

A hand holding a magnifying glass over a white circular area.

HAYPP GROUP

Interim Report – Q1
May 3, 2024

Today's presenters



Gavin O'Dowd
CEO



Peter Deli
CFO

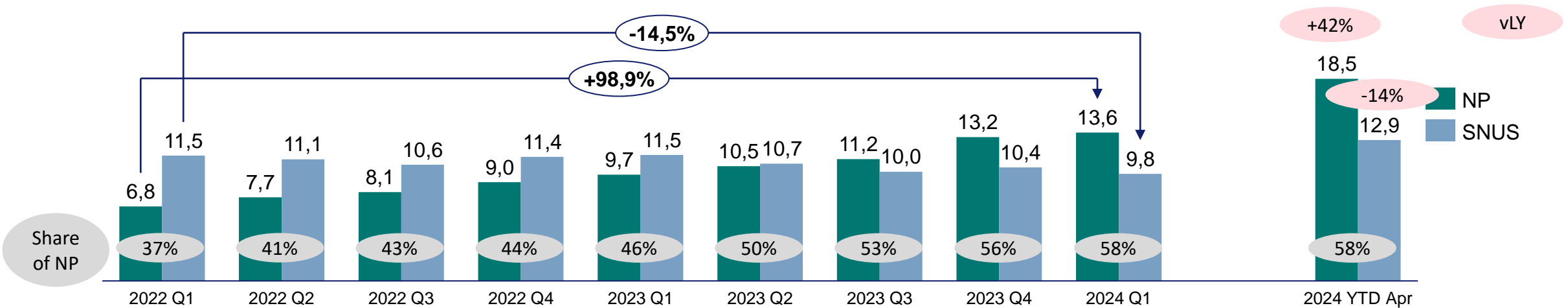


Interim Report – Q1

Our purpose: “Inspiring healthier enjoyment for millions”

Operational highlights

- **Nicotine pouch performance supports positive outlook**
 - YTD April data shows consistent, robust growth and compensation for the Easter effect
 - Development of NP volume and revenue in the Growth division was especially strong
 - Haypp Group exited Q1 with over 60% of volume from NP
- **Snus decline is a headwind but is manageable and not strategically key**
 - Snus is not part of the long-term strategy due to the lack of innovation, new products and low investment in the category as brand owners shift their focus to NP
- **First quarter adj EBIT margin shows the scale benefits in the consumer business and in the Group's marketing and insights operations**
 - The scale benefits were particularly evident in the Growth division
 - The Group adj EBIT margin would have reached 4.3 per cent, excluding investment in the Emerging division
- **Infrastructure progress proceeding as desired, setting company up for further growth**



Introduction to our Emerging initiatives

- **Nicotine pouches are the fastest growing RRP category and Haypp Group is in the markets that account for most of the NP volume.**
 - Approximately 4mn of 100mn RRP consumers worldwide in the NP product segment in the Group's current geographic footprint
- **Haypp Group's rationale**
 - Existing infrastructure and skill set gives a boost to attracting and converting consumers looking for nicotine vaping (vapes) products
 - Over 2/3s of NP consumers used vapes in prior 12 months in selected markets, on the Group's estimates, demonstrating the similar appeal
 - Haypp Group can leverage its granular understanding of the RRP category, but development of the business will require persistence
- **Adjacent segments and countries provide opportunities to more than double the addressable consumers**
 - Haypp Group prioritised vapes to reach an additional approximate 6mn of RRP consumers (UK, DE and SE)
- **Wave of regulation potentially on horizon; disruption could become a long-term opportunity**
 - Disposable bans potentially coming in UK, FR, DE
 - Underage usage concerns ameliorated by Haypp Group's 100% compliance with Youth Access Prevention across jurisdictions

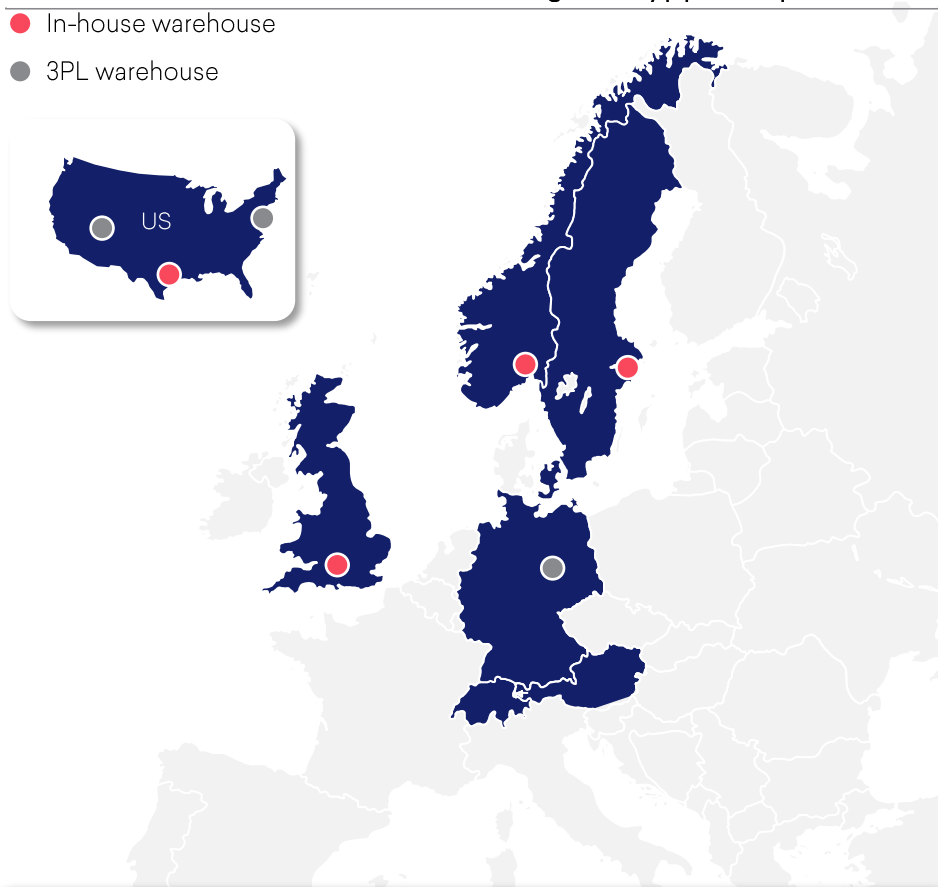
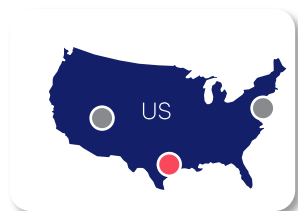
Efficient logistics set-up rigged for continued expansion

Phase 1: Fulfilment infrastructure

Flexible fulfilment infrastructure serving all Haypp Group's markets

● In-house warehouse

● 3PL warehouse



Inventory turnover ratio 13x

L12M Q1 '24

Phase 2: Scalable back-end infrastructure

Building for convenience and efficiency

- Scalable supporting future growth in current markets
- Efficient entry into adjacent categories and new markets

ERP and middleware infrastructure

- Sweden and Growth Europe transitioned to the latest back-end ERP infrastructure during Q1

New e-com infrastructure

- Successful launch of Vapeglobe in Germany
- Migration of 1st store in Norway
- Implementation continues in Norway and other European countries

Warehouse infrastructure

- Automation of warehouse in Houston beginning, using same machinery supplier and plan to ensure process robustness and efficiency. Anticipated live date in late 2024

Regulatory outlook

Regulatory delays expected across many countries

Core markets

- New national regulatory initiatives presented in **Sweden** are supporting tobacco harm reduction in line with the Group's agenda.
- **Norway's** initiatives are further delayed, and we remain positive on their implications.

Growth markets

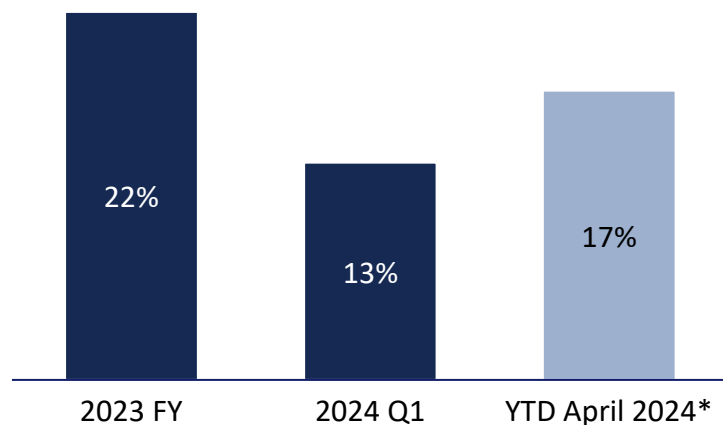
- **US** regulatory framework remains stable, despite limited progress on PMTAs for new products and the recent concern from some prominent senators. The category continues to demonstrate very healthy growth rates and is generally supported by regulators and harm reduction advocates.
 - States introducing registry laws may limit illicit disposable vapes and further encourage migration to NP
 - NP still has very low under 21 consumption*
- **UK's** regulatory initiatives are delayed relative to our initial estimates; as proposed the regulations will likely be beneficial to the Group's operations.
- In **EU** the revision of the Tobacco Products Directive is even further delayed. On the back of this delay more member states are introducing appropriate national legislation around NP further supporting the sustainability of the category.
 - Disposable vapes may face bans in some EU jurisdictions.

*Source: Company reports

Financial overview – Sales development

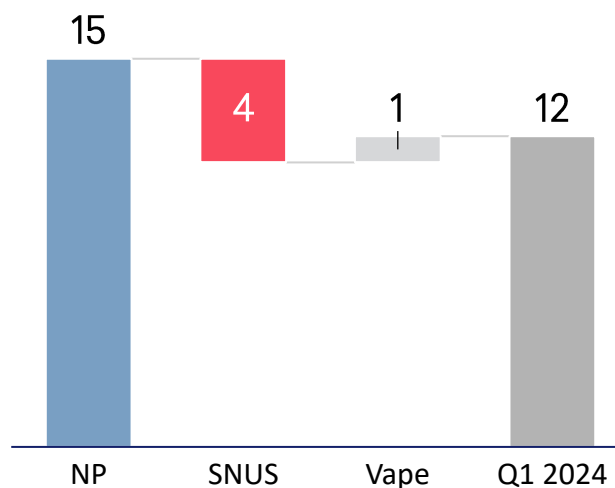
- Reported net sales for the Group increased 12 per cent to SEK 887.5mn (781.3) for the first quarter. In constant currency, net sales increased 13 per cent.
- Timing impact from Easter compensated in April
- Actions taken to moderate snus decline

**Easter impact on net sales growth
(excl. FX)**

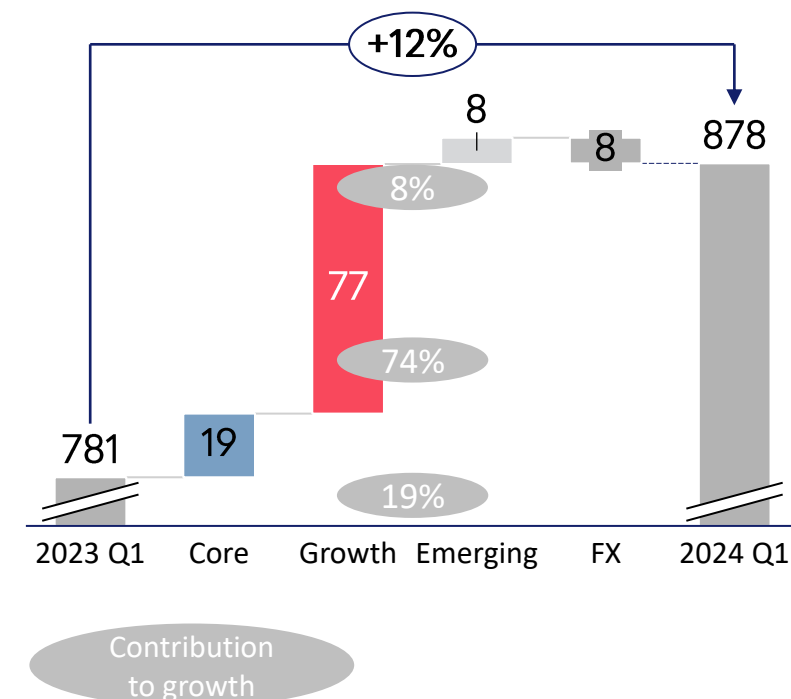


**April 2024 based on internal estimates*

Net sales growth drivers (%)



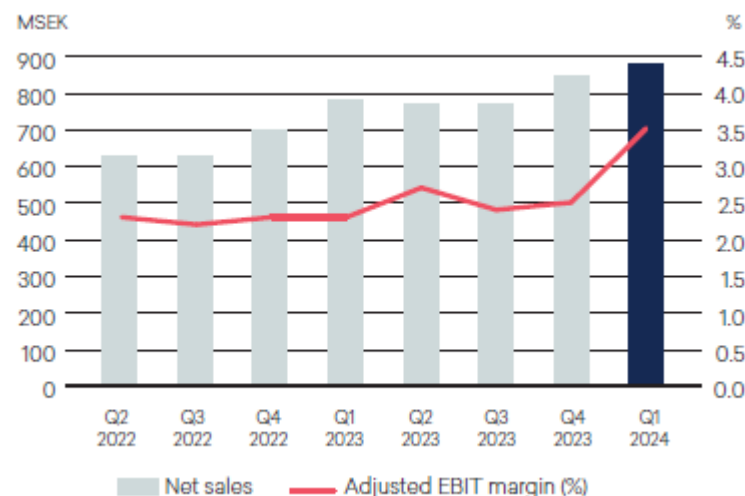
Net sales growth drivers



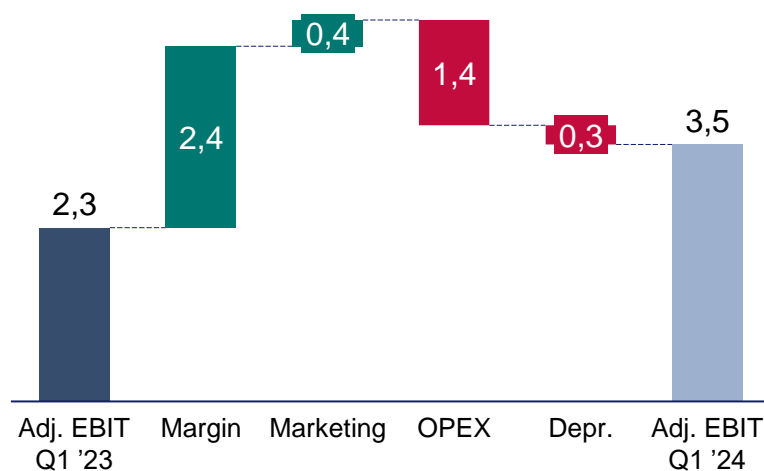
Financial overview - profitability

- Gross margin for the quarter increased by 2.4 percentage points to 14.4 per cent (12.0) driven by a strengthened position in the value chain both in the Core and Growth business unit as well as further benefits of scale.
- Part of the gross margin was reinvested into improving our capabilities, mainly in our Emerging division.
- Adjusted EBIT for the first quarter grew 68 per cent to SEK 30.6mn (18.2). The increase was mainly due to a higher gross margin, increased volume as well as efficiency, partially offset by continued investments. The adjusted EBIT margin increased to 3.5 per cent (2.3).
- Cash flow for the period from operating activities increased to SEK 121.6mn (91.9).
- Exceptional cost recognizes the impairment on retired equipment from the Stockholm warehouse.

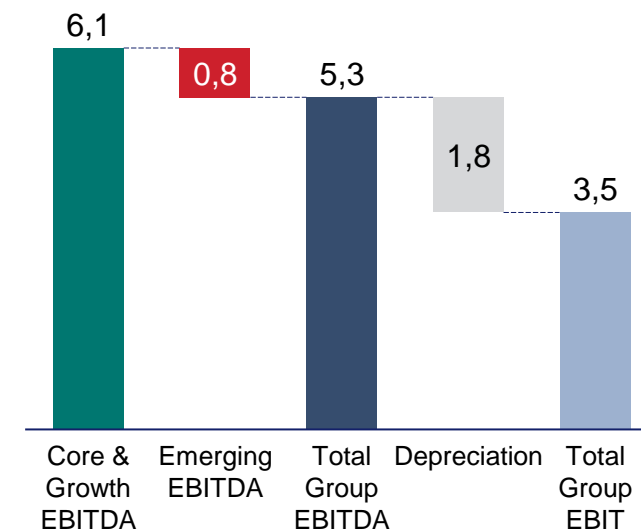
Total Group adj. EBIT %



Total Group adj. EBIT% drivers



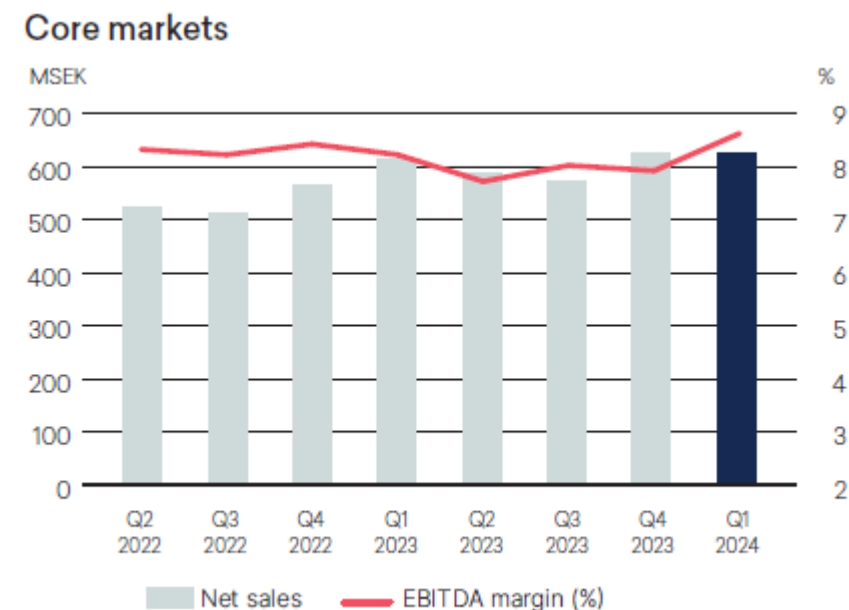
Emerging segment impact



Core markets

- Net sales increased 2 per cent to SEK 627.7mn (615.5) for the first quarter. In constant currency, net sales increased 3 per cent. (YTD April 8%)
- Nicotine pouch (NP) sales performance was inline with volume development though overall sales growth was hindered by the snus decline. Nicotine pouch volume grew 32 per cent in the quarter and was up 34 per cent YTD April.
- Haypp Group does not view snus as part of its long-term strategy due to the lack of innovation, new products and low investment in the category as brand owners shift their focus to NP.
- EBITDA grew 6.5 per cent to SEK 53.7mn (50.4). The EBITDA margin reached 8.6 per cent (8.2), mainly attributable to a favorable mix impact.

(Amounts in MSEK)	2024 Q1	2023 Q1	LTM	Full-Year 2023
Net sales	627.7	615.5	2,419.7	2,407.5
EBITDA	53.7	50.4	194.9	191.6
EBITDA margin, %	8.6	8.2	8.1	8.0
Active customers (thousand)	410	401	731	732

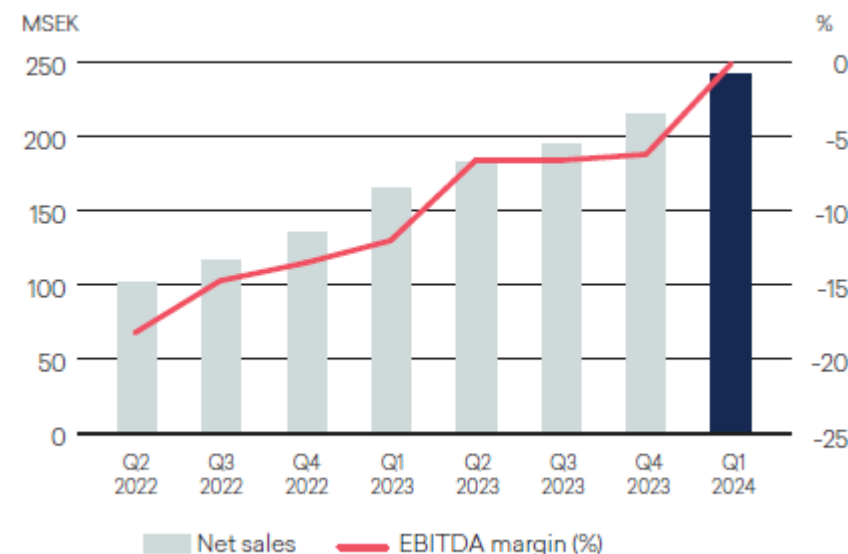


Growth markets

- Net sales increased 46 per cent to SEK 241.8mn (165.8) for the first quarter, driven by a strong performance in all markets, especially the US. In constant currency, net sales increased by 46 per cent.
- Nicotine pouches volume grew 52 per cent during the quarter, with US increasing 59 per cent (excl. California 70 per cent).
- EBITDA increased nearly SEK 20mn to SEK 0.1mn (-19.8), corresponding to an EBITDA margin of 0.0 per cent (-11.9), due to economies of scale, offset by some commercial investments.

(Amounts in MSEK)	2024 Q1	2023 Q1	LTM	Full-Year 2023
Net sales	241.8	165.8	834.2	758.2
EBITDA	0.1	-19.8	-37.6	-57.4
EBITDA margin, %	0.0	-11.9	-4.5	-7.6
Active customers (thousand)	129	100	228	222

Growth markets



Emerging Markets

- Performance of the division is similar to that seen in the early days of the Growth division.
- Net sales for the first quarter were SEK 8.1mn in the new division, currently consisting of nicotine vaping (vapes) in the UK, Germany and Sweden.
- Active customers were 9 thousand.
- EBITDA was SEK -7.0mn, with an EBITDA margin of -86.3 per cent, driven by the Group's investments in capacity and capability within commercial, SEO and category management.

(Amounts in MSEK)	2024 Q1
Net sales	8.1
EBITDA	-7.0
EBITDA margin, %	-86.3
Active customers (thousand)	9

Emerging markets



Selected KPIs

	2024 Q1	2023 Q1	LTM	Full-Year 2023
Operational				
Number of orders (thousand)	1,196	1,121	4,501	4,426
Average order value (SEK)	684	650	681	672
Active customers (thousand)	548	501	968	953
Balance sheet				
Inventories (MSEK)	225.7	193.8	-	263.4
Net working capital (MSEK)	209.6	178.2	253.1	253.1
Net debt (MSEK)	118.4	139.8	118.4	224.5
Investments (MSEK)	-20.7	-19.3	-	-61.0
Net debt/Adjusted EBITDA, times			0.8	1.7
Equity/Total assets ratio, %	58.2	61.7	-	56.7
Cash flow				
Cash flow from operating activities (MSEK)	121.6	91.9	-	80.5
Closing cash and cash equivalents (MSEK)	23.6	14.4	-	11.4



Financial targets and strategy

Financial targets

	Targets for Core and Growth segments	Ambitions for Emerging segment
Growth	Haypp Group targets to reach net sales of at least SEK 5bn by 2025, through organic growth alone	Expansion into adjacent categories and new markets will be top priority
Profitability	Haypp Group will prioritise growth over profitability and targets a high single digit Adjusted EBIT margin early, in 2025.	This effort will absorb 1-2ppt of our Group adjusted EBIT margin through 2025
Dividend policy	The existing business will generate healthy free cashflow, some of which will be used to fund new opportunities.	Excess capital, post 2025, will be returned to shareholders

Underpinning the success

Performance

Operating model

Technology and processes

People and culture

Inspiring healthier enjoyment for millions

A woman with dark hair in a ponytail, wearing a white athletic jacket, is shown in profile from the waist up. She is smiling and looking out over a cityscape at sunset. The background is a warm, golden-hued sky over a city with buildings and water. The overall mood is peaceful and inspiring.

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