

Uponor

## Financial results briefing – Q1/2015

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Jyri Luomakoski  
President and CEO  
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Q1



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ISH exhibition, Frankfurt, Germany, 10-14 March 2015

# Q1/2015: Flat sales, strong performance in the traditionally slow first quarter

January – March	1-3/2015	1-3/2014	Change
Net sales	237.1	230.9	2.7%
Operating profit	11.3	4.8	132.9%
- Operating profit w/o non-recurring items	11.3	8.6	31.1%

## Net sales

- Overall net sales trend in Europe flat or declining
- Firm growth in Building Solutions - North America despite another severe winter
- Considerable impact from the weaker euro on reported numbers

## Operating profit

- Uponor Infra and Building Solutions – North America drive growth, Building Solutions – Europe declines in like-for-like comparison
- Second consecutive quarter of improvement in Uponor Infra, initiatives related to streamlining and strategic review implemented
- Volatile input cost environment

# Developments by segment: Building Solutions – Europe

- Net sales decline mainly coming from Germany, Russia, some Nordic markets
- Few brighter spots, such as the Netherlands, Denmark and Iberia
- New distribution centre completed and taken in commercial use in time; some deliveries postponed to Q2/2015 due to transition
- International ISH2015 exhibition utilised to promote new offering:
  - seamless composite pipe, new control system, renovation solutions



# Developments by segment: Building Solutions – North America

- Net sales growth continued
  - continued buoyancy in the U.S. residential housing market
  - success in customer conversion both amongst residential and commercial contractors
- Steady profit development supported by efficiency improvements and cost management, and despite adverse CAD/USD translation
- New manufacturing expansion launched, targeting completion in December 2015



# Developments by segment: Uponor Infra

- Strategic review completed in order to maximise synergic strength
  - Two non-core units were divested
  - Management now able to focus on core business development
- Small decline in net sales, mainly due to the divestments
  - Lively activity in North America was not enough to compensate for the European headwinds
- Second consecutive quarter with improving operating profit
  - Streamlining benefits coming in
  - Volatile resin price environment



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## Financial statements

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# Interim January – March 2015: Key figures

M€	1-3 2015	1-3 2014	Change Y/Y	1-12 2014
Net sales, continuing operations	237.1	230.9	+2.7%	1,023.9
Operating profit, continuing operations	11.3	4.8	+132.9%	63.4
Operating profit margin, continuing operations	4.8%	2.1%	2.7% pts	6.2%
Earnings per share (diluted), €	0.06	0.04	+50.0%	0.50
Return on equity, % (p.a.)	5.5%	2.6%	2.9% pts	12.3%
Return on investment, % (p.a.)	7.2%	3.5%	3.7% pts	14.2%
Net interest bearing liabilities	130.9	147.8	-11.4%	82.0
Gearing, %	46.7%	56.9%	-10.2% pts	27.6%
Net working capital of Net sales, % (p.a.)	11.0%	11.7%	-0.7% pts	7.1%
Average number of employees, continuing operations	3,909	4,161	-6.1%	4,127
Number of employees, end of period, continuing operations	3,785	4,166	-9.1%	3,982

# Interim January – March 2015: Income statement

M€	1-3 2015	1-3 2014	Change Y/Y	1-12 2014
<b>Continuing operations</b>				
Net sales	237.1	230.9	+2.7%	1,023.9
Cost of goods sold	151.9	152.8	-0.6%	683.8
Gross profit	85.2	78.1	+9.1%	340.1
- % of net sales	35.9%	33.8%	+2.1% pts	33.2%
Other operating income	0.7	0.2	+214.2%	2.4
Expenses	74.6	73.5	+1.5%	279.1
Operating profit	11.3	4.8	+132.9%	63.4
- % of net sales	4.8%	2.1%	+2.7% pts	6.2%
Financial expenses, net	5.1	2.1	+126.1%	7.4
Share of result in associated companies	0.1	0.0		0.3
Profit before taxes	6.3	2.7	+137.4%	56.3
Profit for the period	4.0	1.8	+121.1%	36.3
EBITDA	20.6	13.9	-50.2%	99.9

- **Net sales growth**, adjusted for the divestment of the Thai infrastructure business and FX impact, was flat at -0.7%
- **Gross profit margin** supported by input cost environment in the first two months of the quarter
- Increase in **expenses** due to Building Solutions - North America, driven by dollar-to-euro translation. Comparison figures burdened by €3.0m in NRI
- On a like-for-like basis, excluding any NRI, **operating profit** was €11.3 (8.6) million, up 31.1%. In 2014, a non-recurring item of €3.8 million was reported in the first quarter
- **Financial expenses, net** increased due to FX

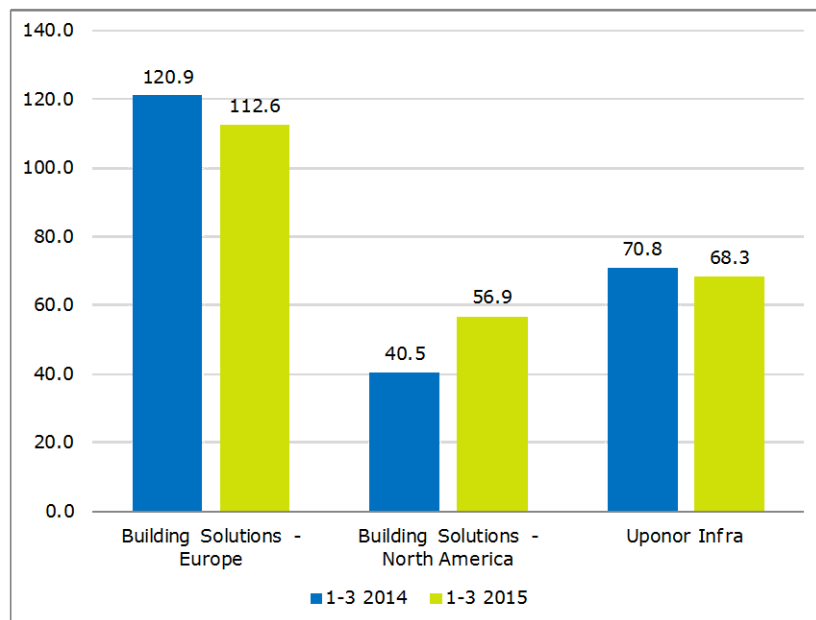


# Interim January – March 2015:

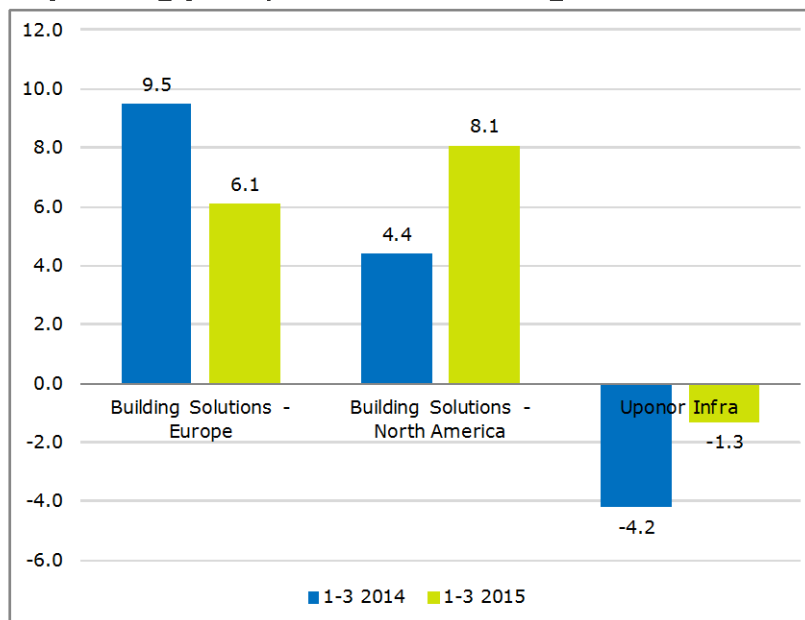
## Net sales & operating profit by segment

Currency: M€

### Net sales

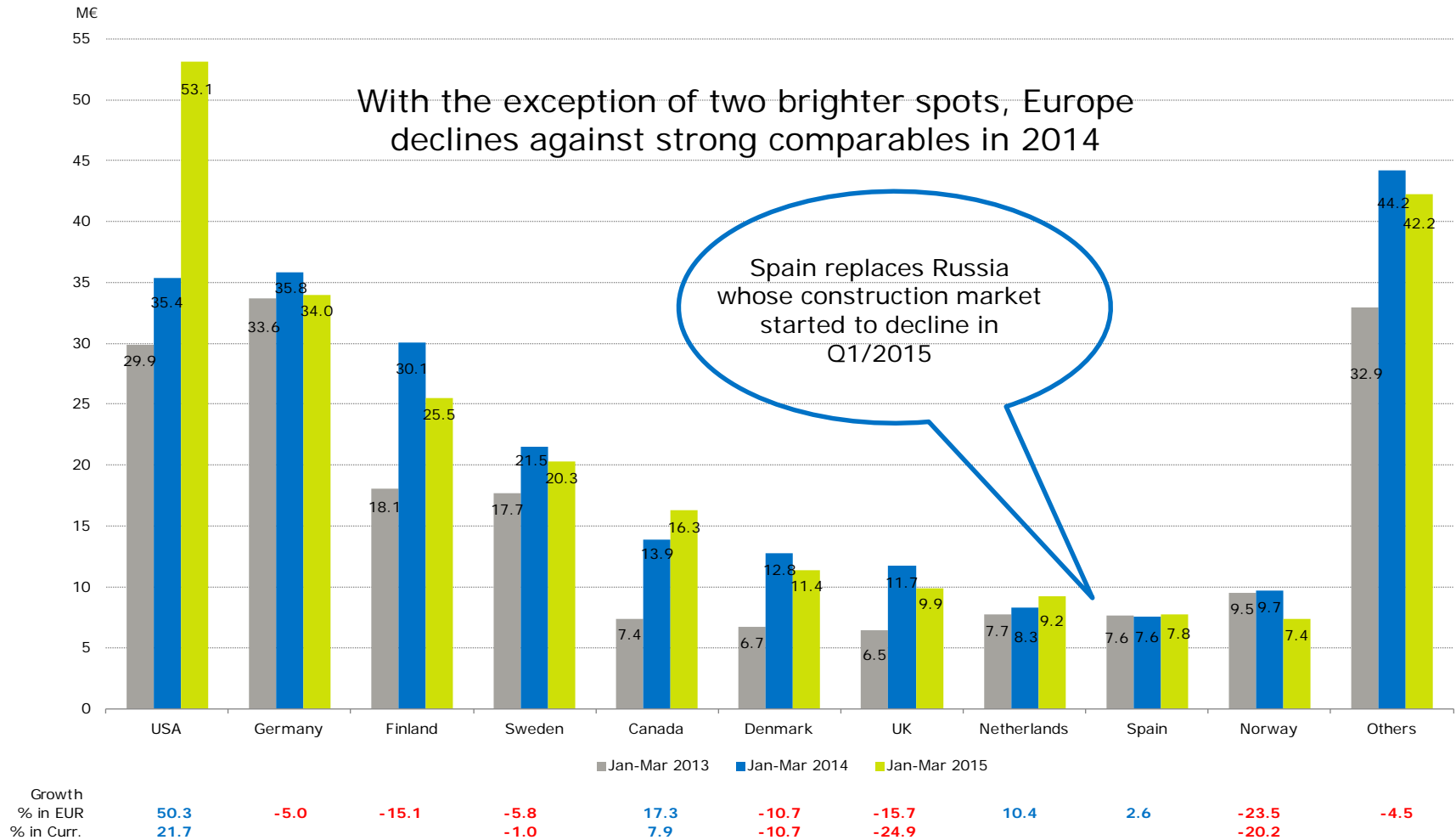


### Operating profit, w/o non-recurring items



- Building Solutions – Europe: operating profit margin (w/o non-recurring items) down from 7.8% to 5.4% driven by plummeting net sales in key markets
- Building Solutions - North America profit margin up from 11.0% to 14.1 %, supported by sales growth, efficiency improvement measures and tight cost management
- Uponor Infra profit improved clearly as a result of the restructuring measures, supported by input costs, but remained negative on account of low volumes

# Interim January – March 2015: Net sales development in key markets



Note: Countries are sorted by YTD 2015 net sales

# Interim January – March 2015:

## Balance sheet

M€	31 Mar 2015	31 Mar 2014	Change Y/Y	31 Dec 2014
Property, plant and equipment	209.3	197.4	+11.9	207.8
Intangible assets	97.5	101.5	-4.0	98.4
Securities and long-term investments	10.6	10.8	-0.2	11.2
Inventories	135.2	130.6	+4.6	117.4
Cash and cash equivalents	16.1	30.2	-14.1	60.2
Other current and non-current assets	223.8	220.0	+3.8	186.8
Total equity	280.4	260.0	+20.4	297.9
Non-current interest-bearing liabilities	126.2	136.4	-10.2	126.3
Provisions	16.5	23.7	-7.2	16.2
Non-interest-bearing liabilities	248.6	228.7	+19.9	225.5
Current interest-bearing liabilities	20.8	41.7	-20.9	15.9
Balance sheet total	692.5	690.5	+2.0	681.8

- Net interest-bearing liabilities at €130.9m, down by 11.4% from LY
- Non-controlling interest at Uponor Infra represents €63.9m of the total equity at €280.4m

## Interim January – March 2015:

# Cash flow

M€	1-3 2015	1-3 2014	Change Y/Y	1-12 2014
Net cash from operations	+16.0	+13.5	+2.5	+99.0
Change in NWC	-32.4	-28.6	-3.8	-3.5
Net payment of income tax and interest	-6.0	-3.3	-2.7	-19.8
<b>Cash flow from operations</b>	<b>-22.4</b>	<b>-18.4</b>	<b>-4.0</b>	<b>+75.7</b>
Cash flow from investments	-2.1	-4.1	+2.0	-30.6
<b>Cash flow before financing</b>	<b>-24.5</b>	<b>-22.5</b>	<b>-2.0</b>	<b>+45.1</b>
Dividends and buy backs	-30.7	-27.8	-2.9	-27.8
Other financing	+10.3	+27.3	-17.0	-9.9
Cash flow from financing	-20.4	-0.5	-19.9	-37.7
Change in cash and cash equivalents	-44.1	-23.5	-20.6	+6.5

- Gross CAPEX at €8.1m, up €3.7m from Q1/2014, but below depreciation at €9.3m
- Cash flow from investment includes €+5.9m cash flow effect from the divestments of the Thai infrastructure business and Extron Engineering Oy in Finland



## Outlook for the future











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# Q1

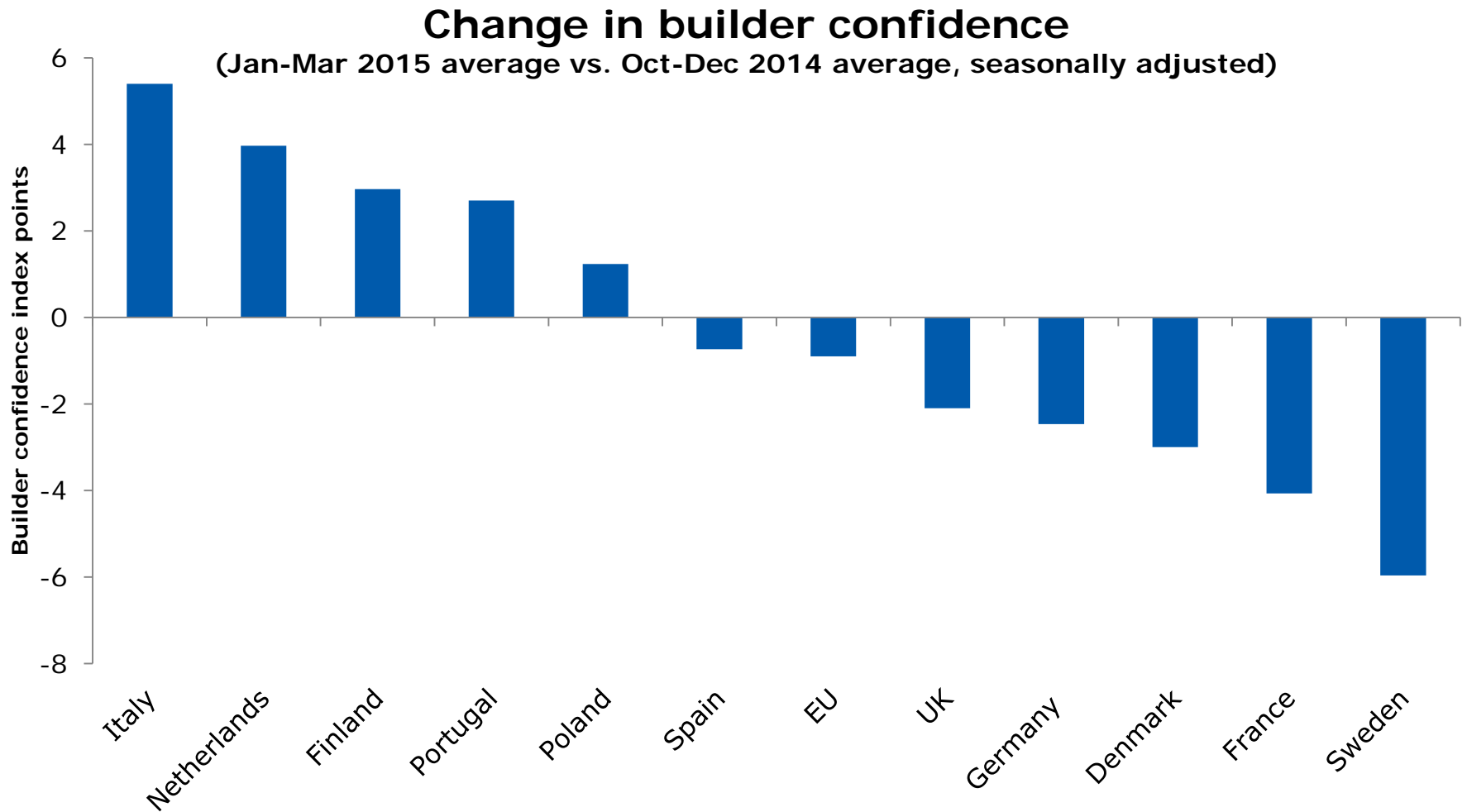
ISH exhibition, Frankfurt, Germany, 10-14 March 2015

# Leading indicators in major markets

	Indicator	% change YTD	Data through	Trend since Q4 update
USA	Housing starts <sup>1)</sup>	<b>-17%</b>	February 2015	
Germany	Housing permits	<b>-9%</b>	January 2015	
Finland	Housing starts	<b>-21%</b>	October 2014	
Sweden	Housing starts	<b>+27%</b>	December 2014	
Canada	Housing starts <sup>1)</sup>	<b>+20%</b>	March 2015	
Denmark	Housing starts	<b>+13%</b>	December 2014	
UK	Housing starts <sup>2)</sup>	<b>+10%</b>	December 2014	
Netherlands	Housing permits	<b>+50%</b>	December 2014	
Spain	Housing permits	<b>+2%</b>	December 2014	
Norway	Housing permits	<b>+16%</b>	February 2015	

<sup>1)</sup> Seasonally adjusted, annualised rate vs. same month in 2014; <sup>2)</sup> England only

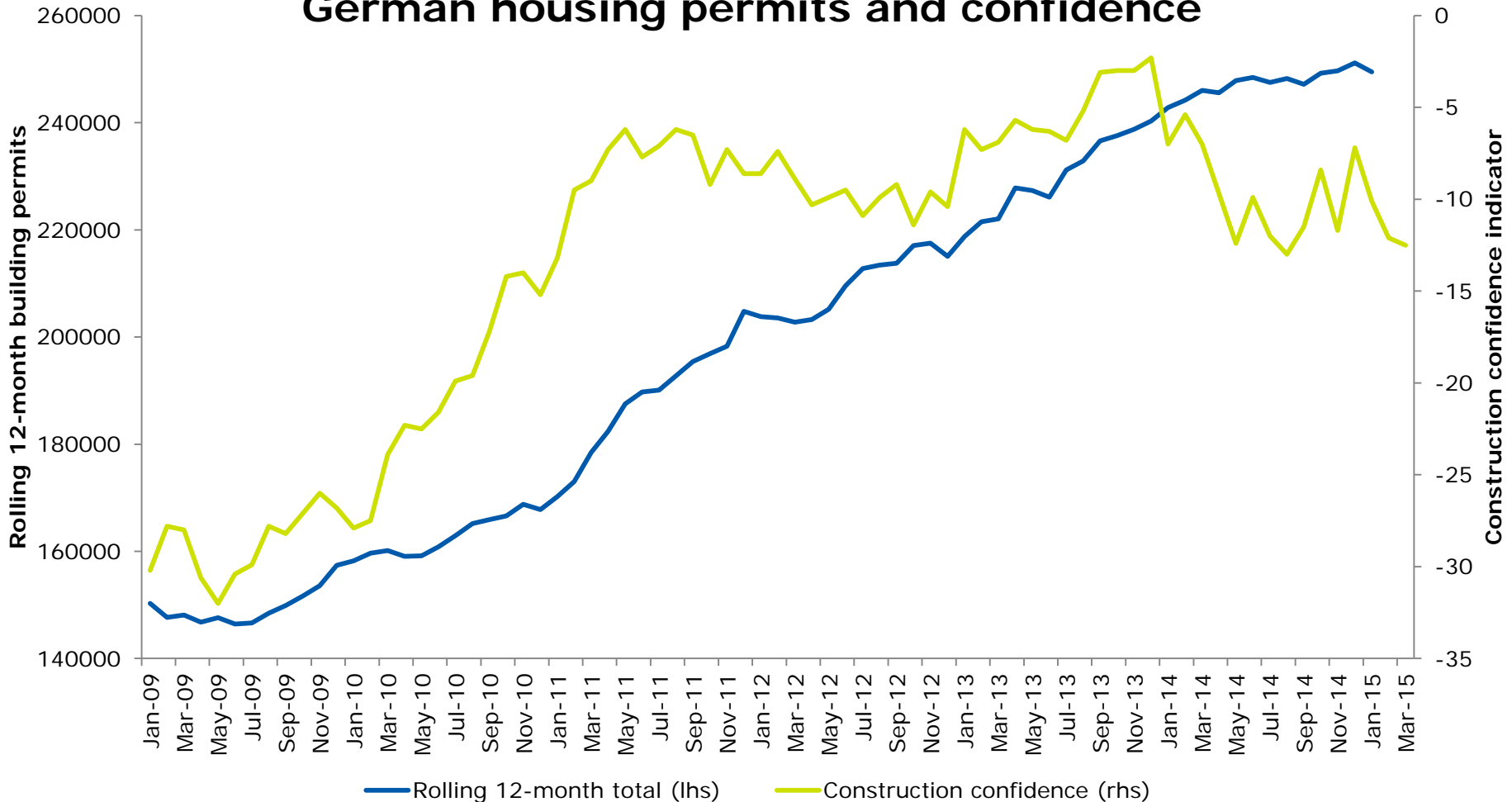
# Sentiment in some key markets weakened during Q1/2015



Source: Eurostat

# Germany: The economy has gained strength but construction has stalled

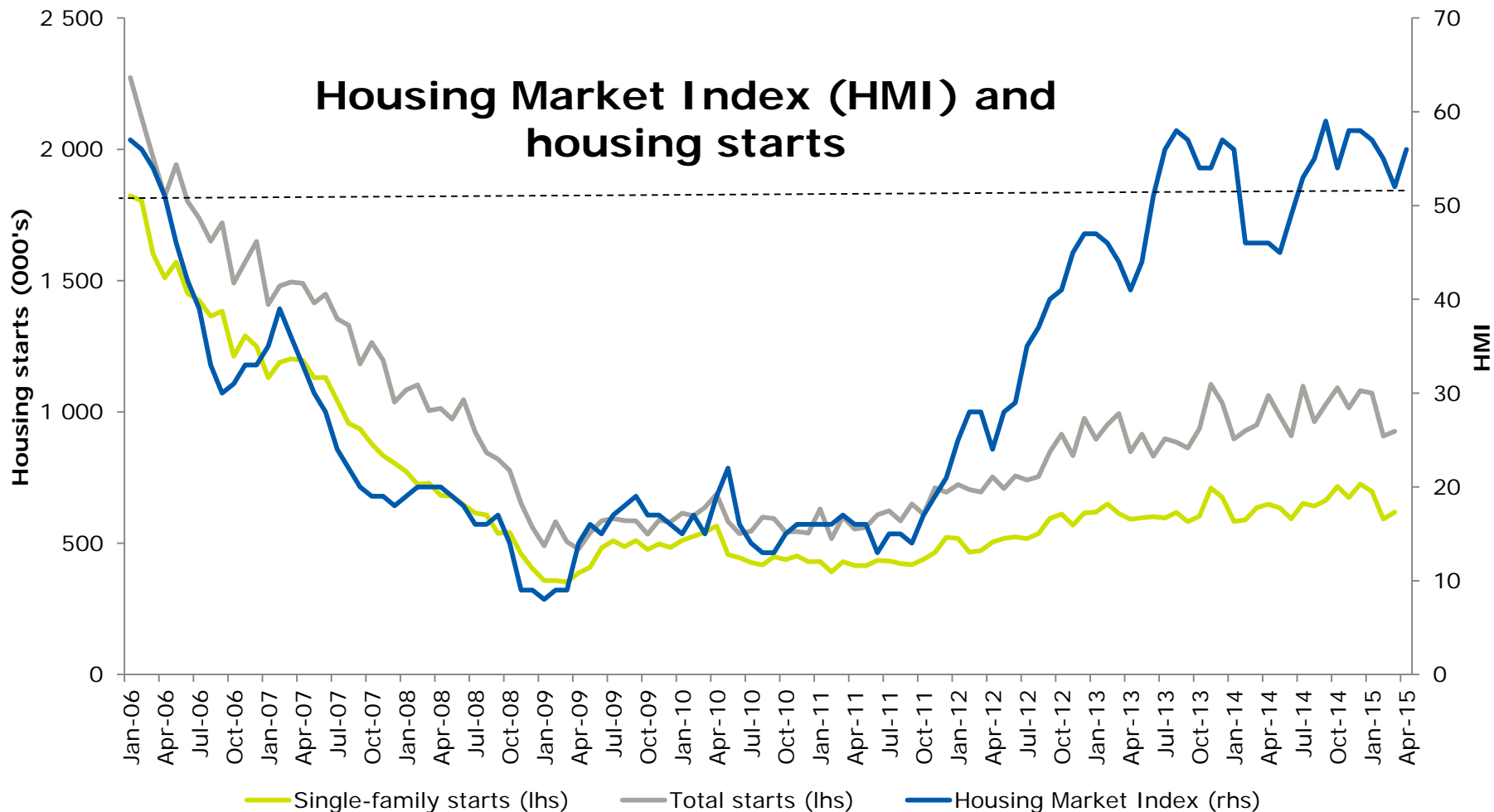
## German housing permits and confidence



Source: Destatis and Eurostat



# USA: Confidence and starts were hurt by frigid temperatures



Source: US Census, NAHB/Wells Fargo

# Management agenda for the near term

- Secure timely delivery of products to customers in Europe (resin availability) as well as North America (meeting the demand)
- After successful integration and streamlining of Uponor Infra, focus on customers and on winning market share in selected core businesses
- Maximise growth opportunities and secure a platform for profitable growth in Building Solutions – Europe
  - Follow through that key product launches turn into sales
  - Carefully execute the savings plan related to the new distribution centre

# Guiding forward

- Macro-economic trends and the geopolitical situation remain materially as before
- Acute raw material supply/demand issue may be disturbing the plastic products industry in the shorter term, especially affecting infrastructure solutions
- The guidance issued on 12 February 2015 remains intact:

The Group's net sales and operating profit (excluding any non-recurring items) are expected to improve from 2014

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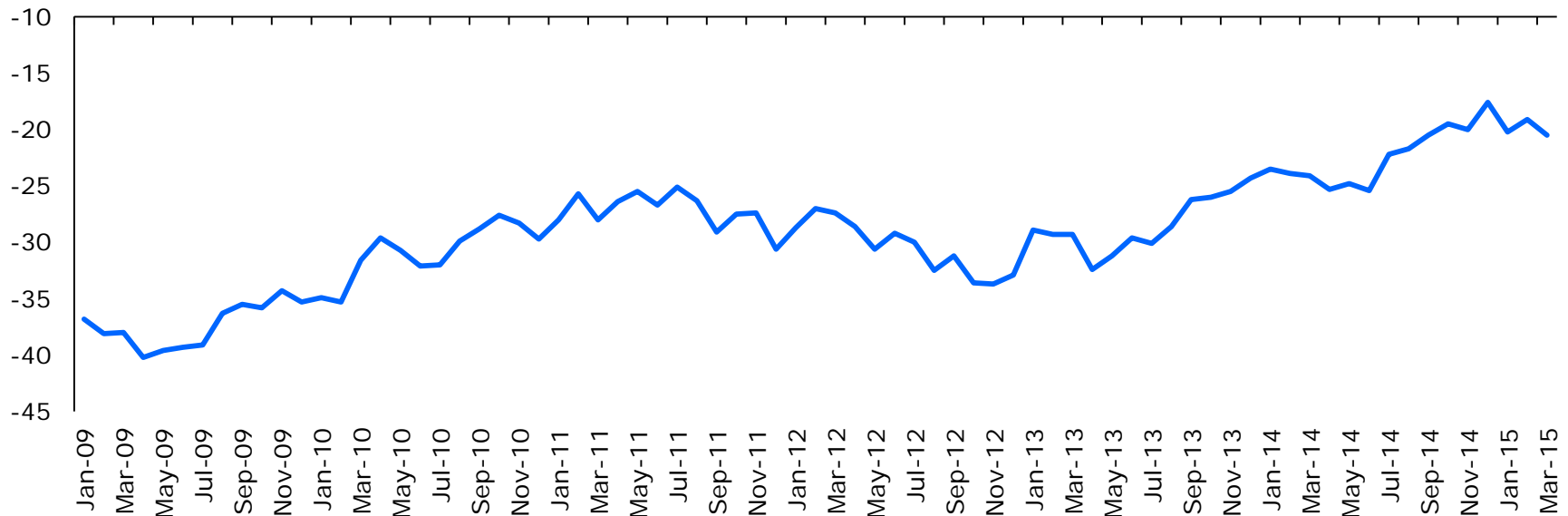
**simply more**

*The text may contain forward-looking statements, which are based on the present business scope and the management's present expectations and beliefs about the future. The actual result may differ materially from such statements.*

# Construction sentiment in Europe

- Confidence reached a multi-year high in December, but has plateaued during the first months of the year
- Confidence rose in Q1 in Finland, Italy and the Netherlands, but fell in Sweden and France

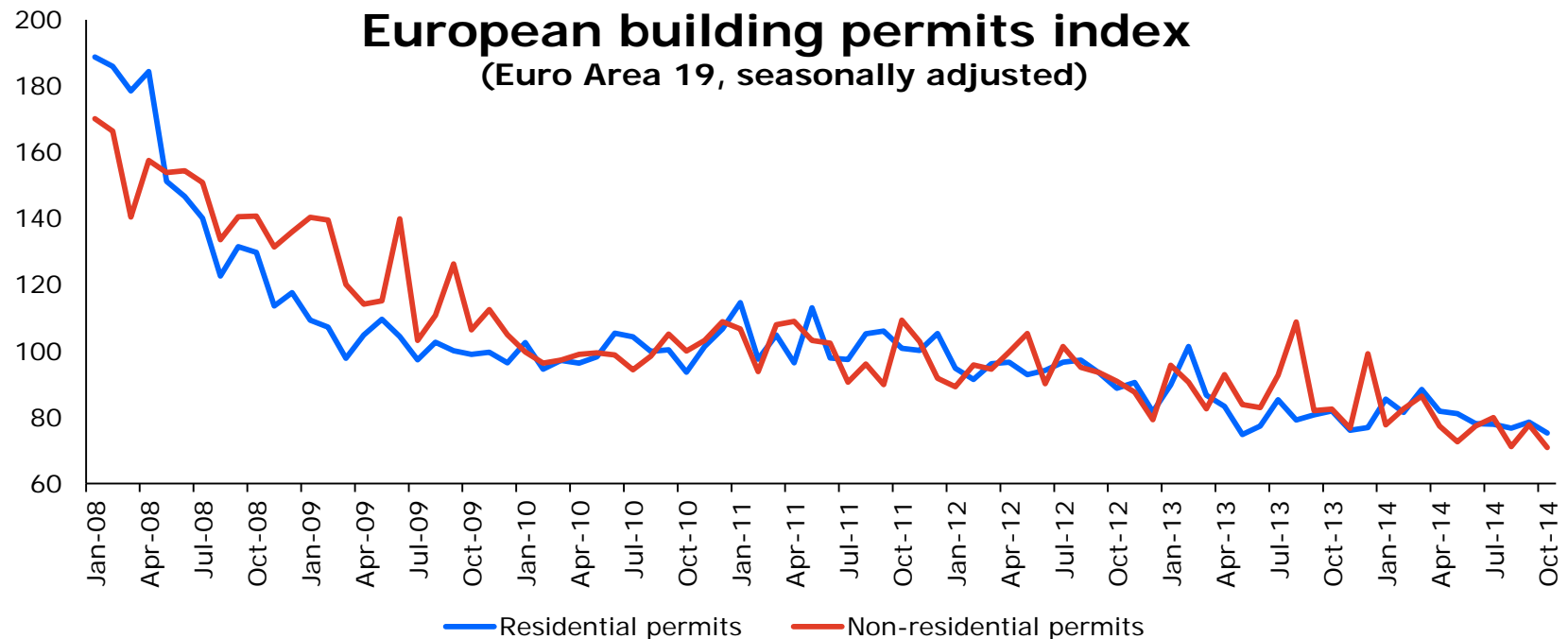
**European construction confidence indicator**  
(European Union, seasonally adjusted)



Source: Eurostat

# Building permits in Europe

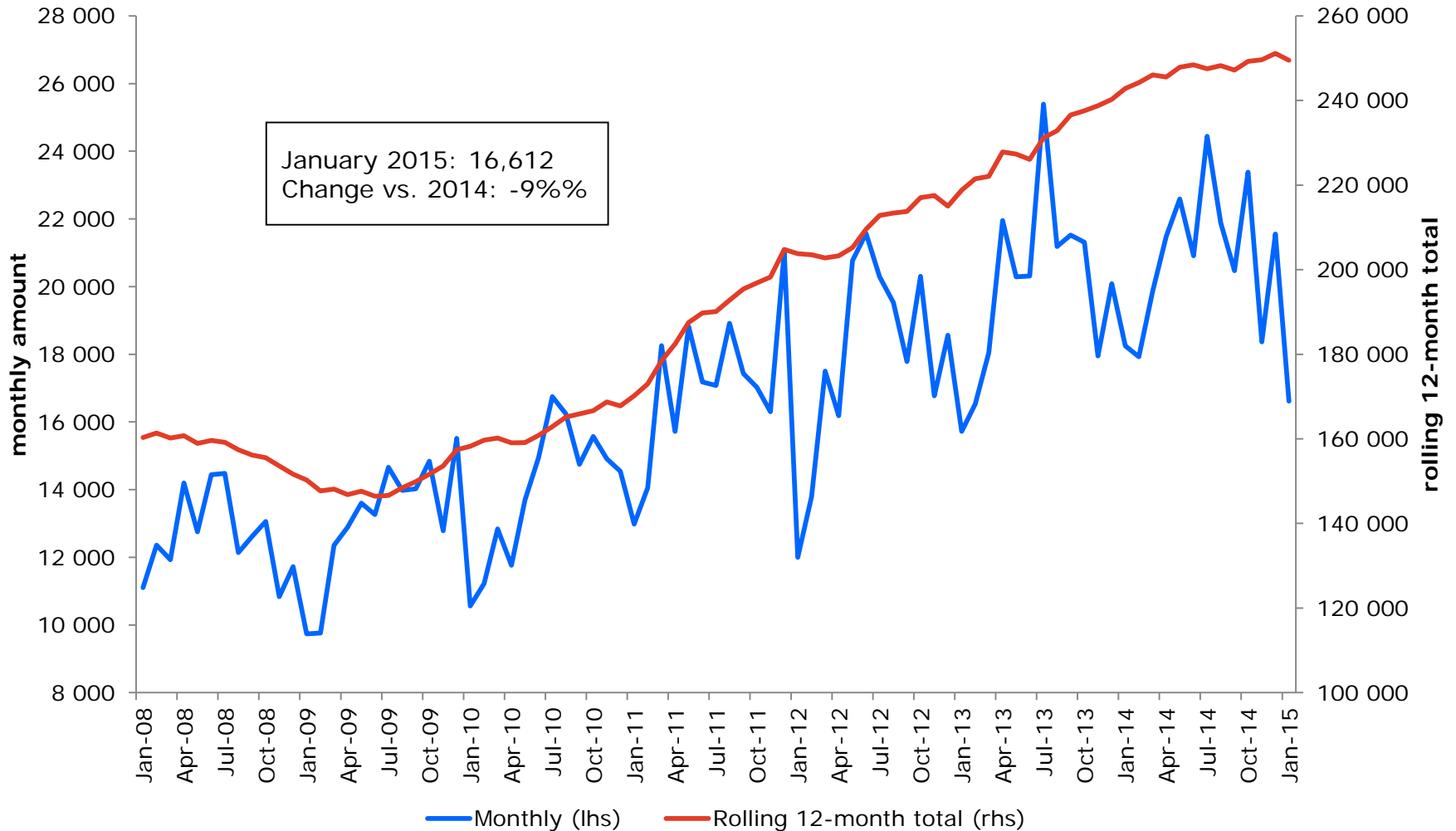
- Data through October shows that building permits in both the residential and non-residential segments remained at, or near, their lowest levels on record
- Improvements in some national markets have been more than offset by falls in others



Source: Eurostat (Base year = 2010)

# Germany

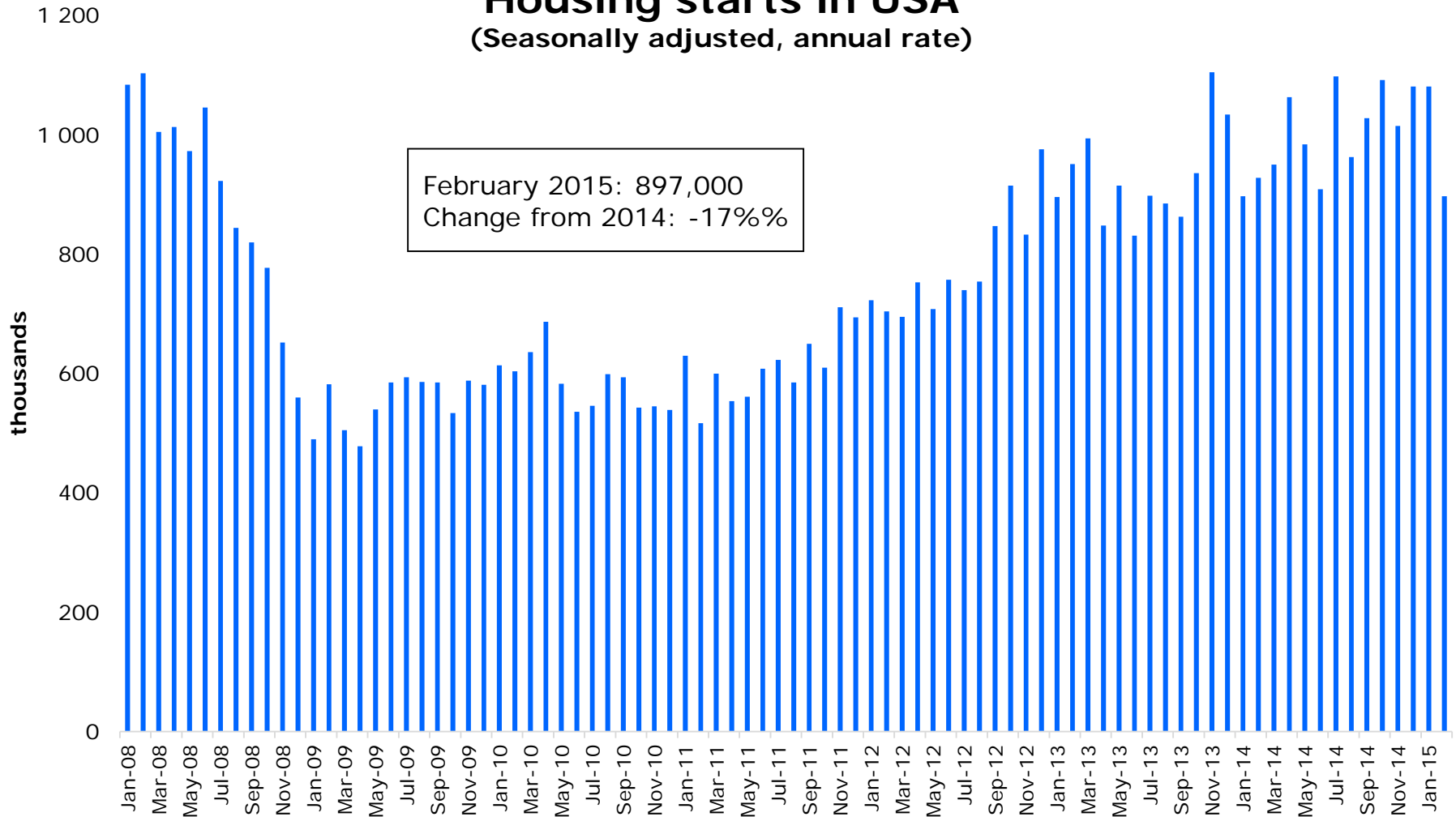
## Housing permits in Germany



Source: Destatis

# USA

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

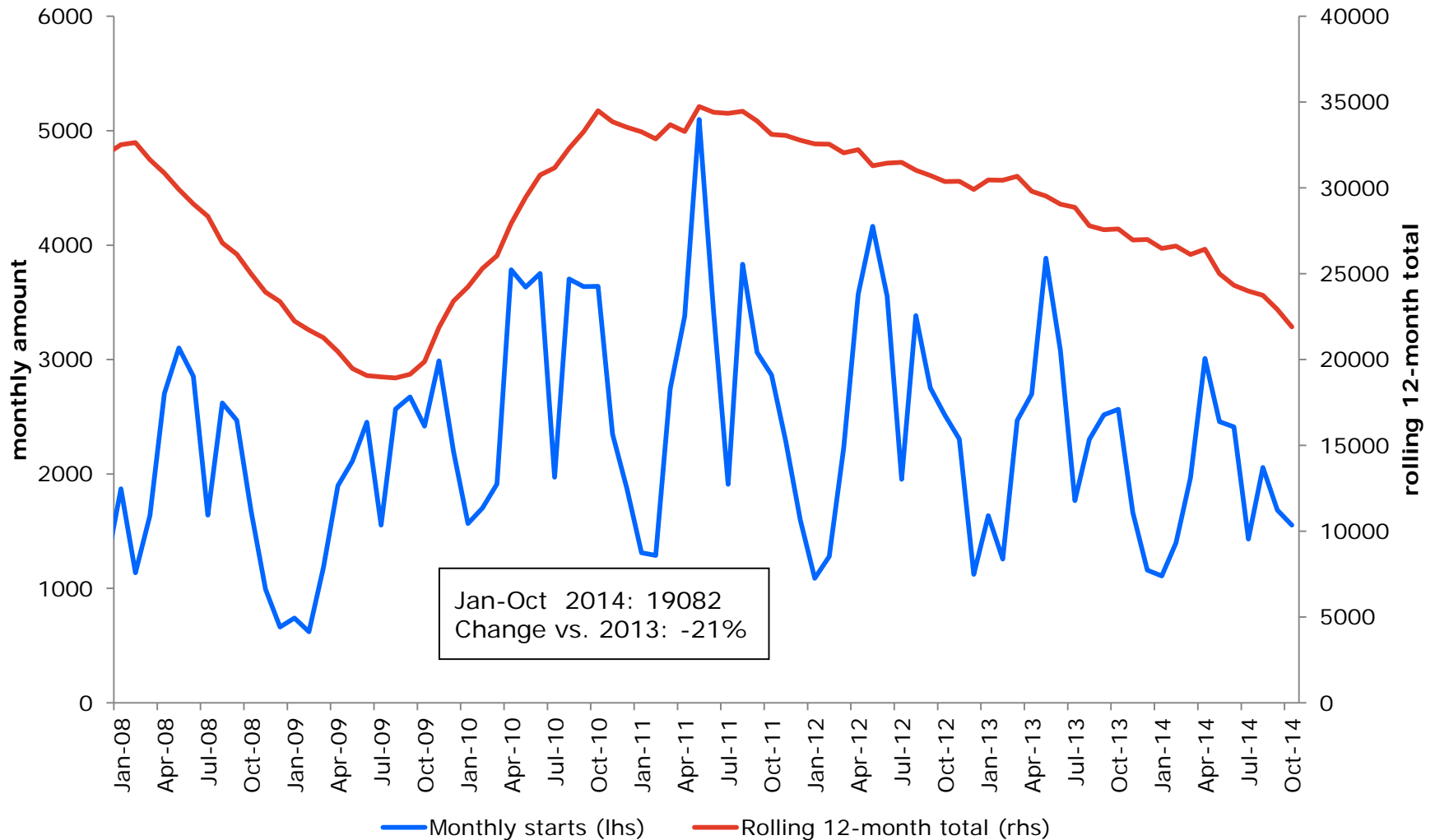


Source: U.S. Census Bureau



# Finland

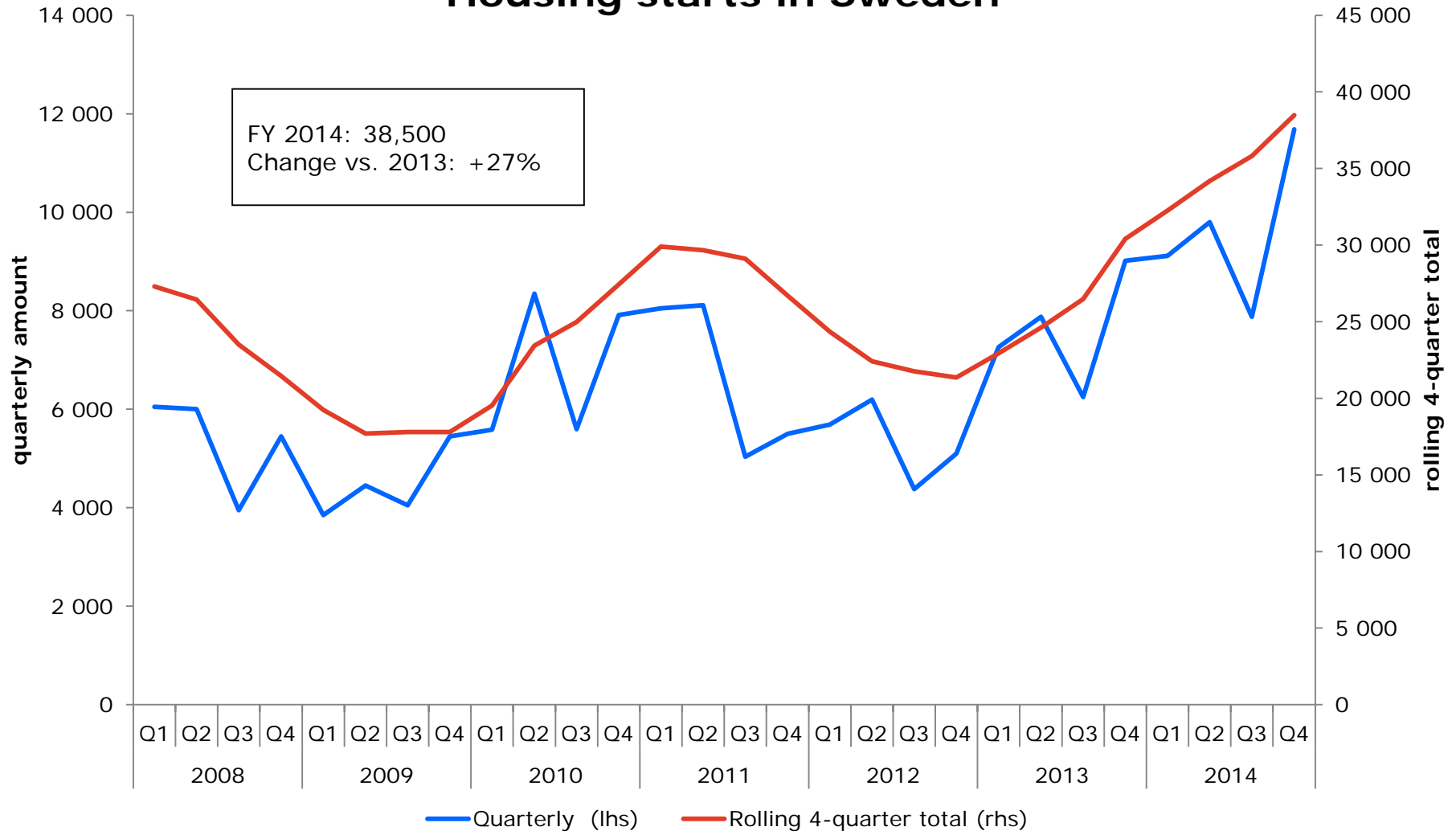
## Housing starts in Finland



Source: Statistics Finland

# Sweden

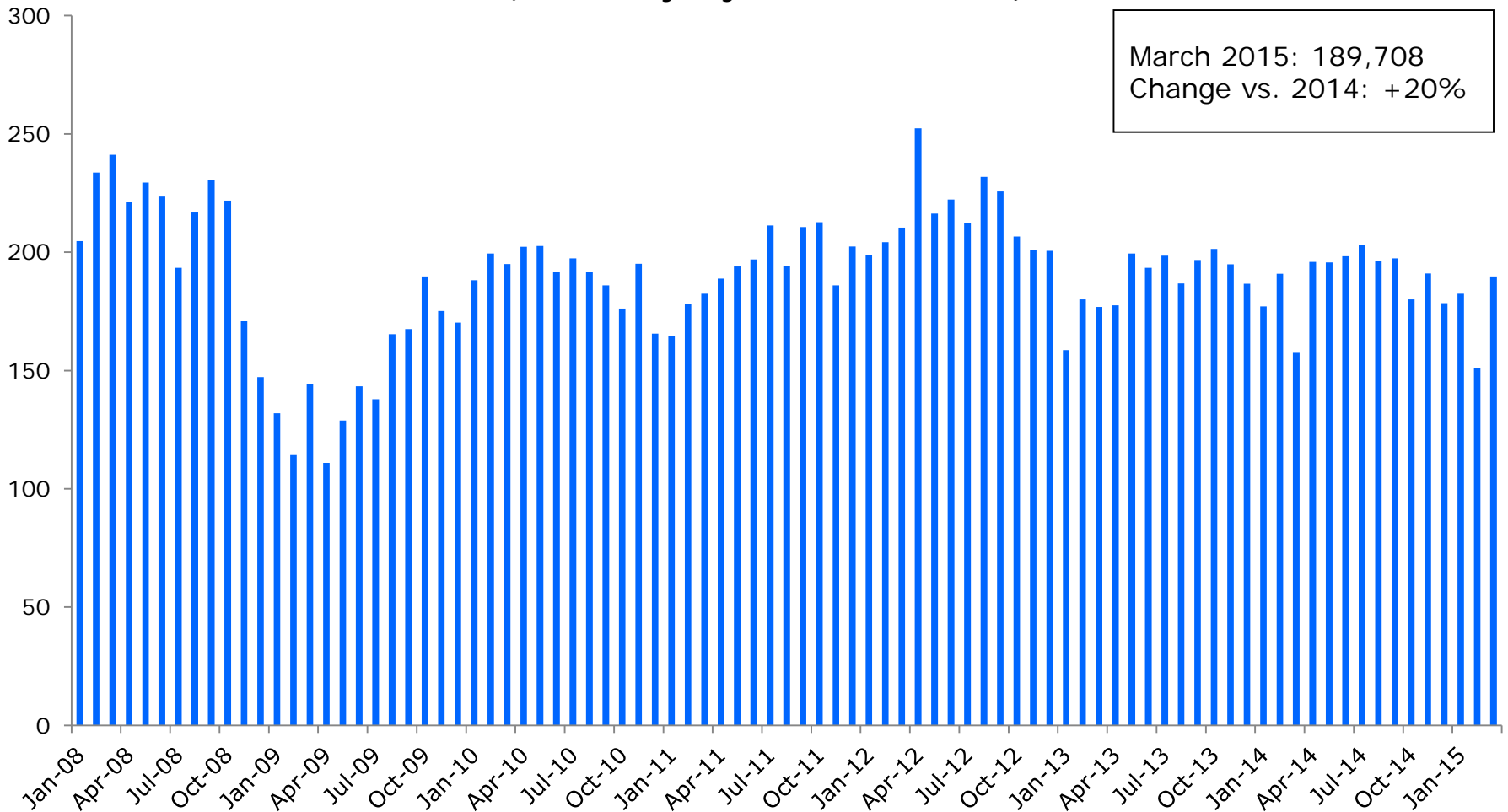
## Housing starts in Sweden



Source: Statistics Sweden

# Canada

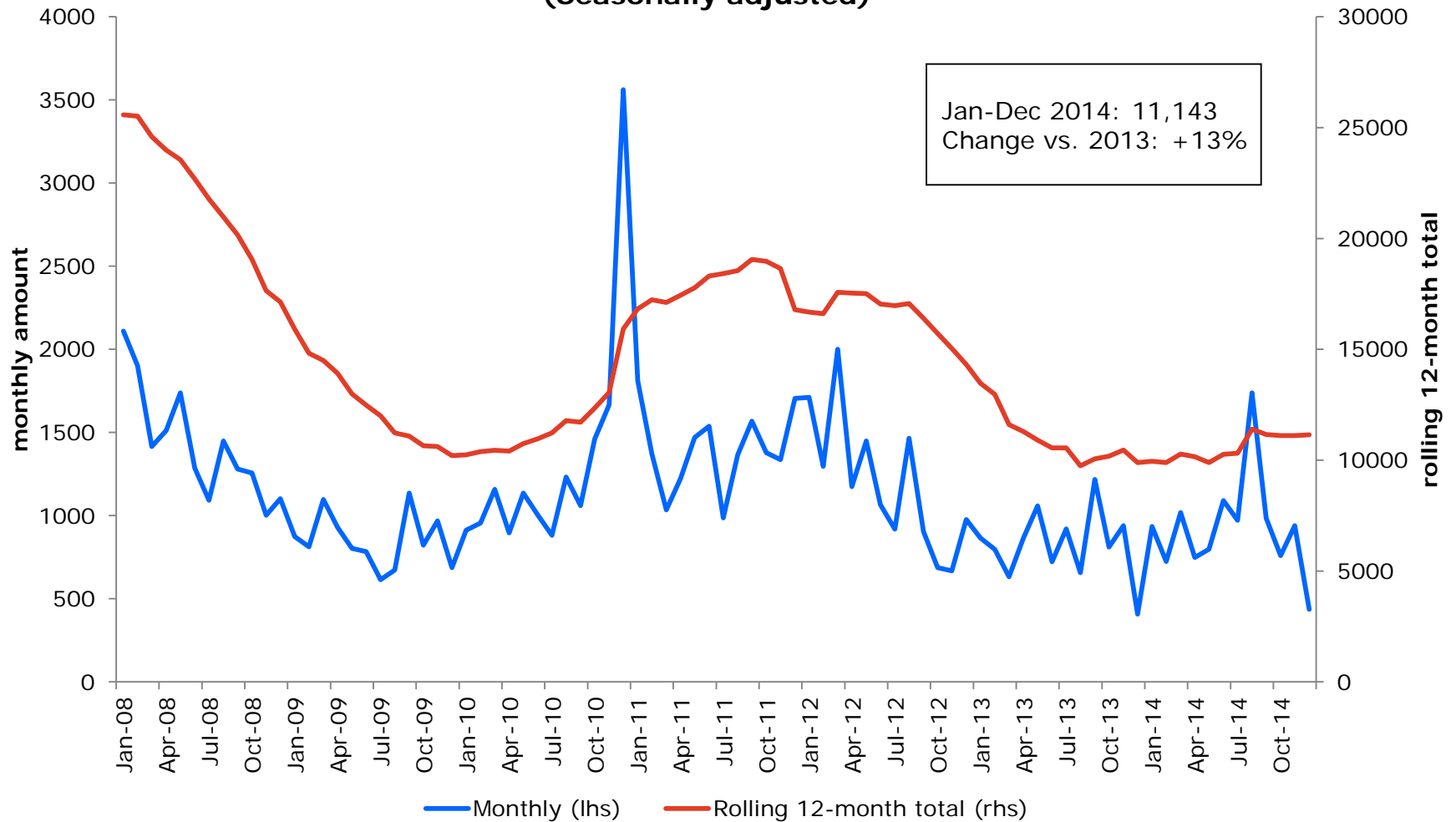
## Housing starts in Canada (Seasonally adjusted, annual rate)



Source: CMHC/ Statistics Canada

# Denmark

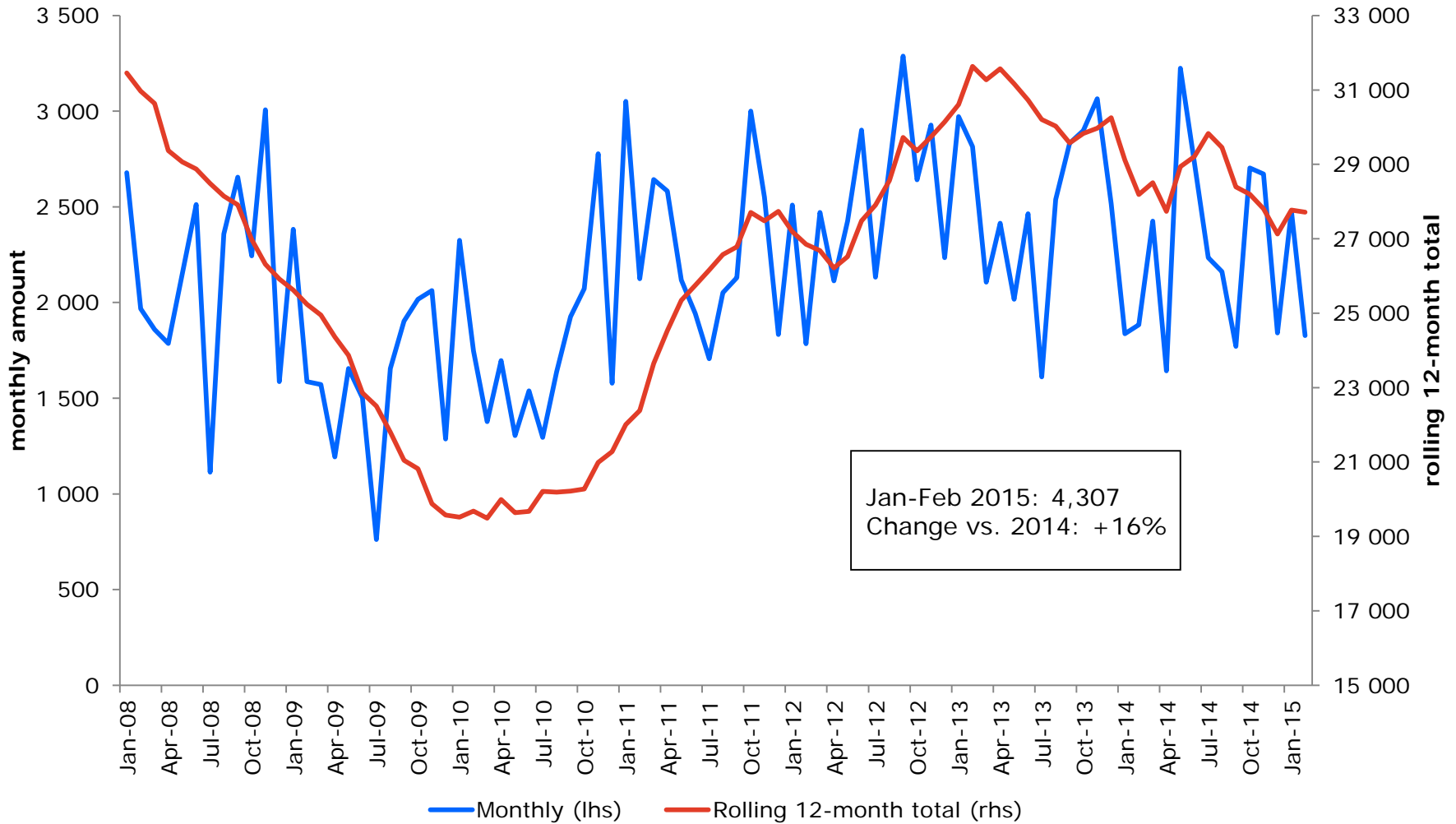
## Housing starts in Denmark (Seasonally adjusted)



Source: Statistics Denmark

# Norway

## Housing permits in Norway



Source: Statistics Norway