

# **gorenje**



## **Strategic Plan Gorenje Group 2014–2018**



[www.gorenje.com](http://www.gorenje.com)

Velenje, Slovenia, October 30, 2013

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### STRATEGIC PLAN 2014 – 2018

- **Business environment** continues to be challenging despite different economic projections
- **New facts inside Gorenje Group:**
  - Completed production relocation,
  - Divestment of furniture manufacturing,
  - Reorganization & optimization of sales structure,
  - Panasonic strategic alliance.
- **Investors requirements** for a long term strategic plan which is aligned to internal changes and new market conditions.

### Gorenje Group

- Gorenje's vision is to become **world's best in design-driven innovations** of home products.
- Core strategic business segment remains **home products and services**,
- All other businesses are **portfolio investments**.
- Gorenje business model is based on key competences and competitive advantages of Gorenje; the most important strategic directions are:
  - **focusing** on core business
  - **differentiating** through design driven innovations
  - expanding to **selected global markets and megacities**
  - developing **strategic partnerships**.

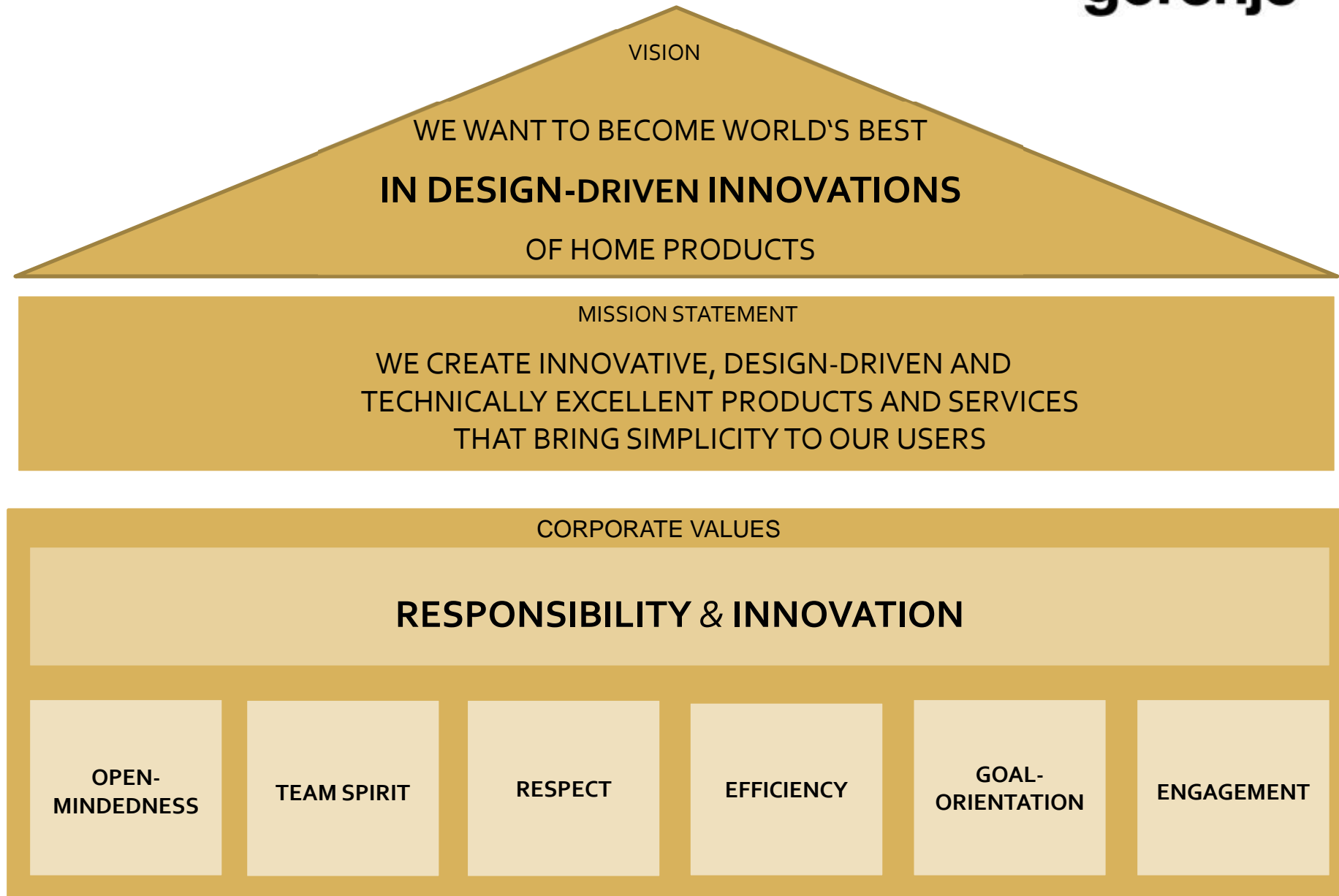
...everything with objective to:

- **improve lives of our customers,**
- **continuously create value for our shareholders and**
- **have a stimulating environment for our employees.**

### Strategic Goals

Main strategic goals for Gorenje Group are:

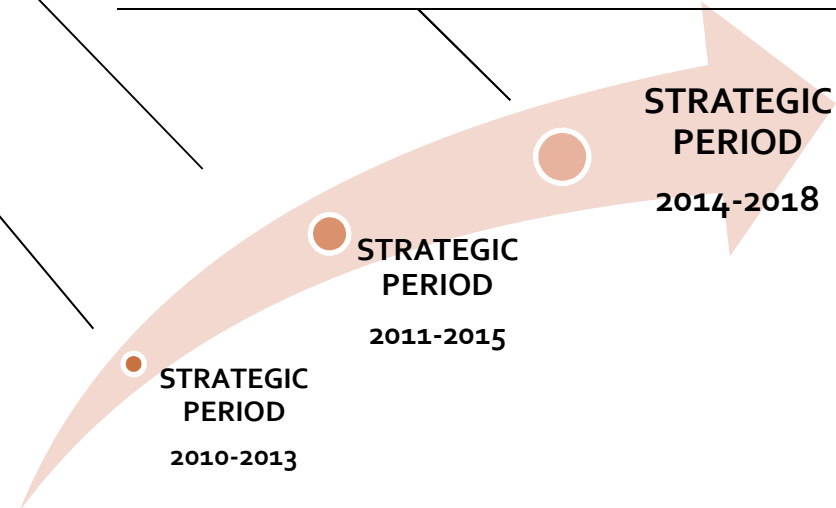
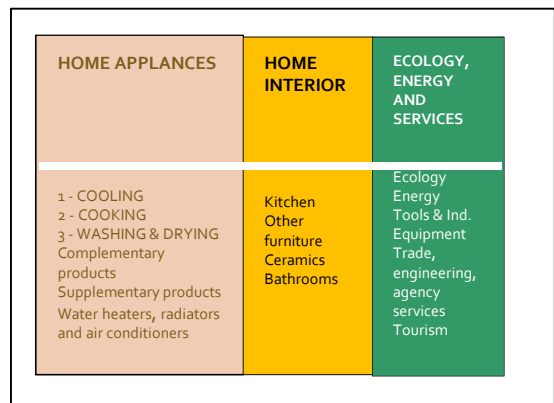
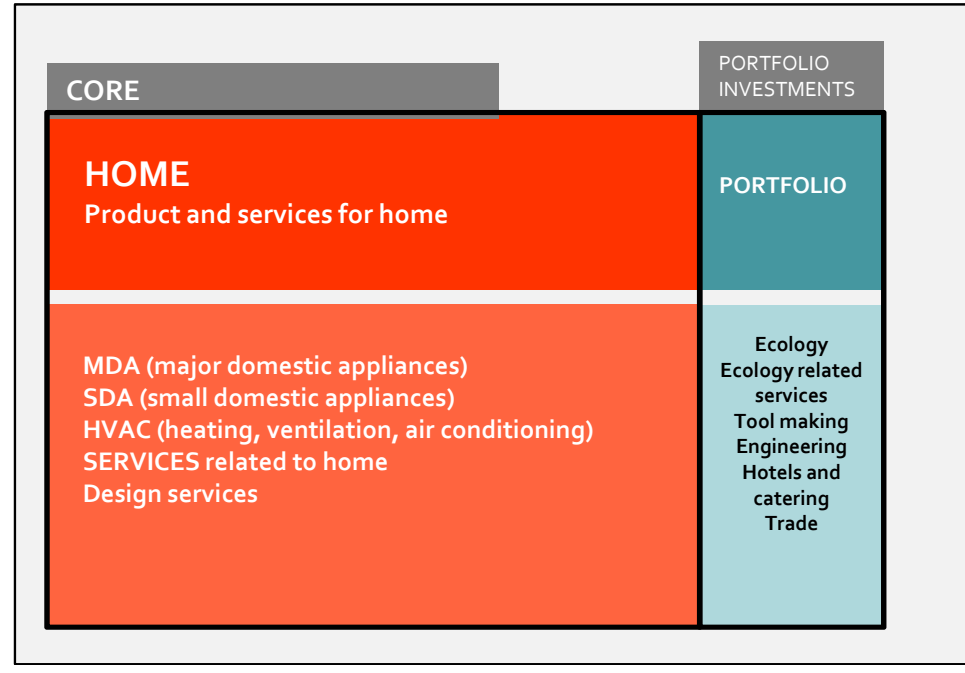
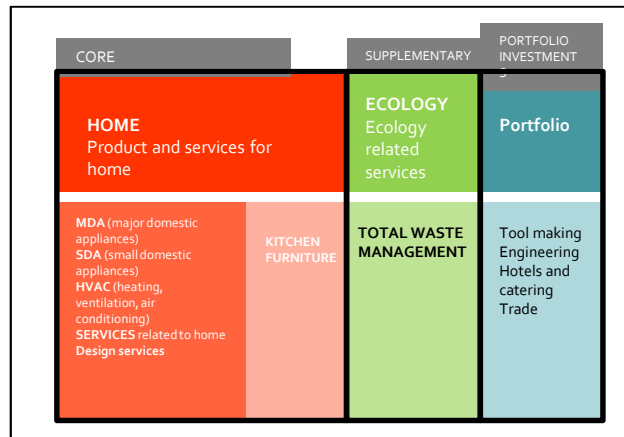
- **Three different scenarios prepared with average annual sales growth as the key driver behind them.** We used app. 6 % p.a. on average for the optimistic scenario, and app. 1% p.a. for the pessimistic scenario.
- Expected results for the realistic scenario:
- Debt management: **Net Debt / EBITDA** not more than **3.0 from 2015 onwards.**
- Long term Value Creation: gradual improvement of **EBIT margin.**
- Short term Value Creation: achieving positive **FCF under all scenarios.**
- Share of **high-end brands** more than **25% in 2018.**
- **Close to 170 million EUR** turnover **outside Europe in 2018.**
- **Core business (HA)** will represent more than **90% in 2018** (with reduced product complexity).
- We expect **to gain our market shares** on most of our key markets.



# STRATEGY IMPLEMENTATION: TWO BUSINESS SEGMENTS



Organization of the Gorenje Group has been developing in the last years to focus more on core business







<b>Strategic projects</b>	<ul style="list-style-type: none"><li>• <b>Key strategic projects</b> that we will be implemented during the strategy period are: <b>global expansion, development of the strategic partnership, reduction of complexity in all areas, optimization of supply chain management, R&amp;D and innovation.</b></li></ul>
<b>Strategy implementation</b>	<ul style="list-style-type: none"><li>• Management board will <b>control strategy implementation quarterly (Strategic Project Office will be set up)</b> and will <b>report to the Supervisory board at every Supervisory board meeting</b>, strategy will be <b>updated and revised annually.</b></li></ul>
<b>Organisation</b>	<ul style="list-style-type: none"><li>• <b>Organizational structure, corporate governance, strategic planning principles and human resource management</b> are going to be important tools for the <b>implementation of the strategy.</b></li></ul>

<b>Home appliances</b>	<ul style="list-style-type: none"><li>• <b>Home appliances</b> segment is being managed through following business areas: <b>major domestic appliances (MDA), small domestic appliances (SDA), heating, ventilation and air-conditioning products (HVAC) and services.</b></li><li>• <b>Key strategic directions for home appliances</b> are focus on <b>customers and improving their lives, profitable growth, innovations, concept thinking, consolidation of production facilities</b> and establishing <b>clear organizational structure.</b></li></ul>
<b>MDA</b>	<ul style="list-style-type: none"><li>• In <b>major domestic appliances</b> segment we will focus on all product segments but especially on <b>built-in appliances</b>, we will implement <b>multi-brand strategy</b> for covering all market segments with focus to mid and premium.</li><li>• <b>Asko</b> is becoming our global premium brand and will be fully supported by the Gorenje Group organization.</li></ul>

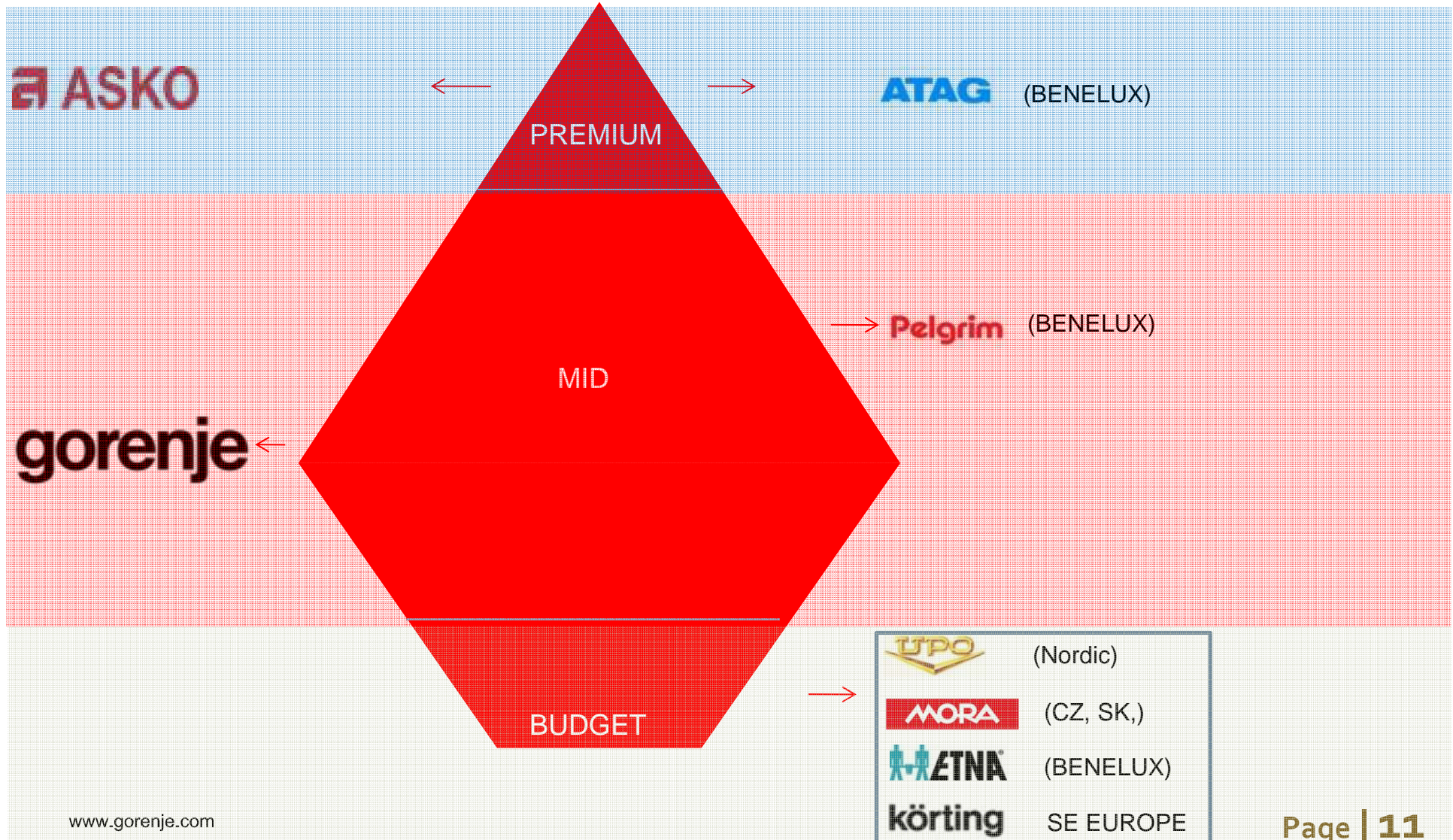
# STRATEGY IMPLEMENTATION: MULTIBRAND STRATEGY



Gorenje Group will serve all (price) segments of the market with multi-brand strategy

Global brands

Local brands





Keeping only good performing companies outside strategic scope with **main financial attributes**:

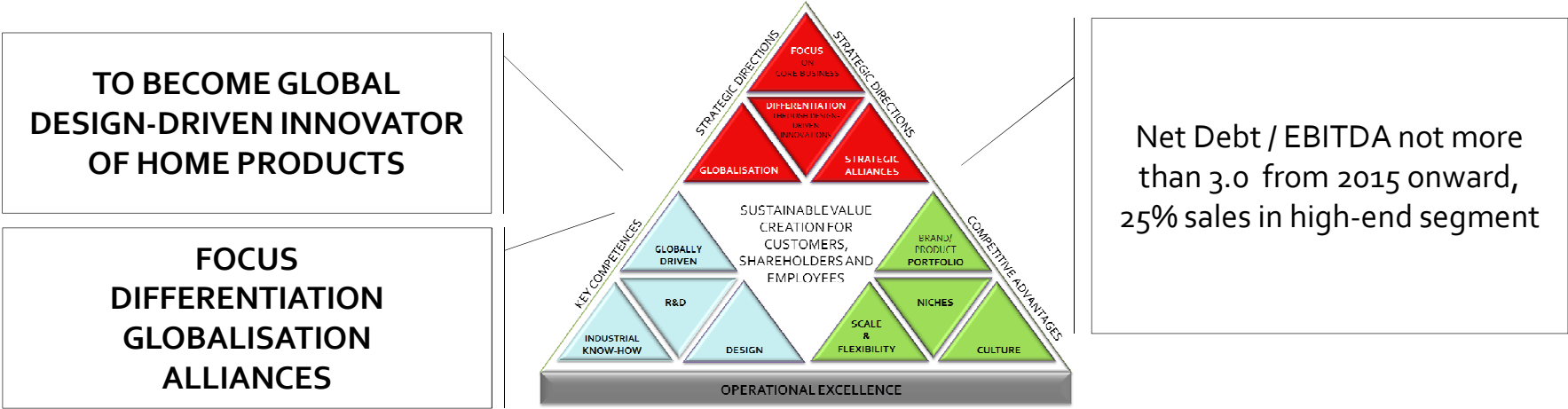
**Clear Criteria** for keeping existing companies and potential new investments

Supporting role to achieve strategic objective of the core business

or

Investments in companies with low capital requirements and high profit margins to sustain high growth with internally generated cash flow

# STRATEGY IMPLEMENTATION: GORENJE GROUP BUSINESS MODEL



HOME – Core Business			Portfolio
<p><b>MDA</b></p> <ul style="list-style-type: none"> <li>• Gorenje Group incorporates Cooking, Cooling, Washing , Tumble-Drying and Dishwashing.</li> <li>• Europe: focus to profitable markets, new business model for unprofitable subsidiaries.</li> <li>• Global: sales growth close to 170 million EUR in 2018 with global niche strategy.</li> <li>• Selective focused design-driven innovations.</li> <li>• Focus on built-in, design lines and premium segments.</li> <li>• Brands: Cover all segments from budget to premium, different brand strategies.</li> <li>• Consolidate production locations.</li> <li>• Use synergies of alliances.</li> </ul>	<p><b>SDA</b></p> <ul style="list-style-type: none"> <li>• Faster growth through dedicated resources and specific business model.</li> </ul>	<p><b>HVAC</b></p> <ul style="list-style-type: none"> <li>• Grow through concentration on advanced heating systems (heat pumps).</li> </ul>	<ul style="list-style-type: none"> <li>• Divestment, keeping profitable companies.</li> <li>• Selective investments in companies with low capital requirements and high profit margins.</li> </ul>

- Strategic plan will be updated **on annual basis**.
- **Strategic Project office will be set up.**
- Management board will control strategy implementation **quarterly**
  - KPI, key strategic goals,
  - Key implementation projects.
- Reporting on **every Supervisory Board meeting** about activities for implementation.
- **Yearly revision and adaptation** (if needed) of the strategy once per year (June) by Strategic Business Council.

