



# Q3

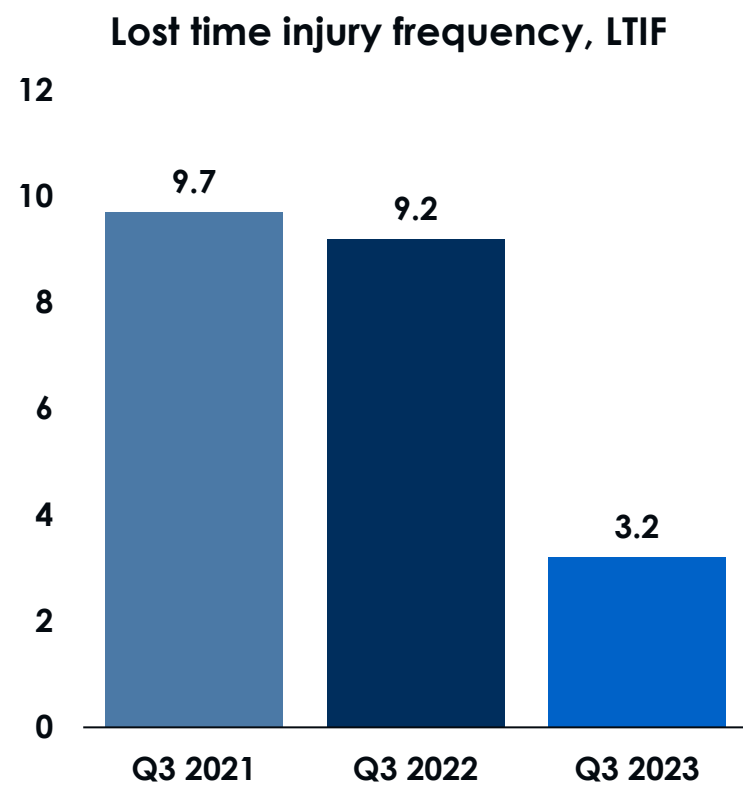
Uponor Corporation  
Interim Report  
January-September 2023

**uponor**

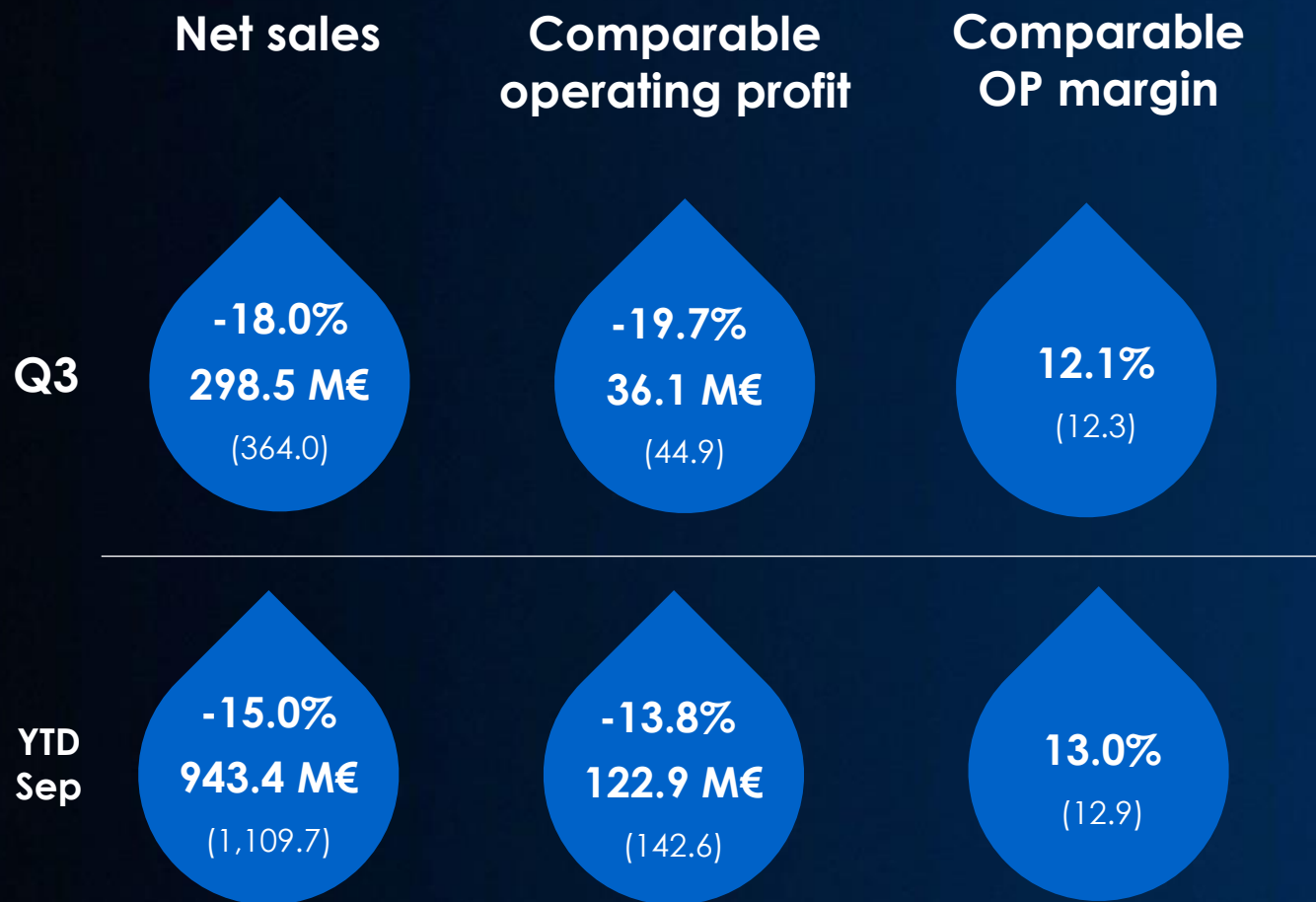
Moving > Water

Continuous strong  
margin in a  
volatile  
market

# Step change in safety performance



# Strong comparable OP margin development

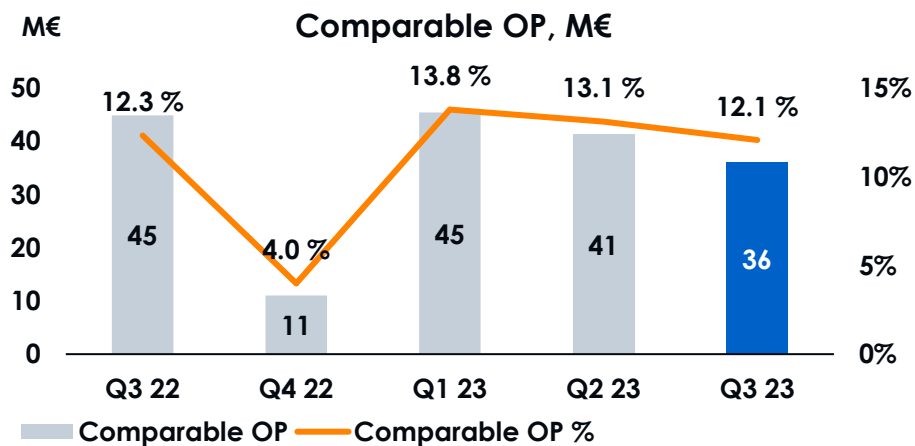
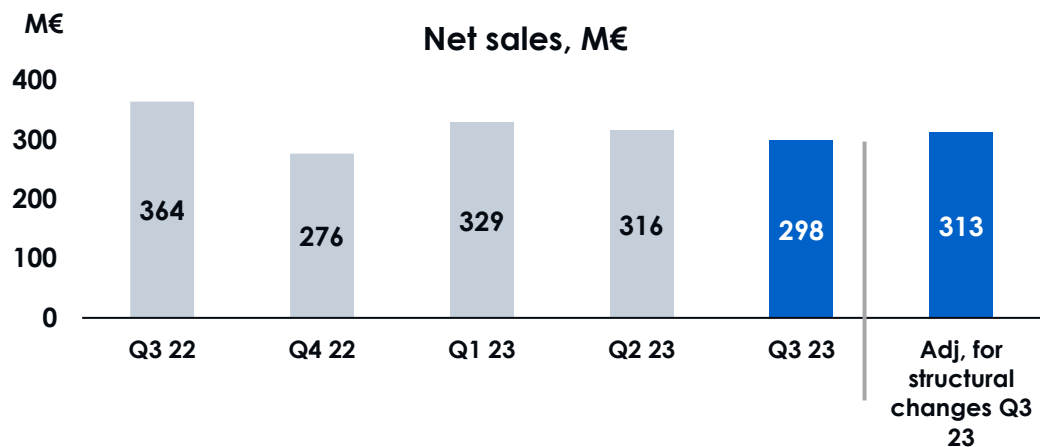


## Highlights

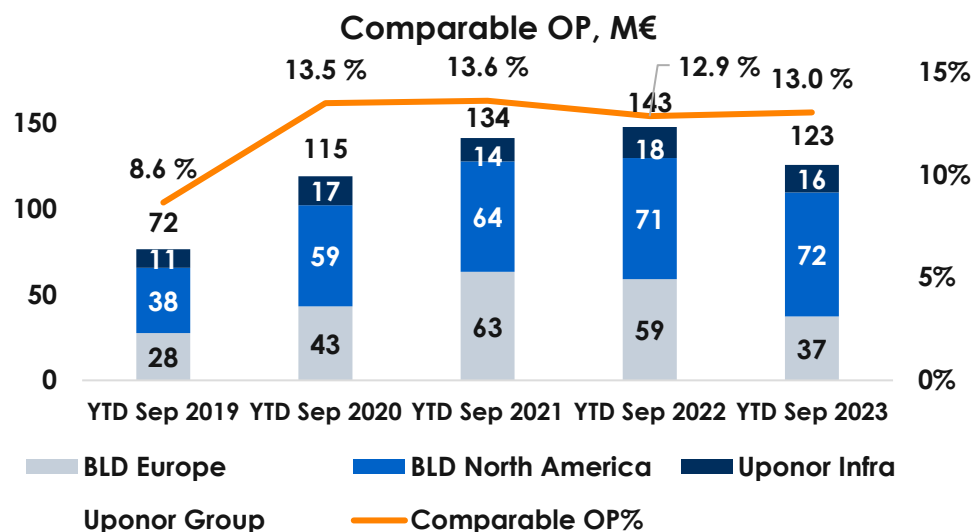
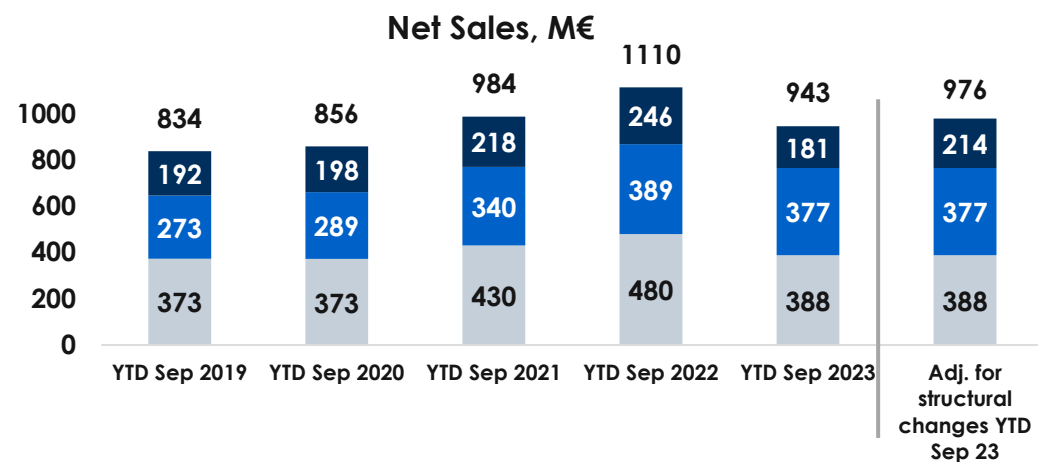
- Strong comparable OP margin despite soft overall market demand
- Adjusted for structural changes, Q3 net sales -14.7% and YTD net sales -12.4%
- Strong profit performance in Building Solutions - North America and Uponor Infra
- Transformation programme on track



# Strong comparable OP margin development continued

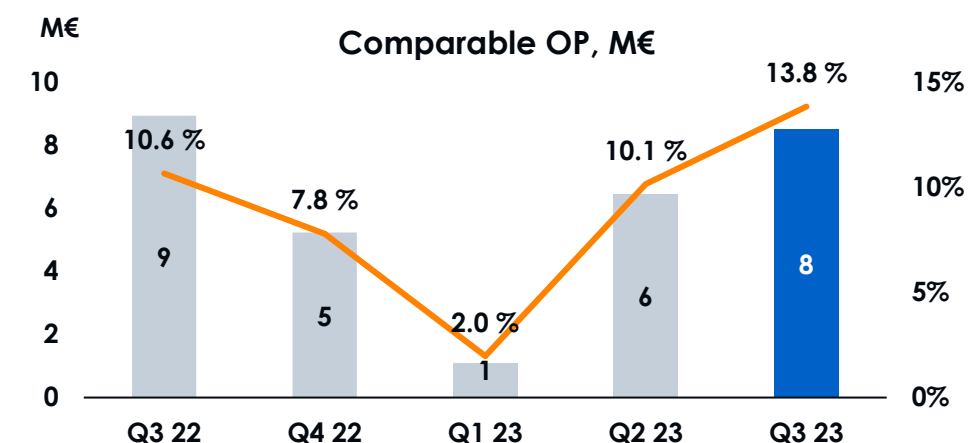
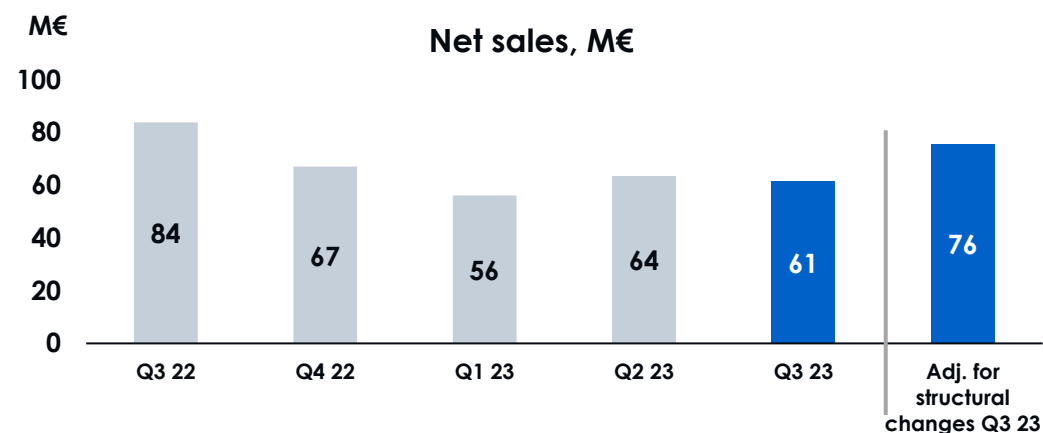


# Resilient margin development despite lower net sales level





# Margin improvement boosted by successful product mix



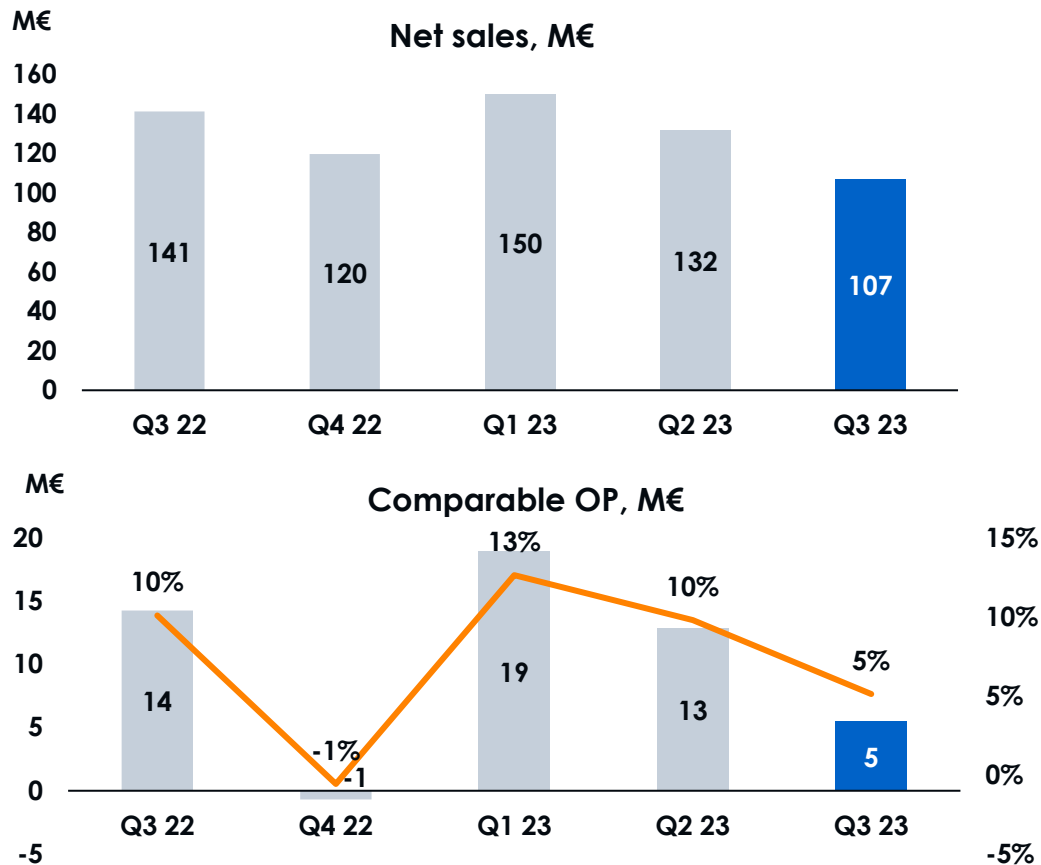
## ➤ Net sales decreased due to

- Structural changes, including divestment of District Energy business and closure of Middelfart factory in Denmark, impacted net sales by -€14.2 million
- Lower overall market activity in the Nordic countries and Poland

## ➤ Very strong comparable OP margin development due to favourable product and channel mix

## ➤ Acquisition of full ownership of Uponor Infra Oy completed during the quarter

## Lower activity in key markets and transformation proceeding



### ➤ Net sales decreased due to

- Lower demand in key European markets, especially in the Nordic countries
- Signs of stabilisation visible in the order book development towards the end of the quarter

### ➤ Comparable operating profit margin decreased impacted by

- Lower sales volumes
- Transformation programme and other cost reduction measures supported profitability

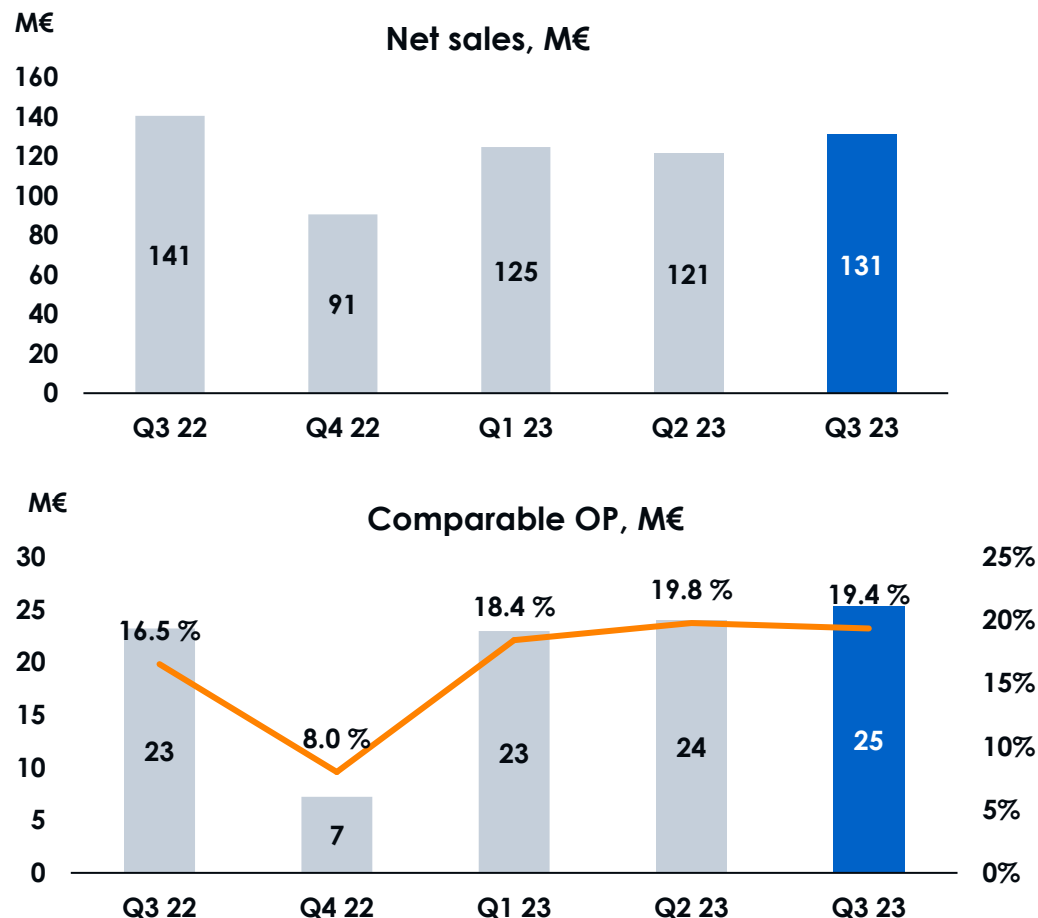
# Jonas Brennwald to join the Executive Committee as new President of Building Solutions – Europe

- Born 1968, B.Sc. (Mark.), Swedish and Swiss citizen
- New President of Building Solutions – Europe and member of the Executive Committee as of 1 January 2024
- Primary work experience:
  - 2019-2023 Grohe AG  
Various leading roles in Sales and most recently as Chief Executive Officer LIXIL EMENA and Co-CEO of Grohe AG
  - 2008-2012 Doorman Products Europe, General Manager International; 2005-2007 The Good Year Tyre and Rubber Company, Sales Director, Nordics, Baltics and Iceland; 2002-2005 ECOLAB, Country Division Manager Sweden and 1991-2002 Masterfoods, MARS, various international sales executive positions.





## Strong operating profit performance



- Net sales growth was -6.8% in euro terms and up by 0.4% in USD terms driven by
  - Strong demand generation activities across USA and Canada
  - Price discipline contributed positively
- Key contributors to the strong comparable operating profit performance:
  - Robust operational performance
  - Cost savings initiatives

# Accelerating the execution of our growth strategy through innovation

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

# Charlotta Persfell Uponor's new Chief Marketing Officer

- M. Sc. (Chemical Eng. & Industrial Economics), Swedish and Finnish citizen
- Appointed to a new position as Chief Marketing Officer effective 23 October. Charlotta will be part of the Group's Extended Leadership Team and will report to President and CEO Michael Rauterkus
- Charlotta will ensure the alignment of our divisional Marketing teams and the global category structure, lead Group Communications and the development of the Uponor brand.
- Primary work experience:
  - 2019-2023 Kährs Group, Chief Product, Marketing, Sustainability & Digital officer, and member of Kährs Group management team; 2014-2018 PERSTORP, Commercial head of sales EMEA Advanced Chemicals and Derivatives as well as Global Lead of Digital Transformation; 2001-2014 UNILEVER GROUP, various Marketing managerial positions and MD of Unilever Norway.

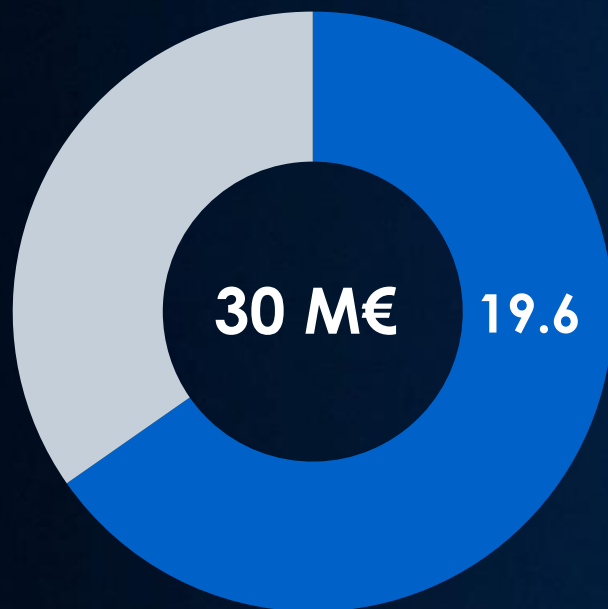




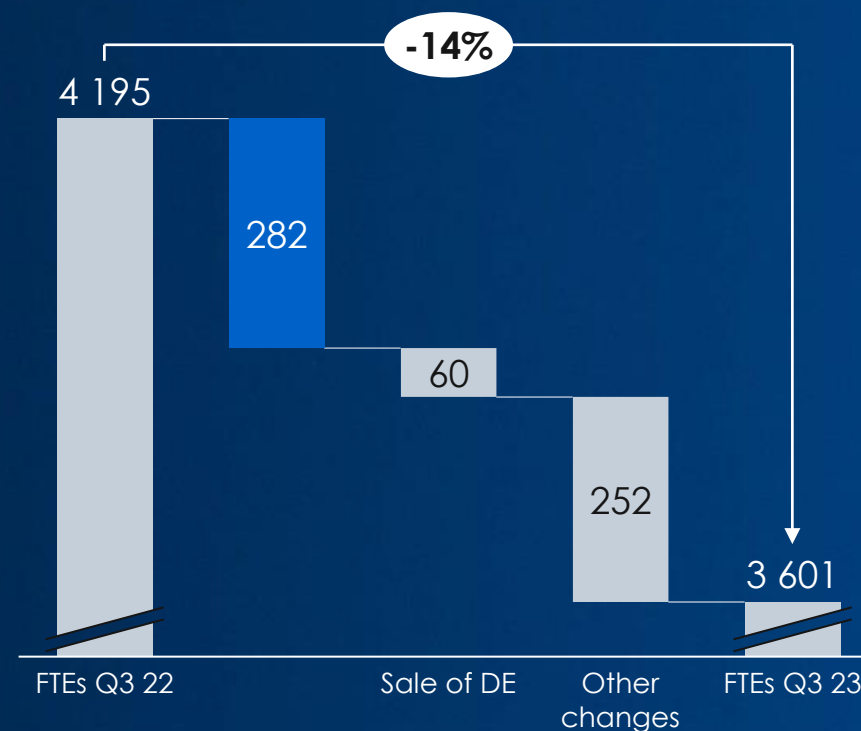
Markus Melkko, CFO

# Financial Review

# Transformation programme on track

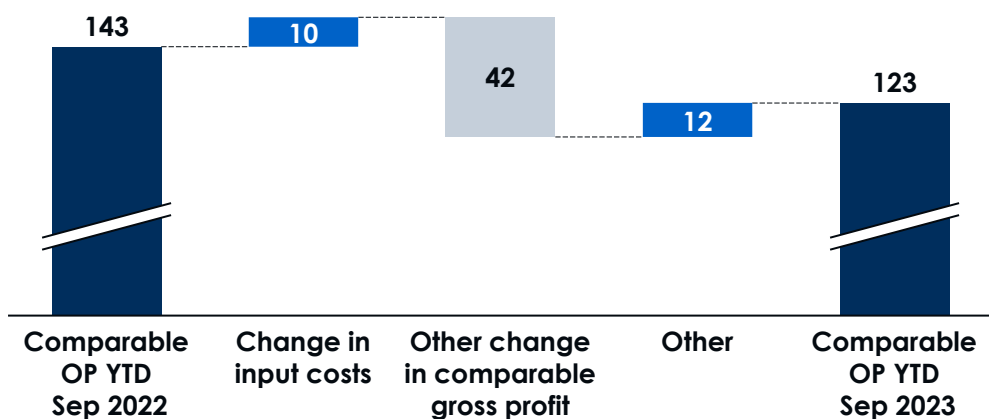
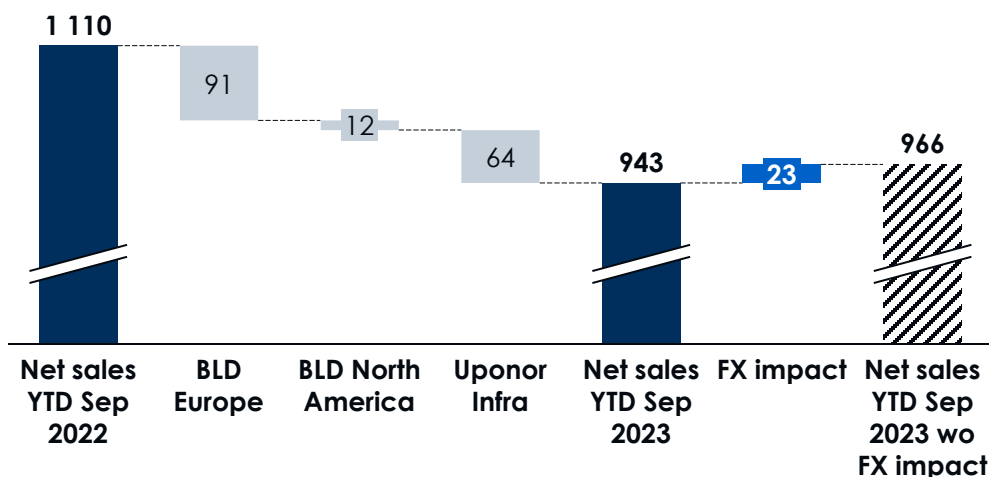


■ 19.6 M€ expected annualised savings from actions completed by end of Q3 23



■ Reduction in headcount related to transformation programme

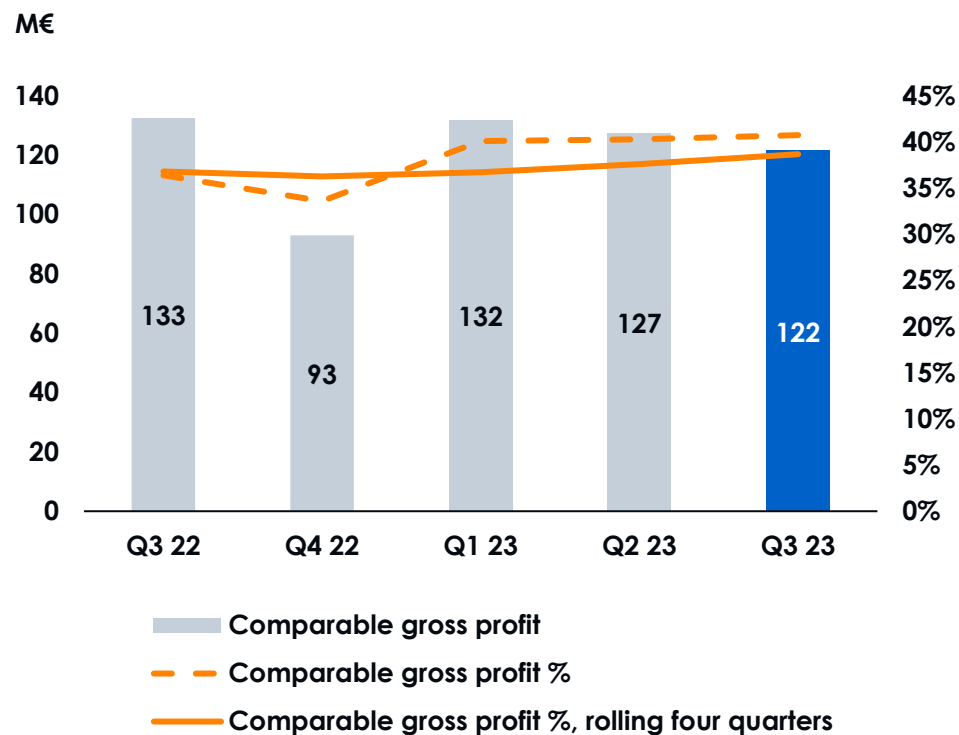
# Comparable operating profit margin improved



- Jan–Sep 2023 net sales €943.4 (1,109.7) million, decline of -15.0%
- Lower market activity in key European markets impacted negatively on net sales development; net sales in Building Solutions - North America at previous year's level
- Jan–Sep 2023 comparable operating profit €122.9 (142.6) million, down by -13.8%
- Comparable operating profit margin improved to 13.0% (12.9%)

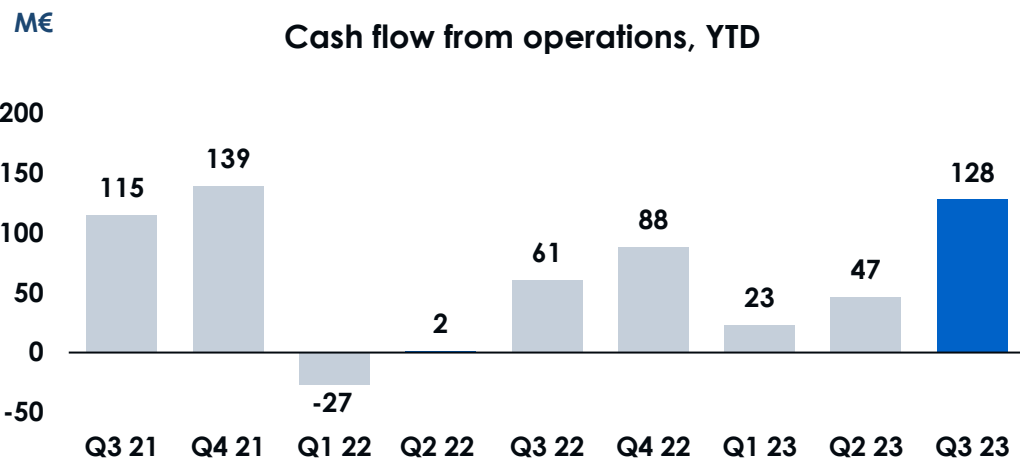


## Strong gross margin driven by mix, price and cost discipline



- Comparable gross profit margin improved to 40.6% (36.4)
- Q3 2023 comparable gross profit €121.6 (132.5) million
- Pricing discipline, cost control as well as successful product and channel mix contributed positively to the gross profit margin

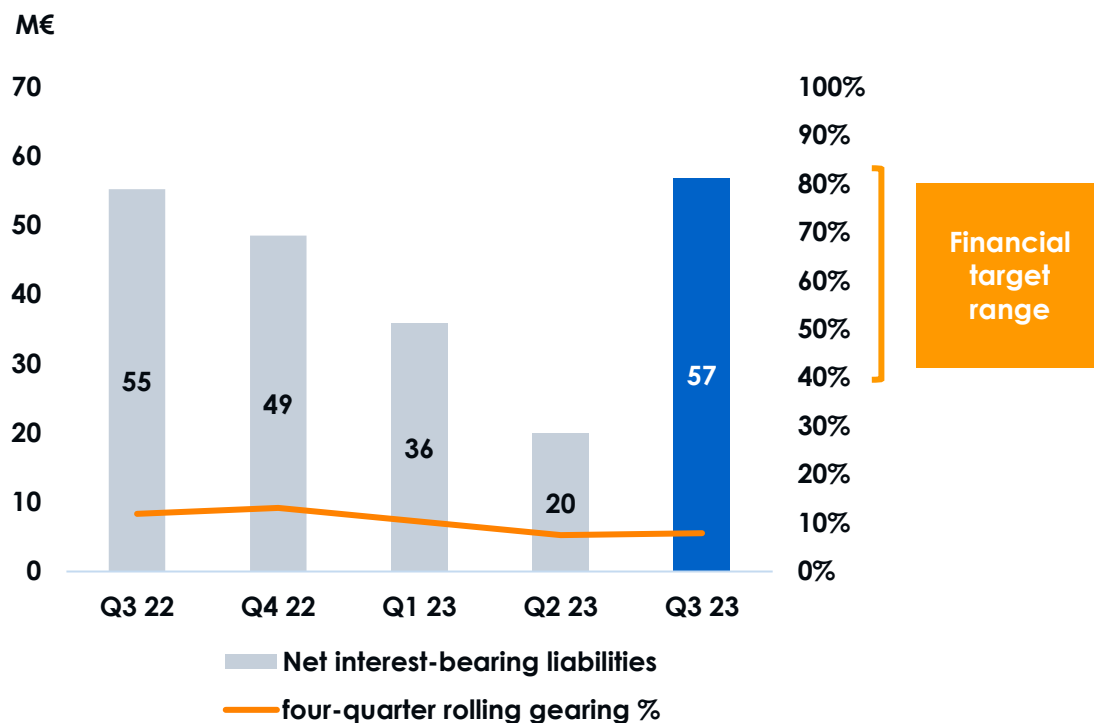
# NWC development and net investments benefitted cash flow



Cash flow YTD, M€	Q3/2023	Q3/2022	Q4/2022
Cash flow from operations	127.9	60.8	88.4
Cash flow from investments	10.9	-34.4	-49.1
Cash flow from financing	-123.4	-65.5	-68.6
<b>Total cash flow movements</b>	<b>15.6</b>	<b>-36.7</b>	<b>-29.2</b>

- Cash flow from operations improved to €127.9 (60.8) million due to a lower change in NWC
- Investments in Q3 2023 related to maintenance and efficiency improvements
- Cash flow from investments includes District Energy divestment
- Cash flow from financing included two dividend payment instalments, totaling €50.2 (48.7) million, domestic commercial paper programme €20.0 million and Uponor Infra Oy minority payment of approximately, €60 million

# Solid financial position



- Gearing at 11.9% (9.9) well below financial target level, four-quarter rolling gearing 7.9% (11.9)
- Net interest-bearing liabilities increase driven by Uponor Infra Oy payment of minority stake



# Financial targets to drive profitable growth

	Jan- Sep 2023	FINANCIAL TARGETS: 2022-2024	AMBITION: 2025-
ORGANIC GROWTH	-11.5%	Organic growth >4%	Ambition to accelerate growth rate
COMPARABLE OP-%	13.0%	>12 OP-%	Ambition to increase OP-% further
GEARING	11.9%	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**

New geopolitical conflicts



# Guidance statement for 2023 (unchanged)

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 profit margin to be at or above 11%.





# Uponor

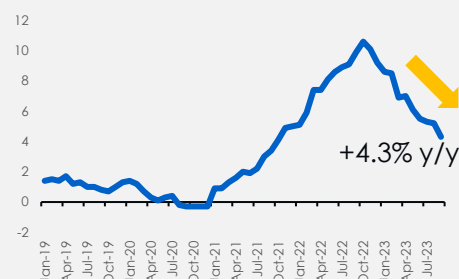
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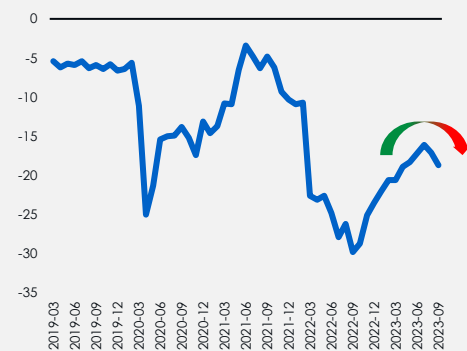
# Weakness in the European construction sector

## OVERALL MARKET

### Consumer price inflation<sup>1</sup>

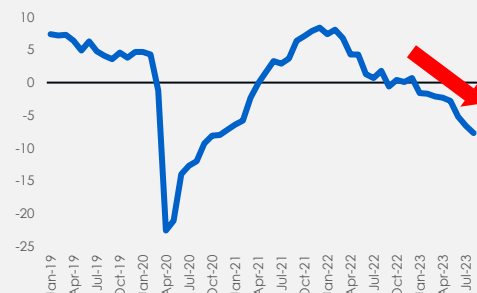


### Consumer confidence<sup>1</sup>

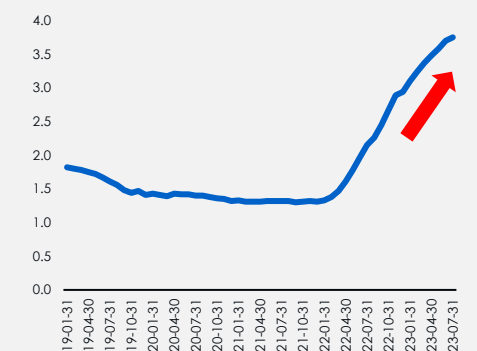


## CONSTRUCTION INDUSTRY

### Builder confidence<sup>1</sup>



### Residential mortgage rates<sup>1,2</sup>



## CONSTRUCTION ACTIVITY

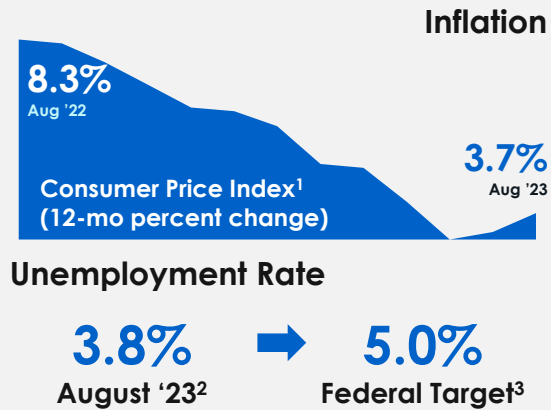
### Key indicators by country

		Indicator	YTD % Change	Data through
	Germany	Housing permits	-32%	July 2023
	Finland	Housing permits	-52%	July 2023
	Sweden	Housing permits	-59%	June 2023
	Netherlands	Housing permits	-19%	July 2023
	Spain	Housing permits	+8%	July 2023
	Poland	Housing completions	-35%	June 2023
	Denmark	Construction index	0%	July 2023
	Norway	Housing starts	-25%	August 2023
	Austria	Housing permits	-36%	March 2023
	France	Housing starts	-22%	August 2023
	England	Housing starts	-10%	June 2023

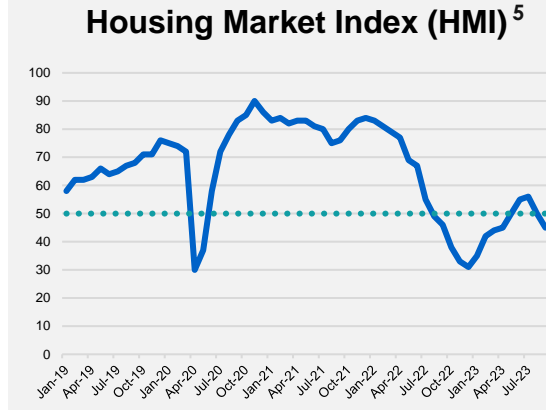
1-Eurostat, 2-Lending for house purchase

# Signs of stabilization in the U.S. market

## OVERALL MARKET

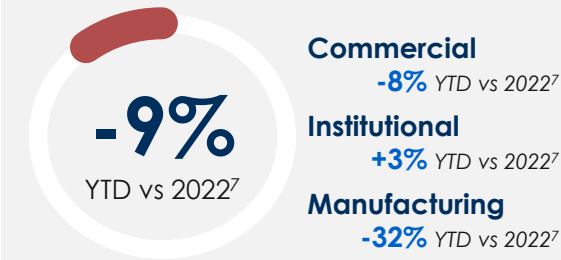


## RESIDENTIAL SEGMENT



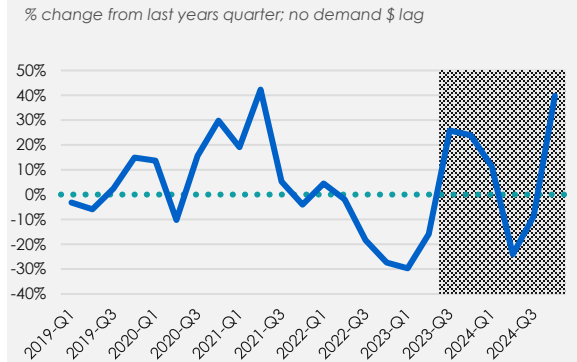
## COMMERCIAL SEGMENT

### Total Non-Residential Building Starts

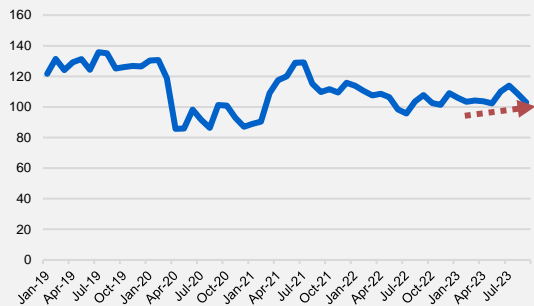


## FORECASTS

### Residential Starts<sup>9</sup>



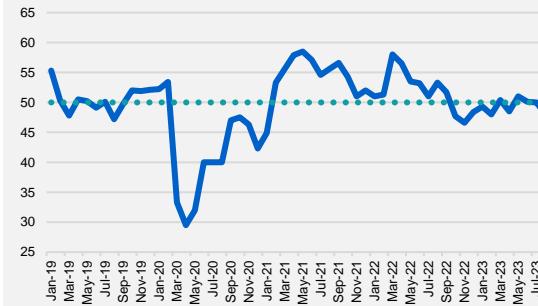
### Consumer Confidence Index<sup>4</sup> (CCI)



### 30y Fixed Mortgage rate

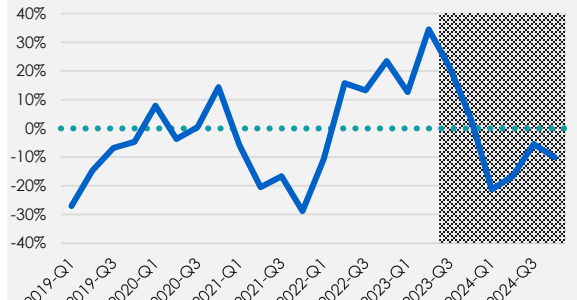


### Architectural Billing Index<sup>8</sup> (ABI)



### Commercial Starts<sup>9</sup>

% change from last years Quarter; 4 quarter lag on Starts to increase correlation



# Q3 23 Income statement

Uponor Group	7-9 2023	7-9 2022	Change Y/Y	
Net sales	298.5	364.0	-18.0 %	
Cost of goods sold	177.3	231.4	-23.4 %	
<b>Gross profit</b>	<b>121.2</b>	<b>132.5</b>	<b>-8.6 %</b>	
Gross profit margin	40.6 %	36.4 %	4.2 %	pts
Other operating income	0.9	0.3	219.5 %	
Expenses	89.3	88.4	0.9 %	
<b>Operating profit</b>	<b>32.8</b>	<b>44.4</b>	<b>-26.2 %</b>	
Operating profit margin	11.0 %	12.2 %	-1.2 %	pts
<b>Comparable operating profit</b>	<b>36.1</b>	<b>44.9</b>	<b>-19.7 %</b>	
Comparable operating profit margin (%)	12.1 %	12.3 %	-0.3 %	pts
Financial expenses, net	0.2	-1.3	-114.0 %	
Share of result in associated companies	0.1	0.1	-42.9 %	
<b>Profit before taxes</b>	<b>32.7</b>	<b>45.8</b>	<b>-28.7 %</b>	
<b>Profit for the period</b>	<b>22.9</b>	<b>33.1</b>	<b>-30.8 %</b>	
<b>EBITDA</b>	<b>45.5</b>	<b>58.1</b>	<b>-21.7 %</b>	



# YTD Sep 23 Income statement

Uponor Group	1-9 2023	1-9 2022	Change Y/Y
Net sales	943.4	1,109.7	-15.0 %
Cost of goods sold	566.2	697.7	-18.8 %
<b>Gross profit</b>	<b>377.2</b>	<b>412.0</b>	<b>-8.4 %</b>
Gross profit margin	40.0 %	37.1 %	2.9 % pts
Other operating income	15.3	0.5	3199.2 %
Expenses	274.7	278.4	-1.3%
<b>Operating profit</b>	<b>117.8</b>	<b>134.0</b>	<b>-12.1 %</b>
Operating profit margin	12.5%	12.1 %	0.4 % pts
<b>Comparable operating profit</b>	<b>122.6</b>	<b>142.6</b>	<b>-14.0 %</b>
Comparable operating profit margin (%)	13.0 %	12.9 %	0.1 % pts
Financial expenses, net	4.1	-0.7	-691.0%
Share of result in associated companies	0.1	0.2	-27.3 %
<b>Profit before taxes</b>	<b>113.8</b>	<b>134.9</b>	<b>-15.6 %</b>
<b>Profit for the period</b>	<b>80.5</b>	<b>95.9</b>	<b>-16.1 %</b>
<b>EBITDA</b>	<b>156.1</b>	<b>173.7</b>	<b>-10.2 %</b>

# Balance sheet as per 30 September 2023

Uponor Group, M€	30 Sep 2023	30 Sep 2022	Change Y/Y
Property, plant and equipment	294.2	306.7	-12.2
Intangible assets	107.8	111.7	-3.9
Securities and long-term investments	3.1	10.7	-7.6
Inventories	190.7	240.0	-49.3
Accounts receivable	230.3	250.3	-20.0
Cash and cash equivalents	81.1	53.5	+27.6
Other current and non-current assets	56.2	67.8	-11.6
<b>Assets total</b>	<b>963.8</b>	<b>1,040.5</b>	<b>-76.7</b>
Shareholders' equity	479.4	554.8	-75.4
Provisions	60.9	52.3	+8.6
Accounts payable	81.0	97.9	-16.9
Interest-bearing liabilities	138.0	108.7	+29.3
Non-interest-bearing liabilities	204.5	226.9	-22.4
<b>Shareholders' equity and liabilities total</b>	<b>963.8</b>	<b>1,040.5</b>	<b>-76.7</b>