

# SWEDISH MATCH RESULTS PRESENTATION

Q3 2021



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# Q3 – HIGHLIGHTS CONSOLIDATED GROUP

## Highlights for the third quarter

- Record sales with year-on-year revenue growth across product segments, despite comparing to a prior year quarter with elevated demand for certain product lines.
- In local currencies, sales increased by 10 percent for the third quarter. Reported sales increased by 9 percent to 4,778 MSEK (4,400).
- Record operating profit from product segments, in spite of continued ramp-up in spending behind growth opportunities for smokefree products.
- In local currencies, operating profit from product segments<sup>1)</sup> increased by 2 percent for the third quarter. Reported operating profit from product segments increased by 1 percent to 2,099 MSEK (2,075).
- Operating profit amounted to 2,075 MSEK (2,048) for the third quarter.
- Profit after tax for the third quarter amounted to 1,540 MSEK (1,222). Profit after tax for the third quarter of the prior year included a charge of 286 MSEK following an adverse ruling in a tax case.
- Earnings per share increased by 30 percent to 0.99 SEK (0.76) for the third quarter. Adjusted earnings per share increased by 5 percent to 0.99 SEK (0.94).<sup>2)</sup>
- On September 14, Swedish Match announced its intention to spin off its US cigar business to shareholders. Subject to various conditions, the separation is expected to be completed during the second half of 2022, at the earliest. For more details, see the September 14 press release.

1) Excludes Other operations and larger one-time items.

2) In May 2021, a share split (10:1) was made. Historical share data in this report has been restated in accordance with IAS 33.



## Q3 – HIGHLIGHTS BY PRODUCT SEGMENT

### Smokefree:

- Sales and operating profit up by 10% and 3% respectively in local currencies.
- Increased operating profit in local currency in both the US and in Scandinavia despite higher marketing investments to support growth for nicotine pouches.
- In the US, continued momentum for ZYN nicotine pouches drove the operating profit growth while earnings for moist snuff and chewing tobacco were down on challenging comparisons.
- In Scandinavia, higher volumes for both snus and nicotine pouches in combination with better realized pricing drove improved operating profit.

### Cigars:

- Sales increased by 8% in local currency resulting from price increases as well as favorable mix effects. Operating profit development virtually flat in local currency.
- Swedish Match shipments of natural leaf cigars increased sharply while shipments of HTL varieties declined at a similar rate. The main cause for the decline in shipments of HTL cigars was limited availability of certain input materials.
- Swedish Match gained market shares in the faster growing natural leaf segment, both compared to Q3 of the prior year and sequentially relative to the second quarter.

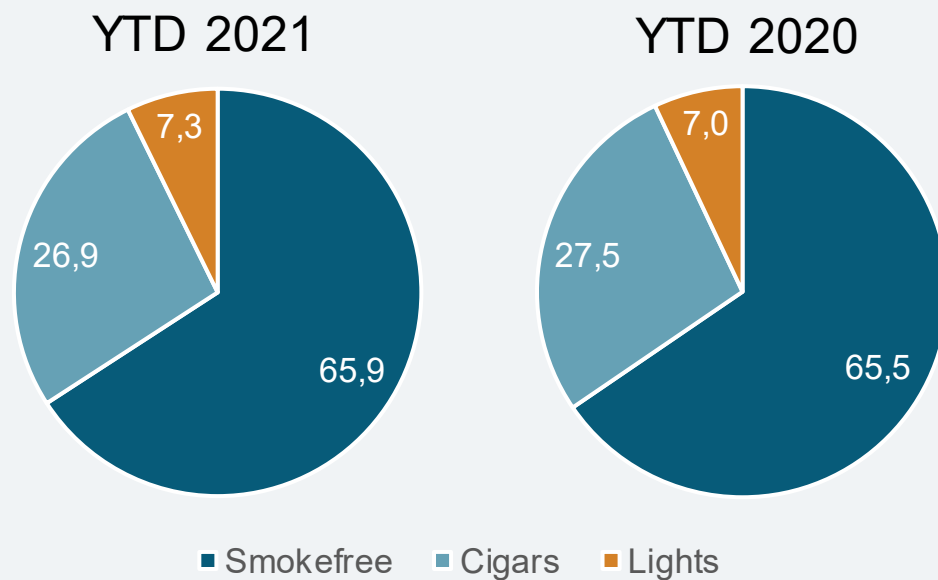
### Lights:

- Strong sales growth on higher volumes for lighters, positive product and format mix, price increases, as well as acquisition effects.
- Operating profit growth despite higher raw material costs.

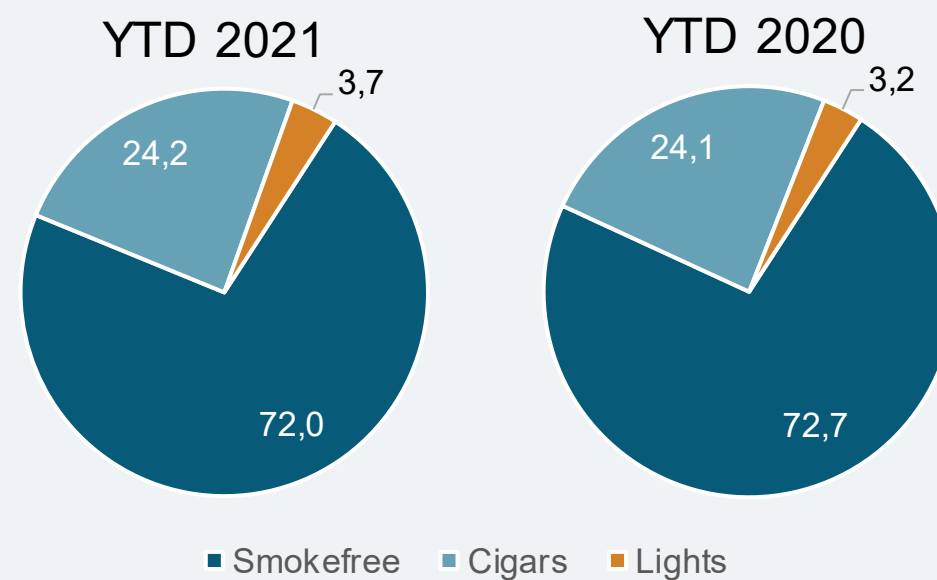
# SALES AND EBIT SPLIT BY PRODUCT SEGMENT

Sales and EBIT split in percent, YTD 2021 versus YTD 2020 (Jan-Sep)

## Sales split



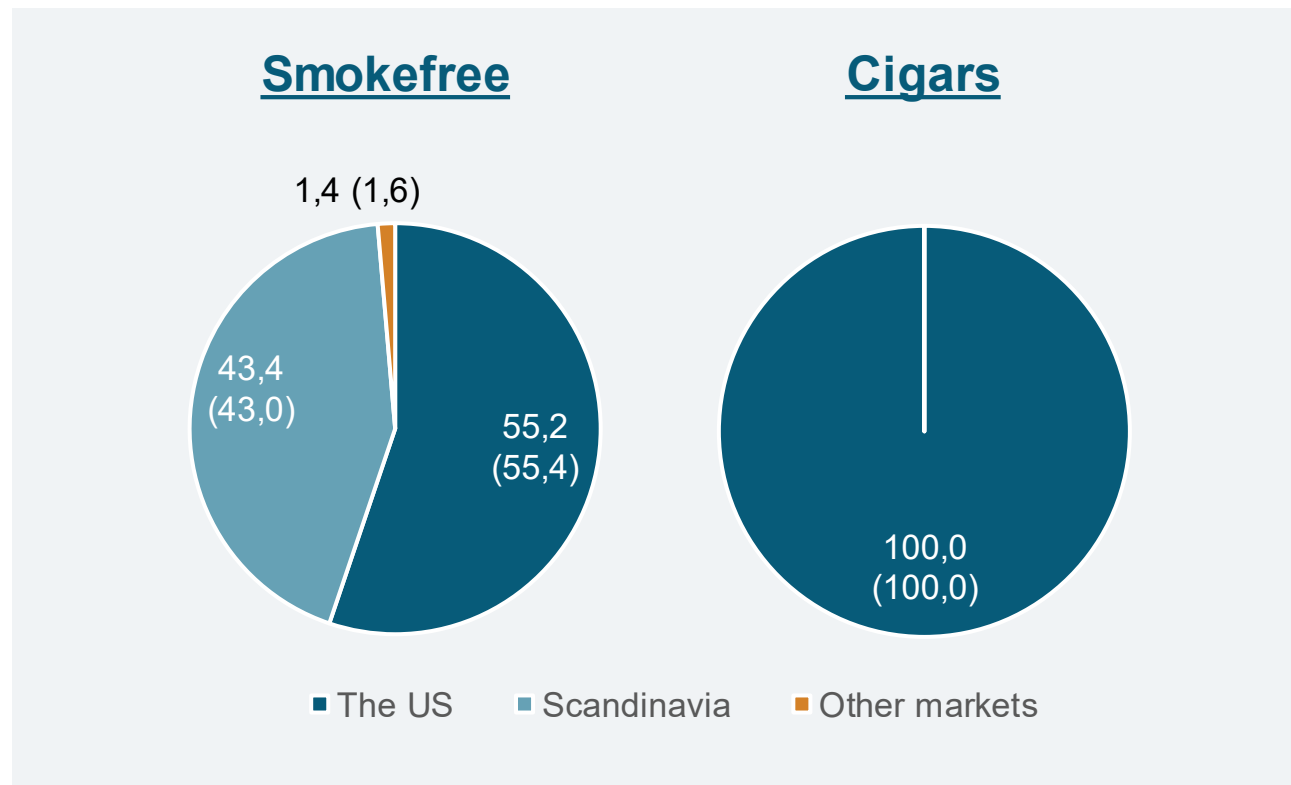
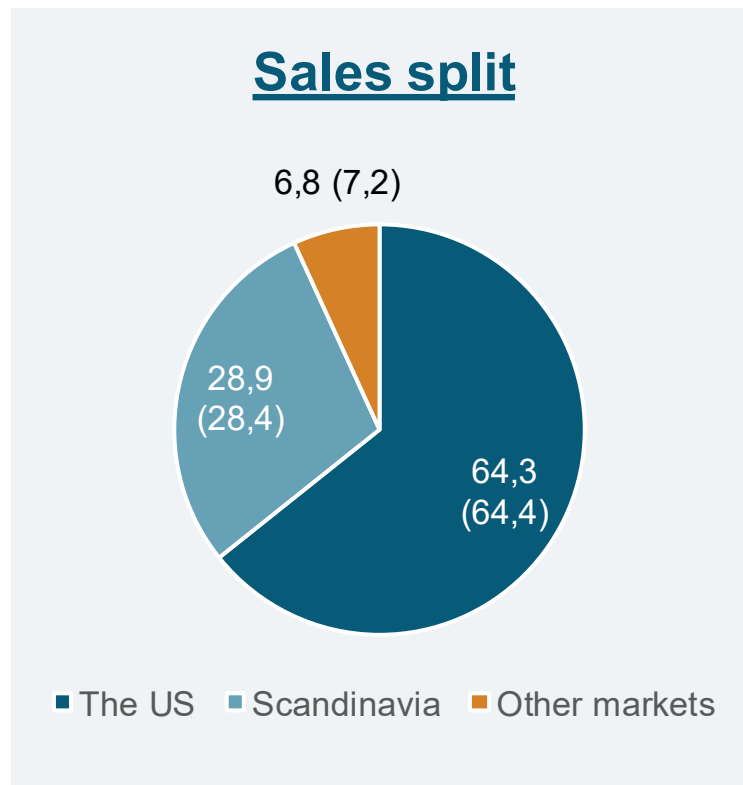
## EBIT split





# SALES SPLIT BY GEOGRAPHY AND PRODUCT SEGMENT

Sales split in percent, YTD 2021 versus YTD 2020 (Jan-Sep)



## Sales up 10% in local currencies; Higher marketing spend behind nicotine pouches

	Q3-2021	Q3-2020	chg	9m-2021	9m-2020	chg	Oct 2020-Sep 2021	Full year 2020	chg
Sales, MSEK	3,100	2,842	9	8,878	8,045	10	11,483	10,651	8
Operating profit, MSEK	1,558	1,519	3	4,451	3,974	12	5,619	5,142	9
Operating margin, %	50.3	53.5		50.1	49.4		48.9	48.3	



### The US\*

- **Solid profit growth for ZYN despite higher marketing spend; difficult comparisons for traditional smokefree**
  - Higher velocities in selling stores drove continued volume growth for ZYN, up by 43% vs. prior year quarter and up by 9% vs. Q2 2021.
  - Despite continued aggressive price promotions from several competitors, ZYN grew its market share slightly relative Q2 2021.
  - Targeted promotional activities for ZYN resulted in sales growing at a less pronounced rate than volumes.
  - Marketing activities executed in line with ambitious plan, but operating profit growth at a double-digit rate was sustained for ZYN.
  - Improved pricing but weak volume development for traditional smokefree (chewing tobacco and moist snuff) on the back of inflated demand in the prior year and timing effects of promotions. Operating profit down notably.

### Scandinavia

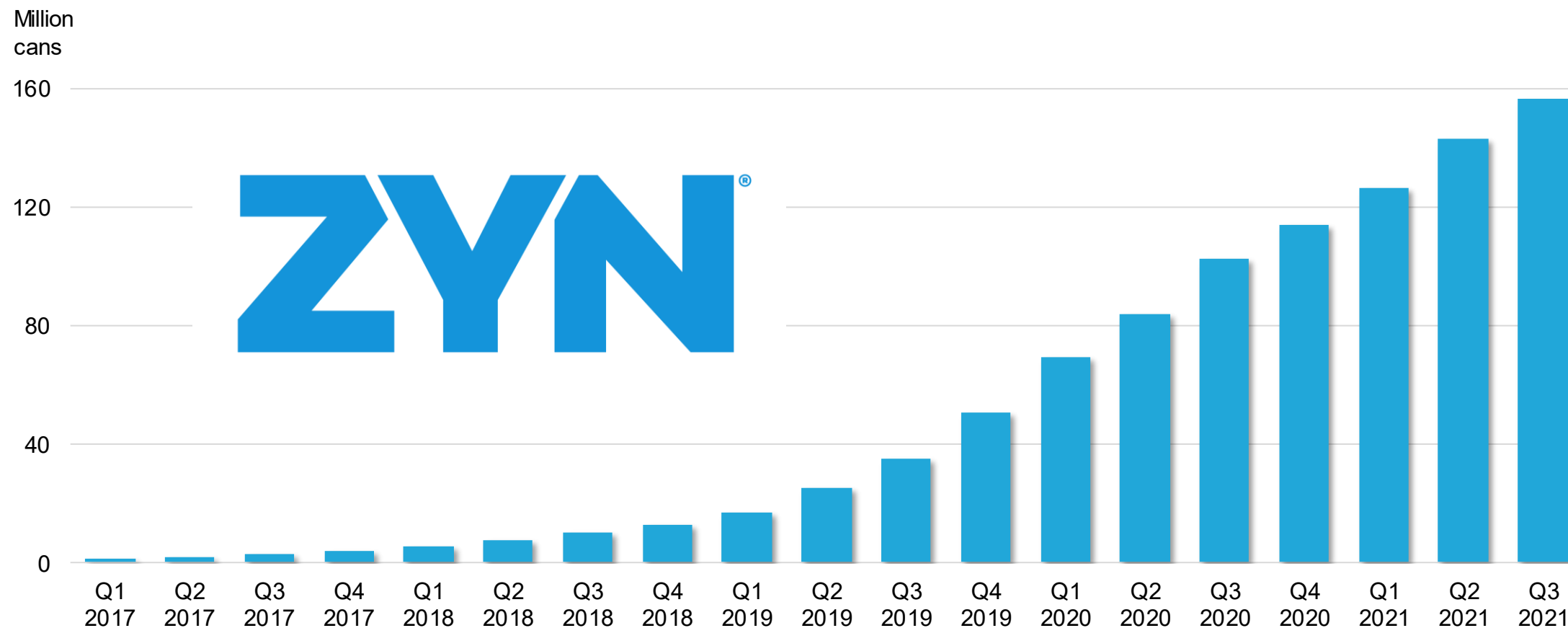
- **Strong sales development for both snus and nicotine pouches**
  - Consumption of smokefree continued to grow strongly with solid snus performance and significant growth for nicotine pouches.
  - Swedish Match sales up by 8% in local currency on the back of higher average pricing and volume growth of 4%.
  - Solid operating profit growth for snus while marketing investments weighed on operating profit for nicotine pouches.

### Other markets

- Sales growth for both nicotine pouches and chew bags. Operating profit further enhanced by lower expenses affected by timing.

# US – ZYN DEVELOPMENT IN THE US

## ZYN shipment volumes in the US, 12 months rolling

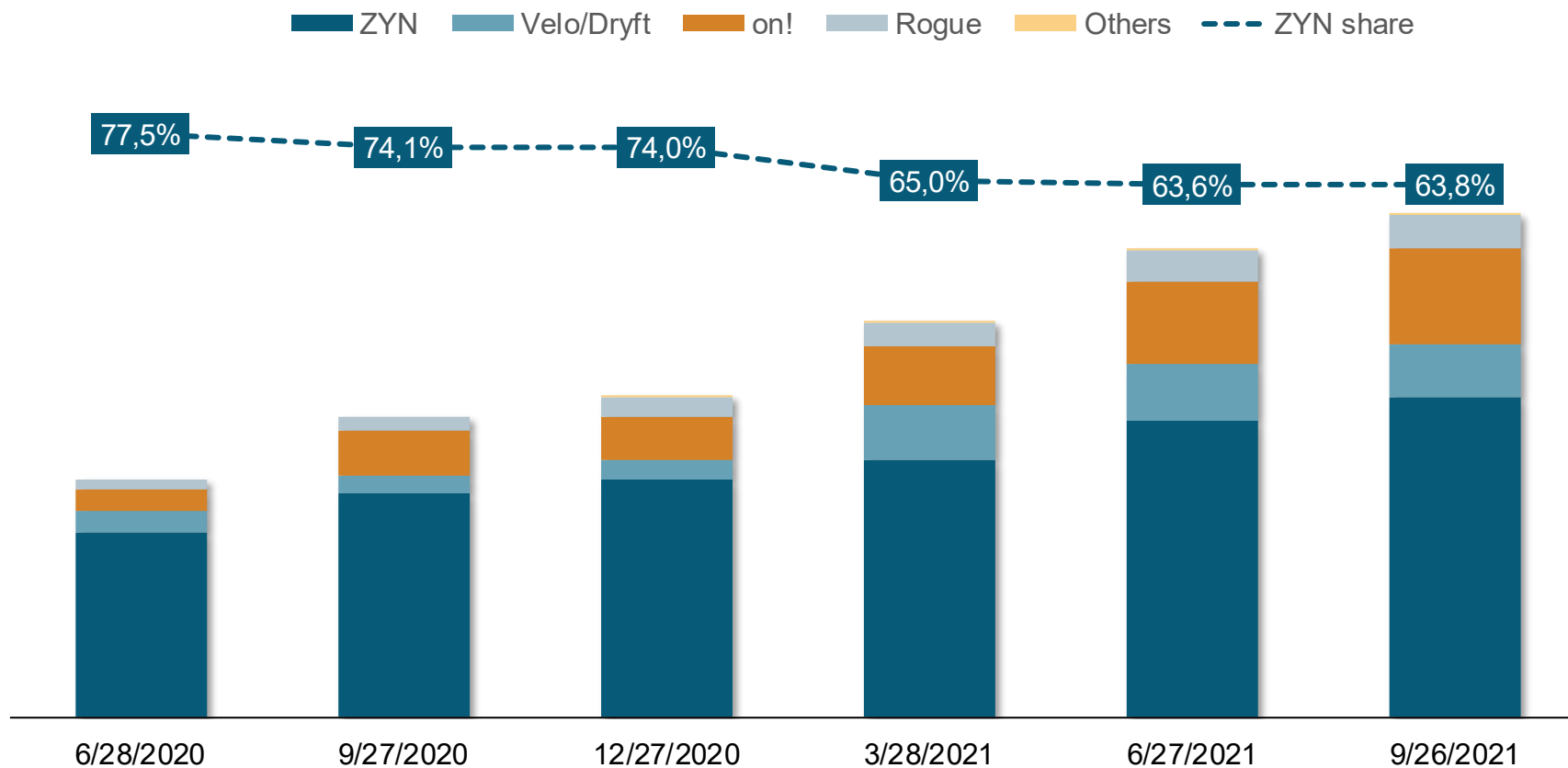


Source: Swedish Match reported shipments.



# US – NICOTINE POUCH CATEGORY GROWTH AND ZYN SHARE DEVELOPMENT

## Category volume and ZYN volume share development, 13-week periods

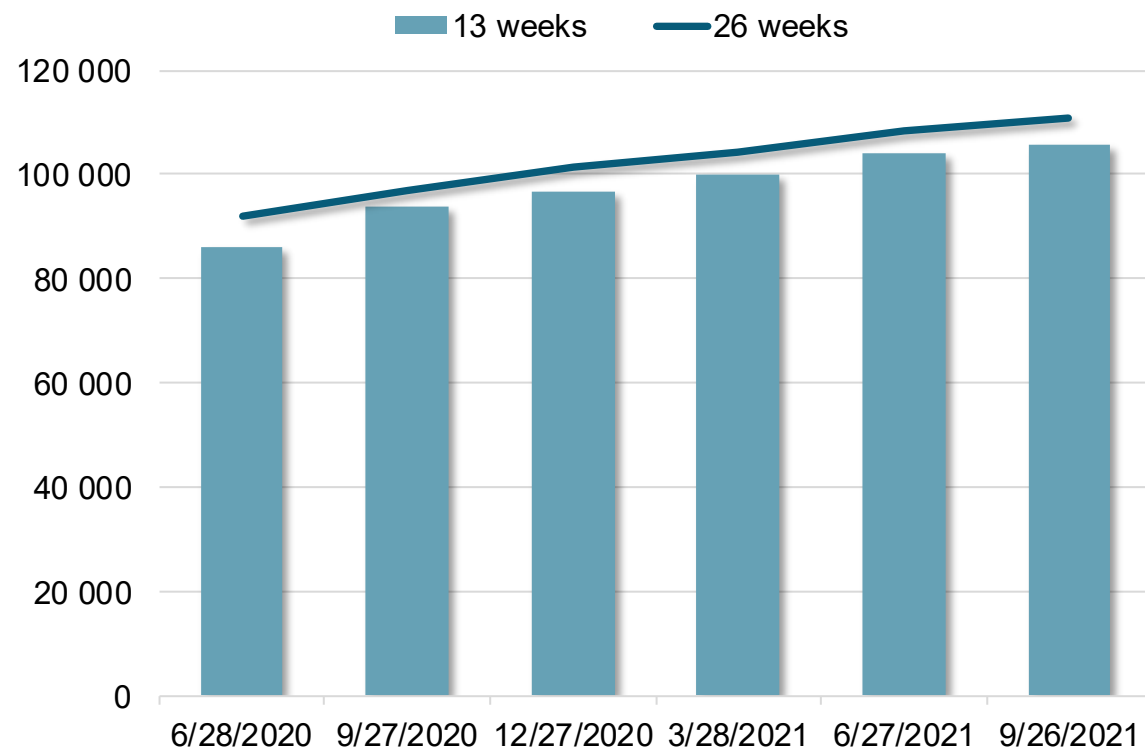


Source: Swedish Match estimates of distributor shipments to retail using MSA weekly data.

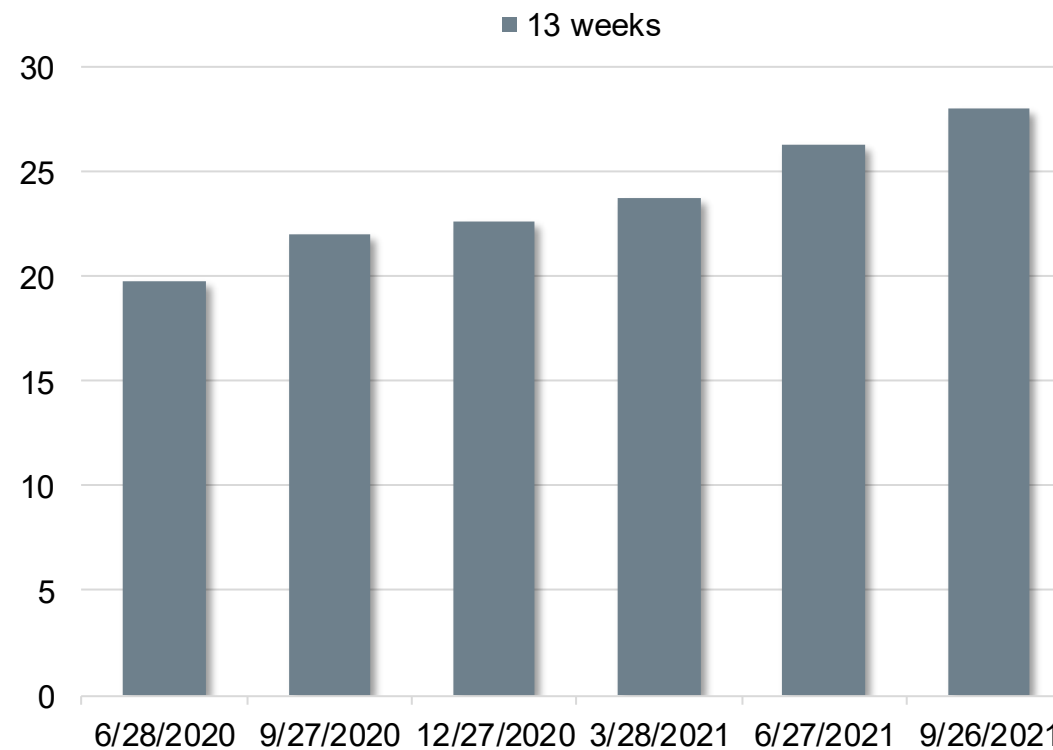


# US – ZYN STORE COUNT AND VELOCITY

## Distribution reach, total US (store count)



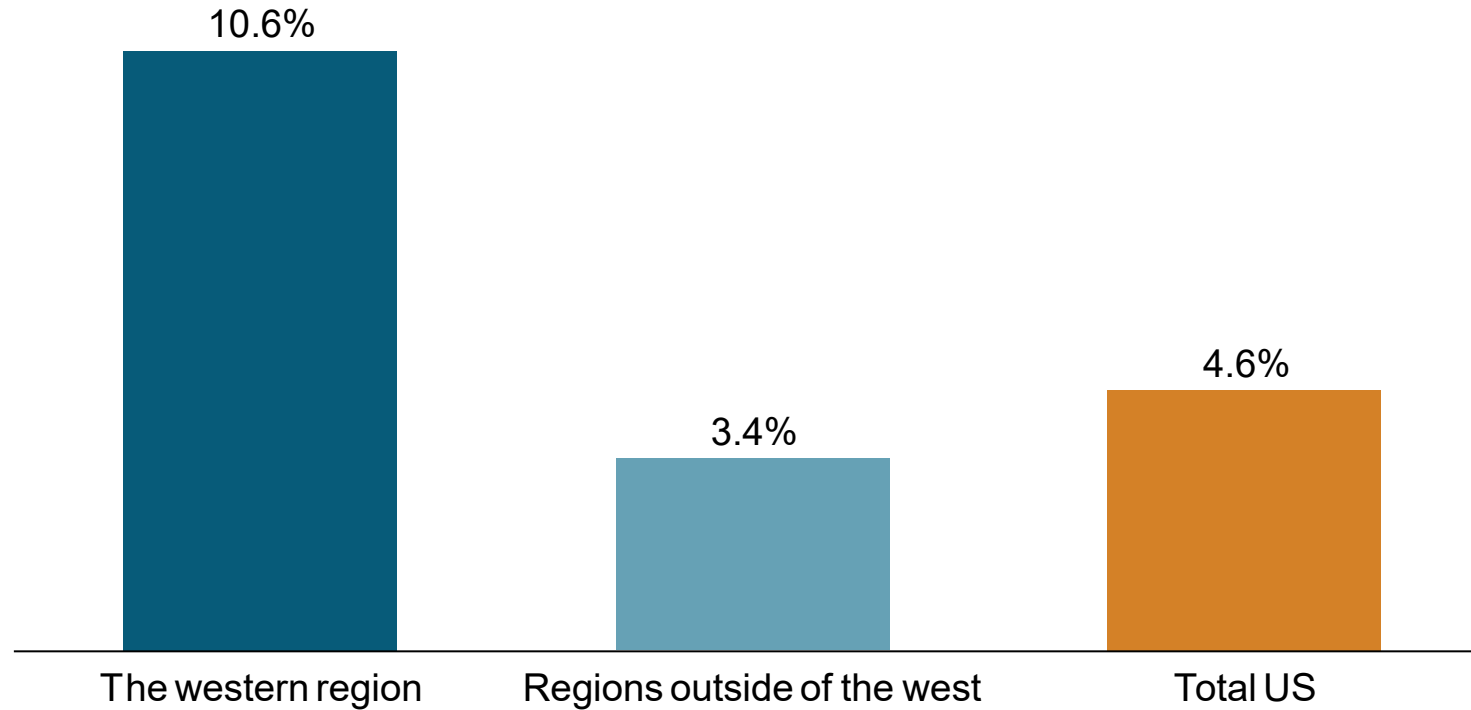
## Velocity, total US (cans/store/week)



Source: Swedish Match estimates of distributor shipments to retail using MSA weekly data. Distribution based on stores ordering ZYN over the past 13w/26w period. Velocity measured in periods of 13w.

# US – ZYN CONSUMERS IN RELATION TO NUMBER OF CIGARETTE SMOKERS

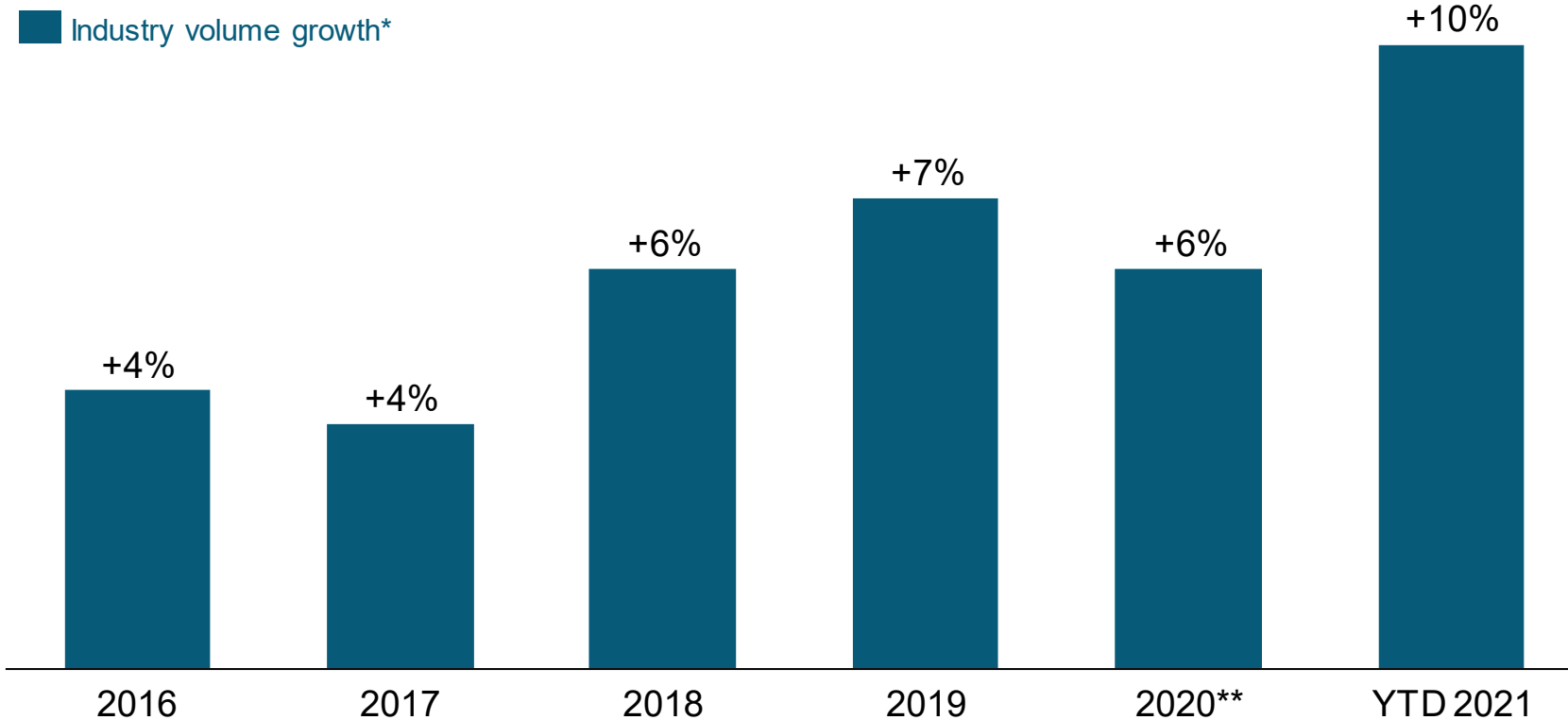
## Estimated number of ZYN consumers relative to the number of cigarette smokers in the US



Source: Swedish Match estimates based on ZYN Q3 shipments run-rate, consumer insights, MSA data and CDC FY 2019 estimates for number of smokers in the US.

# SCANDINAVIA – UNDERLYING SMOKEFREE CATEGORY VOLUMES

## Total underlying Scandinavian volume growth



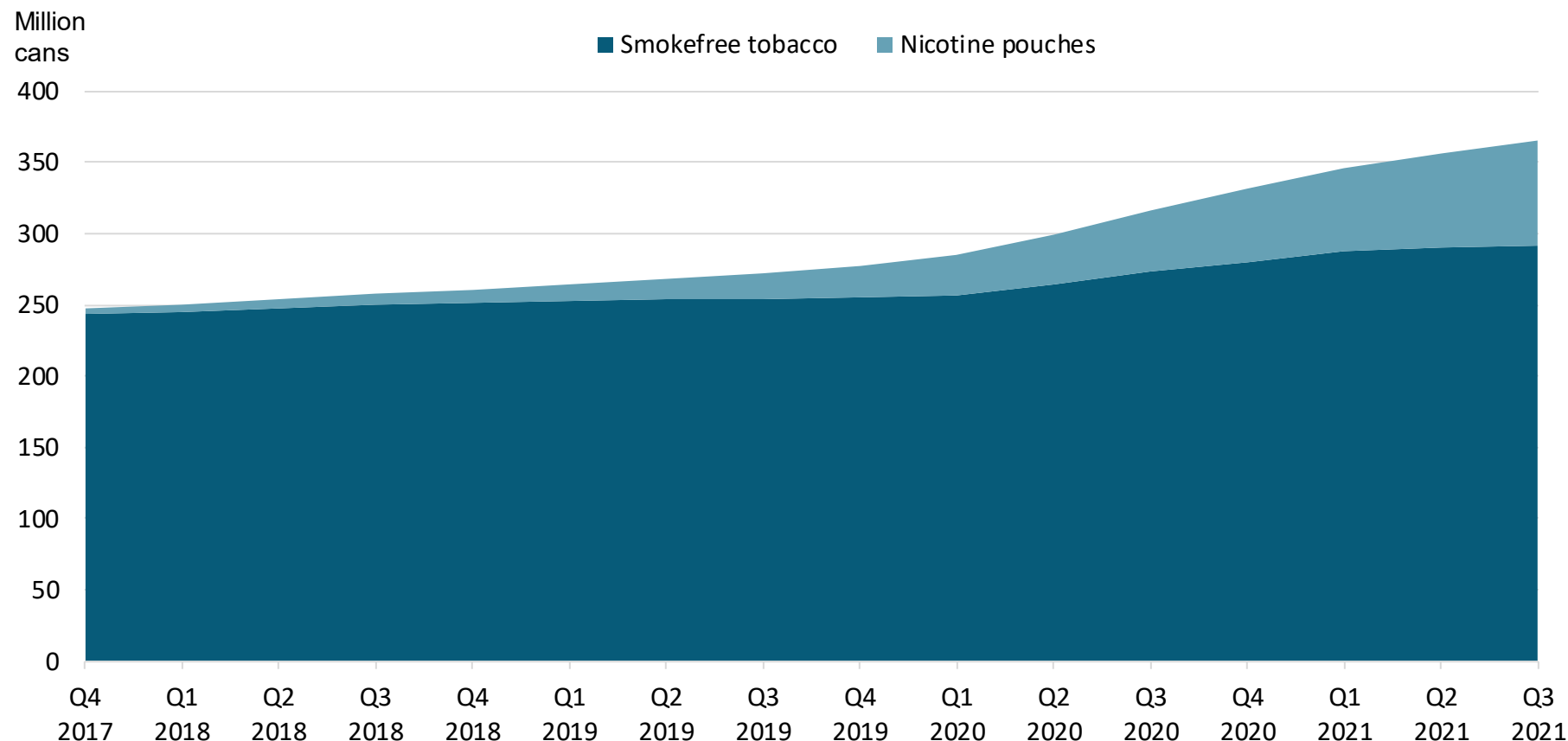
\* Based on Nielsen and Swedish Match estimates (adjusted for hoarding). Volumes including snus, nicotine pouches and chew bags.

\*\* 2020 adjusted for estimated COVID-19 impact on Finnish consumption.



# SCANDINAVIA – SMOKEFREE CATEGORY VOLUME DEVELOPMENT

## Volume development for the smokefree tobacco market (snus and chew bags) and the nicotine pouch market by rolling four quarters



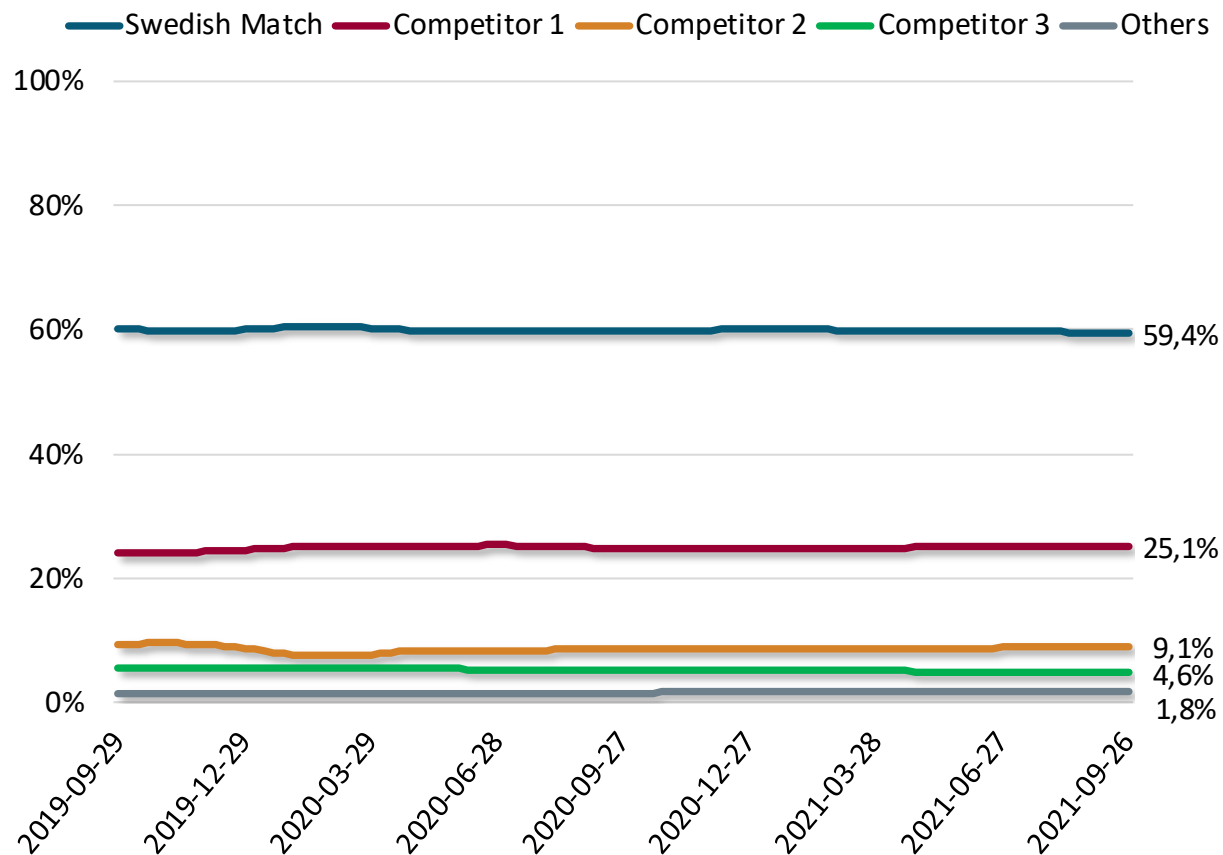
Source: Nielsen Sweden, DVH+SVH/Nielsen Norway, DVH+KBS/Nielsen Denmark, DVH/Convenience, Online sales where sales data are available.



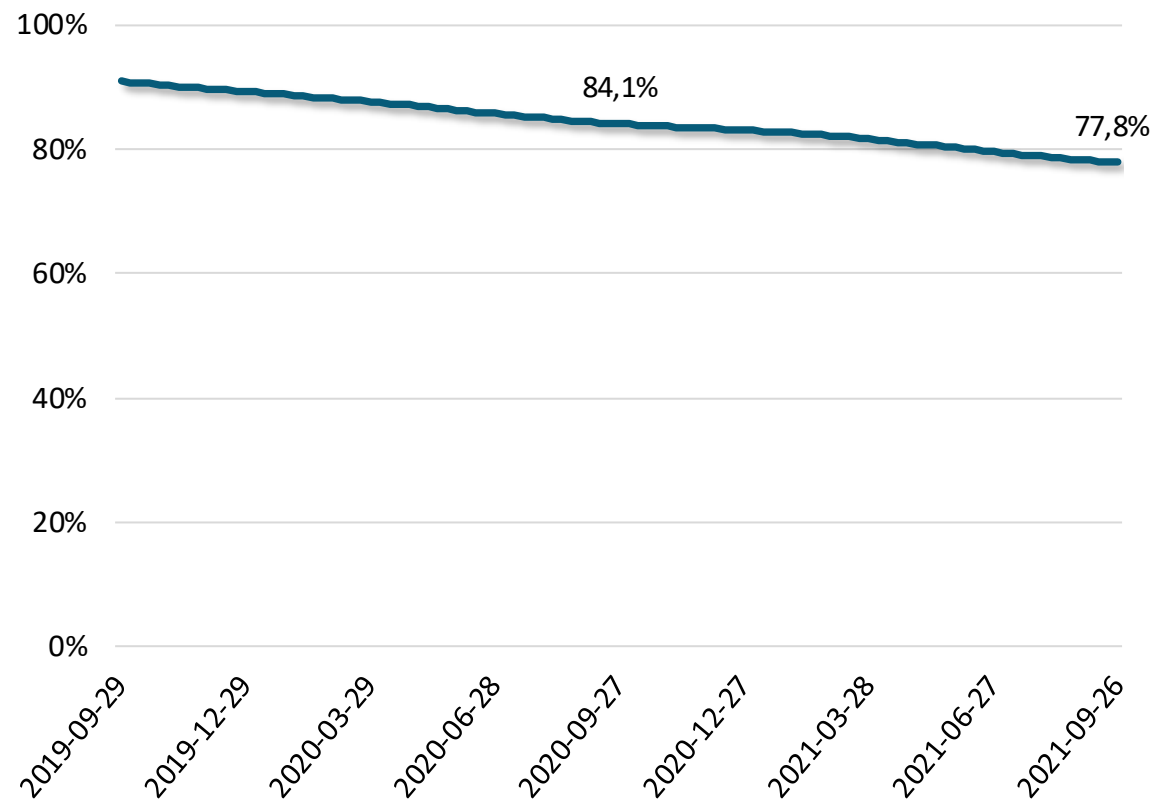
# SCANDINAVIA – SNUS MARKET DEVELOPMENT

## Volume share development, 13-weeks rolling

### Manufacturer volume shares within the Scandinavian snus market



### Snus market as a share of the total smokefree category\*



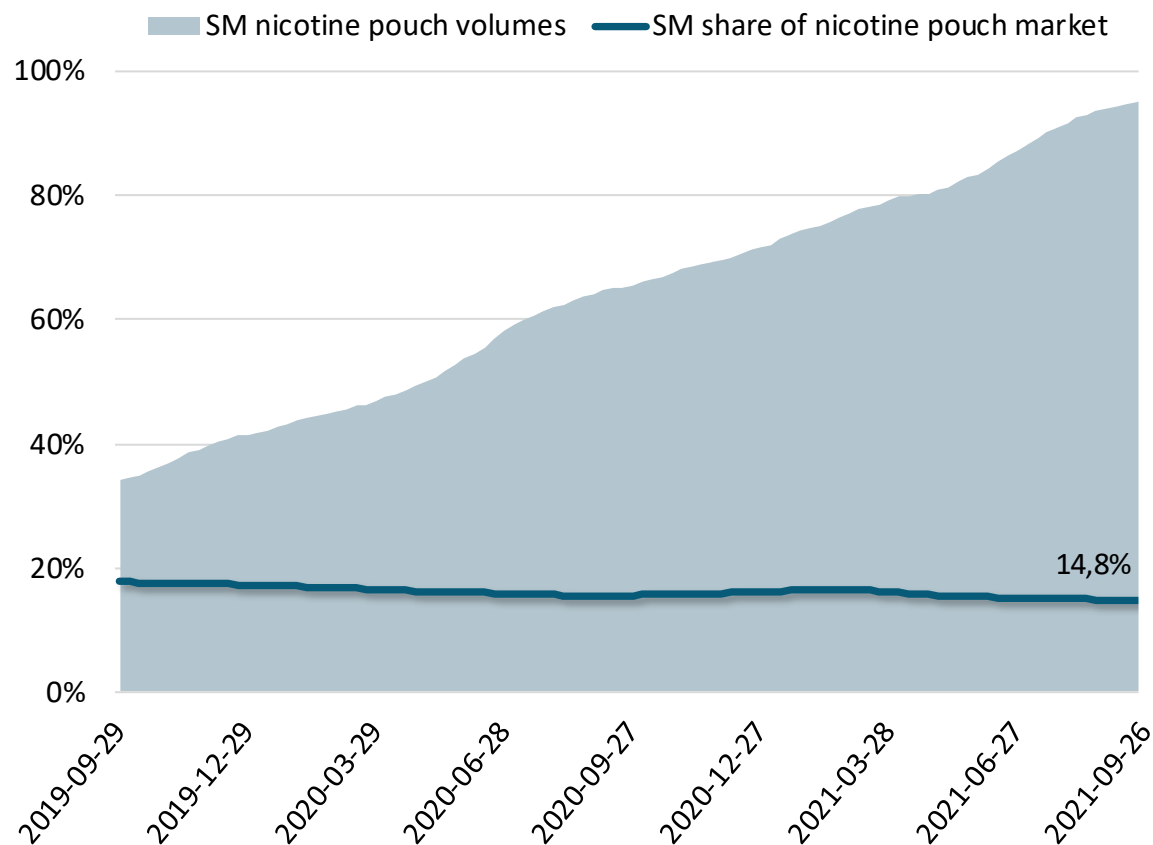
Source: Nielsen Sweden, DVH+SVH/Nielsen Norway, DVH+KBS/Nielsen Denmark, DVH/Convenience. \*Including snus, nicotine pouches and chew bags.



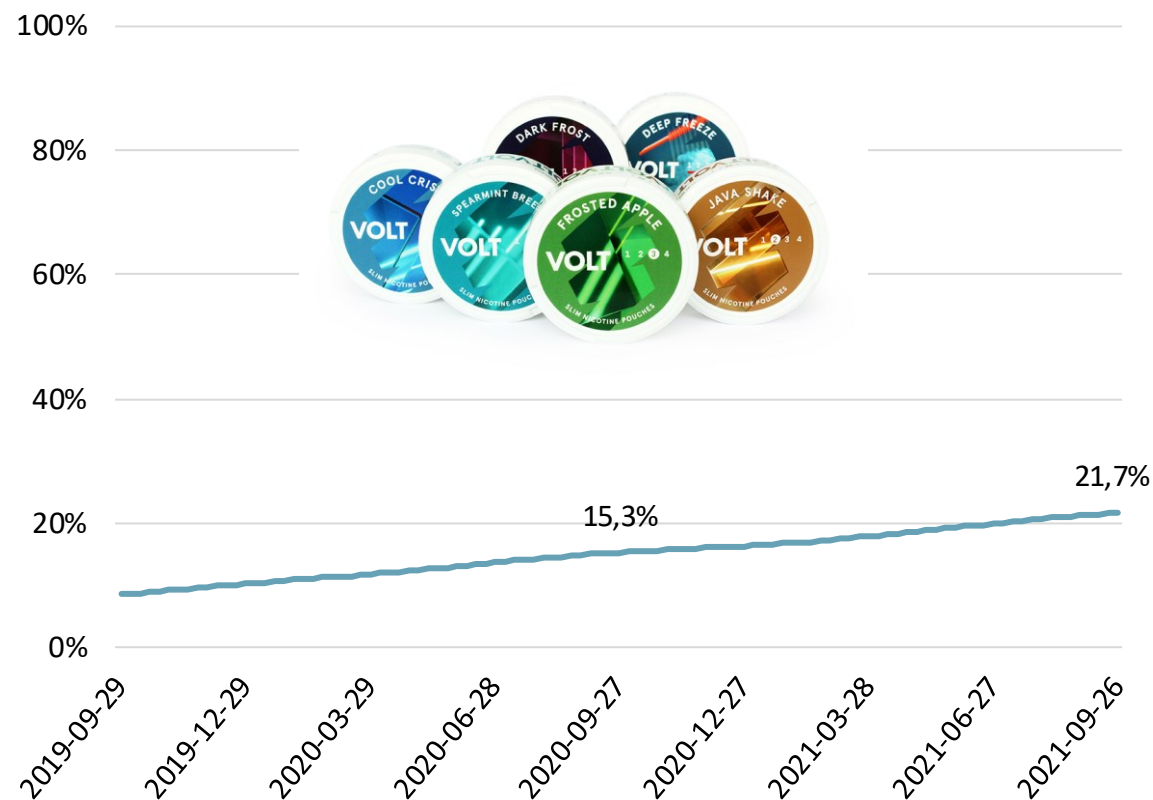
# SCANDINAVIA – NICOTINE POUCH MARKET

## Volume share and volume development, 13-weeks rolling

### Swedish Match's (SM) nicotine pouch volumes and share of nicotine pouch market



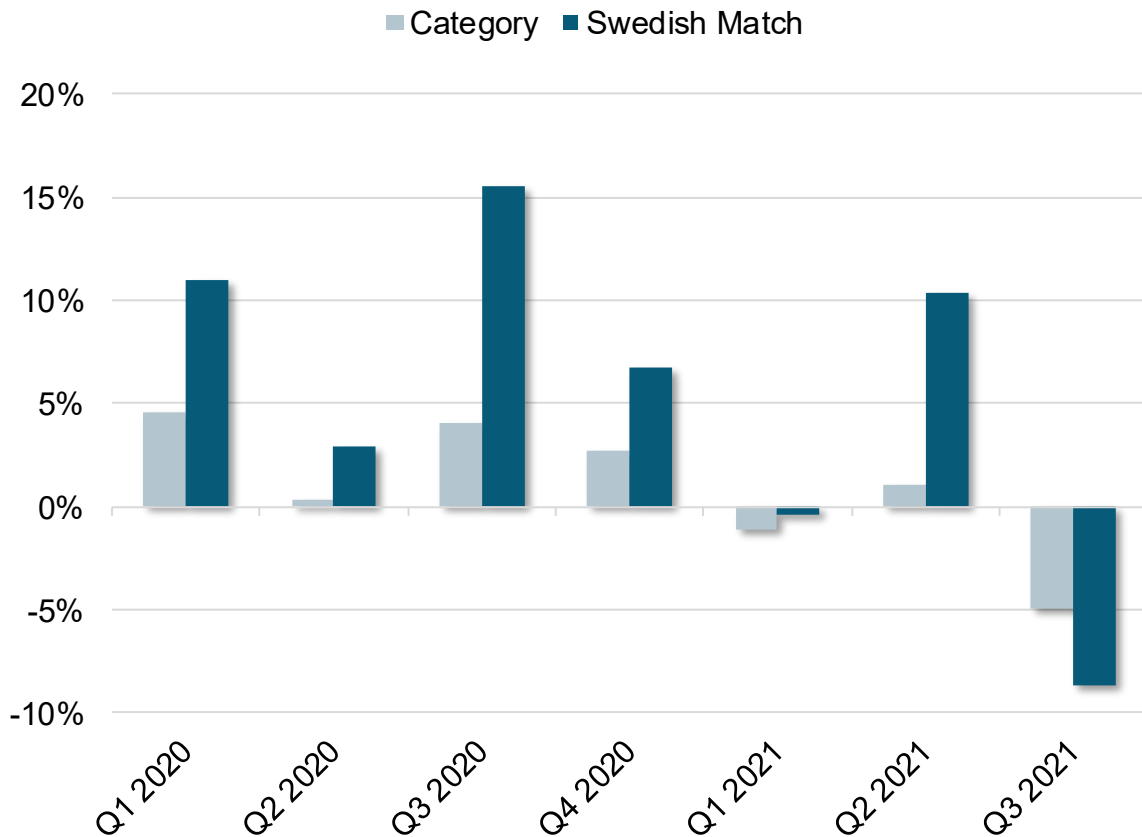
### Nicotine pouch market as a share of the total smokefree category\*



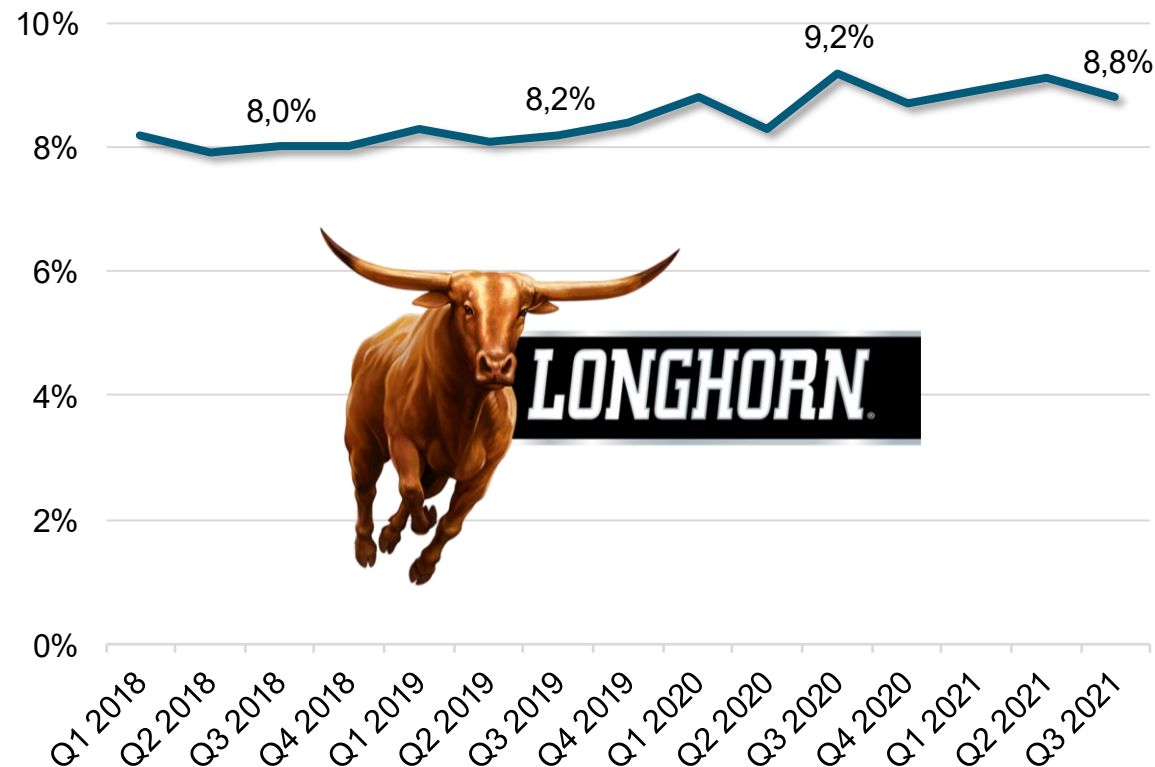
Source: Nielsen Sweden, DVH+SVH/Nielsen Norway, DVH+KBS/Nielsen Denmark, DVH/Convenience. \*Including snus, nicotine pouches and chew bags.

# US – MOIST SNUFF CATEGORY

## Moist snuff category and Swedish Match volume growth year-on-year



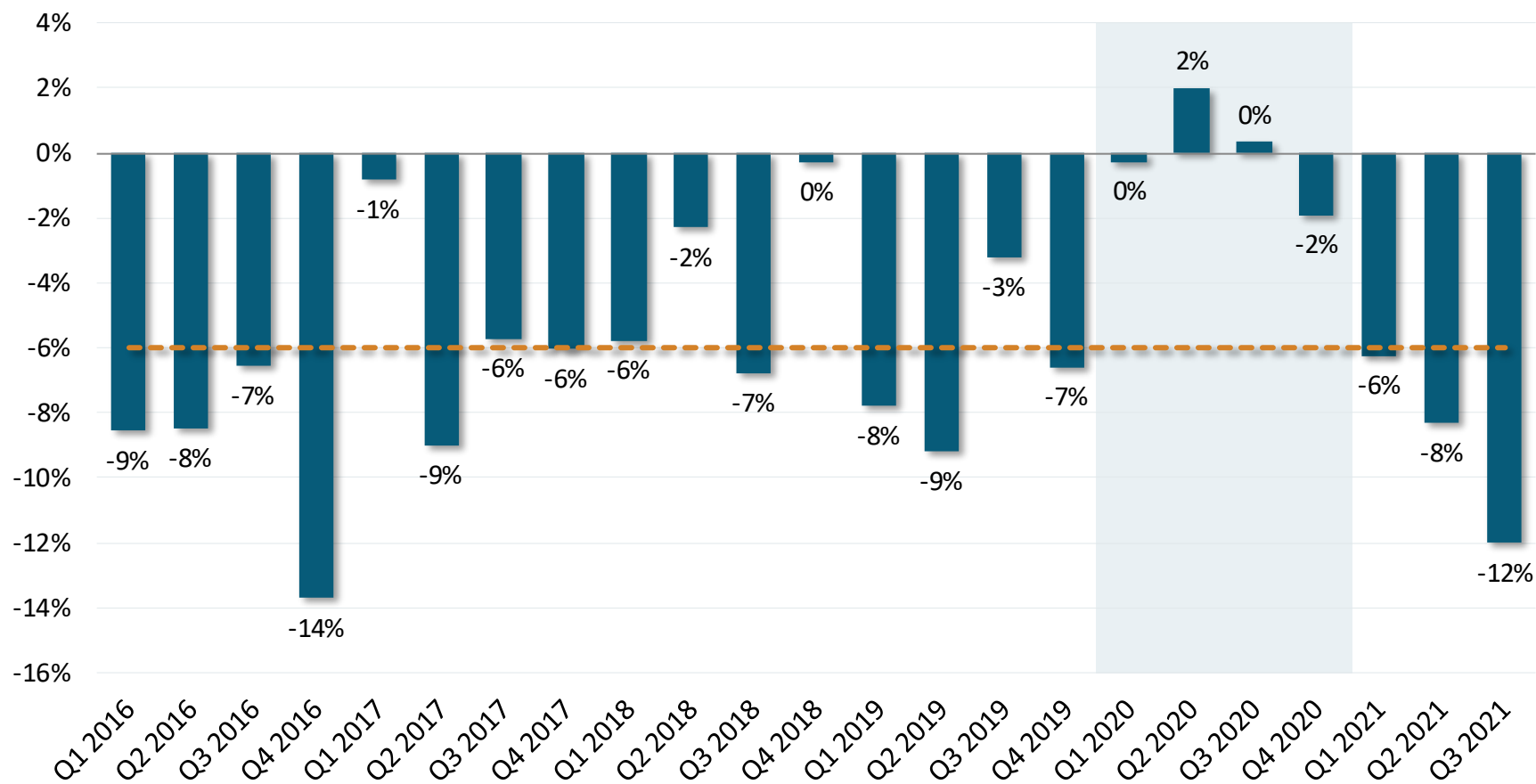
## Swedish Match moist snuff market share by quarter



Source: Swedish Match estimates of distributor shipments to retail using MSA weekly data.

# US – SWEDISH MATCH CHEWING TOBACCO SHIPMENT VOLUMES

## Shipment volume percentage change year on year, Swedish Match brands\*



\* On reported basis. Excludes Co-Pack volumes.



## Continued recovery for natural leaf cigars drove increased sales

	Q3-2021	Q3-2020	chg	9m-2021	9m-2020	chg	Oct 2020-Sep 2021	Full year 2020	chg
Sales, MUSD	143	133	8	427	360	19	560	493	14
Operating profit, MUSD	55	56	0	177	140	26	232	195	19
Operating margin, %	38.8	41.9		41.3	38.9		41.1	39.6	

### ○ Strong growth for natural leaf varieties but steep declines for HTL cigars

- Cigar shipments up by 1% with natural leaf varieties up by 35% and HTL cigars down by 38%.
- The decline for HTL cigars was to a large extent caused by constrained supply of input materials.
- Implemented price increases and favorable mix effects drove the sales increase of 8%.

### ○ Higher production costs offset benefit of increased sales

- Production mix, higher raw material and labor costs weighed on gross profit development.
- Other operating costs increased slightly, partly due to timing of certain activities.

### ○ Category shipments down slightly versus strong Q3 in the prior year\*

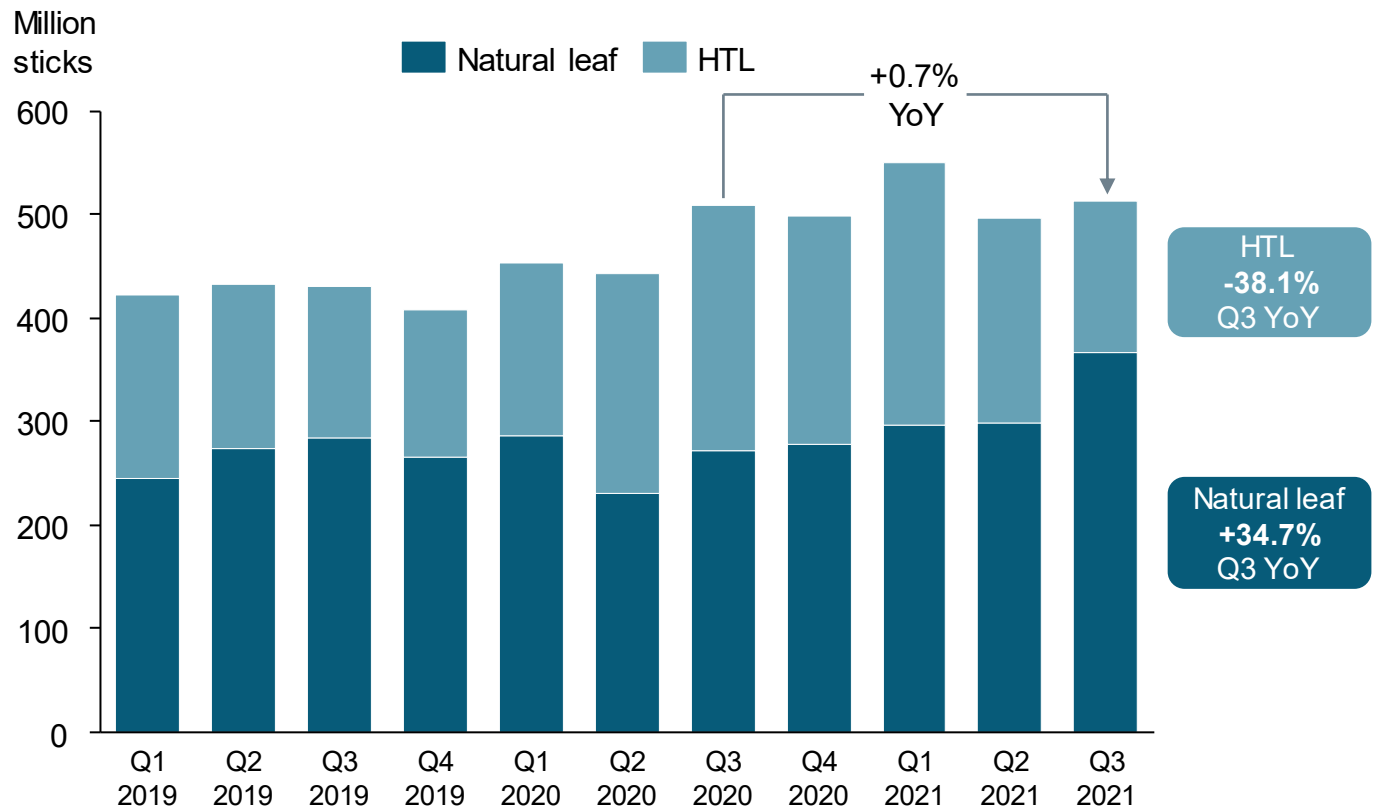
- 9% volume growth for natural leaf cigars did not fully compensate for the 10% decline in HTL cigars resulting in a 3% contraction of the overall mass market cigars category.
- Within the faster growing natural leaf segment, Swedish Match grew its market share both sequentially relative Q2 and versus Q3 of the prior year. Swedish Match's total market share increased sequentially relative Q2 but declined compared to Q3 of the prior year due to the weakness in HTL shipments.



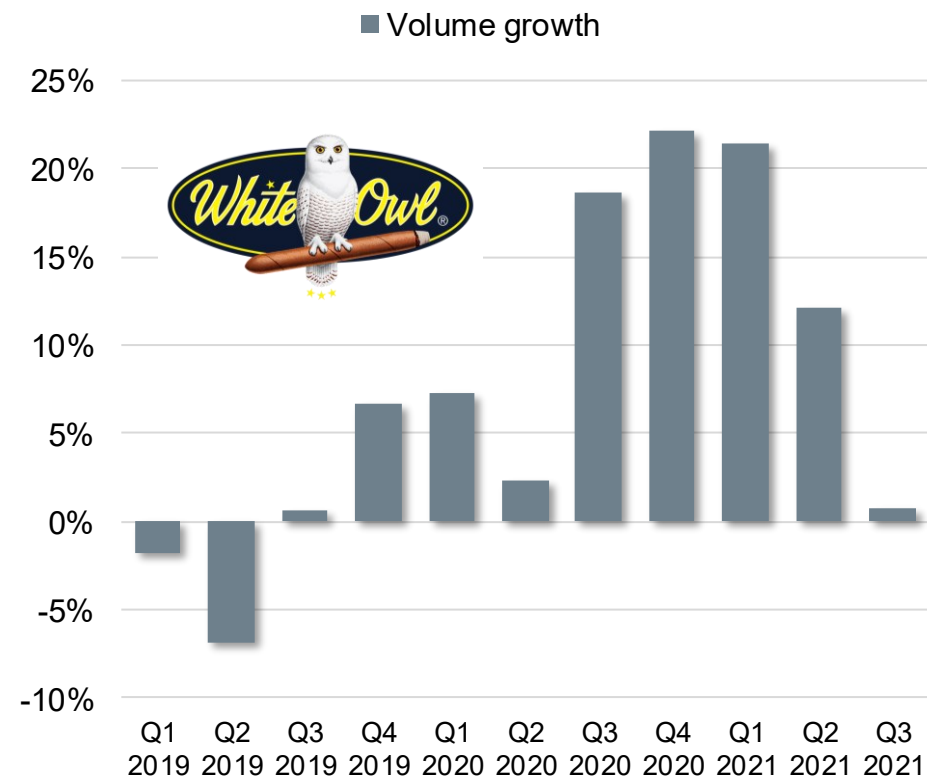
\* Source: MSA through September 26, 2021.

# US – SWEDISH MATCH CIGAR SHIPMENT VOLUMES

## Swedish Match shipment volume by segment

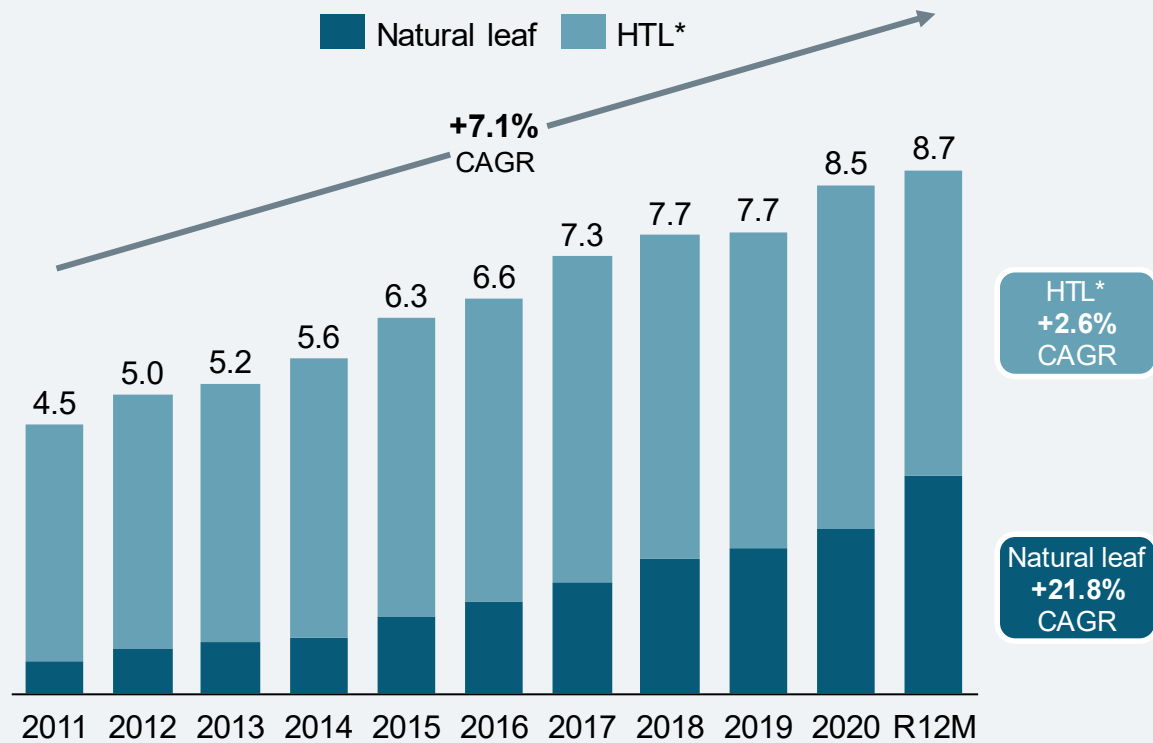


## Swedish Match shipment volume growth year-on-year

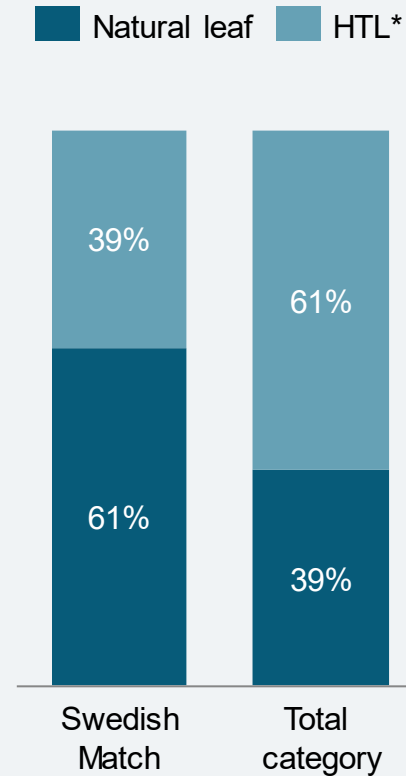


Source: Swedish Match reported shipments.

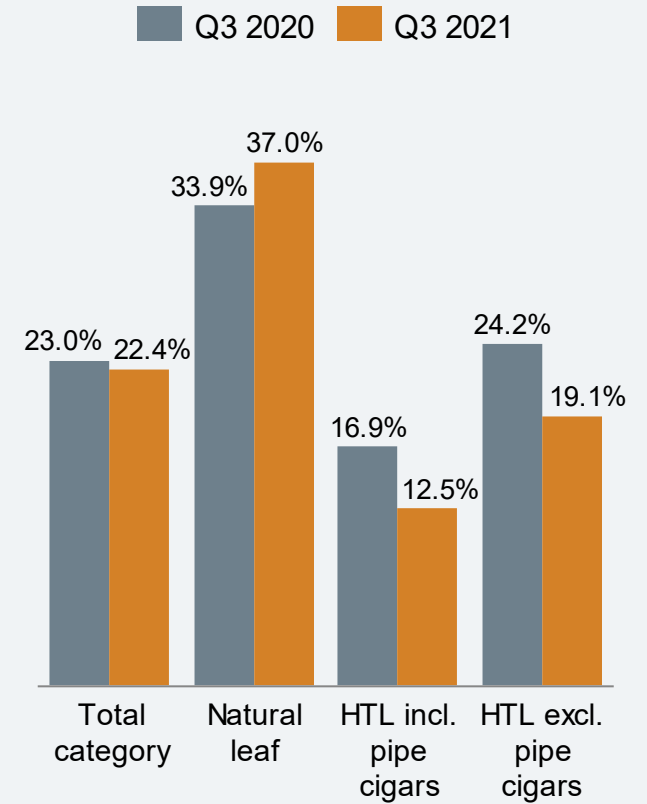
## Estimated volumes for the mass market cigar category (in billion sticks)



## Split on cigar volumes by segment YTD 2021



## Swedish Match market share by segment



Source: Swedish Match estimates of distributor shipments to retail using MSA weekly data (excluding little cigars). \* HTL includes the pipe cigars market.



## Solid performance for lighters drove financial performance

	Q3-2021	Q3-2020	chg	9m-2021	9m-2020	chg	Oct 2020-Sep 2021	Full year 2020	chg
Sales, MSEK	354	277	28	980	861	14	1,268	1,149	10
Operating profit, MSEK	60	57	6	230	176	31	276	222	24
Operating margin, %	17.0	20.0		23.4	20.4		21.8	19.3	



### ○ Sales up by 31% excluding currency translation effects

- Strong volume development as well as favorable product type mix resulted in sharp sales growth for lighters.
- Organic sales growth for matches despite slight volume decline on the back of effected price increases and favorable portfolio mix.
- Reported sales for matches further benefitted from the inclusion of the acquired Fire-Up fire products business.
- Total sales for Lights, excluding acquisition as well as currency translation effects, were up by 19%.

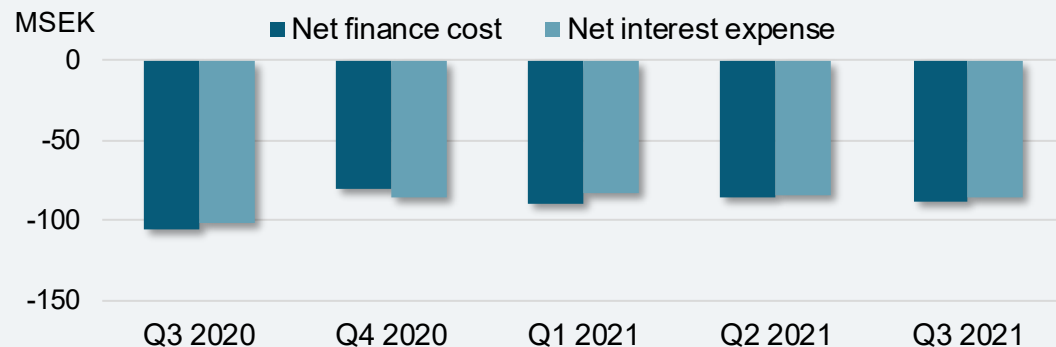
### ○ Operating profit growth driven by lighters

- Higher raw material costs weighed on operating profit development across product lines.
- For lighters, the positive sales development translated into notable earnings improvement despite the higher costs.
- For matches, when adjusting for the gain on sale of land of 11 MSEK in the prior year period, operating profit was flat.
- The Fire-Up acquisition did not meaningfully impact the operating profit.

# FINANCE NET AND EPS

## Development of the finance net

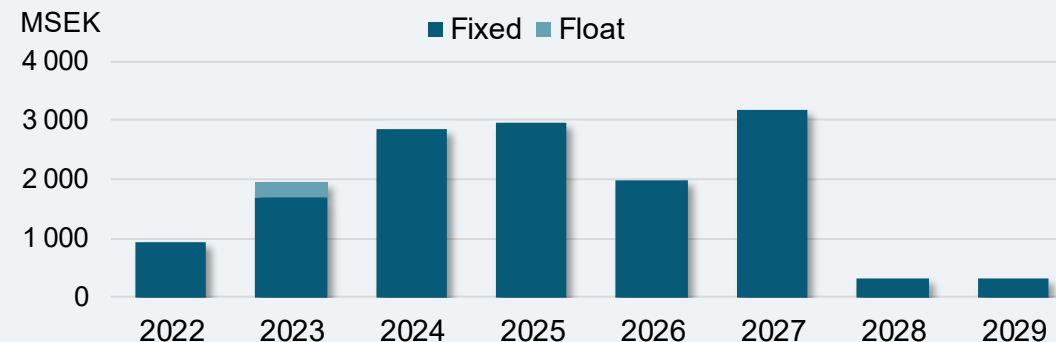
By quarter



- The weighted average interest rate of our loan portfolio as of September 30 was **2.13%** (2.07% at the end of 2020).

## Maturity profile of interest-bearing liabilities

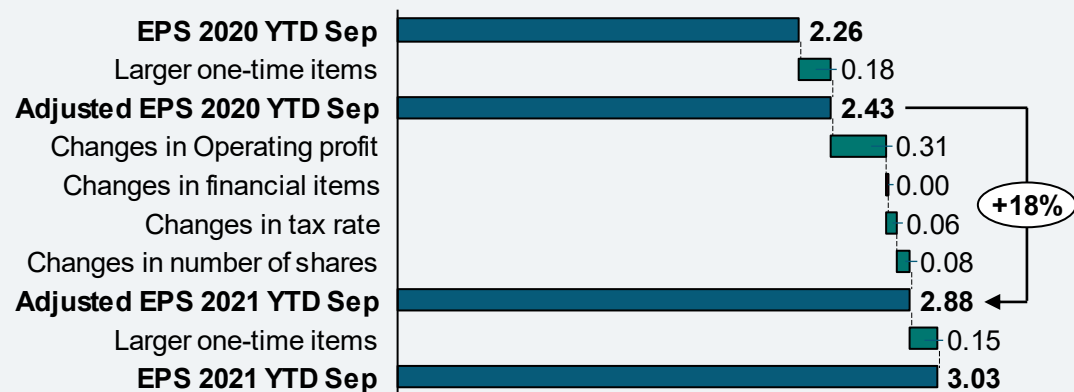
Debt as of September 30, 2021



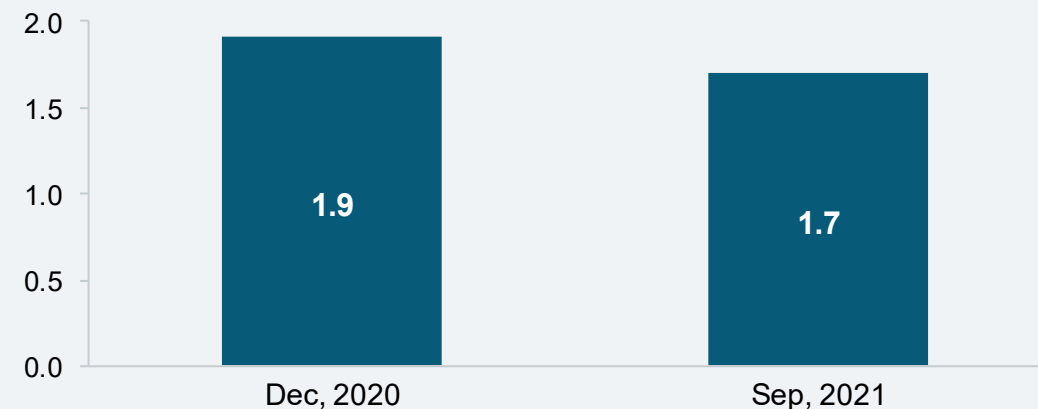
- The capital duration was 3.8 years, with 98% of the portfolio subject to fixed interest rates.

## EPS bridge

YTD 2021 vs YTD 2020 (SEK)



## Net debt/LTM EBITA



## FULL YEAR 2021 OUTLOOK

Swedish Match expects that the trend of increased interest from consumers, industry participants and regulators in less harmful alternatives to cigarettes will continue. Our ambition is to create value for both shareholders and society by providing products that are recognized as safer alternatives to cigarettes.

For the full year of 2021, Swedish Match expects continued market growth for smokefree products, most notably driven by rapid growth of nicotine pouches. Swedish Match expects that the attractive prospects of the nicotine pouch category will further elevate competitive activity.

For 2021, Swedish Match expects increased investments in marketing, distribution and sales efforts in both existing and new markets to actively participate in growth opportunities. Continued capital investments by Swedish Match to further expand nicotine pouch production capacity are expected to result in capital expenditures in 2021 above the 2020 level.

While Swedish Match expects that the COVID-19 pandemic will remain a serious public health issue for the remaining part of 2021, Swedish Match expects its business to remain largely resilient to material negative COVID-19 related effects.

The effective underlying corporate tax rate in 2021, excluding associated companies, is expected to be around 23 percent.

The Company remains committed to returning cash not needed in operations to shareholders.