Paper: Leader in board and tissue – markets supported by global megatrends

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Valmet Capital Markets Day 2023

Leader in board and tissue markets supported by global megatrends

1

ATTRACTIVE MARKET

Board and Tissue are growth markets, aligned with megatrends in resource efficiency, climate and water

2

LEADING MARKET POSITION

Market leader in board, paper and tissue machinery

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COMPETITIVE OFFERING

Technology leader in the industry and the only supplier with full offering

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ATTRACTIVE BUSINESS MODEL

Flexible cost base, projects financed by advance payments

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SOLID TRACK RECORD

Improved performance year over year, already 9 years in a row

FINANCIAL TARGET

Net sales to exceed market growth

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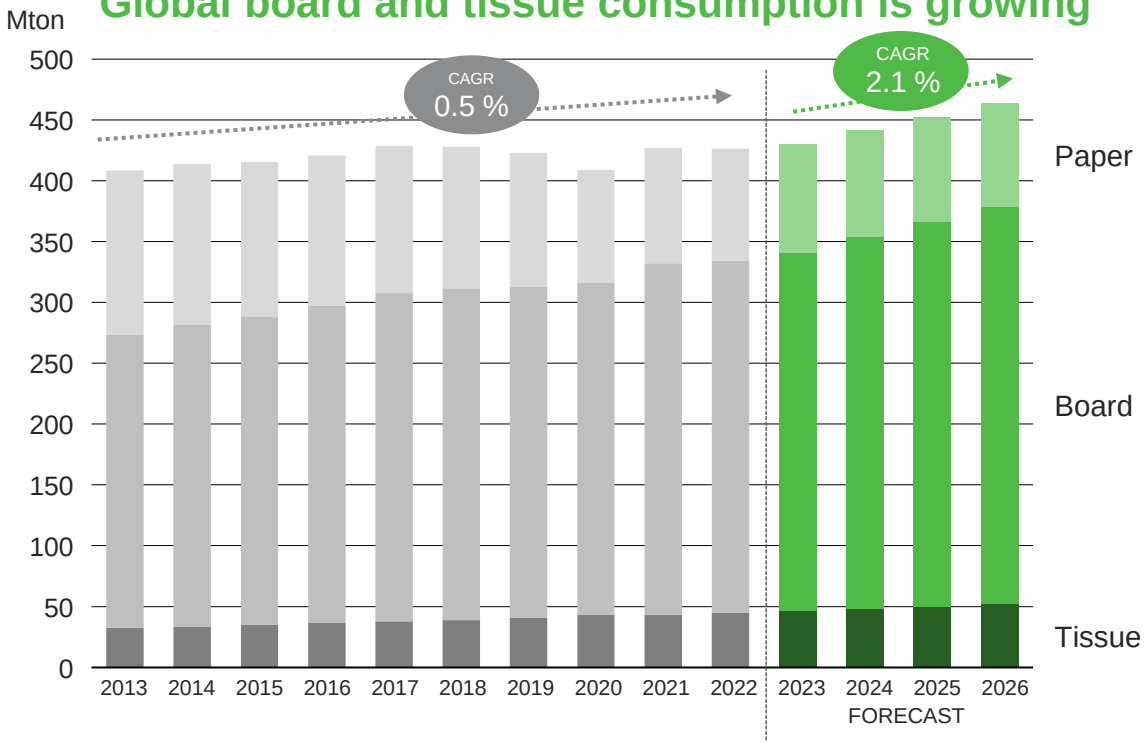
Market demand – a growth story

Global board and tissue consumption is growing



Estimated market growth (CAGR[1])

	2013–2022	2022–2026	2022–2026
Board	2.1%	3.0%	Change p.a. 7.5 Mtn
Paper	-4.2%	-2.1%	Change p.a. -2.0 Mtn
Tissue	3.6%	3.6%	Change p.a. 1.8 Mtn
Total	0.5%	2.1%	

Market drivers

- Growth in fiber-based packaging, fueled by e-commerce, retail practices and plastics replacement
- Tissue growth driven by increase in hygiene awareness and standard of living, particularly in the developing economies
- On top of building new capacity, the customers keep modernizing, relocating and repurposing existing assets
- In 2013–2022, ~33% of the capacity addition driven by replacing closed or obsolete assets[2]

[1] Source: Fastmarkets RISI; Paper & board forecast 12/2022
[2] Source: AFRY Smart
Note: not fully including the recent change in macroeconomic development

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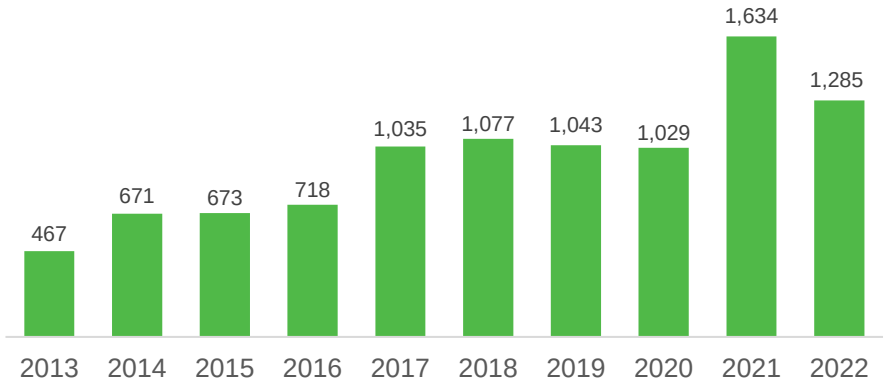
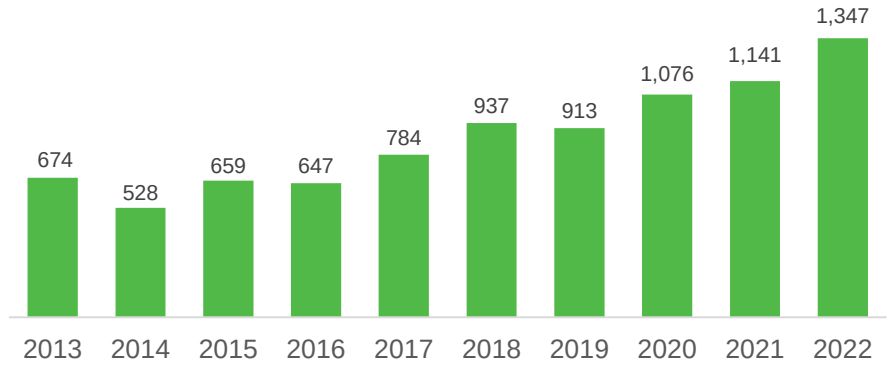
Paper key figures

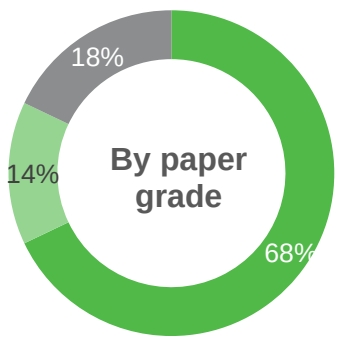
Orders received
(EUR million)

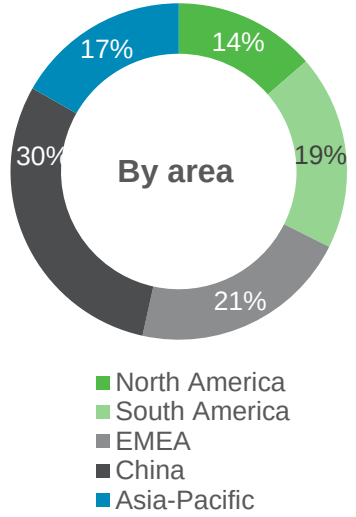


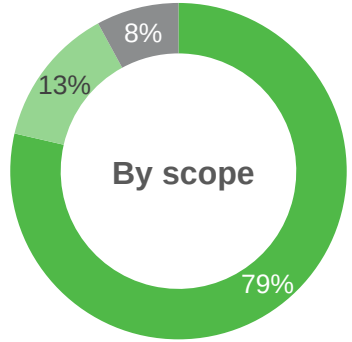
Net sales
(EUR million)



Net sales split 2022
(% of total)







	Market position	Market share	Estimated market size, EUR	Long-term end market growth
Board	#1	60%	1.3 bn	+3%
Paper	#1	50%	0.2 bn	-2%
Tissue	#1	35%	0.7 bn	+4%

2013–2020 figures have not been restated to reflect the new segment reporting structure, which Valmet implemented as of January 1, 2022. Market position, market share and estimated market size calculated from year 2022.

Unmatched scope in Board, Paper and Tissue

	New instalments	Rebuilds	Single products
Board	Stock preparation and recycled fiber lines Paper, board and tissue machinery Automation Systems Flow Control Services for optimized overall performance	Capacity and quality improvements	e.g., headboxes, press rebuilds, surface treatment, winders, refiners
Paper		Focus on productivity improvement	
Tissue		Energy efficiency and productivity	e.g., headboxes, ViscoNip presses, rewinders, refiners

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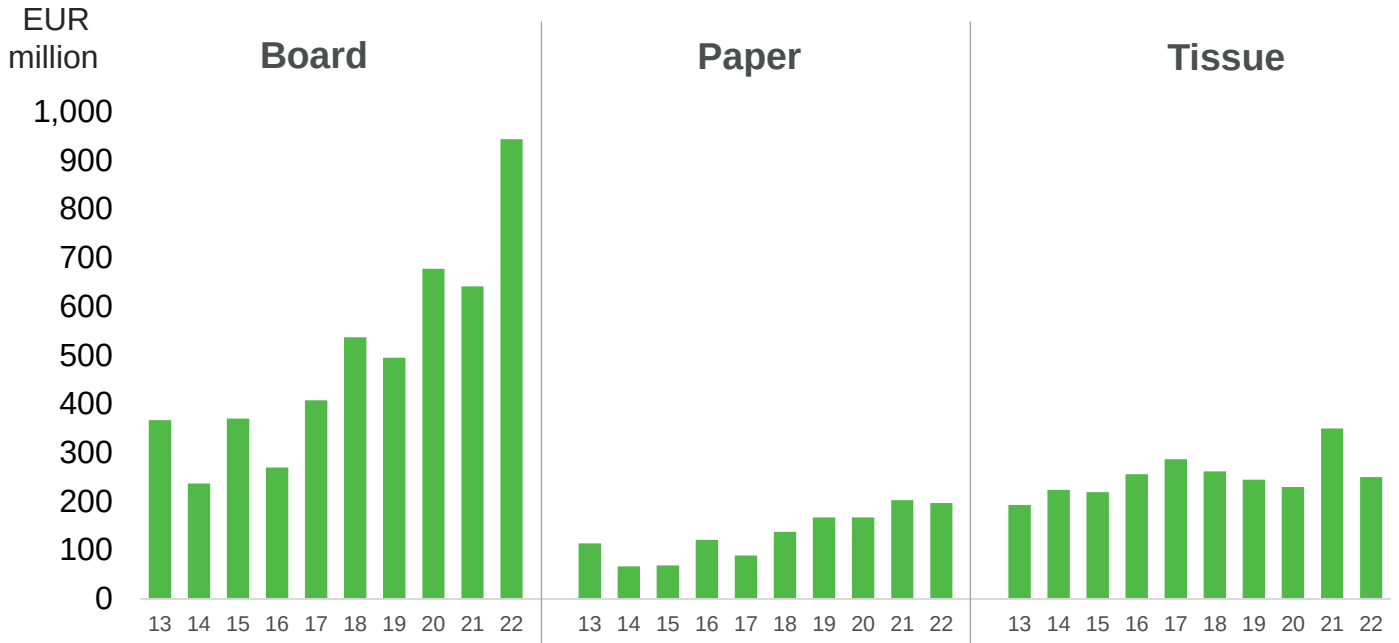
Net sales by paper grade



Market characteristics

- Strong growth market in all geographical areas
- Paper machine conversions to board

- Main market for new machines in China and Asia-Pacific
- Focus on productivity improvement

- Growth market
- Follows improvements in hygiene awareness and standard of living

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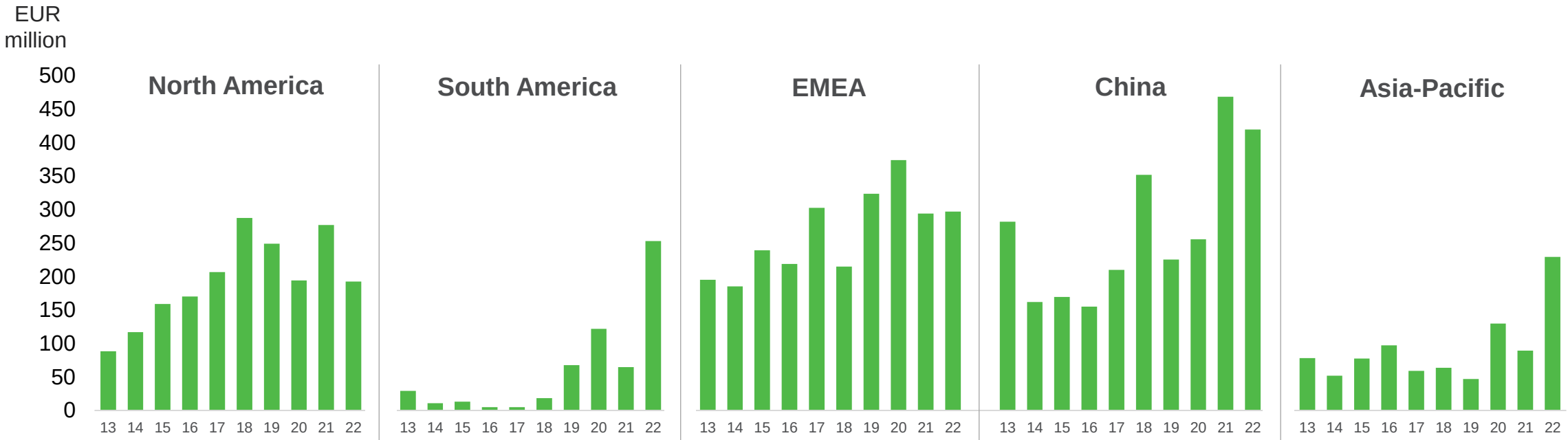
Net sales by geographical area



Market characteristics				
• Old installed base • High Valmet share • High investment activity in recent years, driven by packaging growth	• Large virgin pulp assets: opportunity to integrate downstream into board/paper/tissue • Active market	• Large and partially modern installed base • High focus on energy and raw materials efficiency	• Large and modern installed base • Strong economic growth drives all segments	• Large and partially modern installed base • Strong economic growth drives all segments

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Winning business model

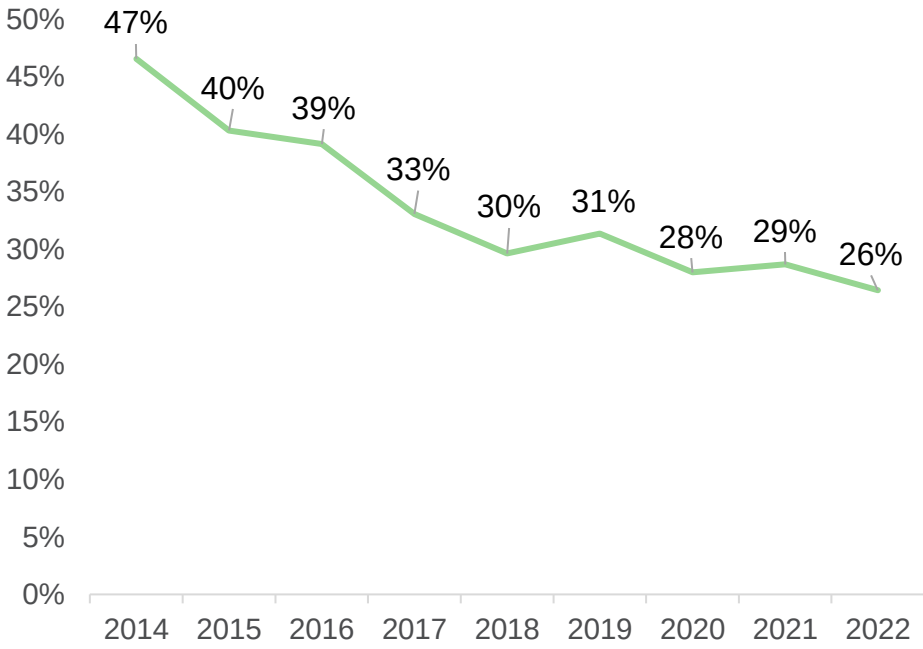
Operational efficiency

- Capacity cost (% of net sales) has decreased while net sales has grown
- Investments in productivity development and increased delivery capacity
- Strong operational home base in Nordics and cost competitive operations in Poland, India and China
- Upfront cash generation from projects due to pre- and milestone payments

Competitive advantages

- Excellent references and customer satisfaction
- Efficient procurement and supplier network
- State of the art pilot facilities
- R&D aligned with sustainability megatrends

Capacity costs
(% of net sales)



Capacity costs have decreased by 21 %-points since 2014

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Driving rebuilds towards resource-efficient board production

Energy consumption[1]
-18%
2012–2022:
from 1,150 to 950 kWh/t

Fiber savings[1]
-10%
2012–2022:
from 100 to 90 g/m2

Optimized performance
with Industrial Internet solutions

Bio-packaging
with new coating solutions

OptiFlo with Aqua headbox
Solution for multilayering with single headbox

OptiFormer Hybrid with Sleeve roll
Solution for capacity and strength improvement

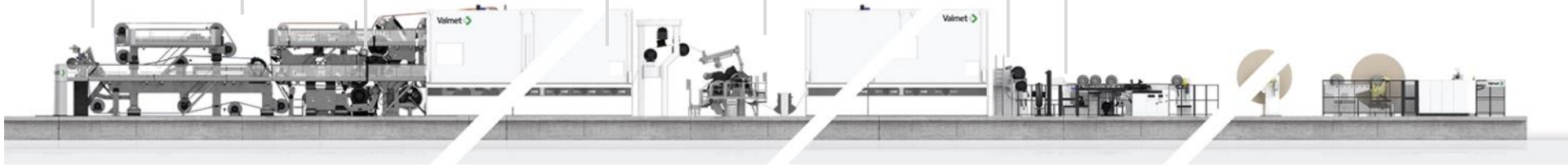
OptiPress Center with Metal belt
Towards increased dry content and decreased draw

Steel cylinder
Solution for higher drying efficiency

OptiSizer HardSizer with Hard Nip
Solution for improved strength

OptiCalender Metal Belt
Better surface quality and higher bulk

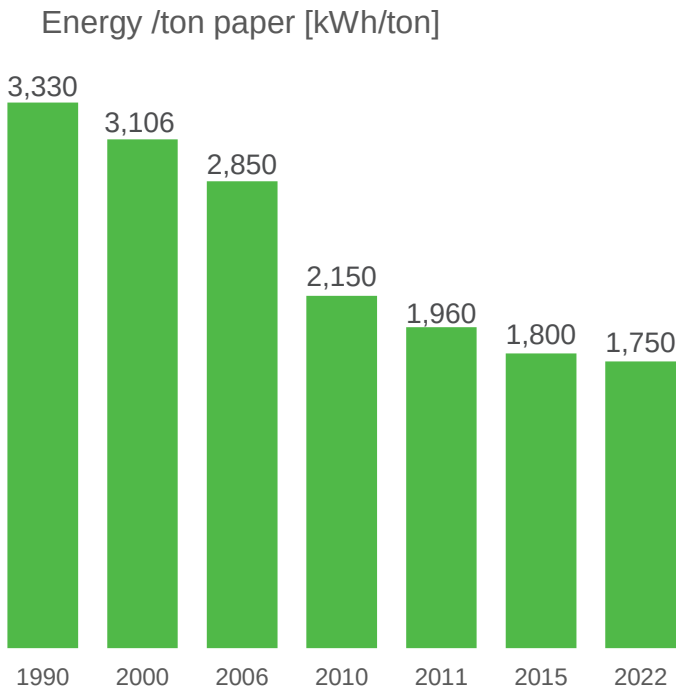
Aqua Cooling
Improved bulk



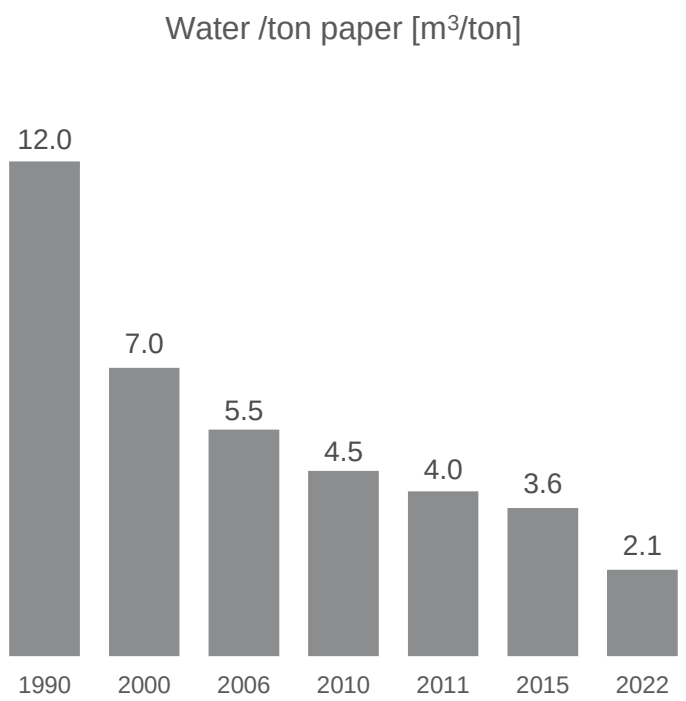
[1] Average testliner machine

Driving development of resource-efficient tissue production

47% less energy[1]



80% less water[1]



Less fiber consumption[2]

[1] DCT type of mill, same production and basis weight
[2] Achieving the same main tissue specific paper properties

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Valmet 3D Fiber – Next generation of molded fiber

Valmet - supplier of molded fiber solution

- Capability for extensive scope deliveries
- Wide knowledge of fiber technologies
- Global network to serve our customers
- Big, reliable supplier

Game changer in fiber packaging

- Flexible, modular concept
- High output
- Highly automated production
- Low operating costs
- Unique multi-material layering

New renewable and recyclable option for brand owners and food service!

Strategic focus areas

Paper

Key actions to grow

- Keep high hit ratio by fostering competitiveness
- Increase capacity through supplier network development
- Continue investing in R&D to support customers in their growth strategy on sustainability and new functionality
- Keep investing in business expansion, e.g., cellulose-based textile fibers and 3D fiber packaging

Key actions to improve profitability

- Focus on product cost competitiveness
- Continuous attention on productivity
- More efficient supplier network – develop partnerships especially in cost competitive countries

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FORWARD