



SCANDINAVIAN TOBACCO GROUP

Financial Outlook

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Executive Vice President and
Chief Financial Officer





KEY TAKEAWAYS

- 1 History of strong financial performance and shareholder returns
- 2 Disciplined capital allocation strategy and proven M&A track record
- 3 Strong cash flow allows for investments in growth
- 4 Reaching financial ambitions





STRONG FINANCIAL PERFORMANCE 2016-2020

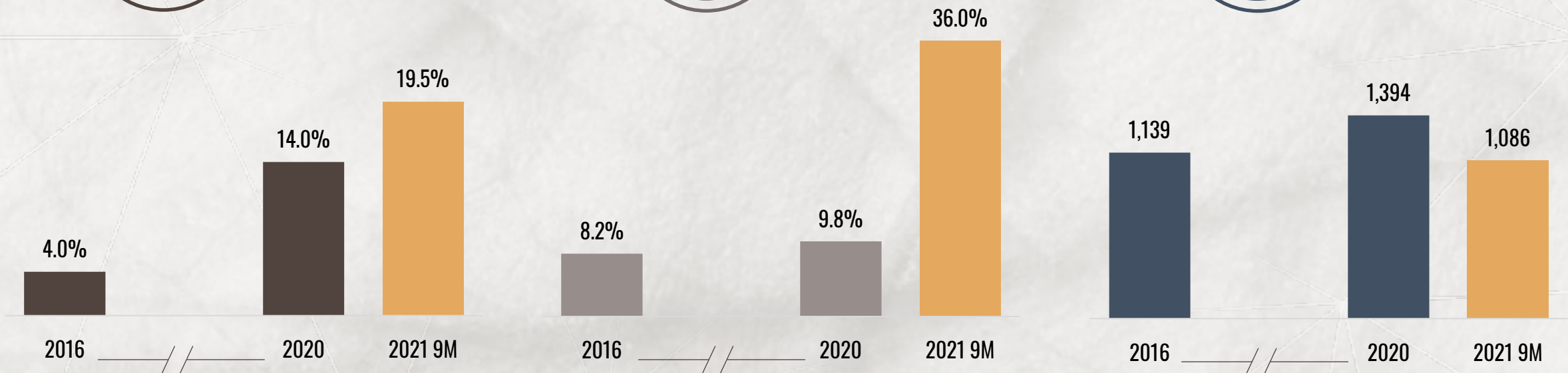
ORGANIC EBITDA GROWTH



ADJUSTED EPS GROWTH



FCF BEFORE ACQUISITIONS



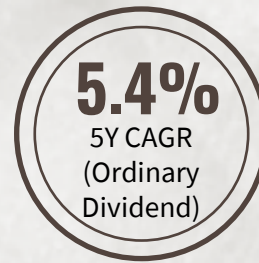


ATTRACTIVE SHAREHOLDER RETURNS 2016-2020

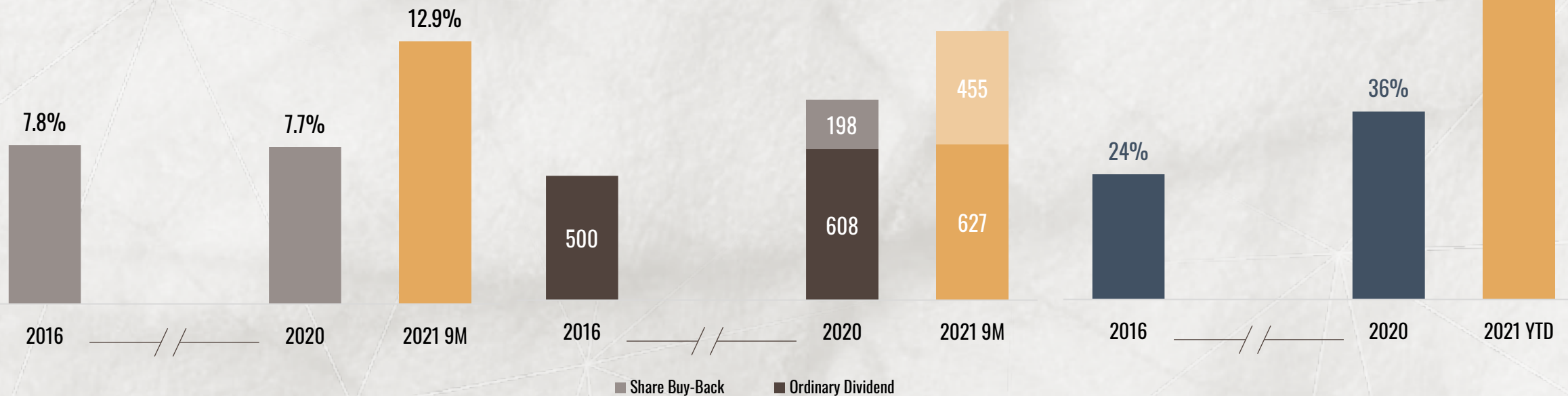
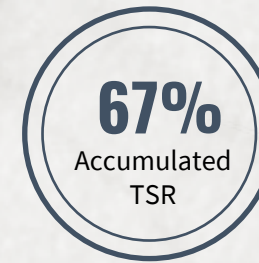
ROIC



CAPITAL ALLOCATION



TOTAL ACCUMULATED SHAREHOLDER RETURN





OUR FINANCIAL AMBITIONS



3%-5%
annual organic
EBITDA growth

EARNINGS



Annual average net
increase before acquisitions
and sizeable investments

**FREE CASH
FLOW**



Improve ROIC

**RETURN ON
INVESTED
CAPITAL**



3-5% AVERAGE ORGANIC EBITDA GROWTH

Group

Net Sales: Organic growth

Positive

EBITDA margin change

Improve

EBITDA growth

3-5% p.a.

Europe Branded

Organic growth in net sales



EBITDA margin change



North America Branded and Rest of World



North America Online & Retail



Legend



Above Group Average



Group Average



Below Group Average



CORE FREE CASH FLOW

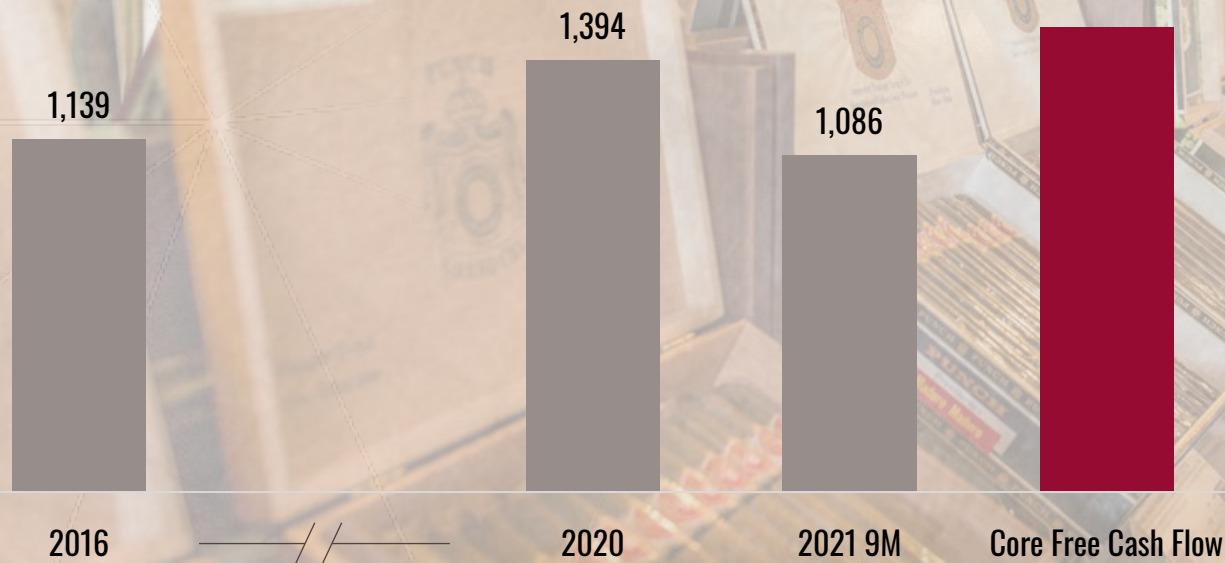


Note: Free Cash Flow before acquisition and sizeable investments, DKKm

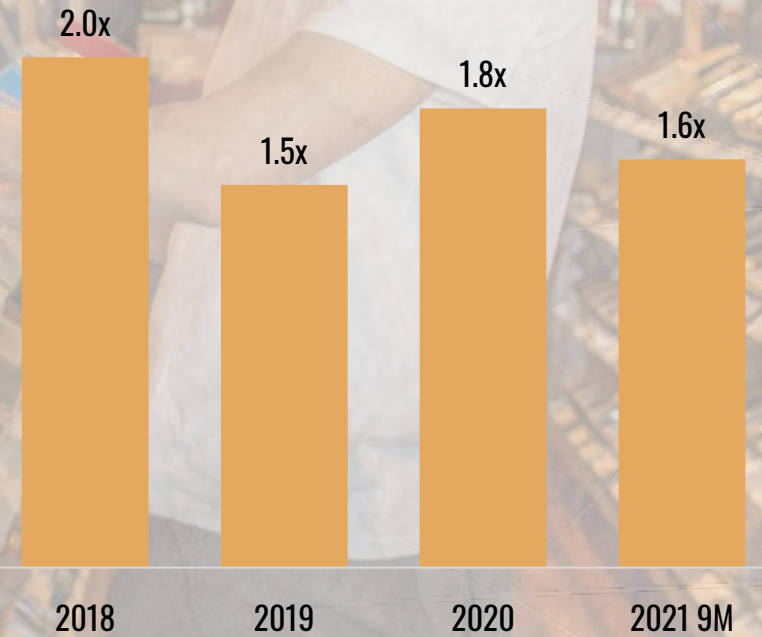


FREE CASH FLOW REDUCES LEVERAGE RATIO

**FCF BEFORE ACQUISITIONS
(DKKm)**



LEVERAGE RATIO





DISCIPLINED CAPITAL ALLOCATION STRATEGY



Increasing ROIC

We aim to optimise value for our shareholders by:



A disciplined shareholder return policy



EXTRACTING SYNERGIES AND GROWING THROUGH M&A

☆☆☆
SWEDISH MATCH®
MERGER

2010



STG LANE

2011



2013



2014



2018



2019



2020



M&A REPORT CARD

Investment Rationale



Deal Size:
USD 62m
2018

Strengthens position in the US online channel

Significant value creation and realisation of synergies



Deal Size:
EUR 210m
2020

Good geographic fit, complementary brands, and enabling utilisation of excess capacity

Major acquisition with significant cost savings

Integration Strategy



Commercial and back-office integration



Integrate warehouse and shipping facilities



Merge sales organisations



Optimise manufacturing footprint



Integrate back-office and functions

ROIC

~20%

~20%



STRATEGIC M&A RATIONALE ACROSS CATEGORIES

Handmade Cigars

- Strengthen handmade cigar brand portfolio
- Gain synergies across the value chain
- Gain access to high growth segments

EU Machine-Rolled Cigars

- Strengthen machine-rolled cigar brand portfolio
- Build scale to consolidate
- Gain synergies across the value chain
- Gain access to growth segments

US Online & Retail

- Protect and grow market share
- Consolidate synergies
- Enhance margin on proprietary brands and products
- Increase bargaining power towards suppliers



EVALUATING M&A OPPORTUNITIES ACROSS THE SPECTRUM



Structured and disciplined approach





INVESTING FOR GROWTH

1

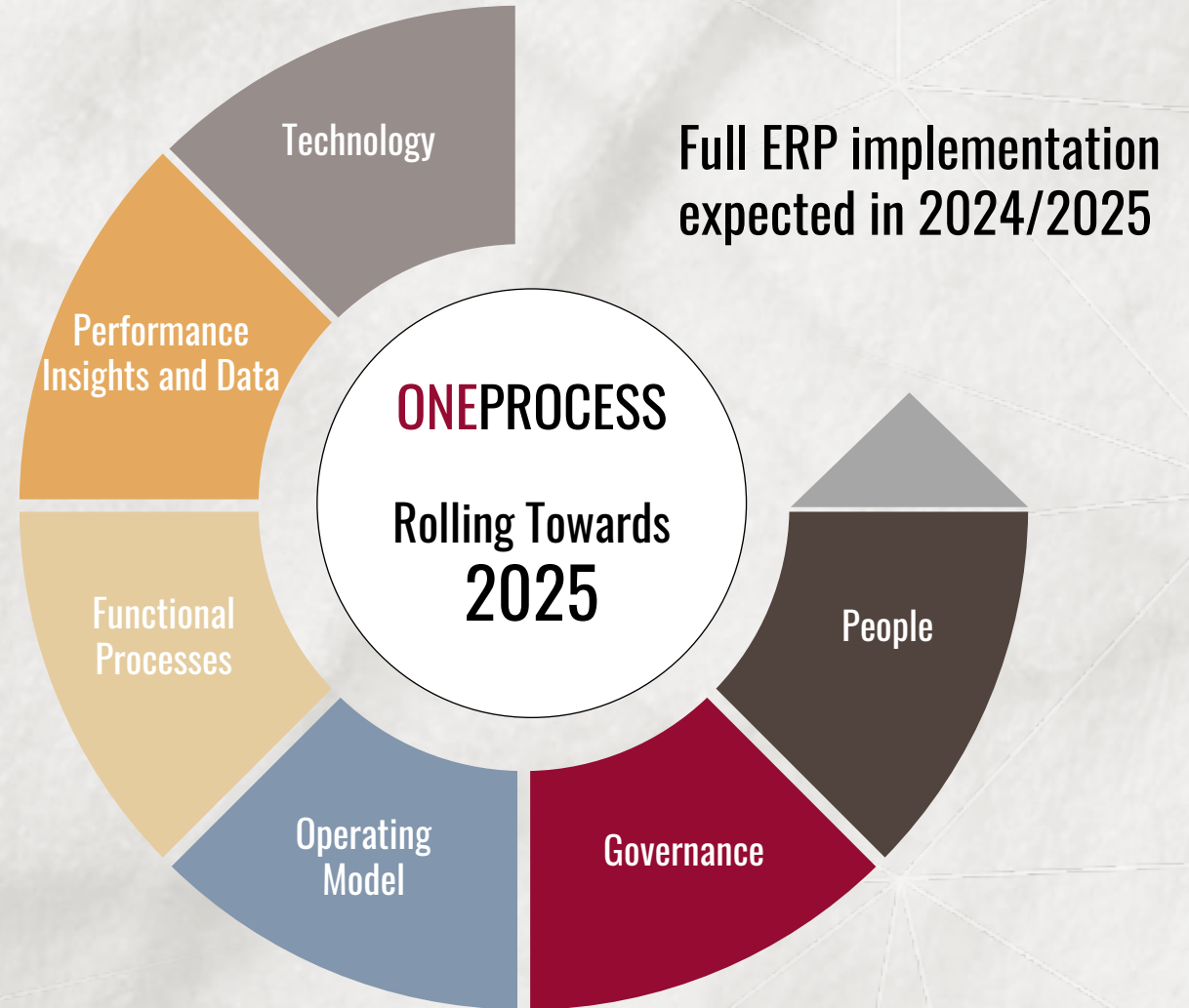
A key enabler for strategy execution

2

Strengthens ability to deliver growth and profitability

3

Improved basis for integration of M&A targets





POSITIONED FOR SUCCESS



Strong historical financial performance and attractive shareholder returns



Focused on growing earnings, increasing cash flow and improving ROIC



Disciplined capital allocation strategy focused on capital efficiency and shareholder returns



Disciplined M&A approach designed to maximise ROIC