



# Dedicated to achieving our long-term financial targets

Investor Event

November 22, 2017

Aki Ojanen, CEO

# Agenda of the day



1. **Aspo Group:** an active developer of businesses
2. **Telko:** targets to double its earnings by the end of 2020
3. Business description, market growth and trends to support Telko's growth ambitions
4. Success despite challenging markets
5. Financial impact: targeting growth and EBIT improvement
6. Q&A

# Aspo's core expertise lies in growing and internationalizing medium-sized companies

## ASPO



ESL Shipping



Leipurin



Telko



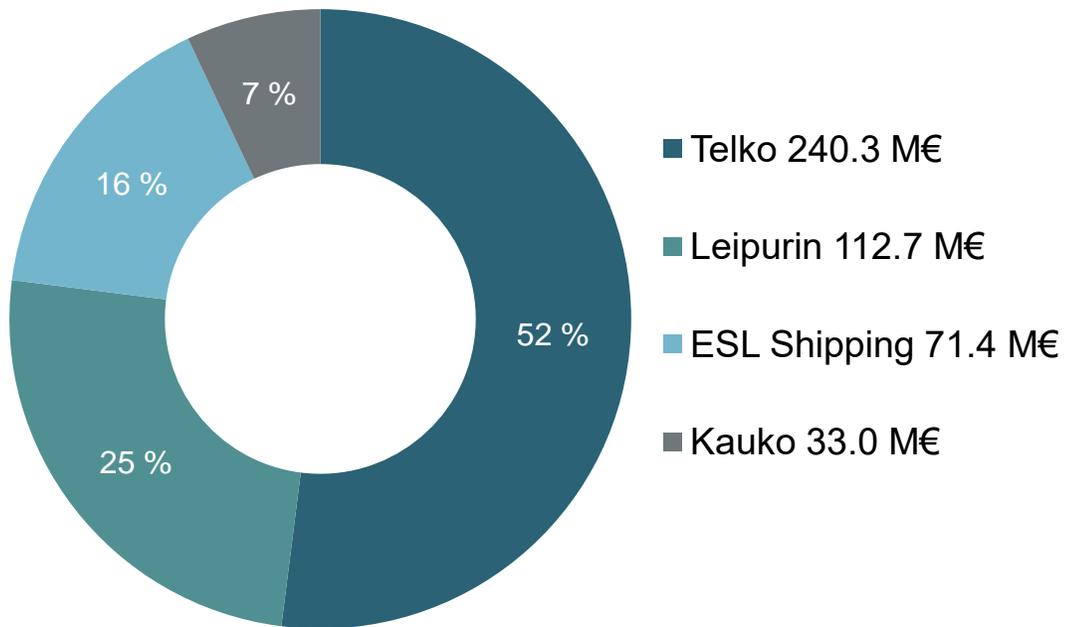
Kauko

# Aspo - an active developer of businesses

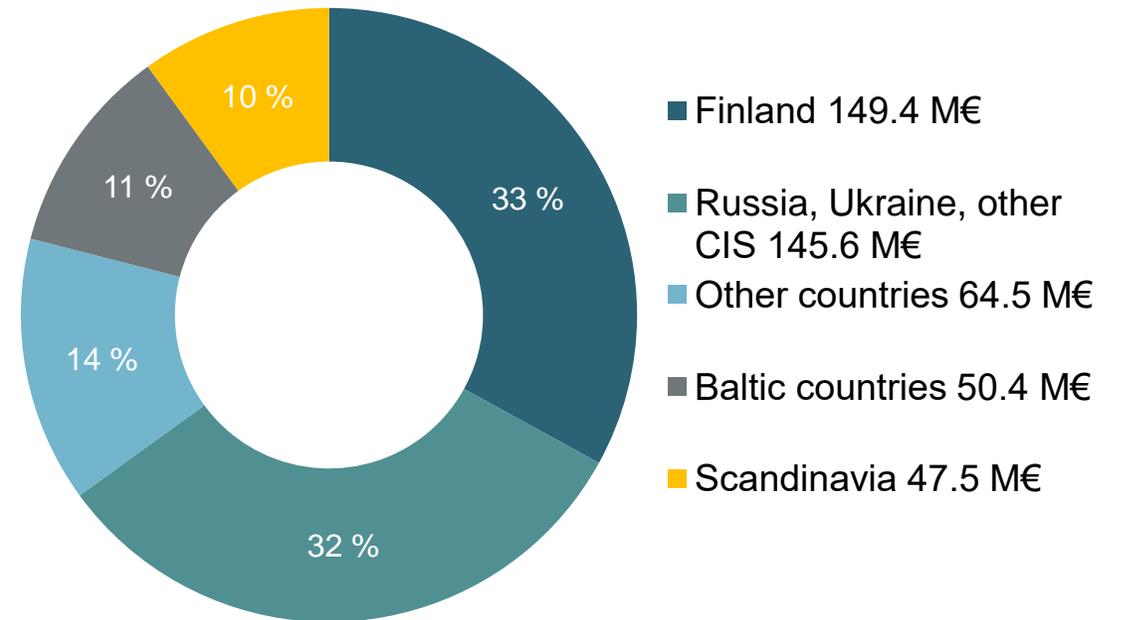
	<b>2016</b>
• Net sales	<b>457 M€</b>
• Operating profit	<b>20.4 M€</b>
• Return on equity	<b>14.6%</b>
• Personnel	<b>895</b>
• Market Cap 20.11.2017	<b>286 M€</b>

# Aspo is a balanced entity, where risks are diversified

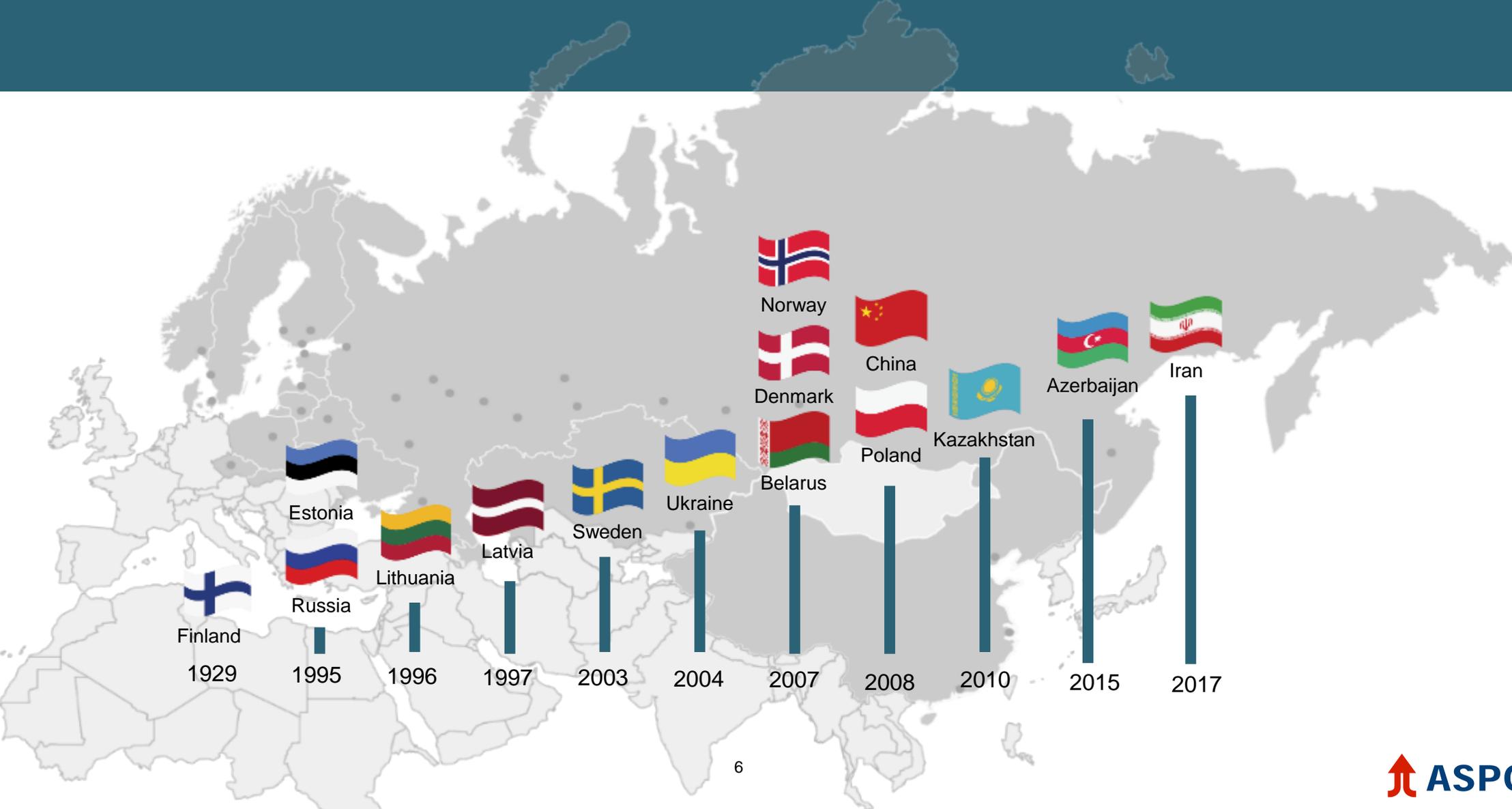
## Net sales by segment 2016



## Net sales by market area 2016

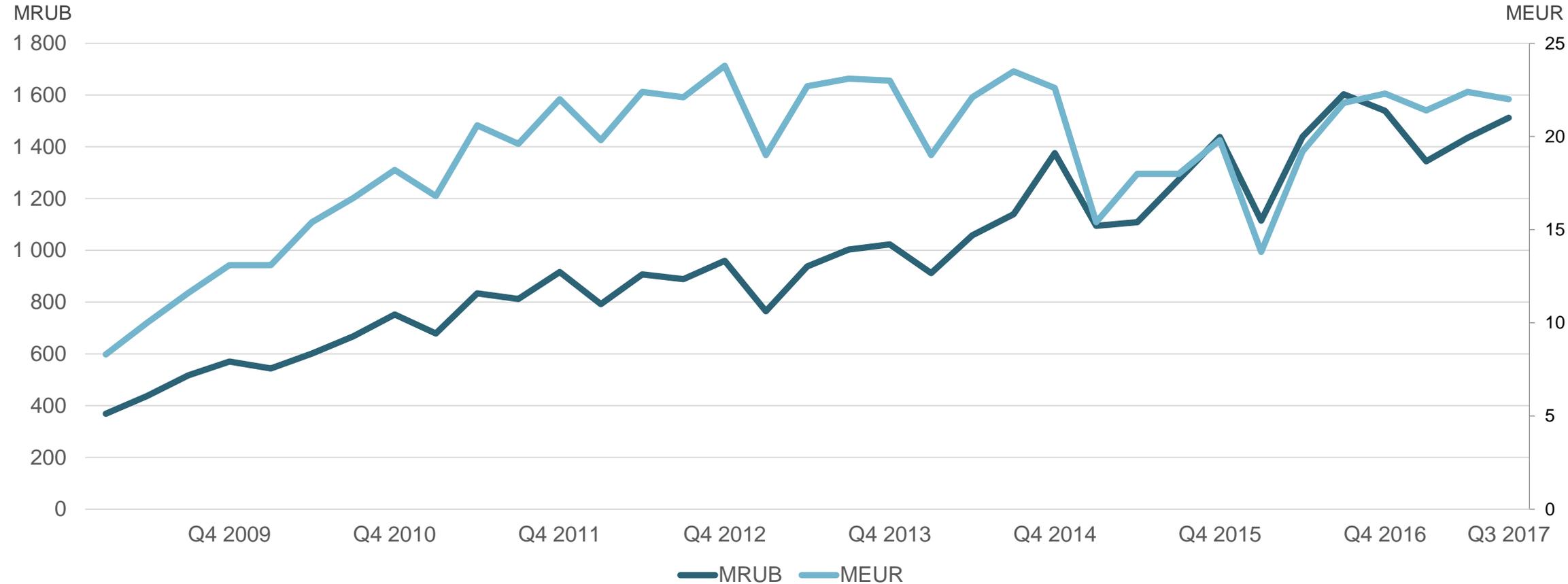


# Unique footprint including eastern growth markets



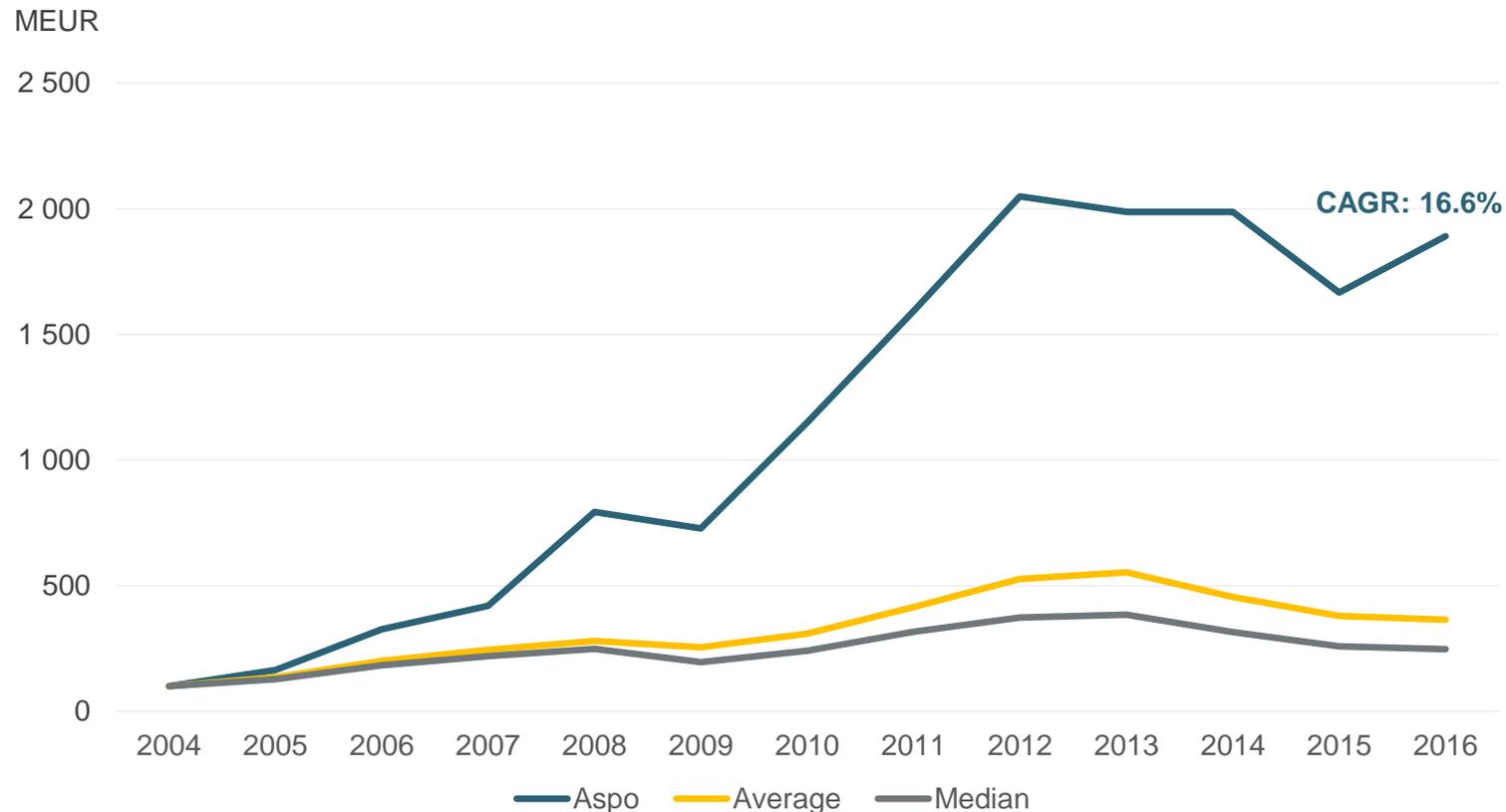
# Profitable growth in the challenging Russian market

## Net sales in Russia (EUR and RUB)



# Aspo maintains higher growth rates than the market on average

## Net sales of Finnish listed companies in Russia (EUR)



Aspo vs. median/average, indexed 2004=100

Source: Inderes

### 2007

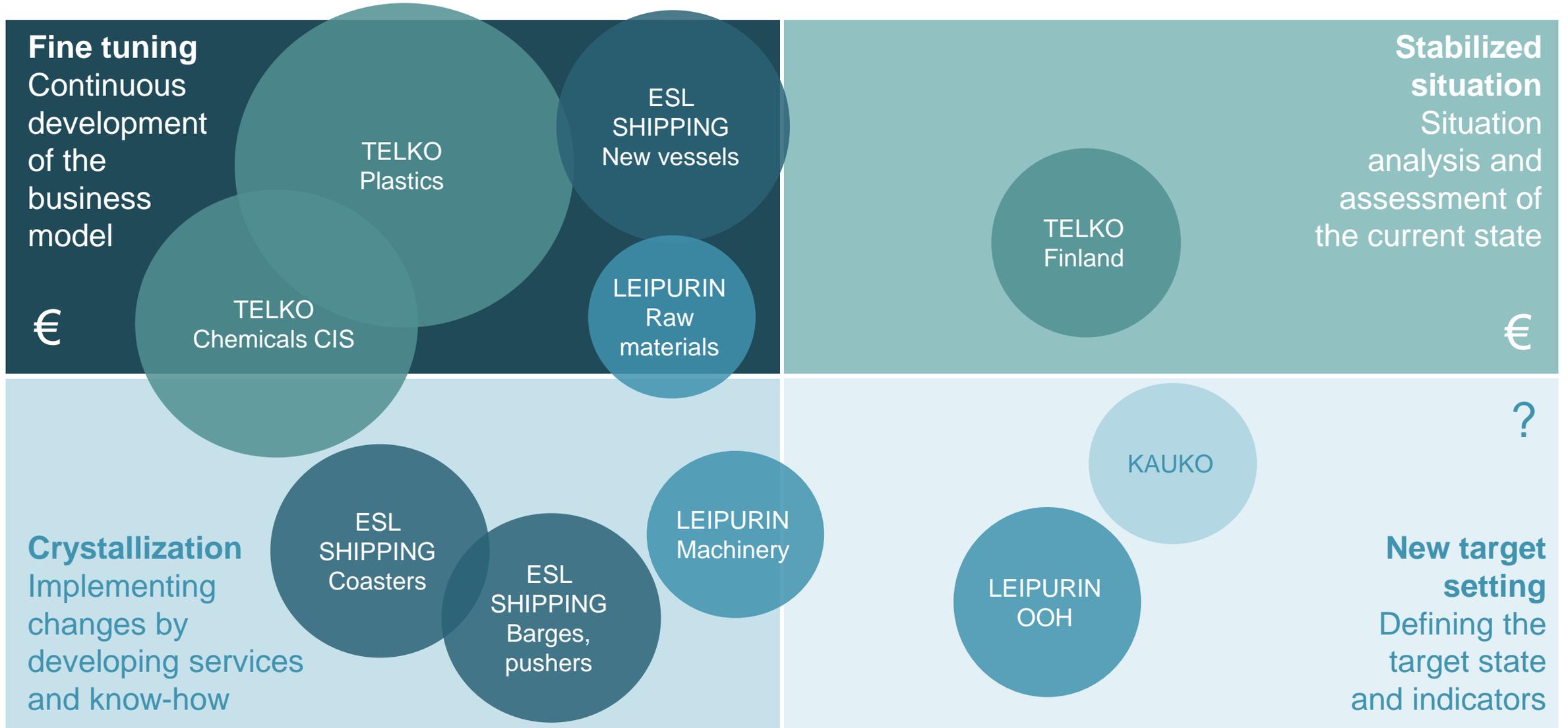
- Aspo
- Fortum \*
- Nokian Renkaat
- SRV
- Tikkurila
- Yleiselektroniikka
- Atria
- Kesko
- Oriola-KD \*
- Stockmann
- YIT

### 2016

- Aspo
- Fortum \*
- Nokian Renkaat
- SRV
- Tikkurila
- Yleiselektroniikka
- Atria
- Kesko
- ~~Oriola-KD \*~~
- ~~Stockmann~~
- YIT

\* Fortum and Oriola-KD have been in Russia since 2008. Peer group companies have significant business in Russia.

# Aspo actively develops the direction for successful business



# Aspo capitalizes on the benefits of an industrial conglomerate and a holding company

	Aspo	Industrial conglomerate	Holding company
Ownership	100%	100%	parts, minorities
Operations	<b>different, no synergy, few</b>	from the same business areas, few	different, wide portfolio
Management	<b>external boards, partially operational</b>	internal boards, operational	external boards, influence through the board
Financing	<b>hybrid, partially through the parent company, partially targeted directly</b>	through the parent company	targeted directly without parent company backing

# Telko's Board of Directors with valid and vast experience supporting the management

**Chairman of the Board, Aki Ojanen, CEO, Aspo Plc**



**Anders Dahlblom**

M.Sc. (Econ.)  
Member of the Board since 2017  
CFO, Paroc Group Oy



**Elina Piispanen**

M.Sc. (Econ.)  
Member of the Board since 2017  
Chief Transformation Officer,  
Sanoma Media Finland



**Irmeli Rytönen**

Master of Laws  
Member of the Board since 2017  
CEO, Gigantti Oy Ab

# Continuously investing in and restructuring businesses by Aspo

2010	2011	2012	2013	2014	2015	2016	2017	2018
<p><b>ESL SHIPPING:</b> ORDER PLACED FOR TWO SUPRAMAX VESSELS</p> <p><b>LEIPURIN:</b> EXPANSION IN LATVIA THROUGH AN ACQUISITION</p> <p>EXPANSION TO KAZAKHSTAN</p> <p><b>TELKO:</b> EXPANSION TO KAZAKHSTAN AND BELARUS</p>	<p><b>ESL SHIPPING:</b> ACCEPTANCE OF M/S ALPPILA</p> <p><b>LEIPURIN:</b> ACQUISITION OF VULGANUS OY</p>	<p><b>ESL SHIPPING:</b> ACCEPTANCE OF SUPRAMAX VESSELS</p> <p>SALE OF M/S HESPERIA</p> <p><b>KAUKO:</b> PURCHASE OF OPERATIONS OF SOMASYR</p>	<p><b>ASPO:</b> REVIEW OF LISTING LEIPURIN OPERATIONS</p>	<p><b>ASPO:</b> CANCELLATION OF THE LEIPURIN LISTING PROCESS</p> <p><b>ESL SHIPPING:</b> PURCHASE OF M/S KALLIO</p> <p><b>KAUKO:</b> DIVESTMENT OF FREQUENCY CONVERTER BUSINESS</p>	<p><b>ESL SHIPPING:</b> LONG-TERM TRANSPORTATION CONTRACT WITH SSAB ORDER PLACED FOR TWO LNG VESSELS</p> <p><b>KAUKO:</b> SALE OF INDUSTRIAL BUSINESS</p>	<p><b>LEIPURIN:</b> NEW STRATEGY</p> <p><b>TELKO:</b> REPRESENTATION OF CASTROL'S AUTOMOTIVE MOTOR OILS IN FINLAND</p> <p><b>KAUKO:</b> NEW STRATEGY</p>	<p><b>ESL SHIPPING:</b> INVESTMENT IN TWO LNG FUELED DRY BULK CARRIERS</p> <p>ESTABLISHING ESL COASTER-BUSINESS</p> <p><b>KAUKO:</b> CLOSING DOWN CHINA OPERATIONS</p> <p><b>TELKO:</b> EXPANSION TO IRAN</p>	<p><b>ESL SHIPPING:</b> TWO NEW LNG-POWERED SHIPS START OPERATING</p>

# Major shareholders, October 31, 2017

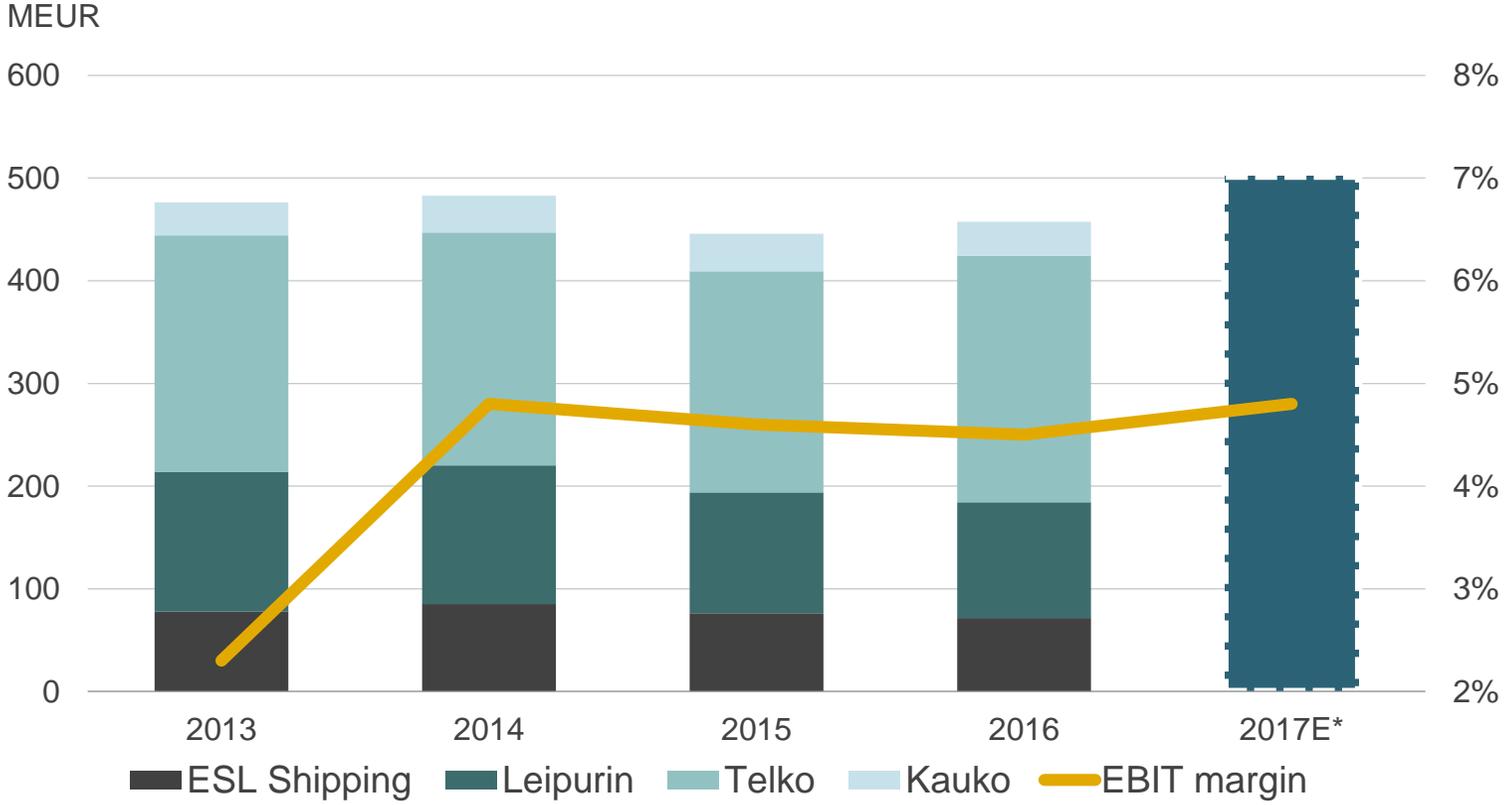
	Number of shares	% of shares		Number of shares	% of shares
1 Havsudden Oy Ab	3,142,941	10.15	16 Ingman Finance Oy Ab	250,000	0.81
2 Vehmas Tatu	2,306,676	7.45	17 Estlander Peter	239,241	0.77
3 Varma Mutual Pension Insurance Company	1,438,412	4.64	18 Aminoff Maria	237,241	0.77
4 Vehmas Tapio	1,375,827	4.44	19 Skandinaviska Enskilda Banken AB	216,779	0.70
5 Ilmarinen Mutual Pension Insurance Company	1,000,676	3.23	20 Private Entrepreneur Foundation	215,547	0.70
6 Robinson Joanna	754,259	2.44	21 Timgren Veronica	215,107	0.69
7 Nyberg Gustav	731,667	2.36	22 Rysti Eva	199,628	0.64
8 Nordea Nordic Small Cap Fund	721,040	2.33	23 Arteva Heidi	184,457	0.60
9 Mandatum Life Unit-Linked	546,872	1.77	24 Lehtinen Lassi	174,153	0.56
10 Procurator-Holding Oy	470,969	1.52	25 Salo Risto	165,160	0.53
11 Nordea Bank Ab (Publ), Suomen Sivuliike	468,927	1.51	26 Arteva Henri	161,400	0.52
12 Aspo Oyj	370,486	1.20	27 Päivikki and Sakari Sohlberg Foundation	160,000	0.52
13 Ac Invest Oy	353,700	1.14	28 Aspo Oyj:n Henkilöstörahasto Hr	157,688	0.51
14 Svenska Folkskolans Vänner Rf	338,599	1.09	29 OP Life Assurance Company Ltd	157,605	0.51
15 Laakkonen Mikko	297,143	0.96	30 Foundation for Economic Education	150,000	0.48



# Aspo has prospered despite challenging market conditions

# Solid improvement in profitability despite challenging markets

Net sales and EBIT margin 2013–2017E



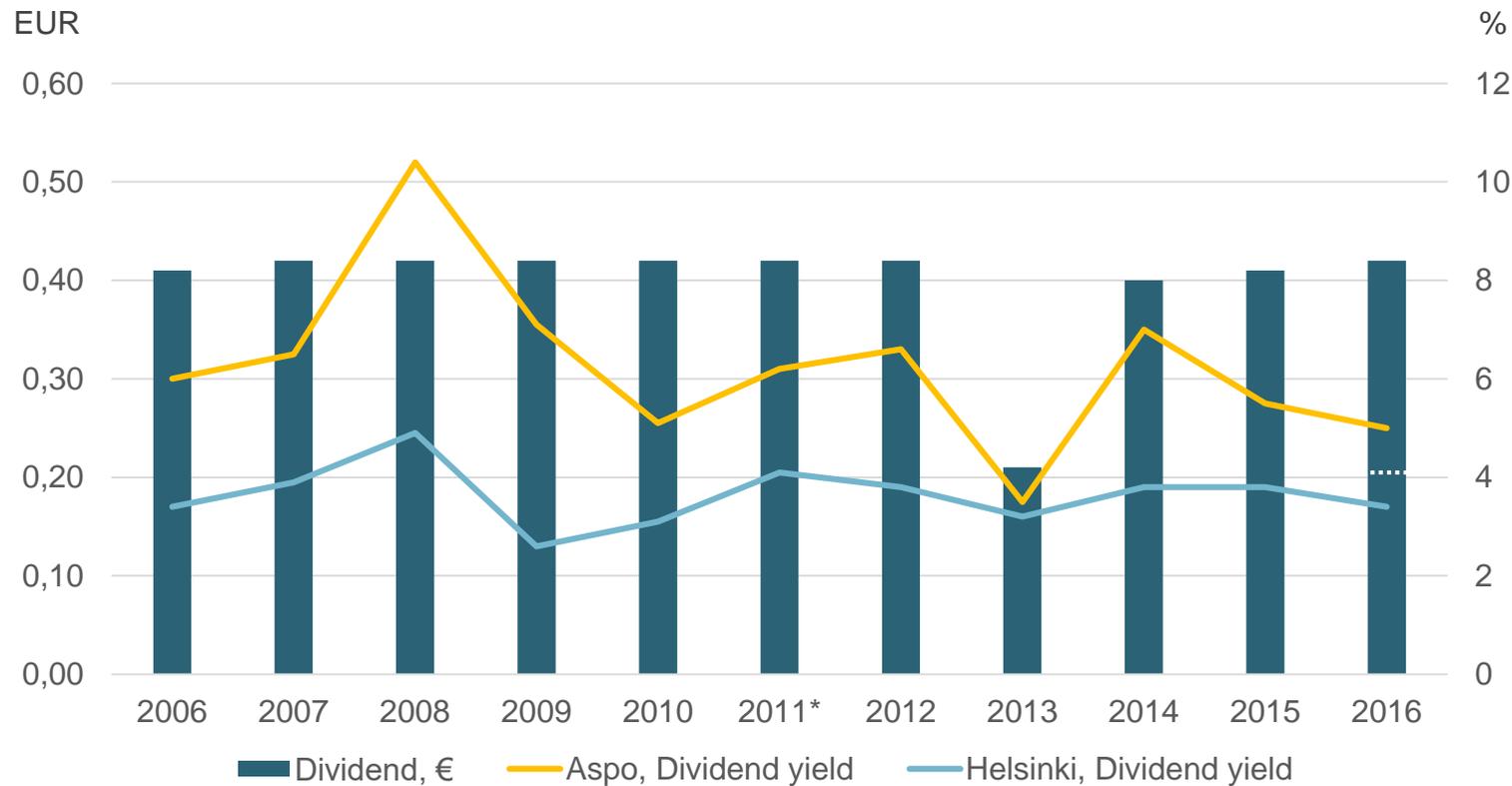
\* Consensus estimates

Consensus estimates indicate a 10% growth of net sales to EUR 502 million in 2017

Consensus estimates indicate an EBIT margin of 4.8% in 2017

# Reliable dividend payer

## Dividends and dividend yield 2006–2016



\* Repayment of capital

Aspo dividend yield,  
average 2006–2016

6.3%

Helsinki Stock Exchange  
dividend yield,  
average 2006–2016

3.6%



# ESL Shipping

**Leading carrier of dry bulk cargoes in the Baltic region**

# ESL Shipping - Strong niche player with deep understanding of the flow of goods

- **Contract traffic** in the Baltic Sea and Northern Europe, as well as loading and unloading ships at sea.
- Competitive advantage is based on ability to operate efficiently and reliably in ice regions and load and unload ships at sea. Profitability is based on special expertise and unique services.
- Investment carried out in 2017: The world's first liquid natural gas (LNG) fueled large dry bulk carriers. New LNG vessels start operating in 2018.
- **New operations:** Coaster business with smaller vessels operating under long-term lease agreements and on a time-chartered basis. Flexible client service enables expansion of customer portfolio to new customers and flow of material.

Net sales 2016	71.4 M€
EBIT margin 2016	17.6%
Net sales 1-9/2017	56.7 M€ (+11.6%)
EBIT margin 1-9/2017	16.6%
Fleet	16 vessels

## Financial targets by 2020

Growth in net sales	
EBIT margin	20–24%



# Leipurin

**Unique provider of solutions for bakery and confectionery products, the food industry and the out-of-home market**

# Leipurin – innovation solutions

- **Solutions offering** ranges from product development, recipes, raw materials, training and equipment to designing sales outlets. Leipurin designs, delivers and maintains production lines for the baking industry and other machinery in the food industry.
- Operating in Finland, Russia, the Baltic countries, Poland, Ukraine, Kazakhstan and Belarus.
- **Machinery business:** Machinery operations business has increased as a result of own machinery production and led to higher sales of principal equipment. The order book of the company's own production reached a record level in the beginning of 2017 and remains at a good level.

Net sales 2016	112.7 M€
EBIT margin 2016	1.8%
Net sales 1-9/2017	89.4 M€ (+9%)
EBIT margin 1-9/2017	2.7%

- **Outlook.** Despite the challenging situation in key markets, the market position is expected to remain strong in the industrial baking sector in Finland, Russia and the Baltic region. The OOH market is a significant area of growth, and Leipurin will continue to invest in this market.

# Kauko



# Aspo will achieve its financial targets by 2020 with strong commitment of segments to own financial targets

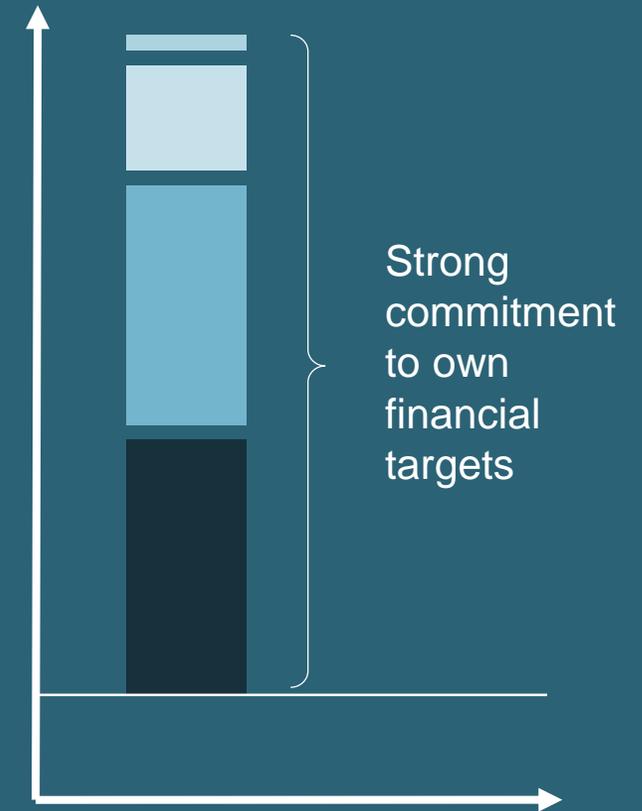


Leipurin

Telko targeting

ESL Shipping targeting

- increasing net sales and EBIT
- growth of net sales to 300–350 M€
- an EBIT margin of 6–7%
- growth of net sales
- an EBIT margin of 20–24%



Strong  
commitment  
to own  
financial  
targets

# Aspo is committed to achieving its financial targets by 2020

Operating profit (EBIT)  
with current structure

**7%**

**EBIT**

2016: 4.5%

Average return on equity  
(ROE) of over

**20%**

**ROE**

2016: 14.6%

Gearing  
of up to

**100%**

**Gearing**

2016: 89.8%

# TELKO

Kalle Kettunen, Managing Director

# Telko targets to double its earnings by the end of 2020

## Topline growth

- Telko on-going concrete growth projects
- Third party distribution expected continued market growth 6-7 %
- GDP growth strong correlation to Telko products demand. Telko well established on emerging markets

Net sales 2020  
**300–350 M€**

Est. net sales CAGR of **8%** (2016–2020)

## Increasing EBIT margin

- Unifying the operating model
- Full leverage of current organization
- Identified efficiency programs
- Capex to remain low
- Developing and commercializing new value added services (TD → SD)

EBIT margin 2020  
**6–7%**



# Business description

# Leading plastics and chemicals raw material distributor in Northern Europe and in the CIS

## Telko at a glance

Strong presence in eastern growth markets

**50% of net sales from Russia and CIS countries**

Headquarters in Helsinki.  
Subsidiaries in **15 countries**

Sales to over **20 countries**

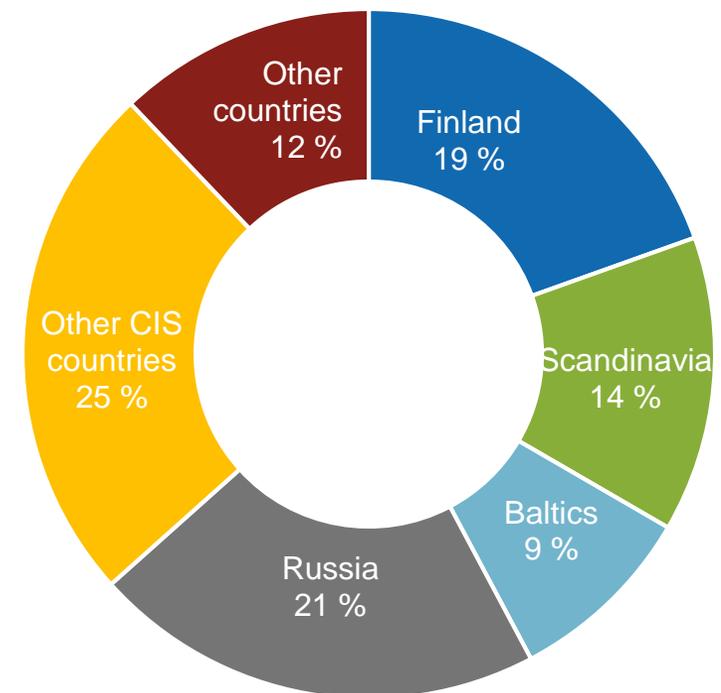
Net sales 2016  
**240 M€**

Net sales 1-9/2017  
**197 M€** (growth >12%)

EBIT 2016  
**10,1 M€**

Personnel 2016  
**280**

## Net sales split by country 2016

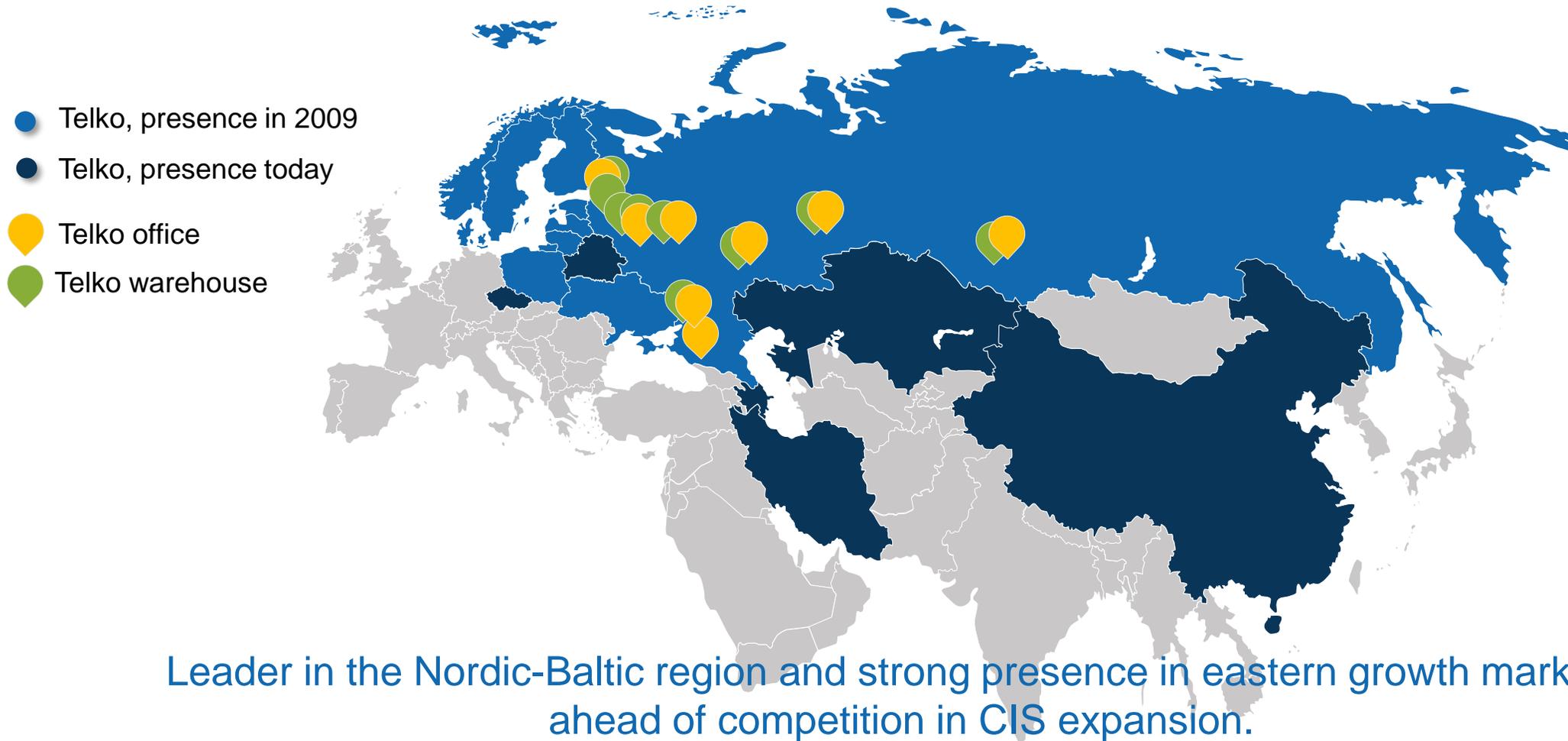


# Unique presence in the eastern growth markets



Leader in the Nordic-Baltic region and strong presence in eastern growth markets;  
ahead of competition in CIS expansion.

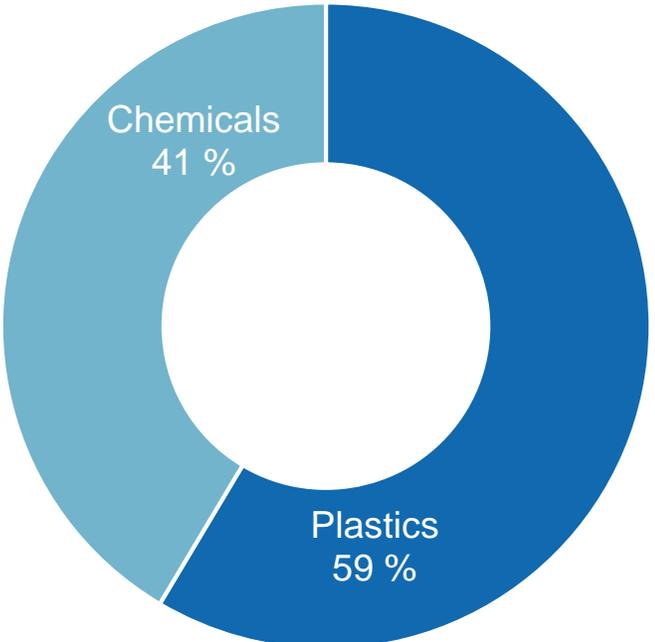
# Unique presence in the eastern growth markets



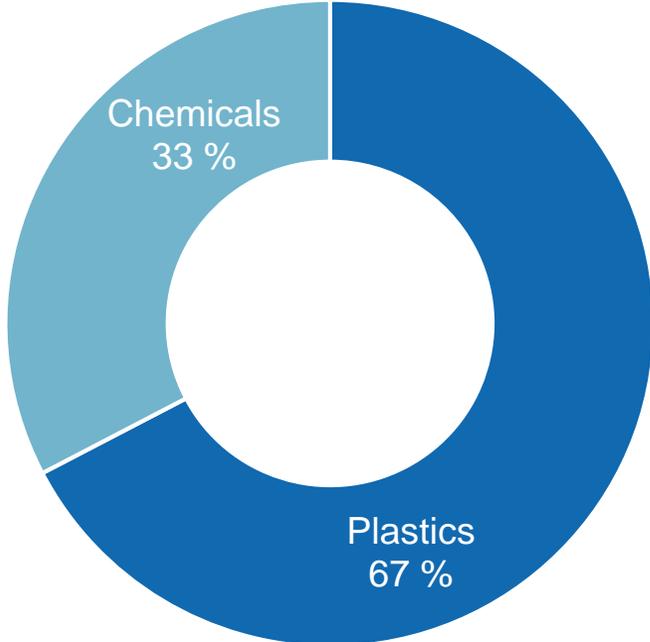
Leader in the Nordic-Baltic region and strong presence in eastern growth markets;  
ahead of competition in CIS expansion.

# Balanced business mix with both chemicals and plastics in 2016

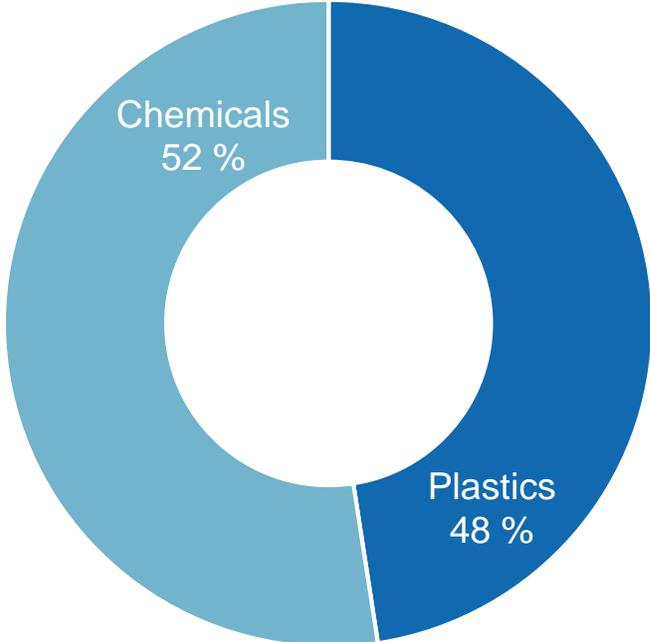
Split of net sales:  
EUR 240 million



Split of EBIT:  
EUR 10.1 million



Split of personnel:  
280 employees



# Telko creates value for both principals and customers

## We Bridge Industrial Principals and Customers in a Sustainable Way

### PLASTICS



LOTTE



ExxonMobil

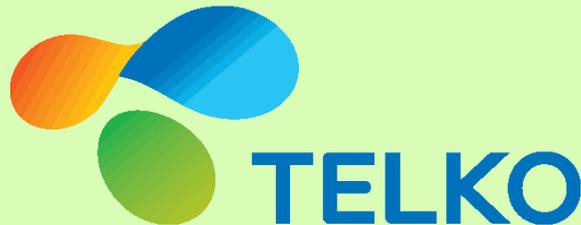


### CHEMICALS



### Value for principals

- Reliable and sustainable
- Local know-how
- Full supply chain management



### Value for customers

- Customer service
- Sourcing services
- Technical know-how
- Tailor made products
- Local knowledge in sales
- Packaging, blending and drumming

### PLASTICS

- Packaging industry, E & E (electronics and equipment) and automotive industries
- Companies manufacturing consumer goods

### CHEMICALS

- Paints and coatings
- Construction
- Engineering works
- Printing
- Packaging
- Chemical industries

# Telko's value proposition leads to high entry barriers



**Entry barriers:**

Long-term relations with world-class principals

Part of the business requires a license to operate

**Entry barriers:**

Solution-based value added services



# Market growth and trends

# Market growth and structural changes offer growth opportunities for Telko

## Structural changes

Third party distribution is expected to continue gaining market share and support further growth. The third party chemical and plastic distribution market is growing at a rate of 6–7%.

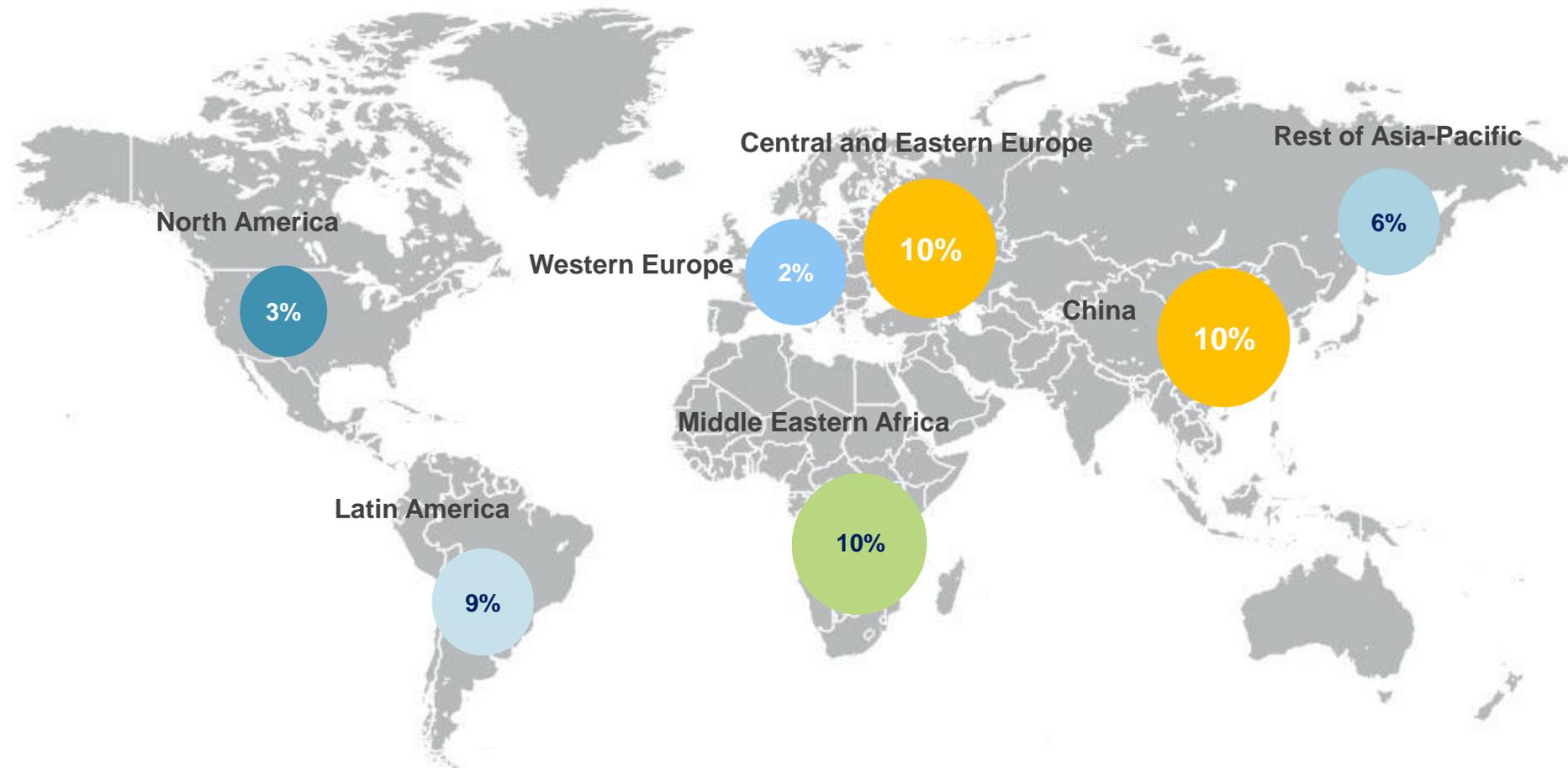
## Market growth

Demand for raw materials for plastics and chemicals correlates to GDP growth. A significant and increasing part of Telko's sales are in emerging economies, where growth is expected to be higher.

## Market trends

Increasing demand for solution-based distribution (SD) and value added services, including digital services.

# Chemical distribution market growing especially in the emerging markets

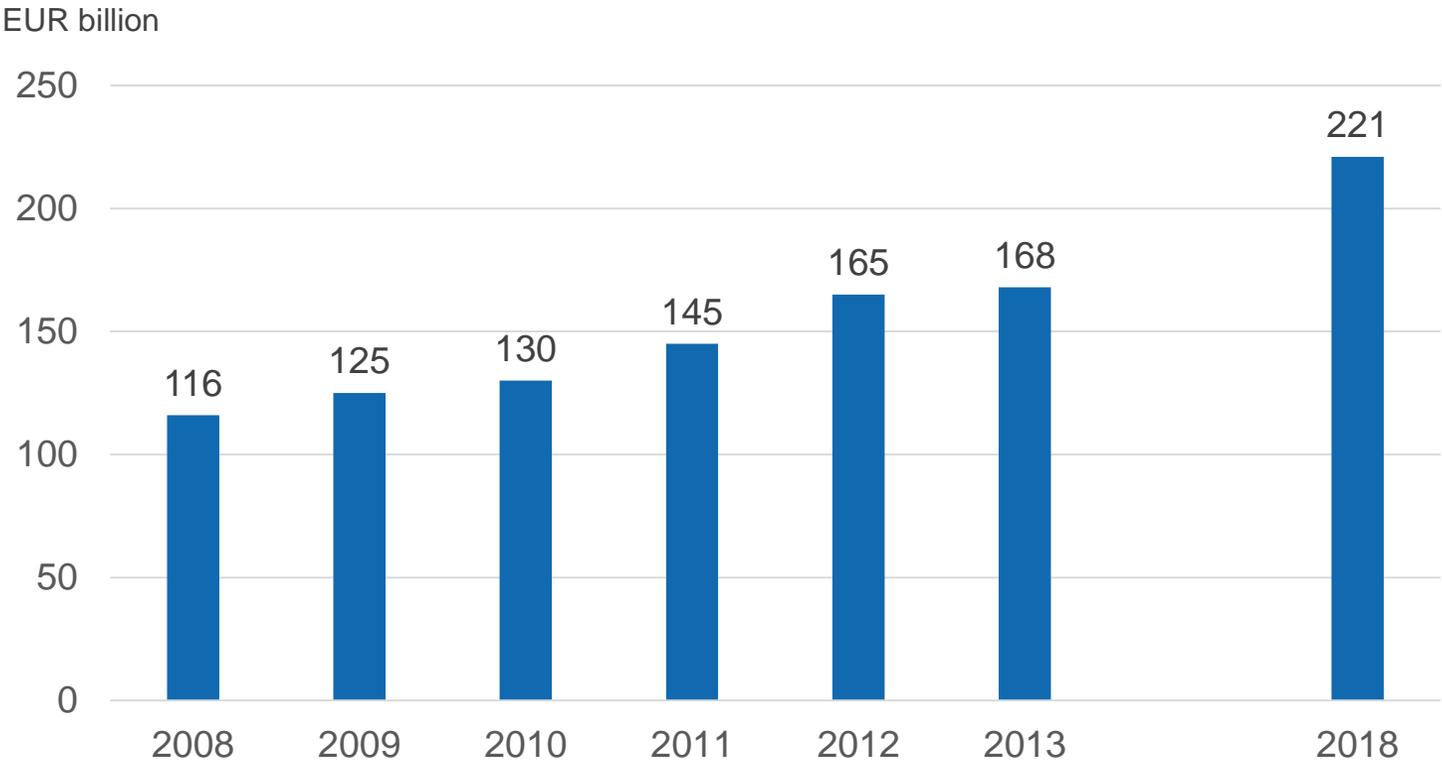


Source: BCG

Aspo's Investor Event, November 22, 2017

# Growing third party chemical distribution sector supports the growth ambitions of Telko

## Global third-party chemical distribution market



Technavio's market research analyst predicts that the global third-party chemical distribution market will grow at a CAGR of approx. 6% by 2020

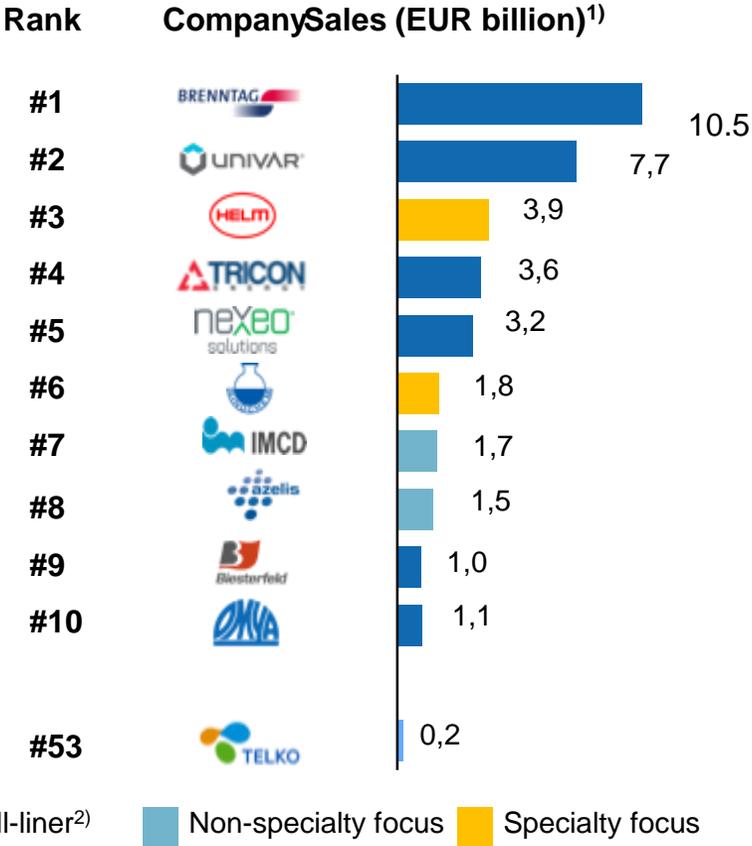
Source: BCG, ICIS



# Telko already in the league of top 50 global players in the world

- The chemical distribution market is highly fragmented with an estimated 10,000 distributors.
- The market includes well diversified local, regional and global vendors.
- The global top 20 companies hold approx. 25% of the market. In Europe, the top 3 hold approx. 15–20%.

## Global chemicals and plastics distributors



<sup>1)</sup> Based on 2016 figures

<sup>2)</sup> Companies with both volume and specialty distribution business





# Telko's growth and margin improvement drivers

# Drivers to improve profitability

**Margin expansion through unifying operating model, leveraging current & up and increasing solution based distribution.**

**Must Win Battles include subprojects e.g.**

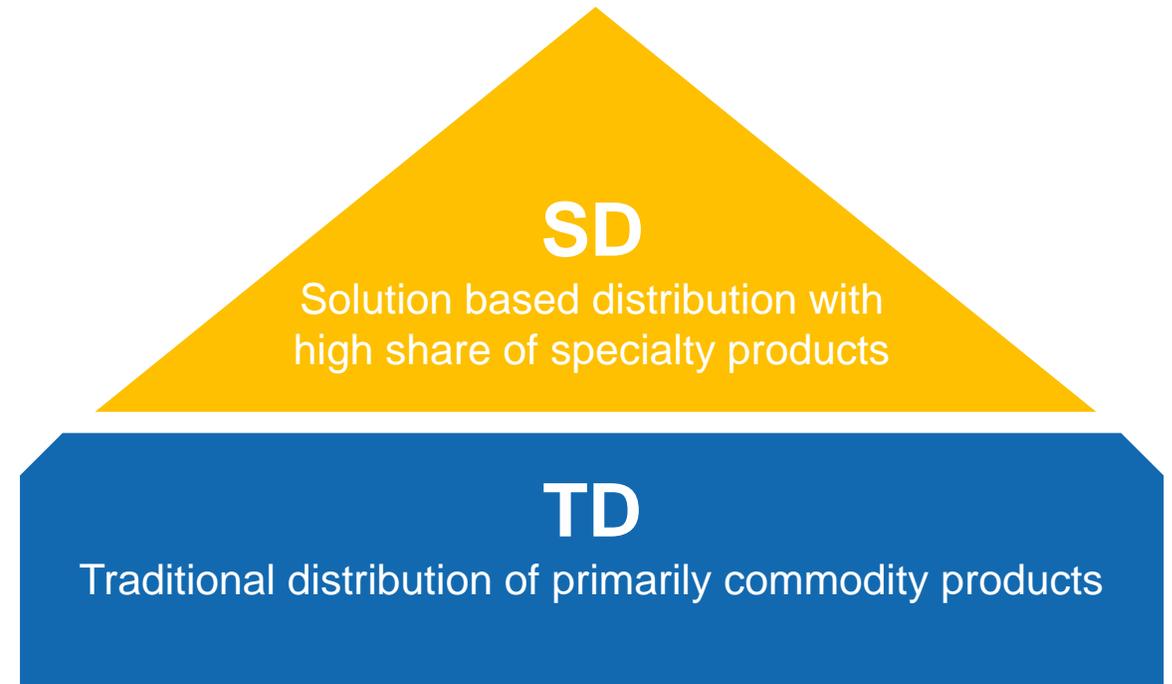
- More professional united sourcing
- Logistics cost improvement especially in the eastern market
- Pricing improvement
- The Telko Way of Selling
- Shared administration services (Baltic Service Center)
- Common IT platform and systems for operative processes
- Management reporting, follow-up and KPIs

# Shift from traditional distribution to solution based distribution improves margins and supports growth

## Solution based distribution of specialty products

Services based on expertise of the supply chain, technical know-how and digitalization.

- ➔ Higher value for clients, thus higher margin for Telko.
- ➔ SD client relationships strengthens the tie between client and Telko reducing client churn.



# Two cases of Solution-based distribution (SD)



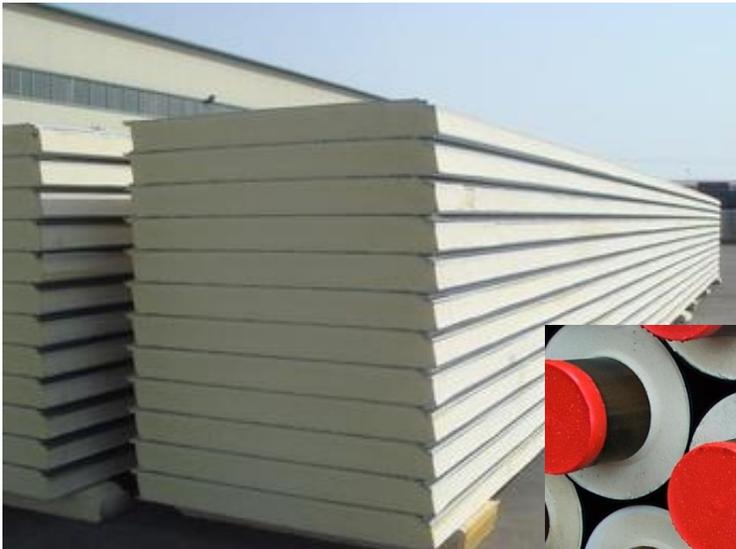
## Volvo Car Corporation outsourced chemicals, lubricants and metal working fluids supply chain to Telko

- Telko serves five Swedish plants
- 750 SKU items included
- 2400 purchase orders to Volvo sites annually
- Telko safety stock
- automated order handling system via cloud service platform



## Global leading packaging company outsourced chemicals and lubricants supply chain to Telko

# Growth project examples: chemicals and plastics



## Case Chemicals



## Globally leading plastics supplier

- 2013 decided to simplify Route to market = decrease number of distribution partners
- Chose 2014 Telko as Nordic partner
- Guarantee volume and price support
- Transfer of customers to Telko
- Offers new "green products" to portfolio
- Medical grades included

## Case Plastics



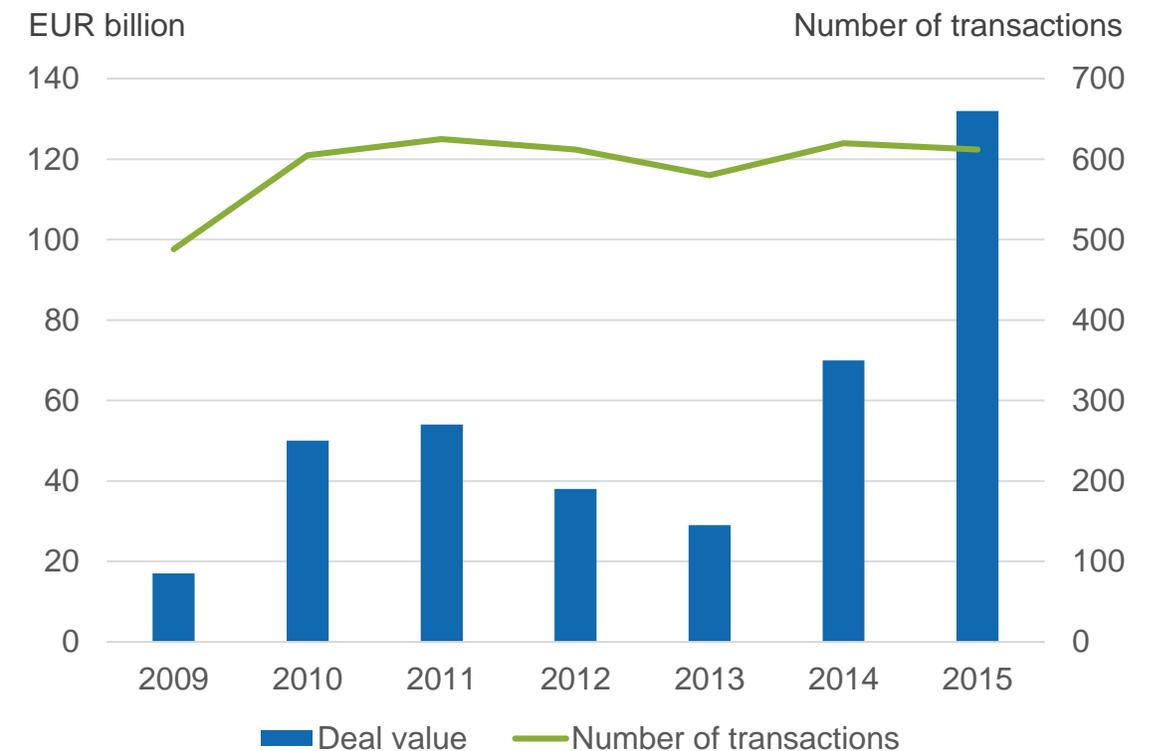
# Additional M&A options (not included in financial targets)

# Highly fragmented market undergoing consolidation offers good acquisition opportunities

- Fragmented market offers growth and value creation opportunities via M&A
- Global deal volume high with increased deal value of over EUR 130 billion in 2015
- Players include global, regional and local companies

**Telko has identified several interesting and potential small to medium sized acquisition targets.**

Global chemicals deal activity 2009–2015



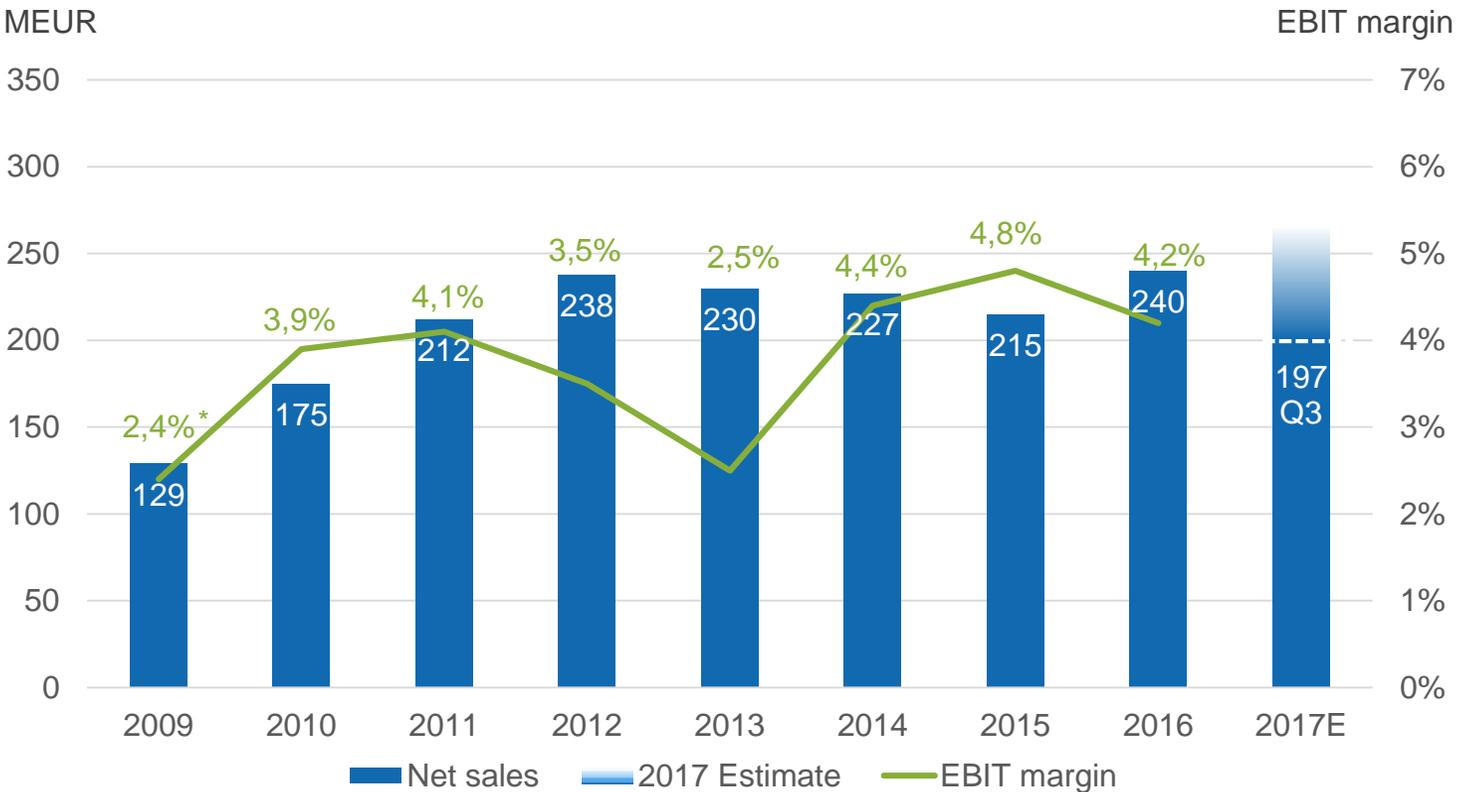
Source: IMAP DB&S



# Key figures & Financial targets for 2020

# Telko has a proven track record of strong organic growth and solid margins

Net sales and EBIT margin (2009–2016)



**Strong long-term organic net sales and EBIT growth with a CAGR of 9% and 18% respectively (2009–2016)**

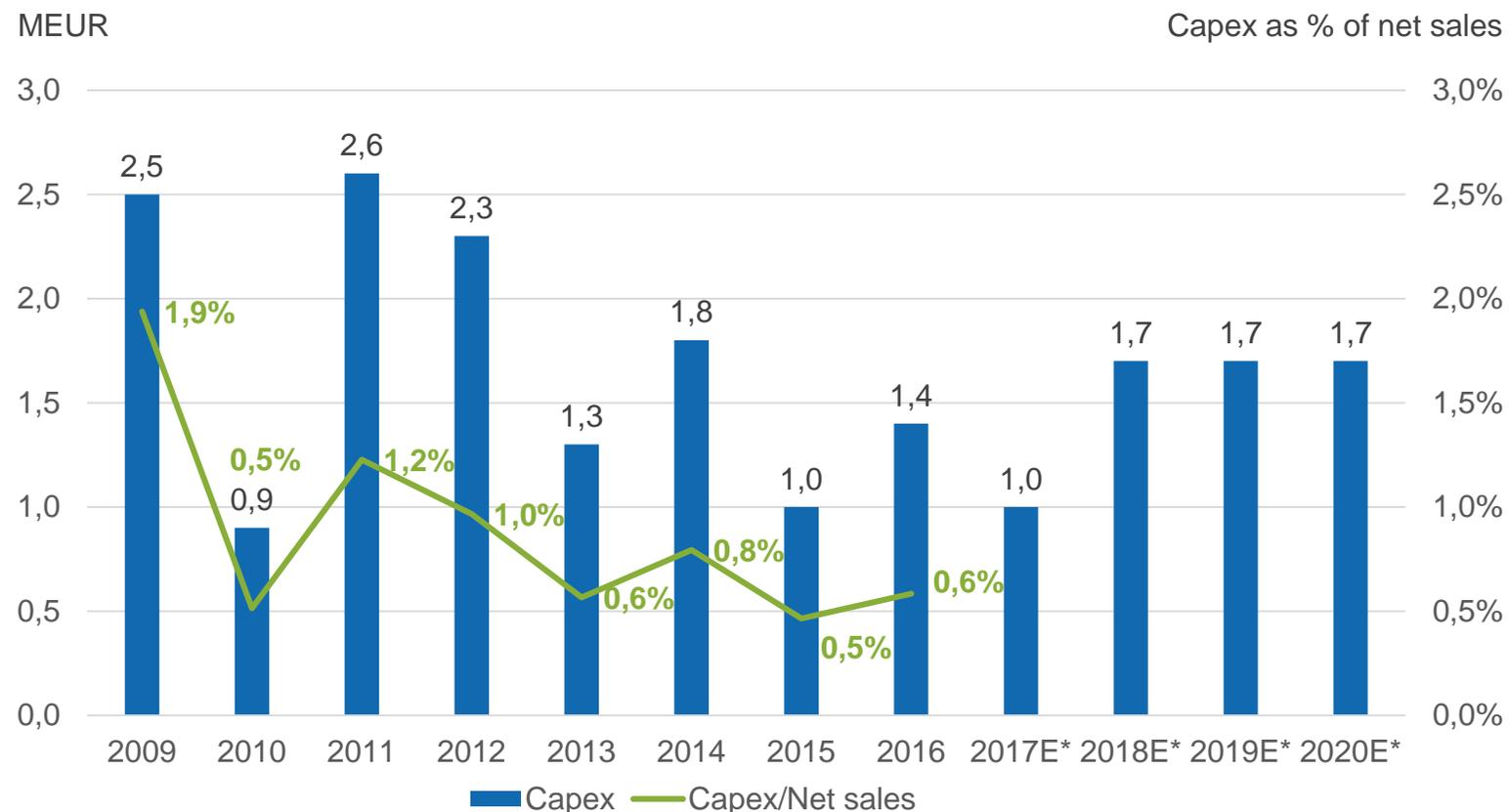
**Net sales growth 2009–2017 approx. 100%**

\* Incl. sale of Hamina Terminal of value EUR 3.0 million



# Attractive financial profile and asset-light business model generate high cash flow

Telko capex and capex as % of net sales (2009–2020E)



Low maintenance capex and efficient working capital management ensure high cash flow

Growth can be achieved without significant capital expenditure

\* Management estimates

# Achieving 2020 financial targets is based on

- **Analytical thorough strategy work in 2017**
- **Concrete existing growth projects**
- **Identified efficiency improvement potential**
- **Must Win Battles which are being implemented**
  - Targeted organic growth by strategic growth projects
  - Focused acquisition (not included in the financial targets figures)
  - Build and commercialize new value added services
  - Efficiency improvements by unifying Telko level operating models
  - Development of personnel

# TELKO IS DEDICATED TO ACHIEVING ITS FINANCIAL TARGETS BY THE END OF 2020

Net sales 2020

**300–350 M€**

EBIT margin 2020

**6–7%**

Thank you!