

A hand holding a magnifying glass over a white circular area containing the text 'HAYPP GROUP'.

HAYPP GROUP

Interim Report – Q1
May 3

Today's presenters



Gavin O'Dowd
CEO



Svante Andersson
CFO

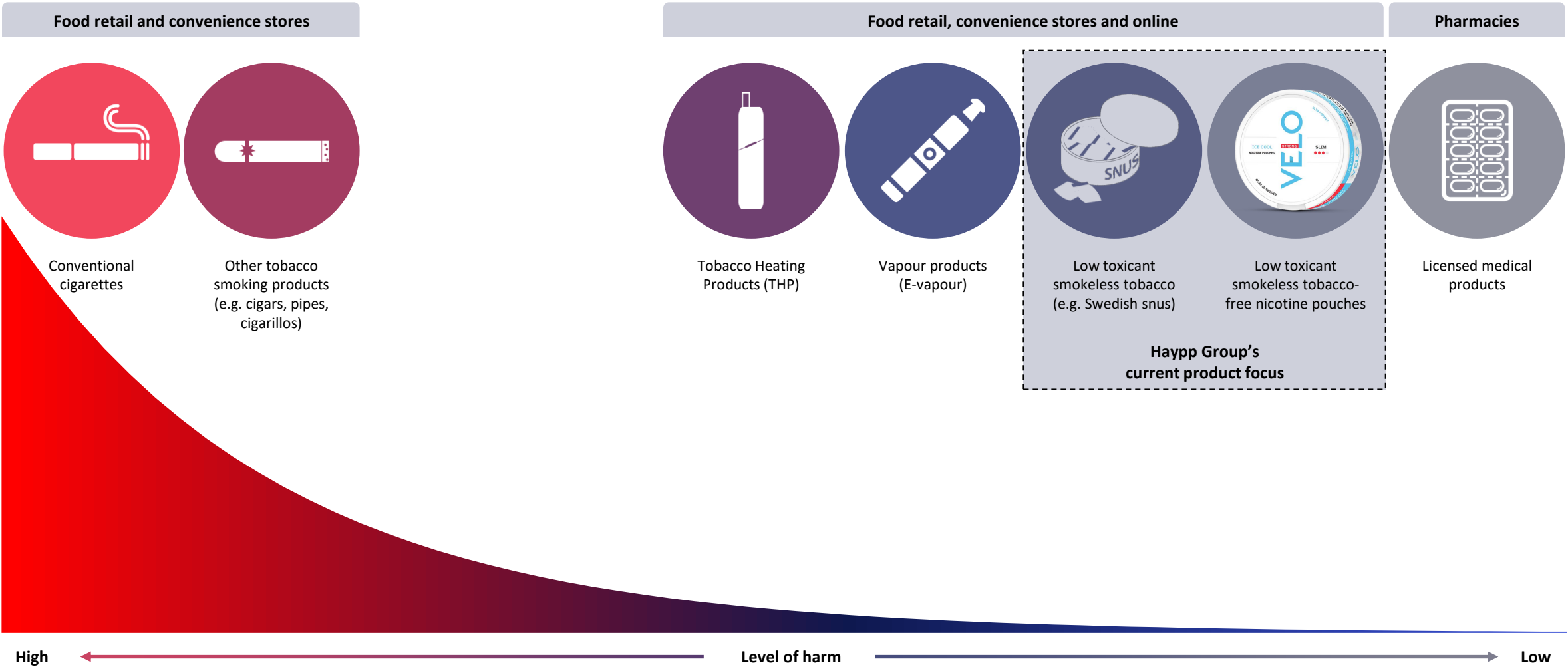
Why we exist – inspiring healthier enjoyments to millions



Focused on healthier enjoyment products

Significantly lower level of harm from modern alternatives to cigarettes

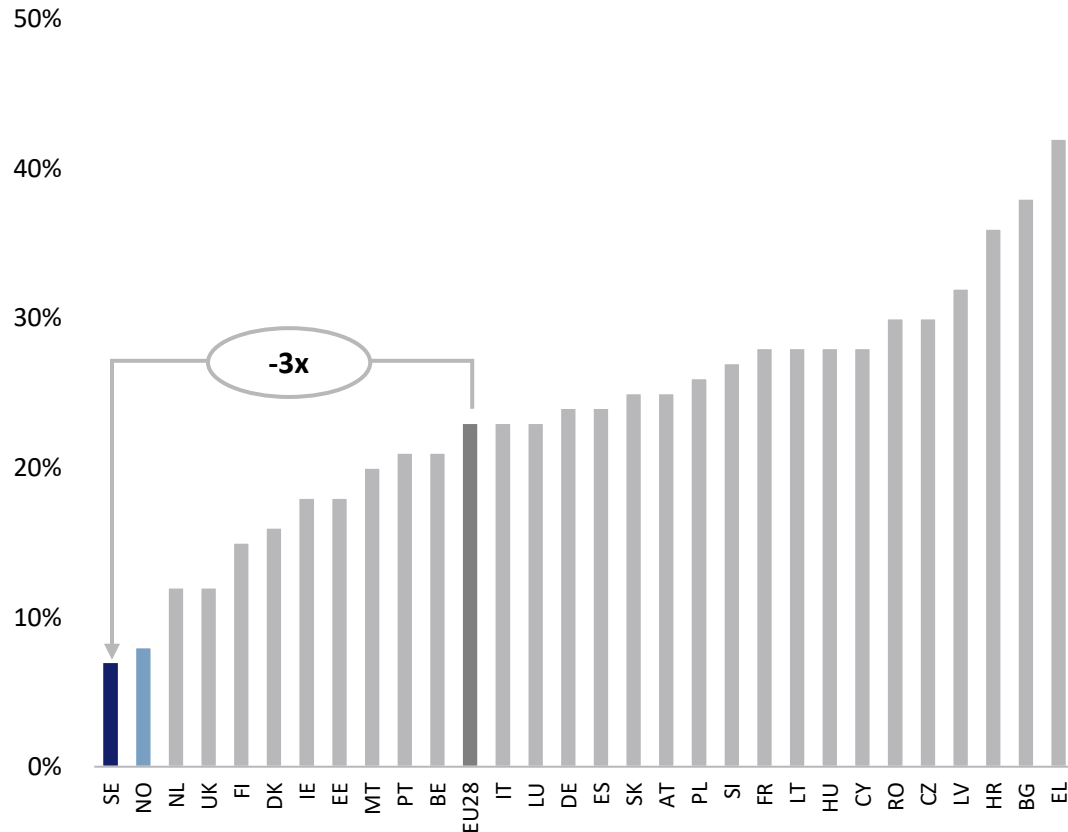
Typical
POS



...that enable the shift from harmful consumption

Significantly lower smoking incidence in Sweden and Norway

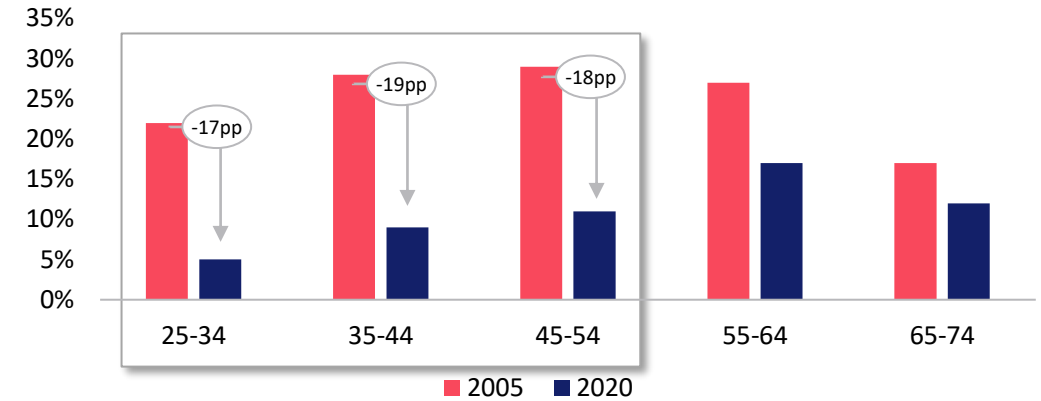
Share of population who are smokers (2020)



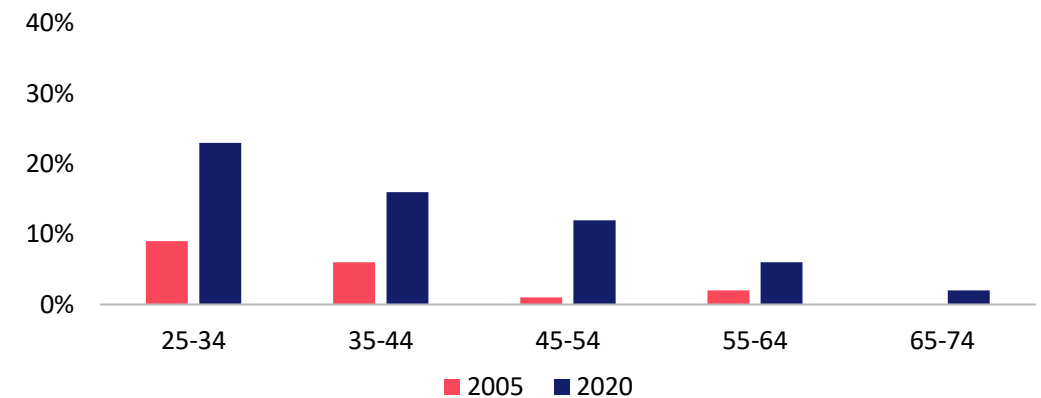
Rapid decline in cigarette consumption following the adoption of NP/snus



Share of population using cigarettes, by age category



Share of population using nicotine pouches and/or snus, by age category



Market transformation happening globally

Strong underlying market dynamics...



Strong underlying demand for less harmful products



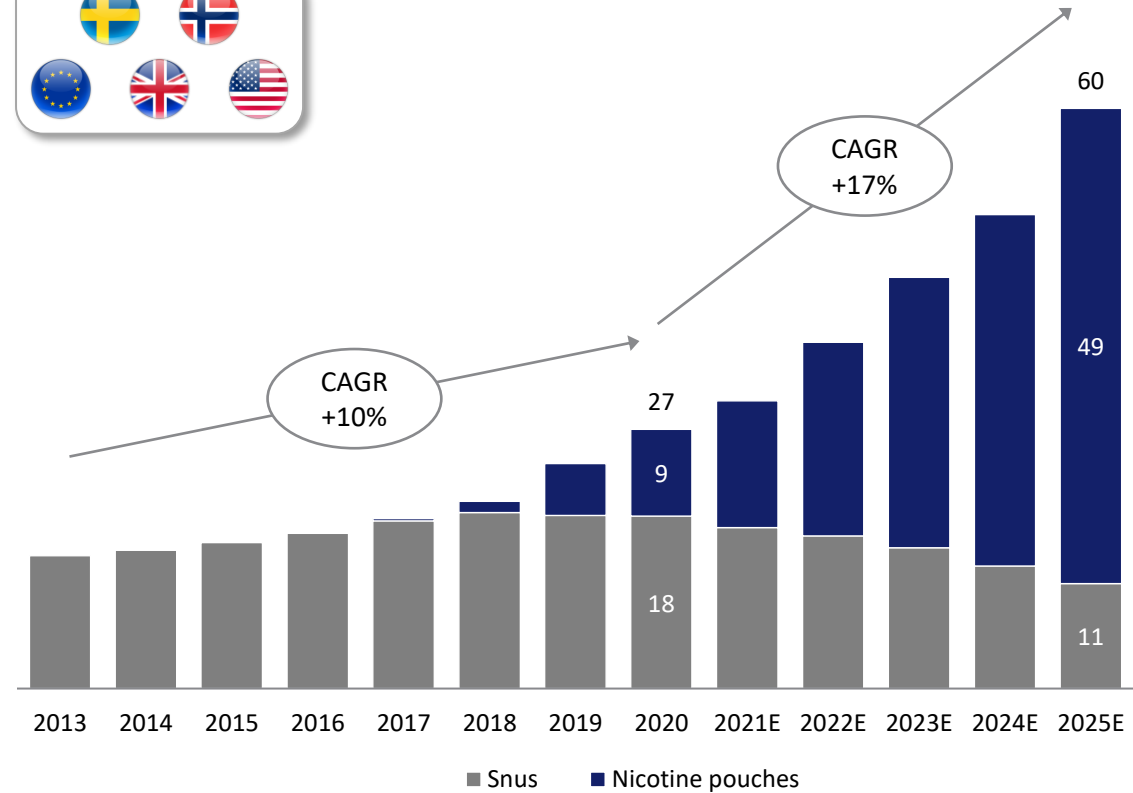
Legislation favours modern nicotine products



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%

Efficient infrastructure rigged for continued global expansion

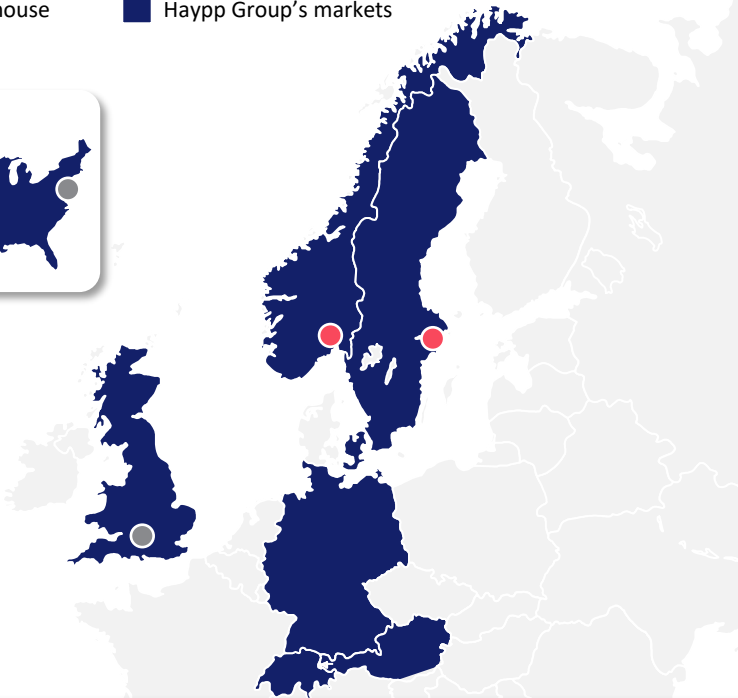
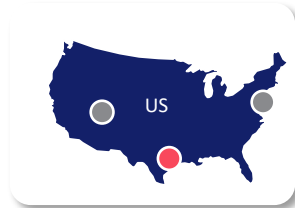
Phase 1: Fulfilment infrastructure

Flexible fulfilment infrastructure serving all Haypp Group's markets

● In-house warehouse

■ Haypp Group's markets

● 3PL warehouse



Inventory turnover ratio 15x
Full-Year 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 2021
- Colorado 3PL launched in Q1 2022
- Texas in-house warehouse and UK 3PL launched in Q2 2022

Phase 2: Scalable back-end infrastructure



Further improving our system architecture

- Scalable further growth on current markets
- Efficient entry into potential new geographies and adjacent categories

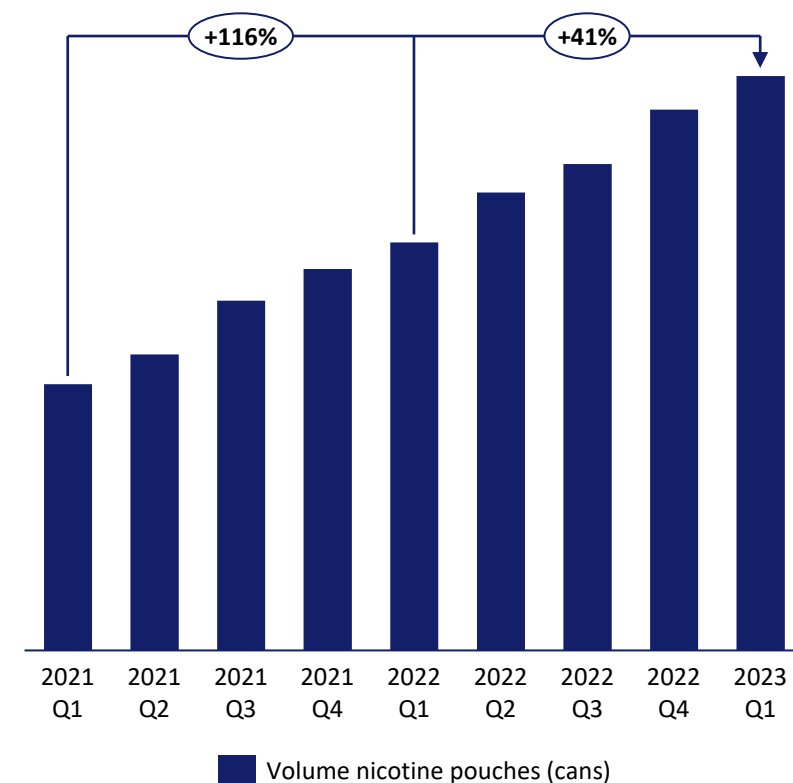
The background of the slide is a photograph of a dense forest of evergreen trees, likely spruce or fir, covered in a thick layer of mist or fog. The trees are dark green and densely packed, with the mist creating a soft, ethereal atmosphere. The lighting is diffused, with no direct sunlight visible.

HAYPP GROUP

Interim Report – Q1

Operational highlights

- **Driven by solid performance in both Core and Growth markets, the volume of nicotine pouches continues to increase**
 - 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 41 per cent for the Group during the quarter.
 - Nicotine pouches accounted for 45 percent of Haypp Group's volume during the quarter compared to 37 percent in the first quarter of last year.
 - Recently launched products accounted for 22 per cent of the total Nicotine Pouches sales.
- **Strong growth in both number of orders and active customers**
 - Number of orders amounted to 1,121 (thousand) up 17 per cent quarter over quarter.
 - Average order value increased by 2 per cent to 650 SEK cent quarter over quarter.
 - Active customers amounted to 501 (thousand) up 21 per cent quarter over quarter .



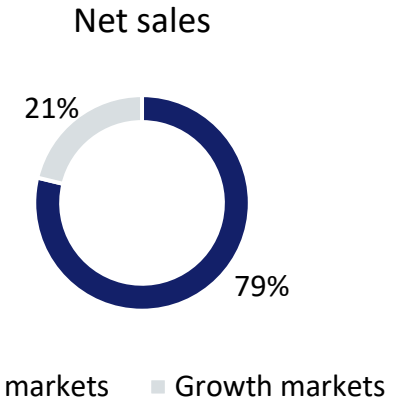
Overall positive regulatory development

- **Growing governmental interest for harm reduction**

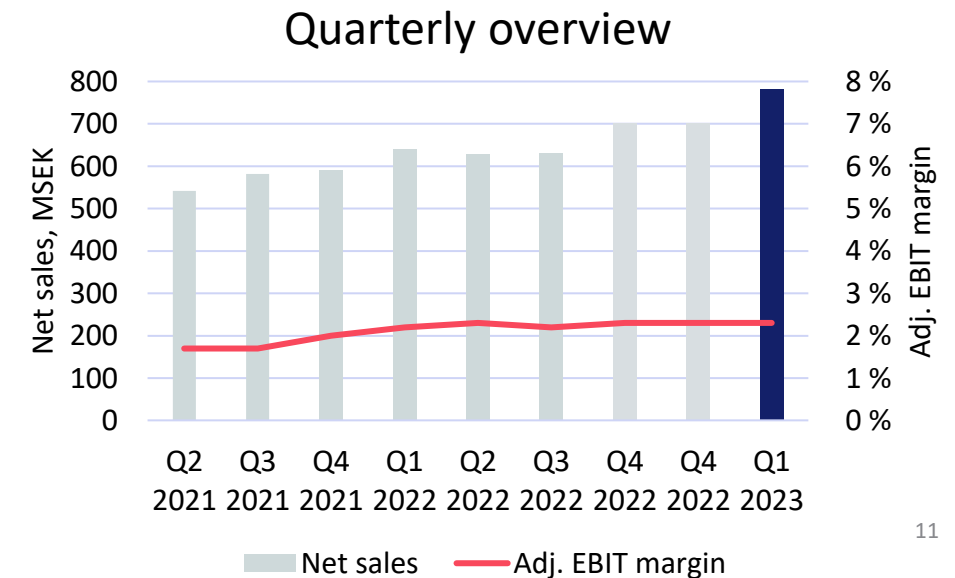
- Increasing number of governmental agencies across our markets in Europe advocating for regulations of new nicotine products from a harm-reduction perspective.
- Haypp Group welcomes the growing interest and remain positive that the EU will introduce positive regulation for nicotine pouches.
- Smokers urged to swap cigarettes for vapes in world first scheme in the UK
- In November 2022, California imposed a ban on flavoured nicotine products sold in physical retail locations, which prohibits brick-and-mortar retailers and vending machines from selling certain flavoured tobacco products and tobacco flavour enhancers.
- In March 2023, The Norwegian government presented a new public health strategy.
 - The publicized measure is not a legislative proposal, but a formulation in a strategy, with the aim to prevent minors from gaining access to tobacco products.
 - We share the government's view on the issues addressed in the public health strategy.
 - However, we do not see a ban on e-commerce as part of the solution. On the contrary, e-commerce players in Norway including ourselves have far more robust procedures in place to prevent minors from gaining access to tobacco products.

Financial overview

- Reported Net sales for the Group increased 22 per cent and amounted to SEK 781 m (640) for the first quarter. In constant currency, Net sales increased 21 per cent. Strong performance in Nicotine pouches across all markets.
- Gross margin for the first quarter increased by 0.3 percentage points to 12 per cent (11.7) driven by a strengthened position in the value chain and benefits of scale.
- Adjusted EBIT for the first quarter grew by 29 per cent and amounted to SEK 18.2 m (14.1). The adjusted EBIT margin increased to 2.3 per cent (2.2).
- Cash flow for the period from operating activities amounted to SEK 91.9 m (90.7).



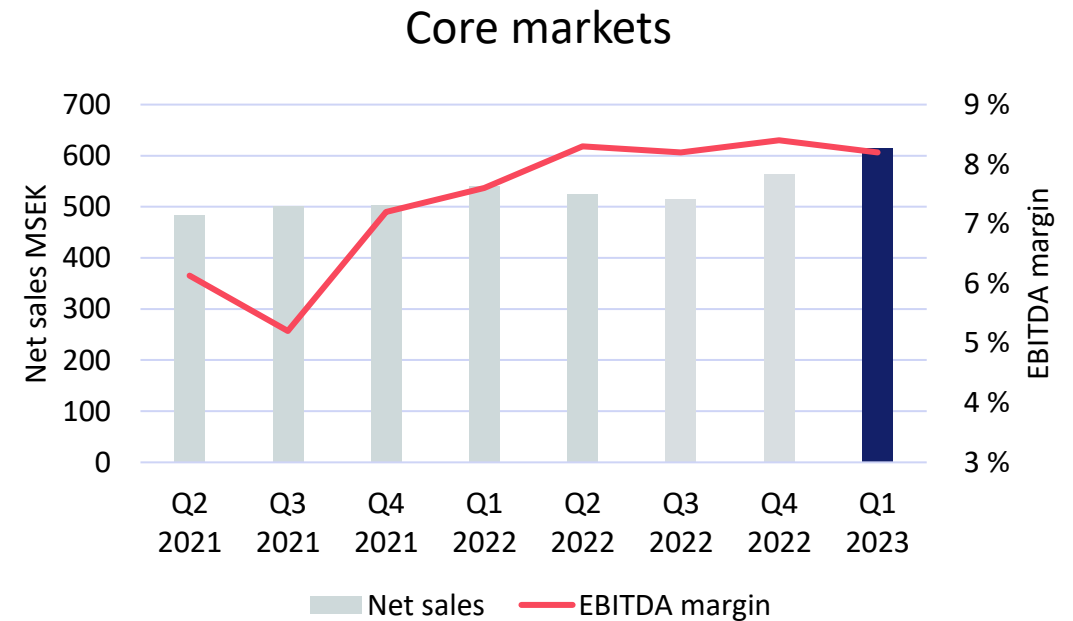
(Amounts in MSEK)	2023 Q1	2022 Q1	LTM	Full-Year 2022
Net sales	781.3	640.1	2,740.0	2,598.8
Net sales growth, %	22.1	15.8		14.6
Gross margin, %	12.0	11.7	12.7	12.6
Adjusted EBIT	18.2	14.1	62.6	58.5
Adjusted EBIT margin, %	2.3	2.2	2.3	2.2
Items affecting comparability	-0.9	-3.6	-0.7	-3.4
Operating profit/loss	7.4	0.7	22.0	15.2
Profit/loss for the period	1.4	-1.9	23.4	20.1
EPS before dilution (SEK)	0.05	-0.07	0.80	0.69



Core markets

- Net sales increased 14 per cent and amounted to SEK 616 m (541) for the first quarter. In constant currency, Net sales increased by 15 per cent.
- Nicotine pouches grew by 32 per cent in volume during the quarter while snus was flat.
- The number of active customers increased by 17 percent to 401 (thousand) (343).
- EBITDA for the business unit amounted to SEK 50 m (41). The EBITDA margin increased by 0.6 percentage points to 8.2 per cent (7.6), mainly attributable to a higher gross margin and economies of scale, partially offset by further investment for future growth.

(Amounts in MSEK)	2023 Q1	2022 Q1	LTM	Full-Year 2022
Net sales	615.5	540.8	2,220.0	2,145.3
EBITDA	50.4	40.9	183.5	174.0
EBITDA margin, %	8.2	7.6	8.3	8.1
Active customers (thousand)	401	343	601	637



Growth markets

- Net sales increased 67 per cent and amounted to SEK 166 m (99) for the first quarter, In constant currency, Net sales increased by 55 per cent. Strong performance in both the US, especially California, and UK.
- Nicotine Pouches grew by 60 percent in volume during the quarter.
- The number of active customers increased by 41 percent to 100 (thousand) (71).
- EBITDA amounted to SEK -20 m (-18), corresponding to an EBITDA margin of -11.9 per cent (-18.1), due to continued commercial investments.

(Amounts in MSEK)	2023 Q1	2022 Q1	LTM	Full-Year 2022
Net sales	165.8	99.3	520.1	453.5
EBITDA	-19.8	-18.0	-73.5	-71.7
EBITDA margin, %	-11.9	-18.1	-14.1	-15.8
Active customers (thousand)	100	71	177	159



Selected KPIs

	2023 Q1	2022 Q1	LTM	Full-Year 2022
Operational				
Number of orders (thousand)	1,121	961	4,023	3,862
Average order value (SEK)	650	635	639	634
Active customers (thousand)	501	414	778	796
Balance sheet				
Inventories (MSEK)	193.8	137.8		222.8
Net working capital (MSEK)	178.2	30.3		229.5
Net debt (MSEK)	139.8	-19.1	139.8	185.1
Investments (MSEK)	-19.3	-11.6		-49.3
Net debt/Adjusted EBITDA, times			1.3	1.8
Equity/Total assets ratio, %	61.7	59.9		58.5
Cash flow				
Cash flow from operating activities (MSEK)	91.9	90.7		-32.4
Closing cash and cash equivalents (MSEK)	14.4	90.9	14.4	15.2

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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

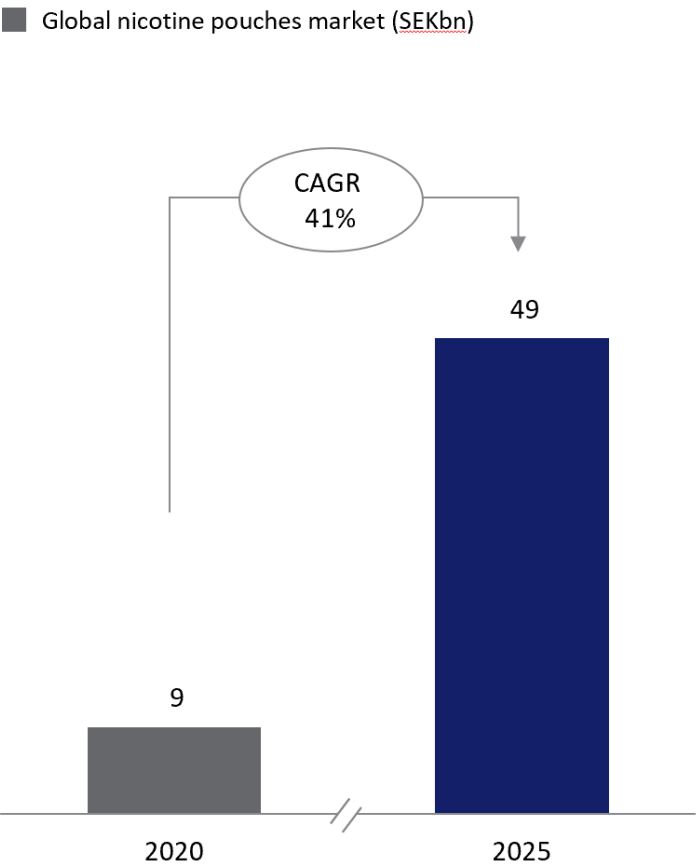
- Haypp Group will prioritise growth over profitability and targets to reach a high single digit adjusted EBIT margin in the medium to long term.

Dividend policy

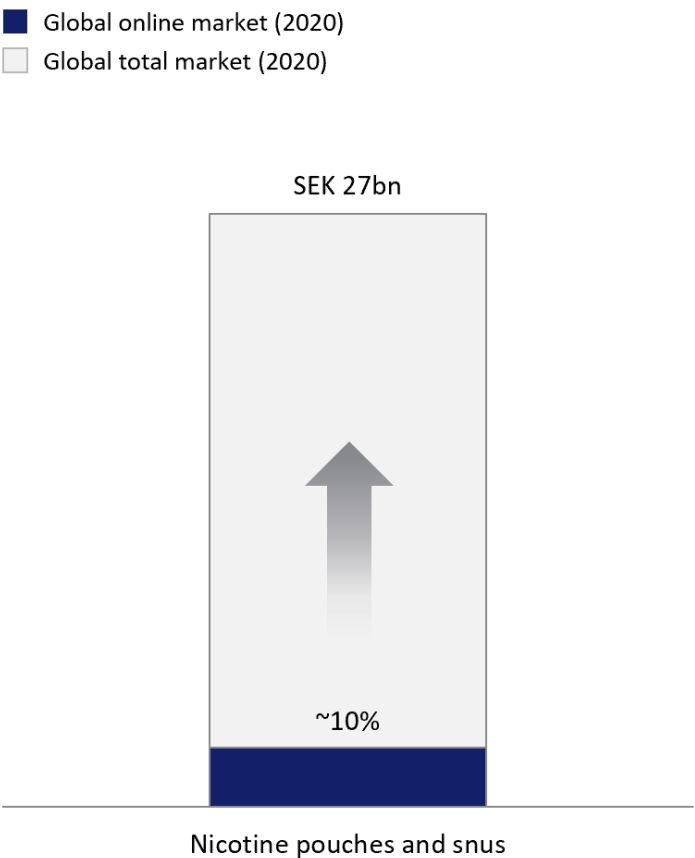
- In the upcoming years, the board of Haypp Group will primarily use the generated cash flows for the company's continued expansion.

Significant growth opportunities in maintaining market leading position

Strong category growth



Increasing online penetration



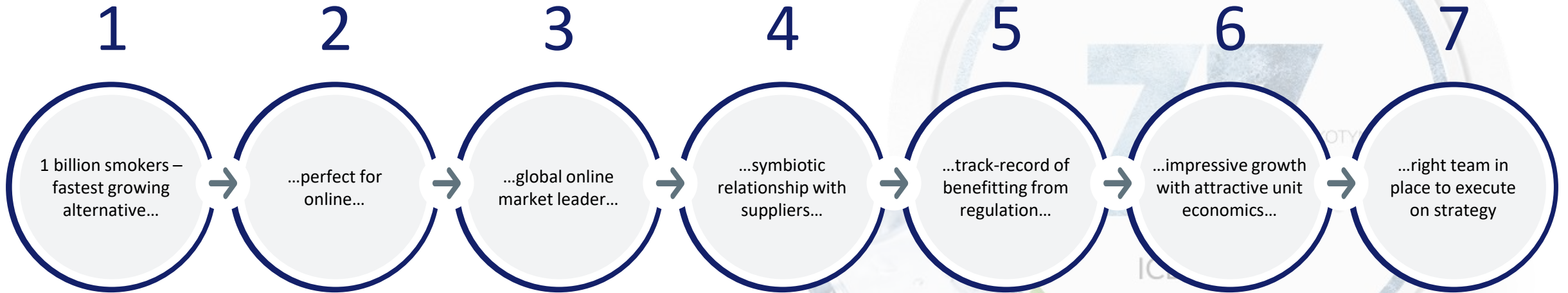
Leveraging our market leading positions



Current trading

- **Favourable market trends and the transition to the Nicotine pouches category runs according to plan**
 - There is a strong underlying demand for reduced-risk nicotine products as customer preferences are shifting towards modern alternatives that carries substantially lower risks relative to cigarette smoking.
 - The non-cyclical nature of the nicotine category combined with the price advantages online lead to stronger performance relative to other online categories.
 - Limited impact from inflationary pressure, and minor product price increases from our suppliers are offset by the positive effects of an increasing demand from consumers seeking safer nicotine alternatives at attractive prices.
- **Focusing on growth**
 - Successful turn-around in Norway creates a solid platform for profitable growth in Core Markets.
 - Sustained strong development in Growth markets – positive momentum from regulation in California.
 - Test pilot in UK regarding the Vape segment since the beginning of the year. Sales have developed in a very satisfactory way, we will evaluate in the near future and then decide on next steps.
- **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 which account for about 22 per cent of the nicotine pouch volume.
 - Enhanced digital infrastructure including e.g. back-ends, e-commerce platform and consumer insights enabling us to release benefits across markets with greater scale.
 - 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 and profitability over time.

Key investment highlights



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

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Thank you!