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SWMAF.PK - Q3 2009 Swedish Match Earnings Conference Call

Event Date/Time: Oct. 27. 2009 / 1:30PM GMT



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PRESENTATION

Operator

Good morning, and good afternoon, ladies and gentlemen. And welcome to the Swedish Match conference call. (Operator Instructions). And, just to remind you, this conference call is being recorded.

I would now like to hand over to the chairperson, Emmett Harrison, Vice President Investor Relations. Please begin your meeting, and I will be standing by.

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Emmett Harrison - Swedish Match AB - VP IR

Good afternoon. This is Emmett Harrison, Vice President of Investor Relations. Welcome to the third-quarter 2009 results telephone conference for Swedish Match. Lars Dahlgren, President and Chief Executive Officer, is joined today by Joakim Tilly, Chief Financial Officer; Henrik Brehmer, Senior Vice President of Corporate Communications; and myself. The conference call should last about an hour and will include an overview by Lars Dahlgren and a review of the financials from Joakim Tilly. A question and answer period will follow. A shortened version of our investor kit accompanies this presentation via webcast, and a complete investor kit is available in the Investor Relations section of our website, SwedishMatch.com.

During today's conference call, we will discuss certain items which may constitute forward-looking statements. Because such statements deal with future events, they are subject to various risks and uncertainties. Although management believes that its expectations 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, SwedishMatch.com. Swedish Match assumes no obligation to update information concerning its expectations.

The conference call is being recorded, and the recording will be published on the Swedish Match website.

I would now like to turn the conference call over to Lars Dahlgren.

Lars Dahlgren - Swedish Match AB - President and CEO

Thank you, Emmett. Today we report Swedish Match results for the period January through September 2009.

During the third quarter, Swedish Match achieved a continued strong sales and operating performance. Group sales and operating profit increased for all product lines, except for lights. Our snus and snuff product segment delivered its highest operating profit ever.

Our Scandinavian volumes in the third quarter were up by 2% year on year, led by higher deliveries to the Swedish market. In the US, we continue to gain market share for snuff, and volumes grew by 13% versus last year's third quarter. In both Sweden and the US, consumer prices for snus and snuff increased at the end of June.

For the year to date, our Scandinavian volumes are up by nearly 7%, while our US volumes are up by 10%.

We launched Longhorn pouches in a number of states in the US during the quarter. And, in Scandinavia, we were active with packaging upgrade, supporting our new General White Portion in the star formation and, most recently, launching a totally new product under the Lab Series 01 and 02 brands for the Norwegian market.

We continue our commitment to devote additional resources behind our smoke-free initiatives, both in and outside Scandinavia, as part of our strategy in being the global smoke-free leader.

For our cigar products, our sales were up in local currencies for our machine-made cigar businesses in both US and Europe but were down in dollar terms for our US premium cigar business. We saw improved volumes in a number of European markets. We also began implementing a change in our production setup for machine-made cigars in the US market, which reflects both changes in the marketplace and helps to optimize our manufacturing efficiency. Excluding the charge of SEK45 million for this change, our cigar operating margin came in at a solid 22.1%.

We completed the sale of our South African operations in September and recorded a tax-exempt capital gain of SEK628 million.

Swedish Match Group sales from continuing operations for the quarter reached SEK3.606 billion, an increase of 10% versus third quarter 2008. In local currencies, sales were up by 3%, driven by growth of 9% for snuff. Operating profit from continuing

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operations was up 8% in third quarter and up 3% in local currency terms. Basic earnings per share for continuing operations reached SEK2.53. And, if we include profit from discontinued operations and the capital gain from the sale of South Africa, our earnings per share reached SEK5.38, compared to SEK2.67 in our prior year.

Now let me go into some further details by product area.

Beginning with the snus and snuff product line, Scandinavian snus sales were up 9%, and operating profit was up 4% in the third quarter versus last year on 2% higher volumes. Volume increases in Sweden more than offset declines in travel/retail on reduced travel and reduced deliveries to our Norwegian distributor. In last year's first quarter, we estimated there was a destocking effect of approximately 5 million cans, which was not repeated in the first quarter of 2009. Backing out these destocking effects, Scandinavian volumes were up by 3% in the first nine months of the year. Volumes in Scandinavia in the third quarter were higher than in the first half of the year but below year-earlier levels. And marketing costs were unusually low.

On June 22, list prices in Sweden increased by around 4%. Net selling prices in Scandinavia have increased approximately 7% versus last year's third quarter.

In the North American market, snuff shipment volumes were up by 13% in the third quarter, following an exceptionally strong second quarter, which was affected by tax-related restocking in April. Sales were up by 12% in the US in dollar terms, and list prices of \$0.07 to \$0.10 per can largely offset an otherwise decreased average price as a result of the growth of our lowest-priced product, Longhorn. During the quarter, Longhorn pouches were rolled out into a number of states, offering consumers a pouch product alternative to more expensive brands. For the first nine months, US snuff volumes were up by 10%, and revenues increased by 9% in US dollars. Our US snuff operating margin increased during the third quarter versus year-earlier levels, reflecting both higher volumes and somewhat lower spending per can.

Our market share for the year to date in volume terms, according to Nielsen, was 12.9%, up from 12.3% for the same period 2008. Nielsen reported the overall snuff market being up by 1.6%, with Swedish Match volumes up by 7.1%. For the latest four weeks ending October 3, Swedish Match holds 12.9% of the market in volume terms, with Red Man holding 1.7% of the market, Timber Wolf 6%, and Longhorn 5.2%.

In our cigar business, sales in local currencies were up by 1% versus the third quarter 2008, while operating profit declined by 5%. Operating profit was negatively impacted by a SEK45 million charge tied to the restructuring of our North American manufacturing operations. Excluding this charge, operating profit improved by 14% in local currencies during the third quarter. Operating margin in the third quarter was 22.1%, excluding restructuring charges, up from 20.0% in the year-ago period.

We saw a good performance for our machine-made cigars in the US and in Europe, where volumes increased in a number of markets, most notably in France, Portugal, and Spain. In the US, our machine-made cigar volumes were up by 8% compared to the third quarter last year. Small cigars and cigars with our foil-fresh packaging continued to be a very strong part of our US machine-made cigar business. Costs, excluding the restructuring charge, in our US mass market cigar business were more normal in the third quarter, after the unusually low levels we saw in the second quarter.

Our US premium cigar sales declined in local currency terms. We continued to see solid growth in our mail order and Internet business, while shipments to more traditional channels such as brick and mortar retailers continue to be soft. Third quarter volumes were lower to traditional channels partly due to the timing of shipments to some larger accounts.

In Europe, sales and operating profit grew on higher volume. As margins in the US are generally higher than for our European business for cigars, the combination of a weakening dollar and the relatively stronger European business during the third quarter puts downward pressure on the reported underlying operating margin for the product area as a whole. Given the continued weakness of the dollar versus the Swedish crown, this downward pressure could continue in the fourth quarter.

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Our position in the chewing tobacco market is stable, and our market share year to date stands at 45.1%, according to Nielsen. Sales in the third quarter were up by 18% to SEK280 million, aided by the strength in US dollar versus Q3 2008. In local currency, sales were up by 2% on higher volumes. Excluding contract manufacturing volumes to National Tobacco, volumes were down by 13% in the quarter. Operating profit in Swedish crowns in the third quarter was SEK107 million, up 23%, and operating margin reached 38% in the quarter. In US dollars, operating profit grew by 6%.

For the fourth quarter, we expect a softer development in our chew business, partly related to the timing of sales promotions and, importantly, a negative currency translation impact if current exchange rates prevail.

Our lights business delivered an operating profit in line with the first and second quarters of this year, and the operating margin again exceeded 15%. Compared to last year's third quarter, operating profit was down by 28%, owing to some weakness on the volume side, as well as a negative impact from country mix. In last year's third quarter, there was also a one-time capital gain of SEK9 million recorded in the lights product area.

Now I will hand over to Joakim for some more comments on the financials.

Joakim Tilly - Swedish Match AB - CFO

Thank you, Lars. During third quarter, the development of exchange rates had a continued positive effect on our sales and operating profit comparisons in Swedish crowns, brought on by the strengthening of the dollar since last September. We should note, however, that the US dollar has weakened considerably versus the Swedish crown after the summer and that, if current rates prevail, currency effects will be negative versus prior year on both sales and operating profit during the fourth quarter and over coming quarters.

The total translation impact on sales from continuing operations in the third quarter is positive SEK225 million, of which SEK121 million for cigars, SEK41 million for snuff, SEK37 million for chewing tobacco, SEK21 million for lights, and SEK5 million for other operations. For operating profit, the total translation impact was a positive SEK45 million for the third quarter.

Net finance cost for the third quarter amounted to SEK117 million, compared to SEK115 million previous year. As of September 30, Swedish Match holds net SEK9.3 billion worth of bonds due for repayment under global and domestic MTN programs. The average maturity duration of the bond portfolio is 3.3 years, and the average duration of the interest binding is 2.8 years. In the third quarter, maturing loans of SEK182 million were repaid. And, during the rest of 2009, a total of SEK35 million worth of loans will come due for repayment. The weighted average interest rate on bonds issued, including derivative effects, is currently 4.13%, and about 25% of the portfolio is exposed to variations in interest rates.

The reported tax rate for continuing operations for the first nine months of the year was 21% and included some smaller, one-time items. Excluding one-time items, we estimate the full-year tax rate from continuing operations to be around 22%. It should be noted that the one-time, tax-exempt gain on the sale of the South African operations of SEK628 million is excluded from continuing operations and, thereby, from the calculation of the tax rate.

The difference between the reported tax rate of 21% year to date this year and the tax rate of 14% for the full year 2008 includes significant positive one-time reversals of tax provisions in 2008 and the tax-exempt gain from the sale of the UK subsidiary in 2008.

Some comments to the cash flow. Cash flow from operating activities for the first nine months of the year was SEK1.871 billion, compared with SEK1.356 billion in the first nine months of 2008. The improvement is mainly related to the increased operating profit but also to better cash flow from changes in working capital.

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Net investments was positive SEK1.205 billion for the nine-month period, since it included divestment of the South African operations with SEK1.574 billion. Excluding divestment, investment in the nine-month period was SEK369 million, compared to SEK150 million for the first nine months of 2008. Investments in property, plant, and equipment amounted to SEK324 million, compared with last year's level of SEK207 million. As previously indicated, investments for property, plant, and equipment for the full year 2009 are expected to be above the level of full-year 2008 due to the ongoing capacity investments in the Kungalv snus plant, which are proceeding according to plan and will continue also in quarter one of 2010.

During the third quarter, a total of 6.3 million shares were repurchased, for a total amount of SEK872 million. During the first nine months, 10.4 million shares were repurchased for SEK1.368 billion at an average price of SEK131.71 per share. And 0.6 million treasury shares were sold as a result of option holders exercising options.

The net debt was SEK6.494 billion as per September 30, and the net debt in relation to EBITA for continuing operations was 1.9 for the 12-month period ending September 30, 2009.

Total dividends paid during the first nine months of the year amounted to SEK1.24 billion. This is equivalent to 46% of the earnings per share for 2008.

Our financial strategy remains intact. Our net debt to EBITA ratio should be below 3, and funds not needed in operations should be returned to shareholders.

I will now hand over to Lars for any other remarks before going into Q&A.

Lars Dahlgren - Swedish Match AB - President and CEO

I think we can open up the floor to questions.

QUESTIONS AND ANSWERS

Operator

Thank you very much. (Operator Instructions). [Helen Brent].

Helen Brent - Nomura - Analyst

Two questions, if I can. Firstly, on cigars, organic sales were up 1% in the quarter, but organic profit growth was up 14%. I was just wondering if you could talk more about the cost savings initiatives you took in the quarter and whether we should expect these to continue into the fourth quarter and into next year.

And then, secondly, on US snuff, volumes are up 13% in the quarter, but you do highlight some shipment moves around the Longhorn pouch launch. I was just wondering whether we should expect these to reverse in the fourth quarter. Thanks.

Emmett Harrison - Swedish Match AB - VP IR

I'll start with the last part, talking about Longhorn and so forth. We had pipeline volume of Longhorn pouches in the third quarter. There will continue to be some pipeline volume, I believe, for Longhorn pouches in the fourth quarter.

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The promotional schedule this year is a bit different from last year. We had more promotions in the third quarter this year in the month of September, and there was more in the fourth quarter last year in the month of October. And, when we look at the A.C. Nielsen numbers year to date, you can see that the overall Nielsen growth is around 7%, while our shipment growth in the isolated third quarter was quite a bit higher than that.

So, in the fourth quarter, you very well could see volume year on year flat or something like that because of the timing effect of promotions, because of the Longhorn pouch launch, and so forth. So you could see that happening.

Helen Brent - Nomura - Analyst

Thanks.

Lars Dahlgren - Swedish Match AB - President and CEO

When it comes to the cigar business, it's correct that we are taking steps in terms of focus and efficiency measures this year, and that includes all our cigar businesses, the three -- the premium cigar business, the European cigar business, as well as the mass market business in the US.

The relative improvement this year on the margins -- or in this isolated quarter I wouldn't attribute so much to these cost-cutting measures that you hinted to. It is more, really, that we have some good development in our European business. We have a continued strong performance in the US mass market cigar business. And then you have these -- the blends between the three businesses that can always distort the equation between top line and operating profit and, therefore, also create some volatility on the margin side when it comes to the cigar business. But we are indeed, then -- as we spoke about, the restructuring charge in mass market cigars is directly linked to one of those initiatives, but that one will obviously have an impact in the future.

Helen Brent - Nomura - Analyst

Okay. Thanks a lot.

Operator

Stellan Hellstrom.

Stellan Hellstrom - Nordea - Analyst

I had a few questions; first, on your chewing tobacco business. The volumes were quite low in this quarter, and it seems like you're expecting even lower volumes in the fourth quarter. Could you maybe elaborate a bit on this? Are you seeing accelerating volume decline in this category that you cannot compensate any more with higher prices?

Emmett Harrison - Swedish Match AB - VP IR

If we take a look at the second quarter, you'll recall that we had a price increase of about 7%. We had an unusual situation, though, where, tied to the federal excise tax change, you actually had a destocking of chewing tobacco in the month of March. So there was a restocking the month of April. Our volumes year on year in the second quarter were only down about 3%, and that's in a market that's generally down, let's say, 8% or so per year. Our market share is basically staying stable. So, in the third quarter, you didn't have a restocking effect, and you had the volumes going down with the market and maybe a little bit more than that on pricing and so forth.

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You also do have, as you mentioned, a situation, and that is, in some states, like Florida and Texas, prices for chewing tobacco have gone up quite a bit due to tax shifts. A pouch of chewing tobacco can be as high as \$8, for example, in some cases. So we have to deal with that. Will that cause an acceleration in the decline over time? We'll have to wait and see. But I think the 13% or so versus the unusually strong volume in Q3 is really just reverting to the mean, if you will.

Stellan Hellstrom - Nordea - Analyst

Okay. Also in the US snuff business, have you noticed any increased promotional activity from competition in the third quarter versus second? And, if so, how is that impacting you?

Lars Dahlgren - Swedish Match AB - President and CEO

Yes. I think everybody has noticed that, particularly, Altria -- not only have they lowered the list prices on their premium portfolio but also in selected space they have run promotions during, basically, the month of September, where they have further lowered the price by -- I think it's \$0.50 to \$0.70 per can. So it continues to be an environment where people are looking hard on the market share development.

Stellan Hellstrom - Nordea - Analyst

All right. Thank you.

Operator

[Anders Hansson]

Anders Hansson - Danske Bank - Analyst

Two questions. First of all, just to follow up on the US snuff question, your price mix in Q3 was at minus 1%. And maybe that's not really what you would have expected when you look at the volume development for your different brands with a higher share of Red Man and also with the price adjustments you made in June. And I'm just wondering. Is that the effect from higher share of discounting, or what can explain the low price mix?

Emmett Harrison - Swedish Match AB - VP IR

An awful lot of it is just more Longhorn and relatively less Timber Wolf and Red Man in the overall mix. That accounts for most of it.

Anders Hansson - Danske Bank - Analyst

Okay. So it's relating to the trade load or the pipeline on Longhorn. Okay.

Lars Dahlgren - Swedish Match AB - President and CEO

Longhorn has been growing steadily the whole year. So that's -- what is that? 5% brand. And it's approaching the market share of Timber Wolf. Of course, that's reflected in the average price.

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Anders Hansson - Danske Bank - Analyst

Sure, but, on the other hand -- well, I'm not going to go back. But, if you look on what Red Man has done, you could have expected a more positive price mix. But that's fine.

One other question on the launch on the Lab Series 01 and 02, which you mentioned. Is that a substantial amount that you've taken as a cost, or is it just normal launch costs?

Lars Dahlgren - Swedish Match AB - President and CEO

I'd say that this is normal that we have -- we have quite substantial activities to develop the categories in our core markets. And you can say that, during the third quarter in isolation, yes, a bigger portion than normal was directed to the Norwegian market because that's where we had the introduction of totally new brands. But, overall, I'd say it's a normal quarter on the marketing side. But it is notable, the Lab Series there.

Anders Hansson - Danske Bank - Analyst

Okay. Thank you.

Operator

Martin Sikorski.

Martin Sikorski - Cheuvreux - Analyst

I would like to go back to the US but more about the US market for snus. Could you give us an update on how the JV with Lorillard Tobacco is performing and what your assessment is of the total snus market in the US as of today? Thank you.

Emmett Harrison - Swedish Match AB - VP IR

I think I'd rather talk more about the total snus market than the first one because we've agreed pretty much not to talk about the Lorillard test market. That's continuing in Ohio and Georgia, and it's doing just fine.

The overall snus market, though, has had a lot of activity over the past six months. Reynolds has expanded their Camel snus into most of the country or gone into national expansion. They've had a lot of media support and a lot of -- they say that they're supporting that launch quite a bit. We see that when we look at our Nielsen figures that we have to look at that the market is growing very quickly but off of a very low base. On an annual rate, the snus market is something north of 10 million cans per year there.

And we participate in that market with the joint venture with Lorillard, with Triumph, and also, too, with our General product that we're now in more than 500 stores, including the Smoker Friendly chain and a number of tobacconists with very good rotation of the product, mostly sold out of refrigerators.

So the snus market is very, very small, but it's developing. This is the year when we can start talking about it a bit, and, hopefully, next year, we'll actually be able to talk about some numbers.

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Martin Sikorski - Cheuvreux - Analyst

That's very helpful. Thank you.

Operator

[Niklas Ekman].

Niklas Ekman - Carnegie - Analyst

I have a couple of questions, if I may. I'd like to start with -- to follow up here on the US snuff market. I've been a bit surprised here. There seems to be a lot of promotional activity going on by Altria, by Reynolds, by yourselves in the market. And, still, growth in the market has slowed quite considerably. And, in the last couple of months, it's even been negative. Can you elaborate a little bit on your take here? Is this a trend shift, or is this purely temporary? What's your take on the market development?

Lars Dahlgren - Swedish Match AB - President and CEO

We fundamentally think that there are very good prospects for the US moist snuff and snus-like products, as well, to grow over the medium to long term. And we do indeed think that we are witnessing some temporary effects here. There's been a lot of changes in the category since the takeover of UST.

And, just to point out a few things, I mean, we are -- first of all, 2009 we are [anniversarying] a year where several players are much more active when it comes to product launches and line extensions in the market, at least year to date 2009. I mean, for example, us, the Red Man brand and the (inaudible) pouches and so forth. This year, there's been much less. You have UST basically abolishing secondary promotions in the market and, instead, lowering the price. But these type of occasional promotions tend to be quite good for the category volume. You have trade contracts that -- and you have changed the sales force completely. So you can expect a little bit of different buying patterns and so forth as a trade there. So there are a lot of factors to point out that we believe are temporary.

And, on the contrary, longer term, we think that a very important factor is still we continue to believe the relative pricing between cigarettes in the US market and the moist snuff category, where the moist snuff category is now significantly more economical to participate in as a consumer than the cigarette market. That's only one incentive. And we continue to be thrilled about the growth we see in the pouch segment in the US market. I mean, year to date, it's 8.4% of the market. It's up by -- it's growing much faster than the category at the moment. So we are quite optimistic on the category dynamics for next year compared to what we have been witnessing this year.

Niklas Ekman - Carnegie - Analyst

Okay. Great. Thanks. Let's hope we see an improvement there.

Turning to Norway, I was wondering about the lower volumes here in Q3. Is that purely a timing issue, or is there any tangible slowdown here in the market?

Lars Dahlgren - Swedish Match AB - President and CEO

In the sense that our volumes to the Norwegian market were down, yes, it's totally attributable to timing because we know for a fact that volumes from our distributor out to the market of Swedish Match products was up in the quarter.

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Having said that, if you look at Nielsen numbers in Norway, you do witness a little bit lower growth numbers in that market compared to the beginning of the year. So it's been a gradual slowdown, but it's still a very healthy growth in that market. But, at the beginning of the year, we were actually continuing on this trajectory of a growth rate of 20% in volume terms. So it's, very simply, coming to the law of big numbers here. We cannot grow a market like the Norwegian market by 20% year on year on year.

Niklas Ekman - Carnegie - Analyst

20% in the beginning. And what was your growth rate in the last (inaudible)?

Lars Dahlgren - Swedish Match AB - President and CEO

I think the last few periods, from the top of my head, it's been hovering around like 7% to 9%, and that's been a period on 11% and so forth. So, year to date, I think it's -- I think it's 13%, if I recall correctly.

Emmett Harrison - Swedish Match AB - VP IR

That sounds about right -- 12% or 13%.

Niklas Ekman - Carnegie - Analyst

Okay. So still very healthy growth.

And, turning quickly to Sweden and this A.C. Nielsen data, where we saw almost 7% growth in June/July, was that exceptionally strong for those months, or have you seen a continued strong volume growth of that magnitude also in August/September?

Emmett Harrison - Swedish Match AB - VP IR

If you look at a rolling, 12-month basis through August/September, you're pretty close to 4% growth rates. June/July was very strong growth. August/September, the growth rate was a little bit slower than that June/July number. But you have to remember the travel out of Sweden was down quite a bit. So you had a lot more Swedes staying in Sweden using the product versus prior year. So that very strong growth rate over the summer months is understandable.

Niklas Ekman - Carnegie - Analyst

Okay. Great. Thanks. I had a couple more questions, but I'll come back later, I think, and let someone else in.

Operator

Erik Bloomquist.

Erik Bloomquist - JPMorgan - Analyst

Just some follow-on questions; firstly, with respect to the FX impact on EBIT. You gave us the number for EBIT, but I believe that included the impact of the cigar charge. Could you give us the impact excluding the charge?

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Joakim Tilly - *Swedish Match AB - CFO*

Let us come back to that.

Erik Bloomquist - *JPMorgan - Analyst*

Okay. Secondly, with respect to cigar sales, you mentioned that the premium sales were down 12% on timing of shipments. Do you have a sense for what that would have been absent the timing effect?

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

It's not a great year for premium cigars in the US. I think we can conclude that. And we see that in other luxury goods sectors as well. So, if you look at the year-to-date number of premium cigars, I believe the volumes are down 2%. And what this is -- the dynamics beneath those 2% then is that we see bigger than that decline in the traditional channels to the brick and mortar ones, while we see continued very healthy growth in the catalog and Internet business.

So, although we do expect somewhat a reversal in the fourth quarter because of the timing element, long term -- or sort of medium term, at least, in the market, we do expect the dynamics to be the same -- that the catalog and Internet businesses will do better than the retail business.

Erik Bloomquist - *JPMorgan - Analyst*

And does -- is the mix affected then, as well, with more sales through catalog and Internet? Do you tend to have lower-priced premium cigars sold through that channel than you do in the brick and mortar?

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

Yes, somewhat.

Erik Bloomquist - *JPMorgan - Analyst*

Okay. And then, finally, I was wondering if you could update us on the progress of the Philip Morris International JV. I think, last time, that the board had been selected, but not much else had happened.

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

The JV is up and running, and so is the board. And, as you would expect, we are evaluating the potential first markets as candidates for test marketing. And we're doing good progress there. So we have selected a few candidates that we will evaluate further, and, simultaneously, we are developing product concepts for these markets. But I won't go into more specifics on the timing and which these markets are until we actually do something in the marketplace, for competitive reasons.

Erik Bloomquist - *JPMorgan - Analyst*

Okay. And then, lastly, with respect to the snus ban in Europe, I'd seen a while ago that Sweden had been lobbying to lift the ban. Has anything come of that? Are we still really looking at 2010 -- maybe late 2010 for a possible change in that ban status?

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Lars Dahlgren - Swedish Match AB - President and CEO

It's the same in the sense that the Swedish government continue to discuss in various forums the issue of the snus ban, and they now clearly oppose it based on the principles of free trade. But this is a gradual process, and it's a political process. So, in that sense, there's nothing specific to point at.

Erik Bloomquist - JPMorgan - Analyst

Okay. Thank you.

Joakim Tilly - Swedish Match AB - CFO

The FX impact, including the cigar charge, is about SEK50 million. That's about SEK50 million.

Operator

Mikael Holm.

Mikael Holm - Swedbank - Analyst

Just a clarification on the guidance for cigars in the fourth quarter. You guide for lower operating profit versus Q3. Is that including the charge in the cigars business?

Emmett Harrison - Swedish Match AB - VP IR

It is including the charge in the cigar business.

Mikael Holm - Swedbank - Analyst

Okay. Perfect. And then, on the chewing business, what kind of effect did the National Tobacco agreement have on volumes in this quarter?

Lars Dahlgren - Swedish Match AB - President and CEO

We had -- the volume growth, including in the National business, was in the quarter -- it's getting a little bit meaningless to talk volume growth on the total. But it was up substantially.

Mikael Holm - Swedbank - Analyst

Of course, but, if you look at sales in local currency though.

Lars Dahlgren - Swedish Match AB - President and CEO

Sales in local currency was up by 2%.

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Mikael Holm - Swedbank - Analyst

And how much of that is then related to National volumes?

Lars Dahlgren - Swedish Match AB - President and CEO

I don't have the exact number in my head. But, as I said there, non-National volumes were down by 13%, and we had several price increases there. So we would have been -- we wouldn't have made it up fully this quarter.

When we talk about the fourth quarter, we have -- it's natural with some quarterly timings there, but what we do see is that, if you take the year-to-date period, we have actually shipped a little bit more than what the Nielsen would suggest that we should have shipped. So we see the risk of another relatively weak quarter there.

Mikael Holm - Swedbank - Analyst

Okay. Perfect. Thank you.

Operator

Adreas Lundberg.

Adreas Lundberg - Handelsbanken - Analyst

I have a question on the European cigar business. Sales were up 9% in local currency. Could you break that down on underlying demand versus timing of shipments?

And my second question relates to your debt maturity profile. You have close to -- was it SEK1.4 billion expire next year? How do you see on that, given repayment versus rolling over any of your debt? Thank you.

Lars Dahlgren - Swedish Match AB - President and CEO

When it comes to the cigar business in Europe, we haven't spotted any dramatic difference in terms of shipment and what we deliver out to the market for this quarter. So it's -- I don't know if Emmett has any more detail.

Emmett Harrison - Swedish Match AB - VP IR

We do seem to be gaining some market share in France, for example, and we're getting good volume in Spain and gaining some market share in some other markets as well. So the markets haven't changed all that much. Our volumes are up not because we're loading to trade but because we're gaining some market share with brands such as La Paz.

Adreas Lundberg - Handelsbanken - Analyst

Okay. Thank you.

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Joakim Tilly - Swedish Match AB - CFO

And when we're looking at our debt maturity profile, currently we're at 1.9 times EBITA on net debt, which means that we are pretty low when you look at our restrictions of being below 3 times net debt to EBITA. So, obviously, that means that, when those maturities come up, we'll have to refinance them in order to stay with our financial strategy.

Adreas Lundberg - Handelsbanken - Analyst

Okay. Thank you. Got it.

Operator

Frans Hoyer.

Frans Hoyer - PI Ideas - Analyst

I was just wondering if you could give us an idea of the scale of the US cigars operations that are being transferred/relocated relative to the scale of the remaining US cigar production. How much is left, basically, and how much more should we think about in terms of restructuring going forward?

Lars Dahlgren - Swedish Match AB - President and CEO

I don't have the split in my head in volumes. But what you should know is that the remaining production in the US is much more [automized], and we are actually investing there in some more efficient machinery, while what we are moving down to the Dominican Republic is the more labor-intensive part of it. So I wouldn't say that you should expect anything there.

What you should expect is that we continue to look for opportunities and efficiency improvements across our cigar business. And, for the fourth quarter, we are actually conducting some rationalizations in our European cigar setup instead. So you should expect a restructuring charge of some EUR2 million to EUR2.5 million that's going to be booked in the fourth quarter relating to just the improvements in that part of the cigar setup.

Adreas Lundberg - Handelsbanken - Analyst

Understood. Also, I'm not familiar with these new brands that you're launching in Norway. I don't know how significant these launches are. Maybe you could help me understand the significance of those. Is this important, or is it just kind of a variation of existing products?

Emmett Harrison - Swedish Match AB - VP IR

No. It's important. It's not just a line extension. It's a whole new brand. It's a new format of pouches. It's got some unique selling characteristics to it. It's too early to really talk about how it's doing. We're just launching it into the marketplace right now. But, in terms of product development, in terms of support behind it, the fact that we're photographing it of all of our products in our assortment on the cover, the investor kit should indicate to you that we think this is a fairly important new product concept. And it's an example of innovation in the category. Traditionally --

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Adreas Lundberg - Handelsbanken - Analyst

I wanted to try and understand what's unique about it.

Lars Dahlgren - Swedish Match AB - President and CEO

Traditionally, the Norwegian brand -- there have been brands that we first launched in Norway and so forth. But you can say they've been line extensions of the Swedish portfolio. This time, we have actually taken our time, and we have done extremely thorough market research on the Norwegian consumers to try to truly optimize the product concept for the Norwegian consumer profile.

Adreas Lundberg - Handelsbanken - Analyst

So that sounds like it's not going to be transplanted to other markets because it's very specific to Norway.

Lars Dahlgren - Swedish Match AB - President and CEO

Well, we'll see what the Swedes go over and work and also what they think about it. Let's see what the future holds in our hands.

Adreas Lundberg - Handelsbanken - Analyst

Okay. Finally, you mentioned that marketing spend in snuff was down in the third quarter, I think, during your presentation. And I was wondering how much was the decline year on year in terms of percent of sales.

Lars Dahlgren - Swedish Match AB - President and CEO

I don't think --

Emmett Harrison - Swedish Match AB - VP IR

I think we were talking about the US snuff operating margin increasing in the third quarter versus year-earlier levels, reflecting higher volumes and somewhat lower spending per can. So we have higher volumes and lower spending per can. Remember, last year, we had pretty high levels of spending against the Red Man brand, especially during the first half of the year but also into the third quarter. So it's more of that. Actually, in Scandinavia, the level of spending in terms of product development, launch costs, marketing costs and so forth was at rather normal levels. And, in the third quarter last year, it was quite low.

Adreas Lundberg - Handelsbanken - Analyst

Okay. Got you. Thank you.

Operator

[Peter Rowlen].

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Peter Rowlen -- Analyst

I have a question where we'll return to the competitive landscape of the US snuff market. You mentioned earlier that there is very many promotional activities going on and, also, very much price aggressiveness now. And you specifically named Altria being quite price aggressive. Is there a correlation between the states where Altria has been unusually price aggressive and also that those states might have turned to weight-based taxation, where, I guess, their premium portfolio would fare better than yours?

Lars Dahlgren - Swedish Match AB - President and CEO

There is a mix there. You have -- Florida is one state which is an ad valorem state. And (inaudible) the common denominator, I'd say, in the States is that it is states where value priced products have done relatively well in the recent history. So the value segment is over represented in these states. That's the common denominator. And then I don't-- let's see if Emmett has it state by state.

Emmett Harrison - Swedish Match AB - VP IR

Yes. If you take it on a national basis, just to give you an idea about kind of what the gap is between low and high price, which doesn't talk directly to your state by state, but Nielsen is saying that the average retail price that they're picking up in the third quarter for Skoal, for example, is around \$4.23 a can, and, for products like our Red Man or Timber Wolf, it's in the range of \$2.31 to \$2.36 a can at retail and, for Longhorn, about \$1.83 a can. So, despite somewhat increased levels of promotional activity coming from some of the competitors in some areas, the gaps -- there are still pretty significant gaps between Longhorn, for example, and some of the higher-priced products. And that's why Longhorn -- one of the reasons why Longhorn is doing so well in terms of growing market share.

Peter Rowlen -- Analyst

Okay. Great. Thank you.

Operator

Anders Hansson.

Anders Hansson - Danske Bank - Analyst

Just to follow up on other operations, you added the remainder on the pipe tobacco business into other. And, previously, you more or less guided towards minus SEK40 million to minus SEK45 million per quarter. And now we have minus SEK19 million in Q3. I was just wondering. Is that seasonal fluctuations, or has something changed after adding the pipe tobacco business or the remainder?

Lars Dahlgren - Swedish Match AB - President and CEO

You have one more variable here for quarterly fluctuations, so to say, because you basically have the Swedish distribution business, and you have the central non-allocated costs. And you're correct. You have the income from the remaining pipe business. So, yes, everything else equal, the income from the pipe business brings down or lowers the net loss, so to say, for other operations. But you do see quarterly fluctuations. So we consider SEK19 million to be relatively good.

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Anders Hansson - Danske Bank - Analyst

Okay. So we could -- we should expect the level to go back towards the historic SEK40 million or SEK45 million instead?

Lars Dahlgren - Swedish Match AB - President and CEO

If you look at the year-to-date number, it's SEK104 million.

Anders Hansson - Danske Bank - Analyst

Yes. Thanks.

Operator

Niklas Ekman.

Niklas Ekman - Carnegie - Analyst

A couple of follow-ups here, starting with cigars. I was wondering on your new targets here to become best in class and improve profitability. I was wondering if you would care to elaborate a little bit on what your thoughts on margins here -- I mean, historically, you've been at 15% to 20% margins and you're now considerably above that. Do you have a margin goal for this business? And can you elaborate a little bit on what kind of cost reductions you are looking at going forward in cigars?

Lars Dahlgren - Swedish Match AB - President and CEO

When it comes to the cigar margins, we evaluate these businesses, the premium -- the premium standalone and the US mass market standalone and the European business standalone. And then we have common improvement projects when it comes to procurement and the production and so forth. And then a lot of the variability there that you see in the cigar margin is coming from the mix between these three businesses and currency swings between the currency blocks and so forth. So we are very careful because we know how hard it is to guide on the snuff margin. So we are very careful in giving any future margin estimates.

But, when it comes to the improvements that we are convinced are going to pay off long term, we have started, you can say, in the supply chain. And, through the organizational changes, we have taken a worldwide accountability for the supply chain, which involves central processes like procurement and so forth. And, there, we definitely see some synergies. And then you have specific things like the rationalization in the US now. You have the rationalization in Europe that is ongoing right now. And what that is really an effect of also is that we are -- we have been reviewing our SKU assortment in European business. We've been managing and we are still on the way to bring down further the number of the SKUs and the cigar formats. We are going to be much more focused. We are already when it comes to our marketing efforts in Europe. We do prioritize growth opportunities, but it is more stringent prioritization when it comes to which market we prioritize for growth and which brands we drive. And I'm very happy to note that we do see the effects of that job already in the third quarter where we've taken market share in, for us, important markets with important brands.

Niklas Ekman - Carnegie - Analyst

Thanks. Great. And, also, a follow-up here on you. I think you had talked about one-off charges of EUR2 million to EUR3 million in Europe in the fourth quarter. Can you just confirm that and also confirm whether that's included in your guidance for Q4?

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Lars Dahlgren - Swedish Match AB - President and CEO

I said EUR2 million to EUR2.5 million. That's the estimate.

Niklas Ekman - Carnegie - Analyst

Okay. Great. Thank you. Can you also elaborate a little bit on your thoughts here? I know this is a board issue, but, of course, you would be up to speed on the board's thoughts here on your views on buybacks and the balance sheet. I mean, you mentioned you have a potential to buy back shares of up to three times net debt to EBITDA. And I was wondering on your thoughts here because you're obviously considerably below those levels. If you could elaborate a little bit on your thoughts here.

Joakim Tilly - Swedish Match AB - CFO

We did elaborate on that pretty recently when we closed the deal selling the South African business, where we said that the main part of those proceeds would actually be used for share repurchases. And we also said that it would be more likely than before that we would use a large part of the mandate that was given in the latest AGM. And, apart from that, we don't disclose the exact levels of our buybacks before we have actually done the buybacks. But that's what they've said so far.

Niklas Ekman - Carnegie - Analyst

You've already used almost half of the mandate. Do you think that we will be in a situation again where you'll have to cancel shares in order to fully execute on buybacks ahead of the next AGM?

Lars Dahlgren - Swedish Match AB - President and CEO

No. We don't think that's -- you never know where the share price moves.

Niklas Ekman - Carnegie - Analyst

Okay. And, also, just out of curiosity, your slide 34, where you're looking at comparing snus and cigarettes in Sweden, that hasn't been updated since 2006. And I'm curious what the snus volumes are looking like today after these massive tax increases -- whether you are higher than maybe not 2006 because there was a lot of hoarding but, at least, 2005 -- how are your volumes in Sweden today compared to 2005 or just pre-hoarding?

Emmett Harrison - Swedish Match AB - VP IR

The 2009 volume projections would probably be something less than that high point in 2006 still, after having dropped several percentage points in both 2007 and 2008 and coming back up in 2009 but still a little bit below that 2006 level.

Lars Dahlgren - Swedish Match AB - President and CEO

Basically, that graph there is to illustrate the long-term story, and it's based on the weight in tons and the excise taxes paid. So the hoarding and so forth is going to be fully reflected. So you have the very confusing years here at the end with 2007 and 2008. And also what you see is then the migration from loose products to pouch products.

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Emmett Harrison - Swedish Match AB - VP IR

And it also doesn't then take into account Sweden and travel/retail and movements between different markets. So, yes, it hasn't been updated in a little while, but there are some fairly good reasons for it because it's a little misleading.

Niklas Ekman - Carnegie - Analyst

Okay. Great. Thanks. And, finally, a question on the pipe tobacco divestment here. I believe you had talked about previously a capital gain of about SEK550 million. And, in this quarterly report, you talk about SEK632 million. I was just wondering on what the difference here -- what that came from.

Joakim Tilly - Swedish Match AB - CFO

It was just an early number that we gave, and then it had some insecurity still. So we were perhaps slightly conservative on that number at that time.

Niklas Ekman - Carnegie - Analyst

Okay. Great. Thanks a lot.

Operator

(Operator Instructions). [Rolf Karp]

Rolf Karp -- Analyst

Most of my questions have already been answered, but I have one question regarding the tax rate as from 2010. What should we expect?

Joakim Tilly - Swedish Match AB - CFO

Well, what we say here in the report is that we expect the underlying tax rate, if we exclude one-time charges and so on, to be 22% for the full year of 2009. And, all else equal, of course, that's a good indication. We don't give any guidance, really, on the future tax rates, since legislations change, the mix of our business changes and so on. But, if everything stays the same, that would be a good indication.

Rolf Karp -- Analyst

Okay. Thanks.

Operator

There are no more questions registered at this time. I'll hand the conference back to you.

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Lars Dahlgren - Swedish Match AB - President and CEO

Okay. Thank you very much. I'd just like to conclude by reminding people that the release of our Q4 results and full-year results will be on February 25. Thank you.

Operator

Ladies and gentlemen, thank you for your participation today. This concludes today's conference, and you may now disconnect your lines. Thank you.

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