Cloetta

Press release

18 February 2016

President and CEO David Nuutinen comments on the results for the fourth quarter of 2015

Strong cash flow, decreased debt and proposed dividend

Cloetta stands strong
2015 was a record year for Cloetta. All in all, sales were up by 6.8 per cent, of which 1.5 per cent was organic growth. This sales growth, combined with lower restructuring costs and good cost control, enabled us to boost our profitability yet again in 2015. Operating profit for the full year reached a record high of SEK 671m (577). Profit after tax was SEK 386m (242), which is equal to earnings per share of SEK 1.35 (0.84). And in spite of a completed acquisition, the net debt/EBITDA ratio has continued to decrease and is currently 3.03x (3.97). We are thus well on track towards our targeted net debt/EBITDA ratio of 2.5x, and in response to this the Board of Directors is proposing a dividend of SEK 0.50 per share. This shows that Cloetta stands strong.

Stable operating profit
Cloetta's operating profit (EBIT) for the quarter amounted to SEK 239m (262) and the EBIT margin was 14.7 per cent (16.6). Organic sales fell in the quarter but overall sales were up by 2.7 per cent, driven by acquisitions and foreign exchange movements.

Operating profit, adjusted for one-off items, amounted to SEK 255m (257) and the operating margin, adjusted for one-off items, was 15.7 per cent (16.3). Profit for the period was SEK 157m (158).

Compared to the same quarter of last year, operating profit was affected by increased one-off costs, mainly related to the planned closure of the factory in Dieren, the Netherlands. Last year was impacted by a large one-off effect in the fourth quarter that improved the operating result. Operating profit margin, adjusted, declined during the quarter mainly as a result of the performance of one of the acquisitions.

Very strong cash flow
Cash flow from operating activities remained very strong and amounted to SEK 367m (290) in the quarter. For the full year, cash flow from operating activities was SEK 927m (500). This once more demonstrates the strength of Cloetta's cash-generating ability.

Decrease in debt
The continued strong cash flow and improved EBITDA contributed to a net debt/EBITDA ratio of 3.03x (3.97). The long-term target of a net debt/EBITDA ratio of 2.5x remains unchanged. The ambition is to use future cash flows for repayment of debt and payment of dividends, while at the same time providing financial flexibility for complementary acquisitions. The net debt/EBITA ratio decreased during the year despite the completion of an acquisition.

Confectionery market
The confectionery market as a whole developed positively in Sweden, Norway, Denmark and Finland. In the Netherlands market development was unchanged and in Italy the development was negative.

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Acquisition-driven growth
Cloetta's sales for the quarter rose by 2.7 per cent, of which organic growth accounted for –2.3 per cent, the acquisition of Lonka for 4.8 per cent and exchange rate differences for 0.2 per cent. The lower organic sales for the quarter are mainly attributable to a sharp decrease in sales of seasonal products in Italy. However, organic sales growth excluding Italy was 1.8 per cent, which shows that Cloetta otherwise achieved stable organic growth during the quarter.

Cloetta's sales in the quarter increased or were unchanged in all markets except Italy, Denmark and the UK. The positive sales trend in Sweden was driven by the new pick-and-mix concept. Sales of pick-and-mix were also up in Finland. In Denmark sales were down primarily in pastilles.

The declining sales in Italy are explained by our introduction of price increases of approximately 20 per cent for the important seasonal products. These price increases led to a steep drop in volumes, since the competitors have not raised their prices to the same extent. The prices have been increased to compensate for a surge in the price of hazelnuts and almonds, two important ingredients in the Italian seasonal products. Cloetta's strategy is to always pass along changes in raw material prices to customers and consumers even when this can have a short-term impact on sales and profitability.

Integration of Lonka according to plan
Lonka, which was acquired in July 2015, has significantly strengthened Cloetta's position in the Netherlands. The Nordic countries and the UK are other important markets, especially within pick-and-mix.

The process of integrating Lonka into Cloetta's organization is moving forward according to plan. A new joint sales and marketing organization has been implemented in the Netherlands.

In December 2015 a decision was made to close the factory in Dieren, the Netherlands, at the end of 2016 and transfer its production to the factory in Levice, Slovakia. Preparations for the closure and transfer of the factory have been started.

When the cost synergies from the acquisition of Lonka have been realized, we expect these to support Cloetta's target of an EBIT margin of 14 per cent in 2017. With regard to sales and profitability, Lonka developed according to plan during the quarter.

The strategy stands firm
The strategy for Cloetta stands firm. Our ambition for 2016 is therefore to continue focusing on profitable growth, operational excellence in the supply chain through our Lean2020 initiative, growth and cost synergies in the acquired companies, and new growth initiatives in pick-and-mix.

The information contained in this press release is such that Cloetta is required to disclose pursuant to the Swedish Financial Instruments Trading Act and/or the Swedish Securities Markets Act. The information was submitted for publication on 18 February 2016 at 08:00 a.m. CET.

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About Cloetta
Cloetta, founded in 1862, is a leading confectionary company in the Nordic region, the Netherlands, and Italy. In total, Cloetta products are sold in more than 50 countries worldwide. Cloetta owns some of the strongest brands on the market, such as Läkerol, Cloetta, Jenkki, Kexchoklad, Malaco, Sportlife, Saila, Red Band and Sperlari. Cloetta has 13 production units in six countries. Cloetta's class B-shares are traded on Nasdaq Stockholm. More information about Cloetta is available on www.cloetta.com