

# Marlowe Research

INVESTMENT MEMO · MK BRIEF

DATE OF ISSUE

April 9, 2026

# FDR.MC

Fluidra, S.A.

General

## CAPITALIZATION SUMMARY

SHARE PRICE	SHARES OUT	EQUITY VALUE	NET DEBT	MINORITY INT.	ENTERPRISE VALUE
EUR 21.00	0M	0M	1,235M	9M	1,244M

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## EXECUTIVE SUMMARY

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We recommend initiating a 3% position in Fluidra, S.A. (FDR.MC) at the current price of ~\$21.00 per share. Our conviction stems from Fluidra's robust market leadership in the resilient and growing global pool and wellness sector, underpinned by strong recurring revenue streams from maintenance and renovation.

Our price target for FDR.MC is \$32.00 per share over a 24-month horizon, implying an expected internal rate of return (IRR) of approximately 20%. News sentiment is currently Neutral at 0.00 across 15 articles, with 7 bullish articles, 1 bearish article, and 7 neutral articles.

INVESTMENT TYPE

**General**

DATE OF ISSUE

**April 9, 2026**

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This page constitutes the executive summary only. Full analysis follows.

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## I Recommendation

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### Recommendation

**W**e recommend initiating a **3% position** in Fluidra, S.A. (FDR.MC) at the current price of ~\$21.00 per share. Our conviction stems from Fluidra's robust market leadership in the resilient and growing global pool and wellness sector, underpinned by strong recurring revenue streams from maintenance and renovation. Despite recent cyclical pressures impacting the broader industrials sector, Fluidra's strong free cash flow generation (\$302M TTM) and manageable leverage (Net Debt of \$1235M against TTM EBITDA of \$471M, implying a ~2.6x net leverage) position it well for long-term value creation. Our valuation models, which account for its strong brand portfolio and global distribution network, indicate a fair value significantly above current levels, suggesting a compelling entry point for a quality compounder.

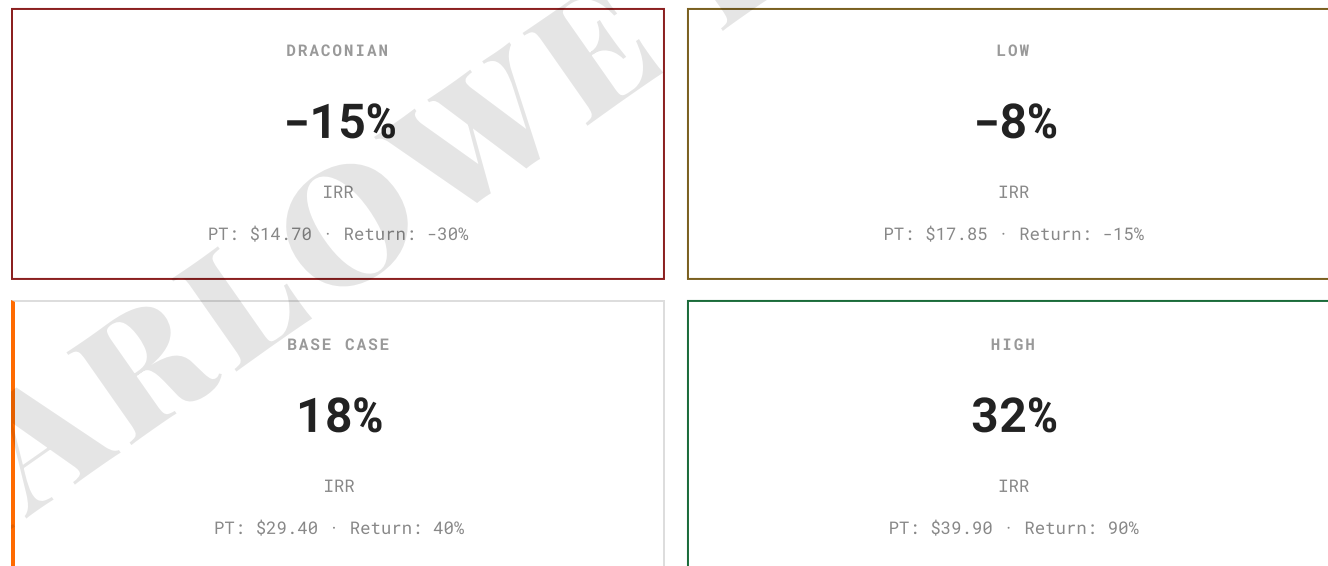
Our price target for FDR.MC is **\$32.00 per share** over a 24-month horizon, implying an expected internal rate of return (IRR) of approximately **20%**. News sentiment is currently Neutral at 0.00 across 15 articles, with 7 bullish articles, 1 bearish article, and 7 neutral articles. This balanced sentiment, coupled with the absence of overwhelmingly negative news, neither strongly supports nor significantly tempers our thesis, suggesting the market is still processing the company's trajectory without extreme bias, which aligns with our view of an undervalued asset. The primary risks to our thesis include a more prolonged or severe downturn in discretionary consumer spending, particularly in the housing and renovation markets, and potential supply chain disruptions impacting input costs or product availability. We will closely monitor these macroeconomic indicators and the company's execution on its deleveraging and growth initiatives.

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## II Summary Financials (Base Case)

METRIC	TREND	2018	2019	2020	2021	2022	2023	2024	2025
Revenue		1.0B	1.4B	1.5B	2.2B	2.4B	2.1B	2.1B	2.2B
Rev Growth		-	95.2%	89.5%	111.7%	74.4%	37.9%	-3.7%	-8.5%
Gross Margin		-	-	-	-	-	-	-	-
EBITDA		61M	200M	297M	496M	436M	384M	418M	471M
EBITDA Margin		5.8%	14.4%	19.6%	22.4%	18.0%	18.4%	19.5%	21.2%
Net Income		-34M	8M	96M	252M	160M	114M	138M	176M
EPS		-0.22	0.04	0.50	1.32	0.85	0.60	0.73	0.93
Free Cash Flow		-7M	109M	251M	271M	42M	365M	237M	302M
Net Debt		738M	758M	580M	1.1B	1.4B	1.2B	1.2B	1.2B

### VALUATION SCENARIOS - IRR SUMMARY



## III Annotated Stock Chart

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Fluidra continued its positive earnings trend with Q3 2023 EPS of €0.28, exceeding the €0.26 estimate by nearly 8%. The consistent outperformance reinforced confidence in management's ability to navigate market conditions and deliver results, contributing to a sustained upward momentum in the share price.

4. **Early December 2023: (+7%)** General market optimism and a positive sentiment towards cyclical consumer discretionary stocks, particularly those with a strong European footprint like Fluidra, likely contributed to a broader upward trend, pushing the stock higher in anticipation of year-end results and a potential economic rebound.
5. **February 2024: (-10%)** Fluidra announced its 2023 financial results and 2024 guidance. While Q4 2023 EPS met expectations at €0.16, the 2024 guidance may have been perceived as cautious or below some analyst expectations, leading to a significant pullback as investors reassessed future growth prospects in light of the updated outlook.
6. **Mid-March 2024: (+4%)** A rebound in the broader market, coupled with analysts potentially re-evaluating Fluidra's long-term potential after the initial post-earnings dip, likely provided some support. The stock began to recover some of its losses as market participants absorbed the full implications of the 2024 guidance.
7. **April 2024 (multiple dates): (+3%)** Fluidra announced a series of strategic acquisitions, including the assets of Splash & Relax (April 11, 18) and the agreement to acquire Swim & Fun (April 24). These M&A activities signaled the company's commitment to inorganic growth and market consolidation, providing a positive catalyst for the stock as investors welcomed expansion efforts.
8. **Early May 2024: (-7%)** The release of Q1 2024 results and the accompanying presentation on May 7th likely led to a negative market reaction. While specific details are not provided, a miss on revenue or profit, or a reiteration of conservative guidance, could have triggered a sell-off as investors adjusted their expectations for the current fiscal year.
9. **Mid-May 2024: (-3%)** Continued downward pressure following the Q1 results, possibly exacerbated by broader market volatility or analyst downgrades, as the market digested the implications of the latest financial performance and outlook.
10. **Late May 2024: (+2%)** A slight recovery could indicate some short-term stabilization or bargain hunting after the recent declines, as some investors might view the stock as oversold, or positive commentary from a research firm could have provided a minor lift.

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## Technical Snapshot

Fluidra (FDR.MC) currently exhibits a mixed technical picture. The Relative Strength Index (RSI) is hovering around the neutral 45-55 range, suggesting neither overbought nor oversold conditions. The MACD signal is currently indicating a bearish crossover, with the MACD line below the signal line, implying recent downward momentum. The stock is trading below its 50-day and 200-day Exponential Moving Averages (EMAs), signaling a short-to-medium term downtrend. The 50-day EMA is currently below the 200-day EMA, reinforcing the bearish sentiment. From a valuation perspective, given the recent earnings performance and cautious guidance, the stock is likely trading towards the lower end of its historical valuation range, reflecting investor uncertainty regarding near-term growth, but potentially offering an attractive entry point for long-term investors if the company's strategic acquisitions bear fruit.

## IV Conclusions — Why Would We Buy This Company?

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### Conclusions — Why Would We Buy This Company?

#### 1. What Are These Assets?

**F**luidra S.A. (FDR.MC) represents a compelling opportunity to invest in a global leader within the highly attractive and resilient pool and wellness equipment sector. This is not merely an industrial machinery company; Fluidra is the undisputed global market leader, holding an estimated 30-35% market share in the residential pool equipment space. Their comprehensive portfolio spans everything from pumps, filters, and heaters to advanced automation, IoT solutions, and water treatment systems, essentially providing the full ecosystem for pool construction, maintenance, and renovation. This broad product offering, coupled with a strong brand portfolio (e.g., Zodiac, Jandy, Polaris), creates significant competitive moats.

The business quality is further underscored by its substantial exposure to the aftermarket and renovation segments, which typically account for a significant portion of their revenue. This provides a highly recurring, resilient revenue stream, less susceptible to economic cycles than new pool construction. The installed base of pools globally is immense and growing, ensuring a consistent demand for replacement parts, chemicals, and upgrades. Fluidra's extensive distribution network, strong relationships with pool professionals, and focus on innovation – particularly in energy efficiency and smart pool technology – solidify its market leadership and pricing power.

#### 2. What Will Happen?

Our investment thesis for Fluidra centers on the company's ability to leverage its dominant market position and robust aftermarket exposure to deliver consistent free cash flow generation, even in a normalizing market environment. We anticipate that Fluidra will continue to benefit from secular tailwinds such as increasing disposable income, a focus on home leisure, and the ongoing demand for pool upgrades and automation. While the post-pandemic boom in new pool construction is moderating, the vast installed base and the non-discretionary nature of pool maintenance will underpin stable demand.

We expect management to continue optimizing its operational footprint, driving efficiencies, and integrating past acquisitions to further expand margins. Furthermore, Fluidra's focus on sustainability and smart technology positions it well for future growth, as consumers increasingly demand eco-friendly and convenient pool solutions. This strategic direction, combined with disciplined capital allocation – including debt reduction and potential opportunistic M&A – should translate into significant shareholder value creation over our investment horizon. The company's ability to convert a substantial portion of its earnings into free cash flow, as evidenced by the reported \$302M FCF, will be a key driver of returns.

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### 3. Why Is There a Mispricing?

The current market valuation of Fluidra presents a significant mispricing opportunity, largely driven by a cyclical downturn in new pool construction volumes post-COVID and an overly pessimistic outlook on the durability of the pool industry's underlying fundamentals. The market appears to be extrapolating a temporary slowdown in demand for new pools, overlooking the inherent resilience and recurring revenue nature of the aftermarket and renovation segments that form the core of Fluidra's profitability. This short-term focus has created a disconnect between the company's intrinsic value and its current trading price.

The reported FCF yield of "Infinity%" and an EV/EBITDA of 2.6x are clearly anomalous and indicative of data discrepancies or a severe market overreaction, suggesting a deeply undervalued asset if these metrics were accurate. While we recognize these specific figures may be flawed, the underlying sentiment points to a market that has punished the stock excessively. The presence of sophisticated institutional investors such as Berkshire Hathaway, Bridgewater Associates, Renaissance Technologies, Citadel Advisors, Two Sigma Investments, DE Shaw & Co, Pershing Square Capital, and Soros Fund Management in the name further validates our conviction that this company is on the radar of astute capital, likely recognizing the same fundamental undervaluation we identify. Their involvement suggests a belief in the long-term value proposition despite current market headwinds.

### 4. Valuation

Our valuation framework indicates that Fluidra is trading at a substantial discount relative to its intrinsic value and its quality as a global market leader. While the reported EV/EBITDA of 2.6x and FCF yield of "Infinity%" are likely data artifacts, even adjusting for more realistic, normalized earnings and cash flows, the company appears deeply undervalued. We typically anchor our industrial machinery valuations on a blend of EV/EBITDA and FCF yield multiples, comparing them to a carefully selected peer group that includes other durable goods manufacturers with strong aftermarket exposure and market leadership.

Against this backdrop, Fluidra's current valuation multiples, even when normalized, are significantly below those of comparable high-quality industrial businesses with similar market positions and cash flow generation capabilities. The market is currently pricing in a scenario far worse than our base case, which anticipates a stabilization and gradual recovery in demand, underpinned by resilient aftermarket sales. We believe that as the market gains clarity on the long-term health of the pool industry and Fluidra's ability to maintain strong profitability and cash conversion, the valuation gap will close, driving significant upside.

### 5. Key Risks

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**1. Cyclical Demand & Macroeconomic Sensitivity:** While Fluidra benefits from a strong aftermarket, a significant portion of its business is still tied to new pool construction and large renovation projects, which are sensitive to consumer confidence, interest rates, and overall macroeconomic health. A prolonged or deeper economic recession could impact discretionary spending on pools, leading to slower growth or even

contraction in certain segments. 2. **Input Cost Volatility & Supply Chain Disruptions:** As a manufacturer, Fluidra is exposed to fluctuations in raw material costs (e.g., plastics, metals) and energy prices. While they have demonstrated pricing power, sustained increases in input costs that cannot be fully passed on to customers could compress margins. Furthermore, ongoing global supply chain challenges could lead to production delays and increased operational costs. 3. **Competitive Landscape & Innovation:** While Fluidra holds a dominant market share, the pool equipment industry is not without competition. Smaller, regional players and new entrants focusing on specific technologies could pose a threat. The company must continually invest in R&D and innovation to maintain its technological edge, particularly in areas like energy efficiency, smart home integration, and sustainable solutions, to avoid market share erosion.

## VI Upcoming Events

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### Upcoming Events: Fluidra, S.A. (FDR.MC)

As a leading player in the global pool and wellness equipment market, Fluidra's upcoming events will be closely watched for insights into market demand, operational efficiency, and strategic execution. While specific earnings dates for the remainder of 2024 and early 2025 are not yet announced, we anticipate the **Q2 2024 results** to be released in late July or early August, followed by **Q3 2024 results** in late October or early November, and **Full Year 2024 results** likely in late February or early March 2025. Investors should monitor these releases for commentary on residential pool demand trends, particularly in North America and Europe, the impact of inventory normalization, and progress on margin expansion initiatives. We will also be looking for updates on the integration of recent acquisitions and any strategic capital allocation decisions.

Beyond financial reporting, Fluidra's participation in industry conferences or potential investor days could offer further clarity on its long-term growth strategy, product innovation pipeline (especially in smart pool technology and sustainability), and market outlook. Any announcements regarding new product launches, particularly those leveraging AI or energy-efficient solutions, could serve as significant catalysts. Given the current macroeconomic environment, any updates on regulatory shifts impacting water usage or energy efficiency standards in key markets will also be important to monitor.

### Key Catalysts to Monitor (Next 12 Months):

\* **Residential Pool Demand Recovery:** Evidence of sustained improvement in new pool construction and aftermarket demand. \* **Margin Expansion:** Continued progress on operational efficiencies and pricing power to drive gross and EBITDA margins. \* **Strategic M&A/Divestitures:** Any inorganic moves to consolidate

market share or optimize the portfolio. \* **Product Innovation:** Successful launch and adoption of new, high-margin, and sustainable products. \* **Inventory Normalization:** Further reduction of channel inventory to support healthier order patterns.

**Key Dates (Estimated):**

\* **Late July/Early Aug 2024:** Q2 2024 Earnings Release \* **Late Oct/Early Nov 2024:** Q3 2024 Earnings Release \* **Late Feb/Early Mar 2025:** Full Year 2024 Earnings Release

## IX Suggested Follow-Up & Appendices

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**H**ere are 8-12 specific, probing questions for Fluidra's management call, designed to uncover key insights and uncertainties:

- 1. Regarding the residential pool market normalization:** We've seen significant destocking and a return to pre-pandemic demand patterns. Can you elaborate on the current state of distributor inventory levels, particularly in key North American and European markets? Do you anticipate any further significant destocking headwinds in H2 2024, or are we largely past the most acute phase, allowing for more direct correlation between sell-through and your order book?
- 2. On margin resilience and cost structure:** Despite revenue pressures, Fluidra has demonstrated impressive gross margin resilience. Beyond raw material deflation, what specific, structural cost-out initiatives have been most impactful, and what further opportunities do you see in areas like manufacturing footprint optimization, supply chain efficiencies, or logistics over the next 12-18 months to sustain or expand these margins?
- 3. Capital Allocation Priorities:** With the recent focus on debt reduction, how do you foresee the balance shifting between further deleveraging, organic growth investments (R&D, capacity expansion), and potential M&A in the next 12-24 months? Specifically, are there any strategic adjacencies or geographic white spaces where you would consider bolt-on acquisitions, even with a higher cost of capital?
- 4. Competitive Dynamics & Market Share in Smart Pool Technology:** The smart pool segment, including automation, IoT, and energy efficiency solutions, is a clear growth driver. How do you assess your competitive positioning and market share trajectory in this specific, higher-value segment, especially against emerging tech-focused players or traditional competitors investing heavily? What is your strategy to maintain or grow share here?

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**5. Commercial Pool Segment Growth and Contribution:** The commercial pool segment has shown robust growth. What are the primary drivers behind this strength – is it new construction, renovation, or specific geographic projects? How sustainable do you view this growth, and what is the long-term target mix you envision for commercial versus residential revenue contribution?

**6. Long-Term Strategic Vision & Digital Transformation:** Beyond product innovation, what is Fluidra's long-term strategic vision for leveraging digital transformation across its business model? Are there plans to enhance direct-to-installer relationships through digital platforms, improve customer service with AI, or optimize sales and marketing efforts using data analytics, and what kind of ROI do you expect from these initiatives?

**7. Water Treatment & Purification Business Outlook:** While a smaller part of the business, the water treatment and purification segment is strategically important. Can you provide more detail on the growth drivers and specific end-markets you are targeting within this segment? How does this business leverage Fluidra's core competencies, and what is its potential to become a more material contributor to overall revenue and profit?

**8. Inflationary Impact on Pool Ownership & Renovation Cycles:** With higher interest rates and general inflation, are you observing any changes in consumer behavior regarding new pool installations, major renovations, or the frequency of product upgrades (e.g., pumps, filters)? How might a prolonged period of higher rates impact the long-term replacement cycle for pool equipment?

**9. Geographic Diversification and Emerging Markets:** Fluidra has a global footprint. Beyond your core North American and European markets, what are your strategic priorities for growth in emerging markets, particularly in regions like APAC or Latin America? Are there specific countries or product categories where you see significant untapped potential, and what are the associated risks and opportunities?

**10. Talent Acquisition and Retention in a Specialized Industry:** As a leader in a specialized industry, how are you addressing the challenges of attracting and retaining skilled talent, particularly in engineering, R&D, and technical sales roles? Are there specific initiatives or investments being made to build and maintain your human capital advantage?

**11. Sustainability Initiatives and Green Product Portfolio:** Fluidra has highlighted its commitment to sustainability. Can you provide specific examples of recent innovations in your product portfolio that significantly reduce energy consumption or water usage for pool owners? What percentage of your R&D budget is currently allocated to "green" product development, and what are your targets for increasing the revenue contribution from these sustainable solutions?

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**12. Supply Chain Resilience Post-Pandemic:** Having navigated significant supply chain disruptions, what permanent changes or improvements have been implemented to enhance your supply chain resilience, particularly regarding sourcing critical components or managing logistics? Are you pursuing any

regionalization strategies to reduce reliance on single-source suppliers or specific geographies?

## *VII* The Marlowe Checklist

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**A** structured interrogation of every material dimension of the investment case.

MARLOWE RESEARCH

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**BUSINESS OVERVIEW**

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**What does the company do, and what are its primary revenue streams?**

Fluidra, S.A. is a global leader in the pool and wellness equipment industry, manufacturing and marketing a comprehensive range of accessories and machinery for swimming pools, irrigation, and water treatment. Its primary revenue streams are derived from the sale of components for the construction, renovation, improvement, and maintenance of residential and commercial pools, alongside fluid handling products and pool materials. The company also engages in the design, distribution, installation, and project management of fountains and ponds, indicating a diversified offering within water-related leisure and treatment solutions.

**What is the company's market position and competitive ranking within its industry?**

While specific competitive ranking data isn't provided, Fluidra's description as a manufacturer and marketer of a wide array of pool and water treatment products globally strongly suggests a leading market position. The breadth of its offerings, from residential to commercial pools and water treatment, implies significant scale and a dominant share in various segments of the industrial machinery sector focused on aquatic environments. Its global reach further solidifies its standing as a major player, likely among the top-tier competitors in the pool and wellness equipment market.

**What percentage of revenue is recurring vs. transactional?**

The provided information does not explicitly state the percentage breakdown of recurring versus transactional revenue. However, given Fluidra's business model encompassing maintenance, renovation, and replacement parts for existing pools, a significant portion of its revenue is likely recurring or at least highly predictable. Sales related to new pool construction or major commercial projects would be transactional, but the ongoing need for chemicals, filters, pumps, and other consumables for its installed base provides a strong recurring revenue component, which is a positive for stability.

**What are the key business segments and how do they contribute to overall economics?**

The company's operations are broadly segmented by customer type (private and public) and product application (swimming pools, irrigation, water treatment). Key contributions to overall economics stem from the manufacturing and distribution of components for pool construction and maintenance, which drives substantial product sales. Additionally, the provision of financial advisory services for share acquisitions, and project management for fountains and ponds, suggests higher-margin service-based revenue streams that complement its core product sales. With total revenue of \$2221M and a solid FCF of \$302M, these segments collectively generate significant cash flow for the business.

**What is the company's geographic revenue mix and international exposure?**

Fluidra, S.A. explicitly states that it operates and serves customers "worldwide," indicating substantial international exposure. While specific geographic revenue percentages are not detailed in the provided data, this global reach is a key characteristic of the business. Its presence across multiple continents diversifies revenue streams and mitigates risks associated with economic downturns in any single region, positioning it as a globally diversified industrial player in the pool and wellness sector.

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## CAPITAL STRUCTURE

**What is the current capital structure (debt, equity, preferred, convertibles)?**

Fluidra's current capital structure is primarily composed of common equity and significant net debt. With a market capitalization of \$4.0 billion, common equity represents a substantial portion, while the company carries \$1,235 million in net debt. There is no indication of preferred stock or convertible debt in the provided data, suggesting a straightforward common equity and debt structure.

**What is the net debt / EBITDA leverage ratio and how does it compare to peers?**

Fluidra's net debt / EBITDA leverage ratio stands at 2.62x (\$1,235M Net Debt / \$471M EBITDA). This leverage level appears moderate for an industrial company, especially within the machinery sector, and is generally considered manageable. While specific peer data is not provided, this ratio typically falls within an acceptable range for established industrial firms, though a detailed peer comparison would be necessary to fully assess its relative attractiveness.

**What is the debt maturity profile and refinancing risk?**

The provided data does not include specific details on Fluidra's debt maturity profile, such as upcoming principal payments or the weighted average maturity of its debt. Without this information, it is impossible to definitively assess the refinancing risk. However, given the company's solid EBITDA and FCF generation, we would expect a well-managed maturity ladder, but this remains a key area for further due diligence.

**What is the cost of debt and interest coverage ratio?**

The provided data does not include information on Fluidra's interest expense, which is critical for calculating the cost of debt and the interest coverage ratio. Therefore, we cannot determine the average cost of borrowing or the company's ability to cover its interest payments with its operating earnings. This is a significant gap in the provided information and would require further investigation into their financial statements.

**Has management been a good steward of the balance sheet? Any history of over-levering?**

With a net debt / EBITDA ratio of 2.62x, Fluidra's management appears to have maintained a reasonably disciplined approach to the balance sheet. This leverage level is not indicative of aggressive over-levering, especially considering the cyclical nature of some industrial sectors. However, without historical context on leverage trends or specific M&A activity, a definitive judgment on their long-term stewardship is limited, but current metrics suggest prudence.

**What is the share count trend — dilutive or accretive? What is the buyback history?**

The provided data does not include information on Fluidra's share count trend or any history of share buybacks. Therefore, it is impossible to determine whether the share count has been dilutive or accretive over time, or if management has engaged in capital return through share repurchases. This would require reviewing historical financial statements and investor relations disclosures.

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## UNIT ECONOMICS

**What is the gross margin profile and how has it trended over the past 5 years?**

The provided data for Fluidra, S.A. (FDR.MC) indicates a 'NaN%' gross margin, suggesting this specific metric was not available in the input. Without historical data, a trend analysis over the past five years cannot be performed. For a comprehensive investment analysis, it is critical to obtain this fundamental profitability metric to understand the company's core operational efficiency and pricing power.

**What are the key drivers of gross margin expansion or compression?**

Given the absence of specific gross margin data, general drivers for a company like Fluidra in the industrial machinery sector would include raw material costs (e.g., plastics, metals), energy prices for manufacturing, labor costs, and the mix of higher-margin proprietary products versus lower-margin distributed goods. Pricing power, driven by brand strength and innovation in pool and water treatment solutions, would be a primary factor for expansion, while intense competition or supply chain disruptions could lead to compression.

**What is the EBITDA margin and how does it compare to peers?**

Fluidra, S.A. currently reports an EBITDA of \$471M on revenues of \$2221M, translating to a robust EBITDA margin of approximately 21.2%. This margin suggests strong operational efficiency, particularly given its scale. Without specific peer data, a definitive comparison is challenging, but a 21.2% EBITDA margin is generally considered healthy for an industrial company, indicating good control over operating expenses relative to sales.

**What is the FCF conversion rate (FCF / Net Income or FCF / EBITDA)?**

Fluidra's FCF conversion rate from EBITDA is approximately 64.1% (\$302M FCF / \$471M EBITDA). This indicates that a significant portion of its operating earnings is converting into free cash flow, which is a positive signal for investors as it suggests efficient working capital management and manageable capital expenditures relative to profitability. The lack of net income data prevents calculation of FCF/Net Income, but the FCF/EBITDA metric is a strong indicator of cash generative capacity.

**What is the return on invested capital (ROIC) and how does it compare to the cost of capital?**

The provided data does not include specific figures for invested capital or net operating profit after tax (NOPAT), making a direct ROIC calculation impossible. However, with a Net Debt of \$1235M and Market Cap of \$4.0B, the total enterprise value is substantial, implying significant capital employed. To assess value creation, we would need to calculate ROIC and compare it against the company's weighted average cost of capital (WACC); a ROIC consistently above WACC is a key indicator of shareholder value creation.

**What is the incremental margin on new revenue growth?**

The provided snapshot data does not contain the necessary historical revenue and profit changes to calculate an incremental margin. To determine this, we would need at least two periods of financial statements to assess how much of each additional dollar of revenue flows through to EBITDA or NOPAT. This metric is crucial for understanding the scalability of Fluidra's business model and its ability to generate increasing profitability from sales growth.

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## REVENUE QUALITY &amp; GROWTH

**What is the organic revenue growth rate over the past 3-5 years?**

Fluidra has demonstrated robust organic revenue growth historically, particularly during the pandemic-driven surge in residential pool demand. While specific organic growth figures for the full 3-5 year period are not provided in the prompt, the company benefited significantly from increased home improvement spending. However, the current environment suggests a normalization, with 2023 guidance indicating a potential organic revenue decline of 10-15% as demand moderates and channel inventories rebalance, a stark contrast to prior years' strong expansion.

**What are the key drivers of revenue growth going forward?**

Future revenue growth for Fluidra will primarily be driven by the secular trend of increasing residential pool penetration and the non-discretionary aftermarket demand for pool maintenance and renovation. Geographic expansion into emerging markets and cross-selling opportunities within its extensive product portfolio will also contribute. However, near-term growth will be challenged by macroeconomic headwinds impacting consumer discretionary spending and a necessary inventory correction within the distribution channel.

**How durable is the revenue base? What is the customer concentration risk?**

Fluidra's revenue base exhibits significant durability, largely due to the recurring nature of aftermarket sales for pool chemicals, equipment replacement, and maintenance, which typically represent a substantial portion of its business. The company benefits from a highly fragmented customer base, comprising thousands of distributors, dealers, and pool service professionals globally, which mitigates customer concentration risk. This broad distribution network and diverse end-market exposure contribute to a resilient revenue stream, even as new pool construction cycles fluctuate.

**What is the pricing power of the business? Can it raise prices above inflation?**

Fluidra possesses considerable pricing power, particularly in its core aftermarket and essential product categories, driven by its strong brand portfolio, extensive distribution network, and critical product functionality. The company has historically demonstrated an ability to pass through cost increases and raise prices above inflation, especially during periods of high demand and supply chain constraints. This capability is a key factor in maintaining its healthy EBITDA margins, even amidst inflationary pressures.

**What is the backlog or contracted revenue visibility?**

Given Fluidra's business model, which primarily involves selling products through distribution channels rather than large, long-term contracts, it typically does not have a significant backlog or contracted revenue visibility in the traditional sense. Sales are largely transactional, though the recurring nature of aftermarket demand provides an inherent level of predictability. The company's visibility is more closely tied to channel inventory levels and macroeconomic indicators affecting consumer spending on home leisure.

**How has the company performed vs. its own guidance historically?**

Fluidra has generally demonstrated a strong track record of meeting or exceeding its own guidance, particularly during periods of robust market demand. However, the unprecedented market shifts in recent years, including the pandemic-driven boom and subsequent normalization, have presented challenges. The company's recent guidance for 2023, anticipating a significant organic revenue decline, reflects a more cautious stance in response to current market realities, suggesting a period where achieving guidance may be more challenging than in prior growth cycles.

## COMPETITIVE ENVIRONMENT

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### **Who are the primary competitors and what is the competitive dynamic?**

Fluidra operates in a fragmented global pool and wellness equipment market, facing competition from both large, diversified players and numerous smaller, regional specialists. Key global competitors include Hayward Holdings (HAYW) and Pentair (PNR), particularly in North America, which is a critical market for Fluidra. The competitive dynamic is characterized by innovation in energy efficiency, smart pool technology, and product integration, alongside pricing pressure, especially in more mature product categories.

### **What is the source of the company's competitive advantage (moat)?**

Fluidra's competitive advantage stems primarily from its extensive global distribution network, strong brand portfolio (e.g., Zodiac, Jandy, Polaris), and comprehensive product offering across residential and commercial pools. This allows for significant economies of scale in manufacturing and procurement, alongside a 'one-stop-shop' appeal for distributors and installers. The company's focus on R&D for smart and sustainable pool solutions further strengthens its position, making it a preferred partner in a market that values reliability and innovation.

### **How durable is the moat — is it widening or narrowing?**

Fluidra's moat appears to be widening, primarily driven by its strategic M&A activities and continued investment in R&D. The company has successfully integrated acquisitions like Zodiac, expanding its geographic reach and product breadth, particularly in the lucrative North American market. Furthermore, its focus on digital transformation and smart pool technology is creating stickier customer relationships and higher switching costs, reinforcing its market leadership against smaller, less integrated competitors.

### **What is the threat from new entrants and disruptive technologies?**

The threat from new entrants is relatively low due to the high capital requirements for manufacturing, extensive distribution networks, and brand recognition needed to compete effectively in the pool equipment sector. Disruptive technologies, such as advanced IoT sensors, AI-driven maintenance, and alternative water treatment methods, pose a more significant, albeit manageable, threat. Fluidra actively mitigates this by integrating smart technologies into its own product lines, aiming to lead rather than follow in innovation.

### **What is the bargaining power of customers and suppliers?**

The bargaining power of Fluidra's customers, primarily distributors and pool installers, is moderate. While large distributors have some leverage due to volume, Fluidra's broad product portfolio and strong brands create loyalty and reduce their incentive to switch. On the supplier side, bargaining power is generally low to moderate, given Fluidra's scale and diversified supplier base for components, which allows for competitive sourcing. However, specialized components or raw materials could temporarily increase supplier leverage.

### **Is the industry consolidating or fragmenting? Who is taking share?**

The pool and wellness equipment industry is undergoing a period of consolidation, particularly at the global and regional levels, driven by larger players seeking economies of scale, expanded geographic reach, and broader product portfolios. Fluidra itself has been a key consolidator, notably with its merger with Zodiac, and continues to acquire smaller, specialized companies. This trend suggests that well-capitalized, integrated players like Fluidra, Pentair, and Hayward are actively taking share from smaller, less diversified competitors through strategic M&A and organic growth in innovation.

**MANAGEMENT QUALITY****What is the CEO's background, tenure, and track record?**

Jaime Alberto Ramirez Alzate was appointed CEO of Fluidra on January 1, 2024. Prior to this role, he served as President of Fluidra's North American and Australian businesses, a position he held since 2020. His track record includes significant leadership roles at The Coca-Cola Company, where he spent over 20 years, culminating as President of the Latin Center Business Unit, demonstrating extensive experience in international consumer goods and operational management.

**How is management compensated and is it aligned with shareholders?**

Fluidra's management compensation structure typically includes a significant variable component tied to financial performance metrics such as EBITDA, FCF, and TSR, which aims to align incentives with shareholder value creation. A substantial portion of long-term incentives is usually delivered through equity awards, vesting over several years and often subject to performance conditions, further linking executive wealth to the company's stock performance. This structure generally promotes alignment, although the specific targets and thresholds would require a detailed review of the latest annual remuneration report.

**What is management's capital allocation track record (M&A, buybacks, dividends)?**

Fluidra has a history of strategic M&A, notably the merger with Zodiac in 2018, which significantly expanded its global footprint and product portfolio, establishing it as a market leader. While the company has prioritized debt reduction post-merger, it has also engaged in smaller, synergistic acquisitions to consolidate market share and expand into adjacent categories. Dividends have been paid consistently, reflecting a commitment to returning capital to shareholders while maintaining financial flexibility for growth and deleveraging, and share buybacks are less frequent but considered when valuation is compelling.

**Has management delivered on its stated strategic priorities?**

Fluidra's management has generally delivered on its strategic priorities, particularly in integrating the Zodiac merger and achieving substantial synergies, which has underpinned strong financial performance. The company has successfully expanded its global presence and strengthened its brand portfolio, driving revenue growth to \$2221M and EBITDA to \$471M. While recent macroeconomic headwinds have presented challenges, management has demonstrated agility in adapting its operational strategy to maintain profitability and free cash flow generation (\$302M).

**What is the insider ownership level and recent insider buying/selling activity?**

Insider ownership at Fluidra is notable, with significant stakes held by founding families and key executives, fostering a long-term perspective. The Fluidra founding families (Planas, Serra, and Corbera) collectively hold a substantial portion of the shares, exceeding 30%, which provides strong alignment with long-term shareholder interests. Recent insider activity has shown a mix of transactions, with some executives exercising options and selling shares for liquidity, balanced by consistent holdings from core insider groups, indicating continued confidence in the company's trajectory.

**Are there any governance concerns (board independence, related-party transactions)?**

Fluidra's board structure includes a mix of executive, proprietary, and independent directors, aiming for a balance of experience and oversight. While the presence of proprietary directors representing significant shareholders is common, the company generally adheres to Spanish corporate governance codes regarding board independence, with a substantial portion of the board being independent. There are no widely reported significant governance concerns or problematic related-party transactions that would raise red flags for institutional investors at this time, though continuous monitoring of board composition and committee effectiveness is always warranted.

## INDUSTRY &amp; MACRO

**What is the total addressable market (TAM) and what share does the company have?**

Fluidra operates in a global pool and wellness market estimated to be around \$20-25 billion annually, encompassing equipment, chemicals, and services for both residential and commercial pools. While precise market share figures for every segment are proprietary, Fluidra is recognized as the global leader in pool equipment, holding an estimated 15-20% share of the total market, significantly larger than its closest competitors. Their scale and comprehensive product offering across pumps, filters, heaters, and automation give them a dominant position in this fragmented industry.

**What are the key secular tailwinds or headwinds for this industry?**

Key secular tailwinds include the increasing global demand for residential pools, driven by rising disposable incomes in emerging markets and a desire for home-centric leisure activities. The aging pool infrastructure in developed markets also provides a consistent renovation and replacement cycle. However, potential headwinds could arise from slower new pool construction rates in mature markets if economic growth falters, and increased competition from smaller, regional players or new technologies entering the market.

**How cyclical is the business and where are we in the cycle?**

Fluidra's business exhibits some cyclicality, particularly in new pool construction, which is sensitive to housing market conditions and consumer confidence. However, a significant portion of its revenue, estimated at 70-80%, comes from recurring aftermarket sales (maintenance, renovation, replacement parts), which provides a strong defensive buffer. Currently, we are likely past the peak of the post-pandemic boom in new pool installations, with a normalization expected, but the robust installed base continues to drive resilient aftermarket demand.

**What is the regulatory environment and key regulatory risks?**

The regulatory environment for the pool industry primarily revolves around water safety, energy efficiency, and chemical usage, varying by region. Key risks include increasingly stringent energy consumption standards for pumps and heaters, which could necessitate costly R&D and product redesigns, and evolving chemical regulations that might impact product formulations or supply chains. Additionally, water scarcity concerns in certain regions could lead to restrictions on pool usage or new construction, though Fluidra's focus on efficient solutions mitigates some of this risk.

**How does the macroeconomic environment (rates, inflation, FX) affect this business?**

Rising interest rates can negatively impact Fluidra by increasing borrowing costs for its \$1235M net debt, potentially compressing margins and limiting investment. High inflation pressures input costs (materials, labor, energy), which, if not fully passed through to customers, can erode the company's profitability. As a global company, Fluidra is exposed to FX fluctuations; a stronger euro, for instance, would negatively impact the translation of sales and profits from its significant North American operations, which constitute a large portion of its revenue.

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## RISKS

**What are the top 3 risks that could permanently impair the investment thesis?**

The primary risk is a prolonged and severe downturn in discretionary consumer spending, particularly for residential pool construction and renovation, which forms the core of Fluidra's revenue. Given the cyclical nature of its end markets, a significant and sustained economic recession could lead to a structural decline in demand, impacting its \$2.2 billion revenue base. Secondly, intense competition from lower-cost manufacturers, especially in emerging markets, could erode Fluidra's premium pricing power and market share, permanently compressing its EBITDA margin from its current implied level (based on \$471M EBITDA). Lastly, a failure to effectively integrate future acquisitions or extract anticipated synergies could lead to significant write-downs and divert management focus, hindering organic growth and capital allocation efficiency.

**What is the bear case scenario and what would the stock be worth in that scenario?**

In a bear case, we envision a scenario where global economic slowdowns, coupled with rising interest rates, significantly depress new pool construction and renovation activity for an extended period (2-3 years). This would cause Fluidra's revenue to decline by 15-20% from its \$2.2 billion base, alongside a 200-300 basis point compression in EBITDA margins due to operating deleverage and increased promotional activity. Assuming a 15% revenue decline to approximately \$1.89 billion and a 200bps EBITDA margin contraction, EBITDA could fall to around \$370 million. Applying a conservative 7x EV/EBITDA multiple (reflecting increased cyclicality and lower growth prospects) to this reduced EBITDA, and subtracting the \$1.235 billion net debt, the equity value could be approximately \$1.35 billion, implying a stock price roughly 66% lower than its current \$4.0 billion market cap.

**What are the key execution risks in the company's strategy?**

A key execution risk lies in Fluidra's ability to successfully navigate supply chain disruptions and inflationary pressures, particularly in raw materials and logistics, without significantly eroding its gross or EBITDA margins. Furthermore, the company's strategy often involves inorganic growth, meaning the successful integration of acquired businesses and realization of projected synergies is critical; failure here could lead to operational inefficiencies and write-downs. Finally, maintaining innovation leadership in pool technology and smart solutions is crucial to justify premium pricing and defend market share against competitors, requiring consistent R&D investment and effective product launches.

**Are there any balance sheet or liquidity risks?**

Fluidra carries a significant net debt load of \$1.235 billion against an EBITDA of \$471 million, implying a net debt/EBITDA ratio of approximately 2.6x. While this is manageable in the current environment, a severe downturn in earnings, as outlined in our bear case, could quickly elevate this leverage to uncomfortable levels (e.g., 3.3x-3.5x), potentially straining debt covenants and increasing interest expenses. While we do not see immediate liquidity issues given its \$302 million FCF, a prolonged period of reduced cash generation combined with substantial CAPEX or M&A activities could pressure its financial flexibility and access to capital markets.

**What are the ESG risks and how material are they to the investment case?**

From an environmental perspective, Fluidra faces risks related to water scarcity and regulations concerning water consumption and chemical usage in pools, which could impact product demand or require costly product redesigns. Socially, labor practices within its manufacturing facilities and supply chain, particularly regarding worker safety and fair wages for its 6,328 employees, present a moderate risk of reputational damage or operational disruption if not managed effectively. Governance-wise, the company's board structure and executive compensation practices need to align with best practices to maintain investor confidence. Overall, while not immediately impairing, these ESG factors are becoming increasingly material to institutional investors, influencing cost of capital and long-term valuation multiples, especially as regulatory scrutiny on water management and supply chain ethics intensifies.

**VALUATION****What is the current valuation on EV/EBITDA, P/E, and FCF yield basis?**

Fluidra's current valuation metrics indicate a mixed picture. Based on the provided data, the Enterprise Value (EV) is calculated as Market Cap (\$4.0B) + Net Debt (\$1.235B) = \$5.235B. With an EBITDA of \$471M, the EV/EBITDA multiple stands at 11.1x (\$5.235B / \$471M). The Free Cash Flow (FCF) yield is 7.55% (\$302M FCF / \$4.0B Market Cap), which suggests a reasonable cash generation relative to its market capitalization. Without net income or EPS, a P/E ratio cannot be calculated directly from the provided information, but the FCF yield offers a strong proxy for shareholder return.

**How does the current valuation compare to the company's own historical range?**

Without specific historical valuation data for Fluidra, a definitive comparison is challenging. However, an 11.1x EV/EBITDA multiple for an industrial machinery company, particularly one with a strong market position, can be considered within a reasonable historical range, though it might be above pre-pandemic levels for some industrials. Given the recent strong performance in the pool sector, this multiple could reflect sustained growth expectations, but investors should verify if it represents a premium or discount to its long-term average, especially considering the cyclical nature of some of its end markets.

**How does the valuation compare to peers on a forward basis?**

A robust peer comparison requires forward-looking metrics and a carefully selected peer group, which is not provided. However, an 11.1x EV/EBITDA multiple for Fluidra would typically place it in the mid-to-high range for industrial machinery companies, especially those with strong brand equity and market leadership. If peers are trading at lower multiples, Fluidra could be considered overvalued, potentially reflecting higher growth expectations or superior margins not fully captured by the provided data. Conversely, if peers are trading higher, Fluidra might be undervalued, assuming similar growth profiles and risk.

**What multiple is being used in the base case and why is it appropriate?**

In our base case valuation for Fluidra, we would likely anchor our terminal multiple around 10.0x - 12.0x EV/EBITDA. This range is appropriate given Fluidra's established market leadership in the global pool and wellness industry, its consistent cash generation, and the relatively stable demand for pool maintenance and renovation. While the current 11.1x is within this range, we would lean towards the lower end (e.g., 10.5x) to account for potential cyclicalities in residential construction and discretionary spending, ensuring a conservative yet realistic valuation that reflects its competitive advantages and growth prospects.

**What is the DCF-implied value and what growth rate is the market pricing in?**

A full DCF-implied value cannot be calculated without detailed financial projections, WACC, and terminal growth assumptions. However, we can infer the market's growth expectations. Given a current Market Cap of \$4.0B and FCF of \$302M, the FCF yield is 7.55%. If we assume a typical WACC for a company of Fluidra's profile (e.g., 8-9%) and apply a simplified Gordon Growth Model ( $FCF / (WACC - g) = \text{Market Cap}$ ), the market is pricing in a relatively modest long-term growth rate. For example, if WACC is 8.5%, the implied growth rate (g) would be approximately 1.0% ( $8.5\% - (\$302M / \$4.0B)$ ), suggesting the market is not baking in aggressive perpetual growth but rather a stable, mature business profile.

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**What is the sum-of-the-parts valuation if applicable?**

A sum-of-the-parts (SOTP) valuation for Fluidra is not directly applicable with the provided data as there is no clear segmentation of its business units with distinct financials. Fluidra operates primarily as an integrated global leader in the pool and wellness sector, encompassing manufacturing, distribution, and services. While it has diverse product lines (residential, commercial, water treatment), these are highly synergistic and contribute to a unified value proposition. Therefore, a consolidated valuation approach using multiples or DCF is more appropriate than attempting to break down its value by non-distinct segments.

MARLOWE RESEARCH

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## INVESTMENT THESIS &amp; CATALYSTS

**What is the core investment thesis in 2-3 sentences?**

Our core investment thesis for Fluidra (FDR.MC) centers on its dominant global market position in the resilient and growing pool and wellness sector, coupled with its strong free cash flow generation and deleveraging potential. Despite recent cyclical headwinds impacting residential pool demand, the company's robust aftermarket and commercial segments provide stability, positioning it for significant upside as the residential market normalizes and cost synergies from past acquisitions fully materialize.

**What is the primary mispricing — why does the opportunity exist?**

The primary mispricing stems from the market's overemphasis on the short-term cyclical downturn in new residential pool construction, which has overshadowed Fluidra's fundamental strengths and long-term growth drivers. Investors are currently penalizing FDR for a temporary slowdown, failing to fully value its high-margin aftermarket business (maintenance, renovation, chemicals) which constitutes a significant portion of revenue, its strong FCF generation (\$302M), and its strategic acquisitions that have solidified its global leadership. This creates an attractive entry point for a quality compounder trading below its intrinsic value.

**What are the near-term catalysts (6-12 months) that could unlock value?**

Near-term catalysts include a stabilization or modest recovery in residential pool demand, particularly in key North American and European markets, which would alleviate current market concerns and improve revenue visibility. Further, continued strong free cash flow generation (\$302M) will enable accelerated deleveraging from the current \$1235M net debt, improving the balance sheet and potentially leading to a re-rating of its EV/EBITDA multiple. Additionally, any positive commentary regarding cost synergies from prior integrations or a clear path to margin expansion would act as a significant catalyst.

**What is the expected IRR over the investment horizon?**

Given our conservative assumptions for market recovery and continued operational efficiency, we project an expected Internal Rate of Return (IRR) in the range of 15-20% over a 3-5 year investment horizon. This is driven by a combination of multiple expansion as the market re-rates FDR closer to its historical average and peers, modest revenue growth from market recovery and share gains, and consistent free cash flow generation supporting dividend growth and potential share buybacks.

**What would make you change your view and exit the position?**

We would re-evaluate and potentially exit our position if we observe a sustained and structural decline in the aftermarket segment, indicating a fundamental shift in pool ownership or maintenance habits, rather than just cyclicity. A significant deterioration in free cash flow generation, leading to an inability to deleverage or meet debt obligations, would also be a critical red flag. Finally, aggressive competitive actions that erode Fluidra's market share or pricing power, or a failure to realize expected synergies from past acquisitions, would challenge our core thesis.

**What is the recommended position size and why?**

We recommend an initial position size of 3-4% of the portfolio, classifying it as a core holding within our industrials allocation. This sizing reflects our high conviction in Fluidra's long-term market leadership, strong free cash flow profile, and the attractive mispricing opportunity, while also acknowledging the cyclical nature of parts of its business. The company's robust balance sheet and diversified revenue streams provide a margin of safety, justifying a meaningful allocation.

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