

# Interim results briefing 1-9/2020

28 October 2020

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

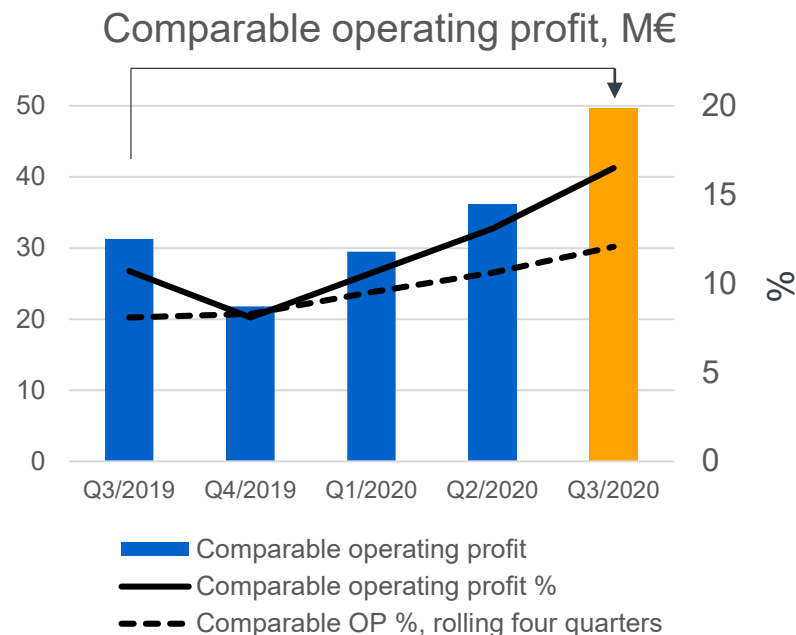
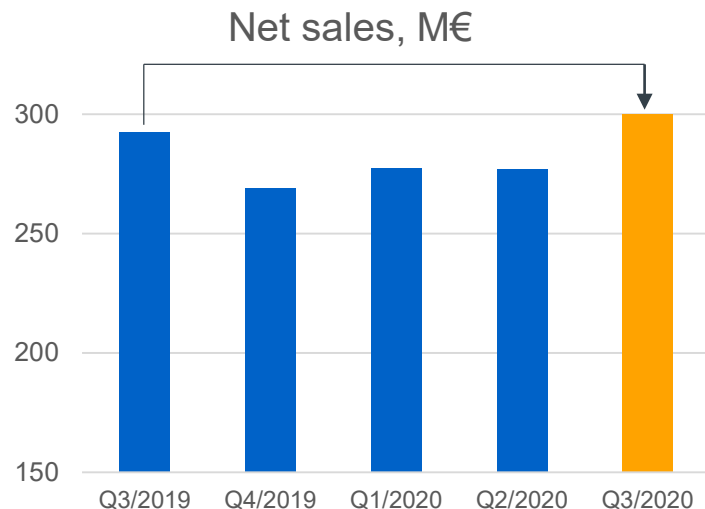
# Highlights of Q3:

## Strong performance for all segments

- Net sales were €301.0 (292.4) million, organic growth 4.0% in constant currency terms
- Comparable operating profit was €49.7 (31.3) million, a growth of 58.7%
- Net sales increased in all segments
- All segments improved their profits and profitability
- Cash flow from operations increased significantly year-over-year

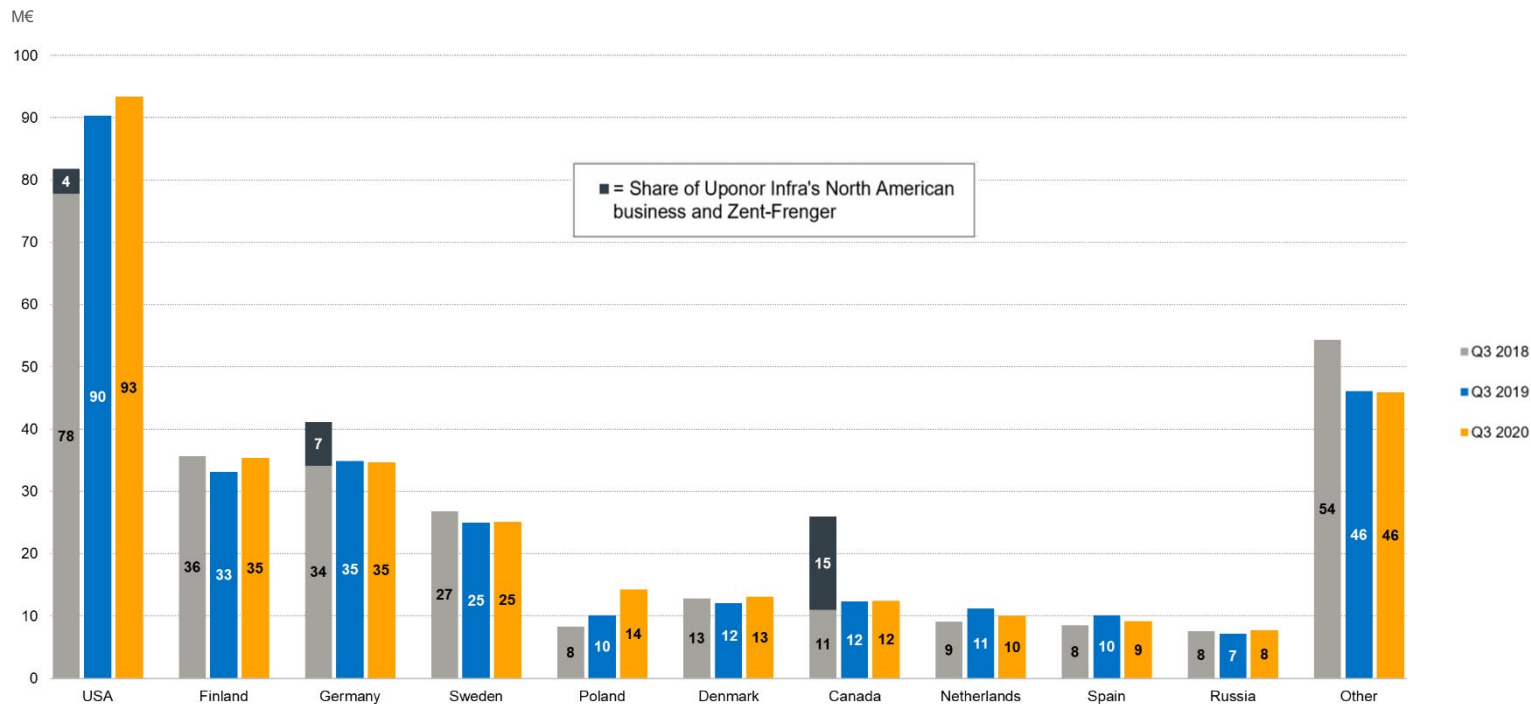


# Group net sales and comparable operating profit: Rolling comparable OP margin exceeded 12%



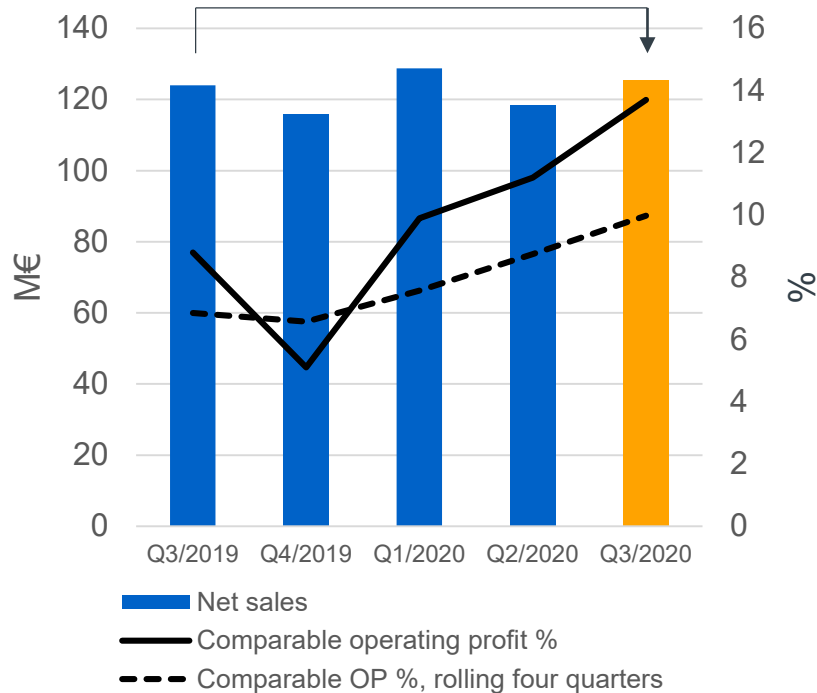
July-September 2020

# Net sales development by key markets

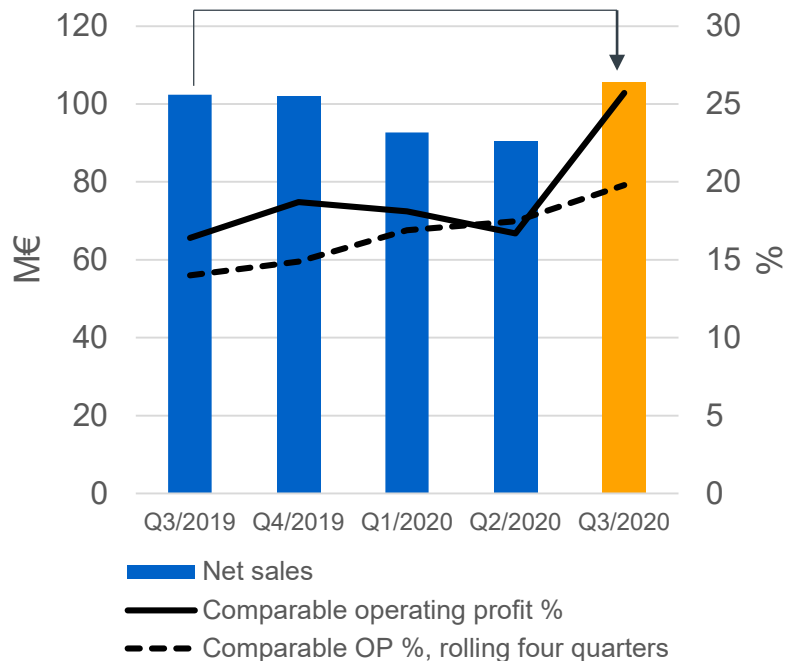




# Building Solutions – Europe: Good progress in the third quarter

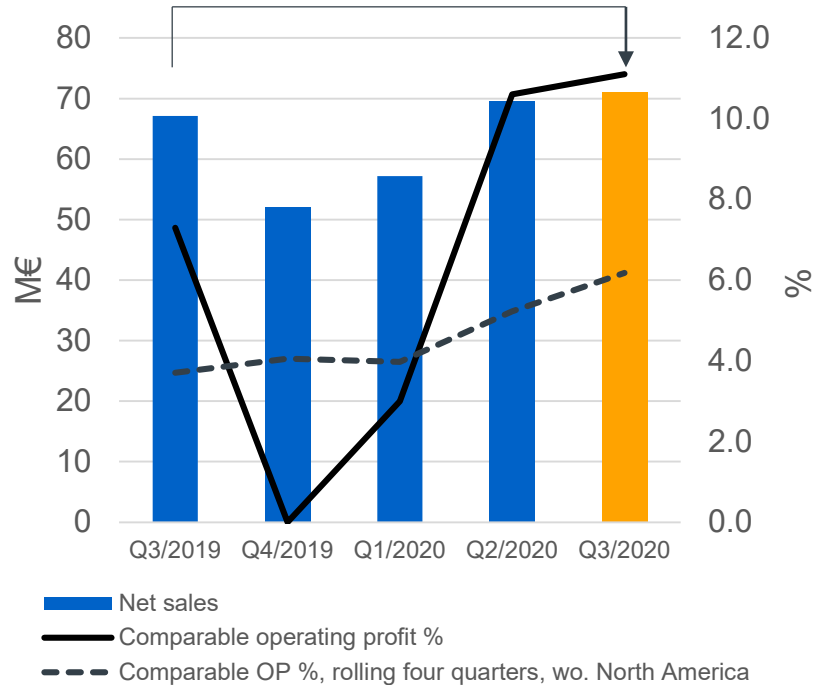


# Building Solutions – North America: Exceptionally strong operating profit



# Uponor Infra:

## Increased net sales, lower operative costs and a large designed solutions project improved profitability



# Execution of operational excellence programme is progressing well

- The target is to deliver €20 million annual cost savings by the end of 2021
- The programme is expected to reduce approximately 200 FTEs by the end of 2021
- Year-to-date, the programme has generated savings of approximately €5 million
- Since the launch of the programme, in total €9.3 million of one-time costs (IAC) reported
- Uponor re-estimates that around €10 million one-time costs (IAC) from the programme will be recognised by the end of 2020.
  - Of that, €1.4 million was reported already in 2019.





# Impacts of COVID-19

- Tight cost control, favourable input costs and the operational excellence programme have supported Uponor's profitability development during 2020
- Good cash flow will support Uponor during the times of COVID-19 related economic uncertainty and restrictions
- Visibility to the demand remains limited overall, as development in Uponor's markets will depend to a large extent on how the pandemic can be managed



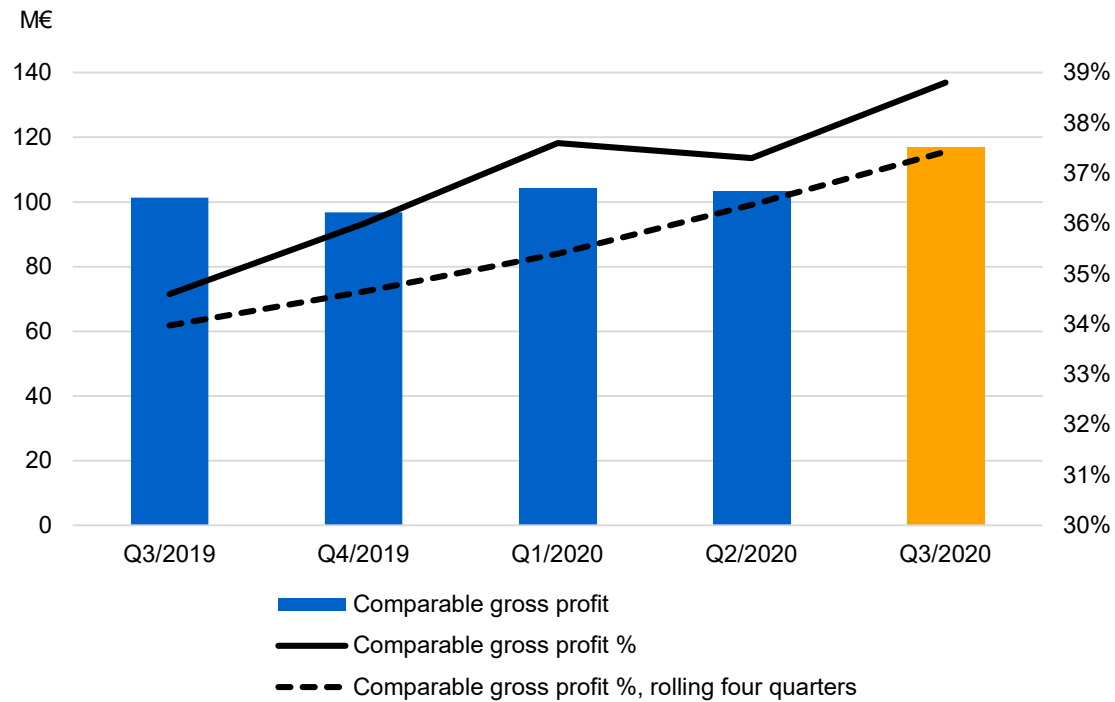
The background image shows the interior of a large-scale construction project. Several tall, white, cylindrical columns are spaced out across the floor. To the left, a large glass dome structure is under construction, with scaffolding and blue safety netting visible. The floor is covered with a grid of white rebar and wooden formwork, prepared for a concrete pour. In the distance, a person can be seen working near some open doorways. The lighting is a mix of natural light from the dome and artificial construction lights.

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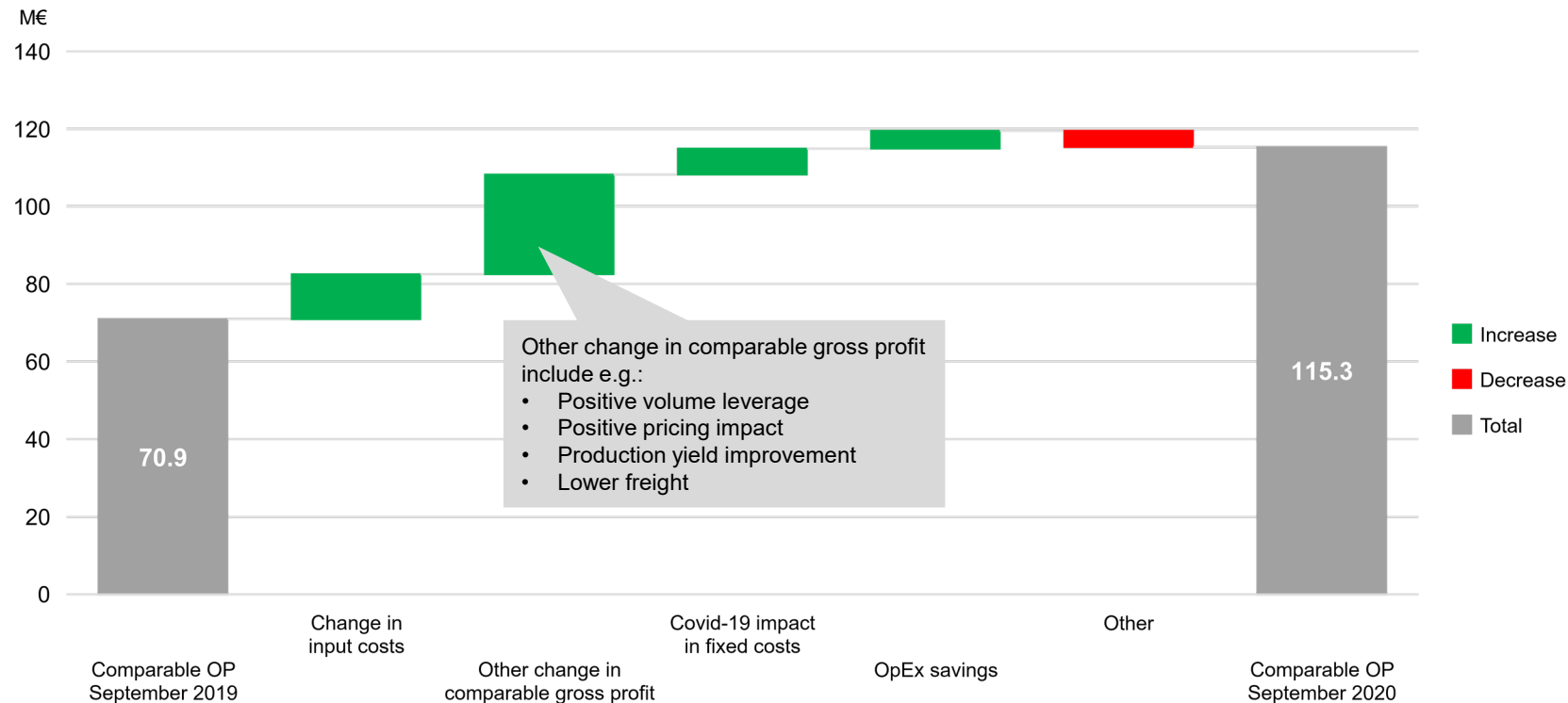
# Financial statements

Minna Yrjönmäki, CFO

# Good development in comparable gross profit margin continued in the third quarter

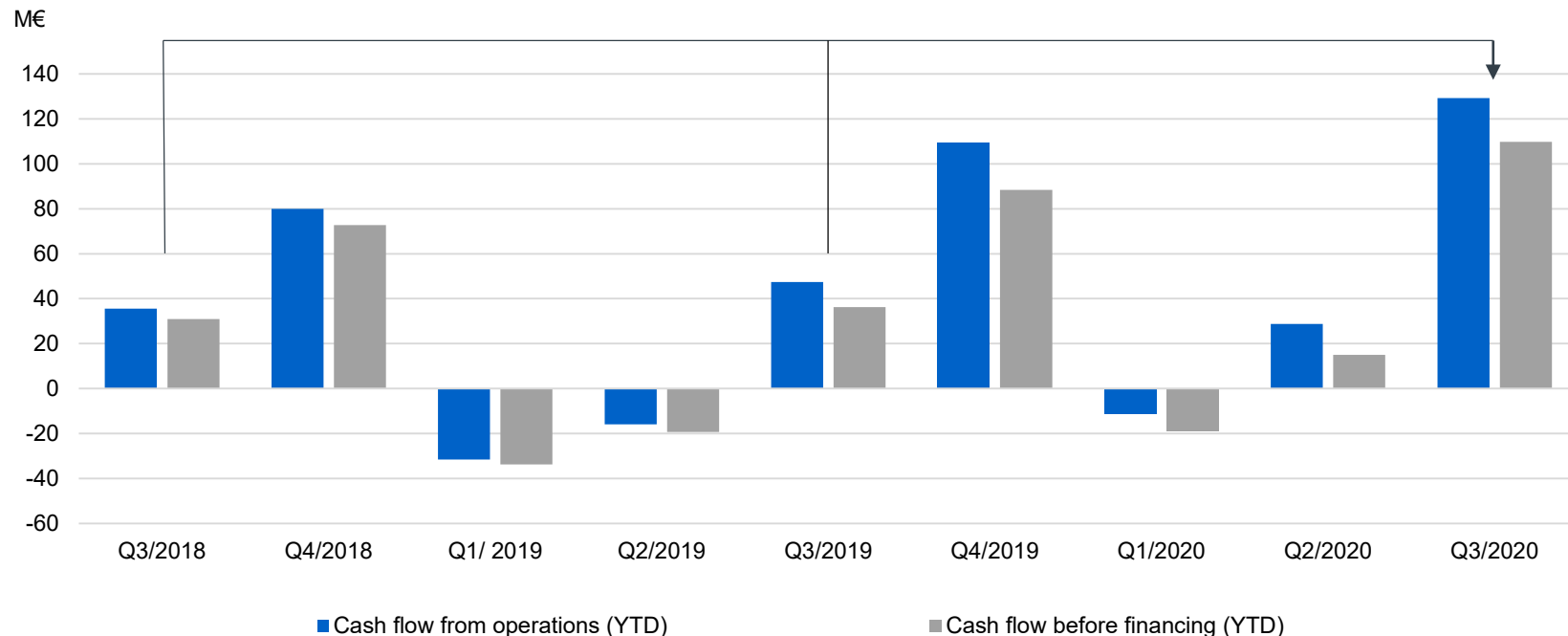


# The increase in comparable OP was driven by strong margins, volume growth and low-cost structure

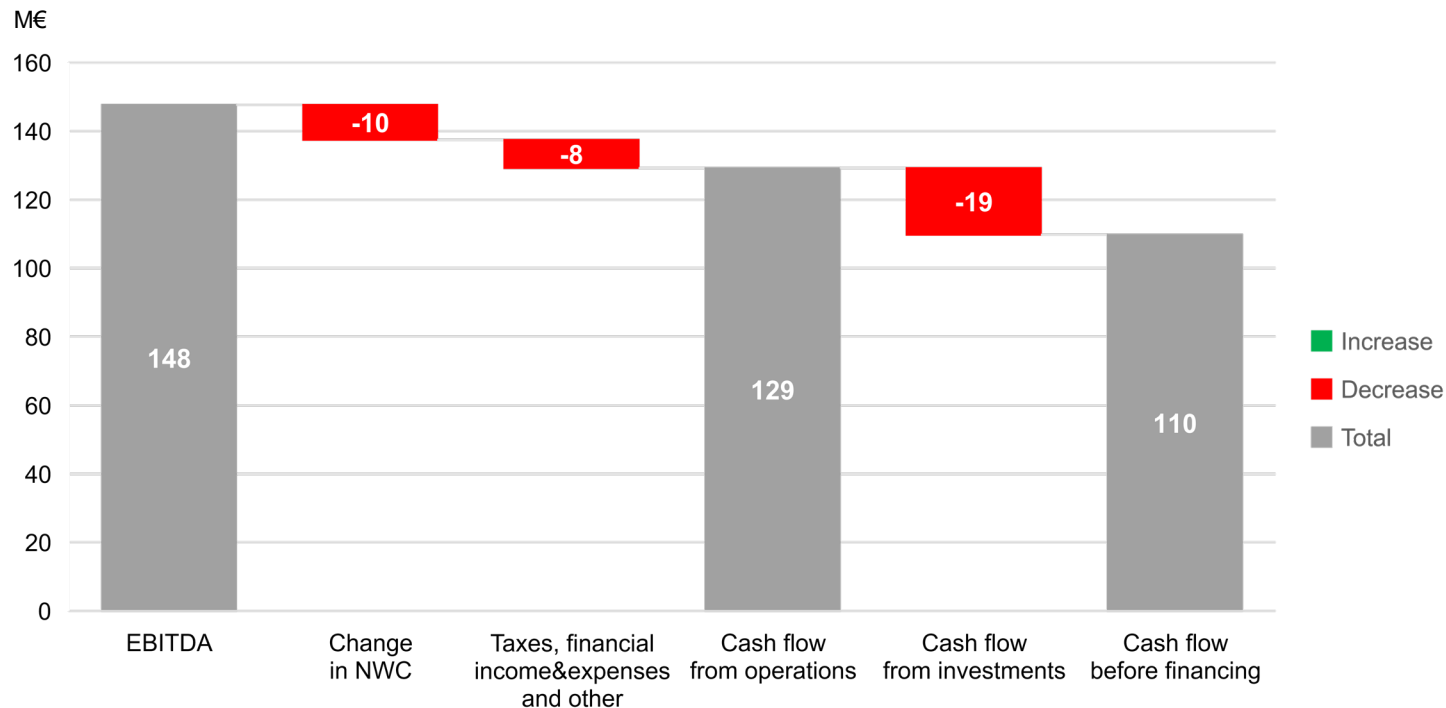




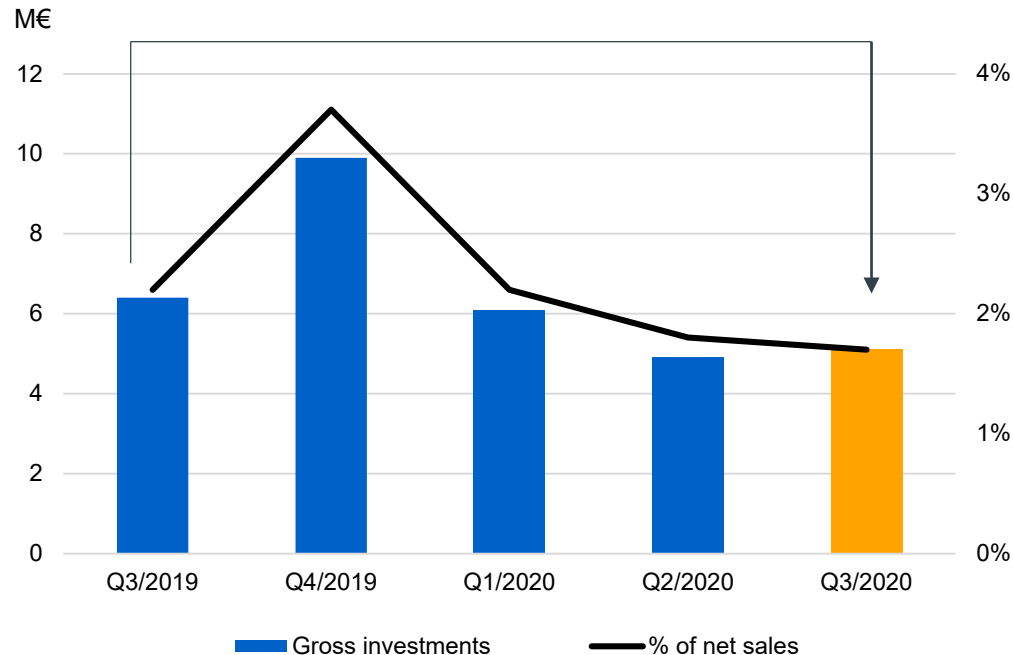
# Cash flow improved clearly from last years' levels



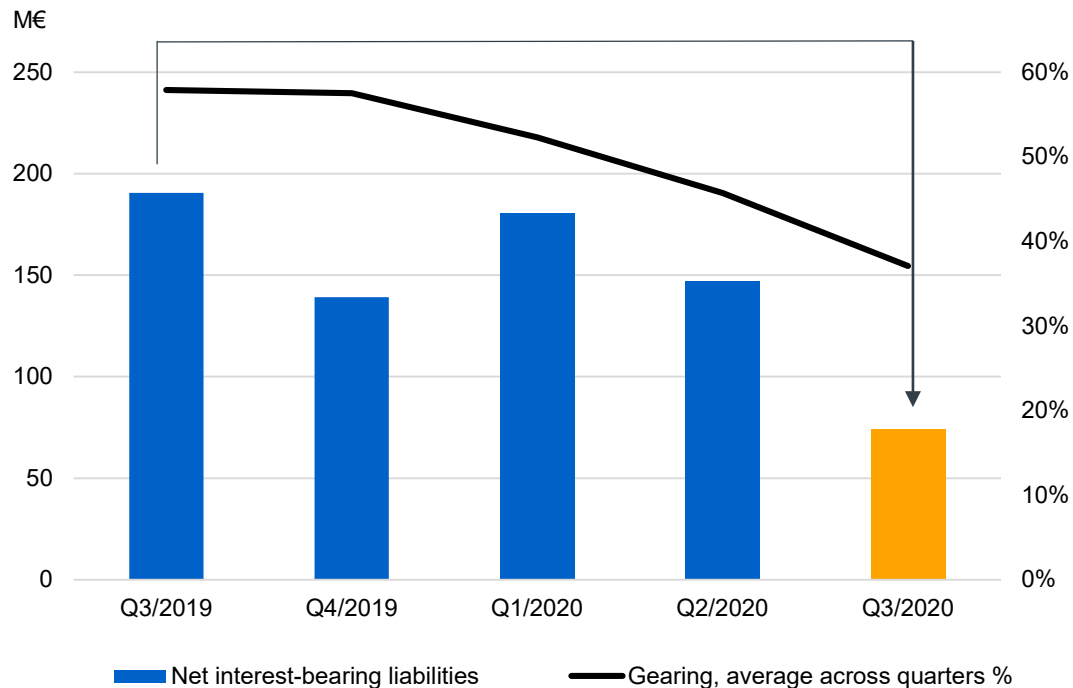
# Strong cash flow from operations



# Due to COVID-19 pandemic, Uponor has maintained a cautious approach to investments



# Net interest-bearing liabilities at clearly lower level than year ago driven by strong cash flow





The background of the slide is a photograph of an industrial facility, likely a pulp or paper mill. It features a complex network of metal pipes, structural beams, and machinery. A large, dark, horizontal pipe is prominent in the foreground, while other pipes and structural elements are visible in the background, creating a sense of depth and industrial scale.

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# Outlook for the future

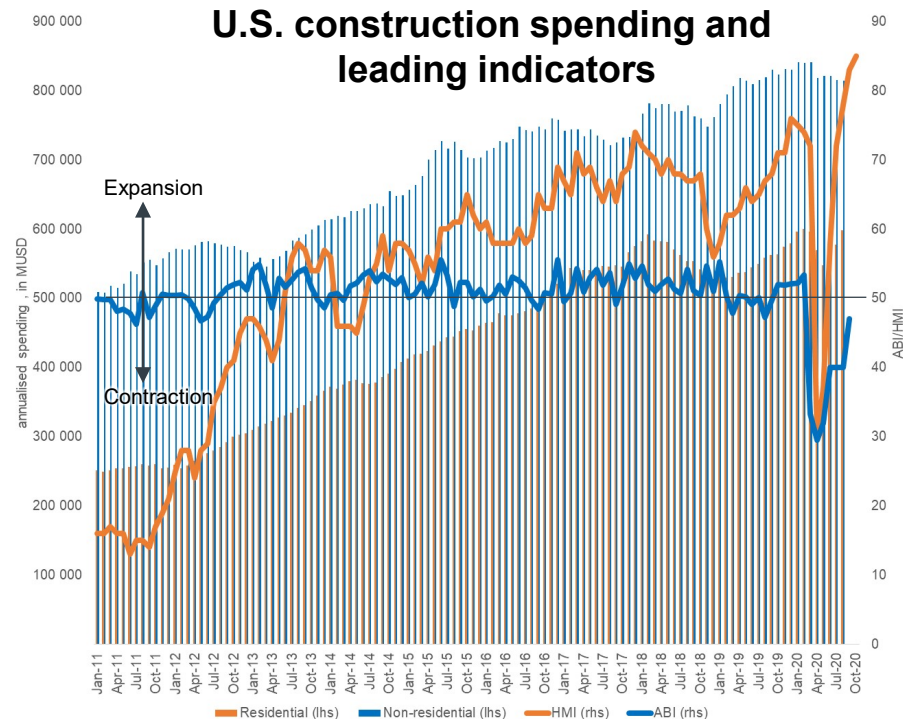
Jyri Luomakoski, President & CEO

# US: Residential construction gained momentum during the summer months

Improvements in the labour market are uneven, with high-wage workers having recovered nearly all jobs lost during the spring while many low-wage jobs have yet to return

Within the construction industry:

- Residential construction spending was up through August, while spending in key non-residential segments slowed compared to a year earlier
- September housing starts were at a rate of 1.42 million, 11% above the September 2019 rate
- Homebuilder confidence, HMI, reached an all-time-high, despite builder concerns about rising costs
- The ABI, a leading non-residential indicator, has risen from April lows, but still implies contraction



Source: Census Bureau, AIA, NAHB

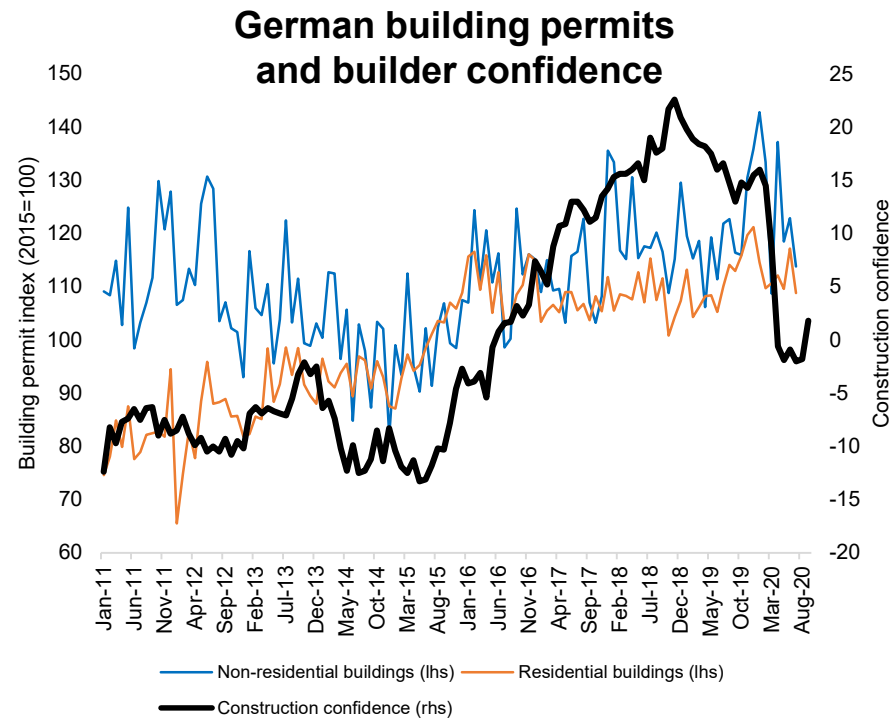
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# Germany: Construction remained healthy overall, led by the residential segment

The number of workers covered by short-time work schemes continued to fall, but remains elevated, while industrial production and exports have continued to improve since the spring

In the construction industry:

- Housing permits through August were up 5% compared to a year earlier
- Short-time work schemes have been implemented in just a small number of construction firms
- Builders were more confident than during the spring, but report continued uncertainty about the future and a weakening non-residential segment
- New construction orders in August were flat compared to a year earlier



Source: Eurostat

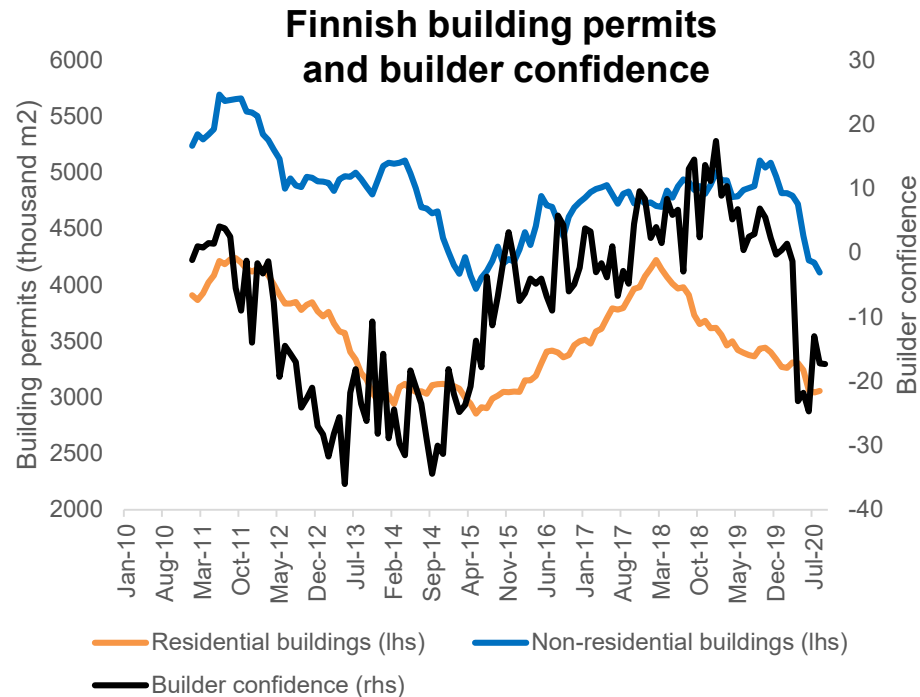
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# Finland: Building construction was steady, while civil engineering expanded

The economy continued to recover during the summer months, though export demand remains muted and significant uncertainty is likely hindering business investments

Within the construction industry:

- Residential permits through August were down 12% from a year earlier, while non-residential permits were down 24%
- Construction turnover in building construction flattened compared to 2019, while turnover in civil engineering continued to expand
- Builder confidence was up from the spring, but still clearly below Q3 2019 levels



Source: Statistics Finland and Eurostat

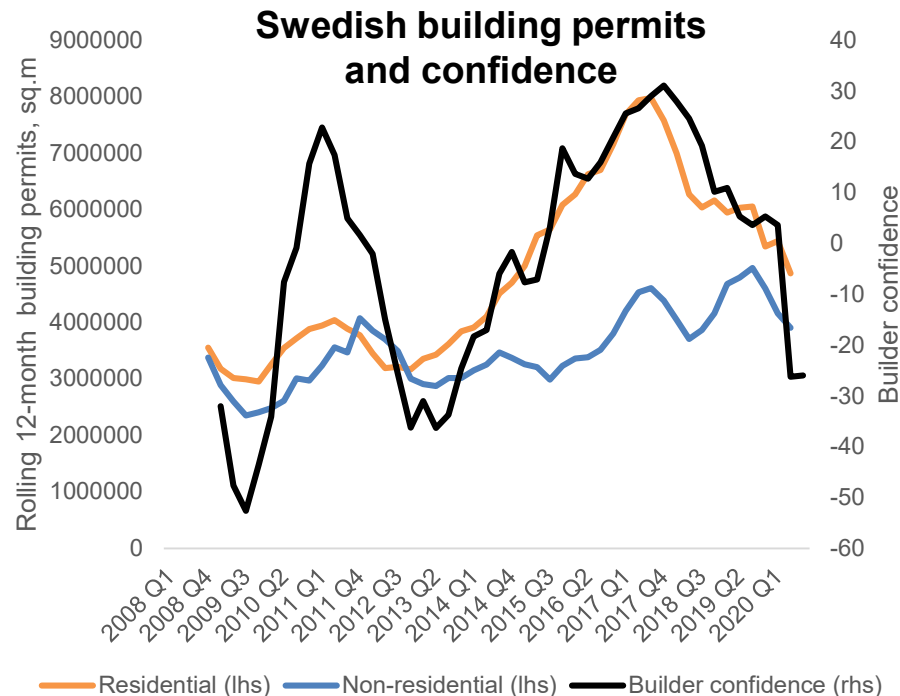


# Sweden: The residential segment was resilient, while infrastructure spending was healthy

The economy continued to recover during the quarter, with a significant increase in private consumption accompanied by a clear improvement in employment

Within the construction industry:

- Housing starts in the first half of the year rose 6% compared to 2019
- Both residential and non-residential permits fell during H1 by approximately 15%
- Builder confidence has yet to improve meaningfully since the spring, impacted by both declining order books and building activity levels
- Investments in civil engineering projects continued to trend upwards



Source: Statistics Sweden and Eurostat

# Guidance statement and short-term market outlook

## **On 16 September 2020, Uponor reinstated its guidance for 2020:**

Uponor expects comparable operating profit to improve from 2019.

Uponor anticipates that the trends witnessed in the third quarter will continue for the rest of the year:

- Recovering labour markets and accommodative government policies are likely to support demand for both new and renovation projects in the residential segment
- Meanwhile, continued uncertainty among businesses may negatively impact the initiation of non-residential projects, though the relative size and timing of this effect is uncertain



# Thank you!

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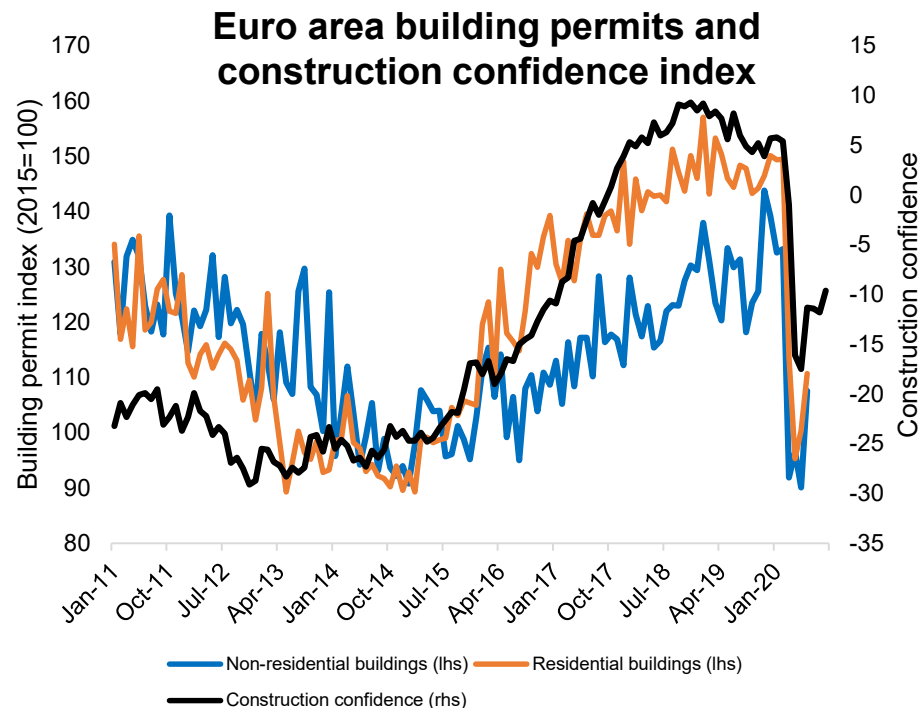
# Appendix

# Europe: Builders report an improvement from the spring, but effects of the pandemic remain

Consumer spending and industrial production rebounded from Q2, but the strength and durability of the recovery have been challenged by slowing month-over-month improvements and new Covid-19 outbreaks











Within the construction industry:

- Both residential and non-residential permit levels fell, led by reductions in France, but especially Spain
- Builder confidence improved during the summer, but remains significantly below pre-pandemic levels in all major markets



Source: Eurostat

# Leading residential indicators: No uniform impact of Covid on major markets is visible

	Indicator	YTD % Change	Rolling 12-month % Change	Data through	Trend since Q2 update
 USA	Housing starts	+11% <sup>1)</sup>	N/A	September 2020	➡
 Finland	Housing permits	-12%	-9%	August 2020	➡
 Germany	Housing permits	+5%	+8%	August 2020	➡
 Sweden	Housing starts	+6%	+0%	June 2020	↗
 Poland	Housing completions	+7%	+9%	September 2020	➡
 Denmark	Construction index	+3%	N/A	July 2020	↘
 Canada	Housing starts	-6% <sup>1)</sup>	N/A	September 2020	➡
 Netherlands	Housing permits	+13%	0%	August 2020	↗
 Spain	Housing permits	-32%	-21%	July 2020	➡
 Russia	Housing starts	-7%	-3%	September 2020	➡

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

Source: National Statistics Offices



# Income Statement

## Jul-Sep 2020

Uponor Group, M€	7-9 2019	7-9 2020	Change Y/Y	
Net sales	292.4	301.0	+2.9%	
Cost of goods sold	191.1	184.2	-3.6%	
Gross profit	101.3	116.9	+15.4%	
Gross profit margin (%)	34.6%	38.8%	+4.2%	pts
Other operating income	0.0	0.2	+489.3%	
Expenses	70.0	67.4	-3.7%	
Operating profit	31.3	49.6	+58.4%	
Operating profit margin (%)	10.7%	16.5%	+5.8%	pts
Comparable operating profit	31.3	49.7	+58.7%	
Comparable operating profit margin (%)	10.7%	16.5%	+5.8%	pts
Financial expenses, net	1.9	1.0	-48.4%	
Share of result in associated companies	-1.1	-0.9	+19.2%	
Profit before taxes	28.3	47.7	+68.6%	
Profit for the period	20.5	35.2	+71.4%	
EBITDA	44.2	62.3	+40.8%	

# Income Statement

## Jan-Sep 2020

Uponor Group, M€	1-9 2019	1-9 2020	Change Y/Y	1-12 2019
Net sales	833.9	855.5	+2.6%	1,103.1
Cost of goods sold	548.8	532.1	-3.0%	721.2
Gross profit	285.1	323.4	+13.4%	381.9
Gross profit margin (%)	34.2%	37.8%	+3.6% pts	34.6%
Other operating income	1.2	0.7	-40.6%	1.3
Expenses	215.5	215.6	+0.1%	291.9
Operating profit	70.9	108.5	+53.1%	91.3
Operating profit margin (%)	8.5%	12.7%	+4.2% pts	8.3%
Comparable operating profit	70.9	115.3	+62.6%	92.7
Comparable operating profit margin (%)	8.5%	13.5%	+5.0% pts	8.4%
Financial expenses, net	8.5	2.8	-67.2%	11.6
Share of result in associated companies	-3.1	-3.3	-7.1%	-4.0
Profit before taxes	59.3	102.4	+72.7%	75.6
Profit for the period	43.0	75.3	+75.3%	55.3
EBITDA	109.6	147.7	+34.8%	143.1

# Balance Sheet

## September 2020

Uponor Group, M€	30 Sep 2019	30 Sep 2020	Change Y/Y	31 Dec 2019
Property, plant and equipment	288.8	263.1	-25.7	285.8
Intangible assets	97.8	93.0	-4.8	96.7
Securities and long-term investments	24.2	15.7	-8.5	19.8
Inventories	150.1	131.6	-18.5	144.4
Cash and cash equivalents	31.5	155.5	+124.0	76.1
Other current and non-current assets	262.6	273.9	+11.3	210.5
Assets total	855.1	932.8	+77.7	833.2
Total equity	359.8	398.0	+38.2	370.4
Non-current interest-bearing liabilities	204.8	128.2	-76.6	203.4
Provisions	30.5	34.0	+3.5	30.0
Non-interest-bearing liabilities	242.9	271.3	+28.4	217.6
Current interest-bearing liabilities	17.1	101.2	+84.1	11.8
Shareholders' equity and liabilities total	855.1	932.8	+77.7	833.2