



Cloetta

Q4 2021 result – 28 January 2022

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Key messages

- Branded sales continued to exceed 2019 pre-pandemic levels, driven by strong marketing
- Margin-enhancing initiatives brought total Pick & mix close to break-even for the full-year
 - Swedish Pick & mix business at break-even in Q4
- Marketing investments exceeding last year's average quarterly spend by ~SEK 25m
- VIP+ cost program delivering; increasing full-year savings from SEK 65m to SEK 85m
- Introducing Net Revenue Management program to drive revenue efficiencies
- On track to mitigate current headwinds on input costs in 2022
- Dividend proposal of SEK 1.00 per share – in line with the pre-pandemic level

”Record levels for Branded sales driven by strong marketing.”



Agenda



1. Sales results

2. Financials

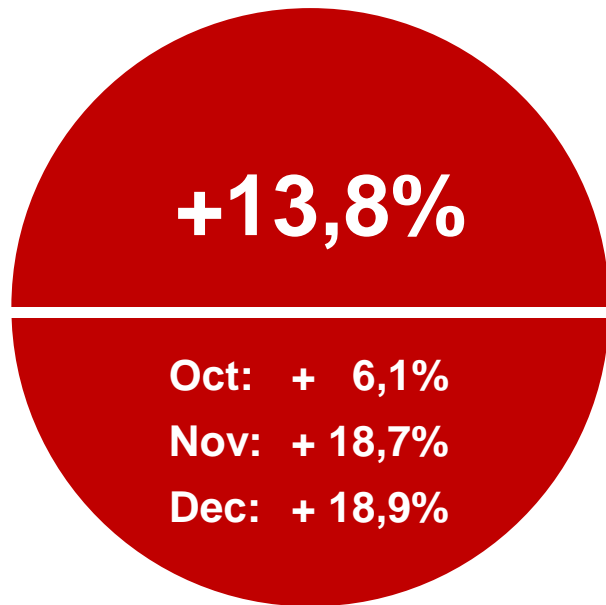
3. Strategic update

4. Q&A

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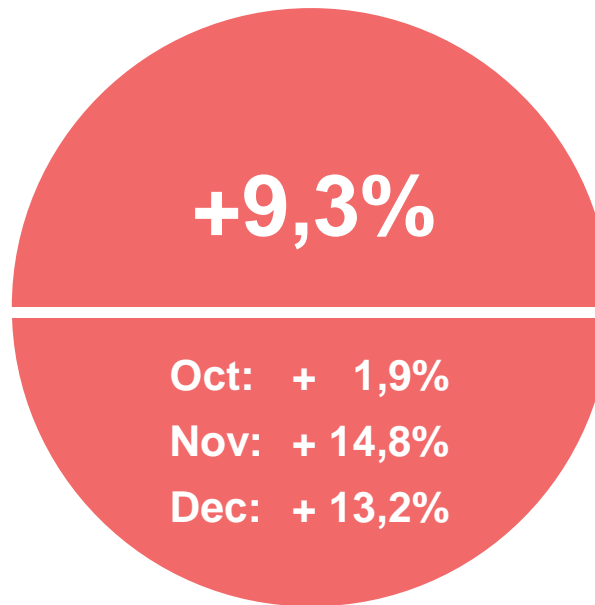
Q4 2021: Solid growth across both segments

Total
Organic sales growth



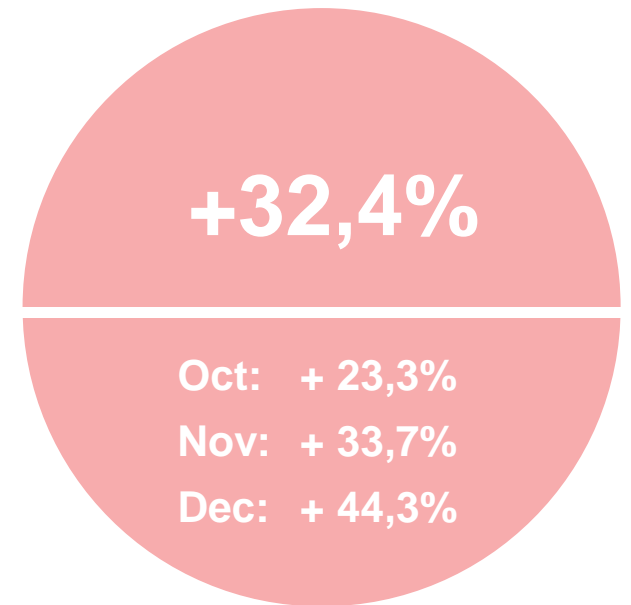
Monthly organic sales growth

Branded packaged
Organic sales growth



Monthly organic sales growth

Pick & mix
Organic sales growth

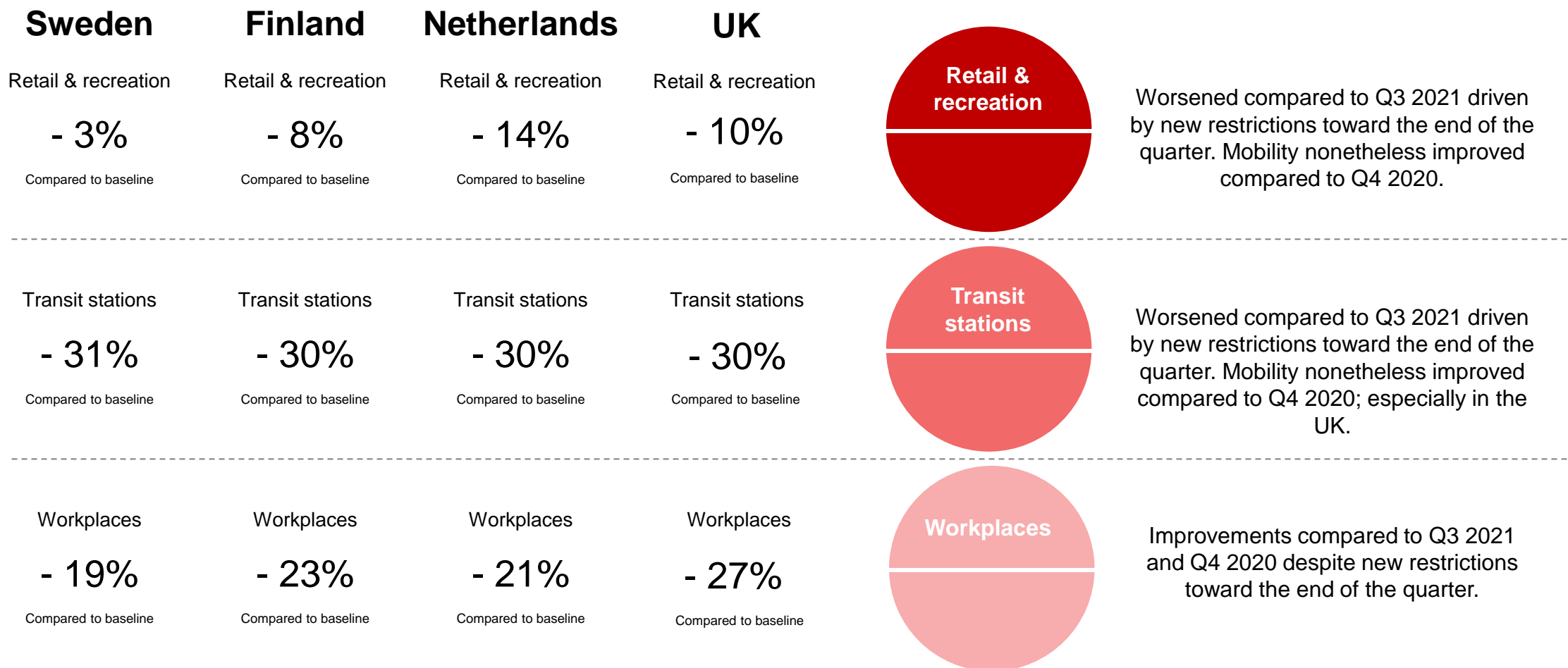


Monthly organic sales growth

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Mobility across markets

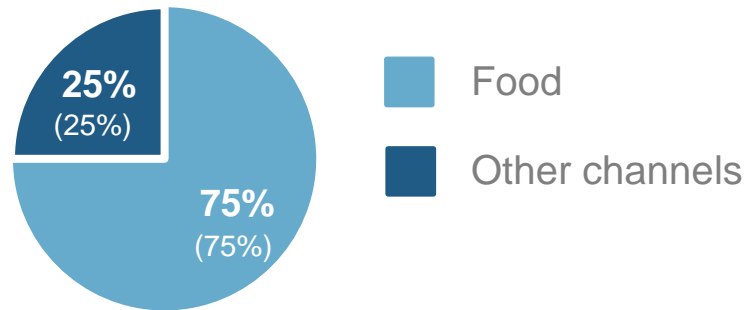
Mobility further improved vs. Q4 2020, however impacted by new restrictions



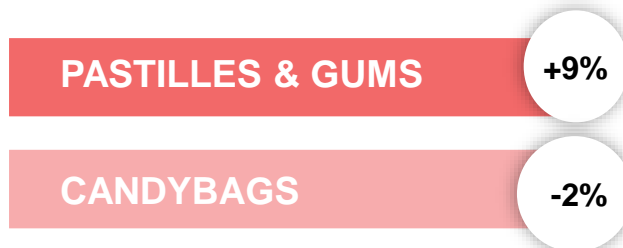
Source: Google COVID-19 Community Mobility Reports. % compared to baseline, which is the median value from the 5-week period Jan 3 – Feb 6, 2020.

Branded packaged

2021 branded sales by channel*



Last 3 months market data**



* Approximate % based on 2021 (2020) full year figures

**Nielsen, Kesko, SOK market data, Q4, 2021. Candybags and pastilles; FI, DK, NO, SWE. Gums; FI.

Category trends

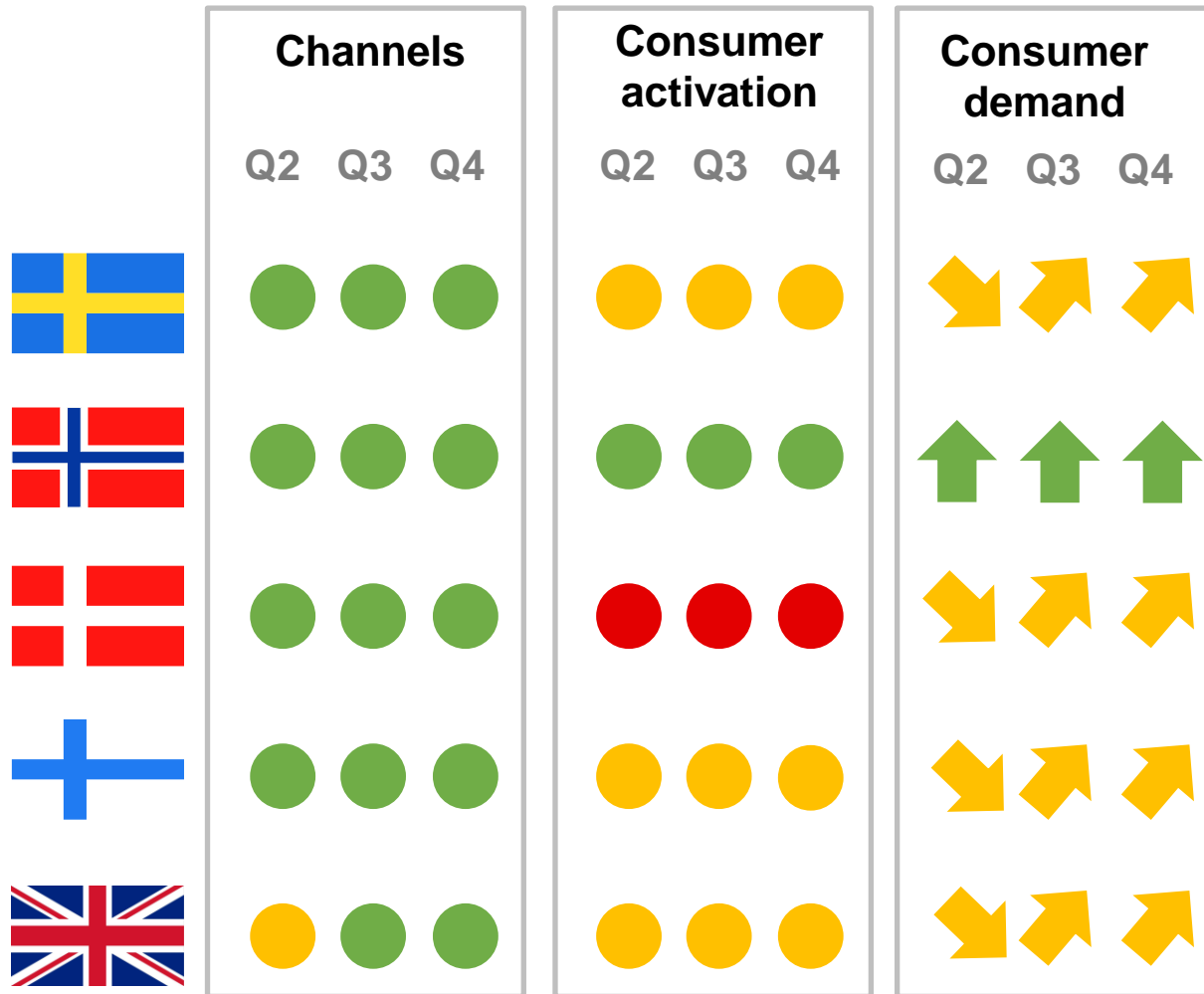
- Supermarket and online traffic peaked and now stable vs 2020
- Out of home channels rebounding, but less traffic in December
- Pastilles slowly recovering with products aimed at addressing colds coming back
- Gum still well below 2020 levels, linked to usage occasions 'work' and 'going out', affected by mobility

Actions

- ✓ Pastilles secondary placement drive across markets
- ✓ Gum initiative on smaller packs to recruit lapsed users back into the brands
- ✓ Top 25 brand strategy in execution
- ✓ Strategic launch agenda 2022, continue success of Innovation 2.0 approach



Pick & mix



Pick & mix category trends

- Most channels open, despite new restrictions
- Continued improved consumer confidence (vs. 2020, but below 2019)
- Slow progress of consumer price promotions across markets

Actions for sustainable value growth

- ✓ Largest CandyKing media campaign ever drives increased consumer engagement and higher average purchase
- ✓ Securing 3P delivery in a constrained market
- ✓ Efficiency program delivering



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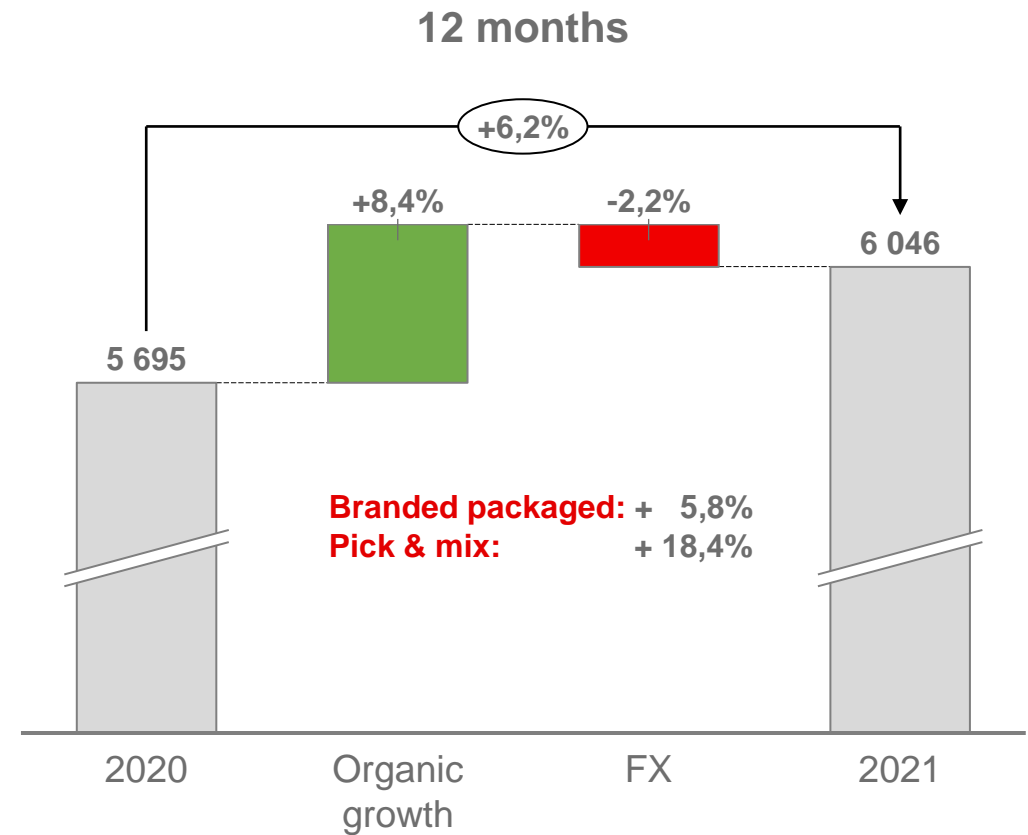
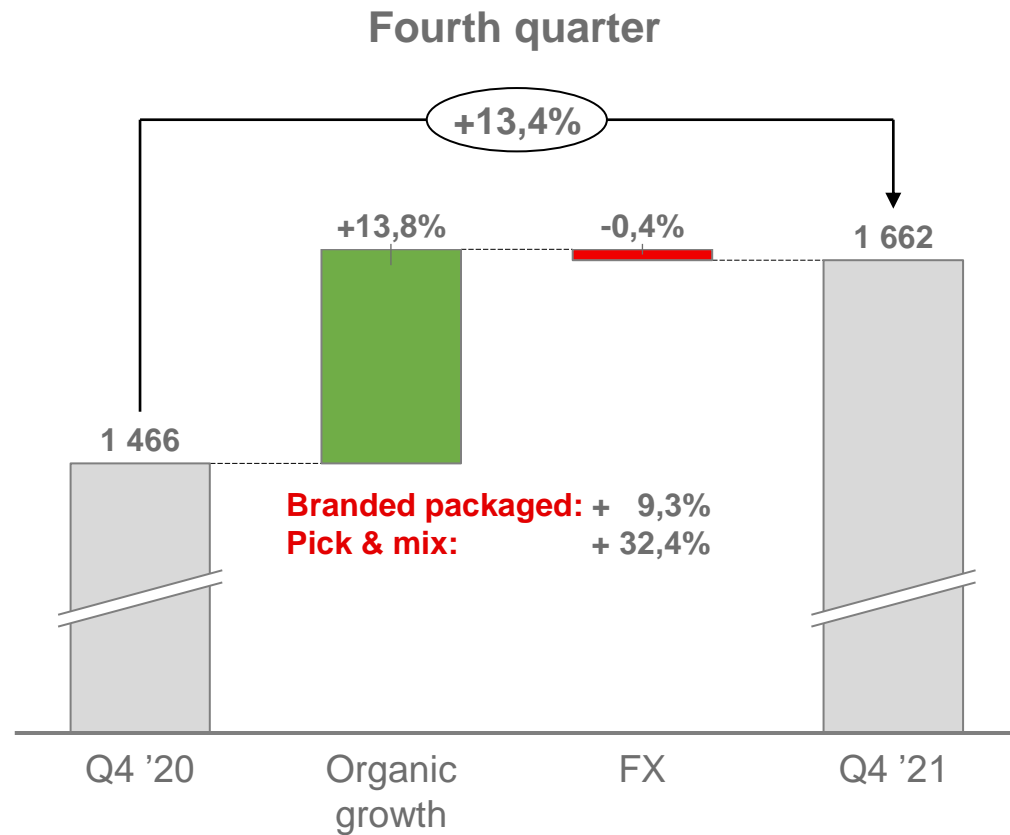
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Net Sales

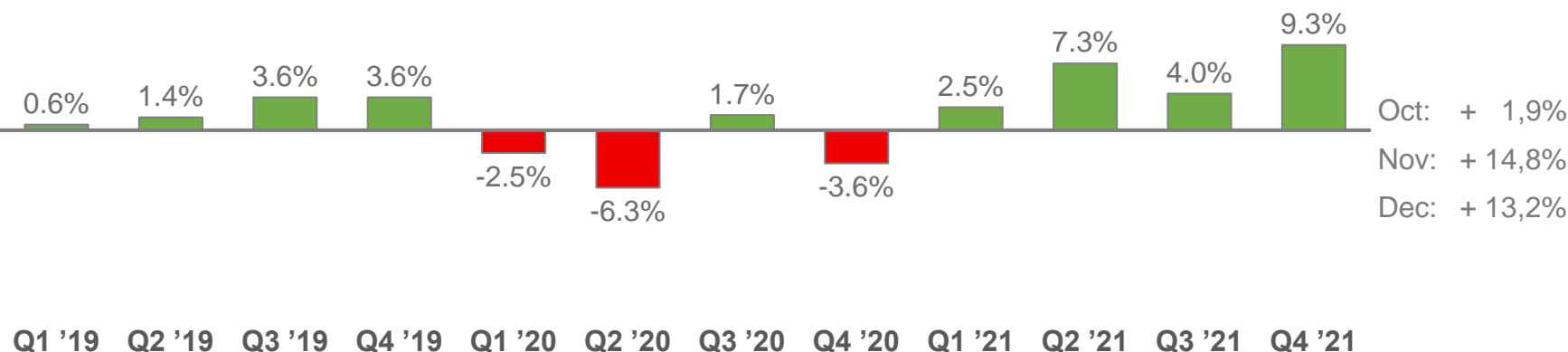
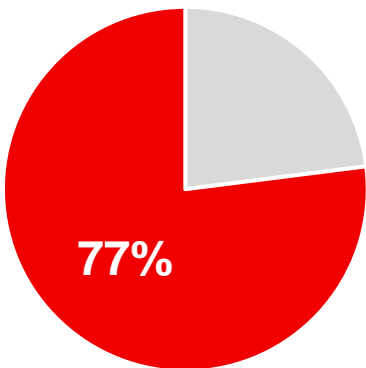
Branded sales yet again above pre-pandemic levels and strong volume recovery for Pick & mix



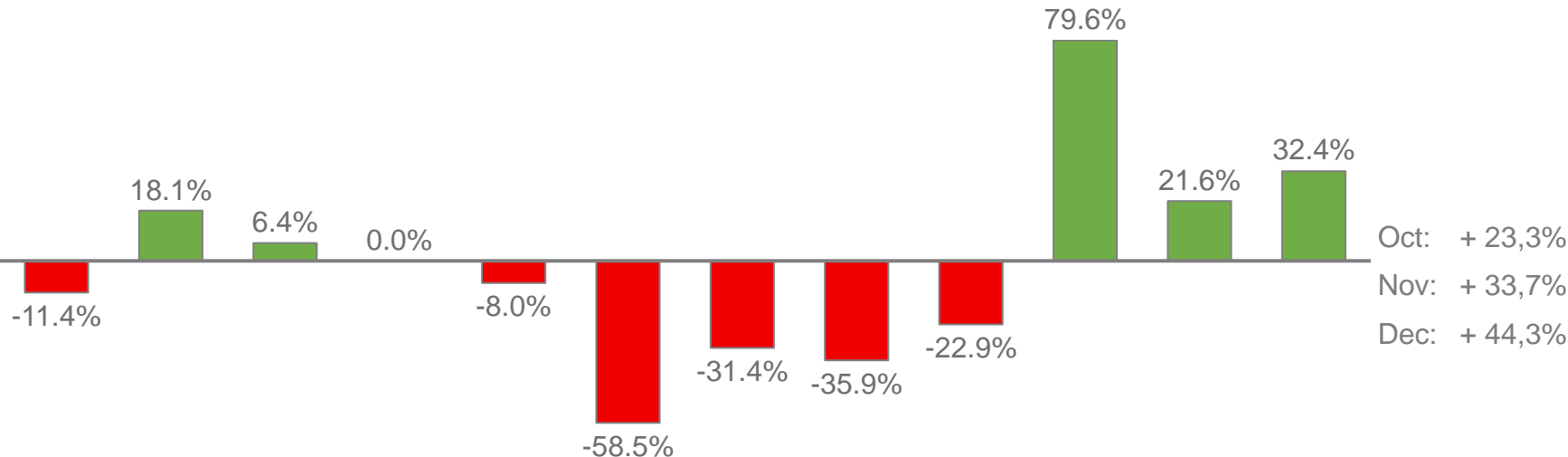
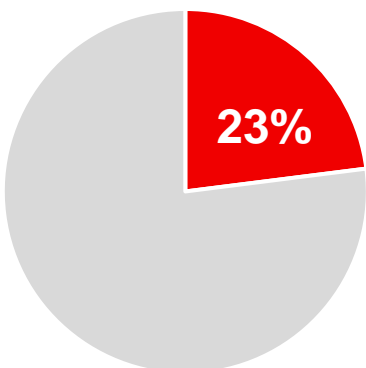
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Sales development

Branded, % of Q4 '21 sales



Pick & mix, % of Q4 '21 sales

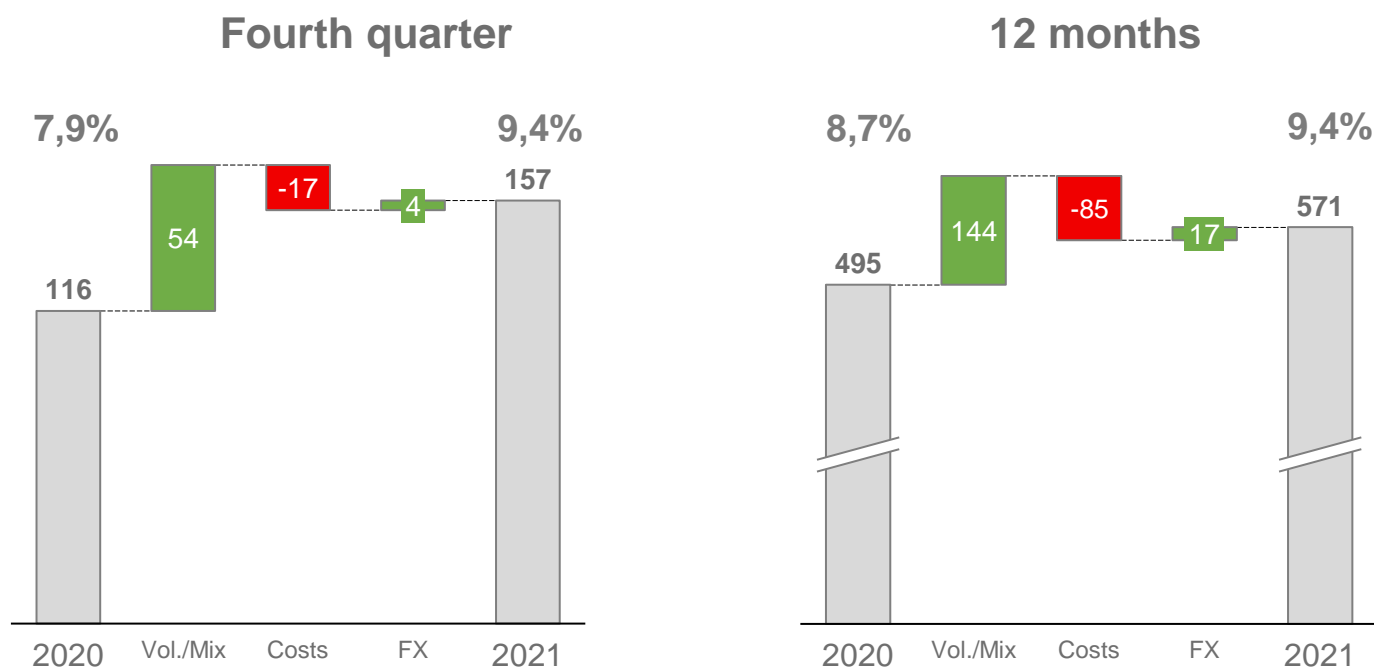


Operating profit, adjusted

Volume and margin-enhancing initiatives drives 150 bps step-up in operating profit margin

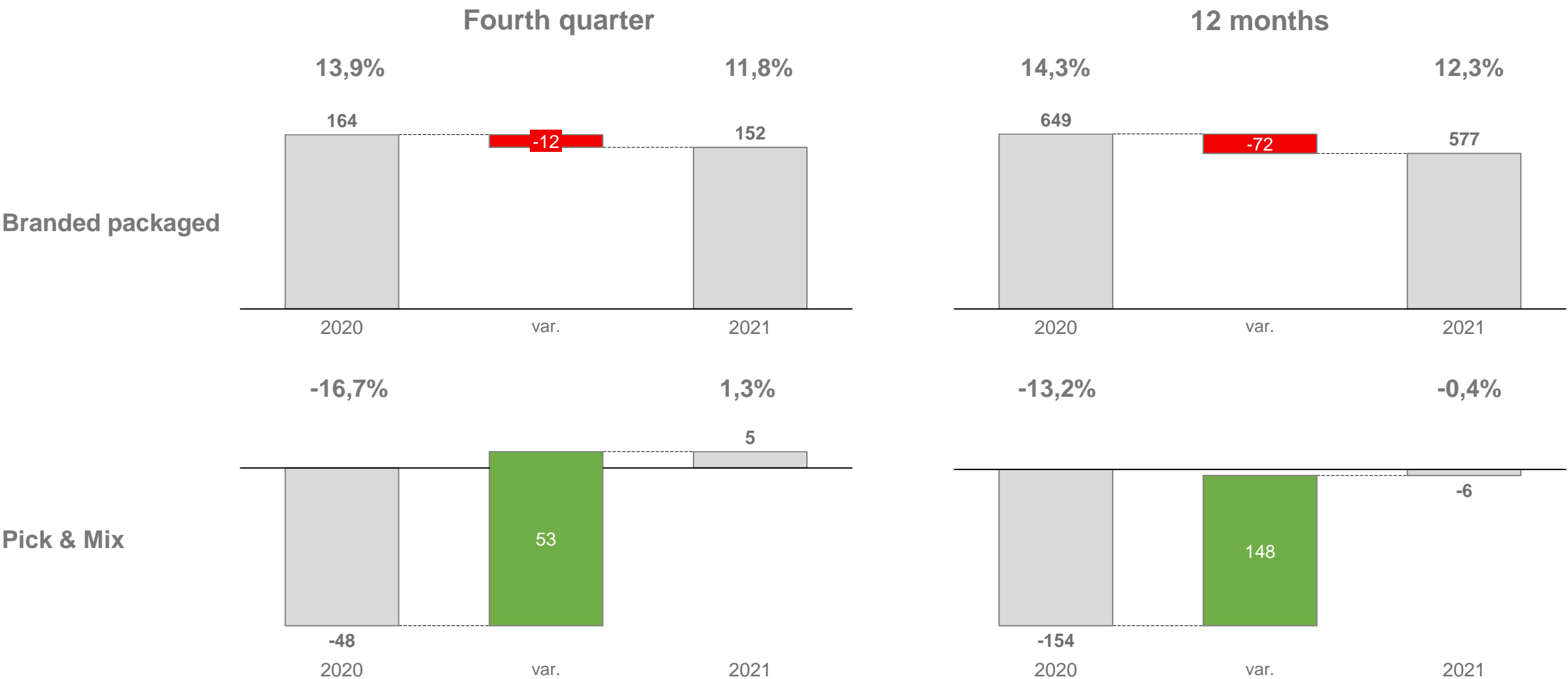
- Profit increase driven by volume and margin-enhancing initiatives, totaling SEK 54m.
- Continued high marketing investments and costs to enable continued growth partially offset the higher gross profit. Marketing ~SEK 25m higher than last year's average quarterly spend.
- Full year profit negatively affected by SEK -30m as a result of the changed accounting for cloud computing.

Operating profit, adjusted



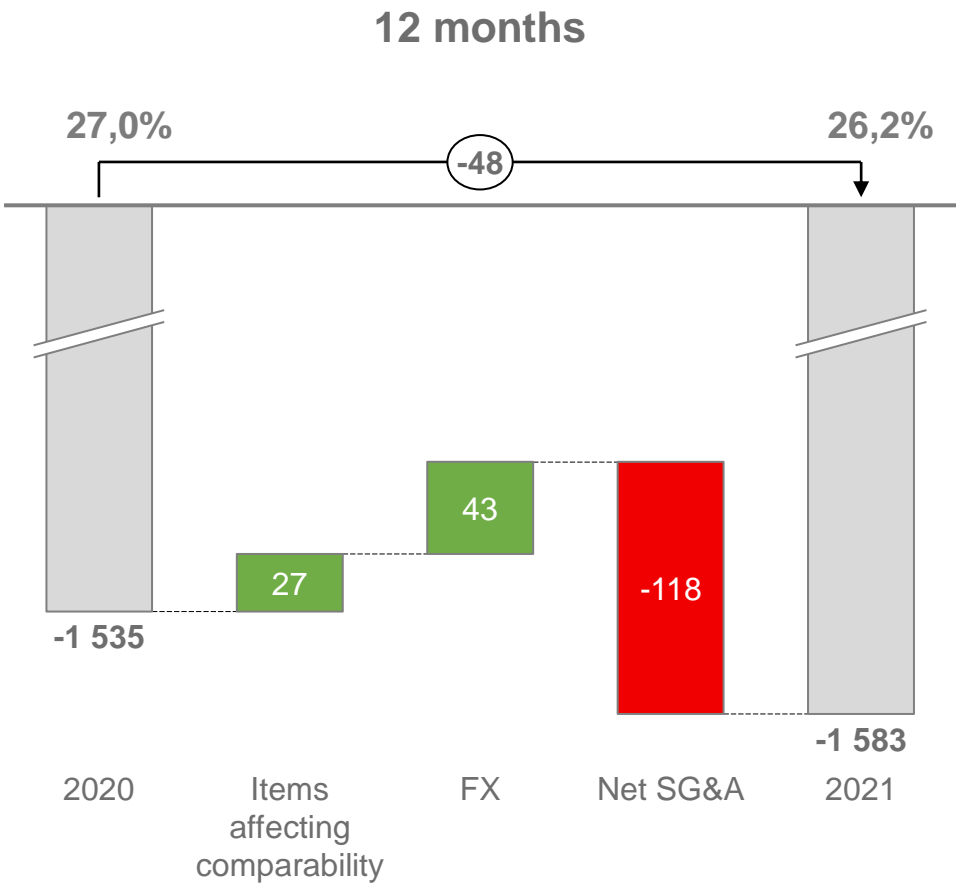
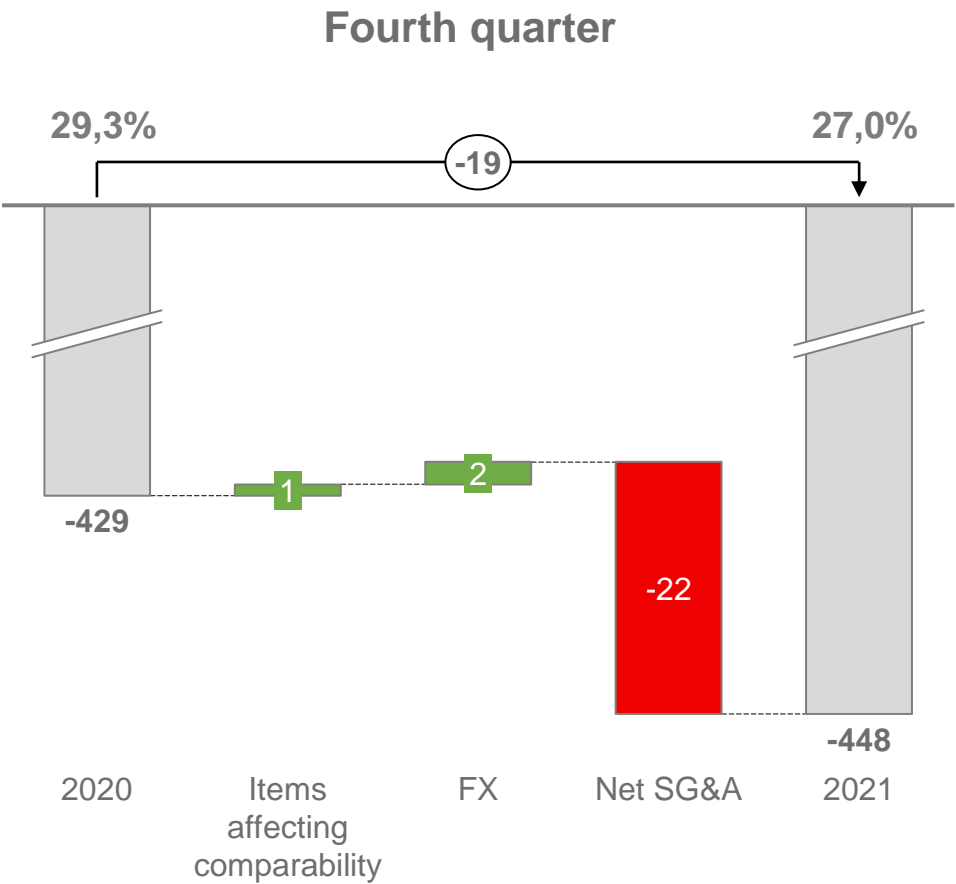
Q4 and FY operating profit, adjusted by segment

Mix still suppresses Branded profit despite marketing-driven growth; P&M close to break-even FY



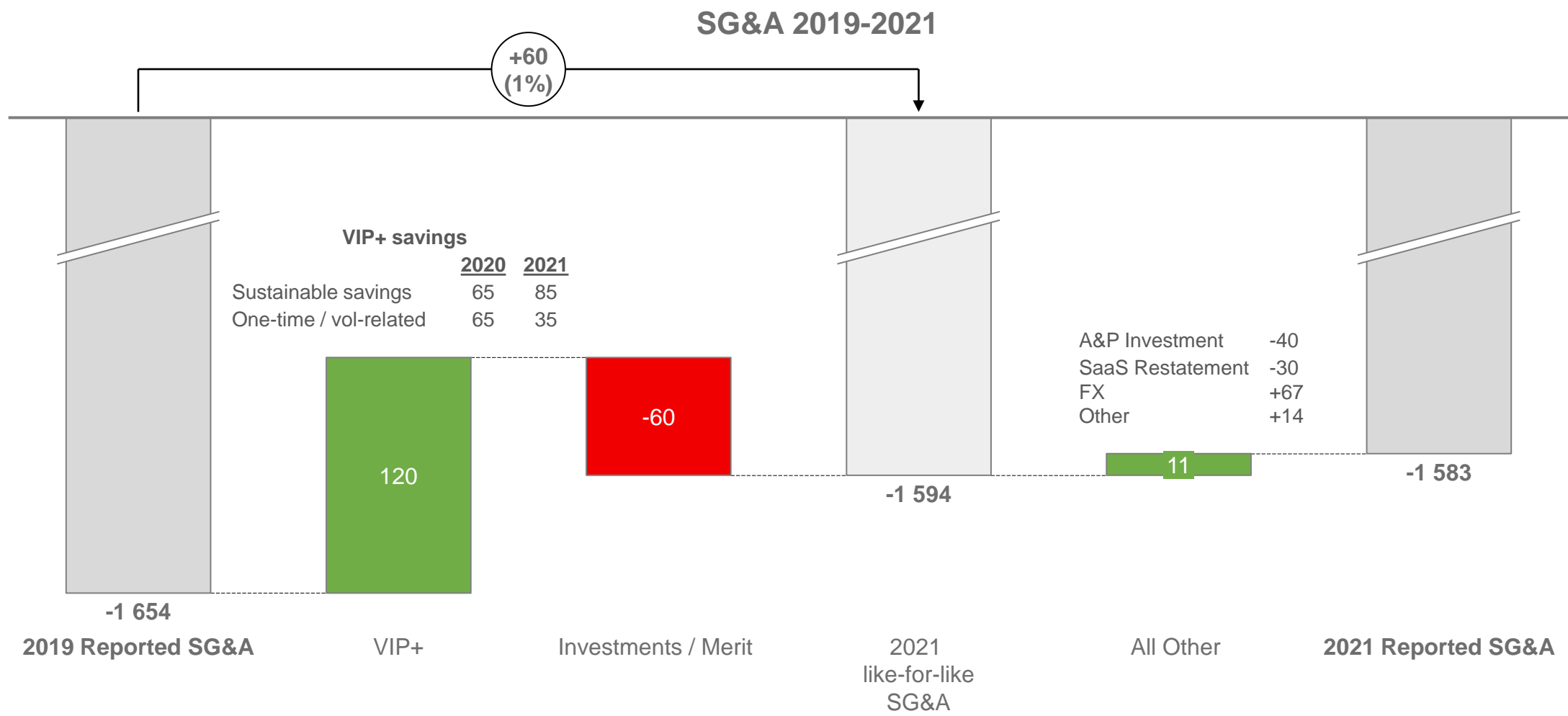
SG&A

SG&A up due to costs to drive sales growth, lower one-time avoidances and higher marketing spend



VIP+ 2019-2021

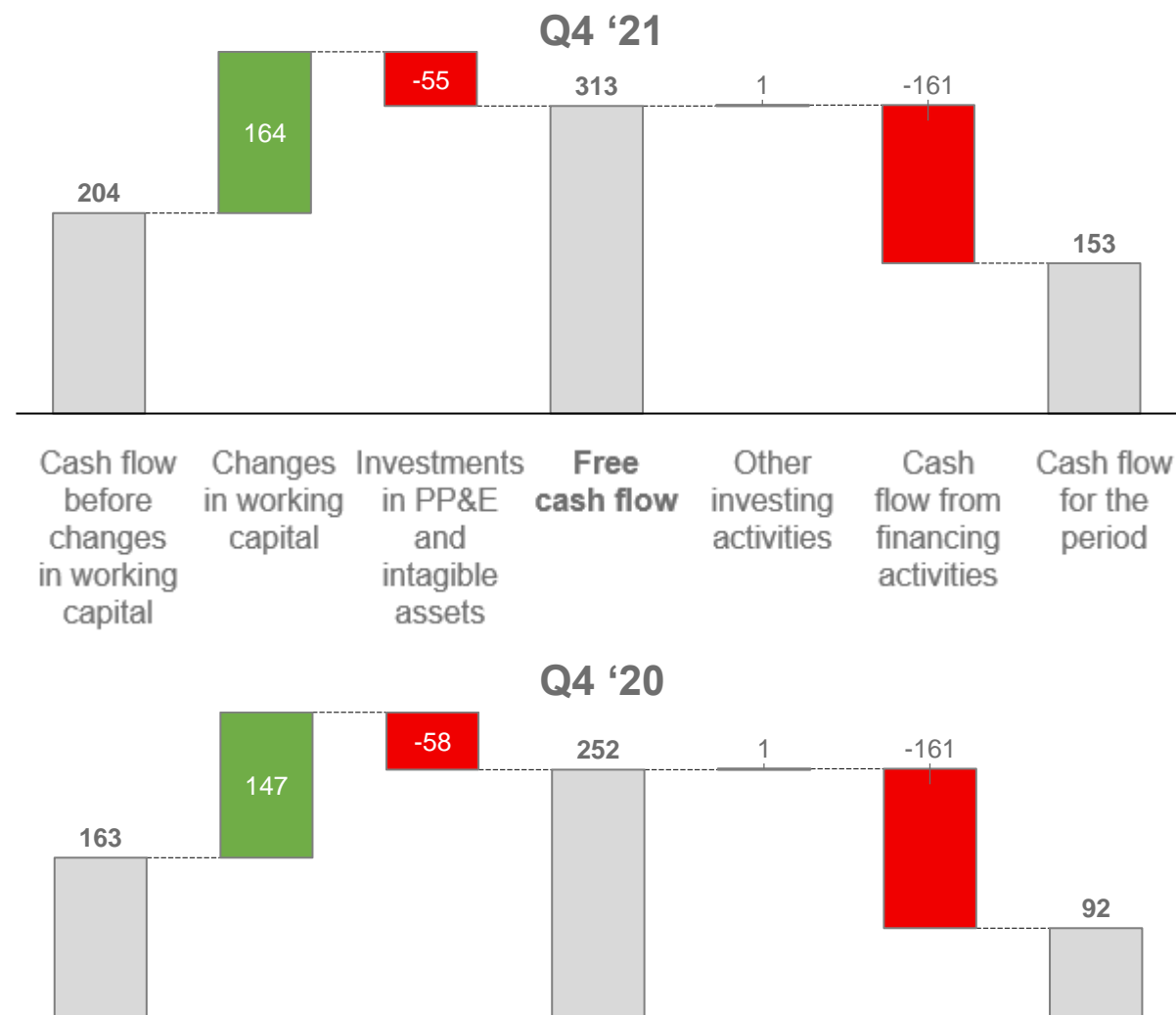
Net 1% profit margin delivered. Sustainable savings now SEK 85m, partially offsetting lower cost-avoidance



Cash flow

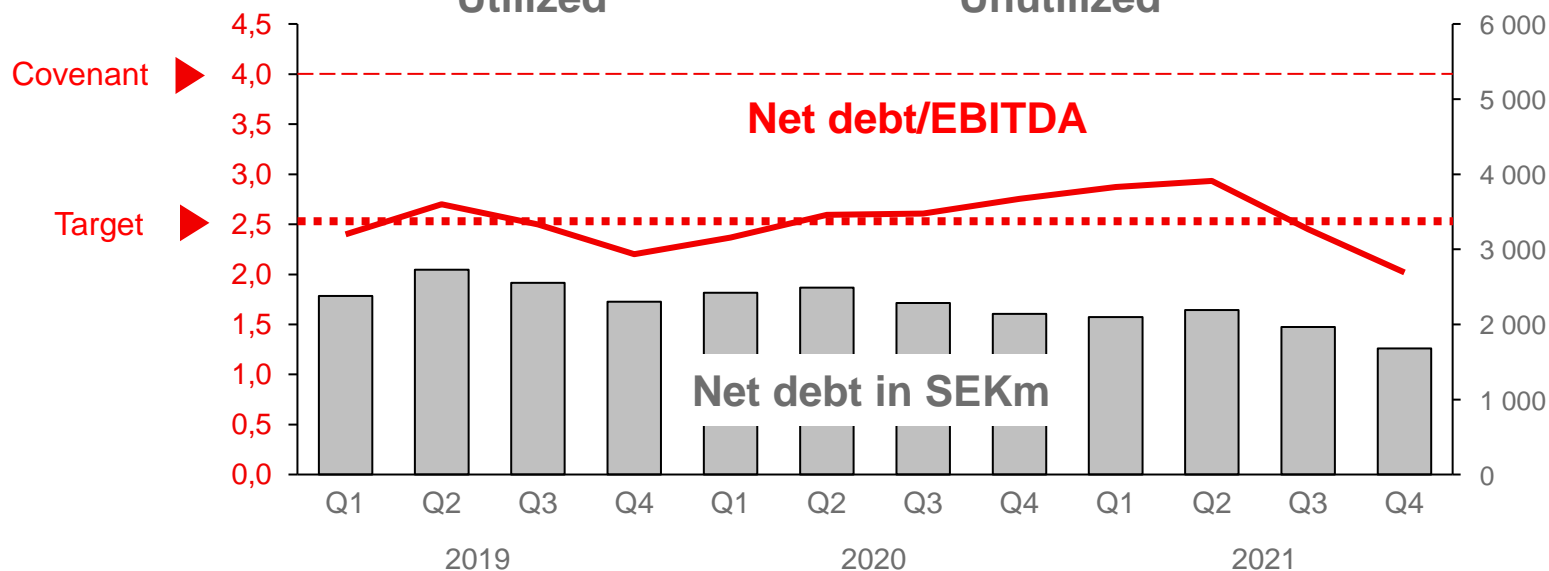
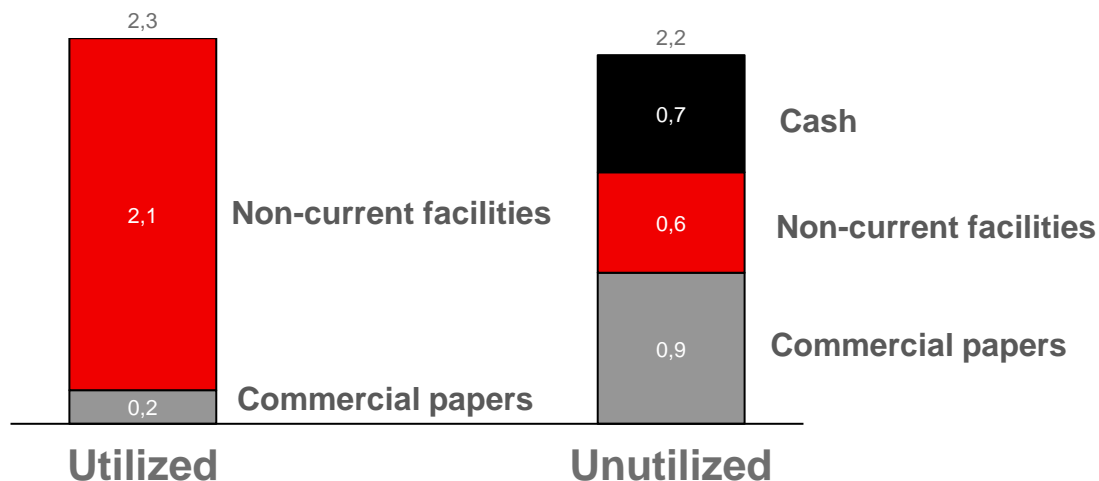
SEK 313m in free cash flow delivered from SEK 147m in profit after tax

- **Operating results and working capital** both drive step-up in free cash flow.
- **Working capital improvement** on top of strong Q3 YTD delivery and despite implementation of new European UTP legislation.
- **Full-year free cash flow SEK 664m**, highest last 5 years and SEK 298m more than 2020.



Strong financial position

Dividend back at SEK 1.00 supported by low 2.0x Net debt/EBITDA and all-time low net debt



- **Unutilised access to cash** of SEK 2.2 billion.
- **Net debt** below SEK 1.7 billion; lowest since 2012.
- **2.0x leverage** well below 2.5x target and covenant of 4.0x.
- **Proposed dividend** of 1.00 (0.75) per share.

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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.

Q4 HIGHLIGHTS

More Natural

- Making our assortment more natural to meet consumer needs:
 - Majority of our candy assortment is now with natural colours & flavours
 - Fruitbased candy launch in Denmark
 - Growing Kex Vegan

Responsible Marketing

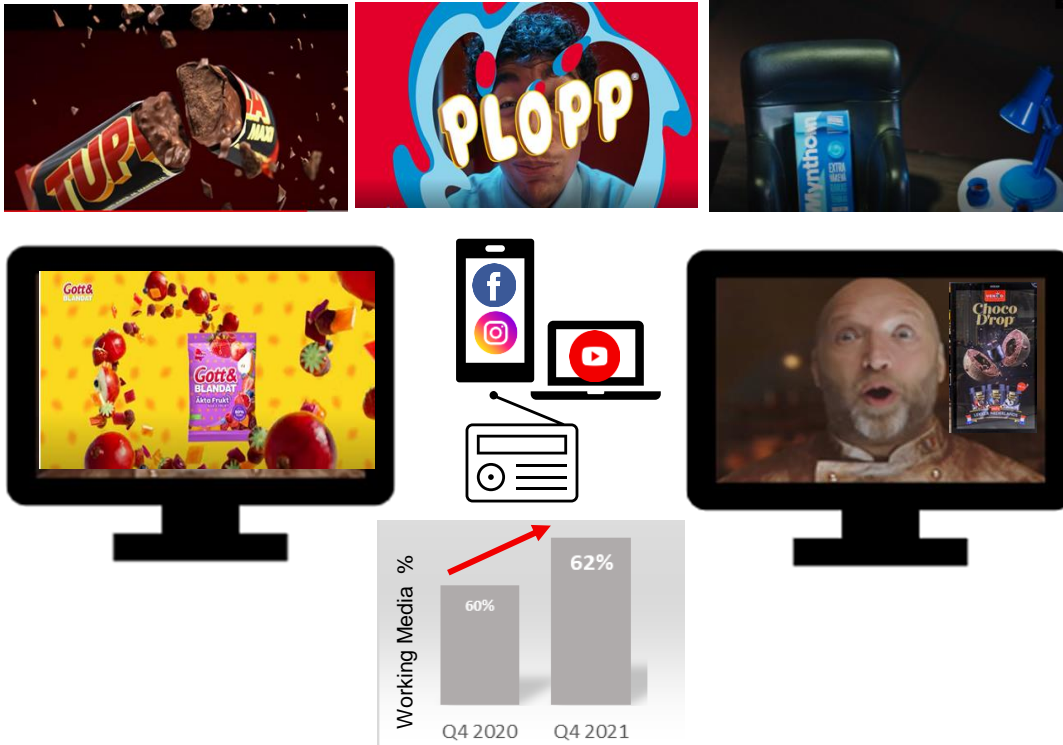
- We updated our responsible marketing guidelines to align with the EU Pledge.

Climate Action Program

- Company-wide program launched, activating teams and actions plans toward our science-based 2030 emissions reduction target.

Powerful support for Branded growth

Driving 9.3% growth and market share gains on clear majority of top 25 brands in Q4



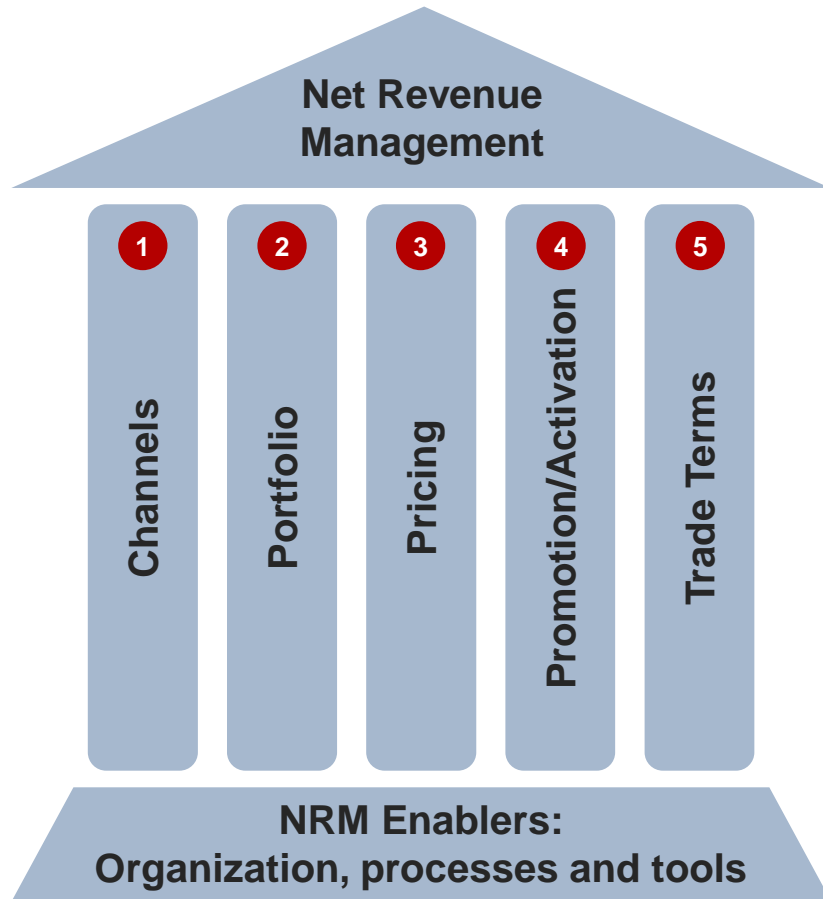
Strong visibility of our top brands across key channels with wide reach multimedia campaigns. Increased % share of working media from total A&P.



Maximizing Star-Innovations on key brands and seasonal favorites recruiting new consumers to brand and categories.

NRM program to drive revenue efficiencies

Driving further efficiencies in new areas such as pricing and trade spend



- NRM program consists of 5 pillars to drive revenue efficiencies, supported by a set of key enablers. Implementation of new Trade Promotion Management tool started Q4 2021. In-country program kick-off starting Q1 2022.
- Initial market scope focused on Sweden, Denmark, Norway, Finland and The Netherlands.
- External program support being finalized. Selection of support driven by ability to secure knowledge transfer of NRM capabilities to Cloetta.

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Key business priorities

3 business priorities to achieve organic growth and a 14% operating profit margin, adjusted



1

- Branded sales continued to exceed 2019 levels
- Marketing exceeding last year's quarterly spend by ~SEK 25m
- Further focus on sales fundamentals
- Plans for recovery for pastilles and gums categories
- Complexity management reduction to improve GM%

2

- Pick & mix close to break-even for the full-year
- Swedish Pick & mix business at break-even in Q4
- Largest CandyKing campaign ever executed with SF anytime
- Pricing to cover raw materials and energy costs
- Managing 3P suppliers who can't keep up with sales increase

3

- VIP+ cost program; savings up from SEK 65m to SEK 85m
- Perfect Factory program: great OEE improvements under 2021
- Introducing NRM program to drive revenue efficiencies
- Dividend proposal of SEK 1.00 per share; at pre-pandemic level

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Q&A



Appendix

Change in Accounting for cloud solutions

- The IFRS Interpretations Committee has concluded on the accounting for implementation costs related to cloud computing arrangements.
- Cloetta has adopted the treatment concluded on by the IFRS Interpretations Committee. This change in accounting treatment has been accounted for retrospectively in the opening balance as per 1 January 2020 and the consecutively reported quarterly figures. The previously capitalised costs are expensed, and the amortization of the previously capitalised costs are reversed.
- Impact in Q4'21 on operating profit was **SEK -3m** and **SEK -30m** for FY 2021

Impact financial reporting ¹	Opening balance '20	'20	'21	Q4 '21
Intangible assets	-14	-33	-63	-4
Equity	-12	-26	-49	-3
Operating expenses				
- Selling expenses		-	-1	-
- General and administrative expense		-20	-29	-3
Operating profit		-20	-30	-3
Cash flow from operating activities		-15	-29	-6
Cash flow from investing activities		15	29	6
Total cash flow		-	-	-

¹ Simplified overview, tax effects not presented. Detailed information per quarter available in interim report.

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