



Energibransjens innkjøps- og kontraktskonferanse 2023

# Orkla Procurement

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# Orkla at a glance

**1654**

Established

**12**

Portfolio companies

**58.4**

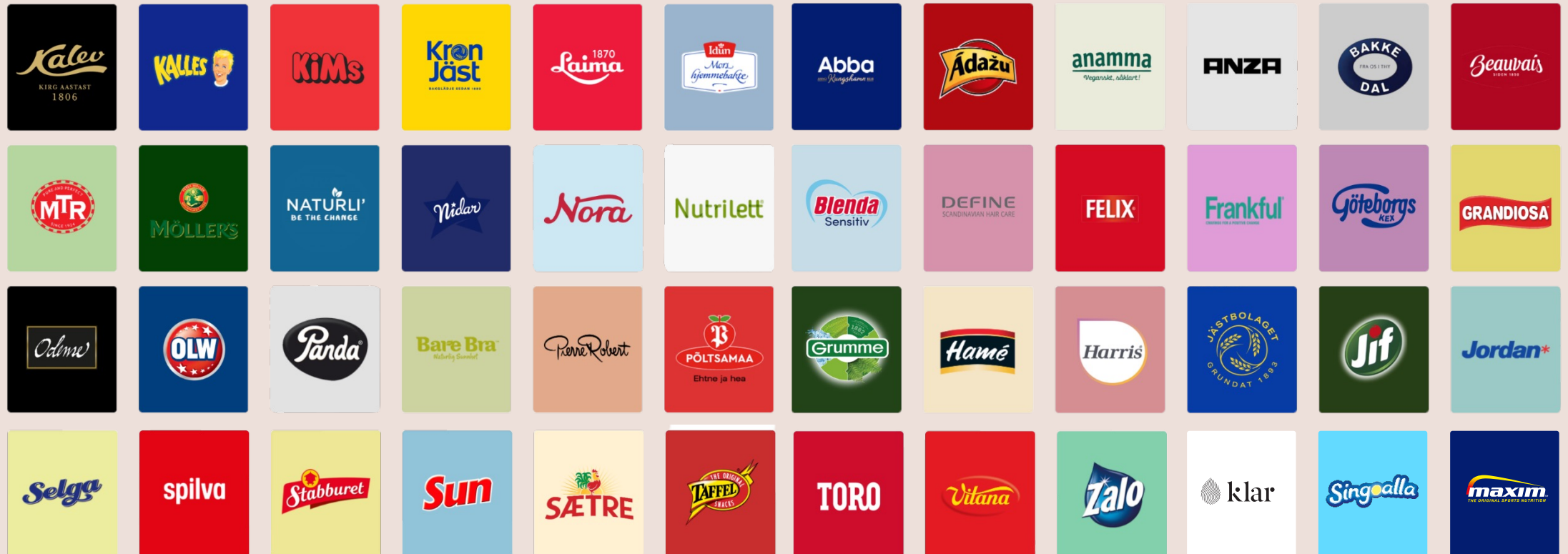
Operating revenues\*  
(BNOK)

**71**

Market Cap.\*\*  
(BNOK)

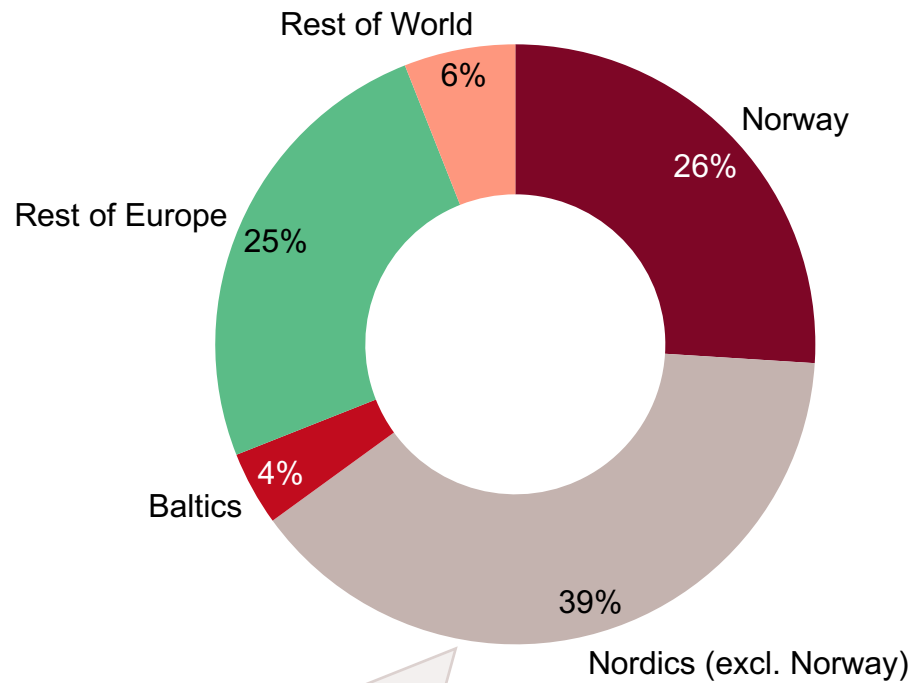
\* Full year 2022 \*\* 10 March 2023

# En unik portefølje av sterke merkevarer i mange land



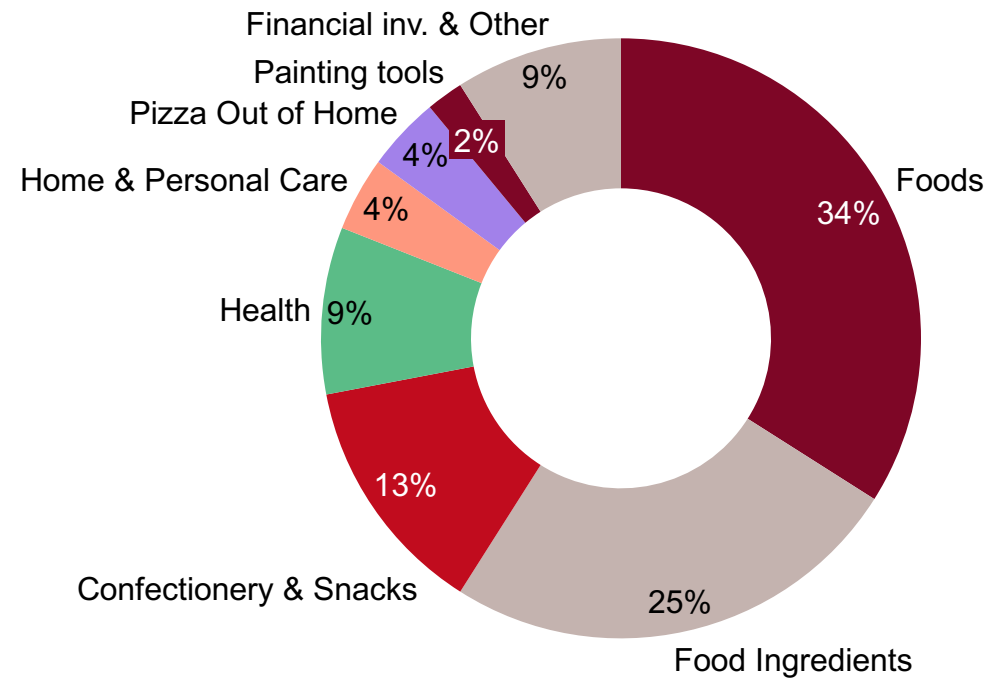
# Strong presence in the Nordics today

By geography, % of sales revenue



65% revenues in Nordics\*

By category, % of sales revenue



\*Nordic inhabitants per 2022 was 27.8 million ([www.norden.org](http://www.norden.org))

# Three key building blocks in our new operating model



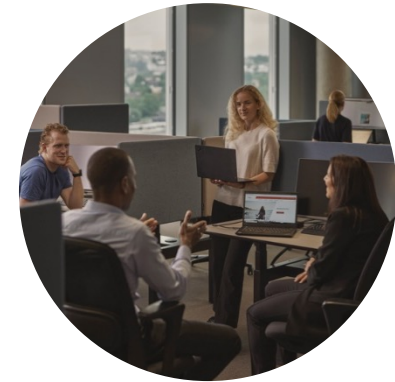
## Portfolio Companies

More autonomous portfolio companies with stronger mandates



## Orkla ASA

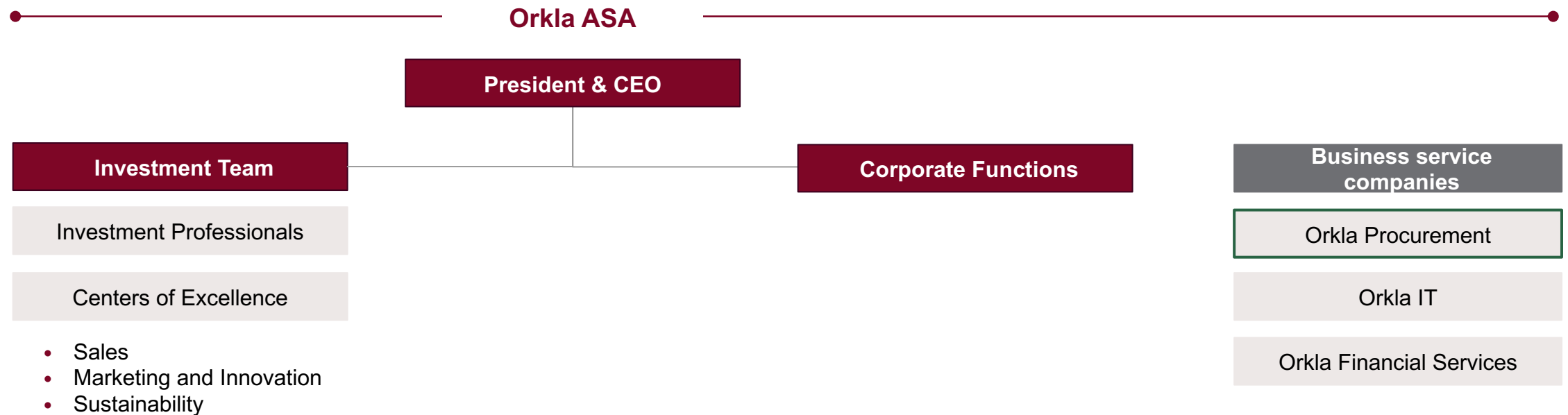
A leaner Orkla ASA focusing on the ownership role and capital allocation



## Business service companies

Business service companies to maintain important synergies

# Our current portfolio will consist of 12 portfolio companies in addition to 2 financial investments, operational from 1 March 2023

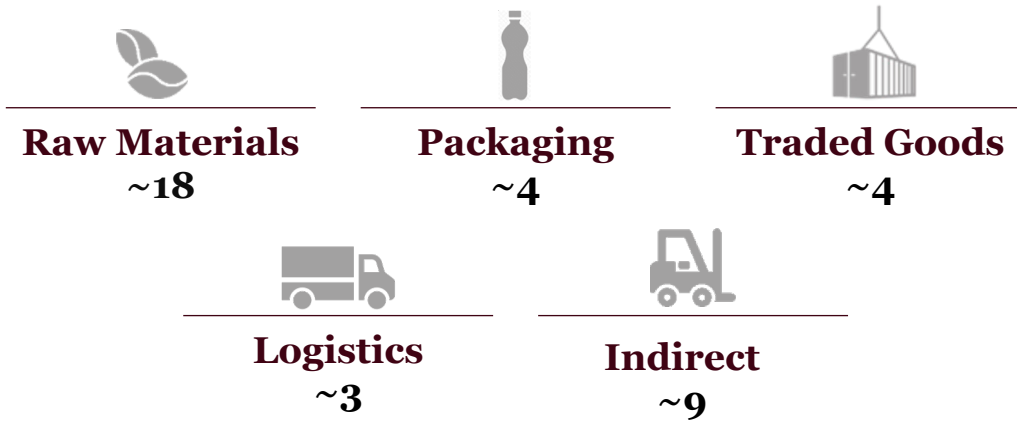


**Portfolio Companies**

|                    |                    |                        |                              |              |             |                   |                            |                  |                             |                     |           |             |                   |
|--------------------|--------------------|------------------------|------------------------------|--------------|-------------|-------------------|----------------------------|------------------|-----------------------------|---------------------|-----------|-------------|-------------------|
| Jotun <sup>1</sup> | Orkla Foods Europe | Orkla Food Ingredients | Orkla Confectionery & Snacks | Orkla Health | Orkla India | Pizza Out of Home | Orkla Home & Personal Care | Orkla House Care | Health and Sports Nutrition | Pierre Robert Group | Lilleborg | Hydro Power | Orkla Real Estate |
| 27.9 BNOK          | 17.8 BNOK*         | 14.7 BNOK*             | 7.6 BNOK*                    | 5.4 BNOK*    | 2.5 BNOK*   | 2.3 BNOK*         | 2.1 BNOK*                  | 1.4 BNOK*        | 1.1 BNOK*                   | 0.6 BNOK*           | 0.5 BNOK* |             |                   |

# Orkla Procurement in numbers

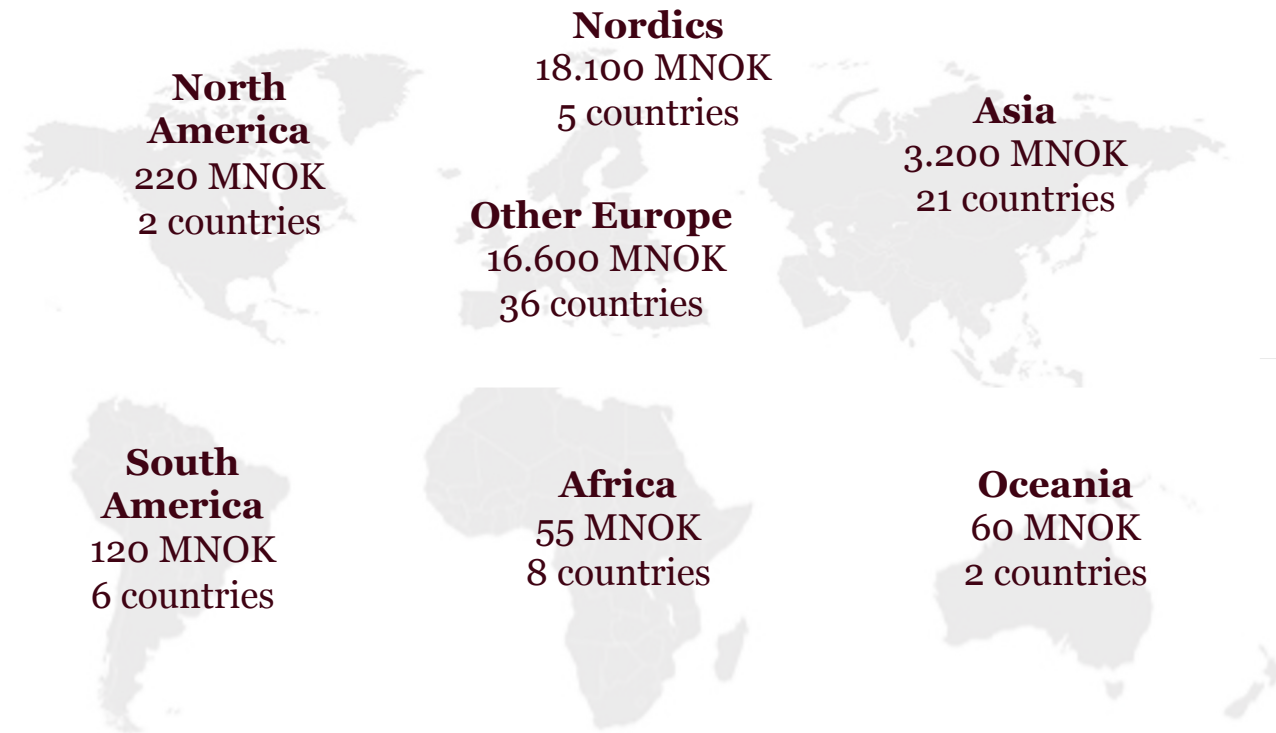
Approx 38 BNOK in external spend...



... managed by..

-  225 colleagues (75% Business Unit / 25% Group) in...
-  15 countries in 40 locations sourcing from...
-  80 countries

..sourced globally with majority in Europe







# 2021 and 2022 displayed increasingly challenging supply markets with firming prices and disrupted logistics

## Market movers...

### Disrupted logistics

- C-19 lock-downs led to delays and longer lead times
- Regionally lock-downs and re-openings imbalanced global supply chains

### Strong global demand

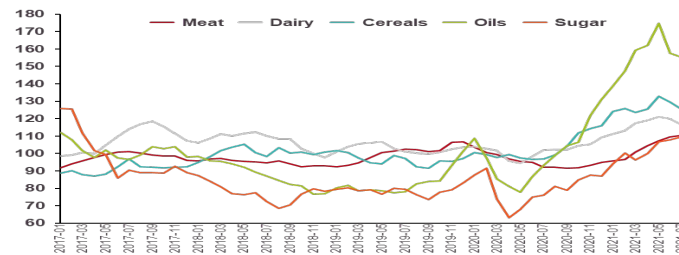
- Increased web-sales raised demand for retail- and consumer packaging
- Public stimuli packages support economic growth. Stock building as a result of shortages and longer lead times

### Green-transition

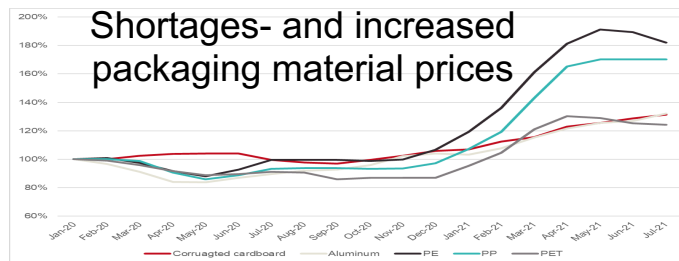
- Increased use of Agri-commodities for biofuels boosted demand
- Politically set targets for biofuels allow for zero price elasticity
- More extreme weather events

## ...market reactions ...

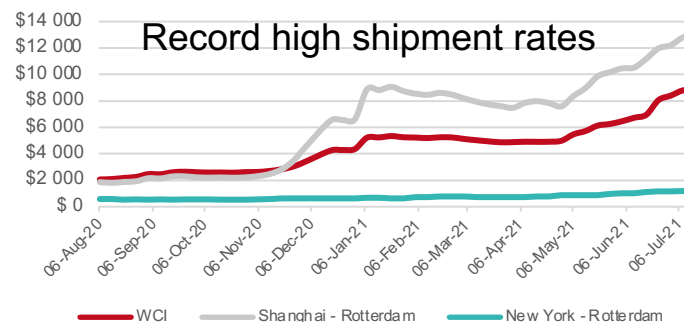
### Broad-based Commodity price increases



### Shortages- and increased packaging material prices



### Record high shipment rates



## ...and mitigating OP actions

### Secure Supply

- Pro-actively monitored and followed-up on contracted deliveries
- Revisited and validated forecasted demand

### Support price- and revenue mgmt.

- Continuously conveyed market- and cost development internally
- Price mgmt. seminar arranged.
- Assist/participant in customer negotiations

### Focus on price risk management

- Secured price in-/out- alignment
- Fast track contracting into 2022 where fundamentals was bullish

### Accelerate cost improvements

- Secured implementation of ongoing cost improving initiatives
- Re-launched opportunity assessment and list of 'radical' ideas

# The post-covid challenges in the supply markets will influence input prices in 2023. Geopolitical uncertainty and climate impact results in polarized price developments

## The Ukraine War



- Large impact on supply and prices on agriculture products
- Exposure to the Black Sea grain corridor agreement

## The Energy crisis



- Supply disruption on natural gas and generally higher energy cost
- Higher processing and conversion cost

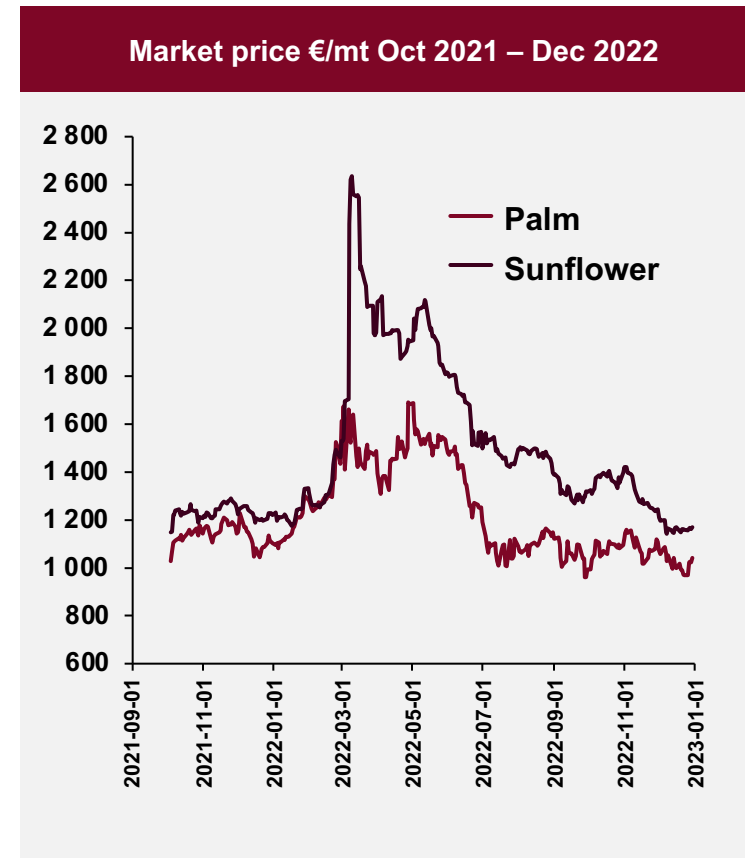
## European drought



- Worst European drought in 500 years during late summer 2022
- Substantially reduced yields in all spring crops in 2022
- Renewed 2023 drought in Spain, Portugal and southern France

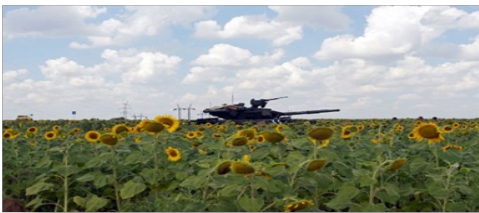


## Market price veg. oils



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## 3 input cost consequences for Orkla in 2023

- 1. Increasing market prices 1H 2023 and increasing cost** in 2023 due to drought affects, supply tightness and higher energy cost in production and processing
  - Examples: Potato-based, Starches, Sugar – EU & WM, Vegetables, Meat, Nuts and Cocoa.
- 2. Declining market prices 1H 2023, but increasing cost**, due to end-2022 expiry of longer-term contracts and alignment btw. market prices and cost
  - Examples: Vegetable oils, Grain-based articles for 1H 23 and contracted Energy
- 3. Declining market prices 2H 2022 and declining cost**, due to less demand and excess supply
  - Examples: Dairy-EU, Seeds, Packaging except glass/metal, Additives and Sea-freight

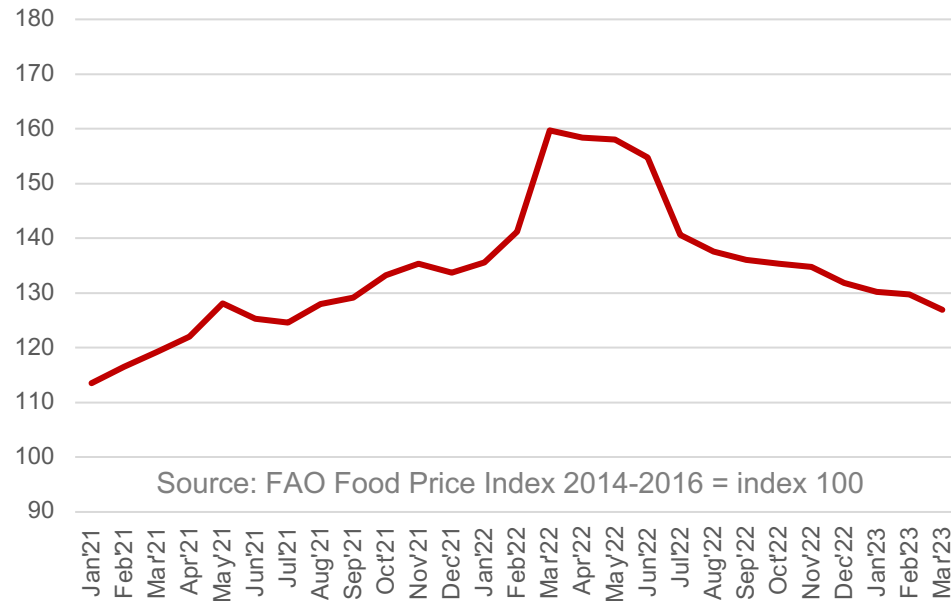


## Market prices indexes

The Orkla weighted Raw Material EU Market Price index vs. FAO Food World Market Price index, confirms Orkla's exposure to higher EU Market Prices



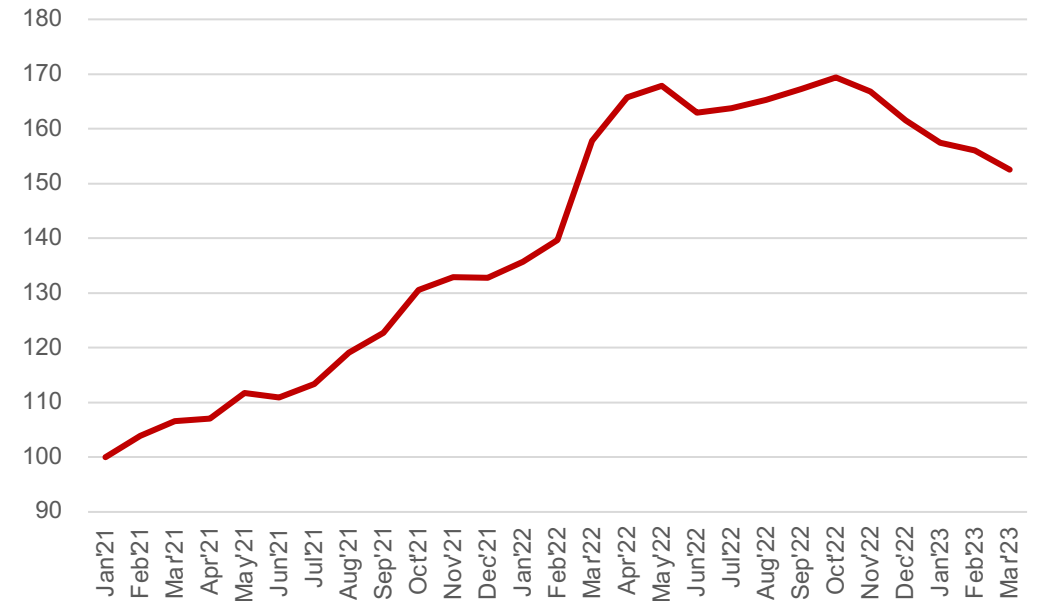
**FAO Food Price Index – World Market**  
(Jan'21 – Mar'23)



- -21,5% down RTM from March 2023 or -32,8 index points.
- Reflects **world market prices** on crude veg. oils, grains, sugar, dairy and meat at even weights
- No refining- or processing cost included



**Orkla Raw Material Market Price Index**  
(Jan'21 – Mar'23)



- -3,3% down RTM from March 2023 or -5,2 index points.
- Third party **EU market prices**. Excl. Norwegian & UK market
- 11 raw material categories matched with market prices
- No refining- or processing cost included and seasonal pricing not included on F&B and vegetables

# Orkla Procurement leavers on how to balance security of supply against demand uncertainty in volatile markets exposed to down-trading



We're entering an unknown macro-economic- and FMCG territory – nothing is as usual or similar to previous years.

**A contract is not necessarily a contract!**



## **Challenge demand forecast and Inventory levels**

- Accurate demand forecasts, including campaigns is key
  - Matching LY's demand/needs is ambitious
- Adjust and potentially reduce inventory- and safety stocks levels

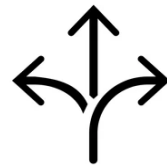


## **Challenge specifications and supplier markets**

- Challenge quality specifications and align with actual quality needs
- Search supplier markets for cost-efficient product-/ service alternatives

## **Ensure contract flexibility**

- Volume flexibility in contracts to avoid potentially costly carry-over!
- Push for pricing models to adapt to volatile cost drivers and minimize repeated use of resources (work-load)!
- Minimize lead-times to facilitate reduced inventory levels



## **Assuring competitive cost development in high uncertainty markets**

- Timing- / contracting decisions should be based on S/D fundamentals, rather than expectations on geo-political developments
- High uncertainty → generally shorter contracts in excess supply markets

