

Clacetta

Q1 2020 result – 24 April 2020

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Summary Q1 2020

- **Organic sales negatively impacted by COVID-19**
 - Branded: Negative impact from convenience, entertainment and travel, partly mitigated by grocery and e-commerce
 - P&M: Significant reduction in consumer demand and retail fixture closure
- **Decrease in operating profit (EBIT), adjusted**
 - Lower volumes and negative FX effect, partly offset by cost efficiencies
- **Free cash flow negatively impacted**
 - Decline driven by negative working capital movements
- **Strong financial position**
 - Dividend proposal withdrawn, ambition to resolve on a dividend

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Net sales (SEKm)

1,518
(1,559)

Organic growth

-4.0%
-2.5% Branded
-8.0% P&M

EBIT, adj (SEKm)

152
(166)

EBIT, adj

10.0%
(10.6%)

Free cash flow (SEKm)

-20
(111)

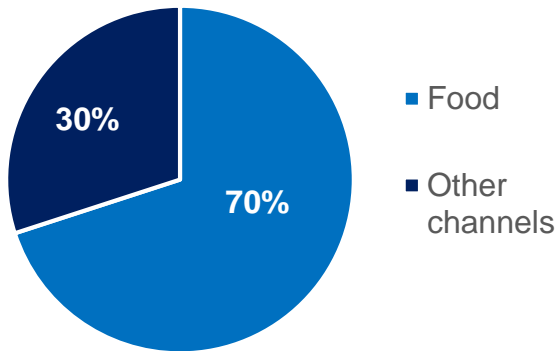
Net debt/EBITDA

2.4
(2.4)

COVID-19 update – impact and actions taken

Consumers and customers

Branded sales by channel*



BRANDED

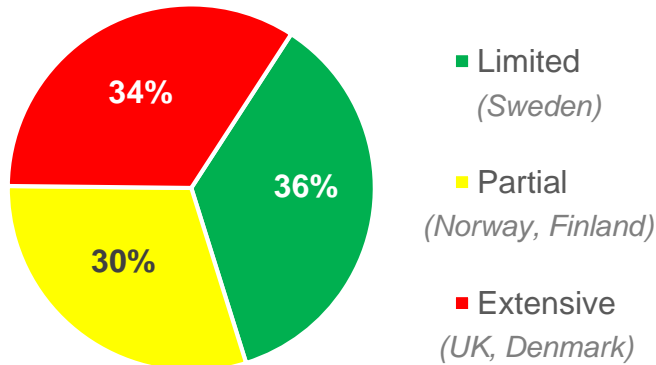
Impact on branded

- Increased demand in Food & E-commerce
- Closure or fewer shoppers in other channels
- Negative mix from less impulse sales

Mitigating actions

- Branded big packs
- Adjusting A&P to new media consumption
- More Candy focus

P&M sales by restrictions*



PICK & MIX

Impact on P&M

- Retailers closing fixtures to avoid crowding
- Consumers uncertain, drop in demand
- Unfavorable geographical mix

Mitigating actions

- Branded in P&M fixtures
- Packaged P&M
- Increased in-store hygiene

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* Approximate % based on 2019 full year figures

COVID-19 update – impact and actions taken

Employees, production and suppliers

EMPLOYEES & PRODUCTION

All Cloetta Factories operational

- Increased absenteeism
- Drop in Efficiencies but deliveries good
- Prioritizing A-list SKUs
- Delay in CAPEX

Actions on health & safety

- ✓ Travel bans, office closures, meeting restrictions, hygiene increase in factories, field hygiene in store

Actions on costs & cash

- ✓ Merchandizing/Field, market organizations
- ✓ VIP+ step up
- ✓ Cash committee

SUPPLIERS

Limited impact from governmental restrictions

- Some delays from Italian 3P

No material disruptions in the supply chain

- 3P warehousing and freight plans in place

Actions on suppliers

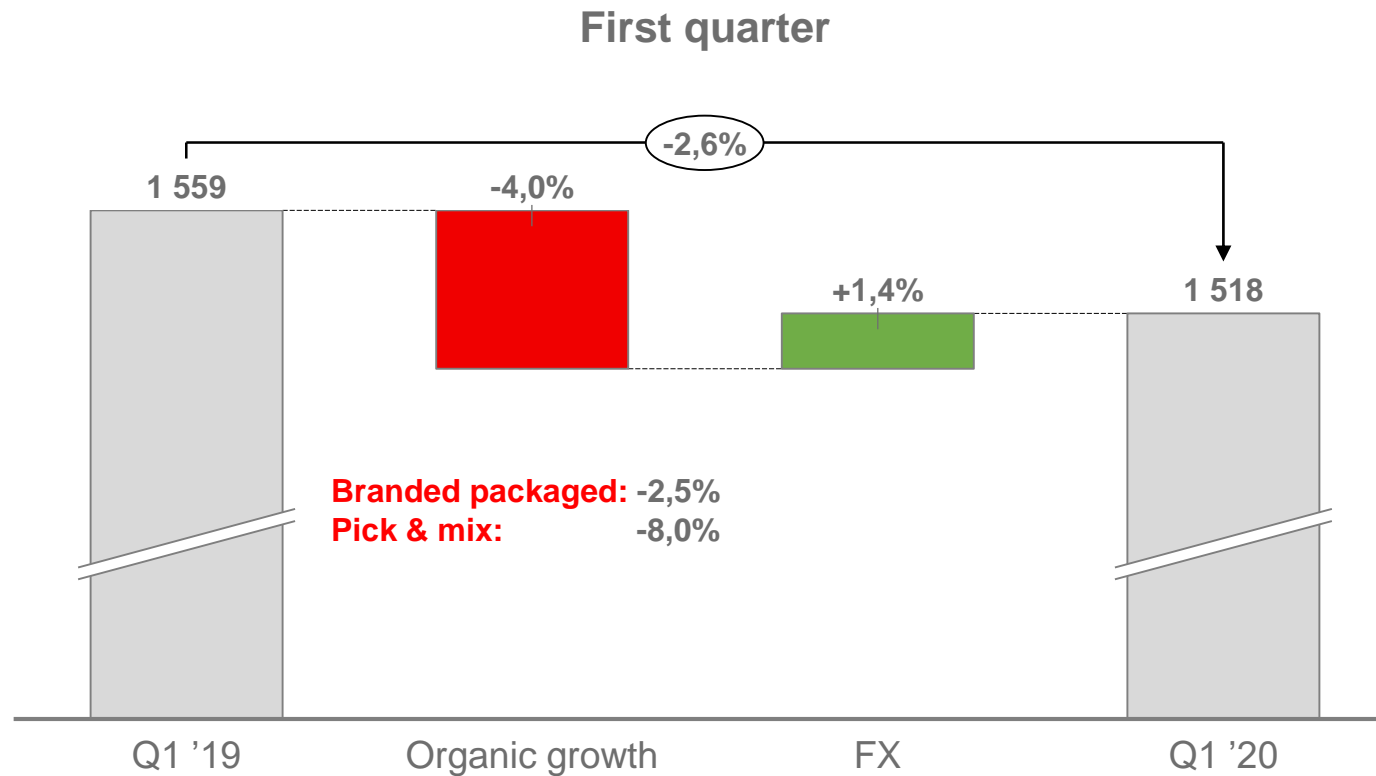
- ✓ Direct and indirect suppliers assessed weekly
- ✓ Increased inventory on critical components (raw & pack and finished products)

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Changes in net sales

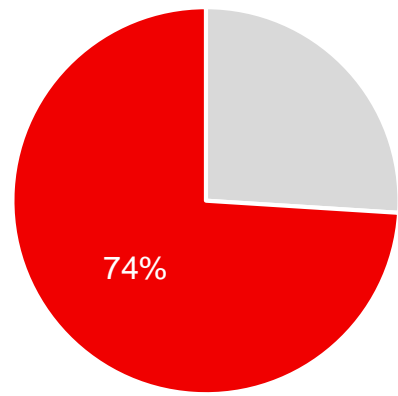
Negative impact on sales from COVID-19



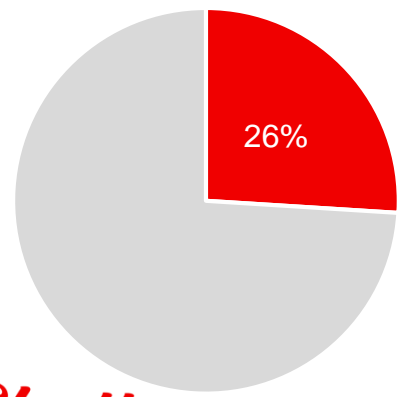
Sales development

Sales in the quarter impacted by COVID-19

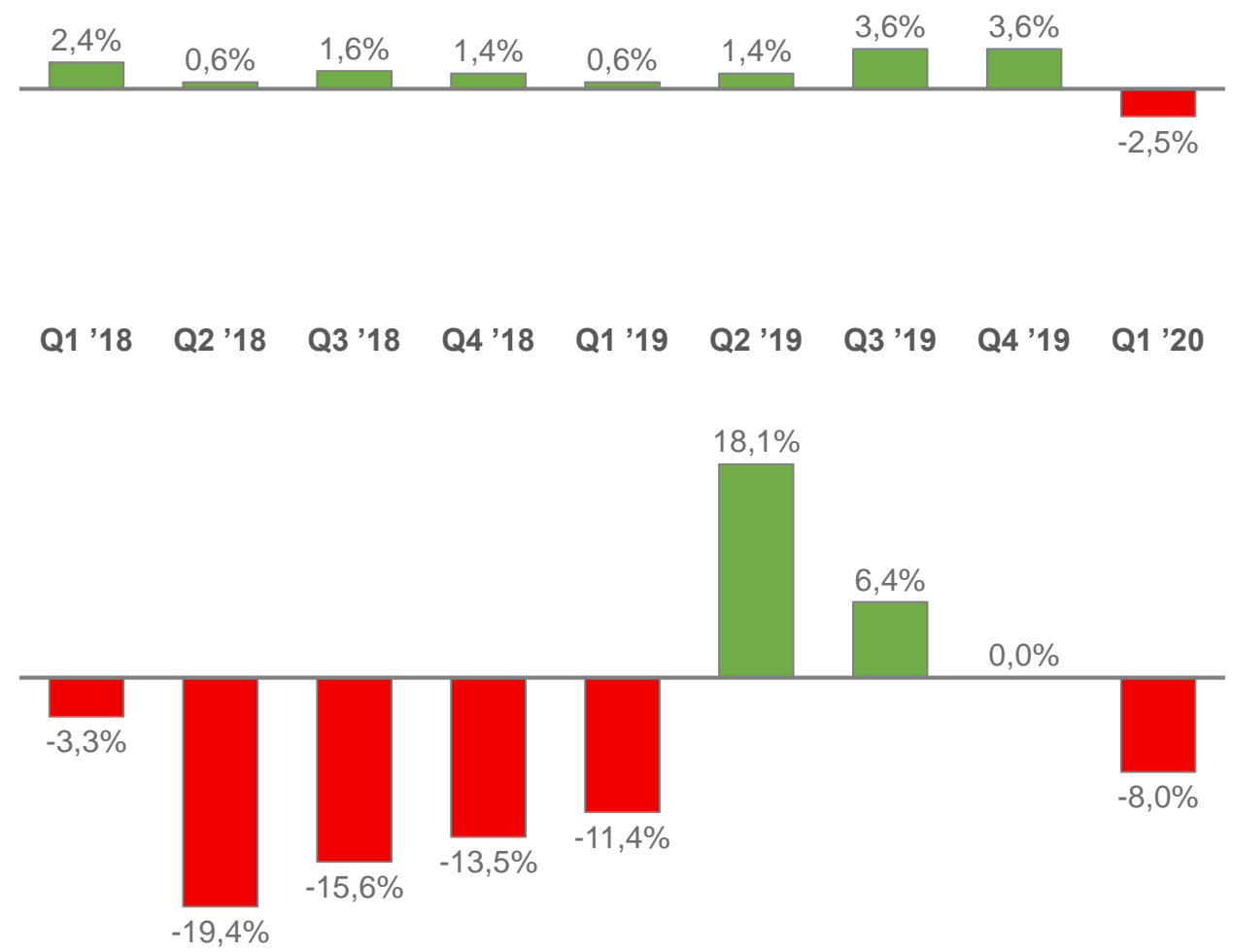
Branded, % of Q1 '20 sales



Pick & mix, % of Q1 '20 sales



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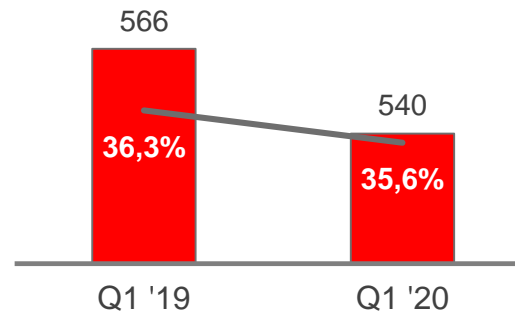


Q1 Financial summary

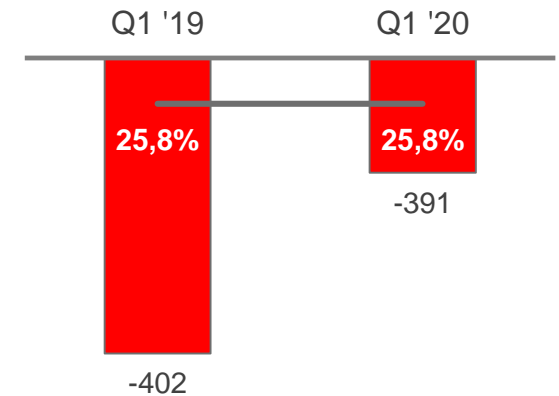
Impact of COVID-19 partly offset by cost savings

- **Gross profit** decline driven by lower volumes and negative FX effect
- **SG&A** decrease driven by cost savings, partly offset by negative FX and items affecting comparability.
- **Operating profit, adjusted**, driven by lower volumes and negative FX effects, partly offset by cost efficiencies

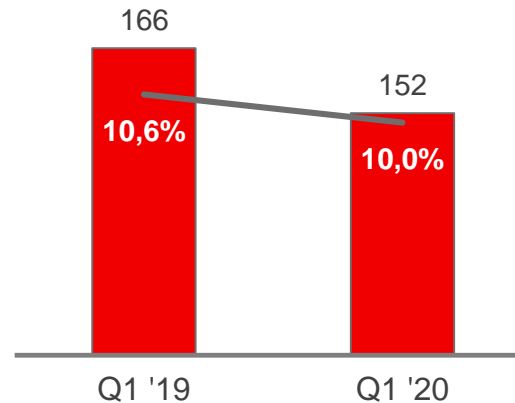
Gross Profit



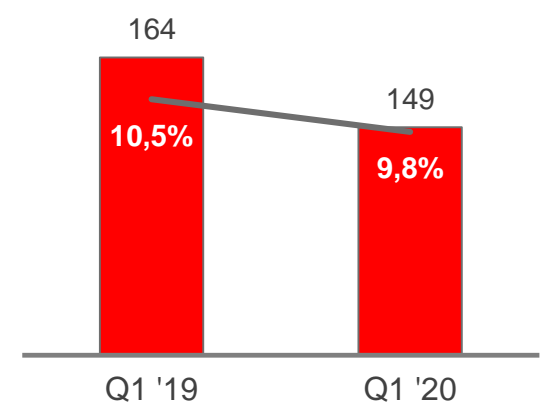
SG&A



Operating profit, adjusted

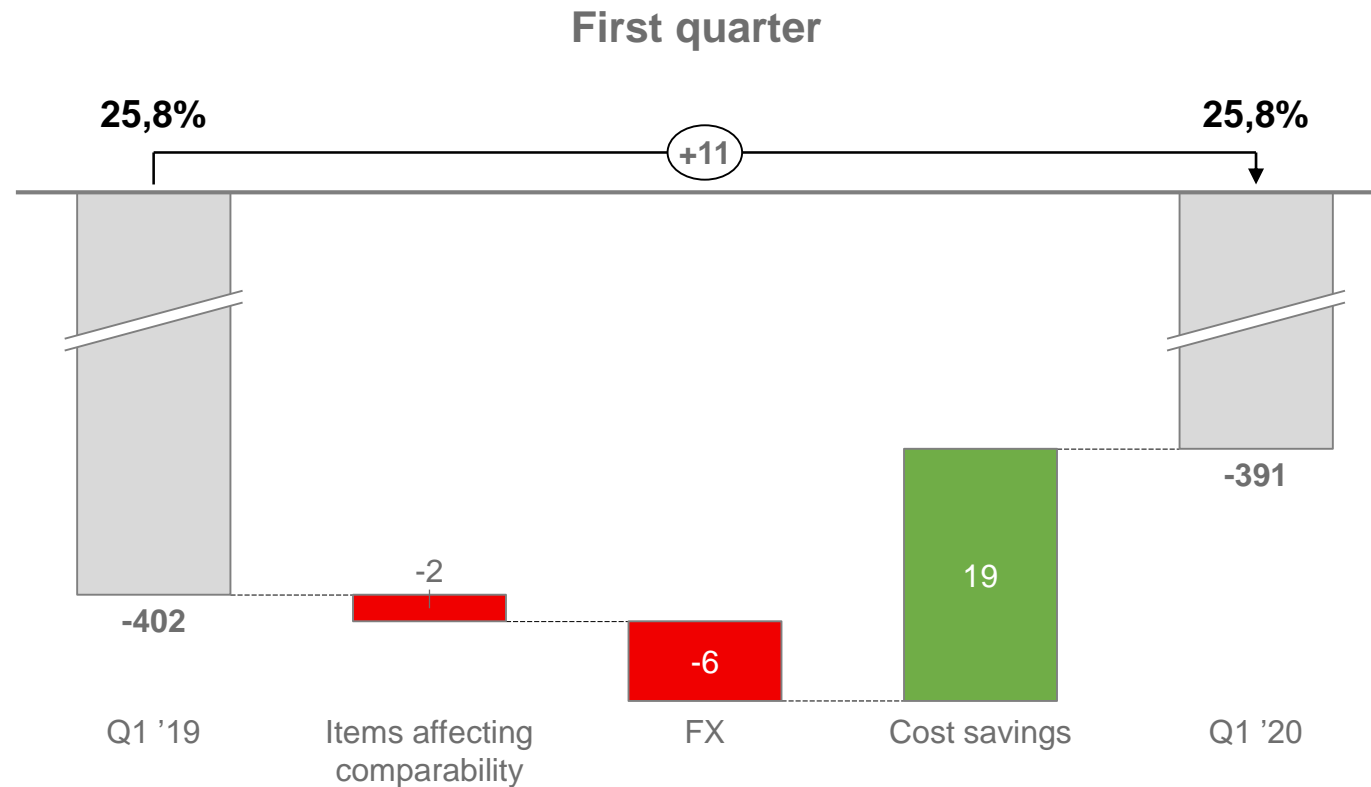


Operating profit



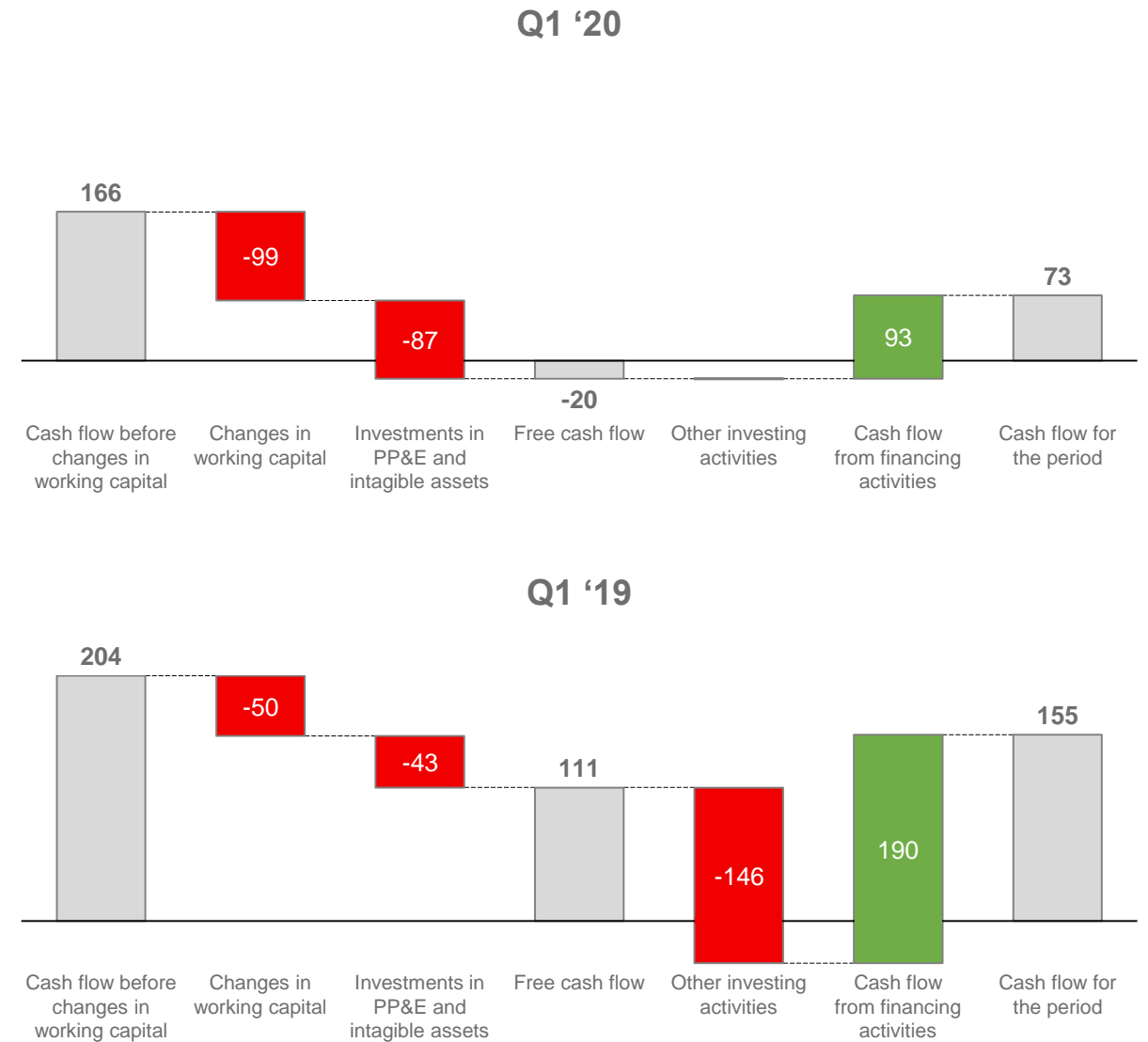
SG&A

Lower SG&A from cost savings; holding ratio to sales despite topline drop



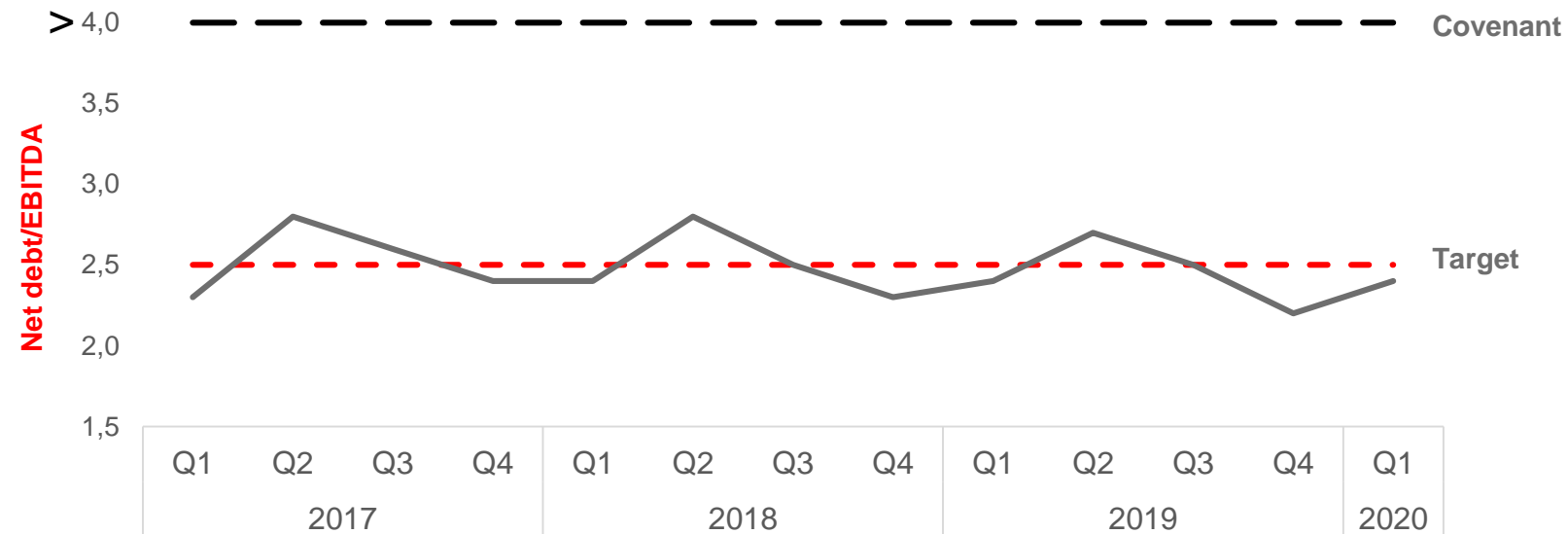
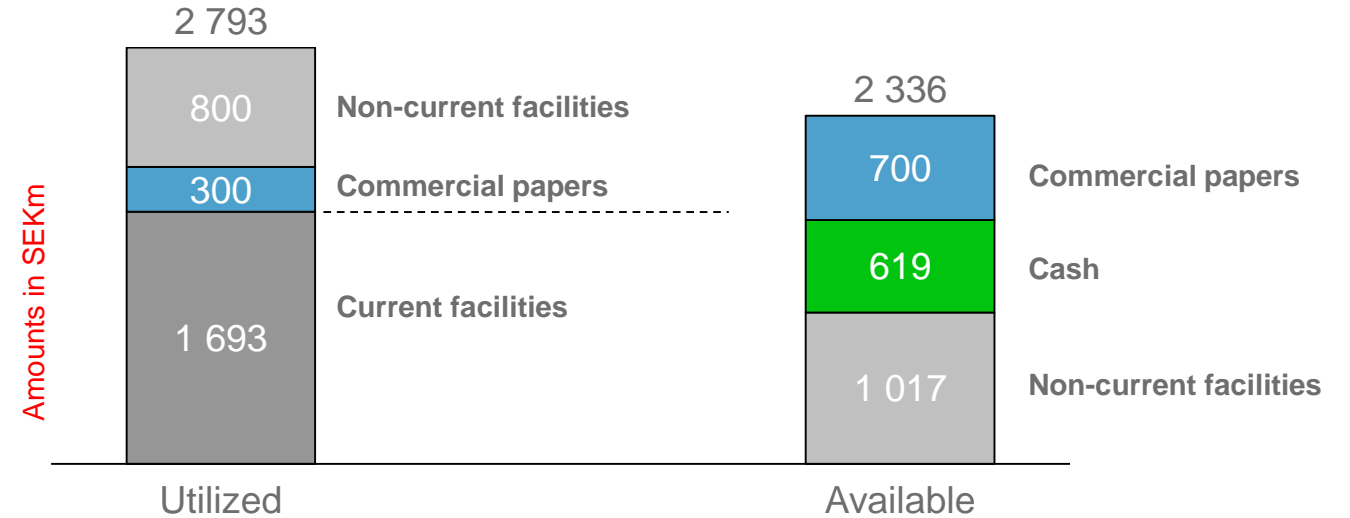
Cash flow

- **Lower Free cash flow** driven by lower EBITDA, negative working capital movement and higher investments
 - Higher inventories driven by actions to safeguard supply, coupled with lower than expected sales.
 - Higher investment in PP&E at the start of the quarter
- **Other investing activities** last year reflecting final settlement of earn-out consideration



Strong financial position

- **Cash and headroom in facilities** exceed current part of utilized facilities
- **Compliant with covenant requirements** on Net debt /EBITDA
- **Decision to withdraw dividend** given market uncertainty



Strategic update

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Key Business Priorities: remain valid for 2020

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



1

- Continue on strategic direction to further strengthen key brands, adjusting to new market and consumer realities
- Adjusting advertising spend to new media consumption

2

- In-store communication and increased hygiene routines
- Alternatives offered, including wrapped assortment
- Reignite P&M after fixtures open to regain shoppers
- Sweden P&M business not to break even by year-end

3

- Actions taken to reduce costs, including temporary layoffs
- Delay in announced investments in factories
- Cash Committee established to drive cash program

Organic growth for branded business



- Continue on **strategic direction** to further **strengthen key brands**
 - Adjusting to new market and consumer realities
 - Define big pack strategy to capture P&M shoppers who move into packaged
- Adjusting **advertising spend** to new **media consumption**
 - Less outdoor, more towards TV and social
 - More towards candy
- **Launches** building our brands
 - Easter foam to repeat the X-mas success
 - Line extensions from main brands instead of complete new platforms

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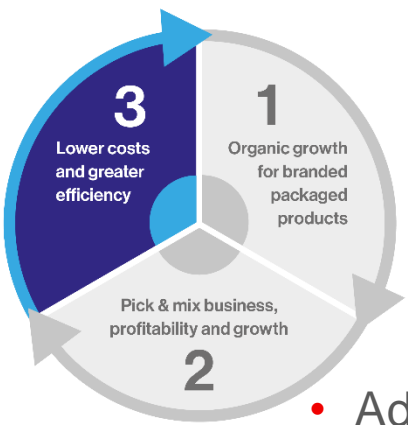


Pick & Mix, profitability and growth

- In-store **communication** and **increased hygiene**
 - 1,5 m distance stickers, gloves, cleaning
- **Alternatives** for a seeking P&M shopper
 - Wrapped products for UK retailers
 - Pre-packed CandyKing boxes
 - Branded Cloetta boxes and bags
 - Rebuild closed fixtures to branded sales points
- **Reignite**
 - Rework the CK 2.0 concept to assure shopper on hygiene
 - Prepare media support plan
- **Sweden business** not to break even by **year-end**

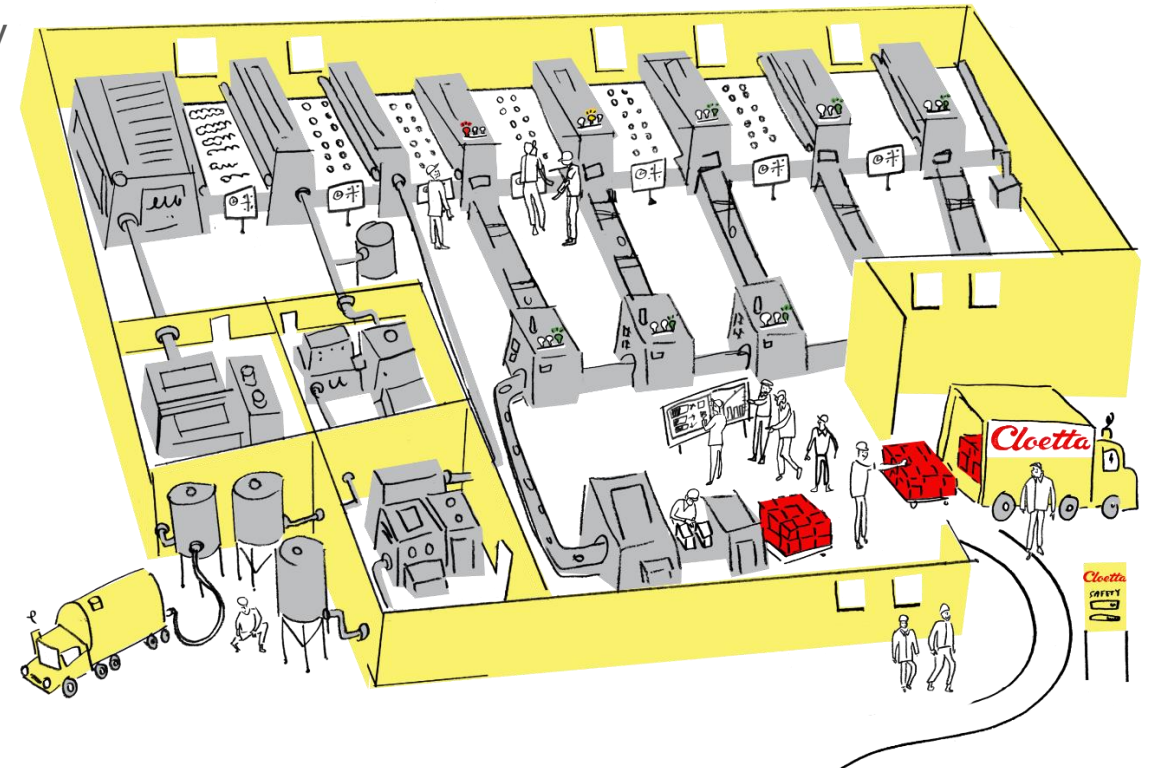


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Reduce costs and greater efficiency

- Adjust **P&M costs** to follow volume loss
 - Temporary layoffs and reduced hours
 - Stop using third party support
- **Perfect Factory** runs virtual
 - Travel restrictions and no external visitor policy
 - Program runs with local teams and virtual
 - Great start of year with operational efficiencies
- Step up on **VIP+**
 - Use situation to drive cost down faster
 - Bring forward planned re-organisations
 - Imposed higher target delivery on indirects
- **Cash committee**
 - Centrally steered cash team
 - Payment terms focus
 - Bring down stock level



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Expected impact from COVID-19

Branded packaged products Demand expected to be lower during the second quarter

Pick & mix Demand expected to continue to be significantly reduced

Operating profit, adjusted Expected to be significantly lower in the second quarter

Capital expenditures Decrease expected in planned capital expenditures

Q&A

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