



SCANDINAVIAN TOBACCO GROUP

Scandinavian Tobacco Group A/S
2021 Capital Markets Day
23rd November, London





AGENDA

01

Group Overview and Strategy – Niels Frederiksen, Chief Executive Officer
Supply Chain and Manufacturing – Graham Cunningham, Chief Supply Chain Officer
Q&A Session

02

Europe Branded Division – Jurjan Klep, President and SVP Europe Branded Division
North America Branded and Rest of World Division – Régis Broersma, President and SVP North America Branded and ROW Division
North America Online & Retail Division – Sarah Santos, President and SVP North America Online & Retail Division
Q&A Session

03

Financial Outlook – Marianne Rørslev Bock, Executive Vice President and Chief Financial Officer
Q&A Session



Cigar Social – Sean Williams, Cohiba Brand Ambassador
Cigars, Drinks, and Discussion



SCANDINAVIAN TOBACCO GROUP

Group Overview and Strategy

NIELS FREDERIKSEN

Chief Executive Officer





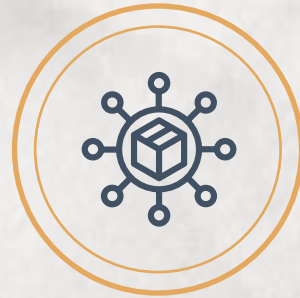
WHO WE ARE



MANUFACTURER
OF EXCLUSIVE
CIGARS



A GLOBAL LEADER IN
THE CIGAR INDUSTRY



DISTRIBUTION
NETWORK OF
~100 MARKETS



A LEADING PLAYER IN
EUROPEAN AND NORTH
AMERICAN MARKETS



LARGE US ONLINE
AND RETAIL
NETWORK



WHY INVEST IN STG?

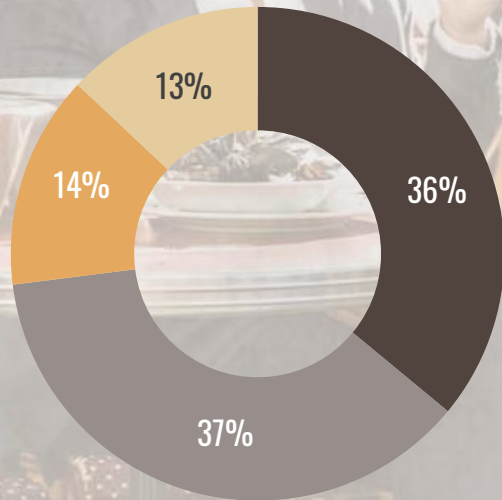
1. | A leading player with the means to grow market share
2. | Consistent performer with high margins
3. | Strong, diverse brand portfolio and market positions with pricing discipline, not prone to market swings
4. | Proven consolidators with additional opportunities for further consolidation
5. | Efficiency opportunities to continue improving margins
6. | Strong cash flow generation and attractive capital allocation policy





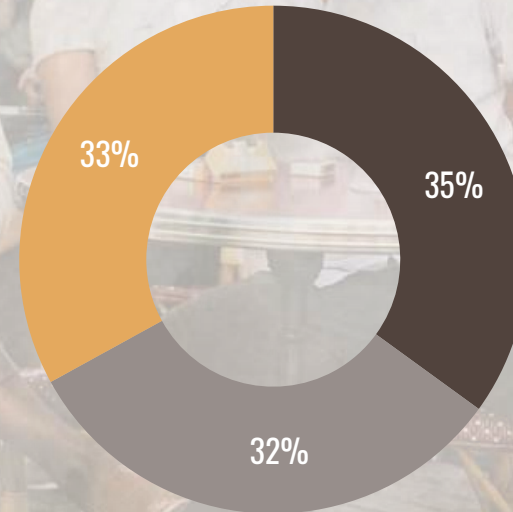
CATEGORIES AND REVENUE STREAMS

CATEGORY BREAKDOWN



- Handmade Cigars
- Machine-rolled Cigars
- Smoking Tobacco
- Accessories and Contract Manufacturing

BALANCED REVENUE STREAMS



- Europe Branded
- North America Branded & Rest of World
- North America Online & Retail



SCANDINAVIAN TOBACCO GROUP

UNRIVALED BRAND PORTFOLIO

SUPER PREMIUM

COHIBA®



PREMIUM

CAO



MAIN-STREAM

DOÑ TOMÁS

diesel



CHILLIN' MOOSE



VALUE FOR MONEY





BROAD GLOBAL ASSORTMENT

GLOBAL STRATEGIC BRANDS



LOCAL STRATEGIC BRANDS



OTHER BRANDS





NAVIGATING REGULATION

- 1 Decades of experience adapting to the changing global regulatory landscape
- 2 Successful implementation of diverse regulations
- 3 Ability to navigate national excise taxes
- 4 Trusted partner and expert in dealing with and educating the market on new regulation
- 5 Membership in numerous trade organisations





SUSTAINABILITY STRATEGY



PEOPLE AND COMMUNITIES

How we engage with our employees and the communities where they work and live



PLANET

How we work to ensure sustainable production



ETHICS

How we promote responsible actions in our business and industry



GOVERNANCE

How we embed strong oversight and transparency in our business



FIVE YEARS OF ACCOMPLISHMENTS

- ✓ Professionalised the business
- ✓ Created a nimble and proactive company
- ✓ Built a scalable platform
- ✓ Grown both organically and inorganically
- ✓ Four successful acquisitions





OUR TRANSFORMATION



NET SALES
2.5 BN DKK

2008

SWEDISH
MATCH MERGER

2010



STG LANE

2011



VERELLEN

2014

STOCK
MARKET LISTING

2016



THOMPSON
CIGARS

2018

FUELLING THE
GROWTH

2018



NET SALES
8 BN DKK



AGIO

Rolling towards 2025

2020



Rolling Towards 2025

CRAFT THE RITUALS THAT MAKE US MORE

BE THE UNDISPUTED, GLOBAL LEADER IN CIGARS

LARGER COMPANY | GROWING EBITDA MARGIN | OUTSTANDING CASH GENERATION

GROW
our handmade
cigar business

DRIVE
sustainable profit growth in
machine-rolled cigars

INTEGRATE
new mergers
and acquisitions

SIMPLIFY
everything
we do

EMBRACE
a performance
culture

IT AND DATA
CAPABILITIES AND
INFRASTRUCTURE

LEAN, AGILE,
EFFICIENT
OPERATIONS

ATTRACTIVE
EMPLOYER
FOR TALENT

GROWTH
INCUBATOR

EMPOWER
WITH PASSION

BLEND
OUR STRENGTHS

CULTIVATE
COURAGE

LIGHT THE
WAY FORWARD

 **PURPOSE**

 **VISION**

 **AMBITION**

 **MUST-WIN
BATTLES**

 **ENABLERS**

 **VALUES**



MUST-WIN BATTLES



**GROW OUR
HANDMADE CIGAR
BUSINESS**



**DRIVE SUSTAINABLE
PROFIT GROWTH IN
MACHINE-ROLLED
CIGARS**



**INTEGRATE NEW
MERGERS AND
ACQUISITIONS**



**SIMPLIFY
EVERYTHING
WE DO**



**EMBRACE A
PERFORMANCE
CULTURE**



WHAT YOU'LL HEAR TODAY

01

Market leader with successful history of financial performance, industry consolidation and managing regulatory environments

02

Driven to professionalise the company, allowing us the experience and flexibility to act when and where appropriate

03

Focus on combustible products – we are experts in our industry

04

We offer the experience our consumers want across a balanced product portfolio spectrum

05

Proven M&A strategy with numerous opportunities available and the capacity to acquire





EXPERIENCED MANAGEMENT TEAM TO EXECUTE PLAN



NIELS FREDERIKSEN
Chief Executive Officer



MARIANNE RØRSLEV BOCK
Executive Vice President and
Chief Financial Officer



GRAHAM CUNNINGHAM
Chief Supply Chain Officer



HANNE BERG
Senior Vice President and
Chief Human Resources Officer



JURJAN KLEP
President and Senior Vice President,
Europe Branded Division



SARAH SANTOS
President and Senior Vice President,
North America Online & Retail Division



RÉGIS BROERSMA
President and Senior Vice President,
North America Branded and ROW Division



YULIA LYUSINA
Senior Vice President
Strategy and Transformation



SCANDINAVIAN TOBACCO GROUP

Supply Chain and Manufacturing

GRAHAM CUNNINGHAM

Chief Supply Chain Officer





KEY TAKEAWAYS

- 1 Global manufacturing network with robust supply chains
- 2 Distinct production model respecting the cigar craftsmanship
- 3 Committed sustainability focus with more to come
- 4 Continued focus on upgrading and optimising production and distribution



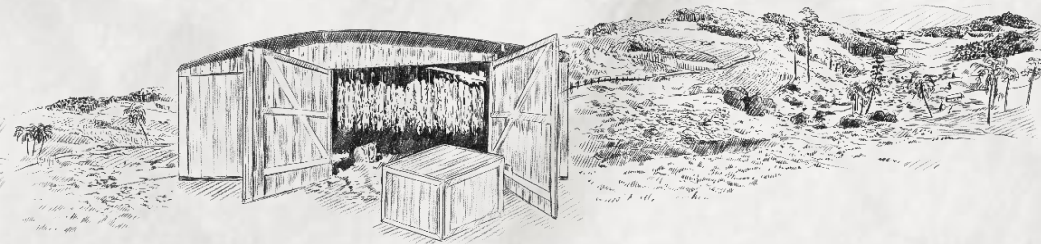


OUR SUPPLY CHAIN

1 It starts with a seed



2 We purchase raw tobacco



3 Our production setup is global



4 We sell in more than 100 countries



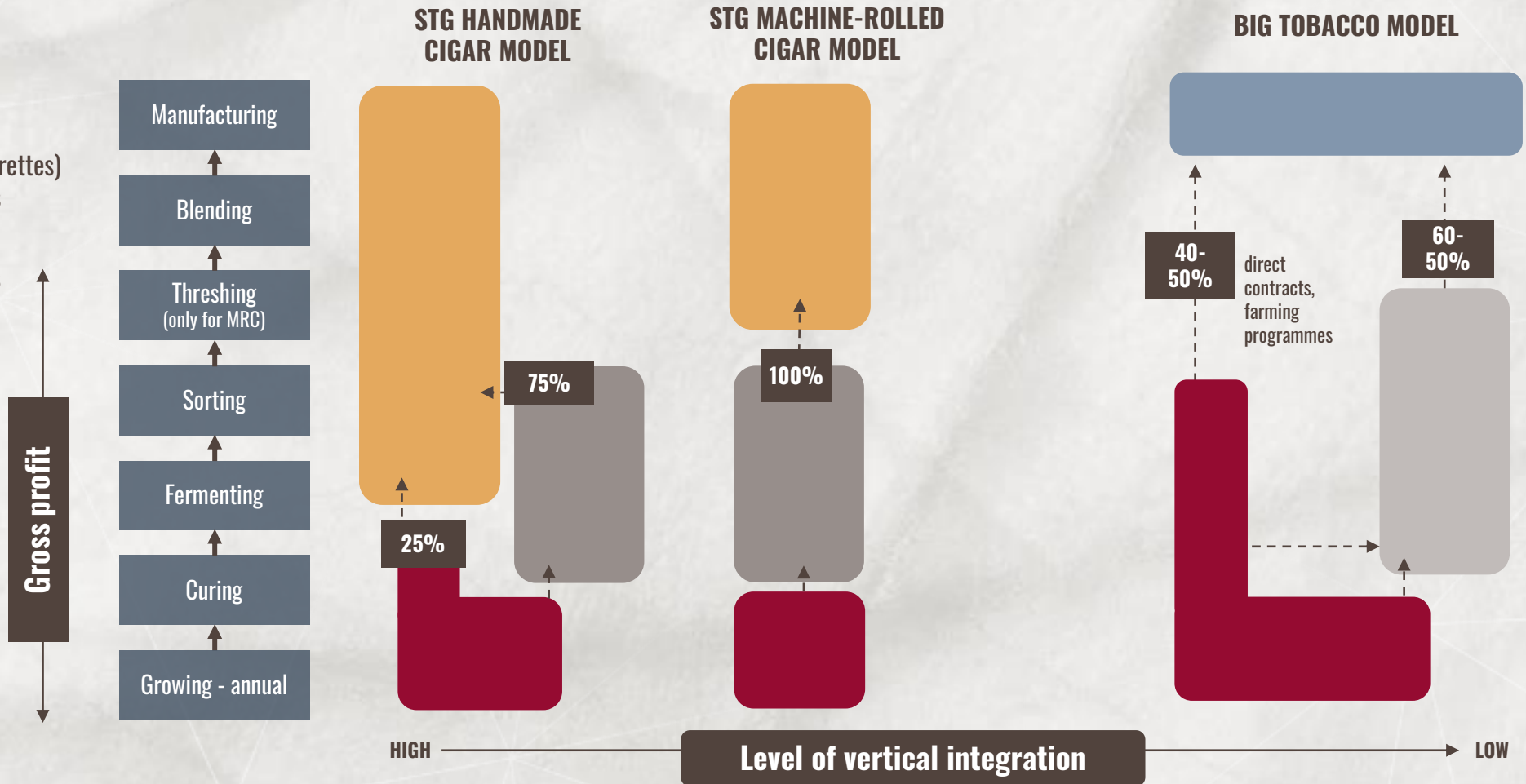
5 In the US we also sell online to consumers





DISTINCT CIGAR PRODUCTION MODEL

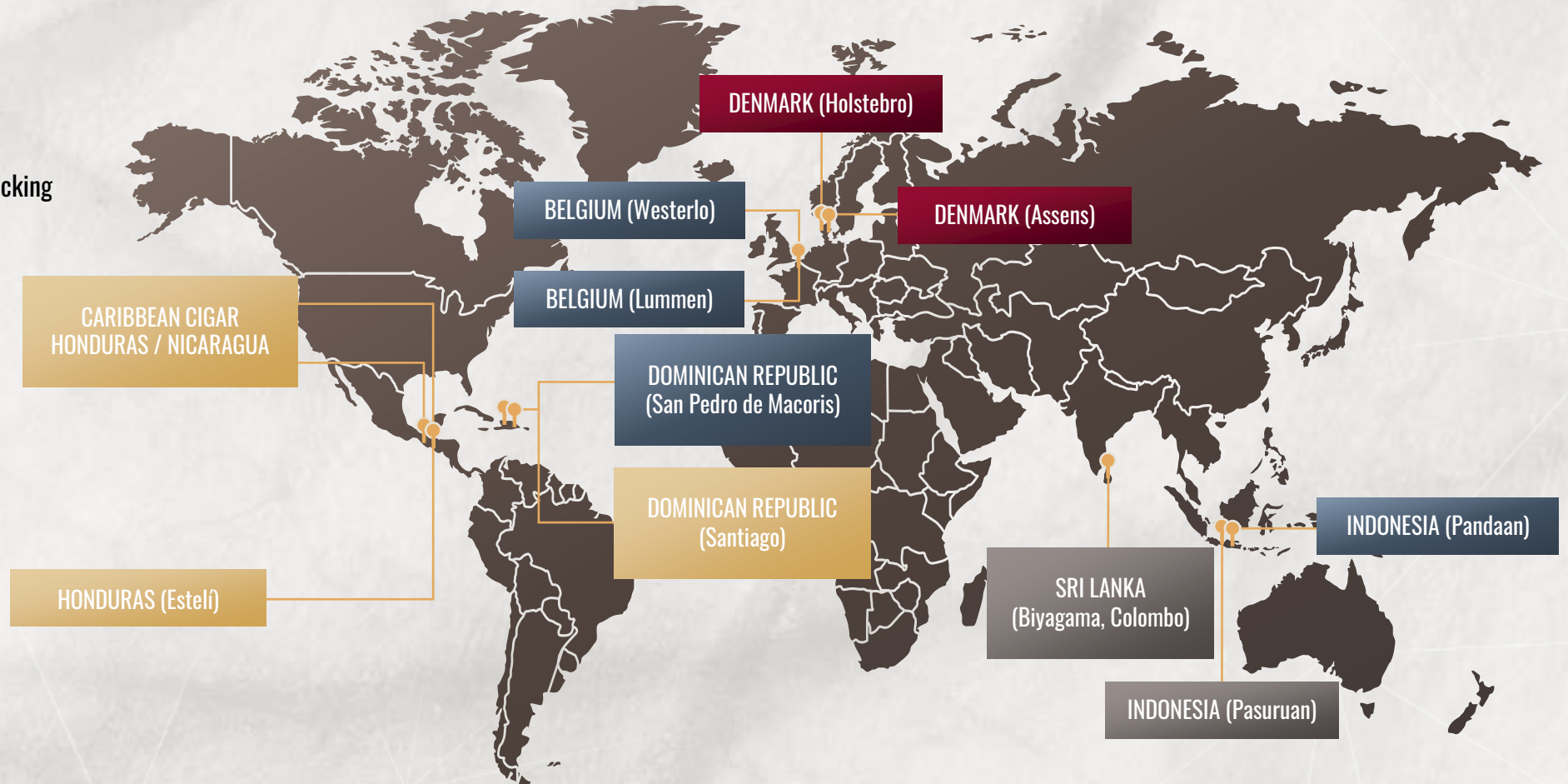
- STG
- FMC (factory made cigarettes)
- Products Manufacturers (e.g. PMI, BAT, JTI)
- Tobacco Leaf Merchants
- Farmers / growers





GLOBAL SUPPLY CHAIN OPERATIONS

- Handmade cigars
- Machine-rolled cigars making, finishing and packing
- Machine-rolled wrappers and binders
- Smoking tobacco
- Production sites





OPERATIONAL AND SUPPLY CHAIN RESILIENCE



Two years of
leaf inventory



Highly engaged and
resilient workforce



Standardised technology
with global footprint



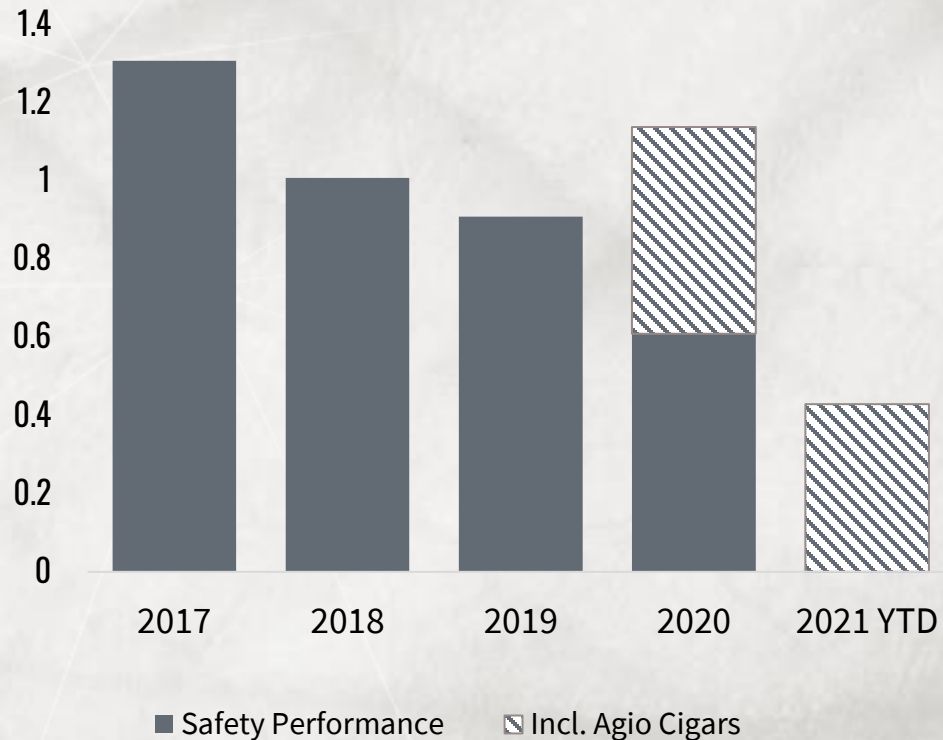
CONSOLIDATION OF FACTORY FOOTPRINT





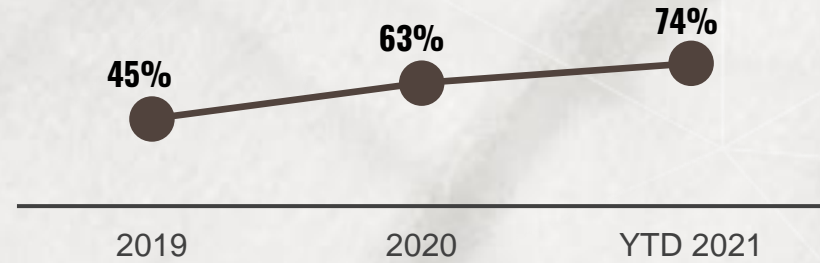
OPERATIONAL HIGHLIGHTS

SAFETY PERFORMANCE

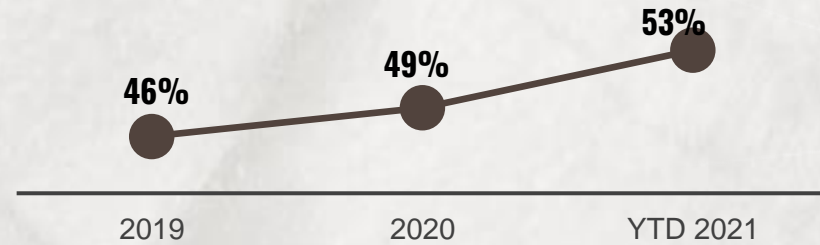


(Total Recorded Injury Frequency Rate per 200K hours)

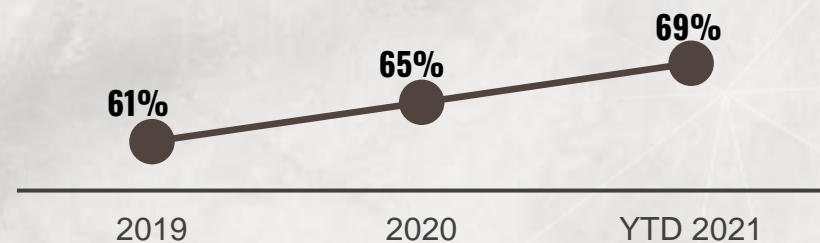
OVERALL EQUIPMENT EFFECTIVENESS HANDMADE CIGARS



CIGAR PRODUCTIVITY/HOUR ACROSS HANDMADE CIGARS



OVERALL EQUIPMENT EFFECTIVENESS MACHINE-ROLLED CIGARS





A HIGHLY ENGAGED WORKFORCE



8500+
Colleagues in
Operations



70%

Directly
touch the leaf

83%

Of the workforce is
highly engaged*

92%

Are proud to
work for STG*

89%

Feel work gives a feeling of
personal accomplishment*



SUSTAINABILITY AT OUR CORE



Building Robust Fundamentals



**Lean 6 Sigma Continuous
Reduction in Carbon Usage**



Green Electricity



OUR GOAL: OPTIMISE OPERATIONS

- 01** | Upgrade warehousing, logistics and order fulfilment capability in the US
- 02** | Drive automation in high-cost labour environments
- 03** | Optimise manufacturing network to make use of labour arbitrage and retire excess capacity
- 04** | Enable data driven planning and procurement decisions
- 05** | Embrace regulation to upgrade, standardise and simplify the manufacturing technology base





SCANDINAVIAN TOBACCO GROUP

Q&A 10 MINUTES



To ask a question, please scan the QR code or
go to [slido.com](https://www.slido.com) and enter code #894003



SCANDINAVIAN TOBACCO GROUP

Europe Branded

JURJAN KLEP

President and Senior Vice President
Europe Branded Division





SCANDINAVIAN TOBACCO GROUP

KEY TAKEAWAYS

1

Leading player in the European market with strong brands and market positions across key markets

2

Strong financial performance with continuous search for opportunities to grow market share

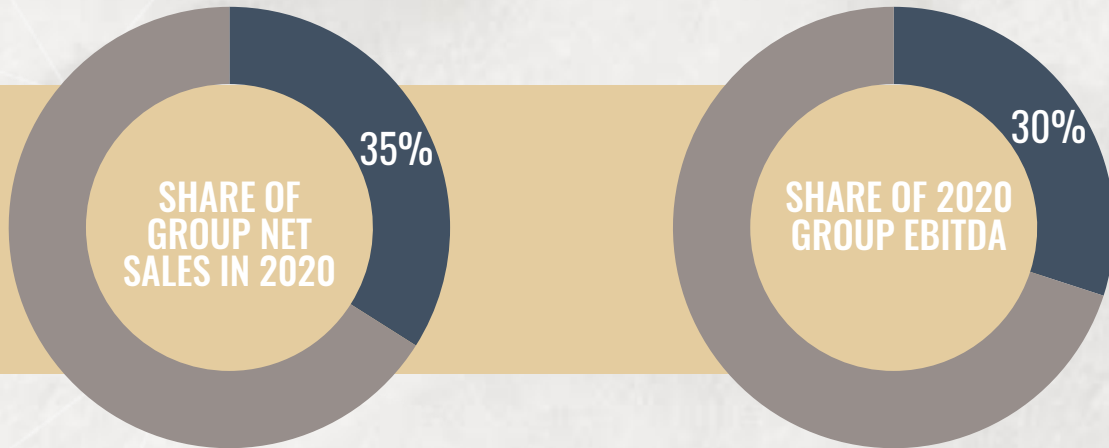
3

Pricing discipline, brand leadership and established integration experience



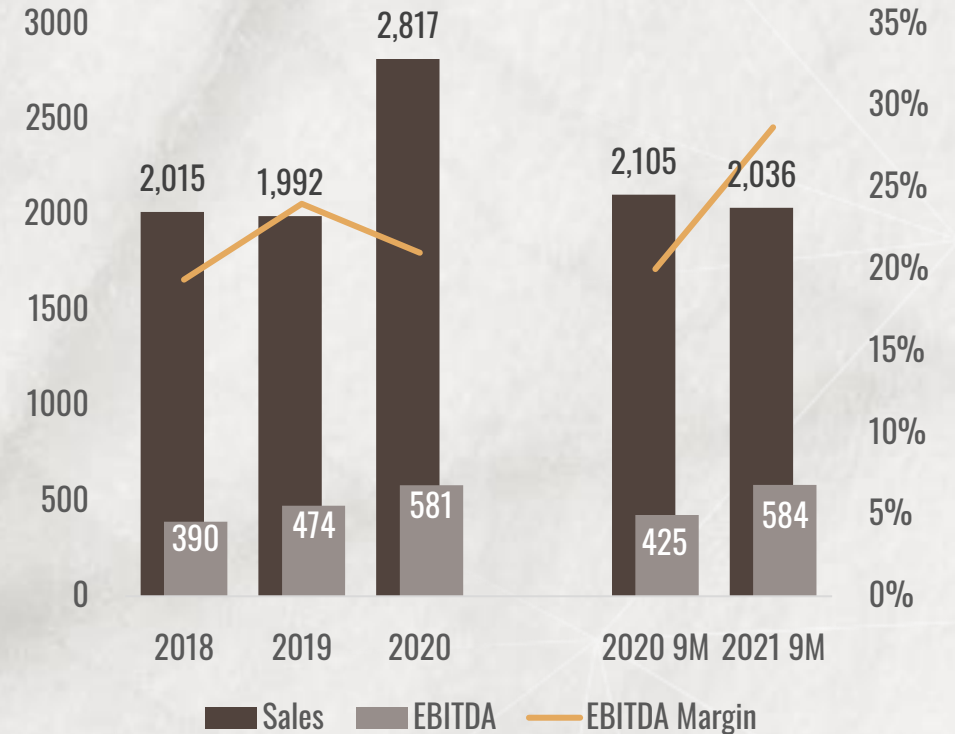


EUROPE BRANDED HIGHLIGHTS



DIVISIONAL PERFORMANCE 2018 – 2021 YTD

DKK MILLIONS



MACHINE-ROLLED CIGARS

74%



SMOKING TOBACCO

17%



HANDMADE CIGARS

3%



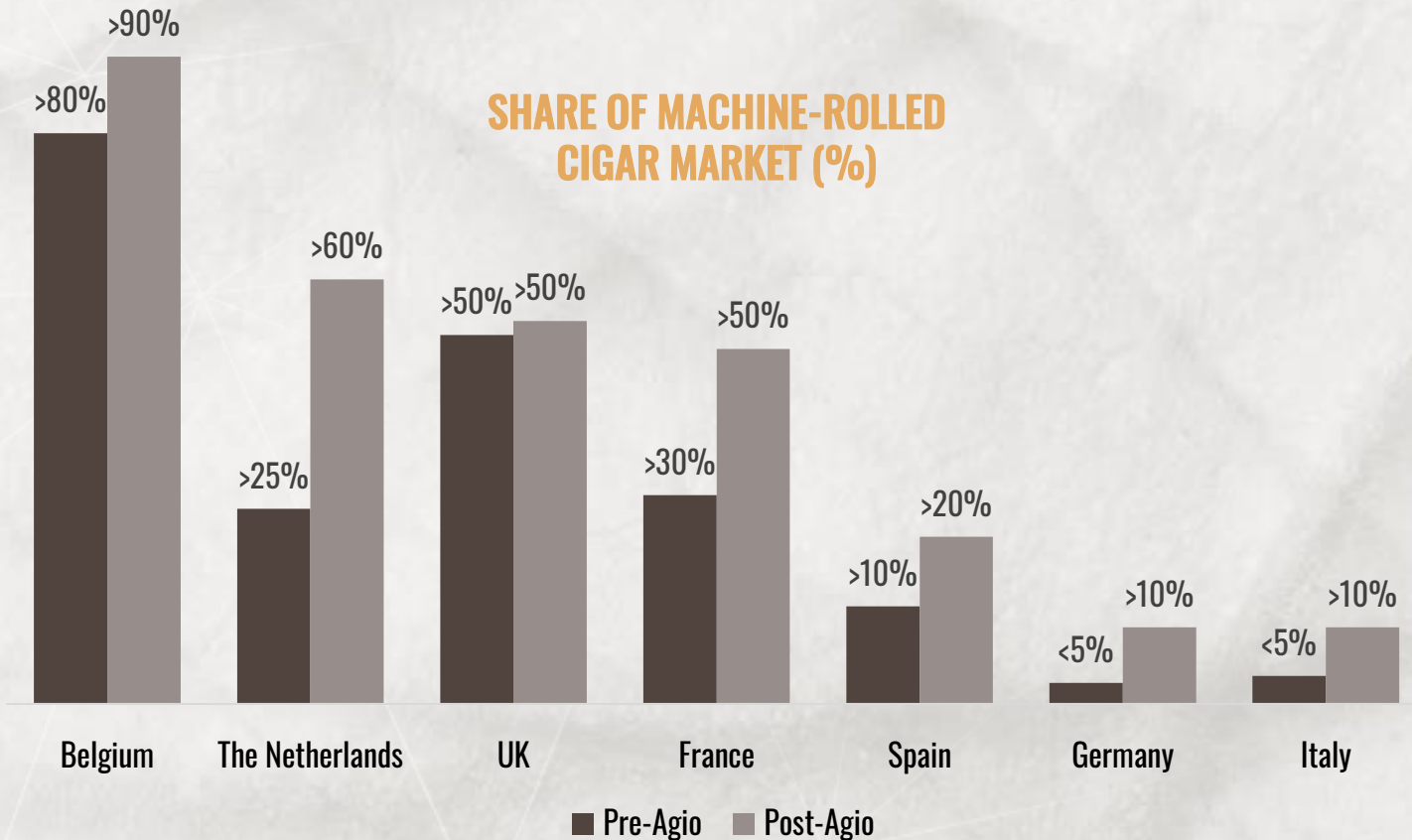
ACCESSORIES AND CONTRACT MANUFACTURING

6%





AGIO ACQUISITION GREW MARKET SHARE





EUROPEAN MARKET OVERVIEW

Strong brand portfolio



Leading position across markets



Diverse competitor picture





GROW SHARE OF ITALIAN MACHINE-ROLLED CIGAR MARKET



- Moderno Opificio del Sigaro Italiano, MOSI - cigar producer of high quality traditional Italian machine-rolled cigars
- Access to the most profitable cigar segment in Italy with “Ambasciator Italice” brand

~9%

MOSI segment share in Italy for traditional machine-rolled cigars





MACHINE-ROLLED CIGAR MARKET DYNAMICS

1. Historical volume decline of 3-5% with an expected 3% decline rate going forward
2. Increasing complexity of regulatory and legislative landscape
3. Big international tobacco companies have been entering the category





LEADER IN FRANCE



- Largest Sales Force
- Adapting to Legislation
- Brand Name Change for Café Crème
- Big Tobacco Entry Expands Market



 SIGNATURE

~19%
Market Share

MEHARI'S

~16%
Market Share



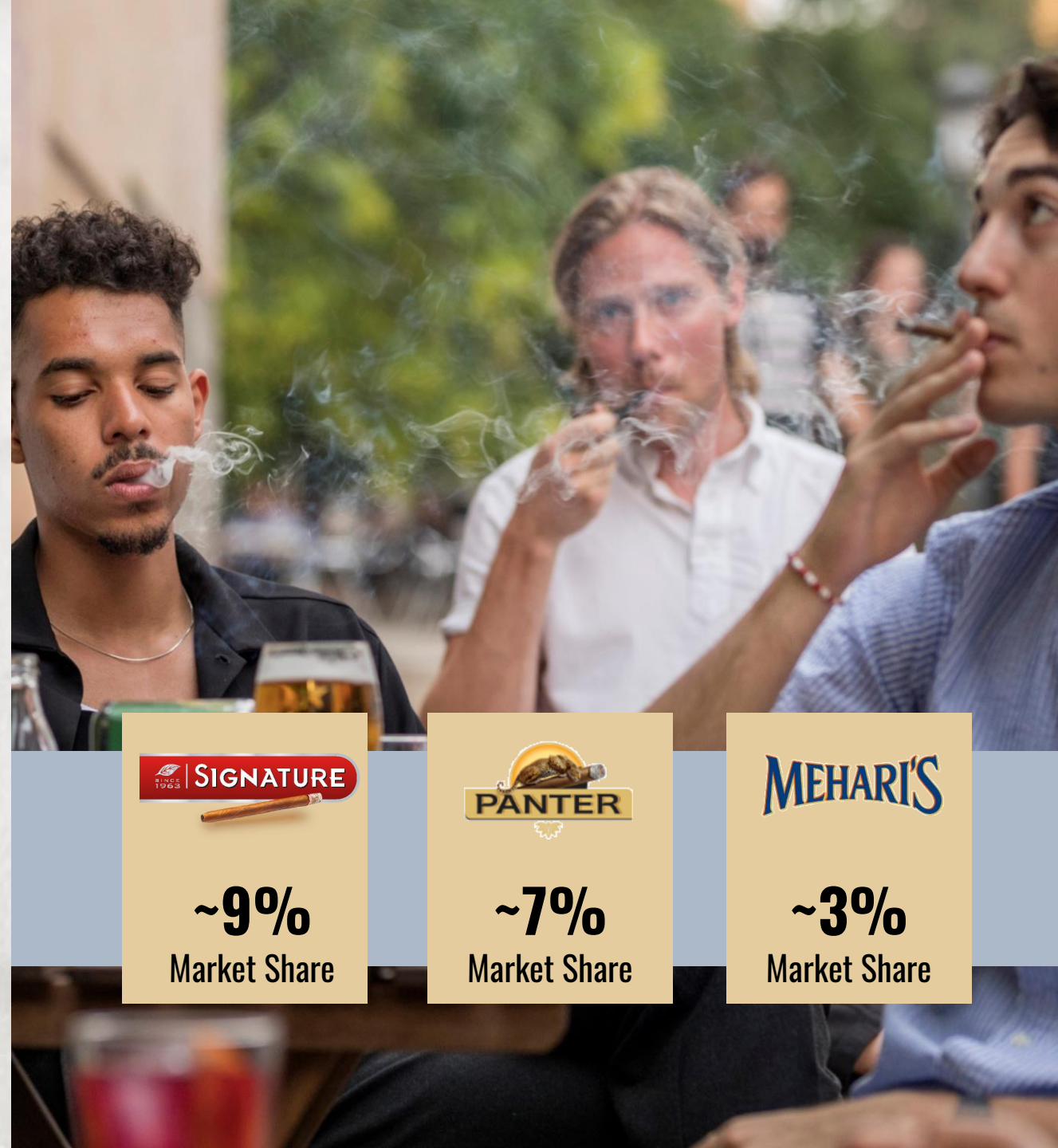
~9%
Market Share



CHALLENGER IN SPAIN



- Brand Portfolio Covering All Price Segments
- Competitive Sales Force
- Adapting to Legislation
- Brand Name Change for Café Crème



 SIGNATURE



~9%

Market Share



~7%

Market Share

MEHARI'S

~3%

Market Share



MARKET POSITIONS DETERMINE STRATEGY

Leader

France
>50%

United Kingdom
>50%

The Netherlands
>60%

Belgium
>90%

Challenger

Spain
>20%

Italy
>10%

Germany
>10%





PRIORITIES FOR EUROPE BRANDED



ACCELERATE PRICING

- Leverage leading positions and excise opportunities
- Fully offset declining market trend and negative mix developments
- Optimise cost to serve



SIMPLIFY PORTFOLIO

- Offer a more competitive portfolio with fewer and bigger brands
- Optimise shelf layout and reduce number of market SKU's



WIN IN WINNING SEGMENTS

- Focus on pockets of growth
- Fill portfolio gaps in key segments
- Optimise distribution and visibility of winning products



WIN THE KEY CUSTOMERS

- Leverage strength at biggest customers
- Lead customers through changing legislative landscape
- Grow distribution in all relevant channels



SCANDINAVIAN TOBACCO GROUP

North America Branded and Rest of World

RÉGIS BROERSMA

President and Senior Vice President
North America Branded and Rest of World Division





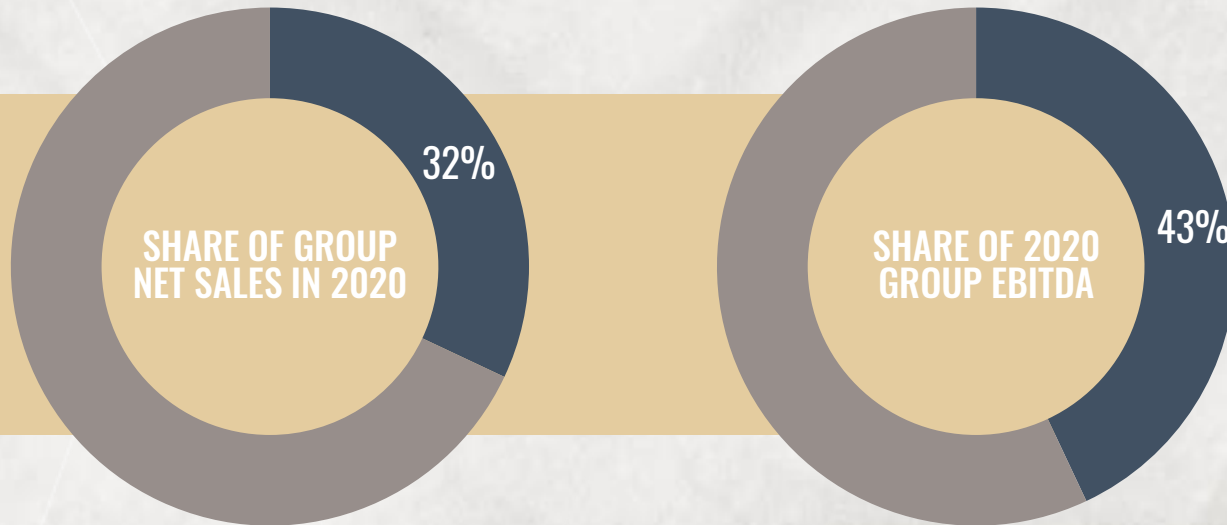
KEY TAKEAWAYS

- 1 The leading provider of handmade cigars in the US
- 2 A balanced portfolio including some of the most well-known brands in the industry
- 3 Continued investments to grow the handmade cigar category globally
- 4 Maximise EBITDA and invest in select growth opportunities

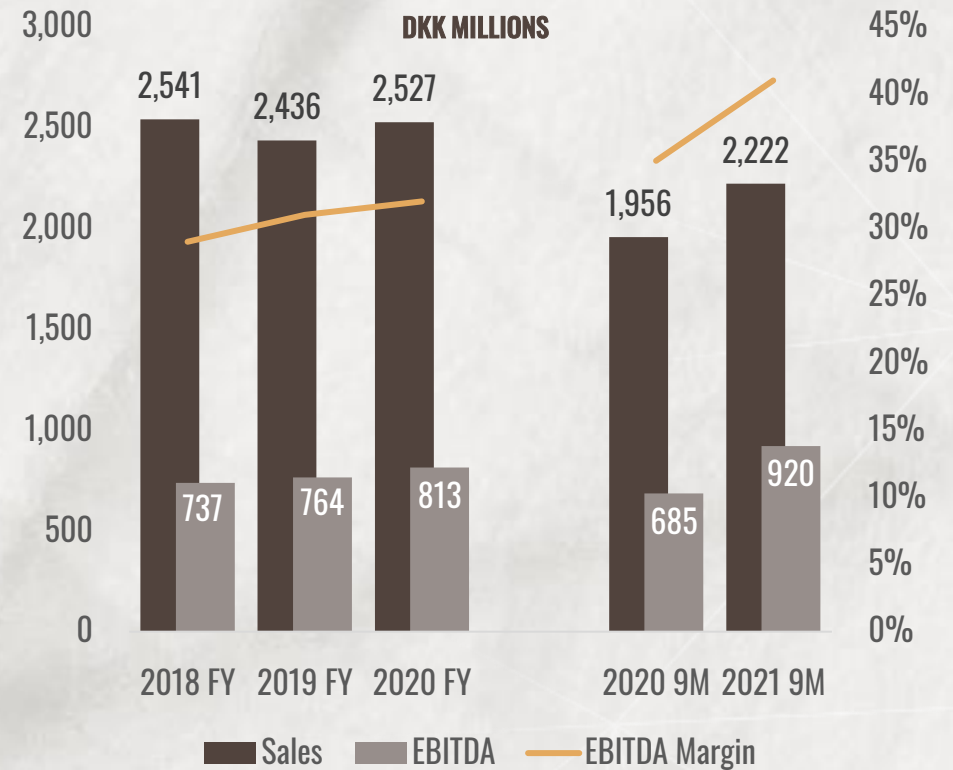




NORTH AMERICA BRANDED AND ROW HIGHLIGHTS



DIVISIONAL PERFORMANCE 2018 – 2021 YTD





KEY MARKETS



NORTH AMERICA

○ Unique route to market in North America with 5 business units



Meier & Dutch
Wholesale Cigar Distributors



REST OF WORLD

○ Key markets include:

- Nordics (Norway, Iceland, Finland)
- Australia/New Zealand
- Contract Manufacturing Agreements





CATEGORY AND NET SALES SPLIT

MACHINE-ROLLED
CIGARS

28%



SMOKING
TOBACCO

23%



HANDMADE
CIGARS

26%

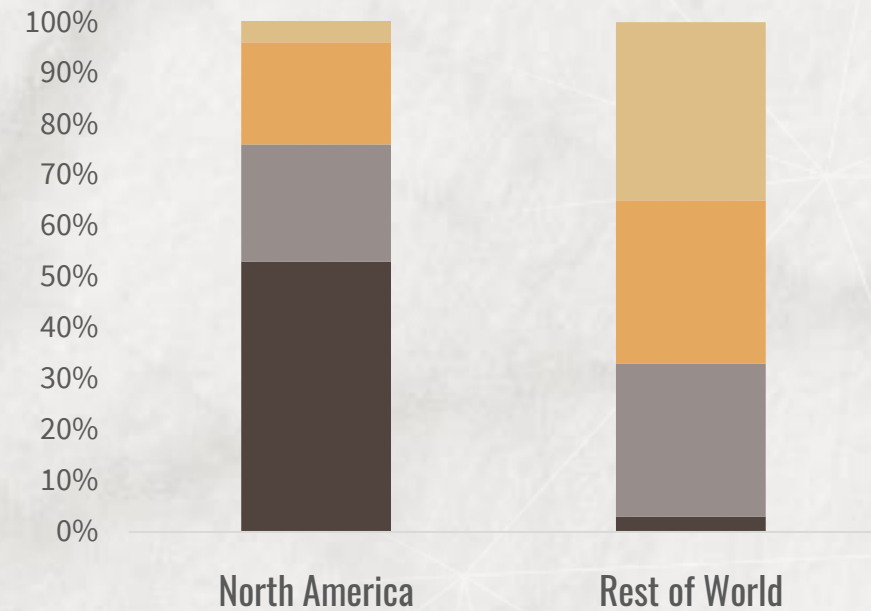


ACCESSORIES AND
CONTRACT
MANUFACTURING

23%



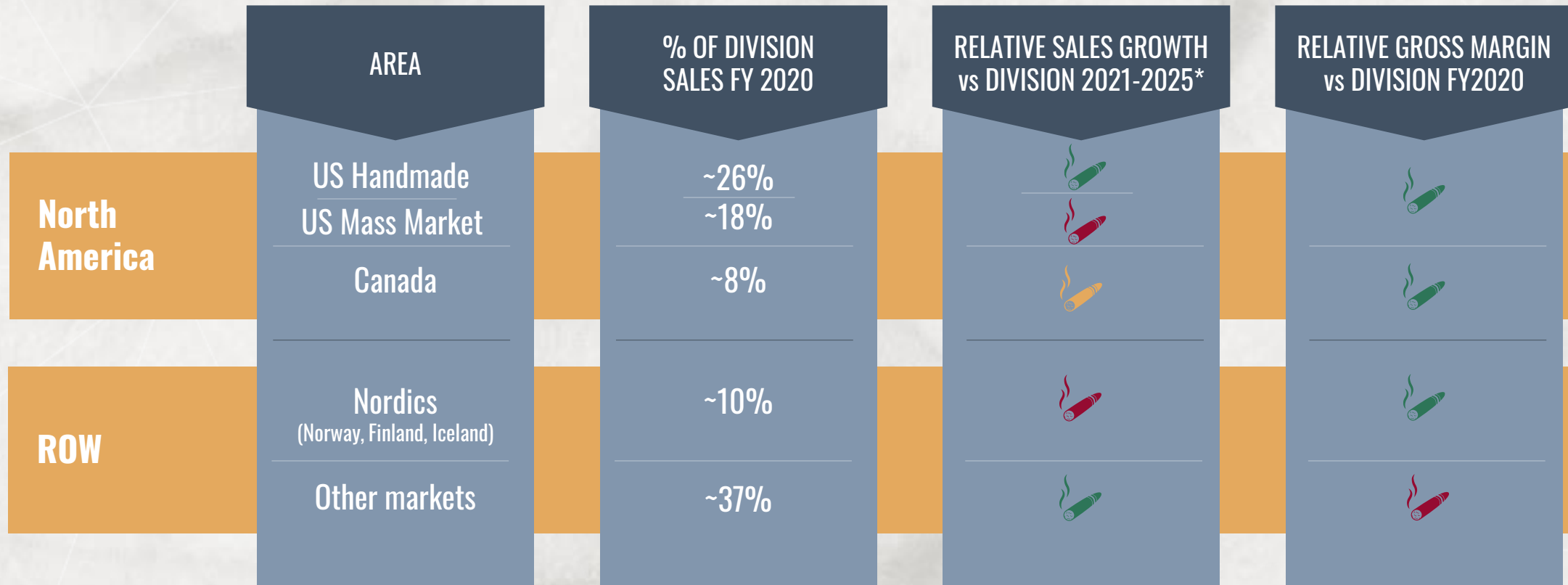
NET SALES BY PRODUCT CATEGORY 9M 2021



■ Accessories & Contract Manufacturing ■ Smoking tobacco
■ Machine-rolled cigars ■ Handmade cigars



KEY FINANCIAL DATA BY MARKET AND CATEGORY



Legend



Above Division Average



Division Average



Below Division Average



DIVISIONAL GROWTH STRATEGY

1.

Accelerate Handmade
Cigars Globally

2.

Maximise EBITDA
Growth

3.

Pursue Growth
Opportunities



GROWTH STRATEGY – 2021 INITIATIVES

ACCELERATE HANDMADE CIGARS GLOBALLY



Launched Forged Cigar Company in February 2021



Consolidation of M&D / Specialty Cigars



Integration of Agio's international handmade business

MAXIMISE EBITDA GROWTH



Optimised route to market for STG Lane



Optimised route to market in Canada



Optimised route to market in Australia and New Zealand

PURSUE GROWTH OPPORTUNITIES



Versa combustible hemp launched in US August 2021



Tobacco Innovation



Expansion in new markets and categories across regions – South America, Asia



US HANDMADE CIGAR MARKET



OUR BRANDS

COHIBA



diesel



CAO



2020 US Market
~ 360 million cigars

North America
Branded
~100 million cigars

Market Trends

• Declining ~1-2% per year

COMPETITION



OLIVA



DREW ESTATE
THE REBIRTH OF CIGARS | EST. NICARAGUA



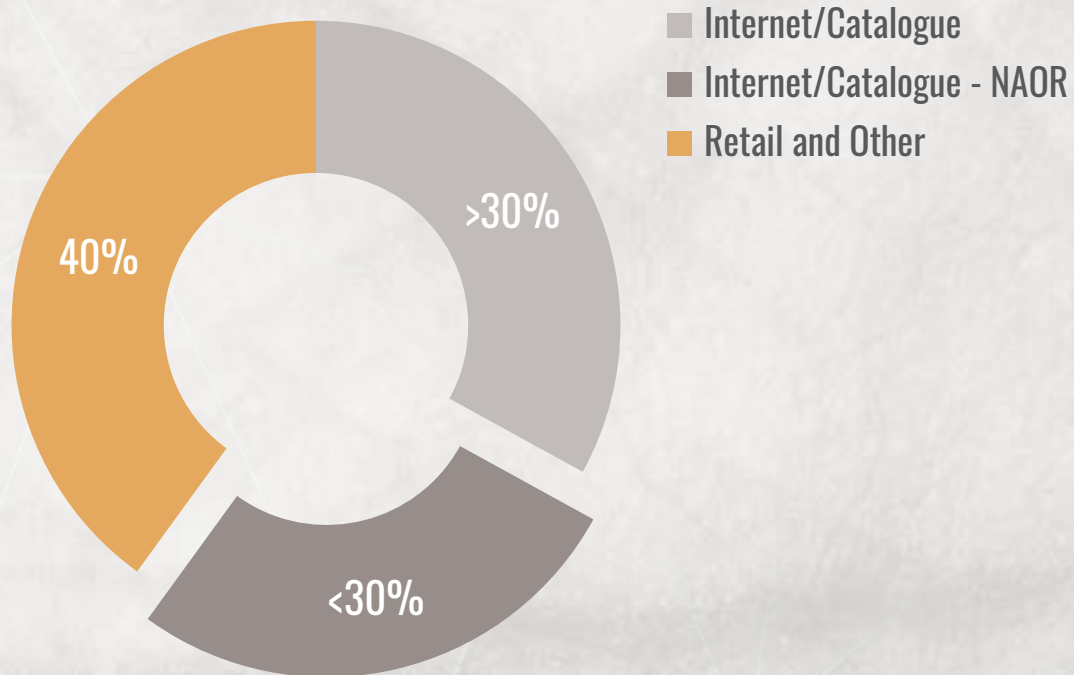
ASHTON
Trust Your Taste

Altadis U.S.A.
Maker of Fine Cigars

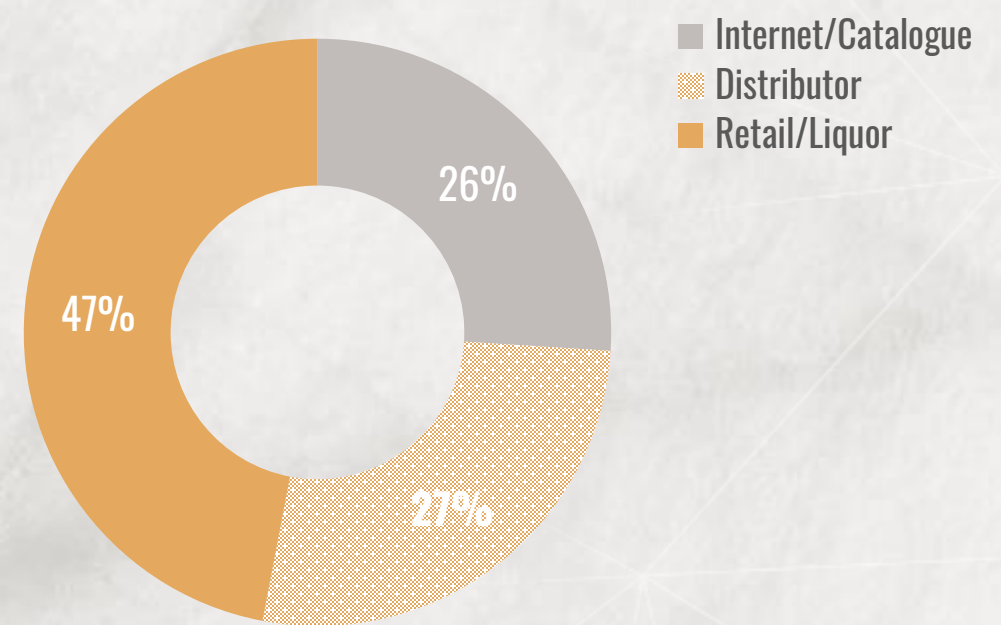


NORTH AMERICA BRANDED SELLS TO ALL CHANNELS

CHANNEL DISTRIBUTION, % US Handmade Cigar Market

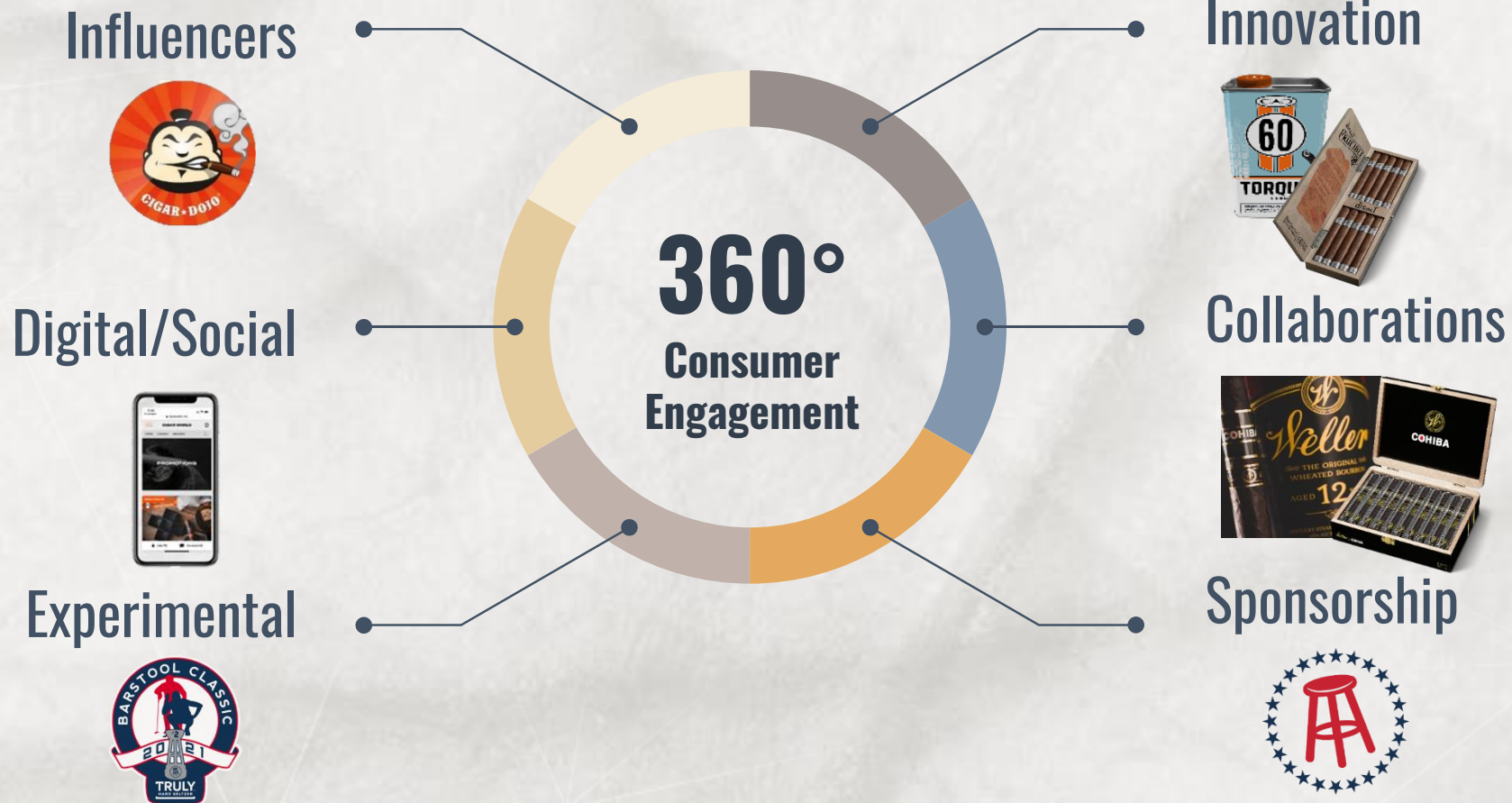


CHANNEL DISTRIBUTION, % North America Branded





GROWING MARKET SHARE IN 2022 AND BEYOND





SCANDINAVIAN TOBACCO GROUP

North America Online & Retail

SARAH SANTOS

President and Senior Vice President
North America Online & Retail Division



Panera BREAD



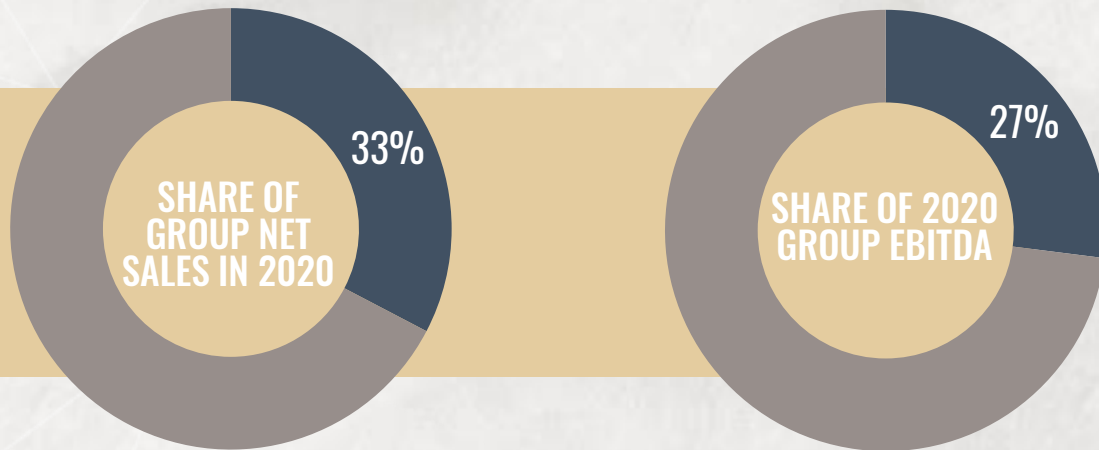
KEY TAKEAWAYS

- 1 The leading online cigar company in the US
- 2 Omni-channel business: online, tele-sales and retail
- 3 Opportunities to expand online market share
- 4 Expansion of US retail network represents growth opportunity





NORTH AMERICA ONLINE & RETAIL HIGHLIGHTS



MACHINE-ROLLED CIGARS

5%



SMOKING TOBACCO

3%



HANDMADE CIGARS

81%

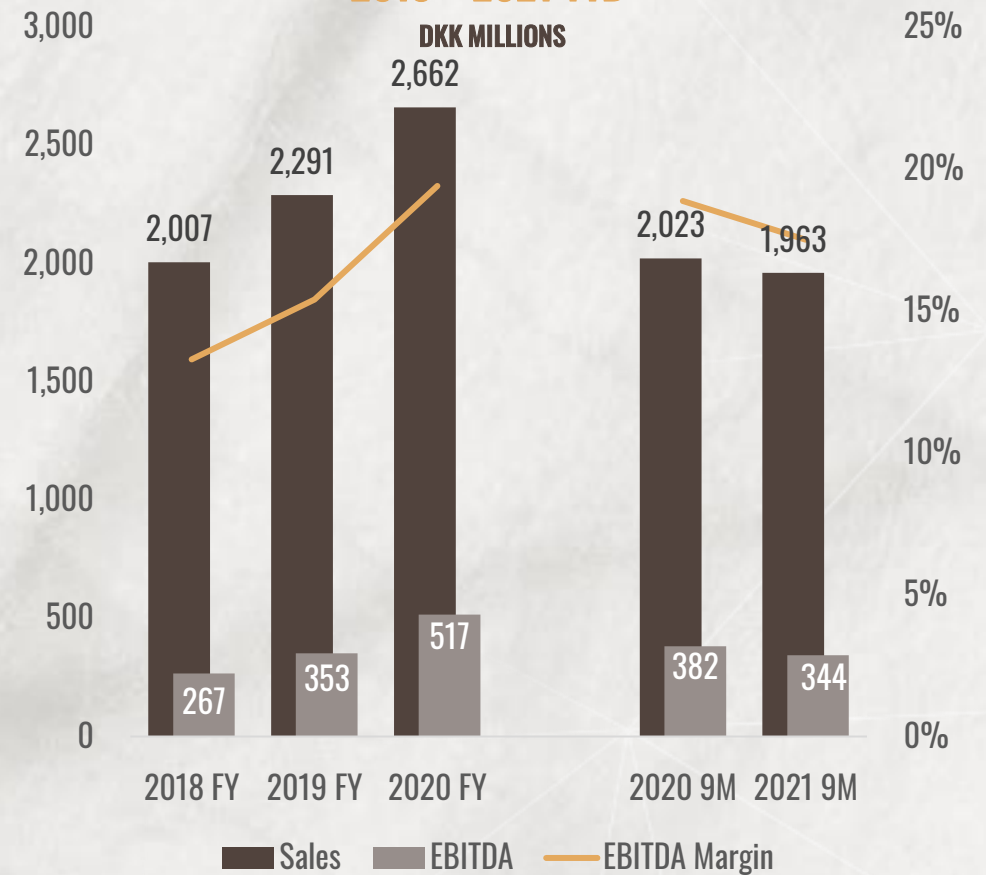


ACCESSORIES AND CONTRACT MANUFACTURING

11%



DIVISIONAL PERFORMANCE 2018 – 2021 YTD





OMNI-CHANNEL APPROACH

Online + Tele-sales

93%
of division sales

5
online
business units

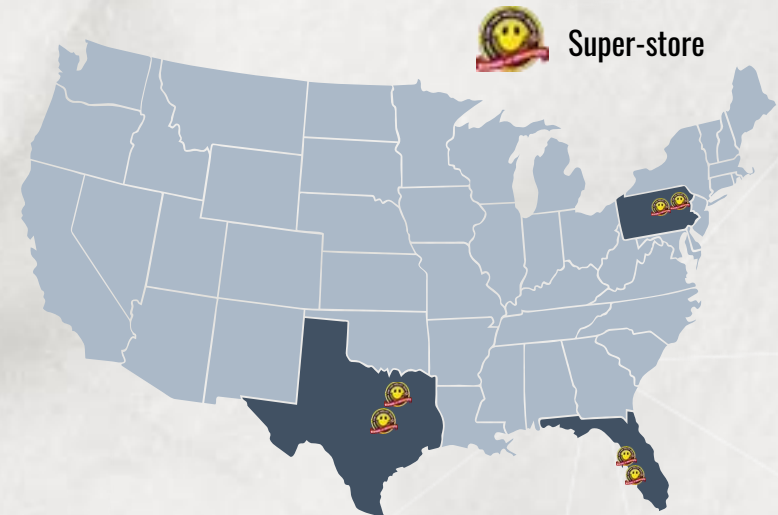


25m+
catalogues
sent out yearly

Retail

7%
of division
sales

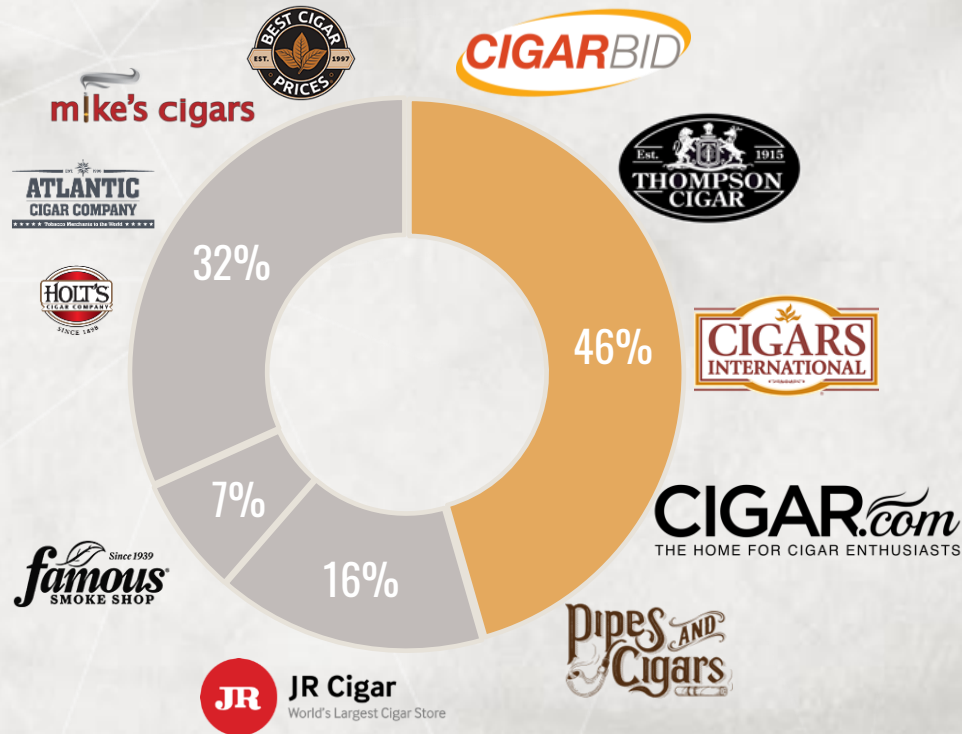
6 Super-stores





LEADING POSITION IN US ONLINE CIGAR MARKET

SHARE OF ONLINE ORDER VOLUME



Competitors

North America Online & Retail Business Units

60% of cigar smokers in the US purchased cigars online pre-COVID

5 distinctive business units uniquely positioned in the online market

Proprietary brands represent



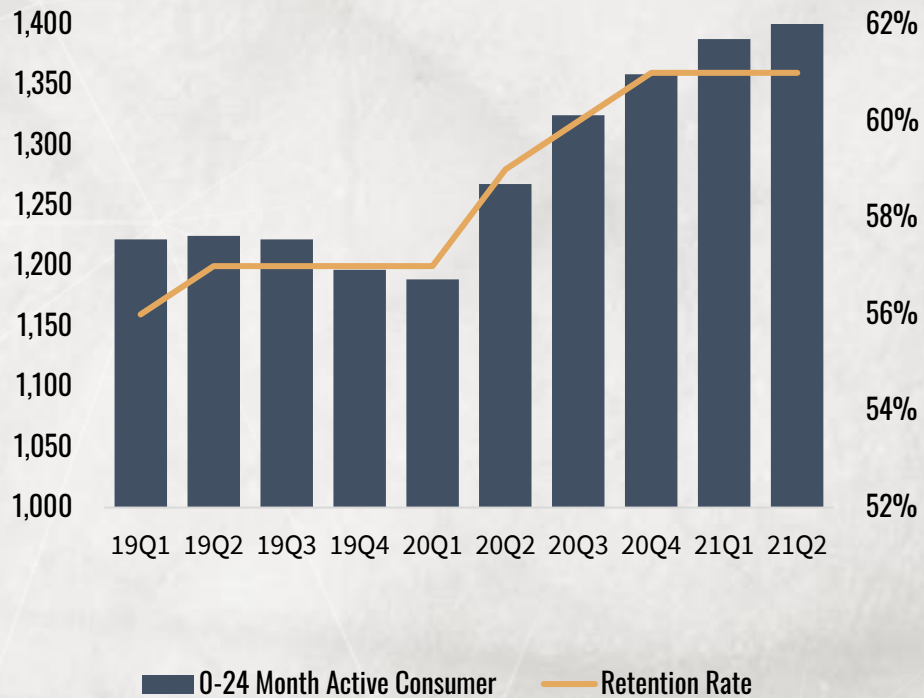
of online sales



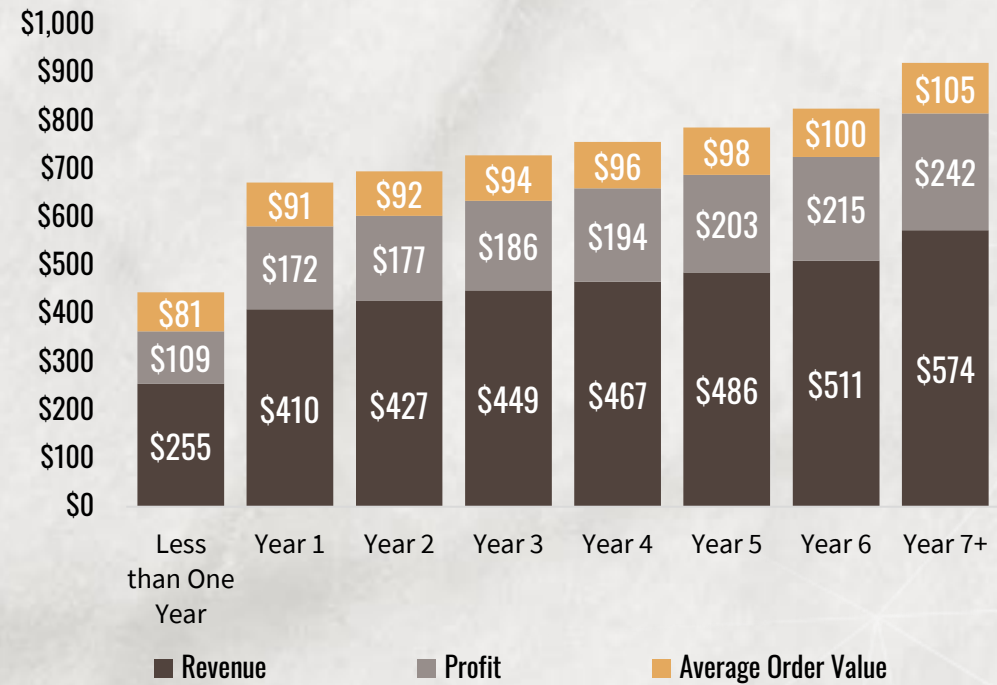


CONSUMER FILE DYNAMICS AND VALUE

GROWTH IN CONSUMER FILE



CONSUMER VALUE OVER TIME





OUR CONSUMERS

8 | DISTINCTIVE CONSUMER GROUPS



Hotshot
Harley



Convenience
Casey



Connoisseur
Charley



Steadfast
Sam



Outlet
Ollie



Bargain
Barry



Exploring
Ellis



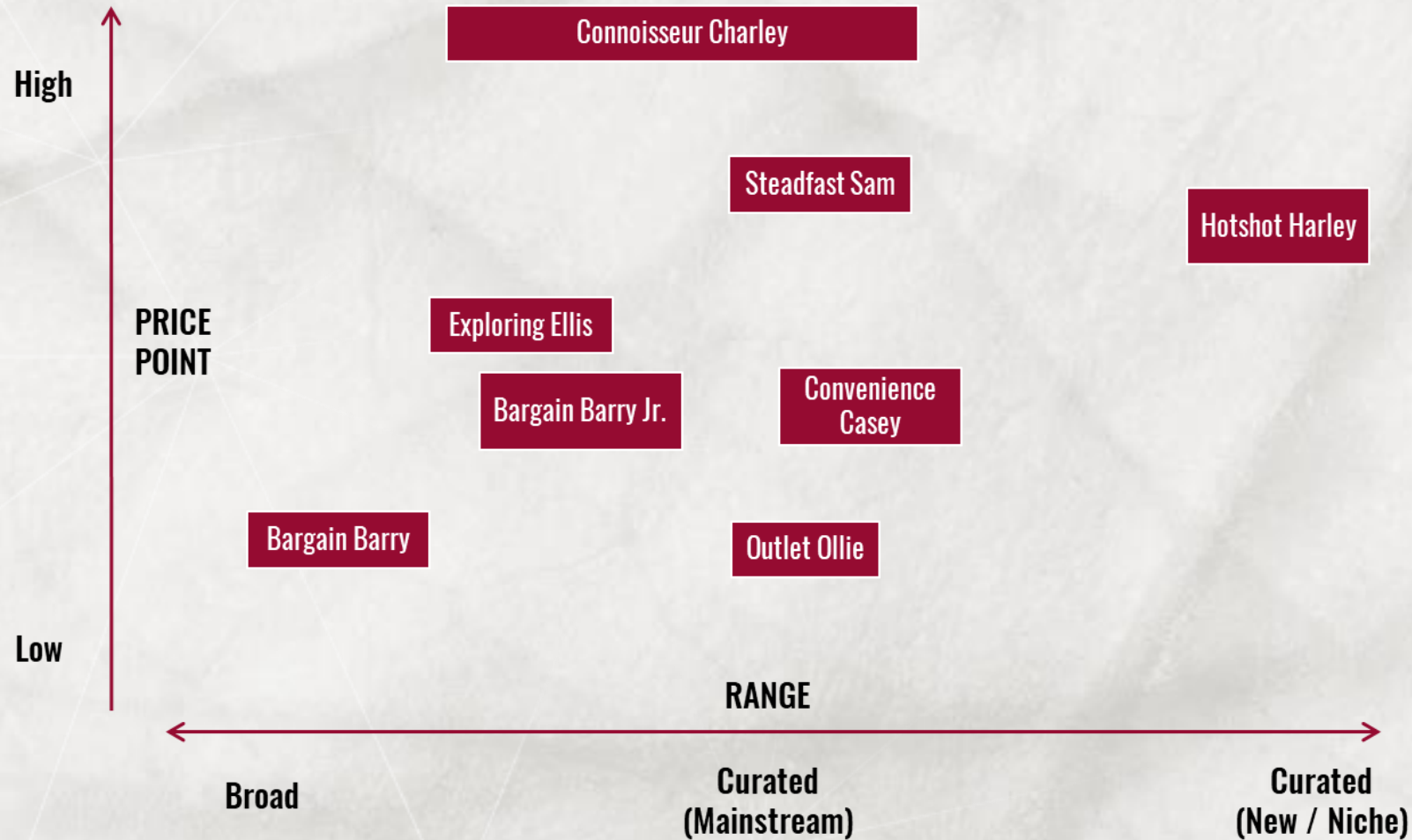
Bargain
Barry Jr.

Segments based on:

- Age
- Price Point
- Annual Cigar Consumption
- Purchase Frequency and Brand Preference



DIFFERENTIATED ONLINE OFFERING



Each online business unit is positioned and tightly aligned to a specific consumer group



BUSINESS INTELLIGENCE WILL DRIVE FURTHER GROWTH



Business
Intelligence



Insights across business units



Basket
size



Retention
rates



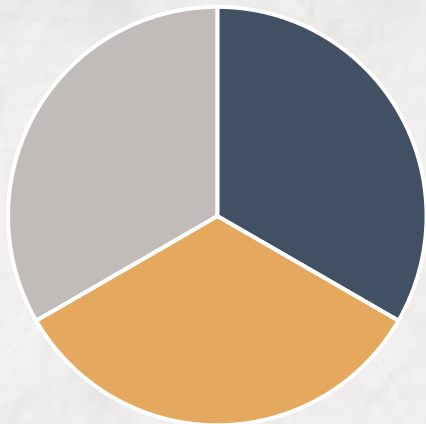
Consumer
lifetime value





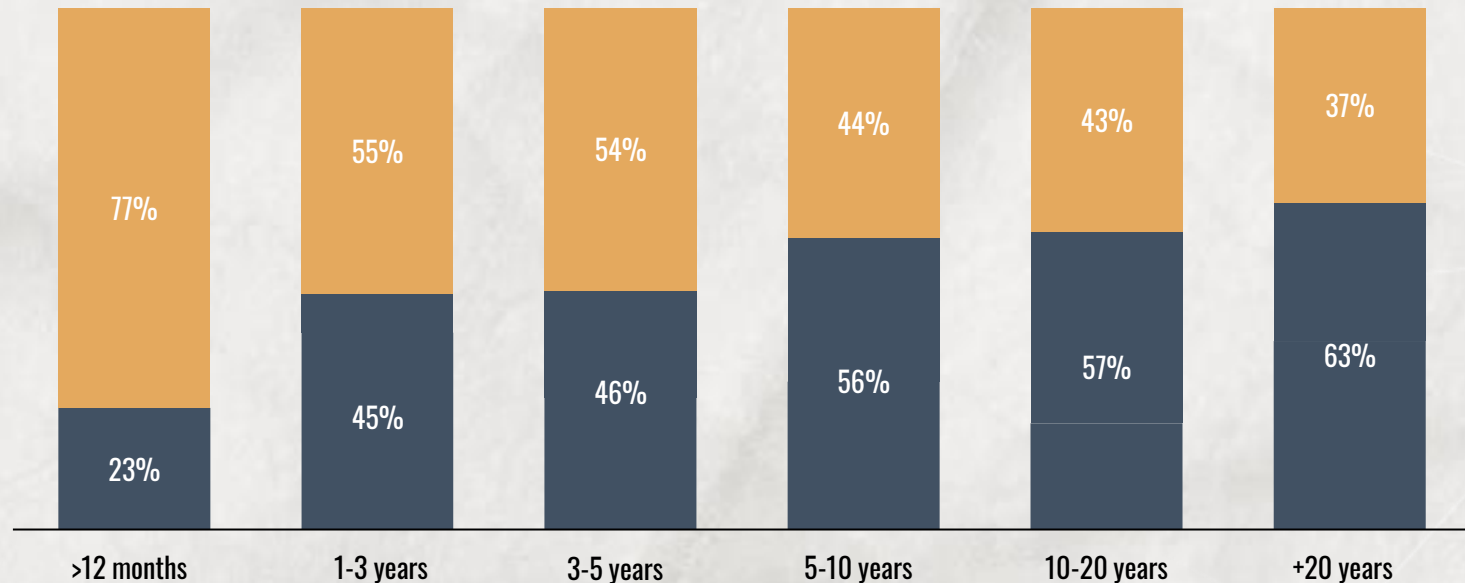
HANDMADE CIGAR CONSUMERS MIGRATE ONLINE OVER TIME

Shopping Channel Breakdown by Consumer Preference



- Online Only
- Offline Only
- Online and Offline

When First Smoked



- Offline
- Online

When First Shopped Online



RETAIL NETWORK REPRESENTS GROWTH OPPORTUNITY

Bethlehem, PA
Retail Store
Opened

Bethlehem, PA
Super-store
Opened

Hamburg, PA
Super-store
Opened

The Colony, TX
Super-store
Opened

Fort Worth, TX,
Lutz, FL and Tampa, FL
Super-stores Opened

2000

2007

2012

2018

2020





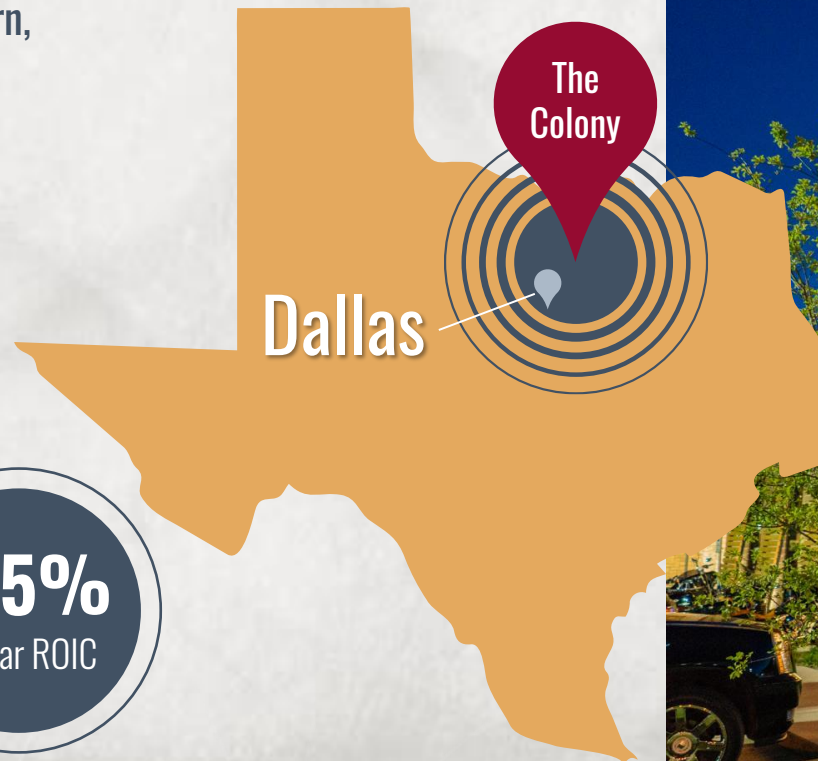
THE COLONY, TX SUPER-STORE PERFORMANCE

A new category standard in modern, experiential retail, introducing consumers to the category

30-mile HALO effect

North America Online & Retail double-digit online sales growth in HALO catchment area after one year

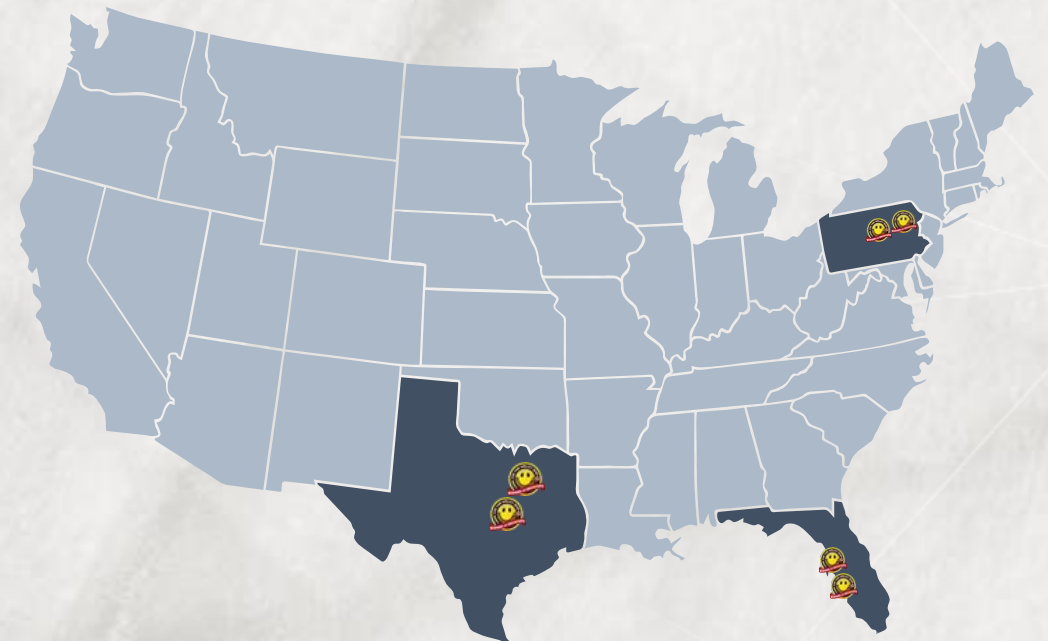
~25%
3-year ROIC





EXPANDING RETAIL NETWORK

- 1** We plan opening ~6-8 stores within next 2-3 years
- 2** We target suburban areas in states where we are already present, leveraging existing infrastructure
- 3** Each store represents an investment of 4-7 million USD (depending on construction model)
- 4** Super-stores are not margin dilutive when fully operational and we expect a ROIC per store of >20% within 3-5 years



 Existing super-store



SCANDINAVIAN TOBACCO GROUP

Q&A 10 MINUTES



To ask a question, please scan the QR code or
go to [slido.com](https://www.slido.com) and enter code #894003



SCANDINAVIAN TOBACCO GROUP

Financial Outlook

MARIANNE RØRSLEV BOCK

Executive Vice President and
Chief Financial Officer





KEY TAKEAWAYS

- 1 History of strong financial performance and shareholder returns
- 2 Disciplined capital allocation strategy and proven M&A track record
- 3 Strong cash flow allows for investments in growth
- 4 Reaching financial ambitions





STRONG FINANCIAL PERFORMANCE 2016-2020

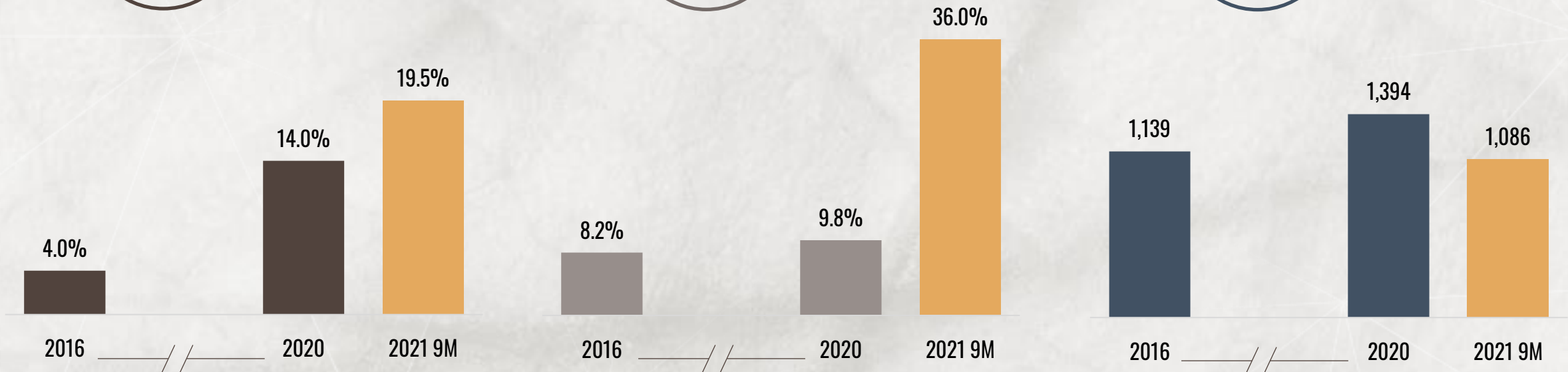
ORGANIC EBITDA GROWTH



ADJUSTED EPS GROWTH



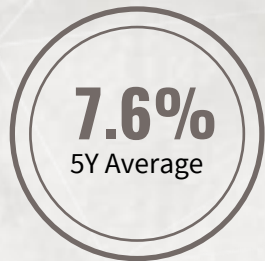
FCF BEFORE ACQUISITIONS





ATTRACTIVE SHAREHOLDER RETURNS 2016-2020

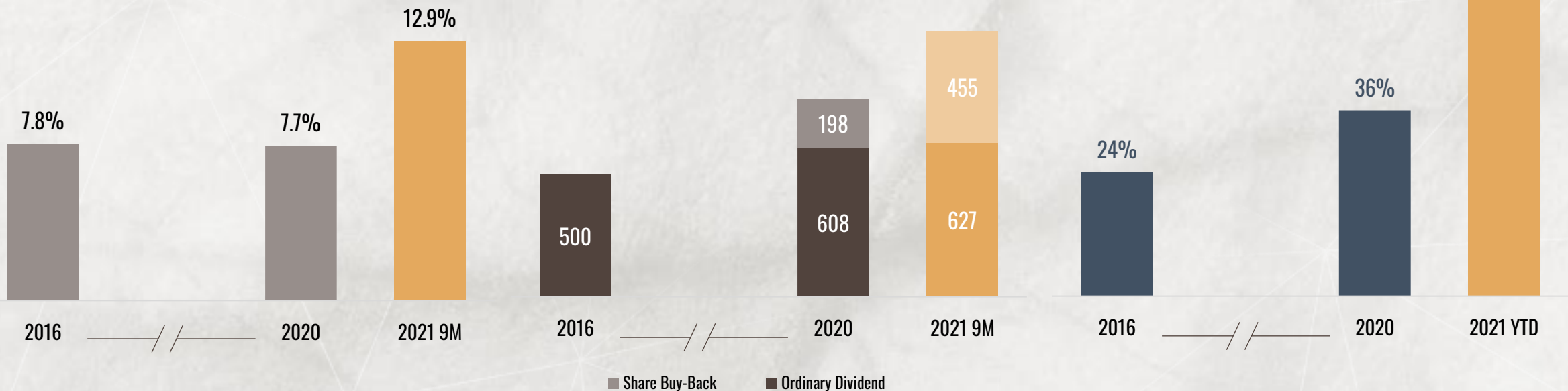
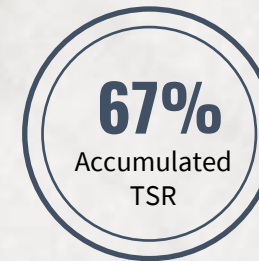
ROIC



CAPITAL ALLOCATION



TOTAL ACCUMULATED SHAREHOLDER RETURN





OUR FINANCIAL AMBITIONS



3%-5%
annual organic
EBITDA growth

EARNINGS



Annual average net
increase before acquisitions
and sizeable investments

**FREE CASH
FLOW**



Improve ROIC

**RETURN ON
INVESTED
CAPITAL**



3-5% AVERAGE ORGANIC EBITDA GROWTH

Group

Net Sales: Organic growth

Positive

EBITDA margin change

Improve

EBITDA growth

3-5% p.a.

Europe Branded

Organic growth in net sales



EBITDA margin change



North America Branded and Rest of World



North America Online & Retail



Legend



Above Group Average



Group Average



Below Group Average



CORE FREE CASH FLOW

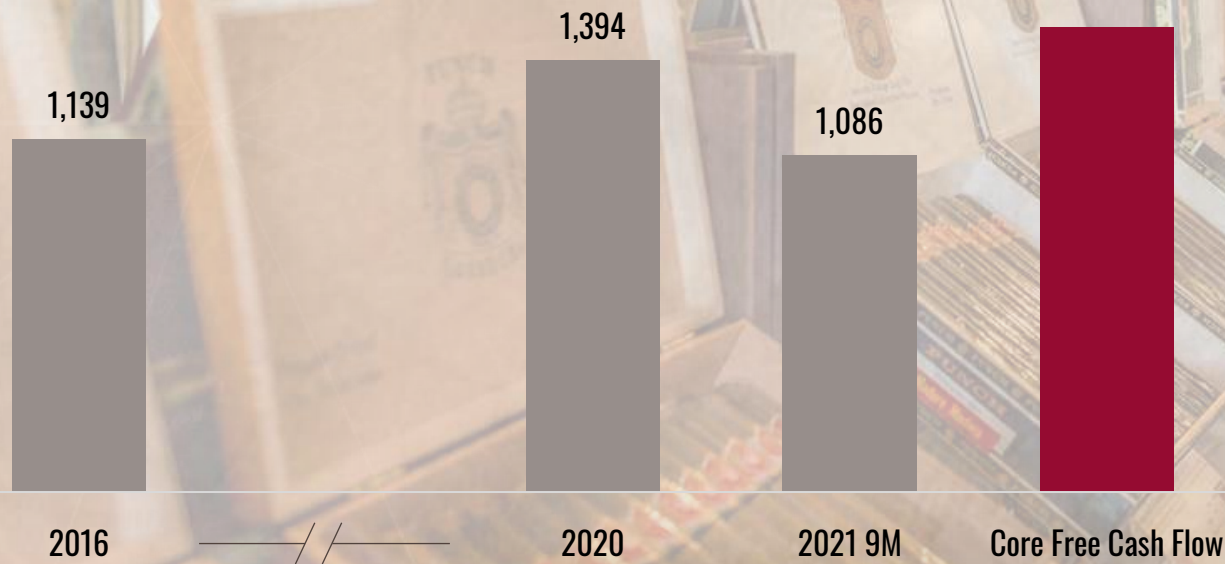


Note: Free Cash Flow before acquisition and sizeable investments, DKKm

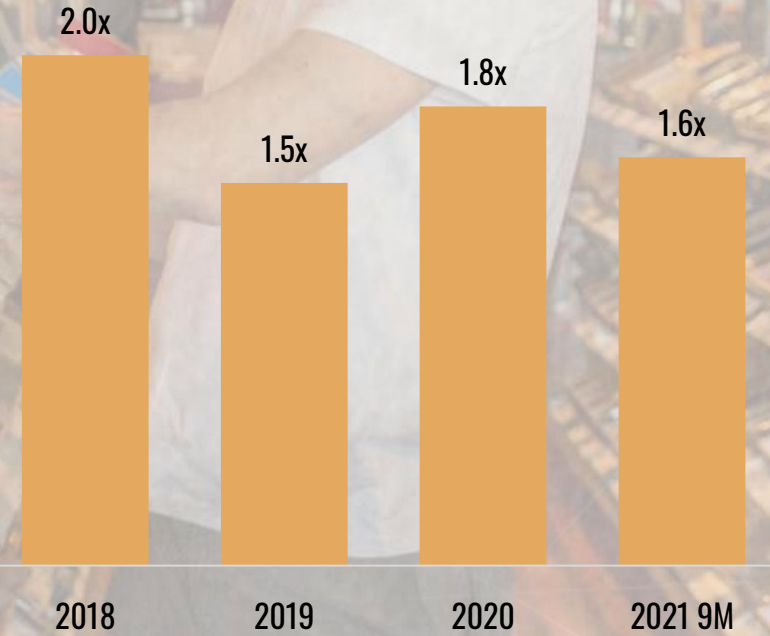


FREE CASH FLOW REDUCES LEVERAGE RATIO

**FCF BEFORE ACQUISITIONS
(DKKm)**



LEVERAGE RATIO





DISCIPLINED CAPITAL ALLOCATION STRATEGY





EXTRACTING SYNERGIES AND GROWING THROUGH M&A





M&A REPORT CARD

Investment Rationale



Deal Size:
USD 62m
2018

Strengthens position in the US online channel

Significant value creation and realisation of synergies



Deal Size:
EUR 210m
2020

Good geographic fit, complementary brands, and enabling utilisation of excess capacity

Major acquisition with significant cost savings

Integration Strategy



Commercial and back-office integration



Integrate warehouse and shipping facilities



Merge sales organisations



Optimise manufacturing footprint



Integrate back-office and functions

ROIC

~20%

~20%



STRATEGIC M&A RATIONALE ACROSS CATEGORIES

Handmade Cigars

- Strengthen handmade cigar brand portfolio
- Gain synergies across the value chain
- Gain access to high growth segments

EU Machine-Rolled Cigars

- Strengthen machine-rolled cigar brand portfolio
- Build scale to consolidate
- Gain synergies across the value chain
- Gain access to growth segments

US Online & Retail

- Protect and grow market share
- Consolidate synergies
- Enhance margin on proprietary brands and products
- Increase bargaining power towards suppliers



EVALUATING M&A OPPORTUNITIES ACROSS THE SPECTRUM



Structured and disciplined approach

Strategic screening

- Strategic screening of potential targets across categories and markets
- Strategic fit, integration feasibility, synergy potential
- Regular target tracking

Negotiations

- Target dialogue on an ongoing basis
- Structured approach to interactions with targets

Deal execution

- Transaction governance
- Due diligence process
- Negotiating terms of agreement

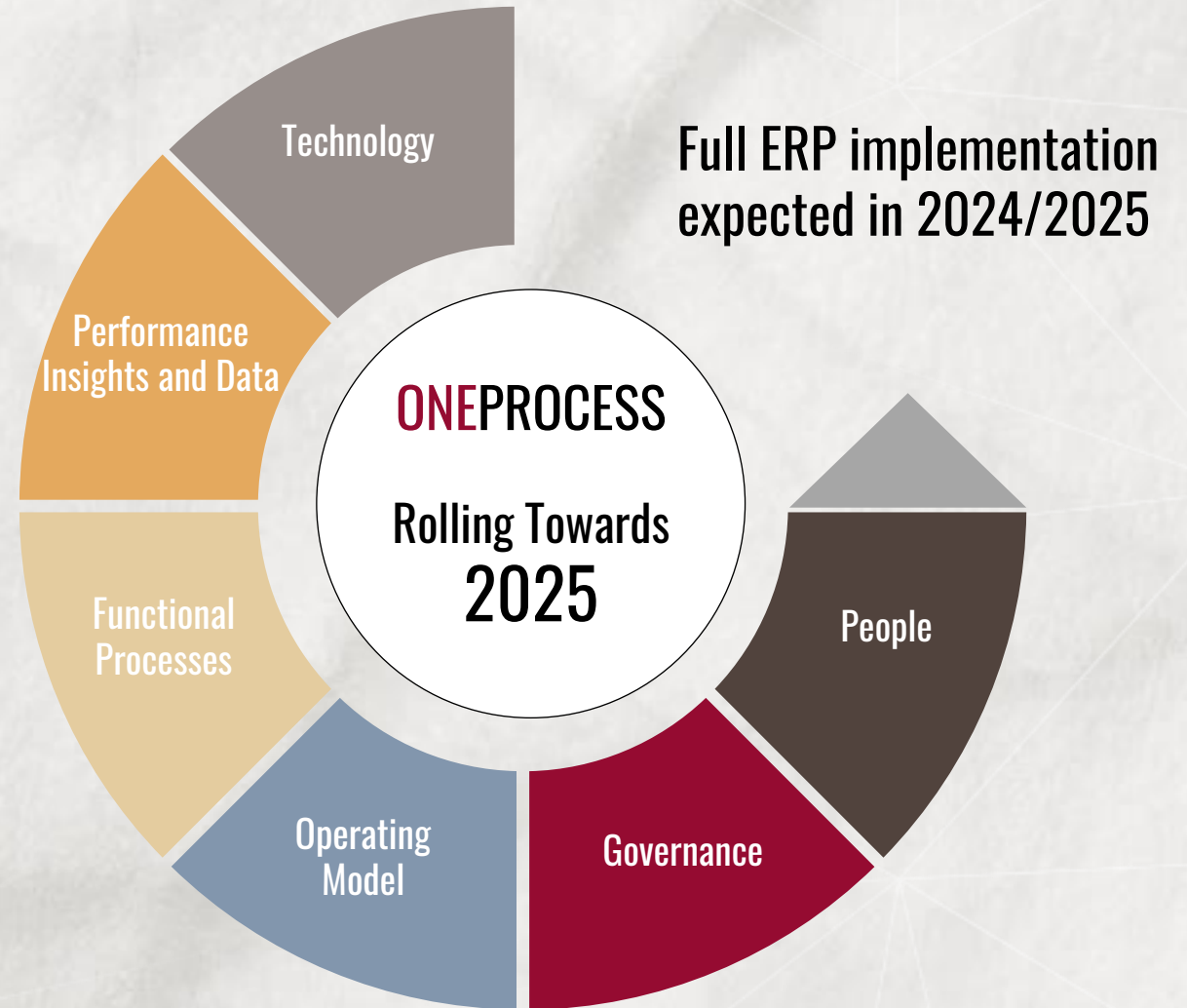
Integration planning and implementation

- Integration principles and approach
- Integration team
- Stakeholder management and change management



INVESTING FOR GROWTH

- 1** A key enabler for strategy execution
- 2** Strengthens ability to deliver growth and profitability
- 3** Improved basis for integration of M&A targets





POSITIONED FOR SUCCESS



Strong historical financial performance and attractive shareholder returns



Focused on growing earnings, increasing cash flow and improving ROIC



Disciplined capital allocation strategy focused on capital efficiency and shareholder returns



Disciplined M&A approach designed to maximise ROIC



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