



SCANDINAVIAN TOBACCO GROUP

CAPITAL MARKETS DAY 2023

21 NOVEMBER 2023

AGENDA



1200 WELCOME
Torben Sand, IR & Communications Director

1210 SECTION 1: OUR UNIQUE COMPANY
Niels Frederiksen, CEO
Torben Sand, IR & Communications Director
Yulia Lyusina, SVP Strategy, Transformation & Sustainability

1250 Q&A

1300 SECTION 2: THE CONSUMER JOURNEY
Jurjan Klep, SVP Europe Branded
Régis Broersma, SVP North America Branded & RoW
Sarah Santos, SVP North America Online & Retail

1345 Q&A

1400 BREAK

1415 SECTION 3: THE VALUE PROPOSITION
Jesper Madsen, CSCO
Yulia Lyusina, SVP S, T & S
Niels Frederiksen, CEO
Torben Sand, IR & Communications Director

1500 Q&A

1530 CLOSING REMARKS & SOCIAL EVENT

DEDICATED AND EXPERIENCED MANAGEMENT TEAM



Niels Frederiksen
Chief Executive Officer



Marianne Bock
Chief Financial Officer



Régis Broersma
North America Branded & RoW



Sarah Santos
North America Online & Retail



Jurjan Klep
Europe Branded



Yulia Lyusina
Strategy, Transformation
& Sustainability



Jesper Madsen
Chief Supply Chain Officer

ASK AWAY



SCAN THIS QR CODE
USING YOUR PHONE'S CAMERA

USE SLIDO
TO ASK ANY
QUESTIONS

A close-up photograph of two hands rolling a cigarette. The hands are positioned over a large, dried tobacco leaf that is laid out on a dark wooden surface. The lighting is warm and focused on the hands and the leaf, creating a sense of craftsmanship and tradition.

SECTION 1

OUR UNIQUE COMPANY

PART 1: WHO WE ARE

PART 2: OUR TRANSFORMATION

PART 3: THE EQUITY STORY

PART 1: WHO WE ARE

CRAFT THE RITUALS THAT MAKE US MORE



Speakers for the session:



Niels Frederiksen
Chief Executive Officer



Torben Sand
Director of Investor Relations &
Communications

WHO WE ARE

OUR VISION IS TO BE THE UNDISPUTED & SUSTAINABLE GLOBAL LEADER IN CIGARS

Global

Consumer base within
cigars & related niche
products

1

In handmade cigars in the
US – world's biggest cigar
market

Strategy

Rolling Towards 2025
(five-year strategy)

1

In machine rolled cigars
in Europe

Value Creation

Supported through market
consolidation, growth enablers & clear
capital allocation policy

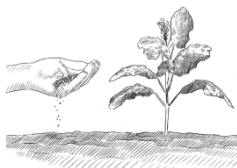
DKK 4.8

Billion in shareholder
returns in past 5 years

TWO OPERATING MODELS IN CORE CATEGORIES

HANDMADE CIGARS

1. Starts with a seed



2. We purchase raw tobacco



3. Local production setup



4. We sell in select countries, primarily the US



5. Online/retail consumers in US

MASS MARKETS

1. We purchase raw tobacco



2. Global production setup



3. We sell B2B in 100+ countries

THREE COMMERCIAL DIVISIONS

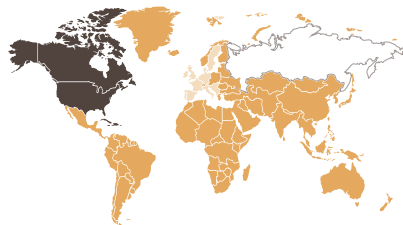
NORTH AMERICA ONLINE & RETAIL



6 Online business units

10 retail stores

NORTH AMERICA BRANDED & REST OF WORLD



EUROPE BRANDED



OUR PORTFOLIO OF LEADING BRANDS

HANDMADE CIGARS



MACHINE-ROLLED CIGARS




SMOKING TOBACCO



NEXT GENERATION PRODUCTS



ROLLING TOWARDS 2025

PURPOSE	CRAFT THE RITUALS THAT MAKE US MORE					
VISION	BE THE UNDISPUTED &  SUSTAINABLE GLOBAL LEADER IN CIGARS					
AMBITION	LARGER COMPANY		GROWING EBITDA MARGIN		OUTSTANDING CASH GENERATION	
MUST-WIN BATTLES	GROW OUR HANDMADE CIGAR BUSINESS	DRIVE FUTURE PROFIT GROWTH MACHINE ROLLED CIGARS	INTEGRATE NEW MERGERS AND ACQUISITIONS	SIMPLIFY EVERYTHING WE DO	EMBRACE A PERFORMANCE CULTURE	LEAD SUSTAINABILITY AGENDA IN CIGARS
ENABLERS	IT AND DATA CAPABILITIES AND INFRASTRUCTURE		LEAN, AGILE, EFFICIENT OPERATIONS		ATTRACTIVE EMPLOYER FOR TALENT	
VALUES	EMPOWER WITH PASSION		BLEND OUR STRENGTHS		CULTIVATE COURAGE	
					LIGHT THE WAY FORWARD	

STRENGTHENING OUR SUSTAINABILITY AGENDA

ROLLING RESPONSIBLY

ASPIRATION

We craft a better tomorrow – by elevating our communities and anchoring climate action in our culture

SUSTAINABILITY PRIORITIES

ENVIRONMENT

SOCIAL

NET-ZERO ALONG THE JOURNEY OF THE LEAF

SUSTAINABLE COMMUNITY PIONEERS

ADDRESS
CLIMATE
CHANGE

WATER
MANAGEMENT

LAND USE AND
RESPONSIBLE
AGRICULTURE

ENVIRONMENTALLY
FRIENDLY
MATERIALS AND
PACKAGING

EMPLOYEE
HEALTH &
SAFETY

DIVERSITY AND
INCLUSION

ANTI-CHILD
LABOUR

COMMUNITY
ENGAGEMENT &
IMPACT

GOVERNANCE

KEY ENABLERS

STRONG
CORPORATE
ETHICS

SUSTAINABILITY
CENTER OF
EXCELLENCE

PROACTIVE &
TRANSPARENT
REPORTING

AUTOMATED
EFFICIENT DATA
SYSTEMS

A TRULY
INCLUSIVE
EMPLOYEE
EXPERIENCE

RESPONSIBLE
SUPPLY CHAIN
AND
PROCUREMENT

CONSUMER
RESPONSIBILITY

OUR STRATEGIC PILLARS

CONTINUOUS TRANSFORMATION TO BE STRONGER & MORE PROFESSIONALISED

CORE CIGAR BUSINESS

MERGERS & ACQUISITIONS

Creating shareholder value is fundamental to Scandinavian Tobacco Group.

GROWTH ENABLERS

PROFESSIONALISATION
& TRANSFORMATION

As the Company grows, we strive to transform in a way that compasses digitalization, professionalization and sustainability.

UPDATE ON OUR 5-YEAR STRATEGY

DELIVERING ON OUR MUST-WIN BATTLES



Handmade Cigars

Two new boutique brands & continuous expansion across international market



M&A

Successfully completed **five** acquisitions in four years. Strong, proven M&A blueprint



Simplification

Upgraded ERP system implementation, Autostore and ongoing Group transformation



Machine Rolled Cigars

Profit growth since 2020 driven by acquisitions



Sustainability

New sustainability agenda embedded into company strategy, ongoing initiatives

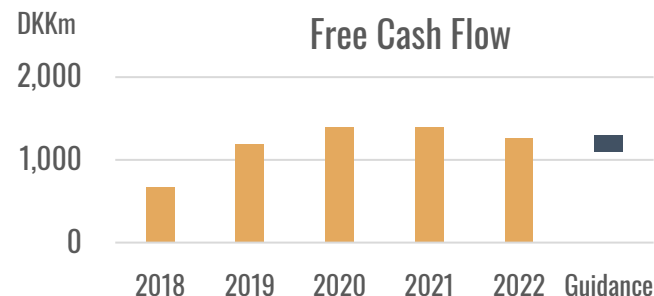
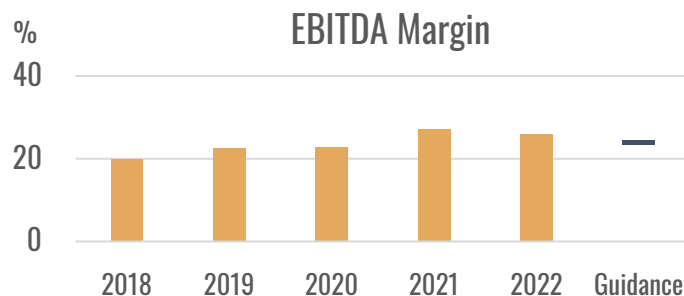
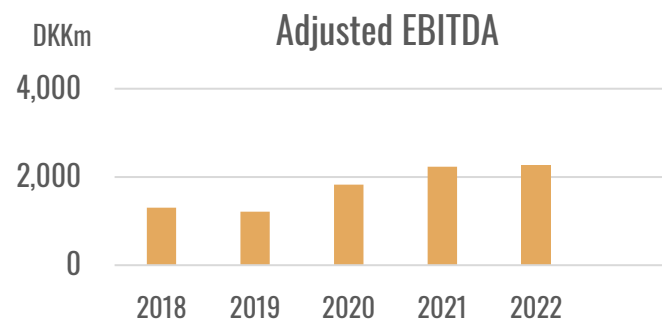
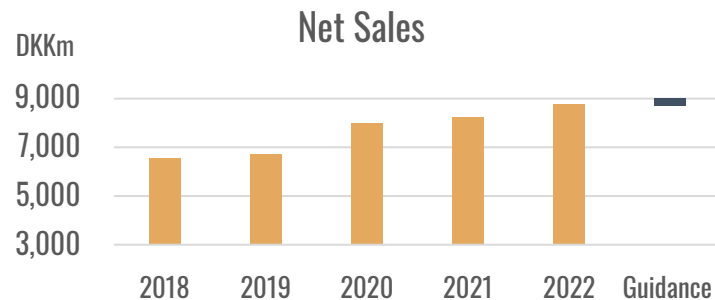


Performance Culture

Leadership strengthening courses, performance-driven incentive programs

ON TRACK TO DELIVER ON OUR FINANCIAL AMBITIONS

WITH A FOCUS ON LONG-TERM GROWTH



PART 2: OUR TRANSFORMATION

CUSTOMERS & CONSUMERS AS THE MAIN PRIORITY

Speaker for the session:

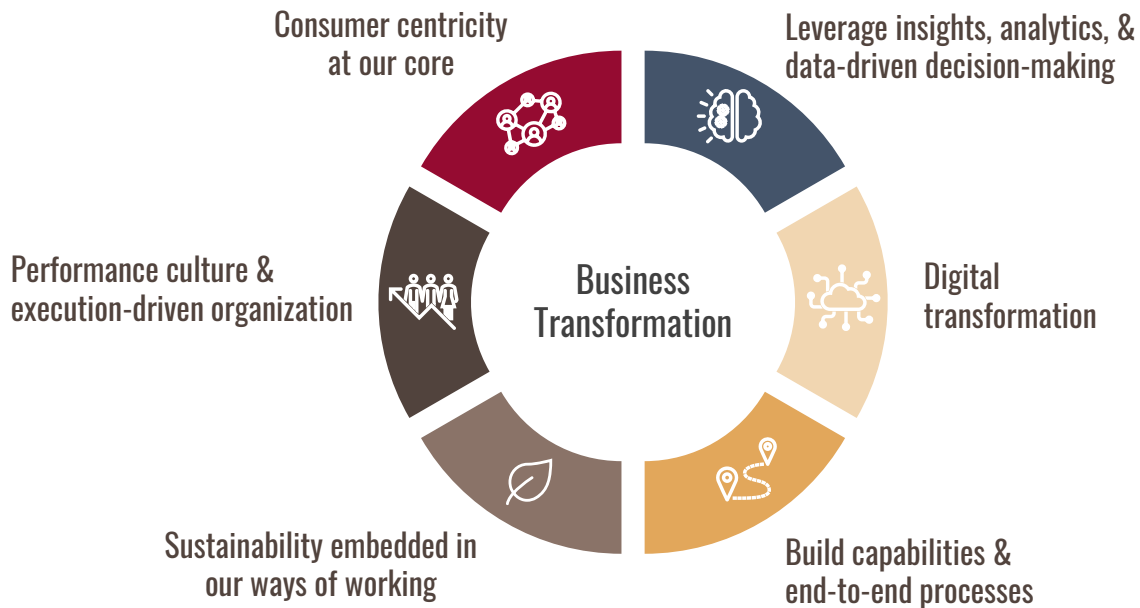


Yulia Lyusina
Strategy, Transformation
& Sustainability

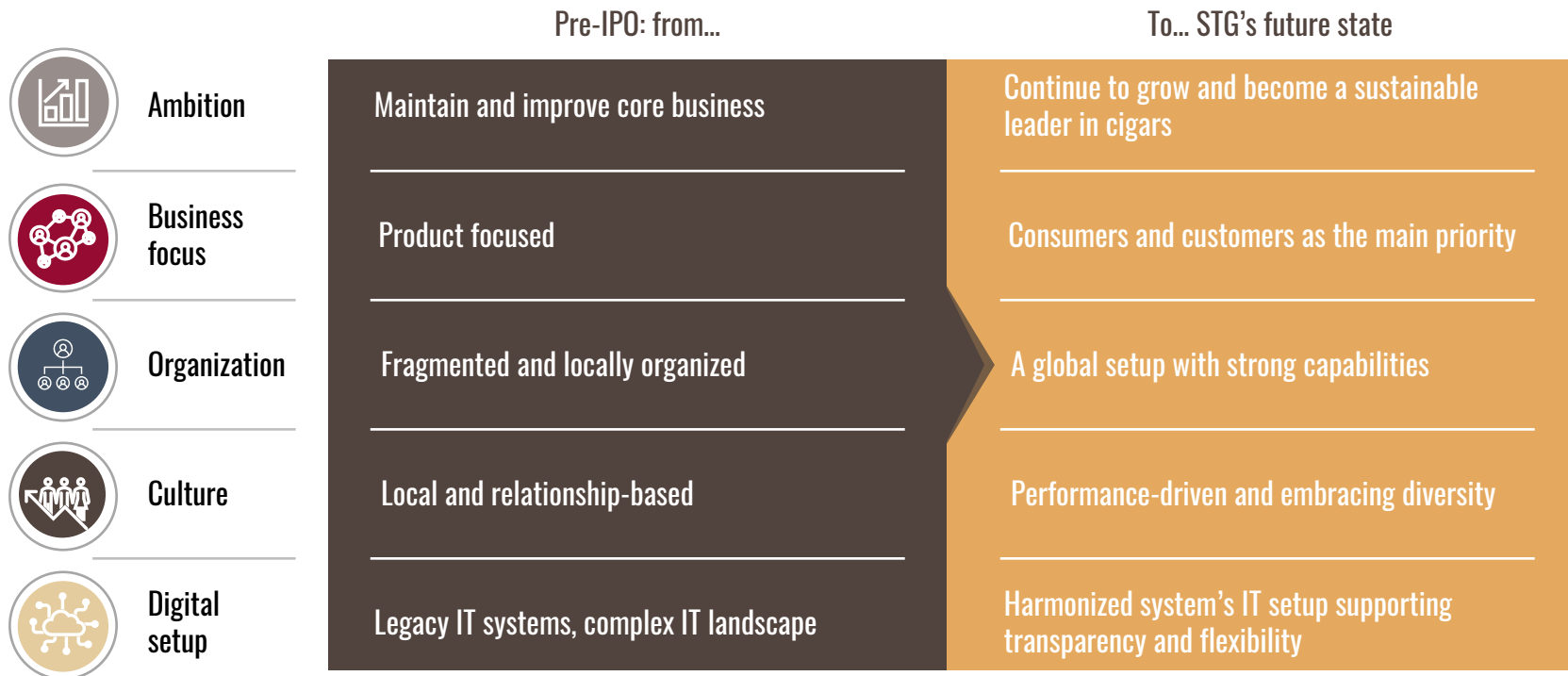


STG'S TRANSFORMATION FRAMEWORK

A MULTI-FACETED DISCIPLINE



STG IS ON A TRANSFORMATION JOURNEY



PART 3: THE EQUITY STORY

CREATING SHAREHOLDER VALUE

Speaker for the session:



Torben Sand
Director of Investor Relations &
Communications



THE STG EQUITY STORY

Leading brand portfolio

Leading cigar company

Strong market positions

Experienced management

We aim to optimise value for our shareholders with:

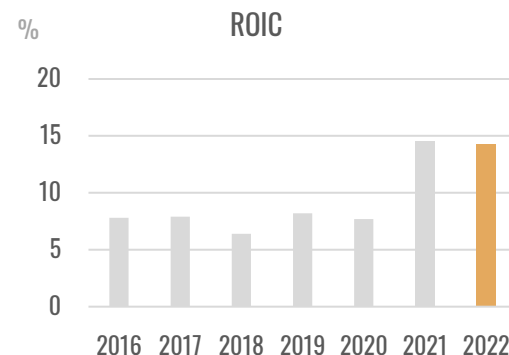
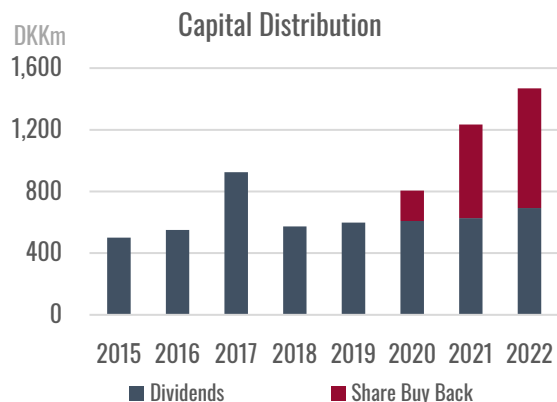
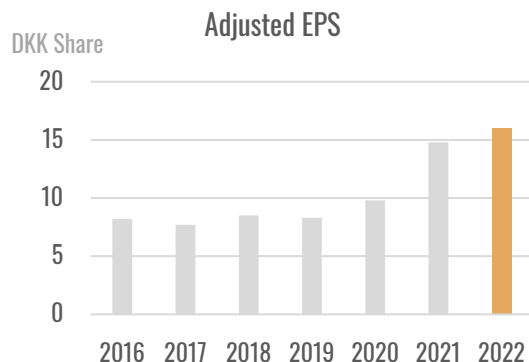
- An increased capital efficiency
- A disciplined shareholder return policy
- Dedicated sustainability efforts embedded into overall strategy

Rolling Towards 2025 sets the scene for our long-term ambitions:

- To become the undisputed and sustainable global leader in cigars through organic growth and driving industry consolidation through value accretive acquisitions
- To explore growth opportunities outside of our core categories
- To increase profits and to deliver outstanding cash flow

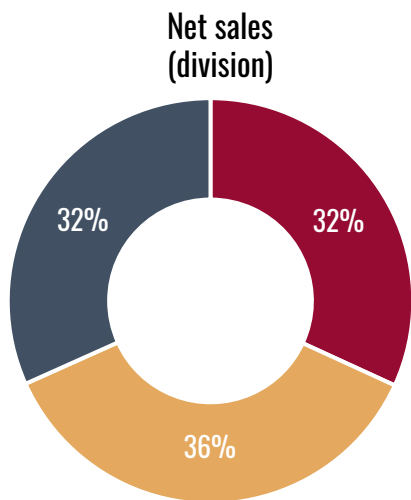
STEADY FINANCIAL TRACK RECORD

INCLUDING STRONG SHAREHOLDER VALUE AND RETURNS

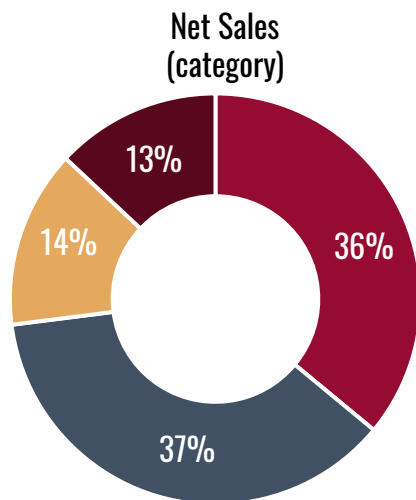


DIVERSIFIED REVENUE STREAMS

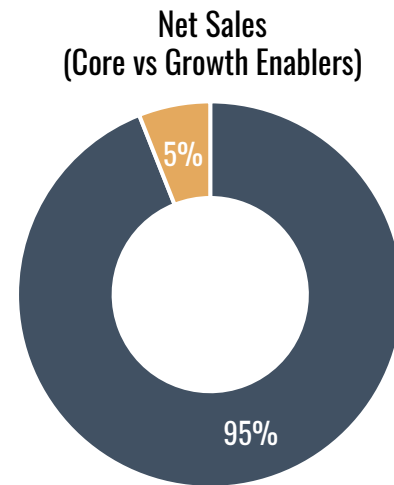
WITH CIGARS AT THE CORE



- Europe Branded
- North America Branded & RoW
- North America Online & Retail



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



- Core Products
- Growth Enablers

STRONG M&A HISTORY

WITH A PROVEN, REPEATABLE BLUEPRINT FOR FUTURE ACQUISITIONS

- M&A and integration embedded into the STG DNA
- Continuously searching for opportunities to grow and strengthen the brand portfolio & consolidate the market
- Strategic screenings now encompass both cigars and NGPs (white pouches)
- Our playbook allows for a detailed execution plan – including integration following transaction



OPTIMISING SHAREHOLDER VALUE

DISTRIBUTING ALMOST HALF THE VALUE OF STG BACK TO SHAREHOLDERS IN 5 YEARS

INCREASED CAPITAL EFFICIENCY

Through value creating investments, ongoing efficiency improvements and strict capital discipline.

DISCIPLINED SHAREHOLDER RETURN POLICY

Through strong capital allocation policy and steady dividends.

DEDICATED SUSTAINABILITY EFFORTS

Through newly implemented agenda and ongoing initiatives across the global organization.

FIVE-YEAR ACHIEVEMENTS

RETURN ON
INVESTED CAPITAL
AVERAGE 2018-2022

10.2%

FREE CASH
FLOW
AVERAGE 2018-2022

1.2DKKbn

CAPITAL
DISTRIBUTION
TOTAL (5Y)

4.8DKKbn

TOTAL SHAREHOLDER
RETURN (YTD)*
CAGR (5Y)

8%

REDUCTION IN
WATER
WITHDRAWAL
FROM 2020 BASELINE

-6.3%

REDUCTION OF
SCOPE 1 & 2
EMISSIONS
FROM 2020 BASELINE

-19.5%

*as of 14 November 2023

Q&A SESSION



SCAN THIS QR CODE
USING YOUR
PHONE'S CAMERA

USE SLIDO
TO ASK ANY
QUESTIONS

SECTION 2

THE CONSUMER JOURNEY

PART 1: OUR CORE VALUES

PART 2: OUR CONSUMERS



PART 1: OUR CORE VALUES

AND HOW THEY ARE EMBEDDED INTO THE COMPANY

Speaker for the session:

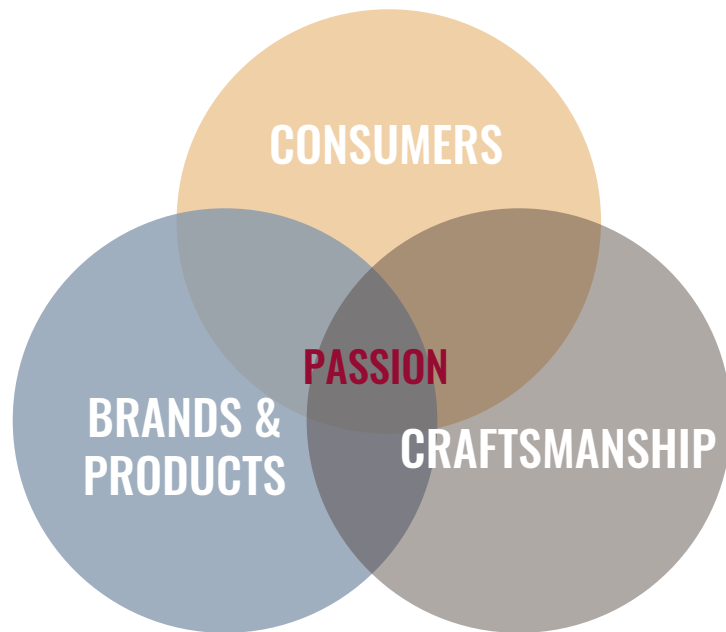


Niels Frederiksen
Chief Executive Officer



THE STG METHODOLOGY

INTERSECTING CONSUMER TOUCH POINTS WITH OUR BRANDS





OUR CORE VALUES ARE EMBEDDED INTO THE BUSINESS



**EMPOWER
WITH PASSION**



**INSTILLING A
SENSE OF PRIDE IN THE
EXPERIENCES WE ENABLE
FOR OUR CONSUMERS**



**BLEND OUR
STRENGTHS**



**COMBINED KNOWLEDGE
& SKILLS TO INNOVATE
AND DELIVER A BETTER
PERFORMANCE**



**CULTIVATE
COURAGE**



**SIMPLIFYING
COMPLEXITIES AND
TURNING THEM INTO
OPPORTUNITIES**



**LIGHT THE WAY
FORWARD**



**STEERING THE
INDUSTRY TOWARDS
A MORE SUSTAINABLE
TOMORROW**

OUR RESPONSIBILITY TOWARDS THE CONSUMER

PRIORITISING INTEGRITY AND REGULATORY COMPLIANCE



Long history of mature, adult consumers which will continue across current and all future product developments



Decades of experience adapting to the changing global regulatory landscape



Successful adaption to and compliance with various regulations

REGULATORY UPDATES



US: Premium cigar litigation update



US: Flavoured tobacco products



EU: Tobacco Excise Directive Revision Update



EU: Tobacco Products Directive Revision Update

PART 2: OUR CONSUMERS

EVOLVING WITH CONSUMER DEMANDS AND TRENDS



Speakers for the session:



Jurjan Klep
Europe Branded



Régis Broersma
North America Branded & RoW



Sarah Santos
North America Online & Retail

EIGHT MEGA-TRENDS SHAPING THE GLOBAL CONSUMER MARKETPLACE



Moderation & Avoidance



Sensory & Indulgence



Easy & Affordable



Sustainability & Ethics



Comfort & Uncertainty



Evolving Landscapes (Demographics)



Individualism & Expression



Digitalization

Source: GlobalData TrendSight

3 MEGA-TRENDS THAT DEFINE OUR RELEVANCE

SHAPING THE CIGAR CONSUMER AND CHANGING CONSUMER BEHAVIOUR AND PREFERENCE



Moderation & Avoidance

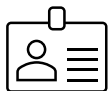
Adult consumers are proactively addressing their health in a more holistic and personalized manner



Easy & Affordable



Comfort & Uncertainty



Individualism & Expression

Values emphasizing individuality and self-expression guide confident and empowered modern consumers



Sensory & Indulgence

The driving force behind continually higher expectations of quality, variety, and immersive "consumption experiences"



Sustainability & Ethics



Evolving Landscapes (Demographics)



Digitalization

Source: GlobalData TrendSight

CIGAR CONSUMERS SEEK BRANDS THAT REFLECT THEIR INDIVIDUALITY & PRIORITISE TASTE & QUALITY



INDIVIDUALISM & EXPRESSION

Consumers seek to emphasize individuality and self-expression. They are increasingly drawn to authentic brands and products that reflect genuine values and stories.



SENSORY & INDULGENCE

Consumers do not want to compromise on the taste of their comforting indulgences. The expectations are greater than ever behind product quality, variety, and immersive consumption experiences.

Source: GlobalData TrendSight

DEFINING THE ENDURING RELEVANCE OF THE CATEGORY

A PERSONALITY TRAIT: CONSUMERS LOOK FOR PRODUCTS TAILORED TO THEIR NEEDS



CENTURIES OF TRADITION & CONNOISSEURSHIP

Evolving culture of cigar connoisseurship, from its historical roots to the contemporary trends and its promising future.



UNIQUE SENSORY EXPERIENCE

Combines the delight of sensory exploration with the flexibility to cater to consumers' evolving preferences of Taste, Aroma, and Filter.



DIFFERENT OCCASIONS & RITUALS

Complement life's diverse moments, from everyday rituals to special celebrations, with authenticity and quality.

STRONG PORTFOLIO OF LEADING BRANDS

PRESENCE IN ALL TASTE & PRICE SEGMENTS FOR DIFFERENT CONSUMER NEEDS

SUPER PREMIUM



PREMIUM



MAINSTREAM

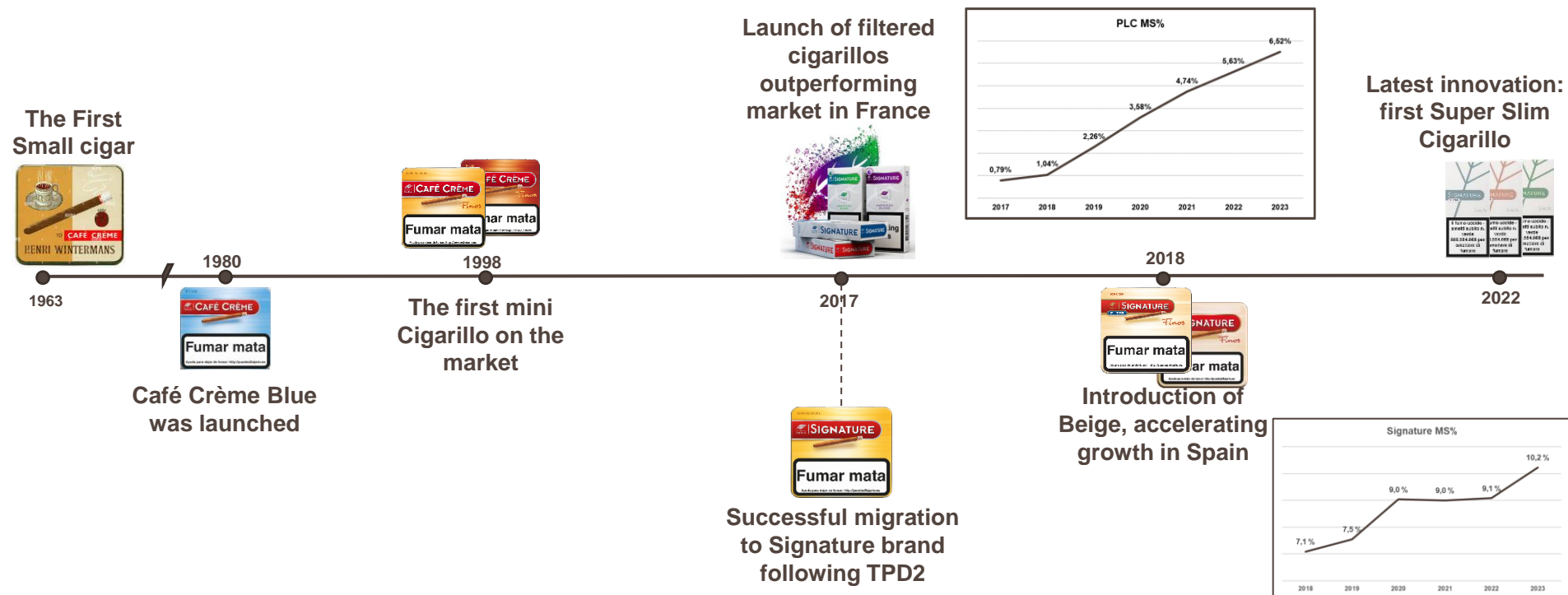


VALUE FOR MONEY



INNOVATION HAS BEEN THE DRIVER OF SUCCESS

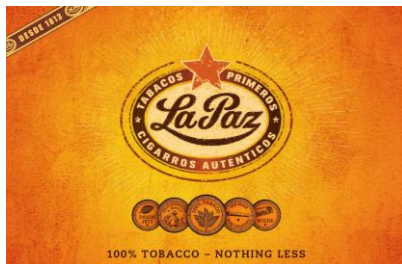
CAFÉ CRÈME / SIGNATURE IS A LEADING BRAND IN THE CATEGORY



PREMIUMIZATION OF BRANDS LED BY CRAFTSMANSHIP, TRADITION AND CONNOISSEURSHIP



TRUE AUTHENTIC



Short Authentic Moments

Natural, high-quality premium tobacco, crafted to enhance your personal moments of reflection and celebration



P.G.C. HAJENIUS

GENUINE LUXURY



Super Premium, Handcrafted Moments

Step into the legacy of the 'old master' of Dutch cigar stores since 1826 and savor a moment with our fine quality cigars



ITALIAN CRAFTSMANSHIP



Timeless Italian Excellence

New brand with traditional Italian products standing for quality, craftsmanship and know-how

ADAPTABLE FUTURES: OUR RESPONSE TO EXTERNAL CHANGES



**CRAFTING A POWERFUL FUTURE,
STREAMLINING BRAND PORTFOLIO**



**NAVIGATING REGULATORY
CHANGES, SUSTAINED STRENGTH**



**ADAPTING RESPONSIBLY,
EMPOWERING SUSTAINABILITY**

MODERATION & AVOIDANCE DRIVING PORTFOLIO TRANSFORMATION



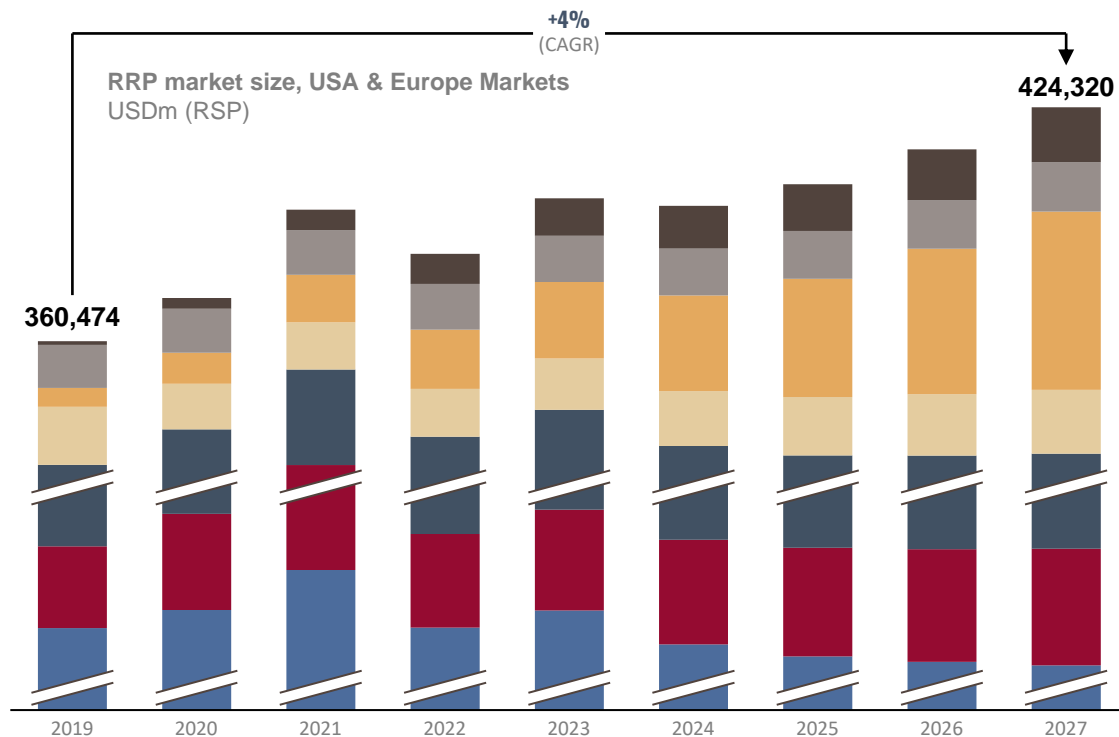
MODERATION & AVOIDANCE

Consumers do not want to compromise on the taste of their comforting indulgences but are looking for alternatives.

Source: GlobalData TrendSight

TOBACCO & NICOTINE MARKET

REMAIN NICHE, YET SHOWING GROWTH SINCE 2019

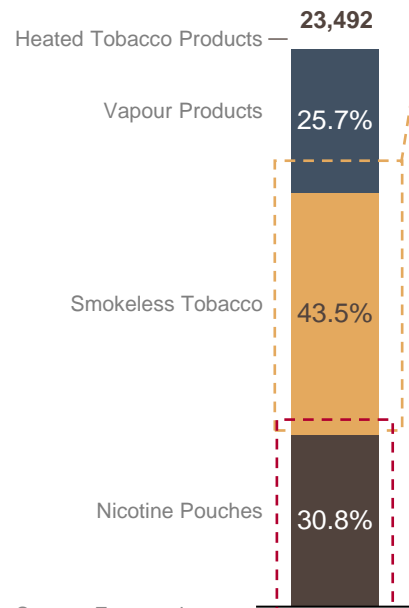


	CAGR % 2019-2022	Growth % 2023-2027
Nicotine Pouches	+101.4	+10.0
Smokeless tobacco	+2.0	+1.7
Heat Not Burn	+46.6	+23.5
E-vapors	-6.3	+5.6
Cigars & cigarillos	+5.9	-1.2
Smoking tobacco	+4.6	+3.7
Cigarettes	+0.0	-1.3

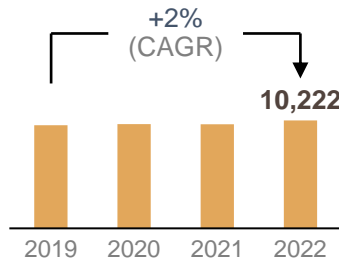
Source: Euromonitor
Markets: USA, Western & Eastern Europe

2022 NGP MARKET SIZE & CATEGORY SPLIT

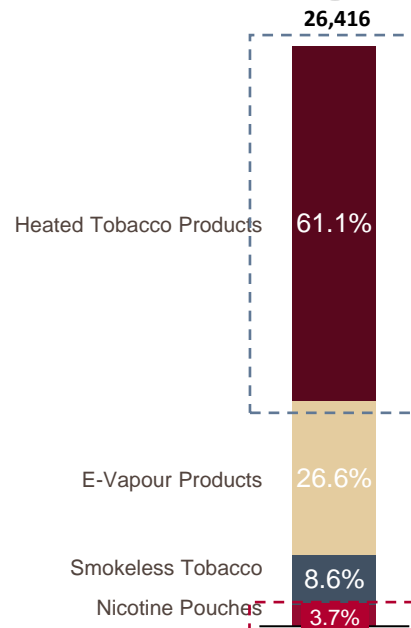
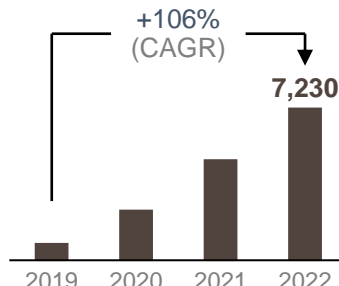
USDm (RSP)



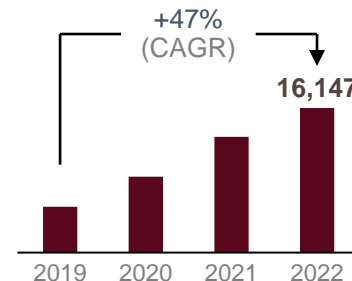
Smokeless Tobacco market size
USDm (RSP)



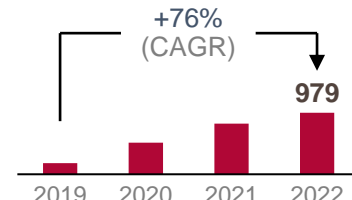
Nicotine pouches market size
USDm (RSP)



Heated Tobacco market size
USDm (RSP)



Nicotine pouches market size
USDm (RSP)



Source: Euromonitor

INITIAL STEPS TO STRENGTHEN OUR PORTFOLIO

1. Acquisition of the second fastest growing nicotine pouch brand in Sweden

XQS™  **TOP 5**
Brand in Sweden

2. STG now has a portfolio of brands to meet evolving consumer needs



STRÖM

Launched Sep'22



!act

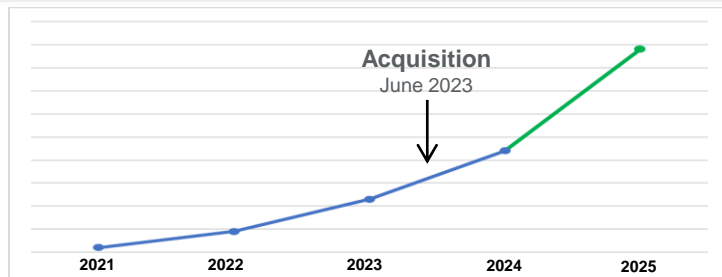
Launched May'23



XQS™

Acquired Jun'23

3. Continuous share growth in Sweden projected over the coming years



4. Ambitious international expansion with XQS as the lead brand

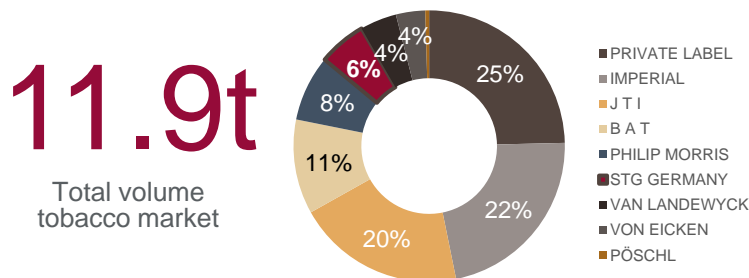


XQS™

 **~10 markets**
in 2024

SUCCESS OF BREAK ILLUSTRATES ABILITY TO COMPETE WITH BIG TOBACCO

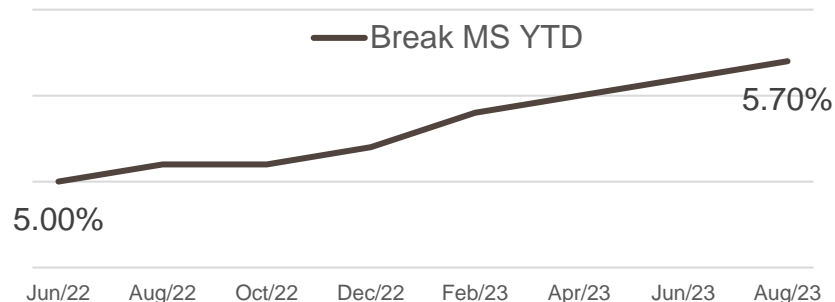
1. STG is 5th largest manufacturer in German volume tobacco market



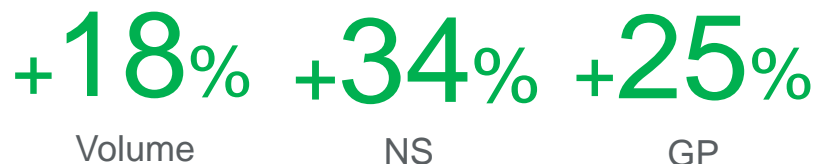
2. Break is the only growing brand in top 5, already having overtaken JPS



3. Continuous share growth with a new record of 5.7% (MYO Market Share development)



4. Double digit growth across all financial KPIs YTD23



Source: Nielsen Answers, Month/YTD/MAT = Sep 23, Category: MYO Expanded, LEH+DM+TFG+Convenience+Petrol, Sales volumes in tons, financials = Sep 23

STG EVOLVES WITH GLOBAL TRENDS & CONSUMER DEMANDS

AND REMAINS AT THE FOREFRONT FOR PRODUCT AND PORTFOLIO INNOVATION



STRENGTHENING BRANDS TO ALIGN WITH GLOBAL TRENDS

As trends develop, so does STG's journey with its consumers. Stronger brands through blends, aromas and experiences



PORTFOLIO DIVERSIFICATION

Development of NGPs to adapt with mature consumers. Strong growth and new markets to come as category expands



SIGNIFICANCE & LONGEVITY OF RITUALS

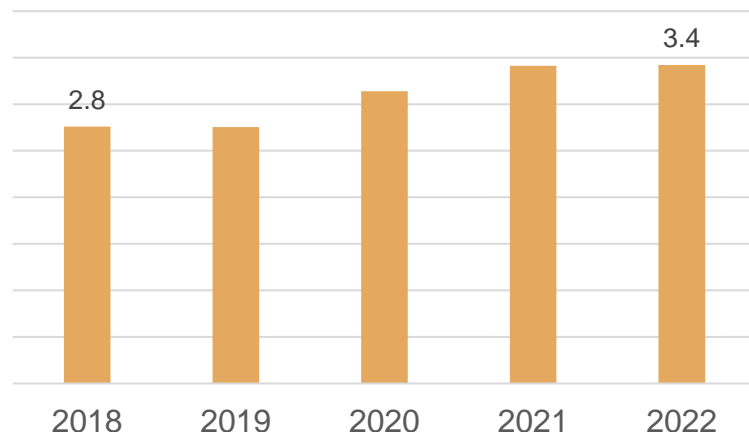
Rich history of smoking embedded into society, with occasions and individual rituals driving ongoing demand



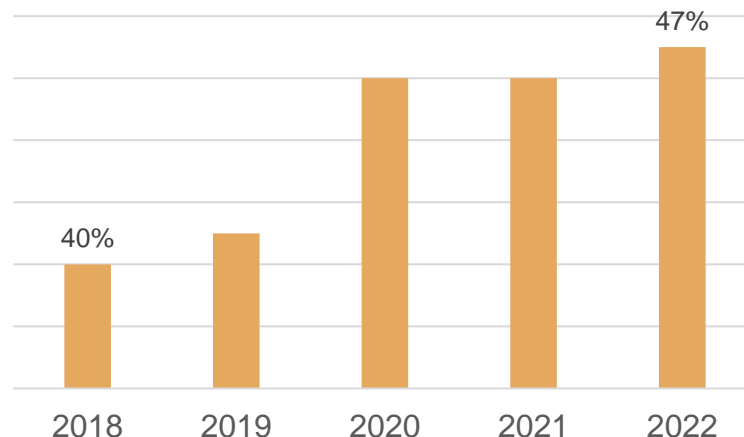
CONNECTING WITH OUR CONSUMERS: HANDMADE CIGARS

STRONG PRICING EXECUTION DELIVERS LONG-TERM PROFITABILITY FOR HANDMADE CIGAR BRANDS

Net Sales (DKK billion)



GP%



CONSUMER SEGMENTATION DRIVES BRAND POSITIONING AND ACTIVATION

OPTIMIZES AWARENESS AND TRIAL

SILENCIO



BRAND PORTFOLIO ACCOMODATES FLUCTUATION IN DISCRETIONARY INCOME

ALLOWS STG TO CAPTURE INCREASED CONSUMER WALLET SHARE

Super Premium

COHIBA®

Premium



Mainstream

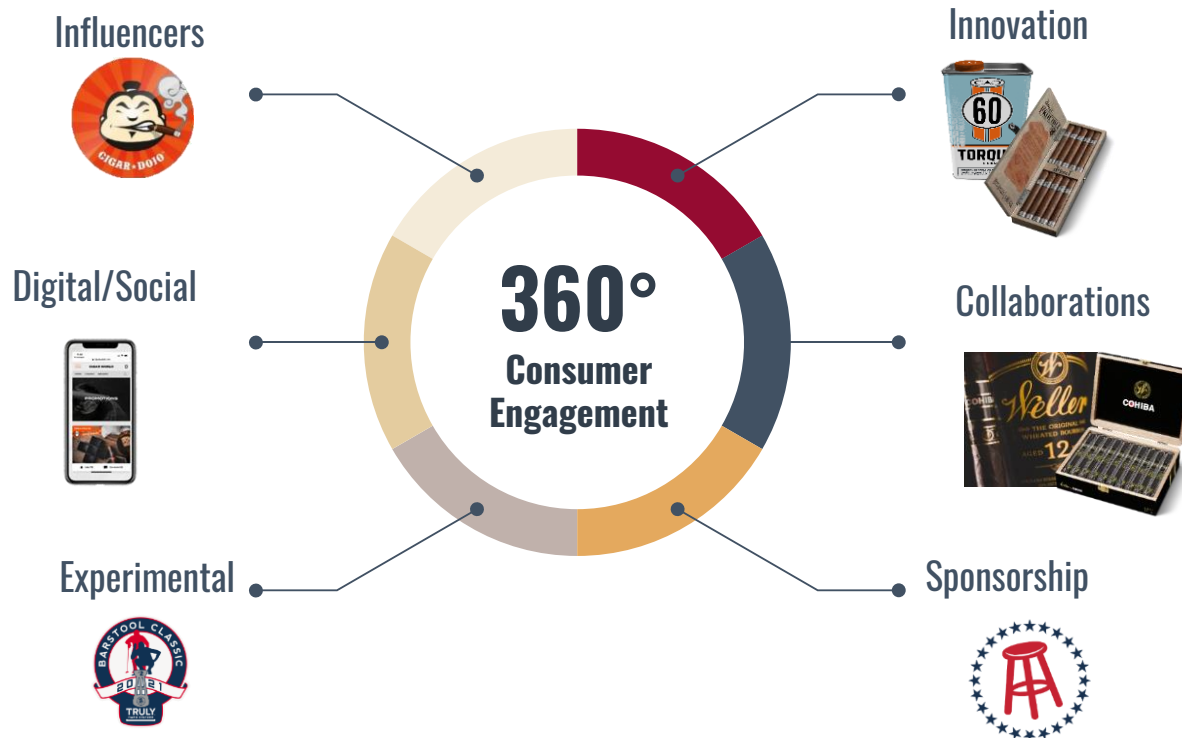


Value for Money

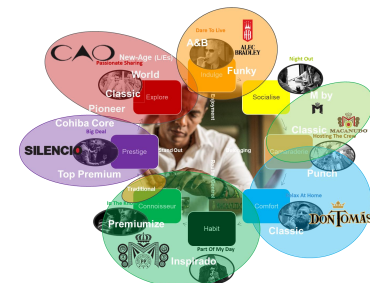


INVIGORATING CONSUMERS THROUGH SALES-STIMULATING TOUCHPOINTS

DELIVERS STRONG OUTCOMES FOR BRANDS



COHIBA: EXPERIENCE LUXURY



Cohiba aims to be the pinnacle of luxury within the US premium cigar category

Strategy is to create the highest value and pricing power for Cohiba by leveraging the brand's intangibles such as exclusivity, scarcity and desirability

ASPIRATIONAL
EXCLUSIVE
PRESTIGIOUS

PREMIUM INNOVATION AT THE CORE OF COHIBA POSITIONING

UNIQUE AND DIFFERENTIATED OFFERINGS DELIVER HALO EFFECT ON THE BRAND



OUR COMMITMENT TO CIGAR MAKING INSPIRES CONSUMERS TO CONTINUALLY SEEK OUR BRANDS



PEDIGREE OF LEAF



CRAFTSMANSHIP



ARTISANAL DEDICATION



COLLABORATIONS TIED TO BRAND-ADJACENT LIFESTYLES

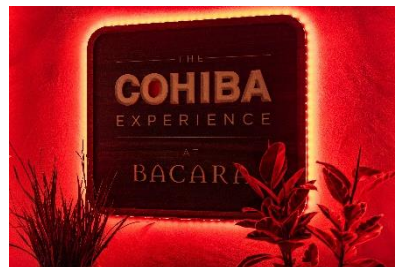
SUPPORT BRAND POSITIONING AND EXPAND AWARENESS



WORLD OF
COHIBA



ACTIVATING WHERE THE CONSUMER EXPERIENCES RITUALS DEEPENS BRAND AFFINITY





CIGARS
INTERNATIONAL

DIGITALIZATION INCREASES MARKET SHARE ACROSS BRAND PORTFOLIO

Drive **awareness** to promote participation with our brands

Drive **engagement** and affinity to keep our brands top of mind

Drive **conversion** through data capture & participation

Web | Digital

Social

CRM

21.8MM

GROSS IMPRESSIONS
+25.1% vs. H1'22

750K

WEBSITE SESSIONS
+53% vs. H1'22

642K

TOTAL ENGAGEMENTS
+46.4% vs. H1'22

17.4%

ENGAGEMENT RATE
+95% vs. H1'22
(6.5% excluding Video Views)

19.9%

CLICK THRU RATE
+11 points vs Industry benchmark

11.2K

NEW EMAILS ACQUIRED
+131% vs. H1'22

CONSUMER CENTRICITY AND SCALABILITY

RESULTS IN LONG-TERM DOUBLE-DIGIT GROWTH OF THE COHIBA BRAND

NET SALES: 5 YR CAGR

+13%

GROSS PROFIT: 5 YR CAGR

+11%



CORE STRENGTH OF SCALABILITY ACCELERATES BRAND GROWTH

BENEFITS EXISTING PORTFOLIO AND M&A OPPORTUNITIES



Accelerated Brand Expansion

New Brand Launches: 8 / USD 2.8m

Limited Editions: 14 / USD 2.9m

Increased Brand Presence

+36,000 Points of New Distribution



COHIBA®



SILENCIO

INTERNATIONAL EXPANSION CONTINUES WITH DOUBLE-DIGIT GROWTH

ILLUSTRATING OUR CORE STRENGTH OF SCALABILITY

TOTAL VOLUME
5 YR CAGR
+15%

NET SALES
5 YR CAGR
+16%

GROSS PROFIT
5 YR CAGR
+18%



KUALA LUMPUR



2022

JAKARTA



2023

SURPRISE



2024

Q&A SESSION

USE SLIDO
TO ASK ANY
QUESTIONS



SCAN THIS QR CODE
USING YOUR
PHONE'S CAMERA



SECTION 3

VALUE PROPOSITION

PART 1: OPERATIONS

PART 2: MERGERS & ACQUISITIONS

PART 3: THE CORE CIGAR BUSINESS

PART 4: NEW GROWTH OPPORTUNITIES

PART 5: CREATING SHAREHOLDER VALUE

PART 1: OPERATIONS

DISTINCT, EFFICIENT, INVENTIVE & SUSTAINABLE

Speaker for the session:



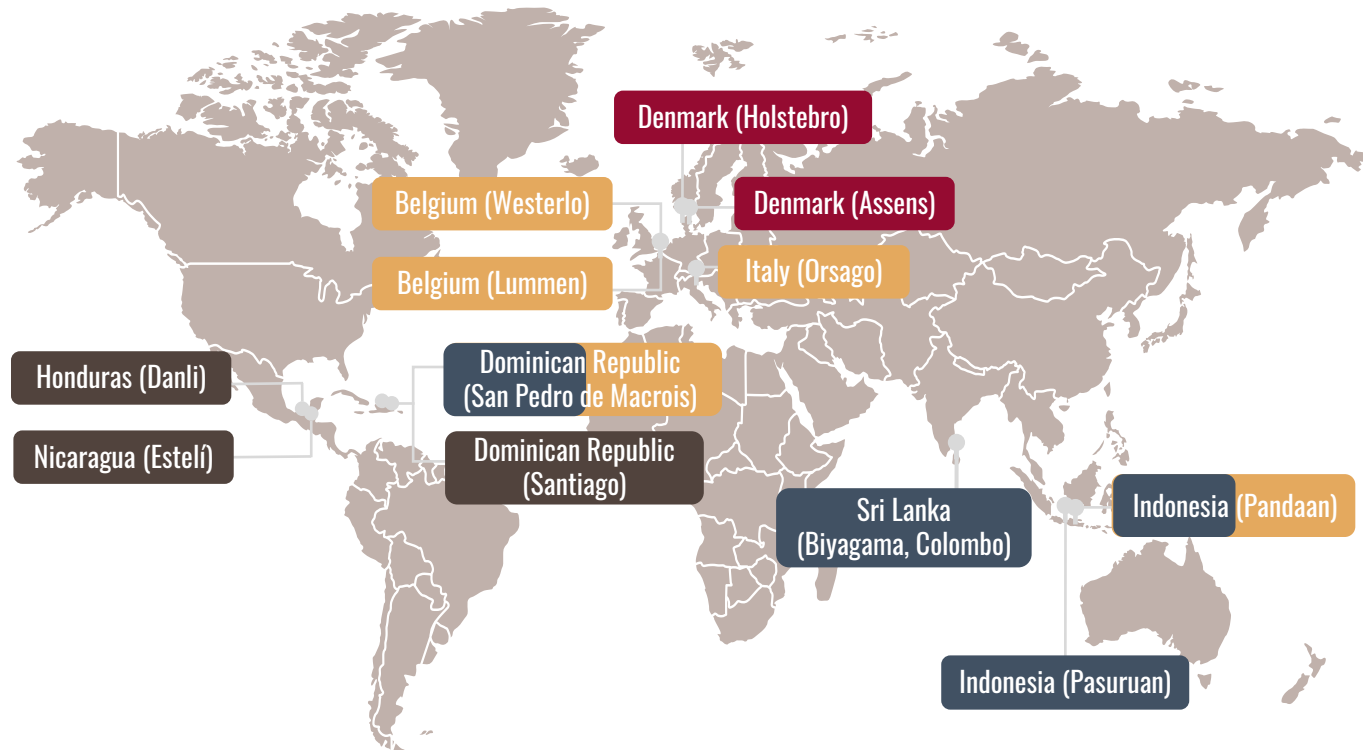
Jesper Madsen
Chief Supply Chain Officer



GLOBAL MANUFACTURING NETWORK

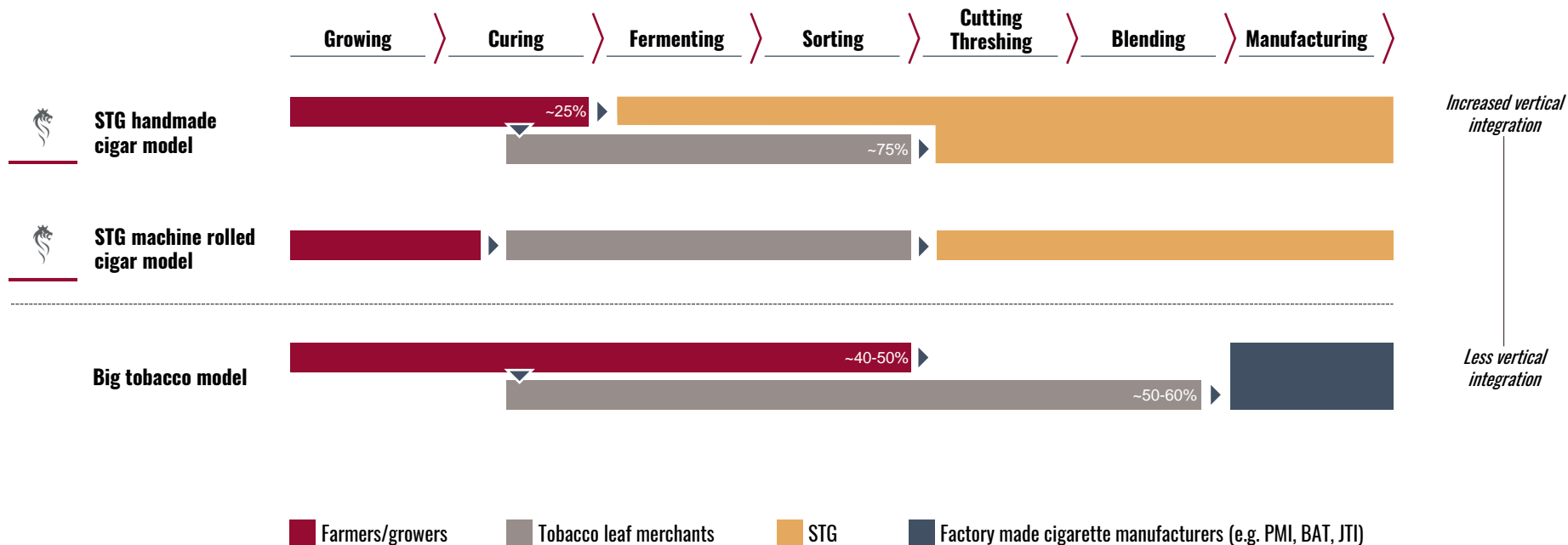
GLOBAL COVERAGE, CLOSE TO MAIN MARKETS & SUPPLIES

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



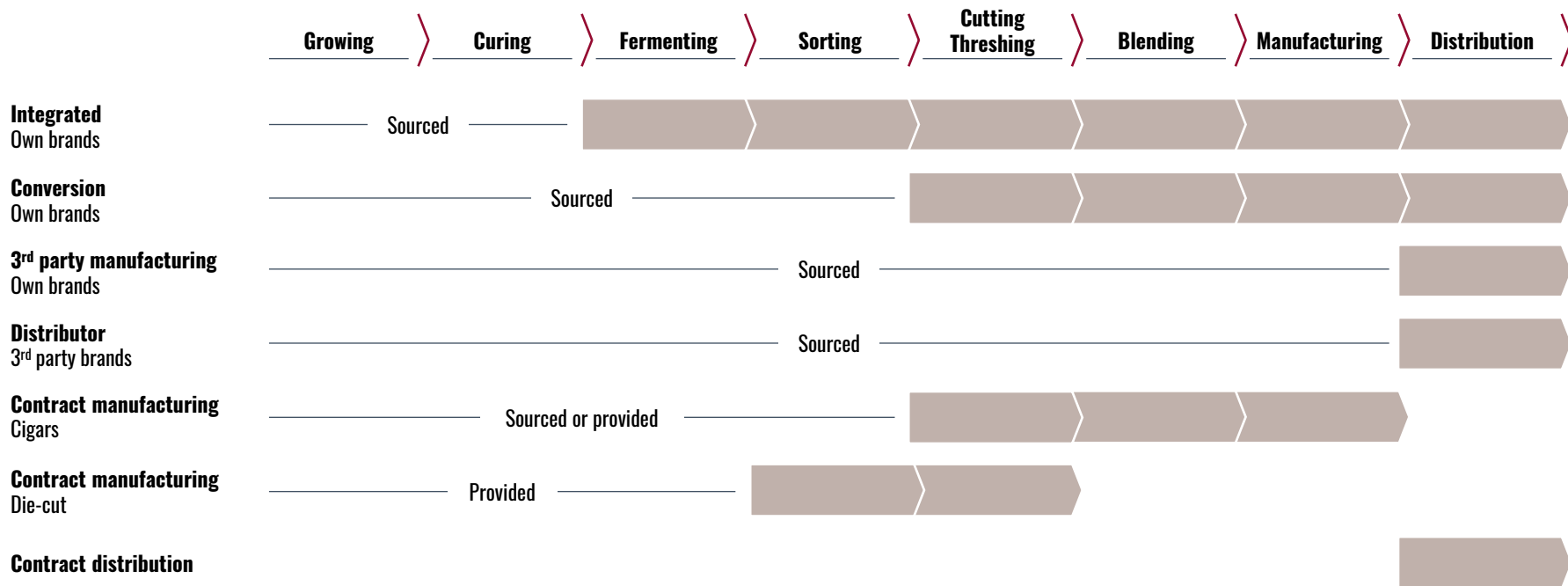
DISTINCTIVE CIGAR MANUFACTURING MODEL

COMBINING MASS MARKET MACHINE ROLLED & CRAFTED PREMIUM HANDMADE



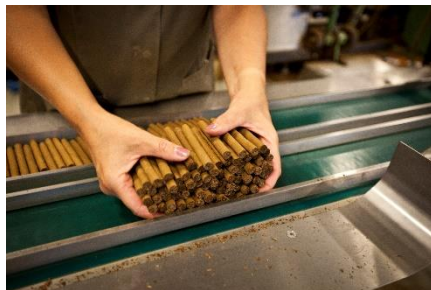
MULTIPLE ROLES ACROSS VALUE CHAIN

EXPLOITING CAPABILITIES & ASSETS TO MAXIMISE COMMERCIAL VALUE



TWO OPERATING MODELS IN CORE CATEGORIES

BALANCING MASS PRODUCTION AND CRAFTSMANSHIP



MACHINE ROLLED CIGARS

- Machine made & distinct premium experience
- High volume
- Convenient & suitable for different occasions
- High level of automation, capital intensive
- Efficiency & excellence



HANDMADE CIGARS

- Craftsmanship & unique materials
- Low volume, high complexity
- Premium experience
- People & skills based, labor intensive
- Uncompromising quality & innovation



EFFICIENCY AS ESSENTIAL FACTOR FOR SUCCESS

ACHIEVED THROUGH INTERNAL IMPROVEMENT AND M&A

Due to..

Declining volume in core markets & cost inflation

▶ ..we hunt for two types of efficiency gains...

- 1 Cost efficiency – same value delivered at lower costs
- 2 Capital efficiency – same value delivered at lower investment

▶ ...and realize them in two ways...

- 1 Continuous improvement in ongoing operations
- 2 Synergy effects created via mergers and acquisitions

▶ ...by reducing cost using different levers

- Network, sites, products, materials & services
- Process, organization, systems & operating model
- Specifications & service levels

INNOVATION IN ALL THAT WE DO

BRINGING NEW IDEAS TO BEAR ACROSS OUR BUSINESS

Tobacco



Materials



Products

Technology & Process



SUSTAINABILITY AS A CORE PRIORITY

TARGET TO BECOME A SUSTAINABLE GLOBAL LEADER IN CIGARS

Climate change



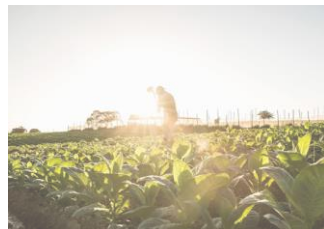
Renewable power & heat
Energy saving
Refrigerants
Transport

Water management



Water harvesting & treatment
Usage optimization
Growing methods

Land use & responsible agriculture



Biodiversity
Responsible growing & sourcing

Reusable materials & packaging



Waste reduction
Material recycling
Sustainable materials

Social & community



Health care
Education
Transportation
Women's enablement

LEARNINGS FROM SUPPLY CHALLENGES

OPPORTUNITIES FOR IMPROVEMENT

Transparency

Data structure & quality
Analytics & insight
Market intelligence

Complexity

Products
Supply network

Speed of decision making

Operating model
Feedback cycle
Risk aversity

Predictability

Demand sensing
Supply accuracy
Process driven

Prioritization & execution

Planning
Capabilities
Capacity

OPERATIONAL RISK

MITIGATION STRATEGIES CONTINUALLY AT PLAY

RISKS



Shortage / Delays in raw materials



Shortage of seasonal labour



Inflation impact on utilities, freight and labor



New Enterprise Resource Planning (ERP) system implementation requires significant resources and could present disruption, delays or deficiencies



Cyber security risk

MITIGATION



18-24 months of leaf inventory, global sourcing model & substitution to buffer against disruption



Agile workforce able to easily scale up/down production volume & automation



Increase efficiency, exploit lower cost locations & monitor sourcing options



Phased deployment supported by experienced external partner. Senior Management and key resources committed to ERP implementation. Structured & proactive risk mitigation



Implementation of security policies, business continuity management, recovery plans, proactive monitoring, global penetration tests, and keeping our defenses updated.

PART 2: MERGERS & ACQUISITIONS

THE PROVEN STG BLUEPRINT

Speaker for the session:



Yulia Lyusina
Strategy, Transformation & Sustainability



M&A IS A SIGNIFICANT SOURCE OF VALUE TO STG

AND A KEY STRATEGIC PRIORITY

WHAT CAN WE ACHIEVE WITH M&A?

Expand our portfolios,
within core categories and
new opportunities



Drive scale and
Efficiencies



Strengthen capabilities
and support our
transformation



STG FOCUSES ON TWO TYPES OF M&A

TRANSFORMATIONAL



Expand markets
and brand portfolio
significantly

Acquire new:
- Businesses
- Channels
- Capabilities

Strengthen
profitability and
cash flow

Fewer
transformational
acquisitions

BOLT ON - SYNERGIES



Companies which
complement STG

Increase market
share in key
markets

Efficient
integration

Harvest synergies
fast

STG HAS GENERATED SIGNIFICANT GROWTH AND REALISED SYNERGIES FROM MULTIPLE ACQUISITIONS

2023 highlights - Growth Enablers and M&A

- Completed the acquisition of Alec Bradley cigar business
- Completed the acquisition of the XQS brand
- Launched modern actives product line in DK
- Cigars International opens ninth retail cigar superstore in Katy, Texas

*Bigger, more profitable,
outstanding cashflow
generation*

BEYOND

Net sales
8.8 DKK Bn

2023

2022

2021

2020

2019

2018

2016

2014



IPO



Peterson
CIGARS

Dunhill

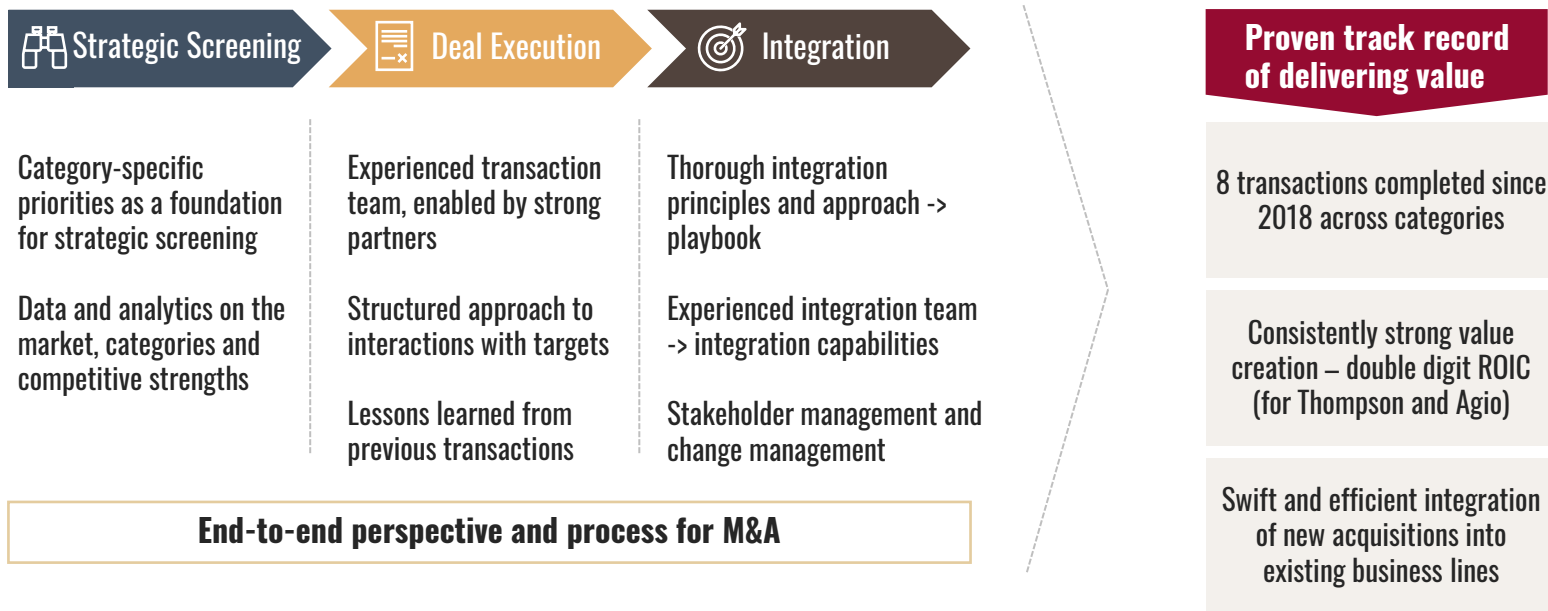


Focus areas

- Protect and grow market share
- Build further scale to consolidate
- Strengthen offering in growth segments

STRUCTURED & HIGHLY SUCCESSFUL ACQUISITION APPROACH

DELIVERING CLEAR VALUE



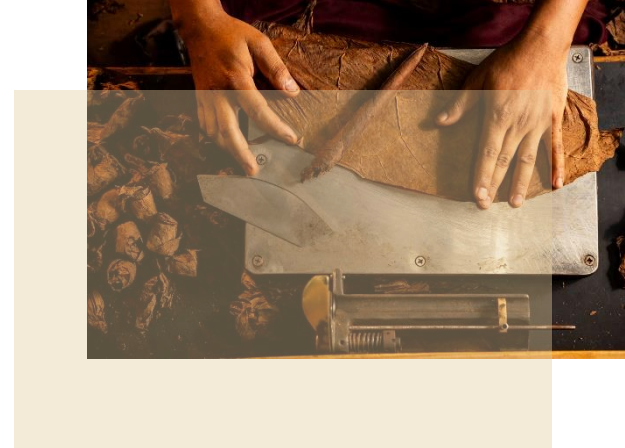
PART 3: THE CORE CIGAR BUSINESS

MARKET LEADER AND GROWING

Speaker for the session:



Niels Frederiksen
Chief Executive Officer



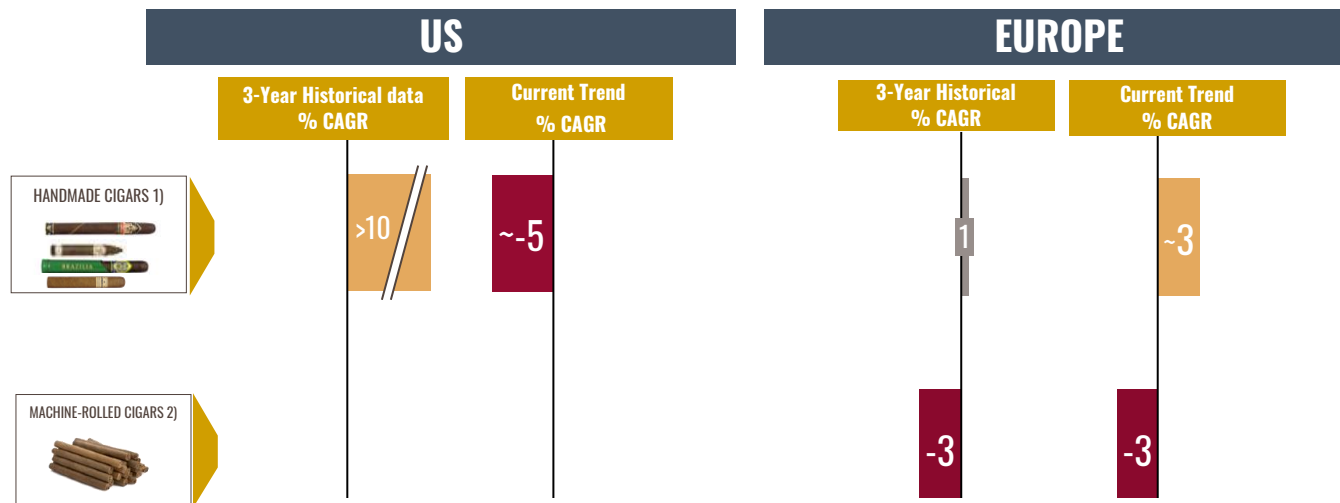
PRICING & MARKET SHARES CRITICAL FOR NET SALES PERFORMANCE

DESPITE VOLUME TRENDS

	Drivers	Direction
Market Volumes	Decreasing trend likely to continue	
STG Market share	Recent market share decline temporary	
Pricing / Mix	Pricing capability has improved	
Net Sales	Organic Growth + M&A	
EBITDA Margin	We aim for like-for-like margin enhancement	

CORE CATEGORIES IN DECLINE BOTH IN US & EUROPE

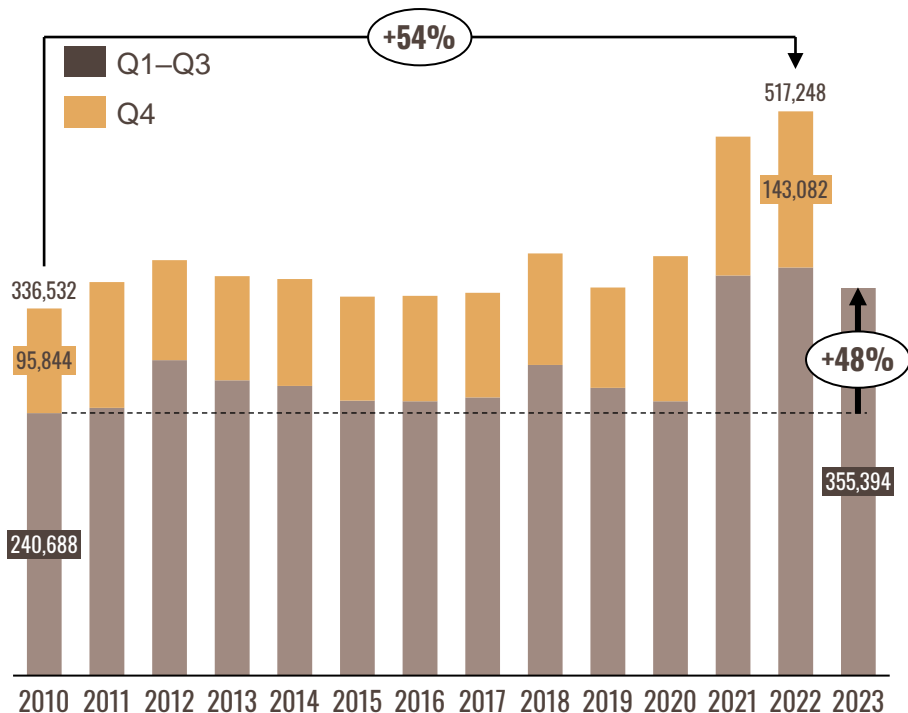
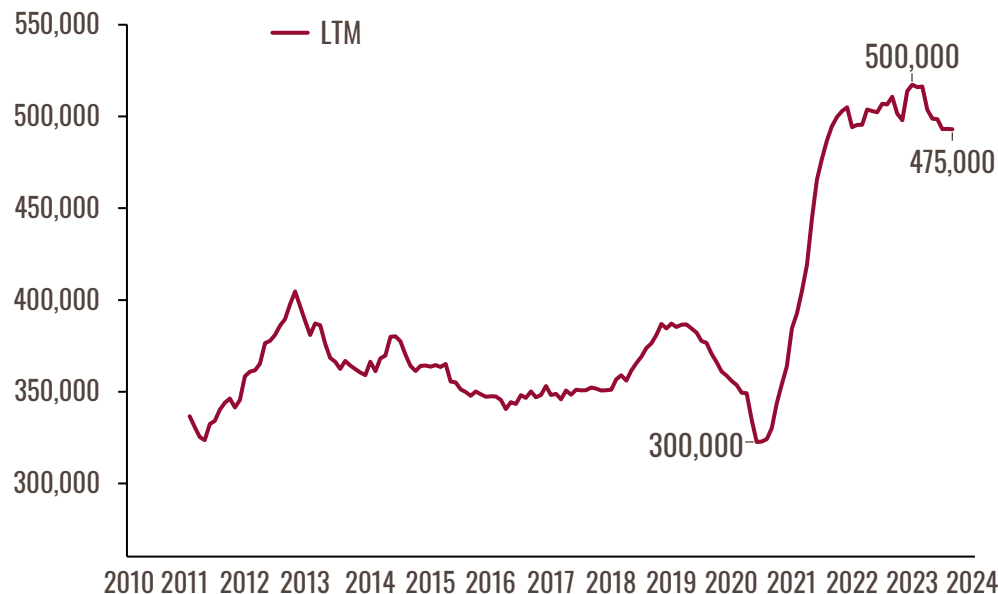
YET DRIVERS ARE VERY DIFFERENT



HANDMADE CIGAR CONSUMPTION BOOSTED BY COVID

NOT CERTAIN WHERE HMC CONSUMPTION LEVELS WILL STABILIZE

Large Premium Cigars
million sticks



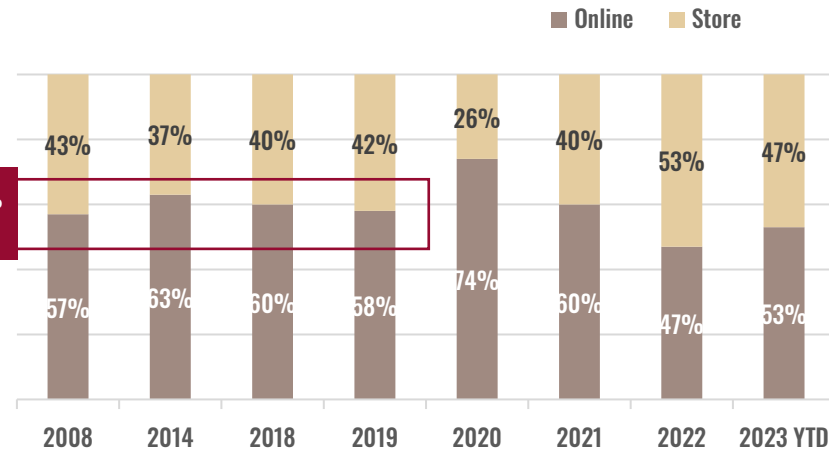
WE SHOULD DO BETTER THAN THE MARKET TREND

CHANNEL MIX AND PORTFOLIO TO DRIVE GROWTH

Drivers for delivering above market growth:

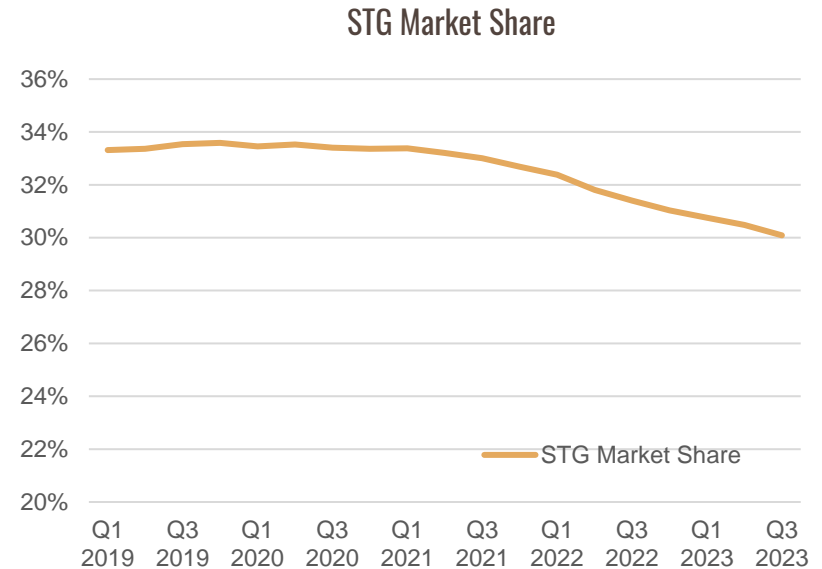
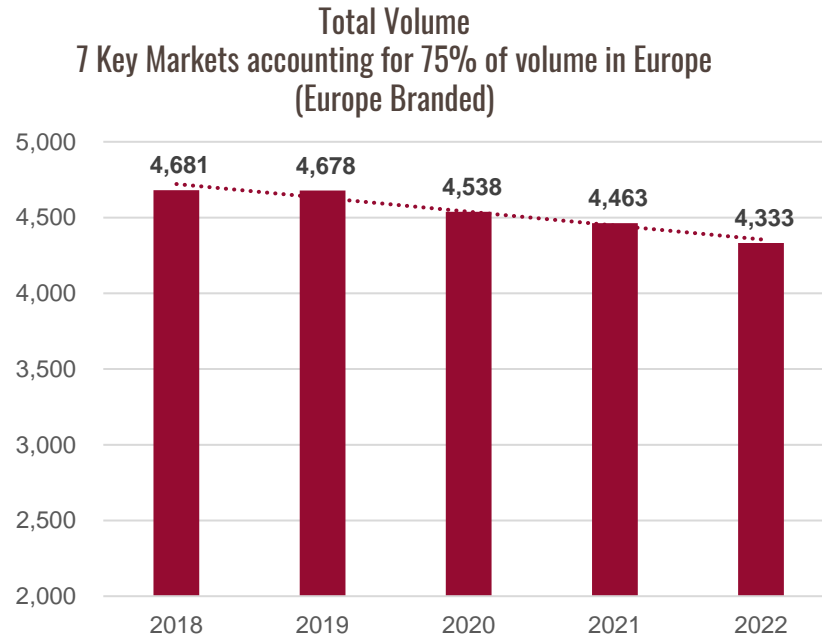
- Online channel expected to regain share of volumes
- Retail expansion – we remain a small player with 9 existing Super Stores
- Unmatched sales net work (GC and Forged)
- New touchpoints to expand consumer reach

Online share ~60%
of volumes



MRC HAS BEEN CHALLENGING

WITH DECLINING VOLUMES AND LOSS OF MARKET SHARE

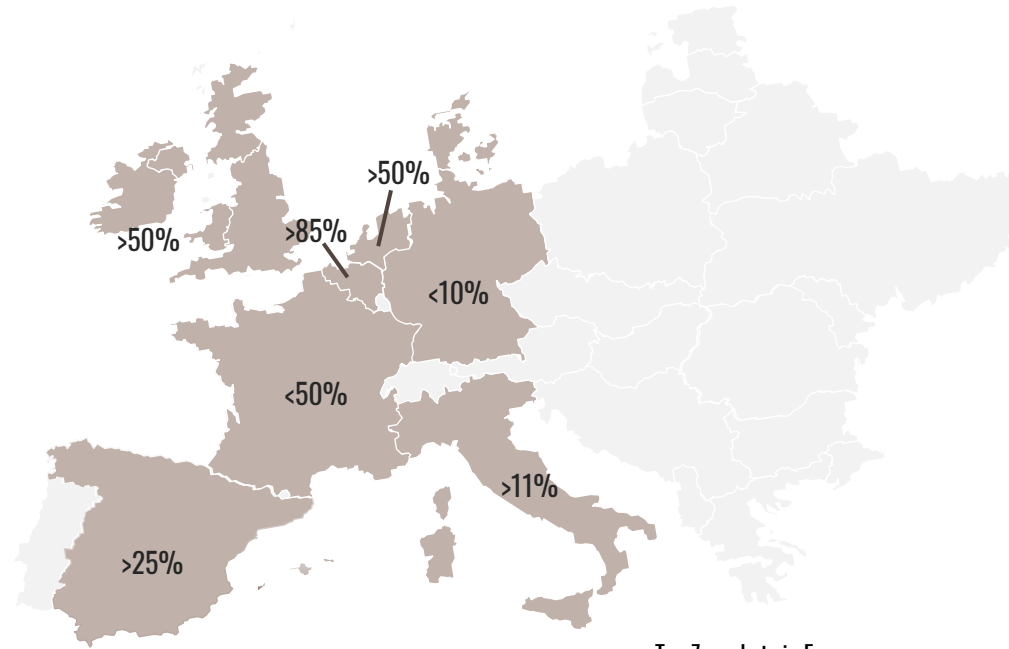


MRC – OUR GROWTH OUTLOOK

REVERSING THE TREND BY TAKING SHARE & CONTINUE M&A

Improving market share through:

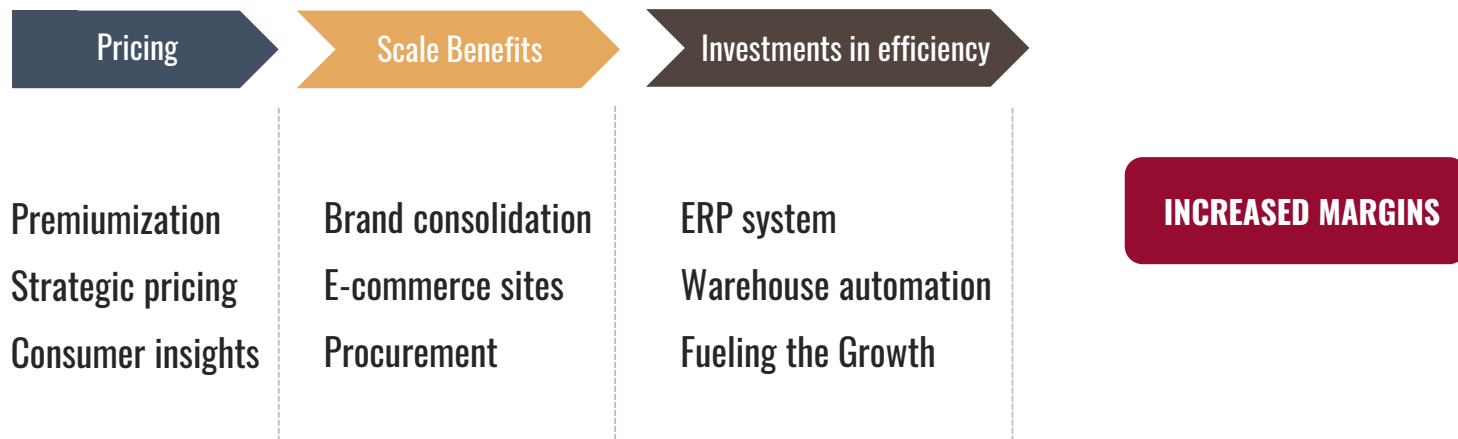
- Strategic pricing
- Product innovation
- Streamlining and consolidating brands
- Ongoing M&A
- Infrastructure and capabilities



Top 7 markets in Europe

MARGIN ENHANCEMENT IS A FOCUS AREA






DIFFERENT STRATEGIES IN PLACE TO INCREASE MARGINS





AIMING FOR CORE CATEGORIES TO DELIVER GROWTH

OFFSETTING VOLUME TRENDS BY PRICING AND EFFICIENCIES

Net sales / % of Group (FY 2022)	Category	Drivers	Direction
~35%	Handmade cigars in US	Volume by market share gains and pricing	
~35%	Machine-rolled cigars	Offset volume decline by market share and pricing	
~25%	Smoking Tobacco & other	Partly offset volume decline by pricing	
Core Categories ~95%	STG Core		
EBITDA Margin	STG Core	General efficiencies, One Process, Simplifications	

PART 4: NEW GROWTH OPPORTUNITIES

EVOLVING WITH OUR CONSUMERS

Speaker for the session:



Niels Frederiksen
Chief Executive Officer



OUR 3 GROWTH ENABLERS

RETAIL EXPANSION, NEXT GENERATION PRODUCTS, INTERNATIONAL SALES



Continuous Retail
Expansion in USA



Development of NGPs
in key markets



International Growth
(handmade cigars)

CONTINUED RETAIL EXPANSION SUCCESS

GEOGRAPHIC GROWTH OF CIGAR SUPERSTORES ACROSS USA

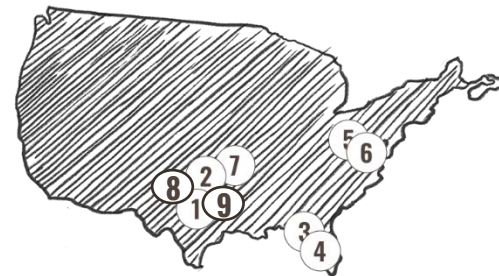
STRATEGY AND AMBITION

- Geographic expansion to grow the size of the company and contribute to ongoing shareholder value
- Delivering valuable contributions to the Group's financial performance



CURRENT STATUS

- 9 Super Stores opened to date
- 3 more Super Stores planned for the coming 12 months
- Each store has become an important part of both NAOR and Group net sales and growth



DEVELOPMENT OF NGPS ACROSS KEY MARKETS

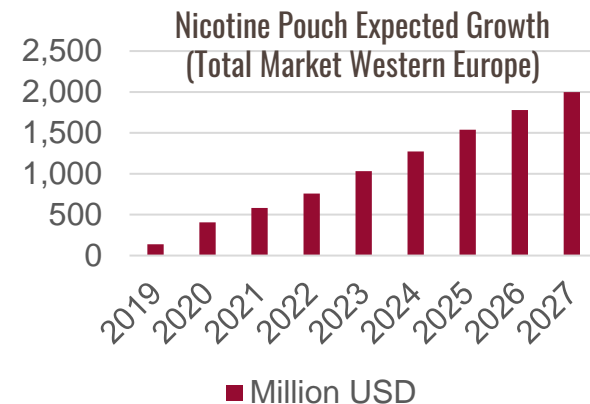
ADAPTING TO CONSUMER DEMANDS AND DIVERSIFYING OUR PORTFOLIO

STRATEGY AND AMBITION

- Grow size of company through portfolio diversification create shareholder value through profit
- Contribute to the Group's financial performance, with large scale growth expected in the short-term

CURRENT STATUS

- 4 different products to date, across 4 countries
 - 2 Modern Whites (no tobacco, with nicotine) – Sweden & UK
 - 1 Modern Actives (no tobacco, no nicotine) – Denmark
 - 1 hemp product (no tobacco, no nicotine) – USA
- Recent XQS acquisition to propel STG's white pouch presence in Sweden



INTERNATIONAL GROWTH OF HANDMADE CIGARS

STRENGTHENING OUR CONSUMER ORIENTATION ON A GLOBAL SCALE

STRATEGY AND AMBITION

- Grow net sales, increase market share
- Increase category profitability by increasing sales of proprietary handmade brands and building brand equity for top brands



CURRENT STATUS

- 9% increase in volume and 19% increase in sales this YTD
- Cuban brand struggles & huge price increases presenting STG with prime opportunity for expansion through:
 - Branding
 - Distribution
 - Lounge openings
- Innovation pipeline poised for a strong start in 2024



GROWTH ENABLERS IMPORTANT TO NET SALES & EBITDA GROWTH OVER TIME

STRONG NET SALES IMPACT, INVESTMENTS TO IMPACT MARGINS

Net sales / % of Group (FY 2022)	Category	Drivers	Direction
2-3%	Retail Expansion	Store openings	
0-1%	NGPs	XQS growth a.o., market roll-out	
2-3%	International Sales of HMC	Rollout strategy	
Growth Enablers ~5%	STG Growth Enablers		
EBITDA Margin	STG Growth Enablers		

PART 5: FINANCIAL AMBITIONS

GROWTH KEY TO DELIVER SHAREHOLDER RETURNS

Speaker for the session:



Torben Sand

Director of Investor Relations & Communications



GROWTH ANCHORED IN OUR FINANCIAL AMBITIONS

FOCUSING ON CREATING SHAREHOLDER VALUE

EARNINGS

Aim to increase EBITDA margins over time (subject to changes in business mix as well as acquisitions)

FREE CASH FLOW

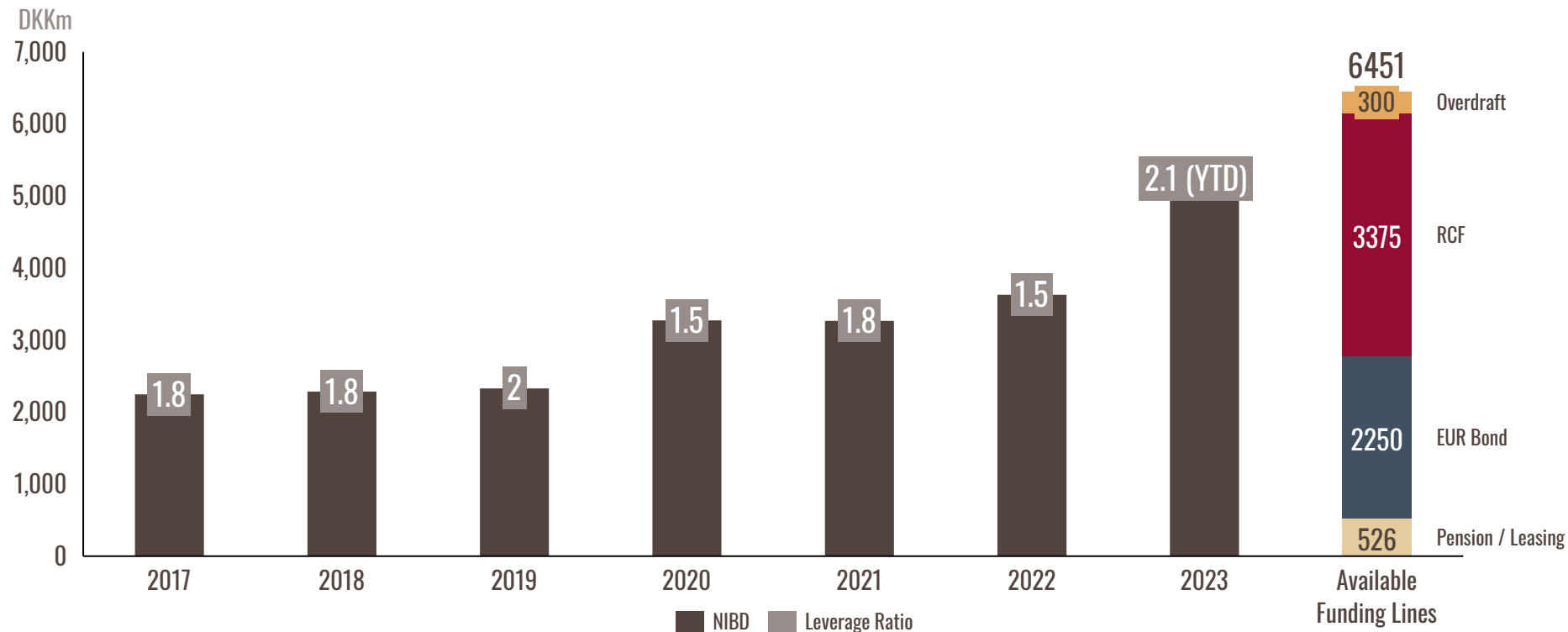
To achieve average annual growth in free cash flow before acquisitions and sizeable investments

RETURN ON INVESTED CAPITAL

Improve ROIC over time

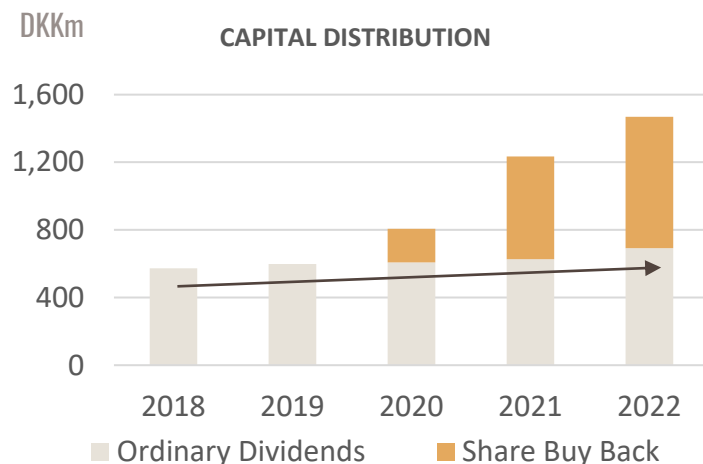
STRONG FINANCIAL POSITION WITH HEADROOM

WITH WELL-BALANCED FUNDING STRUCTURE AND HEADROOM TO LEVERAGE TARGET OF 2.5X



ALMOST 5 BILLION RETURNED IN 5 YEARS

LAUNCH OF NEW SHARE BUY-BACK PROGRAM OF 850 MILLION



- Financial Policy based on a leverage target of 2.5 times
- 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 104 million
- Initiation of up to DKK 850 million programme supported by leverage and strong cash-flows. 13 November 2023-28 February 2025
- Pro-rata participation by Chr. Augustinus Fabr. and C.W.Obel

YEAR TO DATE PERFORMANCE – 2023

NET SALES

Reported

DKK 6.5 billion
(-1.8%)

EBITDA MARGIN

Before special items

24.6%
(25.9%)

FREE CASH FLOW

Before acquisitions

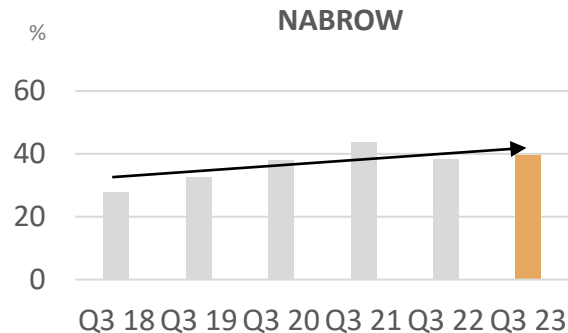
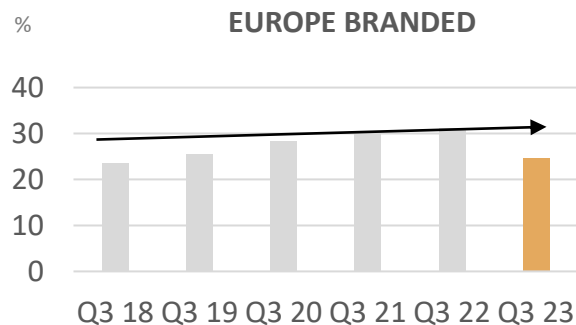
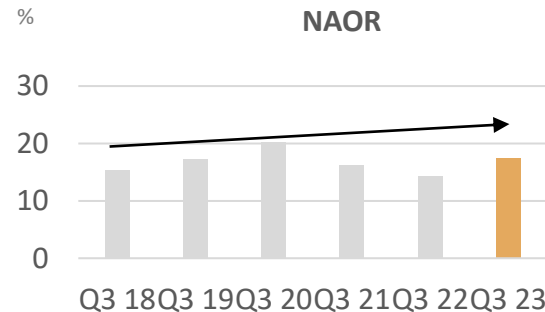
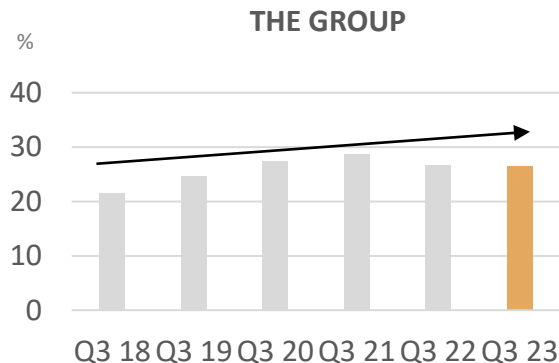
DKK 602 million
(735 million)

ADJUSTED EPS

DKK 10.8
(11.6)

First nine months of 2023 as per Interim Report, November 8th 2023

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



2023 OUTLOOK*

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

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TO ASK ANY
QUESTIONS



Q&A SESSION