



Company Announcement

No. 3/2020

Copenhagen, 27 February 2020

Annual Report 2019

Organic EBITDA growth of 7.1% and free cash flow before acquisitions of DKK 1,187 million.

For the full year 2019, Scandinavian Tobacco Group A/S delivered net sales of DKK 6,870 million and EBITDA before special items of DKK 1,513 million. This corresponds to -2.6% organic growth in net sales and 7.1% organic growth in EBITDA – and is in line with the financial guidance for the year. The Board of Directors proposes an ordinary dividend of DKK 6.10 per share for 2019, an increase of 1.7% compared to the ordinary dividend for 2018 to be accompanied by an intended share buy-back program of up to DKK 300 million in 2020.

Highlights 2019

- Net sales increased by 2.3% to DKK 6,870 million (DKK 6,718 million) with organic growth in net sales negative by 2.6%
- EBITDA before special items increased by 16.0% to DKK 1,513 million (DKK 1,304 million)* with organic EBITDA growth of 7.1%.
- EBITDA before special items was improved by approx. DKK 25 million in Q4 2019 by a one-time impact related to excise tax
- Special items were DKK -133 million (DKK -266 million)
- Net profit increased to DKK 748 million (DKK 666 million)
- Free cash flow before acquisitions was DKK 1,187 million (DKK 668 million)

For the year group net sales were negatively impacted by declining sales of handmade cigars. However, an intense focus on our cost structure and efficiency driven by the Fuelling the Growth program secured a satisfactory underlying growth in profits and cash flow.

CEO of Scandinavian Tobacco Group, Niels Frederiksen says: “In 2019, we saw strong financial performance across our four divisions with 7.1% organic EBITDA growth and free cash flow before acquisitions of DKK 1,187 million. During the year we also took significant steps in shaping the future of Scandinavian Tobacco Group by announcing our biggest acquisition in recent history; namely Royal Agio Cigars, and by accelerating the implementation of Fuelling the Growth, our Groupwide transformational program”.

Dividend for 2019 and initiation of share buy-back program in 2020

At the Annual General Meeting to be held 26 March 2020, the Board of Directors will propose an increase in the ordinary dividend to DKK 6.10 per share. Furthermore, for 2020 it has been decided to initiate a share buy-back program in 2020 of a total value of up to DKK 300 million. The objective of the Group’s shareholder return policy is to distribute excess capital. The purpose of this share buy-back program is to adjust the capital structure accordingly as well as to meet obligations relating to the Groups share based incentive program. The specific starting date of the share buy-back and further details will be communicated once decided.

Financial Guidance 2020

The financial guidance excludes the financial impact from the acquisition of Royal Agio Cigars, which was acquired 2 January 2020. An updated guidance for Scandinavian Tobacco Group is expected to be disclosed when the integration planning period has been finalised and further financial details of the acquisition have been disclosed.

- EBITDA: Organic growth \geq 3%
- Free cash flow before acquisitions >DKK 850 million

The annual report for 2019 is available for download on: investor.st-group.com.

Conference Call and Webcast

A conference call and webcast will be held on 27 February 2020 at 10:00 AM CET.

Presentation materials will be available online approximately one hour before the webcast on investor.st-group.com.

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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 four 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 almost 11,000 people in the Dominican Republic, Honduras, Nicaragua, Indonesia, Sri Lanka, Europe, New Zealand, Australia, Canada and the US. For more information please visit www.st-group.com

KEY DATA PER DIVISION	Q4 2019	Q4 2018 excl. IFRS 16*	Change	FY 2019	FY 2018 excl. IFRS 16*	Change
Net sales (DKKm)						
North America Online & Retail	595	578	2.9%	2,398	2,111	13.6%
North America Branded	305	295	3.5%	1,219	1,247	-2.3%
Region Machine-Made Cigars	436	442	-1.3%	1,653	1,682	-1.7%
Region Smoking Tobacco & Accessories	407	450	-9.7%	1,601	1,677	-4.5%
Group total	1,743	1,765	-1.3%	6,870	6,718	2.3%
Gross profit before special items (DKKm)						
North America Online & Retail	217	221	-2.0%	903	793	14.0%
North America Branded	172	164	5.0%	689	712	-3.3%
Region Machine-Made Cigars	234	198	18.7%	860	832	3.3%
Region Smoking Tobacco & Accessories	234	255	-8.3%	861	882	-2.3%
Group total	857	838	2.3%	3,314	3,219	2.9%
EBITDA before special items (DKKm)						
North America Online & Retail	110	91	20.1%	384	310	23.8%
North America Branded	81	66	23.6%	277	242	14.6%
Region Machine-Made Cigars	113	62	80.5%	385	304	26.5%
Region Smoking Tobacco & Accessories	145	163	-11.0%	544	545	0.0%
Group costs	-19	-20	-6.2%	-77	-96	-19.9%
Group total	430	362	18.5%	1,513	1,304	16.0%
Organic net sales growth (%)						
North America Online & Retail	-0.3%	1.8%		0.5%	6.3%	
North America Branded	0.3%	-8.5%		-6.3%	-1.2%	
Region Machine-Made Cigars	-1.8%	-7.5%		-2.0%	-6.4%	
Region Smoking Tobacco & Accessories	-9.6%	-5.0%		-4.4%	1.9%	
Group total	-2.9%	-4.4%		-2.6%	0.4%	
Gross margin before special items (%)						
North America Online & Retail	36.4%	38.2%	-1.8%	37.7%	37.5%	0.1%
North America Branded	56.4%	55.6%	0.8%	56.6%	57.1%	-0.6%
Region Machine-Made Cigars	53.7%	44.7%	9.0%	52.0%	49.5%	2.5%
Region Smoking Tobacco & Accessories	57.6%	56.7%	0.9%	53.8%	52.6%	1.2%
Group total	49.2%	47.4%	1.7%	48.2%	47.9%	0.3%
EBITDA margin before special items (%)						
North America Online & Retail	18.5%	15.8%	2.7%	16.0%	14.7%	1.3%
North America Branded	26.6%	22.4%	4.3%	22.7%	19.4%	3.3%
Region Machine-Made Cigars	25.8%	13.9%	11.7%	23.3%	18.0%	5.3%
Region Smoking Tobacco & Accessories	35.6%	36.3%	-0.4%	34.0%	32.5%	1.5%
Group total	24.7%	20.5%	4.1%	22.0%	19.4%	2.6%
ORGANIC GROWTH COMPOSITION						
<i>Volume impact (%)</i>						
Handmade cigars (NAB)	-2.6%	-5.2%		-8.3%	1.8%	
Machine-made cigars (MMC)	-10.8%	-10.7%		-4.3%	-7.8%	
<i>Price/mix impact (%)</i>						
Handmade cigars (NAB)	0.6%	1.6%		2.7%	0.9%	
Machine-made cigars (MMC)	7.4%	0.0%		1.8%	1.0%	

* IFRS 16 had a positive impact on EBITDA before special items by DKK 85 million for the FY 2019 and by DKK 22 million for Q4 2019