



Company Announcement
No.10 2019

Copenhagen, 16 September 2019

Scandinavian Tobacco Group A/S to acquire Royal Agio Cigars, a leading European cigar company

Scandinavian Tobacco Group has today agreed on the terms and conditions for the acquisition of all of the shares of Agio Beheer B.V. from Highlands Beheer B.V. Agio Beheer B.V. is the holding company of the Royal Agio Cigars group of companies ("Royal Agio"). On a debt and cash free basis (the enterprise value), the transaction is valued at EUR 210 million. The acquisition will be financed by cash at hand and debt. The transaction is subject to satisfactory conclusion of a statutory employee consultation process in The Netherlands and subsequent completion will require approval from competition authorities in certain European jurisdictions. Completion of the transaction depends on the above-mentioned processes but is currently expected to occur in the first half of 2020. Details of the expected financial impact of the acquisition will be communicated after the consultation of the works councils and approval by competition authorities.

Royal Agio is a leading European cigar company with a strong cigar portfolio including key brands such as Mehari's, Panter and Balmoral. The company is based in Duizel, The Netherlands and has approximately 3,200 full-time employees. Royal Agio's reported annual net sales full year 2018 were EUR 133 million (DKK 995 million) with an EBITDA of EUR 18 million.

Royal Agio can provide Scandinavian Tobacco Group access to a strong product portfolio and important market positions in key European machine-made cigar markets. The acquisition can secure leading positions in France, Belgium and The Netherlands and significantly improve the position in key cigar markets such as Spain and Italy. If the transaction is completed, the proforma combined group net sales for 2018 would be approximately DKK 7.7 billion with a combined workforce of more than 10,000 employees.

CEO of Scandinavian Tobacco Group, Niels Frederiksen says: "I am very pleased and proud that we have taken this important step towards an acquisition of Royal Agio. If completed, the acquisition will be an important step in our ambition of becoming the global leader in cigars, as it significantly strengthens our position in several key machine-made cigar markets in Europe and enables us to deliver an attractive range of cigars of the highest standards to our consumers."

The transaction is expected to be EPS accretive no later than in year 2 after completion. The Group leverage ratio (net interest-bearing debt/EBITDA) will, if the transaction proceeds to completion, temporarily exceed the target of 2.5x.

Scandinavian Tobacco Group's full-year financial guidance for 2019 is unchanged:

- >5% organic growth in EBITDA
- Free cash flow before acquisitions >DKK 750 million

Special items, excluding costs related to the acquisition of Royal Agio, are unchanged and are expected to be DKK 85 million. Acquisition costs regarding due diligence, advisors etc. in 2019 are expected to be at the level of DKK 20 million and expensed as special items in 2019.

The ambition of delivering an annual growth in ordinary dividend payments is unchanged, including for the financial year 2019.

About Royal Agio Cigars

Royal Agio Cigars is a family-owned business founded in 1904. Royal Agio's products are sold in about 90 countries with the majority of net sales generated in The Netherlands, Belgium, France, Germany, Italy and Spain.

Manufacturing footprint

Westerlo, Belgium	Machine-made cigars
Duizel, The Netherlands	Finishing of machine-made cigars and handmade cigars
San Pedro, the Dominican Republic	Handmade and machine-made cigars; binder and wrapper production
Colombo, Sri Lanka.	Binder and wrapper production

Key financial data

EUR million	2016	2017	2018
Reported data			
Net sales	124	129	133
EBITDA	19	16	18

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About Scandinavian Tobacco Group

Scandinavian Tobacco Group A/S is a world leading manufacturer of cigars and pipe tobacco with annual production of three billion cigars and 5,000 tonnes of pipe and fine-cut tobacco.

Scandinavian Tobacco Group holds market-leading positions in several categories and has a portfolio of more than 200 brands providing a complementary range of established global brands and local champions.

The Group employs 7,300 people in the Dominican Republic, Honduras, Nicaragua, Indonesia, Europe, New Zealand, Australia, Canada and the US. For more information please visit www.st-group.com