Lilleborg

#1 player within professional cleaning, with resilient business model and steady growth

Orkla Capital Markets Day 2023

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Lilleborg is Norway's market leader within professional cleaning solutions for the B2B market. Driving value through **deep, targeted expertise** and **customer insight**, in addition to **sustainable** and **proven, innovative methods and products**.

Coupled with a passionate and strong company culture, the result is **high customer loyalty and satisfaction** which creates a stickiness that secures present and future market position, and **solid and growing financial returns**

- Proven methods and products
- Close to customer
- Sustainability at the core
- Targeted expertise

Lilleborgs company name has a 190-year legacy on the Norwegian market

- Founded in 1833 by Peter Møller that produced soft soap and toilet soap
- Lilleborg has from the start focused on cleaning products, with competence at the core
- From 1947 a separate B2B Business Unit was established

HISTORY

Lilleborg

- B2B-focused, leading provider of professional cleaning solutions in the Norwegian market - competence is still at the core of the offering
- A full-service provider with a wide portfolio of high-quality and innovative products
- Exclusive partner with Diversey (acquired by Solenis 2023) in the Norwegian market for over 30 years
- Strong company name, highly recognized and known on the Norwegian market reinforced by 120 passionate employees

TODAY

1833 → 2023

Lilleborg's foundation is a strong company culture, with a passionate & entrepreneurial spirit

Employees are proud to work in the company

93% of all employees say they are proud to work in the company[1]

Low turnover

Average length of employment is 12 years

Belief in strategy

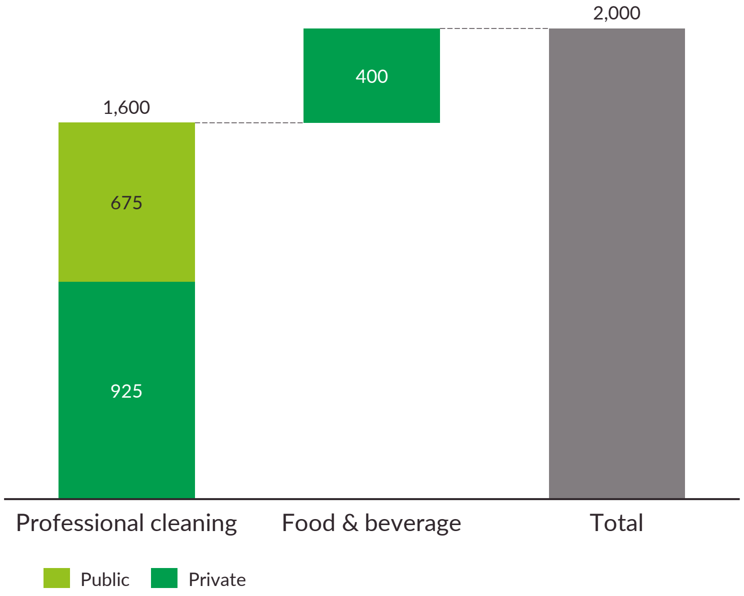
94% of all employees say they believe in the strategy set by the management team[1]

[1] Lilleborg employee survey 2021

Norway's professional cleaning market is growing and highly attractive

A market of NOK 2 billion split in two segments…

Total addressable market, revenue in NOK million [1]



…with attractive market conditions for Lilleborg

[1] Proff.no and Lilleborg estimates

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Lilleborg has leading positions in both business areas

Professional cleaning

Food & beverage

	Professional cleaning			Food & beverage		
Customers & market postition[1]	Hospitals, schools, nursing, day care #1	Hotels, canteens and restaurants #1	Facility management #1	Aquaculture #2	Food industry #1	Dairy #1
Product categories	Machine warewash, kitchen cleaning, room and floor care, cleaning machines, tools, laundry, personal hygiene, infection control, training & courses			Open Plant Cleaning, Cleaning In Place, crate detergents, dosing equipment, training & courses		
Examples of customers	NorEngros, MASKE, Oslo kommune, ISS, Lyreco, ASKO, SYKEHUSINNKJØP			TINE, NORDFJORD, Nortura, FATLAND, LERØY, NORSK KYLLING, NOVA SEA, CERMAQ		

[1] Position relative to competition

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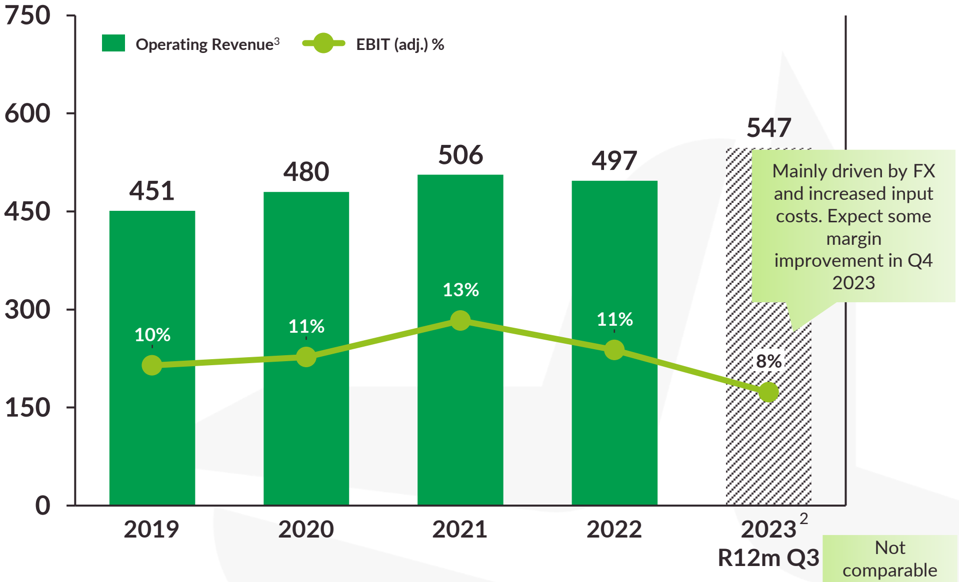
Lilleborg has a strong market position with steady growth

Resilient business model with steady growth…

1. Market leader on the Norwegian market and high customer stickiness
2. A portfolio that has proven to be resilient during pandemic, war and raw material crisis
3. Growth rates above market growth with accelerated growth driven by the food & beverage segment[1]
4. Asset-light model, with high cash conversion and solid profitability vs. peers[1]

…with a 3% CAGR between 2019 and 2022



Cash conversion[4]				
90%	122%	141%	73%	N/A

[1] Proff.no and Lilleborg estimates
[2] Accelerated operating revenue growth due to raw material price increase which also affects yearly EBIT (adj.) due to delay in forwarding increased prices to customers
[3] In NOK million
[4] Cash flow from operations as percentage of EBIT (adj.). Cash conversion 2021-22 differs from the standard pattern due to an atypical change in working capital in 2021

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Lilleborg creates value through three key pillars…

	Targeted expertise	Close to the customer	Sustainability at the core
Lilleborg's way of working			
What Lilleborg offers:	• Highly competent field sales, local R&D coupled with relevant regulatory expertise • Trusted advisor to a broad customer base	• The largest field sales force compared with peers • Deep understanding of customer needs	• Sustainability as key component for product, new innovations, systems and methods • Recognized through several awards such as Ecovadis gold medal

… creating value (i.e., improved financial results, more sustainable products and methods, and reduced risk for the customers) …

… through a systematic approach, deep and true insights, and the right products and methods

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...and is guided by a strong ambition and clear strategy

Ambition	Lilleborg shall be a full-service cleaning supplier that creates value for the customers		
Strategic priorities	Strengthen our position in existing segments	Profitable growth within strategic areas	Value-added competence and services
Strategic enablers	Sustainability at the core		
	Empowered employees with right digital tools		
Core values	Trustworthy	Competent	Creates solutions

Financial targets 2024-26

Solid long-term growth

Long-term revenue growth

CAGR **3-5%**

Operating revenue

Solid financial returns

CAGR **10-12%**

EBIT (adj.)

Capital light model

Target >**90%**

Cash conversion[1]

[1] Cash flow from operations as percentage of EBIT (adj.)

EnduroPower

Creating value for the end-customer and saving cost for all stakeholders

THE CUSTOMER

Lerøy Aurora, Skjervøy, Norway. Production and processing of salmon

THE CASE

In close collaboration with the customer, Lilleborg conducted a thorough assessment of cleaning procedures and products.

Set up involving Lilleborg as provider of cleaning products (EnduroPower concept), and methods and ISS as provider of cleaning personnel

THE IMPACT

Identified yearly savings of NOK 1.2 million in cleaning cost.

Yearly environmental savings related to cleaning is 5,700 m^3 of water and 72,000 kWh in energy, estimated to a reduction in CO_2 emission with 1.3 tons/year

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Alternative Performance Measures (APM)

Contribution ratio
Contribution ratio is calculated by dividing the contribution margin by operating revenues. Operating revenues minus variable operating expenses constitute the contribution margin. Variable operating expenses are reported on the financial statement line “operating expenses” and consist of expenses directly related to sales volume. Variable expenses include the costs of input factors such as raw materials and packaging, and variable production costs such as electricity related to production and variable pay. They also include incoming and outgoing freight costs directly related to sales volume. Costs related to finished goods purchased for resale are included as part of variable operating expenses. Production costs that are relatively constant over time and do not vary according to production volume are not included in the computation of contribution margin; such costs include warehouse costs, wages of factory administration and management staff, and depreciation of production equipment.

Contribution Margin is a key internal financial figure that shows how profitable each portfolio company’s product mix is and hence the company’s ability to cover fixed expenses. Contribution margin is an important financial figure with regard to product innovation and product portfolio optimisation.

Organic growth
Organic growth shows like-for-like turnover growth for the group’s business portfolio and is defined as the group’s reported change in operating revenues adjusted for effects of the purchase and sale of companies, the re-conclusion and loss of distribution agreements of a material nature, and currency effects. Intra-group transfers of companies and changes in distribution agreements between portfolio companies are also taken into account. When calculating organic growth, acquired companies will be excluded 12 months after the transaction date. Sold companies will be excluded pro forma 12 months prior to the transaction date. Currency effects are neutralised by translating this year’s turnover at last year’s exchange rates.

Organic growth is included in segment information and used to identify and analyse turnover growth in the consolidated portfolio companies. Organic growth provides an important picture of the portfolio companies’ ability to carry out innovation, product development, correct pricing and brand-building.

Segment information for each consolidated portfolio company shows how large a part of organic growth is related to price effects and how large a part is linked to volume/mix effects. Price effects are defined as net changes in prices to customers, i.e. changes in prices to customers adjusted for factors such as discounts, campaigns and price reductions. The price effects are calculated based on the assumption of unchanged volume. Volume/mix effects are calculated as a residual, and are organic growth minus price effects. Volume/mix effects consist of changes in sales volume and/or changes in the product mix sold.

EBIT (adj.)
EBIT (adj.) shows the group’s current operating profit before items that require special explanation, and is defined as reported operating profit or loss before “Other income and expenses” (OIE). Items included in OIE are disclosed in Note 3. These include M&A costs, restructuring or integration expenses, any major gains on and write-downs of both tangible and intangible assets, and other items that only to a limited degree are reliable measures of the group’s current profitability. EBIT (adj.) margin and growth are derived figures calculated in relation to operating revenues.

EBIT (adj.) is one of the group’s most important financial figures, internally and externally. The figure is used to identify and analyse the group’s profitability from normalised operations and operating activities. Adjustment for items in OIE which to a limited degree are reliable measures of the group’s current operating profit or loss increases the comparability of profitability over time.

Alternative Performance Measures (APM)

Change in underlying EBIT (adj.)
Change in underlying EBIT (adj.) shows like-for-like EBIT (adj.) growth for the group's business portfolio and is defined as the group's reported change in EBIT (adj.) adjusted for effects of the purchase and sale of companies and the re-conclusion and loss of distribution agreements of a material nature and currency effects. Account is also taken of intra-group transfers of companies and changes in distribution agreements between portfolio companies. In calculating the change in underlying EBIT (adj.), acquired companies will be included pro forma 12 months prior to the transaction date. Sold companies will be excluded pro forma 12 months prior to the transaction date. Currency effects are neutralised by translating this year's EBIT (adj.) at last year's currency exchange rates. Where underlying profit performance is mentioned in the report, reference is made to underlying EBIT (adj.) performance. Underlying EBIT (adj.) margin and change therein are derived figures calculated in relation to operating revenues.

Underlying EBIT (adj.) growth is used for internal management purposes, including for identifying and analysing underlying profitability growth in the existing business portfolio, and provides a picture of the portfolio companies' ability to improve profitability in their existing operations. The measure is important because it shows the change in profitability on a comparable structure over time.

Return on Capital Employed (ROCE)
ROCE is calculated by dividing a 12-month rolling EBITA (adj.) by the average capital employed in the consolidated portfolio companies.

EBITA (adj.) consists of EBIT (adj.) plus depreciation and write-downs of intangible assets. In the calculation a 12-month rolling EBITA (adj.) is used. Since depreciation and write-downs of intangible assets are not included in EBITA (adj.), they are also excluded from the capital base. Thus the historical cost of intangible assets is used in capital employed (see next paragraph).

Capital employed represents working capital in the consolidated portfolio companies and consists of:

- Net working capital - consists of the statement of financial position items "Trade receivables", "Trade payables" and "Inventories". It also includes public charges payable and some minor receivables and payables related to operations from "Other receivables and financial assets" and "Other current liabilities".
- Fixed assets
- Intangible assets at historical cost - consist of the statement of financial position line "Intangible assets" plus accumulated depreciation and write-downs
- Net pension liabilities -Pension assets are included in the statement of financial position line "Associates, joint ventures and other financial assets", while pension liabilities are included in "Provisions and other non-current liabilities"
- Deferred tax on excess value - This item is included in deferred tax which is part of the statement of financial position line "Provisions and other non-current liabilities"

Alternative Performance Measures (APM)

Return on Capital Employed (ROCE) cont.
Average capital employed is at all times an average of the closing balance for the five last reported quarters.

ROCE shows the return that the Orkla group receives on the capital invested in the various consolidated portfolio companies. This is an important measurement parameter for assessing whether the portfolio companies' return exceeds the group's weighted average cost of capital (WACC), and for comparing the return on the current portfolio with another alternative return.

Net replacement and expansion investments
When taking decisions regarding investments, the group distinguishes between replacement and expansion investments. Expansion investments are the part of overall reported investments considered to be investments either in new geographical markets or new categories, or which represent significant increases in capacity. Net replacement investments include new leases and are reduced by the value of sold fixed assets to sales value.

The purpose of this distinction is to show how large a part of the investments (replacement) mainly concerns maintenance of existing operations and how large a part of the investments (expansion) is investments which must be expected to generate increased contributions to profit in future, exceeding expectations of normal operations.

Net interest-bearing liabilities
Net interest-bearing liabilities are the sum of the group's interest-bearing liabilities and interest-bearing receivables. Interest-bearing liabilities include bonded loans, bank loans, other loans, lease liabilities and interest-bearing derivatives. Interest-bearing receivables include cash and cash equivalents, interest-bearing derivatives and other interest-bearing receivables.

Net interest-bearing liabilities are the group's primary management parameter for financing and capital allocation and are used actively in the group's financial risk management strategy. The Orkla format cash flow statement therefore shows the change in net interest-bearing liabilities at group level.