



global investor by Jean Pierre Verster



Go on, take a dip

Spring is here! Many South Africans will be spending quite a bit of money on their pools soon, making sure they are in sparkling condition and ready for the glorious sunny days to come.

We are not alone – globally, expenditure on swimming pools has surged as people stayed at home, not being able to travel for their summer holiday breaks. Let's take a look at some stocks that are benefiting from this trend.

Pentair

There are three types of swimming pool cleaners: suction-based; pressure-based; and robotic.

The Kreepy Krauly was the world's first commercially successful suction-based automatic pool cleaner.

It was invented in 1974 by Ferdinand Chauvier, a hydraulics engineer who emigrated to SA from the Belgian Congo in 1951 and settled in the highveld town of Springs.

In 1999, the Chauvier family sold the business to US-based Pac Fab, which, in turn, was acquired by Pentair. Pentair is a global water treatment company incorporated in Ireland but listed on the New York Stock Exchange, with a market cap of almost \$13bn.

It has four main business segments: pool equipment (the largest segment); water treatment; flow technologies; and industrial filtration.

Pentair has increased its dividend for each of the past 45 years, which is extraordinary.

At the present \$76 a share, the stock seems to be bobbing around fair value.

Fluidra

The Baracuda is another innovative automatic pool cleaner invented by a South African, Helmut Hofman, in 1976. The Baracuda group was sold to a US venture capital firm in 1990, which on-sold it in 1996 to France's Zodiac Nautic, the world leader in inflatable boats (and inflatable pools) at the time.

Zodiac also acquired Polaris Pool Systems and Jandy Pool Products in the

early 2000s, making it the largest player in the US residential swimming pool market by 2010. In 2018, Zodiac merged with the leading player in the European residential swimming pool market, Fluidra, to become the global leader in pool equipment. Fluidra has a market cap of €7bn and is listed on the Madrid Stock Exchange in Spain.

Even though the shares have been pumping over the past five years, rising about tenfold, there still seems to be value at the current price of €35 a share.

Maytronics

Listed on the Tel Aviv Stock Exchange in Israel, Maytronics is the global leader in the robotic pool cleaner market.

Robotic pool cleaners are self-propelled motorised devices and are gaining market share from other pool cleaner types.

They are not attached to a hose but collect debris in an internal compartment that needs to be emptied periodically.

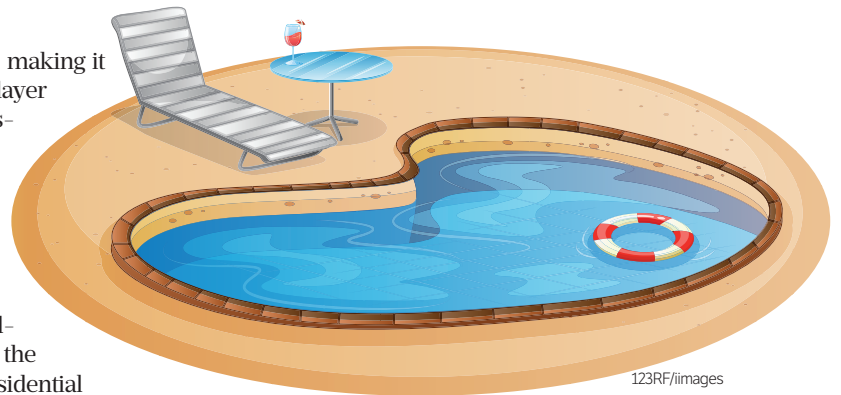
Amazingly, Maytronics can also trace its roots to a South African, Peter Rasch. He invented a revolutionary robotic pool cleaner in 1982 and partnered with Maytronics to commercialise his idea.

The company has a market cap of \$2.6bn and has returned about 30% a year since its listing in 2004. It seems to be cleaning up the competition with its Dolphin robotic cleaner, but the current share price is too expensive for us.

PoolCorp

PoolCorp is the world's leading wholesale distributor of swimming pool supplies, equipment and related outdoor products.

It dominates the US market and is expanding internationally. With a fragmented base of suppliers and a diverse



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marketplace of customers, PoolCorp is perfectly positioned to generate above-average returns from its competitive advantages: scale; negotiating position; and pricing power.

The company has a market cap of almost \$20bn and has delivered a return of 28% a year since its listing in 1995, which is, incredibly, the second-highest return among all US publicly traded companies over this timeframe.

Incidentally, the top-performing share over this period also has an SA connection, but that is a story for another day.

PoolCorp's shares have ebbed into expensive waters lately, however, preventing us from jumping in for now.

Latham Group

Latham Group is the largest designer, manufacturer and marketer of in-ground residential swimming pools in North America, Australia and New Zealand.

Its IPO was in April this year, under the share code SWIM on the Nasdaq. The company has a market cap of \$2.6bn and it is trying to sell more pool accessories and maintenance products – not just pools – directly to customers.

It will be interesting to see if Latham's strong competitive position in the manufacturing of fibreglass and vinyl pools will help it compete effectively in the selling of other pool products.

We won't be holding our breath, and prefer the safer waters of the other companies discussed here. **X**

Verster is CEO of Protea Capital Management

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