



CREATING MOMENTS OF ENJOYMENT

Investor Presentation | Third Quarter Results | 8 November 2023



SCANDINAVIAN TOBACCO GROUP



CORPORATE SUMMARY

Market cap	Share price	Shares Outstanding
DKK 9.0 billion	DKK 104.4	86.6 million

Major Shareholders

Investor	Shareholding
Chr. Augustinus Fabrikker Aktieselskab	>25%
C.W. Obel	>10%
Capital Research & Management Company	>10%
Parvus Asset Management	>5%

Analyst Coverage

Carnegie



Nordea

A GLOBAL LEADER IN CIGARS

- 200 LEADING BRANDS, 11 PRODUCTION SITES
- NO. 1 HANDMADE CIGAR LEADER IN USA
- NO. 1 MACHINE-ROLLED CIGAR LEADER IN EUROPE
- ALMOST 1 MILLION ONLINE CUSTOMERS IN USA
- 100 DISTRIBUTION MARKETS
- STRONG M&A HISTORY



3 COMMERCIAL DIVISIONS



EUROPE
BRANDED



NORTH AMERICA
BRANDED
& REST OF WORLD



NORTH AMERICA
ONLINE & RETAIL



AGENDA

1. Q3 2023 Highlights – Niels Frederiksen, CEO
2. Business Updates – Niels Frederiksen, CFO
3. Our Commercial Divisions – Marianne Rørslev Bock, CFO
4. Group Financials – Marianne Rørslev Bock, CFO
5. Outlook 2023 – Marianne Rørslev Bock, CFO
6. Q&A – all



NIELS FREDERIKSEN
Chief Executive Officer



MARIANNE RØRSLEV BOCK
Chief Financial Officer



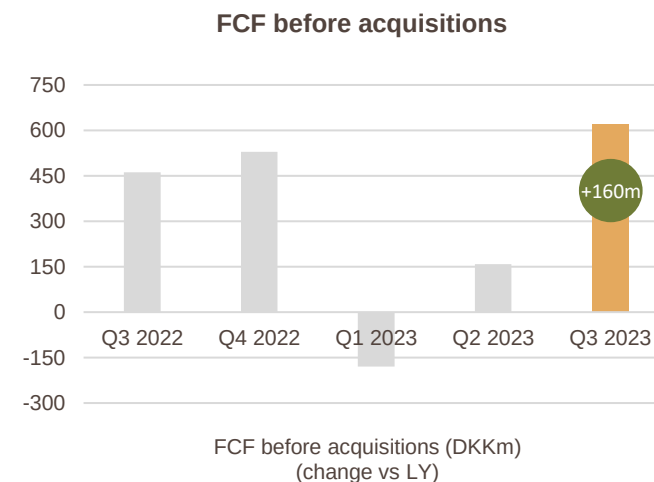
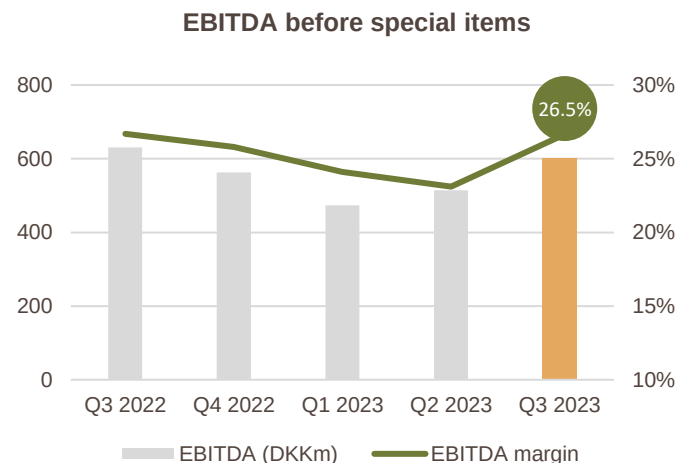
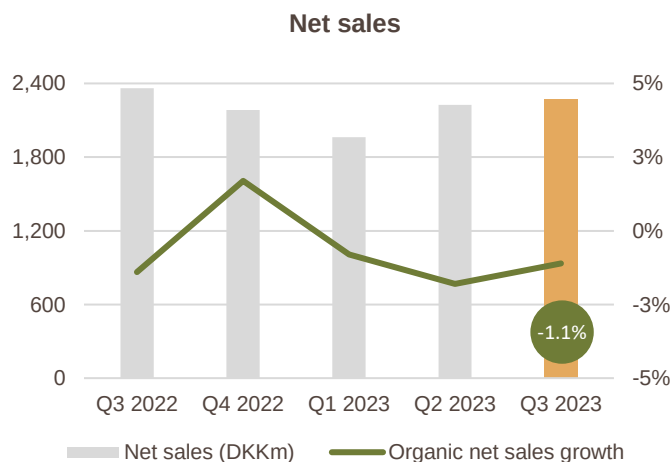
TORBEN SAND
Head of Investor Relations



Q3 2023 HIGHLIGHTS

- Recovery in EBITDA-margin and cash flow, despite continued decrease in net sales
- Net sales growth from NAOR and Growth Enablers
- Pricing remains solid
- Europe Branded suffered from market share loss and market mix
- Approval of new Share Buy-Back program

	Q3 2023	Q3 2022
Net Sales Growth	-3.9%	8.2%
EBITDA margin before special items	26.5%	26.7%
FCF before acquisitions (DKK)	622m	462m
Adjusted Earnings Per Share (DKK)	4.1	4.4





THREE PILLARS FOR OUR ROAD AHEAD

M&A

- Long, proven history of M&A execution & integration is embedded in the business structure
- Continuously searching for opportunities to grow the business and strengthen the brand portfolio both within cigar and NGP categories
- DKK 583 million invested during the first nine months of 2023
- Integration of both Alec Bradley and XQS is completed



ALEC BRADLEY

Premium handmade
cigar market

XQS™

Modern Whites & Modern
Actives in Sweden

GROWTH ENABLERS

Expansion

- Eighth and ninth cigar Superstores opened in Conroe and Katy, Texas
- Cohiba cigar lounge (first of its kind) opened in California in partnership with Ritz-Carlton

Next Generation Products

- STRÖM sales performance remain steady
- XQS brand growing well and takes market share
- !act launch well received
- ZYN distribution continue strong growth

International Sales of Handmade cigars

- Net sales growth of more than 25% YTD



STRÖM
Modern Whites Product



!act
Energy Pouch Product

SUSTAINABILITY

Good progress on Rolling Responsibly agenda which focusses on three main priorities:

- Preparation to meet regulatory compliance demands set forth by the Corporate Sustainability Reporting Directive (“CSRD”)
- Reaching our commitments on climate
- Embedding sustainability into key business processes



SCIENCE
BASED
TARGETS





SCANDINAVIAN TOBACCO GROUP

DIVISIONAL PERFORMANCE



EUROPE BRANDED

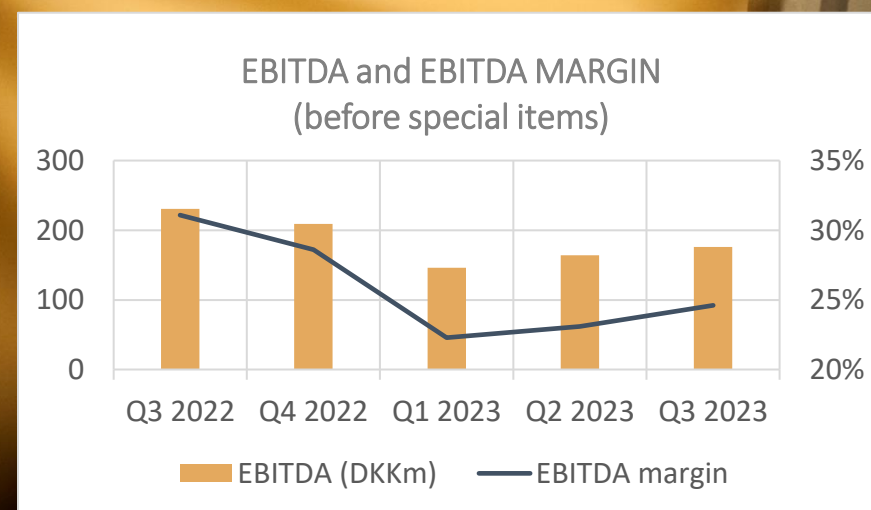
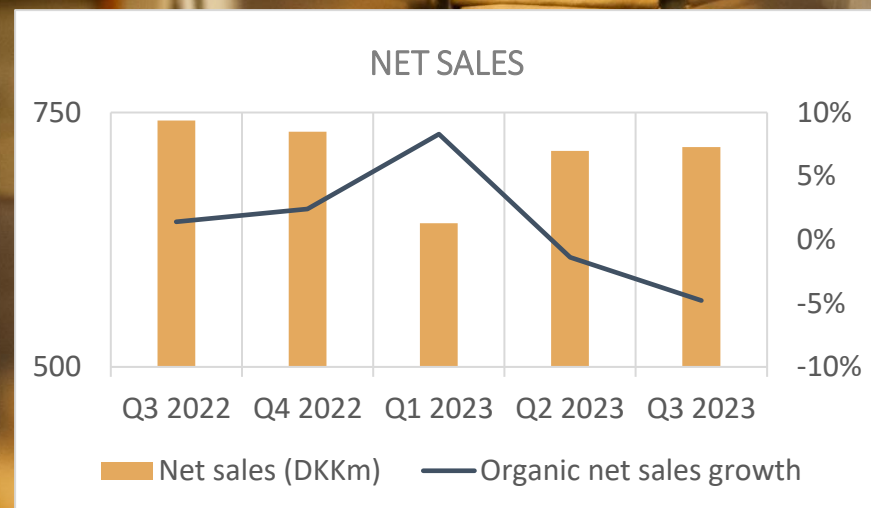
Q3 Highlights

- Organic net sales growth of -5% driven by volume decline in MRC and pipe tobacco. Pricing remained strong across all product categories
- Market volume down by 3% with market share index at 29.3% in Q3 2023 versus 29.8% in Q2 2023
- EBITDA margin continue to be under pressure driven by changes in market and product mix (primarily France and the UK) and scale effects on costs from declining volumes

Rolling Towards 2025

- Net sales expected to improve during the fourth quarter with margins still being subdued by investments in Next Generation Products and in regaining market shares
- Key focus remain to secure profitable positive organic net sales growth and to improve value market share
- Simplification initiatives to support long-term margin expansion
- Next Generation Products continue to develop well

KEY BRANDS





NORTH AMERICA BRANDED & ROW

Q3 Highlights

- Organic net sales development improved although remained negative by 2.6% as result of lower third-party net sales and a continued decline in handmade cigars in the US
- International sales of handmade cigars continue to deliver net sales growth and pricing across most product categories and markets is solid
- The EBITDA margin improved in the quarter primarily driven by price and mix and to a lesser extent an improvement in the OPEX-ratio

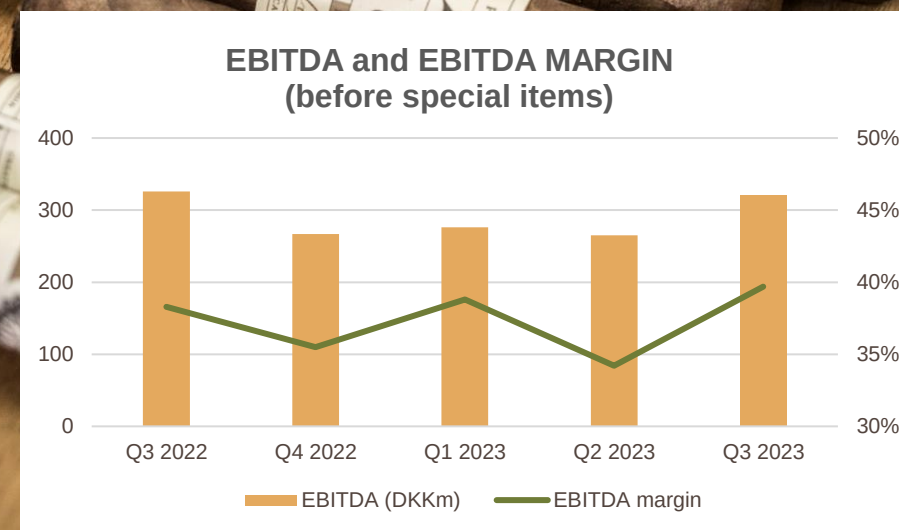
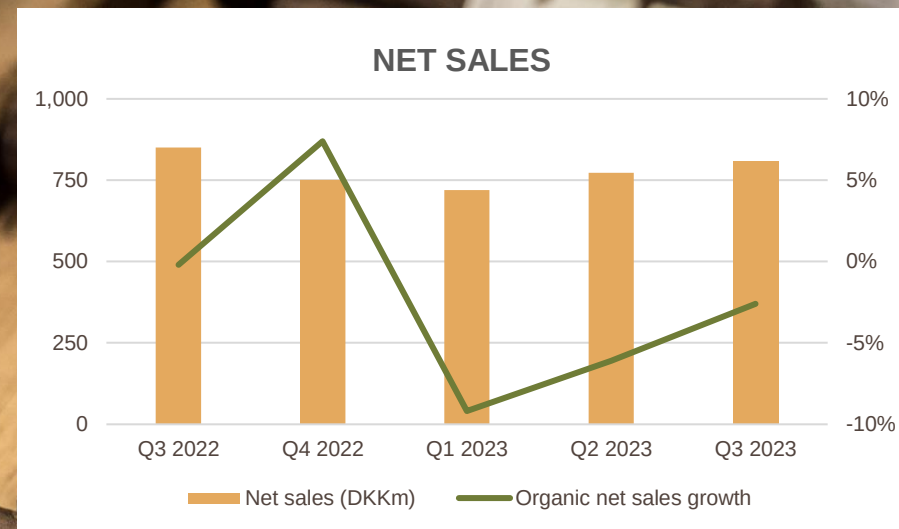
Rolling Towards 2025

- Growing the global handmade cigar business is a key priority.
 - ❖ The acquisitions of the Room101 and Alec Bradley cigar brands.
 - ❖ The opening of the Cohiba Cigar Lounge in Santa Barbara, California.
 - ❖ Expansion of our international sales.
- Facilitate new growth opportunities for the Group through the Growth Incubator

KEY BRANDS



Meier & Dutch
Wholesale Cigar Distributors





NORTH AMERICA ONLINE & RETAIL

Q3 Highlights

- Organic net sales increased by more than 4% building on the recovery since the beginning of the year
- Both online and retail delivered growth – with retail accounting for about 9% of net sales
- The active online customer file continued to stabilize versus previous quarters, but declined versus the same quarter last year
- Distribution of third party NGP products (ZYN) continues to develop well
- The EBITDA margin improvement relates to higher net sales and efficiency improvements

Rolling Towards 2025

- Focus to regain traction in the number of active consumers
- The expansion of our retail network in the US continues with 2 store openings YTD in 2023 bringing the total to 9 super stores. Additional store openings are expected during 2024 and 2025.

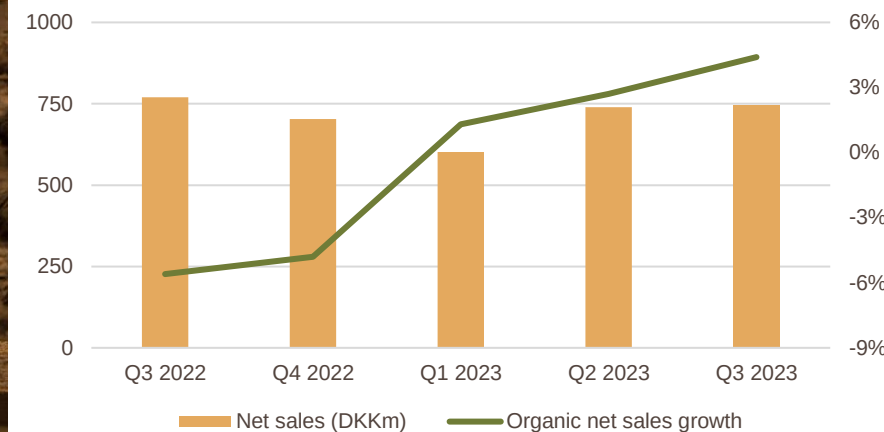
ONLINE STORES



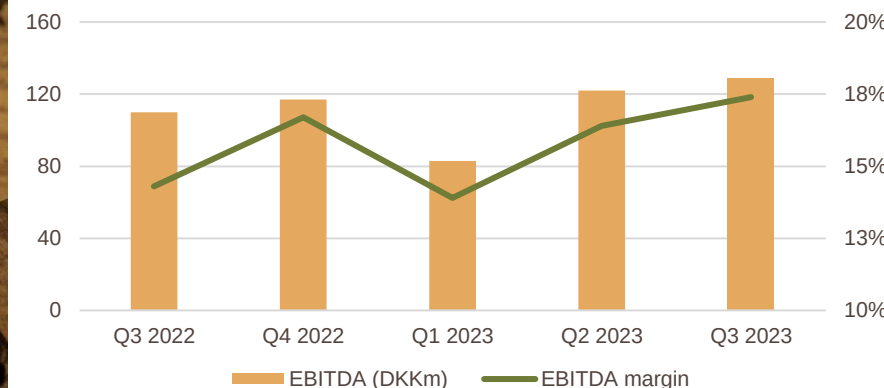
KEY BRANDS



NET SALES



EBITDA and EBITDA MARGIN
(before special items)



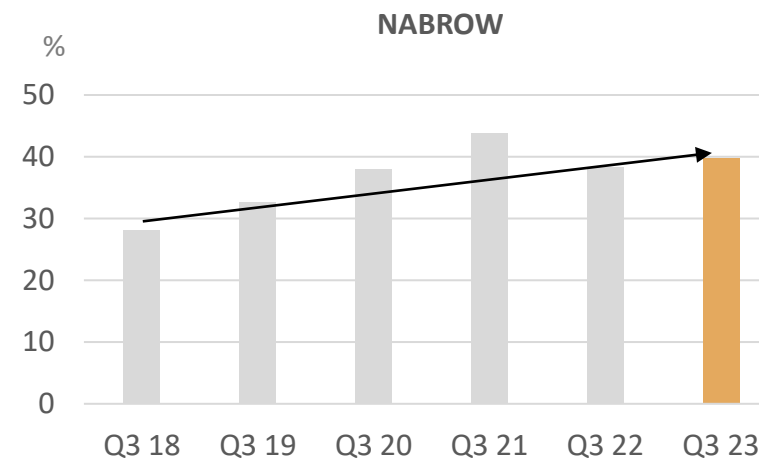
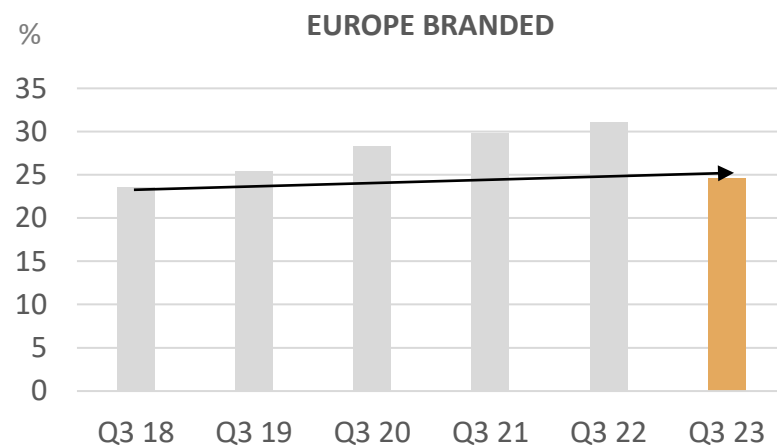
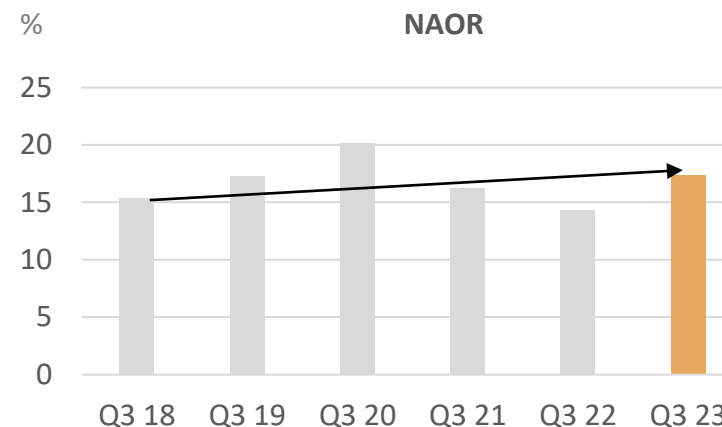
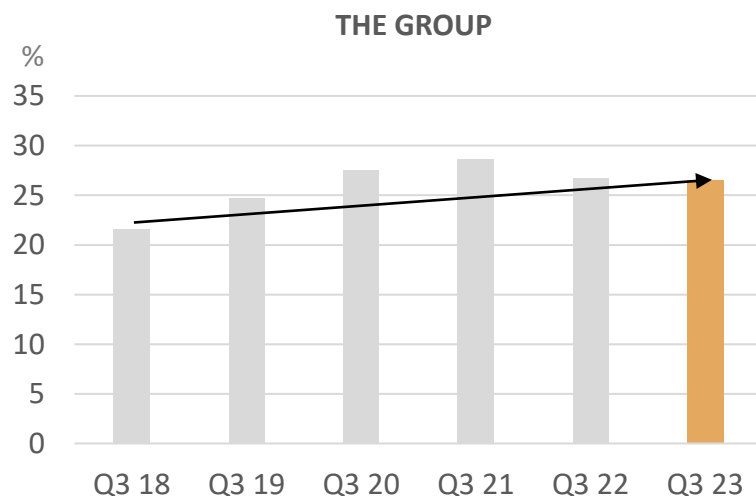


SCANDINAVIAN TOBACCO GROUP

GROUP FINANCIALS



LONG TERM TREND - EBITDA MARGINS (Q3 2018-Q3 2023)





Q3 AND 9M 2023 RESULTS

DKK million	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022	FY 2021
Net sales	2.269	2.362	6.456	6.577	8.762	8.233
Gross profit (before special items)	1.092	1.172	3.115	3.265	4.307	4.113
OPEX	-490	-541	-1.526	-1.559	-2.037	-1.911
EBITDA before special items	602	631	1.589	1.707	2.270	2.233
Special items	-14	-27	-58	-67	35	-55
EBIT	489	514	1.254	1.374	1.953	1.814
Net financials	-44	-32	-98	-90	-137	-77
Net profit	351	381	914	1.019	1.476	1.391
Adjusted EPS (DKK)	4,1	4,4	10,8	11,6	16,0	14,8
Cash flow from operations	694	551	813	999	1.393	1.567
Free cash flow before acquisitions	622	462	602	735	1.264	1.393

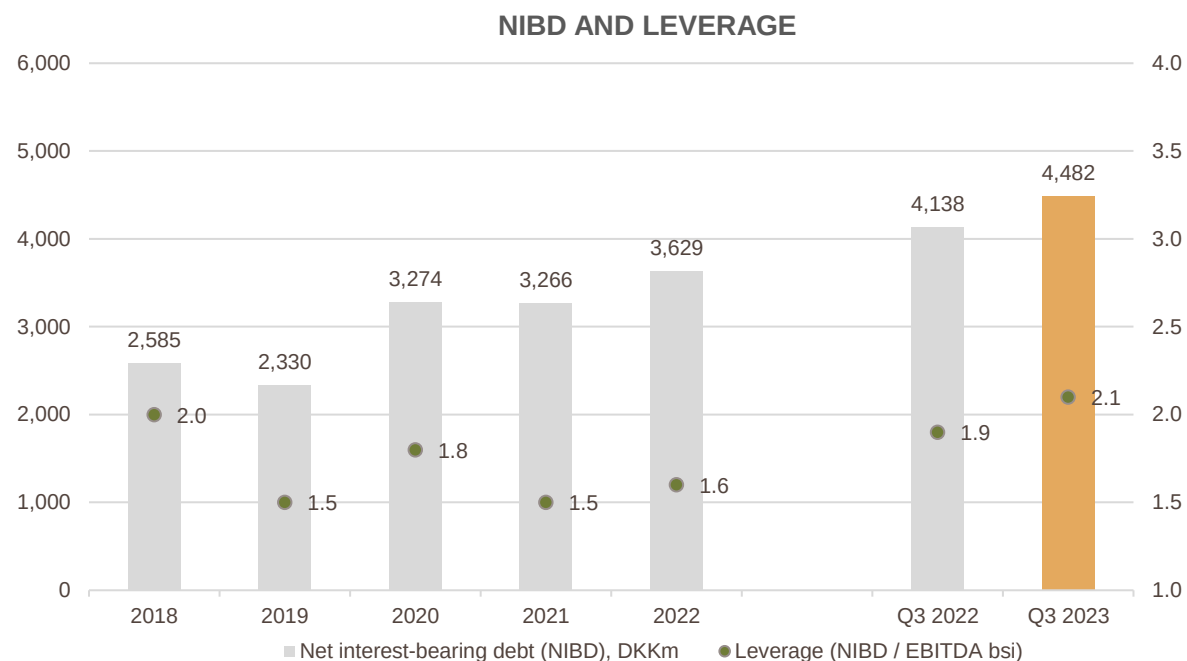
	Q3 2023	Q3 2022
Organic net sales growth	-1.1%	-1.4%
Gross margin	48.2%	49.6 %
OPEX ratio	21.6%	22.9%
EBITDA margin	26.5%	26.7%

	9M 2023	9M 2022
Organic net sales growth	-1.2%	-1.6%
Gross margin	48.3%	49.6%
OPEX ratio	23.6%	23.7%
EBITDA margin	24.6%	25.9%



NET DEBT AND LEVERAGE

- Net Interest-bearing Debt (NIBD) decreased by DKK 577 million to DKK 4,482 million versus Q2 2023.
- NIBD increased versus the end of 2022 by DKK 853 million explained by the positive cash flow from operations being off set by capital distributions and investments in Alec Bradley and XQS.
- Leverage ratio decreased to 2.1x versus 2.3x on 30 June 2023. The leverage ratio by end of 2022 was 1.6x.
- The leverage ratio is expected to decrease further in the fourth quarter of the year.





CAPITAL ALLOCATION – NEW SHARE BUY-BACK PROGRAM

- Shareholder Return Policy with ambition of annual growth in ordinary dividend payments and distributing excess capital
- YTD 2023: Ordinary dividend payment of ~DKK 715 million and Share Buy-Back Jan-Feb of DKK 96 million
- Approval of up to DKK 850 million programme supported by leverage and strong cash-flows. November 2023-February 2025.
- Pro-rata participation by Chr. Augustinus Fabr. (27.0%) and C.W.Obel (12.5%)

Shareholder return policy

The Board of Directors continuously evaluate the distribution of excess capital to shareholders based on a comparison of the projected leverage ratio against a target of 2.5x with the leverage ratio calculated as Net Interest-Bearing Debt (NIBD)/EBITDA before special items.

The Board of Directors' objective is to distribute excess capital by way of dividends and/or share buybacks with an ambition of annual growth in ordinary dividend payments, reflecting our financial ambition of growing the Company and improving EBITDA margin and free cash flow over time.

The Group maintains the flexibility to temporarily exceed the target leverage ratio in connection with dividend distribution, acquisitions or investments. Our capital distributions will always take into account potential acquisitions and other liquidity needs.





2023 GUIDANCE*

NET SALES

In the range of
DKK 8.7–9.0 billion

EBITDA MARGIN

Before special items

In the range of
23.5 - 24.5%

FREE CASH FLOW

Before acquisitions

In the range of
DKK 1.1–1.3 billion

ADJUSTED EPS

In the range of
DKK 14.0 – 16.0

Fourth Quarter 2023

- **Net sales growth** driven by online/retail, stabilization in Europe Branded and increased net sales from Growth Enablers
- **EBITDA margin to decrease** versus Fourth Quarter 2022 as a result of increased investments in the Growth Enablers as well as in regaining market share in Europe Branded and changes in country and product mix.
- **Free Cash Flow before Acquisitions to continue its trend** from the third quarter based on operational performance and working capital improvements

* Guidance and assumption are based on current exchange rates



UPCOMING CAPITAL MARKETS DAY



2023 Capital Markets Day

Date: Tuesday, 21st November – 1200 GMT

Location: The Ned, London

Registration:

<https://www.st-group.com/investor/capital-markets-day-2023/>

Livestream will be available for those not able to participate in person.



QUESTIONS AND ANSWERS

We are happy to take any questions from the audience now.

Visit our investor site at:
www.st-group.com/investor

FIND OUT MORE

Annual Report 2022

Our 2022 Annual Report addresses our financial performance, strategic execution and other important aspects of our business operations.



Sustainability Report 2022

Our Sustainability Report provides detailed information on our sustainability efforts and responsible business behaviour.

Remuneration Report 2022

Our Remuneration Report includes an overview of the total remuneration received by the Board of Directors and Executive Management.





2024 EVENT CALENDAR & CONTACT

JAN-MAR

5 March 2024
Full year/Q4 2023 results

APR-JUN

4 April 2024
Annual General Meeting

2 MAY 2024
Q1 interim report

JUL-SEP

22 AUG 2024
H1/Q2 interim report

OCT-DEC

12 NOV 2024
Q3 interim report



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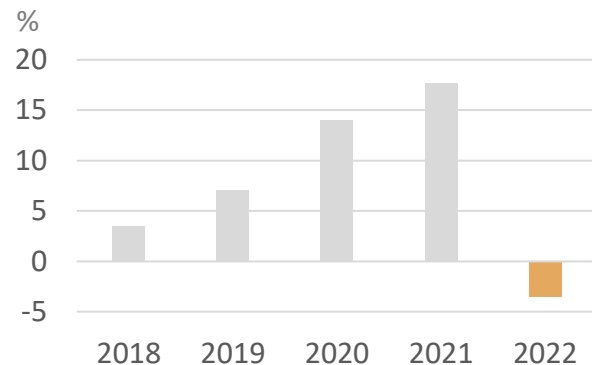
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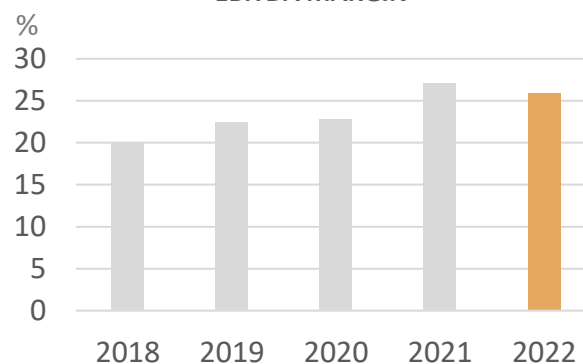


STEADY GROWTH IN 5 YEAR FINANCIAL PERFORMANCE

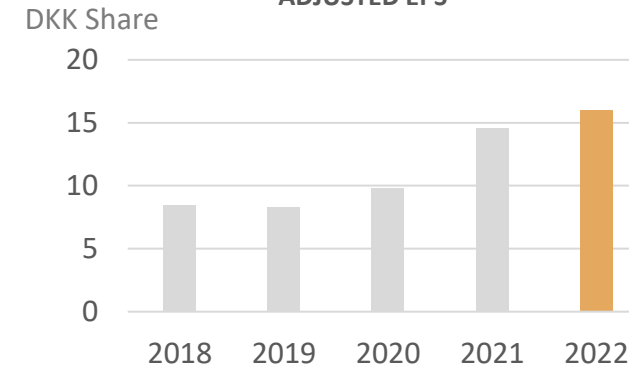
ORGANIC EBITDA GROWTH



EBITDA MARGIN



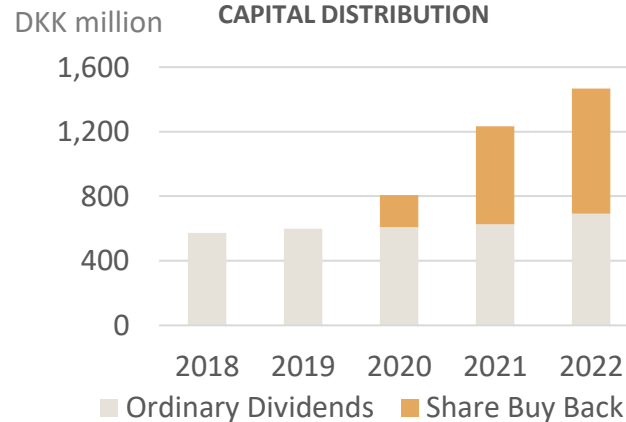
ADJUSTED EPS



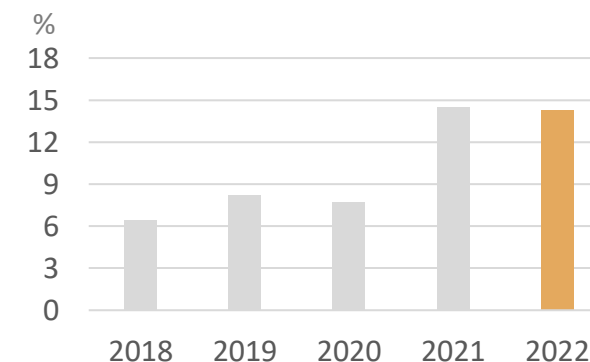
FREE CASH FLOW



CAPITAL DISTRIBUTION



RETURN ON INVESTED CAPITAL





SCANDINAVIAN TOBACCO GROUP

THANK YOU

