

Interim Report – Q2
August 9, 2024

Today's presenters



Gavin O'Dowd
CEO



Peter Deli
CFO

Why we exist – inspiring healthier enjoyments for millions

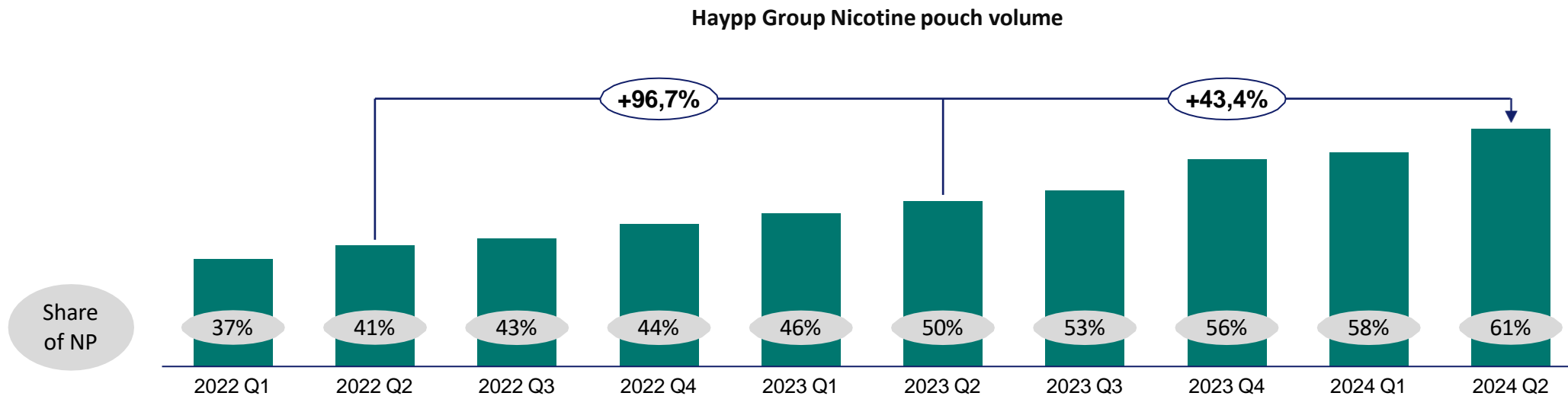




Interim Report – Q2

Operational highlights

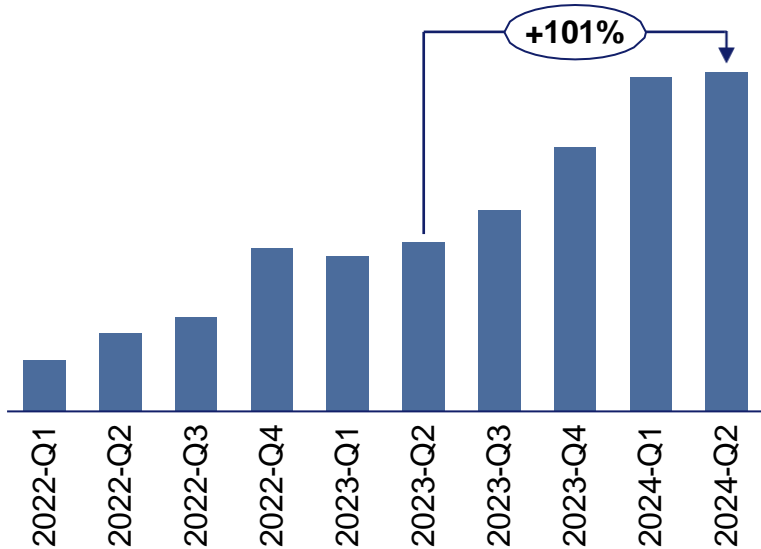
- **Solid performance in both Core and Growth markets with continued strong nicotine pouch volume growth**
 - The consumer demand for less harmful nicotine products continues to increase.
 - Nicotine pouch volume grew 43 per cent for the Group during the quarter.
 - Nicotine pouches accounted for 61 per cent of the Group’s sales volume during the quarter.
 - 65% NP growth in Growth segment.
 - Infrastructure transformation continues / Norwegian migration of E-com front end completed.



Promising developments in a turbulent US market

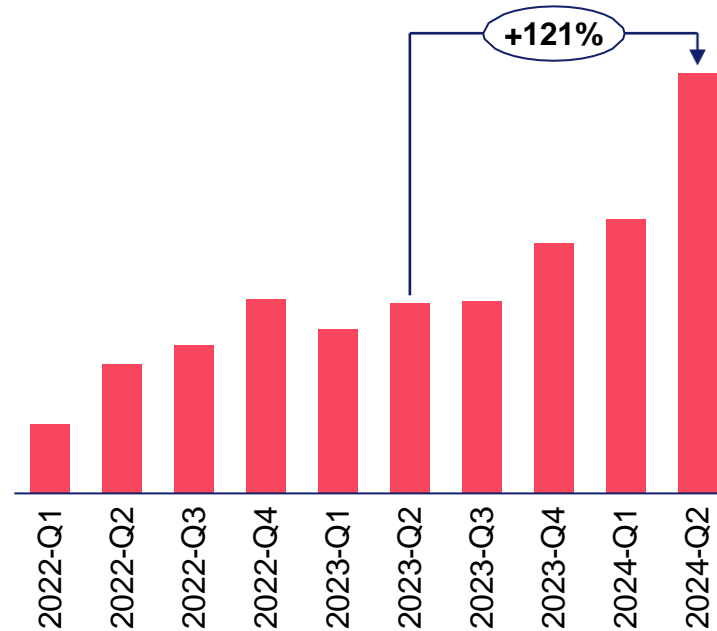
Increased online activity – consumers awareness on online channel grows

Haypp Group traffic from Organic search



Consumers trying new products

Non-Zyn NP brands sales



US takeaways

- Material rise in consumer traffic, combined with higher purchase intent

- Increased sales of other brands

However

- Lower average dollar order size due to ZYN rationing
- Retention of consumers uncertain

Regulatory outlook – several delays

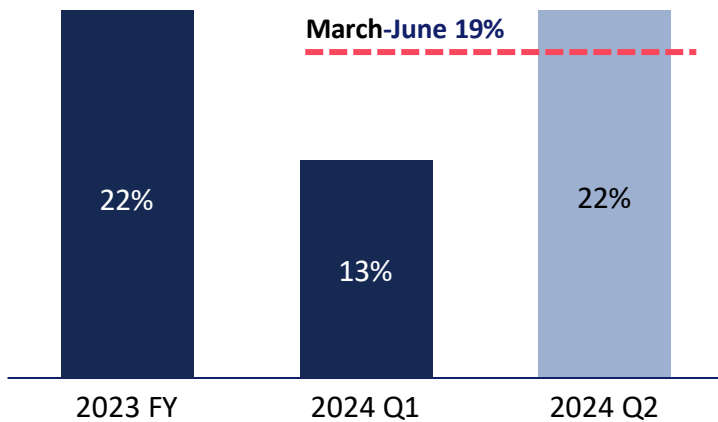
- US progress on PMTA's as shown by recent approvals of new vaping products, suggesting new NP products may be moving closer to approval.
- Tobacco Products Directive even further delayed. Decisions made during Q1 indicates nicotine pouches will be regulated, rather than banned within the EU.
- UK's regulatory initiatives are delayed in relation to our initial estimates.
- New national regulatory initiatives presented in Sweden supporting Haypp Group's Youth Access Prevention and Risk Reduction agenda.

Financial overview – Sales development

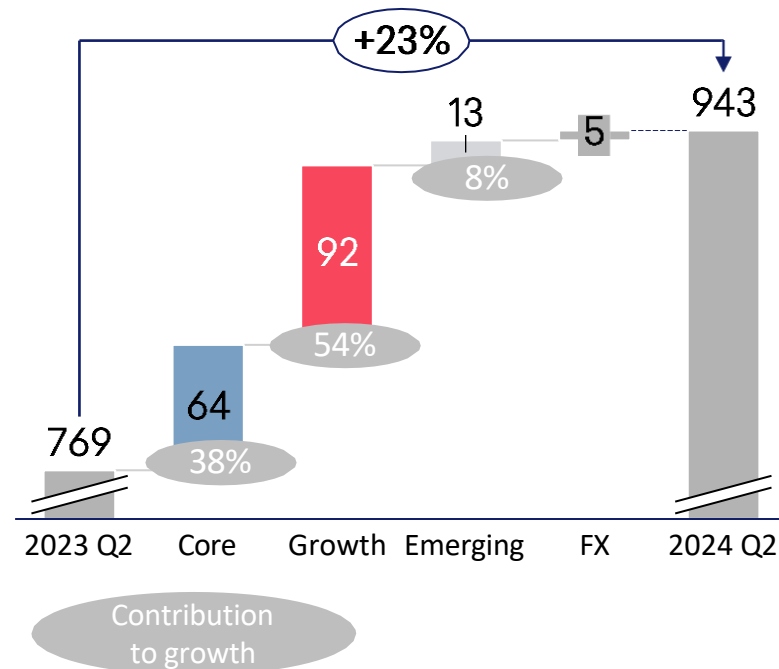
- Reported Net Sales for the Group increased 23 per cent to SEK 942.8 m (768.8) for the second quarter. In constant currency, net sales increased 22 per cent.
- For H1, Group growth was driven by the Growth division and NP category.

Sales growth close to 2023 levels

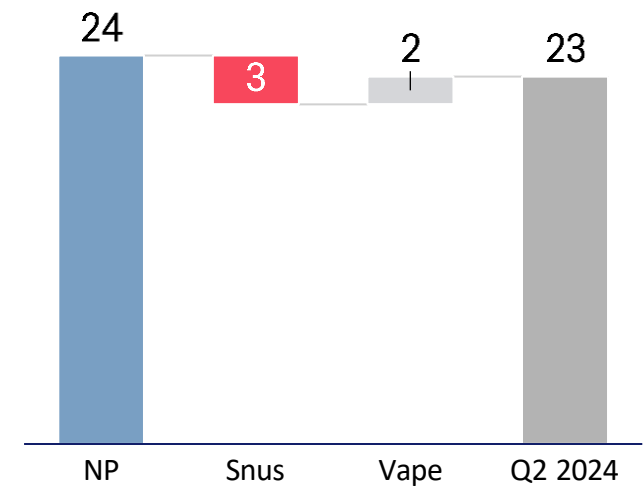
(excl. FX)



Net sales growth drivers



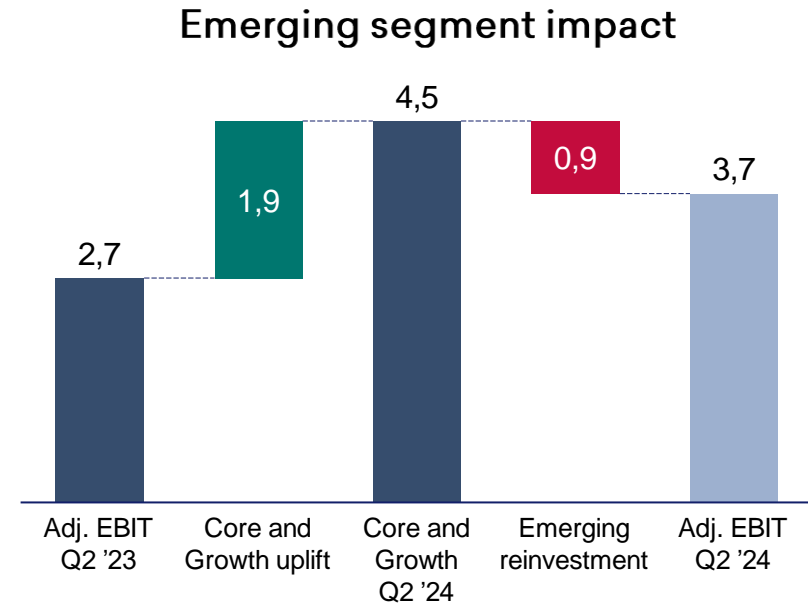
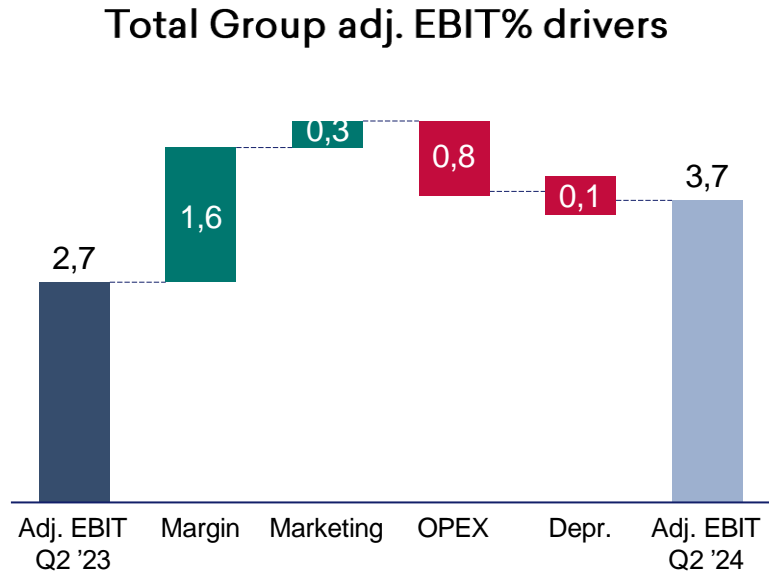
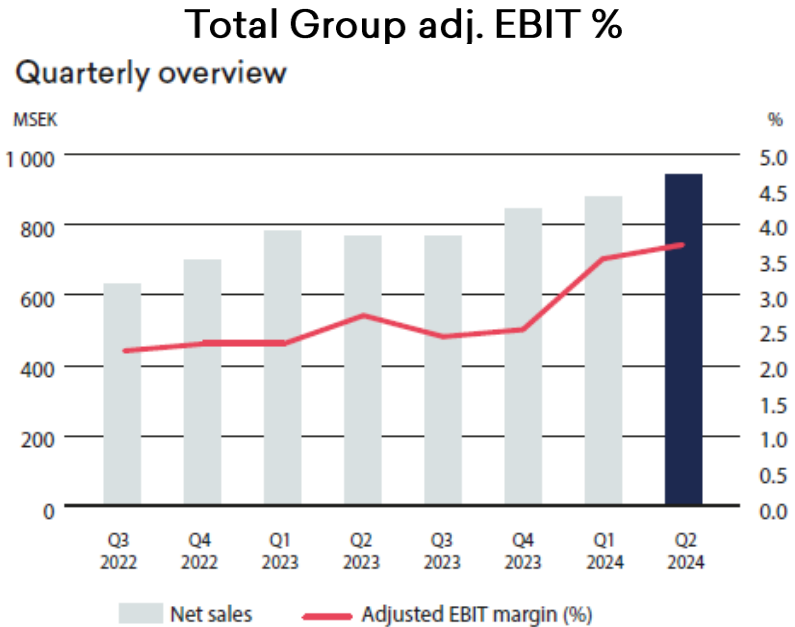
Net sales growth drivers (%)



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

Financial overview - Profitability

- Gross margin for the quarter increased by 1.4 percentage points to 14.3 per cent (12.9) 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 second quarter grew by 69 per cent and amounted to SEK 34.4 m (20.4). The increase was mainly due to higher gross margin, increased volume as well as efficiency, partially offset by continued investments into additional capabilities. The adjusted EBIT margin increased to 3.7 per cent (2.7).
- Cash flow for H1 2024 from operating activities increased to SEK 189.1 m (130.1).
- Exceptional charge connected to management and key employees' incentives.

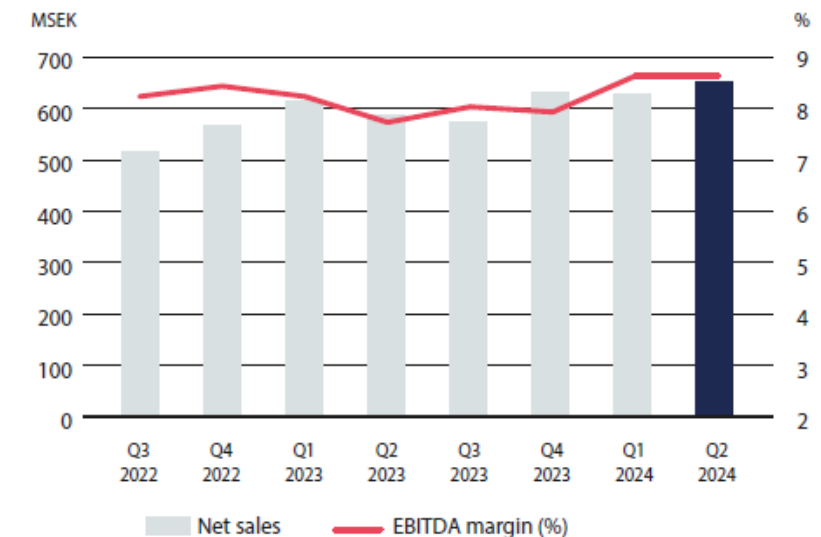


Core Markets

- Net sales increased 11 per cent and reached SEK 653.0 m (586.8) for the second quarter. In constant currency, net sales increased by 11 per cent.
- Nicotine pouch volume grew 33 per cent during the quarter; snus continued to decline as expected.
- The number of active customers increased by 6 percent to 404 thousand (383).
- EBITDA for the segment was SEK 56.3 m (45.4). The EBITDA margin amounted to 8.6 per cent (7.7), mainly attributable to a higher gross margin and economies of scale.

(Amounts in MSEK)	2024 Q2	2023 Q2	LTM	Full-Year 2023
Net sales	653.0	586.8	2,486.1	2,407.5
EBITDA	56.3	45.4	205.7	191.6
EBITDA margin, %	8.6	7.7	8.3	8.0
Active customers (thousand)	404	383	734	732

Core markets

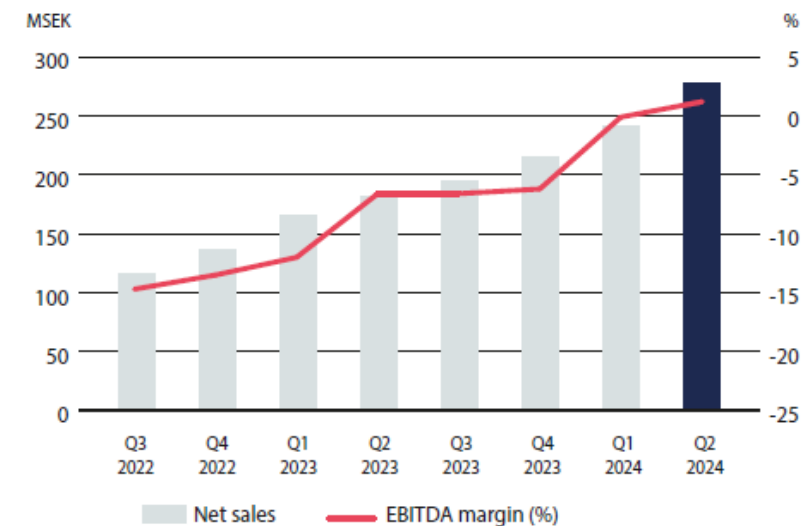


Growth Markets

- Net sales increased 52 per cent to SEK 277.1 m (182.2) for the second quarter, driven by positive momentum in the nicotine pouches category. In constant currency, net sales increased by 50 per cent.
- Nicotine pouch volume grew by 65 percent during the quarter.
- The number of active customers increased by 68 percent to 179 thousand (103).
- EBITDA for the business unit increased to SEK 3.5 m (-11.8), corresponding to an EBITDA margin of 1.3 per cent (-6.5), due to supplier support and economies of scale, partly offset by continued commercial investments.

(Amounts in MSEK)	2024 Q2	2023 Q2	LTM	Full-Year 2023
Net sales	277.1	182.2	929.0	758.2
EBITDA	3.5	-11.8	-22.3	-57.4
EBITDA margin, %	1.3	-6.5	-2.4	-7.6
Active customers (thousand)	174	103	280	222

Growth markets

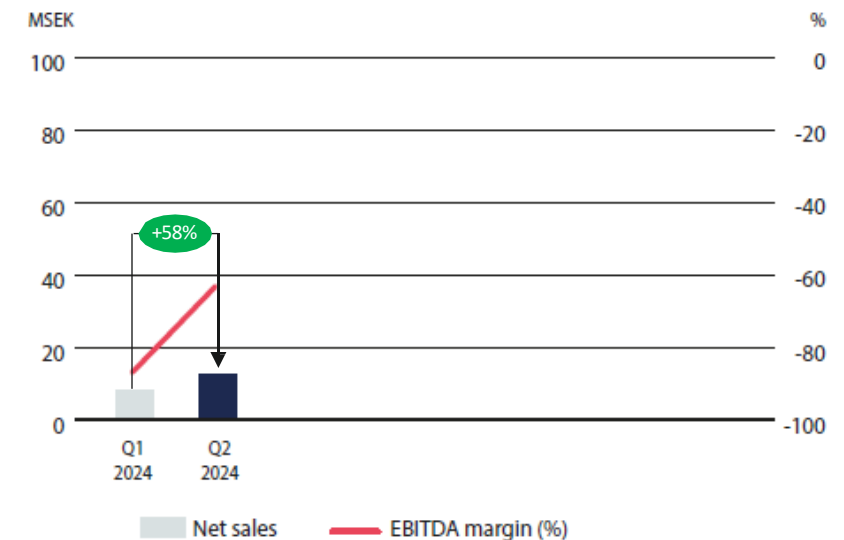


Emerging Markets

- Net sales for the second quarter, amounted to SEK 12.8 m from the vape segment in the UK, Germany and Sweden.
- The number of active customers reached to 14 thousand.
- EBITDA for the business unit was SEK -8.1 m. The EBITDA margin amounted to -63.6 per cent driven by commercial investments and a high share of fixed costs compared with current volumes.

(Amounts in MSEK)	2024 Q2	2023 Q2	LTM	Full-Year 2023
Net sales	12.8	-	20.8	-
EBITDA	-8.1	-	-15.1	-
EBITDA margin, %	-63.6	-	-72.4	-
Active customers (thousand)	14	-	24	-

Emerging markets



Selected KPIs

	2024 Q2	2023 Q2	LTM	Full-Year 2023
Operational				
Number of orders (thousand)	1,252	1,069	4,684	4,426
Average order value (SEK)	699	676	687	672
Active customers (thousand)	591	486	1,039	953
Balance sheet				
Inventories (MSEK)	240.1	148.5	-	263.3
Net working capital (MSEK)	169.6	156.6	-	253.1
Net debt (MSEK)	90.3	110.4	-	224.5
Investments (MSEK)	-19.3	-7.7	-	-61.0
Net debt/Adjusted EBITDA, times	-	-	0.5	1.7
Equity/Total assets ratio, %	55.6	58.9	-	56.7
Cash flow				
Cash flow from operating activities (MSEK)	67.5	38.2	-	80.5
Closing cash and cash equivalents (MSEK)	50.3	38.8	-	11.4

A woman with her hair in a ponytail, wearing a light-colored long-sleeved athletic top and leggings, is kneeling on a paved surface. She is focused on tying her white sneakers. To her right, a small, round container of Volt Voltin is on the ground. The scene is set outdoors, with a large potted plant on the left and shadows cast across the pavement. The text "Financial targets and strategy" is overlaid in white on the image.

Financial targets and strategy

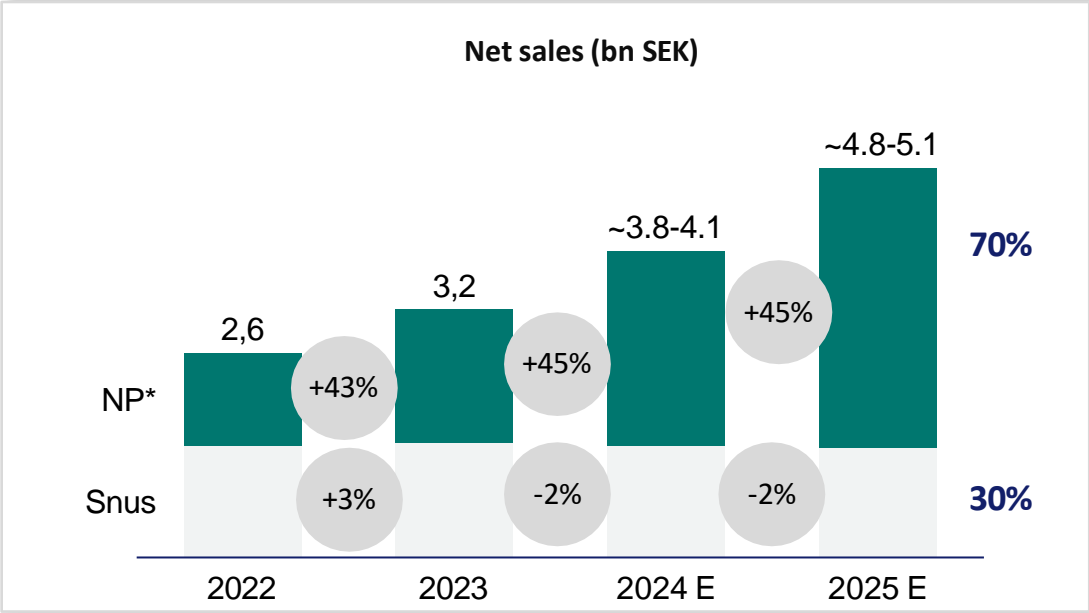
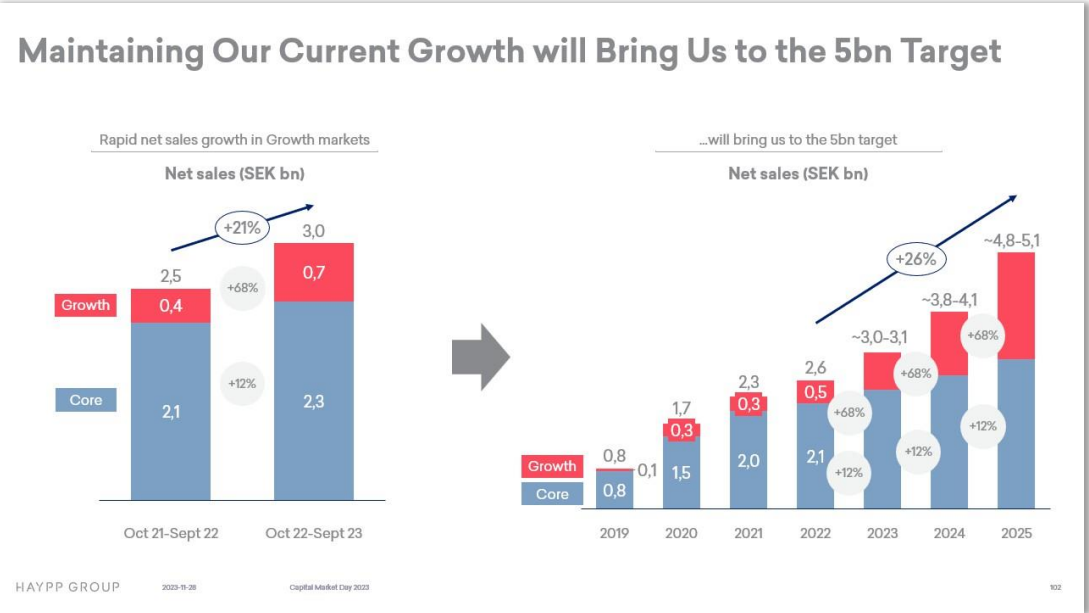
Financial targets

	Original targets	Increased targets in existing business	New ambition
Growth	Haypp Group targets to reach net sales of at least SEK 5bn by 2025, predominantly through organic 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 incremental
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	Haypp Group will prioritise growth over profitability and targets to reach a high single digits (5-7%) adjusted EBIT margin early, in 2025.	Investment of 1-2ppt of our Group adjusted EBIT margin through 2025
Dividend policy	In the upcoming years, the board of Haypp Group will primarily use the generated cash flows for the company's continued expansion	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

2025 outlook – growth was and is expected to be driven by NP’s

On our Capital Markets Day, we confirmed our SEK5 bn target

...growth expected to come from NP with snus flat



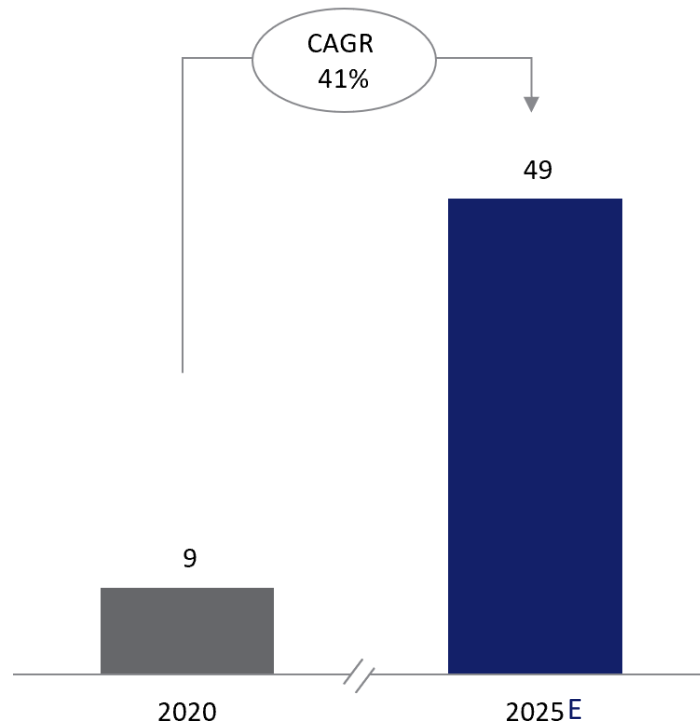
	Q4 2023	Q1 2024	Q2 2024
NP* actual sales growth excl. FX	+45%	+38%	+46%

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

Significant growth opportunities in maintaining market leading position

Strong category growth

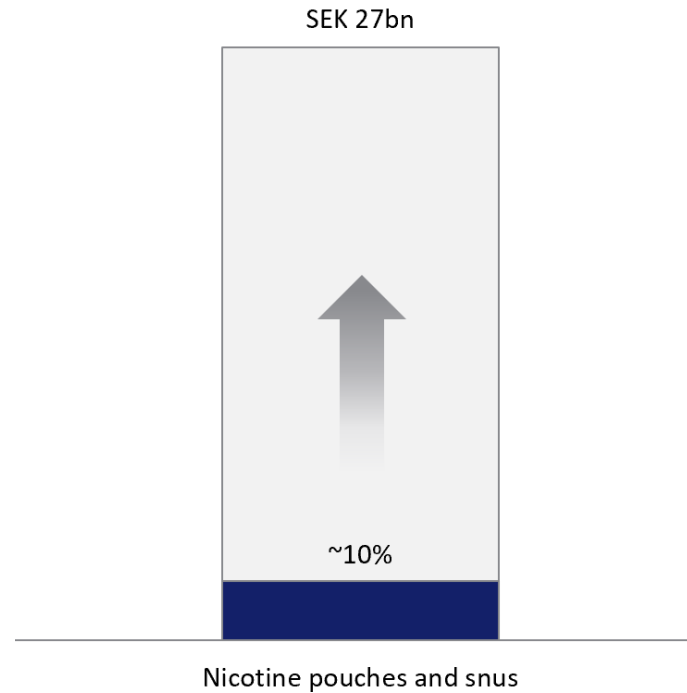
■ Global nicotine pouches market (SEKbn)



Source: Company information, Arthur D. Little

Increasing online penetration

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



Leveraging our market leading positions



Underpinning the success

Performance

Operating model

Technology and processes

People and culture

Inspiring healthier enjoyment for millions

A woman with her 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. She is holding a small white container with the ZYN logo. The background is a blurred cityscape with buildings and a body of water under a warm, golden sky.

HAYPP GROUP

Inspiring healthier
enjoyment **for millions**