

# *Loetta*

**November 2017**

Henri de Sauvage-Nolting, President and CEO

Jacob Broberg, SVP Corporate Communications & Investor Relations

# This is Cloetta

FOUNDED IN

**1862**

ANNUAL SALES

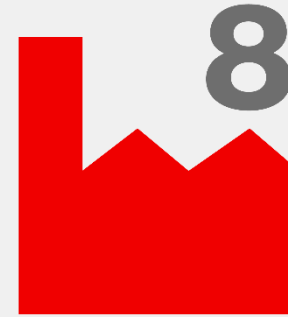
SEK  
**5.9**

BILLION

SALES IN

**50**

COUNTRIES



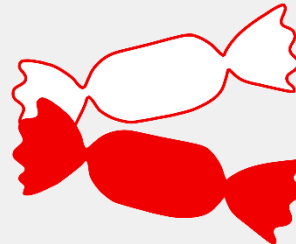
**2.600**  
EMPLOYEES



NASDAQ  
STOCKHOLM



LEADING  
BRANDS



CANDY



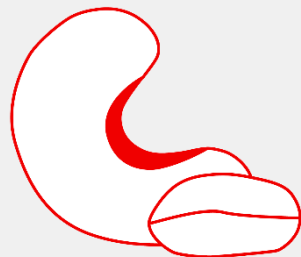
CHOCOLATE



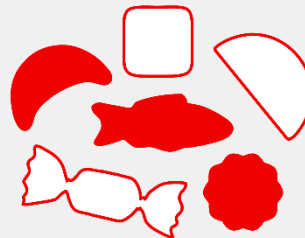
PASTILLES



CHEWING GUM



NUTS



PICK&MIX

**Munchy  
Moments**

THIS IS  
*Cloetta*

# Our mission

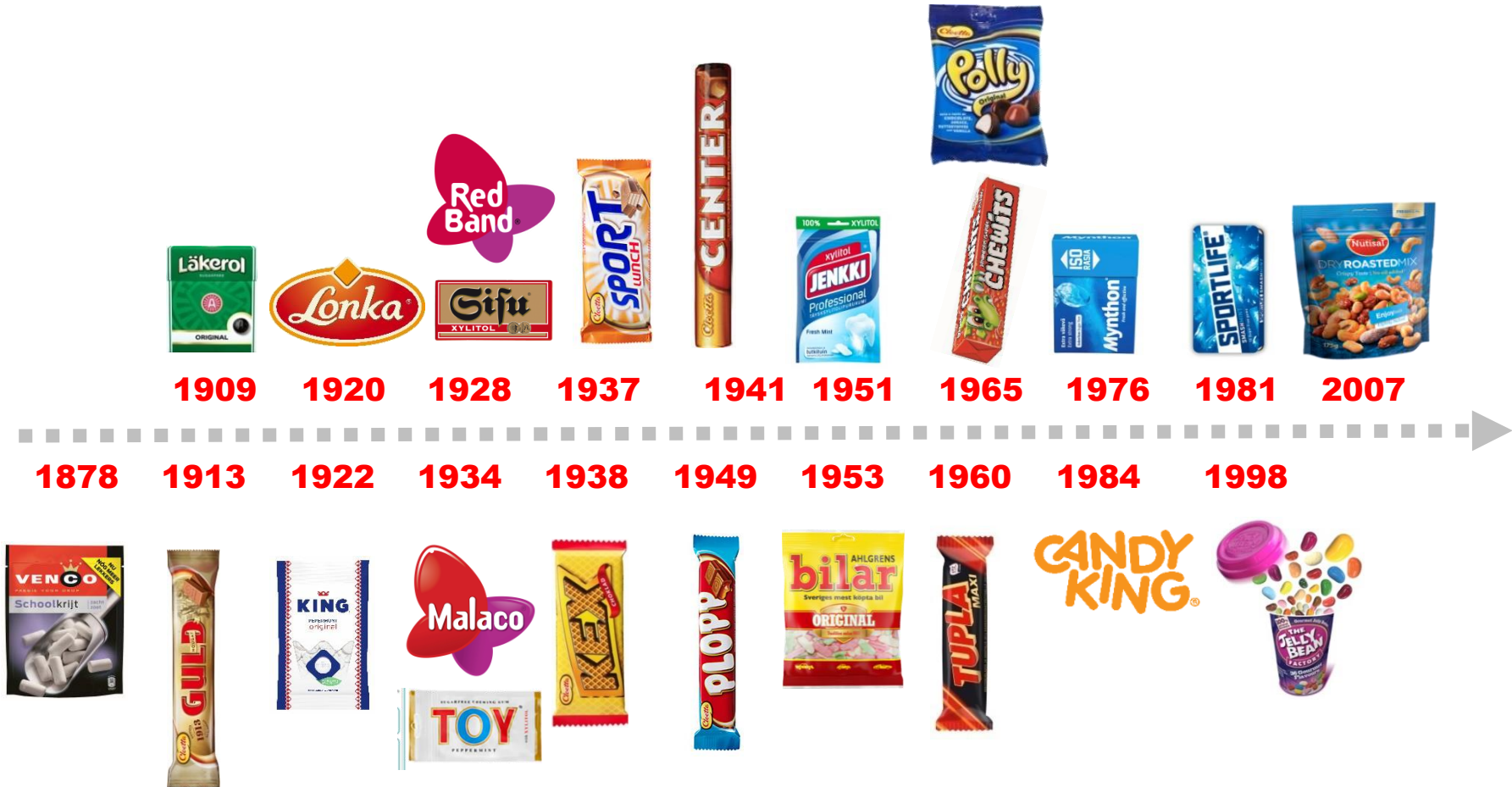
To bring a smile to your

**Munchy  
Moments**

*Cloetta*



# Strong local brands



# Long-term financial targets

- **Organic sales growth**

The long-term target is to increase organic sales at least in line with market growth.

- **Adjusted EBIT margin**

The target is an operating profit margin, adjusted of at least 14 per cent.

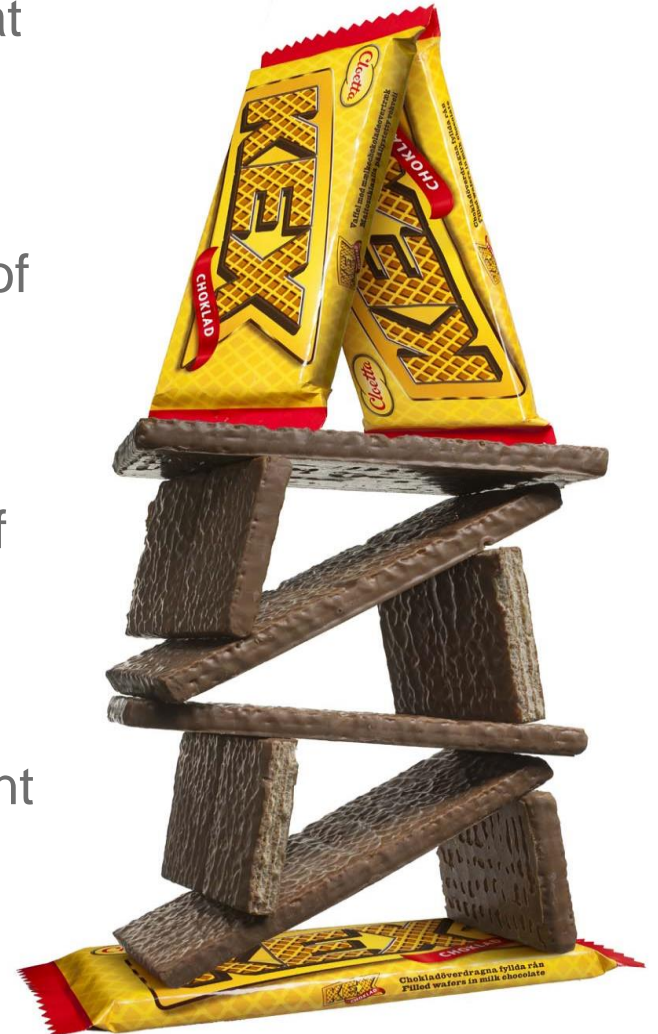
- **Net debt**

The long-term target is a net debt /EBITDA ratio of around 2.5x.

- **Dividend policy**

The intention is a dividend payout of 40-60 per cent of profit after tax.

*Cloetta*



# Strong presence in the main markets

- Leading confectionary company in **the Nordic region and the Netherlands**.
- Export to more than **50 countries** worldwide
- Sweden, Finland, Denmark, Norway, the Netherlands, Germany and the UK as the **main markets**
- **Strong customer relations** – strong commercial organisation in all main markets
- **High category expertise** – contributes to optimised and profitable sales
- **Scale economies** – presence in many categories and channels with complete product portfolio

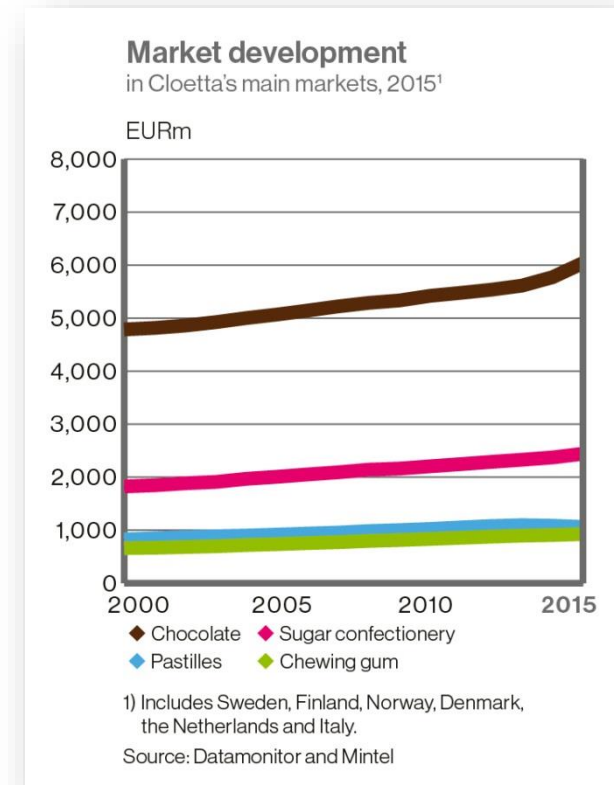


# Attractive non-cyclical market

## Key trends and consumer behaviour

- Market driven by increase in population, higher prices and increased per capita consumption
- Demand for differentiated and innovative products
- **Strong brands** gain market share
- Purchases **highly impulse driven**
- High **brand loyalty**
- **Availability** important factor for impulse driven purchases
- Appreciation of **innovation**
- **Taste, quality and novelties** is important

*Cloetta*



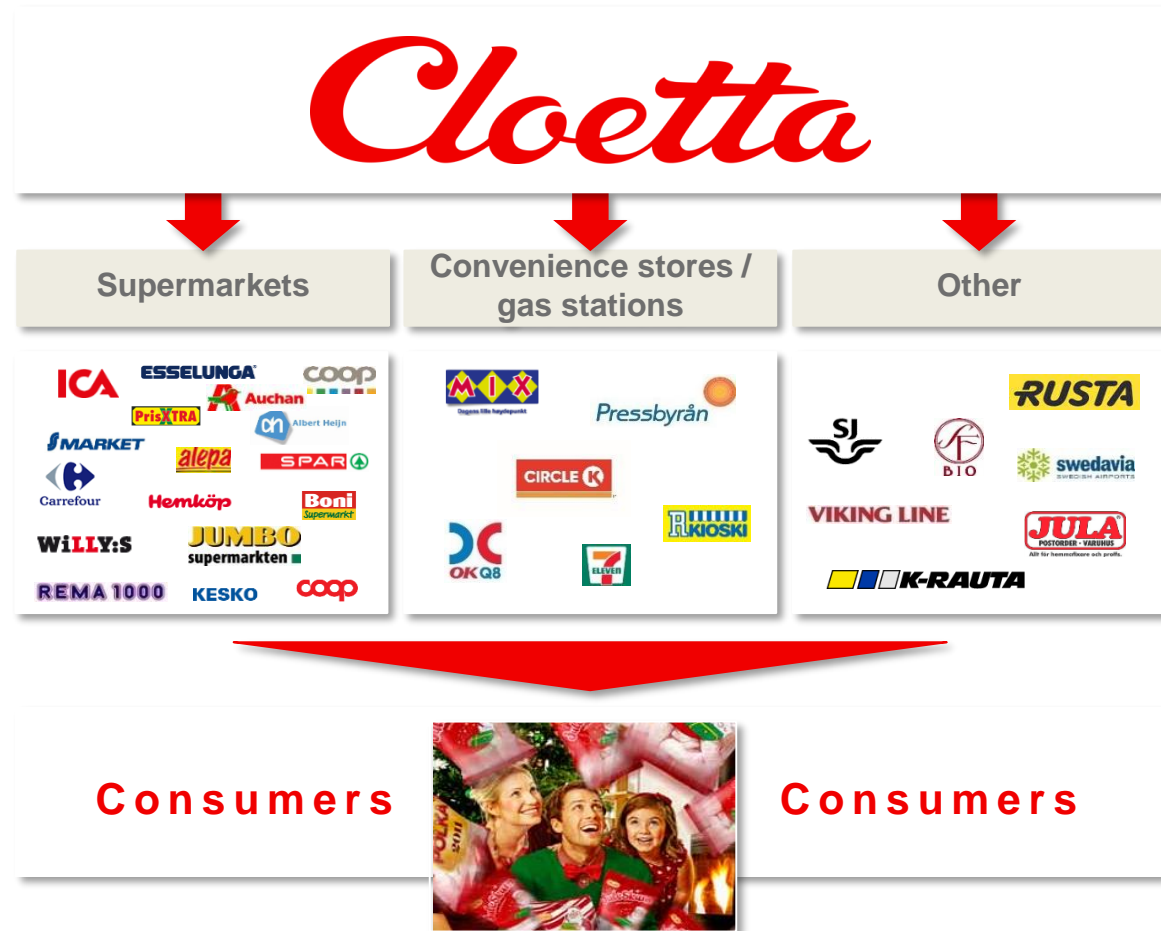
# Best in class route-to-market

## Customer relations

- Large and efficient sales organisation in place in all main markets
- 80% of total sales generated from markets with own sales force

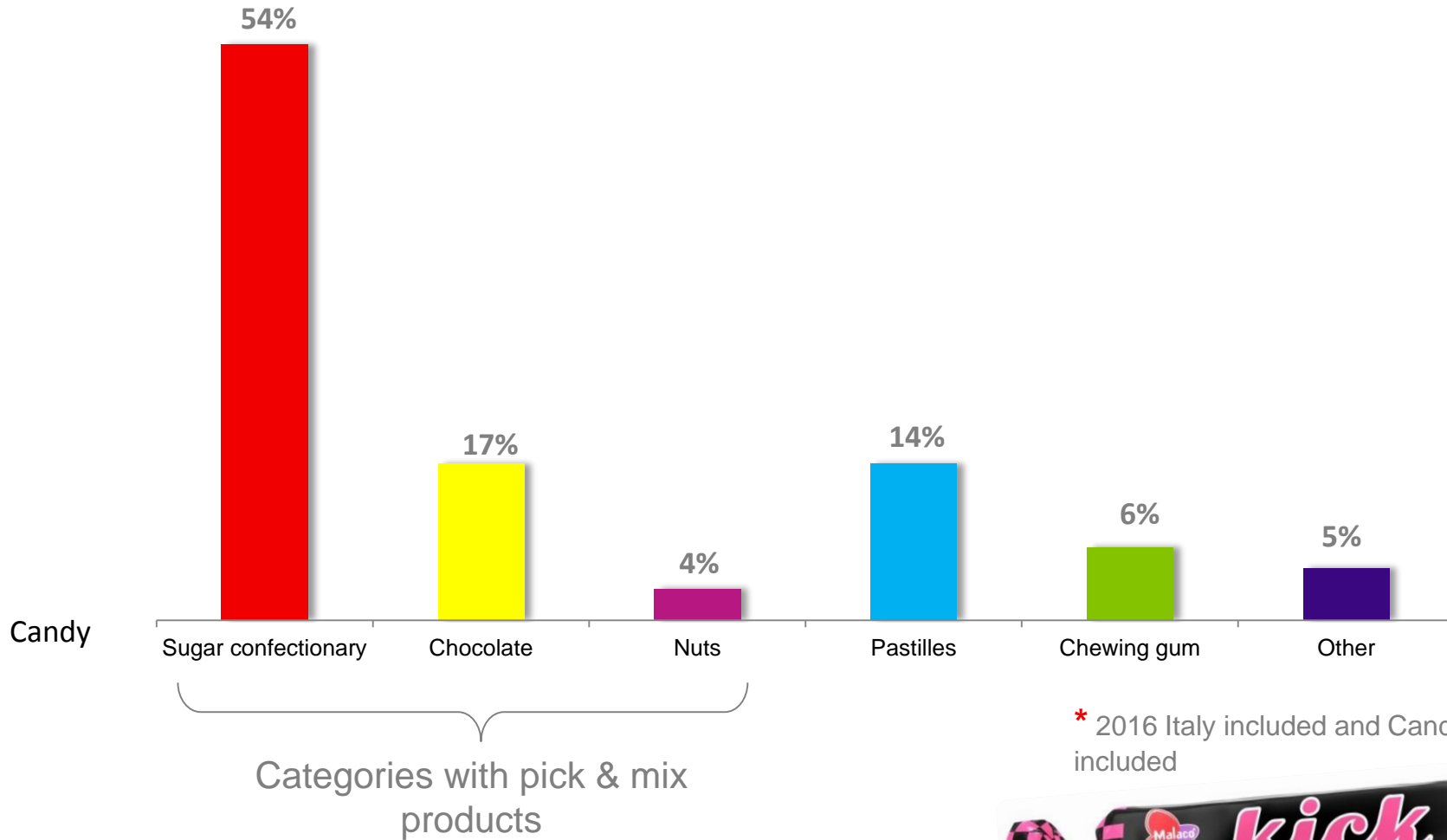
## Execution

- Ensure that negotiated listing and distribution agreements are followed
- Ensure good visibility on shelves and checkout lines
- Implement campaigns efficiently





# Cloetta Net sales\* by category



\* 2016 Italy included and Candyking not included

*Cloetta*



# Pick & Mix concepts

- Cloetta has experience from the **entire value chain**; Production, Logistics, Planogram and Promotional activities
- Since many years Cloetta has Pick & Mix concept in Finland (**Karkkikatu**)
- Cloetta launched pick & mix concepts in Sweden in 2015 and 2016
- In April 2017 Cloetta acquired **Candyking**, Pick & Mix market leader in Nordic countries, and the UK.



## Pick&mix?

Consumers can make their own choice between hundreds of varieties of goodies and mix them in a bag or giftbox.

# Candyking strengthens Cloetta's Pick & Mix position

- **Pick & Mix is 30% of total Confectionary market volume** in Sweden and **5-15%** in other Nordic markets
- **A wide range of products** from several markets and factories
- The acquisition in line with **Cloetta's strategy to drive Pick & Mix**
- **Strengthens Cloetta's position** in Denmark, Norway and the UK
- Strengthens Cloetta's **nature snacks** pick & mix offering with the Parrot brand
- **Synergies** within administration, procurement, logistics, sales and insourcing of production
- **Identified synergies**, given current volume outlook, amounts to SEK 100m in 2020

*Cloetta*

**CANDY  
KING®**

# Sales development

## Target

- Organic sales growth at least in line with long term market growth
- Historical aggregated value growth of approx. 1-2% in Cloetta's markets

Changes in net sales, %	Jan-Sep 2017	Jan-Sep 2016	Full year 2016	Full year 2015
Organic growth	-1.8%	0.2%	0.5%	1.5%
Structural changes	11.3%	3.1%	2.2%	3.9%
Changes in exchange rates	1.2%	-0.4%	0.4%	1.4%
<b>Total</b>	<b>10.7%</b>	<b>2.9%</b>	<b>3.1%</b>	<b>6.8%</b>

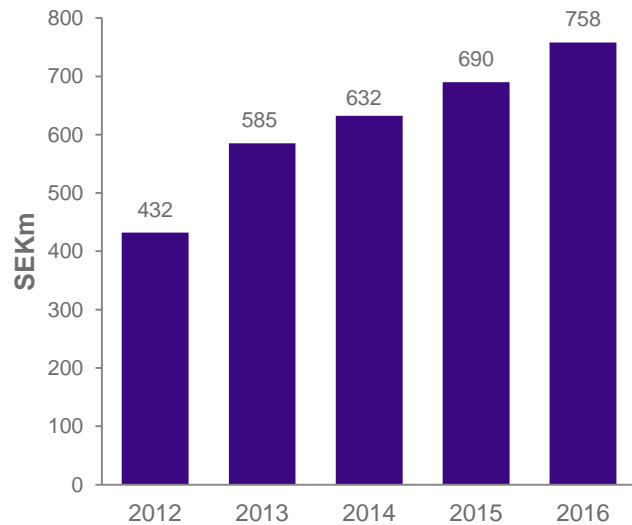


# Operating profit and margin

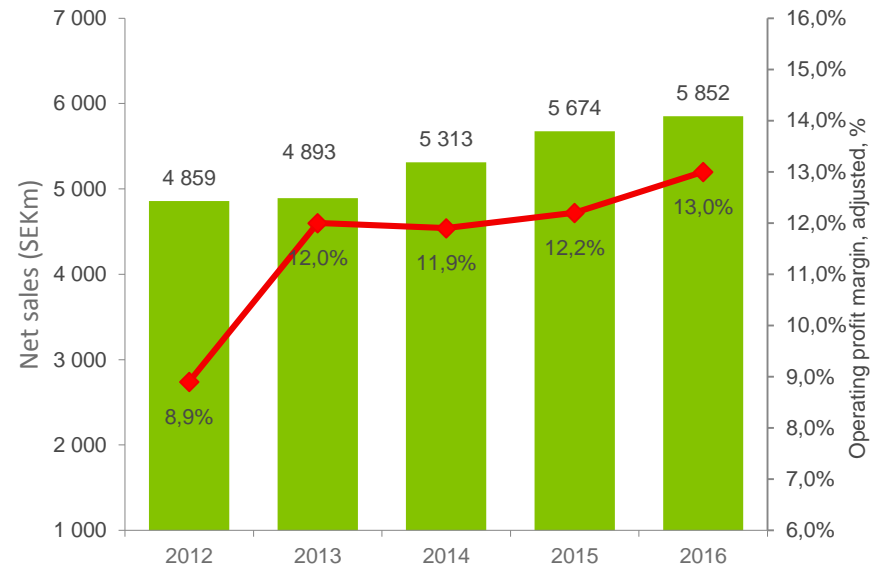
## Target

- Operation profit margin, adjusted at least 14%

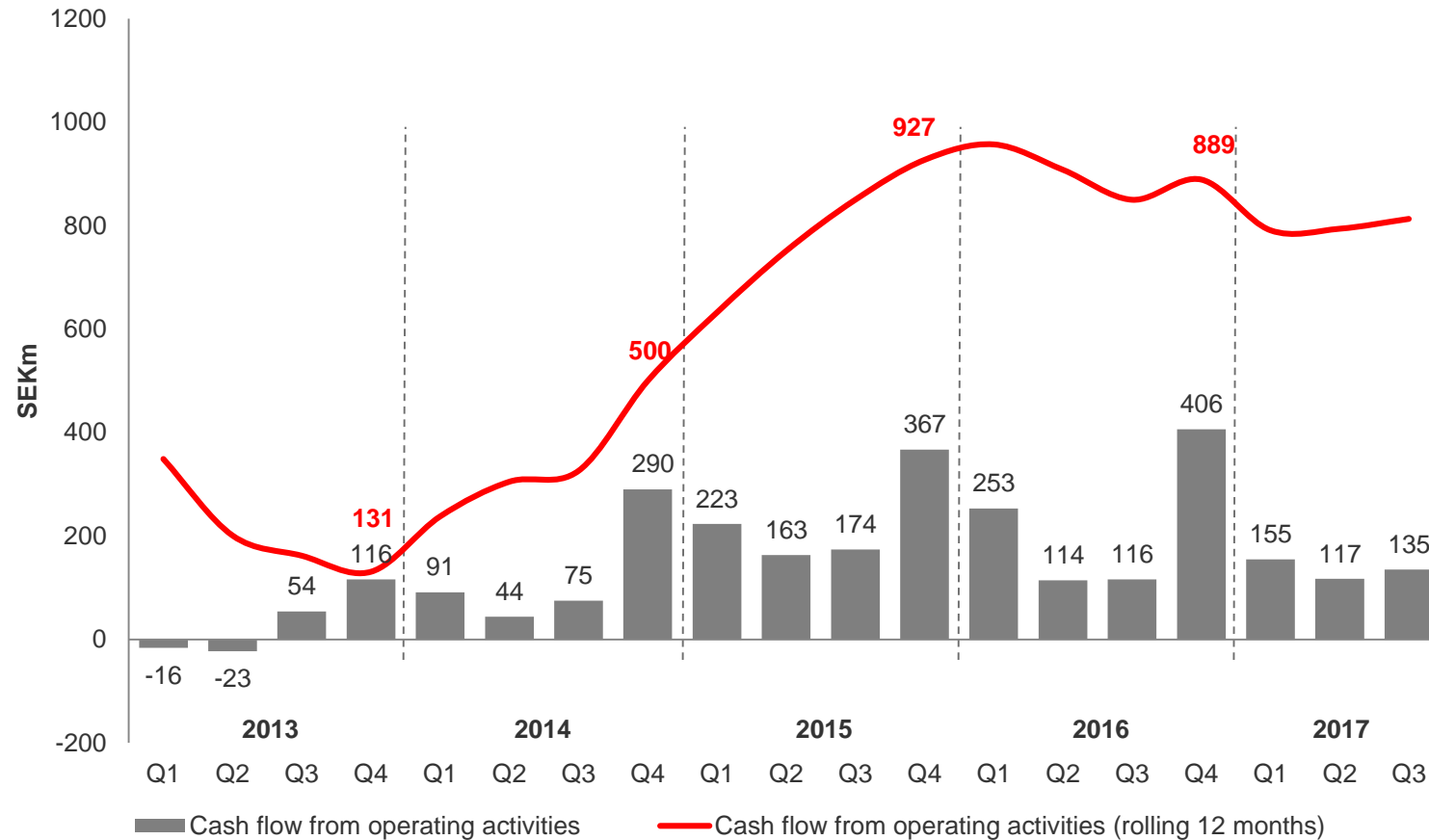
Operating profit, adjusted



Sales and Operating profit margin, adjusted, %



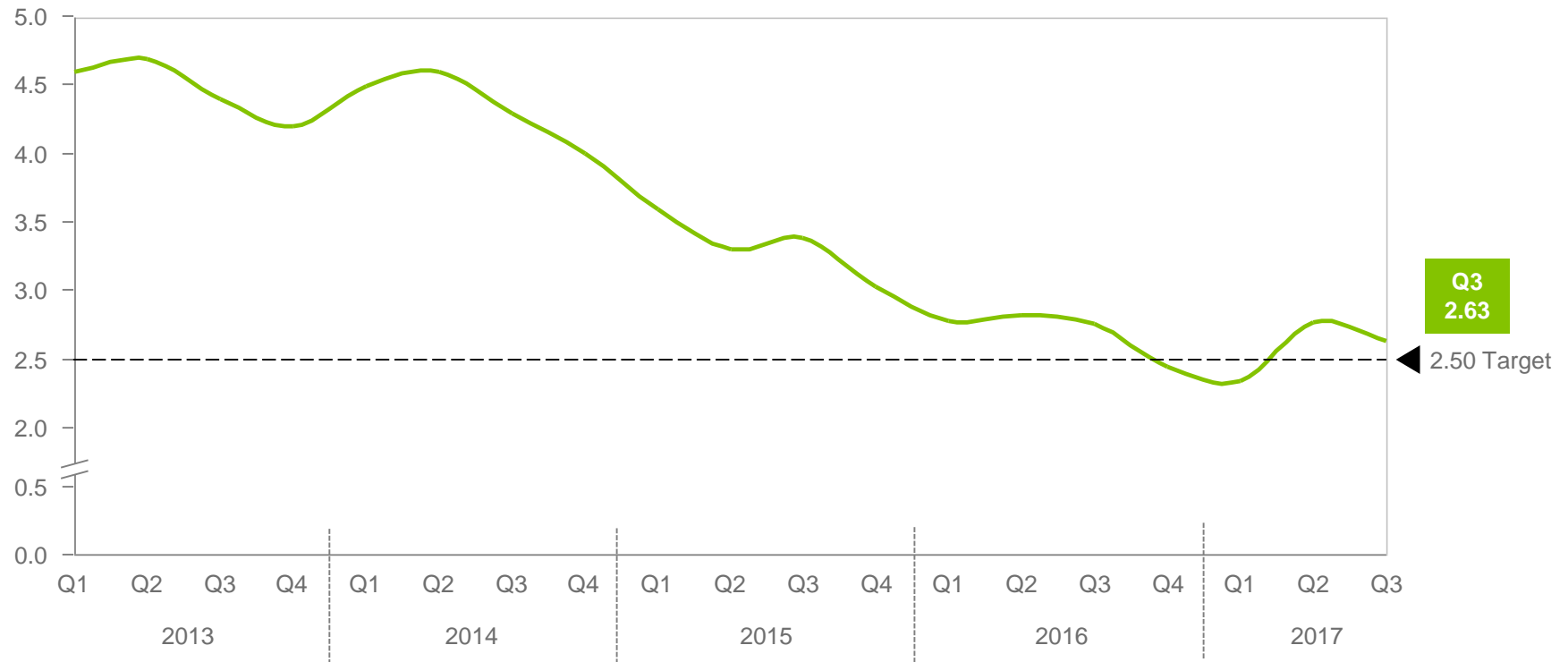
# Cash flow from operating activities



# Financial leverage



## Net debt/EBITDA



# Focus

## Get business fundamentals right



Restore the performance in the factory network from the short-term effects after the fire in the factory in Turnhout



Integration of Candyking



Focus on cost and gross margin improvement



Drive strategic growth priorities



# Strategic priorities

Financial targets and vision unchanged

Candyking  
integration



Lean 2020/  
Insourcing



Grow the  
core  
business



Cost savings  
to fund the  
growth

\$£€

Establish  
international  
hubs



Integrated  
category &  
brand plans



Cloetta@  
forefront of  
digital and  
e-commerce



Offer choice  
for you:  
Low/no sugar



*Cloetta*

**Q3 2017**

*Cloetta*

*Loetta*

**Q3 2017 results – 25 October 2017**

# Q3 highlights

## Development affected by short-term challenges

- **Net sales** increased by 17.1 per cent to SEK 1,505m (1,285), including a negative impact of foreign exchange rates of – 0.4 per cent. Organic growth was – 2.8 per cent
- **Operating profit, adjusted**, amounted to SEK 169m (203)
- **Operating profit** amounted to SEK 169m (195)
- **Profit for the period** amounted to SEK 153 (108)
- **Cash flow** from operating activities amounted to SEK 135m (116)
- On 5 September, Cloetta completed the divestment of **Cloetta Italy**



# Overall market and sales development

## Organic sales declined – Candyking grew

- The confectionery market showed a positive development in all markets except Denmark
- Organic sales declined by -2.8 per cent
- Organic sales has been affected by lost sales due to out of stock related to the fire in the factory in Turnhout
- Sales grew or was unchanged in Sweden, Finland and the Netherlands but declined in all other markets
- Candyking organic growth was 4.4 per cent



# Pick & mix and Candyking

## Integration in line with plan

- New organization decided and about to be implemented
- Products to Candyking's concept have started to be produced – plans for 2018 and 2019 quite firm
- Negotiations with retailers for pick & mix contracts from 2018 ongoing
- In Sweden, Coop has decided to implement their own pick & mix concept as of 2018, with Cloetta as key supplier
- Synergies from Candyking acquisition through insourcing and reduced cost, given current volume outlook, amounts to SEK 100m in 2020

*Cloetta*



# Lower operating profit

## Profit before tax and for the period improved

Key ratios, SEKm	Jul-Sep 2017	Jul-Sep 2016	Change	Jan-Sep 2017	Jan-Sep 2016	Change	Full year 2016
Net sales	1,505	1,285	220	4,141	3,740	10.7%	5,107
Gross profit	527	494	33	1,500	1,462	38	2,023
- Gross profit margin %	35.0	38.4	-3.4-pts	36.2	39.1	-2.9-pts	39.6
Operating profit, adjusted	169	203	-34	398	486	-88	695
- Operating profit margin, adjusted %	11.2	15.8	-4.6-pts	9.6	13.0	3.4-pts	13.6
Operating profit (EBIT)	169	195	-26	356	455	-.99	635
- Operating profit margin (EBIT margin) %	11.2	15.2	-4.0-pts	8.6	12.2	-3.6-pts	12.4
Net financial items	-27	-67	40	-57	-141	84	-166
Profit before tax	142	128	14	299	314	-15	469
Profit from discontinued operation, net of tax	45	16	29	-334	4	330	- 538
Profit/loss for the period	153	108	45	-117	229	n/a	-191

*Cloetta*



# Changes in net sales

	Jul-Sep 2017	Jan-Sep 2017
Organic growth	- 2.8%	- 1.8%
Structural changes	20.3%	11.3%
Changes in exchange rates	-0.4%	1.2%
<b>Total</b>	<b>17.1%</b>	<b>10.7%</b>

*Cloetta*





# Cash flow

SEKm	Jul-Sep 2017	Jul-Sep 2016	Full year 2016
Cash flow from operating activities before changes in working capital	186	219	813
Cash flow from changes in working capital	-51	-103	76
<b>Cash flow from operating activities</b>	<b>135</b>	<b>116</b>	<b>889</b>
Cash flow from investments in property, plant and equipment and intangible assets	-38	-42	-170
Cash flow from other investing activities	310	-105	-152
<b>Cash flow from investing activities</b>	<b>272</b>	<b>-147</b>	<b>-322</b>
<b>Cash flow from operating and investing activities</b>	<b>407</b>	<b>-31</b>	<b>567</b>
<b>Cash flow from financing activities</b>	<b>-275</b>	<b>213</b>	<b>-534</b>
<b>Cash flow for the period</b>	<b>132</b>	<b>182</b>	<b>33</b>

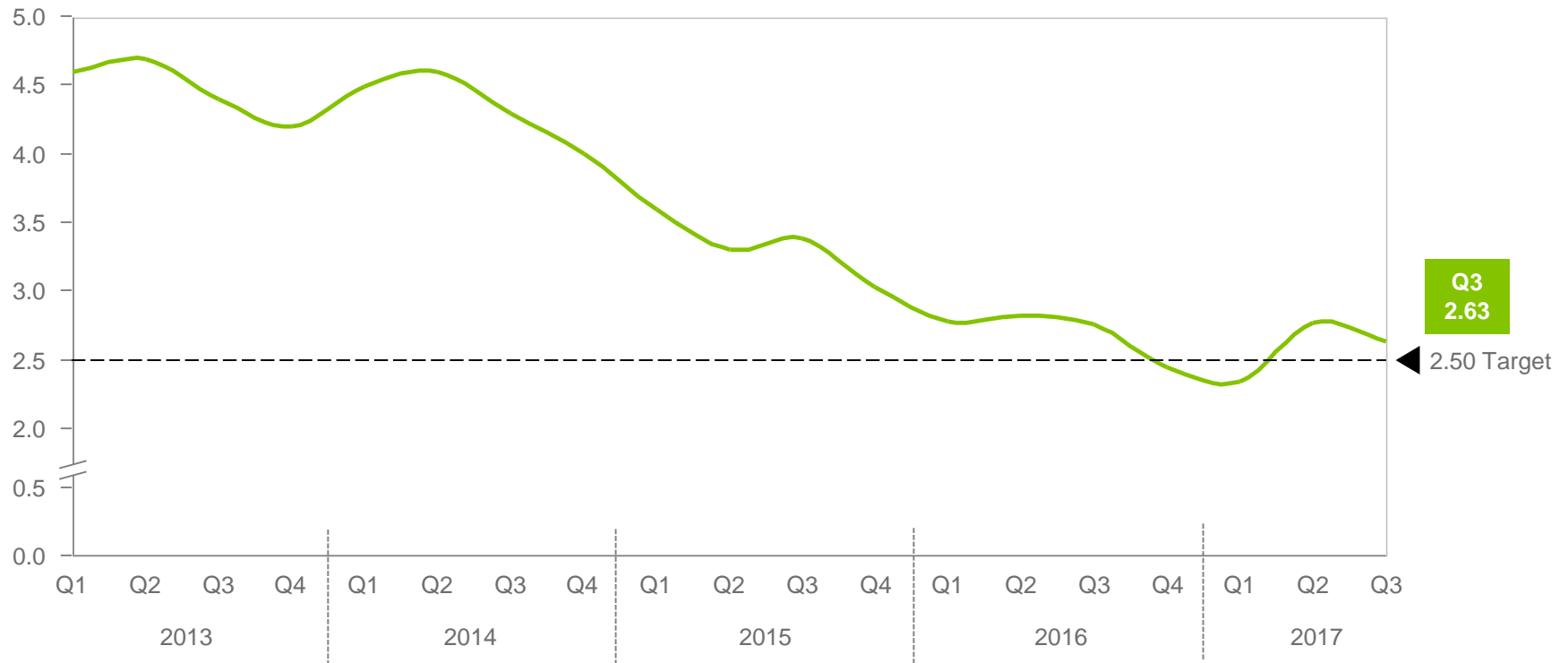
*Cloetta*



# Financial leverage



## Net debt/EBITDA



# Appendix

*Cloetta*

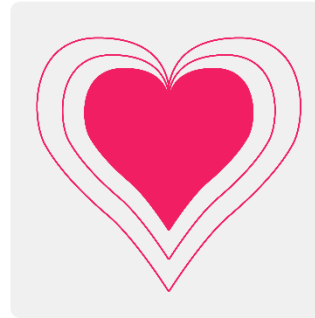
# Cloetta sustainability commitment

Cloetta's overall goal for corporate responsibility is to build sustainable long-term value. For Cloetta, sustainable value is about growing as a company while at the same time ensuring that the people and environments that are affected by Cloetta's operations or products are positively impacted.



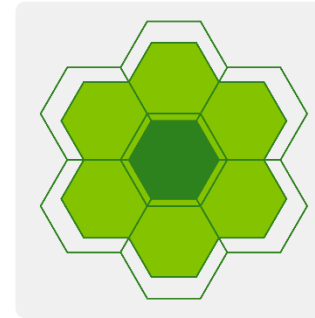
## GREATER WELL-BEING EMPLOYEES

Responsibility for the employees well-being through **an attractive and safe working environment** in accordance with the UN Global Compact.



## GREATER WELL-BEING CONSUMERS

Responsibility for the consumers well-being through **high and consistent quality and sustainable product development** with a greater share of **natural raw materials** and **sugar free products**.



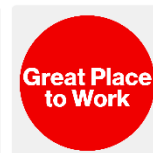
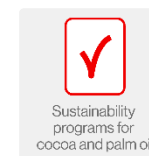
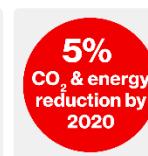
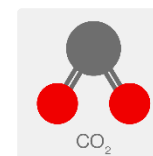
## REDUCED ENVIRONMENTAL IMPACT

Reduced environmental impact from the Cloetta factory network. Focus on **Energy, CO<sub>2</sub>** and **Waste**.  
Transforming the Cloetta portfolio to more **environmentally friendly** and **sustainable packaging**.



## SUSTAINABLE SOURCING

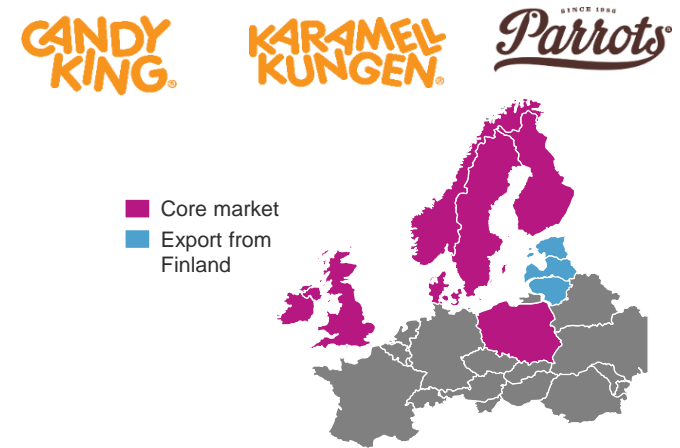
Compliance with the ten principles of the **UN Global Compact**.  
Approval of suppliers.  
Sustainability programmes for **prioritised raw materials** from developing countries.



*Cloetta*

# Overview of Candyking

- Candyking, founded in 1984, is a concept supplier of **pick & mix** in the **Nordic region, the UK, Ireland and Poland**
- In addition, Candyking is a pick & mix supplier of **natural snacks** in **Sweden and Finland** under the Parrots brand
- Has more than **8,000 point of sales** and offers stores a turnkey concept that includes products, displays and accompanying store and logistic services
- Sales of approximately **SEK 1,300m**. Candyking has no own production and source all products from suppliers



## Product/concepts examples



## Customer examples



# Candyking in-store concepts

## Candyking / Karamellkungen

- Candyking / Karamellkungen is Candyking's core pick & mix concept and was launched in 1984
- Represents 93 per cent of Candyking sales
- Concept available in all of Candyking's markets at 7,000 point of sales
- Around 500 items, including chocolates, jellies, hard boiled, foam and licorice confectionery
- Consumers mix their own cup or bag of confectionery from a display offering between 16-200 different items



## Parrots

- Concept originally acquired from OLW in 2009 and offers dried fruits, natural nuts, and flavored nuts and snacks
- Concept is currently available in Sweden and Finland at 1,600 point of sales
- The concept has been revamped and was re-launched with a new design two years ago.
- Parrots is currently the only pick & mix snack brand with no palm oil, UTZ certified and only natural flavoring



*Cloetta*

# Lean 2020

## From restructuring to **operational excellence** in Supply Chain

- Major manufacturing restructuring completed
- There is potential to improve operations after a very disruptive period
- Cloetta Lean program provides a good base for **continuous improvement**

*Cloetta*



# Common Global ERP System

Enables increased efficiency over time

- Implemented in Sweden, Norway, Denmark, Finland, Ireland, Slovakia, Holland and Belgium





# Recent acquisitions

**Lonka** - significantly strengthens Cloetta's position in the Netherlands

- Strengthens Cloetta's product offering, including pick-and-mix, and position in the Nordics and the UK
- Diversifies the product range into new categories and offers an entry into the Dutch chocolate market



**The Jelly Bean Factory** - a **premium “gourmet”** brand

- Solid growth over recent years with an attractive EBIT-margin
- Significantly strengthens Cloetta's position in the UK



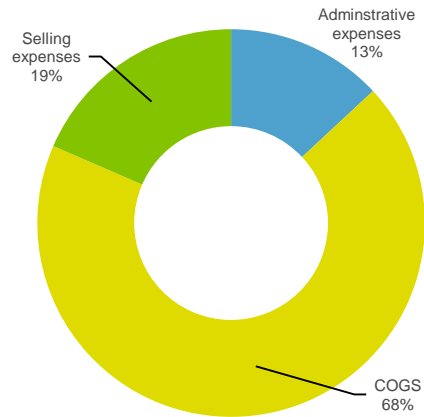
**Nutisal** - a step into a **new category** with an established brand

- Dry roasting adds a unique ‘crisp’ to the nuts
- The nuts category is growing in Western Europe by 5-8%

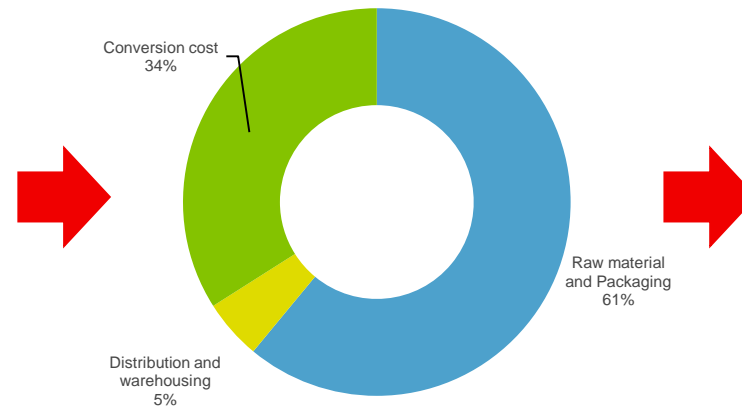


# Cost structure

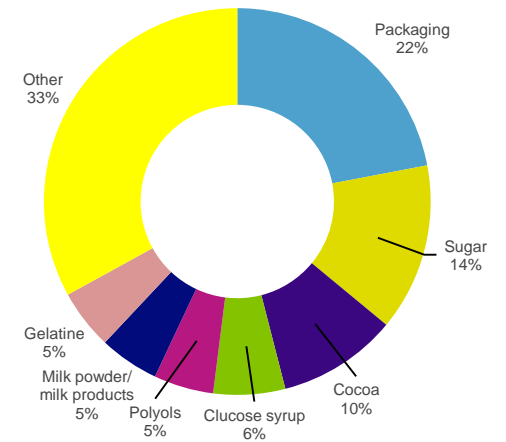
Total cost split 2016  
(excluding impairment losses)



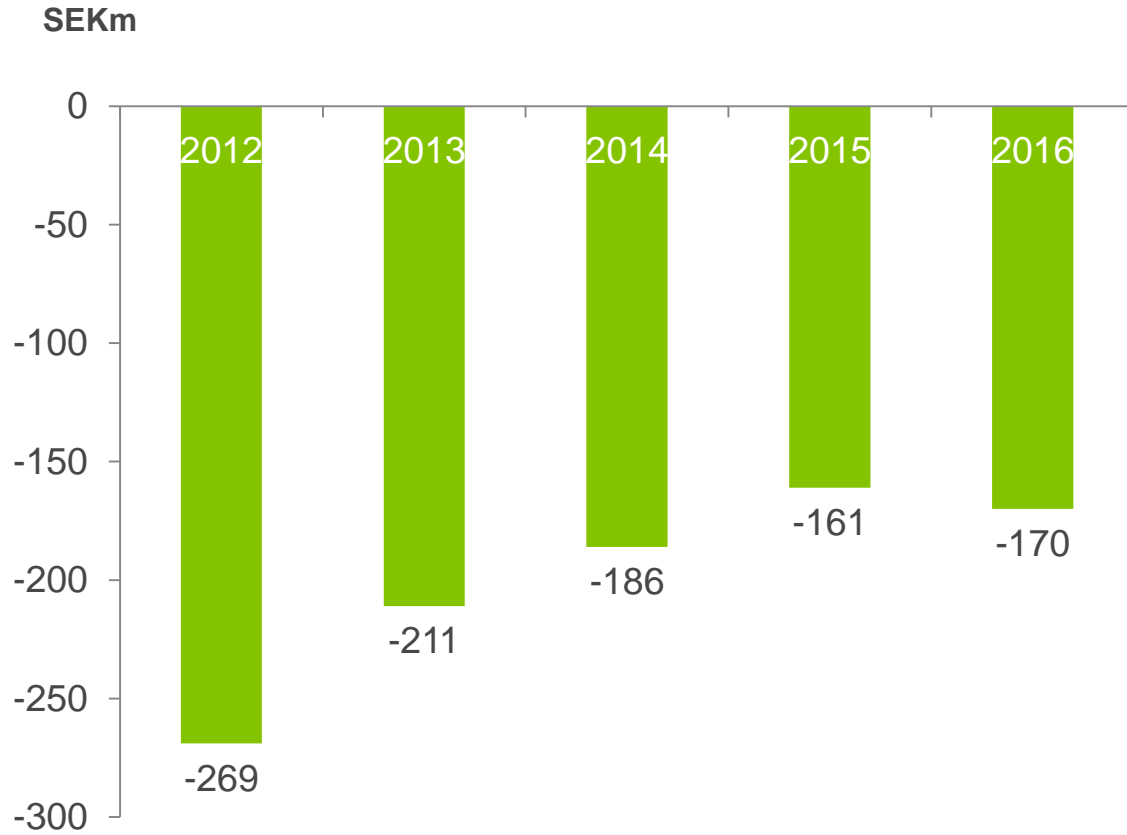
COGS split 2016



Raw material split 2016



# Capex



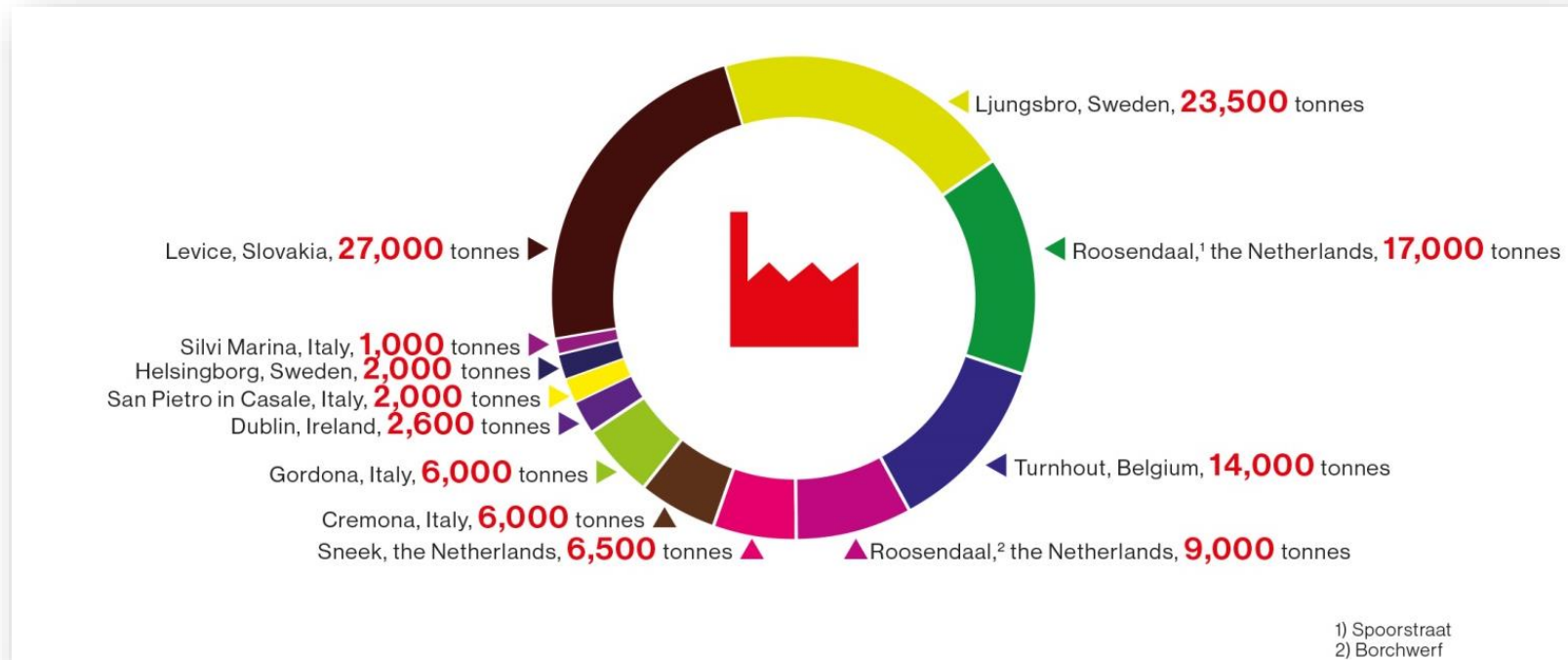
## Target

- Capex should be around 3 per cent of net sales

*Cloetta*



# Production by factory in 2016, tonnes



# Disclaimer

- This presentation has been prepared by Cloetta AB (publ) (the “Company”) solely for use at this presentation and is furnished to you solely for your information and may not be reproduced or redistributed, in whole or in part, to any other person. The presentation does not constitute an invitation or offer to acquire, purchase or subscribe for securities. By attending the meeting where this presentation is made, or by reading the presentation slides, you agree to be bound by the following limitations.
- This presentation is not for presentation or transmission into the United States or to any U.S. person, as that term is defined under Regulation S promulgated under the Securities Act of 1933, as amended.
- This presentation contains various forward-looking statements that reflect management’s current views with respect to future events and financial and operational performance. The words “believe,” “expect,” “anticipate,” “intend,” “may,” “plan,” “estimate,” “should,” “could,” “aim,” “target,” “might,” or, in each case, their negative, or similar expressions identify certain of these forward-looking statements. Others can be identified from the context in which the statements are made. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which are in some cases beyond the Company’s control and may cause actual results or performance to differ materially from those expressed or implied from such forward-looking statements. These risks include but are not limited to the Company’s ability to operate profitably, maintain its competitive position, to promote and improve its reputation and the awareness of the brands in its portfolio, to successfully operate its growth strategy and the impact of changes in pricing policies, political and regulatory developments in the markets in which the Company operates, and other risks.
- The information and opinions contained in this document are provided as at the date of this presentation and are subject to change without notice.
- No representation or warranty (expressed or implied) is made as to, and no reliance should be placed on, the fairness, accuracy or completeness of the information contained herein. Accordingly, none of the Company, or any of its principal shareholders or subsidiary undertakings or any of such person’s officers or employees accepts any liability whatsoever arising directly or indirectly from the use of this document.