

Interim report – Q4
23 February 2022

A hand holding a magnifying glass over a white circular area containing the text 'HAYPP GROUP'. The background is a light blue gradient with a faint image of a hand holding a magnifying glass.

HAYPP GROUP

Today's presenters



Gavin O'Dowd
CEO

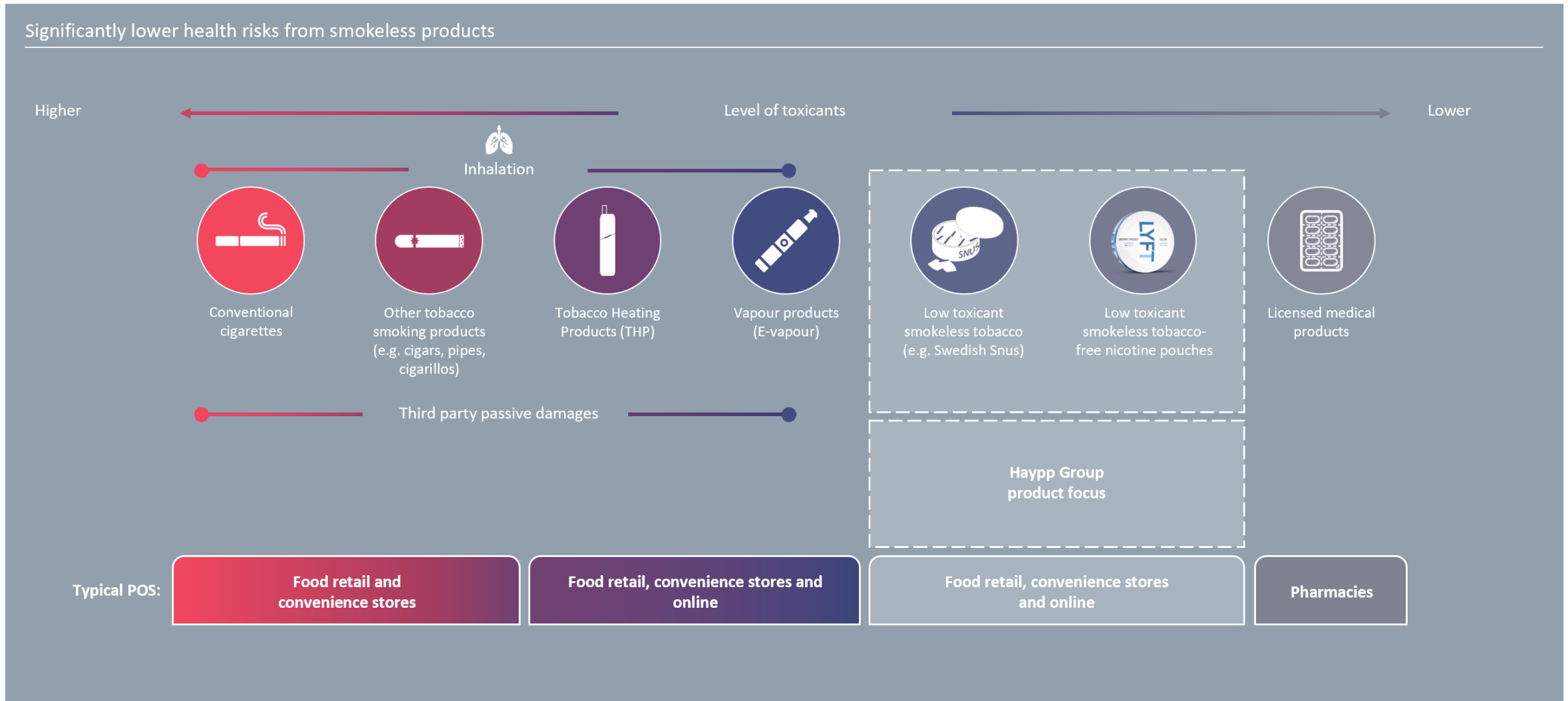


Svante Andersson
CFO

Why we exist – inspiring healthier enjoyments to millions

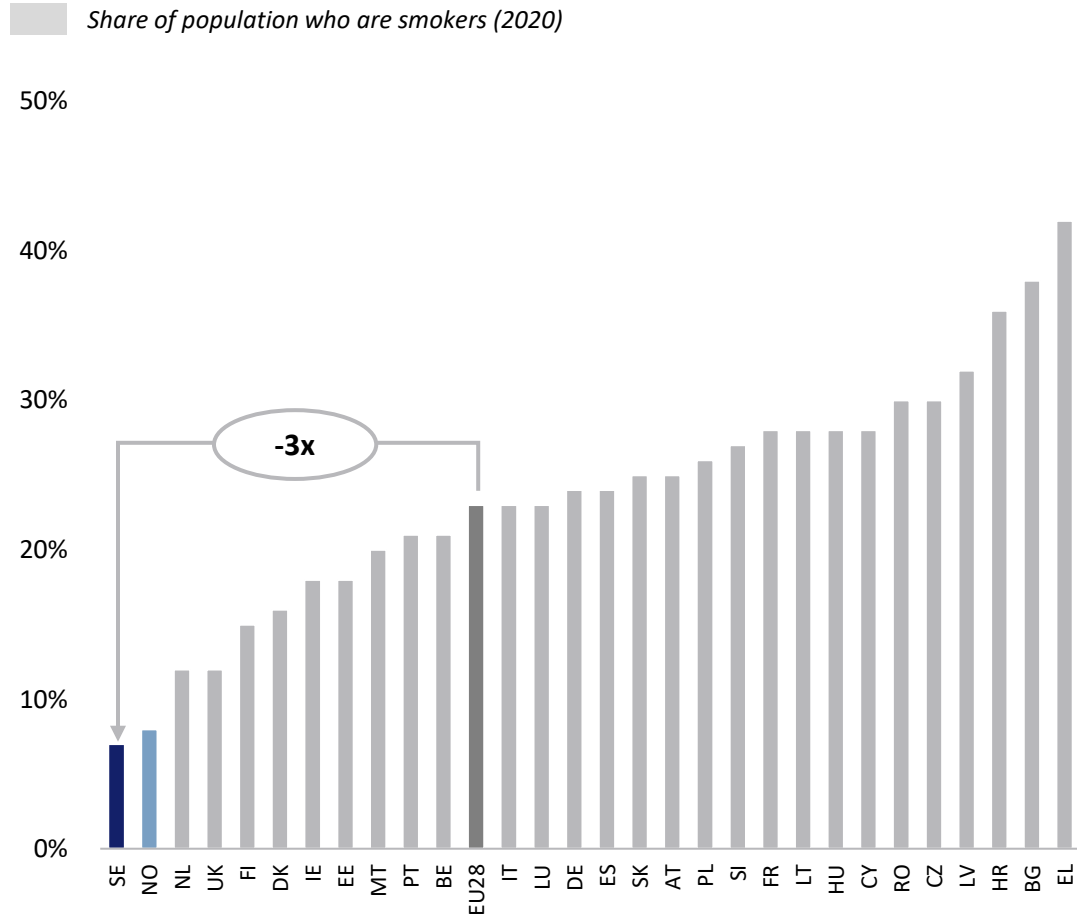


Focused on healthier enjoyment products



...that enable the shift from harmful consumption

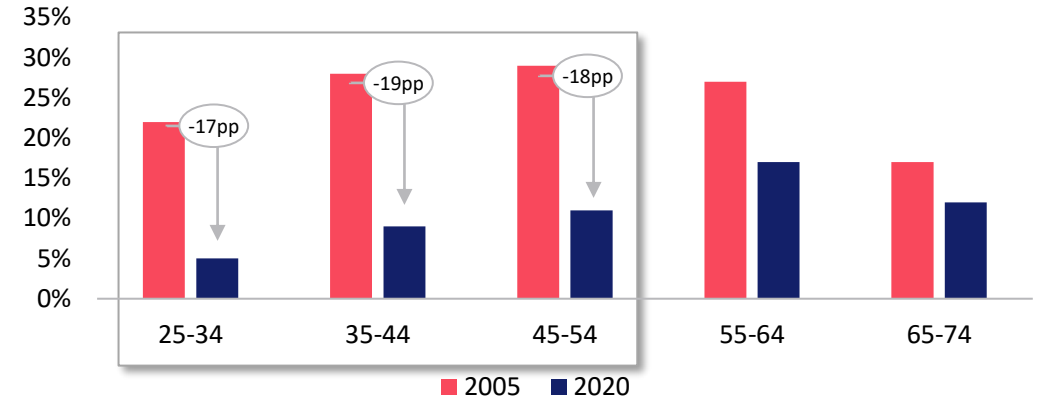
Significantly lower smoking incidence in Sweden and Norway



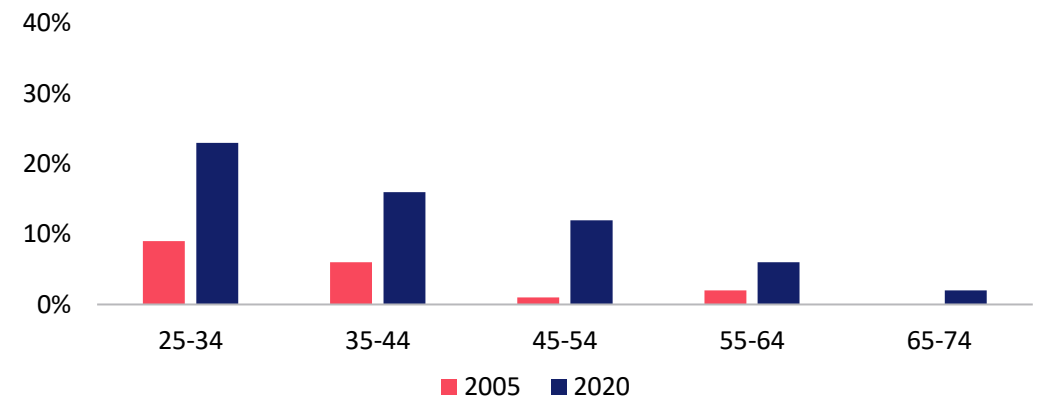
Rapid decline in cigarette consumption following the adoption of NP/snus



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



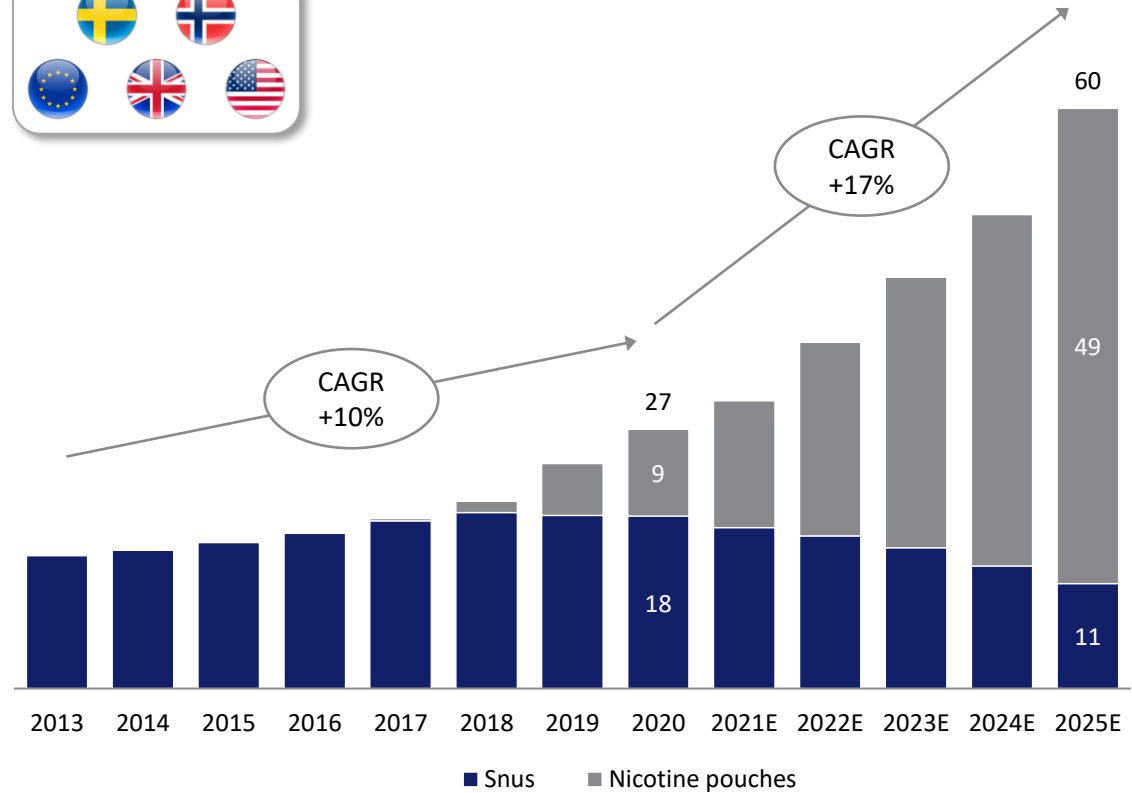
Legislation favours modern nicotine products



Suppliers push for modern nicotine products

...resulting in attractive growth for nicotine pouches

Global market for nicotine pouches and snus, SEKbn¹⁾



CAGR
2020-25

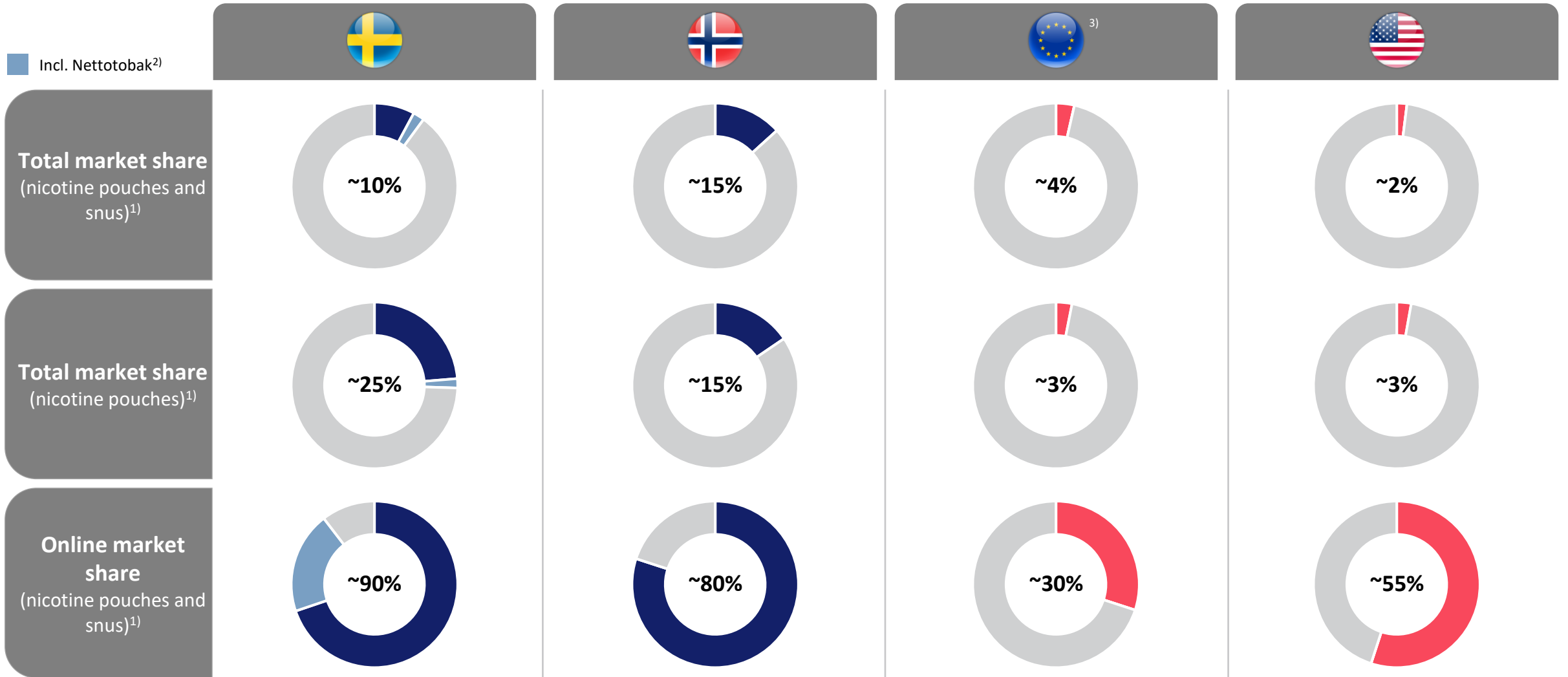
+41%

-9%

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

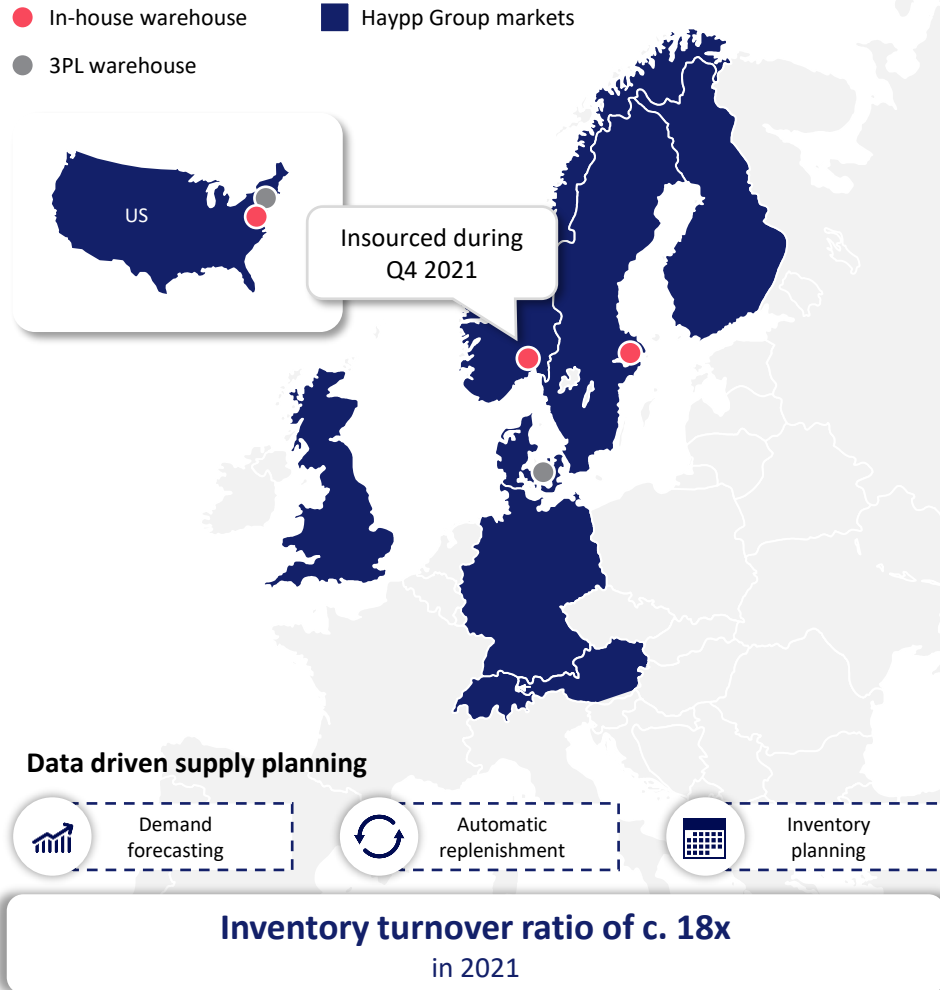
			 ¹⁾	
Haypp Group brands	 HAYPP  NETTOTOBAK 	  	  HAYPP	 
Online market competitors (snus and nicotine pouches)	 	   	 www.BuySnus.com  NIQO co.  	 www.BuySnus.com   

...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



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
- Colorado expected to go live in Q1



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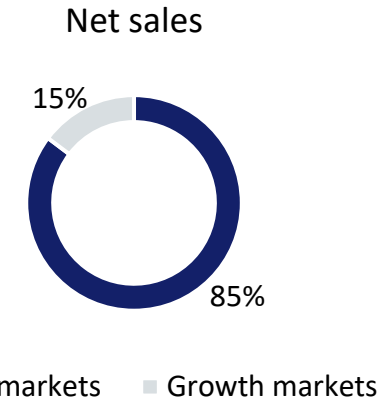
Interim Report – Q4

Operational highlights

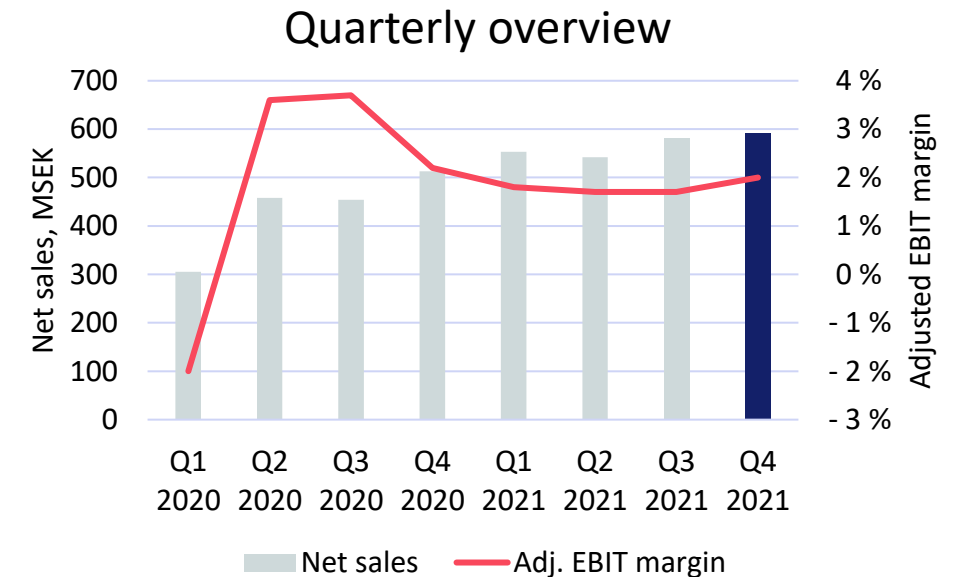
- **Strong progress in the Nicotine pouch category - the volume of Nicotine pouches grew organically by 54 per cent for the Group during the fourth quarter and by 58 per cent during the full year of 2021**
 - Strong underlying Nicotine pouch growth across all markets except for Norway, 69 per cent organic volume growth in Sweden during the quarter and 102 per cent organic volume increase in Growth markets.
 - The overall conditions for Nicotine pouches have never been better.
 - 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.
 - Account for more than one third of Haypp Group's volume during the fourth quarter.
- **In order to fully capitalize on these market trends, decision to increase our 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.
- **New automated warehouse in Oslo to increase efficiency, delivery capacity as well as customer convenience**
 - Part of an overall strategy where Haypp Group are launching a broader footprint of fulfillment centers across Europe and the US as demand for the nicotine pouch category continues to grow rapidly.
- **Acquisitions – consolidation of the Swedish market**
 - In June and July respectively, certain assets of Nettotobak and Snusnetto, two Swedish e-commerce retailers of nicotine pouches and snus, were acquired and integrated 30 June and 1 July respectively. Integration completed according to plan. Contributed with SEK 60 m in the fourth quarter.

Financial overview

- Continued strong underlying growth across all segments except for Norway. Reported Net sales for the Group increased 15 per cent and amounted to SEK 590.5 m (513.0) for the fourth quarter. The organic sales growth was 6 per cent. Excluding Norway, the organic sales growth for the group was 39 per cent.
- Gross margin for the fourth quarter amounted to 10.8 per cent (14.3). Underlying gross margin was 11.3 per cent when adjusting for one-off costs relating to the opening of the new warehouse in Norway and a write down of an excise tax claim in the US.
- Adjusted EBIT for the fourth quarter amounted to SEK 11.8 m (11.2). The adjusted EBIT margin decreased to 2.0 per cent (2.2). The decrease was mainly attributable to the lower gross margin partially offset by lower operating expenses.
- Net sales increased 31.1 per cent during the year and amounted to SEK 2,266.8 m (1,729.2). The organic growth was 27 per cent. Adjusted EBIT increased to SEK 41.5 m (38.3), corresponding to a margin of 1.8 per cent (2.2).



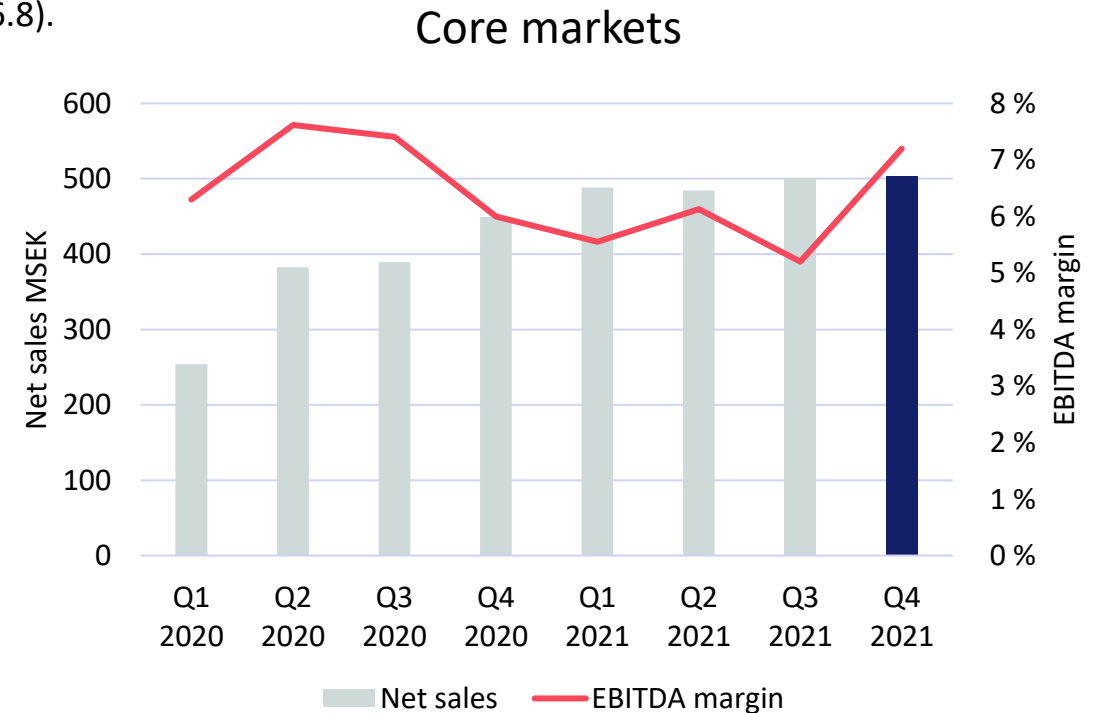
(Amounts in MSEK)	2021 Q4	2020 Q4	2021 Q1-Q4	2020 Q1-Q4
Net sales	590.5	513.0	2,266.8	1,729.2
Net sales growth, %	15.1 %	-	31.1 %	115.5 %
Gross margin, %	10.8 %	14.3 %	11.0 %	13.0 %
Adjusted EBIT	11.8	11.2	41.5	38.3
Adjusted EBIT margin, %	2.0 %	2.2 %	1.8 %	2.2 %
Items affecting comparability	-12.3	-22.3	-35.2	-30.5
Operating profit/loss	-10.4	-18.9	-22.6	-14.3
Profit/loss for the period	-12.7	-22.7	-27.6	-27.8
Earnings per share after dilution (SEK)	-0.45	-1.11	-1.19	-1.36



Core markets

- Net sales increased 12 per cent and amounted to SEK 503.6 m (449.2) for the fourth quarter. Acquisitions contributed with SEK 60m. For the existing platforms in Sweden, Net sales grew by 31 per cent during the quarter. Net sales in Norway declined by 26 percent due to a continued challenging trading environment.
- EBITDA for the business unit amounted to SEK 36.4 m (26.9). The EBITDA margin increased by 1.2 percentage points to 7.2 per cent (6.0), mainly attributable to a higher gross margin following the partial reversal of growth investments during the third quarter.
- Net sales increased 34.1 per cent during the period and amounted to SEK 1,977.9 m (1,475.4). The organic growth was 26 per cent. EBITDA increased to SEK 119.2 m (101.0), corresponding to a margin of 6.0 per cent (6.8).

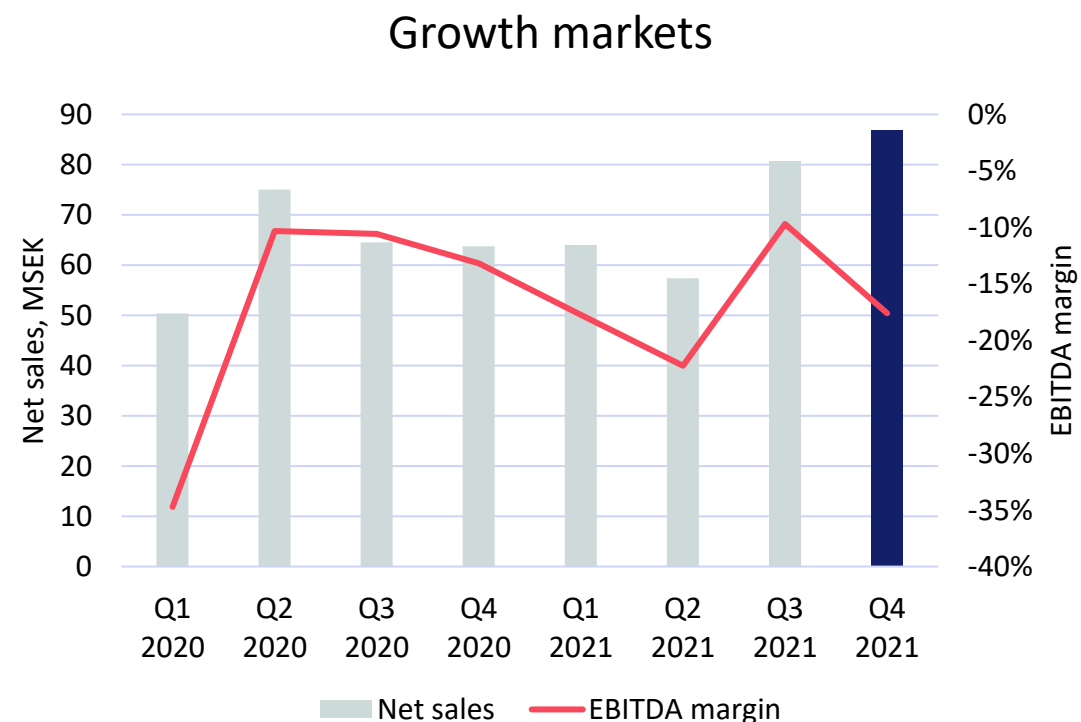
(Amounts in MSEK)	2021 Q4	2020 Q4	2021 Q1-Q4	2020 Q1-Q4
Net sales	503.6	449.2	1,977.9	1,475.4
EBITDA	36.4	26.9	119.2	101.0
EBITDA margin, %	7.2 %	6.0 %	6.0 %	6.8 %
Number of orders (thousand)	779	627	2994	2096
Average order value (SEK)	619	648	619	643
Active customers (thousand)	324	257	554	415



Growth markets

- Net sales increased 36 per cent and amounted to SEK 86.9 m (63.8) for the fourth quarter, mainly due to a positive performance in the US and Germany. Comparable net sales grew by 69 per cent when excluding the effects of markets that were closed in the first quarter.
- EBITDA amounted to SEK -15.3 m (-8.4), corresponding to an EBITDA margin of -17.6 per cent (-13.2), due to continued investment in the platform and infrastructure.
- Net sales increased 14 per cent during the period and amounted to SEK 288.9 m (253.7). EBITDA amounted to SEK -47.2 m (-40.5), corresponding to a an EBITDA margin of -16.3 per cent (-15.9).

(Amounts in MSEK)	2021 Q4	2020 Q4	2021 Q1-Q4	2020 Q1-Q4
Net sales	86.9	63.8	288.9	253.7
EBITDA	-15.3	-8.4	-47.2	-40.5
EBITDA margin, %	-17.6 %	-13.2 %	-16.3 %	-15.9 %
Number of orders (thousand)	130	87	403	394
Average order value (SEK)	638	694	671	732
Active customers (thousand)	68	46	128	126



Selected KPIs

	2021 Q4	2020 Q4	2021 Q1-Q4	2020 Q1-Q4
Operational				
Number of orders (thousand)	909	714	3,397	2,490
Average order value (SEK)	621	654	625	657
Active customers (thousand)	392	304	682	541
Balance sheet				
Net working capital (MSEK)			69.8	3.1
Net debt (MSEK)			46.9	102.7
Investments (MSEK)			-245.9	-21.6
Net debt/Adjusted EBITDA, times			0.7	1.7
Equity/Total assets ratio, %			61.4	38.0
Cash flow				
Cash flow from operating activities (MSEK)			-48.3	48.5
Closing cash and cash equivalents (MSEK)			49.1	32.0



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.

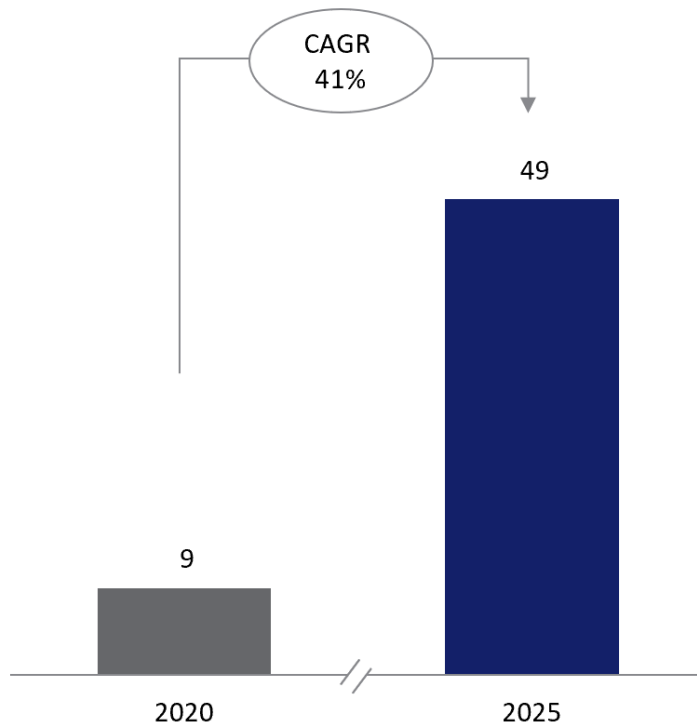
Dividend policy

- 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

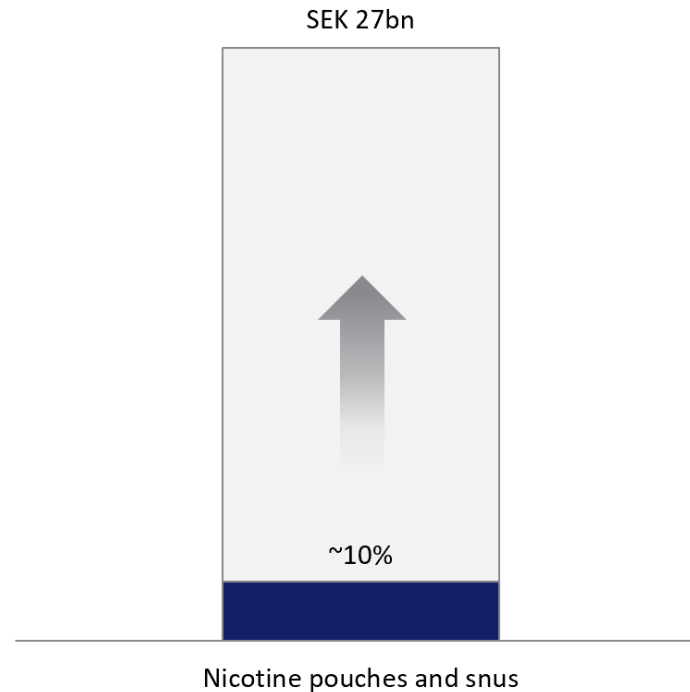
Strong category growth

■ 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.
- All large manufacturers are active, and many credible new manufacturers are accelerating innovation.
- Continued support from regulators around harm reduction.

- **Investing for growth**

- Haypp Group growing volume organically by 54% in the fourth quarter within nicotine pouches.
- Continued strong performance in Sweden, where our share of nicotine pouches is significantly higher than other retailers.
- A range of activities has been launched to turn around the development in Norway.
- Strong consistent growth in the US.
- Continued growth in Germany and strong early trajectory in the UK.

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

- Enhanced data collection and storage, enabling us to utilize machine learning across markets with much greater scale.
- Migrated warehouses from third party providers to our inhouse purpose-built warehouse solution to increase speed and control at reduced cost.
 - Oslo done during the fourth quarter.
- Further warehouse additions and relocations will be announced throughout the year.
- Reallocation of resources to increase investments in localized adaptations and teams to favorable Growth markets such as DACH, the UK and the US, as well as Core markets.

Key investment highlights

