



# Profitable growth through leading technologies and industry-wide expertise

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Valmet Capital Markets Day  
March 19, 2015

# Agenda

## Capital Markets Day 2015

1 Services business line in brief

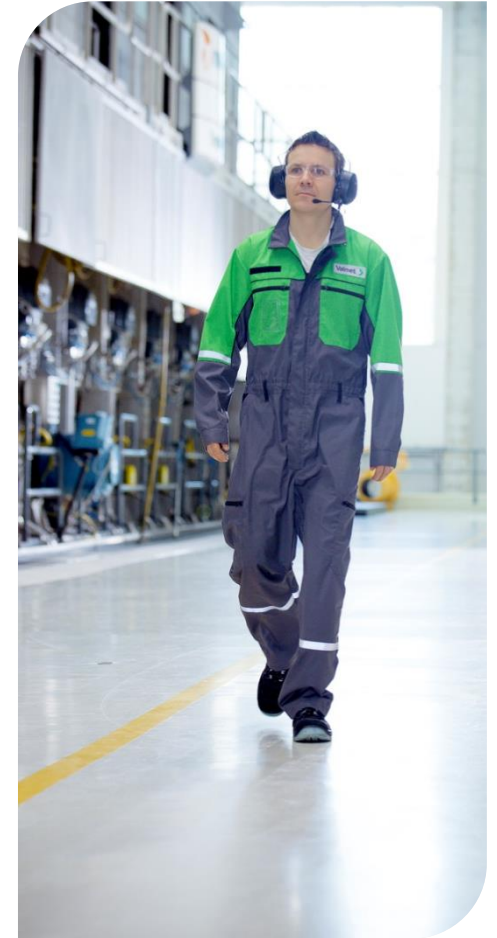
2 Performance in 2014

3 Market and market position

4 Must-Wins in Services

5 Case examples

6 Summary





# Services business line in brief

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Sustainable services for energy production, fiber processing, paper, board and tissue production lines

Committed to sustainability, customers' profitability, optimized production and maintenance, long-term partnership

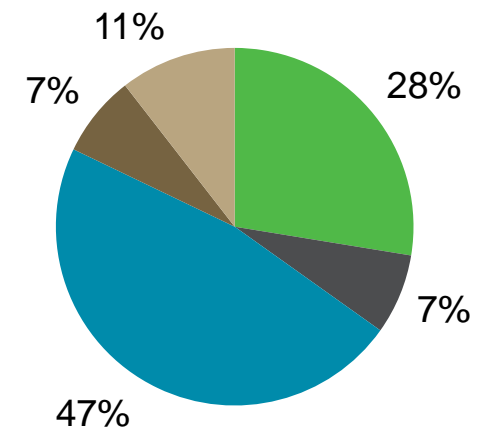
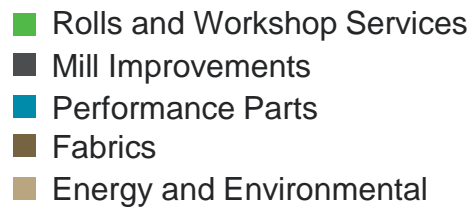
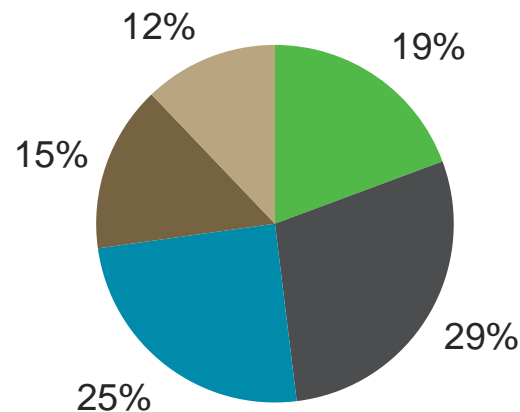
## 2014 figures

Orders received EUR 1,055 M  
 Net sales EUR 989 M  
 Employees 5,230

## Position

#1-2 Services

## Net sales (2014)



# Services offering

## Comprehensive life-cycle services offering



PressRhino composite roll cover for press rolls



Greenpac board mill



Valmet's eServices online application



Filter fabrics



Evaporation plant in Metsä Board's mill in Kaskinen

### Rolls and Workshop Services

- Rolls
- Roll covers and maintenance
- Workshop services

### Mill Improvements

- Upgrades
- Components
- Expert services

### Performance Parts

- Original equipment manufacturer (OEM) spare parts
- Consumables

### Fabrics

- Paper machine clothing
- Filter fabrics

### Energy and Environmental

- Services for evaporation plants, power and recovery boilers and environmental equipment

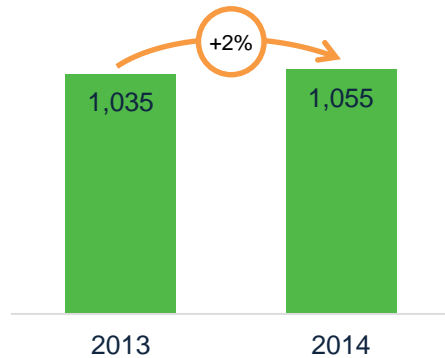


# Performance in 2014

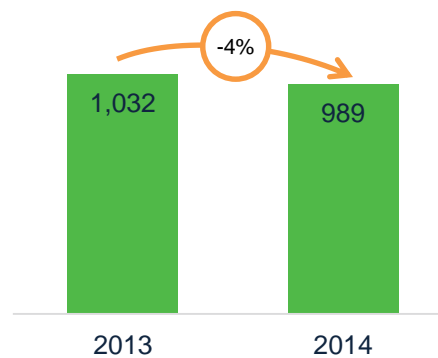
# Key actions and results in 2014

Orders increased in challenging market situation

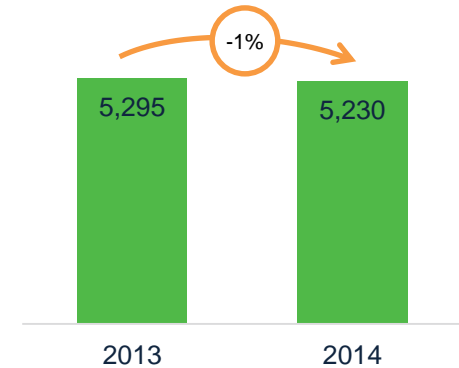
Orders received  
(EUR million)




Net sales  
(EUR million)



Employees



- 2% annual growth in orders received
- Growth in Asia-Pacific
- Good progress in agreement based business (+10%)
- Investments in growth areas
- New units at customer mills – now 10% of the Services personnel located at customers' sites
- Good progress in health and safety development



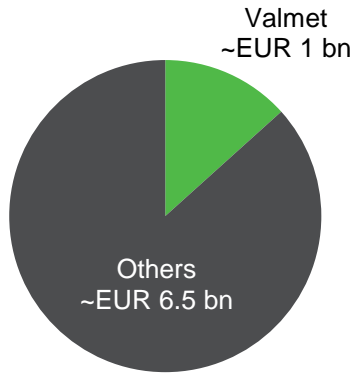
# Market and market position



# Services market position

Target market size is approximately EUR 7.5 billion

## Valmet's market share

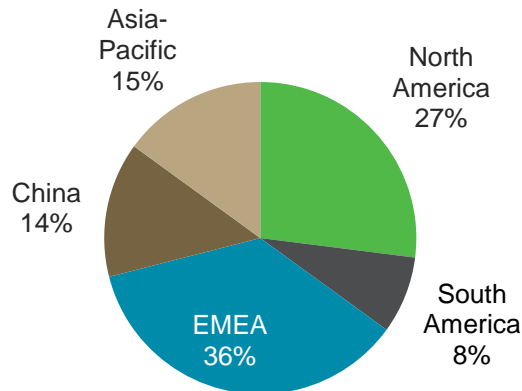


## Market position<sup>1</sup>

#1-2

- Competitors vary from global companies to local niche suppliers
- Broadest and competitive offering with strong process and machinery know-how close to the customer

## Valmet's target market by area



## Growth possibilities

- Agreement based business
- Continuous flow of new products and solutions
- New concepts to integrate Valmet with its customers' operations
- Key account management
- Existing local network for Energy and Environmental Services
- Presence in growth countries
- Improvement in cost competitiveness

1) Overall market position based on Valmet's offering.

Source: Leading consulting firms, RISI, Fisher Solve, management estimates

# Competition in pulp, paper and energy services

Fragmented landscape and tough competition

## Global competitors with a wide offering

- Global presence
- Strong credible brand
- Broad offering



## Global/regional product-focused competition

- Global/regional presence
- Focus on specific product segments



## Regional/global selective-scope competition

- Regional presence
- Limited offering
- Selected strong relationships



## Local competition

- Selected strong local niche positions
- Limited offering



## Maintenance outsourcing partners

- Strong in maintenance competitiveness
- Lack of deep process expertise



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# Market drivers

- Anticipated long-term market growth
- Estimated market size for the current offering (EUR)
- Valmet's market share



## Market drivers

- Growth in industrial services due to increasing outsourcing of non-core operations
- Capacity increases in China, South America and Asia-Pacific
- Customer cost pressure and efficiency requirements increase demand for process improvements and efficient maintenance services
- Machine and mill closures in EMEA and North America
- Increasing complexity of the machinery and processes increase demand for OEM experts
- Shutdowns have a negative annual effect of EUR 15–20 million on orders received



Source: Leading consulting firms, RISI, Fisher Solve, management estimates



# Must-Wins in Services

# Must-Wins in Services

Must-Wins	Must-Win initiatives 
Customer excellence	<ul style="list-style-type: none"><li>• Increase sales in growth countries</li><li>• Develop sales operations and KPIs</li><li>• Increase agreement based sales</li><li>• Expand our at the mill / plant offering</li><li>• Implement growth plans</li></ul>
Leader in technology and innovation	<ul style="list-style-type: none"><li>• Continuous flow of new high margin service products and solutions</li><li>• Product margin improvement of defined products</li></ul>
Excellence in processes	<ul style="list-style-type: none"><li>• Reduce quality costs</li><li>• Achieve procurement cost savings</li><li>• Realize and optimize capacity cost</li><li>• Improve health and safety performance</li><li>• Improve gross profit margins</li><li>• Reduce cycle times</li></ul>
Winning team	<ul style="list-style-type: none"><li>• Lead with shared values</li><li>• Strengthen high performance culture</li><li>• Develop local competencies close to customers</li></ul>

# Strengthen our presence close to customers and growth markets

## Current status and targets

### Global service network



### Countries with high pulp, energy and paper production, and no or low Valmet presence:

- Turkey, Chile, Mexico, Taiwan, Russia, Poland

## Key renewal actions

### Business development in countries with high pulp, energy and paper production

- Building of the Indonesian service center (part of Asian growth plan)
- Maranhão service center start-up
- Plans for Turkey, Chile, Mexico, Taiwan, Russia, Poland
- Partnership with local suppliers

### Winning of the first mill maintenance outsourcing reference in pulp and tissue mills

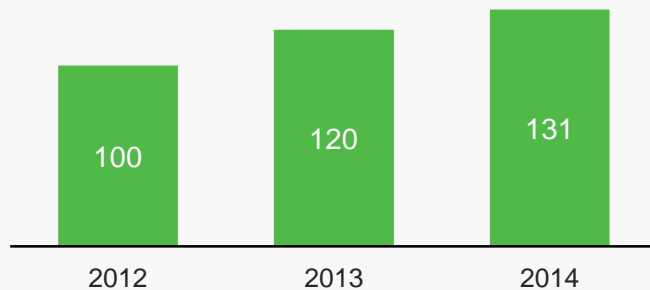
### Additional roll satellite operations

- Target 1–3 new roll satellite operations in 2015

# Drive services growth through long-term agreements

## Current status and targets

Growth in long-term agreements (indexed)



Target to increase especially the amount of tissue and pulp agreements

## Key renewal actions

- Standardize services agreement offering concept
- Report customer benefits
- Actively promote roll satellite concept
- Actively promote agreements for new lines



# Case examples



# Valmet Services

Leading technologies and expertise close to customers

**Increased  
reliability**

**Improved  
performance**

**Reduced costs**

Global presence with  
comprehensive offering

Local service shops and service experts

Permanent presence at customer sites

**Long-term partnership with focus on quality and safety improvements**

Products and  
components

Maintenance  
and repair  
programs

Process  
consumable  
programs

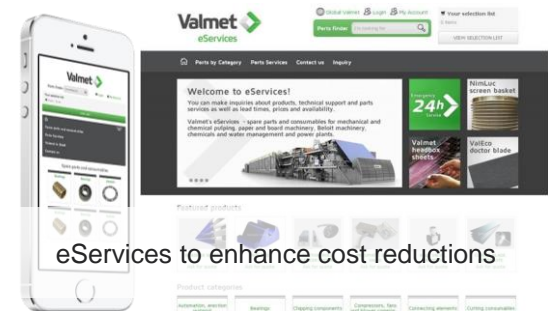
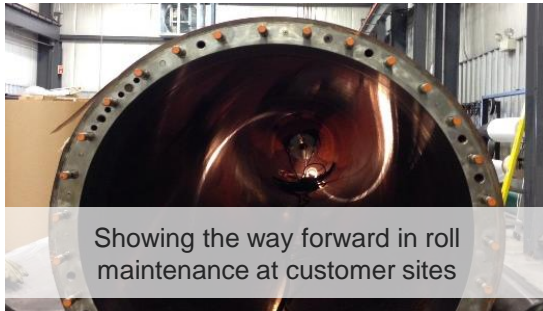
Maintenance  
outsourcing

Production  
improvement  
projects

Analysis &  
consulting,  
remote data  
management

# Real-life examples

## Creating customer value



### Increased reliability

#### Valmet roll satellite at Verso Paper, Androscoggin

- Valmet is responsible for operation and management of the roll maintenance facility
- Key indicators focused on reducing Verso's reliability gap and lowering their total cost of ownership

### Improved performance

#### Liquor to Liquor

- Objective: To improve recovery boiler and evaporation plant shutdown performance.
- Services covering the whole annual shutdown cycle
- The scope can vary from only expert services to full turnkey package.

### Reduced costs

#### Over 1,000,000 items just a click away

- Quickly and easily search for spare and wear parts
- Fast inquiry and quote process
- Real-time information on part availability
- Fast support from Valmet specialists



# Summary

# Services summary

Profitable growth through leading technologies and industry-wide expertise

- Strong market position in a growing market
- Expanding to new areas with high pulp, energy and paper production
- Renewal through new concepts to increase growth and improve profitability
- Growing, profitable and stable services business



