

# ▶ Q3

## Uponor Corporation Interim Report January–September 2022

**Michael Rauterkus**  
President and CEO

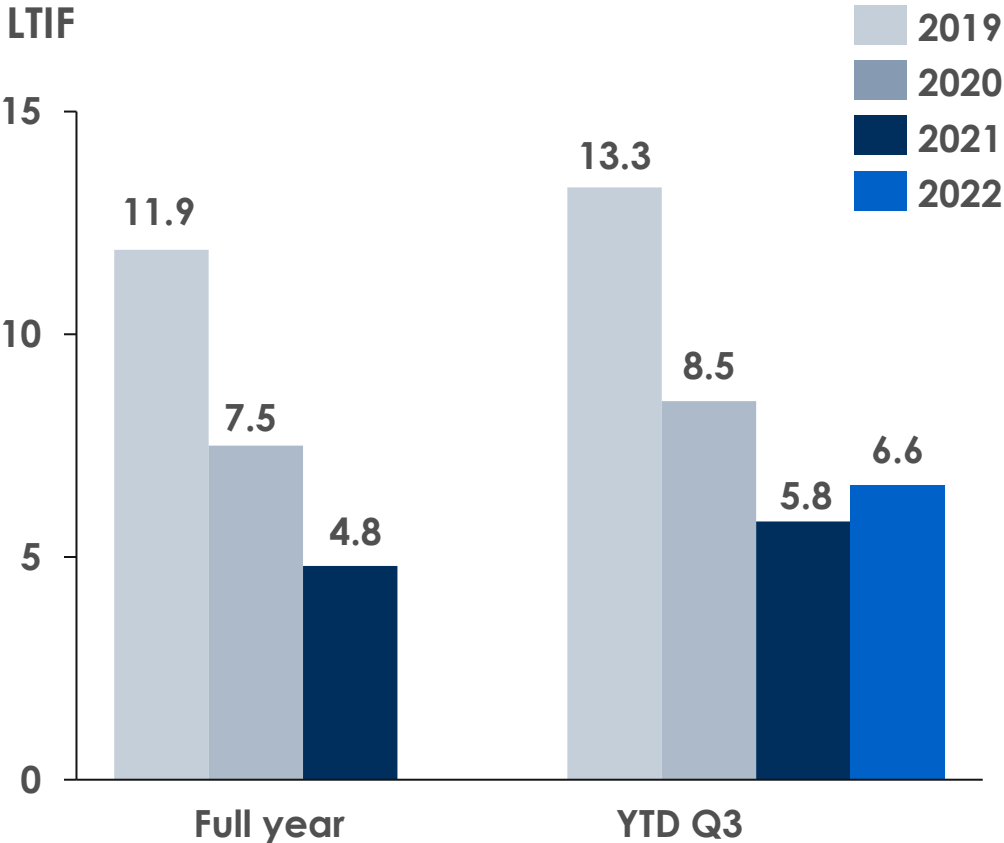
**Markus Melkko**  
Chief Financial Officer



**uponor**



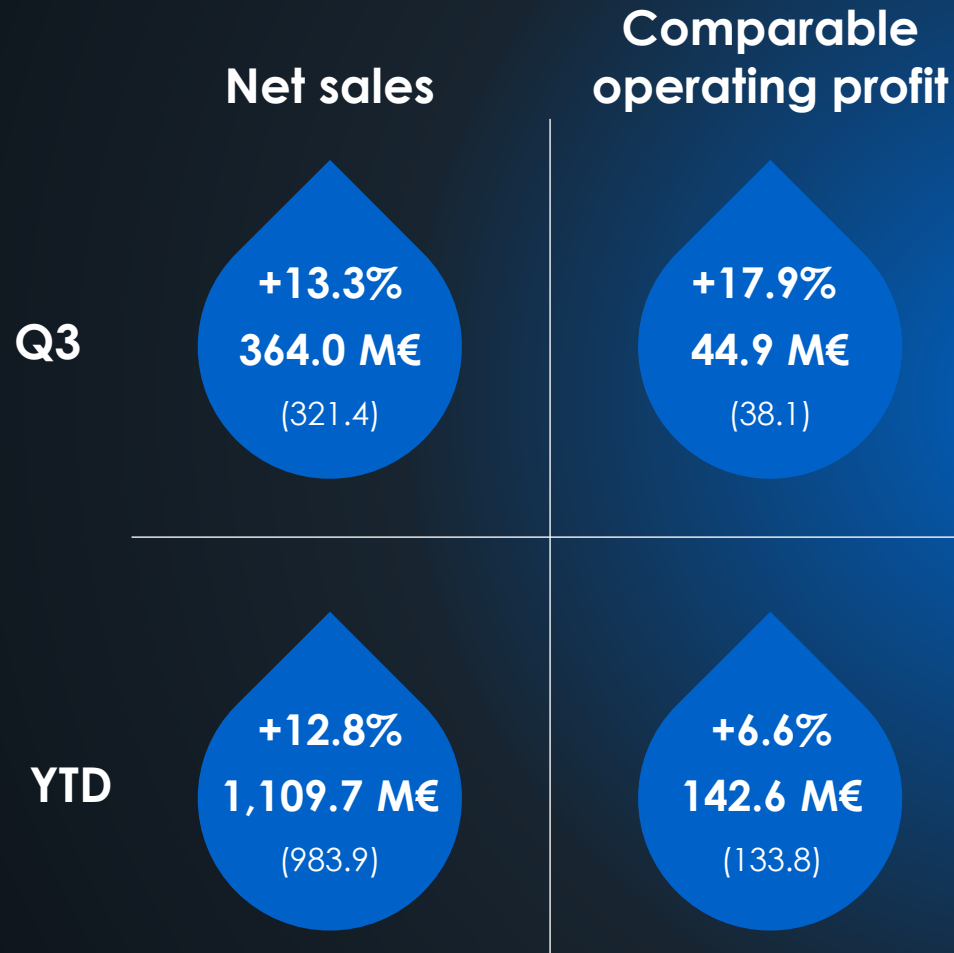
# People and Safety First



Uponor's target is zero accidents



# Strong Q3 Performance and All-Time High YTD Result

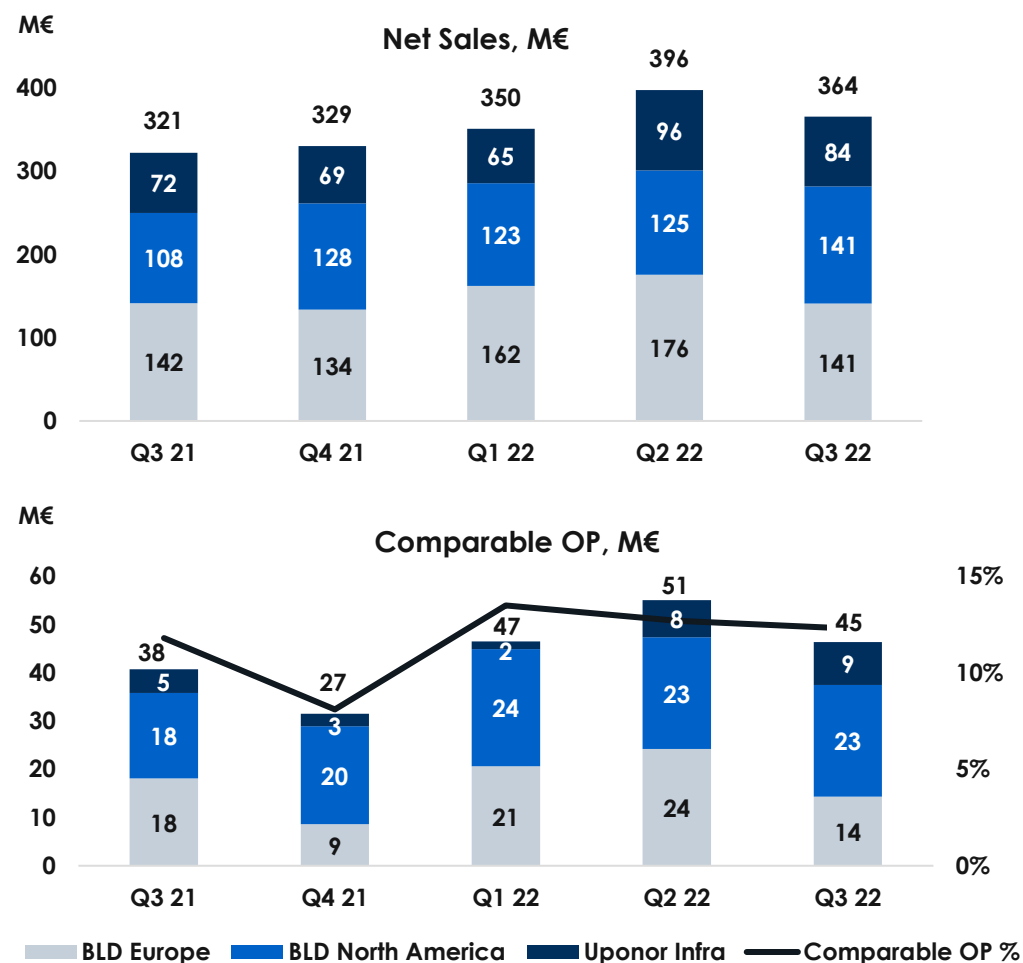


## Q3 Highlights

- Strong quarter for Uponor Infra and Building Solutions – North America
- Strategy execution progressed as planned
- New Chief Technology Officer and member of Executive Committee, **Thomas Fuhr** assumed his position
- New leadership structure for Building Solutions – Europe in place with new Senior Vice President **Goran Kovacev** leading the division's commercial operations
- Activities to enhance resilience started

# Uponor Group Quarterly Development

## Strong Q3 Performance



➤ **Group net sales growth +13%, organic growth +11%, driven by**

- Strong growth in Uponor Infra and BLD North America, BLD Europe stable
- Strong price realization
- Favourable currency movements

➤ **Group comparable operating profit +18%, mainly driven by**

- Pricing actions
- Favourable sales mix

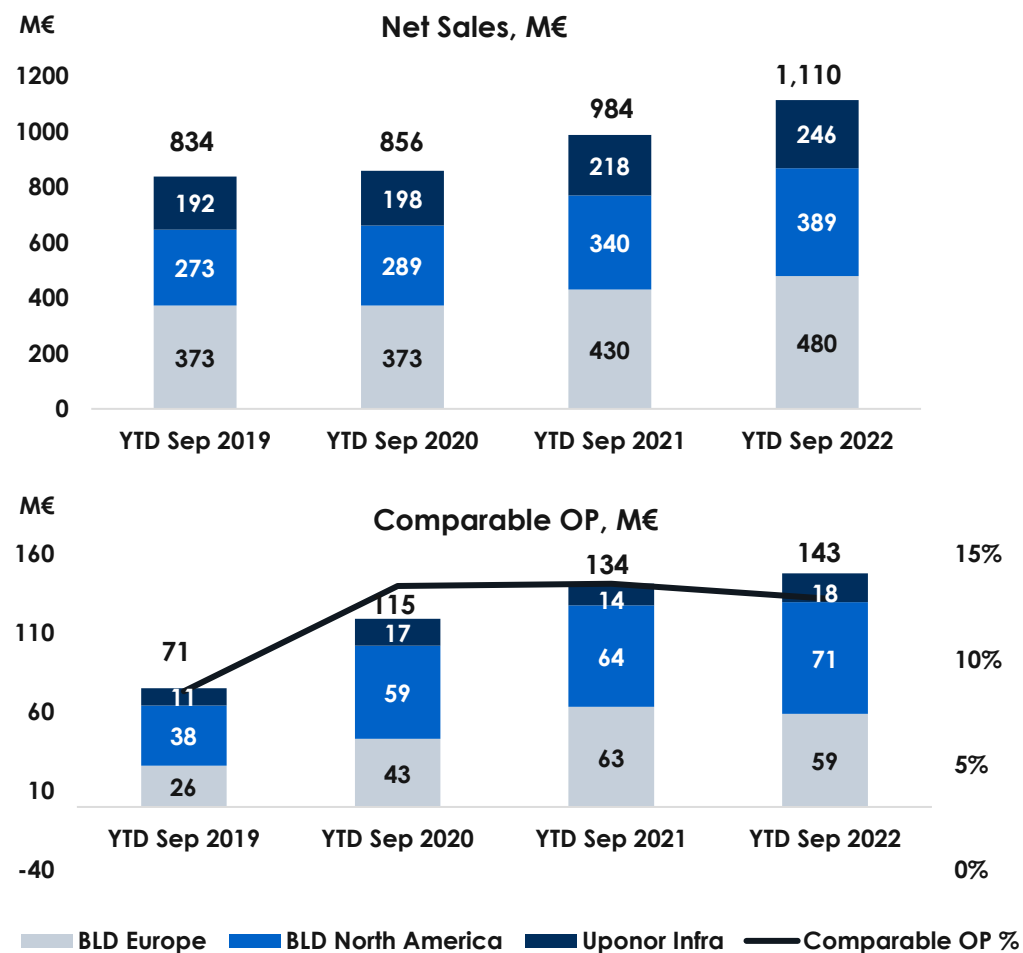
➤ **Comparable operating margin 12.3% (11.8)**

➤ **Guidance statement for 2022 unchanged**



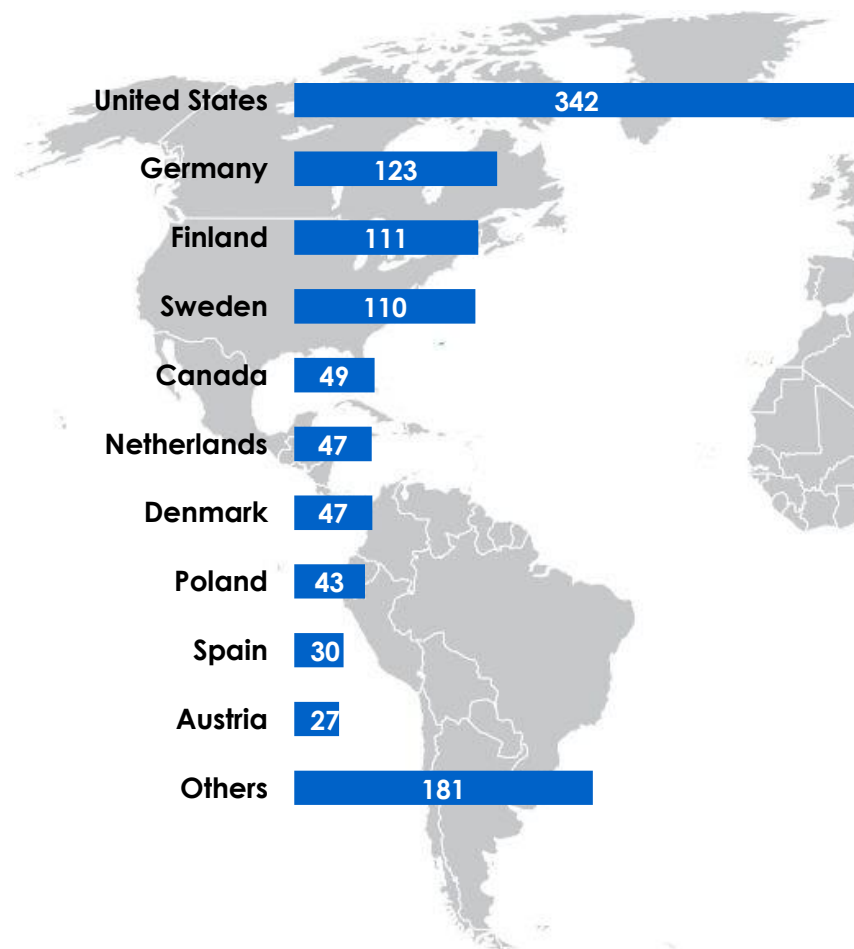
# Uponor Group YTD Development

## YTD Net Sales and Comparable Operating Profit at All-Time High

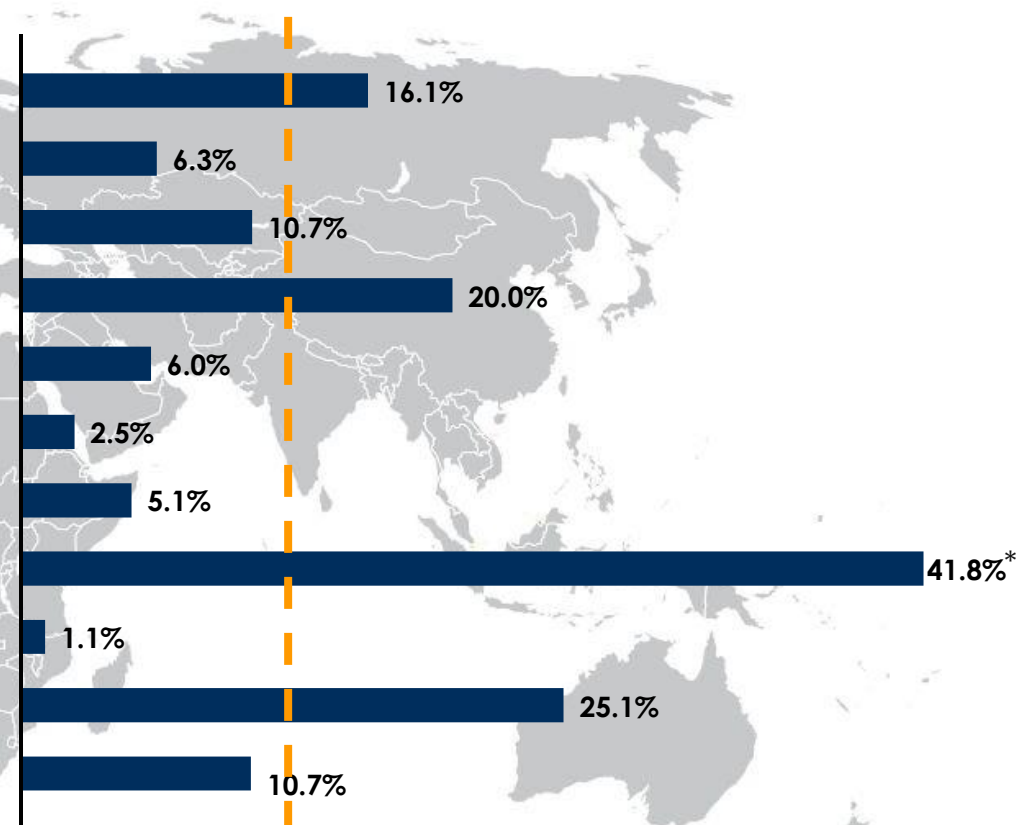


# Net Sales Development by Key Markets 1–9/2022

1–9/2022 Net sales by country, M€



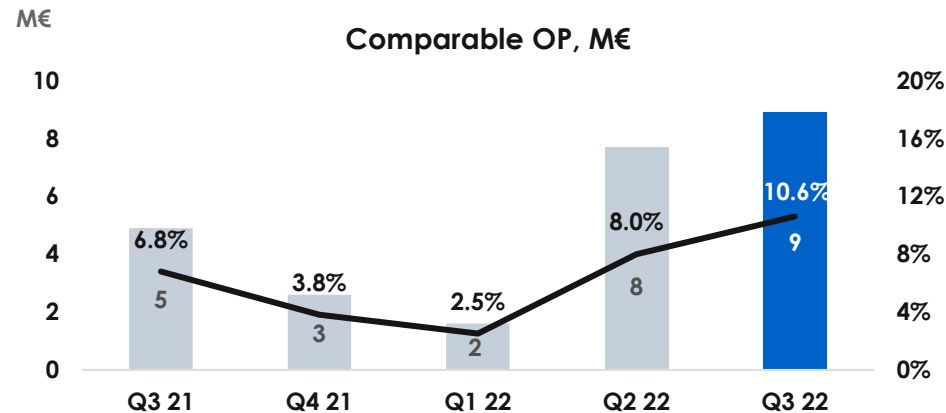
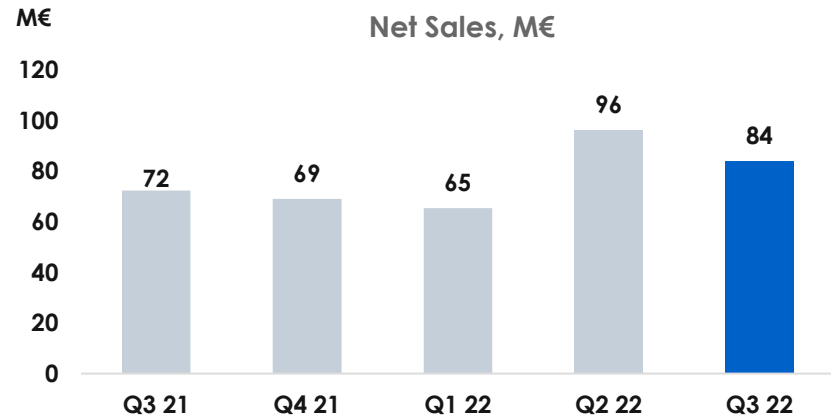
1–9/2022 Net sales growth % in EUR by country



**Group total  
Net sales growth  
12.8%**

\*includes Capricorn acquisition

# Strong Sales Growth and Operating Profit Improvement



- **Net sales growth +16%, driven by**
  - Strong development in designed solutions
  - Pricing actions
  - Weakening market conditions in Finland
- **Comparable operating profit +83%, driven by**
  - Favourable sales mix
  - Pricing
  - Improved operational efficiencies
- **Measures in place to adjust market specific capacity**



# Uponor Infra Designed Solutions Q3 Highlights

## Turn-key installation projects, including

- Detailed design and engineering
- Materials, both Uponor produced and trading products
- Site installation and supervision services
- All related civil works incl. excavation, blasting, dredging, submersion works, etc.

## Main customers

- Heavy industry (pulp, steel, mining, chemical)
- Fish farms
- Water and sewage treatment plants



### City of Ottawa, Canada

Installation of marine intake and outfall pipelines, taking water from the Ottawa river and used as district cooling water to cool buildings in the city centre of Ottawa.



### Mining industry, Sweden

Engineering service, supply of pipes and fittings as well as welding and installation service on site to enable transporting process water at minimum pumping cost.



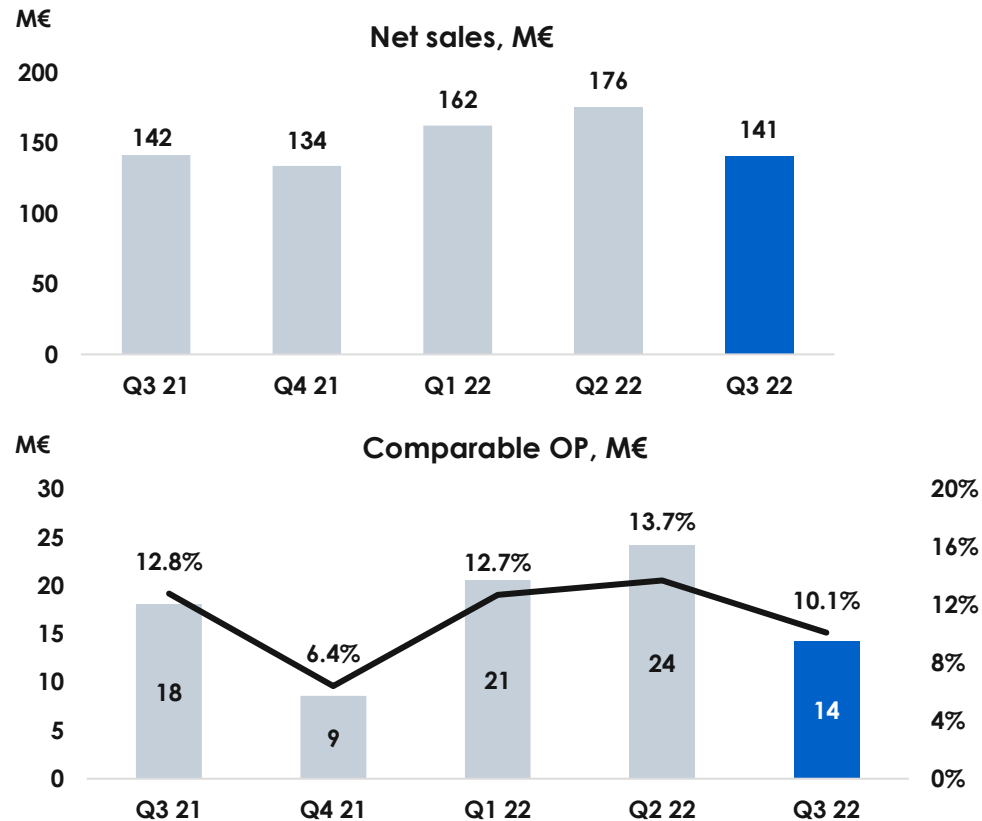
### Steel plant, Sweden

Installation of a 500 m Infra culvert with an internal diameter of 3000 mm with all internal pipelines connecting them to the steel plant's existing network.



## Building Solutions – Europe

### Stable Sales Development, Operating Profit Affected by Unfavourable Sales Mix



#### ➤ Net sales stable, organic growth, -6%

- Pricing actions and the acquisition of Capricorn S.A. impacted positively
- Net sales impacted negatively by wholesalers reducing inventories as Uponor's service levels have normalized

#### ➤ Comparable operating profit -21%, driven by

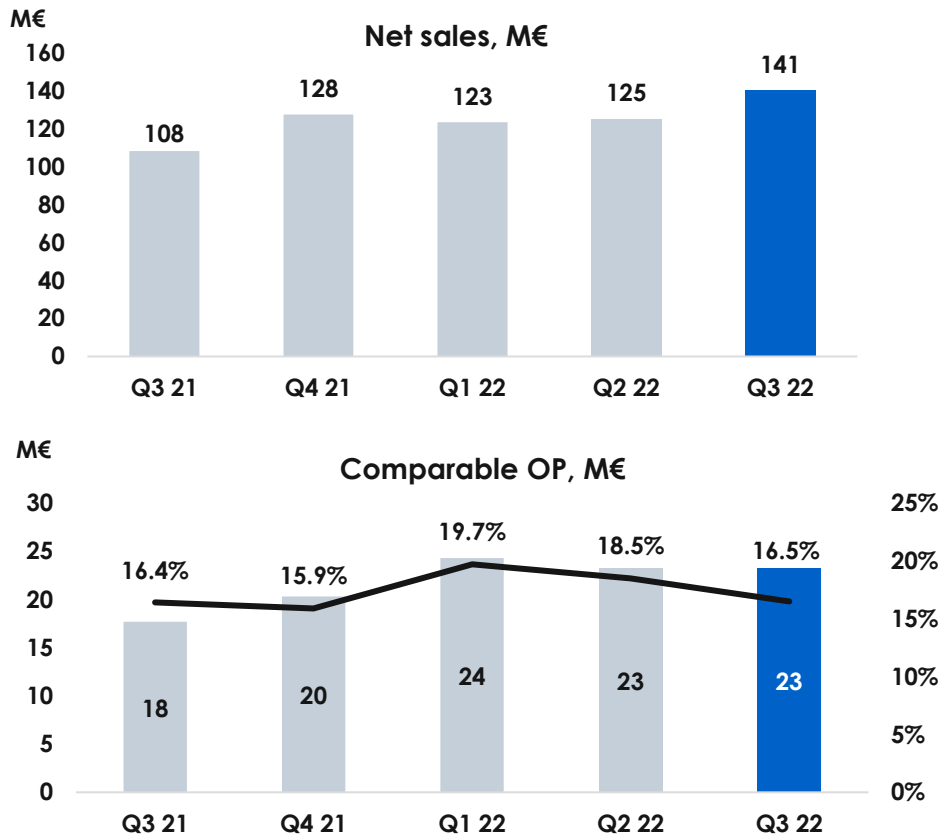
- Unfavourable country and product mix

#### ➤ Sale process of Russia operation continued

- IAC's includes €-0.5 million write-down of related net assets

## Building Solutions – North America

### Strong Price Realization and Operational Performance Supported Profitability



#### ➤ Net sales growth +30% or in USD terms +11%, driven by

- Strong price realization
- Improved sales mix and product availability
- Better service levels, reduced backlog

#### ➤ Operating profit +31%, driven by

- Strong price realization
- Cost management
- Improved sales mix
- Increased operational efficiency

# Robust Strategic Plan to Deliver Performance and Improve the Resilience of our Business Model

## Uponor Group Strategy



**Building Solutions –  
Europe**



**Building Solutions –  
North America**



**Uponor Infra**

**Maximize core** with systematic growth plan and commercial excellence

Drive growth through **innovation** of integrated systems and sustainability solutions

Lead construction industry towards **net zero**

Instill performance mindset with **People First** initiative



# Strong Group Leadership Team to Deliver the Strategy

## Executive Committee members



**Michael Rauterkus**  
President and CEO



**Markus Melkko**  
CFO



**Jennifer Hauschildt**  
CHRO



**Thomas Fuhr**  
Chief Technology Officer



**Sebastian Bondestam**  
President, Uponor Infra



**Andres Caballero**  
President, Building Solutions – North America

## Extended Leadership team members



**Goran Kovacev**  
SVP, Building Solutions Europe



**Reetta Härkki**  
SVP, Chief Legal Officer



**Franciska Janzon**  
SVP, Communications & IR

# Torsten Meier Appointed Chief Innovation Officer

- M.Sc. (Mech Eng.), German citizen
- New Senior Vice President and Chief Innovation Officer effective 1 January 2023, reports to CTO Thomas Fuhr
- Primary work experience:
  - 2013–2022 Grohe AG, Lixil Group  
Various leading roles in R&D, most recently Leader of Research and Development Fittings Lixil International
  - 1997–2013 DaimlerChrysler AG, Mercedes-Benz  
Various managerial positions in R&D, Quality Management, Product Engineering and Project Management



## Strategy Execution

# A success in Europe, AquaPort™ Now Also Launched in BLD-NA

- AquaPort was designed using proven technology from our European models
- Introduced in Q3 at ASPE 2022 Expo, USA
- Reduces hot-water energy use up to 35% versus centralized domestic hot water (DHW) systems
- Eliminates more than 50% total DHW volume throughout buildings
- 40% less piping, quick and easy installation, less maintenance
- Safer water quality by increasing water turnover, reducing chemicals and simplifying DHW disinfectant strategies

Maximizing the Core





## Strategy Execution

# Launching Unique Solution for Moving Stormwater

- **Uponor Stormwise** – the most comprehensive stormwater management solution on the market
- Features unique water treatment system that **prevents pollution of water** sources
- Features advanced system for efficient flooding prevention
- Includes Blue products with **significant carbon footprint reduction**
- Complete system for collection, transportation, retention, treatment and re-use of stormwater
- Uponor Infra 360 experts, and web-based Storm Adviser, assist urban designers and water network professionals

Innovation Highlight



# Innovating the Core of PEX-A Pipes

- 50 years since Uponor PEX pipes disrupted the industry replacing copper pipes with its game changing benefit
  - **Faster and easier** installation thanks to its flexibility and lightweight, requiring less connections
  - Enabling **cold expansion** jointing technique for reliable installations
  - **Durable performances** proven in multiple applications from drinking water to heating and cooling with more than **6 billion meters** installed worldwide
- This heritage continues to fuel new innovation in PEX Blue
  - The world's **first bio-based PEX pipes**, Uponor PEX Blue was launched earlier in 2022
  - We continue innovating the PEX Blue range, **expanding the range and the application scope**



# Mid-Term Focus: Improving Resilience, Readjusting Capacity – We Stay the Course

## Tailwinds

Demand for safe  
water supply

Demand for more energy-  
efficient systems

Growth in select  
segments

## Headwinds

Pandemic

Supply shortages

**Rising interest rates**

Raw material

Cost inflation



Markus Melkko, CFO

# Q3 Financials

# Mid-term Focus: Improving Resilience, Readjusting Capacity – We Stay on the Course

## MARGIN MANAGEMENT

### Trade term flexibility

Drive pricing and implement volume adjusted contract models

### Procurement excellence

Lower product costs through global program and value engineering

## COST AND CAPACITY MANAGEMENT

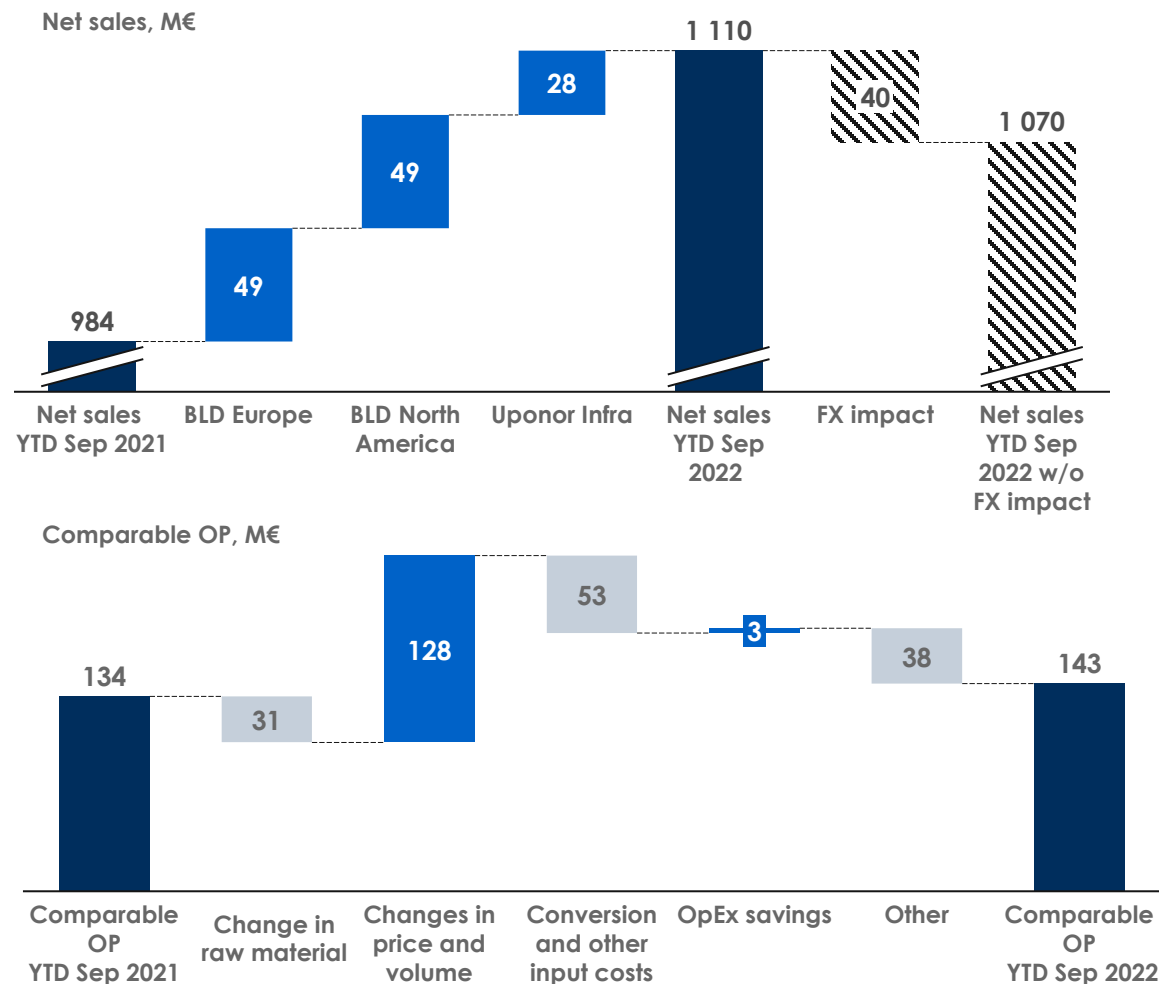
### Cost management

Implement tighter spend controls and prioritize initiatives

### Capacity optimization

Increase operational flexibility and drive productivity

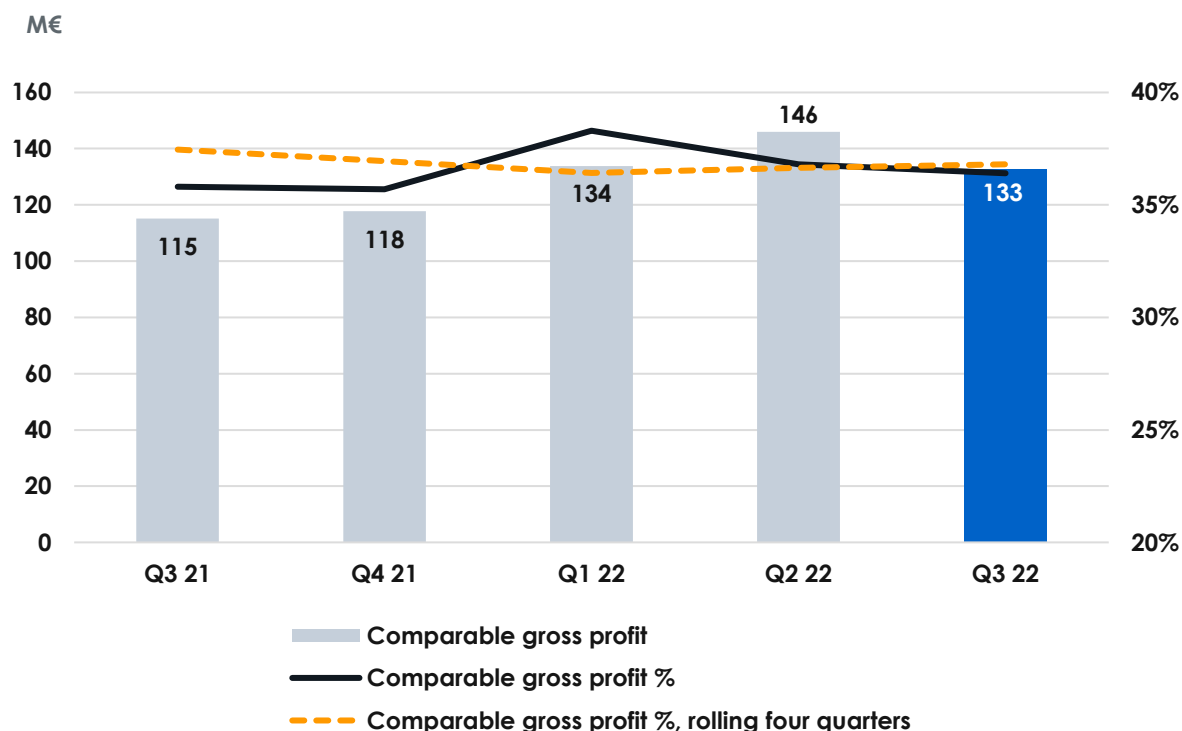
# Solid Net Sales Growth Driven by Successful Pricing Actions



- Jan–Sep 2022 net sales €1,109.7 (983.9) million, up by +12.8%
- Net sales grew in all three divisions, in euro terms, mainly driven by successful pricing strategy
- Jan–Sep 2022 comparable operating profit €142.6 (133.8) million, +6.6%



# Comparable Gross Profit Margin Increase Driven by Net Sales Growth



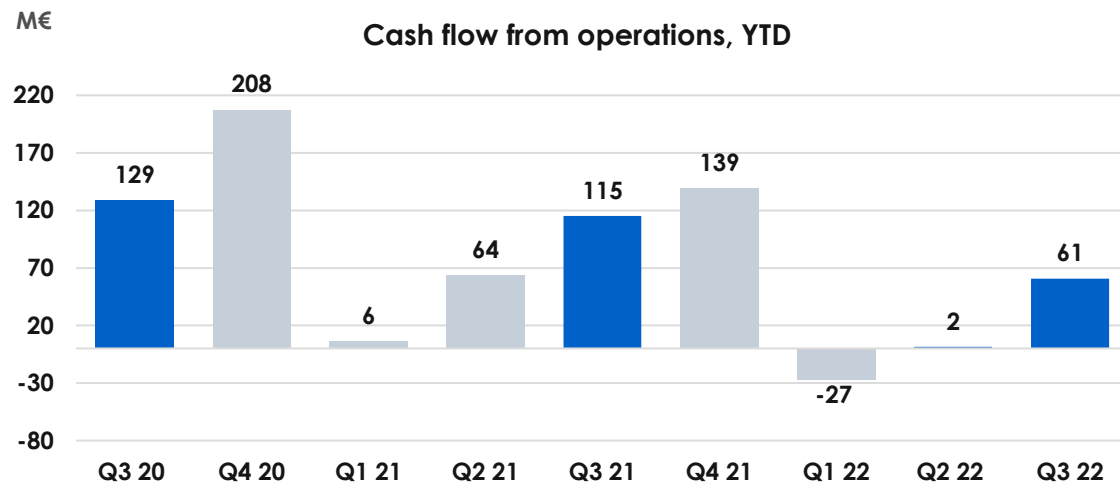
➤ Q3 2022 comparable gross profit €132.5 (115.1) million

➤ Comparable gross profit margin 36.4% (35.8)

➤ Increased input costs were driven by higher raw material prices, freight costs and slightly higher conversion costs

➤ Higher input cost during 2022 burdened the rolling four quarters comparable gross profit despite strong price execution

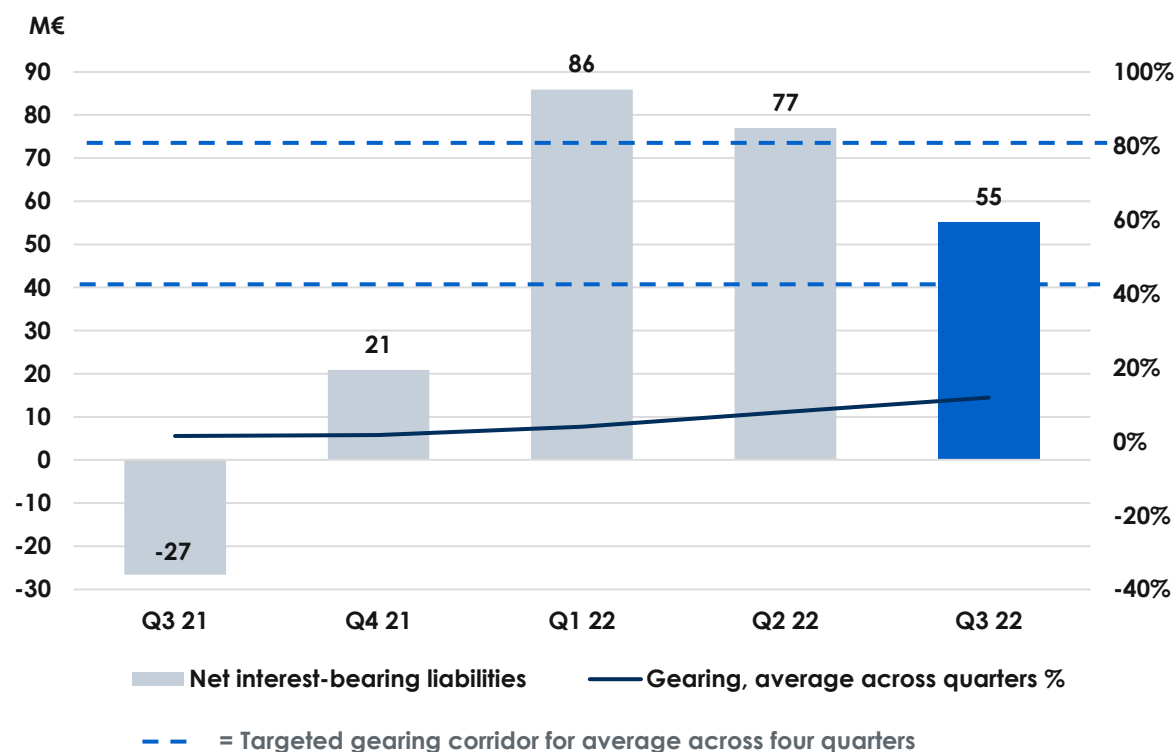
# Higher Investments and ONWC Impacted Operative Cash Flow



Cash flow YTD, M€	Q3/2022	Q3/2021	Q4/2021
Cash flow from operations	60.8	115.3	139.2
Cash flow from investments	-34.4	-26.0	-64.2
Cash flow from financing	-65.5	-99.3	-115.4
<b>Total cash flow movements</b>	<b>-39.0</b>	<b>-10.0</b>	<b>-40.4</b>

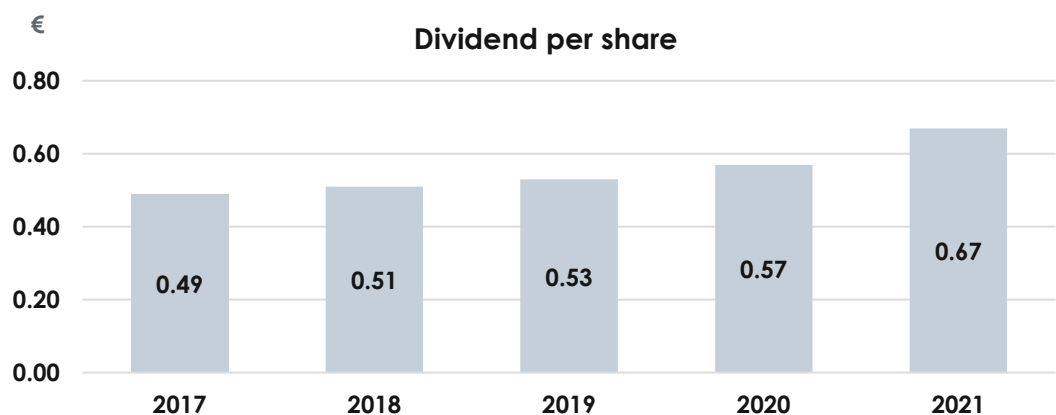
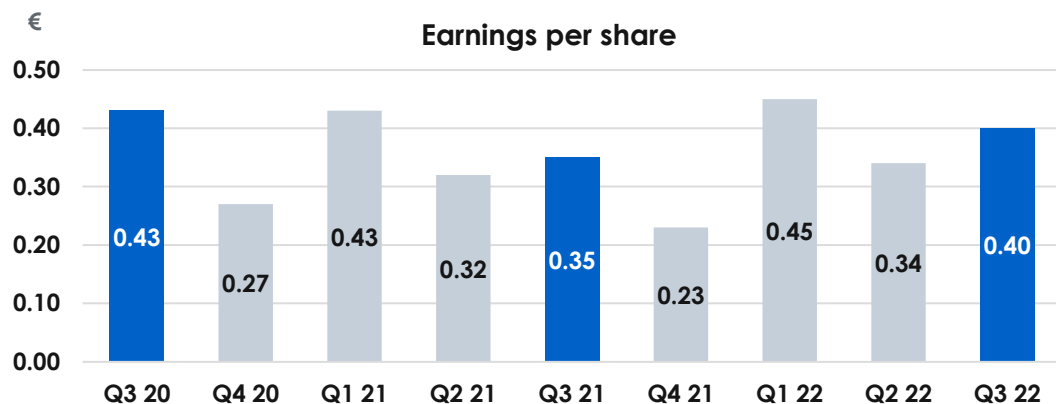
- Cash flow from operations decreased to €60.8 (115.3) million
- Cash flow decrease was mainly driven by higher net working capital due to increased raw material price
- Cash flow from financing included the two instalment of dividend payments, totaling €51.4 (44.3) million
- Investments in Q3 2022 related to maintenance, efficiency improvements, capacity expansions and technology upgrades for product launches

# Group Financial Position Remained Strong, Gearing Well Below Financial Target Levels



- Gearing 9.9% (-5.6) well below financial target levels, four-quarter rolling gearing 11.9% (1.5)
- Net interest-bearing liabilities increased due higher net working capital decreasing cash flow
- No change in financing position

# EPS Continued Improving, DPS on Upward Trend



- Earnings per share (EPS) increased both in Q3 2022 €0.40 (0.35) and in Jan-Sep 2022 €1.19 (1.10)
- The first dividend instalment for financial year 2021, €0.33, was paid in March 2022 and the second instalment, €0.34, in September 2022



# Financial Targets to Drive Profitable Growth

	YTD Sep 2022	FINANCIAL TARGETS: 2022-2024	AMBITION: 2025-
ORGANIC GROWTH	+10.2%	Organic growth >4%	Ambition to accelerate growth rate
COMPARABLE OP-%	12.9%	>12 OP-%	Ambition to increase OP-% further
GEARING	9.9%	40-80%	
DIVIDEND PAYOUT RATIO		Growing	

The new financial targets were introduced at the Capital Markets Day on 14 March 2022

Michael Rauterkus, President & CEO

# Outlook for 2022

## Short-Term Market Outlook

- Uponor expects market conditions to become tougher in Q4 2022
- Uncertainty related to energy and material costs remains high
- Rising interest rates expected to have a negative impact on the demand, especially in the new build sector

## Guidance Statement for 2022 (unchanged)

Excluding the impact of currencies, Uponor expects its net sales and comparable operating profit to increase from year 2021

*Increase indicates growth of 2.5% or more*



The logo graphic consists of a central blue circle. Two large, dark blue, semi-transparent triangular shapes overlap the circle, forming a stylized 'X' or 'V' shape that points towards the top and bottom corners of the frame.

uponor

**Moving** > **Forward**

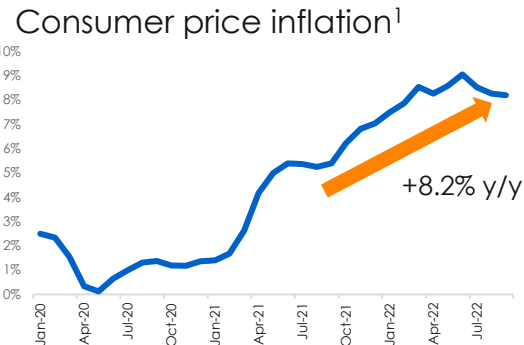


# Appendix

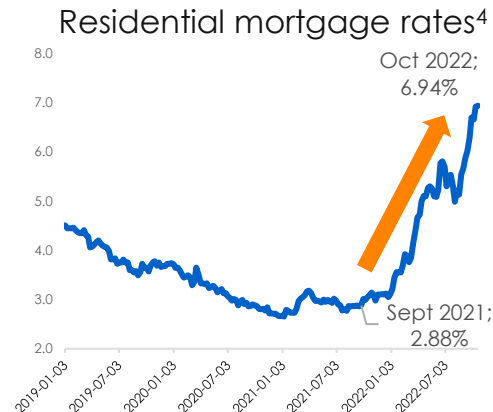
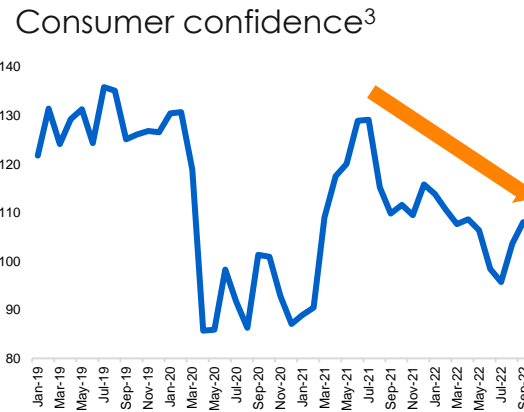
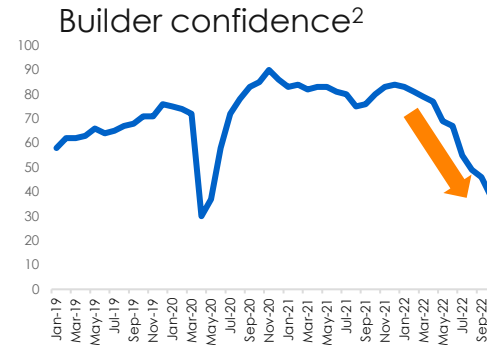
# Uncertainty and 40-year-high inflation rates are hurting confidence, while borrowing costs are rising

## USA

### Economy

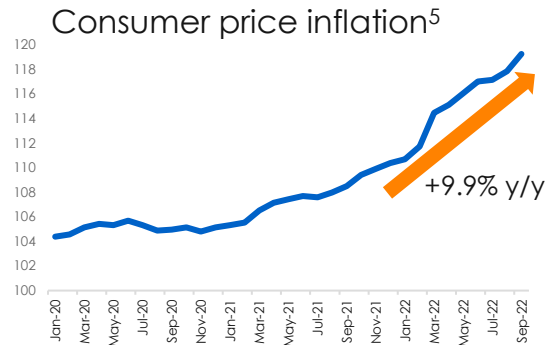


### Construction industry

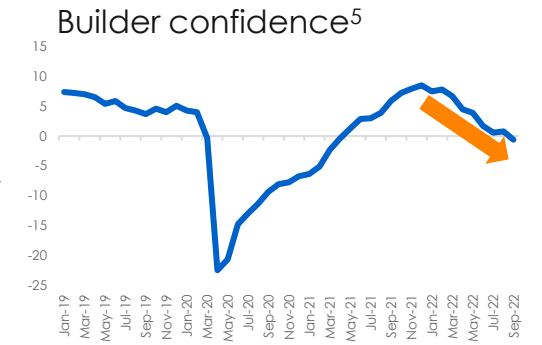


## Europe

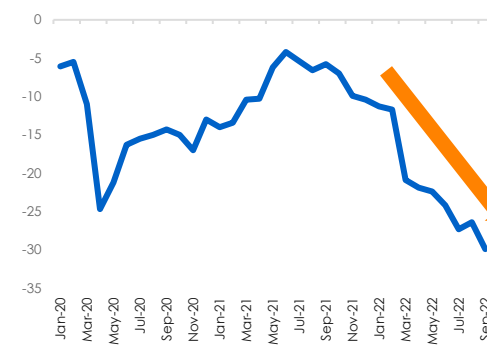
### Economy



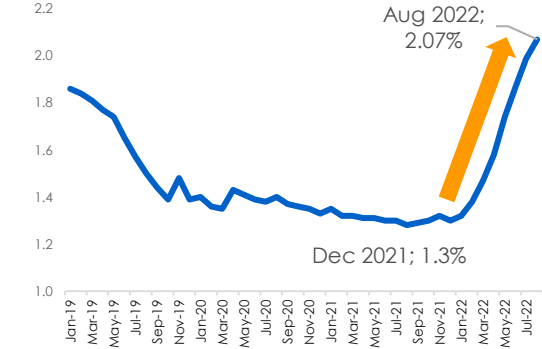
### Construction industry



### Consumer confidence<sup>5</sup>



### Residential mortgage rates<sup>5,6</sup>



1-US Bureau of Labor Statistics, 2-NAHB Housing Market Index, 3-Conference Board, 4-St. Louis Fed, 30yr fixed, 5-Eurostat, 6-Initial rate fixation of more than ten years to euro area households

# Housing starts/permits and construction confidence in most major markets are flat or weakening from elevated levels

	Construction activity			Construction confidence		
	Indicator	YTD % change	Data through	Indicator	Y/Y change	Data from
<b>USA</b>	Housing starts	-8% <sup>1)</sup>	Sept 2022	Housing Market Index	-42	Sept 2022
<b>Germany</b>	Housing permits	-2%	July 2022	Construction confidence	-13	Sept 2022
<b>Finland</b>	Housing permits	-17%	July 2022	Construction confidence	-13	Sept 2022
<b>Sweden</b>	Housing permits	+10%	June 2022	Construction confidence	-4	Sept 2022
<b>Canada</b>	Housing starts	+19% <sup>1)</sup>	Sept 2022	Housing Market Index	-17	Q2 2022
<b>Netherlands</b>	Housing permits	-13%	July 2022	Construction confidence	-6	Sept 2022
<b>Denmark</b>	Construction index	+5%	July 2022	Construction confidence	-20	Sept 2022
<b>Poland</b>	Housing completions	+2%	July 2022	Construction confidence	-5	Sept 2022
<b>Spain</b>	Housing permits	0%	July 2022	Construction confidence	-2	Sept 2022
<b>Norway</b>	Housing starts	+2%	Aug 2022	Industrial confidence	-4	Q3 2022

1) Seasonally adjusted, annualised rate vs. same month in previous year

Source: National Statistics Offices, Eurostat, CHBA, NAHB

## Q3 2022: Income statement

Uponor Group, M€	7-9 2021	7-9 2022	Change Y/Y
Net sales	321.4	364.0	+13.3%
Cost of goods sold	206.4	231.4	+12.2%
<b>Gross profit</b>	<b>115.0</b>	<b>132.5</b>	<b>+15.2%</b>
Gross profit margin (%)	35.8%	36.4%	+0.6% pts
Other operating income	0.3	0.3	+1.6%
Expenses	78.0	88.4	+13.5%
<b>Operating profit</b>	<b>37.3</b>	<b>44.4</b>	<b>+18.8%</b>
Operating profit margin (%)	11.6%	12.2%	+0.6% pts
<b>Comparable operating profit</b>	<b>39.2</b>	<b>44.9</b>	<b>+14.5%</b>
Comparable operating profit margin (%)	12.2%	12.3%	+0.1% pts
Financial expenses, net	1.1	-1.3	-214.7%
Share of result in associated companies	1.0	0.1	-87.3%
<b>Profit before taxes</b>	<b>37.2</b>	<b>45.8</b>	<b>+23.2%</b>
<b>Profit for the period</b>	<b>27.4</b>	<b>33.1</b>	<b>+20.8%</b>
<b>EBITDA</b>	<b>49.4</b>	<b>58.1</b>	<b>+17.5%</b>



# YTD September 2022: Income statement

Uponor Group, M€	1-9 2021	1-9 2022	Change Y/Y
Net sales	983.9	1 109.7	+12.8%
Cost of goods sold	617.0	697.7	+13.1%
<b>Gross profit</b>	<b>366.9</b>	<b>412.0</b>	<b>+12.3%</b>
Gross profit margin (%)	37.3%	37.1%	-0.2% pts
Other operating income	0.8	0.5	-45.2%
Expenses	236.4	278.4	+17.8%
<b>Operating profit</b>	<b>131.3</b>	<b>134.0</b>	<b>+2.0%</b>
Operating profit margin (%)	13.3%	12.1%	-1.3% pts
<b>Comparable operating profit</b>	<b>135.0</b>	<b>142.6</b>	<b>+5.6%</b>
Comparable operating profit margin (%)	13.7%	12.9%	-0.9% pts
Financial expenses, net	7.0	-0.7	-110.0%
Share of result in associated companies	-6.4	0.2	-103.1%
<b>Profit before taxes</b>	<b>117.9</b>	<b>134.9</b>	<b>+14.4%</b>
<b>Profit for the period</b>	<b>85.0</b>	<b>95.9</b>	<b>+12.9%</b>
<b>EBITDA</b>	<b>167.9</b>	<b>173.7</b>	<b>+3.5%</b>

## YTD September 2022: Balance sheet

Uponor Group, M€	30 Sep 2021	30 Sep 2022	Change Y/Y
Property, plant and equipment	264.2	306.7	42.5
Intangible assets	96.4	111.7	15.3
Securities and long-term investments	6.7	10.7	4.0
Inventories	155.5	240.0	84.5
Cash and cash equivalents	128.5	53.5	-75.1
Other current and non-current assets	293.5	318.0	24.5
<b>Assets total</b>	<b>944.8</b>	<b>1 040.5</b>	<b>95.7</b>
Total equity	471.6	554.8	83.2
Non-current interest-bearing liabilities	91.5	97.6	6.1
Provisions	42.6	52.3	9.6
Non-interest-bearing liabilities	328.7	324.7	-3.9
Current interest-bearing liabilities	10.4	11.0	0.6
<b>Shareholders' equity and liabilities total</b>	<b>944.8</b>	<b>1 040.5</b>	<b>95.7</b>