



# Analyst presentation

March 13, 2012

*Cloetta*

# The Cloetta attendees



**Bengt Baron,**  
*President and CEO*



**Danko Maras,**  
*CFO*



**Jacob Broberg,**  
*SVP Corporate communications  
& Investor relations*

- Joined LEAF as CEO 2009
- Previously held various senior management positions within FMCG sector, including CEO of V&S
- B.S. and MBA, University of California at Berkeley

- Joined LEAF as CFO 2010
- Previously held various senior management positions within Unilever, including CFO/COO Unilever Nordic
- B.Sc. in Business Administration and Economics, University of Uppsala

- Joined LEAF as SVP Corporate Communications 2010
- Previous held various senior management positions, including VP Corporate Communications in TeliaSonera, V&S and Electrolux
- B.A. in Political Science and Economics, University of Lund

# Key facts

- **Net sales** of approximately **SEK 5.6 billion** pro forma 2011
- **Recurring EBITA** pro forma of **SEK 591 million** 2011 equivalent to a **recurring EBITA margin of 10.6%**
- **Leading market positions** in key markets and complete product offering
- A strong **portfolio of iconic local brands**
- **Top 10** brands account for about **60%** of pro forma net sales
- Approximately **2,600** employees
- **Leading** route to market capabilities



# Today's agenda

- 1. Key investment attractions**
- 2. “New” Cloetta overview**
- 3. Strategy and financial targets**
- 4. Financial performance**
- 5. The offering**
- 6. Summary**



## 1. Key investment attractions

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# Key investment attractions

**1 Attractive non-cyclical market with stable growth**

**2 Strong market positions**

**3 Portfolio of iconic local brands**







**4 Leverage market position to outgrow the market**

**5 Ambitious synergy and restructuring program**

**6 Strong cash flow characteristics**

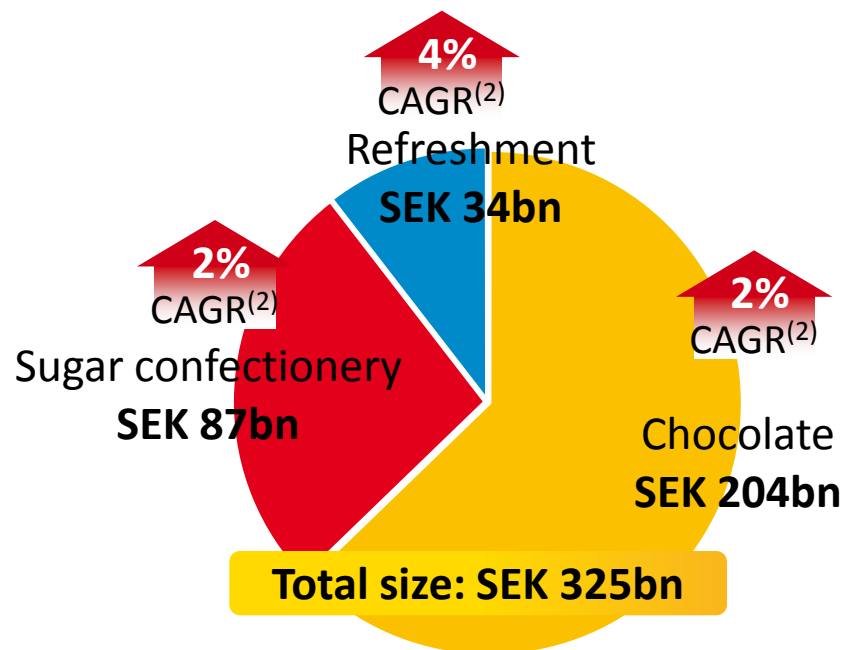
# Attractive non-cyclical market with stable growth

## Main markets of Cloetta

	Growth <sup>(1)</sup>
 Sweden	0.8%
 Finland	3.6%
 Norway	1.6%
 Denmark	3.2%
 The Netherlands	2.5%
 Italy	0.9%

Source: Datamonitor, 2010

## Western Europe market size and growth



Source: Datamonitor, 2010

**Cloetta's core markets grew each year in the period 2000-2010**

Note: 1) CAGR total confectionery market over the period 2000 to 2010. 2) 2000-2010.

# Strong market positions

## Country Market leader in the following categories



SWEDEN

- Sugar confectionery, countlines, pastilles and chocolate bags



FINLAND

- Pastilles, chewing gum and sugar confectionery



NORWAY

- Pastilles and sugar confectionery



DENMARK

- Pastilles and sugar confectionery



NETHERLANDS

- Pastilles, sugar confectionery, and chewing gum



ITALY

- Seasonals, sweeteners and sugar confectionery



# Portfolio of iconic local brands



# Leverage market position to outgrow the market

**1**

**Dedicated focus on local heritage brands, including brand extensions and cross boarder initiatives**

**2**

**Solid product development pipeline**

**3**

**Chocolate portfolio can be leveraged across geographies leveraging strong routes to market**

**4**

**Selective approach to M&A opportunities**

# Ambitious synergy and restructuring program

## Synergies from the merger

- Restructuring in the commercial organisation
- Efficiency measures within administration
- In-sourcing of white label production
- Finalise move of production from Slagelse, Denmark to Levice, Slovakia
- Implementation costs of approx. SEK 80m
- Gradual effect from synergies in 2012 with full effect within two years

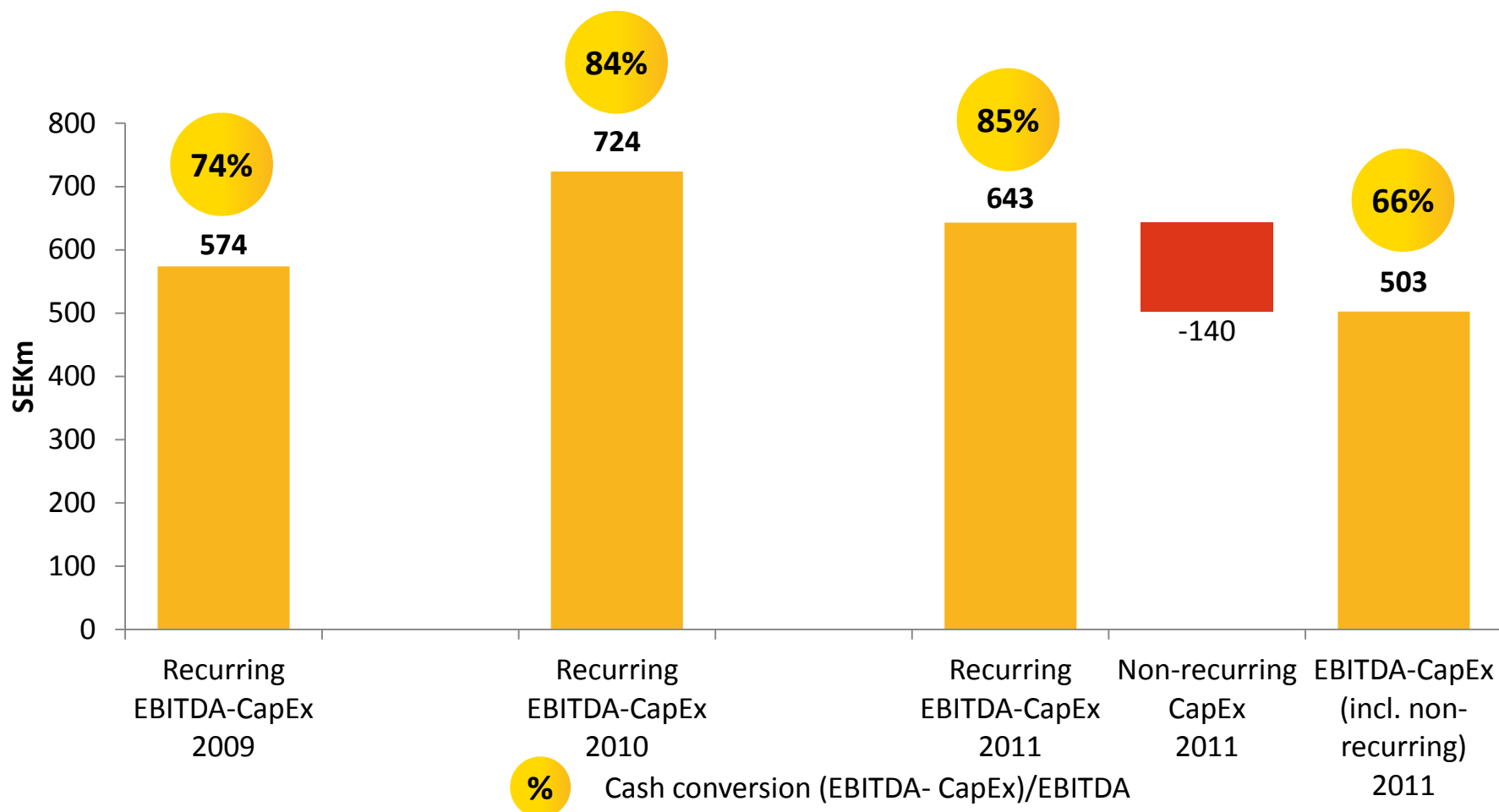
**Annual savings of at least  
SEK 110m on EBITDA-level**

## Announced restructuring program

- Intention to close the factories in Aura, Finland, Gävle and Alingsås, Sweden and move the majority of the production to Levice, Slovakia and Ljungsbro, Sweden
- Streamlining of warehouse operations in Scandinavia
- Implementation costs of SEK 320-370m
- Gradual effect from synergies in 2013 and with full effect from sometime during the second half of 2014

**Annual savings of approx.  
SEK 100m on EBITDA-level**

# Attractive cash flow generation



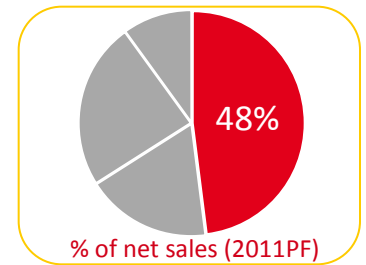
Note: Combined figures. LEAF 2009-2010 exchanged at SEK/EUR 9.0, LEAF 2011 exchanged at SEK/EUR 9.0228. Cloetta 2009 refers to the period September 1, 2008 to August 31, 2009.



## 2. “New” Cloetta overview

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# Sugar confectionery



## Overview

- Strong local brand heritage and local taste preferences
- Indulgence important category driver

## Candy

- In Norway, Sweden, Denmark, Finland, the Netherlands and Belgium, Cloetta has harmonised its leading candy brands **Malaco** and **Red Band**
- Additional strong brands include **Ahlgrens bilar**, **Venco**, **Galatine** and **Chewits** and **Juleskum**
- With the Italian brand **Dietorelle**, Cloetta was the first company to introduce sugar free candy

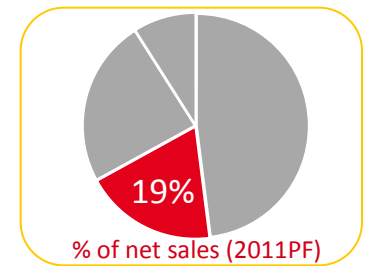
## Sweeteners

- Strong local positions in Italy with the **Dietor** brand



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# Chocolate



## Overview

- Strong local brand heritage and local taste preferences
- Indulgence important category driver

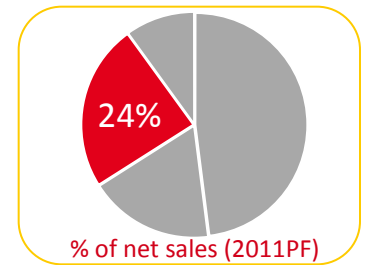
## Chocolate

- Cloetta has a leading position in Sweden with **Kexchoklad, Polly, Center, Bridge** and **Plopp** brands
- Strong local position in Finland with **Polly, Tupla**, and **Center** brands
- In Norway, **Popsy** (Polly), **Center, Sportlunch** and **Bridge** are popular
- Italy leading in seasonal chocolate with **Sperlari**



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# Refreshment



## Overview

- Functional benefits
- High brand loyalty

### Pastilles

- The company iconic brand **Läkerol** is more than 100 years old
- Other leading brands are **Mynthon**, **King** and **Saila**







### Chewing gum

- Cloetta has a dominant position in Finland with the **Jenkki** brand and a leading position in the Netherlands and Belgium with **Sportlife** and **Xylifresh**
- Cloetta has pioneered the use of Xylitol with e.g. Jenkki





# Core market overview

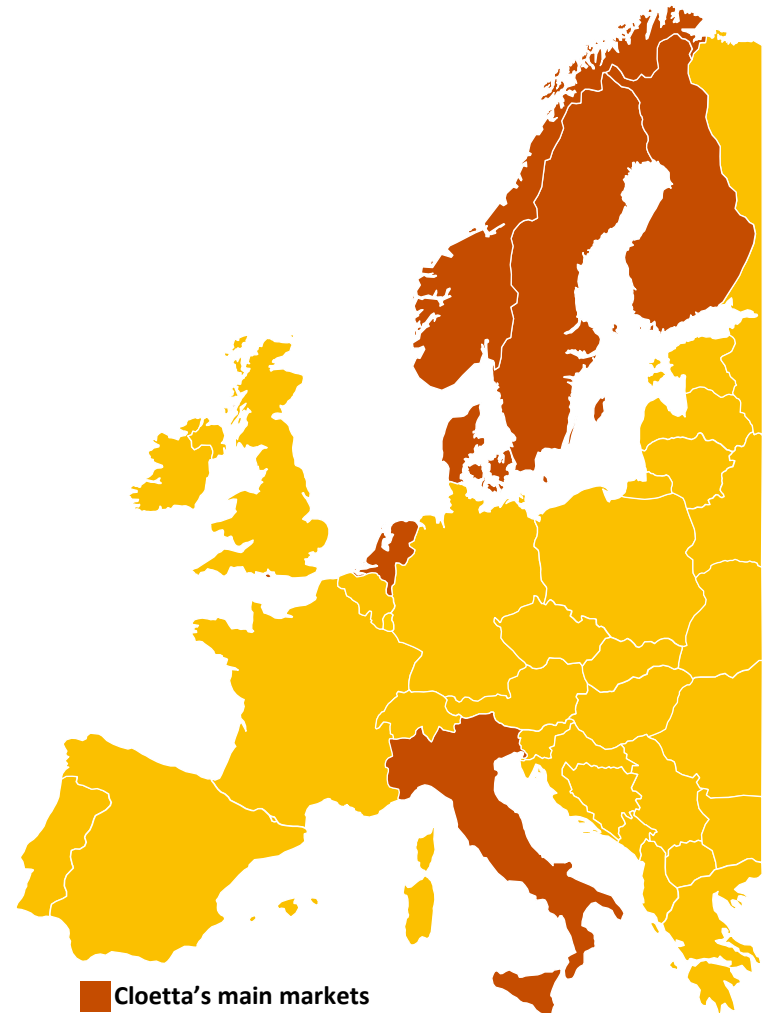
Market (size EUR)		% of net sales <sup>(1)</sup>	Cloetta offering
 SWEDEN	1.5bn	28%	<ul style="list-style-type: none"> <li>• Sugar confectionery, countlines, pastilles and chocolate bags</li> </ul>
 DENMARK	1.0bn	5%	<ul style="list-style-type: none"> <li>• Pastilles and sugar confectionery</li> </ul>
 NORWAY	0.8bn	7%	<ul style="list-style-type: none"> <li>• Sugar confectionery and pastilles</li> </ul>
 FINLAND	0.9bn	16%	<ul style="list-style-type: none"> <li>• Pastilles, chewing gum and sugar confectionery</li> </ul>
 NETHERLANDS	1.5bn	12%	<ul style="list-style-type: none"> <li>• Sugar confectionery, chewing gum and pastilles</li> </ul>
 ITALY	3.2bn	17%	<ul style="list-style-type: none"> <li>• Seasonals, sweeteners and sugar confectionery</li> </ul>

**Leading positions and dedicated sales and distribution organisations in core markets**

*Note: 1) 2011 pro forma*

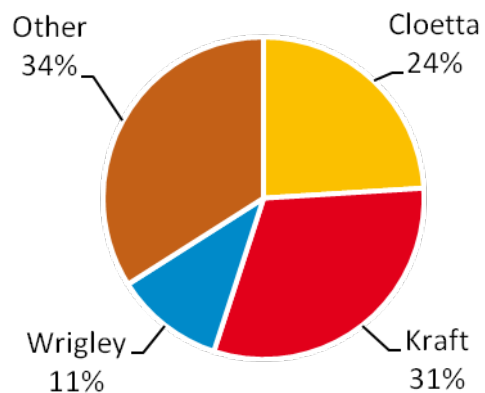
# Leading route to market capabilities

- Sales force
  - large and efficient sales organisation in place on the main markets
- Category management
  - ensure that negotiated listing and distribution agreements are followed
  - ensure good visibility on shelves and checkout lines
  - implement campaigns efficiently
- Distribution platform
  - presence in many categories and channels
  - complete product portfolio creates economies of scale

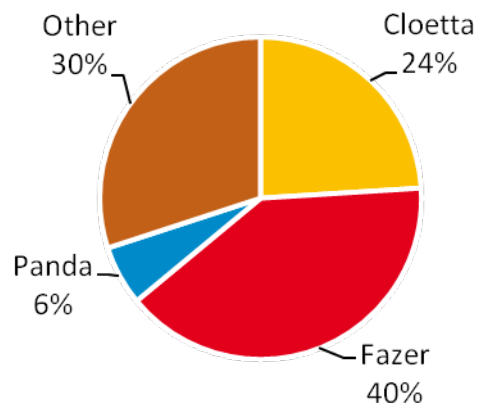


# Strong market shares

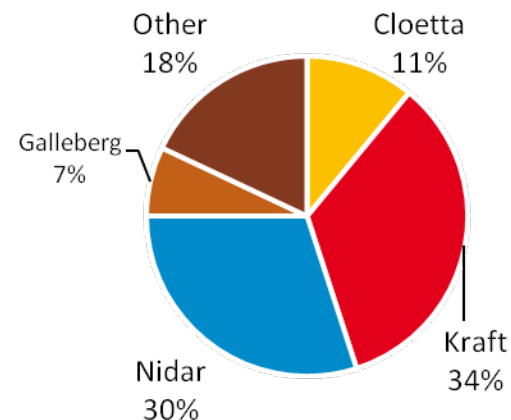
**Sweden**



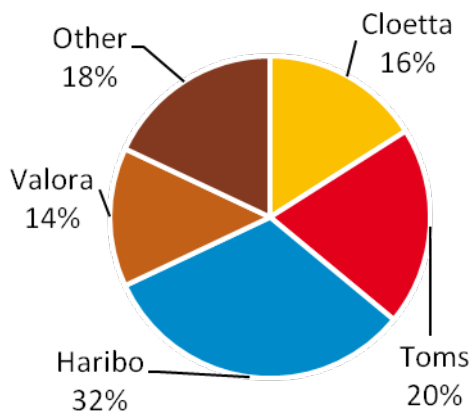
**Finland**



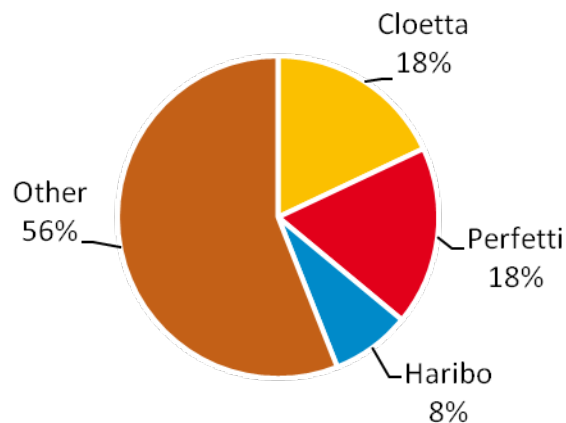
**Norway**



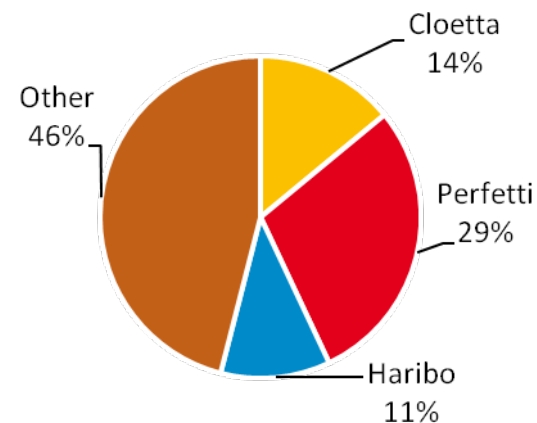
**Denmark (1)**



**Netherlands (2)**



**Italy (1)**



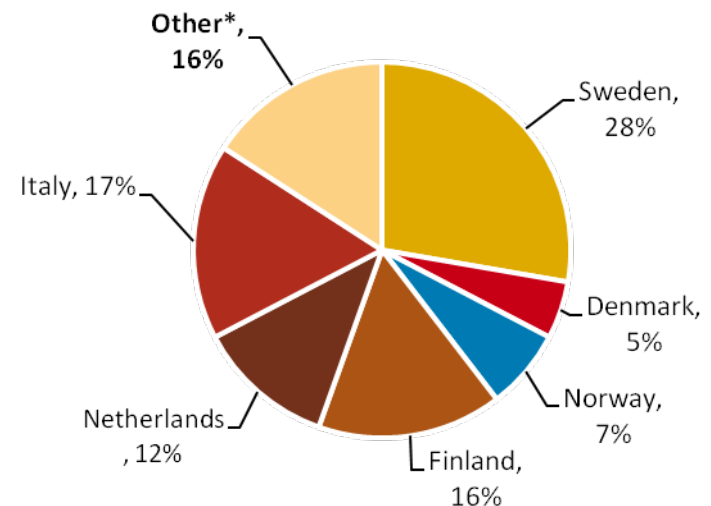
Source: Datamonitor; Nielsen; Delfi; Management estimates. Note: 1) Sugar confectionary only; 2) Excluding chocolate

# Cloetta's presence in other markets

## Other markets

- Sales Rest of the World distributes Cloetta's products in markets where Cloetta does not have its own route-to-market
- Transitioned from an export organisation to a market-driven enabling organisation,
- Key markets are: UK, Belgium\*, Baltics and Germany

## Net sales split pro forma 2011



## Key brands in other markets



(UK)



(Baltics)



(Baltics)



(Germany)



(RoW)



(Belgium)

Note: \*) The distribution business in Belgium was divested in February, 2012.

# Manufacturing footprint 2012

- 12 factories in 6 countries
- 98,000 tonnes of confectionery annually <sup>1</sup>
- Factory in Slagelse (Denmark) was closed down in 2011
- Intention to close the factories in Aura, Finland, Gävle and Alingsås, Sweden
- Majority of the production will be moved to Levice, Slovakia and Ljungsbro, Sweden



Note: 1) Production refers to 2011 levels, in tonnes including production at Slagelse which was closed down in 2011.



### **3. Strategy and financial targets**

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# Strategic pillars going forward

## 1 Focus on growth and margin

- Strong local heritage brands
- Strong route to market
- Brand extensions and cross border initiatives
- Strategic price management
- Selective M&A

## 2 Focus on cost effectiveness

- Cost synergies from the transaction
- "All" technologies in-house
- Manufacturing restructuring initiatives

## 3 Focus on employees

- Create a joint culture
- Attract, develop and retain skilled employees
- Build a winning organisation

## 1.A Develop local heroes

### Example of Ahlgrens bilar





## 1.B Understanding of consumer needs

### Example of Läkerol

Gum Arabic core stretched  
within own family



...in Price/Size

...and bigger size

New need state  
in Compressed



New need state  
in Hard boiled



New need state  
in Gum



## 1.C Improved cross border sales



## 1.D Enter adjacent and new categories

NEW TERRITORY

Chocolate



Chewing Gum



Candy & Liquorice



Pastilles



## 2 Focus on cost effectiveness

### Cost synergies

- Cost synergies from merger
- Supply chain
- Procurement
- Processes

### Knowledge and revenue transfer

- R&D
- Consumer understanding
- Customer management
- Geographic transfer of concepts/ideas
- Leveraging strong route to market to grow the chocolate brands

### 3 Focus on employees to build a winning organisation





# Financial targets

- **Organic sales growth:** At least in line with market growth long term
  - Historical aggregate growth of approx. 2% in Cloetta's markets
- **EBITA margin:** At least 14% (recurring)
  - Cost synergies, growth and focus on profitability
  - EBITA margin 2011PF (recurring) of 10.6%
- **Financial gearing:** Long-term net debt/EBITDA of around 2.5x
  - Higher initial gearing
  - Objective to reach target in 3 years
- **Dividend policy:** Pay out 40-60% of net income over time
  - Focus on debt repayment initially – no dividend until financial gearing target is met

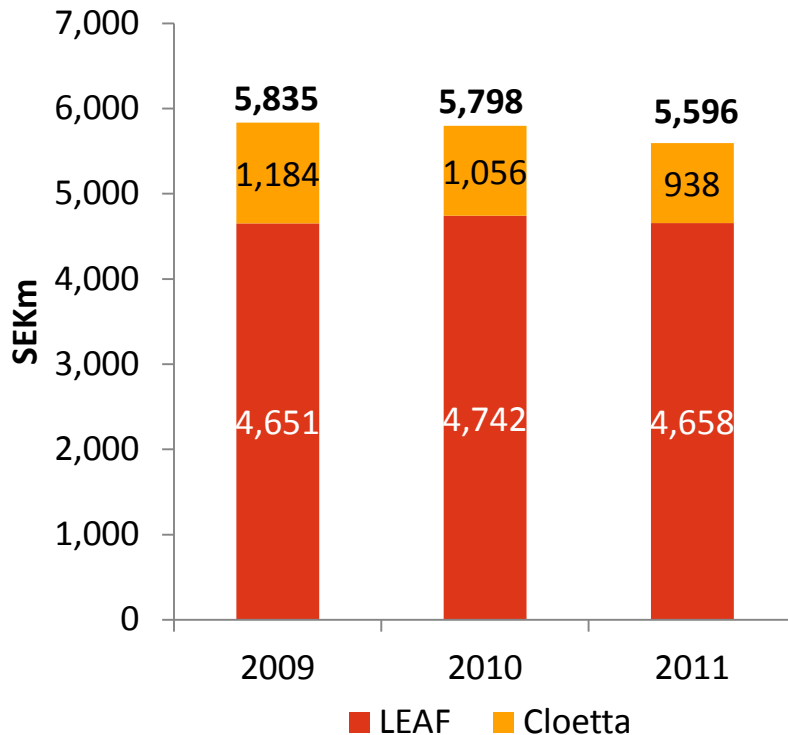


## 4. Financial performance

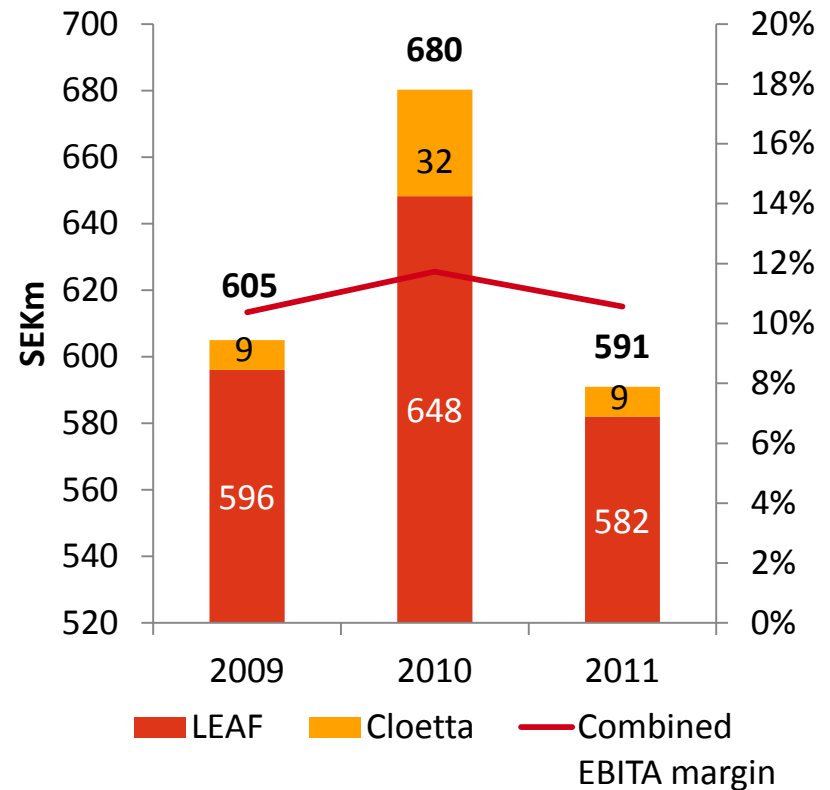
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# Historical financial performance

**Net sales development 2009-2011 <sup>(1)</sup>**



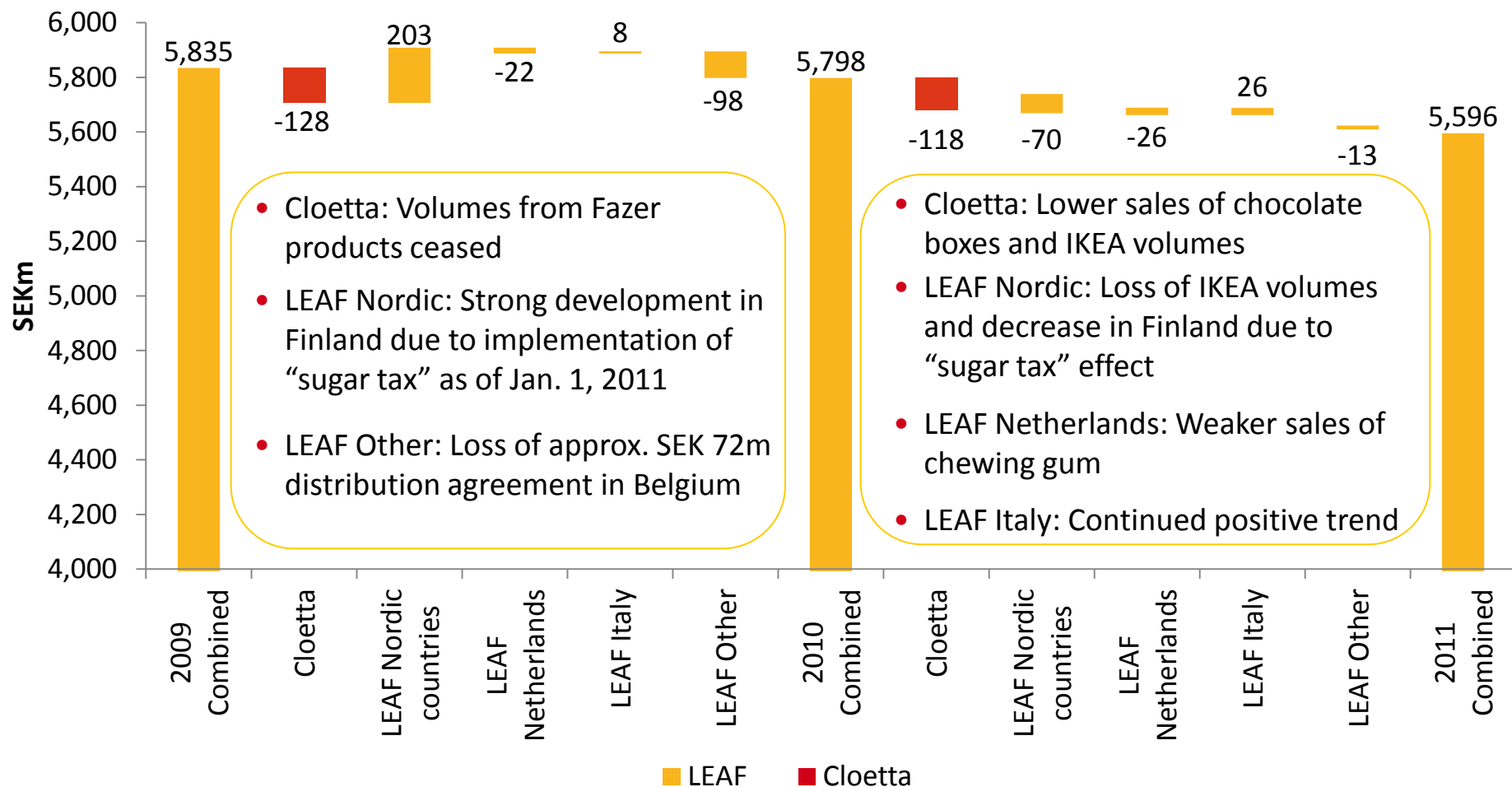
**Recurring EBITA 2009-2011 <sup>(1,2)</sup>**



Note: 1) LEAF 2009-2010 exchanged at SEK/EUR 9.0, LEAF 2011 exchanged at SEK/EUR 9.0228. Cloetta 2009 refers to the period September 1, 2008 to August 31, 2009.



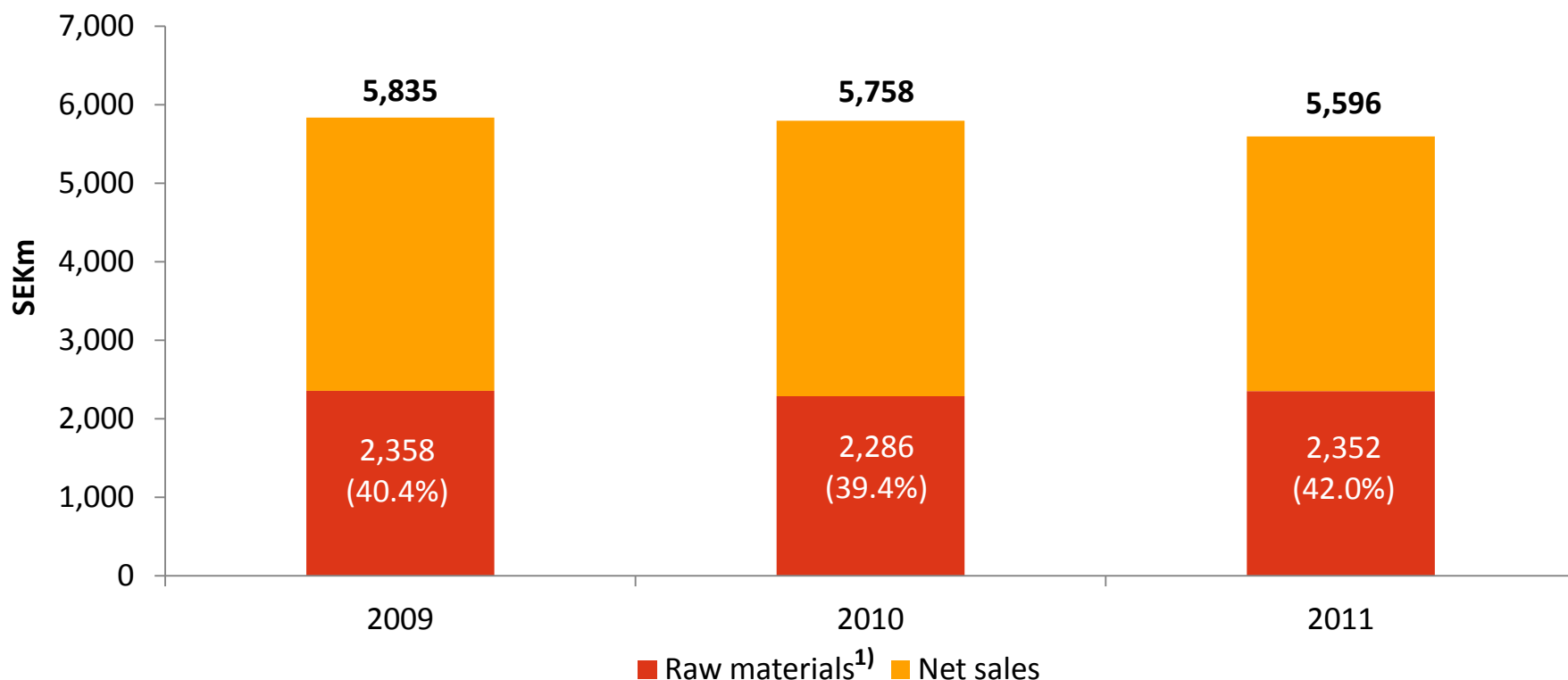
# Net sales bridge



Note: LEAF 2009-2010 exchanged at SEK/EUR 9.0, LEAF 2011 exchanged at SEK/EUR 9.0228. Cloetta 2009 refers to the period September 1, 2008 to August 31, 2009.

# Raw materials is the key cost item

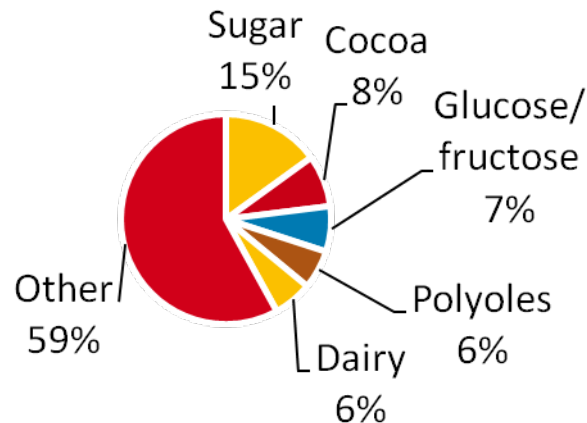
## Raw materials' share of Cloetta's net sales 2009-2011



*Note: Combined figures. LEAF 2009-2010 exchanged at SEK/EUR 9.0, LEAF 2011 exchanged at SEK/EUR 9.0228. Cloetta 2009 refers to the period September 1, 2008 to August 31, 2009. 1) Raw materials and consumables used including change in inventory of finished goods and work in progress.*

# Top 5 raw materials account for 41% of total materials purchases

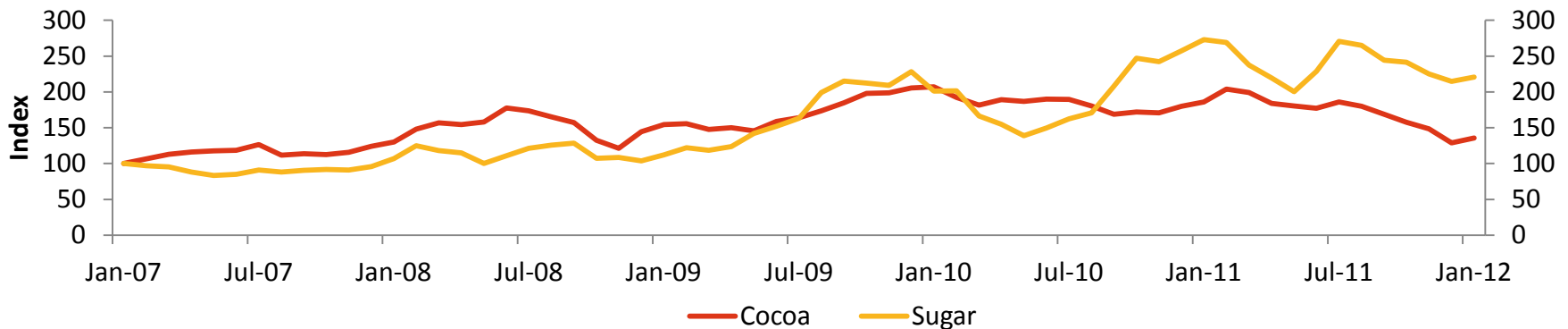
## Raw material split <sup>(1)</sup>



## Comments

- The sugar price in the EU can deviate substantially from the prices on the commodity exchanges due to EU regulations and the enforced quota system for sugar

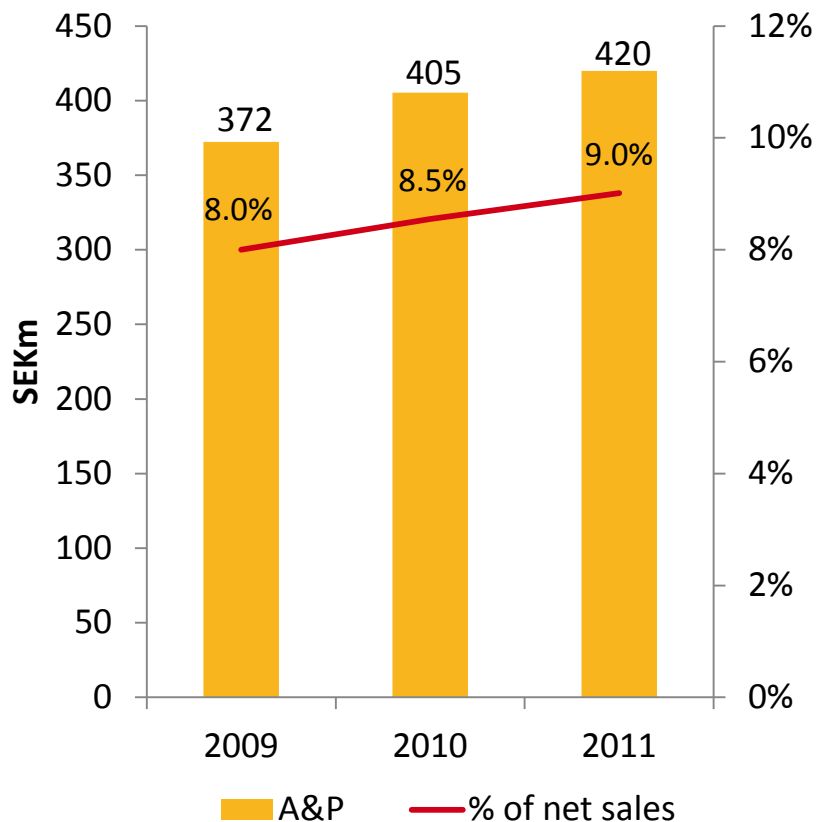
## Cocoa <sup>(2)</sup> and sugar <sup>(3)</sup> price development (5-years)



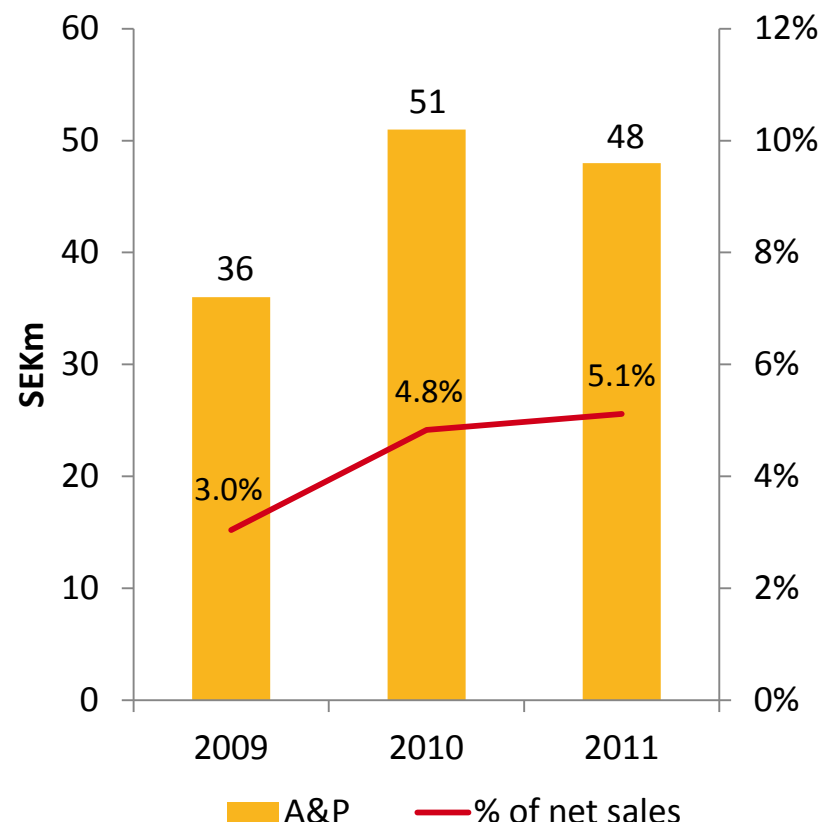
Note: 1) 2011 pro forma. Raw materials and consumables. 2) Source: ICCO 3) Source: CSCE

# Increased investments in advertising and promotion

**LEAF 2009-2011**

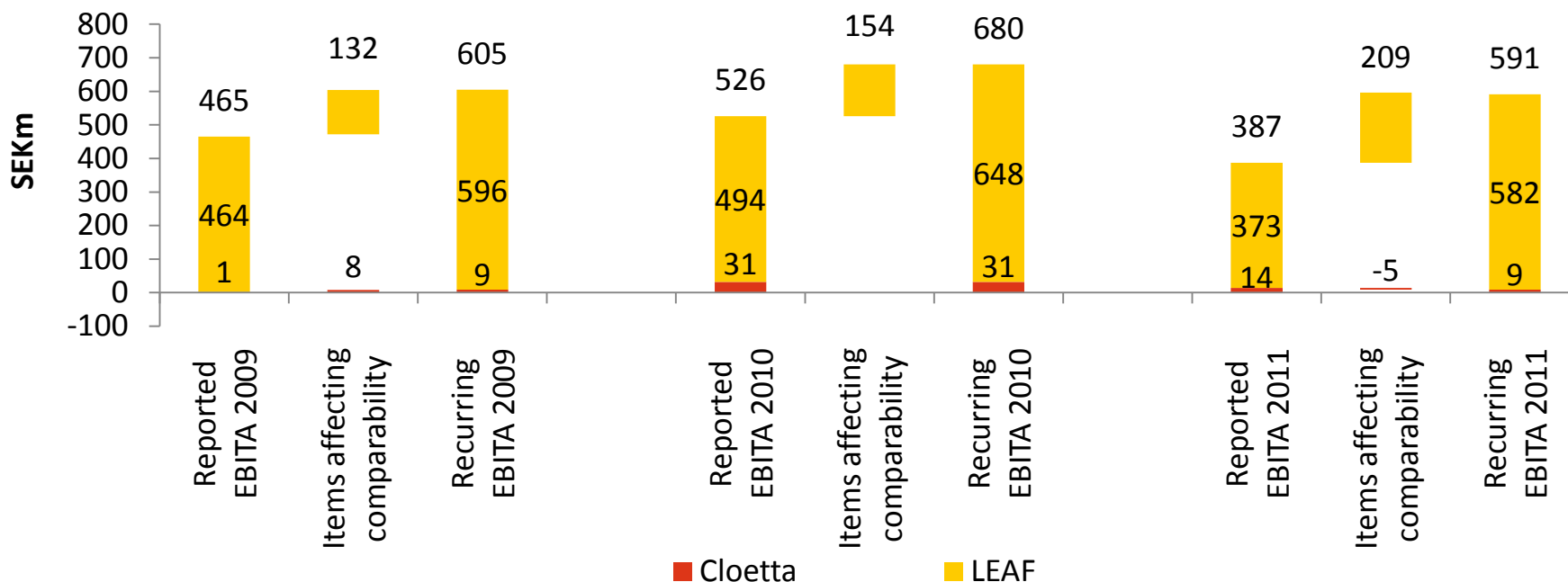


**Cloetta 2009-2011**



*Note: LEAF 2009-2010 exchanged at SEK/EUR 9.0, LEAF 2011 exchanged at SEK/EUR 9.0228. Cloetta 2009 refers to the period September 1, 2008 to August 31, 2009.*

# Recurring EBITA bridge



- Supply chain restructuring (closure of Zola Pedrosa facility, Italian sales organisation) and HQ relocation to Stockholm

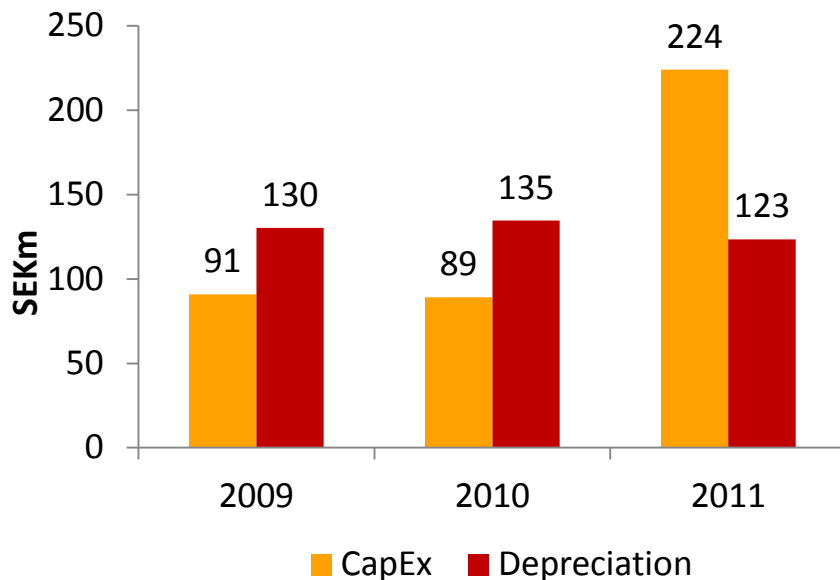
- Mainly supply chain restructuring, e.g. Slagelse closure and Italy sales organisation

- Closure of Slagelse accounted for the majority of non-recurring costs

Note: LEAF 2009-2010 exchanged at SEK/EUR 9.0, LEAF 2011 exchanged at SEK/EUR 9.0228. Cloetta 2009 refers to the period September 1, 2008 to August 31, 2009.

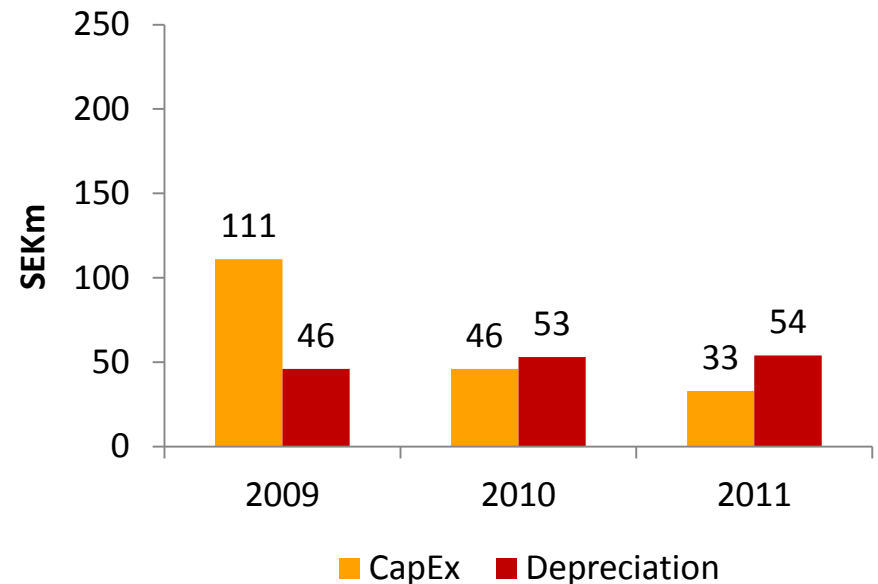
# Well invested asset base with low CapEx requirements

CapEx LEAF 2009-2011



- SEK 140m of non-recurring CapEx in 2011 due to closure of Slagelse, production move to Levice and new ERP-system

CapEx Cloetta 2009-2011



- Increased CapEx level in 2009 due to e.g. capacity increase program in Ljungsbro

*Note: LEAF 2009-2010 exchanged at SEK/EUR 9.0, LEAF 2011 exchanged at SEK/EUR 9.0228. Cloetta 2009 refers to the period September 1, 2008 to August 31, 2009.*

# Pro forma balance sheet

December 31, 2011 (SEKm) <sup>(1)</sup>		Comments
Intangible fixed assets	5,075	<ul style="list-style-type: none"> <li>• Main equity adjustments:                             <ul style="list-style-type: none"> <li>– conversion of intra-group loan</li> <li>– rights issue proceeds</li> </ul> </li> </ul>
Other non-current assets	2,210	
Current assets	1,867	
Cash and cash equivalents	544	
<b>Total assets</b>	<b>9,696</b>	
Equity	3,486	<ul style="list-style-type: none"> <li>• New credit facility of in total SEK 4.2bn                             <ul style="list-style-type: none"> <li>– Net debt SEK 3,158m or 4.2x recurring EBITDA pro forma</li> <li>– Interest coverage of 3.8x recurring EBITDA pro forma</li> </ul> </li> </ul>
Long-term borrowings <sup>(2)</sup>	2,951	
Deferred tax liability	820	
Other provisions	328	
Short-term borrowings	727	
Convertible debenture loan	24	
Current liabilities	1,360	
<b>Total equity and liabilities</b>	<b>9,696</b>	

Note: 1) Year-end exchange rate SEK/EUR 8.91 2) Including convertible loan

# Overview of financing

- Five-year credit facility of in total SEK 4.2bn from Handelsbanken
- The credit facility includes a revolving facility in addition to acquisition financing and a complete refinancing of outstanding financial debt in LEAF
- Interest rate of about 5-6%, implying an annual interest cost of approx. SEK 200m in 2012
- Restrictions and covenants on net debt/EBITDA, interest cover ratio and equity / assets ratio
- Dividend restrictions until net debt/EBITDA multiple of 2.7x is reached





## 5. The offering

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# Rights issue in brief

## Terms

- One (1) subscription right per A and B-share, one (1) subscription rights entitles to subscription of four (4) new shares of the same share series
- Holders of C-shares will not be granted any subscription rights
- Rights issue proceeds: SEK 1,065m (before transaction costs)
- Subscription price: SEK 10.79 per share
- Discount to TERP: ~32 percent <sup>1</sup>
- Fully underwritten by main owners AB Malfors Promotor, Nordic Capital Fund V and funds advised by CVC Capital Partners

## Time table

- Record date: 15 March, 2012
- Subscription period: 19 March – 4 April, 2012
- Trading in subscription rights: 19 March – 30 March, 2012

*Note: 1) Based on share price of SEK 36.10 and TERP of SEK 15.85 as per March 9, 2012*



## 6. Summary

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# Key investment attractions

**1 Attractive non-cyclical market with stable growth**

**2 Strong market positions**

**3 Portfolio of iconic local brands**

**4 Leverage market position to outgrow the market**

**5 Ambitious synergy and restructuring program**

**6 Strong cash flow characteristics**

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