



INVESTOR PRESENTATION

THIRD QUARTER 2017

8 NOVEMBER 2017








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Q3 AND YTD 2017 – HIGHLIGHTS

Measures	Q3 - Performance	YTD 2017
 Organic net sales	+1.9%	-2.6%
 Adj. EBITDA	DKK 394 million (organic growth -0.8%)	DKK 955 million (organic growth -7.5%)
 Free cash flow	DKK 342 million	DKK 640 million
 Cash distribution of DKK 350 million to shareholders		
 Full year guidance unchanged		



HIGHLIGHTS

YTD 2017 - Highlights

Handmade cigars

- General Cigar deliver solid growth
- Cigars International continues steady but slow progress to restore market position
- Retail expansion in the US

Machine-made cigars

- Focus on portfolio optimisation begin to improve performance
- Volume impact has improved and price/mix remains sound.....
- ... but third quarter is not indicating “a new normal”

Cash Flow and Capital Allocation

- Strong cash flow generation continued.....
-reducing leverage to 1.7x as of September 30, 2017
- Decision of DKK 350 million cash distribution to shareholders



RETAIL EXPANSION IN HANDMADE CIGARS



Pennsylvania

Three stores in two locations

- Hamburg Super Store
- Bethlehem Super Store
- Bethlehem Downtown Store



Dallas, Texas

Expanding portfolio of retail stores with two locations

- Fort Worth
- The Colony



Highlights


- Dallas is one of the fastest growing cities in one of the fastest growing states in the US
- Texas is a strong cigar selling state
- Cigars International (CI) already has a strong online customer base in Texas
- Test value of omnichannel approach
- Part of full value chain strategy
- The retail stores will open in 2018

Financials

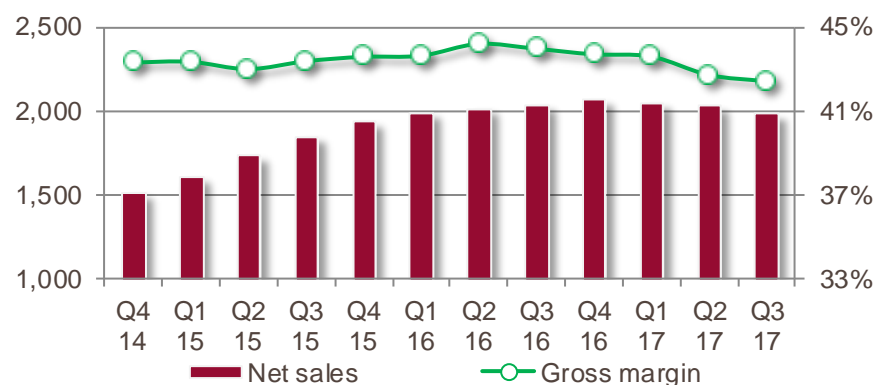
- Planned investment up to USD 7 million, whereof USD 1 million in Q4 2017
- Limited impact on the financial performance for 2017.



HANDMADE CIGARS

DKKm		2015	2016	LTM ²⁾	Q3 16	Q3 17	YTD 16	YTD 17
Net sales		1,935	2,067	1,980	576	530	1,536	1,449
<i>Reported growth</i>		27.9%	6.8%	(2.6%)		(8.1%)		(5.6%)
Gross profit		843	903	840	253	227	677	614
<i>Gross margin</i>		43.6%	43.7%	42.4%	43.8%	42.8%	44.1%	42.3%
Volume impact		6.6%	7.4%	(0.4%)		(1.9%)		(2.6%)
Price/mix impact		1.3%	(0.2%)	(1.6%)		(1.0%)		(2.0%)
Organic growth¹⁾		7.9%	7.2%	(2.0%)		(2.8%)		(4.6%)

LTM (DKKm)




Q3 2017

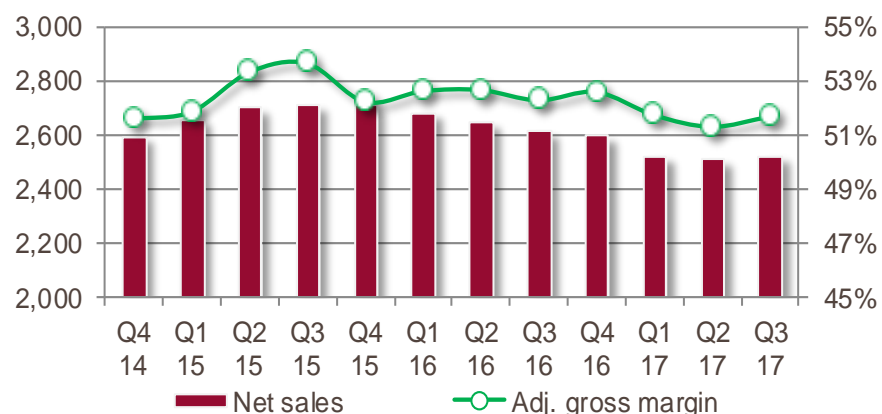
- General Cigar continued to gain market share and delivered solid growth.
- Cigars International continued the progress towards normalising the business and is moving in the right direction.
- Pricing in the branded business remained sound with adverse impact from mix changes and promotional activities in the online business.
- Gross margin still influenced by a temporary increase in costs for promotional activities.



MACHINE-MADE CIGARS

DKKm		2015	2016	LTM ²⁾	Q3 16	Q3 17	YTD 16	YTD 17
Net sales		2,702	2,593	2,518	653	665	1,898	1,823
<i>Reported growth</i>		4.2%	(4.0%)	(3.5%)		1.8%		(4.0%)
Gross profit		1,372	1,280	1,246	277	345	941	907
<i>Gross margin</i>		50.8%	49.3%	49.5%	42.5%	51.8%	49.6%	49.8%
<i>Adj. gross margin</i>		52.2%	52.6%	51.7%	52.1%	53.5%	53.2%	52.0%
Volume impact		(5.7%)	(6.0%)	(4.4%)		2.6%		(4.2%)
Price/mix impact		3.4%	2.2%	1.4%		0.9%		1.1%
Organic growth¹⁾		(2.3%)	(3.9%)	(3.0%)		3.5%		(3.0%)

LTM (DKKm)



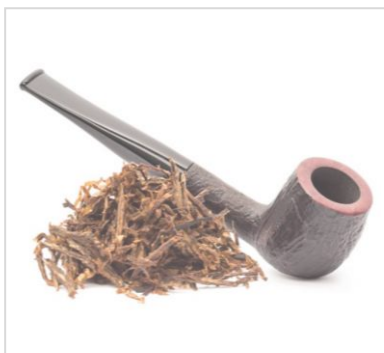
Q3 2017

- Improved performance in our European business as the TPD transition effects are fading out. Focus on portfolio optimisation and new launches begin to take effect.
- Volumes driven by up-lift in France versus low comparison.
- Pricing remained sound with adverse impact from mix changes.
- Improved adjusted gross margin reflects a lower cost base and high production volumes in the quarter.

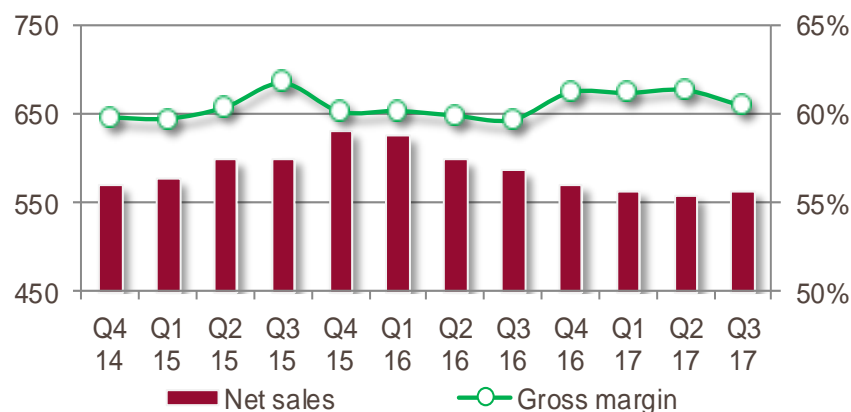


PIPE TOBACCO

DKKkM	2015	2016	LTM ²⁾	Q3 16	Q3 17	YTD 16	YTD 17
Net sales	629	569	562	138	143	416	408
<i>Reported growth</i>	10.6%	(9.5%)	(4.0%)		3.4%		(1.7%)
Gross profit	378	346	336	87	84	257	247
<i>Gross margin</i>	60.1%	60.8%	59.8%	63.3%	58.9%	61.9%	60.5%
<i>Adj. gross margin</i>	60.1%	61.2%	60.4%	63.3%	59.0%	62.0%	60.8%
<i>Volume impact</i>	(5.1%)	(10.6%)	(4.1%)		8.8%		(0.9%)
<i>Price/mix impact</i>	6.7%	1.7%	0.3%		(2.9%)		(0.4%)
Organic growth¹⁾	1.6%	(8.9%)	(3.8%)		6.0%		(1.3%)



LTM (DKKkM)



Q3 2017

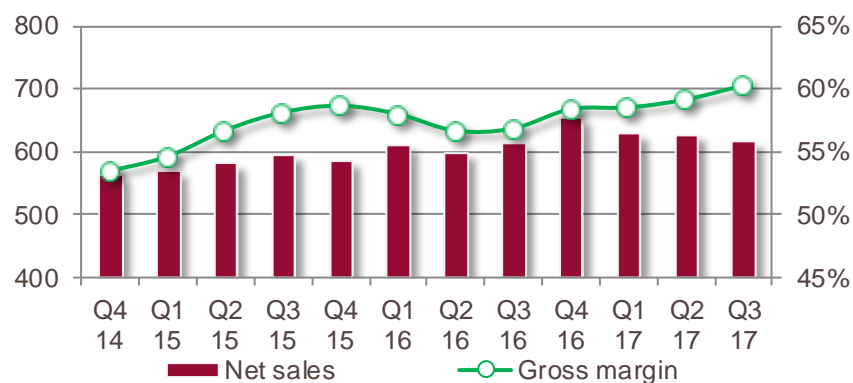
- Increase in volumes influenced by deliveries to Middle East/Africa and Asia with Nigeria recovering from macro-economic developments last year.
- Traditional pipe tobacco markets remain in structural volume decline, but with strong pricing.
- Price/mix impacted by strong growth in Asia and Nigeria.
- Gross margin has, as expected, dropped due to the change in geographical mix.



FINE-CUT TOBACCO

DKKm		2015	2016	LTM ²⁾	Q3 16	Q3 17	YTD 16	YTD 17
Net sales		583	652	614	168	156	468	430
<i>Reported growth</i>		3.9%	11.8%	0.2%		(7.1%)		(8.1%)
Gross profit		342	378	366	99	98	271	259
<i>Gross margin</i>		58.5%	57.9%	59.6%	59.0%	62.9%	57.8%	60.3%
<i>Adj. gross margin</i>		58.5%	58.3%	60.1%	59.1%	63.1%	57.9%	60.5%
<i>Volume impact</i>		(6.0%)	7.1%	(6.2%)		(12.8%)		(14.3%)
<i>Price/mix impact</i>		4.7%	6.2%	6.5%		7.1%		6.4%
Organic growth¹⁾		(1.3%)	13.3%	0.3%		(5.7%)		(7.9%)

LTM (LTM)



Q3 2017

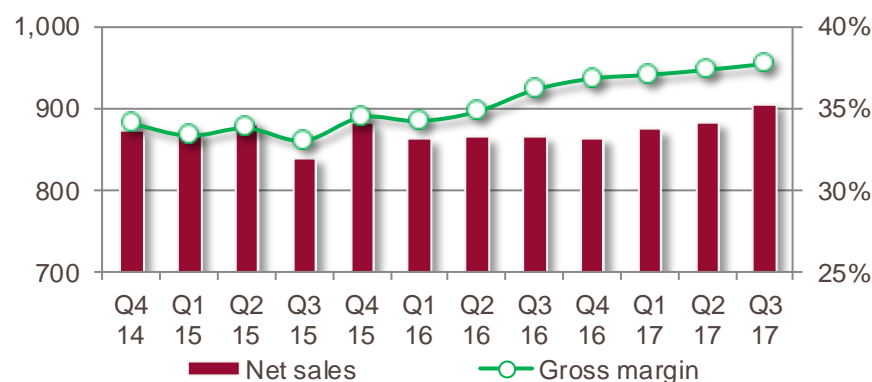
- Volumes declined primarily due to a strong comparison base in the US and DK. Germany continued to deliver volume growth.
- Strong price/mix impact mainly driven by price increases in key markets.
- Higher gross margin driven by geographical mix and strong pricing.



OTHER

DKKm	2015	2016	LTM ²⁾	Q3 16	Q3 17	YTD 16	YTD 17
Net sales	882	864	906	205	227	620	662
<i>Reported growth</i>	(1.0%)	(2.0%)	4.6%		11.2%		6.7%
Gross profit	304	318	342	80	92	229	253
<i>Gross margin</i>	34.5%	36.8%	37.7%	39.2%	40.5%	36.9%	38.2%
Volume impact	n/a	n/a	n/a		n/a		n/a
Price/mix impact	n/a	n/a	n/a		n/a		n/a
Organic growth¹⁾	(4.5%)	(3.6%)	4.2%		13.3%		6.7%

LTM (DKKm)



Q3 2017

- Strong organic growth with contributions from both accessories and contract manufacturing.
- The improvement in gross margin is primarily driven by mix changes.

FINANCIAL HIGHLIGHTS YTD 2017

KPI	YTD 2017 actual performance	2017 guidance
Adjusted Net sales	-2.6%	Organic growth slightly negative ¹
Adjusted EBITDA	-7.5%	Organic growth negative by 4-8% ¹
Other expectations	A. Financial expenses ² DKK 66m B. Maintenance capex DKK 75m C. Non-recurring items DKK 52m D. Effective tax rate 23.3%	A. DKK 80-90m B. ~ DKK 125m (DKK 150m) C. ~ DKK 50m D. ~ 23-24%

¹ Annual organic growth, i.e. excluding currencies, acquisitions and non-recurring items

² Financial expenses excluding currency losses/gains



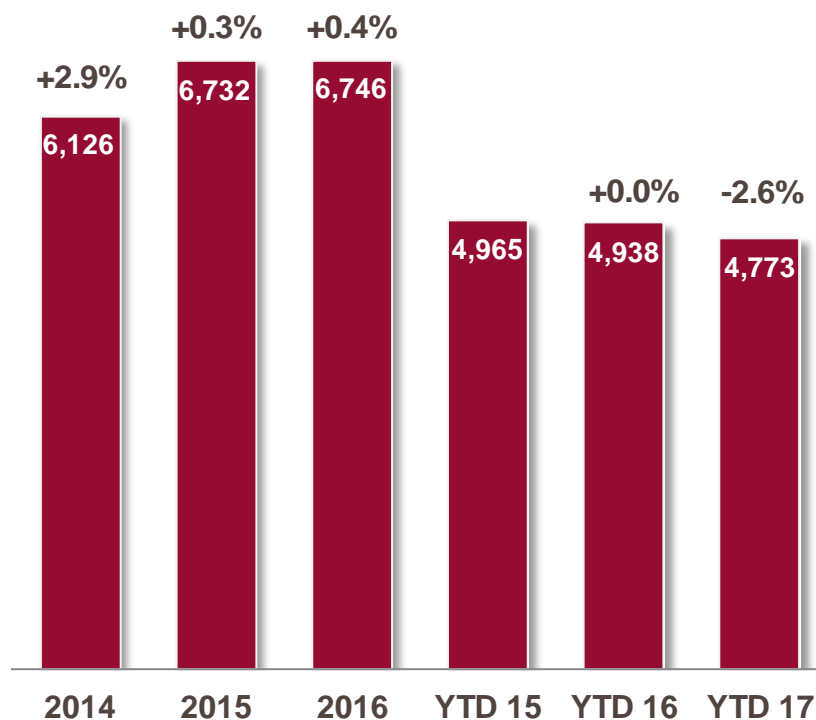
STG – KEY PERFORMANCE DATA

	Q3 2017			YTD 2017		
	DKKm Reported	Growth, % Reported	Organic ¹	DKKm Reported	Growth, % Reported	Organic ¹
Net sales	1,721	(1.1%)	1.9%	4,773	(3.3%)	(2.6%)
Gross profit	846	6.2%		2,280	(4.0%)	
Adjusted gross profit	857	(0.3%)		2,323	(5.0%)	
OPEX	457	(2.4%)		1,376	(2.7%)	
EBITDA	388	18.3%		904	(5.9%)	
Non-recurring items	6			52		
Adjusted EBITDA	394	(4.3%)	(0.8%)	955	(10.3%)	(7.5%)
Net profit	224	47.0%		465	(6.7%)	
Capex	27	(47.2%)		75	(62.3%)	
Free cash flow	342	(45.5%)		640	(19.1%)	
NIBD/Adjusted EBITDA				1.7x		

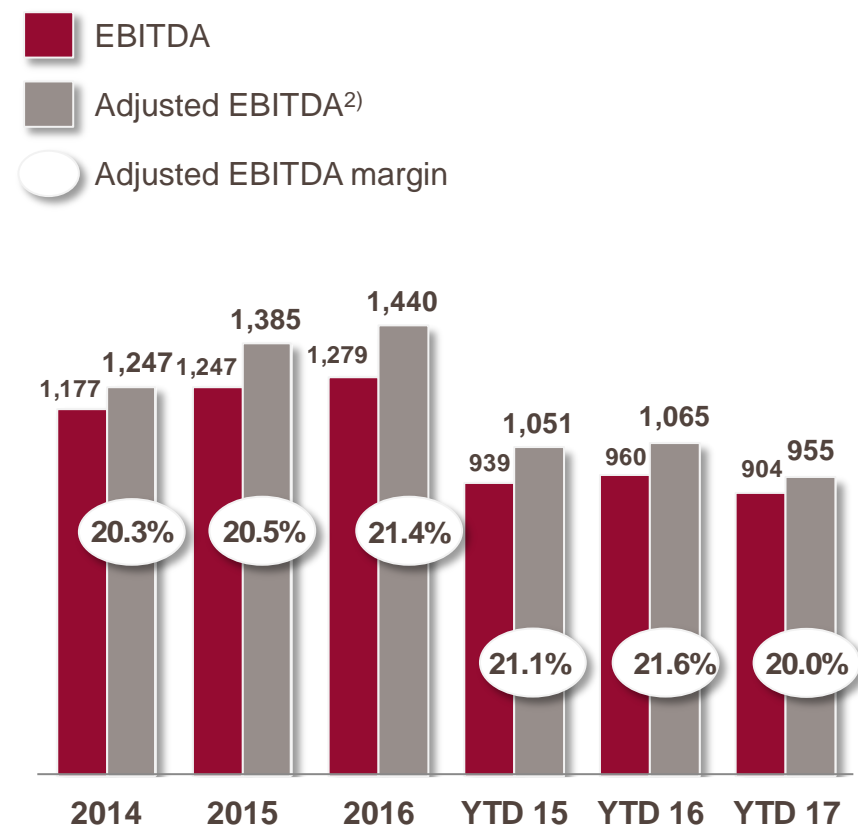


FINANCIAL OVERVIEW

Reported net sales (DKKkM) and organic growth¹⁾ (%)



EBITDA (DKKkM) and EBITDA–margin (%)

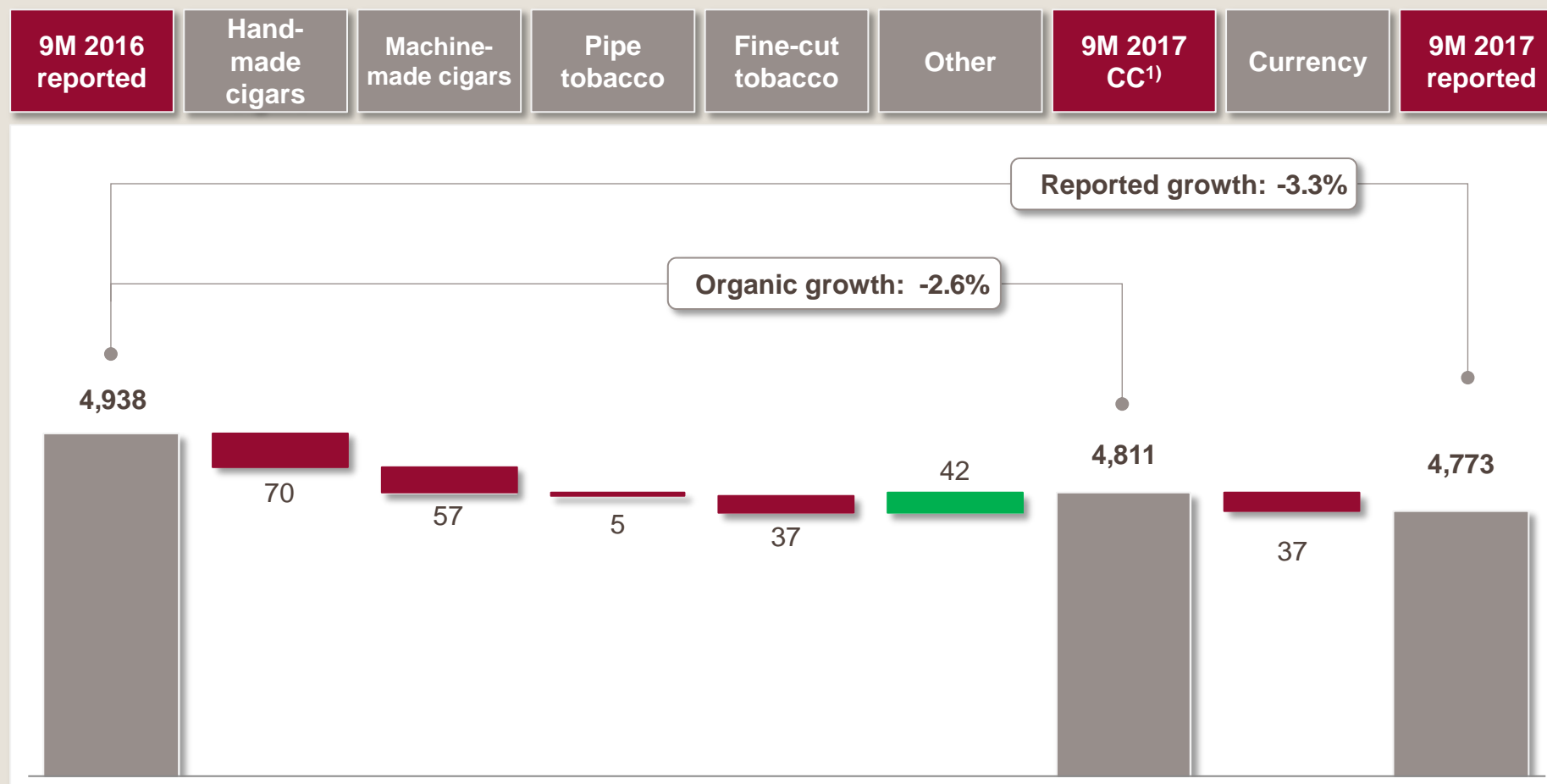


¹ Adjusted for currencies, acquisitions and non-recurring items

² Adjusted for non-recurring items



NET SALES BRIDGE 9M 2016 VS 9M 2017

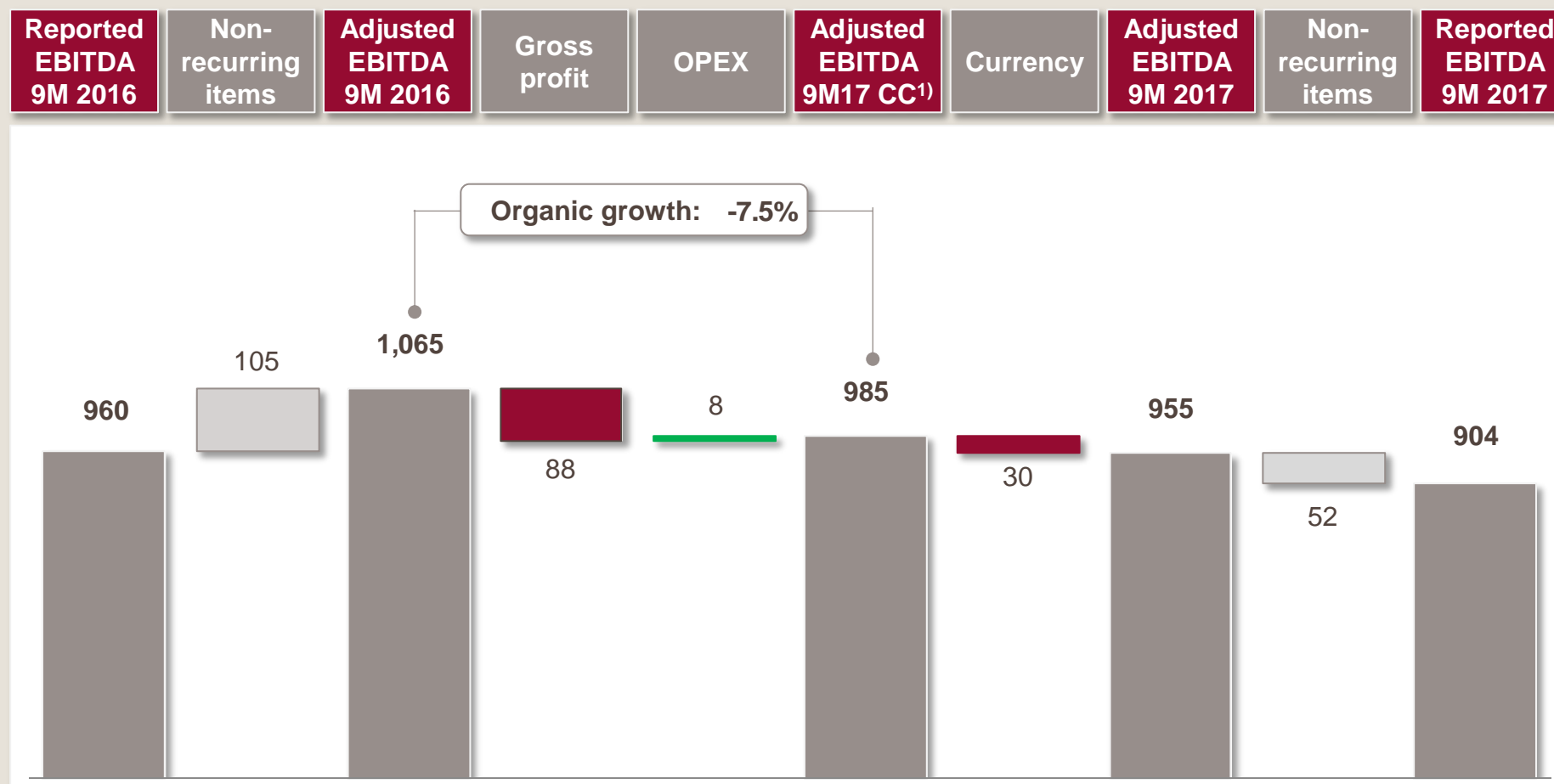


Note: All numbers in DKK million

¹ Excluding currency impact



ADJUSTED EBITDA BRIDGE 9M 2016 VS 9M 2017

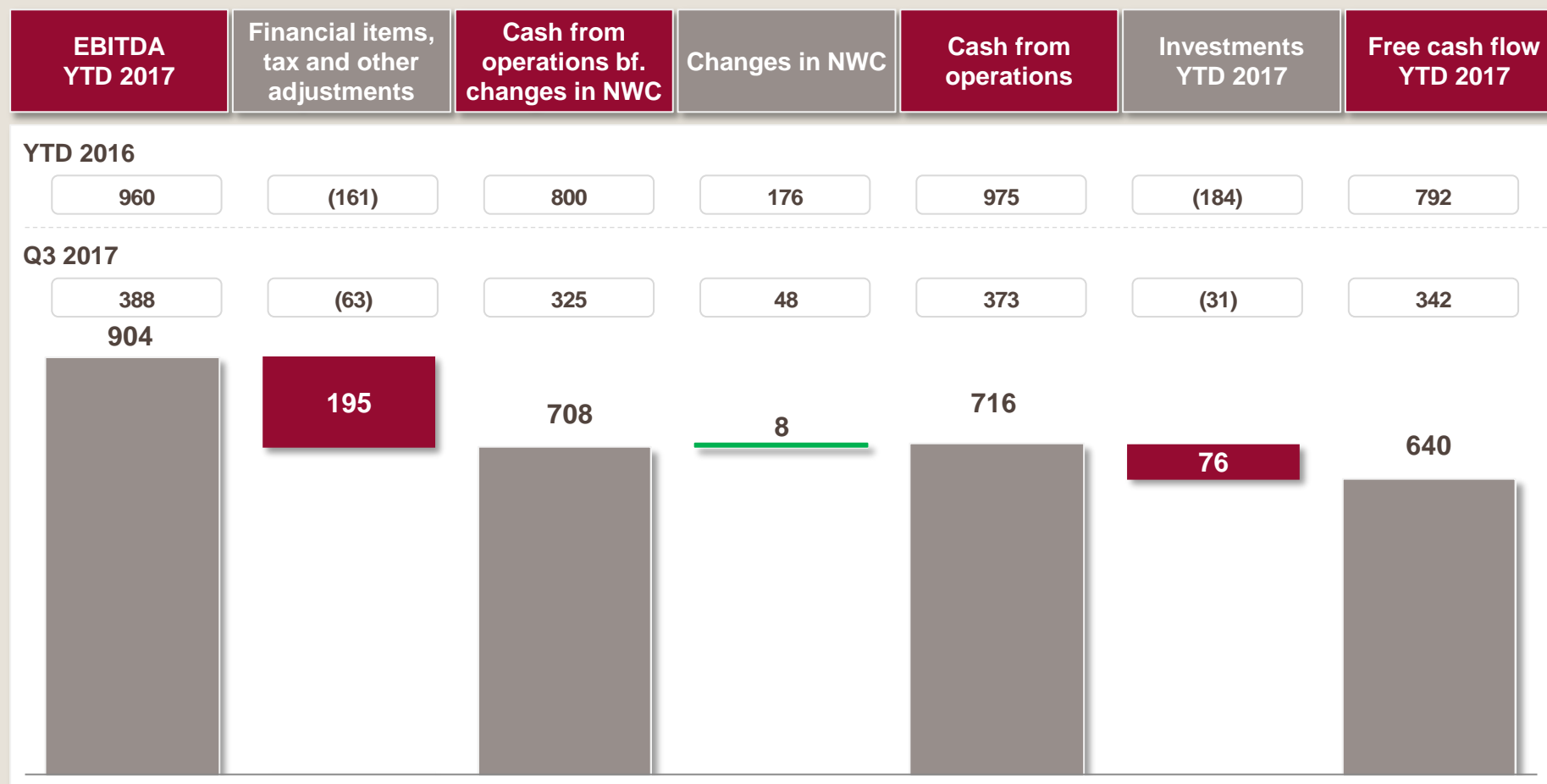


Note: All numbers in DKKm

¹ Excluding currencies, acquisitions and non-recurring items

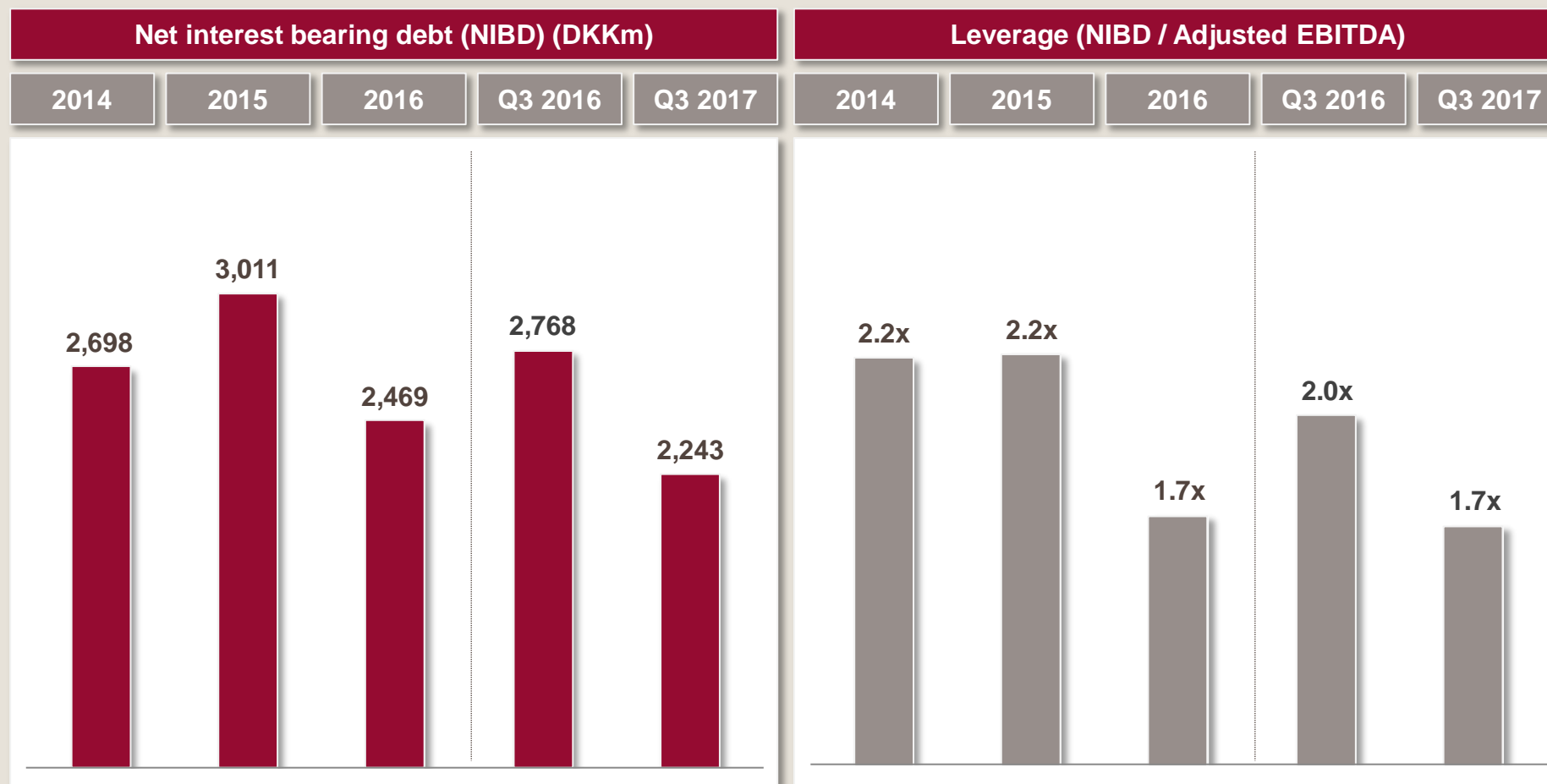


CASH FLOW DEVELOPMENT - YTD 2017





CAPITAL STRUCTURE – NET DEBT/LEVERAGE



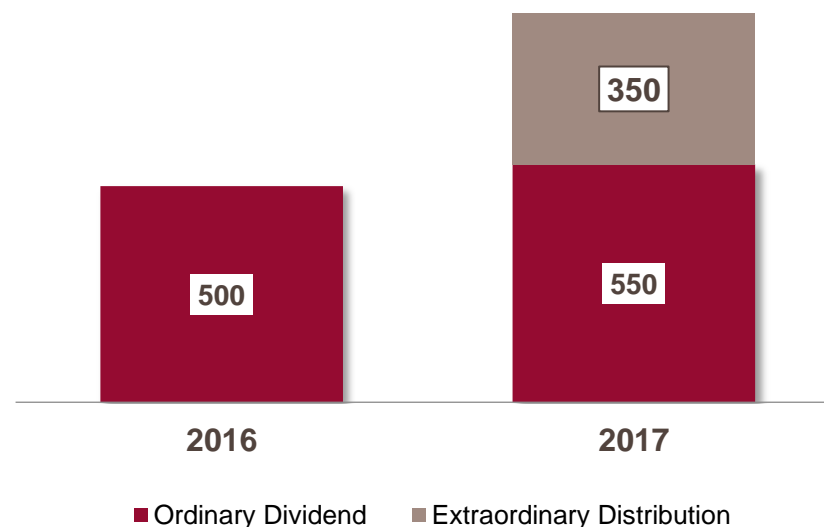


CAPITAL DISTRIBUTION TO SHAREHOLDERS

Highlights

- Extraordinary Cash Distribution to Shareholders of DKK 350 million
- Payment date November 10, 2017
- Ordinary dividend distributed in April, 2017 of DKK 550 million
- Total Distribution to Shareholders DKK 900 million

Capital Distribution (DKK million)





GUIDANCE 2017

	Guidance
Adjusted net sales	Organic growth slightly negative ¹
Adjusted EBITDA	Organic growth negative by 4-8% ¹
Other expectations	<p>Financial expenses, excl. currency losses/gains DKK 80-90 million</p> <p>Effective tax rate in the range of 23-24%</p> <p>Capital expenditure ~ DKK 125 million (from DKK 150 million)</p> <p>~ DKK 50 million in non-recurring costs</p>

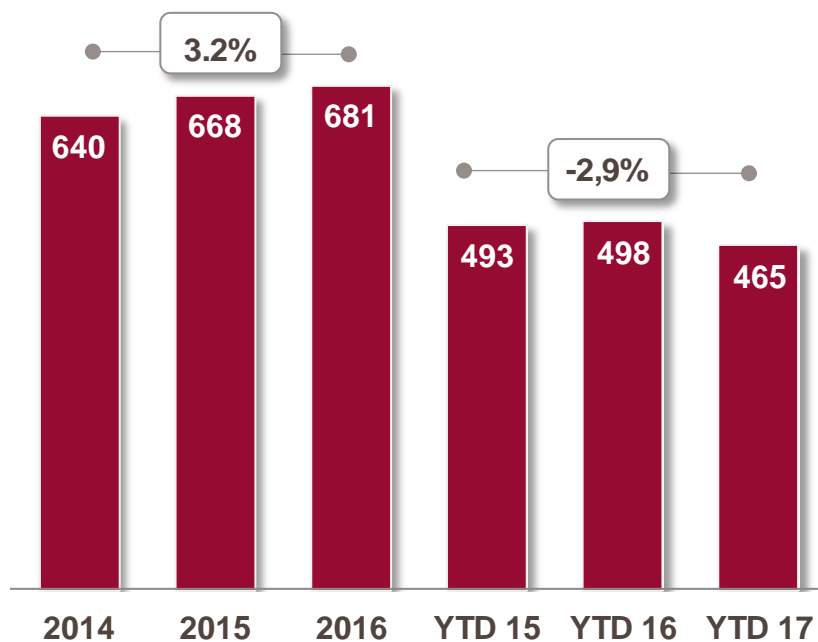


Q & A

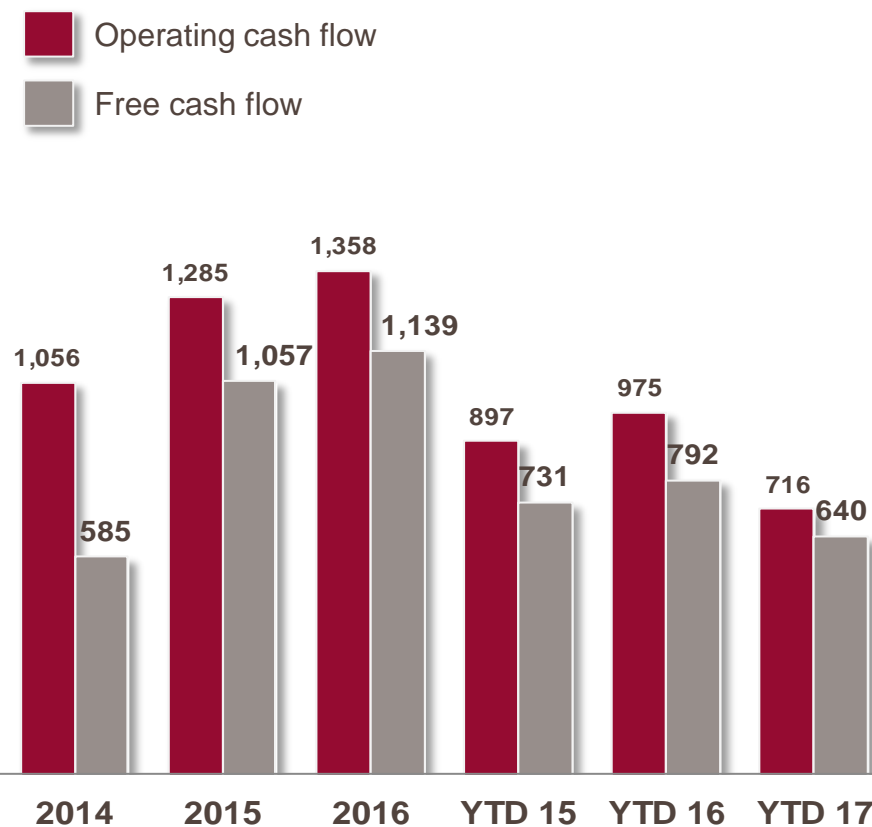


FINANCIAL OVERVIEW

Net profit (DKKk) and CAGR (%)

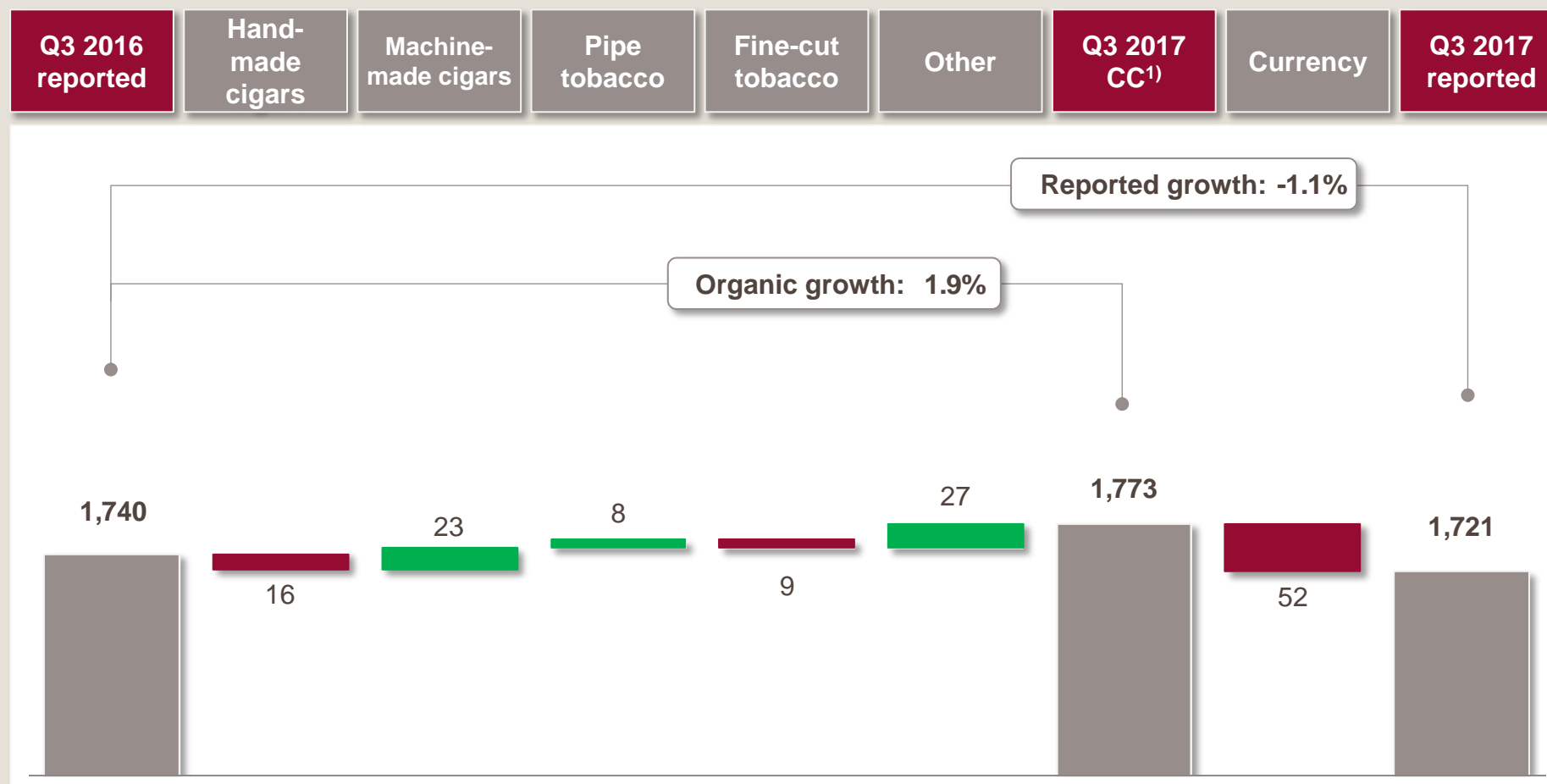


Cash flow (DKKk)





NET SALES BRIDGE Q3 2016 VS Q3 2017

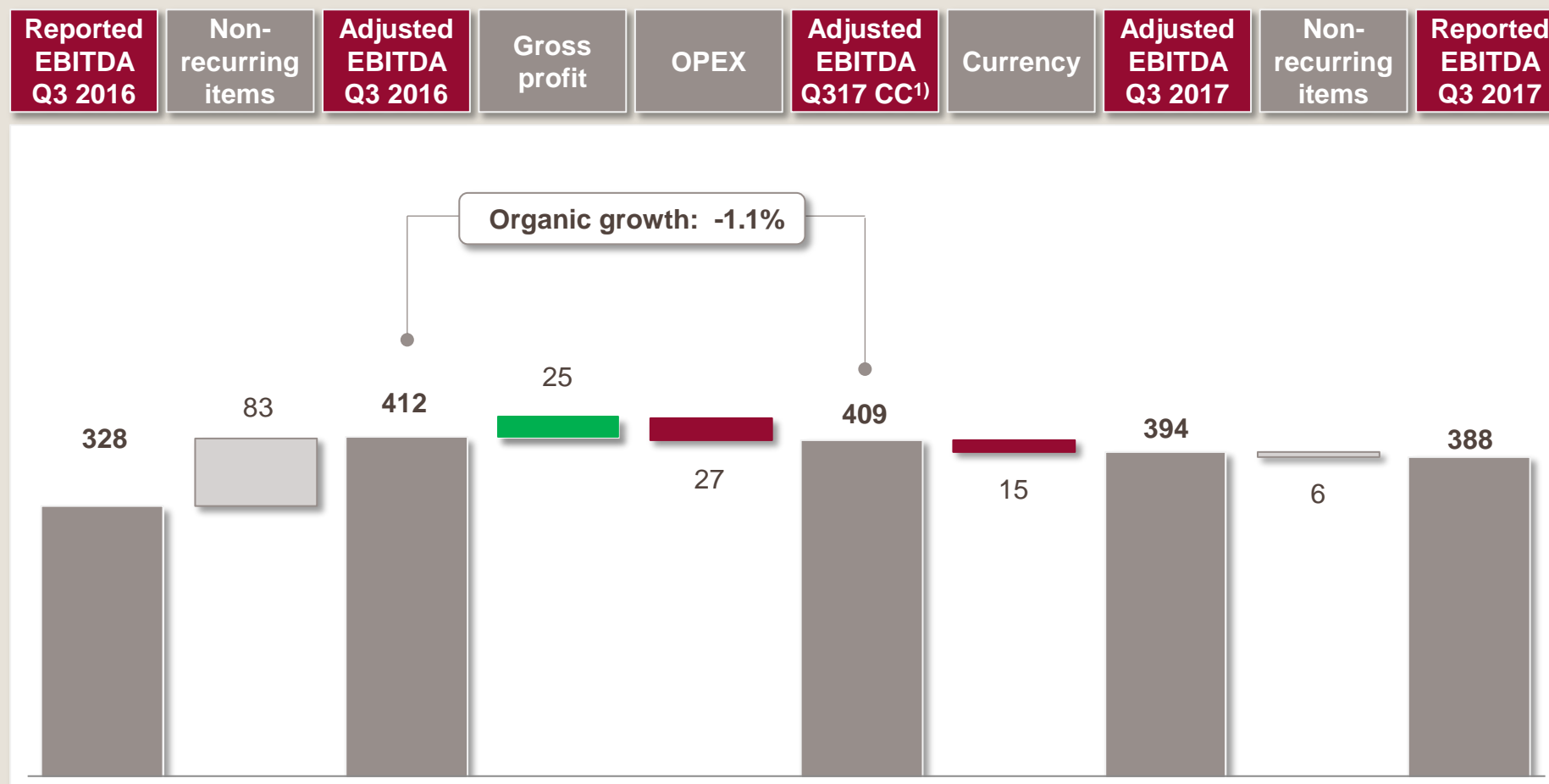


Note: All numbers in DKK million

¹ Excluding currency impact



ADJUSTED EBITDA BRIDGE Q3 2016 VS Q3 2017



Note: All numbers in DKK million

¹ Excluding currencies, acquisitions and non-recurring items



INVESTOR RELATIONS CONTACT

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FINANCIAL CALENDAR

March 8, 2018	Annual report 2017*
April 26, 2018	Annual General Meeting
May 17, 2018	First quarter 2018*
August 30, 2018	Half year report 2018*
November 9, 2018	Third quarter 2018*

* Silent period starts four weeks prior to interim report announcements



THANK YOU

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