



# Orders received increased to EUR 5.2 billion and Comparable EBITA to EUR 533 million in 2022

Financial Statements Review 2022

*February 2, 2023*

Pasi Laine, President and CEO

Katri Hokkanen, CFO

# Agenda

## Financial Statements Review 2022

- 1 2022 in brief
- 2 Development of the segments and the business lines
- 3 Integration of Flow Control into Valmet
- 4 Financial development
- 5 Dividend proposal, guidance and short-term market outlook



# 2022 in brief

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- Orders received increased to EUR 5.2 billion
- Net sales increased to EUR 5.1 billion
- Order backlog amounted to EUR 4.4 billion
- Comparable EBITA increased to EUR 533 million and margin was 10.5%
- Gearing was 20%

# Valmet in 2022

**Orders received**  
EUR 5,194 million

**Net sales**  
EUR 5,074 million

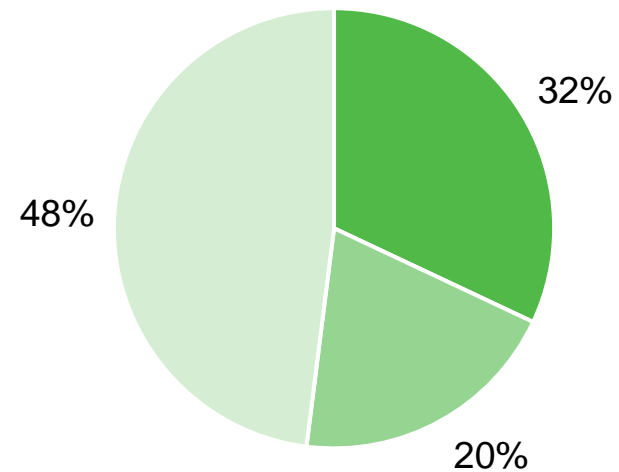
**Comparable EBITA**  
EUR 533 million

**Comparable EBITA margin**  
10.5%

**Order backlog**  
EUR 4,403 million

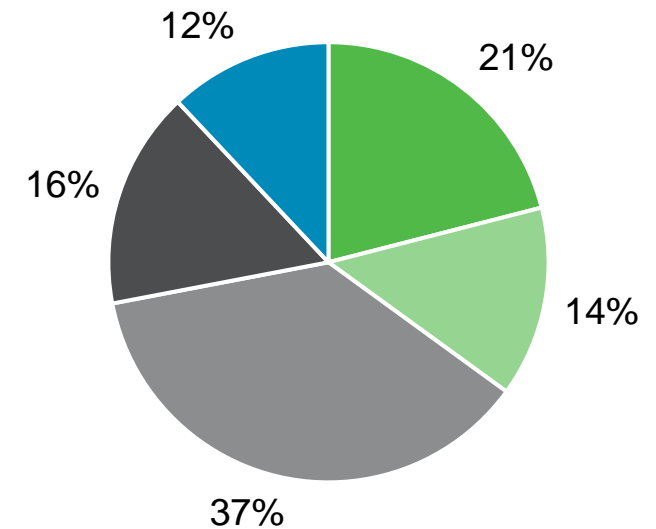
**Employees**  
17,548

Net sales by segment



- Services
- Automation
- Process Technologies

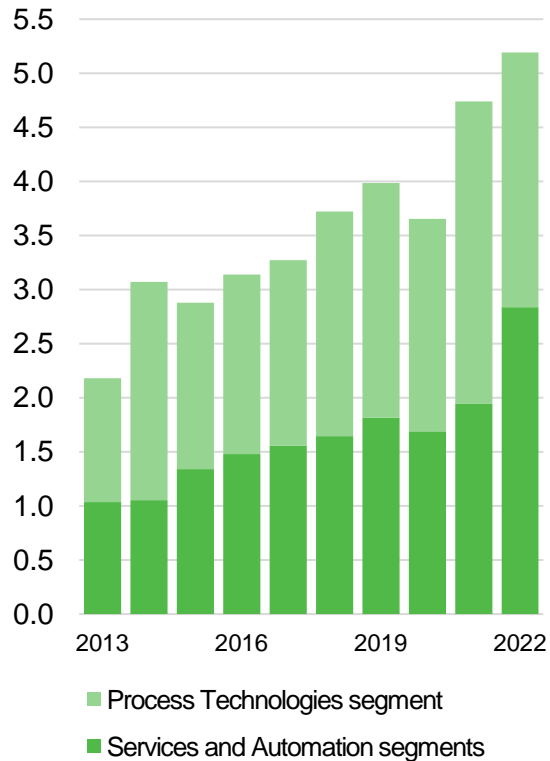
Net sales by area



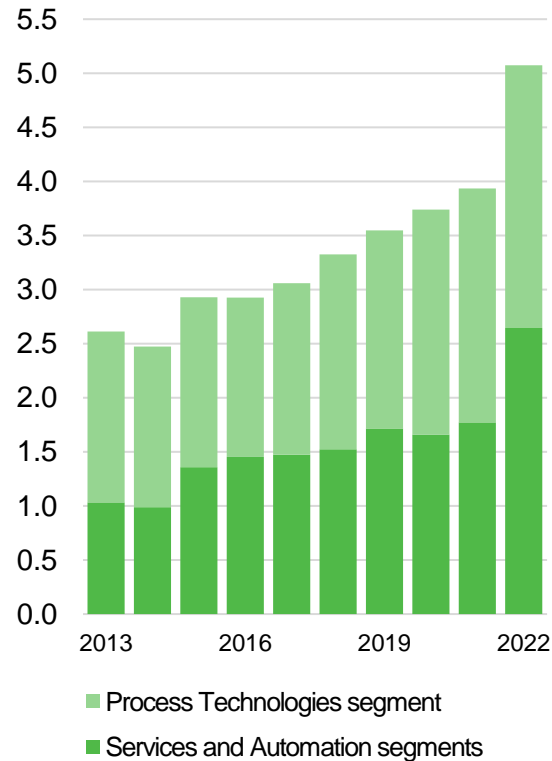
- North America
- South America
- EMEA
- China
- Asia-Pacific

# Valmet's development since 2013

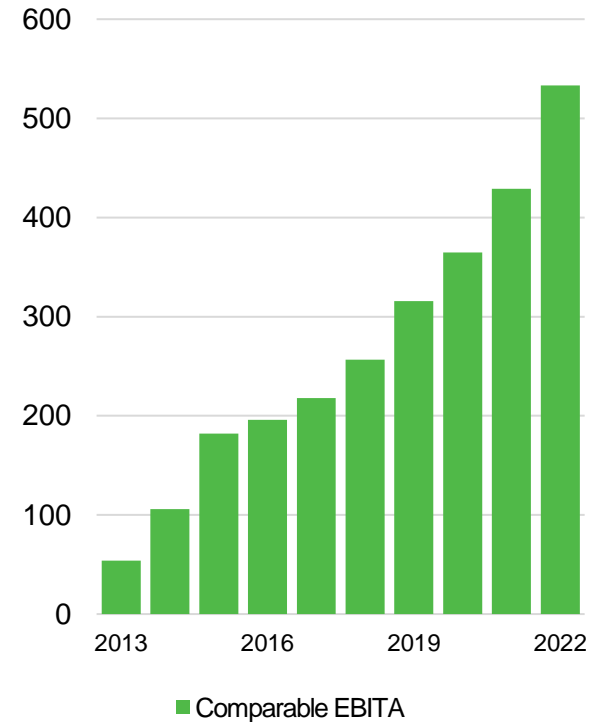
Orders received  
(EUR billion)



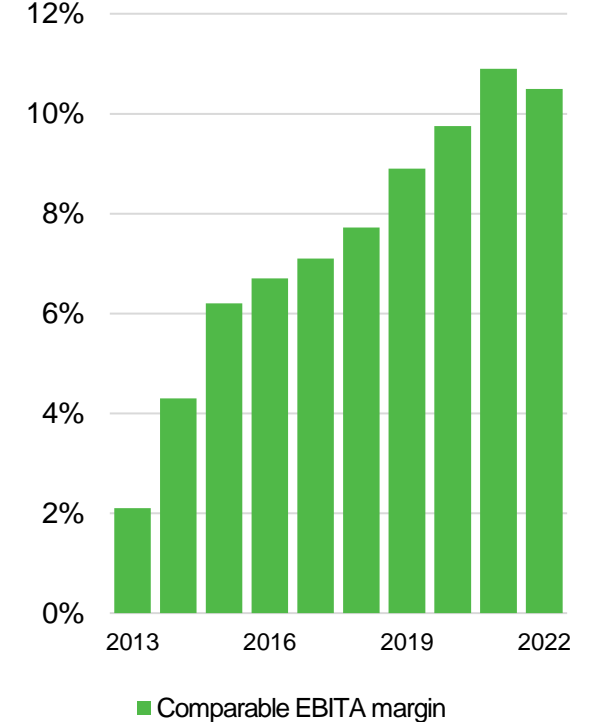
Net sales  
(EUR billion)



Comparable EBITA  
(EUR million)



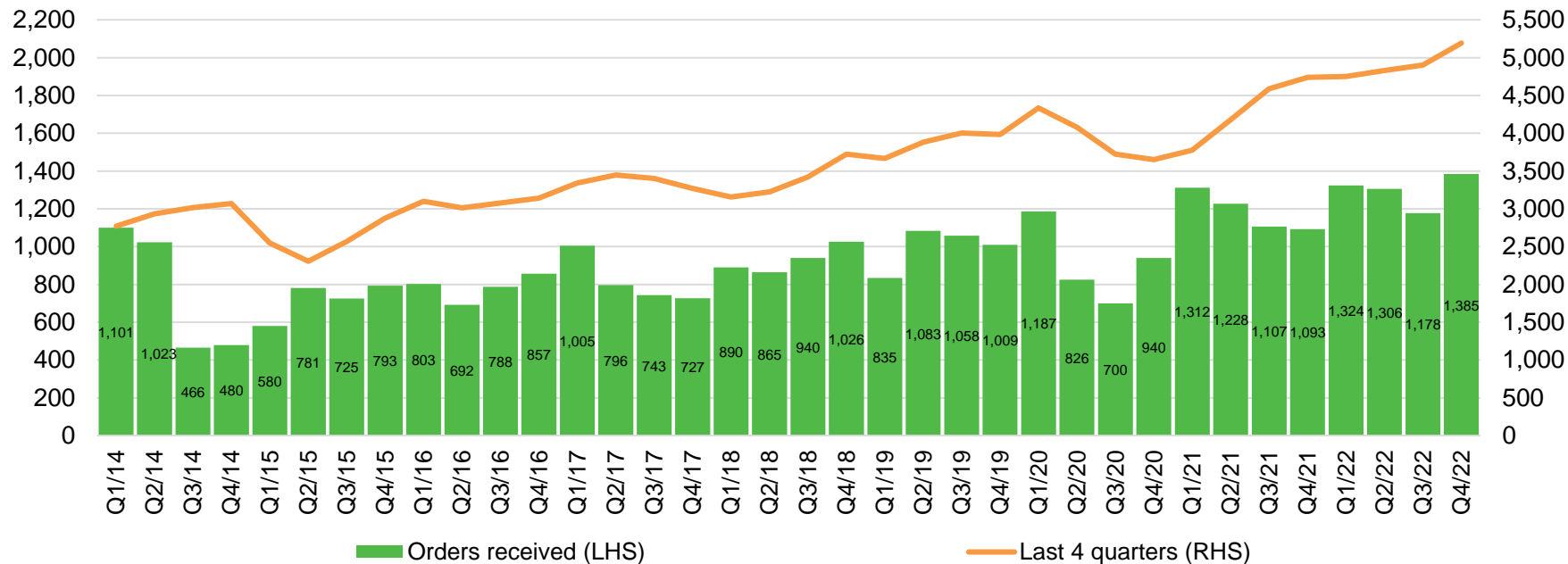
Comparable EBITA margin  
(%)



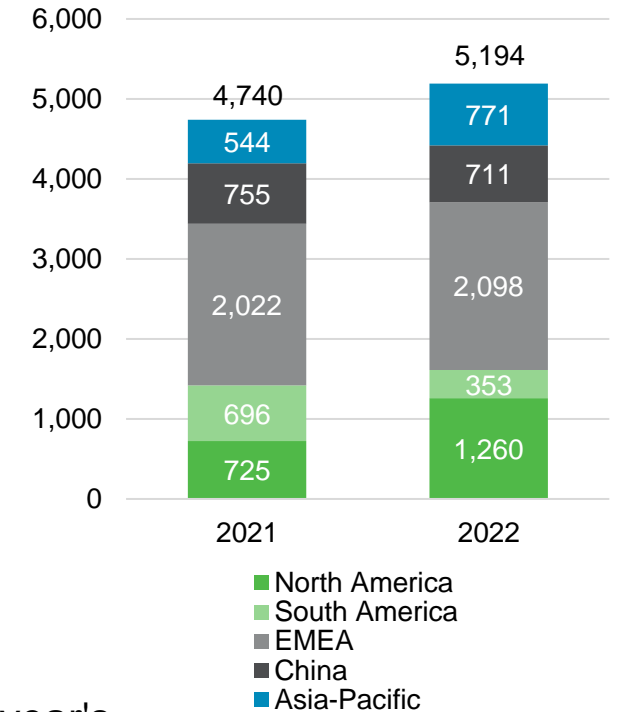
2013 figures on carve-out basis. 2013–2020 figures have not been restated to reflect the new segment reporting structure which Valmet implemented as of January 1, 2022.

# Orders received increased to EUR 5,194 million in 2022

Orders received (EUR million)



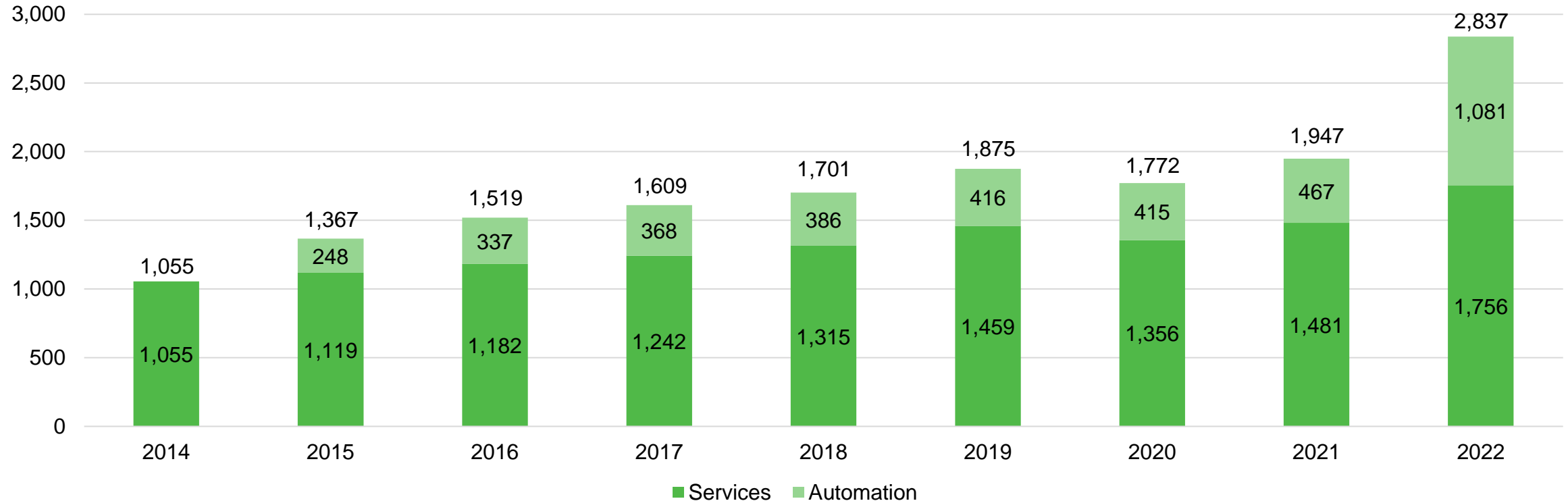
Orders received by area (EUR million)



- Orders received increased in North America and Asia-Pacific, remained at the previous year's level in EMEA and decreased in South America and China in 2022 compared with 2021
  - South America, China and Asia-Pacific together accounted for 35% of orders received

# Stable business orders received totaled EUR 2,837 million in 2022

Orders received (EUR million) in stable business



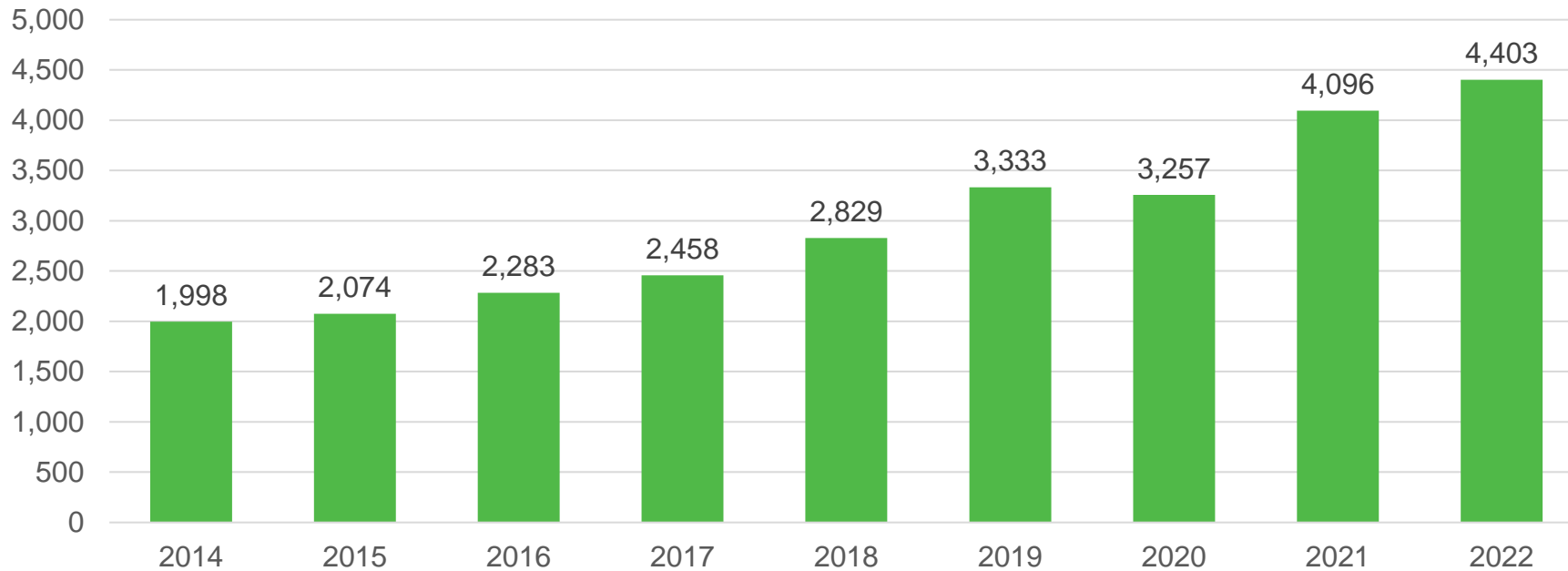
- Total orders received in stable business were EUR 890 million higher in 2022 compared with 2021

2014–2020 figures have not been restated and 2015–2020 figures include internal orders received for the Automation Systems business line.

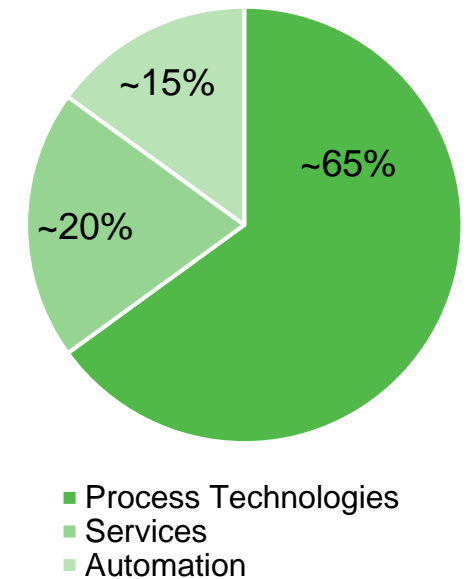


# Order backlog EUR 4,403 million at the end of 2022


Order backlog (EUR million)



Structure of order backlog by segment



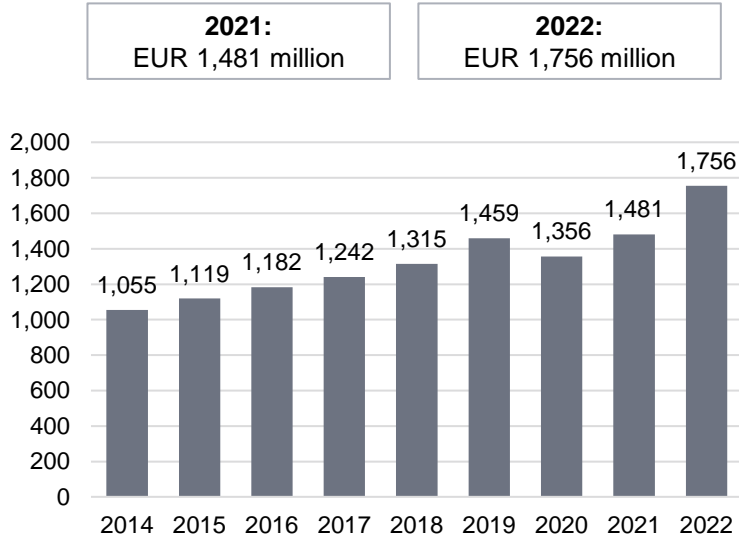
- Order backlog was EUR 307 million higher than at the end of 2021
- Approximately 75% of the order backlog is currently expected to be realized as net sales during 2023 (at the end of 2021, ~70% during 2022)
- Approximately 35% of the order backlog relates to stable business (~25% at the end of 2021)



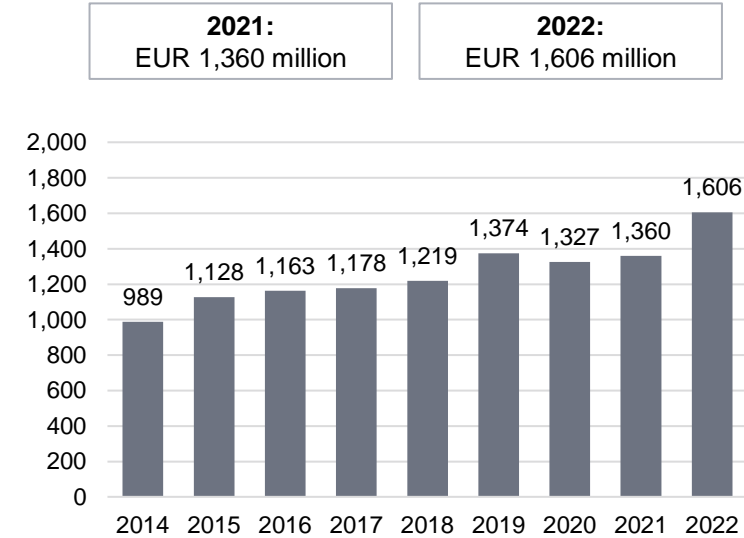
## Development of the segments and the business lines

# Services: Orders received increased to EUR 1,756 million in 2022

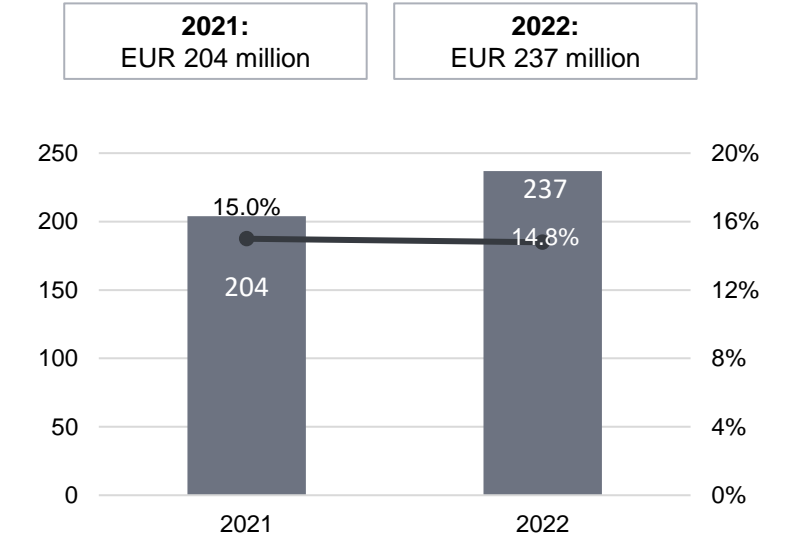
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)



- Orders received increased compared with 2021
  - Orders received increased in all geographical areas
  - Orders received increased in all businesses
- Net sales increased compared with 2021
- Comparable EBITA increased compared with 2021 due to higher net sales, but the margin was lower due to cost inflation
- Services segment was affected by cost inflation, reduced component availability and longer delivery times of certain components in 2022



# Services segment in 2022

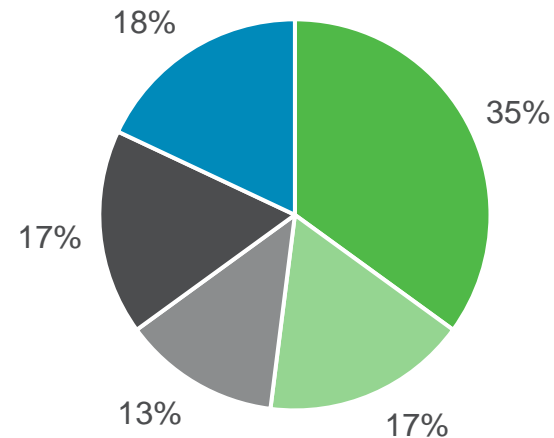
**Orders received**  
EUR 1,756 million

**Net sales**  
EUR 1,606 million

**Employees**  
6,307

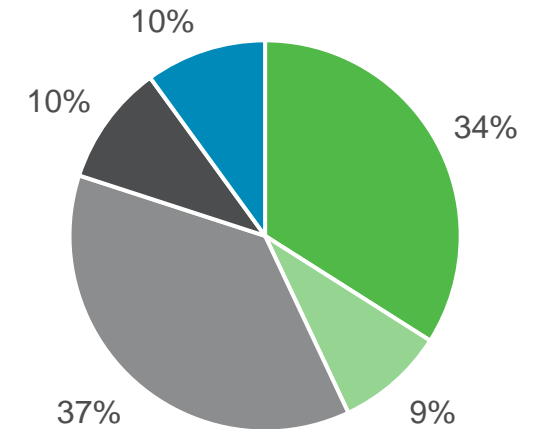
**Market position**  
#1–2 Services

Orders received by business



- Performance Parts
- Rolls
- Fabrics
- Board, Paper and Tissue Solutions
- Pulp and Energy Solutions

Orders received by area

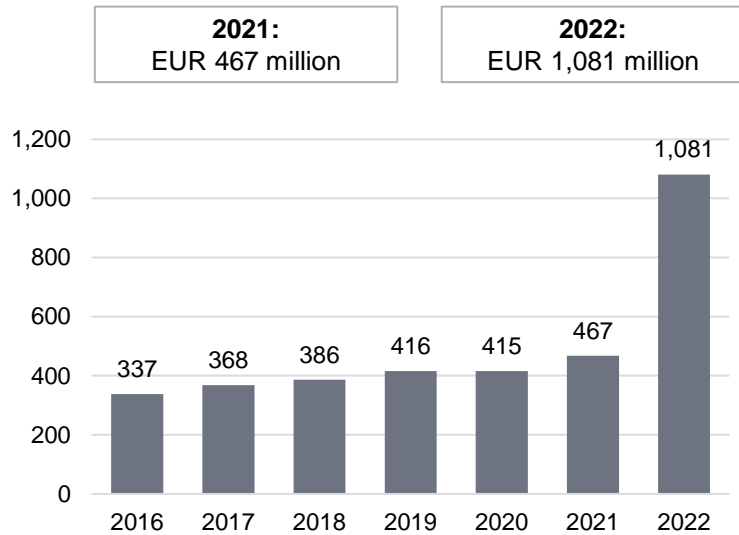


- North America
- South America
- EMEA
- China
- Asia-Pacific

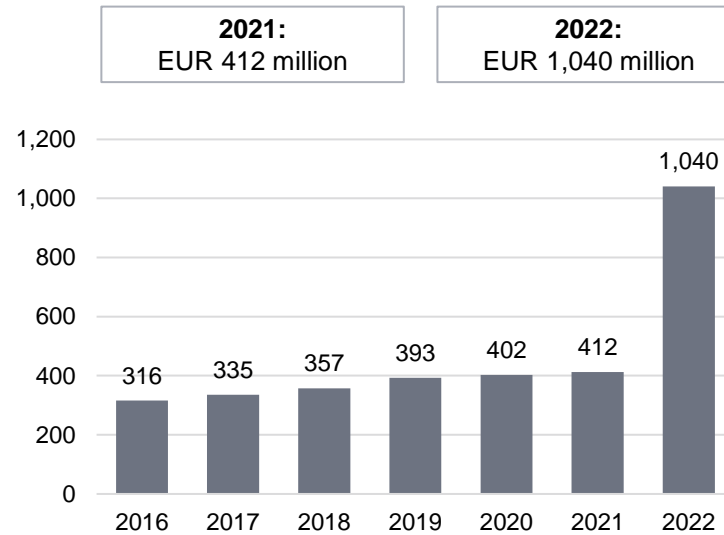
# Automation: Orders received increased to EUR 1,081 million in 2022

Automation segment includes Automation Systems and starting from Q2/2022 also Flow Control

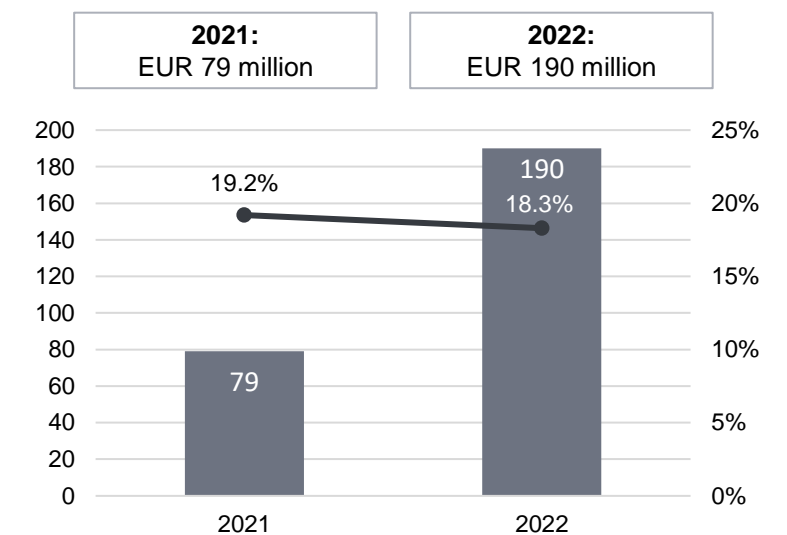
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)

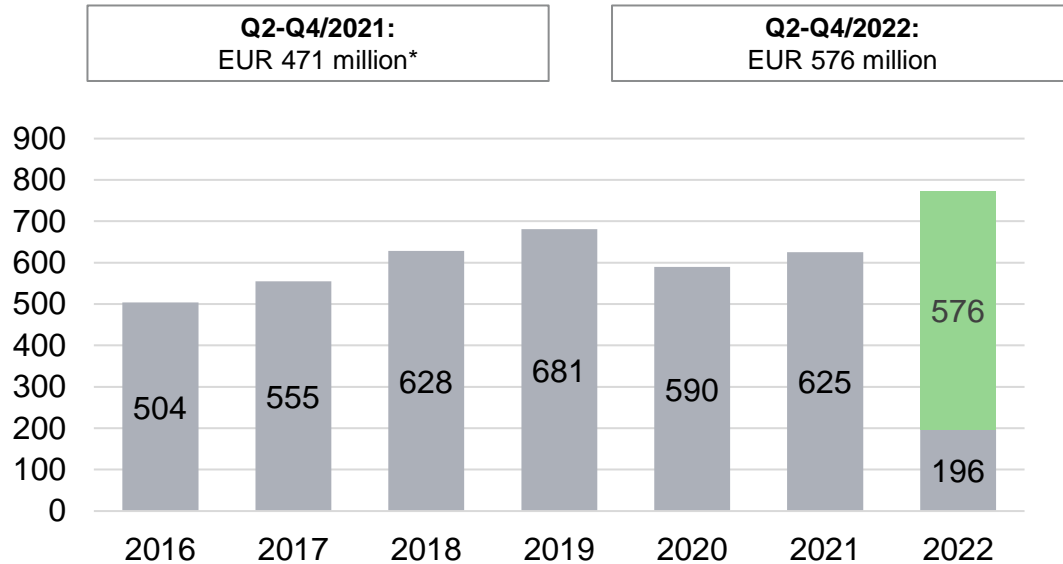


- Orders received increased compared with 2021
- Net sales increased compared with 2021
- Comparable EBITA increased compared with 2021

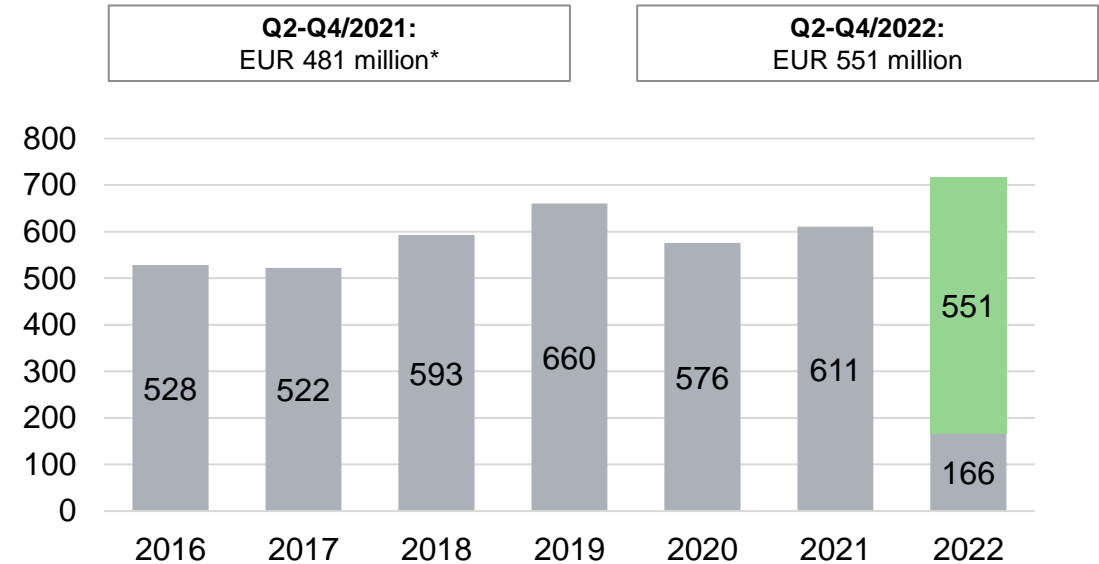


# Flow Control: Orders received amounted to EUR 576 million in Q2–Q4/2022

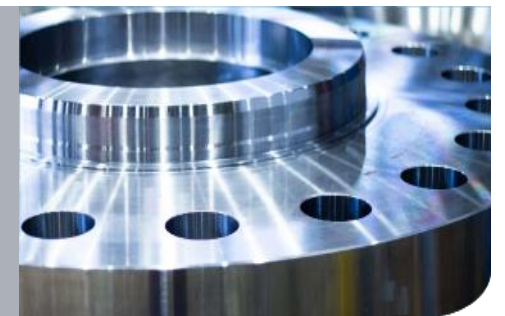
Orders received (EUR million)\*



Net sales (EUR million)\*



- Orders received amounted to EUR 576 million in Q2–Q4/2022
  - Orders received increased\* in South America, North America and EMEA, and remained at the previous year's level in Asia-Pacific and China
- Net sales amounted to EUR 551 million in Q2–Q4/2022
- Reduced component availability and the lockdowns in China earlier in 2022 caused longer lead times for Flow Control in Q4/2022
- Integration of Flow Control into Valmet is proceeding well



\* 2016–2017 financials based on carve-out numbers; 2018–2019 financials based on Metso's "Continuing operations" as in 2019 annual report; Q1/2020–Q1/2022 financials as reported in Neles' Q1/2022 interim review.

# Flow Control business line in Q2–Q4/2022

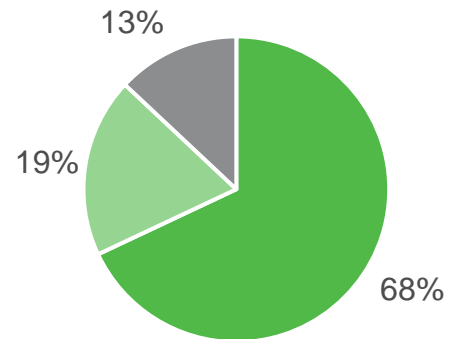
**Orders received**  
EUR 576 million

**Net sales**  
EUR 551 million

**Employees**  
2,792

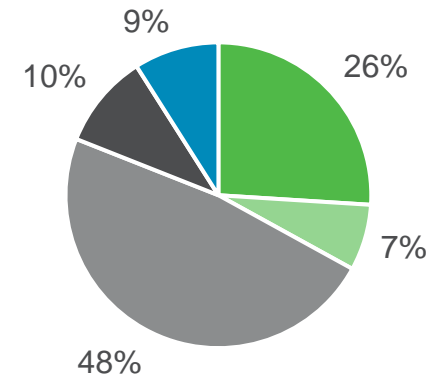
**Market position**  
**#1** Pulp and Paper  
**#1–2** Industrial Gases  
**Top 10** Refining and Chemicals

Orders received by business



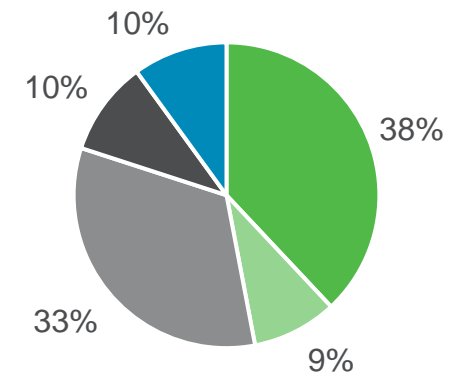
- MRO & Services
- Valve controls & actuators
- Projects

Orders received by customer industry



- Pulp and Paper
- Renewable energy & Gases
- Refining & Chemicals
- Metals & Mining
- Other industries

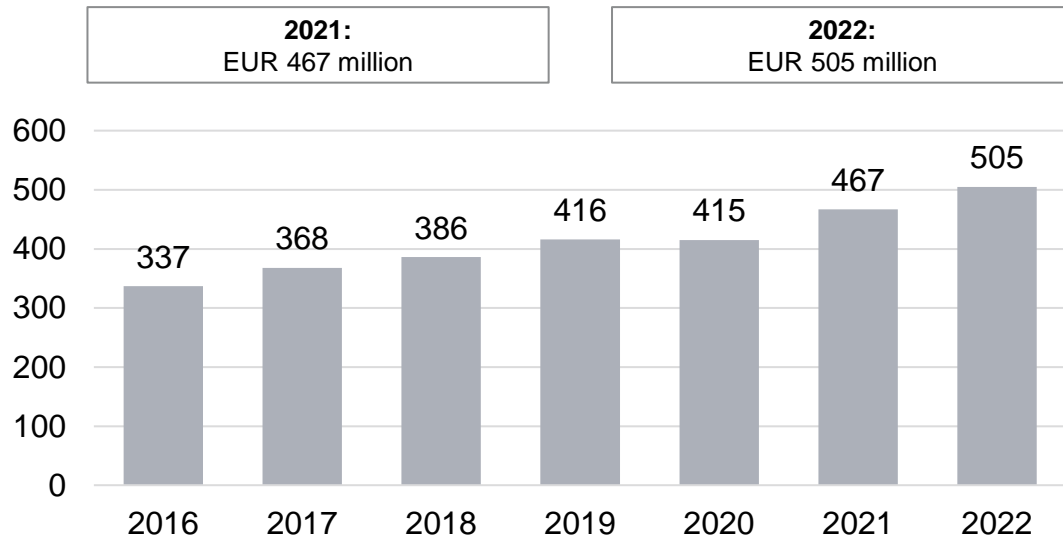
Orders received by area



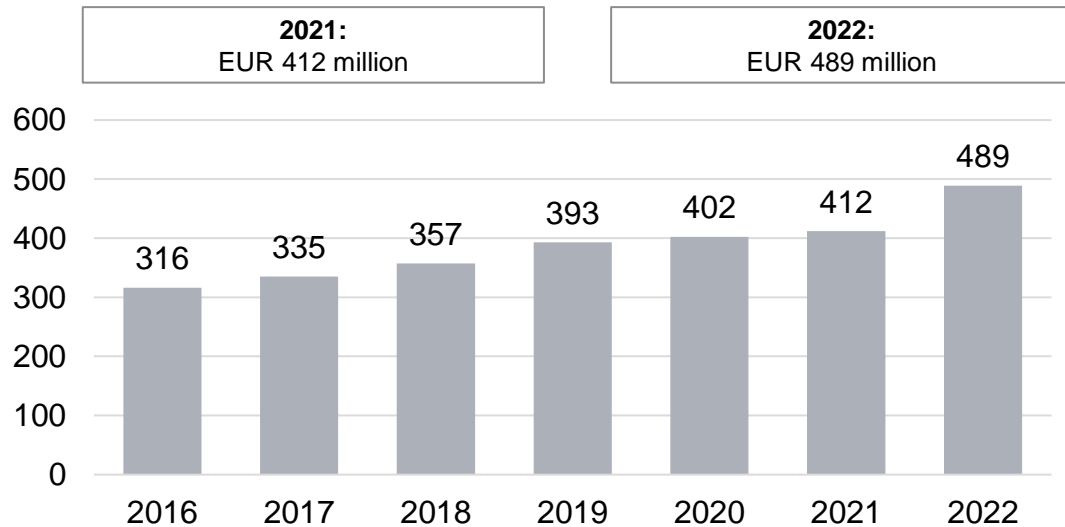
- North America
- South America
- EMEA
- China
- Asia-Pacific

# Automation Systems: Orders received increased to EUR 505 million in 2022

Orders received (EUR million)



Net sales (EUR million)



- Orders received increased compared with 2021
  - Orders received increased in North America, remained at the previous year's level in Asia-Pacific, EMEA and China, and decreased in South America
  - Orders received increased in both Pulp and Paper, and Energy and Process
- Net sales increased compared with 2021
- Component availability continues at a reduced level and delivery times of certain components were longer during 2022





# Automation Systems business line in 2022

## Orders received

EUR 505 million

## Net sales

EUR 489 million

## Employees

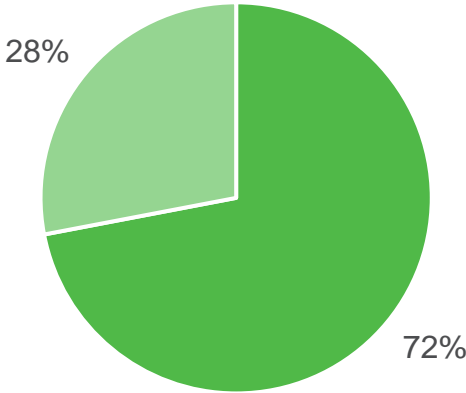
2,050

## Market position

#1–2 Pulp and Paper

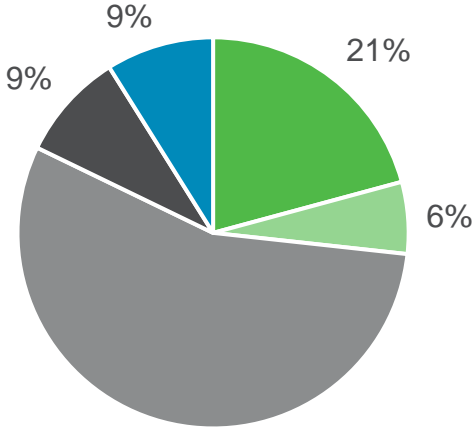
#2–4 Energy and Process

### Orders received by business



- Pulp and Paper
- Energy and Process

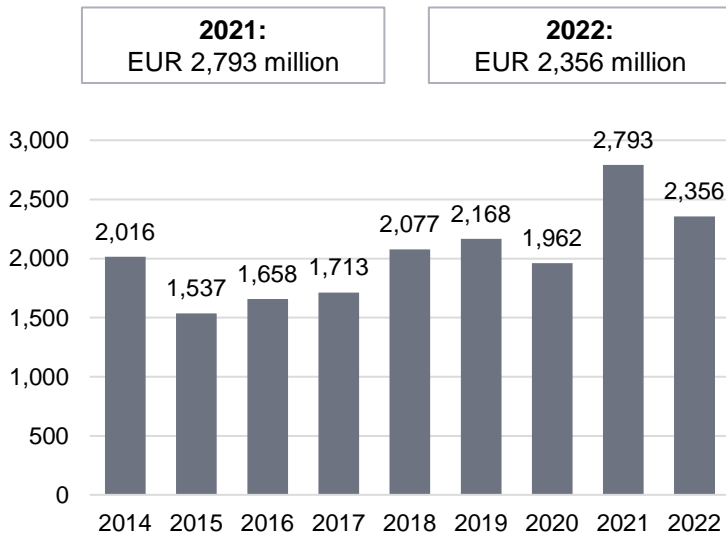
### Orders received by area



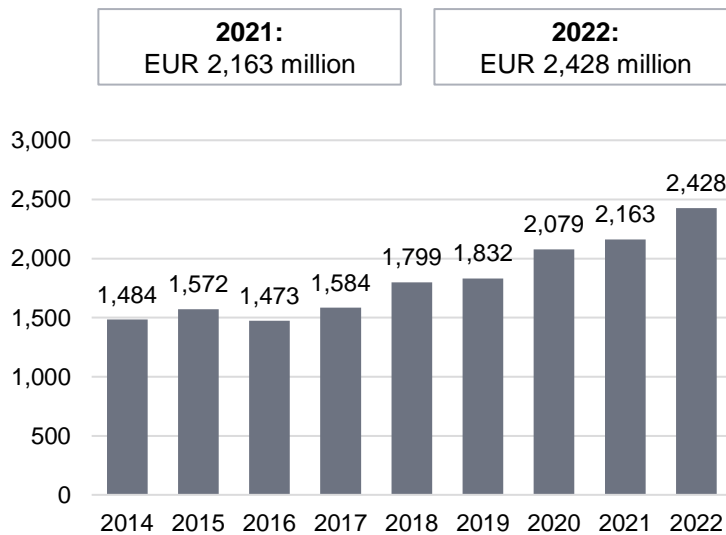
- North America
- South America
- EMEA
- China
- Asia-Pacific

# Process Technologies: Orders received decreased to EUR 2,356 million in 2022

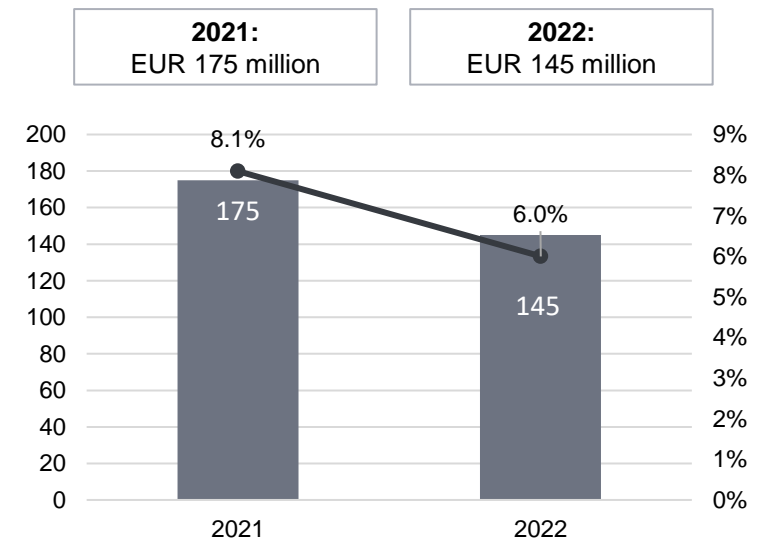
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)

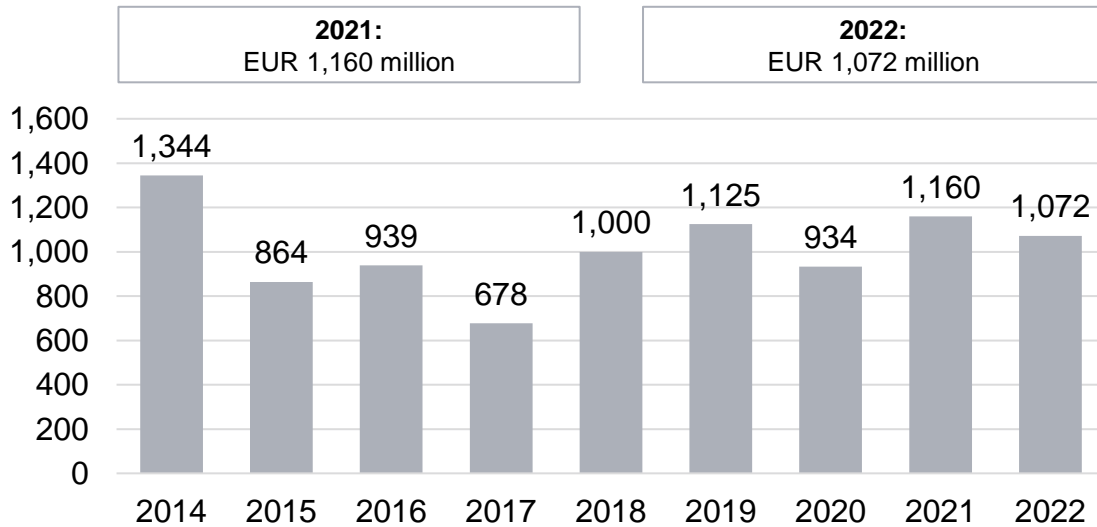


- Orders received decreased compared with 2021
- Net sales increased compared with 2021
- Comparable EBITA decreased compared with 2021, as the margins in some Pulp and Energy projects were impacted by cost inflation

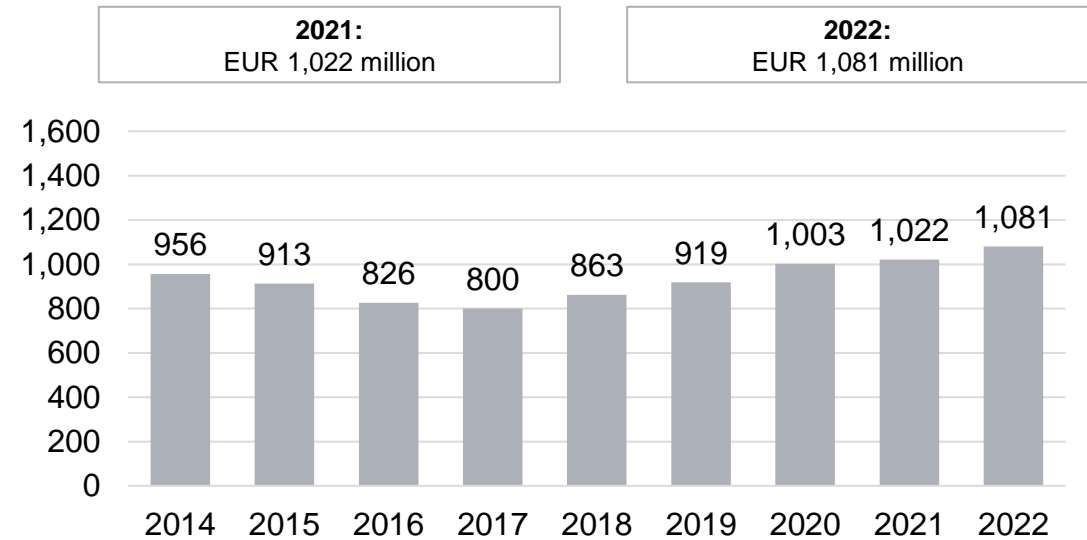


# Pulp and Energy business line: Orders received decreased to EUR 1,072 million in 2022

Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with 2021
  - Orders received increased in North America, Asia-Pacific and EMEA and decreased in South America and China
  - Orders received increased in Energy and decreased in Pulp
- Net sales increased compared with 2021
- Cost inflation impacted Pulp & Energy's business environment during 2022
- The Pulp and Energy business line has managed the challenges caused by COVID-19 well, and the pandemic did not cause major impacts on its operations during 2022



# Pulp and Energy business line in 2022

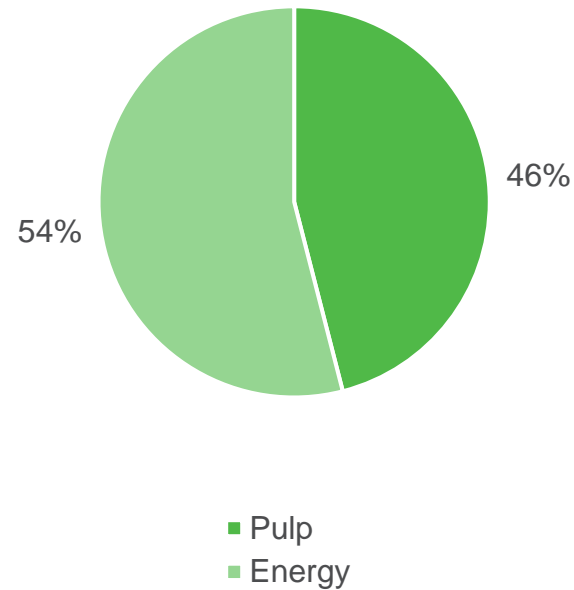
**Orders received**  
EUR 1,072 million

**Net sales**  
EUR 1,081 million

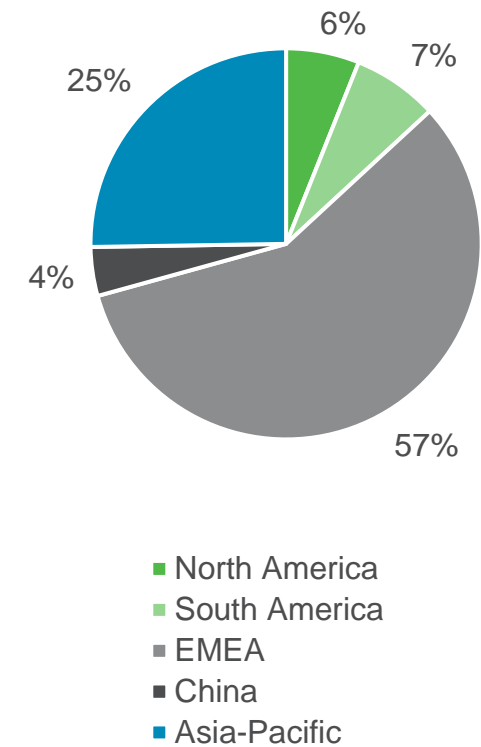
**Employees**  
1,892

**Market position**  
#1–2 Pulp  
#1–3 Energy

Orders received by business

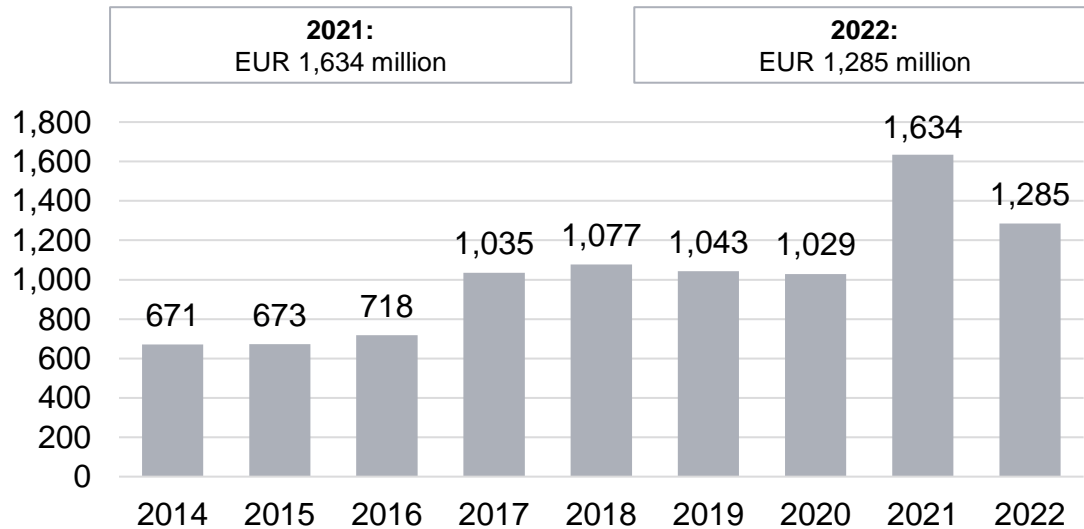


Orders received by area

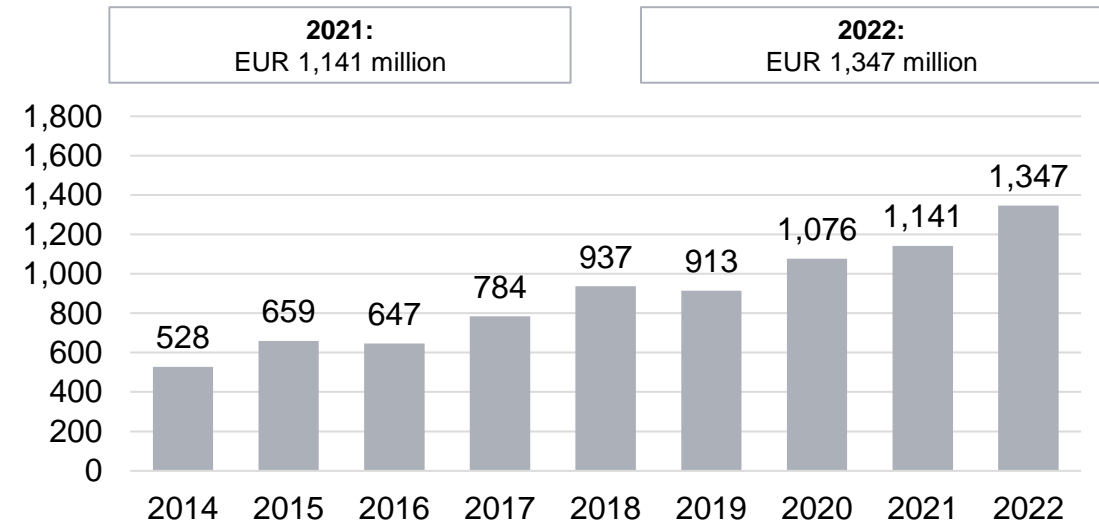


# Paper business line: Orders received decreased to EUR 1,285 million in 2022

Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with 2021
  - Orders received increased in North America and Asia-Pacific, remained at the previous year's level in China, and decreased in South America and EMEA
  - Orders received decreased in all businesses
- Net sales increased compared with 2021
- The fire at Rautpohja factory site in Finland, COVID-19 and lockdowns in China impacted Paper business line's operations during 2022
- The Paper business line has managed the challenges caused by the fire and COVID-19 well



# Paper business line in 2022

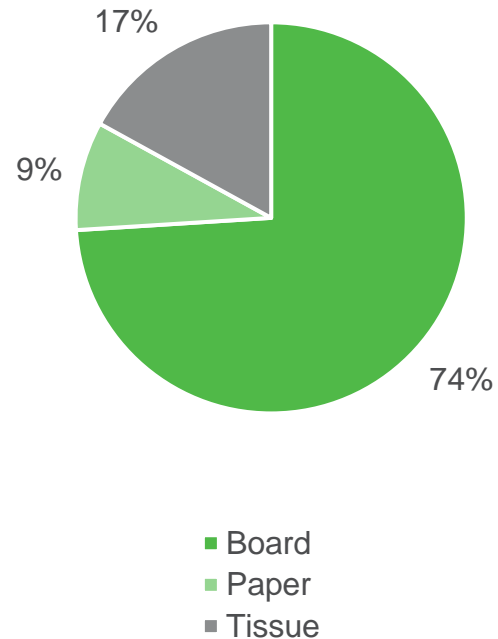
**Orders received**  
EUR 1,285 million

**Net sales**  
EUR 1,347 million

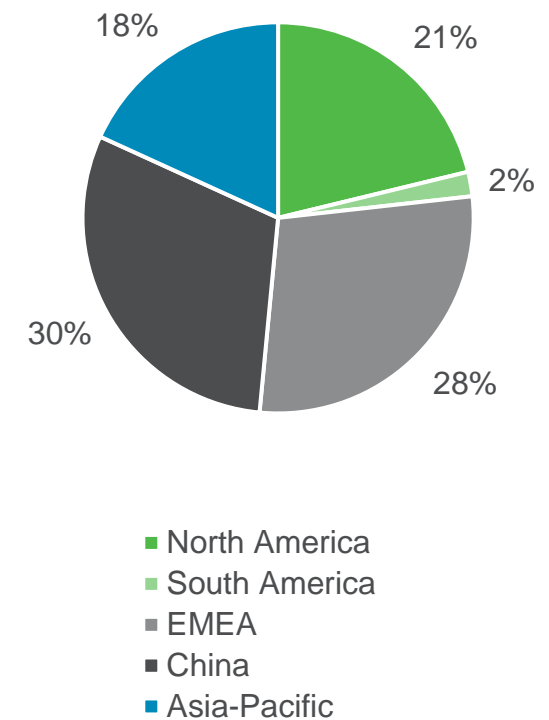
**Employees**  
3,755

**Market position**  
#1 Tissue  
#1 Board  
#1 Paper

Orders received by paper grade



Orders received by area





# Integration of Flow Control into Valmet

# Integration of Flow Control into Valmet

- Integration proceeding according to plan
- Active sales and marketing of Valmet's whole offering started and several package orders received in 2022
- Most of the cost synergy actions regarding function costs, common locations and supply chain were implemented already in 2022
- Valmet expects EUR 25 million annual run rate synergies, of which around 60% achieved by the end of 2023 and 90% achieved by the end of 2024
- Valmet's orders received included approximately EUR 10 million synergy impact in 2022
- Approximately EUR 12 million annual run rate cost synergies were achieved by the end of 2022
  - Roughly half of the achieved run rate synergies were realized as cost savings in 2022







# Financial development

# Q4/2022 in brief

- Orders received increased to EUR 1.4 billion
- Net sales increased to EUR 1.5 billion
- Order backlog amounted to EUR 4.4 billion
- Comparable EBITA increased to EUR 196 million and margin was 12.7%
- Gearing was 20%

# Key figures

EUR million	Q4/2022	Q4/2021	Change	2022	2021	Change
Orders received	<b>1,385</b>	1,093	27%	<b>5,194</b>	4,740	10%
Order backlog <sup>1</sup>	<b>4,403</b>	4,096	7%	<b>4,403</b>	4,096	7%
Net sales	<b>1,540</b>	1,199	28%	<b>5,074</b>	3,935	29%
Comparable EBITA	<b>196</b>	147	33%	<b>533</b>	429	24%
% of net sales	<b>12.7%</b>	12.2%	0.5 pp	<b>10.5%</b>	10.9%	-0.4 pp
EBITA	<b>190</b>	155	23%	<b>550</b>	448	23%
Operating profit (EBIT)	<b>156</b>	143	9%	<b>436</b>	399	9%
% of net sales	<b>10.1%</b>	11.9%	-1.8 pp	<b>8.6%</b>	10.1%	-1.5 pp
Adjusted earnings per share, EUR <sup>2</sup>	<b>0.80</b>	0.69	15%	<b>2.37</b>	2.09	13%
Earnings per share, EUR	<b>0.66</b>	0.67	-1%	<b>1.92</b>	1.98	-3%
Return on capital employed (ROCE) before taxes				<b>18%</b>	24%	-6 pp
Cash flow provided by operating activities	<b>-13</b>	96		<b>36</b>	482	-93%
Gearing <sup>1</sup>				<b>20%</b>	-7%	27 pp

Items affecting comparability: EUR -6 million in Q4/2022 (EUR 8 million in Q4/2021) and EUR 17 million in 2022 (EUR 19 million in 2021).

1) At end of period

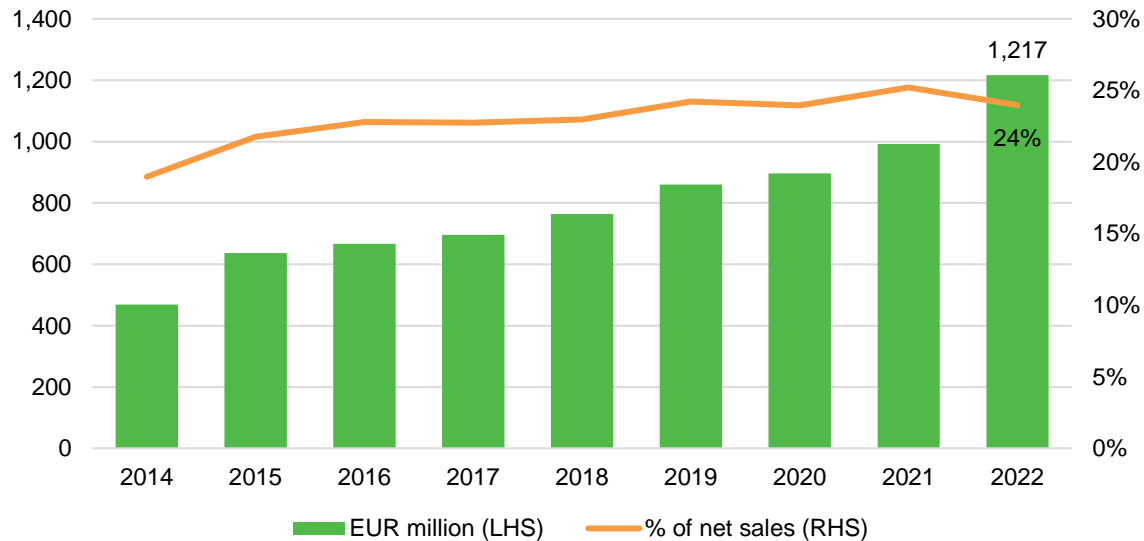
2) Adjusted earnings per share is an alternative performance measure that excludes the impact of fair value adjustments arising from business combinations, net of tax

# Segment key figures

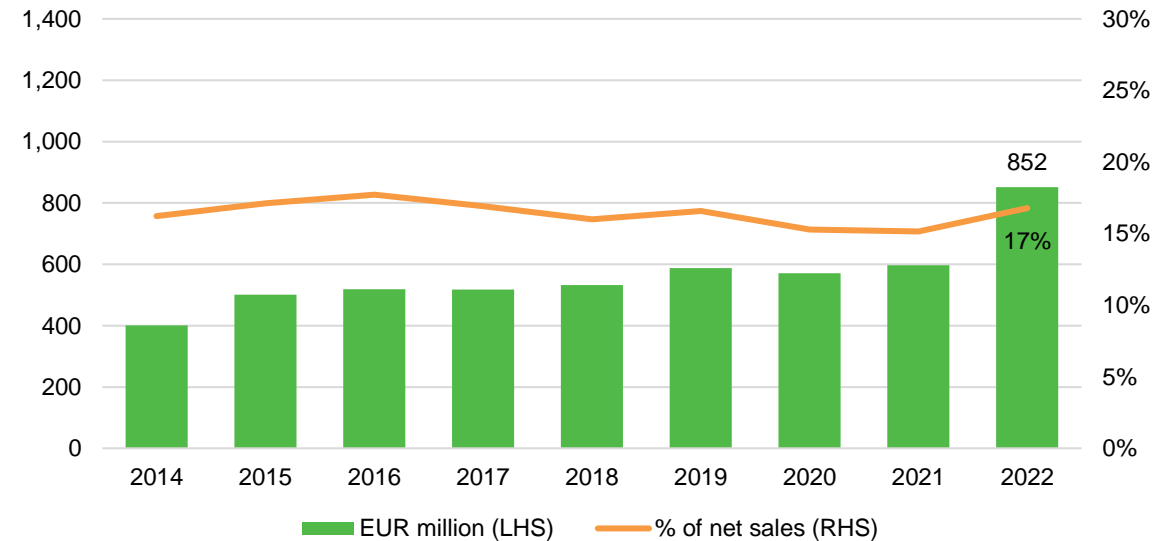
Orders received, EUR million	Q4/2022	Q4/2021	Change	2022	2021	Change
Services	418	387	8%	1,756	1,481	19%
Automation	324	119	>100%	1,081	467	>100%
Process Technologies	644	587	10%	2,356	2,793	-16%
Total	1,385	1,093	27%	5,194	4,740	10%
Net sales, EUR million	Q4/2022	Q4/2021	Change	2022	2021	Change
Services	505	413	22%	1,606	1,360	18%
Automation	363	160	>100%	1,040	412	>100%
Process Technologies	672	626	7%	2,428	2,163	12%
Total	1,540	1,199	28%	5,074	3,935	29%
Comparable EBITA, EUR million	Q4/2022	Q4/2021	Change	2022	2021	Change
Services	95	71	33%	237	204	16%
Automation	78	40	93%	190	79	>100%
Process Technologies	38	45	-17%	145	175	-17%
Other	-14	-10	39%	-39	-30	30%
Total	196	147	33%	533	429	24%
Comparable EBITA margin, % of net sales	Q4/2022	Q4/2021	Change	2022	2021	Change
Services	18.7%	17.2%	1.5 pp	14.8%	15.0%	-0.3 pp
Automation	21.4%	25.2%	-3.8 pp	18.3%	19.2%	-0.9 pp
Process Technologies	5.6%	7.2%	-1.6 pp	6.0%	8.1%	-2.1 pp
Total	12.7%	12.2%	0.5 pp	10.5%	10.9%	-0.4 pp

# Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



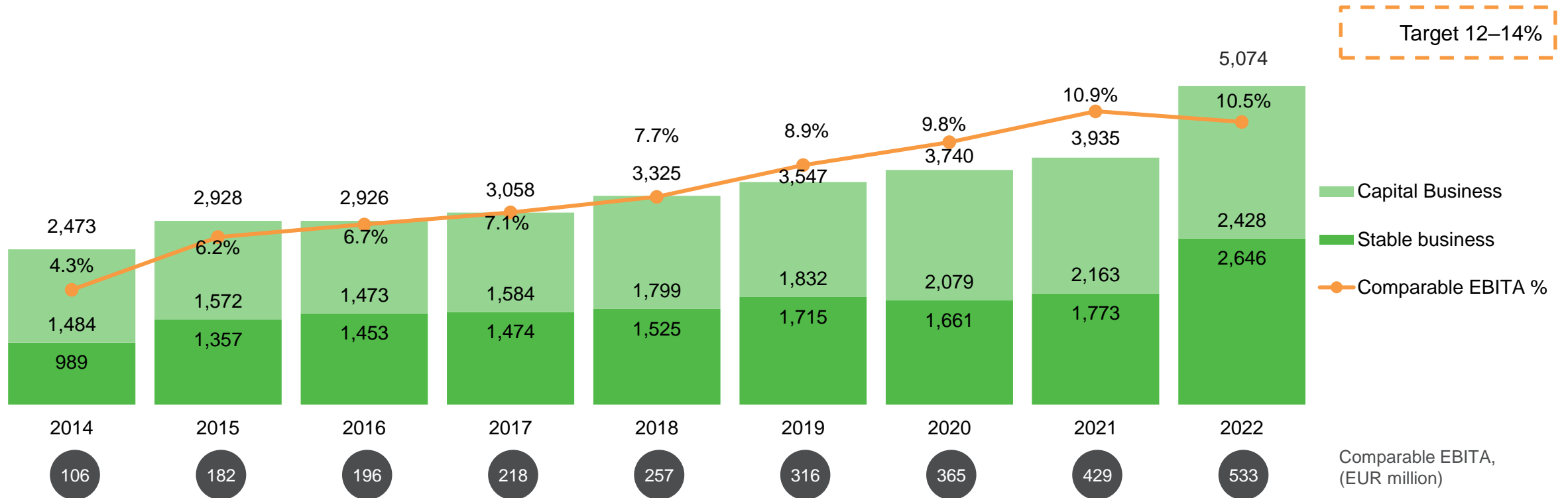
SG&A (EUR million and % of net sales)



- Gross profit was 25% of net sales in Q4/2022 (25% in Q4/2021)
  - Stable business represented 56% of net sales (48% in Q4/2021)
- Selling, general & administrative (SG&A) expenses were EUR 78 million higher in Q4/2022 compared with Q4/2021
  - SG&A of the Flow Control business line were EUR 60 million in Q4/2022
  - SG&A was 16% of net sales in Q4/2022 (14% in Q4/2021)

# Comparable EBITA margin development

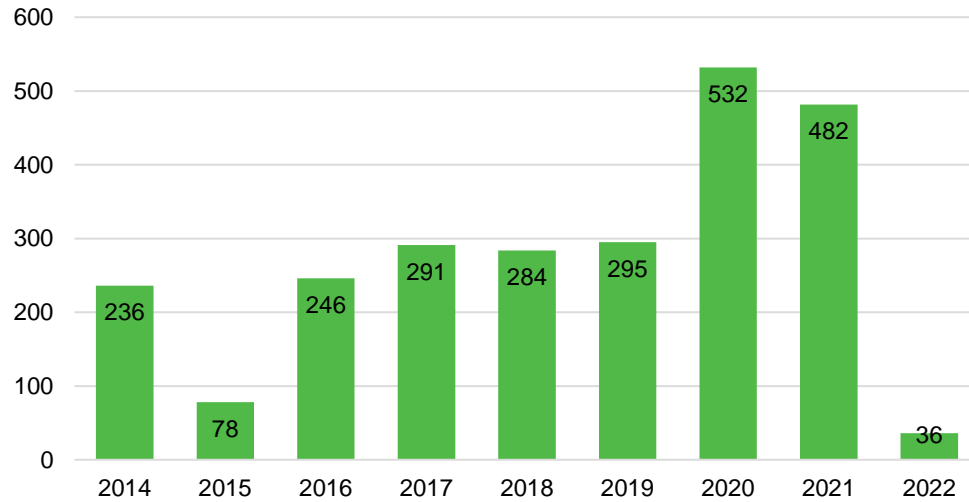
Net sales and Comparable EBITA (EUR million and %)<sup>1</sup>



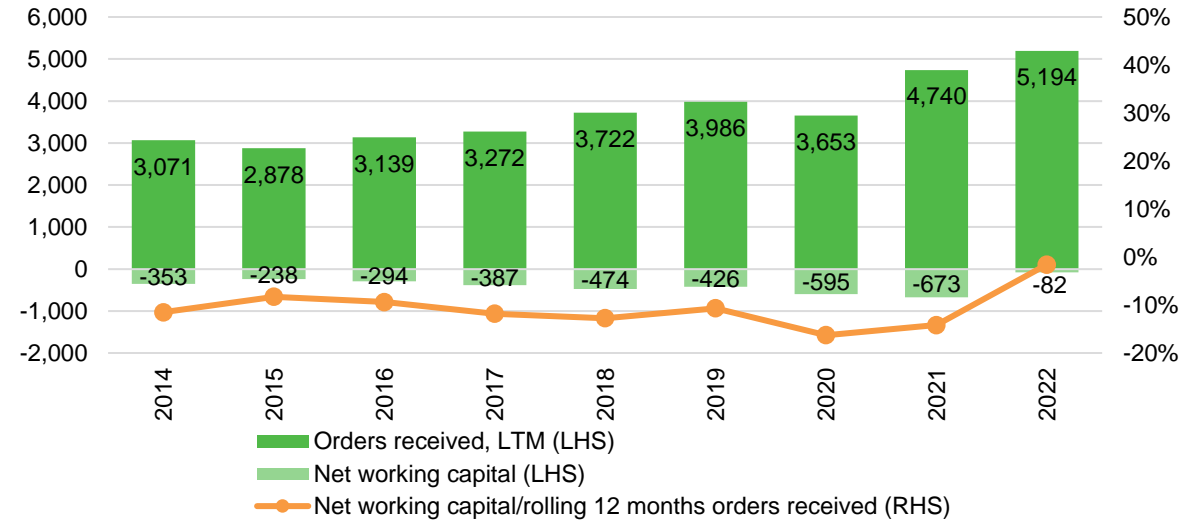
1) Valmet implemented IFRS 15 – Revenue from Contracts with Customers as of January 1, 2018 by applying full retrospective method. 2014–2020 figures have not been restated to reflect Valmet’s current reporting structure. Thus, figures presented are not fully comparable.

# Cash flow provided by operating activities and net working capital

## Cash flow provided by operating activities (EUR million)



## Net working capital and orders received (EUR million)



- Cash flow provided by operating activities EUR -13 million in Q4/2022
- CAPEX<sup>1</sup> EUR 32 million in Q4/2022
- Net working capital EUR -82 million, which equals -2% of rolling 12 months orders received
  - Inventories have increased due to the consolidation of Flow Control and higher stock levels in response to component supply issues
  - Trade receivables increased and advance payments received from customers were lower in 2022 compared with 2021
  - Had Flow Control been consolidated into Valmet as of January 1, 2016, Valmet's estimated net working capital would have been on average approximately -7% of rolling 12 months orders received<sup>2</sup>
- Change in net working capital<sup>3</sup> EUR -188 million in Q4/2022

Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

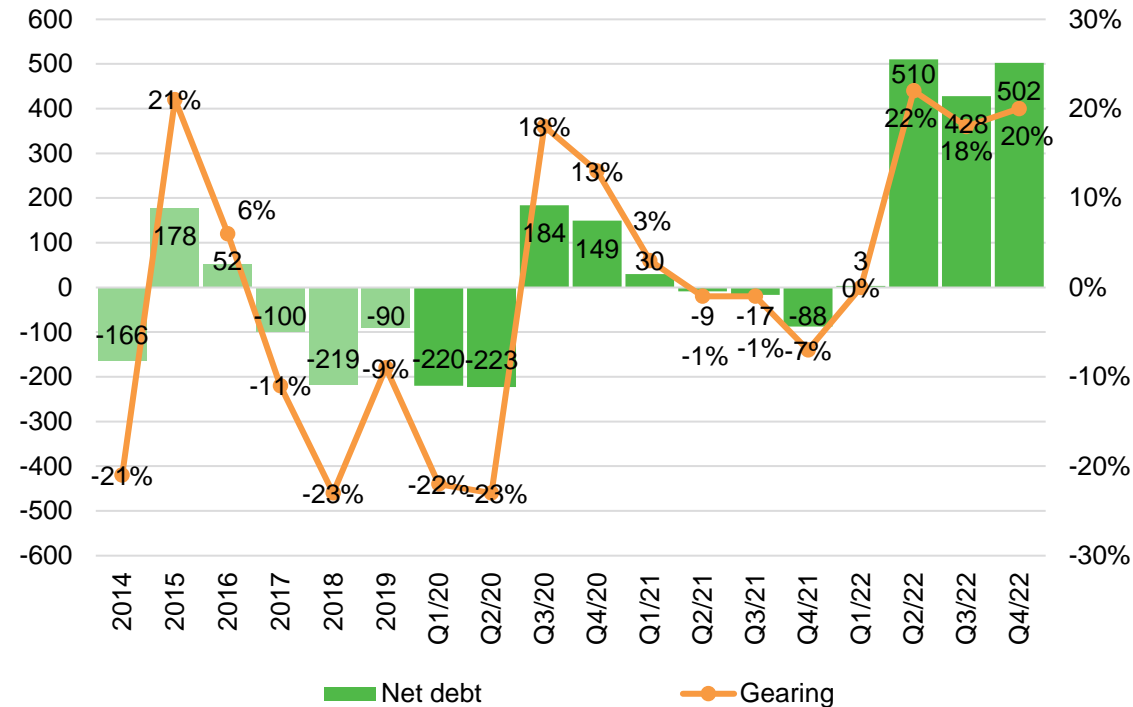
1) Excluding leased assets.

2) Illustrative combined company figures.

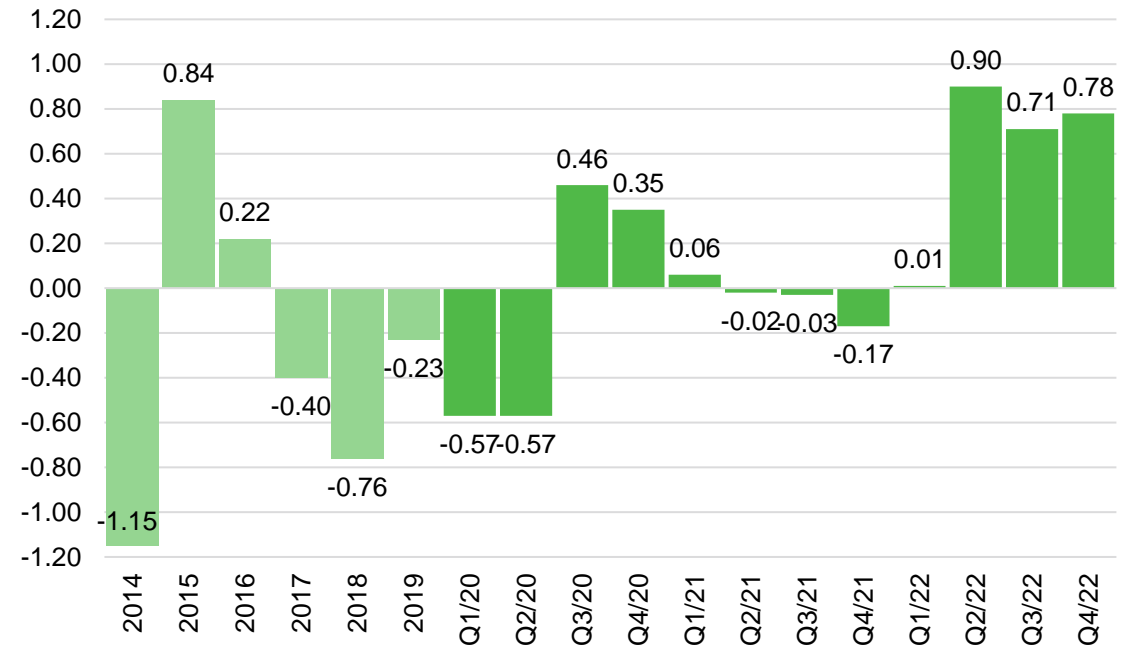
3) Change in net working capital in the consolidated statement of cash flows.

# Net debt and gearing increased compared with 2021

Net debt (EUR million) and gearing (%)



Net debt to EBITDA\* ratio



- Gearing (20%) and net debt (EUR 502 million) increased compared with 2021
  - Interest-bearing liabilities increased mainly due to consolidation of Flow Control into Valmet in Q2/2022
- Net debt to EBITDA ratio increased compared with 2021

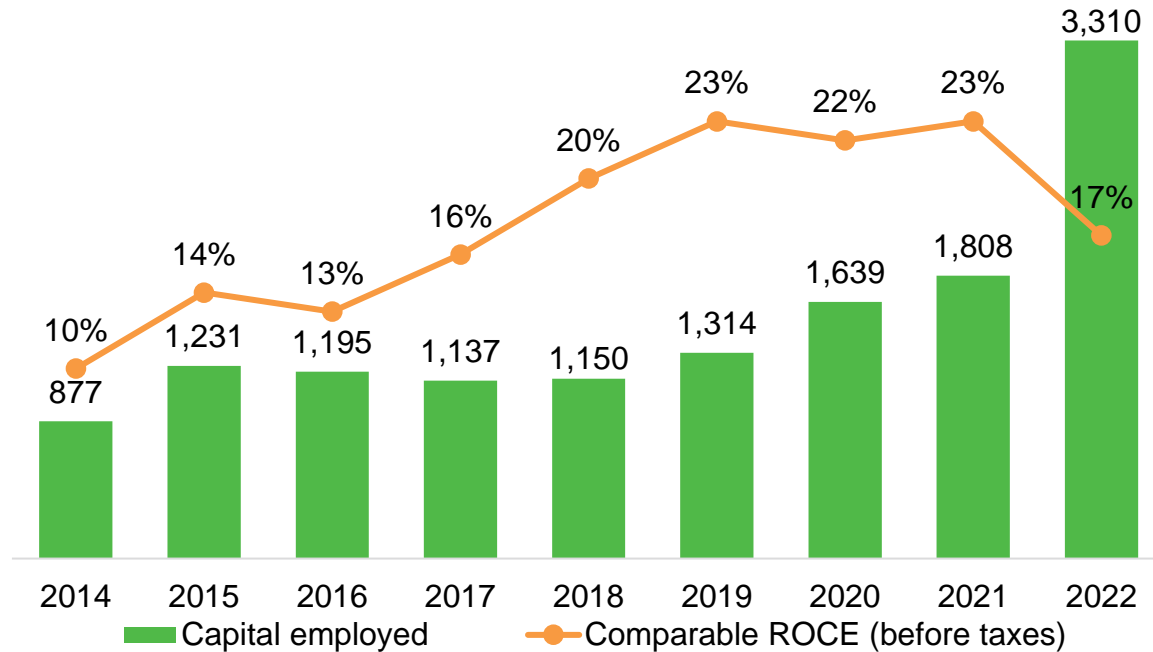
Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

\*Last twelve months (LTM) EBITDA

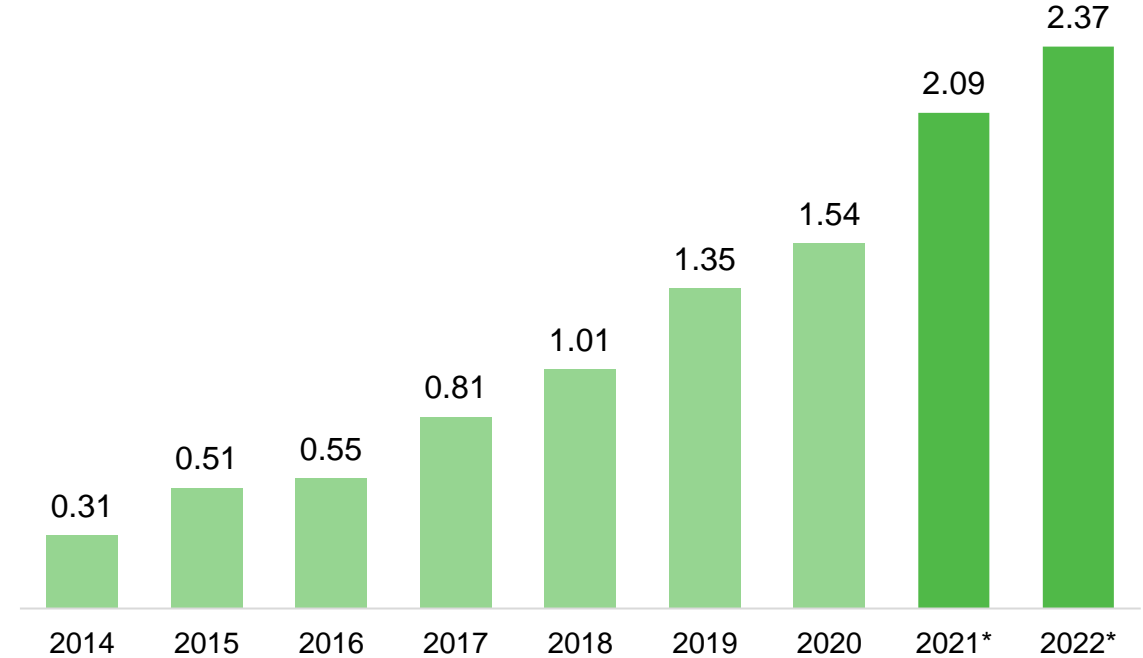


# Capital employed, Comparable ROCE and EPS

Capital employed (EUR million) and Comparable return on capital employed (ROCE), before taxes (%)



Earnings per share (EPS) and Adjusted EPS, EUR



- Comparable ROCE decreased to 17%
- Capital employed was EUR 1,502 million higher than at the end of 2021
  - Total merger consideration for Neles amounted to EUR 1,476 million in Q2/2022

\*Adjusted EPS. Adjusted earnings per share is an alternative performance measure that excludes the impact of fair value adjustments arising from business combinations, net of tax

Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method, and IFRS 15 – Revenue from Contracts with Customers as of January 1, 2018 by applying full retrospective method. Thus, figures presented are not fully comparable.



# Dividend proposal, guidance and short-term market outlook

# Dividend proposal

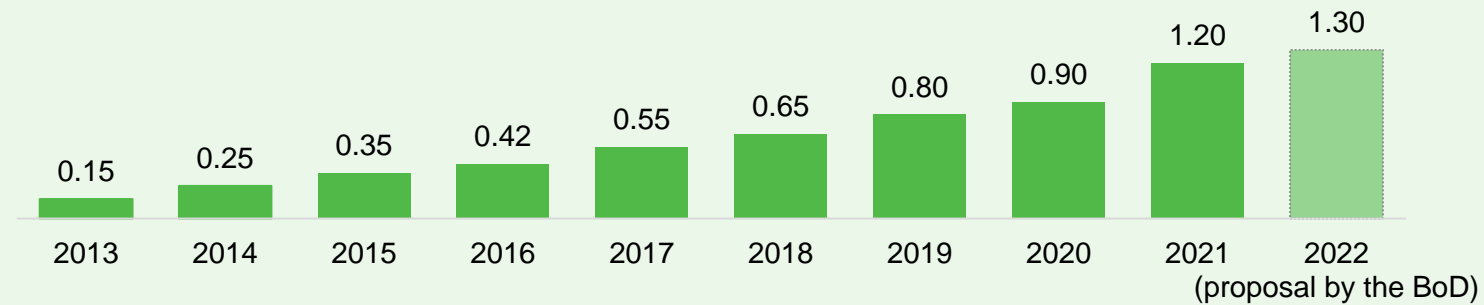
## Dividend policy

- Dividend payout at least 50% of net profit

## Board of Directors' dividend proposal to the Annual General Meeting

- EUR 1.30 dividend per share, which represents 68% payout ratio

## Dividend per share (euro)



# Guidance and short-term market outlook

## Guidance for 2023

<b>Guidance</b>	Valmet estimates that net sales in 2023 will increase in comparison with 2022 (EUR 5,074 million) and Comparable EBITA in 2023 will increase in comparison with 2022 (EUR 533 million).
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## Short-term market outlook

		Q1/2022	Q2/2022	Q3/2022	Q4/2022
<b>Services</b>		Good	Good	Good	Good
<b>Automation</b>	Flow Control	Good	Good	Good	Good
	Automation Systems	Good	Good	Good	Good
<b>Pulp and Energy</b>	Pulp	Good	Good / Satisfactory	Good / Satisfactory	Good / Satisfactory
	Energy	Satisfactory	Good	Good	Good
<b>Paper</b>	Board and Paper	Good	Good	Good	Good
	Tissue	Satisfactory	Satisfactory	Satisfactory	Satisfactory

The short-term market outlook is based on customer activity (50%) and Valmet's capacity utilization (50%) and is given for the next six months from the end of the respective quarter. The scale is 'weak-satisfactory-good'.

# Q&A

## Interim Review for January–March 2023

April 26, 2023

[www.valmet.com/investors](http://www.valmet.com/investors)

## Valmet's CMD 2023

March 8, 2023

Espoo, Finland

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