



Orkla expands in India

Investor material

September 2020

MTR Foods Private Limited to acquire and merge with Eastern Condiments Private Limited

- Agreement signed whereby MTR Foods Private Limited (“MTR”) will acquire 67.8% of Eastern Condiments Private Limited (“Eastern”) followed by a merger
- Transaction will double Orkla’s net sales in the fast growing Indian market, and the combination of MTR and Eastern will create a strong base for growth and value creation
- The transaction values Eastern at INR 20 billion on a cash- and debt-free basis, on a 100% basis
- Promoters of Eastern, Navas and Firoz Meeran (“Promoters”), will continue as partners in the merged entity with a 9.99% ownership stake post the merger
- The merger process is envisaged to take 12-15 months, and after merger the entity will continue under the name of MTR
- Under the transaction, the remaining shareholders, McCormick (26.0%) and the family of the Promoters (7.7%) will exit completely

Orkla, through its wholly owned subsidiary MTR, doubles its size in India through the acquisition of and subsequent merger with Eastern

Indian branded foods market and spice category growing at double digit rates



- Spice market growing ~13% CAGR last 7 years
- Positive demand dynamics with increasing purchasing power and more urban lifestyles
- Eastern, based in the state of Kerala, has strong and complementary portfolio

Orkla has strong track record in India since acquisition of MTR Foods in 2007



- MTR has increased sales fivefold since acquisition (sales +13% CAGR since 2007)
- MTR has built a strong branded vegetarian foods portfolio including spices and ready-to-eat
- Experienced and stable local management team in place since 2009

MTR and Eastern highly complementary with attractive growth prospects



- Doubling of Orkla India sales with complementary footprint and product portfolio
- Both companies have their roots in and deep knowledge of southern Indian cuisines
- Continuity in Eastern ensured through partnership with Meeran brothers



MTR has built a nationwide presence across multiple categories from its base in Karnataka

Business highlights

- Orkla entered Indian market in '07 through the acquisition of MTR and has since grown MTR's topline almost fivefold
- Being present in spices, MTR has a high focus on packaged food such as ready-to-eat products and vermicelli
- 2 fully owned production facilities and 1,000 FTEs produce ~350 SKUs
- MTR produces vegetarian products only

Blended spices



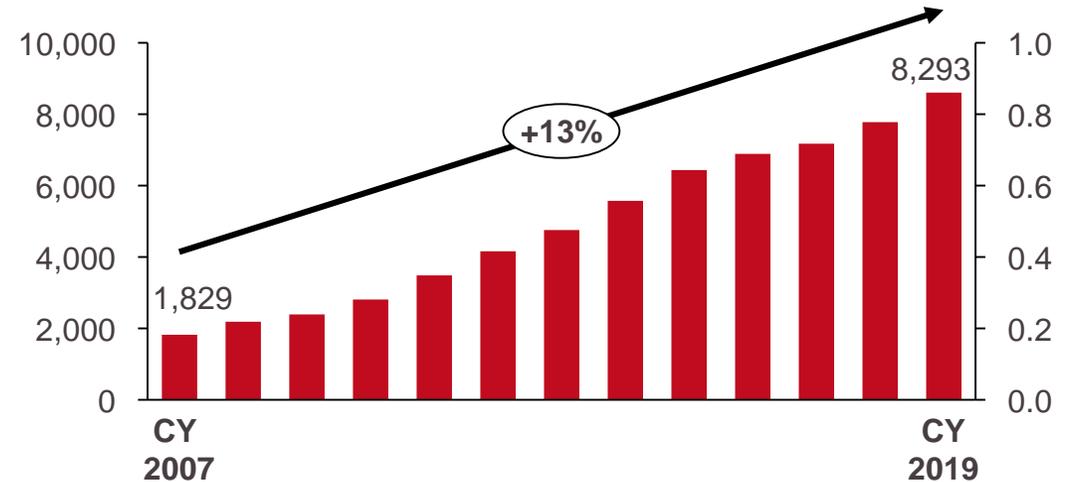
Single spices



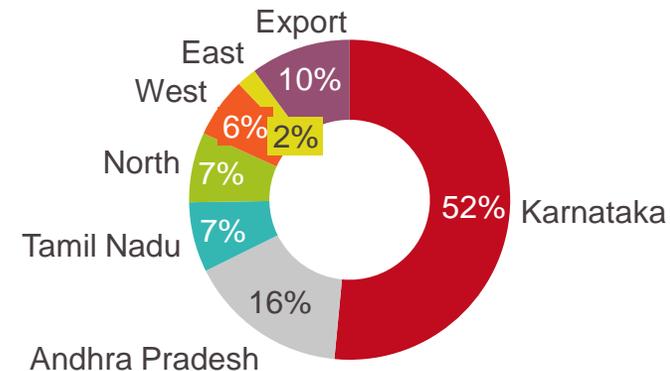
Food mixes



MTR's net sales since acquisition (INRm)

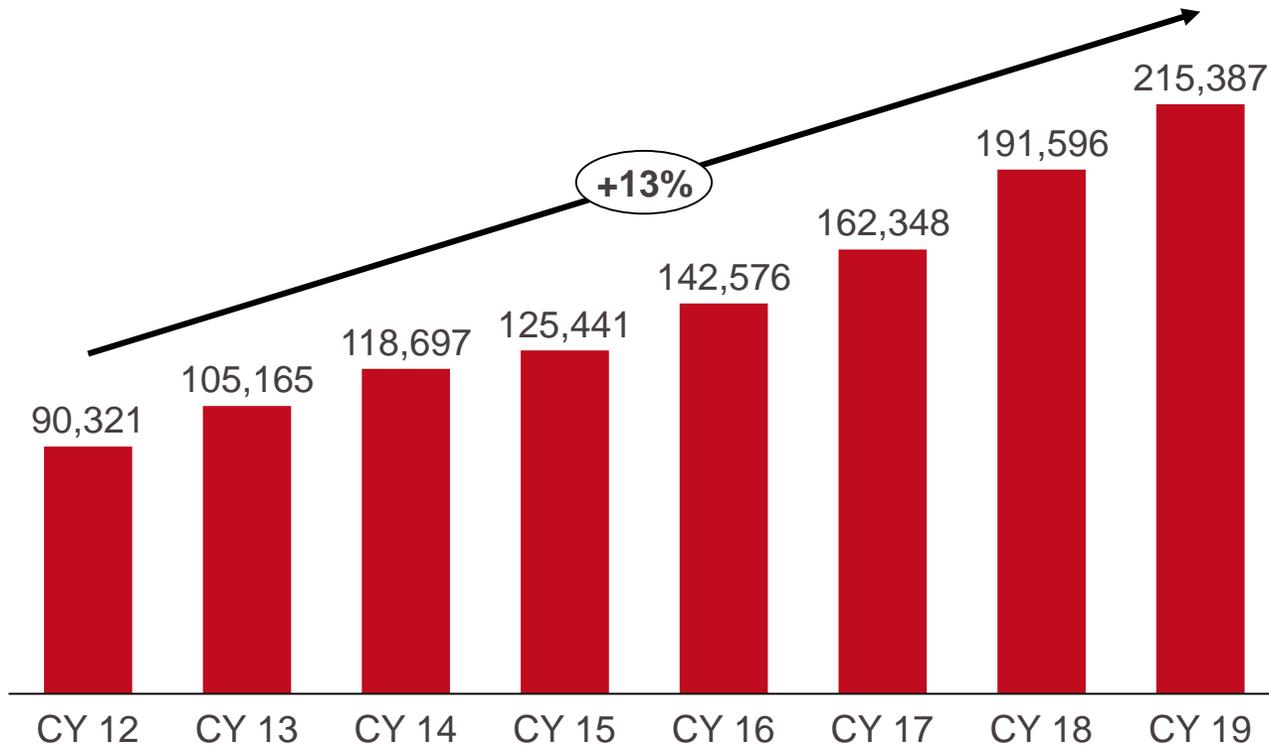


MTR's net sales split by region (CY19)



India is a highly attractive market well known to Orkla

Total Indian spice category (INRm)



Spices predicted to continue to grow at double digit rate

- Total branded spices category shows consistent double-digit growth
- Branded and value added spices driving value growth
- Upper/middle income and high-income segments expected to grow from a quarter of the population to half in the next five years
- Younger population, rapid urbanisation and busier lifestyles, hence increased demand for value added spices and food products

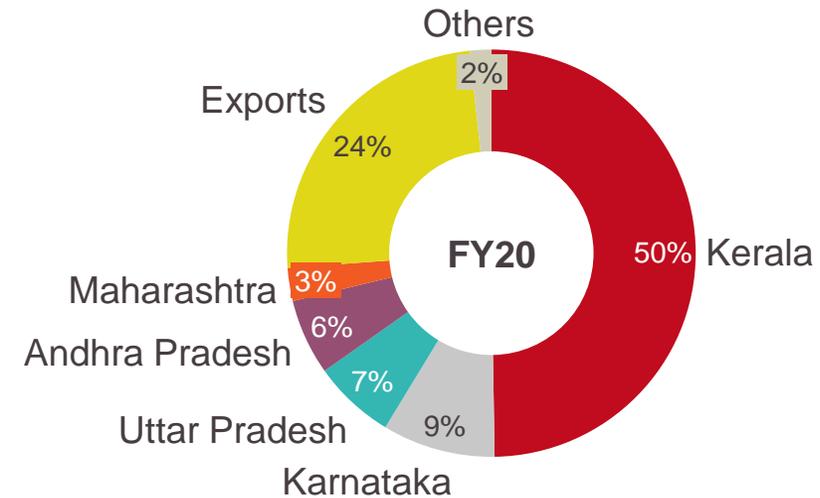
Eastern has similarly built a nationwide presence from its base in Kerala



Business highlights

- Established in 1983 with headquarters in Kochi, Kerala
- Total revenue of INR 8,979m and normalised EBITDA of INR 1,076m¹
- The entity is owned by:
 - 66.3%: Navas and Firoz Meeran (Promoters)
 - 7.7%: Meeran family members
 - 26.0%: McCormick Ingredients SE Asia PTE LTD
- Sale and distribution of blended and single spices as well as other food mixes and powders
- Half of sales from South India (Kerala mostly), ~¼ from rest of India and ¼ from export (mainly to Middle East)
- ~3,000 FTEs (company has its own distribution set-up)
- More than 900 SKUs produced across the company's 7 production facilities
- Produces both vegetarian and non-vegetarian products (MTR only vegetarian)

Net sales by region



Blended spices



Single spices



Other categories



Transaction structure summary

- Eastern valued at INR 20 billion (NOK ~2.4 billion) on a cash- and debt-free basis (100%)
- Eastern with net sales (excluding tea business) of INR 8.5 billion and normalized EBITDA of 1.1 million in the 12 months to 30 June 2020, implying a transaction multiple of 18.6x
- Orkla, through its wholly owned subsidiary MTR, to acquire 67.8% of Eastern:
 - 26.0% of Eastern from McCormick Ingredients SE Asia PTE LTD
 - 41.8% of Eastern from the Promoters and the Meeran family
 - Promoters, i.e. Navas and Firoz Meeran, will continue to hold 32.2% of the shares in the company
- Subsequent to the transaction closing, Eastern will be merged with MTR, with the Promoters contributing their remaining stake in exchange for receiving 9.99% of the merged MTR
- Transaction structured as a long-term partnership led by Orkla and MTR
- Transaction subject to approval by Competition Commission of India
- Initial acquisition expected to close in Q4-20. Merger process expected to be completed by Q1-22
- Orkla has possibility of obtaining full ownership over time