

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 – Q4 2023
February 15, 2024

Today's presenters



Gavin O'Dowd
CEO



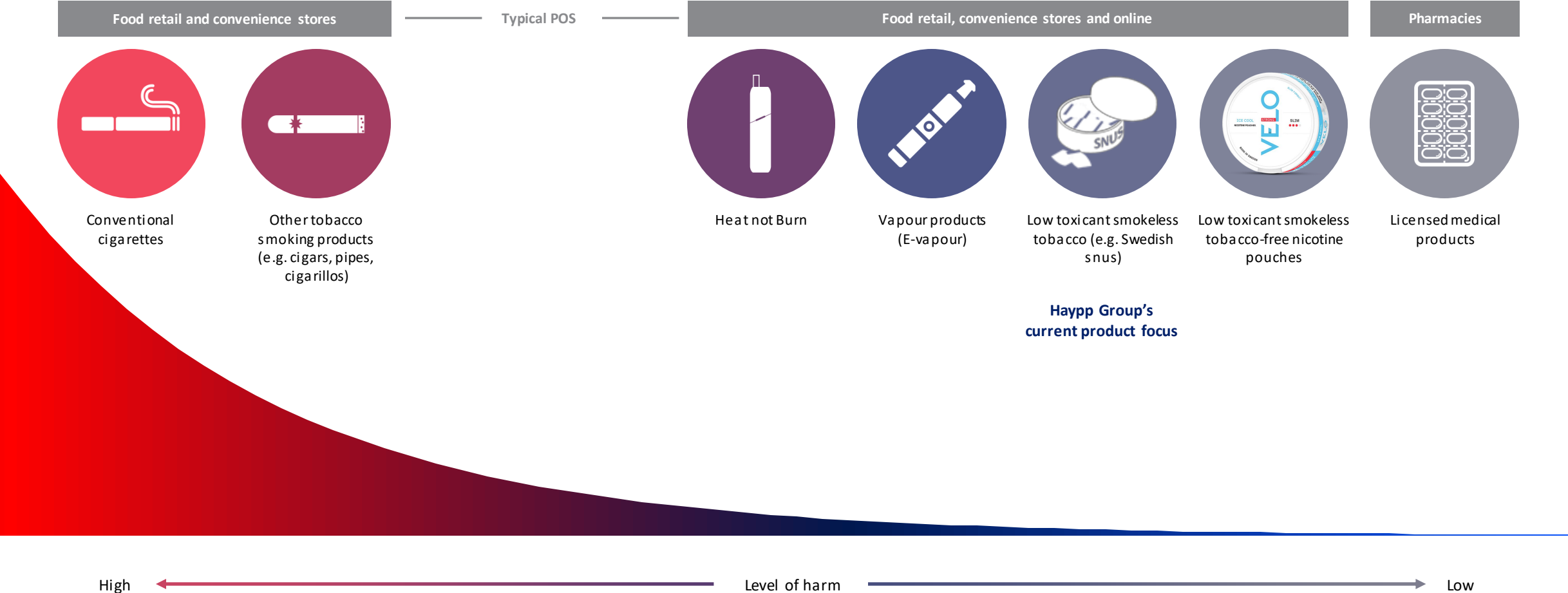
Peter Deli
CFO

Why we exist – inspiring healthier enjoyment to millions



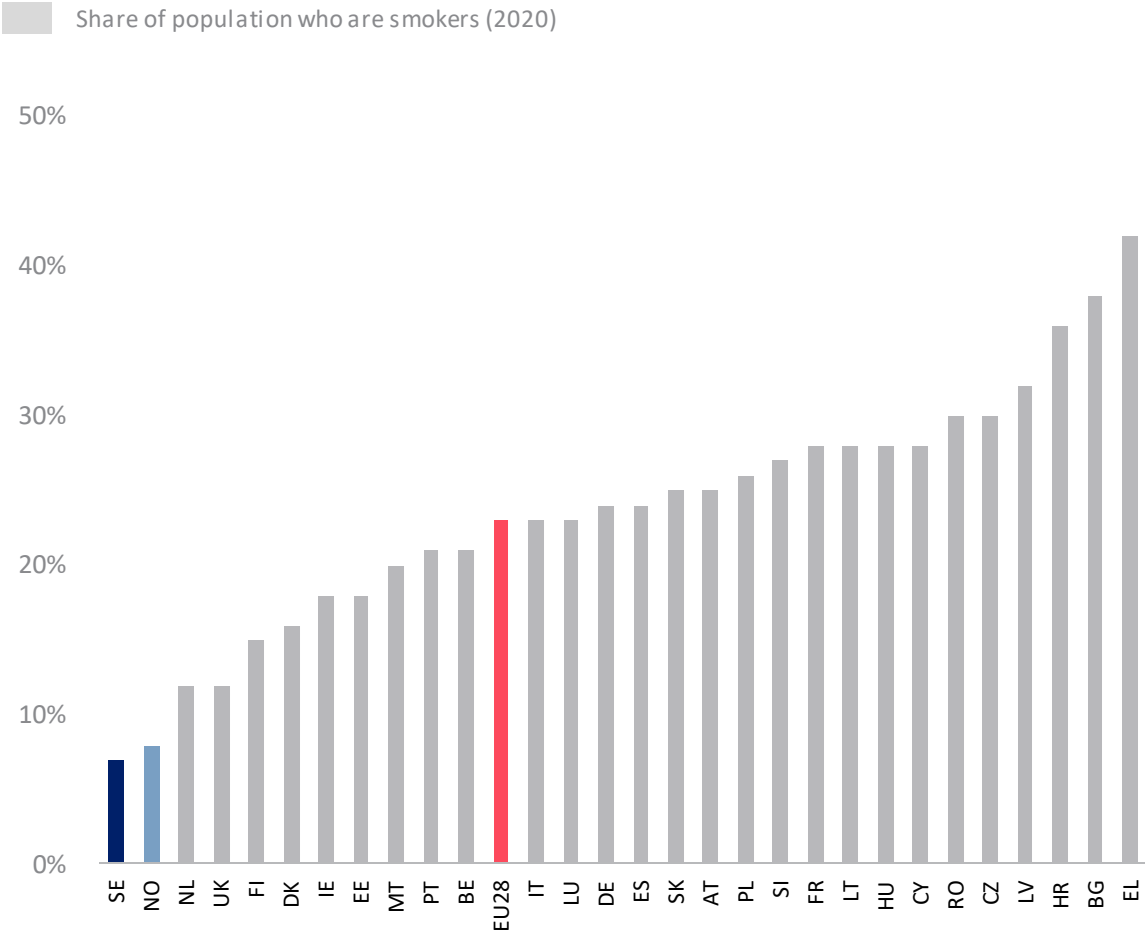
Focused on healthier enjoyment products

Significantly lower level of harm from modern nicotine alternatives to cigarettes

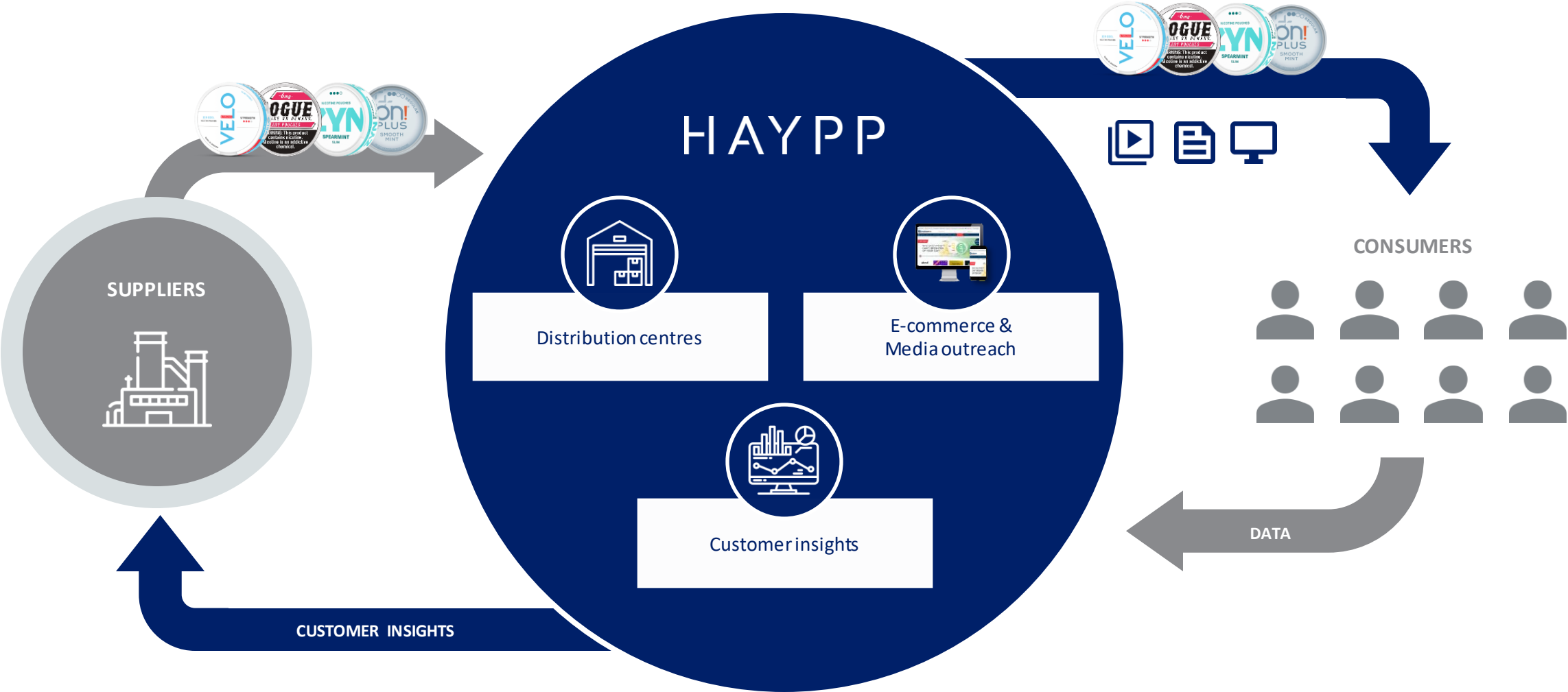


The impact of harm reduced products

Significantly lower smoking prevalence in Sweden and Norway



Superior position in the value chain



Global market transformation

Strong market dynamics...



Strong demand for less harmful products



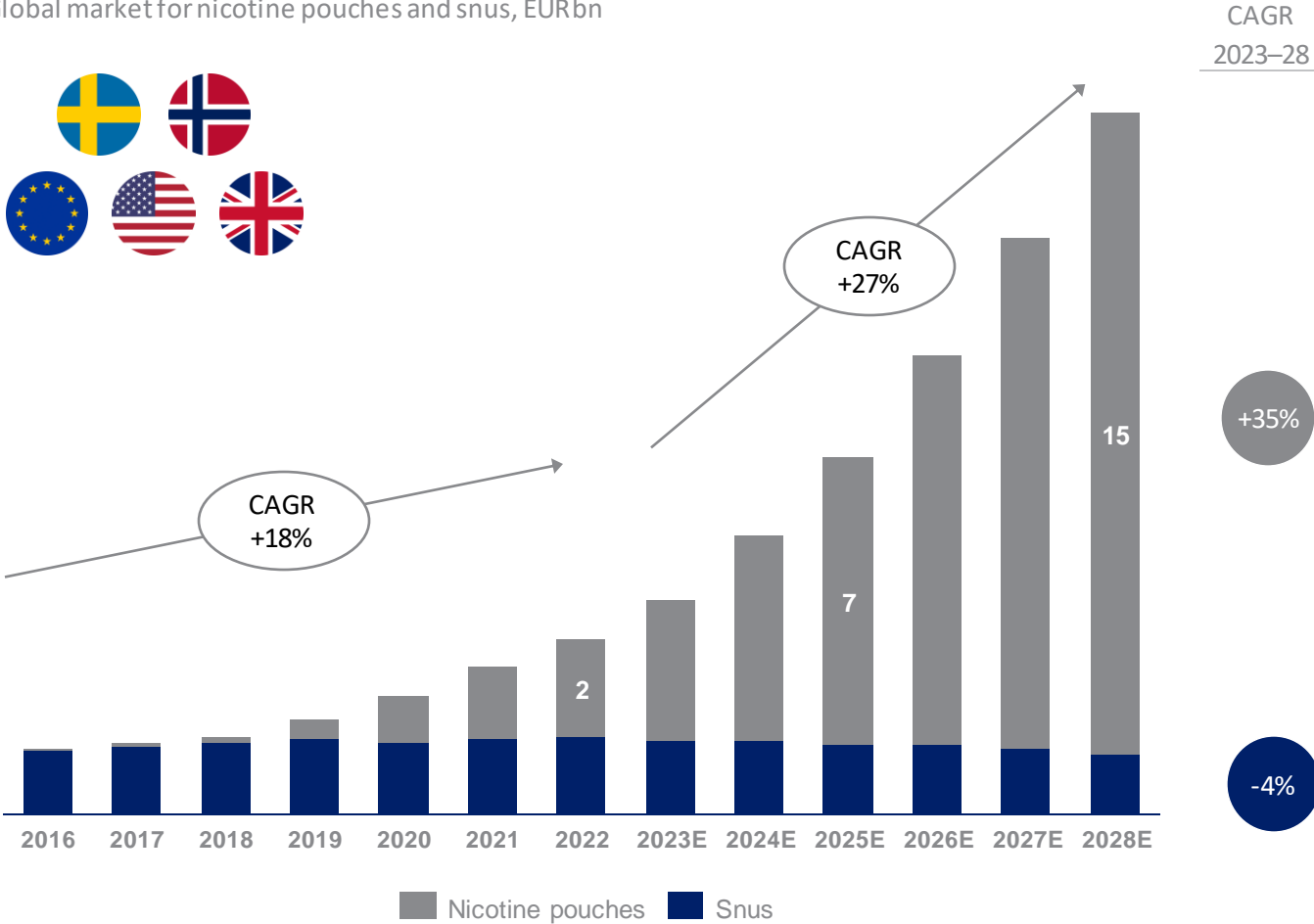
Legislation favours modern nicotine products



Suppliers rapidly innovating to capture share

...resulting in attractive growth for nicotine pouches

Global market for nicotine pouches and snus, EURbn



Source: Company information, Arthur D. Little
 Note: 1) EUR/SEK at 11.8275 as of 31 October 2023

Efficient logistics for continued global expansion

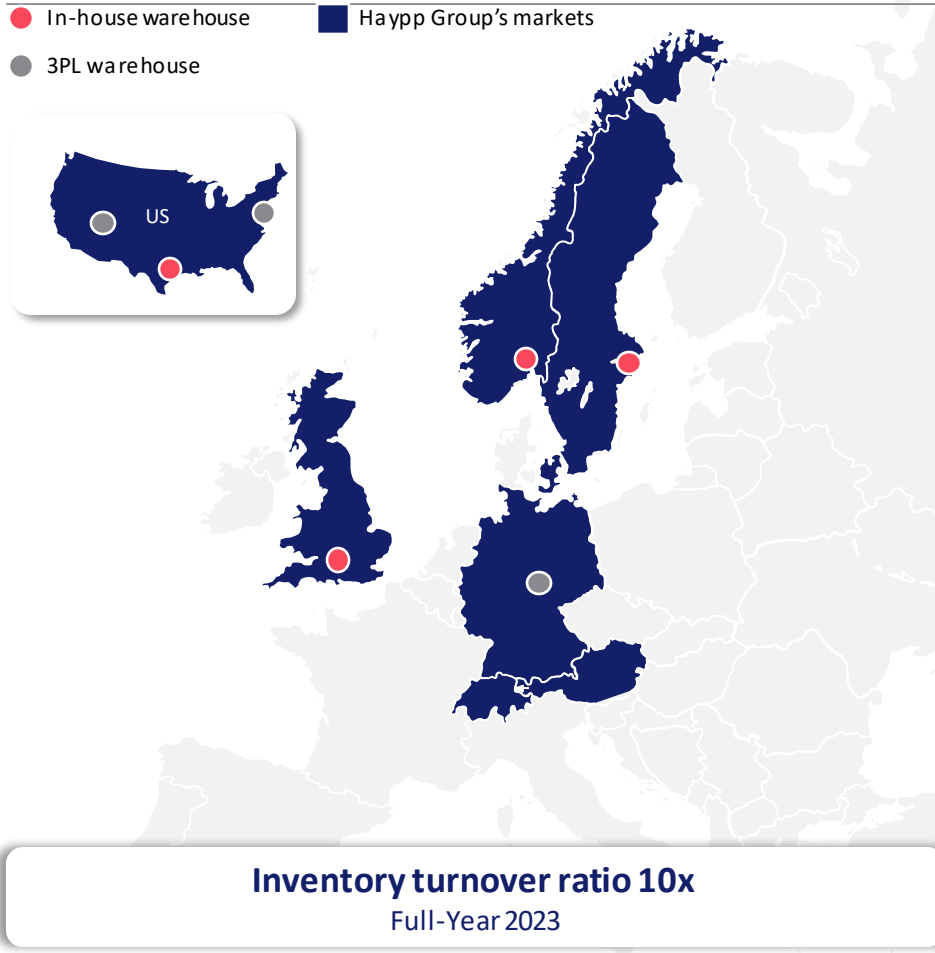
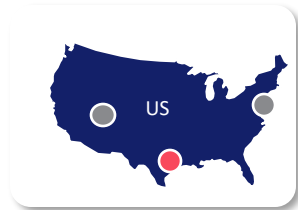
Phase 1: Fulfilment infrastructure

Flexible fulfilment infrastructure serving all Haypp Group's markets

● In-house warehouse

■ Haypp Group's markets

● 3PL warehouse



Inventory turnover ratio 10x

Full-Year 2023

Phase 2: Scalable back-end infrastructure

Building for convenience and efficiency

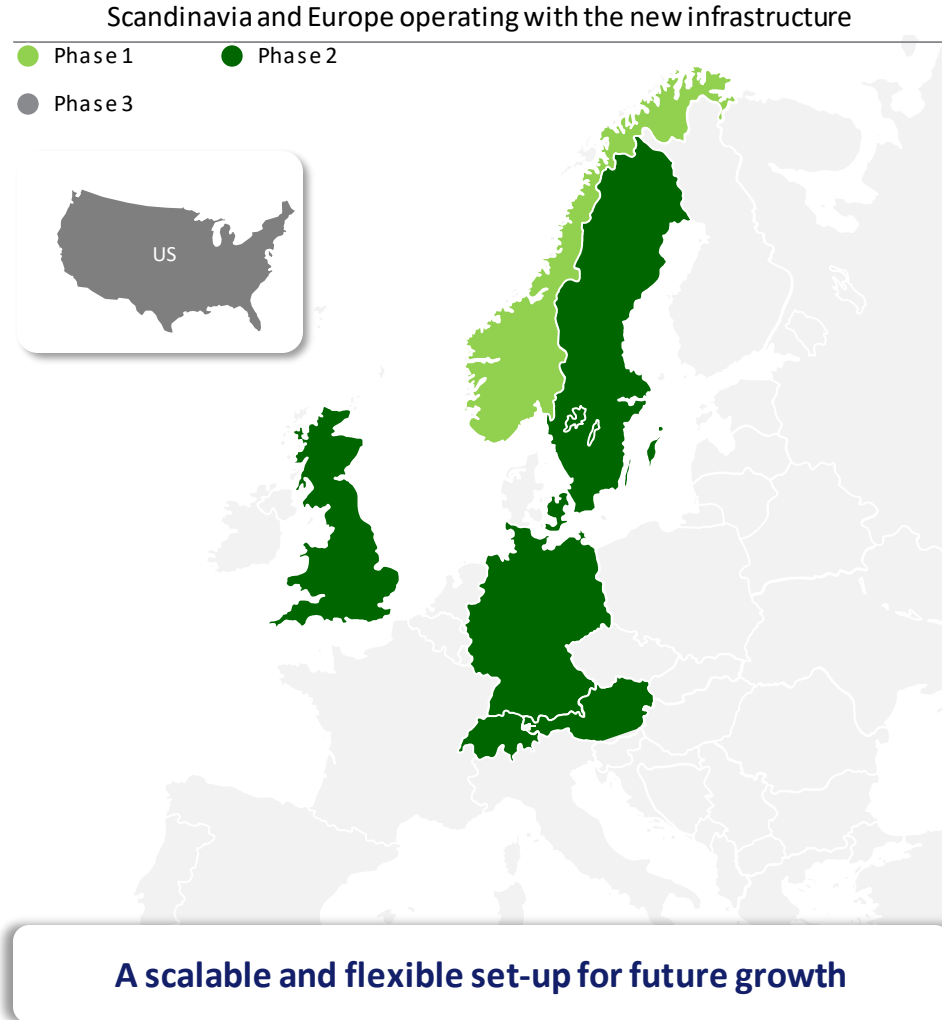
- Scalable future growth in current markets
- Efficient entry into adjacent categories and new markets

Completed in H2

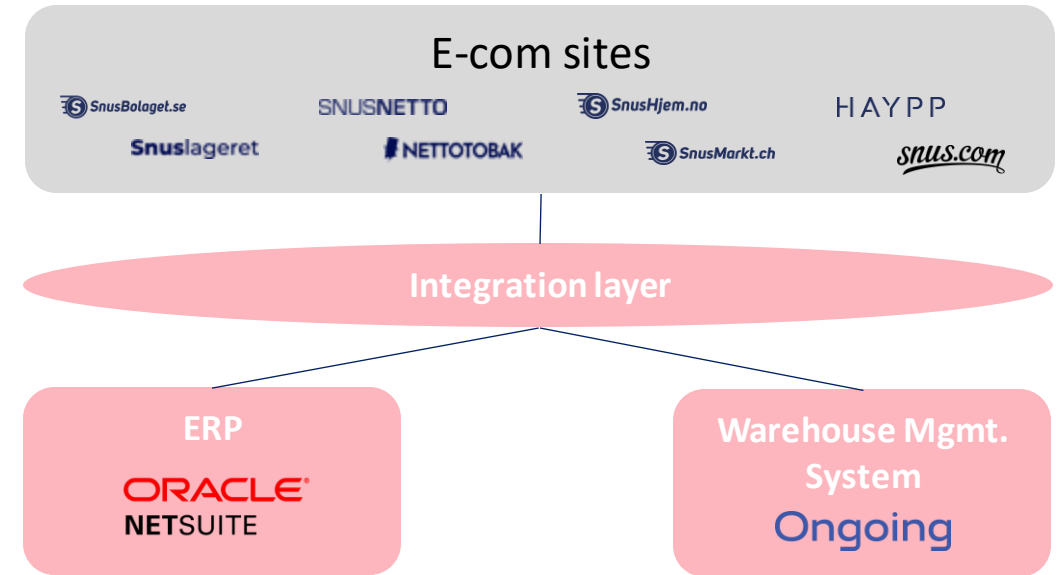
- Own warehouse live in UK
- Reequipped Stockholm warehouse to increase capacity and efficiency
- 3 PL in Germany

Major overhaul of our back-end infrastructure for growth

Back-end infrastructure roll-out



A new backbone for our operations



Completed so far:

- Launched our back end in Norway (Q3 '23)
- Germany Vape (Q4 '23)
- Sweden, UK, DACH (Feb '24)

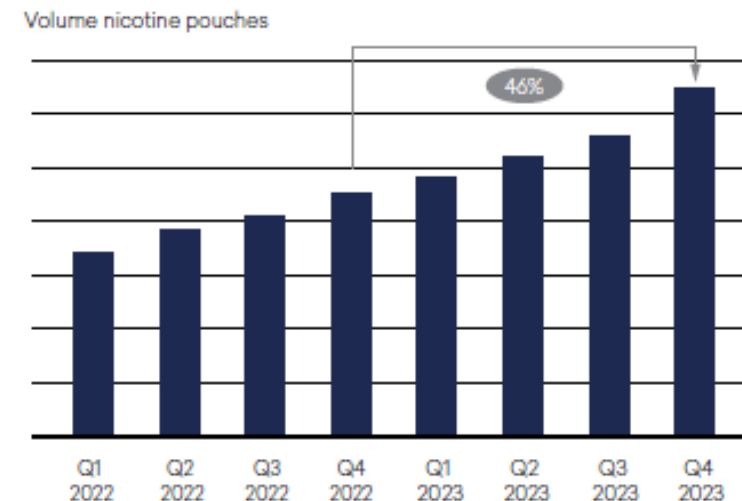


Interim Report – Q4

Operational highlights

- **Important milestones reached during 2023**
 - Over 900 thousand customers
 - Over 5 million human years saved
 - Annual net sales exceeded SEK 3bn
 - Expansion into nicotine vape in Europe
- **Driven by solid performance in both Core and Growth markets, nicotine pouch volumes continue to increase**
 - Consumer demand for less harmful nicotine products continues to increase
 - Nicotine pouch (NP) volume grew 46% during Q4
 - NP accounted for 56% of group volume during the quarter
- **Strong growth in both number of orders and active customers during Q4**
 - Number of orders amounted to 1,168 thousand (1,029)
 - Average order value increased to 679 SEK (640)
 - Active customers amounted to 531 thousand (459)

The transformation towards nicotine pouches running according to plan



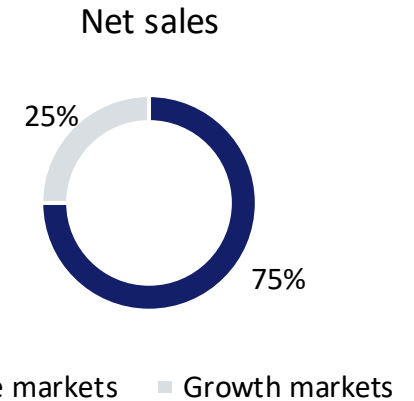
Update on regulatory development

Number of potential regulatory challenges

- Norway's proposed online sales ban, since reconsidered
- Potential restrictions on NPs in the EU as part of the revision to its Tobacco Products Directive (TPD3) were leaked to media, highlighting that many states like Sweden in contrast support a regulated NP market
- US concerns about youth usage:
 - At the beginning of 2024, some members of Congress expressed concern about Zyn NPs and youth usage
- Sweden excise tax reduction
 - Cigarette taxation to increase by 9% in late 2024, in contrast to a 20% decrease for snus
- EU future of nicotine:
 - Major announcements on EU legislation like TPD3 or Tobacco Excise Directive appear unlikely before the end of 2024

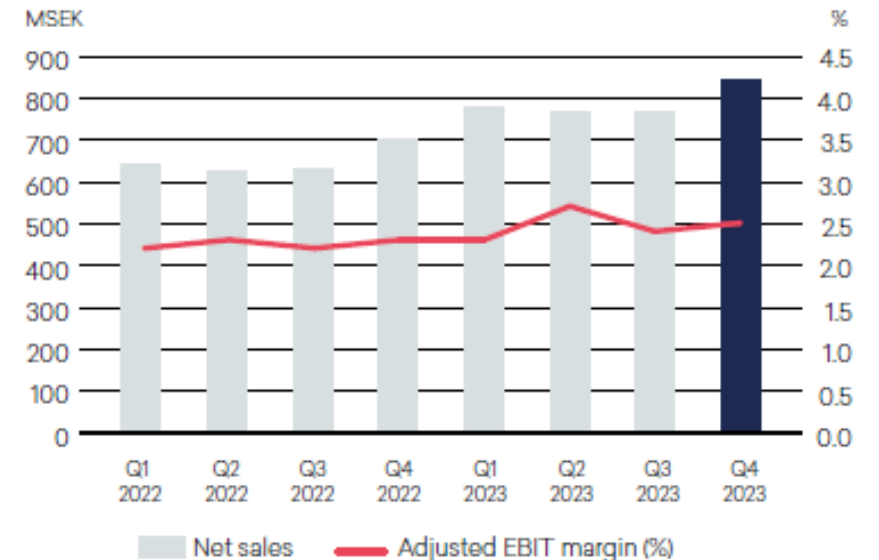
Financial overview

- Reported net sales for the Group increased 21% and amounted to SEK 846.8 m (700.5) for the fourth quarter. Net sales increased 23% in constant currency.
- Gross margin for the quarter decreased by 0.5 percentage points to 13.4% (13.9). The margin performance in the quarter was in line with previous quarters; the decrease versus last year was driven by timing of the fourth quarter last year back margin items.
- Adjusted EBIT for the fourth quarter grew by 32% and amounted to SEK 21.2 m (16). The increase was mainly due to higher gross margin, increased volume as well as efficiency, partially offset by continued investments in new products and adjacent markets. The adjusted EBIT margin increased to 2.5% (2.3).
- Cash flow from operating activities amounted to SEK 80.5 m (-32.4) during the full-year.



(Amounts in MSEK)	2023 Q4	2022 Q4	Full-Year 2023	Full-Year 2022
Net sales	846.8	700.5	3,165.7	2,598.8
Net sales growth, %	20.9	18.6	21.8	14.6
Gross margin, %	13.4	13.9	12.7	12.6
Adjusted EBIT	21.2	16.0	78.2	58.5
Adjusted EBIT margin, %	2.5	2.3	2.5	2.2
Items affecting comparability	0.0	0.0	-15.9	-3.4
Operating profit	11.1	6.0	22.3	15.2
Profit/loss for the period	-2.9	4.9	5.0	20.1
EPS before dilution (SEK)	-0.10	0.17	0.17	0.69

Quarterly overview

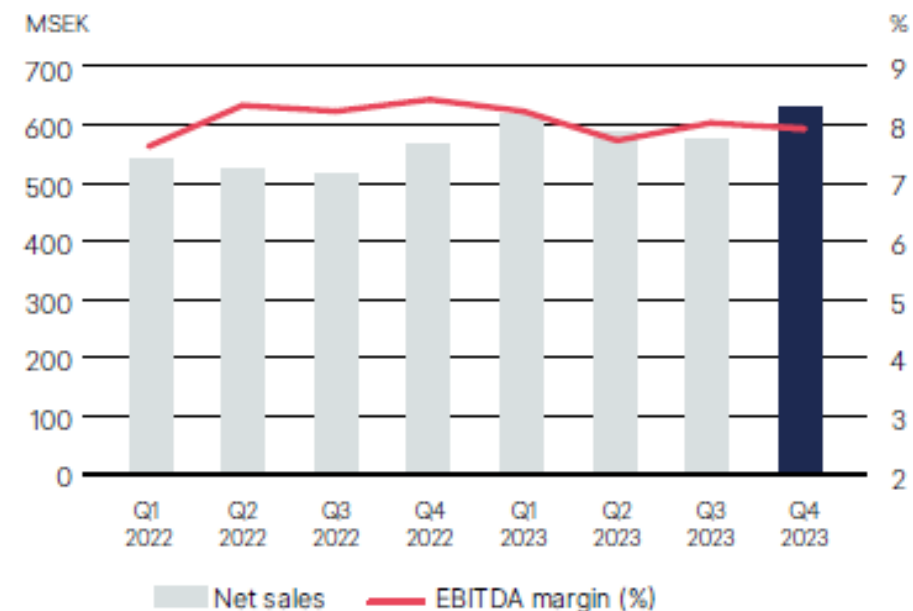


Core markets

- Net sales increased 12% and amounted to SEK 631.8 m (564.8) for the fourth quarter. Net sales increased by 14% in constant currency.
- Nicotine pouches grew by 36% in volume during the quarter.
- The number of active customers increased by 10 percent to 414 thousand (376).
- EBITDA for the business unit amounted to SEK 50.1m (47.3). The EBITDA margin amounted to 7.9% (8.4), in line with previous quarters in 2023.

(Amounts in MSEK)	2023 Q4	2022 Q4	Full-Year 2023	Full-Year 2022
Net sales	631.8	564.8	2,407.5	2,145.3
EBITDA	50.1	47.3	191.6	174.0
EBITDA margin, %	7.9	8.4	8.0	8.1
Active customers (thousand)	414	376	732	637

Core markets

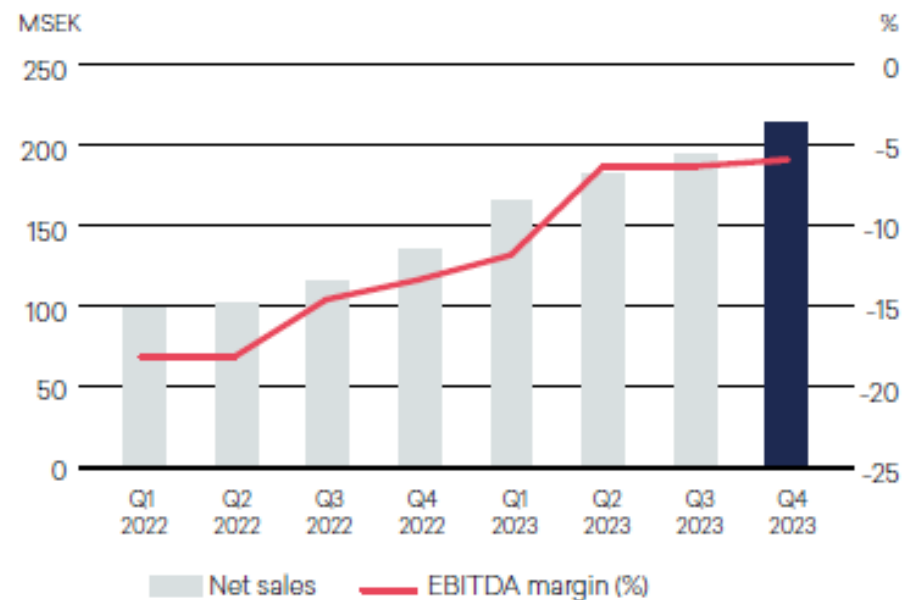


Growth markets

- Net sales increased 58% and amounted to SEK 214.9 m (135.7) for the fourth quarter, driven by a strong performance in all markets, especially the US the UK.
Net sales increased by 58% in constant currency.
- Nicotine Pouches grew by 64 percent in volume during the quarter.
- The number of active customers increased by 42 percent to 117 thousand (82).
- EBITDA for the business unit improved to SEK -13.2 m (-18.2), corresponding to an EBITDA margin of -6.1% (-13.4), due to continued higher volumes, which gradually gives greater economies of scale in several areas.

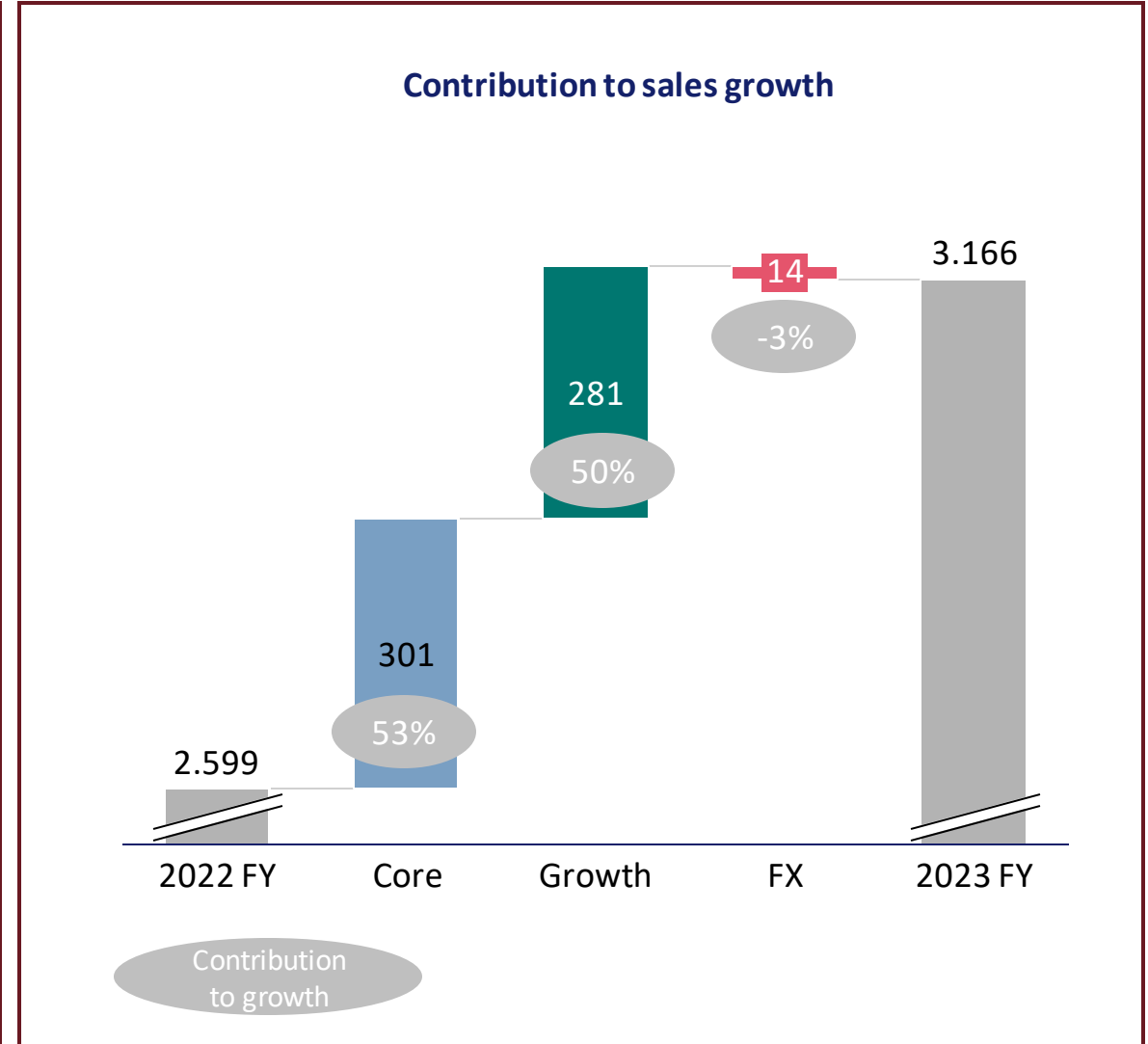
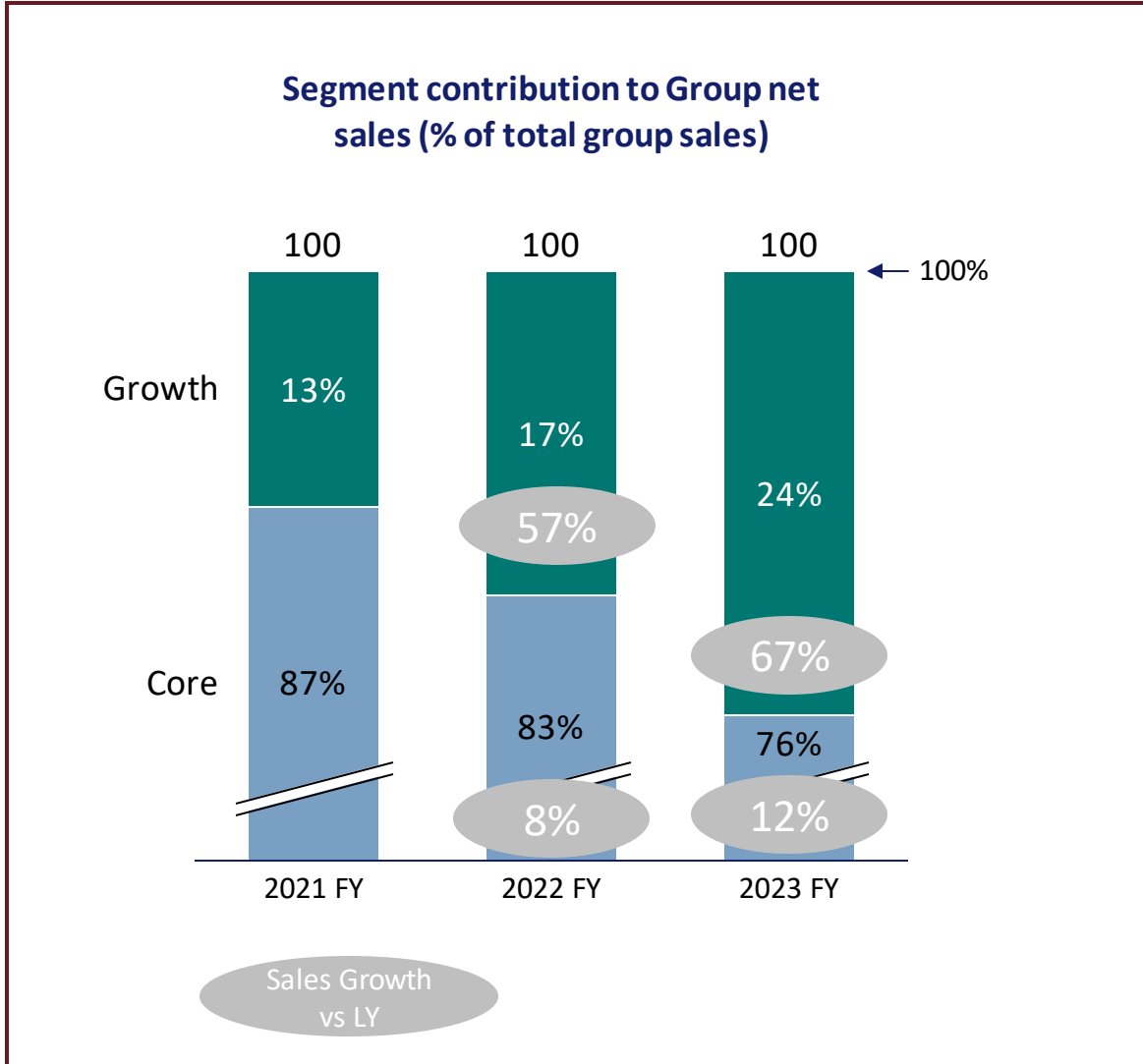
(Amounts in MSEK)	2023 Q4	2022 Q4	Full-Year 2023	Full-Year 2022
Net sales	214.9	135.7	758.2	453.5
EBITDA	-13.2	-18.2	-57.4	-71.7
EBITDA margin, %	-6.1	-13.4	-7.6	-15.8
Active customers (thousand)	117	82	222	159

Growth markets



Growth markets are gaining scale and accelerating

Contribution to overall sales growth accelerates



Selected KPIs

	2023 Q4	2022 Q4	Full-Year 2023	Full-Year 2022
Operational				
Number of orders (thousand)	1,168	1,029	4,426	3,862
Average order value (SEK)	679	640	672	634
Active customers (thousand)	531	459	953	796
Balance sheet				
Inventories (MSEK)	-	-	263.3	222.8
Net working capital (MSEK)	-	-	253.1	229.5
Net debt (MSEK)	-	-	224.5	185.1
Investments (MSEK)	-	-	-61.0	-49.3
Net debt/Adjusted EBITDA, times	-	-	1.7	1.8
Equity/Total assets ratio, %	-	-	56.7	58.5
Cash flow				
Cash flow from operating activities (MSEK)	-	-	80.5	-32.4
Closing cash and cash equivalents (MSEK)	-	-	11.4	15.2



Current trading, financial targets and strategy

Current trading

- **Favourable market trends and the transition to the Nicotine pouches category continuing according to plan**
 - There is a strong underlying demand for reduced-risk nicotine products as customer preferences are shifting towards modern alternatives that carry 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.
 - Pressure from challenging economic times and inflation remains limited with robust demand intact from consumers seeking lower risk nicotine alternatives at attractive prices.
- **Accelerating opportunities for growth**
 - US and European Growth markets continue to show very robust growth rates, on an increasing base.
 - Robust performance and learnings from our expansion into vape in the UK, Germany and Sweden.
 - Methodical expansion into adjacent categories and new markets, to further increase our long-term growth potential. This will be reflected in a 3rd reporting segment during 2024 (Emerging)
- **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.
 - Infrastructure developments in both the ‘back-end’ and in the ‘front-end’, allowing us to run a more streamlined business across multiple RRP categories and geographies, along with managing the material increase in volume.
 - A strong balance sheet, non-cyclical product characteristics, and a capital light business model enables us to remain flexible.

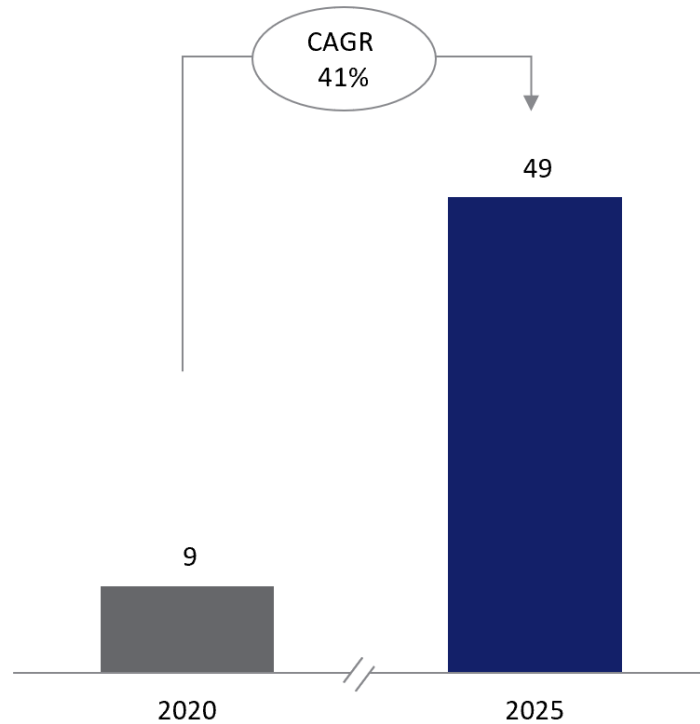
Financial targets

	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 on top
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 adjusted EBIT margin early, in 2025.	This will absorb 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

Significant growth opportunities in maintaining market leading position

Strong category growth

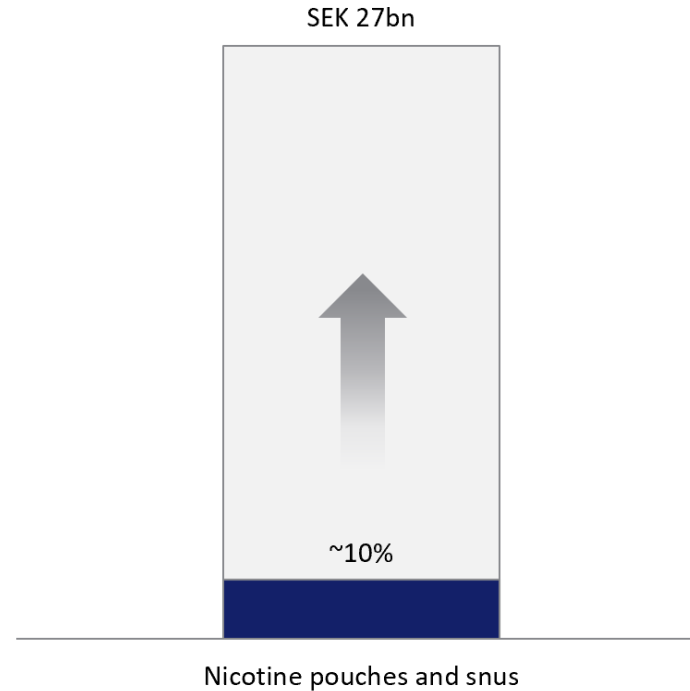
■ Global nicotine pouches market (SEKbn)



Source: Company information, Arthur D. Little

Increasing online penetration

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

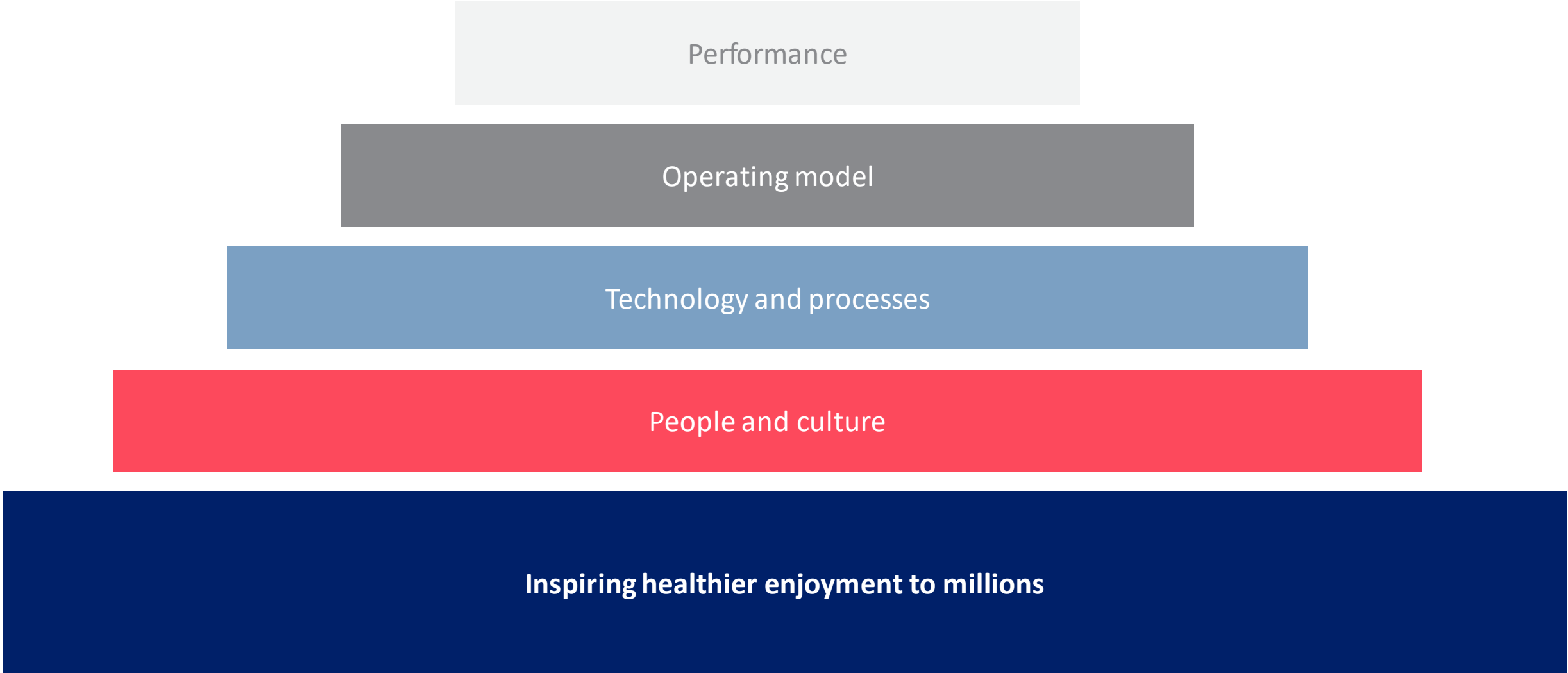


Source: Company information, Arthur D. Little

Leveraging our market leading positions



Underpinning the success



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 to millions