

Good position to grow and increase profitability

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Valmet Capital Markets Day 2021

Overview of Valmet: Key figures for 2020

Orders received

EUR 3,653 million

Net sales

EUR 3,740 million

Comparable EBITA

EUR 365 million

Comparable EBITA margin

9.8%

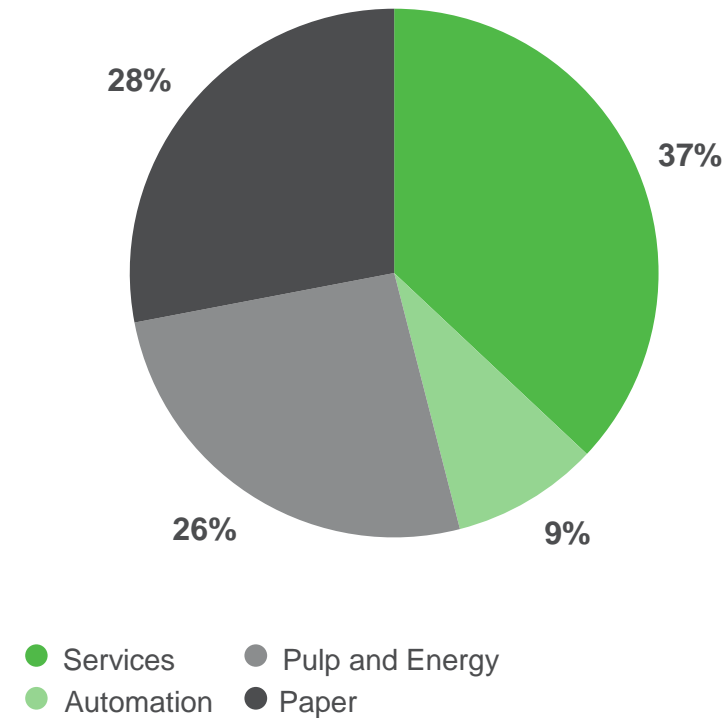
Order backlog

EUR 3,257 million

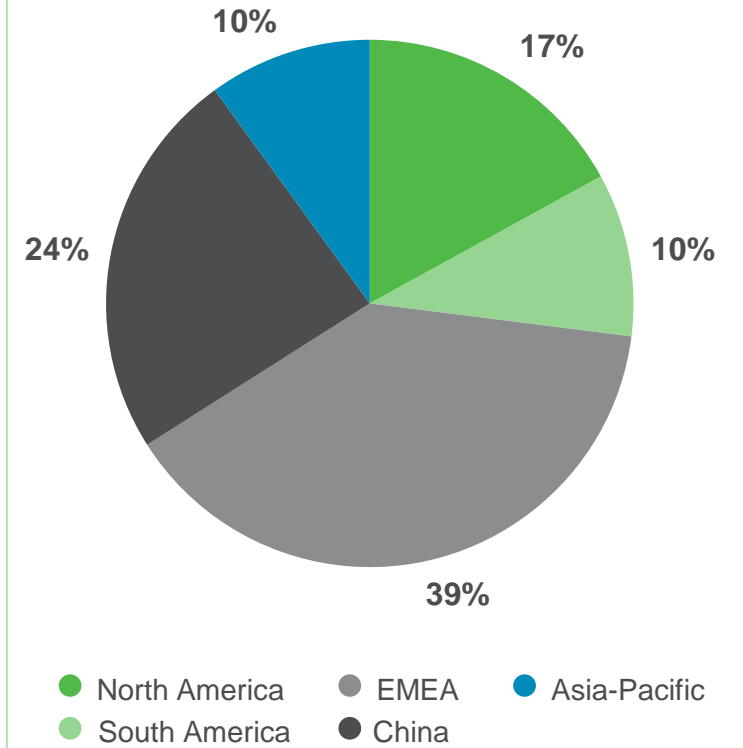
Employees

14,046

Orders received by business line

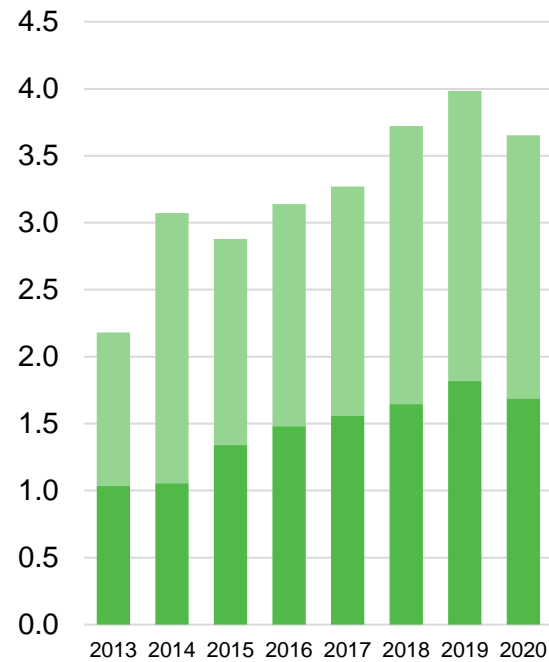


Orders received by area



Valmet's development since 2013

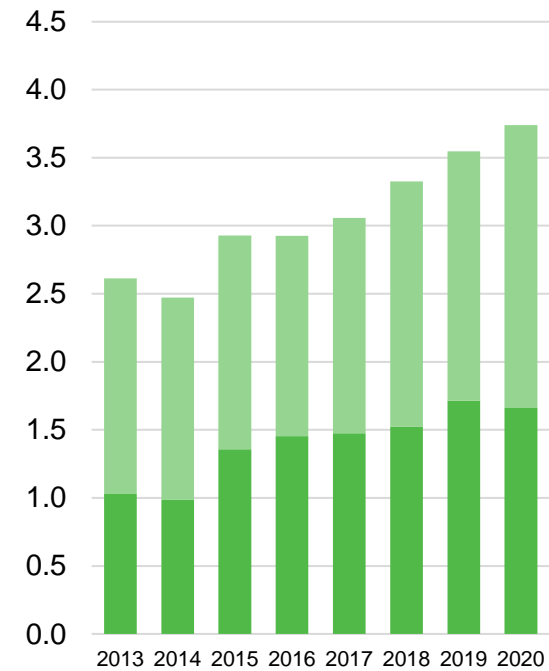
Orders received
(EUR billion)



Business lines

- Services and Automation
- Pulp, Energy and Paper

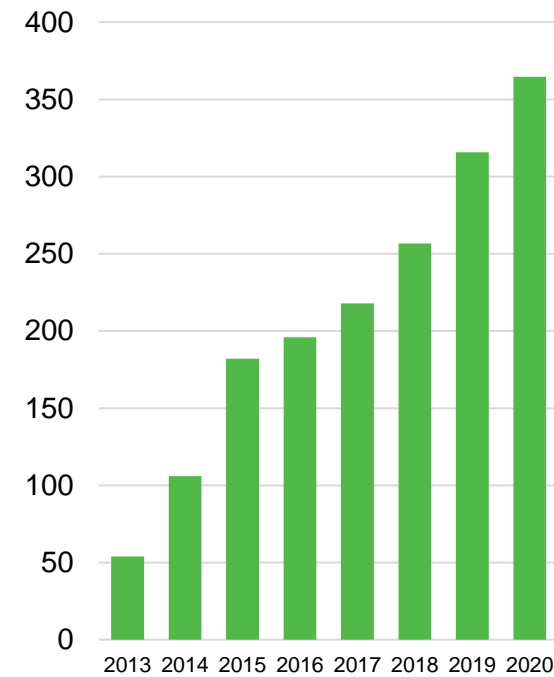
Net sales
(EUR billion)



Business lines

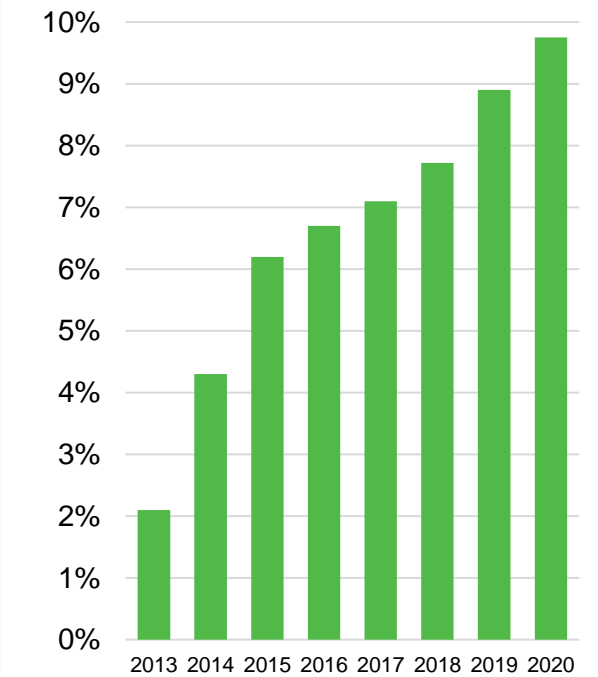
- Services and Automation
- Pulp, Energy and Paper

Comparable EBITA
(EUR million)



- Comparable EBITA

Comparable EBITA margin
(%)



- Comparable EBITA margin

Valmet's total shareholder return

Development since January 2, 2014:

- Valmet's total shareholder return has been 380%
- Share price has increased by 318%
- Cumulative dividend payout EUR 610 million, including year 2020
- Total shareholder value creation of EUR 3.8 billion



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

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))

Actions to keep growing faster than the market

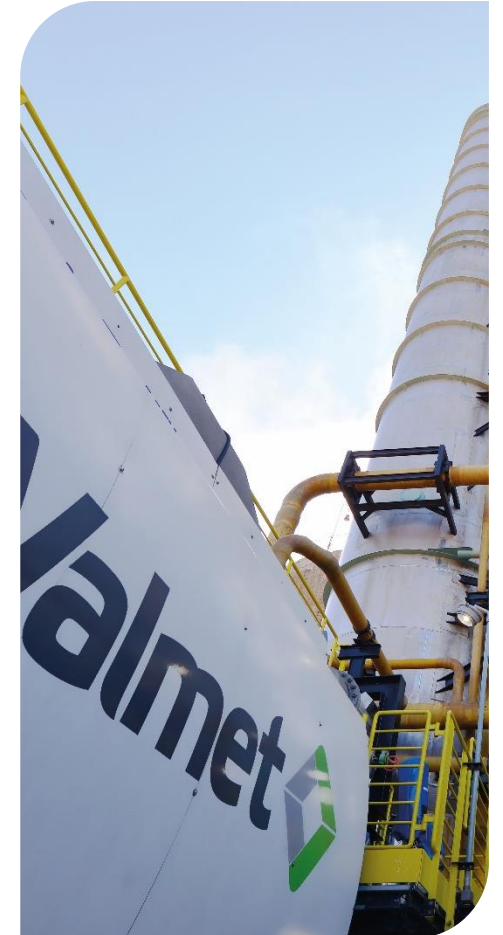
Net sales growth

Stable business

- Win new customers and increase share of wallet with existing customers
- Grow service sales and multi-year service agreements with project sales
- Add customer value with on-site and remote services
- Continue to develop Field services as a differentiator
- Competitor replacements in Automation
- Grow through new industries in Automation
- Leverage the new Valmet DNA User Interface to win new business in Automation

Capital business

- Benefit from strong favorable megatrends in Board, Tissue, Pulp and Energy
- Continue to bring advanced technology to the market
- Leverage strong R&D for new product innovations
- Continued focus on product cost competitiveness
- Create customer value with digitalization and Industrial Internet



Actions to reach Comparable EBITA target of 10–12%

Comparable EBITA: 10–12%

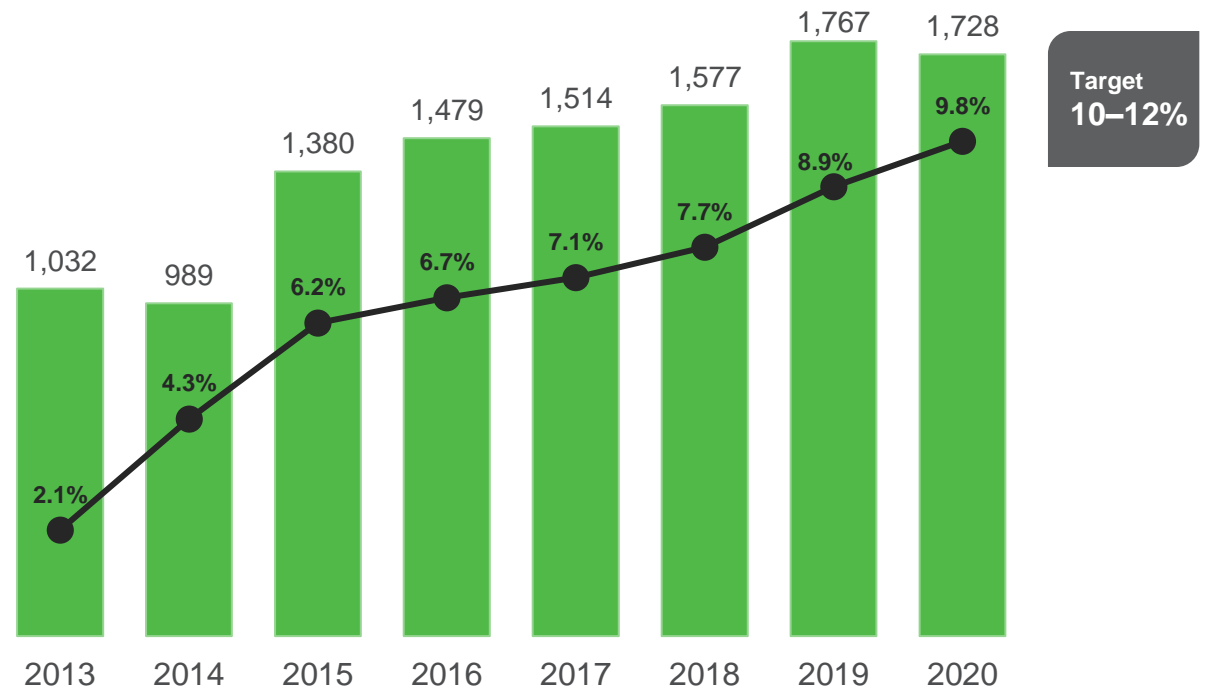
Actions to reach Comparable EBITA target:

- Grow the stable business
- Focus on improving project management and execution
- Positive margin deviation in capital projects
- Continue to identify savings opportunities in procurement through design-to-cost and supplier relationship management
- Increase flexibility in operations through global footprint development
- R&D and new product launches
- Internal efficiencies through digitalization
- ERP project (from 2023 onwards)

Track record

Stable business net sales (EUR million)

Comparable EBITA margin (%)



Actions to maintain ROCE at target level

Comparable return on capital employed (pre-tax): >20%

Main drivers for ROCE:

- Improvement in Comparable EBITA is the biggest driver for ROCE
- Capital employed has increased due to acquisitions

ROCE at target level in 2020

- Valmet's ROCE of 22% is clearly higher than 2020 peer average of 11%
- Strong balance sheet needed for big projects and swings in market activity

Track record

Capital employed (EUR million)

Comparable ROCE (% , before taxes)

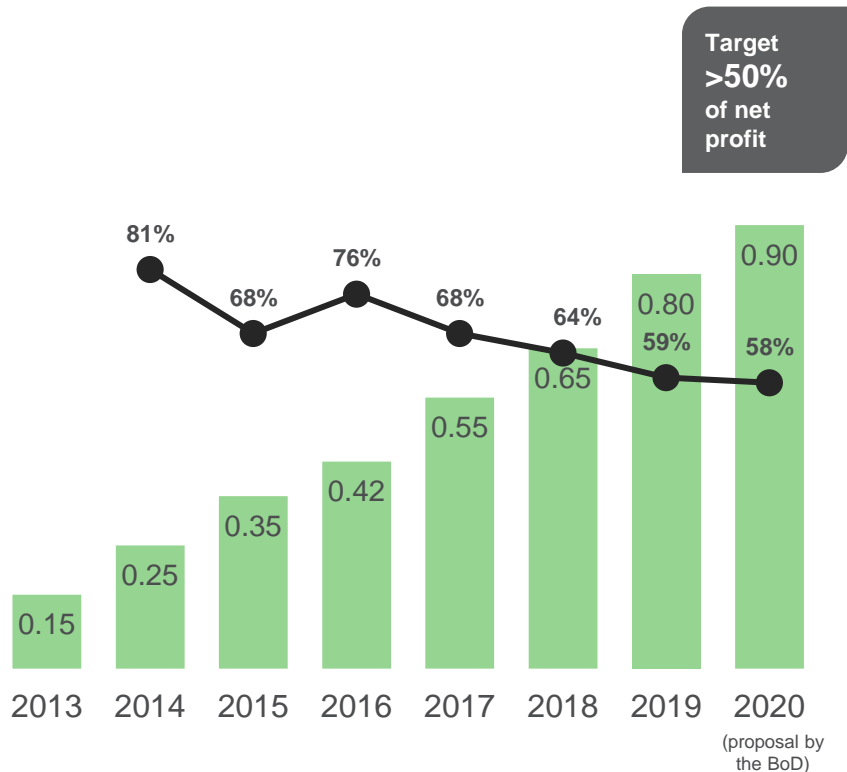


Dividend and balance sheet

Dividend payout at least 50% of net profit

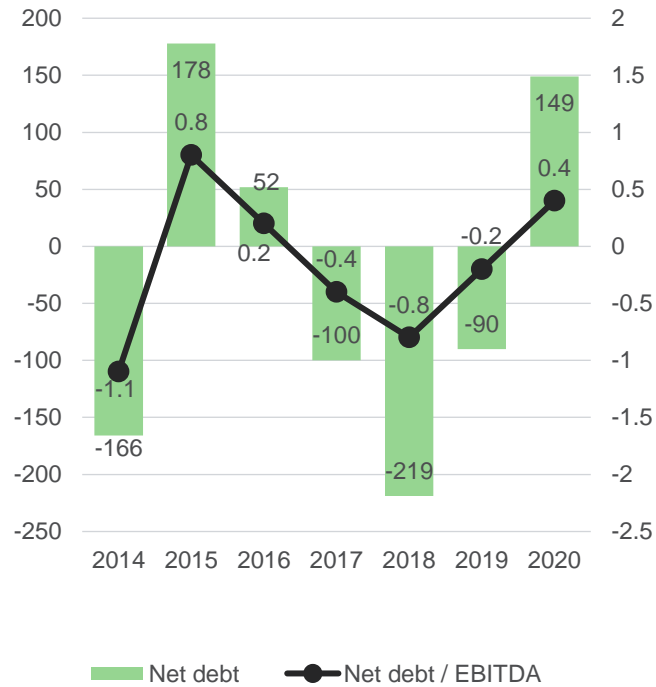
Track record

Dividend per share (EUR) and payout ratio (%)

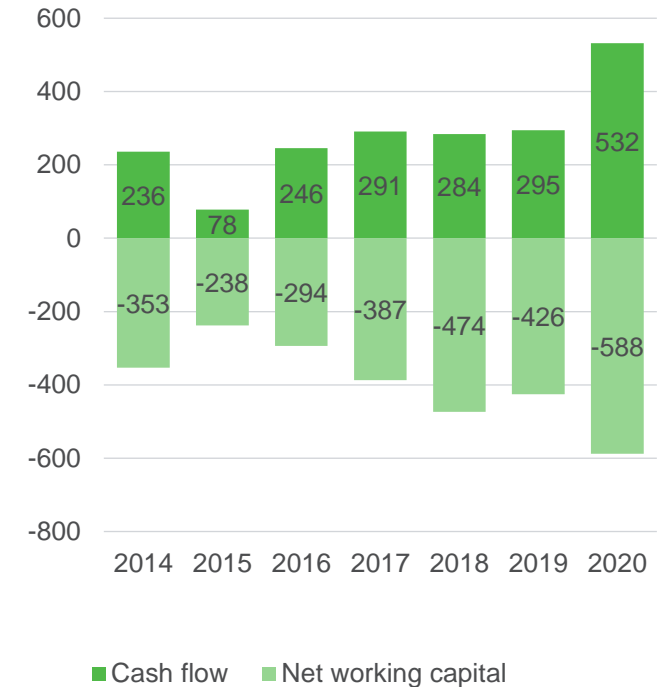


Balance sheet and cash flow

Net debt (EUR million)
Net debt / EBITDA ratio



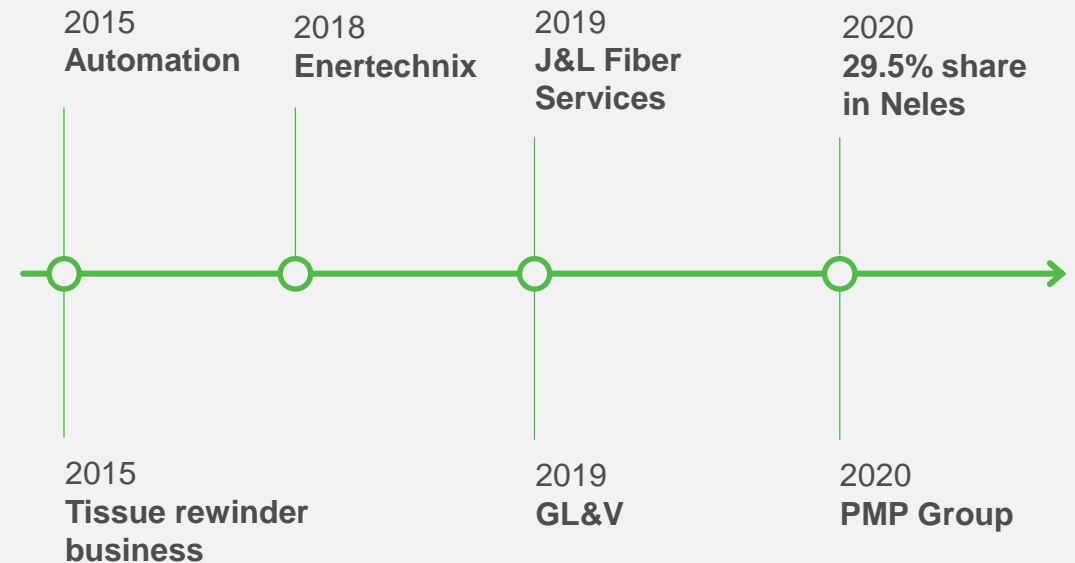
Cash flow provided by operating activities
Net working capital



Acquisitions

- Valmet's acquisition strategy is to make selective acquisitions with a clear industrial logic to support organic growth
 - Focus on strengthening services and automation and expanding business in the pulp, paper and energy value chain
- Approximately 50 cases evaluated annually
- Seven acquisitions made since becoming independent company in 2014
- Total investment in acquisitions about EUR 1 billion

Track record of successful acquisitions



Systematically building the future

Continuous renewal and improvement of operational capability

ERP renewal

- ERP renewal was started in 2016 and will be completed in 2023
- Project proceeding well
- Benefits are based on digitalization, process efficiency and IT platform simplification
- Enabler for several other platform renewals
- Savings expected from 2023 onwards

Operational development

- Procurement transformation towards world-class performance continues
- Adding focus on global processes to decrease quality costs
- IT continues modernizing the core platforms to drive business transformation and to accelerate digitalization
- Continue the work on project management culture and effective processes & practices
- New project portfolio management tool for R&D implemented Valmet wide



