



# Interim results briefing

Jyri Luomakoski – President and CEO  
Maija Strandberg – CFO

1–9/2017

# Q3/2017: Uponor's good progress in the third quarter offsets the shortfall in the second quarter

April - June, M€	7-9/ 2016	7-9/ 2017	Change
Net sales	284.1	317.5	11.8%
Operating profit	25.1	40.4	60.9%
Comparable operating profit	29.0	40.4	38.9%

## Net sales

- Building Solutions – Europe's sales grew in all key countries but Finland
- Building solutions demand in the U.S. continued to grow, and improvements were made in securing smooth deliveries
- Uponor Infra posted robust growth in North America and Sweden

## Operating profit

- More efficient supply chain network in Building Solutions – Europe, together with growth in net sales, improved performance
- Building Solutions – North America reported a strong year-over-year increase, offsetting the weaker second quarter
- Uponor Infra benefited from sales price increases, which compensated for the raw material price increases in H1/2017

# Developments by segment: Building Solutions – Europe

- Favourable net sales growth across most key European markets
- Increasingly, building growth is curbed by lack of professionals, e.g. Sweden, Germany
  - Uponor's range of new prefabricated products, such as the Uponor Port family, is helping to solve capacity issues in installation and planning



# Developments by segment:

## Building Solutions – North America

- The business environment continued healthy across North America
- Despite capacity constraints, Uponor is improving its ability to deliver customer orders
  - Some products still on allocation
  - The April production issue solved
- Manufacturing expansions under way to meet expected growth
  - 10<sup>th</sup> expansion in Apple Valley in progress, operations are planned to start early 2018
  - Acquisition of a Hutchinson, Minn. facility closed in August; operations are planned to start in the second half of 2018





# Developments by segment: Uponor Infra

- Net sales grew in a robust way in North America and Sweden
- Improving trend in profitability, year-to-date performance now ahead of last year
  - Supported by price increases implemented due to first half-year resin price increases
  - Production yield not yet on pre-relocation level in Finland
- Tanzania enters as the 12<sup>th</sup> country to which Uponor has granted manufacturing license for its proprietary Weholite structured-wall pipe



A photograph of a modern building with a prominent cantilevered upper floor. The building features a mix of glass and metal facades. The sky is a clear blue, transitioning to a warm orange glow near the horizon. The text is overlaid on the image.

uponor

# Financial statements

Maija Strandberg – CFO

1 – 9 / 2017

# January – September 2017:

## Key figures

Uponor Group - continuing operations		1-9 2016	1-9 2017	Change Y/Y	1-12 2016
Net sales	M€	830.5	891.0	+7.3%	1,099.4
Operating profit	M€	63.5	77.9	+22.7%	71.0
Comparable operating profit	M€	74.6	79.2	+6.0%	90.7
Comparable operating profit margin	%	9.0%	8.9%	-0.1% pts	8.2%
Earnings per share (diluted)	€	0.47	0.64	+36.2%	0.57
Return on equity (p.a.)	%	15.3%	20.2%	+4.9% pts	13.1%
Return on investment (p.a.)	%	16.9%	19.4%	+2.5% pts	14.1%
Net interest bearing liabilities	M€	177.5	161.8	-8.8%	159.5
Gearing	%	56.6%	48.2%	-8.4% pts	48.8%
Net working capital of net sales (p.a.)	%	12.0%	11.0%	-1.0% pts	10.2%
Number of employees, end of period	FTE	3,873	3,977	+2.7%	3,868

## July – September 2017:

# Income statement

Uponor Group - continuing operations, M€	7-9 2016	7-9 2017	Change Y/Y
Net sales	284.1	317.5	+11.8%
Cost of goods sold	187.3	208.2	+11.1%
Gross profit	96.8	109.3	+13.0%
Gross profit margin (%)	34.1%	34.4%	+0.4% pts
Other operating income	0.4	0.2	-33.4%
Expenses	72.1	69.1	-3.9%
Operating profit	25.1	40.4	+60.9%
Operating profit margin (%)	8.8%	12.7%	+3.9% pts
Financial expenses, net	1.7	-1.1	-167.7%
Share of result in associated companies	0.1	-0.5	-922.6%
Profit before taxes	23.5	41.0	+74.6%
Profit for the period	14.8	28.6	+93.1%
EBITDA	37.2	49.8	+34.0%

- **Net sales** in July-September included only a marginal negative net impact from the USD, RUB and SEK
- **Comparable gross profit** grew slightly more than net sales and ended up at €109.3 (97.6) million, with a gross profit margin of 34.4% (34.3%)
- **Comparable operating profit** reached €40.4m (€29.0m), an increase of 38.9%
- There were no new **items affecting comparability** in the third quarter as the final measures related to the European transformation programmes were initiated during the second quarter of 2017



# January – September 2017: Income statement

Uponor Group - continuing operations, M€	1-9 2016	1-9 2017	Change Y/Y	1-12 2016
Net sales	830.5	891.0	+7.3%	1,099.4
Cost of goods sold	540.4	591.9	+9.5%	723.4
Gross profit	290.1	299.1	+3.1%	376.0
Gross profit margin (%)	34.9%	33.6%	-1.4% pts	34.2%
Other operating income	2.4	2.8	+17.3%	4.2
Expenses	229.0	224.0	-2.2%	309.2
Operating profit	63.5	77.9	+22.7%	71.0
Operating profit margin (%)	7.6%	8.7%	+1.1% pts	6.5%
Financial expenses, net	7.2	2.9	-59.8%	10.0
Share of result in associated companies	0.2	-1.6	-957.0%	-0.6
Profit before taxes	56.5	73.4	+30.0%	60.4
Profit for the period	35.6	50.3	+41.3%	41.5
EBITDA	95.1	107.0	+12.5%	112.6

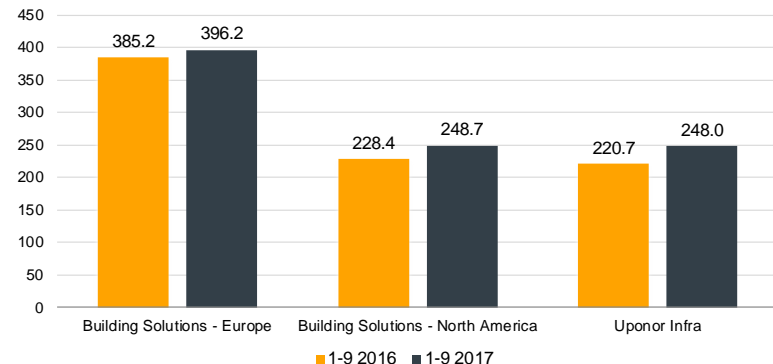
- **Net sales** growth +7.4% in constant currency terms  
– A negative net currency impact of €1.3m originating from the RUB, SEK and USD
- **Comparable gross profit margin** 33.7% (35.2%)
- **Comparable operating profit** €79.2m, which is 6.0% more than last year (€74.6m)
- **Financial expenses** include a €3.6m positive impact from the Supreme Administrative Court's decision concerning Uponor's 2016 tax appeals in Finland

January – September 2017:

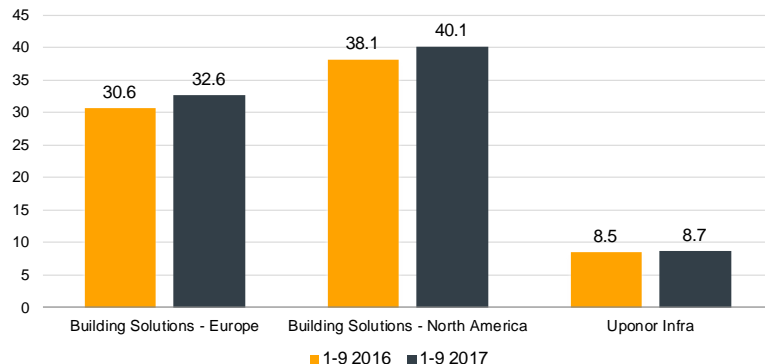
# Net sales & comparable operating profit by segment

Currency: M€

## Net sales



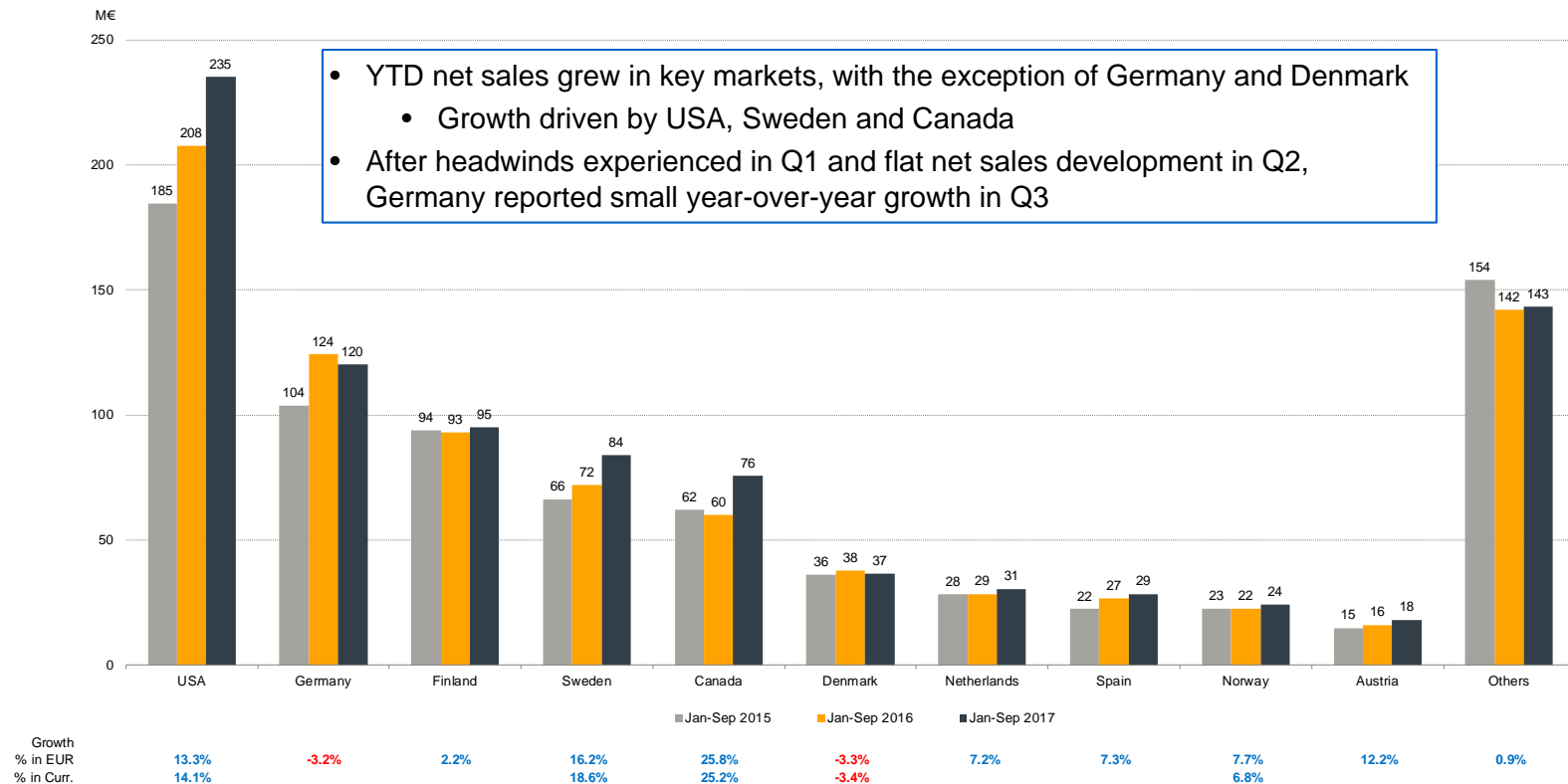
## Comparable operating profit



- **Building Solutions – Europe:** Year-to-date comparable operating profit exceeded last year's level (+6.3%) driven by solid growth of net sales in several national markets in Q3. Benefits from the transformation programme support the improvement in profitability
- **Building Solutions – North America:** Strong performance in Q3 and recovery from the temporary production issue experienced in Q2. Year-to-date net sales (+8.9%) as well as operating profit (+5.2%) improved from 2016 even though deliveries to customers are still partly on allocation
- **Uponor Infra:** Favourable net sales development (+12.4%), and comparable operating profit exceeding last year (+3.0%). Despite a successful execution of price increases, comparable operating improved only slightly due to challenges related to production relocations in Finland

January – September 2017

# Net sales development by key markets



# January – September 2017:

## Balance sheet

Uponor Group, M€	30 Sep 2016	30 Sep 2017	Change Y/Y	31 Dec 2016
Property, plant and equipment	223.6	239.3	+15.7	240.9
Intangible assets	120.0	116.0	-4.0	119.0
Securities and long-term investments	35.0	21.3	-13.7	34.7
Inventories	140.5	133.4	-7.1	139.3
Cash and cash equivalents	22.4	21.8	-0.6	16.3
Other current and non-current assets	262.2	288.4	+26.2	217.3
Assets total	803.7	820.2	+16.5	767.5
Total equity	313.7	335.6	+21.9	326.9
Non-current interest-bearing liabilities	159.0	87.4	-71.6	158.2
Provisions	25.4	27.9	+2.5	28.8
Non-interest-bearing liabilities	264.7	273.1	+8.4	236.0
Current interest-bearing liabilities	40.9	96.2	+55.3	17.6
Shareholders' equity and liabilities total	803.7	820.2	+16.5	767.5

- Property, plant and equipment increased mainly due to investments in capacity expansion and efficiency improvement
- Non-controlling interest represents €66.7m of the equity at €335.6m
- €80 million bond maturing in June 2018 is booked in current liabilities lowering long-term interest-bearing liabilities
- Gearing came to 48.2% (56.6%), with the four-quarter rolling gearing at 59.8% (51.8%)



# January – September 2017:

## Cash flow

Uponor Group, M€	1-9 2016	1-9 2017	Change Y/Y	1-12 2016
Net cash from operations	+92.5	+113.2	+20.7	+105.3
Change in NWC	-45.9	-30.3	+15.6	-16.6
Net payment of income tax and interest	-24.6	-17.5	+7.1	-28.8
<b>Cash flow from operations</b>	<b>+22.0</b>	<b>+65.4</b>	<b>+43.4</b>	<b>+59.9</b>
Cash flow from investments	-71.8	-33.8	+38.0	-91.8
<b>Cash flow before financing</b>	<b>-49.8</b>	<b>+31.6</b>	<b>+81.4</b>	<b>-31.9</b>
Dividends paid	-32.2	-33.6	-1.4	-32.2
Other financing	+56.2	+7.8	-48.4	+32.0
<b>Cash flow from financing</b>	<b>+24.0</b>	<b>-25.8</b>	<b>-49.8</b>	<b>-0.2</b>
Conversion differences	+0.0	-0.3	-0.3	+0.2
Change in cash and cash equivalents	-25.8	+5.5	+31.3	-31.9

- Gross investments came to €37.4m (29.7)
- Cash flow from investments in the comparison period includes cash flow effect of -€31.4m from the acquisition of KaMo & Delta Group and -€13.5m from the investment in the joint venture Phyn



uponor

# Outlook for the future

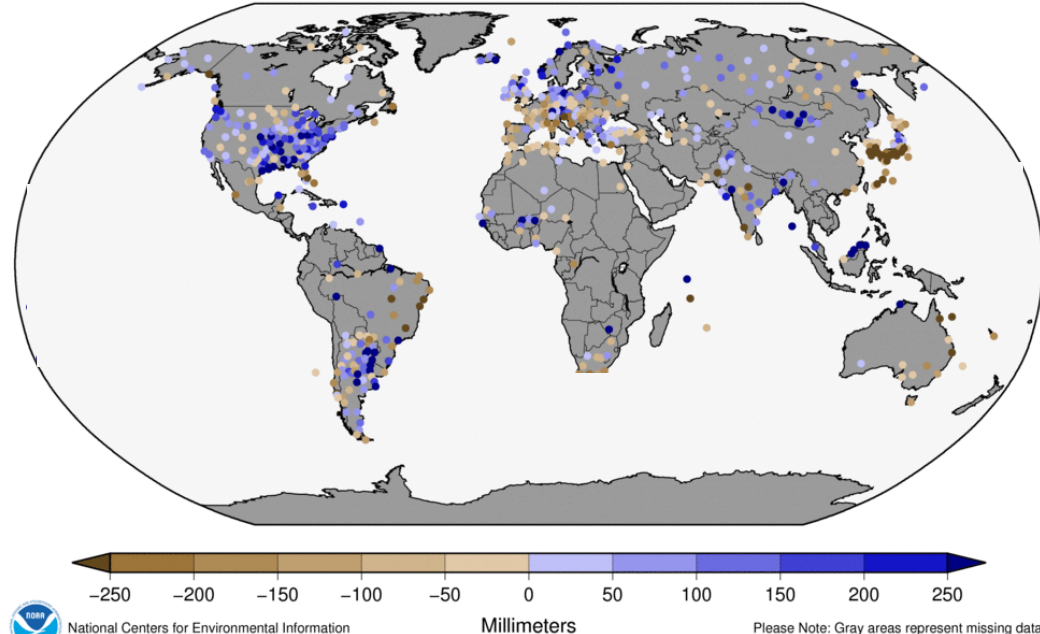
Jyri Luomakoski – President and CEO

# Abnormal weather patterns may influence the business and operations





















- Impacts can be felt both in the building solutions as well as in the infrastructure solutions businesses
- Whether positive or negative, depends on the time span and the nature of the disaster

Land-Only Precipitation Anomalies Jun 2017–Aug 2017  
(with respect to a 1961–1990 base period)

Data Source: GHCN-M version 2



# Leading indicators: Still solid, but growth is slowing

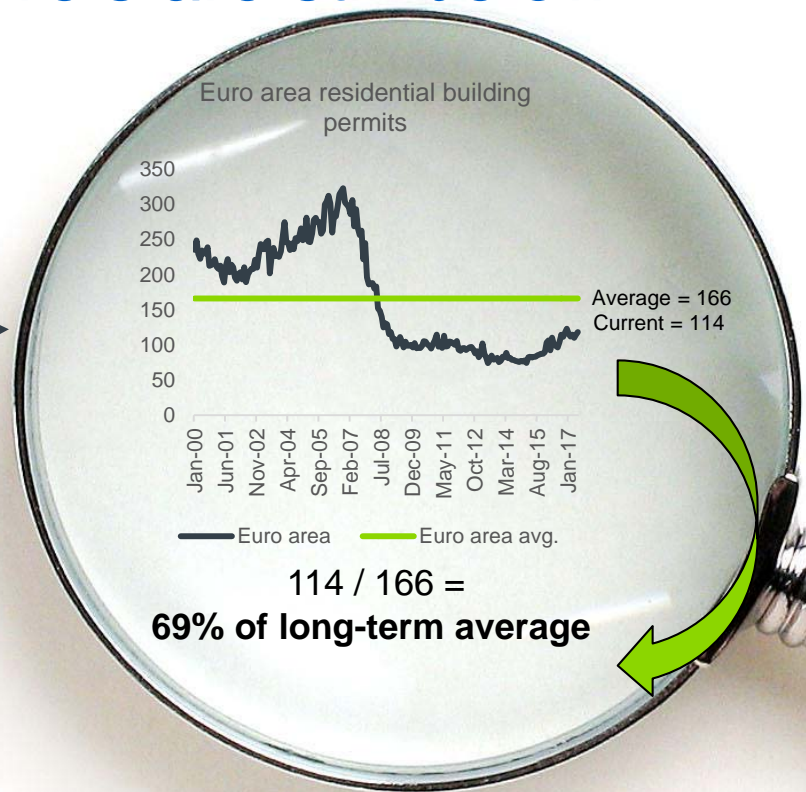
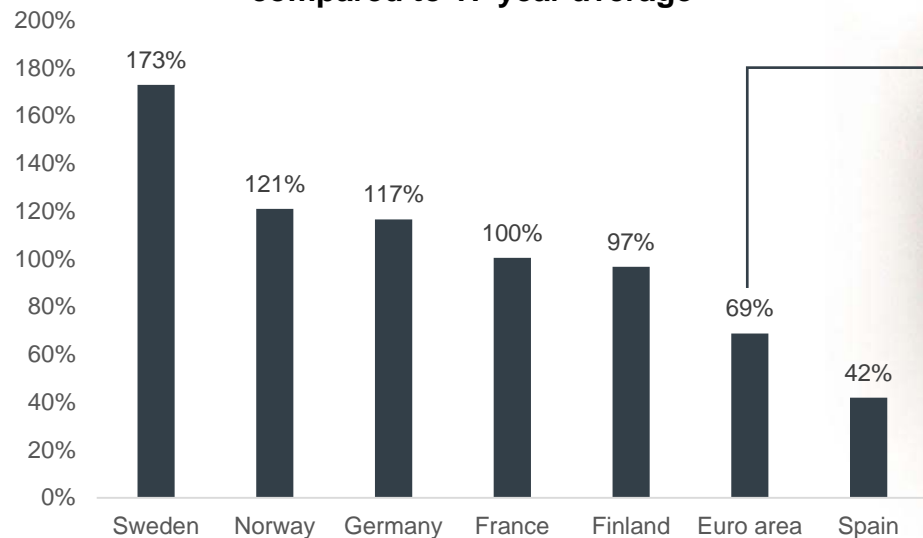
	Indicator	YTD % Change	Rolling 12-month % Change	Data through	Trend since Q2 update
 USA	Housing starts	+6% <sup>1)</sup>	N/A	September 2017	
 Germany	Housing permits	- 4%	+3%	July 2017	
 Finland	Housing permits	+6%	+7%	August 2017	
 Sweden	Housing starts	+22%	+24%	June 2017	
 Canada	Housing starts	+0% <sup>1)</sup>	N/A	September 2017	
 Denmark	Housing starts	-29%	-1%	March 2017	
 Netherlands	Housing permits	+37%	+39%	August 2017	
 Spain	Housing permits	+24%	+22%	July 2017	
 Norway	Housing starts	+5%	+9%	August 2017	
 Austria	Housing starts	+3%	+3%	June 2017	

<sup>1)</sup> Seasonally adjusted, annualised rate vs. same month in 2016



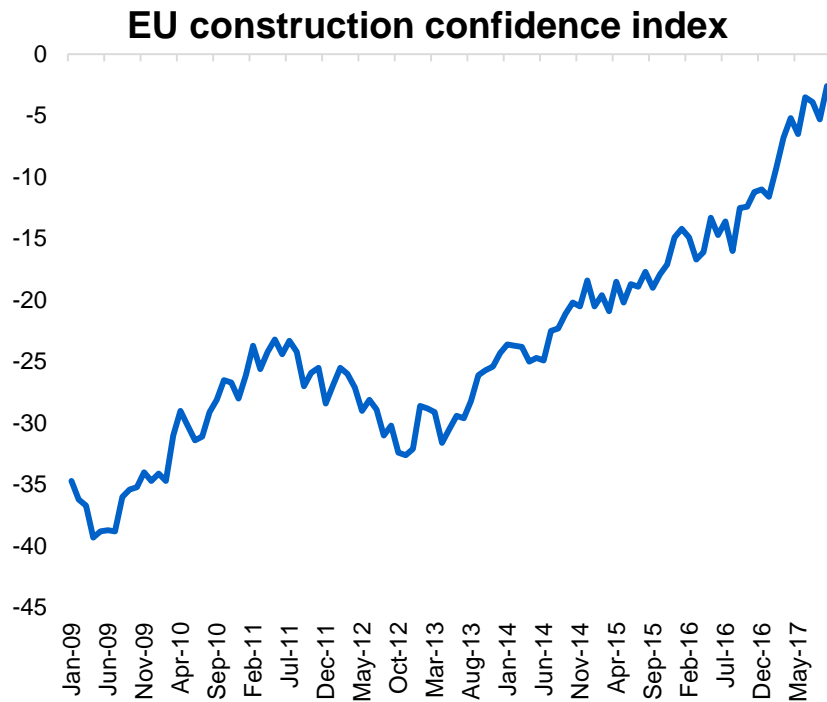
# Residential building permit levels are still below historical average in Europe

**Summer '17 residential building permit levels compared to 17-year average**

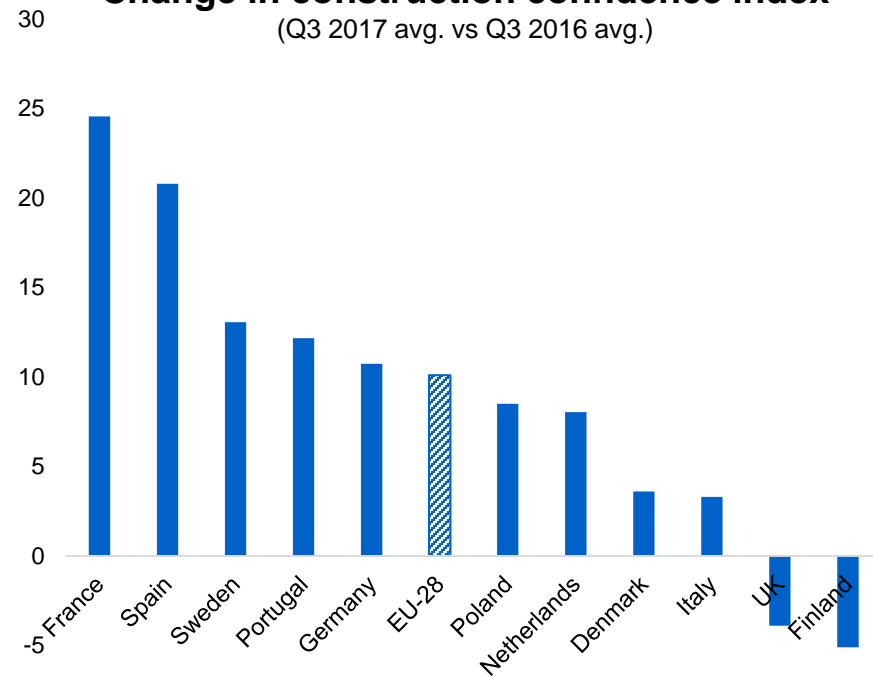


Source: Eurostat

# Builder confidence continues to strengthen in most European markets



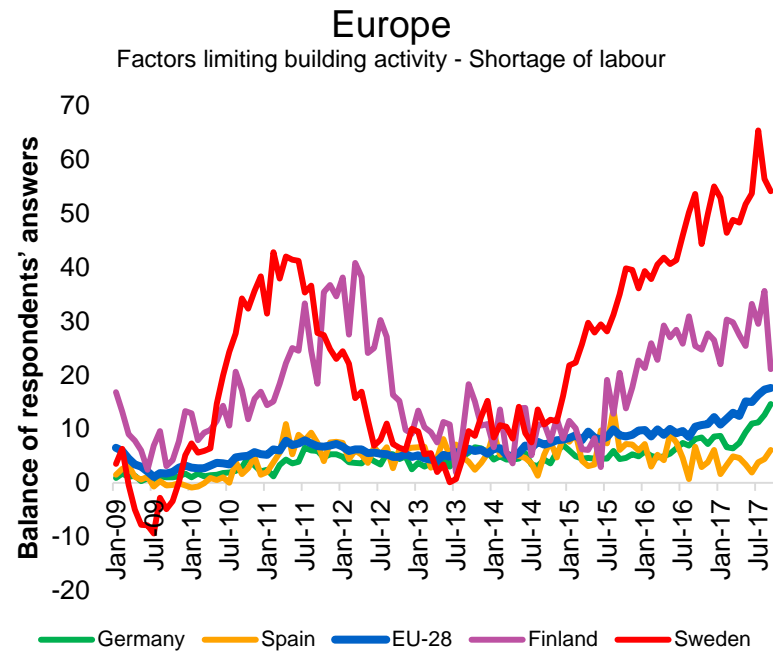
**Change in construction confidence index**  
(Q3 2017 avg. vs Q3 2016 avg.)



Source: Eurostat

# Companies reporting labour shortages is highest in the Nordics, but growing in Germany

*“What factors are limiting your ability to increase business activity?”*



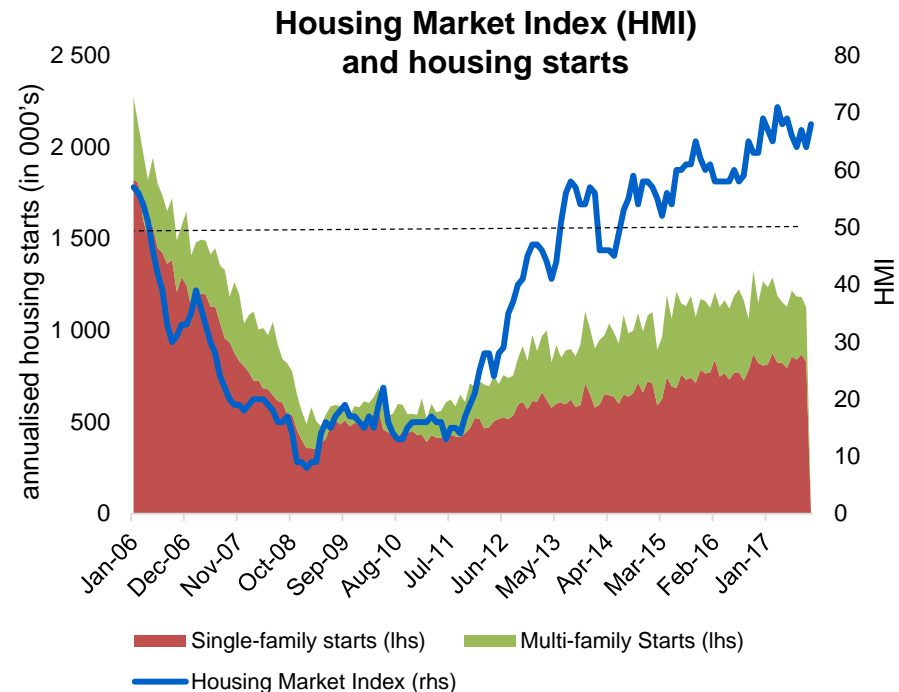
Source: Eurostat

# USA: Despite cautionary expectations, market expansion has continued

Consumer spending remains robust, while business investments have grown significantly from last year. However, labour shortages in some industries and rising interest rates are tempering growth

Within the construction industry:

- Home builder confidence has retreated from the spring highs, but remains in expansionary territory
- Non-residential construction spending has flattened overall, but has grown in the commercial and office segments
- Residential construction spending continues to make year-over-year gains, but at a reduced rate from previous years



Source: US Census, NAHB/Wells Fargo

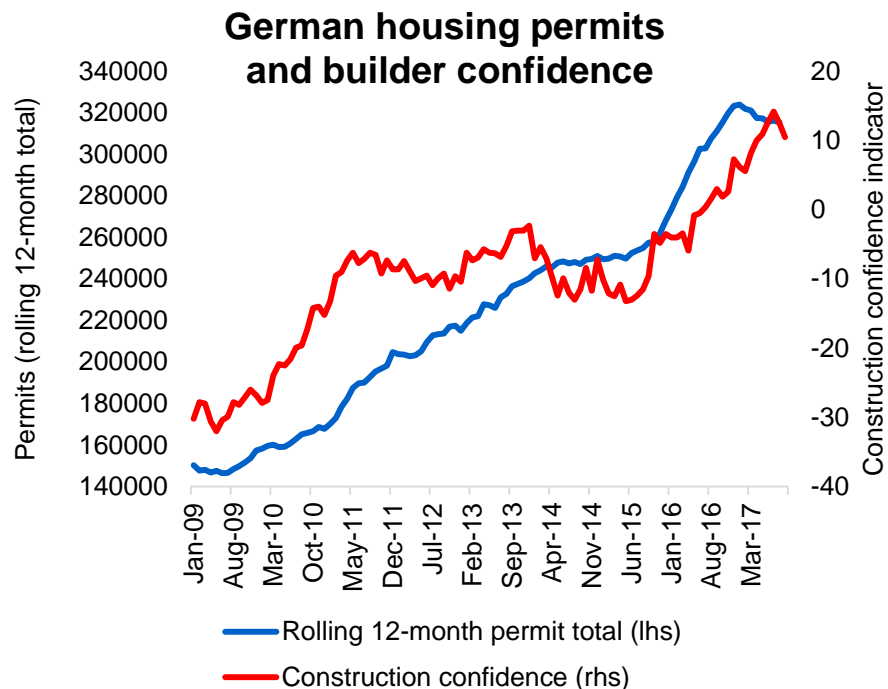


# Germany: A strong labour market is supporting residential investment, but limiting construction activity

With unemployment at a record low and business and consumer confidence near record highs, the economy continues to expand at a moderate pace

Within the construction industry:

- Building construction activity has grown and construction confidence remains near all-time-highs
- New, multi-family housing continues to drive industry growth
- However, labour shortages throughout the industry are limiting activity and order entry has slowed from the same period in 2016



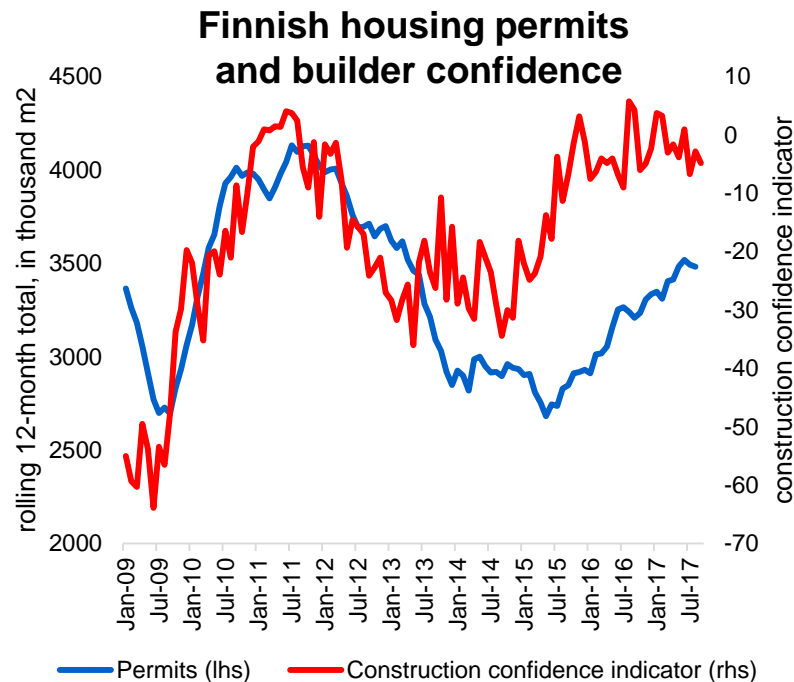
Source: Destatis and Eurostat

# Finland: Fundamentals continue to improve

Broad-based growth is materialising throughout the economy, with consumers remaining optimistic and improved order books accompanied by significant increases in business investments

Within the construction industry:

- Residential and non-residential building activity has risen year-over-year, while civil engineering has been flat overall
- Continued growth in the residential multi-family segment, while non-residential permits have slowed in some segments
- Construction confidence has trended downwards, but remains relatively high



Source: Statistics Finland & Eurostat

# Management agenda for 2017

## – the focus remains intact

- Promote the strategic initiatives (new offerings, new sales and marketing setup) in Building Solutions – Europe while fully utilising the renewed operational setup in key growth centres
- Return to acceptable service levels in Building Solutions – North America, while new manufacturing capacity is brought online
- Continue to improve net sales and performance in Uponor Infra and return to high efficiency levels
- Progress on the road towards digital transformation and launch new ground-breaking digital offerings first in America and later in Europe



# Guidance 2017

- After reporting good third quarter figures, Uponor expects the January – September trends to continue
- No material changes expected in near term market trends
- The previously announced capex guidance remains valid: capex estimated to exceed €60 million (excluding any investment in shares) in 2017
- Assuming that economic development in Uponor's key geographies continues undisturbed, Uponor reiterates its annual guidance from February 2017:

**The Group's net sales and comparable operating profit  
are expected to improve from 2016**

## Q&A

### Follow us on...

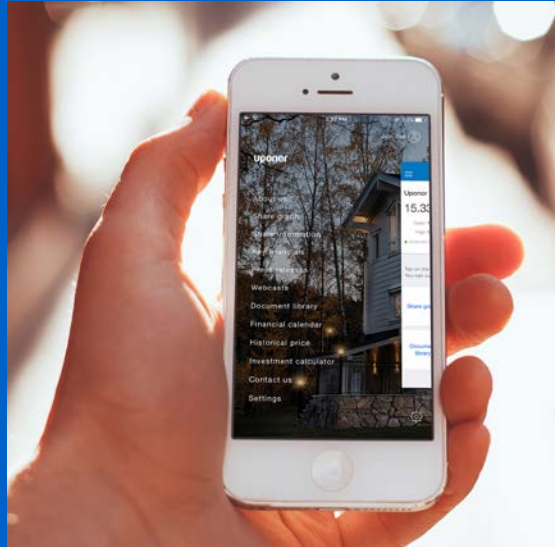
**Instagram:** uponorgroup

**Twitter:** @UponorGroup

**LinkedIn:** Uponor

**YouTube:** Uponor Group

**Uponor IR website:** [investors.uponor.com](https://investors.uponor.com)



## Uponor IR app

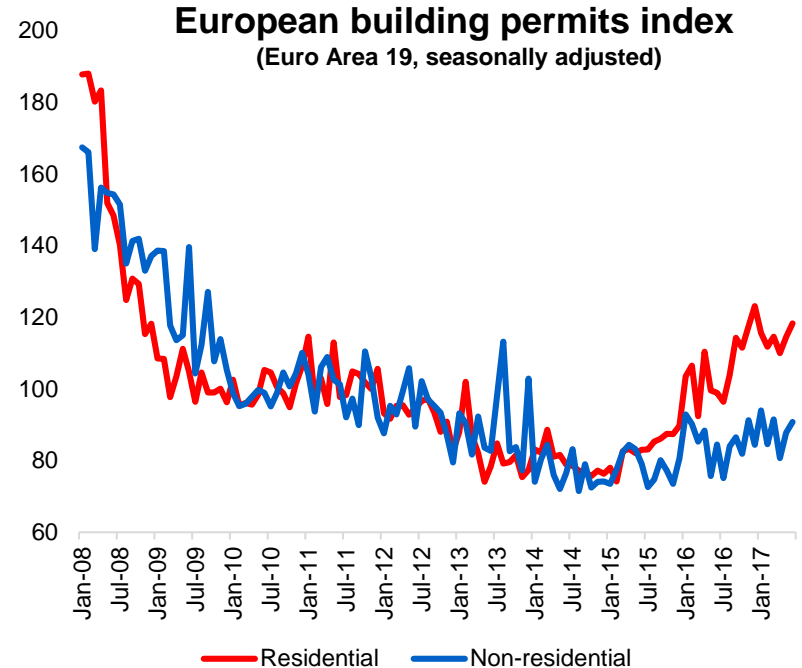
*An updated version now available!*

- ✓ **Watchlist & Indices:** monitor Uponor's stock performance and indices against other companies
- ✓ **Create a profile** for a more personalised service
- ✓ **Webcasts:** watch our quarterly release webcasts, live or recorded, through the app



# Building permit activity in Europe points towards broad-based strengthening in the residential segment

- Data through May 2017 shows continued growth in residential building permits across Europe compared to the same time last year
- Developments in the non-residential segment have been mixed, with about half of core markets making gains while the other half have fallen since the same time last year



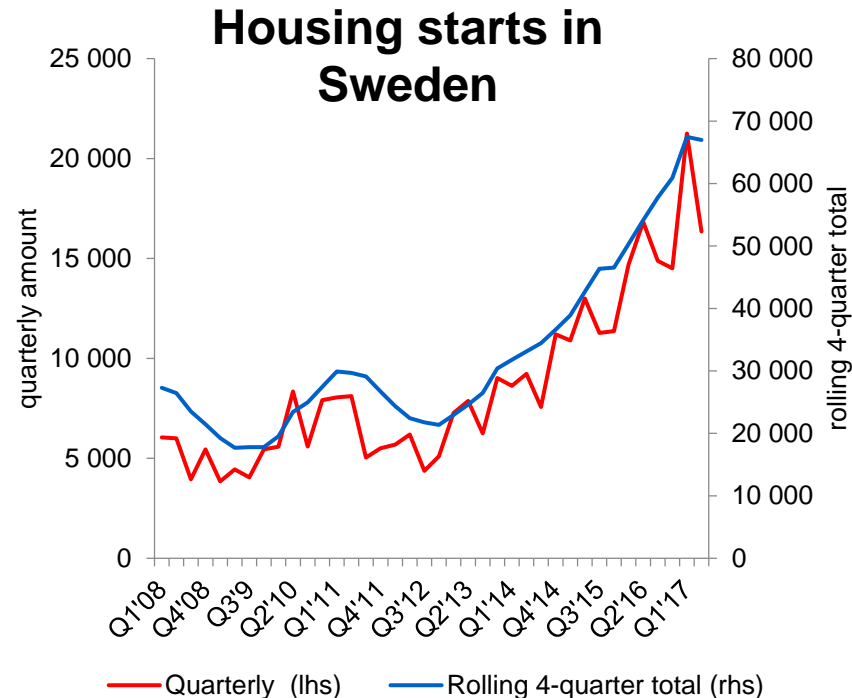
Source: Eurostat (Base year = 2010)

# Sweden: Fundamentals remain solid

While exports and business investments have risen, consumer spending continues to be the growth driver in the economy

Within the construction industry:

- Housing starts have hit a 25-year high, although the growth rate has slowed
- Construction companies are reporting significant labour shortages
- Construction sentiment remains at a multi-year high

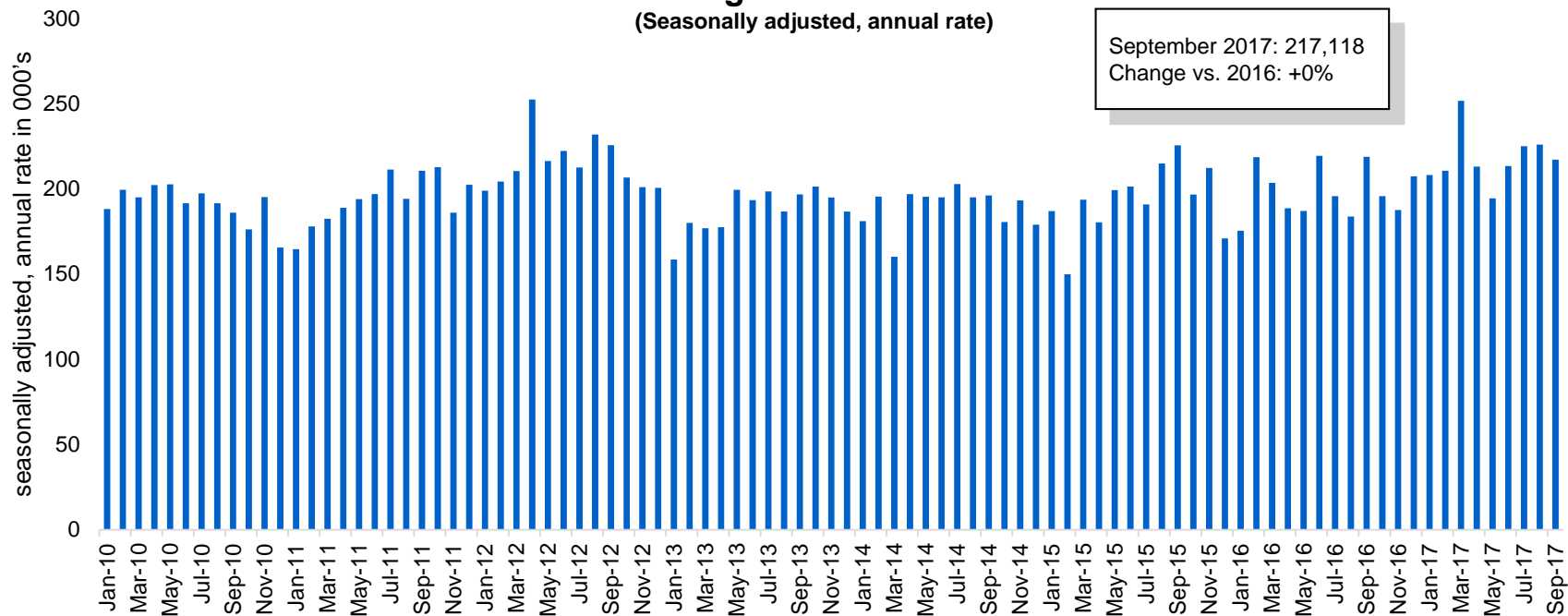


Source: Statistics Sweden



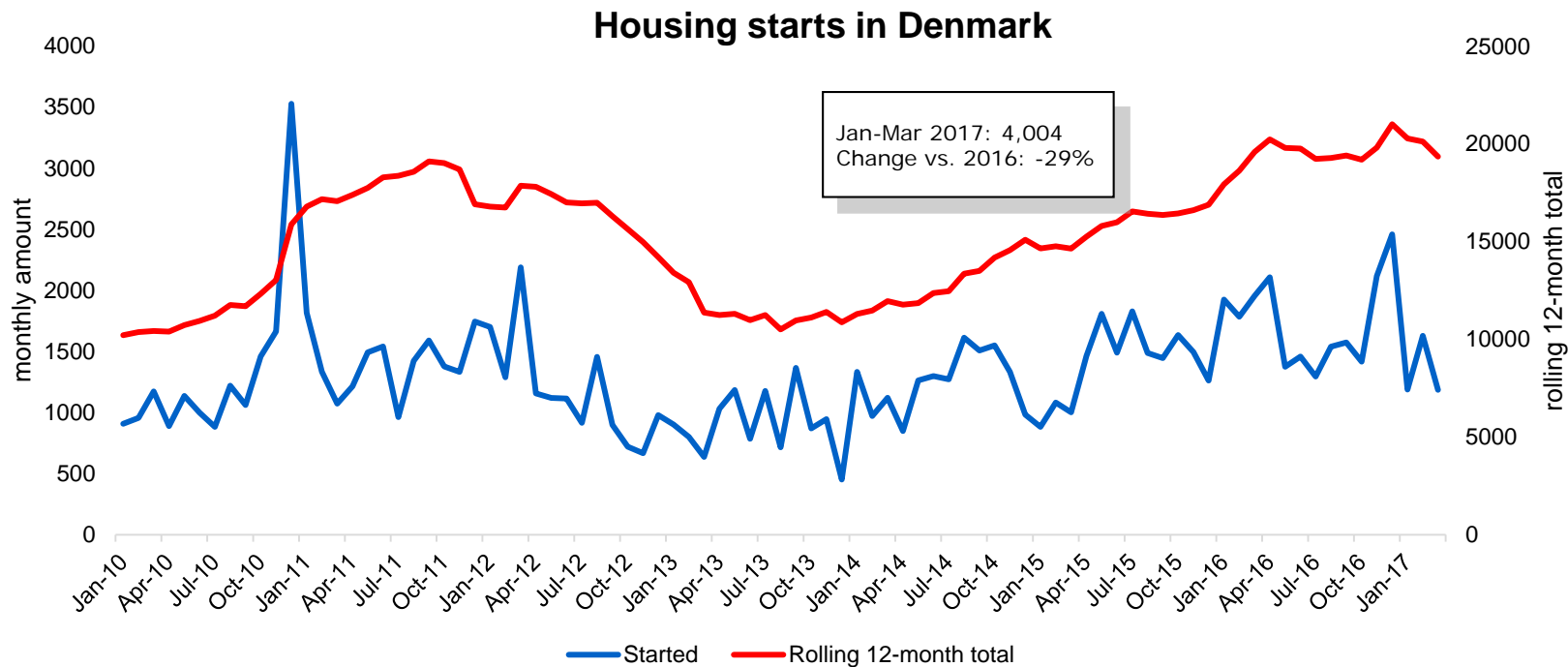
# Canada

## Housing starts in Canada (Seasonally adjusted, annual rate)



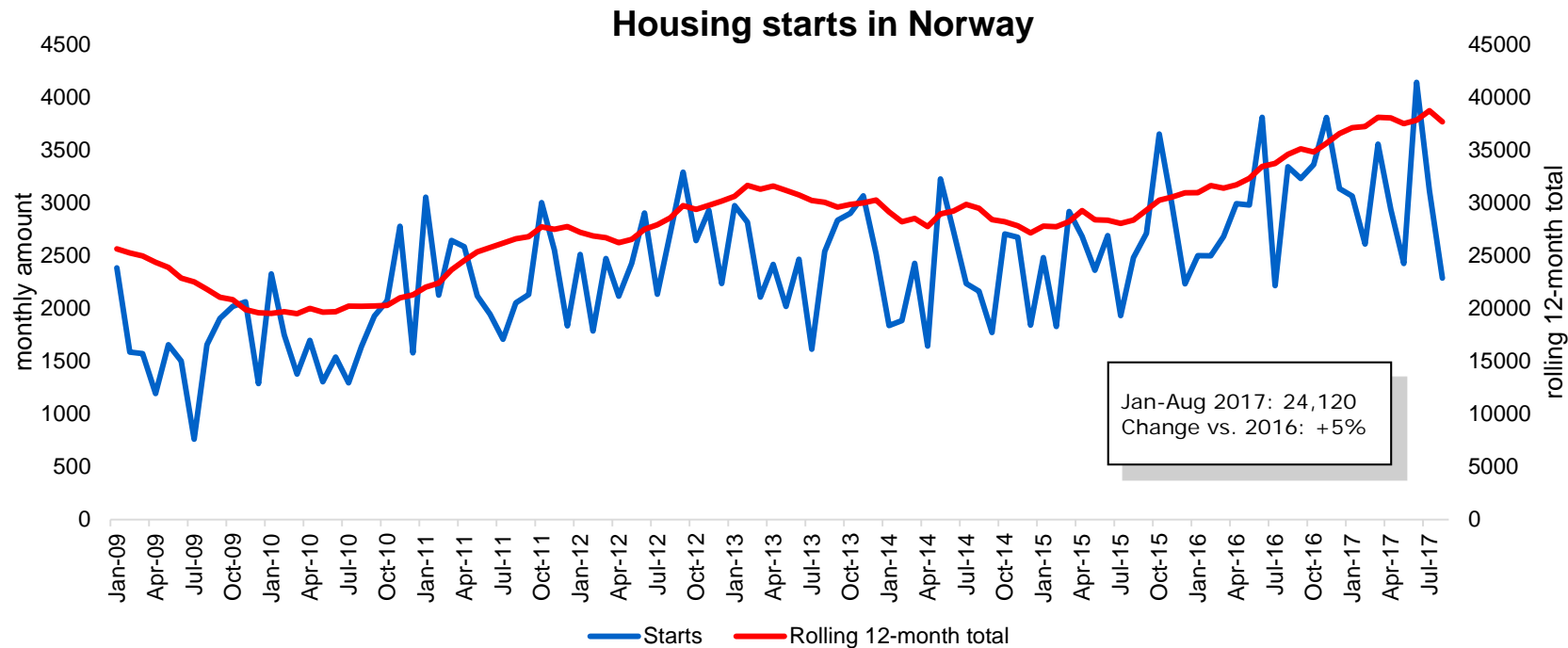
Source: CMHC/ Statistics Canada

# Denmark



Source: Statistics Denmark

# Norway



Source: Statistics Norway