

H1

Uponor Corporation
Half-Year Financial Report
January-June 2023

uponor

Moving > Water

Strong margin in
a volatile
environment

An aerial photograph showing a large, dark, cylindrical pipe being towed by a tugboat across the ocean. The pipe is oriented diagonally from the bottom left towards the top right. A smaller tugboat is visible further ahead, also towing the pipe. The water is a deep blue-grey, and white wake is visible behind the tugboats. The sky is overcast and grey.

Today's agenda and presenters

1 Group results

Michael Rauterkus

2 Divisional performance

Michael Rauterkus
Andres Caballero

3 Strategy execution

Michael Rauterkus
Thomas Fuhr

4 Financials

Markus Melkko

5 Outlook

Michael Rauterkus

6 Q&A



Michael Rauterkus
President & CEO



Markus Melkko
CFO

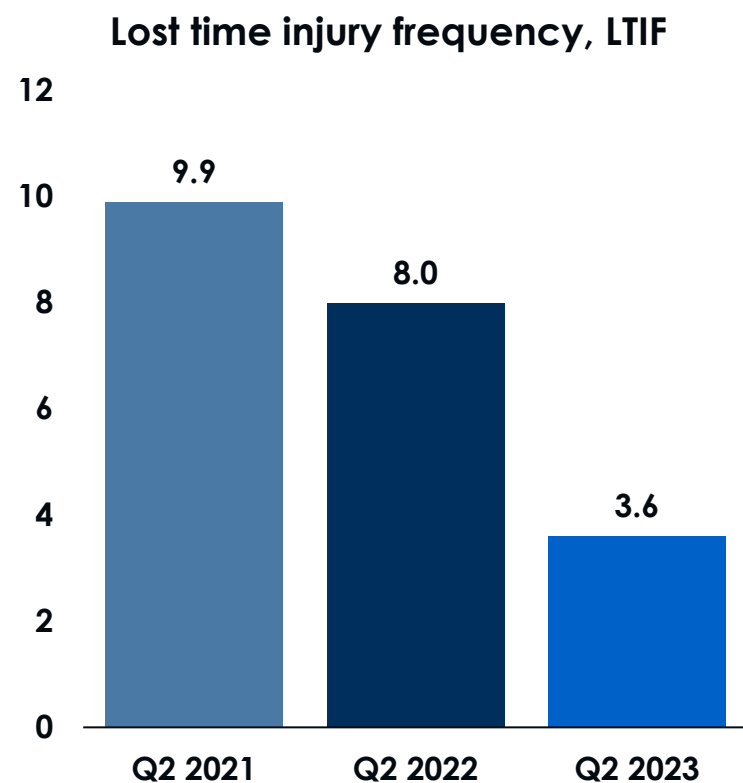


Andres Caballero
President, Building
Solutions – North America



Thomas Fuhr
Chief Technology Officer

Step change in safety performance



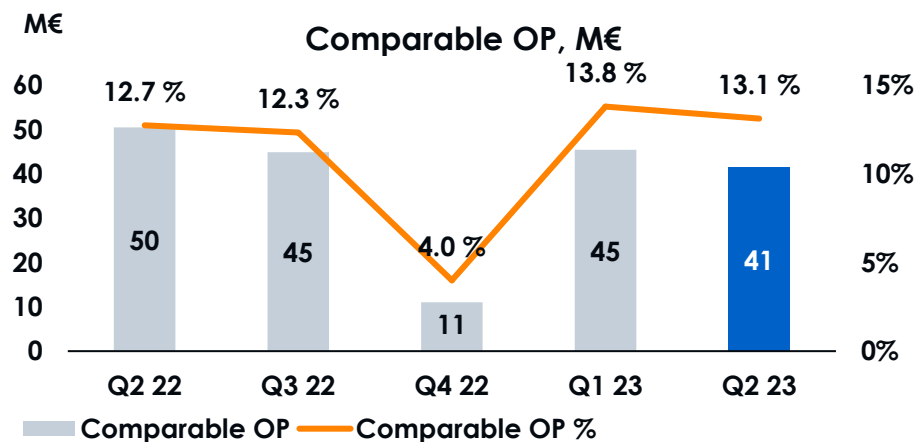
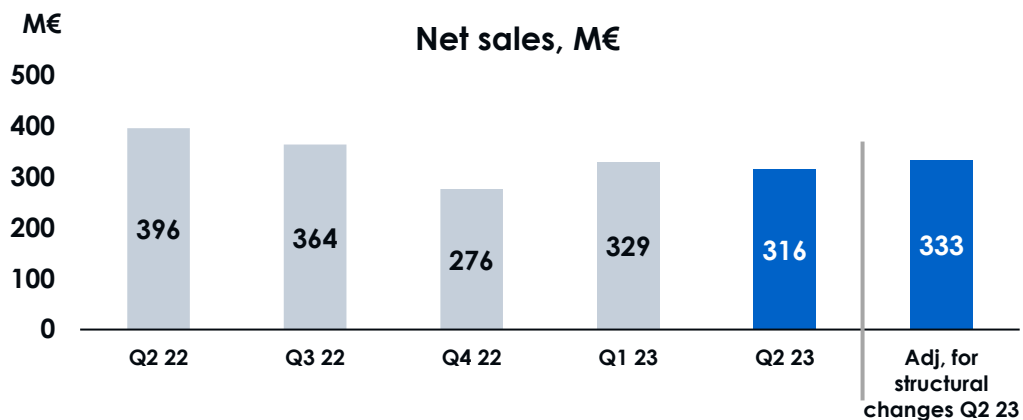
Q2 2023: Strong margin in a volatile environment

	Net sales	Comparable operating profit	Comparable OP margin
Q2	-20.4% 315.6 M€ (396.2)	-18.0% 41.4 M€ (50.5)	13.1% (12.7)
H1	-13.5% 644.9 M€ (745.7)	-11.1% 86.9 M€ (97.7)	13.5% (13.1)

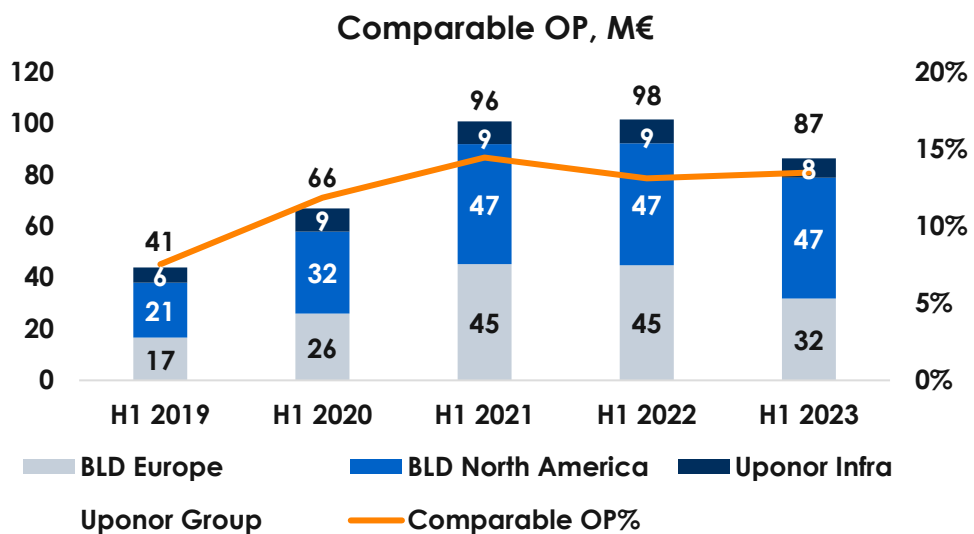
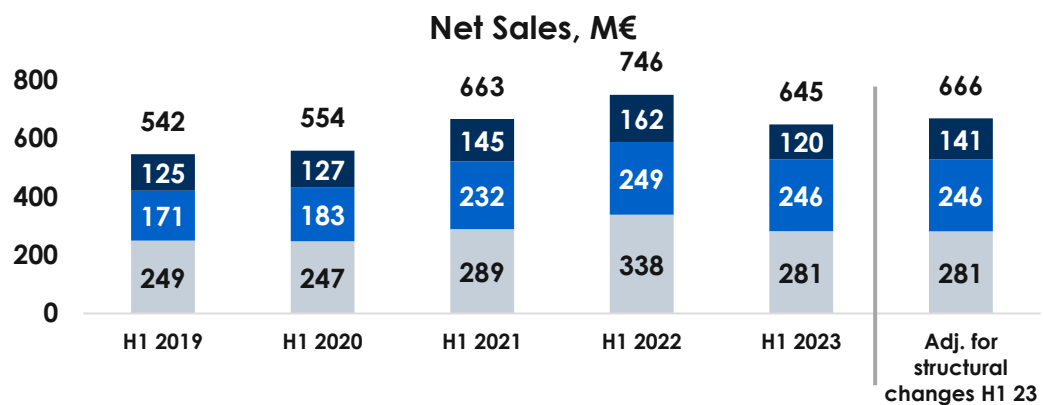
Highlights

- Strong comparable OP margin despite soft overall market demand
- Adjusted for structural changes, the net sales decrease -16.7% in Q2 and -11.0% in H1
- Strong profit performance in Building Solutions - North America and Uponor Infra
- Strong momentum in Transformation programme

Strong Q2 comparable operating profit margin above 2022 level



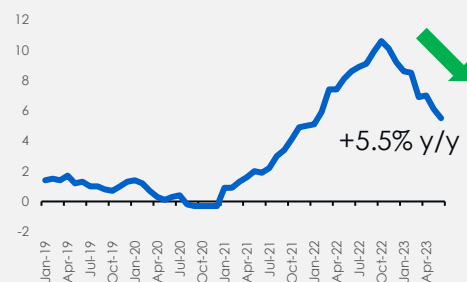
Strong margin development in the first half of the year



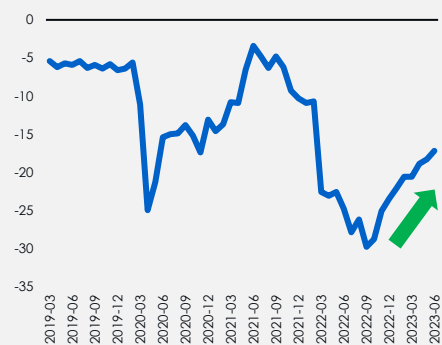
Weakness in the European construction sector

OVERALL MARKET

Consumer price inflation¹

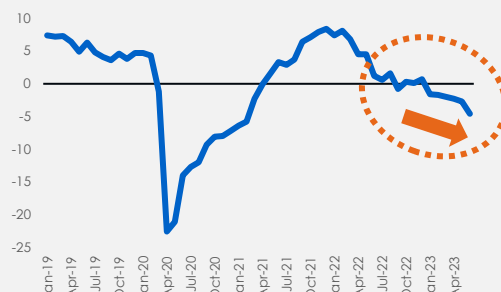


Consumer confidence¹

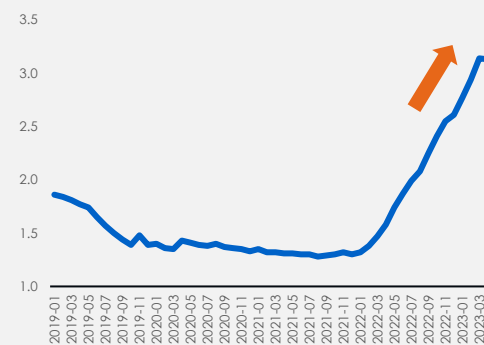


CONSTRUCTION INDUSTRY

Builder confidence¹



Residential mortgage rates^{1,2}



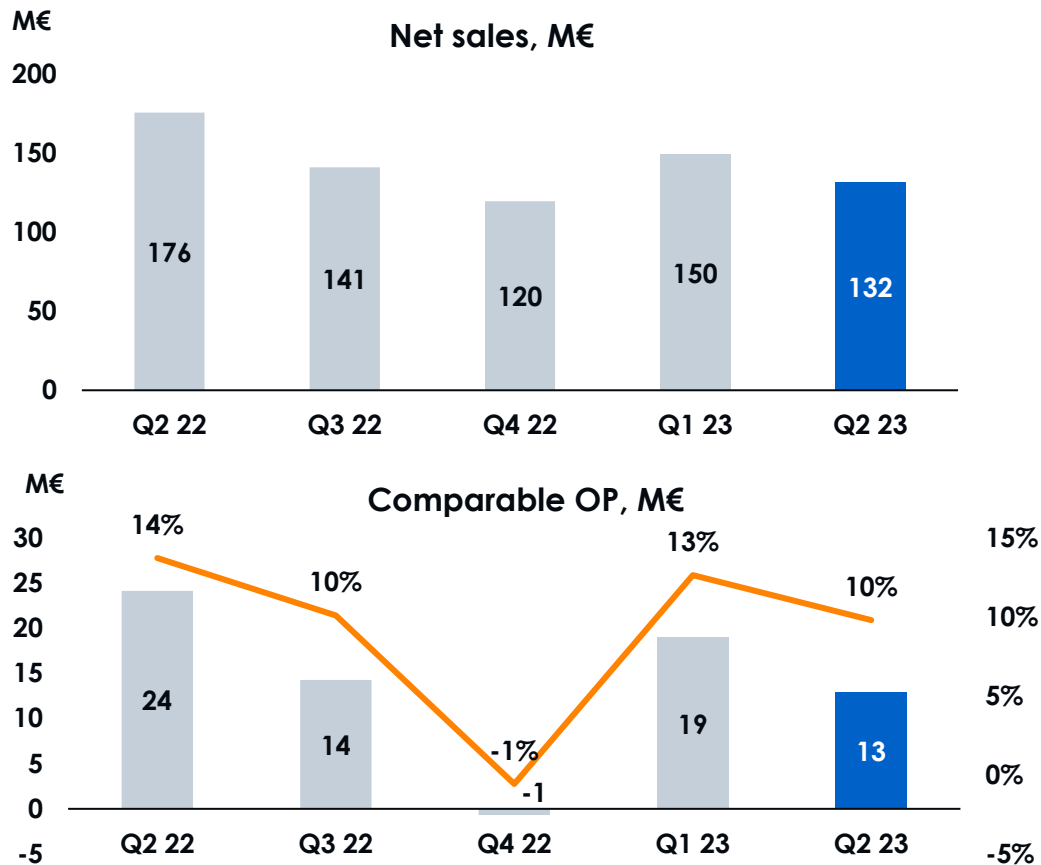
CONSTRUCTION ACTIVITY

Key indicators by country

		Indicator	YTD % Change	Data through
	Germany	Housing permits	-30%	April 2023
	Finland	Housing permits	-50%	April 2023
	Sweden	Housing permits	-61%	March 2023
	Netherlands	Housing permits	-21%	April 2023
	Spain	Housing permits	0%	March 2023
	Poland	Housing completions	0%	March 2023
	Denmark	Construction index	-8%	March 2023
	Norway	Housing starts	-31%	May 2023
	Austria	Housing permits	-36%	March 2023
	France	Housing starts	-18%	May 2023
	England	Housing starts	-18%	March 2023

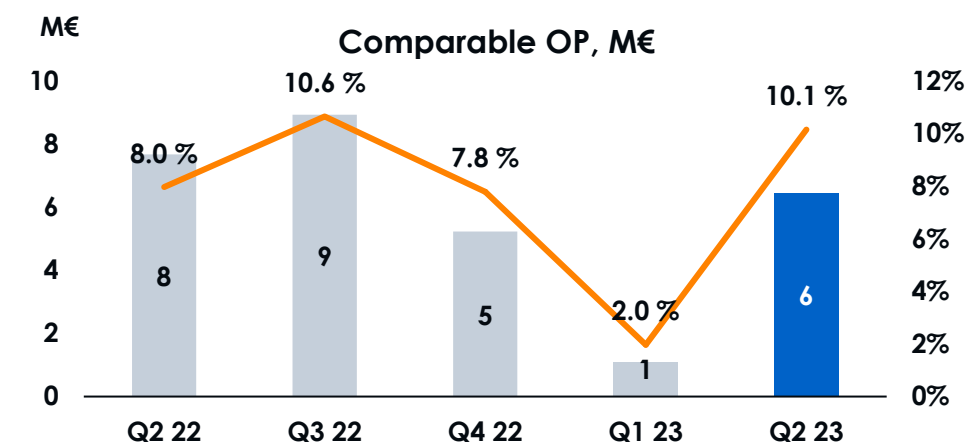
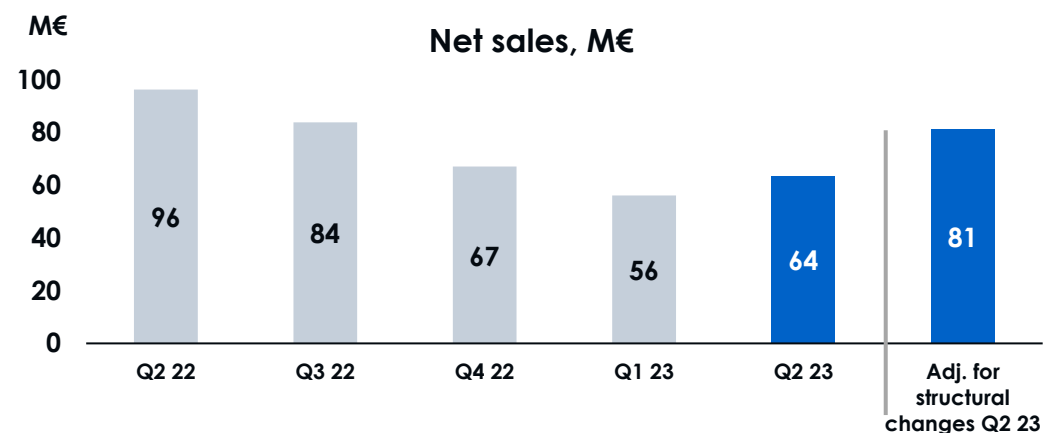
1-Eurostat, 2-Lending for house purchase

Lower demand in key markets and fast-paced transformation underway



- Net sales decreased due to
 - Strong comparison period driven by PI Q2 22
 - Lower demand in key European markets, especially in the Nordic countries
- Comparable operating profit margin decreased impacted by
 - Lower sales volumes
 - Costs related to transformation of manufacturing footprint

Strong margin through improved product mix



➤ Net sales decreased due to

- Structural changes, including divestment of District Energy business and closure of Middelfart factory in Denmark, impacted net sales by -€17.6 million
- Lower overall market activity in the Nordic countries and Poland

➤ Successful product mix, large Designed Solutions projects and transformation programme supported profitability

➤ Acquisition of full ownership of Uponor Infra Oy, subject to authority approvals, expected to close in Q3

First signs of stabilization in the U.S. market

OVERALL MARKET



Unemployment Rate

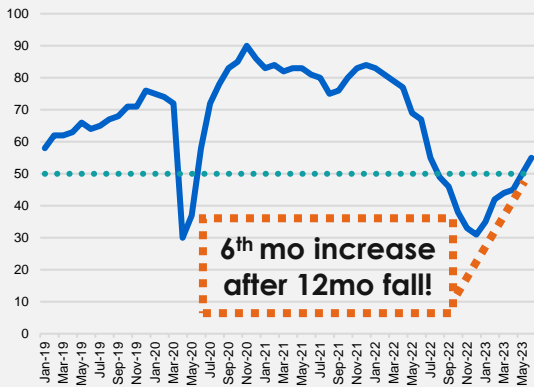
3.6% June '23² → 5.0% Federal Target³

Consumer Confidence Index⁴ (CCI)



RESIDENTIAL SEGMENT

Housing Market Index (HMI)⁵

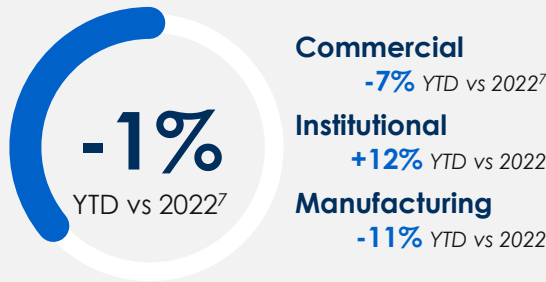


Interest rate increases driving higher monthly payments, but rate changes are settling down.

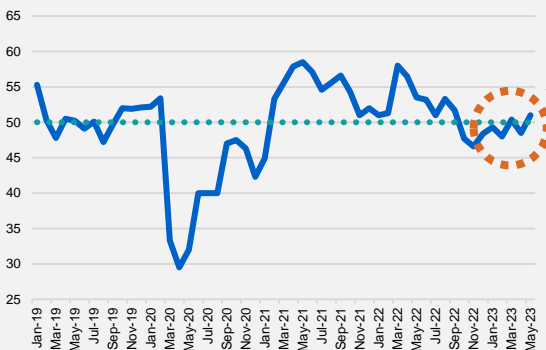


NON-RESIDENTIAL SEGMENT

Total Non-Residential Building Starts



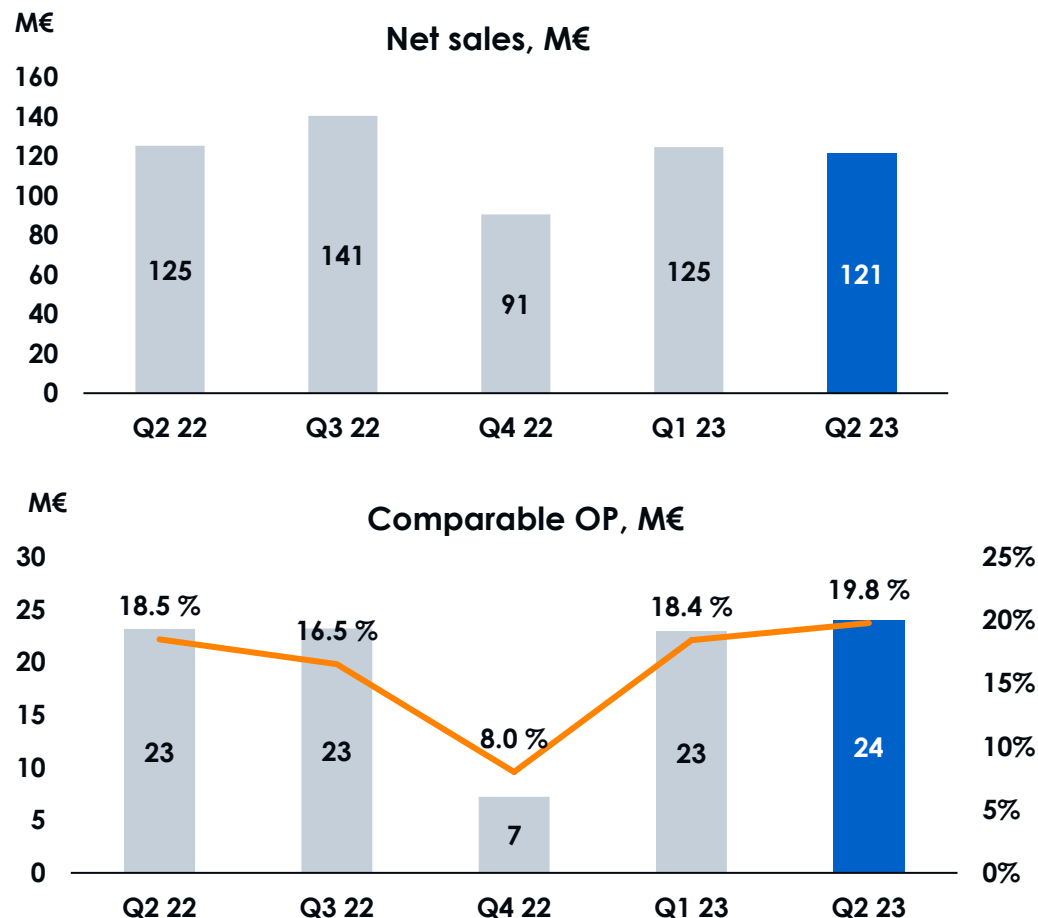
Architectural Billing Index⁸ (ABI)



Arch. Billings slightly increasing mo/mo.

Updated July 2023 1 – Bureau of Labor Statistics – CPI, 2 – Bureau of Labor Statistics – UR, 3 – Zonda – Ali Wolf, 4 – Consumer Confidence Board, 5 – NAHB HMI, 6 – Freddie Mac, 7 – Dodge Data & Analytics, 8 – AIA

Strong operating profit performance



- Net sales were close to previous year's level driven by
 - Strong demand generation activities across USA and Canada
 - Accelerated growth into commercial and non-residential markets
 - Wholesaler inventory adjustments to residential markets
- Key contributors to the strong comparable operating profit performance:
 - Robust operational performance
 - Price discipline
 - Execution of group-wide transformation programme
 - Launch of lean operating model

Strategy execution on track

Unlocking the potential
of water to protect the place we call home

To be the leader in sustainable water solutions



Max the Core

Maximize core with
systematic 4 C approach



Innovation

Innovation of sustainable
solutions and integrated systems



Sustainability

Lead construction industry
towards net zero



People First

Instill performance
mindset

Transformation to new Uponor Operating Model

Create lean and resilient organization
Enhance and harmonize business processes and systems

Big steps taken towards operational excellence

Increased safety

YTD 63% improvement
in LTIF with strong
development in all divisions

Improved service

Significant step change in
customer service levels,
BLD Europe's on time in full
(OTIF) up +10 % pts from
last year¹

Reduced complexity

47% reduction in number of
SKUs in BLD Europe driven
by platform strategies

Enhanced productivity

Strengthening Uponor's
culture of continuous
improvement and flexible
capacity management –
reduction in BLD Europe
Operations headcount

¹ YTD June vs. FY 2022

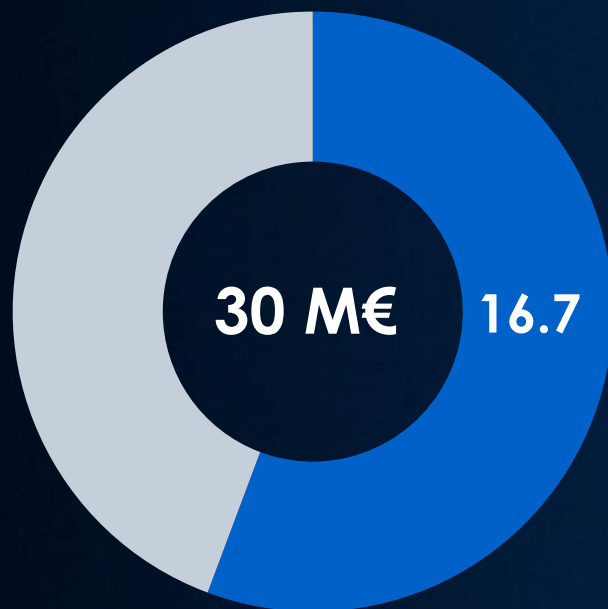
Driving innovation by aligning R&D with new Category management structure



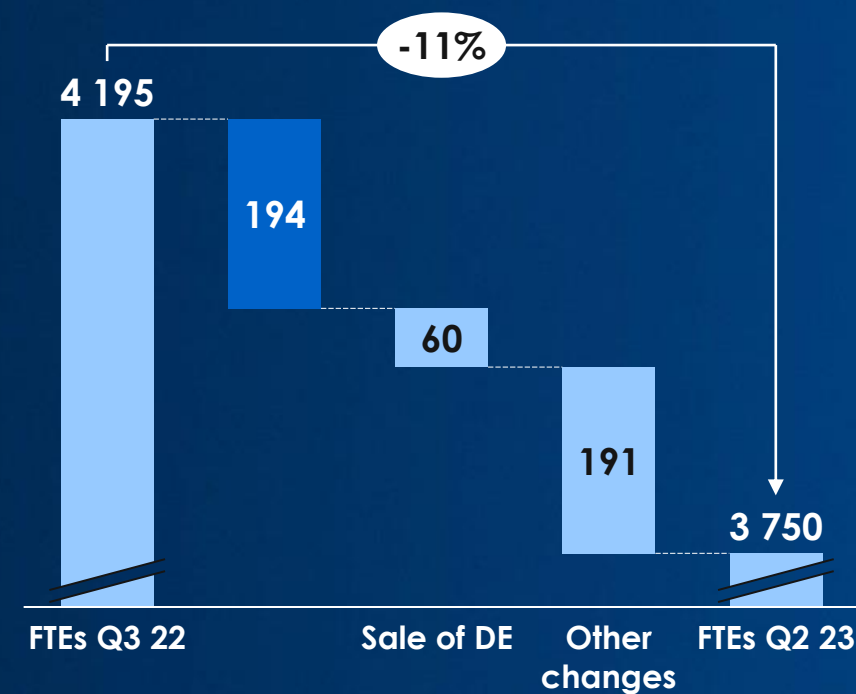
Markus Melkko, CFO

Financials

Transformation programme well on track

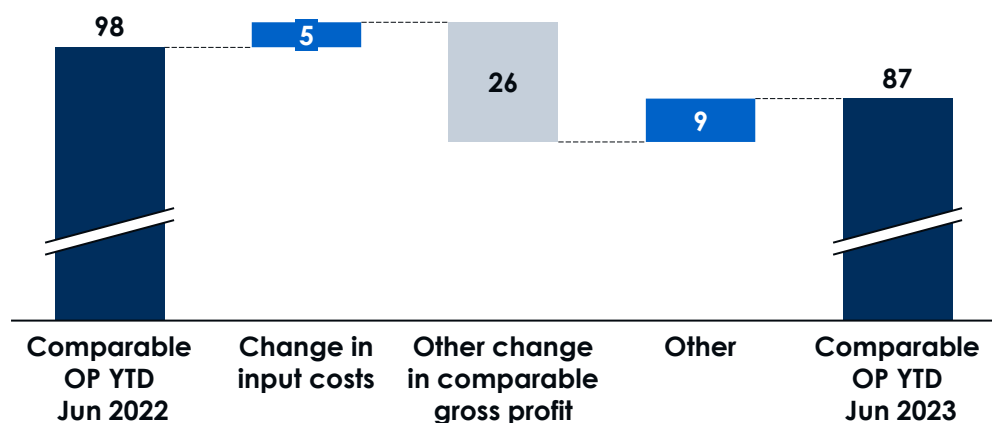
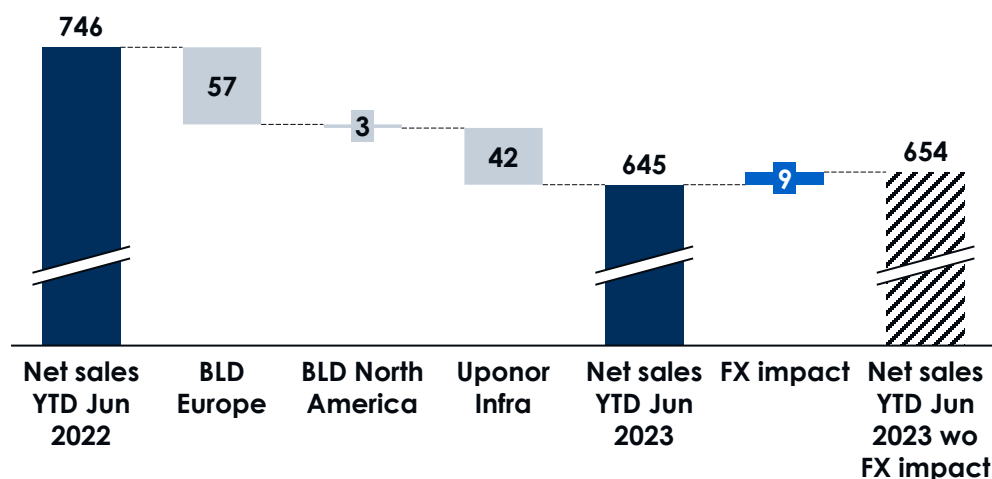


- 16.7 M€ expected annualised savings from actions completed by end of Q2 23



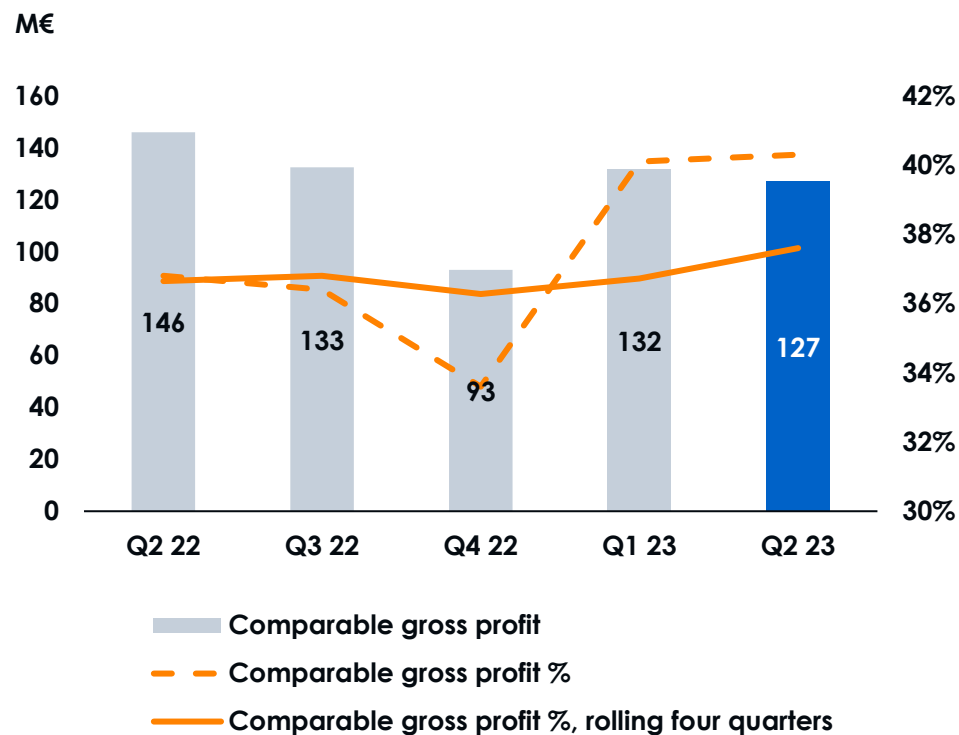
- Reduction in headcount related to transformation programme

Comparable operating profit margin improved



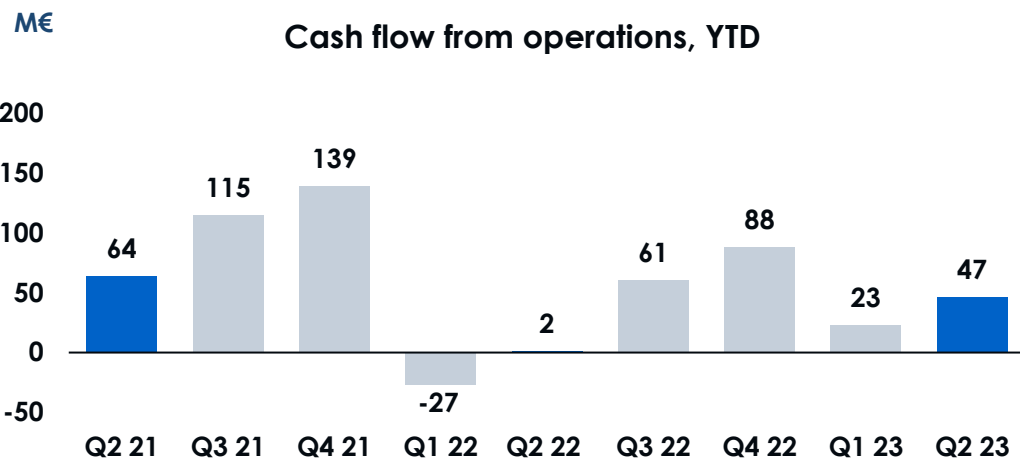
- Jan–Jun 2023 net sales €644.9 (745.7) million, decline of -13.5%
- Lower market activity impacted negatively on net sales development, Building Solutions - North America was at previous year's level
- Jan–Jun 2023 comparable operating profit €86.9 (97.7) million, down by -11.1%
- Comparable operating profit margin improved to 13.5% (13.1%)

Strong gross margin driven by mix, price and cost discipline



- Comparable gross profit margin improved to 40.3% (36.8)
- Q2 2023 comparable gross profit €127.3 (146.0) million
- Pricing discipline as well as improved mix and cost control contributed positively to the gross profit margin

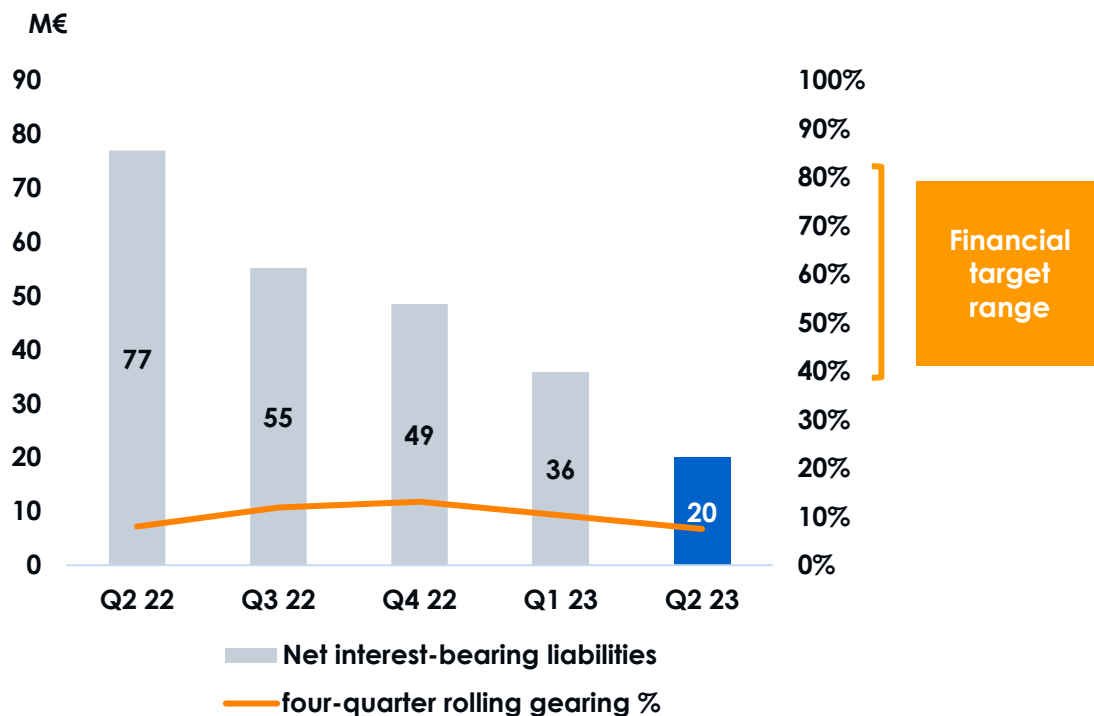
NWC development and net investments benefitted cash flow



Cash flow YTD, M€	Q2/2023	Q2/2022	Q4/2022
Cash flow from operations	46.7	1.5	88.4
Cash flow from investments	14.9	-24.0	-49.1
Cash flow from financing	-6.5	-37.4	-68.6
Total cash flow movements	55.2	-58.1	-29.2

- Cash flow from operations improved to €46.7 (1.5) million due to a lower change in NWC
- Investments in Q2 2023 related to maintenance and efficiency improvements
- Cash flow from investments includes District Energy divestment
- Cash flow from financing included the first dividend payment instalment, €24.8 (24.0) million and domestic commercial paper programme €25.0 million

Solid financial position



- Gearing at 3.8% (15.1) well below financial target levels, four-quarter rolling gearing at 7.5% (8.0)
- Net interest-bearing liabilities decrease supported by strong cash flow development
- At the end of the period, €25 million domestic commercial paper programme in use - No change in other financing facilities

Financial targets to drive profitable growth

	Jan- Jun 2023	FINANCIAL TARGETS: 2022-2024	AMBITION: 2025-
ORGANIC GROWTH	-10.3%	Organic growth >4%	Ambition to accelerate growth rate
COMPARABLE OP-%	13.5%	>12 OP-%	Ambition to increase OP-% further
GEARING	3.8%	40-80%	
DIVIDEND		Growing dividend	

Michael Rauterkus, President & CEO

Outlook for 2023

Uponor expects a volatile near-term operating environment

Tailwinds

Demand for safe water supply

Signs of stabilisation in the U.S.

Demand for more energy-efficient systems

Headwinds

Elevated interest rates

Soft demand picture in Europe

General cost inflation

Considering the robust profit performance and structural changes in H1, we have revised our 2023 guidance

New guidance as of 19 July 2023

Due to structural changes, Uponor expects its net sales, excluding the impacts of currencies, to be between €1,250 and €1,350 million in 2023, and its comparable operating margin to be at or above 11%.

Previous guidance as stated on 15 February 2023

Excluding the impacts of currencies, Uponor expects its net sales to be between €1,300 and €1,400 million in 2023, and its comparable operating margin to be above 10%.



Uponor

Moving > Water

Q2 23 Income statement

Uponor Group	4-6 2023	4-6 2022	Change Y/Y	
Net sales	315.6	396.2	-20.4 %	
Cost of goods sold	189.8	250.5	-24.2 %	
Gross profit	125.8	145.7	-13.7 %	
Gross profit margin	39.9 %	36.8 %	3.1 %	pts
Other operating income	2.9	0.1	2494.8 %	
Expenses	93.2	103.0		
Operating profit	35.5	42.8	-17.1 %	
Operating profit margin	11.2 %	10.8 %	0.4 %	pts
Comparable operating profit	41.1	50.5	-18.6 %	
Comparable operating profit margin (%)	13.0 %	12.7 %	0.3 %	pts
Financial expenses, net	2.0	-0.3	-688.5%	
Share of result in associated companies	0.1	0.0		
Profit before taxes	33.6	43.2	-22.2 %	
Profit for the period	23.5	29.6	-20.6 %	
EBITDA	48.1	55.9	-13.9 %	

H1 23 Income statement

Uponor Group	1-6 2023	1-6 2022	Change Y/Y
Net sales	644.9	745.7	-13.5 %
Cost of goods sold	388.9	466.3	-16.6 %
Gross profit	256.0	279.4	-8.4 %
Gross profit margin	39.7 %	37.5 %	2.2 % pts
Other operating income	14.5	0.2	7215.3 %
Expenses	185.5	190.0	
Operating profit	85.0	89.6	-5.2 %
Operating profit margin	13.2 %	12.0 %	1.2 % pts
Comparable operating profit	86.6	97.7	-11.4 %
Comparable operating profit margin (%)	13.4 %	13.1 %	0.3 % pts
Financial expenses, net	3.9	0.6	533.7%
Share of result in associated companies	0.1	0.1	0.0 %
Profit before taxes	81.1	89.1	-8.9 %
Profit for the period	57.6	62.9	-8.4 %
EBITDA	110.6	115.7	-4.4 %

Balance sheet as per 30 June 2023

Uponor Group, M€	30 Jun 2023	30 Jun 2022	Change Y/Y
Property, plant and equipment	294.2	301.7	-7.5
Intangible assets	109.4	112.3	-2.9
Securities and long-term investments	3.5	10.5	-7.0
Inventories	201.2	231.5	-30.3
Accounts receivable	240.6	273.1	-32.5
Cash and cash equivalents	120.7	33.9	+86.8
Other current and non-current assets	65.9	77.7	-11.8
Assets total	1,035.5	1,040.8	-5.3
Shareholders' equity	536.0	510.9	+25.1
Provisions	55.8	49.6	+6.2
Accounts payable	75.8	114.3	-38.5
Interest-bearing liabilities	141.1	111.0	+30.1
Non-interest-bearing liabilities	226.8	255.1	-28.3
Shareholders' equity and liabilities total	1,035.5	1,040.8	-5.3