Company Announcement
No. 16/2018

Copenhagen, 23 October 2018

Scandinavian Tobacco Group launches a transformational program to support mid-term EBITDA outlook

Scandinavian Tobacco Group today launches Fuelling the Growth, a group-wide transformational program to increase shareholder value by raising earnings capabilities, driving efficiencies and stimulating market share growth.

Fuelling the Growth supports the mid-term outlook of an average 3-5% annual organic growth in adjusted EBITDA.

Fuelling the Growth consists of five initiatives. 1) organisational restructuring to ensure an agile organisation, 2) realignment of commercial resources in four new divisions, 3) optimisation of the global logistics set-up, 4) establishment of a global procurement organisation and 5) improved operational cost efficiency through reduction of production complexity.

As part of the current organisational restructuring, approximately 100-120 white collar positions across the organisation will be made redundant.

“The program we announce today is the natural next step in the development of Scandinavian Tobacco Group since 2015. When implemented, Fuelling the Growth will improve the execution of our strategic agenda and make us a stronger, more competitive company capable of coping with the changing market conditions and better equipped to become the best integrator in the industry”, says CEO of Scandinavian Tobacco Group, Niels Frederiksen. “Unfortunately, we have to part ways with a number of valued colleagues as we ensure that we have the right organisation in place to support our long-term ambitions.”

The initiatives are expected to have full-year run-rate effect by the end of 2021, savings will be front-loaded and will incur non-recurring costs up to a level of DKK 250 million. The non-recurring costs are expected to be expensed by approximately DKK 100 million in 2018 and by up to a level of DKK 150 million in 2019-2021. The previously communicated financial impact of the integration of Thompson Cigars is not included in the above expectations.

The financial guidance for 2018 remains unchanged with a flat to slightly positive organic growth in net sales, an organic growth in EBITDA of more than 3% and an ordinary dividend for 2018 above the ordinary dividend for 2017 (DKK 575 million).

Further information about Fuelling the Growth will follow as part of the Q3 announcement on 8 November 2018.

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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