

# Technological leadership and favorable megatrends

Pasi Laine

President and CEO

*Valmet Capital Markets Day 2021*

# Agenda

## Valmet Capital Markets Day 2021

- 1 Overview of Valmet
- 2 Recent development
- 3 Investment highlights

# Valmet's way forward

## Our Mission

Converting renewable resources into sustainable results

## Our Strategy

Valmet develops and supplies competitive process technology, services and automation to the pulp, paper and energy industries.

We are committed to moving our customers' performance forward with our unique offering and way to serve.

## Our Must-Wins

- Customer excellence
- Leader in technology and innovation
- Excellence in processes
- Winning team

## Growth accelerators

- Field services
- Industrial Internet and digitalization

## Our Vision

To become the global champion in serving our customers

## Our Values



### Customers

We move our customers' performance forward



### Renewal

We promote new ideas to create the future



### Excellence

We improve every day to deliver results



### People

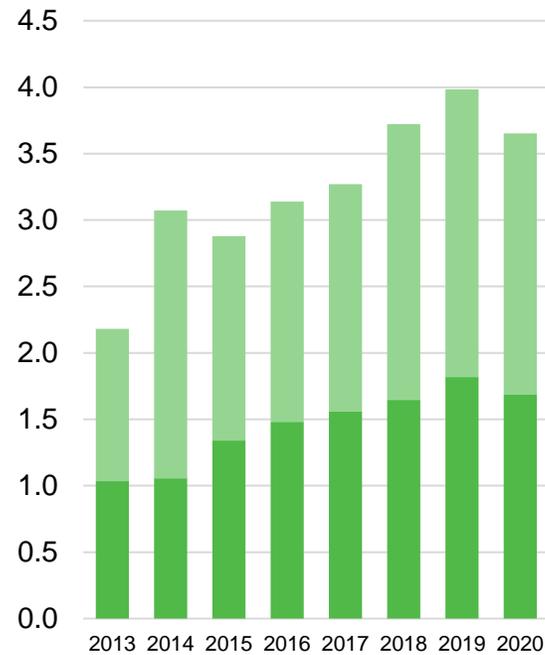
We work together to make a difference

## Megatrends

- Resource efficient and clean world
- Digitalization and new technologies
- Urban, responsible and global consumer

# Valmet's development since 2013

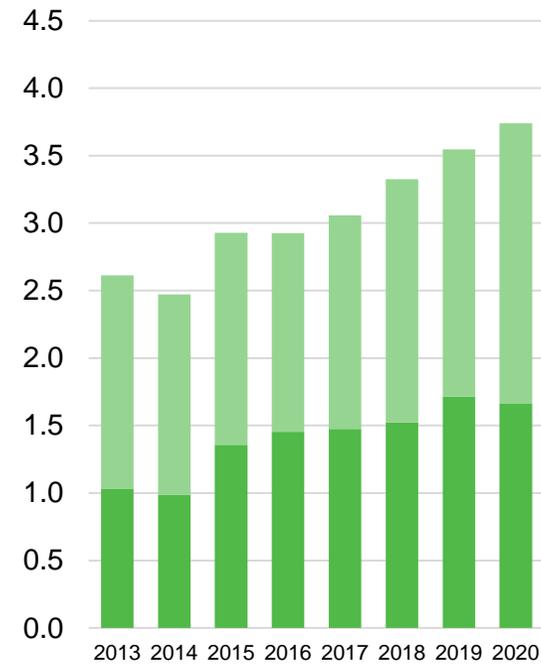
**Orders received**  
(EUR billion)



**Business lines**

- Services and Automation
- Pulp, Energy and Paper

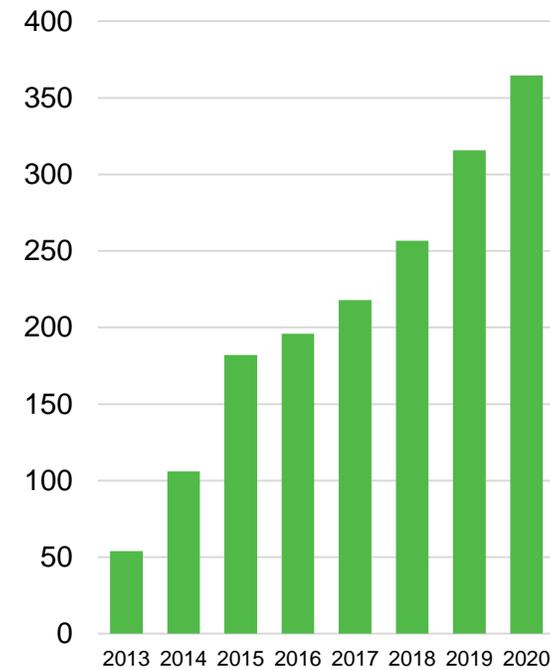
**Net sales**  
(EUR billion)



**Business lines**

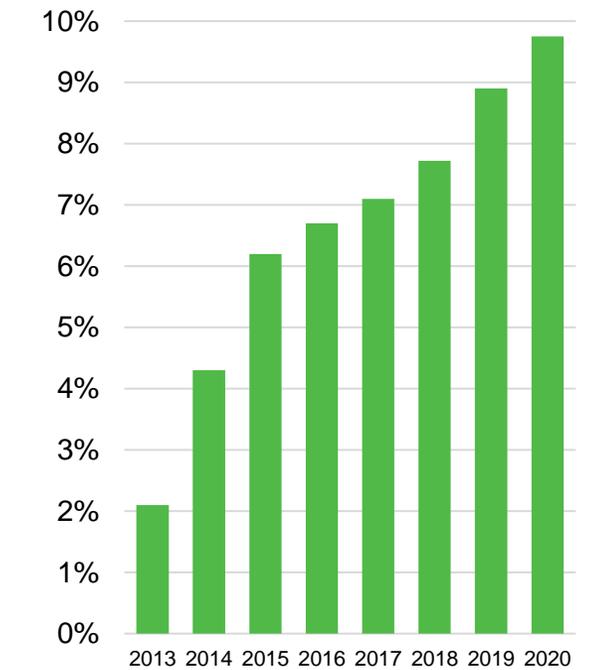
- Services and Automation
- Pulp, Energy and Paper

**Comparable EBITA**  
(EUR million)



- Comparable EBITA

**Comparable EBITA margin**  
(%)



- Comparable EBITA margin

# Recent market trends

## Valmet's long-term market drivers are positive

- Demand for pulp, board and tissue continues to increase
  - E-commerce, increasing demand for packaging materials and focus on environmental issues have gained more momentum
  - Customers' demand for efficiency and safety drive the demand for services and automation
- 

## Market activity varies between geographical areas

- High level of market activity in China in especially in board, tissue and paper
  - South America and Asia are active in both pulp and paper
- 

## Market activity is good in the capital business

- Paper and board machine market is active and tissue machine market has improved to good level
  - Several mega pulp mill decisions made during the last two years, and customer activity continues
  - Energy market has weakened
- 

## Stable business is impacted by COVID-19

- Automation market has been relatively active despite the pandemic
- Travel restrictions and lower capacity utilization in graphical paper mills have had a negative impact on the services market

# Recent development at Valmet



## Customer

Valmet acquired PMP Group

Valmet's way to serve concept launched for globally-unified services approach

Stronger utilization of Valmet's local presence in areas in sales and projects



## Technology

Collaboration project with Metsä Spring to produce fossil free 3D fiber products

Valmet DNA User Interface received well: dozens of projects sold and delivered with new technology

Wider utilization of Industrial Internet applications and remote connections



## Process

Good development in project management

Capacity cost reductions

Remote commissioning and start-up of new tissue and board machine installations

ERP renewal proceeding

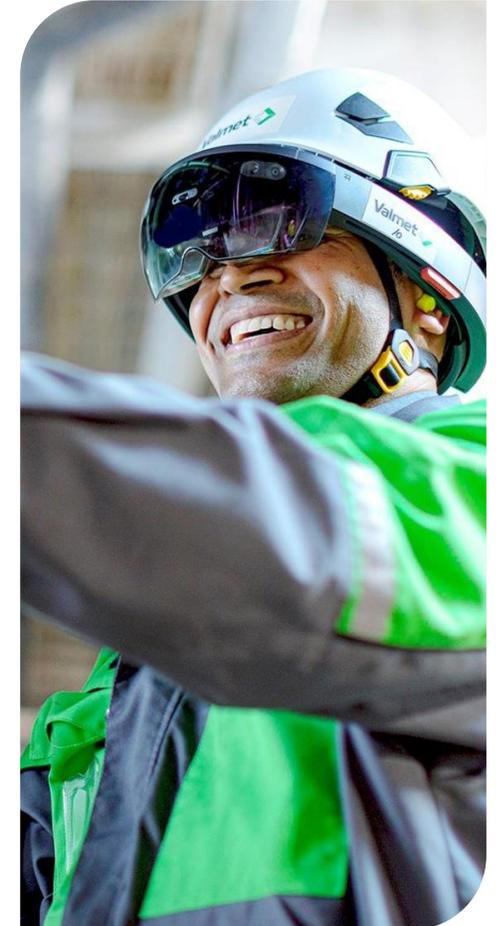


## People

Staying safe, operational and efficient during challenging times in 2020

Record-low LTIF for own employees (1.5) reached in 2020

Several internal training programs established and continuing



# Acknowledged leader in sustainability

## 360° approach to sustainability



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



Sustainability Award  
Bronze Class 2021  
S&P Global



### Good progress in sustainability indices

- In Dow Jones Sustainability Index for the seventh consecutive year
- Received Bronze Class 2021 Sustainability Award
- Achieved A- rating in CDP's climate program and reached the leadership level for the fifth consecutive year
- In Ethibel Sustainability Index Excellence Europe
- In CDP's Supplier Engagement Leaderboard with best A rating



### 2020 highlights

- 2% decrease of CO<sub>2</sub> intensity\*
- 87% increase in support for non-profit organizations
- 32% improvement in LTIF
- 92% of suppliers screened over sustainability risks

# Valmet's Climate Program: Forward to carbon neutral future

## Targets by 2030 for the entire value chain

### SUPPLY CHAIN

**-20%**

CO<sub>2</sub> emission reduction

### OWN OPERATIONS

**-80%**

CO<sub>2</sub> emission reduction

### USE PHASE OF VALMET'S TECHNOLOGIES

**-20%**

Further reduced energy use  
of Valmet's current technologies

**100%**

Carbon neutral production

- Valmet's new Climate Program sets credible targets and concrete actions for 2030 for the entire value chain
- Program is aligned with the Paris Climate Agreement's 1.5-degree pathway and UN Sustainable Development Goals and Valmet is in process to send its climate targets for the Science Based Targets Initiative for validation

## Main actions to reach targets by 2030

- Target CO<sub>2</sub> emission reductions from supply chain
- Reduce energy usage and use renewable fuels and CO<sub>2</sub> free electricity and district heating in own locations
- Improve energy efficiency of our existing process technology offering by 20%
- Develop existing and new technologies to enable carbon neutral production for our customers

# Valmet's 29.5% ownership in Neles

- Valmet acquired 29.5% of Neles in 2020
- Valmet's goal is to have an active long-term role in the development of Neles
- In the long-term, combination of Valmet and Neles would create a Nordic based global leader with a unique offering for process industries

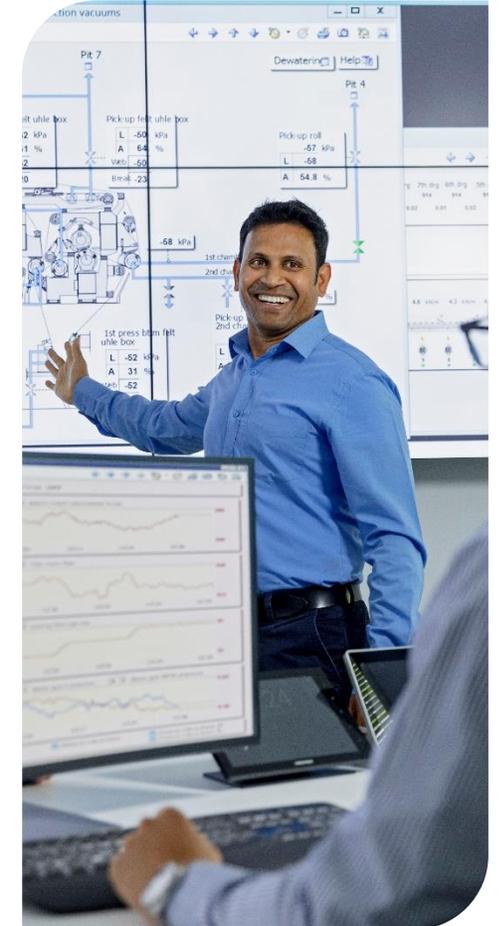
## Valmet and Neles together

- Stronger margin profile and globally balanced operations
- Increased share of high-margin and growing stable business including services, automation systems and valves
- A platform for further growth in automation business
- Tangible revenue, technology development and cost synergy potential



# Investment highlights

- 1 Strong position in the growing market of converting renewables
- 2 Widest technology and services offering combined with automation excellence
- 3 Services: The widest offering and strong geographical presence
- 4 Automation: Maximizing efficiency and safety of our customers
- 5 Paper: World-class technology for packaging and hygiene needs
- 6 Pulp and Energy: Strong business with high market share and flexible cost structure
- 7 Systematically building the future



# Strong position in the growing market of converting renewables



Paper

**#1** 0.4 ~ -2%  
EUR bn p.a.

Increasing role of digital media decreases demand for print papers  
Demand for technology driven efficiency improvements  
Need for specialty papers

**3% of net sales**



Board

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

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

**20% of net sales**



Tissue

**#1** 0.7 ~ 3-4%  
EUR bn p.a.

Rise in purchasing power and living standards  
Urbanization and improved hygiene  
Fast economic growth in emerging markets  
Demand for higher quality  
Consumers' higher hygiene habits

**6% of net sales**



Pulp

**#1-2** 1.5 ~ 1%  
EUR bn p.a.

Growing demand for sustainable packaging, tissue, hygiene products and textiles  
Increasing environmental awareness and stricter regulations  
Fiber-based plastic replacement  
Demand for second generation bioethanol

**18% of net sales**



Energy

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

Decarbonization in energy production  
Biomass and residual waste used in heat and process steam production  
Tightening air emissions legislation and stricter directives

**9% of net sales**



Automation

**#1-3** 2.1 ~ 1%  
EUR bn p.a.

Aging machines and installed automation systems  
Investments in new pulp and paper production lines and industrial decarbonization  
Demand for raw material savings, process efficiencies and sustainability  
Demand for Industrial Internet based solutions driven by customer digitalization

**9% of net sales**



Services

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

Increasing pulp, tissue, board and energy production  
Customer demand for resource efficiency, productivity, end-product quality, industrial internet services and reduced environmental impact  
Customer focus on core, decreasing own resources and outsourcing of non-core operations  
Size and gradual aging of installed base and capacity increases  
Closures and conversions of non-competitive production lines

**35% of net sales**

# Market position | Estimated market size for current offering (EUR) | Anticipated long-term market growth

For paper, board and tissue market position and estimated market size calculated as average during 2018-2020. For pulp, energy and automation the market position and estimated market size calculated based on 2020 figures. For services, the market position calculated from 2020 and estimated market size once the market recovers from the temporary negative impact of COVID on customer operations and services demand

# Widest technology and services offering combined with automation excellence

## Paper

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

## Pulp

- Wood and pulp handling
- Fiber processing
- Recovery

## Energy

- Heat and power generation
- Air 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

# Services: The widest offering and strong geographical presence

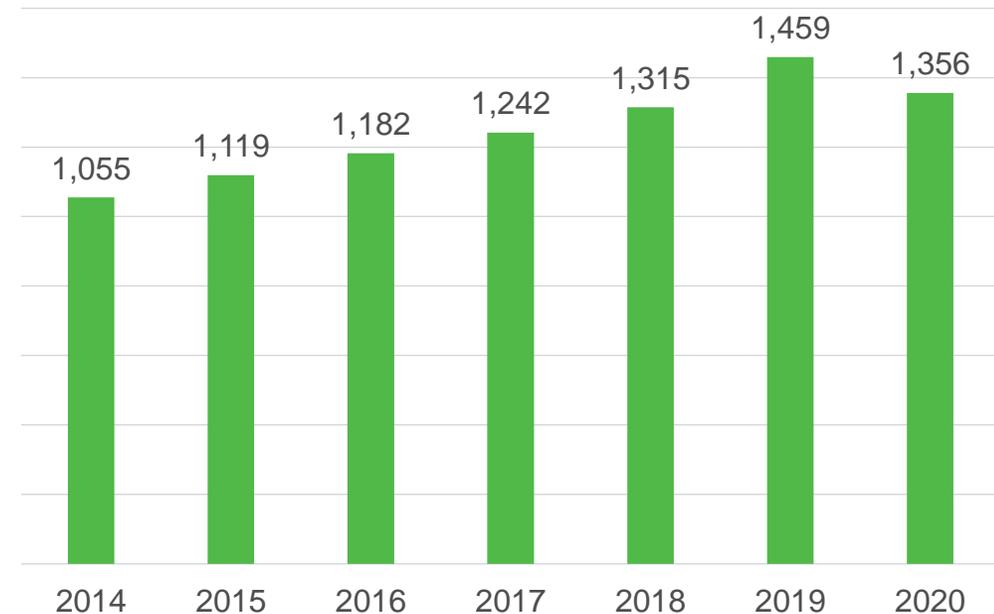
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## Services business line

- Widest offering to support customers' all service needs
- Benefits from growing installed base
- Strong geographical presence close to customers
- Steady increase in market share from 13% in 2014 to 17-18% in 2020
- Targeting to grow with the market and by winning further market share
- Opportunities to win new customers and increase share of wallet with existing customers

## Services business line

Orders received (EUR million)



Organic growth  
~4%  
CAGR in  
2014-2019

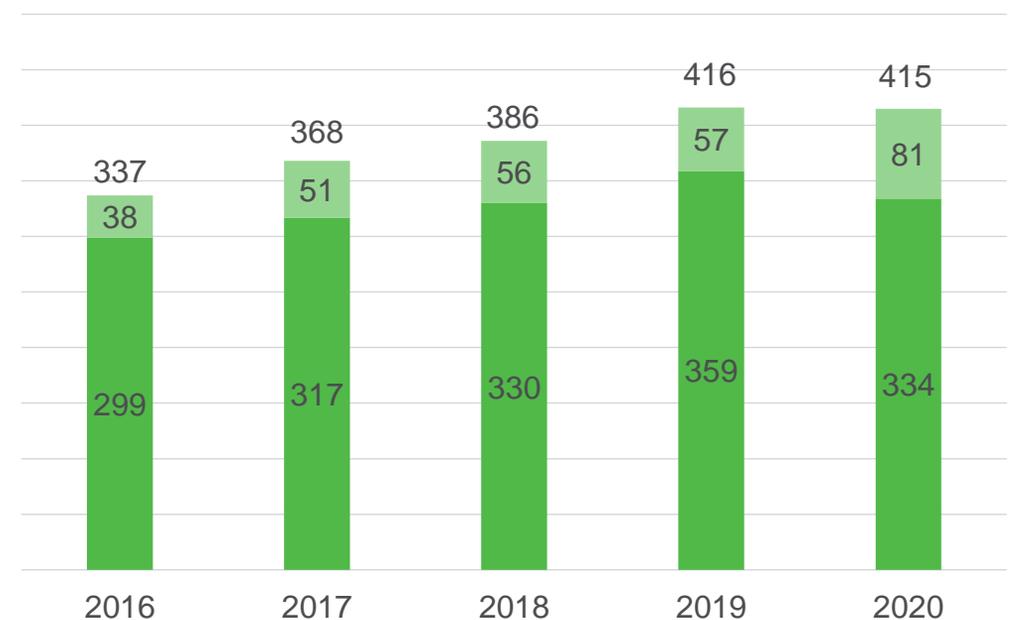
# Automation: Maximizing efficiency and safety of our customers

## Automation business line

- Solutions range from single measurements to plant-wide process automation systems
- Designed to maximize safety, sustainability and efficiency of customers' businesses
- Securing future competitiveness with R&D
- Strong track record since acquired to Valmet in 2015
- Several drivers for future growth
  - Increasing direct sales to customers
  - Package sales with Valmet's capital equipment
  - Replacing competitors' installed base and entering new industries
  - Growing in automation services

## Automation business line

Orders received (EUR million)



Organic growth  
~5%  
CAGR

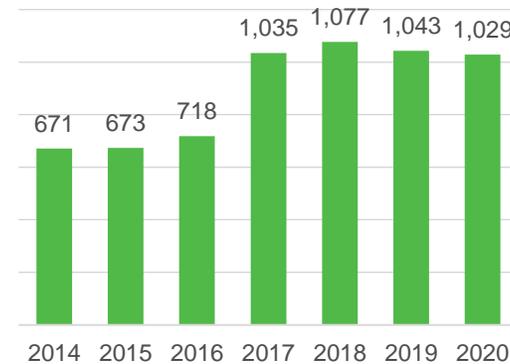
# Paper: World-class technology for packaging and hygiene needs

## Paper business line

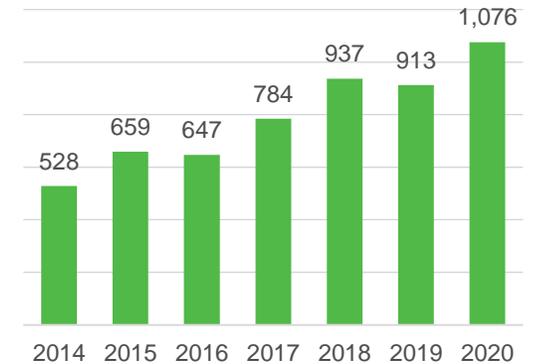
- Offering includes world-leading technology and products for board, tissue and paper making
- Long-term growth supported by favorable megatrends
  - Growing e-commerce and packaging needs
  - Increasing demand for hygiene products
- High market share
- Technological advantage and excellent references
- R&D targeted to introduce new products and improve the existing offering
- Flexible organization and low capacity cost provides resilience to market fluctuations

### Paper business line

Orders received (EUR million)



Net sales (EUR million)



Capacity costs	2015	2020
EUR million	270	301
% of net sales	41%	28%

	Market share	Market position
Board	~50%	#1
Tissue	~35%	#1
Paper	~50%	#1

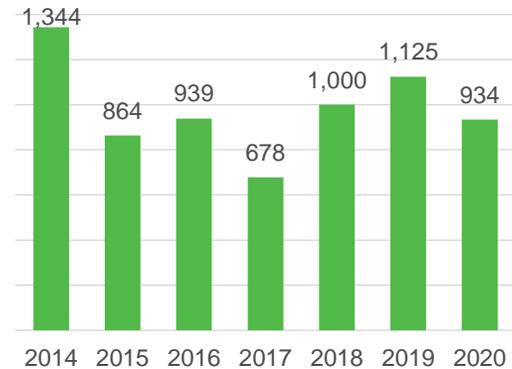
# Pulp and Energy: Strong business with high market share and flexible cost structure

## Pulp and Energy business line

- Offering includes full pulp mills and energy solutions for biomass and emission control
- Long-term growth supported by favorable megatrends
  - Growing demand for sustainable packaging and hygiene products and textiles
  - Replacing plastic with fiber-based materials
- High market share
- Technological advantage by focusing on R&D
- Flexible organization and low capacity cost provides resilience to market fluctuations
- Yearly variations in orders received are typical due to timing of large orders

### Pulp and Energy business line

Orders received (EUR million)



Net sales (EUR million)



Capacity costs	2015	2020
EUR million	218	196
% of net sales	24%	20%

	Market share	Market position
Pulp	~45%	#1-2
Energy	~20%	#1-3

# Systematically building the future



## Customer

Valmet's way to serve:  
Lifecycle collaboration  
between the customer  
and Valmet

Add value to customers  
through Industrial  
Internet solutions

Ensure strong market  
position in capital  
business

Continue to increase  
market share in the  
stable business



## Technology

Develop new products  
and technologies

Improve product cost  
competitiveness

Increase material and  
energy efficiency and  
further develop solutions  
to reduce carbon  
footprint



## Process

Continue to improve  
project management  
and project execution

Valmet's climate  
program targeting to  
reduce emissions in the  
whole value chain



## People

Continuous development  
of employees through  
training programs

Building capabilities  
globally

Continue to improve  
safety and lower LTIF

