

A woman with blonde hair in a braid, wearing a black t-shirt, is looking at a computer monitor in a factory setting. She has her hand raised towards the screen. The background shows industrial machinery and a red structure.

# Oriola Corporation Investor Day

30 November 2022  
Helsinki



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## Program

10:00 **Opening remarks**  
Mikael Wegmüller, VP, Communications and Sustainability

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**Oriola today and transformation going forward**  
Katarina Gabrielson, CEO

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**Supply chain as a service**  
Petri Boman, Chief Supply Chain Officer

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**Introduction of Timo Leinonen,  
incoming CFO**

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11:10–  
11:30 **Coffee break**

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**Data-driven commercial model**  
Hannes Hasselrot, Chief Commercial Officer

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**Key takeaways**  
Katarina Gabrielson, CEO

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12:15 **Q&A**

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# Oriola today and transformation going forward

**Katarina Gabrielson**

CEO





# We create value through the entire healthcare value chain



“

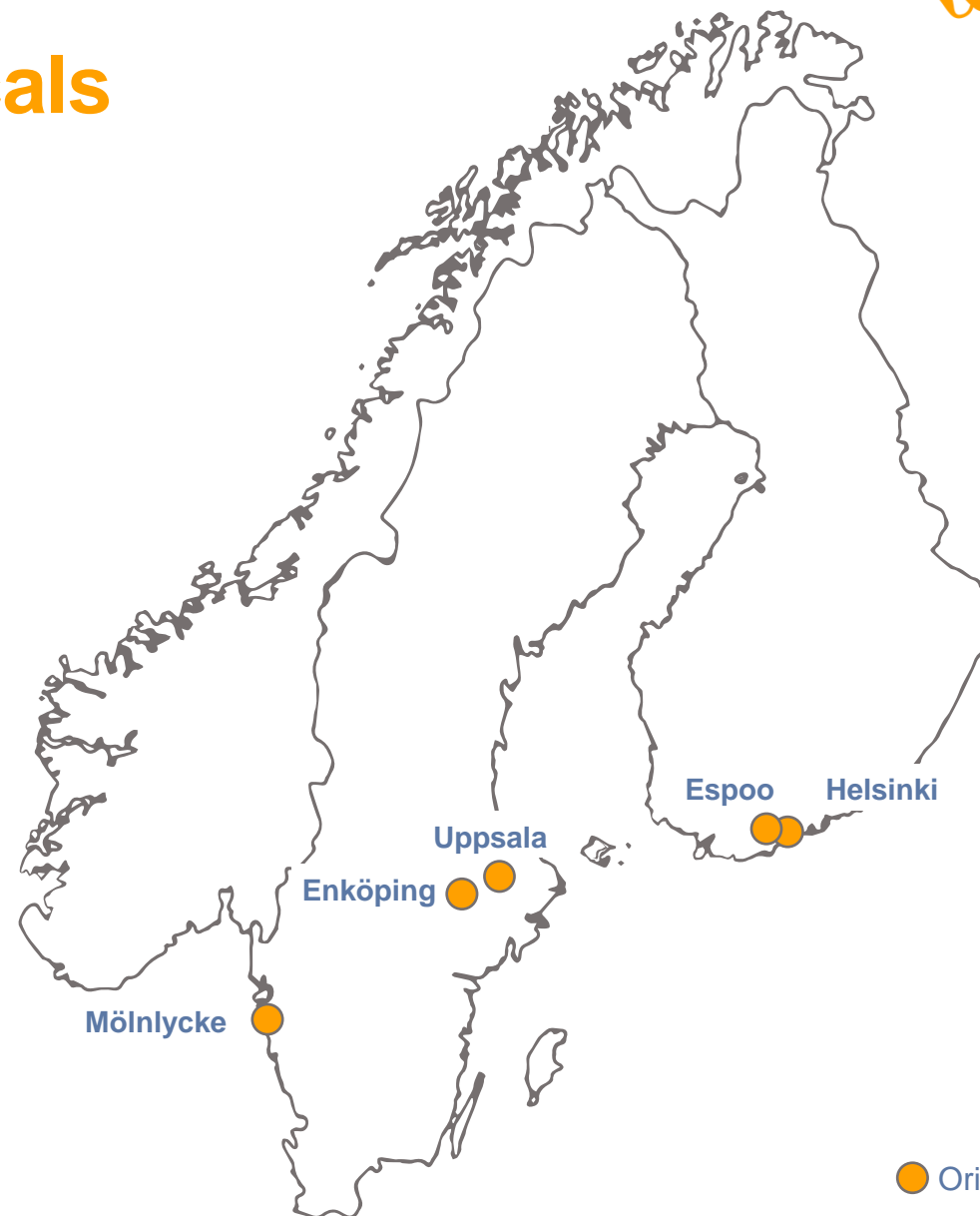
*Securing the distribution of medicines to patients and customers is a key element in the Nordic welfare societies and the health care system. Oriola has been serving customers in this area since the establishment of its first medicine wholesaler in 1907. The company's long tradition has set the foundation for our unrivalled knowledge and expertise in the pharmaceutical sector. We take pride in enhancing the availability and safe use of medicines and healthcare products.”*

# A preferred partner in securing the availability of pharmaceuticals

- We create value by securing health for life
- A leading distributor of pharmaceuticals in Sweden and Finland and a forerunner in providing advisory services to pharmaceutical companies
- Our assortment includes a broad range of health and wellbeing products
- Sustainability is at the core of our business
- By combining the expertise and resources of Oriola and our customers, we contribute to more sustainable growth of the society.

## FACT BOX

- Invoicing about EUR 3.5 billion in 2021 (cont. ops.)
- About 850 employees serving hospitals, patients, pharmacies, pharmaceutical companies, veterinarians and retail customers
- Head office in Espoo, Finland
- Shares listed on Nasdaq Helsinki





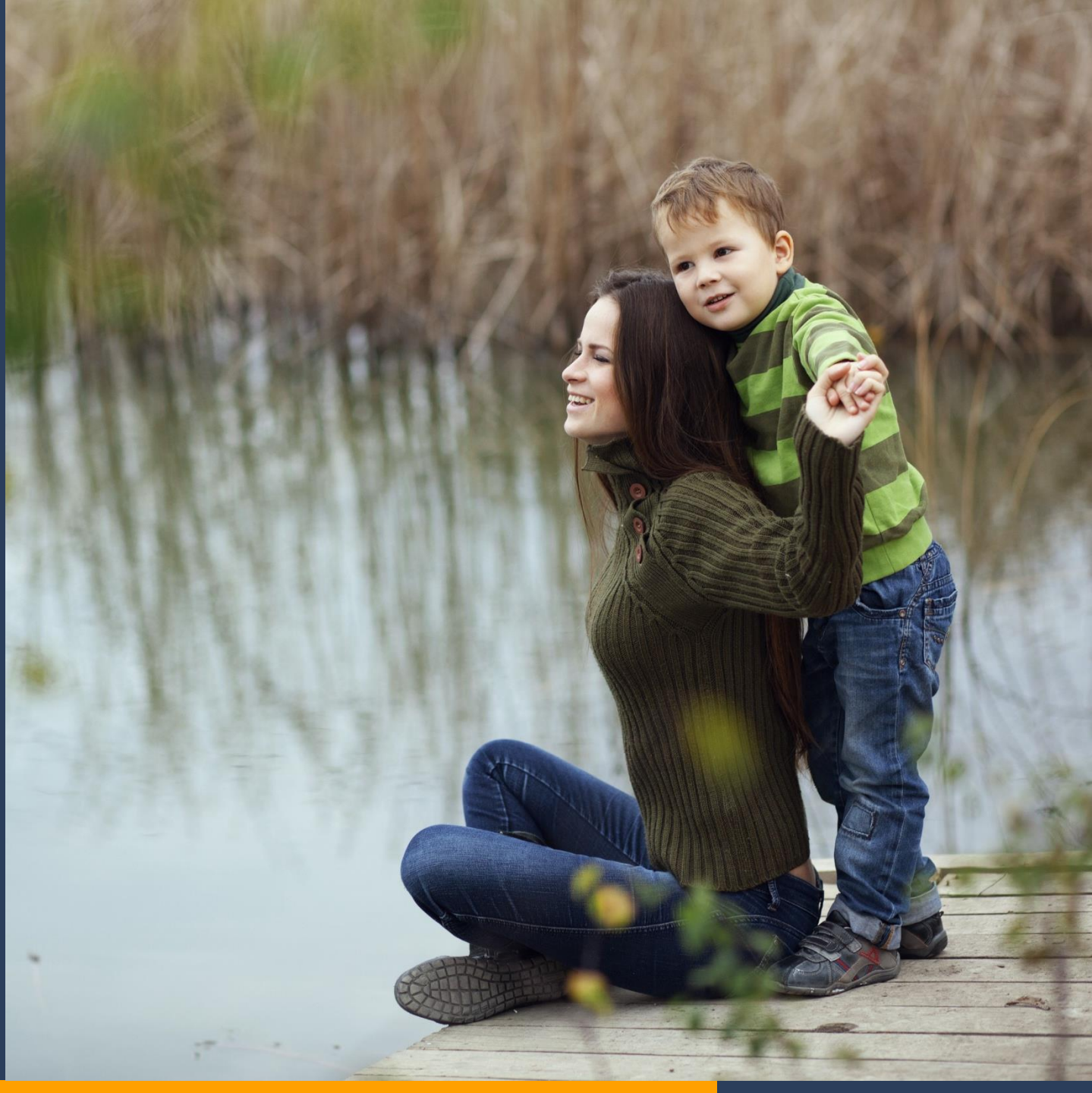


## Strong position in the health and wellbeing markets

- Strong market positions in both Sweden and Finland
- Competitive advantage through local scale and services
- Wide offering of high-quality expert services
- Long experience in a stable operating environment
- Professional supply chain and warehouse management
- Sustainability at the core of business and employee journey



# From short-term initiatives to long-term transformation





# Short-term turnaround and transformation

Turnaround and transformation plan initiated.

Actions leading to annual EUR 7 million cost savings completed.

Pharmacy operations in Sweden combined into a new jointly owned company.

New operating model to improve operational, commercial and supply chain excellence.

2021

2022

# We are delivering on our strategic initiatives

## Oriola's turnaround

### Focus on transformation and increased profitability

Financial performance significantly improved through focus on four key priorities:

- › Cost savings
- › Optimised operational efficiency
- › Driving cultural change
- › Improved customer experience

### Deliveries during 2022

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#### Simplified operating model

New operating model to ensure cross-market efficiency through common goals and by combining our knowledge and expertise to effectively serve our customers.

#### Rigorous cost management

Reduction of all operating costs through operational efficiency and strict cost control.

#### Tactical changes in the business structure

Divestment of some business areas to reinforce our role as the preferred partner in securing the availability of pharmaceuticals.

#### Improved customer relationship management

Optimised product portfolio and enhanced supplier management with focus on supply chain planning to be able to serve our customers more efficiently



# On track to meet turnaround initiatives

## Performance indicators

## Performance YTD Q3/2022

Savings target of EUR 7M*	EUR 7M*
Growth at market growth	+6.3% cc
Adjusted EBIT to increase from the 2021 level	EUR 16.8M vs 8.3 PY
Net working capital	4 MEUR improvement Y/Y
Inventory rotation	~4 day improvement Y/Y
Headcount reduction	-21% Y/Y
Recycling target at 85%	84% est FY
Emissions target 780t CO <sub>2</sub>	On target

\*Incl. discontinued operations

# Combining of pharmacy businesses into a new company

- Oriola and Euroapotheca combined their consumer pharmacy businesses in Sweden into a new company named Kronans Apotek
- Third-largest player in the Swedish pharmacy market by revenue
- The new company is owned 50/50 percent, Oriola is committed to long-term ownership

## Significant step in transformation

- Oriola will focus on the distribution of pharmaceuticals as well as proving a wide range of high-quality expert services
- The transaction is estimated to create annual run-rate synergies of approximately EUR 25 million for the new company on EBITDA level to be realised in full by the end of 2025
- From Q4 onwards, the new company is to be reported as an associated company under the equity method, above the EBIT line
- One-time negative impact of the transaction of approximately EUR 30 million in Q4/2022
- Non-current assets are not depreciated, while they are classified as held for sale. This had a positive impact of EUR 16.5 million on EBIT of discontinued operations in Q1-Q3/2022, partly offsetting the negative impact to be recorded in Q4/2022
- For the parent company (Oriola Corporation), there will be a negative impact of approximately EUR 100 million on net profit as a result of loan receivables that are not transferred to the new Kronans Apotek, decreasing the parent company's distributable funds by an equal amount.



# Our transformation continues

2021

Oriola's short-term initiative to drive profitability and efficiency across business areas started.

2022–2023

## Customer-oriented services throughout the lifecycle of medicine

### Transformation and profitability in focus

Key priority is to ensure efficient and high-quality operations including improved profitability with the aim to enable growth.

### The preferred business partner in the Nordics

Exceed the future needs and expectations of the customers by being a forerunner in providing advisory services to pharmaceutical companies and in the advanced distribution of pharmaceuticals.

### Increased societal value

Contribute to the a more sustainable development of the society, by combining the expertise and resources of Oriola and its customers.

2023

- Focus on profitable growth
- Commercial model renewal
- Operating model evolution
- Governance and culture renewal
- Operational site improvement projects
- Mitigation of inflation pressure

# Our key priorities 2023

## Profitable Growth

Drive focused and profitable growth

## Efficiency

Increase operational and capital efficiency

## Culture

Enhance value creation through a collaborative culture

The preferred business partner in the Nordics

Sustainability at the core

The forerunner in the advanced distribution of pharmaceuticals and in providing advisory services to pharmaceutical companies.



# Our key priorities 2023

## Profitable Growth

Drive focused and profitable growth

## Efficiency

Increase operational and capital efficiency

## Culture

Enhance value creation through a collaborative culture

### **Commercial excellence**

- Customer experience, account management
- Proactive services and joint business opportunities with customers

### **Margin management and pricing models**

- Cold chain products and speciality pharma products
- Full service – life-cycle value added services

### **Optimisation of product portfolio**

- Streamline
- Segmentation

### **Develop digital capabilities**

- Digital services, both logistical and commercial
- Data-driven business decisions

# Our key priorities 2023

## Profitable Growth

Drive focused and profitable growth

## Efficiency

Increase operational and capital efficiency

## Culture

Enhance value creation through a collaborative culture

### **Operational efficiency**

- Stability and performance in delivery capability
- Efficiency through unit sizes of packaging

### **Centralised sourcing**

- Common management systems
- Strategic sourcing

### **Reduction in indirect spend**

- Developing sourcing and supplier management processes
- Optimising indirect buying process

### **Net working capital management through inventory management and improved supplier terms**

- Improving inventory rotation, while keeping optimal stock levels
- Optimising payment terms with suppliers and customers

# Our key priorities 2023

## Profitable Growth

Drive focused and profitable growth

## Efficiency

Increase operational and capital efficiency

## Culture

Enhance value creation through a collaborative culture

### **New organization implementation**

- Continue the evolution of business model and organisational setup

### **Common processes**

- Ways of working and simplifying work
- Accountability and empowerment

### **Leadership training**

- Program for top management
- Managerial change management training

### **Commercial training**

- Commercial capability
- Customer centric mind-set and culture





## Summary of key financials

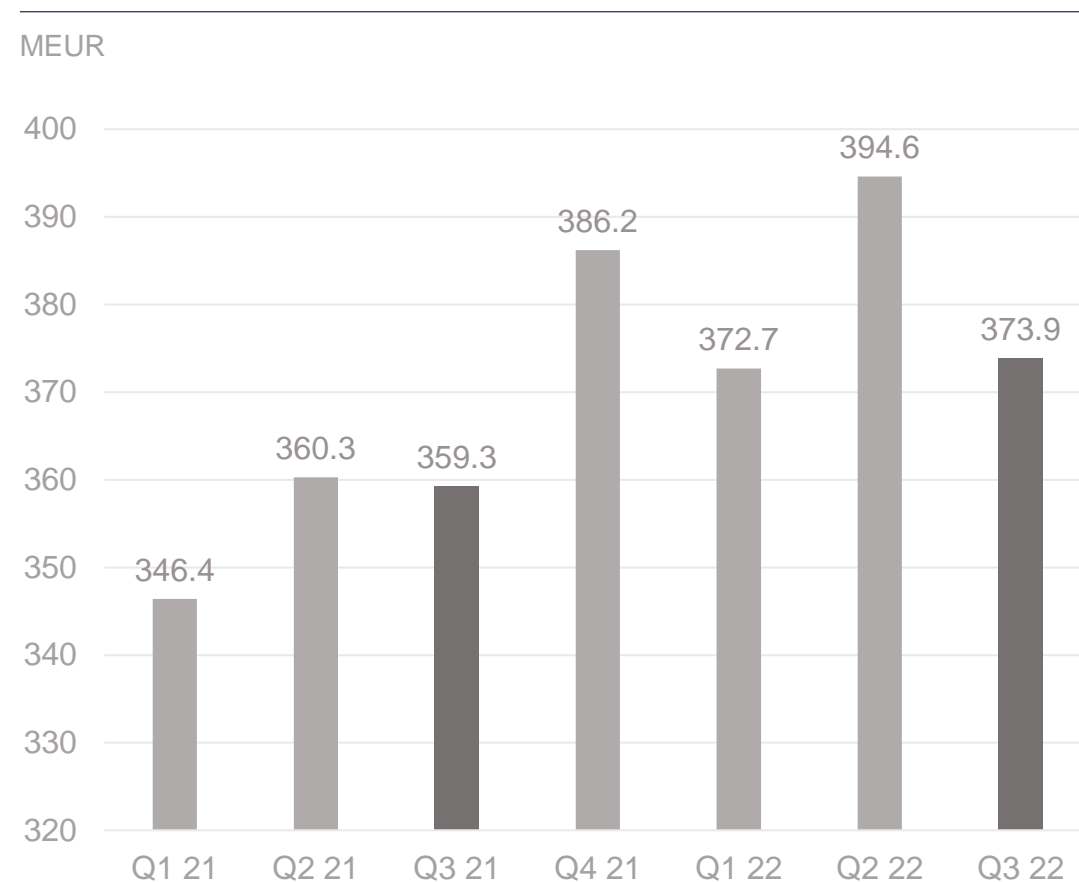


# Market growth reflected in sales and invoicing

## Continuing operations: Invoicing



## Continuing operations: Net Sales



### Calculation of alternative performance measures

#### Alternative performance measure

#### Definitions

Invoicing

= Net sales + acquisition cost of consignment stock + cash discounts + exchange rate differences on sales

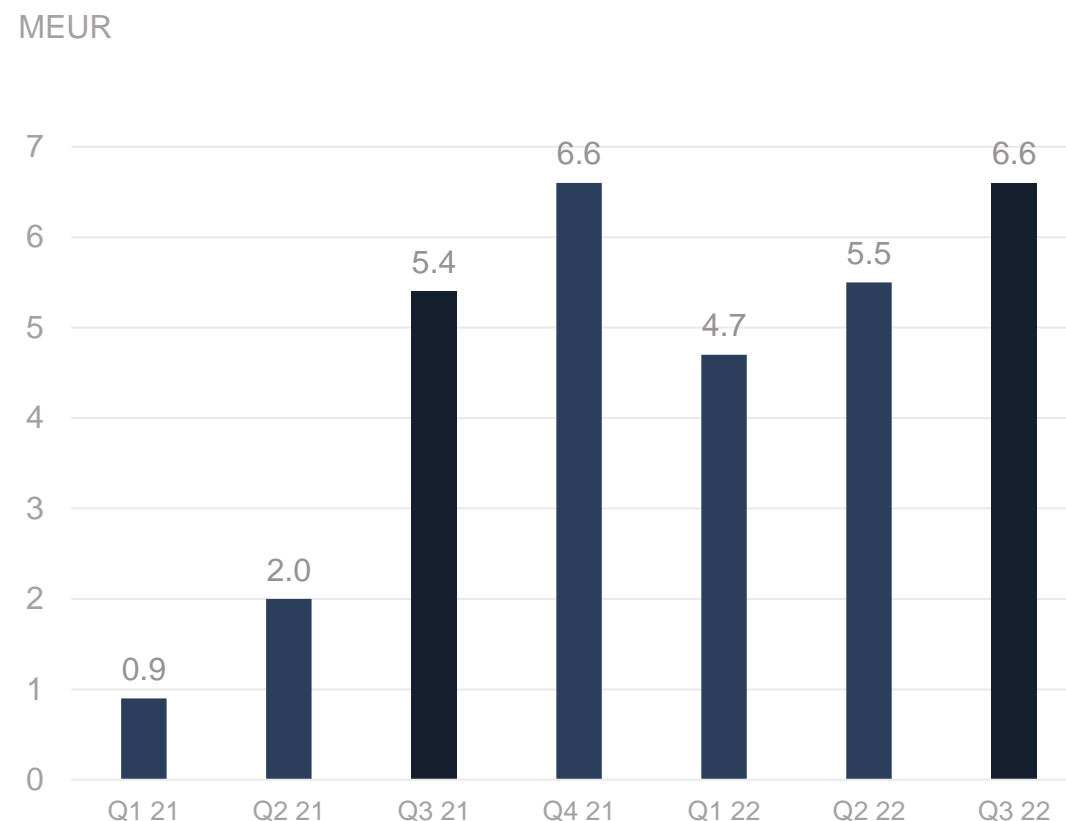
#### Reason for use of the alternative performance measure

Invoicing describes the volume of the business.

# Clear improving trend in financial performance

- **Turnaround initiatives**
  - Measures to achieve EUR 7 million in cost savings implemented and realised
  - Improved operational efficiency in distribution centres
  - Reduction of all operating costs
  - Strict cost control implemented with centralised sourcing and cost management practices
- **Sales growth driven by market demand and new distribution agreements**

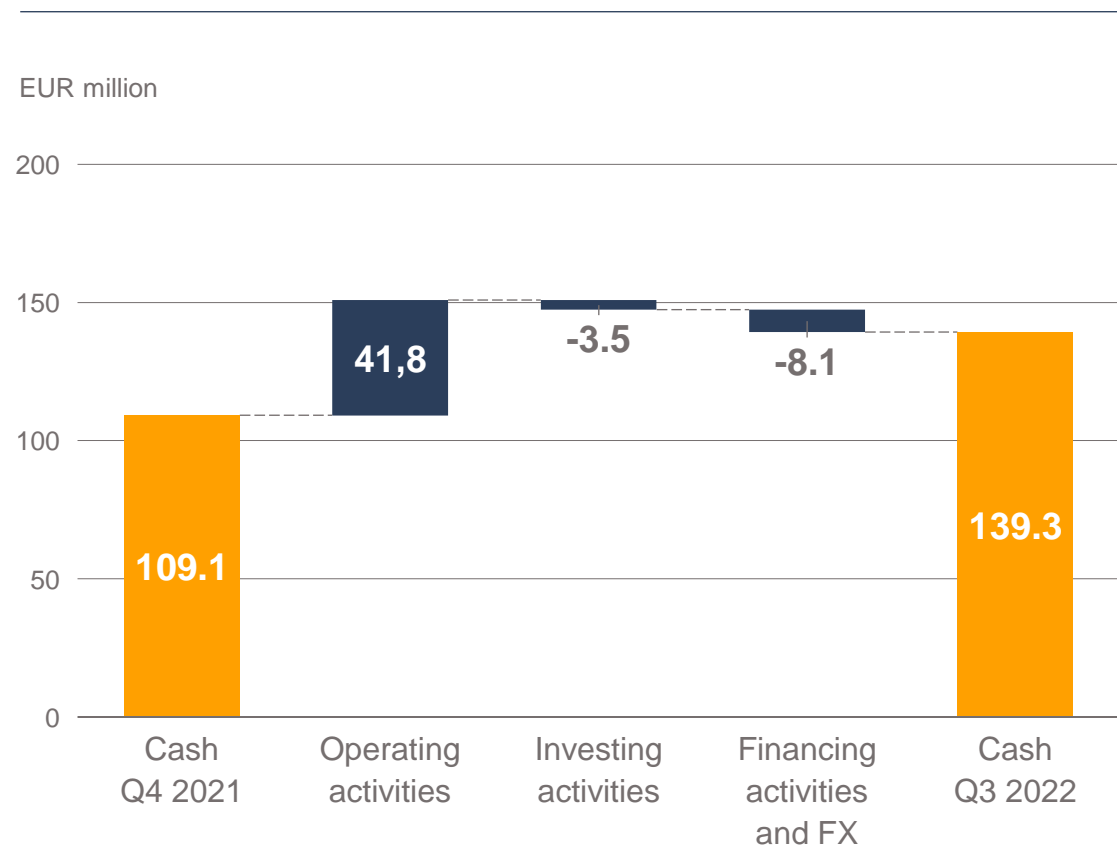
Continuing operations: **Adjusted EBIT**





# Strong year-to-date cash flow and balance sheet

## Q3 YTD 2022 change in cash<sup>1</sup>



<sup>1</sup> Includes continuing and discontinued operations.

## Net interest-bearing debt items

Net interest-bearing debt item, MEUR	30 Sep 2022	30 Sep 2021 <sup>1</sup>
Bank loans (syndicated Bank & term)	61.6	65.5
Commercial papers	59.9	49.6
Advance payment from pharmacies	22.7	24.9
Lease liabilities	15.0	81.7
Cash and cash equivalents	123.4	86.0
Net interest-bearing debt <sup>2</sup>	35.8	135.9
Sold trade receivables <sup>1</sup>	169.4	178.2
Gearing % <sup>2,3</sup>	15.5	64.1

<sup>1</sup> Includes discontinued operations

<sup>2</sup> Including discontinued operations net interest-bearing debt is EUR 68.9 million and gearing 29.8%

<sup>3</sup> Excluding the impact of IFRS 16 gearing would have been 9.3% (25.0%)

# Long-term financial targets – Continuing operations, excl. IFRS16

Target	Business growth at the market growth	Annual EPS growth over 5%, w/o adj. items	ROCE over 20%	Adjusted gearing lower than 70%
<b>Achievement</b>	6.3% (LTM) <sup>1</sup>	124% (LTM)	12.4% (LTM) <sup>2</sup>	54.8% (end of Q3/2022)
	<sup>1</sup> Invoicing growth, constant currency		<sup>2</sup> Including discontinued operations	

**Dividend policy** An increasing annual dividend of at least 50% of earnings per share



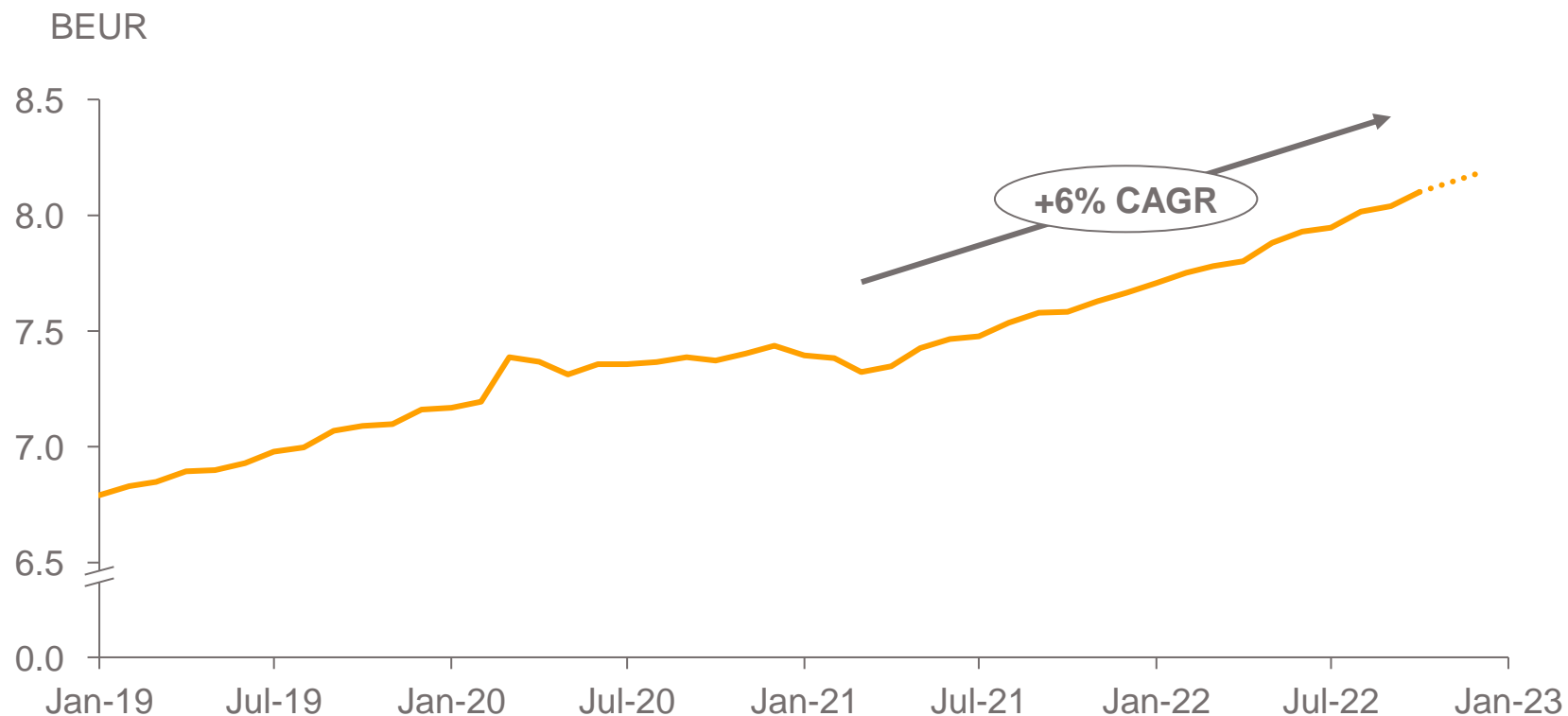
## Markets and trends





# Pharmaceutical wholesale markets are growing

## Finland and Sweden combined market size



Source: IQVIA, LTK. Market size is 12 month rolling market value



## Market trends and drivers

Ageing population

Increasing spending  
in wellbeing and  
healthcare products

Increased volume  
of generics  
in all markets

Online pharma /  
Digitalization  
increasing

Sales of specialty  
products growing  
faster than the total  
market

Growing interest in  
OTC\*, traded goods  
and services

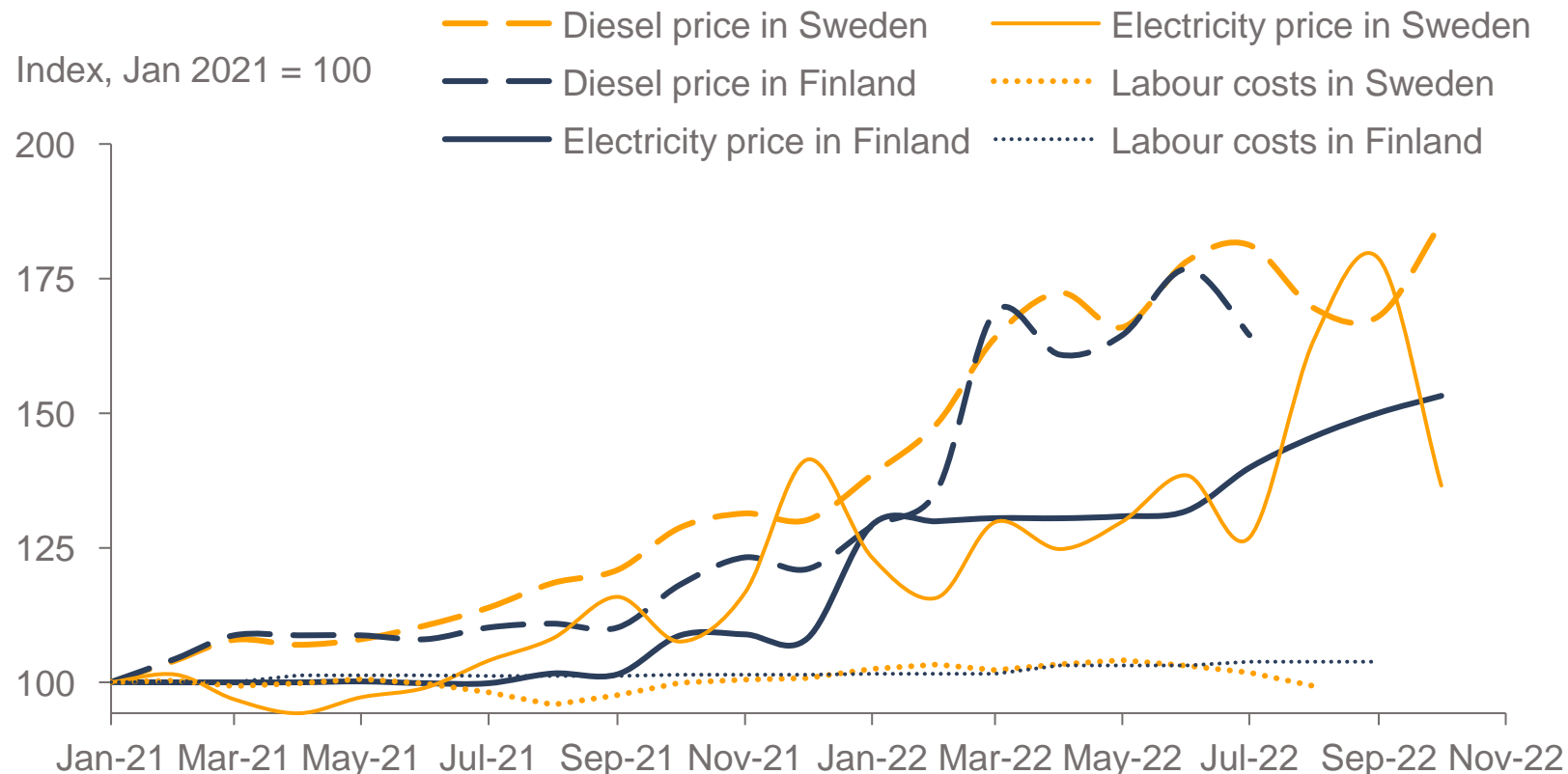
Pet ownership  
increasing

Safeguarding of  
availability, part of  
infrastructure

Personalised and  
targeted medicines

# Cost inflation visible in multiple areas

## Selected statistics from Finland and Sweden



### Actions to mitigate cost inflation

- Pricing of services
- Savings from logistics and warehousing
- Reduction of operating costs

Source: Sveriges Åkeriföretag, Statistics Finland, Statistics Sweden





**Sustainability  
at the core**





# Sustainability is at the core of our business



## Committed to the UN Sustainable Development Goals (SDGs)





## Long-term sustainability goals

**Society:** Improving people's health

**People:** Sustainable Employee Journey

**Planet:** Carbon neutrality by 2030

We have set six KPIs to measure our achievement until the end of 2023.

### Society

- Safe and correct usage of medicines
- Pharmaceutical delivery quality and accuracy

### People

- Employee engagement
- Employee turnover

### Planet

- Renewable electricity and carbon-neutral heat
- Recycling of waste

# Sustainability performance ratings

## ISS ESG

Sustainability performance recognised by ISS ESG Corporate Rating with the Prime C+ status. Oriola is among the highest decile in its sector, excelling in especially society and product responsibility and environmental management

## MSCI ESG

Renewed leader rating of AAA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment

## CDP

Recognition for environmental work by achieving CDP's second-best score B Oriola's scoring exceeded average scoring in its benchmark group

## EcoVadis

EcoVadis Silver Medal Sustainability rating. The rating placed Oriola among the top 15% performing companies worldwide







**Our people  
are the enablers**





# Our people and culture as enablers

## Modern people services

- People policies that promote equality, diversity and wellbeing
- Standardised and digitalised processes
- Simple systems and data driven decision making

## Well functioning organisation

- Harmonised and balanced organisation structure
- Clear job roles, responsibilities and accountabilities
- Process way of working

## Enabling leaders

- Value driven Oriola leadership model
- Leadership development journey
- Robust successor pipeline

## Capable People

- Oriola future competence model
- Learning journeys
- Job rotation and mentoring programs
- Vocational school and university partnership

*“Towards a sustainable employee journey”*

# Our management team driving the transformation



**Katarina Gabrielson**  
CEO



**Petter Sandström**  
General Counsel  
(GC)



**Petri Boman**  
Chief Supply Chain Officer  
(CSCO)



**Timo Leinonen\***  
Chief Financial Officer  
(CFO)



**Hannes Hasselrot**  
Chief Commercial Officer  
(CCO)



**Mikael Nurmi\*\***  
Chief Digital Officer  
(CDO)



**Elina Niemelä**  
Chief People Officer  
(CPO)

\* Timo Leinonen will start by January 2023, at the latest.

\*\* Mikael Nurmi will start during the first half of 2023.



## Key takeaways





## Key takeaways

- **The preferred partner in securing the availability of pharmaceuticals**
- **Sustainability is at the core of our business**
- **We have delivered on our strategic agenda in 2021-2022**
- **Transformation continues with key priorities: Profitable growth, Efficiency and Culture**
- **We operate in stable and growing markets**





# Supply Chain as a Service

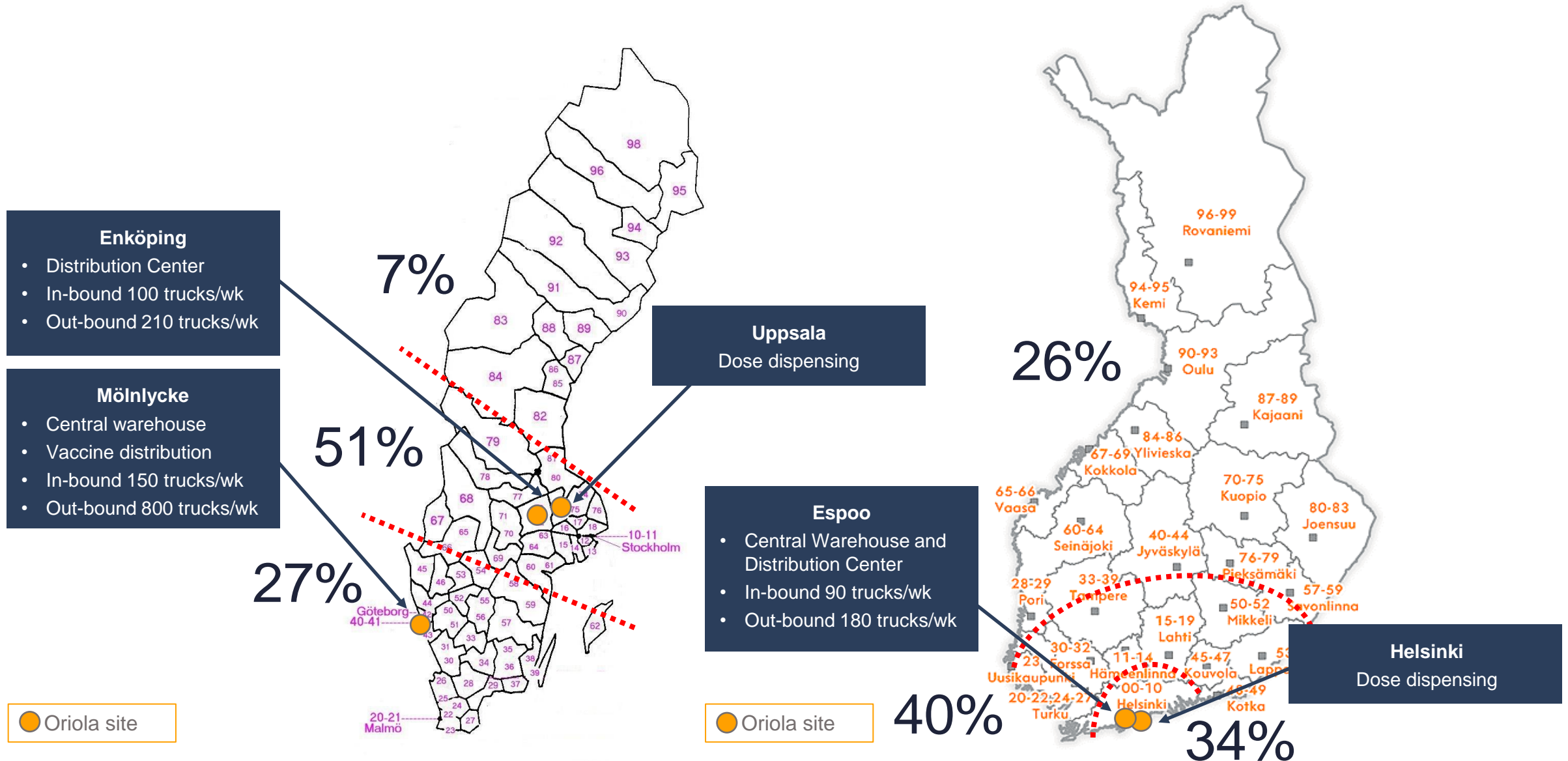
**Petri Boman**

Chief Supply Chain Officer

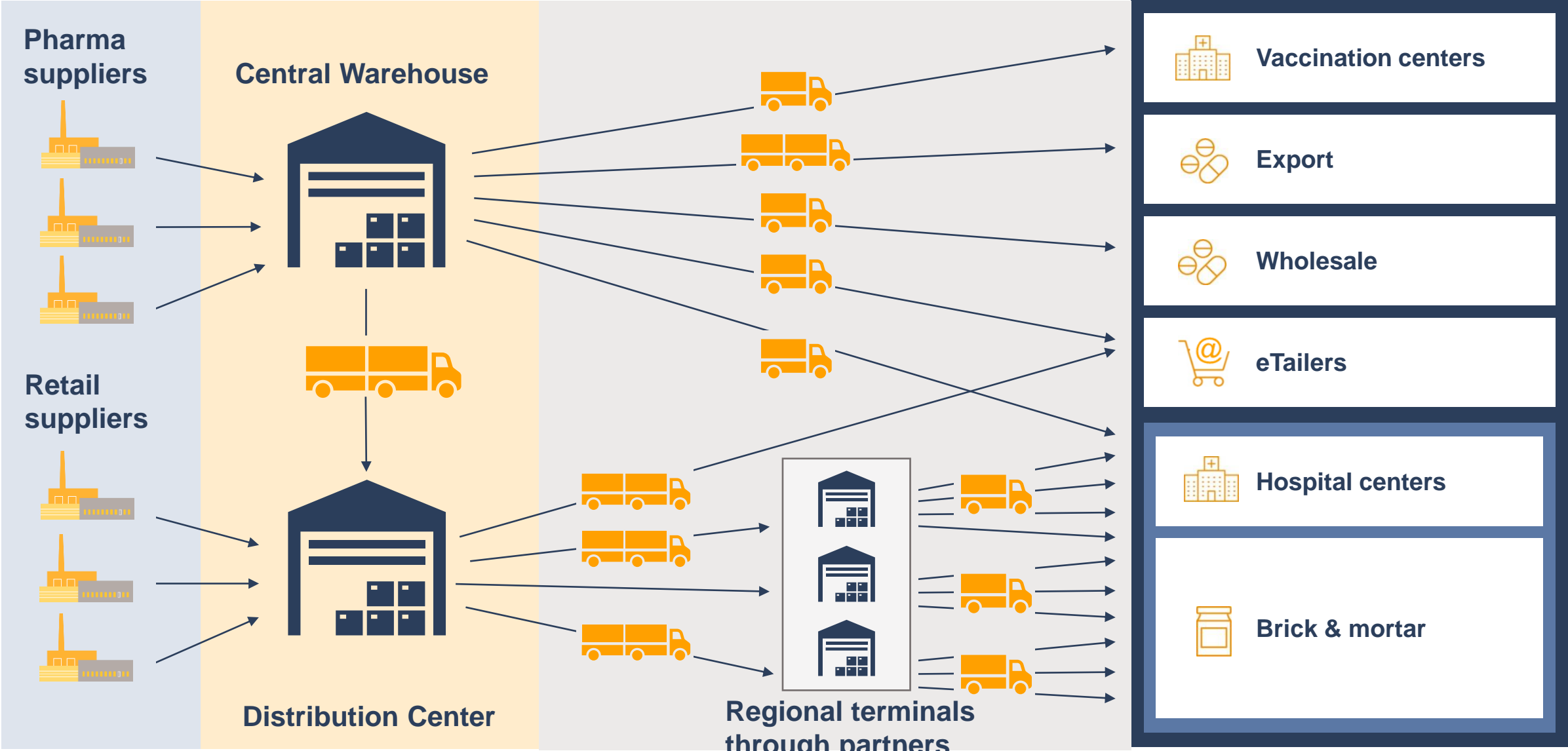




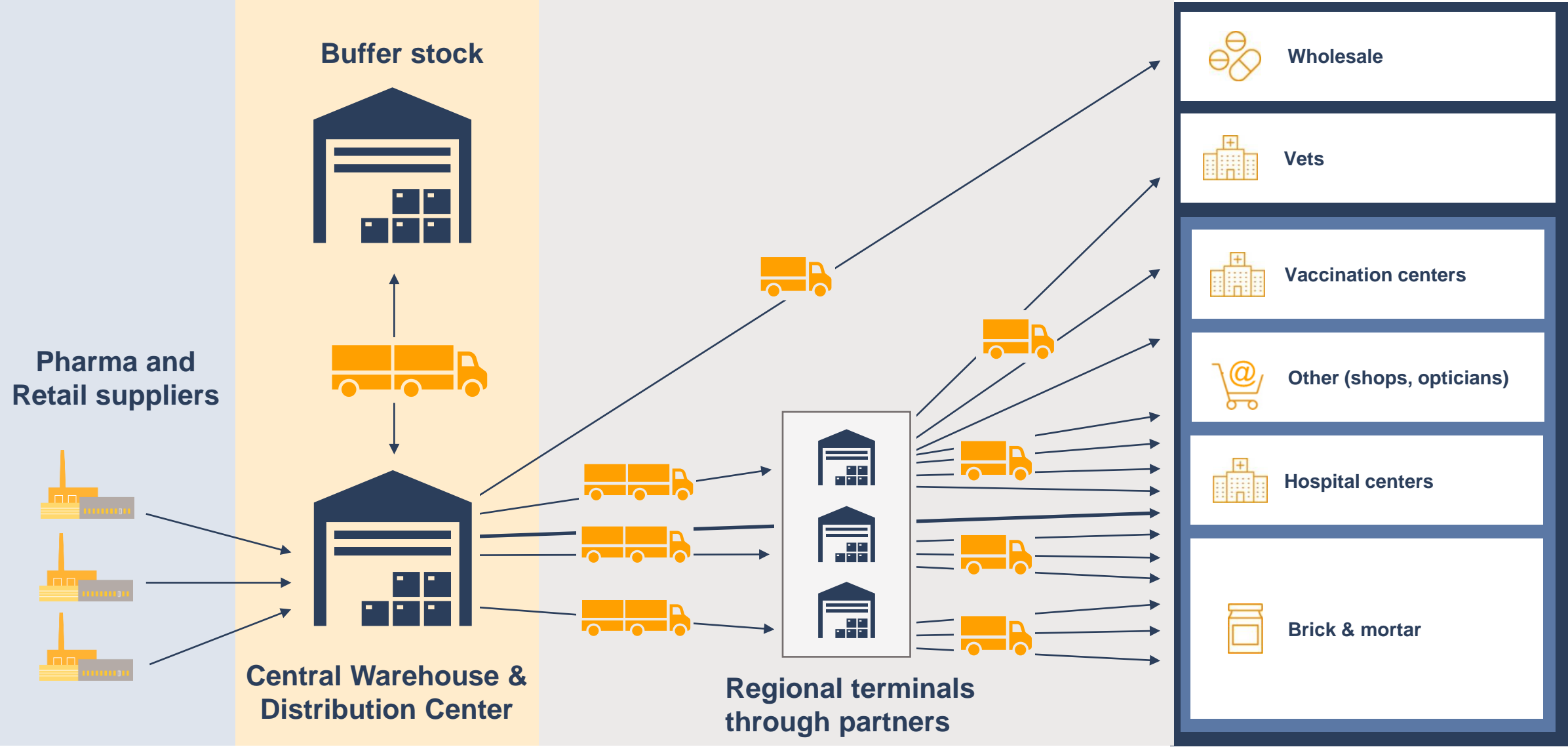
# Our supply network is close to major volumes



# Overview of GDP logistics setup



# Overview of GDP logistics setup





# Quality drives us – Our partners fulfil all GDP\* requirements

GDP trained drivers

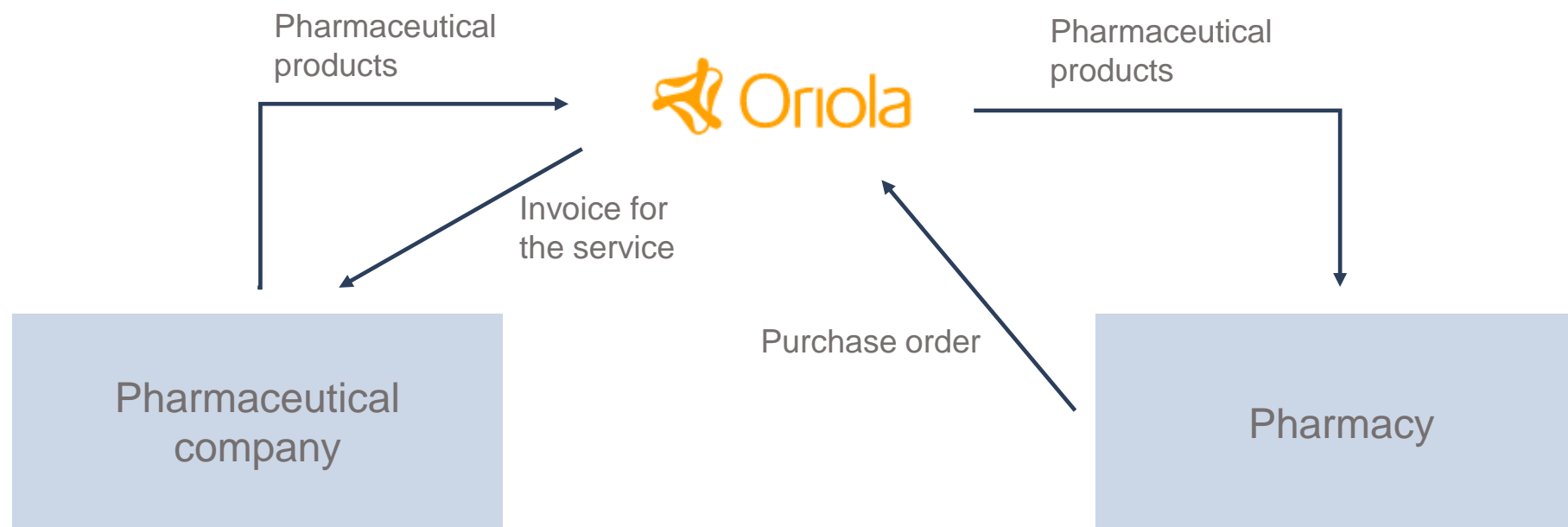
GDP approved  
transportation fleet

Delivery monitoring

Temperature  
monitoring  
and reporting

We are systematically seeking ways to cut emissions  
together with our transport partners

# Our supply chain as a service



- Oriola provides logistics services to the pharmaceutical companies – it does not sell the products
- In addition, Oriola offers financial management and digital information services related to the distribution of products

# Example of supply chain services

Warehousing	Picking, packing and delivery	Returns and reclamations	Stock counting
Storing according GDP* requirements	Batch traceability	Handling product returns	Fiscal stock count once per year
Disposal of products	Special picking and packing	Additional verification	Continuous stock counting
Consignment stock	Extra temperature and condition monitoring	Special returns	Additional stock counts

## Case: Oriola distributes all influenza vaccines in Sweden

- Oriola has a long experience from influenza vaccine distribution
- The 5-6-week operation requires a seamlessly working high-quality distribution chain
  - 2,5 million doses of influenza vaccines
  - 198 cold chain pallets
  - Reusable validated cold chain boxes
  - Orders delivered to 2,500 vaccination points
  - 15 persons dedicated to the vaccine handling





# Building a new base for further improvements

- **Efficiency through delivery capability and execution performance**
- **Savings from operating costs**
  - Resources and facilities
  - Simpler processes
  - Demand-supply planning
  - Automation
- **Setting-up leadership and organizational structures**
- **Simplification and clarification of roles and responsibilities**
- **New ways of working**
  - Cross-country teamwork
  - Common metrics
  - Accountability
  - Empowerment





## Key takeaways

- **Supply chain is a service**
- **Supply chain services can include:**
  - Warehousing
  - Picking, packing and delivery
  - Returns and reclamations
  - Stock counting
- **We are building a new base to further improve our supply chain**

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**Timo Leinonen**  
incoming CFO







## Data-driven commercial model

**Hannes Hasselrot**

Chief Commercial Officer



# Data-driven business for optimised customer and shareholder value

## TRENDS

Ageing population

Increased spending on wellbeing

Increased volume of generics products

Digitalization

Growth in specialty pharmaceuticals

## OUR RESPONSE

Dose dispensing, homecare services and medical advice

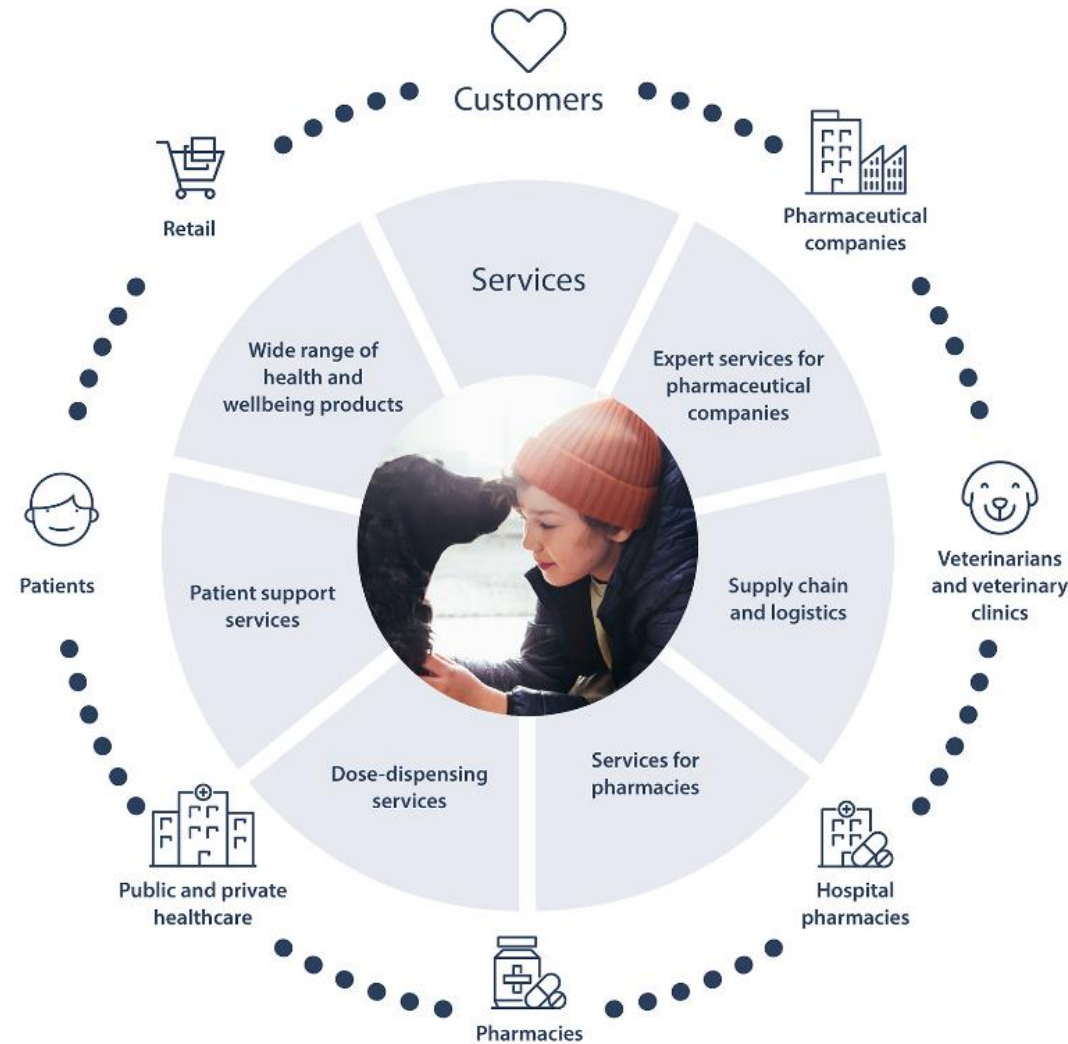
Comprehensive service and product offering for pharmacies and consumers

Streamlined operative model through turnaround actions

Inhouse expertise and digital customer platforms

Research services and advanced logistic services

# A unified customer experience creating value through the entire healthcare value chain







# Partnering with leading global pharmaceutical companies for sustainable growth



# Main market players

SWEDEN	Competitor 1	 Oriola	Competitor 2	Competitor 3
<b>Company position</b>	<ul style="list-style-type: none"> <li>Market leader</li> </ul>	<ul style="list-style-type: none"> <li>Market #2 (45%)</li> </ul>	<ul style="list-style-type: none"> <li>E-commerce player</li> </ul>	<ul style="list-style-type: none"> <li>E-commerce player</li> </ul>

FINLAND	Competitor 1	 Oriola	Competitor 2	Competitor 3
<b>Company position</b>	<ul style="list-style-type: none"> <li>Market leader</li> </ul>	<ul style="list-style-type: none"> <li>Market #2 (44%)</li> </ul>	<ul style="list-style-type: none"> <li>Niche player</li> </ul>	<ul style="list-style-type: none"> <li>Niche player</li> </ul>

# Experts in two markets from a regulatory point of view

	Sweden	Finland
<b>Channel distribution</b>	Single channel / DTP* distribution	Single channel / DTP* distribution
<b>Pharmacy establishment</b>	Free establishment	Regulated establishment
<b>Pharmacy chain operations</b>	Allowed	Not allowed
<b>Pharmacy online sales</b>	Allowed for prescription and (OTC**) pharmaceuticals	Allowed for prescription and (OTC**) pharmaceuticals
<b>Sales of OTC</b>	Sales outside of pharmacies partially allowed	Sales outside of pharmacies not allowed (except smoke cessation)



# A new commercial excellence model, fit for future



## Purpose

- Improved segmentation
- Accepted attribution
- Streamlined offering
- Clear financial purpose
- Optimized mix



## Personalisation

- Improve customer centricity
- Unified customer experience
- Harvest full service opportunities
- Secure retention
- Measure lifetime value



## Precision

- Harvest GDP\* expertise
- Increased frequency
- Aligned and predictive steering
- Data driven decision making
- Clear ownership of execution

## Cross-market operative model

## Case: Customer lifecycle management as a service

In addition to providing pharmaceutical distribution services to one of our customer in Finland and Sweden, we have successfully also provided expert and advisory services for them across four Nordic markets during the past 6 years.

These services include mandatory, lifecycle management tasks required by law, such as:

- Marketing authorisation applications and maintenance
- Scientific and medical review of promotional materials
- Pharmacovigilance: drug safety responsibilities
- Medical information

... and additionally strategic tasks:

- Pricing & reimbursement & tendering consulting
- Real world evidence studies: combining health register data with patient reported outcomes



## Key takeaways

- **We create value via data-driven services**
- **We offer a unified customer experience through the entire healthcare value chain**
- **We partner with leading global pharmaceutical companies for sustainable growth**
- **We are experts in two unique markets from a regulatory perspective**
- **We focus on our new Commercial Excellence model based on Purpose, Personalization and Precision**





## Key take aways from Investor Day





## Key focus points in our strategy work

- **Profitable growth and efficiency**
- **Supply chain and supply chain services**
- **Data-driven business and commercial excellence**
- **Digital capabilities**
- **People and Culture**
- **Sustainability**

**Q&A**





## Our next events

**16/2/2023**

Financial Statements Release 2022

**Contact:**

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**Thank you!**

