Post results | 28 October 2026

Valmet

Solid performance in a muted market – no decision yet on potential separation

Valmet delivered a better-than-expected and decent Q3 report in a muted market environment from a credit perspective, with flat organic revenue y/y, solid margins, and small earnings growth supported by the EUR420m acquisition of Severn Group. The acquisition drove adj. net debt/EBITDA up slightly to 2.0x from 1.7x q/q, but we continue to see Valmet's balance sheet and credit profile as comparable with IG-rated Nordic capital goods peers. The market is also showing encouraging signs of a pick-up, with group order intake up 25% y/y organically, and biomaterial services orders up 12% y/y organically. No decision has yet been made on the potential separation of the company's two segments, but an update is expected in the Q4 report at the latest. The 2029s lack a demerger put, but we would still expect consent solicitation given the bondholders' legal rights to object to a potential separation, should Valmet proceed with the demerger. The 2029s are quoted slightly wider than the 'BBB-' curve, and we view the bonds as an attractive carry case. We keep Overweight.

Revenue in Q3 was up 5% y/y (+1% organically), coming in 3% above Bloomberg consensus, while adj. EBITA increased 6% y/y, beating consensus by 5%. Adj. EBITA-% was 12.4% vs 12.2% cons. and 12.3% a year ago. The y/y growth in revenue and earnings was driven by the EV EUR420m Severn Group acquisition closed in July. Moreover, cost cuts also supported profitability. Altogether, we think the 12.4% margin is decent performance from Valmet given that its main end-market, pulp & paper (c.75% of orders historically), is still struggling with the weak cycle, which not only impacts equipment sales but also services volumes that correlate with customers' mill utilisation rates.

Key figures

EURm	Q3 25	Q2 26	Q3 26	y/y	q/q
Total sales	1,295	1,315	1,360	5.0%	3.4%
EBITDA (rep.)	176	178	172	-2.3%	-3.4%
EBITDA (adj.)	176	178	172	-2.3%	-3.4%
Net income	86	75	70	-18.6%	-6.7%
FFO (rep.)	146	135	158	8.2%	17.0%
FFO (adj.)	146	135	158	8.2%	17.0%
Equity	2,470	2,499	2,579	4.4%	3.2%
Net debt	961	996	1,254	30.5%	25.9%
Net debt (adj.)	1,121	1,145	1,385	23.6%	21.0%
Ratios	**Q3 25**	**Q2 26**	**Q3 26**	**y/y**	**q/q**
EBITDA margin	14%	14%	13%	-1pp	-1pp
Net debt/EBITDA (x)	1.5	1.5	1.8	0.3	0.4
Adj. net debt/adj. EBITDA (x)	1.8	1.7	2.0	0.3	0.4
FFO/net debt	55%	57%	46%	-9pp	-11pp
Adj. FFO/adj. net debt	47%	50%	42%	-5pp	-8pp
Adj. total debt/total capital	39%	41%	44%	4pp	3pp
Net debt/total capital	25%	24%	28%	4pp	4pp

Source: Company data, Danske Bank Credit Research

Overweight

Industrials

Corporate ticker:

Equity ticker: VALMT FH

Market cap (EURm): 5,388

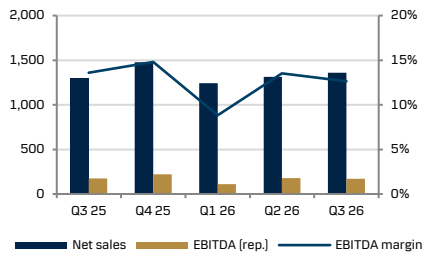
Ratings:
S&P: NR / NR
Moody's: NR / NR
Fitch: NR / NR

ESG rating:
Sustainalytics ESG Risk Rating: 17.6

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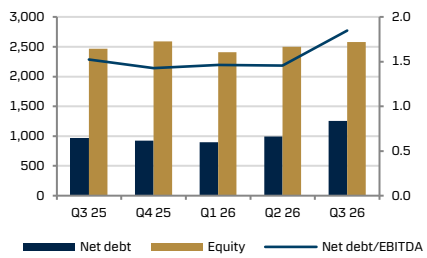
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Profitability (EURm)



Source: Company data, Danske Bank Credit Research

Financial metrics (EURm)

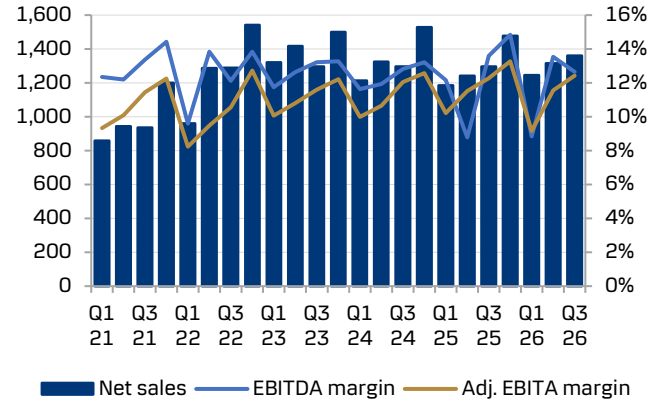


Source: Company data, Danske Bank Credit Research

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Important disclosures and certifications are contained from page 10 of this report.

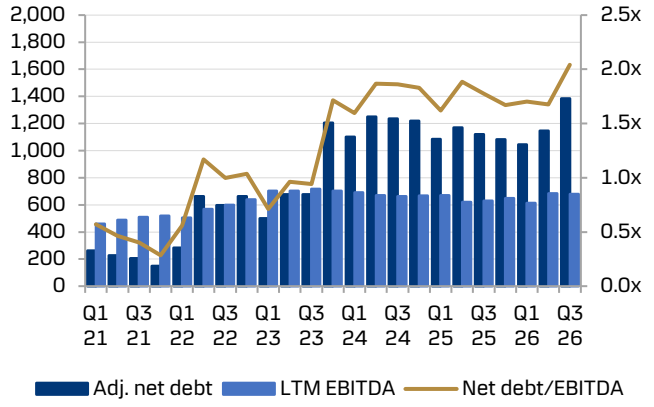
That said, the market is showing some signs of stabilisation or even pick-up, with Valmet delivering strong order intake, up 30% y/y on a group level (+25% organically) to EUR1.4bn, coming in 18% above consensus at EUR1.2bn. This was driven by equipment orders particularly in packaging and paper, but also by increasing biomaterial services orders broadly across regions and service categories. Moreover, operating cash flow was solid at EUR210m vs EUR94m in Q3 25, supported by NWC releases. Our free cash flow (OCF - capex - net M&A - shareholder distributions) was still negative at EUR224m due to the Severn acquisition. As expected, this drove up adj. net debt/EBITDA to 2.0x from 1.7x q/q, but it came in better than our 2.3x estimate on stronger cash flow and EBITDA.

Chart 1. Revenue (EURm), EBITDA-% and adj. EBITA-%



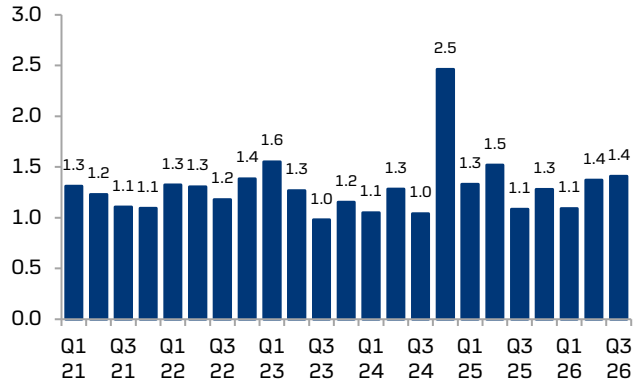
Source: Company data, Danske Bank Credit Research

Chart 2. Adj. net debt (EURm) and adj. net debt/EBITDA



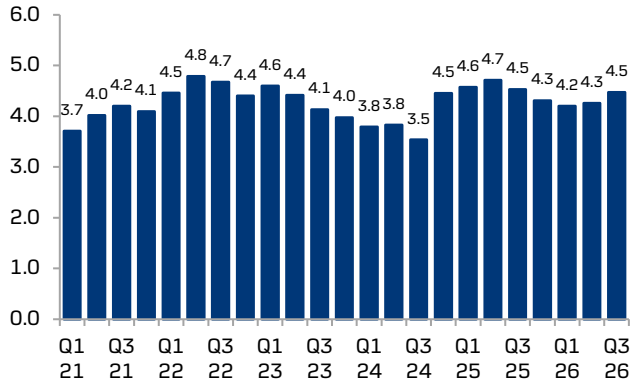
Source: Company data, Danske Bank Credit Research

Chart 3. Order intake (EURbn)



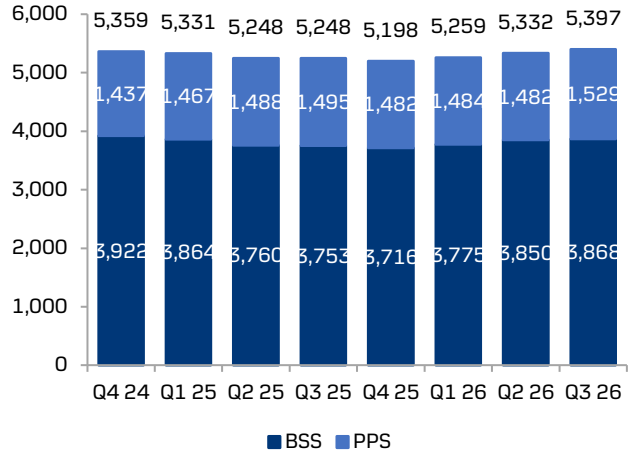
Source: Company data, Danske Bank Credit Research

Chart 4. Order backlog (EURbn)



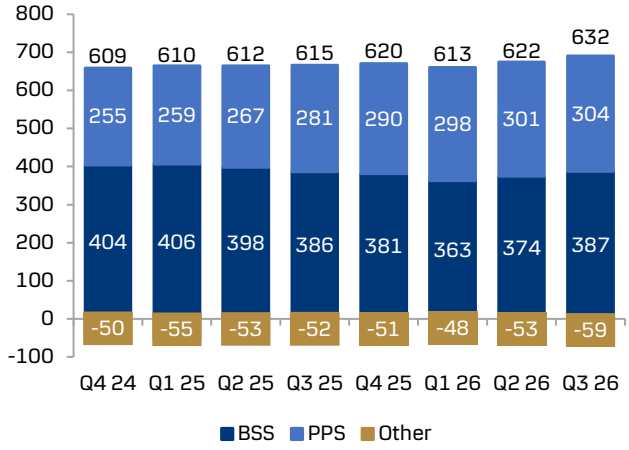
Source: Company data, Danske Bank Credit Research

Chart 5. LTM revenue by segment (EURm)



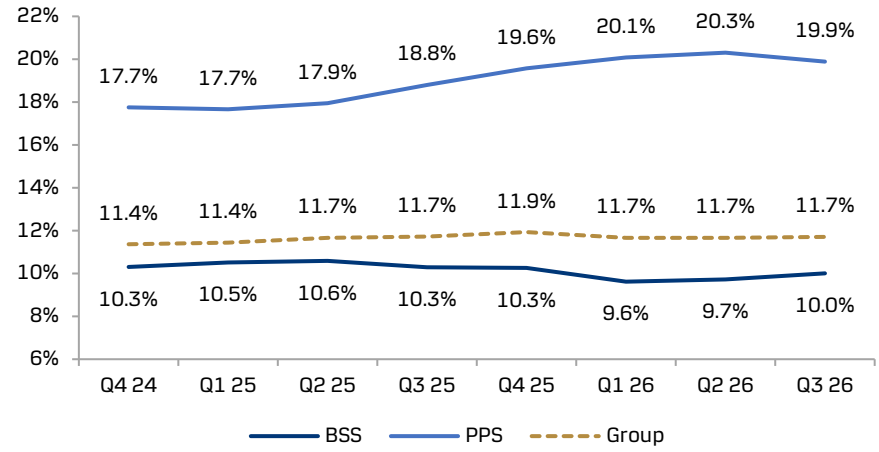
Note: BSS = Biomaterial Solutions and Services; PSS = Process Performance Solutions
Source: Company data, Danske Bank Credit Research

Chart 6. LTM adjusted EBITA by segment (EURm)



Note: BSS = Biomaterial Solutions and Services; PSS = Process Performance Solutions
Source: Company data, Danske Bank Credit Research

Chart 7. LTM adjusted EBITA margin by segment



Note: BSS = Biomaterial Solutions and Services; PSS = Process Performance Solutions
Source: Company data, Danske Bank Credit Research

Potential separation of the two segments in focus

Separation would make sense given the limited synergies

In July 2026, Valmet initiated a strategic review to evaluate a potential separation of its two segments, Biomaterial Solutions and Services (EUR3.9bn revenue, EUR387m adj. EBITA and 10.0% adj. EBITA-% in Q3 26 LTM) and Process Performance Solutions (EUR1.5bn, EUR304m and 19.9%), into two standalone publicly listed companies. The review is still ongoing, and Valmet will provide an update on the review in its Q4 26 report at the latest.

From a strategic perspective, a separation would make sense as the businesses are to some degree distinct from each other. While Biomaterial Solutions and Services focuses mainly on equipment and services provided for the pulp & paper industry, the Process Performance Solutions, which

offers flow control (e.g. valves) and automation systems, has a broader end-industry exposure as pulp & paper forms only c.30% of its revenue. That said, there are some synergy gains and commercial overlaps between the segments as valves and automation systems are also provided for pulp & paper customers.

No demerger put in the documentation – EoD clause is also unlikely to be triggered

From a bondholder perspective, there does not seem to be a demerger put or any other clause in the 2029s documentation that would automatically force early redemption if Valmet were to separate its two segments. The most relevant Event of Default provision is the infamous "cessation of business" clause, but the threshold appears high: Valmet would have to cease carrying on its current business "in its entirety". While we stress that we are not legal experts, separating one segment would be unlikely to meet that test if one of the two segments continues its business under Valmet as an operating company.

The CoC clause is also unlikely to be triggered if there is a pro-rata demerger to existing shareholders.

We expect a consent solicitation to get bondholders to waive their objection rights

Assuming the 2029s remain outstanding after the potential demerger, the credit risk impact would be determined on where the bonds would sit after the demerger and how net debt would be allocated between the two companies. At this stage, there is naturally no visibility on this. That said, we think the Process Performance Solutions would have a stronger underlying credit profile out of the two segments, given its higher margins, smaller exposure to the cyclical pulp and paper sector, and lower share of equipment sales, whereas the more cyclical Biomaterial Solutions and Services segment has lower margins and higher project risk. Therefore, the strategic review introduces some event risk given the uncertainty around what assets and cash flow would support the bonds after the possible demerger, if the bonds remain outstanding.

However, we note that bondholders have legal rights under the Finnish Limited Liability Companies Act to object a demerger, which should give some protection for bondholders against the event risk. In this respect, we would expect Valmet to carry out a consent solicitation process to ask bondholders to waive these certain Finnish legal rights to object to a possible demerger, similar to e.g. Stora Enso's Swedish forest asset spin-off, UPM's spin-off of the Plywood segment, and Cargotec's Kalmar segment demerger seen in recent years. In Stora Enso's and UPM's cases, 0.35% early consent fees were offered for bondholders to lift their statutory rights. For Cargotec, a 0.35% consent fee + 0.15% early consent fee were offered.

Outlook

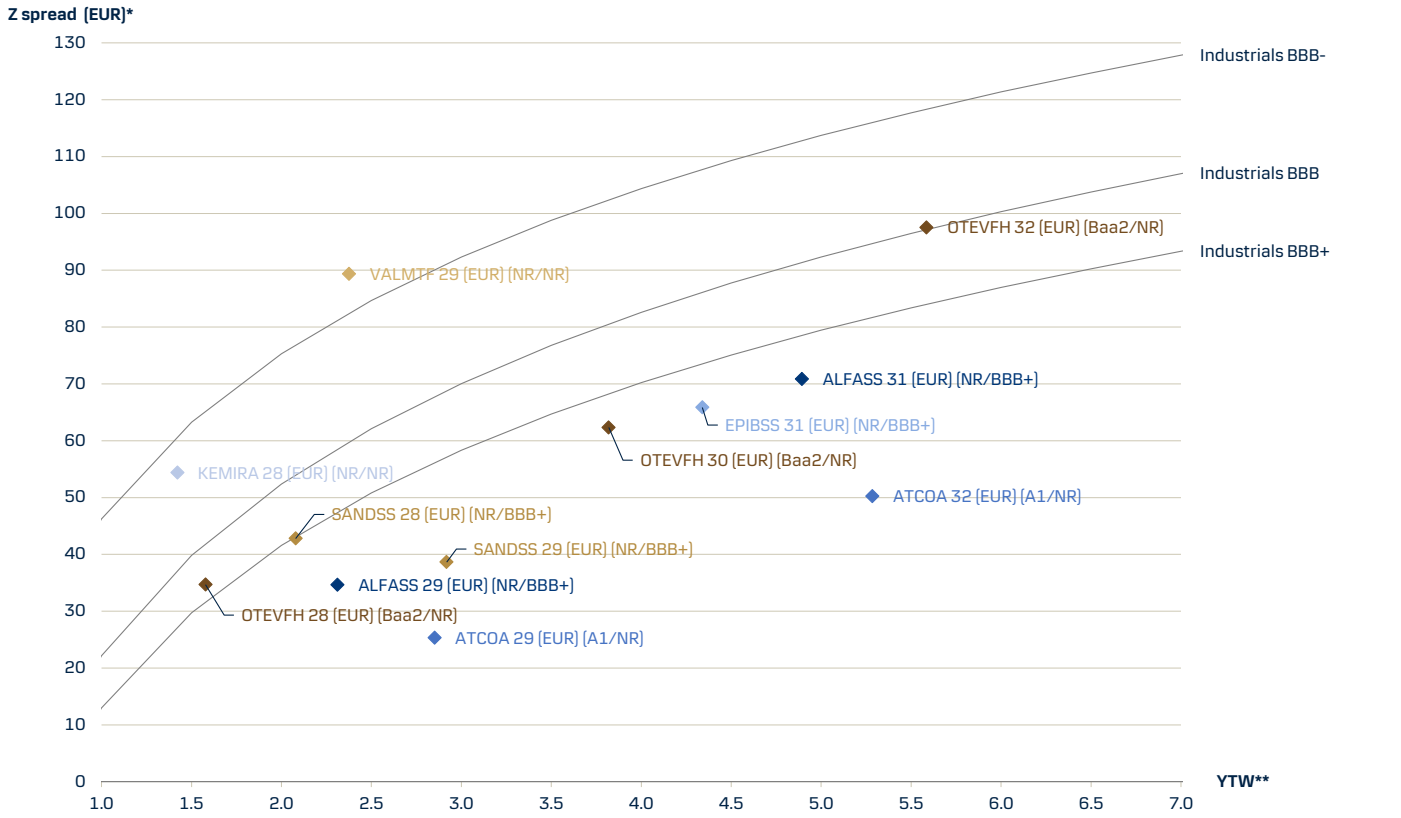
Valmet maintained its guidance and expects revenue in 2026 to remain at the 2025 level of EUR5,197m (Q1-Q3 26: +5% y/y) and adjusted EBITA to remain at the previous year's level or increase from EUR620m in 2025 (Q1-Q3 26: +3% y/y). While a guidance upgrade may have been warranted, management stayed cautious as "Q4 remains an important quarter" and "market visibility

remains limited", reflecting uncertainty on services activity and execution, as well as and project timing. We still think that the materially improved order intake in Q3 provides some encouraging signs that the market is past the bottom, although one strong quarter should not be extrapolated, and also because large equipment orders are lumpy.

Recommendation

We maintain our Overweight recommendation on the Valmet 2029s, which are quoted some 10bp wider than our 'BBB-' industrials reference curve, offering some small unrated spread pick-up. We don't see any significant tightening potential from these levels, but we still find the 2029s as an attractive carry case considering Valmet's 1) solid balance sheet even after the Severn acquisition, 2) its strong market position in pulp and paper equipment and services, 3) signs of demand stabilisation or even improvement in the end-market, 4) its high share of less cyclical services and automation business, 5) geographical diversification, and 6) solid margin management track record.

Chart 8. Relative value



* Swapped to indicated currency. ** Years-to-worst.
Note: Fair value curve(s) based on Danske Bank Credit Research's index group of EUR bonds.

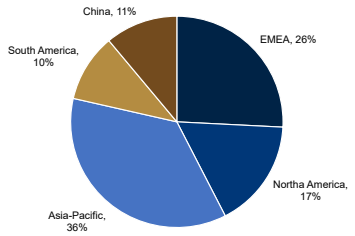
Source: Bloomberg, Danske Bank Credit Research

Company summary

Company description

Valmet is a Finland-based leading machinery and equipment supplier for the pulp, paper and energy industries. The company's offering includes board, paper and tissue production machinery, pulp mills, power plants and heating plants. Valmet also provides automation systems, flow control solutions and related aftermarket services.

EBITDA breakdown, segments geography



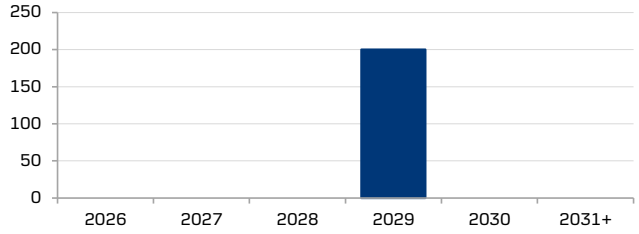
Key credit strengths

- Market leading positions in pulp and paper equipment and services
- High share of less cyclical services and automation business
- Solid profitability and track record of improving operative performance
- Geographical diversification

Key credit challenges

- Cyclicality in equipment sales
- Concentration on the pulp and paper industry
- Exposure to large fixed price projects

Debt maturity profile, bond only (EURm)



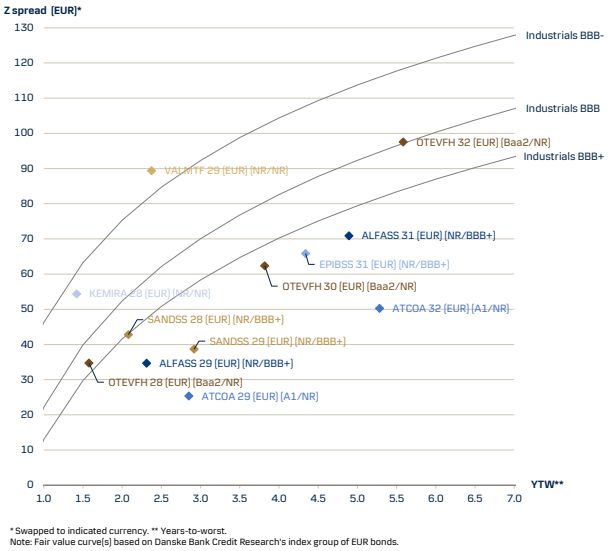
Main shareholders

Name	Votes (%)	Capital (%)
Oras Invest	10.4%	10.4%
Solidium	10.1%	10.1%
Varma	4.0%	4.0%
Ilmarinen	3.4%	3.4%
Elo	1.3%	1.3%

Selected outstanding bonds

Isin	Coupon	Currency	Maturity /Call	Seniority	Rating
FI4000567094	4%	EUR	13/12/2028	Sr Unsecured	NR

Relative valuation



* Swapped to indicated currency. ** Years-to-worst.
Note: Fair value curve(s) based on Danske Bank Credit Research's index group of EUR bonds.

Rating migration

n/a

Source: Company data, Bloomberg, Danske Bank Credit Research [all charts and tables]

Summary table

Income statement (EURm)	2024	2025	2026E	2027E	2028E
Total sales	5,359	5,197	5,455	5,499	5,575
Operating expenses	-4,910	-4,759	-4,988	-4,967	-5,029
EBITDA	668	647	691	763	780
EBITDA adjusted	668	647	691	763	780
Non-recurring items	0	0	0	0	0
Depreciation and amortisation	-219	-209	-224	-230	-234
EBIT	449	438	466	533	546
EBIT adjusted	609	620	641	653	666
Net interest	-65	-62	-70	-91	-91
Other financial items (net)	0	0	0	0	0
Pre-tax profit	383	376	396	441	455
Tax	-102	-97	-110	-110	-114
Net income	281	279	287	331	341
Balance sheet (EURm)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Fixed assets	726	740	751	786	791
Goodwill	1,808	1,800	2,012	2,012	2,012
Associates	17	19	24	24	24
Other non-current assets	1,337	1,223	1,319	1,261	1,203
Working capital assets	1,765	1,653	1,843	1,820	1,845
Cash and cash equivalents	482	535	605	698	785
of which restricted cash	0	0	0	0	0
Other current assets	697	664	691	683	692
Total assets	6,832	6,634	7,245	7,285	7,352
Total assets (adj.)	6,832	6,634	7,245	7,285	7,352
Total interest-bearing debt	1,544	1,461	1,872	1,872	1,872
Total interest-bearing debt adjusted	1,701	1,617	2,003	2,003	2,003
Net interest-bearing debt	1,062	926	1,267	1,174	1,087
Net interest-bearing debt adjusted	1,219	1,082	1,398	1,305	1,218
Working capital liabilities	460	500	537	531	538
Other current liabilities	827	799	921	910	922
Other non-current liabilities	326	273	299	299	299
Total equity	2,614	2,590	2,563	2,632	2,667
Total equity and liabilities	6,832	6,634	7,245	7,285	7,352
Total equity and liabilities (adj.)	6,989	6,790	7,376	7,416	7,483
Cash flow statement (EURm)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
EBITDA	668	647	691	763	780
Tax paid	-134	0	-114	-110	-114
Other cash flow from operations	-23	-105	6	-91	-91
Funds from operations (FFO)	511	542	583	562	575
FFO (adjusted)	511	542	541	562	575
Change in working capital	43	39	-114	2	-2
Operating cashflow (CFO)	554	581	469	563	573
CFO (adjusted)	554	581	427	563	573
Capex	-107	-103	-94	-120	-120
Divestments/acquisitions of businesses	-131	6	-404	-30	0
Free operating cashflow (FOCF)	316	484	-29	413	453
FOCF (adjusted)	316	484	-71	413	453
Dividend paid	-249	-249	-248	-262	-306
Share buyback	-3	-3	0	0	0
Free cashflow (FCF)	64	232	-291	93	87
Other investing activities	0	0	-14	-58	-60
Debt repayment	-384	0	0	0	0
Funding shortfall	-320	232	-305	35	27
New debt	375	0	0	0	0
New equity	0	0	0	0	0
Other financing activities	-4	-232	-28	58	60
Change in cash	51	0	-333	93	87

Source: Company data, Danske Bank Credit Research estimates

Summary table

Adjusted ratios (EURm)	2024	2025	2026E	2027E	2028E
Sales growth	-3%	-3%	5%	1%	1%
EBITDA margin	12.5%	12.4%	12.7%	13.9%	14.0%
Adj. EBITDA margin	12.5%	12.4%	12.7%	13.9%	14.0%
EBIT margin	8.4%	8.4%	8.5%	9.7%	9.8%
Adj. EBIT margin	11.4%	11.9%	11.8%	11.9%	11.9%
EBITDA interest coverage (x)	9.3	n.m.	14.5	8.4	8.6
Adj. EBITDA interest coverage (x)	9.3	n.m.	14.5	8.4	8.6
EBIT interest coverage (x)	6.4	n.m.	9.8	5.8	6.0
Adj. EBIT interest coverage (x)	6.4	n.m.	9.8	5.8	6.0
FFO interest coverage (x)	7.2	n.m.	12.2	6.2	6.3
Adj. FFO interest coverage (x)	7.2	n.m.	11.3	6.2	6.3
CFO interest coverage (x)	7.8	n.m.	9.8	6.2	6.3
Adj. CFO interest coverage (x)	7.8	n.m.	8.9	6.2	6.3
Net debt/EBITDA (reported) (x)	1.6	1.4	1.8	1.5	1.4
Net debt/EBITDA (x)	1.6	1.4	1.8	1.5	1.4
Adj. net debt/adj. EBITDA (x)	1.8	1.7	2.0	1.7	1.6
Debt/EBITDA (x)	2.3	2.3	2.7	2.5	2.4
Adj. debt/adj. EBITDA (x)	2.5	2.5	2.9	2.6	2.6
Debt/EBITDA (reported) (x)	2.3	2.3	2.7	2.5	2.4
FFO/net debt	48.1%	58.5%	46.0%	47.8%	52.9%
Adj. FFO/adj. debt	30.0%	33.5%	27.0%	28.0%	28.7%
Adj. FFO/adj. net debt	41.9%	50.1%	38.7%	43.0%	47.2%
FFO/debt	33.1%	37.1%	31.1%	30.0%	30.7%
Adj. total debt/total capital	44.4%	44.0%	50.6%	50.9%	51.6%
Net debt/total capital	25.5%	22.9%	28.6%	26.1%	23.9%
Adj. net debt/adj. total capital	31.8%	29.5%	35.3%	33.1%	31.3%
Quarterly overview (EURm)	**Q3 25**	**Q4 25**	**Q1 26**	**Q2 26**	**Q3 26**
Net sales	1,295	1,477	1,244	1,315	1,360
EBITDA	176	219	110	178	172
Adj. EBITDA	176	219	110	178	172
EBIT	125	167	58	127	115
Net income	86	105	34	75	70
Capex	-24	-22	-17	-15	-27
FFO	146	171	118	135	158
Total debt	1,440	1,461	1,477	1,580	1,872
Net debt	961	926	898	996	1,254
Adjusted net debt	1,121	1,082	1,045	1,145	1,385
Equity (incl. minorities)	2,470	2,590	2,412	2,499	2,579
Ratios					
Net debt/EBITDA (x)	1.5	1.4	1.5	1.5	1.8
Adj. net debt/EBITDA (x)	1.8	1.7	1.7	1.7	2.0
FFO/net debt	55%	58%	56%	57%	46%
Adj. FFO/net debt	47%	50%	49%	50%	42%

Source: Company data, Danske Bank Credit Research estimates

Danske Bank – Credit research platform

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Changes to recommendation in the past 12 months:

Date	Old rec.	New rec.
6 Jul 2026	No recommendation	Overweight
22 Dec 2025	Overweight	No recommendation

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