

## Full Regular Transcription

# Cloetta

## Cloetta, Interim report Q3 2025

2025-11-05 at 10:00 am CET

Duration: 47 minutes

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### COMPANY REPRESENTATIVES

Katarina Tell, President and CEO

Frans Rydén, CFO

Laura Lindholm Director Communications & IR

## PRESENTATION

### **Laura Lindholm**

A warm welcome and thank you for joining Cloetta's Q3 interim report presentation. I'm Laura Lindholm, the Director of Communications and Investor Relations. Our CEO, Katarina, and CFO, Frans, will first go through our results, after which we will move to the Q&A. Where you either have the possibility to dial in ask questions live or alternatively post your question through the chat. The chat has now opened for questions. Over to you, Katarina.

### **Katarina Tell**

Thank you, Laura. I'm very proud to present our third quarter results. We have now successfully established a strong uplift in profitability. We are steadily approaching our mid-term targets of an EBIT margin of at least 12% by 2027 and this quarter is an important milestone on our continued focus on driving profitable growth.

But first, over to the agenda. Today it looks as following; I will start with Cloetta in brief, then I recap on our strategic framework and our updated financial targets that we shared earlier in this year. After that, I move over to our Q3 highlights. Our CFO, Frans, will then walk you through our Q3 financials and, as always, we wrap up with a Q&A.

For any new listeners on the call let me start to tell you a bit about Cloetta. Today we are the leading confectionary company in Northern Europe. We were founded in 1862 and have for over 160 years been spreading joy through our iconic brands and we are planning to stick around for at least 160 years!

We have grown a lot since the early days and now we have operations in 11 countries. In 2024, we hit 8.6 billion SEK in sales and our operating margin was 10.6%. As I already mentioned, we have now established a strong uplift from this profitability level, which we will talk more about today. Over half of our sales come from our ten biggest brands and we call them our Superbrands.

Despite the current geopolitical uncertainty our company remains largely unaffected. This resilience is due to several key factors. First, we operate in a non-cyclical market with stable consumer demand which provides a solid foundation even in uncertain times. Second, our strong and trusted brand gives us the ability to adjust prices when needed without losing customer loyalty. Third, our broad product portfolio allow us to offer a range of alternatives, helping us adapt, quickly shift in consumer behaviours. And finally, our primary focus is on Northern Europe, a region that is

generally less impacted by global geopolitical tensions compared to other parts of the world. Together these strengths position us well to continue to deliver stable performance and long-term value.

I will now briefly walk you through how we bring our vision to life through our strategic framework. And then in relation to this also our updated financial targets. For more detailed information please view the recording of our investor day, available on our website.

So let me start by talking about our vision as Cloetta, because it really captures what we're all about. Our vision is to be the winning confectionary company, inspiring a more joyful world. And that is not just a nice phrase on a wall, for us it's really a commitment to excellence, to innovation, and most importantly, to the joy we bring to people every single day. This vision is what guides us and pushes us to keep improving, to stay curious, and to lead the way in our industry.

We have created a clear strategic framework to guide us forward. And right at the centre is, of course, our vision, to be the winning confectionary company, inspiring a more joyful world. But having a vision isn't enough on its own, we can't chase every opportunity or be everywhere at once, so we have made some choices that will help us scale, grow, and make the biggest impact where it matters the most. We have five core markets and they are Sweden, Denmark, Norway, Finland and the Netherlands. Around 80% of our total sales today come from our core markets.

Our first strategic priority is to focus on our ten Superbrands in our core markets. These are the brands with the biggest potential and by focussing on expanding strategy we can unlock new opportunities, grow and drive scale. I will today also give you two examples of how we work with them.

Next, we are looking beyond our core markets. We have identified three high-potential markets outside our core markets, and they are the UK, Germany, and North America. By focusing more and making clear choices we believe we can truly make a difference and achieve strong growth in those markets.

Our third priority is to step up marketing and innovation. The market is constantly evolving and we need to stay ahead, not just reacting to trends but actually helping to shape them as well. For the past seven years we've focussed purely on organic growth but now we are open to exploring M&A, as long as it fits our strategy and makes good business sense. That said, any M&A would be an accelerator and is not built in the plan to reach our financial targets.

To make all of this happen we also need the right enablers in place. That means having a simple, efficient operating model and a structure that supports our goals. During Q2 we announced changes to our organisational structure, including some reduction in positions and updates to our group management team. The goal is to better align with our strategy and move faster, but also to support our profitability journey and we have now finalised all major project milestones.

People and our culture are, of course, key to our success, without that everything else is just a black box. Our culture is the foundation of everything we do and we are committed to build a strong, capable and joyful organisation. I would like to take the opportunity to thank all my colleagues for keeping their eyes on our progress and delivering results, especially during the last six months of transformation.

Now, I'd like to share a few concrete examples of how we're bringing our strategic framework to life. Today I would especially like to focus on our first pillar, and that is win with Superbrands. One of our key focus areas here is expanding our top ten brands into new categories, sales channels, and core markets. In Q3, we initiated two now ongoing launches for Malaco, a Superbrand within the candy category. The launch of Fruity Drops builds on the trend of consumers increasingly looking for sustainable products and with more natural ingredients. The launch is still ongoing but both pouches are already available in Sweden, one is available in Norway, and both will be launched in Denmark in the first quarter next year. Fruity Drops are vegan and do not include artificial colours or flavours. They contribute to our sustainability agenda and are also aligned with our targets to offer products that match the evolving consumer preferences.

The other ongoing launch I would like to highlight is the Chewits Soft Bites. Consumers are seeking for exciting sensory experience and Chewits Soft Bites certainly reflects this trend. This is another multi-market launch, we've built on a product that was already a proven consumer concept in the UK. They have been in the Dutch market for a bit more than a year and are now launched in Denmark, Norway, and Sweden. And the three bags are already now among the top ten most sold novelties in Denmark in 2025.

Another example of our achievements with the Superbrands is related to the pastilles category, which is around 10% of our total sales. In the quarter, we very successfully launched a limited edition of Läkerol Hot Pepper pastilles in the Nordics. The target of this limited launch was to bring new consumers, both to the brand but also to the category. We more than succeeded as more than 40% of the consumer who brought the products were new to the pastilles category.

Linked to our strategic priorities and vision we updated our long-term financial targets in March this year, with a clear plan we have stepped up our long-term organic target from 1%-2%, to 3%-4%. Our long-term adjusted EBIT target will remain at 14% but our plan shows that we should at least reach 12% by 2027. Historically, our net debt target has been around 2.5, considering our consistent achievement of this target in recent years we have set a new net debt target below 1.5. However, should a compelling M&A opportunity arise we might temporarily exceed it. Last but not least, our dividend policy has moved from a payout with a range of 40%-60% to above 50% of the profit after taxes.

And now, a short quarterly update. As previously mentioned, our strong uplift in profitability continues and I'd like to highlight some key takeaways. We are committed to profitable growth and this is also reflected in this quarter. We reached 11.9% in EBIT margin, which brings our rolling 12 month profitability to 11.4%. We have now a strong uplift in profitability established and we are steadily approaching our targets of at least 12% by 2027.

In this quarter we delivered stable, profitable and organic sales growth with some regional variations. The Nordic region showed strong organic sales growth, while the other European markets faced some short-term challenges due to slowing inflation and related market dynamics. We continued to grow double-digit in the US.

Inflation continued to slow down in all our European markets and retailers and food industry manufacturers experienced some pressure related to food pricing. At the same time, lower inflation creates opportunities and one example is that more consumers most likely will return so the chocolate category. With our broad portfolio and our new strategic framework we have a clear path towards our long-term organic growth target of 3%-4%.

As previously mentioned, our new strategic framework is in place and all our major milestones linked to our operating structure are also achieved. With strategy and most of the structure now in place we expect to see the result of this work during next year.

And now, it's finally time for the financials and I hand over to Frans, who is eager to walk you through both our third quarter and first nine months financials.

## Frans Rydén

Thank you, Katarina. Let me take you through some more details here. But again, I would also summarise this as stable growth, strong uplift in profitability, strong cash flow, resulting in a strong financial position. Starting with the net sales, as I always do, in the quarter we delivered stable, profitable organic sales growth of 1.3%, which brings the year to date organic growth to 2.2%. And I'm emphasising profitable here, and that is a key aspect to understand the growth in the quarter and I will come back to that.

Within this growth, as Katarina highlighted, we had strong growth in the Nordic regions, very strong as a matter of fact, as well as in North America. But that growth was partially offset by the rest of Europe, as sales were affected by changing retailer dynamics.

We don't report sales or growth by market, but in the report towards the back you have a table there where we do report percent share of total sales by market. It is a bit of a blunt tool to understand the detailed growth in the quarter, but if you look at the year to date you can get a view of what I just shared.

So if you add up the percentages you can see that the sales outside of the Nordic region have dropped from accounting for 34% of our total net sales last year, year to date Q3 last year, to only 31% of our total sales Q3 year to date this year. So it's a drop off a couple of percent there and that's an indication of what I just shared. And that is net of the fact that the strong growth we see in North America counts in the reporting as outside the Nordic region.

One of the benefits of our portfolio is that not only that we play in various confectionary categories but also that our sales are across a number of markets, and I would argue that a continued stable profitable growth despite the rest of Europe faring a bit worse lately is an effect of that. Without going into too much detail by market here outside of the Nordic region, I'd like to say that it's well-known that the general inflation has put a strain on consumers, and that in turn has affected retailers. And the tried dynamics have changed and there are also societal and political pressures relating to food pressures. And those pressures picked up as some of the commodity cost inflation slowed down over the summer, including very much publicised cost of cocoa coming down from its historically high peak.

So not all costs have come down and there is a delay when changes start to affect manufacturers. But in this environment our strategy has remained to drive profitable growth also when it has meant giving up some short-term sales. And the context here is very important, and that context includes that we are still rebuilding margins that we used to have but have lost in the brand of the packaged

segment. And we are rebuilding those margins through growth and scale, through cost controls and efficiency. And while continuing to invest in marketing innovation, but also through fair pricing.

Before moving onto the sales by segment and the profitability let me also state that the reported sales were affected by currency headwinds as the Swedish krona strengthened. Nonetheless, the sales of 2,177 million that you see on the last column of the left graph, that is our ninth consecutive quarter of sales above 2 billion. And it is actually a step up in sales of almost 100 million versus quarter two this year. And as you recall, quarter two really benefitted heavily from the easter phasing. So we are pleased we're continuing the upwards trajectory in our sales.

Separately, note that the structural changes in the quarter is zero and that is at the divestment of the Nutisal brand took place in June last year, and therefore no longer features in the quarterly comparator but of course is still there in the year to date.

So moving onto the sales by segment and showing, actually starting with the base of the slide today is the pick and mix segment which grew a strong 9.4% in the quarter. Let your eyes feast over those previous quarters here, it is very nice. That growth was then partially offset by the branded packaged shown above, where organic sales were down 1.8%, which is actually quite similar to the average development in the first half of this year. But again, as mentioned, related to the development outside the Nordic region.

And this is arguably another angle to the strength of our portfolio, that we have this portfolio where we can pick up any shift in consumer behaviour. Whether that is at the macro level with consumers increasingly loving our candy cane pick and mix offering, or at the micro level, allowing us to lean on other categories as we did when the price of cocoa spiked. I think it's also a sign of strength that consumers have continued to buy our products as prices in retail have gone up. And also for Q3, our volumes they're actually down only about 1%. And if I would exclude chocolate in that then our volumes are actually flat to growing,

Then unpacking the branded packaged sales a little bit, maybe a pun intended there. The growth is affected by our continued optimisation of the product portfolio to include profitability. And I'll come back to that as well but primarily this is about us staying firm to our strategy of growing profitably rather than to grow at any expense. And the focus on profit is obviously best reflected when we look at the profit, so let's move onto that.

So we're very pleased with the result in the quarter to deliver another uplift of operating profit margin, adjusted to 11.9%, that's 110 bps better than last year. And it lifts the year to date margin to 11.5% and the rolling 12 month margin, as Katarina mentioned, to 11.4%, and that is the strongest since 2019. 11.9% also makes this quarter the fourth consecutive quarter with a margin above 11% and we can compare that to the prior three years where the average margin was in the 10%-ish range but where no individual quarter actually reached 11%. So when we talk about a permanent uplift in the operating profit margin I think that is a fair representation. Obviously it's also interesting to note that we are consistently getting closer to our mid-term target, which is to reach a margin of at least 12% no later than 2027.

I want to break this down a little bit further, so if we look at the key drivers for the improved profitability. They are number one, carryover effect of fair pricing initiatives that we took last year and a little at the start of this year but it's not new pricing in the quarter. Secondly, it's about cost control and efficiencies. And both segments are favourable here. For pick and mix it's on account efficiencies in merchandising and fixtures and on the branded packaged side, again, the portfolio optimisation and net revenue management comes back. And as a comment on that when we optimised the portfolio is it about replacing slower moving, lower margin products with something better and that helps not only our business but also our customers by providing a product that the consumer wants even more of. So it's really a win-win situation.

And then finally on cost control and efficiencies, both segments benefit from savings from the change to organisational structure to better fit our new strategy, like Katarina mentioned. Then the volume mix it is unfavourable and within there you do have an unfavourable mix as pick and mix grows faster than the branded packaged segment. But that is partially offset by a favourable mix within the branded packaged on account of the focus of profitable growth, as mentioned.

You also have the effect of the slightly lower volumes, which is the 1% that I mentioned, but also given lower production it means that there's less volumes to spread the fixed cost over. Finally, and maybe most importantly for the long-term outlook, this step up in profitability is not due to any reduction in the investments behind our Superbrands. You want to add that 259 million, as you see in the last column in the left graph, that is actually our highest ever quarterly profit in Swedish kronas.

In this strong profit I can also mention that it doesn't include any reimbursement for costs that we incurred in Q1 2024 as a result of the isolated quality incident at that time due to one of our suppliers. But that process is ongoing and we now estimate to receive such reimbursement let's say in the



next six months. So with that let's step up and look at the profitability by segment and see if that actually reflects what I just said.

So over there you see that both segments margin improved in the quarter, both over last year for the quarter and also year to date. The pick and mix segment on the lower half, where quarterly margin again is about 9%, also shows why we during the investor day raised the margin target for pick and mix from the prior 5% to 7% to what we now have is 7% to 9%. And for the branded packaged segment at the top we improved our operating profit to 12.9%.

And while that is a good thing we also know that this margin used to be above 14% and we will continue this work, as outlined in the investor day, to refocus on our Superbrands in our core markets, to stepping up in the effectiveness of our marketing and innovation and to continue to recover margins there.

That said, let's move to the sales, general and admin. Here you see that costs are down both in absolute and as a percent of sales. But firstly the strengthening of the Swedish kronor in the quarter, which we earlier saw suppressed our reported sales, it just has the opposite effect when we translate our foreign incurred SG&A to Swedish kronor. But then you have the net effect of cost controls offsetting annual salary increases and other inflation, while again not driven by reduced investments in our Superbrands.

With respect to the cost control, the quarter does benefit from savings from the restructuring programme for the new organisation. And here I can reconfirm what we have shared earlier, that we expect to achieve up to 20% of the annualised savings of 60 to 70 million SEK in the second half of the year. And the full effect as of the first quarter next year.

On the year to date, I want to mention the items affecting comparability there of 52 million in lower costs. And that 52 million is the net effect of the one-time impairment of Nutisal that we took last year when we sold it. And then the provision related to the organisational changes this year, which are mostly severance costs. So since the provision this year is smaller than the impairment last year the items affecting comparability comes out as a favourable variance here.

Coming then to our cash flow, as mentioned in quarter two, our normal seasonal pattern is to tie up cash in the first half and generate cash in the second half. And that holds very much true as we look at quarter three. In the quarter we generated a very healthy 339 million in free cash flow, on a profit after tax of 189 million, almost double the profit. The key driver of the free cash flow is the

stronger operating result but then a favourable working capital management. That also has the comparator where last year the steep inflation meant a much less favourable working capital. Last year in Q3 we actually opened with extra payables on account of purchases to replace raw materials with all of the defects, which was again the same thing as this isolated quality issue that I mentioned earlier. This we don't have that problem.

Capex in the quarter at 41 million remains on the lower side. And as presented during the investor day, is that we expect investments will start to rise in the future to secure growth and profit. In this strong free cash flow could it be just phasing from Q2?

Well the answer is no because actually on a year to date basis this is the first time ever that we've exceed half a billion Swedish kroner in free cash flow. It's the strongest we've had year to date, it's more than 50% higher than year to date last year. So obviously it's not a phasing.

Finally with our strong financial position we have also paid back 800 million of loans to our credit institutions. And you see that in the top and to the right. Which brings me to my last slide on financial position.

We closed the quarter with a net debt EBITDA of 1.1, again better than our new lower target to be below 1.5. And 1.1 is the same we delivered in Q1 this year, and these two quarters are tied for the gold, 1.1 is the lowest ever we've had for Cloetta. And the result is a combination of the strong cash flow that we looked at resulting in lower net debt, bringing it down to 1.4 billion. That's almost down a half a billion versus Q3 last year. And then the improved earnings that we have now spoken quite a bit about.

In quarter two leverage went up a bit as we paid dividends, so it's great to see that it's back down again to an all-time low. And actually, on the note of dividend it is really encouraging that our year to date profit after tax of 558 million is already 1.96 SEK higher per share and that's only after three quarters behind you. So we're pleased to have created good conditions also with respect to our four financial targets on dividend, in addition to top line growth, the stronger EBIT margin and keeping leverage low.

Finally, we have plenty of access to additional unused credit facilities and commercial papers based on the new credit facilities entered into during the quarter and as shared earlier in a press release. So access to cash together with our cash on hand totalled about 2.5 billion SEK as we closed the quarter. So for yet one more quarter I conclude that our financial position is very strong. And with that over to you, Laura.

## QUESTION & ANSWER

### **Laura Lindholm**

Thank you very much, Frans, and thank you very much, Katarina. We already have questions in the chat but we will start with the telephone lines. Valentina, over to you and to our first caller.

### **Operator**

Thank you, we will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue you may press star and two. Questioners on the phone are requested to disable the loudspeaker mode while asking a question. Anyone who has a question may press star and one at this time. The first question comes from Adrian Elmlund from Nordea, please go ahead.

### **Adrian Elmlund**

Hi guys, good morning, Adrian here from Nordea. Can you hear me?

### **Frans Rydén**

Yes.

### **Katarina Tell**

Yes.

### **Adrian Elmlund**

Very good, pleased to see the results. I have a couple of questions, three of them, I think. First off, Barry Callebaut noted this morning that they're expecting some mid-single-digit percentage decline of their sales and volumes in cocoa products in the upcoming financial year, so this is, as you know due to the competitive pressure of high cocoa prices. But my question here to you is do you believe that the market has priced in the inflated cocoa prices? Meaning what price per tonne do you think is priced in? Looking at the chart now I think that we're seeing some 6,500 USD per tonne at the moment, just want to see your reflections on that and the overall market.

### **Frans Rydén**

I'm just thinking how to reflect this. I think the way that we like to think about this, that obviously when costs are coming down, which they have at least for the cocoa but not all commodities are

down, sugar, for example, is actually up. And cocoa is not really cheap based on historical levels but when they're coming down that's a good thing. It means that over time the cost for the consumer will be lower, they'll come back into the category. So we think that's a very good thing.

At the same time, it doesn't happen immediately, it depends on how much inventory you have, what kind of contracts you have in place, how the rest of your business looks.

And we look at the competitors and when they publish their results we can see what is happening in their business but I don't really want to comment on their businesses, instead focus on ours. And ours is simply the following, that we will continue to execute our fair pricing which means that when costs go up we take pricing and when they come down we roll back. But it has to be done in a responsible manner as well together with the retailers.

And that, I think, over time will serve everyone really well and I think what we will see is that consumers that maybe have moved into chocolate muffins and similar products when cocoa was very expensive may have given up on their chocolate tablets, they'll come back into the confectionary category. But exactly how much has been priced in I think that varies really between the different players in the market.

### **Adrian Elmlund**

Thank you very much for that answer. A second question here, I want to dig a bit into the margin contribution here between the Nordics and the rest of Europe. I'm looking here is trying to understand how much of the margin uplift in the quarter is thanks to a stronger geographical mix contra to your own margin-enhancing activity or product mix?

### **Frans Rydén**

Given that we don't actually publish margins by market, but I think what I can help you here is to start with that. So we are Northern Europe's leading confectionary company, it's not just a slogan, we have very strong relationships with our customers that go back decades and decades, maybe hundreds of years in some cases. And our position with the consumers is unparalleled, I would argue, for the products that we play in. So we're very strong there.

Whereas in the rest of Europe we're more of a challenger which is where the opportunity comes from. Here is where we can make something different out of our business. But obviously we are much stronger in the Nordic regions than before. I think if you think about the two big markets there like Germany and UK, I think it's fair to say that Germany is perceived as a market with a lot of

strong discount retailers and that you have to work hard for your margins there. But for the UK, we have in the past actually reported a little bit around the profitability there.

I think it was as recently as Q2 this year and certainly in last year as well, where we said that we had some negative taxable results in the UK and as a result we had deferred tax provisions that we chose not to recognise.

So we have said that the UK result is not good. So if you think about the UK having negative taxable results and the fact that Germany's a tough market you could see how there is a favourable mix when the Nordic, European countries are growing faster. But more than that I can't share you a number today.

#### **Adrian Elmlund**

Thank you very much for that, Frans, that really helps. A follow up question to that, if I may. How confident are you that the sales pressure that you're now seeing outside the Nordics, as you stated in the CEO words, are short-term? And why are you not seeing similar patterns in the Nordics, do you think that can happen?

#### **Katarina Tell**

Yes, I can answer this one. As mentioned in the CEO word is of course we launched our new strategy during the spring. We have created a structure, done some reorganisation, and now we are, as a strategy, are set, the organisational set up or structure are more or less done. So we expect to see the results of this next year. And as you remember, we have the growth with the Superbrands and then we have growth in our core markets. And here we see still some opportunities where we believe we will have growth in the UK, in Germany, in North America. And then we also have the third strategic pillar and that is to grow through innovation and excel in marketing.

We believe in the strategies and we believe also we have the structure in place to deliver on the strategies for next year, if that answers your question.

#### **Adrian Elmlund**

Thanks. I have one final question, sorry for taking multiple questions here but final one. Regarding the pilot stores here in the US, you say that you're going to give us some news before the year end, but could you share anything with regards to how these insights into the consumer preferences, as

you stated, what feedback have you gotten? It basically implies at least that you've gotten some positive feedback.

**Katarina Tell**

It's very much about learning how is the best mix, how are the consumers behaviour in the store and so on. And this is important when you roll out a concept to have those learnings going forward.

**Adrian Elmlund**

That was all from me, thank you very much.

**Laura Lindholm**

Valentina, it seems we have no further questions from the lines, could you confirm that?

**Operator**

We have no more questions from the phone.

**Laura Lindholm**

Than you very much, then we move over to the chat. Speaking of the US, we have a question from Danske Bank, the US market size how large is the US as a percentage of your total sales?

**Frans Rydén**

So we actually shared for North America is what we've shared and I think we'll stay with that when we have the investor days. In 2024 it was about 3% of our total sales that we had direct sales in there. Of course with products tends to add more in an indirect way to the US market but we have 3% sells. And then we have been growing in double-digit numbers, so simply put it should be north of 3% sales.

**Laura Lindholm**

Thank you, Frans. And then a second question also from Danske Bank about raw material costs and margin outlook. With raw materials like sugar and cocoa down year to date how do you see this impacting your cost and sales in 2026? On this all else equal or do you expect margins to be stronger or weaker going forward?

### **Frans Rydén**

Our mid-term target is to reach at least 12% by 2027. And we're not there yet, 11.4, so obviously we are intent to improve on the margins. And as I mentioned, on the branded packaged segment we used to be above 14%, so this is not greed, this is actually recovering the margins that we have lost and we will do that by continuing to invest behind our brands and in innovation. And it's a critical part of the new strategy is about stepping up our marketing innovation. So I think it's going to be win-win again for us, for our customers and for the consumer. So the margins will improve.

Then how does the raw material and pricing go into this. We'll stay with what we said before here, which is that we will price for the cost.

And in the past we've also lowered the price at times when they have come down but we have to look at the whole portfolio and we have to look also at the variances versus when we took pricing the last time in that market, because the pricing is not always exactly going at the same time in each market, it depends on the contracts. So we will price for cost.

### **Laura Lindholm**

And then the next question also from Danske Bank is about the IKEA global partnership. How was your global partnership with IKEA developed? Anything which refers to the quarter.

### **Katarina Tell**

The cooperation progressed according to plan, so the last year we had an agreement with IKEA in Sweden but it was only limited to IKEA Sweden and this year we signed a global contract with IKEA. As I said, it is progressing according to plan and in the next quarter release we will give you more detailed update about how it's progressing with IKEA.

### **Laura Lindholm**

Thank you, Katarina. And then also two more from Danske Bank. First one is about the M&A pipeline, how does your acquisition pipeline look like? Are there any companies you are currently in discussion with?

### **Frans Rydén**

Number one, Emmanuel, thank you very much for asking a lot of questions, this is a lot more fun. But no, unfortunately obviously we can't get into any specifics but I think the most important aspect here, and Katarina emphasised it in the beginning as well, which is that M&A for us is an accelerator.

We can deliver these financial targets without an M&A so we're not going to jump into something unless it really makes business sense and it helps drive the strategy forward. But we are open to it and we're being approached and we're looking at things, but we're not going to just jump onto something, yes.

### **Laura Lindholm**

And then the final one from Danske Bank, on pick and mix how much is volume growth versus price? Any particular market you want to highlight during Q3?

### **Frans Rydén**

What we have said in the past is that we don't separate price from other things, and part of the reason for that is, and pick and mix is a great example because the pricing model will look different between customers depending on what type of assortment they have contracted with us to carry. For example, if there's more chocolate or less chocolate. It has to do with how often they want our merchandises to refill and clean the shelves, if this should happen over weekends to have continued strong sales on Saturdays not only on Fridays.

There is a very complex set up and if I will give you a price number that every customer who had seen a lower price increase than that will be happy and they will be silent, but everyone who thought that they got a higher price increase than that they will be calling us and complaining. So this is not really a fair number to give.

I think what I can say, however, is that pick and mix, and we've said this before, is clearly on customer trend. It's about individualisation, it's about plastic free, it's in-store. Arguably entertainment, consumers spend a lot of time in front of pick and mix shelves when they pick their fruit and their meat, whereas with cereals and stuff you just throw that into the cart when you're shopping. So it is a fantastic segment of confectionery and there is real volume growth in there.

### **Laura Lindholm**

Thank you, Frans, and thank you, Emmanuel at Danske Bank. We move over to DNB Carnegie. How do you see the impact from the lower cocoa price in terms of lag or total impact going forward?

### **Frans Rydén**

Again, obviously when we're having conversations with our customers we do that based on the world market prices but then you have a different thing which is how long time does it take to get the pricing, how much inventories do you hold, what have you contracted. And I would assume it's



the same thing for all our other peer companies out there. And so this will vary, what we will do is we will continue to build our margins and we will continue to execute fair pricing.

**Laura Lindholm**

Thank you very much, Frans. I think there's another question on pick and mix but we I think have answered that already previously through the Danske Bank question. Good operator, any last questions from telephone lines?

**Operator**

No more questions from the phone.

**Laura Lindholm**

Thank you. That concludes our event, and we take the opportunity to remind everyone of our upcoming IR events. Our next report, the Q4 report, is published on the 4th February and that's followed by an investor launch in Stockholm arranged by Danske Bank on the 5th, the following day. But before that, quite a lot if happening. Next week we attend the Berenberg Pan-European Discovery Conference USA and then also after that have a plan to visit Ljungsbro in Sweden together with Danske Bank. It's time to conclude, and before we meet again we hope that you get the chance to enjoy our wide portfolio of confectionary products between many joyful occasions, thank you for today.

**Frans Rydén**

Thank you, bye.

**Katarina Tell**

Thank you, bye.

- END -