



SCANDINAVIAN TOBACCO GROUP

**INVESTOR  
PRESENTATION**

**THIRD QUARTER 2021**

**4 NOVEMBER 2021**



# AGENDA

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02 Divisional update

03 Group financials

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06 Capital Markets Day

07 Q&A session



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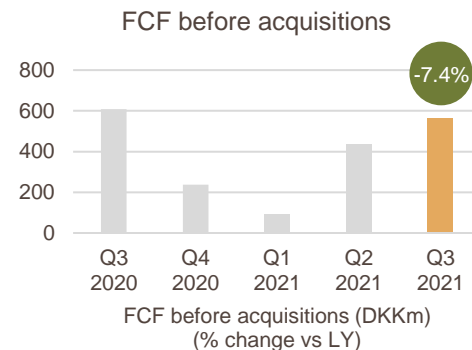
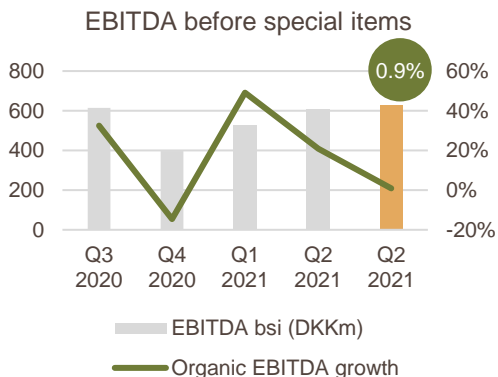
**TORBEN SAND**  
Head of Investor Relations

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# Q3 2021 HIGHLIGHTS

- Strong financial performance against difficult 2020 comparisons
- Negative organic net sales growth of 2.2%, but positive organic EBITDA growth of 0.9%
- Agio integration remains on target to deliver DKK 100 million in savings in 2021
- Full year 2021 guidance maintained





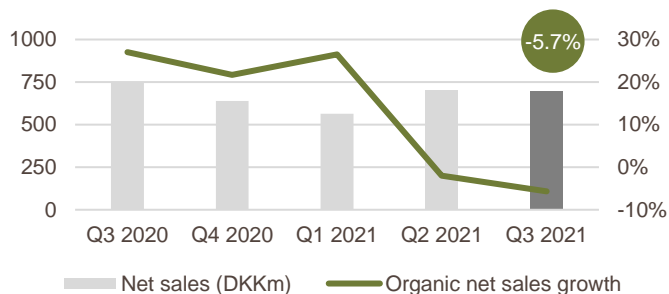
# NORTH AMERICA ONLINE & RETAIL

## HIGHLIGHTS OF Q3 2021

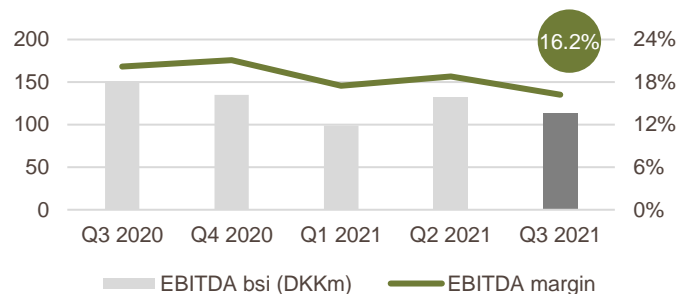
- Consumption of handmade cigars has remained strong in the third quarter of the year.
- 6% negative organic net sales growth in the third quarter of 2021 reflects the channel shift from online back to retail and comparisons to a very strong 2020. Active customer file remains well above 2019 levels.
- Strong growth in retail stores continue, reflecting expansion of retail network and channel shift
- Margin development reflects higher sales and marketing related costs as well as the expansion of the retail network



### QUARTERLY NET SALES



### QUARTERLY EBITDA bsi





## LOOKING AHEAD

- Strong consumption of handmade cigars expected to continue though uncertainty remains higher than normal
- A substantial part of the active online customers acquired through the pandemic is expected to be retained post COVID-19 through strategic initiatives
- Increased promotional activity by competitors continues and puts pressure on margins
- A new superstore will open in San Antonio, Texas early 2022 with the longer-term ambition for retail stores still being considered





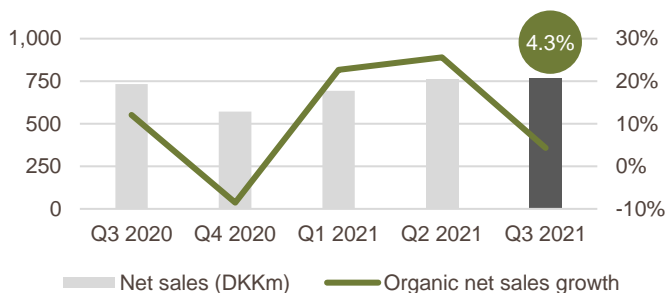
# NORTH AMERICA BRANDED & ROW

## HIGHLIGHTS OF Q3 2021

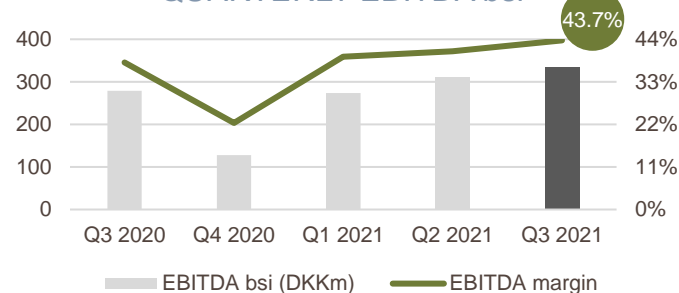
- Strong organic net sales growth driven by volume growth in the cigar categories, a favorable product and market mix despite comparison to a strong third quarter last year
- Strong growth in handmade cigars driven by overall market consumption and supported by the channel shift from online to retail
- Margin improvement supported by product and market mix and cost efficiencies



### QUARTERLY NET SALES



### QUARTERLY EBITDA bsi





## LOOKING AHEAD

- Strong consumption of handmade cigars expected to continue and is expected to remain well above the pre-COVID-19 levels
- The positive mix impact, primarily driven by smoking tobacco in the US and Norway, is expected to normalize
- Investing in consumer insights to understand behavioral trends



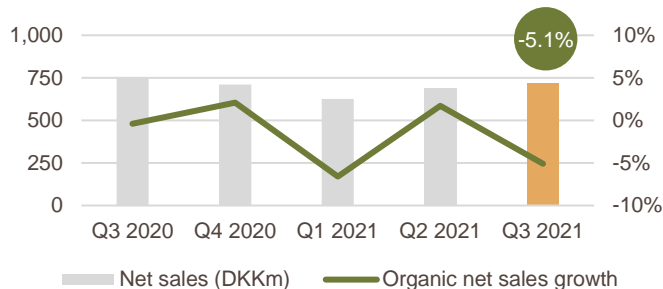


## HIGHLIGHTS OF Q3 2021

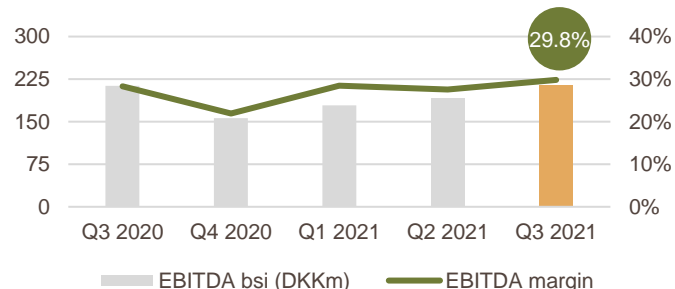
- Market developments have started to normalize with volume declines mostly offset by price management
- The supply issue, which started in the second quarter is not yet solved, pushing net sales into the fourth quarter
- The combined volume market share declined to 31.9% (33.0%) as a result of the supply issue
- Margins improved driven by price increases, integration benefits and general cost efficiencies



### QUARTERLY NET SALES



### QUARTERLY EBITDA bsi







## LOOKING AHEAD

- Return to the structural decline rate in machine-rolled cigar volumes
- Focus on market shares and price improvements to secure sustainable flat to slightly increasing organic net sales growth
- Additional benefits from the integration of Agio Cigars and simplification initiatives are expected to continue to improve margins





# Q3 2021 RESULTS

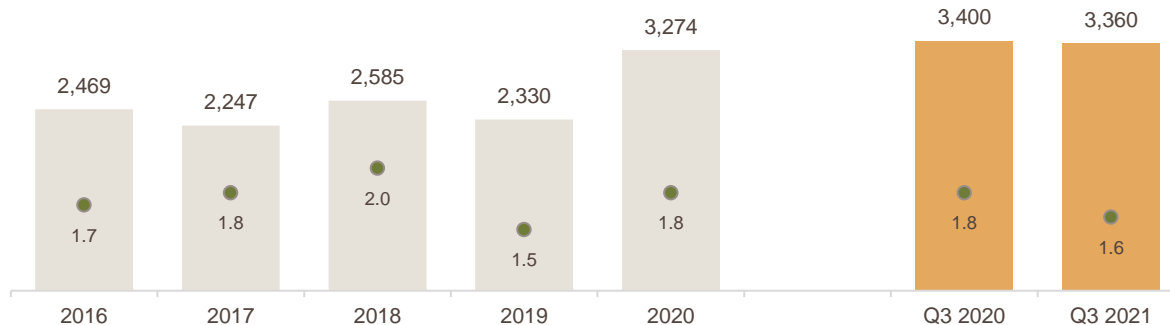
DKK million	Q3 2021	Q3 2020	9M 2021	9M 2020	FY 2020	
						<b>Q3 2021</b> (Q3 2020)
<b>Net sales</b>	<b>2,182</b>	<b>2,231</b>	<b>6,221</b>	<b>6,084</b>	<b>8,006</b>	<b>-2.2%</b> Organic net sales growth (12.0%)
Gross profit (before special items)	1,102	1,124	3,128	2,845	3,712	<b>50.5%</b> Gross margin (50.4%)
OPEX	-506	-510	-1,400	-1,416	-1,886	<b>23.2%</b> OPEX ratio (22.8%)
<b>EBITDA before special items</b>	<b>627</b>	<b>614</b>	<b>1,759</b>	<b>1,429</b>	<b>1,826</b>	<b>28.7%</b> EBITDA margin (27.5%)
Special items	-26	-80	-67	-314	-435	
EBIT	510	436	1,421	806	986	<b>9M 2021</b> (9M 2020)
Net financials	-29	7	-61	-38	-53	<b>5.4%</b> Organic net sales growth (7.5%)
Net profit	383	356	1,083	630	678	<b>50.3%</b> Gross margin (46.8%)
Adjusted EPS (DKK)	4.2	4.0	11.6	8.5	9.8	<b>22.5%</b> OPEX ratio (23.3%)
Cash flow from operations	635	660	1,256	1,309	1,585	<b>28.3%</b> EBITDA margin (23.5%)
<b>Free cash flow before acquisitions</b>	<b>564</b>	<b>609</b>	<b>1,086</b>	<b>1,156</b>	<b>1,394</b>	



# NET DEBT AND LEVERAGE

- NIBD has decreased by DKK 372 million versus June 2021 and has increased by DKK 86 million versus year-end 2020
- Leverage ratio decreased to 1.6x EBITDA versus 1.7x by June 2021 and 1.8x by year-end 2020
- Decrease in NIBD in the quarter driven by cash flow generation

## NIBD AND LEVERAGE



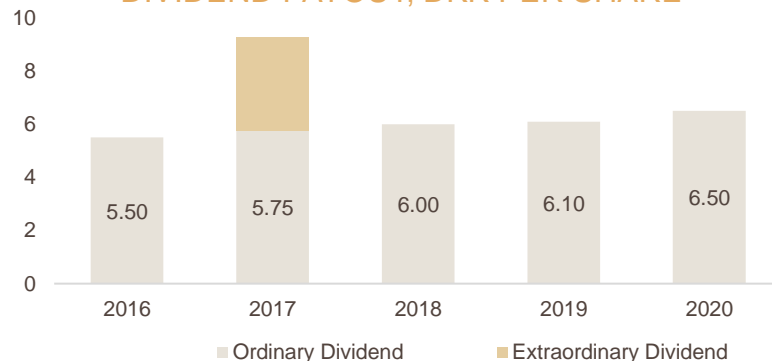
■ Net interest-bearing debt (NIBD), DKKm ● Leverage (NIBD / EBITDA bsi)



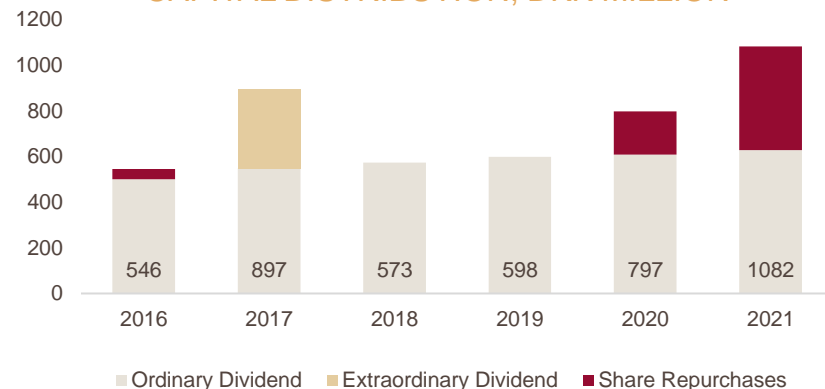
# CAPITAL DISTRIBUTION

- Total capital distribution DKK 1,082 million 9m 2021 versus DKK 797m in full year 2020
- Total capital distribution 2016-2021 of DKK 4.5 billion
- The program initiated in March 2021 with purpose to adjust capital structure and cover long term incentive obligations
- Program value DKK 600 million with DKK 155 million purchased in Q3 2021 and DKK 352 million by end of September 2021
- Ordinary dividend per share of DKK 6.50 (6.6% increase) paid in Q2 2021

## DIVIDEND PAYOUT, DKK PER SHARE



## CAPITAL DISTRIBUTION, DKK MILLION





# REGULATORY UPDATE



## EUROPE

- Excise Directive Revision
- Tobacco Products Directive Revision

## USA

- Bidens Build Back Better Plan
- Potential ban on flavored tobacco products



# 2021 FULL-YEAR GUIDANCE

## GUIDANCE 2021

Organic EBITDA growth	16%-20%
FCF before acquisitions	DKK 1.0-1.3 billion
Adjusted Earnings Per Share	>35% increase

## KEY ASSUMPTIONS

### High-end range

Positive organic net sales growth in Q4  
The supply issue in MRC to be solved  
No additional constraints in supply-chain

- Cost savings from Agio ~ DKK 100 million
- Fin. expenses, excl. FX DKK 105-115 million
- Special items DKK 90 million
- CAPEX ~ DKK 370 million



# CAPITAL MARKETS DAY - 23 NOVEMBER

## Scandinavian Tobacco Group

### Capital Markets Day Agenda

Start Time	Duration	End Time	Description	Presenter
1.30 PM	3 min	1.33 PM	Welcome	Torben Sand
1.33 PM	2 min	1.35 PM	Scandinavian Tobacco Group	Video
1.35 PM	20 min	1.55 PM	CEO Presentation	Niels Frederiksen
1.55 PM	20 min	2.15 PM	Supply Chain/Manufacturing	Graham Cunningham
2.15 PM	15 min	2.30 PM	<b>Q&amp;A</b>	
2.30 PM	15 min	2.45 PM	<i>Break</i>	
2.45 PM	15 min	3.00 PM	Europe Branded	Jurjan Klep
3.00 PM	15 min	3.15 PM	North America Branded & Rest of World	Regis Broersma
3.15 PM	15 min	3.30 PM	North America Online & Retail	Sarah Santos
3.30 PM	15 min	3.45 PM	<b>Q&amp;A</b>	
3.45 PM	10 min	3.55 PM	<i>Break</i>	
3.55 PM	15 min	4.10 PM	CFO Presentation	Marianne Rørslev Bock
4.10 PM	30 min	4.40 PM	<b>Q&amp;A</b>	All
<b>Total</b>				





# Q&A



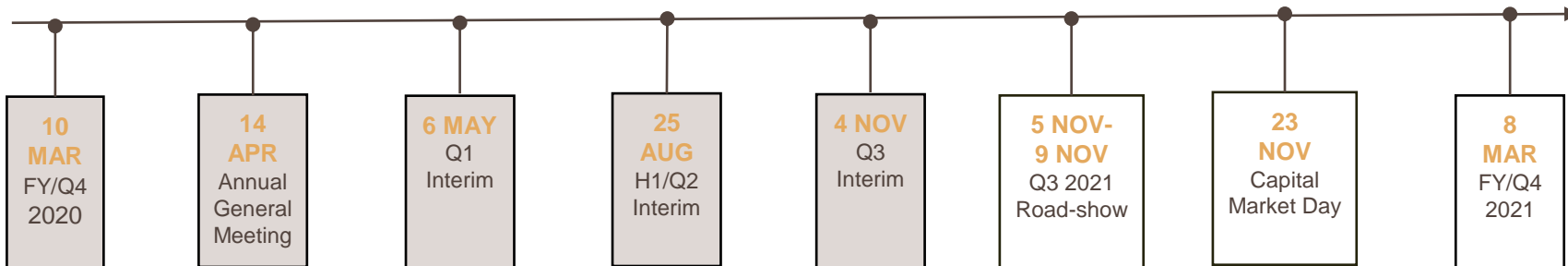




# EVENT CALENDAR & CONTACT

## EVENT CALENDAR 2021

2022



## INVESTOR RELATIONS CONTACT

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