



# Cloetta

Handelsbanken 4 June, 2020

Henri de Sauvage-Nolting,  
President/CEO



# We believe in the Power of True Joy

FOUNDED IN

**1862**

ANNUAL SALES

SEK

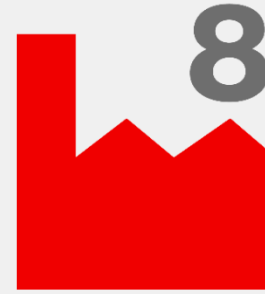
**6.5**

BILLION

SALES IN

**50**

COUNTRIES



**2,600**

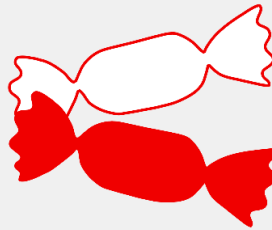
EMPLOYEES



NASDAQ  
STOCKHOLM



LEADING  
BRANDS



CANDY



CHOCOLATE



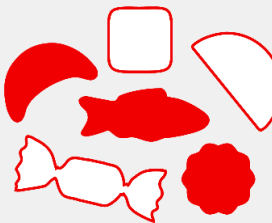
PASTILLES



CHEWING GUM



NUTS



PICK&MIX

Our purpose  
“We believe  
in the Power of  
True Joy”

THIS IS  
*Cloetta*

*Cloetta*

# Cloetta's strengths

Strong brand/category positions and scale in North Western Europe

## Cloetta's strategic strengths

- Strong local brands in economic stable region
- Consumer long term trends supporting Pick & Mix
- Opportunity to double International sales
- Proven strategy to deliver growth
- Attractive non-cyclical market
- Focus on continued margin expansion
- Attractive cash-flow generation and dividend

## Market

## Category position

	Candy	Pastilles	Chocolate	Chewing gum	Pick & mix
	1	1	2	-	1
	2	1	4	1	1
	1	2	-	-	1
	2	1	-	-	1
	1	-	-	2	-
	-	-	-	-	1

Based on Cloetta market share in respective category in 2019.

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# Strong Cloetta brands

Consumer trend towards local brands whilst exploiting scale across category portfolio

## Local



**TUPLA**



**SPORTLIFE**

**bilar** AHLGREN  
Sveriges godaste bil

**Mynthon**  
Fresh and effective



**Gifu**

## Global



**Läkerol**  
PASTILLES

**CANDY KING**



# Responsible growth

Living up to the TRUE in our Purpose: We believe in the Power of TRUE Joy



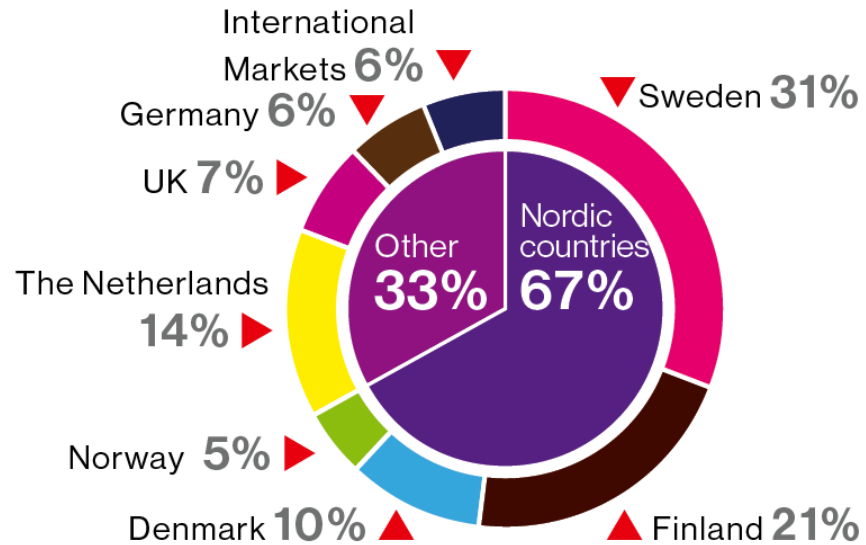
- Consumer as boss
- NAF/NAC
- Increased resource efficiency
- Responsible sourcing of raw material (UTZ)
- Employee development and health
- Plastic reduction
- “Choice for you” strategy



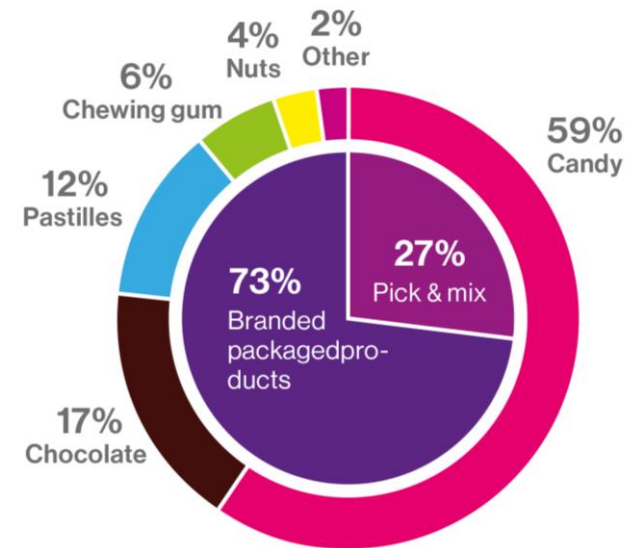
# Focus on core markets and core categories

From acquiring new munchy moment categories to organic growth

Cloetta's net sales by country



Cloetta's net sales by category



# Cloetta's Financial Goals:

	2017	2018	2019	Targets	
Organic Growth*	-1.2%	-2.8%	2.3%	1-2% (In line with market)	✓
EBIT Margin, Adj	10.4%	10.9%	11.4%	≥ 14%	
Net Debt / EBITDA	2.4	2.3	2.2	≤ 2.5	✓
Dividend Policy (share of profit)	54%	60%	TBD**	40-60%	

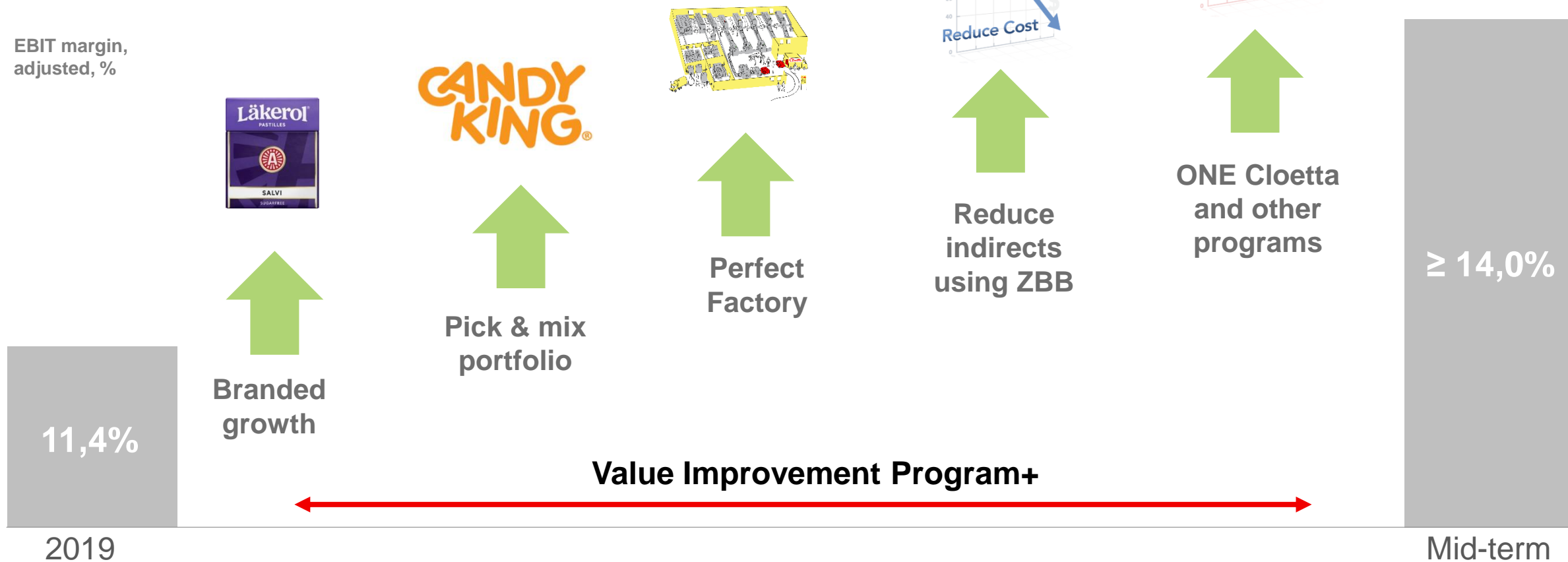
\*Growth at constant exchange rates

\*\*2019 dividend withdrawn due to market uncertainty following COVID-19

# Reduce Cost and Drive Efficiency:

Well-stocked road-map to deliver targeted 14% EBIT margin, adjusted

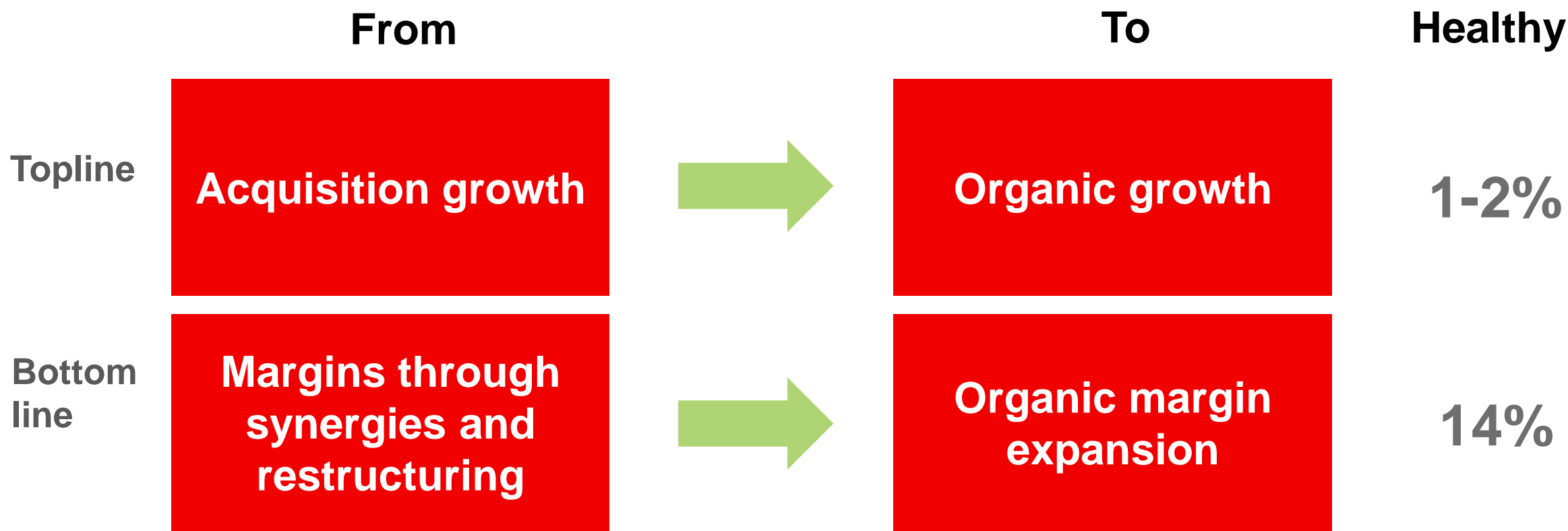
EBIT margin,  
adjusted, %





# Core Strategy: Organic Growth and 14% EBIT

Commercial focus on our brands whilst increasing cost efficiencies



The background of the slide is a dense, close-up photograph of numerous round, flat pills. The pills are in two colors: a vibrant pink and a clean white. They are scattered across the entire frame, creating a textured, repeating pattern. The lighting is even, highlighting the smooth, slightly glossy surface of the pills.

# COVID-19

# Managing through COVID-19

**Consumers  
& customers**

**Employees  
& production**

**Suppliers**

**Cost & cash**

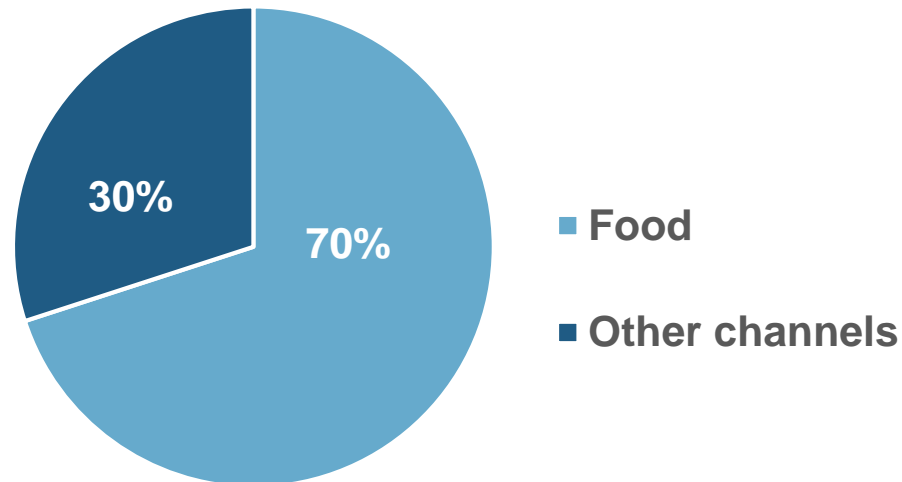
*Cloetta*

# Consumers & customers

## Impact on branded

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

### Branded sales by channel\*

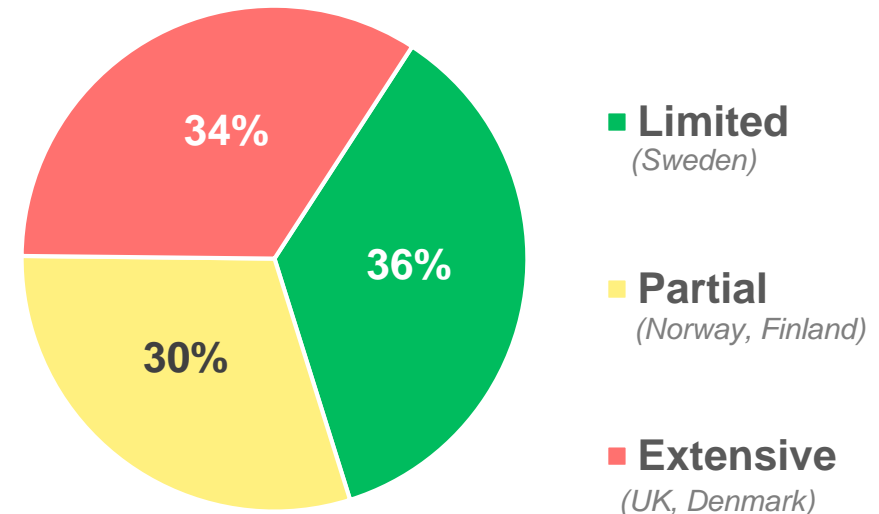


\* Approximate % based on 2019 full year figures

## Impact on P&M

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

### P&M sales by restrictions\*





# Organic growth for branded business

## Strategic direction to strengthen key brands

- ✓ Adjusting to new market and consumer realities
- ✓ Define big pack strategy to capture P&M shoppers who move into packaged



## Launches building our brands

- ✓ Easter foam to repeat the X-mas success
- ✓ Line extensions from main brands instead of complete new platforms



## Adjusting advertising spend to new media consumption

- ✓ Less outdoor, more towards TV and social
- ✓ More towards candy



# 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**



Consumers  
& customers

Employees  
& production

Suppliers

Cost & cash



## 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

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Consumers  
& customers

Employees  
& production

Suppliers

Cost & cash



### **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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Consumers  
& customers

Employees  
& production

Suppliers

Cost & cash

### Adjust P&M costs to follow volume loss

- ✓ Temporary layoffs and reduced hours
- ✓ Stop using third party support

### Perfect Factory runs virtual

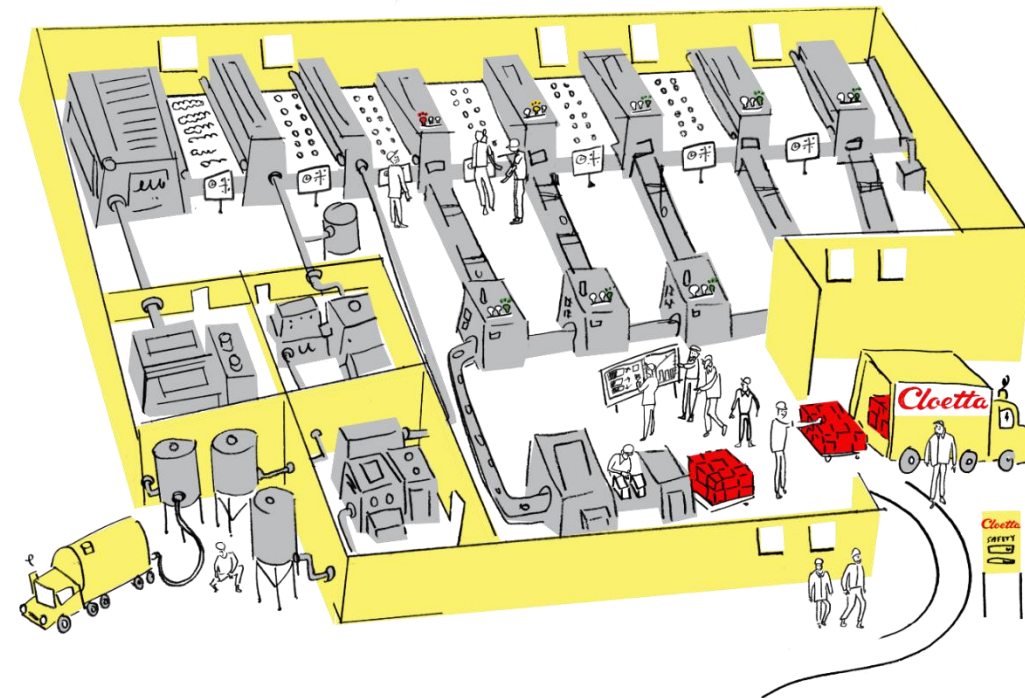
- ✓ Travel restrictions and no external visitor policy
- ✓ Program runs with local teams and virtual
- ✓ Great start of year with operational efficiencies

### 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



# 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





# Q&A

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# Appendix



# Group Management: Relevant experience



**Henri de Sauvage Nolting**  
President and CEO

**Unilever**



**Frans Rydén**  
Chief Financial Officer (CFO)

**Mondelez**



**Regina Ekström**  
Senior Vice President Human  
Resources

**Cloetta**



**Thomas Biesterfeldt**  
Chief Marketing Officer (CMO)

**L'Oreal**



**Michiel Havermans**  
Senior Vice President Cloetta  
International

**Perfetti van Melle**



**Ewald Frénay**  
President Middle

**Cloetta**



**Katarina Tell**  
President Cloetta Sweden

**Kraft Heinz**



**Christian Boas Linde**  
President Denmark and  
Norway

**Mars**



**Marcel Mensink**  
President Operations

**Mars**



**Ville Perho**  
President Finland

**Cloetta**



**Niklas Truedsson**  
Chief Pick & mix Officer

**Unilever**

**Cloetta**

# Cloetta's Core Strategy

"We believe in the power of true joy"

## Drive growth

- Strengthen local brands and selectively expand brands
- Focus on core categories and core markets, double international
- Grow market shares and volume in branded packaged products
- Create value concepts and penetration in pick & mix
- Selective acquisitions on core categories and markets
- Offer consumers a choice

## Facilitate growth

- Zero tolerance for accidents
- Create "One Cloetta"
- Strengthen brand and category management competence
- CSR to drive consumer agenda
- Create a winning culture
- Develop, attract and retain skilled leaders and employees

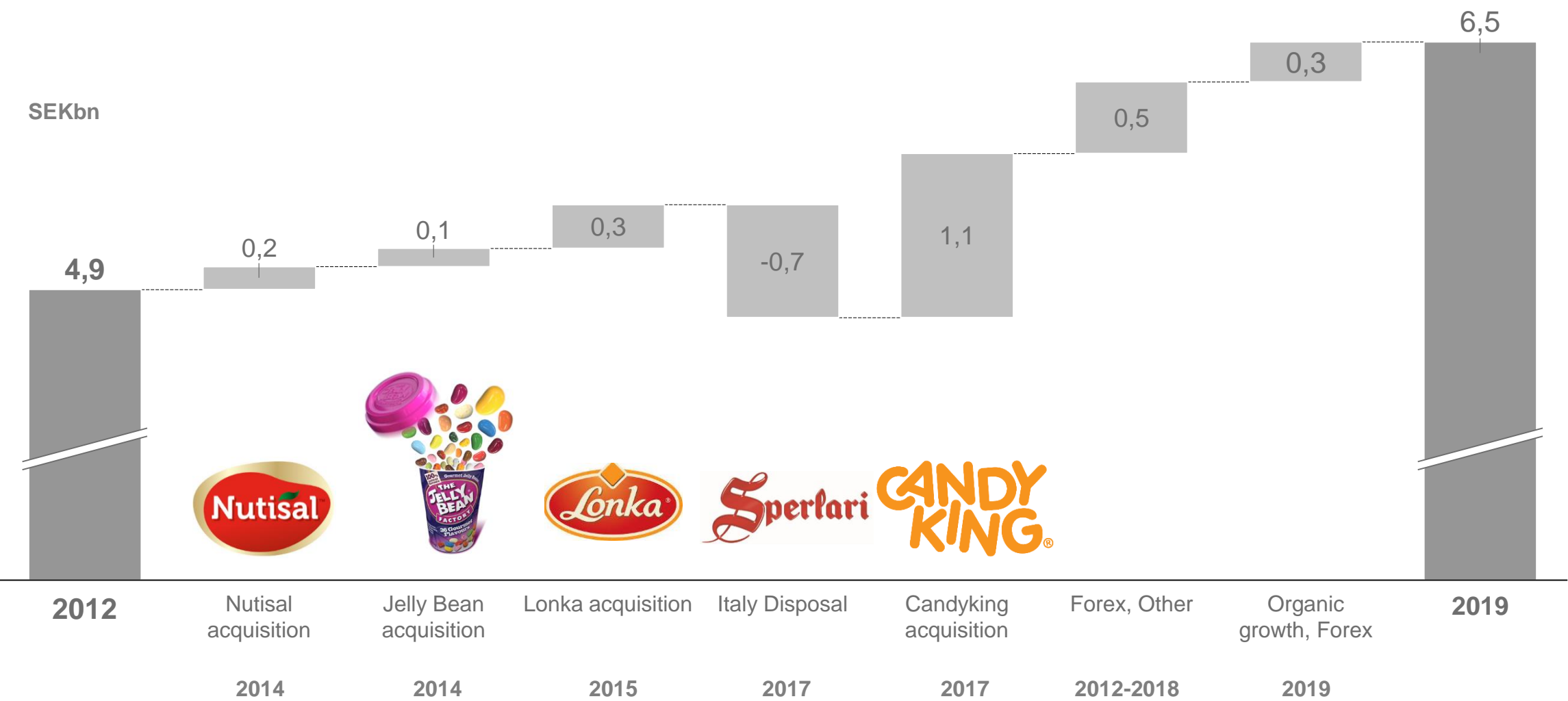
## Fund growth

- Drive cost saving activities – "VIP+"
- Further develop the "Perfect Factory" program
- Increase capacity to allow additional insourcing
- Improve marketing efficiency and internal systems and processes

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

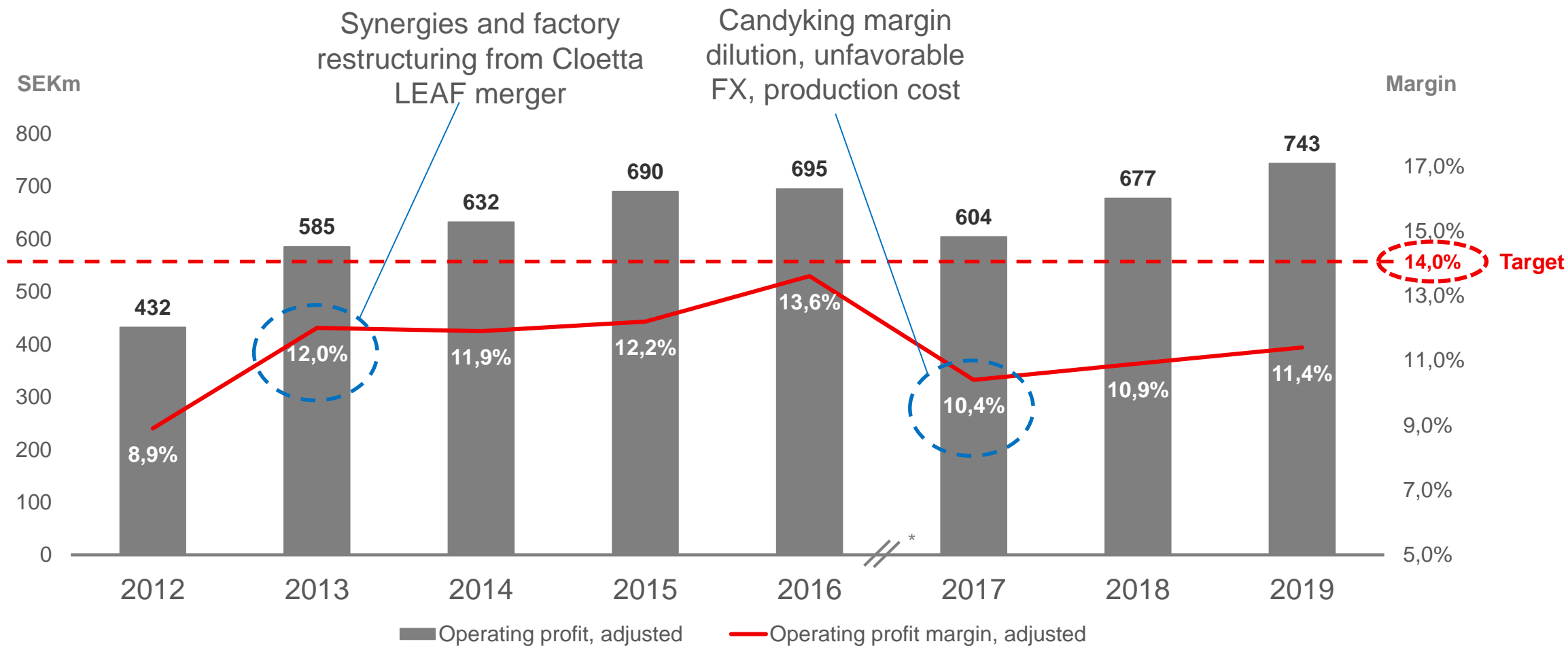
# Sales growth historically driven by acquisitions

Shift to organic growth with selective acquisitions on top



# Track record

of margin gains through restructuring and synergies



\*From 2016 and onwards, Italy is discontinued operations and excluded from result



# Core Strategy: Organic growth and 14% EBIT

From acquisition growth to organic growth

## 2012: New company

- Merger Cloetta-LEAF
- Listed on Stock market
- HQ in Stockholm



## 2014: Harmonization

- One ERP system
- Factory rationalization & LEAN
- Smaller acquisitions



## 2017: Structure change

- Disposal of Italy
- Acquisition Candyking
- Overload moulded factory network



## 2018: Shift to organic growth

- Consumer as boss
- New management
- ONE Cloetta
- Organic growth
- Sharpened strategy on the road to 14%



# Value Improvement Program Plus:

Holistic and company-wide program to safeguard delivery of the road to 14%

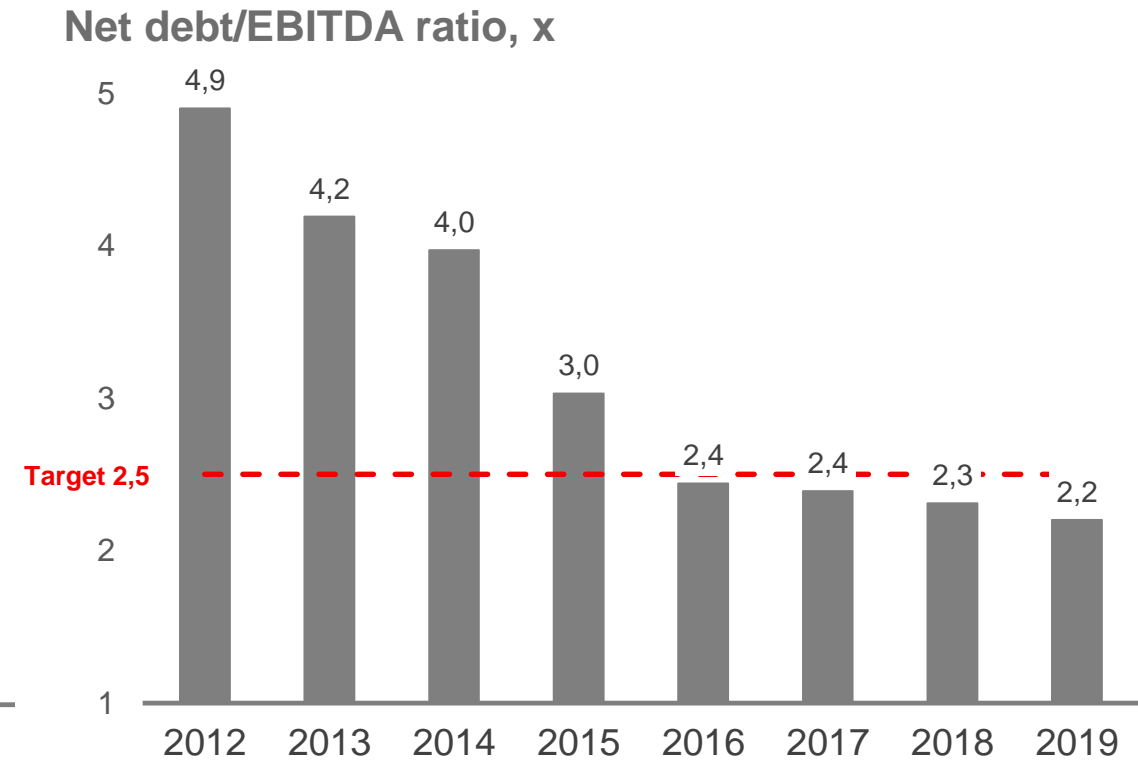
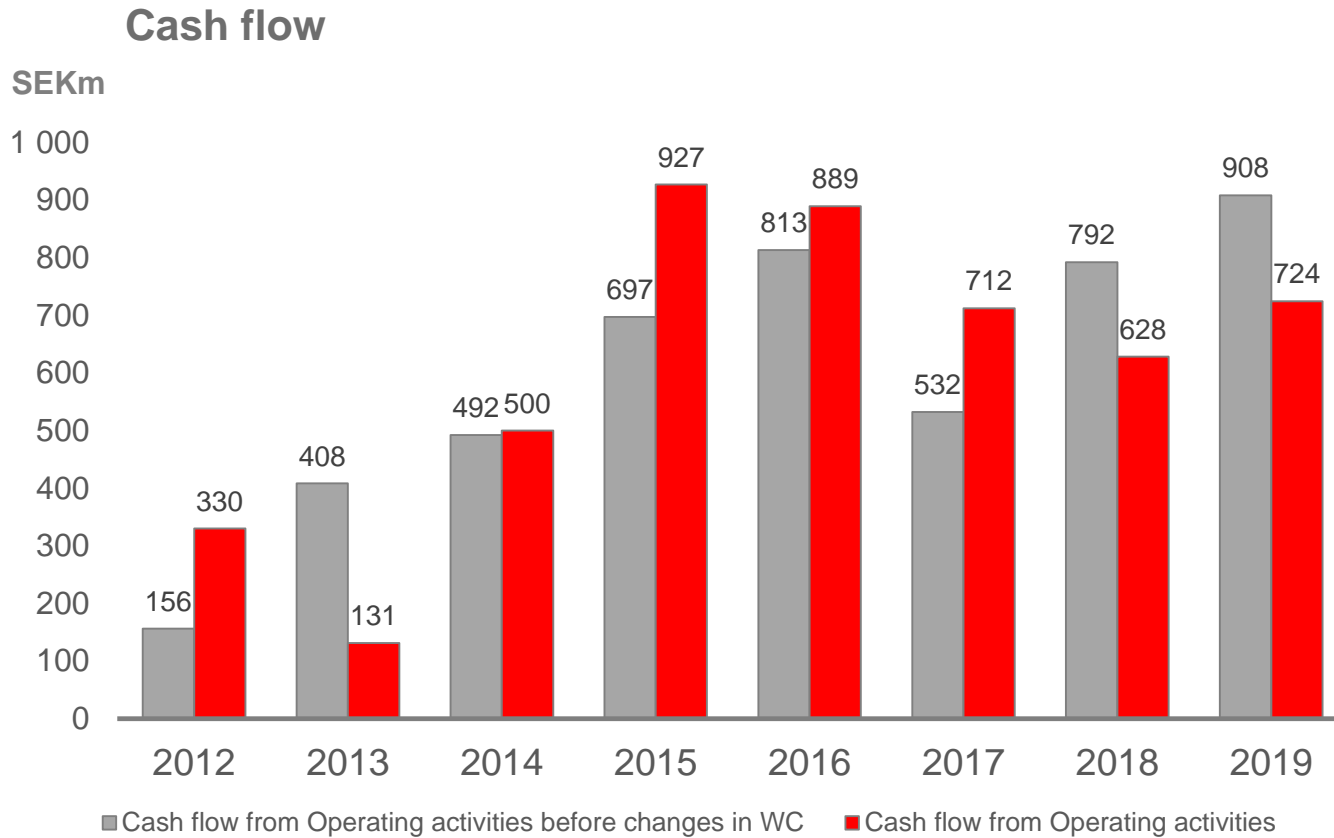
One program for value-creating initiatives, using industry-leading practices and grounded in Zero Based Budgeting principles, launched in Q1 2019.

- **Transparency** to confirm effort and money is spent where it matters the most to deliver profitable growth and targeted EBIT
- **Accountability** for building blocks, with overlaps managed and no drill-sites missed
- **Rigor** in tracking of actuals and fulfillment of commitments

To help kick-start reduction of indirect spend in SG&A and Operations, Cloetta engaged **Accenture** for spend analysis and value targeting including benchmarking and best practices



# Solid cash flow and healthy leverage

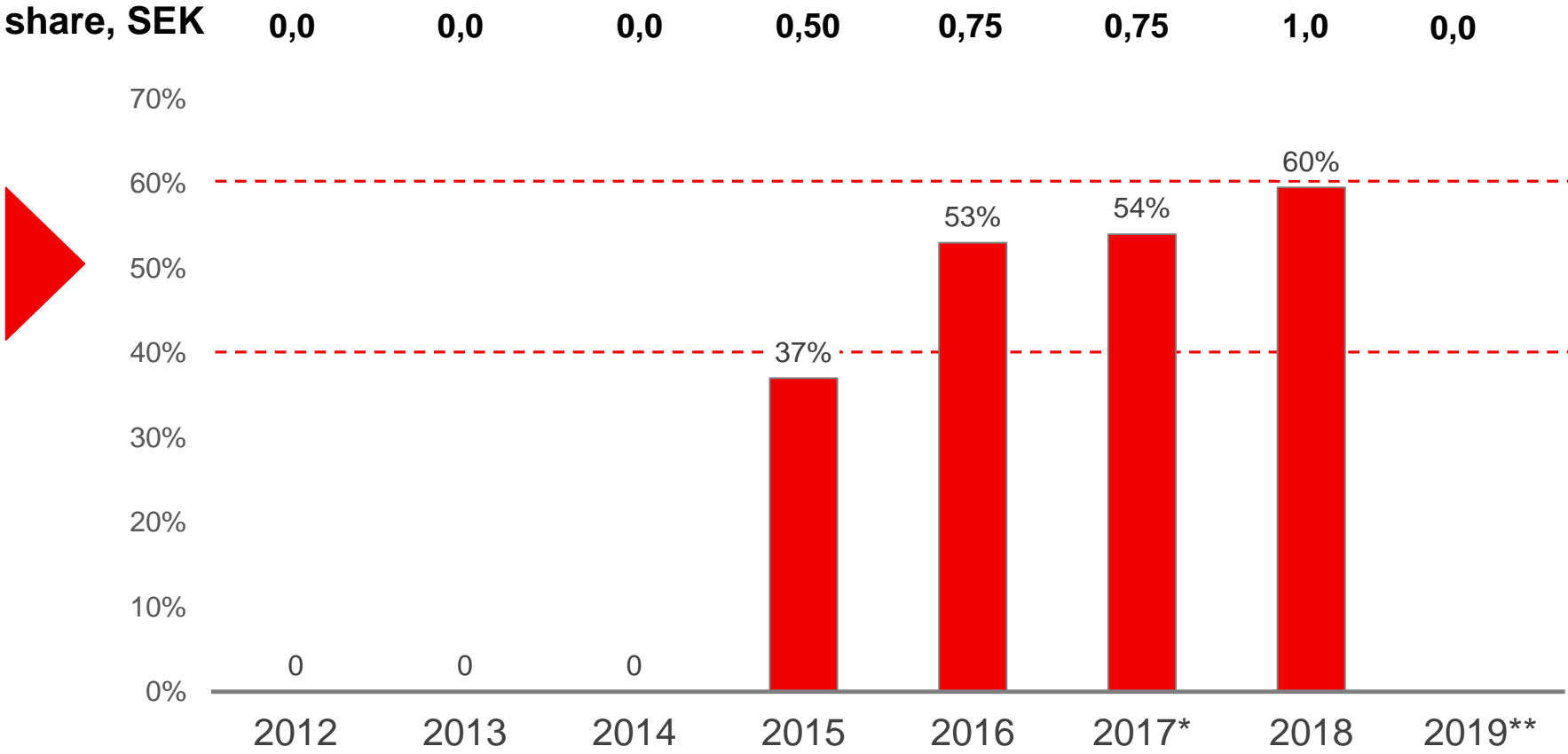


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# Dividend withdrawn due to market uncertainty

Dividend

per share, SEK



**Target**

Dividend payout of 40–60 % of profit for the period

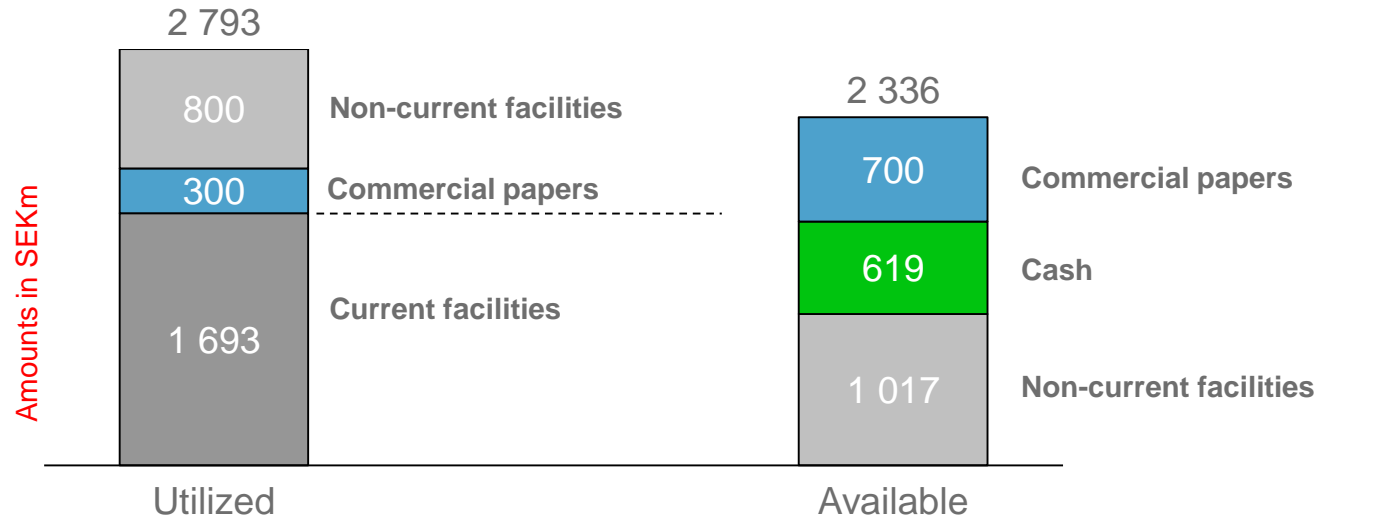
\*2017 excluding special dividend

\*\*2019 dividend withdrawn due to market uncertainty following COVID-19

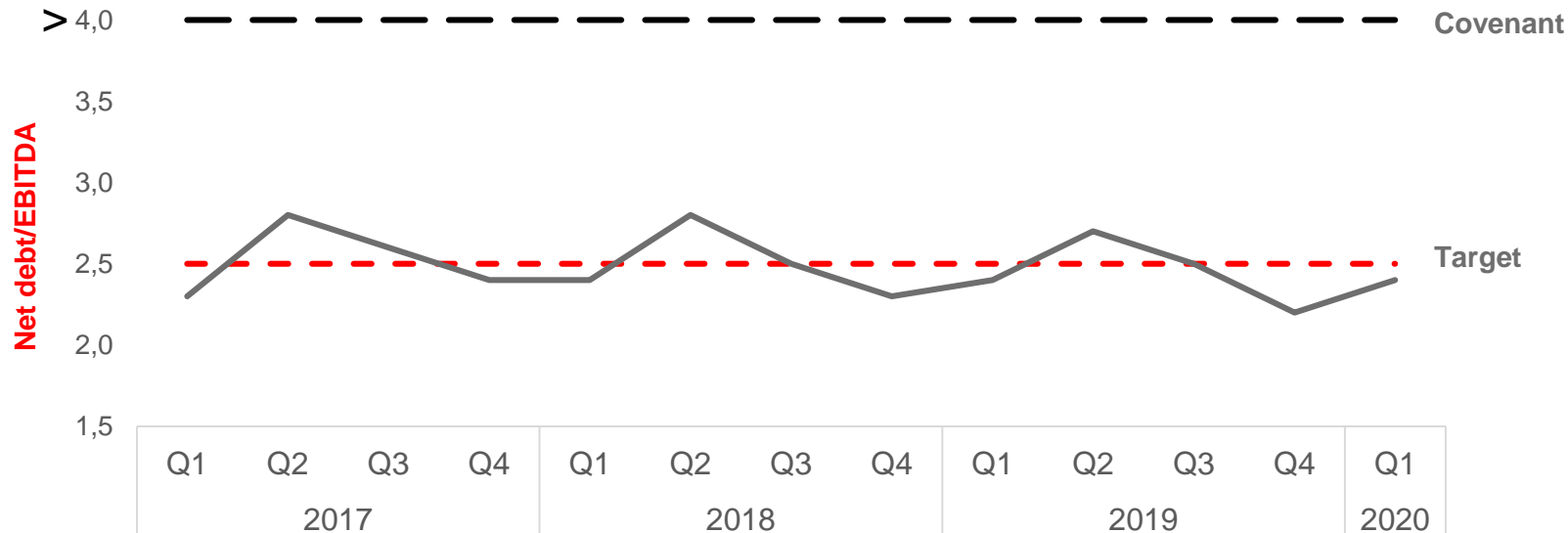




# Strong financial position



- **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



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# Capital allocation principles

Supports growth and continues to prioritize dividends

## Invest for growth

- Increased investments in working media to fuel branded growth
- Investment in production capabilities for growth and future insourcing

## Dividends

- Maintaining attractive dividend target of 40-60% of profit for the period

## Targeted M&A

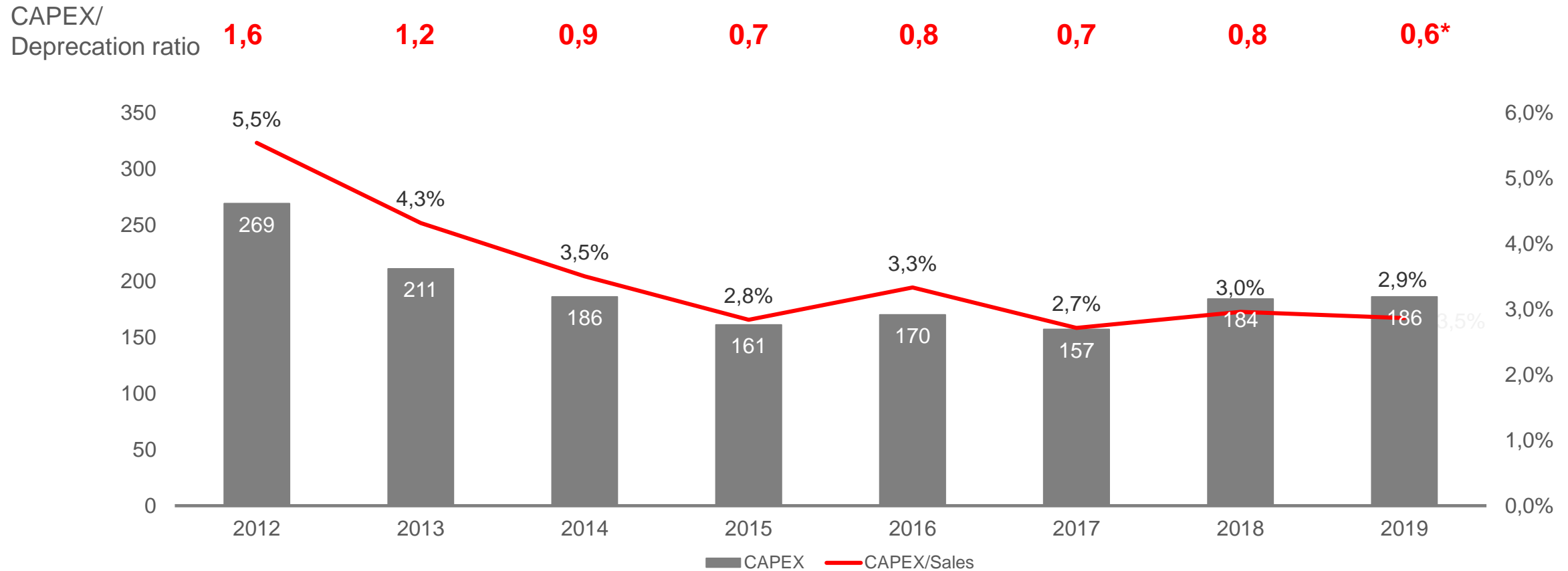
- Footprint in existing core geographies and categories of Cloetta
- Clear objective of synergy realization and solid financial returns

## Repayment of debt

- Keep stable debt ratio in line with target to maintain flexibility for M&A

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# Delay in announced investments in factories



\*Depreciation is affected by IFRS16, previous years not restated

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# Pick & mix – this is how it works

Service concept not only selling individual products and brands

## Selling services

### Assortment

- Wide range of products
- Consumer preferences vary by market
- Mainly products from candy and chocolate categories



### Fixtures

Play an important role in a successful pick & mix concept:

- Branding perspective +
- How products are displayed



### Merchandisers

- Fill up products into fixtures
- Keep fixtures fresh and clean



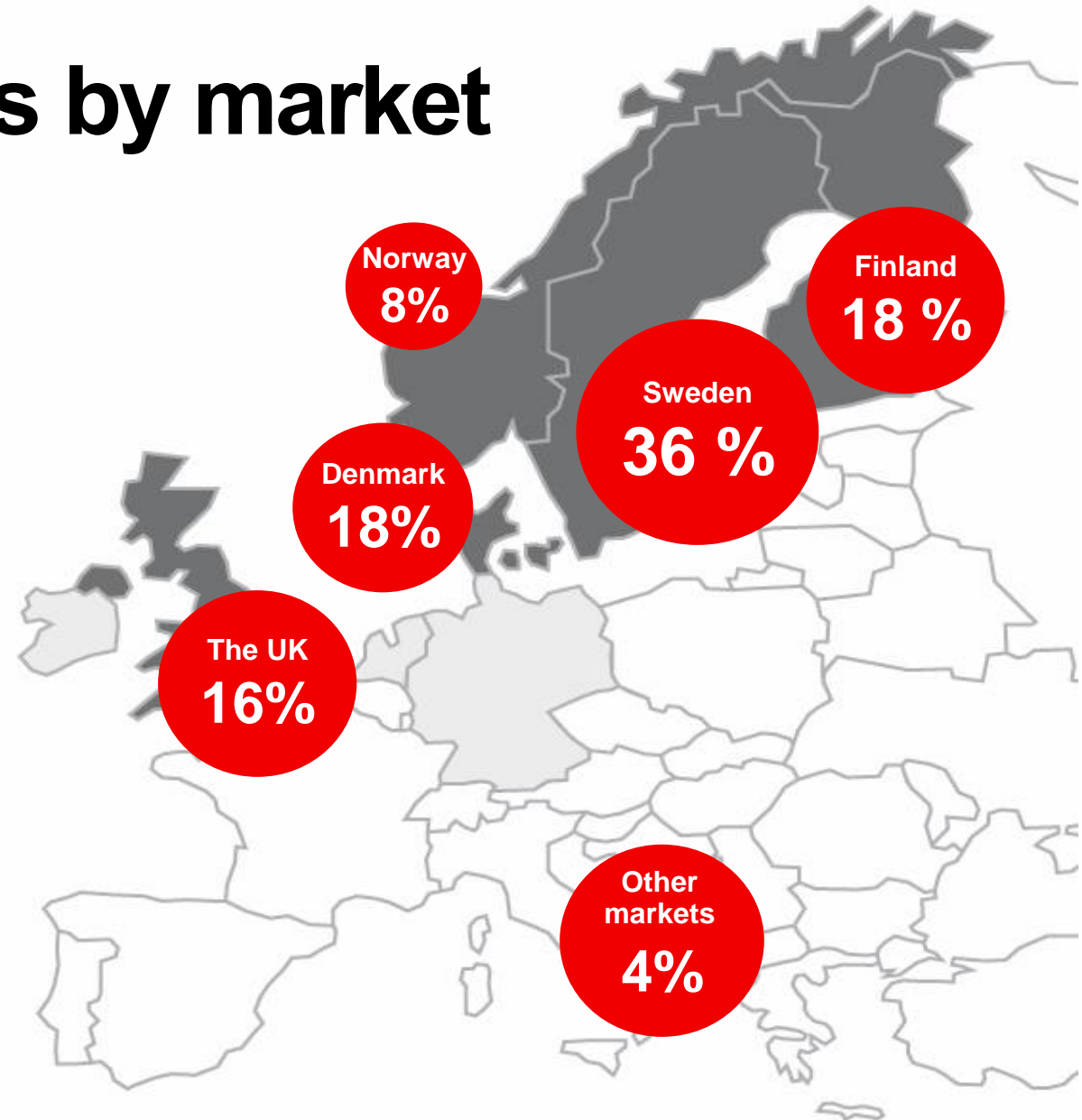
# Cloetta's pick & mix sales by market

## Geographical spread

- Very strong position in the Nordic countries
- High share of total confectionary consumption

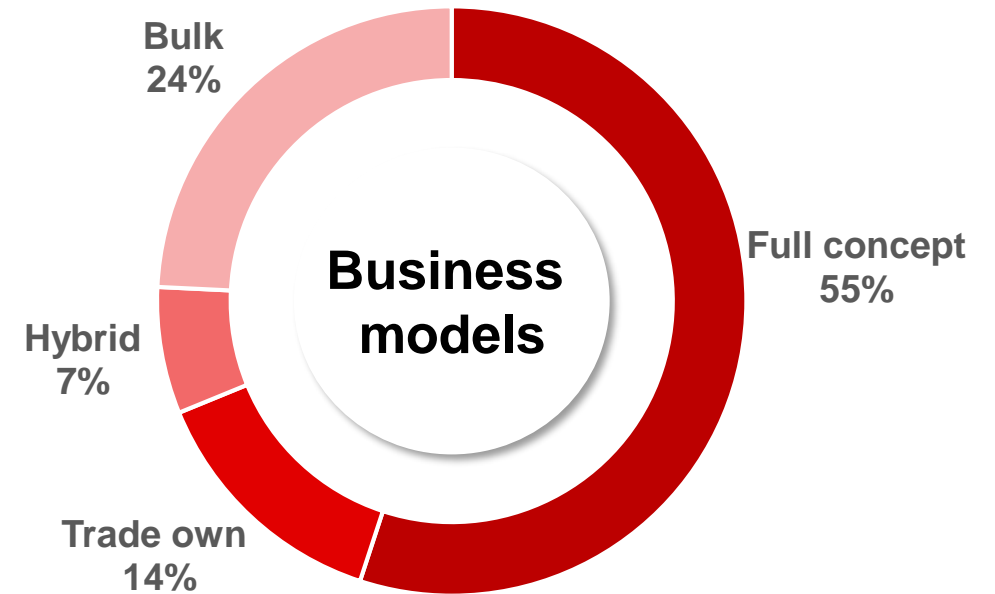
## Consumer trend: Individualization

- Pick & mix concept catering to consumers seeking to satisfy individual needs
- Consumers choosing products and services individually



# Four pick & mix business models

- **Full concept** covers everything from branding, assortment and fixtures to merchandising
- **Trade own** concept is similar to full concept but with a retailers own branding
- In **Hybrid** models e.g. merchandising can be handled by the customer themselves
- **Bulk** business is products sold to someone else's pick & mix solution





# Offering consumers the choice

**Indulgence**

**Functional & conscious**

~25% of Sales

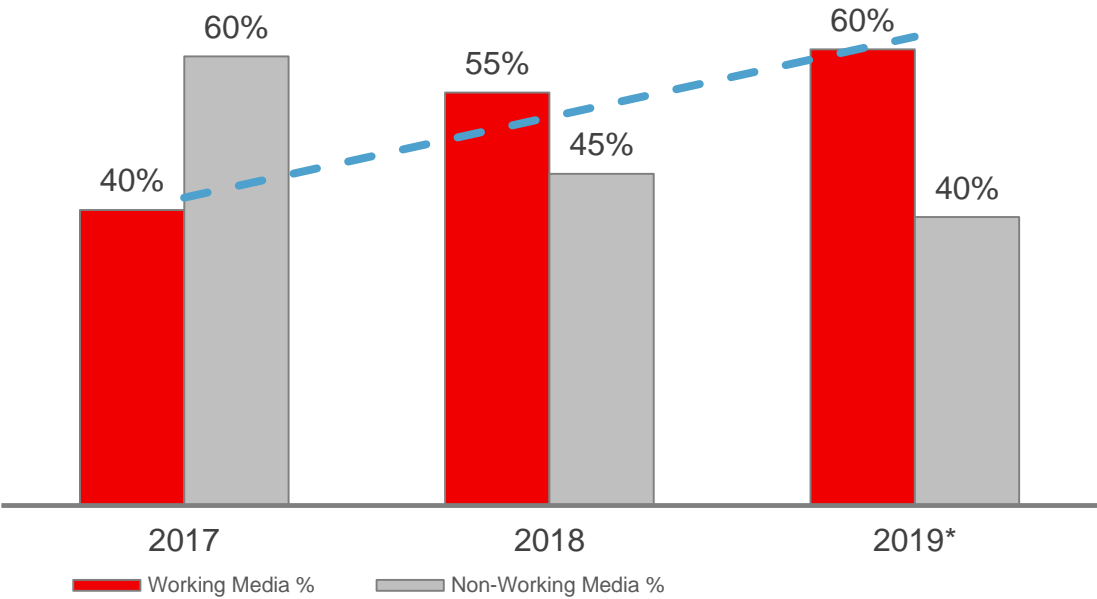


# Accelerate Marketing Return On Investment

**Step 1:** Make **70%** of marketing spend visible to consumer



**Step 2:** Maximize effective pure media **70%** (boost hard, measure fast)



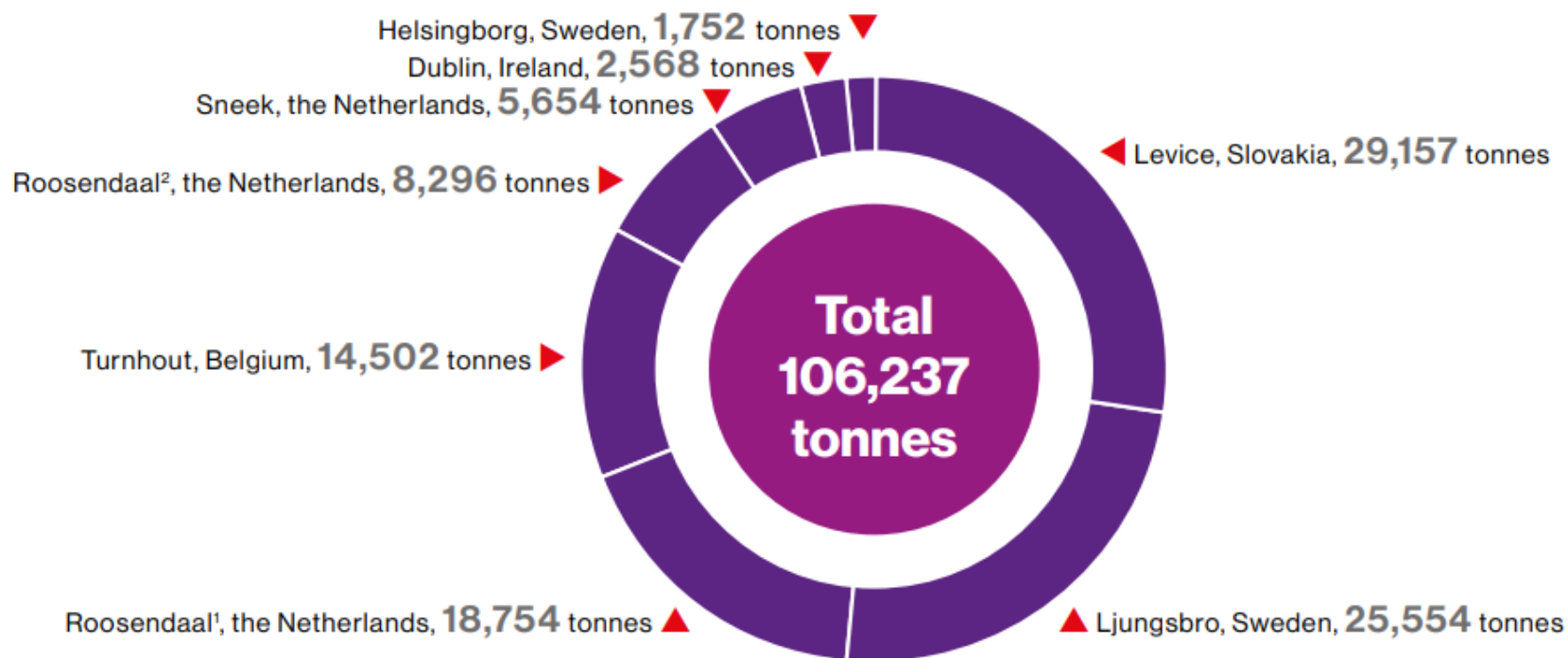
\* 2019 target reached



\*Nielsen 2018, Sweden

# Creating Centers of Excellence

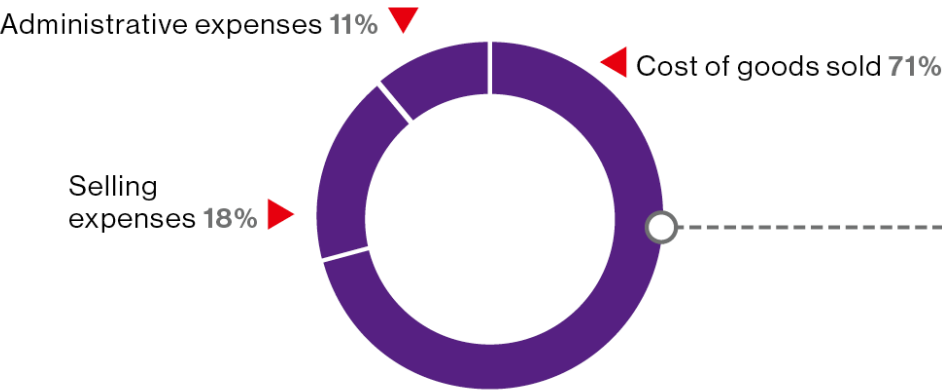
Volume and technologies in 2019, tonnes



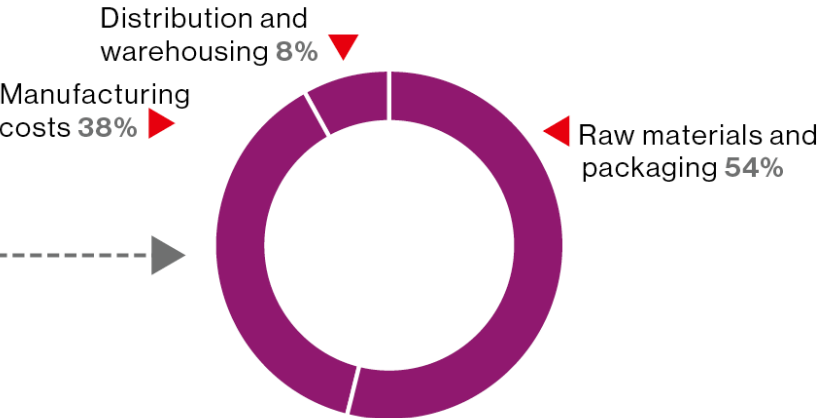
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# Cost structure 2019

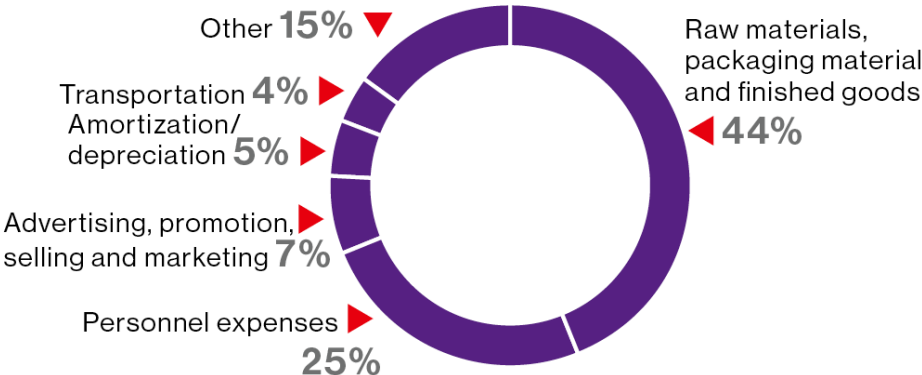
Total operating expenses



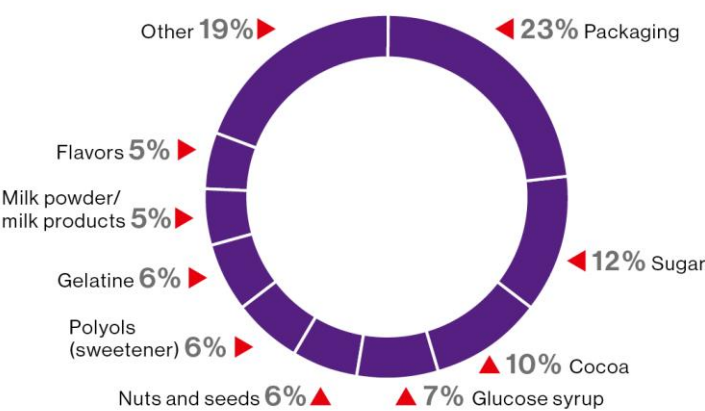
Cost of goods sold



Operating expenses



Breakdown of raw material and packaging costs





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