

## Valmet IR Newsletter Q1/2020



The first quarter of 2020 is ending soon, and we are pleased to send you the latest news from Valmet. Valmet's Interim Review January–March 2020 will be published on April 23. Please note that the silent period will begin on April 2. The main global news headline of Q1 was the coronavirus pandemic. Please take a look at the most common questions and answers of the situation in relation to Valmet.

### Events in Q1/2020

Valmet **raised its financial targets** on February 5, 2020. Valmet's financial targets are the following (previous targets in brackets):

- Net sales for stable business to grow over two times the market growth (unchanged)
- Net sales for capital business to exceed market growth (unchanged)
- Comparable EBITA: 10–12% (8–10%)
- Comparable return on capital employed (ROCE) before taxes: at least 20% (15–20%)
- Dividend payout at least 50% of net profit (unchanged)

Valmet was recognized for its actions and strategy to mitigate climate change by receiving the best A rating in **CDP's climate program ranking** for the second consecutive year. CDP's evaluation is based on the company's 2019 disclosure about its actions in the last reporting year to develop the low-carbon technology and solutions, cut emissions and mitigate climate risks. Valmet also **received Bronze Class distinction** in SAM Sustainability Yearbook 2020.

Following the development of the coronavirus situation and the announcement by the Finnish Government on March 16, 2020, the Board of Directors of Valmet decided to cancel the Annual General Meeting from Thursday, March 19, 2020. Valmet will convene the Annual General Meeting at a later date.

### Q&A related to the coronavirus situation

The main global news headline of Q1 2020 has been the coronavirus pandemic. To help investors understand what the situation means for Valmet, we decided to gather the most common questions we have received recently to this blog. Please note that these answers describe the situation as of 26 March 2020.

### **What kind of exposure do you have to China?**

In 2019, the orders received from China were 7% of our total orders, amounting to EUR 267 million. Demand for capital projects declined compared to 2018 and overall orders were 49% lower than in 2018. We have approximately 1,800 employees in China in several locations.

### **How did coronavirus impact your operations in China in Q1/2020?**

We saw some negative impact in service demand in China. Our own operations were also impacted to some extent during the coronavirus outbreak. This led to delays in certain projects. However, our factories resumed to normal routines in the beginning of March.

### **What kind of balance sheet structure do you have?**

Our balance sheet is relatively strong. At the end of 2019, Valmet's gearing was -9% and equity to assets ratio was 41%. Interest-bearing liabilities amounted to EUR 268 million, and net interest-bearing liabilities totaled EUR -90 million at the end of 2019. The average maturity of Valmet's non-current debt was 3.1 years, and average interest rate was 1.1 percent at the end of December 2019.

Valmet's liquidity was strong at the end of 2019, with cash and cash equivalents amounting to EUR 316 million and interest-bearing current financial assets totaling EUR 42 million. Valmet's liquidity was additionally secured by a committed revolving credit facility worth of EUR 200 million, which matures in 2024, and an uncommitted commercial paper program worth of EUR 200 million. In December 2019, Valmet signed a 10-year EUR 50 million loan agreement with the Nordic Investment Bank. All the above facilities were undrawn at the end of 2019.

### **Have the long-term growth drivers for Valmet changed due to coronavirus?**

We continue to have a strong position in the market of converting renewable resources. The long-term growth drivers have not changed, even though the coronavirus creates uncertainty in the future.

The demand for our board technology continues to be driven by e-commerce and the shift from plastic packaging into renewable materials. Tissue demand is driven by the need for higher quality, as well as urbanization as well as the rise in purchasing power and living standards in emerging countries. Pulp demand will continue to increase due to growing board and tissue consumption. Our customers will also continue to seek for process efficiencies, raw material savings and more sustainable operations through our automation and services offering.

### **Are you seeing customers delaying or canceling orders?**

There have been some delays in certain projects, but we believe these projects will continue when the situation related to travel and other restrictions improves. In the case of long-term delivery projects, initial customer advance payments are typically 10–30 percent of the value of the project, and customers make progress payments as

the project is implemented. This decreases the risks and financing requirements related to Valmet's projects.

**Valmet's AGM was cancelled from March 19, 2020 and postponed to later date. Does this mean that dividend distribution is delayed as well?**

Following the development of the coronavirus situation and the announcement by the Finnish Government on March 16, 2020, the Board of Directors of Valmet decided to cancel the Annual General Meeting from Thursday, March 19, 2020. Valmet will convene the Annual General Meeting at a later date. This means that the dividend distribution is delayed as well, because The Board of Directors' proposal on dividend distribution needs to be approved by the shareholders' meeting.

## **Announcements during Q1/2020**

**On March 17,** Valmet **announced** the cancellation of its Annual General Meeting following the development of the coronavirus situation and postponed it to a later date.

**On March 16,** Valmet **announced** a directed share issue related to reward payment of Valmet's long-term share-based incentive plan.

**On February 28,** Valmet **announced** a change in its holding of treasury shares.

**On February 25,** Valmet **published** its Annual Review, Financial Statements, GRI-supplement, Corporate Governance Statement and Remuneration Report for 2019.

**Between February 10 and 24,** Valmet **announced** acquisitions of own shares.

**On February 5,** Valmet **published** the notice convening the Annual General Meeting 2020.

**On February 5,** Valmet **announced** new financial targets.

**On February 5,** Valmet **published** its Financial Statements Review for 2019.

## **Upcoming events**

**April 1, 2020:** Conference calls for London investors, organized by DNB

**April 2 – April 23, 2020:** Silent period. Valmet is not in contact with capital market representatives during a period of three weeks prior to the publication of its interim financial results.

**April 23, 2020:** Publication of Interim Review for January-March 2020

**April 27, 2020:** Q1 presentation for institutional investors, hosted by SEB

With travel restrictions in place, we are actively interacting with investors through conference calls.

See the full list of events in [Valmet financial calendar](#).

## **Orders received booked for Q1/2020**

Date	Description	Business line	Country	Value
Mar 26	Hard nip sizer	Paper	Republic of Korea	Not disclosed. The total value of an order of this type is typically around EUR 5-10 million.
Mar 25	Mill Maintenance Outsourcing agreement	Services	Australia	Not disclosed.
Mar 24	Key containerboard machine technologies	Paper	India	Not disclosed. The value of a project of this type and scope is typically around EUR 12-15 million.
Mar 16	Coated board making line	Paper	China	Not disclosed. The value of an order of this type and scope is typically around EUR 150-200 million.
Feb 27	Waste-to-energy boiler	Pulp and Energy	Sweden	Typically above EUR 10 million.
Feb 26	Final stage of forming section rebuild	Paper	Sweden	Not disclosed.
Feb 18	Flue gas condensing plant	Pulp and Energy	Finland	Not disclosed. The value of these types of orders is approximately between EUR 20–30 million.
Jan 23	Key pulp mill technology and automation	Pulp and Energy	Brazil	Not disclosed. The value of a delivery of this size and scope is typically around EUR 200-250 million.

View [the list of published orders received](#).

**Thank you for your interest in Valmet!**

Best regards,

Pekka Rouhiainen  
Director, Investor Relations