

Clacetta

Q4 2019 result – 29 January 2020

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Q4 highlights

Continued growth and improved profitability

- **Net sales** amounted to SEK 1,722m (1,646). Organic growth amounted to 2.6 per cent
- **Operating profit, adjusted** amounted to SEK 216m (174)
- **Operating profit** amounted to SEK 209m (159)
- **Profit for the period** amounted to SEK 172m (159)
- **Cash flow** from operating activities amounted to SEK 318m (288)
- **Net debt/EBITDA** was 2.2x (2.3x)
- **Proposed dividend** of SEK 1.00 (1.00) per share

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Market and sales development

Eight consecutive quarters of growth in branded packaged products

- **Organic growth** was 2.6 per cent
 - 3.6% branded packed growth, eight consecutive quarter
 - 0.0% pick & mix growth, lower volumes in Sweden following pricing
- The **packaged confectionery** market increased in all markets
- The **pick & mix** market grew or was stable in all markets
- **Market shares** grew in 4 of 16 categories in the quarter

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Cloetta Core Strategy

Update Q4

Drive growth

- Brands continue to grow
- Focus on marketing visible to consumers
- Fewer but bigger
- Pick & mix: stable development
- Relaunch of the Candyking brand

Facilitate growth

- Perfect Factory:
 - 11 of 17 targeted lines
 - Efficiencies
 - Quality improvement
- Global IT solutions:
 - Planning tool 3 > 1
 - New ERP in Germany
- Media agreement

Fund growth

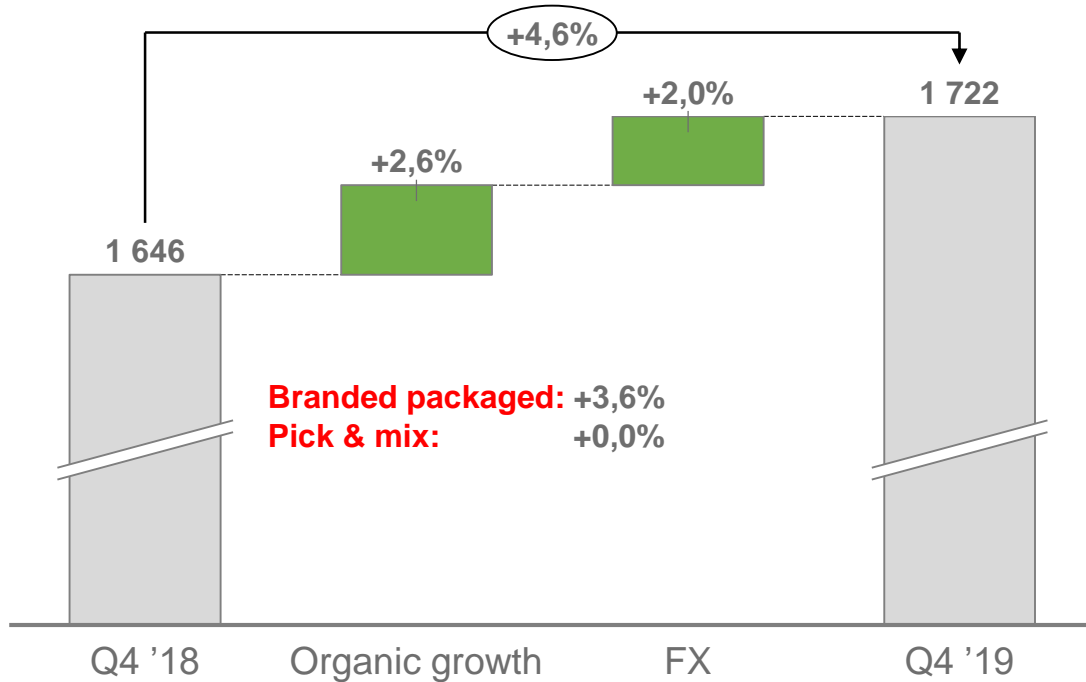
- Value Improvement Program+ on track
 - Reorganization
 - Funded growth
- Pick & mix Sweden:
 - Continued pricing
 - Merchandizing
 - Warehouse

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

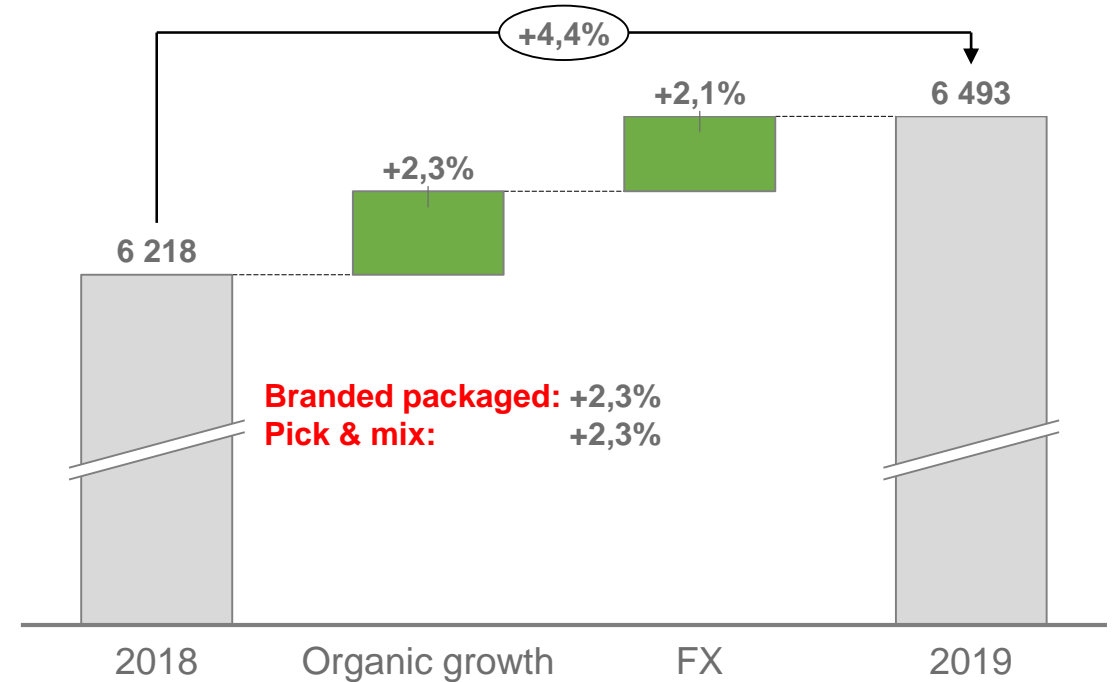
Changes in net sales

Strong finish on branded; Full year on long-term target

Fourth quarter



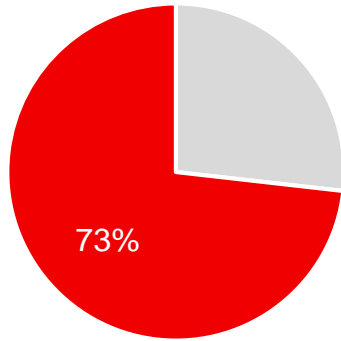
Full year



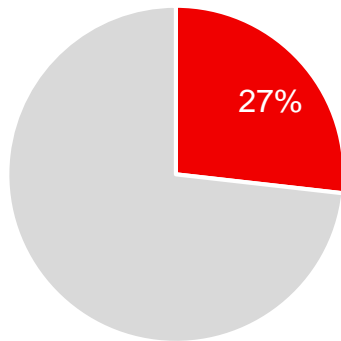
Sales development

Eight consecutive quarters of growth in branded packaged products

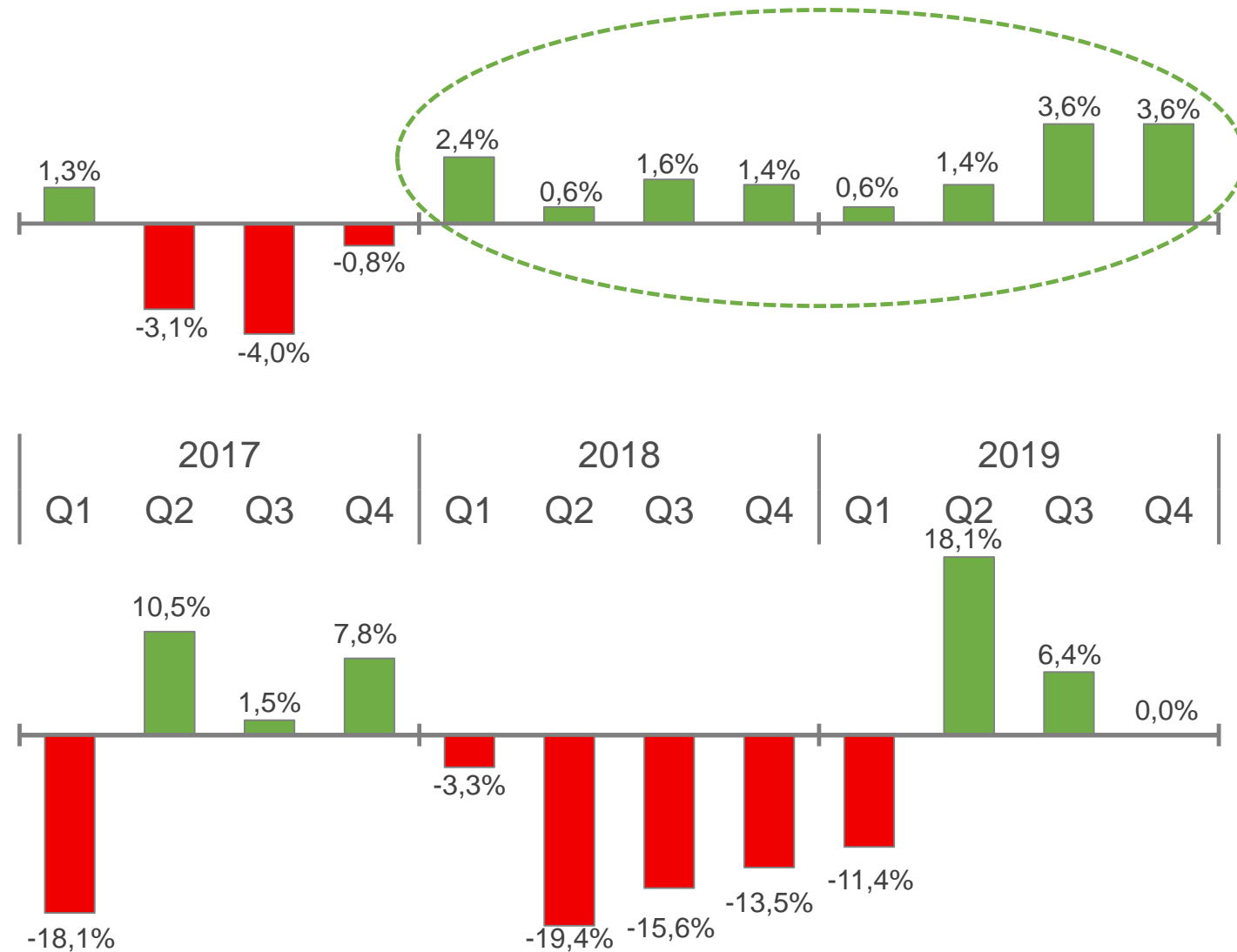
Branded, % of Q4 '19 sales



Pick & mix, % of Q4 '19 sales



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Q4 Financial summary

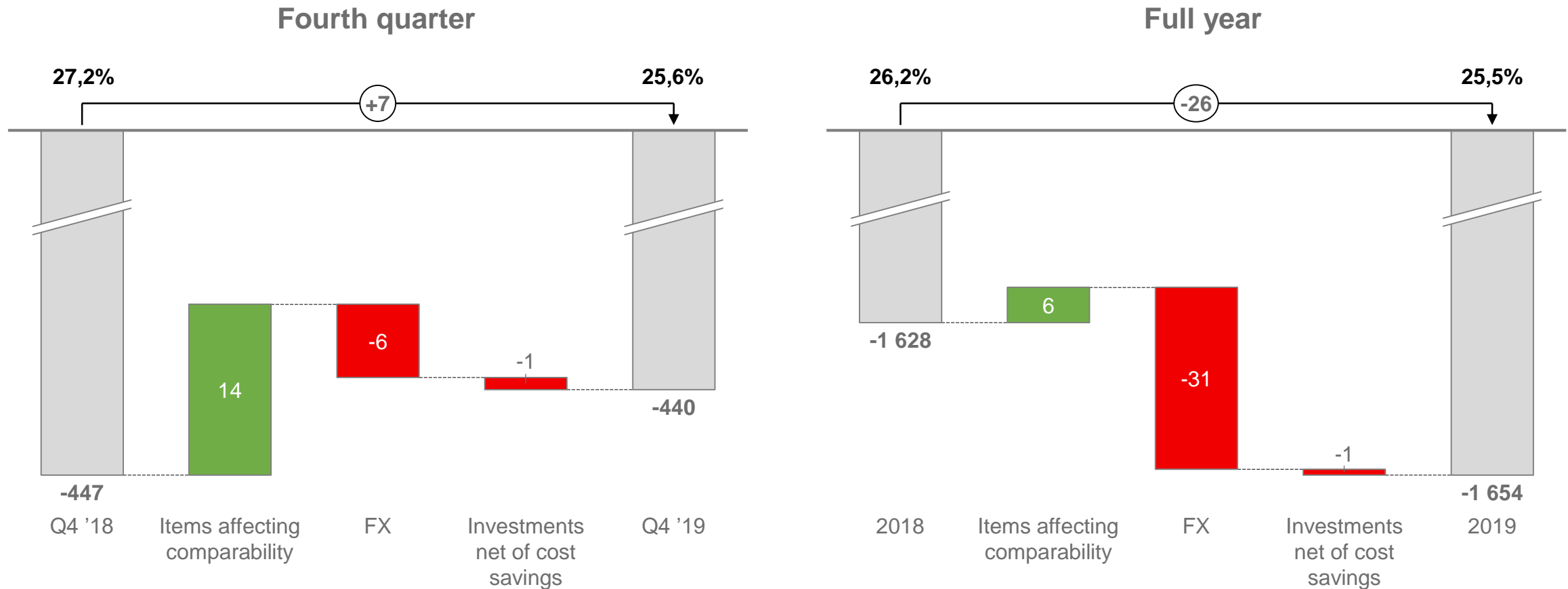
Strong operating profit, adjusted

- **Gross profit and gross margin**
driven by strong sales from pricing and favorable product mix, partly offset by higher conversion cost and negative FX
- **SG&A decrease** driven by less cost for items affecting comparability
- **Operating profit, adjusted,**
driven by strong sales from pricing and favorable product mix

Key ratios, SEKm	Fourth quarter			Full year		
	Oct-Dec 2019	Oct-Dec 2018	Change	2019	2018	Change
Gross profit	649	606	43	2,381	2,284	97
- Gross margin, %	37.7	36.8	0.9 pts	36.7	36.7	0.0 pts
SG&A	-440	-447	7	-1,654	-1,628	-26
- SG&A/Net sales, %	25.6	27.2	-1.6 pts	25.5	26.2	-0.7 pts
Operating profit, adjusted	216	174	42	743	677	66
- Operating profit margin, adjusted, %	12.5	10.6	1.9 pts	11.4	10.9	0.5 pts
Operating profit (EBIT)	209	159	50	727	660	67
- Operating profit margin (EBIT margin), %	12.1	9.7	2.4 pts	11.2	10.6	0.6 pts

SG&A

Quarter and Full year variances driven by FX as cost savings fund investments



Strong Free cash flow in the quarter

- **Strong Free cash flow** in the quarter and full year from higher EBITDA.
- **Other investing activities full year** driven by the earn-out payment related to Candyking acquisition.

SEKm	Fourth quarter		Full year	
	Oct-Dec 2019	Oct-Dec 2018	2019	2018
Cash flow before changes in working capital	254	211	908	792
Changes in working capital	64	74	-184	-164
Cash flow from operating activities	318	288	724	628
Investments in PP&E and intangible assets	-49	-48	-186	-184
Other investing activities	0	0	-144	0
Cash flow from investing activities	-49	-48	-330	-184
Cash flow from financing activities	-18	0	-362	-665
Cash flow for the period	251	240	32	-221
Free cash flow	269	240	538	444



Summary

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Key Business Priorities: Q4 update

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



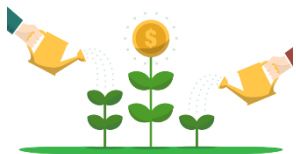
Branded growth

- Focus on marketing visible to consumers
- Media agency consolidation creates synergies and scale
- Pricing to cover for raw material and FX effects



Pick & mix to sustainable value

- Turn around loss-making SE business by year-end 2020:
 - Price increases to address negative margins
 - Warehousing consolidation for cost savings
 - Pricing on bulk articles to address margins



Reduce costs and drive efficiency

- Indirect costs addressed Value Improvement Program+
- 5 lines added to the “Perfect Factory” program
- Increase capacity through opening hours and Capex
- Start implementation of One End to End planning system

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Q4 seasonal highlights

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- Less trick, more treat - Halloween visibility and seasonal items
- Enhancing the X-mas tradition, Polka voted #1 limited edition



Q4 seasonal highlights

- Proudly supporting a good cause with our foam special edition
- Consumers favorites expanding in Middle East



Q&A

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Appendix

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IFRS 16

Impact on financial statements – fourth quarter

SEKm	IFRS 16 Q4 2019	IFRS 16 Adjustment	IAS 17 Q4 2019 Pro-Forma	Impact due to
Property, plant and Equipment	1,559	203	1,356	ROU-assets
Long-term borrowings	939	140	799	LT Lease liability
Short-term borrowings	1,870	64	1,806	ST Lease liability
Net debt	2,302	204	2,098	Lease liability
EBITDA	283	20	263	Depreciation ROU assets and interest lease liability
Operating profit	209	1	208	Interest lease liability
Operating profit, adjusted	216	1	215	Interest lease liability
Net financial items	4	-1	5	Interest lease liability
Net debt/EBITDA (Rolling 12 months)	2.2	-0.0	2.2	Lease liability/Depreciation ROU assets
Cash flow from operating activities	318	19	299	Payment of lease liabilities to financing
Cash flow from financing activities	-18	-19	1	Payment of lease liabilities from operating

IFRS 16

Impact on financial statements – Full year

SEKm	IFRS 16 FY 2019	IFRS 16 Adjustment	IAS 17 FY 2019 Pro-Forma	Impact due to
Property, plant and Equipment	1,559	203	1,356	ROU-assets
Long-term borrowings	939	140	799	LT Lease liability
Short-term borrowings	1,870	64	1,806	ST Lease liability
Net debt	2,302	204	2,098	Lease liability
EBITDA	1,030	79	951	Depreciation ROU assets and interest lease liability
Operating profit	727	3	724	Interest lease liability
Operating profit, adjusted	743	3	740	Interest lease liability
Net financial items	-79	-3	-76	Interest lease liability
Net debt/EBITDA (Rolling 12 months)	2.2	-0.0	2.2	Lease liability/Depreciation ROU assets
Cash flow from operating activities	724	75	649	Payment of lease liabilities to financing
Cash flow from financing activities	-362	-75	-287	Payment of lease liabilities from operating

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