

August 7, 2025

**Haypp Group**  
Q2 2025



## Speakers



**Roderick van Zuylen**  
Chief Investment Officer | Night Watch Investment  
Management



**Peter Deli**  
CEO | Haypp Group



**Operator**



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

## Prepared Remarks

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

Thank you very much. Good morning, everybody, and welcome to our afternoon version of the Q2 2025 Conference Call. Today, as opposed to this morning's version, we're going to go for a slightly abbreviated version where we just focus on some key slides. The rest of the material is available within the deck and is available on recording on our platform as well. Going forward from here, I'd like to start with slide number four, and I'd like to focus on three key aspects of our operational highlights. Beginning first with our nicotine pouch Q2 volume, which had year-on-year growth of 23% on a like-for-like basis. I would like to highlight that this doesn't reflect two key impacts on comparability, which reduce the reported growth numbers. The first effect is the Easter effect, and this particularly impacts our core markets.



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

Easter in 2024 was in Q1, and it was in Q2 in 2025, which we highlighted in our Q1 presentation, and this impacted growth by approximately 3 percentage points. The second point I'd like to highlight is that in Q2 2024, it was an exceptional quarter driven by the initial Zyn shortages in the U.S. Much of the incremental traffic we received resulted in sales of non-Zyn brands, which grew over 50% quarter on quarter in Q2 2024 versus Q1 2024. For more detail on that, please refer to our Q2 2024 presentation. Adjusting for these factors, our nicotine pouch growth rates are relatively similar in Q2 2025 to Q1 2025. The second point I'd like to touch on here is our revenue. Revenue grew at roughly 20%, so comparable to our Q1 and our last 12 months when we adjust for the Easter effect.



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

Lastly, I'd like to draw our attention to the material increase in our gross margin. Our business philosophy is built around sharing our economies of scale with our consumers in the form of superior convenience and the best value. Despite aggressively moving forward on both of these areas, Haypp has still been able to increase its gross margin by nearly 5 percentage points, from 14% in Q2 2024 to 19% in Q2 2025. We believe this reflects the power of our operating model. Moving forward to the next slide and focusing specifically on the U.S., I'd like to touch on how the market is changing and how we are investing.



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

If I start, first of all, on the left-hand side of the market, the overall market conditions continue to show robust growth, driven both by consumers moving to the category and increasing consumption rates for those already in the category for a number of years. The U.S. nicotine pouch category is now larger than the U.S. legal vape category. In parallel, fragmentation within the category continues to accelerate with further introductions of FDA-allowed products. As an anecdote, we launched more new nicotine pouch SKUs in the U.S. in Q2 2025 than in all of 2024. Regulation remains stable with early signs of increasing emphasis on ensuring existing rules are complied with rather than introducing new legislation. While this is more evident in the vape category, it bodes well for nicotine pouches also.



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

In conclusion, we believe the overall conditions for a compliant online retailer look extremely bright, and we will continue to allocate resources accordingly. Moving to the right-hand side of the slide, which focuses more on U.S. investment priorities, which we touched upon in the CMD. Since then, we have reinforced our team capabilities with our Chief Commercial Officer recently relocating to the U.S. office. In addition, we have recruited a Head of Consumer Acquisition, and in keeping with our commitment to compliance, we have onboarded both Heads of Legal & Regulatory Affairs. We consider these additions to our team to be an excellent bedrock to build a sustainable business forum. We have focused much of our effort in recent months towards further improving our retention rates, which is key to minimizing the returns we will achieve from new consumers in the future.



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

Initiatives such as the same-day delivery in Houston, which has now been expanded to a broader area, and the new loyalty program are key drivers in this improvement. While we will continue to further sharpen our retention rates, we will also try on a range of tools to accelerate our customer acquisition rates and access their success before allocating material resources. Finally, as we'd said in our Q1 release, we see Zyn supply and demand aligning, and we continue to expect the return to selling Zyn in the second half of 2025. Moving to slide six, which covers legal and regulatory updates. We remain engaged in two cases. In Stockholm, the appeal process is ongoing in line with expectations, and we expect this will take between one to six months. As previously stated, we don't expect any material commercial impact from the outcome of this case.



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

On the second case in San Francisco, settlement discussions are ongoing. Further down regarding the E.U., the E.U. released an initial draft of a tax proposal on nicotine products, including nicotine pouches. As with previous E.U. tobacco tax initiatives, we expect the final outcome to be radically different from this initial proposal, especially given the number of member states which have openly opposed this draft. However, we do welcome that nicotine pouches are clearly recognized as a category in the draft, which is a strong step towards recognizing the category in other areas of regulation. Lastly, in the U.K., a nationwide ban on disposable nicotine vaping devices came into effect on the 1st of June 2025. Vape manufacturers changed to similarly branded rechargeable pod systems to limit consumer confusion.



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

We believe the shift benefits online retailers over the long term, and Haypp is in full compliance with the new regulation. However, the transition by offline retailers from disposables continues to create a temporary distortion in the market. With that, I will hand over to Peter for an update on our financial performance.



**Peter Deli**  
CEO | Haypp Group

Thank you, Gavin. Good morning, everyone. Overall, we feel that we concluded a successful quarter. Our underlying sales development remained robust, and our gross margin increased further. This allowed 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 investment, our adjusted EBIT grew by 50 basis points to 4.2%. Moving to slide seven and looking at the sales performance. To properly understand the underlying performance similar to Q1, we must consider not only the impact of the discontinuation of Zyn and tobacco products in the U.S. and the closure of some states, but also the Easter effect. Q1 reported growth was higher, while Q2 is lower than the reality due to the Easter timing. To mitigate this distortion, we should look at extended periods from January to April and March to June.



**Peter Deli**  
CEO | Haypp Group

When you look at the left side of the graph, you can see that the growth rates for these extended periods are very similar, around 20%. There is no change in the product composition of the growth drivers. The reported 17% growth is mainly driven by nicotine pouches, with snus decline mainly in Sweden impacting our performance negatively by 3%. This was fully offset by the emerging segment contribution of 3% to the overall growth. On slide eight, I'm going into more details of the like-for-like sales development, and here you can find the key building blocks of it. On a like-for-like basis, the growth is mainly driven by the U.S.; however, core and emerging markets contributed as well. Foreign exchange movements, particularly the depreciation of the Norwegian krone and the U.S. dollar against the Swedish krona, had negatively impacted reported sales. As discussed earlier, Easter impacted both business units.



**Peter Deli**  
CEO | Haypp Group

Relative to the growth rates, it has a bigger impact on the core markets. Excluding the impact of Easter, the core markets grew by 9%, while the growth segments were up by 51%. We don't have it here, and as Gavin mentioned, this will be an abbreviated version of the morning. I would like to highlight here that the revenue for the emerging segment is almost tripled versus the same quarter last year. Moving to slide nine and to the gross margin performance, here you can see the long-term development of it, both in absolute terms and as a percentage of net sales. Compared to last year, the key drivers of the increase are the same as they were in Q1. Year after year, we managed to increase our gross margin driven by consistent volume and top-line growth and by increasing contribution of our media and insights business.



**Peter Deli**  
CEO | Haypp Group

When looking at the increase versus Q2 2024, it's important to highlight that the discontinued part of our U.S. business was not a major contributor to our gross margin pool. The reduction in sales without significant negative gross margin explains around 2 percentage points of the increase versus last year. In Q1, we achieved a major step up in our gross margin rates. In Q2, we managed to further improve it thanks to the increased contribution of the media business. 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. 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.



**Peter Deli**  
CEO | Haypp Group

By continuously improving our media & insights offering, we are able to deliver greater value and convenience to our consumers, while also driving healthier profit margins. On slide 10, you can see how the overhead base evolved over the last two years. There is an increase in this quarter, and it's mainly driven by the U.S. and other growth markets where we enhanced local team capabilities and also rolled out category awareness and PR efforts. On slide 11, you can see the key figures around our profitability. On this slide, we highlight key metrics and trends. Adjusted EBIT for the second quarter grew by 11%, reaching SEK 38.3 million. The adjusted EBIT margin increased to 4.2%, up by 50 basis points versus last year. The increase is driven by a better gross margin, partly offset by increased investments.



**Peter Deli**  
CEO | Haypp Group

While Q2 margin level is a step back versus the record high Q1, it is still 50 basis points better than Q2 2024. We maintained our investment into the emerging segment. This quarter, the investment amounted to SEK 11.4 million and reduced the overall adjusted EBIT of the group by 1.2 percentage points. Adjusted EBIT for the core and growth segments was 5.4%, 0.9% better than the same period in last year. Here on this call, I'm not planning to go into the details of the core growth and emerging segments. However, during the Q&A session, we are more than happy to answer any particular questions around those. Also, you can find in the appendix the detailed list of KPIs which we get used to publish. In terms of the balance sheet, you will see that there is no major shift versus Q1.



**Peter Deli**  
CEO | Haypp Group

We maintained a healthy balance sheet with 0.4% leverage net debt versus last 12 months adjusted EBITDA. I think with that, I pass it back to Gavin.



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

Thank you, Peter. Moving to slide 17, I will just touch briefly on the outlook here, and then we will open up for Q&A. 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. Haypp Group's operating model continues to generate increasing value for consumers and suppliers, while also providing margin expansion for Haypp. The expected increase in regulatory requirements is beginning to manifest, which further differentiates us given our sustained focus and investment on long-term compliance. As highlighted in our CMD in April, the conditions in the U.S. market provide a significant opportunity for long-term value creation. We expect to invest heavily over the medium term, which is expected to impact our short to medium-term earnings.



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

The following slide contains the outlook on what our targets are for 2028, which we feel very comfortable with at this point in time. With that, I will pass over to the operator for any questions.

## Q&A

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**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 Roderick van Zuylen from Night Watch Investment Management. Please go ahead.



**Roderick van Zuylen**

Chief Investment Officer | Night Watch Investment Management

Hi guys, thanks so much for organizing this second call and allowing your US-based investors to ask questions. I have a question on your emerging markets or emerging products segment, and I'm wondering how that is getting to be a more substantial part of your overall business. Whether you have any updated views on the market potential here, at which point you should get closer to a break-even point, and maybe whether there are any ways to accelerate the growth in this business.



**Gavin O'Dowd**

CEO | Haypp Group

Hi Roderick, thank you very much for the question. We're very happy with the growth performance that we're experiencing within this category at this point in time. However, we recognize that it's still a relatively small share of the category that we have across the three markets that we're operating within. While we continue to see the robust quarter-on-quarter growth within it, we will continue to invest. I think it will get to a stage whereby so long as we can see that growth, we will continue to prioritize that. We envisage that that will be the case at least for the next 12 months. At which point in time, subject to the opportunity that we see ahead of us, we may choose to lift the nose of the plane and move it more towards profitability at that stage.



**Gavin O'Dowd**

CEO | Haypp Group

I think we're still very much in the wait and see as the opportunity continues to open up ahead of us here.



**Roderick van Zuylen**

Chief Investment Officer | Night Watch Investment Management

Go ahead, and one more on the same-day delivery that you're now offering in Houston. I'm just wondering whether there are any early indicators whether one-day delivery sort of brings the revenue uptake or the demand uptake that you were hoping to see, and also whether you are able to roll this out throughout the U.S. given that your fulfillment center is based in Texas. I'm just wondering whether it's even a possibility to scale that to the rest of the country.



**Gavin O'Dowd**

CEO | Haypp Group

Yeah, we did, and the reasoning, of course, why we started in Houston is because that's where our fulfillment center was. We've seen a notable uptake, not just in retention rates within Texas, but a notable uptake in new customers around the Houston area, a notable uptake in retention rates, particularly for second order. Of course, we always had quite good retention rates from there forward. We've also seen a notable uptake in new customers in the area, and our research indicates that that's coming from referrals for people who are very happy with the service that they're receiving from us, telling some of their friends and colleagues, and that's causing a spillover effect on it there.



**Gavin O'Dowd**

CEO | Haypp Group

What we have done is we've extended the shipping service across a broader part of Northern Texas and some of the local states as well to get in, not to same-day delivery, but to get into next-day delivery for that. We want to see now that's the second stage of the tests as regards to how much of these benefits can we get across a broader geographic area with not quite as good a service, but with almost as good a service coming through. I think once we have that, then it becomes a lot easier for us to determine what are the future rollout opportunities for this.



**Gavin O'Dowd**

CEO | Haypp Group

Our base assumption going into this has always been if we make this successful in one part of the country and we're very happy with the results, then we would look to pick off other key urban areas in order to expand it in the future.



**Roderick van Zuylen**  
Chief Investment Officer | Night Watch Investment Management

Got it. Final question, if I may. I think in the last quarter you also pointed out that part of the reinvestment in the U.S. isn't just in headcount, but I think you were planning on taking some steps on advertisement as well. I'm just wondering whether that's already happening, what exactly you're spending your money on. I think I've seen some headlines of sponsorship for your U.S. website. Just wondering what is being spent on and whether it's so far got the results you were hoping for.



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

Yeah, so the approach we took on this one was first to sort of build up the team and get that robust. I think we've taken a good step towards that at the moment. We're just a little bit further to go. Secondly, shore up as much of the funnel as possible so that we get everyone improving retention rates. We're very happy with how they've been progressing over the year to date. At that point in time, start accelerating the pouring in of customers from here on in. What you have seen from us so far is that we've been spending some money on PR within the U.S., and we've seen some quite good results from that so far. It's not significant, and you'll see that coming through under the growth section of the report under overheads at this point in time.



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

We've also been doing some testing of co-branding for PR, sorry, for co-branding for activations along with some of the brand owners. That's not particularly expensive to us because that tends to be something where we help facilitate it, but we're not necessarily the party which pays for it, or certainly that pays for the bulk of it. That hasn't been a huge piece so far. We have been testing some other activities, both in the form of some podcasts, some out-of-store marketing, etc. Where we are at this stage, and it's roughly where we expect it to be, is that we're still very much in that third leg of customer acquisition. We're testing a range of concepts and evaluating them before we decide what we can get comfortable with allocating capital to.



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

There hasn't been a huge amount of spend going into new customer acquisition in the U.S. for the second quarter.



**Roderick van Zuylen**  
Chief Investment Officer | Night Watch Investment Management

Got it. Thank you so much.



**Operator**

There are no more questions at this time, so I hand the conference back to the speakers for any closing comments.



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

Thank you all very much for your time. I look forward to speaking to you soon. Thank you.



**Peter Deli**  
CEO | Haypp Group

Thank you, everyone. Bye.