



# INVESTOR PRESENTATION





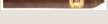
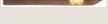

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FIRST QUARTER 2020

20 MAY 2020





# AGENDA

-  Quarterly Highlights
-  Covid-19 Update
-  Agio Cigars
-  Divisions - Update
-  Financials
-  Guidance 2020
-  Q&A

This presentation contains forward-looking statements. All statements other than statements of historical fact included in the presentation are forward-looking statements. Forward-looking statements give Scandinavian Tobacco Groups (“STG”) current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance and business.

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# HIGHLIGHTS

**COVID-19**



**GUIDANCE**



**INTEGRATION OF  
AGIO CIGARS**



# FINANCIAL HIGHLIGHTS

**Net sales**

**EBITDA  
before special items**

**Free cash flow  
before acquisitions**

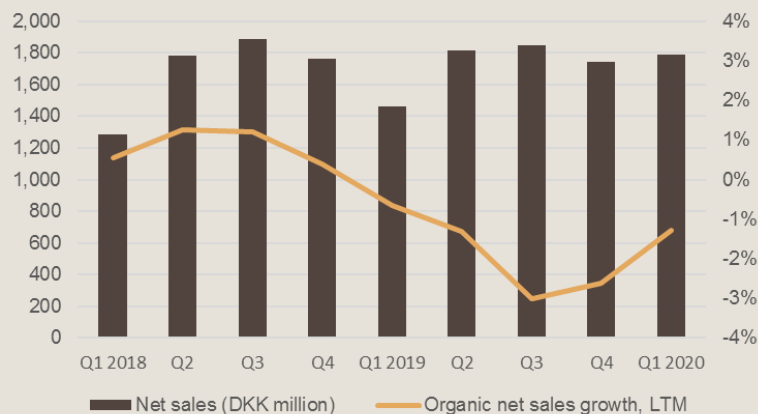
**Q1 2020**

**DKK 1,791 million**  
*organic growth 5.0%*

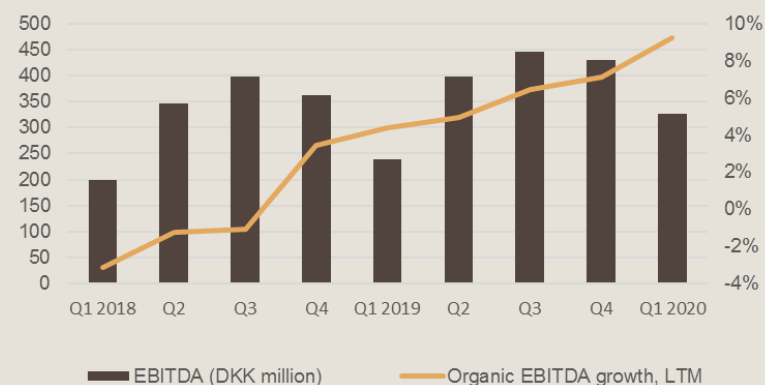
**DKK 326 million**  
*organic growth 23.9%*

**DKK 122 million**  
*Q1 2019: DKK 72 million*

Quarterly net sales



Quarterly EBITDA (before special items)





# UPDATE ON COVID-19



## FROM SUSPENSION TO RELEASE OF NEW GUIDANCE

- 19 March 2020: Suspension of guidance driven by lack of transparency and increased uncertainty
- January-April 2020 financial performance gives improved visibility for full-year 2020
- 20 May 2020: Release of new guidance, including Agio Cigars,



## INSTANT IMPACT FROM COVID-19

- Border trading, duty free trading and US retail stores
- Initial supply chain disruptions are now more or less back to normal
- Online operation is experiencing strong growth



## OTHER RISK UNCERTAINTIES WHICH PERSIST

- Consumer and retail consumption/behaviour
- Distribution flows or other supply chain restraints





# COVID-19 A DYNAMIC APPROACH

High impact

## RISK SCENARIOS

Disruption in global retail

Supply chain disruption

Factory shutdowns

Restocking of materials



## MITIGATING ACTIONS

Mitigating actions taken already and/or considered

Considerations in case of further COVID-19 development

Low impact



# CREATING ONE STG

## INTEGRATION OF AGIO CIGARS

### Commercial activities to be focused in 3 new divisions



Europe  
Branded



North America  
Online & Retail



North America  
Branded & RoW

### Three production sites to be closed (Moca, Duizel and Eersel)



### Synergies within sales & marketing, production and back-office

- Cost synergies: About DKK 225 million *(by the end of 2022)*
- Special cash costs: About DKK 450 million
- Non-cash impairments: DKK 109 million

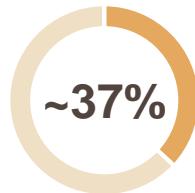
**EBITDA margin before special items to improve by at least 2%-points  
after completed integration**

# THREE NEW DIVISIONS

## Division: Europe Branded



**Share of Group net sales**  
(2019-numbers incl. Agio)



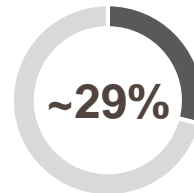
**Headed by:**  
Jurjan Klep, President and  
Senior Vice President  
Division Europe Branded



## Division: North America Online & Retail



**Share of Group net sales**  
(2019-numbers incl. Agio)



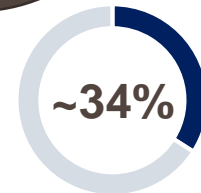
**Headed by:**  
Sarah Santos, President and  
Senior Vice President  
Division North America Online &  
Retail



## Division: North America Branded & RoW (Rest of World)



**Share of Group net sales**  
(2019-numbers incl. Agio)



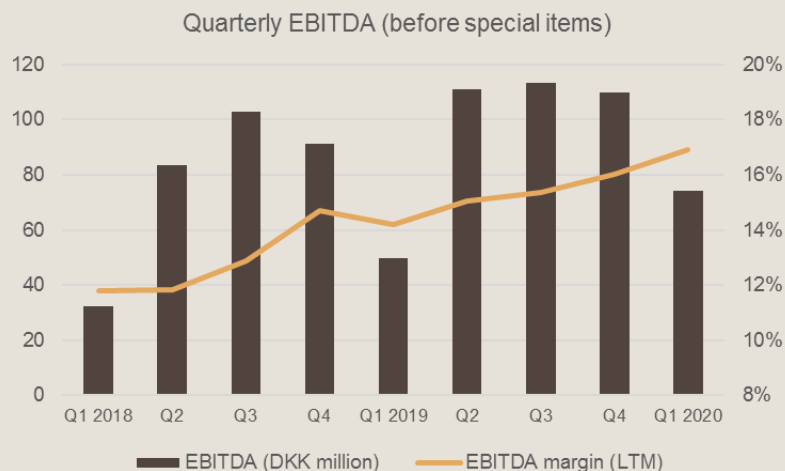
**Headed by:**  
Régis Broersma, President and  
Senior Vice President  
Division North America Branded  
and RoW







# NORTH AMERICA ONLINE & RETAIL



## Q1 2020 Highlights

### Market trends and COVID-19

Continued high level of promotional activity in the online channel, although easing by the end of Q1

Since the outbreak Online has experienced increasing customer activity and net sales, whereas Retail has been impacted by store closures from mid March

### Organic net sales growth

Positive growth for handmade cigars was offset by machine-made cigars

### Profit margins

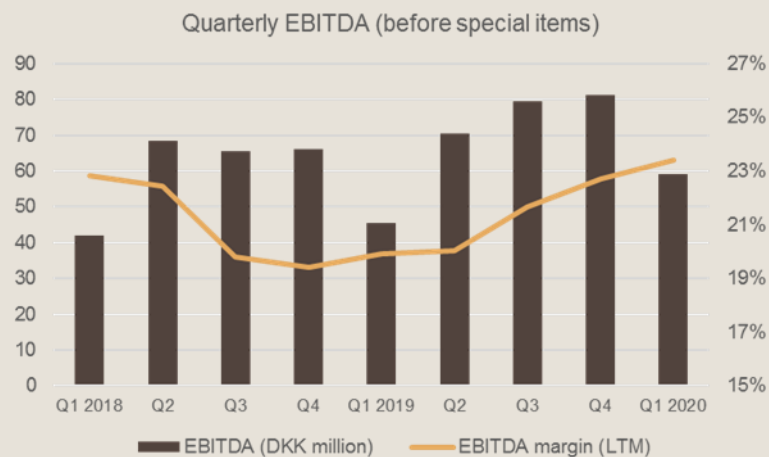
EBITDA-margin improved driven by OPEX ratio and low comparison base

DKK million	Q1 20	Q1 19	2019
Net sales	513	496	2,398
Gross profit	188	182	903
EBITDA	74	50	384
Net sales growth	3%	67%	14%
- Organic growth <sup>1)</sup>	0%	2%	0%
Gross margin	36.7%	36.6%	37.7%
EBITDA margin	14.5%	10.1%	16.0%

<sup>1)</sup> Excluding impact of currencies and acquisitions

Note: Gross profit, EBITDA and related margins are all before special items

# NORTH AMERICA BRANDED



DKK million	Q1 20	Q1 19	2019
Net sales	280	257	1,219
Gross profit	164	147	689
EBITDA	59	45	277
Net sales growth	9%	-5%	-2%
- Organic growth <sup>1)</sup>	3%	-9%	-6%
Gross margin	58.6%	57.4%	56.6%
EBITDA margin	21.2%	17.7%	22.7%

1) Excluding impact of currencies and acquisitions

Note: Gross profit, EBITDA and related margins are all before special items

## Q1 2020 Highlights

### Market trends and COVID-19

Positive organic growth in net sales for all product categories until outbreak of Covid-19 in March

### Organic net sales growth

Positive price/mix in handmade cigars could not offset negative volume development. Canada gained partly from hoarding

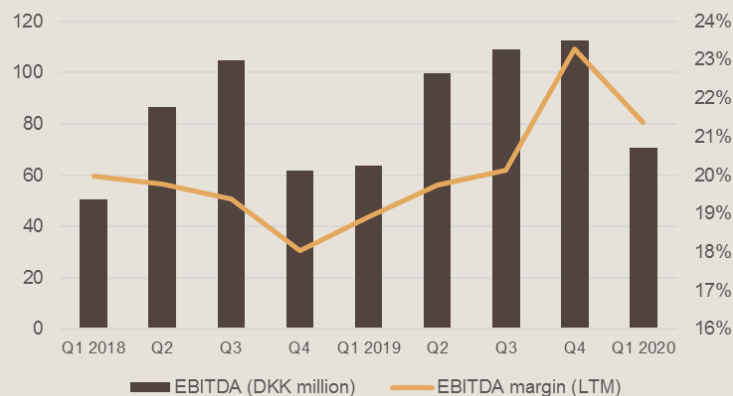
### Profit margins

Gross margin improved driven by price increases in all product categories and mix changes and the EBITDA-margin gained further from efficiency improvements

Handmade cigars	Q1 20	Q1 19	2019
Volume impact	-5.5%	-4.6%	-8.3%
Price/mix impact	2.6%	2.9%	2.7%
<b>Organic growth<sup>1)</sup></b>	<b>-2.9%</b>	<b>-1.7%</b>	<b>-5.6%</b>

# REGION MACHINE-MADE CIGARS

Quarterly EBITDA (before special items)



DKK million	Q1 20	Q1 19	2019
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Net sales	530	348	1,653
Gross profit	233	177	860
EBITDA	71	64	385

Net sales growth	52%	-3%	-2%
- Organic growth <sup>1)</sup>	5%	-3%	-2%
Gross margin	44.0%	50.9%	52.0%
EBITDA margin	13.3%	18.3%	23.3%

1) Excluding impact of currencies and acquisitions

Note: Gross profit, EBITDA and related margins are all before special items

## Q1 2020 Highlights

### Market trends and COVID-19

Total market estimated to be down by about 3.5% driven by France and COVID-19.

The Top 5 Market Share Index was 46.5% up from 31.0% in Q4 2019 driven by the acquisition of Agio Cigars

### Organic net sales growth

Acquisitions accounted for 47% of sales growth. Organic net sales growth of 5% driven by France, Spain and the UK

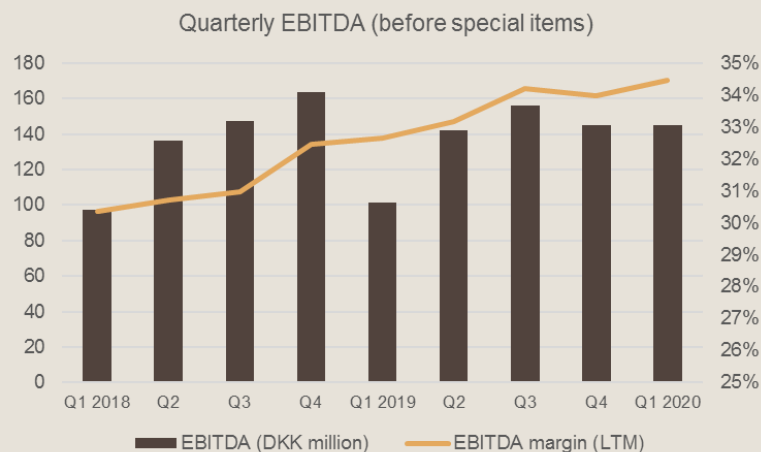
### Profit margins

The gross margin decreased due to fair value adjustments of Agio inventories. Underlying gross margin was 51.4%. OPEX ratio improvements continued driven by Fuelling the Growth

Machine-made cigars	Q1 20	Q1 19	2019
Volume impact	1.6%	0.6%	-4.3%
Price/mix impact	3.6%	-1.3%	1.8%
<b>Organic growth<sup>1)</sup></b>	<b>5.2%</b>	<b>-0.7%</b>	<b>-2.5%</b>



# REGION SMOKING TOBACCO & ACCESSORIES



## Q1 2020 Highlights

### Market trends and COVID-19

By the end of Q1 fine-cut tobacco was impacted by Covid-19

### Organic net sales growth

Net sales growth of 29% driven by acquisitions & divestments by 18%, FX -1% and organic growth of 12%. The organic growth was partly driven by phasing in markets like Denmark a.o.

### Profit margins

Gross margin improved driven by fine-cut and the Nordic countries and the EBITDA-margin was further improved from a lower OPEX ratio partly driven by timing of sales and marketing expenses

DKK million	Q1 20	Q1 19	2019
Net sales	468	363	1,601
Gross profit	234	178	861
EBITDA	145	101	544
Net sales growth	29%	1%	-5%
- Organic growth <sup>1)</sup>	12%	2%	-4%
Gross margin	50.0%	49.1%	53.8%
EBITDA margin	31.0%	27.9%	34.0%

1) Excluding impact of currencies, acquisitions and divestments

Note: Gross profit, EBITDA and related margins are all before special items



# KEY DATA

## Q1 2020

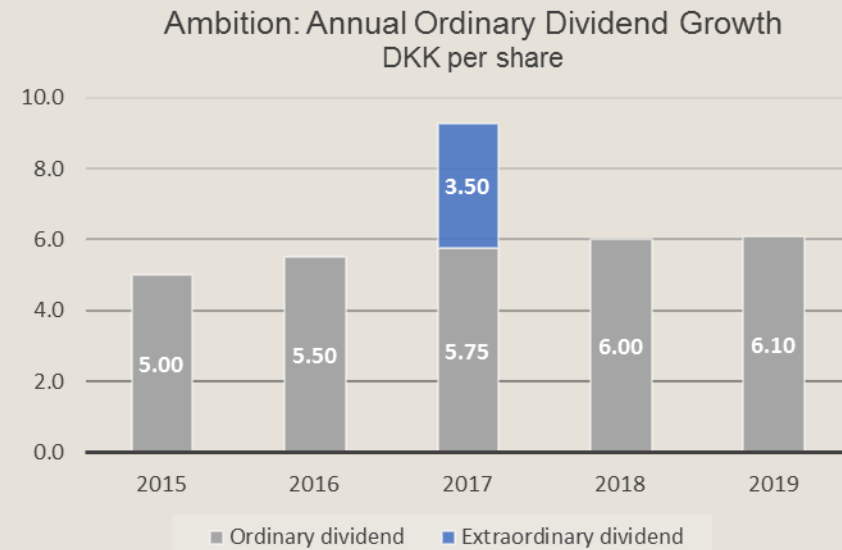
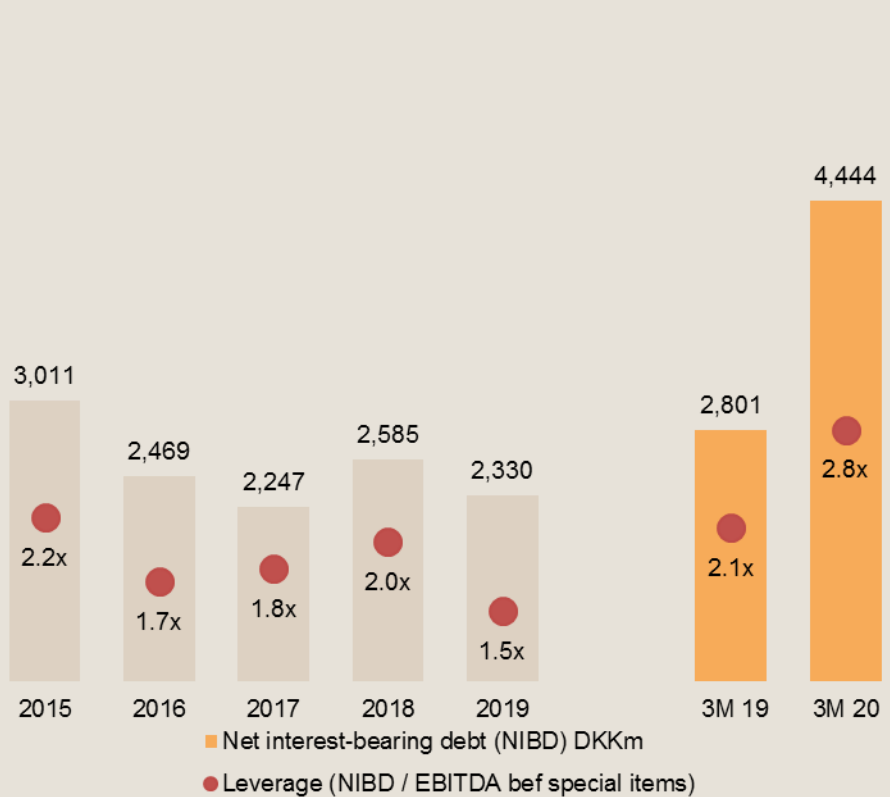
	Q1 2020	Q1 2019	Growth, %		FY 2019
	DKKm	DKKm	Organic <sup>1</sup>		DKKm
Net sales	1,791	1,464	22%	5.0%	6,870
Gross profit (before special items)	819	684	20%		3,314
OPEX (ex other income)	-494	-445	11%		-1,807
Other income					6
<b>EBITDA before special items</b>	<b>326</b>	<b>239</b>	<b>36%</b>	<b>23.9%</b>	<b>1,513</b>
<i>EBITDA margin before special items</i>	<i>18.2%</i>	<i>16.3%</i>	<i>1.8%</i>		<i>22.0%</i>
Special items	-155	-24			-133
EBIT	66	119	(44%)		977
Pre tax Profit	26	119	(78%)		949
Net profit	21	93	(77%)		748
Adjusted net profit 2)	140	110			
Cash flow from operations	160	89			1,300
<b>Free cash flow before acquisitions</b>	<b>122</b>	<b>72</b>			<b>1,187</b>

1) Excluding impact of currencies, acquisitions and divestments 2) Adjusted net profit = Reported net profit excluding special items post tax



# LEVERAGE AND CAPITAL ALLOCATION

## 2015-2020



**Decision to initiate up to DKK 300 million share buy-back program in 2020 is unchanged.**



# GUIDANCE 2020 INCLUDING AGIO CIGARS

GUIDANCE	
EBITDA	Organic growth >2%
FREE CASH FLOW BEFORE ACQUISITIONS	~ DKK 850 million
ASSUMPTIONS	
ORGANIC NET SALES GROWTH	Moderate decline
FINANCIAL EXPENSES 1)	DKK 90-100 million
EFFECTIVE TAX RATE	21-22%
SPECIAL ITEMS, NET	DKK 415-435 million
EXCHANGE RATES	Current exchange rates

1) Financial expenses, excluding currency losses or gains and fair value adjustments



# Q & A







## INVESTOR RELATIONS CONTACT

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[www.st-group.com](http://www.st-group.com)



### Torben Sand

Head of Investor Relations  
Tel: +45 5084 7222  
[torben.sand@st-group.com](mailto:torben.sand@st-group.com)

## FINANCIAL CALENDAR

2020

27

FEB

Annual report 2019\*

2020

26

MAR

Annual General Meeting

2020

20

MAY

First quarter 2020\*

2020

28

AUG

Half year report 2020\*

2020

5

NOV

Nine months 2020\*

\* Silent period starts four weeks prior to interim report announcements

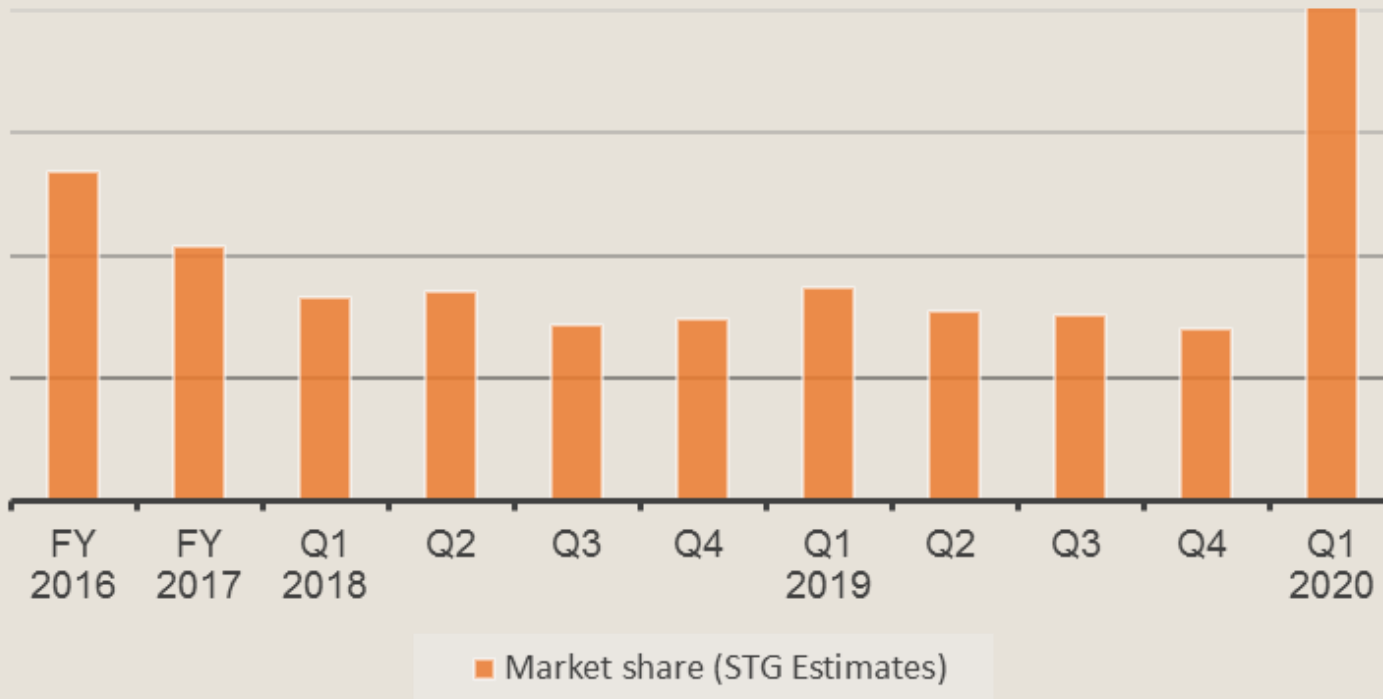


# MARKET SHARE PERFORMANCE

## FY 2016 – Q1 2020

### Market Share Index

#### Top 5 European machine-made cigar markets



Top 5 EU Markets: France, Belgium, The Netherlands, UK and Spain



# CSR IN STG

## Our Approach

- Responsibility is a core STG value
- We have for many years engaged in CSR work, now we want to increase our ambition and attention to our activities
- Executive Board in September 2019, approved an expanded focus on CSR, with new governance and strategy; new strategy expected in first half of 2020
- We want to engage with increasing interest in ESG issues from financial stakeholders and investor community

## Selected 2019 Results

▼ **6.4%**

### Energy Consumption

In 2019, energy consumption in Group production facilities decreased by 6.4% compared to 2018.



▼ **19%**

### Work Related Accidents

The number of work-related accidents in our production facilities in 2019 was 54, down from 67 in 2018.



▼ **13.1%**

### Tobacco Waste

The amount of tobacco waste generated in Group production in 2019 decreased by 13.1%. The amount of general waste (non-tobacco) also decreased by 8%.



**6,000**

Trees Planted

### Reforestation

In the Dominican Republic, we have for several years been active in a reforestation initiative. Our employees planted 6,000 trees in 2019.





# FORWARD LOOKING STATEMENTS

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