Cloetta

Press release

26 January 2018

President and CEO Henri de Sauvage-Nolting comments on the results for the fourth quarter of 2017

A year of change – proposed special dividend

The fourth quarter was stable with organic growth of 0 per cent compared to the same period last year. Candyking developed very well during the quarter and showed a growth of 14 per cent, despite ongoing integration. This underlines that our identified synergy savings from Candyking of SEK 100m stand firm.

The acquisition of Candyking and the divestment of Cloetta Italy have changed the Group structure significantly. This enables Cloetta to focus more on driving organic growth on the Northern and Western European markets while at the same time drive synergies from the acquisition of Candyking.

Cloetta continues to generate a good cash flow that enables us to both make growth-driving investments and pay dividend to the shareholders.

Stable operating profit, adjusted

Cloetta's operating profit (EBIT) for the quarter, adjusted for items affecting comparability, amounted to SEK 206m (209) and the operating margin, adjusted for items affecting comparability, was 12.5 per cent (15.3). The lower margin is mainly related to the inclusion of Candyking, which before synergies had substantially lower margins than Cloetta. Operating profit amounted to SEK 171m (180).

The stable operating profit, adjusted for items affecting comparability, is due to good cost control. Production costs are still somewhat higher than last year as a result of the fire at a production line in the factory in Belgium. During the quarter – and thereby also for the full year - Cloetta has increased the marketing cost with approximately SEK 15m, compared to last year.

Stable cash flow

Cash flow from operating activities amounted to SEK 305m (406) in the quarter, which was good, taken into account that the comparative figure contains the divested seasonally strong Cloetta Italy.

Confectionery market in the quarter

The confectionery market as a whole developed positively in all markets except in Denmark.

Increased sales

Cloetta's sales for the quarter increased by 20.2 per cent, of which the acquisition of Candyking accounted for 20.8 per cent and exchange rate differences accounted for –0.6 per cent. Organic growth was 0.0 per cent.

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Cloetta's sales in the quarter increased or were unchanged in Sweden, Finland, Norway and on the export markets, but declined in Denmark, the Netherlands, Germany and the UK. The positive sales trend in Finland was driven by both pick & mix and packaged products. In Denmark sales to a large customer were down. In the Netherlands, sales were down due to fewer promotional activities partly due to out of stock, related to the fire in the factory in Belgium. The growth in Candyking was 14.0 per cent in the quarter, driven by a very positive development on all markets except Poland. The sales increase for Candyking was particularly strong in Finland and also in Norway ahead of the increased sugar tax.

Candyking integration

The integration of Candyking continues in line with plan. The new integrated organization is under implementation in all markets. We have decided to exit the loss making Candyking business in Poland since we do not see a profitable business going forward.

Insourcing activities, although short-term affected by the fire in the factory in Belgium, are progressing in line with plan. The insourcing activities will be more substantial in 2018 and 2019. Negotiations with some retailers for renewals of pick & mix contracts have now resulted in us being able to renew all existing large Candyking contracts, except for one contract that still is under negotiation. In addition, we have been able to gain several smaller contracts. This demonstrates the strength of the Candyking concept.

A year of change

2017 has been a challenging year. The fire at a production line in the factory in Belgium in June has created production capacity constraints resulting in lower production volumes, higher production cost and to some extent also lost sales. Organic sales have decreased somewhat during 2017, mainly due to specific challenges in a few markets.

Despite the challenges, we have for the second year in a row achieved our financial target of 2,5 x net debt/EBITDA as we landed at 2.39x. As we have received the proceeds from the divestment of Cloetta Italy, the Board of Directors is proposing a special dividend of SEK 0.75 per share (–) in addition to an unchanged ordinary dividend of SEK 0.75 per share (0.75).

My key focus for 2018 continues to be activities that will enable growth, integrate Candyking and drive cost-efficiency activities including the cost savings initiatives of SEK 50m that were announced in October. Part of the cost savings will be invested in growth and marketing activities. Our Lean 2020 program in supply chain and synergies from Candyking in combination with our growth initiatives are important drivers towards our 14 per cent EBIT-margin target.

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About Cloetta
Cloetta, founded in 1862, is a leading confectionary company in the Nordic region and the Netherlands. Cloetta´s products are sold in more than 50 countries worldwide with Sweden, Finland, Denmark, Norway, the Netherlands, Germany and the UK as the main markets. Cloetta owns some of the strongest brands on the market, such as Läkerol, Cloetta, Candyking, Jenkki, Kexchoklad, Malaco, Sportlife and Red Band. Cloetta has 8 production units in 5 countries. Cloetta's class B-shares are traded on Nasdaq Stockholm. More information about Cloetta is available on www.cloetta.com

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