



## **Turnaround case with significant potential**

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## Turnaround case with significant potential

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- Weakening results in recent years (especially 2013) – a turnaround case
- Fundamentally stable markets, leading market positions and strong heritage brands
- Potential to turnaround the business through clear revenue & cost initiatives

# One of the largest Nordic confectionery & snacks companies

Net revenue 2012: NOK 4.8 bn.

## Confectionery



**NOK 1.8 bn. (37 %)**

- Chocolate confectionery
- Sugar confectionery
- Pastilles & chewing gum

## Snacks



**NOK 2.2 bn. (46 %)**

- Potato chips
- Cheese snacks
- Nuts
- Special snacks

## Biscuits



**NOK 0.8 bn. (17 %)**

- Sweet biscuits
- Savory / food biscuits


# Norway and Sweden are the largest markets


Revenues (NOK bn.) per company and share of total Orkla C&S revenues


 NOK 2 bn. (41 %)


 Confectionery: NOK 1,200m


 Snacks: NOK 470m

 Biscuits: NOK 300m


 NOK 1.1 bn. (22 %)

 Snacks: NOK 630m

 Biscuits: NOK 440m

 NOK 0.6 bn. (12 %)


 Snacks: NOK 570m<sup>1</sup>


 NOK 0.8 bn. (17 %)


 Confectionery: NOK 350m


 Snacks: NOK 410m

 Biscuits: NOK 60m

 NOK 0.2 bn. (5 %)

 Confectionery: NOK 200m  
Biscuits & other: NOK 40m<sup>2</sup>

 NOK 0.1 bn. (2 %)

 Snacks: NOK 90m

# Local # 1 brands with long heritage – over 90 years

Top 5 brands (revenues) per category



## Confectionery

**Stratos** (1936)

- # 2 milk chocolate in NO



(1988)

- Unique sweet & salty combination



(2003)

- Family favorite mixed chocolate bags



(1970)

- # 1 throat lozenge in NO



(1965)

- Traditional sugar confectionery in NO



## Snacks

**KiMs** (1965)

- # 1 snacks brand in DK, # 2 in NO



(1967)

- # 1 snacks brand in SE



(1968)

- # 1 cheese snack in SE & NO



(1957)

- # 1 nut brand in NO



(1970)

- # 1 snacks brand in FIN



## Biscuits

**Ballerina** (1963)

- # 1 biscuit brand in SE



(1968)

- Leading filled biscuit in SE

**SAFARI** (1984)

- Family favorite cookie in NO



(1991)

- # 1 oat cookie in NO











(2002)

- Local chocolate cookie favorite

# Strong positions... but competition is increasing

Market share vs. nearest competitor and PL (largest markets)



Country	Orkla	Competitor	Private Label
 NO	30 %	35 % (Mondelez)	2 %
 EST (Kalev)	38 %	10 % (Fazer)	NA
 SE	36 %	18 % (Estrella)	23 %
 DK (KiMs)	45 %	8 % (Frito Lay)	25 %
 NO	29 %	32 % (Maarud)	13 %
 FIN	47 %	16 % (Estrella)	23 %
 SE	38 %	8 % (Mondelez)	20 %
 NO	51 %	19 % (Mondelez)	8 %



## 2 % stable market growth despite health trends

Retail volume ('000 tonnes) indulgence<sup>1</sup> categories, Nordic countries

### The 90's:



Low fat diets  
Bodies of supermodels like Kate Moss are worshiped

### The 00's:

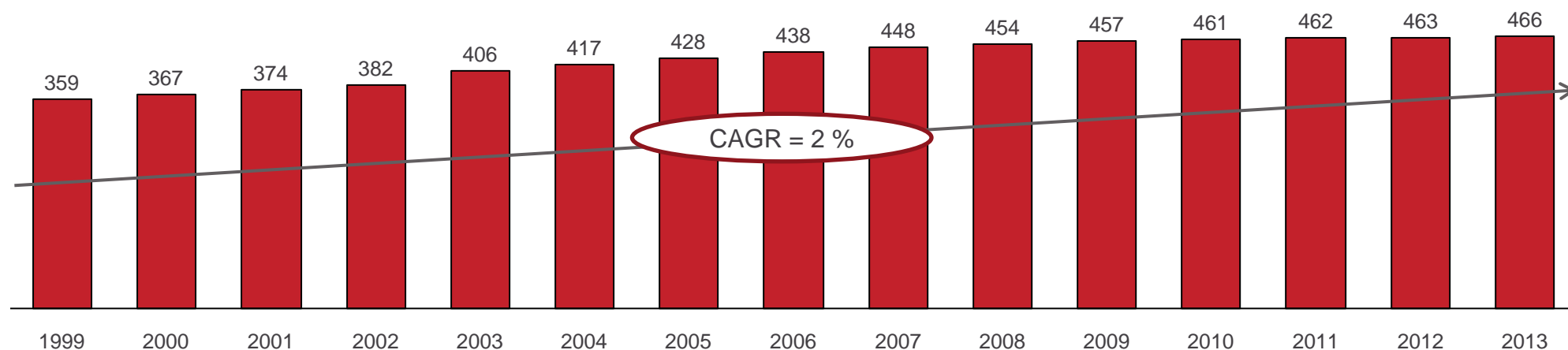


Glycemic Index  
Low Carb High Fat

### 2013:



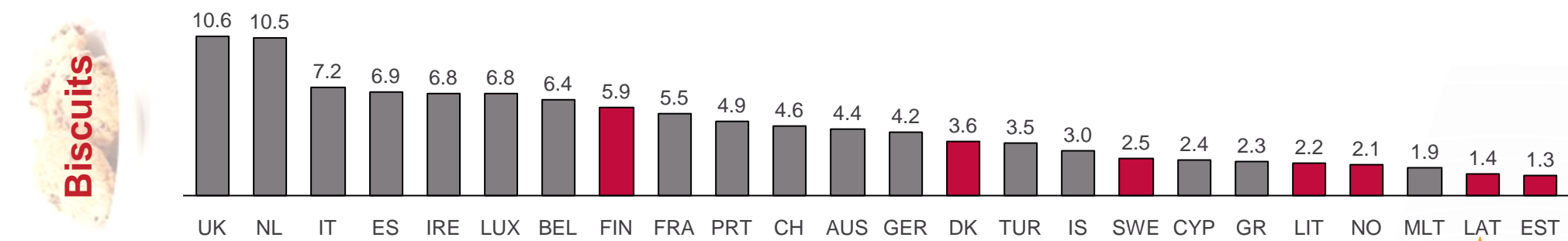
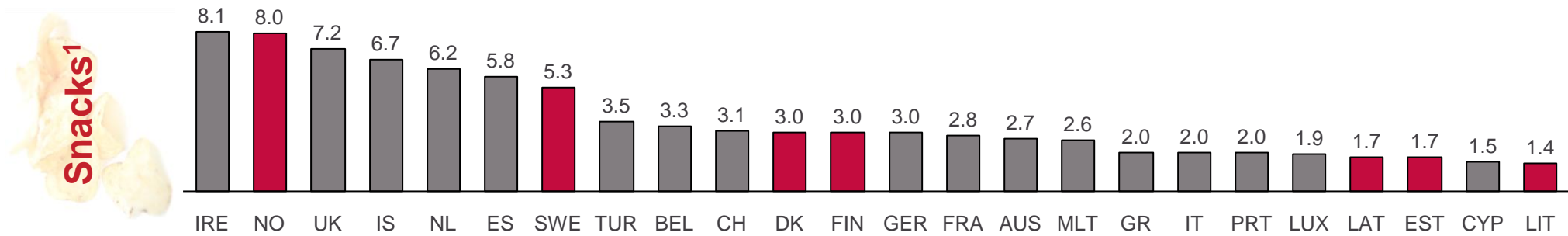
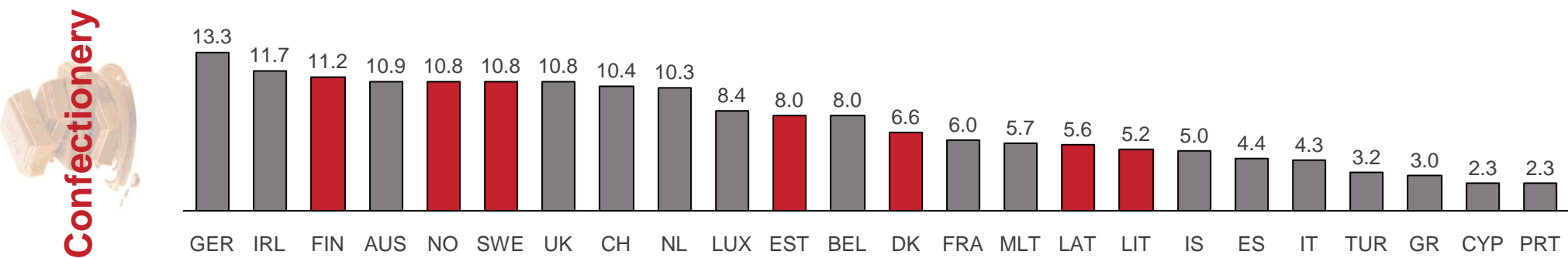
Clean Eating & Superfoods  
Less sugar & high protein  
“Strong is the new skinny”



- The confectionery, biscuits & snacks market as a whole has been stable in spite of health and diet trends
- These categories remain valued as a mean for indulgence
- Consumers are reluctant to accept any compromise with respect to taste and feel of these products

# Per capita consumption in the Nordics among the highest in Europe - but still potential to grow

Per capita consumption (kg) 2012  Orkla not present  Orkla home market





# Local brands based on deep consumer insight are winners

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## Market characteristics

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**Mainly local preferences**



### Deep local consumer understanding

- Local organizations & value chain that can easily meet local needs
- E.g. chocolate taste, snacks spices & salt levels

**High brand recognition**



### Local # 1 brands with long heritage

- Unprecedented portfolio of # 1 and # 2 market positions
- Brands that can be stretched across categories

**Impulse categories**

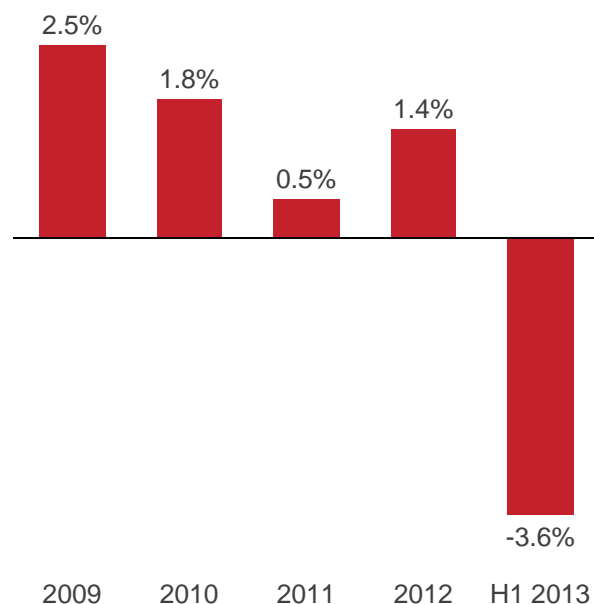


### Unique scale on in-store execution

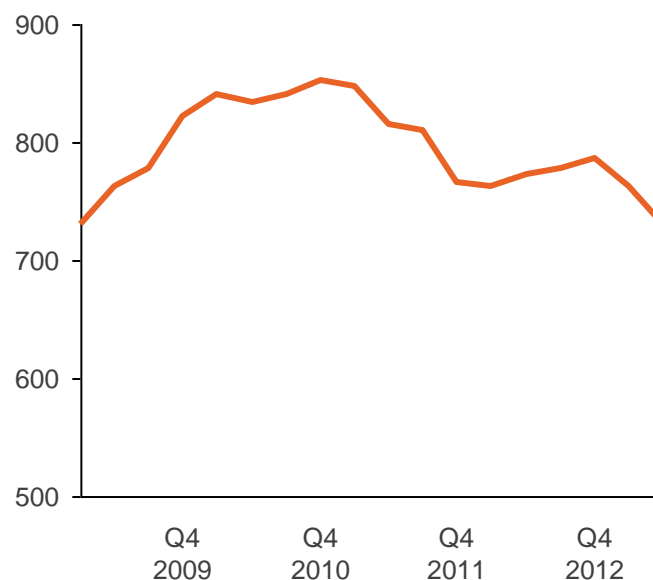
- Large and experienced sales & merchandising organization
- New structure will improve store coverage - but we can still be significantly more effective

# Weakened top and bottom line development in recent years

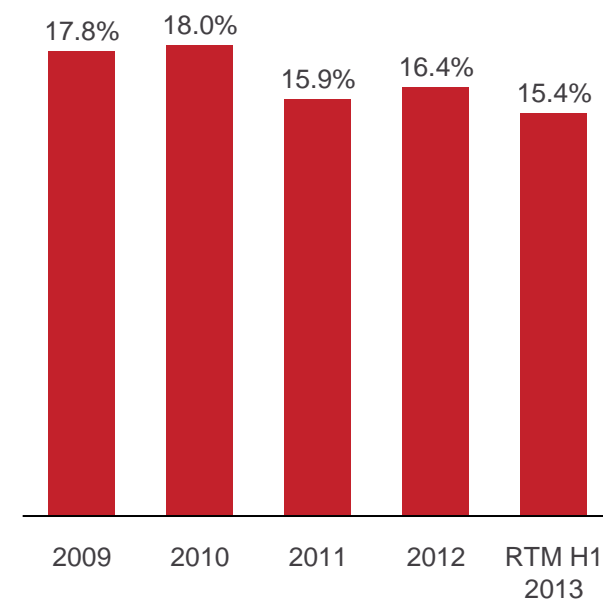
Organic sales growth<sup>1</sup>



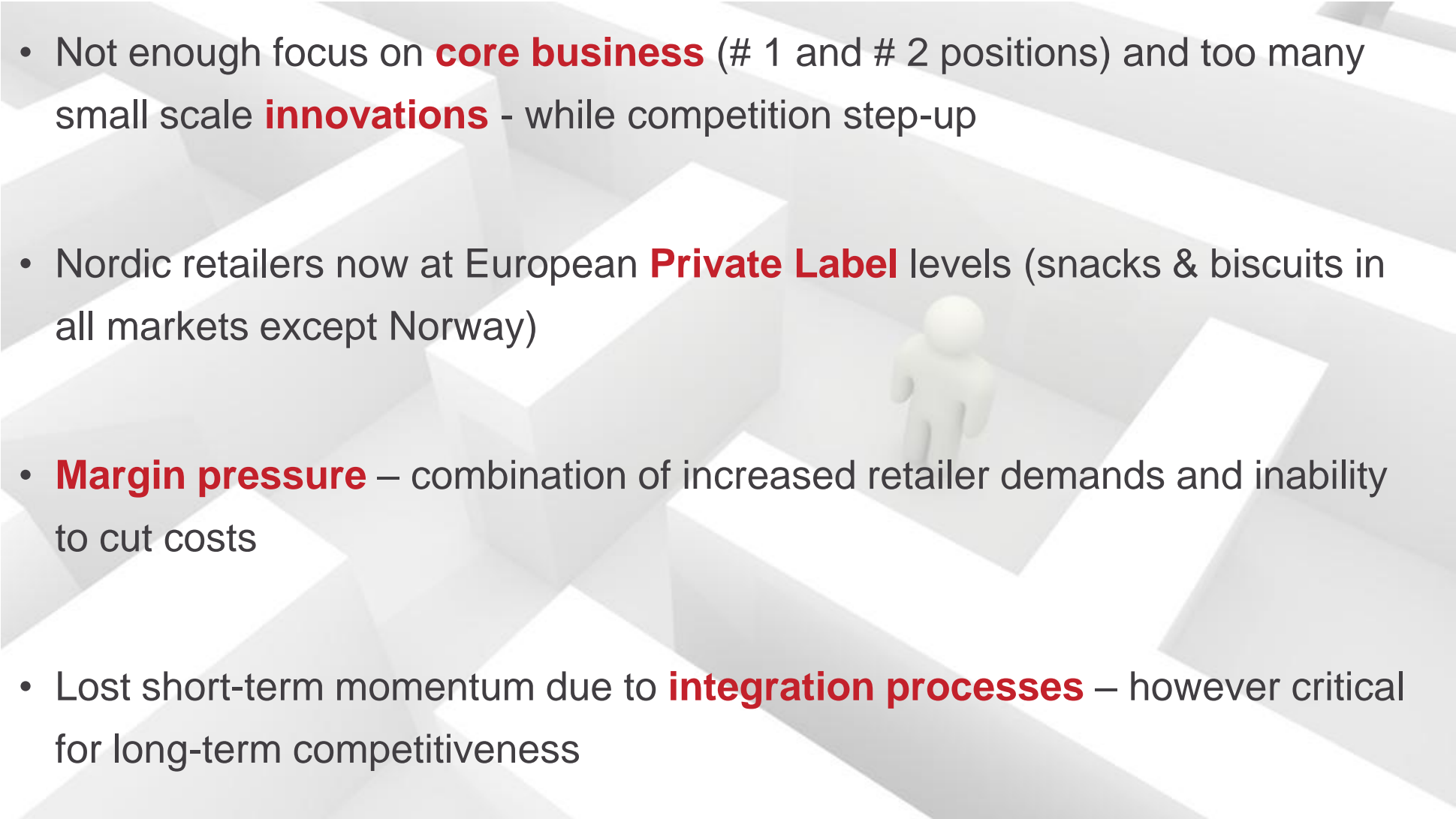
RTM EBIT (NOK million)



EBIT margin (adjusted)<sup>2</sup>



# What has caused this drop in results?


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- Not enough focus on **core business** (# 1 and # 2 positions) and too many small scale **innovations** - while competition step-up
  - Nordic retailers now at European **Private Label** levels (snacks & biscuits in all markets except Norway)
  - **Margin pressure** – combination of increased retailer demands and inability to cut costs
  - Lost short-term momentum due to **integration processes** – however critical for long-term competitiveness

# Reaching our targets 2016

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**Organic growth**  
**2-4 %**

**EBIT margin**  
**> 16.5 %**

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- Turnaround will require clear revenue growth and cost reducing initiatives
  - Improvement will be gradual

# Growing the top line - Overall

## Must-Win Battles



**Regain focus  
on core**



## Actions

- Back to growth on our core business – local # 1 and # 2 positions
- Further focus on where and how we make brand investments
- Simplify brand portfolio and overall assortment



**Innovations that  
really matter**



- Increased cross-country & cross-category focus to transfer market insights into innovations across portfolio
- We have brands that can go across categories, e.g. Stratos



**Sales Execution  
Excellence**



- One strong face to the retailer (e.g. from 3 to 1 company in NO)
- Increase sales force leverage through improved performance
  - Already out-scaling competitors on size



**Winning  
organization**



- Creating one company per country
- Right leaders with right attitudes
- Strengthened and more cost effective organizations (all markets)

# Growing the top line – Innovation with focus on core

Example: Stratos – # 2 chocolate brand in Norway

- Core product: Milk chocolate with air bubbles
- Launched in 1936



**Different formats: Small & big bars, rolls, bags, mini bars etc.**



**Different taste variants: Crunchy, in mixed bags, white chocolate etc.**



**Across categories: May 1<sup>st</sup>: Stratos biscuits**



# Growing the top line - The Baltic markets

Three very different markets: Estonia, Latvia, Lithuania

- Different nationalities, languages, history, religions, national sports...
- Different taste preferences, cuisine etc.

Orkla C&S's strength: Respond to local consumer and market specifics

- Consumers' trust and loyalty through market tailored products and tastes
- Market specific activities in trade and communication



# Growing the top line – Attractive Baltic economies

Real GDP growth (annual change, %)



- **Baltic economies among the fastest growing in EU**
- **Category growth above economic growth (5-7 % historic annual growth) and consumption per capita increasing – though still low compared to the Nordics**
- **Growth trend expected to continue**



## Growing the top line - Make Baltics really matter

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- Net revenues (2012): NOK 240 million (+ 40 % 2010-12)
  - Key markets: Estonia
  - # 1 (38 % share) within confectionery (chocolate & sugar)
  - # 1 within biscuits (11 % share)
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- Net revenues (2012): NOK 85 million (+ 10 % 2010-12)
- Key markets: Latvia (home market), Estonia and Lithuania
- # 1 (44 % share) within snacks in Latvia, # 3 in Estonia and Lithuania

- **Low risk market with clearly above average growth potential**
- **Strategy: Cover white spaces with significant share**

# Cut costs by NOK 300 million in 2014-16

- Reduce **overhead costs** and improve **go-to-market edge** (2013-16)
  - Integration of companies in Norway, Sweden & Finland – from 7 to 3 (NOK 50-70 million)
  - Significant reduction of senior leadership & changes were required
- Improve **product cost & value** (2014-15)
  - Design-to-Value initiative – start with snacks in Sweden & Finland end 2013
  - Improved efficiency on raw material sourcing
- **Supply chain** restructuring & efficiency (2014-16)
  - Task force within biscuits in Kungälv
  - Optimization of snacks and chocolate supply chain
- Simplify **portfolio & brand structure** (2014-15)
  - Reduced # of SKUs
  - Harmonization across markets



# Turnaround case with significant potential

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## Gradual improvements towards 2016 target

- 2-4 % organic growth
- >16.5 % EBIT margin

## Growing the top line

- Regain focus on our local core # 1 and # 2 positions
- Fewer and more focused innovations – further initiatives across categories
- One face to the retailer – increased importance as supplier
- The right leaders with the right attitudes

## Cut costs by at least NOK 300 million (2014-16)

- Overhead
- Portfolio and product costs
- Supply chain