

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

Interim report - Q3

# Today's presenters



**Gavin O'Dowd**  
CEO

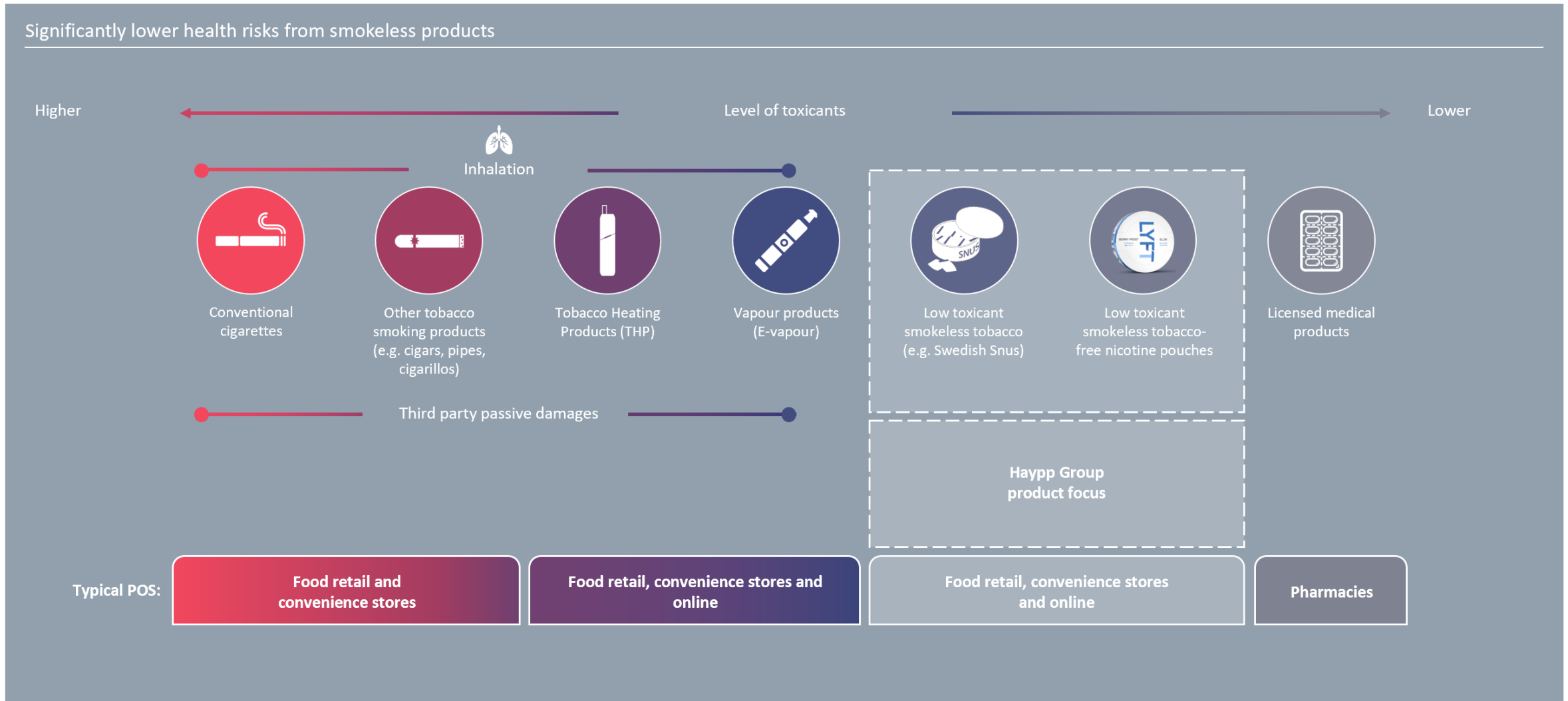


**Svante Andersson**  
CFO

Why we exist – inspiring healthier enjoyments to millions

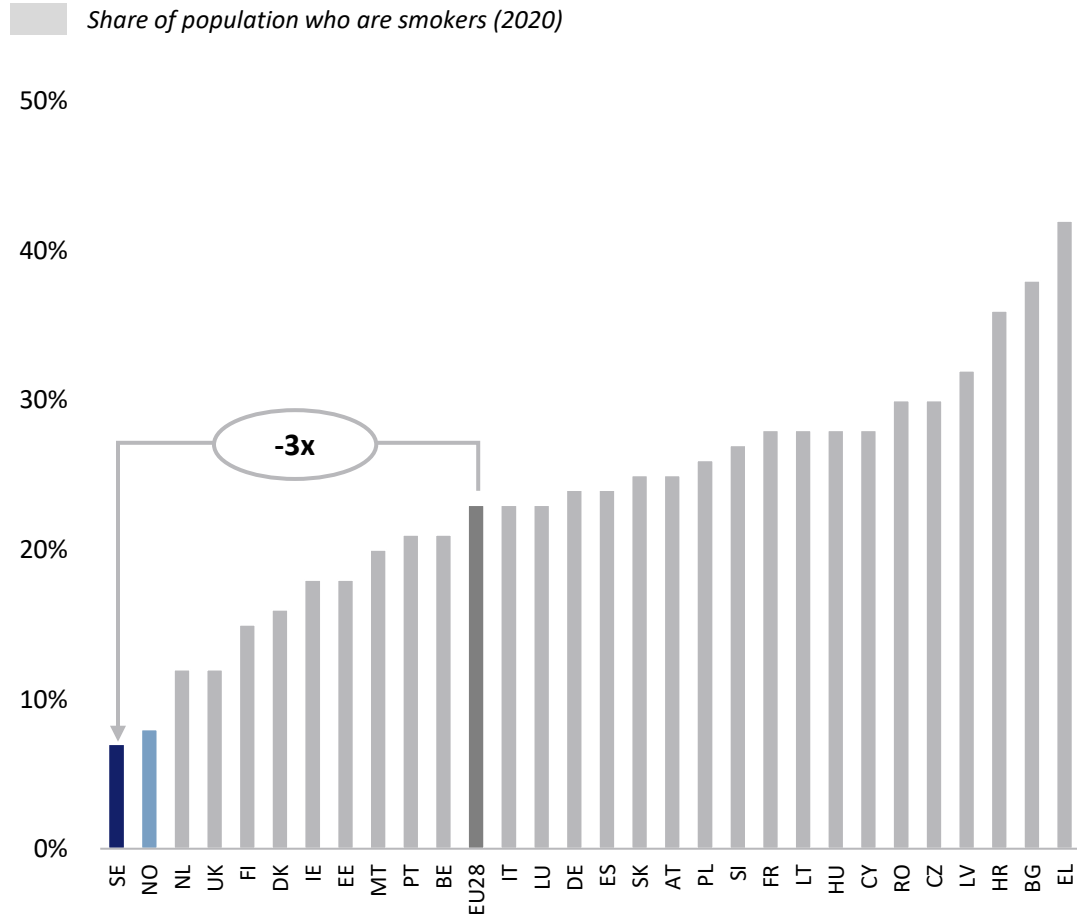


# Focused on healthier enjoyment products



# ...that enable the shift from harmful consumption

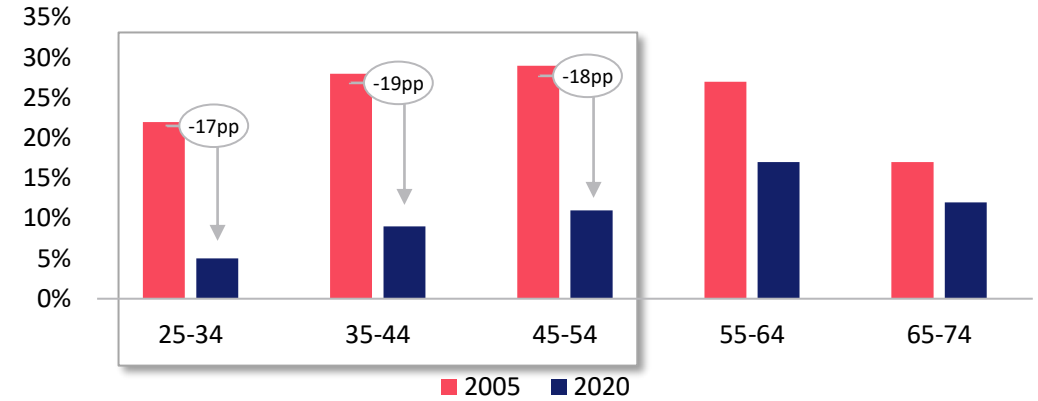
Significantly lower smoking incidence in Sweden and Norway



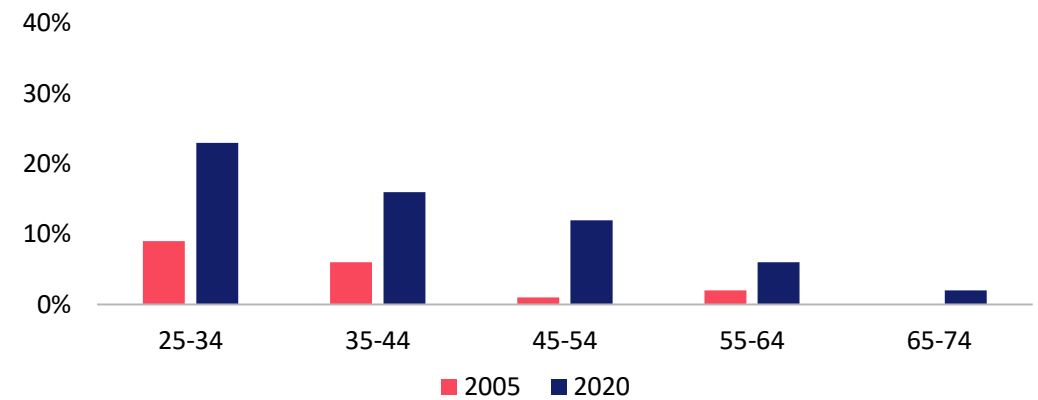
Rapid decline in cigarette consumption following the adoption of NP/snus



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



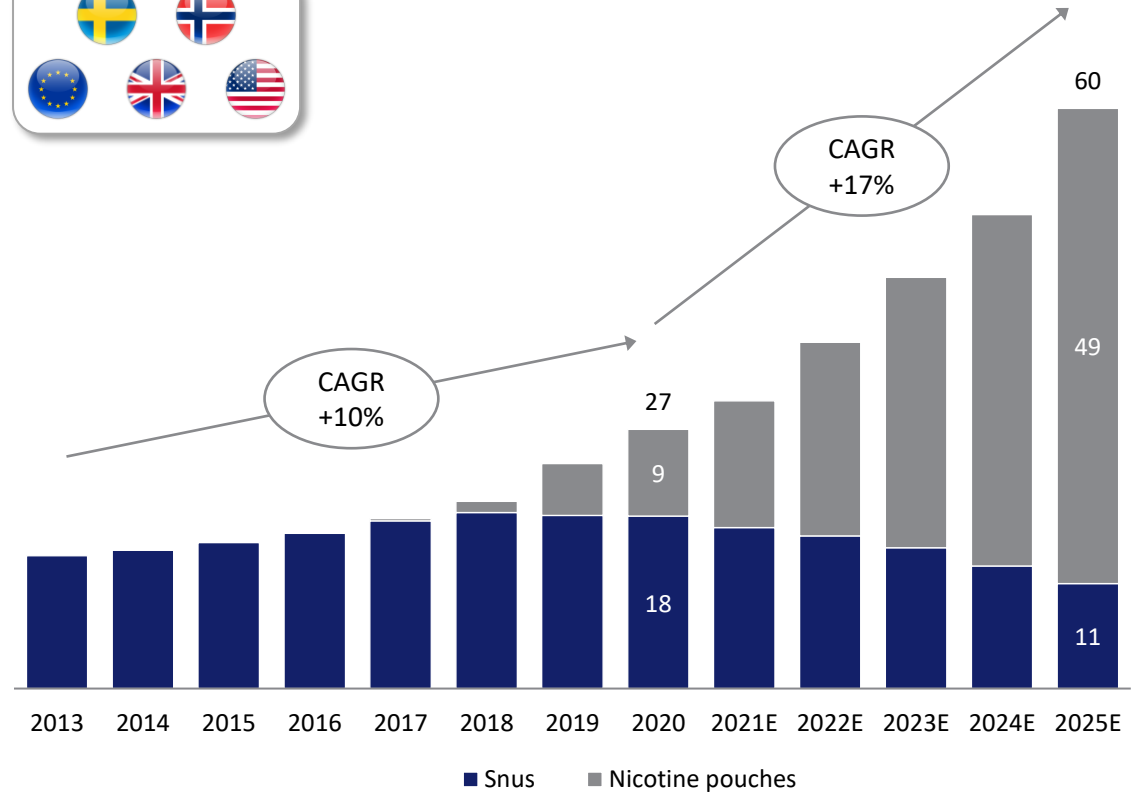
Legislation favours modern nicotine products



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%

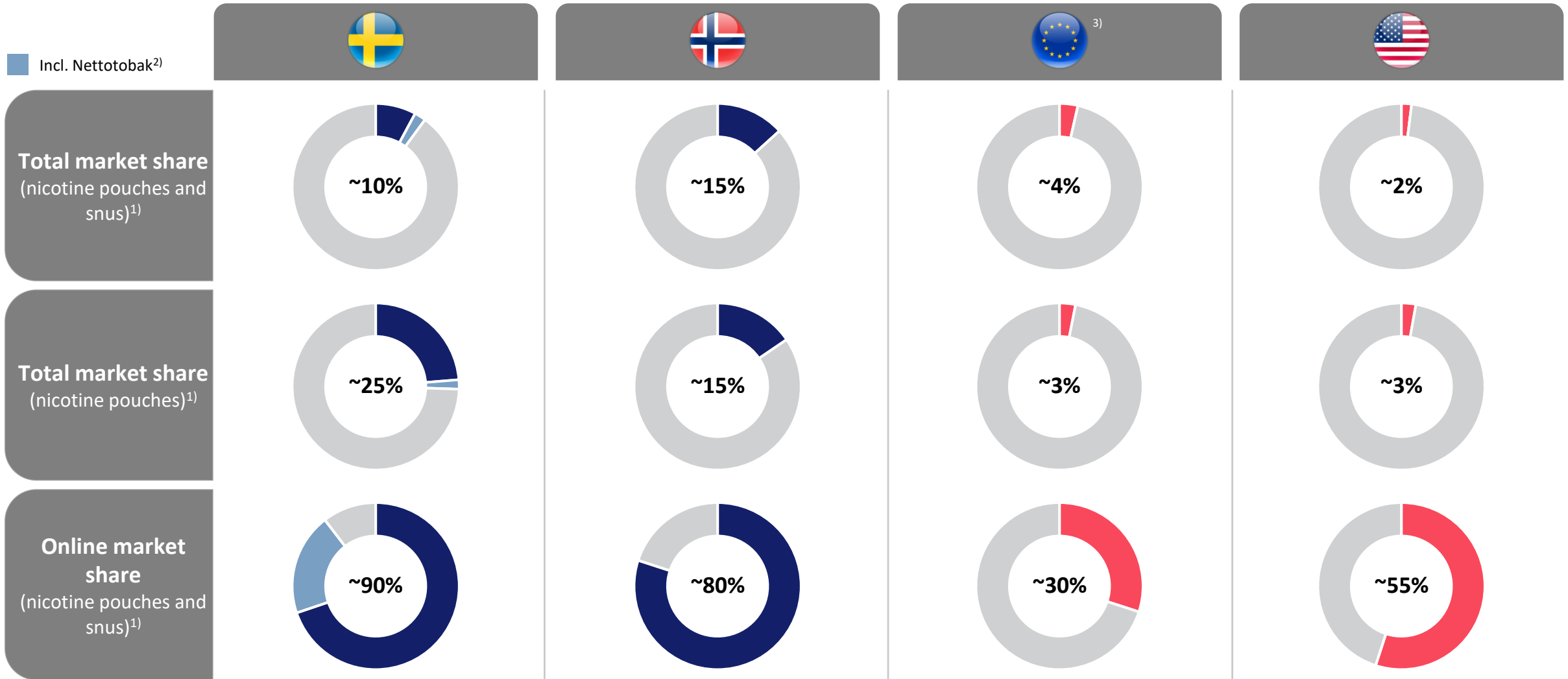
-9%

# 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>Diin 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><a href="http://www.BuySnus.com">www.BuySnus.com</a><br><br><b>NIQO co.</b><br><br> | <br><a href="http://www.BuySnus.com">www.BuySnus.com</a><br><br>PREMIUM <b>SNUS.US</b><br> |



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





# HAYPP GROUP

Interim Report - Q3

# Operational highlights

- **Core Markets – normalised environment**

- Continued migration from offline to online sales. Growth investments during the first half of the year were sustained also for the larger part of the third quarter. The growth investments were partly reversed during the third quarter.
- A partial reopening of the duty free and border trade, which accounted for around 30 per cent of Norwegian consumption prior to Covid.
- Continued experience of aggressive price competition from our offline competitors in Norway. A range of initiatives have been launched to turn around the negative sales development in Norway.

- **Growth Markets – strong traction**

- The improving performance in US during the second quarter, versus elevated comparables in 2020, continued to strengthen during the third quarter.
- Strong progress where Germany in particular is benefiting from regulatory tailwind around the category. Benefit in the short-term, but a clear and balanced regulation that takes the harm reduction perspective into account is critical for the long-term success of the category.
- The third-party logistics in Malmö, covering the supply of Nicotine Pouches in Europe, was migrated to Stockholm. Additionally, a transport administration system was implemented in some markets, which gradually will be rolled out globally.

- **Acquisitions – consolidation of the Swedish market**

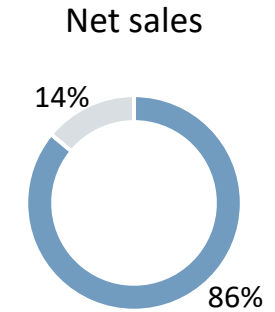
- In June and July respectively, certain assets of Nettotobak and Snusnetto, two Swedish e-commerce retailers of nicotine pouches and snus, were acquired and integrated 30 June and 1 July respectively. Integration completed according to plan.

- **IPO – milestone for the company**

- After the end of the period, Haypp Group listed its shares on Nasdaq First North Growth Market and carried out a new share issue of 150 m that further strengthened the Group's financial position.

# Financial overview

- Net sales increased 28 per cent and amounted to SEK 582 m (454) for the third quarter. The organic sales growth was 18 per cent. Acquisitions contributed with SEK 61 m.
- Gross margin for the third quarter amounted to 11.0 per cent (12.8). The decrease in margin was mainly attributable to growth investments in the Core Markets during the first half of quarter which were partly reversed in the latter half of the quarter.
- Adjusted EBIT for the third quarter amounted to SEK 10 m (17). The adjusted EBIT margin decreased to 1.7 per cent (3.7). The decrease was mainly attributable to the lower gross margin.
- Net sales increased 38 per cent during the first nine months and amounted to SEK 1,667 m (1,216). The organic growth was 36 per cent. Adjusted EBIT increased to SEK 30 m (27), corresponding to a margin of 1.8 per cent (2.2).



■ Core markets ■ Growth markets

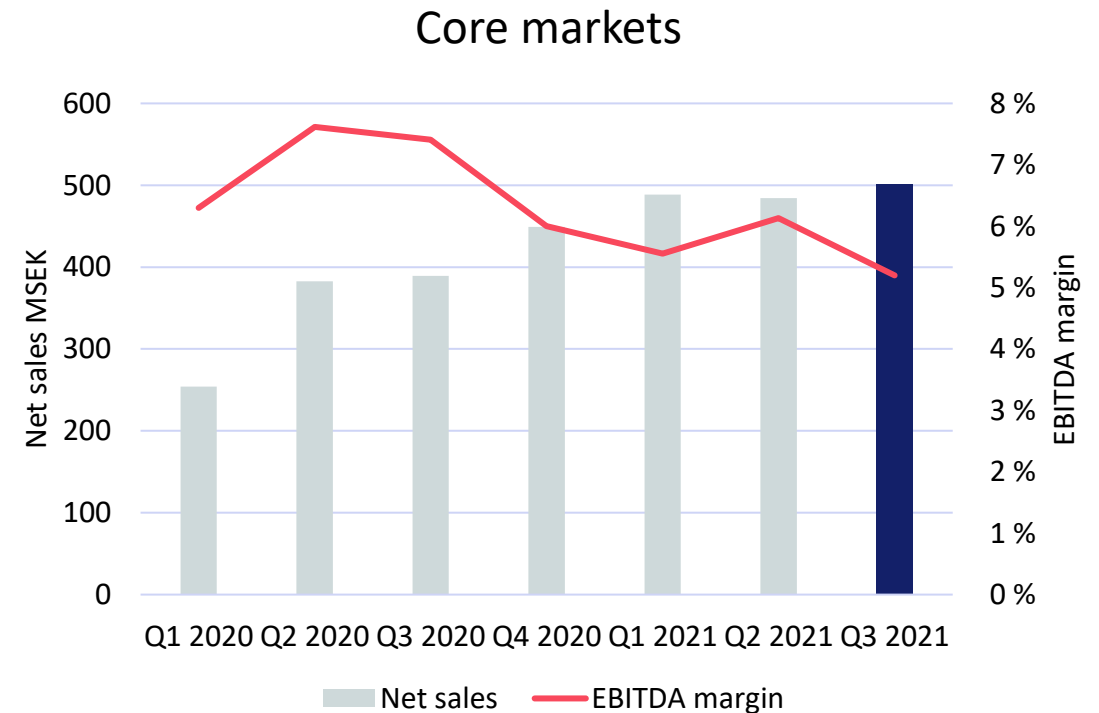
| (Amounts in MSEK)                        | 2021<br>Q3 | 2020<br>Q3 | 2021<br>Q1-Q3 | 2020<br>Q1-Q3 | LTM    |
|--|------------|------------|---------------|---------------|--------|
| Net sales                                | 581.9      | 453.8      | 1,676.2       | 1216.2        | 2189.2 |
| Net sales growth, %                      | 28.2       | -          | 37.8          | -             | -      |
| Gross margin, %                          | 11.0       | 12.8       | 11.0          | 12.5          | 11.8   |
| Adjusted EBIT                            | 10.1       | 16.6       | 29.7          | 27.1          | 40.9   |
| Adjusted EBIT margin, %                  | 1.7        | 3.7        | 1.8           | 2.2           | 1.9    |
| Items affecting comparability            | -9.0       | -1.9       | -22.9         | -8.2          | -45.2  |
| Operating profit/loss                    | -8.7       | 10.0       | -12.2         | 4.6           | -31.2  |
| Profit/loss for the period               | -6.2       | 5.1        | -15.0         | -5.1          | -37.6  |
| Earnings per share before dilution (SEK) | -0.27      | 0.25       | -0.70         | -0.25         | -1.78  |



# Core markets

- Net sales increased 29 per cent and amounted to SEK 501 m (389) for the third quarter. The organic sales growth was 13 per cent.
- EBITDA for the business unit amounted to SEK 26 m (29). The EBITDA margin decreased by 2.2 percentage points to 5.2 per cent (7.4), due to continued focus being placed on growth over profitability and continued investment to secure further growth.
- Net sales increased 44 per cent during the first nine months and amounted to SEK 1,474 m (1,026). The organic growth was 38 per cent. EBITDA increased to SEK 83 m (74), corresponding to a margin of 5.6 per cent (7.2).

| (Amounts in MSEK)           | 2021 Q3 | 2020 Q3 | 2021 Q1-Q3 | 2020 Q1-Q3 | LTM     | 2020    |
|-----------------------------|---------|---------|------------|------------|---------|---------|
| Net sales                   | 501.3   | 389.3   | 1,474.2    | 1,026.2    | 1,923.5 | 1,475.4 |
| EBITDA                      | 26.0    | 28.8    | 82.8       | 74.0       | 109.8   | 101.0   |
| EBITDA margin (%)           | 5.2 %   | 7.4 %   | 5.6 %      | 7.2 %      | 5.7 %   | 6.8 %   |
| Number of orders (thousand) | 776     | 542     | 2,215      | 1,469      | 2,842   | 2,096   |
| Average order value (SEK)   | 625     | 648     | 618        | 640        | 625     | 643     |
| Active customers (thousand) | 321     | 229     | 480        | 345        | 532     | 415     |



# Growth markets

- Net sales increased 25 per cent and amounted to SEK 81 m (65) for the third quarter. Comparable net sales grew by 49 per cent when excluding the effects of markets that were closed in the first quarter.
- EBITDA amounted to SEK -8 m (-7), corresponding to an EBITDA margin of -9.7 per cent (-10.6), due to continued investment in the platform and organisation.
- Net sales increased 6 per cent during the first nine months and amounted to SEK 202 m (190). Comparable net sales increased by 26 per cent when excluding the effects of markets that were closed in the first quarter. EBITDA amounted to SEK -32 m (-32), corresponding to a margin of -15.8 per cent (-16.9).

| (Amounts in MSEK)           | 2021 Q3 | 2020 Q3 | 2021 Q1-Q3 | 2020 Q1-Q3 | LTM     | 2020    |
|-----------------------------|---------|---------|------------|------------|---------|---------|
| Net sales                   | 80.6    | 64.5    | 202.0      | 190.0      | 265.8   | 253.7   |
| EBITDA                      | -7.8    | -6.8    | -31.9      | -32.1      | -40.3   | -40.5   |
| EBITDA margin (%)           | -9.7 %  | -10.6 % | -15.8 %    | -16.9 %    | -15.2 % | -15.9 % |
| Number of orders (thousand) | 111     | 94      | 273        | 307        | 360     | 394     |
| Average order value (SEK)   | 619     | 779     | 686        | 743        | 687     | 732     |
| Active customers (thousand) | 61      | 51      | 103        | 107        | 125     | 126     |



# Selected KPIs

|  | 2021<br>Q3 | 2020<br>Q3 | 2021<br>Q1-Q3 | 2020<br>Q1-Q3 | LTM   | 2020  |
|--|------------|------------|---------------|---------------|-------|-------|
| <b>Operational</b>                         |            |            |               |               |       |       |
| Number of orders (thousand)                | 887        | 636        | 2,488         | 1,776         | 3,202 | 2,490 |
| Average order value (SEK)                  | 624        | 668        | 626           | 658           | 632   | 657   |
| Active customers (thousand)                | 382        | 280        | 583           | 452           | 657   | 541   |
| <b>Balance sheet</b>                       |            |            |               |               |       |       |
| Net working capital (MSEK)                 |            |            | 32.9          | 22.1          | 13.9  | 3.1   |
| Net debt (MSEK)                            |            |            | 184.3         | 103.1         | 184.3 | 102.7 |
| Investments (MSEK)                         |            |            | -233.0        | -15.4         |       | -21.6 |
| Net debt/Adjusted EBITDA, times            |            |            |               |               | 2.7   | 1.7   |
| Equity/Total assets ratio (%)              |            |            | 45.9          | 44.9          | 41.4  | 38.0  |
| <b>Cash flow</b>                           |            |            |               |               |       |       |
| Cash flow from operating activities (MSEK) |            |            | -8.3          | 38.8          |       | 48.5  |
| Closing cash and cash equivalents (MSEK)   |            |            | 17.4          | 29.8          | 17.4  | 32.0  |



# 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.

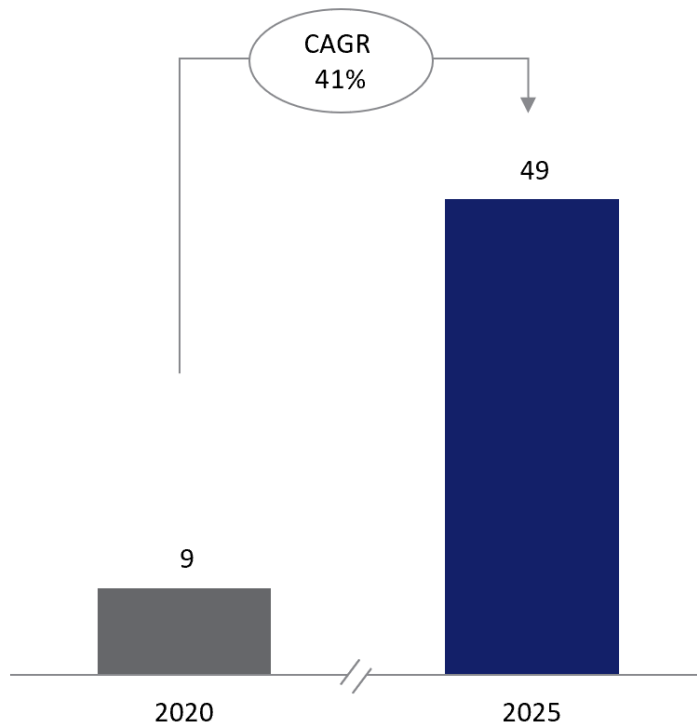
## Dividend policy

- 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

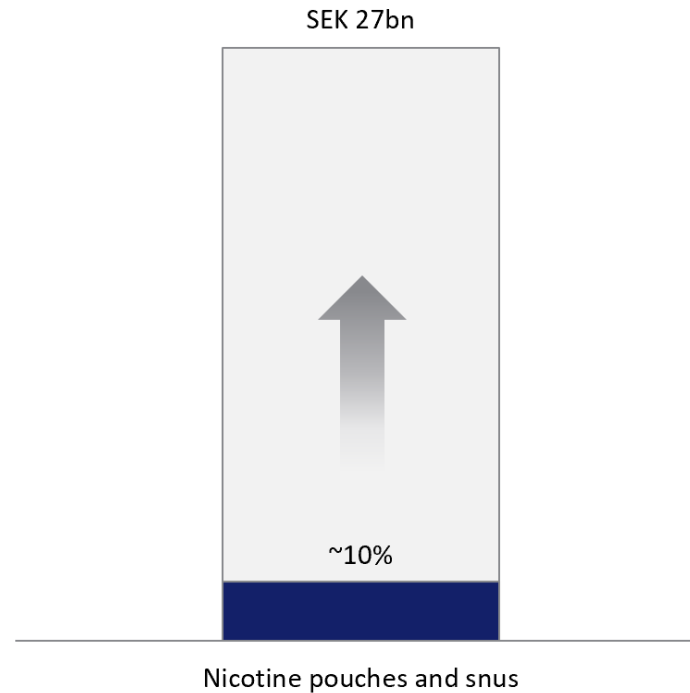
## Strong category growth

■ 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**

- The nicotine pouch category continues to grow rapidly across both Core and Growth markets.
- All large manufacturers are active and many credible new manufacturers are accelerating innovation.
- Continued support from regulators around harm reduction (Czech Republic, Sweden, Denmark, Slovakia, Estonia).

- **Growth over profitability**

- Haypp Group growing volume by over 50% year-on-year within nicotine pouches.
- Continued strong performance in Sweden, where our share of nicotine pouches is significantly higher than any other retailer.
- Consistent growth year-to-date in the US.
- Radical growth in Germany and strong early trajectory in the UK.

- **Well positioned to take advantage of a rapidly growing international market over the coming years**

- Overhauled infrastructure to enable future expected growth, including unifying our platforms in Europe.
- Enhanced data collection and storage, enabling us to utilize machine learning across markets with much greater scale.
- Migrated warehouses from third party providers to our inhouse purpose built warehouse solution to increase speed and control at reduced cost.
  - Malmö done in Q3.
  - Oslo expected in Q4.
- Developed organizational capabilities to handle scale in multiple markets.

# Key investment highlights

