

A hand holding a magnifying glass over a white circular area. The magnifying glass is positioned in the upper right quadrant, with the lens centered over the text. The background is a light blue gradient.

# HAYPP GROUP

Interim Report – Q3  
November 8, 2023

# Today's presenters



**Gavin O'Dowd**  
CEO



**Peter Deli**  
CFO



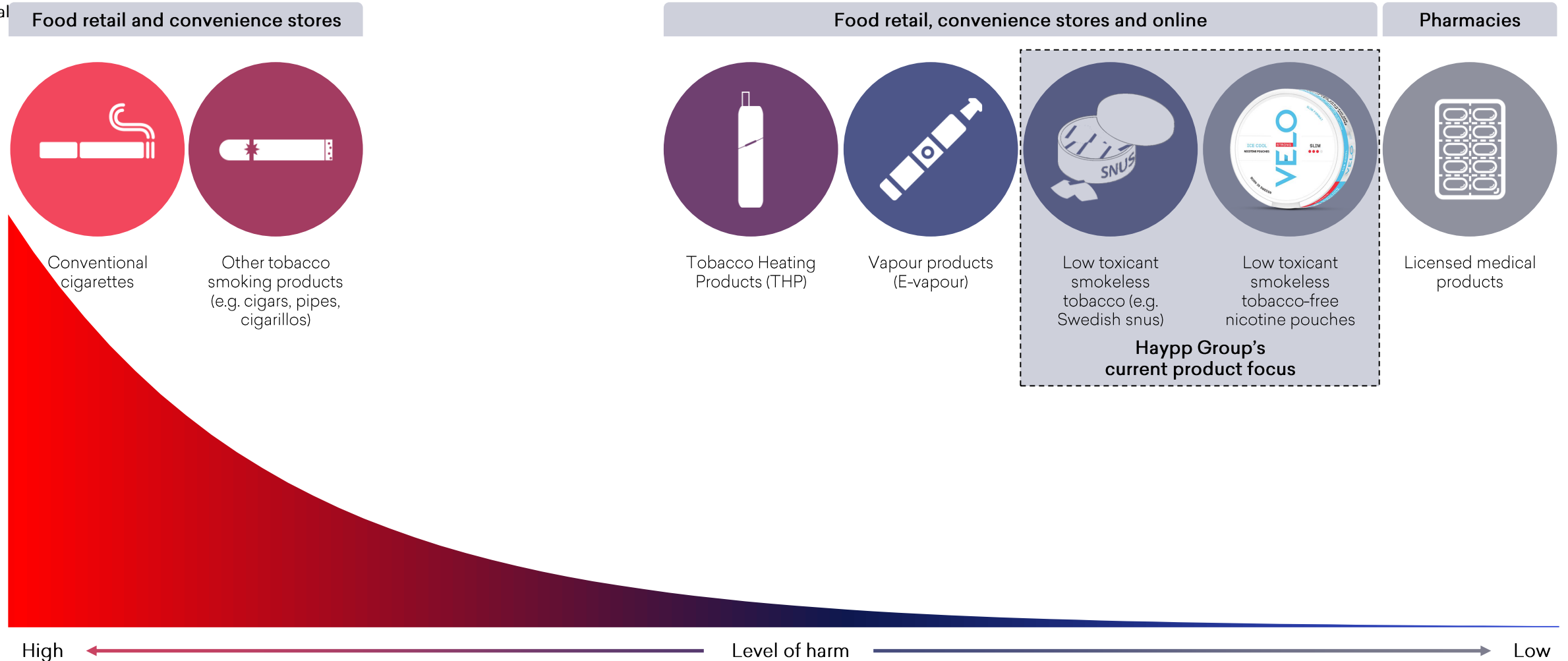
Why we exist – inspiring healthier enjoyments to millions



# Focused on healthier enjoyment products

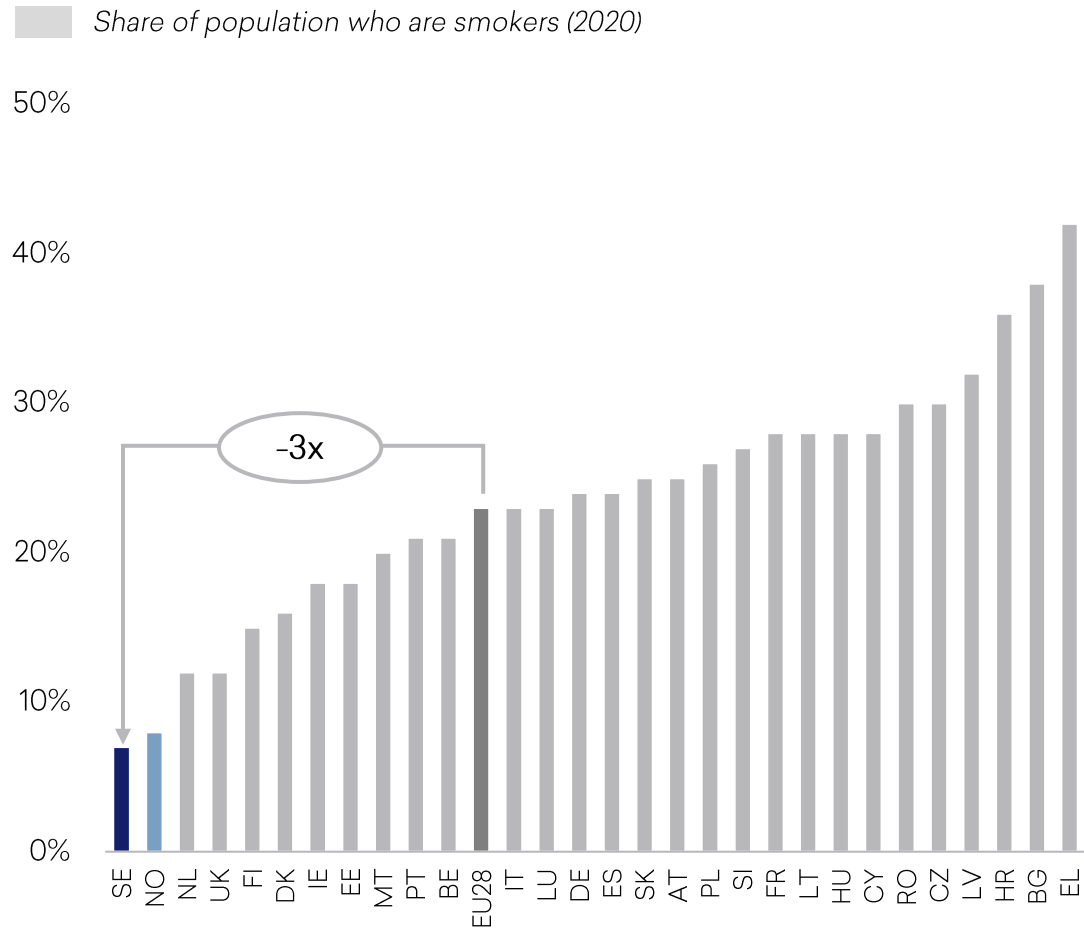
Significantly lower level of harm from modern alternatives to cigarettes

Typical  
POS



# ...that enable the shift from harmful consumption

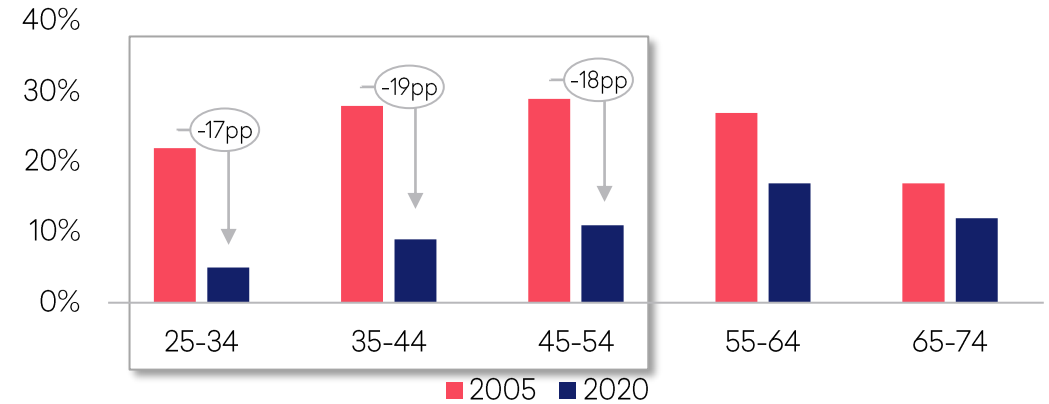
Significantly lower smoking incidence in Sweden and Norway



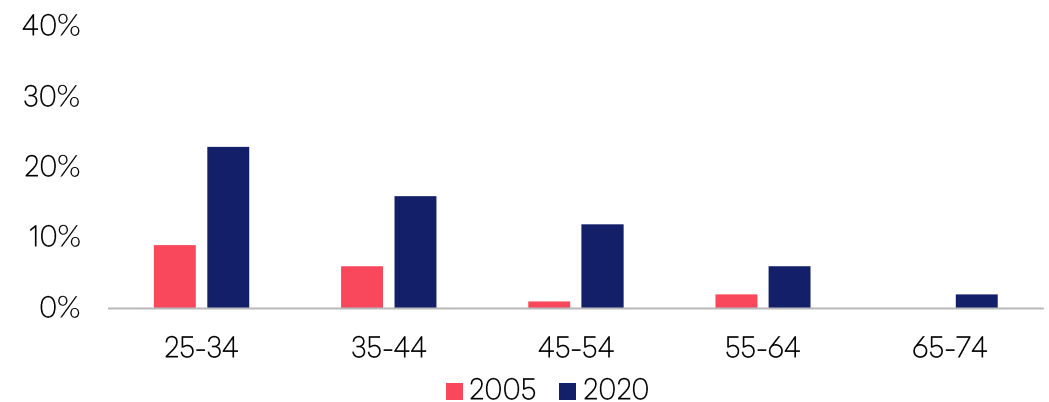
Rapid decline in cigarette consumption following the adoption of NP/snus



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

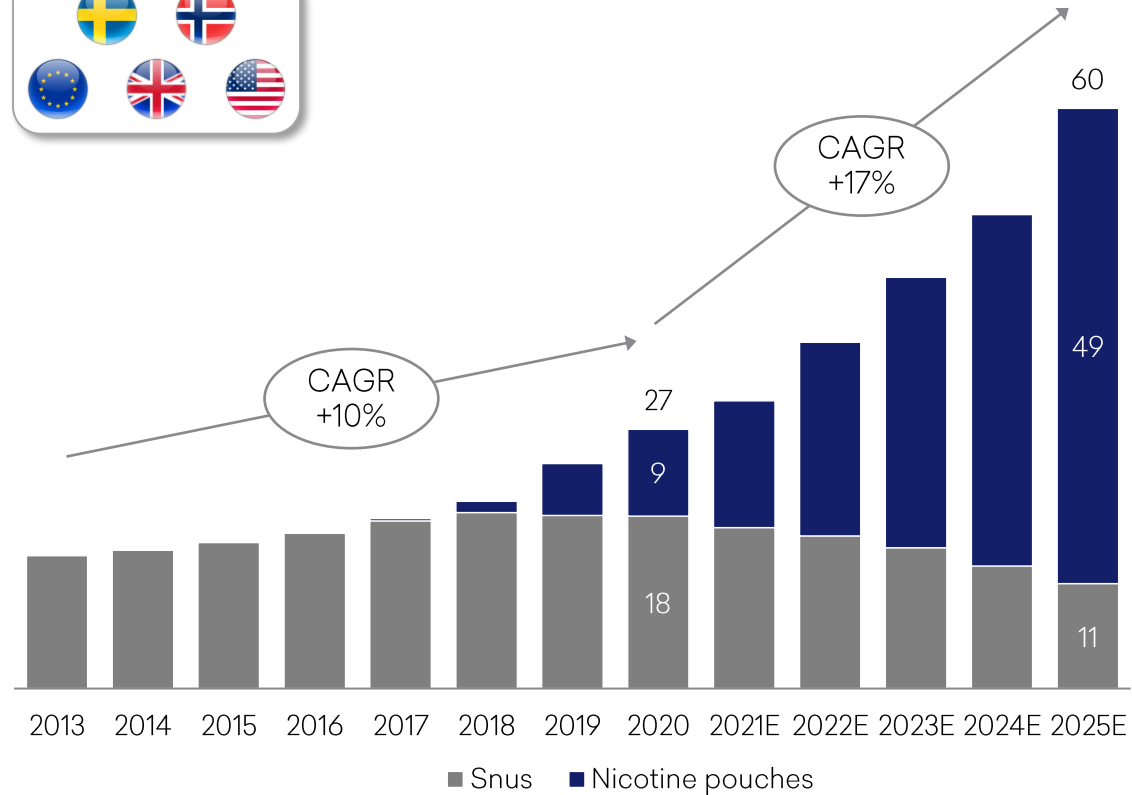


Suppliers push for modern nicotine products

...resulting in attractive growth for nicotine pouches

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

CAGR  
2020-25



+41%

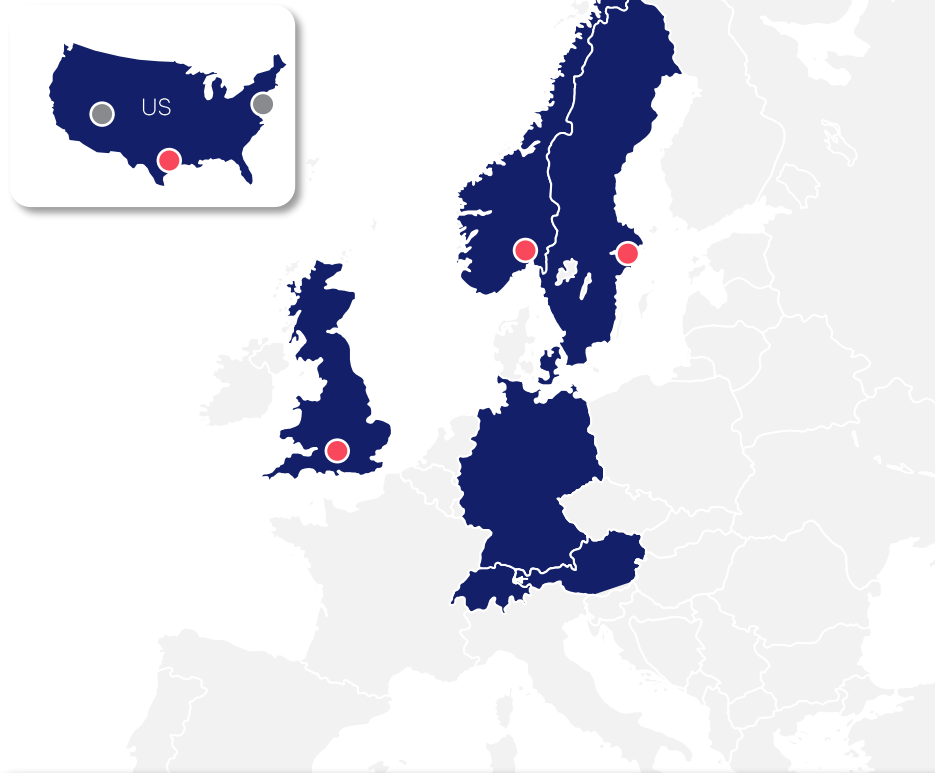
-9%

# Efficient logistics set-up rigged for continued global expansion

## Phase 1: Fulfilment infrastructure

Flexible fulfilment infrastructure serving all Haypp Group's markets

- In-house warehouse
- 3PL warehouse
- Haypp Group's markets



**Inventory turnover ratio 15x**

Full-Year 2022

## Phase 2: Scalable back-end infrastructure

### Building for convenience and efficiency

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

### Completed in Q3

- Own warehouse live in UK
- Reequipped Stockholm warehouse to increase capacity and efficiency
- Launched our back end in our first market (Norway)





# HAYPP GROUP

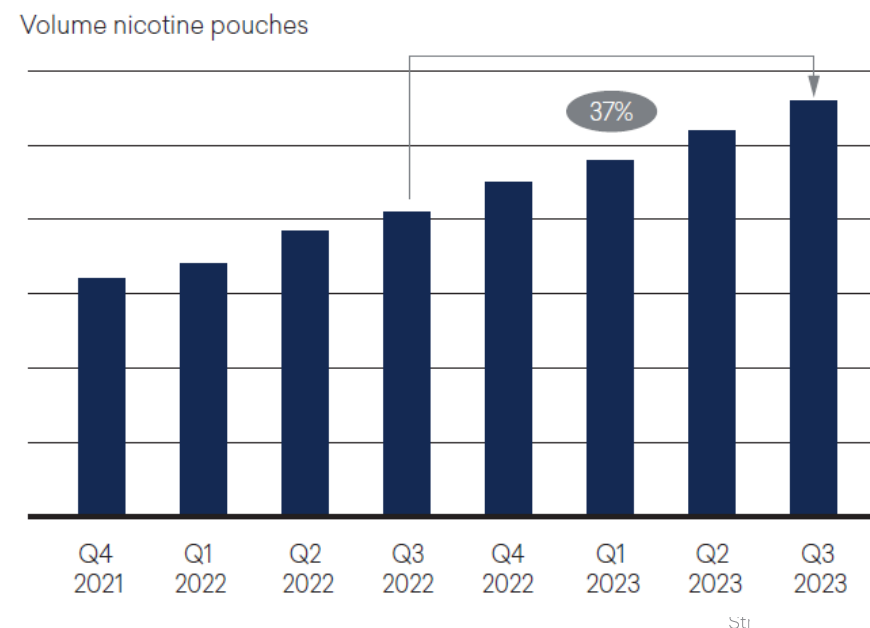
Interim Report – Q3



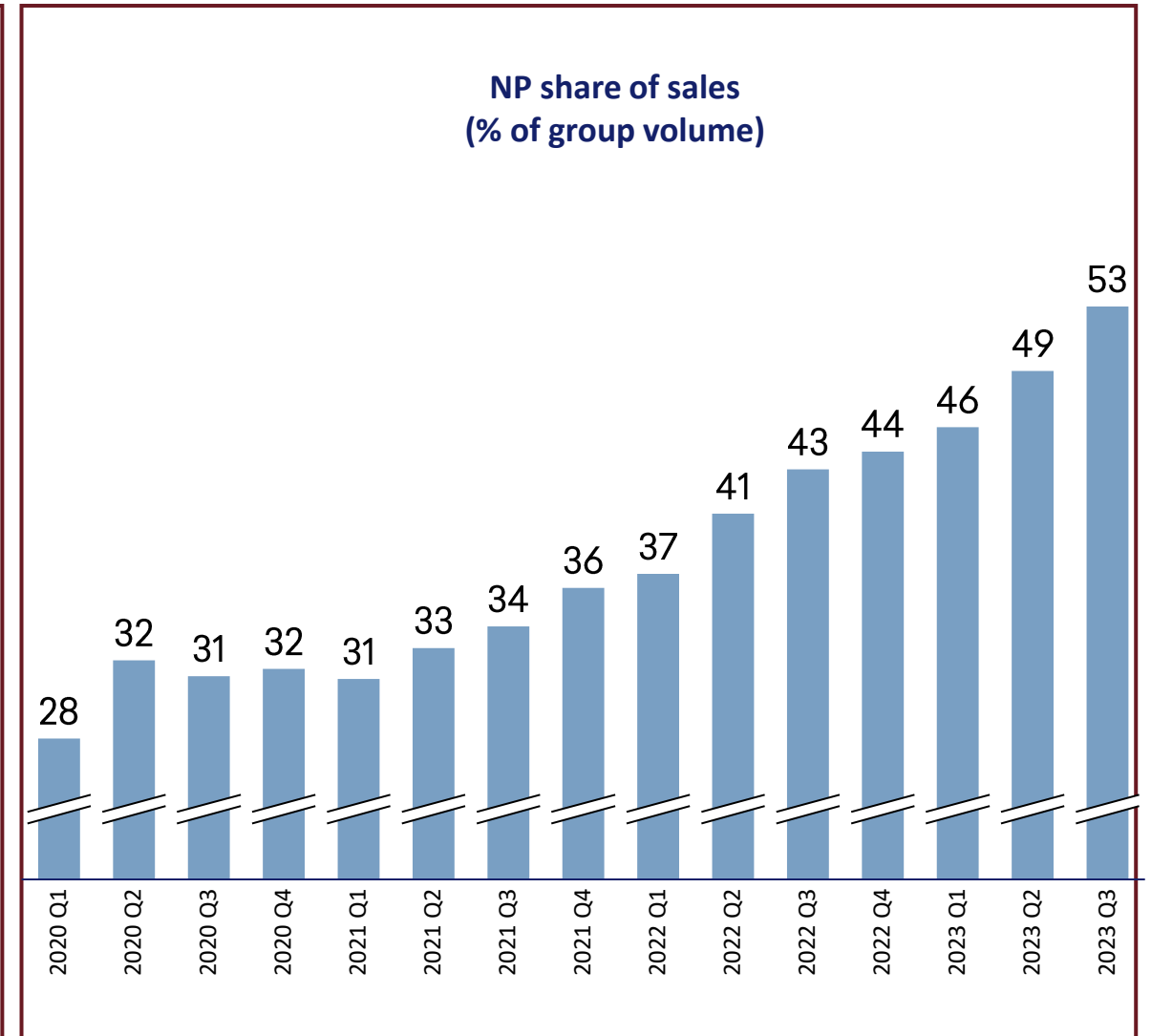
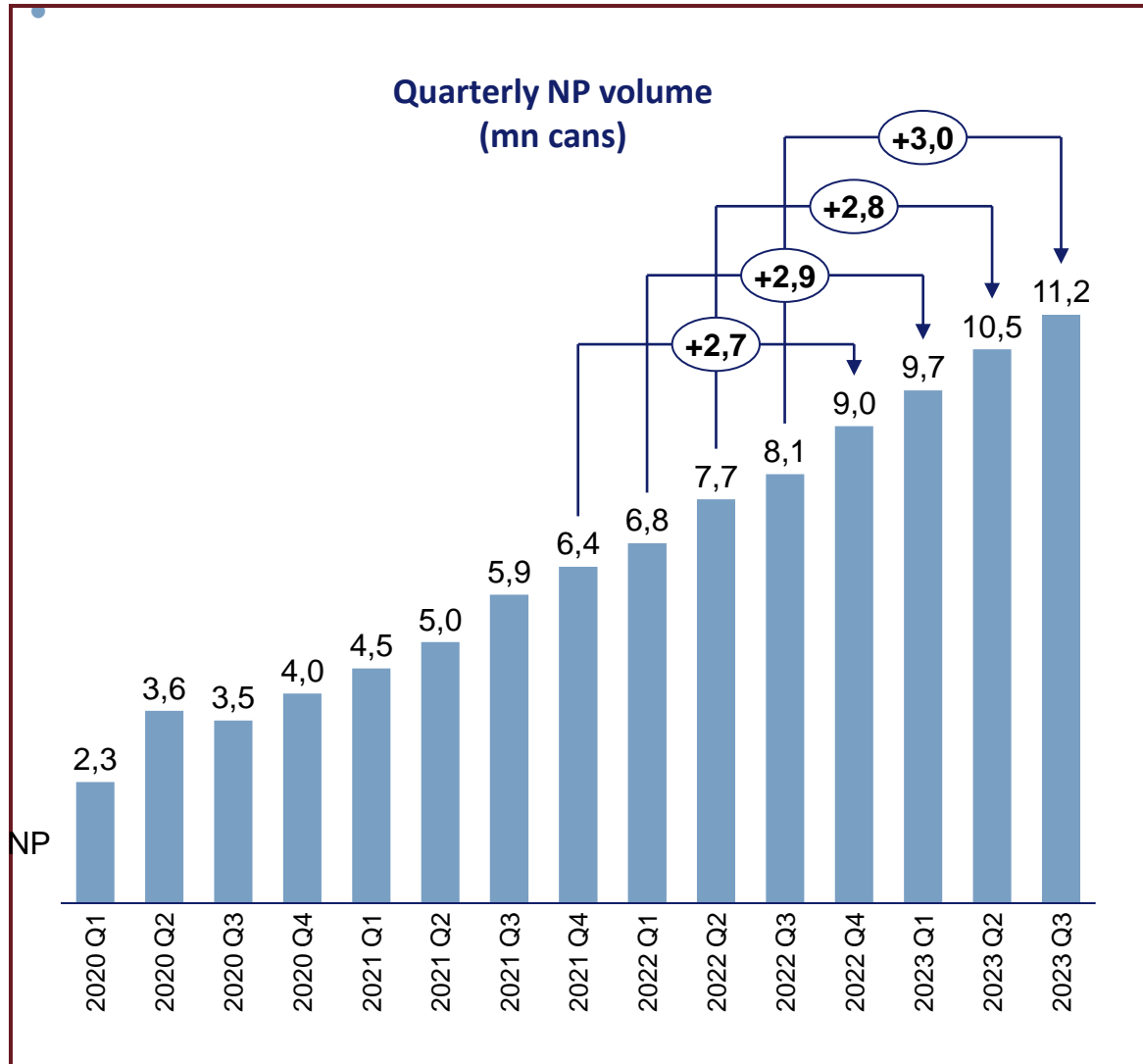
# Operational highlights

- **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 continues to increase 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 37 per cent for the Group during the quarter.
  - Nicotine pouch volume share accelerated to 53 per cent during a third quarter.
  - Recently launched products accounted for over 20 per cent of the total Nicotine Pouches sales.
- **Strong growth in both number of orders and active customers during Q3**
  - Number of orders amounted to 1,067 (thousand) up 13 per cent.
  - Average order value increased by 9 per cent to 683 SEK cent.
  - Active customers amounted to 496 (thousand) up 15 per cent.

The transformation towards nicotine pouches running according to plan



# Shift to NPs is accelerating



# Update on Regulatory development

- **Growing governmental interest for harm reduction**

- Sweden excise tax reduction:

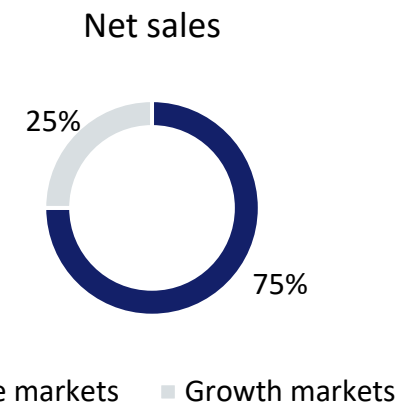
- Government announced the plan to reduce snus tax and increase cigarette tax in 2024, due to the significant health impact of switching

- EU future of nicotine:

- Strong support to suggest Nicotine Pouches will be appropriately regulated

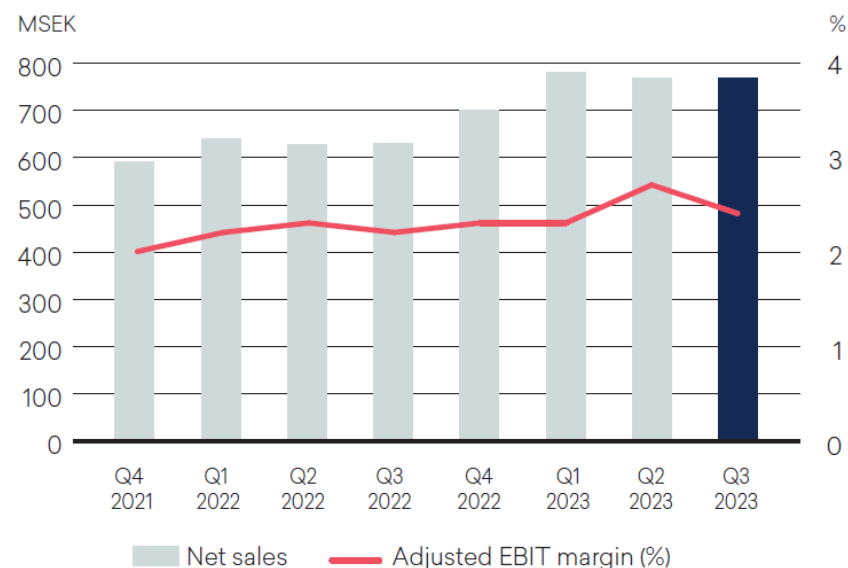
# Financial overview

- Strong progress in the transformation to the rapidly growing Nicotine Pouches category. Reported Net sales for the Group increased 22 per cent and amounted to SEK 769 m (631) for the third quarter. In constant currency, Net sales increased 22 per cent.
- Gross margin for the quarter increased by 0.2 percentage points to 12.6 per cent (12.4) driven by a strengthened position in the value chain both in the Core and Growth business unit as well as benefits of scale.
- Adjusted EBIT for the second quarter grew by 34 per cent and amounted to SEK 18 m (14). The adjusted EBIT margin increased to 2.4 per cent (2.2). The increase was mainly due to higher gross margin, increased volume as well as efficiency, partially offset by continued investments.
- Cash flow from operating activities amounted to SEK 128 m (55) during for the first nine months 2023.



(Amounts in MSEK)	2023 Q3	2022 Q3	LTM	Full-Year 2022
Net sales	768.9	630.7	3,019.4	2,598.8
Net sales growth, %	21.9	8.4		14.6
Gross margin, %	12.6	12.4	12.8	12.6
Adjusted EBIT	18.3	13.7	73.1	58.5
Adjusted EBIT margin, %	2.4	2.2	2.4	2.2
Items affecting comparability	-0.7	0.0	-15.9	-3.4
Operating profit/loss	7.7	3.6	17.2	15.2
Profit for the period	6.1	6.6	12.8	20.1
EPS before dilution (SEK)	0.21	0.23	0.44	0.69

## Quarterly overview

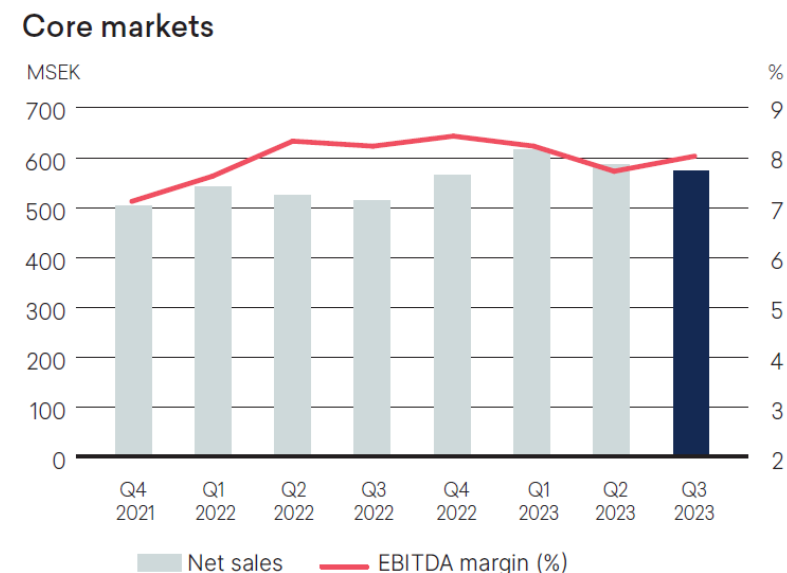




# Core markets

- Net sales increased 12 per cent and amounted to SEK 574 m (514) for the third quarter. In constant currency, Net sales increased by 12 per cent.
- Nicotine pouches grew by 29 per cent in volume during the quarter.
- The number of active customers increased by 10 percent to 390 (thousand) (355).
- EBITDA for the business unit amounted to SEK 46m (42). The EBITDA margin amounted to 8.0 per cent (8.2), explained by further investments in future growth.

(Amounts in MSEK)	2023 Q3	2022 Q3	LTM	Full-Year 2022
Net sales	573.6	514.4	2,340.4	2,145.3
EBITDA	45.6	42.2	188.7	174.0
EBITDA margin, %	8.0	8.2	8.1	8.1
Active customers (thousand)	390	355	713	637

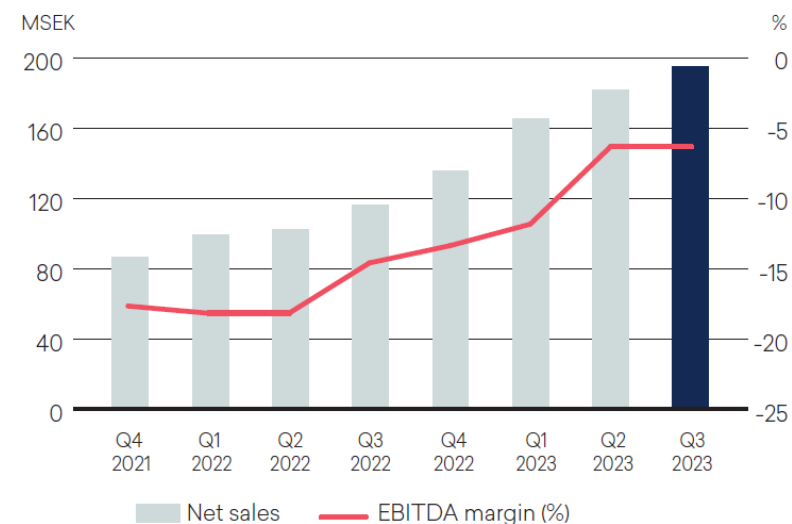


# Growth markets

- Net sales increased 68 per cent and amounted to SEK 195m (116) for the third quarter, driven by a strong performance in all markets, especially the US the UK.  
In constant currency, Net sales increased by 65 per cent.
- Nicotine Pouches grew by 53 percent in volume during the quarter.
- The number of active customers increased by 38 percent to 105 (thousand) 76.
- EBITDA increased to SEK -13 m (-17), corresponding to an EBITDA margin of -6.5 per cent (-14.6), due to continued higher volumes, which gradually gives greater economies of scale in several areas.

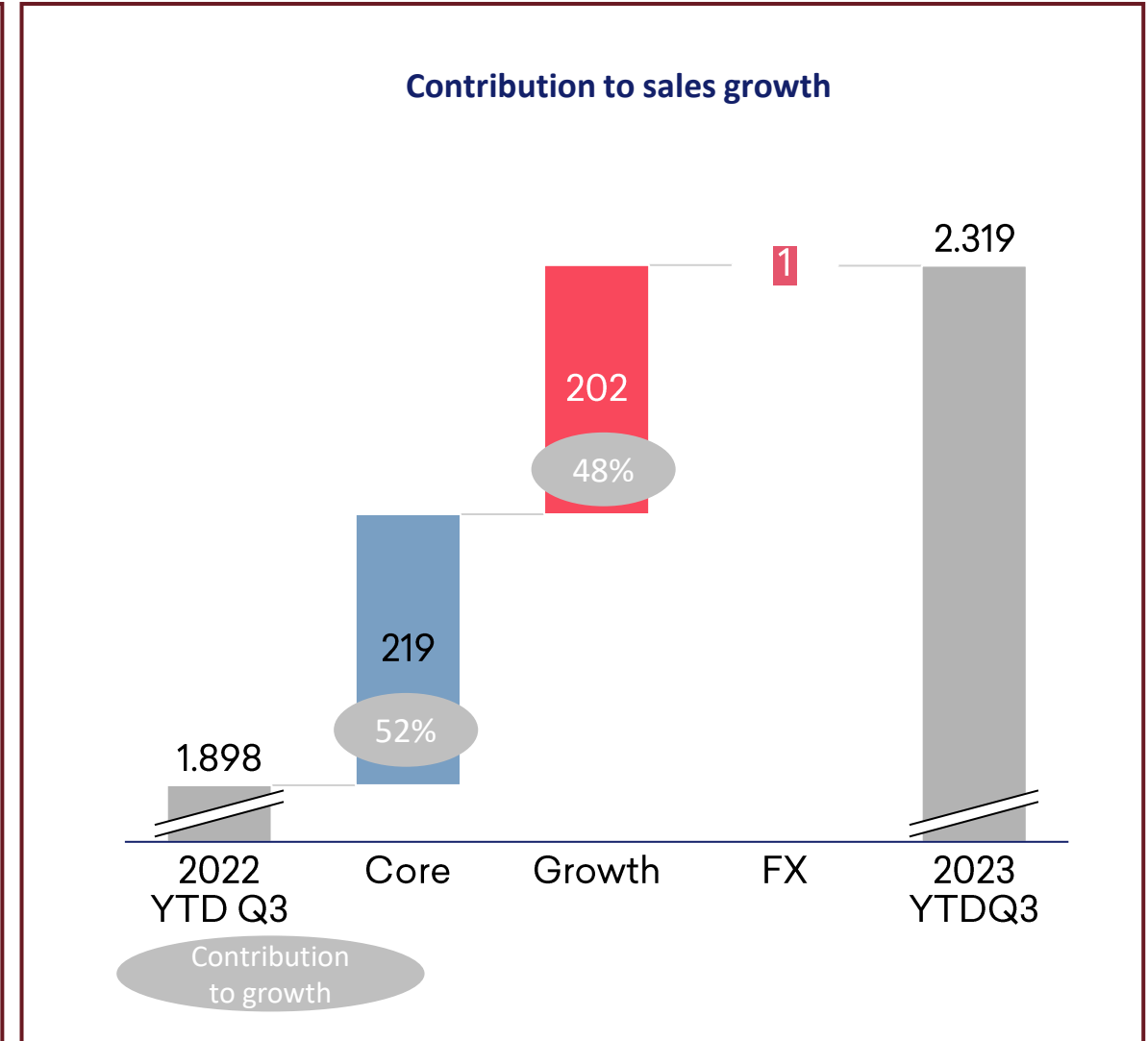
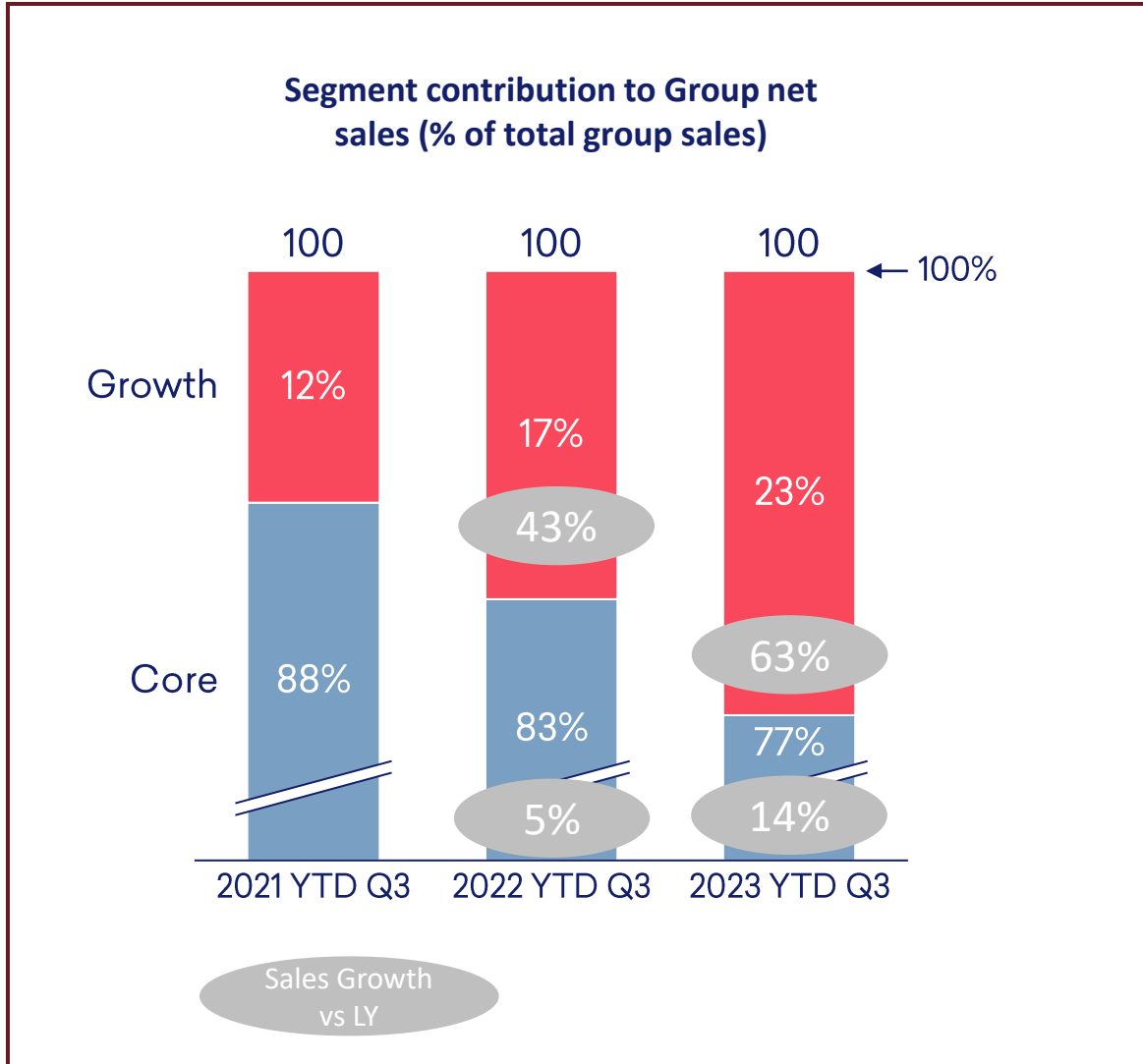
(Amounts in MSEK)	2023 Q3	2022 Q3	LTM	Full-Year 2022
Net sales	195.3	116.3	670.0	453.5
EBITDA	-12.7	-17.0	-62.4	-71.7
EBITDA margin, %	-6.5	-14.6	-9.2	-15.8
Active customers (thousand)	105	76	204	159

Growth markets



# Growth markets are gaining scale and accelerating

## Contribution to overall sales growth accelerates



# Selected KPIs

	2023 Q3	2022 Q3	LMT	Full-Year 2022
<b>Operational</b>				
Number of orders (thousand)	1,067	946	4,286	3,862
Average order value (SEK)	683	625	663	634
Active customers (thousand)	496	431	917	796
<b>Balance sheet</b>				
Inventories (MSEK)	175.3	161.0		222,8
Net working capital (MSEK)	183.4	113.5		229.5
Net debt (MSEK)	131.1	75.2	131.1	185.1
Investments (MSEK)	-42.5*	-33.3*		-49.3
Net debt/Adjusted EBITDA, times			1.0	1.8
Equity/Total assets ratio, %	61.6	60.2	61.6	58.5
<b>Cash flow</b>				
Cash flow from operating activities (MSEK)	127.9*	55.3*		-32.4
Closing cash and cash equivalents (MSEK)	39.7	71.9	39.7	15.2

\* First nine months 2023 respectively 2022





# 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.

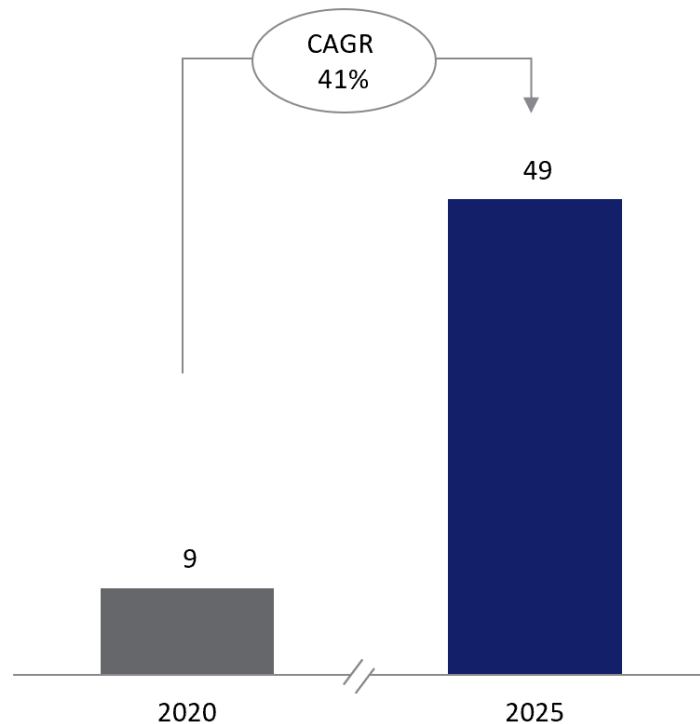
## Dividend policy

- 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

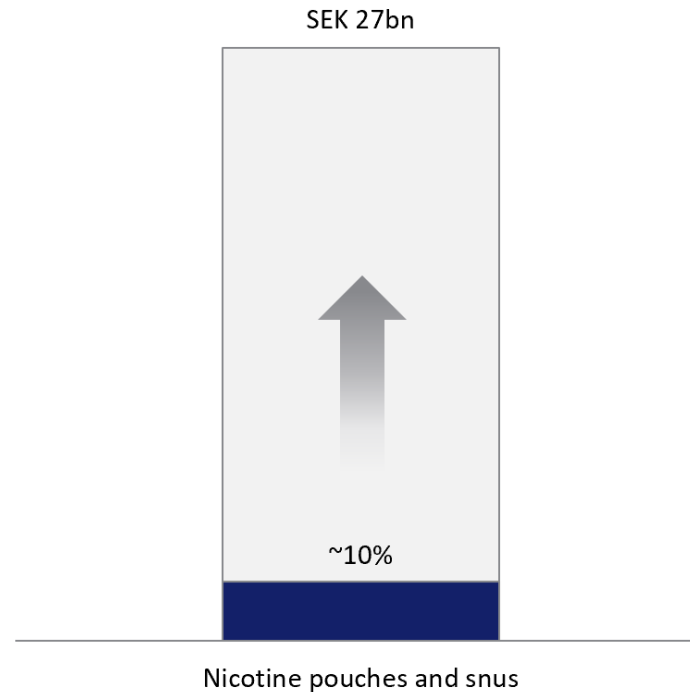
## Strong category growth

■ Global nicotine pouches market (SEKbn)



## Increasing online penetration

■ Global online market (2020)  
■ Global total market (2020)



## Leveraging our market leading positions

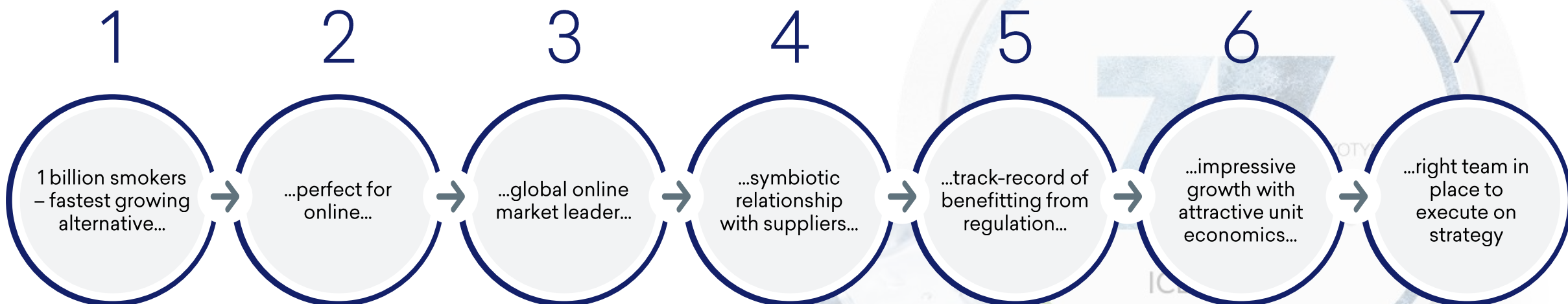


# Current trading

- **Favourable market trends and the transition to the Nicotine pouches category runs according to plan**
  - 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.
- **Accelerating opportunities for growth**
  - Acceleration in growth rates for the nicotine pouch category in the USA and UK.
  - Robust performance and learnings from our expansion into vape in the UK and Sweden. Other markets are planned.
- **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 over 20 per cent of the nicotine pouch volume.
  - Successfully roll out a new backend infrastructure in Norway. After an upgraded store infrastructure which will enable to better utilize the scale to improve the overall experience for our consumers.
  - 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



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Thank you!