Cloetta

Press release

27 October 2016

Interim President and CEO Danko Maras comments on the results for the third quarter of 2016

Continued improved operating profit

Cloetta's operating profit (EBIT) improved to SEK 216m (212) in the quarter and the operating profit margin improved to 14.9 per cent (14.5). Profit for the period amounted to SEK 108m (130). Sales were down slightly.

Operating profit, adjusted for items affecting comparability, increased during the quarter to SEK 224m (194). The operating profit margin, adjusted for items affecting comparability, strengthened to 15.5 per cent (13.3). On a rolling 12-month basis, the operating profit margin, adjusted for items affecting comparability, is now 13.0 per cent.

The improvement in operating profit, adjusted for items affecting comparability, was driven by increased efficiency in the supply chain and good cost control. The gradual improvement that Cloetta has shown over the past few quarters has thus continued. Profit before tax has been affected by planned financial one-time costs resulting from the refinancing and early redemption of the senior secured notes. This will contribute to lower interest expenses for Cloetta already in the coming quarter.

Decreased net debt/EBITDA ratio

Cash flow from operating activities amounted to SEK 116m (174). The change in cash flow is among other things due to the one-off cost for refinancing. The net debt/EBITDA ratio improved to 2.76x (3.39).

The confectionery market

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

Sales development

Cloetta's sales declined by 0.8 per cent in the quarter, of which organic growth accounted for -0.7 per cent and exchange rate differences for -0.1 per cent. The downturn in sales is mainly attributable to a weak sales development in the Netherlands and the UK.

Cloetta's sales were up in Sweden, Finland, Italy, Norway and the export markets. In the Netherlands, the UK, Germany, Denmark, and in contract manufacturing, sales declined. The positive sales trend in Sweden and Finland was fuelled mainly by pick-and-mix. Italy showed growth in sales for the first time since 2013 as a result of stabilized market development, but the market is still relatively weak. In Norway, sales increased mainly in sugar confectionery.

The reported drop in sales in the UK is partly attributable to a severely weakened British pound, and in the Netherlands it is mainly attributable to a decline in special products sold to discounters.

Higher sugar prices
The price of sugar has increased in the past year and in line with our pricing strategy we must therefore raise prices towards the customers. The price of hazelnuts has fallen, which has led Cloetta to make certain price adjustments for seasonal products in Italy. Cocoa prices have increased somewhat during the year and prices remain high.

Refinancing and redemption of senior secured notes
In the third quarter Cloetta entered into a new term and revolving facilities agreement with a group of four banks, in total amounting to the equivalent of SEK 3,700m. During the quarter, the new facilities were used to refinance bank loans and to redeem the senior secured notes that were issued in September 2013. Excluding the one-off expenses of around SEK 49m that we have recognized in the third quarter, the facilities agreement, together with the redemption of the senior secured notes, is expected to reduce the Group's net interest expenses by approximately SEK 140m over a five-year period, of which SEK 50m in 2017. The lower interest expenses will further improve Cloetta's cash flow.

Profitability moving in the right direction
My focus during the quarter has been on ensuring a smooth handover from David Nuutinen, who resigned as CEO of Cloetta during the quarter, and at the same time securing continued improvement in profitability. It is therefore satisfying that Cloetta's profitability has continued to improve, especially in light of the sales trend during the quarter.

Cloetta's net debt/EBITDA ratio has continued to improve, and we are now closing in on our financial target of a net debt/EBITDA ratio of 2.5x.

Although we have seen a stabilization of the market in Italy during the year, profitability has not improved. We are therefore closely following and reviewing the development of the Italian business.

It is always our ambition to strive for organic growth every year. The focus in the coming quarter will therefore be on ensuring that we drive the all-important seasonal sales, above all in Italy but also in Sweden. Profitable growth therefore remains our primary focus.

This information is information that Cloetta AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, at 08.00 a.m. CET on 27 October 2016.

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