

Clacetta

Q3 2019 result – 25 October 2019

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Q3 highlights

Strong organic growth and stable operating profit

- **Net sales** amounted to SEK 1,629m (1,538). Organic growth amounted to 4.3 per cent
- **Operating profit, adjusted** amounted to SEK 200m (194)
- **Operating profit** amounted to SEK 195m (180)
- **Profit for the period** amounted to SEK 130m (132)
- **Cash flow** from operating activities amounted to SEK 255m (250)
- **Net debt/EBITDA** was 2.5x (2.5x)

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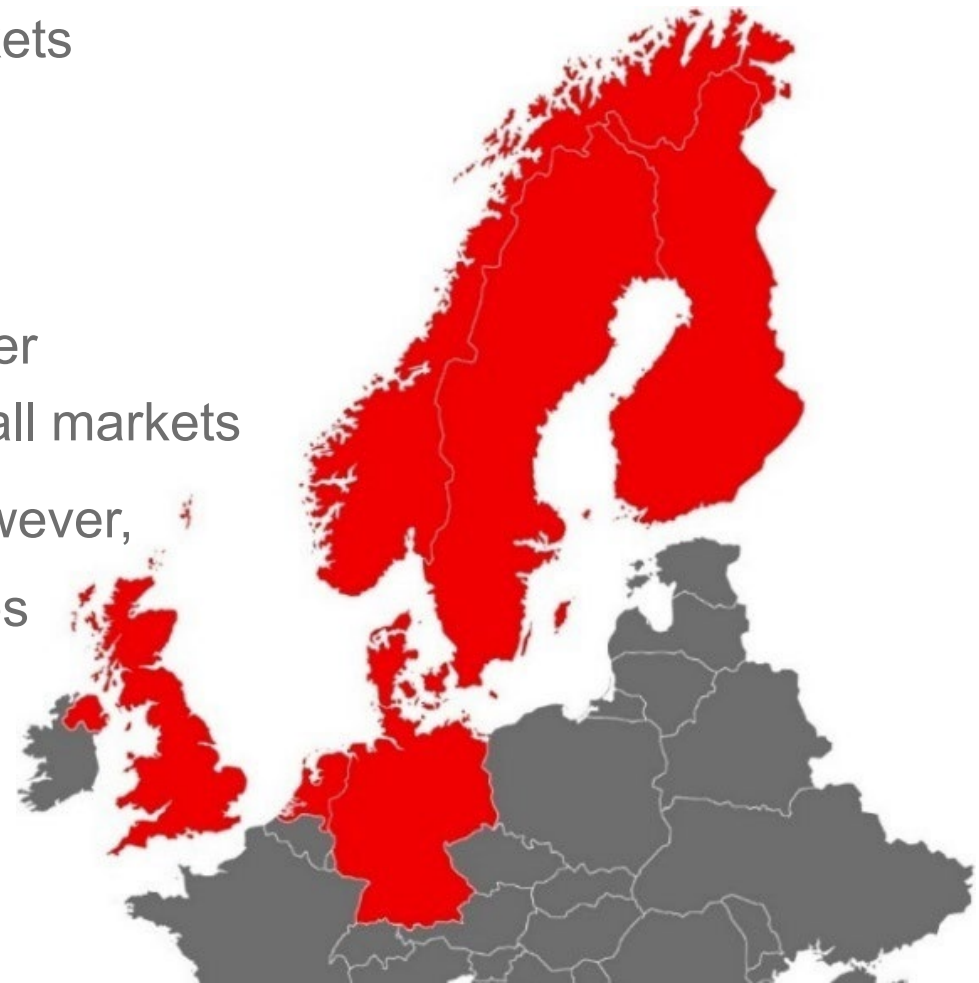


Market and sales development

Seventh consecutive quarter of growth in branded packaged products

- The **packaged confectionery** market increased in all markets
- The **pick & mix** market grew in all markets
- **Organic growth** was 4.3 per cent
 - 3.6% branded packed growth, seventh consecutive quarter
 - 6.4% pick & mix growth, driven by good performance on all markets
- Market shares grew in 3 of 16 categories in the quarter, however, in the last twelve months, shares grew in 15 of 16 categories

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Cloetta Core Strategy

Update Q3

Drive growth

- Brands continue to grow
- Marketing spend increased
- Fewer but bigger pays off
- Läkerol global relaunch
- Pick & mix: growth next to pricing; rejuvenate concept/brand

Facilitate growth

- Capacity:
 - New drying chambers on plan
 - 24/7 foam production
 - 5 year CAPEX plan
- Perfect Factory on 6 main lines
- New planning tool

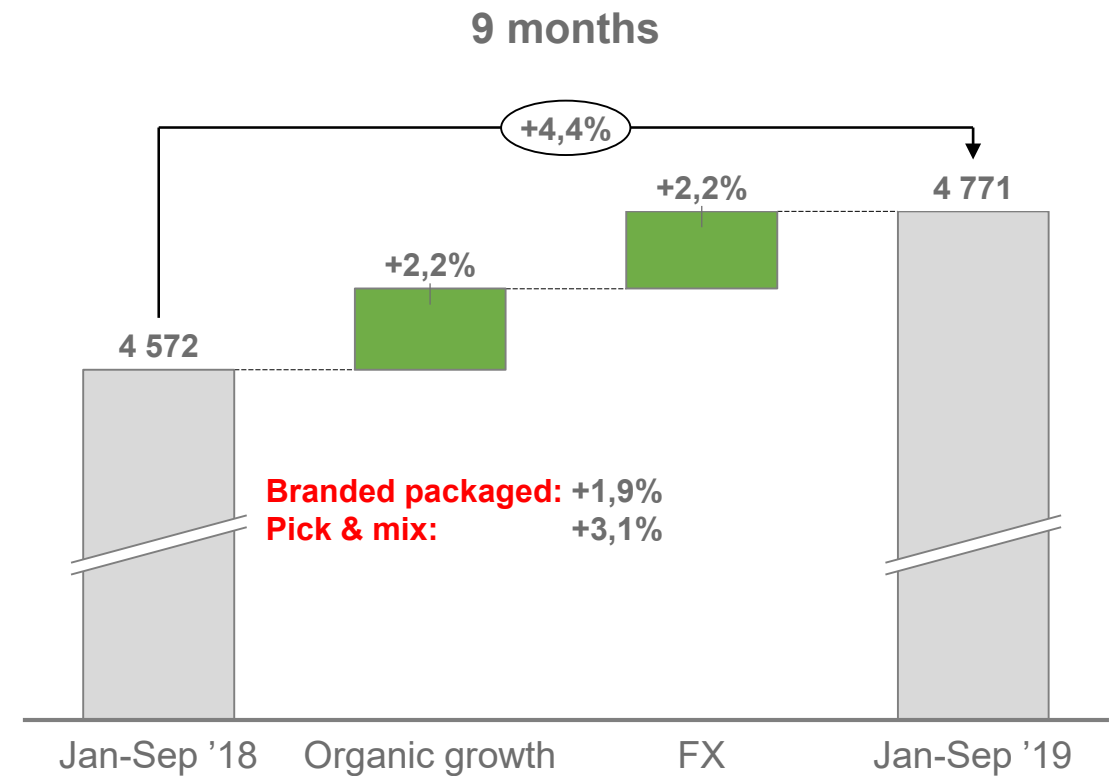
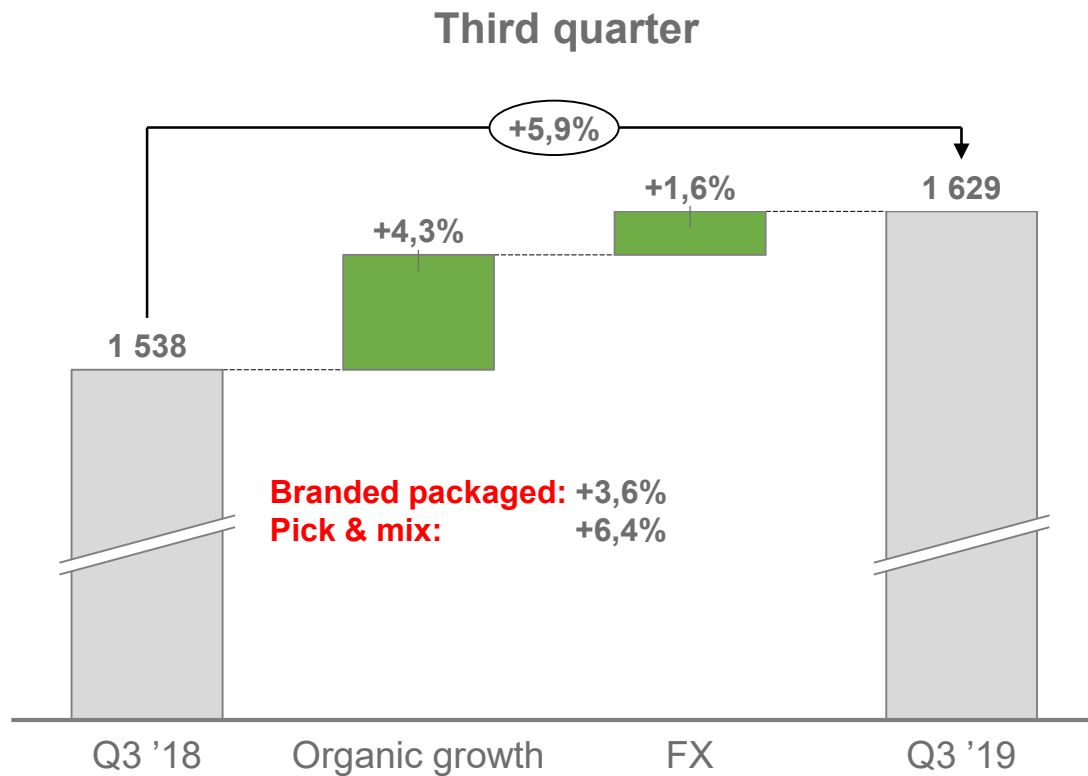
Fund growth

- Value Improvement Program+ roll out
- Pick & mix Sweden:
 - Pricing done on 50% of the volumes
 - Assortment optimization
 - Merchandising

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

Changes in Net sales

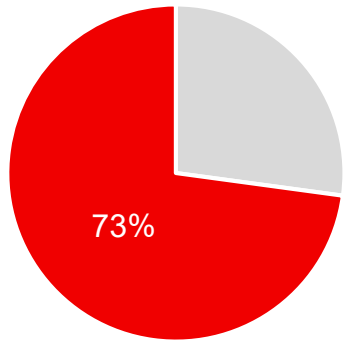
Strong organic growth in the quarter and YTD



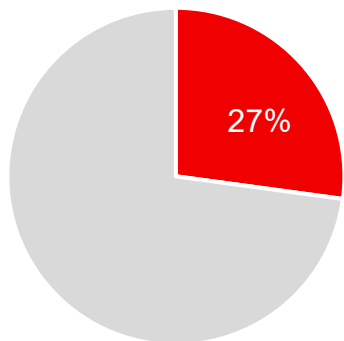
Sales development

Seventh consecutive quarter of growth in branded packaged products

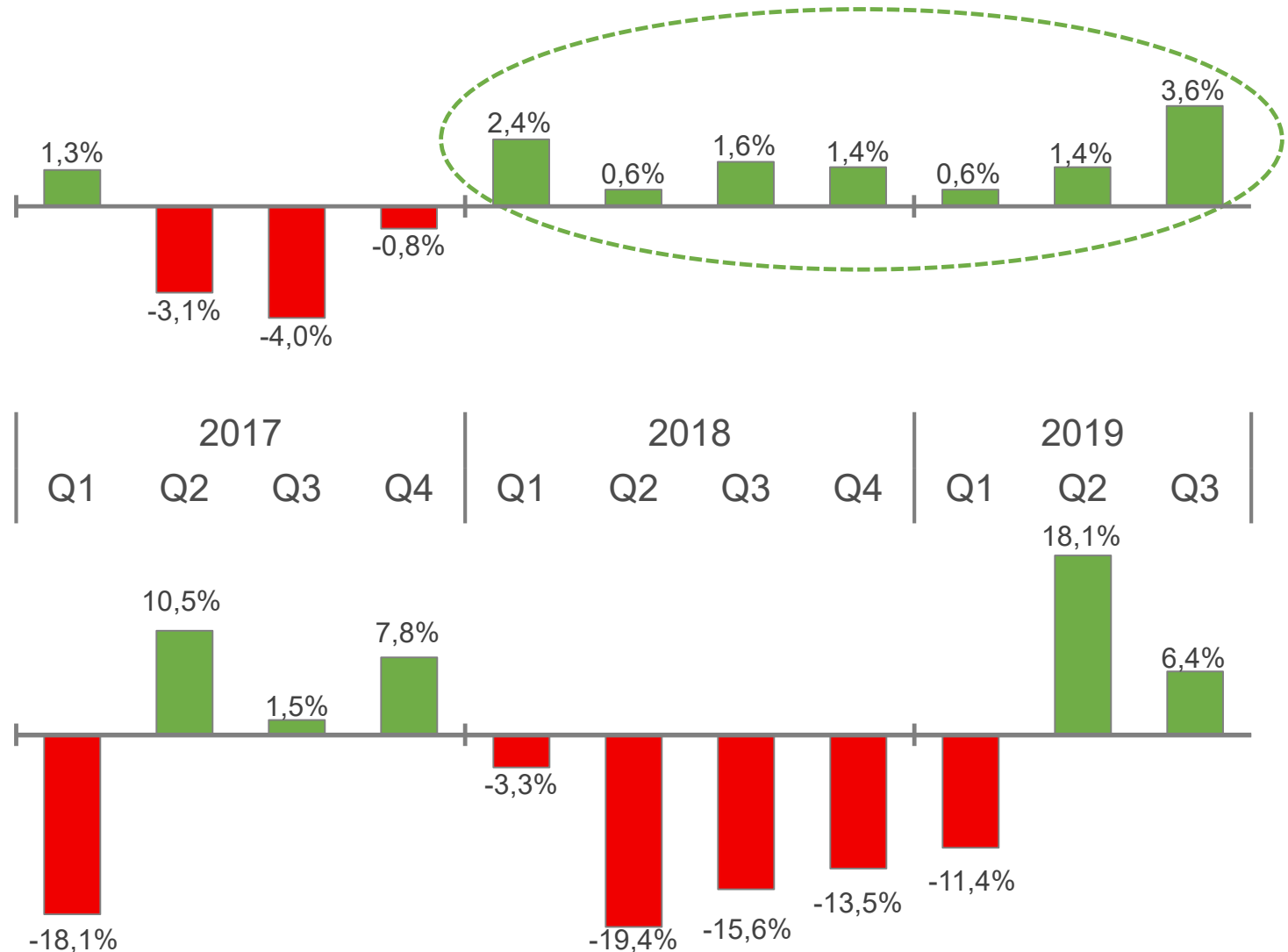
Branded, % of Q3 '19 sales



Pick & mix, % of Q3 '19 sales



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Q3 Financial summary

Stable operating profit, adjusted

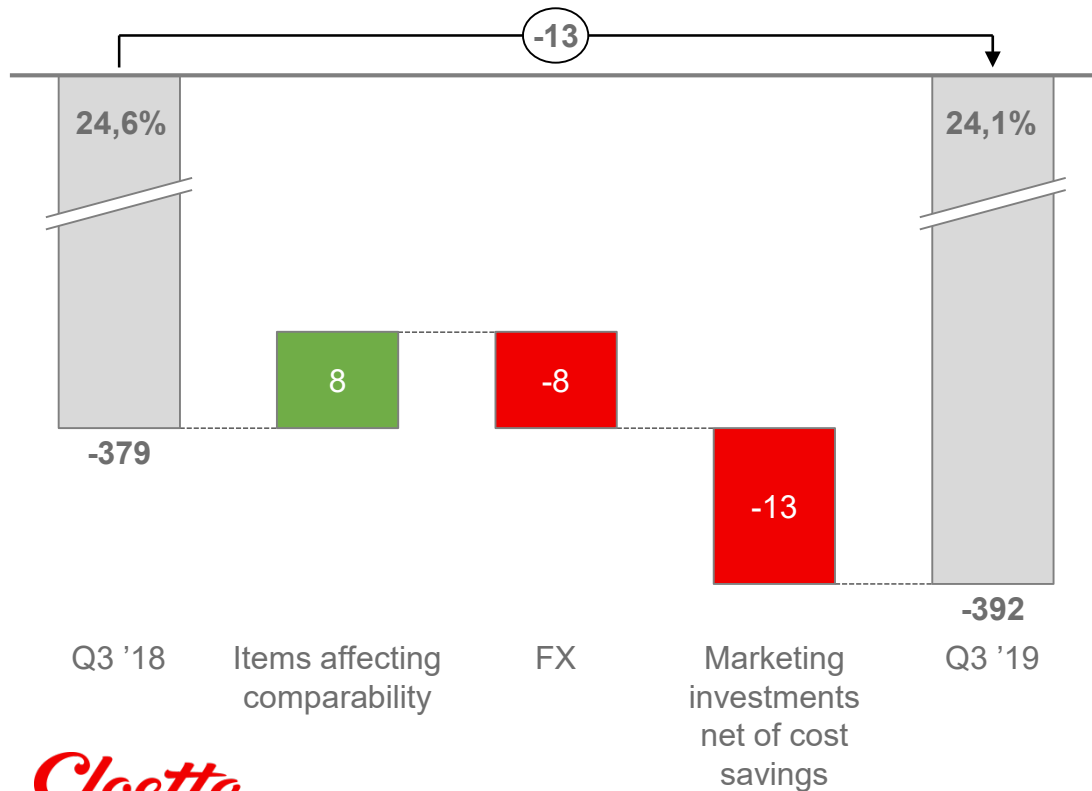
- **Gross profit** driven by strong sales growth
- **Gross margin** impacted by negative FX effect, cost, and higher share of pick & mix
- **SG&A** increase driven by marketing investments net of cost savings
- **Operating profit, adjusted**, driven by strong sales growth, partly offset by increased marketing investments

Key ratios, SEKm	Third quarter			9 months		
	Jul-Sep 2019	Jul-Sep 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change
Gross profit	587	559	28	1,732	1,678	54
- Gross margin, %	36.0	36.3	-0.3 -pts	36.3	36.7	-0.4 -pts
SG&A	-392	-379	-13	-1,214	-1,181	-33
- SG&A/Net sales, %	24.1	24.6	-0.5 -pts	25.4	25.8	-0.4 -pts
Operating profit, adjusted	200	194	6	527	503	24
- Operating profit margin, adjusted, %	12.3	12.6	-0.3 -pts	11.0	11.0	0.0 -pts
Operating profit (EBIT)	195	180	15	518	501	17
- Operating profit margin (EBIT margin), %	12.0	11.7	0.3 -pts	10.9	11.0	-0.1 -pts

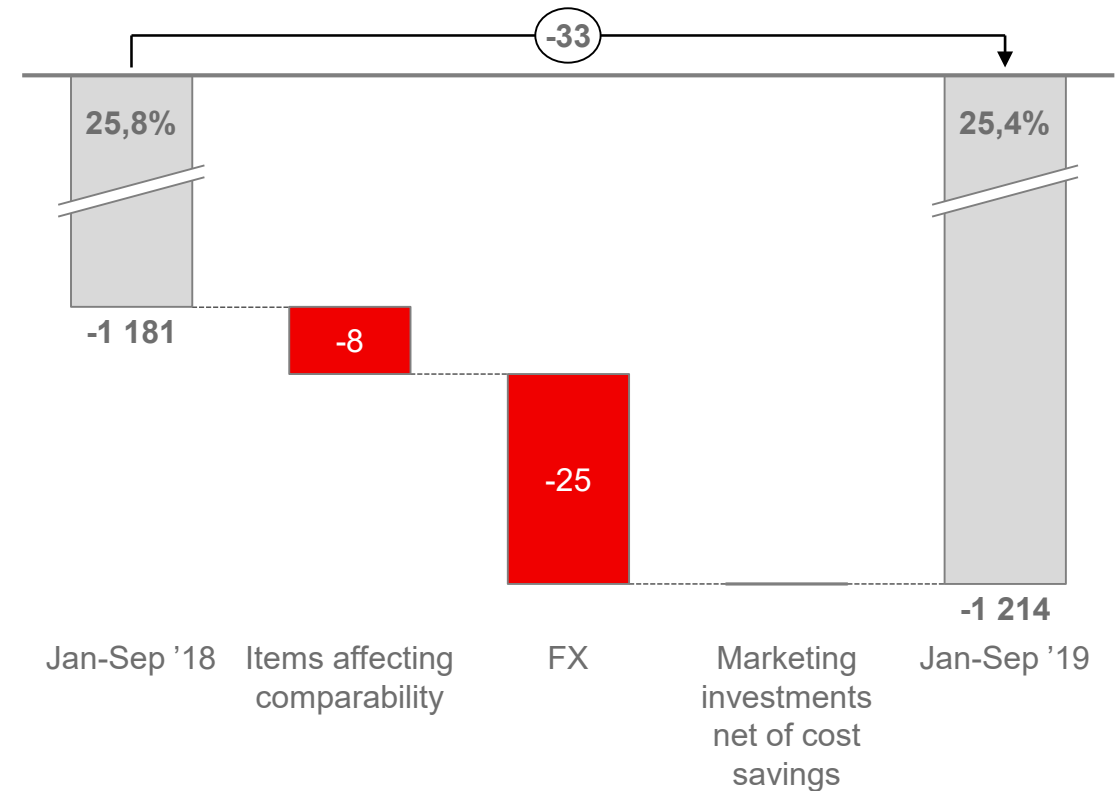
SG&A

Increased investment in marketing evident in Q3, fully funded YTD by cost savings

Third quarter



9 months



Stable Free cash flow in Quarter and YTD

- **Stable Free cash flow in the quarter** despite softer working capital improvement and higher investment in CAPEX
- **Other investing activities YTD** driven by the earn-out payment related to Candyking acquisition

SEKm	Third quarter		9 months	
	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018
Cash flow before changes in working capital	249	226	654	581
Changes in working capital	6	24	-248	-241
Cash flow from operating activities	255	250	406	340
Investments in PP&E and intangible assets	-56	-44	-137	-136
Other investing activities	0	0	-144	0
Cash flow from investing activities	-56	-44	-281	-136
Cash flow from financing activities	-68	-4	-344	-665
Cash flow for the period	131	202	-219	-461
Free cash flow	199	206	269	204



Summary

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Key Business Priorities: Q3 update

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



Branded growth

- Branded sales at +3.6% growth, EBIT >14%
- Absolute higher media investments on top of efficiency
- Pricing needed to offset raw materials and FX



Pick & mix to sustainable value

- Price increases implemented on 50% of the contracts in Sweden, more needed to offset raw materials and FX
- Assortment optimization to reduce complexity & costs



Reduce costs and drive efficiency

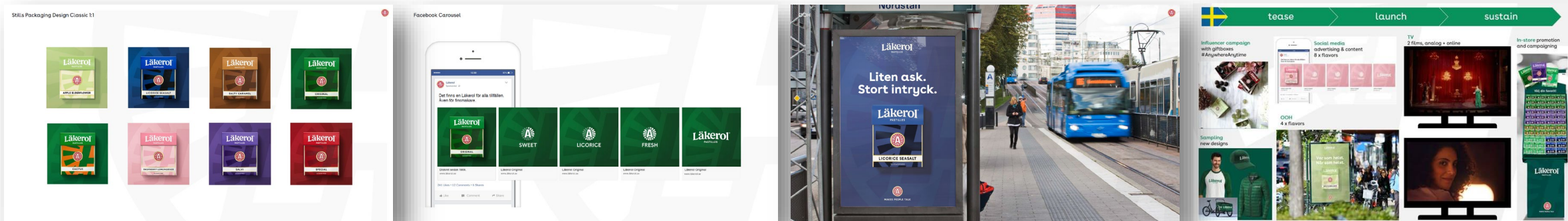
- Value Improvement Program+ and "Perfect Factory"
- Five-year capacity investment plan to improve service levels and fund further growth

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Läkerol 360 campaign

#LäkerolAnywhereAnytime

- The "360" media campaign is now on in Sweden, Denmark, Norway and Finland
 - TV "The big role" and "Studying late" in Sweden, Denmark, Norway and "Dents" in Finland
 - Outdoor Still and Digital (moving – flipping) Ads
 - Interaction social media Facebook, Instagram and Gamification
 - Online video YouTube Non skippable ads + Bumper ads
 - Influencer campaigns
- The new design together with copy that amplifies the permissibility aspect and creates recognizability to the films and the "Anywhere, Anytime"



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Q&A

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Appendix

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IFRS 16

Impact on financial statements – third quarter

SEKm	IFRS 16 Q3 2019	IFRS 16 Adjustment	IAS 17 Q3 2019 Pro-Forma	Impact due to
Property, plant and Equipment	1,564	180	1,384	ROU-assets
Long-term borrowings	911	113	798	LT Lease liability
Short-term borrowings	1,904	67	1,837	ST Lease liability
Net debt	2,556	180	2,376	Lease liability
EBITDA	270	20	250	Depreciation ROU assets and interest lease liability
Operating profit	195	0	195	Interest lease liability
Operating profit, adjusted	200	0	200	Interest lease liability
Net financial items	-20	0	-20	Interest lease liability
Net debt/EBITDA (Rolling 12 months)	2.5	-0.1	2.6	Lease liability/Depreciation ROU assets
Cash flow from operating activities	255	18	237	Payment of lease liabilities to financing
Cash flow from financing activities	-68	-18	-50	Payment of lease liabilities from operating

IFRS 16

Impact on financial statements – 9 months

SEKm	IFRS 16 Q3 2019	IFRS 16 Adjustment	IAS 17 Q3 2019 Pro-Forma	Impact due to
Property, plant and Equipment	1,564	180	1,384	ROU-assets
Long-term borrowings	911	113	798	LT Lease liability
Short-term borrowings	1,904	67	1,837	ST Lease liability
Net debt	2,556	180	2,376	Lease liability
EBITDA	747	59	688	Depreciation ROU assets and interest lease liability
Operating profit	518	2	516	Interest lease liability
Operating profit, adjusted	527	2	525	Interest lease liability
Net financial items	-83	2	-85	Interest lease liability
Net debt/EBITDA (Rolling 12 months)	2.5	-0.1	2.6	Lease liability/Depreciation ROU assets
Cash flow from operating activities	406	56	350	Payment of lease liabilities to financing
Cash flow from financing activities	-344	-56	-288	Payment of lease liabilities from operating

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