Driving efficiencies in supply chain, rebuilding gross margin and delivering compounding earnings growth

ULRICA FEARN
CFO CARLSBERG

Carlsberg Group

Our financial growth algorithm is clear…

4-6% ORGANIC REVENUE GROWTH

REBUILDING GROSS MARGIN

INCREASING SALES AND MARKETING INVESTMENTS

MAINTAINING STRICT COST CONTROL

Organic operating profit growth ahead of revenue growth

Compounding earnings growth

... and rebuilding gross margin and continued strict cost control remain key levers

Compounding earnings growth

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Our top- and bottom-line growth drivers are well embedded in Accelerate SAIL...

PORTFOLIO CHOICES

Accelerate premium beer and AFB

Strengthen mainstream core beer

Step up in Beyond Beer and soft drinks

GEOGRAPHICAL PRIORITIES

Accelerate growth in Asia

Drive profitable growth in strongholds

Develop high-potential markets

EXECUTION EXCELLENCE

Excel at sales, marketing and innovation

Drive digital transformation

Manage supply chain end to end

FUNDING OUR JOURNEY

Optimise sourcing

Unlock supply chain efficiency

Continue cost discipline

WINNING CULTURE

Build a growth culture

Together Towards ZERO and Beyond

Live by our Compass

… with a balanced set of levers to deliver on our mid-term growth ambition

4-6% ORGANIC REVENUE GROWTH

~1/3 volume

- Growth categories
- Benefits from combined portfolio of beer and soft drinks in multiple markets
- Favourable long-term market dynamics, including in China, Vietnam, India and Central Asia

~2/3 revenue/hl

- Category mix: premium beer, alcohol-free brews and Beyond Beer
- Price
- Value management

Rebuilding gross margin through…

- Growing revenue/hl
- Flattish cost of sales/hl

… offsetting increased commercial investments, including marketing

- Flat SG&A/revenue

ORGANIC OPERATING PROFIT GROWTH AHEAD OF REVENUE GROWTH

Compounding earnings growth

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Our P&L has changed shape following the Britvic acquisition; underlying ambitions are unchanged

			UNCHANGED AMBITIONS	
	2024[1]	**PRO FORMA 2024**[2]	ACCELERATE SAIL (Feb 2024)	RECALCULATED INCLUDING BRITVIC
Soft drinks volume	16%	~30%		
Gross margin	45.8%	~45%	Pre-COVID levels of 48-50%	47-49%
Marketing/ revenue	8.7%	~8%	~9%	~8.5%
CapEx/ revenue	6.7%	~6%	6-7%	6-7%

[1] Reported, Carlsberg Group Annual Report 2024. [2] 2024 pro forma, including Britvic.

Our performance management schedule, systems and processes are well embedded in the organisation...

... with a continuous stringent focus on costs and wider scope for Funding our Journey

ACCELERATE SUPPLY CHAIN

Optimising costs in the supply chain by

- lowering raw material, packaging and logistics expenses
- increasing standardisation

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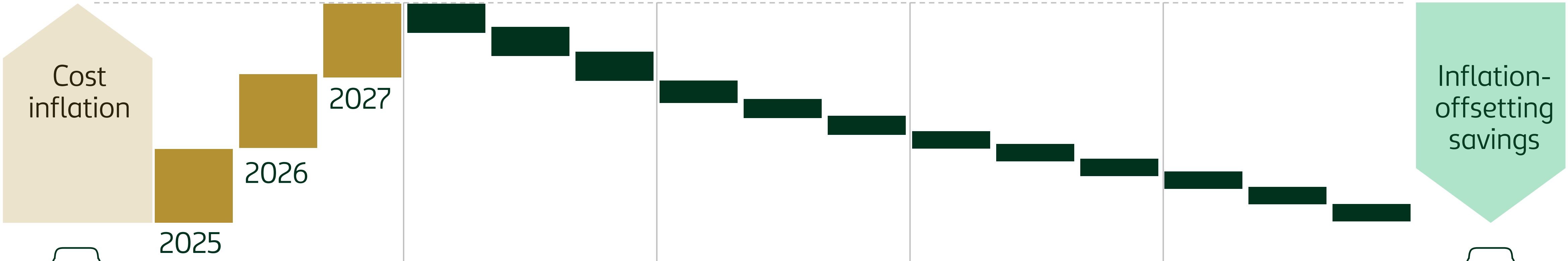
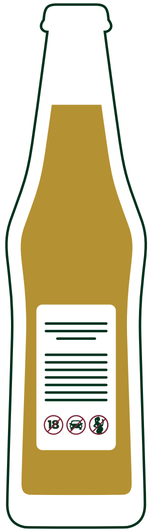
Rebuilding gross margin by mitigating inflationary headwinds to maintain flattish COGS/hl





Headwinds

Commodity inflation, geopolitics, other

BUY LESS

Value engineering to optimise portfolio, recipes and packaging

VIPEX[1]

PAY LESS

Drive procurement efficiencies

PROCUREMENT

WASTE LESS

Improve conversion efficiencies

LOSS COST TREE PRODUCTION

MOVE LESS

Improve logistics efficiencies

LOSS COST TREE LOGISTICS

[1] Value Improvement Product Excellence.

Buy less: introducing VIPEx

IMPROVING PRODUCT VALUE
by eliminating features that do not add value for consumers and customers – without compromising quality or brand equity

RATIONALISING SKU portfolio

Main focus areas
- Primary, secondary and tertiary packaging
- Liquid optimisation
- Commercial displays

Financial benefits
- Lower material costs -> Cost reduction
- Resource optimisation -> Leaner operations
- Margin improvement -> Rebuilding gross margin
- Working capital -> Reducing inventory levels

VIPEx in action

Cross-functional – engaging supply chain with marketing and commercial

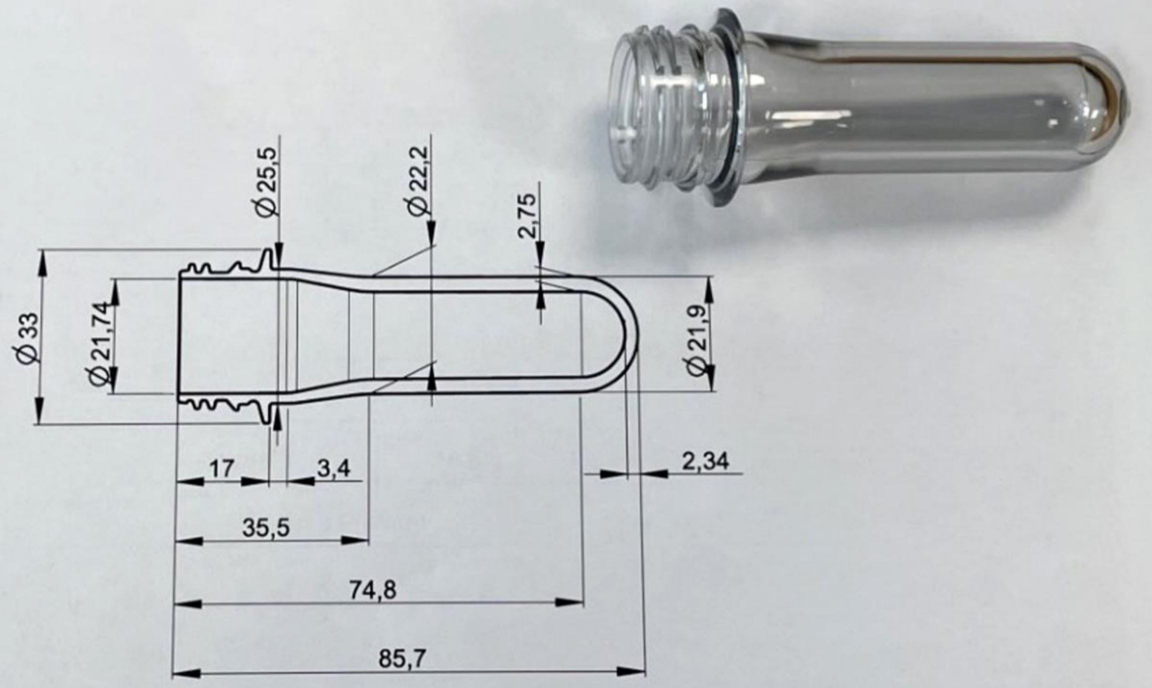
Involving **top-down** packaging and liquid recipe optimisation ideas and **bottom-up** ideas from markets

Embedding VIPEx mindset across functions and core processes

- Commercial excellence
- Sales & operations planning (S&OP)
- New product development
- Portfolio reviews

EXAMPLE FROM DENMARK

Lightweighted the 250 ml PET from 22.5 grams to 18.5 grams



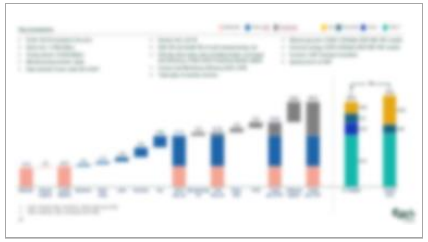
FILM

Pay less: securing lower purchase costs for all goods and services

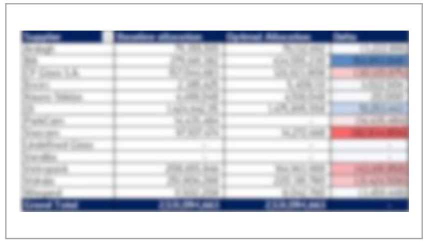
- **“SHOULD COST” MODELS**
  for fact-based negotiations
- **VOLUME CONSOLIDATION**
  across markets and regions
- **MINIMUM ORDER QUANTITY (MOQ)**
  optimisation to leverage lower price

Applying multiple tools and techniques to deepen relationship with suppliers and lower purchase prices

PACKAGING



"Should Cost" models for fact-based negotiations



Volume reallocation model for bottles

Game Theory negotiations to maximise regional potential

RAW MATERIALS

Regional strategies based on market insights

Detailed best practices deployed by competition

Material of origin optimisation to leverage lowest tiered price

LOGISTICS AND CROSS-FUNCTIONAL

FTL (full truckload) lane-level price benchmarks against spot and "should costs" values

Supplier change management improvements focusing on qualification process

Bottle specification benchmarking against competition

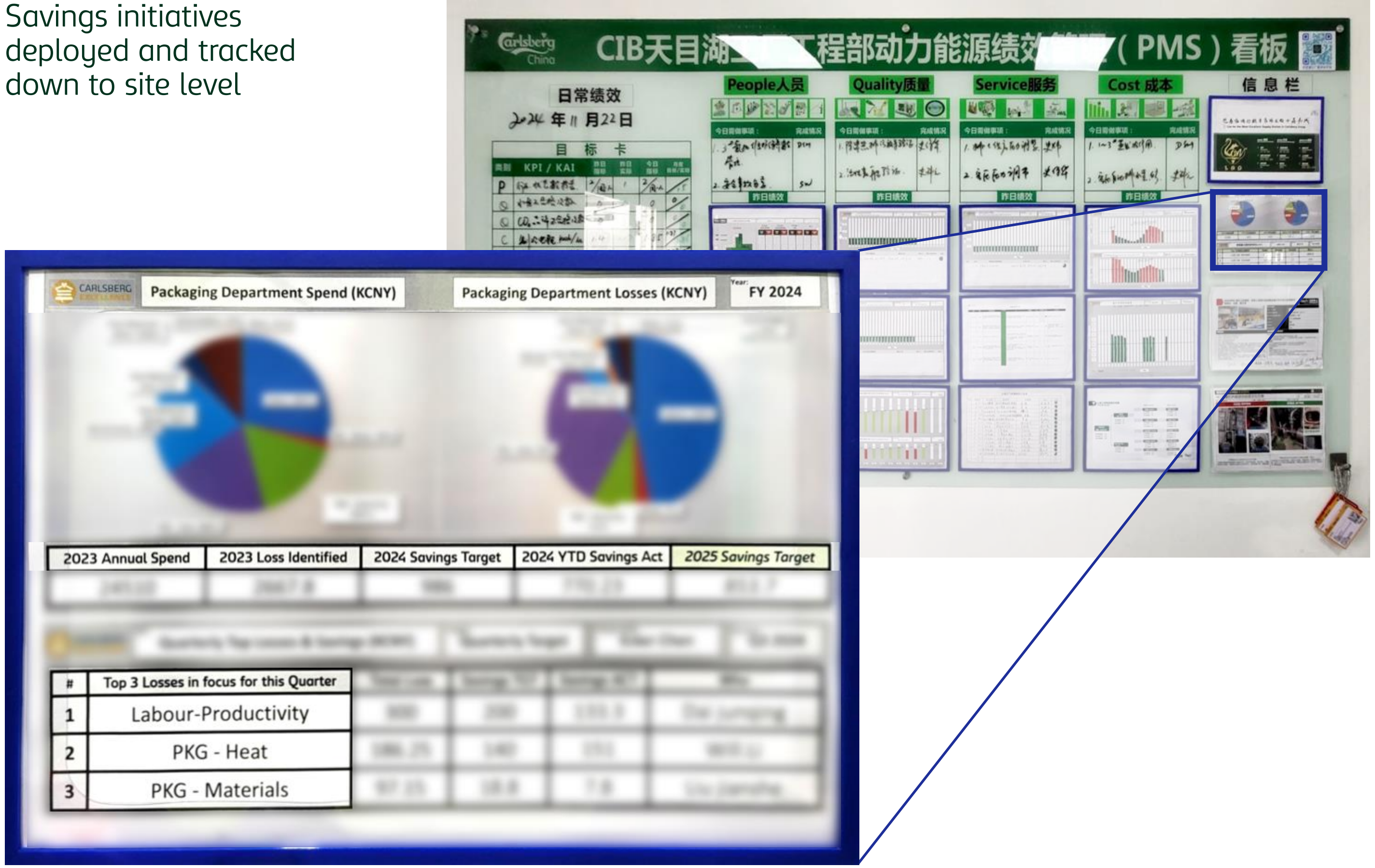
Waste and move less: reducing cost inefficiencies and losses using Loss Cost Tree in production and logistics

LOSS INTELLIGENCE
Identify losses via internal benchmarking

LOSS ERADICATION
Carlsberg Operation Manual (COM) loss eradication playbooks

LOSS PREVENTION
Enhance COMs, capability building

Savings initiatives deployed and tracked down to site level



Investing in our people, tools and systems to ensure continuous and sustainable improvements…

EMBEDDING FOUNDATIONAL SKILLS

How can we mitigate risk as a learning organisation?

DO IT
RIGHT

ACHIEVING END-TO-END SUPPLY CHAIN OPERATIONAL EXCELLENCE

How can we continuously improve our performance?

DO IT
BETTER

CAPABILITY TRANSFORMATION

How can we make the supply chain a competitive advantage?

DO IT
DIFFERENTLY

... delivering tangible results supported by sophisticated IT tools

DO IT RIGHT

Carlsberg Sweden canning line

Canning line was at full capacity, resulting in outsourced volumes.

Improved operator capabilities, applying active leadership principles on the shopfloor and increased compliance with Carlsberg Operating Manual (COM) resulted in:

- +9% OEE improvement
- +12% increased capacity
- CapEx avoidance
- EUR ~2m savings by insourcing volumes

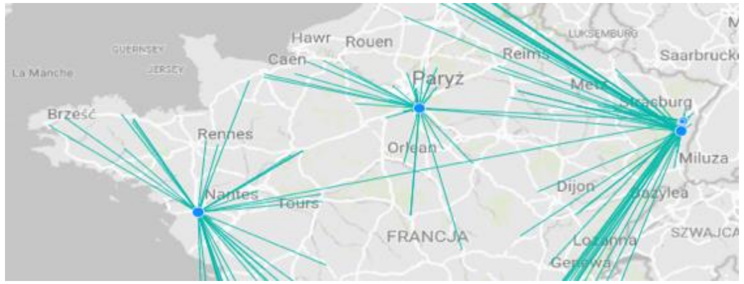
DO IT BETTER

France network optimisation

By modelling 3- to 15-year demand scenarios that reflect consumer and macroeconomic trends, we continuously review potential for warehouse capacity and location rationalisation

Aimed at delivering high customer service, responding to demand changes, reducing logistics costs, optimising CapEx and asset utilisation

The dynamic network optimisation yielded DKK > 20m cost avoidance in France



DO IT DIFFERENTLY

Investing in IT tools to transform supply chain capabilities

OnePlan

Supply chain planning processes and tools to transform our demand and supply chain planning capabilities. Increase revenues and reduce costs through end-to-end optimisation of demand forecasts, inventory, production efficiency, customer order fulfilment and faster responsiveness to market changes. Roll-out 2022-2028

OneOT

Supply chain data platform, enabling better visibility and improved decision-making to unlock data-driven manufacturing excellence. Empowering operators to increase efficiency and reduce losses. Roll-out 2024-2029.

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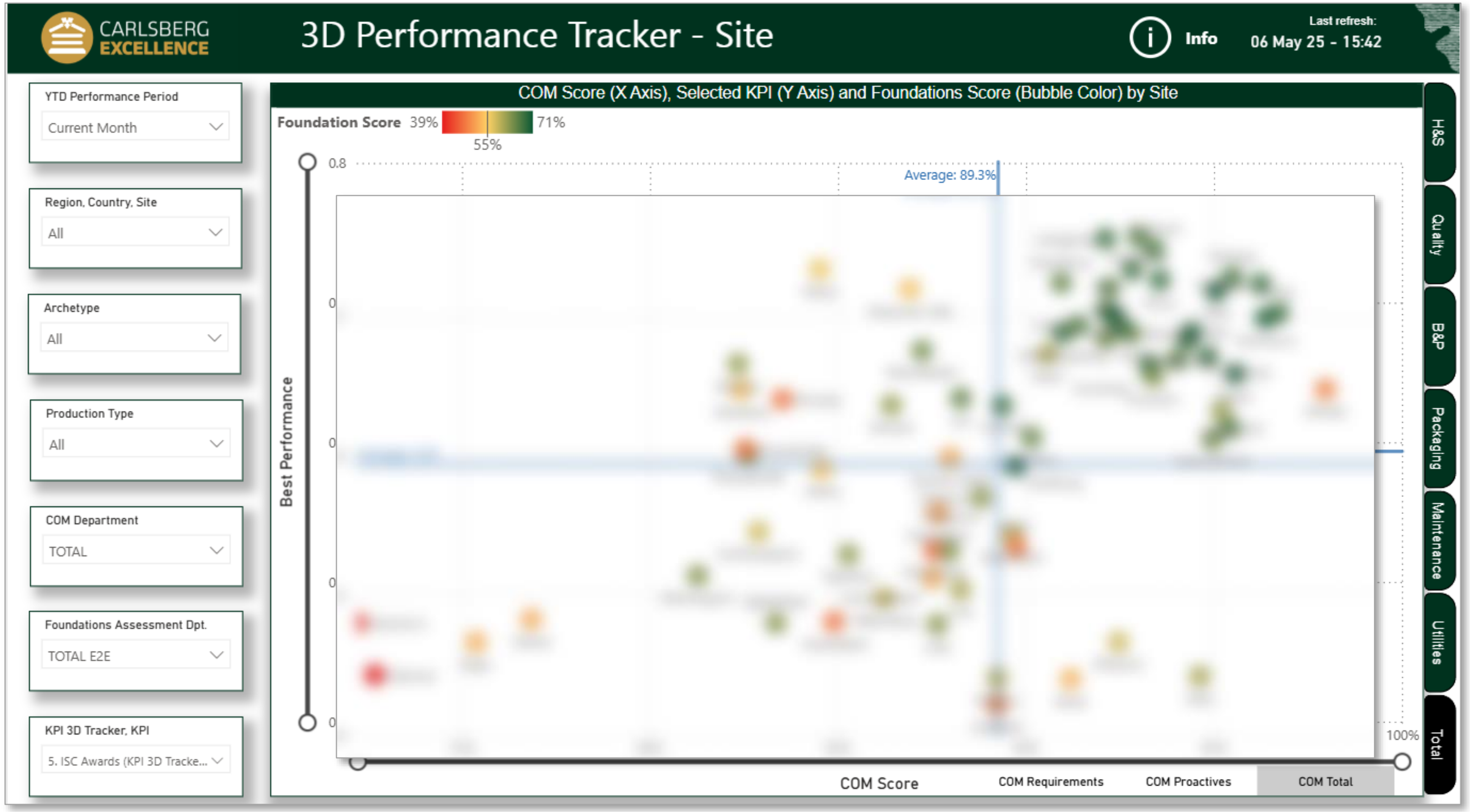
As part of our performance management process, we track diligently to constantly adapt and improve…



BENEFITS

Tracking
Review delivered performance

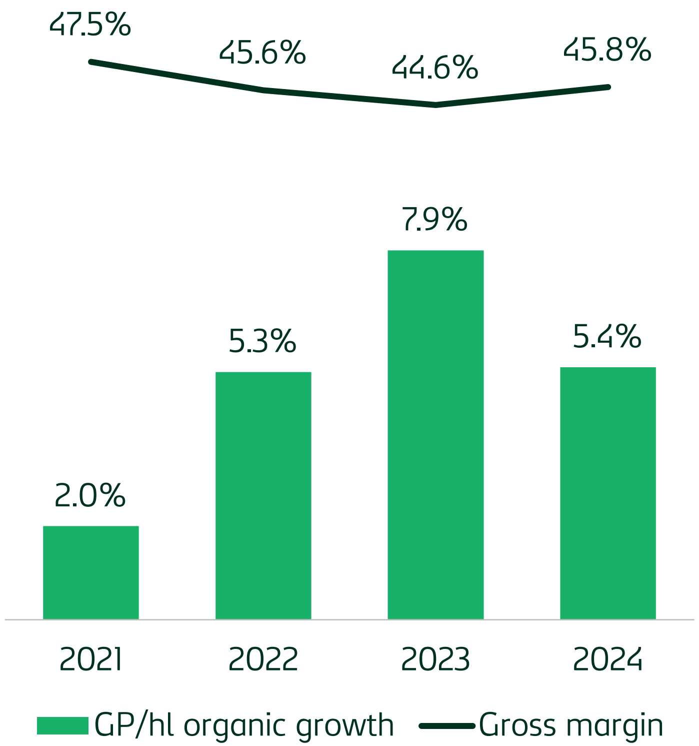
Maturity assessment
Calibrate regional performance expectations

Support Loss Cost Tree (LCT)
- Know your losses
- Benchmarking ("What does good look like for your peers?")

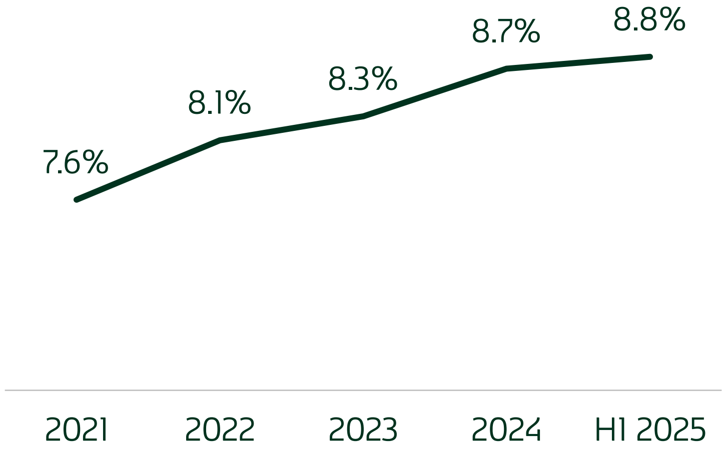
Continuous improvement mindset

… continuing the gross margin rebuild and stable SG&A to enable higher growth investments…

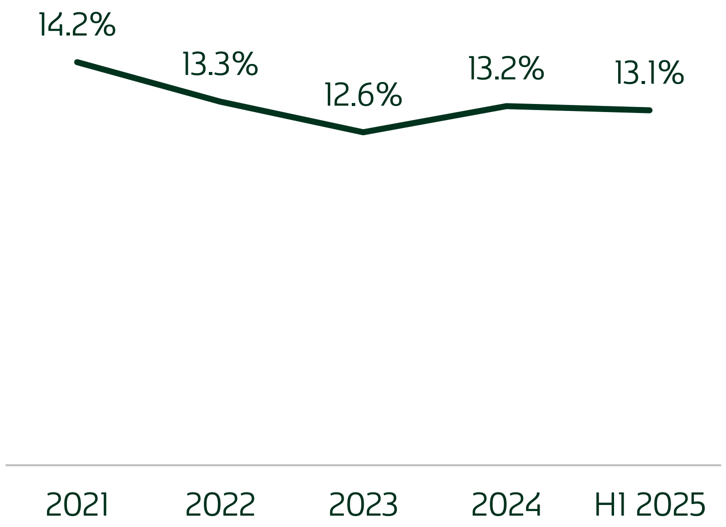
GP/hl and gross margin



Marketing investments/revenue



SG&A/revenue



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… delivering in turn compounding earnings growth and continuing recent years' strong financial track record

ORGANIC GROWTH
REVENUE
2019-2024 CAGR

+5.4%

ORGANIC GROWTH
OPERATING PROFIT
2019-2024 CAGR

+9.4%

GROWTH
ADJUSTED EPS
2019-2024 CAGR

+8.9%

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Relentless focus on driving free cash flow through profit growth, TWC management and strict CapEx, reducing leverage and improving ROIC

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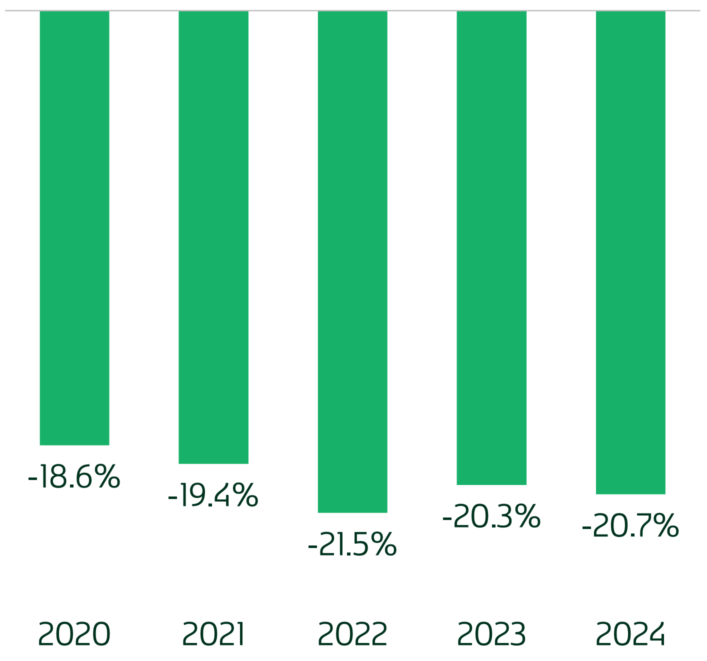
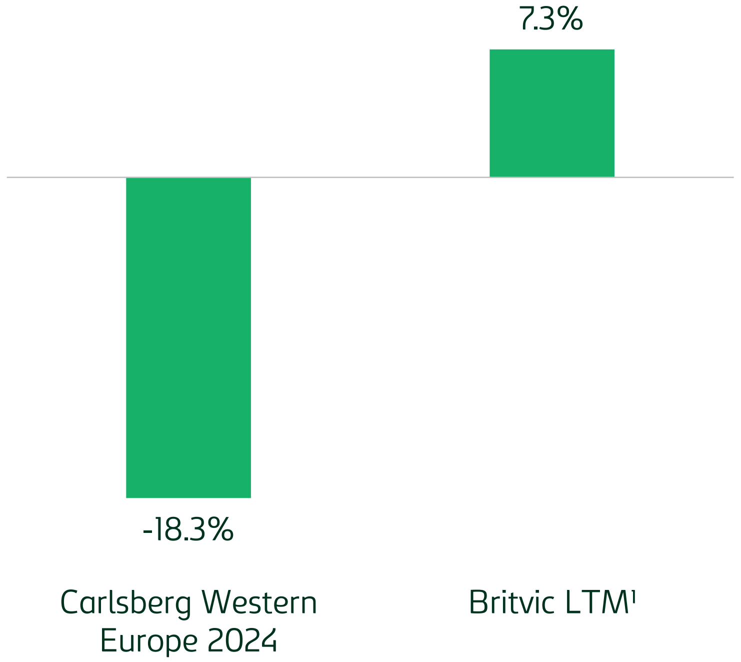
TWC/revenue



Improvement opportunities
for Britvic TWC



6-7%

Mid-term CapEx/revenue

< 2.5x

NIBD/EBITDA by end of 2027

[1] Last twelve months.

Incentive schemes designed to deliver long-term value growth and short-term execution

SHORT-TERM INCENTIVE SCHEME KPIs

- Organic revenue growth (market, region, Group)
- Organic operating profit (market, region, Group)
- Addressable cash flow (market, region, Group)
- Personal assessment of Growth Culture Principles

ADDITIONAL SCHEMES FOR KEY PRIORITIES

- Supply chain savings
- Deleveraging

LONG-TERM (3-YEAR) INCENTIVE SCHEME KPIs

- Organic revenue growth
- Adjusted EPS growth
- ROIC growth
- Relative total shareholder return (TSR)
- ESG (DE&I, carbon, water)

We are committed to our capital allocation principles

1. **Invest in the business**
   to drive long-term value creation

2. **NIBD/EBITDA**
   below 2.5x

3. **Adjusted payout ratio**
   of approx. 50%

4. **Distributing excess cash to shareholders**
   share buy-backs

5. **M&A**
   only if value-enhancing opportunities arise

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In a nutshell, this is how we will deliver attractive value creation going forward

PROFIT GROWTH

Revenue growth 4-6% (CAGR)	Gross margin rebuild to 47-49%	Increase marketing/revenue to ~8.5%	Maintain SG&A/revenue flat	Deliver the Britvic synergies

Organic operating profit growth > revenue growth

CASH FLOW IMPROVEMENT

Continuing strong TWC performance	Improving TWC at Britvic	CapEx/revenue 6-7%	Investigating structural changes, including disposals

Improving free cash flow and cash conversion

SHAREHOLDER ATTRACTIVENESS

Compounding EPS growth	ROIC improvement	Leverage reduction to < 2.5x

50% adjusted payout → growing dividends
Resuming share buy-back when leverage target reached

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KEY TAKE-AWAYS
DELIVERING COMPOUNDING EARNINGS GROWTH

1.

Funding our Journey with its stringent focus on efficiencies and costs is a key part of Accelerate SAIL

2.

Unchanged gross margin ambition; margin recalculated following the Britvic acquisition

3.

Delivering flattish COGS/hl:

- Buy less
- Pay less
- Waste less
- Move less

4.

Committed to our capital allocation principles, including reaching NIBD/ EBITDA < 2.5x in 2027

5.

Incentive schemes supportive of short-term execution and long-term value growth

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