Orkla Capital Markets Day 2023

Transforming for long-term value creation

Strictly Private & Confidential

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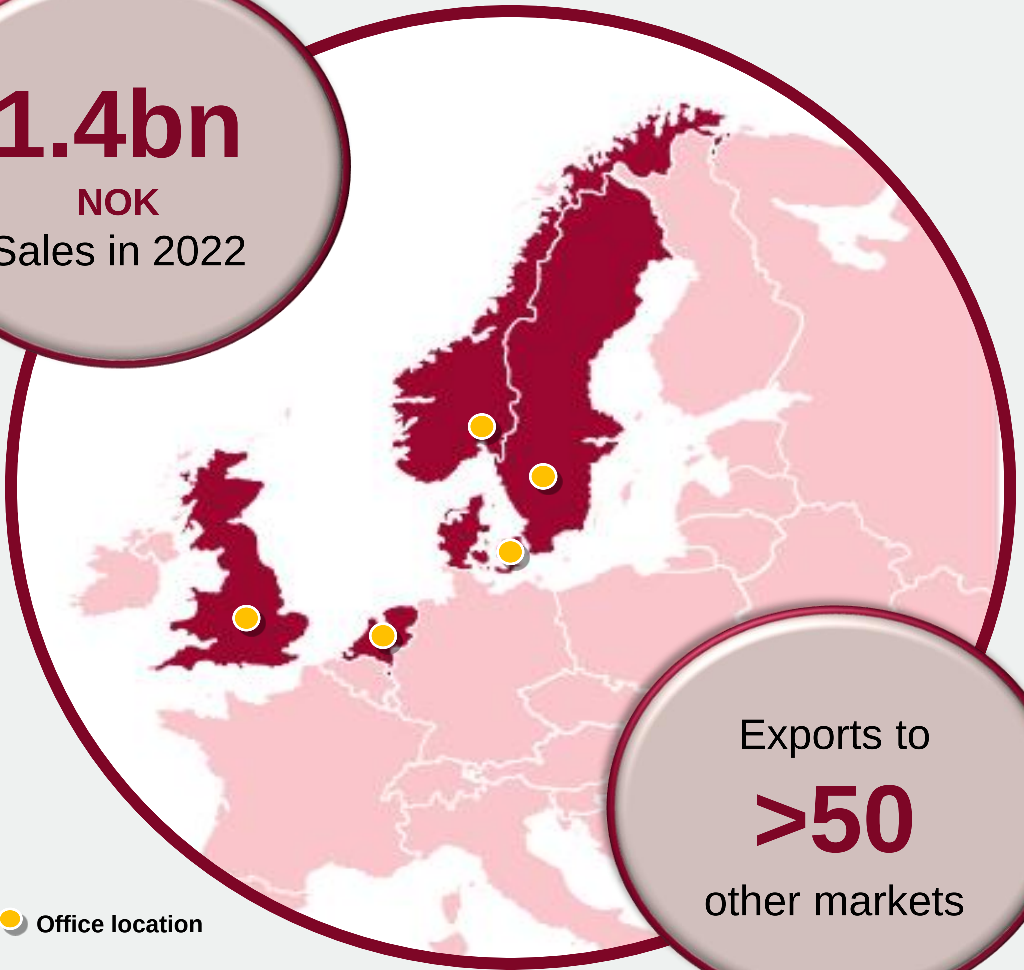
Orkla
House Care

Orkla House Care is ***the leading designer, manufacturer and marketer of painting tools and accessories*** *in Northern Europe with* ***strong heritage brands*** *which deliver on our* ***target users' needs*** *with* ***innovative and sustainable products and solutions***

Today, Orkla House Care has brand leadership in the Nordics, Benelux and UK, and an increasing presence in over 50 international markets

1.4bn
NOK
Sales in 2022



Office location

Exports to
>50
other markets

	DIY		PRO	
	Jordan*	#1	Jordan* HÅNDVERK	#1
	ANZA	#1	ANZA PRO	#1
	ANZA	#1	spekter	#1
	SAM	#1	ANZA PRO	#1
	Harris	#1	HAMILTON FOR THOSE WHO KNOW	#2

Leadership comes from over 150 years of experience in designing, manufacturing and supplying superior painting tool products

1845

Initiation of brush production under Jordan

1928

L G Harris started paint brush production in UK

1946

Anza founded by Damberg brothers in Sweden

60s & 70s

Scale up via manufacturing automation and exports

21st Century

Unique in-house R&D competence developing high quality products and innovations

Manufacturing excellence with modern materials and automated production solutions

Orkla House Care

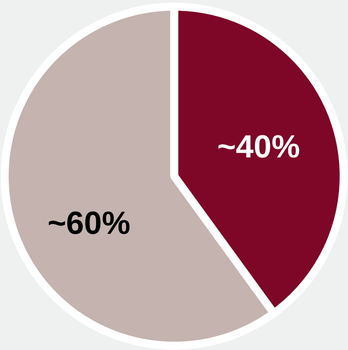
The business operates in a global landscape, where Painting Tools play a crucial role in the application of surface coatings

Large global market for paint and coatings

EUR ~150bn

market (FY2022)

Industry end-use demand split



Decorative paints

Industrial related paint/coatings [1)]

Painting Tools & Accessories are a critical part of the application solution

EUR ~9bn

market (FY2022)

Market size split

EUR ~3.5 bn

EUR ~3.2 bn

EUR ~1.6 bn

EUR ~0.9 bn

Demand drivers and where used are common across all markets

Why: every painting project needs a tool to apply the coating

Where: Interior & Exterior repair, maintain and improvement tasks

Where: residential and commercial construction

1) Includes general industrial, vechicle related, wood finishes, powder- , protective-, coil-, plastics-, packaging and marine coatings

Source: Orkla internal estimates

Orkla House Care

Orkla House Care creates value for sellers and has a robust base of users and segments despite economic headwinds

Branded tools build margin for paint sellers ...

A basket with paint alone is not very profitable for the seller

Branded tools deliver higher value for sellers in all channels

… Who service end-users with brand loyal characteristics….

Illustrative basis

OHC End User Split

Pro painter
(paints for a living);
remains very brand loyal in all economic climates

DIYers
trust in brands and selects from good, better, best according to spend capacity

… Allowing Orkla House Care to focus on the more robust industry segments

Illustrative basis

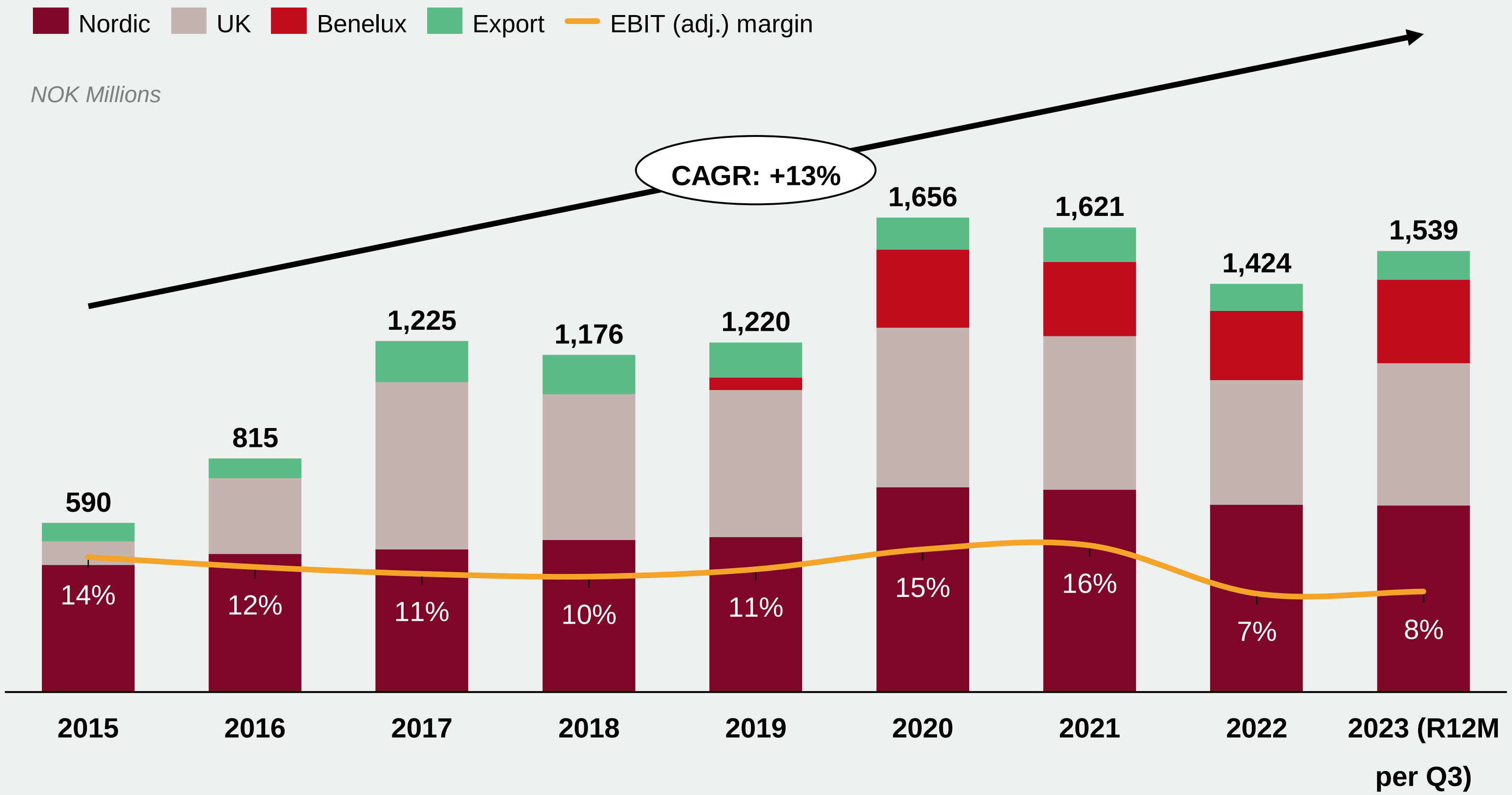
OHC Industry Segment Split

Repair, maintain & improve
a robust sector due to its blended coverage

New build construction
highly impacted by macro dynamics

Financially, Orkla House Care has recorded a history of robust topline performance and delivered consistent EBIT rates pre-Covid

Operating revenue and EBIT (adj.) margin development (reported Group figures)

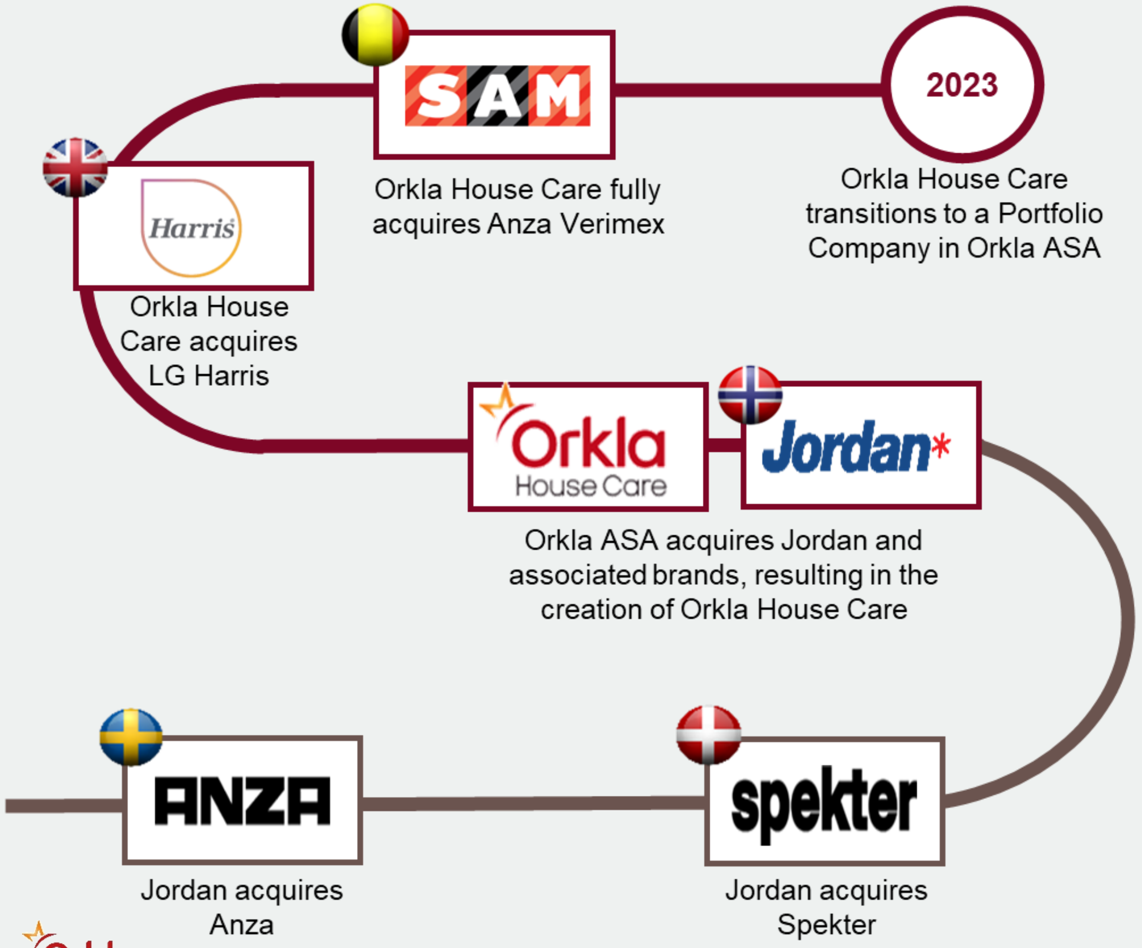


- Acquisitions and strong revenue management have grown topline
- Pass through to EBIT rate has been constrained by high blend of fixed vs variable costs
- Covid home improvement boom demonstrated the benefit of volume as key leverage driver
- Significant write-off taken in 2022, impacted EBIT (adj.) margin by 160Bps
- Although not under-performing, OHC needs to address its approach to value development

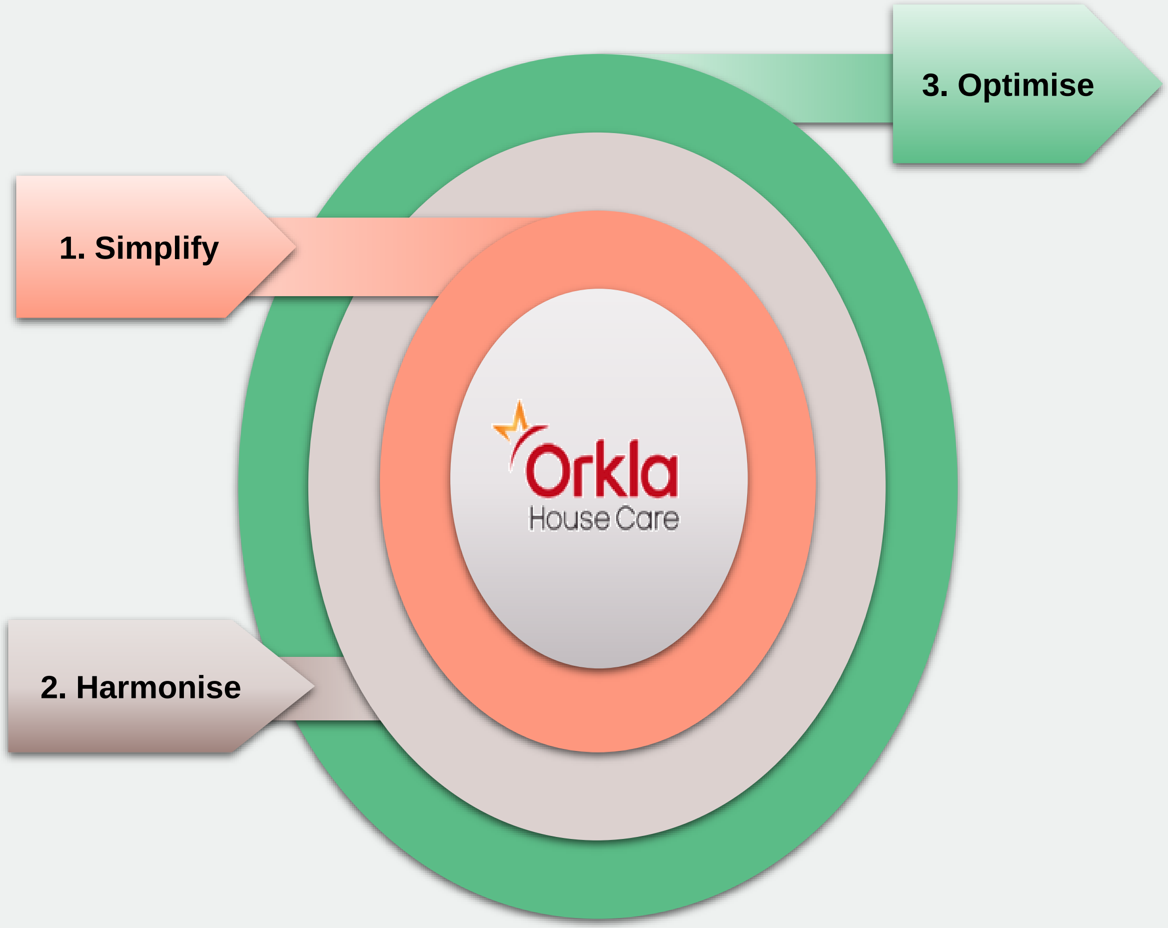
Orkla House Care

Orkla House Care is now at the start of a new era, with a bold and transformative ambition to optimise its positioning

OHC has acquired leading brands in attractive markets and focused on maintaining them….



…..but will now focus on leveraging its core assets and competences to build an more integrated and scalable business



Orkla House Care

The overarching goal during the strategy period is to build an integrated platform, enabling scale in activities and long-term value creation…

Activities in the transformation journey:

Category Development

Building data led offering in core channels to increase Orkla House Care presence

Targeted New Product Dev.

Focused launches within brushes, rollers and kits

Complexity Reduction

Range and material simplification across all brands and categories

Build New Capability

Invest in targeted needs and skills development in value creation areas

Refresh Operating Model

One Orkla House Care with supporting systems, processes and tools to deliver agenda

By end 2026; an integrated platform

Will enable Orkla House Care to deliver on:

Increased New Product Vitality

Growing value through new products and life cycle management

Geographical Expansion

Leveraging operating blueprint and assets where Orkla House Care brands can develop and build scale

Optimised Supply Chain

Relevant footprint with efficient cost base to meet future demand profile

Refreshed M&A Agenda

Targeted opportunities to develop scale, competence and reach

Continuous Improvement

Embedding a culture of identifying and enacting value adding enhancements

Orkla House Care

…whilst continuing to perform against key metrics within first strategic phase to 2026

Margin target

EBIT (adj.) margin uplift of

+5%-p

vs 2023 exit rate

Capital efficiency

Inventory reduction of

2%-p

vs 2023 exit rate

Orkla House Care will achieve its goals by building organisational alignment behind a refreshed long-term strategic agenda…

STRATEGIC AGENDA 2024 → 2030

VALUE-ADDING INNOVATION

Product development which creates value users want to invest in

- User centric product roadmaps
- Margin accretive new products
- Project-led adjacencies
- Value for complexity

CATEGORY LEADERSHIP

Leadership in attractive markets through scale in relevant channels

- Own the Pro & Trade users
- Big Box category captaincy
- Winning online
- Geographical expansion

SUPPLY CHAIN EXCELLENCE

Efficient footprint which delivers consistently high quality & service

- Raw material simplification
- Network optimisation
- Continuous improvement in capabilities
- Leading performance indicators

SUSTAINABLE BUSINESS

Working collectively to be a positive contributor for all of our stakeholders

- Protecting our environment
- People and community
- Governance & ethics
- Financial strength

…and will unlock greater long-term sustainable value by leveraging its core strengths and optimising its unique value chain

Orkla House Care is also transforming its ways of working to build full alignment to its strategic priorities

- Strategically aligned goals, KPIs and management systems
- Simplified operating model driving collaboration and clarity
- Common ERP platform providing data and creating standarised ways of working

Combining a robust base with a new strategy, Orkla House Care is well placed to capture opportunities and succeed in its journey to grow value

Orkla House Care

- Strong brands with leading positions in key European markets
- Targeting future growth from robust end-user segments
- Focused on margin expansion through brands, new products and mix
- Efficient, integrated supply chain delivering quality and reliability
- People and assets to build scalable future business

Orkla
House Care

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.