

A hand holding a magnifying glass over a white circle containing the text HAYPP GROUP.

# HAYPP GROUP

Interim report – Q3  
11 November 2022

# Today's presenters



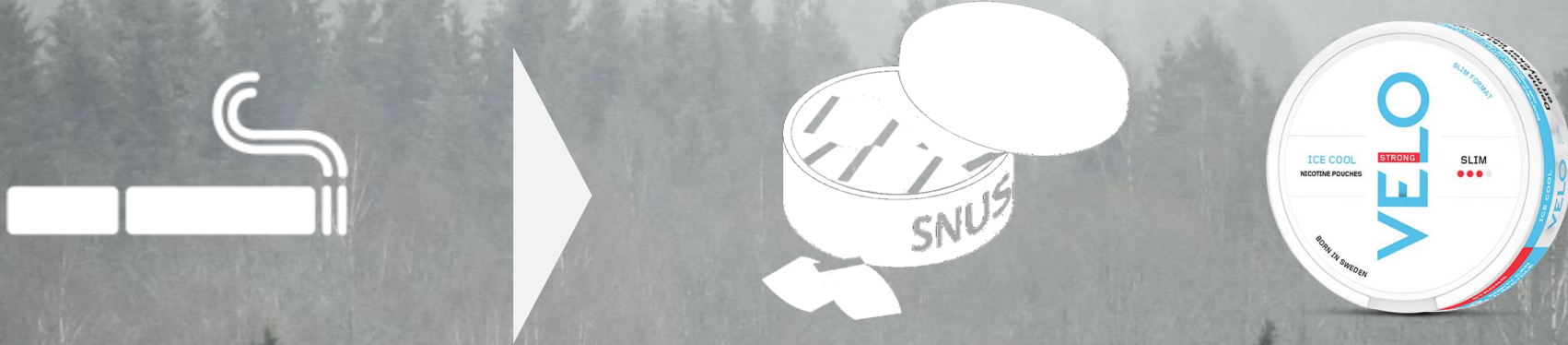
**Gavin O'Dowd**  
CEO



**Svante Andersson**  
CFO



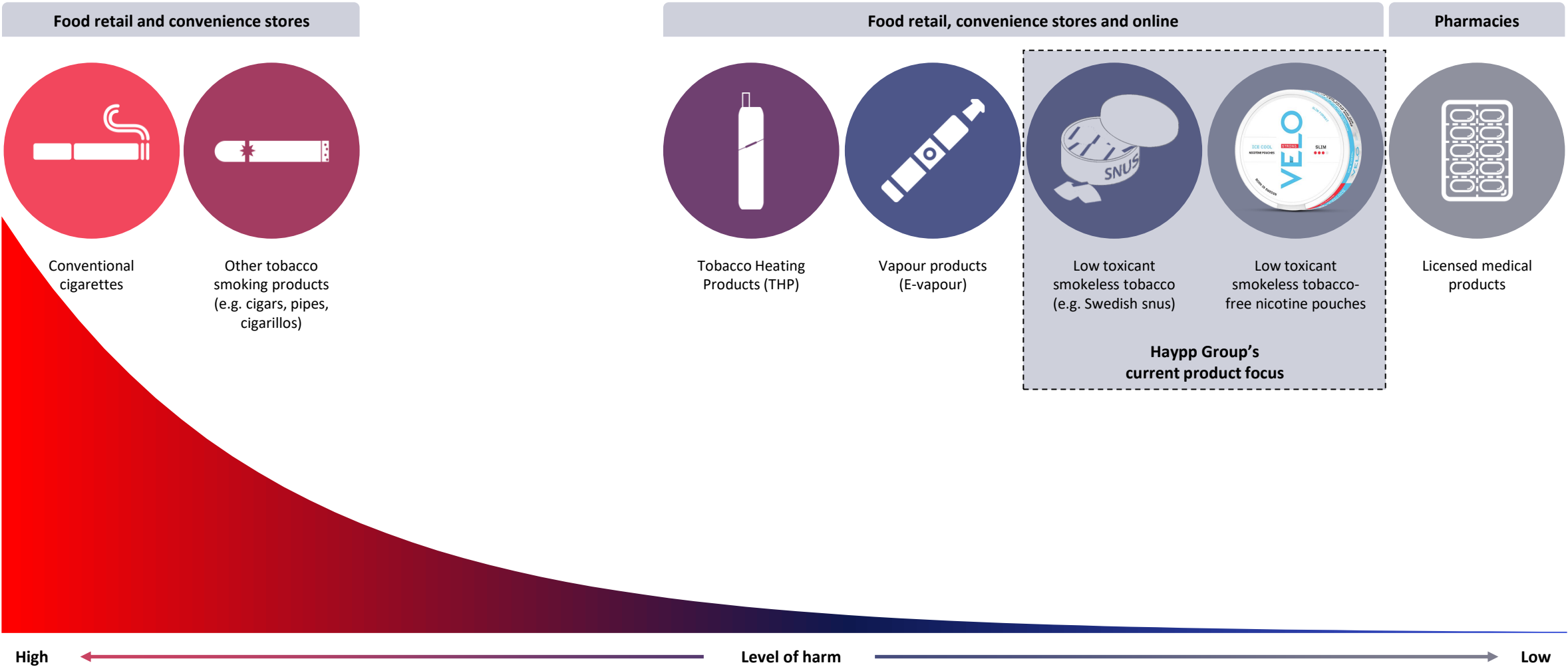
# Why we exist – inspiring healthier enjoyments to millions



# Focused on healthier enjoyment products

Significantly lower level of harm from modern alternatives to cigarettes

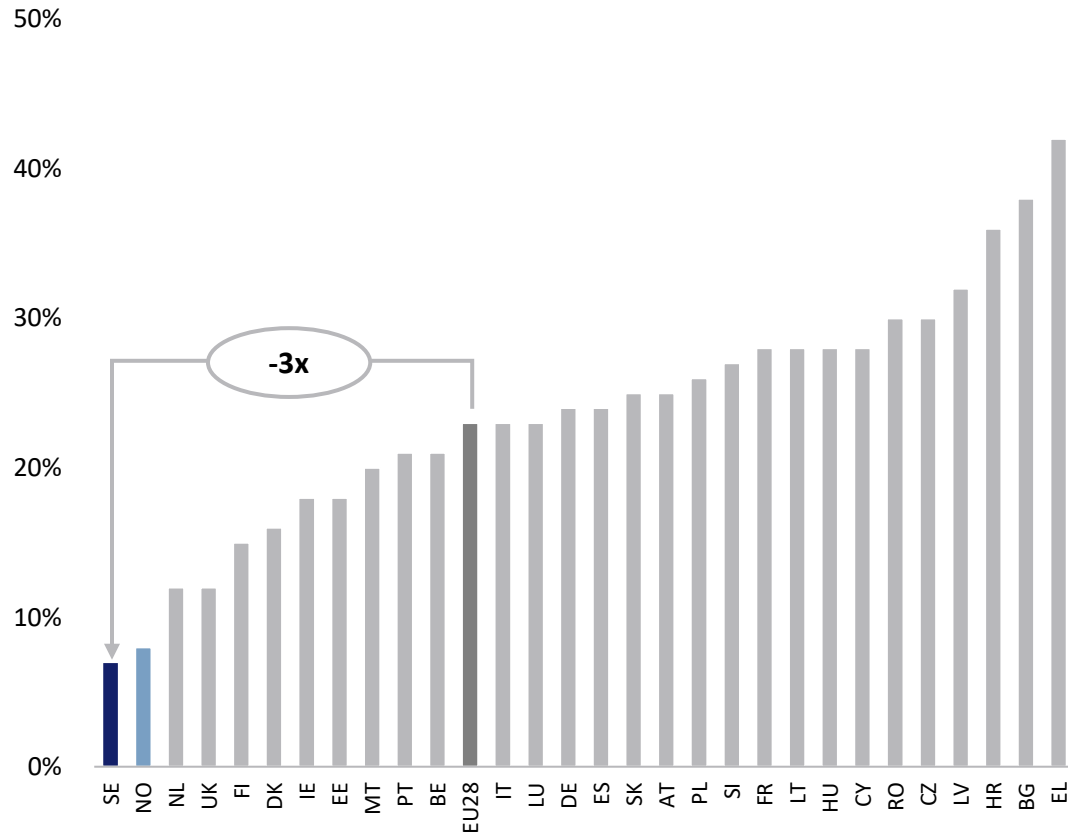
Typical  
POS



# ...that enable the shift from harmful consumption

Significantly lower smoking incidence in Sweden and Norway

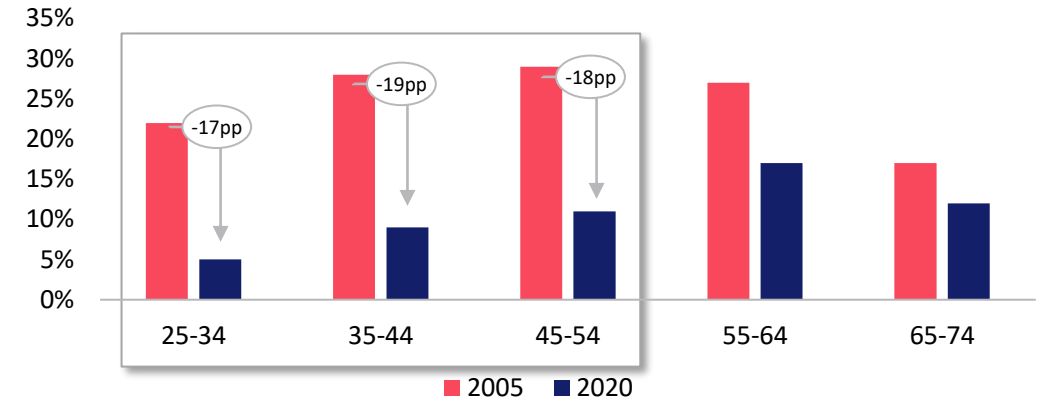
Share of population who are smokers (2020)



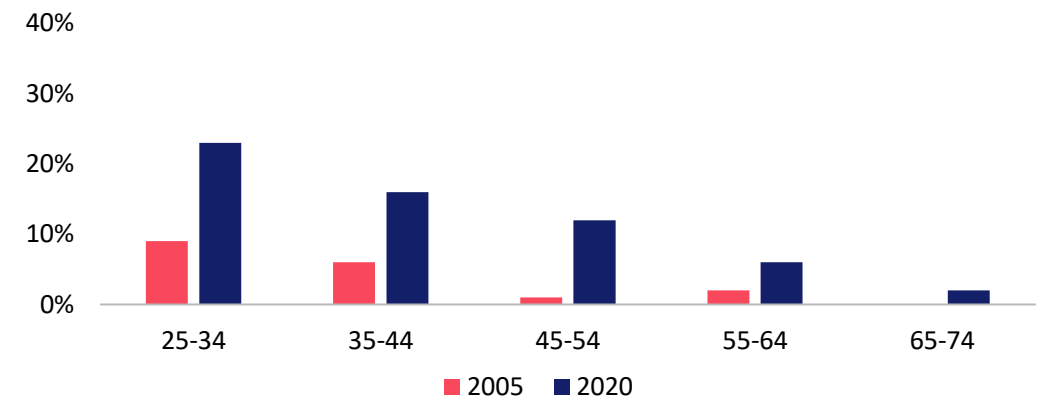
Rapid decline in cigarette consumption following the adoption of NP/snus



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 size<sup>1)</sup>**  
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<sup>1), 2)</sup>**  
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



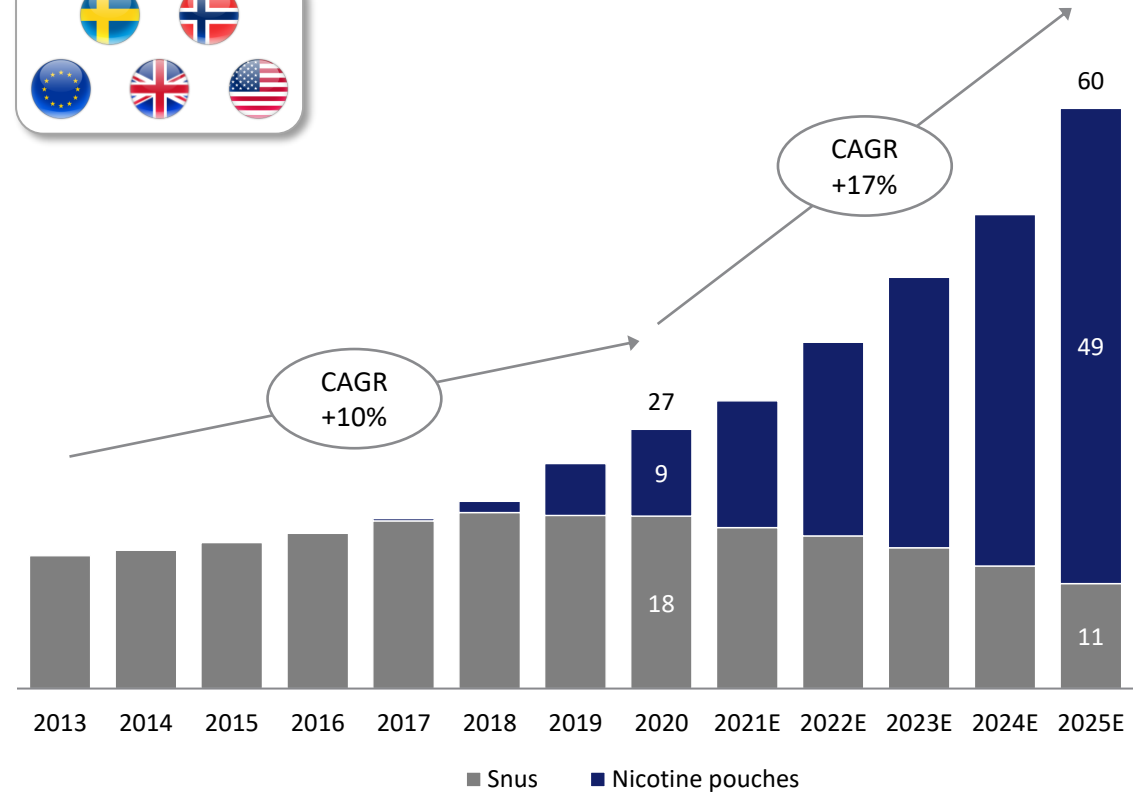
Legislation favours modern nicotine products



Suppliers push for modern nicotine products

...resulting in attractive growth for nicotine pouches

Global market for nicotine pouches and snus, SEKbn<sup>1)</sup>



CAGR  
2020–25

+41%

-9%

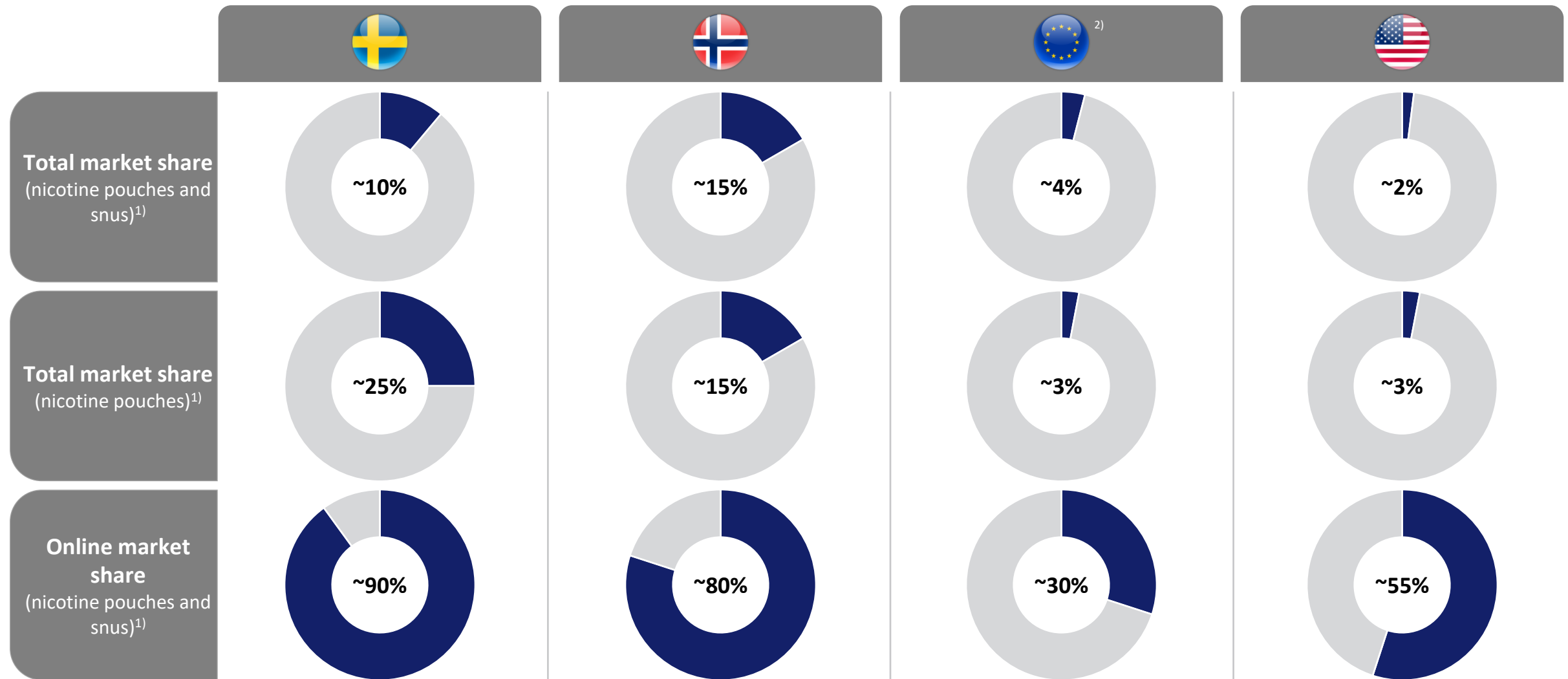


# Haypp Group operates multiple store brands across all key markets...

			 <sup>1)</sup>	
Haypp Group brands	 <b>HAYPP</b>  <b>SNUSNETTO</b>	  <i>Den snusboutikk på nett</i> <b>Snuslageret</b>	  <b>NORTHERNER</b> Your online smokeless nicotine shop <b>HAYPP GET SNUS</b>	 <b>NORTHERNER</b> Your online smokeless nicotine shop 
Online market competitors (snus and nicotine pouches)	 <b>CDON</b> 	 EST. <b>SnusExpress</b> 2006 QUALITY TOBACCO ONLINE <b>max SNUS</b> 	 <b>www.BuySnus.com</b>  <b>NIQO co.</b>  	 <b>www.BuySnus.com</b>  PREMIUM <b>SNUS.US</b> 



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



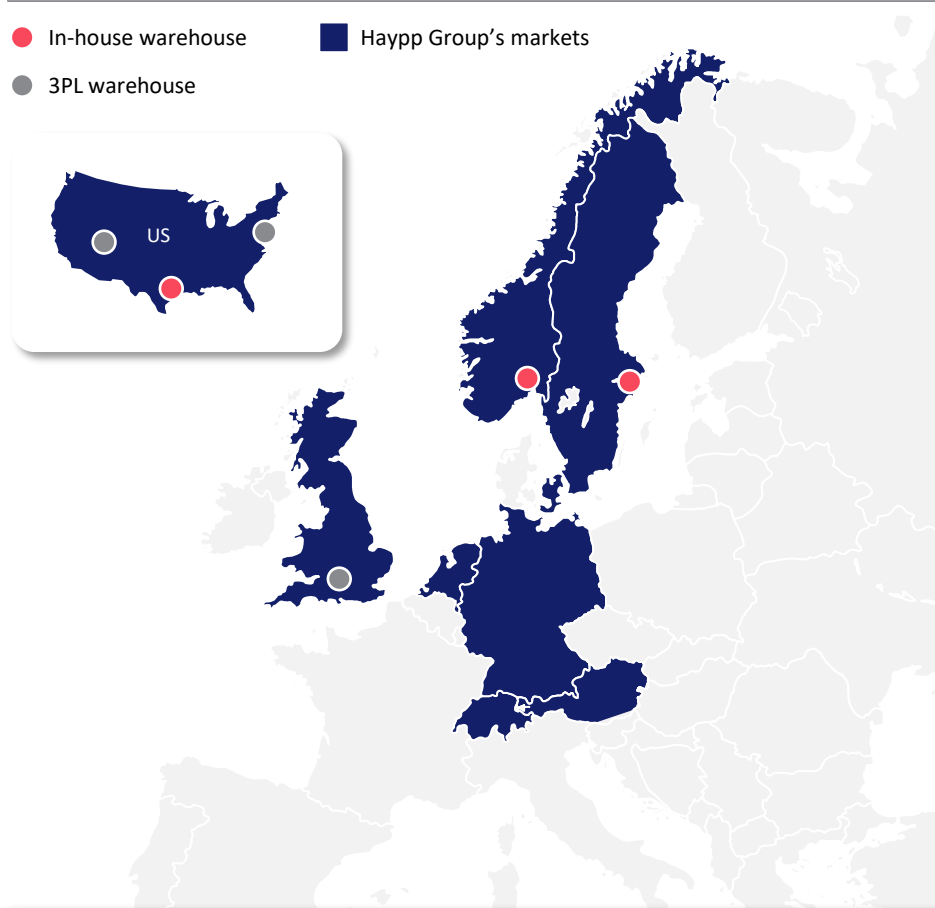
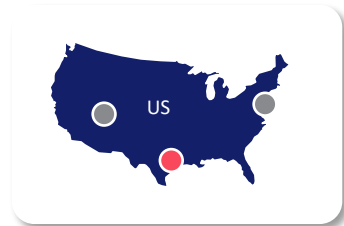
# Efficient logistics set-up rigged for continued global expansion

Flexible fulfilment infrastructure serving all Haypp Group's markets

● In-house warehouse

■ Haypp Group's markets

● 3PL warehouse



**Inventory turnover ratio 17x**

LTM Sep 30, 2022

## Convenience a key USP

Strategy to use a combination of in-house warehouses and 3PL-providers, subject to market maturity

## Completed fulfilment expansion plan in H1 2022

- Norway successfully in-housed in Q4 2020
- Colorado 3PL launched in Q1
- Texas in-house warehouse and UK 3PL launched in Q2



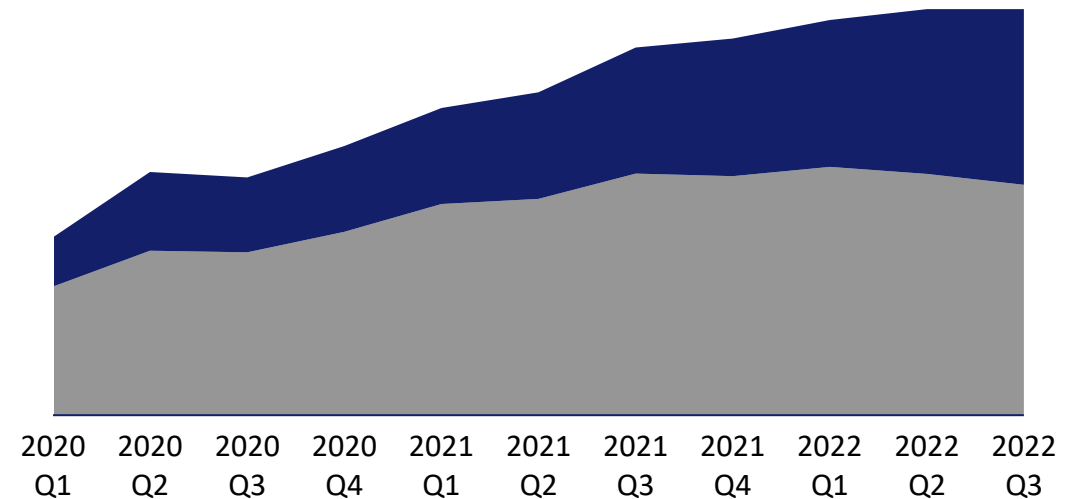
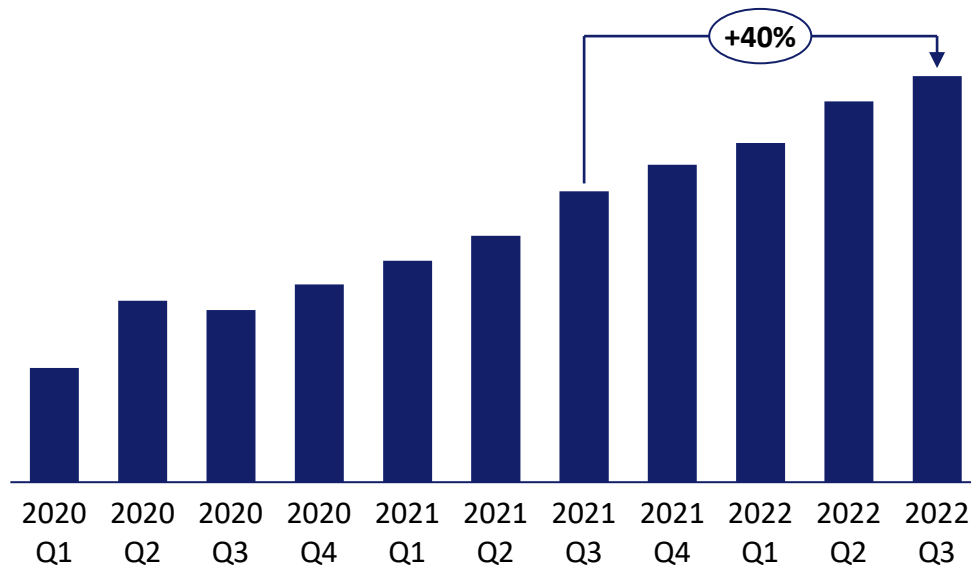
# HAYPP GROUP

Interim Report – Q3

# 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 will be two major drivers of category growth.
- Haypp Group continues to grow market share within nicotine pouches across all markets.
- The volume of nicotine pouches grew 48 percent during the third quarter when excluding Norway. For our Growth markets, the increase was even higher. Norway has stabilized with flat nicotine pouch development versus last year after seeing consistent improvements on a monthly basis throughout the third quarter.
- Nicotine pouches accounted for 43 percent of Haypp Group's volume during the quarter compared to 34 percent in the third quarter of last year.





# Positive regulatory development

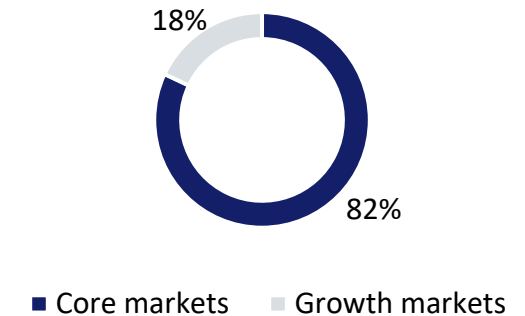
- **Growing governmental interest for harm reduction**

- Increasing number of governmental agencies across our markets in Europe advocating for regulations of new nicotine products from a harm-reduction perspective.
- The German Federal Institute for Risk Assessment, BfR, released a health assessment on nicotine pouches concluding that switching from cigarettes to nicotine pouches can reduce the health risks for smokers.
- A study commissioned by UK department of Health and Social Care encouraged the use of vaping products to quit smoking, and called on the review of other non-tobacco nicotine products, such as nicotine pouches.
- Haypp Group welcomes the growing interest and remain positive that the EU will introduce positive regulation for nicotine pouches.

# Financial overview

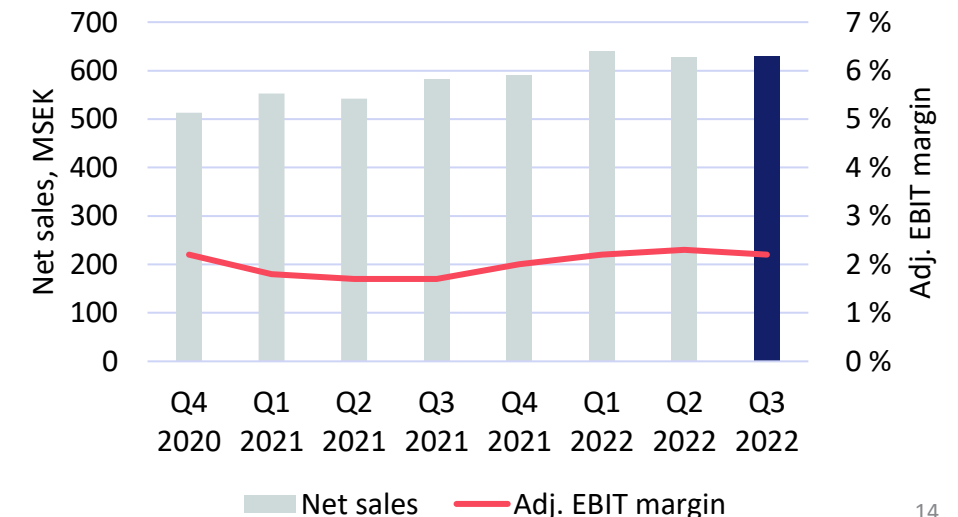
- Continued strong underlying growth across all segments except for Norway. Excluding Norway, Net sales growth for the Group was 19 percent in constant currency. Reported Net sales for the Group increased 8 per cent and amounted to SEK 631 m (582) for the third quarter. In constant currency, Net sales increased 4 per cent.
- Gross margin for the third quarter increased by 1.4 percentage points to 12.4 per cent (11.0).
- Adjusted EBIT for the third quarter increased by 35 per cent and amounted to SEK 14 m (10). The adjusted EBIT margin increased to 2.2 per cent (1.7) mainly due to higher gross margin, increased volume as well as efficiency.
- Net sales increased 13 per cent during the first nine months and amounted to SEK 1,898 m (1,676). Adjusted EBIT increased to SEK 42 m (30), corresponding to a margin of 2.2 per cent (1.8).
- Cash flow for the period from operating activities increased to SEK 55 m (-8).

Net sales



(Amounts in MSEK)	2022 Q3	2021 Q3	2022 YTD Q3	2021 YTD Q3	LTM	Full year 2021
Net sales	630.7	581.9	1,898.3	1,676.2	2,488.9	2,266.8
Net sales growth, %	8.4		13.3			31.1
Gross margin, %	12.4	11.0	12.2	11.0	11.9	11.0
Adjusted EBIT	13.7	10.1	42.4	29.7	54.2	41.5
Adjusted EBIT margin, %	2.2	1.7	2.2	1.8	2.2	1.8
Items affecting comparability	0.0	-9.0	-3.3	-22.9	-15.6	-35.2
Operating profit/loss	3.6	-8.7	9.3	-12.2	-1.1	-22.6
Profit/loss for the period	6.6	-6.2	15.2	-15.0	2.5	-27.6
EPS before dilution (SEK)	0.23	-0.27	0.52	-0.70	0.08	-1.19

Quarterly overview



# Core markets

- Net sales increased 3 per cent and amounted to SEK 514 m (501) for the third quarter. Nicotine pouches grew by 33 percent in volume during the quarter where growth in Sweden was even higher.
- In Sweden, Net sales for the quarter increased by 17 per cent driven by continued strong organic performance. Net sales in Norway declined by 20 percent during the quarter due to continued challenging trading environment.
- EBITDA for the business unit amounted to SEK 42 m (26). The EBITDA margin increased by 3 percentage points to 8.2 per cent (5.2), mainly attributable to a higher gross margin and economies of scale, partially offset by further investment in the organization for future growth.
- Net sales increased 7 per cent during the first nine months and amounted to SEK 1,581 m (1,474). EBITDA increased to SEK 127 m (83), corresponding to a margin of 8.0 per cent (5.6).

(Amounts in MSEK)	2022 Q3	2021 Q3	2022 YTD Q3	2021 YTD Q3	LTM	Full year 2021
Net sales	514.4	501.3	1,580.5	1,474.2	2,084.1	1,977.9
EBITDA	42.3	26.0	126.7	82.8	163.1	119.6
EBITDA margin, %	8.2	5.2	8.0	5.6	7.8	6.0
Active customers (thousand)	355	321	547	480	611	554



# Growth markets

- Net sales increased 44 per cent and amounted to SEK 116 m (81) for the third quarter, due to a strong performance within nicotine pouches in both US and Europe. Nicotine Pouches grew by 55 percent in volume during the quarter.
- EBITDA amounted to SEK -17 m (-8), corresponding to an EBITDA margin of -14.6 per cent (-9.7), due to continued commercial investments for growth impacting the gross margin negatively.
- Net sales increased 57 per cent during the first nine months and amounted to SEK 318 m (202). EBITDA amounted to SEK -54 m (-32), corresponding to a margin of -16.8 per cent (-15.8).

(Amounts in MSEK)	2022 Q3	2021 Q3	2022 YTD Q3	2021 YTD Q3	LTM	Full year 2021
Net sales	116.3	80.6	317.9	202.0	404.8	288.9
EBITDA	-17.0	-7.8	-53.5	-31.9	-68.8	-47.2
EBITDA margin, %	-14.6	-9.7	-16.8	-15.8	-17.0	-16.3
Active customers (thousand)	76	61	131	103	154	128





# Selected KPIs

	2022 Q3	2021 Q3	2022 YTD Q3	2021 YTD Q3	LTM	Full year 2021
<b>Operational</b>						
Number of orders (thousand)	946	887	2,833	2,488	3,742	3,397
Average order value (SEK)	625	624	632	626	630	625
Active customers (thousand)	431	382	677	583	765	682
<b>Balance sheet</b>						
Net working capital (MSEK)	113.5	32.9	113.5	32.9	113.5	69.8
Net debt (MSEK)			75.2	184.3	75.2	46.0
Investments (MSEK)			-33.3	-233.0		-245.9
Net debt/Adjusted EBITDA, times					0.8	0.6
Equity/Total assets ratio, %			60.2	45.9		61.4
<b>Cash flow</b>						
Cash flow from operating activities (MSEK)			55.3	-8.3		-48.3
Closing cash and cash equivalents (MSEK)			71.9	17.4	71.9	49.1

## Q3 in summary

- 40 per cent volume growth in the strategically important nicotine pouch category
- 35 per cent growth in Adjusted EBIT for the Group
- Strong cash generation with 55 MSEK of cash flow from operating activities and solid financial position with a net debt ratio of 0.8

The background of the slide is a photograph of a dense forest of evergreen trees, likely spruce or fir, covered in a thick layer of mist or fog. The trees are dark green and densely packed, with the mist creating a soft, ethereal atmosphere. The lighting is diffused, with no direct sunlight visible, giving the scene a calm and somewhat somber feel.

# 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.

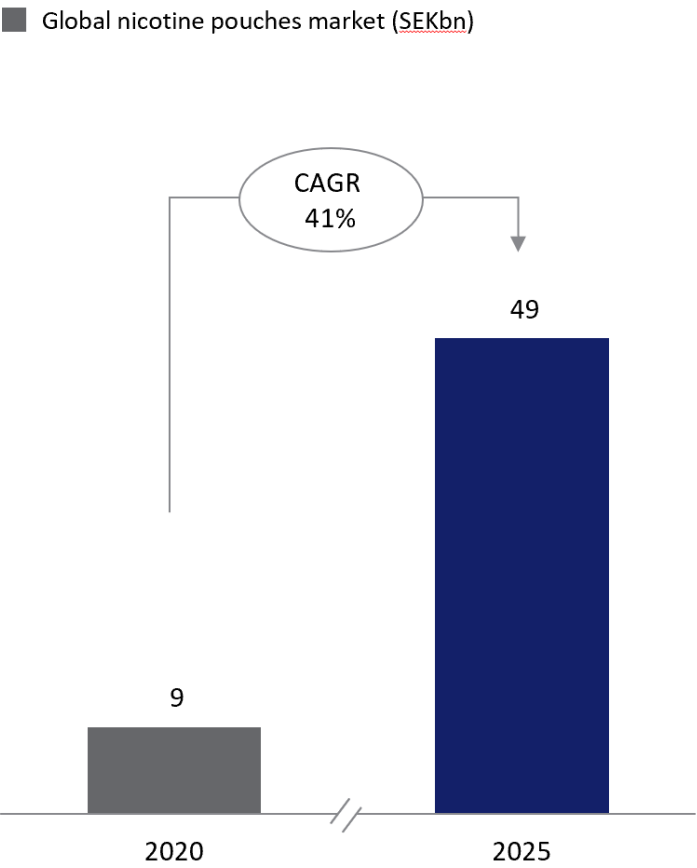
## Dividend policy

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

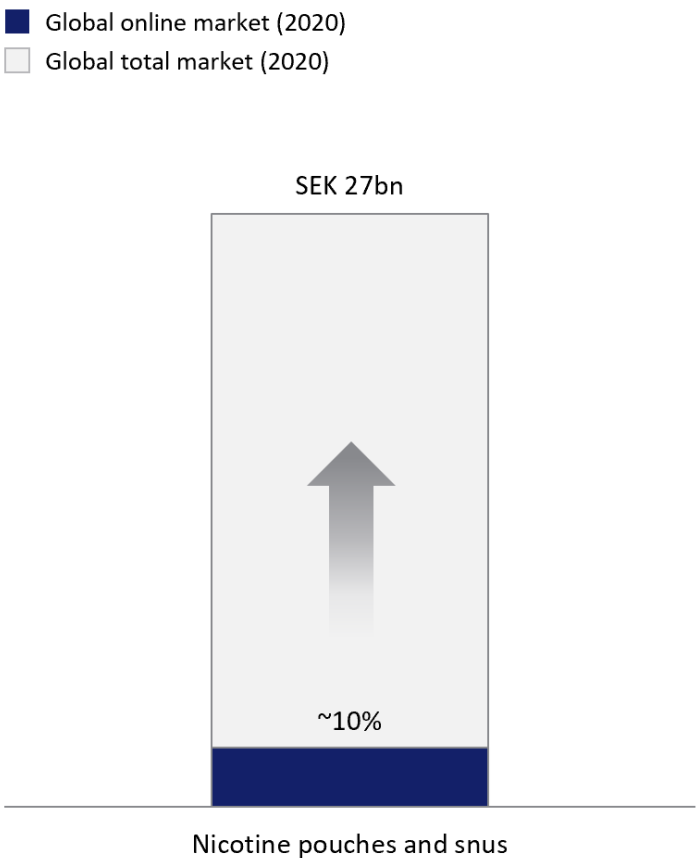


# Significant growth opportunities in maintaining market leading position

## Strong category growth



## Increasing online penetration



## Leveraging our market leading positions



# Current trading

- **Favourable market trends and the transition to nicotine pouches runs according to plan**

- In addition to continued growth for the oral nicotine category, the online channel is also growing its market share. We expect to continue to benefit from the price advantages of the online channel versus traditional offline stores.
- So far not seen material price increases from our product suppliers. Have experienced a degree of pressure around our fulfilment costs but they account for less than 10 per cent of our Net sales.
- On November 8, California imposed a ban on flavored nicotine products sold in retail locations which prohibits brick-and-mortar retailers and vending machines from selling certain flavored tobacco products and tobacco flavor enhancers. Online retailers are exempt, meaning the ban could benefit Haypp Group and other online-based nicotine retailers.

- **Focusing on growth**

- Performance in Sweden remains strong and share of nicotine pouches continues to grow.
- The actions taken in previous quarters to turn around our development in Norway have delivered in line with expectation to date. The consistent improvement seen during the third quarter has continued so far during the fourth quarter and we are currently experiencing year-on-year growth in nicotine pouches.
- Sustained strong momentum in Growth markets where we continue to gain share of the total market.

- **Well positioned to take advantage of a rapidly growing international market and reach our financial targets**

- 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 from existing and new manufacturers, products launched within the last twelve months accounts for over 1/3<sup>rd</sup> of the nicotine pouch volume in the third quarter.
- 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.

# Key investment highlights

