










# INVESTOR PRESENTATION

—  
FULL YEAR 2019

27 FEBRUARY 2020



# AGENDA

-  Highlights
-  Royal Agio Cigars, Fuelling the Growth and Regulation
-  Our Four Divisions
-  Financials and Shareholder Return
-  CSR
-  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

**2019 delivered best ever  
EBITDA and free cash  
flow**



**Acquisition of Agio  
Cigars completed**

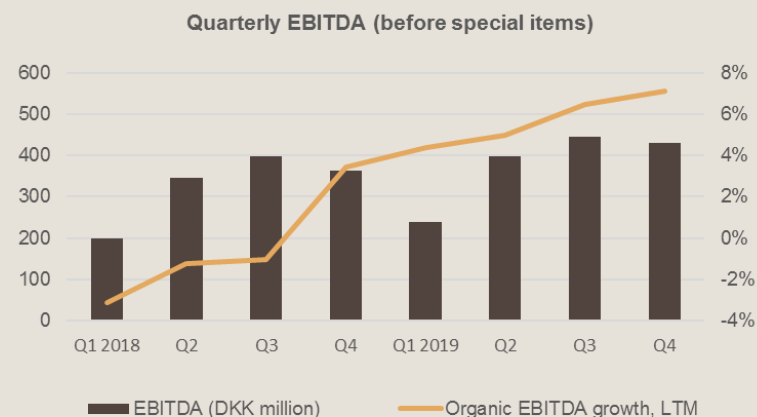
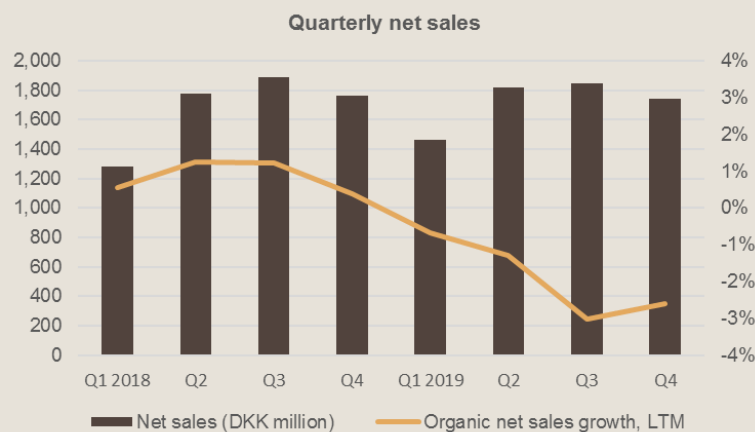


**Fuelling the Growth  
safeguarded organic  
EBITDA growth**



# FINANCIAL HIGHLIGHTS

	Q4 2019	FY 2019
<b>Net sales</b>	<b>DKK 1,743 million</b> <i>organic growth -2.9%</i>	<b>DKK 6,870 million</b> <i>organic growth -2.6%</i>
<b>EBITDA before special items</b>	<b>DKK 430 million</b> <i>organic growth 10.6%</i>	<b>DKK 1,513 million</b> <i>organic growth 7.1%</i>
<b>Free cash flow before acquisitions</b>	<b>DKK 368 million</b>	<b>DKK 1,187 million</b>



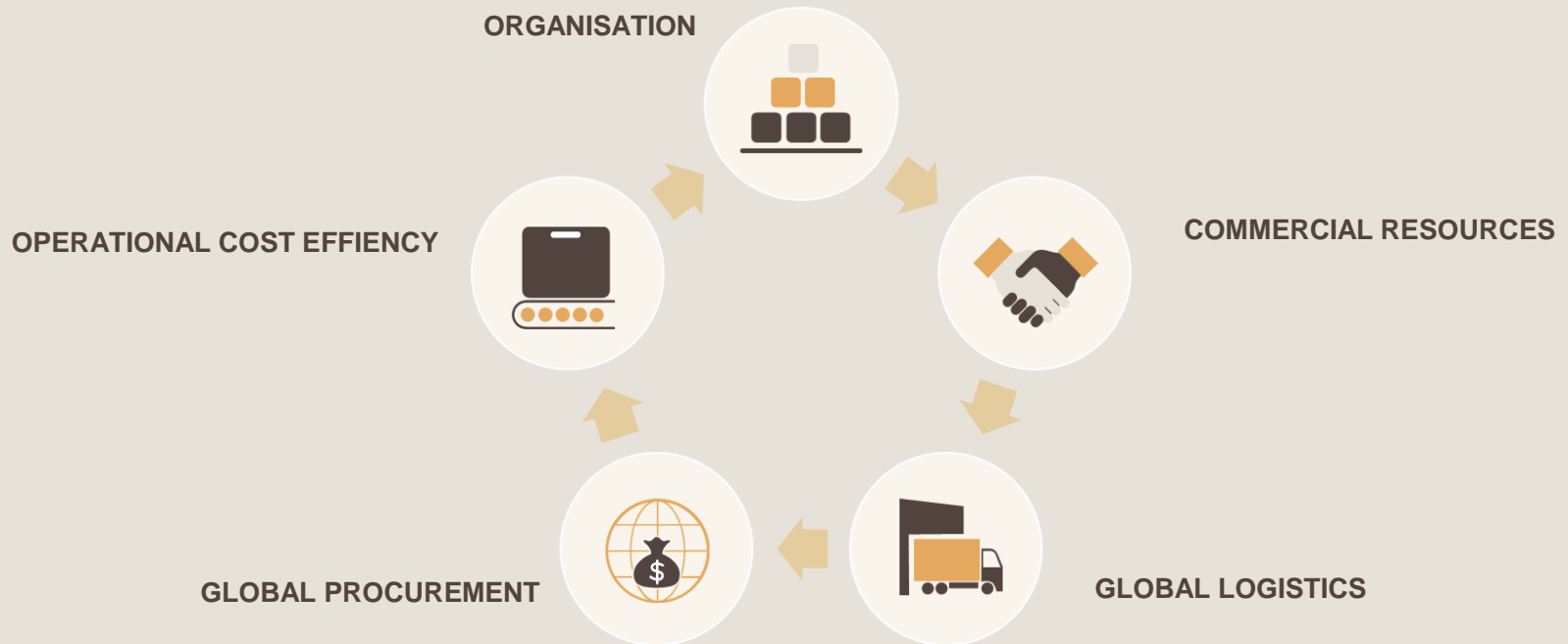


# ROYAL AGIO CIGARS

## ACQUISITION COMPLETED 2 JANUARY 2020

- Key brands: Meharis and Panter (machine-made cigars) account combined for about 2/3 of net sales and Balmoral (handmade and machine-made cigars).
- Key markets: France, The Netherlands, Germany, Spain and Italy (combined about ¾ of net sales)
- The transaction value is about DKK 1.5 billion (EUR 210 million).
- Net sales in FY 2019 of EUR 137 million (EUR 131 million)
- The integration planning process is moving forward and is expected to be finalised in April

# FUELLING THE GROWTH UPDATE



## NET SAVINGS

**250M** (UNCHANGED)

~DKK 250 MILLION FULL-YEAR RUNRATE BY THE  
END OF 2021

>1/3 IN 2019

>1/3 IN 2018-2019

## SPECIAL COSTS

**250M** (UNCHANGED)

~DKK 250 MILLION IN TOTAL (2018-2021)

DKK 32 MILLION IN 2019

DKK 214 MILLION IN 2018-2019



# REGULATION UPDATE

## KEY DEVELOPMENTS



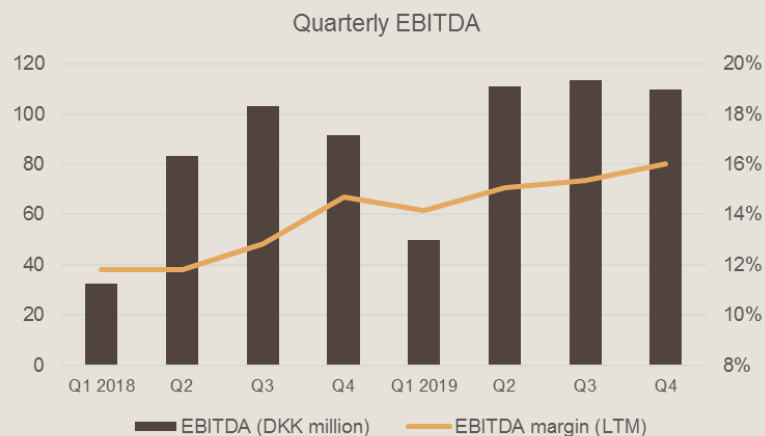
- FDA prioritise to focus on NGPs



- The Tobacco Products Directive  
up for review



# NORTH AMERICA ONLINE & RETAIL



## Q4 2019

- **Thompson Cigar:** Integration successfully completed and profit expectations achieved
- **Organic net sales:** Positive volume growth of smaller cigars off-set by negative price/mix impact
- **Gross margin:** Negative impact from price/mix and promotional activities
- **EBITDA margin:** Positive impact from Thompson integration and OPEX ratio improvement

DKK million	Q4 19	Q4 18	Q4 17	2019	2018	2017
		ex IFRS 16			ex IFRS 16	
Net sales	595	578	378	2,398	2,111	1,500
Gross profit	217	221	113	903	793	530
EBITDA	110	91	27	384	310	177
Net sales growth	2.9%	52.9%		13.6%	40.7%	
- Organic growth <sup>1)</sup>	-0.3%	1.8%		0.5%	6.3%	
Gross margin	36.4%	38.2%	29.8%	37.7%	37.5%	35.3%
EBITDA margin	18.5%	15.8%	7.1%	16.0%	14.7%	11.8%

1) Excluding impact of currencies, acquisitions and IFRS 16.

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

*As of Q4 2019, organic growth will not be split into volume and price/mix impact*

## IFRS 16 impact on EBITDA margin

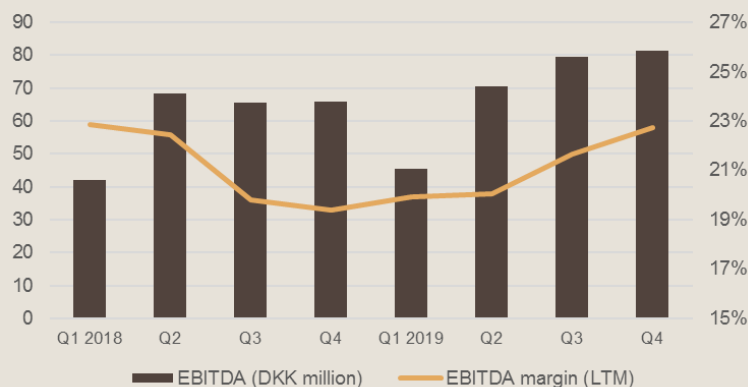
- Q4 2019: +0.6% and FY 2019: +0.8%



# NORTH AMERICA BRANDED



Quarterly EBITDA



## Q4 2019

- **Handmade cigars** continued to be negatively impacted by a weak sell-in to the online distribution channel
- **Other product categories:** Normalised after weak third quarter
- **Gross margin:** Positive price impact from handmade cigars and product category mix
- **EBITDA margins** improved by more than 4% points driven by FTG and IFRS 16

DKK million	Q4 19	Q4 18	Q4 17	2019	2018	2017
	ex IFRS 16			ex IFRS 16		
Net sales	305	295	323	1,219	1,247	1,348
Gross profit	172	164	186	689	712	783
EBITDA	81	66	77	277	242	309
Net sales growth	3.5%	-8.6%		-2.3%	-7.5%	
- Organic growth <sup>1)</sup>	0.3%	-8.5%		-6.3%	-1.2%	
Gross margin	56.4%	55.6%	57.7%	56.6%	57.1%	58.1%
EBITDA margin	26.6%	22.4%	23.7%	22.7%	19.4%	22.9%

## Handmade cigars

Volume impact	-2.6%	-5.2%	-8.3%	1.8%
Price/mix impact	0.6%	1.6%	2.7%	0.9%
<b>Organic growth<sup>1)</sup></b>	<b>-2.0%</b>	<b>-3.6%</b>	<b>-5.6%</b>	<b>2.7%</b>

<sup>1)</sup> Excluding impact of currencies, acquisitions and IFRS 16.

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

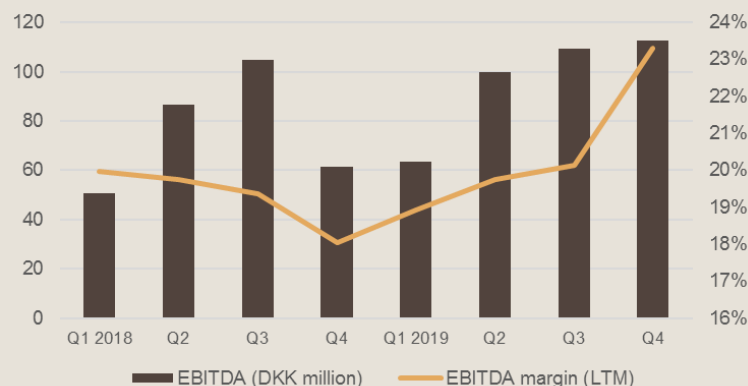
## IFRS 16 impact on EBITDA margin

- Q4 2019: +2.0% and FY 2019: +1.9%



# REGION MACHINE-MADE CIGARS

Quarterly EBITDA



## Q4 2019

- **Organic net sales:** -1.8% for division and -3.4% for **machine-made cigars category** with a negative impact from the Netherlands
- **Market share:** Top5 index slightly down vs. Q3 2019 despite good progress in France
- **Gross margin:** Improvement driven by a strong quarter with positive price/mix and a one-time impact related to excise tax
- **EBITDA margins:** Improvement driven by gross margin, OPEX ratio reduction and IFRS 16

DKK million	Q4 19	Q4 18	Q4 17	2019	2018	2017
		ex IFRS 16			ex IFRS 16	
Net sales	436	442	478	1,653	1,682	1,798
Gross profit	234	198	254	860	832	915
EBITDA	113	62	91	385	304	352
Net sales growth	-1.3%	-7.6%		-1.7%	-6.4%	
- Organic growth <sup>1)</sup>	-1.8%	-7.5%		-2.0%	-6.4%	
Gross margin	53.7%	44.7%	53.2%	52.0%	49.5%	50.9%
EBITDA margin	25.8%	13.9%	19.0%	23.3%	18.0%	19.6%

## Machine-made cigars

Volume impact	-10.8%	-10.7%		-4.3%	-7.8%	
Price/mix impact	7.4%	0.0%		1.8%	1.0%	
<b>Organic growth<sup>1)</sup></b>	<b>-3.4%</b>	<b>-10.7%</b>		<b>-2.5%</b>	<b>-6.8%</b>	

<sup>1)</sup> Excluding impact of currencies, acquisitions and IFRS 16.

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

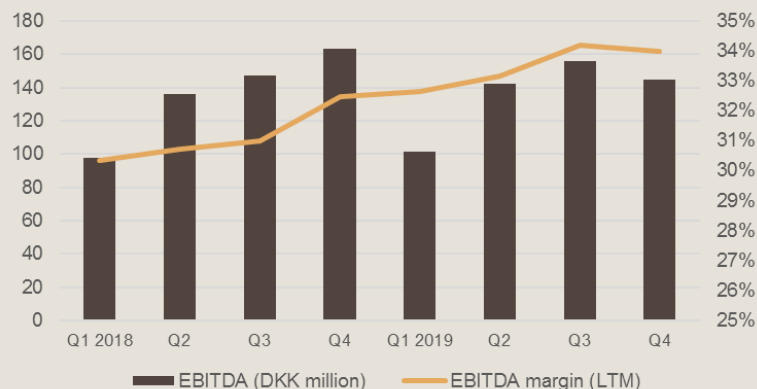
## IFRS 16 impact on EBITDA margin

- Q4 2019: +1.5% and FY 2019: +1.7%



# REGION SMOKING TOBACCO & ACCESSORIES

Quarterly EBITDA (before special items)



## Q4 2019

- **Organic net sales:** Negative development accelerated driven by the termination of sales companies in Slovenia and Croatia from end of Q3 2019 and high shipments to Russia in Q4 2018
- **Gross margin:** Improvement driven by price/mix
- **EBITDA margin:** Despite positive impacts from the gross margin, Fuelling the Growth and IFRS 16, the margin declined driven by mix change.

DKK million	Q4 19	Q4 18	Q4 17	2019	2018	2017
	ex IFRS 16			ex IFRS 16		
Net sales	407	450	511	1,601	1,677	1,818
Gross profit	234	255	258	861	882	906
EBITDA	145	163	157	544	545	552
Net sales growth	-9.7%	-12.0%		-4.5%	-7.7%	
- Organic growth <sup>1)</sup>	-9.6%	-5.0%		-4.4%	1.9%	
Gross margin	57.6%	56.7%	50.5%	53.8%	52.6%	49.9%
EBITDA margin	35.6%	36.3%	30.8%	34.0%	32.5%	30.4%

1) Excluding impact of currencies, acquisitions and IFRS 16.

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

## IFRS 16 impact on EBITDA margin

- Q4 2019: +0.5% and FY 2019: +0.6%



# KEY DATA

## Q4 2019 AND FY 2019

	Q4 2019	Q4 2018 ex IFRS 16		Growth, %		FY 2019	FY 2018 ex IFRS 16		Growth, %	
	DKKm	DKKm	Reported	Organic <sup>1</sup>		DKKm	DKKm	Reported	Organic <sup>1</sup>	
Net sales	1,743	1,765	(1%)	(2.9%)		6,870	6,718	2%	(2.6%)	
Gross profit before special items	857	838	2%			3,314	3,219	3%		
<i>Gross margin before special items</i>	49.2%	47.4%				48.2%	47.9%			
EBITDA before special items	430	362	19%	10.6%		1,513	1,304	16%	7.1%	
<i>EBITDA margin before special items</i>	24.7%	20.5%				22.0%	19.4%			
Net profit	279	152	83%			748	666	12%		
Free cash flow before acquisitions	368	204				1,187	668			

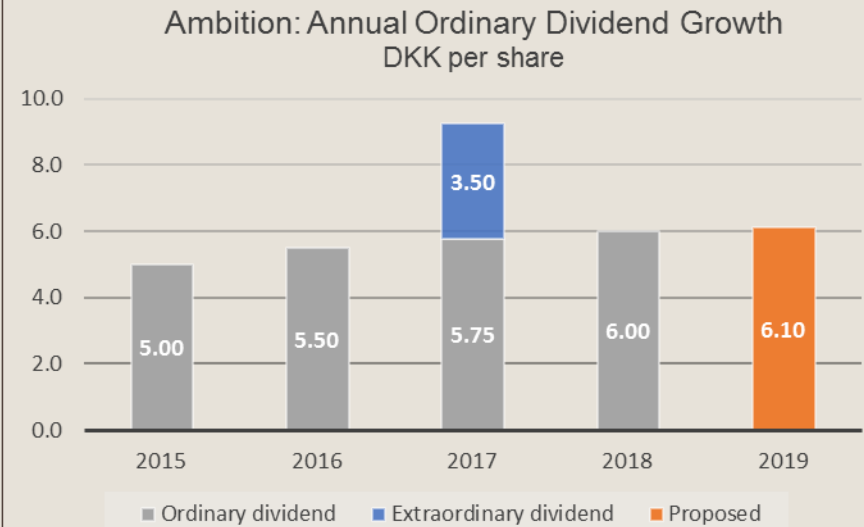
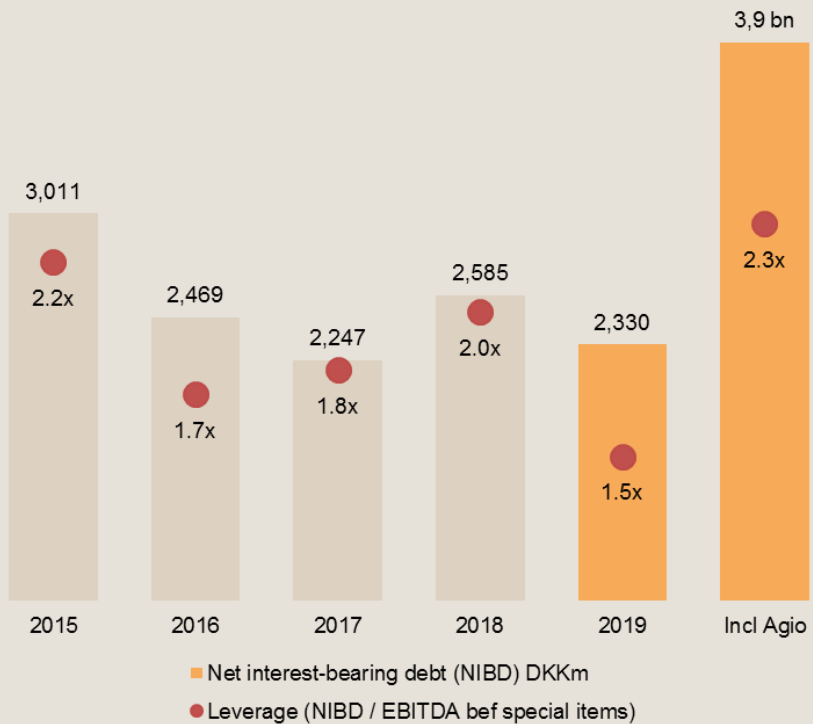
1) Excluding impact of currencies, acquisitions and IFRS 16

### Comments

- **EBITDA and organic EBITDA growth:** Q4 2019 and FY 2019 impacted by about DKK 25 million by a one time impact from excise taxes



# LEVERAGE AND CAPITAL ALLOCATION 2015-2019



**Decision to initiate DKK 300 million share buy-back program in 2020**



# 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.





# GUIDANCE 2020 EXCLUDING ROYAL AGIO

GUIDANCE	
EBITDA	Organic growth of at least 3%
FREE CASH FLOW BEFORE ACQUISITIONS	>DKK 850 million

ASSUMPTIONS	
FINANCIAL EXPENSES 1)	DKK 75-85 million
EFFECTIVE TAX RATE	21-22%
SPECIAL ITEMS, NET	~DKK 55 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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## FINANCIAL CALENDAR

2020 <b>27</b> FEB	Annual report 2019*
2020 <b>26</b> MAR	Annual General Meeting
2020 <b>20</b> MAY	First quarter 2020*
2020 <b>28</b> AUG	Half year report 2020*
2020 <b>5</b> NOV	Nine months 2020*

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

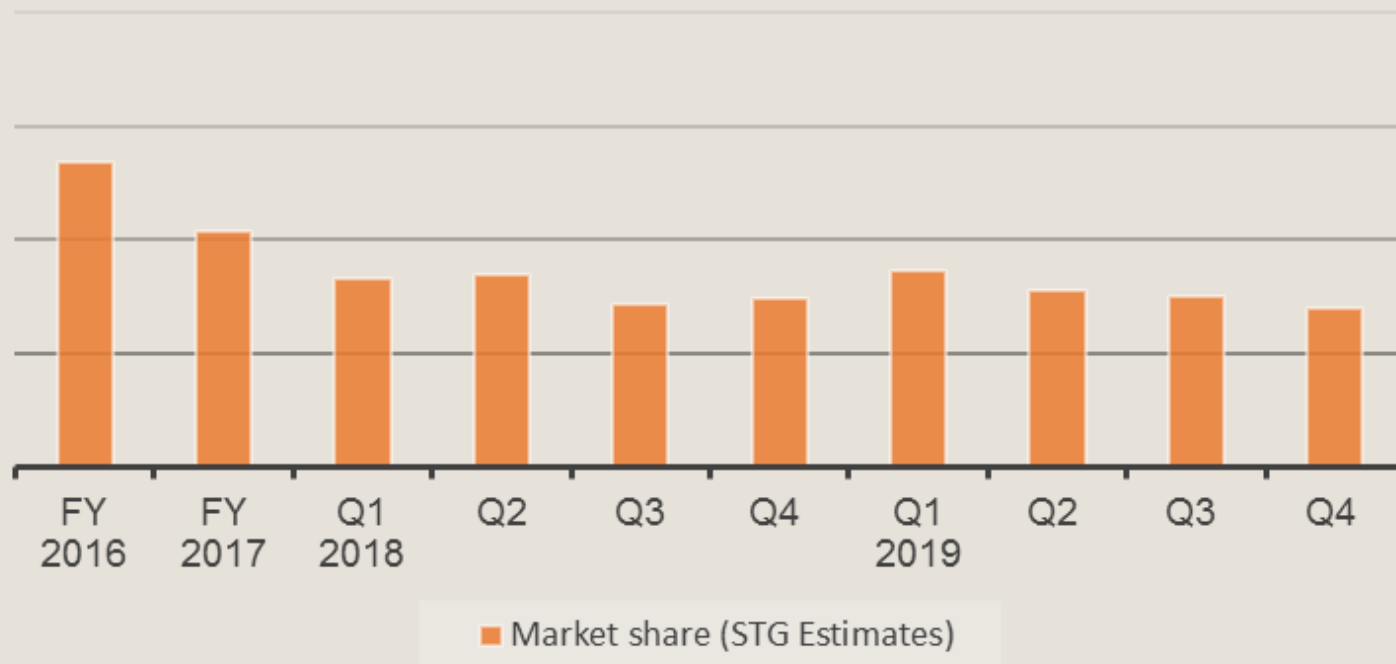


# MARKET SHARE PERFORMANCE

## FY 2016 – Q4 2019

### Market Share Index

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

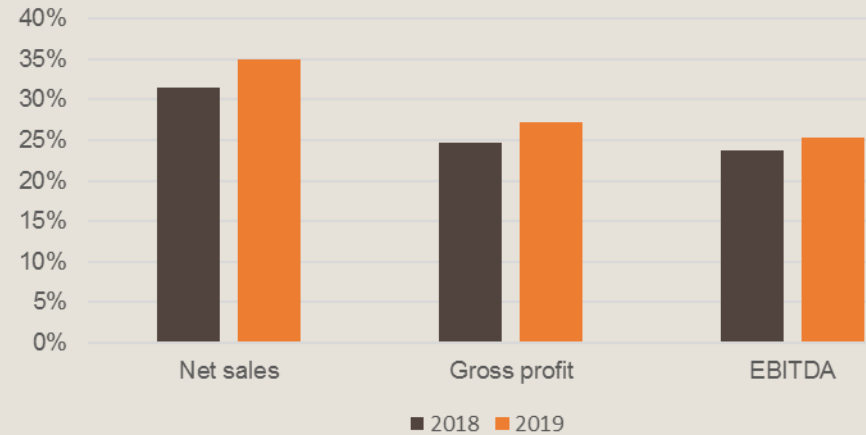


Top 5 EU Markets: France, Belgium, The Netherlands, UK and Spain

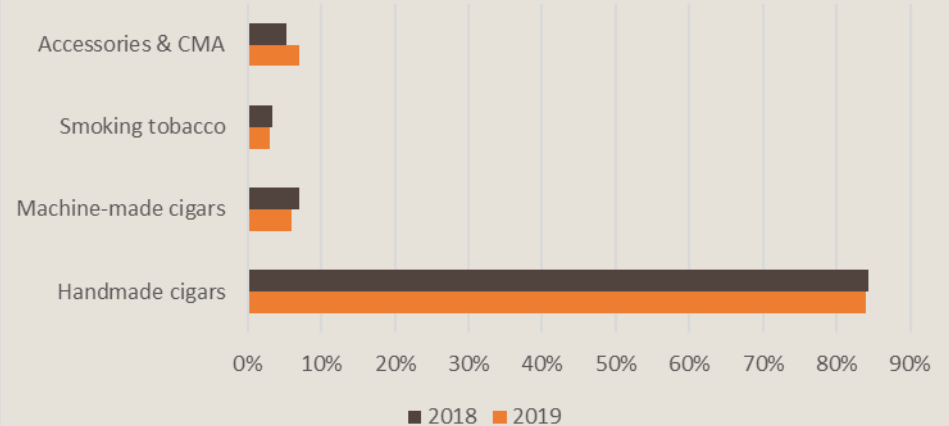
# NORTH AMERICA ONLINE & RETAIL



Share of Group  
Full year



Divisional net sales split  
by product category





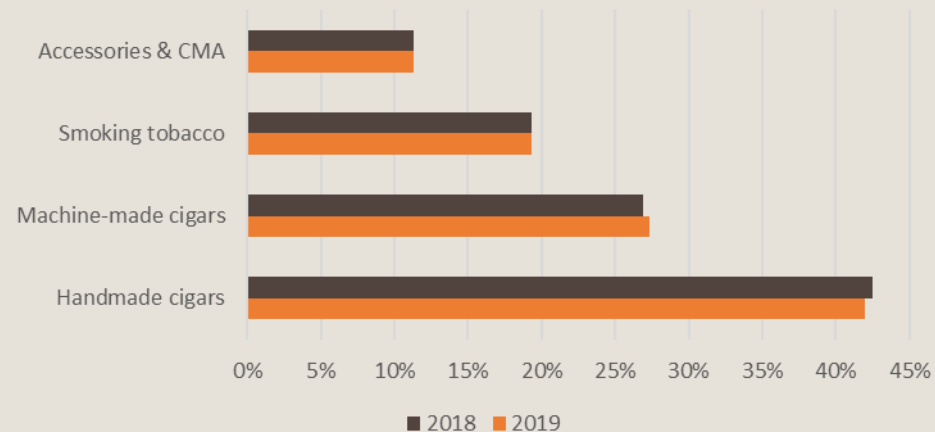
# NORTH AMERICA BRANDED



Share of Group  
Full year



Divisional net sales split  
by product category

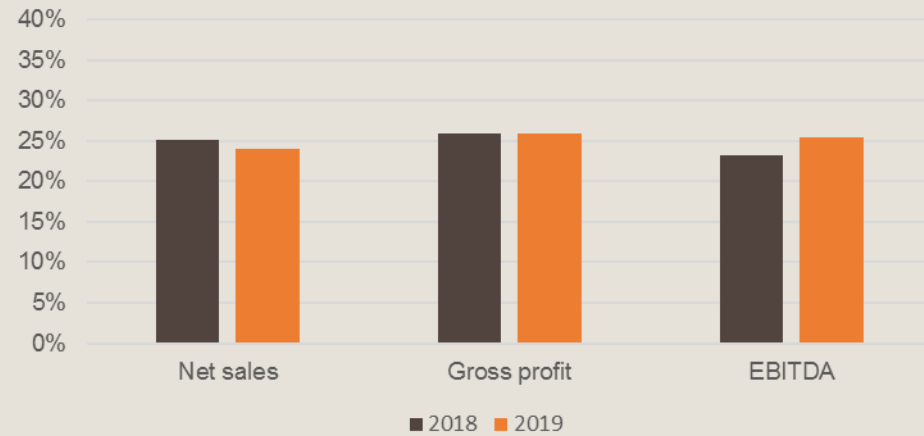




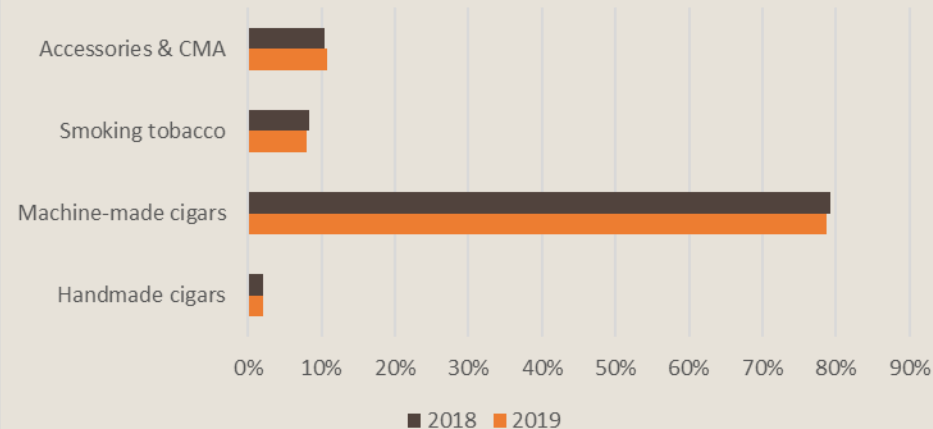
# REGION MACHINE-MADE CIGARS



Share of Group  
Full year

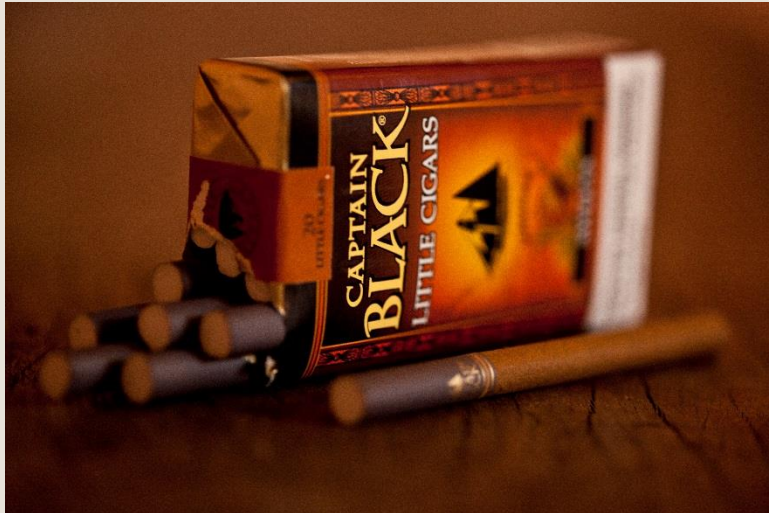


Divisional net sales split  
by product category

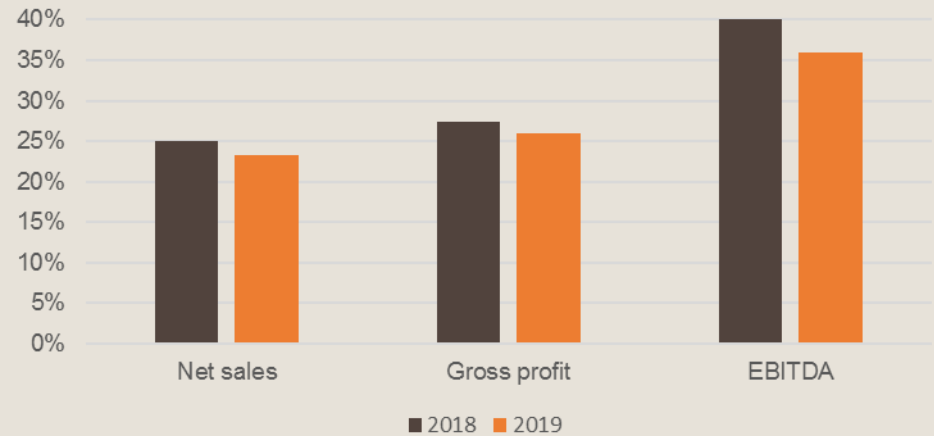




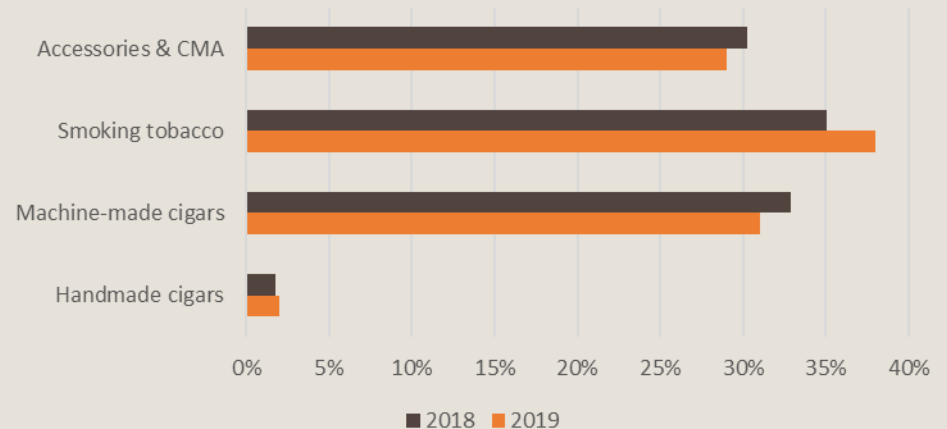
# REGION SMOKING TOBACCO & ACCESSORIES



Share of Group  
Full year



Divisional net sales split  
by product category





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