Cloetta

Press release
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Cloetta Capital Markets Day 2019

At Cloetta Capital Markets Day in Stockholm today, CEO Henri de Sauvage-Nolting and other members of Cloetta's Group Management will provide an update on the Group's strategy and goals as well as a more in-depth description of pick & mix, marketing, production and the road towards a 14 per cent EBIT margin, adjusted.

"Cloetta has a profitable business with a stable cash flow in stable markets. We have strong brands and strong market positions and we are committed to a goal to grow Cloetta organically to an EBIT margin, adjusted of 14 per cent," says Henri de Sauvage-Nolting, CEO of Cloetta.

Since 2012, Cloetta has grown over 25 per cent, mainly through acquisitions. The ambition is to have sustainable organic growth of at least 1 - 2 per cent, including the pick & mix business. EBIT-margin has improved since 2012 but has before synergies from the Candyking acquisition been diluted. Cloetta's ambition is to drive growth in branded packaged products, in-source Candyking volumes, improve pick & mix and reduce costs in order to take the Group to an EBIT margin, adjusted of 14 per cent over the medium term.

Cloetta aims to maintain a dividend of 40 - 60 per cent of profit for the period while keeping the net debt ratio in line with target to create flexibility for targeted M&A.

During 2018 Cloetta had four consecutive quarters of growth in branded packaged products with an EBIT margin of more than 14 per cent. Continued growth in the branded business at this level will support the journey to the 14 per cent EBIT margin target.

Cloetta took markets shares in 2018 and is in a good position to continue to drive growth within branded packaged products. Marketing investments visible to the consumers will increase in the coming years, as the current marketing budget will be used more effectively, and the absolute amount will be increased. Focus on fewer brands and a new innovation strategy should support growth.

The pick & mix business declined during 2018, mainly due to a lost contract in Sweden and the increased sugar tax in Norway. Today, the pick & mix business, predominantly consisting of the acquired Candyking, delivers an EBIT margin of only 1 - 2 per cent. All of Cloetta's pick & mix markets except Sweden are currently profitable with mid-single digit margins. However, pick & mix in Sweden (mainly driven by Candyking) had a negative EBIT of approximately SEK 60m in 2018.

The short-term focus (2019 and 2020) for pick & mix is to make the Swedish pick & mix business profitable by improving EBIT on negative or low margin contracts. This will include price increases, reduced costs for warehousing and distribution, merchandising efficiency and assortment harmonization.

Cloetta has strong positions in the growing pick & mix market. In the medium term, Cloetta will focus more on driving category development to offer consumers the best experience in pick & mix. This will involve consumer insight, concept and fixture solutions, branding, innovative products and more efficient merchandising.

In order to be able to handle the planned growth in branded packaged products and the continued in-sourcing of the Candyking volumes, Cloetta will, in addition to the expected regular capex of 3,5 per cent of sales, invest a total of approximately SEK 100m in the factory network during 2019 and 2020, primarily in additional drying capacity in two factories. This will add approximately 10 per cent capacity to the moulding factory network. In addition, Cloetta is launching "The Perfect Factory" programme that will create higher efficiency and less waste, thereby increasing capacity and decreasing costs.

To further drive costs down and ensure a holistic approach to margin development, Cloetta is launching a new group-wide programme called Value Improvement Program Plus. The programme will use industry-leading practices and be centered on zero-based budgeting and the principles of transparency, accountability and rigour. Cloetta has engaged Accenture to support the programme with spend analysis and value targeting including benchmarking and best practice to address indirect spend.

Branded packaged products growth, Candyking synergies, improved margins within pick & mix, Perfect Factory, and reduced indirect cost form key building blocks in the Value Improvement Program Plus, will over the medium-term drive Cloetta's EBIT margin, adjusted, to 14 per cent.

Cloetta Capital Markets Day

Cloetta Capital Markets Day takes place in Stockholm on 14 March 2019. Speakers include Henri de Sauvage-Nolting, CEO, Oskari Vidman, Chief Pick & Mix Officer, Thomas Biesterfeldt, Chief Marketing Officer, Marcel Mensink, President Operations and Frans Rydén, CFO.

The presentation is available on https://www.cloetta.com/en/events/capital-markets-day-2019/ and a filmed version will be available the day after the event.

Before publication, this information constituted inside information and is such information that Cloetta AB (publ) is required to disclose pursuant to the EU Market Abuse Regulation. The information was submitted, by the below contact person, for publication on 14 March 2019 at 12.30 pm CET.

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About Cloetta

Cloetta, founded in 1862, is a leading confectionary company in the Nordic region and the Netherlands. Cloetta's products are sold in more than 50 countries worldwide with Sweden, Finland, Denmark, Norway, the Netherlands, Germany and the UK as the main markets. Cloetta owns some of the strongest brands on the market, such as Läkerol, Cloetta, Candyking, Jenkki, Kexchoklad, Malaco, Sportlife and Red Band. Cloetta has 8 production units in 5 countries. Cloetta's class B shares are traded on Nasdaq Stockholm. More information about Cloetta is available on www.cloetta.com