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# Orkla ASA (ORK.NO)

Q3 2023 Earnings Call

## CORPORATE PARTICIPANTS

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## MANAGEMENT DISCUSSION SECTION

### Kari Lindtvedt

*Senior Vice President-Investor Relations, Orkla ASA*

Good morning and welcome to the Presentation of Orkla's Third Quarter Results. My name is Kari Lindtvedt. I'm Head of Investor Relations. As usual, we start today with President and CEO, Nils Selte, who will share some reflections on the quarter and also on the transaction we announced earlier today. He will be followed by CFO, Harald Ullevoldsæter, who will give you more detail on the financials for the quarter.

At the end of the presentation, Nils will share and summarize our main messages from today before we move on to Q&A. And also today in the Q&A session, we will be joined by Investment Executive, Øyvind Torpp, who will be here to answer any additional questions you might have on the transaction we announced this morning.

So, please, throughout the presentation today, you're welcome to post questions on the webcast, and we will address them at the end of the presentations.

With that, I will leave the floor to you, Nils.

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### Nils Kloumann Selte

*President & Chief Executive Officer, Orkla ASA*

Thank you, Kari, and good morning to you all, and thank you for joining the presentation. First, as Kari said, I want to say a few words about the transaction we announced this morning. I'm very pleased and proud to announce that we have established and signed a partnership agreement with Rhône concerning Orkla Food Ingredients. Orkla Food Ingredients has grown ninefold since it was established back in 1999, and has become a leading food ingredient solution provider within the categories bakery, ice cream ingredients, and plant based.

This growth has been the result of organic expansion and successful M&A strategy with over 50 acquisitions across Europe and North America. Orkla Food Ingredients has proven to be a resilient business over time, navigating successfully through economic downturns and recent macroeconomic disturbances. When we last year started the process of finding a partner for Orkla Food Ingredients, we had an ambition to find someone with relevant industry experience who could support and contribute to Orkla Food Ingredients' growth and value creation.

We have undertaken a thorough search and seen strong interest from a wide range of potential partners. Today, we are very happy to announce that this partner is Rhône. Rhône focus on and has experience from the consumer sector and food and beverage industry through past and current investments. Rhône is a global private

equity firm established in 1996, focusing on investment in companies with a transatlantic presence. They have, over the years, delivered strong financial returns and have a proven track record of substantial value creation for their owners and partners.

The partnership with Rhône will ensure that Orkla Food Ingredients can stay at the forefront of the industry consolidation with a clear ambition to improve margins and continue its growth journey. Both Rhône and Orkla are fully committed and aligned to the plan for increased value creation going forward. After the transaction, Orkla will own 60% and Rhône, 40%, of Orkla Food Ingredients. The implied enterprise value of the company in the transaction is NOK 15.5 billion.

I see this transaction as a very good example of how the new operating model in Orkla supports our value creation. The new operating model increases our flexibility in terms of ownership models and ability to execute. Øyvind will join us, as Kari said, in the Q&A session, to help answer any question when it comes to the transaction.

There's one slide missing here, because now I was supposed to talk about this one. So, before commenting on the financial in Q3, I want to remind you of our upcoming Capital Markets Day in London in November. Just to give you a brief idea of the agenda, we have divided the day into two parts. The first part will focus on the overall strategy for Orkla ASA as an industrial investment company, our ownership role, and financial strategy. We will devote time to explain why and how the new operating model will create more value.

In the second part, we will have our six most important portfolio companies on stage outlining their ambitions, financial targets, unique value drivers, and strategies. As a general comment, we will present most targets and ambitions on a portfolio company level. This is in line with our new operating model where value is created through the underlying performance in each portfolio company.

This is why we have increased transparency in our quarterly reporting since Q2 this year, but we will also comment on our group level ambition for the value creation under the new operating model and give some guidance on selected group targets. The agenda will run for approximately 4 hours, and I hope to see as many of as possible of you in London at that event.

Now, let's dig into the quarterly performance for the group and our portfolio companies. Starting with the group, today, we report the group EBIT adjusted decline of 14%. This reflect the profit decline in Hydro Power, which was heavily impacted by lower prices compared to the same quarter last year.

At the beginning of the year, we initiated [ph] and flowed (00:06:41) focus on cash flow generation throughout the group, and I'm happy to see that this is increasingly visible in the numbers provided in Q3. When we look at our portfolio companies, we can report underlying EBIT adjusted growth for 8 out of 12 portfolio companies. And let me highlight the strong performance in Jotun, Orkla India, Orkla Home & Personal Care, and Orkla Health.

Orkla Confectionery & Snacks continue to struggle with the ramp-up of the new biscuit factory, and we see that we have underestimated the complexity and prolonged financial consequences. These challenges will follow us also into 2024. The negative earnings impact this quarter is estimated to NOK 40 million. I really regret that we did not see this development earlier so that we could have been more precise in our reporting to the market. But on a positive side, the underlying performance in the rest of Orkla Confectionery & Snacks is quite good.

We also had an extraordinary event in Orkla Foods Europe, the recall of ketchup from our Swedish factory due to quality issues. Related costs amounted to NOK 25 million. This issue, I can promise you, has been solved in the quarter. As a last comment, adjusted earnings per share increased by 2% in the quarter now at NOK 1.61.

Also announced today, the CEO of Orkla Foods Europe, Paul Jordahl, has decided to step down from 1st of November. Atle Vidar Nagel Johansen will act as Interim CEO while we are searching for his successor. Atle Vidar will step down from Orkla's management team during the interim period.

That said, I will now leave the floor to Harald to take you through the details of Q3.

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## Harald Carlos Ullevoldsæter

*Chief Financial Officer & Executive Vice President-Finance, Orkla ASA*

Thank you, Nils, and good morning, everyone. I will now take you through the quarter three results. And as last time, the main focus will be on the aggregated numbers and the eight largest portfolio companies.

Reported revenue growth for the group was 14% in the quarter. Organic growth for the consolidated portfolio companies was 6%, and the main driver was price increases of 7.8%, while volume/mix declined by 1.8%. Taking into account the hoarding effect in quarter two last year, affecting this quarter three this year positively, volume performance is largely in line with performance in previous quarters, perhaps slightly improvement. EBIT adjusted for the consolidated portfolio companies increased by 16%. And the earnings growth was broad based and the main driver was price increases. Adjusted for change in forex exchange rates and M&A, the underlying growth was 5%.

The tailwind from price increases to our customers is reduced in quarter three and will be for the rest of this year. When entering into the summer, we saw increased risk for prices of important agricultural products rising again due to drought and reduced crops, as we communicated in our Q2 presentation. This has not materialized in a substantial manner, but geopolitics and the impact of extreme weather, such as the ongoing El Niño, are still an unknown for supply and input costs going forward.

We are still experiencing an increase in input costs compared to the same quarter last year. The market prices for [ph] weighted basket (00:11:09) of our main materials declined in quarter two, but has displayed a more stable development in quarter three as a result of greater market price polarization. While market prices for materials such as vegetable oils, grain-based, and dairy products are lower compared to last year, we see adversely increasing market prices in categories such as cocoa, tomato paste, rice, and fruits.

The decline for financial investment was mainly driven by electricity prices for Hydro Power. Electricity prices in Norway in the quarter were only a fraction of last year's prices. This resulted in EBIT adjusted of NOK 153 million for Hydro Power. In the state budget for 2024, it is proposed that the windfall tax, which was introduced last year and which affect Hydro Power, will be removed.

Real estate's handover of apartments from Orkla Brands previous headquarter in Oslo increased EBIT by NOK 91 million for financial investments. We had net other income and expenses of minus NOK 77 million in the quarter. The largest elements were write-downs of Czech brand and intangibles in The European Pizza Company, offset by a positive reversal from the exit of Hamé Russia. Profit from associates was NOK 509 million, mainly related to a strong performance in Jotun, as Nils mentioned. I'll come back to this.

Net financial items were higher than last year mainly due to higher interest costs but also higher debt level. The average interest rate in the quarter was 5.4% compared to 2.6% in the corresponding period last year. Reported

tax expenses were NOK 430 million. This is down from NOK 685 million in the corresponding quarter last year. The underlying tax rate, adjusted for Hydro Power tax and other nondeductible costs, was basically unchanged at approximately 22%.

Let's have a look at the cash flow for the first nine months. Total cash flow from operation was NOK 4.8 billion in the first nine months of 2023, compared to NOK 2.2 billion for the same period last year. The cash flow from operation in the consolidated portfolio companies was significantly higher than in 2022. This was mainly driven by improved earnings and less negative change in net working capital from lower inventory.

Part of these improvements are related to our increased focus on capital, and our ambition is still to reduce working capital to a more normalized level. The largest project under net replacement investments was the construction of the new biscuit factory in Latvia. Replacement investment also include other factory projects.

Next, let me walk you through the net interest-bearing debt bridge for the first nine months of 2023. Net debt, including leases, increased by NOK 2.8 billion to NOK 19.9 billion from year-end 2022 but decreased by NOK 2.8 billion compared with quarter two. Taxes paid in the first nine months totaled NOK 1.6 billion, which is higher than in the corresponding period last year and due to higher Hydro Power profit in 2022 that is being paid in 2023. We also paid out NOK 3 billion in dividend in April.

Net M&A and expansion CapEx were NOK 1.3 billion in the first nine months of 2023 and were mainly related to the acquisition of Bubs Godis in Sweden and Khell-Food in Hungary. Expansion CapEx made up NOK 452 million in the period compared to NOK 228 million in the period last year. Negative currency translation effects as a result of a weaker NOK increased the net debt level by NOK 1.1 billion.

Orkla has a sound financial position, and our net debt level at the end of quarter three corresponds to 2 times EBITDA, based on the last 12 months when the acquired businesses are included in EBITDA; a reduction from NOK 2.3 billion at quarter two.

Now, let's have a look – closer look at the performance in the portfolio companies, starting with Jotun. Jotun experienced continued underlying volume growth, higher average selling prices, and positive mix that resulted in strong top line growth. All segments contributed to the growth. Strong sales growth, higher gross margin, and good cost control resulted in an increase in operating profit. EBITA rose by 50% in the third quarter. Jotun anticipates further sales growth for the remainder of the year. However, year-over-year growth rates are expected to be lower due to strong comparison months last year.

Raw material prices have stabilized after declining since the second half of 2022. Lower raw material prices are expected to continue to result in the year-on-year margin improvement in the upcoming quarter. This is partly countered by inflationary pressure in other operating expenses in several markets.

Let's then have a look at Orkla Foods Europe. Orkla Foods Europe had organic sales growth of 4.4% in third quarter. The growth was price driven and broad based in the grocery channel, while volumes declined across most markets. The volume/mix decline of minus 5.4% is primarily related to reduced purchasing power and higher consumer prices. This affects consumer behavior where hard discount stores are gaining shares and promotions drive customer activity. Market shares declined in the grocery channel during the period primarily in Sweden and Denmark. This goes back to the mentioned change in purchasing patterns.

Food service and convenience are still experiencing positive sales trend. High cost of raw materials and packaging, however, remain a challenge. Weighted exposure for different procurement categories makes the cost

increases more challenging for Orkla Foods Europe than other portfolio companies. Meat, dairy, sugar, tomato paste, and rice are examples of raw materials with significant increases. In addition, glass and metals are large packaging categories with strong price increases.

Underlying EBIT adjusted increased by 5%, largely driven by price increases, offset by cost increases and negative volume performance. A recall case for ketchup in several markets affected the quarter negatively by about NOK 25 million as a result of higher cost and lost sales.

Moving on to Orkla Food Ingredients. Orkla Food Ingredients had an organic sales growth of 4.2% in the quarter. The growth was price driven, as shown by the volume/mix of minus 1.1%, mainly driven by the bakery and ice cream segments.

[ph] As we are summing up (00:19:47), the ice cream season this year was weak due to unfavorable weather in large parts of Europe during July and August. The price contribution was positive in the quarter but at a lower pace than in preceding periods due to less price increases in 2023 as commodity prices have stabilized. Volume growth was still in positive territory within plant-based drinkables and margarine in quarter three. The margarine segment in particular will face tougher comparables in quarter four.

The underlying EBIT adjusted margin contracted by 0.5 percentage points compared to last year. This was driven by negative mix effects from a higher sales of low-cost products in some markets and higher costs. There is still good profit growth in many of our companies, as well as growth for both the bakery and plant-based segments; but this was offset by weak ice cream season, as I said, and other costs.

Let's then move to the performance in Orkla Confectionery & Snacks. Orkla Confectionery & Snacks had an organic sales growth of 7.1%, of which price drove 10.1%. The volume decline of 3% was related to delivery challenges from the new biscuit plant in Latvia. Taking this into account, the volume/mix development is more or less flat.

The startup of the new biscuit factory in Latvia has been more difficult and complex than anticipated, as Nils mentioned. The challenges have been related to concrete technological issues, but also to transfer of expertise to the new factory. Production volume has increased in the past quarter, and the factory is expected to reach the planned production volume in the course of the fourth quarter. However, the volume increase has entailed a cost level that is higher than estimated.

The ramp-up issues have weighed negatively on both costs and sales performance and, combined, we estimate this to have a negative earnings effect of approximately NOK 40 million in the quarter and NOK 125 million year-to-date, including then lost sales. The situation is expected to prevail throughout the fourth quarter and into the start of 2024. Market shares are slightly reduced and an important driver is of course the low service level from our new biscuit factory.

The earning progress for the remainder of the business, excluding biscuits – remaining of the business, sorry, excluding biscuits was good in the quarter. Raw material costs show a gradual flattening for most purchasing category, although still at a high level than in the corresponding period of last year. For certain important input costs like cocoa and sugar, prices have increased and will continue to do so into 2024. The weak Norwegian kroner and Swedish krona are affecting the overall procurement cost level negatively.

Let's then look at Orkla Health. Orkla Health had an organic growth of 6.6% in the quarter. The growth was driven by price as well as by volume growth in health and wound care categories. This was coupled with broad-based

subscription growth for NutraQ. Market share picture is mixed in quarter three. Vitamins, minerals, and supplements progressed slightly weakly in the grocery channel, as private label is gaining shares.

Underlying EBIT adjusted grew by 7.3%, driven by sales growth but somewhat offset by higher fixed cost and increased A&P. EBIT margin declined to 15.4%, compared to 16% in the corresponding period last year due to negative mix effects.

Let's then move on to Orkla India. Orkla India grew organically by 12.1% in the quarter, driven by both price and volume. The growth was broad-based across core categories, both domestically and internationally. The underlying EBIT adjusted progression of 33.2% was driven by both higher sales and improved contribution margin. Commodity prices were stable in the quarter.

Please note that the profits were positively affected by a government grant of NOK 6.5 million from an incentive program for Indian food producers. Let me also remind you that the merger between MTR and Eastern was made effective as of 1st of September this year. Orkla's ownership in the combined entity is 90.01%, in line with the announcement in connection with the acquisition of Eastern.

Moving on to Orkla Home & Personal Care. Orkla Home & Personal Care saw good growth, particularly in Norway, fueled by a sound mix of price and volume. This resulted in an organic growth of 11.4%. The contribution ratio improved due to price increases, offset by high input costs mainly from a weakening Norwegian krone. Some of the improvement was related to higher transportation costs and costs of one-off nature last year.

The majority of the input factors are exposed to euro, where the weakening of the Norwegian krone from last year has a negative effect. EBIT adjusted was also negatively impacted by higher depreciation due to relatively high investment level last year but still is twice at the level of last year.

Moving on to our pizza franchise business. The European Pizza Company grew revenues by 28%, of which 5.4% was organic, where the difference is the positive consolidation effect from the acquisition of Da Grasso in Poland and positive currency translation effects. Sales were positively impacted by increased consumer sales and price increases for the wholesale business. Consumers sales in quarter three totaled €111 million, which is an underlying improvement of 2.2%. In markets outside Germany, the underlying growth in consumer sales was 7.2%.

The strategy of acquiring the converting and converting pizza chains in Germany has proven complicated. This is related to a weaker-than-expected franchise network, low brand recognition, and generally challenging macro environment. A restructuring process has been initiated in Germany, where several underperforming outlets have been closed to secure a more solid platform and leaner organization going forward.

Then let's have a brief look at the remaining of our four company. The remaining four companies are smaller in size, and more details on these companies can be found on a regular basis in the quarterly financial report.

Let me now hand back to Nils for his final remarks.

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## Nils Kloumann Selte

*President & Chief Executive Officer, Orkla ASA*

Thank you, Harald. Just a few comments from me before we open for the Q&A. First, we are very excited about our partnership with Rhône. The partnership will strengthen Orkla Food Ingredients with a clear aim to create shareholder value through volume growth, margin improvements, capital efficiency, and structural growth.

And to comment on our Q3 reporting, I'm happy that we see underlying growth in the majority of our portfolio companies, including improvements on important parameters and cost improvements initiatives according to plan. Let me also state that there are still turbulent times in our value chain from input factors to consumer buying power, is affected. Going forward, we need to focus on volume and margin and continue investing in A&P for our brands to stay relevant.

The prolonged challenging situation of ramping up the new biscuit factory in Orkla Confectionery & Snacks is not acceptable, and mitigating actions are high on the agenda. We see an improvement in volume but are expecting higher costs continued into 2024. Finally, I'm looking forward to presenting more details on our ambitions and new operating model at our Capital Markets Day in London late November.

Then, back to you, Kari, and we open for the Q&A.

## QUESTION AND ANSWER SECTION

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Thank you. And as we mentioned, we also have Øyvind Torpp joining our Q&A today. So, let me start by asking if there are any questions from the audience. Please state your name and company.

Q

My name is Seger Sana. I'm a stockholder. Due to the problems in Latvia, Orkla will build the next factory in Latvia, too?

**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A

[indiscernible] (00:30:49)...

Q

And the money from the sale to Rhône, I think it's a little bit strange that Orkla don't have coffee in the portfolio. So, what about buy some coffee brands, because coffee is hot.

**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A

Let me start commenting on the factory problems in Latvia. First of all, I guess, it's over 20 years since we last time we build a factory in this size in Orkla system. This is not related to Latvia at all. It's related to actually building this factory through the COVID period. And the effect of that was that it were delayed and we lost some very important employees in that period. So, we lost competence.

So, this is not a Latvia thing, for sure. It has been affected by the COVID situation. And there are now a lot of people trying to fix this problem. We think we are good on the way, and we have a special kind of taskforce there

now to fix it. But it takes time. There's certain production line that has to go continuously, and it's kind of complicated.

When it comes to the net proceeds from the transaction with Orkla – related to Orkla Food Ingredients, for sure, we will think thoroughly through what – how to invest, if to invest. But we are saying that Orkla Food Ingredients will continue doing M&A under the new partnership. So, we have now researched on capital for that purpose going forward.

I think coffee, maybe we should consider that going forward. I think it's very important to say we have now established a new way of operating Orkla. I think it's very important that we prove that this model create more value to our shareholders before we start investing that much money into new categories or in new platform investments in Orkla.

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**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Thank you. Any other questions from the audience? Okay. Then we have a couple of questions on the Web as well. First from Ole Martin Westgaard, DNB. He has three questions. I'll take them one at a time. Organic growth has been very strong driven by price over the last couple of quarters, while volumes have been soft. How should we think about the volume development as price increases ease?

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**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A

As we always say, we don't guide going forward. But as I said, we will continue investing in A&P to support our brands throughout the portfolio. That's for sure. But in my view, I think what we have seen through the last year or quarters is that the trend is that the consumer buy the products in kind of hard discount store. That trend started in Czechia basically a year ago. It continued into Sweden and Denmark, and now we also see some signs of that kind of movement also in Finland. We think when the purchasing power is kind of getting back to the consumers, we think that they will return to the more supermarket format, and that will kind of help getting back volume.

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**Harald Carlos Ullevoldsæter**

*Chief Financial Officer & Executive Vice President-Finance, Orkla ASA*

A

Perhaps if I could add some comments. I think the most demanding part on the volume side has been Orkla Foods portfolio. And if you look at the last quarters, the volume decline has been approximately at the same level. And we have been very clear from quarter three last year that our main challenge, the main risk, is the volume development going forward. So, it's high on our agenda how to cope with it.

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**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Yes. Thank you. And then the second question from Ole Martin. Can you comment on how you see the competitive landscape and your market share development for key segments?

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**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A

I think it's basically very much the same as I commented on. I think if you look at Norway, we don't have hard discounters in Norway. And in Norway, we see that we are kind of maintaining our market share. But we see that in the other markets, as I mentioned, Czechia, Denmark, Sweden, Finland, we see that hard discounters are gaining share. They're more kind of private label, those formats. And I think that is hitting our market share short-

term. And hopefully, if this turn around, we will gain back market share over time, but who knows when that will happen.

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

[indiscernible] (00:35:44) Okay. Final question from Ole Martin. Can you provide some color on which items you aim to provide guidance on at your Capital Markets Day?

**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A

I think we will leave that for the Capital Markets Day. We have a plan. We will definitely come back to that on the 29th of November. I think we'll leave it on what I said that we will give some guidance on some financial numbers on the group level, but I will leave it to the Capital Markets Day.

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Right. Thank you. Then two questions from Håkon Fuglu. First one, can you comment on the potential risk from new weight loss drugs? And have you seen impact in any of your markets yet?

**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A

I don't think we see impact in our markets at this time. This is something that we take, of course, very seriously. We try to understand the effect and the future effect on our portfolio. But I think it's fair to say that we have a quite broad-based portfolio of different categories in the different portfolio companies. And we have said earlier, and we continue to say that we want to grow in health. And I think what you see in the markets where this product is affecting the market, you see that the consumer turn to more healthier product. I think we are in a good position in that regard.

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Thank you. Second question from Håkon Fuglu. How much did currency impact the contribution margin this year?

**Harald Carlos Ullevoldsæter**

*Chief Financial Officer & Executive Vice President-Finance, Orkla ASA*

A

Currency has been an important factor on the contribution margin, the weaker NOK and weaker SEK. It is significant. But I think I cannot go into the details on actually the effect in the contribution margin.

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Thank you. And then two more questions from Ole Martin, DNB. First one, how much of the NOK 1 billion cost-cutting program has been realized?

**Harald Carlos Ullevoldsæter**

*Chief Financial Officer & Executive Vice President-Finance, Orkla ASA*

A

What I can say is that we are very happy with the cost program in total. It continue as planned, and we have some good examples and good initiatives, new initiatives from last Christmas especially in Orkla Foods Europe, where

we have three big projects. And we see the effects in the numbers in the quarter, and we will continue to see some positive effects in quarter four and into next year. So, we are happy.

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Good. Second question again from Ole Martin. A question on the partnership that we announced this morning. What level of expertise does Rhône bring to the table and how can they accelerate development in OFI?

**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A

Let me start and Øyvind can fill in. But, first of all, I think as I said in my presentation, Rhône has created a lot of value through the different investments since the late-1990s, actually. So, I think, first of all, that comes in as good business, and I think that's a very important thing. Secondly, they have invested in the sector that OFI operates in, and they're not necessarily that successful, but they came into this process with a very positive attitude and also some experts that they will bring into the boardroom that we think that will really contribute to the development of Orkla Food Ingredients going forward.

Maybe you can fill in, Øyvind...

**Øyvind Torpp**

*Executive Vice President-Investments, Orkla ASA*

A

Yes.

**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A

...your perspective as the future Chairman.

**Øyvind Torpp**

*Executive Vice President-Investments, Orkla ASA*

A

So, first of all, I'm truly excited to announce this deal and the opportunity to talk about it. When we started this process, we had very clear objectives. So, we were looking for a partner with specific industry expertise in addition with a proven track record when it comes to these kind of partnerships. We looked for a partner who believes in the unique business model of OFI and also in the business plan, and then obviously also looking for attractive commercial deal from Orkla.

Rhône has, as Nils mentioned, specific industry expertise. We will have board members, for example, [ph] Marianne Kirkegaard (00:40:04) coming into OFI. They have proven in the past in these kind of situations and partnerships that they contribute both to the operational agenda and also the structural agenda. And I've had the pleasure of talking to a lot of companies who have brought Rhône into their partnership and very good feedback on this from other companies. So, I'm very much looking forward to the partnership with Rhône.

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Thank you. Then we have a question from [ph] Abhishek Parekh (00:40:40). No company there,. And the question goes, any M&A plans for Orkla India?

**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A

I think Orkla India is in a good position to continue looking for M&A candidates. But I think it's fair to say that I don't necessarily see this – and I think when we did Eastern, that was a combination of cash payment to the seller but also shares in Orkla India. So, we will be pragmatic when it comes to how we can kind of do M&As going forward, if there is a good transaction to be done there. And we will explore opportunities to use other thing than cash to settle any M&As if that's on the agenda. But [indiscernible] (00:41:27) we are always looking for good opportunities in all the portfolio companies.

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Thank you. Then we have three questions from Patrick Folan, Barclays. First, it sounds like there is less private label pressure compared to Q2, as you mentioned it less in this release. Is that the case?

**Harald Carlos Ullevoldsæter**

*Chief Financial Officer & Executive Vice President-Finance, Orkla ASA*

A

No. It's approximately the same level of pressure from private label as we had in quarter two and quarter one.

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Thank you. Second question, are there any markets where pricing elasticity or consumer pressure has become more of an issue this quarter?

**Harald Carlos Ullevoldsæter**

*Chief Financial Officer & Executive Vice President-Finance, Orkla ASA*

A

I think, in Orkla Foods, it's mainly the same markets where we have volume problems, and it's Sweden, Denmark, and the Czech. That has been the case for quarter one and quarter two as well.

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Yes. Thank you. Last question, again on the partnership. How does your outlook for the business change in terms of key financial KPIs that Orkla and Rhône will be monitoring?

**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A

I think this goes very much about we have aligned, as Øyvind talked about, we have we have digged into the strategy plans for Orkla Food Ingredients together. We have a buy-in from both parties going forward. I think it will be very much the same KPIs going forward. Hopefully, we will manage to deliver better on KPIs.

And I think it's fair to say that Orkla Food Ingredients has been a kind of a hero in Orkla for the last years, and hopefully, they will continue being a hero under the new ownership and delivering good and important KPIs. And we will get back on the Capital Markets Day as well, being more precise on the strategy for Orkla Food Ingredients on how they will execute on it and the most important KPIs.

## Øyvind Torpp

*Executive Vice President-Investments, Orkla ASA*

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Yeah. Very much looking forward to presenting the plans and the targets at the Capital Markets Day end of November.

## Harald Carlos Ullevoldsæter

*Chief Financial Officer & Executive Vice President-Finance, Orkla ASA*

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But I think in general, we will have increased focus on cash flow for all our companies also Orkla Food Ingredients compared with previous years.

## Kari Lindtvedt

*Senior Vice President-Investor Relations, Orkla ASA*

Good point. That was the final question from the Web. Any other questions in the audience? No, there seems not to be. Thank you, all, for joining today, and please remember to save the date for our Capital Markets Day on the 29th of November. Thank you for joining today.

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