Press release
10 November 2015

President and CEO David Nuutinen comments on the results for the third quarter of 2015

Strong sales growth and improved operating profit

Cloetta's operating profit (EBIT) improved in the quarter and amounted to SEK 212m (178). The operating profit margin rose to 14.5 per cent (13.7). Furthermore, sales increased through organic growth as well as acquisition-driven growth and foreign exchange movements.

The improvement in operating profit is due mainly to an adjustment in the contingent earn-out consideration for acquisitions. Operating profit has been negatively affected by exchange rate differences and one-off costs related to the acquisition of Locawo B.V. (Lonka).

Operating profit, adjusted for one-off items, was SEK 194m (193). Operating profit, adjusted for one-off items, has been affected by increased marketing investments. The operating profit margin, adjusted for one-off items, was 13.3 per cent (14.8). Profit for the period improved to SEK 130m (87).

Strong cash flow and decrease in net debt/EBITDA

Cash flow from operating activities remains strong and amounted to SEK 174m (75) in the quarter. Net debt/EBITDA decreased substantially compared to the same quarter of last year. Despite the acquisition of Lonka during the quarter, net debt/EBITDA only increased from 3.30 to 3.39 compared to the second quarter of 2015.

Confectionery market

The confectionery market showed overall positive development in Sweden, Norway, Denmark and Finland. In the Netherlands and Italy, market development was slightly negative during the quarter.

Increase in both organic and acquisition-driven growth

Cloetta's sales for the quarter grew by 12.0 per cent, of which organic growth accounted for 4.2 per cent, the acquisition of Lonka for 6.6 per cent and exchange rate differences for 1.2 per cent. I am particularly pleased that our organic sales growth reached 4.2 per cent despite the fact that we were negatively affected during the quarter by both ongoing contract negotiations and declining sales in a few markets. However, the contract negotiations with one large customer in Sweden has now been finalized.

Cloetta's sales increased in all markets except Finland, Norway and Italy. The upward sales trend in Sweden was driven by the new Pick & Mix concept and sales in Denmark rose primarily within pastilles. Sales in the Netherlands and Germany rose primarily within candy bags. Sales in Norway decreased within pastilles and in Finland, sales were down within candy bags. Sales in Italy continued to decline and Cloetta has thus not seen growth in Italy since the fourth quarter of 2013.

Stable raw material prices

Raw material prices were largely unchanged during the quarter, but with continued high prices for cocoa and nuts in particular. Over the past few quarters Cloetta has raised its prices primarily in Sweden and Norway to compensate for unfavorable exchange movements.

Integration of Lonka according to plan

Lonka, which was acquired on 17 July 2015, has significantly strengthened Cloetta's position in the Netherlands. The Nordic countries and the UK are other important markets, especially within Pick & Mix.

The process of integrating Lonka into Cloetta's organization has begun and is proceeding according to plan. A new joint sales and marketing organization has been set up in the Netherlands and plans for how Lonka products will be handled and launched in other markets are under preparation. Through the acquisition of Lonka, Cloetta has gained two additional factories. Efforts to coordinate integration of the factories and working methods have started. When all of the cost synergies from the acquisition of Lonka have been realized, we expect these to support Cloetta's target of an EBIT margin, adjusted for one-off items, of 14 per cent. With regard to sales and profitability, Lonka has developed according to plan during the quarter.

Cloetta a member of Bonsucro

Cloetta has continued to step up its sustainability commitment and has therefore become a member of Bonsucro, an organization devoted to addressing the sustainability challenges in the sugarcane sector.

Strategy stands firm

When I took over as CEO of Cloetta this summer, I said that my ambition was to continue on the profitable growth path driven by organic sales growth, continued cost-efficiencies and new initiatives, including potential acquisitions. I am therefore pleased to state that in my first quarter as CEO we were able to demonstrate both continued organic sales growth and the acquisition of Lonka. This shows that the strategy stands firm.

Our focus moving forward is naturally on sustained profitable growth, but new initiatives within Pick & Mix and the integration of Lonka are also prioritized areas.

Media contact

Jacob Broberg, SVP Corporate Communications & Investor Relations, +46 70 190 00 33.

About Cloetta

Cloetta, founded in 1862, is a leading confectionary company in the Nordic region, the Netherlands, and Italy. In total, Cloetta products are sold in more than 50 countries worldwide. Cloetta owns some of the strongest brands on the market, such as Läkerol, Cloetta, Jenkki, Kexchoklad, Malaco, Sportlife, Saila, Red Band and Sperlari. Cloetta has 13 production units in six countries. Cloetta's class B-shares are traded on Nasdaq Stockholm. More information about Cloetta is available on www.cloetta.com