



# Cloetta

**Q3 2021 result – 29 October 2021**

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# Key messages Q3 2021

- Sales of Branded packaged products at highest Q3 levels ever
- Continued recovery of Pick & mix volumes; profitability back to pre-pandemic level
- Strong sales momentum allowed marketing spend in line with 2019 level
- Largest CandyKing media campaign ever rolled out across Scandinavia
- SBTi submission; reducing absolute greenhouse gas emissions by 46% by 2030
- Migration of ERP system to the cloud; savings and enhanced functionality
- Net debt/EBITDA below targeted 2.5x and net debt levels at an all-time low
- Pricing and other actions to mitigate surging input costs and supply chain challenges

***“Continued strong growth and improved profitability.”***



# Agenda

**1. Sales results**

**2. Financials**

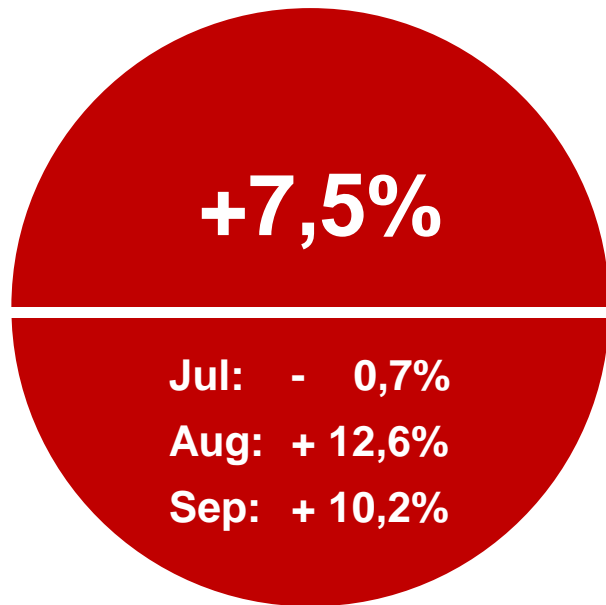
**3. Strategic update**

**4. Q&A**

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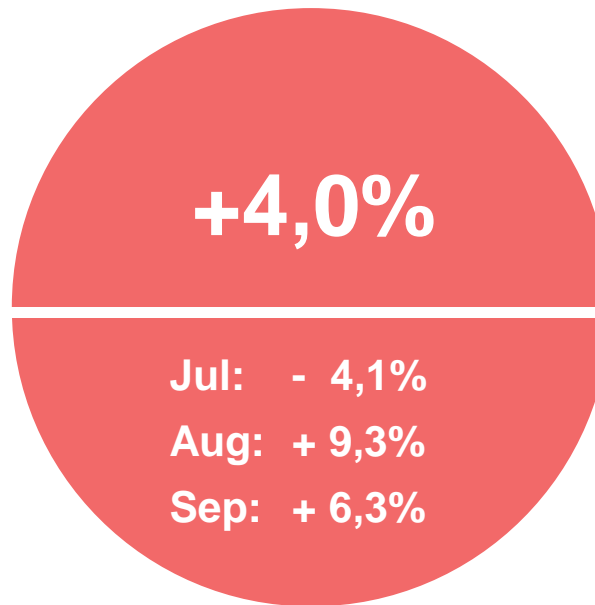
# Q3 2021: Strong growth across both segments

**Total**  
Organic sales growth



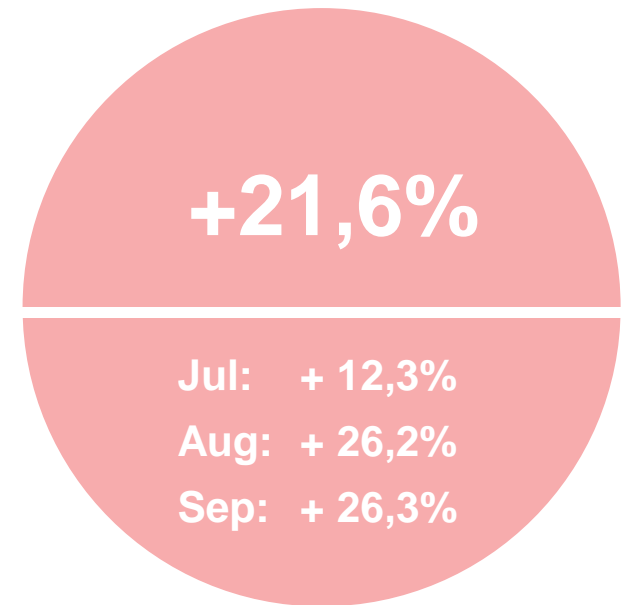
Monthly organic sales growth

**Branded packaged**  
Organic sales growth



Monthly organic sales growth

**Pick & mix**  
Organic sales growth

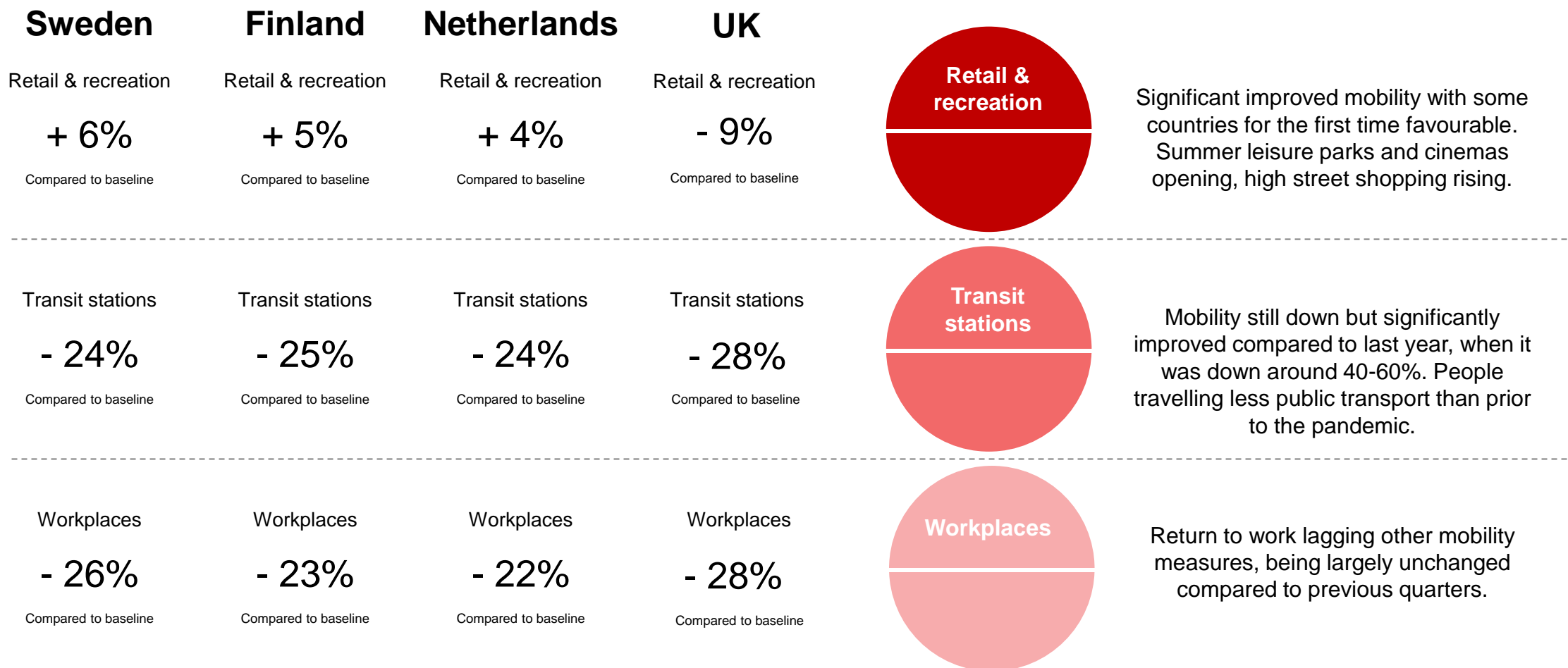


Monthly organic sales growth

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# Increased mobility across markets

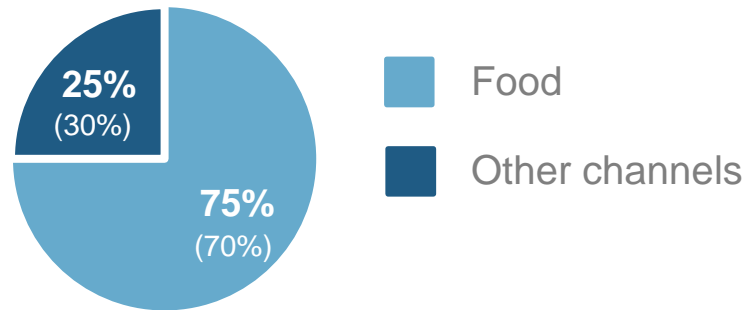
Q3 Google Covid-19 Mobility Report; retail sees uplift, work and transit stations still low traffic



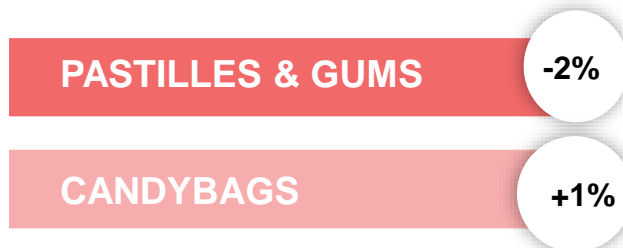
Source: Google COVID-19 Community Mobility Reports. % compared to baseline, which is the median value from the 5-week period Jan 3 – Feb 6, 2020.

# Branded packaged

## 2020 branded sales by channel\*



## Last 3 months market data\*\*



\* Approximate % based on 2020 (2019) full year figures

\*\*Nielsen, Kesko, SOK market data, Q3, 2021. Candybags and pastilles; FI, DK, NO, SWE. Gums; FI.

## Confectionery category trends






- Traffic increasing in other channels, including travel retail, kiosks, petrol
- Pastilles and gums still below 2020 levels
- Candy bags and chocolate above 2020 levels, despite tough comps and Pick & mix recovery

## Actions

- ✓ Keep focus on strengthening top 25 brand positions
  - Clarity on all brand positionings
  - Building stronger marketing capabilities
  - Increasing share of working media
- ✓ Support strategic launches like Real Fruit
- ✓ Penetration program for pastilles and gum brands



# Pick & mix

	Channels			Consumer activation			Consumer demand		
	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3
	●	●	●	●	●	●	↓	↘	↗
	●	●	●	●	●	●	↑	↑	↑
	●	●	●	●	●	●	↓	↘	↗
	●	●	●	●	●	●	↓	↘	↗
	●	●	●	●	●	●	↓	↘	↗

## Pick & mix category trends

- All channels open, including the UK
- Growing consumer confidence (vs 2020, but below 2019), in base sales
- Slow progress of consumer price promotions across markets

## Actions for sustainable value growth

- ✓ Premium CandyKing 2.0 concept live in all markets
- ✓ CandyKing Premium mix Finland showing great sales and shopper results
- ✓ Largest CandyKing media campaign ever launched
- ✓ Efficiency program delivering



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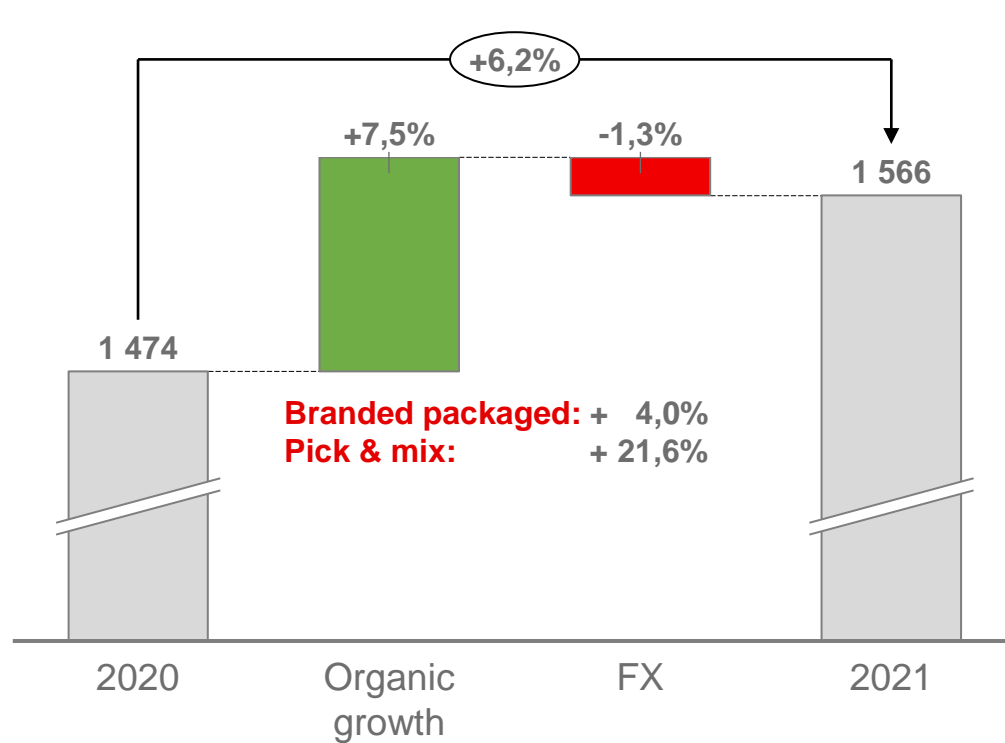
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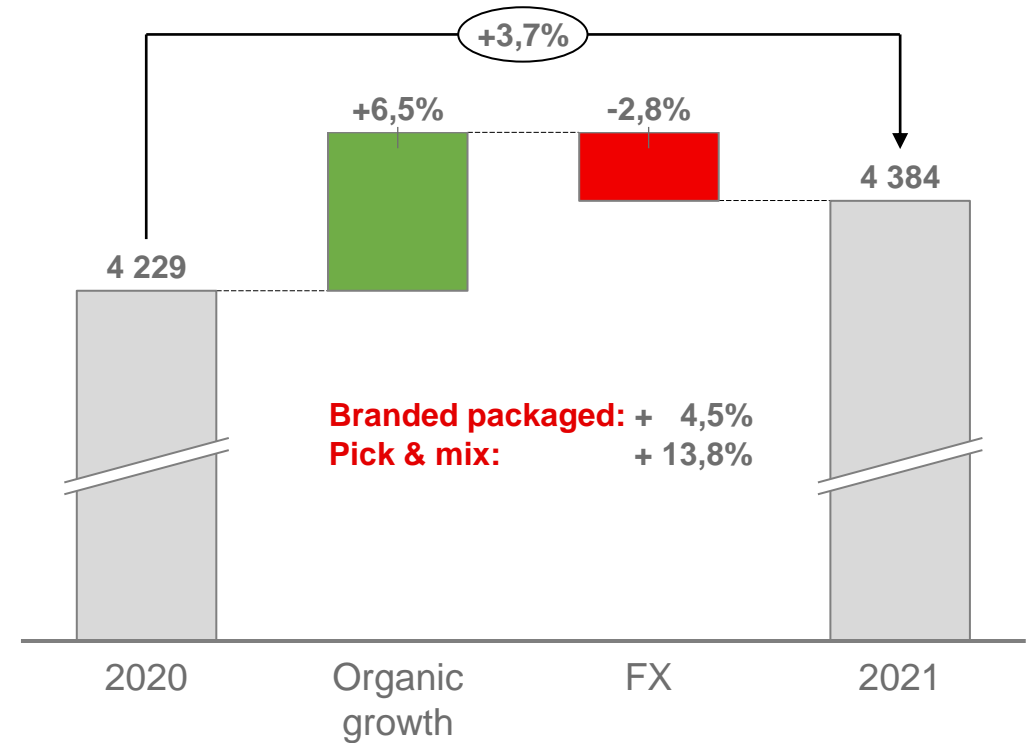
# Net Sales

Branded packaged sales above pre-pandemic levels and steady volume recovery for Pick & mix

Third quarter



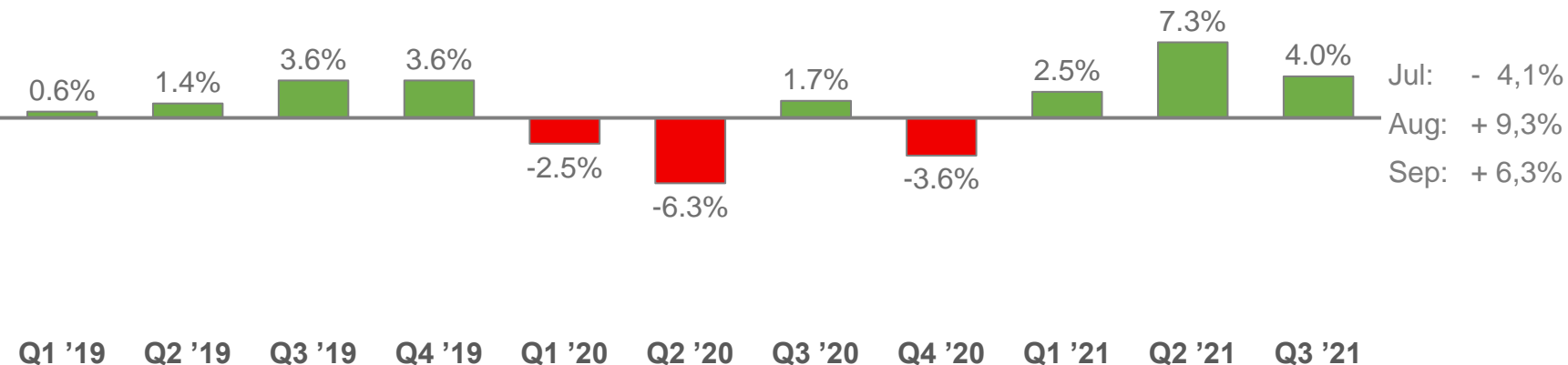
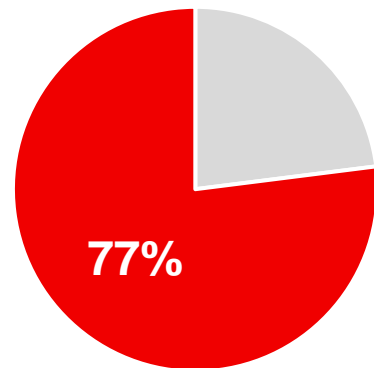
9 months



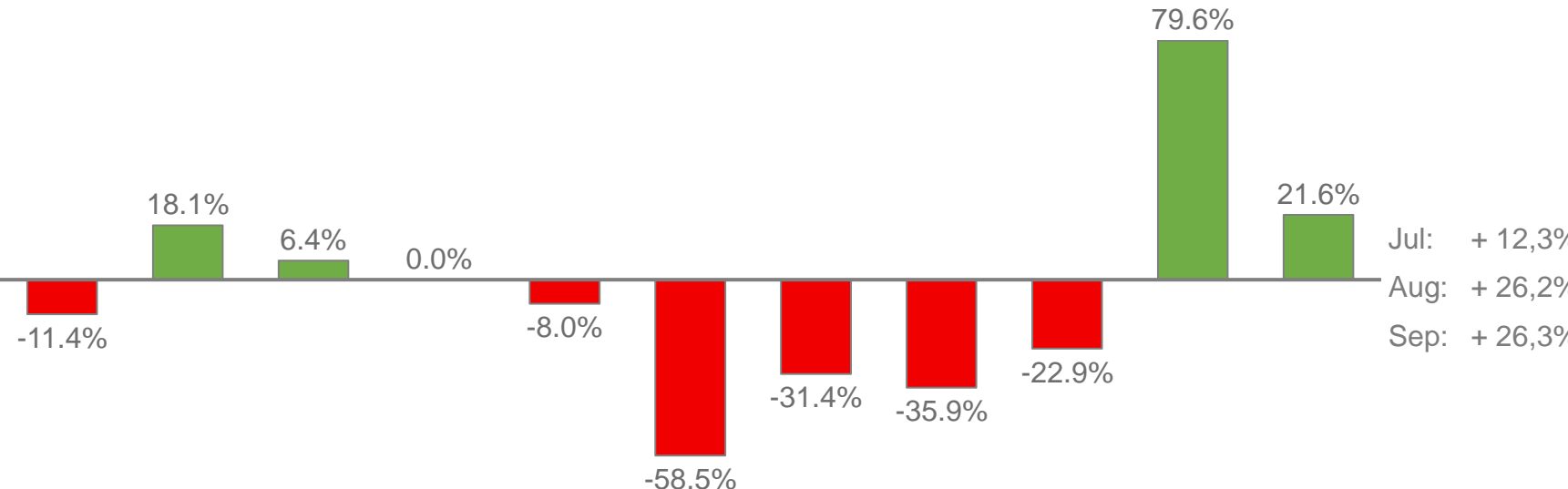
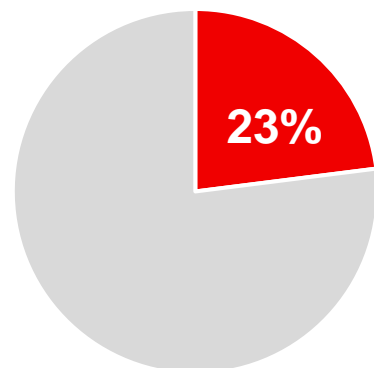
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# Sales development

Branded, % of Q3 '21 sales



Pick & mix, % of Q3 '21 sales

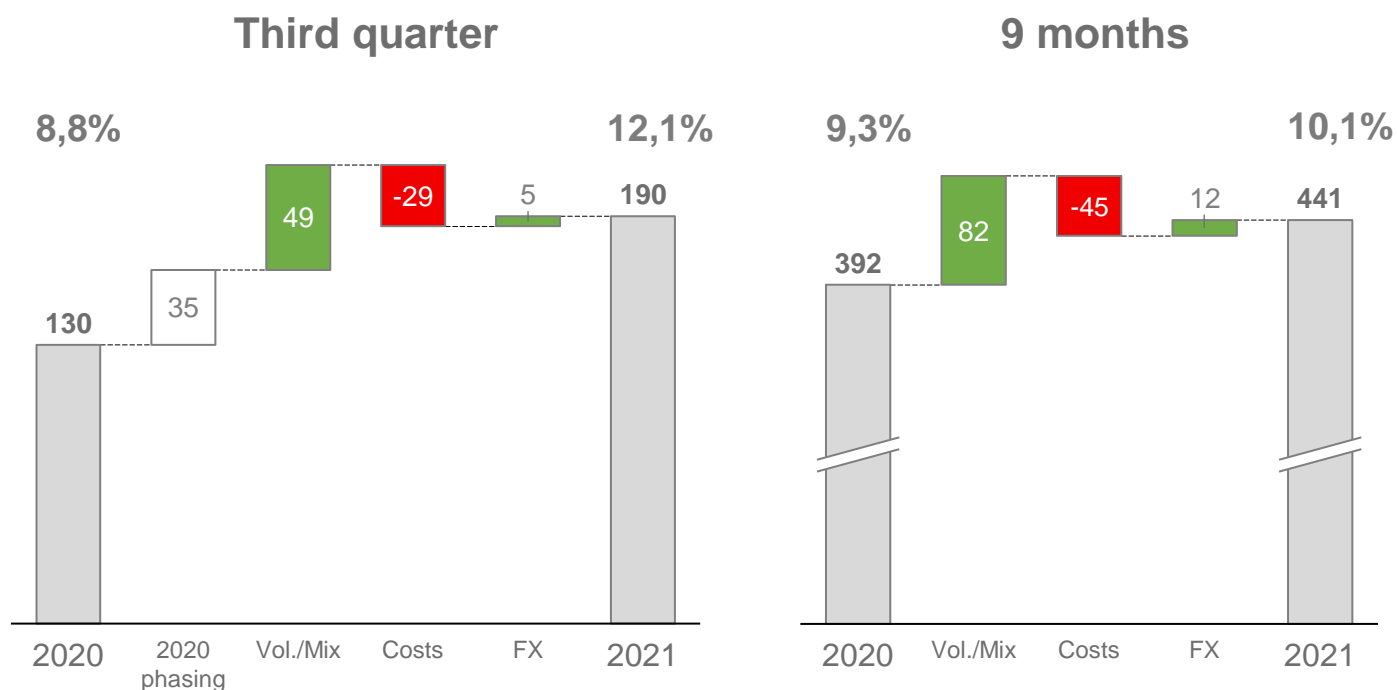


# Operating profit, adjusted

Volume-driven gross profit brings quarter above 12% and YTD to double-digit

- Profit increase driven by volume and margin-enhancing initiatives, totaling SEK 49m.
- Increase in costs primarily due to last year's release of incentive programs as marketing spend kept in line with pre-pandemic level.
- Phasing of SEK 35m in supply chain cost from Q2 to Q3 in 2020 shown separately in bridge.

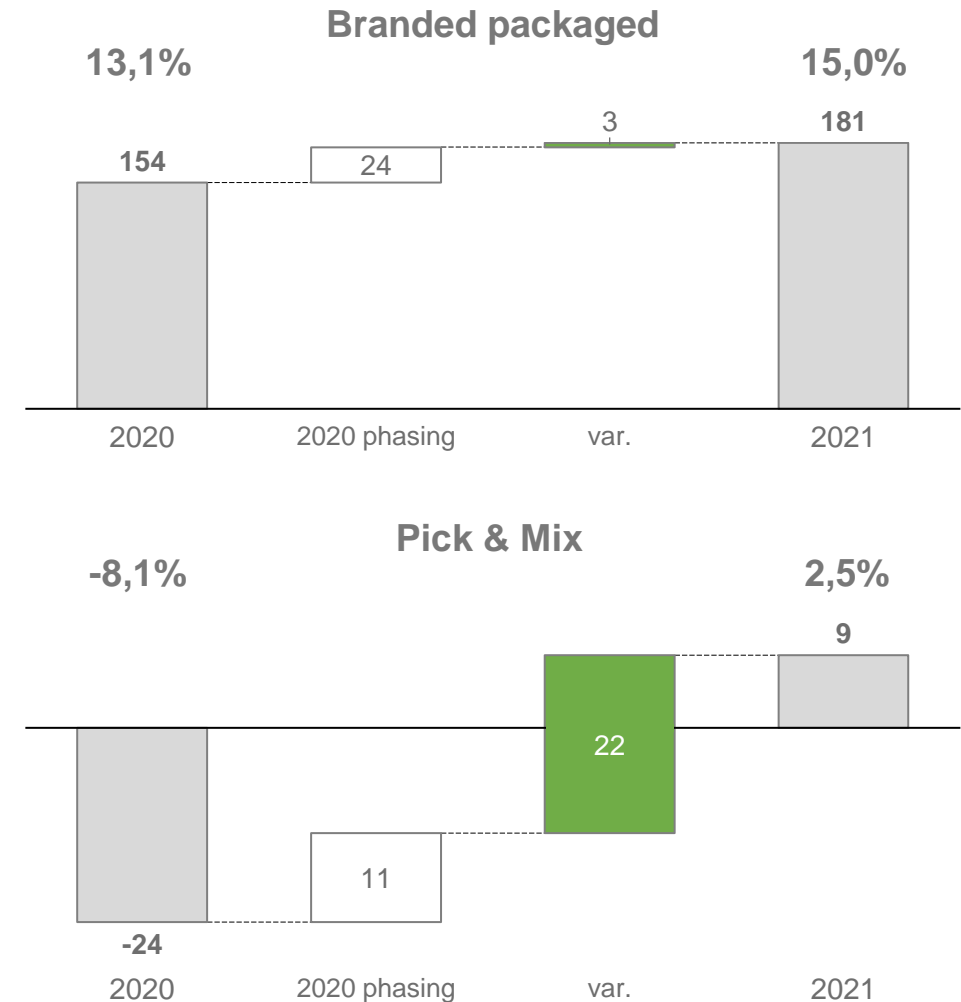
## Operating profit, adjusted



# Q3 Operating profit, adjusted by segment

Branded profit at 15% and Pick & mix profit back to pre-pandemic level despite the lagging volume

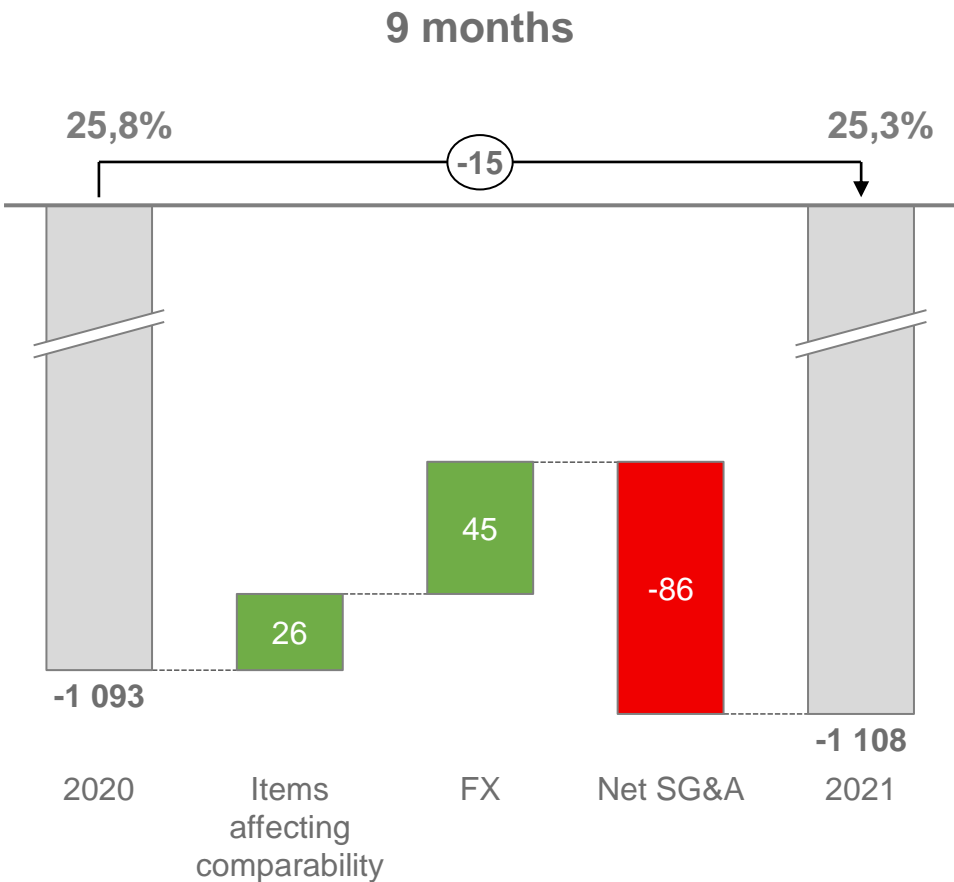
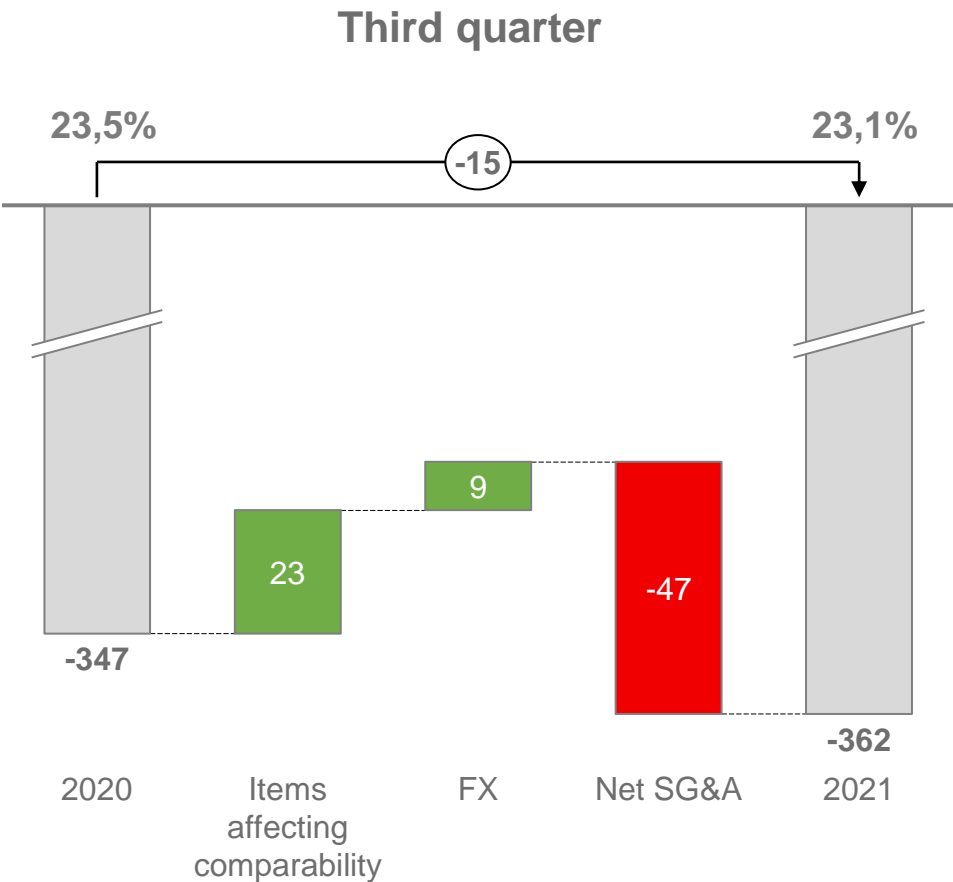
- **Branded profit remains above 14% EBIT** despite continued unfavorable mix due to lower sales of pastilles and gum.
- **Branded underlying profit stable** despite last year's release of incentive programs as marketing spend kept in line with pre-pandemic level.
- Volume recovery and continued margin-enhancing initiatives bring **Pick & mix profit back to pre-pandemic level.**





# SG&A

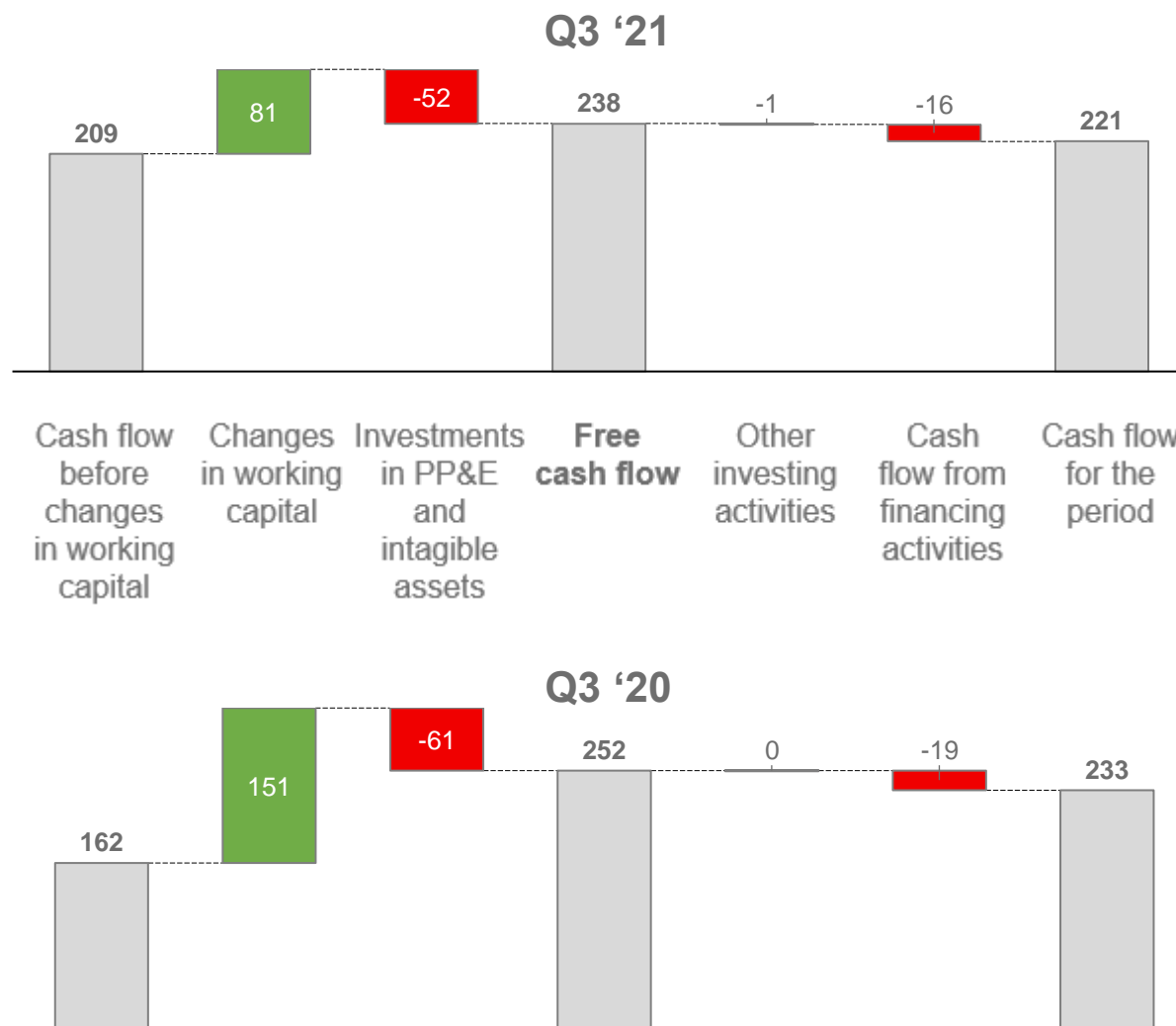
SG&A up due to incentive program release in 2020, partly offset by items affecting comparability and FX



# Cash flow

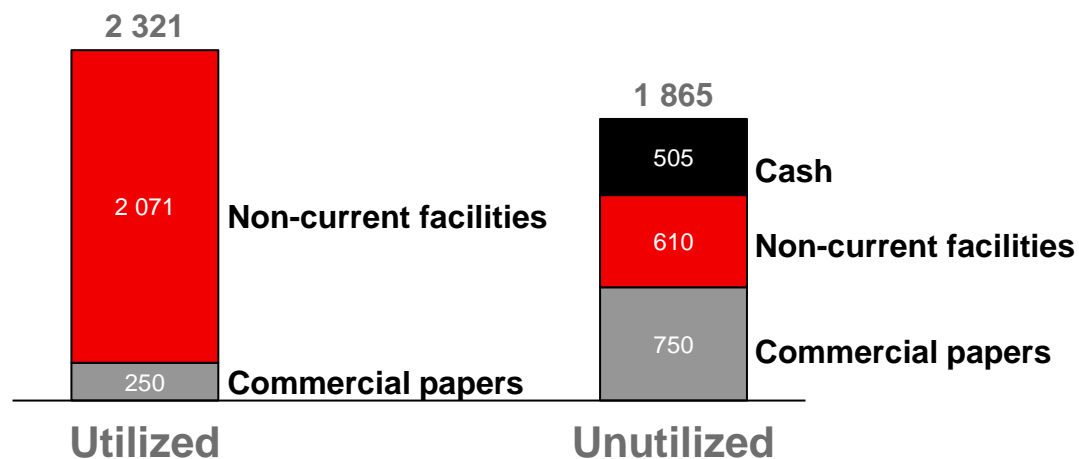
Healthy free cash flow driven by operating profit and working capital

- **Operating result** main driver of positive free cash flow.
- **Working capital** in prior year driven by reduction of finished goods after Q2 build-up. New European UTP legislation not yet affecting cash flows.
- **Investments in PP&E and intangibles** lower following the completion of the new drying chambers.

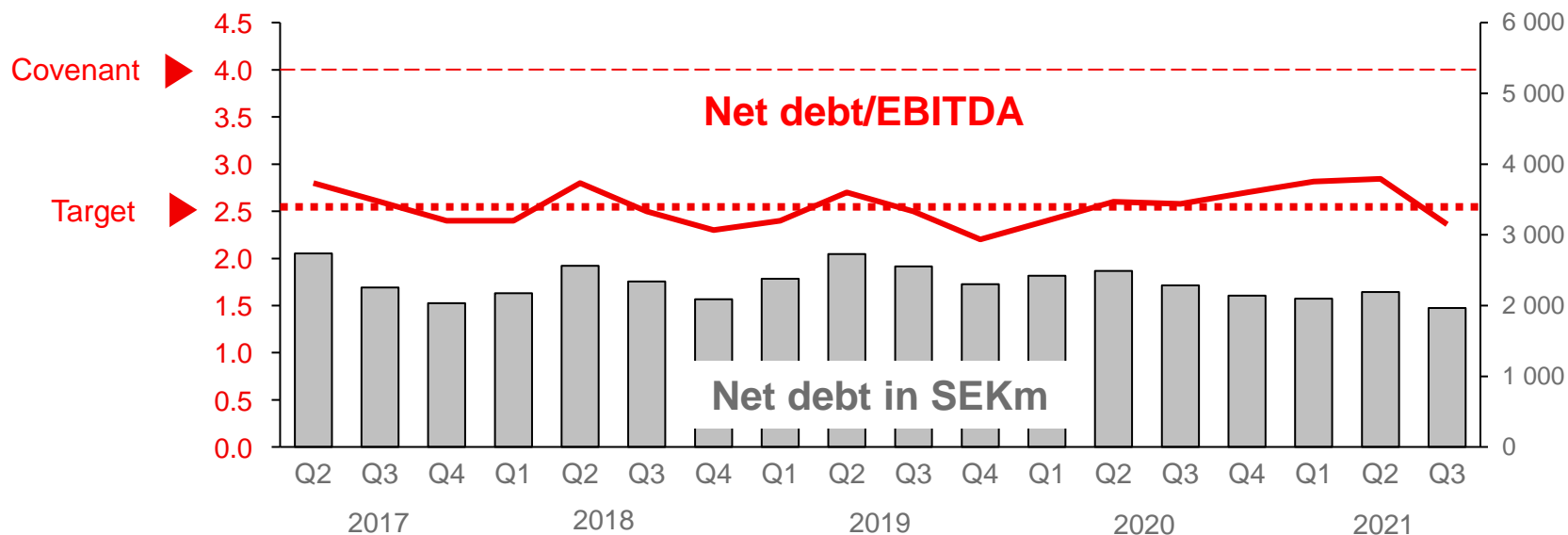


# Strong financial position

Net debt/EBITDA below targeted 2,5x first time since pandemic start and Net debt at all-time low



- Unutilized access to cash of SEK 1,9 billion.
- Net debt below SEK 2,0 billion; lowest since 2012.
- Continued compliance with covenant of 4,0x and again below target of 2,5x.



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# Change in Accounting for cloud solutions

- The IFRS Interpretations Committee has concluded on the accounting for implementation costs related to cloud computing arrangements.
- Cloetta is investigating to what extent previously recognised assets are to be retrospectively expensed and the related amortization charges are to be reversed.
- The investigation is expected to conclude in Q4 2021 with a **negative adjustment of the operating profit not exceeding SEK 25m**, to be distributed across the four quarters of 2021.

## Simplified example

Impact financial reporting <sup>1</sup>	Opening balance '20	'20	'21	Q4 '21
Intangible assets	↓	↓	↓	↓
Equity	↓			
Operating expenses				
- Cost cloud solutions		↑↑↑	↑↑↑	↑↑↑
- Amortisation		↓↓↓	↓↓↓	↓↓↓
Operating profit		↓	↓	↓
Cash flow from operating activities		↓	↓	↓
Cash flow from investing activities		↑	↑	↑
Total cash flow		=	=	=

<sup>1</sup> Simplified example as no tax effects are taken into consideration.



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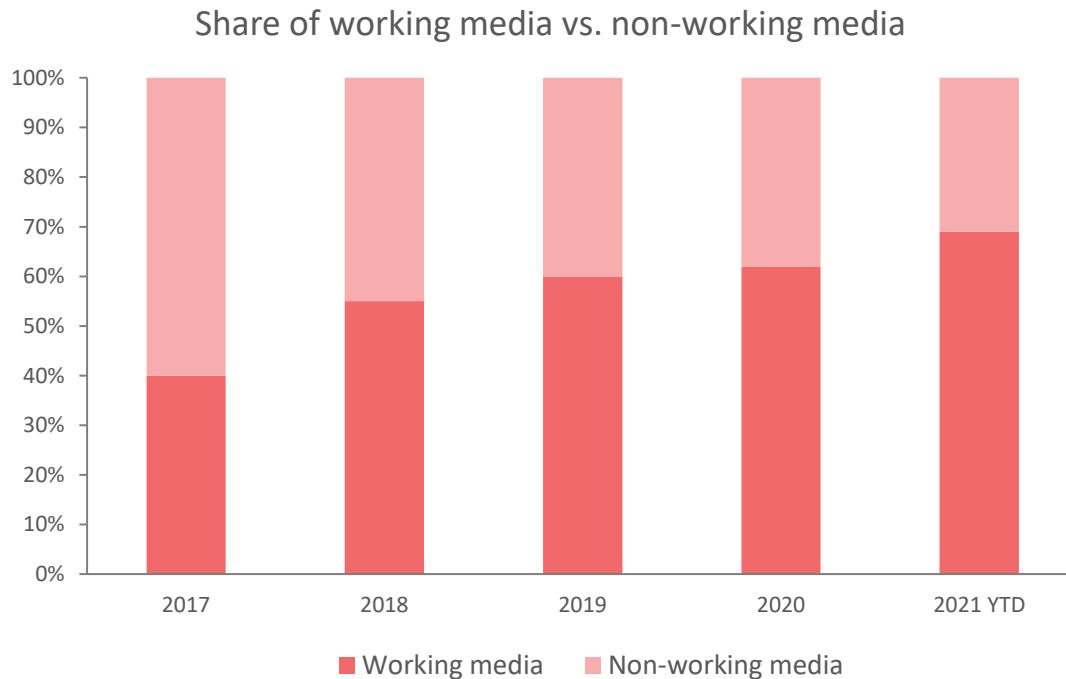
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# Branded growth

Increase in marketing visible to consumers



■ Working media ■ Non-working media

Accelerating strategic initiatives



# We believe in the Power of True Joy

Opportunities for creating a positive impact within A Sweeter Future



## OUR THREE PILLARS



### FOR YOU

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



### FOR PEOPLE

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



### FOR THE PLANET

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

## Q3 HIGHLIGHTS

### Natural flavours

- Nutisal launched three new flavour combinations using natural ingredients, for example maple syrup and sea salt, or smoky sriracha

### Living Income

- Progress made in our pilot project with Rainforest Alliance to improve how to close the living income gap to cocoa farmers

### Science Based Targets

- Submitting our suggested targets for validation to the Science Based Targets initiative



# Scandic CandyKing 360 Halloween campaign

Cooperation with SF anytime around movie moment

ATL/OOH

INSTORE



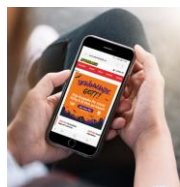
Striped city train



10 Striped buses



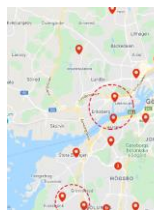
Radio



Aftonbladet takeover



Website



Paid SoMe



180  
OOH at bus stops



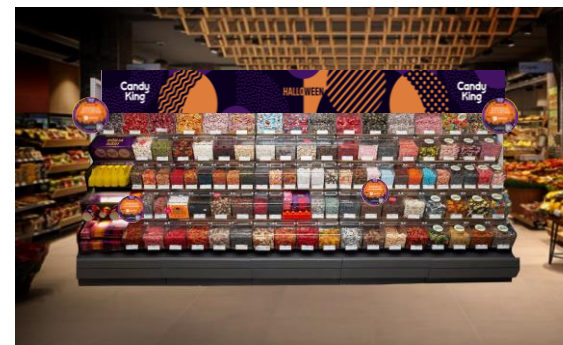
850  
OOH close to stores



TVC



DIGITAL ACTIVATION PLATFORM



Main display



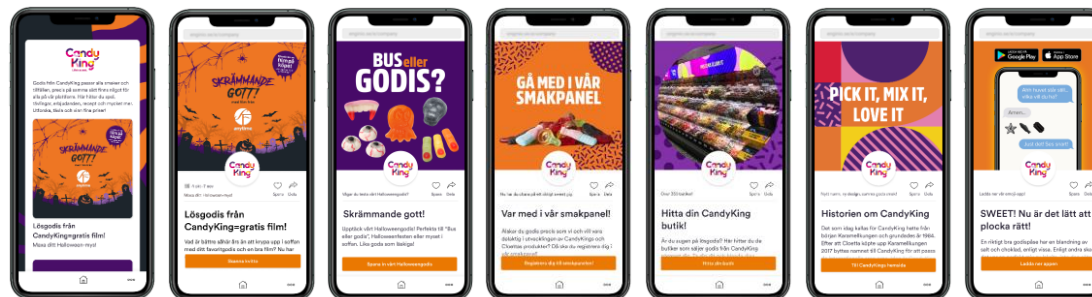
2<sup>nd</sup> placement display



Large bag



Medium bag

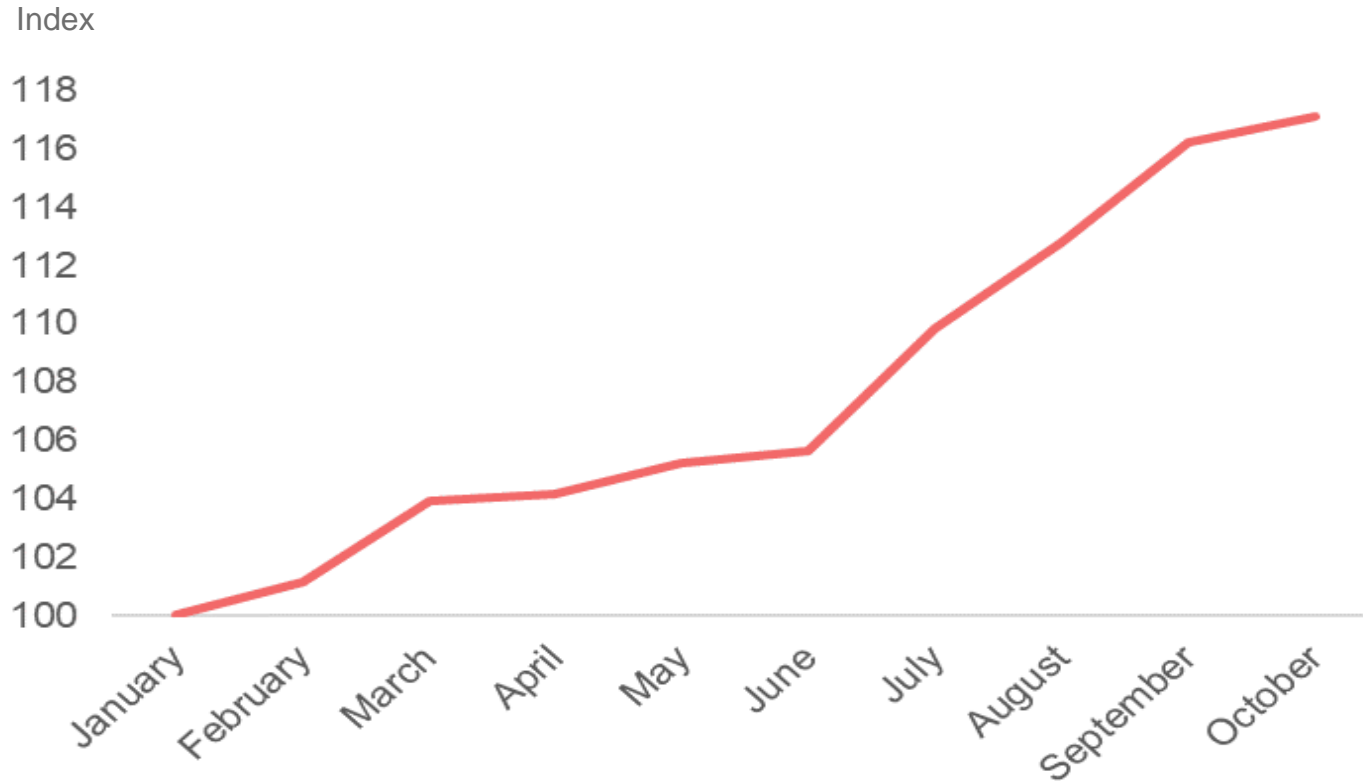


Wobbler

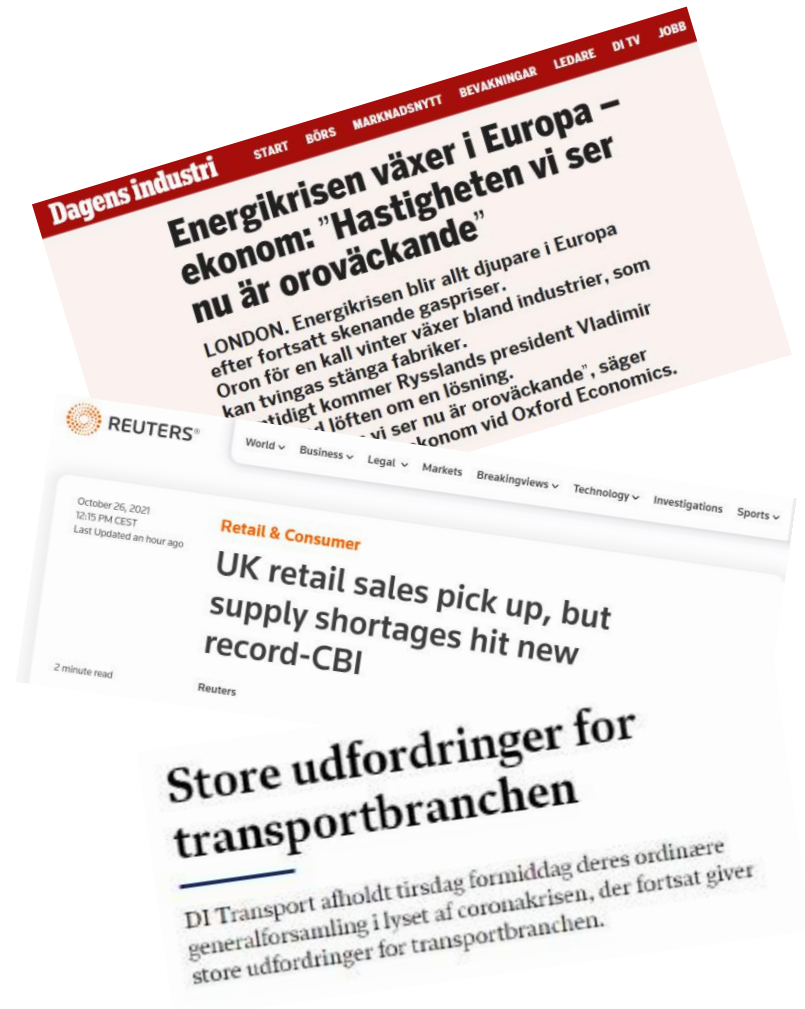


# Surging input costs and supply chain challenges

Taking mitigating actions, including price increases starting to take effect beginning of next year



Index includes key commodities used by Cloetta. Source; Mintec, EUWID, Kingsman.



# Key business priorities

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



1

- Strong momentum from marketing and innovation initiatives
- Top 25 brands focus: marketing spend on pre-pandemic levels
- Focus on recovery for pastilles and gums categories
- Keep on developing marketing capabilities
- E-commerce growth

2

- Pick & mix strategy delivering sustainable value growth
- Recovering previously lost volumes and profitability
- Premium CandyKing implemented in all markets
- Largest CandyKing media campaign ever launched
- Voted “Supplier of the year” by biggest customer in Norway

3

- Perfect Factory and VIP+ cost Program continue to deliver
- ERP system to the cloud; savings and enhanced functionality
- Healthy free cash flow; net debt levels at an all-time low
- Actions to mitigate surging input costs and supply challenges

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# Q&A





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