Cloetta

Investor event – supply chain restructuring

September 27, 2022

- Henri de Sauvage-Nolting, CEO
- Frans Rydén, CFO
- Marcel Mensink, COO
- Nathalie Redmo, IR

Agenda

1. **Cloetta strategic roadmap**
   Henri de Sauvage-Nolting, CEO

2. **New greenfield facility**
   Marcel Mensink, COO

3. **Financials**
   Frans Rydén, CFO

4. **Conclusions**
   Henri de Sauvage-Nolting, CEO

5. **Q&A**

Key messages

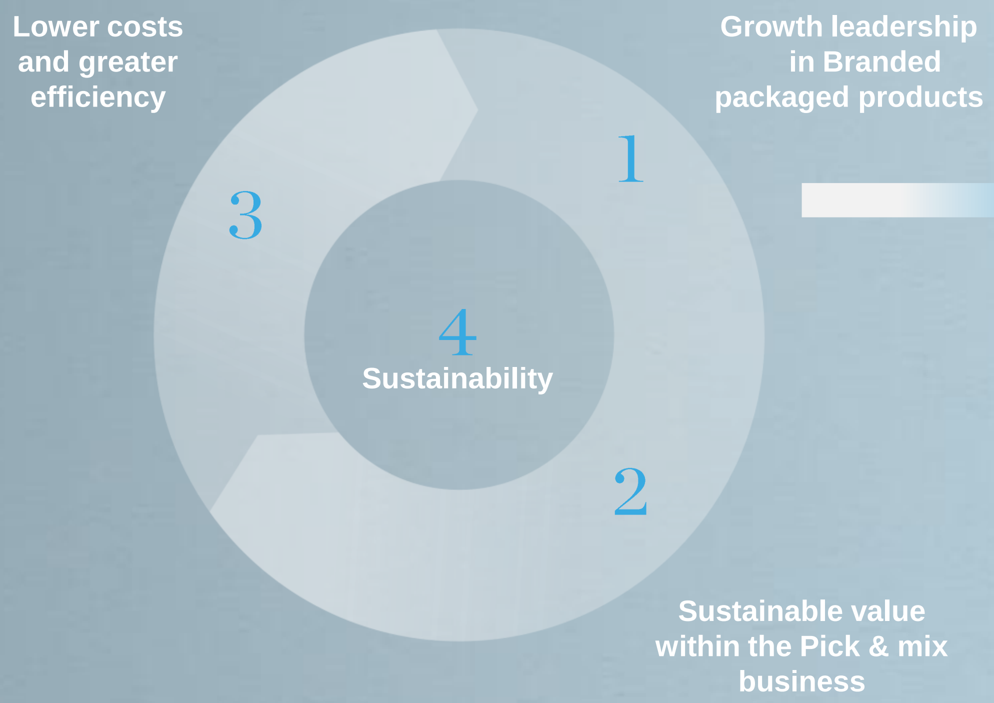
- **Investing in a new sustainable manufacturing facility in core business region while closing 3 plants**
  - Enable significant cost savings, facilitate further growth and reduce greenhouse emissions
- **Total annual EBIT delivery SEK 220-260m, including quantified insourcing and enabled growth**
  - SEK 160-180m through savings and initial growth of 3,000 tonnes by 2026
    - Current inflation would increase the savings and has not been included in estimates
  - SEK 20m through identified insourcing of 3,500 tonnes by 2026
  - SEK 40-60m through continued growth of 6,000 tonnes by 2032
- **Net capex increase of SEK 1.9bn during 2023-2032 due to the greenfield**
  - Total greenfield investment SEK 2.5bn, avoided capex for closed plants of SEK 0.6bn
- **Financing through new credit facilities of total EUR 160m committed by existing banking group**
  - Competitive rates marginally higher than on existing facilities
  - Net debt/EBITDA back to long-term target of 2.5x in 2026; one year delay if 3M EURIBOR increases 200 bps
- **The greenfield will secure and improve on the delivery of Cloetta's long-term target of EBIT margin ≥14%**
- **The Board expresses the ambition to continue to propose a stable dividend in line with 2021 of SEK 1**

1

Cloetta strategic roadmap

Henri de Sauvage-Nolting, CEO

Strategic priorities



Current economic environment

1. Strong brands in resilient categories
2. Pick & mix delivering profitability
3. More efficient production to mitigate labour and energy inflation
4. Growing consumer interest in sustainability

Long-term Financial targets

Organic sales growth
Cloetta's long-term target is to grow organically by 1–2 per cent

EBIT margin
Cloetta's long-term target is an adjusted EBIT margin of at least 14 per cent

Net debt/EBITDA
Cloetta's long-term target is a net debt/EBITDA ratio of around 2.5x

Dividend policy
Cloetta's policy is to have a dividend payout ratio of 40 to 60 per cent of profit for the year

Cloetta's strengths

Cloetta's strategic strengths

- Strong leading local brands
- Category insensitive to recessions
- Core markets in stable Northern Europe
- Strong European leader in pick & mix
- Scale benefits in Northern Europe versus local competition
- Locally tailored innovations

Category position

Market	Candy	Pastilles	Chocolate	Chewing gum	Pick & mix
Sweden	1	1	2	-	1
Finland	2	1	3	1	1
Norway	1	3	5	-	1
Denmark	2	1	-	-	1
The Netherlands	1	-	-	2	-
Germany	5	-	-	-	-
The UK	*	-	-	-	1

*) Presence on the market without confirmed market position.
Source: Kesko, SOK, IRI and Nielsen

Sustainability insights

4

~80%

of global consumers found sustainable/ environmentally friendly to be essential/nice when making a purchase.*

~75%

of Millennials are eco-conscious to the point of changing their buying habits to favor environmentally friendly products.**

**Source: GlobalData 2022 Q1 global consumer survey*
***Source: Nielsen data*

For You

When it is time for **life's sweetest moments**, Cloetta delivers the best. From the most indulgent sweets to healthier treats, Cloetta is always innovating to bring joy to all tastes.

For People

In the world's sweetest business, **making a real impact** is the key. From local communities to employees, farmers and societies, Cloetta strives to provide joyful moments, prosperous working lives and responsible involvement.

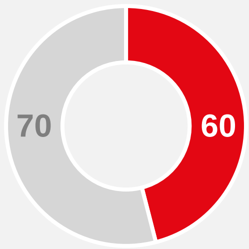
For the Planet

A healthy planet is the source of all our ingredients – and **securing true joy** for the future. We make sure to use resources efficiently, lower our climate impact and this year our Science Based Targets have been approved.

Cloetta’s foundation: core candy brands

Winegum and foam products with above average growth rates and margins

Cloetta sales volumes; 130,000 tonnes



46% ● Core candy*

54% ● Other candy and categories

Core candy includes; winegum, mixed bags, foam

Current manufacturing network

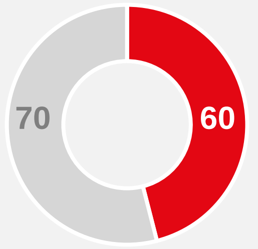
Factories	Markets served	Categories	Tonnage total / Core candy*	Core candy capacity utilisation
Levice			28 / 14	100%
Ljungsbro			26 / 12	100%
Roosendaal S			17 / 16	100%
Turnhout			12 / 12	100%
Roosendaal B			7 / 0	N/A
Dublin			3 / 3	N/A
Sneek			5 / 0	N/A

*Figures based on 2021

Stable market-beating volume growth in core candy

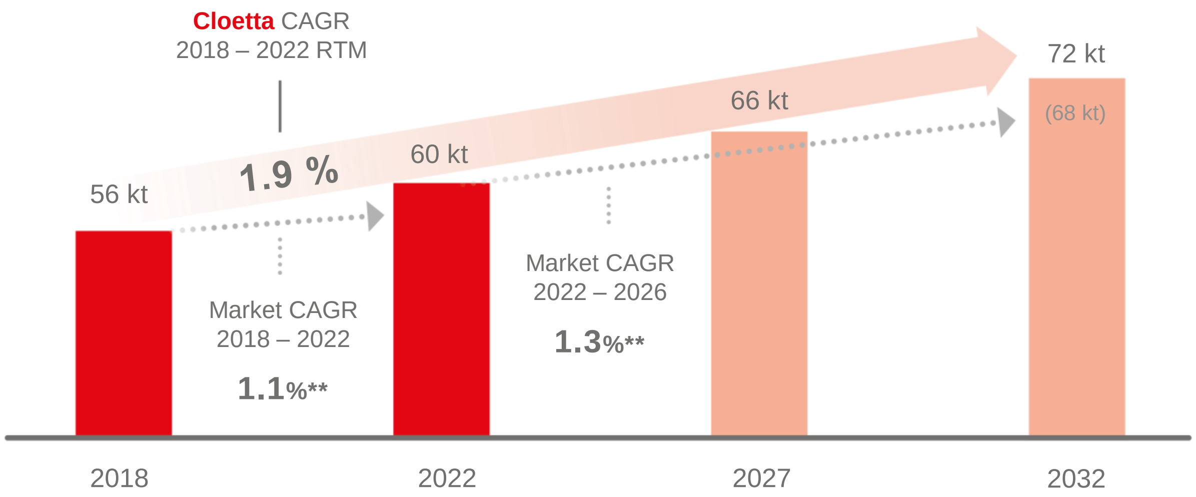
Market expected to accelerate; Cloetta demand forecasted to increase by 12,000 tonnes by 2032

Cloetta sales volumes; 130,000 tonnes



*Core candy includes; winegum, mixed bags, foam

Core candy historical and expected future growth

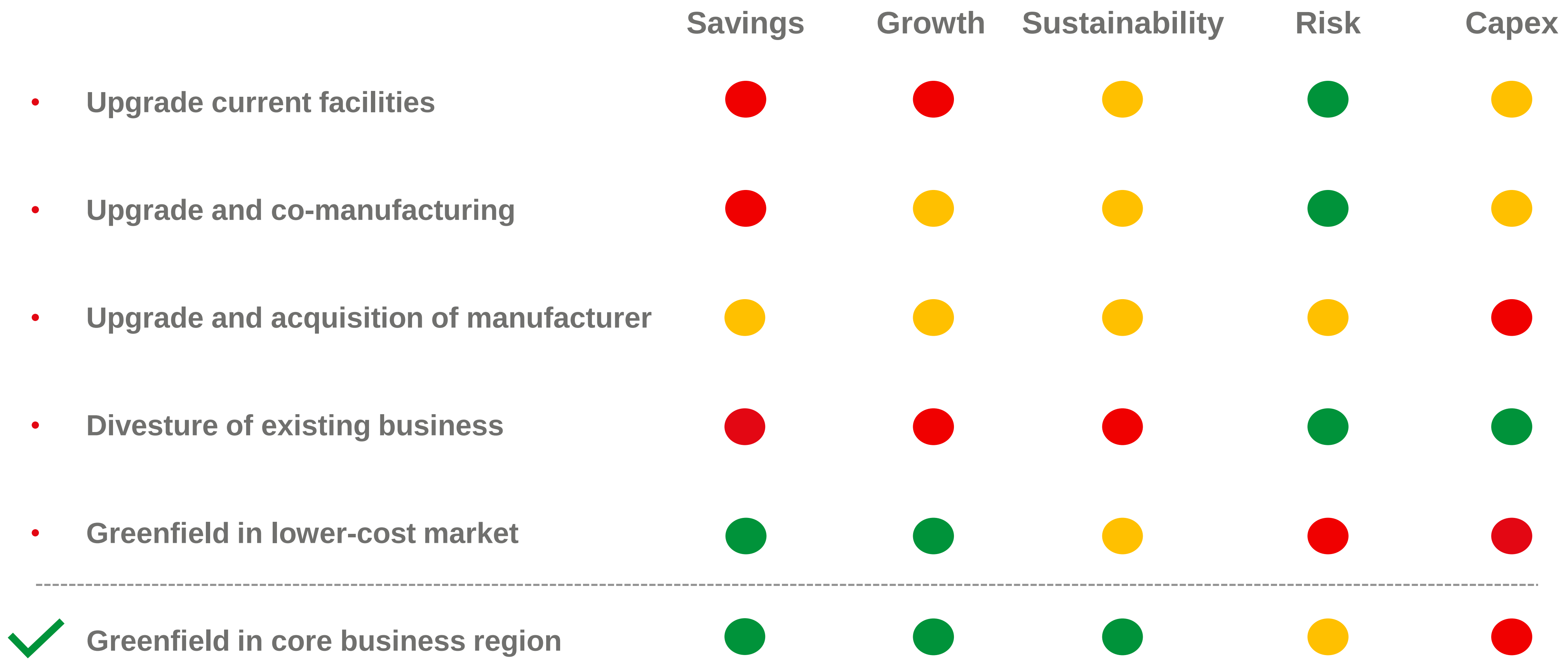


**Source: GlobalData. Sugar Confectionery; DK, FI, DE, NL, NO, SE; UK weighted volume.

Key alternatives evaluated

	Savings	Growth	Sustainability	Risk	Capex
• Upgrade current facilities					
• Upgrade and co-manufacturing					
• Upgrade and acquisition of manufacturer					
• Divesture of existing business					
• Greenfield in lower-cost market					
• Greenfield in core business region					

Greenfield supports growth and EBIT targets



3 to 1: New greenfield facility

Cloetta 2022

- 3 factories
- 3 management teams
- ~30k tonnes core candy capacity
- No room for expansion
- ~13,000 tCO_2e
- 53 Gwh

Cloetta 2024

- 1 factory; less costs
- 1 management team; less costs
- ~45k tonnes core candy capacity
- Space for further expansion
- ~3,000 tCO_2e
- 34 Gwh

2

New greenfield facility

Marcel Mensink, COO

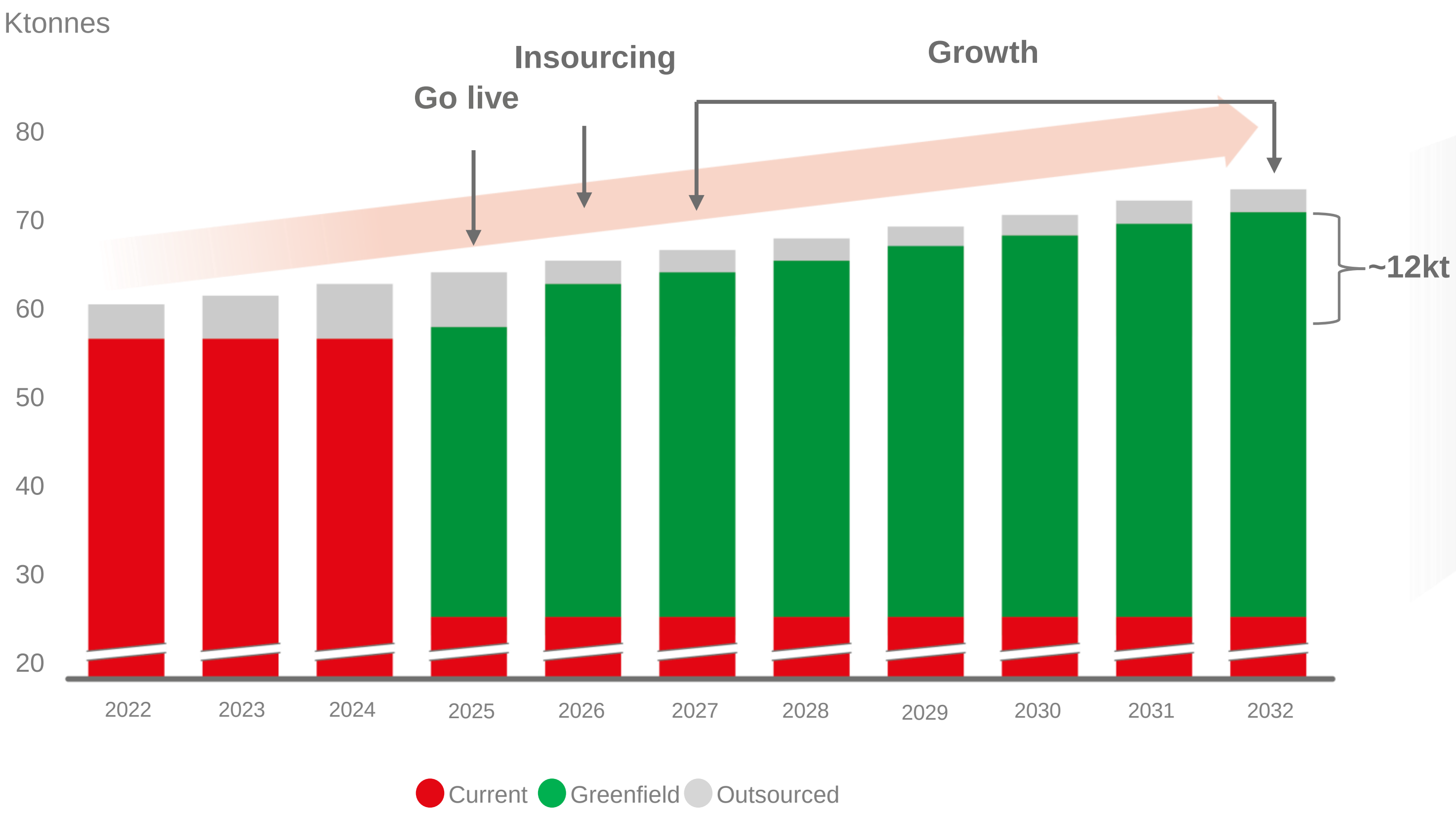
New greenfield facility in the Netherlands

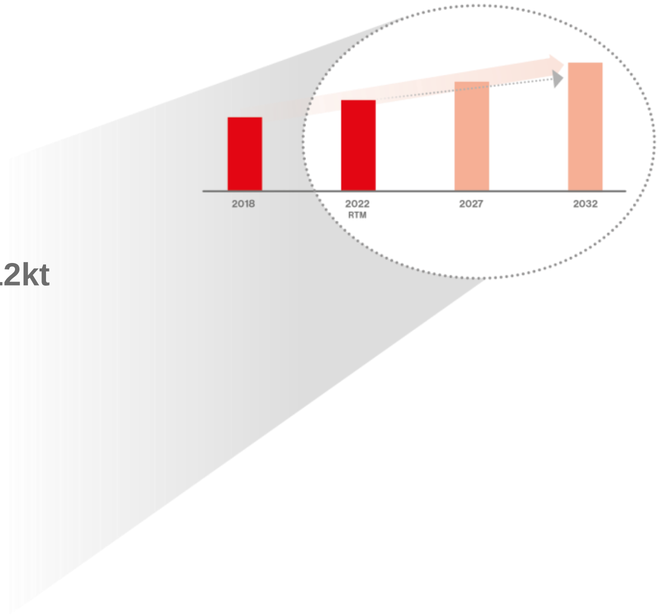
Key facts

- Focus on core candy; winegums, foam
- Option secured for land plot in Roosendaal
- Plot size: ~90,000 m2
- Planned facility size: ~45,000 m2 over 2 levels
    - Enables 15,000 tonnes extra capacity
    - Highly automated
    - Net decrease of ~150 FTEs
    - 4 process lines; 2 new and 2 refurbished
    - New and upgraded packaging lines
    - New kitchen, utilities and cleaning system
    - R&D capabilities
    - Space for future expansion

Greenfield operational end of 2024

Insourcing starting end of 2025, capacity remains for further growth or additional insourcing



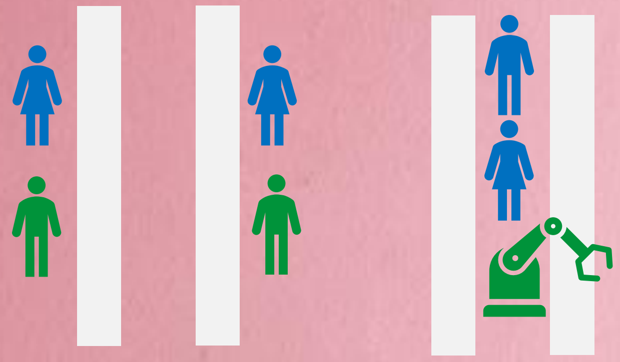


1.9 %
Cloetta CAGR
2018-2022 RTM

Key drivers to enable savings

1 Layout & automatisation

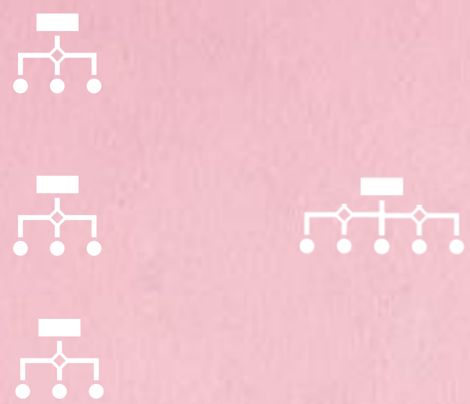
Current Greenfield



More efficient layout and higher automation allow for headcount reduction

2 3 to 1

Current Greenfield



3 manufacturing sites into 1, reducing number of management teams and indirect component

3 Energy & waste

Reduced waste and energy consumption

Greenhouse gas emissions to be significantly reduced

Use of electricity from renewable sources

Gas consumption reduced through new technology

Reduced transportation between facilities and markets

Energy efficiency through new processes and systems

Energy-efficient new building

Reduced waste and improved waste-water management

Project timeline

2022

- Union consultations
- Financing
- Board decision
- Land down payment
- Employees' social plan

2023

- Zoning permit
- Engineering design
- Land purchased
- Factory building contracted (Q2)
- Production equipment contracted (Q2)
- Construction started

2024

- Factory building ready
- Equipment installation started
- Production started (new equipment)

2025

- Production started (relocated equipment)
- Old factories fully closed
- Sale of properties

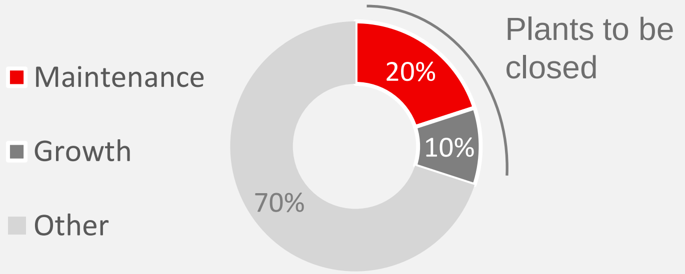
State-of-the art manufacturing network

– SEK 0.6 bn reduction in regular capex 2023-2032 vs. historical levels

Factories	Markets served	Categories	Tonnage total / Core candy*	Capex outlook
Roosendaal			50 / 45	
Levice			28 / 14	
Ljungsbro			26 / 12	
Dublin			3 / 3	
Sneek			5 / 0	

**Figures based on 2021 and outlook*

Total capex 2018-R12 2022: SEK 1bn



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Financials

Frans Rydén, CFO

Total annual EBIT delivery of SEK 220-260m

Production starts end of 2024, insourcing end of 2025. Capacity remains for further growth or insourcing

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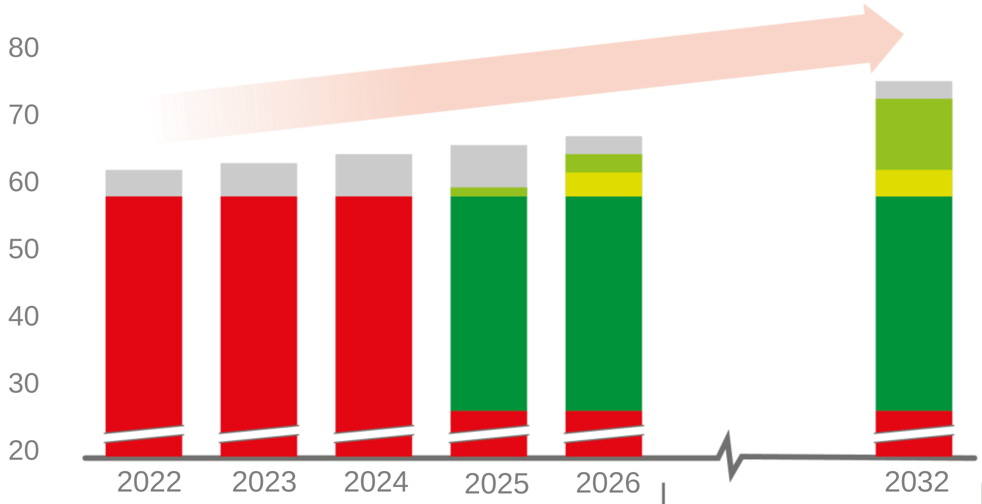


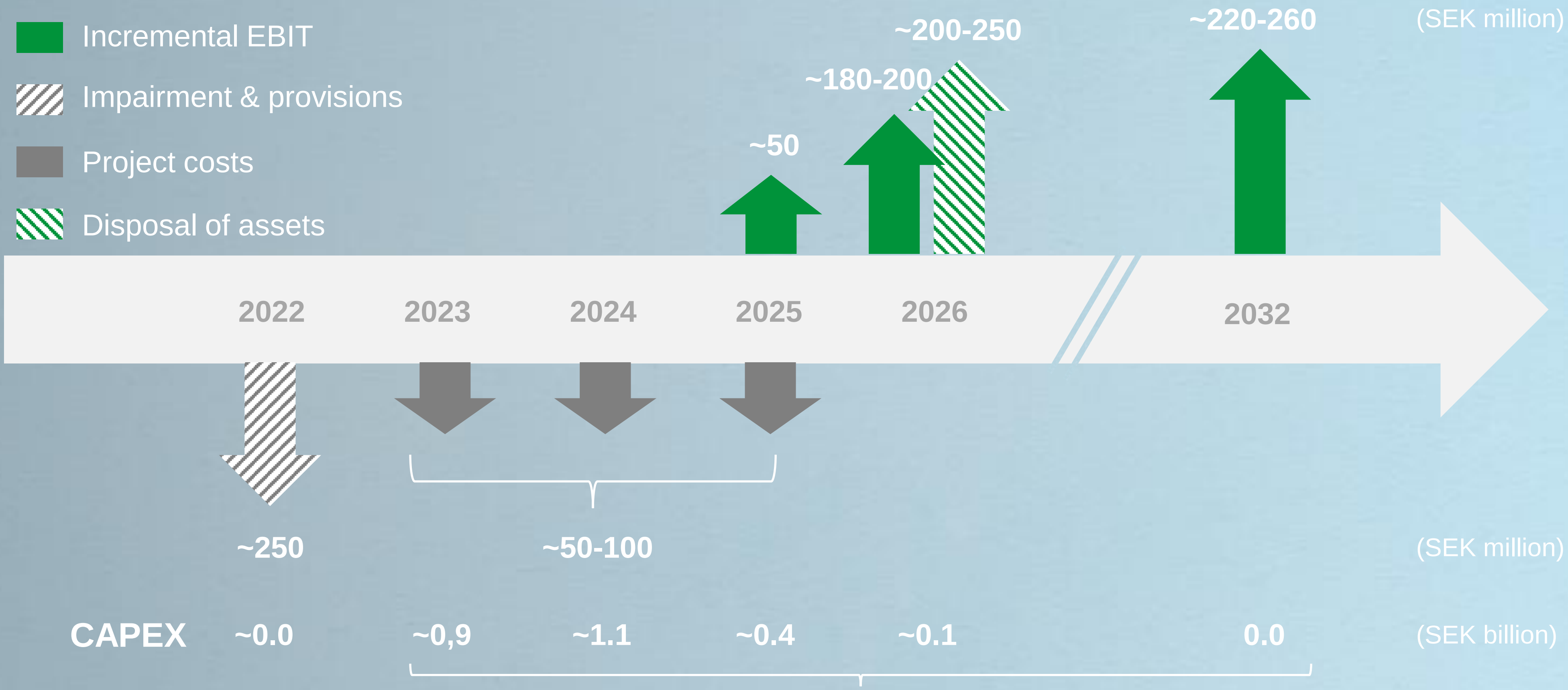
	Initially	Long-term
Savings	135-155	135-155
Growth	25	65-85
	160-180	**200-240**
Insourcing, 3,5 kt	20	20
	180-200	**220-260**

Total annual EBIT delivery SEK 220-260m, including quantified insourcing and enabled growth:

- SEK 160-180m through savings and initial growth of ~3,000 tonnes by 2026
- SEK 20m through identified insourcing of ~3,500 tonnes by 2026
- SEK 40-60m through continued growth of ~6,000 tonnes by 2032

Current utilisation
Greenfield
Outsourced

Financial timeline



Avoided capex for closed plants of SEK 0.6bn, results in SEK 1.9bn net increase during 2023-2032

Financing through new credit facilities committed by existing banking group at competitive rates

- New term loan of EUR 100m for 3 years plus two extension options of one year each (D).
  - Intention to designate the facility as green financing with details to be agreed with the banks during Q4
- New back-up revolver facility of EUR 60m for 4 years plus extension option of one year (C2)
- Competitive rates marginally higher than on existing facilities
- Net debt/EBITDA covenant increased from 4.0x to 4.5x during 2024-2025

New greenfield financing

Facility	2023	2024	2025	2026	2027
D	EUR 100m	EUR 100m	EUR 100m	EUR 100m	EUR 100m
C2	EUR 60m	EUR 60m	EUR 60m	EUR 60m	EUR 60m

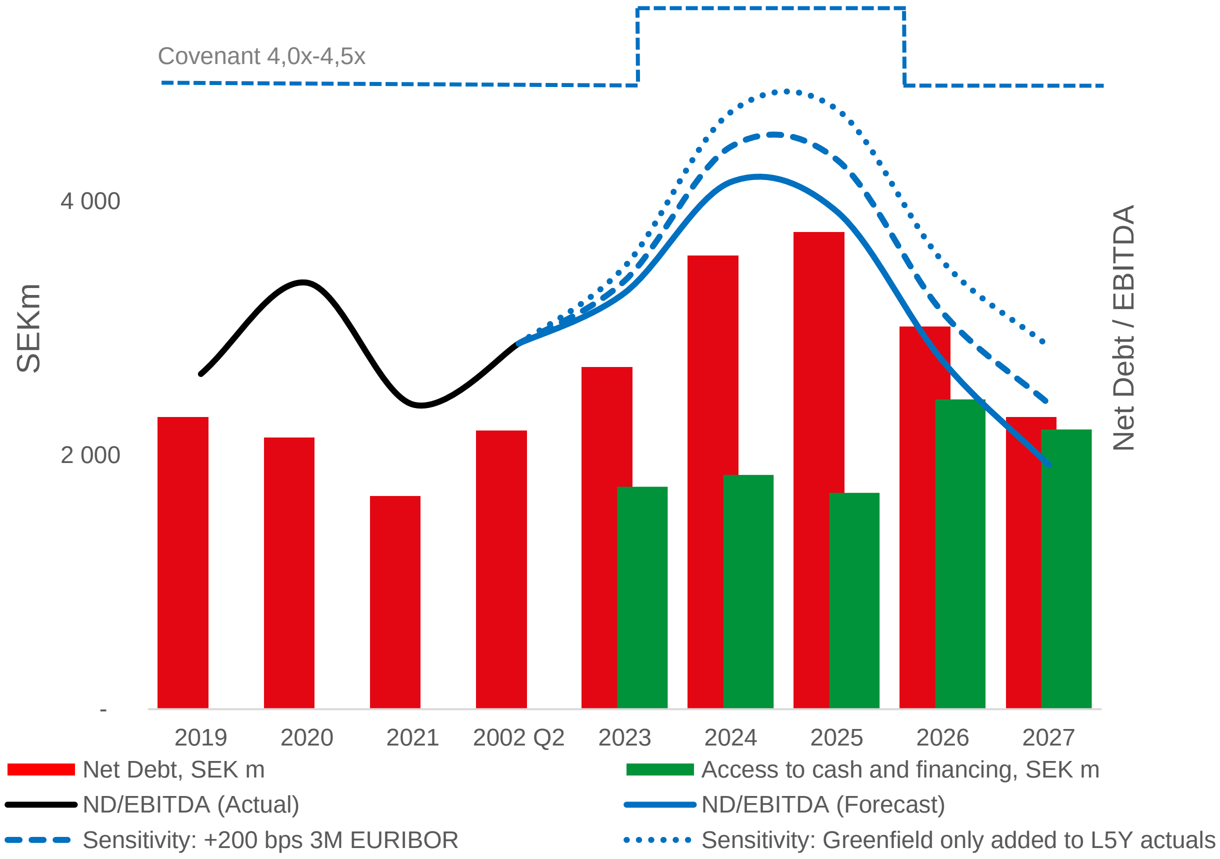
Existing financing

Facility	2023	2024	2025	2026	2027
A	EUR 125m	EUR 125m	EUR 125m	EUR 125m	
B	SEK 800m	SEK 800m	SEK 800m		
C1	EUR 60m	EUR 60m	EUR 60m	EUR 60m	EUR 60m

Leverage back to long-term target of 2.5x in 2026

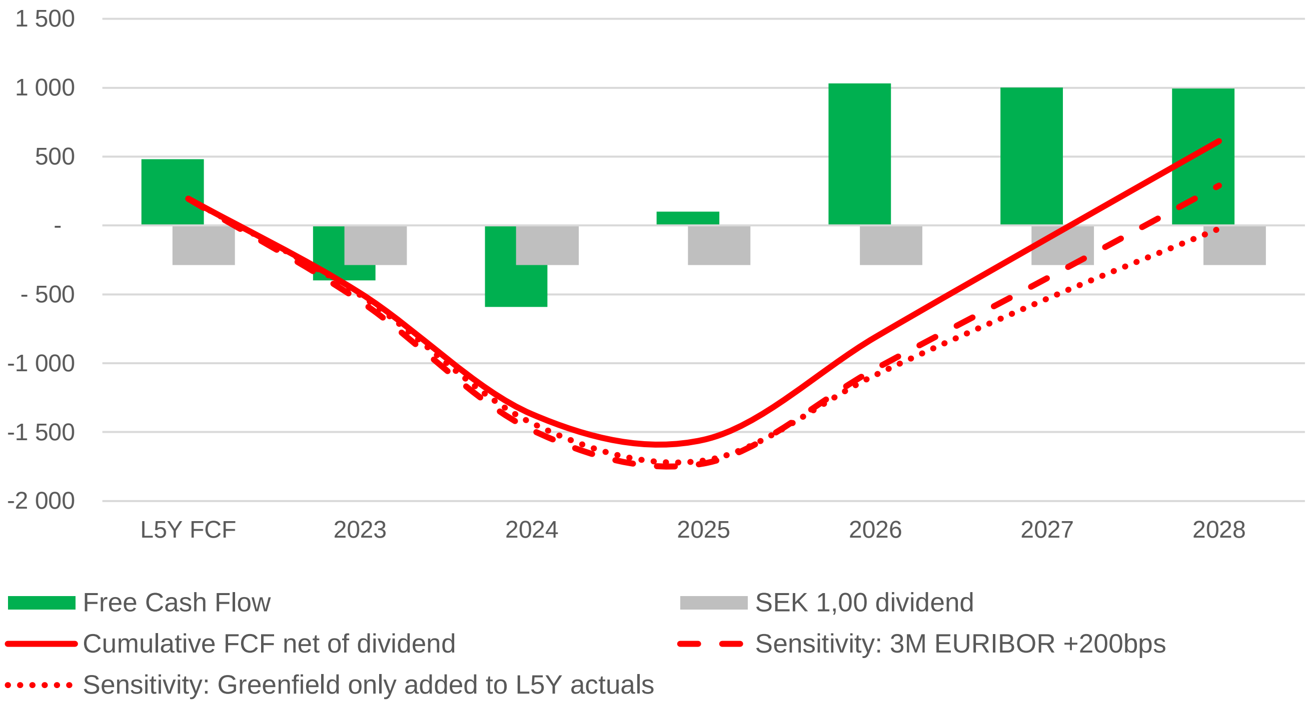
Access to further financing remains strong

- Net debt/EBITDA back to long-term target of 2.5x in 2026 after peaking at 3.5-3.8x; one year delay if 3M EURIBOR increases 200 bps
- Net debt/EBITDA well within covenant throughout the project
- Access to financing of SEK 0.9bn beyond the forecasted need, in addition to SEK 0.8bn through Cloetta's commercial papers program
- Return to current net debt level by 2027 after peaking in 2025

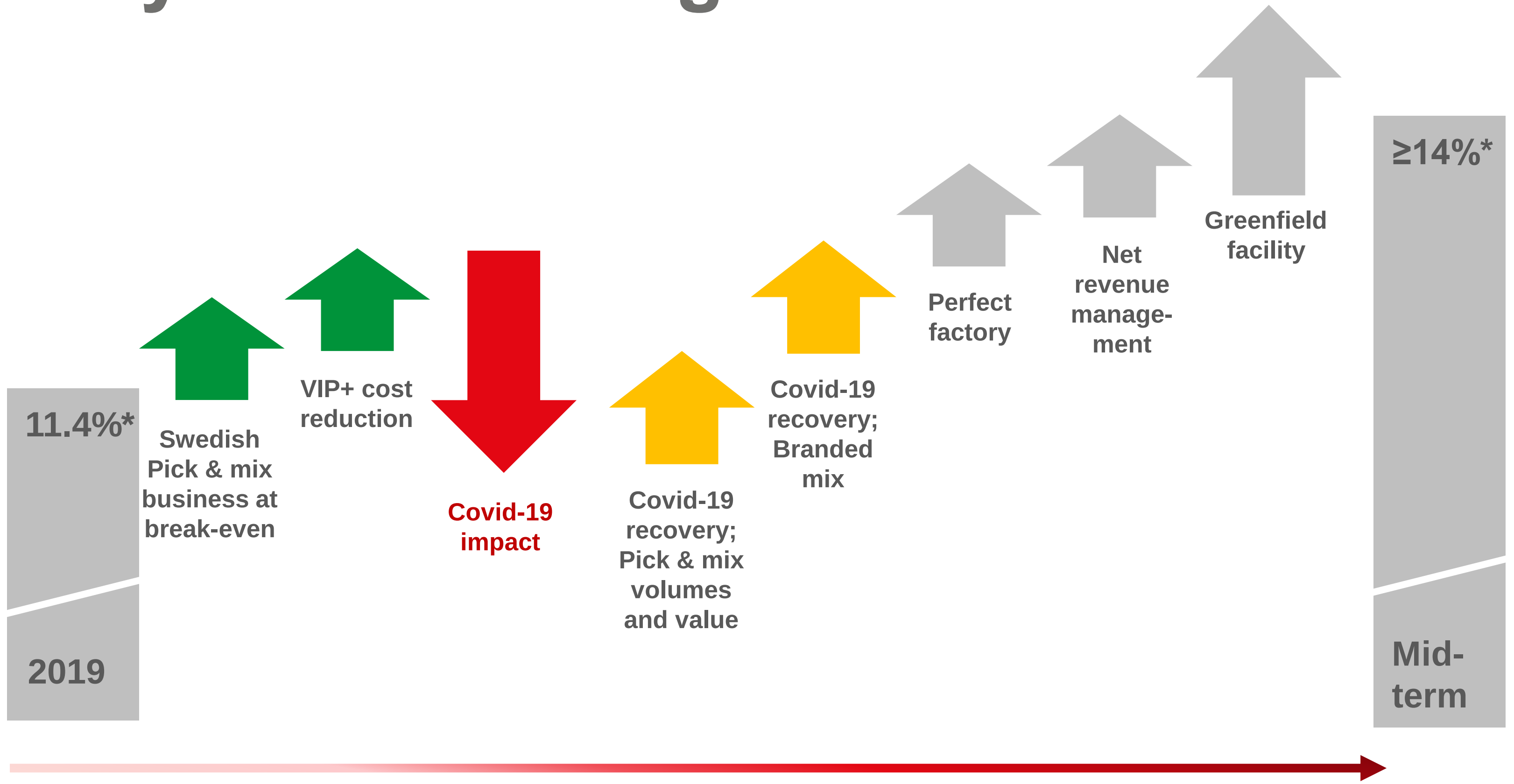


Return to current net debt level by 2027 based on SEK 1 dividend and continued cash generation

- The Board expresses the ambition to continue to propose a stable dividend in line with 2021 of SEK 1
- Net debt forecasted to return to current level by 2027 with approximately one year delay if 3M EURIBOR increases 200 bps
- Sensitivity only adding greenfield investment and SEK 1 dividend to last 5 years' average cash generation of SEK ~0.5bn (2018-2022) brings net debt back to current levels around 2028



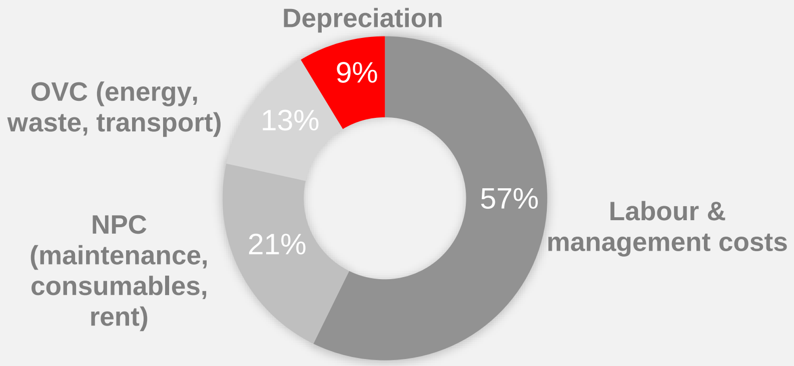
Greenfield facility will secure and improve the delivery on EBIT margin ≥14%



*) Operating profit margin, adjusted

Current inflation would increase savings

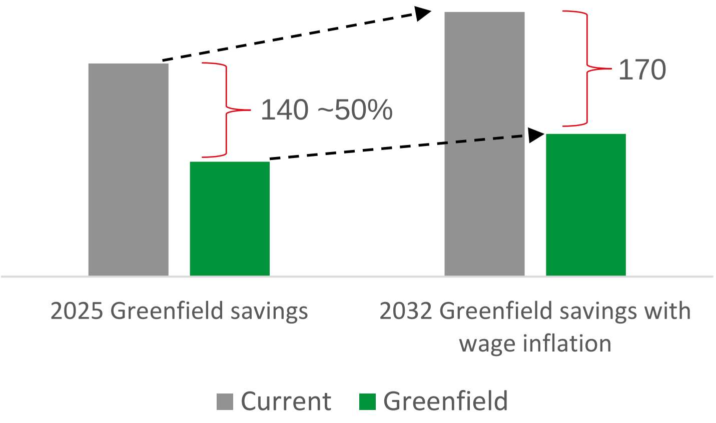
Manufacturing cost SEK 0.5 bn



Savings: SEK m, % reduction

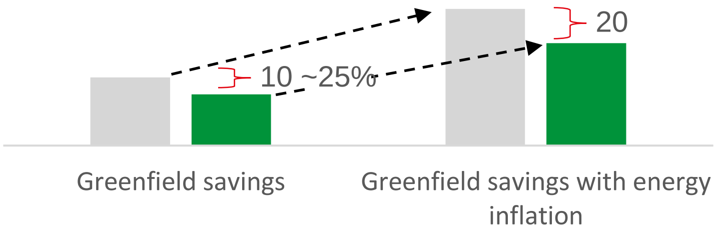
●	140	~50%
●	50	~50%
●	20	~33%
●	(60)	
	135-155	

Example; Labour & management costs



Not included: additional SEK 30m savings by 2032 from wage inflation

Example; Energy costs



Not included: additional SEK 10m savings from 2022 energy inflation

4

Conclusions

Henri de Sauvage-Nolting, CEO

Short-term market view

Continued market instability:

1. Cost inflation
2. Rising interest rates
3. Energy supply
4. Consumer recession

Cloetta well positioned to manage challenges:

1. Strong pricing power enables Cloetta to pass costs through with continued volume growth
2. Historically strong cash flow and access to further financing
3. Agile cost adaptation developed during Covid-19 pandemic
4. Category proven to be insensitive to recessions

Annual Western European sugar confectionery growth 0-6% over last 15 years.

- Source: GlobalData

Cloetta towards and beyond 14% EBIT margin, with maintained dividend

Key success factors in FMCG

- Iconic brands, with high loyalty and pricing power
- Strong number 1 & 2 market positions
- Efficient production

3 plants to 1

Building for the future

- State of the art production platform, with flexibility to tackle:
  - Higher labour costs
  - Higher energy costs
- Significant cost savings
- Adding production capacity
- Enabling company to go more sustainable


Q & A

Thank you!

Cloetta

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