Pierre Robert Group

Creating consumer value through sustainable comfort and omnichannel presence

Orkla Capital Markets Day 2023

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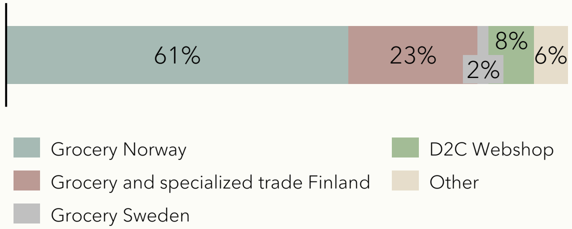
Pierre Robert Group – The Nordic favourite for sustainable comfort

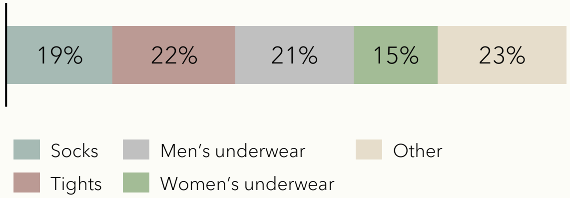
Key facts

Key facts about the company

604	26	2006
*Operating revenue NOK million**	*EBIT (adj.) NOK million**	*Established*

Operating revenue*





*Rolling 12 months per September 2023.

Exceptional distribution in grocery channel

Award winning sustainable value chain

Contemporary web-shop and online presence

Long term cooperation with suppliers in Asia and Europe, no own production facilities

73% market share in grocery in Norway

11% market share in grocery in Finland

Strong brand portfolio with winning positions in Norwegian and Finish grocery, and brand awareness outperforming major textile players in total market

Brands

- Strong local brands with #1 positions in Norway and Finland
- Nordic heritage brands with long history
- Brand awareness outperforming major textile players in total market
- Strong web-exclusive concept; KAPSEL by Pierre Robert

Pierre Robert

Since 2006

Black Horse

Since 1975

norlyn

Since 1966

FINNWEAR

Since 1978

laMote

Since 1959

Pierre Robert Group

Driving value by capitalising on consumer trends and growth in new markets

Pierre Robert Group's growth journey

Category expansion

Pierre Robert brand launched

Continuously introducing attractive collections and category expansions at good price points

#1
Market leader in the largest categories

Sold at
>3,500
Store fronts

Category growth driver

NOK 0,5 billion → NOK 1,0 billion

Market size Norwegian grocery 2007

Market size Norwegian grocery 2022

Sustainability excellence

Member of Ethical Trade since 2005

Long term, holistic and systematic work with clear goals and measurable KPI`s

100%
Organic Cotton Underwear

Channel expansion

Web-shop launched

Created complementary web exclusive assortment, with seamless shopping experience

Pierrerobert.no/se/fi
Blackhorse.fi

Geographic expansion

Entered Finland

Entered Finland through strong local Finnish brands. Growth driven by strong brand building and assortment expansions

Strong market positions across core categories

Sold at
>2,000
Store fronts

Sources market size Norwegian grocery: GFK (2007) and NielsenIQ (2002). Categories where Pierre Robert Group is present.

1

Grow the core

2

Lead sustainability

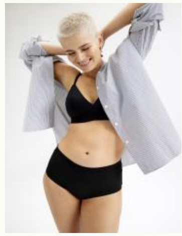
3

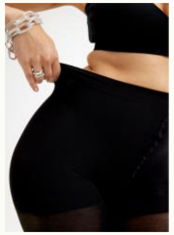
Leverage omnichannel availability

Pierre Robert Group promise better basics, never compromising on comfort, always flattering to wear

Key actions

Strengthen and optimize the core of comfortable and affordable basic textiles, mainly sold in grocery channel




Favourite basics for the whole family; primarily within underwear, hosiery & socks categories

Launch a new favourite brand, targeting urban men, with comfortable and stylish men's basics



Aim to become the favourite «it-brand» for men's basics; unlock the potential in men's category under a new brand

1
Grow the core

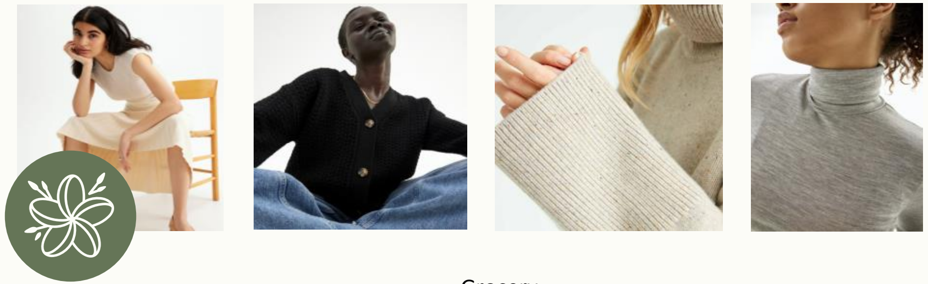
2
Leverage omnichannel availability

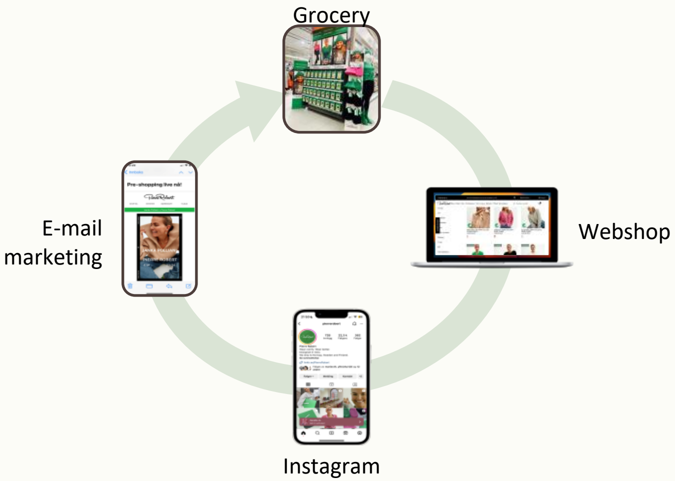
3
Lead sustainability

Exceptional availability through grocery stores and online presence

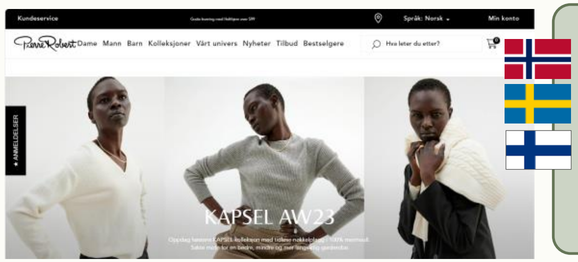
Key actions

Expand high quality, sustainable capsule wardrobe for Nordic lifestyle in own web-shop with KAPSEL as frontrunner



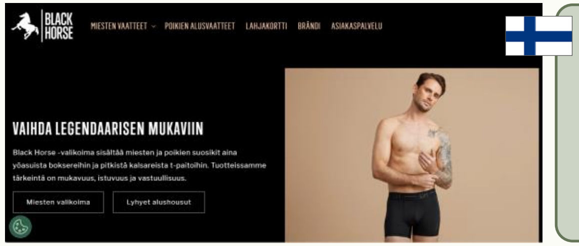


Step up and increase web-shop investments. Grow ecommerce excellence and ensure profitable increase in capacity and brand investments



Launched 2014 with a sharp digital first sustainable concept targeting urban women 28–45 through close consumer dialogue and world class user experience

Pierrerobert.no/se/fi



Launched 2022, for better exploiting the digital customer journey and making the brand more relevant for younger people

Blackhorse.fi

1
Grow the core

2
Leverage omnichannel availability

3
Lead sustainability

Long term systematic efforts to ensure sustainability has put Pierre Robert Group in a strong competitive position for the new directives* to come

Sustainability achievements

100%
Organic cotton underwear

100%
Merino wool garments
Nordic Eco labelled

57%
Recycled synthetics

96%
Sustainable packaging

24%
Suppliers with >20 years working relationship
Open supplier list

Majority of assortment
3rd party eco certified

76%
Seasonless assortment, standard product line

Guide for sustainability ambitions

Slow fashion

Pierre Robert Group enables consumers to buy less and will not push fast fashion trends. Instead, Pierre Robert Group offers timeless, well thought through and curated collections. The clothes are made to last, to be loved, worn, washed, repaired and recycled.

Mindful of the footprint

Pierre Robert Group practises mindful use of resources. Every detail is carefully considered to minimize negative impact on the environment and products are designed for circularity.

Care for all

Pierre Robert Group's suppliers are also partners. Cooperation, communication, support, respect and care for the value chain are key factors. Human rights and animal welfare are protected. Pierre Robert Group are inclusive and transparent.

*The EU strategy for sustainable and circular textiles aims to create a greener and more competitive sector. The strategy lays out a forward-looking set of actions with more and stricter directives to come. Pierre Robert Group's sustainability strategy up to 2030 is aligned with the Commission's 2030 vision for textiles.

Strategic priorities

Strategic priorities (2024-2026)

Grow the core*

Leverage omni-channel presence

Lead sustainability

Working capital and business cost improvements

2026-targets

Environmental, social and governance target

>80%

Running items**
Avoid fast fashion trends and reduce surplus

Financial target

>100

NOK million accumulated net cash generation (2024-2026)

* Favourite basics primarily within underwear, hosiery & socks categories.
** Seasonless assortment, standard product line.

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.