

Interim Report
January–September 2023

Q3

”Strong financial development
and advanced market positions”

HAYPP GROUP

The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act.

Third quarter

- Net sales increased with 22 per cent to SEK 768.9 m (630.7). In constant currency, Net sales increased by 22 per cent.
- 37 percent volume growth in the Nicotine pouches category during the quarter.
- The gross margin amounted to 12.6 per cent (12.4).
- Adjusted EBIT amounted to SEK 18.3 m (13.7), corresponding to an adjusted EBIT margin of 2.4 per cent (2.2).
- Operating profit totalled SEK 7.7 m (3.6), including items affecting comparability of SEK –0.7 m (0.0)
- Profit for the quarter to SEK 6.1 m (6.6).
- Earnings per share before dilution amounted to SEK 0.21 (0.23).
- Number of orders increased to 1,067 thousand (946) with an average order value of SEK 683 (625).
- Active customers amounted to 496 thousand (431) at the end of the period.

First nine months (Period)

- Net sales increased with 22 per cent to SEK 2,318.9 m (1,898.3). In constant currency, Net sales increased by 22 per cent.
- 39 per cent volume growth in the Nicotine pouches category during the period.
- The gross margin amounted to 12.5 per cent (12.2).
- Adjusted EBIT amounted to SEK 57.0 m (42.4), corresponding to an adjusted EBIT margin of 2.5 per cent (2.2).
- Operating profit totalled SEK 11.3 m (9.3), including items affecting comparability of SEK –15.9 m (–3.3).
- Profit for the period to SEK 8.0 m (15.2).
- Earnings per share before dilution amounted to SEK 0.27 (0.52).
- Net debt/Adjusted EBITDA last twelve months amounted to 1.0x versus 1.8x for the full year 2022.
- Number of orders increased to 3,258 thousand (2,833) with an average order value of SEK 670 (632).
- Active customers amounted to 810 thousand (677) at the end of the period.

Amounts in MSEK	Q3 2023	Q3 2022	YTD Q3 2023	YTD Q3 2022	Last 12 months	Full Year 2022
Net sales	768.9	630.7	2,318.9	1,898.3	3,019.4	2,598.8
Net sales growth, %	21.9	8.4	22.2	13.3		14.6
Gross margin, %	12.6	12.4	12.5	12.2	12.8	12.6
Adjusted EBIT	18.3	13.7	57.0	42.4	73.1	58.5
Adjusted EBIT margin, %	2.4	2.2	2.5	2.2	2.4	2.2
Items affecting comparability	–0.7	0.0	–15.9	–3.3	–15.9	–3.4
Operating profit/loss	7.7	3.6	11.3	9.3	17.2	15.2
Profit/loss for the period	6.1	6.6	8.0	15.2	12.8	20.1
Earnings per share before dilution (SEK)	0.21	0.23	0.27	0.52	0.44	0.69
Cash flow from operating activities			127.9	55.3		–32.4
Number of orders (thousand)	1,067	946	3,258	2,833	4,286	3,862
Average order value (SEK)	683	625	670	632	663	634
Active customers (thousand)	496	431	810	677	917	796

Strong financial development and advanced market positions

As we now put the third quarter behind us, we can look back on another quarter with strong financial development and strengthened operational positions. Net sales in constant currency increased by 22 per cent during the third quarter, to over SEK 3 billion on an LTM-basis for the first time, with improved gross as well as adjusted EBIT margin. Our Core Market segment grew by 12 per cent, in constant currency, and despite further investments in future growth delivered an EBITDA margin of 8.0 per cent. Within our Growth Markets net sales, in constant currency, increased by 65 per cent and the EBITDA margin improved with over 8 percentage points compared to the same quarter last year, and amounted to -6.5 percent. The development was attributed by higher volumes which gradually gives greater economies of scale in several areas, and profitability on a quarterly EBITDA level is expected from next year in the segment. Nicotine pouches volume grew by 37 per cent during the third quarter and by 39 per cent year to date, and now accounts for an all-time-high of 53 per cent of the total volume during a single quarter. All in all, Haypp Group continues to make strong progress in the transformation to this rapidly growing category, which is still in its infancy.

Continued investments to better serve more consumers

As previously mentioned, we made a decision in mid 2022 to overhaul our infrastructure to ensure we can handle more markets and adjacent categories efficiently. This overhaul covers both backend – e.g. ERP, Warehouse management systems, product information management and data structures – followed by our front ends. During Q3 we successfully went live with the backend upgrade in Norway, with minimal disruption. We also went live with our own warehouse in the UK and reequipped our Stockholm warehouse. The Stockholm warehouse upgrade materially increasing capacity and further reducing the lead time in order fulfilment.

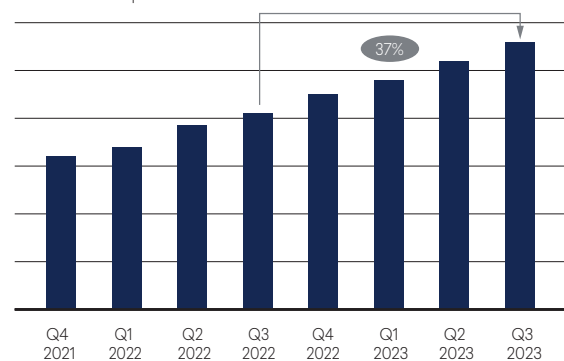
The overall project is on track and the business benefits are being delivered. The key benefits will come with the complete implementation.



“Nicotine pouches volume grew by 37 per cent during the third quarter and by 39 per cent year to date, and now accounts for an all-time-high of 53 per cent of the total volume during a single quarter.”

The transformation towards nicotine pouches running according to plan

Volume nicotine pouches



The European future of nicotine

In 2020, the EU Commission published its mid-term evaluation of TPDII, in which the Commission considered that nicotine portions should be considered a circumvention of the snus ban within the EU. During the year, the Commission carried out a public consultation to get the views of the member states, organizations, companies and EU citizens on the EU's regulation of tobacco and nicotine. Haypp Group follows this development closely and continuously informs relevant parties about how smoking-related mortality in the EU can be reduced more quickly with the support of Haypp Group and the products we sell.

A number of decisions in recent years and even in recent weeks have gone in the direction that nicotine pouches rather will be regulated than banned within the EU. Our main scenario is today, and has been for a long time, that a ban on alternative nicotine products or vape within the EU will not materialize.

“All in all, Haypp Group is well positioned to take advantage of a rapidly growing international market over the coming years and deliver in line with our long-term financial targets.”

Well positioned for profitable and sustainable growth

A strong balance sheet, non-cyclical product characteristics, and a capital light business model enables us to remain flexible in the current economic environment and capture emerging opportunities to further improve on our position on current and potential geographical markets and segments. All in all, Haypp Group is well positioned to take advantage of a rapidly growing international market over the coming years and deliver in line with our long-term financial targets.

Stockholm in November 2023

Gavin O'Dowd
CEO

Financial overview

Net sales

Net sales for the third quarter increased with 22 per cent to SEK 768.9 m (630.7). In constant currency, Net sales increased by 22 per cent.

Net sales for the period increased with 22 per cent to SEK 2,318.9 m (1,898.3). In constant currency, Net sales increased by 22 per cent.

Gross Profit

Gross Profit increased to SEK 97.1 m (78.2), corresponding to a gross margin of 12.6 per cent (12.4), driven by a strengthened position in the value chain both in the Core and Growth business unit as well as further benefits of scale.

Gross Profit for the period increased to SEK 289.5 m (231.4), corresponding to a gross margin of 12.5 per cent (12.2).

Adjusted EBIT

Adjusted EBIT for the third quarter increased with 34 per cent to SEK 18.3 m (13.7). The increase was mainly due to higher gross margin, increased volume as well as efficiency, partially offset by continued investments. The adjusted EBIT margin increased to 2.4 per cent (2.2).

Adjusted EBIT for the period increased with 34 per cent to SEK 57.0 m (42.4). The adjusted EBIT margin increased to 2.5 per cent (2.2).

Operating profit/loss

Operating loss for the third quarter amounted to SEK 7.7 m (3.6). Items affecting comparability amounted to SEK -0.7 m (0.0).

Operating profit for the period amounted to SEK 11.3 m (9.3). Items affecting comparability amounted to SEK -15.9 m (-3.3). Adjustments include warrant program related compensations of SEK 14,3 million, as per AGM on the 17th of May 2023.

Financial items

Financial expenses (net) for the quarter amounted to SEK -0.4 m (4.5) mainly related to interest costs offset by positive impact from exchange translation.

Financial expenses (net) for the period amounted to SEK -2.3 m (9.8).

Tax

The tax expense for the quarter was SEK -1.2 m (-1.5), of which SEK -2.3 m is related to income tax for the quarter and SEK 1.1 m relates to amortization of surplus values.

The tax expense for the period was SEK -1.0 m (-3.9).

Net Profit

Profit for the quarter decreased to SEK 6.0 m (6.6). Earnings per share for the period amounted to SEK 0.20 (0.22) after dilution.

Profit for the period decreased to SEK 8.0 m (15.2). Earnings per share for the period amounted to SEK 0.27 (0.51) after dilution.

Investments

During the period 2023, Haypp Group invested (net) SEK 42.5 m (33.3), whereof SEK 40.2 m (27.4) was invested in intangible assets as infrastructure development of stores, ERP and backend infrastructure.

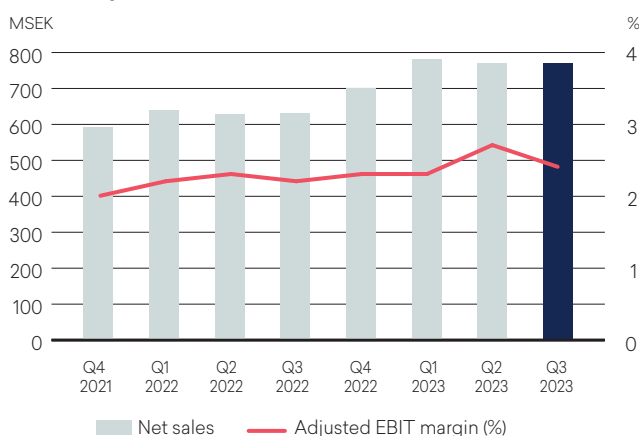
Cash flow

Cash flow for the period from operating activities increased to SEK 127.9 m (55.3). Cash flow from changes in working capital was SEK 60.2 m (-6.0) due to decreased inventories as well as increased receivables and liabilities. Repayments of short-term loans are classified under financing activities.

Net debt and cash and cash equivalents

At the end of the period, the net debt amounted to SEK 131.1 m versus 185.1 per 31 December 2022. In total, cash and cash equivalents amounted to SEK 39.7 m, versus 15.2 at the end of last year. At the end of the period, unutilised credit facility amounted to SEK 38 m, versus SEK 23 m at 31 December 2022.

Quarterly overview

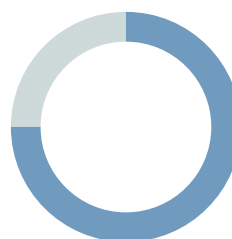


Review of reporting segments

Haypp Group operates two reporting segments, or business units, Core markets and Growth markets.

The Core markets consists of the Swedish and Norwegian markets, which are more mature. Growth markets consist mainly of the US, UK, Germany, Austria and Switzerland, which are characterized more as emerging markets.

Net sales, Q3



■ Core markets ■ Growth markets

Segment breakdown

Amounts in KSEK	Net Sales					EBITDA				
	Q3 2023	Q3 2022	YTD Q3 2023	YTD Q3 2022	LTM	Q3 2023	Q3 2022	YTD Q3 2023	YTD Q3 2022	LTM
Core markets	573,586	514,418	1,775,628	1,580,483	2,340,431	45,641	42,237	141,421	126,684	188,747
EBITDA margin, %						8.0 %	8.2 %	8.0 %	8.0 %	8.1 %
Growth markets	195,270	116,305	543,305	317,864	678,967	-12,707	-17,030	-44,238	-53,507	-62,454
EBITDA margin, %						-6.5 %	-14.6 %	-8.1 %	-16.8 %	-9.2 %
Parent company/other	0	0	0	0	0	-652	-28	-15,881	-3,335	-15,897
Reconciliation items				0	0	-60	41	-119	-15	75
GROUP TOTAL	768,856	630,723	2,318,933	1,898,347	3,019,398	32,222	25,220	81,184	69,827	110,471
EBITDA margin, %						4.2 %	4.0 %	3.5 %	3.7 %	3.7 %
Depreciation & Amortization						-24,543	-21,599	-69,932	-60,570	-93,253
Financial items						-422	4,471	-2,286	9,805	-9,804
PROFIT BEFORE TAXES						7,257	8,092	8,966	19,062	7,414

Core markets

Core markets

(Amounts in MSEK)	Q3 2023	Q3 2022	Change, %	YTD Q3 2023	YTD Q3 2022	Change, %	LTM	2022
Net sales	573.6	514.4	11.5 %	1,775.6	1,580.5	12.3 %	2,340.4	2,145.3
EBITDA	45.6	42.2	8.1 %	141.4	126.7	11.6 %	188.7	174.0
EBITDA margin (%)	8.0 %	8.2 %	-0.2 p.p.	8.0 %	8.0 %	-	8.1 %	8.1 %
Active customers (thousand)	390	355	10%	628	547	15%	713	637

Net sales

Net sales for the third quarter increased with 12 per cent to SEK 573.6 m (514.4), and 12 per cent in constant currency. Nicotine Pouches grew by 29 per cent in volume during the third quarter, driven by a strong general performance both in Sweden and Norway, while traditional snus category consumption continued to decline. The number of active customers increased with 10 per cent to 390 thousand (355).

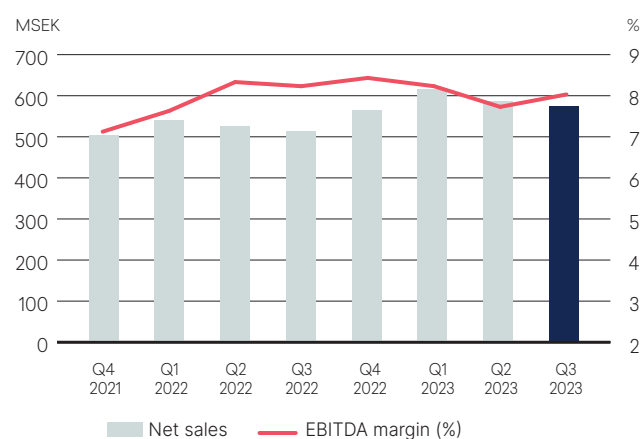
Net sales for the period increased with 12 per cent to SEK 1,775.6 m (1,580.5), and 14 per cent in constant currency. Nicotine Pouches grew by 29 per cent in volume during the period. The number of active customers increased with 15 per cent to 628 thousand (547).

EBITDA

EBITDA for the business unit increased with 8 per cent to SEK 45.6 m (42.2) during the third quarter. The EBITDA margin decreased with 0.2 percentage points and amounted to 8.0 per cent (8.2), mainly explained by further investments for future growth.

EBITDA for the business unit increased with 12 per cent to SEK 141.4 m (126.7) during the period. The EBITDA margin was in line with last year and amounted to 8.0 per cent (8.0).

Core markets



Growth markets

Growth markets

(Amounts in MSEK)	Q3 2023	Q3 2022	Change, %	YTD Q3 2023	YTD Q3 2022	Change, %	LTM	2022
Net sales	195.3	116.3	67.9 %	543.3	317.9	70.9 %	679.0	453.5
EBITDA	-12.7	-17.0	-25.4 %	-44.2	-53.5	-17.3 %	-62.4	-71.7
EBITDA margin (%)	-6.5 %	-14.6 %	+8.1 p.p.	-8.1 %	-16.8 %	+8.7 p.p.	-9.2 %	-15.8 %
Active customers (thousand)	105	76	38%	182	131	39%	204	159

Net sales

Net sales for the third quarter increased with 68 per cent to SEK 195.3 m (116.3), mainly due to a strong performance in all markets, especially in the US and the UK. Net sales in constant currency grew by 65 per cent. The number of active customers increased with 38 per cent to 105 thousand (76), due to a positive momentum primarily in the nicotine pouches category. Nicotine Pouches grew by 53 per cent in volume during the quarter.

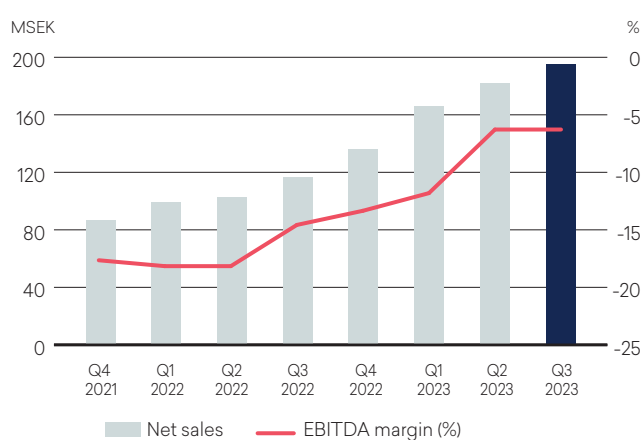
Net sales for the period increased with 71 per cent to SEK 543.3 m (317.9). Net sales in constant currency was 63 per cent. The number of active customers increased with 39 per cent to 182 thousand (131).

EBITDA

EBITDA for the business unit improved to SEK -12.7 m (-17.0) during the third quarter. The EBITDA margin amounted to -6.5 per cent (-14.6), due to continued higher volumes, which gradually gives greater economies of scale in several areas.

EBITDA for the business unit improved to SEK -44.2 m (-53.5) during the period. The EBITDA margin amounted to -8.1 per cent (-16.8).

Growth markets



Other information

Employees

The average number of full-time employees during Q3 2023 was 174, compared to 131 the same period last year. The increase was primarily attributable to expansion of the business.

Buyback of warrants

Haypp Group carried out a buyback offer regarding warrants issued within the framework of the company's incentive program, in accordance with the decision at the AGM. A total of 1,114,318 warrants are bought back through the offer. Payment for repurchased warrants is made through the issuance of 575,179 new shares in Haypp Group. The newly issued shares constitute a total of 1.9% of the total number of shares in the company.

Events after the balance sheet date

No significant events to report after the balance sheet date.

Shareholders

The total number of shareholders amounted to approximately 3,850 at the end of September.

Largest shareholders per September 30, 2023.

	Numbers of shares	Share of capital and votes
GR8 Ventures AB	4,323,953	14.50
Patrik Rees	3,627,423	12.16
Fidelity Investments (FMR)	2,909,553	9.76
Northerner Holding AB	2,797,917	9.38
MadHat AB	1,861,269	6.24
e-Business Partner Norden AB	1,122,114	3.76
Ola Svensson	1,083,855	3.63
Gavin O'Dowd	1,079,391	3.62
Pulsen Sb Investment AB	1,065,900	3.57
Hudson 215 Capital	1,059,552	3.55
Sum	20,930,927	70.19
Others	8,888,661	29.81
Total	29,819,588	100

Parent company

Haypp Group AB (Corp. Reg. No. 559075-6796), which is domiciled in Stockholm, Sweden, conducts holding operations. During the period other operating income amounted to SEK 3,0 m (4,3) and profit totalled SEK -9.3 m (-7.4). Total equity amounted to SEK 632.4 m (632.9) per 30 September 2023.

Seasonal effects

Haypp Group assesses that its revenues and EBIT to a limited degree are affected by seasonality. The two segments have varying, but limited, seasonality patterns. The strongest seasonality effect can normally be seen in the months of July and December respectively where holiday seasonality tends to have an adverse effect on Haypp Group's net sales.

The last wave of Covid impacted the Norwegian market in January 2022, creating a higher than normal baseline. Since then Haypp Group has seen the return of normal seasonality patterns with a general higher share of traveling during the summer and winter holidays.

Risks and uncertainties

The Haypp Group's and the parent company's business risks and risk management, as well as the management of financial risks, are described in the Annual Report 2022 and the sustainability report. No events of material significance occurred in the period that materially affect or change these descriptions of the Group's and parent company's risks and their management.

Stockholm on 8 November 2023

Gavin O'Dowd
CEO

This is information that Haypp Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons below, at 07:45 CET on 8 November 2023.

Capital Markets Day

Furthermore, Haypp Group has the pleasure to invite investors, analysts and media to a Capital Markets Day on Tuesday, November 28 in Stockholm. During the day, CEO Gavin O'Dowd and members of the Group Management Team will give an update on Haypp Group's market, position, strategy and operations. The event will take place at Inderes Studio, Västra Trädgårdsgatan 19 in Stockholm at 2 PM – 5 PM CET, followed by a mingle. Doors will open from 1:30 PM CET.

Registration is required, both for the physical event and the livestream, via the following link:
<https://hayppgroup.com/haypp-groups-capital-markets-day-2023/>

Other information

Webcast conference call on 8 November

In connection with the interim report, Haypp Group will hold a webcast conference call in English at 09.00 am CET. Haypp Group will be represented by CEO Gavin O'Dowd and CFO Peter Deli, who will present the interim report and answer questions. Information regarding telephone numbers and website is available at <https://www.hayppgroup.com>. The presentation will be available at www.hayppgroup.com/ir after publication of the interim report. The webcast will be available at the same address after the live broadcast.

For further information, please contact:

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Peter Deli, CFO
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Financial calendar

November 11, 2023
Capital Markets Day in Stockholm

February 15, 2024
Interim report Q4

May 03, 2024
Interim report Q1

May 16, 2024
Annual shareholders' meeting 2024

August 09, 2024
Interim report Q2

Haypp Group at glance

The Haypp Group is spearheading the global transformation from smoking to risk-reduced alternatives. With origins in Scandinavia, the company has leveraged its leading position, along with its category and e-commerce experience, to widen its positive impact to the US and a range of European markets. With ten e-commerce store brands, the Haypp Group is present in seven countries where we served more than 800,000 active consumers during 2022. Headquartered in Stockholm, Sweden, Haypp Group employs 174 FTEs and have net sales of over SEK 3 bn in the last twelve months to September 30, 2023.

Vision

We put the consumer first. We engage with them every day to understand their needs and desires, and we know them like no other actor in the industry. Our vision to “Inspire healthier enjoyment for millions” will help consumers change harmful habits, whilst simultaneously increase our global presence.

Business model

The consumer is always the focus of our business. Our model starts with managing the consumer experience. We reach out to a broad consumer base, effectively advocating the healthier non-smoking alternatives and assisting them to find the most appropriate solution.

Our model enables us to gain a more comprehensive understanding of the consumer in a revolutionary new way. We utilise this knowledge to constantly evolve and improve our customer’s journey. Our insights are the driving force for the whole industry to create great quality products; provide superb product offers and produce in a responsible and sustainable way.

Our business model is solid and scalable. It is a model with proven success, that has resulted in increased consumption across a broader range of consumer profiles. It has also resulted in increased sales of premium products and tobacco-free nicotine pouches, in comparison to the rest of the industry.

Values

Society is demanding a change in the tobacco and nicotine industry. We believe that “Inspiring healthier enjoyment for millions” is pivotal to drive the global change. As a result of our success in Scandinavia and our recent achievements when entering new markets, we are in a unique position to help drive that change in society.

Financial targets

Haypp Group’s Board of Directors has adopted the following financial targets:

Growth

Haypp Group targets to reach net sales of at least SEK 5 billion 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.

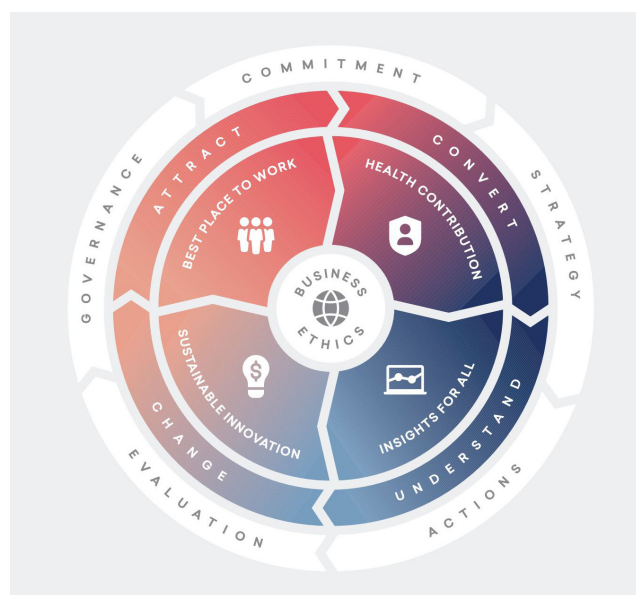
Haypp Group and sustainability

Haypp Group has a sustainable business model built on five strategic areas for sustainability. The areas are aligned with our vision and higher purpose while incorporated into our operations. Our contribution to sustainability, health and society goes hand-in-hand with our business success. The better business we do, the better for society as a whole.

Continuous pursuit of sustainability

Haypp Group's sustainable business model makes sure that the business and operations are clearly related to the five strategic areas of sustainability and vice versa, so that sustainability is incorporated into the business actions.

Haypp Group reports on each of the five areas and uses a scorecard to follow certain metrics. Below is a selection from the scorecard with one metric per area which will be reported on a quarterly basis. For the full report please be referred to our annual Sustainability Report.



Sustainability area	Target	Measure	Q3 2023	Q2 2023	Full Year 2022
Health Contribution	Grow customers of harm reduced products	Number of purchasing customers	496,000	486,000	796,000
Insights for all	Enlightened people & public for awareness and understanding	Number of visits to editorial material, facts and reports	1,262,339	1,181,735	2,251,000
Sustainable innovation for growth and development	Quality assurance & Product development	Share of relevant portfolio tested & according to standard	91%	88%	85%
Best place to work	Great employer	Employee satisfaction in per cent	79%	79%	81%
Business Ethics	Delivering on the customer promise	Rate of customer satisfaction	69.5	69.3	74.4

Consolidated income statement

Amounts in KSEK	Q3 2023	Q3 2022	YTD Q3 2023	YTD Q3 2022	Last 12 months	Full Year 2022
Net sales	768,856	630,723	2,318,933	1,898,348	3,019,398	2,598,813
Capitalised work on own account	6,018	5,134	16,784	13,007	20,460	16,683
Other operating income	-6,381	1,258	2,403	8,991	3,481	10,070
Total	768,494	637,116	2,338,119	1,920,345	3,043,339	2,625,565
Goods for resale	-671,718	-552,505	-2,029,469	-1,666,924	-2,632,853	-2,270,308
Other external costs	-31,364	-27,659	-94,408	-80,411	-123,318	-109,321
Personnel expenses	-38,079	-30,559	-130,750	-98,686	-172,296	-140,231
Depreciation and amortization of tangible and intangible assets	-24,543	-21,599	-69,932	-60,570	-93,253	-83,891
Other operating expenses	4,889	-1,173	-2,307	-4,498	-4,401	-6,591
Sum expenses	-760,814	-633,495	-2,326,867	-1,911,089	-3,026,121	-2,610,343
Operating profit/loss	7,680	3,621	11,252	9,256	17,218	15,222
Financial income/expense						
Financial income	10,272	1	18,035	7	32,455	14,428
Financial expenses	-10,694	4,470	-20,320	9,798	-42,259	-12,140
Financial net	-422	4,471	-2,286	9,805	-9,804	2,287
Earnings Before Tax	7,257	8,092	8,966	19,061	7,414	17,509
Income tax	-1,183	-1,538	-1,015	-3,857	5,414	2,573
Profit/loss for the period	6,074	6,554	7,951	15,205	12,828	20,082
Profit/loss for the period attributable to:						
The parent company's shareholders	6,074	6,554	7,951	15,205	12,828	20,082
Earnings per share, calculated on the earnings attributable to the parent company's shareholders during the period:						
Earnings per share before dilution (SEK)	0.21	0.23	0.27	0.52	0.44	0.69
Earnings per share after dilution (SEK)	0.20	0.22	0.27	0.51	0.43	0.68

Consolidated statement of comprehensive income

Amounts in KSEK	Q3 2023	Q3 2022	YTD Q3 2023	YTD Q3 2022	Last 12 months	Full Year 2022
Profit/loss for the period	6,074	6,554	7,951	15,205	12,828	20,082
Other comprehensive income:						
Items that may be reclassified to profit or loss						
Foreign currency translation differences	882	3,876	-3,560	6,633	-4,359	5,834
Total other comprehensive income	882	3,876	-3,560	6,633	-4,359	5,834
Total Comprehensive income	6,957	10,430	4,391	21,838	8,469	25,916
Total comprehensive income for the year attributable to:						
Parent company shareholders	6,957	10,430	4,391	21,838	8,469	25,916
Average number of shares before dilution	29,294,025	29,115,889	29,179,865	29,105,282	29,164,121	29,108,184
Average number of shares after dilution	29,868,304	29,377,936	29,662,979	29,526,527	29,615,599	29,502,411

Consolidated balance sheet

Amounts in KSEK	2023-09-30	2022-12-31
ASSETS		
Fixed assets		
Intangible assets		
Goodwill	159,464	161,985
Customer relationships	96,363	107,697
Trademarks	125,416	139,345
Websites	20,375	24,573
Capitalized development costs	94,834	75,212
Total intangible assets	496,453	508,811
Tangible assets		
Leasehold improvements	1,249	833
Equipment	3,723	3,553
Total tangible assets	4,972	4,386
Financial assets		
Non-current receivables	8,200	7,451
Total financial assets	8,200	7,451
Right-of-use assets	82,195	88,944
Deferred tax assets	15,441	19,337
Total fixed assets	607,261	628,929
Current assets		
Inventories		
Goods for resale	175,373	222,773
Current receivables		
Accounts receivable	70,244	62,022
Current tax recoverable	3,513	2,124
Other receivables	36,647	41,792
Prepaid expenses and accrued income	52,527	48,444
Cash and cash equivalents	39,651	15,196
Total current receivables	202,582	169,578
Total current assets	377,955	392,351
TOTAL ASSETS	985,216	1,021,280

Consolidated balance sheet cont.

Amounts in KSEK	2023-09-30	2022-12-31
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,953	1,908
Other contributed capital	694,421	689,558
Translation differences	-4,139	-579
Retained earnings (including net profit/loss for the year)	-85,397	-93,348
Total equity	606,838	597,539
LIABILITIES		
Non-current liabilities		
Non-current lease liability	57,058	64,070
Deferred tax liabilities	18,760	21,725
Other liabilities	4,068	5,866
Total non-current liabilities	79,887	91,662
Current liabilities		
Bank overdraft	89,674	114,607
Current lease liability	24,031	21,616
Accounts payable	76,932	91,915
Current tax liabilities	0	1,798
Other liabilities	33,383	48,509
Accrued expenses and deferred income	74,471	53,633
Total current liabilities	298,491	332,078
Total liabilities	378,378	423,740
TOTAL EQUITY AND LIABILITIES	985,216	1,021,280

Consolidated statement of changes in equity

Amounts in KSEK	Share capital	Other contributed capital	Translation differences	Retained earnings	Total equity
Opening balance, 2022-01-01	1,906	686,553	-6,413	-113,430	568,617
Profit/loss for the year				15,205	15,205
Other comprehensive income for the year			6,633		6,633
Total comprehensive income	0	0	6,633	15,205	21,838
New share issue ¹	1	2,622			2,623
Total transactions with shareholders in their attribute as shareholders	1	2,622	0	0	2,623
Closing balance, 2022-09-30	1,907	689,175	221	-98,226	593,078
Opening balance, 2023-01-01	1,908	689,558	-579	-93,348	597,539
Profit/loss for the year				7,951	7,951
Other comprehensive income for the year			-3,560		-3,560
Total comprehensive income	0	0	-3,560	7,951	4,391
New share issue ¹	46	4,862			4,908
Total transactions with shareholders in their attribute as shareholders	46	4,862	0	0	4,908
Closing balance, 2023-09-30	1,953	694,421	-4,139	-85,397	606,838

¹ After deduction of issue costs.

Consolidated statement of cash flow

Amounts in KSEK	YTD Q3 2023	YTD Q3 2022
Cash flow from operating activities		
Operating loss	11,252	9,256
Adjustment for non-cash items:		
- Depreciation and amortization of tangible and intangible assets	69,932	60,570
- Other non-cash items	-2,502	-1,627
Interest received	99	0
Interest paid	-7,782	-4,728
Income tax paid	-3,299	-2,132
Cash flow from operating activities before change in working capital	67,700	61,339
Cash flow from change in working capital		
Increase/decrease in inventories	48,100	-8,860
Increase/decrease in operating receivables	-6,913	26,364
Increase/decrease in operating liabilities	18,964	-23,515
Total change in working capital	60,151	-6,011
Cash flow from operating activities	127,851	55,328
Cash flow from investing activities		
Acquisition of subsidiaries after deduction for acquired cash and cash equivalents	-53	0
Investment in intangible assets	-40,174	-27,426
Investment in tangible assets	-1,835	-2,610
Change in other financial assets	-458	-3,279
Cash flow from investing activities	-42,521	-33,315
Cash flow from financing activities		
New loans	1,410	-1,399
Change bank overdraft	-24,934	9,251
Repayment of loans	-26,928	0
Repayment of leasing debt	-15,666	-12,797
New share issue ¹	4,203	2,932
Cash flow from financing activities	-61,914	-2,013
Decrease/increase in cash and cash equivalents		
Opening cash and cash equivalents	15,196	49,055
Cash flow for the period	23,416	20,000
Exchange-rate differences in cash and cash equivalents	1,039	2,856
Closing cash and cash equivalents	39,651	71,910

¹ Cost after deduction of issue costs

Parent Company income statement

Amounts in KSEK	Q3 2023	Q3 2022	YTD Q3 2023	YTD Q3 2022	Last 12 months	Full Year 2022
Other operating income	1,210	2,172	3,005	4,337	4,483	5,815
Total	1,210	2,172	3,005	4,337	4,483	5,815
Other external costs	-2,002	-1,766	-3,803	-2,818	-4,752	-3,768
Personnel expenses	-1,445	-1,502	-5,489	-4,528	-6,963	-6,002
Depreciation and amortization of tangible and intangible assets	-12	-12	-37	-37	-50	-50
Other operating expenses	-6	-1	-11	-2	-10	-1
Sum expenses	-3,465	-3,281	-9,341	-7,387	-11,775	-9,821
Operating profit/loss	-2,255	-1,110	-6,336	-3,050	-7,292	-4,007
Financial income/expense						
Profit from shares in group companies	0	-2,000	0	-2,000	0	-2,000
Interest income and other financial income	1	0	1	0	8,764	8,763
Interest and other financial expenses	0	0	-2	-4	-1,132	-1,134
Result from financial income/expenses	1	-2,000	-1	-2,004	7,632	5,629
Earnings Before Tax	-2,254	-3,110	-6,337	-5,054	340	1,622
Appropriations	0	0	0	0	21,000	21,000
Earnings before tax	-2,254	-3,110	-6,337	-5,054	21,340	22,622
Income tax	0	0	880	0	-802	-1,682
Profit/loss for the period	-2,254	-3,110	-5,457	-5,054	20,537	20,940

In the Parent Company, there are no items that are reported as other comprehensive income, hence the total comprehensive income corresponds to the profit for the year.

Parent Company balance sheet

Amounts in KSEK	2023-09-30	2022-12-31
ASSETS		
Fixed assets		
Intangible assets		
Capitalized development costs	50	87
Total intangible assets	50	87
Financial assets		
Shares in subsidiaries	321,926	321,592
Deferred tax assets	3,430	2,551
Non-current receivables	2,783	2,909
Non-current intercompany receivables	298,124	335,130
Total financial assets	626,263	662,182
Total fixed assets	626,313	662,269
Current assets		
Current receivables		
Receivables from group companies	8,732	9,286
Current tax recoverable	57	0
Other receivables	1,590	1,355
Prepaid expenses and accrued income	571	551
Total current receivables	10,950	11,192
Cash and cash equivalents	2,355	1,650
Total current assets	13,305	12,842
TOTAL ASSETS	639,619	675,111

Parent Company balance sheet cont.

Amounts in KSEK	2023-09-30	2022-12-31
EQUITY AND LIABILITIES		
EQUITY		
Restricted equity		
Share capital	1,953	1,908
Non-restricted equity		
Premium fund	694,421	689,558
Retained earnings	-58,526	-79,466
Profit/loss for the period	-5,457	20,940
Total equity	632,391	632,941
LIABILITIES		
Non-current liabilities		
Non-current intercompany liabilities	4,329	39,313
Other liabilities	212	82
Total non-current liabilities	4,541	39,396
Current liabilities		
Current liabilities to group companies	175	1,130
Accounts payable	530	15
Other liabilities	372	167
Accrued expenses and deferred income	1,610	1,463
Total current liabilities	2,686	2,775
Total liabilities	7,227	42,171
TOTAL EQUITY AND LIABILITIES	639,619	675,111

Notes

General information

Haypp Group AB (publ) with Corporate Registration No. 559075-6796 is a limited liability company registered in Sweden, with its registered office in Stockholm. The address of the head office is Östgötagatan 12, SE-104 62, Stockholm, Sweden. The operations of the Parent Company and its subsidiaries comprise investing in e-commerce companies and conducting related activities.

Accounting principles

The most important accounting principles applied when this quarterly report has been prepared are set out below. These principles have been applied consistently for all years presented, unless otherwise stated.

The consolidated accounts for Haypp Group AB (publ) have been prepared in accordance with the Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, as well as International Accounting Standards (IFRS) and interpretations from the International Accounting Interpretation Committee (IFRS IC) as adopted by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act. The Parent Company applies RFR 2 Accounting for Legal Entities and the Annual Accounts Act.

The accounting principles and calculation methods applied in this interim report are in accordance with the principles described in the Annual Report 2022. For further information regarding the Group's and the Parent Company's applied accounting principles, see the Group's Annual Report 2022.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's operations are divided into operating segments consisting of Core markets (Sweden and Norway) and Growth markets (US, Europe outside Sweden and Norway and Rest of World). The Chief operating decision maker is the function responsible for allocating resources and assessing the operating segments' results. In the Group, this function has been identified as the CEO, who makes strategic decisions.

Earnings per share before dilution

Earnings per share before dilution are calculated by dividing:

- Profit/loss for the year attributable to the parent company's shareholders,
- with a weighted average number of outstanding ordinary shares during the period, excluding repurchased shares held as treasury shares by the parent company

Earnings per share after dilution

For the calculation of earnings per share after dilution, the amounts used for the calculation of earnings per share before dilution are adjusted by taking into account:

- the weighted average of the additional ordinary shares that would have been outstanding in a conversion of all potential ordinary shares

Dilution effect of potential ordinary shares is reported only if a conversion to ordinary shares would lead to a reduction in earnings per share after dilution. As the Company reports losses for certain periods, no dilution effect for such periods is reported.

Important estimates and assessments for accounting purposes

Estimates and assessments are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are considered reasonable under prevailing conditions.

Significant estimates and assessments in the Group are attributable to goodwill and deferred tax. For further information, see the Group's Annual Report 2022.

Note 1 Financial instruments

The carrying amount of the Group's long-term financial instruments valued at amortized cost essentially corresponds to its fair value as the interest rate is in parity with current market interest rates.

The carrying amount of the Group's short-term financial instruments valued at accrued acquisition value essentially corresponds to its fair value as the discounting effect is not significant.

Note 2 Transactions with related parties

Transactions between Haypp Group and its subsidiaries have been eliminated in the consolidated financial statements. All transactions between related parties have been conducted on commercial terms, on an arm's length basis.

Notes

Note 3 Disclosure on new share and warrant issues

During the first three quarters of 2023 warrants have been cancelled for employees who have left the company. These have been repurchased at acquisition cost which resulted in a decrease of other contributed capital by SEK 81,609.

In the second quarter a strike of warrants has resulted in 55,000 new shares, share capital increased with SEK 3,603 and other contributed capital increased with SEK 792,797. The exercise price was SEK 14.48 per share. An additional strike in Q3 resulted in 66,930 new shares and an increase of share capital of SEK 4,384 and other contributed capital increased with SEK 964,766. The exercise price was SEK 14.48 per share.

An offset issue – according to the decision at the AGM 2023 dated on 17 May – of shares in Q3 resulted in 575,179 new shares, increasing share capital with SEK 37,679 and decreasing other contributed capital with SEK 37,679.

At an Extra General Meeting in May 2023 it was decided to issue 800,000 new warrants to employees, increasing other contributed capital by SEK 3,224,000. The duration of these warrants is three years from 2023-05-31.

Auditor's limited review report

To the board of Haypp Group AB (publ), reg. no. 559075-6796

Introduction

We have reviewed the condensed interim financial information (interim report) of Haypp Group AB (publ), and its subsidiaries as of 30 September 2023 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm 8 November 2023
PricewaterhouseCoopers AB

Magnus Lagerberg
Authorized Public Accountant

Key ratios

Amounts in MSEK	Q3 2023	Q3 2022	YTD Q3 2023	YTD Q3 2022	Last 12 months	Full Year 2022
Income statement						
Net sales growth, %	21.9	8.4	22.2	13.3		14.6
Adjusted EBITDA	32.9	25.2	97.1	73.2	126.4	102.5
Adjusted EBITDA margin, %	4.3	4.0	4.2	3.9	4.2	3.9
Adjusted EBIT	18.3	13.7	57.0	42.4	73.1	58.5
Adjusted EBIT margin, %	2.4	2.2	2.5	2.2	2.4	2.2
Operating profit/loss	7.7	3.6	11.3	9.3	17.2	15.2
Balance sheet						
Net working capital	183.4	113.5	183.4	113.5	183.4	229.5
Net debt			131.1	75.2	131.1	185.1
Investments			-42.5	-33.3		-49.3
Net debt/Adjusted EBITDA, times					1.0	1.8
Equity/Total assets ratio, %	61.6	60.2	61.6	60.2		58.5
Cash flow						
Cash flow from operating activities			127.9	55.3		-32.4
Data per share						
Earnings per share after dilution (SEK)	0.20	0.22	0.27	0.51	0.43	0.68
Equity per share after dilution (SEK)	20.3	20.2	20.5	20.1	20.5	20.3
Cash flow from operating activities per share after dilution (SEK)			4.3	1.9		-1.1
Average number of shares after dilution	29,868,304	29,377,936	29,662,979	29,526,527	29,615,599	29,502,411

Segment information by quarter

Amounts in MSEK	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Net sales per business unit								
Core markets	503.6	540.8	525.3	514.4	564.8	615.5	586.6	573.6
Growth markets	86.9	99.3	102.3	116.3	135.7	165.8	182.2	195.3
EBITDA per business unit								
Core markets	36.4	40.9	43.5	42.2	47.3	50.4	45.4	45.6
Growth markets	-15.3	-18.0	-18.5	-17.0	-18.2	-19.8	-11.8	-12.7
EBITDA margin per business unit (%)								
Core markets	7.2 %	7.6 %	8.3 %	8.2 %	8.4 %	8.2 %	7.7 %	8.0 %
Growth markets	-17.6 %	-18.1 %	-18.1 %	-14.6 %	-13.4 %	-11.9 %	-6.5 %	-6.5 %
Active customers per business unit (thousand)								
Core markets	324	343	340	355	376	401	383	390
Growth markets	68	71	72	76	82	100	103	105

Reconciliation of alternative performance measures

Management uses performance measures to supplement measures defined by IFRS or directly in the income statement and balance sheet. These measures are known as alternative performance measures, APM.

Items affecting comparability

Consulting and advisory costs

External costs mainly include fees to external financial and commercial advisors.

Acquisition, integration and restructuring costs

Acquisition costs and integration mainly consist of external costs for acquisitions (mainly fees to external advisors) and costs relating to integrating acquired businesses or assets.

Restructuring costs mainly consists of severance pay for significant organizational changes.

Amounts in MSEK	Q3 2023	Q3 2022	YTD Q3 2023	YTD Q3 2022	Last 12 months	Full Year 2022
EBIT margin						
EBIT	7.7	3.6	11.3	9.3	17.2	15.2
Net sales	768.9	630.7	2,318.9	1,898.3	3,019.4	2,598.8
EBIT margin, %	1.0	0.6	0.5	0.5	0.6	0.6
Adjusted EBIT						
EBIT	7.7	3.6	11.3	9.3	17.2	15.2
Amortisation of acquired intangible assets	10.0	10.0	29.9	29.8	40.0	39.9
Less items affecting comparability:						
Consulting and advisory costs	0.0	0.0	0.7	0.0	0.7	0.0
Acquisition, integration and restructuring costs	0.7	0.0	15.2	3.3	15.2	3.4
Adjusted EBIT	18.3	13.7	57.0	42.4	73.1	58.5
Adjusted EBIT margin, %	2.4	2.2	2.5	2.2	2.4	2.2
EBITDA						
EBIT	7.7	3.6	11.3	9.3	17.2	15.2
Depreciation/amortisation and impairment of assets	24.5	21.6	69.9	60.6	93.3	83.9
EBITDA	32.2	25.2	81.2	69.8	110.5	99.1
EBITDA margin						
EBITDA	32.2	25.2	81.2	69.8	110.5	99.1
Net sales	768.9	630.7	2,318.9	1,898.3	3,019.4	2,598.8
EBITDA margin, %	4.2	4.0	3.5	3.7	3.7	3.8
Adjusted EBITDA						
EBITDA	32.2	25.2	81.2	69.8	110.5	99.1
Less items affecting comparability:						
Consulting and advisory costs	0.0	0.0	0.7	0.0	0.7	0.0
Acquisition, integration and restructuring costs	0.7	0.0	15.2	3.3	15.2	3.4
Adjusted EBITDA	32.9	25.2	97.1	73.2	126.4	102.5
Adjusted EBITDA margin, %	4.3	4.0	4.2	3.9	4.2	3.9

Amounts in MSEK	Q3 2023	Q3 2022	YTD Q3 2023	YTD Q3 2022	Last 12 months	Full Year 2022
Adjusted operating expenses						
Sum expenses	-760.8	-633.5	-2,326.9	-1,911.1	-3,026.1	-2,610.3
Other operating income	-6.4	1.3	2.4	9.0	3.5	10.1
Capitalised work on own account	6.0	5.1	16.8	13.0	20.5	16.7
Cost of Goods sold (-)	671.7	552.5	2,029.5	1,666.9	2,632.9	2,270.3
Depreciation and amortization of tangible and intangible assets	24.5	21.6	69.9	60.6	93.3	83.9
Less items affecting comparability:						
Consulting and advisory costs	0.0	0.0	0.7	0.0	0.7	0.0
Acquisition, integration and restructuring costs	0.7	0.0	15.2	3.3	15.2	3.4
Adjusted operating expenses	-64.3	-53.0	-192.4	-158.3	-260.2	-226.0
Net debt						
Non-current lease liability					57.1	64.1
Bank overdraft					89.7	114.6
Current lease liability					24.0	21.6
Cash and cash equivalents					-39.7	-15.2
Net debt					131.1	185.1
Net debt / adjusted EBITDA						
Net debt					131.1	185.1
Adjusted EBITDA					126.4	102.5
Net debt/Adjusted EBITDA, times					1.0	1.8
Items affecting comparability						
Consulting and advisory costs	0.0	0.0	-0.7	0.0	-0.7	0.0
Acquisition, integration and restructuring costs	-0.7	0.0	-15.2	-3.3	-15.2	-3.4
Items affecting comparability	-0.7	0.0	-15.9	-3.3	-15.9	-3.4
Equity per share after dilution						
Total equity	606.8	593.1	606.8	593.1		597.5
Average number of shares after dilution	29,868,304	29,377,936	29,662,979	29,526,527	29,615,599	29,502,411
Equity per share after dilution (SEK)	20.3	20.2	20.5	20.1		20.3
Cash flow from operating activities per share after dilution						
Cash flow from operating activities			127.9	55.3		-32.4
Average number of shares after dilution	29,868,304	29,377,936	29,662,979	29,526,527	29,615,599	29,502,411
Cash flow from operating activities per share after dilution (SEK)			4.3	1.9		-1.1

Net working capital

Amounts in MSEK	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Goods for resale	175.4	160.9	222.8
Accounts receivable	70.2	42.3	62.0
Other receivables	36.6	32.8	41.8
Prepaid expenses and accrued income	52.5	39.7	48.4
Accounts payable	-76.9	-108.6	-91.9
Accrued expenses and deferred income	-74.5	-53.7	-53.6
Net working capital	183.4	113.5	229.5

Definitions

	Definition	Reason for use
Net sales growth, %	Change in net sales growth for the period.	Shows whether the company's business is expanding or contracting.
Organic sales growth, %	Change in net sales excluding businesses which have been acquired, sold or exited.	Shows whether the company's business is expanding or contracting when excluding the effects from acquisitions, divestments or exits.
Gross profit growth, %	Change in net sales growth for the period minus cost of goods sold for the period.	Shows change in the profitability and the financial performance of the company's business.
EBIT margin, MSEK	EBIT as a percentage of net sales.	Shows operating profit in relation to net sales and is a measurement of the profitability in the company's operational business.
Adjusted EBIT, MSEK	EBIT excluding amortization and impairment losses on acquisition-related intangible assets and items affecting comparability.	Shows results of the company's operational business excluding amortization that arises as a result of accounting treatment of purchase price allocations in conjunction with acquisitions and items that affect comparison with other periods.
Adjusted EBIT margin, %	EBIT margin adjusted for amortization and impairment losses on acquisition-related intangible assets and items affecting comparability.	Shows EBIT margin excluding amortization that arises as a result of accounting treatment of purchase price allocations in conjunction with acquisitions and items that affect comparison with other periods.
EBITDA, MSEK	EBIT excluding depreciation/amortization and impairment of assets.	Shows the ability of the company's operations to generate resources for investment and payment to capital providers.
EBITDA margin, %	EBITDA as a percentage of net sales.	A profitability measurement that is used by investors, analysts and the company's management for evaluating the company's profitability.
Adjusted EBITDA, MSEK	EBITDA adjusted for items affecting comparability.	Shows EBITDA excluding items that affect comparison with other periods.
Adjusted EBITDA margin, %	EBITDA margin adjusted for items affecting comparability.	Shows EBITDA margin excluding items that affect comparison with other periods.
Net debt, MSEK	Non-current lease liability, bank overdraft, current lease liability, liabilities to credit institutions and cash and cash equivalents.	Shows how much cash would remain if all debts were paid off.
Net debt / adjusted EBITDA, x	Net debt in relation to adjusted EBITDA.	Shows financial risk and is an indication of repayment capacity.
Items affecting comparability	Significant items affecting comparability, including significant consulting and advisory costs, acquisition, integration and restructuring costs, and significant legal costs.	Refers to items that are reported separately as they are of a significant nature and are relevant for understanding the financial performance when comparing the profit/loss for the current period with the previous periods.

