

Interim report – Q2  
12 August 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

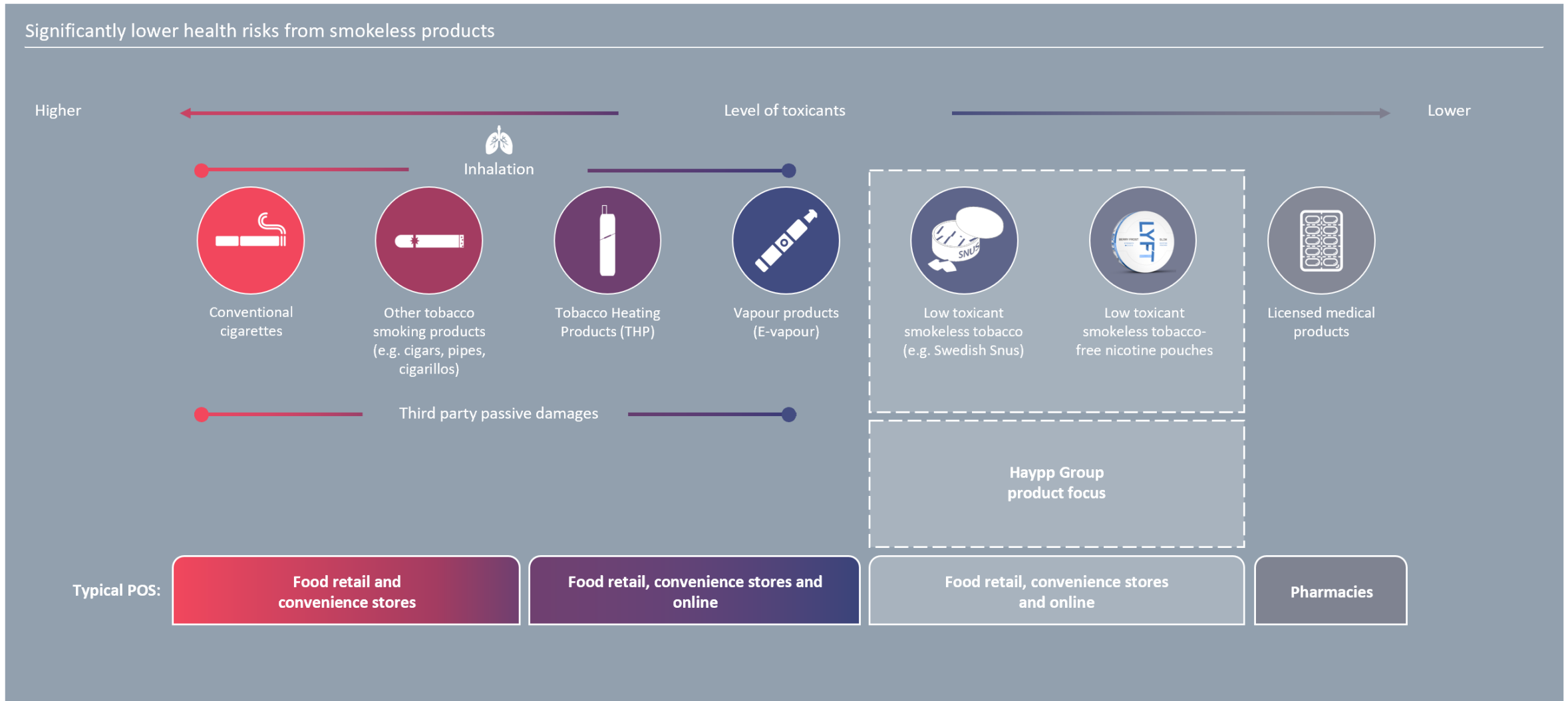


**Svante Andersson**  
CFO

Why we exist – inspiring healthier enjoyments to millions

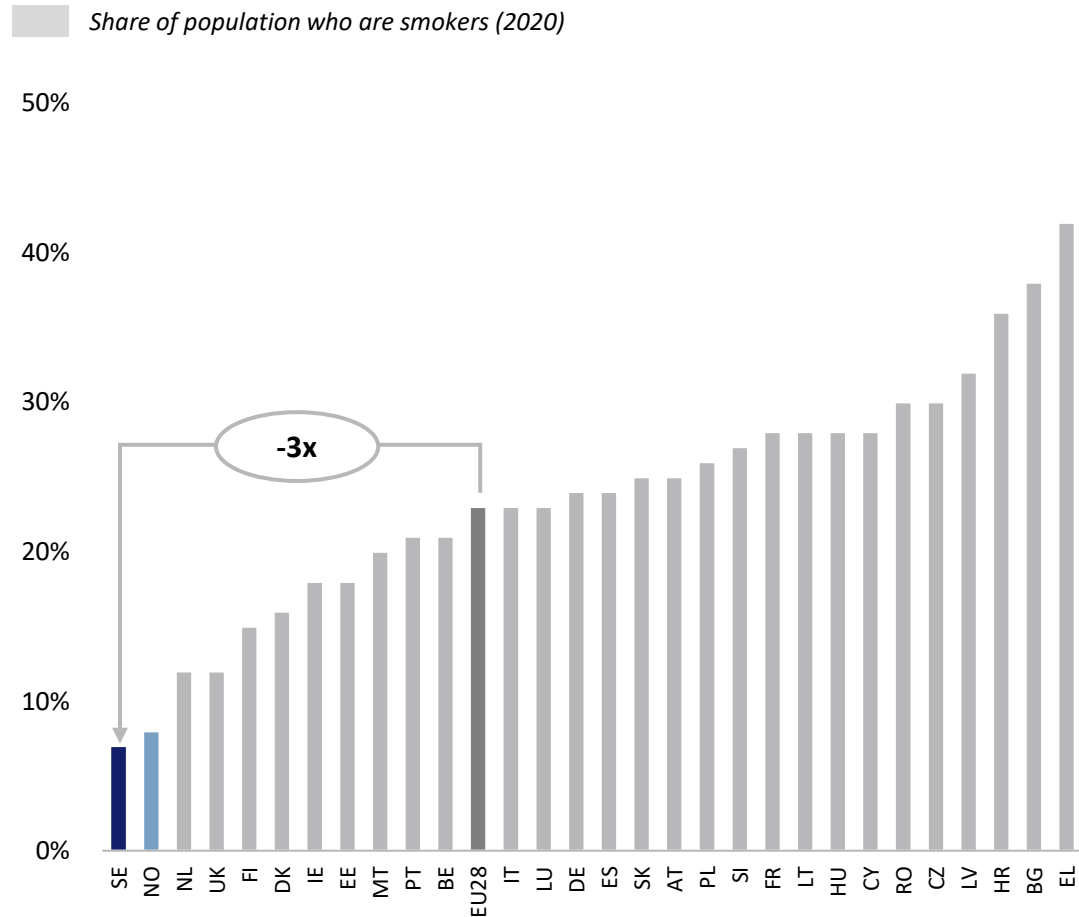


# Focused on healthier enjoyment products



# ...that enable the shift from harmful consumption

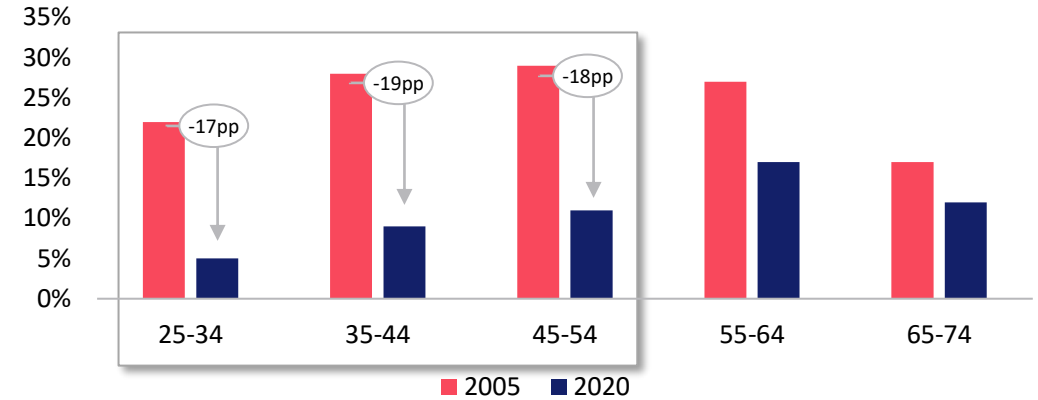
Significantly lower smoking incidence in Sweden and Norway



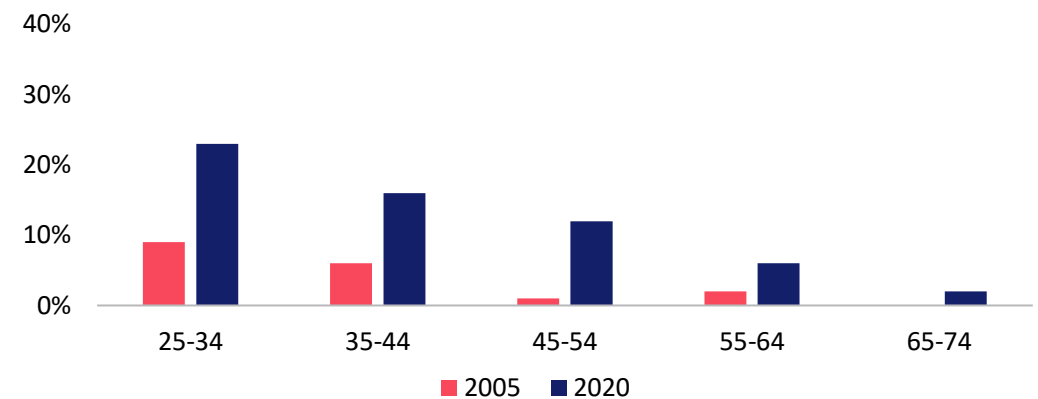
Rapid decline in cigarette consumption following the adoption of NP/snus



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 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



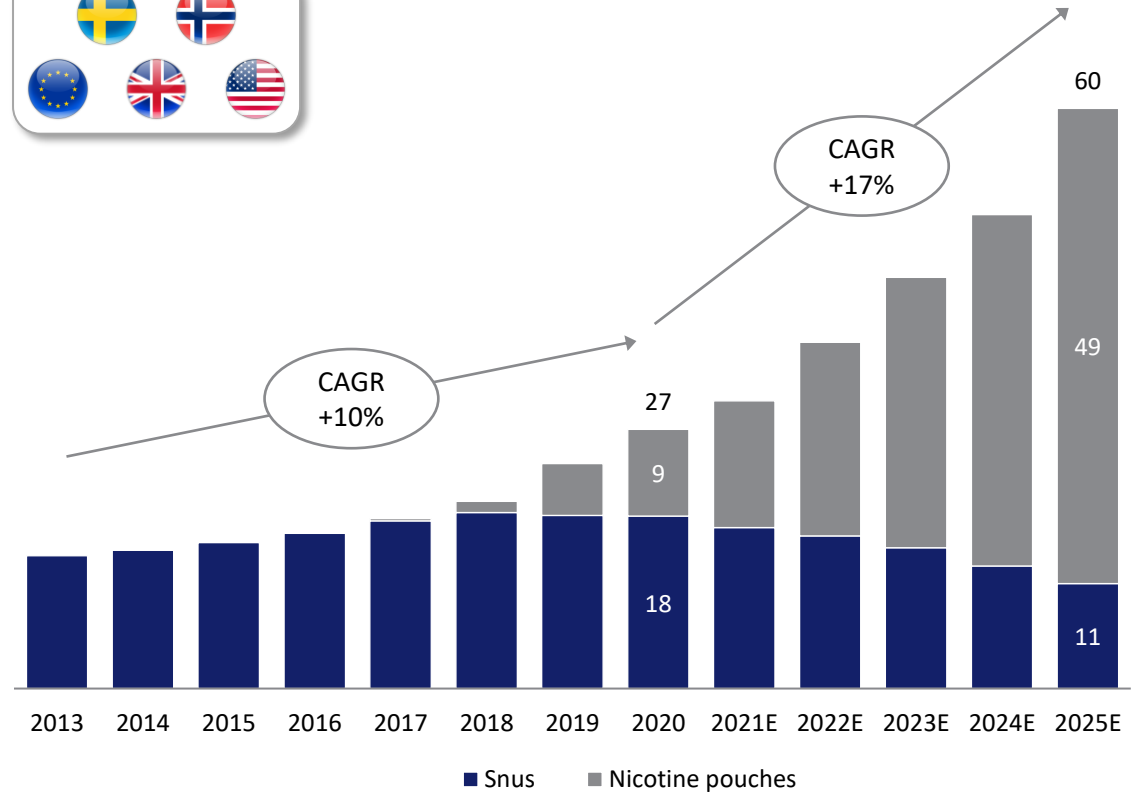
Legislation favours modern nicotine products



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%

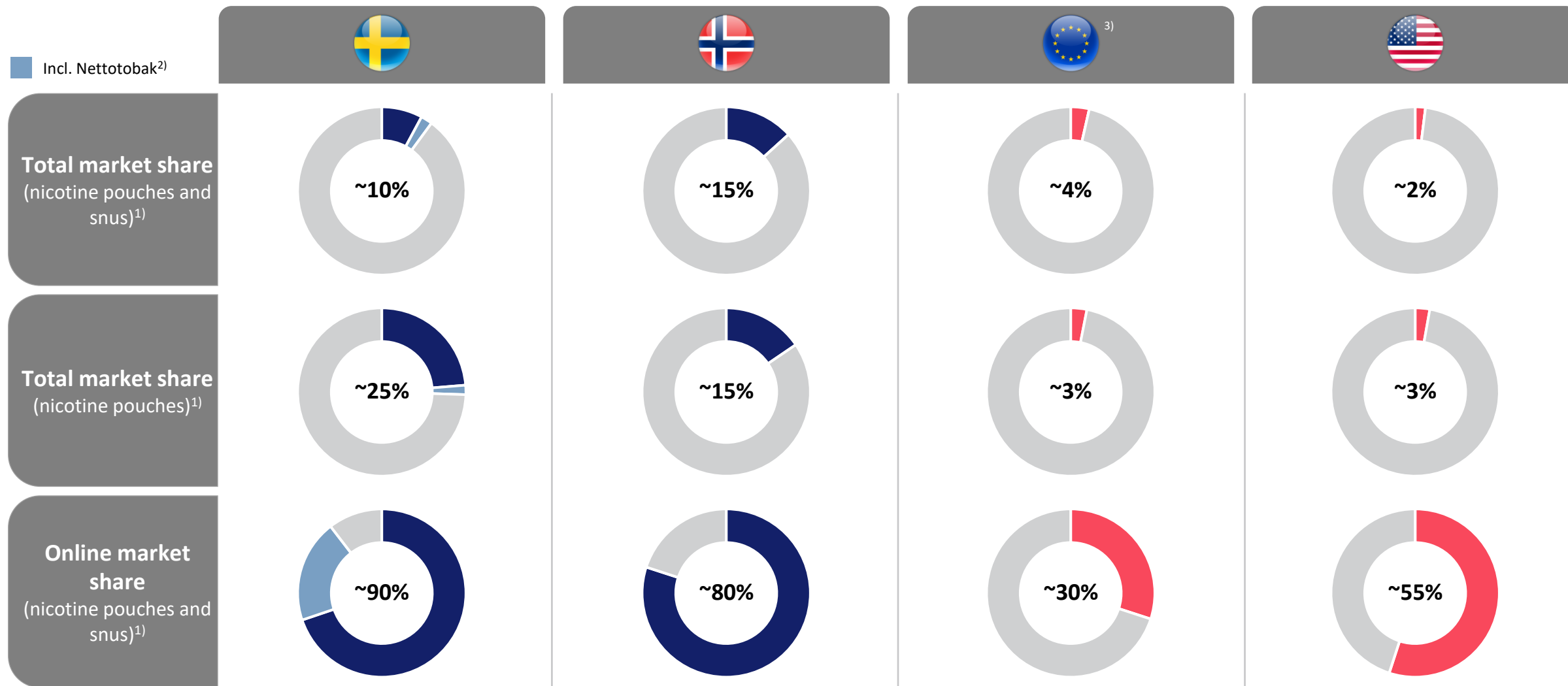
-9%

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

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



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



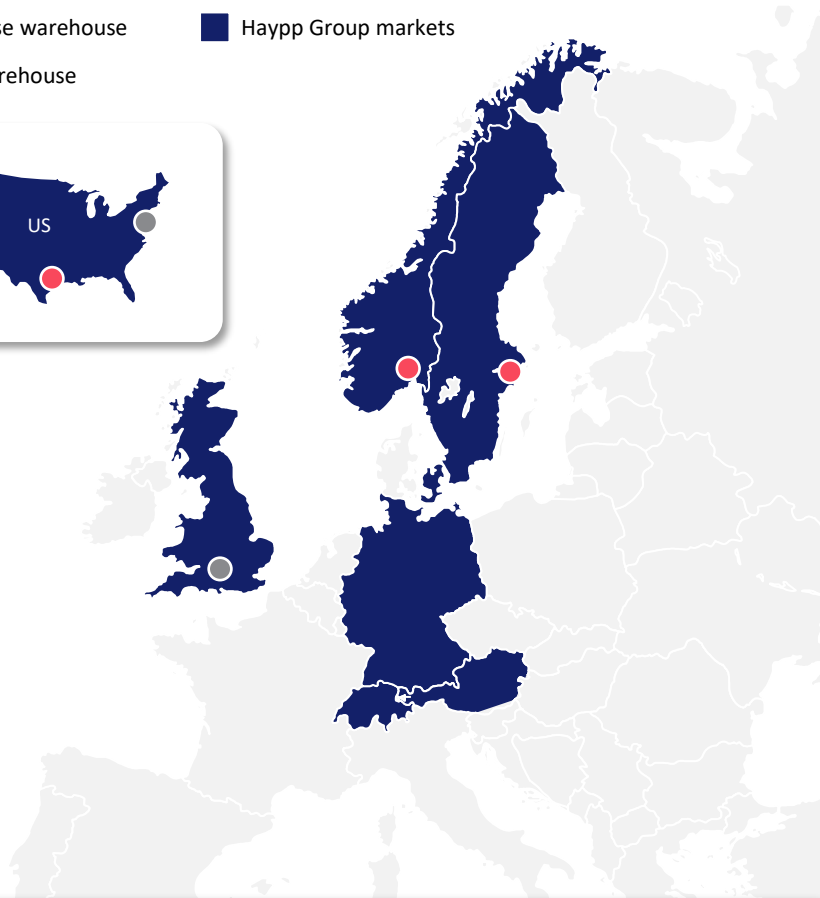
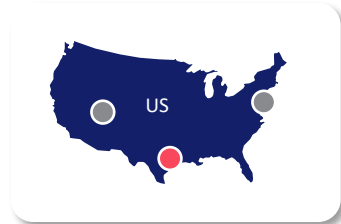
# Efficient logistics set-up rigged for continued global expansion

Flexible fulfilment infrastructure serving all Haypp Group's markets

● In-house warehouse

■ Haypp Group markets

● 3PL warehouse



**Inventory turnover ratio of c. 18x**  
in 2021

## 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 in Q4 2020
- Colorado launched in Q1
- Texas and UK launched in Q2



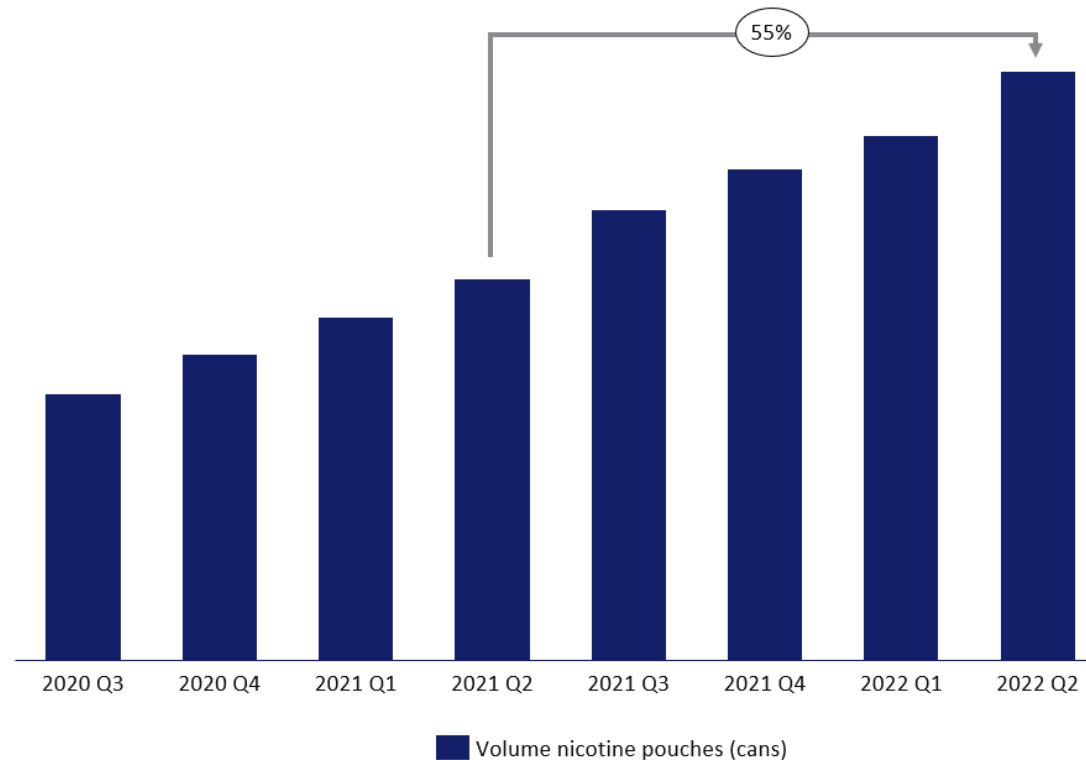
# HAYPP GROUP

Interim Report – Q2

# 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 in many of the Growth markets will be two major drivers of Haypp Group’s future growth.
- The volume of Nicotine pouches grew organically by 50 per cent for the Group during the quarter and 55 percent in total. For our Growth markets and Sweden, growth rates were substantially higher.
- Nicotine pouches accounted for 41 percent of Haypp Group’s volume during the quarter compared to 33 percent in the second quarter of last year.

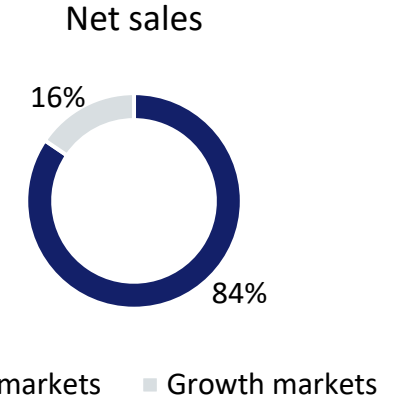


# Operational highlights

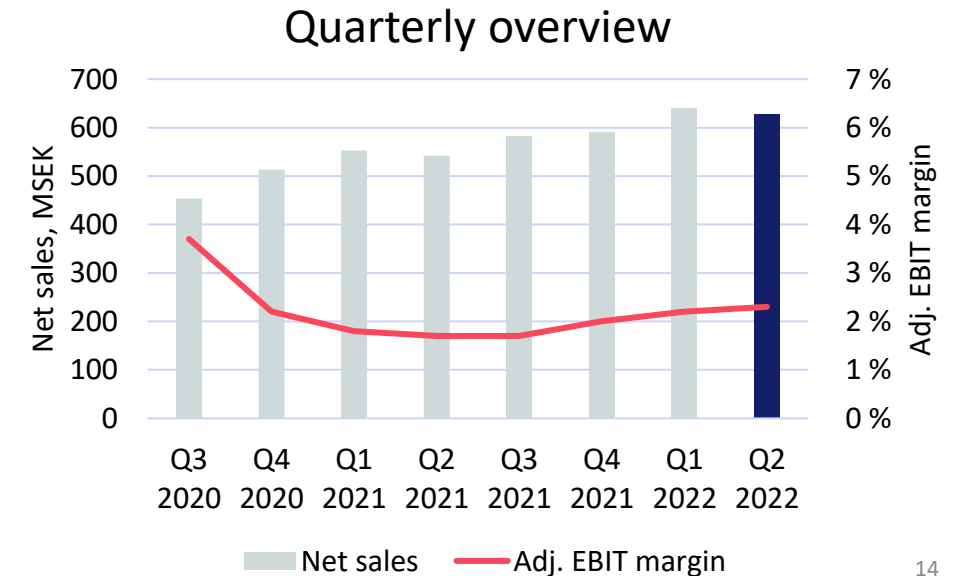
- **First phase of warehouse expansion plan is completed leading to significant improvements in convenience, efficiency and capacity**
  - Launched automated in-house warehouse in Oslo in Q4 2021 which shortened delivery lead times to Norwegian customers, increased efficiency as well as increased the delivery capacity.
  - Centralized our European fulfilment centers by relocating operations to our existing automated warehouse in Stockholm which during Q1 was additionally expanded to support further capacity for our Swedish and non-Scandinavian Europe business.
  - Opened third-party warehouse in Denver, Colorado in Q1 to improve convenience for our customers in the western US.
  - During Q2, we expanded our distribution capabilities across the southern US states through a long-term lease agreement concerning an in-house warehouse operation in Houston, Texas.
  - Launched our first UK warehouse, which will significantly shorten delivery lead times to our UK customers and enhance our delivery capacity.
- **Positive regulatory development**
  - Governments across all of Europe and the US are increasingly adopting the principle of harm reduction in their regulatory work.
  - Sweden has introduced legislation for nicotine pouches that will, among other things, limit certain marketing practices and introduce product standards and age verification.
  - Haypp Group support these changes and note that our policies largely overlap with the regulation.
  - New legislation will secure the sustainability of the category not only in Sweden but also sets a precedent for upcoming EU legislation.

# Financial overview

- Continued strong underlying growth across all segments except for Norway. Reported Net sales for the Group increased 16 per cent and amounted to SEK 627.6 m (541.8) for the second quarter. The organic sales growth was 6 per cent. Excluding Norway, organic sales growth for the Group was 32 per cent.
- Gross margin for the second quarter increased by 2.3 percentage points to 12.5 per cent (10.2).
- Adjusted EBIT for the second quarter grew by 57 per cent and amounted to SEK 14.6 m (9.3). The adjusted EBIT margin increased to 2.3 per cent (1.7) mainly due to higher volume and gross margin.
- Net sales increased 16 per cent during the first six months and amounted to SEK 1,267.6 m (1,094.3). Adjusted EBIT increased to SEK 28.7 m (19.5), corresponding to a margin of 2.3 per cent (1.8).
- Cash flow for the period from operating activities increased to SEK 31.6 m (-20.3).



| (Amounts in MSEK)             | 2022<br>Q2 | 2021<br>Q2 | 2022<br>Q1-Q2 | 2021<br>Q1-Q2 | LTM     | Full year<br>2021 |
|-------------------------------|------------|------------|---------------|---------------|---------|-------------------|
| Net sales                     | 627.6      | 541.8      | 1,267.6       | 1,094.3       | 2,440.1 | 2,266.8           |
| Net sales growth, %           | 15.8       |            | 15.8          |               |         | 31.1              |
| Gross margin, %               | 12.5       | 10.2       | 12.1          | 11.1          | 11.5    | 11.0              |
| Adjusted EBIT                 | 14.6       | 9.3        | 28.7          | 19.5          | 50.7    | 41.5              |
| Adjusted EBIT margin, %       | 2.3        | 1.7        | 2.3           | 1.8           | 2.1     | 1.8               |
| Items affecting comparability | 0.3        | -11.5      | -3.3          | -13.9         | -24.6   | -35.2             |
| Operating profit/loss         | 5.0        | -6.9       | 5.6           | -3.5          | -13.5   | -22.6             |
| Profit/loss for the period    | 10.5       | -8.6       | 8.7           | -8.7          | -10.3   | -27.6             |
| EPS before dilution (SEK)     | 0.36       | -0.41      | 0.30          | -0.42         | -0.34   | -1.19             |



# Core markets

- Net sales increased 8 per cent and amounted to SEK 525.3 m (484.4) for the second quarter. Nicotine pouches grew by 43 percent in volume during the quarter where growth in Sweden was even higher.
- In Sweden, Net sales for the quarter increased by 43 per cent driven by continued strong organic performance combined with the acquisitions which contributed SEK 56.1 m to Net sales. Net sales in Norway declined by 26 percent during the quarter due to continued challenging trading environment.
- EBITDA for the business unit amounted to SEK 43.5 m (29.7). The EBITDA margin increased by 2.2 percentage points to 8.3 per cent (6.1), 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 10 per cent during the first six months and amounted to SEK 1,066.1 m (972.9). EBITDA increased to SEK 84.4 m (56.8), corresponding to a margin of 7.9 per cent (5.8).

| (Amounts in MSEK)           | 2022 Q2 | 2021 Q2 | 2022 Q1-Q2 | 2021 Q1-Q2 | LTM     | Full year 2021 |
|-----------------------------|---------|---------|------------|------------|---------|----------------|
| Net sales                   | 525.3   | 484.4   | 1,066.1    | 972.9      | 2,071.0 | 1,977.9        |
| EBITDA                      | 43.5    | 29.7    | 84.4       | 56.8       | 146.9   | 119.6          |
| EBITDA margin, %            | 8.3     | 6.1     | 7.9        | 5.8        | 7.1     | 6.0            |
| Number of orders (thousand) | 789     | 726     | 1612       | 1439       | 3,167   | 2,994          |
| Average order value (SEK)   | 625     | 613     | 624        | 653        | 623     | 619            |
| Active customers (thousand) | 340     | 287     | 449        | 371        | 589     | 554            |



# Growth markets

- Net sales increased 78 per cent and amounted to SEK 102.3 m (57.4) for the second quarter, mainly due to a strong performance across both the US and Europe. Nicotine Pouches grew by 86 percent in volume during the quarter.
- EBITDA amounted to SEK -18.5 m (-12.8), corresponding to an EBITDA margin of -18.1 per cent (-22.2), due to continued commercial investments for growth mainly impacting the gross margin negatively.
- Net sales increased 66 per cent during the first six months and amounted to SEK 201.6 m (121.4). EBITDA amounted to SEK -36.5 m (-24.1), corresponding to a margin of -18.1 per cent (-19.9).

| (Amounts in MSEK)           | 2022 Q2 | 2021 Q2 | 2022 Q1-Q2 | 2021 Q1-Q2 | LTM   | Full year 2021 |
|-----------------------------|---------|---------|------------|------------|-------|----------------|
| Net sales                   | 102.3   | 57.4    | 201.6      | 121.4      | 369.1 | 288.9          |
| EBITDA                      | -18.5   | -12.8   | -36.5      | -24.1      | -59.6 | -47.2          |
| EBITDA margin, %            | -18.1   | -22.2   | -18.1      | -19.9      | -16.1 | -16.3          |
| Number of orders (thousand) | 138     | 80      | 275        | 162        | 515   | 403            |
| Average order value (SEK)   | 713     | 700     | 707        | 666        | 671   | 671            |
| Active customers (thousand) | 72      | 45      | 102        | 70         | 149   | 128            |





# Selected KPIs

|  | 2022<br>Q2 | 2021<br>Q2 | 2022<br>Q1-Q2 | 2021<br>Q1-Q2 | LTM   | Full year<br>2021 |
|--|------------|------------|---------------|---------------|-------|-------------------|
| <b>Operational</b>                         |            |            |               |               |       |                   |
| Number of orders (thousand)                | 926        | 806        | 1,887         | 1,601         | 3,683 | 3,397             |
| Average order value (SEK)                  | 638        | 622        | 636           | 627           | 630   | 625               |
| Active customers (thousand)                | 412        | 332        | 551           | 442           | 738   | 682               |
| <b>Balance sheet</b>                       |            |            |               |               |       |                   |
| Net working capital (MSEK)                 |            |            | 111.9         | 28.8          | 111.9 | 69.8              |
| Net debt (MSEK)                            |            |            | 84.3          | 177.9         | 84.3  | 46.0              |
| Investments (MSEK)                         |            |            | -18.3         | -217.5        |       | -245.9            |
| Net debt/Adjusted EBITDA, times            |            |            |               |               | 1.0   | 0.6               |
| Equity/Total assets ratio, %               |            |            | 59.6          | 47.2          |       | 61.4              |
| <b>Cash flow</b>                           |            |            |               |               |       |                   |
| Cash flow from operating activities (MSEK) |            |            | 31.6          | -20.3         |       | -48.3             |
| Closing cash and cash equivalents (MSEK)   |            |            | 52.6          | 31.5          | 52.6  | 49.1              |



# 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.

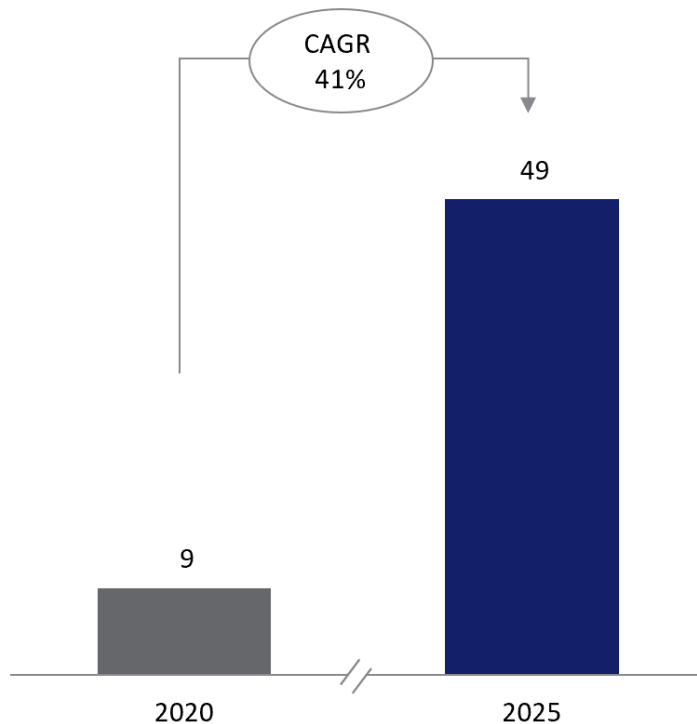
## Dividend policy

- 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

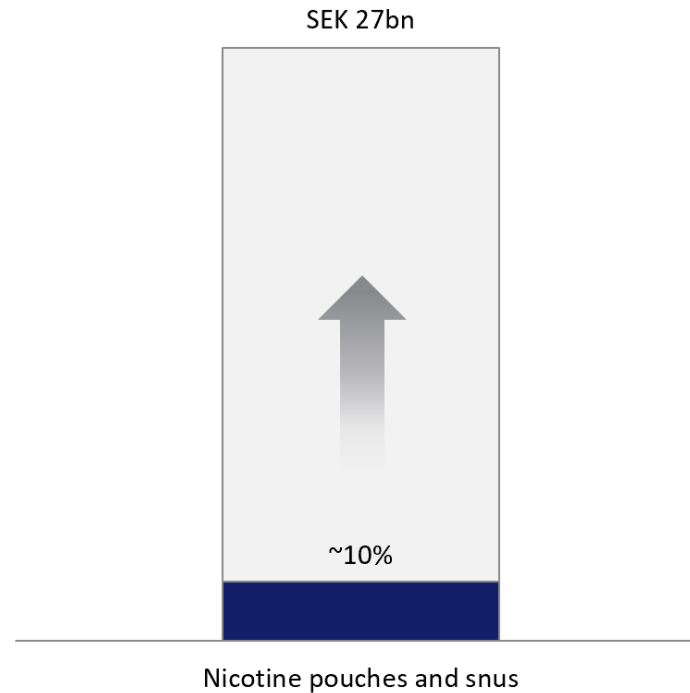
## Strong category growth

■ 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 and the transition to the Nicotine pouches category runs according to plan**
  - The nicotine pouch category continues to grow rapidly across both Core and Growth markets and have continued support from regulators around harm reduction.
  - All large manufacturers are active, and many credible new manufacturers are accelerating innovation.
  - Expect to benefit from the price advantages of the e-commerce 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.
- **Investing for growth**
  - Haypp Group growing volume organically by 50 per cent in the second quarter within Nicotine pouches.
  - Performance in Sweden remains strong and share of Nicotine pouches continues to grow.
  - Continued focus on turning around the development in Norway.
  - Sustained strong momentum in Growth markets.
- **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, new launches accounts for circa 1/3<sup>rd</sup> of our nicotine pouch volume.
  - Enhanced digital infrastructure including e.g. machine learning, e-commerce platform and consumer insights enabling us to release benefits across markets with greater scale.

# Key investment highlights

