



Valmet – unique offering with  
process technology, automation  
and services

Roadshow presentation  
January 2021

# Agenda

## Valmet roadshow presentation

1 Valmet in brief

2 Investment highlights





3 Financials

4 Conclusion

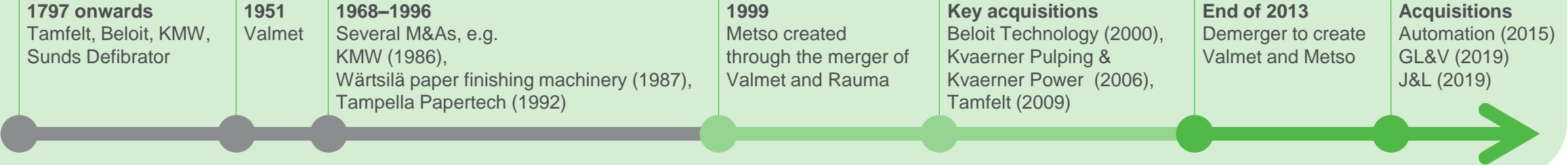


# Valmet in brief

# We have strong market shares, unique offering and over 220 years of history

 <p><b>Paper</b></p> <p>Market position <b>#1</b></p> <p>Market share <b>~40%</b></p>	 <p><b>Pulp and Energy</b></p> <p>Market position <b>#1–3</b></p> <p>Market share <b>20-40%</b></p>	 <p><b>Automation</b></p> <p>Market position <b>#1–3</b></p> <p>Market share <b>10-20%</b></p>	 <p><b>Services</b></p> <p>Market position <b>#1–2</b></p> <p>Market share <b>~17%</b></p>
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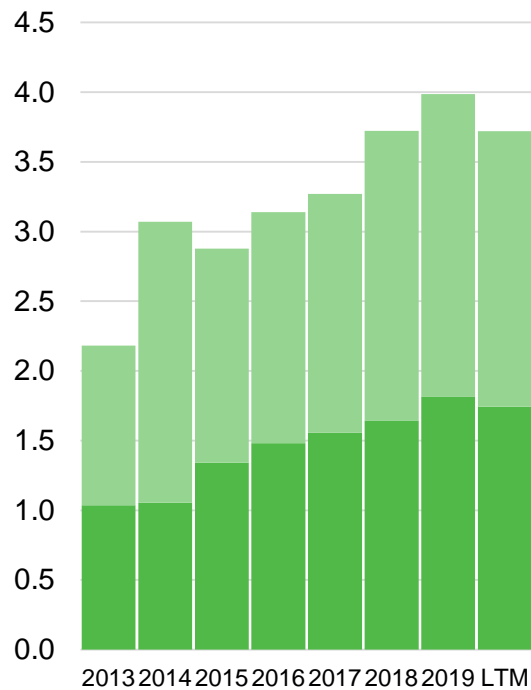
## Valmet's road to becoming a global market leader



# Valmet's development since 2013

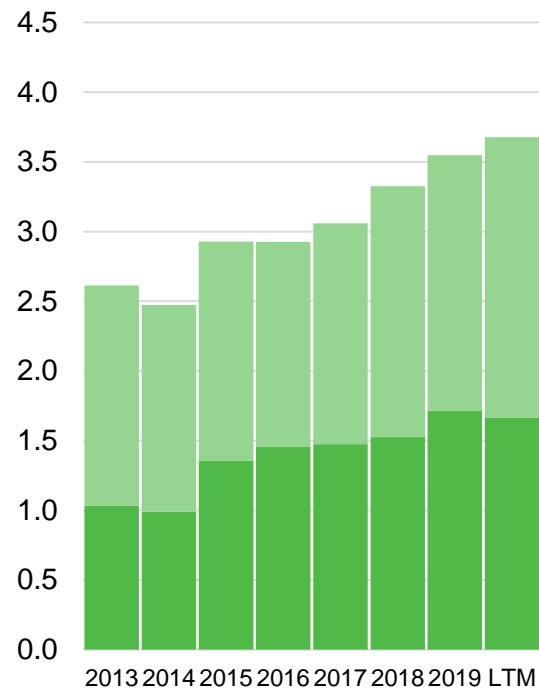
Comparable EBITA  
target 10–12%

Orders received  
(EUR billion)



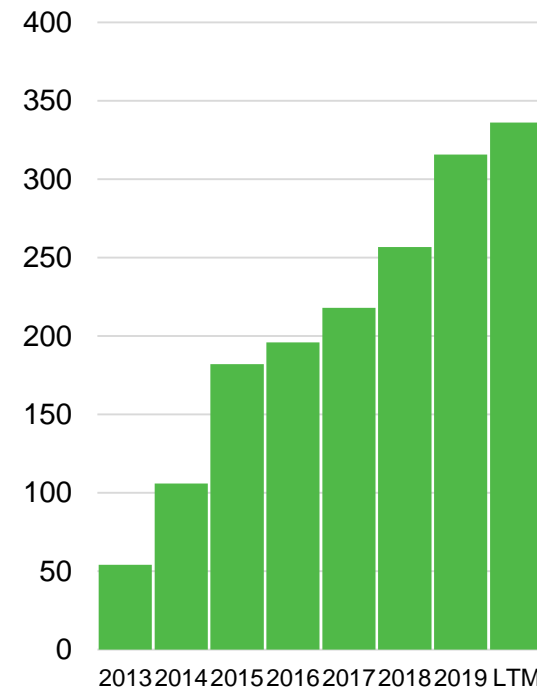
■ Pulp and Energy, and Paper business lines  
■ Services and Automation business lines

Net sales  
(EUR billion)



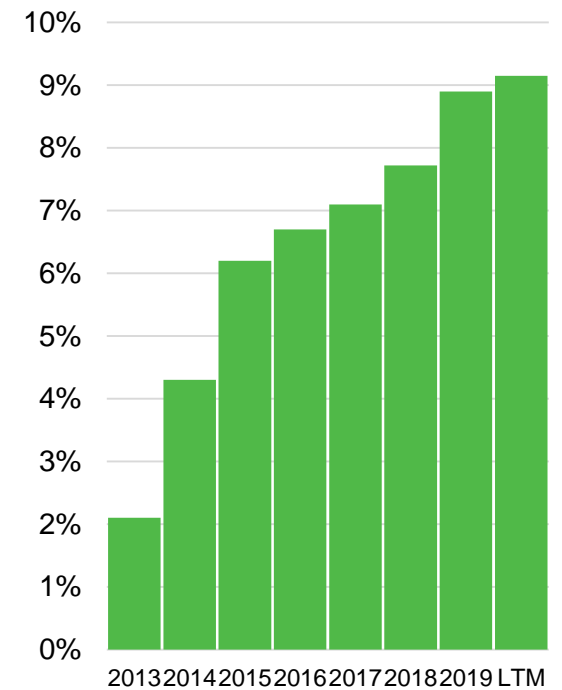
■ Pulp and Energy, and Paper business lines  
■ Services and Automation business lines

Comparable EBITA  
(EUR million)



■ Comparable EBITA

Comparable EBITA margin  
(%)



■ Comparable EBITA margin

2013 figures on carve-out basis

# Key figures

Last twelve months ending Q3/20

**Orders received**  
EUR 3,722 million

**Net sales**  
EUR 3,676 million

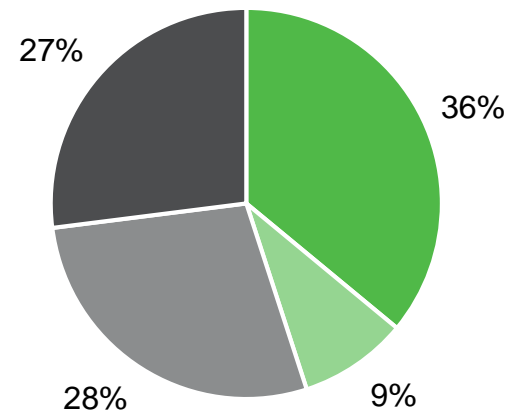
**Comparable EBITA**  
EUR 336 million

**Comparable EBITA margin**  
9.1%

**Order backlog**  
EUR 3,311 million (Sep 30, 2020)

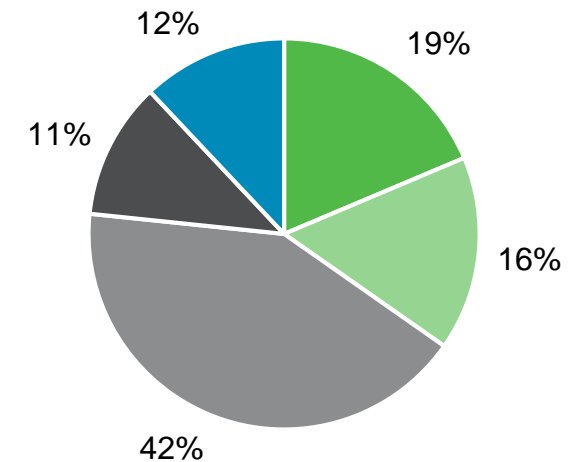
**Employees**  
13,434 (Sep 30, 2020)

Net sales by business line



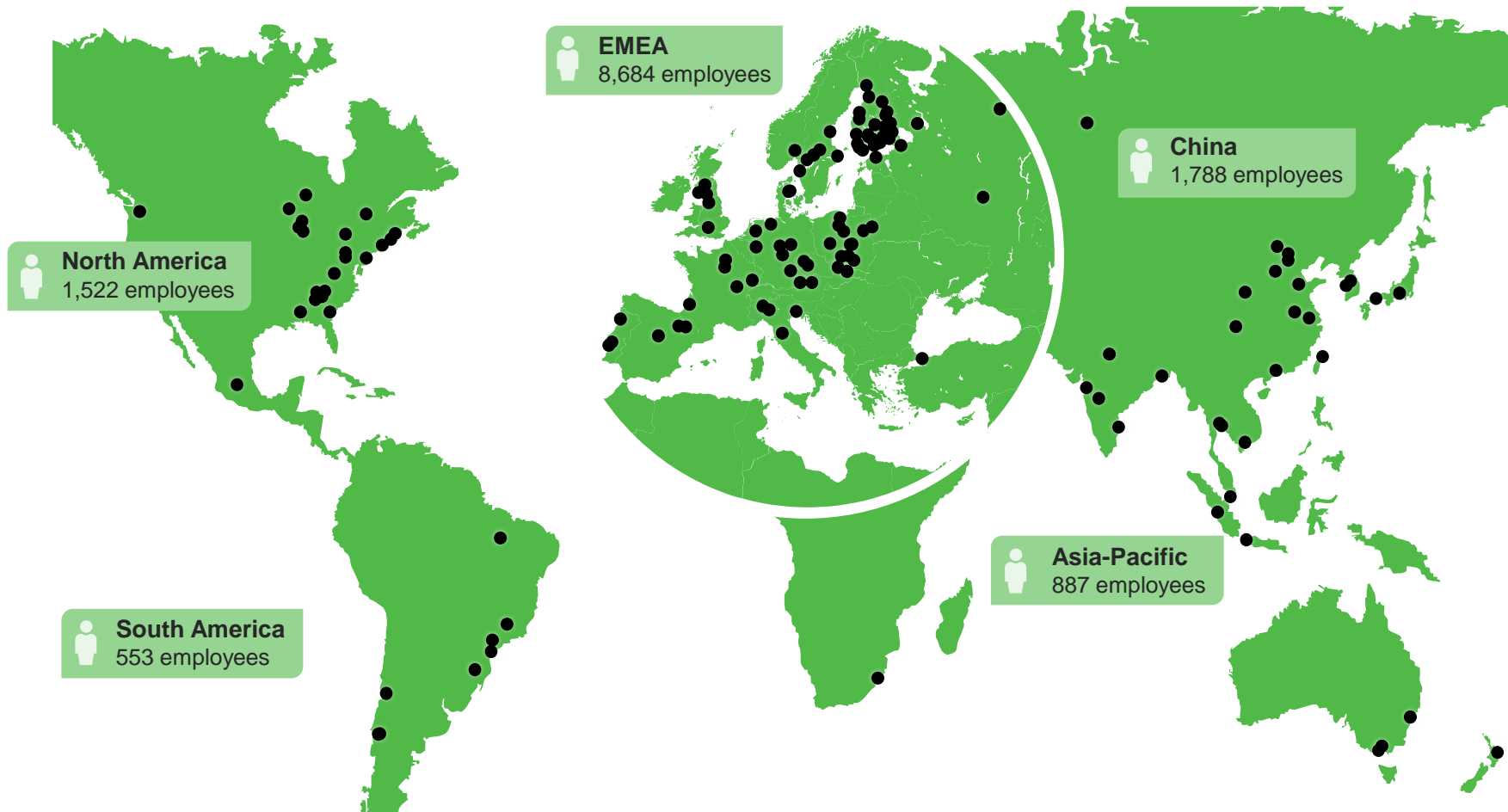
- Services
- Automation
- Pulp and Energy
- Paper

Net sales by area



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

# Strong, global presence is a good platform for growth



~100  
service centers



96  
sales offices



39  
production units



16  
R&D centers



8  
Performance Centers



# Process technology, services and automation

Valmet's unique offering differentiates the company from its competitors





# Significant, customer focused research and development work

## R&D focus areas

- Advanced and competitive technologies and services
- Raw material, water and energy efficiency
- Promotion of renewable materials

**16**

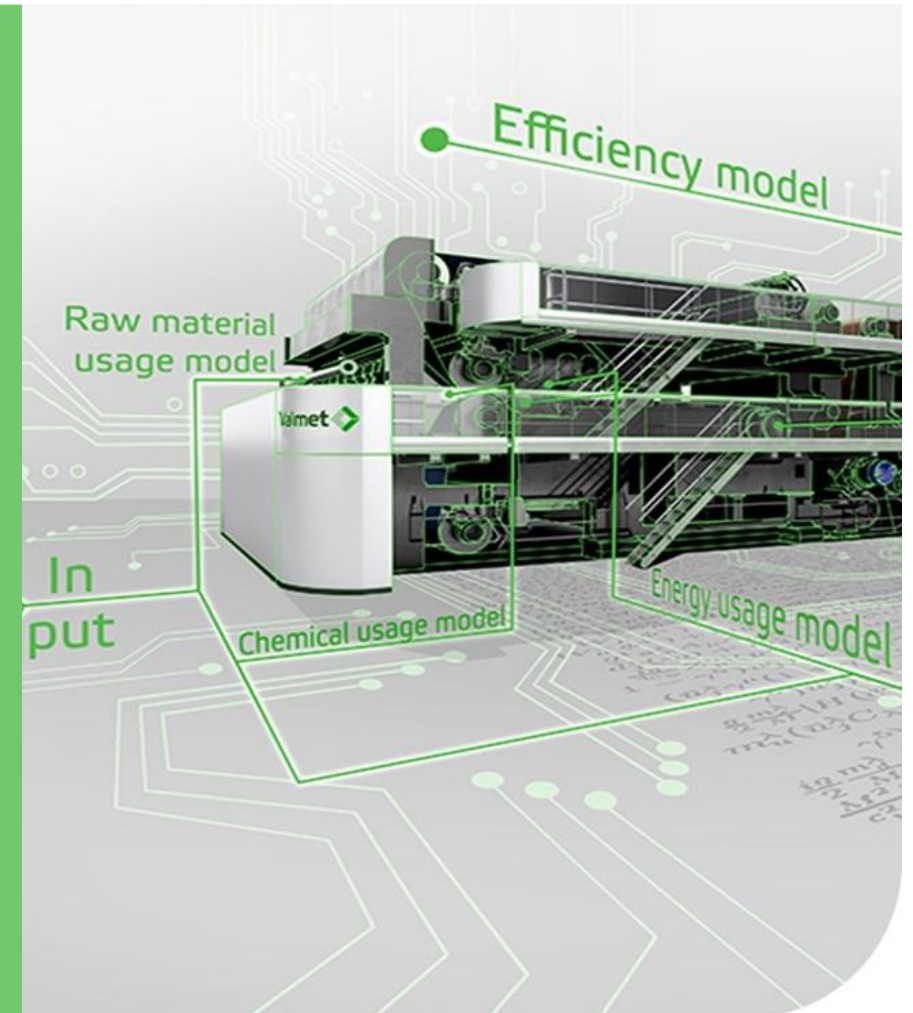
research and  
development  
centers



EUR **71** million  
R&D spending  
in 2019



**~1,300**  
protected  
inventions



# Acknowledged leader in sustainability

## Sustainability360° approach

- In Dow Jones Sustainability Index for the seventh consecutive year
- AAA rating in the MSCI ESG Ratings assessment in 2020
- Rating A- in CDP's climate program ranking in 2020
- RobecoSAM Bronze Class 2020 Sustainability Award
- In Ethibel Sustainability Index Excellence Europe



Most material UN Sustainable Development Goals for Valmet



Member of  
**Dow Jones Sustainability Indices**  
Powered by the S&P Global CSA



# Valmet strengthened its business by acquiring PMP Group

Focus on small and medium-sized tissue machines and board and paper machine rebuilds

- PMP Group supplies process technologies and services for tissue, board and paper machines globally
  - New tissue machines
  - Rebuilds and machine sections for paper and board machines
  - Spare parts and services
- Focus on small and medium-sized tissue machines and board and paper machine rebuilds
- The acquisition complements Valmet's offering and builds further our local presence especially in Central Europe and China
  - Widens Valmet's portfolio to small and medium-sized tissue machines
  - Access to new customer and product segments
- Operations in four countries: Poland, China, USA and Italy
- The acquisition was announced on September 11, 2020 and was completed in the beginning of October, 2020

## Key information about the acquisition

Net sales in 2019	EUR ~70 million
Number of employees	~650
Value of acquisition	EUR ~64 million <sup>1</sup>

1) plus a conditional and capped earn-out component

## Operations in Poland, China, USA and Italy



# Financial targets

## Growth



- Net sales for stable business to grow over two times the market growth
- Net sales for capital business to exceed market growth

## Profitability



- Comparable EBITA: 10–12%

## ROCE

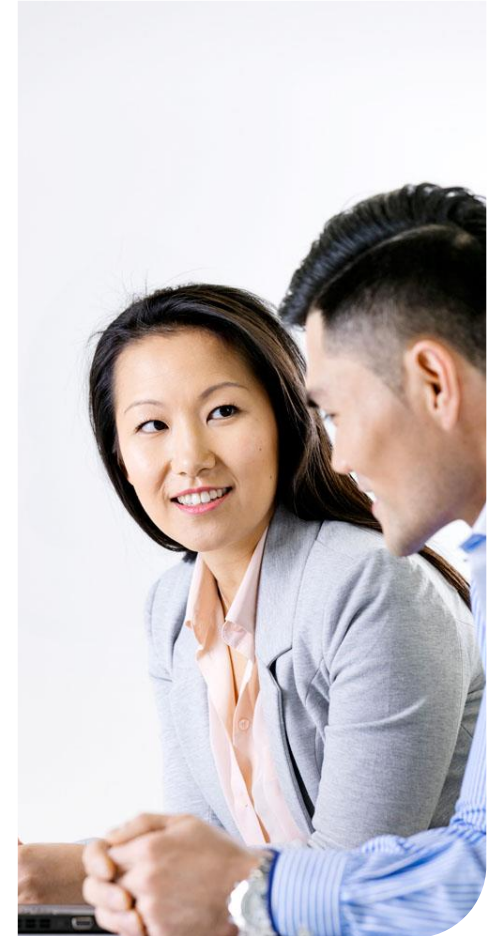


- Comparable return on capital employed (ROCE) before taxes<sup>1</sup>: >20%

## Dividend policy



- Dividend payout at least 50% of net profit



1) Comparable ROCE before taxes = (profit before taxes + interests and other financial expenses +/- items affecting comparability) / (balance sheet total - non-interest-bearing liabilities (average for the period))



# Investment highlights

# Investment highlights

- 1 Strong position in the growing market of converting renewables**
- 2 Widest offering combining process technology, services and automation in a unique way**
- 3 Large stable business offering growth and profitability**
- 4 Strong capital business with high market share and flexible cost structure**
- 5 Systematically building the future**



# Strong position in the growing market of converting renewables



Paper



Board



Tissue



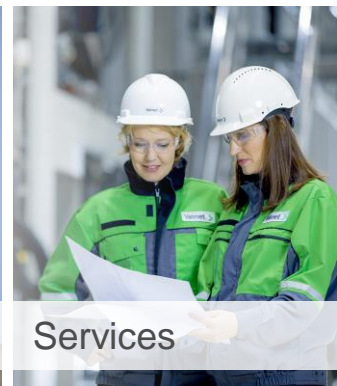
Pulp



Energy



Automation



Services

**#1**  
0.3  
EUR bn  
~1%  
p.a.

**#1**  
1.0  
EUR bn  
~2-3%  
p.a.

**#1**  
0.7  
EUR bn  
~3%  
p.a.

**#1-2**  
1.4  
EUR bn  
~1%  
p.a.

**#1-3**  
2.0  
EUR bn  
~1%  
p.a.

**#1-3**  
2.0  
EUR bn  
~1%  
p.a.

**#1-2**  
8.0  
EUR bn  
~1-2%  
p.a.

- Increasing role of digital media decreases demand for printing and writing papers
- Demand for technology driven efficiency improvements

- World trade, e-commerce and emerging markets growth drive packaging
- Demand for light-weight board
- Shift from plastic packaging to renewable materials
- Conversions from paper to board

- Rise in purchasing power and living standards
- Fast growth in emerging markets
- Demand for higher quality

- Growth in board and tissue consumption
- Need for virgin wood pulp. Decreasing availability of recycled paper and limitations to recycling rates
- Increased size of pulp lines and mills
- New applications for bio-based products
- Increasing environmental awareness and stricter regulations

- Growth in energy consumption
- Demand for sustainable energy and shutdowns of coal capacity
- Modernization of aging plants
- Incentives and regulation driven demand
- Environmental solutions driven by marine SO<sub>x</sub> regulation and target market expected temporarily to exceed EUR 1 billion

- Aging machines and installed automation systems
- Investments in new pulp and paper mills and power plants
- Demand for raw material savings, process efficiencies and sustainability
- Demand for Industrial Internet based solutions

- Increasing pulp, paper and energy production
- Demand for more efficient processes, maintenance and outsourcing of non-core operations
- Customers' decreasing amount of own resources
- Size and gradually aging installed base, capacity increases in China, South America and Asia-Pacific
- Closures of non-competitive production lines
- Demand for Industrial Internet based solutions

**5%**  
of net sales

**13%**  
of net sales

**7%**  
of net sales

**12%**  
of net sales

**14%**  
of net sales

**10%**  
of net sales

**39%**  
of net sales

Market position

Estimated market size for current offering (EUR)

Anticipated long-term market growth

Market drivers

% of net sales (2019)

# Widest offering combining process technology, services and automation in a unique way

### Paper

- Board, paper and tissue production lines
- Rebuilds
- Stand-alone products

### Pulp

- Wood and pulp handling
- Fiber processing
- Recovery

### Energy

- Heat and power generation
- Emission control
- Biofuels

### Services

- Spare parts and components
- Maintenance and shutdown services
- Outsourcing services
- Production consumables
- Process support and optimization

### Automation

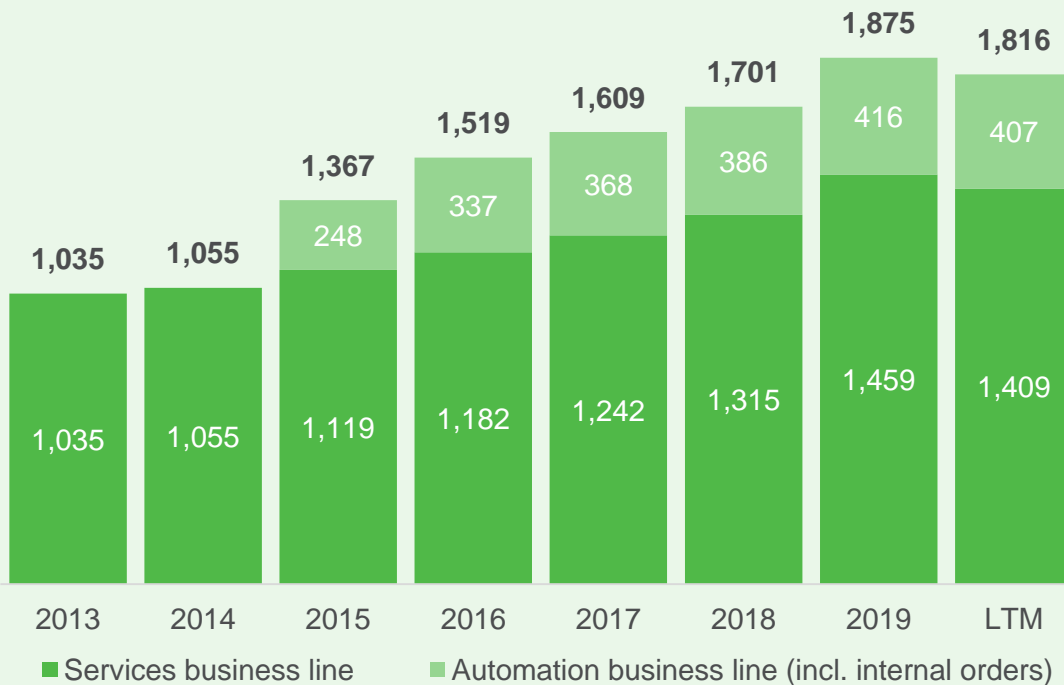
- Distributed Control Systems (DCS)
- Quality Management Systems (QMS)
- Analyzers and measurements
- Industrial Internet solutions





# Large stable business offering growth and profitability

Orders received (EUR million)



Growth  
~10%  
CAGR

Organic growth  
~4%  
CAGR

## Services

- 17% market share offers room for growth
- Wide offering to support customers' all service needs
- Opportunities to win new customers and increase share of wallet with existing customers

## Automation

- Strong as a stand-alone business as well as packaged with Valmet's equipment
- Growth possibilities through replacing competitors' installed base, entering new industries and capturing Valmet synergies
- Lead the market through Industrial Internet offering

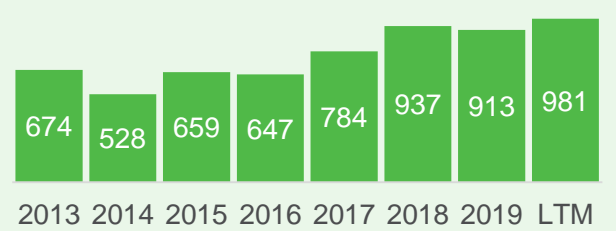
# Strong capital business with high market share and flexible cost structure

## Paper business line

Orders received (EUR million)

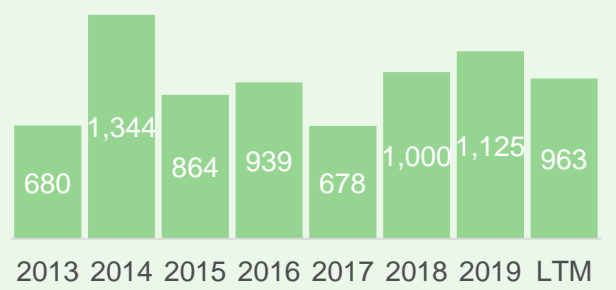


Net sales (EUR million)

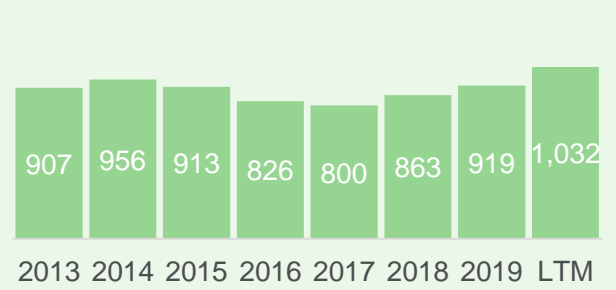


## Pulp and Energy business line

Orders received (EUR million)



Net sales (EUR million)



## Market share

- High market share in all businesses

Board and paper	Tissue	Pulp	Energy
~40%	~35%	~40%	~20%

## Flexibility

- Low capacity cost provides resilience to market fluctuations
- Capacity costs:

	2019:	2015:
<b>Paper</b>	<b>31%</b> of net sales EUR <b>286</b> million	<b>41%</b> of net sales EUR <b>270</b> million

	2019:	2015:
<b>Pulp and Energy</b>	<b>22%</b> of net sales EUR <b>206</b> million	<b>24%</b> of net sales EUR <b>218</b> million

# Systematically building the future

Customer	<ul style="list-style-type: none"><li>• Valmet's way to serve: a unified and unique way to serve</li><li>• Add value to customers through Industrial Internet solutions</li><li>• Ensure strong market position in capital business</li></ul>
Technology	<ul style="list-style-type: none"><li>• Develop new products and technologies</li><li>• Improve product cost competitiveness</li><li>• Lead the market through Industrial Internet offering</li></ul>
Process	<ul style="list-style-type: none"><li>• Investing in new ERP and other new business platforms</li><li>• Continue to improve project management and project execution</li><li>• Continued focus on sustainability</li></ul>
People	<ul style="list-style-type: none"><li>• Continue to improve safety and lower LTIF</li><li>• Continuous training of employees, e.g. Sales Journey and Innovation Pathways training programs</li><li>• Building capabilities globally</li></ul>





# Financials

# Key figures

EUR million	Q3/2020	Q3/2019	Change	Q1–Q3/2020	Q1–Q3/2019	Change
Orders received	<b>700</b>	1,058	-34%	<b>2,712</b>	2,976	-9%
Order backlog <sup>1</sup>	<b>3,311</b>	3,425	-3%	<b>3,311</b>	3,425	-3%
Net sales	<b>832</b>	857	-3%	<b>2,573</b>	2,444	5%
Comparable EBITA	<b>91</b>	81	11%	<b>218</b>	198	10%
% of net sales	<b>10.9%</b>	9.5%		<b>8.5%</b>	8.1%	
EBITA	<b>87</b>	83	5%	<b>208</b>	196	6%
Operating profit (EBIT)	<b>79</b>	73		<b>184</b>	172	7%
% of net sales	<b>9.5%</b>	8.5%		<b>7.1%</b>	7.0%	
Earnings per share, EUR	<b>0.38</b>	0.34	12%	<b>0.88</b>	0.80	9%
Return on capital employed (ROCE) before taxes <sup>2</sup>				<b>17%</b>	19%	
Cash flow provided by operating activities	<b>94</b>	126	-25%	<b>418</b>	113	>100%
Gearing <sup>1</sup>				<b>18%</b>	6%	

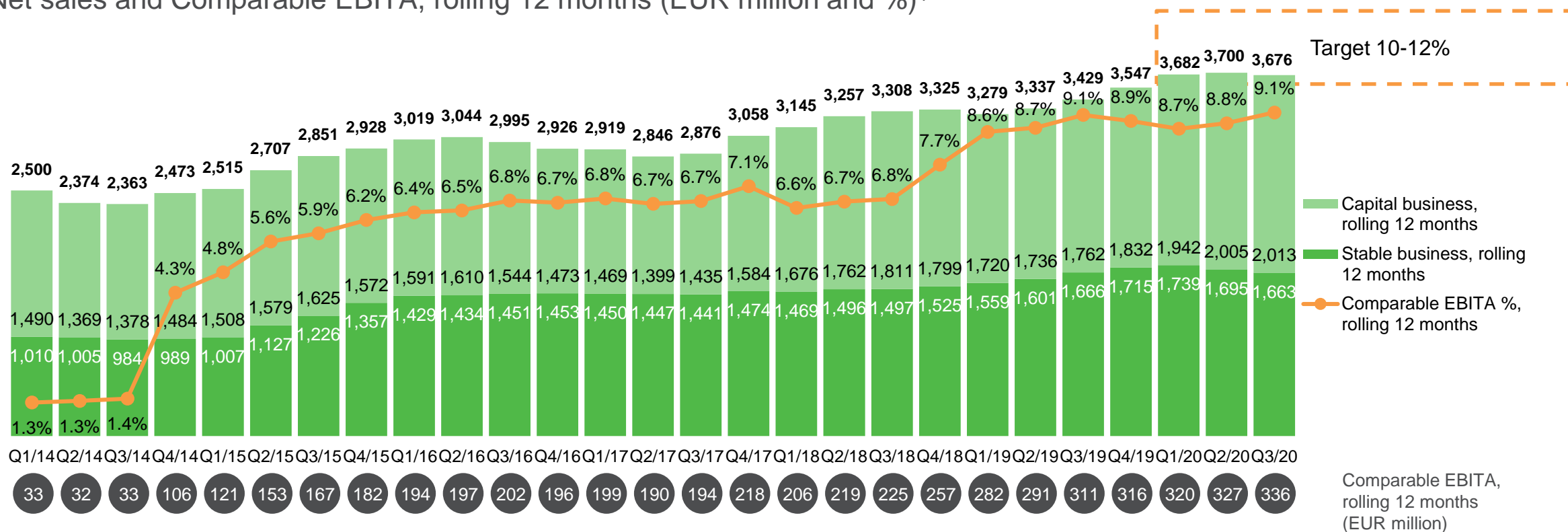
Items affecting comparability: EUR -3 million in Q3/2020 (EUR 1 million in Q3/2019), EUR -11 million in Q1–Q3/2020 (EUR -2 million in Q1–Q3/2019)

1) At end of period

2) Annualized

# Comparable EBITA margin<sup>1</sup> development

Net sales and Comparable EBITA, rolling 12 months (EUR million and %)<sup>1</sup>



• In Q3/2020, Comparable EBITA increased compared with Q3/2019

1) Rolling 12 months. Carve-out figures for 2013 have been used in the calculation of Q1–Q3/2014 figures. Valmet implemented IFRS 15 – Revenue from Contracts with Customers as of January 1, 2018 by applying full retrospective method. Thus, figures presented are not fully comparable.

# Guidance and short-term market outlook

## Guidance for 2020 (as announced on October 13, 2020)

### Guidance



Valmet estimates that net sales in 2020 will remain at the previous year's level in comparison with 2019 (EUR 3,547 million) and Comparable EBITA in 2020 will increase in comparison with 2019 (EUR 316 million).

## Short-term market outlook

		Q4/2019	Q1/2020	Q2/2020	Q3/2020
Services		Good	Satisfactory / Weak	Satisfactory / Weak	Satisfactory / Weak
Automation		Good	Good / Satisfactory	Good / Satisfactory	Good / Satisfactory
Pulp and Energy	Pulp	Good	Good	Good	Good
	Energy	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Paper	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'.



# Conclusion



# Conclusion



1

**Strong position in the growing market of converting renewables**

2

**Widest offering combining process technology, services and automation in a unique way**

3

**Large stable business offering growth and profitability**

4

**Strong capital business with high market share and flexible cost structure**

5

**Systematically building the future**

# Important notice

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for growth, profitability and investment willingness, expectations for company development, growth and profitability and the realization of synergy benefits and cost savings, and statements preceded by “anticipates”, “believes”, “estimates”, “expects”, “foresees” or similar expressions, are forward-looking statements. Since these statements are based on current decisions and plans, estimates and projections, they involve risks and uncertainties which may cause the actual results to materially differ from the results currently expressed. Such factors include, but are not limited to:

- 1) general economic conditions, including fluctuations in exchange rates and interest levels which influence the operating environment and profitability of customers of the company or economic growth in the company’s principal geographic markets.
- 2) industry conditions, intensity of competition situation, especially potential introduction of significant technological solutions developed by competitors, financial condition of the customers and the competitors of the company,
- 3) the company’s own operating factors, such as the success of production, product development and project management and the efficiencies therein including continuous development and improvement
- 4) the success of pending and future acquisitions and restructuring.

