

# Financial results briefing

## 1–12/2020

11 February 2021

uponor

**Jyri Luomakoski** – President and CEO  
**Minna Yrjönmäki** – CFO



## Q4/2020: Strong performance continued

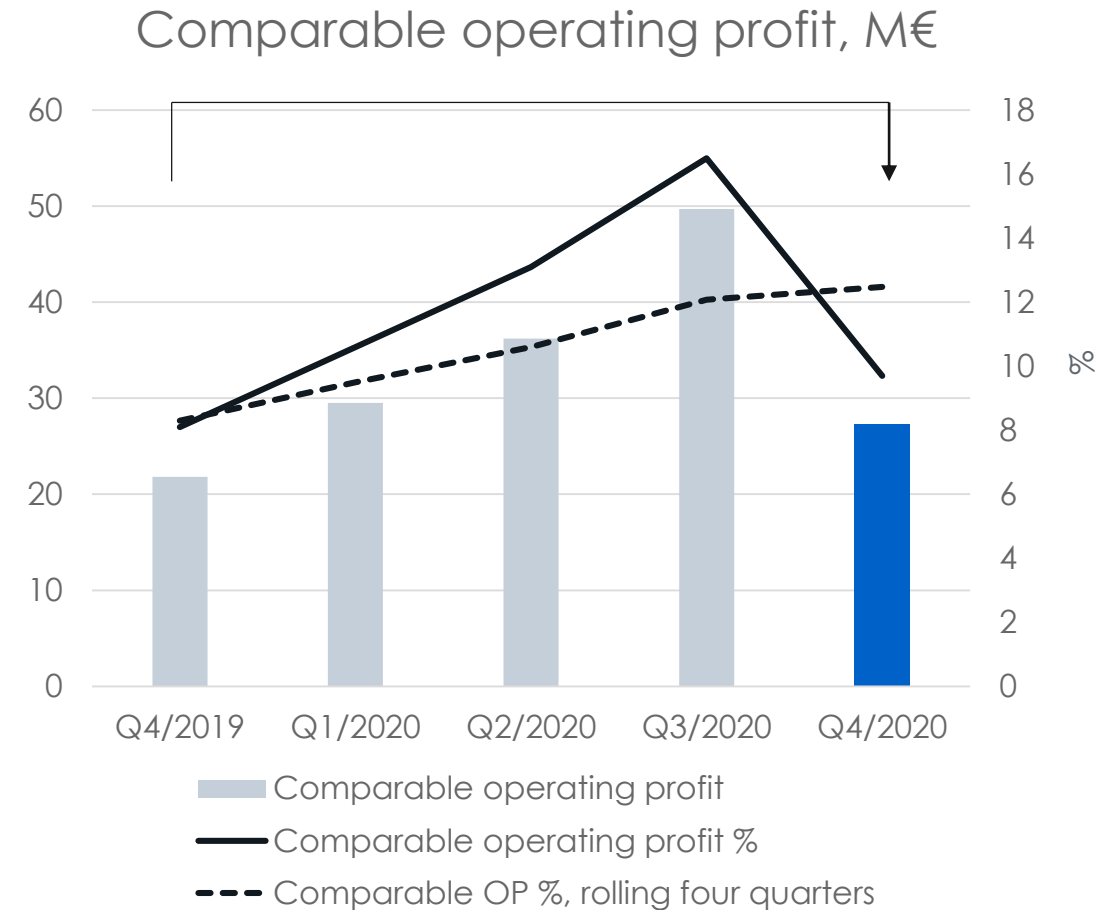
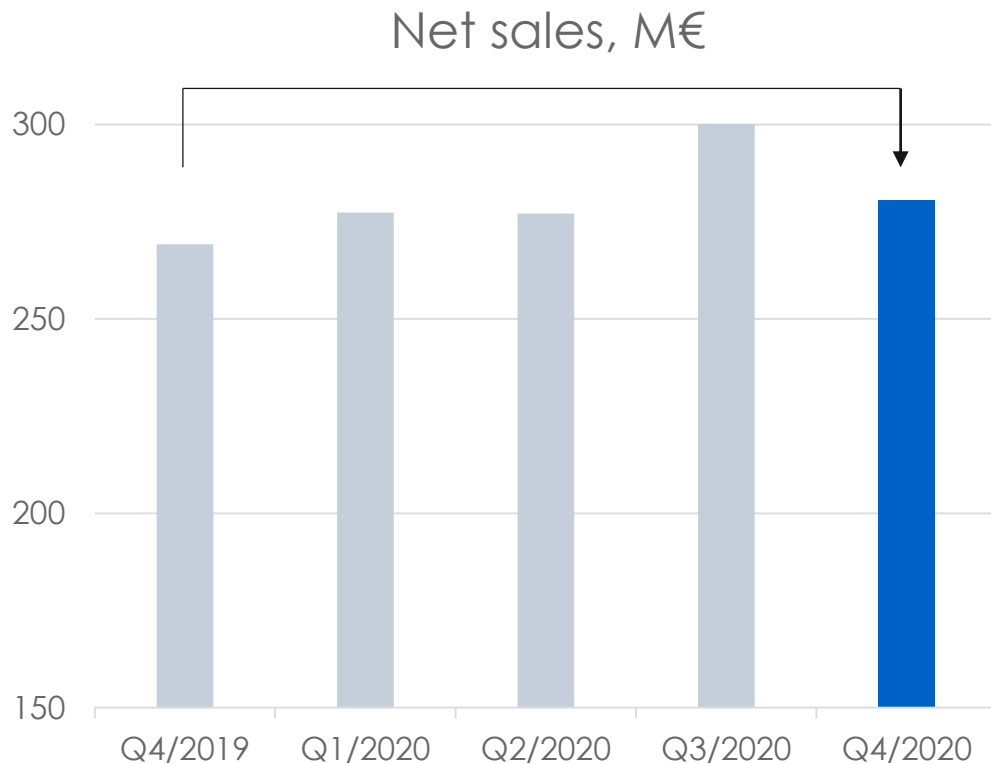
- Net sales were €280.5 (269.2) million, organic growth 6.0% in constant currency terms
- Comparable operating profit was €27.3 (21.8) million, growth 25.6%
- Operating profit increased in Building Solutions – North America, despite lower net sales
- Net sales and comparable operating profit increased in both Building Solutions – Europe and Uponor Infra

## Full year 2020: Record result since the financial crisis 2008

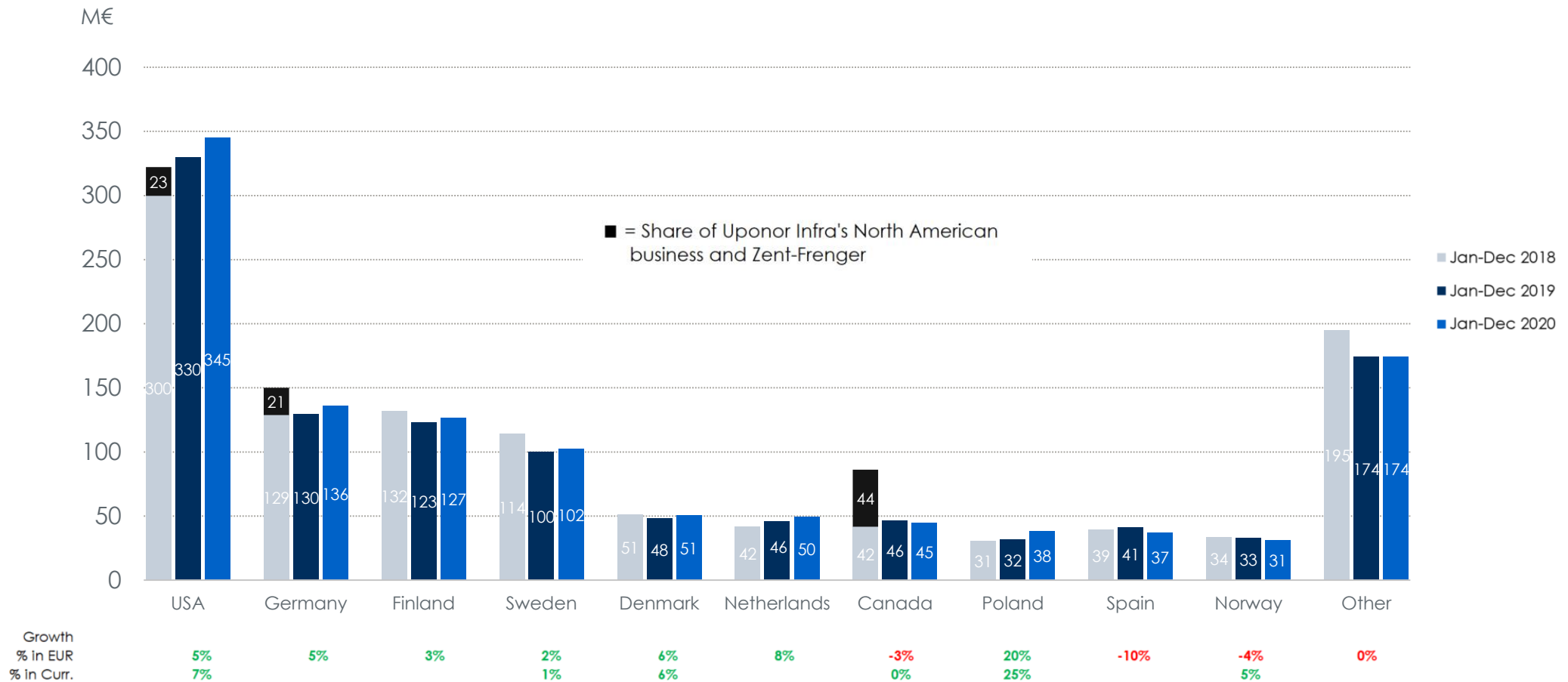
- Net sales were €1,136.0 (1,103.1) million, organic growth 4.6% in constant currency terms
- Comparable operating profit was €142.7 (92.7) million, growth 53.9%
  
- Net sales and comparable operating profit improved in all three segments



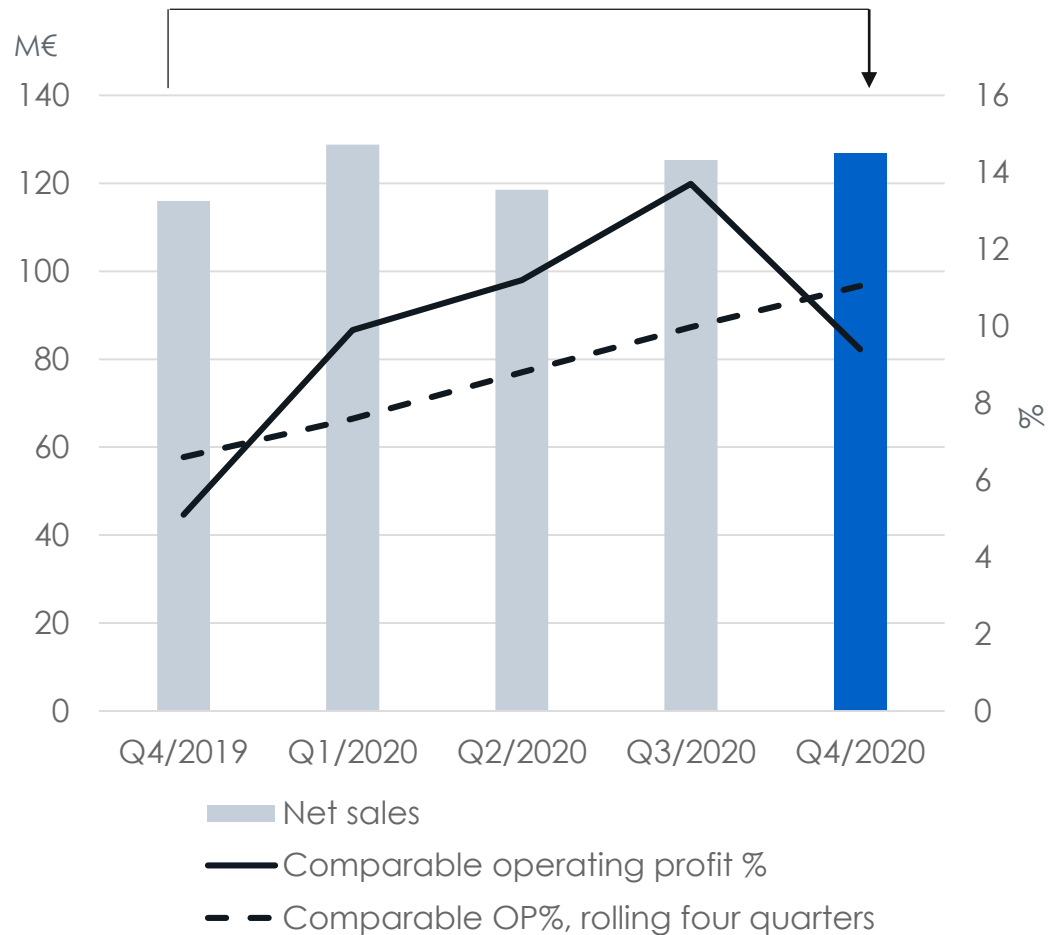
# Net sales & comparable operating profit: Long-term financial targets reached



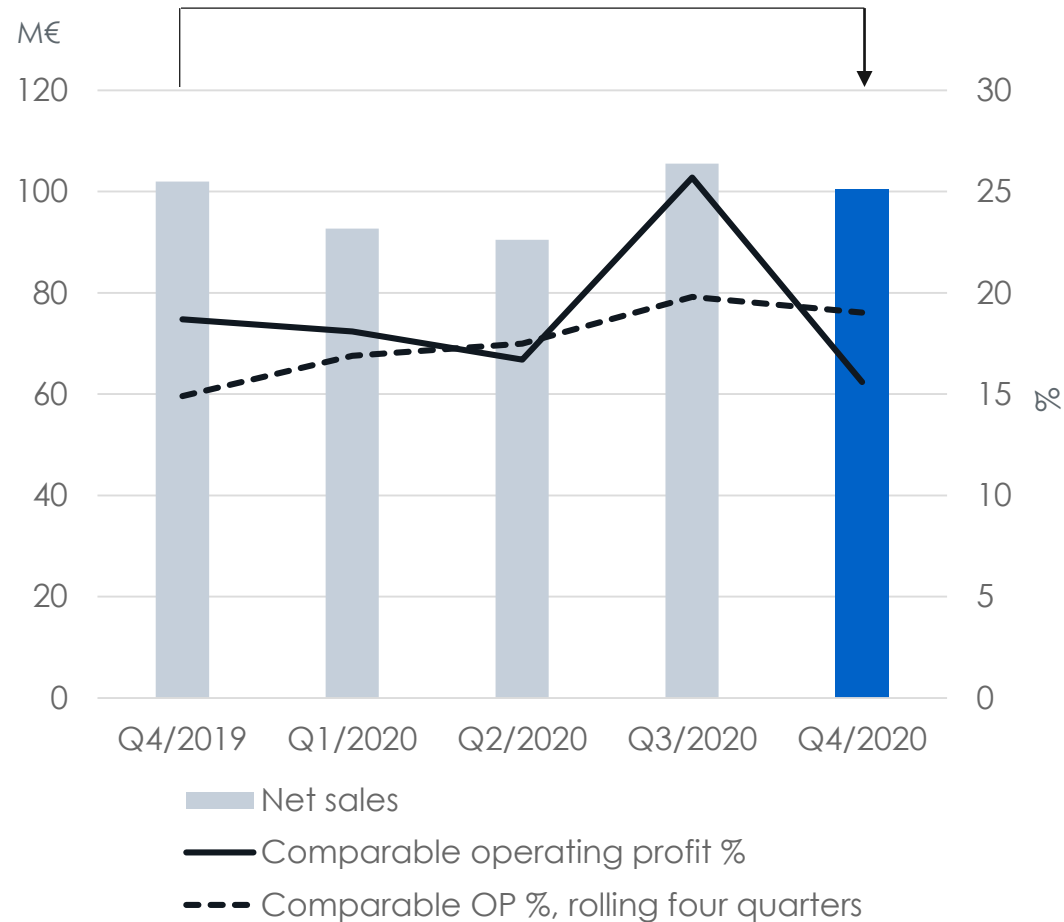
# Development by key markets January–December 2020: Net sales increased in almost all key markets



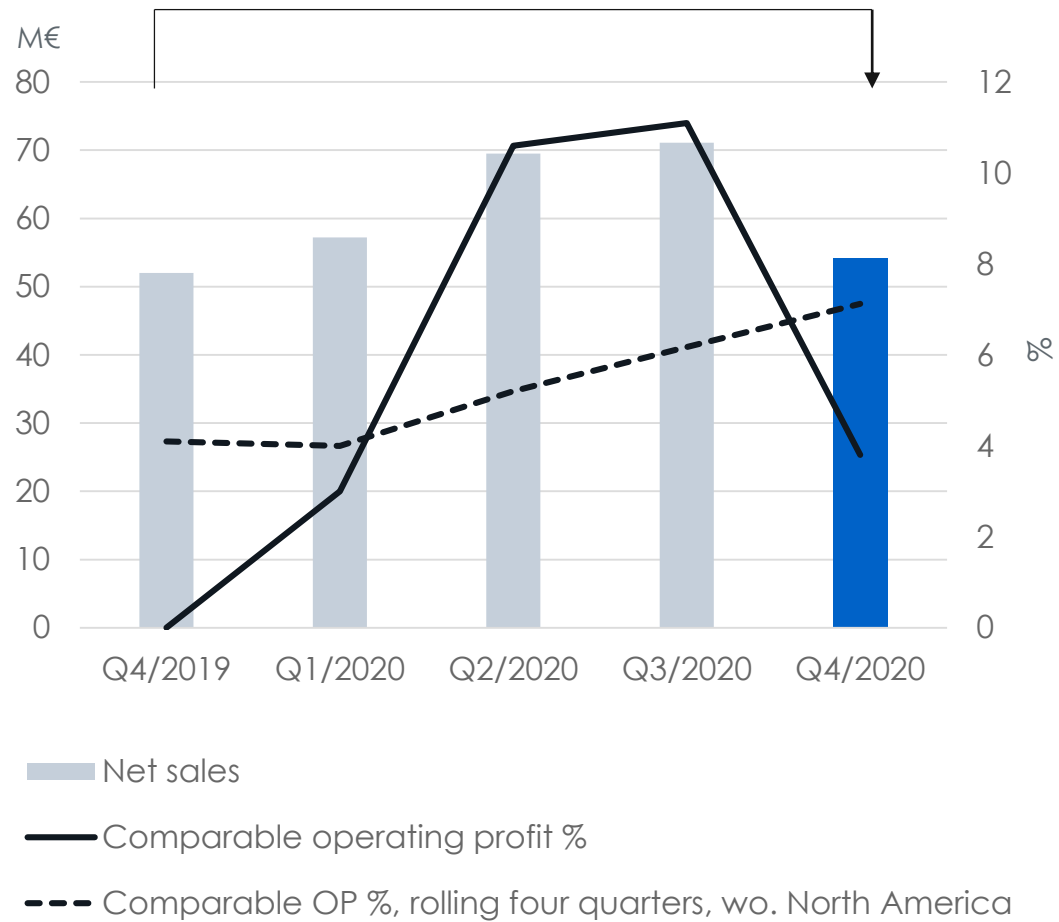
# Building Solutions – Europe: Profitability improved significantly



# Building Solutions – North America: A strong performance throughout the year



# Uponor Infra: A solid year in terms of both net sales and operating profit



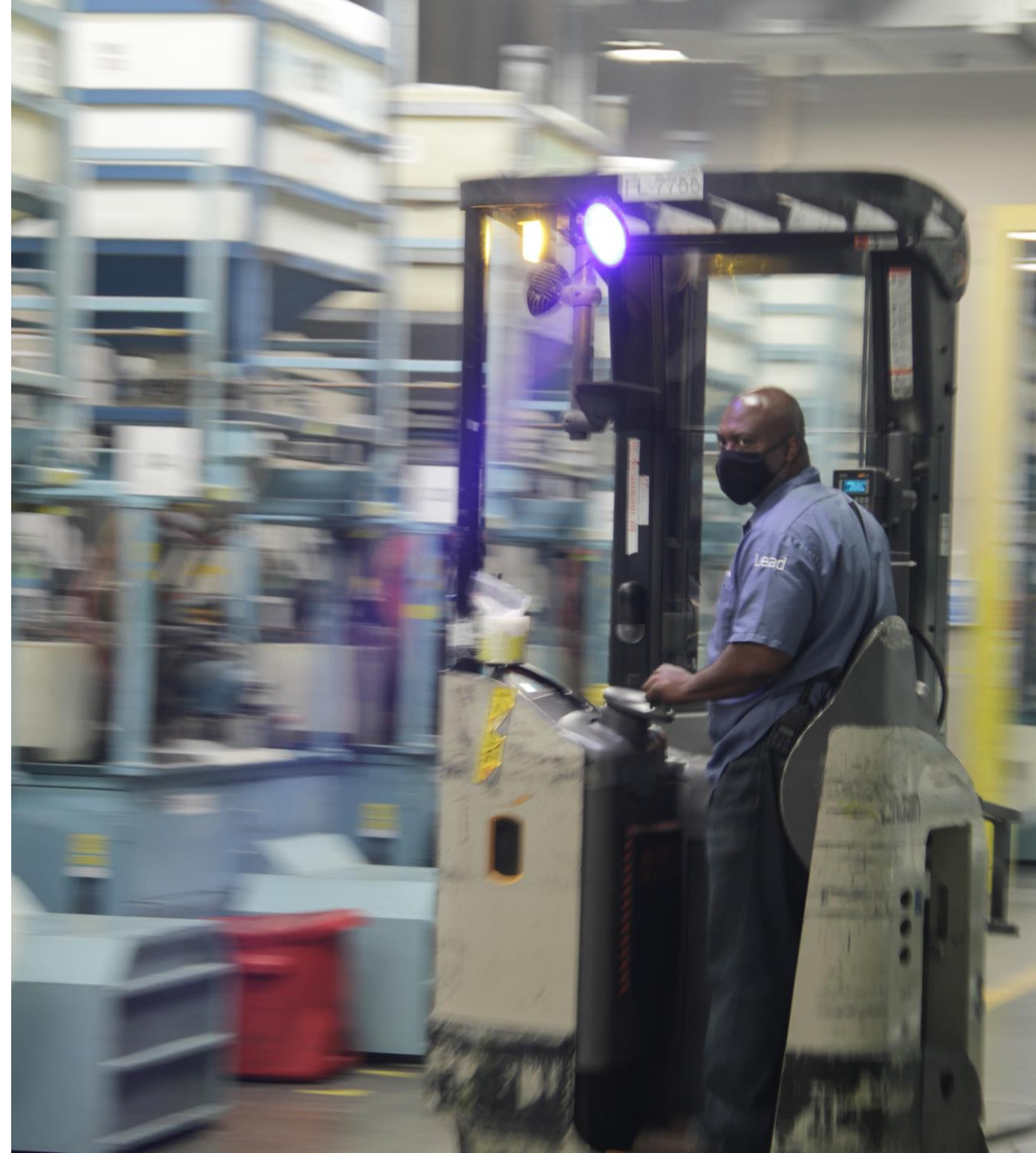
# Good progress on sustainability agenda

	Unit	2019	2020
Total energy consumption	1,000 MWh	218.0	<b>208.5</b>
Raw material used	1,000 tonnes	146.2	<b>157.1</b>
Water consumption	1,000 m3	154.1	<b>139.3</b>
Total GHG emissions (Scope 1)	1,000 tonnes	8.4	<b>6.7</b>
Total GHG emissions (Scope 2)	1,000 tonnes	27.0	<b>14.4</b>
Total waste	1,000 tonnes	18.1	<b>15.9</b>
Incident rate (LTIF)	per million work hours	11.9	<b>7.5</b>

- The target level of Uponor's earlier climate related goal to reduce its greenhouse gas emissions (reduction of direct and indirect scope 1 and 2 by 20% per net sales by 2020, from the 2015 levels) was met.
- Uponor has committed to the Science Based Targets initiative and expects to gain approval for the new GHG emission reduction targets during the first half of 2021.

## Impacts of COVID-19 in 2020

- COVID-19 restrictions and related economic uncertainty led to overall market slowness and uncertainties in Uponor's operating environment.
- During spring, demand for Uponor's solutions decreased, but after May, demand returned to normal seasonal level.
- Costs related to marketing activities and travelling were directly impacted by the pandemic creating savings around €10 million.
- Starting in 2021, Uponor expects these costs to gradually reoccur.



## Operational excellence programme progresses according to plan

- In 2020, the programme generated savings of approximately €8 million.
- The programme is expected to reduce approximately 200 FTEs by the end of 2021. By the end of 2020, the reduction was close to 80 FTEs.
- Since the launch of the programme, in total €11.8 million in one-time costs have been recorded as items affecting comparability.
  - Of that amount, €10.4 million was recorded in 2020



# Uponor's long-term financial targets

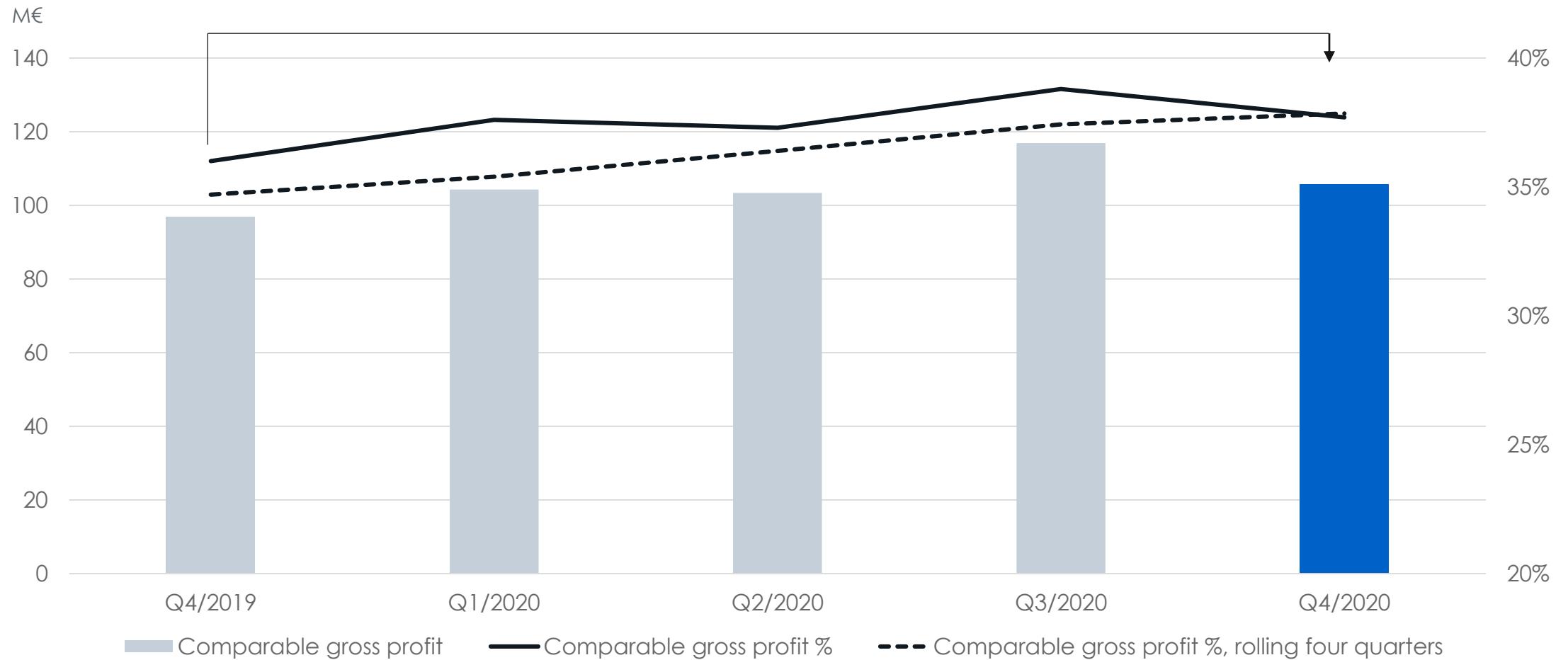
	Target	Achievement in 2020
Growth	Organic net sales growth to exceed annual GDP growth* by 3 ppts  <i>* (GDP growth based on a weighted average growth in the top 10 countries)</i>	<b>3.0%</b> (GDP growth 2020E: -1.2%)
Comparable operating profit margin	To exceed 10%	<b>12.6%</b>
Dividend pay-out	To be at least 50% of annual earnings	<b>47.1%</b>
Gearing	To stay within 40–80% as an annual average of the quarters	<b>28.6%</b>
Return on investment	To exceed 20%	<b>21.8%</b>

Minna Yrjönmäki, CFO

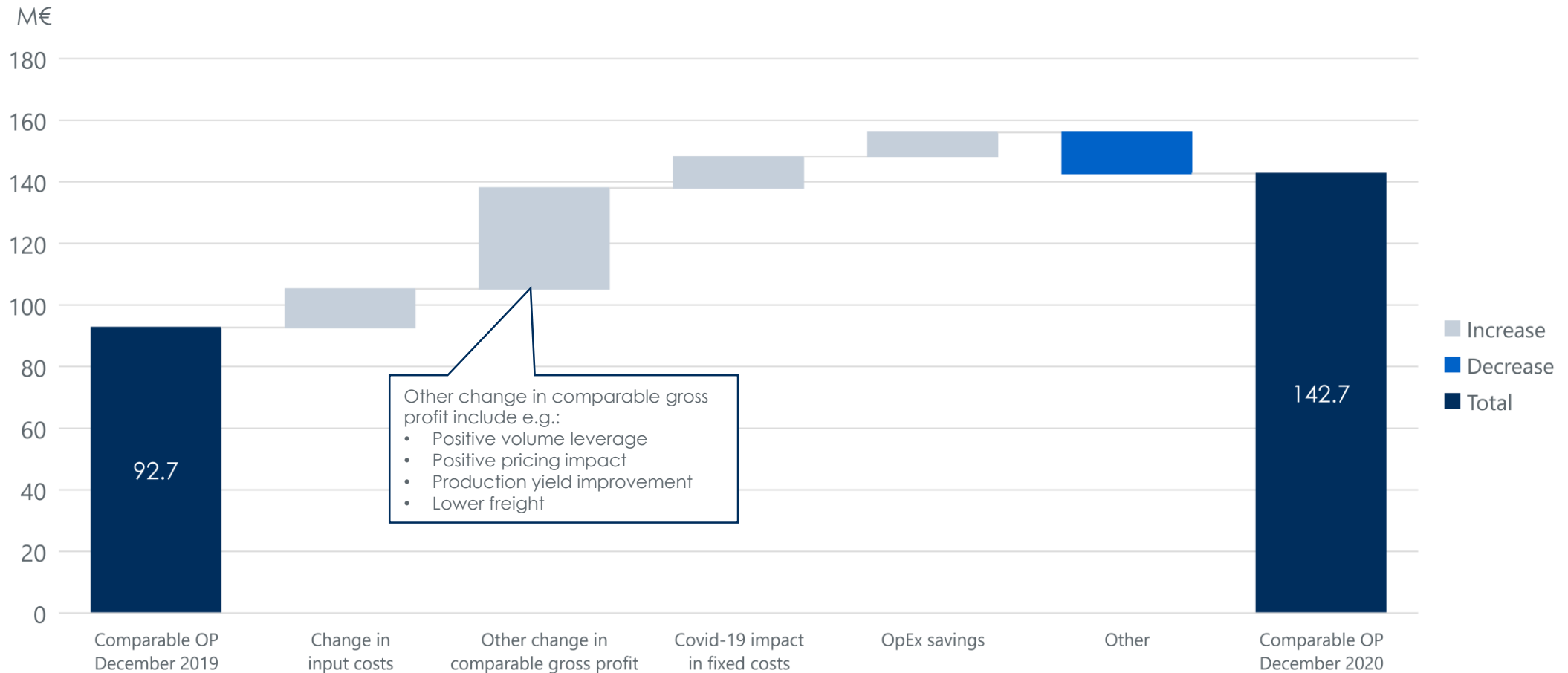
# Financial Statements

## 1-12/2020

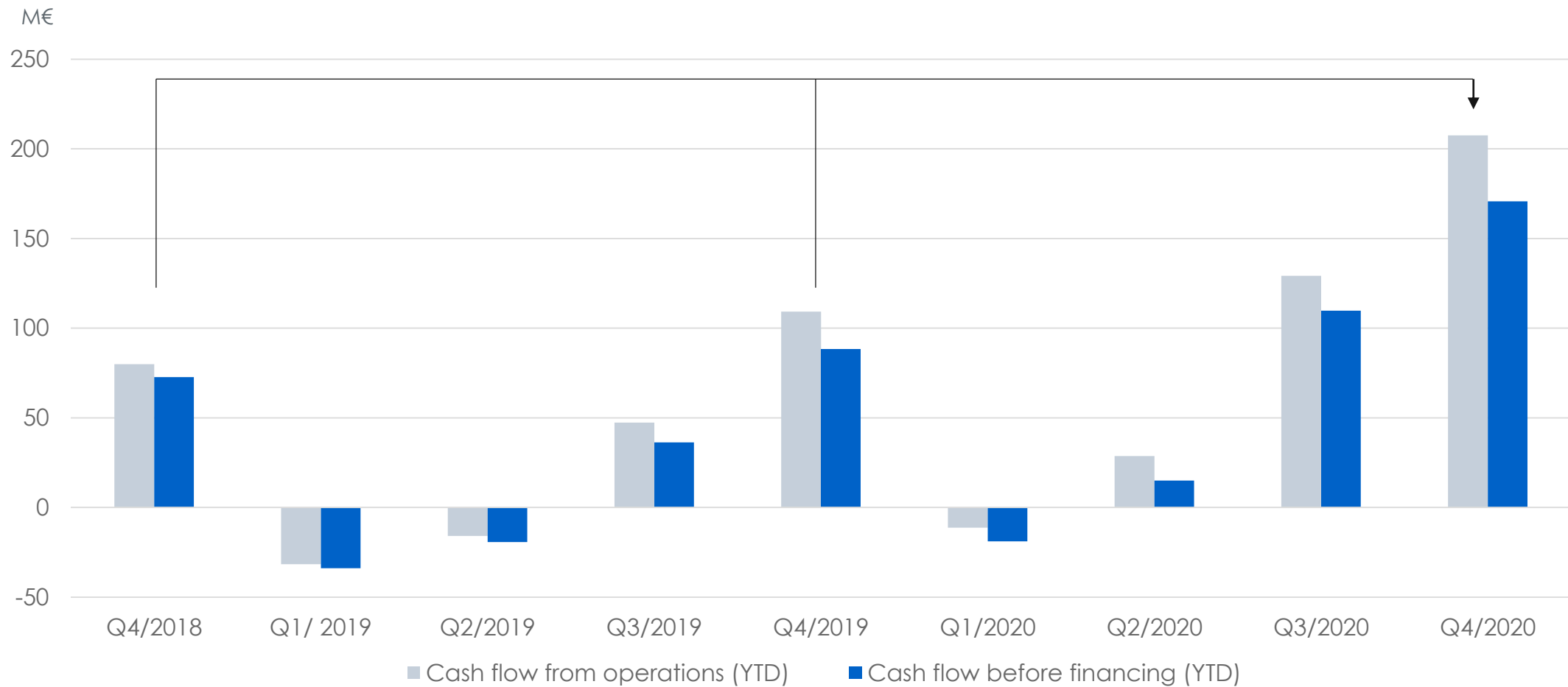
# Comparable gross profit margin improved driven by improvements in operations and favourable input costs



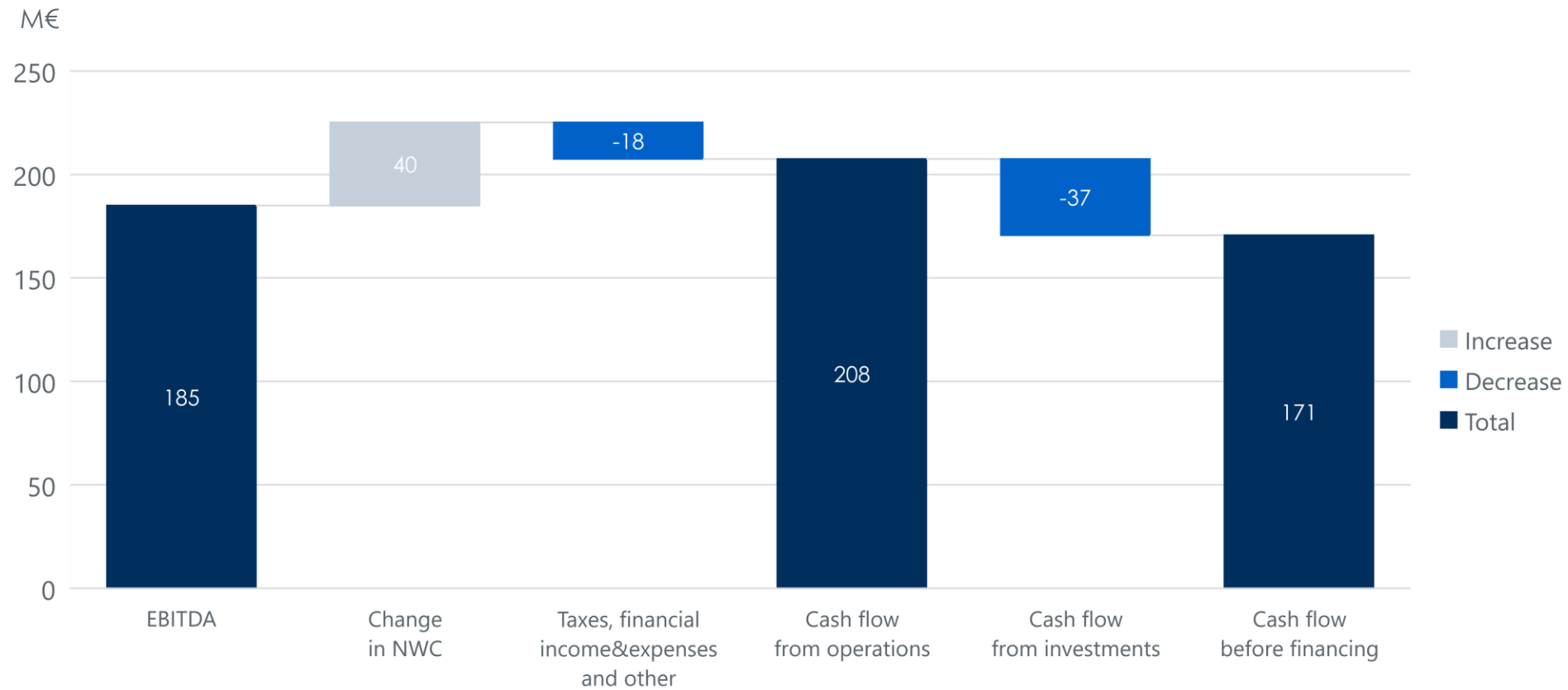
# The increase in comparable operating profit was driven by cost improvement, volume growth and operational excellence



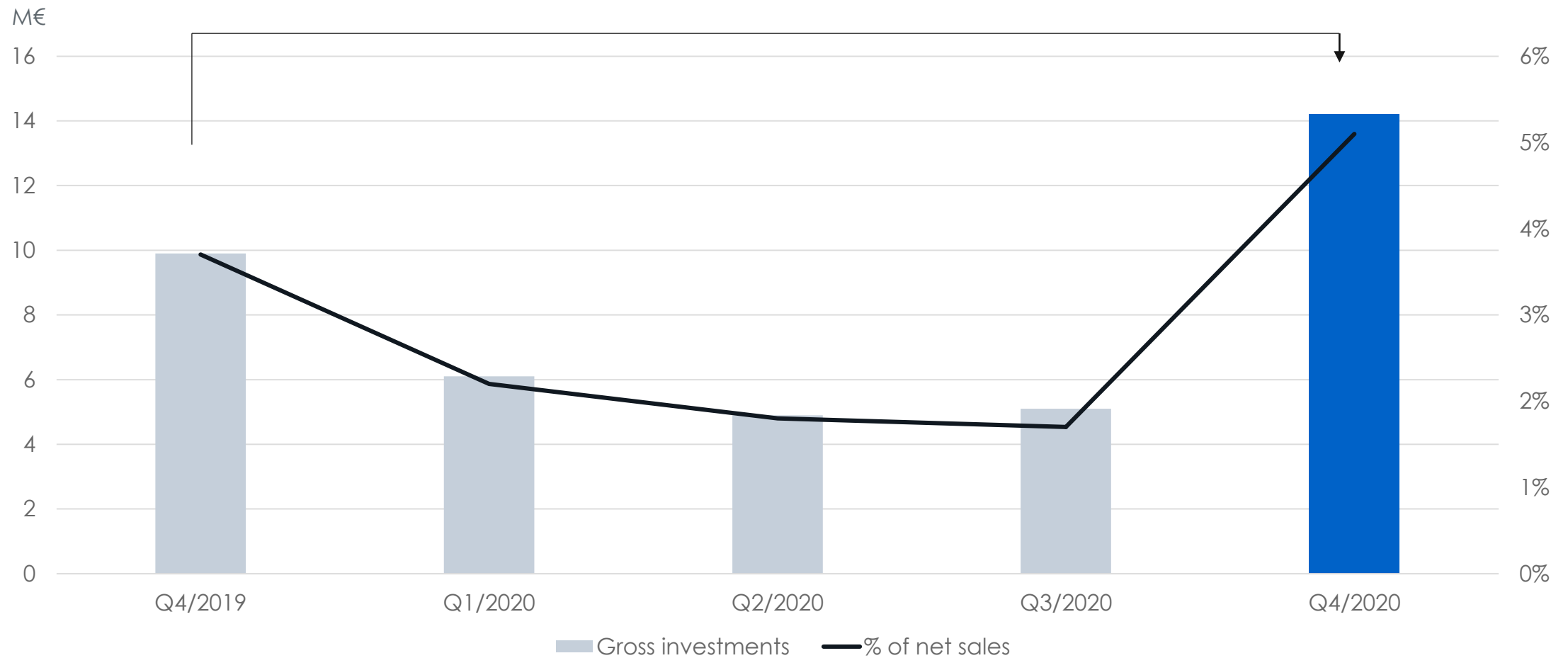
# Cash flow from operations as well as cash flow before financing exceeded last years' levels



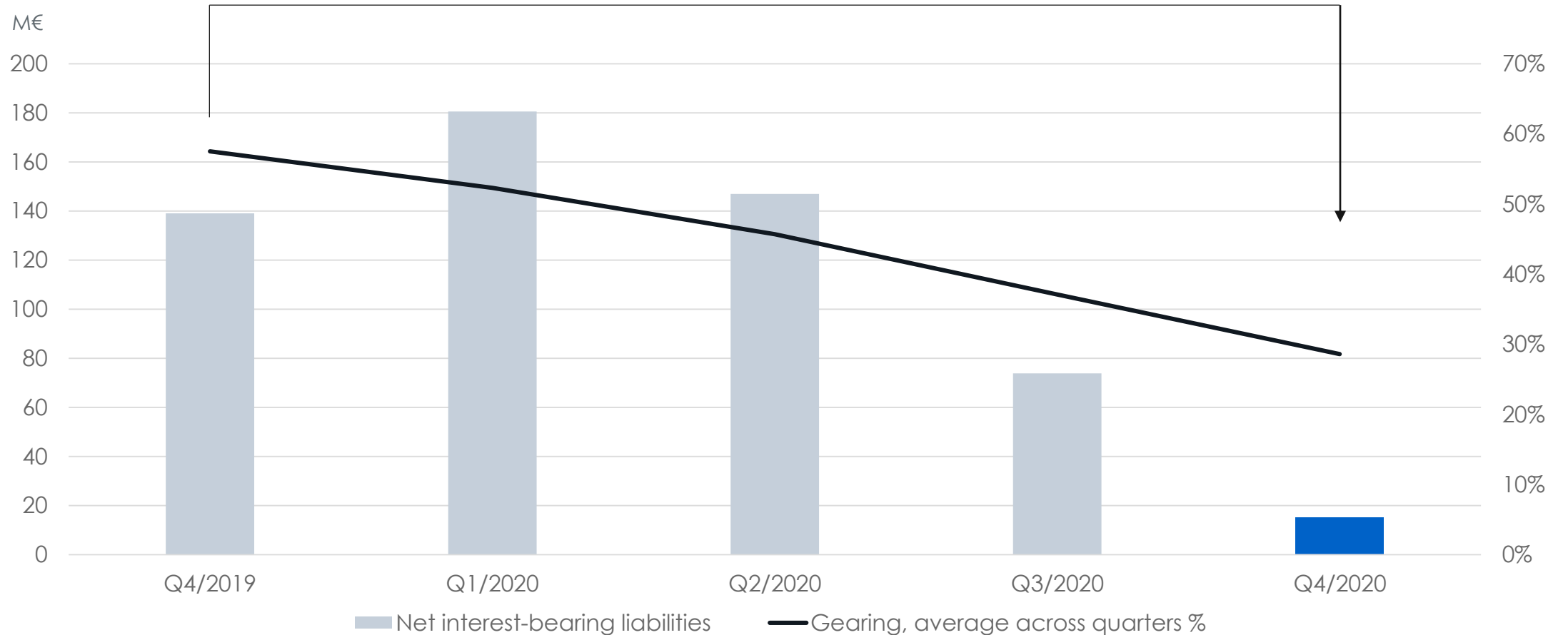
# Increased cash flow from operations was driven by higher operating profit and lower net working capital



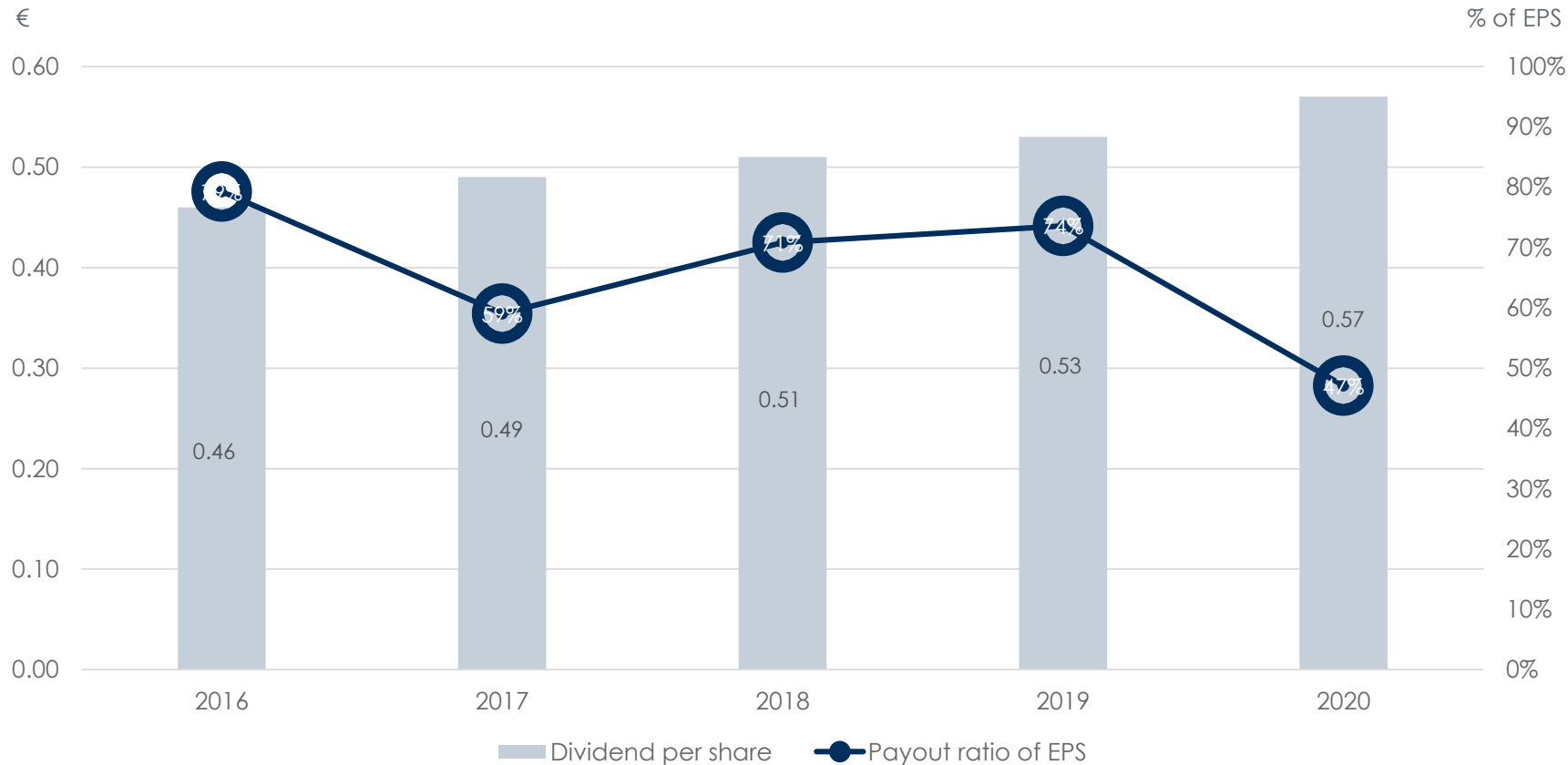
# A cautious approach to new investments overall in 2020, Q4 including capacity increase



# Net interest-bearing liabilities and gearing decreased significantly throughout the year



# Dividends and payout ratio



The Board's dividend proposal: €0.57 (0.53) per share, of which 0.28 cents will be paid in March 2021 and 0.29 cents is planned to be paid in September 2021.

The Board decided to deviate from the long-term target of dividend payout to be at least 50% of annual earnings, because the 2020 result was favourably impacted by pandemic triggered cost savings of around €10 million and non-recurring tax cost reductions of around €3 million, which had over 0.14 EUR impact on EPS.

Jyri Luomakoski, President & CEO

# Outlook for the future

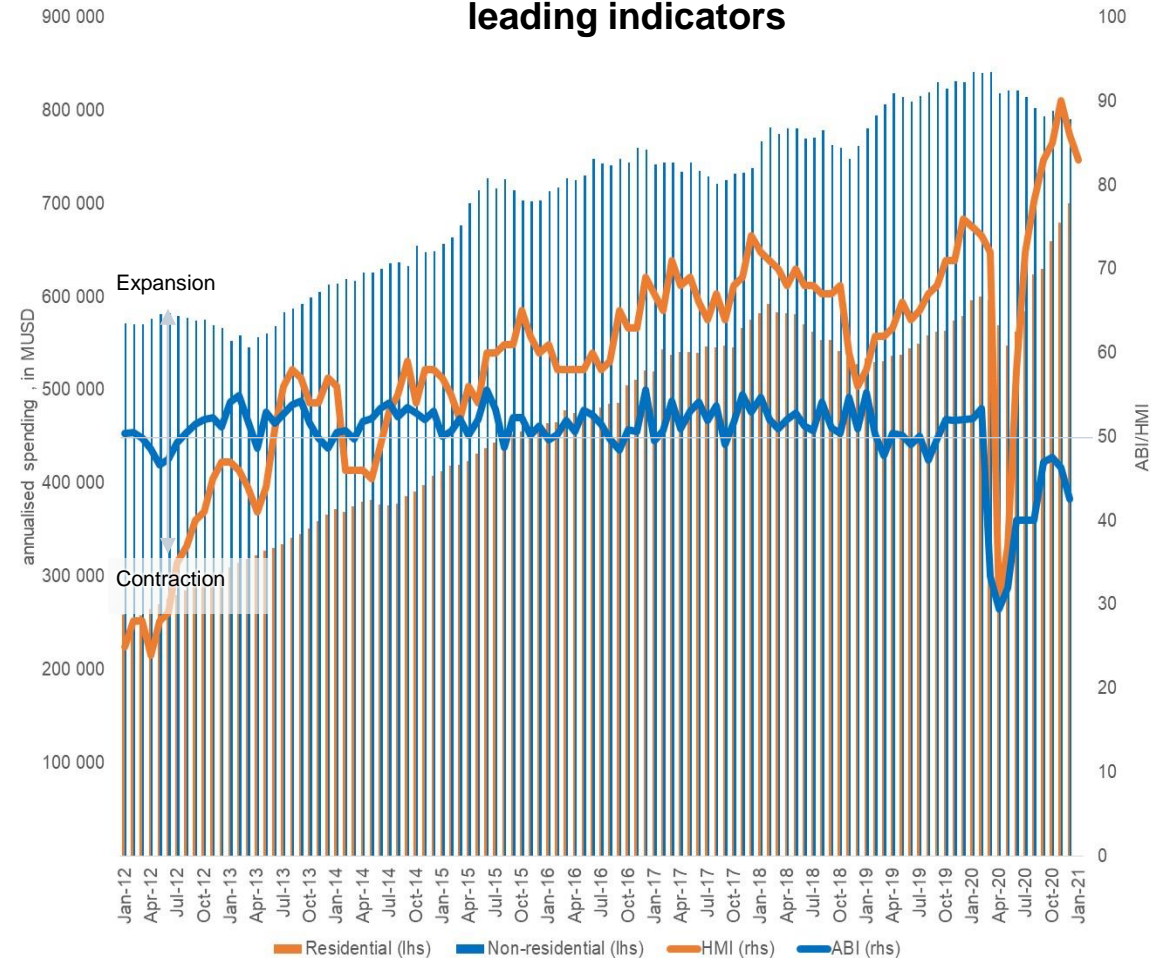
# U.S.: The market for single-family homes very strong

Despite a resurgence of Covid-19 cases and an uptick in unemployment towards the end of the year, many sectors of the economy have largely recovered since the spring and further stimulus is highly probable.

Within the construction industry:

- Residential construction spending was up significantly through November, while spending in key non-residential segments slowed compared to a year earlier
- December housing starts were at a rate of 1.67 million, 5% above the December 2019 rate
- Homebuilder confidence, HMI, moderated from its November all-time-high, but remains very strong
- The ABI, a leading non-residential indicator, has indicated contraction for ten months in a row

U.S. construction spending and leading indicators



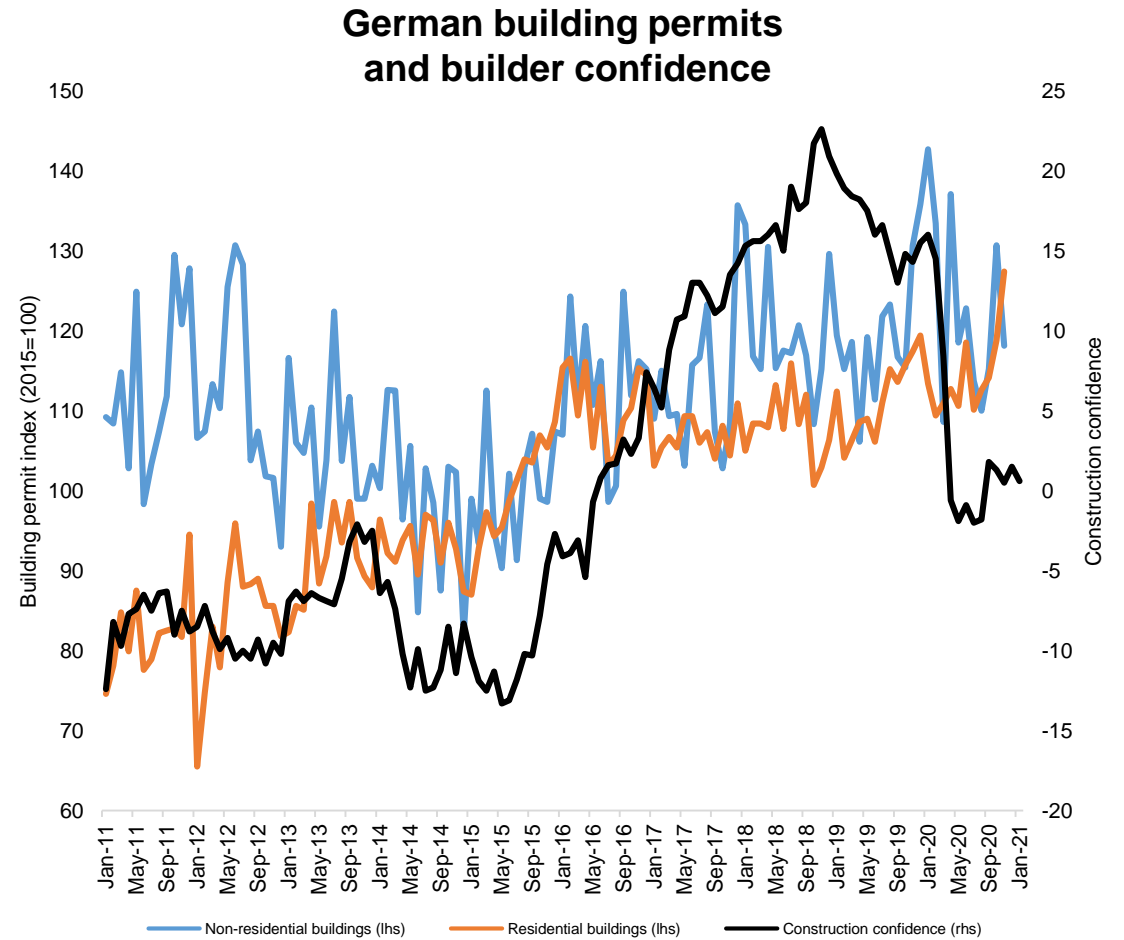
Source: Census Bureau, AIA, NAHB

# Germany: Residential builders continued to be busy

Although the year-end national lockdown dampened the recovery somewhat, support packages for businesses, short-time work programs, and other interventions have supported the economy and businesses ended the year with a fair degree of confidence.

In the construction industry:

- New orders in the construction industry rose 2.0% in November in real terms compared to November 2019
- Residential building permits through November were up 5% compared to the same period in 2019
- Builders report continued stability in the residential segment, but a notable lack of demand for new non-residential projects



Source: Eurostat

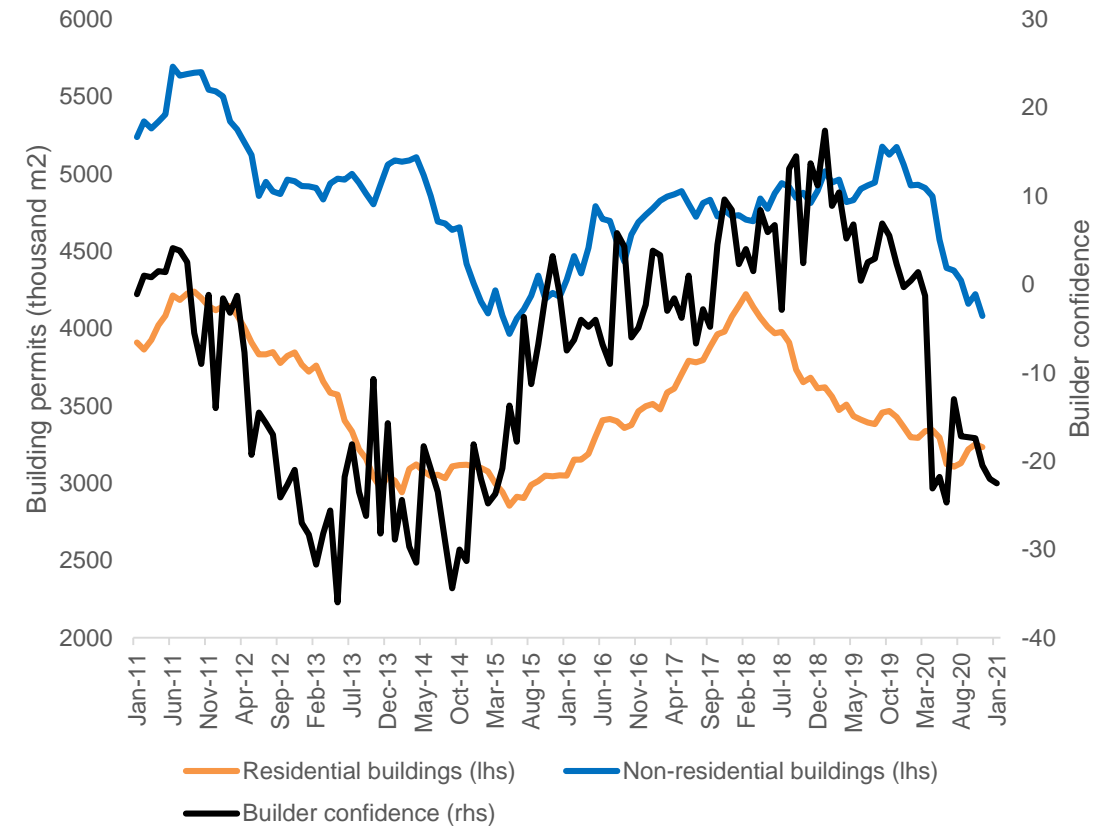
# Finland: Building construction slowed, while civil engineering grew

A comparatively moderate second wave of Covid-19 infections allowed the economy to continue to recovery, with total output in November just slightly below the previous year and employment on the rise.

Within the construction industry:

- Residential permits were down 5% while non-residential permits were down 20% year-to-date through November
- After recovering somewhat during the summer months, builder confidence weakened significantly during Q4 as order books softened
- Civil engineering spending continued to grow on transportation infrastructure, especially in rail projects

**Finnish building permits and builder confidence**



Source: Statistics Finland and Eurostat

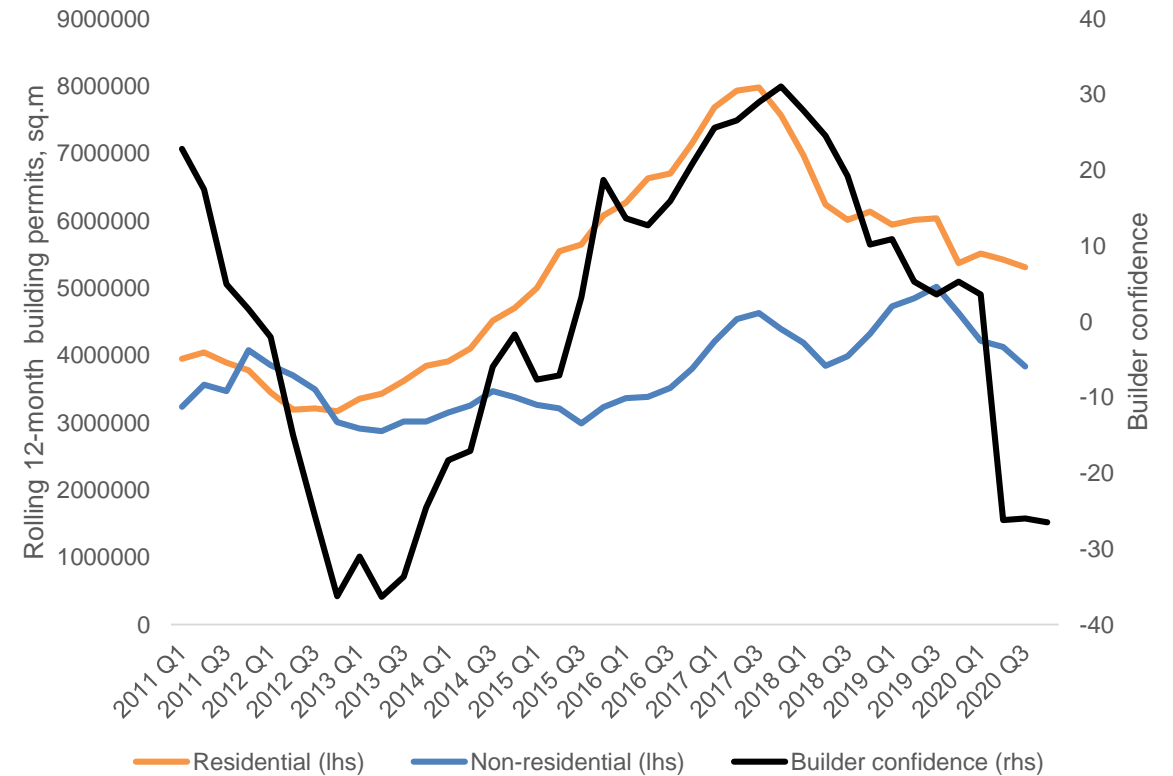
# Sweden: Residential building showed signs of stabilising, while civil engineering grew

With the exception of a small number of industries, the economy has recovered quickly since the spring with exports rising to pre-pandemic levels and households in a strong position to drive economic growth

Within the construction industry:

- Residential permits were down 2% while non-residential permits were down 21% year-to-date through Q3
- Housing starts through Q3 were up 13% to 38,700 units
- Builder confidence improved in the last month of the year, but remained at the same level as the spring for the quarter overall, as builders reported slowing activity levels
- Civil engineering expenditures are rising, driven by investments in new rail projects

Swedish building permits and confidence



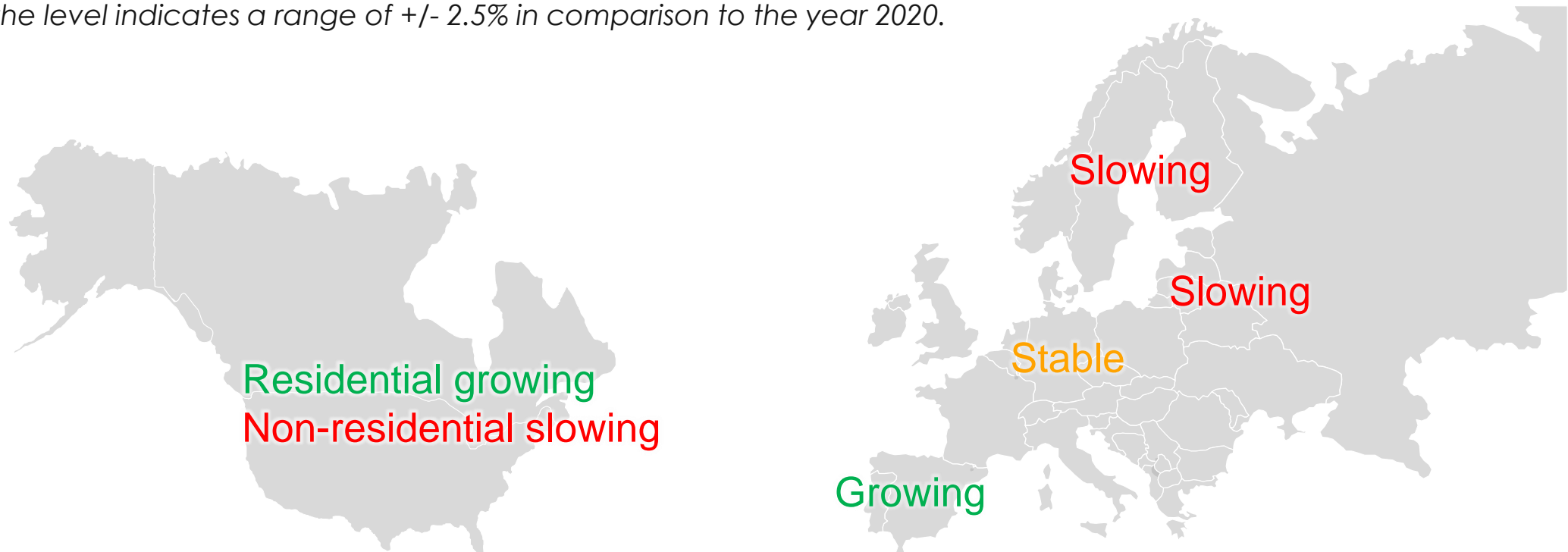
Source: Statistics Sweden and Eurostat

# Market outlook

## Guidance statement for 2021:

Excluding the impact of currencies, Uponor expects its net sales to stay at the level of the year 2020\*. Uponor expects its comparable operating profit to decrease from 2020, but the comparable operating profit margin to remain above 10%.

*\*Stay at the level indicates a range of +/- 2.5% in comparison to the year 2020.*



The logo features the word "uponor" in a white, lowercase, sans-serif font. The text is centered within a blue, teardrop-shaped graphic that has a gradient from a darker blue at the top to a lighter blue at the bottom. This graphic is set against a dark blue background with a large, light blue, inverted V-shape behind it.

uponor

**Moving** > **Forward**

# Appendix

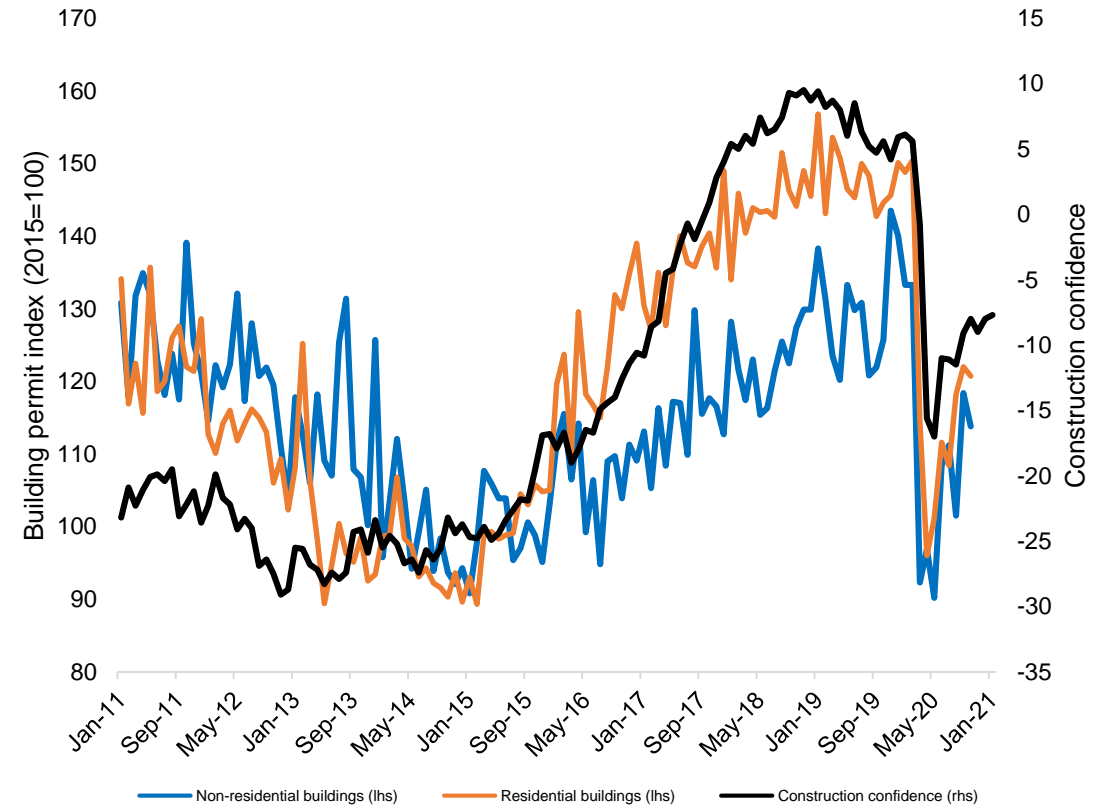
# Europe: Building activity has increased since the spring, driven by residential projects

A second wave of Covid-19 infections and subsequent lockdowns resulted in a slowing of the recovery, though manufacturers remain upbeat.

Within the construction industry:











- Residential and non-residential building permits trended upward from the spring, but remain clearly below pre-pandemic levels
- Builder confidence continued to rise during the quarter, as building activity levels improved from the spring, but with increasing weakness reported in the non-residential segment

**Euro area building permits and construction confidence index**



Source: Eurostat

# Leading residential indicators: Clear improvement from the spring

	Indicator	YTD % Change	Rolling 12-month % Change	Data through	Trend since Q3 update
 USA	Housing starts	+5% <sup>1)</sup>	N/A	December 2020	➡
 Germany	Housing permits	+5%	+7%	November 2020	➡
 Finland	Housing permits	-4%	-6%	November 2020	➡
 Sweden	Housing starts	+13%	+10%	September 2020	↗
 Denmark	Construction index	+5%	N/A	November 2020	➡
 Netherlands	Housing permits	+10%	+10%	November 2020	➡
 Canada	Housing starts	+15% <sup>1)</sup>	N/A	December 2020	↗
 Poland	Housing completions	+7%	+7%	December 2020	➡
 Spain	Housing permits	-20%	-18%	November 2020	➡
 Norway	Housing starts	-6%	-6%	December 2020	➡

<sup>1)</sup> Seasonally adjusted, annualised rate vs. same month in previous year

Source: National Statistics Offices

# Oct-Dec 2020: Income statement

Uponor Group, M€	10-12 2019	10-12 2020	Change Y/Y
Net sales	269.2	280.5	+4.2%
Cost of goods sold	172.4	174.5	+1.2%
Gross profit	96.7	106.0	+9.6%
Gross profit margin (%)	35.9%	37.8%	+1.9% pts
Other operating income	0.1	0.3	+169.6%
Expenses	76.4	82.4	+7.9%
Operating profit	20.4	23.8	+16.7%
Operating profit margin (%)	7.6%	8.5%	+0.9% pts
Comparable operating profit	21.8	27.3	+25.6%
Comparable operating profit margin (%)	8.1%	9.7%	+1.7% pts
Financial expenses, net	3.1	3.5	+10.6%
Share of result in associated companies	-1.0	-0.9	+3.0%
Profit before taxes	16.3	19.4	+19.0%
Profit for the period	12.3	20.8	+68.4%
EBITDA	33.6	37.3	+11.1%

# Jan-Dec 2020: Income statement

Uponor Group, M€	1-12 2019	1-12 2020	Change Y/Y
Net sales	1,103.1	1,136.0	+3.0%
Cost of goods sold	721.2	706.6	-2.0%
Gross profit	381.9	429.4	+12.4%
Gross profit margin (%)	34.6%	37.8%	+3.2% pts
Other operating income	1.3	1.0	-25.2%
Expenses	291.9	298.1	+2.1%
Operating profit	91.3	132.3	+44.9%
Operating profit margin (%)	8.3%	11.6%	+3.4% pts
Comparable operating profit	92.7	142.7	+53.9%
Comparable operating profit margin (%)	8.4%	12.6%	+4.2% pts
Financial expenses, net	11.6	6.3	-46.3%
Share of result in associated companies	-4.0	-4.2	-4.7%
Profit before taxes	75.6	121.8	+61.1%
Profit for the period	55.3	96.1	+73.8%
EBITDA	143.1	185.0	+29.3%

# December 2020: Balance sheet

Uponor Group, M€	31 Dec 2019	31 Dec 2020	Change Y/Y
Property, plant and equipment	285.8	264.7	-21.1
Intangible assets	96.7	95.9	-0.8
Securities and long-term investments	19.8	14.2	-5.6
Inventories	144.4	128.7	-15.7
Cash and cash equivalents	76.1	138.0	61.9
Other current and non-current assets	210.5	226.9	16.4
<b>Assets total</b>	<b>833.2</b>	<b>868.4</b>	<b>35.2</b>
Total equity	370.4	421.9	51.5
Non-current interest-bearing liabilities	203.4	124.1	-79.3
Provisions	30.0	37.1	7.1
Non-interest-bearing liabilities	217.6	256.3	38.7
Current interest-bearing liabilities	11.8	29.0	17.2
<b>Shareholders' equity and liabilities total</b>	<b>833.2</b>	<b>868.4</b>	<b>35.2</b>