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Haypp Group

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QUARTR

MODULAR FINANCE

Speakers

Operator

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Peter Deli
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Analyst | Barclays

Kristian Bergström-Smolle
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Daniel Tharian
Analyst | Deutsche Bank

Prepared Remarks

Operator

Welcome to Haypp Group Q3 2026. For the first part of the conference call, the participants will be in listen-only mode. During the questions and answers 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 Haypp Group's Q3 results. My name is Gavin O'Dowd, and together with our CFO, Peter Deli, we will take you through today's presentation. Starting at slide three, which is the agenda for today.

Gavin O'Dowd
CEO | Haypp Group

I will take you through an overview of Haypp and the Q3 performance highlights, and Peter will take us through the consumer, financial, and segment performances before handing back to me for progress in our key strategic priority markets and an outlook.

Gavin O'Dowd
CEO | Haypp Group

I would like to take you to slide five to remind you of some of the key dynamics around our business. We are an online retailer of risk-reduced products with a strong focus on nicotine pouches, which currently make up over 72% of our volumes. We have multiple storefronts per market, and we operate in five markets in Europe and in the U.S. and in Saudi Arabia.

Gavin O'Dowd
CEO | Haypp Group

Almost 90% of our revenue comes from product sales, with sales of Media & Insights to the brand owners accounting for over 10%. While jurisdictional complexity around the sale of nicotine is often a hardship, given our expertise and scale, we also view it as a barrier to entry.

Gavin O'Dowd
CEO | Haypp Group

We are targeting to approximately double our 2024 revenue by 2028 and increase our 2024 EBIT by three to 4x. Moving to slide six. The scale of market growth potential in our existing geographic footprint is determined by the U.S. and the U.K.

Gavin O'Dowd
CEO | Haypp Group

While the U.K. is a distant second, it has some very favorable long-term dynamics. Continuing on to slide seven. The U.S. and the U.K. are also the two markets with extremely low online penetration rates, reflecting the early stages of the category life cycle, including the historically limited assortment in the U.S.

Gavin O'Dowd
CEO | Haypp Group

Hence, these are two markets which we have dedicated significant resources to in recent quarters, and we will touch on this more throughout our presentation. Moving to our quarterly performance updates, and on slide eight for a moment. This quarter saw each of our segments perform in line with their roles.

Gavin O'Dowd
CEO | Haypp Group

Core markets delivered 61% EBITDA growth, funding our operations in growth markets, which in turn grew 54% in revenue. Moving to slide nine. We're happy to see continued robust growth in nicotine pouches to 33% year-on-year, despite tougher comparators in the U.S.

Gavin O'Dowd
CEO | Haypp Group

Growth markets have been a significant contributor, with 63% year-on-year growth, and now account for almost half of our nicotine pouch volume. The strong performance in the growth segment accounted for 74% of the group nicotine pouch growth. This momentum is underpinned by the group's investment focus and supports our future growth expectations.

Gavin O'Dowd
CEO | Haypp Group

Moving to our performance highlights on slide 10. An increase in active customers continues to be the primary driver of our growth, while the increased share of consumption among existing consumers in our core markets also contributed to the 22% volume growth. Gross margins were up to a record high, generating a gross profit increase of 35%.

Gavin O'Dowd
CEO | Haypp Group

This consisted of substantial increases in Media & Insights, while product gross margin remained constant, highlighting our commitment to the consumer offer, which in turn further accelerates the flywheel.

Gavin O'Dowd
CEO | Haypp Group

The investment in building our team, particularly in the U.S. and the U.K., is now completed, and G&A is relatively flat versus the prior quarter. We have increased the investment in marketing expenditure to accelerate our new customer inflow while the window remains open.

Gavin O'Dowd
CEO | Haypp Group

This led to a reduction in EBIT margins, which we expect to continue for the remainder of this year before trending back towards our 2028 guidance. On slide 11, we show the actual performance of each of these KPIs and their relative change versus prior year. Growth in consumer flowed through to orders and volume, which in turn led to our highest ever gross margin rates.

Gavin O'Dowd
CEO | Haypp Group

I would like to pick out our marketing and expand on it in the next slide. With that, moving to slide 12 and marketing. During our Q4 2025 results, we shared our timeline for our marketing push in the U.S., some of which we brought forward into Q2 due to improving market conditions.

Gavin O'Dowd
CEO | Haypp Group

Just to remind people, we are launching marketing activities to accelerate our new customer inflow and hence accelerate our existing flywheel model beyond the growth rates which we are achieving from our organic positions. This quarter, we achieved the highest new consumer acquisition numbers in the U.S., with the exception of the period of extremes in shortages in the middle of 2024.

Gavin O'Dowd
CEO | Haypp Group

The activities covered the full funnel of consumer marketing, from upper funnel activities such as programmatic and select social media, generating awareness and presence. It is important to note that a key rationale for this is the reinforcement of our organic positions in search, particularly for large language models.

Gavin O'Dowd
CEO | Haypp Group

We continue to evaluate the effectiveness of these campaigns, and especially on how they are impacting awareness and hence the LLMs, and we will focus on the ones which are most effective.

Gavin O'Dowd
CEO | Haypp Group

The lower funnel focused on AdWords and Google Shopping to augment our SEO for keywords such as brands, where the number one position may be held by the brand site, which does not sell directly to the consumers. While we captured these consumers, our data suggests that these consumers would have come back online and found us organically over the coming months anyway.

Gavin O'Dowd
CEO | Haypp Group

Hence, we are reducing the spending on this area in Q4 and increasing focus on the consumer offer, particularly around new products. In summary, we have taken steps and seen positive results. We will continue to optimize both our marketing and our offer to further accelerate consumer acquisition in our flywheel. With that, I will hand over to Peter.

Peter Deli
CFO | Haypp Group

Thank you, Gavin. Good morning, everyone. Moving to slide 13, as usual, I will start with the consumer base development. However, before we dive in, I would like to highlight two changes affecting the year-over-year comparison. The discontinuation of vape and heat-not-burn products in the U.K. end of 2025 and the closure of our Austrian business at the end of June 2026.

Peter Deli
CFO | Haypp Group

Neither of them is material to the group overall performance. However, it is important to note that if we would exclude these impacts, net sales growth would have been close to 31%. Now, let me start with consumers, because the expansion of our consumer franchise underpins the growth of the model. Moving to slide 14, group active consumers reached 682,000, up 18.8% year on year. Growth active consumers increased by 54.7% to 227,000, driven by the U.S. and U.K.

Peter Deli
CFO | Haypp Group

The moderation from Q2 reflects the much stronger comparator created by the high consumer intake in late September 2025, as well as an approximately 4 percentage point drag from the closure of Austria. Core active consumers increased by 6.4% to 455,000, with the vast majority of that came from nicotine pouch buyers. Moving to slide 15 and looking at our volume performance.

Peter Deli
CFO | Haypp Group

Total group volume increased by 21.8%, while nicotine pouch volume grew by 33.1% and represented approximately 72% of group volume. Growth nicotine pouch volume increased by 63.4%, with the U.S. and U.K. both growing more than 90%.

Peter Deli
CFO | Haypp Group

Core nicotine pouch volume increased by 14% and now represents around 58% of core volume. Traditional snus volume stabilized. Vape and heat-not-burn volume declined by 4.3% due to the U.K. vape discontinuation. Excluding the U.K., volume increased by 32%.

Peter Deli
CFO | Haypp Group

The category mix therefore continues to move towards nicotine pouches, supporting the group's long-term growth profile. Slide 13 and financial performance. Let me now turn to the financial performance, beginning with net sales, gross profit, before addressing the higher investment level and its effect on adjusted EBIT.

Peter Deli
CFO | Haypp Group

Moving on slide 17 and our net sales. Net sales reached SEK 1,221 million, an increase of 28.2% as reported and 25.7% at constant currency. The headwind from the Q4 2025 discontinuation of vape and heat-not-burn in U.K. and Austria discontinuation at the end of Q2 2026 resulted a 2 percentage point headwind for the group's net sales growth.

Peter Deli
CFO | Haypp Group

Core net sales increased by 19% or 15.3% organically. Growth net sales increased by 54% or 53.2% organically. Growth was predominantly volume-driven, led by the increase in purchasing consumers and strong U.S. and U.K. nicotine pouch volumes.

Peter Deli
CFO | Haypp Group

Price and mix were positive on group level, as manufacturer pricing was passed through to consumers and Media & Insights grew substantially. At segment level, core benefited from a meaningful price and mix, while growth, price, and mix in aggregate was negative, however, significantly moderated versus previous quarters.

Peter Deli
CFO | Haypp Group

Nicotine pouches were the main category driver. Snus made a small negative impact, broadly offset by vape and heat-not-burn, despite the U.K. vape discontinuation. Moving to slide 18. Gross profit increased by 34.8% to SEK 241 million, ahead of net sales growth, and gross margin increased by 1 percentage point to a new all-time high of 19.7%. The increase in gross profit was mainly driven by Media & Insights increasing to 12.2% of group net sales, up 1.1 percentage points year-on-year.

Peter Deli
CFO | Haypp Group

Product gross profit, excluding Media & Insights, increased from SEK 73 million to SEK 93 million, an increase of approximately SEK 19 million or 26.6%, broadly in line with net sales growth.

Peter Deli
CFO | Haypp Group

This is deliberate and reflects our model of scale economics shared. As we grow, we gain better purchasing terms and more efficient fulfillment. Rather than keep these benefits as margin, we reinvest them in the consumer offer through competitive pricing, a broader range, and better service.

Peter Deli
CFO | Haypp Group

A stronger offer attracts more consumers and more volume, which in turn builds further scale. This is the flywheel that drives our growth. At segment level, core gross margin improved to 20.5% from 18.1%. Growth gross margin declined to 18.1% from 20.8%, reflecting the elevated Q3 2025 comparator. Moving to slide 19 and our overheads. Adjusted overheads were SEK 185.5 million, or 15.2% of net sales, compared with 13.2% last year.

Peter Deli
CFO | Haypp Group

The year-on-year increase in absolute terms was concentrated in G&A and marketing, while fulfillment continued to show scale benefits compared to last year. The biggest driver for the overhead change versus Q2 2026 is clearly the marketing investment. It increased to 3.2% of net sales from 1% last year, mainly reflecting new initiatives, as Gavin spoke about, in the U.S. and U.K. to support acquisition and brand awareness.

Peter Deli
CFO | Haypp Group

Going forward, we plan to continuously rebalance investment between marketing and the consumer offer, which then will impact gross margin. We are committed to support customer acquisition in a scalable way. G&A was 10.4% of net sales, down from 11.3% in Q2. The quarter benefited from the normal favorable holiday accrual effect during the summer. Excluding that effect, sequential absolute spending was broadly flat, breaking the growth trend seen in earlier quarters. Fulfillment was 1.7% of net sales.

Peter Deli
CFO | Haypp Group

The cost base increased by 14%, while volume increased by 22%, demonstrating continued operating leverage and a 6% reduction in the fixed fulfillment cost per can. Moving to slide 20 and adjusted EBIT. Adjusted EBIT was SEK 26.3 million, compared with SEK 33.4 million last year, and the adjusted EBIT margin was 2.2%, compared with 3.5%. The bridge is clear. Gross profit increased by SEK 62.2 million.

Peter Deli
CFO | Haypp Group

This was offset by SEK 59.7 million of higher overheads, out of which SEK 29 million was invested in marketing. Additional depreciation and amortization added SEK 9.7 million to the increase. The margin compression therefore reflects deliberate investment in G&A capabilities and marketing, not a problem in gross profit generation.

Peter Deli
CFO | Haypp Group

Investment in Saudi Arabia reduced the group adjusted EBIT margin by approximately 35 basis points. For the coming quarters, the focus is execution and discipline. Reduce and reallocate marketing investment, preserve the initiatives that work.

Peter Deli
CFO | Haypp Group

Moving to slide 21, inventory and working capital turnover. Inventory decreased sequentially to SEK 315 million from SEK 368 million at the end of Q2, with levels broadly returning close to normal after the temporary opportunistic stock builds. Net working capital decreased to SEK 169 million, and net working capital turnover improved to 7.2 times.

Peter Deli
CFO | Haypp Group

Cash flow from operating activities reached SEK 213 million for the first nine months, supported by SEK 113 million working capital inflow. Net debt decreased sequentially to SEK 96.3 million from SEK 222 million, while net debt to last 12 months Adjusted EBITDA declined to 0.4 times.

Peter Deli
CFO | Haypp Group

Cash and cash equivalents were SEK 174 million at quarter end. Net debt at quarter end was entirely attributable to short and long-term lease liabilities. With that, let me move to slide 22 and segment performance.

Peter Deli
CFO | Haypp Group

Growth, I think in this quarter, it is clear to see that the Growth Markets continues to provide the acceleration and the expansion opportunity. Core provides a growing, profitable, and cash-generative foundation. The quarter showed both sides of the model clearly. On slide 23, you can see the details for the Growth segment.

Peter Deli
CFO | Haypp Group

While on group level, the impacts are not material, when we are looking at the Growth segment year-over-year performance, it is important to bear in mind the negative impacts of U.K. and Austria, as I mentioned earlier. These events resulted a 10 percentage points headwind for consumer-based growth and 12.3 percentage point headwind for reported net sales growth.

Peter Deli
CFO | Haypp Group

Despite these headwinds, we closed a successful quarter. Growth active consumers increased by 54.7% to 227,000. Orders increased by 53.1% to 410,000, and total volume increased by 56.2%. Nicotine pouch volume increased by 63.4% to 10.8 million cans.

Peter Deli
CFO | Haypp Group

Net sales increased by 54% to SEK 389 million, with organic growth of 53.2%. Gross profit increased by 34.2% to SEK 70.5 million, while gross margin declined to 18.1% from 20.8%, driven by the higher comparator. EBITDA was -SEK 48.4 million, compared with -SEK 11.6 million last year.

Peter Deli
CFO | Haypp Group

The reduction reflects organizational expansion, U.S. and U.K. marketing investment, as well as the initial Saudi Arabia investment, which was approximately SEK 4 million in the quarter. Our Q4 priority is to continue pursuing the substantial long-term opportunity in both U.S. and U.K. Moving to slide 24.

Peter Deli
CFO | Haypp Group

Our Core segment delivered another strong quarter. Active consumers increased by 6.4% to 455,000. Orders increased by 8.4% to 1,042,000, and total volume increased by 9%. Nicotine pouch volume grew by 14%, while snus volume stabilized. Net sales increased by 19% to SEK 832 million, or 15.7% organically.

Peter Deli
CFO | Haypp Group

The increase in order frequency and average order value indicates a higher share of wallet. The positive price mix is driven by the rapid increase in Media & Insights, and the manufacturer-led price increases.

Peter Deli
CFO | Haypp Group

Gross profit increased by 35.1% to SEK 171 million, and the gross margin improved by 2.5 percentage points to 20.5%. Supported by higher media and insights revenue, volume growth and positive price and mix. EBITDA increased by 61% to SEK 104 million. And the EBITDA margin expanded by 3.3 percentage points to a record of 12.5%. Core continues to provide a growing, profitable, and cash-generative foundation for the group's investment in Growth Markets. With this, I hand back the word to Gavin to walk us through the strategic priorities.

Gavin O'Dowd
CEO | Haypp Group

Thank you, Peter. Moving to slide 26 and the U.S. I would like to start with how the market conditions are changing and how these changes are positively impacting our business. In addition to the announcement from the FDA regarding enforcement discretion in May, there have also been 39 marketing granted orders for nicotine pouches since then, which is unprecedented.

Gavin O'Dowd
CEO | Haypp Group

The FDA is considering a revision to the PMTA process to further accelerate product innovation, especially for nicotine pouches. This rapid acceleration of new product launches has already begun, with Haypp launching 68 new SKUs during the quarter, all of which came from established brands. This decision is likely to support market growth rates as both more consumers find suitable nicotine pouch products to switch to, and more existing JUUL users switch entirely to nicotine pouches.

Gavin O'Dowd
CEO | Haypp Group

This more dynamic U.S. environment is becoming analogous to the environment which began in Sweden and Norway approximately six years ago, and is an environment we have deep experience in. A broadening assortment has historically been an accelerator for Haypp, as our operating model enables us to carry a significantly larger range of quality products.

Gavin O'Dowd
CEO | Haypp Group

Our stores are designed to help consumers navigate the product differences to find the product which is right for them. In addition, we have also improved on our subscription, loyalty, and referral programs.

Gavin O'Dowd
CEO | Haypp Group

While all three are showing strong growth, subscriptions in particular is showing an excellent exponential growth. We will continue to develop these products to continue to maximize our consumer growth, and we will remain nimble in our mix of investment in marketing and the consumer offer.

Gavin O'Dowd
CEO | Haypp Group

The range of activities has led to 91% year-on-year volume growth for the quarter in a market which is growing approximately 10 percentage points. Moving to the U.K. in the next slide 27. Based upon Haypp-commissioned market survey, 70% of the current nicotine pouch users in the U.K. have entered the category in the past two years.

Gavin O'Dowd
CEO | Haypp Group

In line with the previous behavior of new entrants into the nicotine pouch category across many markets, their initial average daily consumption is currently low at approximately two pouches per day.

Gavin O'Dowd
CEO | Haypp Group

However, we expect this to grow in line with prior experience, as nicotine pouches take an ever-increasing share of the consumer's nicotine consumption. We estimate the U.K. nicotine pouch market is currently growing by circa 40% per annum.

Gavin O'Dowd
CEO | Haypp Group

As a reminder, we expect to see the main topics of the Tobacco and Vapes Bill, which received royal assent at the end of April, come into force via multiple pieces of secondary legislation. The first, which restricts the sale of products to consumers over 18 years old and also bans sampling, has come into effect at the end of October.

Gavin O'Dowd
CEO | Haypp Group

The most relevant piece of legislation for Haypp will relate to marketing restrictions and is expected to come into place at the beginning of June 2027. These and other potential changes are expected to further consolidate our market-leading position and accelerate migration to online.

Gavin O'Dowd
CEO | Haypp Group

I would also like to draw your attention to some of our key highlights in the U.K. during the quarter. Our performance is supported by a high level of brand owner support and high demand for both our media and our insights.

Gavin O'Dowd
CEO | Haypp Group

We continue to accelerate the new consumer inflow while the current market window remains open. This range of activities has led to strong volume growth of over 90% in the quarter, which is over twice that of the estimated overall market growth. Moving on to slide 28 and legal updates.

Gavin O'Dowd
CEO | Haypp Group

Regarding the Swedish litigation, the Supreme Administrative Court denied the appeal regarding Snusbolaget Norden's tobacco license. As previously guided, no material financial or operational impact is expected to our business.

Gavin O'Dowd
CEO | Haypp Group

Haypp developed biometric age verification solutions for our lockers in Sweden and implemented them on our smaller sites already. We expect to roll it out to our largest Swedish site later this year. Moving to the U.S. Haypp announced a financial provision to allow for settlement of an alleged violation of local regulations in a U.S. city.

Gavin O'Dowd
CEO | Haypp Group

We have constructive communication with the authority, and work is ongoing to reach a mutually acceptable settlement. The group has established a $2.5 million provision. Moving to the penultimate slide 30. In summary, underlying consumer dynamics continue to develop favorably, and the category growth and supportive regulatory environments. Each of the market segments delivered what was expected of them.

Gavin O'Dowd
CEO | Haypp Group

Core EBITDA increased 61% year-on-year, and the Growth segment sales was up 54% year-on-year, delivering on Haypp strategy. Strong group organic growth achieved with volume increases of 22% and net sales increases of 26% in constant currency versus Q3 2025.

Gavin O'Dowd
CEO | Haypp Group

Group gross profit increased by 35% year-on-year, and new all-time high gross margin of 19.7%, up one percentage point year-on-year, driven by the demand for our Media & Insights. Haypp remains on track to deliver its 2028 revenue and profit targets.

Gavin O'Dowd
CEO | Haypp Group

With that in mind, moving to the last slide to recap on these targets. Revenue growth of 18%-25% CAGR from 2024 at a constant currency, and a 5.5% adjusted EBIT margin, plus or minus 150 basis points, subject to the investment opportunities which remain at the time.

Gavin O'Dowd
CEO | Haypp Group

Before handing over to the operator, I'd like to thank the team for the great work in recent quarters, which led to the continued strong performance in this quarter. With that, I will hand over to the operator for questions. Thank you.

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 Morayo Adesina from Barclays. Please go ahead.

Morayo Adesina
Analyst | Barclays

Morning, team. Thanks for taking my questions. Just a few from me. First of all, on the marketing cut, or reallocation rather, in Q4. I know you may not be able to give us exact numbers, but could you give us a sense of how significant that reduction will be in Q4, and maybe how we should think about the normalized quarterly run rate for next year as we approach 2027?

Morayo Adesina
Analyst | Barclays

Then similarly, when are you expecting to see break-even again on growth and EBITDA margins next year? Then finally, just one on ZYN and the comparison and the change in the can size. Can you just help us understand how that will hit your volumes? Like, help to frame our thinking around that in Q4 and going forward. Thank you.

Gavin O'Dowd
CEO | Haypp Group

Good morning, Morayo. Let me take those in reverse order. If I start off first of all with the increased number of pouches in ZYN as it goes through. Our primary KPI that we start each report with is cans, and it will remain cans irrespective of this changing. As you see more pouches sitting within a can, you will undoubtedly see a lower increase in the number of cans that goes through.

Gavin O'Dowd
CEO | Haypp Group

However, those products are expected to be sold at a slightly higher price than the 15-pouch cans, so you will see it flow through in the form of higher growth in revenue on the basis of those products than you would see higher growth in volume.

Gavin O'Dowd
CEO | Haypp Group

Moving back then to your second question regarding the balancing act between profit and growth, as we look out towards 2027 and into 2028, we will remain with the same principle on this one of we will continue to prioritize growth so long as we see robust growth potential. With that growth, we expect that to deliver reasonable economies of scale as it runs through, and we have pretty robust gross margins, as you can see already within our growth markets.

Gavin O'Dowd
CEO | Haypp Group

Hence, growth itself will be the primary driver when it comes to reaching profitability. Having said that, we will continue to navigate the balance between growth and profit, subject to the growth potential that we continue to see for the future years on this one as well. Then back to your first question, which was the balancing angle between marketing and investment in the consumer offer.

Gavin O'Dowd
CEO | Haypp Group

We will continue to adapt. I think when it comes to the overall, if I look at current quarter of Q4 and perhaps the next couple of quarters as well, from an outside perspective, I think I would view this one as the overall profitability within the U.S. is not expected to change materially.

Gavin O'Dowd
CEO | Haypp Group

What we will do is continue to balance the shape of where that investment is coming between how much of it is going directly towards generating awareness for the consumer off-site in the form of marketing versus how much is around the consumer offer, which in itself is very strong at accelerating new customer inflow as well. We will always be continuing to refine those two over the coming quarters.

Morayo Adesina
Analyst | Barclays

Great. Thank you so much.

Gavin O'Dowd
CEO | Haypp Group

Thank you.

Operator

The next question comes from Kristian Bergström-Smolle from Pareto Securities. Please go ahead.

Kristian Bergström-Smolle
Analyst | Pareto Securities

Good morning, Gavin and Peter. A couple questions from my side here as well. Maybe starting off with the provision here. Could you give us any more details on what the alleged violations relate to? Is it flavor product, labeling, sales channels, and also which city it involves?

Gavin O'Dowd
CEO | Haypp Group

Good morning, Kristian. No, I can't, to be frank. It's an ongoing case at this point in time, and I'm somewhat restricted in what I'm able to say about it. What I can say is that I'm hoping to get this resolved over the next quarter or so, and I think it will become a lot clearer and make a lot more sense as regards to why I can't say very much at this point in time. There is a confidentiality restriction on this one.

Kristian Bergström-Smolle
Analyst | Pareto Securities

Yeah, makes sense. Just wondering here, because you said it will have no direct impact on your future sales in the U.S. What are you basing that assumption on?

Gavin O'Dowd
CEO | Haypp Group

We're in robust, we're in, say, solid engagement, and we have very robust, very healthy discussions with the counterpart on this one. So we're feeling reasonably confident with the statement that we've made already.

Kristian Bergström-Smolle
Analyst | Pareto Securities

Perfect. Then maybe a follow-up on a previous discussion here regarding marketing reallocation here in Q4. Just wondering which channels or activities you are planning on dropping maybe. You also referred to, I think, like keeping those that work, and also which are these, starting off with that.

Gavin O'Dowd
CEO | Haypp Group

Yeah. So I think this was the point I was trying to touch a little bit on the marketing side as we went through, whereby, particularly on the lower funnel marketing, while it was excellent at bringing new customers in, we realized that when we did a little bit more research on this one, many of those new customers were at a stage of maturity and curiosity around the category that even if we got them in a little bit earlier with the marketing activities we were doing in the lower funnel, they would have come to us organically anyway, just a little bit later. Hence, we feel as though we're happy to trim that back at this point in time.

Kristian Bergström-Smolle
Analyst | Pareto Securities

Okay. Makes sense. How do you think that this will affect customer acquisition here in Q4?

Gavin O'Dowd
CEO | Haypp Group

No, I think we are reasonably confident with our customer acquisition numbers as it goes through. Part of the reason why we are rebalancing some of the investment into marketing back in towards the consumer offer is to support that.

Gavin O'Dowd
CEO | Haypp Group

Both of those are there to drive consumer acquisition, and it is the fine-tuning of it within those two to optimize for long-term consumer acquisition. We do not see this as having a material impact for the future.

Kristian Bergström-Smolle
Analyst | Pareto Securities

Yeah, perfect. Then maybe lastly on the 39 products here approved since May. How many are in your U.S. range, and how many were you already selling? Also, do you have any sort of feeling of how much this new added here in Q3, and what can we expect that to add now here in Q4 and moving forward?

Gavin O'Dowd
CEO | Haypp Group

Yeah. Just to be clear, there are two aspects here. One is 39 new products received a marketing granted order. There is also a higher number of new orders. I think it is 68 new orders which have actually, sorry, 68 new SKUs which have actually come to market onto our platform since then.

Gavin O'Dowd
CEO | Haypp Group

Actually, some of those products which received a marketing granted order have actually yet to move into production. So I expect those to be coming to market imminently as it goes through.

Gavin O'Dowd
CEO | Haypp Group

Because of the guidance that the FDA provided in May, whereby they were prepared to offer a degree of flexibility, there is a range of new products which have also come to market which are still awaiting the marketing granted orders that comes through. So those are two slightly different sets of numbers when it looks through it.

Gavin O'Dowd
CEO | Haypp Group

But what I think, from a commercial perspective, I think the 68 new SKUs which we have launched during the quarter is the most prominent point as it runs through. From a regulatory perspective, as regards to the sustainability of the category and the outlook for the category and the FDA's approach to it, I think the 39 marketing granted orders is critical for that point, as critical as to illustrate that point.

Kristian Bergström-Smolle
Analyst | Pareto Securities

Yeah. Perfect. That was all for me. Thank you so much.

Gavin O'Dowd
CEO | Haypp Group

Great. Thank you.

Operator

The next question comes from Daniel Tharian from Deutsche Bank. Please go ahead.

Daniel Tharian
Analyst | Deutsche Bank

Hey, Gavin, Peter, thanks for taking the questions. You previously explained that the Media & Insights, the improvements in offerings made in 2025 have been a meaningful contributor in 2026. Now, with Media & Insights appearing to be a more important driver of gross margin, as you enter the 2027 discussions, are you seeing greater engagement, and how much further runway is there to broaden the number or scope of these offerings?

Gavin O'Dowd
CEO | Haypp Group

Yeah. Good morning, Daniel. The way we generally develop both our media and, to a great extent, our insights as well, is that we develop them during the year, and then while we may test them with a select partner or two at the latter part of the year to validate that they're working, we then generally engage suppliers in the negotiations at this time of the year for the following year, and then roll them out generally from the beginning of January, and it rolls forward.

Gavin O'Dowd
CEO | Haypp Group

That's why you will often see a notable uptick from one year to the next, moving from Q4 to Q1 on our Media & Insights as it runs through. This year is no different versus the last five or six, whereby we do the development during the year, we do the testing in Q3, for beta testing, we do the live testing in Q4, and then we roll out in Q1. So, the Media & Insights continues to grow, driven by two dimensions, really.

Gavin O'Dowd
CEO | Haypp Group

Particularly on the media aspect, there's two dimensions, which is the increased scale of our business means that the existing media is worth more because we're reaching more consumers, and the second dimension is that the products themselves tend to take a step change each year as it goes through, which makes them more valuable as well. That's equally valid for the insights.

Gavin O'Dowd
CEO | Haypp Group

Insights, we can often roll out some aspects of during the year, but it tends to make the biggest notable change as you move from one year to the next, because we generally run with calendar-long contracts on this, 12-month calendar contracts on this as it goes through. There's prime examples of this coming true at this point in time.

Gavin O'Dowd
CEO | Haypp Group

For example, we have recently launched a sensory panel, whereby we have established our own sensory panel to work through each of the individual products and what the consumer is sensing within that. We're combining that data in with the underlying product testing, which we have, but most importantly, we're combining it in with the consumer data on how the consumers are reacting.

Gavin O'Dowd
CEO | Haypp Group

And that, for example, is something which will be starting to be rolled out now and will be rolled out across our business partners throughout 2027 as an extra driver for insights revenue.

Daniel Tharian
Analyst | Deutsche Bank

Perfect. Makes sense. Then just one more from me. In a statement, you had described subscriptions as scaling rapidly in the U.S. and also promising within core. Could you just give a sense of the scale of that today?

Daniel Tharian
Analyst | Deutsche Bank

And more broadly, as subscriptions become more important, how do you balance the benefits of that greater loyalty against potentially reducing product experimentation, particularly given innovation and new product discovery are important drivers to the long-term category potential?

Gavin O'Dowd
CEO | Haypp Group

Yeah. So historically, if you and I were having this conversation four or five years ago, I wasn't particularly keen on subscriptions for that exact reason. However, the categories in all markets at this stage either has or is reaching a tipping point when it comes to new product trial is fundamental within this category at this point in time.

Gavin O'Dowd
CEO | Haypp Group

So, for that reason, we consider our subscriptions to be a really valid offer at this point in time. I think we're also developing the subscription piece whereby it doesn't necessarily lock out new product trials.

Gavin O'Dowd
CEO | Haypp Group

So, there is ways to manage subscription whereby there's a range of new products being offered to the consumer, subject to their historic usage patterns and the understanding we have on propensity scoring of new products coming through of what they would and wouldn't like.

Gavin O'Dowd
CEO | Haypp Group

So, I feel as though as we've moved into subscriptions 2.0 across the group earlier on this year and started rolling it out across multiple markets, I feel as though that issue, both because of the conditions in the market and because of how we have developed the tool, is much less of a challenge now versus what it was four or five years ago.

Daniel Tharian
Analyst | Deutsche Bank

Perfect. Thank you. That is all from me.

Gavin O'Dowd
CEO | Haypp Group

Thank you.

Operator

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

Gavin O'Dowd
CEO | Haypp Group

Okay. I see a question coming in here regarding AI, and let me read the question out, and we will go from there. Major financial and management consulting firms estimate that AI agents will capture between 10% and 25% of U.S. online retail and e-commerce sales by 2030. Is Haypp doing any preparation for this in development?

Gavin O'Dowd
CEO | Haypp Group

In summary, absolutely, we are. We definitely envisage that the future of search is going to move much more as time goes by from the traditional Google model much more into large language models.

Gavin O'Dowd
CEO | Haypp Group

However, one aspect here of AI agents, which I think is unique to our category, I do not expect our category to be one of the first categories which will be impacted by AI agents. In fact, I consider us to be pretty far down the line.

Gavin O'Dowd
CEO | Haypp Group

The main reason for that is the validation of the individual and the youth access compliance within it. I don't believe any of the AI agents would be prepared to take the risk of buying products on behalf of people who may not be either entitled to buy the product because of age or may not be entitled to buy the product because of geography and where it runs through.

Gavin O'Dowd
CEO | Haypp Group

I consider the core focal point is on finding and capturing the customer via the large language models rather than via agentic shopping itself. We have been doing a huge amount of work in this over the past three years. We have dedicated sections of the organization sitting within it. I think a couple of key aspects within this, and you can see this shrinking even more as the LLMs progress.

Gavin O'Dowd
CEO | Haypp Group

You are at a stage where if you put a search term into Google, it would give you back 10,000 results. Two and a half years ago, you put a search term into Claude, or actually two and a half years ago, probably more ChatGPT, it would give you five results.

Gavin O'Dowd
CEO | Haypp Group

Now it will generally give you two results when it comes to recommending where you go to. What these platforms are capable of doing that traditional search wasn't, is they're able to bring in a much broader remit of information when it comes to determining which platforms they should recommend.

Gavin O'Dowd
CEO | Haypp Group

This is part of the reason why we have firstly been utilizing our underlying data, and we're updating the content and the underlying data on a nightly basis as it runs through to keep it what we refer to as blinking fresh as the data runs through to keep the LLMs aware that we are the most prominent aspect within this.

Gavin O'Dowd
CEO | Haypp Group

There's also other aspects of generating our credibility off-site on this space, and this is part of the reason why we share so much of our data with leading academics to get reports written on it, because once we are named within those leading academic reports, that also explains to the LLMs what a credible and leading player we are within this space. We also do the same when it comes to traditional media, such as news articles, et cetera, getting out there.

Gavin O'Dowd
CEO | Haypp Group

The LLMs are much better at capturing broad, long-tail data here than the traditional search. Lastly, it's back to what we were talking about in the marketing slide, generating brand awareness and having mentions of your brand across a broader range of platforms, including, albeit within a safe environment, social media, tends to support this as well.

Gavin O'Dowd
CEO | Haypp Group

Absolutely, even if we're not seeing a significant amount of our traffic coming from LLMs at this point in time, I have a strong belief that this is the inevitable path that the universe will go to over the coming years.

Gavin O'Dowd
CEO | Haypp Group

Difficult to quantify exactly how many, so we are dedicating a lot of resources to making sure that not only are we at the forefront of this, but that this will further consolidate the channel, and hence it will become, we believe, a winner takes all space. I hope that goes some way towards answering the question. Okay. Did I see there was another phone question?

Peter Deli
CFO | Haypp Group

Yes, there is a new phone question. Can you please help us to add the question in?

Gavin O'Dowd
CEO | Haypp Group

Okay. It appears as though we no longer have a new phone question. We will just check and see if there is any other questions here. What does that mean, Saudi Arabia? It just says Yeah, that is not particularly clear.

Peter Deli
CFO | Haypp Group

Okay, just an update on Saudi Arabia.

Gavin O'Dowd
CEO | Haypp Group

I think we just have Saudi Arabia and a question mark in here. I guess somebody's asking for an update on Saudi Arabia. We launched in Saudi Arabia in the beginning of the quarter. As expected with any new market we've launched within it, sales start off quite slowly, but they are growing exponentially. There's various aspects of the operating model which we are refining, and we continue to refine. Again, it's comparable with the last half dozen of markets which have launched as well.

Gavin O'Dowd
CEO | Haypp Group

We're very happy with the team and how they're operating at that point in time, the progress they're making, and we look forward to this being a sizable part of the business, but we don't expect it to be a notable part of the business imminently. We think this is a long burn that we're on. Perfect. Okay. With that, I'd like to thank everybody for their participation in the call, and I look forward to speaking to you all for our Q4 results. Thank you very much.

Peter Deli
CFO | Haypp Group

Thank you, everyone.

Gavin O'Dowd
CEO | Haypp Group

Thank you.