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Haypp Group

Q3 2025



Speakers



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Equity Research Analyst | DNB Carnegie



Peter Deli
CFO | Haypp Group



Morayo Adesina
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Operator



Johan Fred
Equity Research Analyst | SEB



Gavin O'Dowd
CEO | Haypp Group

Prepared Remarks



Operator

Welcome to Haypp Group Q3 earnings call for 2025. For the first part of the conference call, the participants will be in listen-only mode. During the Q&A session, participants are able to ask questions by dialing pound key five on their telephone keypad. Now I will hand the conference over to the speakers, CEO Gavin O'Dowd and CFO Peter Deli. Please go ahead.



Gavin O'Dowd

CEO | Haypp Group

Good morning, everyone, and welcome to our Q3 2025 conference call. Our CFO, Peter Deli, and I, Gavin O'Dowd, will take you through our results. Starting at slide four. I would like to focus on four key aspects of our operational highlights, beginning first with our nicotine pouch Q3 volume year-on-year growth of 21% on a like-for-like basis. It should be noted that Q3 last year had an exceptionally high traffic base in the U.S., which I will provide more details on in the next slide. Secondly, like-for-like sales grew 15% for the period, impacted by accelerated decline in snus sales during the period. Third, gross margin continues to increase to a record high of 18.8%, reflecting the strength of our operating model. Lastly, we have continued to make strides forward in our infrastructure overhaul, having successfully migrated our largest site onto our new infrastructure.



Gavin O'Dowd

CEO | Haypp Group

By year-end, we expect to have the two remaining smaller sites completed, bringing the overall project to an end. This new infrastructure is already enabling much more speed and agility and creates an excellent foundation for future growth. Moving to the next slide, slide five, and focusing on the U.S. performance. Our like-for-like sales volume in the U.S. grew 40% year-on-year, despite the high comparators from last year, which you can see here in the chart. In addition, we recognized the strong development in our new consumers in recent quarters, which is visible in the second chart. Lastly, in mid-September, we resumed sales of Zyn in the U.S. This comes on the back of a mutually beneficial agreement where the brand will also avail of our media and insights services.



Gavin O'Dowd

CEO | Haypp Group

We recognize that there are many Zyn-loyal consumers who were forced to buy from other retailers over the past year, and we are now placing an emphasis on reactivating those consumers. Moving to slide six and the U.S. outlook. The FDA is piloting a new approval process which aims to process products from four of the leading manufacturers before the end of 2025. While this process does not guarantee that each product will be approved, it may signal an acceleration in the range of new products entering the U.S. market. On the back of the ever-improving landscape in the U.S., Haypp Group is preparing to accelerate new consumer inflow. Haypp Group initiated a deep market analysis during Q3 with a third-party specialist firm. The goal of the analysis is to identify the evolving needs of different offline consumer segments and how to overcome impediments to them shopping online.



Gavin O'Dowd

CEO | Haypp Group

This work is expected to be completed this year. In conjunction, Haypp Group has commissioned a marketing agency with specific expertise relating to our business, with the intent of engaging key consumer segments to accelerate our new consumer inflow. The learnings from our pilots this year, such as same-day delivery, out-of-store advertising, referral, and loyalty programs, are feeding into this marketing plan, and we expect it to be operational early in 2026. Moving to slide seven. Our regulatory and legal update. Starting with the U.S. In addition to the point of the prior slide regarding the FDA's pilot program to process a range of SKUs before year-end, we expect the most notable changes to occur around state-level excise taxes on nicotine pouches during 2026. As more information becomes available, we will continue to update you.



Gavin O'Dowd
CEO | Haypp Group

It should also be noted that there is a referendum underway in Denver, Colorado, on tobacco product flavor ban. Nicotine pouches are included in that categorization. Regarding the EU. In addition to the TPD, which we spoke of last quarter, the EU Commission is preparing a submission for the FCTC. These discussions are likely to generate a variety of headlines that, over time, will likely moderate, and we remain optimistic about the regulatory outlook for Europe, where the most regressive positions are opposed by member states led by Sweden. In the U.K., the tobacco and vape bill is currently being discussed in Parliament. We hope the bill will implement nicotine pouch product standards, which are in line with Haypp Group's policies. Regarding litigation. Haypp's legal proceedings in Stockholm are expected to take between three to nine months. Regarding San Francisco, a settlement was reached during October, removing U.S. litigation uncertainty.



Gavin O'Dowd
CEO | Haypp Group

With that, I will now hand over to Peter for an update on our financial performance.



Peter Deli
CFO | Haypp Group

Thank you, Gavin. Good morning, everyone. Before going into the details, I just would like to quickly summarize what you're going to see. In overview, we concluded a solid quarter. As Gavin already elaborated on, we successfully relaunched Zyn, the market-leading brand on all U.S. storefronts, and we maintained our strong gross margin, allowing us to initiate the necessary investment primarily towards the U.S. market to lay the foundation for the next growth chapter. Despite the increased level of investments, our adjusted EBIT remained flat versus the same period last year at 3.5%. On slide eight, let me begin with our sales development. Like-for-like comparison. Like-for-like comparison became even more complex because we have to adjust our 2025 Q3 reported numbers as well to make the numbers comparable. In 2024 Q3, we had Zyn in the U.S.



Peter Deli
CFO | Haypp Group

for the full quarter, while in 2025 Q3, we sold this brand only for 19 days. Our reported sales grew by 1%. Excluding FX, the increase was 3%. Like-for-like sales growth was 15%. There is no change in the product composition of growth drivers. The 15% like-for-like growth is mainly driven by nicotine pouches, with snus decline mainly in Sweden impacting our performance negatively by 5%. This is partly offset by the emerging segment contribution to the growth of 2%. The snus decline accelerated during the quarter. However, on a going-forward basis, we expect it to moderate. On slide nine, going into more details about our like-for-like sales development, you can find the key drivers. The net impact included in the reported sales, driven by U.S. Zyn, tobacco discontinuation, and closing states, was SEK 92 million. As said before, currency created a headwind for us.



Peter Deli
CFO | Haypp Group

The impact of the foreign exchange movement remained in line with the first half of the year. The depreciation of the Norwegian krone and the U.S. dollar against the Swedish krona has negatively affected reported sales. Zooming into the operational performance, all reporting segments contributed to the growth on a like-for-like basis. The growth segment, U.S. particularly, remained the biggest driver, accounting for 54% of the operational growth. Core segment represented 29%, while the emerging segment accounted for 17%. Moving to slide ten, and progressing a few lines down in the P&L, you can find the long-term quarterly development of Haypp Group's gross margin, both in absolute terms and as a percentage of net sales. Q3's margin level remained in line with the first half of 2025. Compared to last year, not only in terms of the margin rate, but also the key drivers of increase are the same.



Peter Deli
CFO | Haypp Group

Year after year, we managed to increase our gross margin driven by consistent volume and top-line growth, and by the increase in contribution of our Media & Insights business. The sustained robust margin performance is the foundation for the execution of our growth strategy in the U.S. This allows us to make the investments required to set the foundations of the next growth chapter. Important to note that going forward, the return of Zyn is not expected to negatively impact our margin levels. Sustaining a strong Media & Insights business will remain important, and the continued development of those products is pivotal for us. I would like to reaffirm the foundational principles of our business model. We allocate the value created by our company across our consumers, business partners, and shareholders.



Peter Deli
CFO | Haypp Group

Our ongoing priority is to enhance the value we provide to consumers, which in turn requires us to strengthen the value we generate for our business partners. By continuously improving our Media & Insights offerings, we are able to deliver greater value and convenience to our consumers, while also driving healthier profit margins over the medium term. On slide 11. You can see an overview of our overhead base, which increased to SEK 126 million for the third quarter. This increase is mainly driven by the U.S. Local Team capabilities build. We also strengthened our Media & Insights teams and invested into activities to increase online channel and Haypp Group brand awareness. On slide 12. You can see key figures around our profitability. Adjusted EBIT for the third quarter grew by 0.9%, reaching SEK 33.4 million. The adjusted EBIT margin remained flat at 3.5%.



Peter Deli
CFO | Haypp Group

We got to benefit from the increased gross margin. However, this was offset by the increased investments into overheads and marginally into paid marketing. The increase in depreciation, similar to previous quarters this year, is partly driven by the U.S. automatization, which we installed mid-December last year. We maintained our investment into the emerging segment. This quarter, the investment amounted to SEK 13.1 million and reduced the overall adjusted EBIT of the group by 1.6 percentage points. Adjusted EBIT for the core and growth business was 5.1%, growing 0.7 percentage points versus last year. Moving to slide 13 and zooming in on our core markets. This segment delivered an overall 5% constant currency net sales growth. The quarter started slow, with some acceleration during the second half of the quarter. Behind the sales growth, two completely different dynamics remained.



Peter Deli
CFO | Haypp Group

The nicotine pouch segment, which accounted for 57% of the volume of our core markets, maintained its growth and consistently gained share within our volume. The snus segment's volume remained in decline, and this decline was accelerated in Q3 versus the first half of the year. The decline was driven by the reduction of the underlying consumer demand. Also important to note that Q3 is the last quarter where the tax reduction-driven price decrease on the 1st of October 2024 drove a negative price mix for the Swedish market in the snus segment. These two opposite dynamics mean that the share increase of the fast-growing nicotine pouch segment will improve the overall growth rates of the core markets. The changes in the purchasing customer numbers are also showing the different dynamics. While we are continuously building our nicotine pouch consumer base, the decline in Swedish snus consumer offset this.



Peter Deli
CFO | Haypp Group

Adjusted EBIT remained strong for this segment at 10% in Q3. This result is 1.3 percentage points above the same period last year. The driver behind the increase is the Media & Insights revenue growth. On slide 14, you can find our gross market performance. Net sales, excluding currency impact on a like-for-like basis, is up by 39%. While all markets increased their sales, we are very pleased with the high double-digit growth rates of the U.S. and the nicotine pouch volume development in the U.K. Adjusted EBIT moved into the negative territory, driven by increased investment levels, mainly to the U.S. In absolute terms, it amounted to -SEK 1.4 million, and the adjusted EBIT rate was -0.6%. While the profitability is down versus the same period last year, it's important to note that gross margin remained stable for the segment.



Peter Deli
CFO | Haypp Group

However, the overhead increase, mainly driven by the U.S., negatively impacted the business unit. On slide 15, our emerging segment. The sequential sales growth continued, and we are particularly pleased with the Swedish and German market performance. Unfortunately, operating in the U.K. vape market remained challenging due to the absence of regulatory enforcement across the entire spectrum of market participants. Haypp Group was, and always will be, committed to comply with regulation. However, this can create a significant competitive disadvantage in case other retailers are not doing so. On markets and segments where we are market leaders, we can compensate with our weight, but in the U.K. vape market as a challenger, the unlevered playing field prohibits us from achieving our ambitions.



Peter Deli
CFO | Haypp Group

As you can see on the bottom chart, while Sweden and Germany net sales maintained its growing trend, this was not the case in the U.K., despite the heavy investments we made both into our consumer offer and also into our internal capabilities. These factors led us to decide to discontinue our vape and heat-not-burn sales in the U.K. during Q4. On page 16, I would like to highlight three of our selected KPIs. The full list of KPIs is available in the appendix of this presentation. Starting with the inventory, it increased versus Q2, driven by the Zyn inventory build in the U.S., with a slight reduction in other inventories in other locations. The inventory increase didn't translate fully into the increase in our working capital, driven by improvements in other components. Net debt to adjusted EBITDA ratio remained at 0.4 times.



Peter Deli
CFO | Haypp Group

With this, I would like to hand back to Gavin.



Gavin O'Dowd
CEO | Haypp Group

Thank you very much, Peter. Moving on to our outlook slide, or slide 18. In our view, the long-term future for risk-reduced nicotine products, the online channel, and Haypp Group, with its many strengths, remains very encouraging. Conditions within the U.S. continue to evolve in a positive direction for Haypp. Haypp Group's operating model continues to generate increasing value for consumers and suppliers, while also providing margin expansion opportunities over the medium term. The expected increase in regulatory requirements is beginning to manifest, which further differentiates us, given our sustained focus and investment in long-term compliance. Finally, on slide 19, I would like to touch upon our medium-term guidance from the capital markets day in April of this year, which runs out to 2028. We envision revenue growth rates of 18% - 25% CAGR over the period, with the U.S. market being a material contributor.



Gavin O'Dowd
CEO | Haypp Group

This reflects the lower expected growth rates for 2025 due to the comparatively narrower consumer base in the U.S. We also guide towards 5.5% EBIT at the end of the period, ± 150 basis points. While we have been materially increasing our EBIT over the past two years, we intend to reinvest into our U.S. to accelerate our market share growth over this period. I would kindly direct your attention to our CMD material, which is available on our group site, and this provides more detail behind these targets. Lastly, the company does not intend to issue a dividend over this period. Instead, we invest surplus cash flows into the company's future expansion. Before I open up for questions, I would like to take the opportunity to thank my colleagues for the dedication and hard work in delivering these strong results.



Gavin O'Dowd
CEO | Haypp Group

With that, I will hand over to the operator for questions.

Q&A



Operator

If you wish to ask a question, please dial pound key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial pound key six on your telephone keypad. The next question comes from Johan Fred from SEB. Please go ahead.



Johan Fred

Equity Research Analyst | SEB

Yeah, good morning, guys. Thank you for taking my questions. A couple of ones from my side. First one on Zyn. Now that Zyn is back in the U.S. assortment, could you share any early indicators on reactivation of dormant U.S. customers? I saw that active customers declined by 25% year-on-year in Q3 in growth markets. What did you observe from mid-September once Zyn returns in terms of traffic, conversion, et cetera?



Gavin O'Dowd

CEO | Haypp Group

Good morning, Johan. Yes, absolutely. If I take this question perhaps in chronological order, if I take a look back, first of all, at 2024. There was an exceptional number of customers, even relative to the volume, because we were rationing the volume of products, and particularly of Zyn, that any consumer could buy over a 30-day period during Q2 and particularly Q3 of 2024. Moving along to this year, yes, we note that there was a substantial number of consumers which came in, particularly during 2024, that then, of course, disappeared in the latter part of the quarter when we no longer had the product. I guess there are two dynamics to those. Some of those were ones who were forced to online because they could not get the product anywhere else. Some of those were ones who chose to come online and quite enjoyed the experience.



Gavin O'Dowd

CEO | Haypp Group

There is quite a substantial number of consumers there along the way. We have been working on reaching out to those consumers via different channels over the window from when Zyn came back, and we have been quite happy with the early successes we have made on that. However, we realize this is a substantial number of consumers, and we need to keep leaning into that to capture as many of those and reactivate as many of those as possible over the remainder of Q4.



Johan Fred

Equity Research Analyst | SEB

Cool, got it. Maybe if I can just dig in, dig a bit deeper into that topic, I wonder if you could walk us through your strategy here into rebuilding awareness in the U.S. Is this primarily a CRM-driven, or will we see a step up in paid acquisitions? If so, what channels are you leading on? Any sort of early read from what you have from the end of September would be much appreciated.



Peter Deli

CFO | Haypp Group

Yeah, so it starts off with the lowest hanging fruit here is very much via CRM as regards to the ability to reach out to them initially via email. We're now looking at, we're now testing ways that we're able to follow up that via other aspects as well, such as calling some of the consumers to let them know that we're back on this. Also, we're doing some postal distribution to send out physical messages to these consumers as well as it's coming through. What we can see is that, just to be clear on this one, we're dealing with over 100,000 Zyn consumers which came to us in the first nine months of the 2024, with a particular lean towards perhaps the periods between late March and late September. This is a sizable base of consumers within the U.S.



Peter Deli

CFO | Haypp Group

We see that we've gotten a good activation flow for perhaps the first 12,000-14,000 of those coming back in already. I think, like I said, there's still a sizable piece out there that we need to see how many of them we can reactivate. We're not naive enough to assume we can reactivate them all, but we are going to continue to expand the channels and the communication to them to get more and more of them in. These are extremely valuable consumers.



Johan Fred

Equity Research Analyst | SEB

Got it. Thank you so much for that additional color. The final one here before I jump back in the queue. Gross margin stepped up meaningfully in the quarter, but adjusted EBIT margin did not expand to the same extent, which is reasonable given your investment in the U.S. How should we think about the sort of operational gearing going into Q4 and 2026 now that it's fair to assume that volumes in the U.S. will pick up significantly?



Peter Deli

CFO | Haypp Group

Yeah, so I think the way we're reviewing this one is we set out a very clear destination, well, it's a destination, but perhaps milestone for who it would be in 2028. We do expect that we will continue to invest in the U.S. so long as we can see strong returns on that investment that we're putting in. We're not so much viewing this one from saying this is exactly what our gross margin and EBIT and free cash flow would be for each quarter as we look out to 2026 and early 2027, but more a case of so long as we can see strong return on the capital which we're investing, we believe that the strong return coming on the capital that we're investing with some of the aspects it's difficult to quantify exactly in advance, we will continue to invest that money.



Peter Deli

CFO | Haypp Group

I think it's probably more that principle we should be viewing this one, or you should be considering this one through Johan with us rather than a set target for what it would be for each quarter.



Johan Fred

Equity Research Analyst | SEB

Got it. Got it. Makes perfect sense. Thank you. Those were all my questions now. I will get back in the queue.



Gavin O'Dowd

CEO | Haypp Group

Perfect. Thank you, Johan.



Operator

The next question comes from Niklas Ekman from DNB Carnegie. Please go ahead.



Niklas Ekman

Equity Research Analyst | DNB Carnegie

Thank you. Yes, I have a couple of follow-up questions from Johan here. Just, is there any way you can quantify the current trading in the U.S. market? Obviously, there are two effects here. Firstly, that you come from a period of exceptionally tough comparisons and then the absence of Zyn. Now this completely reverses as we go into Q4. I am just trying to get my hands on here what kind of growth rates you are expecting. What kind of growth rates are you seeing now at the start of Q4, I guess, both for the U.S. market and what kind of impact that has on the group? If there is any color here you could give us, it would be appreciated.



Peter Deli

CFO | Haypp Group

Yeah. No, exactly. I think. You're spot on. I think there's been many factors coming into it, as you say. Firstly, looking backwards, you were dealing with a scenario of not just the shortage of Zyn, but we had also discontinued tobacco, which is not completely run out when it comes to like for like, but it's a small enough part and it's been wound down quite heavily already by October of 2024. Then there was the closed states. You have that on one hand. All of the closed states were already being reflected into, were already completed by the end of September of 2024 as well. If you bring all of that together and you look at the initial growth coming through, I think what we can see here is that, for example, the October numbers are coming in with close to perhaps 60% volume growth in the U.S.



Peter Deli

CFO | Haypp Group

Does that give you some form of guidance on where we are here?



Niklas Ekman

Equity Research Analyst | DNB Carnegie

Yep, yep, absolutely. What kind of impact does that have on the group? What is U.S. roughly in terms of sales?



Peter Deli
CFO | Haypp Group

U.S. is making up roughly 20% of the group sales at this point in time, growing substantially faster. I guess you can reverse engineer back from that as regards to what impact it could have on growth rates at a group level.



Niklas Ekman
Equity Research Analyst | DNB Carnegie

Yeah. Very good. Second question on the same topic. You reiterated here your guidance or your targets from the CMD in April with growth rates of 18% - 25%. That is a CAGR. Kind of adjusting them for the weakness that we've seen in the last four quarters with growth rates of around 5%. I guess my question here is, to me, that suggests that you're expecting growth rates in the next four quarters to be well above that 18% - 25% range, more in the range of 30%+ given the easy comparison base. Am I looking at this correctly?



Peter Deli
CFO | Haypp Group

Yeah, we do expect the growth rates to pick up during 2026. Yeah.



Niklas Ekman
Equity Research Analyst | DNB Carnegie

Yeah. Okay. Good. Fair enough.



Peter Deli
CFO | Haypp Group

Yeah, I'm sorry, just.



Niklas Ekman
Equity Research Analyst | DNB Carnegie

And.



Peter Deli
CFO | Haypp Group

Here on that one, Niklas, when I say growth rates, I'm talking about reported growth rates. As opposed to like for like. Like for like will, of course, be lighter because I'm going to be making the adjustment for having the extra assortment that I didn't have before. Like for like.



Niklas Ekman
Equity Research Analyst | DNB Carnegie

Yeah, will you continue to report like-for-like sales? Because I think that would be very helpful, particularly over the next four quarters when the comparisons are very easy.



Gavin O'Dowd
CEO | Haypp Group

We always endeavor to be helpful, Niklas.



Niklas Ekman
Equity Research Analyst | DNB Carnegie

Very good. Very good. Another question here is on the margin outlook. Again, coming back to the CMD guidance here of the margins of 4% - 7%. The reason I'm asking is I know that there are some sell-side expectations that are significantly above that range with margins, I think, coming close to 10%. I know that the quality of the consensus might not be that great, so maybe I'm missing something here. It seems like there are expectations for a very strong margin expansion in 2026 and 2027. Based on what we've seen on the gross margin, that seems to make sense. At the same time, it's not in line with what you are guiding for. I'm again here just trying to see if I'm missing something here. If there are any reasons why margins should be closer to 10% two, three years from now, or yeah, just your view there.

**Gavin O'Dowd**
CEO | Haypp Group

I think the guidance we gave for three years from now, which is 2028, is pretty unequivocal. We said it would be at circa 5.5%. And given what growth opportunities are manifesting at the time, it would be up to 150 basis points above or below. If we see continued very strong growth opportunities at that point in time, we will continue to invest, and hence the 150 basis points below within it. If we see growth opportunities starting to level out a little, we will perhaps lean a little bit more in towards the 150 basis points above. But everybody's entitled to their own opinions on where this will come in, but I don't know if we can be an awful lot clearer regarding what our expectation is.

**Niklas Ekman**
Equity Research Analyst | DNB Carnegie

Yeah. Just maybe, I mean, as of now, your growth markets have much lower profitability than your core markets. And obviously, you are now in a ramp-up phase where you have made a lot of recruitments, and you have costs and volumes have only just started to come back. Structurally, is there any clear difference in profitability if you compare core markets to growth markets? And I'm thinking about the U.S. market in particular. Or do you see that over time that the U.S. market could have the same level of profitability as you have in the Nordics?

**Gavin O'Dowd**
CEO | Haypp Group

I think the growth markets in general, and as you say, the U.S. market in particular, structurally is designed for having higher levels of profitability over the longer term. I think the biggest feature for that is driven by the amount of oxygen that's provided to us by traditional offline retailers. Sweden is perhaps the most competitive market in the world when it comes to the retail environment for risk-reduced nicotine products, where you have extremely low retail margins, which is the oxygen that we have for traditional retailers, which is the oxygen that we have to play with. There are a lot of reasons for that. A lot of it goes back to when the industry had a completely different construct within Sweden back as far as the 1990s, and that has just been a legacy from there.

**Gavin O'Dowd**
CEO | Haypp Group

If you look at it, you're dealing with roughly 20% retail margins across the vast majority of the market in Sweden versus you're dealing with 40% - 50% retail margins across the likes of the U.S. and the U.K. As I see it, the basis for longer-term profitability is much greater in our growth markets than it is in our core markets. However, when it comes to us giving guidance for 2028, like I said earlier, 2028, I view very much as a milestone rather than a destination. We believe that there will still be huge growth opportunities even when we are dealing with that sort of market share that we laid out in the CMD for both the U.S. and the U.K. We are not necessarily stating that we will be in a steady state margin at that stage.

**Gavin O'Dowd**
CEO | Haypp Group

We feel as though if there are still strong growth opportunities, and we believe there will be within those markets, we will continue to invest. Back, I think, to your initial question, or at least my—well, I think your initial question was here, Niklas. Yes, I believe there is a basis for healthier margins in the growth markets than the core markets over the long term.

**Niklas Ekman**
Equity Research Analyst | DNB Carnegie

Very clear. Thank you. Just a final question on this topic of the U.S. or U.K. vaping and the heat-not-burn. How big a share was that of the—I think it was SEK 40 million in revenue here in Q3? How significant share was that? Did that make up of the emerging segment?

**Gavin O'Dowd**
CEO | Haypp Group

Yeah. There is around about just under a third of the emerging segment, between a third and a quarter. It accounts for just over one percentage point of our total group revenue. We consider it to be not particularly material in the scheme of things. Maybe just to create a little bit more context on that one here. There is a lot of—there has been some very clear regulation introduced into the U.K. at various stages over the last couple of years, including earlier this year. It is an environment whereby many of the other retailers, both online and offline, are not complying with this, and we are not prepared to go in and compete in that environment because it is illegal, and that is not a space that we do within it.



Gavin O'Dowd
CEO | Haypp Group

I think it is also worth bearing in mind on this one, Niklas, that the fastest growing category by far in the U.K. is nicotine pouches. This gives us the opportunity to double down on already very strong performance within the nicotine pouches, where we are the market leader and we have a very strong share of the online channel. This gives us the opportunity to lean into that. Should the environment ever change when it comes to vape in the U.K., and if we are sitting here in a few years' time and the regulation has been enforced and it is quite clear what the playing field is, we could very easily reverse the decision that we have made now. At this point in time, we cannot operate in an environment where we are one of the only ones complying with the regulation.



Niklas Ekman
Equity Research Analyst | DNB Carnegie

Do you see any risk that the discontinuation of vaping and the heat-not-burn, that that could negatively impact your momentum in nicotine pouches? I mean, is there a big overlap in the number of users and maybe the risk that you will lose some of these users because you do not have the full product portfolio?



Gavin O'Dowd
CEO | Haypp Group

No, I think vaping was quite useful to us a few years ago when nicotine pouches was in its infancy. You have to bear in mind nicotine pouches today is probably available in about four times as many stores in the U.K. as it is in Sweden. The availability of it is pretty significant at this point in time. If you go back two to three years ago when nicotine pouches was in its infancy, it was a great opportunity for us to be able to explain the category to the vaping consumer when they came in to buy vapes from us. What we generally find is that dual users of both categories tend to only be dual users for about a quarter to a quarter and a half as it runs through, at which point in time they tend to have switched across entirely towards nicotine pouches.



Gavin O'Dowd
CEO | Haypp Group

There is an insignificant share of our sales made up of consumers who put both categories into a single basket. We do not envisage that there is going to be any spillover effect on that one.



Niklas Ekman
Equity Research Analyst | DNB Carnegie

That's very clear. Thanks so much for taking all my questions.



Gavin O'Dowd
CEO | Haypp Group

Thank you, Niklas. Thank you.



Operator

The next question comes from Morayo Adesina from Barclays. Please go ahead.



Morayo Adesina
Equity Research Analyst | Barclays

Hi guys. Thanks for taking my question. Just two quickly from me. On the FDA pilot, I was just wondering if Haypp has any insight into the timings of that, if things are going according to plan, and if the reviews are still expected to be completed on the nicotine pouches for this year, or is that something that's only privy to the manufacturers? Secondly, on the snus consumer demand decline in Sweden, are you seeing a direct switch from snus users to nicotine pouches? Is there any way of tracking this, or is that not really the right way to think about the decline? Yeah, those are my two questions.



Gavin O'Dowd
CEO | Haypp Group

Perfect. Let me start with the first one. I think the position that the FDA has taken is quite clear and quite public with their commitment to having the pilot process completed by the end of 2025. I'm not sure actually that anybody has sufficient clarity on what's going on within the FDA as it relates to where they are in the process, because I am cognizant that we're now on the 5th of November, which means that best case scenario, I think they have probably about six to seven weeks to get this completed. You can very much get a sense from all stakeholders involved of how quickly people are preparing for a new environment here.



Gavin O'Dowd
CEO | Haypp Group

I think what we're going to have to do is wait and see whether the FDA are going to be able to actually comply with the timeline that they've laid out for themselves here. I think I'm a bit dubious of anybody who is able to say that they have a clear view on this with certainty. I think there's a lot of unknowns in this, and we will know a lot more over the next couple of months. Unfortunately, no, I don't have a direct inroad to be able to give an answer on that one. Back to your second one regarding snus decline. Yeah, I think there's a couple of factors here which are occurring within the mix of oral nicotine usage in Scandinavia, as in both the combination of snus and nicotine pouches. One factor is that there are effectively no new entrants.



Gavin O'Dowd
CEO | Haypp Group

I reckon there is somewhere around about 70,000-80,000 new entrants coming into the oral category in any given year in Sweden at this point in time. I would say very few of those are coming into the traditional snus category and have been over the last three to four years. They're generally leapfrogging that and going straight to the nicotine pouches. At the other end of the journey, a lot of the older snus, a lot of the older users of oral products within Scandinavia are traditional snus users. When they're quitting their snus usage, often due to end of life or any other aspect like that, it tends to be disproportionately leaning towards those consumers rather than nicotine pouch consumers on it. In between is the third factor, which you were referring to, which is the switching pattern.



Gavin O'Dowd
CEO | Haypp Group

The switching pattern was perhaps a little bit more pronounced between 2019 and 2023, early 2024. There is still a degree of it, but every consumer who wants to switch from snus to nicotine pouches has been given a serious opportunity to do so over the last five, six years. There's not very many left who are actually willing to make the change. I would say it's probably more the first two factors, which is driving that, of no new entrants into traditional snus and hence the natural decline of users within traditional snus anyway, which was probably declining by about 40,000-50,000 users a year simply by people exiting the category as they get older in life.



Morayo Adesina
Equity Research Analyst | Barclays

Okay. Super clear. Thank you.



Gavin O'Dowd
CEO | Haypp Group

Perfect. Thank you very much.



Operator

The next question comes from Johan Fred from SEB. Please go ahead.



Johan Fred
Equity Research Analyst | SEB

Yes. Hi again. A quick follow-up from my side on Zyn in the U.S. To what extent is Zyn demand providing incremental versus substitution from non-Zyn pouches in the U.S.? My question is really, have you seen any cannibalization on sales on other brands since Zyn's supply returned in September? Thank you.



Peter Deli
CFO | Haypp Group

In a short answer, yes, we have. We have seen Zyn resonate quite well, of course, with our loyal consumer base, where some of the consumers stayed with us. Many of the consumers stayed with us but changed brands. There was a, and then when Zyn came back, it became part of the repertoire again. You can certainly see a strong degree of that. Yes.



Johan Fred
Equity Research Analyst | SEB

Very clear. Thank you.



Operator

As a reminder, if you wish to ask a question, please dial pound key five on your telephone keypad. There are no more questions at this time, so I hand the conference back to the speakers for any closing comments.

Haypp Group

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Gavin O'Dowd
CEO | Haypp Group

Thank you very much for your time today. It's greatly appreciated. I look forward to speaking to you during our Q4 release in early February. Thank you. Bye-bye.



Peter Deli
CFO | Haypp Group

Thank you, everyone. Bye.