



## Valmet – unique offering to support a growing market

Roadshow presentation  
March 2023

# Agenda

## Valmet roadshow presentation

- 1 Valmet in brief
- 2 Investment highlights
- 3 Financial targets and acquisitions
- 4 Q4/2022 financials, guidance and short-term market outlook
- 5 Summary



# Valmet in brief

# Valmet's offering is unique and the widest in the market

## Board and tissue

- 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

## Process technology

Customer

## Services

- Spare parts and components
- Production consumables
- Maintenance and shutdown services
- Process support and optimization
- Outsourcing services

Services

Automation

## Automation Systems

- Distributed Control Systems (DCS)
- Quality Management Systems (QMS)
- Analyzers and measurements
- Industrial Internet solutions

## Flow Control

- Valves
- Valve controllers
- Valve automation



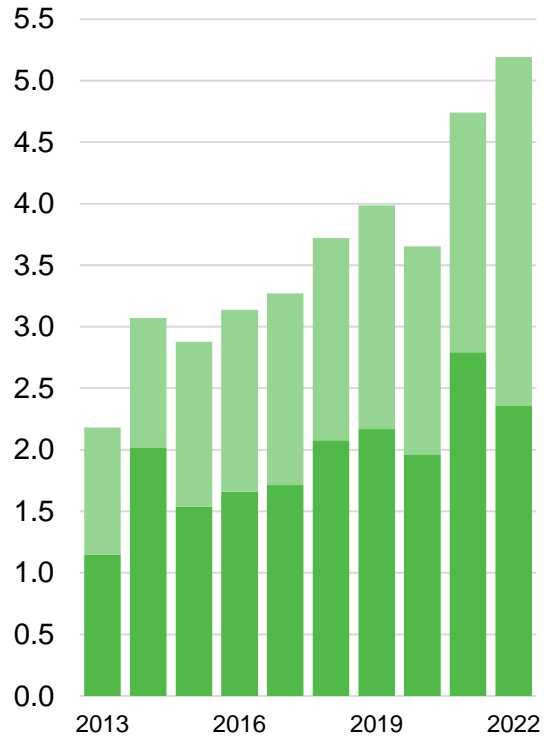


# We have strong market positions

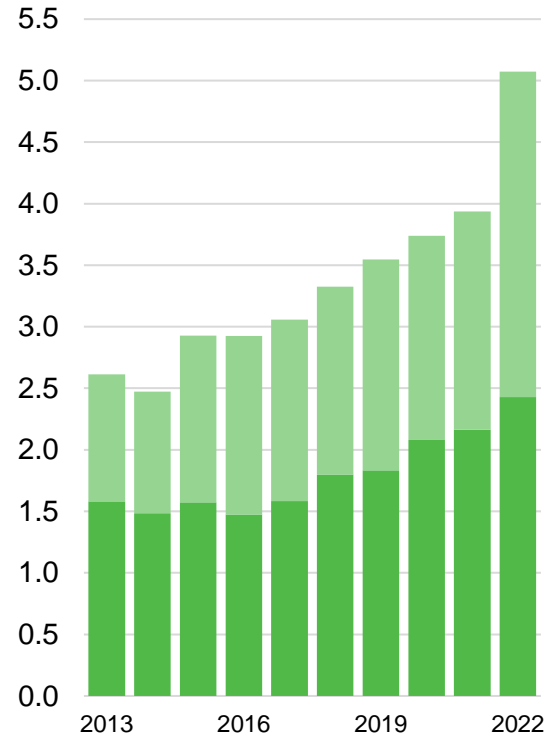


# Valmet's development since 2013

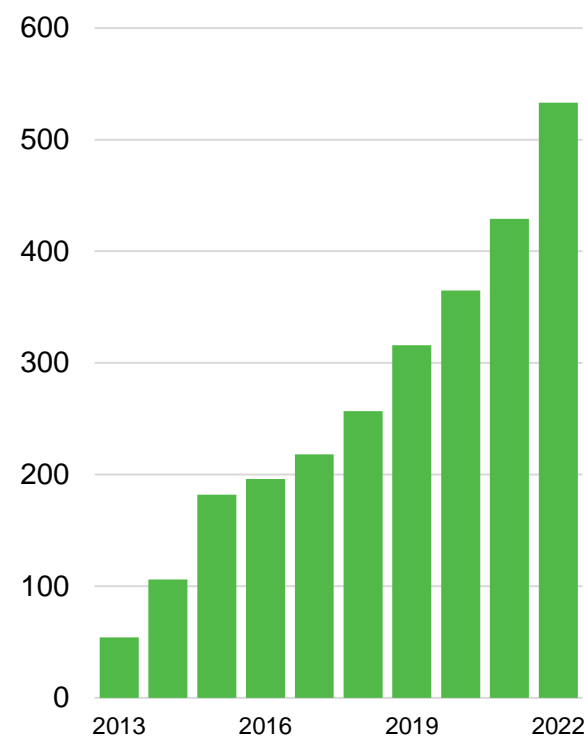
Orders received  
(EUR billion)



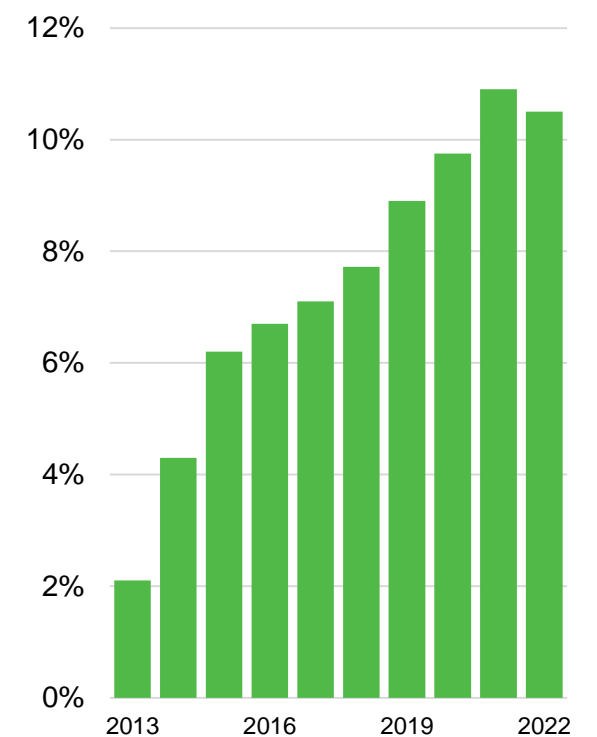
Net sales  
(EUR billion)



Comparable EBITA  
(EUR million)



Comparable EBITA margin  
(%)



■ Services and Automation segments  
■ Process Technologies segment

■ Services and Automation segments  
■ Process Technologies segment

■ Comparable EBITA

■ Comparable EBITA margin

2013 figures on carve-out basis. 2013-2020 figures have not been restated.

# Valmet in 2022

**Orders received**  
EUR 5,194 million

**Net sales**  
EUR 5,074 million

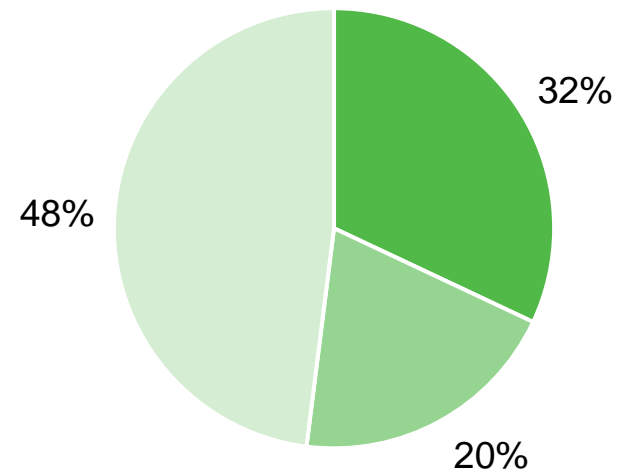
**Comparable EBITA**  
EUR 533 million

**Comparable EBITA margin**  
10.5%

**Order backlog**  
EUR 4,403 million

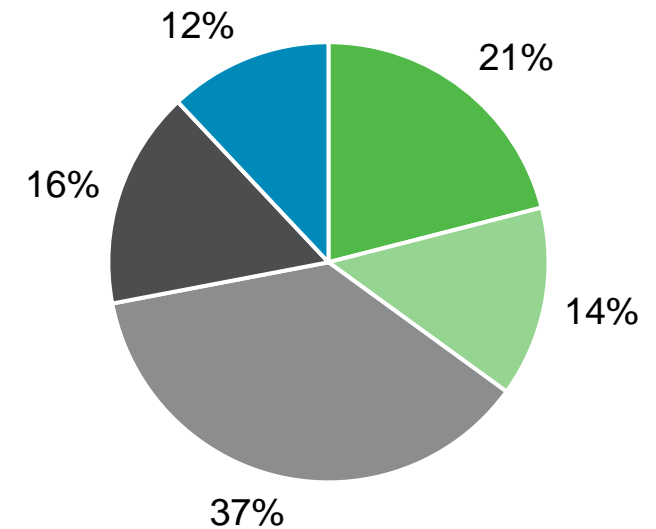
**Employees**  
17,548

Net sales by segment



- Services
- Automation
- Process Technologies

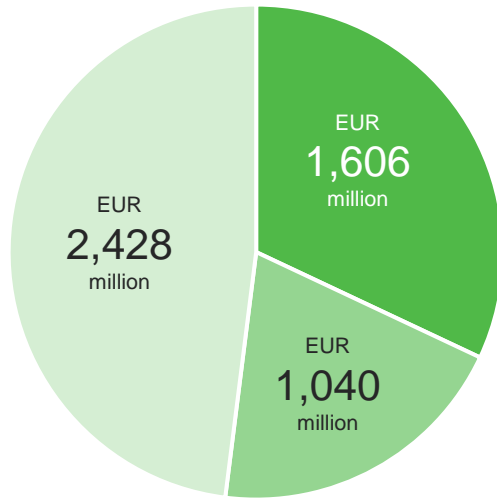
Net sales by area



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

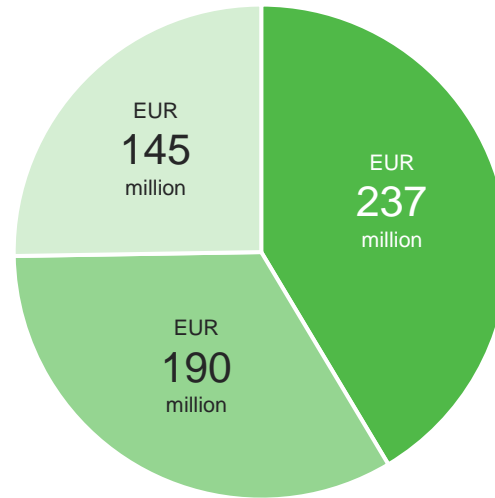
# Valmet has three strong segments

## Net sales



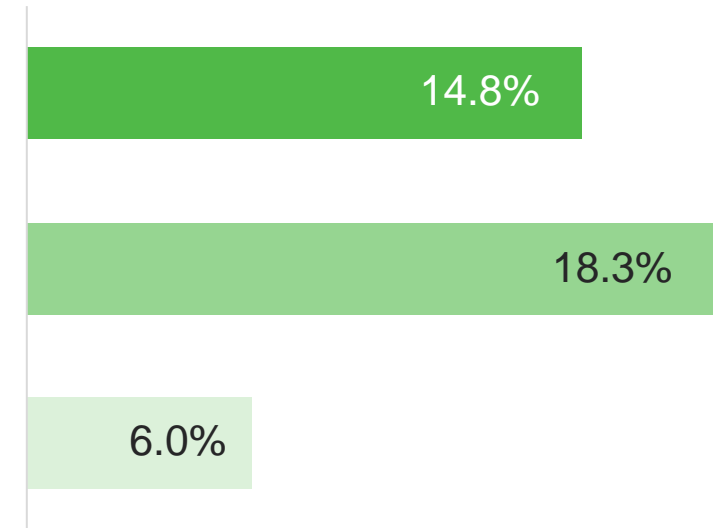
- Services
- Automation
- Process Technologies

## Comparable EBITA (excl. Other)



- Services
- Automation
- Process Technologies

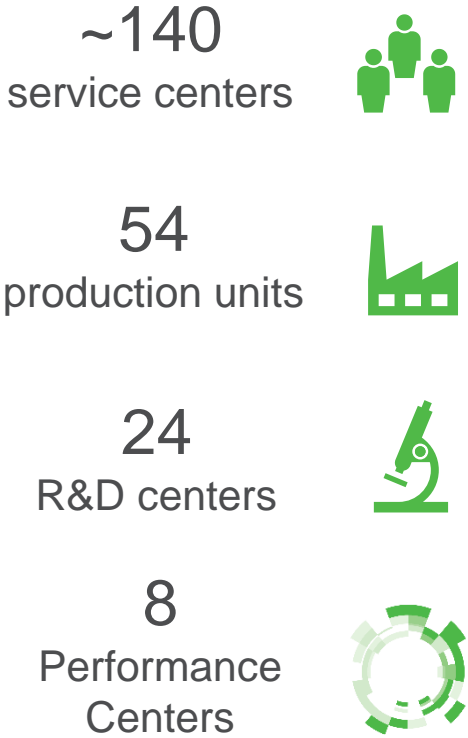
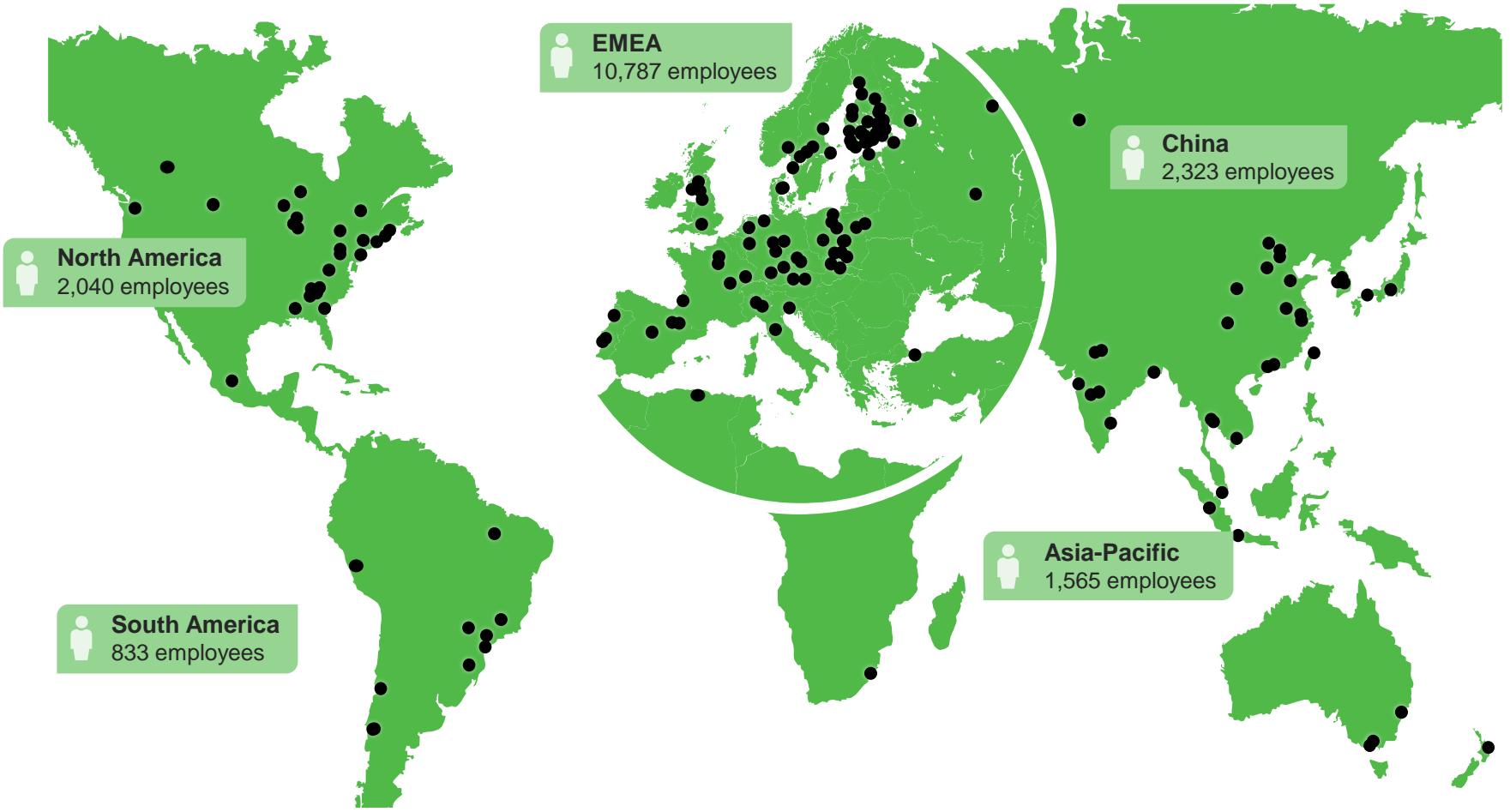
## Comparable EBITA margin (excl. Other)



- Services
- Automation
- Process Technologies



# Global presence creating a good platform for growth in Services and Automation



Personnel as December 31, 2022.

# Valmet's Way Forward

## Mission

Converting renewable resources into sustainable results

## Strategy

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

Our automation business covers a wide base of global process industries.

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

## Continuous improvement and renewal

### Must-Wins

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

### Business accelerators

## Vision

To become the global champion in serving our customers and in moving the industries forward

## 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 R&D is aiming to address global megatrends

## R&D focus areas

- Promotion of renewable materials
- Raw material, water and energy efficiency
- Emission reductions
- Circularity
- Productivity and environmental improvements with digitalization

**28**

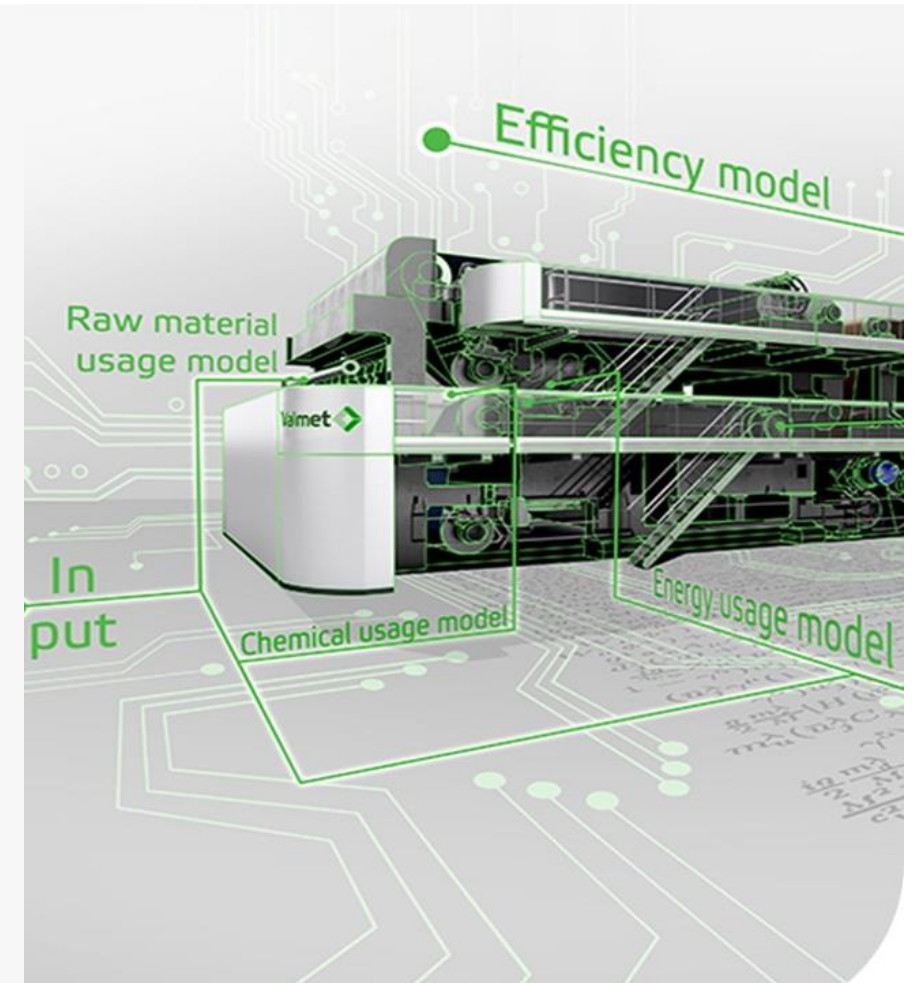
research and  
development centers



EUR **95** million  
R&D spending  
in 2022



**~1,300**  
protected  
inventions



Illustrative figures of the combined company.

# Acknowledged leader in sustainability

360° approach to sustainability across value chain

## Good sustainability ratings

- In Dow Jones Sustainability Index for the ninth consecutive year
- AAA rating in the MSCI ESG Ratings assessment 2022
- Bronze Class 2022 Sustainability Award
- Achieved A- rating in CDP's climate program ranking 2022



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



**Sustainability Award  
Bronze Class 2022**  
S&P Global



**MSCI  
ESG RATINGS**  
AAA  
CCC B BB BBB A AA AAA



# Valmet's Climate Program: Forward to a 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 approved by the Science Based Targets Initiative (SBTi)

### 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



# Investment highlights



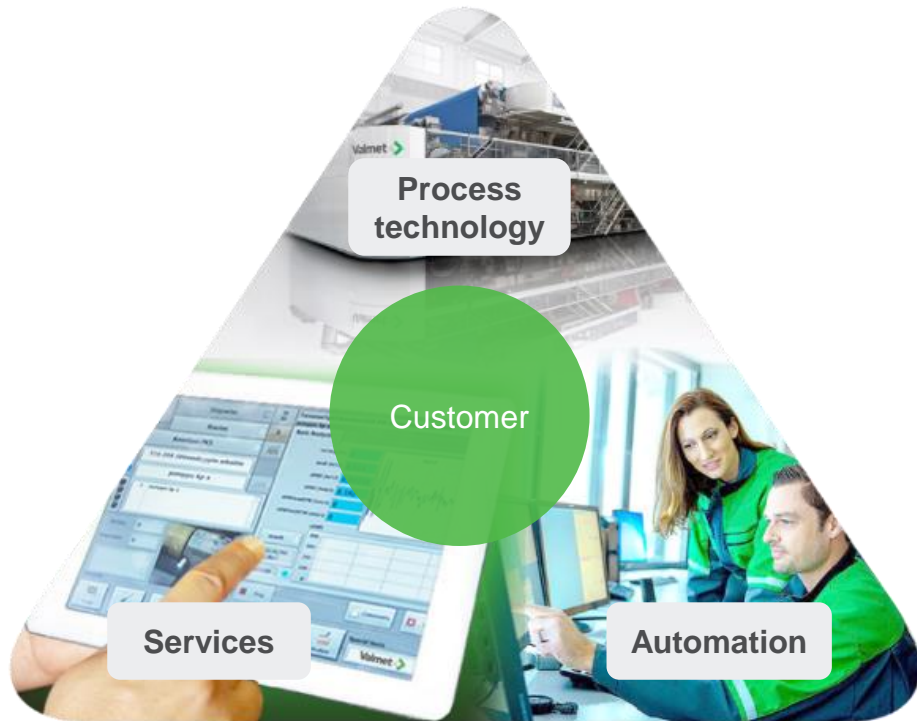
# Valmet's investment highlights

- 1 Unique offering to support a growing market
- 2 Process Technologies segment benefiting from the growing demand for bio-based products and energy
- 3 EUR 2.8 billion recurring and steadily growing stable business
- 4 Services segment's demand driven by large and growing global installed base
- 5 Automation segment with high growth and profitability
- 6 Future growth possibilities from new sustainable innovations
- 7 Building Valmet on positive megatrends and strategy of renewal and continuous development

# Unique offering to support a growing market

## Unique offering

Competitive advantage from the widest offering in the market



## Strong market drivers

### Process Technologies

- E-commerce and global trade
- Renewable materials replacing plastic packaging
- Conversions from paper to board
- Energy transition and CO<sub>2</sub> neutral energy production
- Energy supply security
- Tightening air emissions legislation and stricter directives

### Services

- Large and aging global installed base
- Customers' CO<sub>2</sub> reduction targets
- Energy and resource efficiency
- Productivity and end-product quality
- Digitalization, remote services and industrial internet

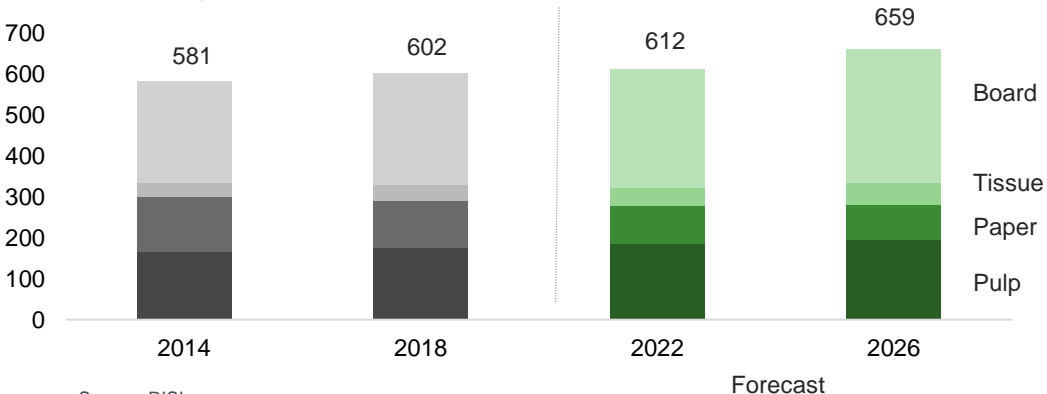
### Automation

- Automation and digitalization are global megatrends
- Aging machines and installed automation systems
- Demand for raw material savings, process efficiencies and sustainability
- Customers' demands on safety, reliability and emissions

# Process Technologies segment benefiting from the growing demand for bio-based products and energy

- New pulp and paper capacity is needed as demand for bio-based products continues to grow
- Energy transition creates a growing market for Valmet's energy offering
- Large old and inefficient installed base generates a significant replacement market for Valmet
- Strong business model with large prepayments and low capacity costs
- Comparable EBITA margin 6.0% in 2022

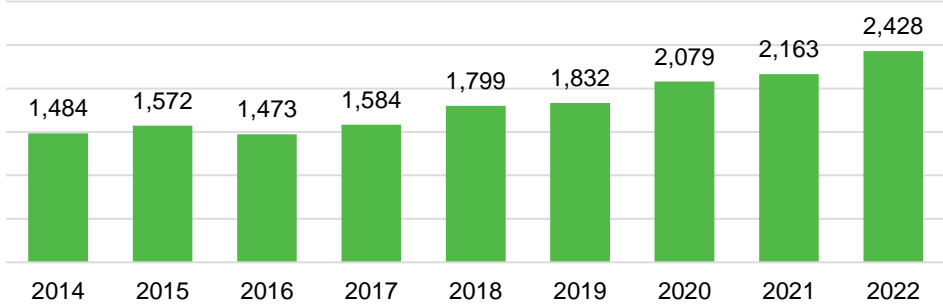
### Demand for pulp and paper continues to grow (Global demand, Mton)



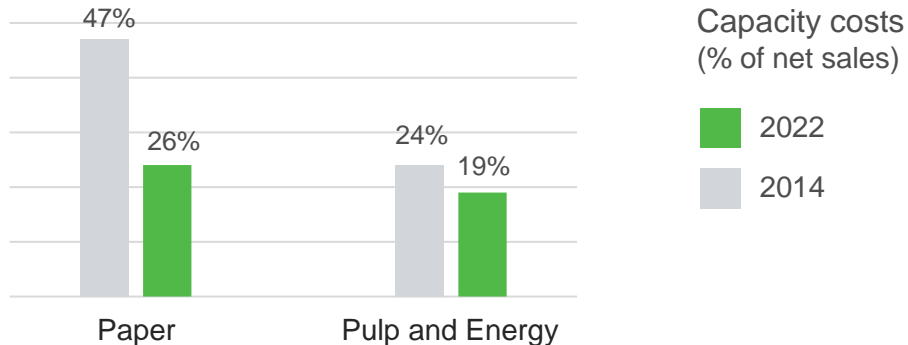
Source: RISI

Forecast

### Net sales (EUR million)



### Valmet's operational efficiency has increased



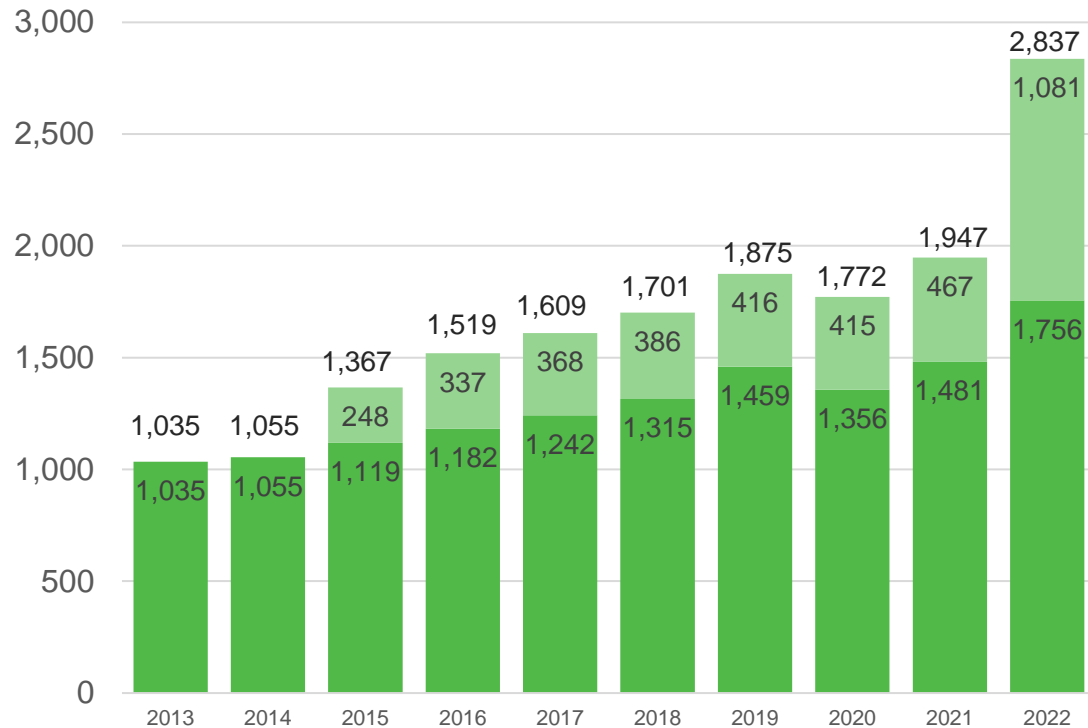
Capacity costs  
(% of net sales)

2022  
2014



# EUR 2.8 billion recurring and steadily growing stable business

Orders received  
(EUR million)



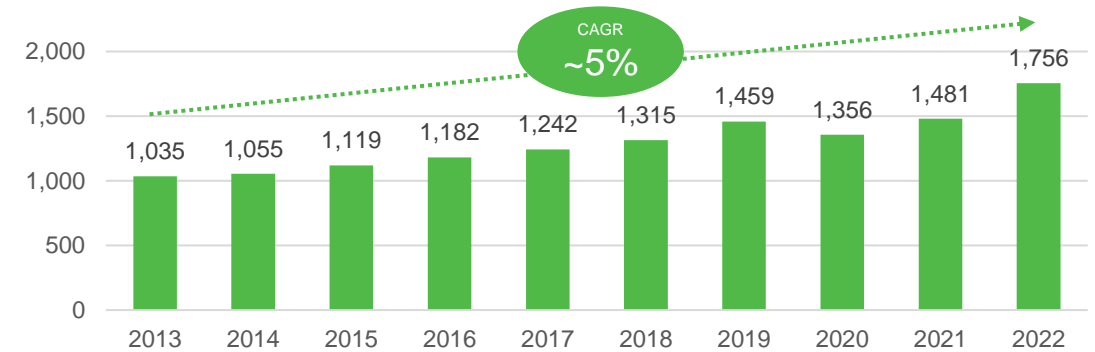
Figures in dark green for Valmet Services segment, light green for Valmet Automation segment.  
2013-2020 figures have not been restated.

- Valmet's stable business has grown steadily since 2014
- Future growth possibilities are supported by favorable megatrends
- Stable business provides resilience to business cycles and makes Valmet's order intake less cyclical

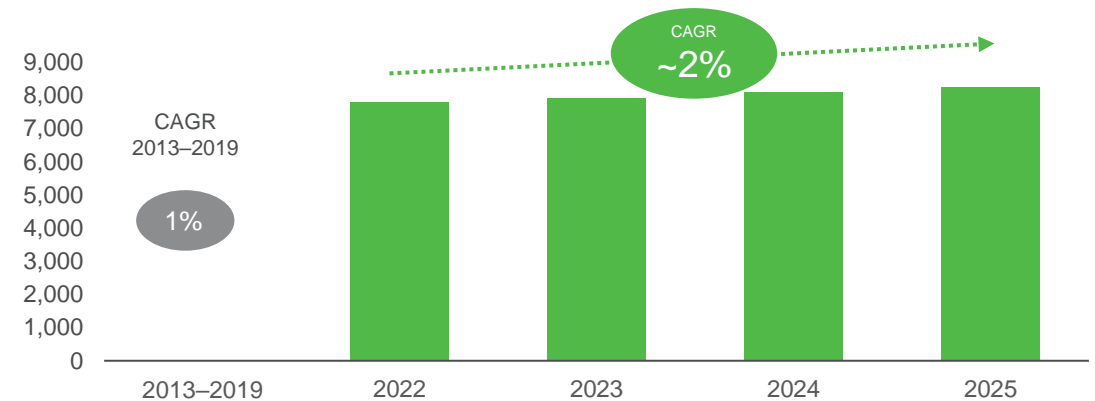
# Services segment's demand driven by large and growing global installed base

- Valmet's Services is a growing and recurring business
- Demand driven by large and growing global installed base
- Roughly EUR 8 billion addressable market estimated to grow 2% annually
- Target to continue to grow over two times the market growth
- Competitive advantage from the widest offering in the market
- Strong presence in all market areas covering all key customer corporations
- Solid track record for growth
- Comparable EBITA margin 14.8% in 2022

Orders received (EUR million)



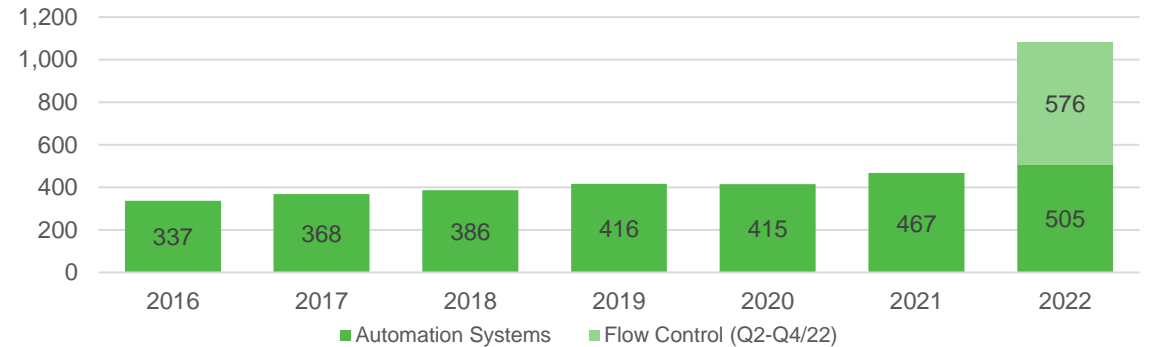
Service market development and estimate (EUR million)



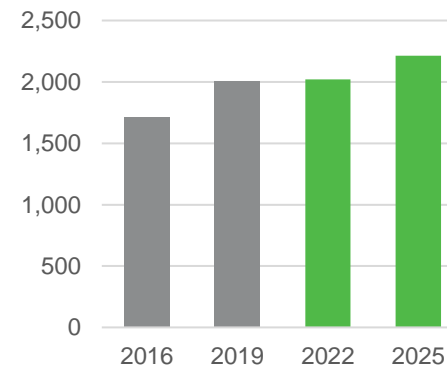
# Automation segment with high growth and profitability

- Valmet's Automation is a growing and recurring business
- Large addressable target market estimated to grow ~3% annually
- Target to continue to grow over two times the market growth
- Sustainability, digitalization and targets for operational efficiency drive the market for Automation Systems
- Flow control market for critical valves and valve automation has barriers of entry enabling solid profitability for leading players
- Opportunities to grow outside the core pulp and paper industry organically and through M&A
- Comparable EBITA margin 18.3% in 2022

Orders received (EUR million)

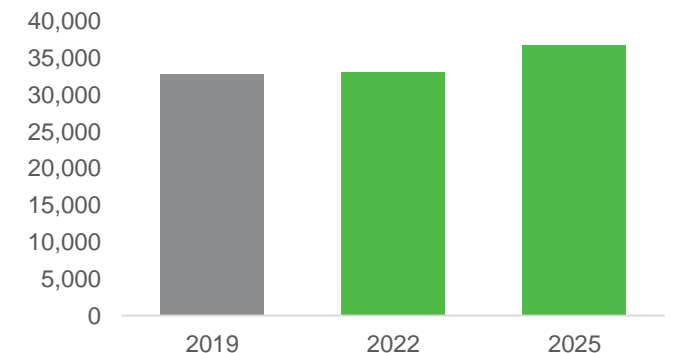


Automation Systems target market (EUR million)



Source: ARC 2021-2026 material

Flow Control market (EUR million)



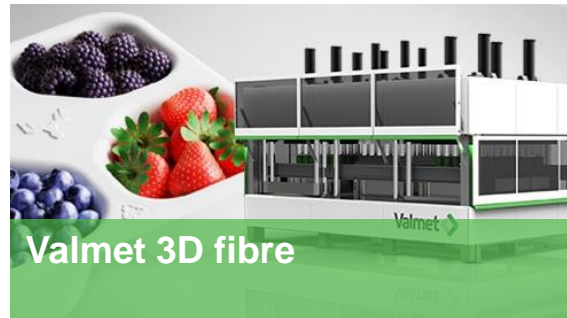
Source: Frost & Sullivan



# Future growth possibilities from new sustainable innovations



- Technology to produce viscose pulp from recycled clothes and other textiles
- Technology for cellulose based textile fibre production



- Next generation of molded fiber
- More efficient production process compared to current solutions
- Produces ready-made 3D packages directly from wet pulp
- High quality end product could replace plastics in various packaging solutions



- Lignin usage to replace fossil-based carbon in batteries
- Pyrolysis for biochemicals and biofuels production to replace fossil-based fuels



- Solid position to grow in green hydrogen in Flow Control
- Renewal of Automation Systems platform creates opportunities for further growth
- Growth opportunities in energy and process industries in Automation

# Building Valmet on positive megatrends and strategy of renewal and continuous development

Demand for bio-based products and energy continues to grow	New growth opportunities	Steadily growing stable business	Strategy
<ul style="list-style-type: none"><li>• The large pulp and paper market is growing and supported by favorable megatrends and sustainability</li><li>• Energy transition creates a growing market for Valmet's energy offering</li><li>• Valmet has strong market positions and opportunities to increase market share</li></ul>	<ul style="list-style-type: none"><li>• Future growth possibilities from new sustainable innovations</li><li>• Growth opportunities in energy and process industries in Automation</li></ul>	<ul style="list-style-type: none"><li>• EUR 2.8 billion stable business with high margin</li><li>• Stable business has high margins and resilience to market cycles</li><li>• Large and aging installed base generates a significant market</li></ul>	<ul style="list-style-type: none"><li>• Strong track record of successful acquisitions and possibility to continue to invest in selected acquisitions</li><li>• Strategy based on building the future systematically with renewal and continuous improvement</li></ul>



# Financial targets and acquisitions

# Financial targets

## Growth

Net sales for Services and Automation segments to grow over two times the market growth

Net sales for Process Technologies segment to exceed market growth

## Profitability

Comparable EBITA:  
12–14%

## ROCE

Comparable return on capital employed (ROCE) before taxes<sup>1</sup> at least 15%

## Dividend policy

Dividend payout at least 50% of net profit

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))

# Concrete actions to reach Comparable EBITA target of 12–14% through must-wins

## Customer

- Grow stable business over two times the market growth
- Maintain and improve market share in Process Technologies
- Improve price and sales management

## Technology

- Leverage strong R&D for new product innovations
- Continue to bring advanced technology to the market
- Improve product cost competitiveness

## Processes

- Ensure good project operations to reach a positive margin deviation in projects
- Improve supply chain operations to harvest cost savings
- Manage quality throughout the supply chain to minimize quality costs

## People

- Increase procurement, production and engineering capabilities in cost-competitive countries
- Utilize global training portfolio to strengthen Must-Win execution

Targeting to increase Comparable EBITA margin in all three segments

# Improvement in Comparable EBITA is the biggest driver for ROCE

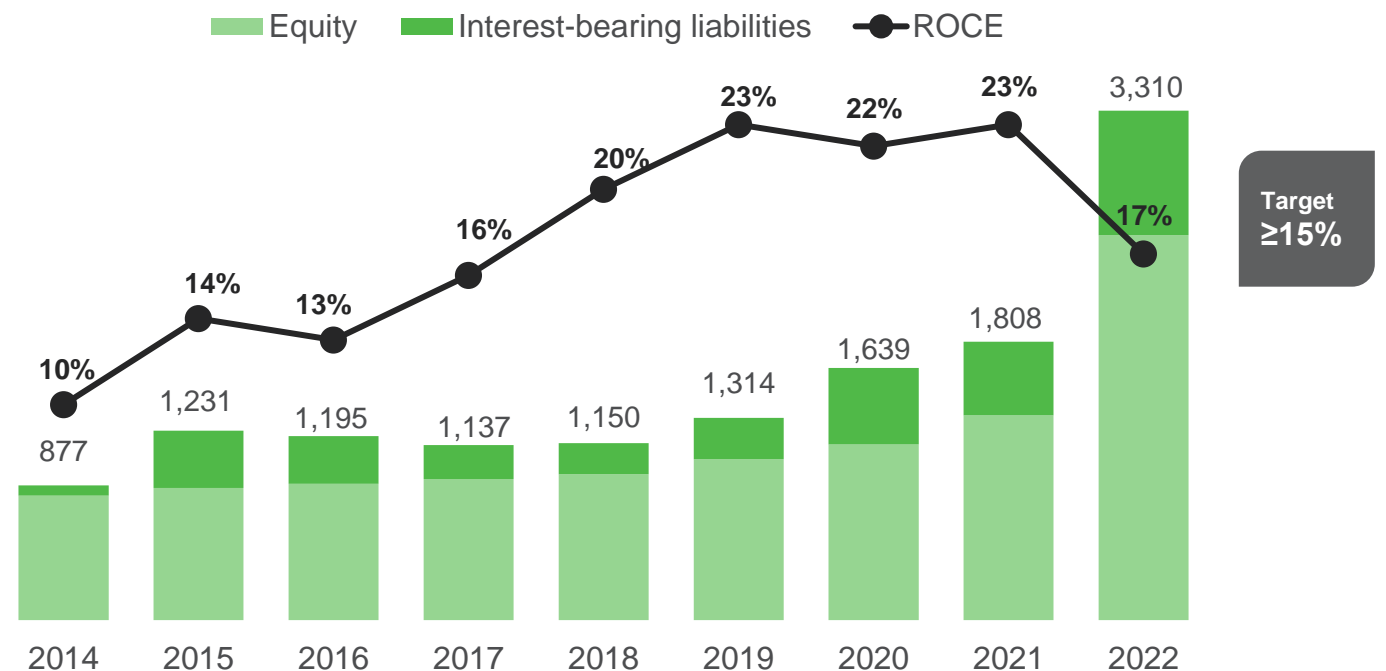
## Main drivers for ROCE:

- Improvement in Comparable EBITA is the biggest driver for ROCE
- Capital employed increased in 2022 due to the Neles merger

## Track record

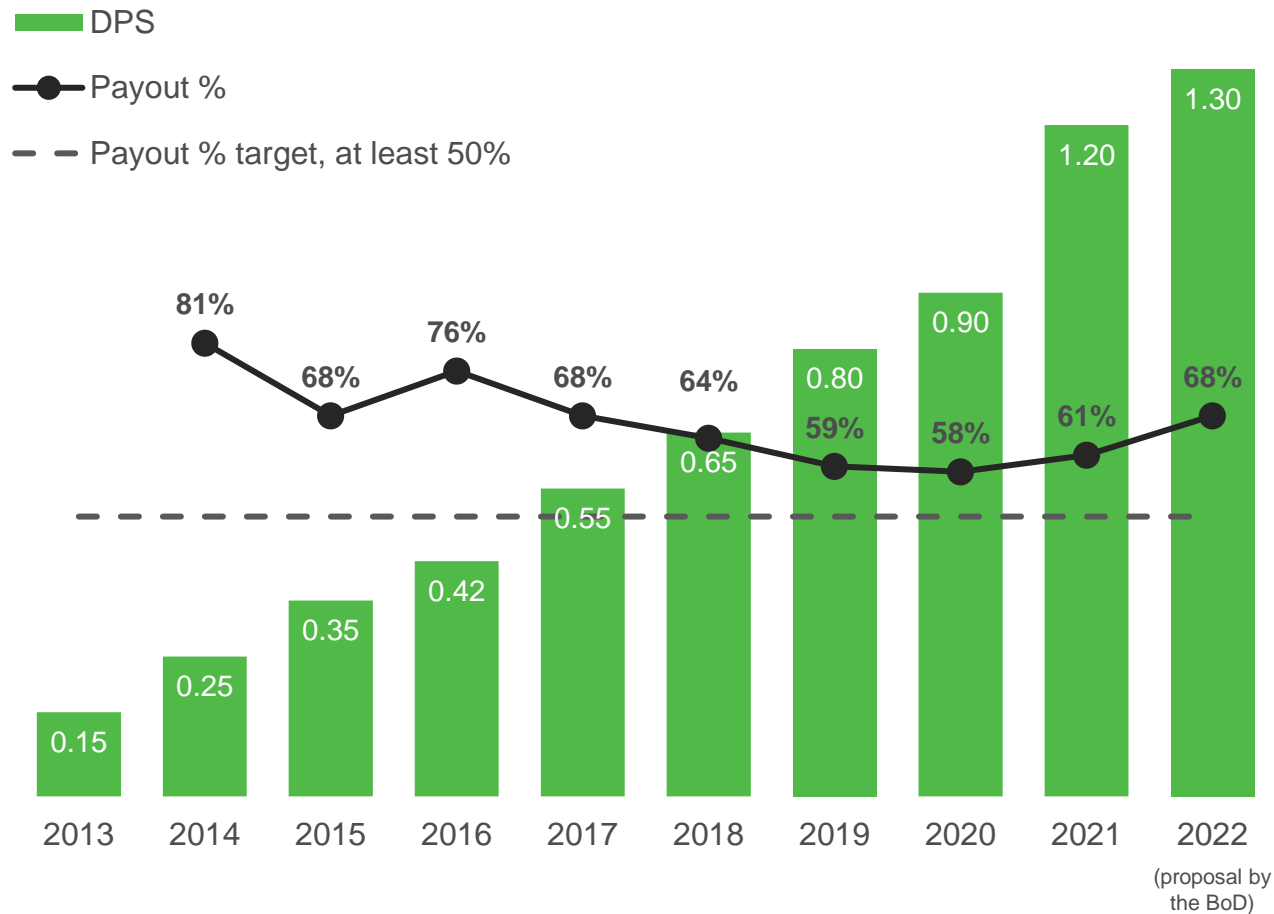
Capital employed (EUR million)

Comparable ROCE (% , before taxes)





# Valmet has paid attractive dividend



- Payout target at least 50% of net profit
- Target has been exceeded every year
- Constant dividend growth

Total payout (EUR)  
in dividends since  
2013 (incl. 2022)

**1.0bn**

# Opportunities to strengthen Services, Automation and Process Technologies segments through acquisitions

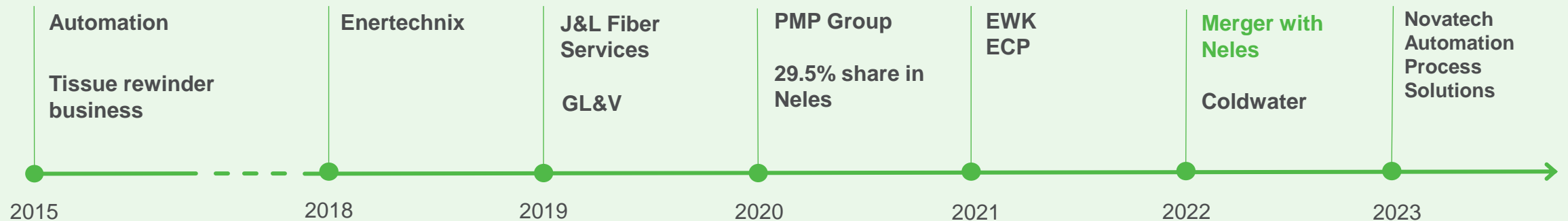
## Strong track record of successful acquisitions


- Ten acquisitions made since becoming an independent company in 2014
- Total investment in acquisitions and in the merger with Neles about EUR 2 billion

## Acquisition strategy

- Opportunities to strengthen Services, Automation and Process Technologies segments
- Selective acquisitions with a clear industrial logic and synergies
- Targeting to support Valmet in reaching financial targets
- Approximately 50 cases evaluated annually

## Track record of successful acquisitions





# Q4/2022 financials, guidance and short-term market outlook

# Key figures

EUR million	Q4/2022	Q4/2021	Change	2022	2021	Change
Orders received	<b>1,385</b>	1,093	27%	<b>5,194</b>	4,740	10%
Order backlog <sup>1</sup>	<b>4,403</b>	4,096	7%	<b>4,403</b>	4,096	7%
Net sales	<b>1,540</b>	1,199	28%	<b>5,074</b>	3,935	29%
Comparable EBITA	<b>196</b>	147	33%	<b>533</b>	429	24%
% of net sales	<b>12.7%</b>	12.2%	0.5 pp	<b>10.5%</b>	10.9%	-0.4 pp
EBITA	<b>190</b>	155	23%	<b>550</b>	448	23%
Operating profit (EBIT)	<b>156</b>	143	9%	<b>436</b>	399	9%
% of net sales	<b>10.1%</b>	11.9%	-1.8 pp	<b>8.6%</b>	10.1%	-1.5 pp
Adjusted earnings per share, EUR <sup>2</sup>	<b>0.80</b>	0.69	15%	<b>2.37</b>	2.09	13%
Earnings per share, EUR	<b>0.66</b>	0.67	-1%	<b>1.92</b>	1.98	-3%
Return on capital employed (ROCE) before taxes				<b>18%</b>	24%	-6 pp
Cash flow provided by operating activities	<b>-13</b>	96		<b>36</b>	482	-93%
Gearing <sup>1</sup>				<b>20%</b>	-7%	27 pp

Items affecting comparability: EUR -6 million in Q4/2022 (EUR 8 million in Q4/2021) and EUR 17 million in 2022 (EUR 19 million in 2021).

1) At end of period

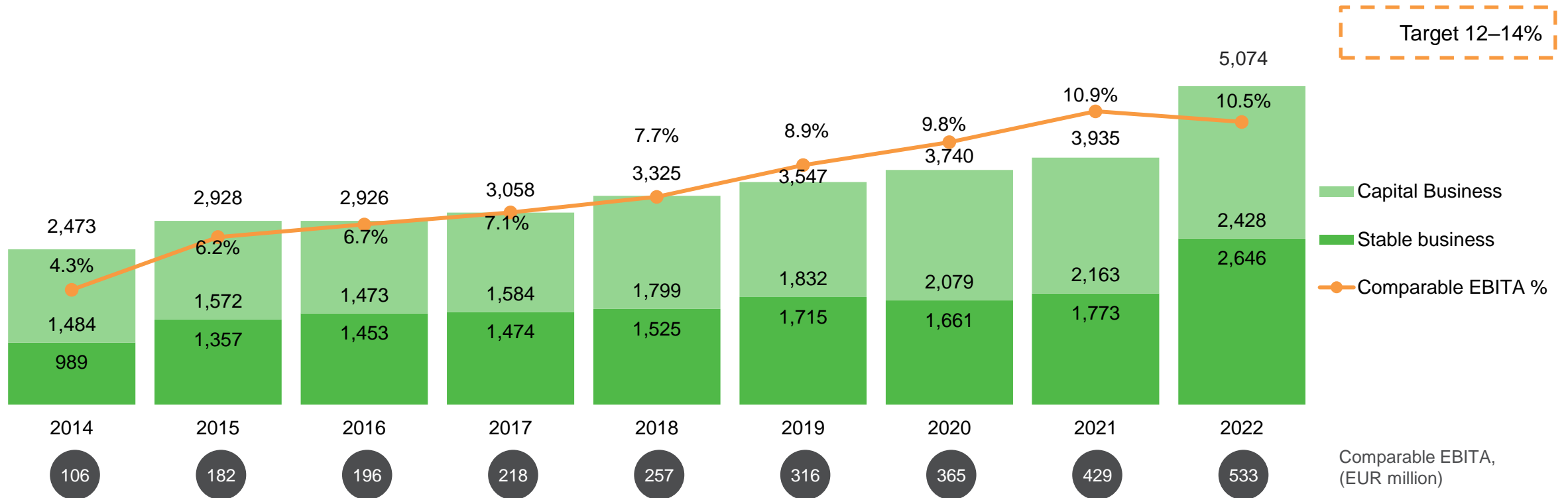
2) Adjusted earnings per share is an alternative performance measure that excludes the impact of fair value adjustments arising from business combinations, net of tax

# Segment key figures

Orders received, EUR million	Q4/2022	Q4/2021	Change	2022	2021	Change
Services	418	387	8%	1,756	1,481	19%
Automation	324	119	>100%	1,081	467	>100%
Process Technologies	644	587	10%	2,356	2,793	-16%
Total	1,385	1,093	27%	5,194	4,740	10%
Net sales, EUR million	Q4/2022	Q4/2021	Change	2022	2021	Change
Services	505	413	22%	1,606	1,360	18%
Automation	363	160	>100%	1,040	412	>100%
Process Technologies	672	626	7%	2,428	2,163	12%
Total	1,540	1,199	28%	5,074	3,935	29%
Comparable EBITA, EUR million	Q4/2022	Q4/2021	Change	2022	2021	Change
Services	95	71	33%	237	204	16%
Automation	78	40	93%	190	79	>100%
Process Technologies	38	45	-17%	145	175	-17%
Other	-14	-10	39%	-39	-30	30%
Total	196	147	33%	533	429	24%
Comparable EBITA margin, % of net sales	Q4/2022	Q4/2021	Change	2022	2021	Change
Services	18.7%	17.2%	1.5 pp	14.8%	15.0%	-0.3 pp
Automation	21.4%	25.2%	-3.8 pp	18.3%	19.2%	-0.9 pp
Process Technologies	5.6%	7.2%	-1.6 pp	6.0%	8.1%	-2.1 pp
Total	12.7%	12.2%	0.5 pp	10.5%	10.9%	-0.4 pp

# Comparable EBITA margin development

Net sales and Comparable EBITA (EUR million and %)<sup>1</sup>

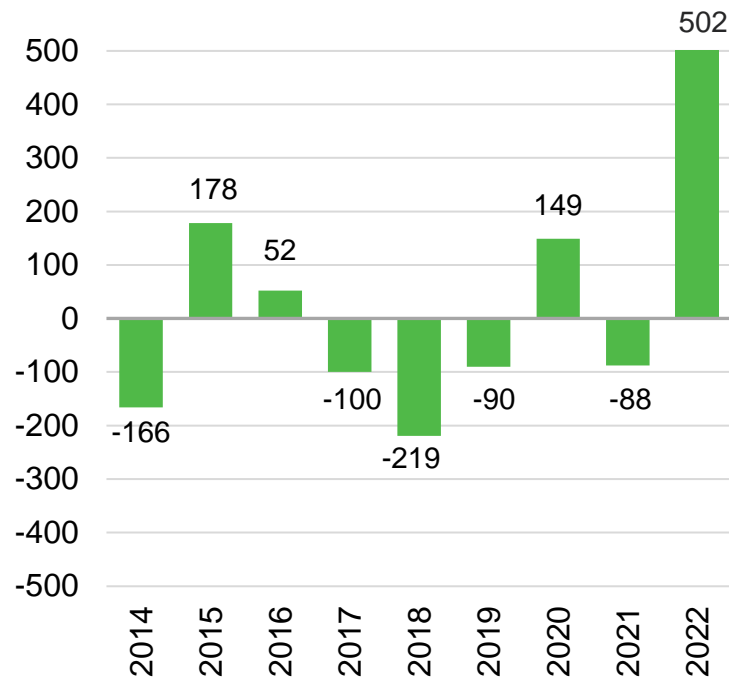


1) Valmet implemented IFRS 15 – Revenue from Contracts with Customers as of January 1, 2018 by applying full retrospective method. 2014–2020 figures have not been restated to reflect Valmet’s current reporting structure. Thus, figures presented are not fully comparable.

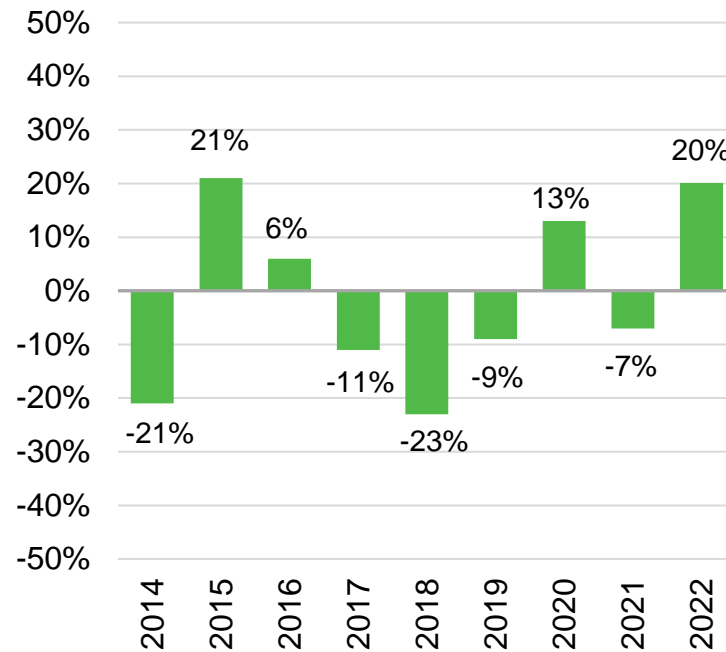


# Strong balance sheet enabling solid operations, dividends and growth also through acquisitions

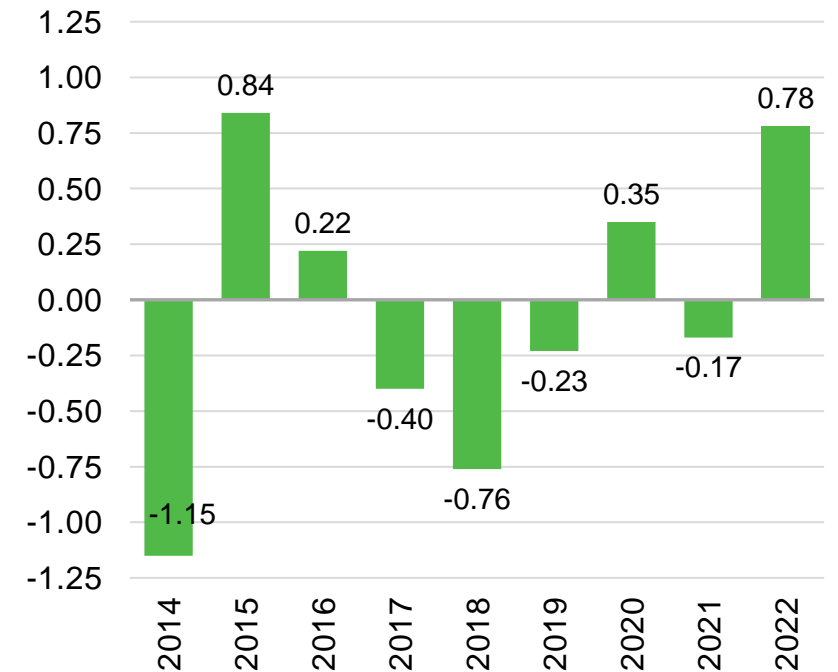
## Net debt



## Gearing



## Net debt to EBITDA ratio



# Guidance and short-term market outlook

## Guidance for 2023

<b>Guidance</b>	Valmet estimates that net sales in 2023 will increase in comparison with 2022 (EUR 5,074 million) and Comparable EBITA in 2023 will increase in comparison with 2022 (EUR 533 million).
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## Short-term market outlook

		Q1/2022	Q2/2022	Q3/2022	Q4/2022
<b>Services</b>		Good	Good	Good	Good
<b>Automation</b>	Flow Control	Good	Good	Good	Good
	Automation Systems	Good	Good	Good	Good
<b>Pulp and Energy</b>	Pulp	Good	Good / Satisfactory	Good / Satisfactory	Good / Satisfactory
	Energy	Satisfactory	Good	Good	Good
<b>Paper</b>	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'.



# Summary

# Valmet's investment highlights

- 1 Unique offering to support a growing market
- 2 Process Technologies segment benefiting from the growing demand for bio-based products and energy
- 3 EUR 2.8 billion recurring and steadily growing stable business
- 4 Services segment's demand driven by large and growing global installed base
- 5 Automation segment with high growth and profitability
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# 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.

