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SWMA.ST - Q2 2022 Swedish Match AB Earnings Call

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## PRESENTATION

### Operator

Welcome to the Swedish Match Q2 Report 2022. (Operator Instructions). I'll now hand the floor to Emmett Harrison, Senior Vice President of Investor Relations. Please begin your meeting.

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### Emmett Harrison - *Swedish Match AB (publ) - SVP of IR & Corporate Sustainability*

This is the Swedish Match Q2 2022 Telephone Conference. And those presenting today are Lars Dahlgren, the President and CEO and Anders Larsson, the CFO. In the investors section of our [swedishmatch.com](http://swedishmatch.com) website, you will find the Q2 investor presentation.

You're encouraged to have the Q2 2022 investor presentation at hand. As you listen to the prepared commentary for this call. Some of the slides in the investor presentation repeat key messages from the report that were published this morning. The commentary will therefore focus on a smaller number of slides that have been selected. And while doing so, there will be reference to the applicable page number in the presentation. Unless otherwise stated, all comparisons are versus the prior year's corresponding period.

For U.S. smoke-free and cigars, comments on financial developments are made based on results achieved in local currency measured in U.S. dollars. And when we refer to market share unless indicated differently, we refer to MSA data that measures shipment volumes from the distributors to the trade.

After the prepared commentary, speakers will be taking questions. During today's call, there may be certain comments that constitute forward-looking statements and are subject to risks and uncertainties. Management believes that these statements are based on reasonable assumptions that can give no assurance that expectations will be achieved.

Risk factors are outlined in today's interim report, as well as, the annual report, both of which are available on the Swedish Match website. Swedish Match assumes no obligation to update information concerning its expectations. A recording of this call will be made available on the Swedish Match website. The call will now be turned over to Lars Dahlgren.

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### Lars Dahlgren - *Swedish Match AB (publ) - President & CEO*

Thank you, Emmett and good afternoon, everyone. I will start by highlighting a number of encouraging factors described in our second quarter reports that we issued this morning. From a financial perspective, a reported operating profit from product segments are SEK 2,271 million is an all time high, and for the first time ever, our quarterly revenues exceeded SEK 5 billion.

What is particularly encouraging is the fact that the strong growth was principally sourced from our smoke-free segment reflected continued progress towards a vision of a world without cigarettes.

While our financial performance benefited from currency developments, especially the stronger U.S. dollar, growth in local currencies was respectable at 11%. And for our smoke-free segment, revenue growth across all markets aggregated 17% in local currencies.

In the second quarter, smoke-free represented more than 70% of sales for product segment and more than 80% of operating profit from product segments. This is despite the significant market related investments and support for future growth opportunities that were made across markets in our smoke-free business.

The strong quality of revenues was further accentuated in that, the key driver for growth within smoke-free across markets was nicotine pouches, reflecting not only the outstanding potential for the nicotine pouch category, but also our own progress in this attractive category. In the first 6 months of 2022 nicotine pouches represented more than 30% of group sales from product segments up from 20% 2 years ago.

Once again, seen in the U.S. was the largest contributor to revenue and earnings growth. Velocities for ZYN continue to increase in both the rest and expansion markets and our market share continue to demonstrate resilience despite the continued aggressive consumer price promotions from a large competitor. According to IRI, ZYN accounted for more than 3 quarters of total U.S. nicotine pouch retail sales in the quarter.

In Scandinavia, smoke-free markets continue to demonstrate strong market growth, and about our Scandinavian smoke-free earnings were lower than in the prior year quarter, reflecting our ambitious launch plans and brand building activities, adverse channel mix effects and the higher cost level. We remain excited about the prospects or more accurately participating in this market growth given our marketing and new product development investments.

Our cigar business has faced operational challenges for some time and we now see a category that has retrenched somewhat from the elevated levels during the pandemic. Financially, cigars delivered a weak performance during the quarter caused by the lower volumes, cost inflation, as well as, increased consumer loyalty investments.

However, consumer demand remains higher than pre-COVID levels. And we are pleased to report that thanks to progress in increasing production output for natural leaf varieties. We grow share both sequentially and year-on-year within the strategically important segment, resulting in Swedish Match regaining the number 2 position within the U.S. mass market cigar category in volume terms according to MSA.

Regarding life, the reported operating profit development does not adequately convey the underlying performance, most notably due to the significant income of temporary in nature, reported in the prior year period. In fact, for both matches and lighters volume declines and inflationary cost pressure were efficiently addressed through active price and portfolio management, resulting in underlying earnings growth.

Looking forward however, the suspension of Russian deliveries and software demand from some industrial clients imply that the earnings level reported in the second half of 2021 could be challenging to meet.

On the regulatory front, we're pleased to note that the Swedish parliament has now approved the marketing regulations for nicotine pouches, something that Swedish Match has been advocating for quite some time.

Staying with Sweden, we do expect a notable excise tax increase on snus by year end, due to the indexation to the unusually high inflation from June 2021 to June 2022, plus semi indicated extra 3%.

In the U.S., while there has been a steady regulatory news flow relating to other products, there have not been any significant developments since the April announcement on the proposed product standard relating to characterizing flavors in cigars. And the commentary period is still ongoing.

Regarding the NSEs that Swedish Match received and a limited part of our cigars assortment, those products are still allowed to be sold in the market and there is no conclusion for now on the administrative appeal that we have filed. There have been no approvals, no deficiencies on SE applications pertaining to the balance of our cigar assortment.

Following these introductory remarks, we will now continue in some more detailed comments on our smoke-free product segment, and starting with the same in the U.S. and turning to Slide number 9. With shipments up by 38% to close to 59 million cans. The second quarter marked yet another record period for ZYN.

For the rolling 12 months period ZYN shipment volumes amounted to 203 million cans. The strong volume growth for ZYN was mainly a result from higher velocities but also from an expansion on the store base. At the end of the second quarter distribution for ZYN had reached 134,000 stores an increase of 15% versus the same period in 2021.

It is worth noting that while the promotional intensity for ZYN during the second quarter of 2022 was less than in the first quarter of this year, certain distributors purchased extra higher volumes toward the end of the second quarter in anticipation of the communicated third quarter promotions.

The consistent trend of growing velocities for ZYN continued during the quarter, both in the western region where ZYN was initially launched in 2016, as well as, in regions outside the west where the brand was marketed in a broader scale from April 2019. Nicotine purchase continued to demonstrate not only exciting commercial prospects, but also their potential to significantly contribute to improved public health.

As Slide 10 illustrates the nicotine pouch category is rapidly growing relative to cigarette. Measured by volume and according to IRI data, and we make 1 can of nicotine pouches equivalent to 1 type of cigarettes, nicotine pouch volume for the year-to-date period was well above the 10% benchmark in the west and exceeded 4% on a national level.

Based on indications of average weekly consumption levels for consumer ranging from 2 to 3 cans, our estimate of the number of ZYN users relative to the number of cigarette smokers on a national level is in the range of 5% to 7%. While we expect the number of nicotine part users to continue to grow, we also expect that weekly consumption rates for about consumer will increase as consumers adopt nicotine prices more fully. Another source of growth for the nicotine pouch category in the U.S. are consumers are more traditional smoke-free products such as moist snuff.

On Slide 11, we compare nicotine pouches with the moist snuff category based on MSA data. In the western region, distributor shipments of nicotine pouches in the quarter represented close to 3/4 of the shipments for traditional moist snuff products. In regions outside of the west, a milestone was passed during the second quarter when nicotine pouches grew to become larger than the moist snuff pouch segments.

Turning to quarterly market share for ZYN and category volumes based on MSA data on Slide 12. You will note minor restatements of the market shares for historic periods compared to the slide that we presented after Q1 caused by updates to the MSA data set, but historical trends are the same as previously published data.

As the dotted line depicts, ZYN market share declined by around 1 percentage point in the second quarter relative to the first quarter. However, this should be viewed in light of continued growth based on deep promotional activities from a large competitor and the lighter promotional schedule for ZYN during the second quarter compared to the first. Compared to the second quarter of the prior year, the market share of ZYN increased by close to 1 percentage point to a large extent driven by the strong performance in regions outside of the west.

For market share stated in retail value terms or in dollar terms, we're using IRI data, which captures consumer off-take data rather than shipments to the trade. Our estimate based on IRI is, as I already mentioned, that ZYN represented more than 3/4 of the nicotine pouch category retail sales during the second quarter.

And with that, I will hand over the word to Anders.

**Anders Larsson** - Swedish Match AB (publ) - CFO & Senior VP of Group Finance

Thank you, Lars. Turning to Slide 13 and the traditional moist snuff. Based on MSA distributor data, the category for moist stuff saw decline in volumes in the second quarter compared to the prior year, while Swedish Match volumes were virtually flat.

Our Q2 moist snuff shipments grew by close to 1% versus the same period in the prior year. And our value-priced Longhorn brand continued to demonstrate strength. And similar to the rest of the category, we benefited for meaningful year-on-year pricing effects across our moist snuff portfolio.

Moving on to U.S. chewing tobacco on Page 14. The long-standing trend of category contraction continues along with the migration towards lower-priced offerings. This follows the pandemic period when the secular volume trend took a temporary pause. Our own volumes also declined with modest volume growth for our value price selection, partially offsetting the declines for our premium brands. The favorable effect from price adjustments for this quarter only matched the negative impacts from portfolio mix, which, along with lower volumes, resulted in reduced operating profit.

Turning to smoke-free Scandinavia and Slide 15. As the slide clearly depicts smoke-free products in Scandinavia continued to show robust growth, supported by strong growth in all 3 countries: Sweden, Norway and Denmark. While nicotine pouches have contributed the most to this growth, the consumption of snus has also increased.

On Slide 16, we zoom in on the snus market in Scandinavia. As measured by Nielsen, snus is still the dominant form of smoke-free products in Scandinavia and is estimated to represent approximately 3/4 of the total smoke-free category. As the line in the graph to the left depicts, our share within the overall Scandinavian snus market has been holding at a fairly consistent level.

On a sequential basis from the first quarter, Swedish Match's market share of the snus market in Scandinavia declined only marginal. Our Q2, snus shipment volumes grew by 3% on a year-on-year basis, supported by the recovery of the border trade and travel retail classes of trade.

On Slide 17, we look at the nicotine pouch market in Scandinavia. The Scandinavian nicotine pouch market remains dynamic and intensely competitive, both in terms of new launches of brands and varieties and in terms of promotional offerings. While marketing practices in Sweden need to change beginning of August to comply with the new regulations, we expect a continued high level of competitive activity.

Swedish Matches share within nicotine pouches, as measured by Nielsen, remained stable on a sequential basis from the first quarter, aided by the introduction of several innovative product offerings and enhancements during the quarter. With much of the market activity relating to new product offerings having occurred in channels not covered by Nielsen, Swedish Match estimates that its true market share within nicotine pouches grew slightly on a sequential basis during the quarter.

On Slide 18, we show a wide array of new products that were launched during the second quarter for both snus and nicotine pouches. These include products for the Swedish domestic market for Norway, as well as, products with appeal to consumers who shop at travel retail stores and buy online.

In our first quarter presentation, we mentioned a few of these, noting that products such as VOLT, PEARLS and enhanced quality and sensory upgrade of the rest of the VOLT range as well as the -- as well as, extensions of moist mini varieties would be faced in the -- phased in during the quarter and into the summer in Sweden.

This ambitious launch schedule was accompanied by impactful marketing programs and early trade and consumer indications are positive. Helping to support our volume share growth ambitions for nicotine pouches.

VOLT, PEARLS with its patent-pending technology offers clearly differentiated sensory and functional properties, not the least of which is the ability to manage release properties for both flavors and nicotine delivery. This truly unique assortment further demonstrates our leadership in innovation tied to consumer needs.

Our brand transitioning from G.4 and the launch of RUSH -- the Rush brand in Norway is continuing. And despite facing the communication challenges of plain packaging, the RUSH concept is demonstrating clear interest among our customers and about consumers.

Turning to Slide 20, cigars. Swedish Match achieved market share gains within the cigar category in both the second quarter and for the first 6 months. While our factory shipments were down, including a decline also for natural leaf cigars in the second quarter, MSA reported higher shipments for Swedish matches natural leaf cigars from distributors to the trade, both for the quarter and the year-to-date period, which resulted in the share gains despite softer performance for HTL cigars.

For HTL, the shortage in certain raw materials has continued to constrain production while for natural leaf, as Lars mentioned in his introductory remarks, we have made good progress in aligning output to demand. While overall market volumes for both natural leaf and HTL segments have declined, much of this can be attributable to the positive impacts from consumer behavior and purchasing power during COVID and a bit of unwinding of these positive impacts during the current year.

The average sales price per cigar was up by 3%, but operating profit development for cigars was burdened by the lower sales, inflationary cost pressure and increased marketing investments behind our Game and White Owl consumer loyalty programs. Both programs have generated very high interest across the country and provide testimony to the strong engagement with our brands among our adult consumers.

On Slide 22, we have summarized relevant financial metrics from our interim report. Net finance costs during the quarter improved slightly versus prior year, reflecting higher financial returns on surplus cash and decreased average debt levels.

The weighted average interest rate of our loan portfolio at June 30 was 2.1%, with 98% of the portfolio subject to fixed interest rates. And there are no debt maturities during the remainder of this year. Our net debt to EBITDA for the 12-month period ending June 30 was 1.5%. While we remain committed to returning cash not needed in operations to shareholders, share repurchases have been suspended in view of the current public cash offer by PMI.

Slide 23, restates our updated full year 2022 outlook from the interim report. With the strong growth of our U.S. smoke-free business, coupled with a strong U.S. dollar rate versus the SEK, we now expect a slightly higher corporate income tax rate of close to 24%, excluding associated companies. The outlook has also been updated as regards to the suspension of share buybacks.

And finally, as always, fluctuations in currency rates will impact our future reported results, and you may want to take note of some of the more important average exchange rates versus the SEK. The average exchange rate in the third quarter of 2021 for a U.S. dollar was 8.66, the NOK 0.99 and the Brazilian real 1.66 million. In other words, should current spot rates largely prevail, one should expect continued significant currency translation tailwind in the upcoming third quarter for sales and earnings.

And with that, I will hand over to Lars.

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**Lars Dahlgren** - *Swedish Match AB (publ) - President & CEO*

Yes. And before we open up the floor to questions and answers, I would like all of you to join me in providing a very heartfelt thank you to Emmett Harrison, our Senior Vice President of Investor Relations, has decided to retire by the end of August. And Emmett joined Swedish Match in 1990 and started on the commercial side. And he's actually been heading the IR function since the previous century, and this is his 92nd quarter, which I believe is truly impressive.

And as you all know, he has provided the Investor Relations community with great insight, product knowledge and very engaged dialogue helping you all to assess both the opportunities and the challenges of our company. And the other rankings throughout the years for which you have been helpful speak for themselves. So we've been very fortunate to have such a valued colleague as Emmett with us on helping on the IR side.

And I'm also pleased to note that we have a very confident successor to Emmett, Johan Leven, who is Investor Relations Manager and Business Analysis Manager, working for Emmett, also has a commercial and data insight and market insight background from the smoke-free side. So he has a very strong knowledge about the core of our business on a global scale.

With that, operator, we can open up the floor to questions and answers.

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## QUESTIONS AND ANSWERS

### Operator

Thank you. (Operator Instructions) Our first question comes from the line of Rashad Kawan of Morgan Stanley.

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### Rashad Kawan - Morgan Stanley, Research Division - Equity Analyst

And Emmett wishing you the best going forward and congrats to Johan as well. A couple of questions, gentlemen. First one, can you talk about the dynamics you're seeing in the U.S.? I mean you mentioned moist snuff growing sales and earnings, particularly with Longhorn, while chewing tobacco saw some pretty big volume declines, particularly on the premium end, which suggests that you're seeing some acceleration in down-trading in tobacco. I mean, is that a trend that you expect will accelerate over the coming quarters given where kind of gas prices are and the U.S. consumer continuing to be under pressure?

And then my second question on ZYN, very strong performance again. You mentioned there were high purchases by certain distributors towards the end of the quarter, how much of the growth was attributable to that versus higher velocities and kind of increasing store count that you talked about? Just trying to get a sense for how much of the growth is a timing issue versus just underlying strength in the overall business?

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### Anders Larsson - Swedish Match AB (publ) - CFO & Senior VP of Group Finance

Yes, Anders, I can start, and Lars can fill in. Yes, I do believe that we see some impact of the trends with the inflationary environment and higher gas prices in the U.S. and we are well positioned with our Longhorn offering, in particular, for moist snuff. So that's -- I believe that's helpful and will be helpful going forward if circumstances stay this way.

And then on ZYN, as always, we kind of try to urge you to look at the longer-term trend. But with that said, we did have some extra shipments of around, let's say, a couple of million accounts that impacted favorably shipments in the second quarter. And then we also had some timing effects between Q4 and Q1 as well. So I believe the growth in MSA shipments, which was around 10%, I believe, is probably a better reflection of the underlying growth, if you call it that way, for one isolated quarter. But again, the longer-term trend is more important to look at.

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### Operator

Our next question comes from the line of Gaurav Jain of Barclays.

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### Gaurav Jain - Barclays Bank PLC, Research Division - Research Analyst

Emmett congratulations and a well deserved retirement, and thanks a lot for all your help over years. And congratulations to Johan as well. So just following up on the question on ZYN's strength. Is there any benefit you are seeing from all these pressures on the e-cigarette manufacturers and the flavor bans which have happened and then being pulled back. So is that helping you in any way? And if the synthetic nicotine e-cigarette market comes under pressure and to edge, do you think that can benefit then a lot?

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**Lars Dahlgren** - Swedish Match AB (publ) - President & CEO

Yes. I mean, as Anders mentioned, when we look at the deliveries towards the end of the quarter, we estimate roughly 2 million cans. And these are various distributors increased their purchases, and it's a little bit difficult to exactly to know the reason. But we know from previous experience that once we have opened up certain promotions that some of them have run out of stock. So we definitely think that good part of the estimated extra SEK 2 million are attributable to advanced purchases to make sure that the distributors are not out of stock for the promotional period. But then we do -- we did note also that the regulatory news around certain of the vaping products there seem to have impacted order patterns a bit.

So -- yes, to some extent, we believe at least there was a temporary effect where distributors wanted to get ready to make sure that they had products in new world, some products that they thought might go off the market. And it remains to be seen how the regulatory situation plays out. But as a general comment, I would answer, yes to your question, that other alternatives if FDA is enforcing the jurisdiction of our other products, which, by the way, to our understanding has certainly happened at a very limited scale regarding synthetic products at this stage, but the deadline was July 13. But I think it's a fair assumption to say that if some products go up the market, it will benefit those that stay in the market.

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**Gaurav Jain** - Barclays Bank PLC, Research Division - Research Analyst

Sure. That's very helpful. And in that sort of market context, do you think now you have more opportunity to take pricing than has been the case in the last 3 years?

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**Lars Dahlgren** - Swedish Match AB (publ) - President & CEO

I mean there are a lot of things coming into play when we talk pricing. And I mean, as you know, we have -- take nicotine pouches, we did take pricing this year on ZYN. And then from time to time, we have some promotional programs as well, but nowhere near in depth our largest competitors. Over time, we believe that there are pricing opportunities also in nicotine pouches, but the competitive situation is very intense in this state of the extreme growth in the category.

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**Gaurav Jain** - Barclays Bank PLC, Research Division - Research Analyst

Sure. And last question. I didn't really catch the comment on excise tax hike in Sweden, which is linked to inflation. So could you just help us understand what it...

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**Lars Dahlgren** - Swedish Match AB (publ) - President & CEO

Yes. No, it's good to be aware of that now that the world is entering into a different inflationary environment. Since long, actually, on the tobacco side, the excise taxes in Sweden are indexed based on the inflation -- the official inflation number between June of the current year and June of the previous year. And -- but historic in the recent years, that number has been very close to zero. So there has been only very small adjustments on excise taxes. But now, that I'm looking at as Anders said was 7 point...

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**Gaurav Jain** - Barclays Bank PLC, Research Division - Research Analyst

In the range of...

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**Lars Dahlgren** - Swedish Match AB (publ) - President & CEO

Yes, in the range of 7%, as we so-called CPI June to June. So the tax will automatically go up with that. And then on top of that, the government has announced their intention of a 3 percentage point extra tax increase across tobacco products.

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**Operator**

And we currently have one further question in the queue. (Operator Instructions) The next question is from Andreas Lundberg of SEB.

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**Andreas Lundberg** - SEB, Research Division - Analyst

And thank you, Emmett for a very, very good job during the years. If I start with going back to one of the previous questions to the pre-purchasing. You talked about a few million cans. But correct me if I'm wrong, but it was some 2.5 million cans in the prior year quarter as well due to pipeline volumes? Is that correct?

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**Lars Dahlgren** - Swedish Match AB (publ) - President & CEO

I don't recall exactly the prior year number.

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**Andreas Lundberg** - SEB, Research Division - Analyst

Okay. I have a note here. But yes, we can talk about that a...

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**Lars Dahlgren** - Swedish Match AB (publ) - President & CEO

And that's always -- I mean there are lot of things happening in isolated quarters and you have delivery days as well. So you had one extra delivery day also in the second quarter versus -- that's on a sequential basis then versus the first quarter.

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**Andreas Lundberg** - SEB, Research Division - Analyst

And over to investments or if we talk about ZYN in the U.S. when it comes to capacity in factories and so forth, what investments do you foresee in the coming few years besides marketing and branding types of investments?

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**Lars Dahlgren** - Swedish Match AB (publ) - President & CEO

I mean as we've been explaining, we have an ongoing investment program, and we have taken several investment decisions where we now feel that we are to stay ahead of the curve. So the production capacity is not the limiting factor, and we intended to stay that way and therefore, continue to invest going forward as we project that the growth will continue. So we are adding production capacity but we refrain from disclosing exact details on those amounts, because it's more of an ongoing thing now...

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**Andreas Lundberg** - SEB, Research Division - Analyst

Generally speaking, what kind of fixed capital or working capital do you think are needed for your growth plans in the coming years?

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**Lars Dahlgren** - Swedish Match AB (publ) - President & CEO

I mean if you take the fixed capital, it's mostly related to the production lines and the process equipment. We have expanded the Owensboro facility quite a bit. So the kind of incoming lines that we have decided to invest in are they will largely fit within the premises, we may actually do a little bit of building work to rearrange between storage areas and machine areas and so forth. But then from time to time, when growth if it continues,

then, of course, we will come to a point where we also need to invest in buildings. And on the working capital side, generally, it's a very capital-efficient business that we are running.

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**Andreas Lundberg** - *SEB, Research Division - Analyst*

And lastly, regarding the ongoing bid situation, what would you say are the major advantages for your company? Or what can you not do on your own?

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**Lars Dahlgren** - *Swedish Match AB (publ) - President & CEO*

I mean we -- I leave it to the Board -- the Board has provided the recommendation to shareholders. I refrain from any comments regarding the volume. But on the industrial -- industrial logic wise, there is a strong fit between our 2 companies, where we envision that we could further enhance our efforts in international markets in our -- what we call other markets, where we could come out via the commercial network of PMI. And then it's exciting to see how our very successful commercial setup in the U.S. could be potentially leveraged with additional reduced risk products in that market as well.

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**Operator**

And we've had 2 other people who joined the queue. The first is Jared Dinges of JPMorgan.

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**Jared T. Dinges** - *JPMorgan Chase & Co, Research Division - Analyst*

Can you just give an update on the supply chain constraints that you're seeing in cigars. I know volumes were still down a bit in the second quarter, but how should we think about how that's going to evolve in the second half and going forward? Are you -- did you exit the quarter in a better place? And can we get back to kind of a more normalized, let's say, volume growth rate?

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**Lars Dahlgren** - *Swedish Match AB (publ) - President & CEO*

Yes, I would say. We exited definitely the quarter in a better place when it comes to natural leaf varieties. And there, our current assessment is that we should be able to meet demand. And then the category is a little bit softer compared to the COVID levels. But on HTL, that's where we have some limitations on input material. But we're trying to work around that, as much as, possible, and it will take some time before that resource is unconstrained, but we see a little bit light in the tunnel, and our projection is that we should be able to increase also output a bit of HTL. And then hopefully, that demand stays because at least for historic periods, that has still been a constraining factor on our shipments.

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**Jared T. Dinges** - *JPMorgan Chase & Co, Research Division - Analyst*

Thank you very much, Emmett, and good luck to you on Johan.

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**Lars Dahlgren** - *Swedish Match AB (publ) - President & CEO*

As a follow-up to the prior question, you're right. In the second quarter of 2021, in addition to velocity growth, we also had some store expansion and menthol and chill varieties were also broadened on a national scale in the second quarter of 2021. So there was some effect from...

**Anders Larsson** - Swedish Match AB (publ) - CFO & Senior VP of Group Finance

I believe, actually, you were right there. It was likely in that range of 2.5 million cans.

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**Operator**

And we have one further person in the queue, it is a follow-up from Gaurav Jain of Barclays.

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**Gaurav Jain** - Barclays Bank PLC, Research Division - Research Analyst

Just a question on the Philip Morris offer. If 90% of the shareholders do not tender their shares, then what exactly happens...

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**Lars Dahlgren** - Swedish Match AB (publ) - President & CEO

90% don't tender then only 10% tender and...

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**Gaurav Jain** - Barclays Bank PLC, Research Division - Research Analyst

Sorry, less than 90%...

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**Lars Dahlgren** - Swedish Match AB (publ) - President & CEO

But I think that's a question that you need to ask Philip Morris, how they would intend to act in such a situation.

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**Operator**

Currently, there are no further questions in the queue. (Operator Instructions)

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**Lars Dahlgren** - Swedish Match AB (publ) - President & CEO

Okay. Well, if there are no further questions, I would like to thank you all and also the schedule for our third quarter report is to be published at October 28.

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**Emmett Harrison** - Swedish Match AB (publ) - SVP of IR & Corporate Sustainability

And thank you all very much. Thank you, Lars, for your very kind comments and the team. Swedish Match is an incredible company to work for, and I'm very proud to have been working for 32 years in different parts of the company. And in the last 20-plus years here at IR. Johan is doing a fantastic job working with me here, and he -- I'm sure he will serve the investment community at least as well as you are used to for Swedish Match. So thank you all for your kind words, and we will see one another again, somewhere, sometime. Thanks.

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