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PRESENTATION

Juha Rouhiainen

Good afternoon and good morning, everybody. This is Juha from Metso Outotec's investor relations, and I want to welcome you all to this conference call where we discuss Metso Outotec's fourth quarter and full year 2020 results. Results will be presented by our president and CEO, Pekka Vauramo, and CFO, Eeva Sipilä. And after the presentation, we'll have the Q&A session.

In this presentation slide deck, we have provided, first of all, forward-looking statements in slide number two. And following that, slide number three talks about this financial information, meaning that we have several set of numbers and this works as a kind of a reading instruction into those different numbers that you will find in our report and presentation.

We'll try to limit this conference call to 60 minutes in total, so please keep that in mind and with these opening remarks, I'll be handing over to President and CEO, Pekka Vauramo. Pekka, please go ahead.

Pekka Vauramo

Thank you, Juha, and welcome to this call. Let's move on right away to short comments on fourth quarter. As you have seen on numbers, very strong order intake and that applies to all of our three segments. We'll go through them in more detail later on.

Performance, both in aggregates and mineral segments was healthy. Some issues, though, in minerals. We'll come back to that one as well later on. Metals, we reported loss already at the quarter three; we announced that turnaround programme will be put in place. It is now in place and we have started the actions targeting this year – 250 million permanent cost savings.

Integration, progressing well. We are currently at 65 million of synergy costs. That run rate that we have been able to achieve, and the target was 50 million at the end of last year, and we are targeting to be at 120 million mark with the cost [? 00:02:19] at the end of this year. So, this target is unchanged from our previous communication.

Then we, also during the quarter, we had a Capital Markets Day. We published our strategy, published our financial targets, and I will just sort of recap them later on in this presentation.

But then looking at the Group numbers, first, strong orders in all segments, like I said, 1.3 million exceeding. And of course, yes, we had a very, very strong end of the year. We were expecting already quarter three, some of these orders, but due to uncertainty, decision making takes longer and it's more difficult to forecast the actual decision-making time than on more normal times. But the orders came and pipeline in all businesses looks healthy at this moment also going forward.

Sales, when you look at our sales numbers later on, please pay attention to the currency impact – same applies to orders as well. We have a major currency impact on most of those lines. And that is because we do operate in countries with volatile currencies and a lot of our sales are coming from them. And in days like these, those currencies tend to depreciate strongly, and we have seen that one. We of course, we also have a lot of internal hedging in place. So, the impact on bottom line is not as dramatic as it would be on top line. But that is just a note at this moment, already.

Adjusted EBITDA for the quarter, 103 million, 10.6% of sales, down from last year. I would say that primarily for COVID-related reasons, the downward trend on this one. EBIT for the full year, 44 million. We have, as you can see, a lot of adjustments. We also have the PPA here; that's sort of affecting the bottom-line numbers. Very healthy cash flow situation continued during the Q4 – 177 million of cash from operations and nearly 600 million cash from the operation in full year. And our Board will propose a dividend of €0.20 for 2020, and that would be paid into equal instalments and total amount of dividends being 166 million with this proposal.

COVID impact – we do see that one still, even though the news on vaccination was positive and that encouraged customers to take decisions. Finally, on some of the proposals that we had out there, but we're still seeing its impact on sales in all fronts, I would say – more so in service; there's still access restrictions in place primarily in North America and South America and parts of Asia. Those are suffering most from the access restrictions, but at the same time sort of ongoing spare parts, consumables business, the demand is strong, but customers are hesitant to engage with modifications and upgrades as has been the picture before as well.

We are expecting that one, of course, to go away once the vaccination programmes do progress and there are at times some correcting signs that things will start to change, but a clear breakthrough in this one is yet to come.

Underlying market assets. It's good, I mean, but decision making continues to be slow and the bigger the orders are the more complicated technical things are involved, the more difficult it is to conclude things.

Metal prices continue to be strong and that is of course a very good situation for us to be right now.

Aggregate segment, very strong order intake, especially the two last months of the quarter; we saw really the orders going up and I think in Q3 we said that we have returned to more sort of a normal level and now the two last months of the year we were way above any normal level and strong contribution from all our grants, but specifically McCloskey very good, strong, healthy order intake which is an indication of upcoming spring season in North America and northern hemisphere in [? 00:07:32].

Sales, 250 million. Currency impact there -5%, and adjusted EBITA, 31 million. Margin improved for the segment from last year, which is a good sign, and it's also a sign that the business improvement programmes that we have in place in aggregates, there's minor impact on synergies as well. Here also from Metso Outotec synergies, but then additional from McCloskey synergies that are improving this one, plus the self help from within the aggregates business. So, all in all, good, healthy development, we are well on our way towards our targets in the segment here.

Minerals – here we see really major currency impact on orders, 9% on sales, -8%, so this is first worthwhile to note when you comment these sales figures. But like I said earlier: good, internal hedging; we have lots of production also in the same currency. So, the bottom-line impact is not

quite as dramatic as the top line currencies would indicate. But orders, 730 million, slightly up from year before, despite of the currency. Sales down – we are, of course, delivering the order backlog which has been reduced and order intake, which was reduced throughout the year. We could say that with the currency impact it would be flat development on the sales, but that's what the numbers currently show.

Services share was 62%, and also reflecting a little bit of the difficulties in delivering some of the services because of the restrictions. Adjusted EBITA, 85 million, a year ago 84 million – margin of 13.3, so improvement in that one, in that regards, but we had certain issues primarily in our consumables business. We have made quite many changes in our supply footprint and we clearly had additional costs and delivery difficulties at the end of the year, really in November and December.

So, this has been mostly solved already and in January we saw preliminary already return to more normal level in consumables. Overall, consumables business has developed very well in last year. Unfortunately, the two last months of the year were disappointing in that part of the business and affecting the entire segment numbers.

Metal segment continues at a loss, but orders on a high level. It's worthwhile to mention that the orders that we announced in December they were joint orders for metals and minerals, so this is also an indication that there are synergies between these two businesses, and most of the orders were very close to 50/50 splits between minerals and metal. So, the synergies are major synergies between those with this measure.

Sales – 86 million. This is really a very low number and with this sort of number it's difficult to make any sort of positive result with the fixed cost and with the absorption level, or under-absorption, which was very high during the quarter, but we are on the turnaround programme and I'm progressing with that one as fast as we can. We're targeting 15 million savings for metals on an annual basis and we will get to those numbers later in this year – quarter three, I would say we should be on that rate with metals. At the same time, we are of course delivering our order backlog and we start to see firming up of the top line. But we need to wait until we see a turnaround of this business to positive numbers towards the end of the year.

And then I'll hand it over to Eeva and then I'll come back later on for the strategy recap.

Eeva Sipilä

Thank you, Pekka, and good morning, good afternoon on my behalf as well.

We closed the year with several sets of numbers that you already saw last year due to the closing of the Metso Outotec transaction taking place mid-year on June 30th, 2020. So, whilst for the fourth quarter, the IFRS numbers are what you need for the full year, the IFRS numbers have some limitations as they ignore the Outotec history of the first half of 2020. The illustrative combined figures give better insight into the performance of Metso Outotec businesses for all of 2020. Then again, they will combine the history of two separate companies, so they are, as their name says, illustrative.

In this presentation I will focus on these two sets, but in the material published today you can also find a third set which are the proforma figures. They are provided to give you a combined view following the proforma reporting conventions that will be familiar to many of you.

So, I'll start with the IFRS figures in the income statement. Q4 figures are clear and describe the business exactly as we are going forward as well. The full year 2020 incorporates Metso Minerals for the first six months and that's Outotec combined for the latter six months. And the year 2019 in this table is purely Metso minerals.

Now, I'll come back to the Q4 comments on the next page, but just briefly on the IFRS 2020 numbers: sales of 3.3 billion and an adjusted EBITA of 11.9%, and an operating profit of 7.2%. The difference between these two is formed from the adjustments totalling 72 million and amortisation of intangible assets of €86 million.

You will also note that we report separately the profit for continuing operations at 149 million and then the profit including discontinued operations.

Now, whilst the aluminium business announced to be sold to Rio in December was operatively profitable, as was the recycling business transition here during the fourth quarter, the third leg of discontinued operations is a previous Outotec energy business, and this business was at a loss, pulling then the total profit for the financial year to 138 million.

Now moving forward, you see the illustrative combined figures which are really useful when you want to compare the Q4 performance either year over year or then against a 12-month development. The Q4 here is exactly the same as on the previous page. So, this columnist is IFRS reporting.

Sales were €977 million – down from 1,087 million last year, due to really two factors: COVID-19 impacting orders and hence sales volumes delivered during the year. And then as our CEO mentioned, the currency depreciation affected all of our businesses, especially the minerals

aftermarket side where the geographical mix of the business is such that the countries that were particularly hit by currency depreciation against the euro are really some of the key markets.

The currency impact explains 6 percentage points of the total 10%, the drop in sales volume in the quarter.

Now, the adjusted EBITA for Q4 was 10.6%, as both the aggregates and mineral segments clearly improved their margin. The difference to the 12.7% of a year earlier comes purely from the metals business delivering a loss in 2020, whereas in the comparison quarter of 2019, at that time Outotec metals refining business result was profitable; it did include material positive one-offs, which is good to note.

On an annual level, the illustrative combined figures give really the wide scale of our operations today, so the sales of €3,897 million, excluding the recycling business which was transferred into discontinued operations during the fourth quarter. The adjustment costs here are higher – they are 97 million compared to the 72 million reported under IFRS; the difference being the part of the transaction costs included in Outotec's first half 2020 figures.

Now the earnings per share number is unfortunately as complex as in Q3. Not only do you need to pay attention to the numerator, also the denominator, i.e., the number of shares that is used to calculate the EPS is different under IFRS versus illustrative combined figures.

As mentioned, the IFRS numerator is either 149 million or 138 million, depending on whether you want to look at EPS for continued operations or EPS also including discontinued operations. For both, the denominator used is the average number of shares for 2020. Now this is a somewhat fixed [ph 00:17:52] number, as calculating the average of new shares issued has consideration to master shareholders and the end of year Metso Outotec shares is not really indicative of how many shareholders we have today, to whom we distribute the earnings. Nevertheless, with these calculations you get either €0.20 or €0.19.

Now, personally, I believe the more informative denominator is using the number of shares we had at Metso Outotec from the start and also at the end of the year. And this number is just under 829 million shares. Now, naturally, the EPS is slightly lower with a higher denominator, so we end up at €0.17 of EPS being with illustrative combined figures against €0.19 cents under IFRS.

The next slide gives the highlights of our balance sheet, and here we really have the benefit of having full comparability with the end of December to the end of June figures – both of them

illustrating the assets and liabilities of Metso Outotec. Only the end of December 2019 figures are from Metso Minerals only.

Now, as you can see from comparing the June and December 2020 figures, very minimal changes during the first six months of Metso Outotec, a slight reduction of the total balance sheet to 5,508 million. Now, I'll walk you through the net working capital liquid funds shortly.

But before that, let's look at the cash flow – something I'm pleased with, not only for the full year, but also regarding the fourth quarter achievement. Now, we discussed profit earlier as well as the entire amortisation due to the PPA from the transaction. So, I would perhaps just draw your attention to the change in net working capital row here, which shows that we were able to release cash of 193 million for the full year and 81 million for the fourth quarter alone. Now, considering the challenging COVID-19 environment, we did well in improving our collection of receivables as well as reducing our inventories.

Healthy operative cash flow generation helped us strengthen our balance sheet following first the McCloskey acquisition in late 2019 and then the Outotec merger last year. And in this latter deal we also successfully refinanced significantly during last year to improve the maturity structure and reduce the cost of our debt.

Now, the healthy cash flow helped the Board in using a more shareholder-friendly thinking view on the EPS used as a basis for the dividend proposal and this view considered the 97 million of transaction- and integration-related costs to be one-off in nature and hence the underlying operative earnings to be more than €0.12 higher than reported, and this then leading to the proposal of €0.20.

Now, on this page you see the waterfall on the main elements of our net working capital – €421 million at the end of the year and really, sort of, the big blocks are – the order magnitude of the blocks are pretty similar: 1 billion of inventories, AR, and AP both around 550 million. But as said, what is encouraging is that the total amount of net working capital, we made progress on that one.

My final slide is on our financial position. Our liquidity position is solid in addition to liquid funds at the end of the year at €537 million. The company has committed an undrawn revolving credit facility of 790 million. The 790 million consists of a syndicated 600 million revolving credit facility and then 100 million revolving credit facilities maturing in 2021 and a 90 million in 2022.

The main achievement on the financing side was the first bond [? 00:22:44] Outotec which we launched in November. This was a 300 million bond with a 7.5 year maturity. And this were really the highlights from the financial, so I will hand it back to you, Pekka.

Pekka Vauramo

Thank you, Eeva. And I will move on to the integration strategy and our outlook as we see the situation right now. But integration really progressing well and as per plan. We had plenty of time for integration planning while the authorities were doing their work before approving the combination, and we've been just diligently executing those plans. Some minor changes we have made because we have learned more.

We have maybe found some new items; some of the items we weren't quite able to get to the point where we originally thought, but in the big picture we are progressing very well, very rapidly and we are 15 million ahead of the plan at the end of the year. And the target at the end of this year is 120 million run rate, and we're confident that we will get there.

Main source of these synergies in the first part always comes from reorganising the company and reducing the overlaps and doing things like that and this what we did; by the end of October, early November, we had done that one. We have still some work left that we needed, because of local regulations. We needed to extend processes in a couple of countries into this year. But there is maybe 300/350 reductions expected out of these actions later in this year.

Revenue through synergies is of course becoming a focus and we have already in our order books such revenues that we can call synergistic and this number is growing. This, of course, the revenues energies they need to be developed through our proposal pipeline and therefore it takes a longer time before they start to be visible. But we already have a good number of synergies in our order backlog which we start to then report once they turn into sales. We also revised the one-off adjustment – the costs relating to realisation of synergies – originally, we said that there will be 100 million of one-off costs, and now the current forecast is 75 million. And out of this, 33 were booked in 2020 and the majority of the rest will be booked during this year. So, 25 million reduction in expected with the current scope of the synergy work.

Market outlook with metal prices being on a very high level: Iron-ore extremely high level, may be coming slightly down, but still remaining according to forecasts on high level; copper on high level, precious metals on high level, improvement in many battery metals. This really makes us believe that the mining and metal markets' activity will improve, and we have seen already

improvement in aggregates markets. Therefore, we conclude that we expect market activity overall to improve. And of course, we need to remember that the pandemic is still with us and we might see terms that are unexpected or not foreseeable, as we have seen so many of them. But of course, vaccination programmes progressing as they are, we feel that it gives us basis to expect markets to improve.

Our strategy which we published during the fourth quarter – we discussed about our purpose statement enabling more sustainable modern life. Also, in the statement, we discussed the megatrends and how we concluded what our Tier 1 priorities would be for the strategy period and we concluded them into four. In the creation of financial performance, which we are of course reviewing and communicating to the market as well on quarterly basis; customer centricity which we wanted to elevate to a different level; sustainability both in our operations and what we can deliver to our customers; and then culture for the new Metso Outotec company which we call performance culture, which is being developed in connection of launching our values and our strategic targets for the organisation. So, this as a one page of our strategy.

The financial targets and strategic targets that we published then in the Capital Markets Day, we said that adjusted EBITA over the cycle should exceed 15%. We want to maintain investment-grade rating and dividend pay-out should be at least 50% of earnings per share. And we commit ourselves on actions and we have the plans to maximum 1.5-degree global warming. We have science-based targets approved for that one and we have taken several actions that will contribute into that journey.

The sustainability highlights from last year already, first of all, the commitment to 1.5-degree journey with science-based targets backing up that one. We have taken steps on CO2 emissions already which means that in our operation, we will get 60% reduction in CO2. This is because we have moved into renewable energy, to wind and solar power in our foundries and other factories. And we have also seen a 29% reduction in CO2 in customer logistics, which is fairly complicated in our company, having so many factories and operating globally in tens of countries.

Our handprint, which is the other side, that is what our offering can do for our customers. We saw a reduction of 1 million tonnes of CO2. And if you sort of quantify what 1 million tonnes of CO2 can mean value to our customers, that translates into €20 million. So, based on initial trade price of €20/tonne.

And then a major achievement is also our listing on Global 100 – number eight company globally. It is a high position; we don't see any of our competitors on that list. On the top 100 we see very

few customers there. They're only on the list. We don't see any of our peers on that list either. So, we are very uniquely positioned on that one and we feel that we have good action plans; we have given the commitments backed up by externally approved targets and we aim to stay well-positioned on the list, realising though that there is stiff competition for those top positions on the list.

But with this, I think it's time to move on to the Q&A part.

Yes, thank you, Pekka. Thank you, Eeva. Operator, we can now open the conference call lines for questions.

Q&A

Operator

Thank you. Ladies and gentlemen, if you do wish to ask a question, please press 01 on your telephone keypad. If you wish to withdraw your question, you may do so by pressing 02 to cancel. Our first question comes from the line of Klas Bergelind from Citi. Please go ahead.

Klas Bergelind

Hi, Pekka and Eeva. It's Klas at Citi. The first one I have is on the metals business. In the second half we had a 10 million loss in the third quarter and 9 million loss in the fourth quarter. How much of these losses were project-related costs, which will likely reverse now when demand is set to be stronger? I'm trying to understand the clean starting point for the 15 million of savings that you have announced. Then finally, linked to that, when do you think, Pekka, a 10% margin is achievable for the metals business? Is 2022 a realistic time frame if demand is accelerating like we see today? I will start there.

Pekka Vauramo

I'll take the latter part. Eeva will answer the first part of it. But what we have done in metals now, we have programmed the business; we organised it into four business lines, and we are now looking at four business lines within metal segments individually. They all have their own turnaround plans. And they all have their target of achieving 10% EBITA, or adjusted EBITA, and those business lines, they also include now services related to that business line.

And that 10% is the criteria that we will use when we then look at our portfolio in our metals business and those businesses that will reach, or have potential to reach, the 10% we will

maintain, and then we look at further actions on those functions that will not do. Some of the business lines will be able to make it and they will be there by 2022. Some of them hopefully by the end of the year already, at least on run rate basis. And then the rest we then draw conclusions later. Eeva, please.

Eeva Sipilä

Hi, Klas. On your first question, so yes, maybe it's sort of the order backlog qualities leaves some room for improvement. Then of course the fact in these COVID circumstances is that if you have a challenging project it gets more challenging in COVID times because of the limited access to sites. But I would say that roughly sort of 40% of the loss in both Q3 and Q4 were related to project-related things, which sort of hopefully, as we progress, will of course diminish and certainly would be helped by better accessibility. The rest is really then the structural issue of having too high fixed costs for the volume the business has, but that of course is being addressed by the turnaround. So, in that sense we are working on both fronts in a way to make sure that we get the business back into black.

Klas Bergelind

Thank you. That's great colour. Then, my second one is on minerals and the short-term negative impact on the consumable side. Short term feels like you think this is going away already now from Jan and Feb – and so just to confirm that. And have you, Pekka, identified any similar risks performance has we go through this year? You obviously had on synergies and the payback is improving, but I'm just curious if there is anything else in terms of integration that you see as a risk as we go through 2021?

Pekka Vauramo

Nothing major. Of course, minor things here and there do happen; also, positive things that are offsetting each other, but we were relocating some of the machinery from an old plant to a new plant in a different country, and of course during the COVID days when assembling and installing machinery and start-up procedures they took longer than we expected and had difficulties in that one and there were lots of additional costs relating to that kind of activity and then we missed some of the deliveries. So those were really the reasons for consumables.

Those particular issues are now over. We do have further programme ongoing and we of course take learnings out of this one and we will be a bit more cautious in ramping down and ramping

up. We have a couple of other sort of transfers in our plan for this year as well and we take a bit more precautionary actions there to eliminate any top line and margin issues coming out of them.

Klas Bergelind

Very good. My very final one is on the service business in minerals. So, orders flattish, ex currency year over year – a solid improvement versus the last quarter, but still held back by COVID constraints. I wanted to ask at what capacity is services running now relative to normal condition? I.e., what would the growth have been if we didn't have the COVID restrictions in place? And also, interested in your comments there on commissioning of larger projects being delayed because of restrictions. So, it sounds like there is also pent-up demand also on the equipment side.

Pekka Vauramo

We do have some project activity in services as well. We have so-called engineered-to-order modifications and upgrades and that is the part of the business that has suffered most. That is activity that requires fairly intensive work together with customers, sometimes with other external parties as well and, as you might imagine, there's been limitations in doing that one. Now the pipeline is firming up, but before that turns into orders and deliveries, it takes some time. So that is the activity that has mostly been affected. Then yes, field service, where there's been access limitations, that is somewhat down.

Now we are of course in the beginning of the year which in some parts of the southern hemisphere, or January was in southern hemisphere like a holiday season and it's difficult to draw the conclusion what was the holiday impact and what was COVID impact. But we are getting closer to normal levels now in field service – I would say 80% of the normal would be a good number to be. But very much sort of the underutilisation coming from the Americas and to some extent Asia.

Klas Bergelind

Thank you.

Pekka Vauramo

I want to continue the spare parts and consumables. They have continued more or less as normal from the demand side and that has supported, of course, this sort of business and turned out to be a very resilient part of the service.

Klas Bergelind

Thank you, Pekka.

Operator

And the next question comes from the line of Magnus Kruber from UBS. Please go ahead.

Magnus Kruber

Hi, Pekka, Eeva. Magnus here from UBS. A couple of ones from me as well. Just a follow-up on Klas's question there on the mining margins. Could you comment a bit on the magnitude of the impact associated with the consumables footprint issue on sales and EBITA, if that's possible?

Pekka Vauramo

Now, we of course don't comment on the numbers, but we are talking about fairly close to the numbers that if you have access to consensus numbers, and our adjusted EBITA performance, so that's the ballpark that we talk about from the two months.

Magnus Kruber

Okay, perfect, that's good. And second, on the synergy savings, you exceeded the 50 million target by quite a margin, obviously, but could you help us understand the sort of phasing of that, how that came through? And what was the sort of in-quarter impact from the savings in Q4?

Eeva Sipilä

Sure, Magnus. We sort of went through this item by item and I would say that in sort of visible under P&L, that's where we published today would be around 36 million of the 65. So, that kind of gives you a sort of indication. And obviously it was very much headcount driven. We had a good start on facilities and IT cost energies in the fourth quarter, but obviously they are still sort of – we're talking about sort of from, altogether, less than 10 million for that group, so the real majority is headcount, and then it was really phased through as people left the organisation.

Magnus Kruber

Perfect, very good. And then finally, on metals. Based on the orders you booked in Q4, how fast should we expect to see them offset the under-absorption in the business and is there any part

of the business where you still are lacking work and also finally, on that point, when do you expect to start to invoice on these projects?

Pekka Vauramo

Yeah, we of course do POC on revenue recognition on project business and with the very thin workload that we have, we will start to recognise revenue immediately. You cannot sort of take a straight line of revenue recognition from the beginning because we always have some preparatory work, some engineering work and then most part of the revenues will only come when we are delivering into the project. So, it's helping immediately, but with the turnaround programme like I commented earlier on, some of the business lines, we are expecting them to return to clear profitability on run rate basis already in this year and then '22 we expect to be in a position to report clearly positive results for metals. That is, of course, subject to us succeeding then with potential divestments in case we end up doing those.

Magnus Kruber

Perfect. Thank you so much.

Operator

And the next question comes from the line of Artem Tokarenko from Credit Suisse. Please go ahead.

Artem Tokarenko

Yes, good morning. Thank you very much for taking my questions. My first one is around the EBIT bridge for 2021. Could you maybe talk and help us quantify some of the major moving parts like incremental P&L synergies you expect, and also maybe talk a little bit about the mix headwinds you would expect from [? 00:43:58] business? And maybe also, how should we think about the underlying cost inflation and raw materials inflation?

Eeva Sipilä

Sure, so we've obviously repeated today the earlier statement that we expect to achieve 120 million of cost synergies from the Metso Outotec integration as a run rate by the end of this year, and we were sort of tracking at 65, so really, that difference is what you should expect to see coming through. I would say that sort of with the visibility we have today, we expect it to come rather similarly to what we saw in the – rather, that we make progress every quarter, so to say,

and rather linear. Of course, time will tell exactly, but that's probably for your estimates a good enough view.

You are right on the fact that if one looks at the – as such not a surprising sort of cyclical recovery in a way that we would typically see sort of equipment when things start to improve; the equipment orders exceed that from the aftermarket side. Then again, the sort of equipment deliveries, excluding aggregates, we talk about a year-and-a-half, two-year spectrum, so obviously whatever we booked in all the metals in Q4 a sort of a big chunk also goes into '22. So, if the COVID situation improves, I think there's all the possibility for service still to pick up and make catch-up into 2021 revenue, but of course we will be dependent on how the pandemic situation evolves.

Then the third point is very much what you mentioned as well on the inflationary side. I mean, still sort of in the midst of this pandemic, clearly what is a new phenomenon is the price increases in some of the commodities and also then the raw materials that we use for our deliveries. And it remains to be seen how – is this now a bit of a quick catch up on something or how that will evolve. We've certainly seen pressure on logistics costing in Q4 already. The global imbalances and trade have had clearly led to a situation where containers are very expensive from certain locations, then very cheap from other locations.

And I think this is again, the sort of unplanned, consequences of the pandemic which I sort of do believe will balance out, but of course these are the type of surprises that we can perhaps still need to expect to see during the year and hence the overall focus; we have started actions on price increases on our products as well because we clearly do see the world moving into that direction, and much is then dependent on how well we can balance and, as said, how much unexpected things happen versus how much is perhaps more cyclical development that we've also seen in earlier years and when things have started to pick up.

Artem Tokarenko

Thank you very much for the extended answer. I guess a follow-up to this question: Could you help us to quantify the negative mix impact in minerals business in Q4? Maybe on year over year sequential basis. And thinking about 2021 based on your order backlog, do you expect a broadly similar mix to Q4 or further worsening?

Eeva Sipilä

Well, I think what I tried to just reply is that it is a bit difficult to quantify or even predict the mix for 2021 because of the shorter lead time in services. So, if things would start to recover on the services side, it can still meaningfully change the mix for 2021. But obviously, you should look at when we publish both the mix in our orders, as well as in our sales and that development really to sort of those numbers are really the kind of best advice to use in your models to kind of get the sense. I mean, these things don't of course overnight, don't change dramatically; we're talking about a few percentage points, but on the margin level, of course, it's still a meaningful impact of some millions. So that's worthwhile to note, but I think, yeah, it will be very interesting to see now how – that do we start to see any easing of the restriction so that we would get certain service activity ramped up.

Artem Tokarenko

Thank you very much. And last question, on aggregates. 360 million of orders in Q4 – could you maybe talk about whether you saw some pent-up demand from weaker Q2 and Q3, and how should we think about sustainability of those orders and maybe give us some colour about how this year has started aggregates.

Pekka Vauramo

Yeah, of course it was something extraordinary that we saw. So, I would say December/November we saw some signs already that things are warming up, but we cannot expect similar order intakes in January or February of this year. Then March normally is the time when things start to really get hot again, and currently it looks like that is the case. But there were some year-end orders that dealers did place on us and McCloskey as well, and we normally tend to put price increases to around that time and effective in the beginning of the year and that may have impacted a little bit on the actual numbers, order numbers, but it took us by surprise how active the ordering was in both of these months, November, and December.

We are expecting a strong season. There is to some extent rebound from last year's activity, where basically the summer season was almost non-existent because of Corona primarily, and there's some backlog with customers that they need to replace the machinery, plus they are clearly preparing for all kinds of funding that is coming for infrastructure in different parts of the world, North America, Europe as well, China very active at this moment. So, this is what we see happening right now. Right now, it looks very promising.

Artem Tokarenko

Thank you very much.

Operator

And the next question comes from the line of Mandeep Singh from Bank of America. Please go ahead.

Mandeep Singh

Yes hi, thanks for taking my question. Just a couple of them. Can you quantify the revenue synergies you realised in Q4? Because it feels like potential here is a lot more than 150 million you have given as a long-term target or guidance. And, associated with that, will you consider upgrading the synergy targets overall, including revenue and cost synergies. That's the first question.

Eeva Sipilä

Sure, on the revenue synergies side, because of the COVID situation still sort of impacting our order intake in Q3 quite a bit. So, obviously, before the order turns into revenue there is a certain lag and hence the actual revenue synergies in the 2020 numbers were millions, but it wasn't a very big number, not perhaps that significant. The order pipeline was certainly better, and that of course is what we are now working on in a way to then ensure that we will start to see recognition of revenue towards the second half of this year and then 2022 as well.

Your other part of the question on whether we're looking to upgrade. I think we're certainly working hard and we're still in a heavy part of integration, seven months into the process. So right now, 120 million seems like a very challenging target, and there is still work to be done. I think we're clearly on the right track, so comfortable with that, but wouldn't speculate at this point on any new targets. I think we still have 11 months to go onto to reach these targets.

Pekka Vauramo

I'll continue on the revenue synergy side. If you think about all the revenue synergies that we finally then invoice to customers, they need to go through also our proposal pipeline, and we were able to make joint offers and joint bids only beginning of July. So, six months in last year. And on average, I think, our proposals are several months out there before they are decided, so that's why the slow build-up of revenue synergies. It's a reality, but in the backlog we have them already now a meaningful number, and we will be then reporting once we are delivering those.

Mandeep Singh

So, I actually did mean to ask about the synergy on the order level as well. So, the orders you have received already, you said that almost 50% of them are joint bids. If you could quantify that, that would be quite helpful.

Eeva Sipilä

We will really be reporting on the revenue synergies, so those ones won't be recognised as revenue.

Mandeep Singh

Okay, so then from the previous questions around the impact on retail [ph 00:55:29] from the consumable related disruptions, is the loss which you suffered during Q4, is that a permanent loss because of disruptions? Or was it similar to the order issues you had in Q3 which then eventually got booked in the Q4. How should we think about the impact in Q1 from that example? Should we expect some recovery in Q1?

Eeva Sipilä

Not really. As I said, something's taking a bit more time or having to run test runs of production at the new site that are not typically not sellable products, so the cost of that is in a way some cost. The benefit of course, is that you have to build a competence in a way, to start ramping up in that process. But I don't really see us recovering those costs that have not materialised in late last year.

Mandeep Singh

And last one from me: How much of the orders booked in Q4 were kind of spill-over from the Q3 orders? Because I just want to understand the underlying run rate for the orders in Q4. Because, would it be fair for us to assume that the same order growth continues in Q1? That's the question.

Pekka Vauramo

You have seen our order announcements, the press releases, and if you take the total all of them, I would say that there you see the underlying order activity pretty well, or what do you say, Eeva?

Eeva Sipilä

Yeah, I think it's typically the big projects are the one where they can land in one quarter or the other; very much based on the customer decision-making process, whereas the underlying business that we don't specify on an individual level, it goes more in a different cycle, so that spill over if you want to use that term is related to these big ones. And of course, in this type of business you will always see that things moving from one quarter to another. What made last year particularly challenging to estimate on was really the pandemic, as that had some unexpected an unintended consequences on the decision-making process.

Pekka Vauramo

One implication of that one is if you look at our order backlog, which we are reporting so that order backlog bottomed out some time in October last year and these big orders only came in December, so the underlying ordering activity exceeded our sales already in October/November time.

Mandeep Singh

Great, thank you very much.

Operator

And the next question comes from the line of Robert Davies from Morgan Stanley. Please go ahead.

Robert Davies

Thank you for taking my questions. My first question is just, could you give us a little more colour on some of the regional trends you're seeing in the aggregates market. Just whether you're seeing any particular strength in one region or the other and what's going on there. That's my first question please.

Pekka Vauramo

China is booming, as we have discussed before. The stimulus package has been very effectively used at the same time; China is building these super quarries, where the background is that the regulations have changed and sort of smaller, local quarries that were operated in is overall [ph 00:59:25] traditional means they're not anymore allowed to operate in China, and they're going into bigger units and their customers are really keen to invest, in many cases, on most efficient equipment and latest technology. So that is what we see in China.

We see also contractors and smaller quarries going into mobile equipment in China and we are well positioned with that one and we've seen really great success with our local brand [01:00:00], earlier a joint venture company and we acquired the shares of a minority shareholder beginning of last year and the timing was perfect for this growth that we saw there.

So, China doing extremely well. North American market and European market clearly is preparing for a proper summer season now or spring season which we didn't see last year at all. We've seen some statistics. They are, I would say, global statistics where aggregates investments will sort of be, say, 15 to 20% higher now this year than last year, and we are clearly seeing that activity in our ordering activity.

What is still a little bit down from previous year's level is the Indian market. We see at times some light there in the market, but then at times it seems to slow down again. So that is the market where we are expecting, or we hope to see a recovery sometime this year, but not very confident that it will happen. All other markets are doing fine.

Robert Davies

And then my second question is just around your services business. I guess both aggregate and mining. You mentioned a couple of times site access and field service in particular being disrupted. Can you just remind me just across the different divisions what the proportion of field services and spare parts and where parts are as a proportion of the overall divisional sales. Is there a significant difference in terms of field service contribution across the three different divisions? Thank you.

Pekka Vauramo

Yes, yes, there are, and it's mainly because of the business model that we have. Minerals, we go mostly directly to customers and we carry out most of the service work by ourselves; we do use some dealers and distributors in that part of the business, but that is an exception to the rule, while then in aggregate business a bit more than half of our sales takes place through dealers and distributors and services, it's their activity field service, it's their activity, so it's really a minor part of the business, the field services, in aggregates.

And then in metals business, it's yet again more of an upgrade modification type of activity that we do and very much a project-based service activity rather than ongoing field service work that we do there.

Robert Davies

Understood. Okay, great, thank you.

Operator

And the next question comes from the line of Tomi Railo from DNB. Please go ahead.

Tomi Railo

Yes, good afternoon. Tomi from DNB. Maybe a question on the minerals pipeline, given that high metal prices you refer to for example. Have you seen any new projects coming through the pipeline, which of course you sort of hopefully not tempted after the big orders booked for the fourth quarter, but how has the pipeline developed in the minerals, please?

Pekka Vauramo

I think really the new projects, there are some, but we haven't seen really massive flow of them coming online. Many of these orders that we do, they are in fact expansions or typical brownfields modifications because of environmental sustainability issues and things like that at this moment. But of course, we can expect also the Greenfields to come on stream. Maybe a bit more Greenfields on gold site. Gold, rather than any other metal at this moment. Gold price has been firmer a bit longer than the others.

Tomi Railo

And then you mentioned the price hikes in aggregates. Can you quantify what sort of price hikes are we talking about?

Pekka Vauramo

These are of course – aggregates business is always very local business and therefore the averages do not really make too much sense to analyse it. But what we can see from the statistics is that aggregate prices are really on a good level, both in North America and in Western Europe. The little visibility [ph 01:05:14] that we have on China, their aggregates prices are also on a good level.

Where we see these prices going up and down of aggregates, this is now really our customers' products aggregates, not our equipment. Just to make sure that I'm not talking about our pricing. There, we've seen fluctuations in the statistics quite a lot, and that very much supports the view

on the Indian market as well. There are times it seems that things are taking off, but then there's two steps back later on.

Tomi Railo

And finally, did you mention that you would expect the synergy P&L impact of 65 million for '21?

Eeva Sipilä

The difference between 120 and 65, I believe, Tomi, is that [inaudible 01:06:01].

Pekka Vauramo

That is the run rate number.

Tomi Railo

Thank you.

Operator

And the next question comes from the line of Karl Bokvist from ABG. Please go ahead.

Karl Bokvist

Hi, Pekka. Hi, Eeva. My first question on metals. I just wanted to clarify some of the comments you made there, Pekka, in terms of just looking at metals the way it looks today – if you foresee on an adjusted EBITA level, will losses continue towards the end of 2021 if things continue the way they look today, excluding any future divestments?

And my follow-up also, the savings of 50 million that you target, are they contingent at all on changes in volumes, then on the upside, primarily?

Pekka Vauramo

The 15 million that we announced, we will implement those regardless of the volume – if that was the question. They are actions that we are taking already right now and the orders that we have we will be able to work on those ones with the reduced cost level.

The restructuring of metals, we're taking major actions. The biggest part of actions in Germany and there the process is lengthy; the longest one of the three or four countries where we are

taking actions. We've already come through the formal process in Finland and Sweden; we have initiated it in Germany, and it takes easily six months in Germany once we've done those things, and we just need to be patient. And six months from here, it takes us into the third quarter and then we need to wait a little bit until we can start to recognise more revenues from these recent orders and that's the time when we see the recovery and turnaround coming into [inaudible 01:08:22].

Karl Bokvist

Thank you. And then, Eeva, a bit more technical questions here, but discontinued earnings in this quarter, they were negative 9 million. Could you give any indication of when we add all these different discontinued operations together, how we should think about quarterly earnings or losses throughout 2021?

Eeva Sipilä

Sure. Well, as I said, operatively the aluminium and recycling businesses are sort of generating and operating positive EBITA and I would certainly expect that to continue. The energy business is the business where we're really sort of handling certain legacy project issues which take a bit longer to solve in a way and there's very little upside in them. It's just a question of how many months does it take to attend to completion.

And again, unfortunately COVID has of course delayed some of the actions on finishing some of the planned activities. But anyway, I think we are making progress. Then of course it depends on – we've obviously now announced already on aluminium; we hope that we – post Q1 – that would exit – it does depend a bit on when we exit and with the timing of the exit on recycling as well as energy – that kind of was the impact, but certainly working towards that; we have some healthy businesses and then we're trying to ramp down at the loss-making projects on the energy side as quickly as we can.

Karl Bokvist

All right. And my final one is on PPA. Run rate for Q3 and Q4 is around 120 million on an annual basis. How do you think we should look at PPA for 21/22 and 23?

Eeva Sipilä

Yeah, well, we are already at closing of the Metso Outotec merger. We announced that the first half will be – i.e., the first six months – for the second half of 2020 will be heavier on the PPA, related to Metso Outotec and that was 59 million then for the second half. And, as I said, we already then announced that the number will drop as we enter 2021 into an annual level of 38 million roughly. And that will be similar then for 22/23 for the whole time period in your question. Now naturally good to remember that on top of the Metso Outotec related PPA, there is some PPA related to McCloskey and a few other smaller acquisitions made earlier, but you get a pretty good proxy for that run rate by looking at the first half of 2020 and it will still run through 21 and towards 22 still.

But then of course they typically have quicker or shorter amortisation periods, but still in the region of five years. So, they will [? 01:11:57] for a while, but whereas for the Metso Outotec some of the smaller parts do go clearly into sort of ten years and above. So, it will be clearly less this year, but there will still be a combo of Metso Outotec and these earlier acquisitions.

Karl Bokvist

Understood. Thank you.

Operator

And the next question comes from the line of Erkki Vesola from Inderes. Please go ahead.

Erkki Vesola

Hi Pekka and Eeva. About your SG&A savings – how big would you say that your COVID-linked savings there were in Q4? And to what extent do you expect these savings to revert in Q1 or Q2 this year? I'm talking particularly about the sales and marketing expenses.

Eeva Sipilä

That's a good question. We really haven't in the new organisation obviously yet had a quarter where we would have trade fairs or travelling. So, for sure there are real savings from the fact that nobody travels and there are no trade fairs or conventions organised and we don't see them happening in the first half of this year at least, if at all during this year on the trade event side.

So, I think we will see benefits continuing until really, we're at a very different level. I mean we would hope to start visiting customer sites, but we don't plan to visit trade fairs very quickly

because without vaccines and proper safety measures, that obviously wouldn't be the thing to do. But I wouldn't be able to give you a sort of exact figure on that, but it's money for sure.

Pekka Vauramo

[? 01:13:48] number as well, because it's really difficult to say, but how do we get back to travel? I mean for sure we will not travel in the same way; we will not participate in all the events in the same way. We have learnt many, many other people, our customers have learnt to work differently, so we might be comparing with the past, but it's not a fair comparison into the future.

Erkki Vesola

Fair enough, thank you.

Operator

And as there are no further questions, I'll hand it back to the speakers for closing remarks.

Juha Rouhiainen

All right, this concludes our conference call for Q4 and full year 2020 results. Thanks for your questions. Thanks for participating. We will be back with results on April 23rd. And then its first quarter of this year 2021 and same day we will have our Annual General Meeting. So, that's a big day, but it's a couple of months out. So, in the meantime we hope to speak with you all soon again. And thanks for this and goodbye.