

Orders received increased to EUR 4.0 billion and Comparable EBITA to EUR 316 million in 2019

Financial Statements Review 2019 and new financial targets

February 5, 2020

Pasi Laine, President and CEO

Kari Saarinen, CFO

Agenda

Financial Statements Review 2019

- 1 2019 in brief
- 2 Development of the business lines
- 3 Financial development
- 4 Dividend proposal, guidance and short-term market outlook
- 5 New financial targets



2019 in brief

2019 in brief

- Orders received increased to EUR 1,875 million in stable business¹
- Orders received remained at the previous year's level at EUR 2,168 million in capital business²
- Net sales increased to EUR 3,547 million
- Order backlog increased to EUR 3.3 billion
- Comparable EBITA increased to EUR 316 million and margin was 8.9%
- Gearing was -9%

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

GL&V and J&L Fiber Services Inc. have been consolidated into Valmet's financials as of the acquisition dates, i.e. April 1, 2019 and May 1, 2019 respectively.

1) Stable business = Services business line and Automation business line. For Automation, this figure includes internal orders received from other business lines.

2) Capital business = Pulp and Energy business line and Paper business line

Valmet in 2019

Orders received
EUR 3,986 million

Net sales
EUR 3,547 million

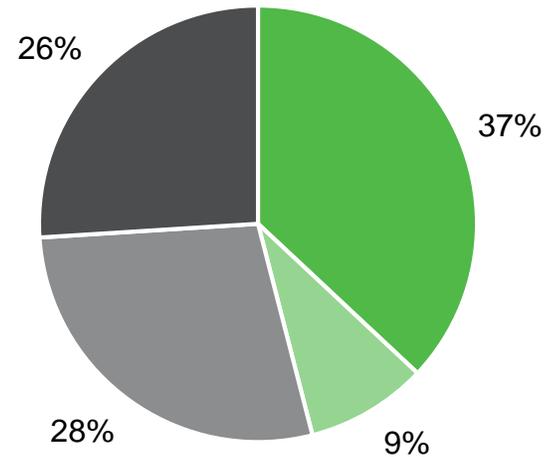
Comparable EBITA
EUR 316 million

Comparable EBITA margin
8.9%

Order backlog
EUR 3,333 million

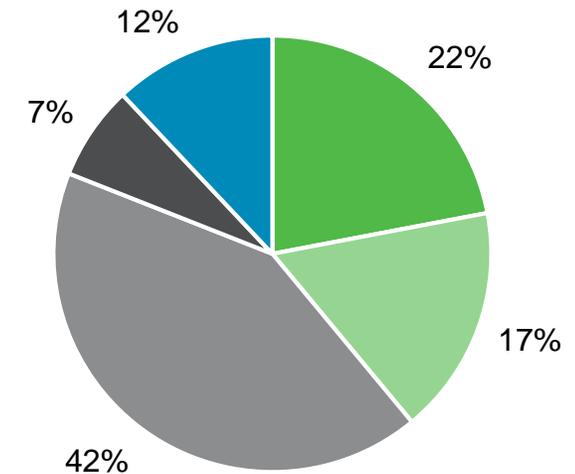
Employees
13,598

Orders received by business line



- Services
- Automation
- Pulp and Energy
- Paper

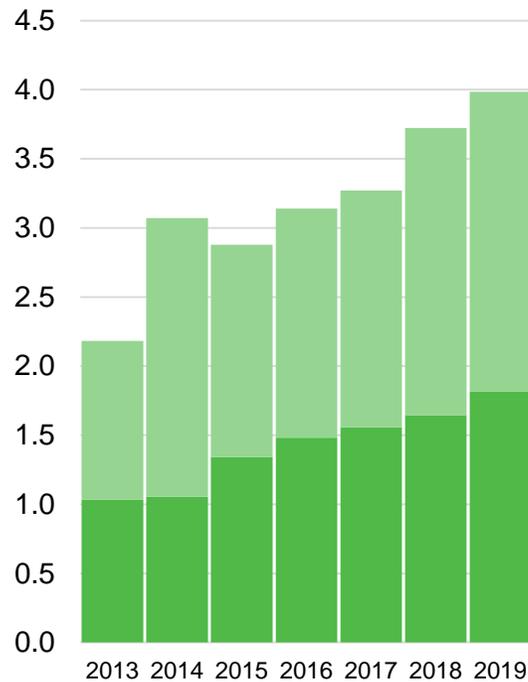
Orders received by area



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

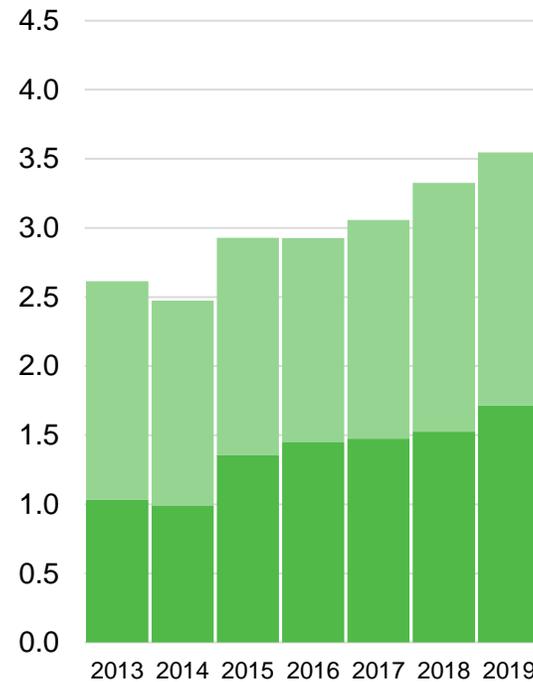
Valmet's development since 2013

Orders received
(EUR billion)



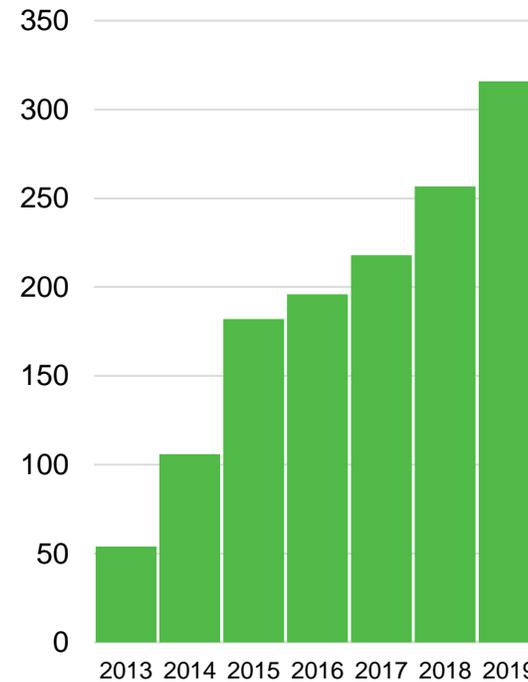
■ Pulp and Energy, and Paper business lines
■ Services and Automation business lines

Net sales
(EUR billion)



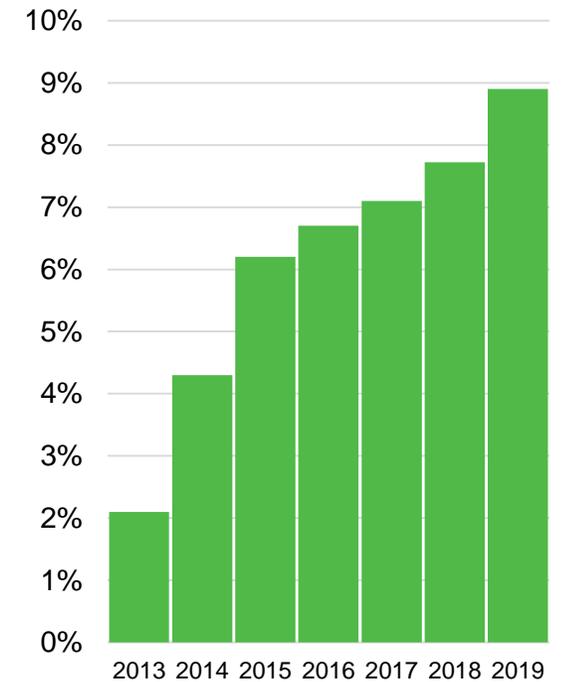
■ Pulp and Energy, and Paper business lines
■ Services and Automation business lines

Comparable EBITA
(EUR million)



■ Comparable EBITA

Comparable EBITA margin
(%)

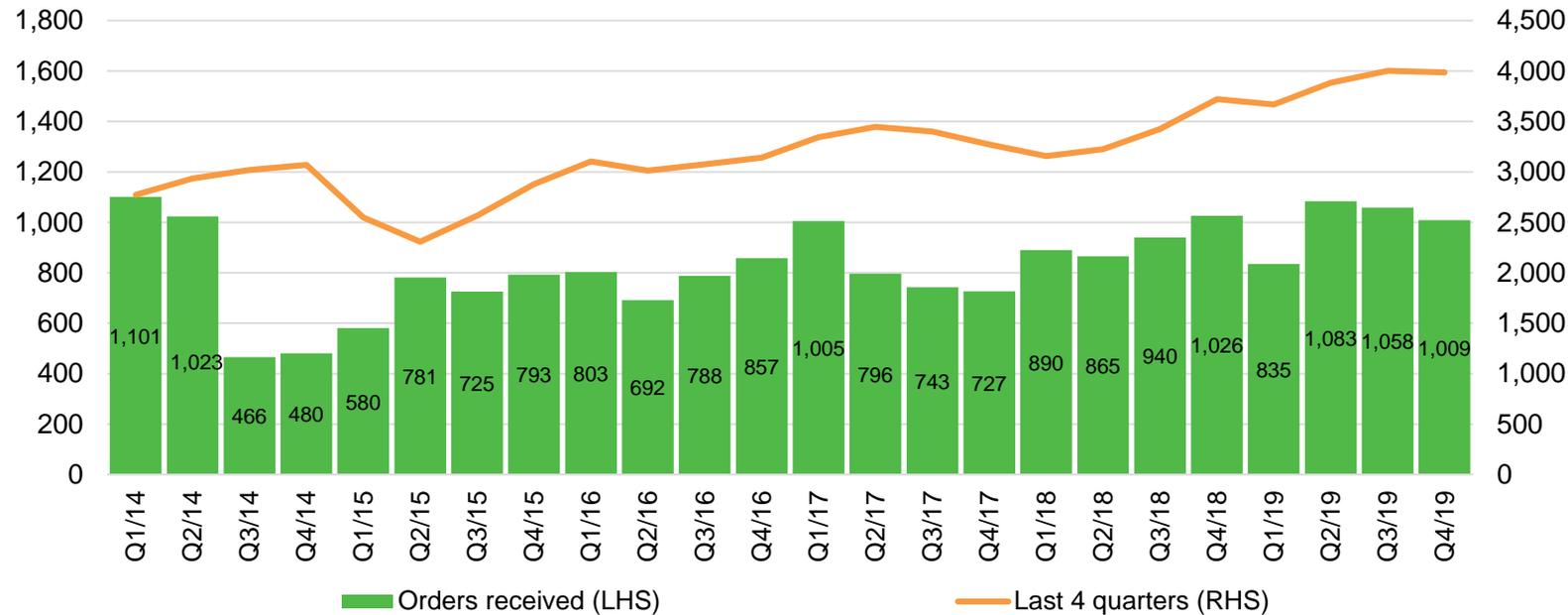


■ Comparable EBITA margin

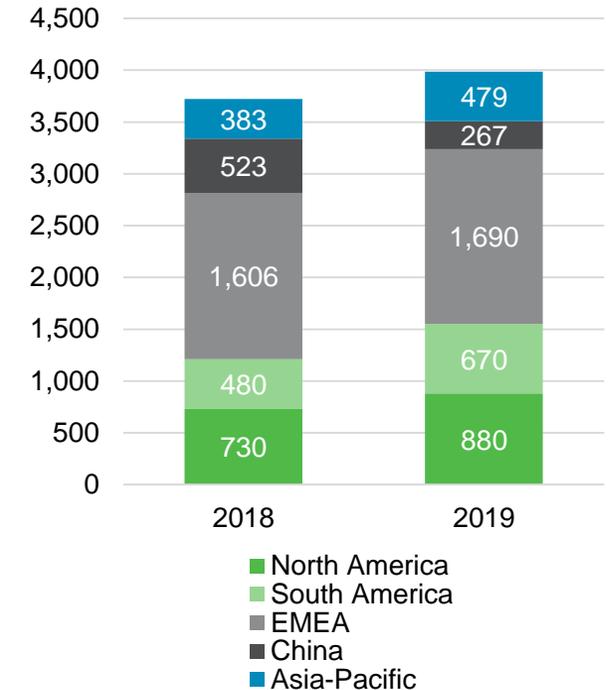
2013 figures on carve-out basis

Orders received increased to EUR 3,986 million in 2019

Orders received (EUR million)



Orders received by area (EUR million)

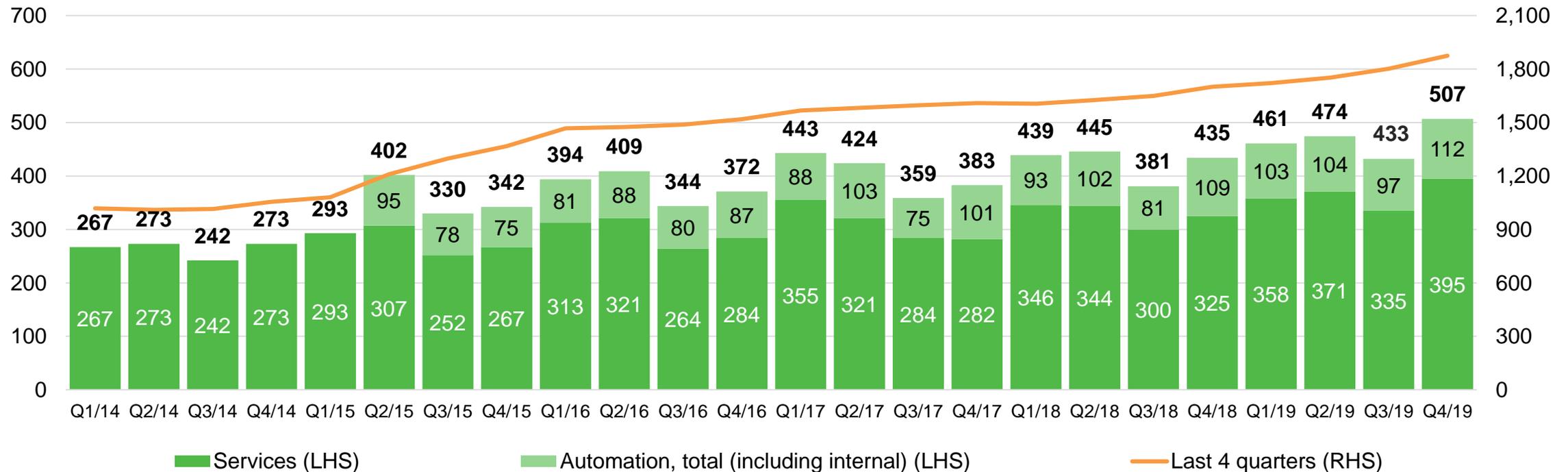


- In stable business, orders received increased to EUR 1,875 million in 2019¹
- In capital business, orders received remained at the previous year's level at EUR 2,168 million in 2019
- Orders received increased in developed markets and remained at the previous year's level in emerging markets in 2019
 - South America, China and Asia-Pacific together accounted for 36% of orders received

1) Including internal orders received for the Automation business line.

Stable business orders received totaled EUR 1,875 million in 2019

Orders received (EUR million) in stable business¹

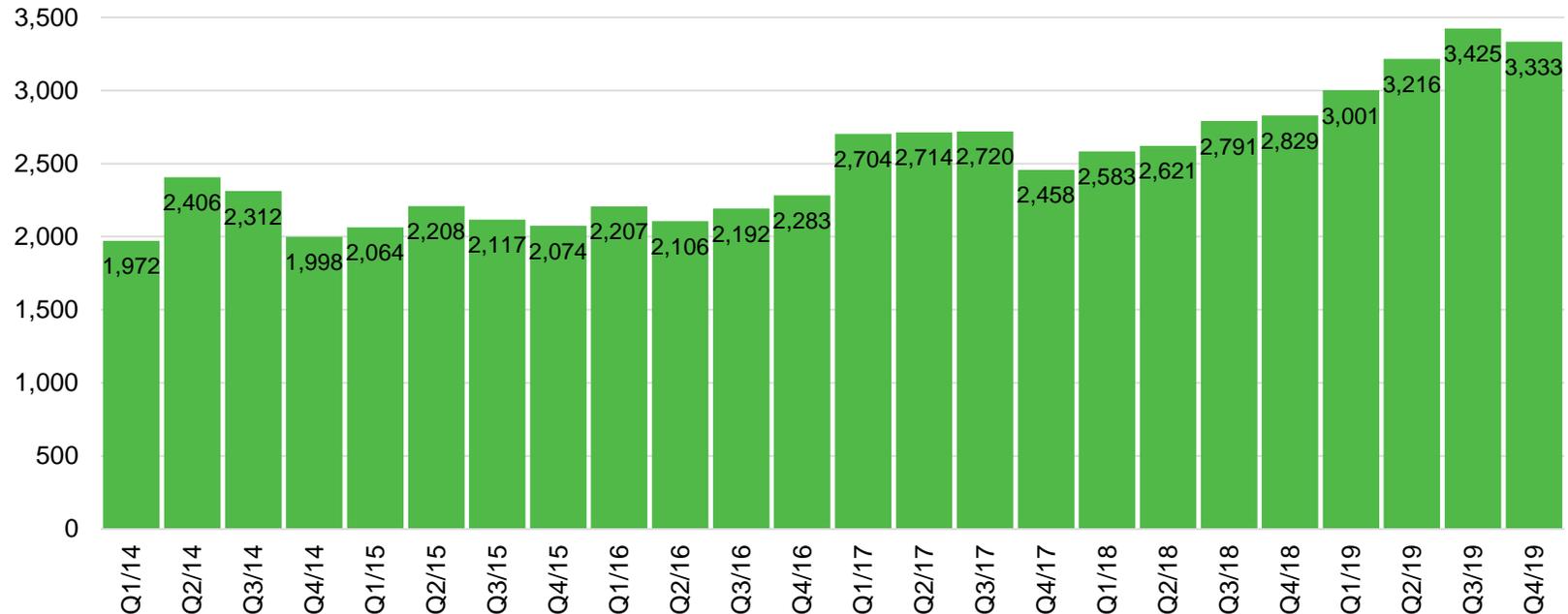


- Total orders received in stable business increased by EUR 174 million in 2019

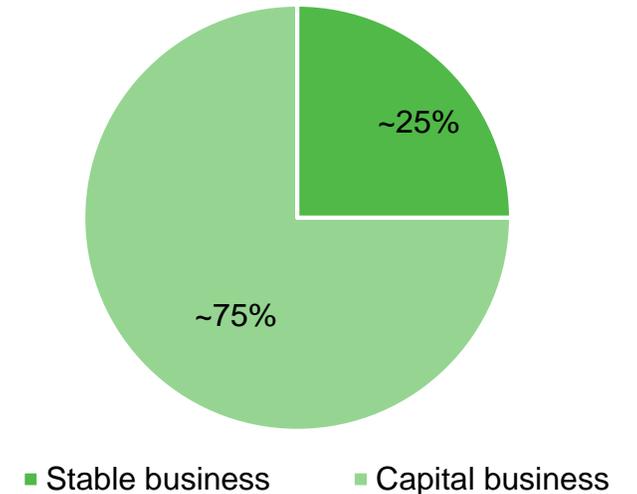
1) Including internal orders received for the Automation business line.

Order backlog at EUR 3,333 million at the end of 2019

Order backlog (EUR million)



Structure of order backlog



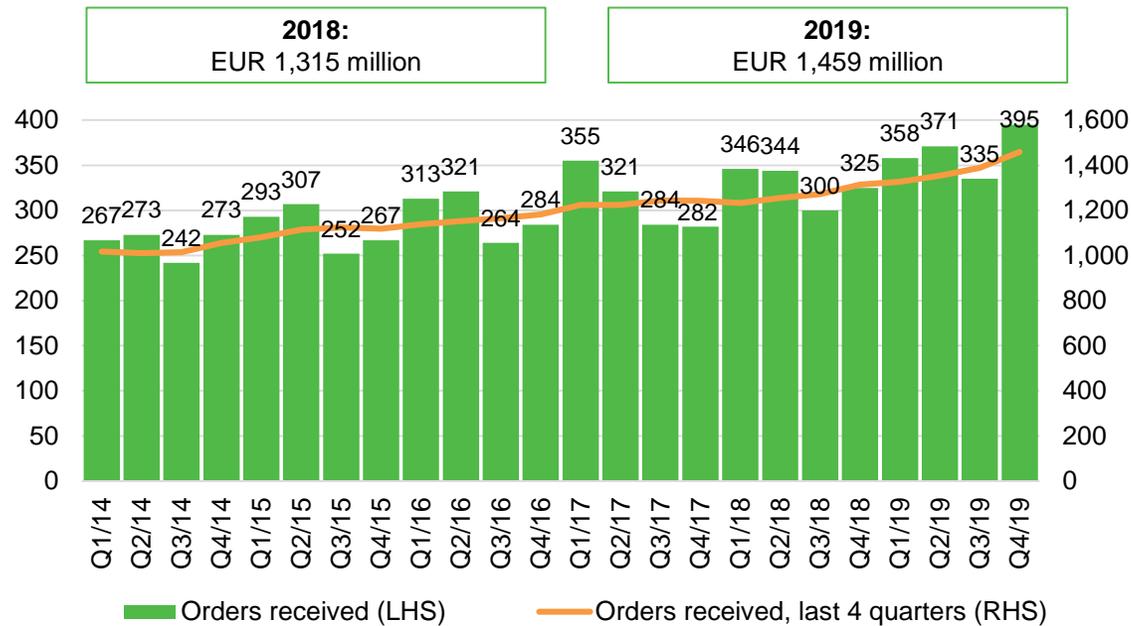
- Order backlog was EUR 92 million lower than at the end of Q3/2019 level and EUR 505 higher than at the end of 2018
- Approximately 70% of the order backlog is currently expected to be realized as net sales during 2020 (at the end of 2018, ~75% during 2019)
- Approximately 25% of the order backlog relates to stable business (~25% at the end of 2018)



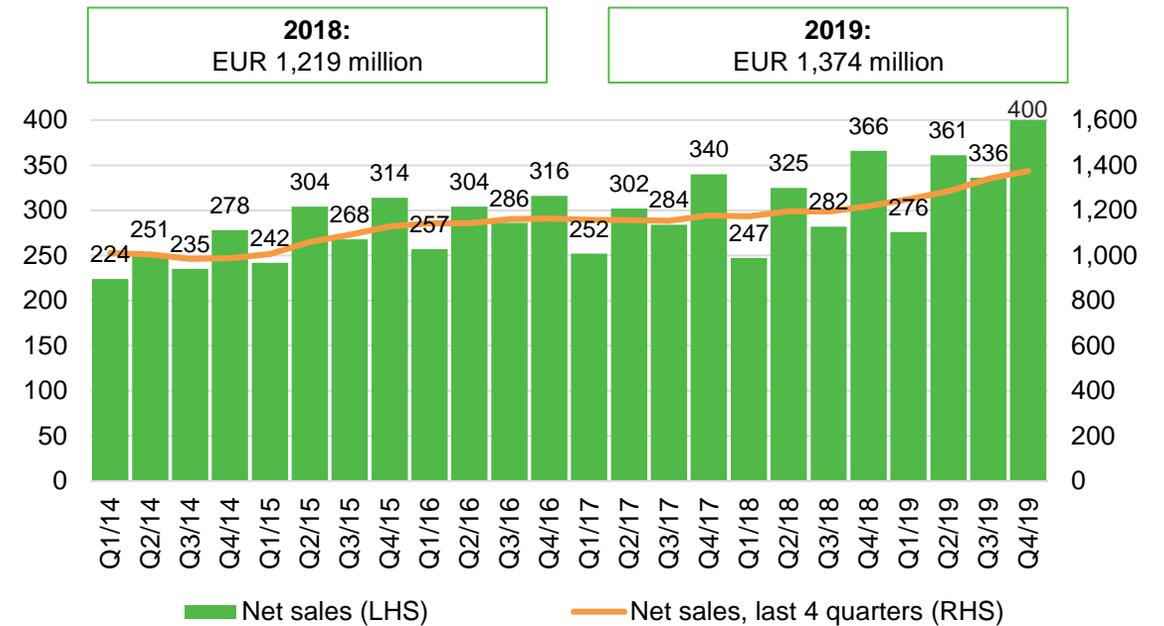
Development of the business lines

Services: Orders received increased to EUR 1,459 million in 2019

Orders received (EUR million)



Net sales (EUR million)



- Orders received increased compared with Q4/2018
 - Orders received of the acquired businesses amounted to EUR 41 million in Q4/2019 and EUR 117 million in Q2-Q4/2019
 - Orders received increased in North America and EMEA, and remained at the previous year's level in China, Asia-Pacific and South America
 - Orders received increased in Energy and Environmental and Performance Parts, remained at the previous year's level in Mill Improvements and Fabrics, and decreased in Rolls
- Net sales increased compared with Q4/2018
 - Net sales of the acquired businesses amounted to EUR 40 million in Q4/2019 and EUR 115 million in Q2-Q4/2019



Services business line in 2019

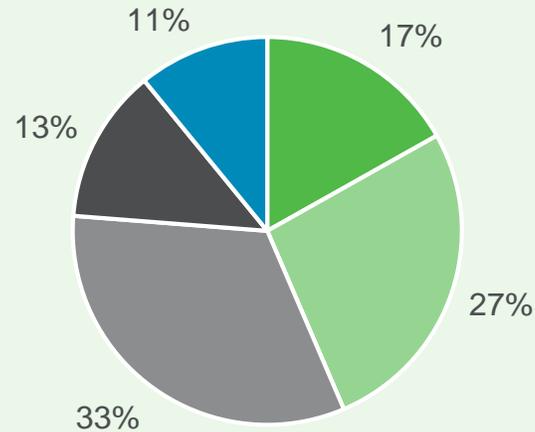
Orders received
EUR 1,459 million

Net sales
EUR 1,374 million

Employees
6,461

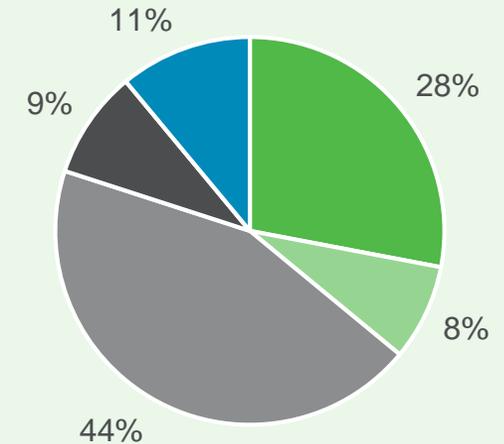
Market position
#1–2 Services

Orders received by business



- Rolls
- Mill Improvements
- Performance Parts
- Fabrics
- Energy and Environmental

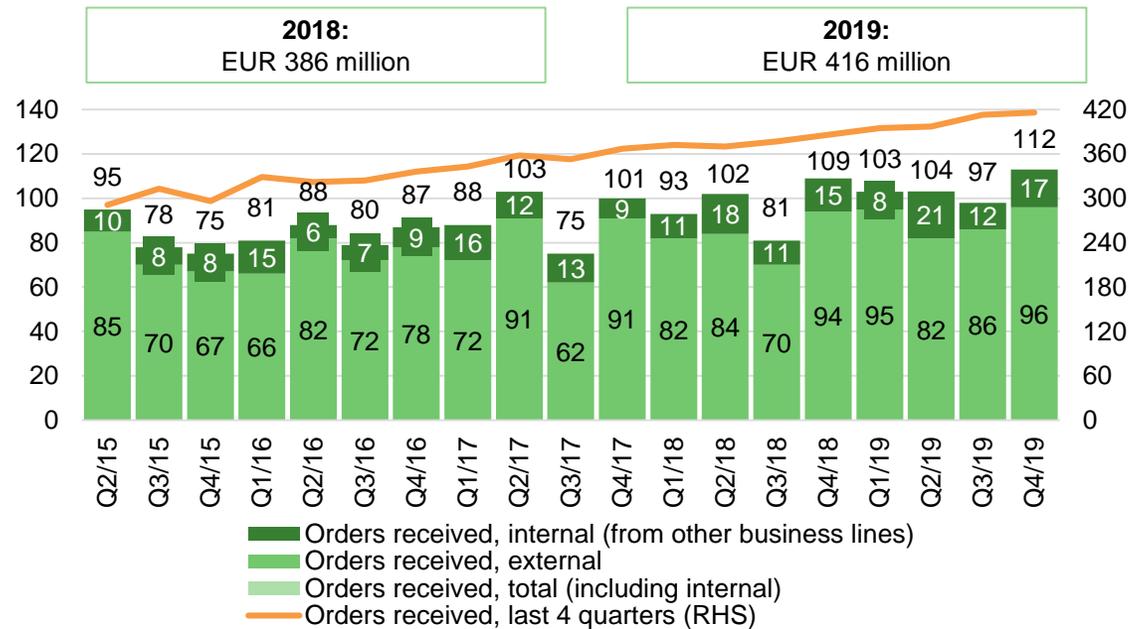
Orders received by area



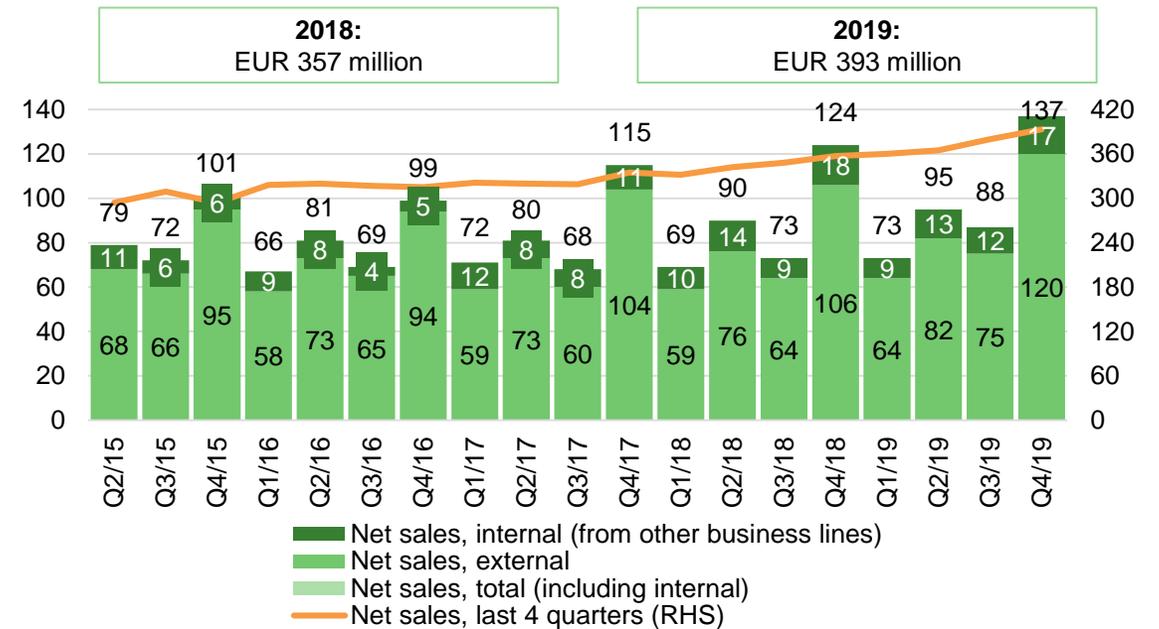
- North America
- South America
- EMEA
- China
- Asia-Pacific

Automation¹: Orders received increased to EUR 416 million in 2019

Orders received (EUR million)



Net sales (EUR million)



- Orders received remained at the previous year's level compared with Q4/2018
 - Orders received increased in Asia-Pacific and China, remained at the previous year's level in EMEA and North America, and decreased in South America.
 - Orders received increased in Pulp and Paper, and decreased in Energy and Process
- Net sales increased compared with Q4/2018



1) Comments refer to orders received and net sales including also internal orders received and internal net sales.

Automation business line in 2019

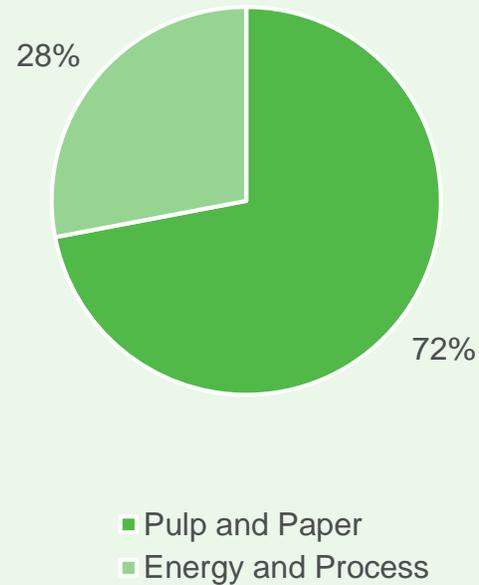
Orders received¹
EUR 416 million

Net sales¹
EUR 393 million

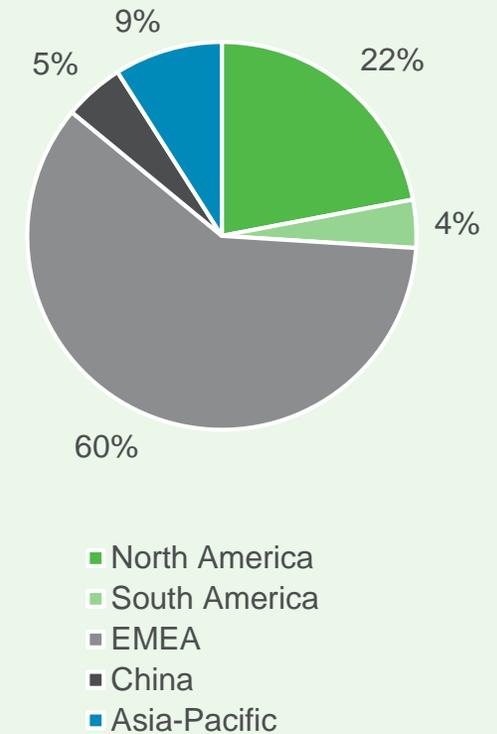
Employees
1,908

Market position
#1–2 Pulp and Paper
#2–4 Energy and Process

Orders received by business



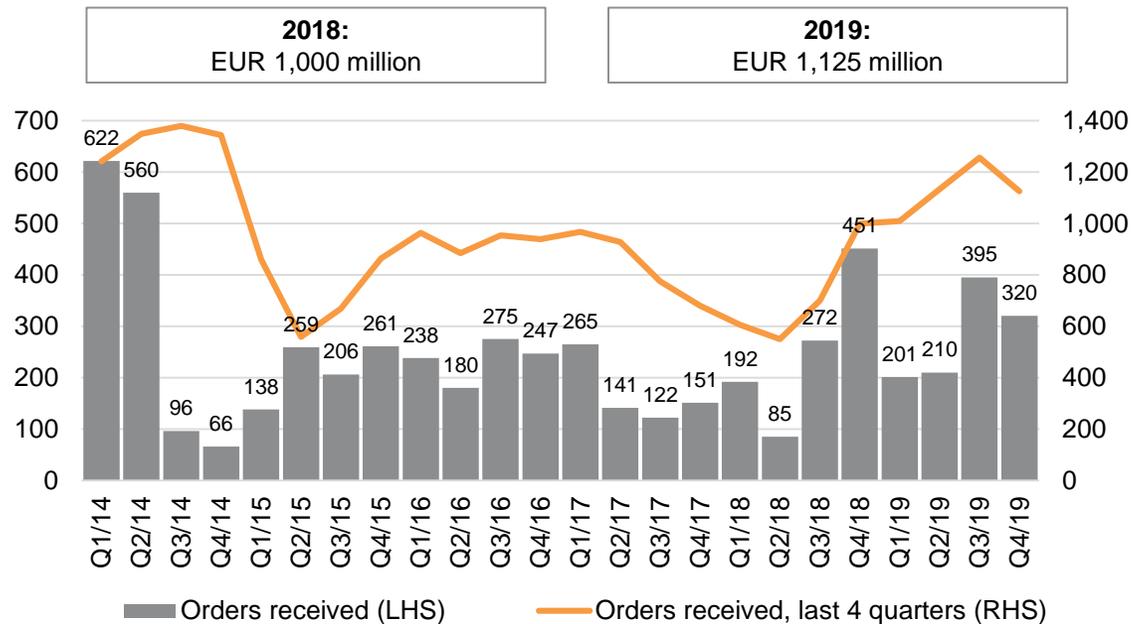
Orders received by area



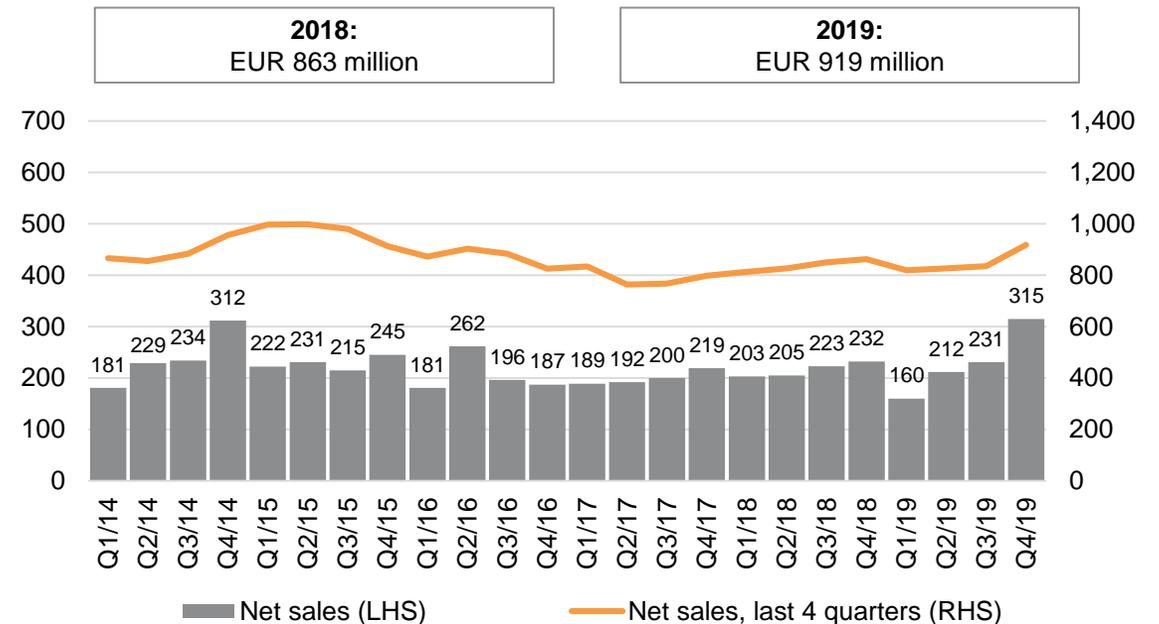
1) Orders received EUR 416 million includes internal orders received and net sales EUR 393 million includes internal net sales.

Pulp and Energy: Orders received increased to EUR 1,125 million in 2019

Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with Q4/2018
 - Orders received increased in North America and EMEA, and decreased in South America, China and Asia-Pacific
 - Orders received increased in Pulp and decreased in Energy
 - Marine scrubber orders received were EUR 15 million in Q4/2019 and EUR 127 million during 2019
- Net sales increased compared with Q4/2018
 - Net sales increased in South America, North America and China, and decreased in EMEA and Asia-Pacific



Pulp and Energy business line in 2019

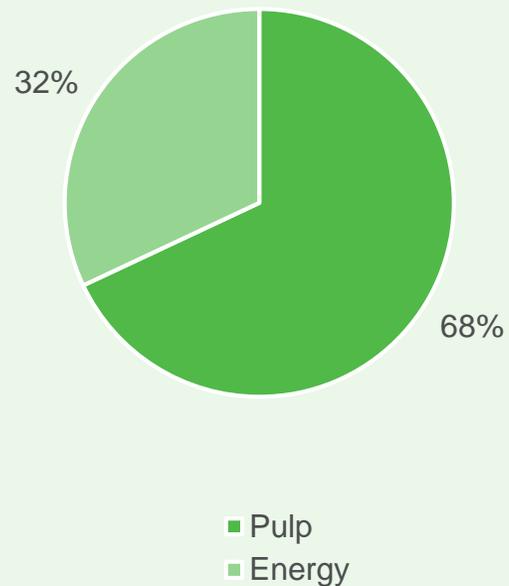
Orders received
EUR 1,125 million

Net sales
EUR 919 million

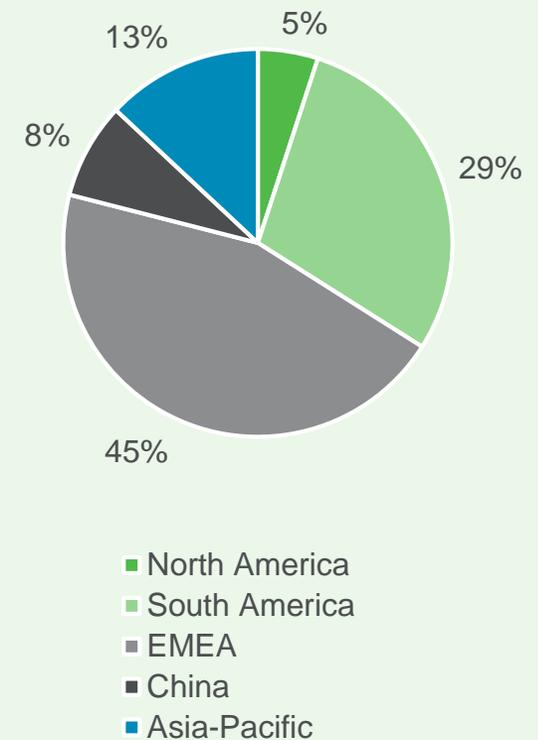
Employees
1,788

Market position
#1–2 Pulp
#1–3 Energy

Orders received by business

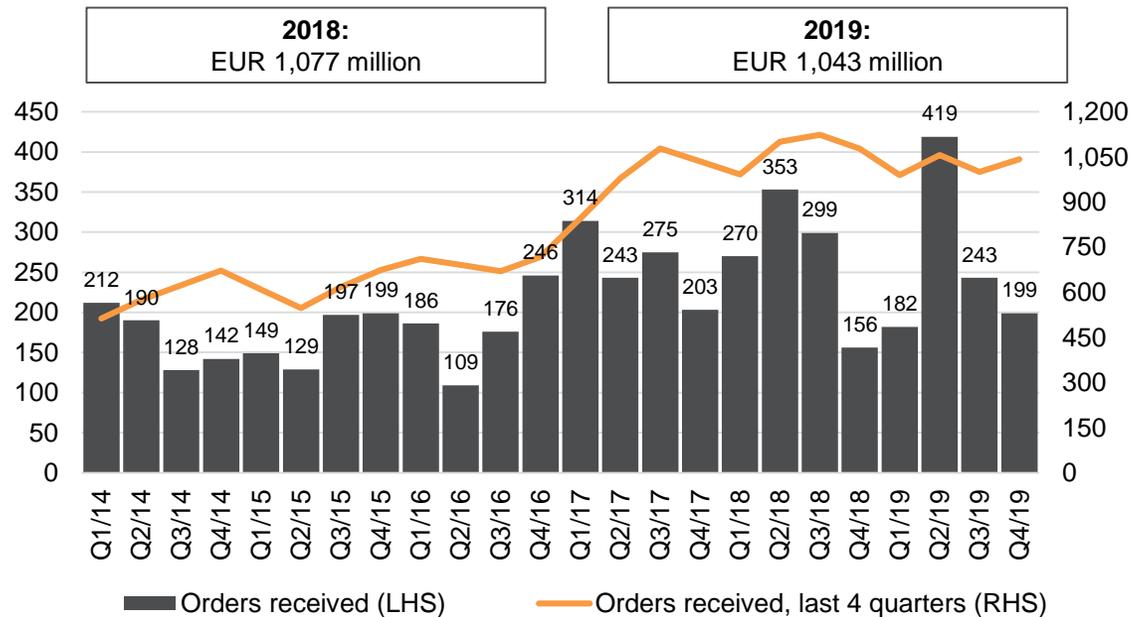


Orders received by area

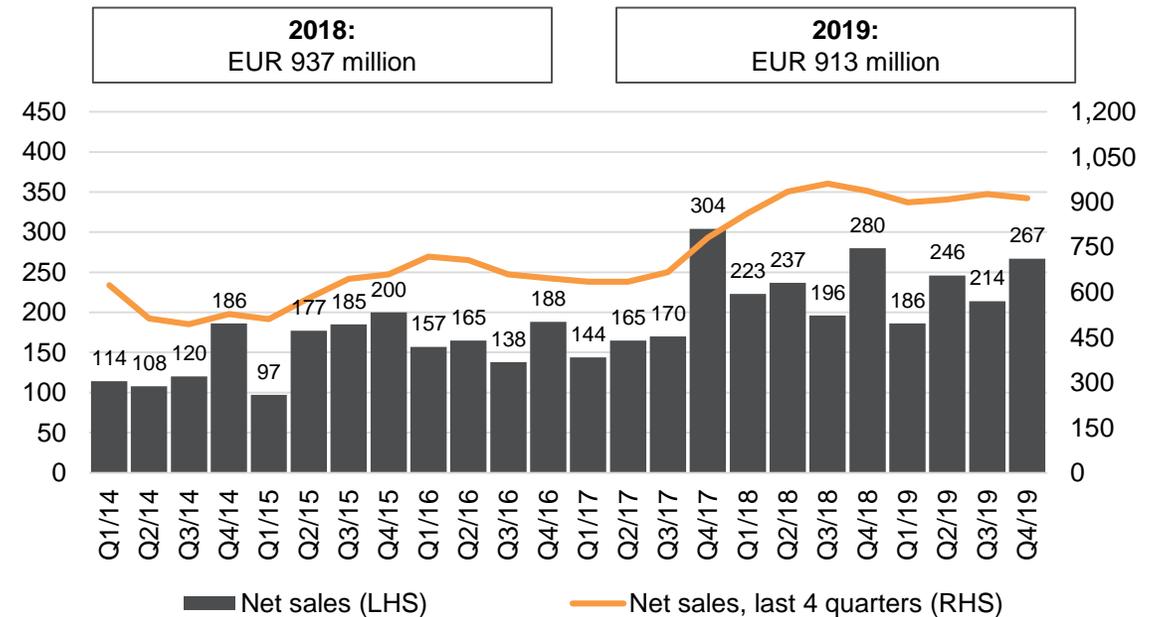


Paper: Orders received remained at the previous year's level at EUR 1,043 million in 2019

Orders received (EUR million)



Net sales (EUR million)



- Orders received increased compared with Q4/2018
 - Orders received increased in South America and North America, and decreased in Asia-Pacific, China and EMEA
 - Orders received increased in Tissue, and decreased in Board and Paper
- Net sales remained at the previous year's level compared with Q4/2018



Paper business line in 2019

Orders received
EUR 1,043 million

Net sales
EUR 913 million

Employees
2,908

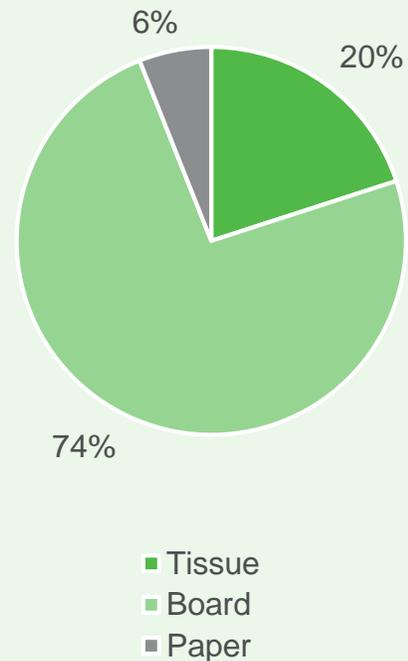
Market position

#1 Tissue

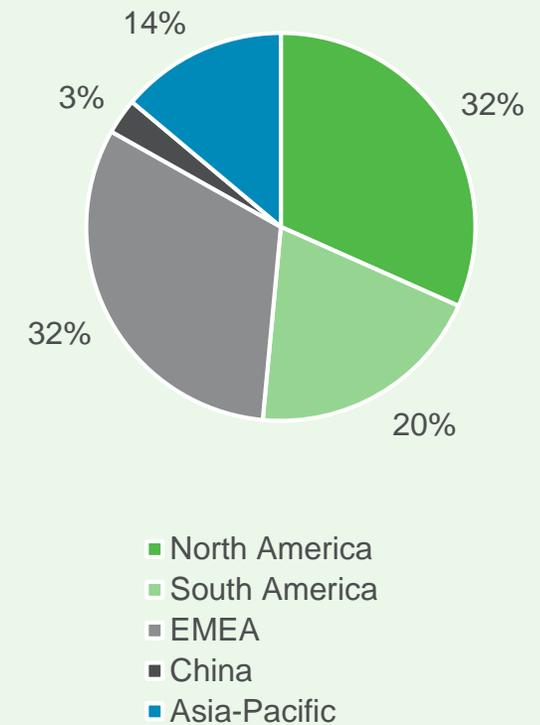
#1 Board

#1 Paper

Orders received by business



Orders received by area





Financial development

Q4/2019 in brief

- Orders received increased to EUR 507 million in stable business¹
- Orders received decreased to EUR 519 million in capital business²
- Net sales increased to EUR 1,103 million
- Order backlog increased to EUR 3.3 billion
- Comparable EBITA remained at the previous year's level at EUR 118 million and margin was 10.7%
- Gearing was -9%

1) Stable business = Services business line and Automation business line. For Automation, this figure includes internal orders received from other business lines.

2) Capital business = Pulp and Energy business line and Paper business line

Key figures

EUR million	Q4/2019	Q4/2018	Change	2019	2018	Change
Orders received	1,009	1,026	-2%	3,986	3,722	7%
Order backlog ¹	3,333	2,829	18%	3,333	2,829	18%
Net sales	1,103	984	12%	3,547	3,325	7%
Comparable EBITA	118	113	4%	316	257	23%
% of net sales	10.7%	11.5%		8.9%	7.7%	
EBITA	119	110	8%	315	241	31%
Operating profit (EBIT)	110	102	7%	281	211	33%
% of net sales	9.9%	10.4%		7.9%	6.4%	
Earnings per share, EUR	0.54	0.49	10%	1.35	1.01	33%
Return on capital employed (ROCE) before taxes ²				23%	19%	
Cash flow provided by operating activities	182	143	28%	295	284	4%
Gearing ¹				-9%	-23%	

Items affecting comparability: EUR 1 million in Q4/2019 (EUR -3 million in Q4/2018), EUR -1 million in 2019 (EUR -16 million in 2018)

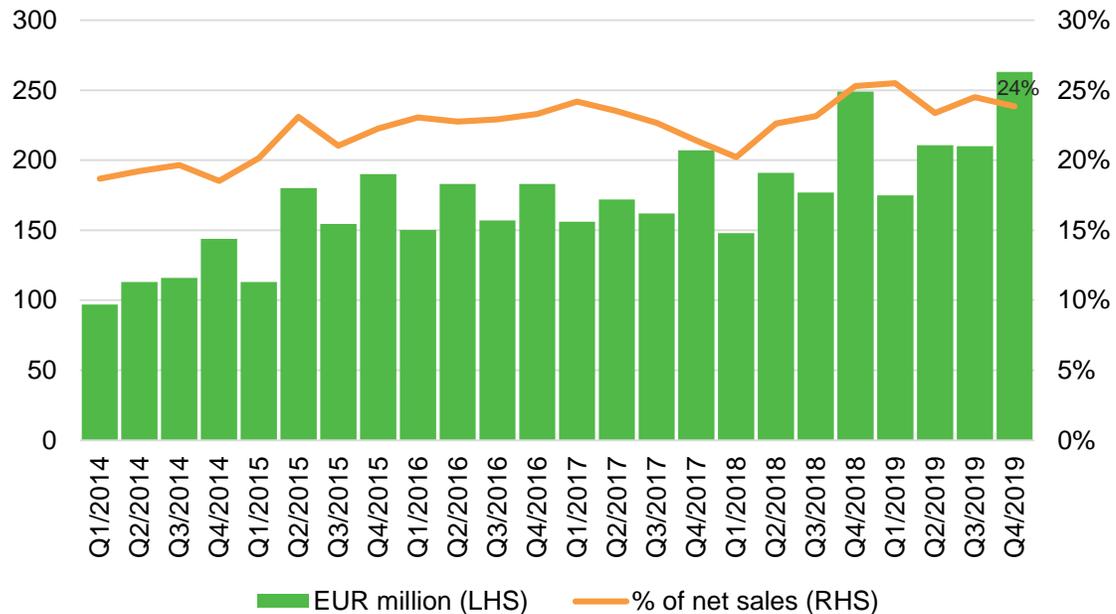
Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

1) At the end of period

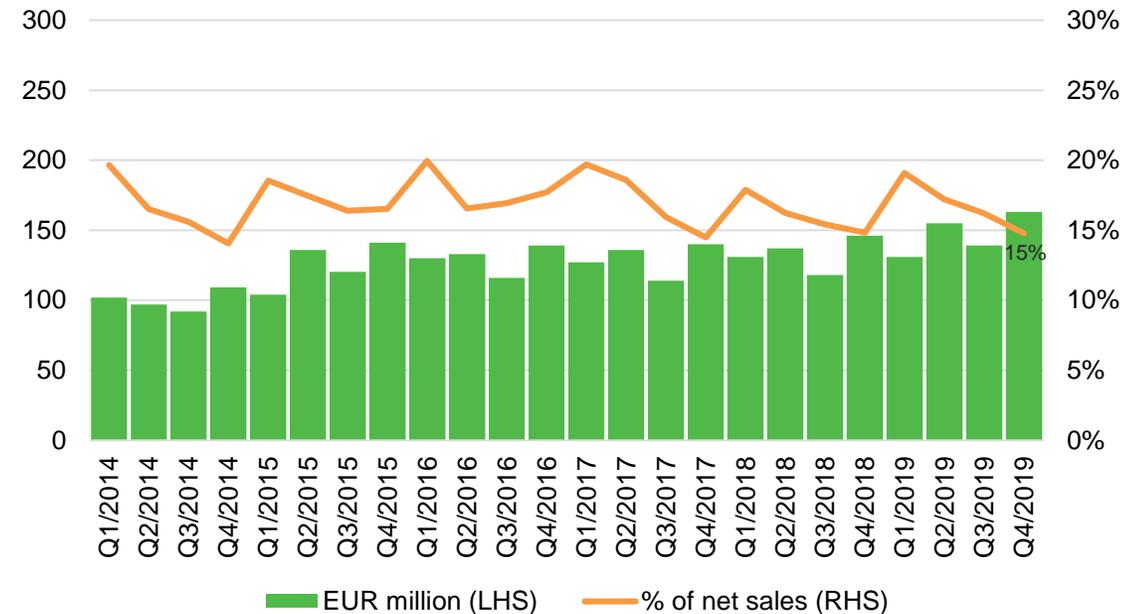
2) Annualized

Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



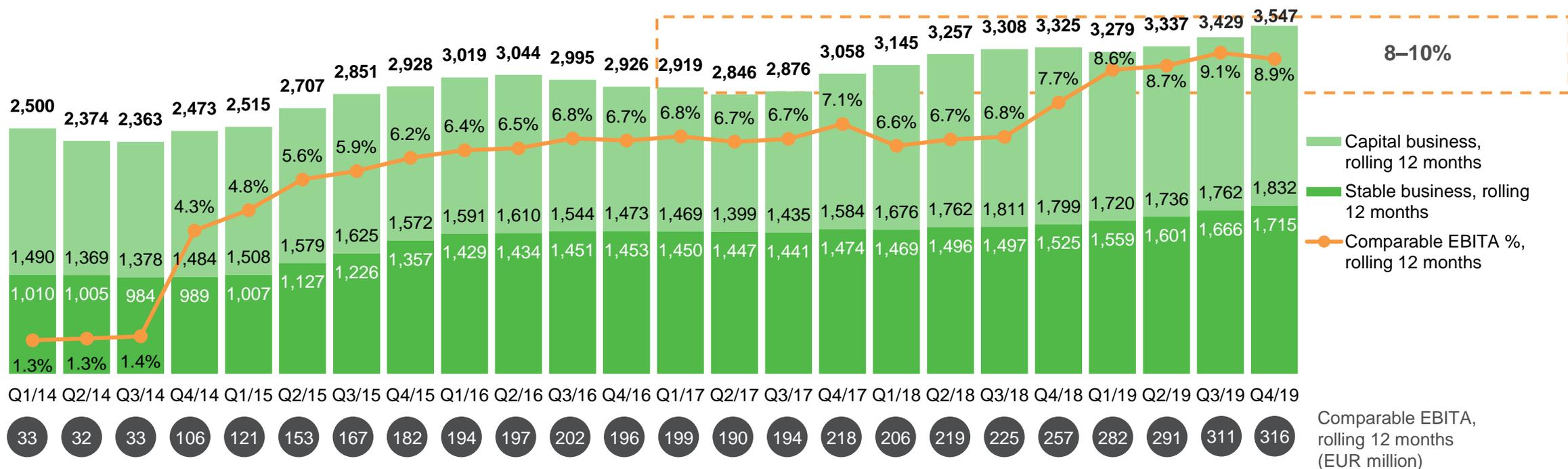
SG&A (EUR million and % of net sales)



- Gross profit was 24% of net sales (25% in Q4/2018)
- Selling, general & administrative (SG&A) expenses increased
 - Over 60% of SG&A increase coming from the acquired businesses
 - SG&A was 15% of net sales (15% in Q4/2018)

Comparable EBITA margin¹ four consecutive quarters between 8-10%

Net sales and Comparable EBITA, rolling 12 months (EUR million and %)¹

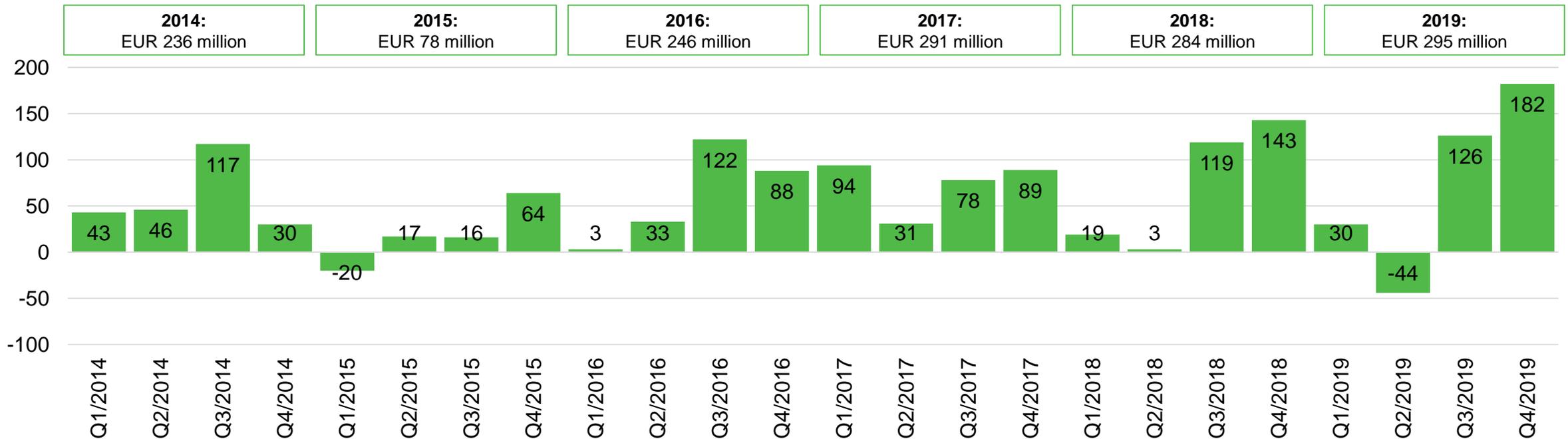


- Q4/2019 net sales increased and Comparable EBITA remained at the previous year's level compared with Q4/2018
- Profitability remained at the previous year's level

1) Rolling 12 months. Carve-out figures for 2013 have been used in the calculation of Q1–Q3/2014 figures. In the calculation of 2017 figures, data points from 2016 that have not been restated have been used.

Cash flow provided by operating activities

Cash flow provided by operating activities (EUR million)



- Change in net working capital¹ EUR 0 million in Q4/2019
- Cash flow provided by operating activities EUR 182 million in Q4/2019
- CAPEX² EUR 22 million in Q4/2019

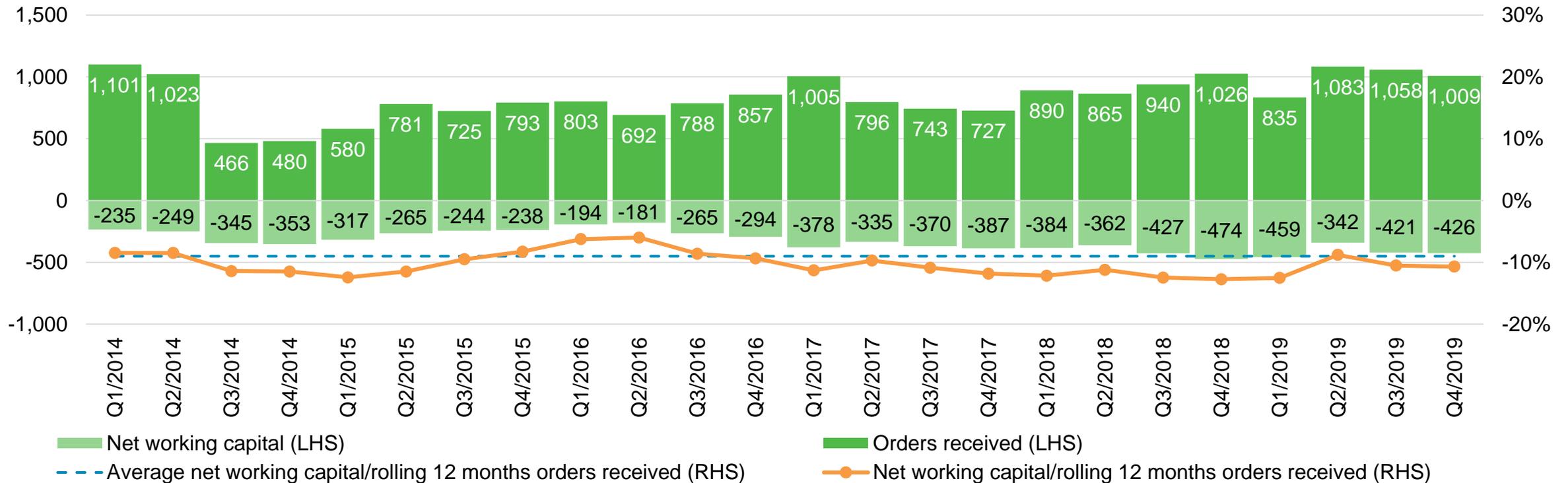
Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

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

2) Excluding business combinations and leased assets.

Net working capital at -11% of rolling 12 months orders received

Net working capital and orders received (EUR million)

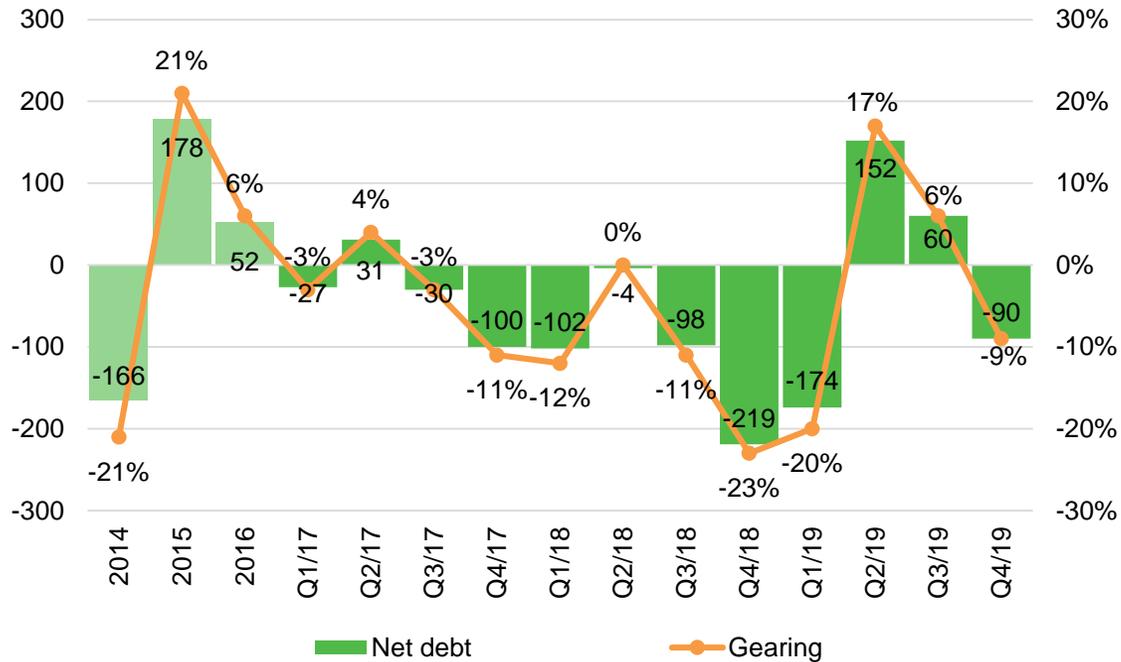


- Net working capital EUR -426 million, which equals -11% of rolling 12 months orders received

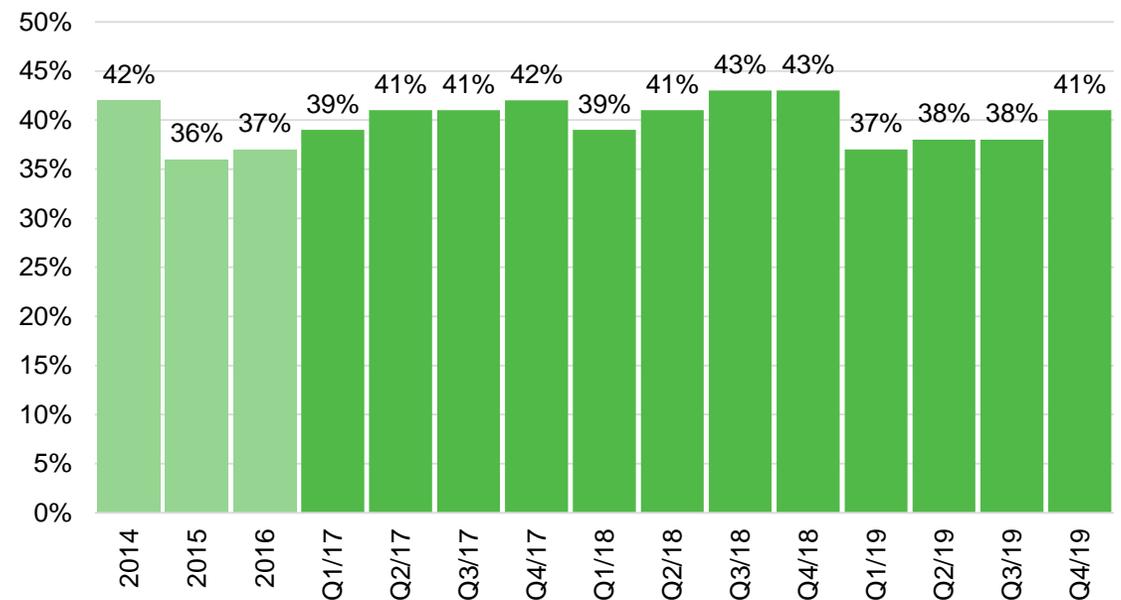
Net working capital excluding non-cash net working capital impact from dividend liability.

Net debt and gearing increased compared with Q4/2018

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

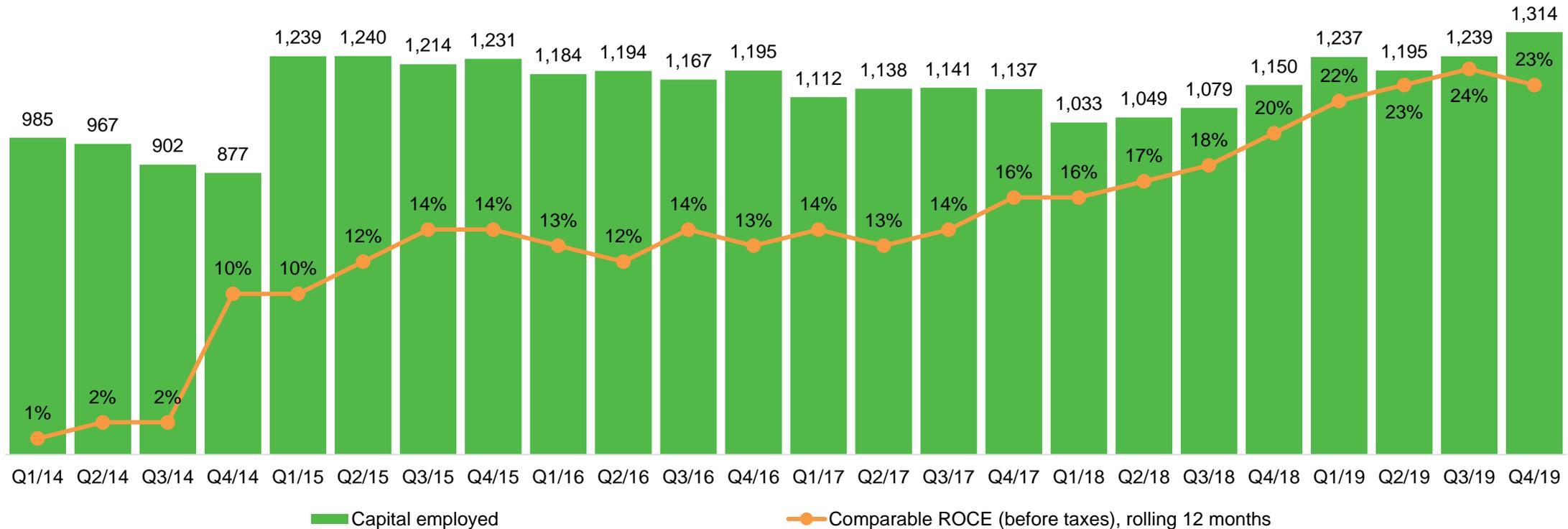


- Gearing (-9%) and net debt (EUR -90 million) increased compared with Q4/2018
 - Without the effect of leased assets and lease liabilities recognized following adoption of IFRS16, gearing would have been -14%
- Equity to assets ratio decreased compared with Q4/2018 and increased compared with Q3/2019

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

Capital employed and Comparable ROCE

Capital employed (EUR million) and Comparable return on capital employed (ROCE), before taxes¹ (%)



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

1) Rolling 12 months. Carve-out figures for 2013 have been used in the calculation of Q1–Q3/2014 figures. In the calculation of 2017 figures, data points from 2016 that have not been restated have been used.



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 0.80 per share

Dividend per share (euro)



Guidance and short-term market outlook

Guidance for 2020

Guidance	Valmet estimates that net sales in 2020 will increase in comparison with 2019 (EUR 3,547 million) and Comparable EBITA in 2020 will increase in comparison with 2019 (EUR 316 million).
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Short-term market outlook

		Q1/2019	Q2/2019	Q3/2019	Q4/2019
Services		Good	Good	Good	Good
Automation		Good	Good	Good	Good
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'.



New financial targets

New and increased 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 taxes¹: **>20%**

Dividend policy

- Dividend payout at least 50% of net profit



The new financial targets have been announced by stock exchange release on February 5, 2020

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))



Interim Review
January–March 2020

April 23, 2020

www.valmet.com/investors

Save the date

Valmet's Capital Markets
Day 2020

September 23, 2020
Helsinki, Finland

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