



Valmet – unique offering with  
process technology, automation  
and services

Berenberg Conference USA  
May 22, 2018

# Agenda

## Valmet roadshow presentation

1 Valmet in brief

2 Investment highlights

3 Financials

4 Conclusion



# Valmet in brief

# Key figures in 2017

**Orders received**  
EUR 3,272 million

**Net sales**  
EUR 3,058 million

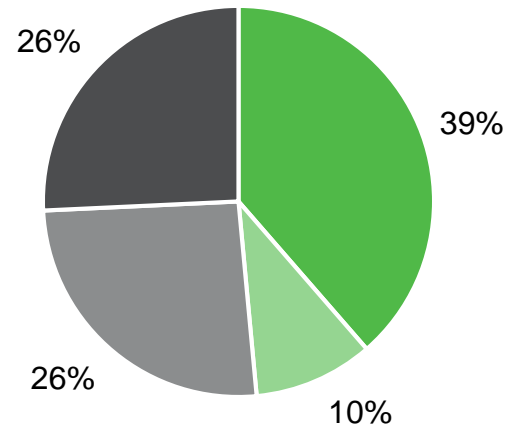
**Comparable EBITA**  
EUR 218 million

**Comparable EBITA margin**  
7.1%

**Order backlog** (on Mar 31, 2018)  
EUR 2,583 million

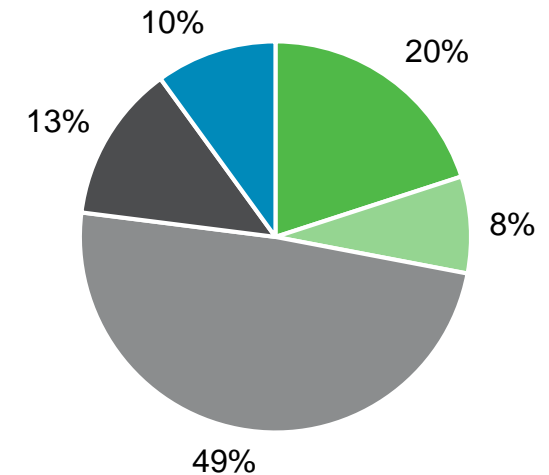
**Employees** (on Mar 31, 2018)  
12,310

Net sales by business line



- Services
- Automation
- Pulp and Energy
- Paper

Net sales by area

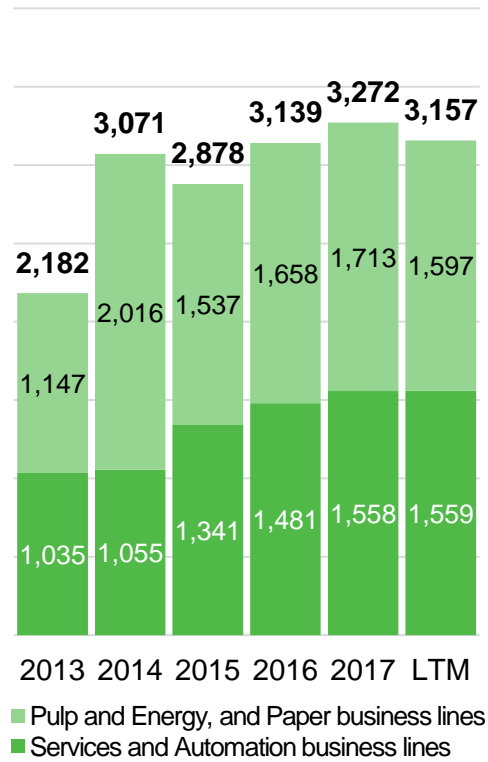


- North America
- South America
- EMEA
- China
- Asia-Pacific

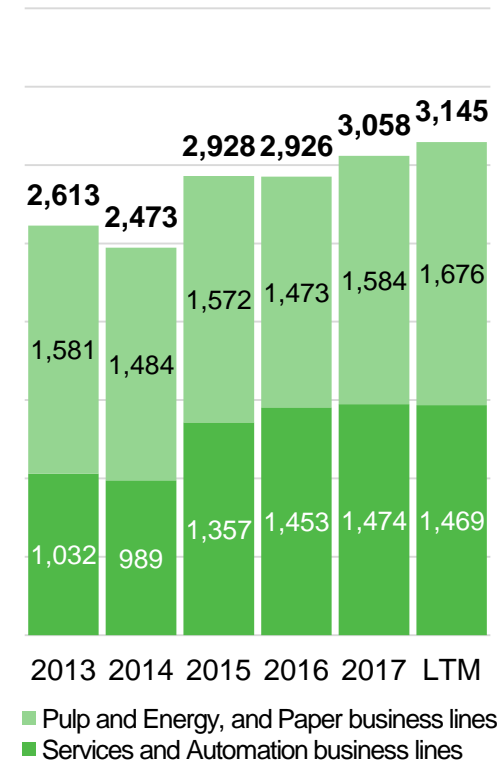
# Valmet's development

Comparable EBITA  
target 8–10%

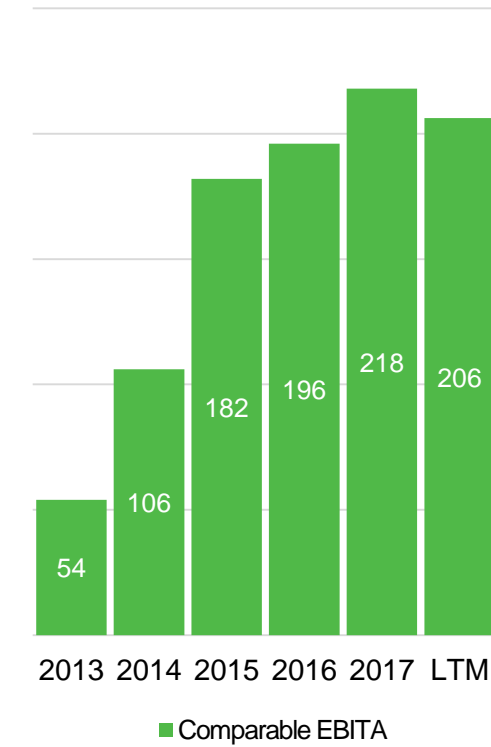
Orders received  
(EUR million)<sup>1</sup>



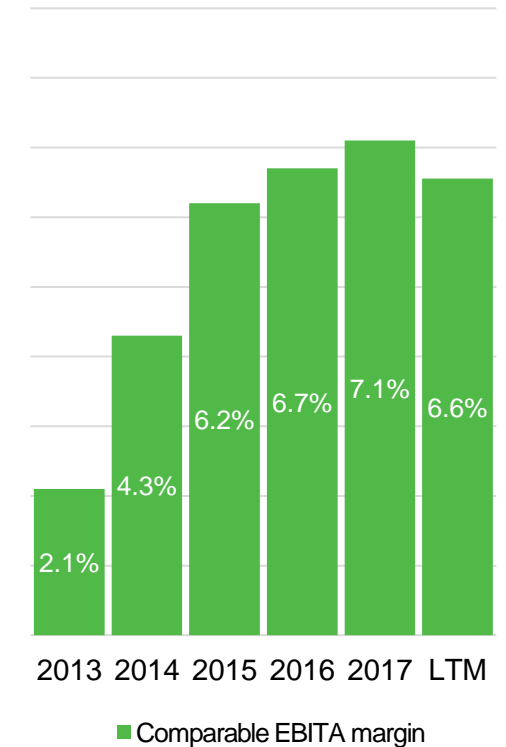
Net sales  
(EUR million)<sup>1</sup>



Comparable EBITA  
(EUR million)<sup>1</sup>



Comparable EBITA margin  
(%)<sup>1</sup>



<sup>1)</sup> 2013 figures on carve-out basis  
LTM = Last twelve months (April 1, 2017 – March 31, 2018)

# Our four business lines serve the same customer base



## Services

Mill and plant improvements, roll and workshop services, parts and fabrics, and life-cycle services



## Automation

Supplies and develops automation and information management systems, applications and services



## Pulp and Energy

Technologies and solutions for pulp production, power generation, and biomass conversion

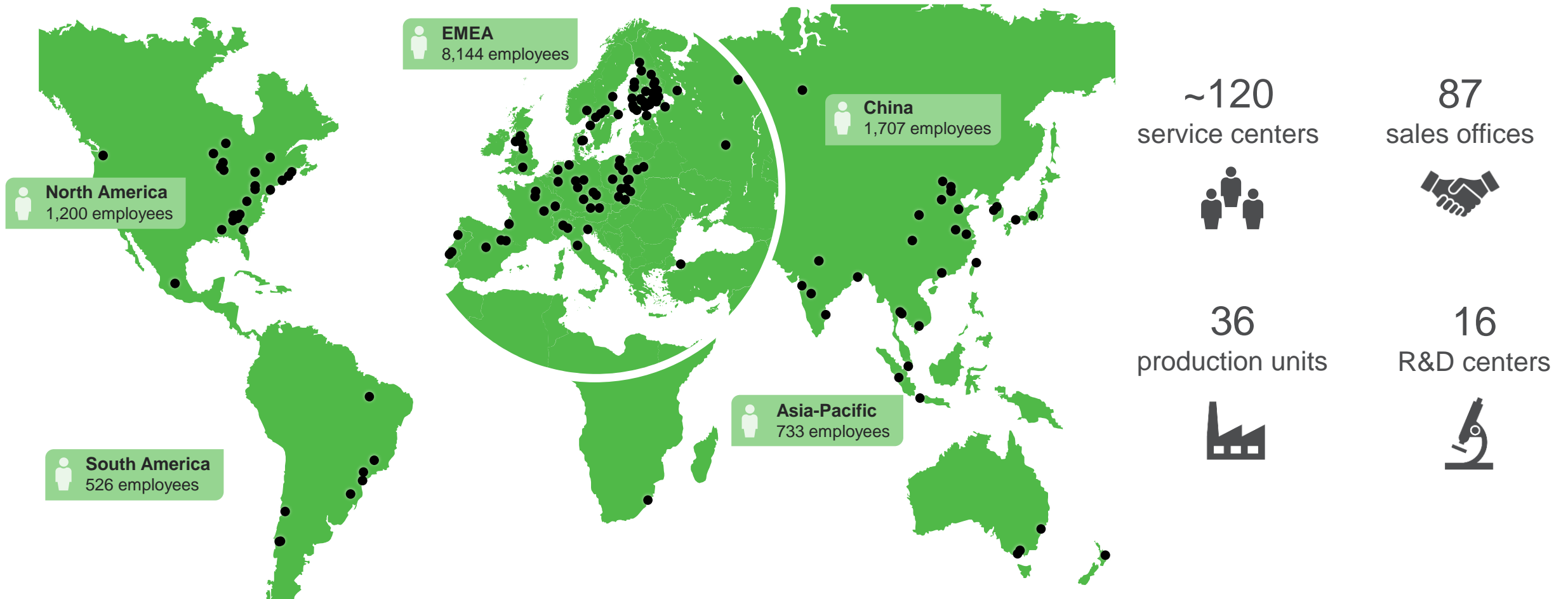


## Paper

Technologies and solutions for board, tissue, and paper

# Strong, global presence is a good platform for growth

More than 12,000 professionals at a total of 156 locations in 33 countries



Personnel as at March 31, 2018

# Process technology, services and automation

Valmet's unique offering differentiates the company from its competitors

## Paper

- Recycled fiber lines
- Tailor-made board and paper machines
- Modularized board and paper machines
- Tissue production lines
- Modernizations and grade conversions
- Standalone products

## Pulp and Energy

- Complete pulp mills
- Sections and solutions for pulp production
- Multifuel boilers
- Biomass and waste gasification
- Emission control systems
- Biotechnology solutions e.g. for producing bio fuels



Process-  
technology

Customer

## Services

- Spare parts and consumables
- Paper machine clothing and filter fabrics
- Rolls and workshop services
- Mill and plant improvements
- Maintenance outsourcing
- Services energy and environmental solutions

Services

Automation

## Automation

- Distributed control systems
- Quality control systems
- Analyzers and measurements
- Performance solutions
- Process simulators
- Safety solutions
- Industrial Internet solutions



# 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**

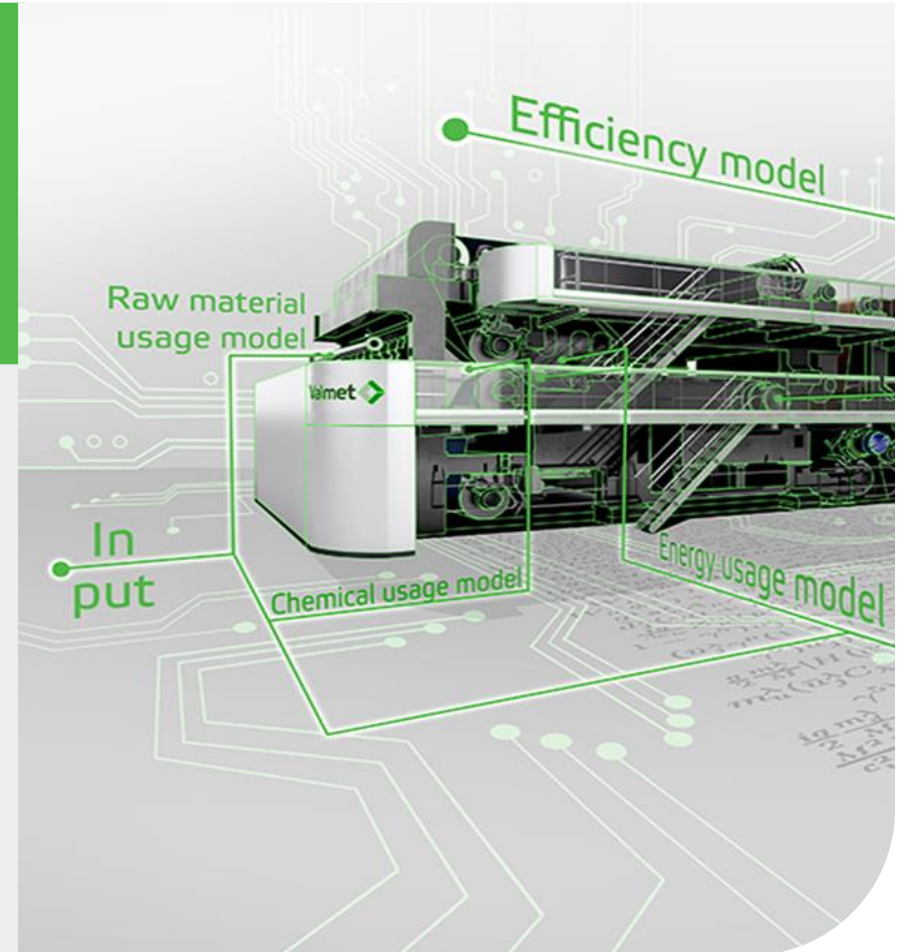
research and  
development  
centers



EUR **64** million  
R&D spending  
in 2017



**~1,500**  
protected  
inventions



# Acknowledged leader in sustainability

## 360° approach to sustainability

- In Dow Jones Sustainability Index for the fourth consecutive year
- Received Silver Class 2018 Sustainability Award
- Achieved A- rating in CDP's climate program in 2017
- In Ethibel Sustainability Index Excellence Europe



### Most material UN Sustainable Development Goals for Valmet



MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

**ROBECOSAM Sustainability Award Silver Class 2018**



**Best Annual Reports 2017**  
Report *Watch* by e.com

# 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: 8–10%

## ROCE

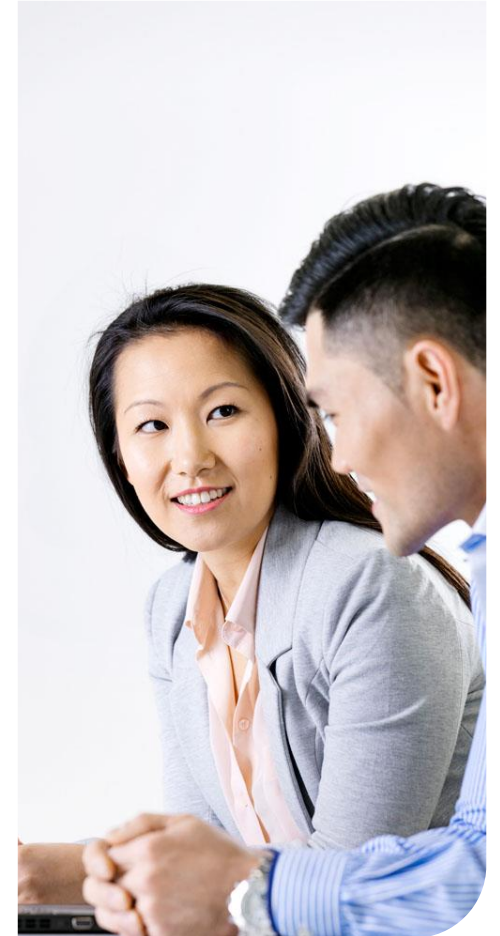


- Comparable return on capital employed (pre-tax), ROCE<sup>1</sup>: 15–20%

## Dividend policy



- Dividend payout at least 50% of net profit



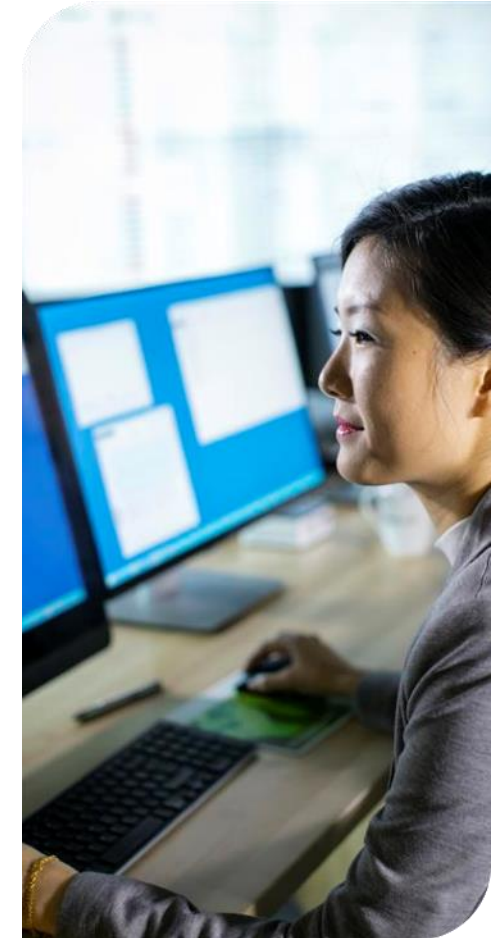
1)  $ROCE \text{ (pre-tax)} = (\text{profit before taxes} + \text{interests and other financial expenses}) / (\text{balance sheet total} - \text{non-interest-bearing liabilities})$



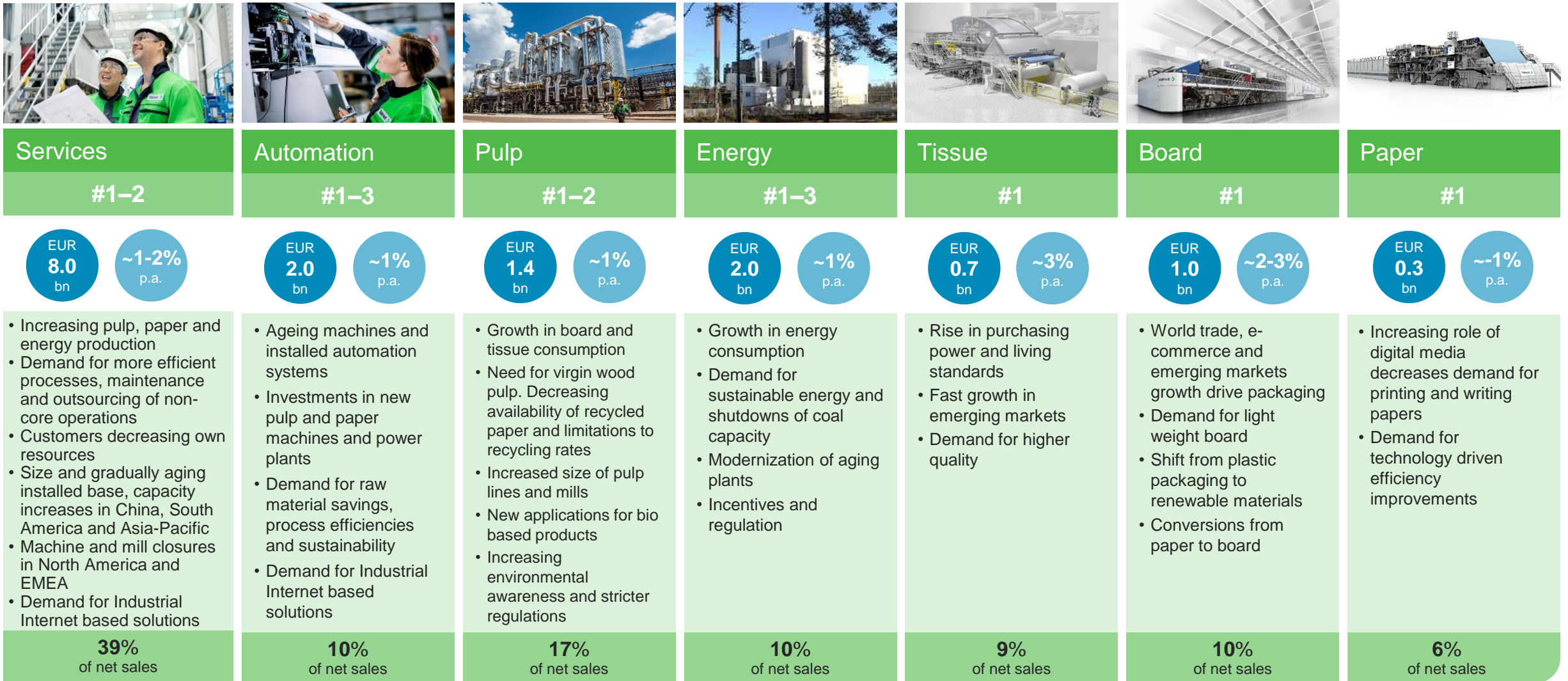
# Investment highlights

# Investment highlight summary

- 1 Strong market position in markets that grow**
- 2 Stable business, with EUR 1.5 billion of net sales, offering stability, growth and profitability**
- 3 Capital business, with flexible cost structure, offering growth and profitability potential**
- 4 Continuous systematic development**
- 5 Technology leader with unique offering**

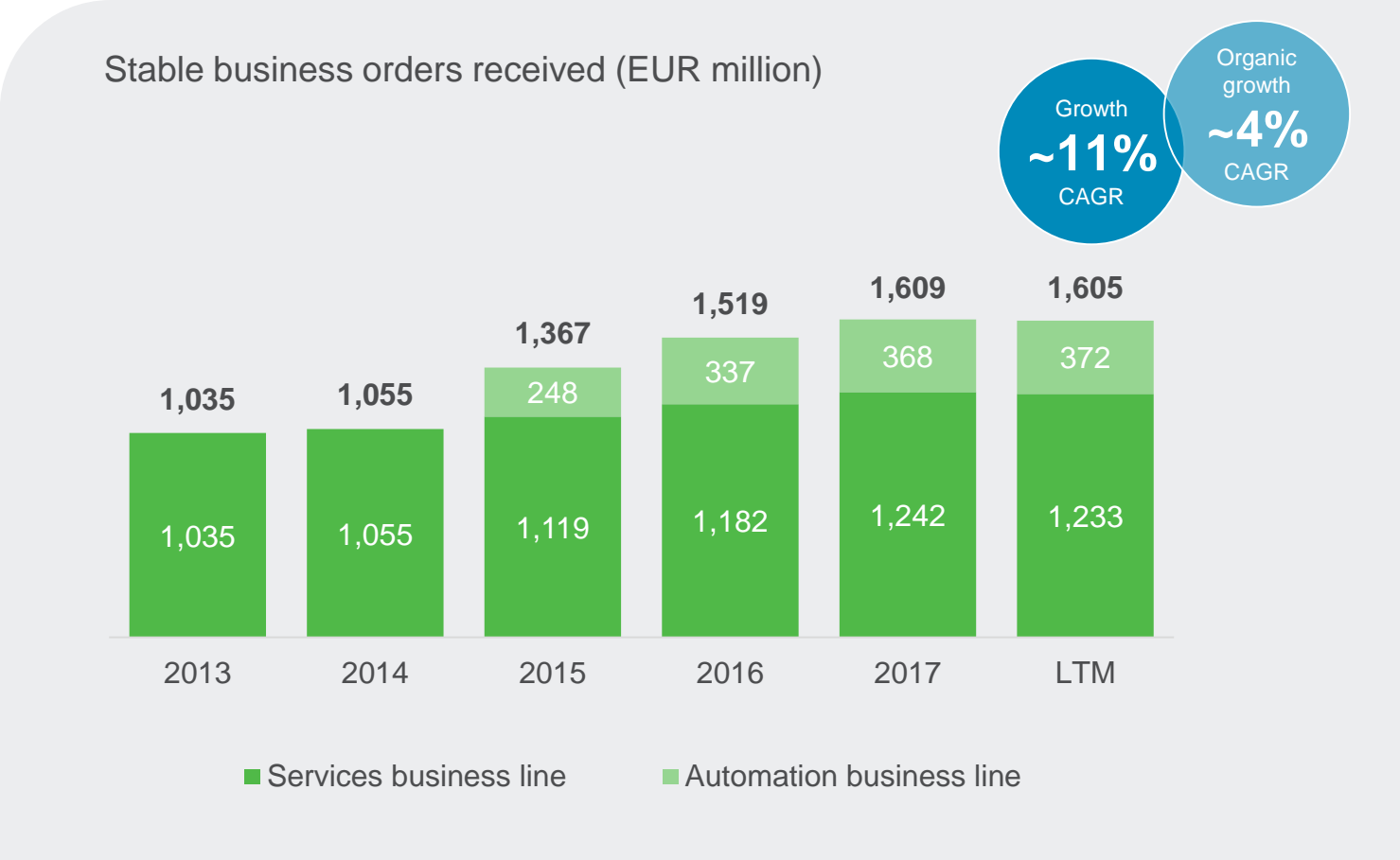


# Strong market position in markets that grow



● Estimated market size for current offering (EUR)     
 ● Anticipated long-term market growth     
  Market drivers     
    % of net sales (2017)

# Stable business, with EUR 1.5 billion of net sales, offering stability, growth and profitability



**Key potential in stable business**

- Valmet Way to Serve
- Industrial Internet

**Services**

- Strengthening the presence close to customers
- Continuous flow of new products

**Automation**

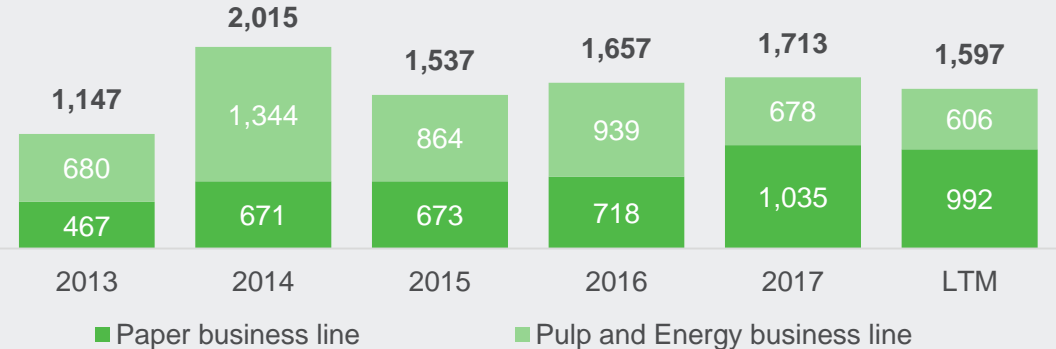
- Market share increase via competitor replacements
- Capitalizing Valmet level synergies

LTM = Last twelve months (April 1, 2017 – March 31, 2018). Automation business line figures include internal orders received.

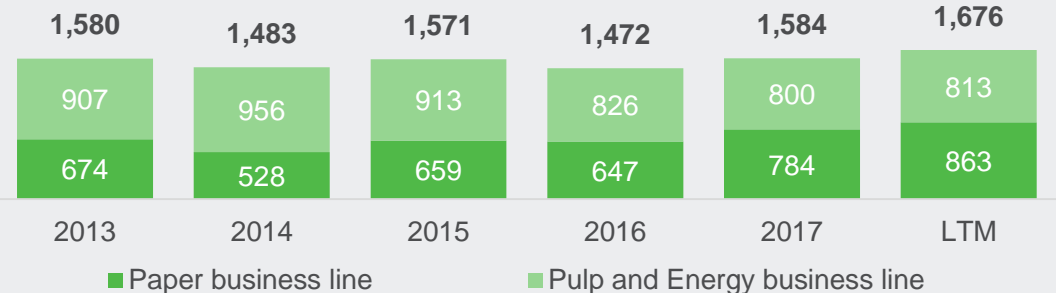


# Capital business, with flexible cost structure, offering growth and profitability potential

Orders received (EUR million)



Net sales (EUR million)



### Key potential in capital business

- Product cost competitiveness to support the growth
- Cost structure development and increasing flexibility
- Strengthen project management

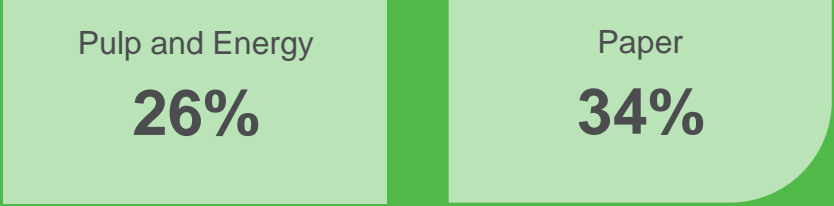
### Pulp and Energy business line

- Become market leader in Pulp
- Expand global market presence in Energy

### Paper business line

- Strengthening market position in South America
- Continue modularization and standardization

### Capacity cost to net sales (2017)



LTM = Last twelve months (April 1, 2017 – March 31, 2018)





# Continuous systematic development

## Supporting growth:

- New Valmet way to serve
- Improved sales process for complete offering

## Supporting profitability improvement:

- Reducing procurement costs
- Reducing quality costs
- Project management, R&D and ERP



# Technology leader with unique offering

## Cost-competitive, focused solutions in Paper

- 15 OptiConcept M machines sold
- 10 Advantage NTT machines sold

## Complete pulp mill delivery capability

- State-of-the-art technology for all types of pulps

## Comprehensive offering for energy customers

- Solutions for demanding fuels

## Leading the field

- New service concepts
- Constant flow of spearhead products
- Fit-for-purpose product offering
- Integration with customer operations



## A forerunner in Industrial Internet

- Serving our customers with intelligent technology, automation and services locally and remotely
- Enhancing mobility and introducing even more advanced automation technologies and embedded diagnostics

Strong focus on customer benefits



# Financials

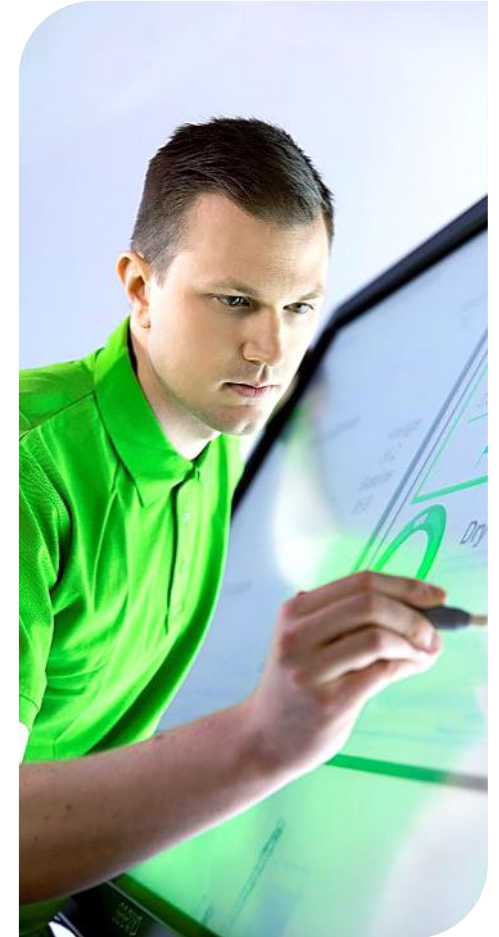
# Key figures

EUR million	Q1/2018	Q1/2017	Change	2017
Orders received	<b>890</b>	1,005	-11%	3,272
Order backlog <sup>1</sup>	<b>2,583</b>	2,704	-4%	2,458
Net sales	<b>732</b>	645	13%	3,058
Comparable EBITA	<b>22</b>	34	-36%	218
% of net sales	<b>3.0%</b>	5.3%		7.1%
EBITA	<b>19</b>	37	-49%	202
Operating profit (EBIT)	<b>12</b>	29	-60%	170
% of net sales	<b>1.6%</b>	4.5%		5.6%
Earnings per share, EUR	<b>0.05</b>	0.12	-56%	0.81
Return on capital employed (ROCE) before taxes <sup>2</sup>	<b>5%</b>	10%		14%
Cash flow provided by operating activities	<b>19</b>	94	-80%	291
Gearing <sup>1</sup>	<b>-12%</b>	-3%		-11%

Items affecting comparability: EUR -3 million in Q1/2018 (EUR 3 million in Q1/2017)

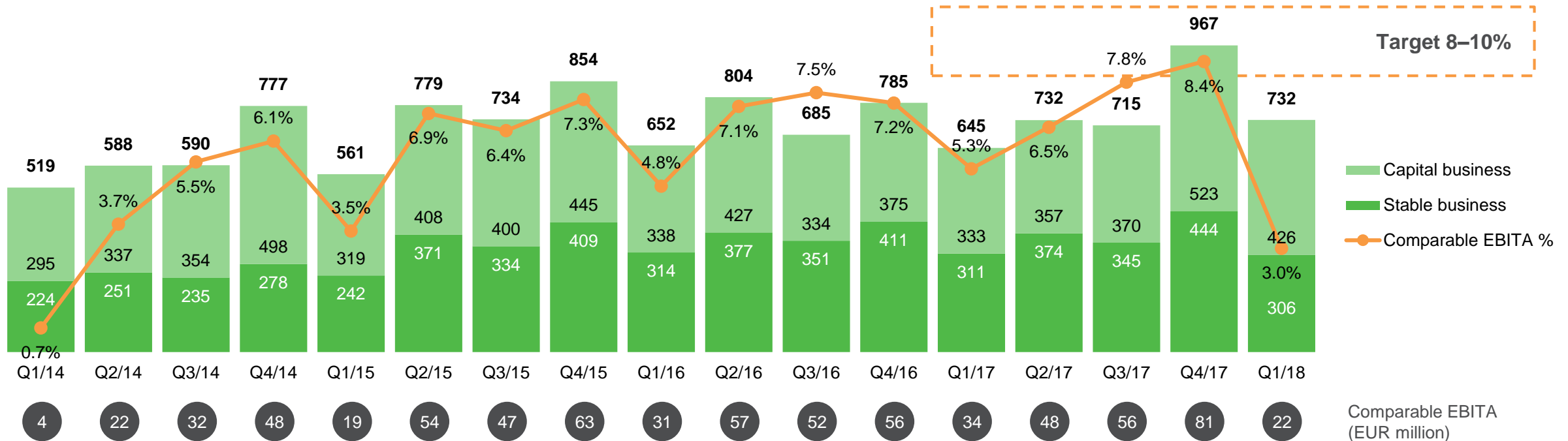
1) At the end of period

2) Annualized. In the calculation of 2017 figures, data points from 2016 that have not been restated have been used.



# Comparable EBITA margin development


Net sales and Comparable EBITA (EUR million and %)



- Net sales increased and Comparable EBITA decreased compared with Q1/2017
  - Profitability decreased due to a loss of EUR 15 million recognized in a project in the Pulp and Energy business line

# Guidance and short-term market outlook unchanged

## Guidance for 2018 (as announced on March 21, 2018)

<b>Guidance</b> 	Valmet estimates that net sales in 2018 will remain at the same level as in 2017 (EUR 3,058 million) and Comparable EBITA in 2018 will increase in comparison with 2017 (EUR 218 million).
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## Short-term market outlook

		Q2/2017	Q3/2017	Q4/2017	Q1/2018
Services		Good	Good	Good	Good
Automation		Satisfactory	Satisfactory	Good	Good
Pulp and Energy	Pulp	Weak	Weak	Weak	Weak
	Energy	Good	Satisfactory	Satisfactory	Satisfactory
Paper	Board and Paper	Good	Good	Good	Good
	Tissue	Good	Good	Good	Good

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 market position in markets that grow**

2

**Stable business, with EUR 1.5 billion of net sales, offering stability, growth and profitability**

3

**Capital business, with flexible cost structure, offering growth and profitability potential**

4

**Continuous systematic development**

5

**Technology leader with unique offering**



# 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.

# Appendix

1 Financials

2 Focus areas and actions

3 Area development

4 Shareholders, share price development and sustainability

5 Strategy and offering

6 Management

