

Anchor products and integrated systems



MAY 18, 2022

ABB Capital Markets Day

Process Automation

Helsinki, Finland

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Anchor products and integrated systems

INTEGRATED SYSTEMS

4 DIGITAL



3 AUTOMATION



1 SENSING



2 ANCHOR PRODUCTS



ELECTRICAL & MOTION



Anchor products and integrated systems

This session will address

- 1 Mission-critical **anchor products** in customer operations
- 2 Together with holistic **integrated systems**
- 3 Lead to our attractive **service business**
- 4 Ensuring ongoing **growth with customers** and partners



Joachim Braun
Division President,
Process Industries



Juha Koskela
Division President,
Marine & Ports



What is an anchor product?

Customer point of view



Mission-critical for the process



Long lead time



Major impact on value creation

ABB point of view



Early involvement in the process









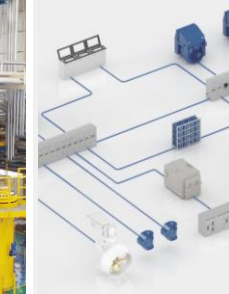



Heart of a broader solution



Future proofing revenue streams

Our leading anchor product offering

Mining		Pulp & Paper		Metals		Energy		Marine	
Hoist	Gearless mill drive	Paper testing equipment	Quality Control System	Electro-magnetic stirrer	High power rectifier	Excitation	Blending and formulation	Onboard DC Grid™	Azipod® propulsion
#1-2	#1	#1	#1	#1	#1-2	#1	#1 ¹	#1-2	#1
									

¹ Market position in lubricants

Customer needs extend beyond anchor equipment

Our customers' priorities

Procure the best equipment to meet specifications

Achieve the best performance from equipment and systems

Ensure project completion on schedule and budget

Optimize lifespan, lifetime cost, and modernize when needed

Minimize obsolescence risk and maximize compatibility with future demands



Anchor products



Integrated systems



Executional certainty



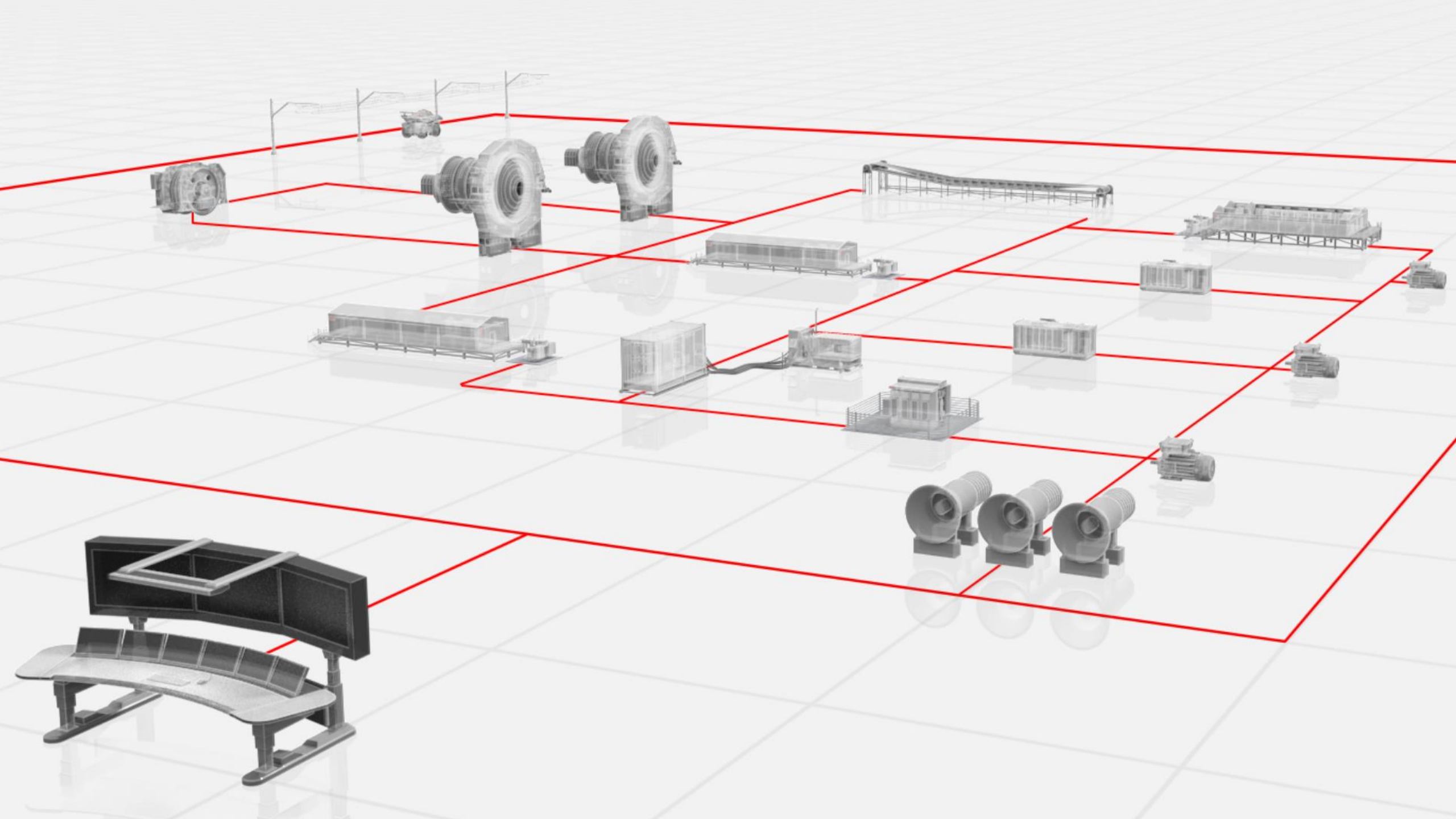
Service & upgrades



Future-proofing

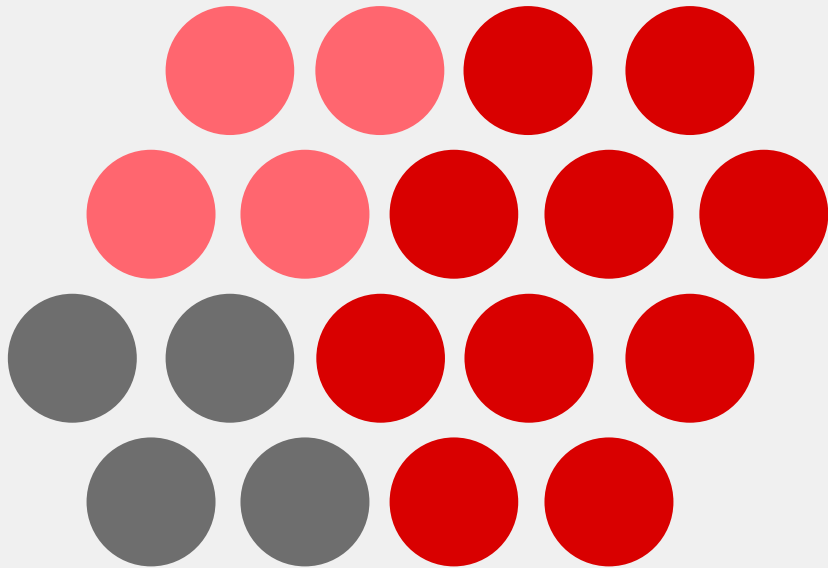











High ABB content enables seamless end-to-end optimization

High share of ABB content



● PA content ● Other ABB content ● 3rd party content

Customer benefits with vertically integrated solutions

-  Lower **capital expenditure**
-  Reduced total **cost of ownership**
-  Improved **sustainability performance**
-  **Safety** improvements
-  Reduced **downtime**

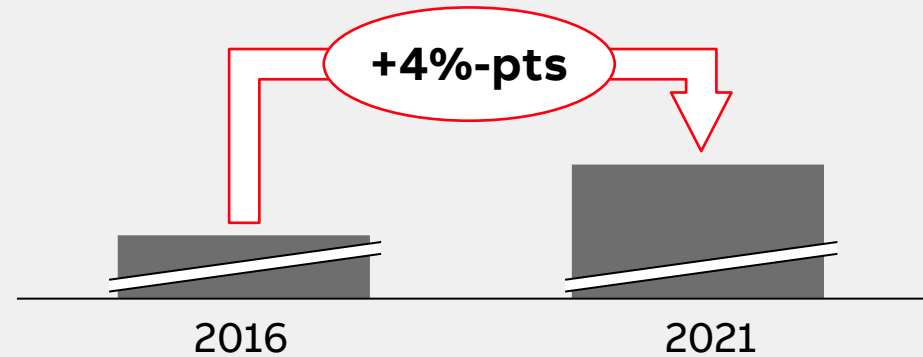
Installed base from past projects secures service revenue for decades to come

Service potential

- Long-term service agreements
- Spare parts
- Lifecycle management & software upgrades
- Advanced services & digital



2016-21 growth in share of service of PA revenue

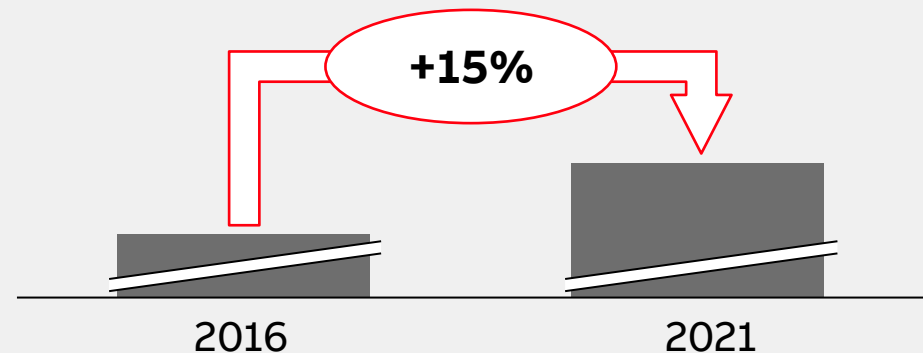


Installed base

- Specialized capabilities required for maintenance of anchor products and automation, electrical & motion systems

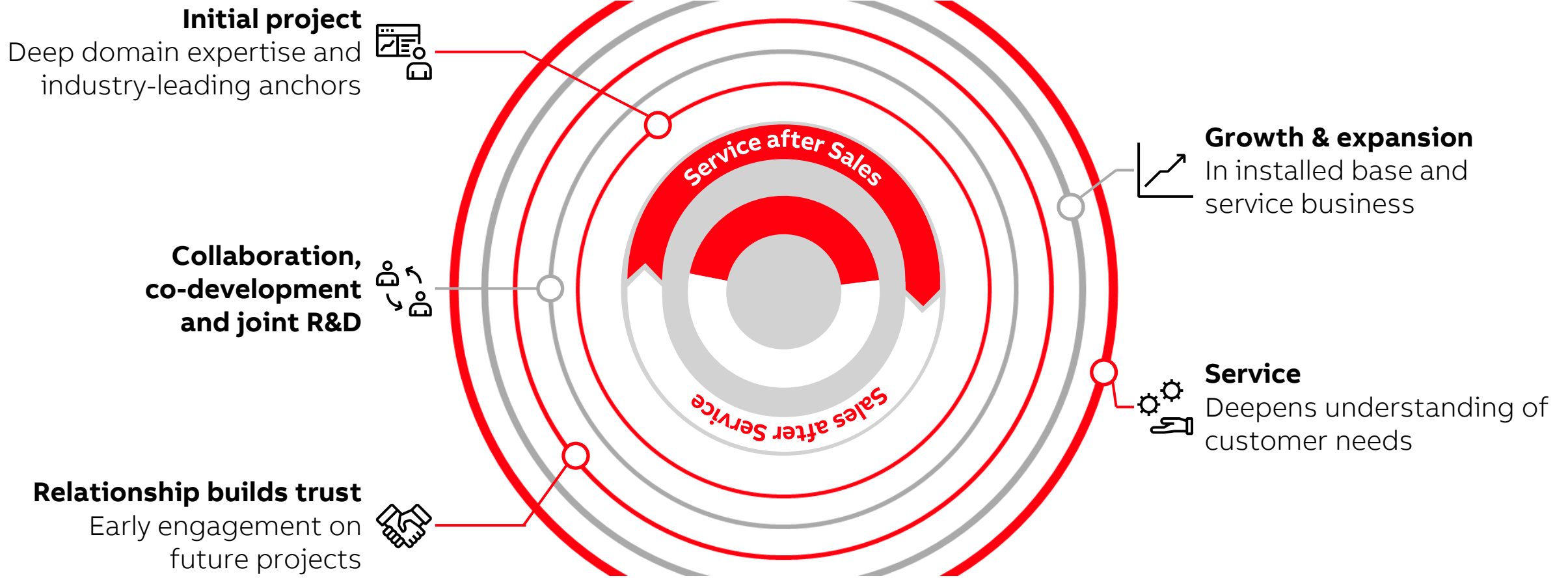


Installed base gross growth 2016-21



Long-term customer partnerships: the foundation for our success

Reaching far beyond customer-supplier relationship

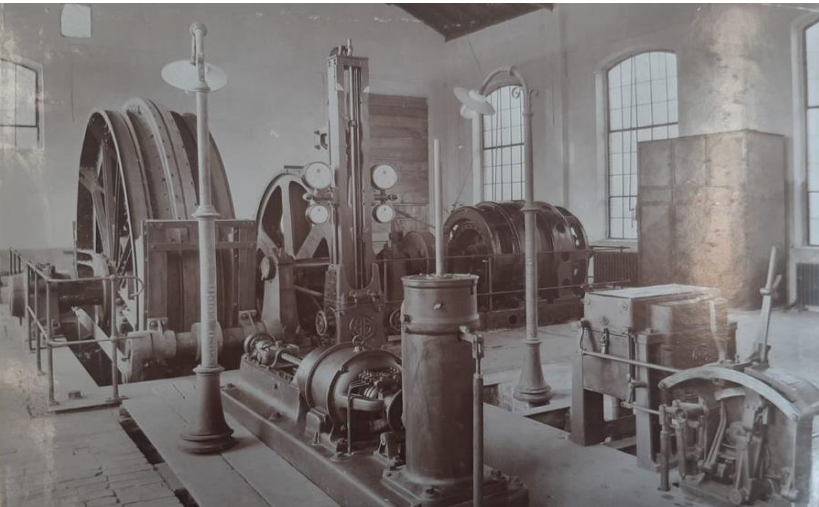


Long-standing global customer partnerships

Driving continuous evolution to future-proof our leading position

Past, present and future

Building the expertise



To enable customers' first operations

Creating the unthinkable



To enable customers' technological progress

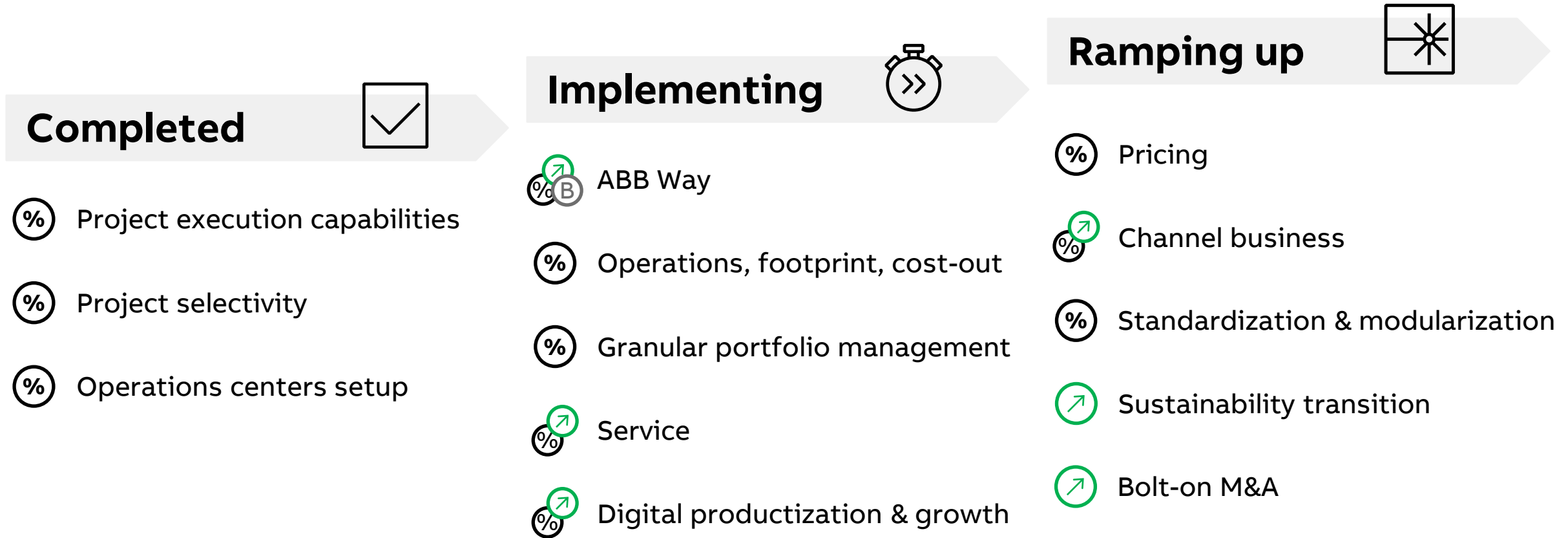
Defining the future



To enable customers' sustainable progress

Performance improvement journey

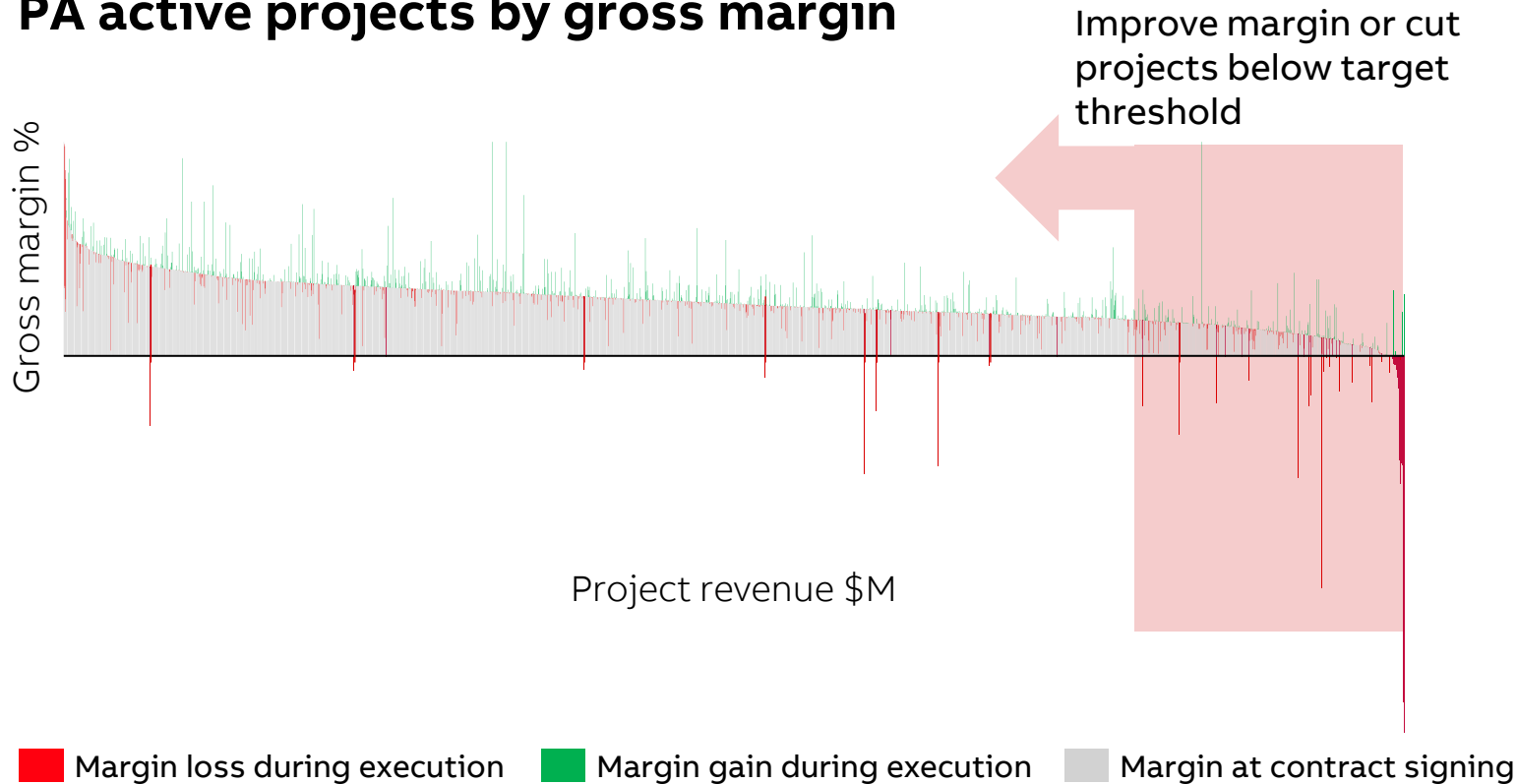
Current focus on profitability – moving towards growth



Project selectivity and execution


Improved business performance

PA active projects by gross margin



Increased margin threshold
for new orders
+ 2-3%-ppts

Average margin accretion
during project execution
+ 2-3%-ppts



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Business model
case example:

Azipod® electric
propulsion system

Azipod® propulsion

Key ABB anchor product continues to transform the marine industry



Significant fuel savings



Excellent maneuverability



... emission cut as a result



... enabling bigger ships

25 ship types

>300 vessels in operation



Azipod® propulsion: anchor product of integrated electric system

20% fuel savings, with emissions cut as a result

Future proof with flexible integration of new energy sources and shore power

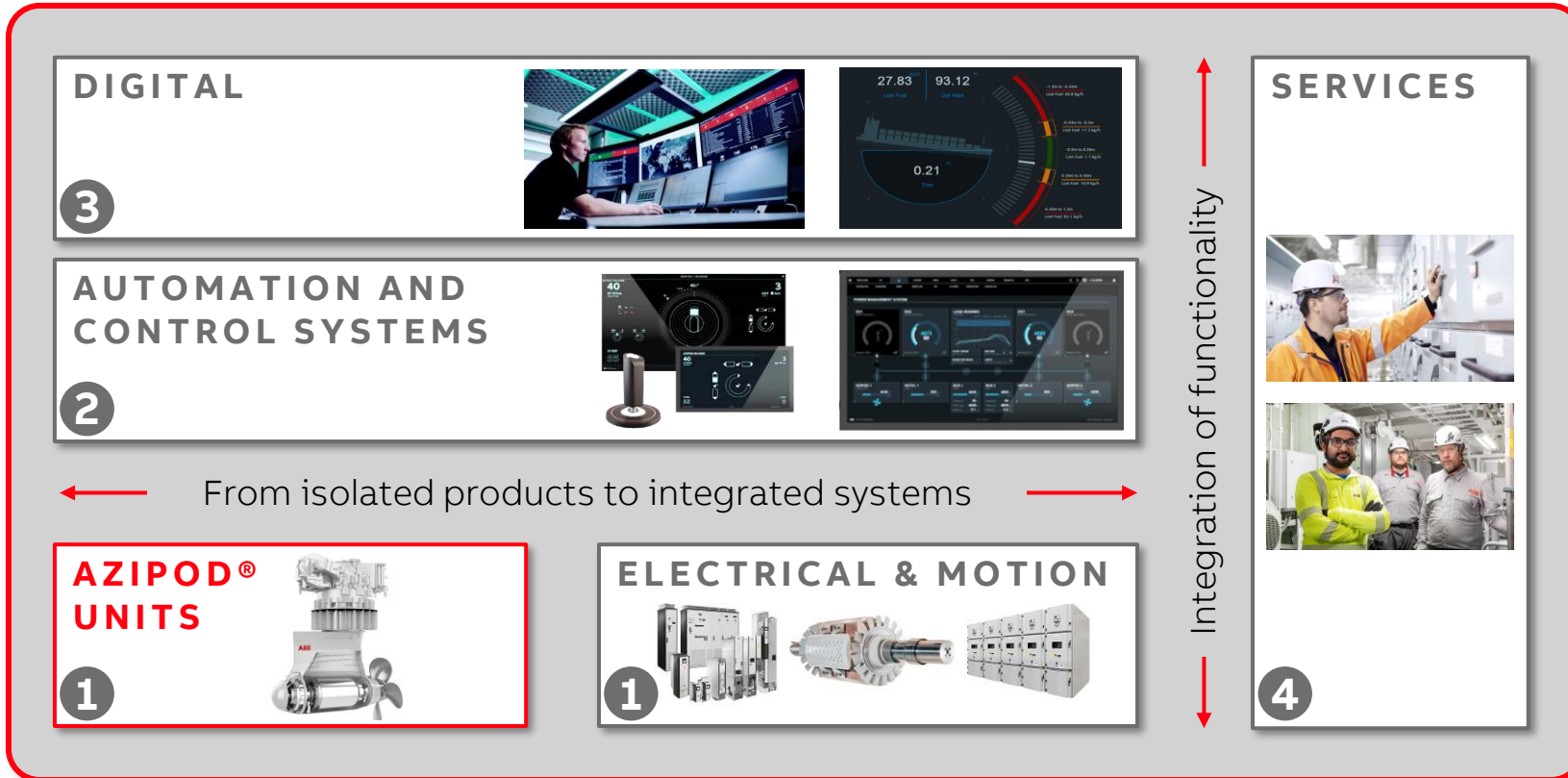
Azipod® units
Generators
Switchboards
Transformers
Drives
Control system

Electric propulsion system

Differentiation and customer value

Integration of Azipod® units and other ABB content

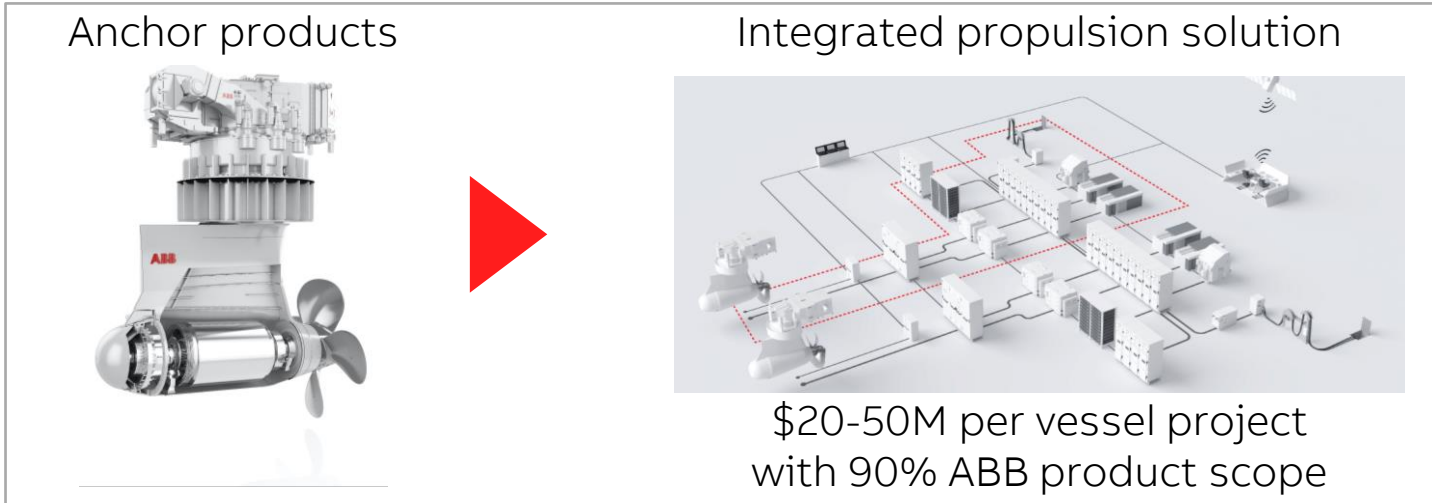
Benefits



- 1 ABB products**
 - Digitally enabled for functional integration and services
- 2 ABB Automation platform**
 - Optimized system performance
 - Harmonized user-interface
- 3 ABB Digital offering**
 - Asset performance services
 - Vessel operation optimization
 - Fleet services
- 4 ABB Lifecycle services**
 - Service from single vendor
 - Interchangeable spare parts

Market leading anchor product creates value across ABB and increases service stream

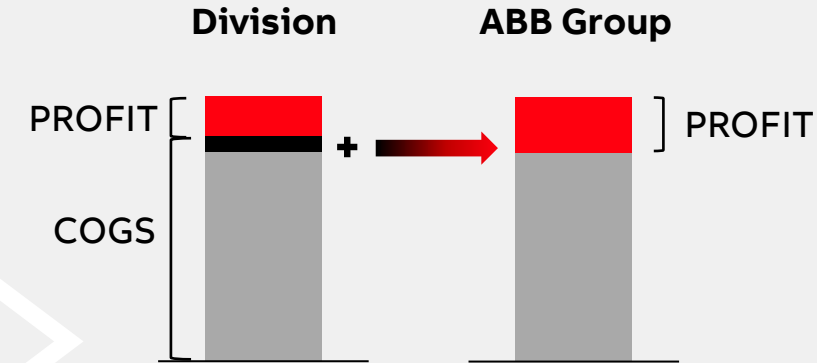
\$4B integrated propulsion system segment with 5% CAGR



Strong foundation of recurring service revenues

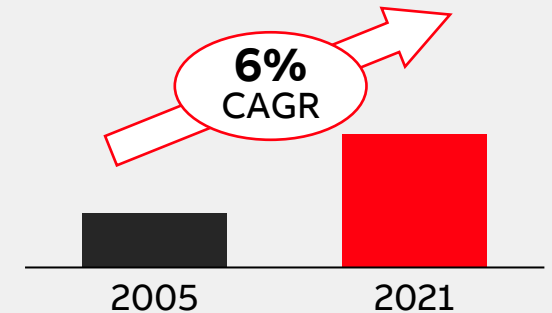


Profit generation to ABB



Service growth

Marine service revenue



Higher profit margin and less cyclicality

Summary

- 1 Anchor products**
#1-2 market positions getting us a seat at the table early on
- 2 Integrated systems**
Optimization of design and operation far beyond system integrators
- 3 Service and digital on installed base**
Attractive, growing business with long-term stability



ABB