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VALMT.HE - Q4 2016 Valmet Corp Earnings Call

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PRESENTATION

Calle Loikkanen - *Valmet Corp. - Director IR*

Ladies and gentlemen, good afternoon and welcome to Valmet's Q4 and Full Year 2016 Results presentation.

My name is Calle Loikkanen and I'm Director of Investor Relations. 2016 was Valmet's third year as an independent Company and today, Valmet's President and CEO Pasi Laine together with Valmet's CFO Kari Saarinen will walk us through the full year 2016 and Q4 results and highlights.

After the presentation, we will end with a Q&A session.

Without any further introductions, I think it's time to start, so Pasi, please you may begin.

Pasi Laine - *Valmet Corp. - CEO*

Oh, thank you, Calle.

So, three years has gone and now it's - I'm proudly presenting the results of Valmet's third year operational results and in summary we can say that the orders received increased to 3.1 billion and comparable EBITA increased to 196 million. And I think it's a reasonable result for year 2016.

So, what I will cover - so I will go first through 2016 in brief, then something about business line developments, then Kari will go through financial development. I will discuss the dividend proposal, guidance and the short term market outlook and then we will have discussion later on.

So, first 2016 in brief, so our orders received in stable business increased to about 1.5 billion and I think it's a big and important step to Valmet. Our orders received in capital business increased as well to 1.7 billion and I think it's good as well that we had growth in capital business. Our net sales remained at previous year's level and was about 2.9 billion euros.

Our backlog increased and in the end of the year it was 2.3 billion euros. Profitability improved. In euros it was 196 million and in percentage, EBITA margin was 6.7%. Gearing went down to 6% at the end of the year.

So, all in all, I think results are good. And then I think we all are a little bit disappointed with EBITA euros, that's what I have to admit and we'll come back to that later on. And the other numbers I am - I am satisfied with.

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So, the same in more details, like I said order - orders received was all together 3.139 billion and it was increasing quite nicely compared to last year. Our net sales was flat, 2 million less than a year ago. EBITA, comparable EBITA 196 million, so we had 14 million improvement in comparable EBITA. And comparable EBITA margin was 6.7% and 0.5% improvement on that. And in the end of the year we employed about 12,000 people, which was reduction about 300 people, compared to previous years.

If we first look at the summary by stable business and capital business, I think the big thing is that the 50% of the business net sales wise was coming from our stable business and the - rather - so stable business being Services and Automation together. And from net sales, half came from capital businesses.

Then geographically, Europe has been - order intake wise now, some years strong and that of course is reflected in the net sales. So, 47% of the net sales came from Europe, 22% from North America and maybe you remember that we have been all the time saying that traditionally this North America and Europe is about 60% of our net sales and order intake. So, we have now more business activity in Europe than we usually have had comparing to earlier years. And if - of course then the rest of the net sales came from South America, China, Asia Pacific and there are no dramatic changes between those areas.

Then, if you look how Valmet has been developing over three years, so our orders received was 2.1, 2.2 billion in 2013 and now we have stabilized ourselves closer to 3 billion and last year was a little bit over 3 billion. Net sales wise, lowest year was 2014, 2.5 billion and now we at 2.9 billion euro level and quite stable there as well. Comparable EBITA has been improving from 54 million to 196 million and there has been constant improvement in all the years.

And EBITA percentage margin has been improving from 2.1 to 4.3, then last year we - the year before we were first time inside our targeted range, which was 6 - between 6 to 9% and now the other year we managed to be in our target range. And this target, as you remember, has been valid and now for the past years - and now during 2016 we increased our strategic target so that in the coming presentation, our target will be - to be between 8 to 10, like you very well remember, we increased our target setting for EBITA margin to be between 8 to 10 in the - for the future years.

But all in all, I think Valmet has now stabilized itself somewhere at 2.9 to 3 billion euro level. We have stabilized ourselves on profitability wise, about 6% and this all gives a good background to continue to develop the Company further. So, a longer perspective, I think we can be happy of the development of Valmet.

Then, something about the orders received, like I said, it was 3.1 billion euros and I think it's - it was - it was good. Where our last quarter was strong, orders were 857 million and it was good ending for the year and here you see that the orders received from Europe was at 51%. So, even if in newspapers we all read that European economy is not strong, then that's not maybe total truth. So, we saw good service activity and we saw also good capital market activity in Europe.

And North America being 19%, so it's close to the net sales and orders received reflects quite well also the net sales - what I showed earlier in South America, Asia Pacific and China, so no dramatic changes and maybe the biggest change compared to earlier is that Europe has continued to be strong market for us.

One important topic in developing Valmet has been to increase the stable business. When we started, the stable business was about 1 billion and now because of four years development of Services and because of Automation acquisition, we can say now that stable business orders received total to over 1.5 billion. And I think it's a big change when thinking about Valmet and Valmet's sustainability profit wise. So, this has changed Valmet's performance quite a lot.

And of course, the goal will be to continue the same development and develop those also in coming years. We want to continue to increase our stable business like we said in financial - new financial targets that we want to grow this by twice the market - market growth being about 2%, so we target low single digit growth in coming years as well. And the track record shows that we have been able to do it.

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Then backlog is almost 2. - was almost 2.3 billion euros and it's increasing compared to Q3 and it's increasing compared to last year - end of last year. So, I think that's also positive thing because it gives of course better visibility for our workload and then of course good workload for a big part of our organization. We are saying that about 75% of the backlog is capital business related and 25% of the service- stable business related.

Then we are saying also that 8 - about 80% of this backlog is currently expected to be realized at net sales during 2017. And if I remember correctly, we had roughly the same share of the backlog being realized for the same year in beginning of last year and there - therefrom you can calculate that our backlog is little bit stronger for 2017 as is - it was in the beginning of 2016.

Then, EBITA margin development, here are the quarterly numbers, so first it was 4.8% like we always saying the first quarter, is good - is challenging for us, then we had 7.1, 7.5 and now I would say only 7.2. And the reason why it's only 7.2 is that we had difficulties in one big project - a pulp mill project and there we had to recognize loss of 17 million and that incurred in a pulp mill rebuild project.

We have discussions ongoing with the customer - first of all the mill is up and running. It's running well. And we have some discussions ongoing with the customer and with some sub suppliers, so we can't open too much publicly now the situation. But we have 17 million losses, mill is running well and I have had discussions with the customer and they are very happy with the performance of the mill.

But unluckily, we had that 17 million cost overrun in the project. Project was challenging; there were some mistakes on our side, maybe some on customers' side and some on our sub suppliers' side and the result is that we had to book the 17 million costs here. But we can't open this matter a lot more than what I opened now. And that of course resulted that our EBITA was 196 million from sales 6.7%.

Then business lines development. First, Services order intake was 1.182 billion and it was growth of almost 6%, so 5.6%. And I think it was good achievement from our business line and area organizations. So, we continued to have a strong performance in our Services.

Net sales was growing a little bit less and it was 1.163 billion in 2016. And I think we continue to strive for the growth in Services business and to support that like you remember when we launched new service concept Shared Journey Forward during the summer.

We still continue to enhance our capability close to customer. We bring new products to the - to the market and we enhance our customer account - customer account management - key account management concept, so that we can continue to grow the services. And that will be the aim for 2017 and that has been the track record in earlier years. So, we'll continue the work and I want to thank our teams - regional teams and business line teams. They have been doing good work on developing services.

Then in this yearend presentation, we also added more details on how the business lines have been or will from what kind of components the business lines are coming. And here you see for example for Services that 45% of the net orders received came from Europe and the rest came 26 from North America. And you can use that in analyzing our performance and we wanted to add this kind of information for you in this year end presentation.

Then Automation, total orders received was 337 million and it was growth of 9% compared to last year and if we calculate the whole year, so we of course, had Automation only for three quarters, but if we compare the whole year order intake, then the growth was 9%. And I think it's a good proof for the fact that now Automation business is in correct home. So, I think our personnel is happy. They are engaged - our customers believe that we are developing Automation further and then as a result, we have seen very good development in orders received.

And I'm very happy to see this growth because like you maybe remember, Automation has a track record for many years of not having that much growth. And now, we have been able - or we, together with Automation team, we have been able to grow 9% orders received and I think it's a good achievement in this market environment.

Net sales wise, we made 316 million and of course there's growth compared to last year because one quarter was not included in our numbers. So, we are still very happy, that we were able to buy Automation to Valmet.

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Then Automation businesswise -- 69% came from Pulp and Paper and 31% came Energy and Process and maybe the - segment wise, the biggest improvement happened in the latter half of the year in Energy and Process where beginning of the year was not very active and then in the end of the year, we saw more activity and that helped us in the - in achieving growth in Automation business line.

Then Pulp and Energy, we ended up with orders of 939 million, net sales was 826, I think the latter part of the year was strong for Pulp and Energy and you will see later on that actually that strong performance came from energy side. And I think this 900 - over 900 million level is good in taking into account that we don't have any big pulp mill projects on the - on this number.

In 2014, we had the big pillars here and then we got big orders from CMPC and OKI and many other places, but now this 940 million came actually without any very big pulp mill orders, so I think it's also good to see that we are not dependent only on big pulp mill projects in this segment.

And if you look that by customer segments, 48% came from Pulp and 52 came from Energy. So, Energy in this segment, in order intake was actually bigger part than Pulp. And I think it's good to see that we have - we have strong presence in Energy side. And it has been nice to see that we have been able to develop also energy outside of the traditional markets, so last year, we got order like we have announced in China and we got an order in Japan. And so, we have had also a geographical expansion on this - in this business. Geographically, like you see, Europe is strong hold and mainly because of - because of Energy, but of course Pulp has been strong in Europe as well.

When Paper order intake was record 246, so our guidance was first two quarters, that it's good, then we reduced that to satisfactory and then the orders came in. So, a little bit embarrassing that our - we haven't been able to tell it more exactly, but of course, the nice thing is that we got finally, the orders in and orders received was at a record level 246 million. And for the year, we ended with 718, which was also nice increase compared to last year.

And then, if we - if we look business customer segment wise, about one third came from Tissue, Tissue continued to be strong last year. If I remember correctly, Tissue made record order intake in 2016. And Board was active and then, like always we have about 10% coming from Paper and Paper delivering orders - the normal level or orders. Geographically, North America was strong, Europe was strong, China was strong and then the rest of the world not that much. And in Latin America, we didn't see any big projects realizing in 2016, so let's see what happens in 2017.

So, that was quick summary of Valmet and business line overview. And now, I ask Kari to continue with the financial numbers.

Kari Saarinen - *Valmet Corp. - CFO*

All right. Thanks, Pasi. And good afternoon also from my behalf.

And looking at quarter four, still in brief, so actually our orders received at the stable business, they both increased, so both Services business line as well as Automation business line increased. Capital business line, actually our Paper business line had strongest quarter at quarter four last year, so that was the strongest quarter during Valmet times. Our Pulp and Energy business line reduced slightly.

Net sales - net sales was flat - at stable business net sales was flat and with capital business is net sales reduced. The order backlog in the end of the year was actually highest over two years, so that 2.3 billion what we did, what was our order backlog, so that was highest since the quarter three year 2014. And our profitability - so that was lower than a year ago, so our EBITA was 7.2% compared to 7.3% year ago at quarter four.

Our gearing that came down was 6% end of - end of last - end of year 2016, compared to 21% the year before. And some more on the figures, so actually, our comparable EBITA is 7.2% or 56 million. That was - previous year 2015 that was 7.3% or 63 million. We booked 8 million items affecting comparability. Quarter four, those were restructurings in China, in North America and also in Poland.

Our EBIT for the quarter was 40 million or 5.1%. And still, some words for full year, so actually our full year orders received - so that increased by 9% compared to previous year. And actually it was all business lines that increased. Service is 6%, Automation full year calculation 9%, Pulp and Energy 9% and then Paper business line was 7% increased, so sizeable increases with all the - all the business lines.

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And as said, order backlog 10% increase, highest in over two years. Net sales was flat, really flat, only 2 million difference there and actually stable business, meaning our Services and Automation, so those grew and - meaning that actually then the capital businesses both actually reduced. (Comparable) EBITA 108 - 196 million, which was 6.7%, year before 182 million or 6.2%. And then we booked items affecting comparability 13 million during full last year. Our EBIT was 147 million, that's 27 million more than the year before. And EBIT was 5%.

Our cash flow, that was 246 million, so big increase compared to previous year, 78 million and as said, gearing 6% compared to 21% the year before.

So, our gross profit - so actually quarter four, gross profit in - gross profit percent actually increased slightly compared to year before even though we booked that 17 million losses of one project during quarter four. And then looking at SG&As, so actually our SG&As were lower - 2 million lower in quarter four 2016 compared to quarter four year before. And then if we look at the - look at - look at the SG&As for the full year, so we had a - around 18 million increase, pretty much call coming from the - from the acquired Automation business.

And then this is the development of our comparable EBITA and here we can see that actually this quarter four was first time now than actually the EBITA - the quarterly EBITA percent was lower than the year ago. And 7.2%, so that was within our target range, 6 to 9%, announced from this year onwards, 2017 and onwards, our long term target is between 8 to 10%. And of course, this is not a guarantee to have it year 2017. And then also as Pasi said, so quarter one, typically it is like seasonally the lowest quarter with - as per EBITA.

Our cash flow, so our cash flow like over these three years of Valmet existence - so cash flow has actually varied quite a lot. Year 2016, our cash flow was 246 million, so that's a sizable increase on the - on the 78 million that we did a year before. And then also looking at quarter four, the cash flow was 88 million, so clear increase from last year, 64 million at quarter four. And the net - and the cash - good cash flow is actually coming from here, so our net working capital reduced by 55 million during the year, so meaning that the hard work that we had been now doing on the net working capital side is bearing fruit.

Our overdues over 60 days are clearly lower than a year ago, as well as also inventories, are lower than what they were a year ago. And then the EBITA - the net working capital was minus 9% of the rolling 12 months' orders, which in our view is then good level.

Net debt, net debt reduced to 52 million, compared to 178 million a year ago, so big reduction there, even though we repaid our debt worth of 62 million and then also we paid dividends 52 million last year. And then also our gearing that was 6%, compared to 21% end of last year and also compared to 27% what we had in the quarter two, so we've had excellent development with the - with the cash collection and also then with the gearing during the second half of the year.

Our equity to asset ratio, that was 37%, so increased slightly from year ago. And then also our net debt to EBITA ratio - so that was 0.2, compared to 0.8 year ago, so good development there as well.

Return on capital employed, so that was 13% end of last year, that was 14% year ago and a big - like factor for that is that the calculation of last year is actually - we had 2015 included the capital employed in end of year 2014, where actually the Automation acquisition was not included. Our target is - minimal target was 15% and now the target actually has been increased with between 15 and 20% for year 2017 and onward.

All right. Thank you.

Back to you, Pasi.

Pasi Laine - *Valmet Corp. - CEO*

So, now I learned to which direction I'm going. Good.

Next is the dividend proposal and our Board of Directors is now proposing to the shareholders meeting to pay a dividend of 42 cents for 2016, so - in - for 2013 we paid 15 cents, then 25, then 35 and now the proposal is to pay 42 cents. And like you remember, our dividend policy is saying

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that we - for last year was saying that we should be at least paying 40% of the net profit and for coming years that at least 50% of the net profit and this is 42 cents proposal is about both of the policies.

So, that's the proposal for AGM by the Board of Directors.

Then our guidance for 2017, so we estimate that net sales in 2017 will remain at the same level as in 2016 and comparable EBITA in 2017 will increase in comparison with 2016. So, net sales we are estimating flat and improvement in EBITA - comparable EBITA.

Short term market outlook, we still keep Services out to satisfactory, mainly because North American market is still not active. Automation, we keep at the satisfactory level. Pulp and Energy, satisfactory. Energy, we still see good market activity and we have very good workload as well in Energy. Paper and Board, we improved to good. So, of course now, we could say that we at least have kept 2000 - the third quarter outlook at good as level as well, but now we increased Board and Paper back to good, because with the workload situation and because of the good market activity what we see in Paper and Board side.

And Tissue continues to be at the good level because of the last year's good activity workload situation and then also market activity on capital market side for Tissue. So, one change to increase Board and Paper market outlook from satisfactory to good.

So, summary in brief, so orders received in stable business increased to 1.5 billion. Orders received in capital business increased to 1.7 billion, altogether, 3.1 billion. Net sales remained at last year's level. Backlog is healthy about 2.3 billion. Our profitability improved in euros to 196 million and EBITA margin to 6.7% and gearing went down, like Kari said from 21 to 6, so 15% improvement in a year in gearing.

So, now I assume it's time for questions?

QUESTIONS AND ANSWERS

Calle Loikkanen - *Valmet Corp. - Director IR*

Yes.

Thank you, Pasi and Kari for the presentation and now let's continue with questions. And if we first start with questions here in Keilasatama and then continue with the questions on the lines. So, if we get the gentleman ready for questions, then we can start. So we have any questions here in Keilasatama?

Okay, it seems that we don't have any questions here at the moment, so we can continue with the questions from the line, so operator, please do we have any questions on the lines?

Operator

We do indeed. Just to remind you, it's star 1 to ask a question.

Your first question from Nordea is from the line of Manu Rimpela and your line is now opened.

Manu Rimpela - *Nordea Group - Analyst*

Good afternoon, gentlemen. My first question would be pretty much the same I think that I asked in the previous quarter as well that if you look at the margin improvement and now let me exclude the Pulp cost overruns that you had, so the margin improvement was almost 2% compared

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to the previous year and the mixed impact probably explains like 40, 50 basis points of that - so the remaining 1.5 percentage points or so of margin improvement - so, can you just help me to understand where that is coming from?

Kari Saarinen - *Valmet Corp. - CFO*

So, as said that we had this one issue with the - with this one project at Pulp and Energy, but then on the other hand our Services business line clearly improved the product margins. Also, we had - we had good development with Automation now with full year. And then also Paper business line had also good development with their - with their profitability with the projects as well. So, we've been - able to increase the Paper business line's project margin somewhat.

Manu Rimpela - *Nordea Group - Analyst*

So, is it fair to say that the - if you compare 2016 to 2015, so you've been able to improve the margins of all the four divisions, if you now exclude this cost overrun in Q4?

Pasi Laine - *Valmet Corp. - CEO*

Yes and no. Because we cannot exclude one project, so - unluckily it is so, yes.

Manu Rimpela - *Nordea Group - Analyst*

Okay, but with that project, so all the other three divisions, they didn't improve margins?

Pasi Laine - *Valmet Corp. - CEO*

Yes.

Manu Rimpela - *Nordea Group - Analyst*

Okay. Then, can you comment on the Services sales just the difference between the order intake that has been running at like 6 - 5 to 6% organically during the year and now we have the flat organic sales in the - in the fourth quarter, so just trying to understand that - why was that sales number so low compared to - or growth lower compared to what we've seen in the previous quarters and also in the back of the order intake?

Pasi Laine - *Valmet Corp. - CEO*

If I remember correctly, last year actually, we have saw that our net sales was higher than orders received, yes by 10 million - almost 10 million. Now it went little bit the other way around, so they are not - no particular reasons, but sometimes the order intake is a little bit higher than net sales in Services and sometimes the other way around, but nothing special happened in 2016.

Kari Saarinen - *Valmet Corp. - CFO*

Yes and I would say also that in 2015, we had an excellent quarter four in Services sales, so that was the other thing that the comparison period was quite good actually - or better than quite good, it was excellent.

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Manu Rimpela - *Nordea Group - Analyst*

Okay. And my final question would be just on the guidance of net sales to you phrase it remain at the same level as in 2016, but I think your order backlog for delivery for 2017 is almost 150 - 50 million higher, so just trying to understand as why are you guiding for stable sales if you believe that Services should be growing close to 5% and then - then you have a backlog to delivery of more than 150 million in sales?

Kari Saarinen - *Valmet Corp. - CFO*

Well, I think, Manu, it's fair to say that we had a good start for the year. Your calculation is correct as well, but this is just the start of the year and our estimate is such that we don't still foresee growth for the full year, so of course, this would allow a view to develop as the - as the year goes by, but as said that currently, it's so that we have order backlog that is quite decent at the moment. And as I said, it's highest than - highest in two years now.

Manu Rimpela - *Nordea Group - Analyst*

So, either you're planning to raise that guidance during the year or then you are seeing something that you're not willing to tell us in the second half of the year why you expect the sales will be weaker, is this a correct interpretation?

Pasi Laine - *Valmet Corp. - CEO*

Maybe the correct interpretation is like Kari said and you calculated correctly, we have about 150 million strong backlog for the year, but the year is just beginning and there is still a lot of orders to be won before end of the year and before making the current estimates, so we don't see any dramatic changes anywhere. But it's still a long way to go to December.

Manu Rimpela - *Nordea Group - Analyst*

Okay, so basically you are - you prefer to be on the conservative side because markets can change?

Pasi Laine - *Valmet Corp. - CEO*

Markets can change.

Operator

Antti Suttelin from Danske Bank.

Antti Suttelin - *Danske Bank - Analyst*

Thank you. Two questions. First of all, I'm looking at your historical orders, in terms of how much was announced in the quarter and how much was then not announced and the unannounced orders have been running at 500 about a quarter, but now the unannounced was more than 700, so I wonder is this just that you will soon announce something that you couldn't announce yet or is there some kind of a change that we should take into account thinking the future?

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Pasi Laine - *Valmet Corp. - CEO*

There is no change, but we got order - that kind of orders where customer said that we are not allowed to announce and that was the reason that - we tried to get more announcements to give you better guidance for our order intake but when customer says that we are not allowed to announce, then we are not. So - but we - that's not a - something which has changed permanently, it's just for a couple of orders where that happened.

Antti Suttelin - *Danske Bank - Analyst*

All right. That's good. And then secondly, if you could just update where you stand in terms of quality cost reduction and procurement programs, so how much was the saving now in 2016 versus 2015 in these two respects?

Pasi Laine - *Valmet Corp. - CEO*

Procurement costs were developing well, like we have been planning. And then quality costs were not at all because we had this pulp mill project worth of 17 million, so our quality costs were not developing to the correct direction.

Antti Suttelin - *Danske Bank - Analyst*

Yes, but now I need a figure.

Pasi Laine - *Valmet Corp. - CEO*

I don't have the figure now and we will - we will - during the year we will update it, but now we don't have that figure with me.

Antti Suttelin - *Danske Bank - Analyst*

Even Kari doesn't have the figure?

Kari Saarinen - *Valmet Corp. - CFO*

No, I don't.

Antti Suttelin - *Danske Bank - Analyst*

All right.

Kari Saarinen - *Valmet Corp. - CFO*

I have, Antti, so many other figures--

Pasi Laine - *Valmet Corp. - CEO*

But in any case, our quality costs increased in 2016 compared to 2015 and that was because of this project and then also because of some accounting - so we booked in 2016 some costs in quality costs, not in profit and loss statement, but in quality costs, which actually occurred in 2015, so quality cost figure looks ugly in 2016.

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Antti Suttelin - *Danske Bank - Analyst*

Okay. And in procurement, you - in 2014 you said some 50 million, then in 2015 you said another 50 million, was 2016 about the same or was it different?

Kari Saarinen - *Valmet Corp. - CFO*

Well, it was lower than that.

Antti Suttelin - *Danske Bank - Analyst*

Okay.

Kari Saarinen - *Valmet Corp. - CFO*

Yes.

Operator

(Operator Instructions)

Horace Tam.

Horace Tam - *Berenberg - Analyst*

Thank you very much for taking my question. Just a question on the pricing and then another question on the margin backlog. Can you comment a bit on your pricing environment you're seeing in both your capital business and your stable business? Thank you.

Pasi Laine - *Valmet Corp. - CEO*

That's difficult to answer - so that it's accurate, but let's say though that currently our - first of all, generally, I have been saying that our pricing power increases when the backlog is good, so when you have good workload, you can try to boost the prices up. And then like you - you know, we are competing mainly with one company in pulp side and mainly with one company in the paper side and when they have also good backlog, then we are able to push the prices up. But when our backlogs are empty, then the fact is that we tend to be more aggressive on pricing.

So, now if I say but how - what kind of marketing environment we have had in 2016, I think we have had in Paper and Tissue, so roughly same kind of year than year before, so no major improvement, but no major decline either. In Pulp side or Energy side, maybe some improvement - Pulp because of no big project and maybe price level has improved a little bit because traditionally, it's so that when you are selling smaller project, then your profitability might be higher than in big projects.

And then in Services side, I don't see any big change to any direction on pricing situation and Automation the same.

Kari, you might agree with my--

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Kari Saarinen - *Valmet Corp. - CFO*

We've had some increases with Services, but not all across the board--

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Pasi Laine - *Valmet Corp. - CEO*

And not materially.

Kari Saarinen - *Valmet Corp. - CFO*

Yes.

Horace Tam - *Berenberg - Analyst*

Right, that's very clear. Thank you. And can you comment a bit on the margin in your backlog?

Pasi Laine - *Valmet Corp. - CEO*

Not more than what I just said.

Operator

Thank you, sir.

Now from UBS, your next question comes from the line of Sven Weier. And your line is now open, sir.

Sven Weier - *UBS - Analyst*

Yes, good afternoon. Just one question from my side, following up on this 17 million one off that you reported, I was just wondering because these - I guess these refurbishment projects, should be kind of business as usual for you, you've done it probably a lot in the past, so was this project kind of different from the project you usually do on the brownfield side or why was it such a significant impact that was impacting you on that end? Thank you.

Pasi Laine - *Valmet Corp. - CEO*

I tried to open it as much as I can, so we have - so there's - like I said the mill is up and running and the customer is producing good quality with good quantities and we still have some discussions ongoing with the customer and with our sub suppliers and I'm sure that all of them are listening to this presentation as well and I don't want to open too much now our view on certain topics.

So, if you somehow can wait, then we can come later on the next calls to the more deep dive on the matter. But if it's somehow possible, I wouldn't like to go more in detail than what I said, that there was a challenging startup schedule. It was a challenging project and maybe not everything went well from customer's side. It didn't -- everything from our side it didn't go well and our sub suppliers had also a difficulty, so it was very challenging.

Then, was it challenging than the other ones? I would say that it was more challenging. So, we tried together with customer in good cooperation tried to make very big revamp in five weeks and that was too high demand for all of us. So - but what was the - scope there if you look island by island the scopes were normal what we do and we shouldn't have had that problems what we had.

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Sven Weier - *UBS - Analyst*

And then you said the opportunities you maybe have another look at your backlog, is there anything similar maybe in the backdrop where you could say some issues or was it really such a isolated issue?

Pasi Laine - *Valmet Corp. - CEO*

This is isolated issue.

Operator

Now from Kepler Cheuvreux, you now have a question from the line of Johan Eliason. And your line is now open, sir.

Johan Eliason - *Kepler Cheuvreux - Analyst*

Yes hello, I just have a small detailed question left, on the receivables you say that you have been working on that - reducing the overdues for example, which you say has come down, but if I look at the trade receivables at the end of the year, it's up on a year on year perspective, despite the fact that the turnover in the fourth quarter is down, what's the reason for this increase in trade receivables?

Kari Saarinen - *Valmet Corp. - CFO*

Yes, it's so that the revenue recognition of the projects and then how we invoice the customers so they don't always go hand in hand, because we have a kind of percentage of completion projects, so that's not - that - like, you should not only look at that one. And then also, we had some - we now had some invoicing that took place in the end of the year, even though there was no revenue recognition on those.

Johan Eliason - *Kepler Cheuvreux - Analyst*

Oh, okay. Which, is that unusual or does that happen every now and then?

Kari Saarinen - *Valmet Corp. - CFO*

It sometimes happens that way as well.

Operator

Thank you very much. And that was our last question, sir. There appear to be no further questions at the moment.

Calle Loikkanen - *Valmet Corp. - Director IR*

Okay. Thank you, operator. And thank you for the questions.

Now, do we have any final questions here in Keilasatama?

It seems that we don't have, so in that case that's it for today. Thank you very much for participating. Thank you for the questions and the answers and I wish you a really good rest of the day. And I hope to see you at the Q1 results then in April. Thank you.

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