



Cloetta

Q4 2020 result – 28 January 2021

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Key messages Q4 2020

- Sales recovery transitioned into new slowdown following 2nd wave impact
- Branded food retail up, branded other channels and P&M down
- Total P&M generated a negative EBIT of ~SEK 135m in 2020
- Continued strong cost control through the VIP+ cost program; >SEK 130m since start 2019
- Dividend proposal of SEK 0.75 per share

"Maintained focus on the future in a challenging environment."



Agenda

1. Sales results

2. Financials

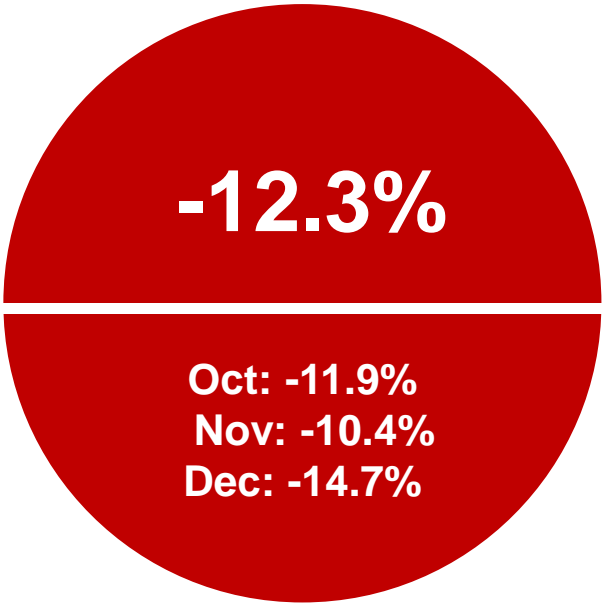
3. Strategic update

4. Q&A

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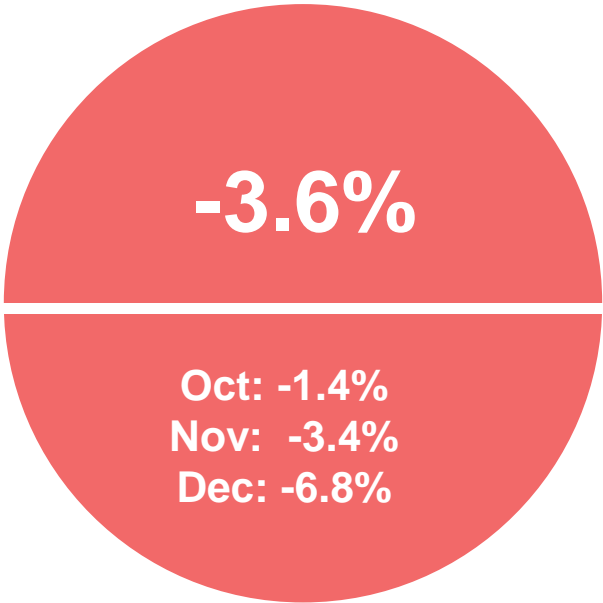
Q4 2020: Recovery transitioned into slowdown

Total
Organic sales growth



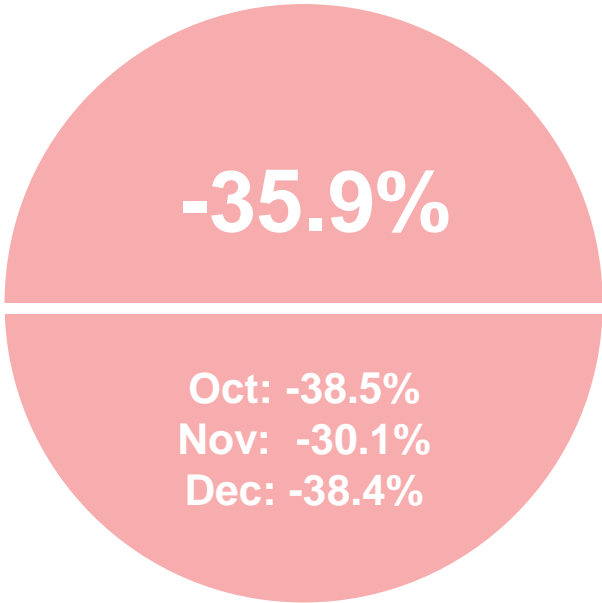
Monthly organic sales growth

Branded packaged
Organic sales growth



Monthly organic sales growth

Pick & mix
Organic sales growth



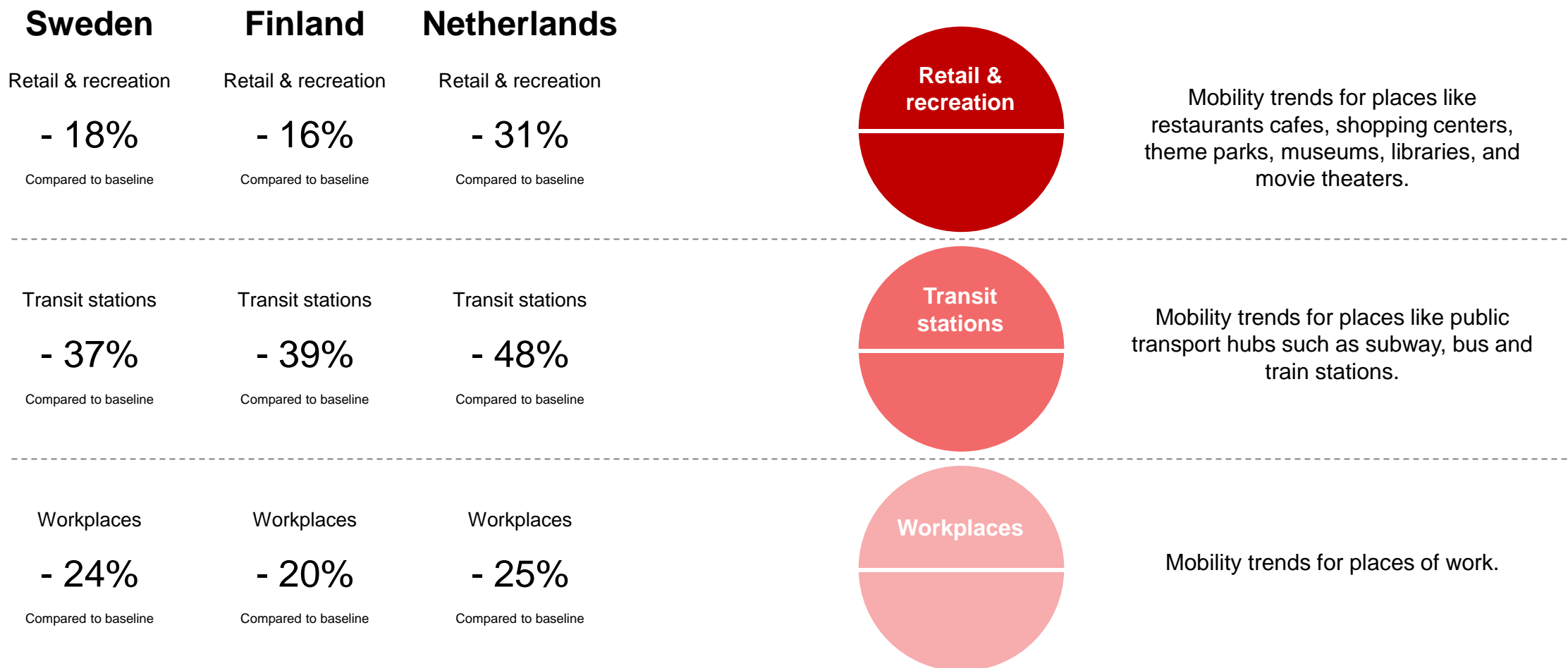
Monthly organic sales growth

-11.2% organic sales growth YTD

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Decreased mobility across markets

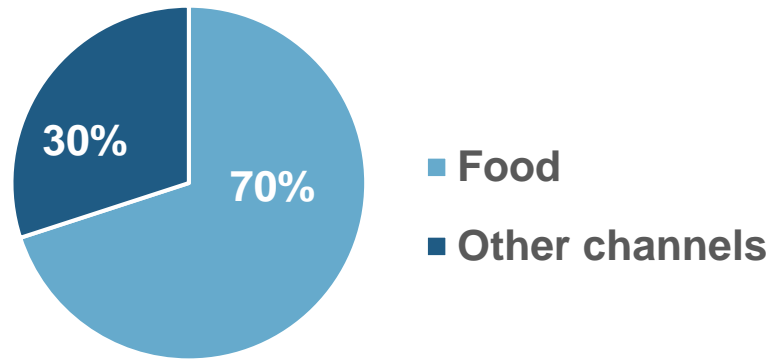
Google COVID-19 Community Mobility Report; Q4



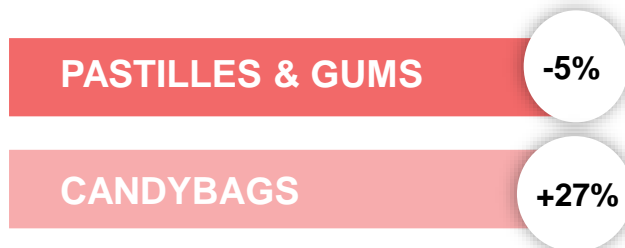
Source: Google COVID-19 Community Mobility Reports. % compared to baseline, which is the median value from the 5-week period Jan 3 – Feb 6, 2020.

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 41-52, 2020.
Candybags and pastilles; FI, DK, NO, SWE. Gums; FI.






Status of branded packaged

- Increased demand in Food, including e-commerce
- Closure or fewer shoppers in other channels
- Negative product mix from less impulse sales

Actions

- ✓ Step up in brand investment in top 25 brand positions
- ✓ Very strong innovation program 2021
- ✓ Step up in e-commerce resource and investment
- ✓ Valorization and Value for Money
- ✓ Focus on POS for Pastilles & Gum category
- ✓ Sustainability part of marketing agenda

Pick & Mix

	Channels			Consumer activation			Consumer demand		
	Q2	Q3	Q4	Q2	Q3	Q4	Q2	Q3	Q4
	●	●	●	●	●	●	↓	↘	↓
	●	●	●	●	●	●	→	↑	↑
	●	●	●	●	●	●	↓	↓	↓
	●	●	●	●	●	●	↓	↘	↓
	●	●	●	●	●	●	↓	↓	↓

Status of pick & mix

- Nordic channels & fixtures open, UK channel closure
- Majority of customers have not reinstated planned consumer activation
- Recovery of base consumer demand will take time

Actions to mitigate

- ✓ Working to reinstate consumer activation
- ✓ Accelerating launch of upgraded CandyKing
- ✓ Pricing for increased merchandizing cost/kg
- ✓ CandyKing and ViaPlay partnership
- ✓ Renegotiated and extended pick & mix contracts to become profitable
- ✓ Strong unique product launches P&M only

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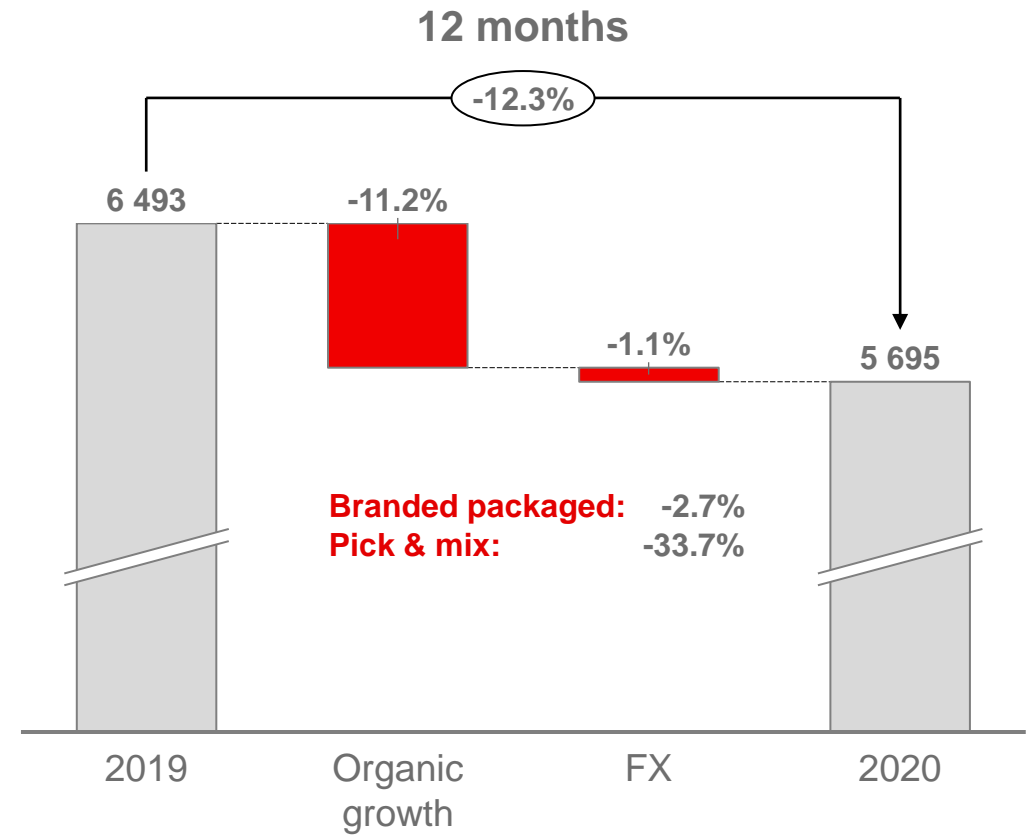
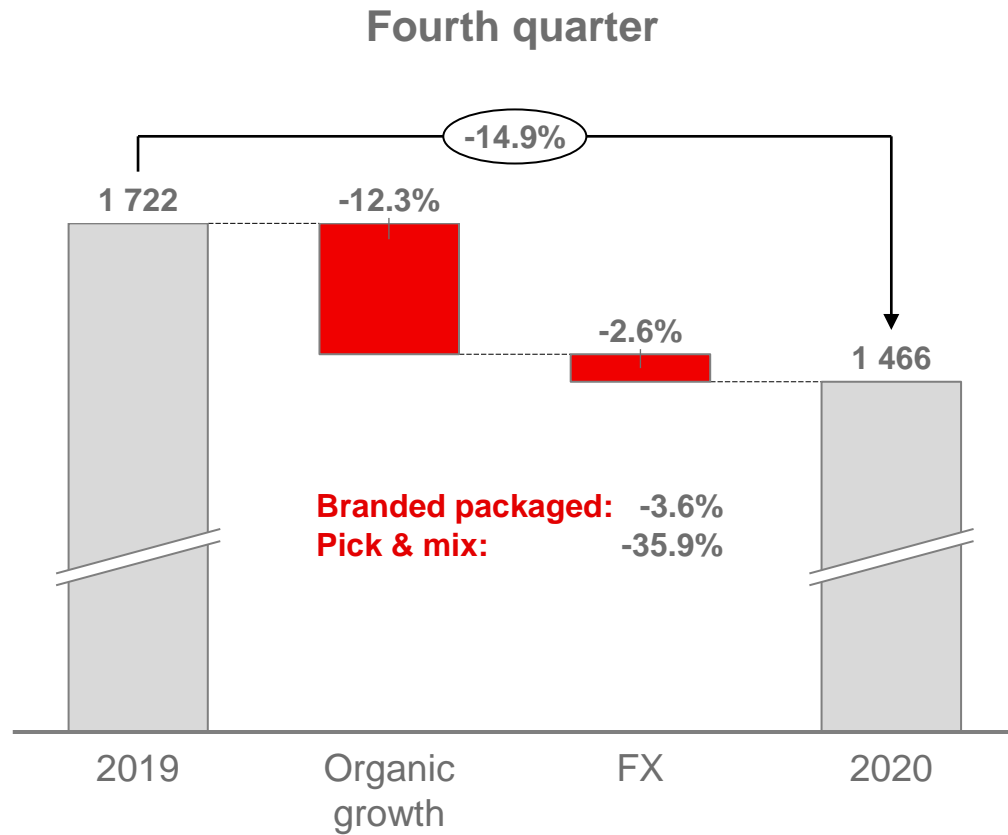
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Net Sales

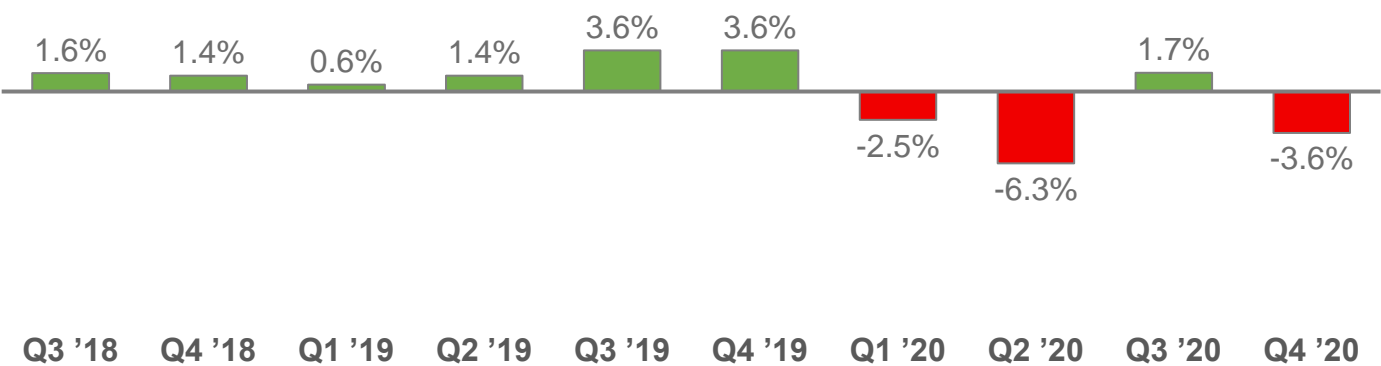
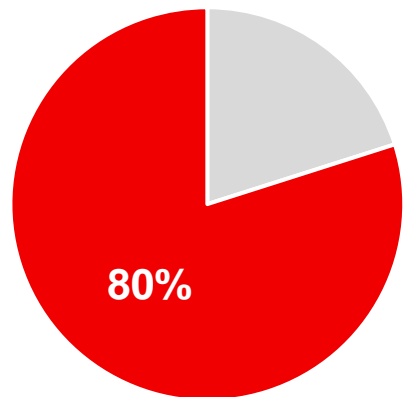
Gradual recovery in Q3 transitioned into decline in Q4



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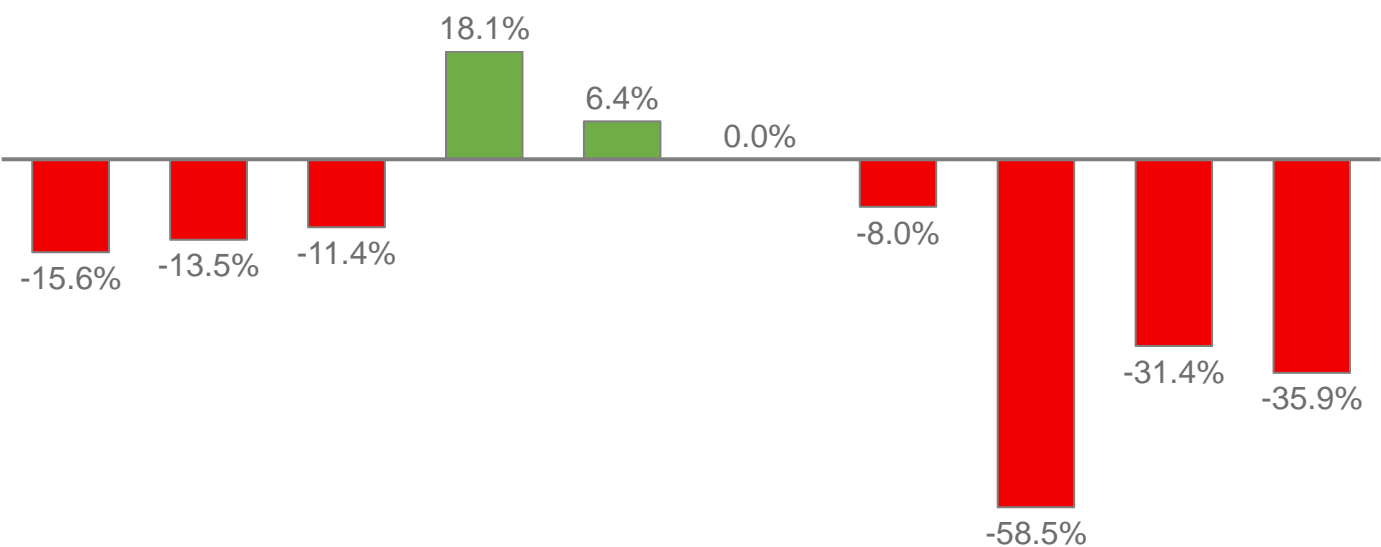
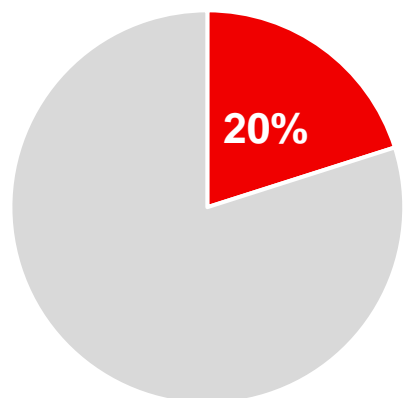
Sales development

Branded packaged, % of Q4 '20 sales



Oct: -1.4%
Nov: -3.4%
Dec: -6.8%

Pick & mix, % of Q4 '20 sales



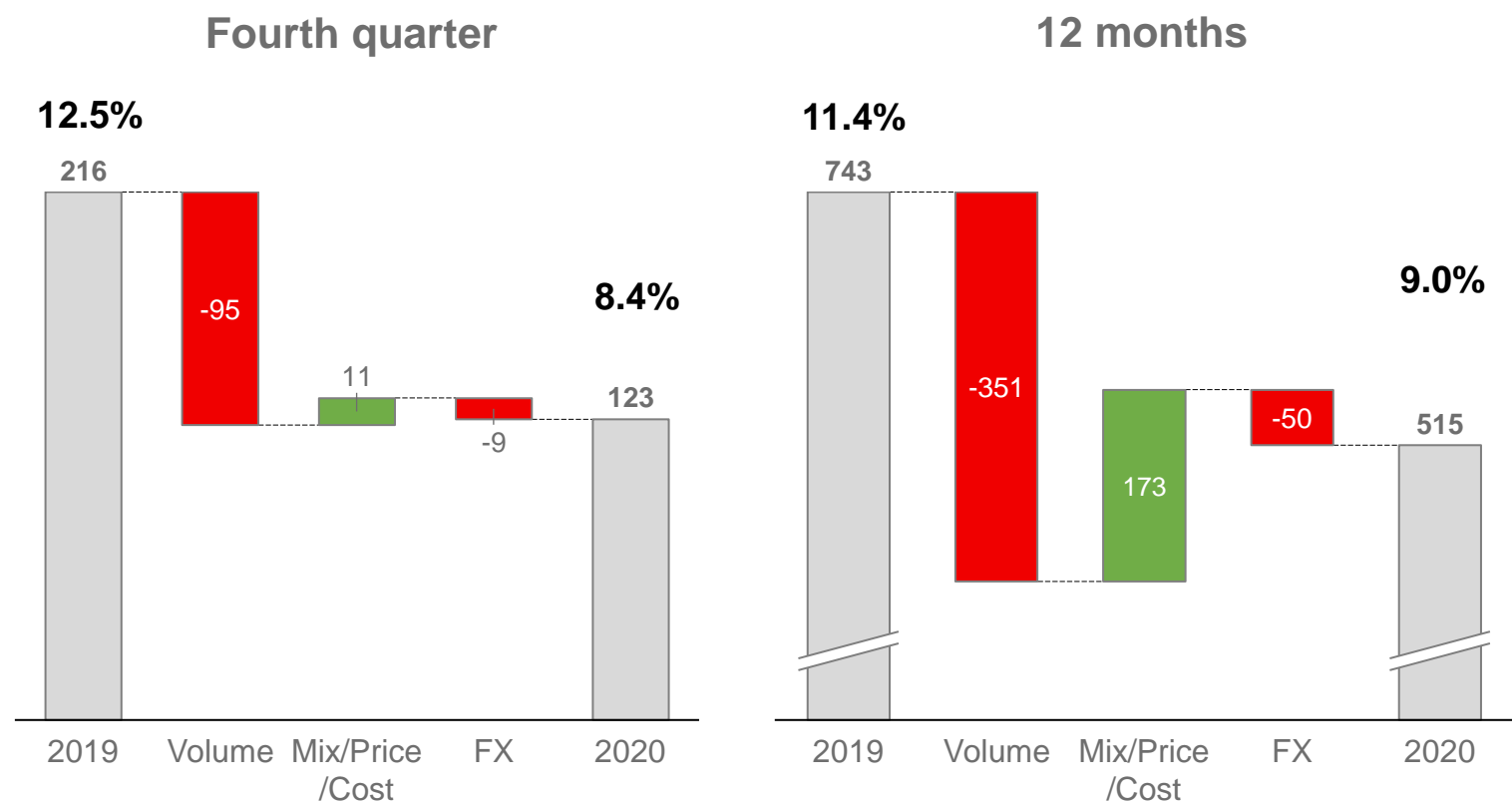
Oct: -38.5%
Nov: -30.1%
Dec: -38.4%

Operating profit, adjusted

Strong cost control partly mitigates lower volumes and higher marketing investments

- **Lower volume and unfavorable mix** key drivers of decline.
- **Volume loss partly mitigated** by strong cost control.
- **Cost savings** partly reinvested in marketing.

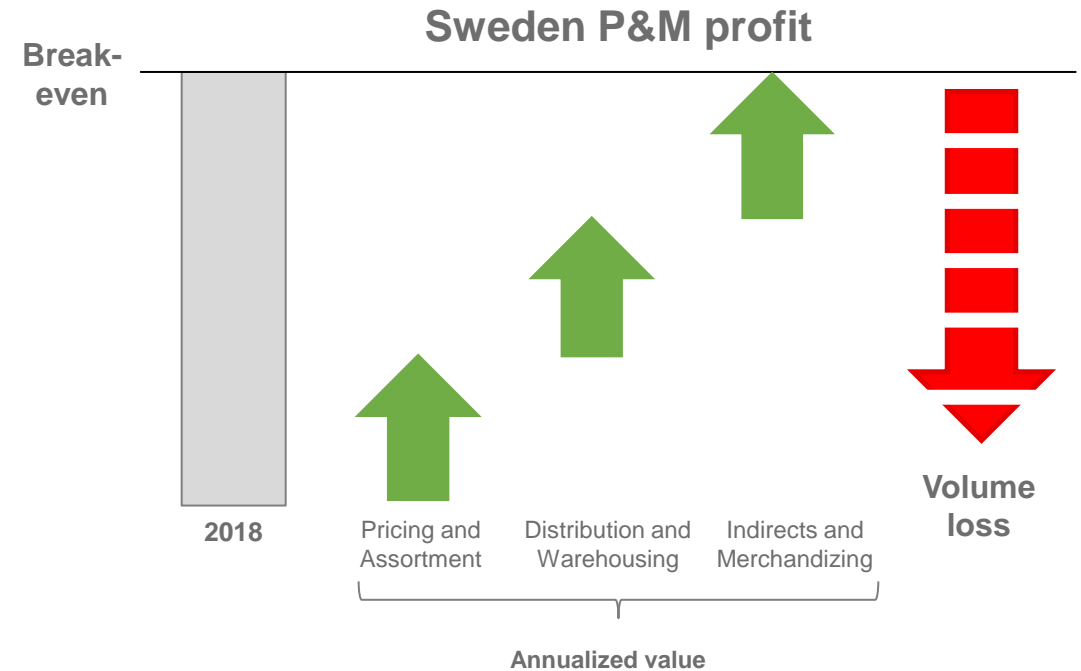
Operating profit, adjusted



Sweden P&M profitability

Sweden P&M profit journey

- **Since disclosing the loss generated** by the Swedish pick & mix business two years ago, a number of margin-enhancing initiatives have been taken.
- **These actions would have brought** the Swedish pick & mix business to break-even by the end 2020.
- **Given the significant volume loss** due to COVID-19 the effect has been delayed by around one year.

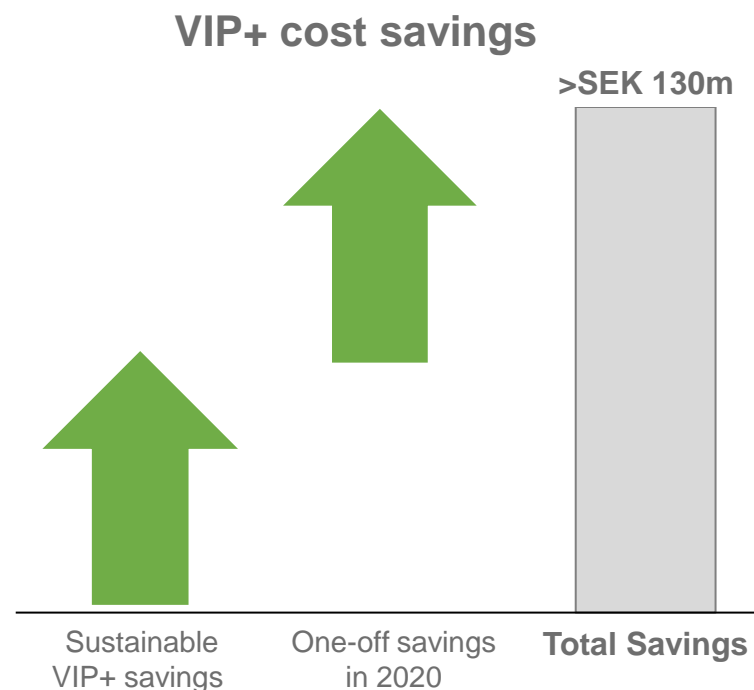


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Value Improvement Program+

Significant savings from the VIP+ program

- **Since 2019 the VIP+ cost program** has enabled >SEK 130m in reduced SG&A costs.
- **Half of the saving is of one-off nature** as response to COVID-19 and from lower volumes.
- **~SEK 30m of the saving** has been reinvested to strengthening our brands and marketing capabilities.

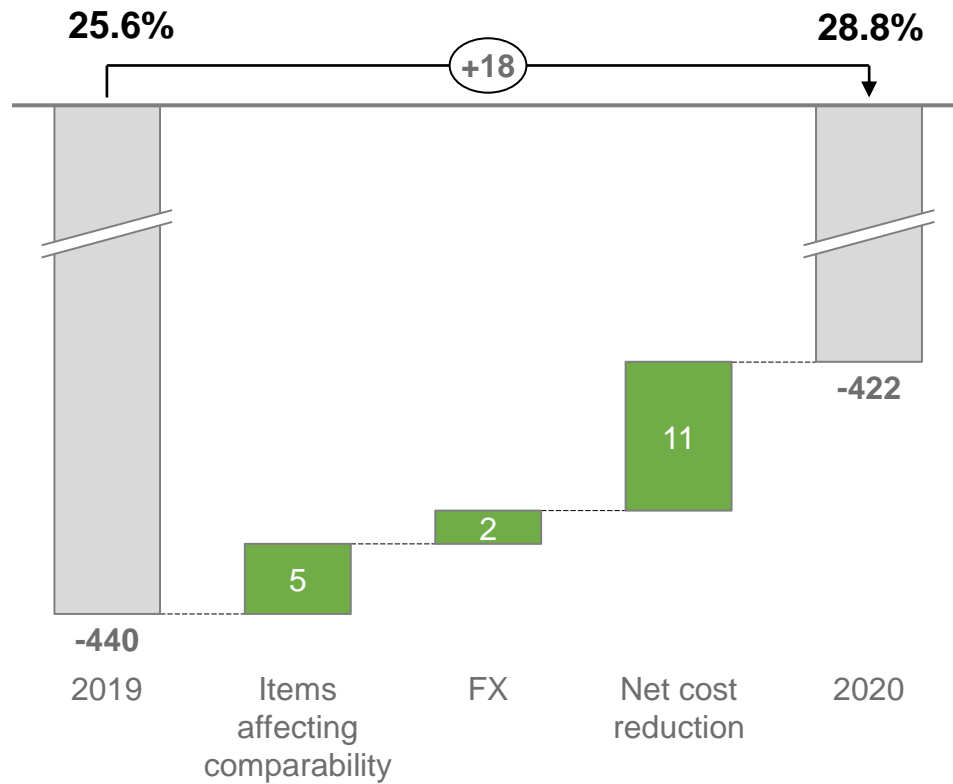


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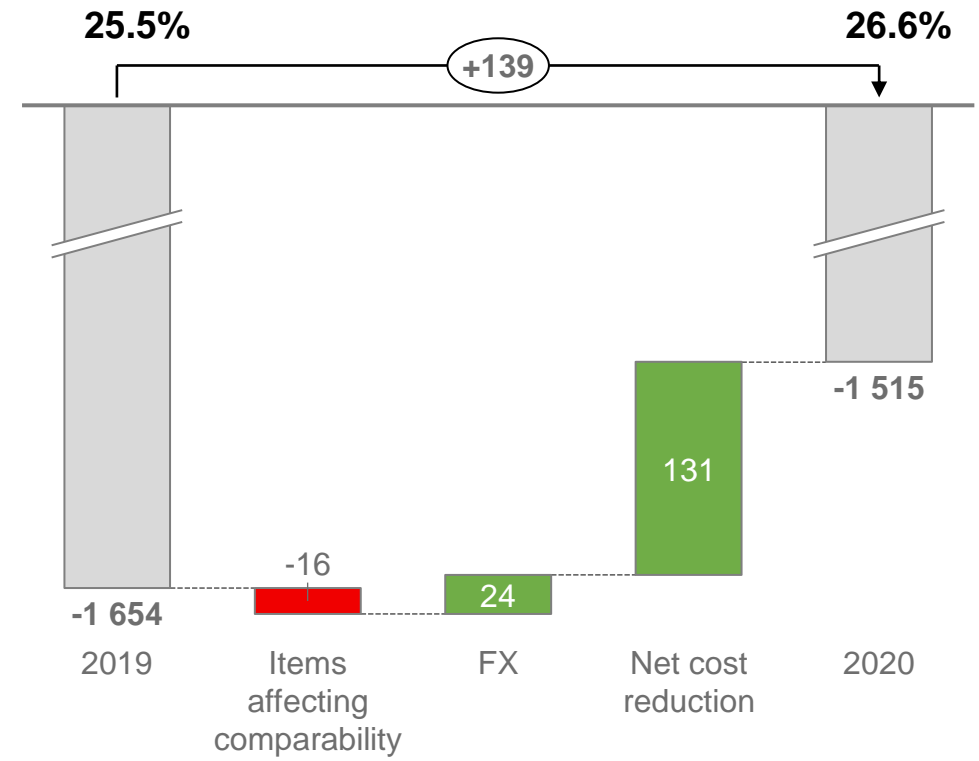
SG&A

Strong cost control offsets increased marketing investments

Fourth quarter



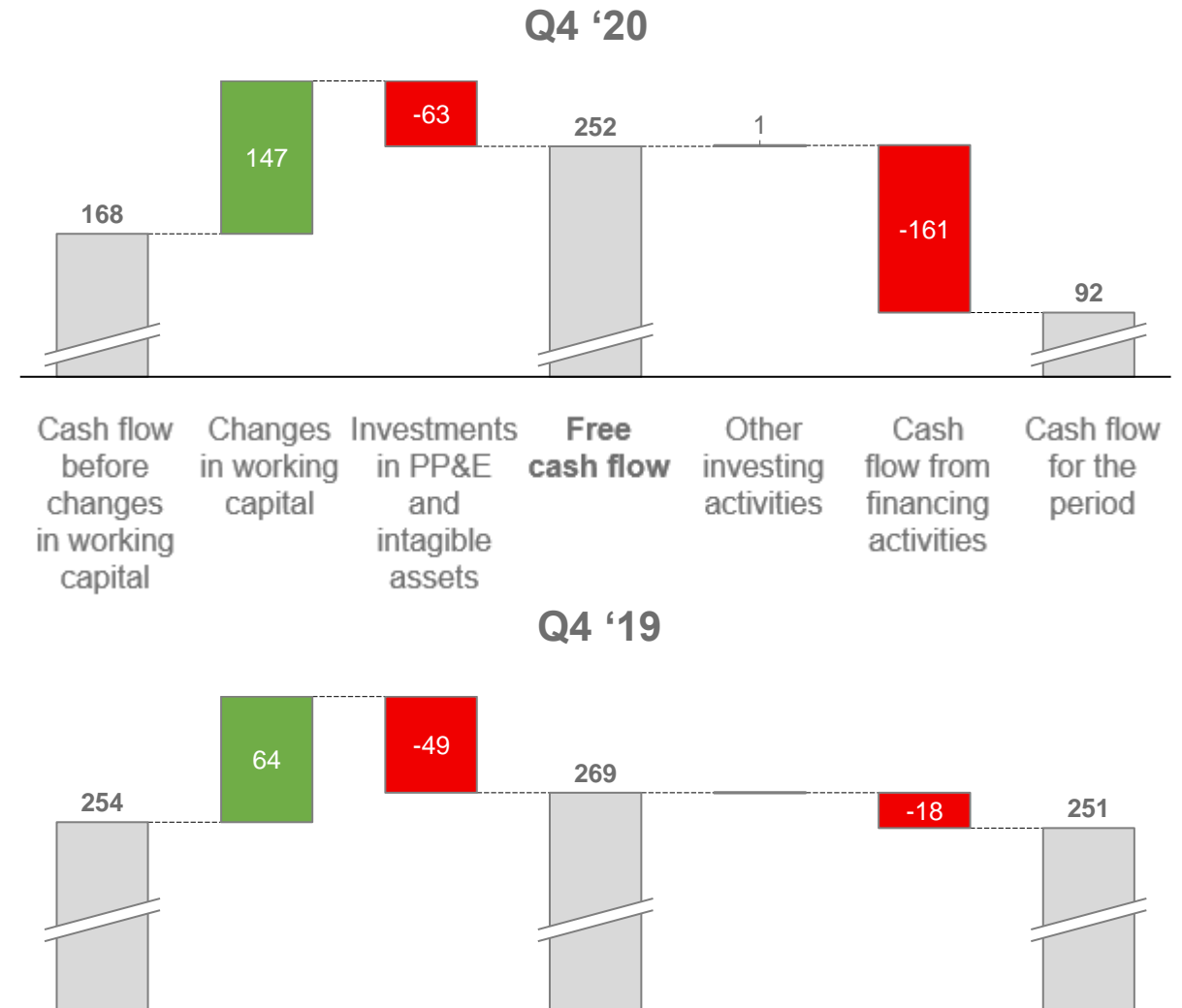
12 months



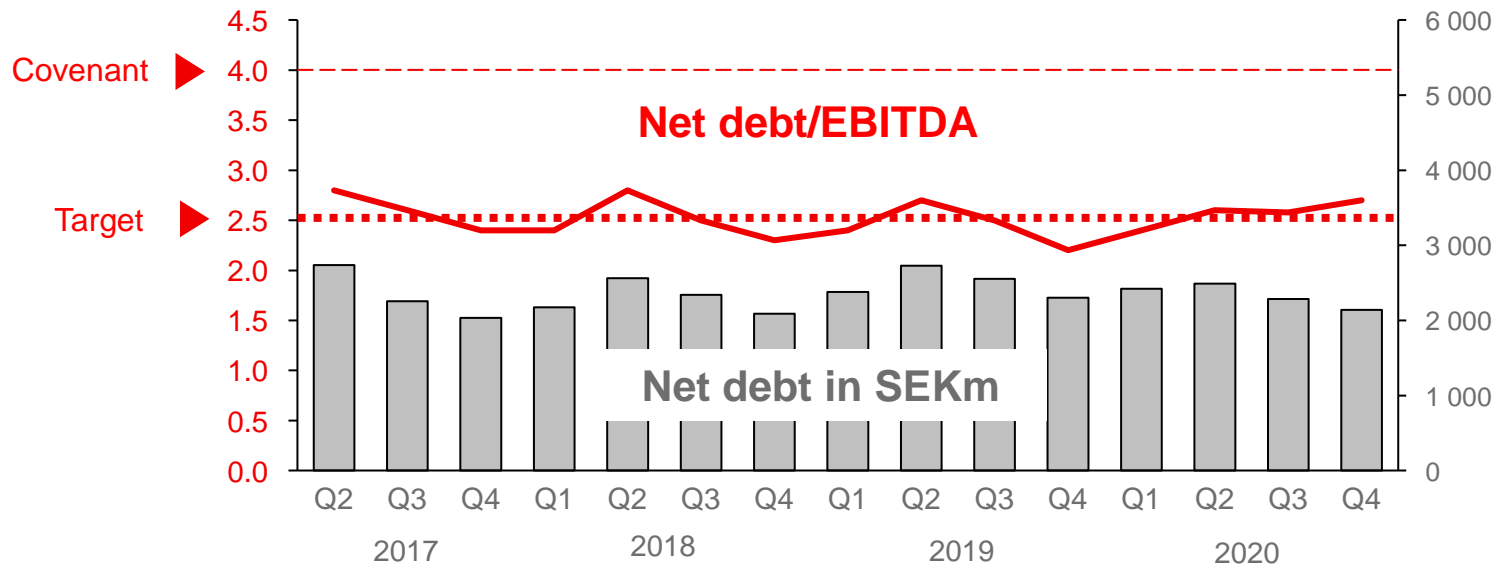
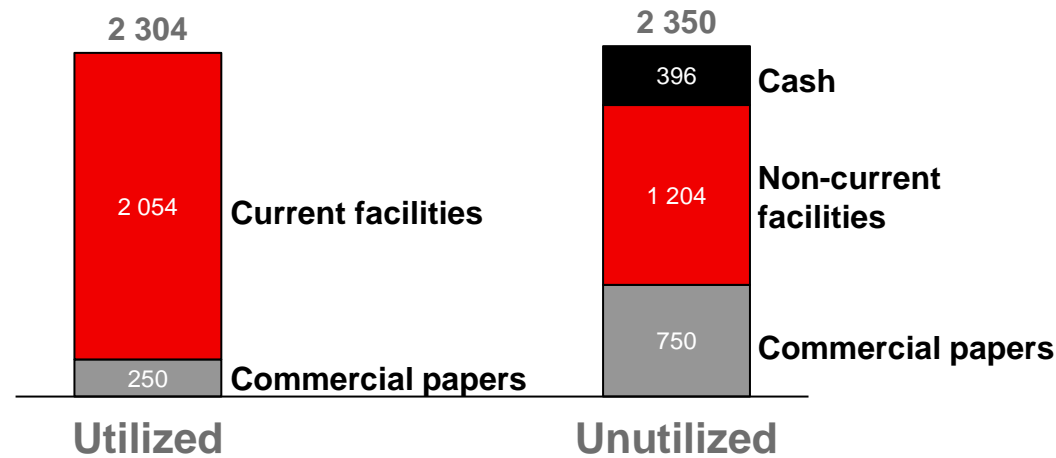
Cash flow

Strong free cash flow as favorable working capital offsets operating profit shortfall

- **Working capital driven by** lower receivables as a result of lower sales, and reduced inventories.
- **Continued higher CAPEX investments;** full-year CAPEX at ~5% of net sales.
- **Dividend distribution** in Q4 resulted in higher cash out flow from financing activities.



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** to be finalized in the first half of 2021.
- **Proposed dividend** of 0.75 (0.50) per share.

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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 take responsibility for our impacts; from sourcing to packaging.

Q4 HIGHLIGHTS

Joy from nature

- Assessing sustainability impact of switching colors and flavors to non-artificial sources.

Partnerships

- Extending agreement to support shea farmers.
- [2-year pilot project](#) with Rainforest Alliance on living income for cocoa farmers.

Sustainable Sourcing

- New supplier code of conduct.
- Strong progress on PlantPack.

Key business priorities

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



1

- Increased A&P to strengthen top 25 brand positions
- Valorization through innovation funnel
- Perfect execution Big Hit innovations 2021
- Start of Net Revenue Management initiative

2

- COVID-19 delays profitability in Sweden by ~1 year
- Total P&M generating negative EBIT of ~SEK 135m in 2020
- Rebuilding volumes critical for profitability given fixed costs
- Piloting new lid in UK with stronger hygienic cues
- Roll-out of upgraded CandyKing in all markets

3

- Reorganization in Sweden executed
- Completed closure of nuts manufacturing ahead of schedule
- VIP+ enabled >SEK 130m in reduced SG&A since 2019
- Continued focus on VIP+ in 2021
- Further insourcing to exploit full capacity

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Q&A



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