

HAYPP GROUP

# Capital Markets Day

Stockholm, Sweden - 28 November 2023

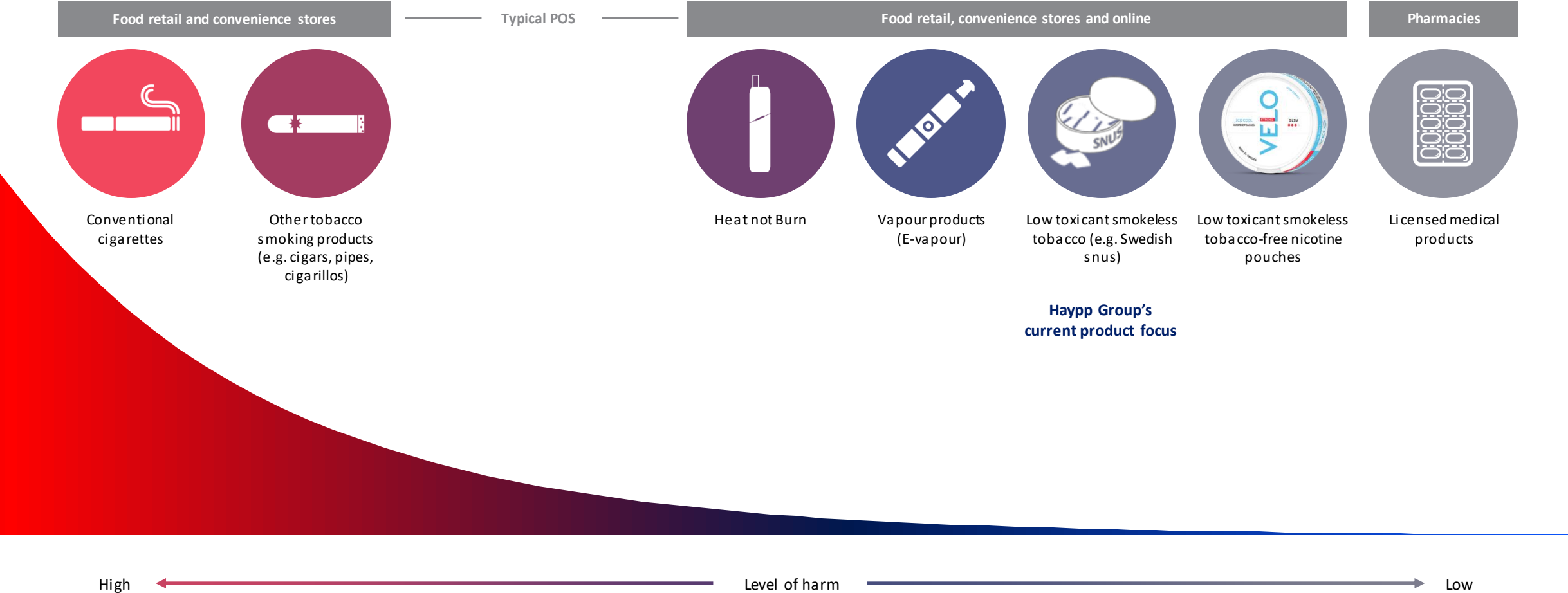


MISSION

Inspiring healthier enjoyment  
for millions

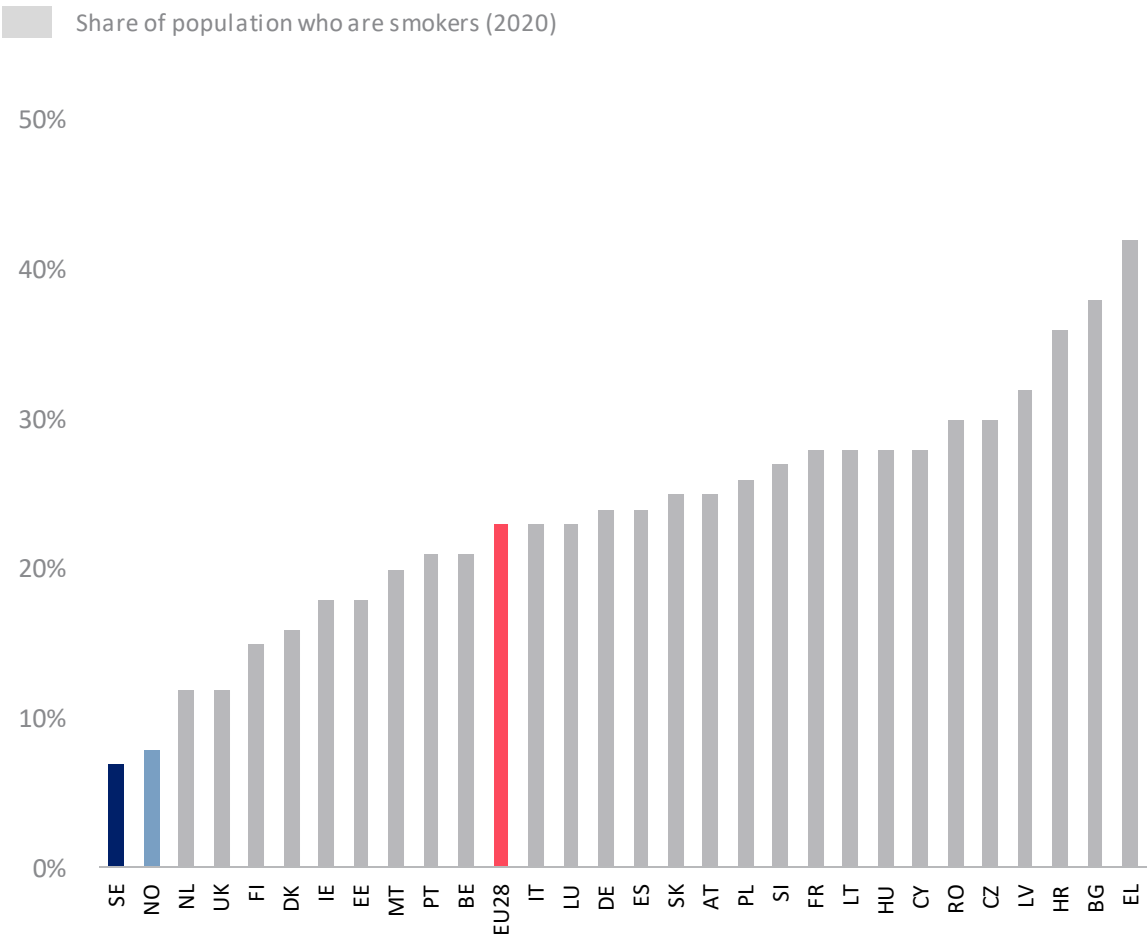
# Focused on Healthier Enjoyment Products

Significantly lower levels of risk from modern alternatives to cigarettes



# The Impact of Reduced Harm Products

Significantly lower smoking prevalence in Sweden and Norway

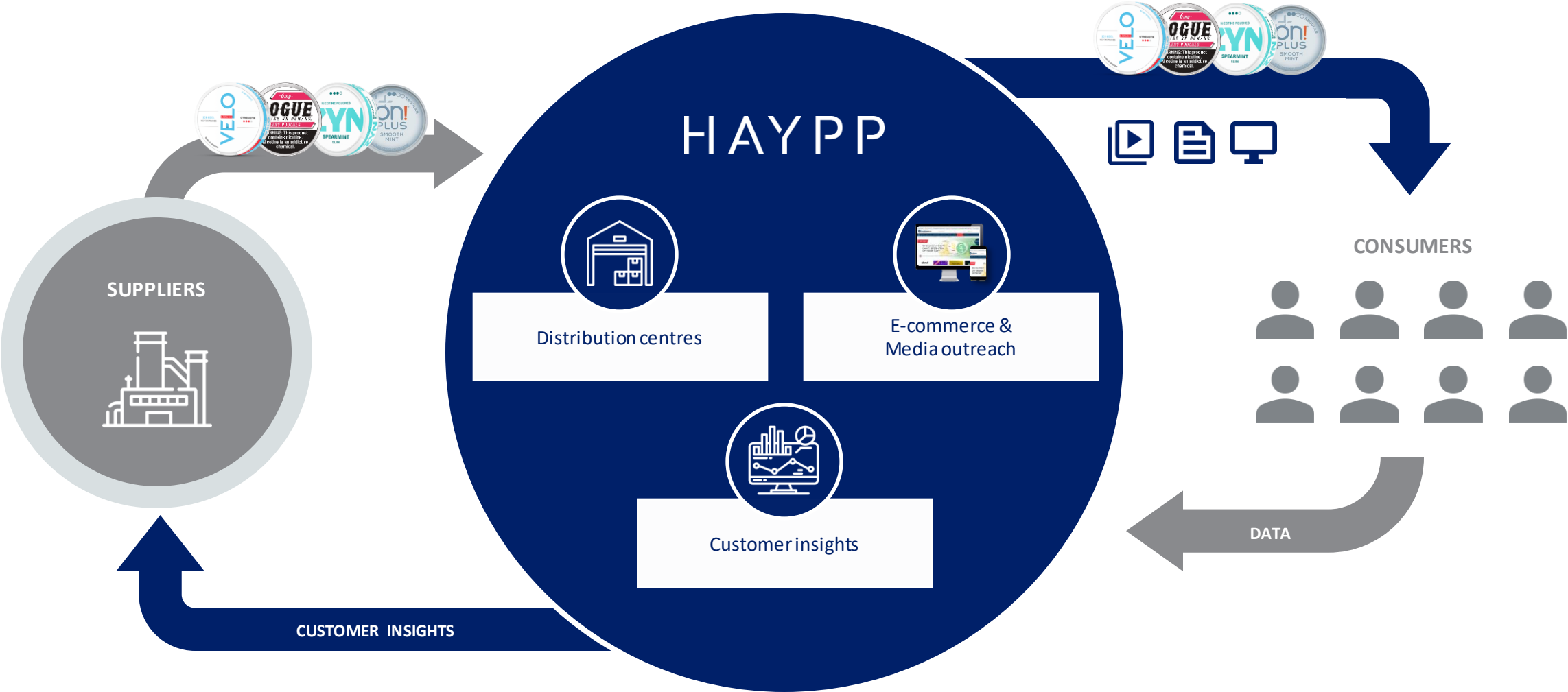


# Human Years Saved

Over 5mn  
years saved



# Superior Position in the Value Chain





# Haypp Group at a glance

- Founded 14 years ago, with a focus on snus in Sweden. 6 years ago emphasis shifted to nicotine pouches (NPs), and started to expand outside Sweden
- HQ in Stockholm, with a presence in Sweden, Norway (Core markets), USA, DACH and the UK (Growth markets)
- The largest NP retailer in the world
- Staff of 191, of whom 41 are in our warehouses
- LTM: Revenue SEK3bn, EBITDA SEK126mn (Core SEK188mn, Growth -SEK62mn)
- Recently expanded into nicotine vaping in the UK and Sweden (Emerging markets) as part of its RRP adjacency strategy



# Market Transformation Happening Globally

Strong market dynamics...



Strong demand for less harmful products



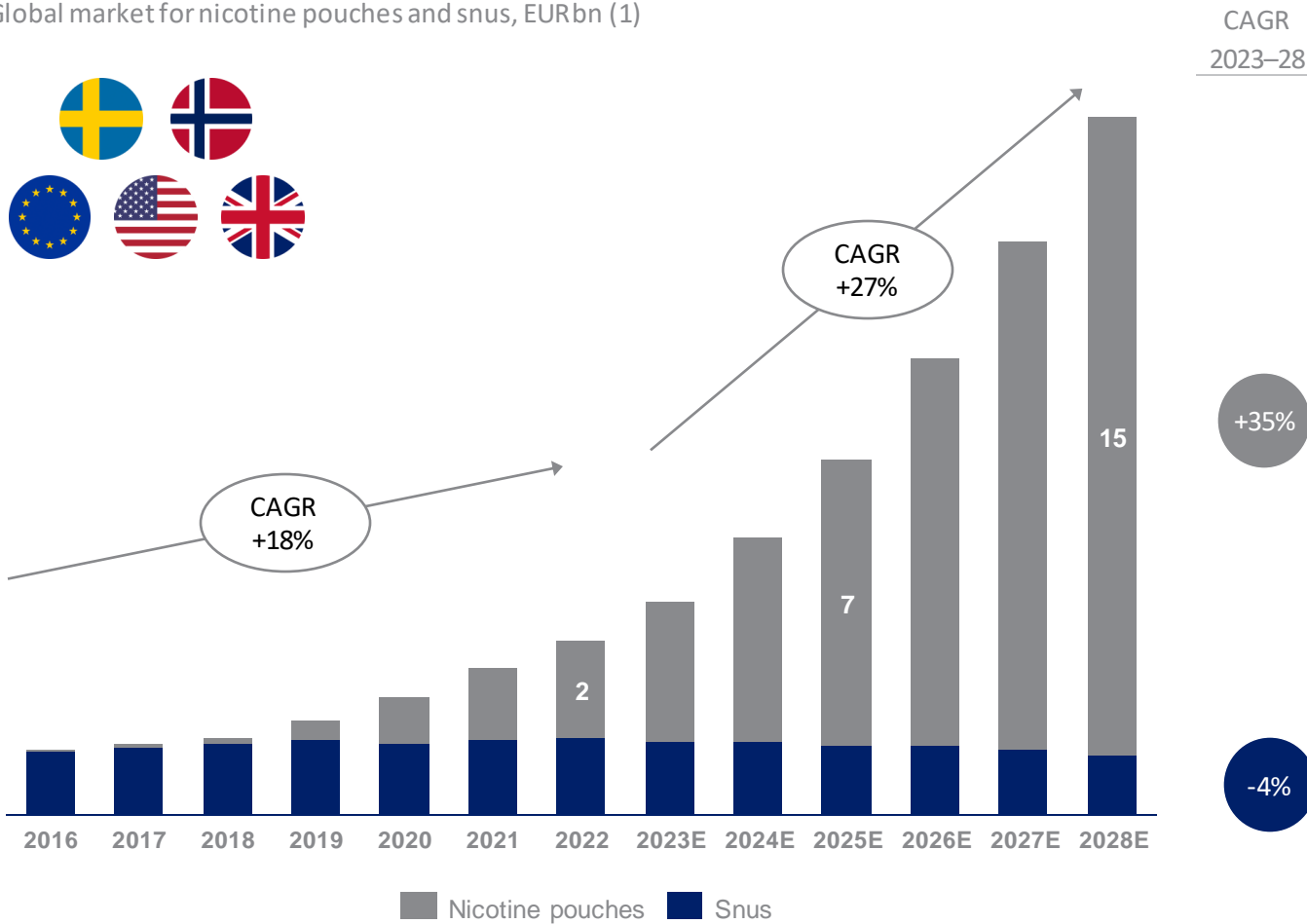
Legislation favours modern nicotine products



Suppliers rapidly innovating to capture share








...resulting in attractive growth for nicotine pouches

Global market for nicotine pouches and snus, EURbn (1)



# Nicotine Pouches and Snus – the Ideal E-Goods

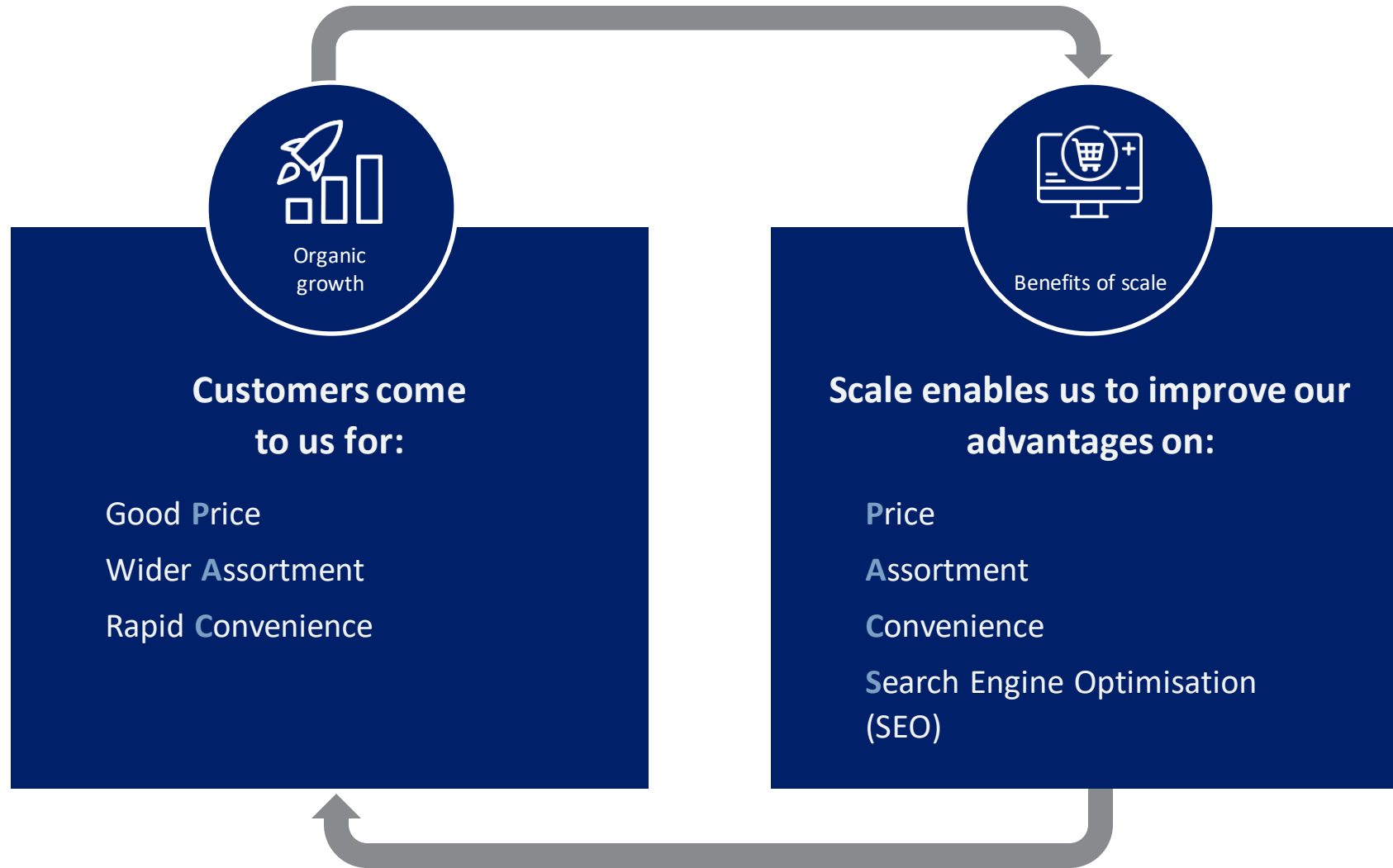
## Compelling category characteristics

	Non-cyclical	Small and similarly sized boxes <sup>1)</sup>	High purchase frequency	Low return frequency	Complex regulatory environment <sup>2)</sup>
 Nicotine pouches and snus	✓	✓	✓	✓	✓
 Pharmaceuticals	✓	✓	✓	✓	✓
 Groceries	✓	✗	✓	✓	✗
 Home furnishing	✗	✗	✗	✓	✗
 Clothing	✗	✗	✗	✗	✗
 Books	✓	✓	✓	✓	✗
 Electronics	✗	✗	✗	✓	✗

Show several similarities to NP & snus

Characteristics of nicotine pouches and snus perfect for online sales and online shift is in its cradle

# We Continue to Deliver on Our Successful 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, <b>through organic growth alone</b>	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 <b>targets a high single digit (5-7%) adjusted EBIT margin in 2025</b>	1-2pp of our Group adjusted EBIT margin invested 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	<b>Excess capital, post 2025, will be returned to shareholders</b>

# Today's presenters



# Agenda

- 1 The changing world of nicotine and our position in it
- 2 Developing our relationship with Consumers**
- 3 Our relationship with Brand Owners, and the benefits to Consumers
- 4 Building the infrastructure for accelerated Growth
- 5 Our Markets' performance and opportunities
- Q&A and break
- 6 Navigating the regulatory landscape
- 7 Adjacent opportunities
- 8 Financial performance and outlook
- 9 Concluding remarks and Q&A

## Speaker

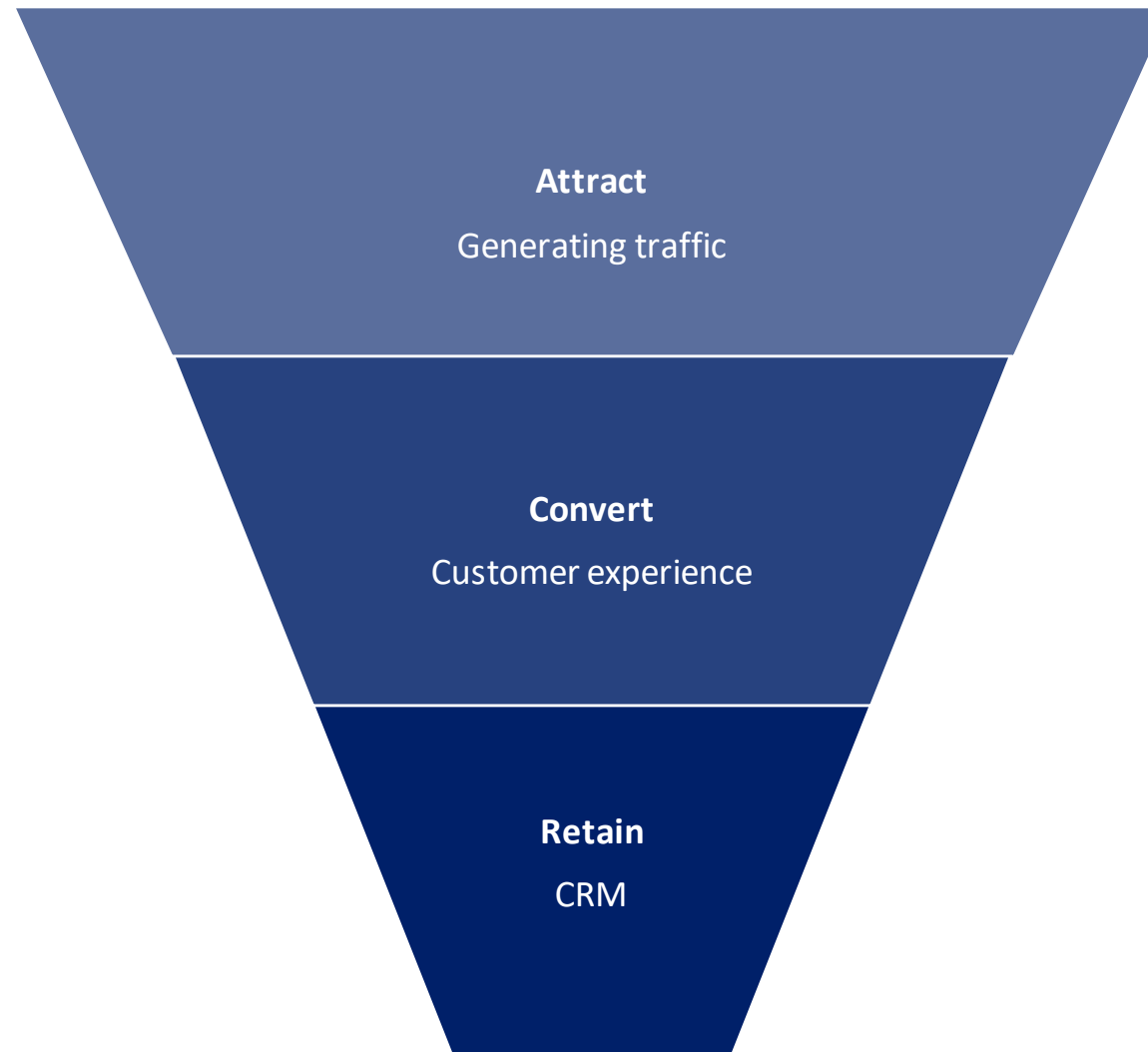


**Hans Strömblad van Eijk**

CMO, Chief Marketing Officer

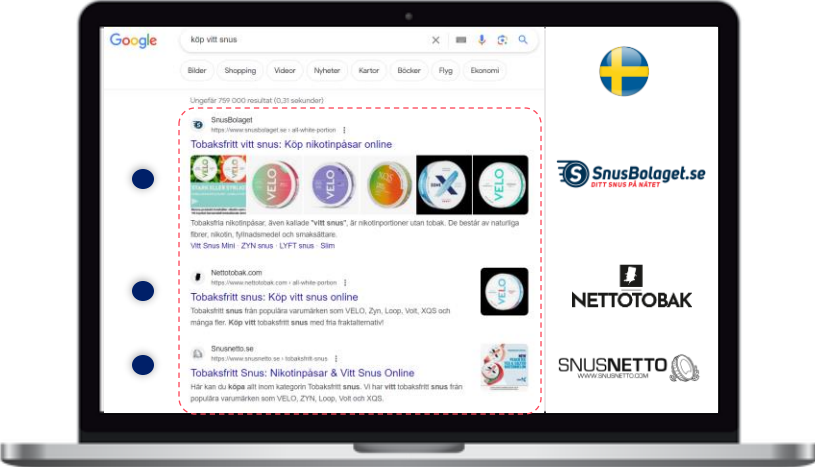


# Setup for Growth



# Organic Growth is the Sustainable Way to Attract Consumers

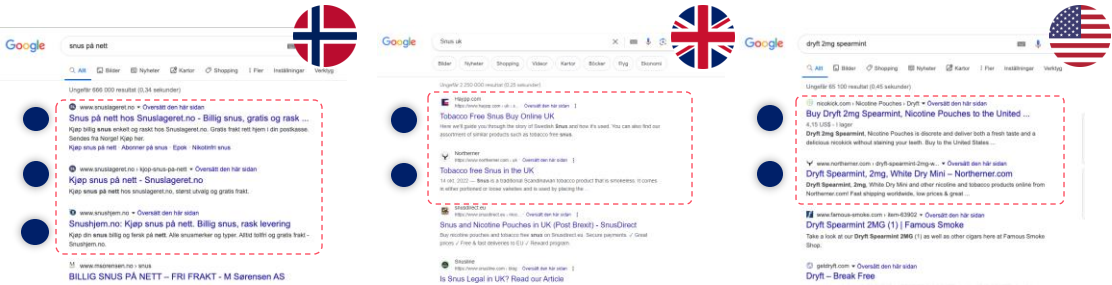
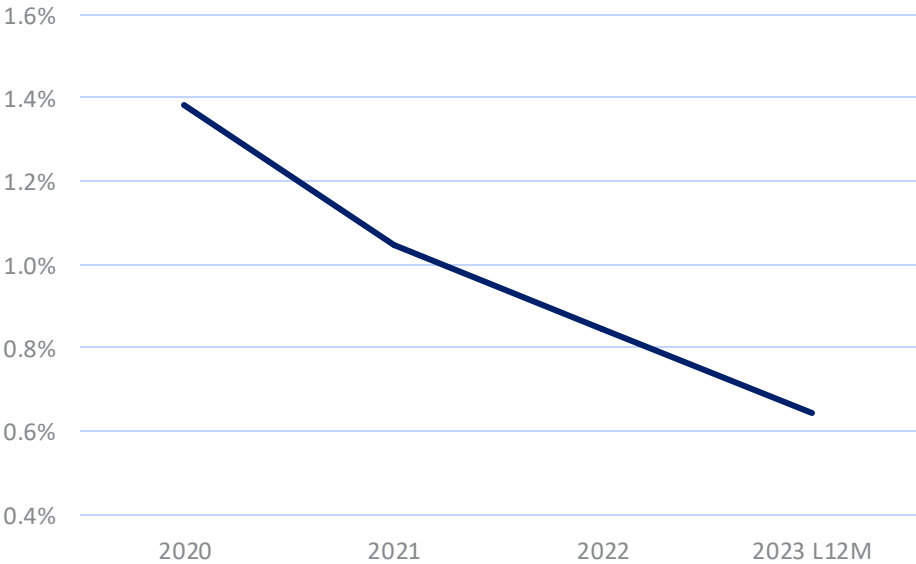
## Controlling the digital AAA locations



65%\*  
share of clicks  
position 1-3

## SEO performance reflected in marketing spend

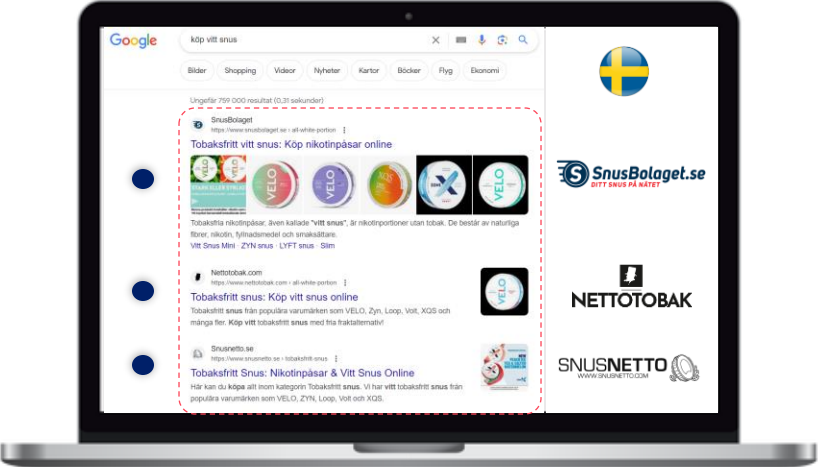
Marketing spend as % of Net sales



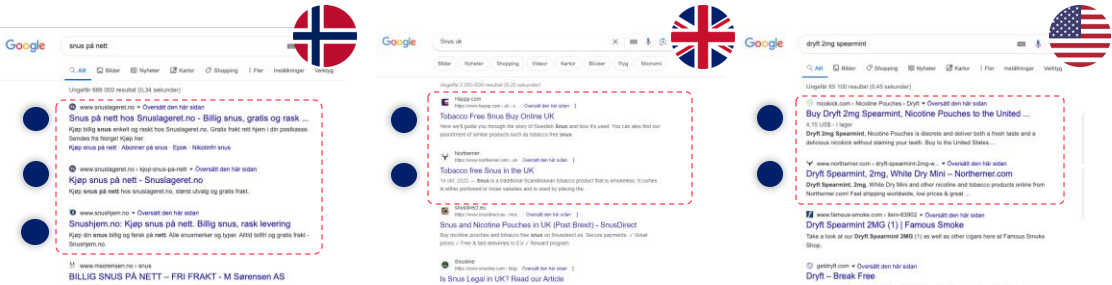
\*Based on Click through rate data in our mature markets

# Organic Growth is the Sustainable Way to Attract Consumers

## Controlling the digital AAA locations



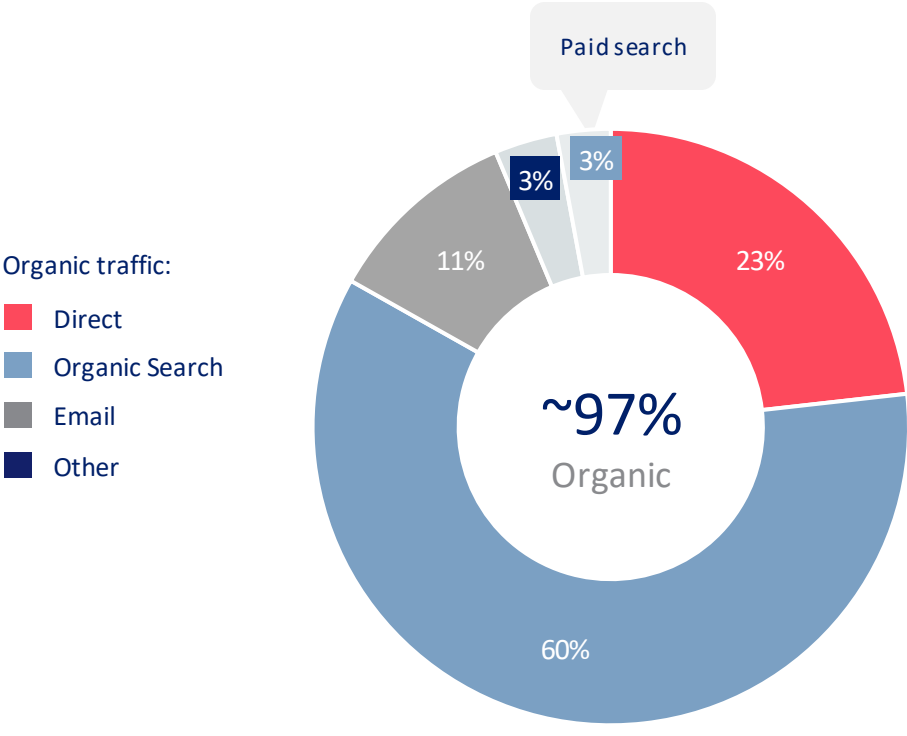
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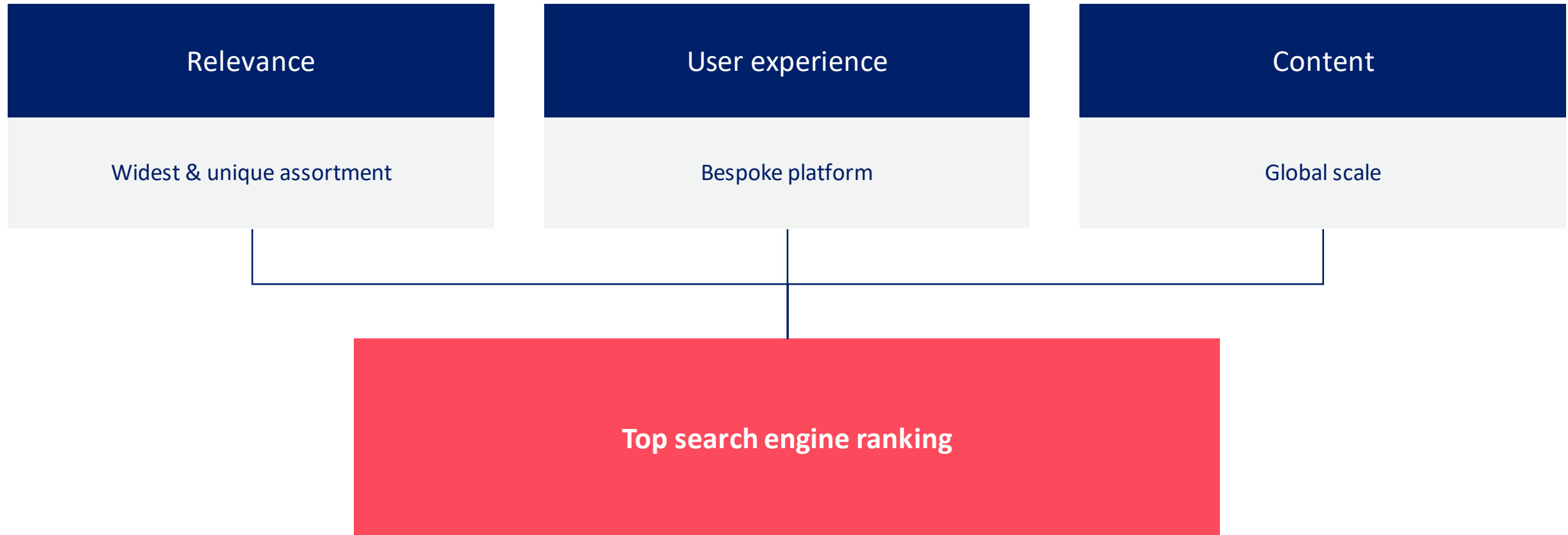
\*Based on Click through rate data in our mature markets

## Organic traffic, the primary driver

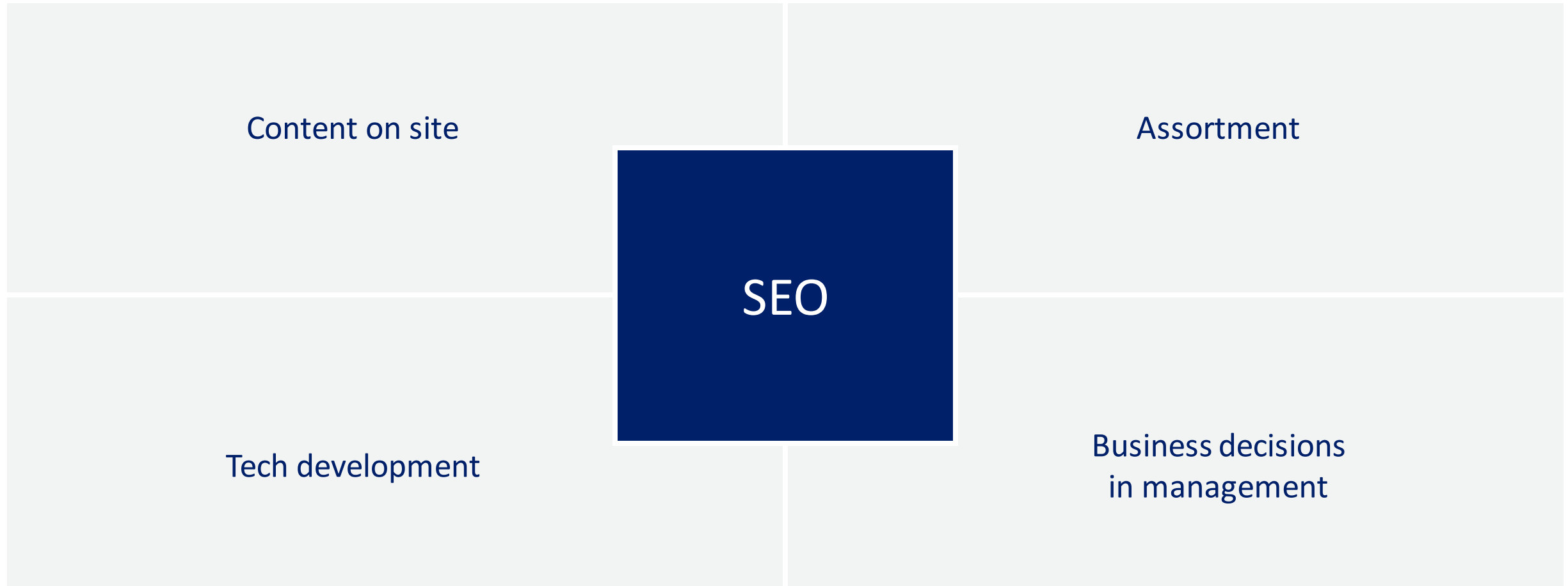
Haypp Group’s sources of consumer traffic



# Fulfilling Consumer Expectations. And Google's.



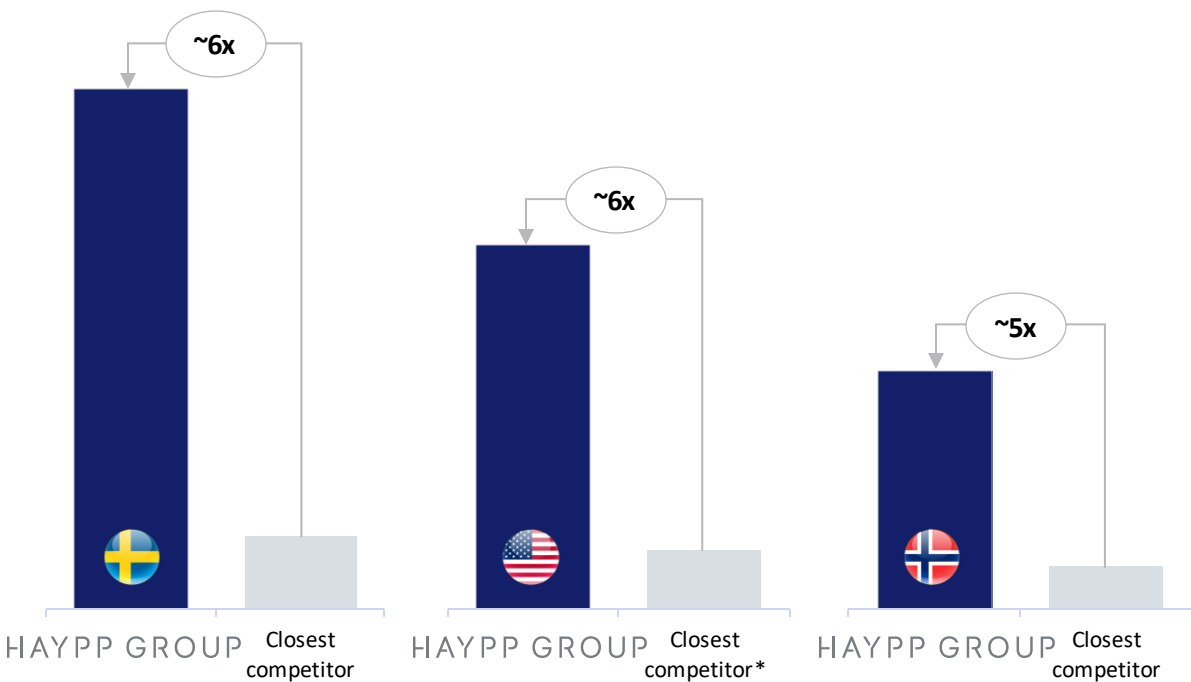
# SEO is a Key Strategic Priority



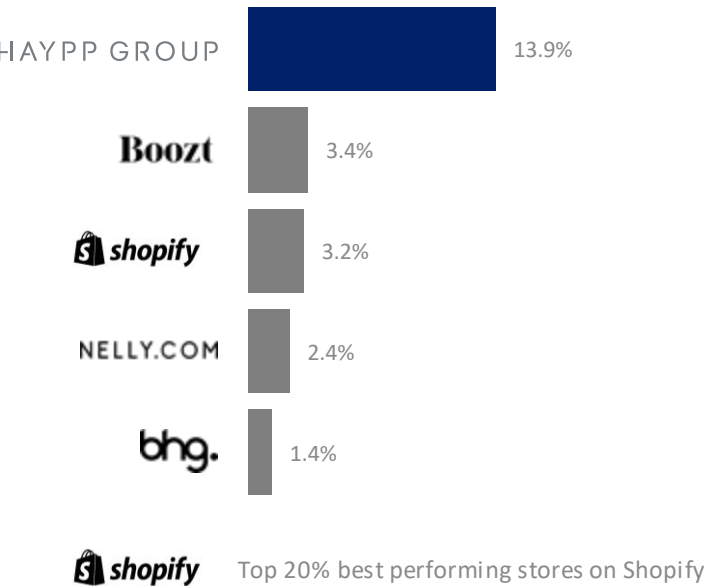
# Haypp's SEO Positions have Created a Wide Moat

Dominating organic visibility ...

...benefitting from best-in-class conversion rates



Conversion rates of selected e-com players and e-com stores on Shopify (FY2022)<sup>1)</sup>



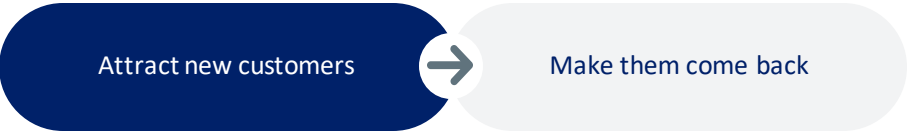
Top SEO positions across markets enable organic consumer acquisitions and create barriers of entry

Source: Company information  
\* Compared to Online retailers in USA  
Note: 1) Sourced from FY2022 annual reports and is defined as number of orders divided by number of site visitors when not otherwise explicitly stated. Conversion rate for Nelly refers to Nelly Nordics and Boozt refers to Boozt.com. Shopify Conversion Rate refers to the top 20% e-commerce stores on their platform from a study made by Littledata published 2022-09-28

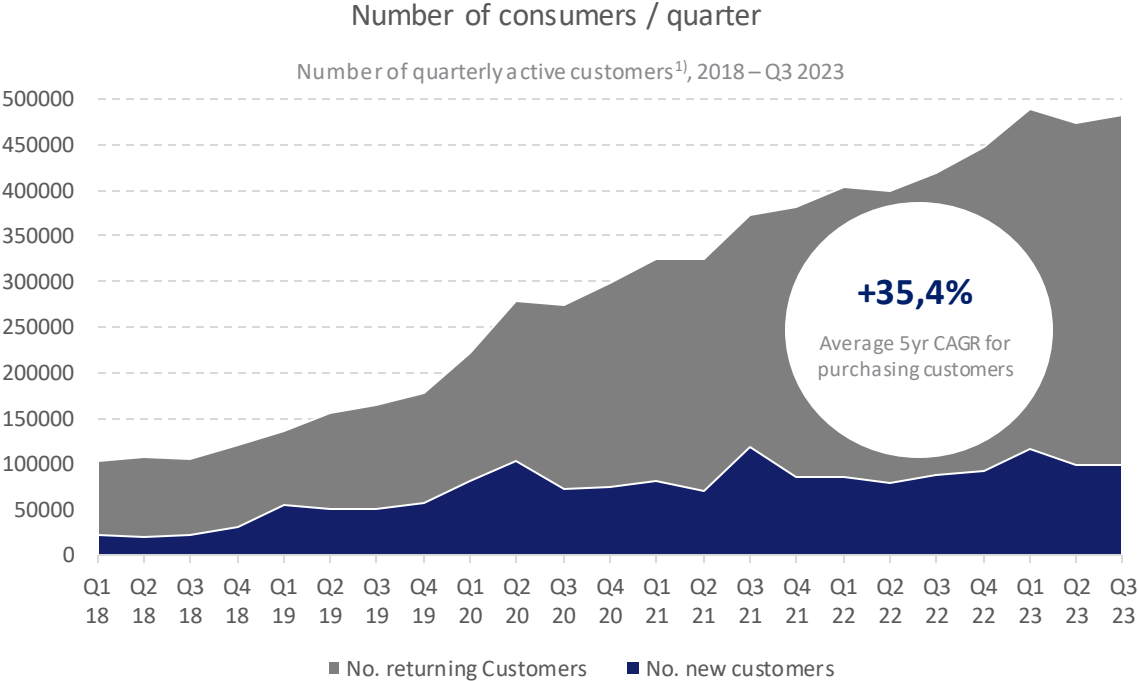


# Loyalty Fuels Consumer Base Growth

Continuously growing consumer base...



...increasing AOV and repurchase rates as we retain consumers



**+48%**

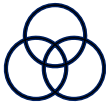
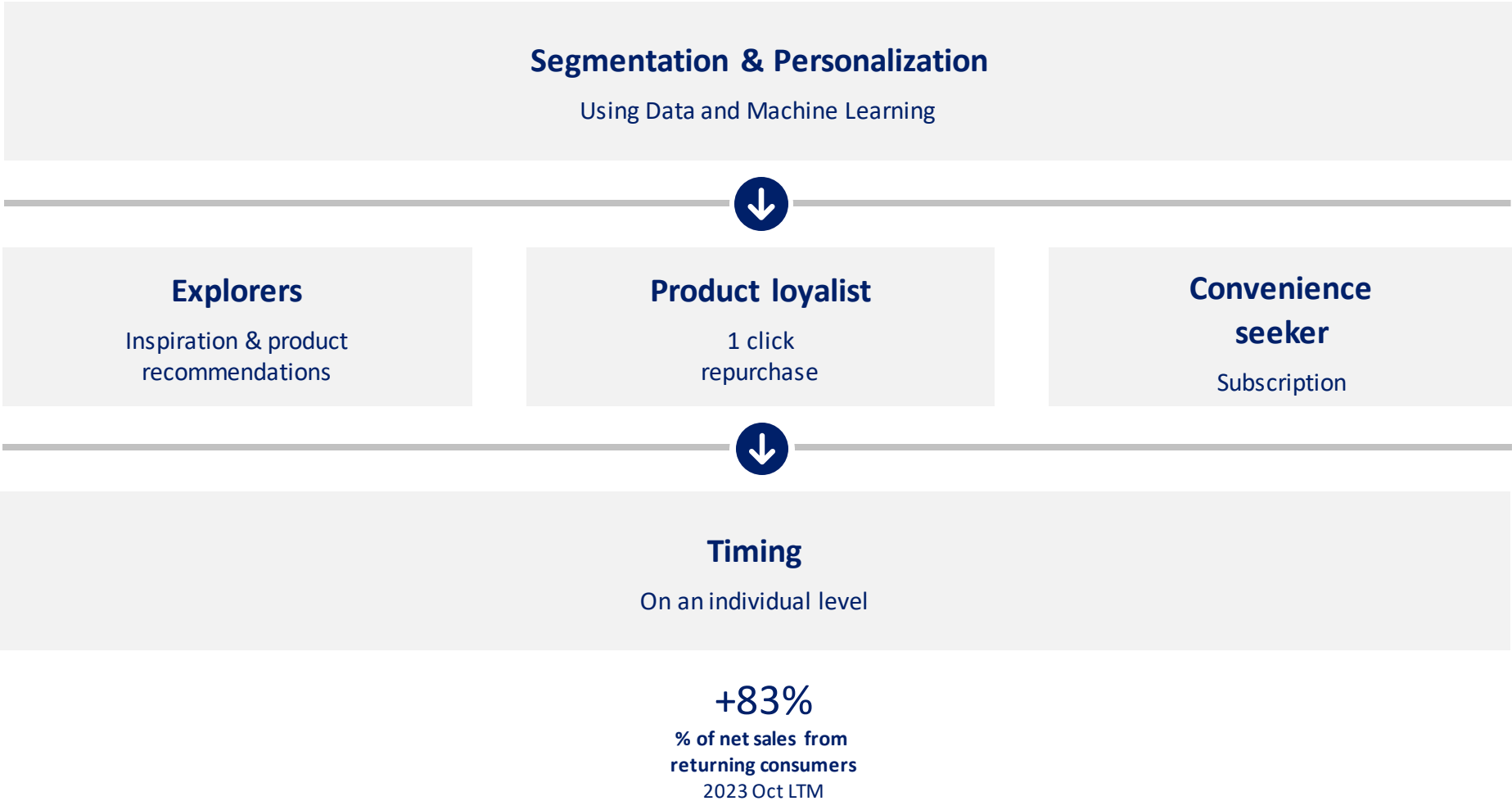
Increase in average order frequency from 1<sup>st</sup> to 5<sup>th</sup> purchase

**+11%**

Increase in average AOV from 1<sup>st</sup> to 5<sup>th</sup> purchase

Increasing both the AOV and the order frequency substantially as consumers make more orders leads to Haypp increasing its share of consumption / share of wallet as they continue shopping with us

# Reaching the Right Person at the Right Time with the Right Communication



# Consumer Satisfaction is Key to Long Term Growth



CRM



Assortment



Price



Convenience

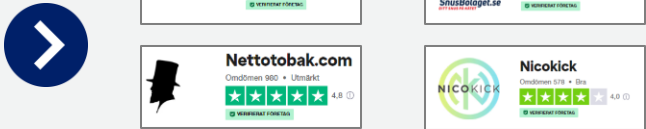
# Consumer Satisfaction is Key to Long Term Growth

Haypp global average NPS LTM:



NPS: Asking our consumers if they are likely to recommend us to a friend or a colleague

➤ Almost 40% of new consumers get recommended from a friend



➤ ~90% Retention on second order and forward

# Setup for Growth

5-6x more traffic than  
closest competitor

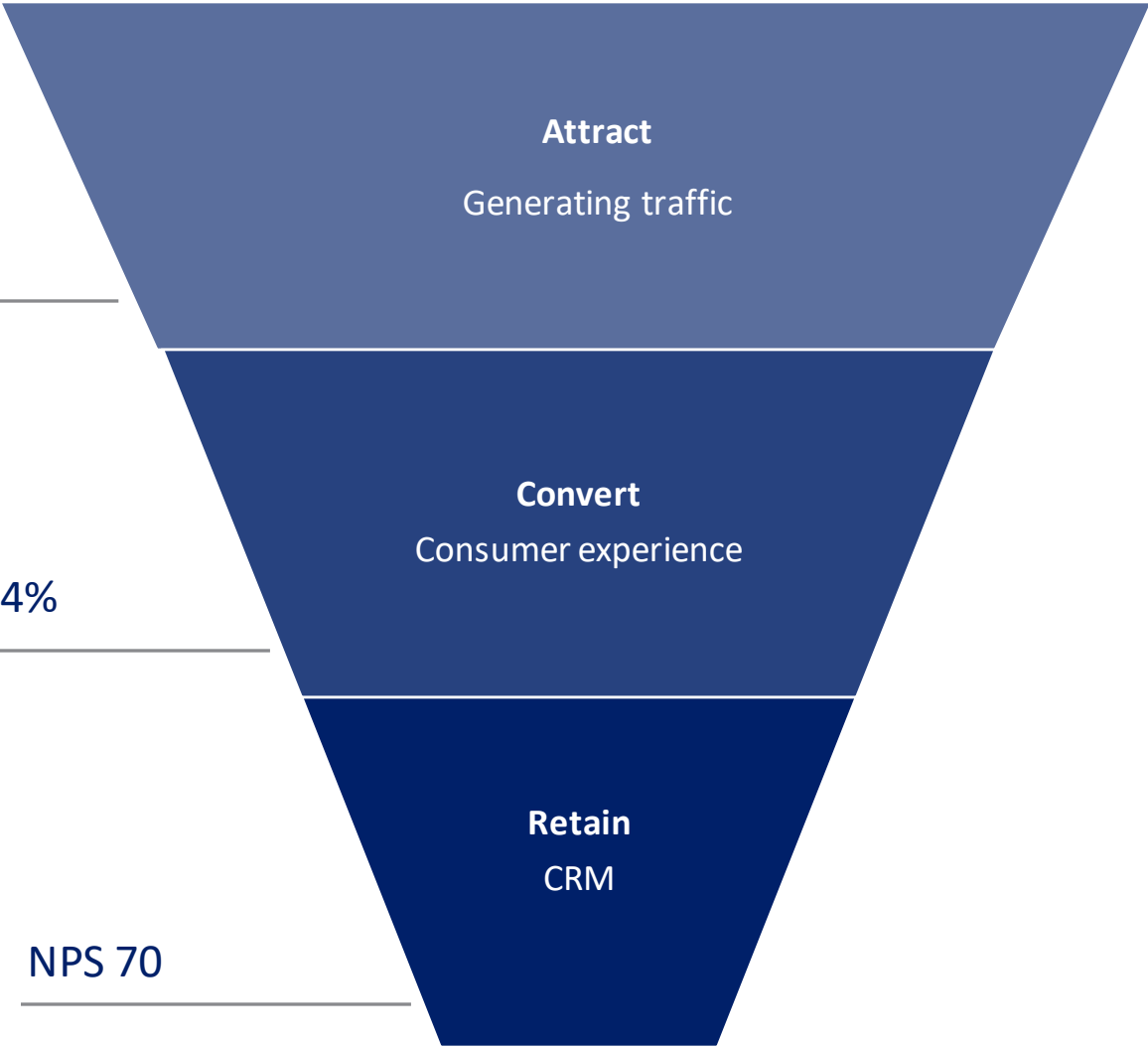
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CVR 14%

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NPS 70

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## Speaker



**Johan Hansson**

CPO, Chief Partnerships Officer



Our role is to help consumers navigate brands and to help brand owners navigate consumers.

# Our role is to help consumers navigate brands and to help brand owners navigate consumers.

## Brand owners

The most attractive consumer  
base

Unique launch and activation  
platform

Profitable partnership

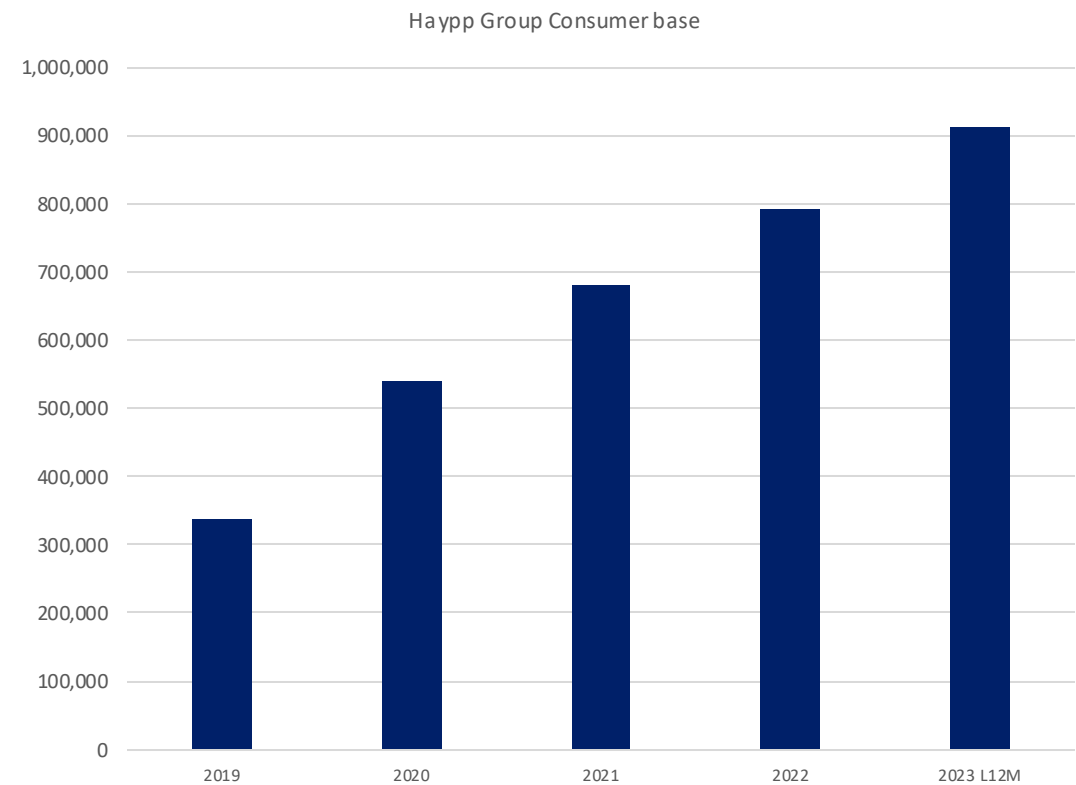
Ground-breaking  
Insights capabilities

## Consumers

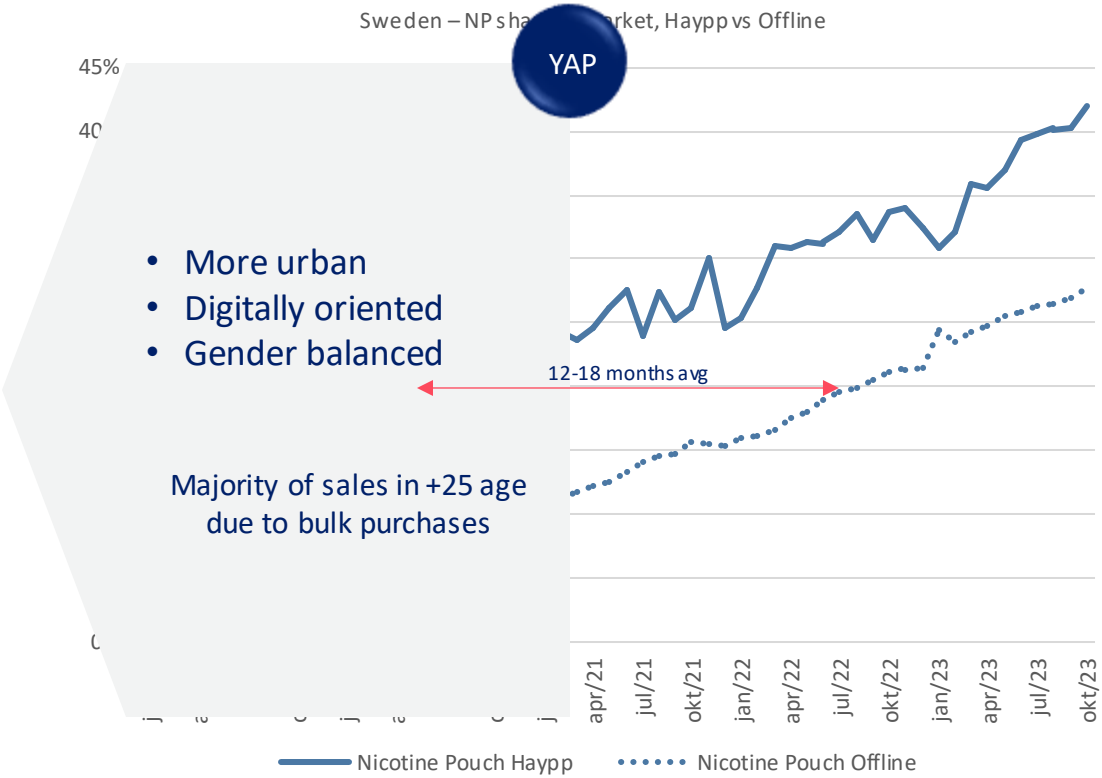
Assortment

Price

# Haypp Group Consumer Base – not only Large, but Early Adopters

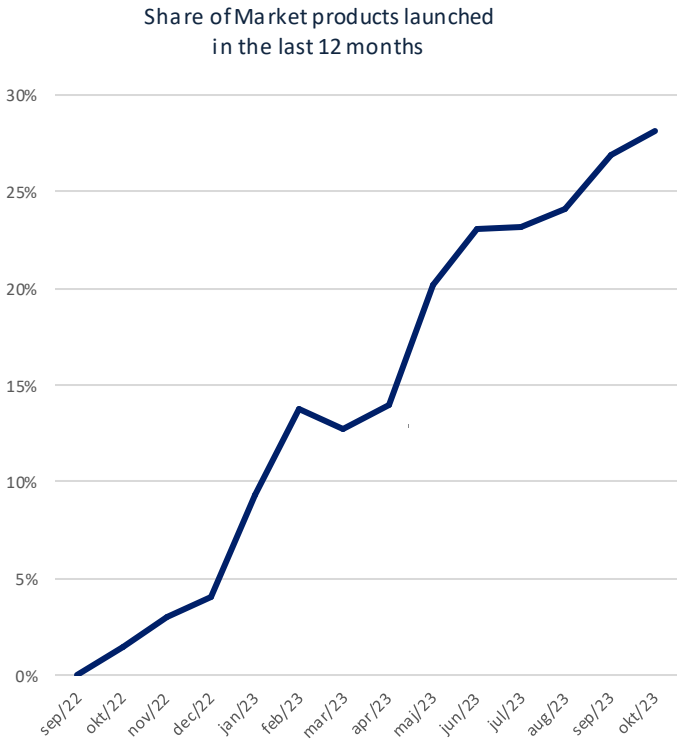


World's largest nicotine pouch consumer base

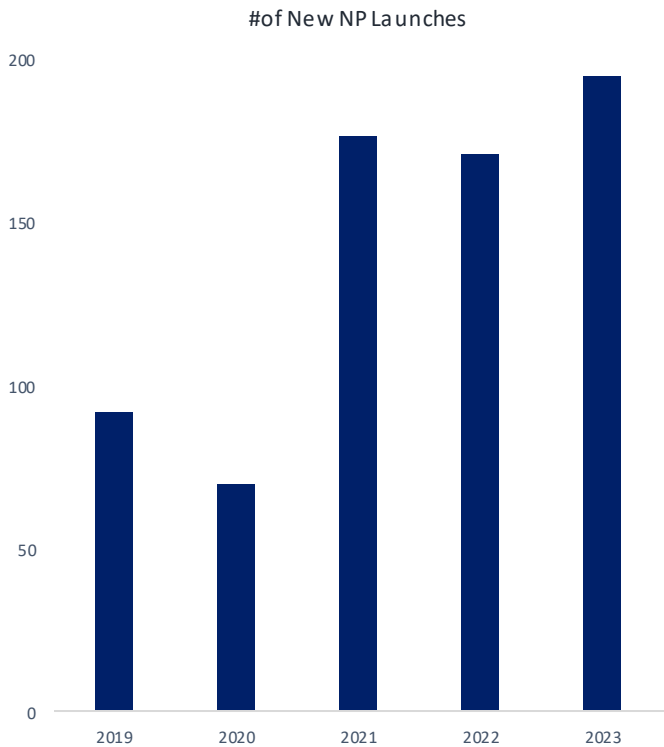


Trends emerging 12-18 months ahead of market

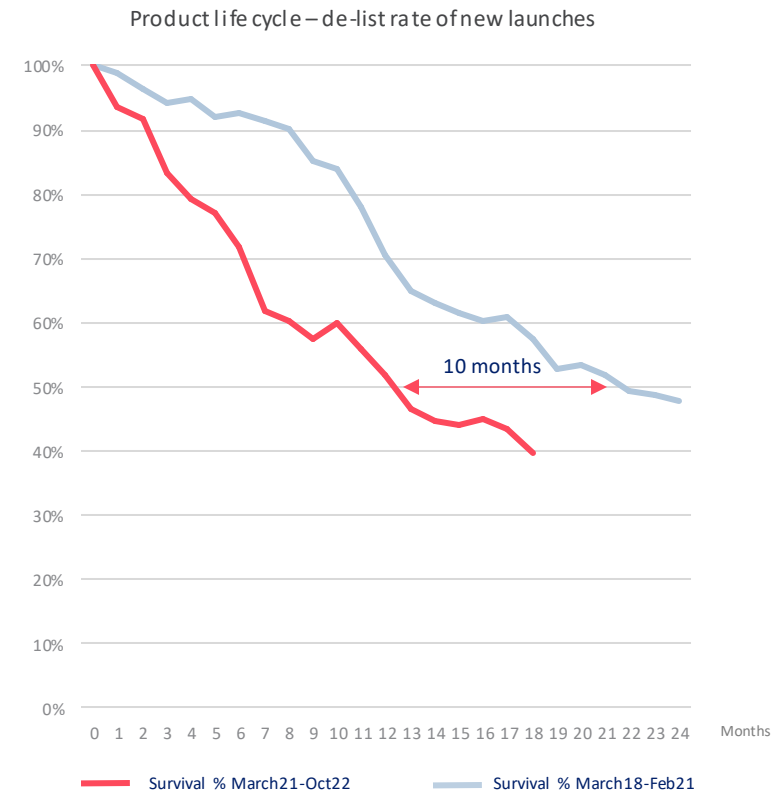
# Opportunity to Test and Learn in an Accelerating Market



~1/3<sup>rd</sup> of today's NP sales did not exist 12m ago



Increasing number of new launches



Product life cycle is becoming shorter

# Haypp Group Media Eco-system

Activation tools (examples)

Awareness

BRAND PAGES

ON SITE COMMUNICATION

SEARCH BAR VISIBILITY

SPONSORED LISTING

MAIL COMMUNICATION

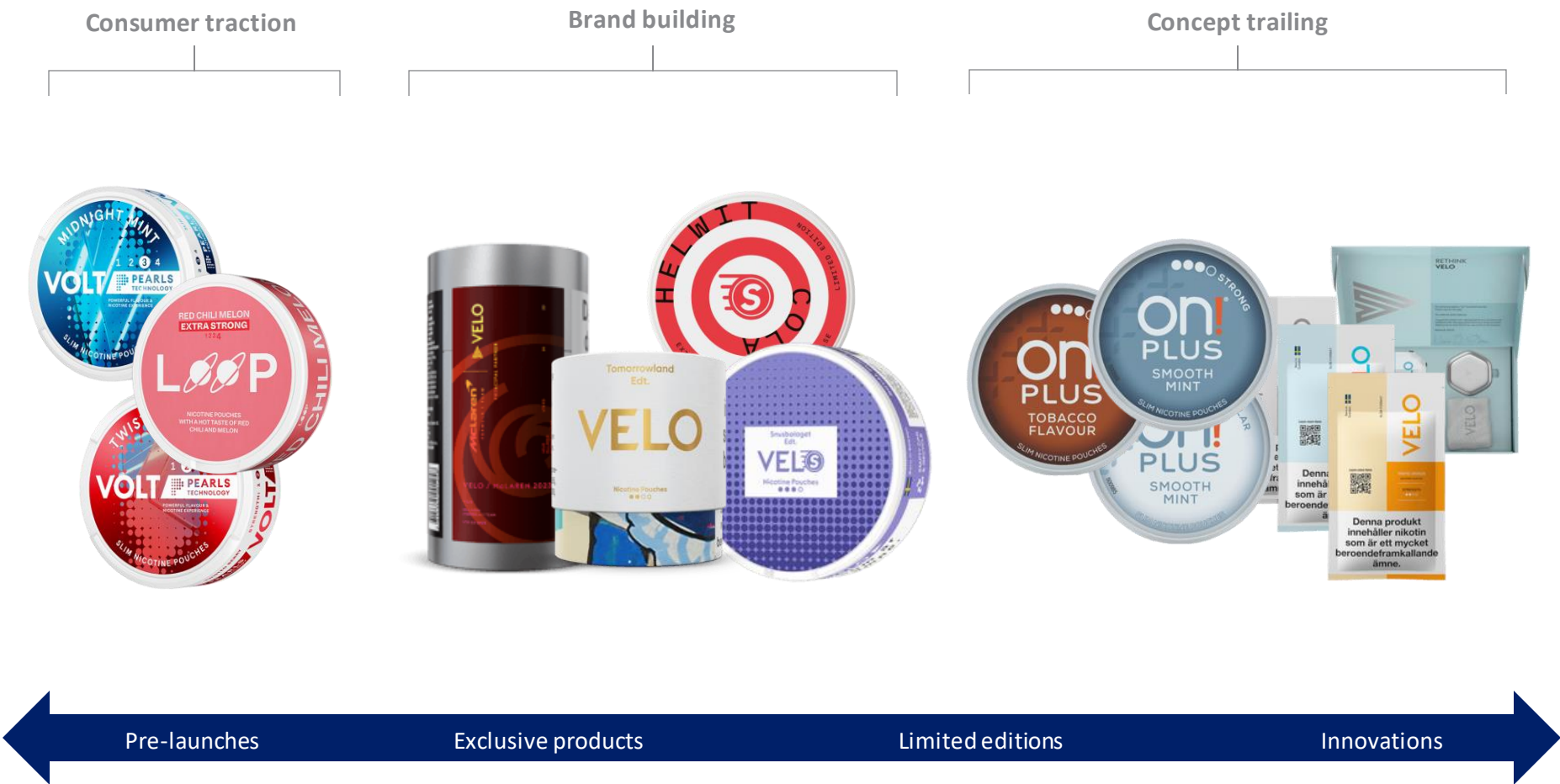
CHECK-OUT UPSELL

Trial

On-site activation with +3M sessions per month



# Unique and Wider Assortment



- A. Showcase richer content around new launches and innovations
- B. Our consumers spend longer time engaging with brand content vs offline

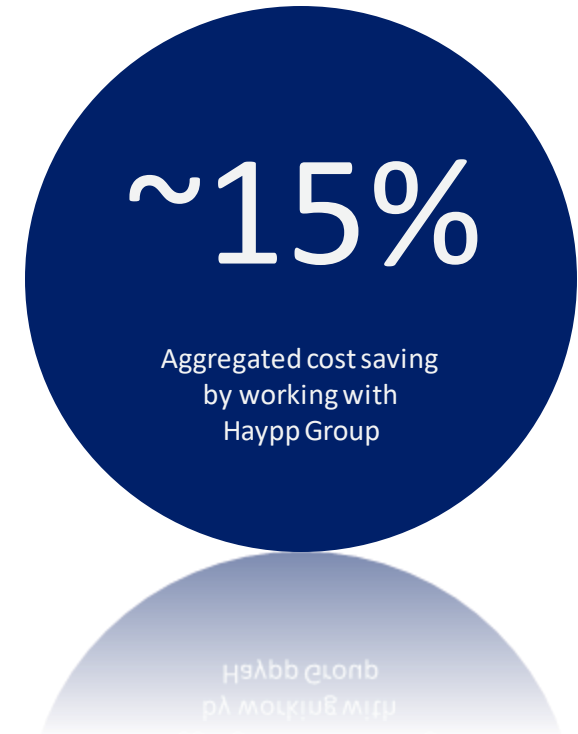
Brand owners create unique content for us



# Haypp Group is the Most Valuable Partnership

## Benefits of working with Haypp Group

- No returns
- No field force
- No fridges/gantries
- No printed point of sale material
- 1 point of delivery – lower distribution cost
- 100% contract compliance and speed to market



# Haypp Insights – Helping Brand Owners Understand Consumers



Multidisciplinary  
Team

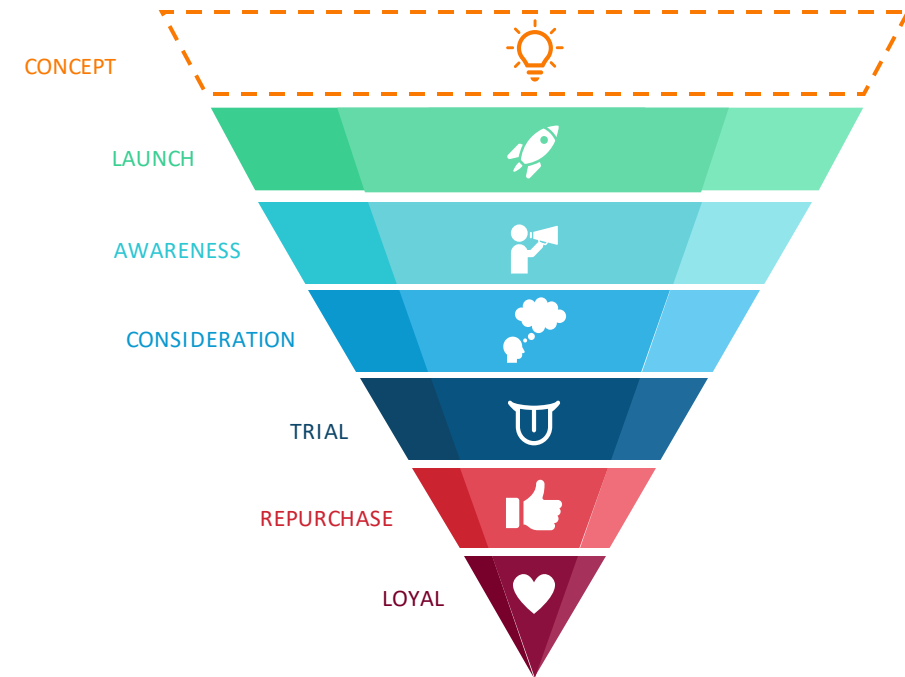


+4000 data points on  
every customer



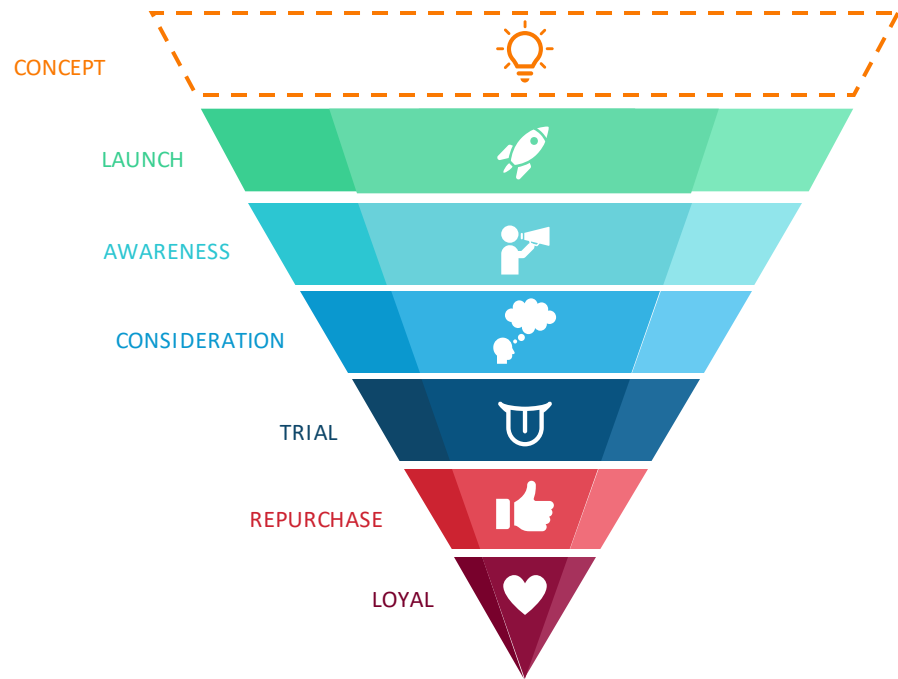
Direct access to each  
customer

- Powered by our 4000+ data points per consumer, direct consumer feedback and AI/machine learning.
- Provide brand owners unique insights to make smarter and faster decisions to win both offline and online.



World's largest insights provider for Nicotine Pouches - Positive and meaningful profit contributor for Haypp Group

# Haypp Insights – Helping Brand Owners Understand Consumers



World’s largest insights provider for Nicotine Pouches - Positive and meaningful profit contributor for Haypp Group

# Wrap-up

Mutually beneficial (adding value) relationship  
with the brand owners

The most attractive  
consumer base

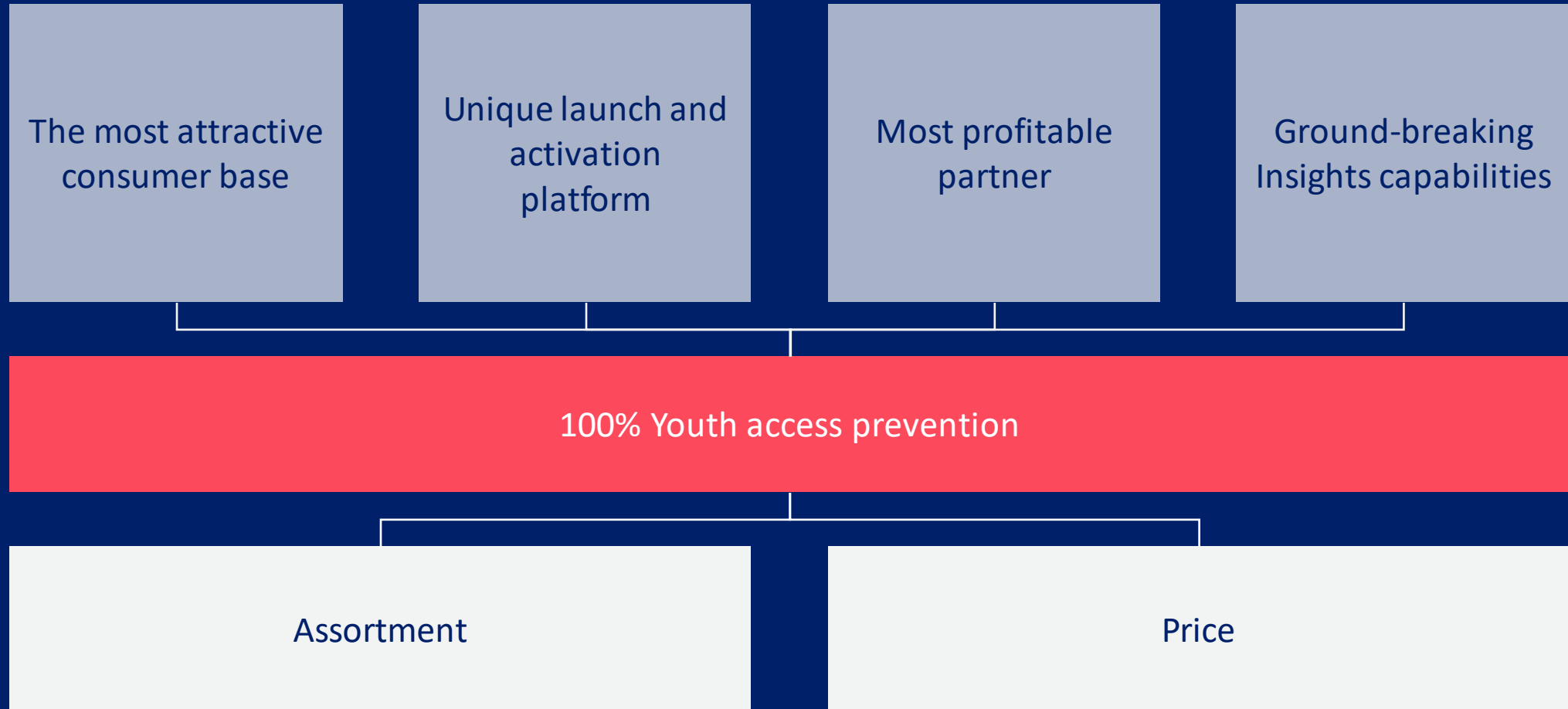
Unique launch and  
activation  
platform

Most profitable  
partner

Ground-breaking  
Insights capabilities

100% Youth access prevention

# Wrap-up



# Haypp Group Offers a Wide and Unique Assortment

+700 Nicotine Pouches SKUs globally...



7-20x

More SKUs than average physical POS

...with latest innovations



+40%

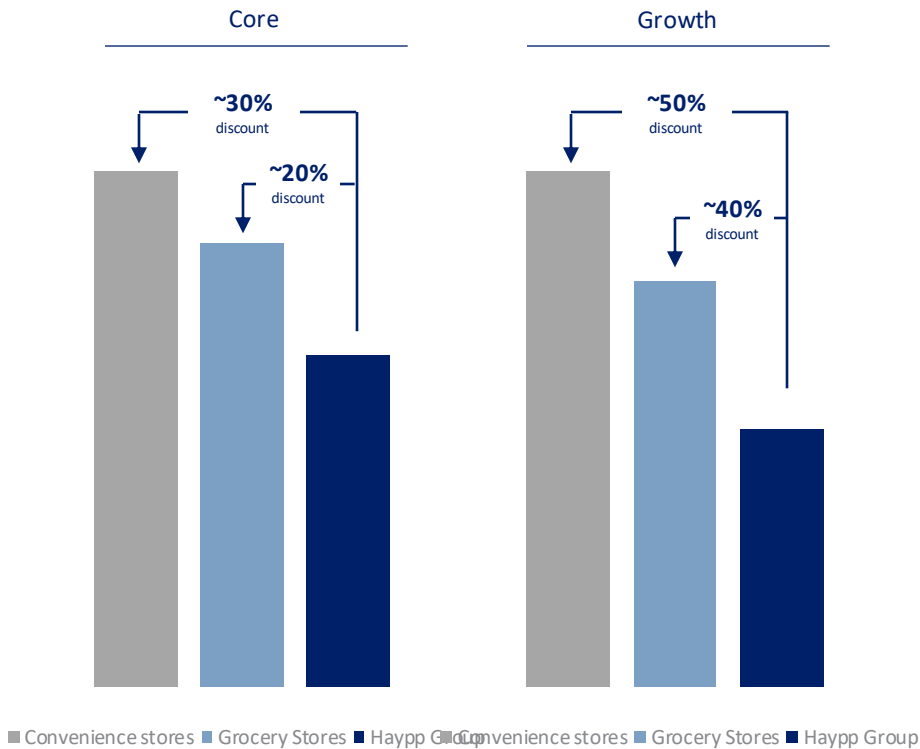
pre-launches in 2023 YTD

# Wide and Unique Assortment Drive Consumer Exploration



# Sustainable Lower Price for Consumers

Haypp Group offers more compelling prices vs physical POS



Price gap accelerates online migration

Market model differs per geography

Market type	Offline retail margin NP	Media & Insights contribution	Currently profitable
Core	Mid	High	Yes
Growth	High	Low – rapidly growing	

Model successful in Core markets despite lower margins on Nicotine Pouches



# Sustainable Lower Price for Consumers

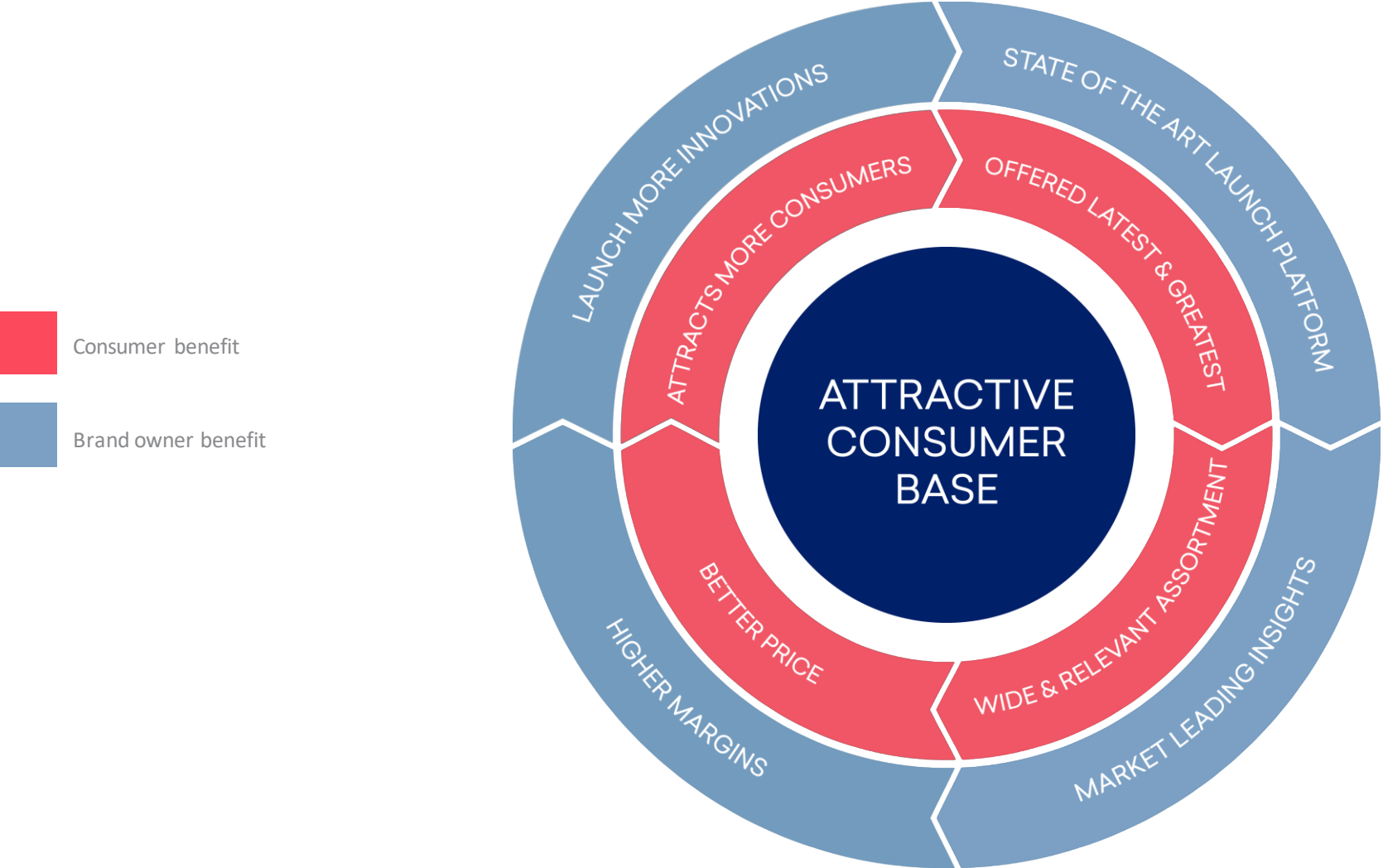
1. Sharing 15% savings with  
Brand owners

2. Material revenue from  
Media and Insights

3. Economies of scale in  
distribution and overheads

Pricing advantage to the consumer

# Flywheel – How it All Comes Together



# Table of contents

1	The changing world of nicotine and our position in it
2	Our relationship with Consumers
3	Our relationship with Brand Owners, and the benefits to consumers
4	<b>Building the infrastructure for accelerated Growth</b>
5	Our Performance so far
6	Q&A – 10 min
7	Regulatory environment
8	Emerging opportunities
9	Financial Update
10	Concluding remarks and Q&A

## Speaker

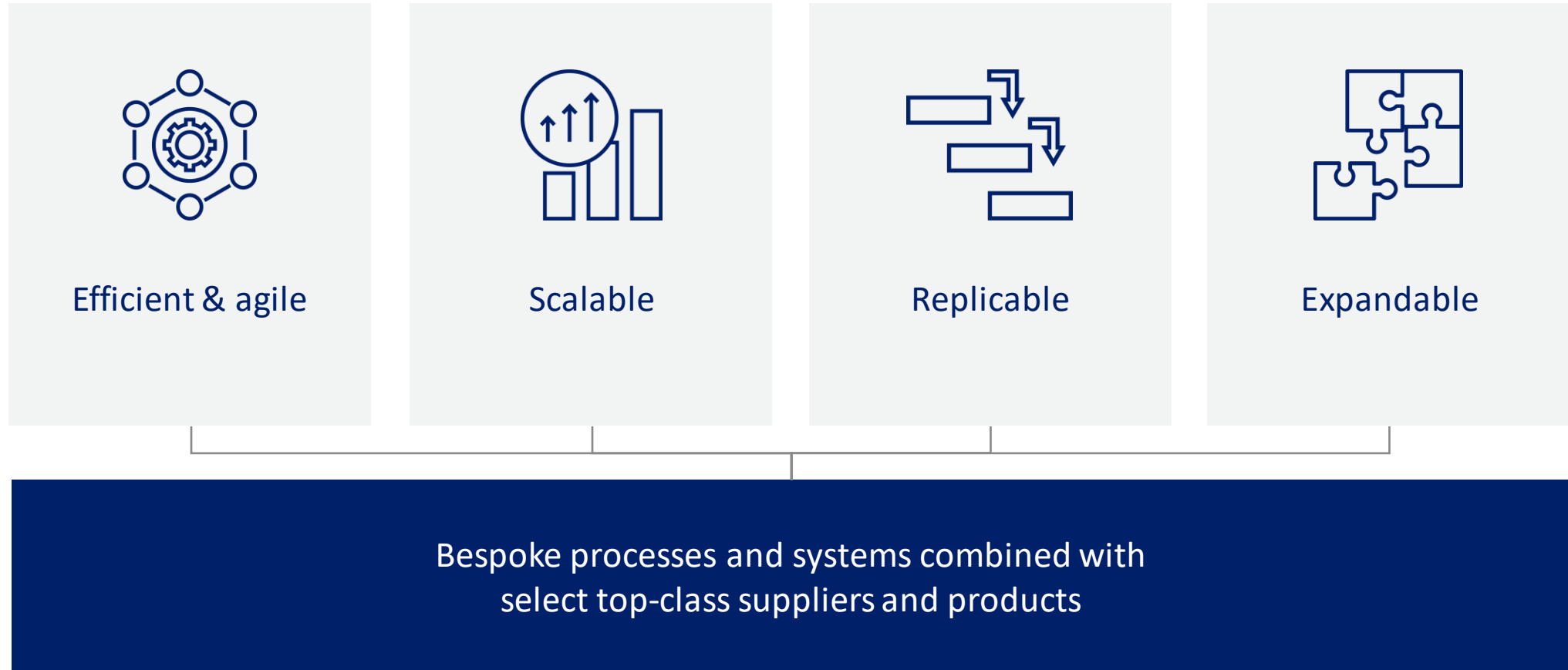


**Janne Kallian**












COO, Chief Operations Officer

# **Delivering Scalable Advantages through Infrastructure**

# Haypp Group Infrastructure

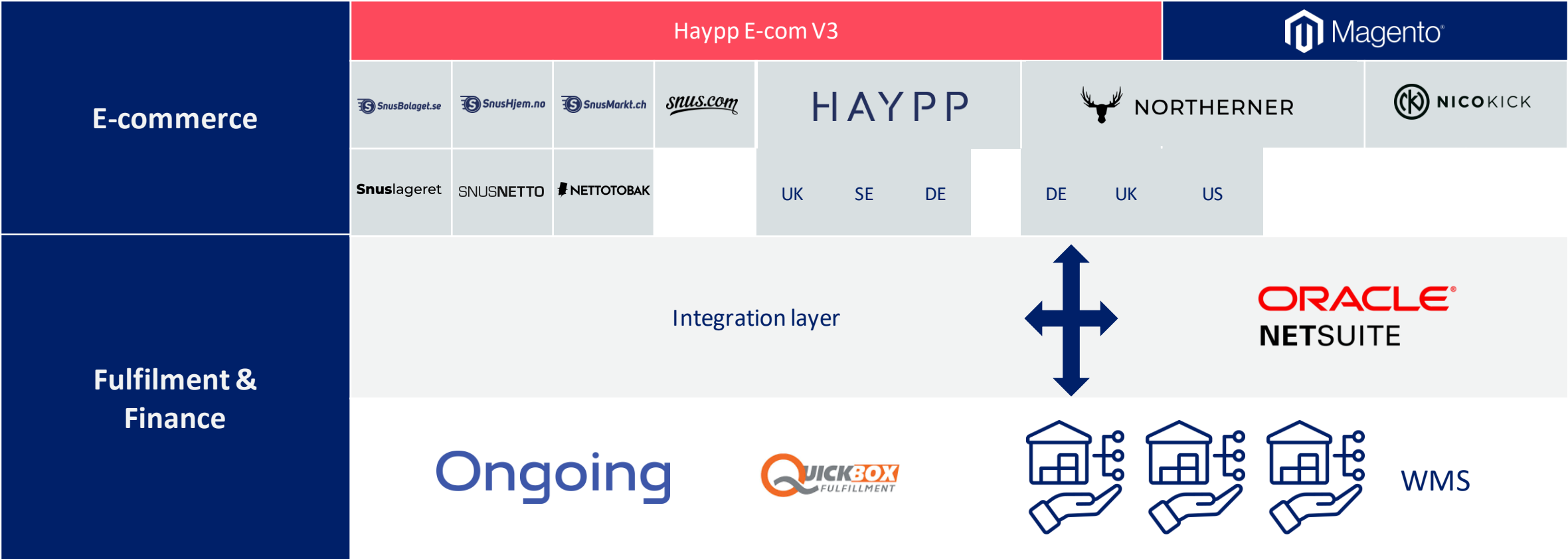


# Refining our Infrastructure for the Future

E-commerce	Haypp E-com V1				Haypp E-com V2		Magento®			
					HAYPP		 NORTHERNER	 NORTHERNER	 NICOKICK	
	Snuslageret	SNUSNETTO	#NETTOTOBAK		UK	SE	DE	DE	UK	US
ERP	 Microsoft Dynamics® NAV								 Microsoft Dynamics 365 Business Central	
WMS	Ongoing				 WMS		Ongoing 			

The infrastructure that has successfully powered our growth and expansion to date. This contains all the pieces we need – but slightly scattered

# Refining our Infrastructure for the Future



Parts of our existing business are already powered by the new infrastructure – extending to the rest of the group during 2024

# The Power of Data

- 1st party insights gathering through our platforms
- Fuels both Haypp Insights, internal decisions and actions in storefronts
- Part of the Haypp model, insights gathered from first unit sold
- 10 years of unique data about consumer patterns, products and dynamics around our category





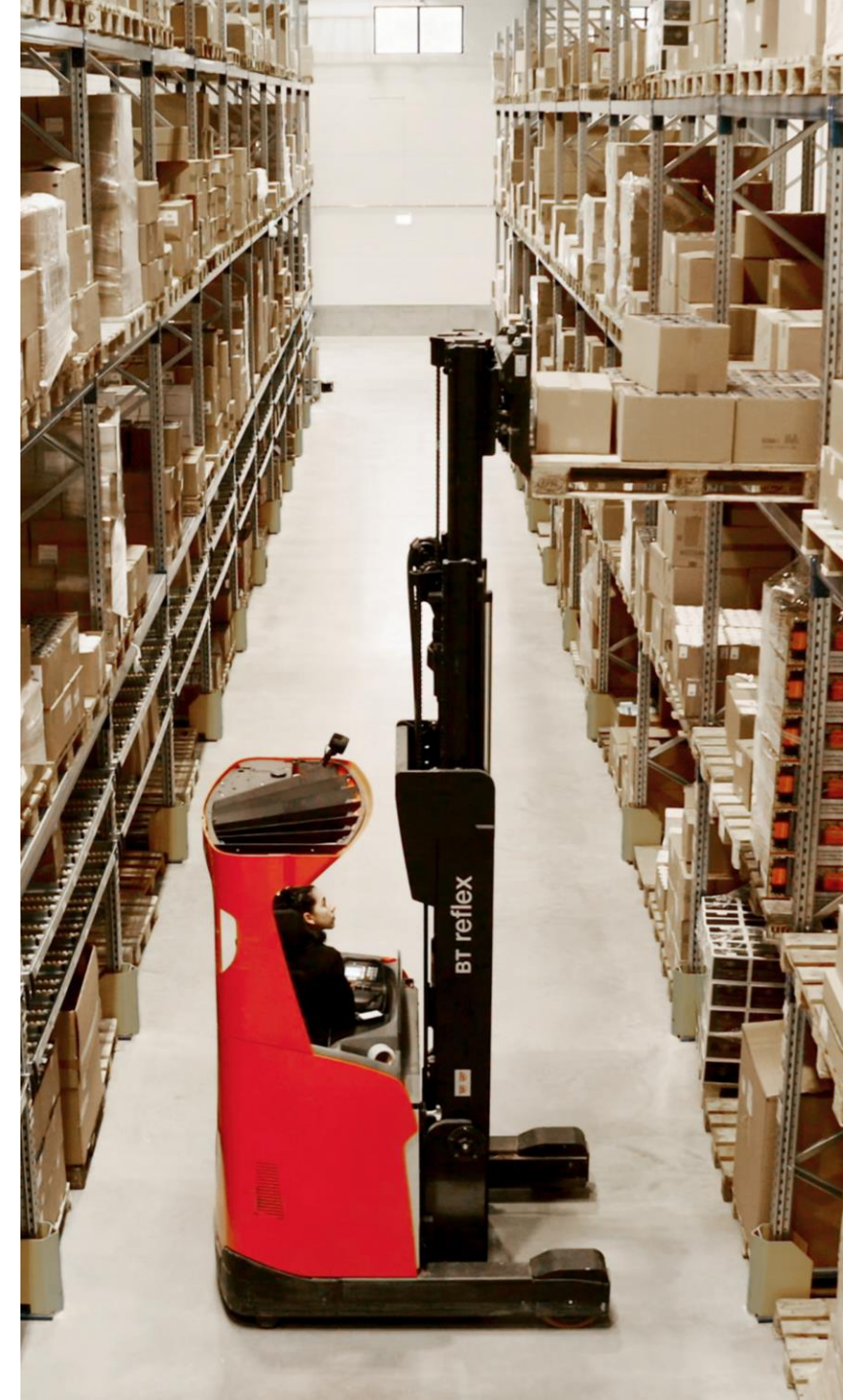
# Convenience

The key to loyal and satisfied consumers

# The Specifics of Our Category

Some of the unique logistics benefits of our category:

- Low degrees of consumer returns (< 0,4%)
- Low weight / mass to value – pick/pack/ship friendly product
- Limited seasonality making demand forecasting accurate
- Relatively limited number of SKU's compared to other categories.
- These factors enable us to build a streamlined infrastructure, optimized for our category.



# The Scalable Convenience Chain



## Product sourcing

Central forecasting & replenishment  
<1% average OOS  
Turning over the stock 15x per annum.  
Supplier returns virtually zero



## 3PL Warehouse

Variable cost  
Flexible for time to market  
Cost effective low-mid volumes  
Dependent of 3PLs shipping options



## Haypp Warehouse

Higher fixed cost, low variable cost/order  
Improved lead times and efficiency  
Full suite of Haypp shipping providers become available



## Haypp Automated Warehouse

Higher fixed cost, lower variable cost/order  
Improved lead times and efficiency, scaling very well with volumes  
Modular and upgradeable





# Stockholm Warehouse at Work



# Shipping – Taking it the Last Mile

Shipping has become a commodity available to everyone. The differentiator is how Haypp applies, fine tunes and handles it at scale.

Haypp's new shipping logistics partner facilitates an end-to-end integrated process from checkout, fulfilment to delivery.

## Allows us:

- Quick and easy onboarding of new shipping providers.
- Dynamic prioritization and pricing of shipping options depending on location, order contents, regulation and more.
- Full end to access to all data points in the shipping process.
- Steering volumes to optimize for consumer satisfaction as well as bargaining power.

# Youth Access Prevention is at Our Core

## Securing youth access prevention

Depending on the specifics of the market and category, we work with:

- Age verification at point of sale through payment providers.
- Online age verification with the top partners for the respective markets.
- Age verification on delivery through shippers.
- ...or a combination of these.

We strive to combine the least amount of consumer friction with the most robust age verification available.



Work with the best age verification, fintech and shipping companies globally



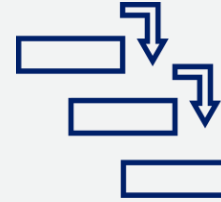
# Wrap-up



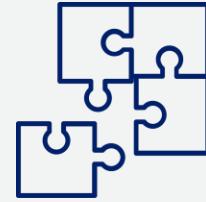
Efficient & agile



Scalable



Replicable



Expandable

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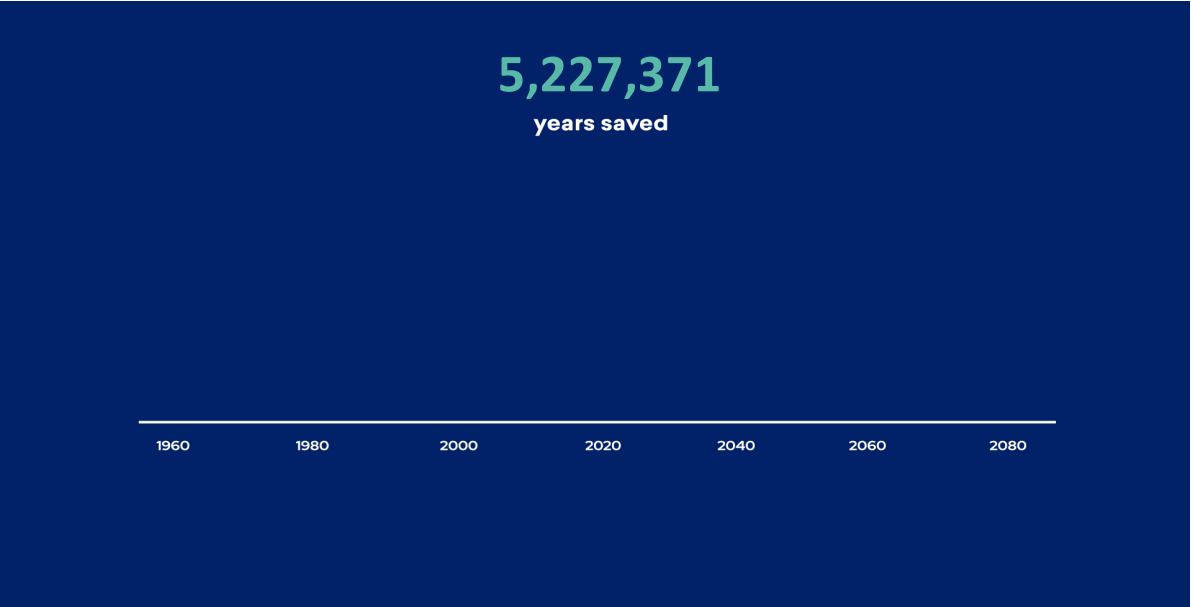
**Gabriel De Prado**

CCO, Chief Commercial Officer

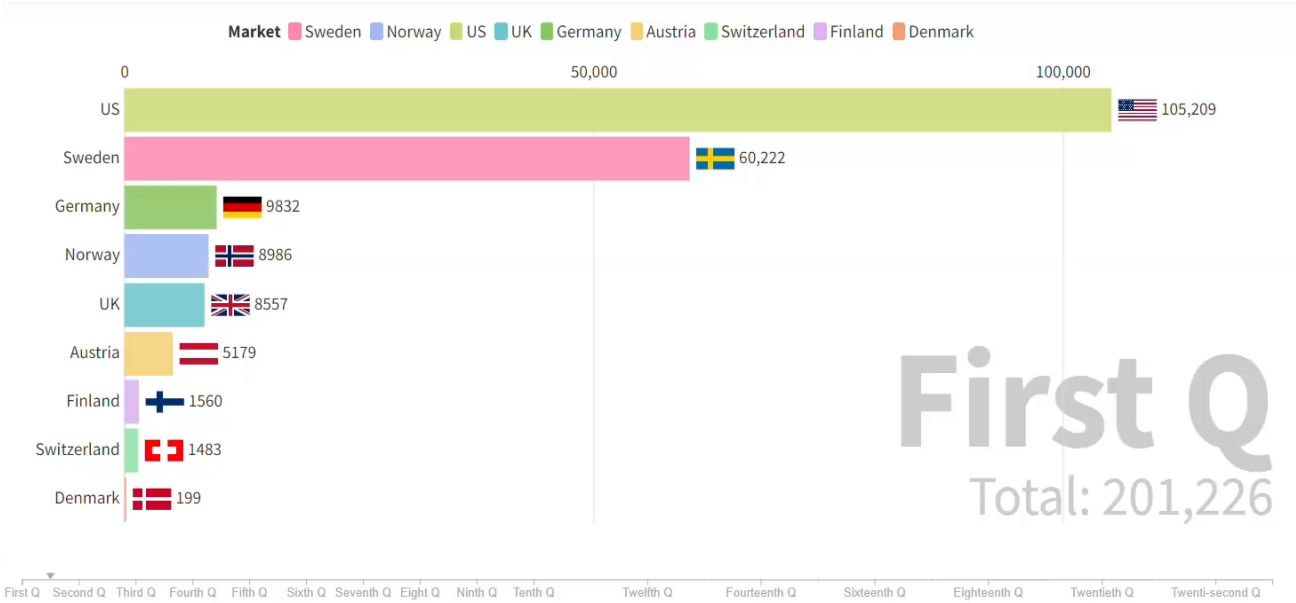


# From a garage to 3bn SEK

# From Years Saved...



# ...To Volumes Sold



# Sweden

Sweden means nicotine pouches, it is the most competitive and toughest market.

If we can win here, we can win anywhere.

And we are.



SOM  
Share of Market



30%

E-SOM  
Ecom Share of Market



85%

NP Volume  
on Group sales



49%

NP YoY  
Volume growth



32%

Traffic Growth



+30%

Order Growth

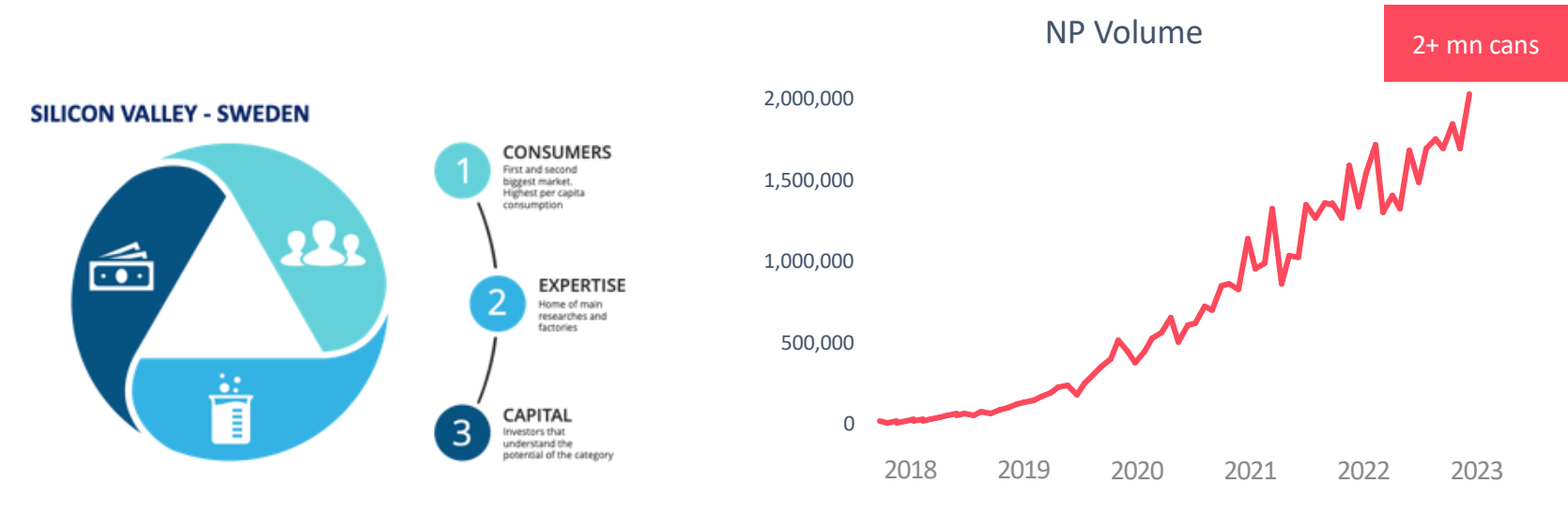


+15%

# Performing in the Toughest Competitive Environment



Product trial has been key for success... and we know how to do it!



Deep consumer knowledge and appetite for experimentation

Deepest retail penetration per capita for oral nicotine - 14k competitors

Historically the lowest retail margin in the world for reduced risk products

Nicotine pouches are here to stay:

2019 – 9.0%  
2020 – 22.0%  
2023 – 37.0% (Oct 43%)  
\*weight of sales

From 0 to 20mn cans in 5 years

28% of our monthly volume comes from products launched in last 12 months

New brand from 0% to 13% in 2 years

Highest fragmentation – 2.3 brands per order

# Norway

A showcase on how to thrive in highly regulated markets.



SOM Share of Market		11%
E-SOM Ecom Share of Market		80%
NP Volume on Group sales		14%
NP YoY Volume growth		41%
Traffic Growth		+37%
Order Growth		+35%

# Traditional offline retail



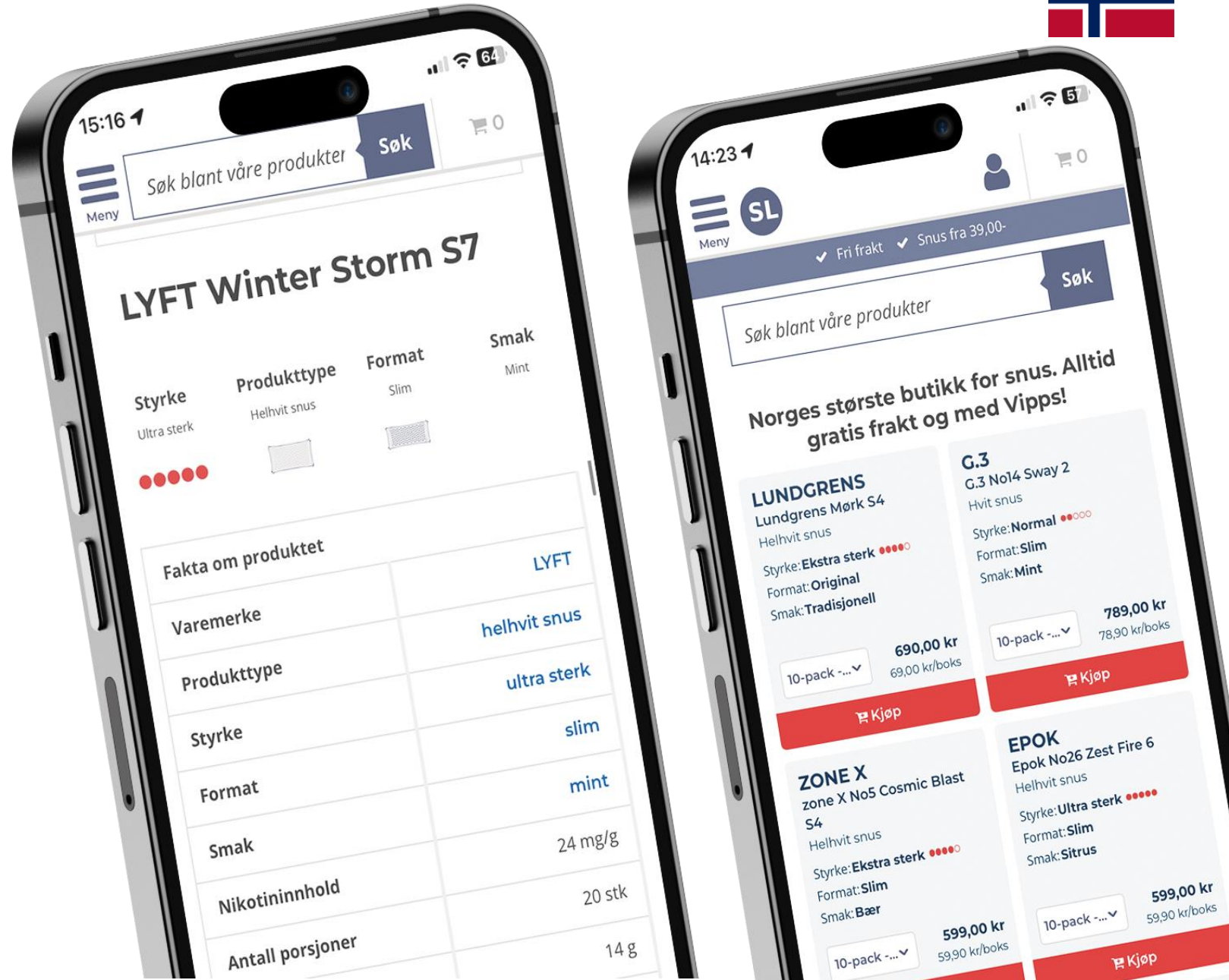
- Closed doors
- Plain packaging
- No guidance
- Limited trial
- No brand building



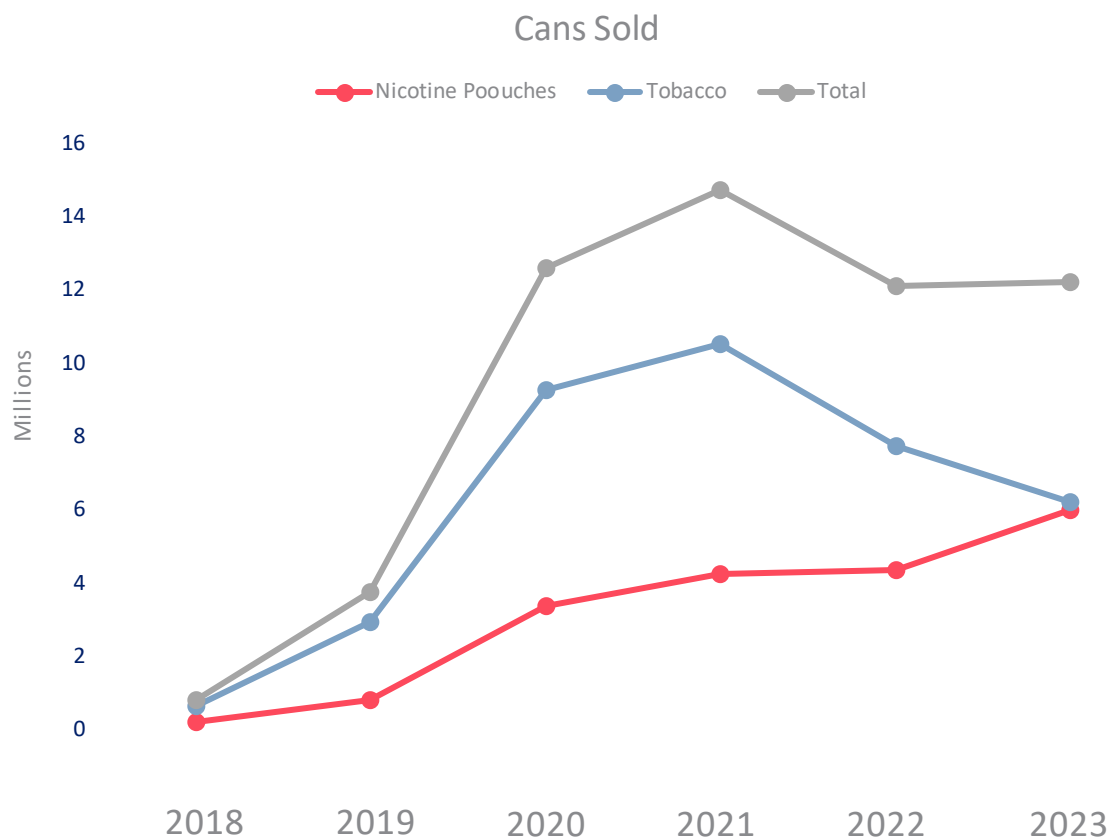
# Our Stores



- Brand visibility
- Product explanation
- Product guidance
- Pack size options
- Price awareness
- Brand introduction



# Guiding Consumers in a “Closed Doors” Dark Market



COVID was decisive in our growth trajectory.

Norwegian consumers were upfront driving nicotine category growth before plain packaging and regulation; now all they have is us.

Our visibility and product information are key for online migration...only place to launch new products.



# USA

USA is the biggest market with highest group growth.

Huge opportunity ahead boosted by possible innovation



SOM Share of Market		2.5%
E-SOM Ecom Share of Market		85%
NP Volume on Group sales		25%
NP YoY Volume growth		47%
Traffic Growth		+55%
Order Growth		+39.9%

# USA is not a Country but a Continent



Fastest growing market +49% YoY  
+70% from October

Haypp overperforming → +57% YoY +0.5pp  
SOM

45% more purchasing customers



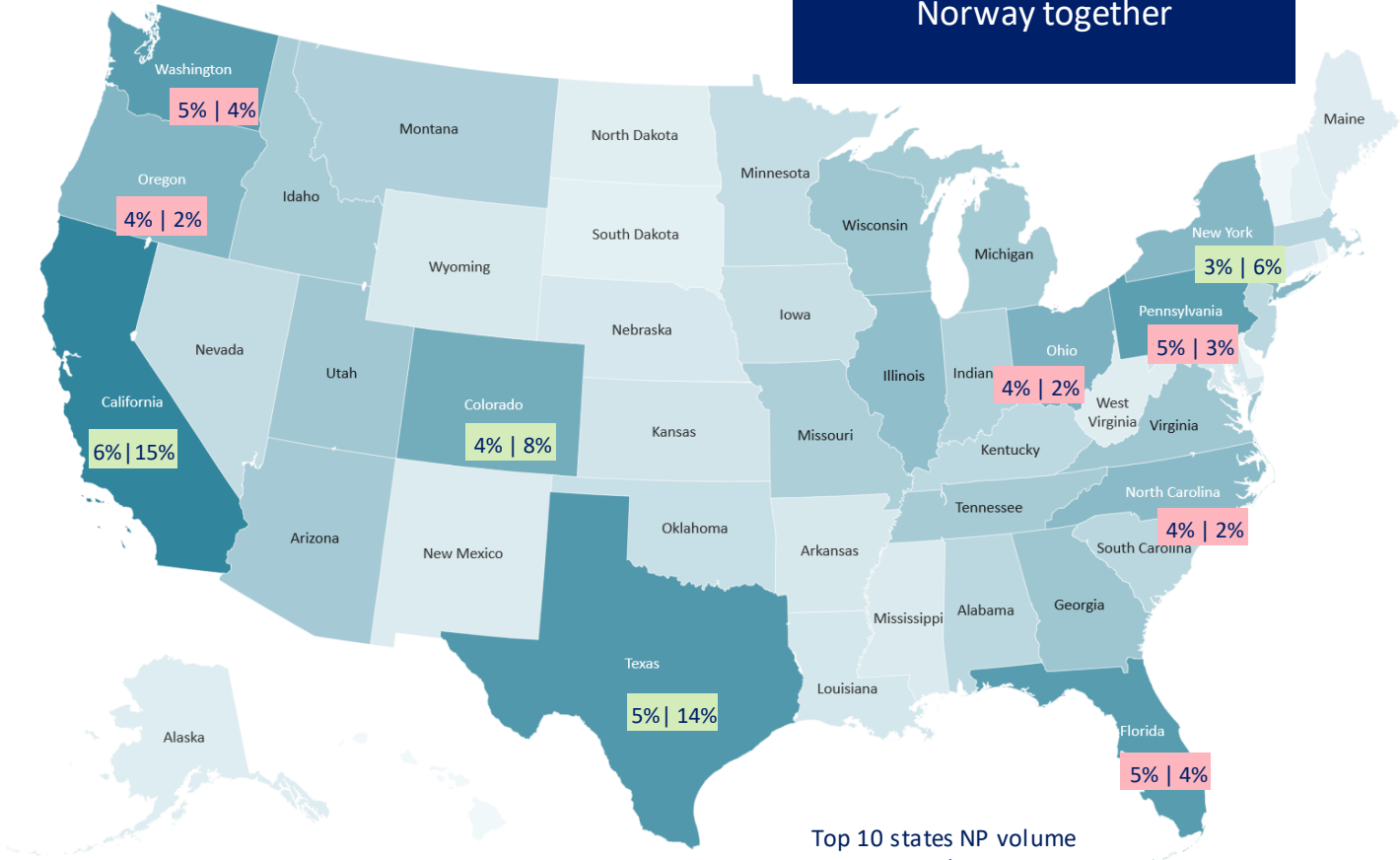
Complexity → PMTA, Adult verification

Over 1mn pending approvals predominantly  
vape and NP

We have wider assortment per order

Category could “explode with innovation”

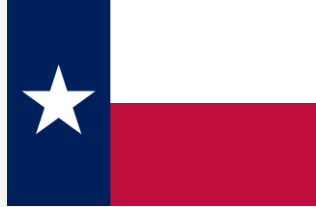
NP in US is 5x Sweden and  
Norway together



Top 10 states NP volume  
Offline/Haypp

# Texas – NY – Colorado

Haypp SOM



Texas

6.0%



New York

4.0%



Colorado

3.4%

Others

1.5%



## Convenience and Price are key

Texas - NY – Colorado →  
Double consumer acquisition after new  
warehouses and -10pp churn rate

2day nationwide shipping implemented

# United Kingdom

UK is the epicenter of harm reduced products for Europe.

Our timing couldn't be better.



SOM  
Share of Market



4.5%

E-SOM  
Ecom Share of Market



65%

NP Volume  
on Group sales



2%

NP YoY  
Volume growth



94%

Traffic Growth



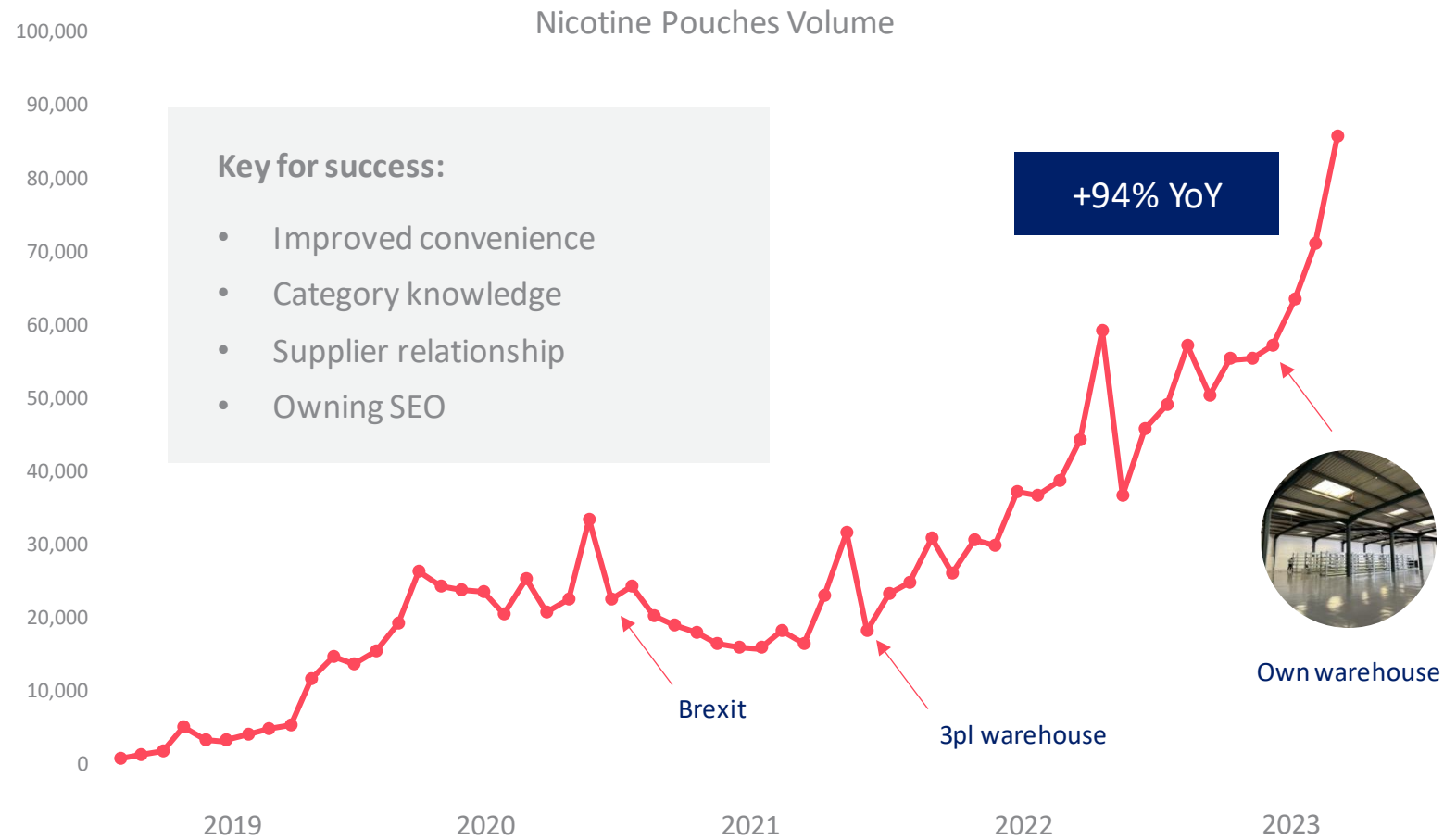
+84%

Order Growth



+77%

# Perfect Timing for a Blooming Category



## Vape learnings so far:

- Fierce competition
- Fragmented suppliers
- Incredible innovation pace
- Agility is key
- Upcoming regulation
- Huge relationship with nicotine pouches
- First site with 2 “reduced risk” options



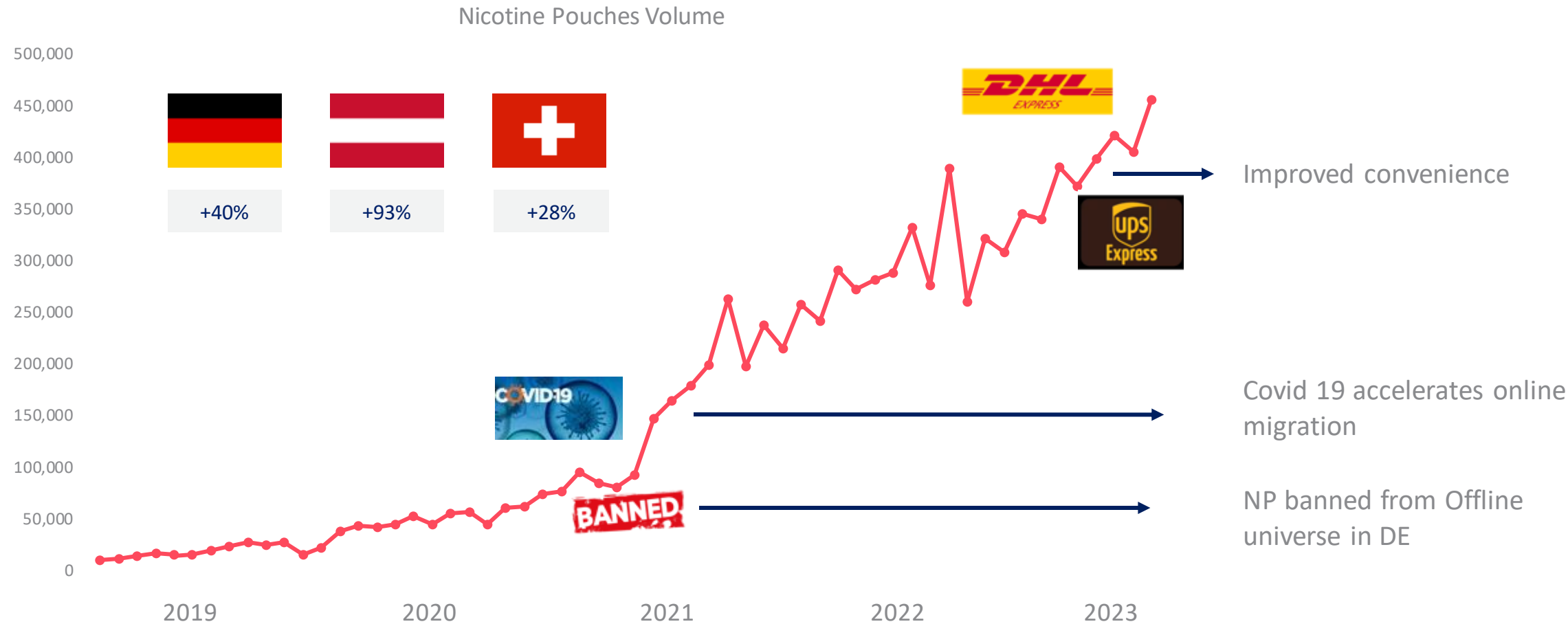
# DACH

DACH is where convenience will make the difference since product resonates well with consumers.

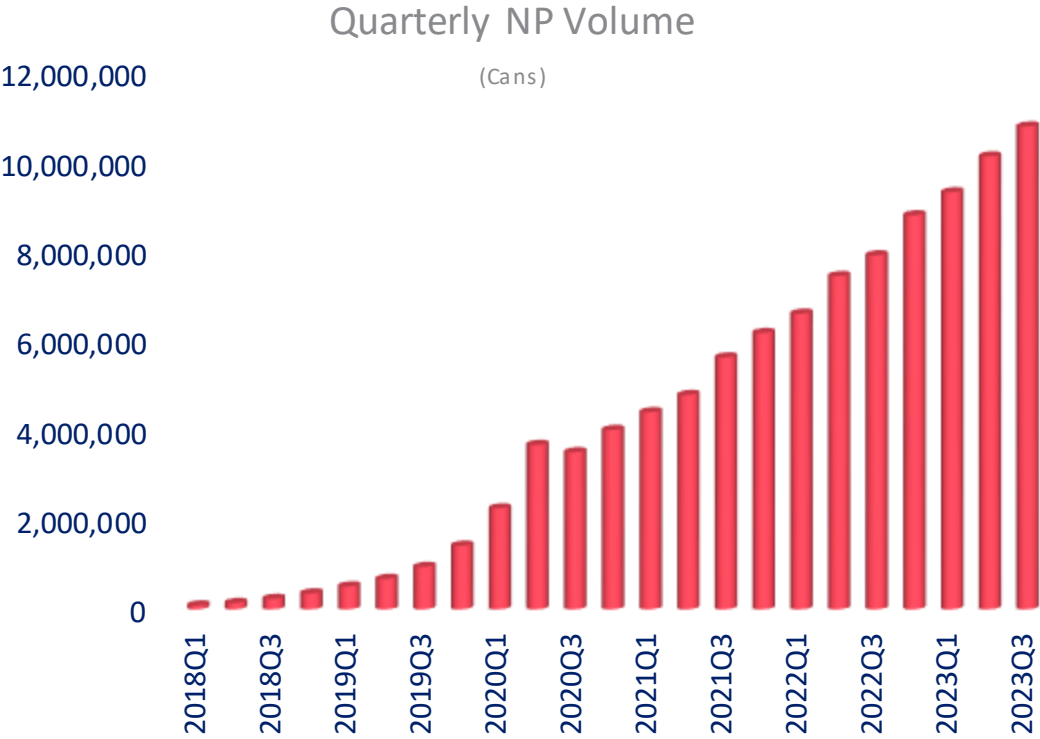


SOM Share of Market		15%
E-SOM Ecom Share of Market		35%
NP Volume on Group sales		11%
NP YoY Volume growth		39%
Traffic Growth		+5%
Order Growth		+15%

# Small Steps in a Category with Increasing Relevance



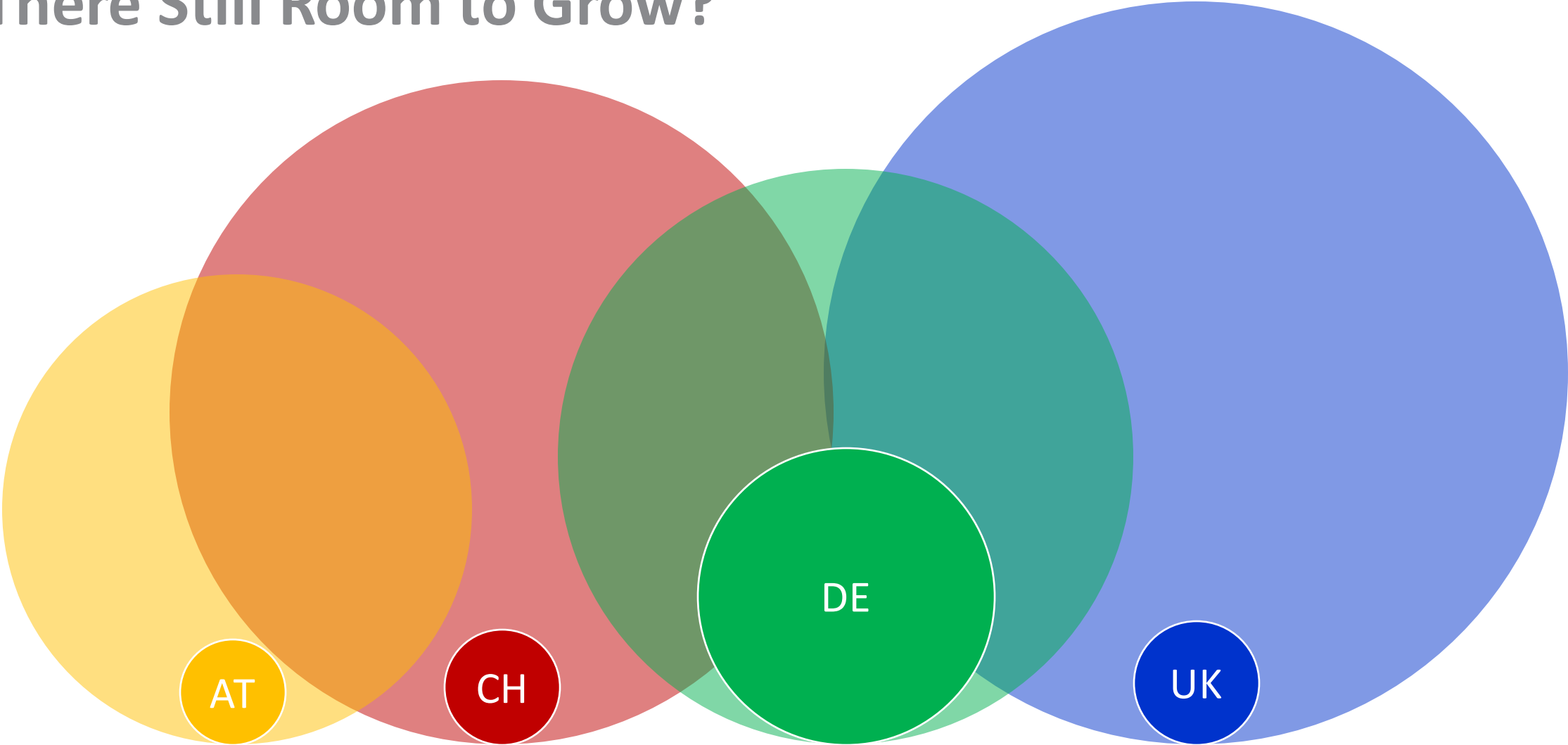
# 2023 – Another Year of Strong Performance



P A C S



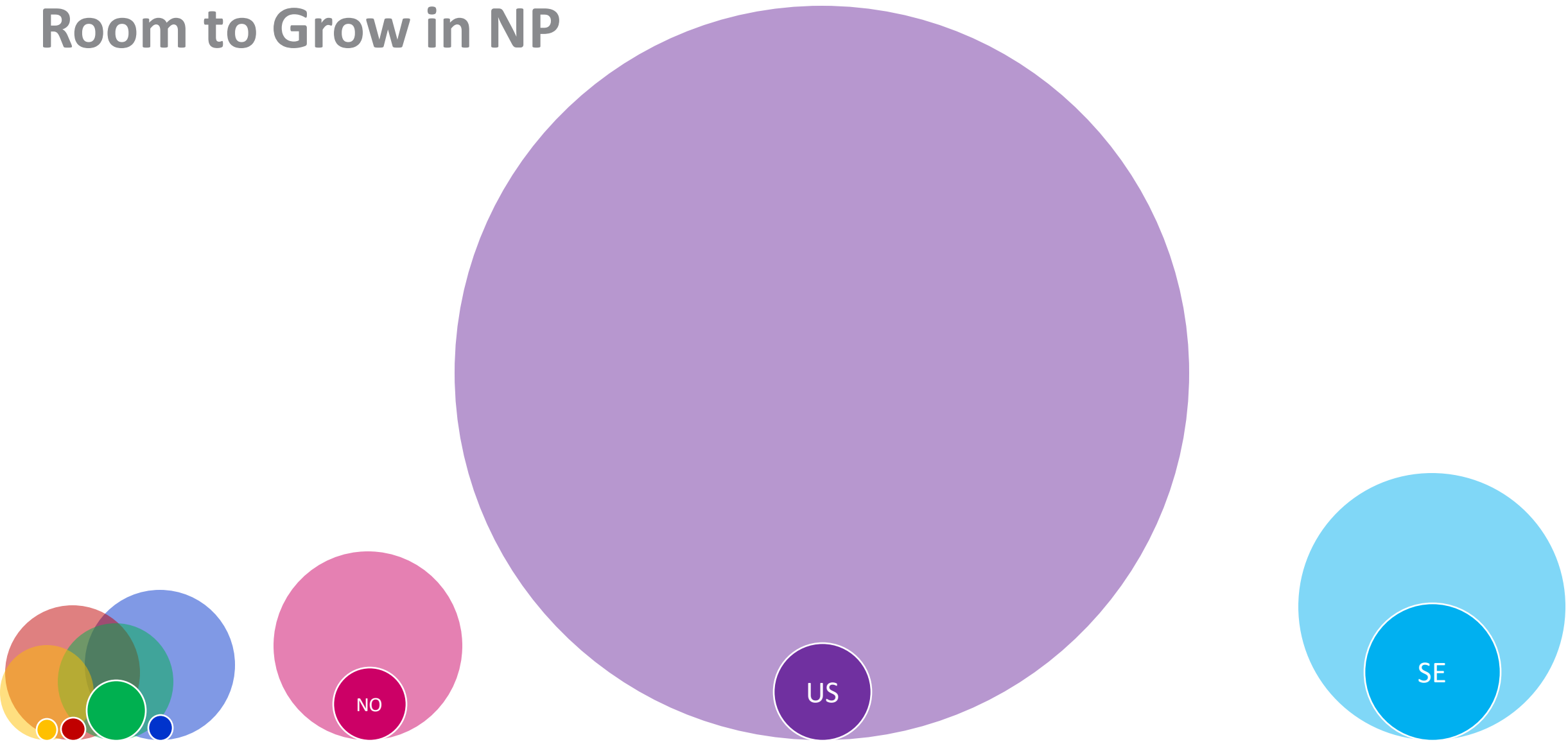
# Is There Still Room to Grow?



Haypp's Cans in Austria   Haypp's Cans in Switzerland   Haypp's Cans in Germany   Haypp's Cans in UK  
Total NP Cans in Austria   Total NP Cans in Switzerland   Total NP Cans in Germany   Total NP Cans in UK

Source: Arthur D Little & company estimates

# Room to Grow in NP



Haypp's Cans in Austria  
Total NP Cans in Austria

Haypp's Cans in Switzerland  
Total NP Cans in Switzerland

Haypp's Cans in Germany  
Total NP Cans in Germany

Haypp's Cans in UK  
Total NP Cans in UK

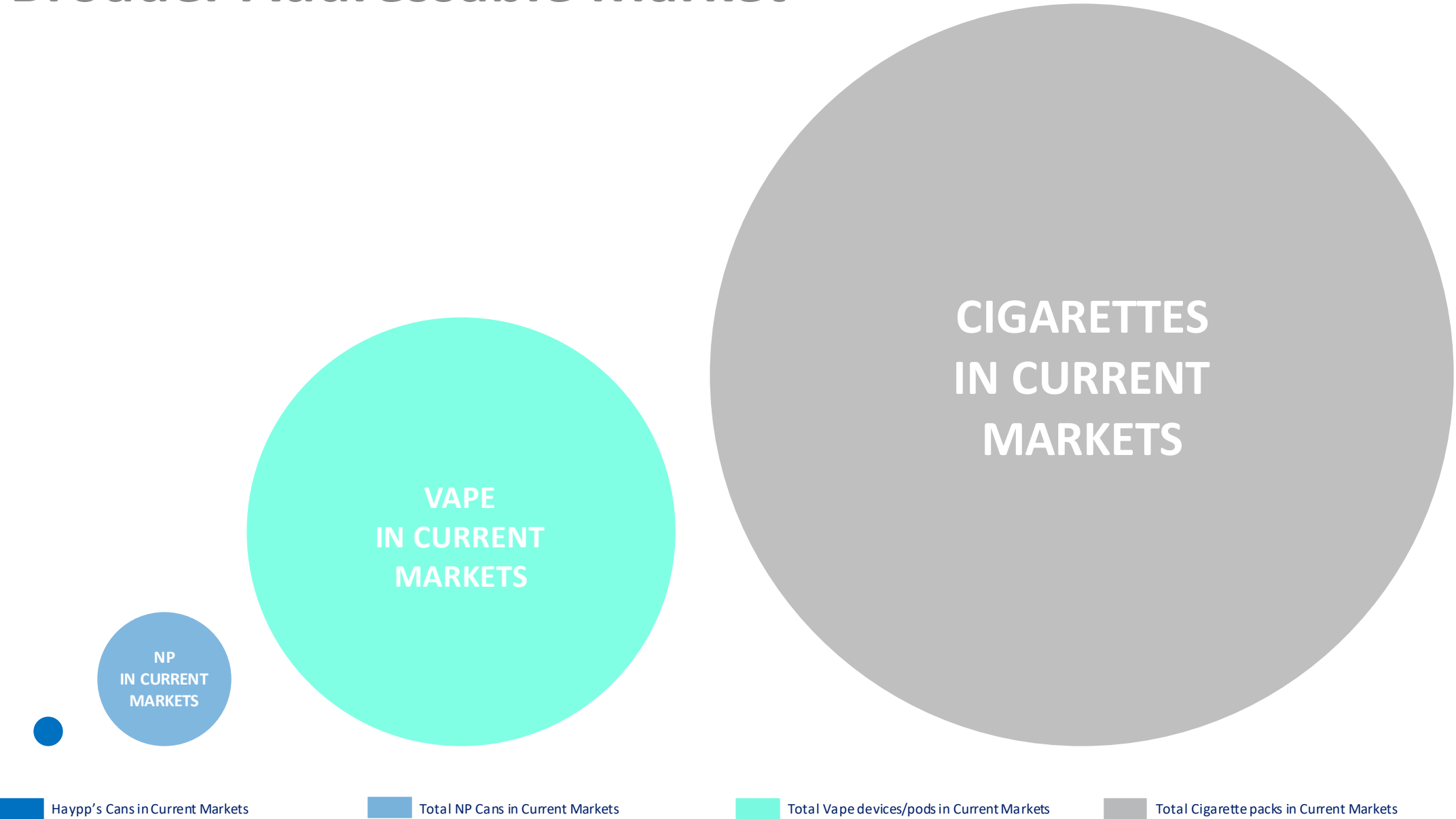
Haypp's Cans in Norway  
Total NP Cans in Norway

Haypp's Cans in US  
Total NP Cans in US

Haypp's Cans in Sweden  
Total NP Cans in Sweden

Source: Arthur D Little & company estimates

# Vast Broader Addressable Market



Source: Arthur D Little & company estimates

# USA

Biggest nicotine market in the world

Unique regulatory setting

HAYPP GROUP

Well established relationship with suppliers

Undisputed online market leader

# Agenda

- |    |   |
|----|---|
| 1  | The changing world of nicotine and our position in it             |
| 2  | Our relationship with Consumers                                   |
| 3  | Our relationship with Brand Owners, and the benefits to consumers |
| 4  | Building the infrastructure for accelerated Growth / Customer     |
| 5  | Our Performance so far  |
| 6  | Q&A – 10 min  |
| 7  | Regulatory environment  |
| 8  | Emerging opportunities  |
| 9  | Financial Update  |
| 10 | Concluding remarks and Q&A  |

# Agenda

1	The changing world of nicotine and our position in it
2	Developing our relationship with Consumers
3	Our relationship with Brand Owners, and the benefits to Consumers
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5	Our Markets’ performance and opportunities
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## Speaker



**Markus Lindblad**

Head of Legal & External Affairs



# Regulatory Environment

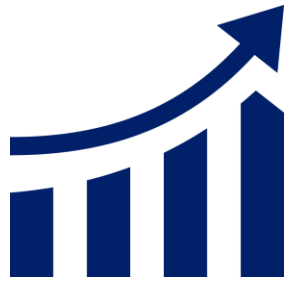
# Acting Inline with Society's Expectations

- We are a credible player due to our history of responsible behavior
- Our global leadership in setting product standards enhanced our credibility
- We are always involved in relevant changes
- Scientific & regulatory cooperation further supports Haypp Group's efforts





# The Outlook for NP and Online



NP and the online channel  
for RRP's will grow



US market will improve with newer  
generation NPs satisfying PMTA  
requirements and receiving MGOs



Regulation will continue to  
evolve in the RRP category –  
Haypp will benefit from  
regulatory changes

# Notable Regulatory Changes



Norwegian online sales  
ban proposal



Swedish excise change



California offline retail  
flavour ban



Germany NP sales  
restrictions

# Harm Reduction Gaining Momentum



- Parliament voting against stricter ANDTS<sup>1)</sup> strategy.
- Excise change inline with harm.



- Increased excise on cigarettes and decreased excise on snus and low excise on nicotine pouches.



- Introduction of plain packaging and flavour ban on all tobacco products incl. vaping but not nicotine pouches.



- World leading in the use of harm reduction alternatives among current and former smokers.



- Federal court decision in 2019 ruled the ban of snus as unconstitutional and allowed national sale of snus.
- Ruling established practise to embrace future harm reducing policies.



- Draft legislation in parliament which would regulate nicotine pouches favourably to other categories.



- FDA statement on harm reduction.



- Initial strategy to reduce tobacco consumption with plain packaging, taxes and a smoke ban.
- Increased focus to harm reducing policies.

A man and a woman are standing in a modern office or lab setting, looking at a large digital screen. The man, wearing glasses and a dark hoodie with 'HAYPP LAB' on it, is pointing at the screen. The woman is wearing a light-colored sweater. The screen displays several circular gauges with percentage values. The background features hanging light bulbs and a white shelf with small objects.

**NP category and online sales will  
remain viable in Europe through 2028**

# Agenda

- |   |   |
|---|---|
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| 6 | Navigating the regulatory landscape                               |
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| 8 | Financial performance and outlook                                 |
| 9 | Concluding remarks and Q&A  |

## Speaker



**Svante Andersson**

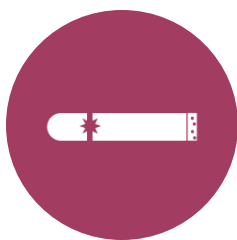
COO, Chief Operating Officer & Deputy CEO

# Adjacent Opportunities

# Transition from Smoking to Reduced Risk Products has just Begun



Conventional cigarettes



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



Heat not Burn



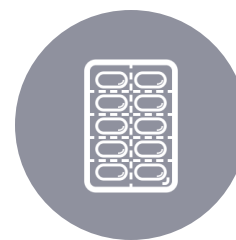
Nicotine vaping products



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



Low toxicant smokeless tobacco-free nicotine pouches



Licensed medical products

- 1 billion smokers globally looking for healthier alternatives
- Large 5 tobacco manufacturing companies all betting on risk reduced products
- Accelerated innovation expected for decades to come driven by consumer demand, regulatory support and investments from manufacturers

High

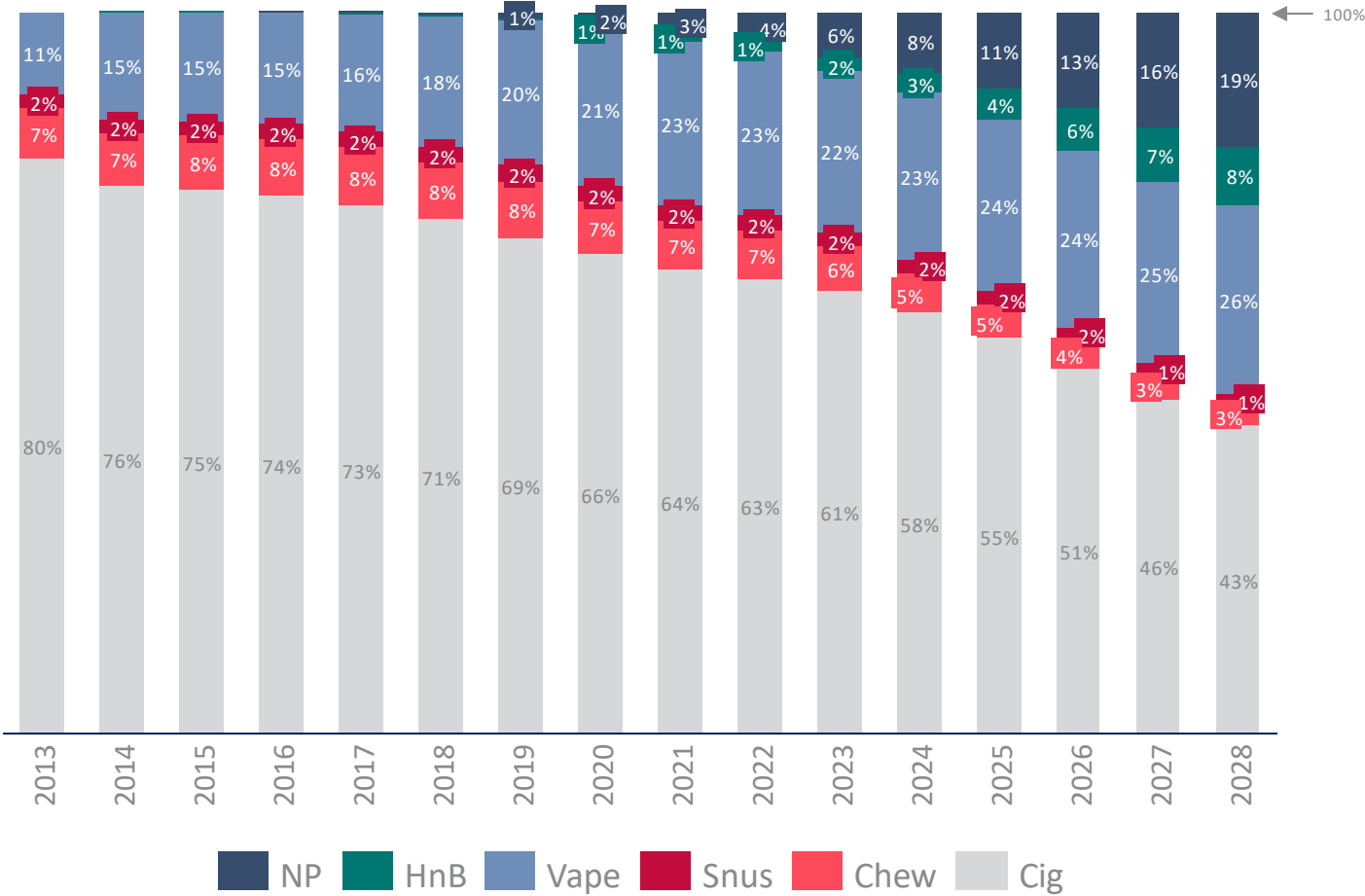
Level of harm

Low

# Reduced Risk Products Logical Next Step for Haypp


- Nicotine pouches fastest growing but account for only 19 percent of RRP in Haypp markets
- Other RRP categories experiencing strong traction
- Level of product innovation accelerating
- Supplier landscape largely overlapping
- Regulatory frameworks similar


Nicotine consumers in Sweden, Norway, US, UK and DACH







# Landscape Ready for Disruption

	Share of RRP consumers	Growth rate
Snus	62%	-8%
NP	29%	40%
Vape	5%	75%
HnB	5%	15%

	Share of RRP consumers	Growth rate
Vape	57%	18%
HnB	29%	36%
NP	12%	30%
Snus	2%	-16%

	Share of RRP consumers	Growth rate
Vape	71%	-16%
NP	26%	55%
Snus	3%	6%

	Share of RRP consumers	Growth rate
Vape	95%	20%
HnB	3%	22%
NP	2%	68%

*Data represents total market outlook for 2023  
Source: ADL Market Study 2023*

- RRP landscape different between Haypp markets
- Space for more than one RRP to take significant share of each market

# Product Innovation Accelerating



- Large tobacco manufacturers active in all RRP
- Emerging manufacturers outside large tobacco advancing their positions
- Landscape for sustained innovation

# Regulatory Imperatives Similar Between all RRP

Credible product and marketing standards key for long term sustainability

Youth access prevention pivotal

NP, Vape and HnB all fit under the harm reduction regulatory regime

# Haypp Well Positioned for RRP

## Consumer needs are the same

### Search

Consumers are going online to explore RRP

### Price

Consumers expect attractive pricing in all RRP

### Assortment

Consumers demand better products and want to explore innovations

### Convenience

Consumers want a convenient buying experience

## Our infrastructure is built to handle multi category

Multi category SEO optimized

Partnerships, media and insights

Tech and product systems designed to handle multiple categories

Fulfillment infrastructure purpose built

## Online landscape – fragmented but profitable

# Long Runway Ahead for Haypp Expansion Plan

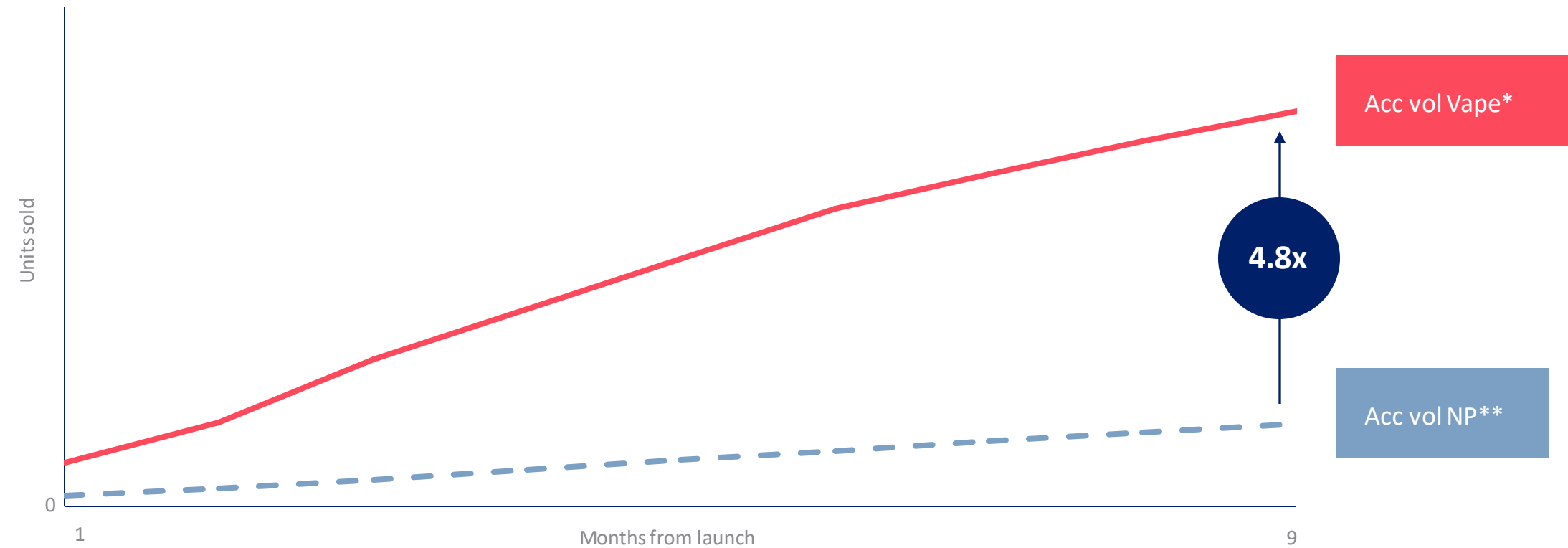
Existing business delivering solid growth and profitability creating oxygen for next phase opportunities

Existing operational templates can be utilized for adjacent opportunities

Positioning ourselves for growth in decades to come

# Encouraging Traction from UK Vape Pilot

Close to 5x higher accumulated volume 9 months from launch



*\* Month 1 is January 2013 \*\* Month 1 is January 2018*

# Future Expansion Priorities

1

New RRP categories in existing European markets

2

Nicotine pouches in new European markets

3

New RRP categories in new European markets

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## Speaker



**Peter Deli**

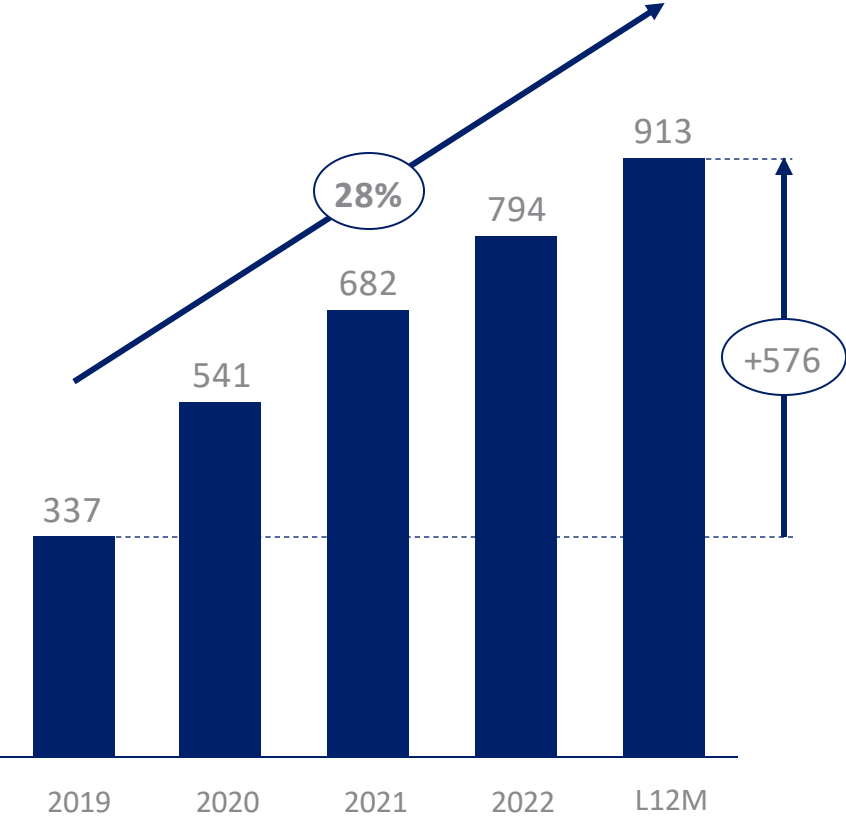
CFO, Chief Financial Officer



# Sustained Sales Growth Driven by Growing Consumer Base

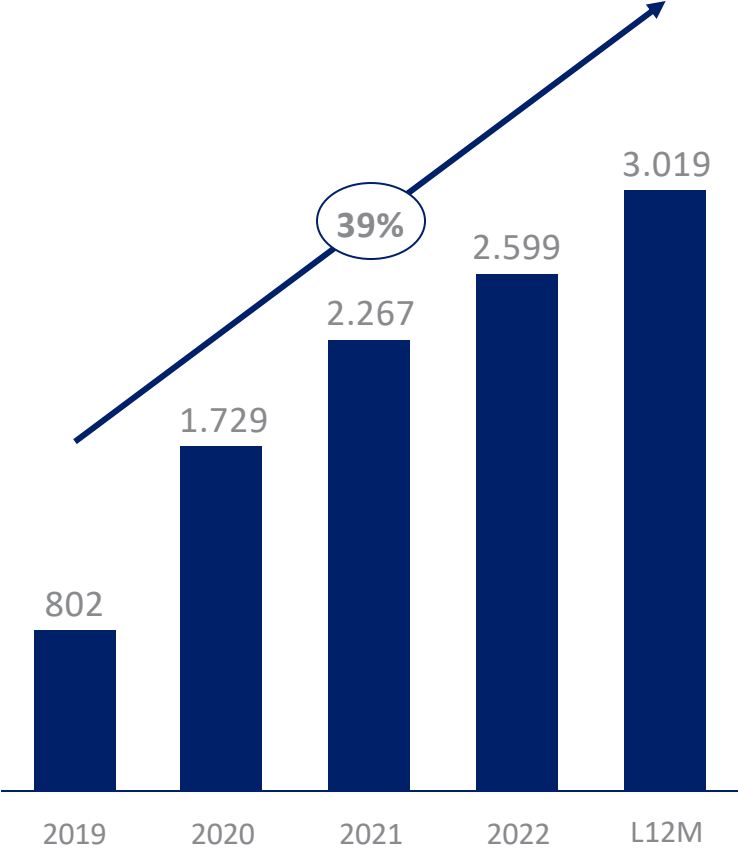
A rapidly growing consumer base...

Number of active consumers ('000s)



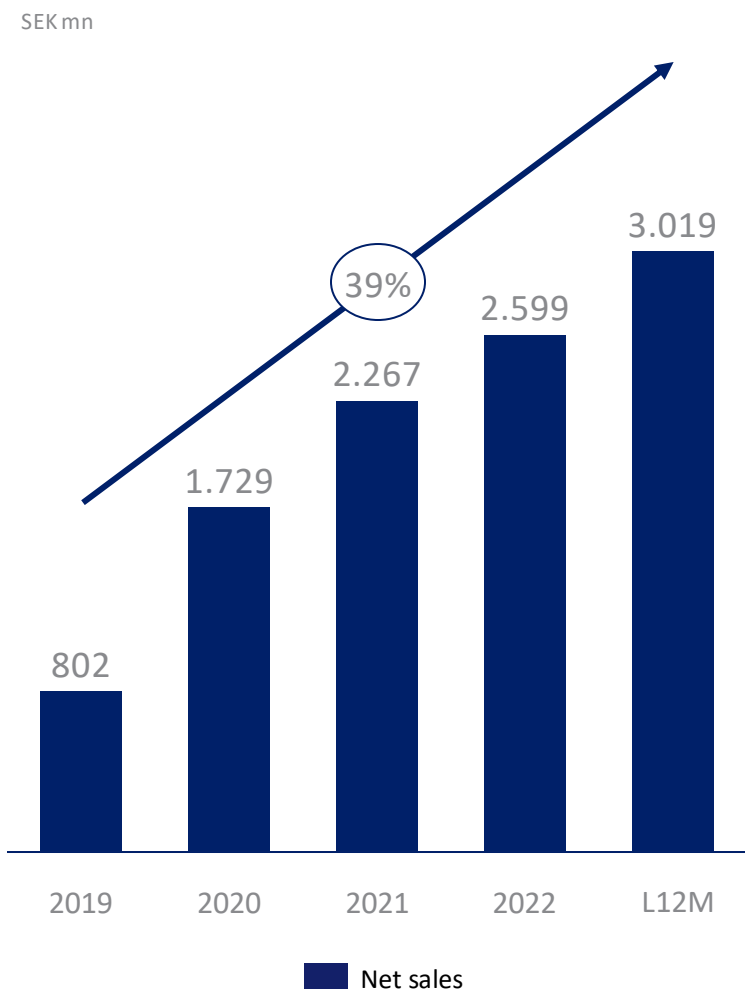
... drives top line growth

Group Net Sales (SEK mn)

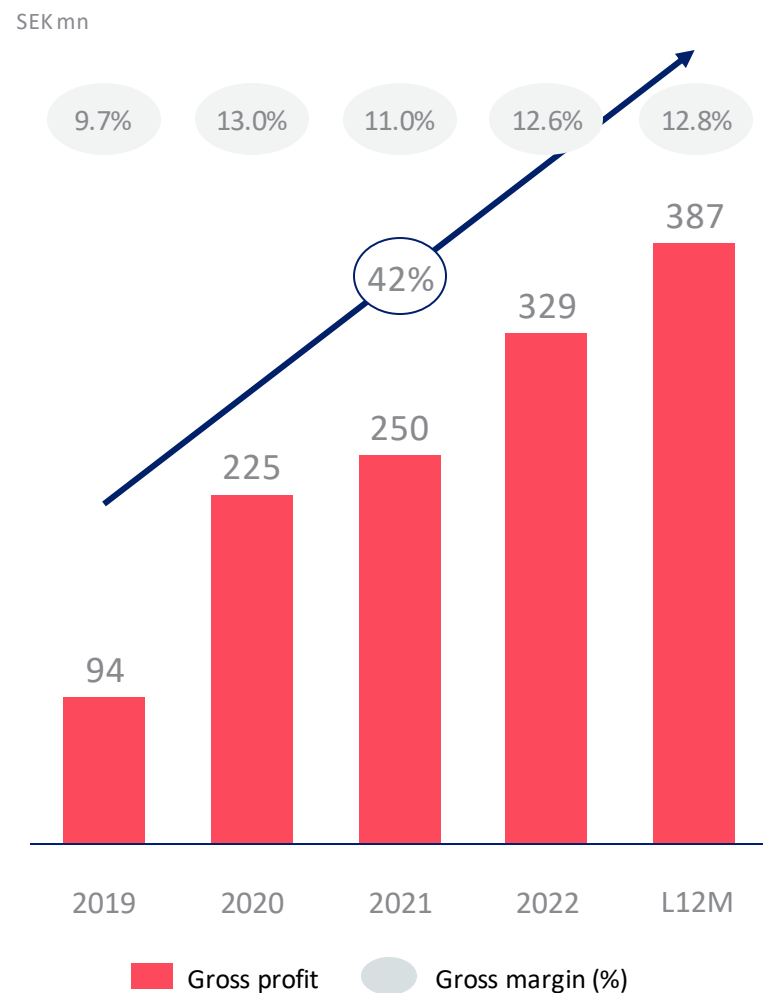


# Key Financial Highlights

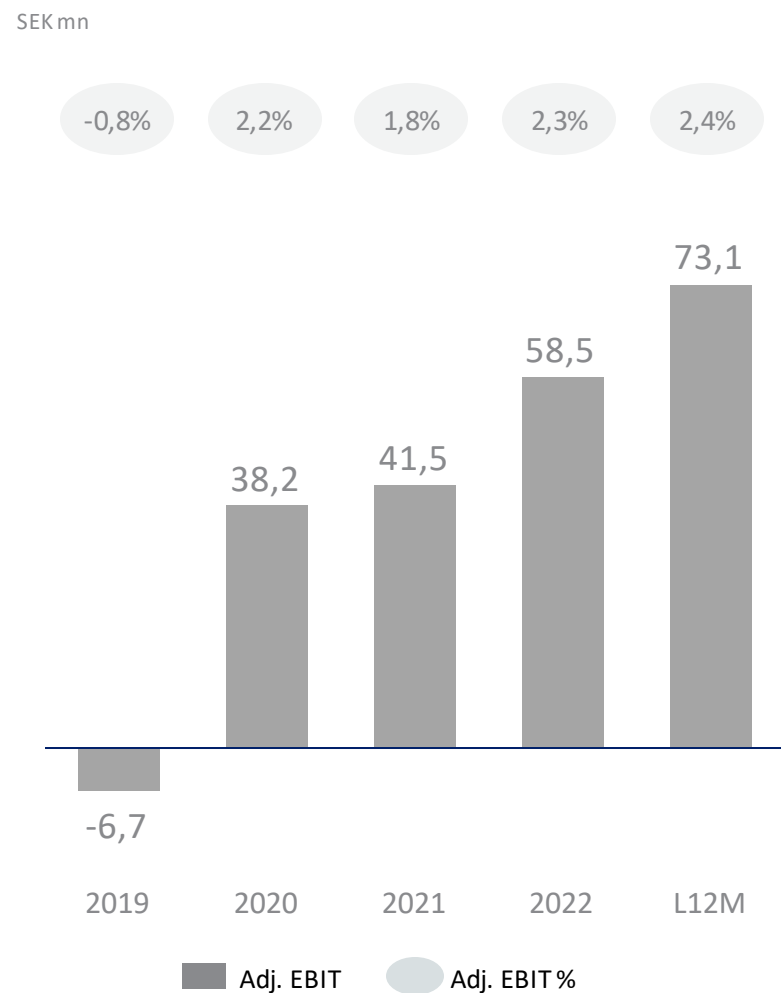
Unparalleled growth...



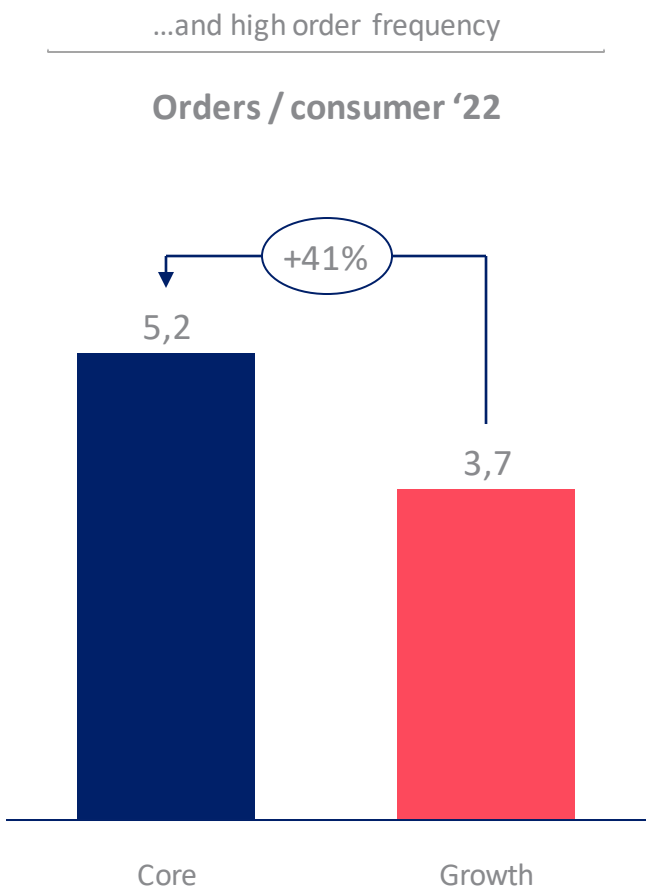
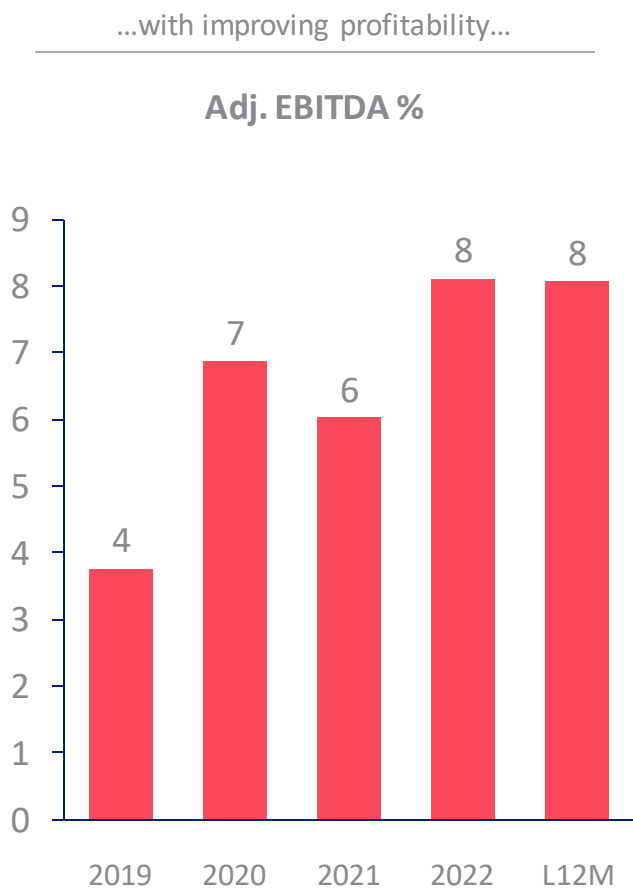
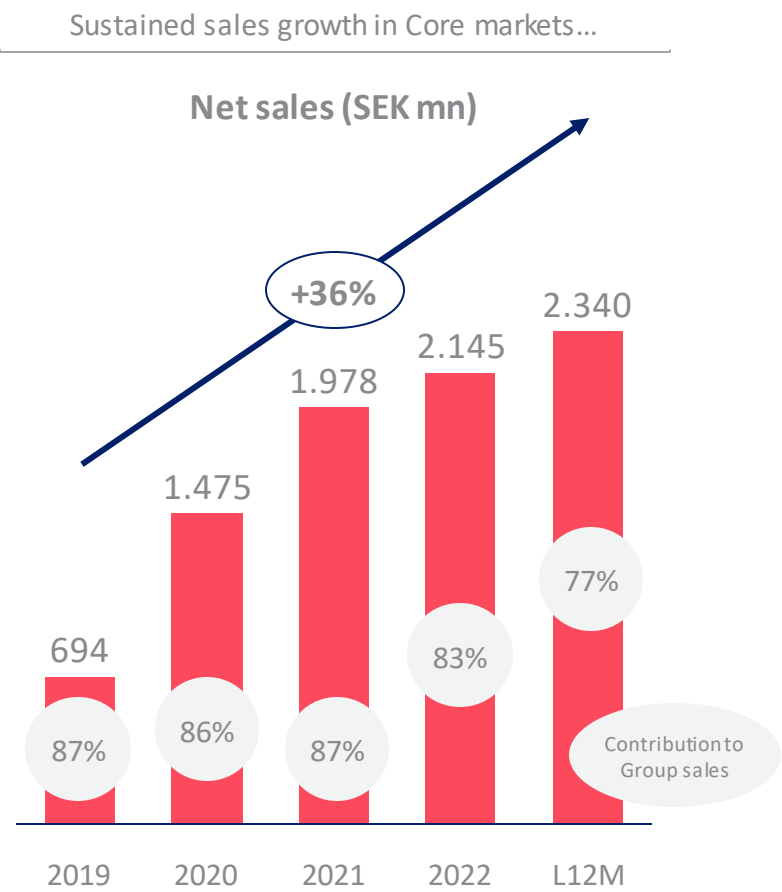
...scale driving increased product margin...



...driving increasing profitability

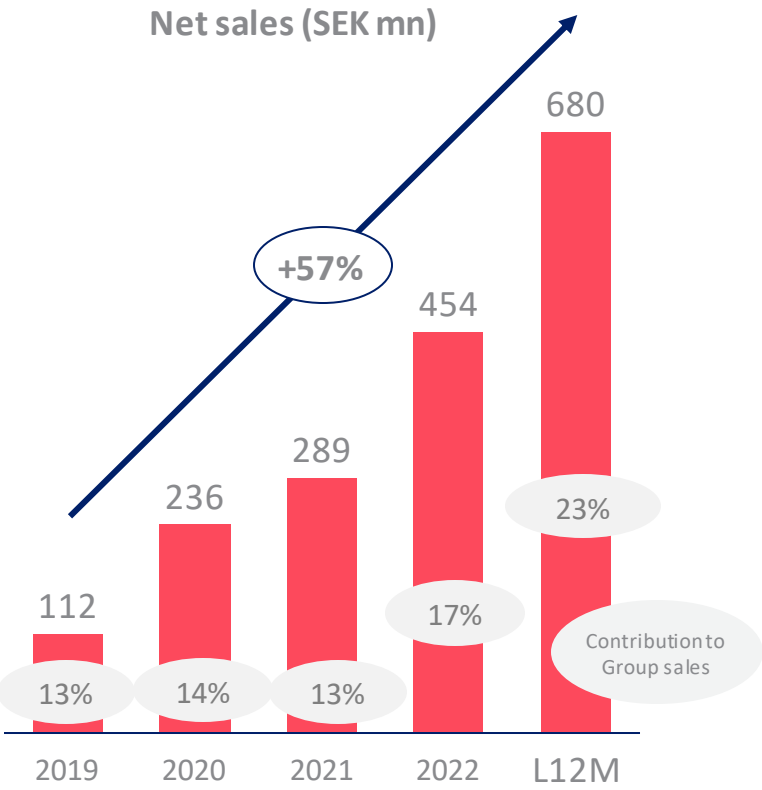


# Core Markets – Sustained Growth

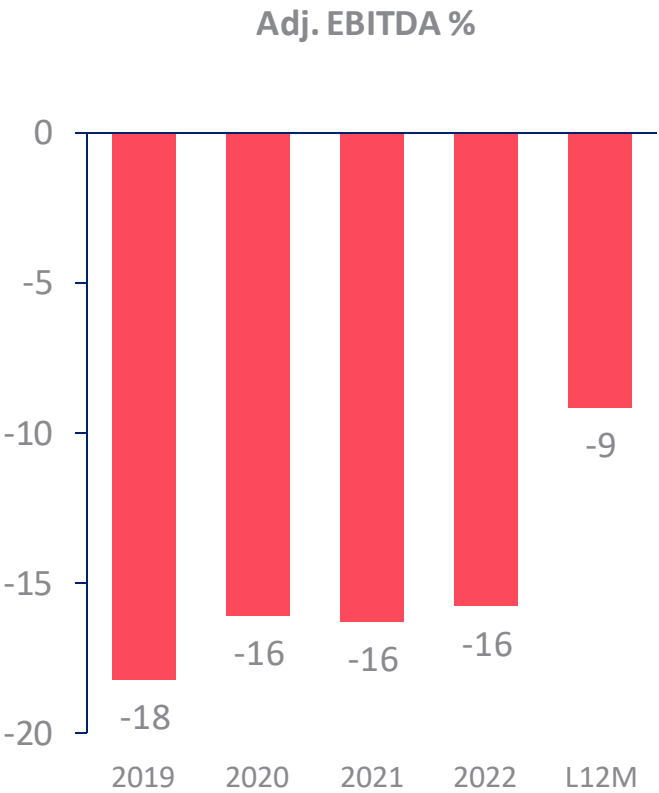


# Growth Markets – Improving Profitability with Further Room to Grow

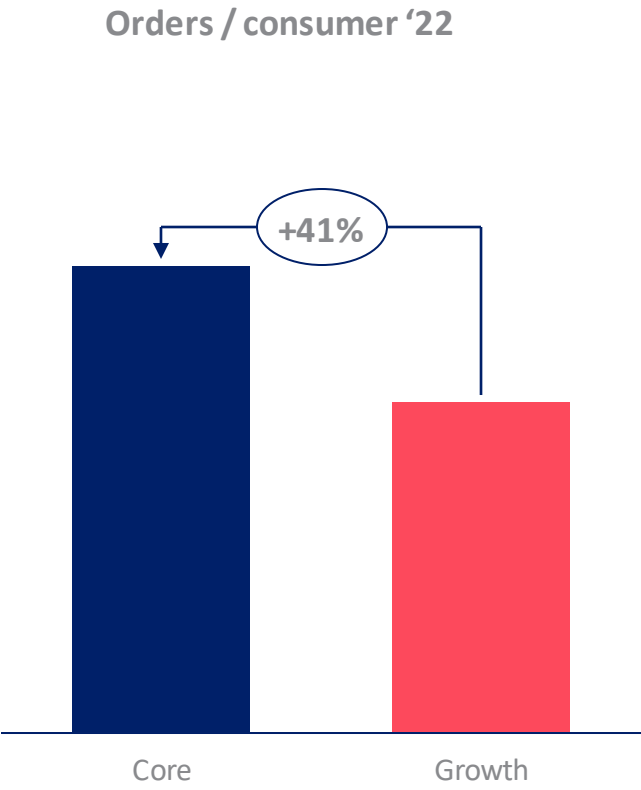
Rapidly growing sales in Growth markets...



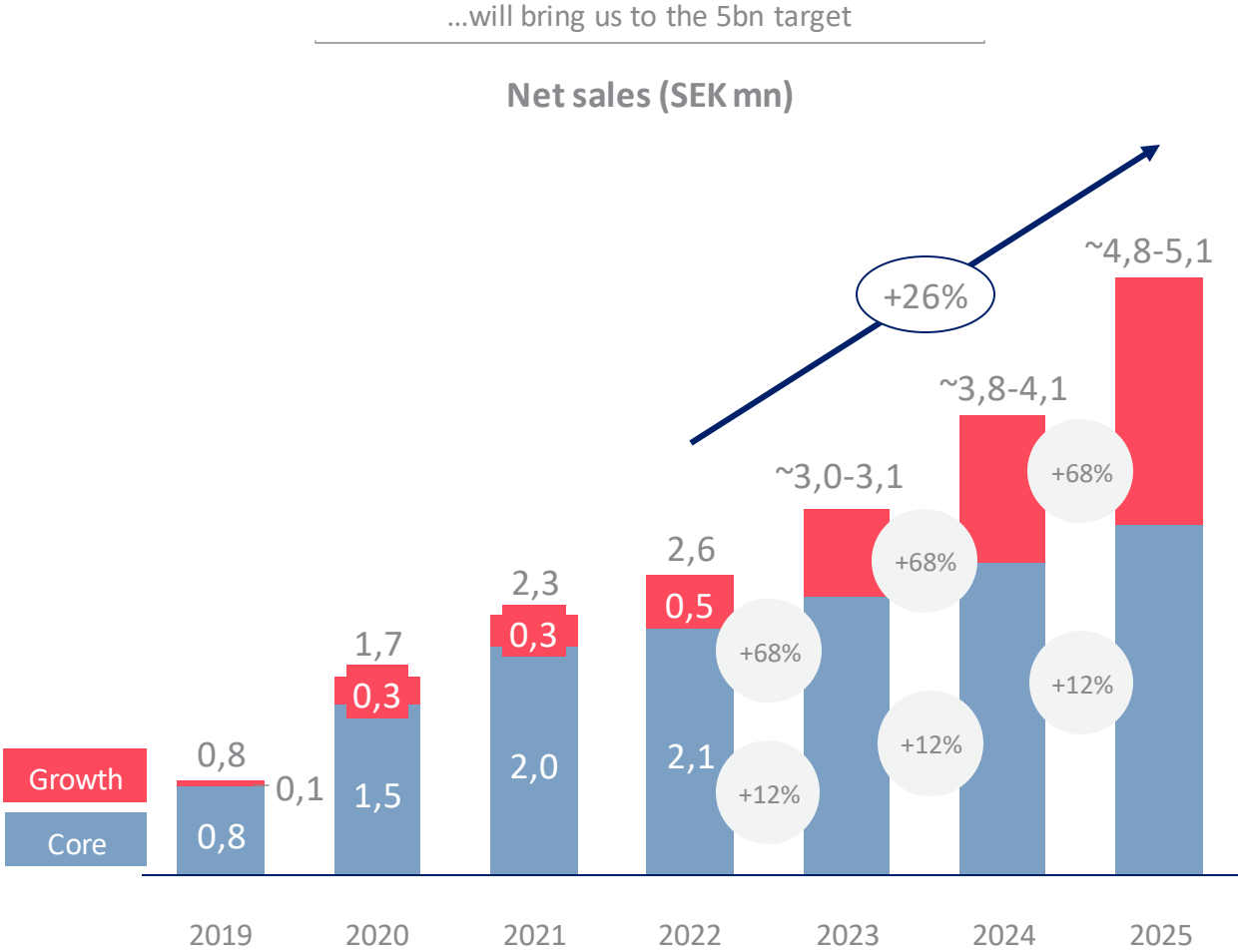
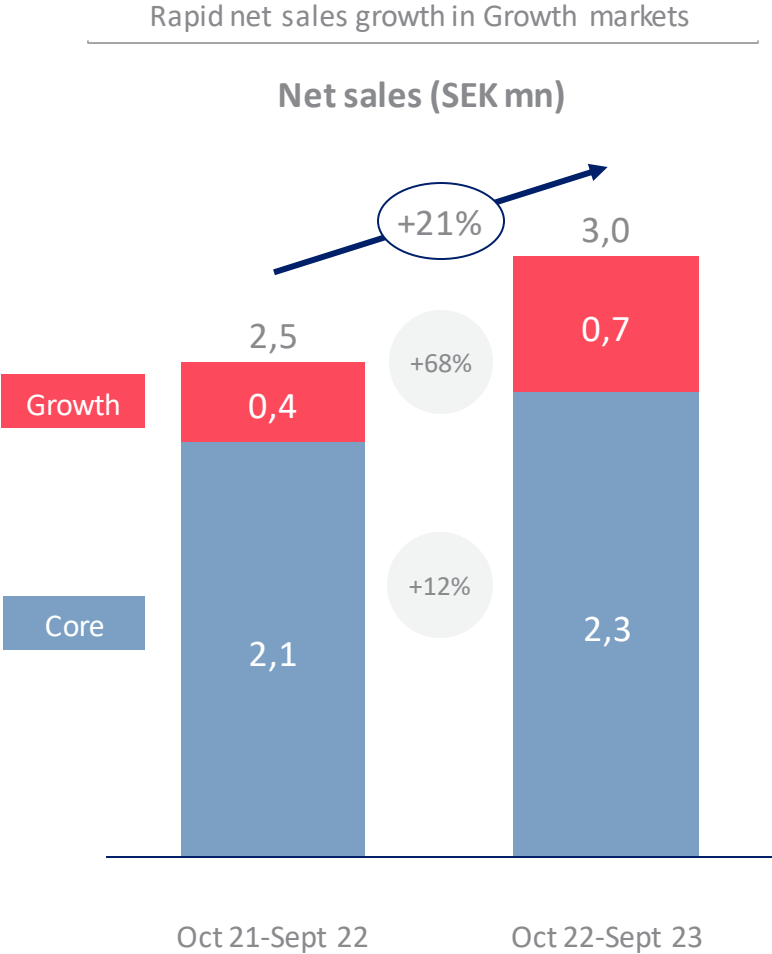
...with improving profitability...



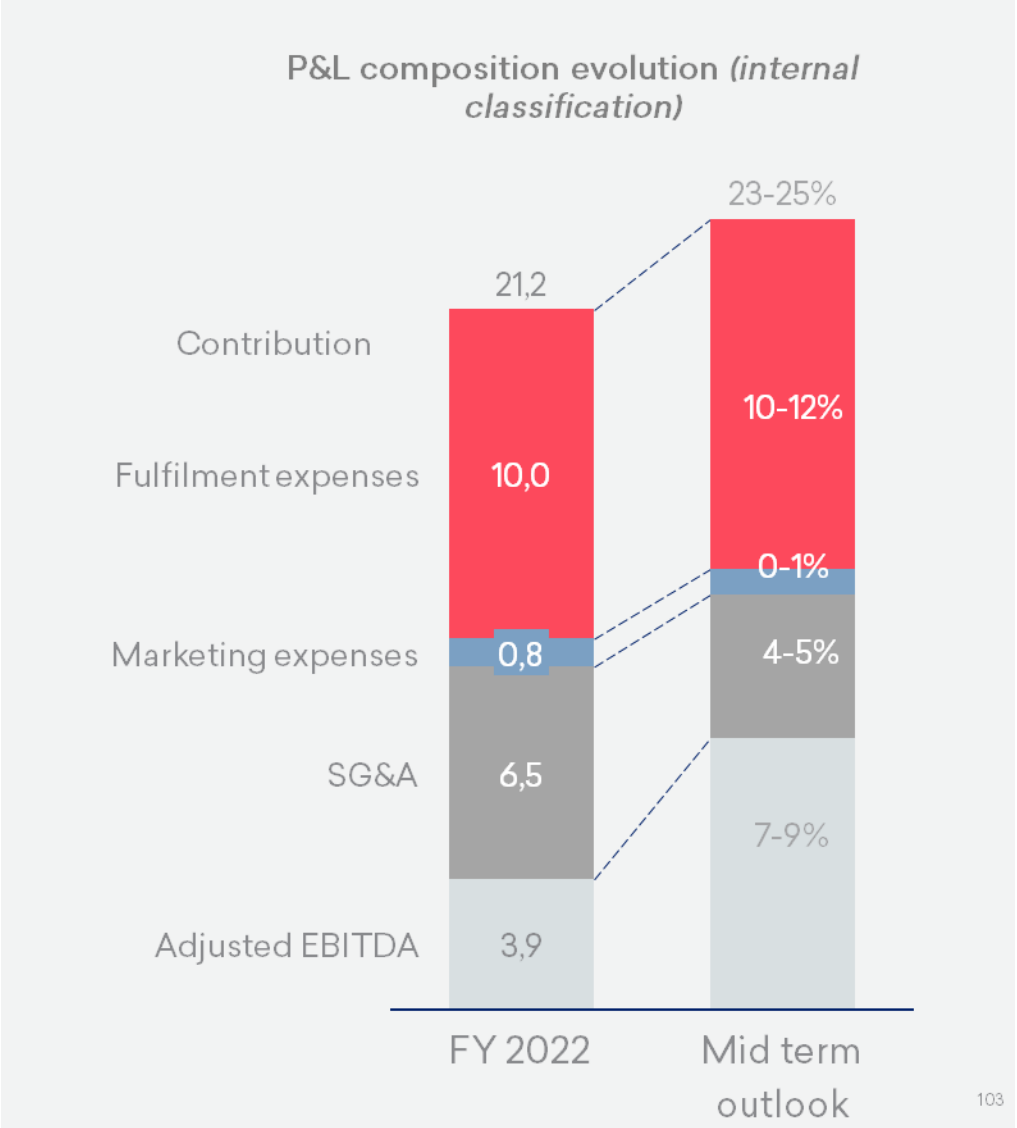
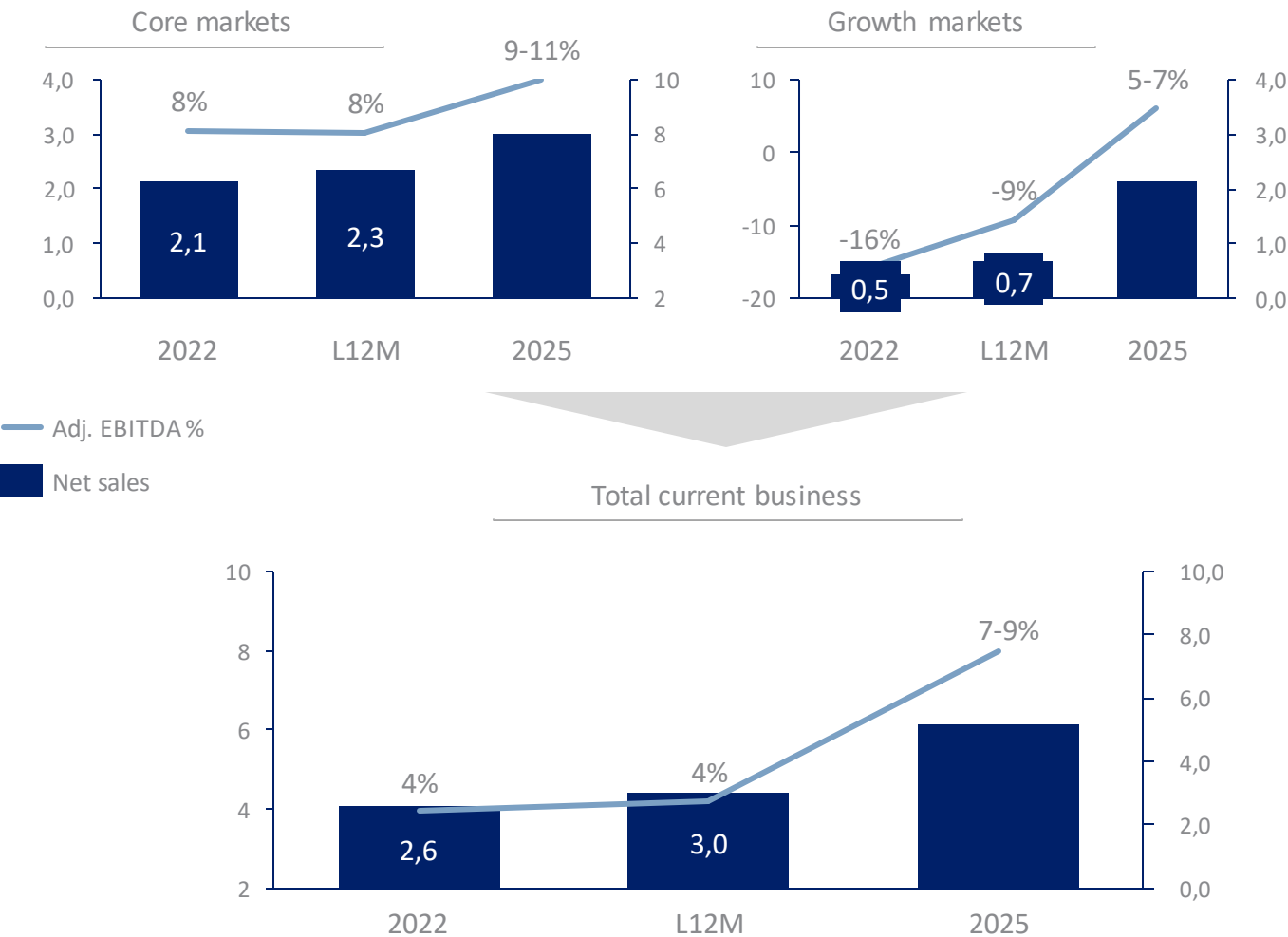
...and further opportunities even in existing consumer base



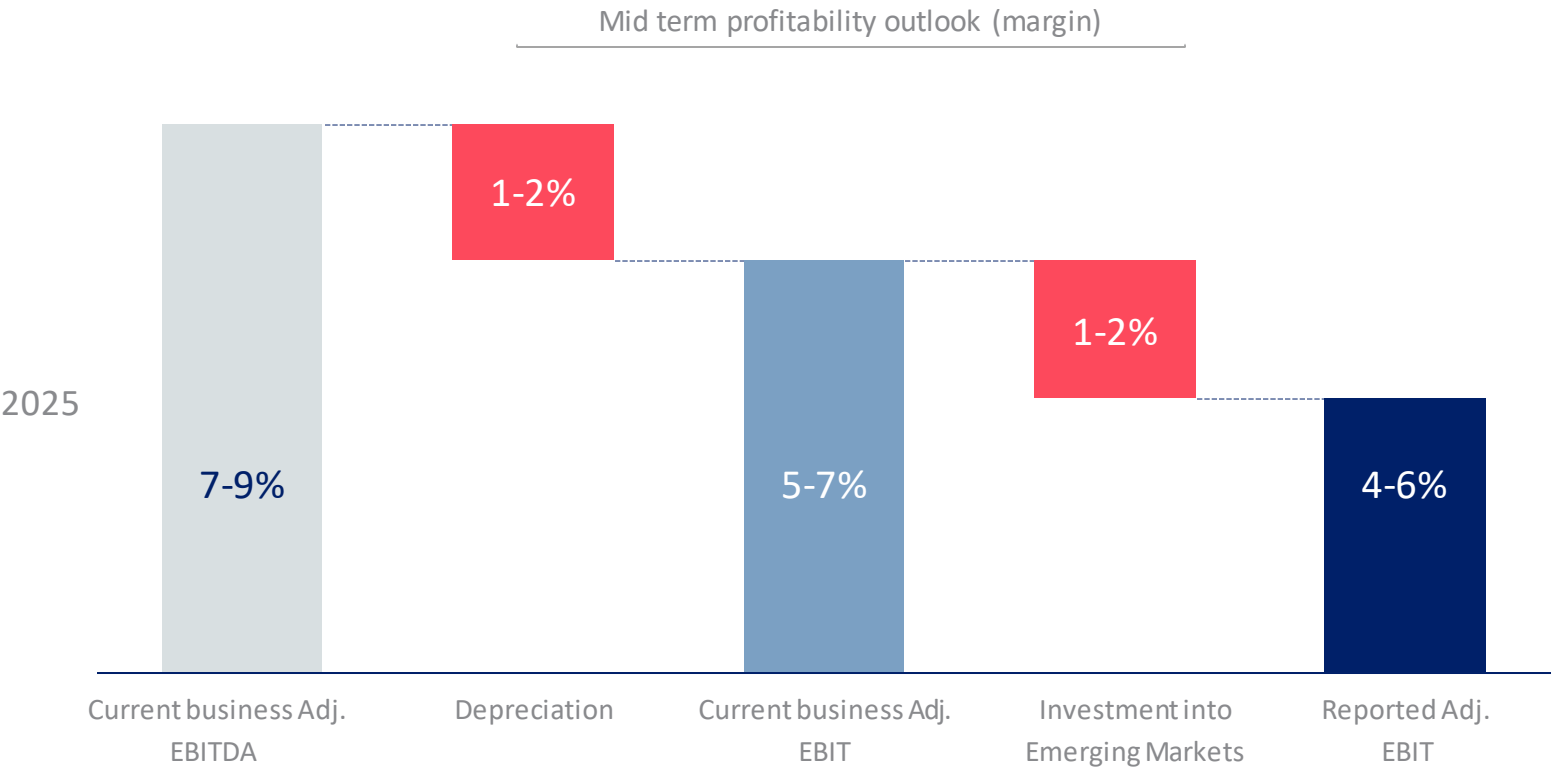
# Maintaining Our Current Growth will Bring Us to the 5bn Target



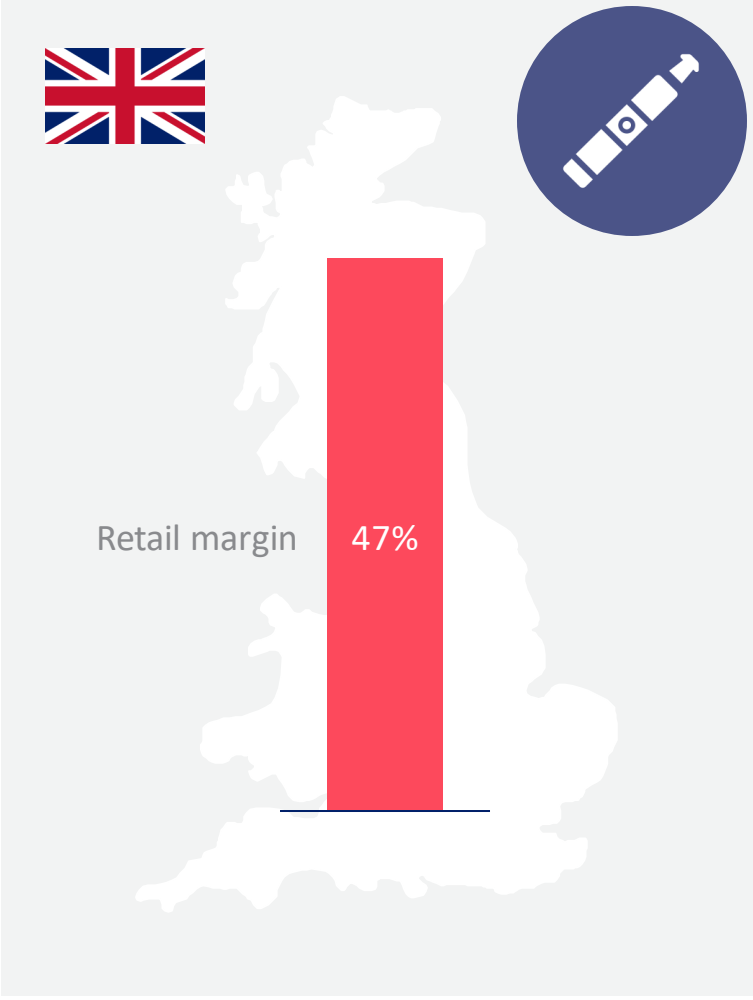
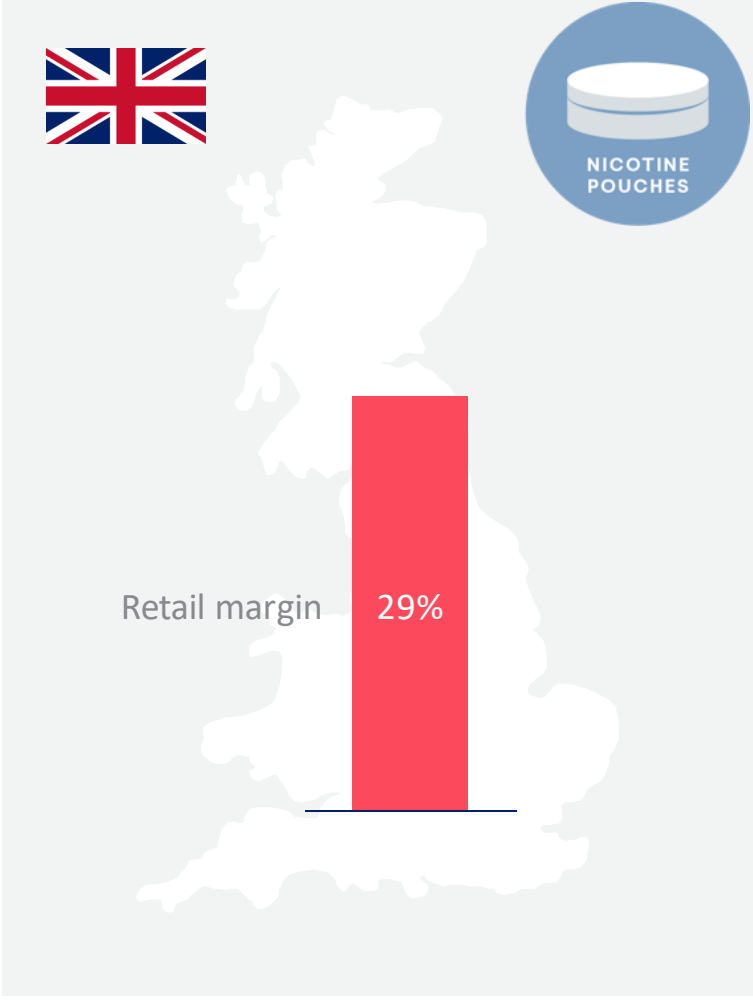
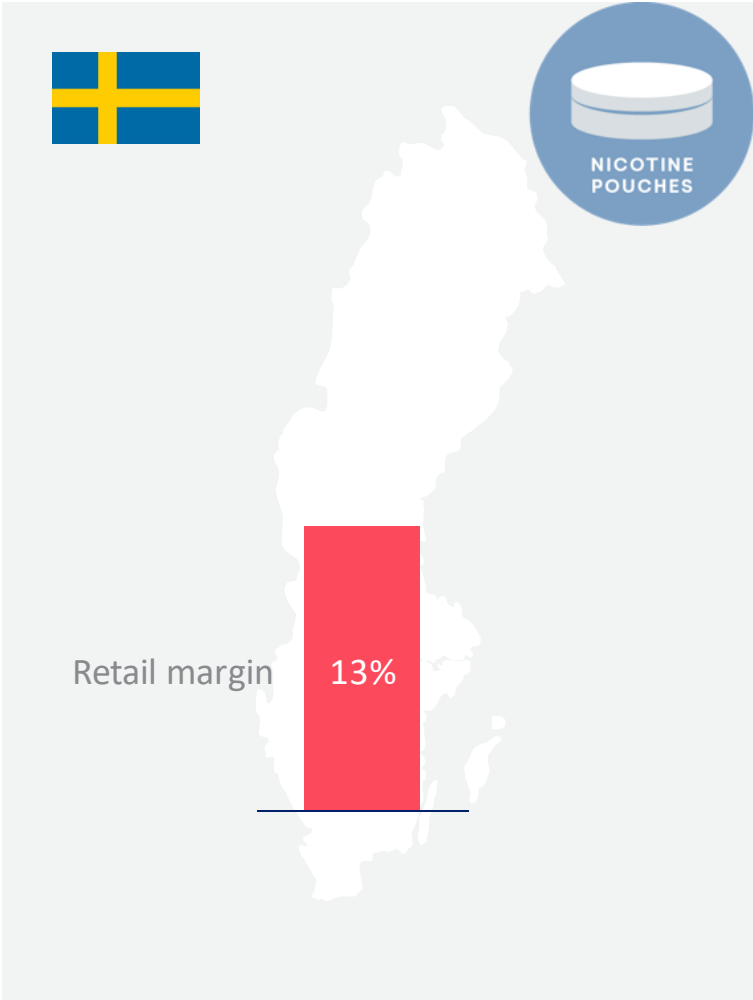
# ...and Further Improve adjusted EBITDA in Our Existing Footprint



# ...to Fund Growth in Emerging Markets



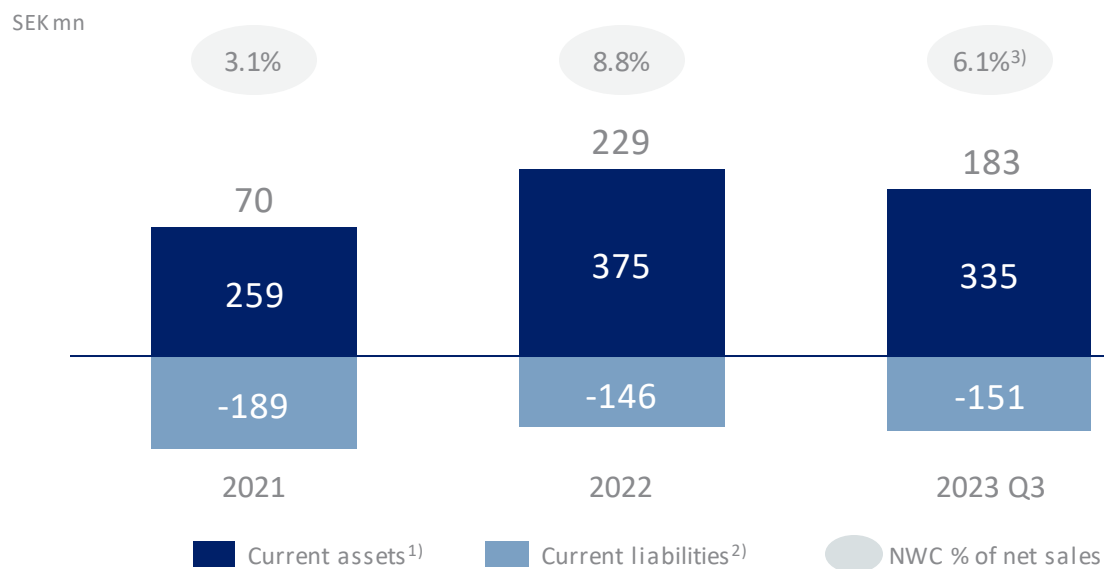
# Investing into New Categories will Improve Profitability over Time





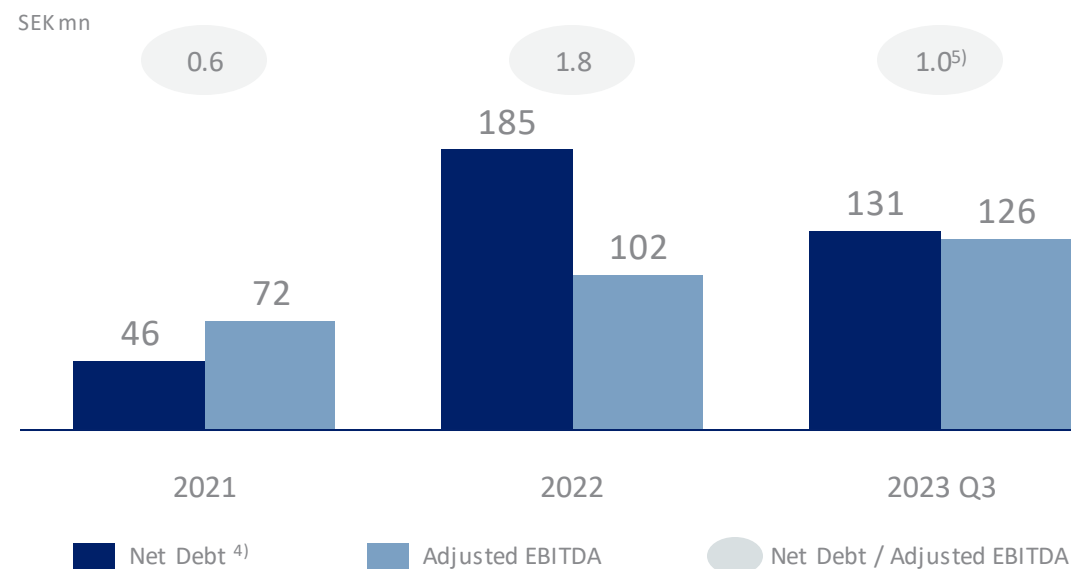
# Highly Capital Efficient Business Model

Favourable net working capital characteristics



- Inventory turnover of c. 15x in 2022
  - Setup with suppliers enabling inventory replenishments multiple times per week to our warehouses
- Use of payment providers (Klarna, Avarda among others) enables short DRO
- DPO averaging 18 days which covers inventory and receivables

With low level of leverage



- Net debt
  - Infrastructure financed by lease
- Bank overdraft used to temporary increase stock levels ahead of expected inbound price increase.

# M&A

M&A was an important part of our journey:



**Snuslageret**

Norway – Q2 2018



**NORTHERNER**

USA / Europe – Q3 2019



**SNUSNETTO**  **NETTOTOBAK**

Sweden – Q2 2021

**Future deals must satisfy strict strategic criteria:**

- Opening a market where we are not present yet
- Opening a category where we do not have a strong footprint
- Bringing new capabilities that we do not have inhouse

# Capital Allocation Principles

1

Continue to invest in our own infrastructure

2

Invest into adjacent categories & geographies

3

**Support strategic initiatives**

Remain open to acquisitions that bring capabilities which we cannot deliver over the medium to long term ourselves, such as established stores in emerging markets

4

Return excess capital to shareholders

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## Speaker



**Gavin O’Dowd**

CEO, Chief Executive Officer

# On Track to Deliver 2025 Targets, while Investing for Future

- Revenue of SEK5bn in 2025
- High single digit (5-7%) adj EBIT margin for combined Core & Growth divisions in 2025
- Investment of about 1-2ppt of adj EBIT margin into Emerging division through 2025 (new categories / countries)

# On track to deliver 2025 targets, while investing for future

- Revenue of SEK5bn in 2025
- High single digit (5-7%) adj EBIT margin for combined Core & Growth divisions in 2025
- Investment of about 1-2ppt of adj EBIT margin into Emerging division through 2025 (new categories / countries)

# Beyond 2025...

- Substantial growth opportunities likely to remain, underpinned by sustained consumer demand and the shift to online.
- Continued margin expansion, driven by the benefits of scale
- Remain prudent custodians of anticipated excess capital

# Underpinning our Success



Performance

# Underpinning our Success



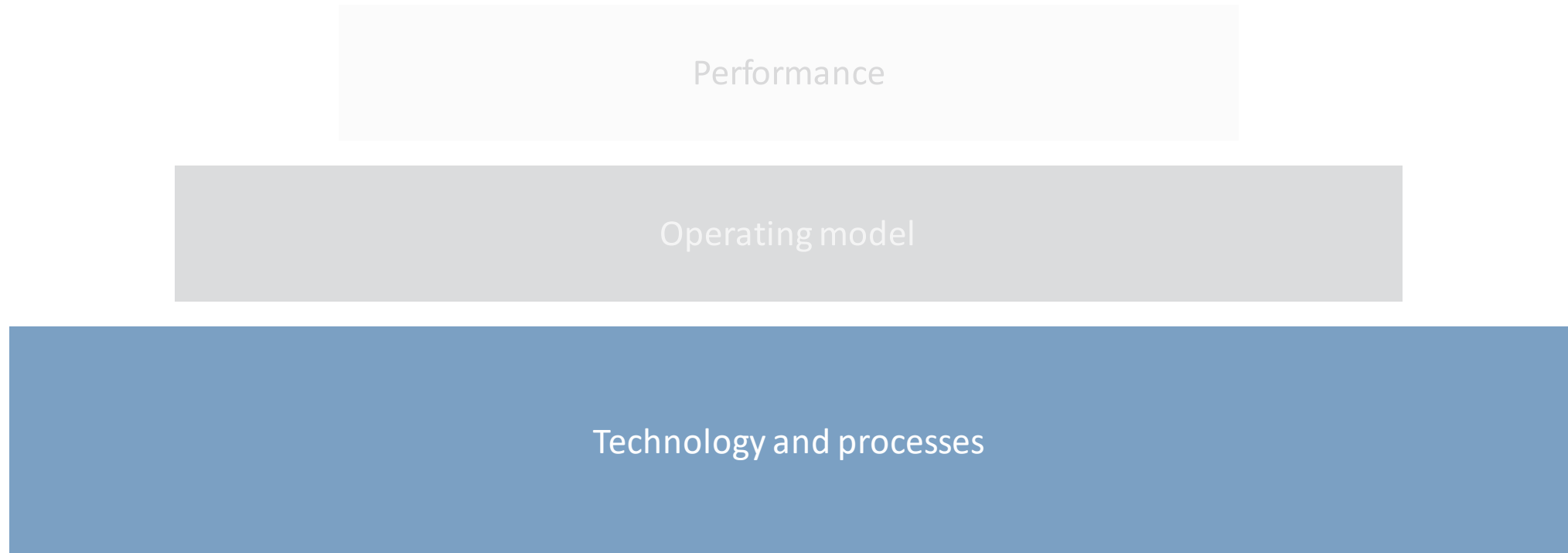
Performance

The diagram consists of two horizontal rectangular boxes. The top box is light gray and contains the word 'Performance'. The bottom box is dark gray and contains the words 'Operating model'. The bottom box is wider than the top box, and they are centered horizontally relative to each other, suggesting that the operating model underpins performance.

Operating model



# Underpinning our Success



# Underpinning our Success



Performance

Operating model

Technology and processes

People and culture

# Underpinning our Success

Performance

Operating model

Technology and processes

People and culture

**Inspiring healthier enjoyment for millions**

A woman with long brown 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 in her hands. The background is a blurred cityscape with buildings and water, bathed in the warm light of the setting sun.

HAYPP GROUP

Inspiring healthier  
enjoyment for millions