Global AIR

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PRESENTATION

Operator

Good morning, good afternoon and good evening everyone, and welcome to AIR Global's First Half 2026 Results Conference Call.

All lines will be in listen-only mode. We will start with Management discussion, followed by investor Q&A. To ask a question, please press star, one. To withdraw, press star, two.

I will turn the call over to Gaurav Jain, AIR Global's Head of Investor Relations and Corporate Strategy. Please go ahead.

Gaurav Jain

Good morning and thank you for joining AIR Global Plc 1H 2026 Earnings Call, our first earnings call since listing on Nasdaq on May 18, 2026.

With me today are Stuart Brazier, CEO, and Bassem Lotfy, our CFO. We will take questions following the prepared remarks.

Our first half earnings press release was issued this morning, with all materials available on our website, ir.air.global, and on the SEC's website, sec.gov. An audio replay of this webcast will also be accessible later today.

Today's discussion includes forward-looking statements based on our current expectations and information. These statements involve risks and uncertainties, many beyond the Company's control. AIR Global disclaims any duty to update forward-looking statements, except as required by law. Please review our Safe Harbor Statements and Risk Factors in today's press release and in our most recent filings with the SEC, which contain additional information and a description of risks that may result in actual results differing materially from those contemplated by our forward-looking statements.

We will present results on both a IFRS and non-IFRS basis. Non-IFRS measures like Adjusted EBITDA and their IFRS reconciliations are detailed in our press release. Non-IFRS financial measures should not be used as a substitute for our results reported in accordance with IFRS.

With that, I will turn it over to Stuart.

Stuart Brazier

Thank you, Gaurav, and welcome everyone. We appreciate you joining us for AIR Global's first earnings call as a public company.

This is an important moment for AIR. We listed on Nasdaq in May, and today we are reporting our first set of interim results as a listed company.

Before discussing our performance, I'd like to spend a moment on the team that is driving AIR forward.

One of AIR's greatest strengths is the depth and diversity of our leadership team. Across our executive team, we bring together decades of experience from global consumer goods, tobacco, innovation, technology, supply chain and regulatory organizations. Collectively, our leadership group has operated some of the world's largest consumer brands, managed complex international businesses and successfully navigated highly regulated industries. This breadth of experience has been particularly important during periods like the first half of 2026, when we faced unprecedented supply chain disruption and rapidly evolving market conditions.

Importantly, many members of our leadership team have worked together for years and have successfully managed through multiple business cycles, regulatory environments and periods of industry change. As we enter our next phase as a public company, I believe AIR has the right people, the right culture and the right capabilities to continue delivering sustainable growth and long-term value for shareholders.

AIR is a global consumer brand and innovation company, anchored by the world's leading flavored shisha molasses business, and increasingly building a portfolio of next-generation inhalation and nicotine products. Our core business is distinctive. Through Al Fakher, we are the global leader in flavored shisha molasses. We believe we are larger than the next four competitors combined in the markets in which we operate, with an estimated 36% to 44% global volume share, and with very strong positions in key markets including the United States, where our market share is estimated at approximately 60% to 65%.

The category is social, cultural and lifestyle led. It is consumed in homes and lounges, across generations and geographies, and is not simply a nicotine delivery occasion. That is important because it gives the category a different demand profile from many traditional tobacco categories.

The category is fundamentally different from most traditional tobacco segments. While nearly every major traditional tobacco category in the U.S. has experienced significant volume decline over the past several years, flavored shisha has remained remarkably resilient, with stable to modestly positive volume trends for Al Fakher. This reflects the unique nature of the category. Consumers are not simply purchasing nicotine; they are participating in a social, cultural and lifestyle experience that is shared with friends and family, often in lounges, restaurants and social gatherings. As a result, demand has historically proven resilient across a wide range of economic and industry environments.

That resilience is further underpinned by the strength of the Al Fakher brand. We estimate that Al Fakher reaches approximately 14 million consumers globally, putting it alongside some of the world's most recognized tobacco and nicotine brands.

Despite operating in a category that is often overlooked by investors, our consumer reach is substantial and continues to expand. More importantly, we believe our leadership position creates meaningful competitive advantages. We have leading market shares across many of our key markets, deep consumer loyalty, strong flavor innovation capabilities and a distribution network that would be difficult to replicate.

Compared with many other nicotine products and everyday discretionary purchases, shisha remains a highly affordable indulgence. Annual consumer spend is about $110, and is significantly lower than cigarettes, where an average consumer can spend more than $2,000, pod-based vaping products where consumers can spend on average $1,000 or nicotine pouches where consumers can spend $400. For consumers, a modest increase in the retail price of flavored shisha has a relatively limited impact on overall expenditure. For AIR, however, those pricing actions can provide meaningful support to revenue growth and inflation recovery. The strong 14% price-mix growth we delivered in the first half demonstrates both the strength of our brands and the affordability of the category. Importantly, we have maintained market share despite these pricing actions, which reinforces our confidence in the long-term earnings growth potential of the business.

In the first half of 2026, we faced an unprecedented supply chain disruption from the closure of the Strait of Hormuz, a route through which approximately 70% of our historical shipment volumes have moved. Despite that challenge, we grew revenue, held Adjusted EBITDA broadly stable, protected end-consumer demand, and entered the second half with accelerating momentum.

Now turning to 2026 guidance, for full-year 2026 we expect stable shipment volumes versus 2025. This is despite an approximately 1.5% headwind from weaker Global Travel Retail volumes resulting from the

Middle East conflict, and despite the impact of above-normal pricing implemented to offset elevated cost inflation.

We expect revenue growth of 4% to 6% in U.S. dollars. We expect low- to mid-single-digit Adjusted EBITDA growth. That is below our historical high-single-digit growth trend, and there are three clear reasons for that. First, we are absorbing incremental public company costs following the Nasdaq listing. Second, we are accelerating our factory footprint reorganization plan to reduce long-term dependence on the Strait of Hormuz. Third, we are also facing higher logistics and raw material costs associated with the Middle East conflict, even though we now have alternative supply routes in place to mitigate future disruption. These headwinds are partially offset by modest benefits from U.S. tariff refunds and excise duty drawbacks. Excluding these cost headwinds, our Adjusted EBITDA growth in 2026 would be expected to be in line with AIR's historical high-single-digit EBITDA growth trend.

We also expect broadly stable net financing costs, an effective tax rate of approximately 15%, CapEx of $15 million to $18 million, and broadly stable net debt to Adjusted EBITDA at year end compared with 2025, reflecting the IPO-related cash outflows and the Greentank investment.

No share repurchases are incorporated into the 2026 outlook or medium-term guidance.

Looking beyond 2026, our medium-term framework remains consistent. For 2027 and over the medium term, we expect low-single-digit organic FSM shipment volume growth, driven by continued market share gains and expansion into new markets, assuming non-disruptive excise tax increases. We expect mid-single-digit FSM revenue growth in U.S. dollars, and high-single-digit FSM Adjusted EBITDA growth in U.S. dollars. We also expect continued deleveraging, with a consistent reduction in net debt to Adjusted EBITDA over time. Our long-term target leverage ratio remains 2.5 times net debt to Adjusted EBITDA. The timing and scale of new growth category revenue and Adjusted EBITDA contribution will depend on FDA acceptance of our PMTA applications.

We will remain disciplined. We will invest where we see technology, science, brand and regulatory pathways that can create durable value.

With that context, I will now hand over to Bassem to walk you through the first-half financials in more detail.

Bassem Lotfy

Thank you, Stuart, and good day to everyone on the call.

I will cover group performance, segment performance, the bridge from reported to Adjusted EBITDA, cash flow, leverage and the other key assumptions in our outlook.

Starting with group results, first-half 2026 revenue was $206.9 million, an increase of 3.7% compared with $199.5 million in the first half of 2025. Gross profit was $116.8 million compared with $114.0 million last year, up 2.4%. Adjusted EBITDA was $71.7 million, broadly flat year over year. EBITDA was a loss of $52.1 million, compared with positive EBITDA of $61.0 million last year. Operating loss was $63.6 million, compared with operating profit of $51.5 million in the prior year period. Net loss was $81.8 million, and basic EPS was negative $0.57.

The key message is that underlying trading was resilient, while reported results were materially affected by one-time listing-related and other non-recurring items. These items do not change the underlying strength of the business, but they are important to understand, and I will come to them shortly.

On volume and price mix, FSM shipment volumes declined 9% in the first half. Global Travel Retail volumes declined 46.5%; excluding GTR, FSM shipment volumes declined 6.6%. As Stuart noted, the impact was concentrated in March and April, and we saw volume growth resume in June. Price and mix growth was strong at 14%, driven by accelerated pricing actions to offset cost inflation and supply chain pressures.

Turning to segments, in the Americas, revenue was $42.8 million, up 3.4% year over year. Adjusted EBITDA was $19.8 million, up 17.2%. This performance was driven by price and mix, partly offset by marginally lower volume, and supported by strong cost control. We continue to see stable market conditions in our largest market by revenue, the United States, and we expect full-year U.S. revenue growth to accelerate to high single digits, supported by share gains and innovation.

In MEAA, revenue was $136.7 million, up 4%, driven by high-teens price and mix growth. Adjusted EBITDA was $59.7 million, down 4% over the year. MEAA includes Global Travel Retail and our corporate headquarters, so the segment was affected by higher public company costs and higher supply chain costs linked to the Middle East conflict. Importantly, our market shares remained steady despite significant pricing, and Saudi Arabia is seeing share growth.

In Europe, revenue was $25.2 million, up 0.4%. Adjusted EBITDA declined to $0.1 million from $1.8 million last year. Europe remains challenging. Steep excise tax increases and insufficient enforcement have supported the proliferation of illicit products in certain markets. Our approach remains disciplined: protect the brand, manage profitability carefully, and push for enforcement conditions that support the legal market.

In New Growth Categories, revenue was $2.2 million, up 37.5% from a small base, reflecting growth in OOKA and the Crown Switch launch in Europe. Adjusted EBITDA was a loss of $7.9 million, an improvement from a loss of $9.3 million last year but still reflecting investment in product development and commercialization. As we have said, the timing of larger NGC contributions will depend on regulatory pathways, particularly FDA acceptance of PMTA applications in the U.S.

Let me now bridge EBITDA to Adjusted EBITDA. EBITDA was a loss of $52.1 million. Adjusted EBITDA was $71.7 million. The bridge includes several items that are either one-time, non-cash listing-related, or not reflective of normalized operating performance.

First, we recorded $48.2 million of expense related to equity issued at the listing event, mainly associated with 4.2 million shares issued to the SPAC sponsor at the time of listing. Of these 4.2 million shares, 2.7 million shares are vested, and 1.5 million shares remain subject to price-based earn-out provisions but are included in our issued share count.

Second, we incurred $47.7 million of IPO-related cash costs.

Third, we incurred $7.4 million of public company readiness costs, including legal, tax, and accounting.

Fourth, we recorded $3.8 million of extraordinary costs caused by regional disruption, including air freight and ingredient procured at temporarily elevated prices to maintain continuity of operations.

Fifth, we incurred $2.0 million of regulatory costs associated with accelerating PMTA filings in the U.S. following changes in FDA enforcement guidance for nicotine vapes and pouches.

In addition, EBITDA includes $12.4 million of share-based compensation expense, primarily linked to one-time programs established for senior management in connection with a listing event. These charges are non-cash and will continue to be recognized over the remaining vesting period under IFRS.

We recognize that the first half includes a large number of adjusting items. Our intent as a public company is to report earnings of the highest quality, where adjusted numbers are a meaningful reflection of underlying earnings and cash generation. The listing-related expenses are non-recurring, and they represent the majority of the differences between reported and adjusted results in the first half.

Turning to cash flow and balance sheet, cash and cash equivalents were $85.4 million at June 30, 2026. Total borrowings were $430.2 million, resulting in net debt of $344.8 million. Net debt to Adjusted EBITDA was 2.48 times based on rolling 12 months Adjusted EBITDA. We expect net debt to Adjusted EBITDA to be broadly stable at full-year 2026 year end compared with 2025, reflecting IPO-related cash outflows and the Greentank investment. Our long-term leverage target is 2.5 times.

On working capital and cash conversion, first-half operating cash flow was affected by the disruption, timing of shipments, receivables and the cash costs associated with listing. Trade and other receivables increased, reflecting shipment timing and the dynamics of the business as it recovered from the disruption. We expect working capital to normalize as volumes recover and shipments flow more evenly through the second half.

As previously announced, an extraordinary general meeting will be held on August 24, 2026, for shareholders to vote on proposals related to share repurchases, but our guidance does not assume any share repurchase activity.

In summary, the first half demonstrates the resilience of AIR's operating model. Revenue grew despite disruption. Adjusted EBITDA was stable despite significant cost-headwinds. Reported results were affected by one-time listing-related and other non-recurring items. We enter the second half with improved shipment momentum, alternative supply routes in place, and a clear path to recovery.

With that, I will now hand back to Stuart.

Stuart Brazier

Thank you, Bassem. I want to close the prepared remarks by discussing Greentank and why it matters strategically.

On July 29, 2026, we announced a $20 million investment in Greentank at a $170 million pre-money valuation. The transaction also gives AIR an option to increase our ownership stake by an additional 20% over the next 24 months at a $250 million valuation. We secured the right to nominate a director to Greentank's board, enhanced commercial terms, access to new technologies, and a long-term supply assurances for Crown Switch. This investment reflects our view that the broader tobacco and nicotine industry remains in the early stages of transition toward next-generation categories.

There are approximately one billion smokers globally, and fewer than 150 million have transitioned to NGC products. Existing alternatives have made progress, but there are still meaningful consumer barriers, including product experience, consistency, sensory delivery, regulatory confidence and concerns about emissions.

Greentank's Quantum Vape platform is relevant because it gives us access to differentiated atomization technology. We believe the platform can deliver a cleaner and more enjoyable inhalation experience, and importantly, early science is encouraging.

AIR shared results from a study evaluating aerosol emissions from planned U.S. variants of Crown Switch, powered by Greentank's Quantum Vape platform. The study was conducted by McKinney Specialty Labs, an independent specialty analytical laboratory in Richmond, Virginia. It found that Crown Switch aerosol contained substantially lower levels of several harmful and potentially harmful constituents than a range of FDA-authorized ENDS products already on the market.

The presentation highlights some of the findings: carbon monoxide was not detected across tested variants; formaldehyde was approximately 94% lower versus a comparator mint ENDS product; nickel was approximately 97% lower versus a comparator mint ENDS product; and multiple harmful and potentially harmful constituents were at non-detectable or very low levels. These results are not a substitute for regulatory review, and we will continue to generate the data required for our PMTA process, but they provide a strong foundation for product differentiation.

Strategically, Greentank helps us in four ways. First, it strengthens our technology platform. Second, it supports our PMTA submission and U.S. market strategy for Crown Switch. Third, it gives a long-term supply assurance and access to future vaporization innovations. Fourth, it creates potential financial upside through increased ownership in a technology platform that we believe has broader category relevance.

We are preparing to file our PMTA for Crown Switch later this year. We plan to launch Crown Switch in the U.S. once the FDA accepts our application, subject to applicable regulatory requirements. In Europe, Crown Switch has already launched, and we are learning from early commercialization.

Alongside vapes, we are also building capabilities in pouches and other next-generation formats, while continuing to invest in OOKA and our broader inhalation innovation portfolio.

I want to be clear. Our core FSM business remains the foundation of AIR. It is high-margin, global, brand-led and resilient. But we also believe AIR has the brand, distribution knowledge, product development capability and regulatory discipline to participate meaningfully in the next generation of inhalation and nicotine categories. The Greentank investment is an important step in that journey.

To wrap up, AIR delivered a resilient first half in the face of unprecedented disruption. We protected demand, grew revenue, maintained Adjusted EBITDA, and took actions that reduce future supply chain risk. We are guiding to accelerating growth in the second half, stable full-year shipment volumes, 4% to 6% revenue growth, and low- to mid-single-digit Adjusted EBITDA growth. Over the medium term, we expect low-single-digit organic FSM volume growth and mid-single-digit FSM revenue growth, high-single-digit FSM Adjusted EBITDA growth, and continued deleveraging.

Our brand strength supports high margins, our global footprint gives us diversification, and our product remains an affordable indulgence for consumers. At-home shisha represents a relatively low annual consumer spend compared with cigarettes, pod-based vapes, nicotine pouches and many everyday discretionary purchases.

We are excited to begin our journey as a public company, and we are focused on building trust with investors through consistent execution, clear communication and disciplined capital allocation.

Operator, we are now ready to open the call for questions.

Operator

Thank you.

The floor is now open for questions. If you would like to register a question, please press star, one on your telephone keypad at this time. A confirmation tone will indicate that your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up the handset before pressing the star keys. Again, that's star, one to register a question at this time.

Today's first question is coming from Pallav Mittal of Barclays. Please go ahead.

Pallav Mittal

Hi. Good morning. Thanks for taking my questions. I have three of them. I'll take it one by one.

So, firstly, on your 2026 guidance, you are saying mid-single-digit revenue growth, which would essentially imply 6% growth in the second half to achieve, say, 5% at the midpoint for the full year. And given you're talking of growing volumes high single digit in the second half, can you help us understand the negative price mix element that you are seeing in the second half?

Stuart Brazier

Yes, sure. Thanks for the question.

In the first half of the year, you'll note that shipments were down and price mix was up at 14%. What we did was we prioritized our high-margin markets for supply. Markets such as U.S., markets such as Saudi were important to us. We also took accelerated pricing, as Bassem has said. We're in a position where we've taken our full pricing for the year. So, in the second half of the year, you see that the price mix impact is reduced. That's because the comparator in H2 2025 is tougher than in H1. Also, we will be supplying and the sales will be to lower-margin markets, where, again, the price mix impact is less, so the impact of the higher volumes is reduced by the price mix impact.

Pallav Mittal

Sure. If I could just ask on your medium-term outlook of, say, 4% to 6% revenue growth, mid-single digit that you're highlighting, can you split it in volume and price, and then also growth by region?

For this year, you're highlighting U.S. to grow high single digit. Is it fair to assume that U.S. and the Middle Eastern Africa market growth is much higher for you, and Europe is roughly flat to let's say low single-digit?

Stuart Brazier

Yes. In the future, the driver of revenue is low-single-digit volume, and then with pricing on top of that we get to that mid-single-digit guidance.

I think it's also fair to say that we see faster growth coming through in the U.S. and in the MEAA region, and Europe at a slower rate.

Pallav Mittal

Sure. Just one question on your New Growth Categories. The losses in the first half of this year are slightly lower versus what it was last year. I don't see any reference on how we should think on New Growth Categories losses and when you expect it to turn to profit. How should we think about that? Is it $20 million loss that you did in 2025 (inaudible) loss, or do you think that could increase as you invest in the new growth—the new products?

Stuart Brazier

Yes. I think the largest opportunity we see is with Crown Switch in the U.S., and obviously, that's dependent on our PMTA submission and the timing of that. Obviously, we are focused on driving sustainable value creation, and where we see that opportunity we will invest, and where we see the opportunity to accelerate growth, profitable growth in these areas, we'll do that as well.

But U.S., Crown Switch is the largest opportunity we see. We have already launched in a couple of markets in Europe as well, and are building out our capabilities in the route to market there.

Pallav Mittal

Sure. Just to follow up on that, does it mean that you are probably scaling down OOKA and some other devices that you have talked about historically?

Stuart Brazier

OOKA, we own the IP around OOKA. OOKA is very relevant, obviously, to the FSM space for us. Also, it's part of our premiumization strategy in terms of an OOKA consumer is on an annual basis worth more to us than a standard FSM consumer.

We see the product as being evolutionary rather than experiencing fast change of the category. Just to remind everybody, the category is 600 years old, right? It's very stable. We see low-single-digit volume growth across the world. That's driven by the tailwind of demographics in the Middle East, in Africa, in Asia; and in the Western markets, it's becoming more of a social phenomena, a thing for people to do with friends. It's social. It's occasional. But that's what's driving the growth of it.

But we do see that in time, OOKA will become a larger part of our business. It's gradually growing at the moment, and we forecast that to continue into the mid term.

Bassem Lotfy

Pallav, I would just add to some of the initial questions you asked around 2H price mix dynamic.

1H, we prioritize volumes into the higher-ASP markets. So 2H volumes will, of course, be more in the lower-ASP markets. It's not as if they're lower margin. It's that they are lower-ASP markets. But net-net, that's why in 2H you see that reversal in the volume price mix dynamic.

Also, the macros are still uncertain. So there is a bit of conservatism, you could argue, in the top line guidance that we are laying out there. Just keep those factors in mind.

Then over the medium term as you think about our guidance, we want to essentially run a balanced revenue growth algorithm, which has both volume and pricing elements to it. Clearly, our pricing part is phenomenal. That's what you can see in our 1H results, where we are reporting 14% in dollar pricing. This is not constant currency pricing, this is dollar pricing. The reason for that is that in this category, we are the dominant player, so we can essentially set the pricing that we want. But we of course don't want to exercise that pricing power every year because that's not the right way to create a business for the long term.

So our medium-term guidance, it relies on both elements. It relies on volume growth, as well as price, as well as a mix element in that, as we are premiumizing various parts of our business.

Pallav Mittal

That is very helpful. I will go back into the queue.

Operator

Once again, ladies and gentlemen, that is star, one if you would like to register a question at this time.

The next question is coming from Mariah Achina of Barclays. Please go ahead.

Mariah Achina

Hi there. Thanks for taking my question.

I was just wondering if you could characterize the supply chain disruptions that you faced in a bit more detail, and what changes exactly are you making to your logistics or supply chain to reduce the dependence on the Strait of Hormuz?

Stuart Brazier

Yes, thanks very much.

I said earlier, historically, 70% of our volumes had been shipped through the Strait of Hormuz. That was no longer available to us, so it meant we had to look for other ports where we could ship products. That involved in the UAE going across to the Gulf of Oman, but also routes going through Saudi out of the ports there, and also ports out of Oman. So that meant adding different logistics, putting products on the road, shipping them through different countries. That was outgoing and ingoing—or incoming for raw materials, it also meant that we—given that some of the routes were no longer reliable, we had to establish new routes coming in, and in some cases multiple routes to ensure that we got our raw materials.

In terms of the factory footprint, you'll note that earlier in the year we announced that we are setting up a factory in Romania, which obviously diversifies our factory footprint for the future. That is ongoing, and we would expect that factory to be commissioned by the end of this year and operational in 2027.

Mariah Achina

Thanks. That's super helpful.

Then finally, just on Europe, and obviously the profitability fell significantly in H1, so I was just wondering if you could talk a bit more about what dynamics need to change there for that to be a profitability turnaround?

Stuart Brazier

Okay. Historically, Europe is pretty cyclical, actually. So you tend to get excise increases coming through from the 1st of January. That does create a trade pull in the fourth quarter as traders, as distributors, and wholesalers stock up product ahead of the price change. So if you look back historically, you can see that H2 is always stronger than H1 because you get that benefit.

Secondly, this year we moved our U.S. production to Poland, and as we said earlier, we prioritized supplying the higher-priced markets, and that meant that there was some timing impact on shipments for Europe out of the Poland factory. So again, you see that unwind through the third and fourth quarter of the year.

Mariah Achina

Great, that's helpful. Thank you.

Operator

Thank you. The next question is a follow-up coming from Pallav Mittal of Barclays. Please go ahead.

Pallav Mittal

Thank you for taking my follow-ups. I have a couple more.

Firstly, on your capital allocation, clearly it looks like a CapEx-light model, your core business and you highlighted 2.5x as your leverage target net debt-to-EBITDA. On our estimates, it seems that you will be lower than 2x by end of this year. So, how should we think about capital returns to shareholders going forward in the form of share repurchases or, say, dividends?

Stuart Brazier

Yes, thanks, Pallav.

We've said that within the guidance we haven't assumed any share buybacks. However, Monday we do have an EGM and at that EGM proposals will be made which would give us the flexibility to do share buybacks in the future if we feel that it's the right thing to do. And yet, you're absolutely right. With the projections that we've given, our gearing will reduce towards the year end and we would potentially be in a position to do that if we wish to execute.

Obviously, we, in the longer term, look to return capital to shareholders where we see the opportunity to do so.

Bassem Lotfy

If I could add to that, Pallav, the business—as you rightly said, the CapEx is low. The tax rate is very low, as you can also see, so the free cash flow conversion is pretty high, and the business should be able to grow on that as well.

We don't intend to hold capital, so there will be all the capital distribution avenues that exist in the world: share repurchases, dividends, special dividends. We don't have anything announced as of yet, and that's, of course, a decision for the Board to make, but we will be considering all avenues of capital allocation as we go ahead.

Pallav Mittal

Sure. Then if I could just ask on nicotine pouches—and please correct me if I'm wrong. I think you recently launched it in the U.S. market sometime in April, if I remember correctly. So, any initial feedback on that? Are there any other markets that are opening up on nicotine pouches? Recently, we heard Hyapp talking about Saudi Arabia as a very big potential market, so are you seeing any developments which could help you expand in nicotine pouches?

Stuart Brazier

Yes. You're right. We've made a very targeted launch in the U.S., targeted geographically, and we're learning and getting early results on that.

We have also launched nicotine pouches in Spain recently. Again, we are targeting certain geographies in Spain as we test our messaging to the consumers, test our trial, ensuring that we get the products into the hands of our consumers. But it's very, very early days on this.

For the point on Saudi, Saudi is actually more or less operating like a monopoly at the moment, actually. It's not open for external brands to enter the market. There's a product there called DZRT, which is doing very well, but it doesn't have any competition. Now, that might change in the future. We believe that Saudi would be a great market, and given that our brand is so strong in Saudi as well, it would be a wonderful opportunity if the market were to open up.

I think one of the bigger challenges in the nicotine pouch category is product differentiation. We talked earlier about our excitement and our belief behind Crown Switch because it is a differentiated product, and we believe that if executed well, it can be an important revenue driver for us.

But with nicotine pouches, you're right. We're getting our products out there. We're learning. We're learning what the right deployment model is, what the right route to market is, and we will take those learnings and invest where we see the opportunity for growth.

Pallav Mittal

Got it. If I can squeeze one last question on Crown Switch and vapes? You said you are submitting a PMTA later this year and hopefully at some point you can launch next year, given FDA's latest change on enforcement. I do think a new product can potentially be launched in six to nine months. But the question is, how do you plan to compete in the U.S. market, given the proliferation of these illicit disposable vapes? And if you could help us understand anything in terms of what the approach would be, will it be very targeted, just a few cities? States? And then anything in terms of the price point that you guys are thinking about.

Stuart Brazier

Yes, I think your estimated timings that you've talked about is probably a good guide. Again, the U.S. is a huge market, obviously, so we will initially be, again, targeting geographically as we build out our capability. In the second half of this year, we're investing to also build that route-to-market capability where we initially wish to launch.

I think that the new FDA guidance that they've given is very, very encouraging. I think they recognize that the current setup that they have—or the historical setup they have—has been restricting new technologies coming to the market and operating in the legal market, which has meant that you've had this proliferation of new tech and flavors coming into the U.S., which is why the illicit segment is so large. Looking forward, I think the environment will gradually become more favorable as new tech is made available within the legal market.

There's also—we've seen recently that a number of manufacturers are now beginning to introduce flavors as well. So I think these dynamics will mean that for serious manufacturers and people who want to operate in the legal market that there's a good opportunity that that will become larger in the mid term.

Bassem Lotfy

Pallav, just to add to that, unfortunately the slide deck did not play through the comments because of a technical issue, but please go through It, and if you go to Slide 10 you will see the reach of our brand, Al Fakher. It is massive. I don't think a lot of people recognize that, but it is the sixth largest tobacco brand globally by reach, and this is excluding China.

I think the consideration set for us is actually very different than that is there for our larger peers because we don't suffer from cannibalization when it comes to NGCs. We don't need to think about what is the existing margin on their historical product and what's the margin on the new product, and if the cannibalization happens beyond a level, then is it additive to us or not additive to us?

So I think we have actually a lot of flexibility in how we will approach the market and leveraging Al Fakher brand, which, by the way, we already do in several of our NGCs. If you see Crown Switch in Germany, you will see how we leverage it. I think that is a huge opportunity for the Company.

So yes, it is a competitive market, and especially it is made difficult due to illicit product, but we think we have a pretty good hand, and in Crown Switch and that technology partnership that we now have with Greentank, we have a pretty unique product which will resonate pretty well with the new ones.

Pallav Mittal

Got it. That is very clear. Thank you.

Operator

Ladies and gentlemen, that brings us to the end of today's question-and-answer session. We would like to thank you for your interest and participation in today's AIR Global Conference. You may disconnect your lines at this time or log off the webcast and enjoy the rest of your day.