



# *Cloetta*

**Q3 2020 result – 22 October 2020**

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# Key messages Q3 2020

- Growth in branded packaged driven by marketing and increased consumer traffic
- Continued recovery for P&M; but consumer demand remains subdued
- Strong cost control driven by the VIP+ cost program; lower provisions for incentives
- Strong balance sheet; dividend proposal of SEK 0.50 per share
- Maintained business continuity in Supply Chain and Commerce Units
- Continued volatility and uncertainty due to COVID-19; 2<sup>nd</sup> wave impact

***“Continued recovery in a challenging environment.”***



# Agenda

**1. Sales results**

**2. Financials**

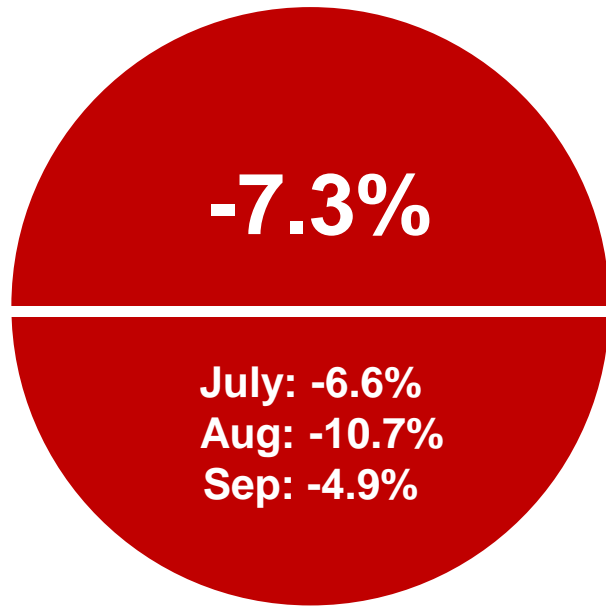
**3. Strategic update**

**4. Q&A**

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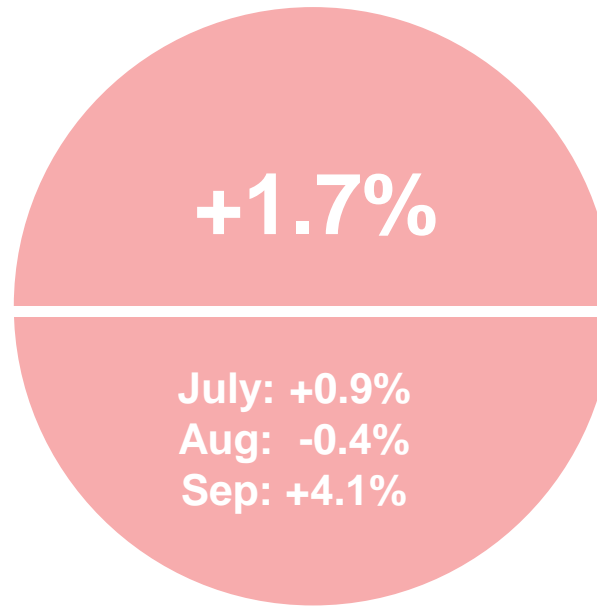
# Q3 2020: Improved sales development

**Total**  
Organic sales growth



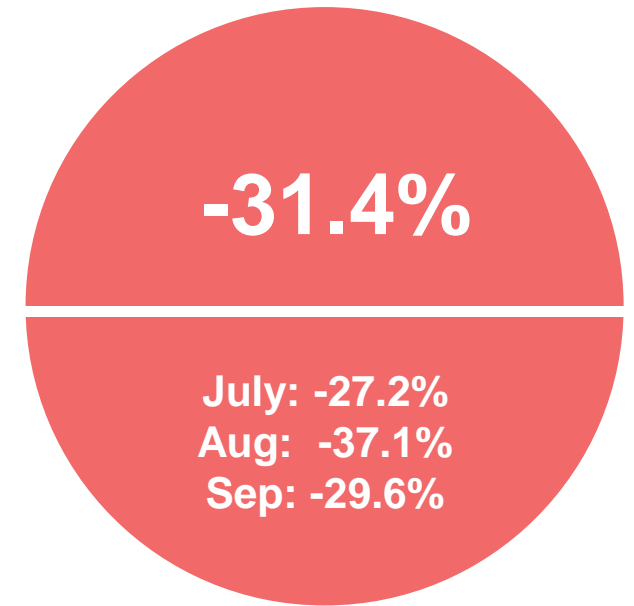
Monthly organic sales growth

**Branded packaged**  
Organic sales growth



Monthly organic sales growth

**Pick & mix**  
Organic sales growth



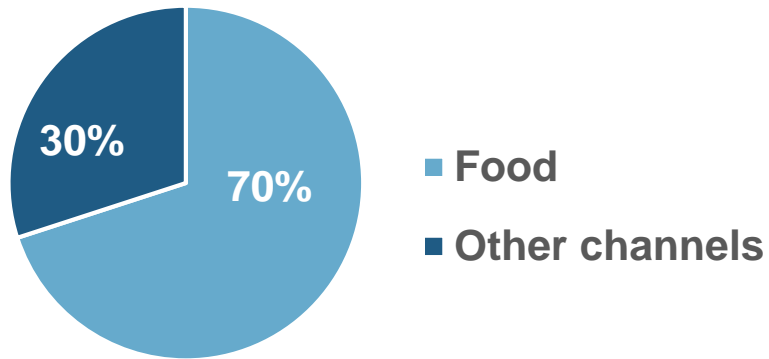
Monthly organic sales growth

**-10.8% organic sales growth YTD**

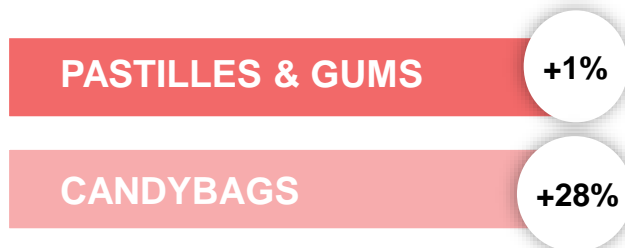
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# Branded packaged

## 2019 branded sales by channel\*



## Last 3 months market data\*\*



\* Approximate % based on 2019 full year figures

\*\*Nielsen, Kesko, SOK market data, week 28-40, 2020.  
Candybags and pastilles; FI, DK, NO, SWE. Gums; FI.

## Status of branded packaged

- Increased demand in Food, including e-commerce
- Shoppers have gradually returned to other channels, except for travel retail
- Negative product mix from lower refreshment sales






## Actions

- ✓ Step up in brand investment in top 25 brand positions
- ✓ Adjusting marketing and innovation program to new reality
- ✓ Step up in e-commerce resource and investment
- ✓ Valorization and Value for Money





# Pick & Mix

	Channels		Promotions	Consumer demand	
	Q2	Q3	Q3	Q2	Q3
	●	●	●	↓	↘
	●	●	●	→	↑
	●	●	●	↓	↓
	●	●	●	↓	↘
	●	●	●	↓	↓

## Status of pick & mix

- Majority of fixtures are open
- Majority of customers don't have price promotions
- Recovery of base consumer demand will take time

## Actions to mitigate

- ✓ In-store communication and increased hygiene
- ✓ Repositioning of CandyKing in execution; Swedish design price nomination
- ✓ Roll out of premium concept started; pricing
- ✓ Merchandising cost reduced



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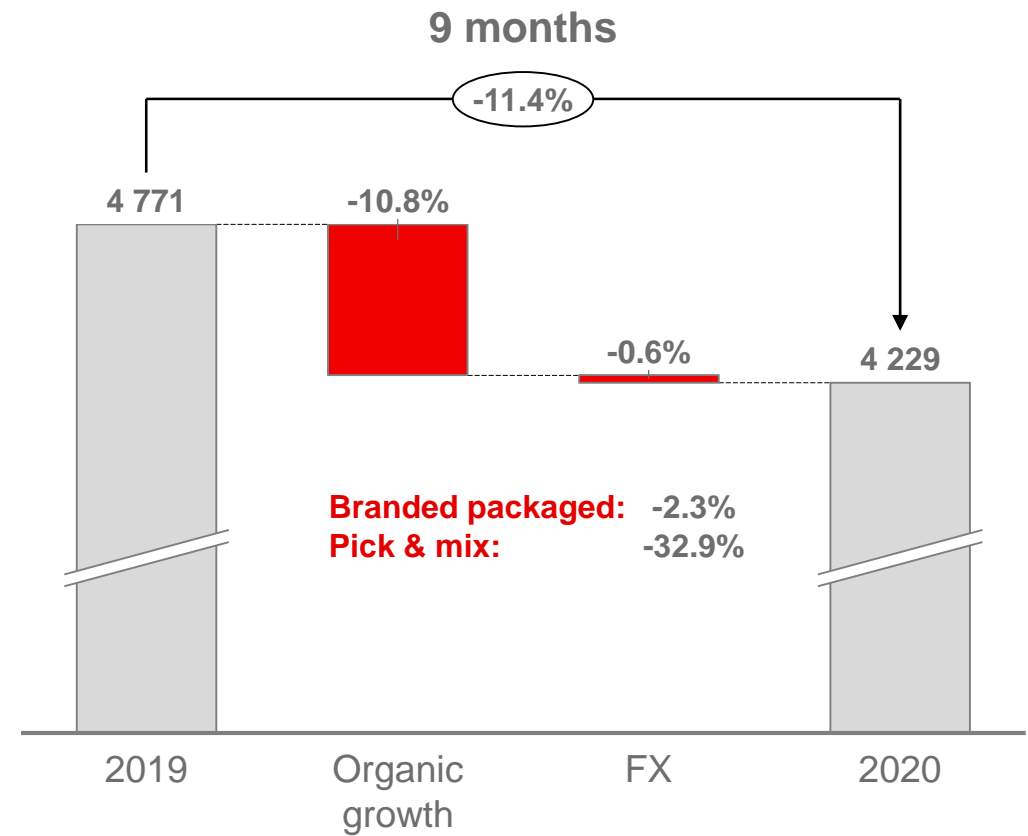
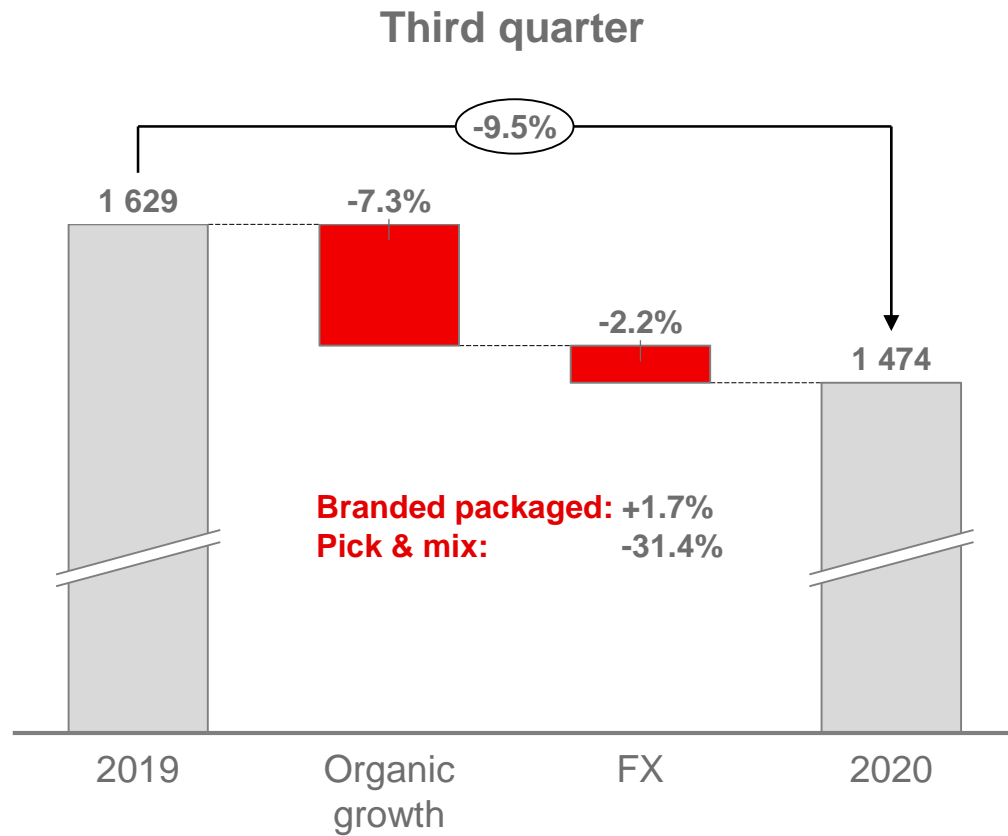
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# Net Sales

Growth in branded packaged products offset by decline in pick & mix



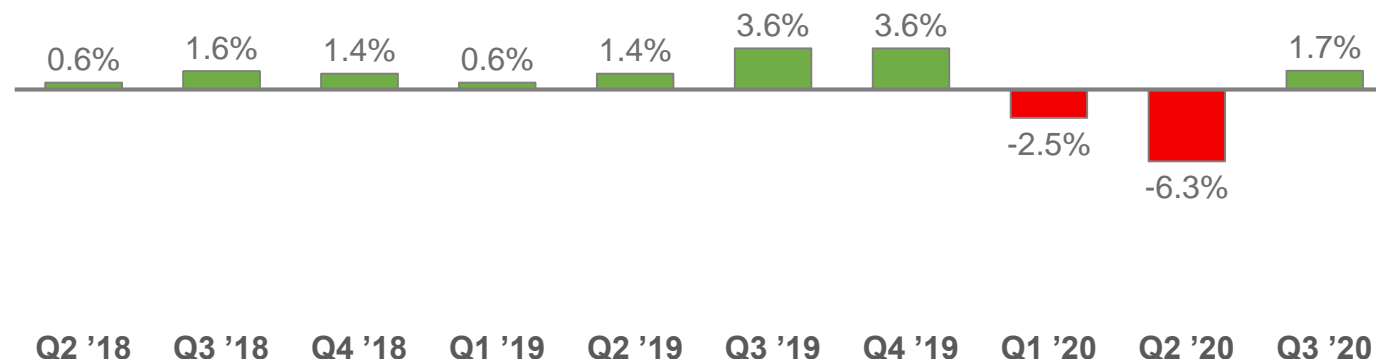
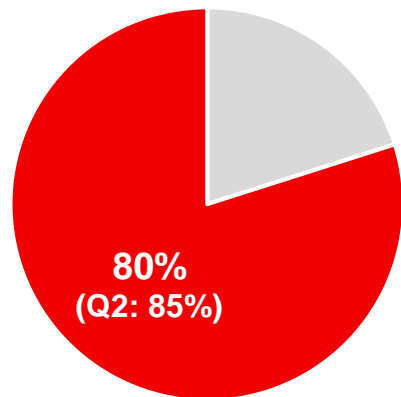
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# Sales development

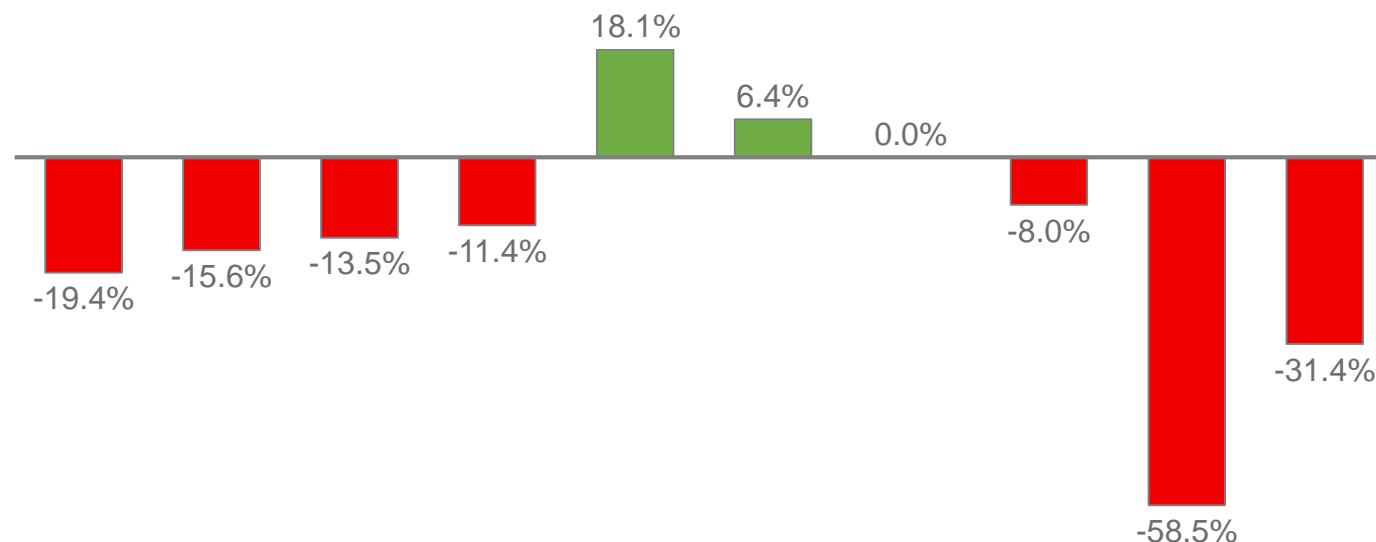
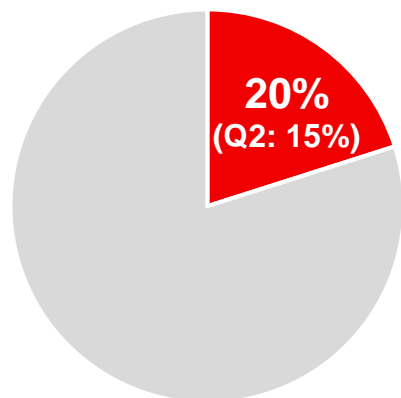
Growth in branded packaged products along with continued recovery for pick & mix sales

Branded packaged, % of Q3 '20 sales



July: +0.9%  
Aug: -0.4%  
Sep: +4.1%

Pick & mix, % of Q3 '20 sales



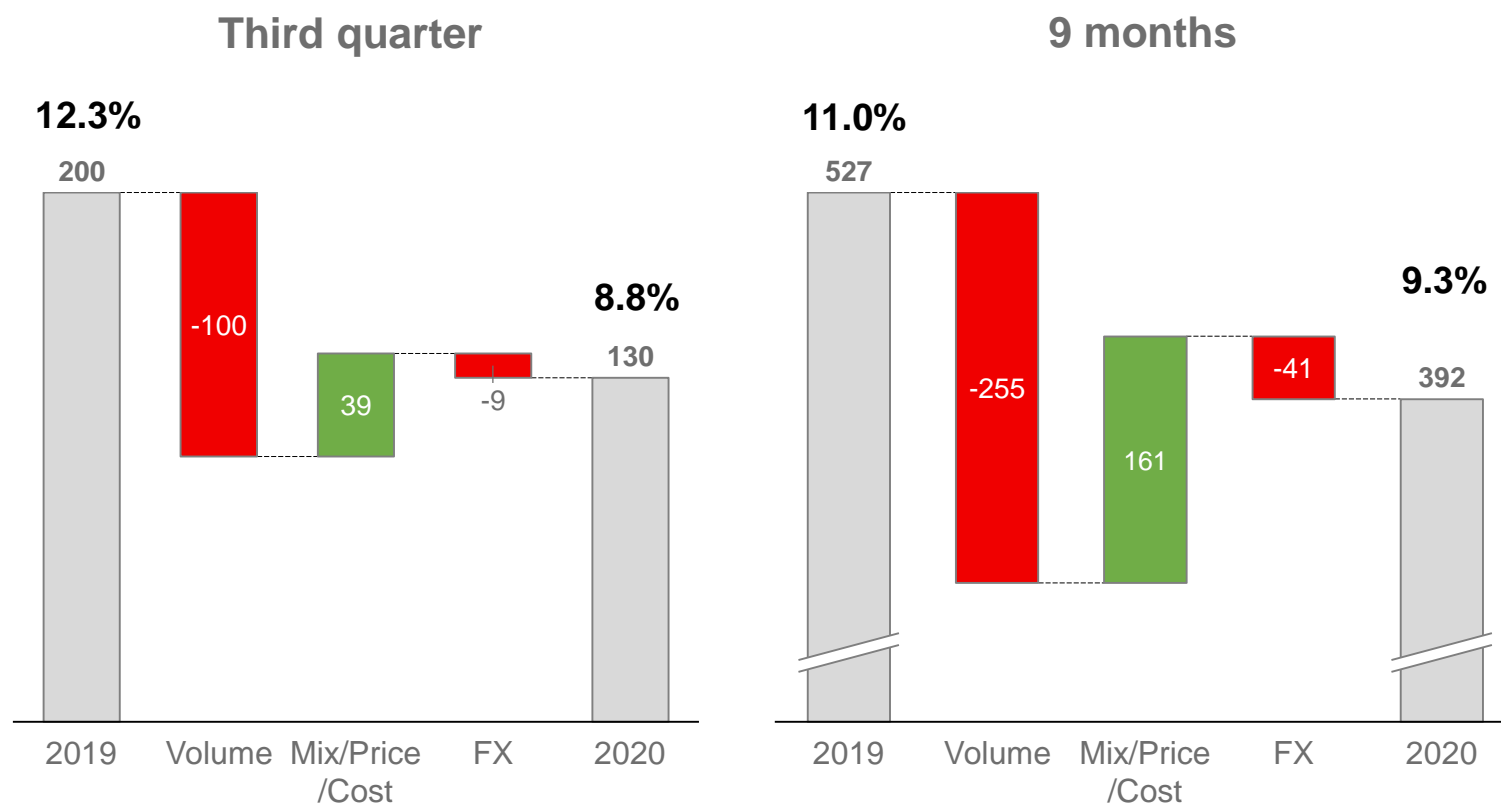
July: -27.2%  
Aug: -37.1%  
Sep: -29.6%

# Operating profit, adjusted

Strong cost control and lower costs for incentive programs partly mitigates lower volume

## Operating profit, adjusted

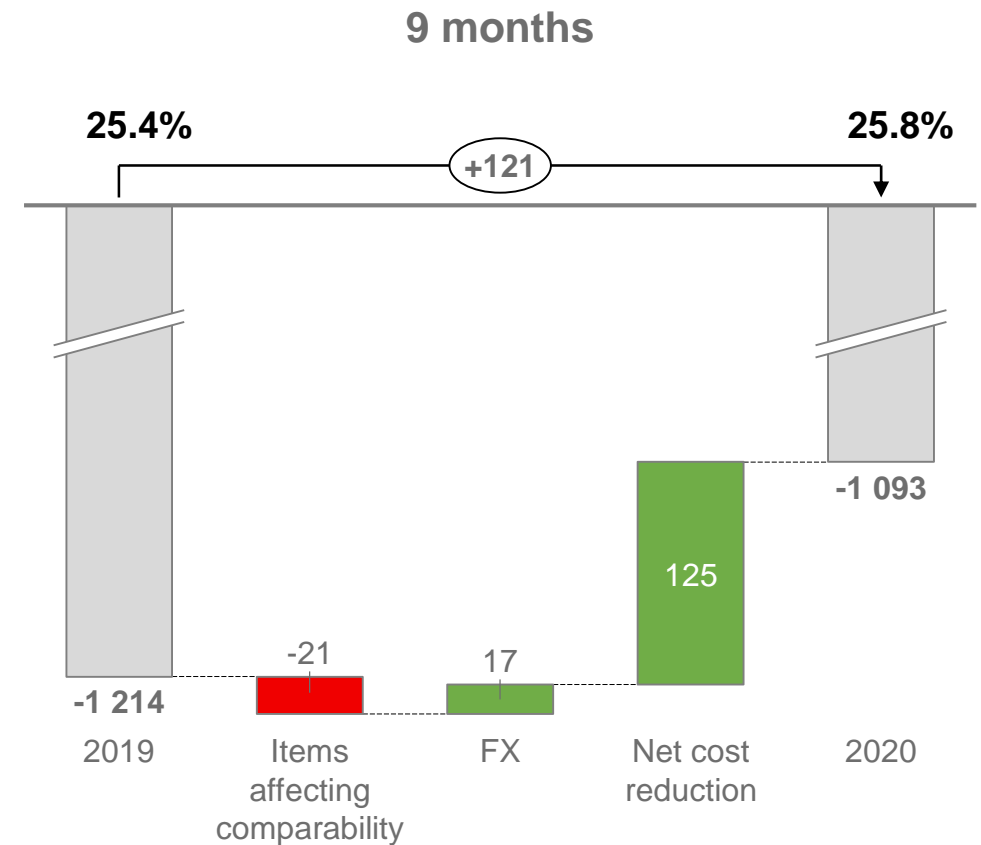
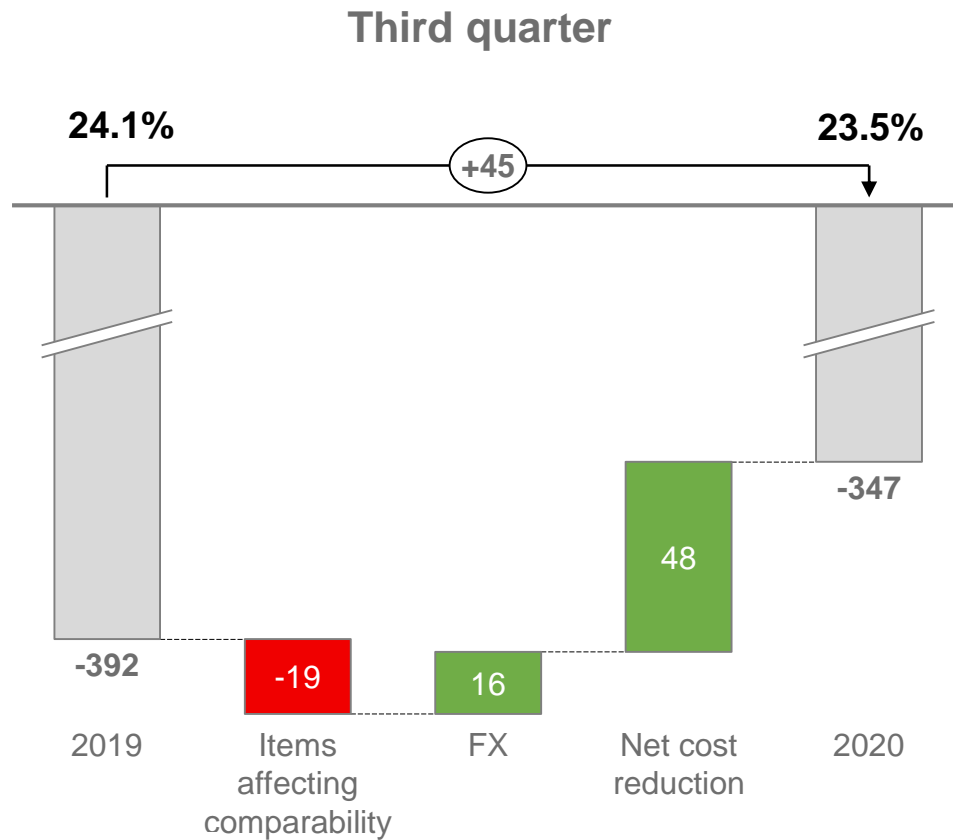
- **Lower volume key driver of decline**, totaling SEK 100m, including phasing of approximately SEK 35m in supply chain costs from Q2.
- **Volume loss partly mitigated** by strong cost control and lower costs for incentive programs of SEK 45m.
- **Cost savings** partly reinvested in A&P.



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# SG&A

SG&A driven by lower incentives while strong cost control offsets increased A&P investments

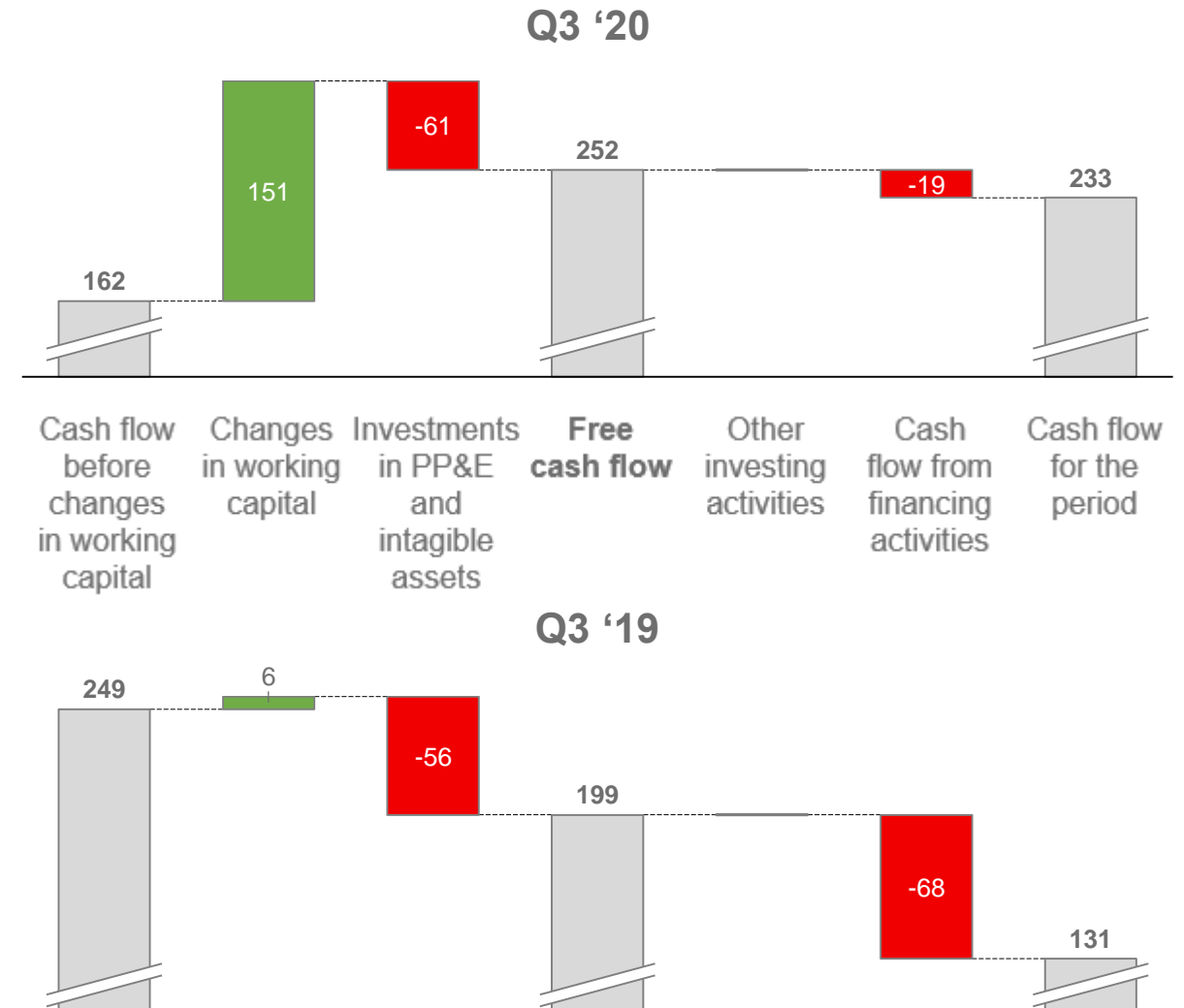


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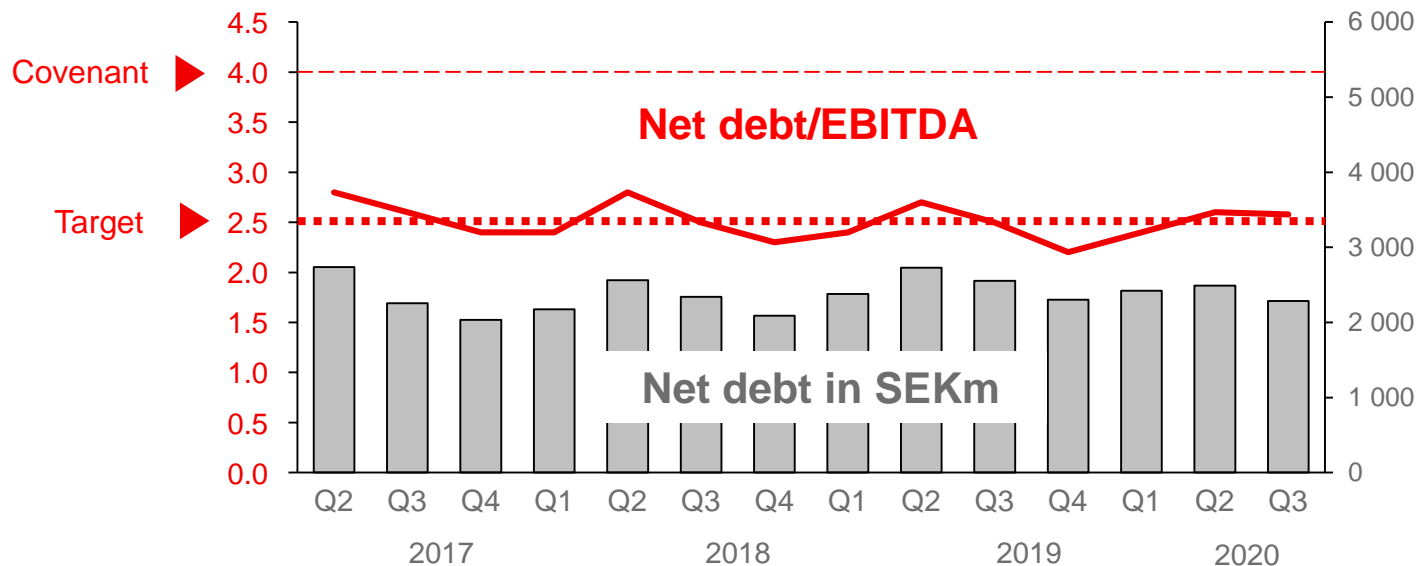
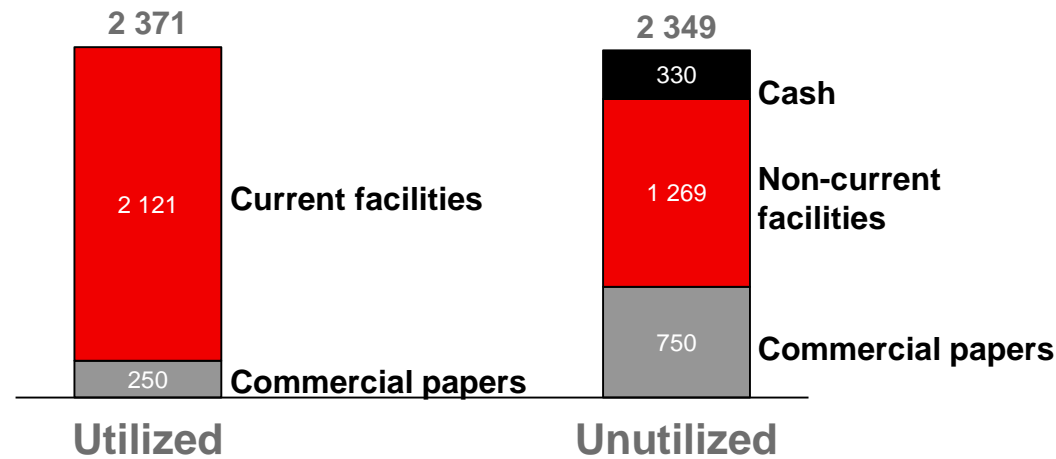
# Cash flow

Higher Free cash flow despite lower operating profit driven by improved working capital

- **Improved working capital driven by** planned reduction of finished goods inventories.
- **Higher payables offset by increase in receivables** as sales recovered compared to previous quarter.



# Strong financial position



- **Good access to cash** at more favorable terms due to improving market rates.
- **Continued compliance with covenant requirements** on Net debt/EBITDA.
- **Refinancing of current facilities** initiated and expected to be formalized in the first half of 2021.
- **Proposed dividend** of SEK 0.50 (1.00) per share.

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# Key business priorities

Prioritized activities for achieving organic growth and a 14% operating profit margin, adjusted



1

- Increased A&P investments to strengthen brand position
- Bring our sustainability agenda to our brands
- Valorization through innovation funnel
- New channel development (e-commerce, discount)

2

- Repositioning of CandyKing to a more premium concept
- Rebuilding profitability through scale, after volume drop
- Continued price increase journey
- Investing in activation programs

3

- Reorganization in Sweden to drive profitability and efficiencies
- Closure of nut manufacturing in Helsingborg
- Initiatives for both sustainable and temporary cost savings
- Enhanced focus on working capital management

# Strategic marketing agenda

## Adjacent categories



## Top 30 brands



## Valorization



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# We believe in the Power of True Joy

Opportunities for creating a positive impact in our sustainability agenda



## OUR THREE PILLARS

We provide  
choices for you 

We create joyful moments through our products. We aim to meet the variety of consumer preferences.

We care about  
people 

We support our employees, our suppliers and farmers, as well as our communities.

We improve our  
planet footprint 

Our business depends on the environment. We own our responsibility for our impacts; from sourcing to packaging.

## Q3 HIGHLIGHTS

Joy from nature

We're deepening our understanding of the holistic sustainability impact of switching colors and flavors to natural sources.

Community Involvement

We're mapping where Cloetta is involved in the local communities and finding ways to support and communicate ongoing and new efforts.

Climate Action

We joined the Science Based Targets initiative to develop targets for reducing our total carbon footprint.

# Q4 2020: Expected impact from COVID-19



## **Branded packaged products**

- Sales of branded packaged products expected to be around the prior year's level.
- Branded product mix to gradually improve.



## **Pick & mix**

- Sales expected to continue to gradually improve.
- Several quarters until the full consumer demand returns.



## **Operating profit, adjusted**

- Expected to gradually get stronger, ending the year on double-digit margins.

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The background of the image is a dense, close-up shot 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, repetitive pattern. The lighting is even, highlighting the smooth, slightly glossy surface of the pills.

**Q&A**



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