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 Investment Committee Paper on Fluidra SA - Exit Options and Returns

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04-01-2021

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 studying and assessing the best exit options and expected returns of the transaction.

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

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

Group Part

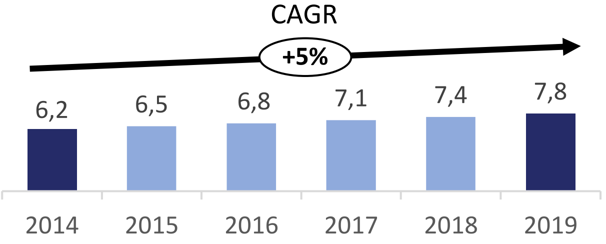
MARKET OVERVIEW | MARKET SIZING & MACRO DRIVERS

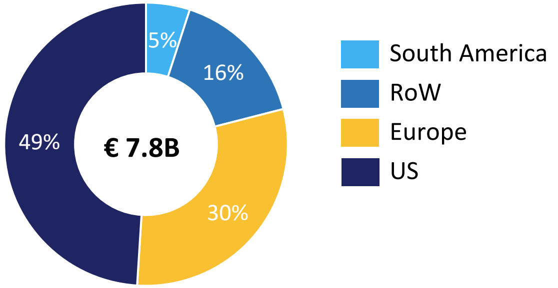
FLUIDRA

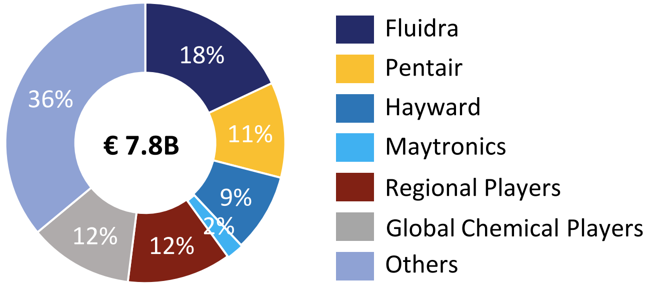
The pool and wellness market value is c. € 7.8B, growing at 5% CAGR. It is fragmented, 76% share in residential and half in North America

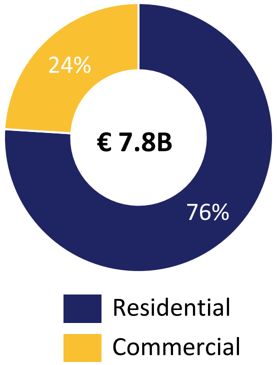
Global Market Size (€ B)

- The market has **grown at a steady 5% CAGR** from 2014 to 2019, **more than 2x GDP growth**



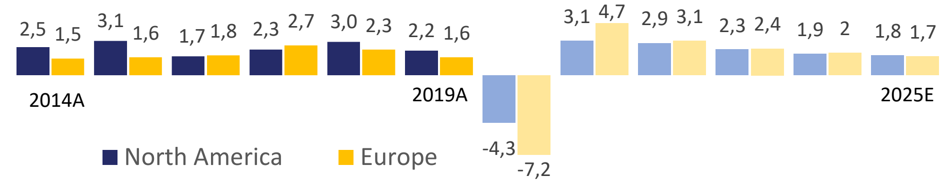




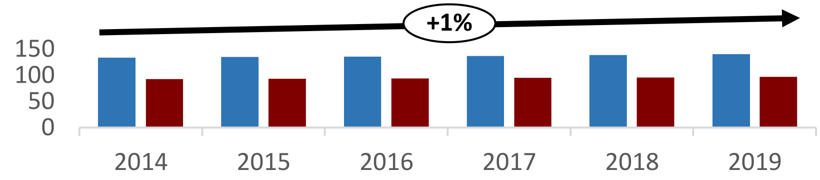


- The **US represents half of the market** and **Europe 30%.** Developed markets **are mainly residential** (76% of the market), with **emerging markets more reliant on the commercial** segment (24%)

Real GDP (growth %)

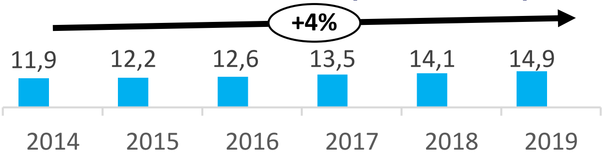


Number of Houses (In Millions)



North America: # of houses in the US in thousands

Number of Hotels (in thousands)



Brazil & Indonesia: # hotels Brazil and Indonesia

COVID Impact

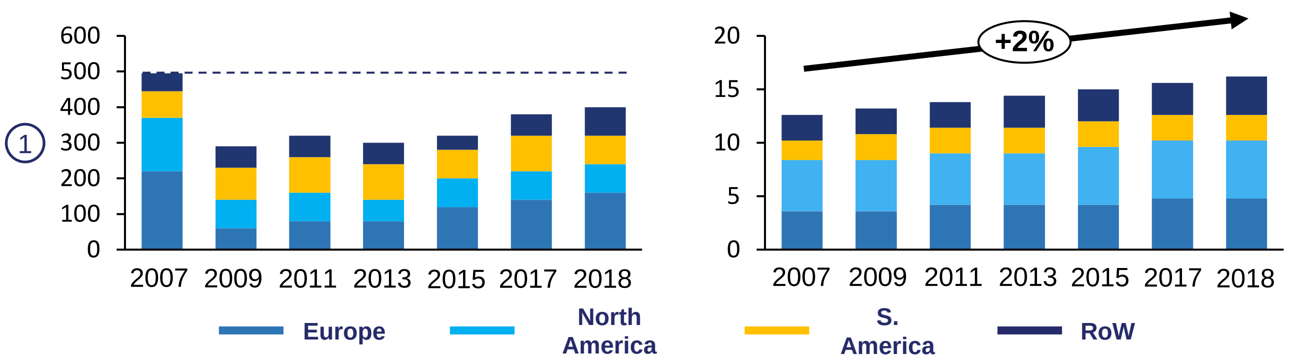
+ **Residential:** The first 9 months of 2020 are being very good for the market, with **developed markets growing due to a demand increase from shift in preferences**

Sources: Fluidra's Website, Reports, and Presentations; Statista; IMF

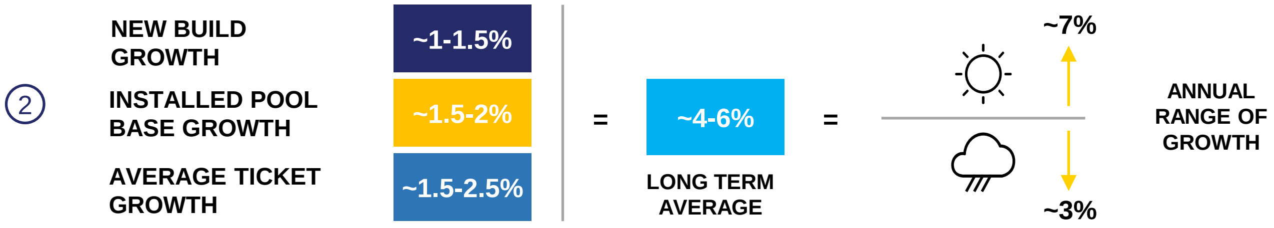
MARKET OVERVIEW | GROWTH DRIVERS

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

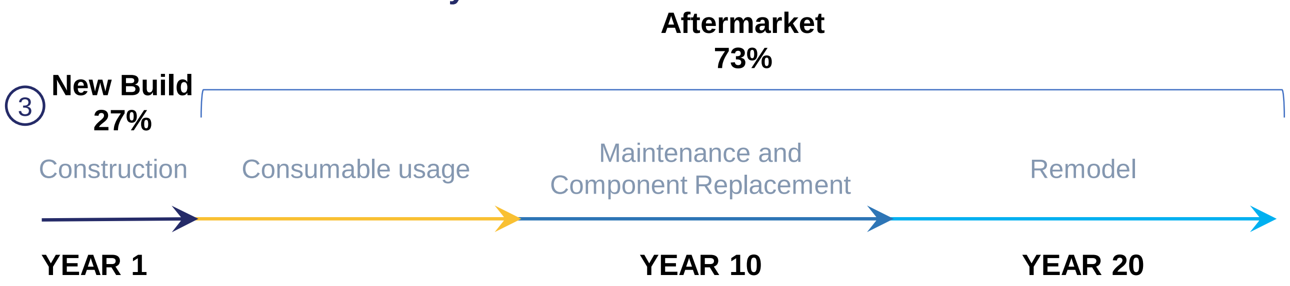
New Pools, ***Thousands*** **Existing Pools,** ***Millions***



Growth Drivers in the Pool Market Worldwide



Life of a Pool and Renewal Cycle



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

Sources: Fluidra's Website, Reports, and Presentations

MARKET OVERVIEW | GEOGRAPHICAL SEGMENTS

FLUIDRA

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

Highlights

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

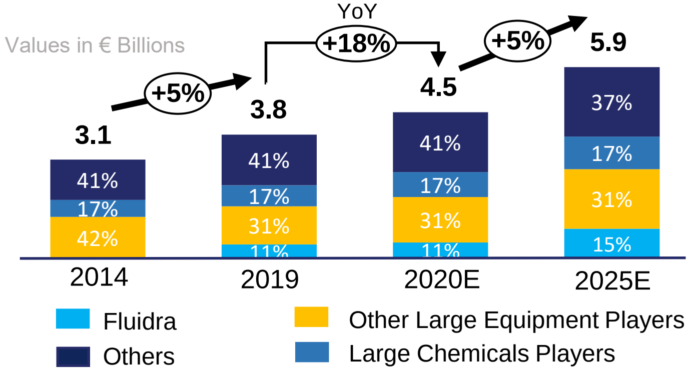
ESA Developed

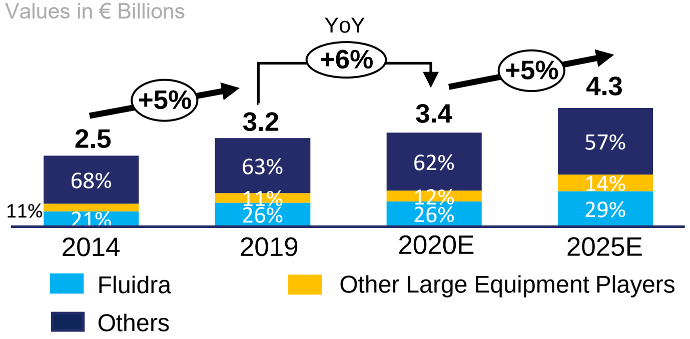
- Includes developed countries in Europe, the Southern hemisphere and Asia.
- Size: **€ 3.2B** market 2019, **5% CAGR** from 2014
- Growth: **2020 flat Southern Europe but high growth in rest. Expected growth at same rate**
- BUs: **Residential lead,** Commercial fragmented

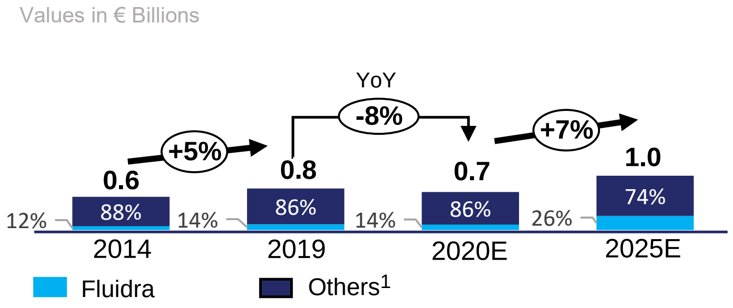
ESA Emerging

- 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**

Market Growth







Players

- In 2019, after merging with Zodiac, **Fluidra got 11%** of this market. Large equipment peers like **Pentair and Hayward** take 31%,
- **Fluidra is the clear market leader** in this segment with a vertically integrated model.
- Greatly fragmented market with **no global player being reference in this market in 2019**

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

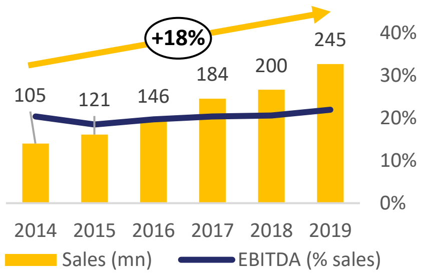
MARKET OVERVIEW | FLUIDRA'S PEERS & VALUE CHAIN

FLUIDRA

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

Residental Segment

Manufacturing → Distribution → Customer → End User

- Manufacturing: FLUIDRA, PENTAIR, maytronics, HAYWARD
- Distribution: FLUIDRA, POOLCORP
- Customer:
  - Pool Builders
  - Remodelers
  - Maintenance Providers
- End User:
  - Homeowners
  - Homebuilders

Commercial Segment

Manufacturing → Distribution → Customer/User ← Engineering

- Manufacturing: FLUIDRA, maytronics, PENTAIR
- Distribution: FLUIDRA, POOLCORP
- Customer/User:
  - Developers
  - Operators
- Engineering: FLUIDRA

Sources: Fluidra's and Peers' Websites, Reports, and Presentations

COMPANY OVERVIEW | A BRIEF INTRODUCTION (I/II)

FLUIDRA

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

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

FLUIDRA

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

Historical Timeline

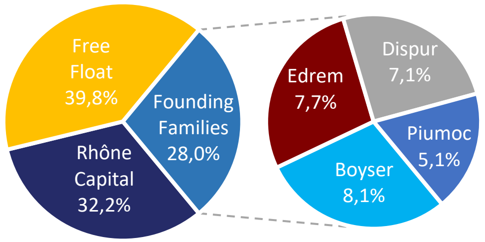
- **1969** – Fluidra founded as Astral S.A.
- **1970s** – Start of Spanish and global expansion
- **1980s** – Creation of the manufacturing platform
- **1990s** – International expansion intensifies
- **2001** – Mergers with distributors
- **2002** – Launch of the logistics operator
- **2003** – Acquisitions of Certikin (UK) and Gre (Spain)
- **2004** – Asian market expansion & EU consolidation
- **2007** – Fluidra is listed, M&A in France and Spain
- **2008-13** – Restructuring during the Financial Crisis
- **2014** – Fluidra Accelera is established
- **2016** – Creation of Fundación Fluidra
- **2017** – Acquisitions of Riiot Labs (IoT) and Laghetto
- **2018** – Fluidra-Zodiac merger

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**

ASTRALPOOL · ZODIAC · CEPEX · Jandy · Polaris · Gre

Ownership Structure



Fluidra's equity belongs to **three groups**[1]:

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

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

COMPANY OVERVIEW | GEOGRAPHICAL AND BUSINESS UNITS SEGMENTATION (I/II)

FLUIDRA

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

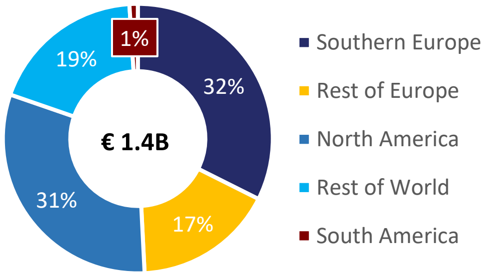
Geographical Presence

- Fluidra's international expansion has been driven through **organic growth and acquisitions** that have crated 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

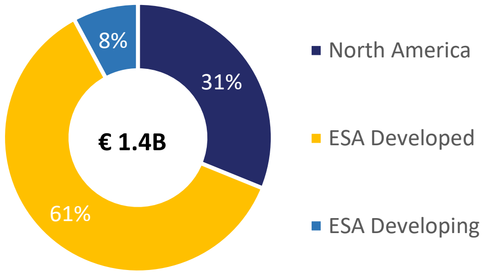
Business Units

- **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

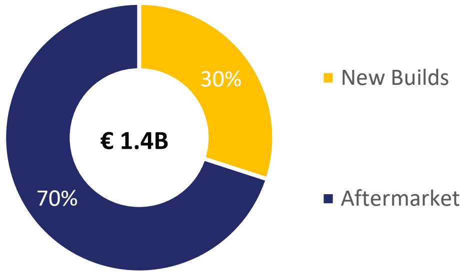
Turnover by Geography (2019)



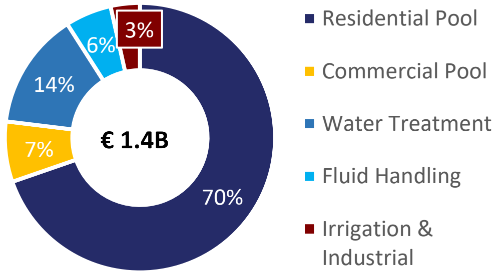
Turnover by Segments (2019)



Turnover by Type (2019)



Turnover by BU (2019)



Sources: Fluidra's Website, Reports, and Presentations

COMPANY OVERVIEW | GEOGRAPHICAL AND BUSINESS UNITS SEGMENTATION (II/II)

FLUIDRA

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

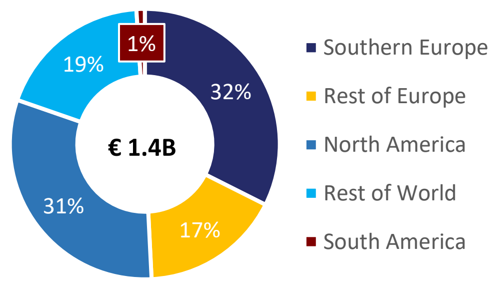
Geographical Presence

- **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

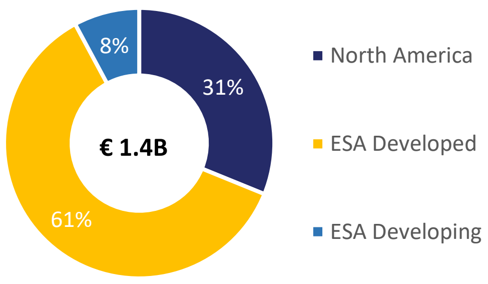
Business Units

- **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

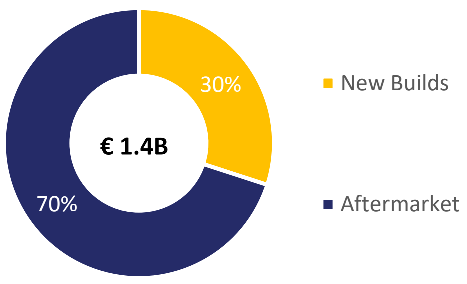
Turnover by Geography (2019)



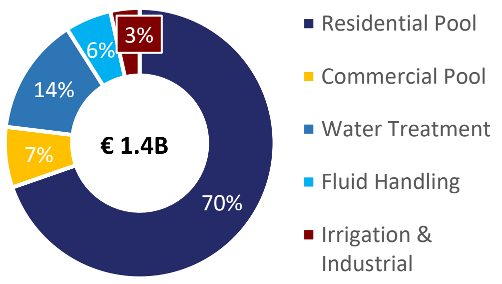
Turnover by Segments (2019)



Turnover by Type (2019)



Turnover by BU (2019)



Sources: Fluidra's Website, Reports, and Presentations

FLUIDRA

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

Deal Rationale

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[1]

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

Sources: Fluidra's Website, Reports, and Presentations
1) Results first 9 months 2020: Sales up 7.5% and EBITDA up 19% yoy

INVESTMENT THESIS| DEAL RATIONALE & VALUE CRATION INITIATIVES (II/II)

FLUIDRA

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

Value Creation Initiatives

Buy & Build

Target Markets

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

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

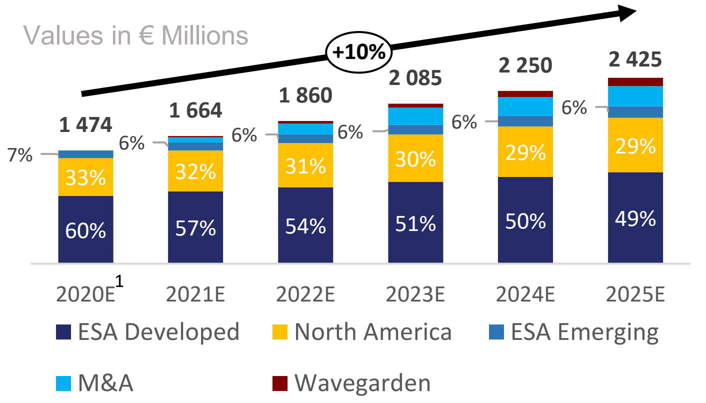
- **EBITDA margin still lags peers' average** thus **optimize synergies** from merger with Zodiac and **perform cost-savings initiatives** to improve performance

Sources: Fluidra's Website, Reports, and Presentations
1) Results first 9 months 2020: Sales up 7.5% and EBITDA up 19% yoy

BUSINESS PLAN | OVERVIEW

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

Top Line

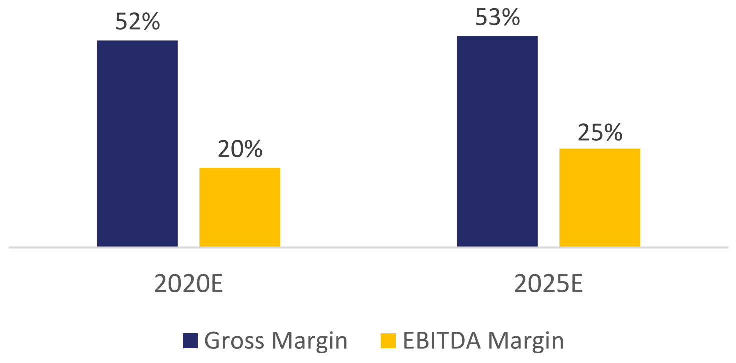


Sales Drivers

Organic growth (Market Share):

- **ESA Developed:** expected to gain 2pp in market share due to higher presence in Rest of Europe which will grow faster
- **North America:** expected to increase 1pp in market share due to further revenue synergies from Zodiac merger

Bottom Line



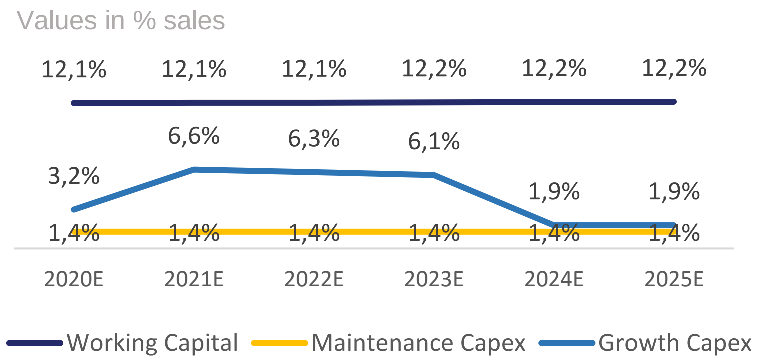
Cost Drivers

COGS: Gross margin expected to **continue growing at the same historical pace** due to increased bargaining power from increased scale and some vertical integration from M&A

Operating expenses:

- **Personnel:** % of sales assumed to continue decreasing at historical pace due to redundancies from scale and M&A

Investments



Operating Metrics

Net Working Capital: **Decreased from 21% of sales in 2019 to 13% in 2020** due to much faster collection period (from 84 to 69 days) and longer payable period (from 160 to 183 days). **Cash Conversion Cycle assumed the same as 2020 (27 days)**

Sources: Fluidra's Website, Reports, and Presentations

1) 2020 figures were estimated using the realized figures for the first 3 quarters

VALUATION | INTRINSIC & RELATIVE VALUATION MODELS

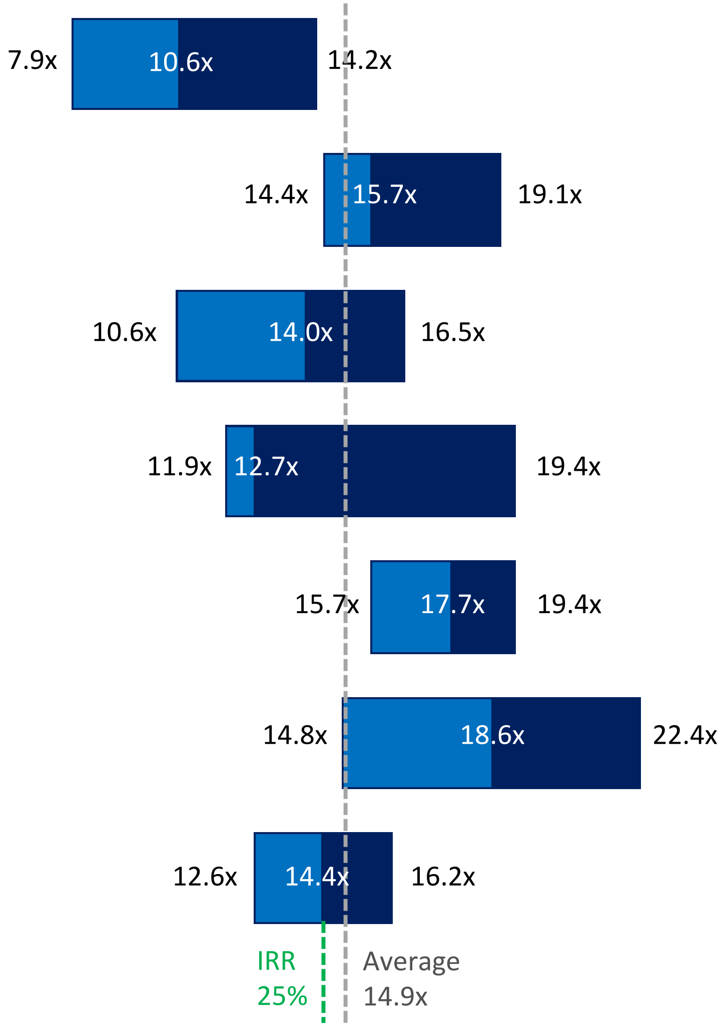
FLUIDRA

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

Assumptions

LTM Share Price	Minimum: €8.00	Maximum: €18.70
Trading Comps EV/EBITDA NTM	1st Quartile: 14.44x	3rd Quartile: 19.05x
Trading Comps EV/EBITDA Cycle	1st Quartile: 10.58x	3rd Quartile: 16.51x
Precedent Transactions	2nd Quartile: 11.87x	Maximum: 19.40x
DCF Exit Multiple	WACC: 6.2% - 7.7%	Exit Multiple: 11.0x – 13.0x
DCF Gordon Growth Model	WACC: 6.2% - 7.7%	PGR: 0.8% - 1.8%
LBO Valuation	Required IRR: 20% - 30%	Exit Multiple: 14.9x

Implied EV/EBITDA 20E



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

Sources: Fluidra's Website, Reports, and Presentations; Refinitiv; Moody's; Global Equity Consulting

CAPITAL STRUCTURE | S&U AND DEBT STRUCTURE

FLUIDRA

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
Total Debt	**1 777**	**38,8%**	**6,0x**
Term Loan A	592	12,9%	2,0x
Term Loan B	1 037	22,6%	3,5x
Mezzanine	148	3,2%	0,5x
Total Equity	**2 807**	**61,2%**	**9,5x**
Subordinated Loan	2 675	58,4%	9,0x
Ordinary Equity	132	2,9%	0,4x
Institutional Investor	119	2,6%	
Sweet Equity	13	0,3%	
Total Sources	**4 584**	**100%**	**15,5x**

USES	in € millions	% Total
EBITDA 2020E	296	
Multiple	14,9x	
Enterprise Value	**4 419**	**96,4%**
Net Debt	606	13,2%
Operating Cash	-23	-0,5%
Non-Controlling Interest	6	0,1%
Fluidra Shareholders Equ	3 829	83,5%
Total Fees	**166**	**3,6%**
Due Dilligence	22	0,5%
Investment Bank	11	0,2%
Banking fees	88	1,9%
Arrangement fees	44	1,0%
Total Uses	**4 584**	**100%**

Debt Structure

DEBT STRUCTURE	Term (Years)	Amort.	x EBITDA	Amount (€ M)	Margin	Interest rate
Senior debt	**6,6**	**n.a.**	**5,5x**	**1 629**	**5,73%**	**4,97%**
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%
Mezzanine	**9**	**Bullet**	**0,5x**	**148**	**n.a.**	**n.a.**
PIK Element						6,00%
Cash Element					6,00%	5,24%
Fixed Return Instrument	**10**	**Bullet**	**9,0x**	**2 675**	**n.a.**	**10,00%**
PIK Element						10,00%
Dividend Recap (Tranche X)	**6**	**Amortizable**	**1,5x**	**597**	**5,57%**	**4,81%**

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**

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**

Sources: Fluidra's Website, Reports, and Presentations

EXIT OPTIONS | EXIT STRATEGIES (I/II)

FLUIDRA

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

Rationale

Pros & Cons

Conclusion

Strategic Sale

- **Strategic sale to a strategic acquirer** that is seeking synergies to boost their competitive advantage

Pro-Deal Reasons:

✓ **Returns:** Potentially the best paying exit option

✓ **Celerity:** Immediate and complete sale of the firm

✓ **Fees:** Lower transaction costs than the other options

Anti-Deal Reasons:

× **Size:** Fluidra's scale makes this option nearly impossible

× **Management:** Potential resistance to the trade sale

× **Anti-trust:** Consolidation could trigger regulations

- Even though the **returns** and **celerity** are **promising**, the **size and anti-trust regulations are impeditive**

Initial Public Offering

- **Relaunching the company in a stock exchange**, such as BME, where Fluidra is currently listed since 2007

Pro-Deal Reasons:

✓ **Current Listing:** Signals investor appetite for this option

✓ **Capacity:** To absorb the large exit EV (€ 9.0B)

✓ **Reach:** Exposure to a higher number of investors

Anti-Deal Reasons:

× **Uncertainty:** Dependent on future market conditions

× **Fees:** Higher transaction costs than the other options

× **Regulations:** Tighter regulations imposed by regulators

- **Strong hypothesis** based on the **current listing**, **capacity to absorb the large EV** and **reach of the deal**

Sources: Fluidra's Website, Reports, and Presentations

alternative

RETURNS | FUNDS & MANAGEMENT (I/II)

FLUIDRA

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
Management MOIC	**6,4x**	**11,7x**	**18,1x**	**24,1x**	**30,8x**	**37,3x**	**44,7x**
IRR Management	**539,6%**	**241,5%**	**162,8%**	**121,6%**	**98,4%**	**82,8%**	**72,1%**
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
Fund MOIC	**1,3x**	**1,7x**	**2,0x**	**2,4x**	**2,8x**	**3,3x**	**3,8x**
IRR Fund	**32,5%**	**28,6%**	**26,9%**	**25,4%**	**24,2%**	**22,9%**	**21,9%**

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 30.8x MOIC and IRR of 98.4%
- **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 × Init. Activity

Init. Activity \ 24,2%	2023	2024	2025	2026	2027
0,0%	21,7%	21,0%	20,2%	19,5%	18,8%
50,0%	24,4%	23,2%	22,2%	21,2%	20,4%
100,0%	26,9%	25,4%	24,2%	22,9%	21,9%
150,0%	29,4%	27,5%	26,0%	24,5%	23,3%
200,0%	31,7%	29,5%	27,7%	25,9%	24,6%

IRR — Exit Year × Exit Multiple

Exit Multiple \ 24,2%	2023	2024	2025	2026	2027
13,92x	23,6%	23,1%	22,4%	21,5%	20,8%
14,42x	25,3%	24,3%	23,3%	22,2%	21,3%
14,92x	26,9%	25,4%	24,2%	22,9%	21,9%
15,42x	28,5%	26,5%	25,0%	23,6%	22,4%
15,92x	30,0%	27,6%	25,8%	24,2%	22,9%

IRR (2025) — Personnel Expenses % of sales YoY growth (g) × OpEx % sales g

OpEx % sales g \ 24,2%	-5,1%	-4,1%	-3,1%	-2,1%	-1,1%
-3,2%	27,7%	26,8%	25,9%	24,9%	23,9%
-2,2%	26,9%	26,0%	25,1%	24,1%	23,0%
-1,2%	26,0%	25,1%	24,2%	23,1%	22,0%
-0,2%	25,1%	24,2%	23,2%	22,1%	21,0%
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

Sources: Fluidra's Website, Reports, and Presentations

Individual Part

FLUIDRA

NOVA
NOVA SCHOOL OF
BUSINESS & ECONOMICS

COMPANY OVERVIEW | HISTORICAL FINANCIALS (I/II)

FLUIDRA

Fluidra has been reducing NWC and CAPEX levels, while generating operational cash at c. 75% of EBITDA. Merger increased leverage

	Balance Sheet Key Items in € millions	2014A	2015A	2016A	2017A	2018A	2019A
1	Cash and cash equivalents	55	67	86	65	170	242
2	NWC (inc. operating cash)	182	178	192	206	314	282
	% of Sales	30,7%	27,5%	27,0%	26,5%	23,9%	20,6%
	Fixed Assets	324	334	342	330	1997	1960
	Core Invested Capital	483	504	504	499	2152	2225
3	**Net Debt/ Adjusted EBITDA**	**2,6x**	**2,4x**	**2,0x**	**1,6x**	**3,4x**	**3,2x**
	ROIC	**5,0%**	**4,9%**	**5,9%**	**6,5%**	**22,4%**	**5,1%**

	CF Statement Key tems in € millions	2014A	2015A	2016A	2017A	2018A	2019A
	Reported EBITDA	**66**	**72**	**86**	**95**	**65**	**205**
2	- Change in NWC (inc. operating cash)	-4	-10	-9	-16	-20	-31
	- Interest paid	-12	-8	-7	-7	-23	-48
	- Income taxes	-8	-10	-14	-16	-11	-4
	Adjusted net cash flow from operations	**43**	**43**	**56**	**56**	**12**	**122**
	Cash Conversion (% of Rep. EBITDA)	64,7%	60,3%	65,3%	58,8%	17,8%	59,5%
	+ Other operating cash adjustments	5	9	9	13	20	33
	% of Sales	0,8%	1,4%	1,3%	1,7%	1,9%	2,4%
	Reported net cash flow from operations	**47**	**53**	**65**	**69**	**31**	**156**
4	*Cash Conversion (% of Rep. EBITDA)*	71,7%	73,2%	76,0%	72,5%	48,0%	75,8%
5	- Net Maintenance Capex	-8	-10	-10	-10	-13	-19
	% of Sales	1,4%	1,5%	1,4%	1,4%	1,2%	1,4%
6	- Net Expansion Capex	-6	-16	-15	-15	-23	-25
	% of Sales	1,0%	2,5%	2,1%	2,0%	2,2%	1,8%
7	- Net Acquisition Capex	4	-16	-9	-10	25	22
	+ Other investing cash adjustments	-2	-5	3	-3	-5	-5
	Net cash flow from investing activities	**-12**	**-47**	**-30**	**-39**	**-16**	**-27**
	% of Sales	2,1%	7,2%	4,3%	5,0%	1,2%	1,9%
	+ Net proceeds from bank financing	-41	14	1	-32	111	-41
	- Dividends paid	-1	-9	-13	-17	-4	-4
	+ Other financing cash adjustments	0	-1	-5	1	-6	-24
	Net cash flow from financing activities	**-42**	**4**	**-16**	**-49**	**102**	**-69**

Comments

1 - **Cash and cash equivalents:** High cash balance provides a buffer against a historically high cash conversion cycle (average 110 days)

2 - **Net Working Capital:** Until 2018 NWC as percentage of sales was similar to its peers', however in 2019 while current operating assets increased little, payables increased a lot. Operating cash assumed at 2% of sales

3 - **Net Debt/ Adjusted EBITDA:** Steady deleveraging driven by EBITDA growth until merger and aligned with the management target and peers' average of 2x EBITDA. Zodiac was much more leveraged than Fluidra thus the increase in 2018 using the Pro-Forma EBITDA

Sources: Fluidra's Website, Reports, and Presentations; Integrated and Consolidated Reports
1) Pro-forma figures including Zodiac's full financial figures

COMPANY OVERVIEW | HISTORICAL FINANCIALS (II/II)

FLUIDRA

Fluidra has been reducing NWC and CAPEX levels, while generating operational cash at c. 75% of EBITDA. Merger increased leverage

	Balance Sheet Key Items in € millions	2014A	2015A	2016A	2017A	2018A	2019A
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3	**Net Debt/ Adjusted EBITDA**	**2,6x**	**2,4x**	**2,0x**	**1,6x**	**3,4x**	**3,2x**
	ROIC	**5,0%**	**4,9%**	**5,9%**	**6,5%**	**22,4%**	**5,1%**

	CF Statement Key tems in € millions	2014A	2015A	2016A	2017A	2018A	2019A
	Reported EBITDA	**66**	**72**	**86**	**95**	**65**	**205**
2	- Change in NWC (inc. operating cash)	-4	-10	-9	-16	-20	-31
	- Interest paid	-12	-8	-7	-7	-23	-48
	- Income taxes	-8	-10	-14	-16	-11	-4
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5	- Net Maintenance Capex	-8	-10	-10	-10	-13	-19
	% of Sales	1,4%	1,5%	1,4%	1,4%	1,2%	1,4%
6	- Net Expansion Capex	-6	-16	-15	-15	-23	-25
	% of Sales	1,0%	2,5%	2,1%	2,0%	2,2%	1,8%
7	- Net Acquisition Capex	4	-16	-9	-10	25	22
	+ Other investing cash adjustments	-2	-5	3	-3	-5	-5
	Net cash flow from investing activities	**-12**	**-47**	**-30**	**-39**	**-16**	**-27**
	% of Sales	2,1%	7,2%	4,3%	5,0%	1,2%	1,9%
	+ Net proceeds from bank financing	-41	14	1	-32	111	-41
	- Dividends paid	-1	-9	-13	-17	-4	-4
	+ Other financing cash adjustments	0	-1	-5	1	-6	-24
	Net cash flow from financing activities	**-42**	**4**	**-16**	**-49**	**102**	**-69**

Comments

4 ▪ **Cash Conversion:** Stable and aligned with peers' average of c. 75%

5 ▪ **Net Maintenance Capex:** Steady as % of sales and significantly below D&A

6 ▪ **Net Expansion Capex**: Steady as % of sales with slightly decreasing trend

7 ▪ **Net Acquisition Capex:** Recurring micro acquisitions and sales. Zodiac merge in 2018 was all-stock thus cash acquired justifies the positive figure

Sources: Fluidra's Website, Reports, and Presentations; Integrated and Consolidated Reports
1) Pro-forma figures including Zodiac's full financial figures

GROUP - EXIT OPTIONS | EXIT STRATEGIES (II/II)

FLUIDRA

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

Secondary Sale

Rationale

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

Pros & Cons

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

Conclusion

- **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

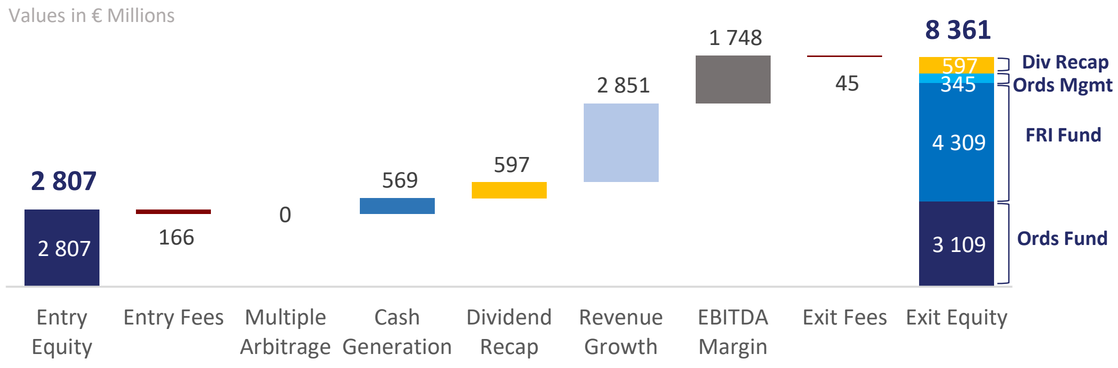
Sources: Fluidra's Website, Reports, and Presentations

RETURNS | FUND & MANAGEMENT (II/II)

FLUIDRA

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

Returns Breakdown



Returns Breakdown

- It is assumed **no multiple arbitrage**, thus exit multiple 14.9x, leading to an **EV of € 9.0B**
- The leading sources of returns are Revenue Growth and EBITDA Margin, which **highlights the importance of the value creation initiatives**, with deleveraging also very substantial
- The Dividend payment is split 90% to the fund and 10% to the management

Value Creation & Valuation Sensitivity Analyses – Fund IRR

IRR		Exit Year				
	24,2%	2023	2024	2025	2026	2027
Init. Activity	0,0%	21,7%	21,0%	20,2%	19,5%	18,8%
	50,0%	24,4%	23,2%	22,2%	21,2%	20,4%
	100,0%	26,9%	25,4%	24,2%	22,9%	21,9%
	150,0%	29,4%	27,5%	26,0%	24,5%	23,3%
	200,0%	31,7%	29,5%	27,7%	25,9%	24,6%

- Value creation (M&A + Wavegarden) scenario analysis

IRR		Exit Year				
	24,2%	2023	2024	2025	2026	2027
Exit Multiple	13,92x	23,6%	23,1%	22,4%	21,5%	20,8%
	14,42x	25,3%	24,3%	23,3%	22,2%	21,3%
	14,92x	26,9%	25,4%	24,2%	22,9%	21,9%
	15,42x	28,5%	26,5%	25,0%	23,6%	22,4%
	15,92x	30,0%	27,6%	25,8%	24,2%	22,9%

- The impact of a possible multiple arbitrage on returns

IRR (2025)		Personnel Expenses % of sales YoY growth (g)				
	24,2%	-5,1%	-4,1%	-3,1%	-2,1%	-1,1%
OpEx % sales g	-3,2%	27,7%	26,8%	25,9%	24,9%	23,9%
	-2,2%	26,9%	26,0%	25,1%	24,1%	23,0%
	-1,2%	26,0%	25,1%	24,2%	23,1%	22,0%
	-0,2%	25,1%	24,2%	23,2%	22,1%	21,0%
	0,8%	24,1%	23,2%	22,2%	21,1%	19,9%

- The 2 key operational improvement assumptions

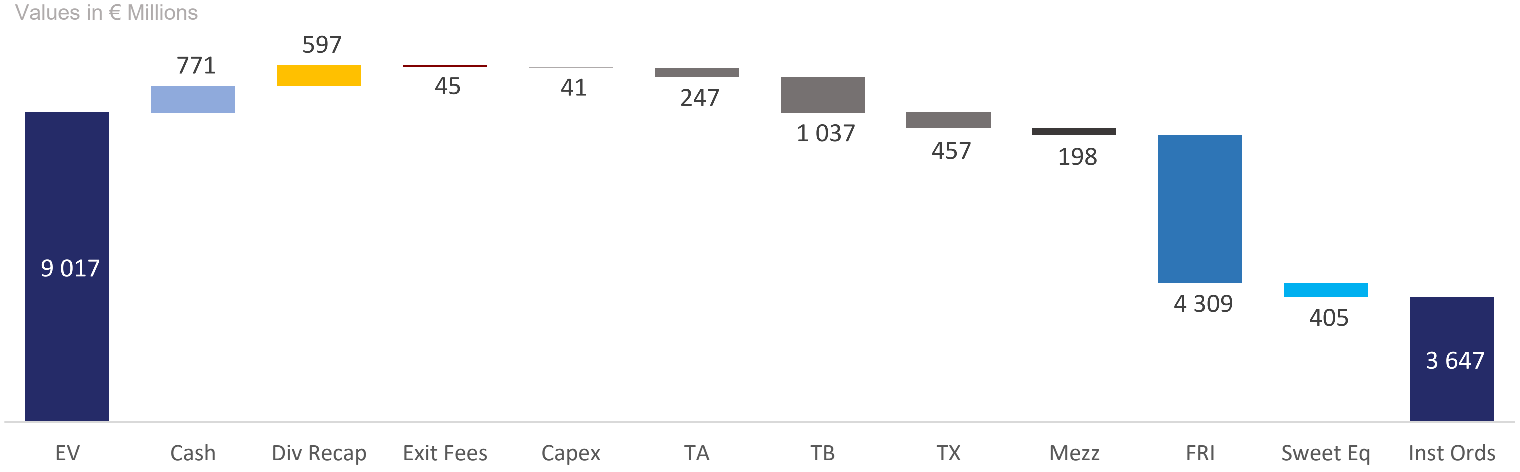
Sources: Fluidra's Website, Reports, and Presentations

RETURNS | EXIT WATERFALL AND CAPITAL STRUCTURE SENSITIVITIES (I/II)

FLUIDRA

The proceeds from exiting the investment would be distributed by seniority. The sensitivities illustrate that this is a very resilient opportunity

Exit Waterfall



Comments

- In 2025, at exit, the EV of € 9.0B does not yet include excess cash and the dividend payment made in 2023
- **The distribution of the proceeds goes along the seniority of each claim**, thus after paying exit fees:
- Senior Debt gets paid, which includes TA, TB and TX, and then the remaining capex facility and mezzanine debt
- Then the Fixed Return Instrument (FRI), the subordinated loan provided by the Fund
- Lastly ordinary shares for both management and the fund

Sources: Fluidra's Website, Reports, and Presentations

RETURNS | EXIT WATERFALL AND CAPITAL STRUCTURE SENSITIVITIES (II/II)

FLUIDRA

The proceeds from exiting the investment would be distributed by seniority. The sensitivities illustrate that this is a very resilient opportunity

Capital Structure Sensitivities - Fund IRR

IRR		Exit Year				
	24,2%	2023	2024	2025	2026	2027
Int. rate p.p	-1,00%	27,1%	25,6%	24,3%	23,0%	22,0%
	-0,50%	27,0%	25,5%	24,3%	23,0%	21,9%
	0,00%	26,9%	25,4%	24,2%	22,9%	21,9%
	0,50%	26,8%	25,3%	24,1%	22,8%	21,8%
	1,00%	26,7%	25,2%	24,0%	22,7%	21,8%

- This table shows the impact of interest rate variations
- Base scenario: Term Loan A and X (4.81%), Term B (5.06%). A 1.0 p.p increase would result in a 24.0% IRR
- Moderate interest rate variations have a residual impact

IRR		Exit Year				
	24,2%	2023	2024	2025	2026	2027
Acq Leverage	4,00x	23,5%	22,4%	21,4%	20,4%	19,6%
	5,00x	25,1%	23,8%	22,7%	21,6%	20,7%
	6,00x	26,9%	25,4%	24,2%	22,9%	21,9%
	7,00x	29,1%	27,4%	25,9%	24,5%	23,3%
	8,00x	31,8%	29,7%	28,0%	26,4%	25,0%

- This table shows the impact of initial leverage for returns
- A 1.0x increase in the leverage ratio impacts the IRR at exit in c. 1.7 p.p (and c. - 1.5 p.p for a decrease)
- The debt decrease is in tranche B and the increase is in C

IRR		Exit Year				
	24,2%	2023	2024	2025	2026	2027
Div Recap	0,00x	26,9%	24,9%	23,4%	22,0%	20,9%
	0,75x	26,9%	25,1%	23,8%	22,4%	21,4%
	1,50x	26,9%	25,4%	24,2%	22,9%	21,9%
	2,25x	26,9%	25,7%	24,6%	23,4%	22,4%
	3,00x	26,9%	26,0%	25,0%	23,9%	22,9%

- This table shows the impact of Div Recap amount EBITDAx
- A 0.75x difference would affect the IRR at exit in 0.4 p.p
- The impact is lower because it does not affect the amount of equity the fund needs to invest to acquire the firm

Sources: Fluidra’s Website, Reports, and Presentations

RETURNS | MARKET GROWTH & MARKET SHARE GROWTH SENSITIVITY ANALYSES (I/II)

FLUIDRA

The largest source of returns is revenue growth, with the large majority being organic. These tables illustrate the resilience of the returns

Market Growth (2020-27)

Global

IRR	Exit Year				
Global - CAGR (24,2%)	2023	2024	2025	2026	2027
2,9%	24,6%	23,0%	21,8%	20,5%	19,5%
4,1%	25,8%	24,2%	23,0%	21,7%	20,7%
5,2%	26,9%	25,4%	24,2%	22,9%	21,9%
6,4%	28,0%	26,6%	25,3%	24,1%	23,0%
7,5%	29,1%	27,7%	26,5%	25,2%	24,2%

North America

IRR	Exit Year				
NA - CAGR (24,2%)	2023	2024	2025	2026	2027
2,8%	25,8%	24,3%	23,1%	21,9%	20,9%
4,1%	26,4%	24,9%	23,6%	22,4%	21,4%
5,4%	26,9%	25,4%	24,2%	22,9%	21,9%
6,7%	27,5%	26,0%	24,7%	23,4%	22,4%
8,0%	28,0%	26,5%	25,3%	24,0%	23,0%

ESA Developed

IRR	Exit Year				
ESAed - CAGR (24,2%)	2023	2024	2025	2026	2027
2,8%	26,1%	24,5%	23,3%	22,0%	21,0%
3,6%	26,5%	25,0%	23,7%	22,4%	21,4%
4,5%	26,9%	25,4%	24,2%	22,9%	21,9%
5,4%	27,3%	25,9%	24,6%	23,4%	22,3%
6,3%	27,7%	26,3%	25,1%	23,8%	22,8%

ESA Developing

IRR	Exit Year				
ESAing - CAGR (24,2%)	2023	2024	2025	2026	2027
4,6%	26,6%	25,1%	23,8%	22,6%	21,5%
6,0%	26,8%	25,2%	24,0%	22,7%	21,7%
7,4%	26,9%	25,4%	24,2%	22,9%	21,9%
8,8%	27,1%	25,6%	24,4%	23,1%	22,1%
10,3%	27,3%	25,8%	24,6%	23,3%	22,3%

Market Share Growth (2020-27)

Global

IRR	Exit Year				
Gobal - CAGR (24,2%)	2023	2024	2025	2026	2027
-0,2%	25,5%	24,0%	22,7%	21,5%	20,5%
0,6%	26,2%	24,7%	23,5%	22,2%	21,2%
1,3%	26,9%	25,4%	24,2%	22,9%	21,9%
2,1%	27,6%	26,1%	24,9%	23,6%	22,6%
2,9%	28,3%	26,8%	25,6%	24,3%	23,3%

North America

IRR	Exit Year				
NA - CAGR (24,2%)	2023	2024	2025	2026	2027
0,0%	26,2%	24,7%	23,5%	22,2%	21,2%
1,0%	26,6%	25,1%	23,8%	22,5%	21,5%
2,1%	26,9%	25,4%	24,2%	22,9%	21,9%
3,1%	27,3%	25,8%	24,5%	23,3%	22,2%
4,2%	27,6%	26,1%	24,9%	23,6%	22,6%

ESA Developed

IRR	Exit Year				
ESAed - CAGR (24,2%)	2023	2024	2025	2026	2027
0,0%	26,3%	24,8%	23,6%	22,3%	21,3%
0,6%	26,6%	25,1%	23,9%	22,6%	21,6%
1,2%	26,9%	25,4%	24,2%	22,9%	21,9%
1,9%	27,2%	25,7%	24,5%	23,2%	22,2%
2,5%	27,6%	26,0%	24,8%	23,5%	22,4%

ESA Developing

IRR	Exit Year				
ESAing - CAGR (24,2%)	2023	2024	2025	2026	2027
0,0%	26,8%	25,3%	24,1%	22,8%	21,8%
0,5%	26,9%	25,4%	24,1%	22,8%	21,8%
1,1%	26,9%	25,4%	24,2%	22,9%	21,9%
1,6%	27,0%	25,5%	24,2%	22,9%	21,9%
2,2%	27,0%	25,5%	24,3%	23,0%	22,0%

Comments

- Market Growth: Relies on 3 drivers:
- **Housing-to-GDP growth ratio**: For each p.p. increase in GDP, how much houses grow -Assumed equal to historic average (c. 0.4)
- **Penetration rate**: Percentage of each new house that have pools – Used historic average – Value depends on regions and has no direct interpretation given proxies that were used

Sources: Fluidra's Website, Reports, and Presentations

RETURNS | DUE DILIGENCE (I/III)

Major questions and risks than need to be tackled and accounted for in a full-scale due diligence

	Area	Crucial factors	Risks and Red flags	Relevance[1]
Commercial	**Market Outlook**	➤ Assess the market growth forecasts accuracy ➤ Further analysis on the value drivers' assumptions	➤ Severe overestimation of the industry prospects ➤ The drivers are not adequate to fully capture the market	●
Commercial	**COVID-19 Impact**	➤ Determine the impact in the commercial segment ➤ Gauge the cocooning effect trend seen in 2020	➤ The impact on the commercial is set to be long-lasting ➤ The residential sales boost is found to be temporary	◕
Commercial	**Peers Assessment**	➤ Estimate the market power of competitors and barriers to entry, in each market operated by Fluidra	➤ The NA market and potentially others, are found to be very constrained, a barrier to Fluidra's expansion	◕
Commercial	**Brand Positioning**	➤ Study the competitive positioning of Fluidra's brands ➤ Premium vs mass-market brand balance	➤ Fluidra's brands are revealed to having been in decline ➤ Unable to effectively deploy its brands to the markets	◑
Commercial	**Acquisitions/ *Wavegarden***	➤ Assess the commercial viability of the initiatives ➤ Evaluate *Wavegarden*'s wavepool projections	➤ Unexpectedly lower prospects, making these unviable ➤ The new waterpool builds are discovered to be delayed	●

1. **Relevance Estimation:** The level of relevance is determined based on the extensive sensitivity and scenario analysis that reveals a stronger impact on Fluidra's deal returns

Sources: Fluidra's Website, Reports, and Presentations

APPENDIX | RETURNS | DUE DILIGENCE (II/III)

FLUIDRA

Major questions and risks than need to be tackled and accounted for in a full-scale due diligence

	Area	Crucial factors	Risks and Red flags	Relevance[1]
Financial	Reporting	➤ Ensure the financial statements are properly reported ➤ Determine if non-recurring items are fairly classified	➤ Fraudulent reporting/material misstatements are found ➤ Overestimation of adj. EBITDA due to recurring items	
Financial	Tax	➤ Ensure that Fluidra/acquisitions are tax compliant ➤ Evaluate the tax regime and investigate tax litigations	➤ Unreported and/or higher than expected tax liabilities ➤ The regime is expected to change/tax rates to increase	
Operational	Operational Gains	➤ Efficiency gains viability without major investments ➤ Analyze the R&D's contribution to Fluidra's op. gains	➤ Major investment needed to match the peers' margins ➤ R&D investment is inadequate and/or ineffective	
Operational	Acquisitions/ WG	➤ Estimate the incremental revenue from initiatives ➤ Gauge the full effect and viability of synergies	➤ These revenues are found to be uncertain and volatile ➤ Synergies are not viable without additional investment	
Operational	Logistics	➤ Evaluate the robustness of the distribution platform ➤ Vigorously study the operations' supply chain	➤ It is found to be lacking solid distribution channels ➤ Severe inefficiencies are found in the supply chain	

1. Relevance Estimation: The level of relevance is determined based on the extensive sensitivity and scenario analysis that reveals a stronger impact on Fluidra's deal returns

Sources: Fluidra's Website, Reports, and Presentations

Private equity and the Pool and Wellness industry

- **Introduction:** The Fluid handling industry, particularly the Pool & Wellness sector, has experienced a growing M&A activity, more specifically a growing interest in private equity funded deals. With major transactions recently happening in the industry, fueled by the attractiveness of the industry, and the combination of the availability of deployable capital by the funds and the low-cost debt environment.

- **Past/recent transactions: Zodiac**, which merged with Fluidra in 2018, was acquired by Rhône Group from the Carlyle Group, a PE-to-PE transaction. **Hayward**, acquired in 2017 by a trio of private-equity funds. **Lonza's water care,** acquired in 2019 by **Platinum Equity.**

- **COVID-19 Impact:** The private equity environment had been strongly increasing since the Great Financial Crisis, in 2008, until the recent COVID-19 pandemic. This external event induced uncertainty which resulted in a temporary halt on the deal-making volume. As of December 2020, the deal-making has resumed, hitting a volume not seen since 2007, defying the pandemic induced economic crisis.

- **Future of PE in the Pool and Wellness industry:** The deal-making is set to resume as dry powder continues to increase, while private equity funds continue to search companies with strong growth opportunities to deploy these mounting cash reserves. As private equity funds have been acquiring important business platforms in the sector, the continuous businesses acquisitions are expected for 2021 and onwards to complement these platforms.

Appendix

APPENDIX 1 | OPERATING MODEL OVERVIEW | INVESTMENT CASE

FLUIDRA

The base operating model scenario is estimated in the Investment Case

OUTPUT	Historicals						Acq Year	Forecasts						
In € thousands	2014A	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Sales	**593 900**	**647 300**	**713 200**	**781 600**	**1 029 641**	**1 367 550**	**1 474 102**	**1 663 577**	**1 860 283**	**2 085 006**	**2 250 145**	**2 425 101**	**2 582 467**	**2 755 094**
growth rate	0	9,0%	10,2%	9,6%	31,7%	32,8%	7,8%	12,9%	11,8%	12,1%	7,9%	7,8%	6,5%	6,7%
North America	0	0	0	0	218 391	425 941	489 471	583 522	674 119	780 171	844 197	913 661	980 543	1 058 730
Market Share	0,0%	0,0%	0,0%	0,0%	6,0%	11,1%	10,8%	12,1%	13,3%	14,5%	15,0%	15,4%	15,8%	16,2%
ESA Developed	521 800	552 200	573 500	654 800	712 405	834 087	884 746	945 013	1 013 051	1 089 620	1 172 399	1 249 785	1 316 409	1 385 850
Market Share	20,6%	20,8%	20,7%	22,6%	23,5%	26,3%	26,3%	26,7%	27,4%	27,9%	28,7%	29,4%	29,8%	30,3%
ESA Developing	72 100	95 100	139 700	126 800	98 845	107 522	99 884	135 042	173 113	215 215	233 549	261 655	285 515	310 514
Market Share	11,8%	14,9%	20,9%	18,1%	13,5%	14,0%	14,2%	18,5%	21,8%	25,0%	25,3%	26,2%	26,6%	26,8%
EBITDA	**65 700**	**72 200**	**86 000**	**99 000**	**221 300**	**244 200**	**296 209**	**350 992**	**410 812**	**480 571**	**539 943**	**604 457**	**667 223**	**736 475**
growth rate	0	9,9%	19,1%	15,1%	123,5%	10,3%	21,3%	18,5%	17,0%	17,0%	12,4%	11,9%	10,4%	10,4%
margin	11,1%	11,2%	12,1%	12,7%	21,5%	17,9%	20,1%	21,1%	22,1%	23,0%	24,0%	24,9%	25,8%	26,7%
EBIT	**24 678**	**26 155**	**46 154**	**62 858**	**137 700**	**137 100**	**201 698**	**258 562**	**316 194**	**383 503**	**440 183**	**501 793**	**561 450**	**627 387**
growth rate	0	6,0%	76,5%	36,2%	119,1%	-0,4%	47,1%	28,2%	22,3%	21,3%	14,8%	14,0%	11,9%	11,7%
margin	4,2%	4,0%	6,5%	8,0%	13,4%	10,0%	13,7%	15,5%	17,0%	18,4%	19,6%	20,7%	21,7%	22,8%
Net Working Capital	**182 117**	**178 058**	**192 244**	**205 587**	**314 146**	**281 566**	**178 208**	**201 534**	**225 835**	**253 647**	**274 312**	**296 263**	**316 154**	**338 001**
NWC (% sales)	30,7%	27,5%	27,0%	26,3%	30,5%	20,6%	12,1%	12,1%	12,1%	12,2%	12,2%	12,2%	12,2%	12,3%
Investment in NWC	0	4 059	-14 186	-13 343	-108 559	32 580	103 358	-23 326	-24 301	-27 812	-20 665	-21 951	-19 890	-21 847
Investment in NWC (% sales)	0,0%	0,6%	-2,0%	-1,7%	-10,5%	2,4%	7,0%	-1,4%	-1,3%	-1,3%	-0,9%	-0,9%	-0,8%	-0,8%
Net Capex	**-4 148**	**-25 202**	**-18 823**	**-20 986**	**12 359**	**2 586**	**-67 989**	**-132 318**	**-143 668**	**-156 216**	**-74 713**	**-80 522**	**-85 747**	**-91 479**
Net Maintenance Capex	-8 459	-9 572	-10 210	-10 497	-12 829	-19 246	-20 468	-23 099	-25 830	-28 950	-31 243	-33 672	-35 857	-38 254
(% sales)	1,4%	1,5%	1,4%	1,3%	1,2%	1,4%	1,4%	1,4%	1,4%	1,4%	1,4%	1,4%	1,4%	1,4%
Net Expansion Capex	-6 209	-16 184	-14 780	-15 174	-23 018	-24 563	-28 477	-32 138	-35 938	-40 279	-43 469	-46 849	-49 889	-53 224
(% sales)	1,0%	2,5%	2,1%	1,9%	2,2%	1,8%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%
Net Acquisition Capex	4 311	-15 630	-8 613	-10 489	25 188	21 832	-19 044	-77 082	-81 900	-86 987	0	0	0	0
(% sales)	-0,7%	2,4%	1,2%	1,3%	-2,4%	-1,6%	1,3%	4,6%	4,4%	4,2%	0,0%	0,0%	0,0%	0,0%
Cash Cover								**1,35x**	**1,41x**	**1,82x**	**1,37x**	**1,56x**	**2,01x**	**0,43x**
Cash flow available for debt service								203 401	239 787	282 385	343 322	386 482	432 249	520 102
Cash Interest + Debt repayments								-150 312	-169 469	-154 975	-249 837	-247 679	-215 360	-1 206 060

Sources: Fluidra's Website, Reports, and Presentations; Integrated and Consolidated Reports
1) Pro-forma figures including Zodiac's full financial figures

APPENDIX 2 | EXIT OPTIONS | EXIT STRATEGIES (I/II)

The optimal strategy would be a Secondary Sale to a consortium of private equity funds

Secondary Sale

Current Private Equity industry environment:

- **Appetite:** Private equity deals **had been strongly increasing** since the Great Financial Crisis, in 2008, **until the recent COVID-19 pandemic.** This induced uncertainty resulted in a temporary halt on the deal-making volume
- **Availability:** The **deal-making is set to resume as dry powder continues to increase**

Past PE Transactions in the Pool and Wellness sector:

- **Zodiac** - 2016, October - by **Rhône Group** from the **Carlyle Group**
- **Hayward** - 2017, June - by a **trio of private-equity** funds
- **Lonza's water care** - 2019, February - by **Platinum Equity**

Initial Public Offering

Current Financial Markets environment:

- **Appetite:** As was the case in the private equity sector, the financial markets suffered a turmoil due to the COVID-19 uncertainty having mostly recovered. Moreover, the IPO activity has since rebounded, reaching historic highs in the 3rd Quarter of 2020[1]
- **Returns:** This is an **exit strategy highly reliant on the future market environment**. If the deal is positioned to **exit during a bull market**, it is very likely that it would **yield the highest potential return on the investment**
- **Reach:** This is a strategy that provides the most exposure to a higher number of investors

selected strategy

Sources: Fluidra's Website, Reports, and Presentations; Bain Capital and KKR Websites
1) PWC – Capital Markets Q3 2020 Overview

APPENDIX 3 | EXIT OPTIONS | EXIT STRATEGIES (II/II)

FLUIDRA

The optimal strategy would be a Secondary Sale to a consortium of private equity funds

Secondary Sale

Potential Acquirer Profile: Consortium of private-equity funds

- **Deal Size:** Due to the high exit EV (€ 9.0B) this transaction could **involve a consortium of PE funds,** prioritizing funds with **water treatment**, **water flow, and chemicals** focused firms on their portfolios, funds such as Bain Capital, KKR and Carlyle.
- **Club Deal advantages:** Higher available capital capable of absorbing the high exit EV and a stronger combined knowledge among the parties in the consortium

Initial Public Offering

Potential Platform: BME, Spanish exchanges

- **Current listing:** An IPO on a European stock exchange would be a viable option since Fluidra is currently listed on the BME, signalling the investors' appetite for this option. It is home to **Fluidra's headquarters** and has a **stronger recognition of Fluidra's value.**
- **Deal Size:** The high exit EV (€ 9.0B) is easier to absorb than in the other options. A stock exchange such as BME is capable of successfully launching Fluidra
- This overall **market environment makes IPOs appropriate for these large portfolio firms**

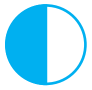
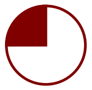
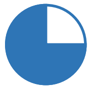
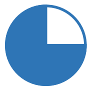
selected strategy

Sources: Fluidra's Website, Reports, and Presentations; Bain Capital and KKR Websites
1) PWC – Capital Markets Q3 2020 Overview

APPENDIX 4 | RETURNS | DUE DILIGENCE (III/III)

FLUIDRA

Major questions and risks than need to be tackled and accounted for in a full-scale due diligence

	Area	Crucial factors	Risks and Red flags	Relevance[1]
Team	**Management**	➤ Appraise Fluidra's management team performance ➤ Assess the substitution of founding families' managers	➤ The underperformance is due to poor management ➤ Eloi Planes plays a fundamental role in the firm	
Legal	**Legal**	➤ Full examination of contracts, licensing and litigations ➤ Examine the anti-trust regulations in this industry	➤ Serious legal issues arise during the due diligence ➤ Possibility of anti-trust due to increased market power	
Valuation	**Valuation**	➤ In-depth analysis on the valuation methodologies ➤ Assess the optimal capital structure for the deal	➤ Severe flaws to the model and higher valuation output ➤ Capital structure is flawed and does not accommodate	
	Exit Options	➤ Further develop the proposed exit strategies and study its viability: strategic sale, secondary sale and an IPO	➤ Low interest by the potential acquirers and adverse market conditions could impair the execution of the exit	

1. **Relevance Estimation:** The level of relevance is determined based on the extensive sensitivity and scenario analysis that reveals a stronger impact on Fluidra's deal returns

Sources: Fluidra's Website, Reports, and Presentations

APPENDIX 5 | RETURNS | MARKET GROWTH & MARKET SHARE GROWTH SENSITIVITY ANALYSES

FLUIDRA

The largest source of returns is revenue growth, with the large majority being organic. These tables illustrate the resilience of the returns

Market Growth (2020-27)

Global

IRR		Exit Year				
	24,2%	2023	2024	2025	2026	2027
Global - CAGR	2,9%	24,6%	23,0%	21,8%	20,5%	19,5%
	4,1%	25,8%	24,2%	23,0%	21,7%	20,7%
	5,2%	26,9%	25,4%	24,2%	22,9%	21,9%
	6,4%	28,0%	26,6%	25,3%	24,1%	23,0%
	7,5%	29,1%	27,7%	26,5%	25,2%	24,2%

North America

IRR		Exit Year				
	24,2%	2023	2024	2025	2026	2027
NA - CAGR	2,8%	25,8%	24,3%	23,1%	21,9%	20,9%
	4,1%	26,4%	24,9%	23,6%	22,4%	21,4%
	5,4%	26,9%	25,4%	24,2%	22,9%	21,9%
	6,7%	27,5%	26,0%	24,7%	23,4%	22,4%
	8,0%	28,0%	26,5%	25,3%	24,0%	23,0%

ESA Developed

IRR		Exit Year				
	24,2%	2023	2024	2025	2026	2027
ESAed - CAGR	2,8%	26,1%	24,5%	23,3%	22,0%	21,0%
	3,6%	26,5%	25,0%	23,7%	22,4%	21,4%
	4,5%	26,9%	25,4%	24,2%	22,9%	21,9%
	5,4%	27,3%	25,9%	24,6%	23,4%	22,3%
	6,3%	27,7%	26,3%	25,1%	23,8%	22,8%

ESA Developing

IRR		Exit Year				
	24,2%	2023	2024	2025	2026	2027
ESAing - CAGR	4,6%	26,6%	25,1%	23,8%	22,6%	21,5%
	6,0%	26,8%	25,2%	24,0%	22,7%	21,7%
	7,4%	26,9%	25,4%	24,2%	22,9%	21,9%
	8,8%	27,1%	25,6%	24,4%	23,1%	22,1%
	10,3%	27,3%	25,8%	24,6%	23,3%	22,3%

Market Share Growth (2020-27)

Global

IRR		Exit Year				
	24,2%	2023	2024	2025	2026	2027
Gobal - CAGR	-0,2%	25,5%	24,0%	22,7%	21,5%	20,5%
	0,6%	26,2%	24,7%	23,5%	22,2%	21,2%
	1,3%	26,9%	25,4%	24,2%	22,9%	21,9%
	2,1%	27,6%	26,1%	24,9%	23,6%	22,6%
	2,9%	28,3%	26,8%	25,6%	24,3%	23,3%

North America

IRR		Exit Year				
	24,2%	2023	2024	2025	2026	2027
NA - CAGR	0,0%	26,2%	24,7%	23,5%	22,2%	21,2%
	1,0%	26,6%	25,1%	23,8%	22,5%	21,5%
	2,1%	26,9%	25,4%	24,2%	22,9%	21,9%
	3,1%	27,3%	25,8%	24,5%	23,3%	22,2%
	4,2%	27,6%	26,1%	24,9%	23,6%	22,6%

ESA Developed

IRR		Exit Year				
	24,2%	2023	2024	2025	2026	2027
ESAed - CAGR	0,0%	26,3%	24,8%	23,6%	22,3%	21,3%
	0,6%	26,6%	25,1%	23,9%	22,6%	21,6%
	1,2%	26,9%	25,4%	24,2%	22,9%	21,9%
	1,9%	27,2%	25,7%	24,5%	23,2%	22,2%
	2,5%	27,6%	26,0%	24,8%	23,5%	22,4%

ESA Developing

IRR		Exit Year				
	24,2%	2023	2024	2025	2026	2027
ESAing - CAGR	0,0%	26,8%	25,3%	24,1%	22,8%	21,8%
	0,5%	26,9%	25,4%	24,1%	22,8%	21,8%
	1,1%	26,9%	25,4%	24,2%	22,9%	21,9%
	1,6%	27,0%	25,5%	24,2%	22,9%	21,9%
	2,2%	27,0%	25,5%	24,3%	23,0%	22,0%

Comments

- **Ticket growth-to-inflation ratio**: For each p.p. inflation, how much average sales per pool per year grows, including new build and maintenance – Assumed historic average - Values have no direct interpretation given proxies that were used, but higher than inflation only for North America
- Market Share Growth: **Global market share expected to go from 17.6% (2019) to 18.4% (2025) from organic growth**, based on Fluidra's guidelines, synergies from Zodiac merger and improved position from pandemic

Sources: Fluidra's Website, Reports, and Presentations

APPENDIX 6 | OPERATING MODEL OVERVIEW | BANK CASE

FLUIDRA

A conservative approach to the model. For all the fully forecasted periods, 2021 onwards, all the revenues are 85% of the Investment Case

OUTPUT	Historicals						Acq Year	Forecasts						
In € thousands	2014A	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Sales	**593 900**	**647 300**	**713 200**	**781 600**	**1 029 641**	**1 367 550**	**1 474 102**	**1 414 041**	**1 581 240**	**1 772 255**	**1 912 623**	**2 061 336**	**2 195 097**	**2 341 830**
growth rate	0	9,0%	10,2%	9,6%	31,7%	32,8%	7,8%	-4,1%	11,8%	12,1%	7,9%	7,8%	6,5%	6,7%
North America	0	0	0	0	218 391	425 941	489 471	495 994	573 001	663 145	717 568	776 612	833 462	899 921
Market Share	0,0%	0,0%	0,0%	0,0%	6,0%	11,1%	10,8%	10,3%	11,3%	12,4%	12,7%	13,1%	13,4%	13,8%
ESA Developed	521 800	552 200	573 500	654 800	712 405	834 087	884 746	803 261	861 093	926 177	996 539	1 062 317	1 118 947	1 177 973
Market Share	20,6%	20,8%	20,7%	22,6%	23,5%	26,3%	26,3%	22,7%	23,3%	23,8%	24,4%	25,0%	25,4%	25,7%
ESA Developing	72 100	95 100	139 700	126 800	98 845	107 522	99 884	114 786	147 146	182 933	198 517	222 406	242 687	263 937
Market Share	11,8%	14,9%	20,9%	18,1%	13,5%	14,0%	14,2%	15,7%	18,5%	21,3%	21,5%	22,3%	22,6%	22,8%
EBITDA	**65 700**	**72 200**	**86 000**	**99 000**	**221 300**	**244 200**	**296 209**	**295 611**	**343 115**	**398 332**	**444 428**	**494 338**	**542 431**	**595 431**
growth rate	0	9,9%	19,1%	15,1%	123,5%	10,3%	21,3%	-0,2%	16,1%	16,1%	11,6%	11,2%	9,7%	9,8%
margin	11,1%	11,2%	12,1%	12,7%	21,5%	17,9%	20,1%	20,9%	21,7%	22,5%	23,2%	24,0%	24,7%	25,4%
EBIT	**24 678**	**26 155**	**46 154**	**62 858**	**137 700**	**137 100**	**196 109**	**201 581**	**245 597**	**289 152**	**324 459**	**364 957**	**403 853**	**447 721**
growth rate	0	6,0%	76,5%	36,2%	119,1%	-0,4%	43,0%	2,8%	21,8%	17,7%	12,2%	12,5%	10,7%	10,9%
margin	4,2%	4,0%	6,5%	8,0%	13,4%	10,0%	13,3%	14,3%	15,5%	16,3%	17,0%	17,7%	18,4%	19,1%
Net Working Capital	**182 117**	**178 058**	**192 244**	**205 587**	**314 146**	**281 566**	**195 329**	**187 728**	**210 326**	**236 184**	**255 379**	**275 765**	**294 225**	**314 498**
NWC (% sales)	30,7%	27,5%	27,0%	26,3%	30,5%	20,6%	13,3%	13,3%	13,3%	13,3%	13,4%	13,4%	13,4%	13,4%
Investment in NWC	0	4 059	-14 186	-13 343	-108 559	32 580	86 237	7 602	-22 598	-25 858	-19 195	-20 385	-18 460	-20 274
Investment in NWC (% sales)	0,0%	0,6%	-2,0%	-1,7%	-10,5%	2,4%	5,9%	0,5%	-1,4%	-1,5%	-1,0%	-1,0%	-0,8%	-0,9%
Net Capex	**-4 148**	**-25 202**	**-18 823**	**-20 986**	**12 359**	**2 586**	**-67 989**	**-124 033**	**-134 403**	**-145 832**	**-63 506**	**-68 443**	**-72 885**	**-77 757**
Net Maintenance Capex	-8 459	-9 572	-10 210	-10 497	-12 829	-19 246	-20 468	-19 634	-21 955	-24 608	-26 557	-28 622	-30 479	-32 516
(% sales)	1,4%	1,5%	1,4%	1,3%	1,2%	1,4%	1,4%	1,4%	1,4%	1,4%	1,4%	1,4%	1,4%	1,4%
Net Expansion Capex	-6 209	-16 184	-14 780	-15 174	-23 018	-24 563	-28 477	-27 317	-30 547	-34 237	-36 949	-39 822	-42 406	-45 241
(% sales)	1,0%	2,5%	2,1%	1,9%	2,2%	1,8%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%	1,9%
Net Acquisition Capex	4 311	-15 630	-8 613	-10 489	25 188	21 832	-19 044	-77 082	-81 900	-86 987	0	0	0	0
(% sales)	-0,7%	2,4%	1,2%	1,3%	-2,4%	-1,6%	1,3%	5,5%	5,2%	4,9%	0,0%	0,0%	0,0%	0,0%
Cash Cover								**1,25x**	**1,08x**	**1,37x**	**1,04x**	**1,17x**	**1,49x**	**0,33x**
Cash flow available for debt service								187 233	183 059	212 484	260 483	290 007	321 750	394 353
Cash Interest + Debt repayments								-150 312	-169 469	-154 975	-249 837	-247 679	-215 360	-1 206 060

Sources: Fluidra's Website, Reports, and Presentations; Integrated and Consolidated Reports
1) Pro-forma figures including Zodiac's full financial figures

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