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Orkla ASA (ORK.NO)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Annie Bersagel

Senior Vice President-Investor Relations & Communication, Orkla ASA

Good morning and welcome to the presentation of Orkla's fourth quarter results. My name is Annie Bersagel and I'm the Head of Investor Relations and Communications. So we're going to begin our presentation with a summary of the quarter from our President and CEO, Nils Selte. After that, our CFO Arve Regland, will present some more details on the financials for the quarter. Nils will come back with some concluding remarks before we go over to the Q&A.

Just to remind you, on the Q&A, we're going to first have a video Q&A with our analyst community and after that we will turn to questions from the web. So you're welcome during the presentation at any time to submit your questions via the web and we'll take those afterwards. So with that, I will now leave the floor to you, Nils.

Nils Kloumann Selte

President & Chief Executive Officer, Orkla ASA

Thank you, Annie, and good morning, everyone. I will begin with the Q4 results before reflecting on the full year in my closing remarks. Organic growth for the quarter was 4.5%, with contribution from both price and volume mix. Underlying EBITDA, adjusted for the consolidated portfolio, increased by about 17%, with all portfolio companies contributing on the positive side. Adjusted earnings per share improved 25% year-over-year, reflecting increased profitability in the consolidated portfolio, as well as in Jotun.

Organic growth in the fourth quarter of 2025 was the strongest since the fourth quarter of 2023, with an increased contribution from volume/mix. Most portfolio companies delivered volume/mix growth during the quarter. This included all of the larger portfolio companies with the exception of Orkla Foods. They still have work to do in certain markets.

This was the 12th consecutive quarter with underlying EBIT adjusted growth. The uplift in Q4 came from bottom-line growth, cost reduction, and some FX translation effects and nonrecurring items in comparison to last year. Most portfolio companies delivered double-digit EBIT adjusted growth during the period.

We will go into more details, but I would like to highlight a few developments driving our results. Jotun delivered another strong quarter with underlying operating profit growth of 28%. In 2026, Jotun celebrated 100 years since the company's founding, and we are proud to have been part of the journey for the past half century. The board of Jotun intend to propose an ordinary dividend of NOK 7,000 per share. This translates to Orkla receiving approximately NOK 1 billion.

Orkla Snack ended the challenging year for the chocolate market, with an impressive fourth quarter of 16% underlying EBIT adjusted growth. Orkla Food Ingredients delivered 14% underlying EBITDA adjusted growth, with contribution from all three clusters, capping a successful turnaround in sweet ingredients in 2026. On a rolling 12-month basis, the consolidated portfolio delivered an EBIT adjusted margin of 10.6%. The margin improved across the portfolio compared with 2024, with exception of Orkla Health and Orkla Snacks.

I will close this overview with an update of the three-year financial target for the consolidated portfolio that we set out at the Capital Markets Day in 2023. Underlying EBIT adjusted continue to compound about the target range, increasing 6.6% for the year, following 17.3% in growth in 2024. The EBIT adjusted margin was 10.6%, placing us in the lower end of the target range. And the return on capital employed improved to 12.4%, driven by higher EBIT across the consolidated portfolio.

I will now hand over to Arve for more details on the financials.

Arve Regland

Executive Vice President & Chief Financial Officer, Orkla ASA

Thank you, Nils, and good morning. So operating revenues increased with 2% to NOK 18.8 billion in the quarter while reported EBIT adjust came in at NOK 2 billion, up 12%. The group figures are influenced by lower sales in Orkla Real Estate compared to last year. Other income and expenses were minus NOK 151 million, and these include restructuring costs in three portfolio companies, and IPO-related expenses in connection with the Orkla India listing. These were partially offset by the gain from the sale of the Orkla Food Ingredients Icelandic operations. Profit from associates, which is mainly Jotun was NOK 505 million, up 36%. And the NOK 301 million estimated gain reported in discontinued operations relates to a positive outcome in [indiscernible] (00:05:59) dispute for one of the sold hydropower assets. And as Nils said, adjusted EPS was NOK 1.74 per share, an increase of 24%.

We recorded cash flow from operations of NOK 7.8 billion in 2025, a NOK 0.3 billion reduction compared to last year. Increased EBIT growth was more than offset by net higher, net replacement investments in the portfolio companies. During the quarter, we received an additional dividend from Jotun of NOK 438 million, bringing the total dividend received in 2025 to NOK 1.4 billion. Cash flow before capital allocation ended at NOK 6.9 billion, on par with the 2024.

Turning to the capital allocation bridge, and I will comment on specific developments in the quarter. Expansion CapEx is around NOK 700 million year-to-date, of which NOK 250 million in the fourth quarter. This relates mainly to investments to expand production capacity in Orkla Food Ingredients. Cash flow from the sale of companies was NOK 2 billion, primarily from the listing of Orkla India and the sale of the two Icelandic companies in Orkla Food Ingredients. And Orkla maintains a robust balance sheet with a net debt of NOK 14.2 billion, equal to 1.4 times EBITDA, and 0.9 times FX excluding Orkla Food Ingredients.

And then moving to some more details on the portfolio companies, starting with Jotun, which ended the year with another strong quarter as Nils mentioned. Operating revenues grew by 8.4% in the quarter, adjusted for negative currency translation effects. Top line was driven by volume growth and increased share of premium product sales in the decorative segment. Volumes increased in all segments except [indiscernible] (00:08:17). And in terms of geography, northeast Asia was the largest contributor to sales growth due to high marine newbuild activity in China and Korea.

Operating profit growth was 28%, excluding negative currency translation effects. And the main contributors were higher sales volumes and higher gross margin from lower raw material costs. Orkla share of net profit increased by 36% to NOK 505 million. And in addition to the EBIT growth, net financial items improved due to lower interest expenses, currency hedging gains, and the sale of Jotun's share in an associate.

In terms of outlook, Jotun forecast a flat development in raw material prices in the first quarter. For the year, as a whole, Jotun expect sales growth to continue to outpace market growth. At the same time, they expected intensified competitive pressure on selling prices will weigh on margins. Currency translation effects are also expected to continue to negatively impact reported results.

Organic grew – organic growth in Orkla Foods was 0.4%, divided equally between price and volume/mix. Volume/mix growth in Sweden continued. And the ERP challenges in the Czech Republic from Q3 were resolved, and volume/mix growth was positive. The volume/mix development was negative in Norway and this was due partly to lower campaign activities. At the Capital Markets update, Orkla Foods presented their prioritized growth platforms, which amount to about 60% of the portfolio. Organic growth during the quarter was higher in these platforms. EBIT growth was 3%, positively influenced by periodization effects, or SG&A, versus last year. And market input costs continued to rise during the quarter, and cost improvements only partially offset this impact. The inflation was most pronounced in meat, marine raw materials and berries, and we expect this development to continue into 2026.

Organic growth in Orkla Snacks was 7%, primarily from price in the chocolate segment. And I am pleased to see that volume/mix growth was 1.7%, rounding off what has been a challenging year. Both the snacks and confectionery categories drove the growth, while biscuits contributed negatively. The main driver for positive volume/mix growth within confectionery was the BUBS US rollout. Volumes continued to decline in the chocolate segment. All three categories experienced EBIT growth. The main drivers included volume/mix growth in the snacks category and from the BUBS US launch. Operational efficiency improvements in the biscuit factory in Latvia and continued cost reductions. Orkla Snacks expects a favorable development in input costs in 2026.

Organic growth in Orkla Home & Personal Care was minus 2.8%, reflecting a onetime destocking on a Norwegian customer. This was partly offset by volume growth in Sweden and contract manufacturing. Market shares, nevertheless, increased across the regions, Swedish and Finnish grocery markets. Underlying EBIT grew 4%, driven by lower fixed costs. Organic growth in Orkla Food Ingredients was 8.3%, supported by solid price growth across all three clusters, as well as positive volume and mixed development in sweet and plant-based. Underlying EBIT increased by 13.6%, reflecting continued volume/mix growth, disciplined price management, and improved operating leverage. All three clusters delivered positive underlying EBIT growth during the period. And the sweet cluster ended the year with cumulative cost reductions in the high-double-digit million range in line with our previous guidance.

Organic growth in Orkla Health was 5.2%, and this was driven primarily by price in response to rising input costs in the food supplements category. Wound care also contributed positively, while sales declined in the functional

personal care unit due to lower contract manufacturing related to a contract that will expire in Q1 2027. A decline in sales to B2B customers in the Oral Care segment also contributed negatively. [ph] EBITA (00:13:53) adjust growth reflects the comparison to a challenging quarter last year. And input prices for Orkla Health are expected to continue to be negatively affected by the price development for cod liver oil, which is a key input for food supplements in the omega-3 category. And please note that in Q1, Orkla Health will meet strong comparables.

Orkla India's organic growth was 8.1% for the quarter, led by volume growth of 10%. Price development was negative due to continued reductions in key raw material costs. The convenience foods category recorded higher – high sales growth. In the spices category, volume growth continued to outweigh the effect of price reductions following lower raw material costs. Underlying EBIT growth was 14.7%, led by volume growth, cost management, and lower advertising expenses due to an earlier festive season.

In The European Pizza Company, all businesses delivered positive same-store revenue growth, with overall organic growth of 8.1%, and consumer sales growth of 9.7%. Marketing activities, menu innovation and increased distribution were the key drivers. Underlying EBIT improved by 37%, supported by higher consumer sales and receivables write-off at New York Pizza last year.

Lastly, Orkla House Care reported negative organic sales related to volume/mix in the UK and Benelux. Underlying profitability was positively impacted by lower costs and increased share of sales from higher margin products. In the Health and Sports Nutrition Group, organic growth from direct-to-consumer platforms was partly offset by lower B2B sales versus last year. Underlying EBIT growth and cash conversion remained high.

And with that, I'll hand it back to you, Nils, for the closing remarks.

Nils Kloumann Selte

President & Chief Executive Officer, Orkla ASA

Thank you, Arve. Reflecting back on 2025, we delivered organic value creation across the portfolio with 3.5% organic growth and positive volume/mix development. This translates into 6.6% growth in underlying EBIT adjusted, and we maintained our focus on cash conversion, and ended the year with cash conversion of over 100% for the consolidated portfolio companies.

During the year, we continue to actively shape the portfolio, completing the sale of the hydropower assets and Pierre Robert Group in Q1 and listing Orkla India in November. The board intend to propose a total dividend of NOK 6 per share, including NOK 2 in addition to the extra – as in addition to the ordinary dividend, reflecting the high cash conversion and a solid balance sheet. In addition, the NOK 4 billion share buyback program announced at the third quarter presentation is ongoing. We have acquired shares for a total of about NOK 1.6 billion so far.

2026 is the final year of our current two-year strategy period. Our priorities remain unchanged, drive value in the existing portfolio and reduce complexity. We have stepped up our evaluation of value adding structural opportunities, but as I have said before, we are also committed to walk away of any transaction that is not in the best interest of Orkla's shareholders. Entering into 2026, we are preparing for the next strategy period and I would like to invite you to save the date for our Capital Markets Day. We will hold the event here in Oslo on December 1, this year. Our objective is to set out Orkla's strategic direction through 2030 as an industrial investment company focused on brands and consumer-oriented businesses.

With that, Arve and I are now happy to take your questions.

QUESTION AND ANSWER SECTION

Annie Bersagel

Senior Vice President-Investor Relations & Communication, Orkla ASA

A

Welcome back. We are now ready to begin the Q&A. So please raise your hand if you have a question and I will introduce you. And remember to turn on your camera and unmute yourself. Looks like the first question is from Petter Nystrøm in ABG Sundal Collier.

Petter Nystrøm

Analyst, ABG Sundal Collier ASA

Q

Yeah. Thanks for taking my call. I jumped somewhat late into the call. So sorry, if this has already been addressed. You mentioned some positive phasing effects, some lower SG&A cost across some of your portfolio companies. Is it possible to quantify these numbers? Thank you.

Arve Regland

Executive Vice President & Chief Financial Officer, Orkla ASA

A

Yes. So we had some specific one-offs in Orkla Health and The European Pizza Company in Q4 2024, which was also mentioned in the pre-close information. In addition, we had phasing and periodization effects in some of the portfolio companies between quarters. So – but still, I would say that the clear majority of the EBIT growth is represented by underlying profitability compared to the same quarter last year.

Petter Nystrøm

Analyst, ABG Sundal Collier ASA

Q

Okay. Thank you. I'll jump back in the queue.

Annie Bersagel

Senior Vice President-Investor Relations & Communication, Orkla ASA

A

I'm not seeing any more video questions. We have a question from the web from Ole Martin Westgaard in DNB Carnegie. It appears to be the same asking to quantify the periodization effects and non-recurring items. Any other questions? It looks like there's a question from Håkon Fuglu in SEB.

Håkon Fuglu

Analyst, Skandinaviska Enskilda Banken AB (Norway)

Q

Good morning and thank you for taking my question. Could you please quantify the sales effects from BUBS in the US and how that progress is going forward?

Nils Kloumann Selte

President & Chief Executive Officer, Orkla ASA

A

I think, first of all, we are very happy with the launch. We are working very closely and good together with our partners Mount Franklin Foods in the US. And we have got a broad, nationwide listing of BUBS through the largest retailers in the US. So in Q4, we saw a bit better performance than we guided through Q3, but we will not quantify it at this moment. Having said that, we will continue to invest behind BUBS in the US. We think we see a great potential for that product in the US, and we will kind of invest behind it. So as we said in Q3, we will not – we do not expect to see major impact on EBIT performance for Orkla Snack for the coming quarters.

Håkon Fuglu

Analyst, Skandinaviska Enskilda Banken AB (Norway)



Okay. Thank you.

Annie Bersagel

Senior Vice President-Investor Relations & Communication, Orkla ASA

Are there any other questions on video? That appears to be the last video question and it looks like there are no more questions on the web. So before we conclude, let me just remind you that our Annual General Meeting will be held on April 23rd, and we report first quarter results on May 20th.

So with that, thank you for joining, and please enjoy the rest of your day.

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