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CORPORATE PARTICIPANTS

Calle Loikkanen Valmet Oyj - Director of IR
Kari Juhani Saarinen Valmet Oyj - CFO
Pasi Kalevi Laine Valmet Oyj - President & CEO

CONFERENCE CALL PARTICIPANTS

Antti Kansanen SEB, Research Division - Analyst
Antti Suttelin Danske Bank Markets Equity Research - Head of Research of Finland
Jonathan Coubrough Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst
Manu M. Rimpelä Nordea Markets, Research Division - Head of Equity Research of Finland & Senior Analyst
Robert John Davies Morgan Stanley, Research Division - Equity Analyst
Sven Weier UBS Investment Bank, Research Division - Executive Director and Analyst
Tomas Skogman Carnegie Investment Bank AB, Research Division - Head of Research of Finland

PRESENTATION

Calle Loikkanen Valmet Oyj - Director of IR

Good afternoon ladies and gentlemen, and welcome to Valmet's Q2 2019 Results Presentation. My name is Calle Loikkanen, and I am Head of Valmet's Investor Relations. Valmet's President and CEO, Pasi Laine; and Valmet's CFO, Kari Saarinen, will today walk us through the results of the quarter and the first half of the year. And after the presentation, you will, of course, have the possibilities to answer -- to ask questions. Without any further ado, let's begin. So Pasi, please, the floor is yours.

Pasi Kalevi Laine Valmet Oyj - President & CEO

Okay. Thank you, Calle. So our headline this time is that orders received increased to EUR 1.1 billion and comparable EBITA to EUR 69 million. So nice order intake and improvement in our profit as well. We have following content so, first, I will go through the quarter in brief, then a couple of words about the business line development, financial development and this time, we'll make a change in the choreography and Kari will go through the guidance short-term market outlook and then summary of the financial review as well.

So first, quarter in brief. So orders received in stable business increased to EUR 474 million. Orders increased in capital business to EUR 629 million. Net sales increased to EUR 900 million -- EUR 901 million. Our backlog increased to EUR 3.2 billion. Comparable EBITA increased to EUR 69 million, and margin was 7.7%, and gearing was 17%. So all in all, if you look all the numbers, numbers were good. And where we -- and like Kari will, later on, have some wishes ourselves -- we were a little bit disappointment -- disappointed with the profitability, which should have been little bit higher in the quarter 2.

The numbers here, orders received, like I haven't said, was EUR 1.83 billion, so it's the second-highest quarter ever for Valmet. Net sales was EUR 900 million. Comparable EBITA EUR 69 million, and EBITA percentage 7.7%. We employed in the end of the quarter 1,600 and -- 13,600 people and the increase is mainly coming from acquisition of GL&V and J&L. Then if you look by business lines, Paper was very dominant in this quarter, 39% in order intake. The Paper had very strong order intake in this quarter. Pulp and Energy was 19%, Services 34% and Automation 8%. And now when we talk about very high order intake in one quarter, then, of course, the share of the stable business is less than a half.

By area, Europe continued to be strong, 45%, then South America was very strong, 29%. And 14% from North America and the rest were 6% for each of the areas. So South America was strong in quarter 2.

When you look at our orders received trend, like I said, orders received was EUR 1.83 billion, and it was the second-highest ever. And of course, now we have had several good quarters in a row and it means that now the 12 months cumulative curve is already somewhere EUR 3.9 billion level, which is, of course, very nice number for Valmet.

And if we look the first half of the year by area, then Europe is 42%, North America 17%, so traditionally, it's about 60% together. South America is now 19%, thanks to the good project activity in second quarter. Asia-Pacific 14% and China 8%.

Our stable business orders received totaled EUR 1.751 billion. And the trend continued to grow nicely. Of course, we have also here



impact of our acquisitions, and I'll come back to that later on with the figure. But all in all, our stable business has been growing from the start about EUR 1 billion now to EUR 1.7 billion level.

Backlog is EUR 3.2 billion and that's of course, record-high. It has -- some impact is coming from the acquisition. Kari, is it about EUR 60 million, roughly?

Kari Juhani Saarinen Valmet Oyj - CFO

EUR 72 million.

Pasi Kalevi Laine Valmet Oyj - President & CEO

EUR 72 million, but without -- even without the acquisitions, the order backlog is at the record-high level. We are saying that -- 70% is coming from our capital business and about 30% from stable business. We also give here the information that we say that about 50% of backlog is currently expected to be realized as net sales during 2019. Last year, the corresponding percentage was 55%.

Then some words about the business lines. First Services. So orders received and net sales increased, both. For the first half of the year, orders received now in stable business -- in Services has been EUR 729 million, and last year, it was EUR 690 million. But there, we have to remind that the acquired businesses totaled EUR 43 million in this orders received, which means that organically, actually our Services -- Services without the acquisition, the growth has been practically 0 or a little bit negative actually. But with the acquisition, it has been growing and totaled to EUR 729 million. Net sales has been growing from EUR 572 million to EUR 637 million. Orders received increased in South America, North America and stayed at previous year's level in Asia-Pacific and EMEA and decreased in China.

Then Automation. For the first half of the year, orders received has been EUR 206 million, last year EUR 195 million. So nice growth of EUR 11 million and then if we compare quarter-to-quarter then last year, we had EUR 102 million and now EUR 104 million. So then it was at the same level. Net sales has been growing to EUR 168 million, and last year, it was EUR 159 million.

But all in all, I am still happy with the development of Automation, that's continued to grow and last year, second quarter was strong and this year, it was strong as well, and it's important that the total number in Automation has continued to grow.

Then Pulp and Energy. Orders have -- received increased and net sales remained at the previous year's level. If we take the half-year numbers, this year, EUR 411 million in orders received against last year -- last year's low number EUR 278 million. So this EUR 411 million is reasonably good number for order intake. In net sales, we had decrease. So in last year first half, we had EUR 408 million, and this year, EUR 372 million.

Then Paper. Orders received increased and net sales remained at the previous year's level. So first -- second quarter for Paper was good, EUR 419 million, best ever. And then if we look at the whole first half of the year, last year, we had very good -- very strong 2 quarters and the order intake was EUR 623 million, and this year, EUR 601 million.

So then we can say that the first half has been strong and the quarter was very strong in Paper. Net sales was at EUR 432 million, and last year, the same was EUR 460 million. And here, maybe like we have been saying already with our announcements, big thing was that we got very big order in South America. It's the first big board machine Valmet is delivering to Brazil, and it's of course, very good important step in making sure that we are market leaders in all the parts of the world. So that was short summary of our activity and then Kari will continue with the financial development.

Kari Juhani Saarinen Valmet Oyj - CFO

All right. Thank you, Pasi, and good afternoon also on my behalf. So quarter 2 orders close to EUR 1.1 billion, exceeded last year by 25%. And as said earlier by Pasi, so quarter 2 orders received were the second-highest ever at Valmet, so the previous higher was actually quarter 1, 2014, so the first quarter of Valmet. And also Paper business line had the highest quarter ever. Pulp and Energy orders grew by 150%, Paper 19% and Services 8%. Automation orders were at the previous year's level, and then Services without the impact of acquisitions actually, they were at the previous year's level. All areas increased except China, that actually had quite strong orders last year's quarter 2.

Order backlog record high, EUR 3.2 billion, this exceeds last year's by 23%. Net sales, EUR 901 million, that's 7% increase from last year. Capital businesses were flat. Services net sales grew by 11%, and Automation by 7%. Services net sales without the acquisition was at previous year's level here.

North America and South America increased. Asia-Pacific was flat, and EMEA and China reduced.

Quarter 2's comparable EBITA that was EUR 69 million or 7.7%, this is 14% increase from last year's EUR 61 million.

EBIT was EUR 56 million or 6.2%, increase here 13% from last year's. Quarter's cash flow, that was negative, EUR 44 million, and gearing was 17%, including the IFRS 16's lease liabilities. Cumulative orders received have increased 9% driven by strong Pulp and Energy growth, where growth is actually close to 50%. Automation growth 7%, and Services 6%. Paper business line as said, has strong quarter 2 and after a bit lowish quarter 1. And orders received now at the same level as last year.

Cumulative net sales were at the same level as last year. Services and Automation increased and capital business was below. EBITA after 2 quarters is now EUR 117 million, which is 7.3%. Last year, we were at EUR 82 million or 5.2%, so increase 41% here. And cumulative earnings per share increased 62% to EUR 0.40 per share.

Gross profit and SG&As. So quarter's sales mix was 49% stable and 51% capital. Last year, it was 48% - 52%, so actually, we had no major changes in the sales mix between stable and capital. Gross profit, that increased by almost 1% point. So absolute gross profit increase was actually coming from both increased volume and also then from improved gross profit percent.

SG&As, they were a bit higher than last year. 17% of net sales, last year it was 16%. Around half of the quarter's SG&A increase is actually coming from the acquired businesses and the rest is coming from the higher level of activities, which we have ongoing. So we have ERP project, we have industrial internet and then also we have very high tendering and sales activity at the moment.

EBITA margin. So EBITA margin continued to improve. It was for the quarter 7.7%, and the last 12 months now is at 8.7%. So this is now the second quarter in a row where we are within our target range of 8% to 10%.

Cash flow. Cash flow for the quarter EUR -44 million. As said, increase in net working capital for the quarter was higher than our EBITDA. So in our case this means that our operative cash flow is negative. Cumulative cash flow also negative EUR -14 million. CapExes for the quarter EUR 19 million.

And then here looking at the net working capital. So net working capital increased by almost -- around EUR 100 million. Biggest increase is coming out of inventories, where especially work in progress inventory increased. And this inventory now relates to projects in which revenue recognition is done at point in time method, so in other words, completed contract method. And this remains in inventory until acceptancies or project milestones are received, and after that we only recognize revenue.

So overall net working capital of rolling 12 months orders was minus 9%, which is still in quite decent level.

And then looking at net debt and gearing. So net debt increased by over EUR 300 million to EUR 152 million. So it was -- net debt was negative in the end of quarter 1. During the quarter, we paid dividends close to EUR 100 million, 97 million and then these two acquisitions were EUR 154 million, both impacting net sales and gearing. Equity to asset ratio, that reduced to 38%.

And then looking at our comparable return of -- return on capital employed. So comparable ROCE was 23%, and now we are actually above our target range second quarter in row. And capital employed reduced during the quarter as we paid out dividends.

And then looking at guidance and short-term market outlook. So we continue with the same guidance as -- or confirm the earlier guidance, so that net sales will increase in comparison of last year as well as our profitability, so comparable EBITA, that will increase also compared to last year this year. And then looking at short-term market outlook in our businesses, so Services continues good,

Automation as well continues good. Pulp and Energy, so with Pulp, that continues now good, second quarter in a row. Energy satisfactory. Board and Paper, that's good and continues good, and then Tissue continues as satisfactory. And out of this short-term market outlook, 50% is based on our pipeline and customer activity and 50% is based on our capacity utilization.

And then still summary on quarter 2. So orders received increased to EUR 474 million in stable business with capital business that was clearly above 50% of orders received increased to EUR 629 million. Net sales EUR 901 million. Order backlog record high, EUR 3.2 billion. Comparable EBITA, EUR 69 million, 7.7% so 14% increase from last year, and gearing was 17%. Thank you.

Calle Loikkanen Valmet Oyj - Director of IR

All right. Thank you, Kari, and thank you, Pasi as well for the presentation. Now let's continue with questions. So let's first start with any questions here in Keilasatama before moving on with questions over the phone lines. So as Kari makes himself ready, do we have any questions here in Espoo at the moment? It seems that we don't have any questions here. So let's continue with questions over the phone lines. So operator, please, do we have any questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) First question comes from the line of Jonathan Coubrough.

Jonathan Coubrough Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst

Please, could you give an update on how you see orders in the Paper division developing through the year? Do you still expect activity to be less than in 2018?

Pasi Kalevi Laine Valmet Oyj - President & CEO

Joo. When we start -- started 2000 -- now I have to calculate the years. So end of 2017, we were saying that 2018 will be a challenging year and we ended up in EUR 1 billion. And it was the year before the same. And now end of 2018, we said that we expect lower activity in Paper business line than we have had 2018. At the same time, we were saying that the market has changed, so that there are less projects in numbers, but the projects, which are there are big ones. So we were saying that market is more binary than it was in 2018. In the beginning of the year, we have been successful in winning good market share in big capital projects. And that has resulted now that our order intake in Paper has been good, almost at the same level than last year. Then we continues to say that the market continues to be good. Like, Kari said, 50% based on the capacity utilization and 50% of the market. And then from the market outlook, it continues to be so that there are fewer cases than earlier, but the cases, which there are, are big ones. So I can't make any more clearer statement, but there are still big cases and some of them will be decided in 2018, some of -- sorry, '19 and some will be decided 2020. So this year has been like we have been saying, but maybe, not a positive surprise, but the good result of the good work from -- by Jari's team is that our hit ratio in 2019 has been very good.

Jonathan Coubrough Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst

Okay. And so how do you see the Services division in terms of how sensitive do you expect it to be to that binary situation you see in Paper, if the base orders are lower but the larger orders are larger?

Pasi Kalevi Laine Valmet Oyj - President & CEO

Now I didn't fully get you. Did you get it?

Kari Juhani Saarinen Valmet Oyj - CFO

Well, Jonathan, if you kind of like rephrase the question so that will help.

Jonathan Coubrough Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst

Sure. So how sensitive do you expect the Services division to be to the lower base orders that you mentioned?



Pasi Kalevi Laine Valmet Oyj - President & CEO

Okay. Okay. Okay. So our organic order intake hasn't been growing now in first half of the year. First quarter, we were growing and second quarter, we haven't been growing, and total, without growth. And our track record has been that we have been able last years to grow 4% to 5% organically. So we are below that target now, 4% to 5%. And mainly, the weak market came in June, so it's too early to say what kind of market activity we will have in coming months. We continue to say that the market outlook is good, meaning that we have good workload and now it's question of our sales management and management capability to continue to fight for the growth also organically in Services.

Operator

And we still have questions on the phone. Your next question comes the line of Manu Rimpelä.

Manu M. Rimpelä Nordea Markets, Research Division - Head of Equity Research of Finland & Senior Analyst

First of all, I would like to follow-up on your comments on the Services growth. So I think you mentioned that there's been kind of clear slowdown in June. So could you comment a bit more about that, have you -- is this typical in terms of seasonality? Or is this maybe a reflection of clients getting more uncertain around sharp drop we've seen in Pulp prices? And what type of client behavior and discussions are you seeing? Are they getting more concerned around the outlook?

Pasi Kalevi Laine Valmet Oyj - President & CEO

I think it's 1 month, it's too radical to say anything specific, but where we have seen slowdown in Services is for the first half of the year is China and -- where market hasn't been active and then Europe, little bit slow down and North America. And then if we take business unit wise, then it's almost all coming from mill improvement, which means small projects, small projects to improve customer's performance. And that's where the market hasn't been as active as it was last year. Traditional or let's say, more operational rate-based-on Services have been performing like they have been performing last year. So the slowdown is coming from, geographically from 3 areas, but if we look from business unit perspective, it's coming only from one business unit.

Manu M. Rimpelä Nordea Markets, Research Division - Head of Equity Research of Finland & Senior Analyst

Okay. Do you have any understanding around why --?

Kari Juhani Saarinen Valmet Oyj - CFO

And Manu, also it's quite -- let me elaborate a bit more. So Manu, if you also then look the timing of these orders. So if we have -- even though, these are like small projects, but the small projects for Services point of view are still quite sizable and the timing of these projects also sometimes count. And if some quarter we receive a lot of those and then we don't have a continuation next year, so that also has an impact here.

Manu M. Rimpelä Nordea Markets, Research Division - Head of Equity Research of Finland & Senior Analyst

So you see now reason to kind of change your view of the market growth of 4% to 5% based on these 2 quarters at least for now?

Pasi Kalevi Laine Valmet Oyj - President & CEO

We haven't said that's -- we have been saying that the target is to grow twice the market and track record has been 4% to 5%, and like I said, of course, we target to continue with the same track record. But what will be the outcome, it's little bit too early to say.

Manu M. Rimpelä Nordea Markets, Research Division - Head of Equity Research of Finland & Senior Analyst

Okay. And then moving on to Pulp and the order intake outlook there. So we today learned that UPM will go ahead with their Uruguay pulp investment. And then we also learned that ANDRITZ has won one major Pulp order. So how do you see -- do you see there are still orders left out there? And did ANDRITZ manage to get this UPM order?

Pasi Kalevi Laine Valmet Oyj - President & CEO

Of course, so I can't speculate about UPM order. But of course, we fight for our decent share in the market. And there are still active projects and they were also active in -- after quarter 1 and that's why we increased outlook. And we have been fighting for our share and we continue to fight for our share.

Manu M. Rimpelä *Nordea Markets, Research Division - Head of Equity Research of Finland & Senior Analyst*

How many active projects do you see in the market at the moment that you are expecting to be closing soon given the outlook you have?

Pasi Kalevi Laine *Valmet Oyj - President & CEO*

Now, I know I have to be very careful what I say. So of course, UPM is active and then there is also one listed company, who has announced a project in Brazil and it's cooperation between Lenzing and Duratex and that's active in Brazil. And like we have announced from Klabin, which made an extension to their pulp mill, we got cooking and fiber line and we got the paper machine, board machine there. So we have been getting pulp orders already from this big project.

Manu M. Rimpelä *Nordea Markets, Research Division - Head of Equity Research of Finland & Senior Analyst*

Okay. And then my final question would be on the margin. If we go into the second half of this year, so what would be -- how do you look at the EBITA bridge? So what are the kind of key moving parts compared to the very strong end to last year if we look at this year?

Kari Juhani Saarinen *Valmet Oyj - CFO*

Well, of course, one thing is that this sales mix that was like 49% - 51% now for quarter 2, so that sales mix is important. Also then it's important that we continue the good path what we've had with our capital businesses, so Paper and Pulp and Energy for the first half. And then also with Automation and Services, it's quite important that we have a good mix of the revenue there as well.

Operator

And your next question comes from the line of Antti Suttelin.

Antti Suttelin *Danske Bank Markets Equity Research - Head of Research of Finland*

I would like to ask about your thinking about profitability going forward because it's hard to see that the market would get much better as it is. What can you do still in order to improve Valmet's profitability?

Pasi Kalevi Laine *Valmet Oyj - President & CEO*

We continue to have the same tools what we have had up to now. So of course, one very important thing is to make sure that we maximize the prices in capital projects. And there, it's of course, depending on the competition as well, but that's what we continue to do. In Services the same, trying to push the sales prices up. Then in R&D, of course, we have to continue to reduce the cost of goods sold in our offering. And we are following it and tracking it all the time. Then project management, to make sure that project variances stay on positive side, that's still a topic. Then smaller, but still impacting, quality cost-reduction. Then later on when our ERP is ready, it will take, of course, some years still, but we are sure that we will get some efficiency improvement from there. And then, one should not, of course, forget the very good cost discipline, our SG&A and indirect costs. So we believe that we can continue to develop the company with the same topics and tools what we have been using up to now. So we don't see that all the things are perfect yet. I don't know if Kari wants to continue on top of what I said.

Kari Juhani Saarinen *Valmet Oyj - CFO*

Yes. Couple of things may be more. So Pasi was saying about the ERP. And before we get to the full launch, so of course, now we have additional costs there. And then also these acquisitions what we have done. So they will, once fully integrated, so they improve our top line and also bottom line.

Antti Suttelin *Danske Bank Markets Equity Research - Head of Research of Finland*

Okay. And you mentioned, you were somewhat disappointed with the second quarter. What happened? Why didn't the margin improve more than it did?

Kari Juhani Saarinen *Valmet Oyj - CFO*

Well, these are small things. So -- and maybe one important thing is that we had now like quite a list of smaller projects and that we didn't get -- that where the revenue recognition is based on customer acceptancies for the full project. And we didn't get all of those

completed and that's why they are sitting in our inventory and no revenue was recognized. And these projects are -- typically such projects that we -- just revenue the -- recognize the revenue of the full project at one go. That was one thing there. And then also this Automation, Services, so the sales mix was not like in our favor this quarter now.

Pasi Kalevi Laine Valmet Oyj - President & CEO

So all in all, you are saying that we were a little bit disappointed on profitability in stable business?

Kari Juhani Saarinen Valmet Oyj - CFO

Well, yes. That's the case that we were -- could have been also a bit better.

Antti Suttelin Danske Bank Markets Equity Research - Head of Research of Finland

Okay. And then thinking about the pulp market. Is there anything that we would need or -- we should think about in terms of change, how the contracts are split between you and ANDRITZ? Historically, it has been you 45%, ANDRITZ- 55%. Should we assume the same logic going forward?

Pasi Kalevi Laine Valmet Oyj - President & CEO

It's difficult to give a very good percentage because -- of course the -- if you take as an average, maybe that's true, maybe 50-50 is more correct number depending on the islands. But then it depends also on what kind of customer relationship we have with the customer and what kind of technologies and what kind of country. So of course, the averages are averages. And then all the decision are based on that individual project and not on averages. So I can't, unfortunately, give more clear answer to this.

Operator

And we still have questions from the phone. Next question comes from the line of Antti Kansanen.

Antti Kansanen SEB, Research Division - Analyst

It's Antti from SEB. Regarding the acquisitions in the Service business and their contribution to the EBIT line, was the profitability something that we -- or their relative contribution to Service profitability something that we should continue to assume forward as well? Or was that kind of part of the disappointment on the stable business margin on Q2?

Kari Juhani Saarinen Valmet Oyj - CFO

Well, the acquired businesses should contribute pretty much the average of the -- of our Services profitability. And I could say that we were not disappointed on the performance of the acquired businesses. So they went as we were expecting.

Antti Kansanen SEB, Research Division - Analyst

And was there something extra cost related to the integration of these businesses on Q2?

Kari Juhani Saarinen Valmet Oyj - CFO

There was some extra cost that -- but we typically book those as items affecting comparability, so they should be now in our -- at our EBITA that we are looking at here.

Antti Kansanen SEB, Research Division - Analyst

Okay. And then a quick question on the scrubber business. How did you see the demand or your order intake develop during the second quarter if we compare to the activity on first quarter of this year? And what is your current kind of delivery times there?

Pasi Kalevi Laine Valmet Oyj - President & CEO

We can deliver scrubbers so that deliveries can take place in the end of this year and beginning of next year. Order intake in second quarter was low, but we see that the activity continues. So we still have the same view than earlier that market will be active, but not as active than last year.

Antti Kansanen SEB, Research Division - Analyst

All right. And then maybe coming back to the potential large pulp orders. When are you kind of required to make an order announcement if you receive a large order from, let's say, a big pulp mill or something like that? When are you regulatory required to make an announcement of that?

Pasi Kalevi Laine Valmet Oyj - President & CEO

That's very complicated question. So I'll give you a little bit simplified answer and this answer is simplified. So if a lawyer will check it then it's not totally true. So typically, if -- and it's not related to pulp only. So if we get a very big order, then either we have to announce it immediately, or then we can make an insider project, depending on the case. And in some cases, we have done insider projects and then we are not making the announcement before there are some -- some things have happened. And in most cases, we have to agree with the customer when the announcements are done. But then, of course, from our perspective, we try to make the announcement as soon as possible, so that we avoid having insider registers if we talk about big projects.

Operator

Next question comes from the line of Tom Skogman.

Tomas Skogman Carnegie Investment Bank AB, Research Division - Head of Research of Finland

This is Tom from Carnegie. I have a couple of questions. First of all, you mentioned a bit that the Service margin missed a bit your expectations. I just wonder if it relates to volume or pricing or some extra cost there then?

Pasi Kalevi Laine Valmet Oyj - President & CEO

It's not related to price. We -- like Kari said, we were expecting a little bit better profitability from Services, but there was not that kind of issue that we would have been very disappointed with the pricing or something else, or extra costs. Just like Kari was saying that it's partly timing of the non-POC projects and partly some other issues, but nothing permanent.

Tomas Skogman Carnegie Investment Bank AB, Research Division - Head of Research of Finland

Okay. And then this UPM order or project order announced this -- today in -- from Uruguay, I mean, it's a huge project. Would you be prepared to take even all equipment or is it too large as a risk for you to carry? We have not seen you take in that sized orders for many years at least.

Pasi Kalevi Laine Valmet Oyj - President & CEO

I can't comment, of course, on that one. But when quoting these big projects then, of course, we have to make thorough risk analyses from our side that what kind of risks Valmet can take. And I'm sure that our customers are doing the same, that they are making risk analyses also when they select the suppliers.

Tomas Skogman Carnegie Investment Bank AB, Research Division - Head of Research of Finland

Then you mentioned that Lenzing has announced a project. I have also noticed that, but I kind of speculate that that could be the one that ANDRITZ has announced. Is that not the case? That this order has still not been awarded to any supplier?

Pasi Kalevi Laine Valmet Oyj - President & CEO

Yeah, I don't know what -- or I know, but I can't say anything. It would be lying to say that I don't know, but I can't say anything.

Tomas Skogman Carnegie Investment Bank AB, Research Division - Head of Research of Finland

But that order is still possible for you to get, is that right?

Pasi Kalevi Laine Valmet Oyj - President & CEO

I'm not commenting any one project. We know that there's a project called AMADEUS.

Tomas Skogman *Carnegie Investment Bank AB, Research Division - Head of Research of Finland*

Okay. And then I have a question about your long-term targets. I have understood that you have went through a strategic review during the spring. And you are now, you know, more or less in the mid-part of your EBITA margin target range and you're above the return on capital employed target. So have you considered changing the financial targets given that you already are so -- high up on the target level?

Pasi Kalevi Laine *Valmet Oyj - President & CEO*

We haven't reached the target for one calendar year yet. So we have to think about it, but let's answer the other way around. That, of course, whatever the targets are, and -- public targets are then, of course, the task for the management is to push the profitability up. So I think now we are focusing on executing our strategy, executing the business and then not that much thinking about the long-term targets yet. First, we have to show that we can keep on the targeted range where we have now been for 2 quarters.

Operator

We still have questions on the phone. Next question comes from the line of Robert Davies.

Robert John Davies *Morgan Stanley, Research Division - Equity Analyst*

I have a few. The first one was just, maybe, if you could give us some color in terms of what's happened to your orders within the Paper division last year in terms of how much the benefit has come from board capacity additions? And what your outlook is for board specifically, over the next 1 to 2 years? The second one was just around some of the developments that we've seen in the pulp market. We've seen inventories come up, prices go lower. What -- I guess my question is why doesn't Pulp and Energy orders normalize more down towards the EUR 700 million - EUR 800 million range over the next couple of years rather than staying at the current level? And then my final one was just around the Automation side and just how the market is developing differently between the pulp and paper segments specifically and process industries more generally?

Pasi Kalevi Laine *Valmet Oyj - President & CEO*

I try to remember the questions and if I'm not answering all the ones, then please repeat them. So Paper division has been -- or Paper business line has been benefiting from the good activity in board and mainly, it has been board. So -- but also, there is also some paper machine activity. So if I remember correctly, roughly at maximum, paper side was EUR 200 million. Last year it was a little bit less, but there is still some activity also in paper machine side. But mostly, this year order intake has been coming from board.

Then if we think to the future, some activity in paper side, but majority is in board also for this year and coming one year. Then how active the market will be in 1 to 2 years from now, it's very difficult to say. But at least, currently, we keep our half-year market outlook at the level good.

Then in Pulp, I was little bit confused how you were asking that where the trend -- where the level will end. So our Pulp and Energy order intake was last year about EUR 1 billion. And now first half, it has been EUR 400 million. And last year, it was lot of less. The activity started to be more in latter part of the year. First half of the year, EUR 400 million is okay-ish, and we continue to keep the pulp market outlook as good. And like your colleagues have been asking, there are a couple big projects still to be decided in pulp side according our customers still during this year.

And then in energy side, we say that the market is satisfactory. And there, of course, one topic is -- are the marine scrubbers. And like we said earlier, beginning of this year, first half, there hasn't been that much activity, but we believe that there is a little bit more activity in latter part of the year. But not as much as this year.

Then in Automation, activity has been good this year both in paper, and process and energy. Or pulp and paper, and process and energy. So there has been capital market -- capital market has been active on both sides of the segments of Automation.

Operator

And we still have question, comes of the line of Sven Weier.

Sven Weier UBS Investment Bank, Research Division - Executive Director and Analyst

Sven from UBS. Some quick follow-up questions, I go them -- to them one by one. First one is on the June weakness you mentioned on the mill improvement side, was that really the only area of the company where you saw weakness in June or did you see it also somewhere else? That is the first one.

Pasi Kalevi Laine Valmet Oyj - President & CEO

So the beginning of the year, Mill Improvement has been less active than last year. Then if you ask the way how you asked, then of course, there are some units which are not active and the other ones are more active in June. So I can't comment on that one more.

Sven Weier UBS Investment Bank, Research Division - Executive Director and Analyst

Okay. I thought you had signalized Mill Improvements as a particular area of weakness in June. So I might have misunderstood that.

Pasi Kalevi Laine Valmet Oyj - President & CEO

Yes. We were saying that June has been less -- or order intake hasn't been very good. But we -- when I was commenting the Mill Improvement and the geographical areas, I was not referring only to June, I was referring to the first half of the year, to be more precise. That's good that you asked it.

Sven Weier UBS Investment Bank, Research Division - Executive Director and Analyst

But the June weakness was in Mill improvements specifically.

Pasi Kalevi Laine Valmet Oyj - President & CEO

It was also in Mill Improvements, yes.

Sven Weier UBS Investment Bank, Research Division - Executive Director and Analyst

Okay, good. And the other question I had was on the -- your disappointment with the Q2 margin that seemed to be more focused on the stable business. So in other words, you were happy with the margin improvement on the capital equipment side then?

Pasi Kalevi Laine Valmet Oyj - President & CEO

Yes.

Kari Juhani Saarinen Valmet Oyj - CFO

Yes. That's correct.

Sven Weier UBS Investment Bank, Research Division - Executive Director and Analyst

Okay. And then just on the Mill Improvement, can you just remind us what the share of orders was in the first half?

Pasi Kalevi Laine Valmet Oyj - President & CEO

We are -- we give the business unit-specific numbers every year, on yearly basis. And if I remember right, Mill Improvement was last year roughly like EUR 300 million out of EUR 1.2 billion, if I remember correctly.

Kari Juhani Saarinen Valmet Oyj - CFO

That's rough -- slightly less than 30% of Services.

Operator

No questions at this time. Thank you. Please continue.

Calle Loikkanen Valmet Oyj - Director of IR

All right. Thank you, operator. And thank you very much for the questions. This then concludes the event for today. I wish you a really good rest of the summer and yes, have a good day. Thank you.

Pasi Kalevi Laine *Valmet Oyj - President & CEO*

Thank you.

Kari Juhani Saarinen *Valmet Oyj - CFO*

Okay. Thank you.

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