



# How Valmet will reach the new financial targets

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# Key figures

EUR million	LTM	2015	2014	2013
Orders received	<b>3,012</b>	2,878	3,071	2,182
Order backlog <sup>1</sup>	<b>2,106</b>	2,074	1,998	1,398
Net sales	<b>3,044</b>	2,928	2,473	2,613
Comparable EBITA	<b>197</b>	182	106	54
% of net sales	<b>6.5%</b>	6.2%	4.3%	2.1%
EBITA	<b>181</b>	157	94	-32
Operating profit (EBIT)	<b>140</b>	120	72	-59
% of net sales	<b>4.6%</b>	4.1%	2.9%	-2.2%
Earnings per share, EUR	<b>0.60</b>	0.51	0.31	-0.42
Comparable return on capital employed (ROCE), before taxes	<b>12%</b>	14%	10%	
Cash flow provided by operating activities	<b>116</b>	78	236	-43
Gearing	<b>27%</b>	21%	-21%	0%

LTM = Last twelve months (July 1, 2015 – June 30, 2016)  
2013 figures on carve-out basis

# New financial targets from 2017 onwards

## 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: 8–10%

## ROCE



- Comparable return on capital employed (pre-tax), ROCE<sup>1</sup>: 15–20%

## Dividend policy



- Dividend payout at least 50% of net profit



1)  $ROCE \text{ (pre-tax)} = (\text{profit before taxes} + \text{interests and other financial expenses}) / (\text{balance sheet total} - \text{non-interest-bearing liabilities})$

# Summary of key actions by business

## Stable business

- Net sales for stable business to grow over two times the market growth

## Key actions in stable business

- Systematic promotion of whole offering – Valmet way to serve
- Localize the engineering resources in growing service areas
- New service center in Indonesia in 2017, strengthened presence in Mexico
- Increase market share in Services in Central and Eastern Europe
- Continue to win market share in pulp and paper via automation competitor replacements
- Grow DCS market share in Automation

## Capital business

- Net sales for capital business to exceed market growth

## Key actions in capital business

- Improve market share and solution competitiveness in pulp mills and rebuilds
- Expand global market presence in heat and power generation
- Maintain #1 position in the paper market, especially in North America and EMEA
- Increase market share in Paper in South America, grow in Tissue in China and Asia-Pacific

# Summary of key actions by area

## North America

- Strengthened service presence in Mexico
- Grow automation market share via competitor replacements
- Strengthen the role in pulp rebuilds
- Focus on maintaining #1 position in Paper

## EMEA

- Increase services market share in Central and Eastern Europe
- Grow automation market share via competitor replacements
- Capitalize rebuild potential in Pulp, strengthen position in Energy
- Focus on maintaining #1 position in Paper

## China

- Strengthen key account management to continue service growth
- New capacity projects in Automation
- Gain leading market share in pulp and develop position in energy
- Reduce capacity cost in production in Paper and grow tissue

## South America

- Drive growth through long-term service agreements in pulping
- New capacity projects in Automation
- Capitalize opportunities in pulp mills
- Increase market share in Paper

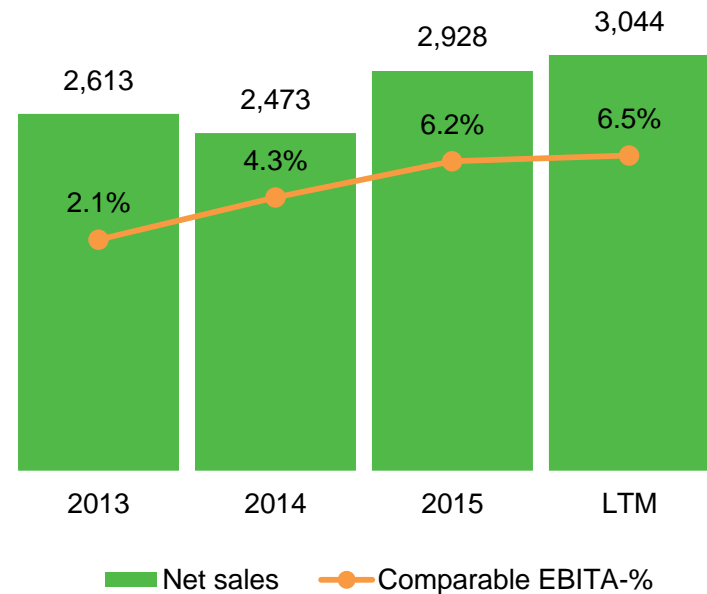
## Asia-Pacific

- New service center in Indonesia in 2017
- New capacity projects in Automation
- Capitalize rebuilds in pulp, grow in energy
- Grow in tissue and develop supplier network in India in Paper

# Actions to reach EBITA target

Reported EBITA margin in 2015	6.2%
Sales process management	~1%
Project management and project execution	~1%
Procurement & quality	~1%
Technology, R&D and ERP	~1%
Long-term EBITA target	8–10%

Net sales (EUR million) and Comparable EBITA margin (%)



# Continuous operational development in 2016

Valmet is continuously developing its operations and fine-tuning its cost structure

**China**  
(Paper business line)

- Centralize assembly work to Shanghai
- Headcount reduction: ~300

**Poland**  
(Services business line)

- Relocation of operations to Portugal
- Headcount reduction: ~50

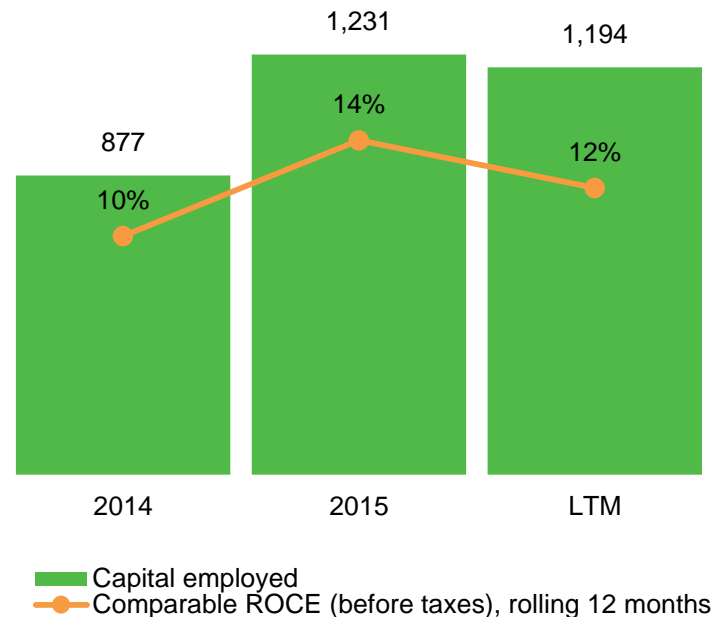
**North America and  
China**  
(Automation business line)

- Restructuring and relocation of operations to Finland
- Headcount reduction: ~40

# Actions to reach ROCE target

Comparable ROCE in 2015	14%
Profitability improvement <ul style="list-style-type: none"> <li>• Sales process management</li> <li>• Project management and project execution</li> <li>• Procurement &amp; quality</li> <li>• Technology, R&amp;D and ERP</li> </ul>	2–4%
NWC improvement	0.5–2%
Long-term ROCE target	15–20%

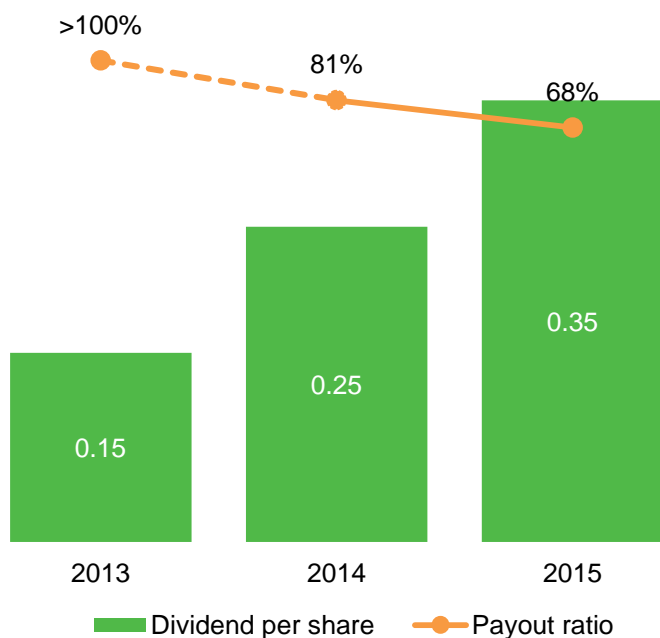
Capital employed and Comparable ROCE (before taxes), rolling 12 months (EUR million %)





# Dividend and dividend payout ratio

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



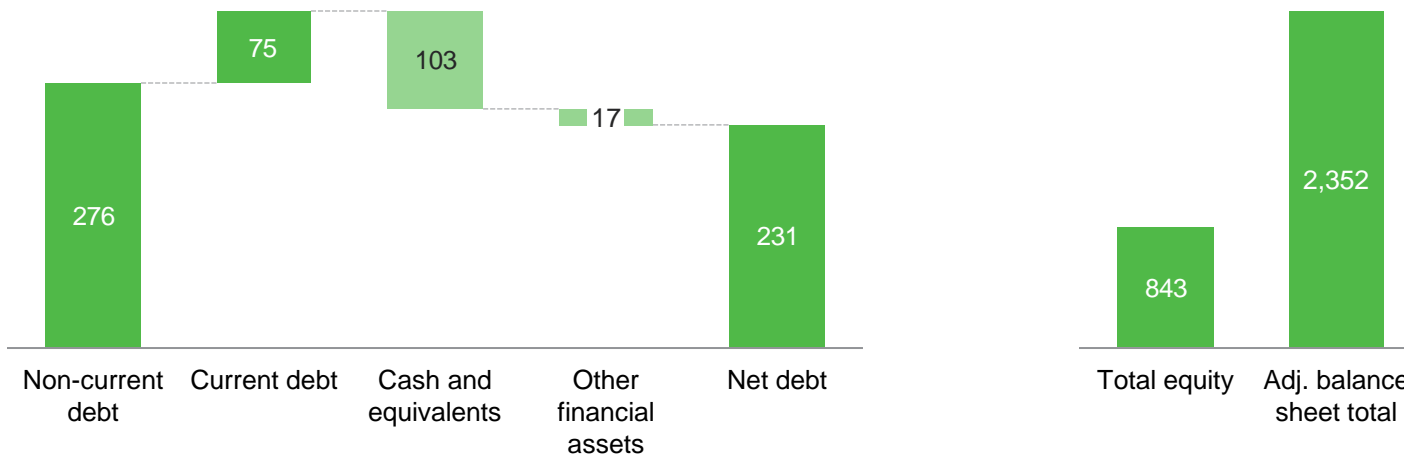
• New dividend target (from 2017 onwards) is to pay out at least 50% of net profit

Why increased dividend payout target?

- Payout ratio has been over 40% every year
- Stable business has grown

# Strong balance sheet

Financial position as of June 30, 2016 (EUR million)



Net debt  
**EUR 231 million**

Gearing  
**27%**

Equity to assets ratio<sup>1</sup>  
**36%**

- Valmet has a strong balance sheet that enables it to participate in large projects
- Valmet has its long-term liquidity in place

1) Total equity / (Balance sheet total - advances received - billings in excess of cost and earnings of projects under construction)

# Summary



## Growth

- New Valmet way to serve
- Improved sales process
- Leverage strong installed base
- Innovation and new technology development



## Profitability

- Reduce procurement and quality costs
- Focus on project management
- R&D and ERP

