



INVESTOR PRESENTATION

FULL YEAR AND FOURTH QUARTER 2017

8 MARCH 2018








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FULL YEAR AND Q4 2017– HIGHLIGHTS

	Q4 2017	FY 2017
 Reported net sales	DKK 1,691 million (organic growth -1.3%)	DKK 6,464 million (organic growth -2.2%)
 Adjusted EBITDA	DKK 328 million (organic growth -7.1%)	DKK 1,283 million (organic growth -7.4%)
 Free cash flow	DKK 315 million	DKK 955 million
 2017 ordinary dividend proposed at DKK 5.75 per share (+4.5%)		
 2018 guidance: Organic Growth in EBITDA > 3%		



HIGHLIGHTS

**Moving ahead
with Strategy**



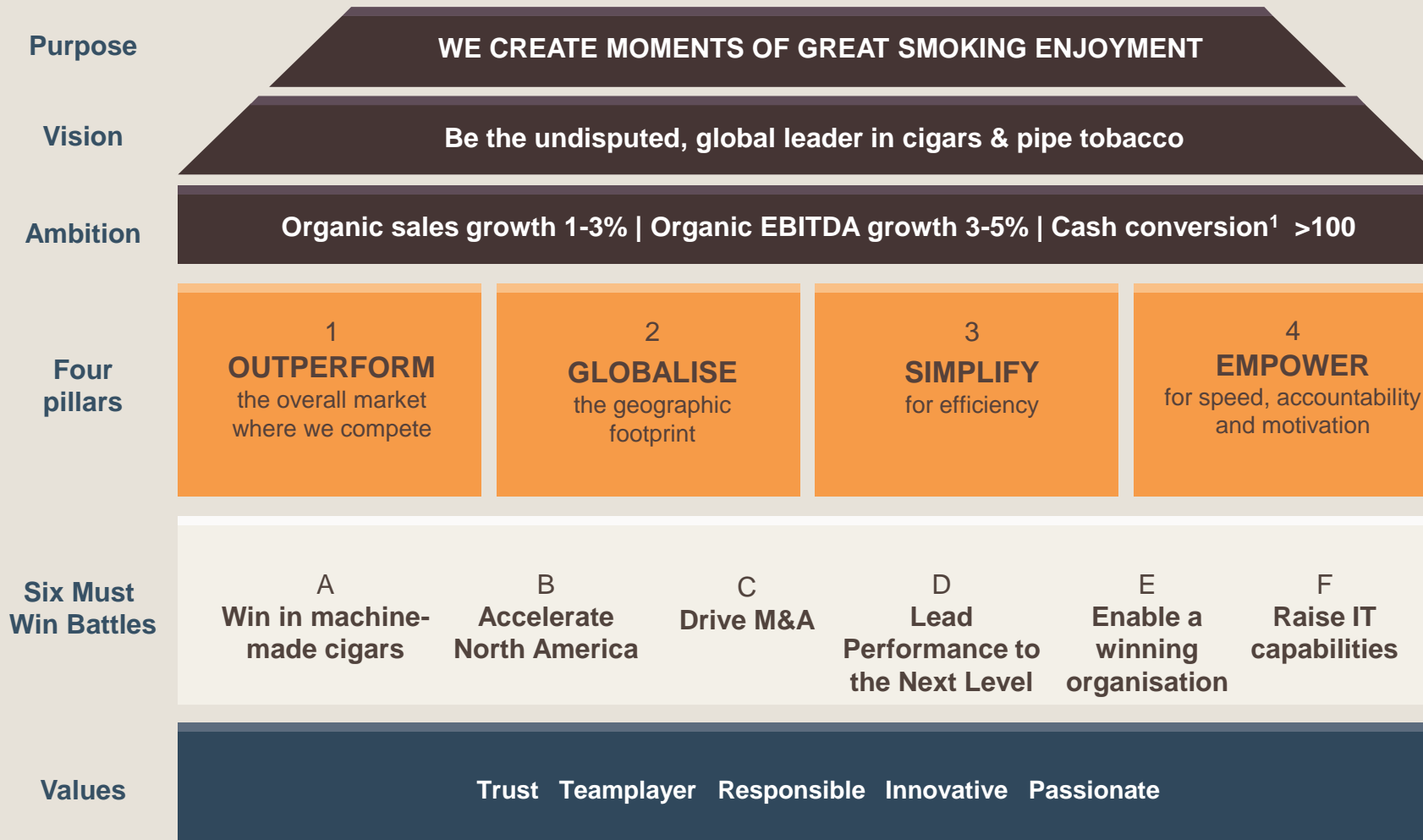
**Cash Flow and
Capital
Allocation**



Handmade Cigars



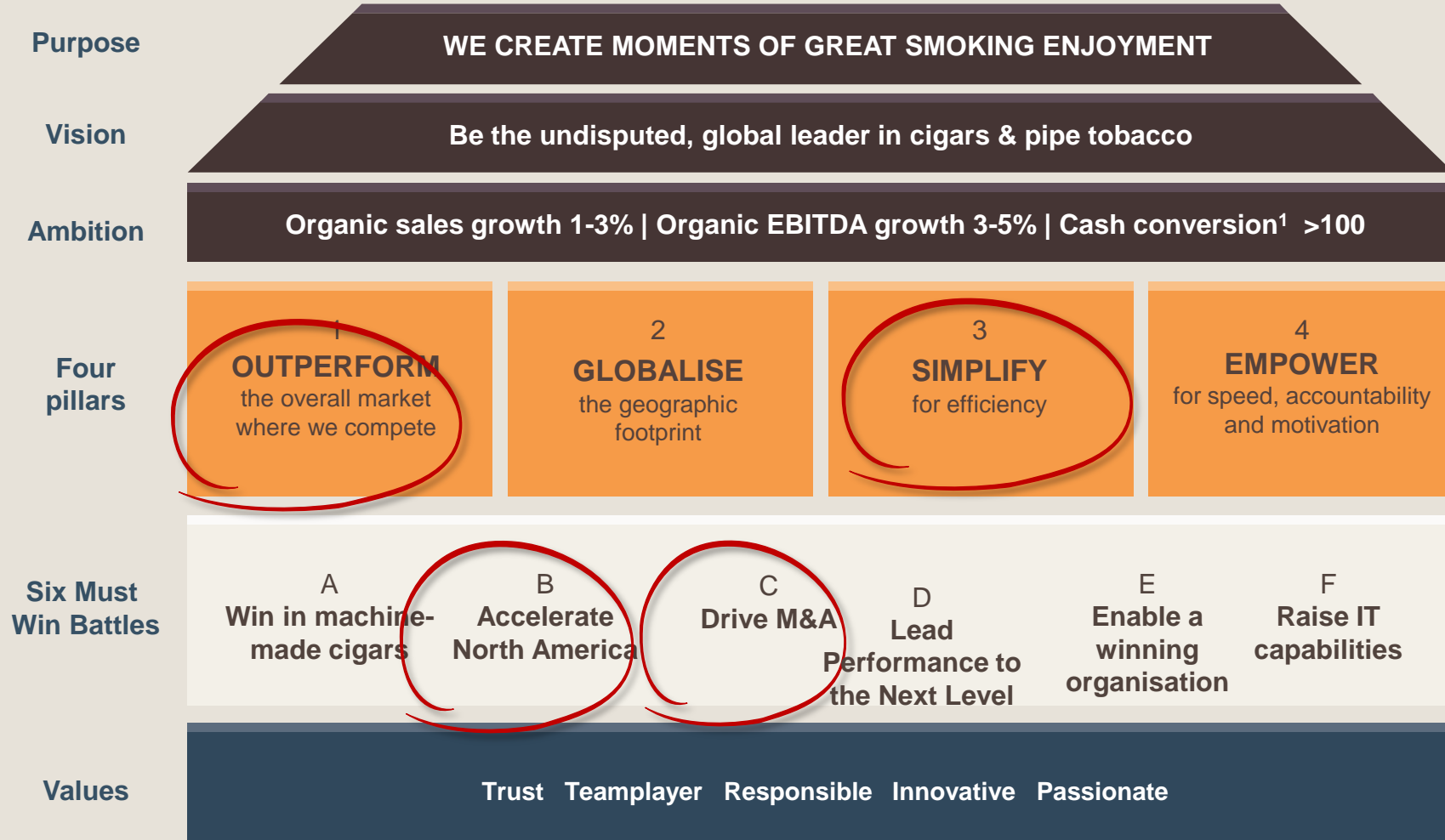
CLEAR GOALS & STRATEGIC DIRECTION



1. Cash conversion is defined as "Cash Flow from Operations before financial items and tax and excl. non-recurring items less maintenance capex/adjusted EBITA"



THE ACQUISITION OF THOMPSON CIGAR A PERFECT STRATEGIC MATCH



1. Cash conversion is defined as "Cash Flow from Operations before financial items and tax and excl. non-recurring items less maintenance capex/adjusted EBITA"

THOMPSON CIGAR COMPANY



- One of the leading online retailers of cigars in the US
- Family owned company founded in 1915
- 185 employees

- Headquarter Tampa, Florida
- The acquired business has retail and auction websites and a call center in Tampa (US)

- Purchase price USD 62 million
- Thompson annual net sales of approx. ~USD 100 million in recent years



M&A RATIONALE – A STRATEGIC MATCH

**A step in securing
leadership in
handmade cigars in
the US**



**Value creating from
2019**



**Strengthen
position in US
premium cigar
market**

**Will equip us with
better offerings to
all customers
in the US**

**Substantial cost
synergies identified**



HANDMADE CIGARS

DKK million	2015	2016	2017	Q4 16	Q4 17
Net sales	1,935	2,067	1,921	531	471
<i>Reported growth</i>	27.9%	6.8%	(7.1%)		(11.2%)
Gross profit	843	903	795	226	181
<i>Gross margin</i>	43.6%	43.7%	41.4%	42.6%	38.4%
Volume impact	6.6%	7.4%	(1.8%)		0.7%
Price/mix impact	1.3%	(0.2%)	(2.3%)		(3.2%)
Organic growth¹	7.9%	7.2%	(4.0%)		(2.5%)



FY and Q4 2017

- General Cigar develops well with focus on brand portfolio and trade relationship.
- Cigars International IT implementation in place. Performance improved quarter-by-quarter.
- International sales delivered double-digit growth.
- Price/mix impact negative due to win-back initiatives in Cigars Int.
- Gross margin negatively impacted by CI dynamics and inventory adjustments ahead of SKU rationalisation.

MACHINE-MADE CIGARS

DKK million	2015	2016	2017	Q4 16	Q4 17
Net sales	2,702	2,593	2,491	695	668
<i>Reported growth</i>	4.2%	(4.0%)	(3.9%)		(3.8%)
Gross profit	1,372	1,280	1,268	339	361
<i>Gross margin</i>	50.8%	49.3%	50.9%	48.7%	54.0%
<i>Adj. gross margin</i>	52.2%	52.6%	52.4%	50.8%	53.4%
Volume impact	(5.7%)	(6.0%)	(3.7%)		(2.6%)
Price/mix impact	3.4%	2.2%	1.3%		1.7%
Organic growth¹	(2.3%)	(3.9%)	(2.4%)		(0.9%)



FY and Q4 2017

- Performance continued to improve in our European business with market share gains in important markets.
- Focus on core brands in key markets with portfolio optimisation (redesign of La Paz) and new launches (Granger, Signature a.o.).
- Pricing remained sound with negative mix impact from Canada
- Improved adjusted gross margin in Q4 driven by high volumes and lower cost base due to factory closures.
- Sizeable excise tax increase in France can temporarily change market balance



PIPE TOBACCO, FINE CUT AND OTHER

Highlights



- **Pipe tobacco** delivered negative organic growth in net sales of 2.6% in 2017 while the gross margin remained close to 60%.
- The structural decline in traditional mature markets continued, while volume picked up in Middle East and Africa.
- Pricing remained strong in mature markets, but mix changes had negative impact on both price/mix and margins.



- **Fine cut** had – as expected – a negative year with negative organic growth of 7% driven by total market development and tough y-o-y comparisons.
- GM positively impacted by price increases – above 60% for the first time.
- Strong Price/mix - +7% driven by good pricing and positive mix changes.



- **Other** had good organic growth at 6.4% in 2017.
- Positive growth in accessories, especially fire products and contract-manufacturing for handmade cigars.
- Gross margin increased driven by improved mix.

Financial details per category available in the appendix



FINANCIAL HIGHLIGHTS 2017

KPI	FY 2017 actual performance	2017 guidance
Net sales ¹	-2.2%	Organic growth slightly negative
EBITDA ¹	-7.4%	Organic growth negative by 4-8%
Other expectations	<ul style="list-style-type: none"> A. Financial expenses² DKK 82m B. Maintenance capex DKK 109m C. Non-recurring items DKK 52m D. Effective tax rate 16.4% 	<ul style="list-style-type: none"> 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

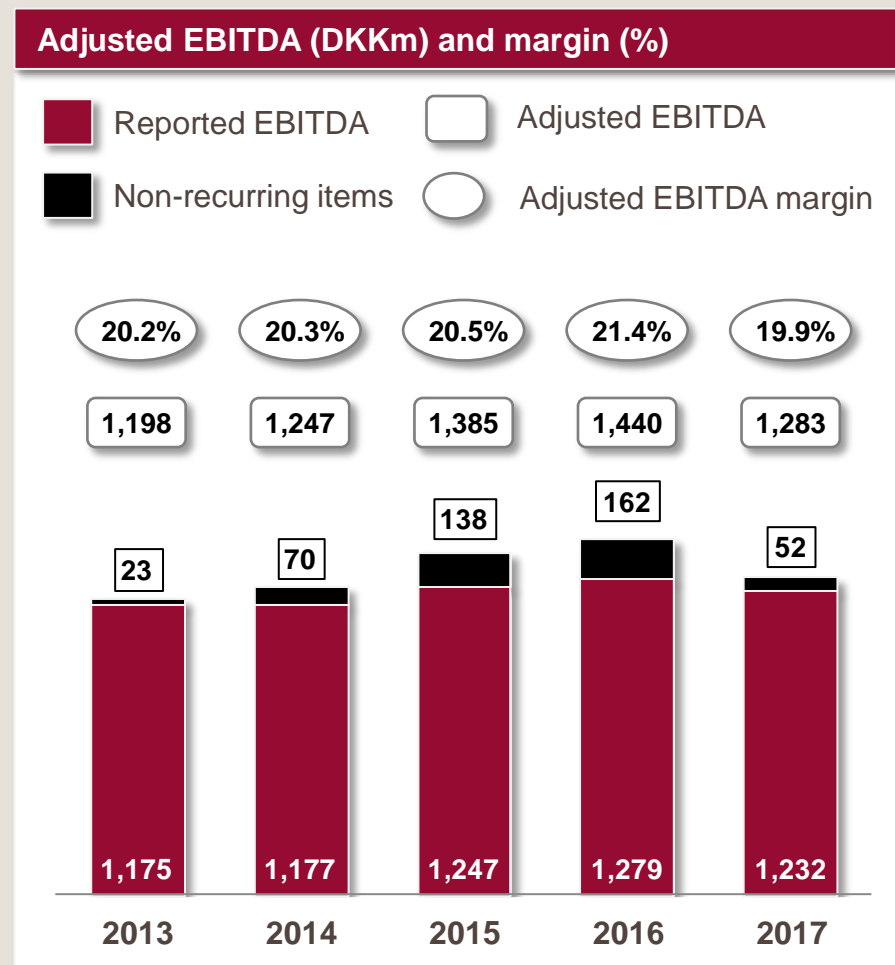
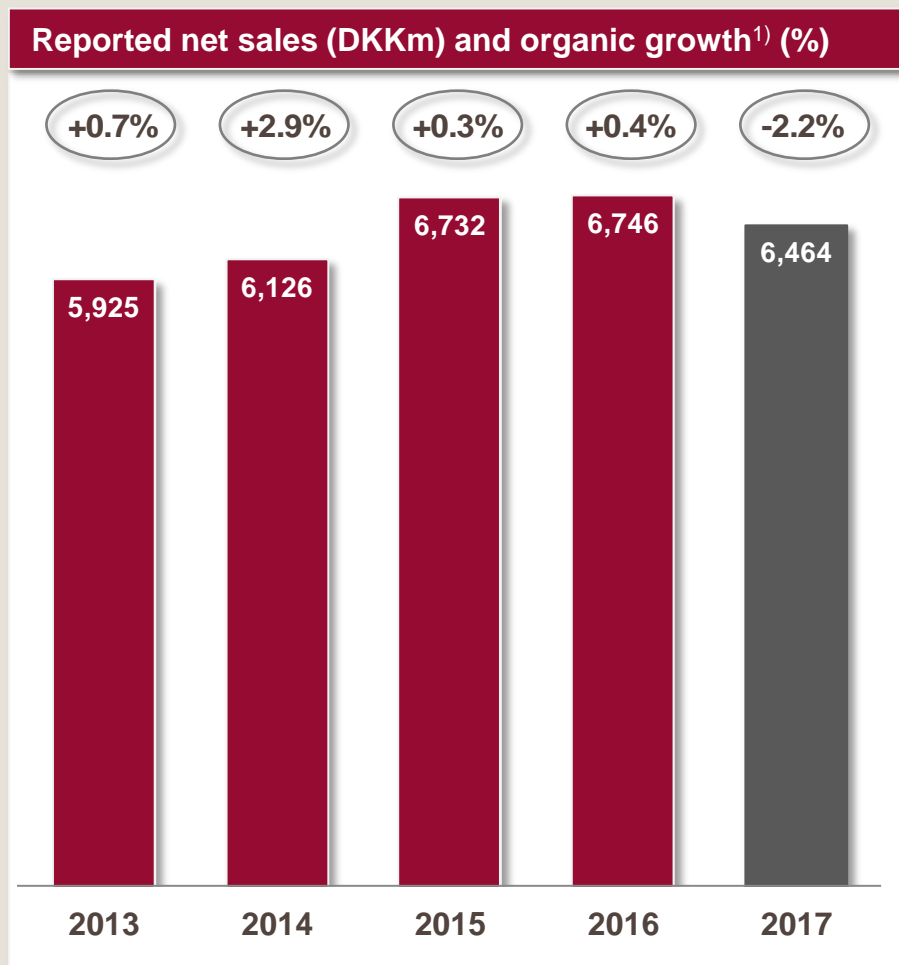


STG – KEY DATA

	Q4 2017			FULL YEAR 2017		
	DKKm Reported	Growth, % Reported Organic ¹		DKKm Reported	Growth, % Reported Organic ¹	
Net sales	1,691	(6%)	(1.3%)	6,464	(4%)	(2.2%)
Gross profit	816	(4%)		3,095	(4%)	
OPEX (ex other income)	492	(7%)		1,877	(4%)	
EBITDA	328	3%		1,232	(4%)	
EBIT	253	4%		913	(5%)	
Pre tax Profit	246	4%		852	(5%)	
Net profit	247	35%		712	4%	
Gross profit, adjusted	812	(6%)		3,134	(5%)	
EBITDA, adjusted	328	(13%)	(7.1%)	1,283	(11%)	(7.4%)
Cash flow from operations	333	(13%)		1,049	(23%)	
Free cash flow	315	(9%)		955	(16%)	



FINANCIAL OVERVIEW

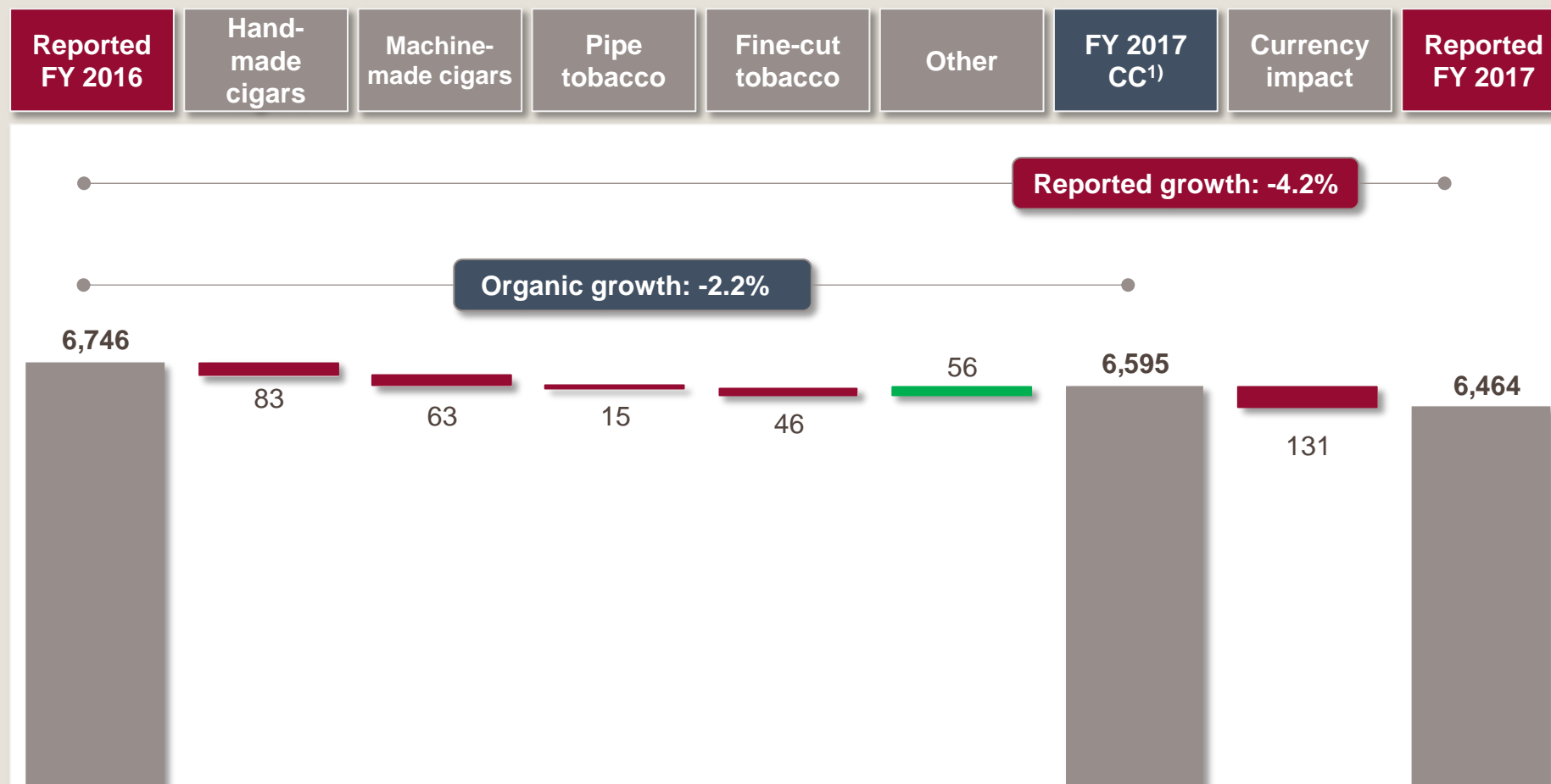


¹ Adjusted for currencies, acquisitions and non-recurring items

² Adjusted for non-recurring items



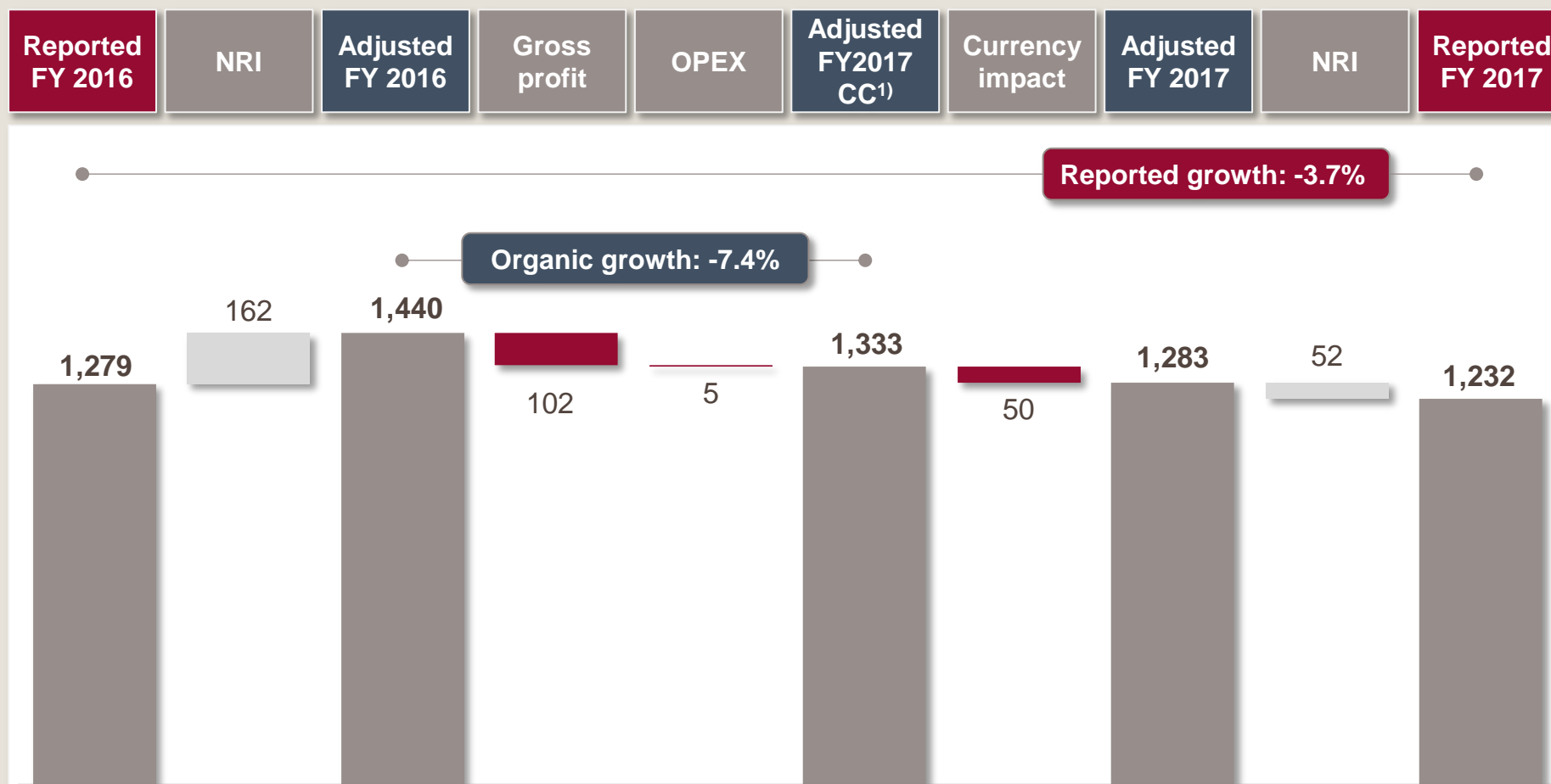
NET SALES BRIDGE - FY 2016 VS FY 2017



Note: All numbers in DKK million

¹ Excluding currency impact

EBITDA BRIDGE - FY 2016 VS FY 2017

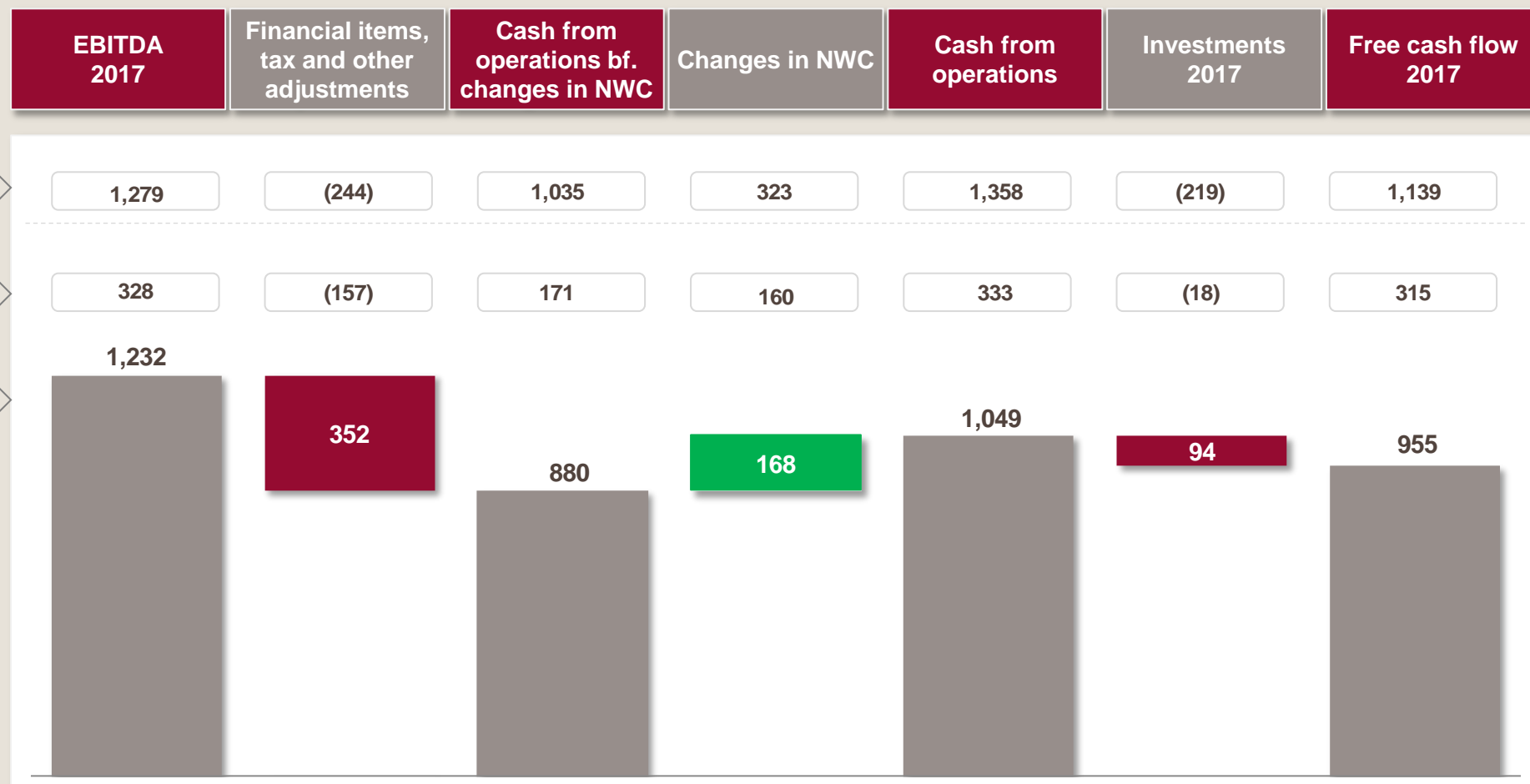


Note: All numbers in DKK million

¹ Excluding currencies, acquisitions and non-recurring items (NRI)



CASH FLOW DEVELOPMENT – FULL YEAR 2017

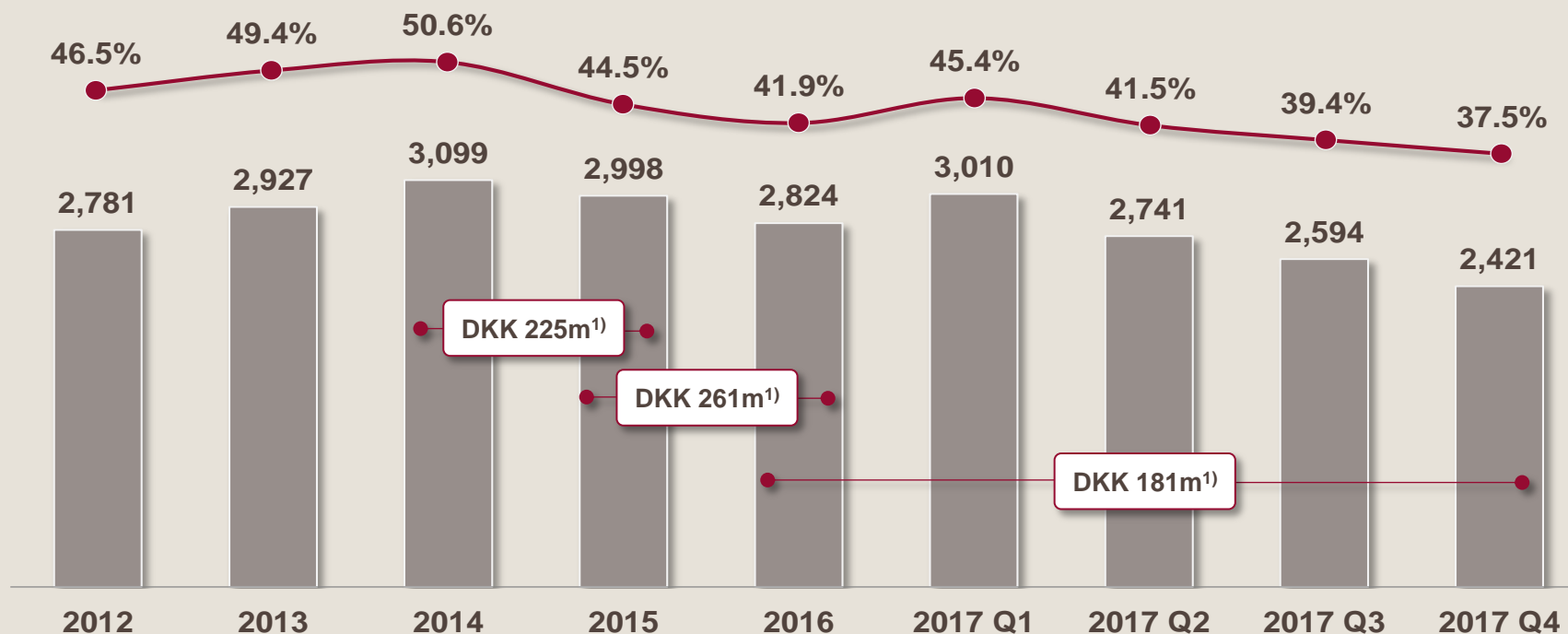




INVENTORY DEVELOPMENT – GROUP

Inventory (DKKm)

- Inventory (reported ending balance)
- Inventory ratio % of LTM net sales



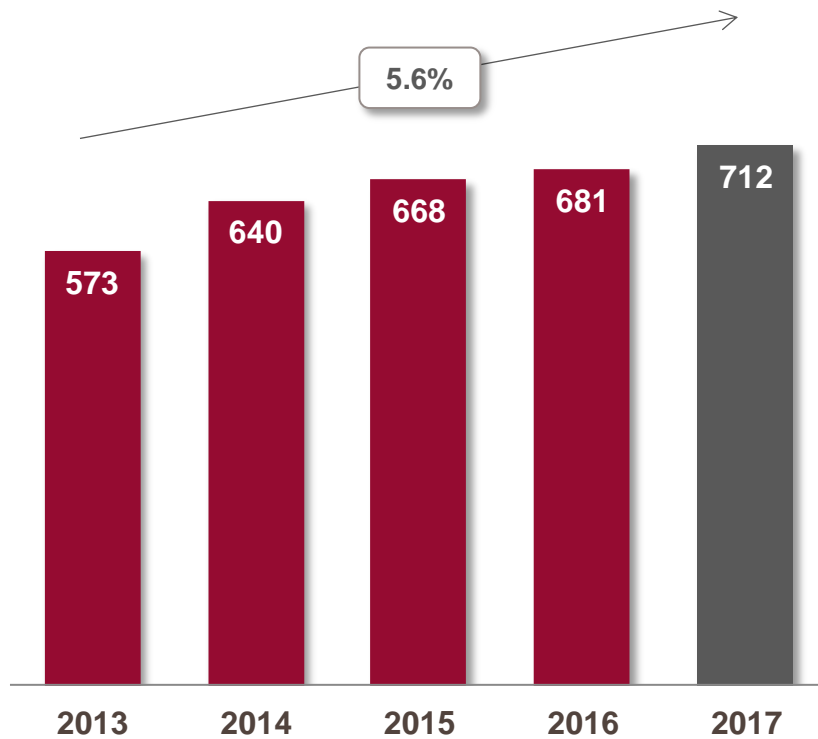
Notes:

1) Inventory reduction on a like-for-like basis, i.e. net of currency and adjusted for net sales development

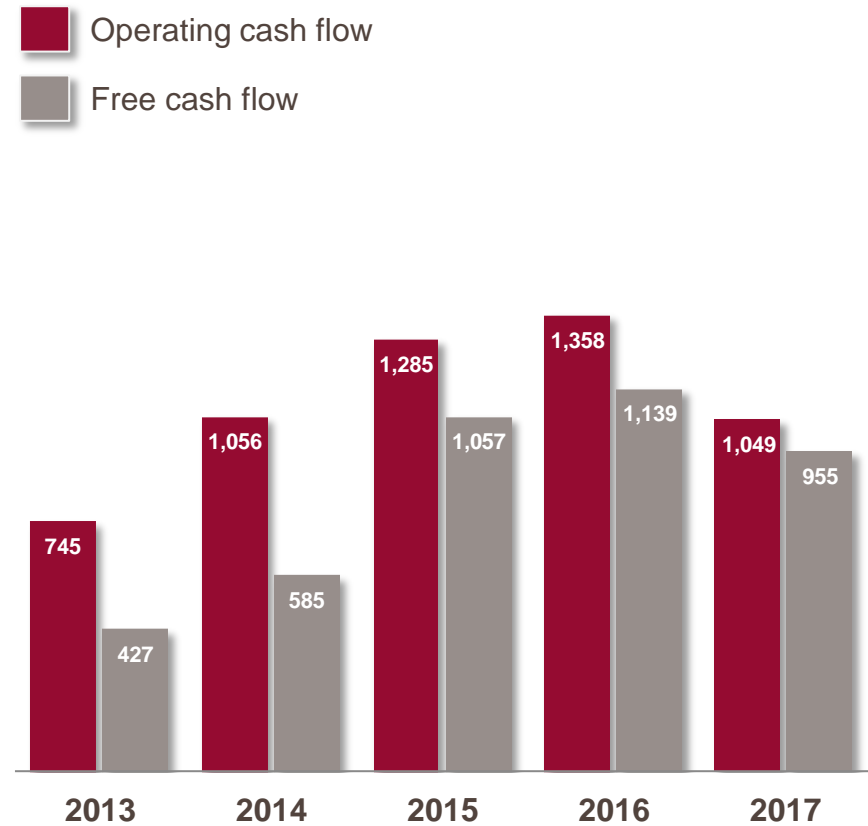


FINANCIAL OVERVIEW

Net profit (DKK_m) and 5y CAGR (%)

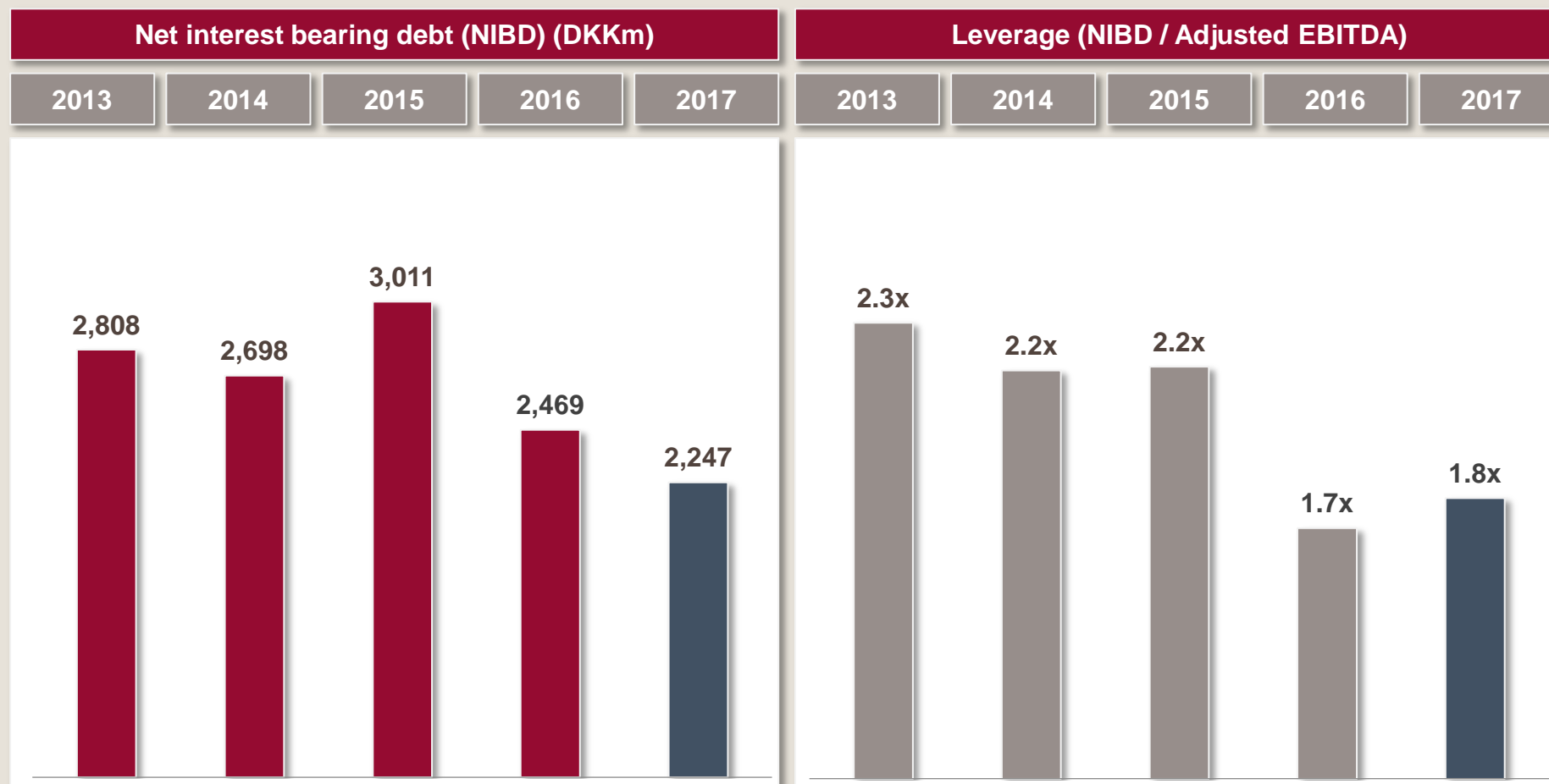


Cash flow (DKK_m)





CAPITAL STRUCTURE – NET DEBT/LEVERAGE



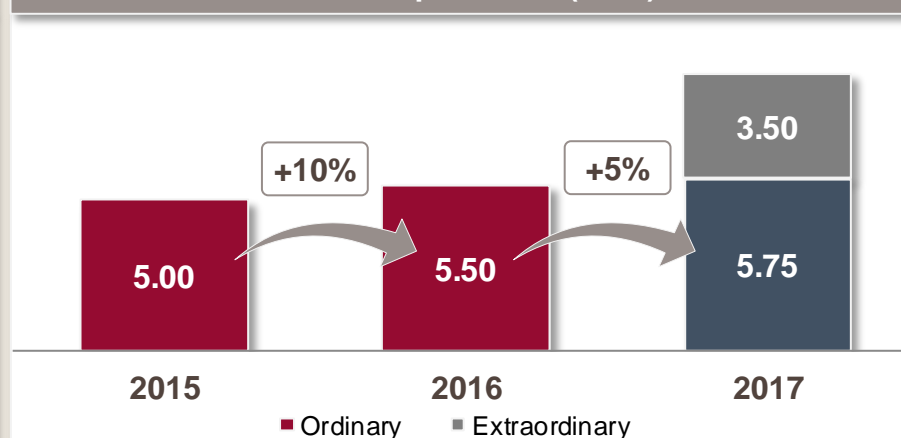


CAPITAL DISTRIBUTION

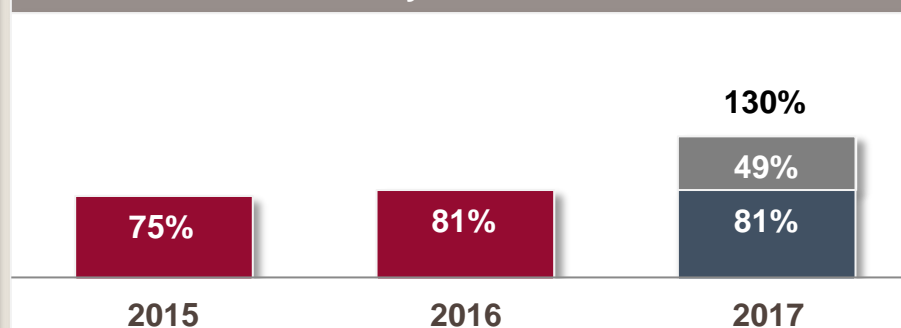
Dividend

- Proposed ordinary dividend for 2017 at DKK 5.75 per share – an 4.5% increase over 2016
- An extraordinary dividend was paid in November 2017 at DKK 3.50 per share
- Total dividend of DKK 9.25 per share equals a pay-out ratio at 130%

Dividend per share (DKK)



Pay-out ratio





GUIDANCE 2018

	Guidance
Net sales	Flat to slightly increasing organic growth ¹
EBITDA	Organic growth > 3% ¹
Ordinary dividend	2018* > 2017 (DKK 575 million) (* to be paid in 2019)
Other expectations	Financial expenses, excl. currency losses/gains DKK 80-90 million Effective tax rate in the range of 22-23% Capital expenditure ~ DKK 215 million



Q & A



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FINANCIAL CALENDAR

<i>March 8, 2018</i>	<i>Annual report 2017*</i>
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



SUPPLEMENTARY SLIDES





PIPE TOBACCO

DKK million	2015	2016	2017	Q4 16	Q4 17
Net sales	629	569	544	154	136
<i>Reported growth</i>	10.6%	(9.5%)	(4.4%)		(11.6%)
Gross profit	378	346	326	89	79
<i>Gross margin</i>	60.1%	60.8%	59.9%	57.8%	58.0%
<i>Adj. gross margin</i>	60.1%	61.2%	60.1%	59.0%	58.0%
Volume impact	(5.1%)	(10.6%)	(2.3%)		(6.2%)
Price/mix impact	6.7%	1.7%	(0.3%)		0.2%
Organic growth¹	1.6%	(8.9%)	(2.6%)		(6.1%)





FINE-CUT TOBACCO

DKK million	2015	2016	2017	Q4 16	Q4 17
Net sales	583	652	598	184	168
<i>Reported growth</i>	3.9%	11.8%	(8.3%)		(8.8%)
Gross profit	342	378	364	107	105
<i>Gross margin</i>	58.5%	57.9%	60.9%	58.1%	62.7%
<i>Adj. gross margin</i>	58.5%	58.3%	61.1%	59.1%	62.7%
Volume impact	(6.0%)	7.1%	(14.0%)		(13.2%)
Price/mix impact	4.7%	6.2%	7.0%		8.5%
Organic growth¹	(1.3%)	13.3%	(7.0%)		(4.7%)





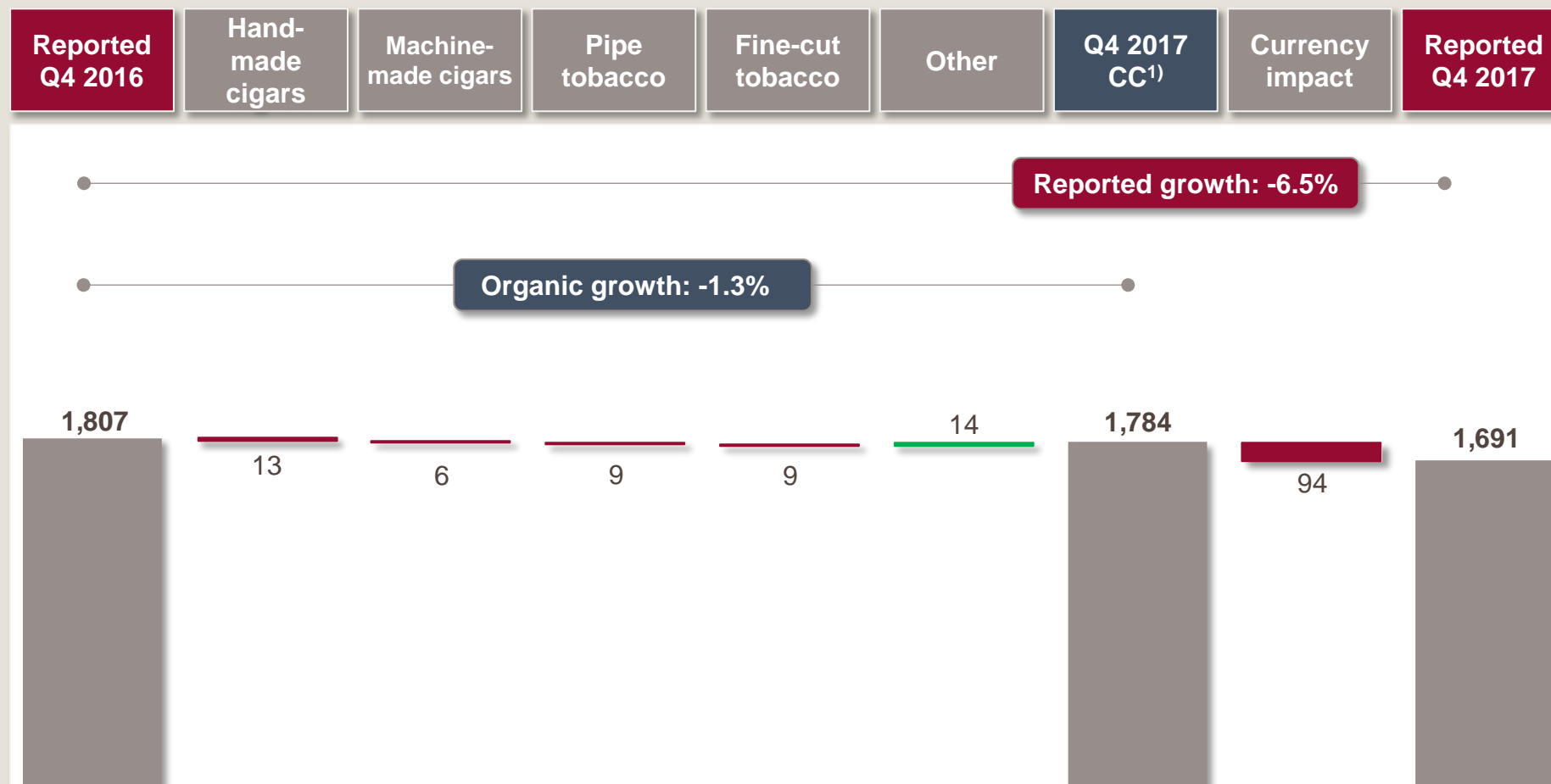
OTHER

DKK million	2015	2016	2017	Q4 16	Q4 17
Net sales	882	864	909	244	247
<i>Reported growth</i>	(1.0%)	(2.0%)	5.2%		1.5%
Gross profit	304	318	342	89	90
<i>Gross margin</i>	34.5%	36.8%	37.6%	36.6%	36.3%
Volume impact	n/a	n/a	n/a		n/a
Price/mix impact	n/a	n/a	n/a		n/a
Organic growth¹	(4.5%)	(3.6%)	6.4%		5.8%





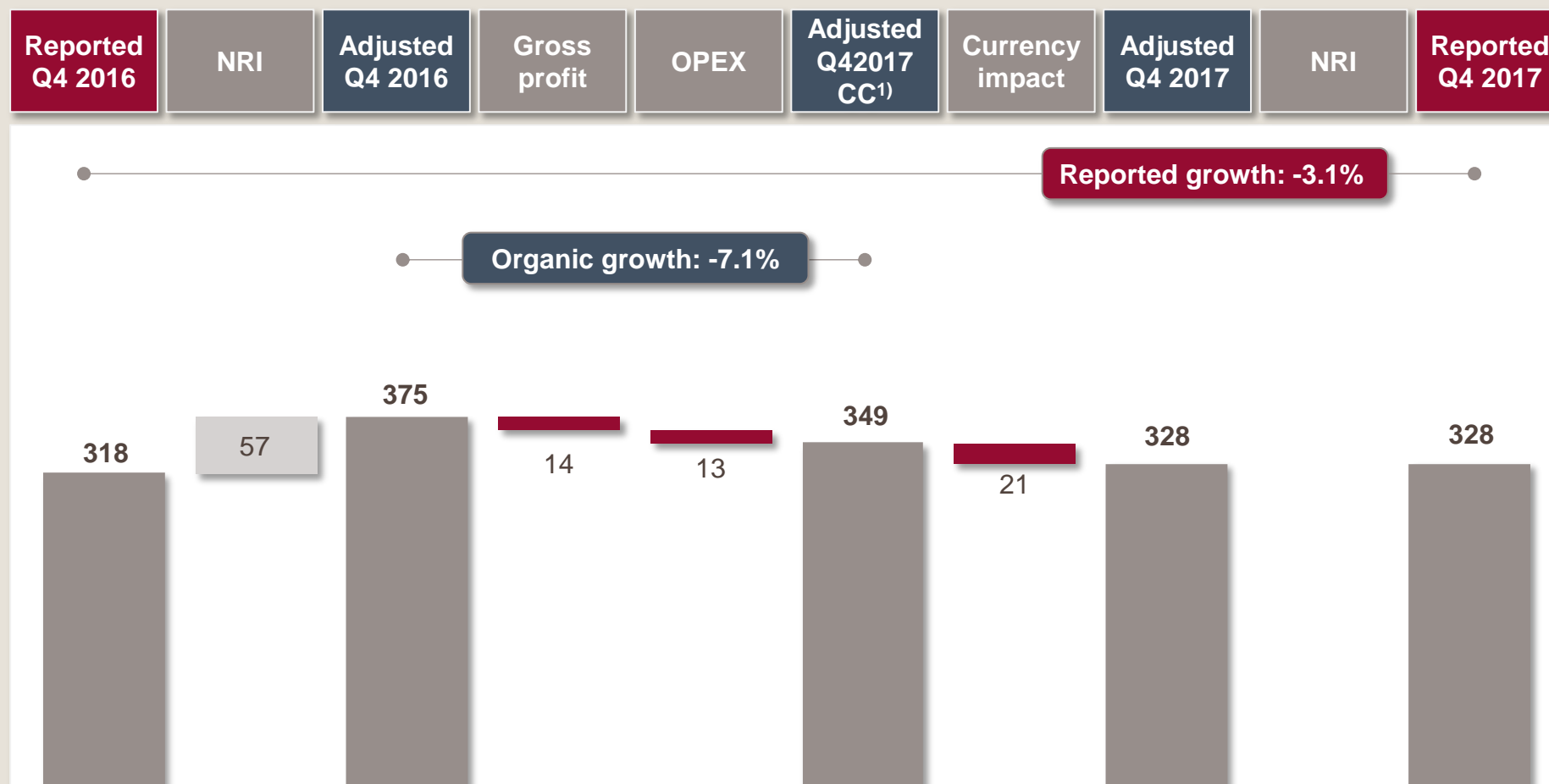
NET SALES BRIDGE – Q4 2016 VS Q4 2017



Note: All numbers in DKK million

¹ Excluding currency impact

EBITDA BRIDGE – Q4 2016 VS Q4 2017



Note: All numbers in DKK million

¹ Excluding currencies, acquisitions and non-recurring items (NRI)



THANK YOU

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