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PRESENTATION

David Herrerias *- Fluidra, S.A. - IR and Communication Director*

Good morning, and welcome to Fluidra's First Quarter 2022 Results Presentation. I'm David Herrerias, Investor Relations, Corporate Communications and M&A Director at Fluidra.

Today's presenter will be Mr. Eloy Planes, our Executive Chairman; Mr. Bruce Brooks, our CEO; and Mr. Javier Tintore, our CFTO. You can follow this presentation in its original English version or in Spanish. You can select your preferred option in the drop-down menu at the bottom right of your screen.

(Operator Instructions) Presentation materials are accessible through our website, fluidra.com, and they have also been uploaded premarket open to the CNMV. The replay of today's presentation will be made available on our website shortly after we finish.

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

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

Thank you, David. Good morning to everyone on the call, and thank you for joining us for this first quarter results presentation. I'm very proud to present the results of this solid first quarter. As Executive Chairman, I want to thank our team, our clients and our suppliers for these strong figures. Bruce and Javier will dive into the numbers later, but let me make some comments before.

Excellent Q1 sales with a 31% growth on top of a 61% delivered in first quarter last year. Growth is mainly driven by the following 3 factors: Strong underlying demand; price actions taken to offset inflation; and finally, the run rate of the 5 acquisitions we did last year. Fundamentals of the business remain positive, with the strong new build activity as one of the key factors. Remind that the stronger the new pool is today, the stronger the aftermarket will be tomorrow and the more resilient the company will be. We expect a good 2022 pool season in the Northern Hemisphere.

We are still very focused on servicing our customers, which has been challenging since the start of the pandemic. These challenges still remain, but our flexibility and capacity increase have allowed us to perform well.

On the other side, efficient capital allocation and attractive shareholder remuneration has always been a top priority for management. With our excellent cash generation track record, the increased liquidity of our stock during 2021, it is time to add share buyback as a tool to complement our capital allocation policy.

To be clear, we remain committed to the 2x leverage, and we maintain M&A and progressive dividends based on 50% payout as our top capital allocation tools. In this sense, we are proposing today a dividend distribution for the 2022 of EUR 166 million, more than doubling the EUR 78 million distribution of 2021.

And finally, despite changing environment, we are maintaining the full year 2022 guidance that we shared with you last February. The healthy industry dynamics and the resiliency of our business reassure us in our commitments for the year.

At this point, I give the floor to Bruce, our CEO, who along with our Chief Financial and Transformation Officer, Javier, will provide a deeper look at the first quarter 2022 numbers.

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

(foreign language), Eloy. Let me start with comments on our overall performance and highlights for the first quarter of 2022, and then turn it over to Javier to provide more details on the financial results. I will then return to provide some color on our outlook.

The numbers you see on Slide 5 are the 2021 and 2022 financial highlights for January through March. In the first quarter of 2022, sales grew 14%, adjusted for currency and perimeter compared to the same period of 2021 to EUR 667 million. This sustained growth was driven by the new build activity and price actions. And as Eloy pointed out, it follows a record first quarter of 2021. Adding FX and perimeter expansion, growth resulted in 31% from first quarter last year.

Adjusted for currency and perimeter, EBITDA and EBITA grew 9% and 6% and to EUR 170 million and EUR 151 million, respectively. Both measures were impacted by extraordinary inflationary pressure, which is why we are taking additional price actions that I will detail later.

Cash earnings per share grew 21%, adjusted for currency and perimeter to EUR 0.52 per share. On operating net working capital, we ended the first quarter 19% higher on a currency and perimeter adjusted basis. The operating net working capital ratio to sales improved 134 basis points to 25.4% despite investment in inventory. Our net debt stands at EUR 1.239 billion. Our leverage ratio reduced to 2.1x despite significant M&A investment during the last 12 months.

Moving to Page 6, let me share some highlights of the quarter. We're really focused on our ESG journey as it is a key part of our values. We have reached a reduction of Scope 2 emissions in 2021 by 50%, beating our internal expectations for the year and getting closer to our target of being carbon neutral by 2027. We're now using more than 80% renewable energy, having increased the ratio by more than 20 points in 2021.

Lastly, as we shared earlier in the year, we refinanced our debt in January 2022, thus simplifying the debt structure, extending maturities and rebalancing the currency mix. Terms are linked to some of the environmental targets of the responsibility blueprint, which reinforces our commitment to ESG.

Let's move to capital allocation, as we have demonstrated since the merger, the strong earnings growth and cash generation enables us to increase shareholders' remuneration. On the M&A front, pipeline remains solid. After the strong M&A activity in the U.S. seen last year, we're now focused on integrating these new companies in an optimal fashion, and for 2022, our priority will be on Europe. In addition, we have proposed increasing the dividend by 112% with a payout of EUR 0.85 per share to be evenly split into 2 payments as part of our approximately 50% cash net profit distribution policy.

Lastly, we have just revised our capital allocation policy to include share buyback as another instrument for shareholder remuneration. With our increased liquidity, strong cash generation and recent market valuations, we believe it is time to add this tool to our toolbox. As of today, it's only a tool. We will evaluate based on how we execute on M&A and market conditions, always keeping in mind our 2x debt-to-EBITDA ratio.

Finally, as for business performance, we expect to increase capacity over the course of 2022 by 30-plus percent on top of the 70% capacity expansion of 2020 and 2021 to meet customer needs that will help us reduce our backlog, predominantly in the U.S. We have seen double-digit inflation in Q1 in key geographies. This higher than initially anticipated inflation led us to implement more price in North America that goes into effect tomorrow.

We've worked with our channel partners to have this change impact the backlog as well as new orders, which we had not done in the past. This should allow us to improve the margin on schedule despite the continuous inflationary pressure.

Lastly, we decided to exit Russia shortly after the conflict began. And now we have reached a preliminary agreement to divest local operations.

Turning now to Page 7, you see the sales evolution by geography. As we expected, Southern Europe's excellent momentum continued with currency and perimeter adjusted growth of 25%, driven by Spain and aided by the recovery of our chemicals and commercial businesses.

Rest of Europe grew 3% on a constant FX and perimeter adjusted basis, with difficult Q1 2021 comp and a more volatile macro environment in Eastern Europe. North America expanded a solid 8% on a currency and perimeter adjusted basis against an 86% growth in Q1 '21. The region was negatively impacted by continued supply chain challenges and the forecasted Texas freeze comparable, where we have a particularly strong share position. Adding inorganic activity, North America delivered a 49% growth in the quarter. Underlying demand remains strong in the region.

The Rest of the World saw sales growth of 19% for the quarter on a currency and perimeter adjusted basis, driven by the strong results of Australia. This overall performance demonstrates the continued growth and strength of our market's fundamentals.

Next, on Page 8, we see the evolution by business unit. Residential Pool is our largest segment and accounted for 75% of our sales, growing close to 10% for the quarter on an adjusted FX and perimeter basis, supported by continued robust demand and M&A activity. Growth was led by filters, pumps, robots and heaters. Commercial Pool recovered well on an easy comparable with a 26% increase adjusted by FX and perimeter, positioning us well for further growth. Inorganic activity helped growth reach 59% in this strategic area.

Pool Water Treatment grew 29% for the quarter once adjusted for FX and perimeter. This business unit saw a strong performance of both the water care equipment segment, along with chemicals. The Fluid Handling business reached double-digit growth of 18% in Q1.

In summary, our global footprint continues to play an integral role in helping us deliver strong growth together with excellent cash generation. Again, I want to thank our talented team of more than 7,000 employees and business partners for their agility, positivity and sacrifices during these challenging times. Moving at full speed and keeping our customers and values at the center of all we do makes me confident that we are ready to continue executing the many opportunities that lay ahead of us.

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

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

Thank you, Bruce. Let's turn to Page 9 now and take a look at the P&L in some more detail. Sales growth of 31%, which can be broken down in 4 points from currency; 13 points from inorganic growth; and 14 points of growth at constant perimeter. Gross margin reached 52.8%, 110 basis points lower than prior year.

As we expected, the impact of inflation and mix was not fully offset by pricing as many shipments in the period correspond to orders recorded at 2021 pricing. We expect this pressure to continue in the second quarter as the first half of 2021 had favorable impact in the price inflation equation. We are confident on the results of our pricing actions to recover the gap on our guidance target over the second half of 2022.

Operating expenses, which now include provision for bad debt reached EUR 183 million, with an increase of 31%, which is 14% if we adjust for perimeter, impacted by higher logistics and transportation costs as well as investments in marketing and R&D. Acquisitions represent 17 points of the OpEx growth as acquired companies have a higher expense profile pointing to the synergy opportunity as we integrate them.

EBITDA reached EUR 170 million, with an increase of 26% driven by higher volume, small margin contraction due to inflation and mix and a very limited operating leverage. EBITDA margin reached 25.4%, which is 110 basis points lower than prior year. EBITA achieved EUR 151 million, up 26% and reaching a margin of 22.6%. Below the EBITA line, the amortization increased to EUR 17 million, driven by the intangible asset amortization of all the acquisitions performed during 2021.

Nonrecurring expense of EUR 4 million, which is 44% down to prior year due to lower M&A activity in the quarter versus a year ago, where we closed the CMP and Built Right deals. Net financial result is EUR 26 million, EUR 19 million higher than last year due to the EUR 12 million write-off of noncash fees generated in the refinancing; EUR 2 million of higher interest expense on higher debt; and EUR 5 million of unfavorable currency.

I would like to briefly highlight the benefits of the refinancing which was neutral from a leverage point of view. We have extended maturities to 2029, rebalanced currencies and locked interest rates on our Term Loan B. At the same time, we have simplified the structure of the net working capital financing facilities by upsizing the RCF to EUR 450 million and extending its tenure to 2027. We are now well equipped to execute our plans.

Tax rate for the quarter is 27%. Net income reached EUR 75 million compared to EUR 67 million in 2021, growing 12%, impacted by margin pressures and the extraordinary noncash refinancing cost. As you know, we track cash net profit, a good indicator for Fluidra, as we have a very significant amortization entirely purchase accounting related that impacts our net profit and EPS calculation. Cash net profit for the quarter is EUR 103 million, up 26% to prior year, significantly better than net income due to the noncash nature of the refinancing write-offs.

The following page shows the free cash flow statement as well as the net debt evolution. As you all know, Q1 is an investment quarter for the company as we prepare for the season in the Northern Hemisphere. Therefore, our free cash flow use has been EUR 150 million. This is EUR 216 million less cash usage than what we did in 2021. Key drivers of this improvement are the 219 coming from less inorganic activity during Q1. As during Q1 2021, we completed the CMP and Built Right acquisitions. And also EUR 29 million of less investment in treasury stock.

If we look at the operating cash flow, the company has invested EUR 60 million more in working capital, which are partially offset by the EUR 38 million of incremental EBITDA. If we zoom into the investment of working capital, this is entirely driven by investments in inventory, which is impacted by perimeter, inflation, longer in-transit times as well as investments to protect service to our customers in this supply-challenged environment. These investments are partially covered by an increase in payables and continued efficiency on receivables as collections performed nicely around the world.

Finally, net debt reached EUR 1.239 billion, up EUR 262 million, driven by the acquisitions executed last year. Our leverage ratio is 2.1x. That compares favorably to the 2.4x in 2021.

With that, I will give the floor to Bruce and Eloy for guidance and closing comments.

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

Thank you, Javier. Moving on to Page 11, let's talk about our outlook and specific guidance. As discussed in today's call, we saw a solid start of the year, and we remain positive for 2022 and beyond. April's performance was aligned with our expectations, taking into account the tougher comp due to a COVID comparison, the Texas freeze and a lower number of working days.

Momentum continues for new builds, builders backlogs remain solid. As I shared before, we have taken additional price actions to offset continuous inflationary pressures, and thus, protect our P&L. We still face some supply chain challenges that are affecting our ability to ship our clients. For this, we were unable to materially decrease the current levels of backlog.

Net delay, together with continued inflationary pressures will have an impact on the first half margins. This will be fully offset over the year with first, the full read-through of both the October 2021 and the March 2022 price increases, as well as the additional pricing just announced.

Finally, we're happy to share that the integration of our recent acquisitions are on track. We continue to monitor the market for additional accretive M&A opportunities, and the pipeline is still positive.

In summary, 2022 will be another strong year for Fluidra. As Eloy shared before, we are maintaining our full year 2022 guidance. We anticipate sales growth from 12% to 17%. These growth rates already include run rate M&A from 2021, which contributes mid-single digit. Secondly, we now estimate a high single-digit price read-through.

Thirdly, we see volume growth for the full year from new construction and the continuous expansion of the aftermarket. Lastly, we adjust for one-off impacts of the Texas freeze from last year that we will comp through May.

EBITDA margin higher than 25.5%. We are committed to deliver margin expansion geared towards the second half of the year, largely driven by value improvement in lean while we begin to look at longer-term opportunities to simplify the company.

Cash EPS growth between 10% and 16% driven by a return to normalized 28% tax rate after Zodiac merger-related tax benefits. Our highly cash-generative business will see us continue with our policy of accretive capital allocation. We see ourselves as market consolidators through a disciplined process that delivers value on the capital employed.

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

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

(foreign language), Bruce, thank you, Javier. Let me summarize what I see. Solid Q1 results and confidence for the rest of 2022. Our customers' backlog, our price actions and the run rate of M&A, all in, give us a solid foundation. We are expecting another strong year for Fluidra.

Our industry prospects remain strong, driven by demographic trends like the outdoor living and the migration to the south and warmer regions. The larger number of installed pools will generate value in the aftermarket over the next few years, and those pools have more and more connectivity and sustainable products, increasing the average ticket. And finally, there is a pent-up demand for remodel that hasn't been serviced recently. Fluidra platform is ready to leverage on these trends while improving our efficiency and margin in the medium term through simplification.

In summary, our fundamentals remain strong, and our strategy and investment thesis remain unchanged. Thank you for joining us today, and for your continued interest. And now I will turn the call back over to David to begin our Q&A session.

QUESTIONS AND ANSWERS

David Herrerias - *Fluidra, S.A. - IR and Communication Director*

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

Operator

(Operator Instructions) Our first question today comes from George Featherstone from Bank of America.

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

First one really is, I guess, a point of clarification. If you're raising prices again, what was the reason that this didn't increase the top line guidance for this year? And also I think I heard you say that you were going into and implementing new pricing within the backlog. If you could just talk a little bit about the details on that, that would be great.

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

Okay. I'll take that first one. As far as the growth and the guidance, Q1 is really strong, and we're very pleased with the performance. But let's face it, it's Q1, this is a seasonal business, and we're just getting started. So we think it's better to be cautious right now before -- let's get into the real season, get into the meat of the season, and then we'll look at the guidance longer term. In addition, just to remind everybody, M&A was a nice contributor in Q1 and that was a material advantage for us that will diminish a little bit as we go forward.

As far as second question on price, I think the -- the change that we've made here is we've gone from kind of mid-single digit, mid- to high-, to high single digit. And so we are expecting additional read-through versus what we have seen so far in the first quarter. And let's face it, the inflationary environment hasn't totally mitigated. So we'll have to keep our eye on what's happening with inflation and see if we need to do anything else.

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

And then maybe just talking about the consumer more widely coming under pressure from inflation in a number of geographies, so how should we think about this balancing act that you might be facing now between price increases to offset cost for you? But also any potential demand destruction that might cause?

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

Yes. I think -- I mean, George, I think it's something that we'll continue to watch. But I guess what I would remind you is that 3/4 of this market is aftermarket driven and is not really discretionary, and they're one-off prices that the consumer doesn't really make every year, right? So they don't have a huge sense of comparison. Secondly, we've been watching the builder backlog closely, and we're just not seeing cancellations. So we feel like we're still in pretty good shape for 2022, but certainly something that we'll continue to monitor.

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

Then my final question would be just about how your backlog compares at this point in the year versus last year?

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

Not sure exactly what I'm allowed to say on backlog. Usually not a whole lot. But let's say we were disappointed with our service level in Q1, and that backlog is still more robust than we would like, George.

Operator

Our next question comes from Andre Kukhnin from Credit Suisse.

Andre Kukhnin - *Crédit Suisse AG, Research Division - Mechanical Engineering Capital Goods Analyst*

I'll go one at a time. And just a quick kind of follow-up on that backlog margin impact that you mentioned with backlog having risen and raw materials have risen and hence, [waved away] margins in the first half. Do you expect incremental pressure in second quarter versus first quarter? Or are we seeing kind of the full brunt of it already in Q1?

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

I think the question is, Andre, just to be clear, we're going to see increased inflationary pressure in Q2?

Andre Kukhnin - *Crédit Suisse AG, Research Division - Mechanical Engineering Capital Goods Analyst*

Yes, from that kind of combination of having grown the backlog with I guess, fixed price and raw materials have gone up. I'm just trying to figure out whether that already had the full impact in Q1, or will it have a bigger impact in the second quarter.

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

Andre, maybe a way to answer the question, if that's what you're looking for is we expect a better result in the second quarter of this price versus inflation impact on the margin. I don't know if that's what you're looking for than what we had in the first quarter. And then obviously, the -- yes. Okay. And then obviously, as we said, in the second half of the year, we expect to recover and get back to guidance in terms of margin, yes.

Andre Kukhnin - *Crédit Suisse AG, Research Division - Mechanical Engineering Capital Goods Analyst*

That's very clear. And on aftermarket growth, could you give us an idea how much your aftermarket grew in Q1?

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

I'd say it's impossible to break it down in a quarterly type of fashion, Andre. But for sure, the driver in Q1 was new construction. New construction remains really strong. As far as aftermarket, I mean, it's really guys just getting ready for the season.

Andre Kukhnin - *Crédit Suisse AG, Research Division - Mechanical Engineering Capital Goods Analyst*

Right, right. Got it. And for the backlog pricing adjustments, is it just U.S. specific that you've been able to do, that to go into existing kind of customer orders and price up? Or could you do that in Europe as well?

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

Yes. So in Europe, our price read-through has been quicker because we don't have the kind of scale of backlog that we have in the U.S. So it was a U.S. particular action.

Andre Kukhnin - *Crédit Suisse AG, Research Division - Mechanical Engineering Capital Goods Analyst*

And if I just may squeeze a last one on. On the capital allocation and bringing buyback into the mix, should we read anything from that kind of as implications for M&A, asset availability and size of opportunity? Or should we just think about it as an incremental and M&A story remains unchanged and intact?

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

Yes, I think you should probably read it as incremental. I guess we probably would have launched if the M&A pipeline wasn't good. So we still see M&A as our priority. We'll continue to deliver on our dividend policy. And now we add this tool to the equation. Let's see what the market bears. As far as M&A, we certainly think the valuation is attractive.

Operator

Our next question is from Alvaro Lenze from Alantra Equities.

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

I wanted to know if you could provide some more color on the evolution in Europe, Southern Europe, of course, has grown a lot organically. So if you can break down that for volume and whether this is also driven by the strong residential new construction or whether that's most U.S. thing. I don't know if you could provide just some additional color on Southern Europe and the dynamics you're seeing there, and if customers are showing some signs of being more sensitive to the issues with the Ukraine war than you are seeing in North America.

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

Yes, we're really pleased with the results of Southern Europe in Q1. I would say, first off, the residential new construction phenomenon that you're seeing in North America is very similar in Europe. Most of the builders that we talk to are pretty well built out through Q3, some all the way through the year, some might be a month or 2 shorter than that, but the new construction business is really strong.

Of course, price reading through is helpful to that growth. But I would also point particularly to chemicals, which would have been in, I guess, limited supply in Q1 of last year. And then the return of commercial. So we're really pleased to see commercial start to really grow off of a softer comp in '20, but not a bad year in '21. And so really pleased to see where commercial is at this point of the year.

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

And another question, if I may, on the expected price increases and the impact it should have on your accounts. You already indicated that you expect a better result from the price versus inflation in Q1 that what you have seen in -- sorry, for Q2 than what you have seen in Q1. So my question would be whether the price increases are just enough to cover the markup in costs or this should also allow to maintain the margin level that you have last year. So I don't know if the price increases are targeting...

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

Specific target of gross margin. We guide to the overall EBITDA margin of the company and this pricing is going to be helpful in offsetting that inflation impact, and deliver the margin increase at the bottom line.

Operator

Our next question comes from Christoph Greulich from Berenberg.

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

Yes, 4 questions from my side, please. And I would like to start with a follow-up on pricing. Could you give us an idea of the proportion of the Q1 sales, which have already reflected the October price hike? And maybe also on the magnitude of this new price hike that you are implementing in the U.S. now.

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

Okay. So as far as the October read-through, I can't get into that specific, Christoph. What I would tell you is that the price that we saw for the first quarter, read through it kind of mid to high single digit, okay? So that gives you a sense of where the read-through was so far. And let's say that the price action just taken is about 5%.

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

That's clear. And maybe on the regional growth trends, it was quite interesting to see, especially in Southern Europe to be stronger than the North America in terms of the organic growth. I mean it's quite different to what we've seen from some of your main peers' reported Q1 numbers. Yes, but what do you see as the key reasons why you see a different growth from there compared to some of your competitors?

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

We're really pleased with the performance of Europe. I do think if you look at the competitive base, they don't have the same level of participation in chemicals or in commercial. So seeing that bounce back in an area where we are strong in Southern Europe was really helpful. I also think we're just in a pretty good position for the season. So nice job by the team.

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

Great. And then on the pool builder backlog, so as you were mentioning, that they remain very robust, they have good visibility there. Do you have also any visibility on the current order intake of the pool builders? What is the intake trend at the moment?

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

Don't have a lot of visibility there. In fact, most of them have kind of turned off their marketing initiatives because of their capacity. So we're not getting as much color as we used to on leads. Right now, they've got enough work and they're happy.

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

Okay. Then last one from my side. Regarding the buybacks, can you provide us with any color on the potential size and timing of such a program?

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

No, we just -- what we are announcing today is just the policy, the fact that we are adding this instrument to the tool. We like -- and we will continue to assess our M&A as Bruce has pointed out and within the financial policy of running the company around these 2 times and we'll figure out what amount of cash we can devote to the activity. But we'll stay vigilant on the situation, and we'll launch a program when we see fit.

Operator

Our next question comes from Miguel González from JB Capital.

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

Most of my questions have been answered, but I will ask a quick one. You say in the presentation you will increase more than 30% your current capacity, mainly in the U.S. Could you maybe guide us through the increase in CapEx this might require of how much this might deviate from the historical average CapEx of 3% of sales?

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

Yes. No, it doesn't imply any deviation over a traditional policy of spending around this 3% of sales on CapEx. We did this capacity expansion last year. And as you will see, we were around those numbers. So we will continue to perform around that 3% type of range.

Operator

Our next question comes from Luis Toledo from ODDO.

Luis de Toledo Heras - *ODDO BHF Corporate & Markets, Research Division - Analyst*

Just a final question from my side. It's regarding the M&A pipeline. I think, Bruce, you referred to the focus on the European market. I don't know if there's a change in strategy because you consider that you've reached your market share target in the U.S., or you see specific opportunities in some regional markets or some segments.

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

Okay, Luis. I don't see this as a change of strategy. I see it more as a reflection of our capacity to take on. So I don't want to say that if there wasn't a great opportunity, that we wouldn't do it in the U.S. We certainly would. But making 4 out of the 5 acquisitions that we did last year in the U.S., we want to make sure that we onboard those appropriately. We had 2 which were, let's call it midsize, so bigger scale than our normal bolt-on acquisitions. So we think the priority is to get those businesses integrated and running properly before we open up.

In the meantime, the pipeline is still strong. And so it allows us just to leverage the footprint that we have around the rest of the world by the way that we do M&A. So we're still pleased with the opportunities that are out there.

Operator

Our next question comes from Manuel Lorente from Mirabaud.

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

My first question is on the Texas freeze impact over the Q1 numbers. If I have understanding properly, I believe that you just said that the impact of the overall Texas freeze should be roughly EUR 30 million. I was wondering whether the vast majority of that has been already taking place in Q1, or will you start some comps on Q2 as well?

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

Okay, Manuel. Good question. And I will remind everybody that this is not an exact science, but our belief is that the Texas freeze added about 40 million net sales to us, EUR 40 million net sales to us last year. We think it is pretty equally split between Q1 and Q2. So it started in kind of mid-February, and we think by mid- to late May, we'll start to see the wind down of that impact.

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

And just a follow-up. I believe I have missed the number that you mentioned about the exact impact of the M&A on Q1 numbers.

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

On top line?

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

Yes, Javier.

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

Yes, 13 points of growth come from M&A.

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

Sure. And then just my final question, Q1 has been strong or even pretty strong and, however, you stick to the guidance, which probably is the correct thing to do in the sense that we have just started the year. And the past of your profitability comes from the [position that we don't understand] yet, right? But going into the pool season, what is the thing that worries you the most in terms of deliver? It's a matter of how builders are going to react to further price hikes to supply chain constraints to labor market in the U.S., cancellations from backlog because of demand erosion, a little bit of everything.

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

Interesting question, Manuel. I would say, from my perspective, a couple of things that are top of mind. First is, and I hate to say it, but we're back to a more normal seasonal business, right, is the weather. Let's get the sun out and the temperature is warming and people into their pools. That's the thing that drives the most in aftermarket behavior.

So weather would be the first one. And then I guess one that's a little bit more in our control, but not totally in our control right now is supply chain, especially as it relates to PC boards or chips. That continues to be a daily battle that the teams are fighting against so that we can give the smarter products to our customer base that's demanding them.

Operator

At this time, we have no further questions on the call.

David Herrerias - *Fluidra, S.A. - IR and Communication Director*

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

Have a great day.

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

Thank you.
