

Full Reviewed Transcription

Georg Fischer AG

Flow Solution Day 2023 Conference Call and Live Webcast

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COMPANY REPRESENTATIVES

Andreas Müller, CEO

Mads Joergensen, CFO

Joost Geginat, President, GF Piping Systems

Michael Rauterkus, President, GF Uponor

Christopher Merrell, Head of Global Marketing, GF Piping Systems

PRESENTATION

Operator

Ladies and Gentlemen, welcome to the GF Flow Solution Day 2023 Conference Call and Live Webcast. I am Sandra, the Chorus Call operator. I would like to remind you that all participants will be in listen-only mode and the Conference is being recorded. The presentation will be followed by a Q&A session. You can register for questions at any time by pressing * and 1 on your telephone. For operator assistance, please press * and 0. The Conference must not be recorded for publication or broadcast.

At this time, it's my pleasure to hand over to Andreas Müller, CEO. Please go ahead. You will now be joined into the Conference Room.

Christopher Merrell

Hi, good afternoon. My name is Christopher Merrell, I'm Head of Global Marketing, GF Piping Systems and welcome you today to our First Flow Solutions Day here in Schaffhausen. Before, we begin the Day 1 or this afternoon I want to give you some insights and key housekeeping topics that are important obviously within our building here in Schaffhausen.

Firstly, the safety instructions, if there is an emergency, I'd ask you to follow my colleagues from GF who will be exiting on the right hand side of the door here, leading into the car park, and then heading over to where you came in across the road in a safety zone there as well. So please follow anybody from GF and they will take you to the safe place. So important information first.

Secondly, we're going to be taking some photos and video and also live streaming to guests around the world today as well. So if you have a problem with us taking imagery or filming you, please let us know, we'll make sure we don't include you in those images as well.

Let me just jump straight to the agenda for today, so firstly, welcome and you've done the registration. We are going to kick us straight away with Andreas Müller, our CEO, who is going to give you an insights of the value creation rationale of GF Uponor that we announced on Monday, 2 Show case groups that are going to take place hopefully you have seen what we have outside here in our customer experience center.

I will have 2 presentations, you will have on your badge that you've received a color dot. We have team members here at the back of the room later be able to direct you to which place you should go to see which show case, and then we will rotate the show cases as well, so you get to see both before you return back into the room for a wrap up and a Q&A session. Then we will have an apero and then the buses will depart at the times indicated on the slide behind me.

So hopefully, you've got the information you need. We'll kick off today, and I'm very happy to handover to our CEO of GF, Andreas Müller.

Andreas Müller

Thank you very much, Chris, and it is obviously a big pleasure for GF and for me having you all here in this Week 1 since we are having had our Day 1 on Monday, and we also obviously are delighted that you have shown such a high interest to come here to Schaffhausen, because sometimes it makes much more sense, you know, to touch and feel the solutions and taking the much better insight.

Nevertheless, we also would like to give you some insights about the rationale of this deal, so we will have in the first section a couple of presenters. We will have Mads Joergensen, our CFO talking about the transaction itself, we will have Michael Rauterkus, President of GF Uponor to give us insights about Uponor, will have later on in the show cases Joost Geginat and myself, CEO, Andreas Müller.

Going forward, moving together, now you could actually ask you why this passwords on a headline, very simple, GF and GF has one of its claims today's which is going forward, and Uponor guess what had a claim moving water, and so going forward, moving together is set for GF to become the global leader in sustainable Flow Solutions.

We will later on introduce the GF Uponor Solutions and their management teams, so that you get a glimpse and an idea on what are these products all about, when it comes to energy efficiencies in building or conveying hot and cold water. We will have this deep dive into concrete growth stories, which we have set up outside in the training center, and later on, we will also talk about the integration and the value creation program.

What is the rationale? A major step for GF, and yes, we are set now to become the leader in Flow Solutions, let's call it sustainable Flow Solutions. We will with this transaction strengthen our portfolio, but also our global presence.

All our businesses in the Flow Divisions are benefiting from global trends and, yes, we will double down our R&D forces to advance in sustainable innovation solutions. This all leads to a more resilient and profitable GF.

Let me shortly bring this transaction into perspective of the GF Strategy 2025. We always have said that our focus when it comes to acquisitions is in the Flow business. As you could say, when we have spoken in past, we said 600 million, it wouldn't be shy if it is a little bit bigger, and this is obviously a bit bigger. But it is accelerating the GF Strategy 2025 when it comes to develop the Flow Solution businesses. We will with that increase the profitability of GF. We will deliver more intelligent and sustainable solutions to our customers, providing superior value. Yes, we increased the robustness, because we add new market segments such as indoor climate to our applications we can serve around the world.

Evolving culture, it is about unleashing the full potential and we believe having already a strong presence when it comes to Flow Solutions, adding the Uponor business to this presence will unleash even more going forward.

Just a short reminder, 66% of the combined businesses will focus then on Water and Flow Solutions, and also what is to be seen on the right hand side in the doughnut is that we will slightly change the presence in various markets in terms of relative figures, Asia will drop from 30% to 23%, whereas China which makes the lion's share in Asia will drop from 23% to 17%, Americas will slightly increase from 22% to 25% and Europe remains below 50%.

Let me shortly address the mega trends we are addressing with our Flow Solutions. Energy efficiency in buildings, urbanization, energy transition but also digitalization. Energy efficiency in buildings, 40% of this energy consumption and therefore the CO2 emissions are related to buildings, and 40% of that energy is related to the HVAC processes in building. The energy performance of building directive of the EU is asking more or less 75% of the buildings to improve their energy footprint until the year 2030. A rough estimation is 560 billion ticket comes along with that one until the year 2030, and GF Uponor is set to participate and benefit from this trend with indoor climate solutions, hot and cold water and local distribution. So we having the products which are going to fit in all this needs.

Urbanization 2.7 billion additional people will live in cities until the year 2050. We've spoken about this non-revenue water multitude of times. Some 345 billion litres of water every day are being lost from the source to our households to our industries.

Some 700 billion, and this is only a European project, now the Americas have an infrastructure project ongoing until the year 2030 will be invested to improve urban infrastructures for conveying water and other media. GF Uponor will offer going forward comprehensive and complete solutions when it comes to water distribution, storm water, waste water, but also gas.

Renewable energy, I think everyone is talking about that one whether it's being hydrogen, but it goes even further, it goes from infrastructure to the production of batteries, and I think some 40 new giga factories are just scheduled at this point of time across Europe to build the batteries required for e-mobility. But we could also talk about Green hydrogen considering that there will be pipeline systems being built up across Europe to convey the hydrogen from the place of generation to the place of consumption. But it's also about Lithium and all these processes are going to require solutions where GF Piping Systems with its industrial product range offers the solutions. Whether it is about automated flow or special materials to convey certain chemicals.

Last but not least, digitalization, what has that to do with Piping Systems, quite a lot. The outlook for semiconductor demand has a steady growth for the next couple of years and it's also very logic, because it's not only the data we store... it is also about all processes we have in regards to sustainability. A smart building needs obviously semi-conductors. A process which is something where we can add a lot with our cooling, but also with our high purity applications where Joost will later on give us an idea about.

The spent in semiconductor varies, you know, we could also have written down there is 800 billion ticket the 600 billion are the projects which we have just counted and listed, which are due to come into place in the next 7 years. With this move, GF closes the gap to the 1 and yes, it is our ambition going forward to become the leader in Water and Flow Solutions. With a 3.6 billion business which is the dark blue bar, you know, GF is closing up to the 1 in the market at this point of time.

Let me explain a little bit about the rationale. We have been asked quite a few times about how do you unleash the synergies in this transaction. Why do you set up a fourth division? And the business what we are going to show here is, how we are going to combine going forward. Let me start with the bottom which we call the division GF Uponor building technology, Flow Solutions you see the businesses of GF in the range of 360 million to 400 million the dark blue combined with the Uponor business will make up a 1.4 billion to 1.5 billion player when it comes about building Flow Solutions and these businesses will be combined. We talk about some 4'300 people working in this division, having some 16 production sites across the world, which is the combined number, and here we can develop and unleash the potential of these businesses.

The same is true for the Utility business, because we will take and move the Utility business, which is called Uponor Infrastructure, to the Utility business of GF Piping Systems. We create approximately 1.1 billion in turnover when it comes to infrastructure solutions. Those guys will be in total approximately 3'600 people with some 25 sites across the world. And for us, this was very important to bring together what logically belongs together. And all 3 areas or industrial areas, GF is the champion when it comes to the intelligent solutions.

Why is this deal so, and I think I said it once in one of the Conferences and it was nicely picked up. So, insane complementary, nor the GF, nor the Uponor product range has a big overlap. So when as GF is strong in certain areas, Uponor is strong in other areas, and where the products are may overlap, it's very often that we are not overlap in the regions where we are present. Going forward, we can address with complementary solutions, residential, but also commercial buildings. And this is very important because they normally follow different cycles. And the refurbishment business obviously on top of it, is also very attractive.

I'm not going into the details of the solutions because you can have the chance to look at them later on, but this is how we have looked at it and we investigated into the fit of Uponor to GF, it is, for example, the so-called decentralized solutions Stockwerksverteilung or the centralized ones where GF is quite strong and combining these 2 businesses, we can give to our clients and customers around the world, but particularly also here, for example, in Switzerland, going forward, a comprehensive solution.

When it comes to the regional footprint, I think this is super important to distinguish between the businesses GF has. The building technology business has a own logic in terms of going to market. In the US, GF is very strong with its piping system solutions in terms of industry, but also in terms of utility and Uponor is very strong when it comes to building technology. And GF doesn't have more or less any building technology at this point of time in the US. So, combining this business gives us a great opportunity and we had the chance already some 2 weeks ago to exchange and to discuss with the Minneapolis headquarters of Uponor, synergy potentials going forward. What is not on that map is the entire South American markets where GF is present all over. This is obviously something Andreas will later on allude to.

In Europe, it sounds a little bit strange, but Uponor stepped out of the Swiss market some decade ago. And why so? Because you need to be in Switzerland to be accepted by Swiss customers. And GF has a very strong footprint here in Switzerland with its solutions and particularly with its facilities with the brand JRG... .GF JRG.

And this opens the door for the Uponor product range to our clients now in Switzerland. When you talk about Germany, GF is strong in the south part of Germany, whereas Uponor is very strong in the middle and in the north part of Germany. So, it's a perfect fit in terms of how we're going to serve these markets, and yes, we can complement each other with our product solutions and you will see them later on outside.

The Nordics is, let me say, tied in the hands of Uponor, and GF is with building technology solutions, hardly present. There are a couple of regions where both of our companies are minor players and consolidating this business obviously makes a lot of sense. The potential in Asia is given. GF has a tiny part of building technology solutions in China. It's a business we talk in the range of 15 million only its high end applications, and this opens the door for Uponor going forward with the right solutions to serve this market.

Similar for utilities and infrastructure, I have already said it. We are now with a complementary offering set to benefit in all sorts of urban infrastructure solutions, and this can be from hydrogen, but also desalination intakes to house connections to pipe repair solutions, all sorts of with the new product range being serving into. Also here, we have a short example, which will be even more details outside, but this chamber can be accomplished or equipped with the entire product range of GF, or it could be done with a competitor's product, and going forward, we can have a one-stop solution for our customers, including the engineering. The potential here is great. As you can see on the map, the light blue is the Uponor presence, the dark blue is the GF presence when it comes to utility systems, you can see more or less there's no overlap, but GF is offering the access to the market for the Uponor products with their presence across the world.

Let me summarize this. 2 businesses will allow GF to increase the share of wallet with their customers. Not to forget the industrial business, it's also set to play around the world, but here the GF is the leader when it comes to global homologized piping systems for all sorts of application, whether it's chemical process, whether it's battery production, whether it's microelectronics, data centers, water treatments of all sorts.

Innovation is a very important topic and we want to join forces when it comes to innovations. You may would say, why do you going to have an Uponor, and why do you going to have a GF R&D? No, those R&D departments obviously will closely work together and we will have a focus with all building technology and the capacities on delivering sustainable and intelligent solutions for housing and indoor climate.

Last but not least, it is also important to understand that both companies are genuine sustainability committed companies. Both have an EcoVadis rating gold. Both belong to the top quartile in terms of Sustainalytics rating. MSCI has rated GF with AA, and both company has successfully validated their SPTI targets, whereas Uponor is set to NetZero, GF is set to be well below 1.5 degrees.

In a nutshell, it is about cross-selling, it is about the complementarity of our product ranges, it is about general leverage, global penetration, share of wallet. We talk about technology leverage. We will combine our innovation pipelines. We will make use of our production footprint across the world. We keep our sustainability focus. And yes, working together, this is very important for us. It's best use of our strong brands. I think both of these companies are recognized as the quality leader, and I think combining these 2 brands, we're going to set definitely the standard you know, for this peace of mind when you buy piping systems. There's a procurement power, some shared services, and yes, there's tons of best practice which can be exchanged among the 2 companies.

With that, I will now yield the floor to our new executive member, Michael Rauterkus. Michael, floor is yours.

Michael Rauterkus

Thanks, Andreas. Thank you. Good afternoon, everybody. Let me introduce shortly myself, Michael Rauterkus, I am based in Helsinki happy to be here in Schaffhausen. I've worked for Uponor now just 2.5 years. I worked in the industry for more than 17 years, worked in different industries before, but I always loved super brands. Uponor is one, GF is another one, and both are really global.

And let me introduce a bit what is really the great history about this brand, it's a company, which is over 100 years old, it has disrupted itself in the '60s, because it really looked at rising plastic market. And in Nastola, it started its first production. And when you look at the innovation pipeline, there were a lot of first in the market. In 1972, and I only pick one I could go on with this, but later we give you a lot of examples on the products. In 1972, the first PEX pipe was produced in Wirsbo in Sweden, it's now 50 years and it's still an innovation in some of the markets in the world. When you look at our US market, there are still states where PEX is an innovation after 50 years, it's a fantastic product. Of course, it's now very different to what it was 50 years ago, but we have really kept on innovating. So it's both the DNI is so complementary, it's a company of entrepreneurs and innovation.

When you look at the geographic, Andreas has really mentioned this. So 1.4 billion company with an infra business strong in Americas and in Europe, 3'600 employees and the 1 market is United States, and then, of course, we have this very strong presence in Finland, in Sweden, and in Germany. And this is really already a very resilient portfolio. So, thanks God this year we have this strong US business, which is so robust, but in the future it will be even more when you look at US business, European business, Middle East opportunities, and Asia, resilience by market, but also resilient by portfolio. And that's really great.

So, we operate in the building technology sector, in the infra sector. When you look at the building technology, what really... what we are proud of is, of course, the PEX system and what's the magic about PEX, the competitor is not another plastic pipe, it's copper, and so, it's, of course, cheaper to install, faster to install. I could go on with this. But this is really the top innovation there. We offer drinking water systems. We have the underflow heating. This is what we are famous for in Europe, but more and more on top of the underflow heating, there is the cooling and then also intelligent solution. So, it's a complementary system and we have it out there on a display. We can talk later about this.

We have then also heat interface units, and the magic about these ones is really you don't heat the water up to 40-50 degrees. You heat it up in the last second, which saves a lot of energy and you only use the energy when you really have to use it in the second, so instant heat.

And on top of this, we have a fantastic infra portfolio. And the infra portfolio I will hand over with prior to my colleague, Joost infra portfolio has really developed over the last 2 years very, very nicely. And the magic of the infra development over the last 2 years has been really innovative in a way that we invested in the water treatment sector. So, you can imagine you have either too much rain, then you need to deal with the flooding, or you have for months, no rain. And where do you get the water from? And so the municipalities invest more and more in this sector because it's a really... it's a problem which exists everywhere in the world. And only when you have events like a few weeks ago in New York where the flooding happens, then everybody is looking for the solution and our telephones are ringing and they ask for, can we have this solution? Can we have a look at this? So the project pipeline in this sector has grown almost double over the last 2 years in the infra sector. So the future is bright in the sector.

So this is infra, and let's talk a little bit about also the numbers. What has happened over the last years from '19 to 2022. We finished 2022 with a record year as you know, on sales with a CAGR of almost 8% over the years.

We almost had a record year in OP in operating profit. But of course, last year, same time we had to fight the cyber-attack, so we got almost there. But of course, then still it was a great result. But of course, this is due to the cyber and this year also we are doing quite nicely. So year-to-date, we are on a minus 15% reported. But when you take out, we had some structural changes sold some businesses of its minus 12.4% on sales year-to-date. But the OP margin is at 13%. Despite a very different revenue line, the OP margin is 13%, and this is the margin which has been 30% this year, the year before and the year before. So despite very different market environment, we have kept this high margin.

And let me explain in a minute how we have done this. But first on this strategy, we have built a strategy on 4 pillars. One is really maximizing the core. We have opportunities with our product portfolio in many markets in the world. We are strong with PEX in US, with under floor heating in Europe. We haven't really in the past now used the full portfolio on a global base and now with our portfolio, a new innovation pipeline and GF portfolio. On top, we can completely recreate how we go to the market in this sector.

So first, we will focus on what we have already in the portfolio, because every sales force in the world is looking at what they don't have in the portfolio. And this is why I'm so keen on selling what we have already in the pipeline. Then we have an innovation pipeline which has increased under my leadership times 5. So we have 5 times more innovation projects going on, which secures the future because this market really needs innovation. There are so many pressing items like energy saving demand for clean water. We really need to do something here and we have the solutions.

We have very much in common the drive for sustainability solutions. What I realized when I started in Finland, the Finns don't talk about this so much. And when I really looked at the archives and say, Hey, this is great of what we are doing there. They do this naturally and I have the feeling, it's a bit like at GF, there's so many things going on. And when we put these things together and say, Okay, so gold EcoVadis we do the same. What's the target? It was fit fit, fit, fit, fantastic.

And most importantly, and I must say this is why I'm really excited. We talk very much about the people first because the people make this happen and everybody says this. But in this specific context, the most important thing is really that the people want to work together and that there is a cultural fit. And I met Andreas Müller and Mats 2 years ago...Mats Jorgenson, and we have been in contact for some while. And we have really then visited the sites we met Joost and the colleagues and it's really amazing. So I will later introduce my team, but the case I will present later will be presented by a GF colleague. So he will present a joint solution later for the Swiss market.

So this is the strategy and how did we come up with the 13% OP margin and how could we really keep this margin? So, it was a big transformation program. We started in 4 last year, actually, a month before we had the cyber-attack and we identified almost 20 million of savings. So it's really a big transformation process going on and it's going beyond a regular haircut on cost. It's really deep in the structure of the organization. So this company is really fit for the next level. And we have... we could also reduce the number of head counts from almost 4'200 in October last year to now 3'600. That's big. But it was the right thing to do. And I said in the past, always, never waste a good crisis. And we took the opportunity to make the company fit for the future.

And at the same time, it was not a cost exercise. It was a transformational program. We improved on the safety measures. LT IF went up 68% and improved service levels. It's really customer centric went up 32%. And at the same time, we also reduce the number of products we call them SKU, so every single item we count in the warehouse went down 52% and lacks complexity makes our head of operations happy, because he has full tracks and therefore it saves costs. And then on the project side, as I said before, the innovation pipeline is just full, and we put a lot of money into R&D.

So this is the sector where we've really started to invest more than in the past, because this is the entrepreneurial spirit of Uponor, and we can just deliver more. And now, you recognize these are my strategy house here. Again, it will just accelerate. What Andrea said before is cross selling, technology leverage and working together will make us stronger and faster. We announced at Uponor in March '22 at the Capital Market Day, our strategy by 2025. But with this collaboration, we can get there stronger and faster. And that's really important.

Now, going from this portfolio of 2 companies together, it's really amazing. And this, I... you can't imagine how many calls, e-mails I got from customers to say, When can we meet? And yours, we see the same from our country managers. They ask, When can we meet? And so, the magic about this deal is really that the overlap. It doesn't hurt anybody. This is why the sales guys in the market want to collaborate because we get calls where the customer says, Hey, I've worked with GF. Not so much with Uponor. Can you let me know how we can increase the business? So yours and I, we have agreed a joint roadshow to the top customers. And I think this will be just great.

And here, you get bit the example, of course, Uponor, very strong in the indoor climate solution. So cooling, heating, digital solutions, and you see here clearly GF much stronger on the water side. So how can we really fit this together and what's in the interests of our customers? They hate complexity. I mean, construction is really complex. Our biggest customers have almost 350 different products in stock. It's not easy.

We make it easy for the customers. We will really design this together and we have already when we are here in Schaffhausen, our Category Managers, they work together. But yesterday dinner together and they say we are just excited. They start to work, say, how can we match this together and have a better solution for our customers? It's just exciting.

And last but not least, we will continue with our sustainability work. We clearly want to be in many aspects being first in the market. So Uponor was the first PEX pipe based on renewable raw materials. The effect is really an 80% to 90% CO2 reduction that's significant. We also have sometimes depending on the product process too much waste in the product process. But what do you do then with the waste material, we completely reuse it now. So and I think all these efforts also make this company really great. So we can now hire new talents who really believe that they can change the world and really help us to really achieve our ambition and purpose.

So, thank you very much. And with this, I would like to hand over to my colleague Mads.

Mads Joergensen

Thank you, Michael. Also from my side, a big welcome and thank you for your interest in our company, by way of introduction because we have some people also online who may not know who I am. My name is Mads Joergensen. I'm the Group CFO of Georg Fischer. I started in 2003, a set of strategy and M&A with the piping systems division. I worked for the division for 16 years, 10 of which I was the group... the division CFO before I moved on to the group.

Let me give you a little refresher of the deal. And first of all, I'm sure that a lot of you have not heard about Uponor before we launched our bid in June. But so didn't we, I'm just kidding. This company actually has been following us since I joined Piping Systems. It was on the list of the usual suspects of M&A partnerships. We over the decades had actually here and there an interaction, but we never had a catalyst that was a spark to start a process. And also the company, I must say for many years after the financial crisis had difficulties to return to previous profitability.

But then in 2021 something happened, actually, a new management came on and something started to change and that was the trigger that actually led to Andy and my reaching out to the company and the first meeting we had with Michael and with the owner... the representative of the owner, Mrs. Paasikivi was I would say an incredible confirmation of how our organizations, our companies, our strategies and cultures are aligned and also confirmation that the capital markets may not always be right, because we got to see some of the behind the walls of what is... was in the future for Uponor.

And we thought that was not quite reflected on the stock exchange. And then as you know, in May Belgian competitor Aliaxis thought the same that we did and there was something to be made out of Uponor. And the rest is history

Eventually, we ended up with an enterprise value of 2.2 billion. We have now, as we speak, 93.8% of the shares, our threshold was 50% in one share. Our forward multiples enterprise value to EBITDA, the headline is 10.6%. And after we have incurred the full year synergy potential, we are down at 8.9% that is largely within where Georg Fischer historically has been buying companies typically between 8 and 9 times EBITDA.

It's EPS accretive from the first full year of consolidation. The way we're going to finance it is, of course, as some of you know, by the end of last year, we were sitting on quite a pile of cash and also promised that we would use it for something useful before we would return it to the shareholders. And we found something actually useful. So a lot of the excess cash would be used, but also together with UBS and ZKB, we would have a bridge and a term loan financing stretching 2 and 5 years, we also announced the issue of 8 million of additional shares in an accelerated book building. However, and I've been asking this... I have been answering this question many times the last couple of months is what is happening with that one?

Well, at the level of share price, especially where it was a couple of weeks ago, it does not make sense neither to the shareholders nor to the company to issue in the mid-40s. And the original assumptions for the, ABB was around 65 Swiss Francs, we're not quite there yet. It's not off the table, but it simply does not make sense to issue at such a low share price.

The leverage post equity increase would be 2.25. Now, of course, the interesting question would be what will it be without the ABB, will be just a notch below 3. So it'd be about 2.8 times net debt to EBITDA, we are still very much committed to a prudent capital structure. So it's also important for you to understand that this ABB is not necessary to survive a storm or very, very much headwinds in the future. It's more than we thought we want to immediately have a very high degree of freedom to do further bolt-on acquisitions, because this is a transformational deal, and transformational deals typically trigger additional transactions in an industry and not a lot has happened in the piping industry over the last decades as you probably know.

Synergies the purpose of this meeting is actually that you should not only see the PowerPoint from my side, but also outside see some of the real points or bullet points translated into to actual examples.

First of all, we have the sales synergies, the cross selling in the common markets, as we've shown also visually, Uponor is very strong in the northern part of Germany. GF has much more stronghold in the southern part, Baden-Württemberg and Bavaria is our stronghold. And there we have a great opportunities for swapping customers and leveraging our additional customer platforms, the full penetration of GF Uponor in Switzerland, I think we've already mentioned it as being one of the biggest opportunities, later our Managing Director of Switzerland Mario Hegi will be giving you some more insights into how that's going to happen.

And since we are only on Day 4, now I can tell you that when Andy and I drove... just before we drove to the airport, on Monday to fly to Helsinki we were informed that one of our biggest customer, the plumbing and heating company Altec in Basel already ordered the first under floor heating system for construction of terrace houses in Basel Land. So we're implementing already from Day 1. But this is just a very small example of what's going to come in Switzerland.

Full expansion in the Nordics that's much more related to how we set up, so George Fisher in the Nordics in terms of utility is much more a component manufacturer, whereas Uponor is a systems integrator. And if we open the box, and looked into some of the products that Uponor is using in or building in the Nordics, it's clear that some of the components can actually be strange, directly with George Fisher products. Acceleration of Uponor North American strategy, we are talking now about a company which is a billion in sales in North America, I'm not allowed to use the term Unicorn, I was informed by my Head of IR. But let's say in terms of sales, it's at least a billion and it's a force to be reckoned with in the US.

Innovation here we are actually talking about doubling our efforts combined. And in R&D, you... to get some output, you also need to make sure you have a lot of input. So we will be able to focus and have a completely different platform to leverage our innovations. On the cost side, operational excellence one of the things that we learned in the due diligence and also a lot of the management here from Uponor is present is how much we can actually learn from each other. Let me start out by saying that this is not about implementing the George Fisher way of doing it. No, we are completely agnostic when it comes to operational excellence. We will look at exactly what is the best one not only in the line in sales, production logistics but also in the support functions.

You will have a situation by Uponor is actually much more an organization, which is more centralized and Georg Fischer has traditionally been more decentralized. We will look at which operating model would be the best one. Optimization of the operational footprint is... there is here and there a couple of overlaps that we can take some low hanging fruits.

And then on the procurement side, we have in total 12, very large suppliers that we have in common. So it's clear that we should be able to negotiate some better prices on that side.

From the get go, this project is not about shrinking the business downsizing reduction. It's about growth. It's about profitable growth, about innovation, business development. What's more, there is of course, in the heads of you big merchants, Switzerland, that's a completely different game. It's a completely different game that these 2 banks for, this is value adding, and it's about value creation and growth. 35 million to 45 million is our estimated full year potential in year 4. A lot of us say that's not enough. But listen, it's a complementarity, if we are saying that this is insanely complimentary, and then at the same time we'll have enormous cost reductions, then we are not speaking the same language. So it's extremely complementarity and it's that's what's driving this deal. In terms of one-offs, that is our current estimates 25 to 30. And we will not as I said have any big closures or shutdowns. And that's why these 25 to 31, one off cost will be distributed evenly over the next couple of years.

Just to recap, we are not today here to go through all the numbers in details. We promised to do that when we release our numbers in March. Here a recap of our growth, ambitions, EBIT margin, and return investor capital, for cooperation for piping systems, and for Uponor. And we're of course going to combine that in our next presentation.

We have set up an organizational hard hitting team, some of them actually sitting in the back row. A combination of Uponor and George Fisher's best talents to run this work streams, I'm not going to go into detail here. But you can see here we are already starting from day one to draw up all the plans, and thereafter we going to start the implementation. So we have drawn up the plans until mid-next year, and then the implementation will accelerate from there.

My last slide here, just a recap of the dates, the 19th of March is where we publish our annual report, and also give you an update on the situation with the value creation project and then on the 17th of April, that date is fixed will be our annual meeting. We will have Uponor remain as a publicly listed company for quite some time, there is this squeeze out process that is running in the background. And that is expected to be closed by probably Q3 next year. So it will not be into H2 for H1 next year should be that time.

Thank you very much. And then I will leave the floor back to Andy to run the Q&A.

Andreas Müller

I think I can ask my colleagues from the executive team Joost, Michael to join us here.

Christopher Merrell

Thank you very much, Gentlemen. You're joined on stage; first, we're going to take some questions from the webcast, because unfortunately, they don't get to see the showcases so you guys here have lots more time to spend asking your question. So I believe we're ready to take some questions straight away.

Andreas Müller

So maybe the funny faces on this slide are from our Town Hall event on Monday. So as Mads were telling us, it was on Monday morning here in Schaffhausen. Then we took the plane and we had this evening event in Helsinki. And we had more or less the entire focus of the Helsinki facility altogether with us. And yes, we had good fun. And this is also something which is obviously very important in such an acquisition that culture fits and people like each other because I think you know the people ultimately are going to make the difference whether it turns out a success or not a success.

QUESTION & ANSWER

Christopher Merrell

I think, so do we have questions? No questions so far. So we can take them in the room straight away. We have a hand up here, Sarah.

Operator

For questions over the phone, please press * and 1.

Christopher Merrell

Just wait for the microphone so we can get the guys to hear on the webcast.

Analyst

Thank you, and just 1 or 2 questions. When you say insane complimentary, and so 1 on 1 is not 2, 1 on 1 must be 2.5 or 3. So we need to see this also in growth rate margins et cetera, you elaborate on the cost synergies already?

But I mean, when you speak about the gross rates that it should accelerate, we combine it. Can you give us some more clarity? You were mentioning, for example, in China cross selling, how are you going to tackle this? What are the plans behind this?

Mads Joergensen

In terms of actual growth numbers, that's what we're going to pan out. To tell you right now, exactly what is going to be is totally in the process. Also, we have 2 organizations, so to exactly say where is what going to profit from, to what degree that is a lot of work to make sure that we, we are spot on. So it will be too early to actually give you a couple of specific financial figures. But for you to really live, understand what kind of synergies we have, that's what's going on next... in the next phase of this day outside, there you'll see actually how we can combine the products and the services and the solutions to the customers. And then we'll give you a trigger, say, okay, this makes sense. We'll have some additional growth rates. But right now, we are not in a position to do exactly tell you what it is in terms of actual percentage growth rates.

Analyst

Thanks. And if you allow me a second question, and on product quality, you were talking about a lot of positive things, innovations are coming. But product quality, I think Uponor had a couple of issues in Europe it was 4 or 5 years ago, if I'm not wrongly informed, is this fully solved? What are you doing now to prevent these kinds of product quality issues? I think also in the US yet an issue is?

Mads Joergensen

Yes, so first of all, I think, I don't even remember, I wasn't at the time 5 years ago in the market. What I can say is, all the quality indicators have improved over time. And we have really... we have changed the whole organization. We have a Head of Technology and Operation who is really an expert in the industry. And since then all the KPIs have improved. And the quality measures have improved, as well. And look, I'm day-to-day with the customers in contact start from wholesale to installer level, and the quality is just superb, because you can't afford of a bad quality, because this is a products behind the wall. And the cost of failure is so... is you know, multiple of what the product is value. And so we are for, we are absolutely at a fantastic track.

Michael Rauterkus

Can I just come comment on that as well? I mean Uponor is a quality leader, the quality leader. Now I just want to avoid that you get confused, if you go online and just start Google go to YouTube and start Google on their products, you have to understand that the US market is a war zone, right?

There's a lot of people there that are spending time drawing up videos showing bad quality. We have to be really understanding it's a completely different situation have in the US a very competitive market. But Uponor is by far quality leader and the biggest player in the market. Number 1, not to be to be messed with, so to speak, but you will get a lot of bad quality videos and news in the market, which is fake news, so to speak is fake news. And that's the way they do plumbing and heating in the US, the Wild West. Next question...

Andreas Müller

Is this microphone... do we have another microphone or are both of them are defect?

Analyst

Okay, yes. Thank you. Did I get you right with this rights issue that at these share prices, you won't do any rights issue for the time being? So, it will be fully bridge financed, the deal which that... right, so it goes to 2.8 times instead of the 2.25 as you expected for it?

Mads Joergensen

As long as the share price, let's say, hypothetically remained at 55, we don't think it's the right share price level to issue the ABB at.

Analyst

But does that mean that as soon as we get in the region of 65, you will do it then or you... might have been the case that you don't do it at all?

Mads Joergensen

I can't say that now. As I said, it's not off the table. It's not off the table. There are other ways of working down the debt. We have laid out a clear plan through the free cash flow, so will we sit on 2 billion of debt? No, we'll not. We'll be issuing corporate bonds. We'll be using our free cash flows to draw down the debt. That's the long... let's say, the long-term debt reduction plan. The alternative is, if there is an acquisition opportunity out there, we may use the ABB a 100% to do their acquisition. So, it's not off the table at all, but the reason I wanted to do the ABB is to have degrees of freedom to do follow-up projects.

Analyst

Okay. And convertibles?

Mads Joergensen

It's... convertibles, ESG-linked bonds. It's all this entire portfolio. We are looking at it. We have not made any specific selection on what we are going to do, but we are evaluating the alternatives.

Analyst

Okay. And intermediately higher that level, did that change any of the credit conditions did that you have already signed. I mean it's...

Mads Joergensen

I mean you know the debt, the interest rate tables are depending on the enterprise value, net debts and now we are at a higher value than we were before or it's... anyway it's not something that will bring us into a situation where we say we have a problem even in a headwind situation or a recessionary situation.

Analyst

So, you will keep the investment grade rating that is...

Mads Joergensen

That is our... we are committed to have a very prudent financing and we want to keep the investment grade rating.

Analyst

Okay, thank you.

Bernd Pomrehn

Thank you. Bernd Pomrehn from Vontobel. 2 questions on the regional synergies. Firstly, in the past sometimes I challenged Georg Fischer that you are not active really in building technology solutions in piping in the US, and the answer was the legal risks are too high. Risk of claims are too high. It seems that Uponor had a different view on the legal risks of running a building technology business in the US. Could you explain why?

And the second question then on China. If I remember correctly, Uponor pulled out of China completely a couple of years ago because they said, Chinese customers are not paying for finished quality. Now you are telling us we want to help Uponor again to enter China. What's really behind that? Thank you.

Andreas Müller

Thank you very much for your questions. I think let me start with the Chinese question first. It's not that we're going to consider this one-off the biggest potential for making this deal attractive. By all means not. As I said, GF is a rather small player when it comes to building technology solutions today. In China we have a facility in the northern part in Beijing and when Uponor pulled back out of or pulled out of China, it was also due to the fact that it doesn't make sense to export the products from Europe to China, because this kind of products don't travel well. But in addition, I think the Chinese market has also different segments, and GF plays only in the high-end segments and we have there some hot and cold water systems. We have some sanitation systems. We have some secondary water drinking, monitoring systems. That means we are going to play in these very niche markets, but it's a gigantic market. It's a 1.4 billion inhabitants country, and we going to consider it's still attractive and with Uponor, we have the solutions which we can localize. And without localizing them, it wouldn't make sense at all.

And I think, coming back to your questions about the US, I think here it is exactly what Mads was alluding to. It is about being the quality leader, having the high standards set in Americas, being trend recognized and selling this peace of mind which gives us the comfort to enter into this market. We, as GF, with our systems, wouldn't have dared in order to go into this market with having not the knowledge, but no other products which are suited to America. And I think Michael, if you might want to accomplish on this topic?

Michael Rauterkus

I think, I mean in the US we have the highest standards really. I mean you have... we have been on their visits to the factory. It's the... I would say the best factory we have in the whole portfolio. It's really world class. We measure quality there. Of course, let's say claims stuff is a bit of cost of doing business in US. That's very clear. But we are an absolute quality leader in the market. Not only versus, let's say, other plastic competitors, but if you really look at the product itself, the risk of PEX pipe versus copper is much lower. But just because the system works totally different and I think that's really important.

Andreas Müller

I think there's another... you know, normally Michael shows a picture when I was in the US, I was doing an installation and I think there's a patent tool how you combine the pipes and fittings, and this is just simply the best practice and ease of use connectivity system, and I think this is very important. When you are playing in the US, you need to be very ease in connecting the pipes, because here the failure happens.

When GF has claims in the US, it is always about how the pipes have been put together, the fittings, the pipes and as more you can ease the use of your product solutions, safer you will be, and I think there Uponor is, by all means, also the leader when it comes of ease of connectivity and...

Michael Rauterkus

We call it... yes, we go to GF management's leadership team trained in 15 minutes.

Company Representative

Where which you know...

Michael Rauterkus

Yes, because it's very easy and that's really... that's the practice and that's...

Bernd Pomrehn

That's very convincing, thank you.

Andreas Müller

I don't know how we're going to... should rate this now, but what's shortly, you know, we're going to refer it to it you know, when we look at the facilities also during the confirmatory due diligence, but also when we have just a little bit more extends visits, we have been super impressed because we do know what it means, you know, to produce industrial pipes. So, we have a couple of the specialty piping companies and the in-circuit ultrasonic tests of the thickness of the walls and each and every of the extruders assures what people wouldn't be able to do. So, there's even intelligence detecting imperfections of the pipe on the spot, and I think it stands with that you have to produce quality otherwise you will not get too this point. And this is the difference what GF couldn't offer, but with Uponor being able now to have this kind of concepts across the US.

Mads Joergensen

Maybe we do one of the sessions in the future in the US. Then we could show, how we do the quality measure with AI. It's really amazing what has been developed over the last years, and it's really state-of-the-art in the industry.

Bernd Pomrehn

Maybe it will take 20 minutes to train me. Thank you.

Christopher Merrell

Very good. Any more questions? One more in the back.

Dominik Feldges

Dominik Feldges from Neue Zürcher Zeitung. Question I was wondering about the morale at the Uponor. I mean, we learnt that you reduced the workforce by 14% recently. Now, there is a merger coming up, a lot of... so, I mean are the... is the workforce really ready for that? First question.

Second question about the low-hanging fruits in optimizing the footprint now in the merged company. What do we have to expect there? I mean, will it also maybe affect the operations now in Switzerland and in Germany. Will the jobs have to go all the same although I understand that, yes you don't... there's not a great deal of overlap.

Mads Joergensen

Can I answer the... your last question first? The operational footprint also much more about coming together. We have 2 separate locations, and it's about finding maybe a joint location officer's or maybe even optimizing the production layout of various facilities. In the forefront, it's not really a closure of plants et cetera. It's more about co-locating our operations, in particular on the sales side co-locating, and it's not the... it's not where the biggest synergy is, Mr. Feldges.

Andreas Müller

Let me also shortly reflect on the Swiss side. JIG has a very complementary product range which you will see later on, on our showcases and this is just a perfect fit to the Uponor product range because Uponor was buying in this kind of products from third parties in the past and that obviously allows and may even amplify the business of our Swiss-based company. So, therefore I think what we said about the complementarity in terms of products is also true for the production sides. And sometimes, like in the Nordics, we have now customization factories or fab shops. They can obviously being used by the GF sales teams, as well as, they have been now used by Uponor and that gives us even more business either on the Uponor's side or on the GF's side. So, I think nothing to be expected in that area.

About the morale, I think what we have observed, we can confirm there is a winning spirit within Uponor, but I would like to hand over to Michael on this topic.

Michael Rauterkus

I can't share the numbers, but what I can do is I can confirm to you the engagement surveys we do with our employees are only going up.

So, the... so, despite we have done transformations, we were very clear last year when we said okay, the market is different. There might be a recession. Who know what will happen and of course, you need to come out of such a situation much stronger. And I must say, I'm really impressed how the whole organization has executed this and the organization now is much stronger than it was before.

When you ask the people they are proud and when you look at the pictures, you see smiling faces because the magic of the deal is that we are not talking about integration. We are talking about value creation and this is the trigger and it is not like, you know, somebody comes in and say okay here's a recipe. This is how we do this. It is really a recognition of both strengths and then ask and invite the people to think about with us, what the best solution is if it's a category or in the market. And I think that's so important that the cultural fit really works.

And this is why I was so happy that the whole management team of GF arrived in Helsinki. And it meant a lot to the people, and of course we talked to them day by day and would I say there might be people who are concerned, but they are concerned with any change, but the way how this has been set up is, I think, world class.

Andreas Müller

Also here, it demonstrates, you might... we might... could tell stories to people who are not part of these organizations. But when we tell the value creation program to the GF, but also to the Uponor people, they all believe in it. And they know the business. So, they do understand about this complementarity. It is a little bit about this one-plus-one how big is it. It is by all means not less than 2 and we have seen that, you know, when head-on competition companies have been acquired. This normally comes along, you know, with the reduction of sales, but in this point... you know, in this transaction, it is so clear and it's so transparent in its logic to all our people, whether it's being on sites everyone understands this site produces X and site two produces Y. So, there is no overlap and I think this is something yes, I would dare to say, but you can't fool the people because they understand the business very well.

Christopher Merrell

Very good. Okay, I think that wraps up the first of our Q&A sessions. We will have other opportunities for you to ask questions of the gentlemen here, but other team members as well. So, if you have them, don't be afraid. You can still ask those later in the Q&A session, but also when we are doing the showcases as well.

Next up, we are going to have a quick coffee break, and as a reminder to you, look at your badge. Make sure you know which color you have on your badge for which group you're going to start in, in the showcases later. We'll have 10 minutes, 15 minutes of the break and then you'll hear a gong and we'll be ready to get going again. So, enjoy your coffee. Speak again soon.

- END -