

Cloetta

Cloetta Roadshow April – May 2019


This is Cloetta

FOUNDED IN
1862

ANNUAL SALES
SEK
6.2
BILLION

SALES IN
50
COUNTRIES

8



2.500
EMPLOYEES


NASDAQ
STOCKHOLM

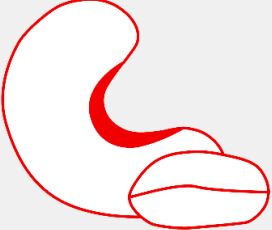

LEADING
BRANDS

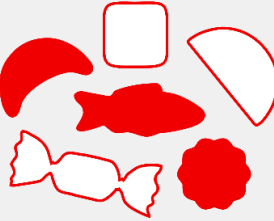

CANDY


CHOCOLATE


PASTILLES


CHEWING GUM


NUTS


PICK&MIX


Munchy
Moments

THIS IS
Cloetta

We bring a smile to your Munchy Moments



Cloetta

Cloetta's strengths

Strong brand/category positions and pick & mix scale in North Western Europe

Cloetta's strategic strengths

- Strong leading local brands
- Core markets in growing North Western Europe
- Strong European leader in pick & mix
- Scale benefits in North Western Europe vs local competition
- Route to market scale in core markets
- Locally tailored innovation

Market



Category position

Candy	Pastilles	Chocolate	Chewing gum	Pick & mix
1	1	2	-	1
2	1	4	1	1
1	2	3	-	1
2	1	3	-	1
1	-	-	2	-
-	-	-	-	1

Based on Cloetta market share in respective category in 2018.

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Strong heritage brands liked and trusted by our consumers

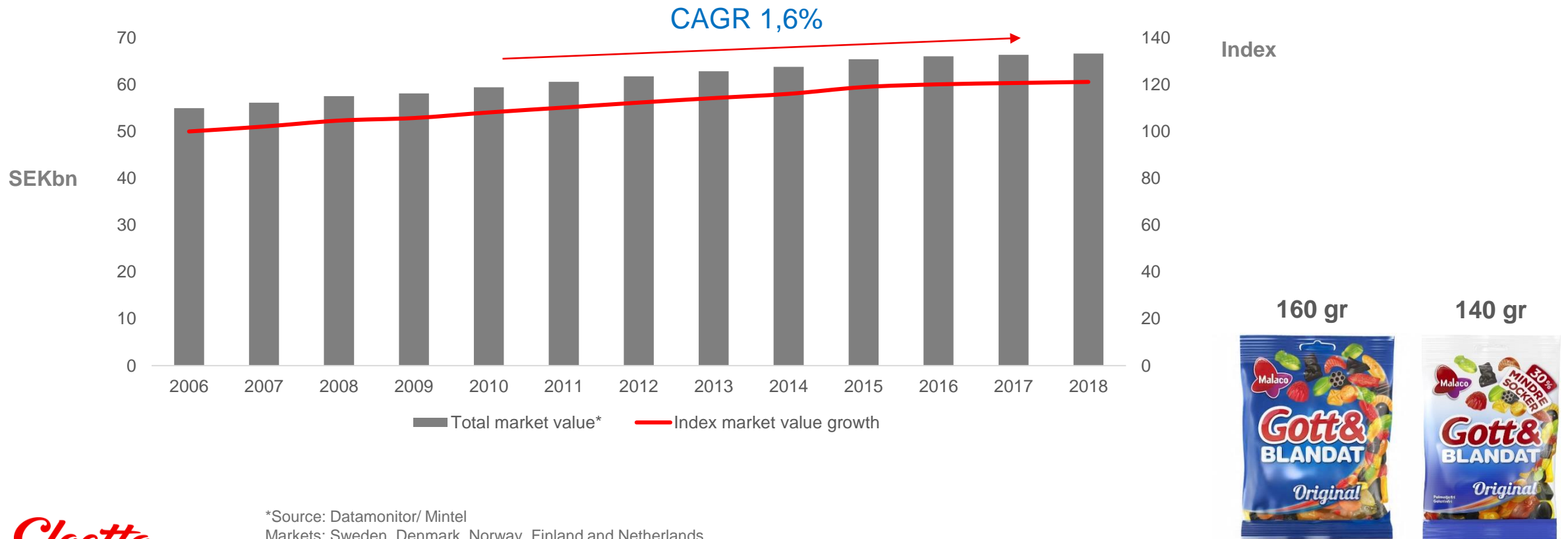


Local Global Balance



Growth in Branded Confectionery market

Value growth: Cloetta needs to step up in premiumization

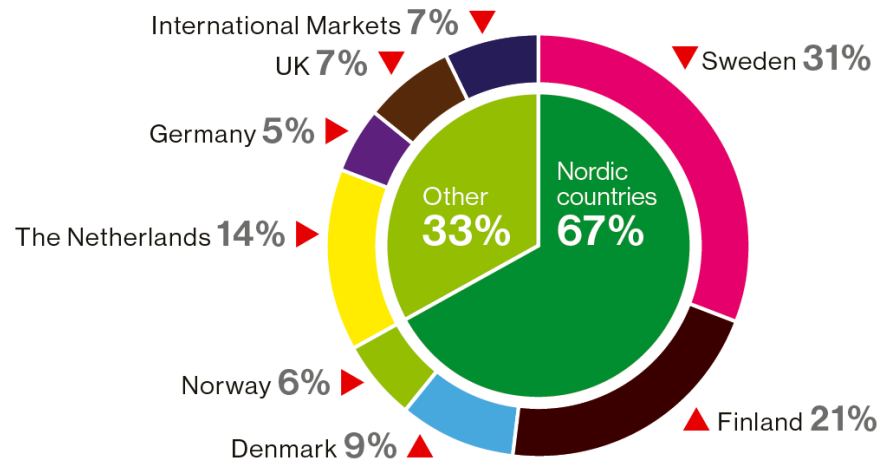


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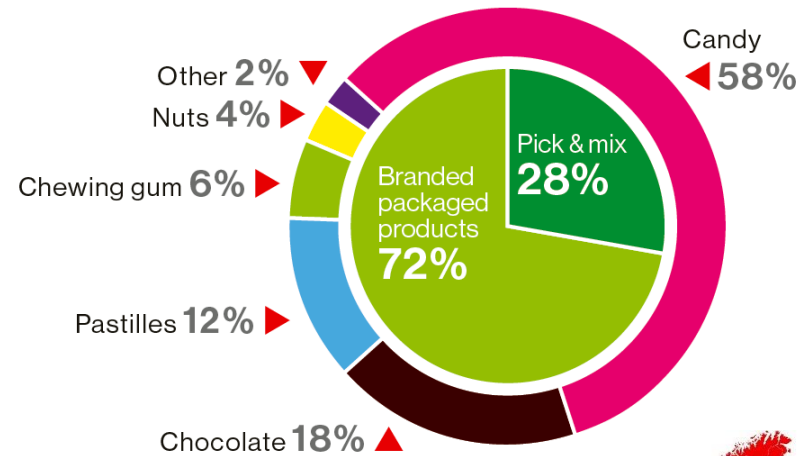
Focus on core markets and core categories

From acquiring new munchy moment categories to organic growth

Cloetta's net sales by country



Cloetta's net sales by category



Cloetta



CORE



INTERNATIONAL

Core strategy: Organic growth and 14% EBIT

From acquisition growth to organic growth

2012: New company

- Merger Cloetta-LEAF
- Listed on Stock market
- HQ in Stockholm



2014: Harmonization

- One ERP system
- Factory rationalization & LEAN
- Smaller acquisitions



2017: Structure change

- Disposal of Italy
- Acquisition Candyking
- Overload moulded factory network



2018: Shift to organic growth

- Consumer as boss
- New management
- ONE Cloetta
- Organic growth
- Sharpened strategy on the road to 14%



Cloettas Core Strategy

“To bring a smile to your Munchy Moments”

Drive growth

- Strengthen the equity of our core brands
- Focus on core categories and core markets, double international
- Fewer and stronger innovations to drive valorization
- Create value concepts and penetration in pick & mix
- Selective acquisitions on core categories and markets

Facilitate growth

- Zero tolerance for accidents
- Create “One Cloetta”
- Strengthen brand and category management competence
- CSR to drive consumer agenda
- Create a winning culture
- Develop, attract and retain skilled leaders and employees

Fund growth

- Drive cost saving activities – “VIP+”
- Embed “Perfect Factory” and Lean in the supply chain
- Insource production
- Improve profitability in pick & mix
- Improve marketing efficiency and internal systems and processes

Target: Organic Sales growth in line with market and EBIT margin, adjusted – at least 14%

Cloetta

Key Business Priorities

Cloetta to organic growth and 14% EBIT margin, adjusted



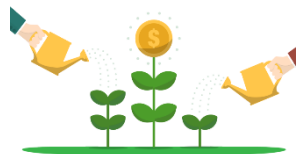
Branded growth

- Branded business grew +1,5% at 14%+ EBIT in 2018
- Four consecutive quarters of growth in 2018

**CANDY
KING®**

Pick & mix to sustainable value

- Pick & mix delivers 1-2% EBIT margin
- Solve profitability issues in Sweden ~ SEK -60m EBIT in 2018
- Synergy realization and insourcing



Reduce costs and drive efficiency

- Value Improvement Program+
- Factory efficiency improvements

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Consumer Trends in motion...

Conscious consumers

Individualization

Local relevancy

Best agers 50+

High tech – high touch

Digitalization – want it now



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... and Cloetta in good position

Local brand heritage



Pick & mix



“Nordic way of life”
#Socialization
#Fredagsmys
#Hygge

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Leading
“Choice for you”



Catering to a wide
audience



E-com focus

Cloetta

Consumer Trends in motion

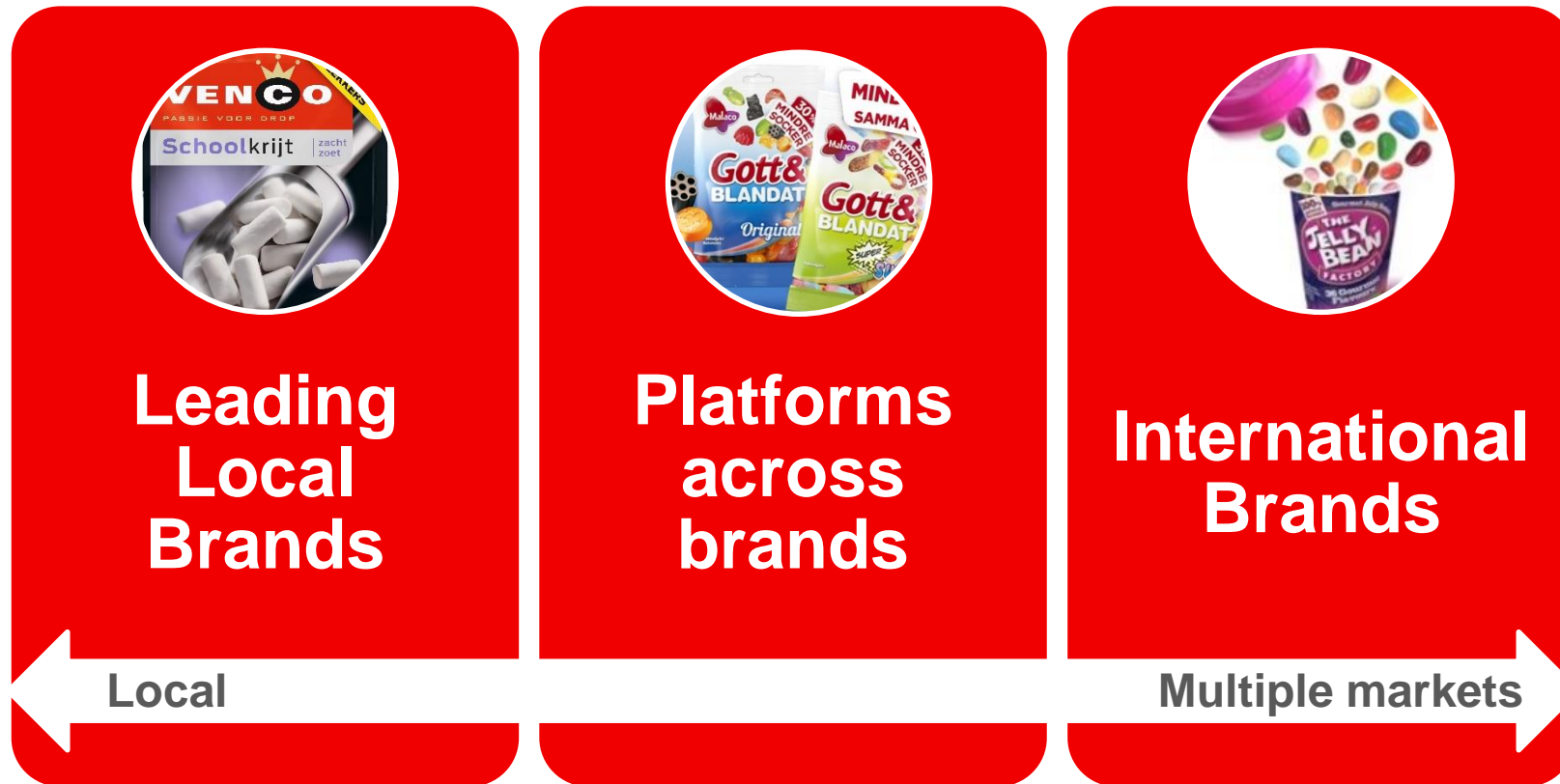
- Conscious consumers
- Individualization
- Local relevancy
- Best agers 50+
- High tech – high touch
- Digitalization – want it now



Cloetta

Unique position, fitting consumer trends

Competitive position vs global and very local players

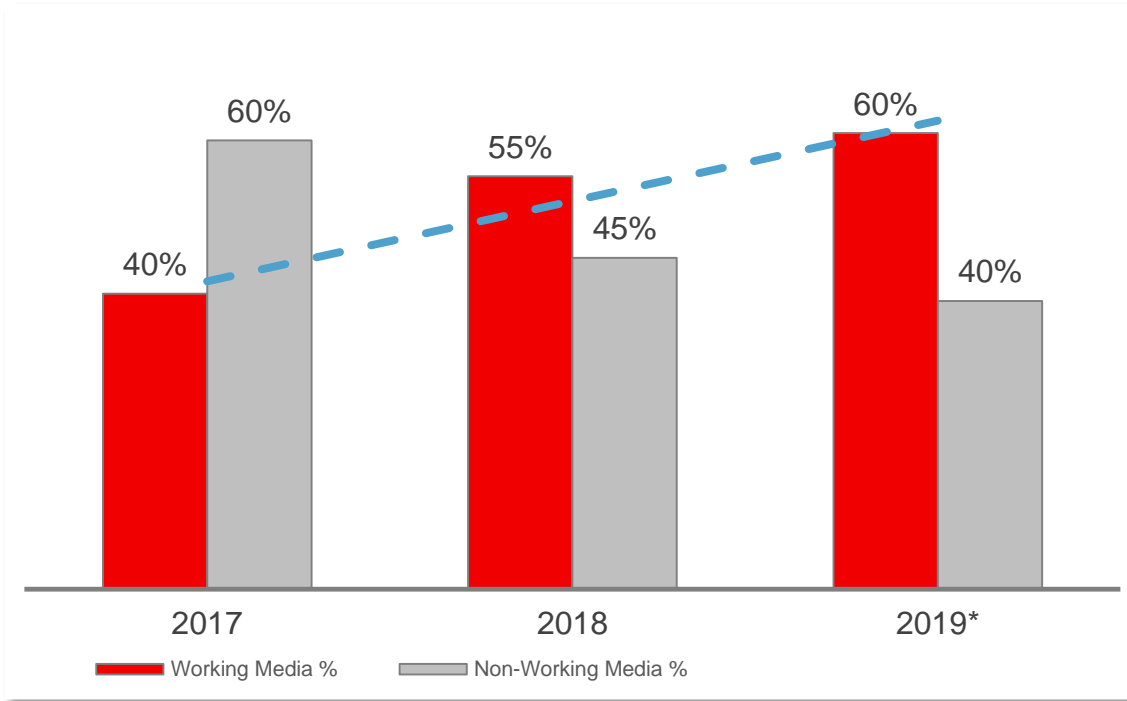


Accelerate Marketing Return On Investment

Step 1: make **70%** of marketing spend visible to consumer



Step 2: Maximize effective pure media **70%** (boost hard, measure fast)



* Ambition for 2019



*Nielsen 2018, Sweden

Responsible growth

Offering informed choice for consumer

- Consumer as boss
- NAF/NAC
- Increased resource efficiency
- Responsible sourcing of raw material (UTZ)
- Employee development and health
- Plastic reduction
- “Choice for you” strategy



Offering consumers the choice

Indulgence

Functional & conscious

23 % of Sales



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Sustainable value creation in pick & mix

Short term 2019 & 2020

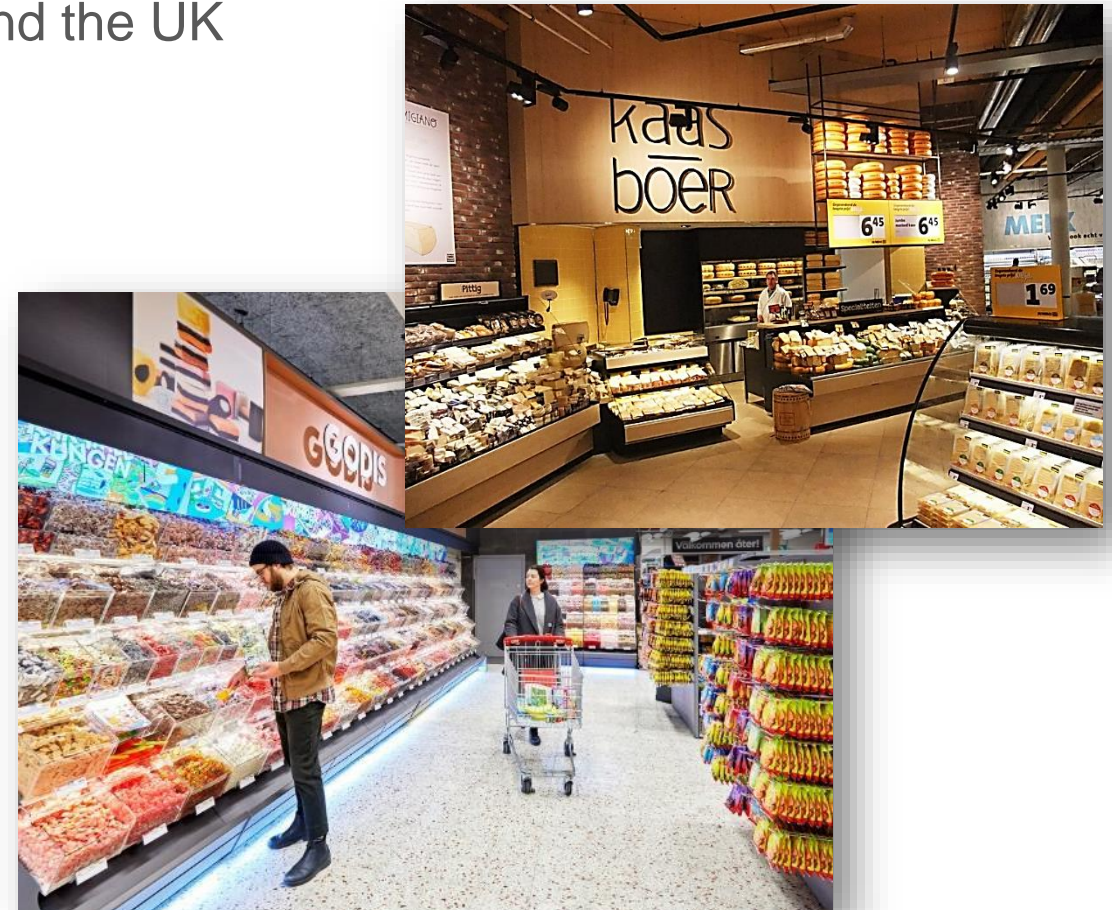
- Turn around **EBIT** in pick & mix in Sweden from ~SEK -60m in 2018 to average pick & mix EBIT
- **Contract and price models** being re-developed
- Cut cost in **warehousing and distribution** set-up in Sweden
- Continue to **insource Candyking** volumes
- Drive **merchandising** efficiency
- Harmonize **assortment**



Sustainable value creation in pick & mix

Medium term

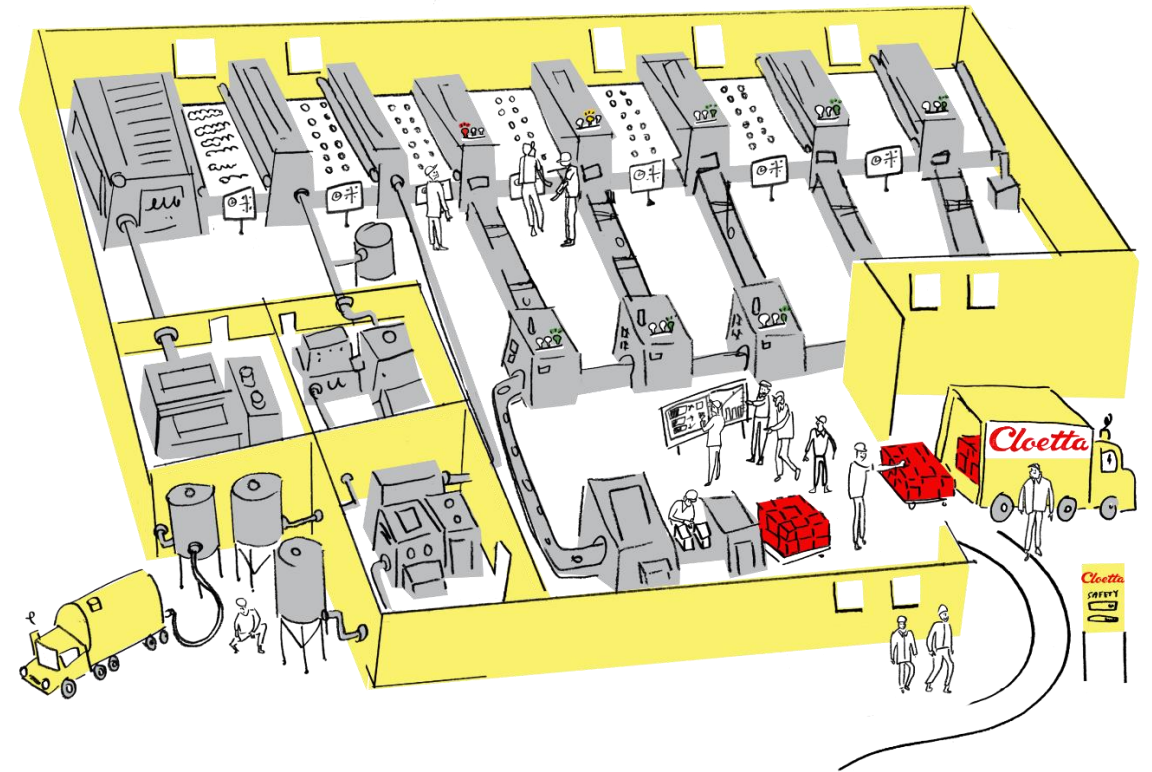
- Drive penetration in Finland, Denmark, Norway and the UK
- Develop pick & mix category and brand offering
- Develop concepts to fit all markets
- Create “Shop in Shop” concept to get more value
- E-commerce:
 - Scale e-commerce
 - ‘In-store theatre’ needs



The Perfect Factory

From Lean 2020 to Cloetta Leading Performance Program

- The Lean 2020 program – launched in 2015
- The Perfect Factory programme aims to build **Repeatable, Measurable** and **Capable** lines and **competent Employees**.
- In 2019 Cloetta will **change the way we operate** in Cloetta manufacturing with the start of **Cloetta's Leading Performance Program**



Invest to grow

Capacity investments needed

- 10% capacity increase in **moulding technology**
- **Additional capacity will support**
 - Growth in branded packaged products
 - Realization of additional Candyking synergies (insourcing)
 - Insourcing of volumes produced in previously Cloetta-owned Italian plants
- Investment approximately **SEK 100m will debottleneck** current lines in Turnhout and Levice
- New capacity will gradually be **available from 2020**



Leverage and dividend on target

Growth and margin trailing

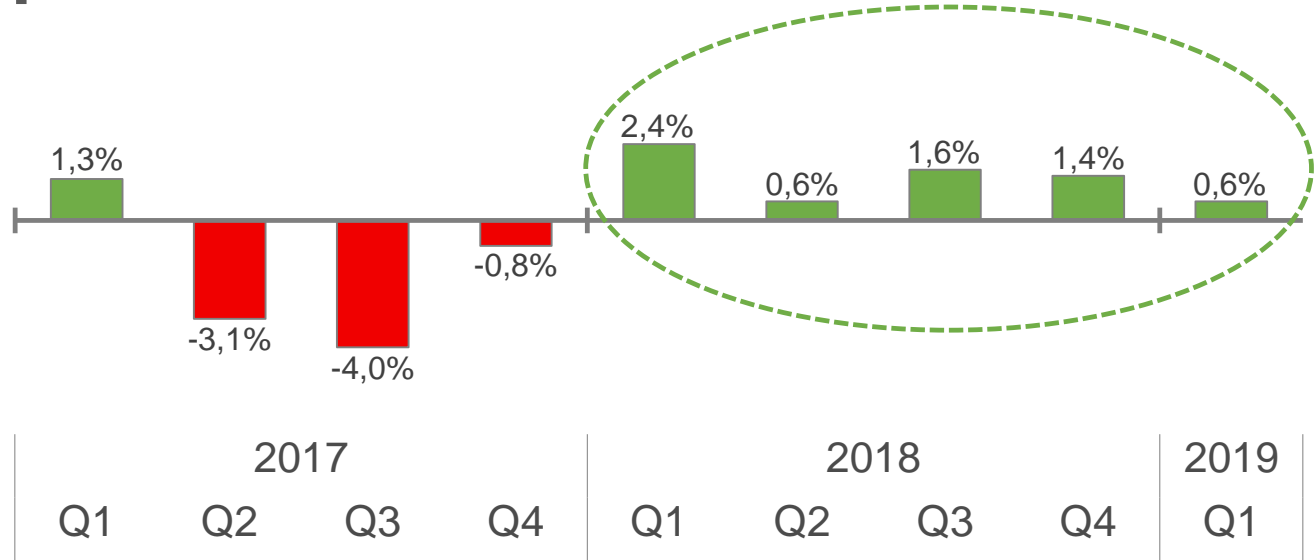
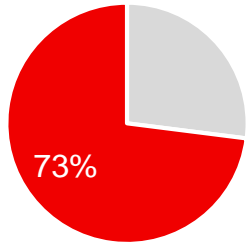
	2017	2018	Targets
Organic Growth*	-1.2%	-2.8%	1-2% (In line with market)
EBIT Margin, Adj	10.4%	10.9%	≥ 14%
Net Debt / EBITDA	2.4	2.3	≤ 2.5
Dividend Policy (share of profit)	54%	60%	40-60%



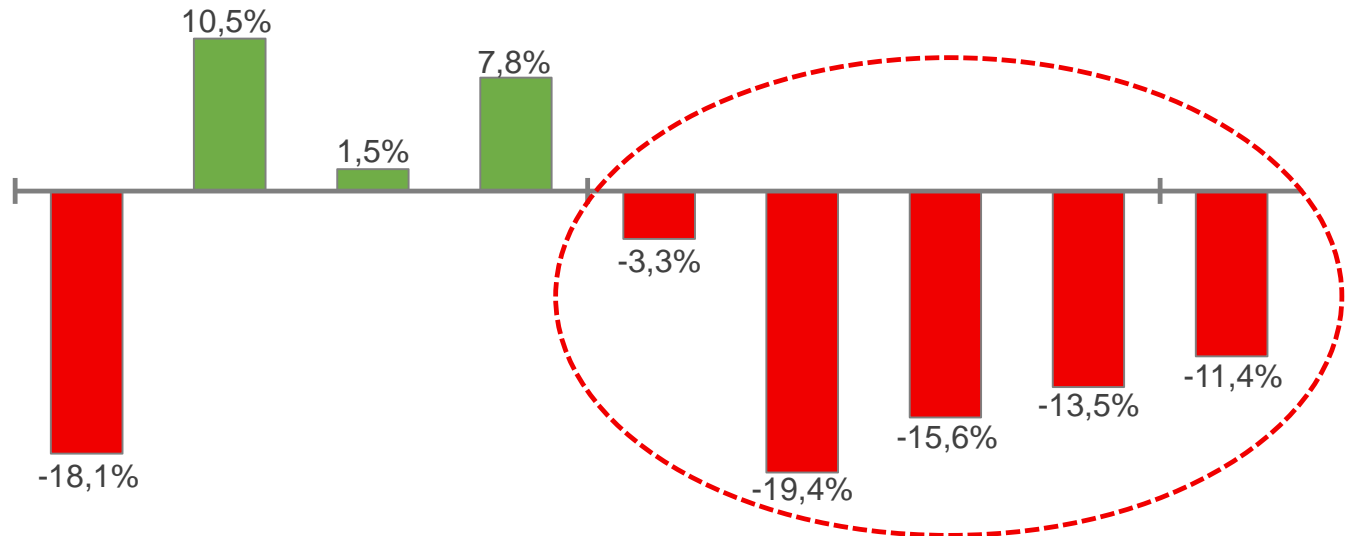
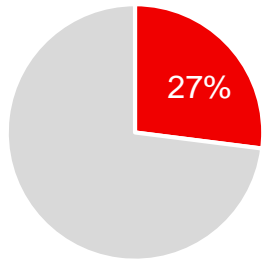
Good progress on branded growth in 2018

Offset by lost contract for pick & mix

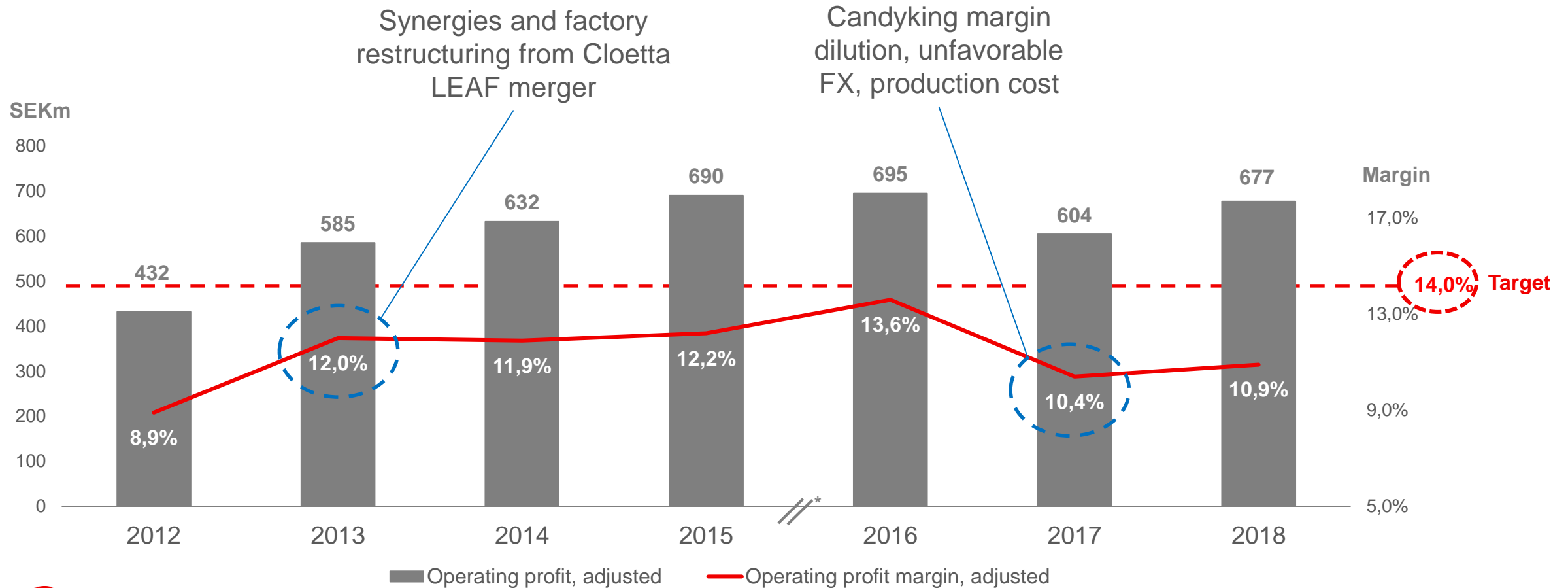
Branded, % of Q1 2019 sales



Pick & mix, % of Q1 2019 sales



Track record of margin gains through restructuring and synergies

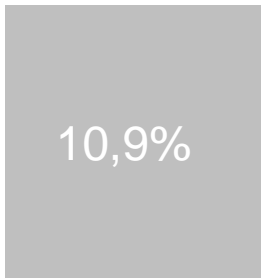


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*From 2016 and onwards, Italy is discontinued operations and excluded from result

Well-stocked road-map to deliver targeted 14% EBIT margin, adjusted

EBIT margin, adjusted, %



2018

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CANDY KING®



Pick & mix portfolio

- Candyking synergies
- Pick & mix margin turn-around
- From volume to value creation



Branded growth

- Scale and speed in innovation
- Marketing Return on Investment



Perfect Factory

- Cost efficiency through Cloetta Leading Performance Program
- Continued insourcing including Italian volumes



Reduce indirects

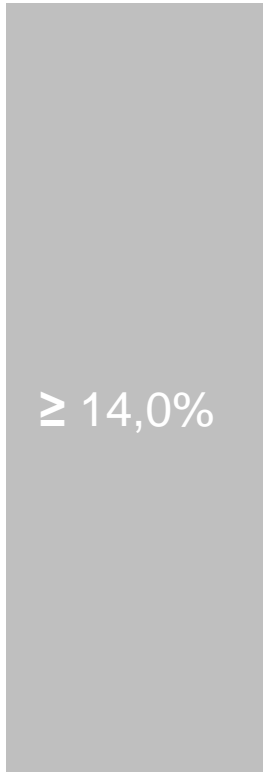
- New program using ZBB methodology



Other value enhancing initiatives

- New and shared best practices, including on revenue management, net productivity, portfolio and mix management

Value Improvement Program+



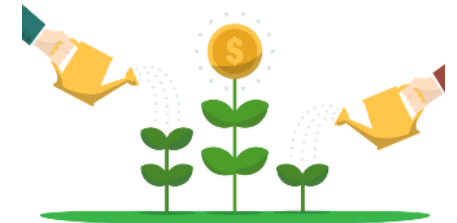
Mid-term

Value Improvement Program Plus:

New holistic and company-wide program to safeguard delivery of the roadmap

One program for value-creating initiatives, using industry-leading practices and grounded in Zero Based Budgeting principles

- **Transparency** to confirm effort and money is spent where it matters the most to deliver profitable growth and targeted EBIT
- **Accountability** for building blocks, with overlaps managed and no drill-sites missed
- **Rigor** in tracking of actuals and fulfillment of commitments

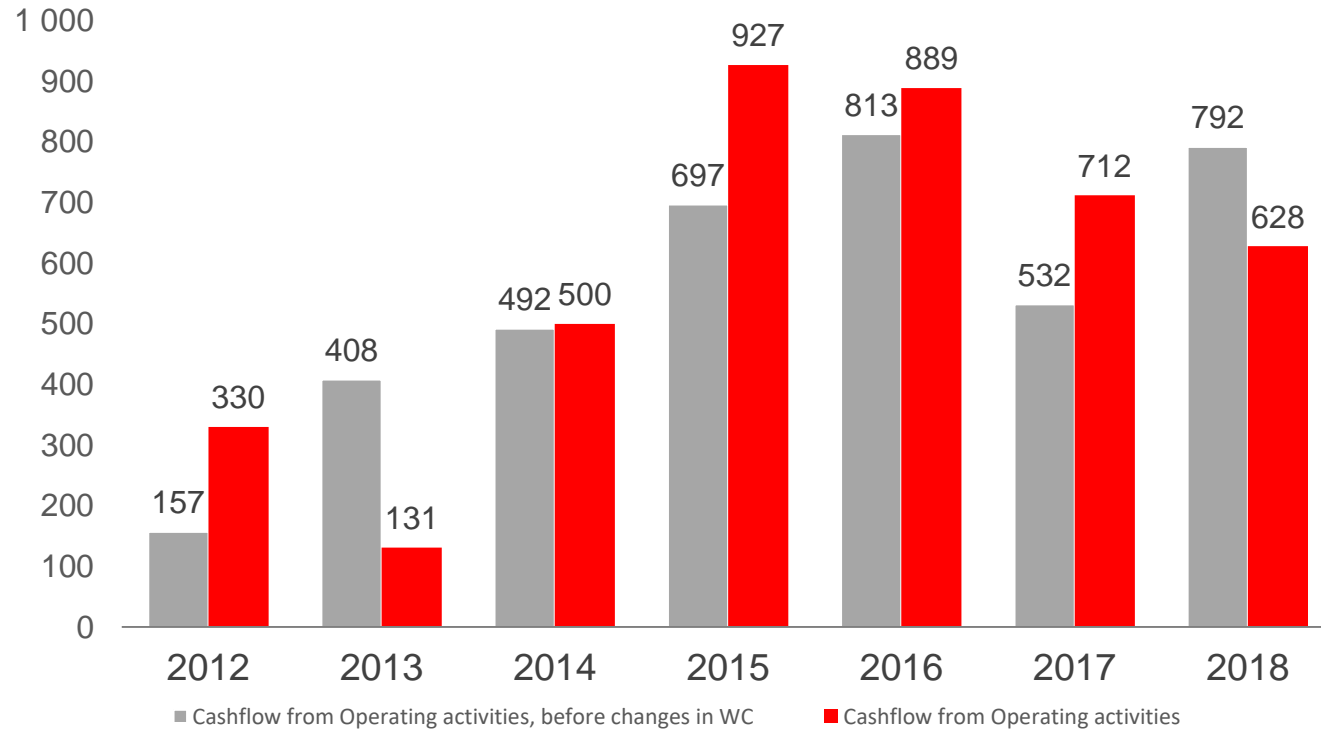


To reduce indirect spend in SG&A and Operations, Cloetta has engaged **Accenture** for spend analysis and value targeting including benchmarking and best practices

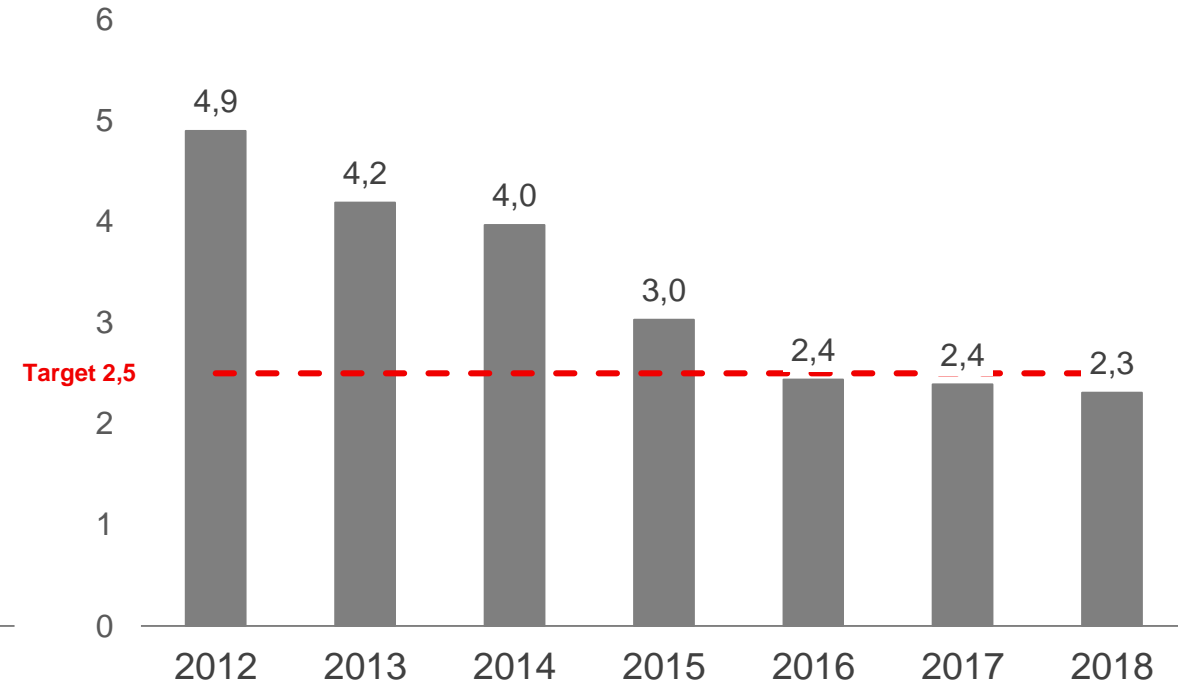
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Solid cash flow and healthy leverage

Cash flow
SEKm



Net debt/EBITDA ratio, x



Capital allocation principles

Supports growth and continues to prioritize dividends

Invest for growth

- Increased investments in working media to fuel branded growth
- Investment in production capabilities for growth and future insourcing

Dividends

- Maintaining attractive dividend target of 40-60% of profit for the period

Targeted M&A

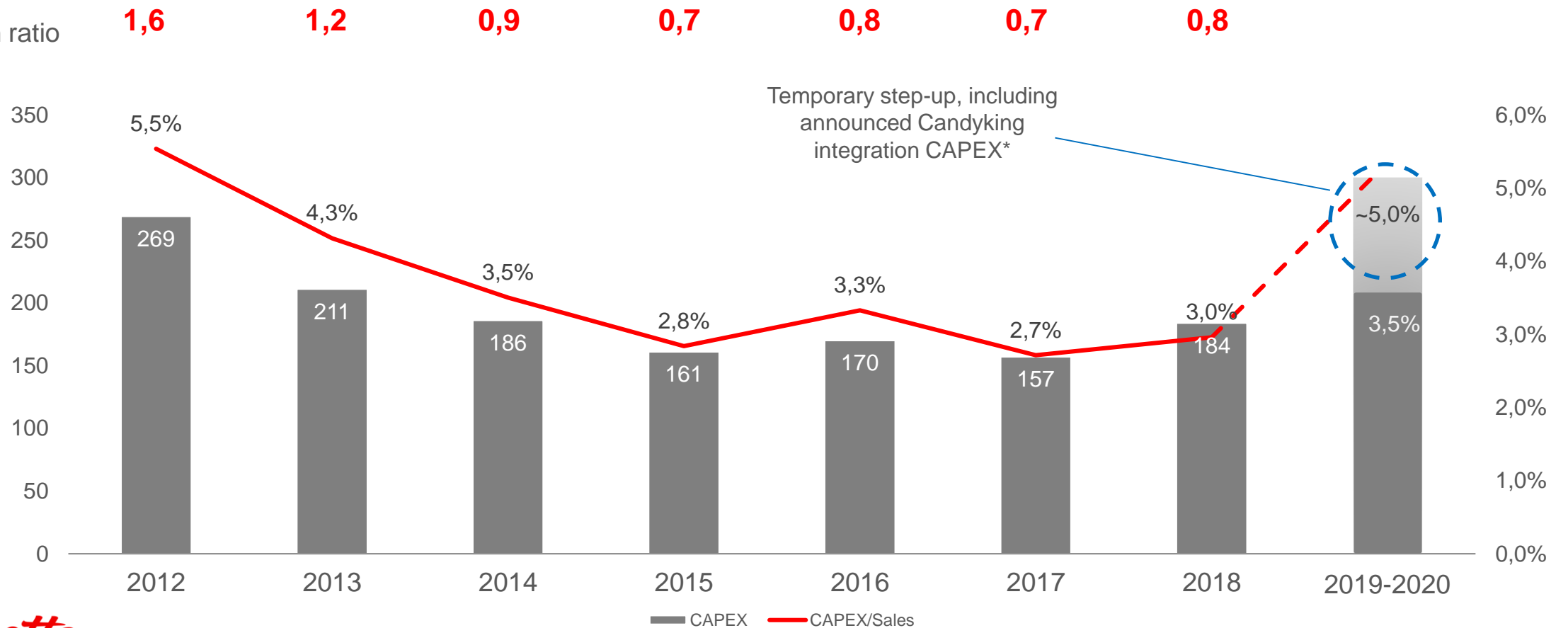
- Footprint in existing core geographies and categories of Cloetta
- Clear objective of synergy realization and solid financial returns

Repayment of debt

- Keep stable debt ratio in line with target to maintain flexibility for M&A

Cash Flow supports temporary step-up in CAPEX in 2019-2020 including Candyking insourcing

CAPEX/
Deprecation ratio



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*Part of the previously announced Candyking integration cost of SEK 175m

Six reasons to invest in Cloetta

1. Strong local brands
2. Strong market positions in the stable Northern and Western European markets
3. Strong market leader in pick & mix
4. Proven track record of bolt on acquisitions
5. Focus on continued margin expansion
6. Attractive cash flow generation and dividend

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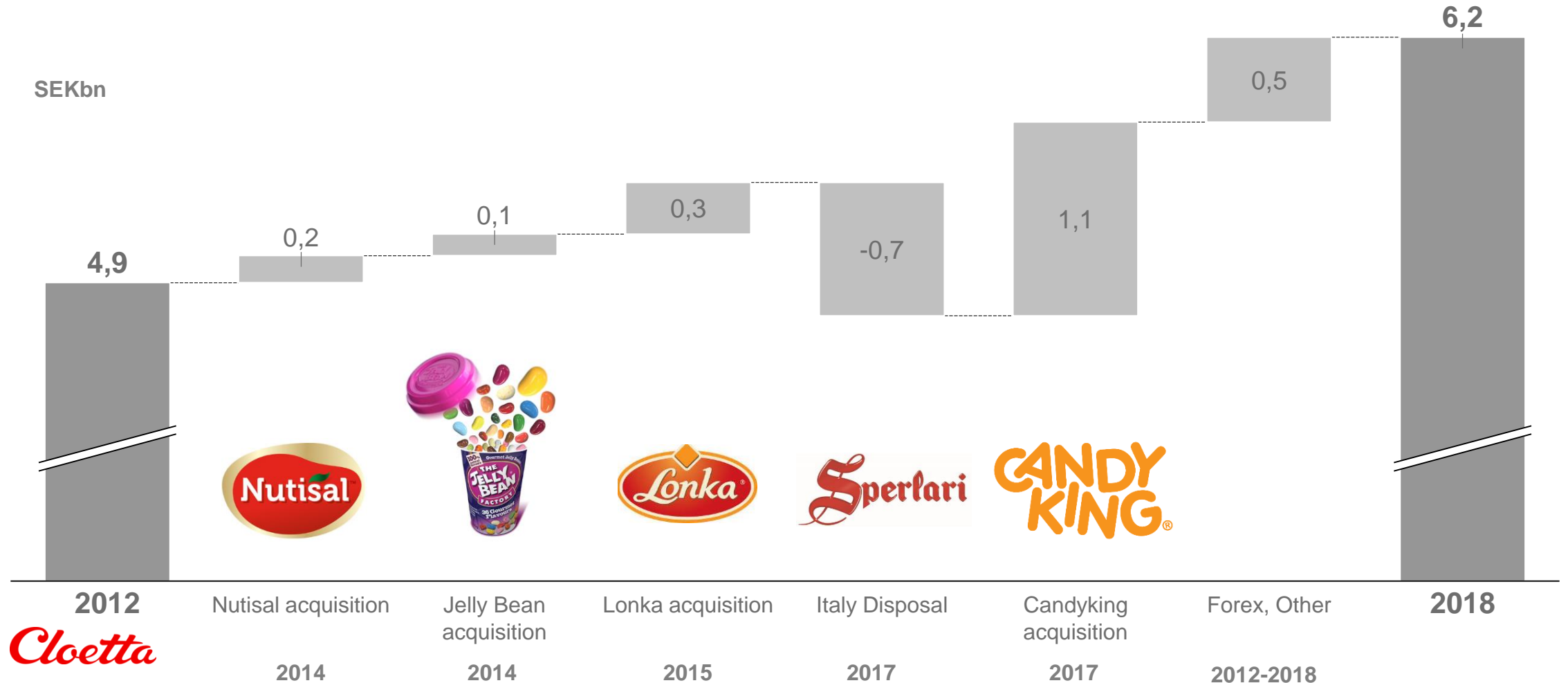


Appendix

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Sales growth historically driven by acquisitions

Shift to organic growth with selective acquisitions on top



Pick & mix – this is how it works

Service concept not only selling individual products and brands

Selling services

Assortment

- Wide range of products
- Consumer preferences vary by market
- Mainly products from candy and chocolate categories



Fixtures

- Play an important role in a successful pick & mix concept:
 - Branding perspective +
 - How products are displayed



Merchandisers

- Fill up products into fixtures
- Keep fixtures fresh and clean



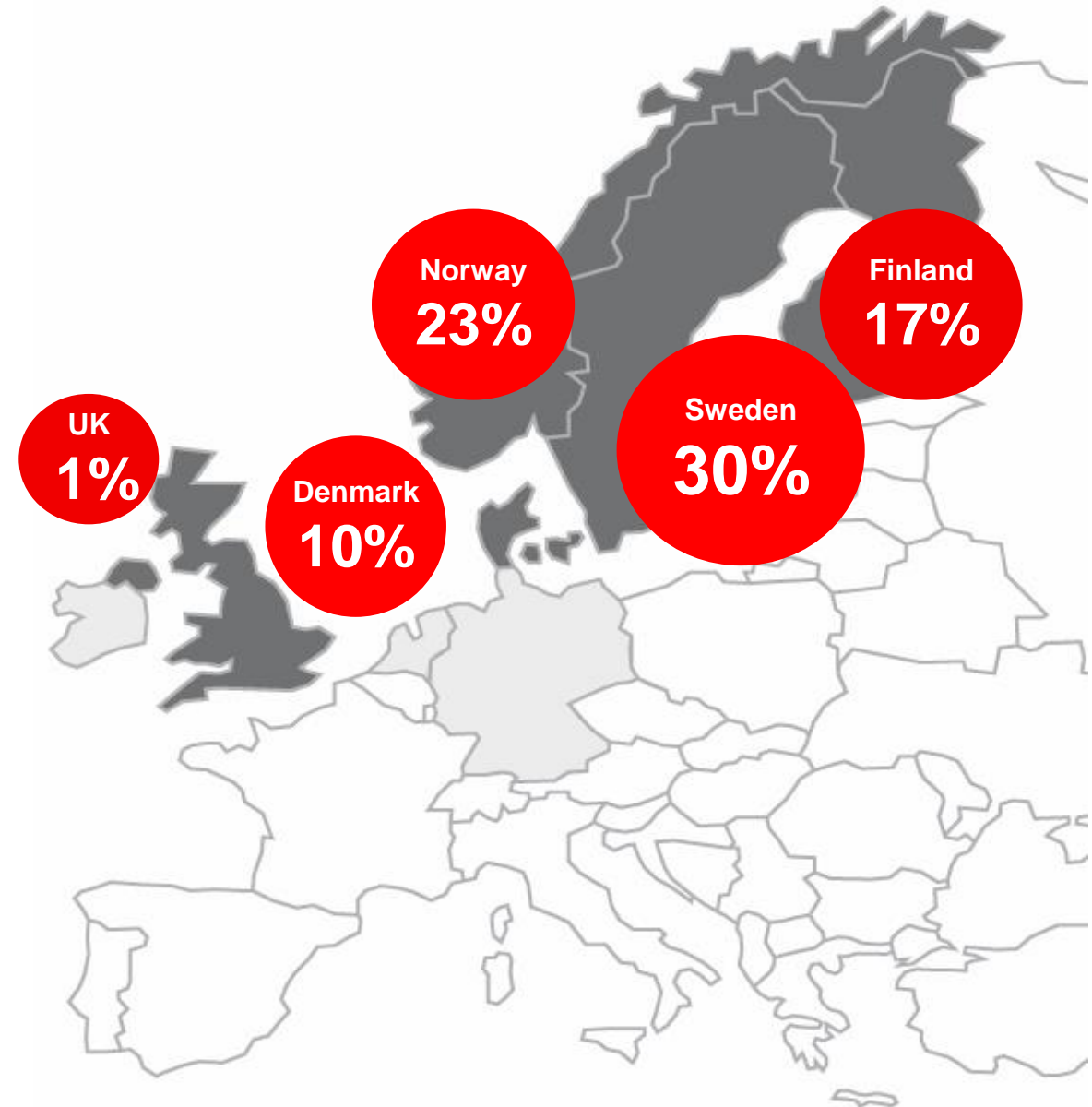
Pick & mix strengths

► Geographical spread

- Very strong position in the Nordic countries
- High share of total confectionery consumption

► Consumer trend: Individualization

- Pick & mix concept catering to consumers seeking to satisfy individual needs
- Consumers choosing products and services individually



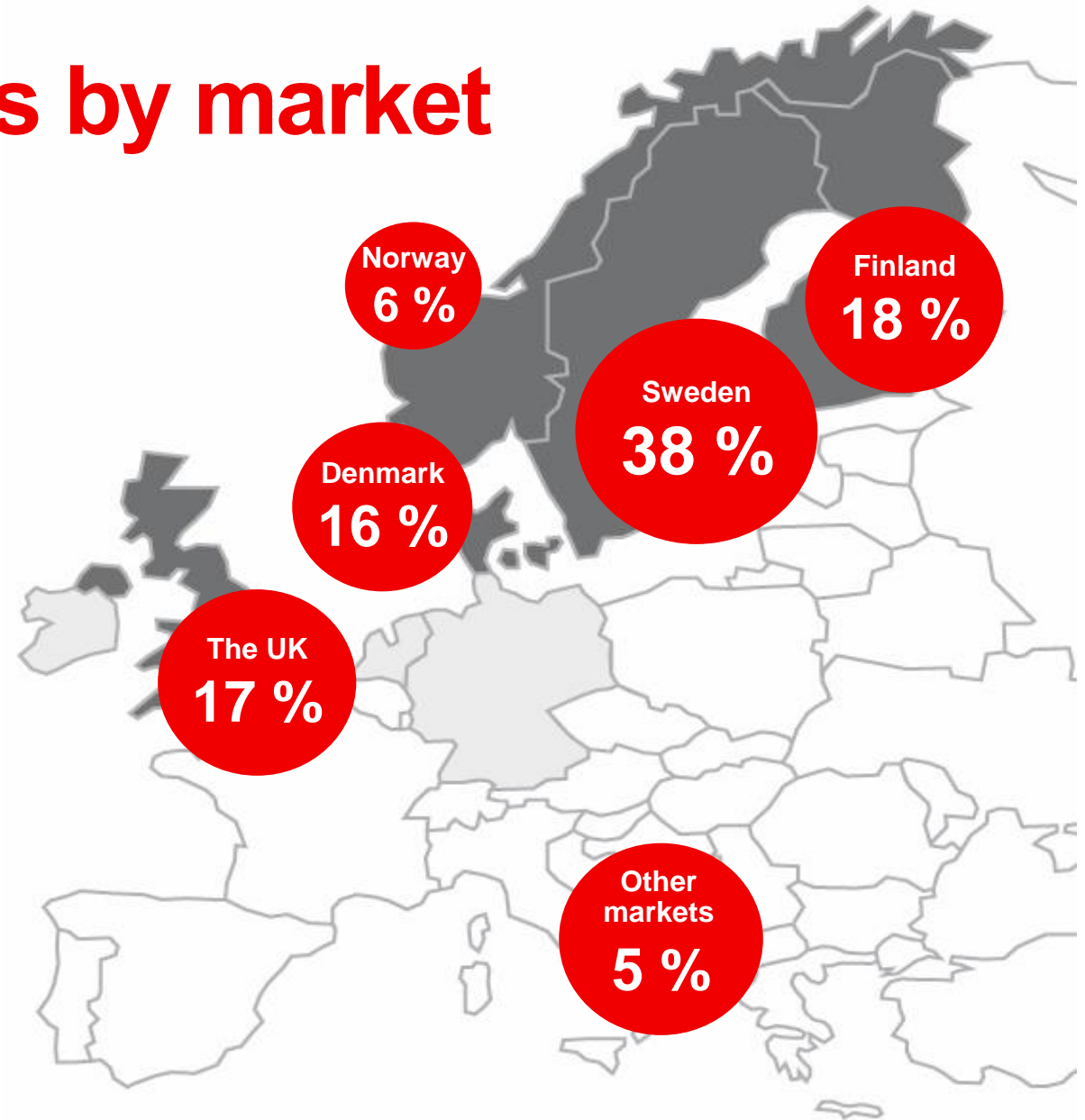
Pick & mix share of confectionery market **volume**

Cloetta's pick & mix sales by market

SINCE 1986
Parrots

**KARKKI
KATU**

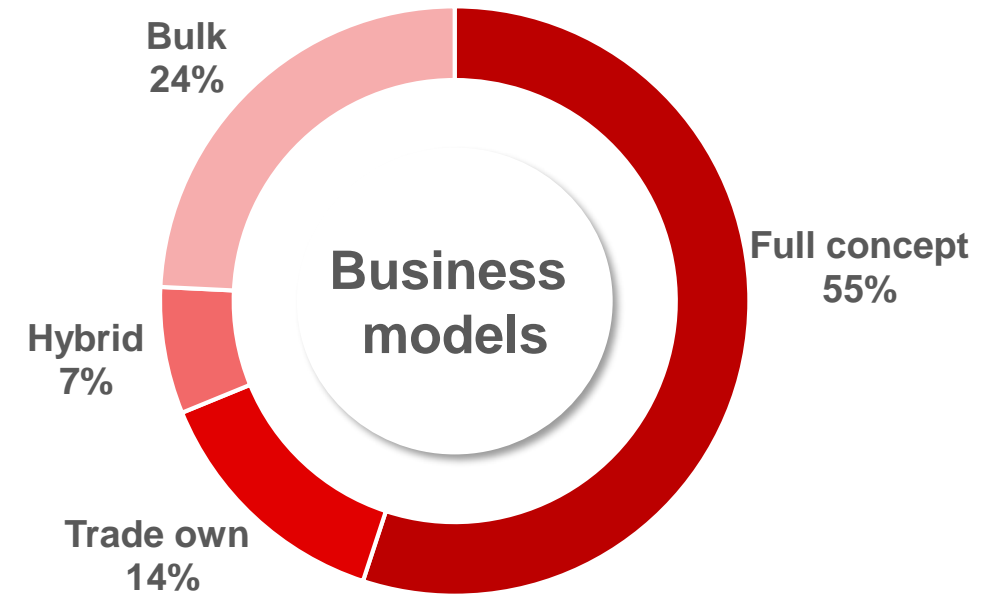
**CANDY
KING**



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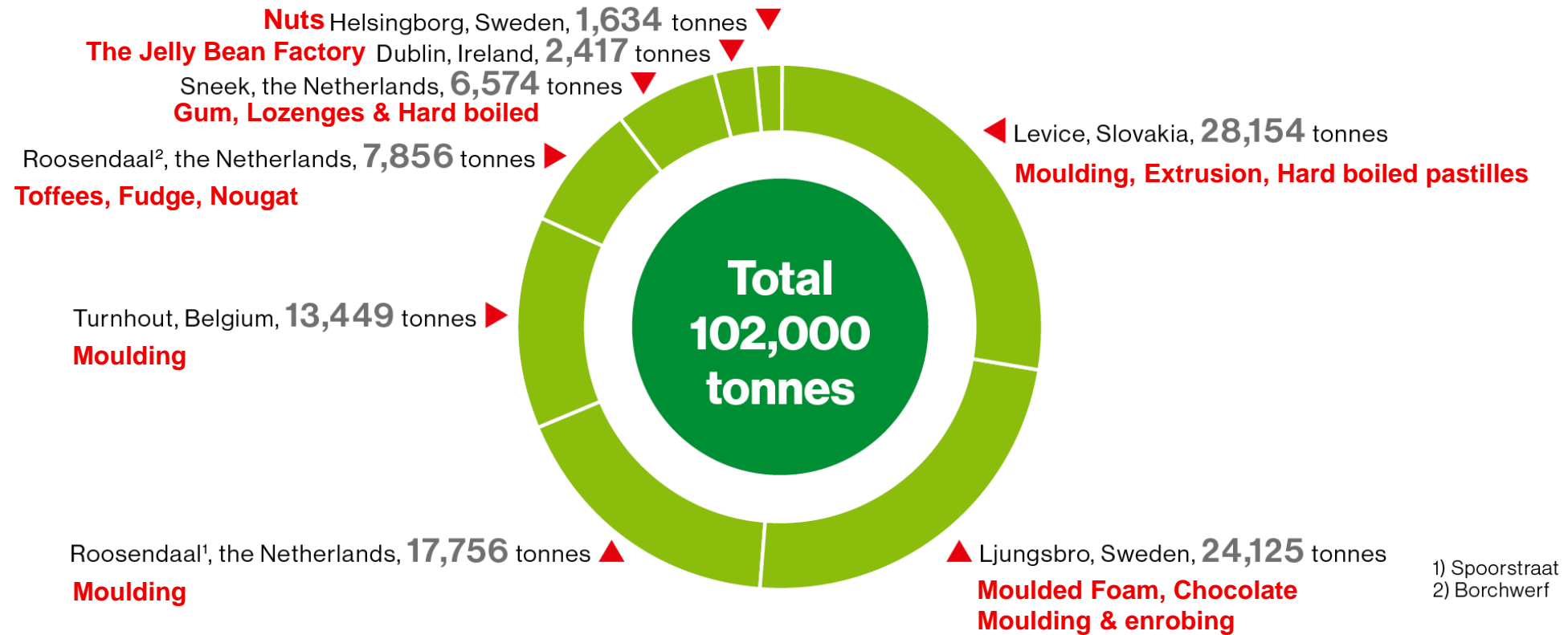
Four pick & mix business models

- **Full concept** covers everything from branding, assortment and fixtures to merchandising
- **Trade own** concept is similar to full concept but with a retailers own branding
- In **Hybrid** models e.g. merchandising can be handled by the customer themselves
- **Bulk** business is products sold to someone else's pick & mix solution



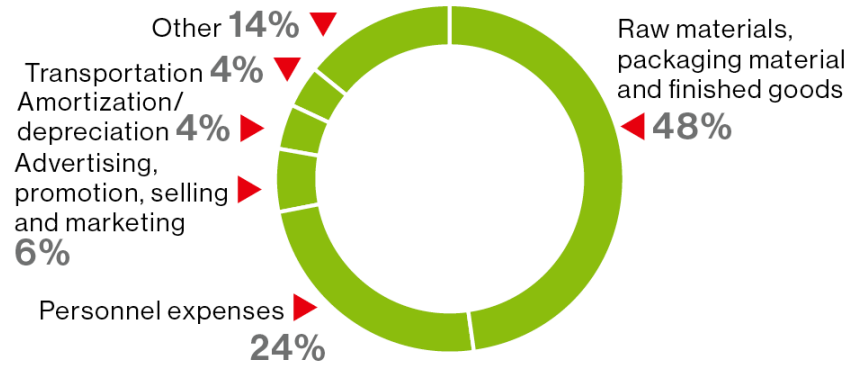
Creating Centers of Excellence

Volume and technologies in 2018, tonnes

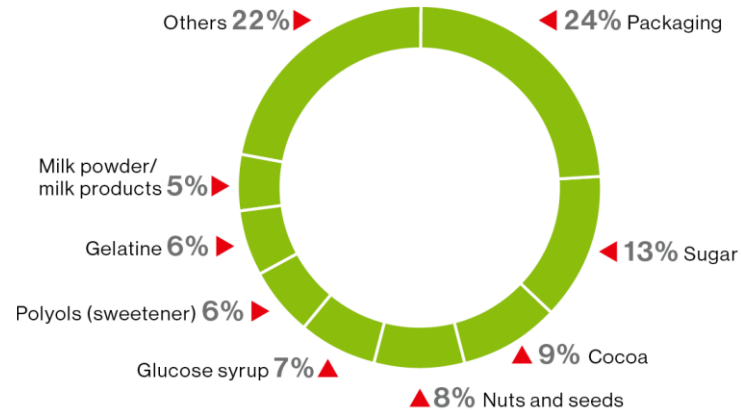


Cost structure 2018

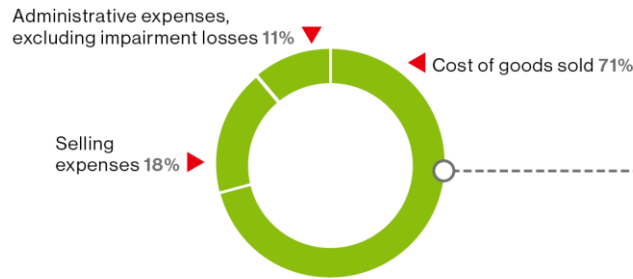
Operating expenses, excluding impairment losses



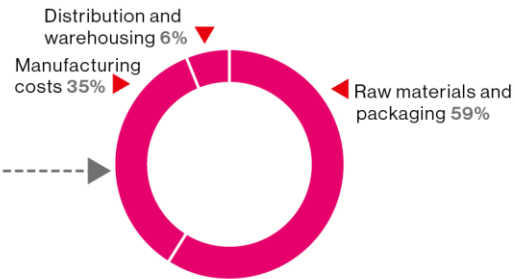
Breakdown of raw material and packaging costs



Total operating expenses, excluding impairment losses



Cost of goods sold



Q1 2019 interim report

Cloetta

Q1 highlights

Continued growth in branded packaged products and stable operating profit

- **Net sales** amounted to SEK 1,559m (1,562). Organic growth amounted to -3.0 per cent
- **Operating profit, adjusted** amounted to SEK 166m (164)
- **Operating profit** amounted to SEK 164m (166)
- **Profit for the period** amounted to SEK 99m (95)
- **Cash flow** from operating activities amounted to SEK 154m (-29)
- **Net debt/EBITDA** was 2.4x (2.4)



Overall market and sales development

Fifth consecutive quarter of growth in branded packaged products

- The **packaged confectionery** market declined in Sweden, Finland, Norway and Netherlands. In Denmark the market grew somewhat
- The **pick & mix** market grew somewhat in all markets except Sweden
- **Organic growth** was -3.0 per cent, fully driven by pick & mix
- **Pick & mix** declined by 11.4 per cent, mainly due to timing of Easter and lost contract in Sweden
- **Branded packaged** products grew by 0.6 per cent
 - Market shares grew in 10 of 16 categories in core markets

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Cloetta Core Strategy

Update Q1

Drive growth

- Market shares grew
- Branded packaged products grew
- “Working media” increased with 10%
- Strong traction on innovations (Plopp, low/no sugar candy)

Facilitate growth

- “One Cloetta” execution
- HR “cloud based” system implemented
- Candyking UK ready for Cloetta ERP
- Capacity investments initiated
- Dubai Hub opened

Fund growth

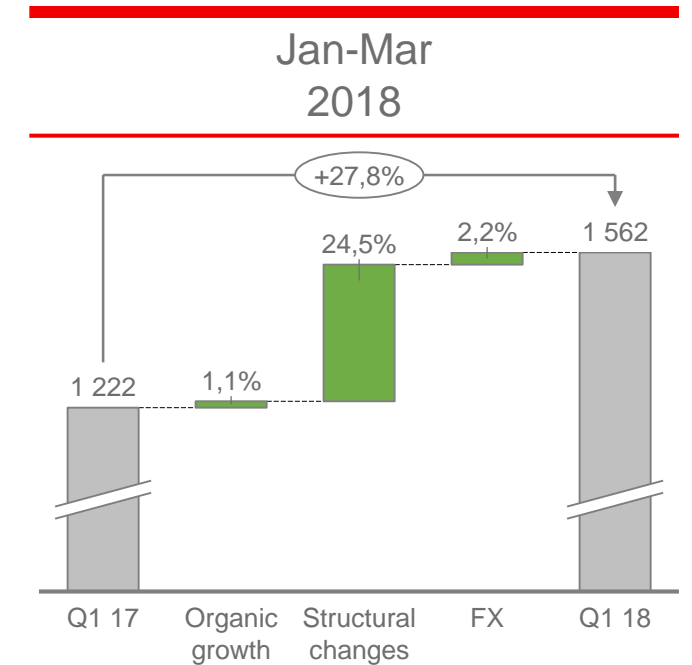
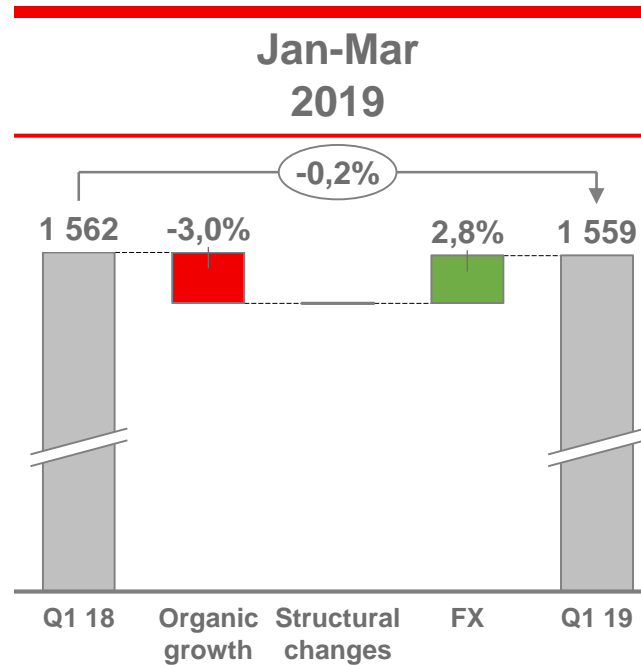
- Value Improvement Program+ initiated
- “Perfect Factory” in two main factories
- Production insourcing
- Pick & mix price increases announced in Sweden

Target: Organic Sales growth in line with market and EBIT margin, adjusted – at least 14%

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Changes in net sales

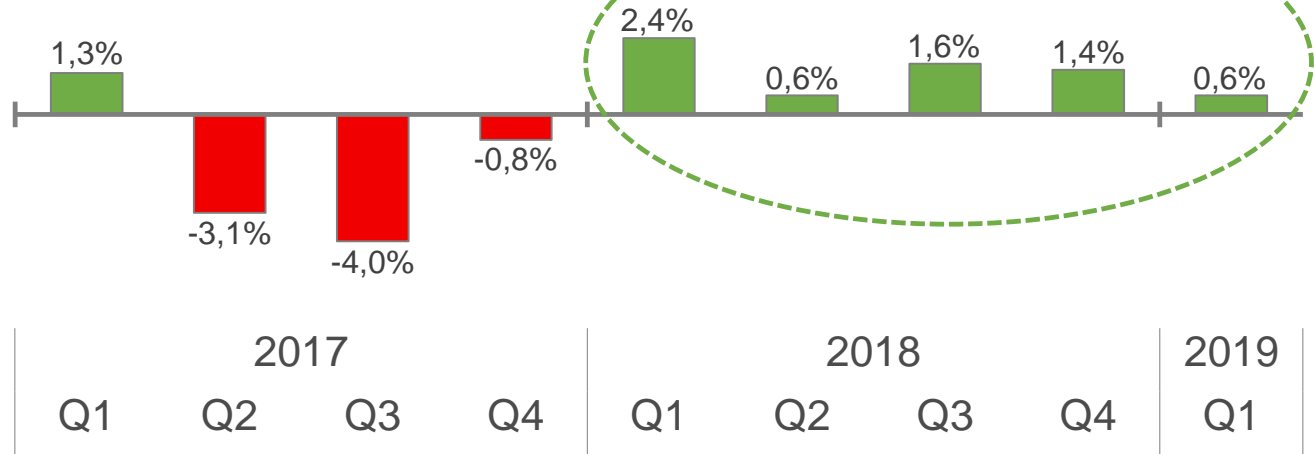
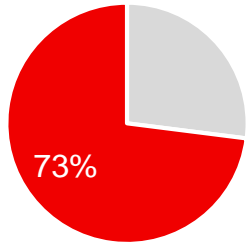
- Sales development -0.2%
- Organic growth -3.0%
 - +0.6% branded packaged sales
 - 11.4% pick and mix sales
- +2.8% exchange rates differences



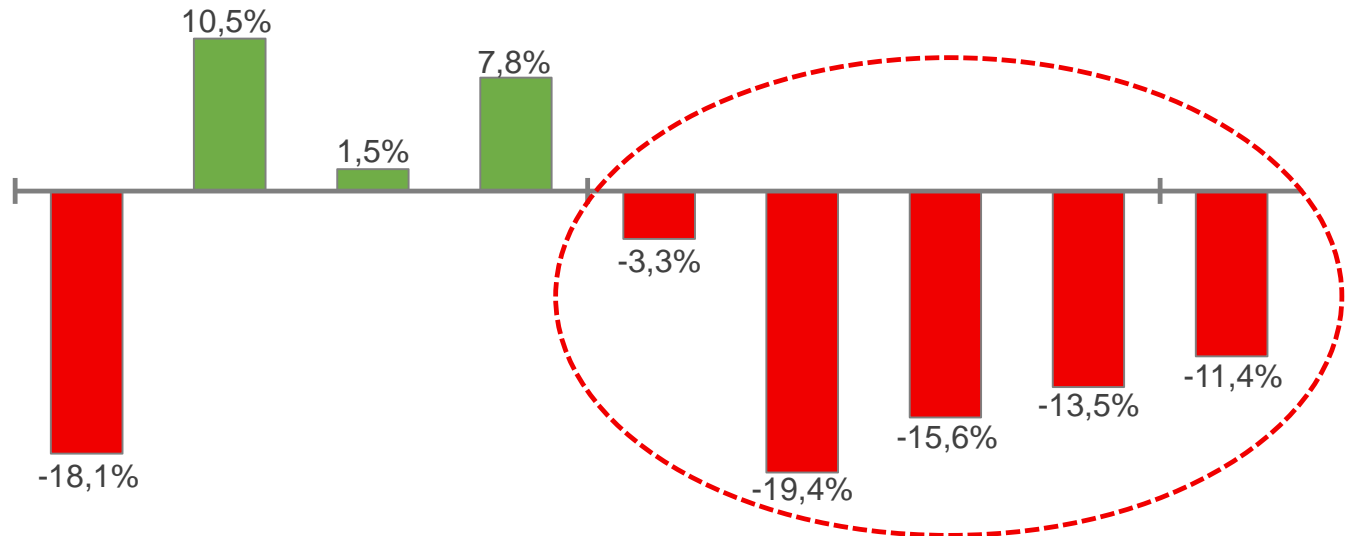
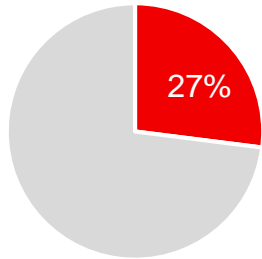
Sales development

Fifth consecutive quarter of growth in branded packaged products

Branded, % of Q1 2019 sales



Pick & mix, % of Q1 2019 sales



Stable operating profit

- **Gross margin** improvement from higher sales of branded packaged products
- **Operating profit, adjusted**, improved driven by cost savings and growth of branded packaged products

Key ratios, SEKm	Jan-Mar 2019	Jan-Mar 2018	Change
Gross profit	566	560	6
- Gross margin, %	36.3	35.9	+0.4
SG&A	-402	-394	-8
Operating profit, adjusted	166	164	2
- Operating profit margin, adjusted, %	10.6	10.5	+0.1
Operating profit (EBIT)	164	166	-2
- Operating profit margin (EBIT margin), %	10.5	10.6	-0.1

Improved cash flow

SEKm	Jan-Mar 2019	Jan-Mar 2018
Cash flow from operating activities before changes in working capital	204	190
Cash flow from changes in working capital	-50	-219
Cash flow from operating activities	154	-29
Cash flow from investments in property, plant, equipment and intangible assets	-43	-41
Cash flow from other investing activities	-146	0
Cash flow from investing activities	-189	-41
Cash flow from operating and investing activities	-35	-70
Cash flow from financing activities	190	0
Cash flow for the period	155	-70

Summary



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Key Business Priorities: Q1 update

Cloetta to organic growth and 14% Operating profit margin, adjusted



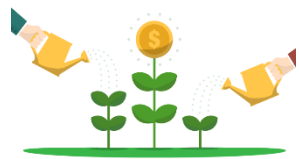
Branded growth

- Branded packaged business at +0,6% growth in Q1
- Branded EBIT >14% in Q1

**CANDY
KING®**

Pick & mix to sustainable value

- Pick & mix price increase Sweden announced in March
- New model for Pick & mix in Norway implemented
- Candyking UK on Cloetta ERP platform as from May 1st
- Insourcing progressing in line with plan



Reduce costs and drive efficiency

- Value Improvement Program+ started
- Full run rate of the cost savings of SEK 50m, partly offset by changes in exchange rates
- “Perfect Factory” launched in two factories to improve efficiency

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Q & A

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We bring a smile to your Munchy Moments



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Appendix

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IFRS 16

Impact on financial statements

SEKm	IFRS 16 Q1 2019	IFRS 16 Adjustment	IAS 17 Q1 2019 Pro-Forma	Impact due to
Property, plant and equipment	1,575	212	1,363	ROU-assets
Long-term borrowings	2,242	144	2,098	LT Lease liability
Short-term borrowings	778	67	711	ST Lease liability
Net debt	2,378	211	2,167	Lease liability
EBITDA	241	19	222	Depreciation ROU assets
Operating profit (EBIT)	164	1	163	Interest lease liability
Operating profit, adjusted	166	1	165	Interest lease liability
Net financial items	-33	-1	-32	Interest lease liability
Net debt/EBITDA (Rolling 12 months)	2.42	0.03	2.39	Lease liability/Depreciation ROU asset
Cash flow from operating activities	154	19	135	Payment of lease liabilities to financing
Cash flow from financing activities	190	-19	209	Payment of lease liabilities from operating

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