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# Orkla ASA (ORK.NO)

Q4 2023 Earnings Call

## CORPORATE PARTICIPANTS

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*President & Chief Executive Officer, Orkla ASA*

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## MANAGEMENT DISCUSSION SECTION

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

Good morning and welcome to the Fourth Quarter Presentation for Orkla. My name is Kari Lindtvedt. I'm Head of Investor Relations. The speakers today will be President and CEO, Nils Selte; and our CFO, Harald Ullevoldsæter. And through the presentation today, you're welcome to post questions in the live chat, and we will address them in the Q&A session at the end of the presentations, together with any questions from the audience.

Now, let's get started. I will leave the floor to Nils to summarize the year 2023 and also our main messages for the quarter we are reporting. Please, Nils, floor is yours.

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**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

Thank you, Kari, and good morning, everyone. Before I summarize Q4, I would like to reflect briefly on the full year 2023. I believe we have managed to deliver what we set out to do at the beginning of the year, transforming Orkla into an industrial investment company within the brands and consumer space. I'm impressed by how our portfolio companies have managed to navigate yet another special year. Consumer have been under pressure in our markets, and the geopolitical environment has been unstable.

During the last quarter of the year, I'm happy to see easing on some of the headwinds we have experienced during 2023 such as easing pressure on volume, as well as indication of input cost improvements. We report adjusted earnings per share of NOK 5.78, an increase of 6% compared to 2022. I see Jotun as a champion among our portfolio companies in 2023. The company is a significant contributor to net profit for the year. The board at Jotun intends to propose a dividend of NOK 2.2 billion for the year, of which, Orkla share will be approximately NOK 950 million.

The consolidated portfolio companies, including HQ, delivered underlying EBIT adjusted growth of 7% for the year, and the improvement is broad-based. Cash conversion for the portfolio companies also improved significantly during the year and ended above 100%. Hydro Power, although delivering lower EBIT than last year, is a strong contributor to Orkla's result in a historical context. Orkla's Board of Directors intend to propose a total dividend for 2023 of NOK 6 per share, where NOK 3 is in addition to our ordinary dividend.

As we communicated at our Capital Markets Day in November, our key priorities are to improve organic value creation and reduce complexity in the current portfolio before we consider investments in new portfolio companies. Therefore, excess capital from the sale of 40% of Orkla Food Ingredients and higher dividend from

Jotun can be paid out as additional dividend to our shareholders. At our recent Capital Markets Day, we communicated three financial targets for the portfolio companies. Delivering on these targets will be key to delivering 12% to 14% total shareholder return in the next two years.

The left side of this slide show you the outcome for these KPIs for 2023. We delivered 7% underlying EBIT adjusted growth compared to our communicated KPI, that is 8% to 10% per annum for the period 2024 to 2026. The EBIT adjusted margin ended at 9%, a flat volume – a flat development on 2022. Taking into account the negative effect from the ramp up of the new biscuit factory in Latvia, the underlying development is, in my view, on the positive side. Also, we reported return on capital employed of 10% in 2024 with ambition to increase to 13% by the end of 2026. We have, through 2023, developed full potential plans for all portfolio companies. The identified potential in these plans, combined with the easing of some of the headwinds, makes me optimistic on the quarters to come.

Now, let's take a look at the highlights for Q4 2023. Earnings of NOK 1.30 per share in the quarter were flat against Q4 2022, with a continued solid growth for Jotun and broad-based EBIT adjusted growth for the consolidated portfolio companies, including headquarter. In the quarter, the consolidated portfolio companies delivered mid-single-digit organic sales growth. Development was driven by price increases. Overall, volume mix performance was still slightly negative, largely related to Foods Europe, but to a lesser extent than previous quarters. A clear majority of the portfolio companies have a positive volume mix development in the quarter. In parallel with volume performance, we monitor market share development closely. In Q4, we see clear signs of improvements.

This graph shows the EBIT adjusted contribution from our portfolio companies in Q4. The boxes above the graph show the rolling 12-month EBIT adjusted margin and the underlying growth in EBIT adjusted. As mentioned, the underlying EBIT adjusted improvement was broad-based in the quarter. I would also like to point out that our 11 consolidated portfolio companies report broad-based improvements in contribution ratio. Part of this has been reinvested in A&P spend during the quarter, in line with the strategy for many of the portfolio companies. Furthermore, we saw easing of cost inflation pressure on input cost, and this makes me optimistic for the year ahead.

On this positive note, I would like to hand over to Harald for more detailed presentation of the financials.

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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 four results. And as last time, the main focus will be on the aggregated numbers for the group, and then we will dive into more detail for the eight largest portfolio companies. So the operating revenues grew by 10% in the fourth quarter, mainly driven by positive organic sales growth for the portfolio companies, primarily linked to price increases, as well as positive currency translation effects. On the other hand, reduced power prices in Hydro Power impacted the group's revenue negatively.

EBIT for the consolidated portfolio companies increased by 17%, of which, 7% was underlying growth, mainly related to continued organic revenue growth, as well as improved margins. I will come back to this. The decline in EBIT for financial investment was mainly driven by lower electricity prices for Hydro Power. The Q4 2023 results of NOK 183 million for Hydro Power is high in historical perspective, although a significant decline from quarter four last year.

Net other income and expenses in quarter four amounted to minus NOK 356 million. Other income totaled NOK 52 million, of which, approximately 50% was related to the sales of a factory building in Orkla Foods Česko a Slovensko as a part of the ongoing restructuring project there. However, this was offset by other expenses related to restructuring at projects and write-downs in the group, as well as M&A costs.

Profit from associates totaled NOK 372 million in the fourth quarter, related to a very solid results for Jotun. So in quarter four, net financial costs increased significantly, primarily due to higher interest rate, but also related to increased debt. The average interest rate was 5.5% in the quarter compared to 3.5% in quarter four 2022. Reported tax expenses amounted to NOK 290 million, and the reduction in tax was due to lower resource rent tax for Hydro Power. The tax rate, excluding associates, was 30%. Profit after tax and non-controlling interest in the quarter ended at NOK 997 million, corresponding to an adjusted earnings per share of NOK 1.31, in line with last year.

So let's have a look at the EBIT margin performance in the quarter. This graph showed the rolling 12 months EBIT adjusted margin for the consolidated portfolio companies, including headquarter from 2019 to quarter four 2023. And as communicated at our Capital Markets Day and as Nils said, we have set specific targets for 5 of our 11 portfolio companies. And if all our consolidated portfolio companies reach their financial targets, we expect to see a margin expansion of 150 to 200 basis points over the next three years. As at the end of quarter four 2023, the margin was 9%. Although still below historical margin levels, we are seeing indication that we have reached the bottom and that margins are expected to improve going forward.

The consolidated portfolio companies, including headquarter, improved the margin by 10 basis point in the quarter four. At the same time, however, A&P as a percent of net sales value increased by 30 basis point and the temporary problems in the biscuit factory affected margin negatively by another 20 basis points. And as you can see on the right side of the slide, the underlying EBIT adjusted margin have improved across 9 of our 11 portfolio companies compared to quarter four 2022. In confectionery and snacks, the margin is hampered by the challenges related to the ramp up of the biscuit factory, and the margin decline in Orkla Health is due to a significant increased A&P spend during quarter four.

So let's move on to the breakdown of organic growth. And I know this is a busy slide, but let me walk you through it. The graph shows a breakdown of organic top line growth, split into volume mix and price. And we see the annual development for 2019 to 2023 and quarterly development from quarter four 2022 to quarter four 2023. Organic growth for the consolidated portfolio companies was 5.3% in the quarter. And as you can see in the graph, the organic growth was mainly driven by price – has mainly been driven by price in the last quarters.

Now, however, we see an early indication of improved volume performance. As you can see from the table on the right, this is evident in the volume mix performance of most of our portfolio companies. The main challenge is related to Orkla Foods Europe, which still faces declining year-over-year volume performance. But looking at the different markets, we also see signs of improvement. We also need to emphasize that the contribution from price increases over the past periods must be seen in relation to significant increases in input costs. As Nils mentioned, we believe this situation will improve going forward, and we expect that the contribution from price will gradually be reduced.

Let's move to the cash flow. Total cash flow from operation was NOK 7.1 billion in 2023 compared to NOK 3.8 billion in 2022. Cash flow from operation from consolidated portfolio companies amounted to NOK 6.6 billion in 2023 compared to NOK 1.9 billion in 2022. The main driver was a reduction in working capital compared with a significant increase last year. This was specifically related to a reduction in inventory levels towards more normalized levels. The larger projects and the net replacement investment was the building of the biscuit factory

in Latvia, but this item also includes several other factory and warehouse projects. The reduction in operating cash flow from financial investments relates to the decline in profit for Hydro Power, as previously described.

Furthermore, we want to point out that the cash conversion is an important metric for our consolidated portfolio companies, of which, we have already communicated cash conversion targets at the Capital Market Day. We will be paying attention to this metric going forward to ensure satisfactory performance for our companies. And in 2023, the cash conversion for the consolidated portfolio companies, including headquarter, was 102%. We expect the positive development in operating cash flow to continue in 2024 due to the increased capital discipline, but also the fact that there's still potential for reducing working capital.

Let me then walk you through the net interest-bearing debt bridge as at year end 2023. Net interest-bearing debt, including leases, increased by NOK 1.7 billion from year end 2022 to NOK 18.8 billion at December 2023. Financial items were negatively affected by higher interest rates and increased debt level. We also paid out, as I said, NOK 3.1 billion in dividend in April. Net M&A and expansion CapEx totaled NOK 1.7 billion in 2023, of which, NOK 949 million was linked to purchase of companies mainly linked to the acquisition of Bubs Godis in Sweden and Khell-Food in Hungary. Increased expansion CapEx was mainly related to Orkla Food Ingredients, Orkla Confectionery & Snacks, and Orkla Health where investments have been made in increased production and warehouse capacity, as well as new production lines.

Forex effects were negatively impacted by a depreciation of the Norwegian krone compared to euro and US dollar. As of December 2023, net interest-bearing debt to the last 12 months EBITDA amounted to 2.0, unchanged from quarter three. And if adjusted for the Orkla Food Ingredients transaction, not yet closed, the ratio is reduced to 1.7.

Let's then have a closer look at the performance in the eighth biggest – largest portfolio companies. Starting with Jotun. Sales continue to grow in the fourth quarter of 2023 with reported year-over-year sales growth of 9%. Adjusted for currency translation effects, underlying sales growth was 11%. The positive sales performance were driven by a combination of volume growth, higher average selling price, and positive mix effects. Sales growth was particularly strong in the Protective segment, but the Decorative and Powder segments also delivered strong volume growth.

EBITDA grew by 83% in the fourth quarter, driven by sales growth, high gross margin, and good cost control. The improvement in gross margin was mainly explained by lower raw material prices. And Jotun has started 2024 with good sales momentum and enters 2024 with expectation of continued sales and earnings growth, albeit at a more modest rate than in the exceptional post-pandemic years. Raw material prices are expected to remain stable and continue to support solid gross margins to the first half of the year. In addition, Jotun's Board of Directors, as Nils said, has indicated an intention to propose a dividend of NOK 2.2 billion, of which, Orkla share is NOK 948 million compared to NOK 365 million received in 2023.

Moving on to Orkla Foods Europe. Organic sales in Orkla Foods Europe grew by 5.1% in the fourth quarter. The growth was broad-based across all channels, largely driven by price increases. The overall volume performance in grocery was less negative than in previous quarters, and there was positive volume development in Norway in the quarter. Market share performance in grocery was, in general, somewhat better than in previous quarter. Sales growth in the out-of-home channel remained positive, although volume performance was somewhat weaker than in previous quarters in 2023. Underlying EBIT growth was 6%, positively impacted by improved contribution ratio and cost savings from reorganization projects in Norway, Sweden, and in the Czech Republic.

Input costs still pose a challenge, but the situation is showing signs of stabilizing. However, weak currency exchange rates are putting additional pressure on purchasing costs in Norway and in Sweden. The EBIT margin was 11.5% in the fourth quarter. The underlying change was positive by 10 basis points. To counter the challenges posed by higher costs and weaker volumes, cost and efficiency improvement programs have been implemented in 2023. At the end of 2022, the organization in the Czech Republic was extensively restructured and streamlined, a process that has contributed positively in 2023. Moreover, steps have been taken to reduce category and product complexity. This also includes a simplification of the production structure whereby one factory has been closed, one has been sold, and an additional two are currently being assessed. This process is estimated to be completed during the first half of 2024.

Moving on to Orkla Confectionery & Snacks. Organic sales was 8.1% in the quarter, of which, 1.3% was related to volume mix growth. Overall market performance was positive, and there was an increase in market shares in the snacks category. Delivery challenges in the biscuit category were mostly evident in Sweden and in the Baltics, hampering overall volume and market shares growth. EBIT in the quarter ended at NOK 348 million with an underlying EBIT decline of approximately 7%. The new biscuit factory improved production output during the fourth quarter. However, output is still below plan on certain production lines. The overall estimated negative impact and underlying EBIT performance was NOK 25 million in the quarter and NOK 150 million for the full year, in line with previous communication.

The challenges are expected to continue into 2024. But as communicated on Capital Markets Day, a significant part of the negative 2023 effects is expected to regain through 2024. Raw material costs gradually leveled off in most purchasing categories, but we are still higher than in the same quarter last year. For some raw material such as sugar and cocoa, prices increased significantly during the quarter. Further, weaker currency impacted negatively on the overall cost level in Norway and Sweden. Higher costs were compensated for by price increases, but still had a dilutive effect on EBIT margin.

Let's have a look at Orkla Food Ingredients. Orkla Food Ingredients saw 1.1% organic growth in revenues in the quarter. Price increases have been the main driver of organic growth during the year where the impact has gradually decreased due to stabilization of raw material prices. Further, volume mix declined by 1.8%. The decrease reflects strong comparables on the margarine segment in plant-based. Volume performance in Bakery and Sweet is overall in line with performance through 2023, showing a slight decrease due to lower consumer buying power and a shift to low price products in some markets, which had a negative mix effect.

Some segments and markets within the different clusters delivered volume mix growth in quarter four, underlying EBIT growth of 10.3% in the quarter, driven by good revenue management and operational improvements. We are happy to see strong development across several markets in Europe, as well as solid results from Denali, which is delivering according to plan. The EBIT margin was 5.5% in the fourth quarter, equivalent to an underlying EBIT margin growth of 0.5 percentage points compared to quarter four 2022.

Let's have a look at Orkla Health. Orkla Health had organic growth of 5.8% in the quarter. The organic growth was driven by broad-based price increases, as well as by volume growth in Health's international markets, coupled with continued subscription growth for NutraQ. With regards to market development, private label continues to take market shares in the grocery channel and was especially evident in Norway. Underlying EBIT declined by 6.8% in the quarter, driven by increased advertising spend. This is in line with the strategic plan to support omni-channel implementation and accelerate international expansion. The EBIT margin in quarter four was 6.8% compared to 8.1% in quarter four 2022.



Let's talk about Orkla India. Orkla India grew organically by 12.4% in the quarter, driven by both price and volume. Growth was broad-based across core categories from both home markets and international business. Underlying EBIT growth was 22.5% in the quarter, positively impacted by government grant of NOK 22 million provided by the Government of India. Excluding the government grant, underlying EBIT declined by 8% year-over-year, explained by higher advertising spend to fuel festival sales, higher personal expenses, and increased factory costs. EBIT margin improved by 1 percentage point to 11.9% compared to the same period in 2022.

Moving on to The European Pizza Company. The European Pizza Company delivered underlying EBIT growth of 10.8% in the quarter. The increase was driven by the restructured cost base in Germany, which also affected underlying EBIT margin positively. There were also structural margin growth due to the acquisition of Da Grasso. Organic growth of 2.1% was mainly driven by price increases to compensate for higher raw material costs for pizza dough and ingredients. Consumer sales in quarter four totaled €107.8 million, corresponding to an underlying consumer sales decline of 0.8%.

In markets outside Germany, underlying growth in sales to consumer was 4.5%. The restructuring process continued in Germany in the fourth quarter to ensure a robust platform and more streamlined organization. And at the end of quarter four, there were 825 sales outlets in the business following closure of 14 outlets in Germany in the quarter. During 2023, a total of 54 outlets were closed in Germany. Further, we took a goodwill write-down of NOK 62 million in the quarter, corresponding to approximately one-third of the total goodwill related to the acquisition in Germany in 2021.

Moving on to Orkla Home & Personal Care. Underlying EBIT increased by 65%. The improvement was driven by strong organic growth and cost improvement measures. Organic growth for the quarter was 11.5%, driven by both price and volume, strong performance in Norway with solid volume growth, coupled with price growth in Sweden and Finland. Also, it's good to note that the positive market shared performance in the Norwegian grocery market sector on a rolling three months basis. The contribution ratio improved in the quarter, supported by revenue management and price increases, partly offset by higher input costs and the weakening of the NOK against the euro. Cost improvement measures implemented in the second quarter related to sales and administrative functions made a positive contribution in the quarter.

Let's have a brief look at the remaining four portfolio companies. With regard to the remaining portfolio companies, we're happy to see a positive performance across of all these companies, and we are currently working hard to maintain this positive momentum going forward. Of relevant news, we would like to highlight that we have successfully relocated the warehouse in HSNB to a fully automated warehouse with limited impact for the end customer during the implementation.

And before I hand the floor back to Nils for his final remarks, I would like to draw your attention to the appendices to this presentation. We have included an overview of the financial targets for each of the consolidated portfolio companies that we had communicated at our Capital Markets Day with the outcome of 2023, and you will also find a cost breakdown for the year. Thank you.

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## Nils Kloumann Selte

*President & Chief Executive Officer, Orkla ASA*

Thank you, Harald. We are reporting Q4 on a more positive note than the previous quarters, although on soft comparables. More importantly, we are seeing signs of positive development of several key factors such as volume, input cost, and market share. I'm also very glad, very pleased to see Jotun's continuous strong performance and the strong cash flow from operation from the consolidated portfolio companies, including

headquarter. As said, Orkla Board of Directors intend to propose a dividend for the year of NOK 6 per share. Sorry, I missed the slides.

Then the last slide, before we move on to the Q&A, I would also like to recap my three commitment that I announced at the Capital Markets Day. Our number one priority is to drive organic value in our existing portfolio. Number two, we are committed to reduce the complexity. And lastly, we are exploring value-adding structural transaction, ready for execution if and when the timing is right.

Thank you, and we will now move on to the Q&A.

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## QUESTION AND ANSWER SECTION

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Thank you, Nils and Harald. We have a couple of questions from the web, but let me start by asking if there are any questions in the audience. Please state your name and company. Okay. Then we'll start with some questions from the web. Patrick Folan, Barclays. Good morning. Looks like the tide is turning in your markets. What is your expectations of volume performance in your markets as we begin 2024? Can you comment on volume exit rates from Q4 and which segments you see improving the most? Which countries is volume elasticity improving? And I'll take the the second part of the question afterwards.

**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A

Okay. Let's try to start. I think what we saw easing, as I said, in our markets and we saw positive volume development in many – in most of the portfolio companies in the last quarter. We see that – we also see that that continued, and we see stronger effect in the last part of the quarter than in the beginning of the part. And we expect this to continue into this year. I think if you guide for the first half of this year, we are quite optimistic on the volume for our portfolio companies. I think if you look at first quarter, you have to bear in mind that the Easter effect will be negatively affect on the first quarter, so keep that in mind.

I think, Harald, maybe you fill in something.

**Harald Carlos Ullevoldsæter**

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

A

No. Just to remind you that we have volume growth in most of our portfolio companies, which is mostly related, as I said in my presentation, to Orkla Foods Europe. And yeah, some in Orkla Food Ingredients, but the main issue is Orkla Foods Europe. We also had volume growth in Norway, as I said.

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Thank you. Then I'll take the second part of the question from Patrick. With some raw material prices increasing as well, are you planning to take some targeted price actions when needed?

**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A



We always negotiate with our customers, and we will increase prices if necessary for the period to come as well when we see price increases on the raw materials.

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Thank you. Then we have a question from Eirik Rafdal, Carnegie. You seem confident that margins have troughed. You also state that you expect margins to rise by 150 to 200 basis points in the next couple of years if you execute on the plans for the portfolio companies. Could you share some thought on, one, the phasing of the margin expansion and, two, if the 150 to 200 basis points is a first step towards potentially higher margins beyond this?

**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A

The last part of the question, I think it's – I don't want to predict after the full potential plan and the strategy plans that we communicated at our Capital Markets Day. I think that's way too early to dig into such numbers, so let's save that for another occasion. If you remind me the first part of [ph] the question (00:36:45).

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

The phasing of the margin.

**Harald Carlos Ullevoldsæter**

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

A

As we said at our Capital Markets Day, we had a total value creation potential of NOK 45 million. And we also said that this is mainly evenly distributed to – over these two years period, perhaps with a big start towards the end of the period. And of course, margin is an important part of this value creation journey. So more or less evenly distributed, I would say, so we need to see margin improvement starting this year.

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Thank you. Three questions from Ole Martin Westgaard in DNB. I'll take them one at a time. First one, can you comment on how the competition from private label has developed?

**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A

We see signs of easing of competition from private label in our market. I think, if I remember correctly, I saw also that [ph] ICA (00:37:44) reported some numbers just recently, and they are showing a positive market development for themselves. I think, as we have talked about earlier, we saw that there was a shift of the customers from the supermarkets into the hard discounters. We see maybe that this shift is going back a little bit out of what we see from the [ph] ICA (00:38:06) numbers a few days ago. And we also see signs of private label increasing prices more than actually we are doing currently.

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Thank you. Second question, you appear somewhat more optimistic on raw material cost. From when should we start to see positive impact on your margins?

**Harald Carlos Ullevoldsæter**

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

A

I don't think we will be more specific than to say during 2024. And yes, we see some positive signs of easing of the raw material prices going forward already, so something by the end of 2023. So we should expect to see an improvement going into 2024.

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Thank you. And then the final...

**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A

I think I add to that to be a bit more precise. I think we expect to see mid-single-digit positive effects from input cost into 2024 actually.

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Thank you. Okay. The final question from Ole Martin, what is the status on the pre-study for a potential IPO in India?

**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A

We don't comment. I think we said on the Capital Markets Day that we will initiate a pre-IPO study. I think we will revert to the market when we have completed that study. I think you just have to be a bit patient, and we will get back to you.

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Thank you. Any questions in the audience? Okay. Then we'll have a couple of more from the web. From Øyvind Mossige, SpareBank1 Markets, do you see clear indications of positive margin development for old branded consumer goods into first half of 2024? I think you already elaborated [indiscernible] (00:39:57)

**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A

Yes. I don't think we will go into the – which part of 2024 we will see improvement, but we have said 2024.

**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Thank you. And Petter Nystrom, ABG Sundal Collier, can you reiterate what you said on 2024 expectations for the biscuit factory challenges? NOK 25 million hit in Q4. What should we expect for Q1 and Q2 in 2024?

**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A

I think let me start and Harald can take the details. But first of all, we communicated at the Capital Markets Day that the total hit for 2023 will be approximately NOK 150 million. That was what we reported also to today, so that

was guiding and delivery according to guiding. And we also said at the Capital Markets Day that a significant part of that, it will be reversed going into 2024. That's something that we still stay behind and Harald can maybe give some comments on the – when it will come hit the numbers.

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**Harald Carlos Ullevoldsæter**

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

A

I guess you should expect that the regain will be a bit higher in the second half of 2024, but we should see improvement also in the first half.

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**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

A

Thank you. And then what seems to be the final question from the web, Patrick Folan again from Barclays. Where are you seeing down trading to private label in Orkla Health? What categories in particular?

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**Nils Kloumann Selte**

*President & Chief Executive Officer, Orkla ASA*

A

I think if you look at Orkla Health, there has been – we have lost some listing in some of our markets and some – to some of our customers where they have kind of taken us out of their shelf and put in private label. I think we don't see that much difference in Health then all of the part of our business actually.

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**Kari Lindtvedt**

*Senior Vice President-Investor Relations, Orkla ASA*

Okay. Thank you. That seems to be the final question. Any final questions in the audience here? No. Okay. Before we round off, I'd like to remind you that we have our annual general meeting scheduled for the 18th of April, and we will report our first quarter results on the 3rd of May. Thank you for joining today, and have a good rest of the day.

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