

Clacetta

Q2 2019 result – 12 July 2019

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Q2 highlights

Strong organic growth and improved operating profit

- **Net sales** amounted to SEK 1,583m (1,472). Organic growth amounted to 5.7 per cent
- **Operating profit, adjusted** amounted to SEK 161m (145)
- **Operating profit** amounted to SEK 159m (155)
- **Profit for the period** amounted to SEK 97m (97)
- **Cash flow** from operating activities amounted to SEK -3m (119)
- **Net debt/EBITDA** was 2.7x (2.8)

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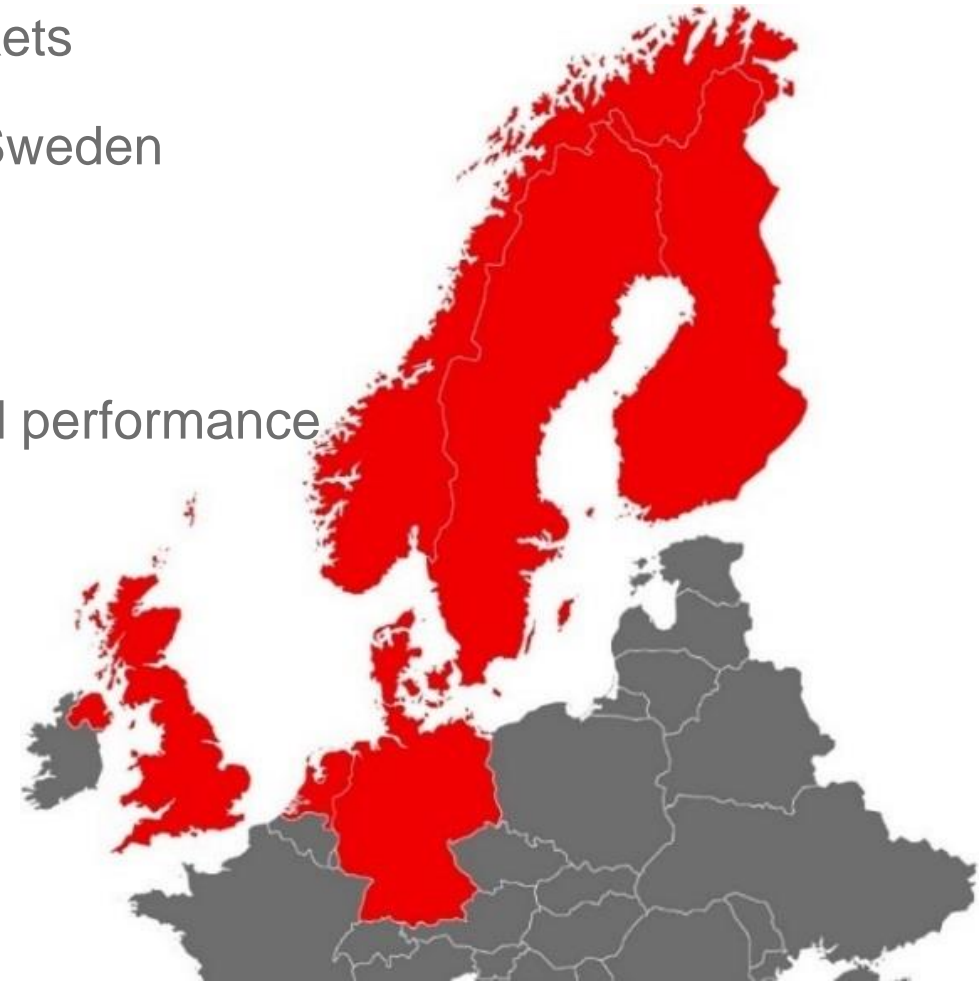


Market and sales development

Sixth consecutive quarter of growth in branded packaged products

- The **packaged confectionery** market increased in all markets
- The **pick & mix** market grew in all markets, particularly in Sweden
- **Organic growth** was 5.7 per cent
 - 1.4% Branded packed growth, sixth consecutive quarter
 - 18.1% Pick & mix growth, driven both by Easter and good performance on all markets
- Market shares grew in 8 of 16 categories in core markets

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Cloetta Core Strategy

Update Q2

Drive growth

- Branded grew
- Pick & mix grew
- Brands becoming stronger: share growth
- “Working media” increased with >10%
- Strong traction on core brands and innovation

Facilitate growth

- “One Cloetta” stronger everywhere
- One Cloetta UK implemented - ERP
- Capacity:
 - Drying investments
 - 24/7 Foam production
 - 5 year strategy plan

Fund growth

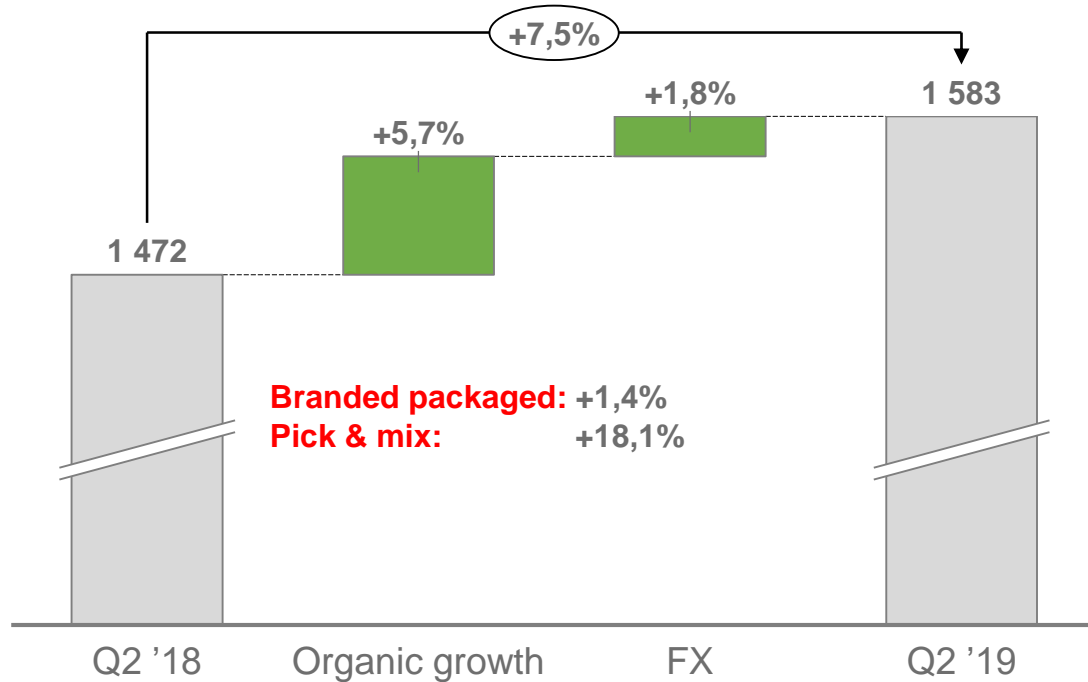
- Value Improvement Program+ roll out
- “Perfect Factory” on six main lines
- Pick & mix Sweden:
 - Pricing done on 50%
 - Assortment
 - Merchandising

Target: Organic sales growth in line with market and EBIT margin, adjusted – at least 14%

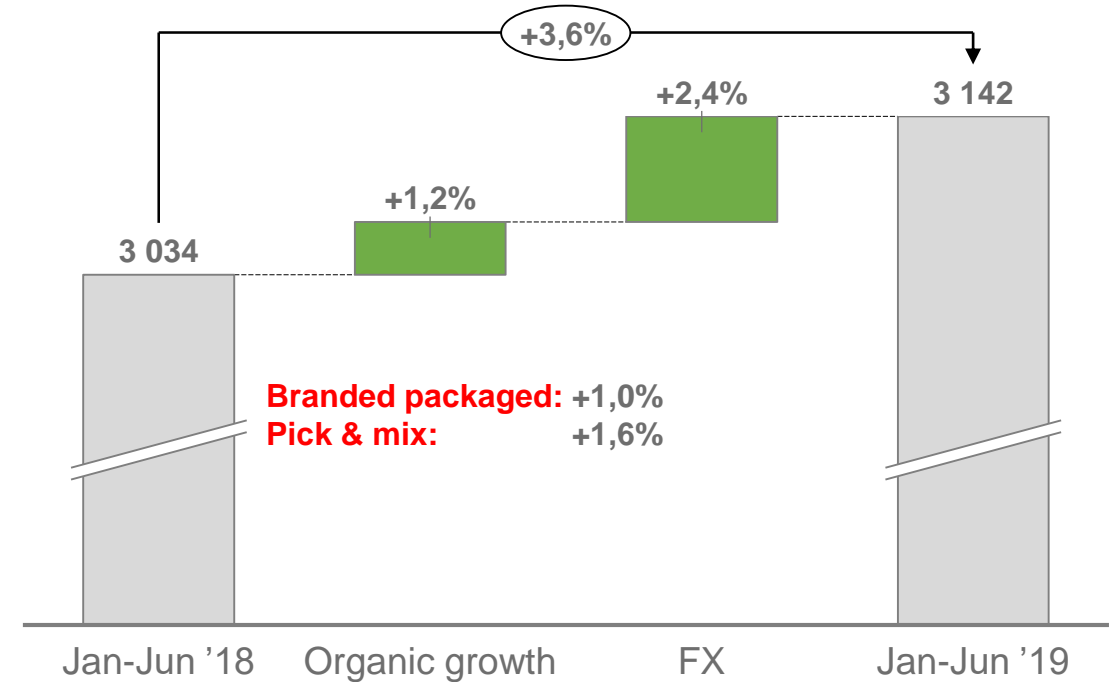
Changes in net sales

Positive organic growth in the quarter and YTD

Second quarter



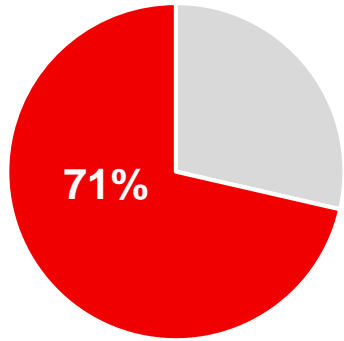
6 months



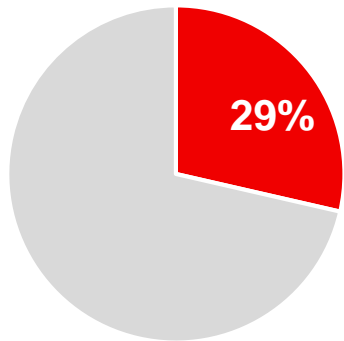
Sales development

Sixth consecutive quarter of growth in branded packaged products

Branded, % of Q2 '19 sales



Pick & mix, % of Q2 '19 sales



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Q2 Financial summary

Improved operating profit, adjusted

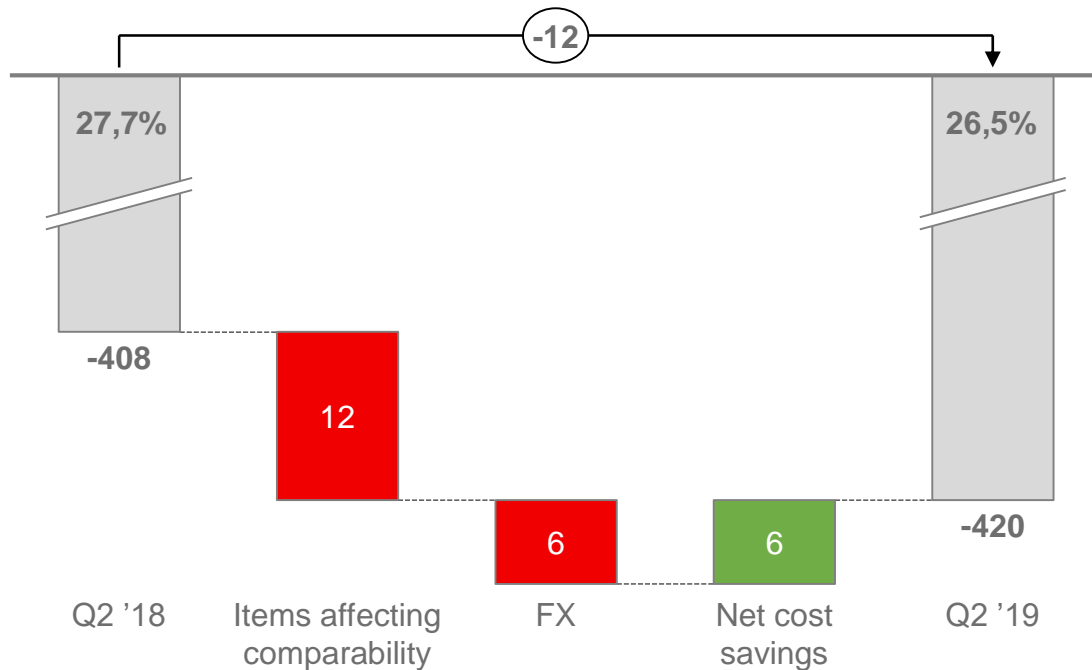
- **Gross profit** increased driven by strong sales growth
- **Gross margin** decreased, mainly driven by FX and higher share of pick & mix
- **SG&A** is flat net of gain in 2018, as cost efficiency offsets FX and increased working media
- **Operating profit, adjusted**, improved driven by strong sales growth and cost savings

Key ratios, SEKm	Second quarter			6 months		
	Apr-Jun 2019	Apr-Jun 2018	Change	Jan-Jun 2019	Jan-Jun 2018	Change
Gross profit	579	559	20	1,145	1,119	26
- Gross margin, %	36.6	38.0	-1.4 -pts	36.4	36.9	-0.5 -pts
SG&A	-420	-408	-12	-822	-802	-20
- SG&A/Net sales, %	26.5	27.7	-1.2 -pts	26.2	26.4	-0.2 -pts
Operating profit, adjusted	161	145	16	327	309	18
- Operating profit margin, adjusted, %	10.2	9.9	+0.3 -pts	10.4	10.2	+0.2 -pts
Operating profit (EBIT)	159	155	4	323	321	2
- Operating profit margin (EBIT margin), %	10.0	10.5	-0.5 -pts	10.3	10.6	-0.3 -pts

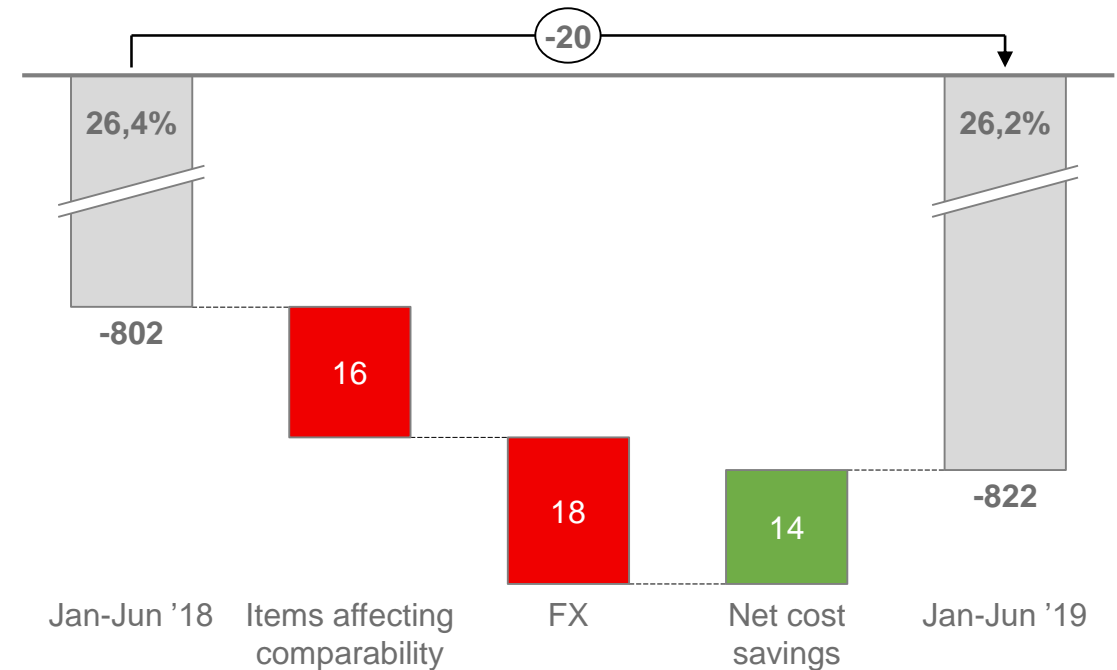
SG&A

In line with LY as cost efficiency offsets FX and increased working media

Second quarter



6 months



Improved free cash flow YTD

- **Free cash flow YTD** improved driven by profit net of non-cash items, working capital, CAPEX and implementation of IFRS16. Quarter-to-quarter comparison affected by phasing of Easter.
- **Investing and financing activities** driven by the earn-out payment relating to the acquisition of Candyking, and dividend payments of SEK 287m.

SEKm	Second quarter		6 months	
	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Cash flow before changes in working capital	201	165	405	355
Changes in working capital	-204	-46	-254	-265
Cash flow from operating activities	-3	119	151	90
Investments in PP&E and intangible assets	-38	-51	-81	-92
Other investing activities	2	0	-144	0
Cash flow from investing activities	-36	-51	-225	-92
Cash flow from financing activities	-466	-661	-276	-661
Cash flow for the period	-505	-593	-350	-663
Free cash flow	-41	68	70	-2



Summary

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Key Business Priorities: Q2 update

Cloetta to organic growth and 14% operating profit margin, adjusted



Branded growth

- Branded packaged sales at +1.4% growth in Q2
- Branded EBIT >14% in Q2



Pick & mix to sustainable value

- Pick & mix price increases implemented on 50% of the contracts in Sweden with effect from H2 2019
- Candyking UK has implemented Cloetta ERP platform



Reduce costs and drive efficiency

- Value Improvement Program+ started
- Continued implementation of “Perfect Factory” to improve efficiency
- Working media increased

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Läkerol relaunch

Biggest marketing activity 2019 across markets

- Move Läkerol positioning to permissible treat
- Improve **brand recognition**
- Bring **sub-brands** back under Läkerol (YUP, Dents)
- **Modernize** the brand
- Communicate our **sophisticated flavors**
- **Big relaunch**: 360 with high investment
- Done as ONE Cloetta, one **Global Master Brand**



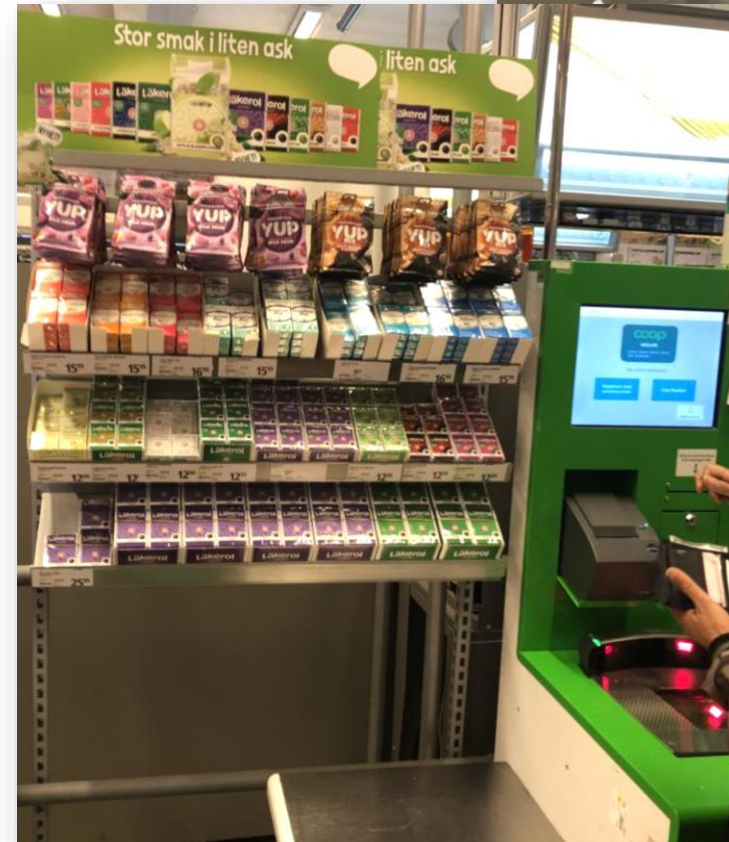
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Self scanning in check-out zones

Category role: advise on how to capture impulse moment

- **Growing trend** towards self scanning
- Retailers losing these **impulse sales**
- Working group across core markets: **ONE Cloetta**
- **Cloetta developed** self scanning solutions for check out areas
- In execution with **partnering retailers** across **core markets**

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Q&A

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Appendix

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IFRS 16

Impact on financial statements – second quarter

SEKm	IFRS 16 Q2 2019	IFRS 16 Adjustment	Indicative IAS 17 Q2 2019	Impact due to
Property, plant and Equipment	1.555	189	1.366	ROU-assets
Long-term borrowings	2.240	123	2.117	LT Lease liability
Short-term borrowings	615	66	549	ST Lease liability
Net debt	2.727	189	2.538	Lease liability
EBITDA	236	20	216	Depreciation ROU assets and interest lease liability
Operating profit	159	1	158	Interest lease liability
Operating profit, adjusted	161	1	160	Interest lease liability
Net financial items	-30	-1	-29	Interest lease liability
Net debt/EBITDA (Rolling 12 months)	2.7	0.0	2.7	Lease liability/Depreciation ROU assets
Cash flow from operating activities	-3	19	-22	Payment of lease liabilities to financing
Cash flow from financing activities	-466	-19	-447	Payment of lease liabilities from operating

IFRS 16

Impact on financial statements – 6 months

SEKm	IFRS 16 Q2 2019	IFRS 16 Adjustment	Indicative IAS 17 Q2 2019	Impact due to
Property, plant and Equipment	1.555	189	1.366	ROU-assets
Long-term borrowings	2.240	123	2.117	LT Lease liability
Short-term borrowings	615	66	549	ST Lease liability
Net debt	2.727	189	2.538	Lease liability
EBITDA	477	39	438	Depreciation ROU assets and interest lease liability
Operating profit	323	2	321	Interest lease liability
Operating profit, adjusted	327	2	325	Interest lease liability
Net financial items	-63	-2	-61	Interest lease liability
Net debt/EBITDA (Rolling 12 months)	2.7	0.0	2.7	Lease liability/Depreciation ROU assets
Cash flow from operating activities	151	38	113	Payment of lease liabilities to financing
Cash flow from financing activities	-276	-38	-238	Payment of lease liabilities from operating

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