



SCANDINAVIAN TOBACCO GROUP

# INVESTOR PRESENTATION

## FIRST QUARTER 2022

20 MAY 2022



# AGENDA

1 Q1 2022 Highlights

2 Sustainability

3 Our divisions

4 Group Financials and Capital Allocation

5 Guidance 2022

6 Q&A session



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CEO



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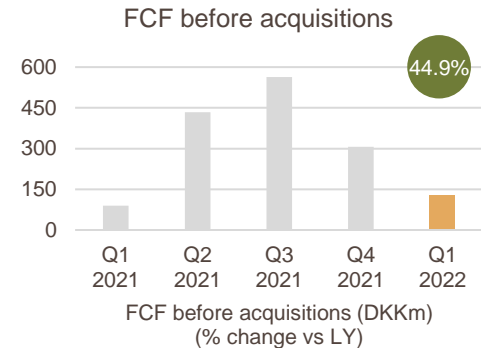
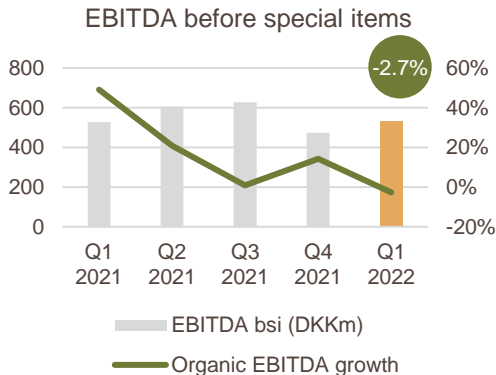
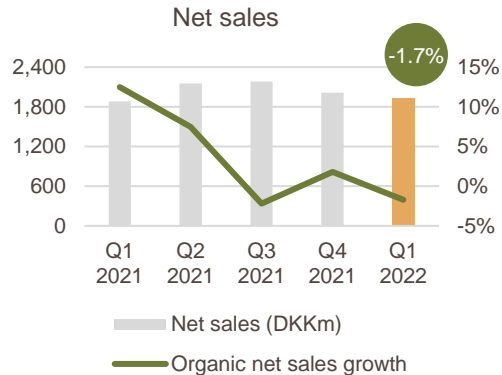
**TORBEN SAND**  
Head of Investor Relations

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# Q1 2022 HIGHLIGHTS

- Financial performance in Q1 2022 as expected. Uncertainty for full-year remains high
- Q1 2022: Organic net sales growth of -1.7%, organic EBITDA growth of -2.7%, FCF before acquisitions DKK 129 million
- Share buy-back programme increased to up to DKK 1,000 million from up to DKK 700 million







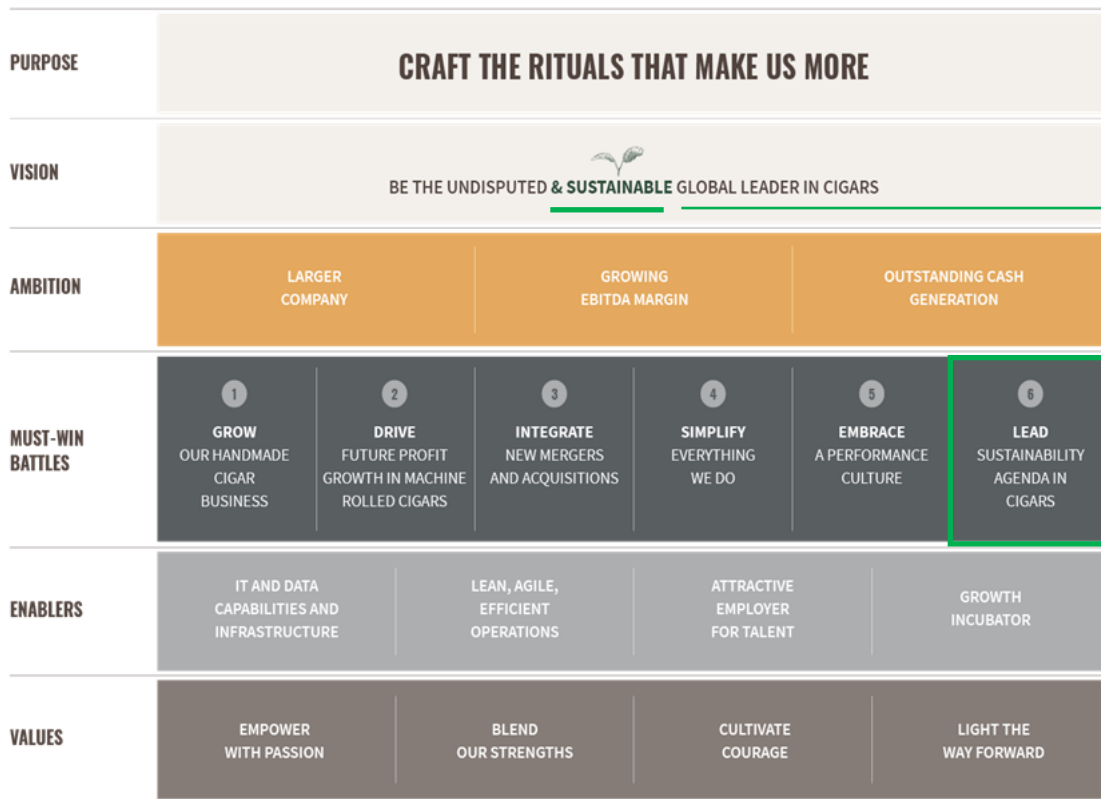
SCANDINAVIAN TOBACCO GROUP

# SUSTAINABILITY





# SUSTAINABILITY EMBEDDED IN ROLLING TOWARDS 2025



*Sustainability anchored in STG's vision...*

*.. and as a new Must Win Battle*



# TWO PILLARS IN SUSTAINABILITY PROGRAMME

ROLLING RESPONSIBLY

## ASPIRATIONS

WE CRAFT A BETTER TOMORROW –  
BY ELEVATING OUR COMMUNITIES AND ANCHORING  
CLIMATE ACTION IN OUR CULTURE

## SUSTAINABILITY PRIORITIES



NET-ZERO ALONG THE  
JOURNEY OF THE LEAF



SUSTAINABLE  
COMMUNITY PIONEERS

## SUSTAINABILITY TOPICS

LAND & WATER  
CUSTODIANS

RESPONSIBLE  
SOURCING & PACKAGING

STRONG  
CORPORATE ETHICS

A TRULY INCLUSIVE  
EMPLOYEE EXPERIENCE

ANTI-CHILD  
LABOR

## KEY ENABLERS

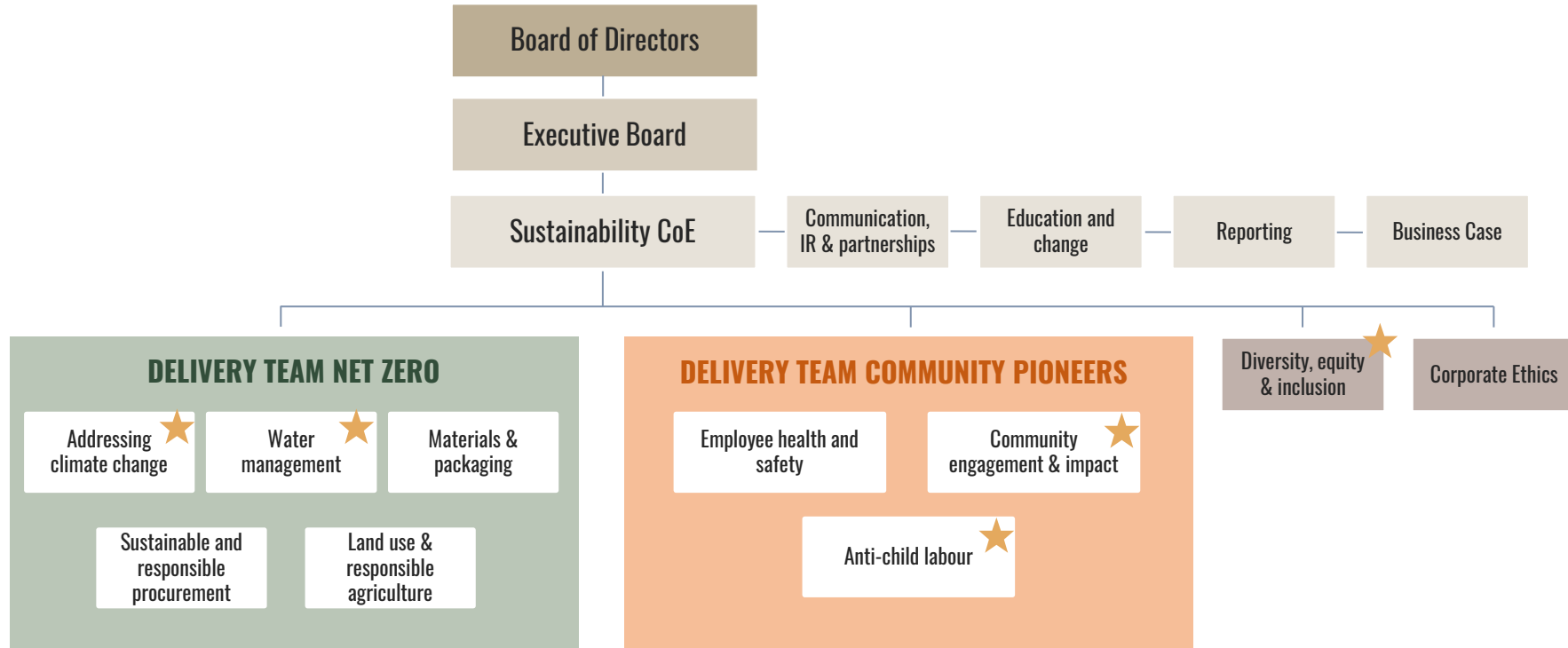
ROBUST GOVERNANCE  
& CAPABILITIES

PROACTIVE REPORTING  
& METRICS

FIT-FOR-PURPOSE DATA  
& SYSTEMS



# GOVERNANCE STRUCTURE







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# OUR DIVISIONS





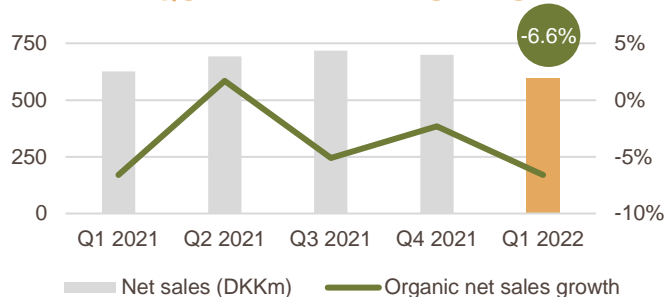


# EUROPE BRANDED HIGHLIGHTS Q1 2022

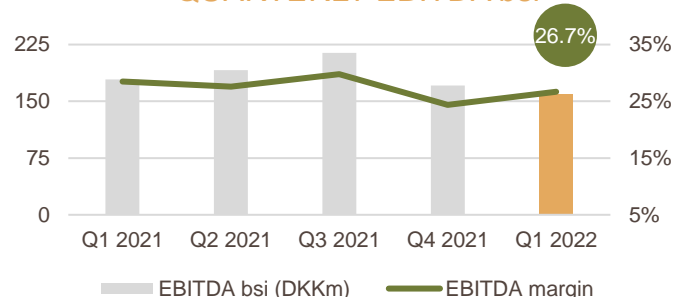
- Organic net sales growth -7% with approx. half of decline from the termination of a distribution agreement
- Overall market volume down by approx. 3.8%. Our volume decline partly offset by price increases.
- The combined volume market share index declined to 31.5x% in Q1 2022 (32.9% Q1 2021) as out-of-stock issues continue to impact net sales in a few markets
- Margin decrease driven by increasing costs for sales and marketing, freight and distribution



### QUARTERLY NET SALES



### QUARTERLY EBITDA bsi





# EUROPE BRANDED LOOKING AHEAD

- Structural decline rate in machine-rolled cigar volumes expected at about -3%
- Focus on market shares and price improvements to secure sustainable flat to slightly increasing organic net sales growth
- Simplification initiatives and price increases are expected to support long-term margin expansion
- Supply issue expected to be further reduced by the end of the second quarter of 2022



MEHARI'S



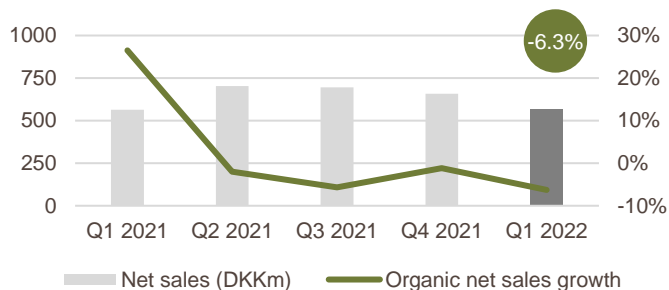


# NORTH AMERICA ONLINE & RETAIL HIGHLIGHTS Q1 2022

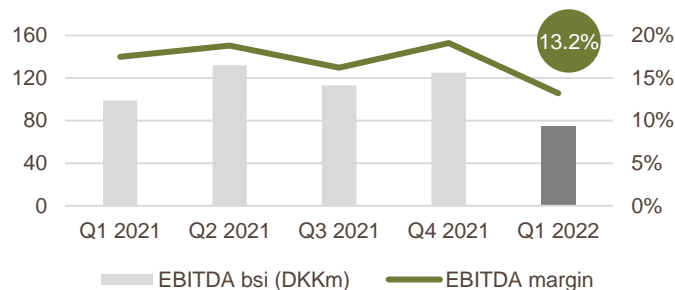
- Consumption of handmade cigars remained robust in the first quarter of the year. Signs by the end of the quarter of a reversal to the long-term volume decline trend
- 6% negative organic net sales growth driven by a negative contribution from online being partly offset by double-digit growth in retail
- Active customer file down 12% versus all-time-high Q1 2021, but remains >10% above 2019 level
- Margin development reflects higher sales and marketing related costs as well as the expansion of the retail network



### QUARTERLY NET SALES



### QUARTERLY EBITDA bsi





# NORTH AMERICA ONLINE & RETAIL LOOKING AHEAD

- Increase in consumption of handmade cigars in the US since the outbreak of the pandemic is expected to be sustainable. Volume trend during the remainder of 2022 expected to be around long-term negative volume trend at -2% per year
- Expectation that channel shift in the market driven by COVID-19 has come to an end with the comparison base gradually normalizing during the rest of 2022
- A substantial part of our active online customers acquired through the pandemic is expected to be retained through strategic initiatives
- Promotional activity in the online market has returned to pre-pandemic levels
- The seventh super store was opened in April in San Antonio, Texas with another 5-7 super stores expected to be opened in the next 2-3 years





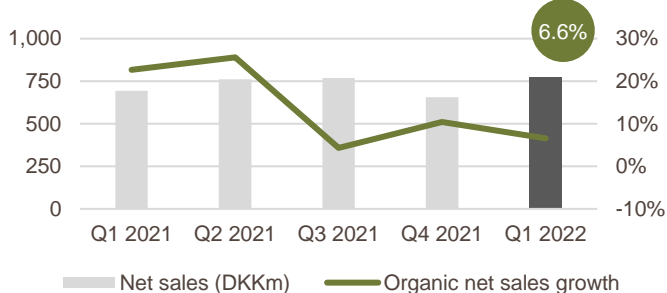


# NORTH AMERICA BRANDED & ROW HIGHLIGHTS Q1 2022

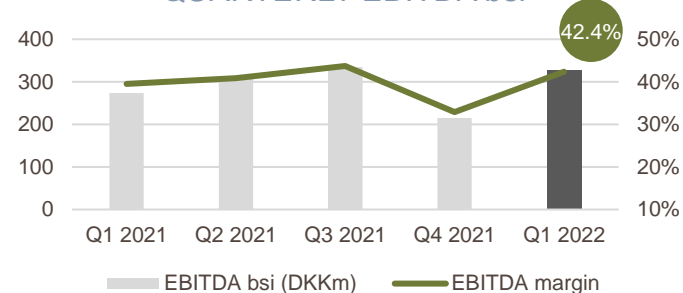
- Organic net sales growth of 7% driven by handmade cigars in the US, a recovery in Global Travel Retail and a one-time inventory impact from a new route-to-market set-up in Australia. Machine-rolled cigars delivered negative growth against a strong first quarter last year
- Growth in handmade cigars in the US was driven by volume increases to the retail channel and general price increases
- Margin improvement supported by pricing and an improved product and market mix versus the first quarter of 2021. The OPEX-ratio increased as promotional activities normalized



### QUARTERLY NET SALES



### QUARTERLY EBITDA bsi





# NORTH AMERICA BRANDED & ROW LOOKING AHEAD

- The consumption of handmade cigars shows signs of resuming to its structural trend of an 2% annual volume decline
- With a combination of strategic initiatives like the launch of The Forged Cigar Company, price increases a.o., handmade cigars are expected to deliver long-term positive organic net sales growth
- The positive mix impact experienced in 2021, primarily driven by smoking tobacco in the US and Norway, is starting to normalise, thereby dampening growth in 2022



Meier & Dutch  
Wholesale Cigar Distributors





SCANDINAVIAN TOBACCO GROUP

# GROUP FINANCIALS AND CAPITAL ALLOCATION

  
General Cigar  
Dominicana, S.A.S.



# Q1 2022 RESULTS

DKK million	Q1 2022	Q1 2021	FY 2021	FY 2020
<b>Net sales</b>	<b>1,938</b>	<b>1,883</b>	<b>8,233</b>	<b>8,006</b>
Gross profit (before special items)	1,019	955	4,113	3,712
OPEX	-488	-428	-1,911	-1,886
<b>EBITDA before special items</b>	<b>532</b>	<b>527</b>	<b>2,233</b>	<b>1,826</b>
Special items	-18	-17	-55	-435
EBIT	427	419	1,814	986
Net financials	-14	-12	-77	-53
Net profit	328	324	1,391	678
Adjusted EPS (DKK)	3.6	3.4	14.8	9.8
Cash flow from operations	190	132	1,567	1,585
<b>Free cash flow before acquisitions</b>	<b>129</b>	<b>89</b>	<b>1,393</b>	<b>1,394</b>

## Q1 2022 (Q1 2021)

**-1.7%** Organic net sales growth (12.5%)

**52.6%** Gross margin (50.7%)

**25.2%** OPEX ratio (22.7%)

**27.4%** EBITDA margin (28.0%)

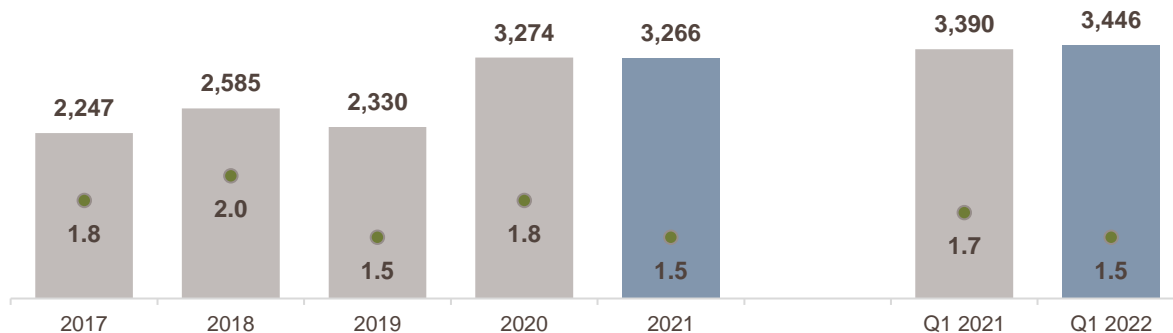




# NET DEBT AND LEVERAGE

- Net Interest-bearing Debt (NIBD) increased by DKK 180 million versus year-end 2021 as capital allocation, exchange rate developments were only partly offset by cash-flow from operations
- Leverage ratio decreased to 1.5x EBITDA versus 1.7x by end of Q1 2021 and 1.5x by year-end 2021

## NIBD AND LEVERAGE

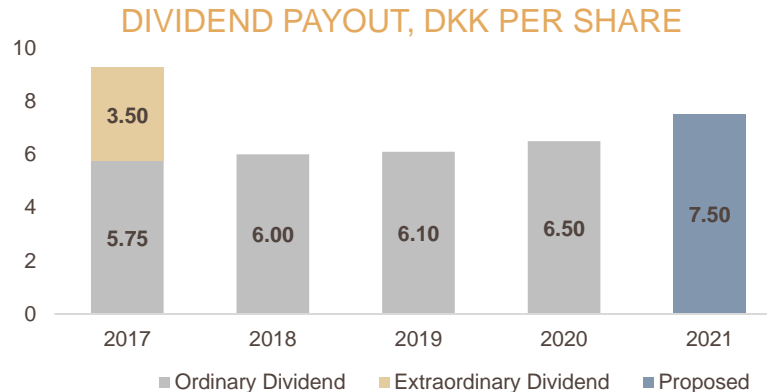


■ Net interest-bearing debt (NIBD), DKKm ● Leverage (NIBD / EBITDA bsi)



# DIVIDENDS & SHARE BUY-BACKS

- Shareholder Return Policy with ambition of annual growth in ordinary dividend payments
- Number of outstanding shares was reduced by 4.5 million on 4 May 2022 to 93.0 million shares
- Ordinary dividend for 2021 of DKK 7.50/share (~DKK 700 million) was paid in April 2022
- DKK 700 million programme increased to DKK 1,000 million supported by leverage and strong cash-flows
- Pro-rata participation by Chr. Augustinus Fabr. (27.0%) and C.W.Obel (12.5%) from 20 May 2022





# REGULATION



Decades of experience adapting to the changing global regulatory landscape



Successful implementation of diverse regulations

## REGULATORY UPDATES



Flavourised tobacco products



Excise Directive Revision Update



Tobacco Products Directive Revision Update







SCANDINAVIAN TOBACCO GROUP

# GUIDANCE 2022





# FULL YEAR 2022 GUIDANCE MAINTAINED

- Organic EBITDA Growth 0%-6%
- FCF before acquisitions DKK 1.1-1.4 billion
- Adjusted Earnings Per Share >5% increase

## FINANCIAL ASSUMPTIONS

- Agio cost savings ~DKK 50 million
- Financial expenses, excl. forex DKK 110-120 million (from 100-110 million)
- Special items ~DKK -100 million
- Capital expenditures, net ~ DKK 350 million





# QUESTIONS AND ANSWERS



<https://investor.st-group.com>



# EVENT CALENDAR & CONTACT

## EVENT CALENDAR 2022



## INVESTOR RELATIONS CONTACT

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