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Haypp Group AB (HAYPP.SE)

Q3 2025 Earnings Call

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Welcome to Haypp Group Q3 earnings call for T25. For the first part of the conference call, the participants will be in listen only mode during the questions and answer session. Participants are able to ask questions by dialing pound qis5 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. Good morning everyone and welcome to our Q3 2025 conference call. Our CFO, Peter Daddy and I Gavin O'Dowd will take you through our results starting on Slide four. I would like to focus on four key aspects of our operational highlights, beginning first with our Nicotine pouches 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 insu since June period. Third, gross margin continues to increase to a record high of 18.8%, reflecting the strength of our operating model. And lastly, we have continued to make strides forward in our infrastructure overall, having successfully migrated our largest site onto our new infrastructure 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 comparatives from last year, which you can see here in the chart. In addition, we recognized the strong development in new consumers in recent quarters, which is visible in the second chart. And lastly, in mid-September, we resumed sales of Zyn in the U.S. This comes on the back of a mutually beneficial agreement with the brand will also have many of our media and insights services. We recognize that there are many zyn loyal consumers who are 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 are piloting a new approval process which aims to process products from four of the leading manufacturers before the end of 2020 five. While this process doesn't guarantee that each product will be approved, it may signal an acceleration in the range of new products entering the U.S. markets. On the back of the ever improving landscape in the U.S., Haypp Group are preparing to accelerate new consumer inflow. Our 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 off-line consumer segments and how to overcome impediments to them shopping online. This work is expected to be completed this year. In conjunction, Haypp Group have commissioned a marketing agency with specific expertise relating to our business, with the intent of engaging key consumer segments to accelerate new consumer inflow. The learnings from our pilots this year such as same day delivery, out-of-store, advertising, refinement and loyalty programs are feeding into this marketing plan and we expect it to be operational early in 2026. Moving to Slide seven and our regulatory and legal update. And starting with the U.S. in addition to the point in 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. It should also be noted that there is a referendum underway in Denver, Colorado on tobacco product flavor. When nicotine pouches is included in that categorization. Regarding the EU, in addition to the treaty which we spoke of last quarter, the EU Commission is preparing a submission for the FCPT'S. 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 aggressive positions are opposed by member states. Then lastly, in the U.K., the tobacco investment is currently being discussed in parliament. We hope the bill will implement nicotine patch product standards, which are in line with Haypp Group policies. Regarding litigation, lwps legal proceedings in Stockholm are expected to take between 3 to 9 months. And regarding San Francisco, a settlement was reached during October. The move removing U.S. litigation uncertainty. With that, I will now hand over to Peter for an update on our financial performance. 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 our view. We concluded a solid quarter, as Gavin already elaborated on. We successfully relaunched the market leading brand on all U.S. store fronts, and we maintained a 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 increase level of investments, adjusted EBIT remained flat versus same period last year and a half percent. 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 2020. For Q3, we had ZYN in the U.S. for the fourth quarter while in 2025 Q3, we saw this ban only for 19 days. Reported sales grew by 1%, excluding effects. 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, which declined mainly in Sweden, impacting our performance negatively by 5%. This is partly offset by the emerging segment contribution to the growth of 2%. The slow 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. tobacco discontinuation and closing states, was 92 million SEK. As said before, currency created a headwind for us. The impact of the foreign exchange movement remained in line with the first half of the year. The depreciation of the Norwegian kroner and the U.S. dollar against the Swedish krona have 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 into PNL, you can find the long term quarterly development of high 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 key drivers of increase are the same year of the year. We managed to increase our gross margin driven by consistent volume and top line growth and by the increasing contribution of our media and 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 for the next growth chapter. Important to note that going forward, the return of Zyn is not expected to negatively impact our margin levels. Sustaining the strong media and insights business will remain important, and the continued need for development of those products are pivotal for us. I would like to reaffirm the foundational principles of our business model. We allocate the value created by your company and of course 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. By continuously improving all media and 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 226 million SEK for the third quarter. This increase is mainly driven by the U.S. local team capabilities. We also strengthened our media and insights teams and invested into activities to increase our online channel and high brand awareness. On Slide 12, you can see key figures around our profitability. Adjusted EBIT for the third quarter grew by 0.9%, reaching 3.4 million SEK. The adjusted EBIT margin remained flat at three and a half percent. We got the 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 13.1 million SEK 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 point versus last year. Moving to Slide 13 and zooming in in our core markets. This segment delivered an overall 5% constant currency net sales growth. The quarters started slow with some acceleration during the second half of the quarter behind the sales growth. Two completely different dynamics remained the Nicotine Pouch segment, which accounted for 57% of the volume before COVID markets, maintained its growth and consistently gaining share in all volume. Business segments. 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 underlying consumer demand. But also important to note that Q3 is the last quarter where the tax reduction driven price decrease on the 1st of October 2024 drove the negative price mix for the Swedish market. In this new segment. These two opposing 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 pages in customer numbers are also showing the different dynamics. While we are continuously building the nicotine pouch consumer base. The decline in Swedish snus consumer offsetted adjusted EBITA remains strong for this segment at 10% in Q3 disorders, THESE.AND is 1.3 percentage points above the same period last year. The driver behind the increase is the media and insights revenue growth. On

Slide 14, you can find more gross market performance. Net sales, excluding currency impact on a like for like basis is up by 39% while all markets increase 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 UK. Our adjusted EBITA moved into the negative territory, driven by increased investment levels mainly to the U.S.. In absolute terms, it amounted to -1.4 million SEK and the adjusted EBITA rate was -0.6%. While the profitability is down versus the same period last year. Important to note that gross margin remained stable for the segment. However, overhead increase, mainly driven by the U.S., negatively impacting the business. On Slide 15, what AM imaging 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 remains challenging due to the absence of regulatory enforcement across the entire spectrum of market participants. High 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 well in markets and segments where we are market leaders, we can compensate with more weight. But in the U.K. vape market, as a challenger, the unlevel playing field prohibit us from achieving our ambitions. As you can see on the bottom chart, while Sweden and Germany Netseer has maintained its growing trend, this was not the case in 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 or vape and heat, not burn sales in the U.K. during Q4. On page 16, I would like to highlight three or four selected CBIZ'S. The full list of KPIs are 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 slight reduction in other inventories in other locations. The inventory increase didn't translated fully into the increase in working capital, driven by improvements in other components. Net debt to adjusted EBITDA immediate ratio remained at 0.4 times. With this, I would like to hand back to Gavin. Thank you very much, Peter. Moving on to our outlook slide slide 18. In our view, the long term future for this 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. Bright and High 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 are beginning to manifest, which further differentiates us, given our sustained focus and investment in long term compliance. And 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 to 25% cagar over the period with the US market being a material contributor. This reflects the lower expected growth rates for 2025 due to the comparatively narrower consumer base in the US. We also guide towards five and a half percent EBIT at the end of the period, plus or -150 basis points. While we have been materially increasing our EBIT in the past few years, we intend to reinvest into the U.S. to accelerate our market share growth over this period. I would kindly direct your attention to our CRM dematerialize, which is available on our website, and this provides more detail on these targets. Last year, the company does not intend to issue a dividend over this period, instead reinvesting 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 their dedication and hard work delivering these strong results. With that, I will hand over to the operator for questions. If you wish to ask a question, please dial 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. Yeah. Good morning, guys. Thanks for taking my questions. A couple of ones from my side. First one on the now that Sumas back in the U.S. assortment, could you share any early indicators on reactivation of dormant US customers ? I saw that active, active customers declined by 25% year on year in Q3 in Growth Markets. But what did you observe observed from from mid-September ? Once, once, then returns in terms of traffic, conversion, etc. ? Good morning, Johan. Yes, absolutely. And if I take this question perhaps in chronological order. So if I take it, 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 2020 for THEM.MOVING moving along to this year. So yes, we note that there was a substantial number of consumers which came in particularly during 2020 for that and of course disappeared in the latter part of the quarter when we no longer had the product. And I guess there are two dynamics to those. Some of those were ones who were forced to online

because they couldn't get the product anywhere else. And some of those were ones who chose to come online and quite enjoy the experience. So there's 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 the window from the same came back and we've been quite happy with the early successes we've 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. Cool. Got it. And maybe if I can just dig in, dig a bit deeper into that topic. Topic. And I wonder if you could walk us through your your your strategy here into rebuilding rebuilding awareness in the US. Is this primarily a CRM driven or will we see a step up in payback decisions ? And if so, what ? What channels are you leading on ? And any any sort of early read from what you have from the end of September would be would be much appreciated. Yes. So it's the it starts off with the lowest hanging fruit here is very much via CRM as regards the ability to reach out to them initially via email. We're now looking at we're now testing ways of being able to follow that via other aspects as well, such as calling some of the consumers to let them know that we're back on this or to be doing some postal and distribution to send out an physical messages to these consumers as well as it's coming through. And what we can see is that just to be clear on this one, we're getting well over 100,000 zyn consumers that came to us in the first nine months of the 2024 it with a particular lean towards perhaps two periods between late March and late September. So this is a sizable base of consumers within the US and we see that we've gotten a good activation flow for perhaps the first 12, 14,000 of those coming back in already. And but I think, like I said, there's still a sizable piece out there that we need to 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 through them to get more and more of them in. These are extremely valuable consumers. Got it. Thank you so much for that additional color and the final one here before I jump back in the queue. On the gross margin, stepped up meaningfully in the quarter, but adjusted EBIT margins did not expand at the same extent, which is reasonable given your investments in the U.S.. But but 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 US will pick up significantly ? Yes, I think the way we're viewing this one is, you know, we set out a very clear a destination. One was a destination, but perhaps milestone for who would be in 2028. And but we do expect that we will continue to invest in the US so long as we can see strong returns on the investment that we're putting in. So 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 26 and early 27, but more a case of so long as we can see strong return on the capital which we're investing, we are, we believe that the strong return coming on the capital that we're investing in, some of the aspects it's difficult to quantify exactly in advance. We will continue to invest that money. So I think it's probably more that principle should be you should be viewing this or you should be considering this one through your own merits, rather than a set target for what it would be for each quarter going to make. Makes perfect sense. Thank you. Those are all my questions. Now I will get back in the queue. Thank you, John. The next question comes from Nicolas Achtmann from Dgnb Carnegie. Please go ahead. Thank you. Yes, I have a couple of follow up questions from from you. One here. Just is there any way you can quantify the current trading in the U.S. market ? And obviously, there are two effects here. Firstly, that you are you come from a period of exceptionally tough comparisons and then the absence of then and now this completely reverses as we go into Q4. So I'm just trying to get my hands on here. What what kind of growth rates are you 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's any color here you could give us, it would be appreciated. Yeah, exactly. I think and I think you're spot on. So 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 complete, fully run out when it comes to like for like but it's a small enough part of it has been wound down quite heavily already by October of 24. And then there was two close states. So then you have that on one hand, all of the cold states have already been reflected into a were already completed by the by the end of September of 24 as well. So then 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 rub 60% volume growth. And in the U.S., does that give you some form of guidance ? And where we are here ? Yeah, absolutely it is. And what kind of impact does that have on the group ? What is is

with roughly is making up roughly 20% of the group sales at this point of time growing substantially faster. So I guess you can reverse engineer back from that as regards to what impact it could have on growth rates at a group level. Very good. And second question on the same topic, and you reiterated here your guidance or your targets from the CND in April with growth rates of 18 to 25%, and that's a kager and kind of adjusting them for the weakness that we've seen in the last four quarters with growth rates of around 5%. So I guess my question here is that to me, that suggests that you are expecting growth rates in the next four quarters to be well above that 18 to 25% range, more in the range of 30% plus. Given the easy comparison base, am I looking at this correctly? Yeah. We do expect the growth rates to pick up during 26. Yeah. Yeah. Okay, good. And I'm sorry on that one, Nicolas. When I say growth rates, I'm talking about reported growth rates as opposed to like for like. Yeah. So like for like will of course be, you know, like for like will be lighter. And because I'm going to be making the adjustment for having the extra assortment that I didn't have before. So like for like and will you can 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. We always endeavor to be helpful. It was very. Very good. And another question here is on the margin outlook again and coming back to the December guidance here of the margin. So 4 to 7%. And the reason I'm asking is I know that there's some sell side expectations that are significantly above that range with the margins. I think coming close to 10%. But I know the quality of the consensus might not be that great. So maybe I'm missing something here, but it seems like there are expectations for a very strong margin expansion in 26 and 27. And based on what we've seen on the gross margin, that seems to make sense. But at the same time, it's not in line with what you are guiding for. So 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 or three years from now or. Yeah, just your view there? Well, I think the guidance we gave for three years from now, which is 2020 year, is pretty unequivocal. We said we would be at circa five and a half percent 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 250 basis points below within it. If we see growth opportunities starting to level out a little bit, then we will perhaps lead a little bit more towards 150 basis points above. But everybody's entitled to their own opinions of where this will come in. But I don't know if we can be clearer regarding what our expectation is. Yeah, just maybe. I mean, as of now, the your growth markets have a much lower profitability than your core markets. And obviously you are now in a ramp up phase where you have made a lot of a lot of recruitments and you had costs and volumes have only just started to come back. So 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? 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. And 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 from traditional retailers, which is the oxygen that we have to play with. There's a lot of reasons for that. A lot of it goes back to when the industry, a completely different construct within Sweden and back as far as the nineties and that it is just been a legacy from there. But 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 to 50% retail margins across the likes of the US and the U.K. So 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, 20 28, I view very much as a milestone rather than a destination. So 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 US and the U.K. So we're not necessarily stating that we would be in a steady state margin at that stage. We feel as though if there's two strong growth opportunities and we believe there will be within those markets, we will continue to invest. But back, I think to your initial question, or at least my what I think your initial questions you, Nicholas. Yes. I believe there's a basis for healthier margins in the growth markets than the core markets over the long term. Very clear. Thank you. And just a final question on this topic of the U.S. or U.K. vaping and the heat not burn and how big a share was that of the I think it was 40 million in revenue here in Q3.

How significant share was that ? Did that make up of the emerging segment ? Yes, it was around about just under a third of the emerging segment between the third quarter. And so it accounts for just over one percentage point of our total group revenue. So we consider it to be not particularly material in the scheme of things and maybe just create a little bit more context on that one here. And there is a lot of there's been some very clear regulation introduced into the U.K. at various stages over the last couple of years, including earlier this year. And but it is an environment where by many of the other retailers, both online and offline, are not complying with this. And we're not prepared to go in compete in that environment because it is illegal. And that's not a space that we do in it. I think it's also worth bearing in mind on this one, Nicholas, that the fastest growing category by far in the U.K. is nicotine pouches. And we are this gives us the opportunity to double down on our already very strong performance within the nicotine pouches, where we are the market leader. And we are, you know, a very strong share of the online channel. So this gives us the opportunity to lean into that. And should the environment ever change when it comes to vape in the U.K. and if we're sitting here in a few years time and the regulation is being enforced and it's quite clear what the playing field is, you know, we could very easily reverse the decision that we've made now. But at this point in time, we can't operate in an environment where we're the only one of the only ones complying with the regulation. And do you see any risk that the discontinuation of vaping and the heat not burn, that that could negatively impact your momentum in the nicotine pouches ? I mean, is there is there a big overlap in the number of users and maybe the risk that you will lose some of these users because you don't have the full product portfolio ? No, I think vaping was quite useful to us a few years ago when nicotine pouches, it was in its infancy. You have to bear in mind, you know, nicotine pouches today is probably available in about four times as many stores in the U.K. as it is in Sweden. So the availability of it is pretty significant at this point in time. You go back 2 to 3 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 come in to buy from us. What we generally find is that users of both categories tend to only be dual users for about a quarter to quarter and a half as it runs through, at which point in time they tend to switch across and target towards nicotine pouches. So there's an insignificant share of our sales is made up of a consumers who put both categories into a single basket. So we don't envisage that there's going to be any spillover effect on that. That's very clear. Thanks so much for taking all my questions. Thank you, Nicholas. And you. The next question comes from Mario at Ascena from Barclays. Please go ahead. Hi, guys. Thanks for taking my question. Just to quickly from me on the Asda pilot, I was just wondering if Hyper's any insight into the timings of that, if are going according to plan and if the reviews are still expected to be completed on Nicotine pouches for this year ? Or is that something that's any privy to the manufacturers ? And then secondly, on the snus consumer demand decline in Sweden, are you seeing a direct switch from snus uses 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. Perfect. Let me start with the first one. And yes, I think the position that the FDA is taken is quite clear and quite public with their commitment to having the pilot process completed by the office and by the end of 2025. And I'm not sure actually that anybody has sufficient clarity on what's going on behind within the FDA as opposed to where they are in the process. Because I am cognizant that we're now on the 5th of November, which means that, you know, best case scenario, I think they have probably about 6 to 7 weeks to get this completed. But you can very, very much get a sense from all stakeholders involved of how quickly people are preparing for a new environment here. I think what we're going to have to do is wait and see whether the FDA is going to be able to actually comply with the timeline laid out for themselves here. And I don't I think I'm a bit dubious of anybody which 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. And so, unfortunately, no, I don't have I don't have a I don't have a direct in-road to be able to give an answer on that one. And back to your second one. Regarding Stus decline. Yes, 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. I reckon there is somewhere around about a 70 to 80000 new entrants coming in to the oral category in any given year in Sweden at this point in time and I would say very few of those are committed traditional snus category and have been over the last 3 to 4 years. They're generally leapfrogging data and demonstrated nicotine pouches at the other end of the journey. And a lot of the older snus, a lot of the older users of oral products within Scandinavia are traditional snus users. So

under those quitting there is new usage, often due to end of life or any other aspect that it tends to be disproportionately leaning towards those consumers rather than nicotine pouch consumers. And then in between is the third factor which you were referring to, which is the switching pattern. And the switching pattern was perhaps a little bit more pronounced between 2019 and 2023, early 24. There is still a degree of it, but every consumer who wants to switch from snus nicotine pouches has been given a serious opportunity to do so over the last five, six years. So there's not very many left who are actually willing to make the change. So I would say it's probably more the first two factors, which is driving that of no new entrants in traditional snus and hence a natural decline of users within traditional snus only, which was probably declining by about 40 50,000 users a year, simply by people exiting the category as they get older in life. Okay. Super clear. Thank you. Perfect. Thank you very much. The next question comes from Johan Fred from Seb. Please go ahead. Yes, hi again. A quick follow up from my side on sitting in the U.S. to what extent the thin demand providing incremental versus substitution from from nonsame pouches in the U.S. ? My question is really, have you seen any cannibalization of sales on other brands since you've just supplied returned in September ? Thank you. The short answer, yes, we have so we've seen Zyn resonate quite well across our loyal consumer base with some of some of the consumers stayed with us, may have in Germany stayed with us for change brands. So there was a and then when thinking back it became part of the repertoire again. So you certainly see a strong degree of that. Yes. Very clear. Thank you. As a reminder, if you wish to ask a question, please dial pound cp5 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. Thank you very much for your time today. It's really appreciate it. And I look forward to releasing speaking to you during our Q4 release in early February. Thank you. Thank you, everyone. Bye.

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