

# COMPANY REPORT

MAY 2021



OLE &  
STEEN

LAGKAGEHUSET



## ABOUT OLE & STEEN, LAGKAGEHUSET

Our story dates back to 1991 when two danish bakers, Ole and Steen, set out on a similar journey: to revolutionise the bread experience in Denmark.

In Christianshavn, Copenhagen, Ole opened his first bakery in a building that looks just like a layer cake – and the name Lagkagehuset (The Layer-cake-house) was born.

Meanwhile Steen opened his first bakery in Haderslev, creating an experience that quickly became popular among the locals.

In 2008, the two bakers decided to join forces, creating a family of bakeries across Denmark that became well-known as the home of exceptional baking.

### **Creating a better bakery for all**

We're still on that journey today, with the ambition to become the world's most loved bakery.

So, as we continue to grow around the world, it's crucial to us that we uphold of the values that got us to where we are today.

Revolutionising the bread experience means going above and beyond at every opportunity, to create something truly unforgettable.

It means that every little moment counts – from the love that goes into developing every recipe, to the care that goes into choosing beautiful, sustainable materials.

We look for the extraordinary in the ordinary and we want everyone that set foot through our doors to feel that we are that extra spark in their everyday life.

To us, a bakery is a place where simple magic happens. It's where all our passion is displayed. And we want you to savour the atmosphere as much as our baking and brews.

So come on in and enjoy.

Velkommen til Ole & Steen, Lagkagehuset



# SUMMARY OF MANAGEMENT REVIEW 2020

2020 started well for Danish Bake Holding (Group of Lagkagehuset DK, Ole & Steen UK and Ole & Steen NYC), following the plans established in late 2019. However, the arrival of COVID-19 in all our markets drove significant adverse impact to our business plan, our operating model and our commercial performance. The flexibility and agility of our teams and the loyalty of our customers has been outstanding throughout.

Noteworthy developments:

- Our brand position and balanced portfolio of bakery shops in the Danish market has proven resilient through the pandemic
- We have digitised the customer journey through our loyalty programme for relaunch in Q2'21
- We have digitised our people and operating processes across all markets
- We have invested significantly in the bakery infrastructure and processes to enable efficient growth
- The market outlook is attractive with positive growth for the coming years
- Expansion opportunities have never been stronger and during the COVID-years 2020 and 2021 we will have expanded by +15 bakery shops and are targeting to grow by more than 40 over the next three years.

Across markets, management has worked to secure as many jobs as possible and keep in place controls and guidelines to secure the safety of our teams and our customers. In Denmark, given our position as a trusted baker and part of the food network, we managed to stay open and trading well in most of our locations, but with significant adverse effect in city centers and travel locations, and with the complete loss of our café

business due to COVID-restrictions. In our international markets we closed completely for 3 months of the first lockdown in London, and in New York we closed 2 of our 3 stores closed from March to September. In total five new stores were opened in 2020, which was significantly less than originally planned, and instead important efforts and digital investments were made across the business to secure future growth and efficiencies across the business. In particular, efforts to better serve our most loyal customers were successful and resulted in more than doubling of the member base of our loyalty customer program during 2020.

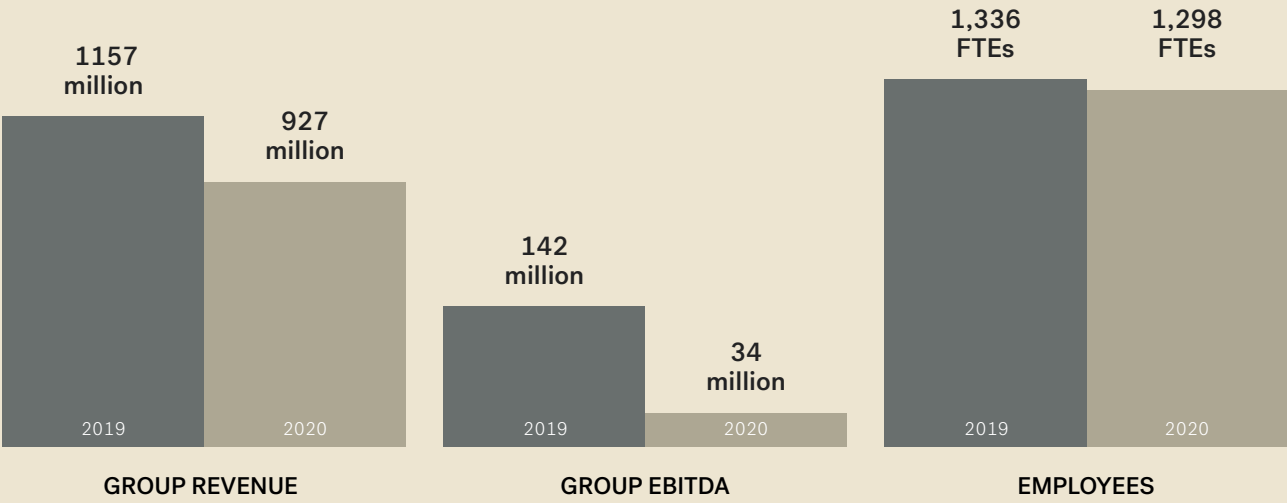
Financially COVID-19 impacted our business as Group revenue amounted to DKK 927 million in 2020 (2019: DKK 1,157 million) and EBITDA amounted to DKK 34 million in 2020 (2019: DKK 142 million). However, we are proud that we managed to keep our average number of employees at 1,298 FTEs (2019: 1,336 FTEs).

Given these truly unprecedented events and impacts, management has steered the organisation to an outcome that has protected jobs and livelihoods and has continued to serve our customers. Through these actions we have retained the support of our lenders and owners remaining confident in the management and the long-term growth and success of the business. In December 2020, the credit facility was renewed by our lenders and extended to end late 2023, and our owners injected DKK 200 million to support the continued expansion across markets and in particularly in London and New York.

We remain positive about the underlying business and getting back to the original expansion strategy of the company.



## KEY FIGURES DKK







# EXPANSION STRATEGY

Since 2008, Lagkagehuset has expanded from 3 bakeries in Denmark to a total of 119 bakeries across three markets. In 2016, the first international flag was planted with the opening of the St James's bakery in London under the name of Ole & Steen. It has been overwhelming to experience the positive receipt of our concept in the international markets, and particularly warming to witness the customer appeal of our Danish hospitality and bakery heritage with pastries, bread and cakes at the core of our craftsmanship. The international presence has since grown to 14 bakery shops in London and 3 bakery shops in New York (Q1 2021).

Our concept ranges from small Shop-in-Shop units with key retail partners, Drive-in bakeries in Denmark and to larger Bakery cafés in urban areas.

Our core profile of bakery shops in our international markets focus on 1,800-2,200 sqft locations with opportunity for strong indoor and outdoor café seating.

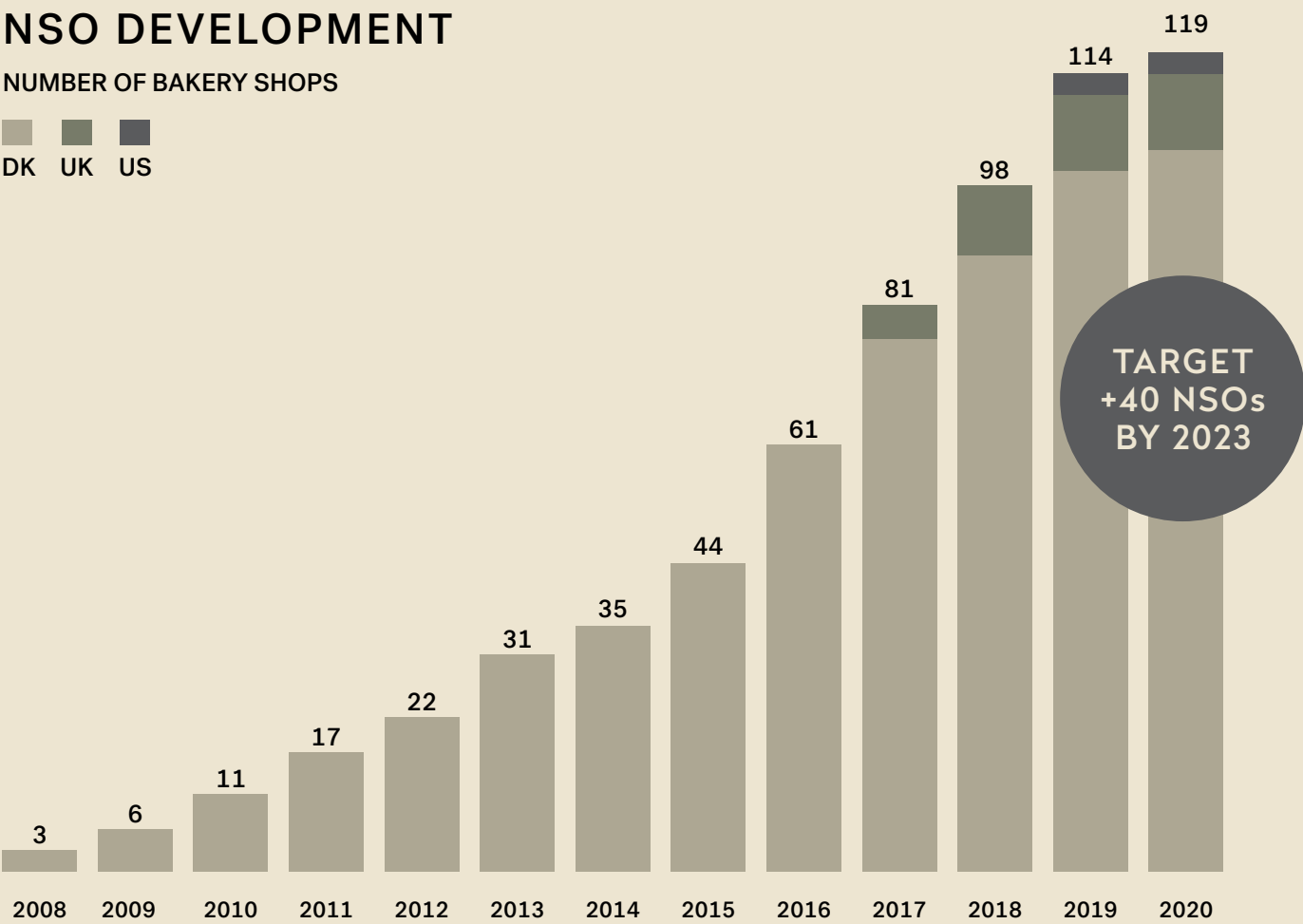
With the recent development in the international real estate markets and expectations of COVID-19 restrictions starting to lift by Q2 2021, we see a strong opportunity to reignite the expansion strategy of the Group in 2021. Particularly in the international markets we see favorable development in occupancy cost and availability across key priority areas of London and New York.

Therefore, we are targeting to expand our presence across markets by more than 40 bakery shops during the next three years.

# NSO DEVELOPMENT

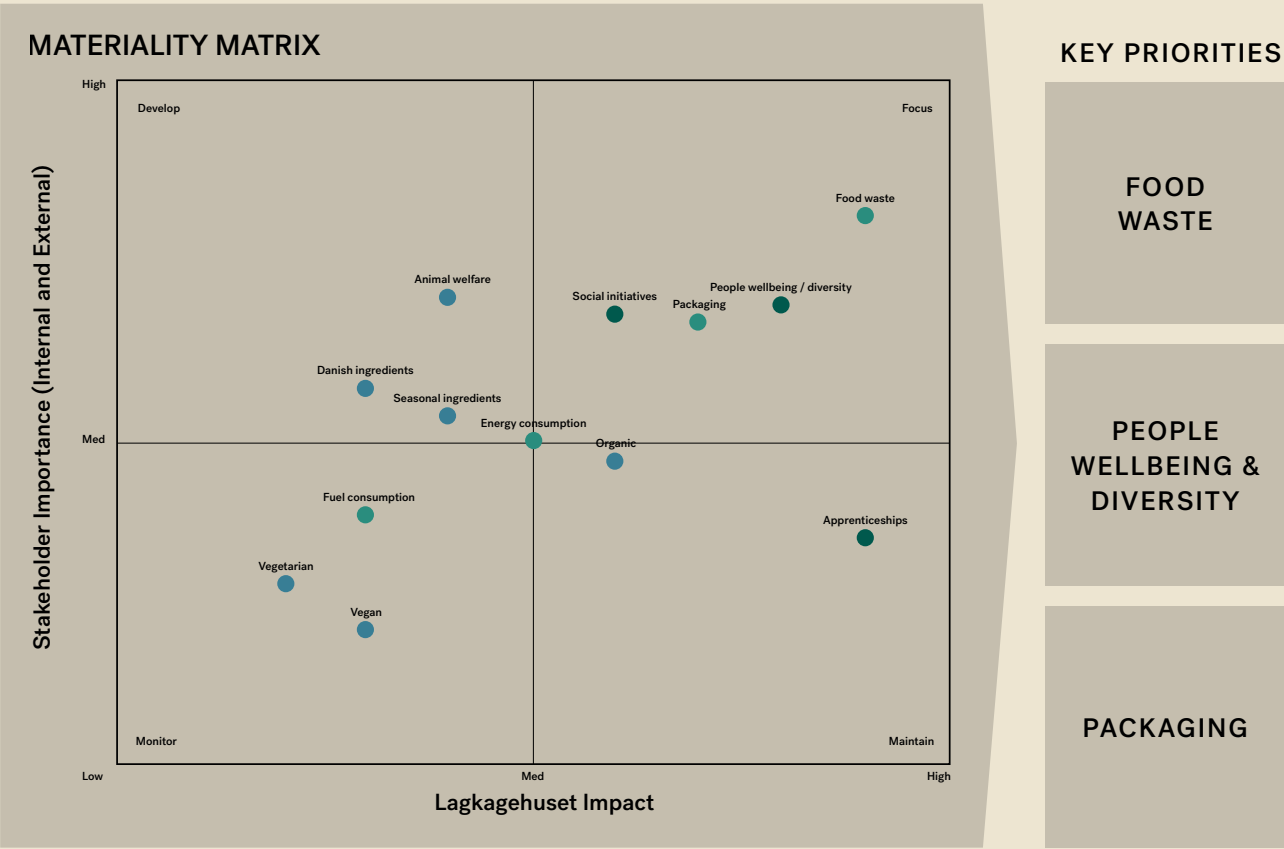
NUMBER OF BAKERY SHOPS

DK UK US



# ESG STRATEGY

As bakers, we have a long history of reusing products and encouraging charity organisations to pick up products end-of-day. However, 2020 marked our first formalised ESG-strategy taking into account the priorities of internal and external stakeholders, and the impact we have as a business on key sustainability topics (see materiality matrix). This has led us to firstly focus on Food Waste, People Wellbeing & Diversity and Packaging.



## FOOD WASTE

An inherent part of operating a fresh food business is the risk of food waste. We seek to produce only the products necessary for ensuring the best customer experience across dayparts. It is our responsibility to reuse the end-of-day products through charity, reuse in our own bakery production, selling to bio-mass production or to food waste initiatives.

In 2020, we started a large initiative to centralise and digitise order planning. Enabling data and projections to support the teams in matching demand and products produced better, aiming at reducing waste by 3%p by end of 2021 versus 2020.

We are now active with Too Good To Go in both Denmark and New York, and we aim to extend our partnership to London in Q3 2021.

**OVERALL OUR AMBITION IS TO SAVE 1 MILLION PRODUCTS PER YEAR THROUGH FOOD WASTE INITIATIVES.**

In our pursuit that all food should be put to good use, we have entered a collaboration for the reusing our final waste in the production of bioethanol. We aim that this will be fully implemented by 2021.

## PEOPLE WELLBEING & DIVERSITY

Across the Group we employ more than 2,700 people and we seek to recruit and develop a workforce, on all levels, that is reflective of the broader society. Our employees are our greatest assets; therefore, we work to create a safe and healthy working environment with a high level of employee satisfaction.

An ongoing eNPS (employee satisfactory measurement) has been implemented across the group in 2020. The purpose of this measurement is to continuously have employees report on whether they would recommend working with us to friends and families. This is a clear message to whether we succeed in making our company the best place to work and track and report the development over time.

Diversity is considered a strength, and by the end of 2020 the Group was comprised of 71% female managers. In the Board of Directors one out of six members is female. In senior management positions we are committed to seeing candidates of both genders, however qualifications will always be the decisive factor.

Many apprentices are trained and educated each year, and focus is on having a great base of skilled bakers and pastry chefs in our bakeries to uphold the craftsmanship and product quality of the trade. Our apprenticeship and leadership training programs across the business develop our people both professionally and personally, and we aim to have nearly 300 colleagues through our formal programs annually.

**WE SEEK TO BRING EQUAL OPPORTUNITY, BY 2020 WE HAVE 71% FEMALE LEADERS, AND WE CONTINUE TO GROW OUR APPRENTICESHIP AND TRAINING PROGRAMS AIM TO DEVELOP NEARLY 300 COLLEAGUES ANNUALLY**

## PACKAGING

Our customers rely on us to serve them in a convenient and safe way. In doing so we are responsible for contributing as little packaging as possible, and we ensure that whatever packaging necessary is produced in an environmentally sustainable way.

Therefore, we are conducting a full review of the sustainability of our packaging material, and assessing the opportunities we have to encourage less use of single use packaging. We are offering reusable tote bags and keep-cups and rewarding the members of our loyalty program to encourage using keep-cups.

**IN 2021, WE ARE REMOVING PLASTICS AS WRAPPING FOR OUR SANDWICHES AND WE WILL BE TRANSITIONING TO USE OF RECYCLABLE PLASTICS FOR OUR COLD BEVERAGES.**



PASSIONFRUIT SLICE,  
OUR TAKE ON HOW A (VEGAN)  
CREAM CAKE SHOULD TASTE



BATARD BREAD, OUR NEWEST SPECIALTY  
BREAD WITH A MOIST CRUMB AND LONGER  
BAKE FOR A CRISP CRUST



OUR TRAINED BARISTA  
BREWING SPECIALTY COFFEE  
FROM OUR OWN ROASTERY



OUR MORE THAN 300  
BAKERS ENSURING  
FRESHLY BAKED BREAD  
AND CAKES EVERY DAY