H1 2020 results

Ton Anbeek – CEO
Ruben Baldew – CFO

24 July 2020

Disclaimer

- This presentation may contain forward-looking statements. These are based on our current plans, expectations and projections about future events.
- Any forward-looking statement is subject to risks, uncertainties and assumptions and speak only as of the date they are made. Our results could differ materially from those anticipated in any forward-looking statement.
- The financial statements and other reported data in this presentation have not been audited.

Ton Anbeek - CEO

THE PREMIER CYCLE GROUP
ACCELL GROUP

Strategic objectives and financial targets

Strategic objectives

- Increasing dealer and consumer satisfaction
- Increasing market share
- Increasing net profit
- Strong and healthy balance sheet
- Corporate Social Responsibility

2022 financial targets

Turnover	€ 1.4 - € 1.5 bn
Added value / Turnover	31%
EBIT / Turnover	8.0%
Trade working capital / Turnover	< 25%
Return on capital employed	> 15%

H1 highlights

- Steep post lockdown **sales rebound** in May and June bringing YTD **net sales to +4%**
- Intensified focus on **cash** delivery; strict governance on expenses and working capital reduction in response to COVID-19 outbreak
- **Added value** down **359 bps** due to negative mix, discounts during lockdown and higher supply chain costs mainly due to disruptions caused by COVID-19
- **Opex down** € 6 mio. Excluding one-offs down **€ 8 mio** driven by cost savings
- **Working capital improved** 243 bps to 29.7% of net sales versus end-June 2019 due to substantially reduced **inventory levels**
- Strong cash generation resulting in a positive **cash** flow of **€ 129 mio** and a net debt / rolling EBITDA of **2.0**
- **Additional headroom secured** to deal with uncertainty and depth of COVID-19
- **Strategy progressing** further with improved innovation, strong P&A expansion and optimized omnichannel plans

H1 key financial performance indicators

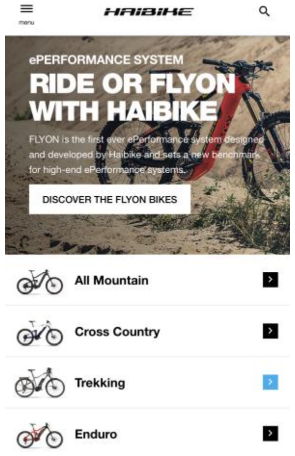
Net sales growth	Added value % vs PY	EBIT / EBIT excl. one-offs	TWC YoY / Avg TWC
+4.0%	-359 bps	€ 45 mio	-243 bps
		€ 48 mio	+368 bps

Recap of strategy

Lead Global. Win Local

Winning at the point of purchase

Consumer centric omnichannel



Innovation

Centralised & integrated P&A business

Fit to compete

H1 strategic progress

Lead Global

Velosophy expanding further across Europe

Brand teams in place, coordinated by country leads

Innovation centrally led with sign-off in local brand innovation team

Point of purchase

Strong growth in the Netherlands. Availability on top runners hampering further uplift

Strong recovery in Germany after lockdown; German stock has been shared with UK and Nordics during lockdown

Nordics, UK, Southern Europe strong consumer demand and penetration growth of e-bikes

Omnichannel

Focus on brand websites:
- Strong availability through search
- Click and collect functionality
- Go live Raleigh.co.uk
    - D2C growth Raleigh UK of 460%

Optimizing dealer stock and order management through CRM and order entry tools

Innovation

Continued award winning bikes in the Netherlands (eg. Batavus Finez bike of the Year)

Premium e-cargo bike Carqon launched and well received with strong demand so far

Haibike Flyon production up and running

P&A

Additional brands added to portfolio

Continued excellent growth of online sales (third parties)

29% growth XLC business in H1

Fit to Compete

Cash delivery and product availability main focus points in 2020

Higher costs per bike due to COVID-19 disruptions

Complexity (# SKUs) further reduced and good progress booked with standardization (frame platforms)

Well on track with ample room for further improvement

On track

- Continued strong underlying demand for our products and brands as seen in May and June recovery
- Working capital reduction
- Overall cash delivery with additional headroom secured
- Fixed costs increase halted
- Urban mobility growth continued, with launch Carqon
- P&A growth

Improvement needed

- Supply chain disruptions hampering availability and costs
- Lower added value due to negative mix, discounts and higher supply chain costs
- Average working capital and inventory levels

Ruben Baldew - CFO

Net sales and profit

Net sales

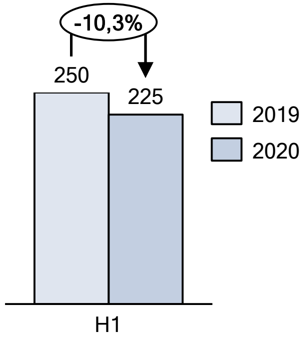
	% Growth
H1	+4.0%
H1 PY	+8.8%

Profit

	% Added value Y-o-Y	EBIT	EBIT excl. one-offs
H1	-359 bps	€ 45 mio	€ 48 mio
H1 PY	+35 bps	€ 56 mio	€ 56 mio

Performance per region

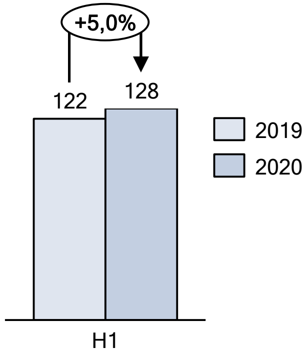
Central



- March & April lockdowns affected sales H1
- Strong recovery after lockdown
- Stock of German brands have been sold in Nordics and UK during lockdown
- Flyon fully in production and rolled out
- Order book MY 2021 looks promising

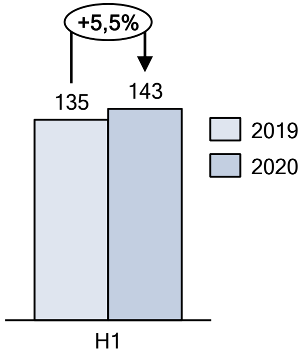
Dach renamed into Central as Eastern European countries are also included

Benelux



- COVID-19 impact was only limited as shops remained open
- Growth driven by Batavus thanks to strong portfolio and activation

Other

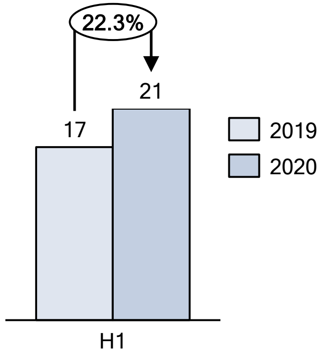


- Growth in Nordics and UK very strong driven across brands thanks to growth bike market
- France sales slightly down due to lockdown from March into 2nd week of May

Net sales numbers in € mio, based on geographical location of customer. P&A and Velosophy excluded.

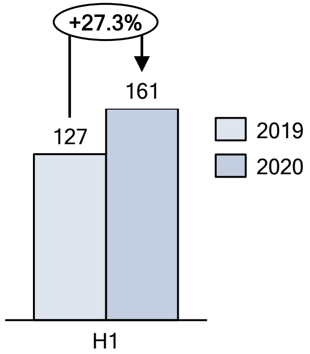
Performance Velosophy and Parts & Accessories

Velosophy



- Cargo bike sales continued strongly also thanks to D2C model in various countries
- Growth held back by lockdowns in France & Germany
- Next generation e-cargo bike Carqon successfully launched in June

P&A

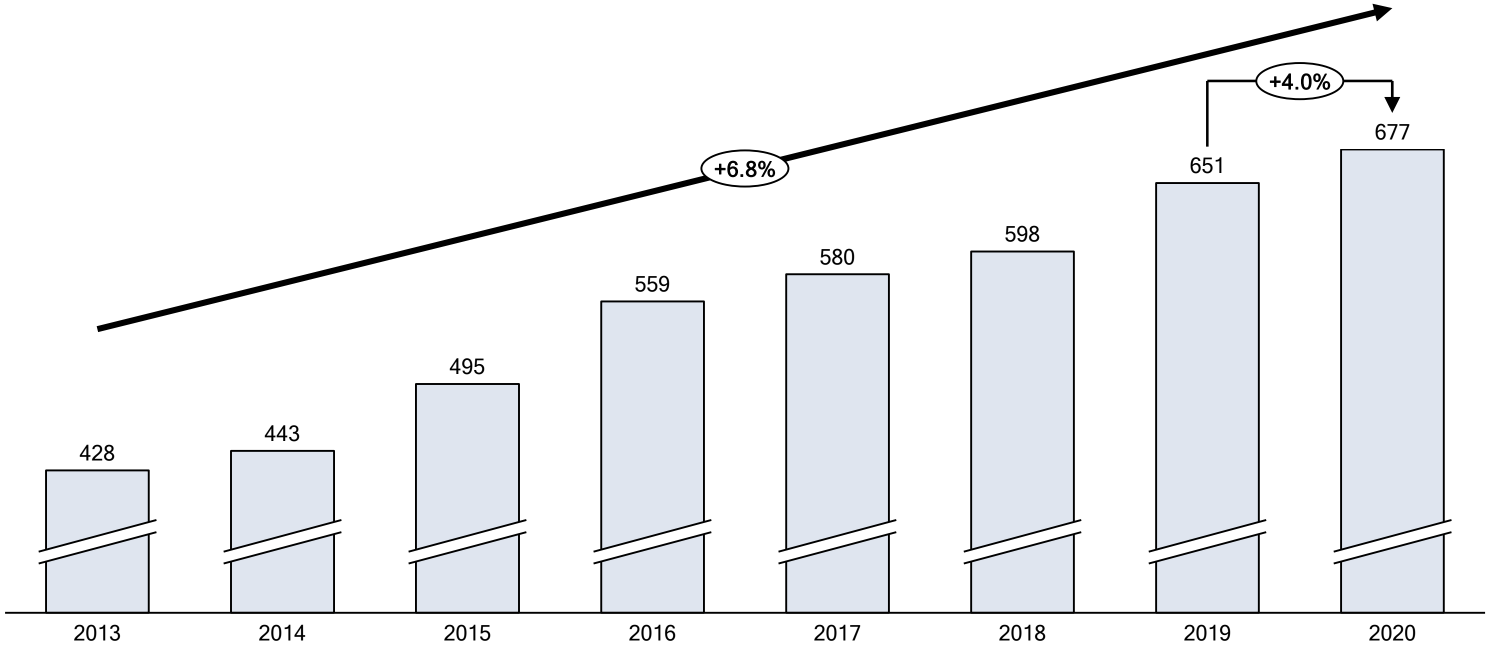


- Excellent growth of P&A driven by:
  - Indoor trainer sales during lockdown
  - Strong growth from repair shops
  - Additional business through (new) online customers
- XLC brand grows 29%

Net sales numbers in € mio

Growth track continues

Net sales H1 2013 - H1 2020



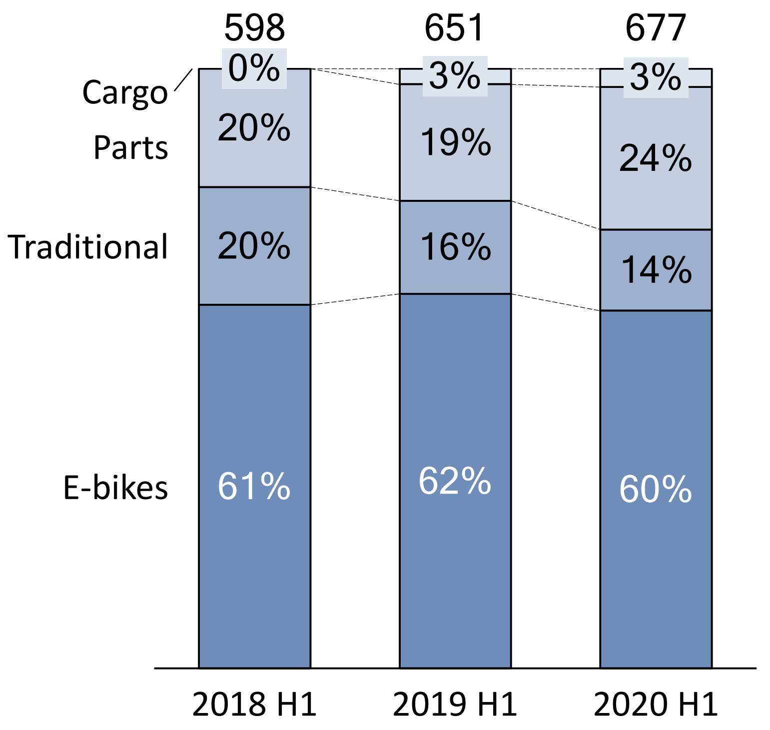
2013-2017 core (Accell Group excl. North America); 2018 - 2020 continuing operations

Comments

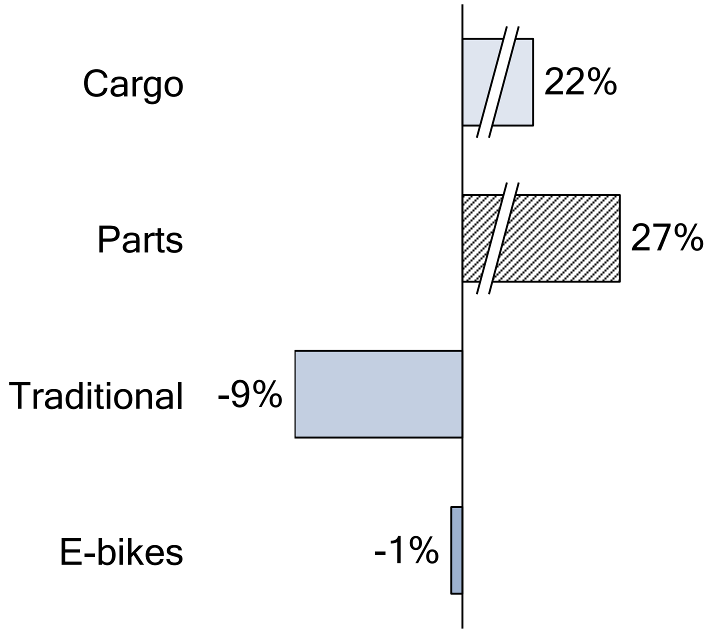
- Average growth over last 7 years 6.8%
- 2020 growth below 7-year average due to sales impact of lockdowns, particularly in Germany and France

Change in mix due to strong growth P&A and stable e-bikes

Categories as % of net sales



% Growth H1 vs PY

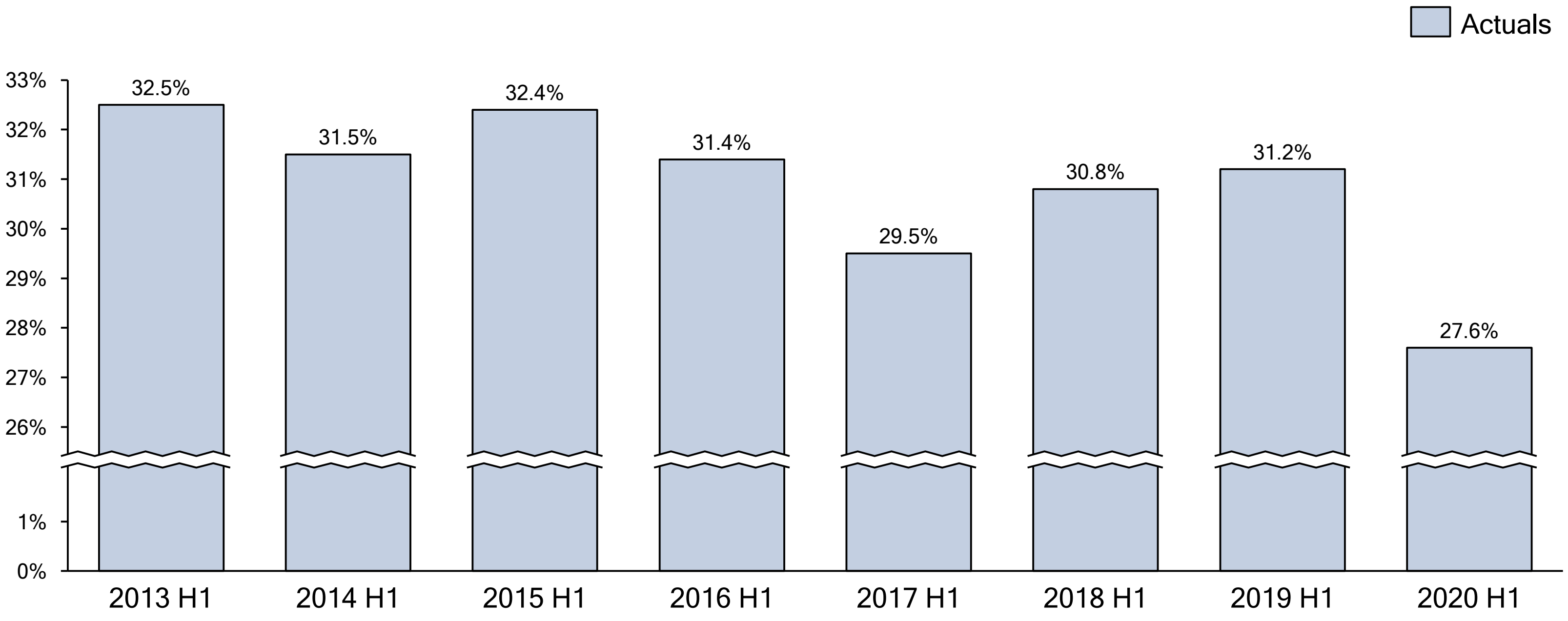


Comments

- Traditional bikes down 9% in line with historical average
- Cargo bikes now at +3% of business; majority of cargo bikes are e-bikes
- Parts up 27% growth due to online and repair shops
- E-bikes continue to grow in every country except Germany due to lockdown

Added value down to 27.6%

Added value % H1 2013 – H1 2020



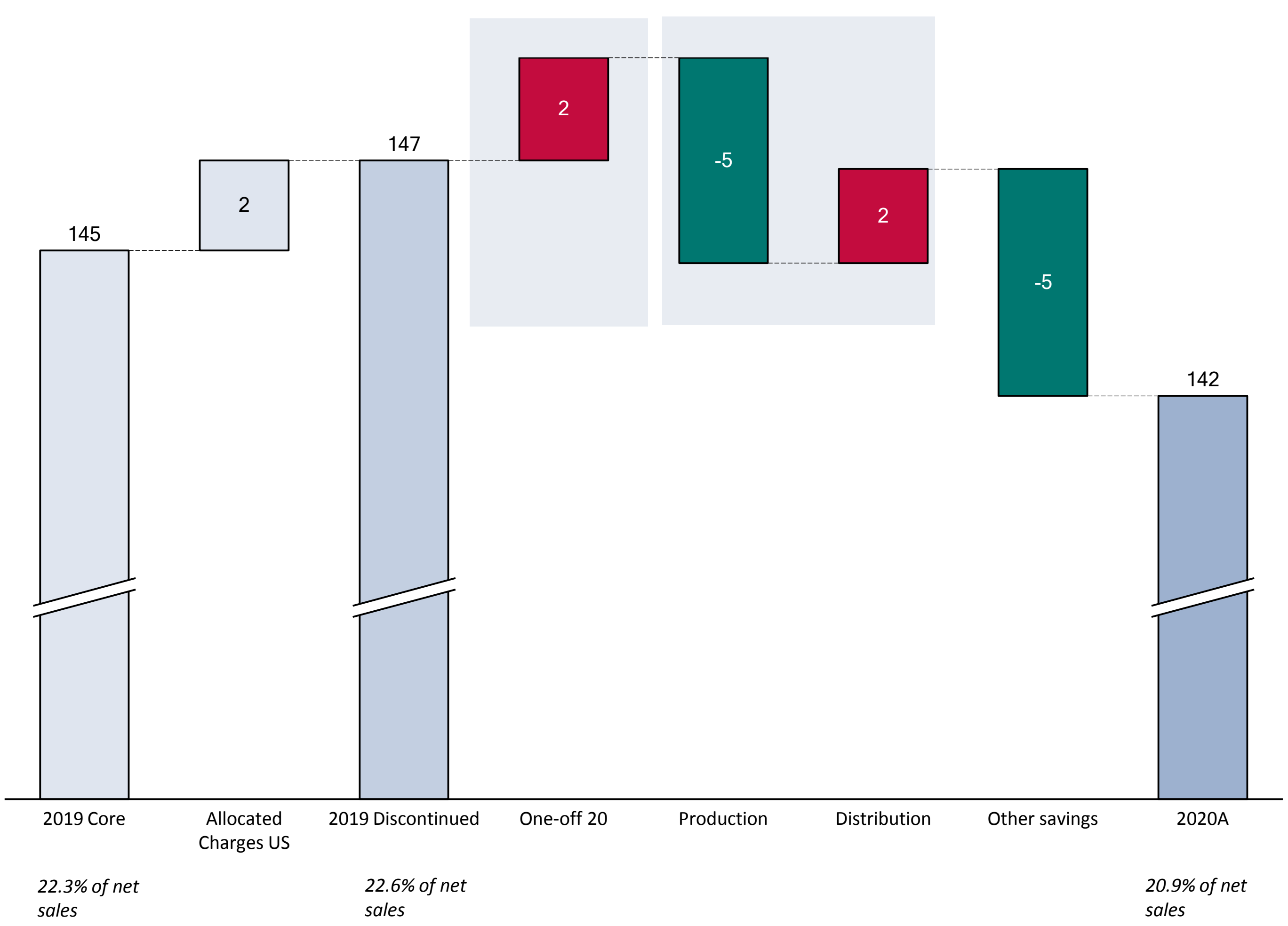
2013-2017 core (Accell Group excl. North America); 2018 - 2020 June continuing operations.
2018 Added value is restated by excl. the IC deliveries towards North American operations, 30.8% vs 30.9% in H1 2019 presentation.

Comments

- COVID-19 breaks added value trend
- Margin down 359 bps due to:
  - Mix effects
  - Discounts
  - Higher supply chain costs as a result of COVID-19 combined with adverse forex

Opex reduced by € 5.5 mio

Opex H1 2019 – H1 2020

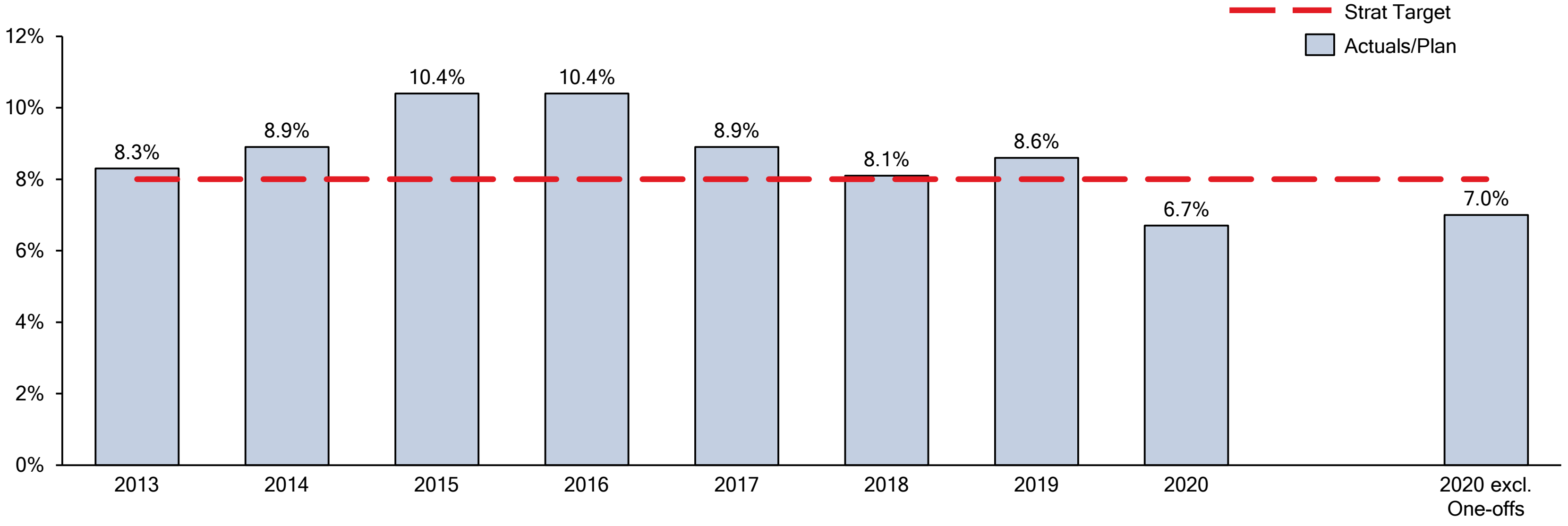


Comments

- Opex reduced by **€ 5.5 mio** from € 147.3 to € 141.8 mio**.** As % of net sales, Opex decreased 170 bps
- Excluding one-offs Opex decreased **€ 7.9 mio (**195 bps) with main movements
  - One-offs € 2.4 mio:
    1) € 3.0 mio charge due to impairment (IT related) plus some restructuring effects
    2) € 0.6 mio benefit government support mainly in Germany, France and Turkey
  - Variable costs down € 2.6 mio:
    1) Lower spend of € 4.8 mio in production as reduced need for flexible labor due to lockdowns
    2) Distribution increase of € 2.2 mio attributable in full to P&A volume growth with underlying improved average dropsize
  - Other cost reduction of € 5.3 mio in marketing and overheads as part of the COVID-19 measures

EBIT-margin down at 6.7% due to lower added value

EBIT% H1 2013 – H1 2020



2013-2017 core (Accell Group excl. North America); 2018, 2019 and 2020 continuing operations

Comments

- EBIT down € 10.6 mio and 189 bps versus H1 2019
- Decrease driven by:
  - Lower added value -359 bps
  - Partly compensated by lower Opex as percentage of net sales (-170 bps)
- EBIT excluding one-offs at 7.0%

Net profit declines to € 28.6 mio due to added value shortfall

Profit & Loss H1 2020 - H1 2019

FINANCIAL HIGHLIGHTS

in millions of euro (unless otherwise stated)	H1 2020	H1 2019 [1]
Net turnover	**676.9**	**650.8**
Other income	0.0	0.5
Net sales growth% vs py	4.0%	8.8%
Added value	186.9	203.0
Added value%	27.6%	31.2%
Added value bps vs py	-359	35
OPEX	-141.8	-145.2
General overhead previously allocated to discontinued operations	-	-2.1
EBIT	**45.1**	**55.7**
EBIT%	6.7%	8.6%
Net finance costs	-6.4	-4.5
Income from equity-accounted investees, net of tax	0.4	0.4
Income tax expense	-10.5	-12.8
Result from discontinued operations, net of tax	-	-9.2
Net profit	**28.6**	**29.7**
- Net profit from continuing operations	28.6	38.9
- Net profit from discontinued operations	-	-9.2

1) In accordance with IFRS accounting standards, the divested non-core (and loss-making) North American operations of Accell Group are recorded as discontinued operations. The result of discontinued operations includes the operational losses of the North American operations.

EBIT excl. one-offs H1 2020 – H1 2019

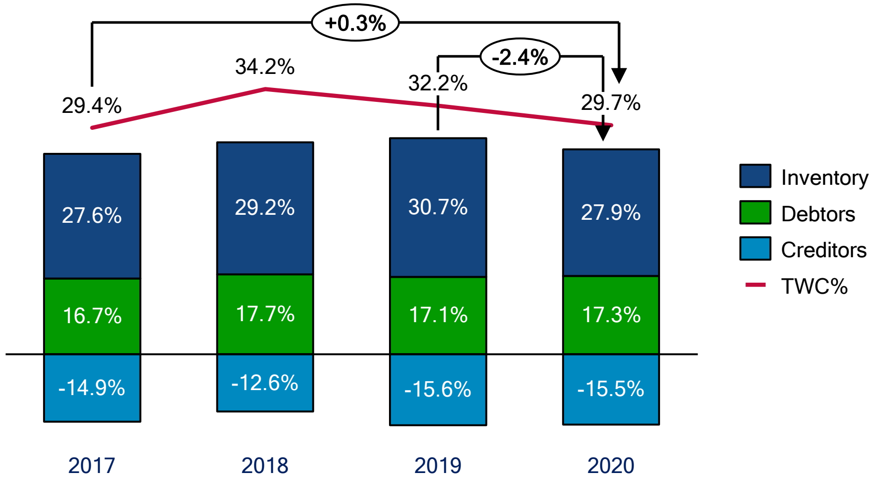
in millions of euro	H1 2020	H1 2019
EBIT reported	45.1	55.7
One-off	2.4	-
EBIT excl. one-off	**47.5**	**55.7**

Comments

- Growth 4% versus 8.8% last year while added value decreased 359 bps
- Opex reduced by € 5.5 mio leading to EBIT excluding one-offs at € 48 mio
- Interest costs up due to higher borrowings
- Income tax down due to lower profit
- Previous year discontinued were operating losses of the divested non core North American operation

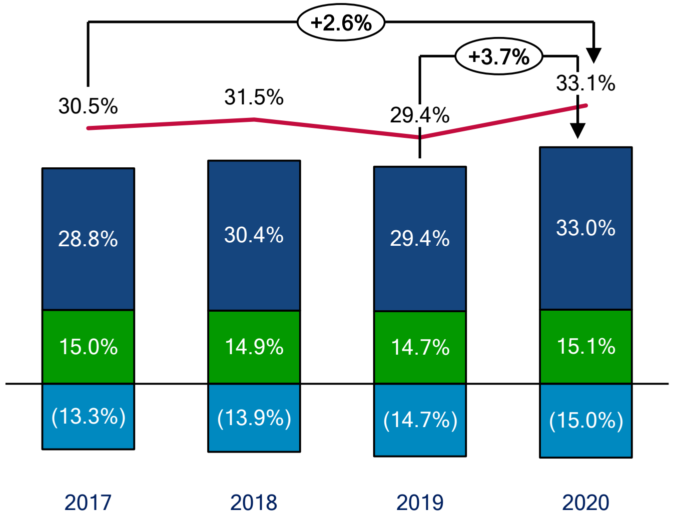
Trade working capital improved due to inventory reductions

June - Periodic



2013-2018 core (Accell Group excl. North America); 2019 -2020 continued operations

June - Average



2013-2018 core (Accell Group excl. North America); 2019 -2020 continued operations

Comments

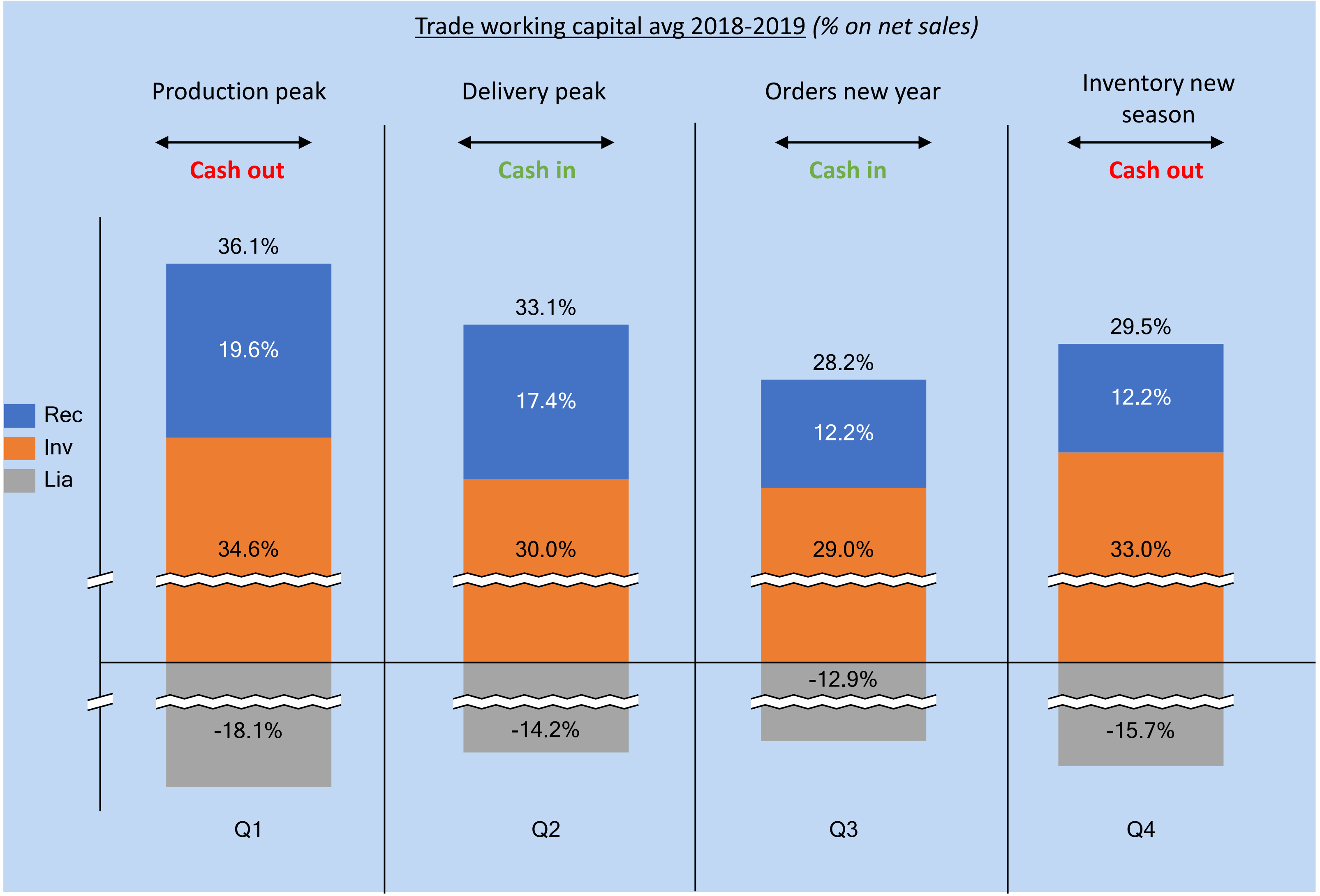
June Periodic

- Working capital at end of June down 243 bps at 29.7% of net sales, driven by lower inventory (-272 bps)
- Reduction driven by strong May and June sales
- Focus in H2 2020 and Q1 2021 is to ensure right availability whilst continuing strong governance on working capital

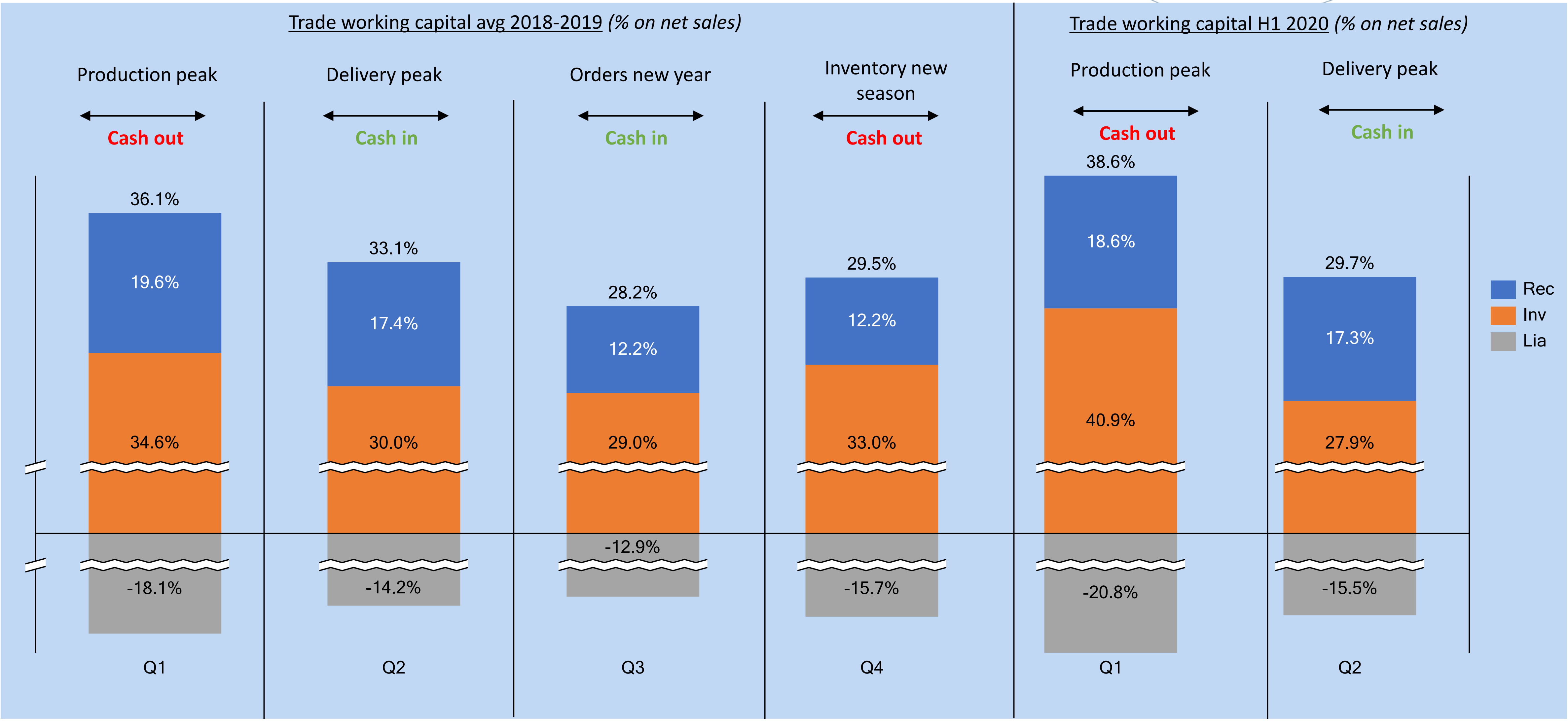
June Average

- Average at +368 bps driven by inventory +360 bps
- High inventory position in Q4 2019
- Inventory increased further till May due to:
  - Normal season build up Jan/Feb into March
  - Lockdowns hampering sales March and April

TWC regular seasonal patterns. Cash conversion from Q2 to Q3

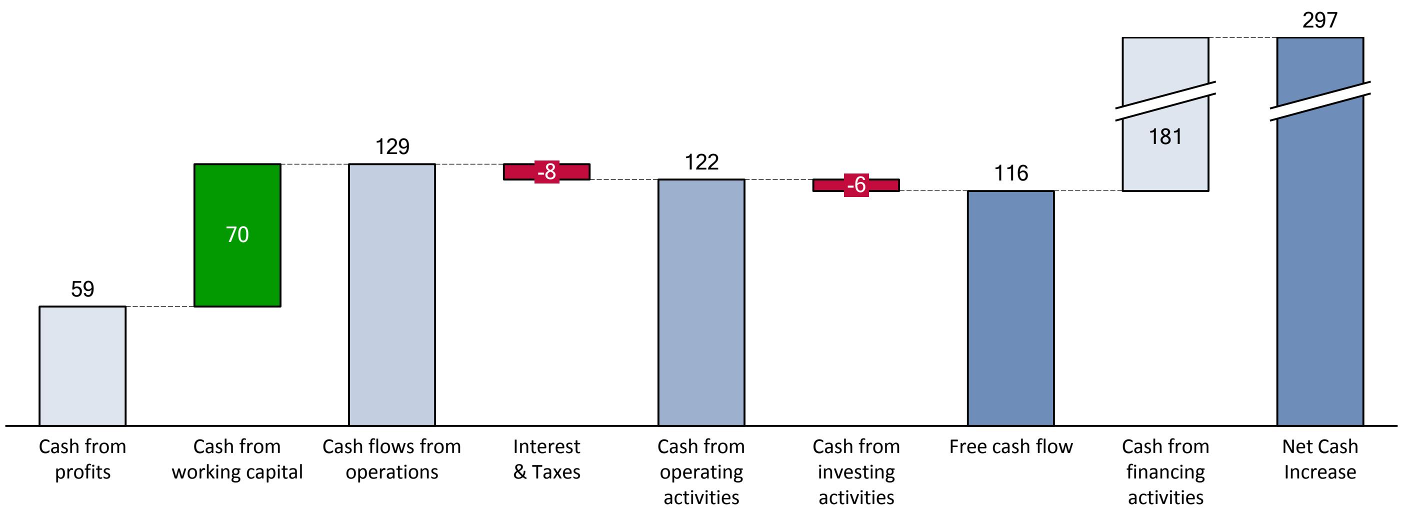


TWC patterns distorted due to lock down. Reductions as of May

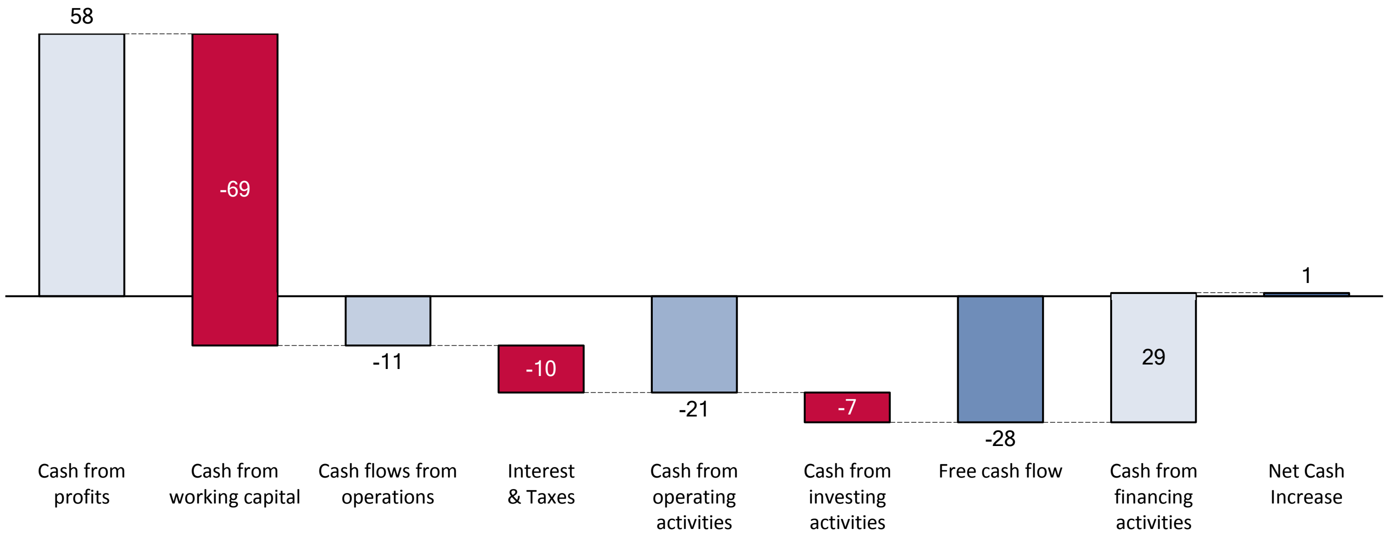


Strong cash generation due to focus on cash, costs and TWC

Cash flow H1 2020



Cash flow H1 2019



Comments

Operating cash flow € 129.1 mio driven by:

- Profit corrected for depreciation, amortization, finance costs and tax € 58.8 mio
- Change in working capital € 66.9 mio
- Provision, employee benefit and deferred revenue € 3.4 mio

Increase cash at bank € 297.3 mio driven by

- Free cash flow € +115.9 mio
- Financing activities € +181.5 mio
  - Accordion € +50 mio
  - GO-C financing € +60 mio
  - Facility A € +70 mio
  - Other € +1.5 mio

Additional headroom secured and adjusted covenants

Financing

Financing Q1:

1. Term loan € 125 mio (incl. € 50 mio drawn in March under the Accordion)
2. Revolving Facility A € 175 mio
3. Revolving Facility B € 100 mio seasonal facility running from 1 December to 15 July

Additional financing Q2:

1. GO-C bank loan € 115 mio until 30 June 2022. Government backed loan (80%)
   -> Drawings: € 60 mio H2 2020 and € 55 mio in Q1 2021 (if needed)
2. France government bank backed (90%) loan of € 5 mio

Other conditions during GO-C and before back to original covenants:

- No dividend distribution
- Limitations on disposals and acquisitions; approval needed above certain thresholds
- Margin increase of 30 bps (10 bps permanently on seasonal facility)

Covenants 2020

1. Term loan leverage: N/A

Relevant Period ending	Outstandings/EBITDA
30-Sep-21	4.64:1
31-Dec-21	3.11:1
Each Relevant Period thereafter	2.50:1

2. Solvency ratio:

   Q2 2020 = 23.4%
   (cash and borrowings netted = 32.3%)

Relevant Period ending	Solvency Ratio
30-Jun-20	15.0%
31-Dec-20	15.0%
30-Jun-21	16.2%
31-Dec-21	18.6%
Each Relevant Period thereafter	25.0%

3. LTM Normalized EBITDA:

   Q2 2020 = € 58.1 mio

Relevant Period ending	LTM EBITDA (EUR)
30-Jun-20	-30,000,000
31-Sep-20	-58,900,000
31-Dec-20	-70,600,000
31-Mar-21	-51,400,000
30-Jun-21	5,600,000

4. Minimum liquidity: € 416 mio (not less than € 25 mio)

5. Borrowing reference: headroom € 255 mio (remains unchanged)

Strong € 70.6 mio reduction of net debt

Total group return on capital and net debt H1 2020

ROCE	Net debt	Net debt / rolling EBITDA
9.1%	€ 154 mio	2.0
9.0% Excl. IFRS 16 & one-offs	€ 123 mio Excl. IFRS 16	1.9 Excl. IFRS 16 & one-offs
H1 2019: 10.2% *Excl. IFRS 16, one-offs 10.9%*	***H1 2019 € 224 mio*** *Excl. IFRS 16 € 195 mio*	***H1 2019: 3.1*** *Excl. IFRS 16 & one-offs 2.8*

Comments

- ROCE at 9.1%; decreased versus previous year due to lower EBIT
- Net debt reduced by € 70.6 mio versus end-June 2019 and € 112 mio vs year-end 2019. Main driver reduced working capital
- Net debt / rolling EBITDA at 2.0 (1.9 excl. one-offs and IFRS 16). Decrease due to cash management and working capital reduction

Balance sheet

Assets

(in thousands of euro)	30-06-20	31-12-19	30-06-19
Property, plant and equipment	64,955	64,426	66,925
Right-of-use assets	30,140	29,796	29,604
Goodwill and other intangible assets	129,327	132,617	139,793
Financial assets	57,317	58,069	33,795
Non-current assets	**281,739**	**284,907**	**270,118**
Inventories	317,741	386,830	358,728
Trade and other receivables	220,778	171,649	221,278
Other current assets	1,740	4,285	2,489
Cash and cash equivalents	284,634	11,482	41,350
Current assets	**824,892**	**574,246**	**623,845**
Total assets	**1,106,631**	**859,154**	**893,963**

Equity & Liabilities

(in thousands of euro)	30-06-20	31-12-19	30-06-19
Total equity	**350,963**	**323,196**	**340,741**
Borrowings	184,668	75,100	75,037
Lease liabilities	22,041	22,240	20,045
Other non-current liabilities	31,156	31,737	31,205
Non-current liabilities	**237,865**	**129,078**	**126,288**
Borrowings	204,585	126,868	118,263
Lease liabilities	8,618	7,983	9,659
Trade payables and other current liabilities	260,705	210,918	233,054
Other short term liabilities	25,437	16,508	23,287
Bank overdrafts	18,457	44,603	42,671
Current liabilities	**517,803**	**406,880**	**426,934**
Total liabilities	**755,668**	**535,958**	**553,222**
Total equity & liabilities	**1,106,631**	**859,154**	**893,963**

- Decrease in TWC versus December 19 and June 19
- Higher overall balance sheet driven by higher cash and borrowings. Will be optimized in H2

Financial summary

Main conclusions H1 2020

- **Net sales growth 4.0%**
- **Added value % decreasing** due to higher supply chain costs, negative mix and prioritising cash over margin %
- **Opex decreased** underlying by € 8 mio driven by reduction of costs in factories and overheads
- **EBIT at € 45 mio**, excluding one-offs € 48 mio
- **Working Capital reduction 243 bps** driven by inventory decrease, average working capital still up due to higher Q4 inventory and high inventory during lockdown
- Positive cash flow **of € 129 mio**. Net debt/rolling EBITDA at 2.0
- **Additional headroom secured** to deal with uncertainty and depth of COVID-19

Ton Anbeek - CEO

2020 Priorities

1. Health and safety employees

2. Deliver positive cash flow
    1. Strict expenses control
    2. Strict working capital management

3. Drive product availability as much as possible both for H2 2020 as well as for H1 2021

4. Continue improving demand planning/forecasting

5. Continue improvements in time in full innovation delivery

6. Continue complexity reduction (business/assortment/platform/components)

7. Drive cargo/urban mobility solutions

2020 Outlook

- Market momentum driven by electrification trend, investments in infrastructure and tax benefits. Recent events have further propelled this

- However supply chain disruption as a result of COVID-19 has led and will continue to lead to lower availability and higher costs. We therefore expect EBIT in 2020 to be lower than in 2019


CARQON


BABBOE Mini


CARQON