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Haypp Group

Q1 2026

Speakers

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Daniel Tharian
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Operator

Peter Deli
CFO | Haypp Group

Prepared Remarks

Operator

Welcome to Haypp Group Q1 2026. For the first part of the conference call, the participants will be in listen-only mode. 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. Welcome to Haypp Group's Q1 results. Our CFO, Peter Deli, and I, Gavin O'Dowd, will take you through today's presentation. Starting at slide 3, which is the agenda for today, I will take you through an overview of Haypp and the Q1 performance highlights. Peter will take us through the consumer, financial, and segment performances before progress on our key strategic priority markets and an outlook. I would like to take you to slide 5 to remind you of some of the key dynamics around our business. We are a retailer of risk-reduced products with a strong focus on nicotine pouches, which as of today, make up approximately 70% of our sales. We have multiple storefronts per market, and we operate in 6 markets in Europe and in the U.S.

Gavin O'Dowd
CEO | Haypp Group

Approximately 90% of our revenue comes from product sales, with the sales of media and insights to brand owners accounting for just over 10%. While jurisdictional complexity around the sale of nicotine is often viewed as a hardship, given our expertise and scale, we view it as a barrier to entry. We target to approximately double our 2024 revenue by 2028 and increase our 2024 EBIT by 3-4x. Moving to slide 6. The scale of market growth potential in our existing geographic footprint is determined by the U.S. and the U.K. While the U.K. is a distant second, it has some very favorable long-term dynamics. Continuing on to slide 7, 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.

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 the presentation. Moving on to our quarterly performance updates and starting with slide 9. We're happy to see continued acceleration in nicotine pouches, not just for the quarter as a whole, which grew 40%, but continued acceleration within the quarter. Both reporting segments performed exceptionally strong, with the growth segment reflecting the scale of the opportunity in the U.S. and the U.K. In addition, the core segment showed that even where are high market shares, there is still opportunity for additional market share growth. In the past 3 years, nicotine pouches have increased from 45% of our group volume to approximately 70% today. Moving to our performance highlights on slide 10. An increase in active customers was the primary driver of our growth.

Gavin O'Dowd
CEO | Haypp Group

However, increases in the share of wallet further added to the growth. This is reflected in the higher growth rates for volumes than for consumers. Combined, these led to over 24% revenue growth at constant currency. The performance in the growth markets was exceptionally strong, with 83% increase in volume, driven by over 120% growth in the U.S. and over 100% growth in the U.K. At constant FX, this led to 58% increase in the sales for the growth segment for the quarter. Gross profit was up 20% with a stable gross margin. This consisted of substantial increases in the media and insights, which was reinvested into the consumer offer to further accelerate the flywheel. We have materially increased investment in the U.S. and the U.K. in terms of capabilities.

Gavin O'Dowd
CEO | Haypp Group

This, combined with increases in marketing expenditure, while the window to do so remains open, has 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 of 5.5 percentage points. On slide 11, we show the actual performance of each of these KPIs and their relative change versus prior year. These reflect the drivers of growth, both the increase in consumers and the further increase in orders and average order size. With that, I will hand over to Peter.

Peter Deli
CFO | Haypp Group

Thank you, Gavin. Good morning, everyone. Let me move to the consumer section and starting on slide 13. In this slide, we are highlighting the continued strength in our consumer base during the first quarter. Active consumers reached a new all-time high and grew by 17.8% on group level. We have two reinforcing trends, rapid growth in growth markets supported by core markets turning into growth. The real standout is the growth segment. Active consumers increased 66% year on year, driven primarily by the U.S. and U.K. Our marketing efforts in these markets are showing clear early traction with strong conversion and repeat purchase behavior. In core markets, active consumers grew 5% year on year, which is a meaningful improvement compared with the declines we saw earlier last year.

Peter Deli
CFO | Haypp Group

This is driven by a growing number of nicotine pouch consumers and a stabilizing snus consumer base. The momentum we are seeing in both core and growth markets gives us confidence that our consumer acquisition strategy is working, paired with sustained strong retention, and that we are building a strong foundation for continued volume and sales acceleration. Moving to slide 14. On this slide, we are showing the continued acceleration in nicotine pouch volumes across the Group. Nicotine pouches now make up 69% of our total volume, compared with 45% in Q1 2023. That shift in mix is a major structural driver of our long-term margin expansion. Group nicotine pouch volumes grew 40% year-on-year, which is a clear step up from the mid-teen growth rates we saw through most of last year. The U.S. and U.K. remain the strongest contributors, both delivering triple-digit growth.

Peter Deli
CFO | Haypp Group

Our core markets also performed well. Nicotine pouch volumes grew at high-teen rates, taking market share, and nicotine pouch now represents more than 56% of core volume. Snus declines continue to moderate, helped by improvements in our consumer offer to cater for mixed category purchases in Swedish households. While the U.K. vape discontinuation affected the vape and heated tobacco category, we saw strong growth in Germany and Sweden. These two markets together up by 119% versus Q1 last year. Overall, the category dynamics remain very supportive and our scale positions as well to capture the ongoing shift toward reduced-risk products. Moving into the financial performance section, slide 16. Before we go into the quarterly performance, I would like to touch on our increased disclosures, which we have introduced this quarter.

Peter Deli
CFO | Haypp Group

We recognize that as our business grows and the importance of our growth segment increases, some of you may wish to have more information to better understand our performance. For this reason, we are disclosing group and segment total volume and share of nicotine pouches, gross profit by segment, group sales by revenue stream, group overhead cost breakdown by marketing, fulfillment, and G&A costs. We have also folded our emerging vape and heat-not-burn segment into the other two segments as they have moved out of introductory stage and are now being managed by the local teams. Since Vape UK was shut down, this leaves Germany, which will be folded into growth markets, and Sweden, which will be folded into core markets. For transparency purposes, we will continue to provide details on their performance. See the Q1 2026 report and the published KPI file for full details and historical data.

Peter Deli
CFO | Haypp Group

Moving to Slide 17 and looking at our net sales momentum. Net sales grew by 19.6% year-on-year, and when we adjust for currency effects, growth was even stronger at 24.3%, making this the highest constant currency growth rate we've delivered in the last six quarters. The SEK 180 million absolute year-over-year growth is the highest quarterly growth we ever achieved. The negative FX translation impact is mainly driven by the SEK to US dollar translation, with NOK to SEK contributing as well. On a macro level, you can see that our top line grew faster in constant currency than our volume. The positive mix impact is driven by media and insights revenue, which continues to grow faster than our product sales. What makes me particularly happy that all critical parts of our business contributed to this excellent result.

Peter Deli
CFO | Haypp Group

Looking on the different product categories, we can see that nicotine pouch remained the key growth driver. Considering that nicotine pouches makes up almost 70% of our volume, strong growth paired with increasing share of sales creates a positive mix impact on our overall sales performance. Within nicotine pouches, U.S. and U.K. are the key growth drivers with solid mid-teen growth in our core markets. Price mix for the nicotine pouch segment was negative in the quarter, driven by the U.S. business unit. Without going too much into the details now, I would like to highlight that the promotions are driven by manufacturers, and this is a margin neutral for us. There is an offset in our cost of goods sold. Our snus sales stabilized, and after a few challenging quarters in 2025, the decline is slower than what we anticipated in our capital markets day outlook.

Peter Deli
CFO | Haypp Group

The improved performance is mainly driven by a targeted improvement in our consumer offer in Sweden to better cater for household purchases where a mixed snus and nicotine pouch order is common. Vape and heat-not-burn products reported sales increase contributed by 0.8 percentage points to the overall growth, which is an exceptional performance considering the negative impact of the U.K. vape and heat-not-burn discontinuation. Sweden and Germany volume, as I mentioned, was up by 119%. Moving on to slide 18, gross profit and gross margin. First time ever, we delivered gross profit above SEK 200 million in a quarter. It's a major step up in absolute terms. Gross profit growth is in line with our net sales growth. Gross margin remains stable. A marginal increase of 0.1 percentage point was realized. Within our gross margin, we experienced two opposite impacts.

Peter Deli
CFO | Haypp Group

The fast growth of media and insights across all of our markets increased the gross margin level by 1.7%. Media and insights accounted for 11.6% of the group revenue in Q1 2026. The incremental benefits from media and insights above last year were partly invested into our consumer offer in the form of targeted pricing and free shipping offers, resulting in a 0.1 percentage point increase in our overall gross margin. On slide 19, you can see the details of our overheads. Overheads increased in the quarter, and this was fully expected. In order to better understand our overhead base, starting from this quarter, we are breaking it down into the three important elements: marketing, fulfillment overheads, and the pure G&A. Marketing spend increased as we leaned into consumer acquisition while the opportunity window remains open.

Peter Deli
CFO | Haypp Group

Our paid marketing efforts are concentrated mainly to U.S. and U.K. In U.S. and U.K., we see substantial increase in our new nicotine pouch consumer acquisition rates. Fulfillment overheads reflect the labor cost, utilities, and other external costs connected to our own warehouses. This cost category grew slower than the volume. Cost up by 17% versus 23% volume growth, which shows that scale benefits are counting to materialize. In G&A, you can find the salary of the office population and external costs like legal, tax advisory, audit, license fees, et cetera. The primary drivers for the increase were our organizational build-out in the U.S. and U.K. and central organization around AI. We also recognized costs connected to building up our operations in new geographies, which will benefit the group in the medium term. We expect overhead intensity to moderate as revenue scales through midterm.

Peter Deli
CFO | Haypp Group

Moving on slide 20 and our adjusted EBIT. Adjusted EBIT for the quarter was SEK 27 million with a margin of 2.5%, down from 5.2% last year. This decline is fully aligned with our investment plan. We are prioritizing consumer acquisition and market share in the U.S. and U.K., and the growth segment accounts for the majority of the margin compression. We expect this investment phase to continue through 2026, with margin expansion resuming as scale benefits flow through in 2027 and 2028. Moving to slide 11, our working capital and leverage. Working capital improved meaningfully in the quarter, with inventory normalizing after the year-end stock build. Inventory turns and net working capital growth improved, supported by strong top-line growth. Leverage remains very low at 0.2 times.

Peter Deli
CFO | Haypp Group

We remain disciplined in managing working capital, especially as we scale in the U.S. and U.K. Moving into the segments, let me start with the growth segment on slide 23. This is where we continue to see the most significant acceleration. Active consumers grew 66% year-over-year, and total volume increased 71%. Both the U.S. and U.K. delivered exceptional performance, with volumes up more than 100% in each market. This reflects strong category momentum, improved assortment, and the early benefits of our organizational build-out. Net sales in the segment grew 41% or 58% at constant currency. Gross margin remains stable at around 20%, which is a strong result given the level of investment into our consumer offer. The growth markets represents 28% of our Q1 net sales, which is an increase of 4 percentage points versus Q1 2025.

Peter Deli
CFO | Haypp Group

This shift expected to continue into the future as well. EBITDA for the segment was negative at 23 million SEK. This is expected and reflects the deliberate investment phase we are in as we build local teams and scale consumer acquisition. These investments accelerates the long-term market share capture and are already translating into strong consumer and volume growth. Overall, the growth segment is performing in line with our expectations and is the primary driver of our long-term revenue and EBIT expansion. Moving to slide 24 and our core segment. In the core segment, we delivered steady and predictable performance consistent with the role this segment plays in our portfolio. Active consumers grew 5% and total volume increased 9%, driven by the nicotine pouch category and supported by improvements in the smooth consumer offer.

Peter Deli
CFO | Haypp Group

Net sales grew 13% with rising orders per consumer, clear signs that we are increasing share of wallet among our existing consumer base. Gross margin was stable at 18.1% and EBITDA increased to SEK 75 million. The driver for the EBITDA margin reduction is the inclusion of the vape category. The core segment continues to generate strong cash flow and remains the foundation of our margin profile. Nicotine pouch penetration in the core markets reached 56%, up 3 percentage points year-on-year. This shift in category mix supports long-term margin expansion and reinforces the structural advantages of our business model. With that, I hand back over to Gavin.

Gavin O'Dowd
CEO | Haypp Group

Thank you, Peter. I'd now like to take you through our priority markets. Moving to slide 26 and the U.S. I would like to touch on how the market is evolving, how we are doing, and how both are reinforcing our flywheel. Starting with the market, which continues to outperform the expectations we laid out in our capital markets day early last year. Part of this growth relates to increased average daily consumption, as more people use nicotine pouches to completely switch away from more harmful products. This increase in average daily consumption moves a greater share of the market to consumption levels where the benefits of online become more appealing, particularly the price advantage, but also the breadth and assortment. The U.S. assortment continues to expand rapidly with new products coming to market, both via the synthetic nicotine path and via the FDA's marketing granted orders.

Gavin O'Dowd
CEO | Haypp Group

We expect the FDA to grant authorizations for more new products in the near future. These dynamics greatly reinforce our economic flywheel as it has done in other markets, not just in terms of benefits for the consumer, but also with a notable increase in demand for our media and insights services. In preparation for the acceleration, which we are already experiencing, we have built out our local U.S. team to manage the scale. We continue to see robust growth in customer acquisition via our organic Google rankings or SEO. However, we are also taking the opportunity to add to our new customer inflow with paid marketing across select channels while those opportunities remain open.

Gavin O'Dowd
CEO | Haypp Group

In summary, many of the dynamics we are now seeing in the U.S. are similar to those we experienced in our core markets at the beginning of this decade, giving us high confidence for the future. Moving to the U.K. in the next slide 27. The Tobacco and Vapes Act 2026 received royal assent at the end of April, in line with our expectations, and we expect secondary legislation to iron out the remaining details over the coming quarters, with enforcement expected by mid-2027. The outcome of this legislation is expected to bring restrictions in marketing opportunities, which will solidify our online market position and reduce our marketing costs once implemented. In addition, as with all markets which place restrictions on marketing, the relative value of media on our platform increases.

Gavin O'Dowd
CEO | Haypp Group

In addition, we expect a cap on nicotine strengths in the market at the same level as Haypp have self-regulated to since entering the market. Ultra strong products are now estimated to account for circa 20% of the U.K. market. We have already enhanced our local team capabilities in the U.K. in Q1. We will continue to accelerate the new customer inflow while the opportunity remains. Given the robust growth rates, we will automate our U.K. warehouse during this summer to facilitate future volumes. Moving to the next slide 28. There has been little change in either European regulation or Swedish litigation since last quarter. The Tobacco Taxation Directive continues to be negotiated with a first draft expected this year. The European Commission is preparing a public consultation on the third Tobacco Products Directive.

Gavin O'Dowd
CEO | Haypp Group

Both of these directives are expected to undergo revision during the negotiation period for member states. Regarding the Swedish litigation, Haypp is still awaiting a decision on the appeal from the Supreme Court. Haypp does not expect any material impact from this decision. Moving to the penultimate slide. In summary, volumes and sales growth is accelerating, predominantly driven by new consumer acquisitions in the U.S. and the U.K. We will continue to invest in marketing to accelerate our growth while the opportunity remains, and increases in our G&A costs are expected to slow throughout 2026 and scale for future years. We are happy to confirm that we are on track for our 2028 targets. With that, moving to the next slide to recap on those targets, which were set for 2028.

Gavin O'Dowd
CEO | Haypp Group

We expect revenue growth of 18% to 25% CAGR from 2024 at constant currency. We also expect a 5.5% adjusted EBIT margin, ±150 basis points, subject to the investment opportunities which remain at that time. Before handing over to the operator, I'd like to thank the team for the great work in recent quarters, which led to the robust acceleration in this quarter. With that, I will hand over to the operator for questions.

Q&A

Operator

The next question comes from Alexander Siljeström from Pareto Securities. Please go ahead.

Alexander Siljeström
Equity Research Analyst | Pareto Securities

Good morning, guys. Congrats on a strong quarter. Also appreciate the increased transparency here in the presentation and the report. Maybe a first one on the M&I growth in the quarter. Is it fair to say that growth was approximately 40% year-over-year, and could you also walk us through the main drivers here?

Gavin O'Dowd
CEO | Haypp Group

Good morning, Alexander Siljeström. Yes, absolutely. I think 40% is there or thereabouts on this as it works through. With M&I, it tends to grow if we break it down into 2 component segments of both media and insights. Media tends to grow based on 2 pillars, which is, as we get more consumers into the platform, the value of the existing media tends to increase in line with revenue or there or thereabouts. In addition, we always develop new media products throughout the year, which we can also sell in the following calendar year. This is the 1st quarter of that coming through. When it comes to insights, they also tend to grow on 2 pillars. As there's more and more players entering the market, there tends to be more players looking to buy the existing insight services from us.

Gavin O'Dowd
CEO | Haypp Group

We also develop our insights offering throughout the year, which also creates extra products to sell to our existing consumers. That's why we generally see the Media and Insights pace growing at roughly twice the rate of our overall Haypp Group revenue, and this is no exception.

Alexander Siljeström
Equity Research Analyst | Pareto Securities

Yeah. That's clear. Thanks. Maybe just on the strong growth also in core markets, 14% here organically. Could you try to break out sort of the effects from lower structural decline in snus, sort of the lapped price decreases and also how sustainable are these growth rates? Yeah.

Gavin O'Dowd
CEO | Haypp Group

Yeah. Within that one, Alex, the excise regarding snus, a lot of it came through in Q3 2024, we had already lapped that by the time we had gotten to Q1 2025 as it came through. That is part of the overall snus decline rates that we have been experiencing in the past. What we are dealing with here, the primary driver here, of course, there is slower declines in snus, but the primary driver of growth in the core markets is nicotine pouches itself. It is accounting for the vast majority of the uptick in the growth rates.

Alexander Siljeström
Equity Research Analyst | Pareto Securities

Okay. It should be quite sustainable as well, I would presume. Maybe a follow-up also on the sort of rumored PMTA delays in the U.S. Do you have any news here, and also then the impact on the ramp-up in marketing investments into 2022?

Gavin O'Dowd
CEO | Haypp Group

Yeah. I think you're potentially referring to an article which was released on Reuters a few weeks ago, whereby there was indication.

Alexander Siljeström
Equity Research Analyst | Pareto Securities

Yeah

Gavin O'Dowd
CEO | Haypp Group

a delay on it. I think that needs to be taken in conjunction with what the FDA have been saying in other forums since then, which has been a lot more positive, and I think that may be reflected in what you may see from other of the industry's quarterly reports which came through so far this year. I think there's a general expectation that the FDA will start to approve more products in the not too distant future.

Alexander Siljeström
Equity Research Analyst | Pareto Securities

Okay. That sounds reassuring. Also on the gross margins here by segment, thanks for breaking that out. I'm kind of surprised that growth markets carries higher gross margins as compared to core markets. Could you sort of explain that difference?

Gavin O'Dowd
CEO | Haypp Group

Yeah. This is more of a reflection of the dynamics within the markets. I've often said in the past, the hardest place to sell snus or nicotine pouches online is Sweden. You have incredible penetration of stores relative to the population, and you have, for historical reasons, incredibly low traditional retail margins in the physical point of sale as it goes through. You're generally dealing with 20 to 30 percentage points of higher retail margins for offline in the U.K. and the U.S. versus what you're dealing with in Sweden and to an extent within Norway as well. Hence, that creates a lot more oxygen to be able to provide even higher price gaps in the growth markets than we do in the core markets, while still generating quite healthy gross margins.

Gavin O'Dowd
CEO | Haypp Group

This is what gives us the confidence to invest into those markets in the knowledge that even as we invest in the form of fixed cost and overheads through it, with those healthy gross margins, we recognize that it will scale and bring itself back to profitability quite quickly.

Alexander Siljeström
Equity Research Analyst | Pareto Securities

Yeah. Thanks for that as well. Then maybe just a final one on overheads. Just looking at the chart here, it seems like you're then sort of lapping G&A in Q2 and that you're lapping marketing spend as well in Q3. Then, of course, you may increase that to further gain penetration. Is that a fair assumption on sort of how to see the development of the overheads here in 2026?

Peter Deli
CFO | Haypp Group

I think that when you are looking at the 3 components of the overheads, there are different drivers behind them. This is why we felt it's important to break it out and provide more transparency on this category.

Peter Deli
CFO | Haypp Group

Looking at the marketing piece, there, as we indicated already, as long as we see good return on the invested money, we are more than happy to boost the consumer acquisition rates, particularly in the U.S. and U.K., and keep investing, most probably even heavier during the second half of this year than what we are doing today. Looking at the fulfillment line, as we can already see, that's a fairly stable element and grew lower than our volume overall in the categories. I don't see any reason to believe that that line going to change in any direction. Going to the G&A, as Gavin alluded, we do expect the absolute growth rates of the G&A expenditure to slow down during 2026.

Peter Deli
CFO | Haypp Group

As our volume grows and the business scales as a percentage of revenue, we do expect this line to normalize in the mid to long term.

Alexander Siljeström
Equity Research Analyst | Pareto Securities

Yeah, that's clear. Thanks very much. That's it from my side.

Gavin O'Dowd
CEO | Haypp Group

Thank you, Alexander. Thank you.

Operator

The next question comes from Adela Dashian from Barclays. Please go ahead.

Morayo Adesina
Equity Research Analyst | Barclays

Hi, team. Thanks for taking my question. Just one from me on volumes. Obviously, great to see the 71% volume growth in growth markets this quarter. Just on Nielsen growth, I know it doesn't capture everything, but we have seen that volume growth to the category has been moderating over the last couple of prints. Just wondering your thoughts on this and if you think this is something that will be sustained.

Gavin O'Dowd
CEO | Haypp Group

Good morning, Mariah. Yeah, when we stood up in the beginning of 2025 in our capital markets day, we gave out more conservative growth rates for the U.S. market than perhaps was generally expected by other players in the category. We consider we're tracking well ahead. The current size of the U.S. market is well ahead of where our expectations were when it got to that point in time, our assumption is that the current growth rates in the U.S. are very reflective of what we can expect for the future. I know there may be some views that the market will accelerate again and take off once more, given the current scale of the market, I consider current overall market growth rates to be quite reasonable at this point in time.

Gavin O'Dowd
CEO | Haypp Group

Given our relatively small share as a company, given our relatively small share within the market, what we're more interested in is the driving forces of the future growth, as in how much of it is coming from increases in average daily consumption of existing consumers versus new consumers entering into it. What we can see is that there's more and more consumers moving up to the thresholds where our offer is quite relevant, and that's why we're seeing our growth rates within the U.S. coming in at 5-6 times the growth of the overall U.S. market.

Morayo Adesina
Equity Research Analyst | Barclays

Okay, thanks. That's clear. Just one more on nicotine pouch taxes in the U.S. Obviously we heard about New York a couple of months ago, but there have been other reports of Iowa and Utah and perhaps other states considering introducing taxes on nicotine pouches. Just wondering your thoughts on this and how you expect that to develop.

Gavin O'Dowd
CEO | Haypp Group

I think as the category develops, it is inevitable that taxes will be introduced at a state level across much of the U.S. We envisage that between now and this time next year, there could be close to 20 states which will introduce some form of tax on the product. Once those taxes are reasonable, I don't consider this to be a particularly negative dynamic either for the industry and especially not for us. At an industry level, first of all, this category is still incredibly affordable versus that of other nicotine products such as cigarettes. I think there's lots of space to adapt the types of taxes which have been introduced. New York, which you picked out, is perhaps one of the most exceptional.

Gavin O'Dowd
CEO | Haypp Group

It's one of the highest tax rates which is coming through, and it's expected to be approximately $2 per can at this stage. When it comes to our position on this, we tend to benefit quite well when taxes are introduced in at a state level. A shock in prices whereby prices go up by $0.50, $0.80, $1 from one day to the next within traditional retail tends to drive a lot of consumers to becoming much more price aware for a temporary period, and we tend to see a material uptick in our new customer inflow from those states as those taxes are introduced.

Morayo Adesina
Equity Research Analyst | Barclays

Okay, thanks. Super clear. That's all from me. Thank you.

Gavin O'Dowd
CEO | Haypp Group

Thank you very much.

Operator

The next question comes from Daniel Thölen from Deutsche Bank. Please go ahead. Daniel Thölen, your line is now unmuted. Please go ahead.

Daniel Tharian
Equity Research Analyst | Deutsche Bank

Hi, Gavin, Peter. Thank you for taking questions. I just wanted to quickly talk on a few consumer dynamics. One being, of course, active consumers were up, number of orders were up, but the average order value was slightly down. Is that just a reflection of newer consumers tend to order less, or is that just more price, heavy investment in discounts? Be the first question.

Gavin O'Dowd
CEO | Haypp Group

Yeah. On that one, Daniel, you can see that while you're right, consumers are up, orders are up slightly more. Volume is actually up slightly more again. Actually, what we can see is that on average, the consumers are ordering even more in volume. What this is when it comes to average order value, what you're seeing here is a reflection of what Peter was talking about in his space, which is that for some of the markets, the manufacturers are reducing the price to us, which in turn has been passed on to the consumer, which is reducing the average order price per can as it goes out. That's the remaining moving part when it comes to the average order value.

Daniel Tharian
Equity Research Analyst | Deutsche Bank

Okay. Awesome. Then the next question is from that slide regarding the U.K. and the ultra-high strength users. You've mentioned that's about over 20% of current volumes in the market. If that law does come into place and over 20 mg pouches are banned, how do you see those consumers transitioning? Are they likely to, you know, turn towards illicit sourcing, or do you think they will move back down towards regulated or approved nicotine concentration levels?

Gavin O'Dowd
CEO | Haypp Group

Yeah. In summary, I think they will move back into the lower nicotine space, and let me give some context behind that. Many of these products which are branded as being over 20 milligrams are products which have been developed a number of years ago. While they carry excessively high amounts of nicotine, they're not always the best when it comes to nicotine delivery, relative to the strength that sits within them. There is a range of products which have been coming from very credible manufacturers over the last 2 to 3 years, which are operating well below the 20-milligram pack limit, which delivers nicotine in a, at a pace which can more than meet the needs of those consumers when it comes to satisfaction rates.

Gavin O'Dowd
CEO | Haypp Group

I think both as the consumer was going to mature and understand the category a little bit more, they were likely to start to move back down anyway. I don't believe that these consumers will remain within the illicit part of the category. I think the vast majority of them will move back down into the, or will be the legal part of the category in order because there's no necessary nicotine release patterns that require them to stay where they are. The products, the sub-20-milligram products have improved so much in the last couple of years that it will more than meet their satisfaction needs.

Daniel Tharian
Equity Research Analyst | Deutsche Bank

Perfect. Okay. Last quick question. Just conscious on slide 7, that's the penetration slide from the CMD. You may not wanna give updated numbers on where online penetration in the U.S. and U.K. sit at the moment, but it would be helpful to know what's that level of disconnect between the level of penetration and the number of consumers that are consuming at that critical threshold level that warrants turning towards the online channel.

Gavin O'Dowd
CEO | Haypp Group

Yeah. It tends to be, there's an even more fundamental question, which I often goes through my mind on this one, as regards to what is a consumer. Of course, within some of the numbers which come out from the market on the consumer space includes people who may use 1 or 2 pouches a week, down to people who may use 1 can a day as it goes through. There's quite a spectrum here, even on the definition of consumers. Of course, the share of the market which is online tends to be skewed much more towards consumers, which are more heavy users. You can definitely see that dynamic running through on this one, Daniel.

Gavin O'Dowd
CEO | Haypp Group

We can see that definitely growing as regards to both the share of consumer, the average daily consumption increasing, and hence the share of the consumer number and the share of consumption which the online offer is relevant for, and that's why we're seeing the levels of growth rates as one of the main drivers, why we're seeing the levels of growth rates that we're experiencing in the U.S. and the U.K. at this point in time. We can see these rates growing rapidly at the moment, and we don't have updated data which is sufficiently accurate for us to be comfortable sharing. We do certainly get a sense that this is growing quite rapidly, as in online as a share of the market is growing quite rapidly at this stage.

Daniel Tharian
Equity Research Analyst | Deutsche Bank

You mentioned, yeah, both your share of the share of online channel is growing and the number of consumers at that high level of consumption is both growing. I was more so asking, are you making progress in closing that gap?

Gavin O'Dowd
CEO | Haypp Group

Absolutely. I think the share of online is, I think those two are growing pretty much in line with each other, Daniel.

Daniel Tharian
Equity Research Analyst | Deutsche Bank

Okay. Okay.

Gavin O'Dowd
CEO | Haypp Group

Yeah.

Daniel Tharian
Equity Research Analyst | Deutsche Bank

Perfect. Thank you.

Gavin O'Dowd
CEO | Haypp Group

Thank you, Daniel.

Operator

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

Gavin O'Dowd
CEO | Haypp Group

There are no written questions at this point in time, so I'd like to thank you all for your time this morning. It's greatly appreciated, and I look forward to seeing you all for our Q2 results in August. Thank you very much.