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CORPORATE PARTICIPANTS

Emmett Harrison *Swedish Match AB - VP of IR and Corporate Sustainability*

Lars Dahlgren *Swedish Match AB - President and CEO*

Marlene Forsell *Swedish Match AB - SVP and CFO*

CONFERENCE CALL PARTICIPANTS

Owen Bennett *Nomura Securities Co., Ltd. - Analyst*

Andreas Lundberg *ABG Sundal Collier - Analyst*

Erik Bloomquist *Berenberg Bank - Analyst*

James Bushnell *Exane BNP Paribas - Analyst*

Anders Hansson *Danske Bank - Analyst*

Kevin Dreyer *GAMCO Investors, Inc./Gabelli & Co. - Analyst*

Adam Spielman *Citigroup - Analyst*

PRESENTATION

Emmett Harrison - *Swedish Match AB - VP of IR and Corporate Sustainability*

Welcome to the first quarter results telephone conference for Swedish Match. With me today are Lars Dahlgren, our President and CEO, and Marlene Forsell, our CFO.

After a brief results discussion, we will be taking questions. For further information on the first quarter performance, please visit the swedishmatch.com website.

During today's call there may be certain comments that constitute forward-looking statements. Because such statements deal with future events, they're subject to risks and uncertainties. While Management believes that these statements are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. Risk factors are outlined in the latest Annual Report, which is available on our website. Swedish Match assumes no obligation to update information concerning its expectations. A recording of this call will be available on the Swedish Match website.

I will now turn the conference call over to Lars Dahlgren.

Lars Dahlgren - *Swedish Match AB - President and CEO*

Thank you, Emmett, and good afternoon, everyone. For the first quarter, Swedish Match delivered strong growth in sales and operating profit from product areas, driven by a very solid performance from our US businesses and a stronger dollar versus the Swedish krona.

In Scandinavia the snus market continued to grow. We once again increased our market share within the value segment in Sweden, and we have several promising ongoing product initiatives for the Scandinavian snus market.

Both the negative impact from the trade destocking in Scandinavia and the negative price mix component were well-known factors, and the results of the Scandinavian snus business for the quarter were well in line with our own expectations, despite being lower than the prior year.



In the US, our other tobacco product segment, comprised of chewing tobacco and cigars, reported record results, and operating profit was up by 15% versus prior year in local currencies.

Our US cigar business achieved record volumes along with higher sales and operating profits in dollars. Chewing tobacco volumes declined, but higher prices and lower overhead costs resulted in a good performance for our chewing tobacco business as well.

Our US moist snuff and snus businesses also performed well, with volume increases for both moist snuff and for snus.

With regard to our submission to the US FDA for Modified Risk Tobacco Products, there was in April a hearing at TPSAC, the Tobacco Products Scientific Advisory Committee from the FDA. This hearing was part of a normal process to critically assess different aspects of the application and to provide a set of views which may be taken into account by the FDA.

Following the TPSAC meeting, members of the FDA conducted a detailed inspection of our Swedish production facilities to gain further insight into our operation. We expect to hear back from the FDA in the coming months and are confident that our applications provide all necessary support for our modified risk status for General snus.

Moving on to snus in Scandinavian, Swedish Match estimates the total Scandinavian market to have grown by slightly less than 3% in volume on an underlying basis, with growth in the value price segment within Sweden more than offsetting declines within the premium segment.

The Norwegian market continued to grow at a faster pace than the Swedish market. One of our important objectives is to increase our market share within the growing value-price segment of the Swedish snus market.

I am pleased with the excellent progress that we made in this area, where we have grown our share within this segment by close to 4 percentage points since the beginning of 2014. Our share within the value segment in Sweden now exceeds 40%.

Our shipment volumes in Scandinavia were down by about 3% year on year, but were essentially flat when excluding trade destocking and Easter effects.

Within our fourth quarter 2014 release, we had indicated that the price mix in our portfolio, due to both our growth in the value-price segment and the successful price repositioning of our Kronan brand would negatively impact our average selling price in coming quarters. Sales adjusted for trade destocking and calendar effects are estimated to have declined slightly, reflecting these mix shifts.

In April we launched an assortment of products in Sweden under the innovative XRANGE snus series. XRANGE combines classic premium brands with features in demand by modern consumers at a competitive price point. Actions such as the price repositioning of Kronan and the introduction of XRANGE are part of our longer-term strategy to strengthen our share across all price segments in the market.

In Norway we are implementing a series of initiatives to address the share erosion we have experienced in that market. An example is the recent launch of our General G3. G3 has continued to demonstrate share growth, particularly within our targeted consumer groups, and we are just now following up with four new varieties of the same brand.

With regard to regulatory developments in Scandinavia, the Norwegian Ministry of Health and Care Services has now submitted its proposal on the standardization of packaging for all tobacco products for public consultation, and the commentary period ends in June.

We have to await the results of the commentary period and the final proposal, but the proposal has continued to cause a vocal debate in Norway. If standardized packaging would be implemented for snus in Norway, we believe that the most likely implementation date is some time during 2017.



In Sweden, the Minister of Health has instructed a committee of inquiry to evaluate further tobacco control measures, including standardized packaging as well as a display ban. The report from the committee is due in March of next year and it remains uncertain if this will result in any government proposal.

Performance in the Lights product area in the quarter was good despite continued challenging market conditions, particularly in Russia, which is an important lighter market for Swedish Match. Lighter volumes declined, which resulted in somewhat lower sales and operating profit, but for total Lights -- for the total Lights segment this was more than offset by growth from matches on the back of price increases and positive currency effects.

Now I will hand over to Marlene for some more details on the financial performance.

Marlene Forsell - *Swedish Match AB - SVP and CFO*

Thank you, Lars. Looking at the first quarter financial performance, Swedish Match delivered increased sales versus prior year in both Swedish krona and in local currencies. Sales in Swedish krona grew in all product areas. Strongest growth in sales, as well as operating profit, came from the other tobacco products, which includes US cigars and US chewing tobacco.

Operating profit also grew for our Lights product area, whereas operating profits for the snus and moist snuff product area declined.

The quarter was affected by the significantly stronger US dollar. As expected, the quarter was also affected by the destocking on snus on the Scandinavian market, following on the hoarding in the fourth quarter of 2014 ahead of the January 1, 2015 excise tax increases. However, this effect was partly counteracted by some positive calendar effects relating to an early Easter in 2015 compared to 2014.

Group sales for this first quarter were SEK3.368 million, up 12% from the prior year, and operating profit from product areas increased by 7%. In total, currency translations had a positive effect of SEK314 million on sales, and SEK86 million on operating profit from product areas.

In local currencies, sales grew by 1% versus the first quarter of the prior year, and our operating profit from product areas declined by 4%.

At current [stock rates] we will see further positive currency effects in the coming quarters. The net destocking and calendar effects is estimated to have a negative effect on sales by 2% and affected also operating profits negative.

Operating profit, including our share of the net profit from Scandinavian Tobacco Group, amounted to SEK1.014 million compared to SEK858 million in last year's first quarter.

STG has reassessed the useful life of some of its assets, primarily certain trademarks, resulting in some lower amortizations and depreciations [implied] in the 2014 financial statement. The effect of these reassessments relating to 2014 was included in Swedish Match share of net profit in STG in the first quarter of 2015, and amounted to SEK56 million.

Earnings per share in the quarter increased to SEK3.68, up from SEK2.91 in the prior year. Whilst adjusting for the effect of the reassessment of the useful lives in STG, relating to 2014, earnings per share in the quarter increased to SEK3.40, up from SEK2.91 in the prior year.

For product area comments, I will generally refer to sales and operating profit development on a local currency basis.

Within the snus and moist snuff product area, sales declined in Scandinavia but grew for both moist snuff and snus in the US. For US moist snuff, sales increase was due to higher volumes driven by continued strong performance for both pouches and tubs. Operating profit were up in the US and down in Scandinavia.

In Scandinavia, shipment volumes were 3% lower, but when adjusting for destocking and Easter effects, volumes are estimated to have been flat. During the fourth quarter of 2014, the entire portfolio of our Kronan snus brand was being offered at its new lower price.

This, coupled with our momentum in market share growth within the value segment, led to negative price mix effect in the first quarter compared to the first quarter last year, for our Scandinavian snus portfolio. As a consequence, sales (inaudible) adjusted for the calendar and hoarding effect.

In Sweden, our overall volume share of the Swedish market was 68.6% for the latest 12 weeks ending April 19, down from 70.1% in the same 12-week period last year.

The volume share of the premium segment has been relatively stable, and for the past 12 weeks stands at approximately 93.2%. And our share of the value segment has grown to 40.1% compared to 37.5% in the corresponding period last year.

And all else equal, given this sequential share growth within the value segment over the past year, and the fact that Swedish Match for January 2015 adjusted these prices [to only] recover the excise tax increases, we expect a continued negative price mix component in the coming quarters.

In Norway our market share during the latest 12 weeks ending April 19, was estimated to be 57.9%, down from 61.4% during the same period last year. And as already commented by Lars, stabilizing Norwegian market share development is an important priority for Swedish Match.

Our net spending to expand snus outside Scandinavia was up versus last year by 10%, or SEK8 million during the quarter, but was down in dollar terms. And due to costs they incurred for snus in the US, the strong dollar has had a limited impact on operating profit for the product area. The operating [volume] for the product area was negatively impacted by the increased proportion of sales coming from the US snus and moist snuff business for the product area.

For other tobacco products, sales increased by 5% in US dollars, while operating profit increased by 15%. Sales and operating profit in dollars increased for cigars, while for chewing tobacco operating profit increased slightly, while sales were slightly down.

Cigar volumes during the first quarter were up by 5%. And with regards to operating profit, cigars profits were -- sales were affected by the size volumes and improved product mix, and were also helped by the elimination of tobacco quota buyout fees, the impact being approximately \$2 million for the quarter. When the FDA begins to regulate cigars, it is estimated that this favorability will be largely offset by the requirement to pay FDA user fees.

Chewing tobacco shipments, including contract manufacturing, were down by 8%. Sales declined much less than volumes in (inaudible) terms due to favorable pricing and promotional mix, and operating profit increased somewhat.

Quarterly fluctuations on volumes of chewing tobacco are common, due in large part to promotional timing, and it can be noted that the volumes were strong in the first quarter of the prior year.

For Lights, sales grew up by 5% while operating profits were up by 2%. Adjusted for currency translation effects, sales declined by 4% while operating profit declined by 8%.

For matches, sales and operating profit grew -- growth came from improved pricing and positive currency effects, compensating for a small volume decline. For lighters, sales and operating profit declined, impacted by lower shipment volumes.

Our limited test of e-cigarettes produced by a third party and sold under the Cricket brand in the Russian market, continued in the quarter, but the costs related to this test has -- that are included in Lights, were not material.

Moving onward to Scandinavian Tobacco Group, sales for STG increased by 13% to DKK1.477 million compared to DKK 1,310 million. Adjusted for currency translation effects and the acquisition of Verellen, sales were up, driven by both handmade cigars and machine-made cigars. Reported EBITDA for the period increased to DKK263 million from DKK221 million in the prior year.



Operating expenses during the quarter for STG increased largely as a result of currency translation effects. The prior year was negatively affected by costs of a temporary nature of about DKK20 million, including rationalization costs relating to the ongoing supply -- at that time, ongoing supply chain optimization program.

Net finance items for the quarter showed an income of DKK4 million compared to an expense of DKK25 million in prior year, reflecting exchange gains during the quarter on the strengthening of the US dollar.

Net profit for period amounted to DKK148 million DKK99 million in the prior year and the Swedish Match reported share of net profit in STG, including the 2014 effect of the reassessment of the useful life of the assets of SEK56 million, amounted to SEK148 million versus SEK49 million in the prior year.

If instead including the effect of the reassessment of useful life in the 2014 comparable figures, Swedish Match share of net profit amounts to SEK91 million versus SEK62 million in the prior year.

And now I will provide some commentary on taxes, cash flow and financings. And the net finance cost was, at SEK12 million, lower than in the first quarter of 2014, due to lower average debt levels than prior year.

The reported tax rate, excluding associated companies and joint venture, was 23.5%, which is currently the approximate rate that we expect for the full year. The rate is higher than in 2014, due in part to the strong US dollar, which gives higher [weight] with the relatively high US tax rate.

The cash flow from operating activities in the first quarter amounted to SEK963 million, down from SEK1.027 million in the corresponding prior period. This decline is mainly attributed to cash flow from changes in working capital.

Investments in property, plant and equipment during the first quarter was slightly lower than prior year, while the total level of net cash used in investing activities was somewhat higher, primarily due to additional investments in [SMPMI International].

During the first quarter, 1.1 million shares were repurchased while 0.7 million shares from treasury were sold as a result of option holders exercising the last of the options under a now-ended option program.

After the quarter, at the Annual General Meeting, it was approved that a dividend be paid of SEK7.50 per share, with a total dividend amounting to approximately SEK1.464 million, which was distributed to shareholders on April 30.

Shareholders also approved the [cancellation] of 4 million shares and the renewed share buyback mandate. And more information about the Annual General Meeting can be found on our website.

As of March 31, Swedish Match had SEK8.6 million of interest-bearing debt, excluding retirement benefit obligations, compared to SEK8.7 million at December 31, 2014.

The average maturing duration of the bond portfolio was 3.5 years, and the weighted average interest rate was 4.5%. Approximately 94% of the debt had fixed interest. The net debt in relation to EBITDA, excluding the share profit in STG, was 2.1 for the 12-month period ending March 31.

And I will now turn the conference back to Lars.

Lars Dahlgren - *Swedish Match AB - President and CEO*

Thank you, Marlene. And Operator, I think we'll go ahead and open the floor to questions and answers.



QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Owen Bennett.

Owen Bennett - Nomura Securities Co., Ltd. - Analyst

(technical difficulty) going back to your modified risk application, how will the unfavorable vote by the advisory panel impact the application? Do you think it's likely it will be rejected now, and if so, what would be the next step then? I'm assuming you can rework the application and resubmit.

And then, secondly, I just wanted to get a better idea of the STG performance. So, I mean, how much of the underlying improvement in STG -- so, stripping out the restructuring benefit and also the amortization change -- how much of that came from the Belgium acquisition, and also, how much from synergies? Thank you.

Lars Dahlgren - Swedish Match AB - President and CEO

When it comes to the advisory committee, quite frankly, Swedish Match is quite a bit more pleased to -- with those hearings than what we see that the general reporting in the media has been on that topic.

We should remember that this is an advisory committee, and we should remember that FDA listens to the committee but make up their own mind. And it has happened before that they go against direct recommendations from this committee.

And importantly, the committee didn't as such really address the real issue, whether snus should be a modified risk tobacco product, which is the key question here, but zoomed in on details on the various warning labels.

And much more than the vote, I think that one has to listen to the overall commentary and the science that was presented in conjunction with these discussions. And we feel that if you take the science together, we think, that we have submitted, and that discussions also demonstrated, that there is very solid support for a modified risk tobacco status for General snus.

So, we are cautiously optimistic that we will be granted modified risk tobacco status. And then that may come with some details on the small modifications on the communications, including warning labels and so forth. But the important thing is the overall status, or not status. So, that is what we are preparing for.

And if we get a different outcome of -- from FDA, we -- it's premature to discuss that now, because we would have to see on what basis such an outcome would be rendered. And clearly it would be our ambition to address any shortcomings in our [fight].

When it comes to STG, I leave the work to Marlene.

Marlene Forsell - Swedish Match AB - SVP and CFO

When it comes to STG, as you've seen, I mean, they've had a strong performance on sales (inaudible). But, of course, since they have also a large part of business in the US market, it's heavily affected by currencies.

And if you look at the EBITDA for the period, which has gone up from SEK221 to SEK263, this is of course partly affected by positive currencies. But we feel that the gross profit for the majority of the business is also up, underlying. We should also notice that, if you look at the comparisons to last year, we have quite a lot of negative one-time (inaudible) are also mentioned in the report.



Owen Bennett - *Nomura Securities Co., Ltd. - Analyst*

Okay. Thanks very much.

Operator

Andreas Lundberg.

Andreas Lundberg - *ABG Sundal Collier - Analyst*

To get back to your range launches in Sweden, Lars, you talked about you're targeting some modern snus consumer. Could you maybe give more color on, really, what kind of snus user you are targeting with this brand -- whether it's more a premium tilt or a value consumer? Thank you.

Lars Dahlgren - *Swedish Match AB - President and CEO*

I mean, this is a premium product, but it's competitively priced. But when we look at consumer preferences, they vary a little bit across age segments and so forth.

And this one has certain features that overskew in demand by, relatively speaking, newer consumers in the category, like the slim format. It has -- it preserves moisture very well. It has a nice feel under the lip. It's a soft pouch with good flavor delivery, and we feel that it's both a modern and very attractive product offering that we think has good opportunities to drive growth in our portfolio in the Swedish market.

Andreas Lundberg - *ABG Sundal Collier - Analyst*

What's your take so far?

Lars Dahlgren - *Swedish Match AB - President and CEO*

Our take is that it's very early days. But, as you've probably seen in -- at the retail, it's -- has a good distribution, good display, and it's clear that there's high demand -- initial high demand. And then it remains to see on repurchases and so forth.

But in terms of initial deliveries to the trade, quite frankly, it's exceeded our own expectations. I mean, we even had a little bit of issues of keeping up on the initial demand. But that's initial demand, and it's too early to draw any long-term conclusions.

Andreas Lundberg - *ABG Sundal Collier - Analyst*

Okay. Thanks. Lastly, on [news], you said you were very pleased with your share gains in the value segment in Sweden. What's your take on your portfolio in the value segment? How pleased are you with that one?

Lars Dahlgren - *Swedish Match AB - President and CEO*

I mean, we're pleased, as we said, with the fifth consecutive quarter with share gains. It remains a very competitive part of the market, and we -- it's our ambition to be the clear leader in all price segments, and that includes, of course, continuous overview of our offerings.

And that means that we have in the pipeline -- apart from what you just now saw in terms of XRANGE snus series, we have other initiatives that we are contemplating across price segments, for both the Swedish and Norwegian snus market.

Andreas Lundberg - *ABG Sundal Collier - Analyst*

Okay. Thank you.

Operator

Erik Bloomquist.

Erik Bloomquist - *Berenberg Bank - Analyst*

Firstly, with respect to just very broadly, are you still comfortable with the consensus EPS growth of around 12%, given the strong margin effect on snus and snuff in the quarter?

Emmett Harrison - *Swedish Match AB - VP of IR and Corporate Sustainability*

We don't really give EPS guidance, Erik. There are so many factors in play, and so many currencies. You also don't know exactly what's going to happen with certain product offerings in some Scandinavian market -- what's going to happen in different product areas. So, let's hold off on providing any kind of guidance on EPS.

Erik Bloomquist - *Berenberg Bank - Analyst*

Okay. And then, Lars, if you could talk a little bit more about XR. Because it's striking that it's an initiative across a variety of premium brands.

Is this because those brands are becoming stale, or aren't as attractive to new consumers, and so this is an effort to provide -- make those more interesting to them? Or -- I'm just curious if you could talk a little bit about the thinking behind having it across the brands. And are some of the features like those out of the General Tailored product? Thank you.

Lars Dahlgren - *Swedish Match AB - President and CEO*

If I start with your last question, yes, if you take both the General Tailored and the GR -- the Goteborgs Rape Slim product -- both General and the GR are included in the XRANGE, and the former ones are discontinued and this is further evolution based on that technique.

When it comes to the thinking behind these brand, we think that product quality and consumer preference is the winner in the long run. But no doubt the way the Swedish snus market looks like, price is also a factor that needs to be brought into the total offer to the consumer.

And it is -- we know from history, including several of our own initiatives -- if you take -- we have some good products that we launched last year within the General family, like the Smoky Oak and so forth, that are very good products but that haven't done that well in the market, because it is very challenging in the Swedish market to launch new brands at the premium -- the [after] premium price points.

So, there is a price consideration here, in terms of making sure that the brands get the attention that they deserve. Because the offer is, we believe, very good, and a good growth -- future growth platform.

Erik Bloomquist - *Berenberg Bank - Analyst*

Okay. Thank you.



Operator

James Bushnell.

James Bushnell - *Exane BNP Paribas - Analyst*

I have at least a couple of questions, actually. The first one -- very quick one -- is, do you have any feel for when the FDA will start regulating cigars?

Emmett Harrison - *Swedish Match AB - VP of IR and Corporate Sustainability*

We're already in May. So, I think the likelihood that anything's going to happen in Q2 is very, very slim. It's always hard to guess with a moving target like this. Could it be late in the third quarter or in the fourth quarter? It's possible. Could it be later than that? It's possible. Let's just keep rolling as the months go on, and see.

James Bushnell - *Exane BNP Paribas - Analyst*

Okay. Thank you. And, I guess linked to that in some ways, the cigar category, you've described as being very competitive. You've posted what looks like a good volume results, at least in the quarter, of plus 5%. I just wondered how you saw that run rate evolving through the year, sort of putting that competitive environment, versus your recent successful launches, in the balance.

Lars Dahlgren - *Swedish Match AB - President and CEO*

Yes. I mean, if you take -- it's not only the quarter that's been successful. It -- take the cigar business. If you look on a rolling 12 months basis, this is yet again another period of record volumes. And quite frankly, all through 2014, and up until now, including the fourth quarter, we have been very successful in addressing the new competitive situation for the -- in the US cigar market.

James Bushnell - *Exane BNP Paribas - Analyst*

And would you be confident that you can keep growing volumes through the rest of the year?

Lars Dahlgren - *Swedish Match AB - President and CEO*

The cigar market has -- is very hard to predict, and it remains very competitive. So, we stick to saying that our ambitions is clearly to continue to outgrow the market growth. But whether we can be successful or not, we have to see. But no doubt we have good momentum and strong share gains.

James Bushnell - *Exane BNP Paribas - Analyst*

Okay. Thank you. One final one, if I may. On STG, ignoring the one-off gain you had there, but I think, if I'm understanding rightly, it means you're going to have a lower depreciation and amortization cost going forward. You also seem to have a lower finance cost because of currency moves.

So, I just wondered, is the underlying SEK91 share we're seeing in Q1 more of a representative run rate going forward? Because obviously we've had some false dawns on this in the past. If you could just give some guidance, that would be helpful.



Lars Dahlgren - *Swedish Match AB - President and CEO*

I mean, you're right in stripping out the SEK56, which is relates -- related to 2014 financials. But then, of course, the ongoing operating profit and net profit carries basically on an annual basis compared to what was the situation before the benefit of SEK56 on -- in -- at last year's currency rates, done on the full year basis.

When it comes to financial net, that tends to fluctuate a little bit, depending on currency swings and so forth. And it was relatively favorable in the first quarter.

James Bushnell - *Exane BNP Paribas - Analyst*

Okay. Thank you very much.

Operator

Anders Hansson.

Anders Hansson - *Danske Bank - Analyst*

I have a few questions, first on price mix in Scandi. I didn't find -- did you say how much -- I guess it was down a few percent. Did you say exactly how much it was down?

Lars Dahlgren - *Swedish Match AB - President and CEO*

No, we didn't say exactly how much it was down, but it was very similar to the fourth quarter, actually. I'm looking for the data here.

Anders Hansson - *Danske Bank - Analyst*

Okay. While you're looking, just on the Easter effect, was that -- that was roughly 2% on volumes, which is going to be reversed in Q2, I guess.

Lars Dahlgren - *Swedish Match AB - President and CEO*

I mean the holding effect you have from Q4 -- the net there is Easter. I need to look that one up as well.

Anders Hansson - *Danske Bank - Analyst*

But since you had the plus 5% in Q4, and now you had minus 3%, I assume that 2% related to Easter. And also, I assume that is going to be reversed as a negative in Q2.

Lars Dahlgren - *Swedish Match AB - President and CEO*

Yes. I mean, if you take the Easter effect, it's roughly 1.5 million cans.



Anders Hansson - Danske Bank - Analyst

And actually one more on price mix, but on cigars. You said that mix improved in Q1. But did we see a positive price mix? And given the sales trends you've seen lately, should we expect continued improvements in price mix throughout 2015?

Lars Dahlgren - Swedish Match AB - President and CEO

Yes, there was positive price mix in Q1, and that has to do, then, with the portfolio, where our natural cigars has done better than the HTL cigars. And again, in terms of a forward forecast for the cigar business, we are careful, but -- and we have good share momentum within natural cigars.

Anders Hansson - Danske Bank - Analyst

Okay. Thanks. And if you find that price mix for Scandi, it would be nice.

Lars Dahlgren - Swedish Match AB - President and CEO

Yes. 2.9% negative.

Anders Hansson - Danske Bank - Analyst

Okay. Thanks.

Operator

Kevin Dreyer.

Kevin Dreyer - GAMCO Investors, Inc./Gabelli & Co. - Analyst

Just as far as the new XR line -- so, where will that be priced relative to the respective brands, for instance General XR versus regular General? And same, kind of across the board.

Emmett Harrison - Swedish Match AB - VP of IR and Corporate Sustainability

The -- if you take the standard General pouches, yes? They're -- right now, they're priced at retail. It is a range, but let's say SEK46, SEK47 a can.

For the XRANGE, again, there's a range. The retailer determines the price point, but you can say something in the range of SEK35 to SEK37 a can. And then you could take Kronan and say, in the range of SEK30 a can.

Now, the XRANGE products are a lighter weight and do have -- some of them -- or, they do have a few -- 4 fewer pouches in the can. So, it's a good price for the consumer. It's a premium product. But they are different from the other premium products in the marketplace.

Kevin Dreyer - GAMCO Investors, Inc./Gabelli & Co. - Analyst

And how -- what sort of cannibalization do you think might occur?



Emmett Harrison - *Swedish Match AB - VP of IR and Corporate Sustainability*

Yes. I mean, that's going to be a fun one to take a look at. I mean, the product was only launched a couple of weeks ago into the marketplace. So, obviously you have the pipeline effect, but there's no real consumer effect yet. As Lars said, you've just got some trial going on.

And there could be some cannibalization from the other premium products, but there also could be some trading up from some of those value-priced brands in there. So, we'll have to see a little bit later on, what the actual effect is, once we have some numbers.

Kevin Dreyer - *GAMCO Investors, Inc./Gabelli & Co. - Analyst*

Great. Thank you.

Operator

Adam Spielman.

Adam Spielman - *Citigroup - Analyst*

A couple of simple followup questions to what's already been asked. First of all, you gave some prices for a variety of products. Can you just complete it by saying, for sort of Kaliber or a bottom-end brand? Obviously Kronan --

Emmett Harrison - *Swedish Match AB - VP of IR and Corporate Sustainability*

Yes. The -- there's more of a range for the bottom-end brands, and it varies quite a bit from account to account. But let's say in the range of SEK23 to SEK25.

Adam Spielman - *Citigroup - Analyst*

Perfect. Thank you. Okay. Moving on to the US, and following James' question on FDA regulation, do I take it from your answer that you are definitely expecting FDA regulation this year? And I guess the other question is, what exactly do you think a likely outcome is from that?

Emmett Harrison - *Swedish Match AB - VP of IR and Corporate Sustainability*

On the FDA for cigars the answer is, we don't know when the regulation is going to be coming in. So, definitely no. The -- it could be at any time. You know that this has been delayed versus our expectations for a while now, so it's very difficult to get any kind of view on that.

And then, in terms of what they're looking to regulate, I think we need to know first when they're going to come up and start regulating, and start talking about what they might be looking at.

The one area that we do know is that they are looking at a date of 2007 for a reference date for products launched after that date, in terms of substantial equivalence and so forth. And that's a -- quite an odd date, since the date used for smokeless products was 2009.

But we'll have to wait and see what kind of -- if there are any warning label changes; other types of changes that there might be in the scenario.

Adam Spielman - *Citigroup - Analyst*

Thank you very much.



Operator

James Bushnell.

James Bushnell - *Exane BNP Paribas - Analyst*

Just to follow up again on the XR or XRRANGE products -- just to be clear, is the General XR product exactly the same as General Tailored, but repackaged? I (inaudible) mean exactly the same; I mean in terms of weight, price, and then the actual product.

And then, linked to that, why did you discontinue the Tailored and GR Slim brands? Were they not as successful as you hoped, or is this a migration-type effort here?

Lars Dahlgren - *Swedish Match AB - President and CEO*

The -- if you take the General product, the former one, it's actually replaced by three varieties in the XR range. So, this is really an evolution, and taking it one step further, and presenting a complete range of products. And it's -- one of the varieties is very similar to the ones we have now.

And similar for the GR brand -- the Slim variety there actually did very well and was on a positive trend. But in order to get through with the message to the consumer, we think that presenting it in a full range, we have better prospects. We think we have more leverage on that technology.

James Bushnell - *Exane BNP Paribas - Analyst*

Okay. Great. Thank you very much.

Operator

(Operator Instructions). Adam Spielman.

Adam Spielman - *Citigroup - Analyst*

As we seem to have lots of time, I appreciate the second opportunity. Can you comment on the sort of timing or expectations around the IPO of STG please?

Lars Dahlgren - *Swedish Match AB - President and CEO*

We're a little bit careful in external comments there. So, what we told you after the first quarter is still valid -- that there is a strong focus on being ready for an IPO and that's definitely an option under serious consideration. But, there's no final decision yet and -- but also, there is strong focus on the operational improvements that we have identified as opportunities for this year.

Adam Spielman - *Citigroup - Analyst*

Thank you. Okay.

Operator

(Operator Instructions). Andreas Lundberg.

Andreas Lundberg - *ABG Sundal Collier - Analyst*

You talked about selling your distribution facility in Solna outside Stockholm [here], and investing in new [DC] later on. What will this mean for your business, and do you expect any efficiency gains from this? Thank you.

Lars Dahlgren - *Swedish Match AB - President and CEO*

It's -- yes, this is a consolidation of two distribution centers. I'd say it's more in terms of operational processes, in terms of having one delivery point for our suppliers; having one point of inventory; having a larger chilled warehouse for snus, since that is growing as part of the distribution business.

It's more about, I'd say, better service levels, both in terms of incoming suppliers and customers, rather than sort of financial efficiencies.

But it improves the competitiveness of the business. And the whole restructuring consolidation is expected to be largely cash-neutral in terms of sales proceeds versus investments. And there are certain layoffs costs, of course, included in this. But then we have to hire new people at the new facility.

But the timing there -- it can be good to know that on the cash flows, may not be the -- and including the P&L impact, may not come in the same quarter, or quarters.

Andreas Lundberg - *ABG Sundal Collier - Analyst*

While on the line here, your other operations -- I think you reported negative SEK29 million in the first quarter here. Would you characterize that as a normal rate, or was it anything specific with that figure? Thank you.

Lars Dahlgren - *Swedish Match AB - President and CEO*

It does fluctuate a little bit, so it's not an abnormal rate. The -- it can -- we will likely also see some quarters where the net loss is lower.

Andreas Lundberg - *ABG Sundal Collier - Analyst*

Thank you.

Operator

There are no further questions at this time. Please continue.

Lars Dahlgren - *Swedish Match AB - President and CEO*

Okay. Thank you. Then, just to inform you that the release of our second quarter results will be on July 17. Thank you very much.



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