

A hand holding a magnifying glass over a white circular area containing the text 'HAYPP GROUP'.

HAYPP GROUP

Interim report – Q1 2022

4 May 2022

Today's presenters



Gavin O'Dowd
CEO

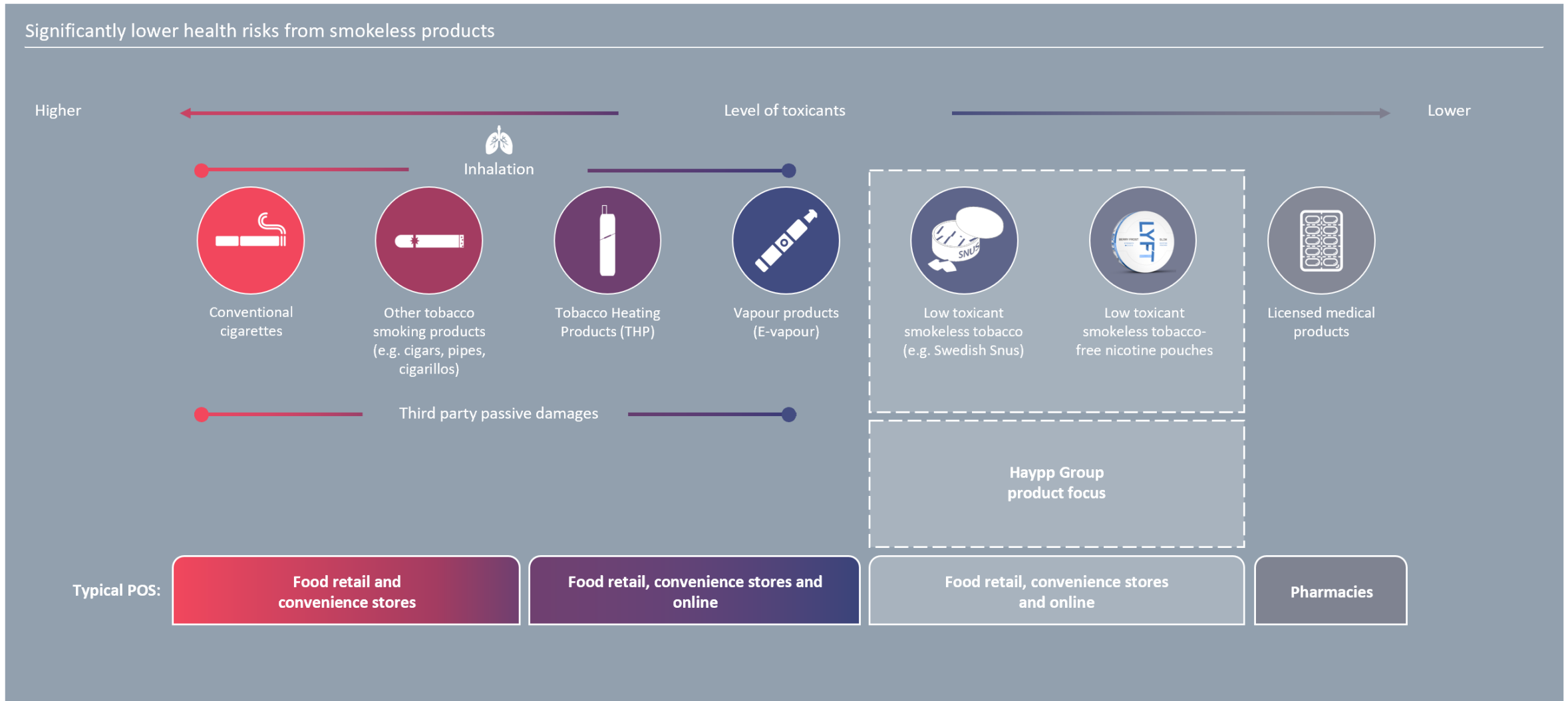


Svante Andersson
CFO

Why we exist – inspiring healthier enjoyments to millions

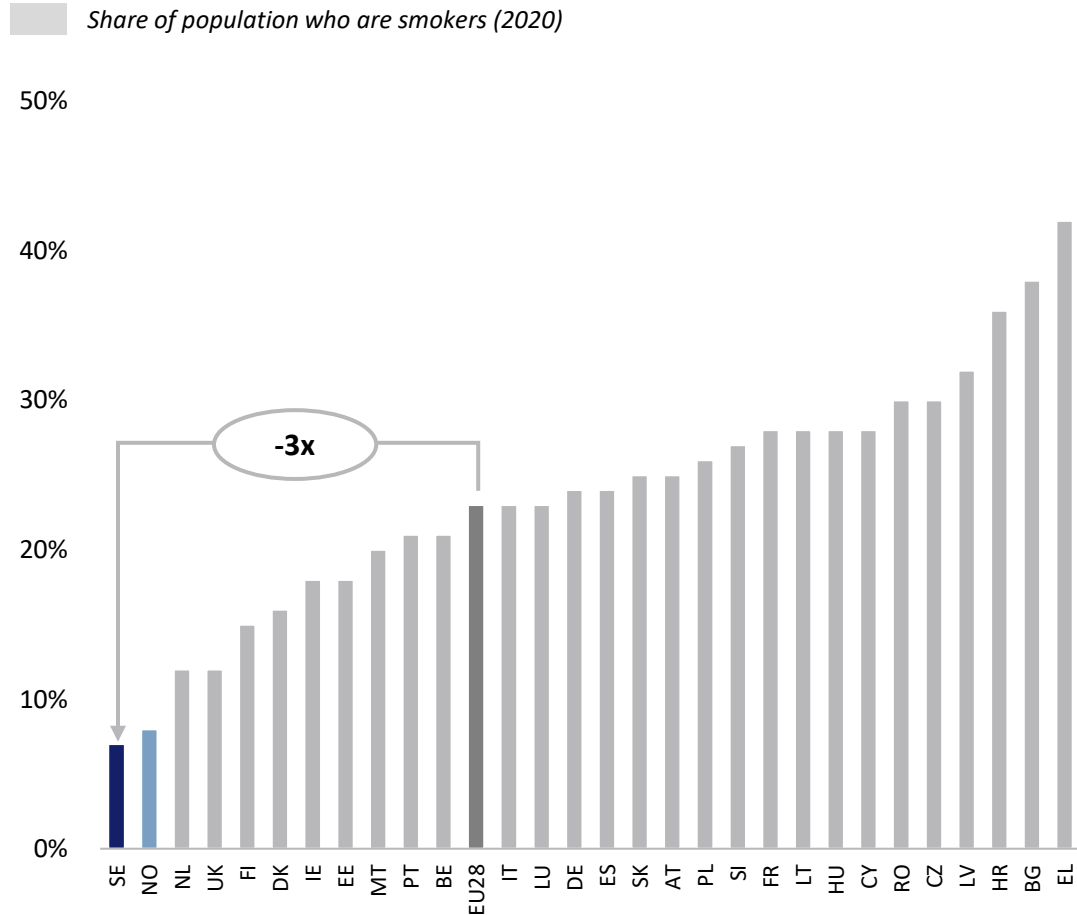


Focused on healthier enjoyment products



...that enable the shift from harmful consumption

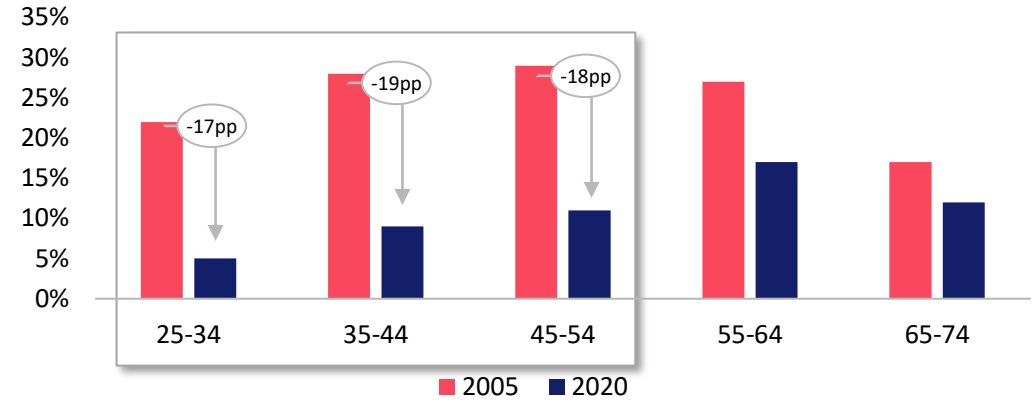
Significantly lower smoking incidence in Sweden and Norway



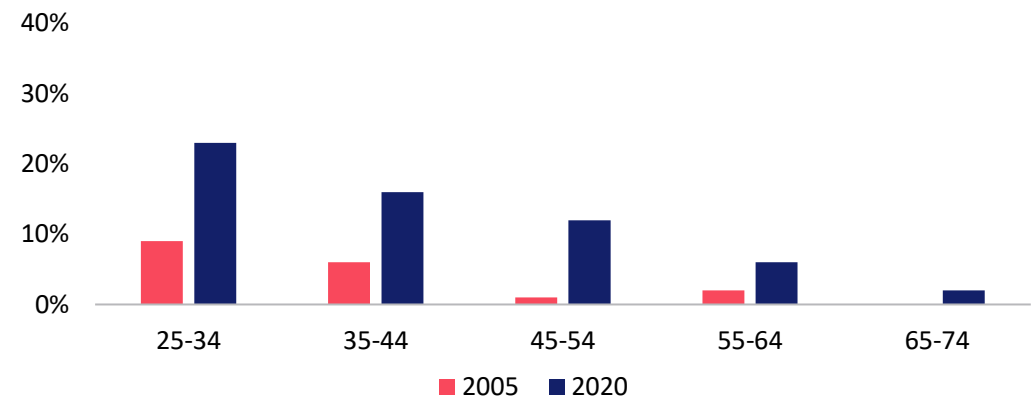
Rapid decline in cigarette consumption following the adoption of NP/snus



Share of population using cigarettes, by age category



Share of population using nicotine pouches and/or snus, by age category



Attractive online market opportunity for nicotine pouches

SEK ~27bn

Global market size¹⁾
of nicotine pouches and
snus in 2020, expected to grow to
~SEK 60bn in 2025

~30%

Nicotine pouches'
share of global market in 2020
expected to constitute ~80% in
2025 implying a CAGR of 41%

SEK ~48bn

**Expected total global profit
pool^{1), 2)}**
for nicotine pouches and snus in
2025

~11%

Online penetration
for nicotine pouches and snus in
Sweden 2020

~32%

Expected online CAGR
for nicotine pouches and snus in
core markets, EU and US 2020-
2025

Market transformation happening globally

Strong underlying market dynamics...



Strong underlying demand for less harmful products



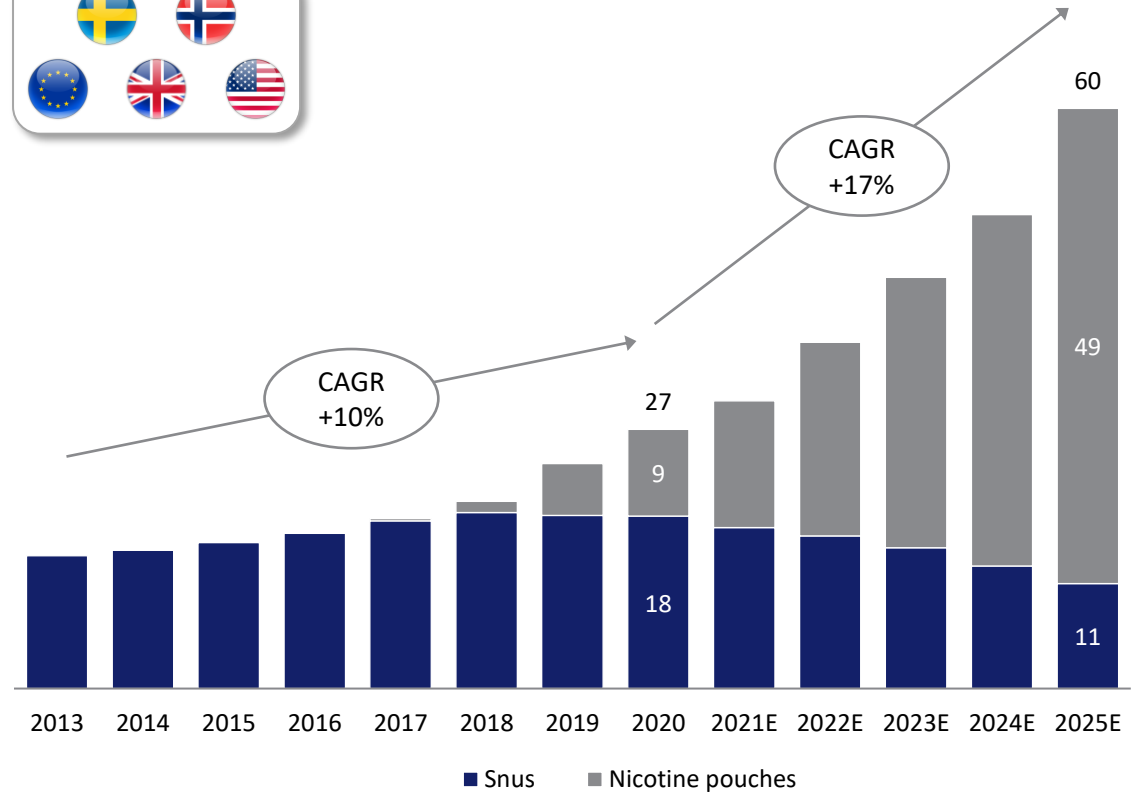
Legislation favours modern nicotine products



Suppliers push for modern nicotine products

...resulting in attractive growth for nicotine pouches

Global market for nicotine pouches and snus, SEKbn¹⁾



CAGR
2020-25

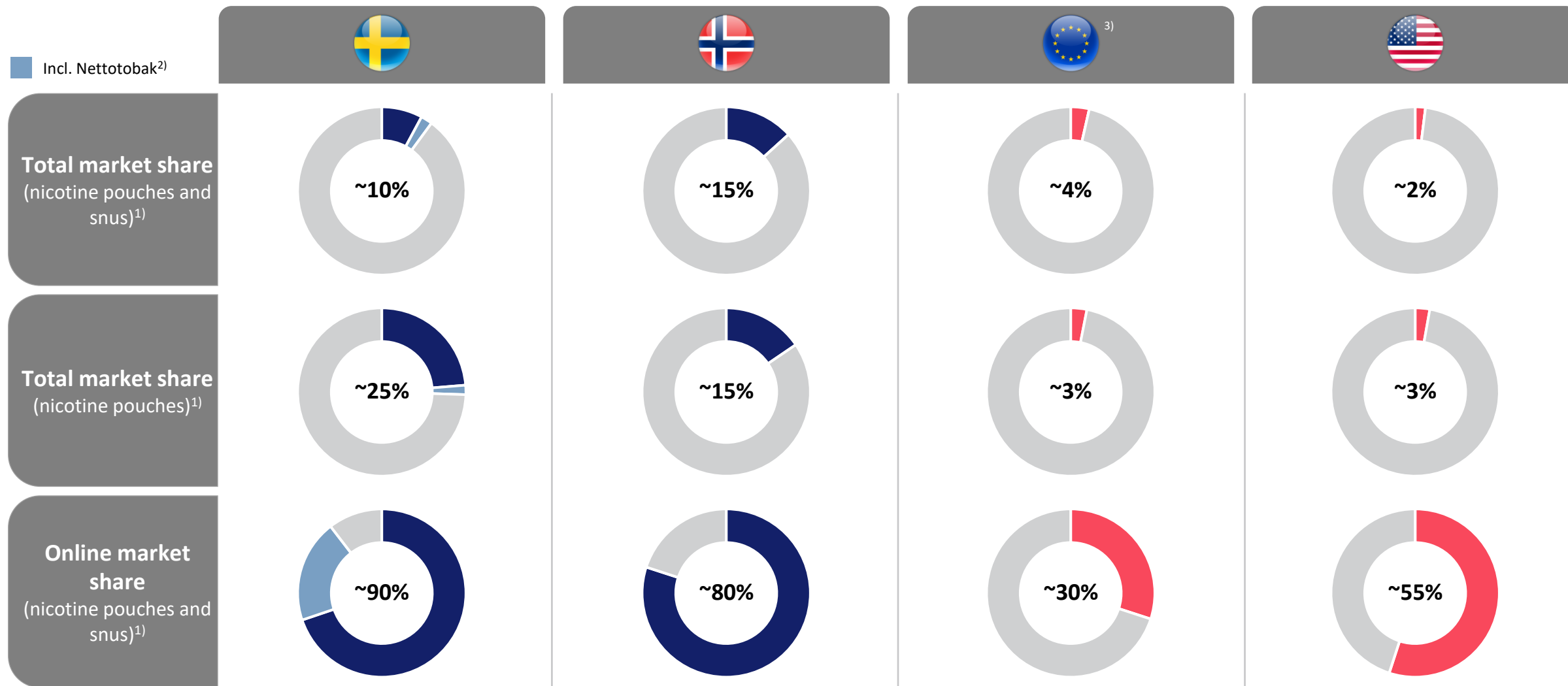
+41%

-9%

Haypp Group operates multiple store brands across all key markets...

			 1)	
Haypp Group brands	 HAYPP  SNUSNETTO	  <i>Diin snusbutikk på nett</i> Snuslageret	  HAYPP	 
Online market competitors (snus and nicotine pouches)	 	   	 www.BuySnus.com  NIQO co.  	 www.BuySnus.com   

...as the leading online platform with strong foothold in nicotine pouches



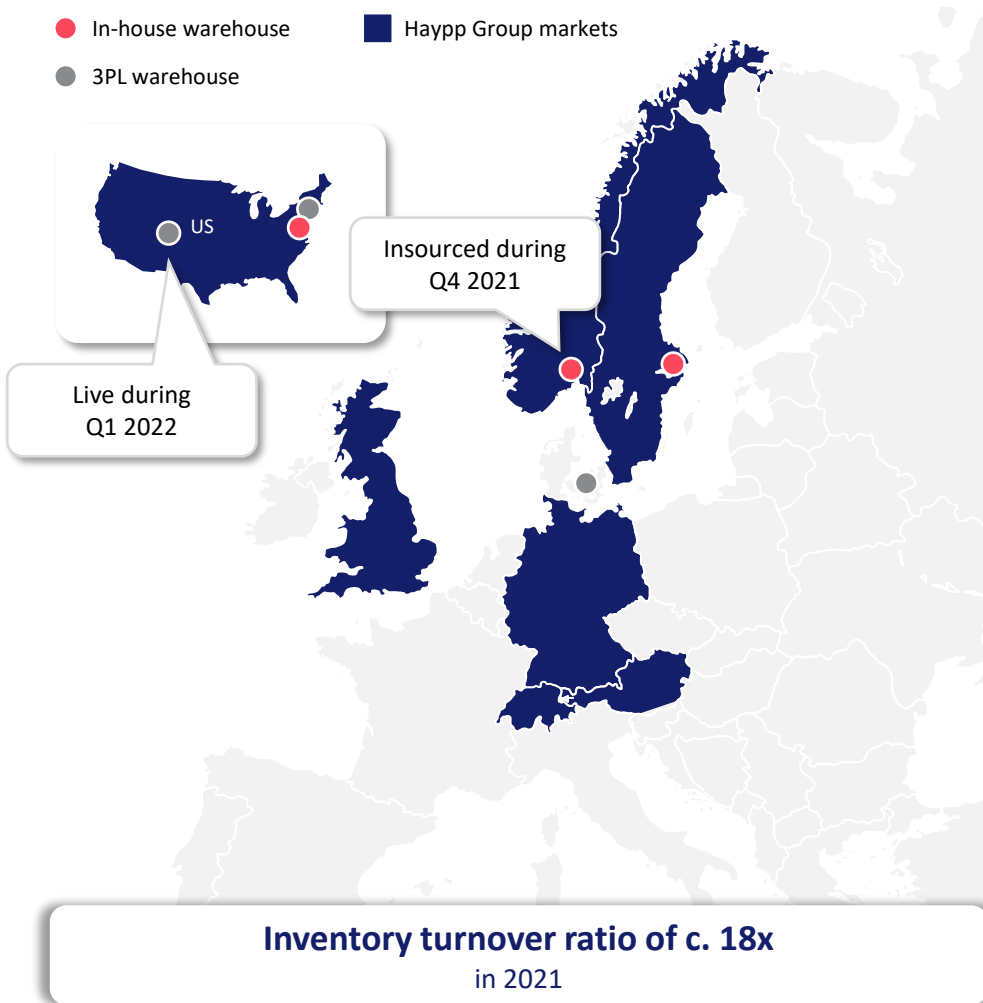
Efficient logistics set-up rigged for global expansion

Flexible fulfilment infrastructure serving all Haypp Group's markets

● In-house warehouse

■ Haypp Group markets

● 3PL warehouse



Convenience a key USP

Strategy to use a combination of 3PL and own warehouse, subject to market maturity

Continued to execute on the plan

- Norway successfully inhouse in Q4 2021
- Colorado 3PL went live in Q1 2022



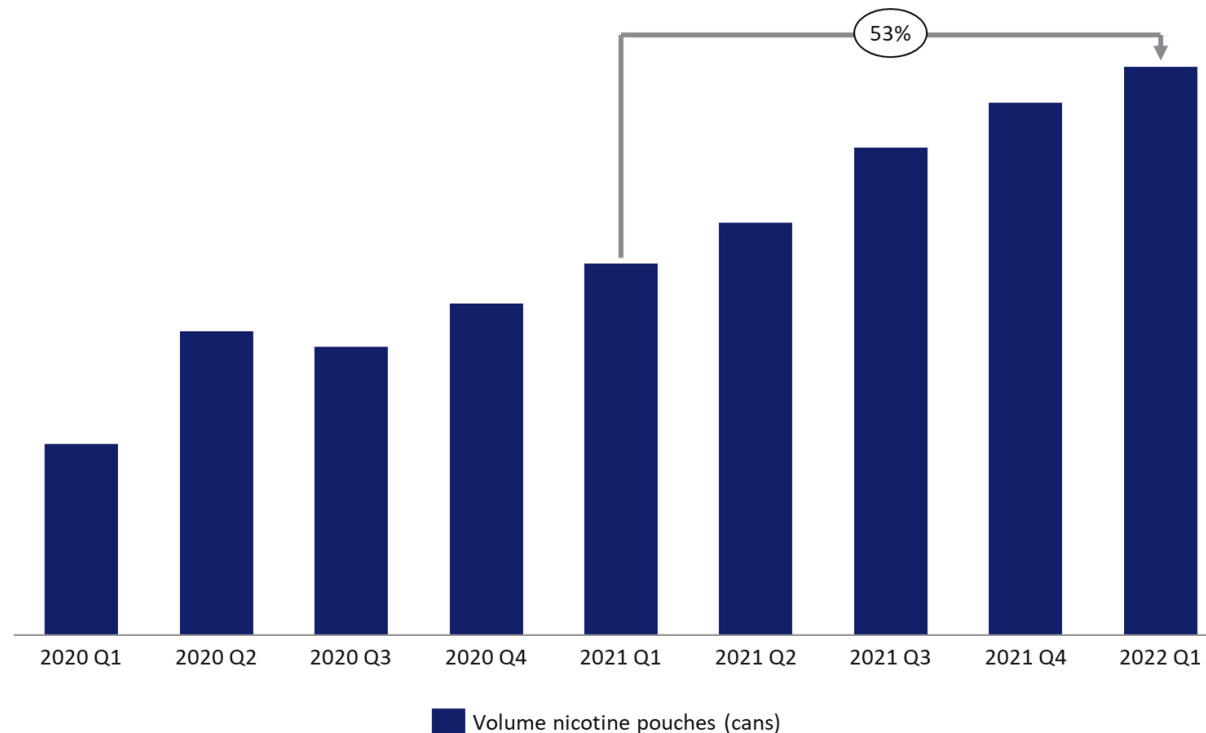
HAYPP GROUP

Interim Report – Q1 2022

Operational highlights

- **The transformation towards nicotine pouches running according to plan**

- The growing consumer demand for less harmful nicotine products as well as favourable regulatory development in many of the Growth markets will be two major drivers of Haypp Group’s future growth.
- The volume of nicotine pouches grew organically by 48 per cent for the Group during the quarter and 53 percent in total. For our Growth markets and Sweden, growth rates were substantially higher.
- Nicotine pouches account for close to 40 percent of Haypp Group’s volume during the first quarter.

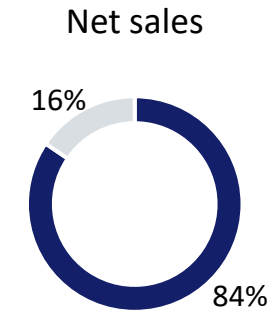


Operational highlights

- **Increased investments in local teams in certain geographical markets with clear mandates and responsibilities**
 - Encompass improvements to local customer offerings, machine learning capabilities, and to the overall efficiency.
- **Further enhanced our distribution capabilities**
 - Automated warehouse in Oslo which shortened delivery lead times to Norwegian customers, increased efficiency as well as increased the delivery capacity.
 - New third-party warehouse located in Denver, Colorado to improve convenience for our customers in western US.
 - Expanded our existing automated warehouse in Stockholm during the quarter to support further capacity for our Swedish and non-Scandinavian Europe business.
 - Further warehouse additions and relocations will be announced throughout the year, mainly within our Growth markets segment.
- **Positive regulatory development**
 - Governments across all of Europe and the US are increasingly adopting the principle of harm reduction in their regulatory work.
 - Sweden in the process of introducing legislation for nicotine pouches that will limit certain marketing practices and introduce product standards and age verification.
 - Haypp Group support these changes and have self-regulated for age verification and product standards for a number of years.

Financial overview

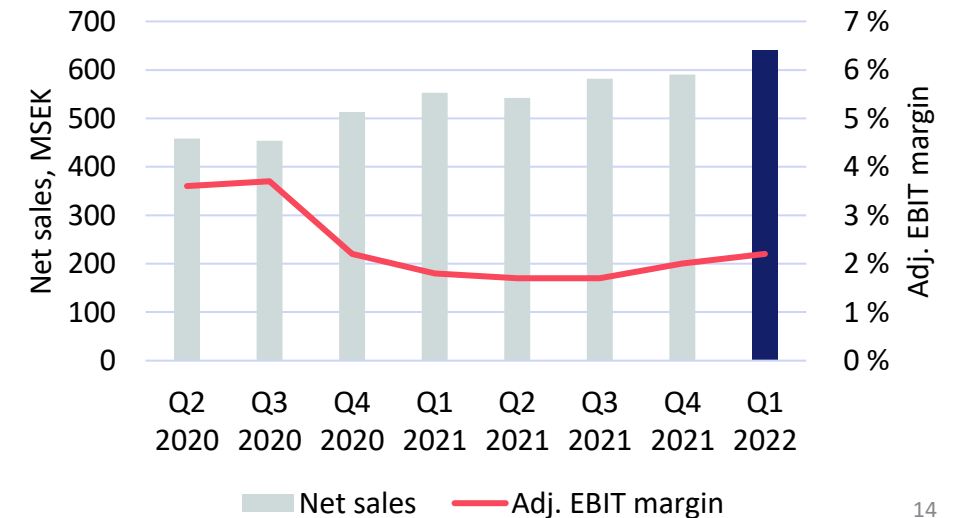
- Continued strong underlying growth across all segments except for Norway. Reported Net sales for the Group increased 16 per cent and amounted to SEK 640.1 m (552.5) for the first quarter. The organic sales growth was 6 per cent. Excluding Norway, organic sales growth for the Group was 32 per cent.
- Gross margin for the first quarter amounted to 11.7 per cent (11.9), which is a sequential improvement versus 2021 Q4 driven by Core markets.
- Adjusted EBIT for the first quarter amounted to SEK 14.1 m (10.3). The adjusted EBIT margin increased to 2.2 per cent (1.9) mainly driven by higher volume and efficiency.
- Items affecting comparability amounted to a negative SEK -3.6 m (-2.4) and was related to the decision to adopt the operational structure to better fit with localized conditions.



■ Core markets ■ Growth markets

(Amounts in MSEK)	2022 Q1	2021 Q1	LTM	Full year 2021
Net sales	640.1	552.5	2,354.3	2,266.8
Net sales growth, %	15.8	-	-	31.1
Gross margin, %	11.7	11.9	10.9	11.0
Adjusted EBIT	14.1	10.3	45.3	41.5
Adjusted EBIT margin, %	2.2	1.9	1.9	1.8
Items affecting comparability	-3.6	-2.4	-36.4	-35.2
Operating profit/loss	0.7	3.4	-25.3	-22.6
Profit/loss for the period	-1.9	-0.1	-29.4	-27.6
Earnings per share before dilution (SEK)	-0.07	-0.01	-1.05	-1.19

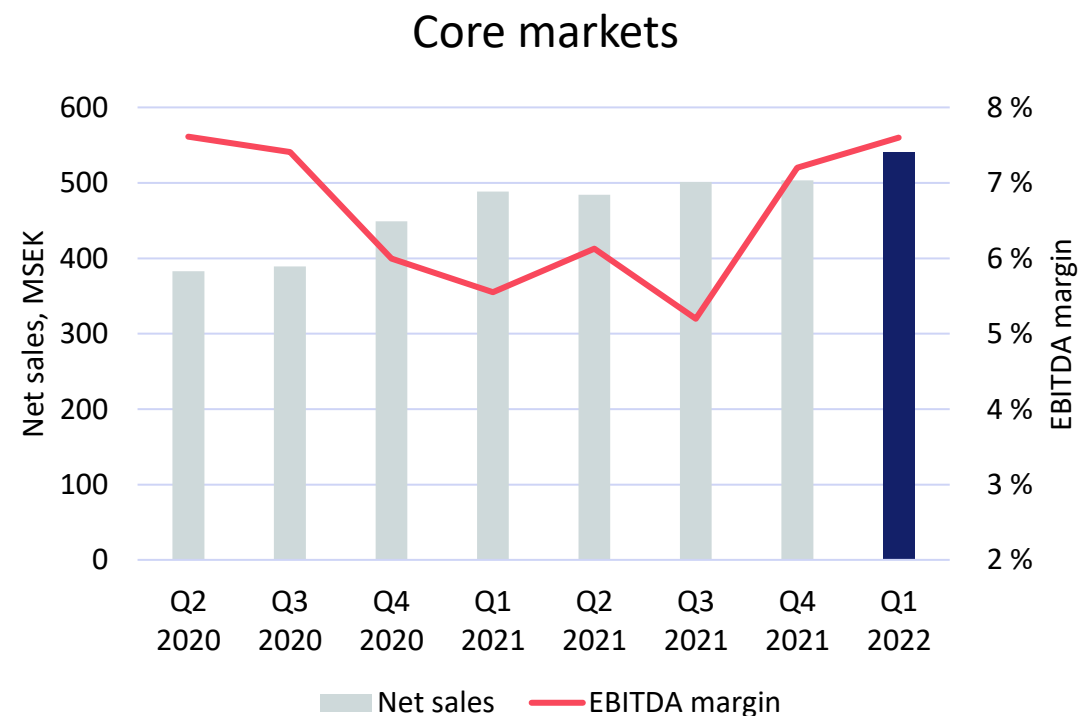
Quarterly overview



Core markets

- Net sales increased 11 per cent and amounted to SEK 540.8 m (488.5) for the first quarter. Nicotine pouches grew by 43 percent in volume during the quarter where growth in Sweden was even higher.
- In Sweden, Net sales for the quarter increased by 50 per cent driven by strong organic performance coupled with the acquisitions of Nettotobak and Snusnetto which contributed SEK 58 m to Net sales. Net sales in Norway declined by 21 percent during the quarter but increased sequentially versus 2021 Q4.
- EBITDA for the business unit amounted to SEK 40.9 m (27.1). The EBITDA margin increased by 2.0 percentage points to 7.6 per cent (5.6), mainly attributable to a higher gross margin and leverage on operating expenses.

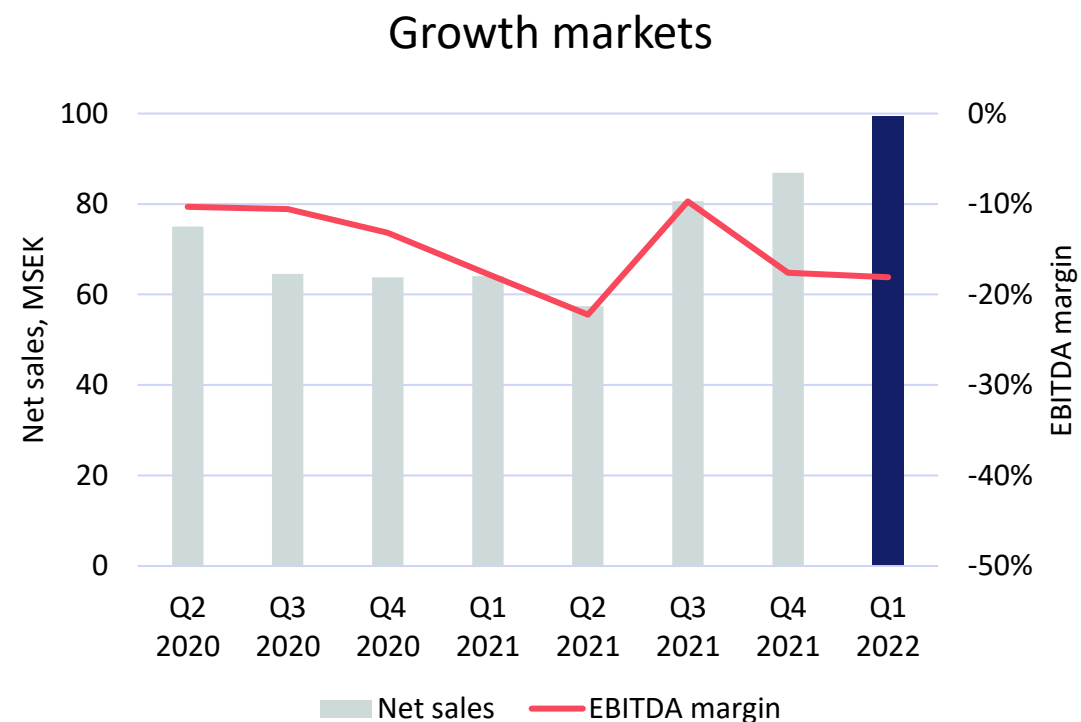
(Amounts in MSEK)	2022 Q1	2021 Q1	LTM	Full year 2021
Net sales	540.8	488.5	2,030.3	1,977.9
EBITDA	40.9	27.1	132.6	119.6
EBITDA margin, %	7.6	5.6	6.5	6.0
Number of orders (thousand)	824	713	3,104	2,994
Average order value (SEK)	624	617	620	619
Active customers (thousand)	343	285	574	554



Growth markets

- Net sales increased 55 per cent and amounted to SEK 99.3 m (64.0) for the first quarter, mainly due to a strong performance in the US and Germany. Nicotine Pouches grew by 78 percent in volume during the quarter.
- Comparable net sales grew by 62 per cent when excluding the markets that were closed during Q1 last year.
- EBITDA amounted to SEK -18.0 m (-11.3), corresponding to an EBITDA margin of -18.1 per cent (-17.7), due to continued investments for growth impacting the gross margin negatively.

(Amounts in MSEK)	2022 Q1	2021 Q1	LTM	Full year 2021
Net sales	99.3	64.0	324.2	288.9
EBITDA	-18.0	-11.3	-53.7	-47.2
EBITDA margin, %	-18.1	-17.7	-16.5	-16.3
Number of orders (thousand)	137	82	457	403
Average order value (SEK)	700	762	664	671
Active customers (thousand)	71	46	139	128



Selected KPIs

	2022 Q1	2021 Q1	LTM	Full year 2021
Operational				
Number of orders (thousand)	961	795	3,563	3,397
Average order value (SEK)	635	632	626	625
Active customers (thousand)	414	331	713	682
Balance sheet				
Net working capital (MSEK)	30.3	-2.2	30.3	69.8
Net debt (MSEK)	-19.1	97.2	-19.1	46.0
Investments (MSEK)	-11.6	-4.6		-245.9
Net debt/Adjusted EBITDA, times			-0.2	0.7
Equity/Total assets ratio, %	59.9	36,7		61.4
Cash flow				
Cash flow from operating activities (MSEK)	90.7	6.5		-48.3
Closing cash and cash equivalents (MSEK)			90.9	49.1



HAYPP GROUP

Financial targets and strategy

Financial targets

Growth

- Haypp Group targets to reach net sales of at least SEK 5bn by 2025, predominantly through organic growth.

Profitability

- Haypp Group will prioritise growth over profitability and targets to reach a high single digit adjusted EBIT margin in the medium to long term.

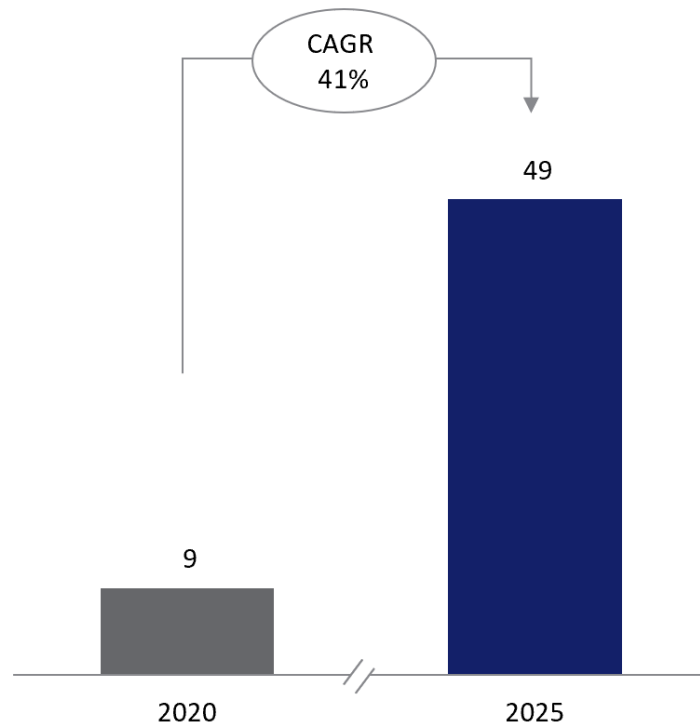
Dividend policy

- In the upcoming years, the board of Haypp Group will primarily use the generated cash flows for the company's continued expansion.

Significant growth opportunities in maintaining market leading position

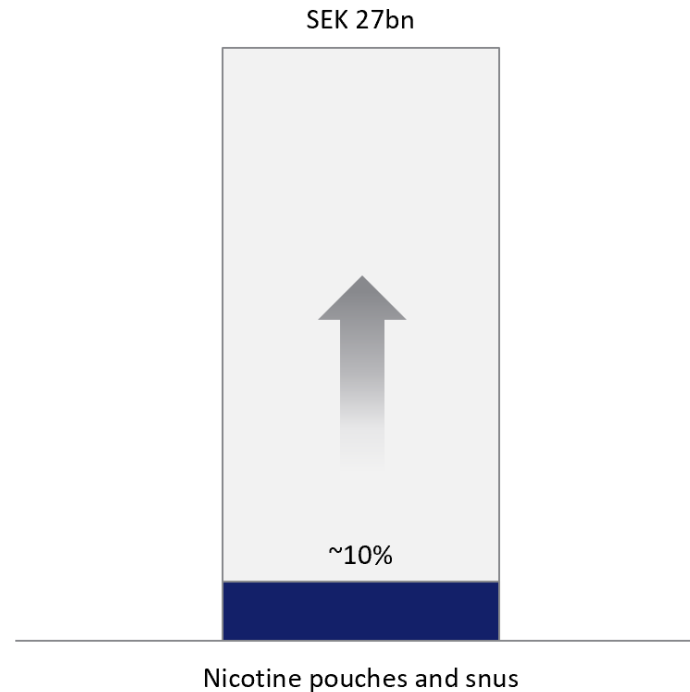
Strong category growth

■ Global nicotine pouches market (SEKbn)



Increasing online penetration

■ Global online market (2020)
■ Global total market (2020)



Leveraging our market leading positions



Current trading

- **Favourable market trends**

- The nicotine pouch category continues to grow rapidly across both Core and Growth markets and seeing increasing demand from consumers and support from regulators, due to harm reduction.
- Competition between manufacturers is increasing driven by strong appetite across global players to gain a market leading position and many credible new manufacturers entering the category.

- **Relative advantages in uncertain times**

- In previous contractions, customers have often moved to alternative nicotine products which had a lower price. Given that nicotine pouches sell at a fraction of the price of cigarettes, the category is well positioned across markets.
- Expect to benefit from the price advantages of e-commerce versus traditional offline stores.
- So far not seen material increases from our product suppliers. While we do expect a degree of cost pressure on the fulfillment side, our fulfillment costs accounts for less than 10 per cent of our Net sales.

- **Investing for growth**

- Haypp Group growing volume organically by 48% in the first quarter within nicotine pouches.
- Continued strong performance in Sweden, where our share of nicotine pouches continues to grow.
- The activities which were launched to turn around the development in Norway are gaining traction.
- Strong consistent growth in the US and continued growth in Germany and the UK.

- **Well positioned to take advantage of a rapidly growing international market over the coming years**

- Proven revenue model of acquiring and retaining customers through a strong value proposition hinged upon a broad assortment, convenient ordering and shipping and compelling prices.
- Partner of choice for the industry for recent wave of new launches, new launches accounts for circa 1/3rd of our nicotine pouch volume
- Enhanced digital infrastructure including e.g. machine learning, e-commerce platform and consumer insights enabling us to release benefits across markets with greater scale.

Key investment highlights

