

Interim Report – Q2
August 11

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



Peter Deli
CFO

Peter Deli – CFO since May 2023

15+ experience in various finance roles

- Joined Haypp Group in 2020 as Head of Business controls
- 7 years in BAT (Hungary, Spain, UK) in various Corporate and Commercial Finance roles
- Head of Finance Hungary at Amrest (KFC, Pizza Hut, Starbucks)
- Various roles in General Electric

Support long term shareholder value creation

- Maintain healthy balance between growth and profitability
- Remain focused on investment allocation and returns
- Emphasize cash generation

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

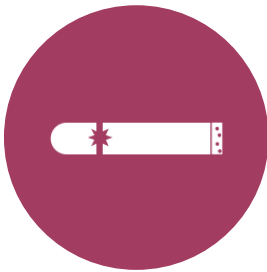
Food retail and convenience stores

Food retail, convenience stores and online

Pharmacies



Conventional
cigarettes



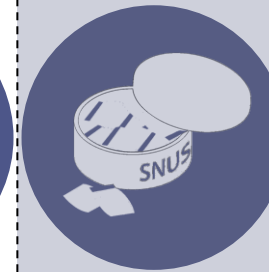
Other tobacco
smoking products
(e.g. cigars, pipes,
cigarillos)



Tobacco Heating
Products (THP)



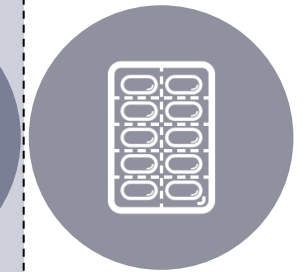
Vapour products
(E-vapour)



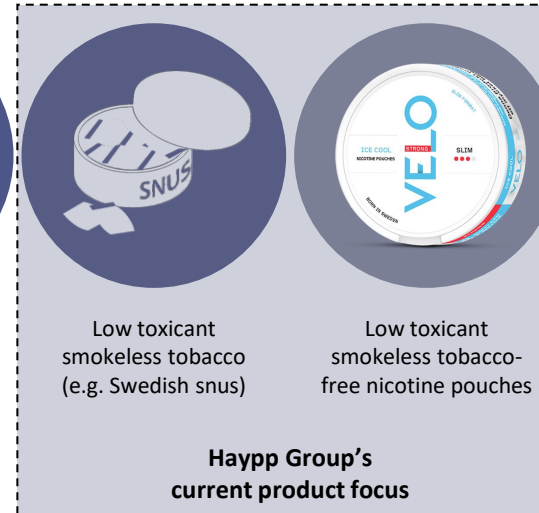
Low toxicant
smokeless tobacco
(e.g. Swedish snus)



Low toxicant
smokeless tobacco-
free nicotine pouches



Licensed medical
products



Haypp Group's
current product focus

High

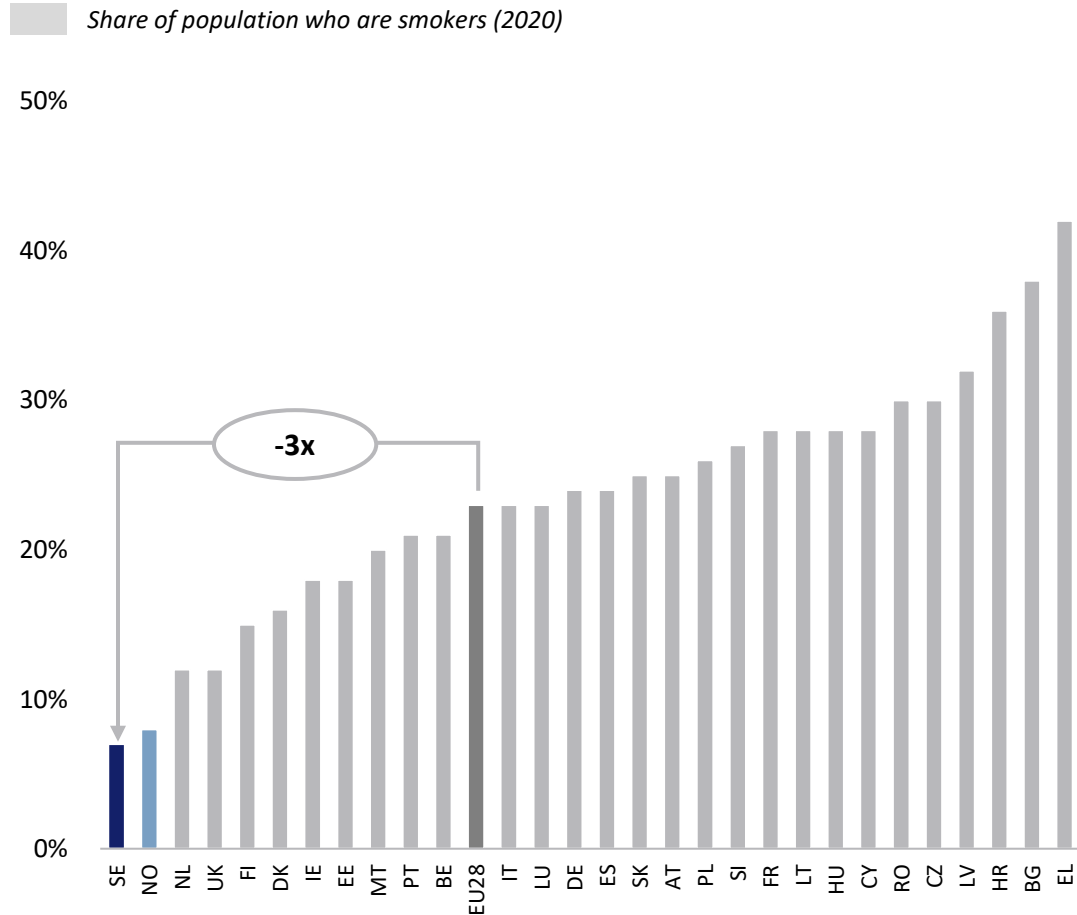
Level of harm

Low

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...that enable the shift from harmful consumption

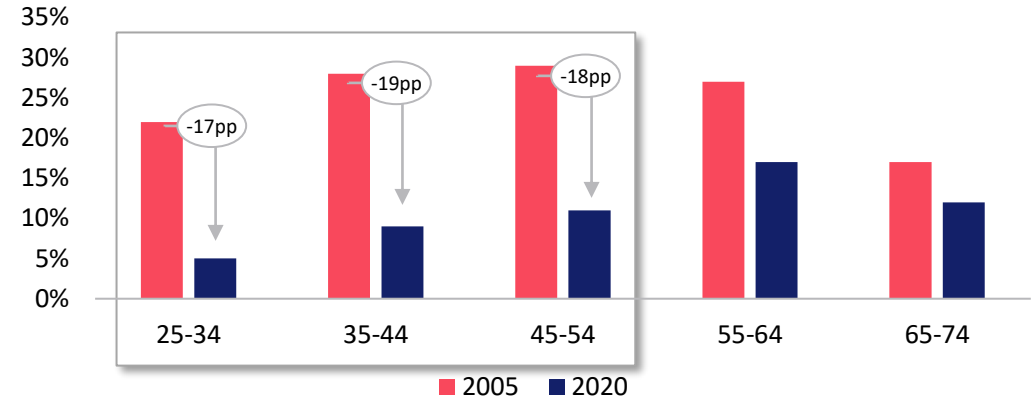
Significantly lower smoking incidence in Sweden and Norway



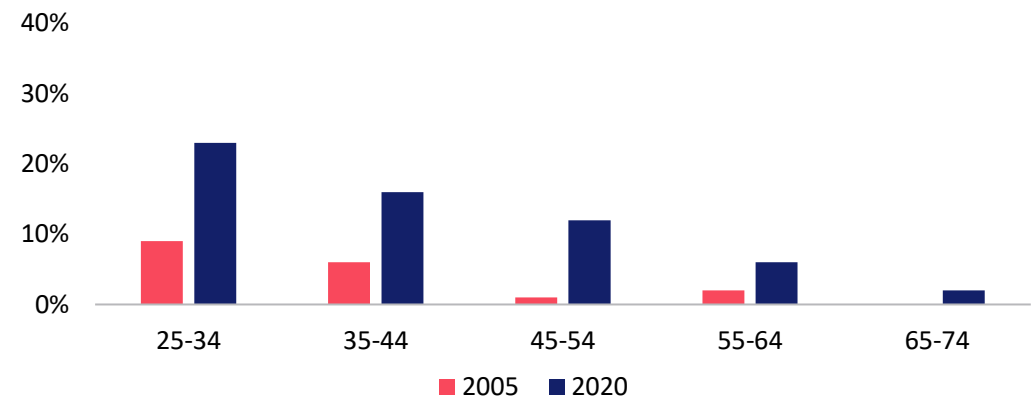
Rapid decline in cigarette consumption following the adoption of NP/snus



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



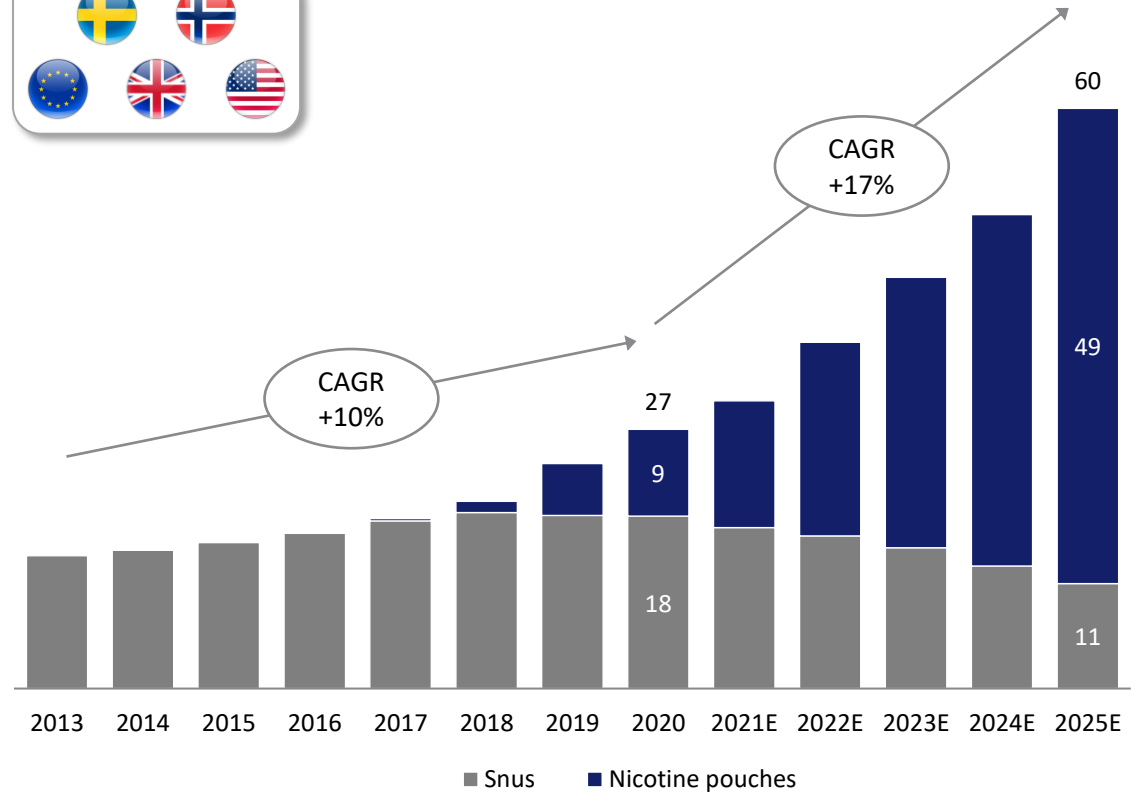
Legislation favours modern nicotine products



Suppliers push for modern nicotine products

...resulting in attractive growth for nicotine pouches

Global market for nicotine pouches and snus, SEKbn¹⁾



CAGR
2020-25

+41%

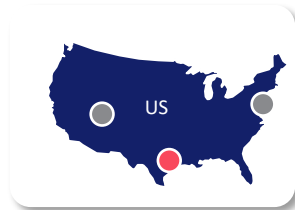
-9%

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

Convenience a key USP

Strategy to use a combination of in-house warehouses and 3PL-providers, subject to market maturity

Continued improvements in our fulfilment setup

- UK in-housing in Q3 2023
- SE warehouse infrastructure upgrade Q4 2023

Phase 2: Scalable back-end infrastructure



Further improving our system architecture

- ERP and middleware – NO go live in Q3 2023, to be followed by UK, SE and US

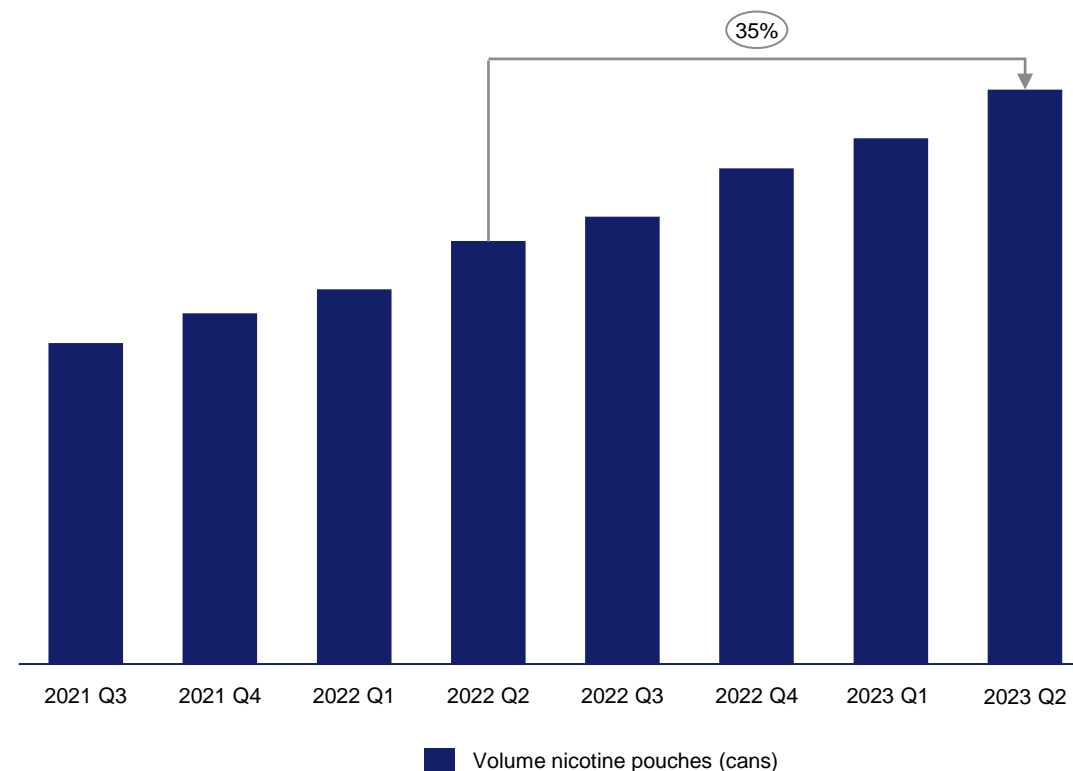


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Interim Report – Q2

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 35 per cent for the Group during the quarter.
 - Nicotine pouches accounted for more than 50 percent of Haypp Group’s volume during a quarter for the first time.
 - Recently launched products accounted for over 23 per cent of the total Nicotine Pouches sales.
- **Strong growth in both number of orders and active customers during Q2**
 - Number of orders amounted to 1,069 (thousand) up 15 per cent.
 - Average order value increased by 6 per cent to 676 SEK cent.
 - Active customers amounted to 486 (thousand) up 18 per cent.



Regulatory development

- **Growing governmental interest for harm reduction**

- Norwegian public health strategy:

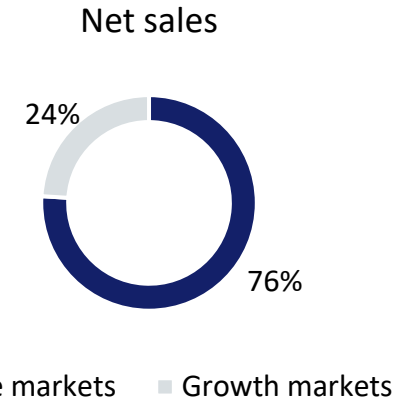
- Passed Parliament in Q2 but there was a majority in the Norwegian parliament Stortinget that did not express support for the Government proposal on online sales ban of snus.
- Haypp Group has 100% robust age verification.
- We remain confident that we will not be impacted by the final legislation.

- Swedish introduction of product stands on the 30th of June:

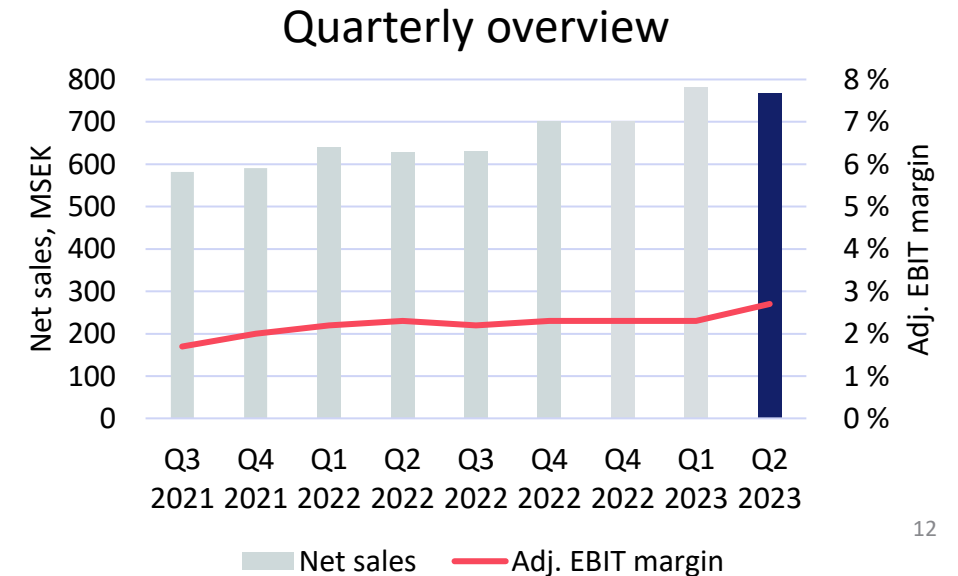
- We welcome the new standards which bringing the overall market broadly in inline in line with Haypp Group's established product standards.

Financial overview

- Strong progress in the transformation to the rapidly growing Nicotine Pouches category. Reported Net sales for the Group increased 23 per cent and amounted to SEK 769 m (628) for the second quarter. In constant currency, Net sales increased 23 per cent.
- Gross margin for the second quarter increased by 0.4 percentage points to 12.9 per cent (12.5) 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 40 per cent and amounted to SEK 20.4 m (14.6). The adjusted EBIT margin increased to 2.7 per cent (2.3). 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 130.1 m (31.6) during for the first six months 2023.



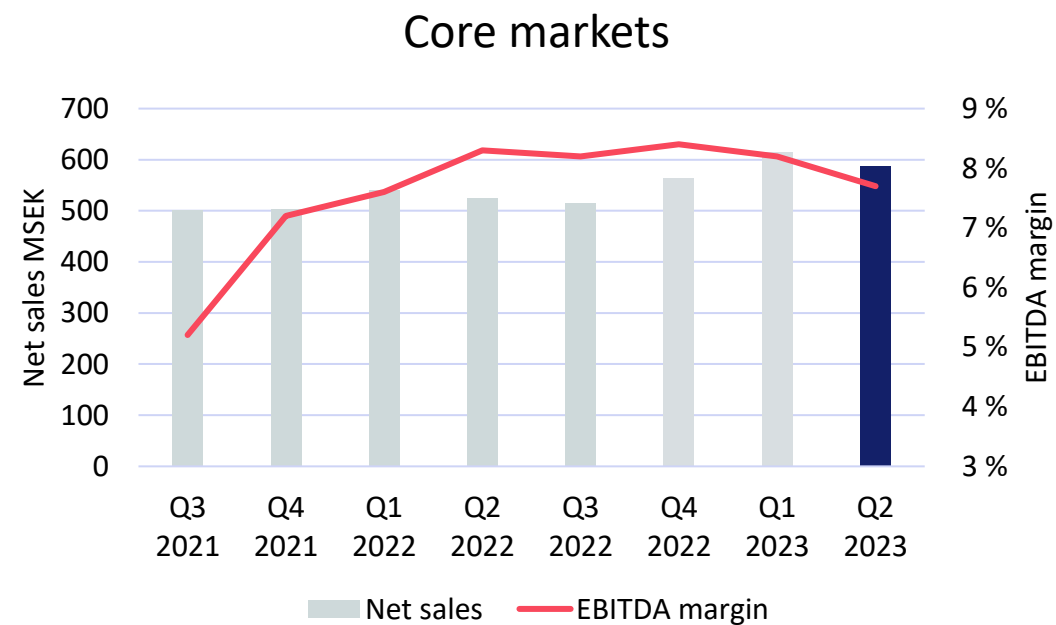
(Amounts in MSEK)	2023 Q2	2022 Q2	LTM	Full-Year 2022
Net sales	768.8	627.6	2,881.3	2,598.8
Net sales growth, %	22.5	15.8		14.6
Gross margin, %	12.9	12.5	12.8	12.6
Adjusted EBIT	20.4	14.6	68.4	58.5
Adjusted EBIT margin, %	2.7	2.3	2.4	2.2
Items affecting comparability	-14.3	0.3	-15.3	-3.4
Operating profit/loss	-3.9	5.0	13.2	15.2
Profit for the period	0.4	10.5	13.3	20.1
EPS before dilution (SEK)	0.02	0.36	0.46	0.69



Core markets

- Net sales increased 11 per cent and amounted to SEK 587 m (525) for the second quarter. In constant currency, Net sales increased by 14 per cent.
- Nicotine pouches grew by 25 per cent in volume during the quarter.
- The number of active customers increased by 13 percent to 383 (thousand) (340).
- EBITDA for the business unit amounted to SEK 45m (43). The EBITDA margin decreased by 0.6% percentage points to 7.7 per cent (8.3). This was a result of some timing effect on our insights revenue.

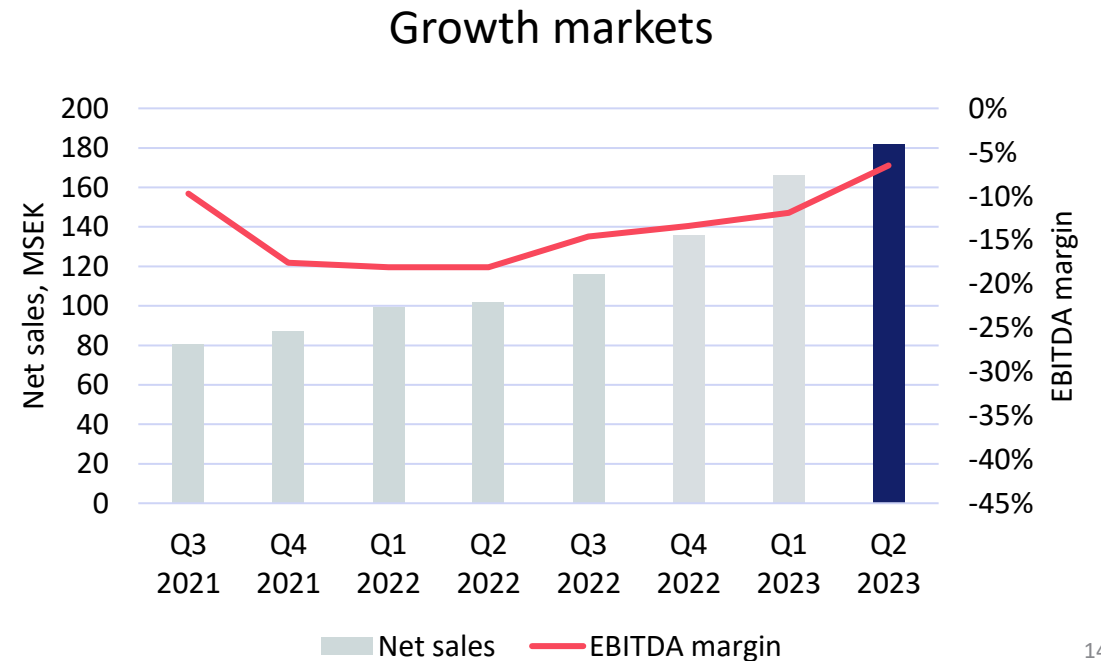
(Amounts in MSEK)	2023 Q2	2022 Q2	LTM	Full-Year 2022
Net sales	586.6	525.3	2,281.3	2,145.3
EBITDA	45.4	43.5	185.3	174.0
EBITDA margin, %	7.7	8.3	8.1	8.1
Active customers (thousand)	383	340	693	637



Growth markets

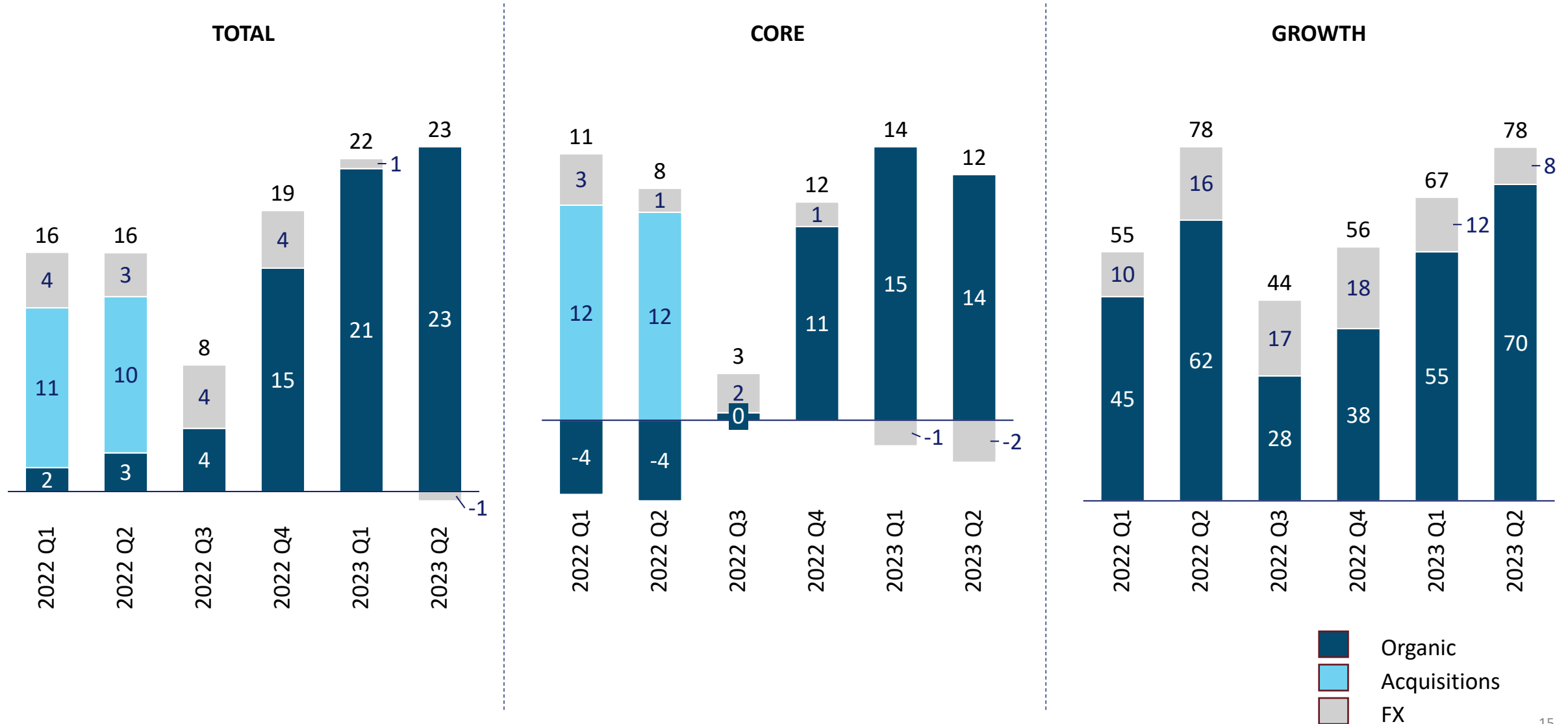
- Net sales increased 78 per cent and amounted to SEK 182 m (102) for the second quarter, driven by a strong performance in all markets, especially the US the UK. In constant currency, Net sales increased by 70 per cent.
- Nicotine Pouches grew by 55 percent in volume during the quarter.
- The number of active customers increased by 43 percent to 103 (thousand) 72.
- EBITDA increased to SEK -12 m (-18), corresponding to an EBITDA margin of -6.5 per cent (-18.1), due to continued higher volumes, which gradually gives greater economies of scale in several areas.

(Amounts in MSEK)	2023 Q2	2022 Q2	LTM	Full-Year 2022
Net sales	182.2	102.3	600.0	453.5
EBITDA	-11.8	-18.5	-66.8	-71.7
EBITDA margin, %	-6.5	-18.1	-11.1	-15.8
Active customers (thousand)	103	72	191	159



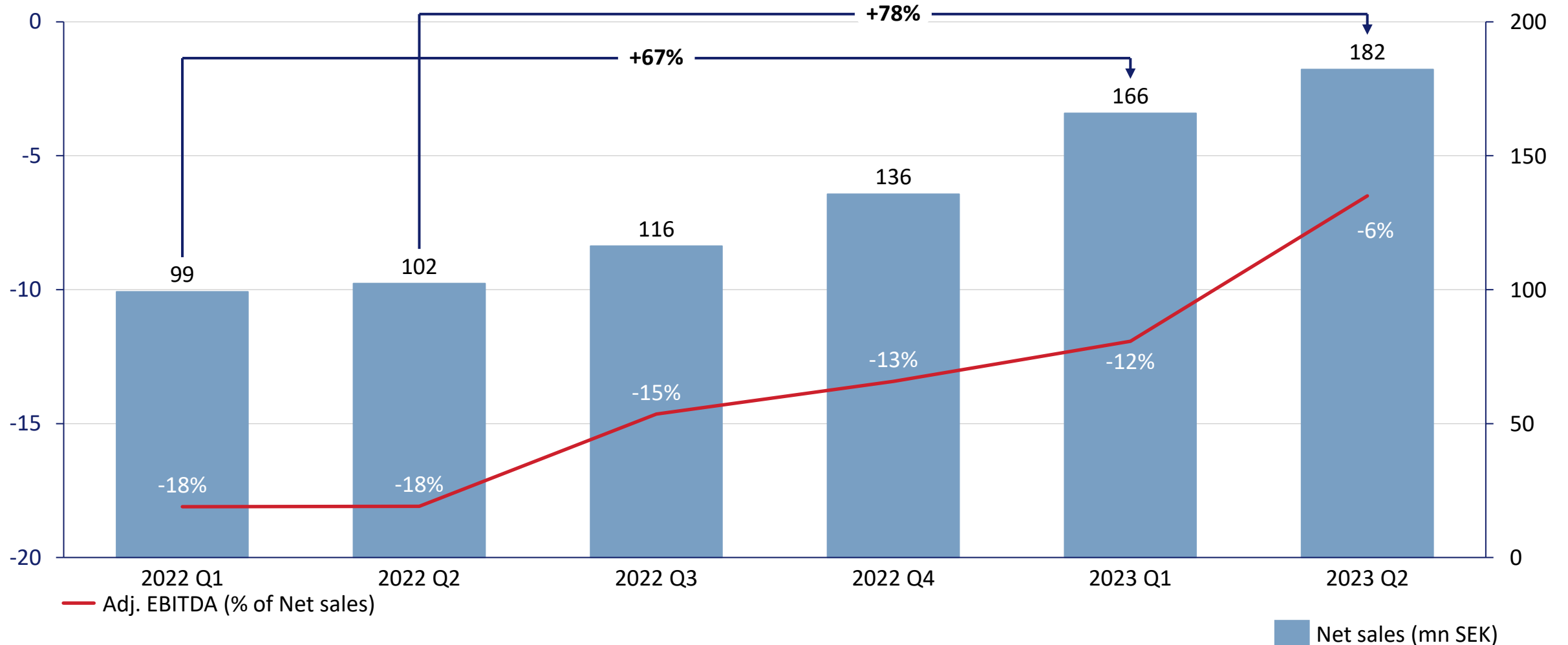
Net sales growth

Further acceleration in organic growth rate despite challenging market conditions



Growth markets – continued improvement in profits

Volume growth and surgical margin management drive EBITDA improvement



Selected KPIs

	2023 Q2	2022 Q2	LTM	Full-Year 2022
Operational				
Number of orders (thousand)	1,069	926	4,163	3,862
Average order value (SEK)	676	638	649	634
Active customers (thousand)	486	412	884	796
Balance sheet				
Inventories (MSEK)	148.5	154,1		222,8
Net working capital (MSEK)	156.6	111.9		229.5
Net debt (MSEK)	110.4	84.3	110.4	185.1
Investments (MSEK)	-27.0	-18.3		-49.3
Net debt/Adjusted EBITDA, times			0.9	1.8
Equity/Total assets ratio, %	58.8	59.6	58.8	58.5
Cash flow				
Cash flow from operating activities (MSEK)	130.1*	31.6*		-32.4
Closing cash and cash equivalents (MSEK)	38.8	52.6	38.8	15.2

* First six months 2023 respectively 2022



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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.

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.

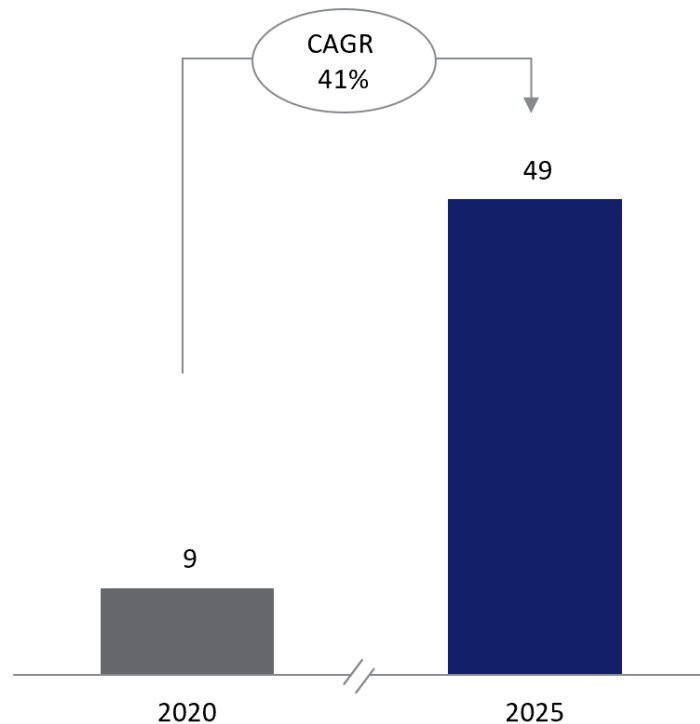
Dividend policy

- 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

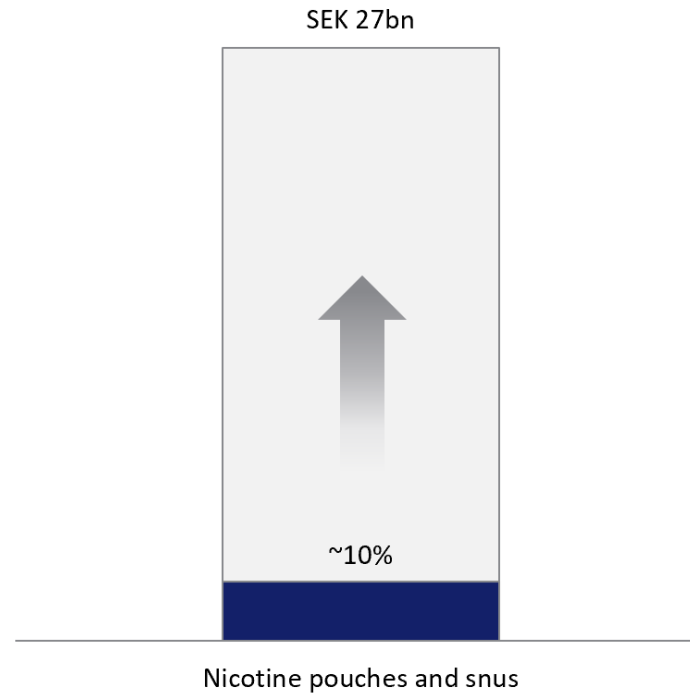
Strong category growth

■ Global nicotine pouches market (SEKbn)



Increasing online penetration

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



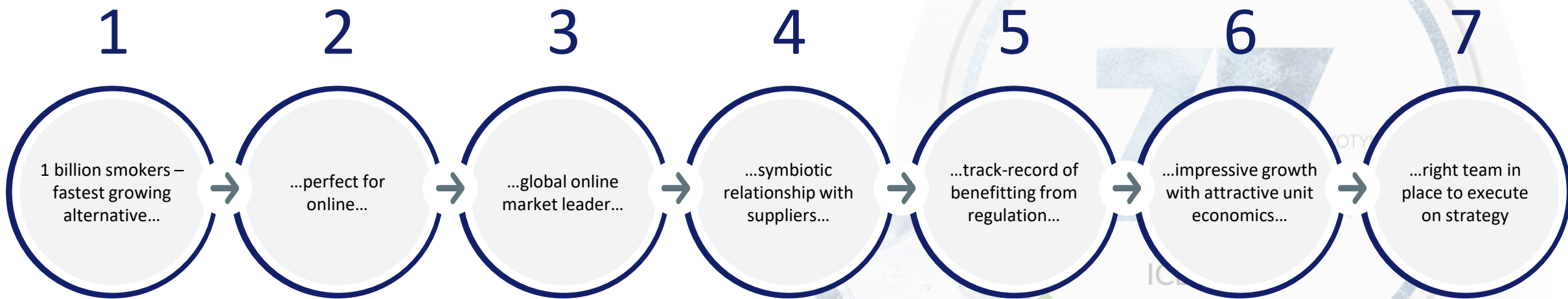
Leveraging our market leading positions



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.
- **Focusing on growth is driving long term profitability**
 - Accelerating growth rates in the YTD continues
 - Sustained strong development in Growth markets – underpinned by strong momentum in the overall category.
 - Since beginning of 2023 expansion of product portfolio to include vapes for consumers in the UK has gone well.
 - Recently included Vape on one of our stores in Sweden.
 - This broadening of our portfolio matches the consumers needs for different harm reduced products at different times.
- **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.
 - Roll out a new backend infrastructure including an ERP and the interfaces to our applications. The first market to be rolled out is Norway starting at the end of Q3. They're 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!

Capital Markets Day in Stockholm 21st of November 2023