

A hand holding a magnifying glass over a white circular area. The magnifying glass is positioned over the right side of the page, and the text 'HAYPP GROUP' is centered within the white circle.

HAYPP GROUP

Q1 2025 Report
May 06, 2025

Today's presenters



Gavin O'Dowd
CEO



Peter Deli
CFO



Q1 Report 2025

Operational highlights

1) Sustained performance...

- Nicotine pouch LFL volume grew 35 per cent for the Group during the quarter (reported 10 per cent)
- Gross margin increased to 18 per cent (14 per cent in 2024) showing the strength of Haypp's business model

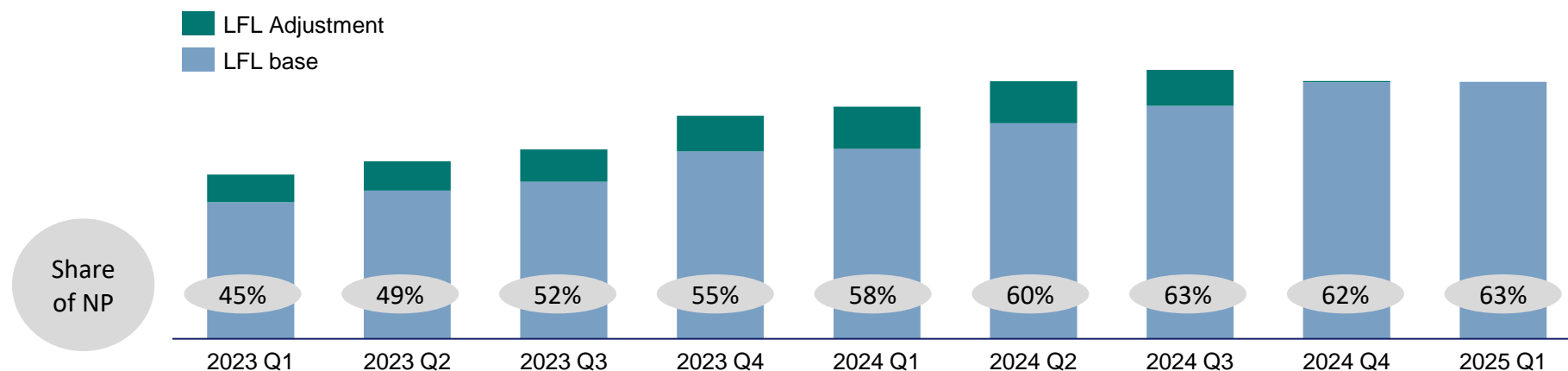
2) combined with positive US market developments

- In Q1 '25 newly launched* SKU's volume grew by 74% versus Q4 '24

3) continued progress to build infrastructure for the next phase

- ERP and middle ware implementation finished
- Front-end upgrade reached ~50% rolled out

Haypp Group Nicotine pouch volume



LFL adjustment represent US Zyn and other NPs into closed states

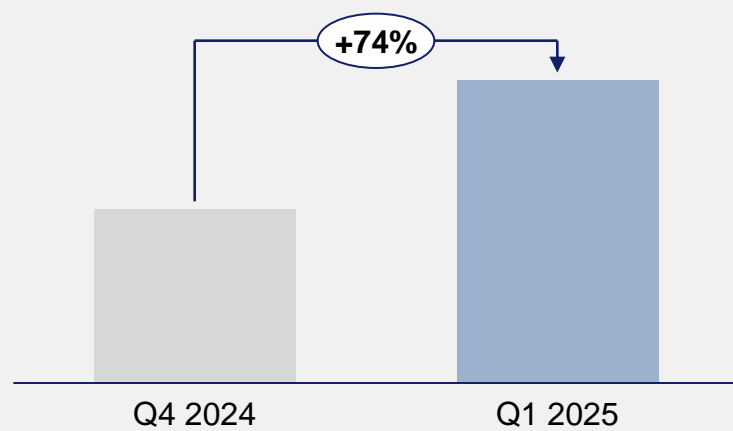
*Launched in 2024

US nicotine pouch market development

Favorable dynamics in the environment

- Continued robust category growth
- Stable regulatory outlook (MGO's)
- Fragmentation driven by the launch of new products

**Haypp Group's volume sold of NP
SKU's launched in 2024**



**External reporting*

We are working to capitalize on the opportunity

- LFL NP volume growth (100% +)
- Convenience further improved
- Testing new customer acquisition activities
- Building for tomorrow: local US organization

Infrastructure overhaul on track

Overhaul is critical for future success



















Consumer impacts

- Search – Today and Tomorrow
- Convenience – continues improvement
- Assortment/Media
- Pricing – sharing efficiency gain with consumers

Long term benefits

- Legal Age Access Only
- Build once, deploy everywhere

Progressing according to the plan

		<u>ERP & middle layer</u>	<u>V3 storefront upgrade</u>
	Norway		
	UK		
	Germany		
	Austria		
	Sweden		<i>To be completed in 2025</i>
	Switzerland		<i>To be completed in 2025</i>
	US		<i>n/a</i>

Legal and regulatory update

Legal cases

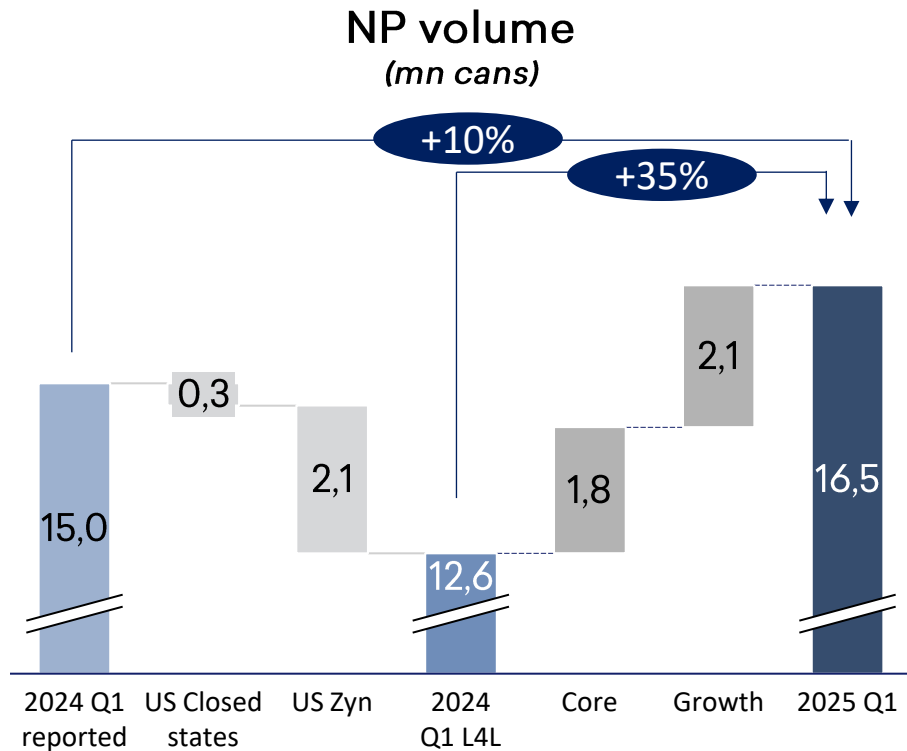
- Haypp Group experienced two regulatory issues in the latter part of Q3, one in Sweden and one in San Francisco, California:
 - Litigation against the Stockholms stad Licensing Committee's decision to revoke Haypp Group's tobacco products license is ongoing. The Group expects a positive resolution in the coming 6 to 18 months.
 - The City of San Francisco has filed lawsuits on the sale of nicotine pouches against among others Haypp Group's subsidiary company in US. The case is ongoing. The Group's view on the expected settlement costs remained unchanged.

Regulatory changes

- The **Norwegian** Parliament submitted its proposal for the implementation of the Public Health Strategy. It includes the proposed banned of cross border online sales, which is clearly not impacting Haypp Groups domestic Norwegian online business, but solidifying its position on the online market in line with Haypp Group's earlier assessment.
- The **Swedish** Government is taking action against Western European Countries NP regulatory initiatives and submitted a detailed opinion in EU against the Spanish NP law proposal, taking a firm stand for the category.
- **US Zyn MGO** - Haypp readied an age-gating solution earlier this year and continues to refine and improve the approach to reduce consumer friction and retain SEO benefits.
- In the **UK**, consumers are preparing for the ban of disposable nicotine vaping products. The Group is well-prepared for the expected shift towards pod systems.

Financial overview – LFL NP volume development

- The Group suspended sales to selected states (e.g. California) and had a shortage of Zyn products
- LFL alternative measures help to better understand the performance of the underlying business

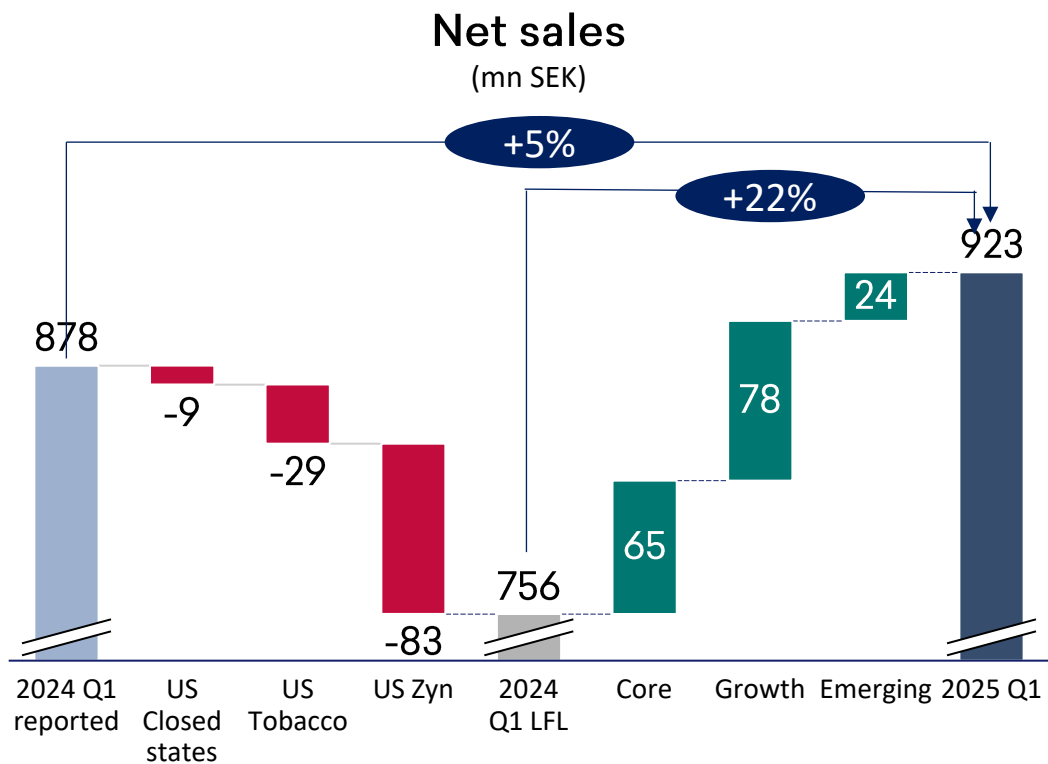


	Reported	LFL*
Core	+23%	+23%
Growth	-7%	+68%
Total	+10%	+35%

*LFL: 2023 Q4 baseline excludes NP sales to closed states and Zyn in US

Financial overview – LFL sales development

- The Group decided to cease the sale of tobacco products in US, suspended sales to various states (e.g. California) and had a shortage of Zyn products
- LFL alternative measures help to better understand the performance of the underlying business



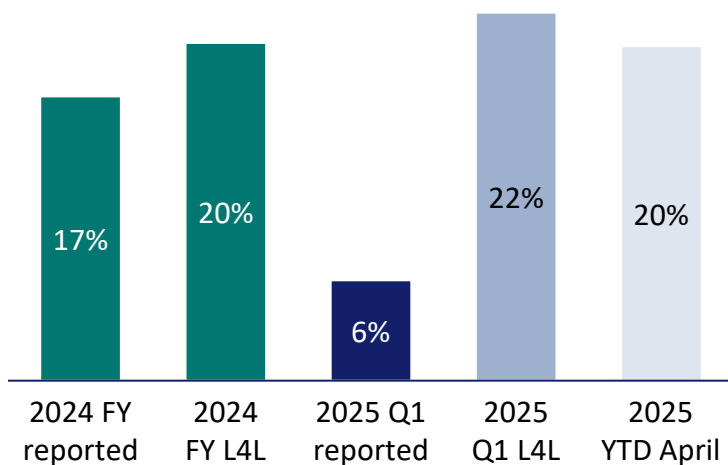
	Reported	LFL*
Core	+10%	+10%
Growth	-18%	+65%
Total	+5%	+22%

*LFL: 2024 Q1 baseline excludes NP sales to closed states, Zyn and tobacco delisting in US

Financial overview – Sales development

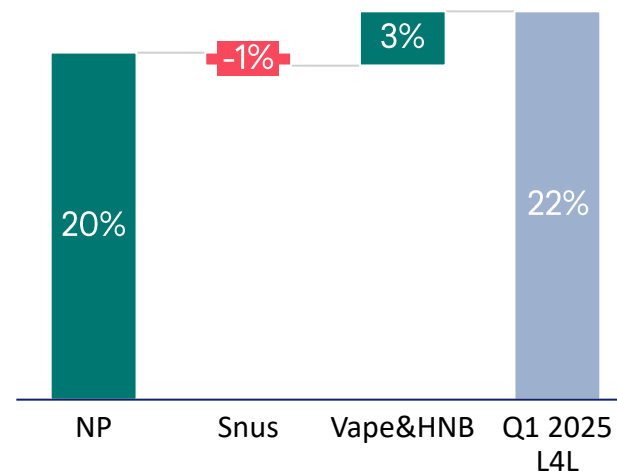
- LFL net sales for the Group increased by 22 per cent (reported 5 per cent) to SEK 923 m (878) for the first quarter. In constant currency, reported net sales increased 6 per cent.
- Seasonality effect from Easter and leap year impacts comparability, YTD April LFL growth is 20% (excl. FX)
- Growth was driven by the NP category, both in the Growth and Core segments, with nicotine vaping in the Emerging segment partly mitigating the effect of the snus decline

LFL* Net sales growth
(excl. FX)



*LFL: 2024 FY & Q1 baseline excludes NP sales to closed states, Zyn and tobacco products in US

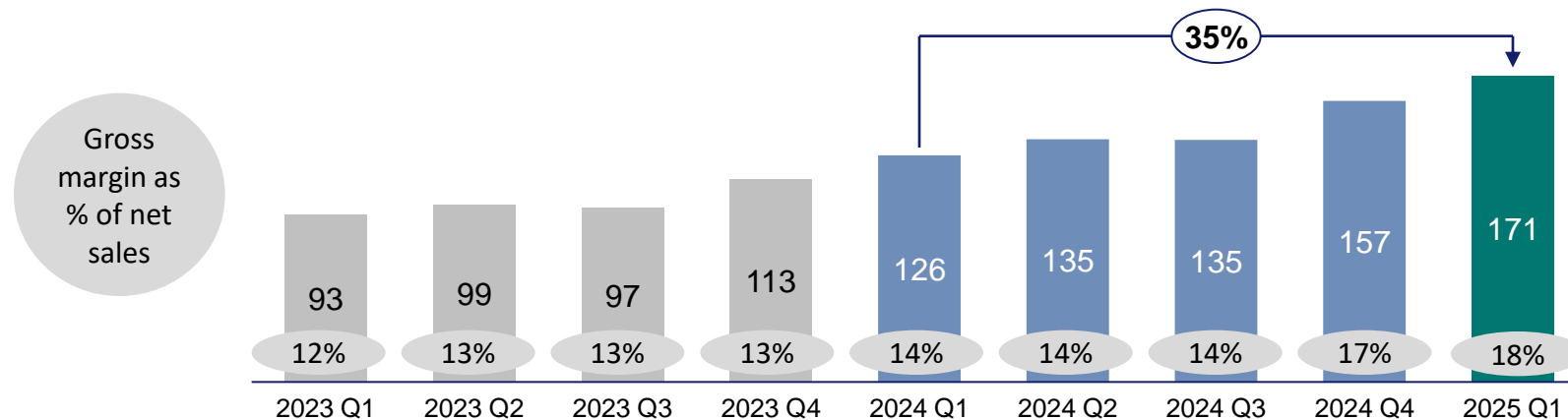
Net sales LFL* growth drivers (ppt)



NP includes goods sales, media, shipping income and insights revenue

Financial overview – Strong gross margin development

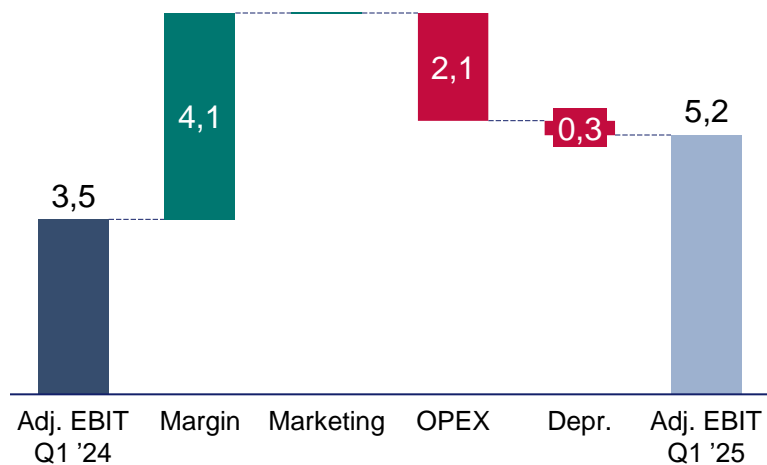
- The Group's gross margin increased to 18 per cent (SEK 171 m) for the first quarter (14 per cent in Q1 2024) driven by:
 - Mix benefit from discontinuation of US tobacco, state closures and Zyn shortage and NP share growth
 - Improved Media & Insights value
 - Scale benefits in fulfilment
- Haypp continues to invest into the consumer offer



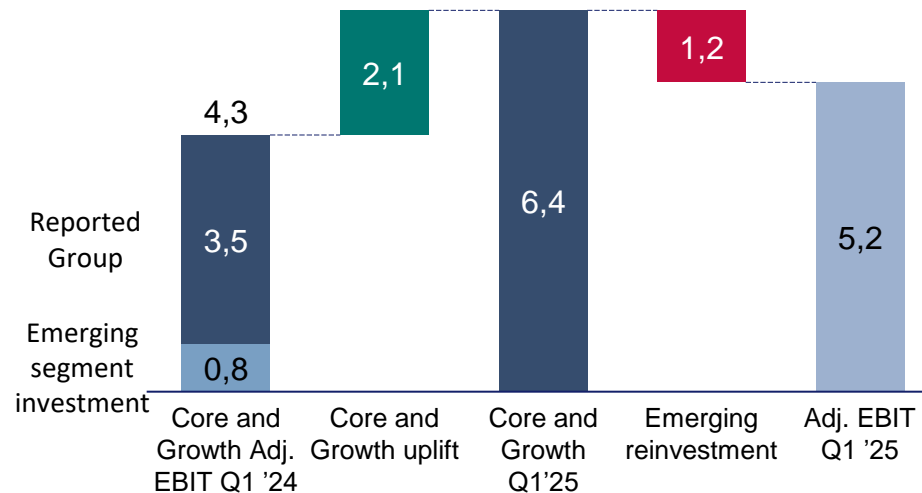
Financial overview - Profitability

- Adjusted EBIT for the first quarter grew by 56 per cent and amounted to SEK 47.7 m (30.6). The adjusted EBIT margin increased to 5.2 per cent (3.5)
- Continuing to invest into sustained competitive advantages, including US local capabilities through 2025
- Cash flow from operating activities for the period increased to SEK 113.7 m (121.6)

Total Group adj. EBIT% drivers



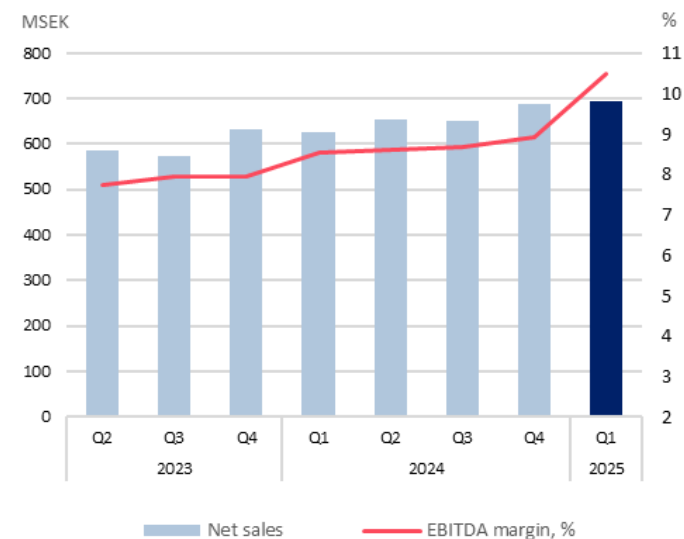
Emerging segment impact



Core Markets

- Net sales increased 10 per cent and reached SEK 692.8 m (627.7) for the first quarter. In constant currency, net sales increased by 11 per cent
- Nicotine pouch volume – which makes up over 50% of our Core volume – grew 23 per cent during the quarter; snus continued to decline as expected
- EBITDA for the segment was SEK 72.6 m (53.7). The EBITDA margin amounted to 10.5 per cent (8.6), Driven by M&I and temporary cost benefits on YE stockbuilds.

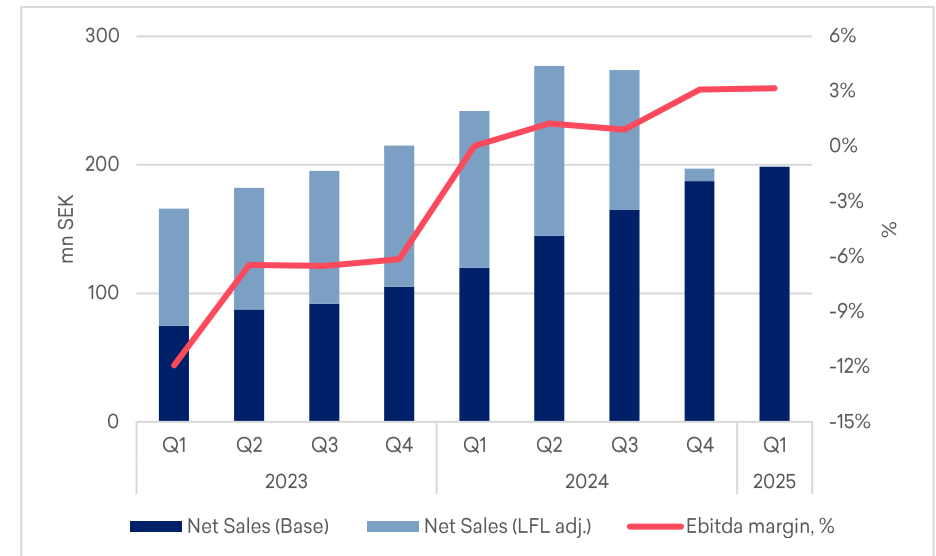
(Amounts in MSEK)	2025 Q1	2024 Q1	LTM	Full-Year 2024
Net sales	692.8	627.7	2,684.1	2,619.0
EBITDA	72.6	53.7	246.2	227.3
EBITDA margin, %	10.5	8.6	9.2%	8.7
Active customers (thousand)	427	410	766	756



Growth Markets

- Net sales decreased by 18 per cent to SEK 198.6 m (241.8) for the first quarter due to a stopping of all sales into California since early September last year, LFL Net sales growth 65 per cent
- Nicotine pouch volume grew by 68 per cent on a LFL basis (reported decreased 7 per cent) during the quarter
- EBITDA for the business unit increased to SEK 6.3 m (0.1), corresponding to an EBITDA margin of 3.2 per cent (0.0), due to favorable product mix and Media and Insights benefits

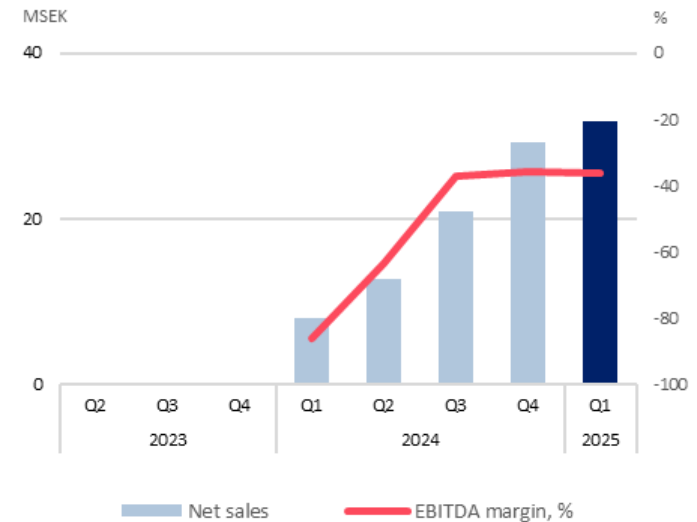
(Amounts in MSEK)	2025 Q1	2024 Q1	LTM	Full-Year 2024
Net sales	198.6	241.8	946.6	989.7
EBITDA	6.3	0.1	18.5	12.2
EBITDA margin, %	3.2	0.0	2.0	1.2
Active customers (thousand)	107	129	321	327



Emerging Markets

- Net sales for the fourth quarter, amounted to SEK 31.8 m from the vape segment in the UK, Germany and Sweden
- EBITDA for the business unit was SEK -11.5 m. The EBITDA margin amounted to -36.3 per cent driven by commercial investments and a high share of fixed costs compared with current volumes

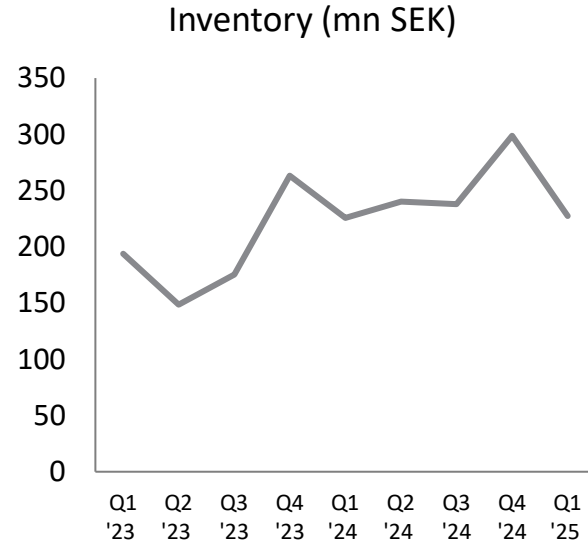
(Amounts in MSEK)	2025 Q1	2024 Q1	LTM	Full-Year 2024
Net sales	31.8	8.1	94.8	71.1
EBITDA	-11.5	-7.0	-37.9	-33.3
EBITDA margin, %	-36.3	-86.3	-39.9	-46.8
Active customers (thousand)	20	9	45	42



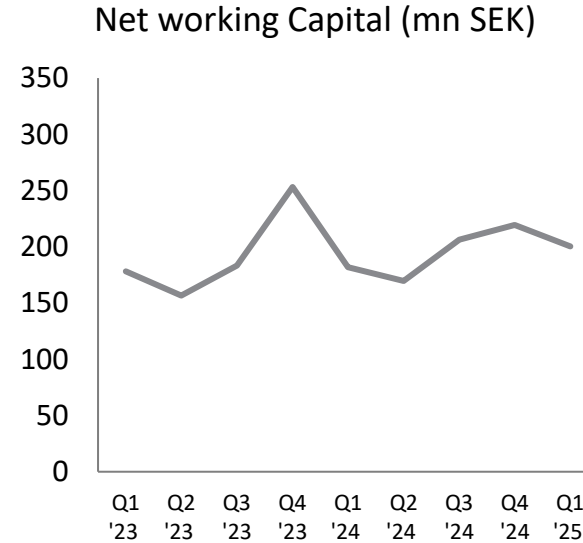
Selected KPIs

- During Q1 we normalized inventories, reducing working capital needs and reducing our leverage to the lowest level ever

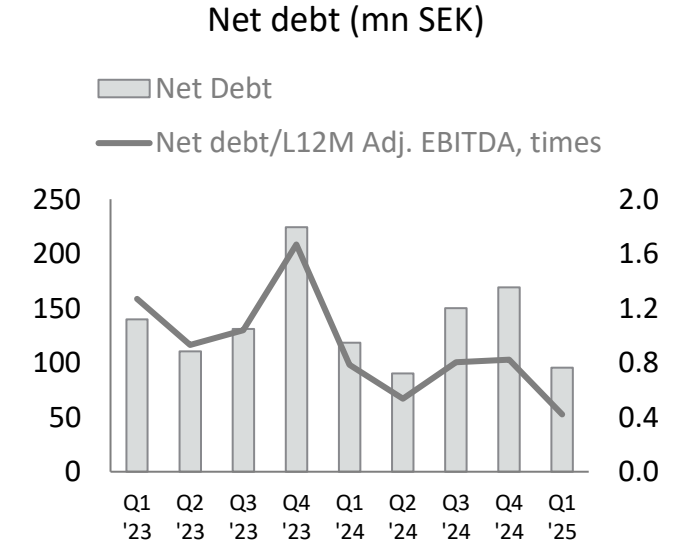
Inventory normalized after YE increase



Also reducing the working capital need



Leverage is down to 0.4 x last 12 months adj. EBITDA





Outlook

Outlook

- Long term fundamentals remains robust for risk reduced products, for the online channel and for Haypp
- The Group's operating model continues to deliver increasing value for consumers and suppliers while growing the company's gross margin.
- With tightening legislation Haypp's commitment to compliance is expected to be a significant competitive advantage
- US investment points to lower profit in H2
- Not carrying material risk from tariffs in US/Europe since most of our products is locally manufactured.
 - Online channel has benefited historically from periods of worsening consumer sentiment

Long term target

Haypp Group's Board of Directors adopted the following financial targets for 2028:

Sales

- Revenue growth range of 18-25 per cent CAGR. 2025 reported performance expected to be under this range.

Profitability

- Adjusted EBIT margin of 5.5 percent +/- 150 basis points.

Dividend policy

- The Board of Haypp Group expects to reinvest cash flows into the company's continued expansion.

A woman with her hair in a ponytail, wearing a white zip-up jacket, is shown in profile from the waist up. She is smiling and looking out over a cityscape at sunset. She is holding a pack of ZYN nicotine pouches in her hands. The background is a blurred cityscape with buildings and a body of water, all bathed in the warm, golden light of the setting sun.

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Inspiring a smoke-free
future for millions

Appendixes

02/05/2025

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21

Selected KPIs

	2025 Q1	2024 Q1	LTM	Full-Year 2024
Operational				
Number of orders (thousand)	1,185	1,196	4,935	4,946
Average order value (SEK)	703	684	694	690
Active customers (thousand)	553	548	1,032	1,146
Balance sheet				
Inventories (MSEK)	227,5	225,7	227,5	298.7
Net working capital (MSEK)	200.3	181.9	200.3	219.5
Net debt (MSEK)	95.5	118.4	95.5	169.0
Investments (MSEK) YTD	-35.8	-20.7	-	-116.7
Net debt/Adjusted EBITDA, times			0.4	0.8
Equity/Total assets ratio, %	58.2	58.2	-	55.4
Cash flow				
Cash flow from operating activities (MSEK)	113.7	121.6		196.4
Closing cash and cash equivalents (MSEK)	25.2	23.6	25.2	35.2

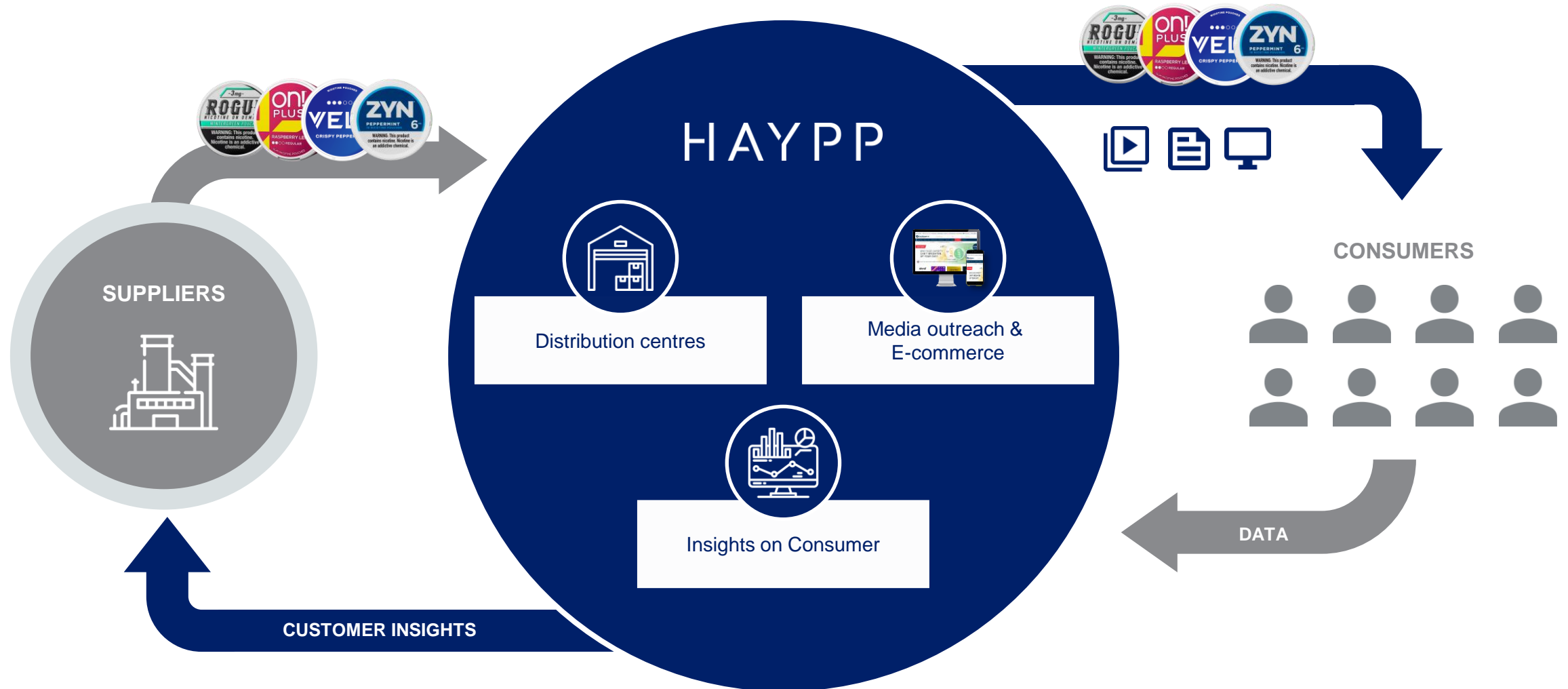
A silhouette of a person standing on a balcony, looking up at a small object in the sky. The background is a warm, golden sunset over a cityscape. The person's hand is raised towards the object. The overall mood is contemplative and serene.

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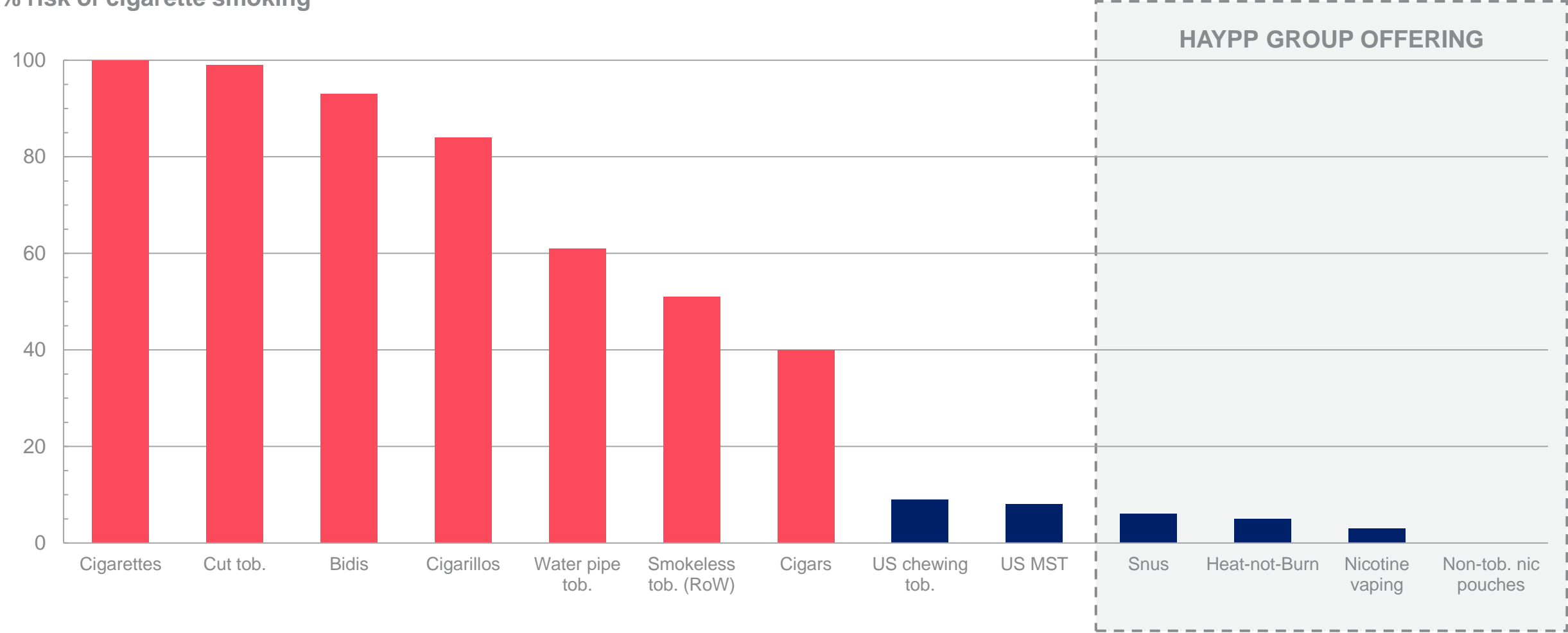
Haypp Group business model: Integral position in the value chain

Continually improving assortment of innovative products



Haypp Group focus on less harmful products

% risk of cigarette smoking



Murkett R, Rugh M and Ding B. Nicotine products relative risk assessment: an updated systematic review and meta-analysis [version 2]. F1000Research 2022, 9:1225 (doi: 10.12688/f1000research.26762.2)

Haypp's constants across markets

Consumers demand



- Significant, consistent value
- Choice/assortment
- Fast, reliable delivery

Regulators mandate



- Legal Age Access Only
- Appropriate limits on nicotine strengths and restrictions on packaging & flavor descriptors
- Compliant with local regulation

Suppliers/brand owners require



- Efficient, scalable access to consumers
- Reliable, trustworthy partner who sets standards for age restricted products
- Market insight on consumers revealed preferences (what & why)

Technology enables



- Easier purchase experience (even within highly regulated environments)
- Personalized experience
- Benefits captured by largest (if structured appropriately)

Strategy for success

Continuously improving Search, Assortment, Price and Convenience at scale requires the correct technology and infrastructure

