <b>24,0%</b> | <b>24,9%</b> | <b>25,8%</b> |

## 2021-2027 Growth Assumptions

- ⑤ **Gross Margin:** Assumed to continue growing at same historical rate as from 2014-2020 from 2019-2020. This is lower than the historic rate but was assumed due to extra costs associated with acquiring and integrating the M&A targets and Wavegarden pools
- ⑥ **Personnel Expenses:** Assumed to grow at same historical rate as from 2014-2020
- ⑦ **Other Op. Expenses:** Assumed to continue decreasing at same rate as
- ⑧ **Income from services rendered/Work capitalized as non-current assets:** Assumed the same percentage of sales as in 2020

# APPENDIX I VALUE CREATION I OPERATIONAL IMPROVEMENT

The 2 key drivers of operational improvement are personnel expenses and other opex, which benefit from synergies derived from scale

| Income Statement in € millions                | 2019A        | 2020E        | 2021E        | 2022E        | 2023E        | 2024E        | 2025E        | 2026E        |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Gross Profit</b>                           | <b>708</b>   | <b>769</b>   | <b>872</b>   | <b>979</b>   | <b>1 102</b> | <b>1 194</b> | <b>1 293</b> | <b>1 382</b> |
| ① Gross Margin                                | 51,8%        | 52,2%        | 52,4%        | 52,6%        | 52,9%        | 53,1%        | 53,3%        | 53,5%        |
| Gross Margin growth rate                      |              |              | ⑤ 0,4%       | 0,4%         | 0,4%         | 0,4%         | 0,4%         | 0,4%         |
| <b>Personnel expenses</b>                     | <b>-278</b>  | <b>-282</b>  | <b>-308</b>  | <b>-334</b>  | <b>-362</b>  | <b>-379</b>  | <b>-396</b>  | <b>-408</b>  |
| ② % of Sales                                  | 20,3%        | 19,1%        | 18,5%        | 17,9%        | 17,4%        | 16,8%        | 16,3%        | 15,8%        |
| % of sales growth rate                        |              |              | ⑥ -3,1%      | -3,1%        | -3,1%        | -3,1%        | -3,1%        | -3,1%        |
| <b>Other operating expenses</b>               | <b>-225</b>  | <b>-240</b>  | <b>-267</b>  | <b>-295</b>  | <b>-327</b>  | <b>-349</b>  | <b>-372</b>  | <b>-391</b>  |
| ③ % of Sales                                  | 16,5%        | 16,3%        | 16,1%        | 15,9%        | 15,7%        | 15,5%        | 15,3%        | 15,1%        |
| % of sales growth rate                        |              |              | ⑦ -1,2%      | -1,2%        | -1,2%        | -1,2%        | -1,2%        | -1,2%        |
| <b>Income from services rendered</b>          | <b>25</b>    | <b>31</b>    | <b>35</b>    | <b>39</b>    | <b>43</b>    | <b>47</b>    | <b>50</b>    | <b>54</b>    |
| ④ % of Sales                                  | 1,8%         | 2,1%         | 2,1%         | 2,1%         | 2,1%         | 2,1%         | 2,1%         | 2,1%         |
| <b>Work capitalised as non-current assets</b> | <b>14</b>    | <b>17</b>    | <b>20</b>    | <b>22</b>    | <b>25</b>    | <b>27</b>    | <b>29</b>    | <b>31</b>    |
| ④ % of Sales                                  | 1,0%         | 1,2%         | ⑧ 1,2%       | 1,2%         | 1,2%         | 1,2%         | 1,2%         | 1,2%         |
| <b>EBITDA</b>                                 | <b>244</b>   | <b>296</b>   | <b>351</b>   | <b>411</b>   | <b>481</b>   | <b>540</b>   | <b>604</b>   | <b>667</b>   |
| <b>EBITDA Margin</b>                          | <b>17,9%</b> | <b>20,1%</b> | <b>21,1%</b> | <b>22,1%</b> | <b>23,0%</b> | <b>24,0%</b> | <b>24,9%</b> | <b>25,8%</b> |

## 2020 Assumptions

- ① **Gross Margin:** Assumed the same as the realized for the first 9 months of 2020
- ② **Personnel Expenses:** Average of 2019 and 2020 first 9 months figures to reflect pandemic-related layoffs that are non-recurrent.
- ③ **Other Op. Expenses:** Assumed the same as the realized for the first 9 months of 2020
- ④ **Income from services rendered:** Average of 2019 and 2020 first 9 months figures to reduce the effect from pandemic (similar to the historical average)
- ⑤ **Work capitalized as non-current assets:** Average of 2019 and 2020 first 9 months

# APPENDIX I VALUE CREATION IM&A & WAVEGARDEN SUCCESS FACTORS

Fluidra is strategically positioned to benefit from Buy&Build and the Wavepools. If these did not occur the IRR would be 4 p.p lower at exit

## Acquisitions

- Fluidra already has a track record of succesful M&A transactions and integration.
- Multiple arbitrage through succesful incorporation of synergies with **low multiple targets**.

## Key Takeaways

- M&A strategy is **unlikely to fail** given overall industry characteristics
- Wavegarden strategy is likely to strengthen Fluidra's **strategic positioning**

## Wavegarden

- Increases activity in the **commercial segment** with a focus on areas where Fluidra operates allowing for **cost synergies**
- Allows presence in a trending market - future growth perspectives and marketing for raising company awareness

## Sensitivities

IRR - WG and M&A Activity - 2024E

|              |        | Wavegarden Activity |       |        |        |        |       |
|--------------|--------|---------------------|-------|--------|--------|--------|-------|
| IRR          |        | 0,0%                | 50,0% | 100,0% | 150,0% | 200,0% |       |
| M&A Activity | 25,4%  | 0,0%                | 21,0% | 21,6%  | 22,3%  | 23,0%  | 23,6% |
|              | 0,0%   | 21,0%               | 21,6% | 22,3%  | 23,0%  | 23,6%  |       |
|              | 50,0%  | 22,6%               | 23,2% | 23,9%  | 24,5%  | 25,1%  |       |
|              | 100,0% | 24,2%               | 24,8% | 25,4%  | 26,0%  | 26,6%  |       |
|              | 150,0% | 25,7%               | 26,3% | 26,9%  | 27,5%  | 28,1%  |       |
|              | 200,0% | 27,1%               | 27,7% | 28,3%  | 28,9%  | 29,5%  |       |

IRR - WG and M&A Activity - 2025E

|              |        | Wavegarden Activity |       |        |        |        |       |
|--------------|--------|---------------------|-------|--------|--------|--------|-------|
| IRR          |        | 0,0%                | 50,0% | 100,0% | 150,0% | 200,0% |       |
| M&A Activity | 24,2%  | 0,0%                | 20,2% | 20,9%  | 21,6%  | 22,3%  | 22,9% |
|              | 0,0%   | 20,2%               | 20,9% | 21,6%  | 22,3%  | 22,9%  |       |
|              | 50,0%  | 21,6%               | 22,2% | 22,9%  | 23,5%  | 24,2%  |       |
|              | 100,0% | 22,9%               | 23,5% | 24,2%  | 24,8%  | 25,4%  |       |
|              | 150,0% | 24,2%               | 24,8% | 25,4%  | 26,0%  | 26,6%  |       |
|              | 200,0% | 25,4%               | 26,0% | 26,6%  | 27,2%  | 27,7%  |       |

IRR - WG and M&A Activity - 2026E

|              |        | Wavegarden Activity |       |        |        |        |       |
|--------------|--------|---------------------|-------|--------|--------|--------|-------|
| IRR          |        | 0,0%                | 50,0% | 100,0% | 150,0% | 200,0% |       |
| M&A Activity | 22,9%  | 0,0%                | 19,5% | 20,1%  | 20,6%  | 21,2%  | 21,8% |
|              | 0,0%   | 19,5%               | 20,1% | 20,6%  | 21,2%  | 21,8%  |       |
|              | 50,0%  | 20,7%               | 21,2% | 21,8%  | 22,3%  | 22,9%  |       |
|              | 100,0% | 21,8%               | 22,4% | 22,9%  | 23,4%  | 23,9%  |       |
|              | 150,0% | 22,9%               | 23,4% | 24,0%  | 24,5%  | 25,0%  |       |
|              | 200,0% | 24,0%               | 24,5% | 25,0%  | 25,5%  | 25,9%  |       |

MM - WG and M&A Activity - 2024E

|              |        | Wavegarden Activity |       |        |        |        |       |
|--------------|--------|---------------------|-------|--------|--------|--------|-------|
| MM           |        | 0,0%                | 50,0% | 100,0% | 150,0% | 200,0% |       |
| M&A Activity | 2,42x  | 0,0%                | 2,11x | 2,15x  | 2,20x  | 2,25x  | 2,29x |
|              | 0,0%   | 2,11x               | 2,15x | 2,20x  | 2,25x  | 2,29x  |       |
|              | 50,0%  | 2,22x               | 2,27x | 2,31x  | 2,36x  | 2,41x  |       |
|              | 100,0% | 2,33x               | 2,38x | 2,42x  | 2,47x  | 2,52x  |       |
|              | 150,0% | 2,44x               | 2,49x | 2,54x  | 2,58x  | 2,63x  |       |
|              | 200,0% | 2,56x               | 2,60x | 2,65x  | 2,70x  | 2,74x  |       |

MM - WG and M&A Activity - 2025E

|              |        | Wavegarden Activity |       |        |        |        |       |
|--------------|--------|---------------------|-------|--------|--------|--------|-------|
| MM           |        | 0,0%                | 50,0% | 100,0% | 150,0% | 200,0% |       |
| M&A Activity | 2,85x  | 0,0%                | 2,43x | 2,50x  | 2,57x  | 2,65x  | 2,72x |
|              | 0,0%   | 2,43x               | 2,50x | 2,57x  | 2,65x  | 2,72x  |       |
|              | 50,0%  | 2,57x               | 2,64x | 2,71x  | 2,78x  | 2,85x  |       |
|              | 100,0% | 2,71x               | 2,78x | 2,85x  | 2,92x  | 2,99x  |       |
|              | 150,0% | 2,84x               | 2,91x | 2,98x  | 3,05x  | 3,12x  |       |
|              | 200,0% | 2,98x               | 3,05x | 3,12x  | 3,19x  | 3,26x  |       |

MM - WG and M&A Activity - 2026E

|              |        | Wavegarden Activity |       |        |        |        |       |
|--------------|--------|---------------------|-------|--------|--------|--------|-------|
| MM           |        | 0,0%                | 50,0% | 100,0% | 150,0% | 200,0% |       |
| M&A Activity | 3,28x  | 0,0%                | 2,79x | 2,87x  | 2,95x  | 3,04x  | 3,12x |
|              | 0,0%   | 2,79x               | 2,87x | 2,95x  | 3,04x  | 3,12x  |       |
|              | 50,0%  | 2,95x               | 3,03x | 3,12x  | 3,20x  | 3,28x  |       |
|              | 100,0% | 3,11x               | 3,20x | 3,28x  | 3,36x  | 3,45x  |       |
|              | 150,0% | 3,28x               | 3,36x | 3,44x  | 3,53x  | 3,61x  |       |
|              | 200,0% | 3,44x               | 3,52x | 3,61x  | 3,69x  | 3,77x  |       |

# APPENDIX I VALUE CREATION IM&A & WAVEGARDEN SUCCESS FACTORS

Fluidra is strategically positioned to benefit from Buy&Build and the Wavepools. If these did not occur the IRR would be 4 p.p lower at exit

## Acquisitions

- M&A strategy shows the most potential for top line growth.
- Fragmented market across business segments and regions implies **many acquisition candidates**.

## Key Takeaways

- Sensitivity Analysis shows that Fluidra remains a **good investment on a standalone basis, with a 20.2% IRR** without these initiatives.

## Wavegarden

- Wavegarden strategy to be incorporated within **Fluidra Accelera (startup incubator)**
- Ultimately has a **small influence on IRR and MM**

## Sensitivities

IRR - WG and M&A Activity - 2024E

| IRR          | Wavegarden Activity |       |       |        |        |        |
|--------------|---------------------|-------|-------|--------|--------|--------|
|              | 25,4%               | 0,0%  | 50,0% | 100,0% | 150,0% | 200,0% |
| M&A Activity | 0,0%                | 21,0% | 21,6% | 22,3%  | 23,0%  | 23,6%  |
| 50,0%        | 22,6%               | 23,2% | 23,9% | 24,5%  | 25,1%  |        |
| 100,0%       | 24,2%               | 24,8% | 25,4% | 26,0%  | 26,6%  |        |
| 150,0%       | 25,7%               | 26,3% | 26,9% | 27,5%  | 28,1%  |        |
| 200,0%       | 27,1%               | 27,7% | 28,3% | 28,9%  | 29,5%  |        |

IRR - WG and M&A Activity - 2025E

| IRR          | Wavegarden Activity |       |       |        |        |        |
|--------------|---------------------|-------|-------|--------|--------|--------|
|              | 24,2%               | 0,0%  | 50,0% | 100,0% | 150,0% | 200,0% |
| M&A Activity | 0,0%                | 20,2% | 20,9% | 21,6%  | 22,3%  | 22,9%  |
| 50,0%        | 21,6%               | 22,2% | 22,9% | 23,5%  | 24,2%  |        |
| 100,0%       | 22,9%               | 23,5% | 24,2% | 24,8%  | 25,4%  |        |
| 150,0%       | 24,2%               | 24,8% | 25,4% | 26,0%  | 26,6%  |        |
| 200,0%       | 25,4%               | 26,0% | 26,6% | 27,2%  | 27,7%  |        |

IRR - WG and M&A Activity - 2026E

| IRR          | Wavegarden Activity |       |       |        |        |        |
|--------------|---------------------|-------|-------|--------|--------|--------|
|              | 22,9%               | 0,0%  | 50,0% | 100,0% | 150,0% | 200,0% |
| M&A Activity | 0,0%                | 19,5% | 20,1% | 20,6%  | 21,2%  | 21,8%  |
| 50,0%        | 20,7%               | 21,2% | 21,8% | 22,3%  | 22,9%  |        |
| 100,0%       | 21,8%               | 22,4% | 22,9% | 23,4%  | 23,9%  |        |
| 150,0%       | 22,9%               | 23,4% | 24,0% | 24,5%  | 25,0%  |        |
| 200,0%       | 24,0%               | 24,5% | 25,0% | 25,5%  | 25,9%  |        |

MM - WG and M&A Activity - 2024E

| MM           | Wavegarden Activity |       |       |        |        |        |
|--------------|---------------------|-------|-------|--------|--------|--------|
|              | 2,42x               | 0,0%  | 50,0% | 100,0% | 150,0% | 200,0% |
| M&A Activity | 0,0%                | 2,11x | 2,15x | 2,20x  | 2,25x  | 2,29x  |
| 50,0%        | 2,22x               | 2,27x | 2,31x | 2,36x  | 2,41x  |        |
| 100,0%       | 2,33x               | 2,38x | 2,42x | 2,47x  | 2,52x  |        |
| 150,0%       | 2,44x               | 2,49x | 2,54x | 2,58x  | 2,63x  |        |
| 200,0%       | 2,56x               | 2,60x | 2,65x | 2,70x  | 2,74x  |        |

MM - WG and M&A Activity - 2025E

| MM           | Wavegarden Activity |       |       |        |        |        |
|--------------|---------------------|-------|-------|--------|--------|--------|
|              | 2,85x               | 0,0%  | 50,0% | 100,0% | 150,0% | 200,0% |
| M&A Activity | 0,0%                | 2,43x | 2,50x | 2,57x  | 2,65x  | 2,72x  |
| 50,0%        | 2,57x               | 2,64x | 2,71x | 2,78x  | 2,85x  |        |
| 100,0%       | 2,71x               | 2,78x | 2,85x | 2,92x  | 2,99x  |        |
| 150,0%       | 2,84x               | 2,91x | 2,98x | 3,05x  | 3,12x  |        |
| 200,0%       | 2,98x               | 3,05x | 3,12x | 3,19x  | 3,26x  |        |

MM - WG and M&A Activity - 2026E

| MM           | Wavegarden Activity |       |       |        |        |        |
|--------------|---------------------|-------|-------|--------|--------|--------|
|              | 3,28x               | 0,0%  | 50,0% | 100,0% | 150,0% | 200,0% |
| M&A Activity | 0,0%                | 2,79x | 2,87x | 2,95x  | 3,04x  | 3,12x  |
| 50,0%        | 2,95x               | 3,03x | 3,12x | 3,20x  | 3,28x  |        |
| 100,0%       | 3,11x               | 3,20x | 3,28x | 3,36x  | 3,45x  |        |
| 150,0%       | 3,28x               | 3,36x | 3,44x | 3,53x  | 3,61x  |        |
| 200,0%       | 3,44x               | 3,52x | 3,61x | 3,69x  | 3,77x  |        |

## Key Sources Summary

### Fluidra SA information ( <https://www.fluidra.com/shareholders> ):

- Annual Integrated and Consolidated Reports 2014, 2015, 2016, 2017, 2018 and 2019
- Quarterly presentations 2020
- “Presentation Summarizing the Strategic Plan 2022 and the FY2019 Results Presentation”, March 2020

### Macroeconomic data:

- Statista ( <https://www-statista-com.eu1.proxy.openathens.net/> )
- International Monetary Fund ( [https://www.imf.org/external/datamapper/NGDP\\_RPCH@WEO/OEMDC/ADVEC/WEOWORLD?year=2020](https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD?year=2020) )

### Peers:

- Maytronics, Pentair, PoolCorp financial statements, retrieved from their websites

### Financial Data:

- Eikon, Bloomberg, Reuters, Sabi; Orbis; J.P.Morgan Equity Research, Moody’s, Global Equity Consulting, Standard & Poors,

### Wavepools:

- Wavegarden ( <https://wavegarden.com/cove-financials/> ), Wavepool Mag ( <https://wavepoolmag.com/> ),