

# Annual General Meeting of Shareholders

25 April 2017



# 01. Opening and announcements



# ACCELL GROUP RECEIVES A NON-BINDING OFFER FROM PON HOLDINGS



Accell Group received a non-binding and conditional proposal from Pon Holdings for issuing an offer for all Accell Group shares.

The proposal concerns a public offer for all issued and outstanding shares of Accell Group at an indicative offer price of € 32.72 per share in cash, including the 2016 proposed dividend of € 0.72.

In order to be able to thoroughly assess this proposal exploratory discussions are held with Pon Holdings. The Supervisory Board and Executive Board, together with their financial and legal advisors, are carefully reviewing all aspects of Pon Holdings' non-binding proposal.

Accell Group will take into account the interests of all stakeholders.

There can be no assurance any transaction will result from this proposal and the ongoing discussions. Further announcements will be made if and when appropriate.

# 02. Presentation and discussion of the 2016 Annual Report



## 1. Key results 2016

## 2. Strategy

## 3. Outlook

# Main developments 2016

- Net turnover up by 6% to € 1.05 billion, on the back of strong growth in e-bikes (e-MTB's in particular)
- Operating result (excl. one-offs) increased with 5%; EBIT-margin remained stable at 6.3%
- Net profit was at the same level as in 2015; earnings per share came in at € 1.26
- Working capital decreased to 29.2% of turnover
- Refined strategy, with new objectives for the medium term; with a clear focus on consumers and profitable growth in e-mobility, (e-)bike sports and recreation
- Group financing arrangement extended and expanded; renewed five-year facility of in total € 375 million. This provides continuity of the financing at improved terms

<i>(in € million unless otherwise stated)</i>	2016	2015	Δ
Net turnover	1,048.2	986.4	6.3%
Added value	30.0%	31.7%	
Operating result <small>excl. one-off gains and charges</small>	65.9	62.5	5.4%
<i>As a % of turnover</i>	6.3%	6.3%	
Net profit	32.3	32.3	0.0%
Working capital	29.2%	34.2%	
Free cash flow	61.3	-31.2	
ROCE	12.2%	11.0%	

# Group performance

<i>in € million unless otherwise stated)</i>	2016	2015	Δ
Net turnover	1,048.2	986.4	6.3%
Added value	314.8	313.0	0.6%
<i>As a % of turnover</i>	30.0%	31.7%	
Staff costs	-121.8	-122.9	-0.9%
<i>As a % of turnover</i>	11.6%	12.5%	
Other operating costs	-122.3	-122.8	-0.4%
<i>As a % of turnover</i>	11.7%	12.5%	

	2016	2015	Δ
Operating result	60.4	58.5	3.2%
<i>As a % of turnover</i>	5.8%	5.9%	

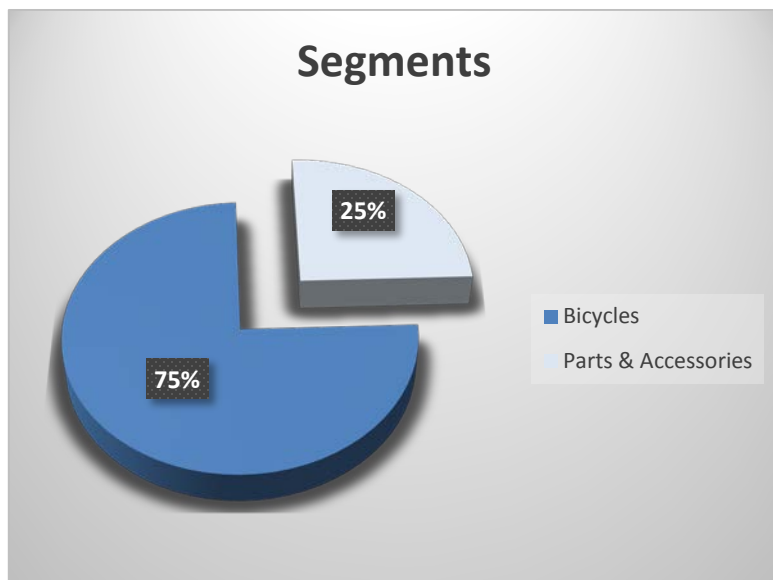
	2016	2015	Δ
Financial expenses (net)	-8.3	-9.1	-8.8%
Taxes	-20.4	-16.2	25.6%
Tax rate	38.7%	33.5%	
Net profit	32.3	32.3	0.0%

- Corrected for the sale of the parts & accessories activities in North America, growth came in at 7.4% in 2016
- Added value was impacted by:
  - Changed sales mix and a different geographical distribution of turnover
  - Higher dealer discounts and not fully charging customers for higher materials prices
- Decrease in the number of bicycles sold and the effects of reorganisations resulted in lower staff costs
- Lower other operating costs were partly due to a lower sales volume and were realised despite higher marketing and consultancy costs
- The increase in operating result was negatively impacted by one-off charges of € 5.5 million (2015: € 4 million)
- Lower financial expenses due to smaller exchange rate differences, lower credit uptake in the second half of the year and slightly lower interest rates
- Taxes increased due to a strong improvement of the results in Germany and the non-capitalisation of carry-forward losses in North America

# Segment Bicycles

<i>in € million unless otherwise stated)</i>	2016	2015	Δ
Net turnover	785.5	719.0	9.3%
Segment result	56.4	56.5	-0.3%

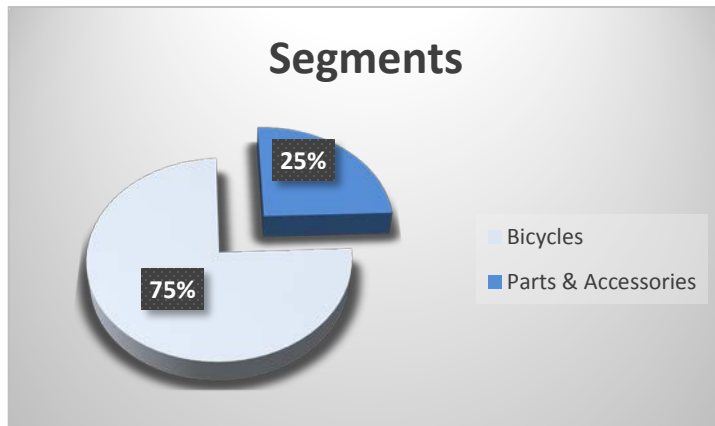
- Net turnover came in at 9.3% higher on the back of increased e-bike sales
- Turnover in e-bikes was up 33%, turnover in regular bicycles decreased
- The turnover contribution from e-bikes increased from 45% in 2015 to 55% in 2016
- The average price per bicycles increased by 23% to € 536 (2015: € 437)
- Partly due to the stronger focus on sales of more expensive and high-quality bicycles, the total number of bicycles sold decreased by 11% to 1,457,000 units
- The segment result was negatively impacted by changed sales mix and a change in the geographical distribution as well as more cut-price sales and one-off charges in North America



# Segment Parts & accessories

<i>(in € million unless otherwise stated)</i>	2016	2015	Δ
Net turnover	262.6	267.4	-1.8%
Segment result	17.5	15.6	12.0%

- Net turnover decreased by around 2%, due entirely to the sale of the bicycle parts and accessories activities in North America
- Corrected for the sale of the bicycle parts and accessories activities in North America, turnover was higher. The turnover share from Accell's own XLC brand increased slightly in Europe compared to 2015
- Segment result of parts & accessories increased by 12% to € 17.5 million on the back of good results in all European countries where we are active

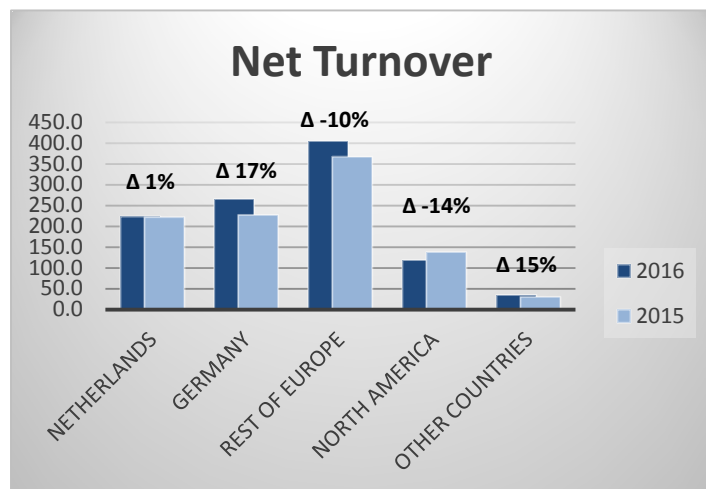




# Developments per region

Net turnover <i>(in € million unless otherwise stated)</i>	2016	2015	Δ
The Netherlands	223.6	222.4	1%
Germany	265.9	227.3	17%
Rest of Europe	404.7	367.6	10%
North America	118.6	138.3	-14%
Other countries	35.3	30.8	15%

- Turnover in **the Netherlands** was slightly higher. The turnover in e-bikes, with the brands Koga, Batavus and Sparta, was up 5%. Turnover in parts and accessories was up 14% driven by a higher (replacement) demand for parts for e-bikes
- In **Germany**, turnover was up 17% largely due to increased sales of Haibike's e-MTBs and Ghost's regular MTB's.
- In the **rest of Europe**, higher sales of e-MTB's was the main driver of a 10% rise in turnover, compared to 2015
- Adjusted for the sale of the activities in the field of parts & accessories, turnover in **North America** came in 6% lower than in 2015. In 2016 Accell initiated the implementation of Omni-channel sales
- Turnover in **other countries** outside Europe was limited and increased by around 15%, largely due to continued growth in Turkey



# Financial ratio's

<i>(in € million unless otherwise stated)</i>	<b>2016</b>	<b>2015</b>
Net debt	147.3	200.0
EBITDA	70.7	68.6
Net debt / EBITDA	2.1	2.9
Interest cover	8.7	8.3
Solvency	45.4%	41.8%

*\* Solvency is determined after netting the amounts in the 'notional cash pool arrangement'*

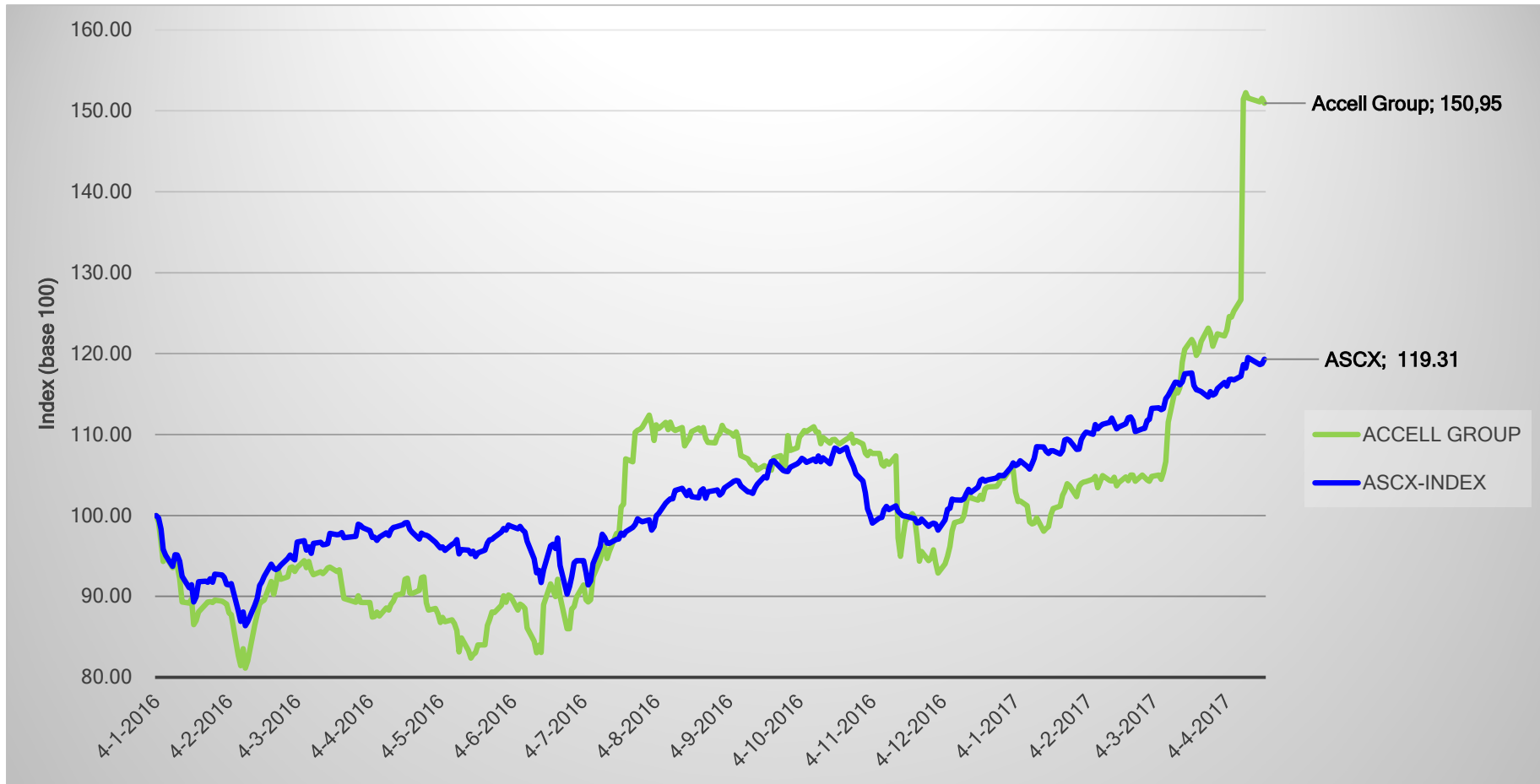
- The net debt stood at € 147 million at year-end 2016, a decrease of 26% compared to a year earlier, largely due to the lower working capital
- EBITDA was 3% higher at € 71 million. This resulted in a net debt / EBITDA ratio of 2.1; a clear improvement
- The interest cover improved slightly as a result of the lower interest rates and lower credit uptake in the second half of 2016
- Solvency increased from 41.8% to 45.4% at year-end, due to the increase in shareholders' equity

# Capital efficiency

<i>(in € million unless otherwise stated)</i>	2016	2015	Δ
Inventories	321.6	338.7	-5.1%
Accounts receivable	137.9	134.6	2.4%
Accounts payable	-153.2	-135.6	13.0%
Working capital	306.2	337.7	-9.3%
<i>As a % of turnover</i>	29.2%	34.2%	
Investments in fixed assets	11.6	10.8	7.2%
Free cash flow	61.3	-31.2	
ROCE	12.2%	11.0%	

- Working capital came in at € 306 million. Working capital as a percentage of turnover improved from 34.2% to 29.2%
- Investments in fixed assets were up € 0.8 million, which was largely due to investments in the experience centres in Ede (NL) and Dijon (FR)
- The free cash flow improved considerably, largely as result of the reduced working capital requirements
- The capital employed declined to € 494.1 million (2015: € 532.3 million). The return on capital employed (ROCE) stood at 12.2% at year-end 2016, compared with 11.0% a year earlier

# Share price development Accell Group



# 02. Presentation and discussion of the 2016 Annual Report



## 1. Key results 2016

## 2. Strategy

## 3. Outlook

# Vision

## TRENDS

### CONSUMER

- Change in purchasing behaviour
  - Purchasing trajectory starts online
  - Excellent products and services
- Brands are important for trust
- In cities and recreation from ownership to use
- Accessories more and more purchased online

### DISTRIBUTION

- Multiple distribution forms driven by consumer demand
- Role of the dealer remains important for service

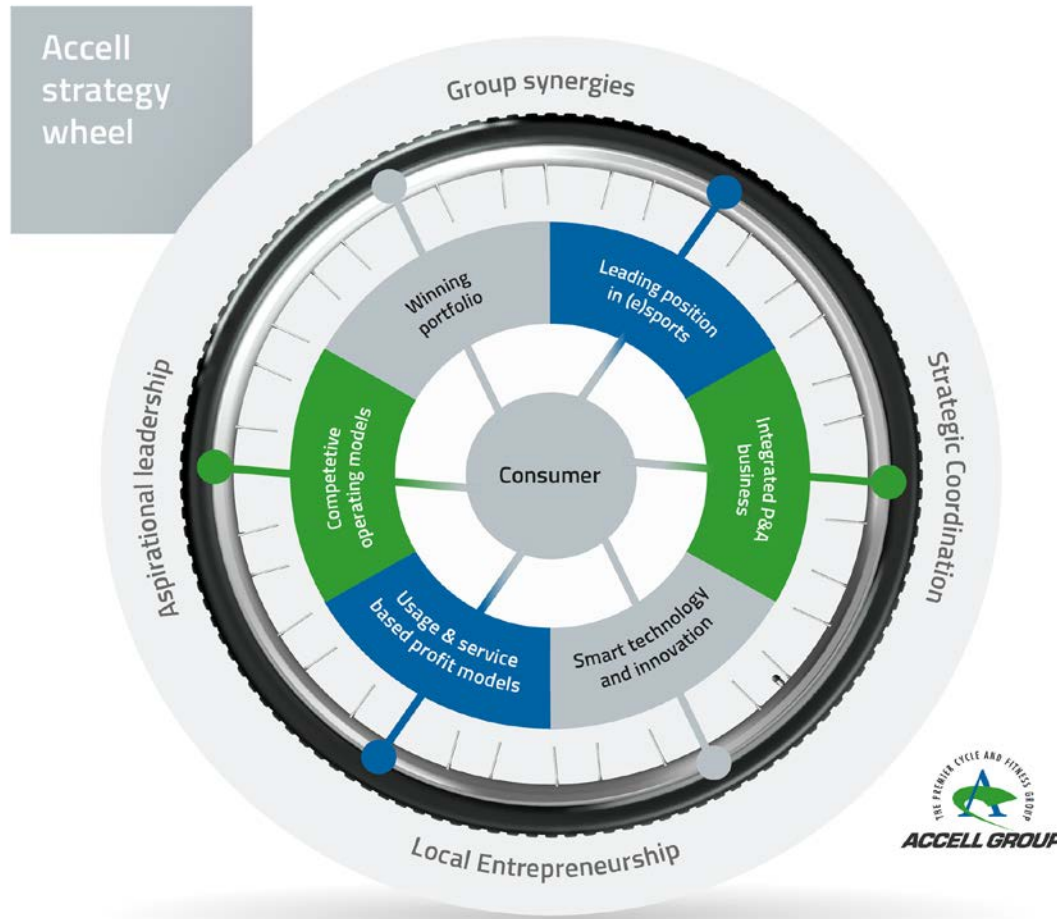
### INNOVATION

- E-bikes leader in all product groups
- Connectivity provides new opportunities

## ACCELL GROUP

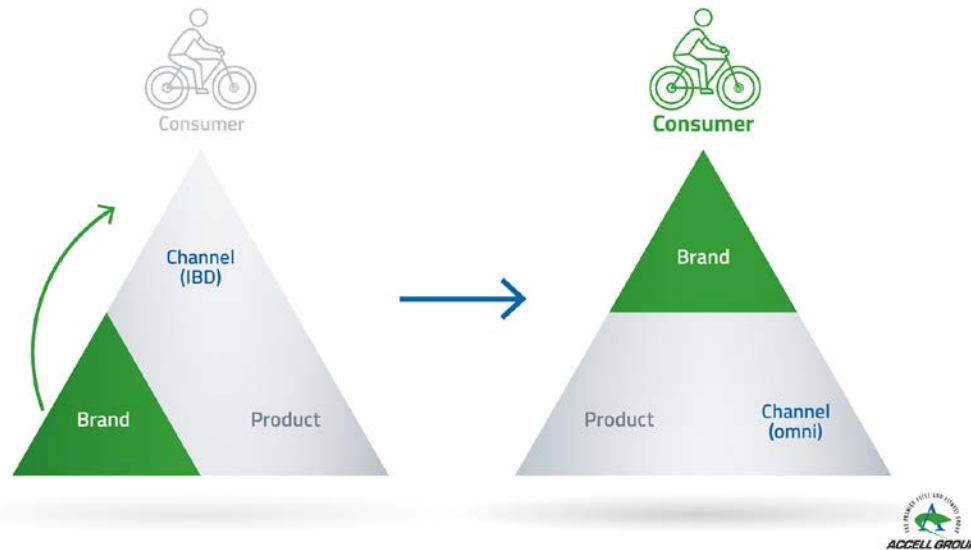
- Organisation led by consumer demand
- Omni-channel
- Services with multiple income streams
- Multi-brand strategy with intensive collaboration
- System partner for mobility solution
- Integrated parts supplier towards both specialists (B2B) as well as consumers (B2C)

# Strategy



# Focus on consumer

- Changes in lifestyle and purchasing behaviour of consumers and technological developments are to be followed
- Multiple ways of distribution of bicycles and bicycle parts will have to be unlocked



- Consumers expect an uniform interpretation of their demands in all channels (Omni-channel)
- Conflicts in price between different channels will have to be avoided in the future
- Accell will develop own (digital) platforms and look for collaborations with partners to facilitate the implementation of the Omni-channel strategy



# Sports



## 1. Active multi-brand strategy

**HAIBIKE** leader in e-performance

**GHOST** MTB-specialist

**LAPIERRE** Premium sports brand

**DIAMONDBACK** US-sports brand

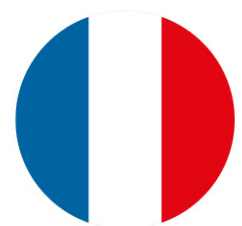
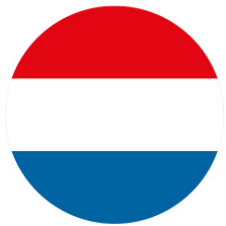
- Brand portfolio provides a lot of growth potential internationally

## 2. Innovation and development of renewed products remains essential for the success of the brands

## 3. Enhanced collaboration between brands in the group in the field of development and (digital) marketing

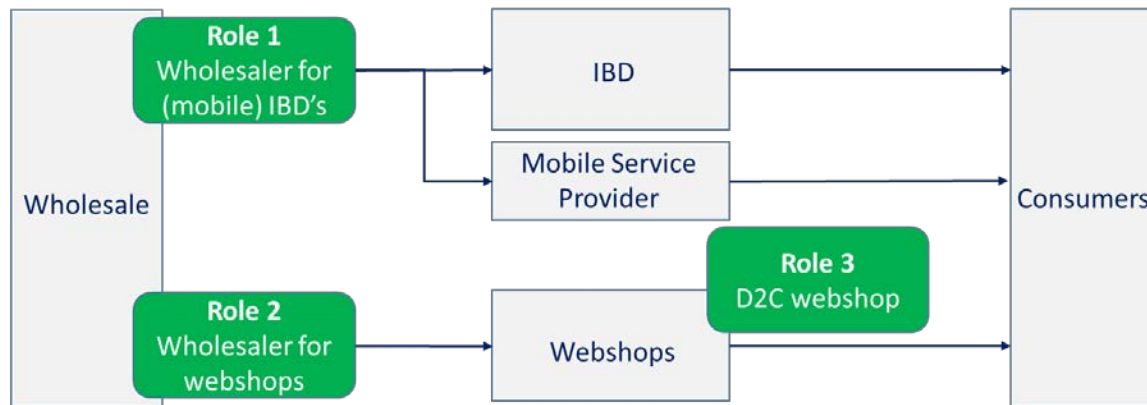
# Winning portfolio

- Enhanced multi-brand strategy offers consumers a broad product range and plenty of choice
- For brand positioning innovative and effective (digital) marketing remains of great importance
- Leading position in e-bikes remains pillar under the growth strategy
- Development of innovative products better targeted at consumer's preferences



# Parts and accessories

- Given the developments in the industry and consumer trends Accell Group will increase its joint added value towards its customers



- In addition to its current wholesale function Accell Group will also organize sales towards consumers (D2C)
- The position of the parts brand XLC will be strengthened
- Better use of synergies by intensifying the collaboration and integration of a number of activities

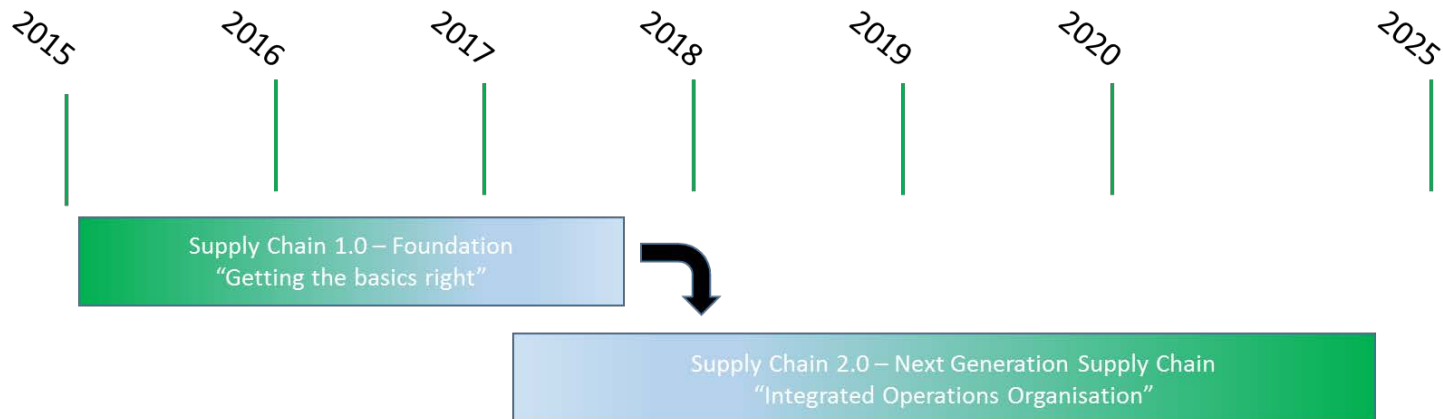
# Application of smart technology

- Innovative strength is further strengthened by applying new technological possibilities
- Fields of application
  - Safety
  - Connectivity
  - Electrical systems
  - Sustainability
  - Operational processes
- Effective use of new applications also calls for a strengthening of the collaboration in the field of product development and managing the innovation-portfolio
- Using the scale and strength and expertise of our organizations as well as those of suppliers



# More efficient operating processes

- For effective implementation of the consumer demand Accell Group continues to improve the organization's competitive power:
  - Further optimization and more centralized supply chain management



- Increase the agility of the organization
- Structural cost savings
- Further development of IT-support (i.e. more focused on handling consumer data and supporting key processes)
- Expand role of HRM aimed at developing leadership and talent

# New revenue models

- Responding to trends among consumers (i.e. from ownership towards use) Accell Group will create additional services in the years ahead in collaboration with commercial partners and public bodies
  - “Mobility-as-a-service” and other mobility concepts
  - Service directly-to-home (i.e. Beeline partnership)
  - Revenue models based on a usage rate
  - Development of diverse user platforms with associated services



# Transition



- driven by product range → organisation led by consumer demand
- limited number of distribution channels → Omni-channel
- manufacturer focused on transactions → service with multiple income streams
- individual brand positioning → multi-brand strategy with intensive collaboration
- supplier in mobility → system partner for mobility solution
- locally organized wholesale → Integrated parts supplier towards both specialists (B2B) as well as consumers (B2C)

# Medium-term goals

- Ambition and strategy aimed at profitable growth and value creation for all our shareholders
- Medium-term (five-year) goals:
  - Net turnover up to € 1.5 billion
  - EBIT-margin at a level of 8%
  - Working capital of no more than 25% of net turnover
  - ROCE of more than 15%
- Required extra costs of € 20 – 30 million in the next two to three years for:
  - Innovation
  - Supply Chain
  - IT
  - HRM



# Refinancing



- Accell Group has reached an agreement with a syndicate of six (international) banks on a renewed group financing facility to replace / extend the existing facility
- This new financing for a total of € 375 million (with an option for an additional € 150 million for future acquisitions) offers greater flexibility at better terms and has a term of maximum five years with a possible extension of two years
- The financing facility comprises a term loan and revolving credit facility, part of which is structured as a seasonal facility. The covenants are based on results (term loan/EBITDA), working capital (borrowing reference) and solvency
- This improved and extended group facility creates a solid basis for the implementation of the refined strategy and continued growth

# 02. Presentation and discussion of the 2016 Annual Report



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# Outlook 2017



- Cycling will remain popular for mobility, recreational and sports purposes
- Realisation of further efficiency and synergy potential by integrated management in supply chain, human resources, marketing and IT
- New initiatives in Omni-channel will lead to turnover growth
- In 2017 we will continue to actively seek for acquisitions that are a good fit
- The turnover in the first months of 2017 is at the same level as in 2016



Barring unforeseen circumstances, Accell Group expects to see a rise in turnover and operational results in 2017

# Summary



- Turnover at over € 1 billion in 2016
- Refined strategy defined
- Good operating result of € 66 million
- Working capital below 30%
- Successful refinancing
- Good moment to hand over leadership

# 02. Presentation and discussion of the 2016 Annual Report



# 03. Discussion execution remuneration policy 2016



# 04. Adoption of the 2016 Financial Statements (resolution)



# 05. Adoption of the appropriation of profits in 2016



- a. Accounting for the reserve policy
- b. Adoption of dividend distribution (resolution)



# 06. Grant of discharge to the members of the Board of Directors for management duties performed during the 2016 financial year (resolution)



# 07. Grant of discharge to the members of the Supervisory Board for supervisory duties performed during the 2016 financial year (resolution)



# 08. Composition Board of Directors



# 09. Adoption of remuneration of the members of the Supervisory Board (resolution)



# 10. Composition Supervisory Board



- a. Notification by Supervisory Board of the person nominated for reappointment as member of the Supervisory Board (Mr. A. Kuiper)
- b. Proposal to reappoint the person nominated by the Supervisory Board (resolution)
- c. Possibility to nominate persons to be appointed as members of the Supervisory Board

# 11. Appointment of external auditor (resolution)



## 12. Authorisation of the Board of Directors to acquire shares in its own capital by the company (resolution)

- this authorization will be valid until 1 November 2018;
- the acquisition of shares in its own capital by the company requires the prior approval of the Supervisory Board;
- the number of shares to be acquired will be at most 10% of the issued share capital; and
- the acquisition price will be at most 110% of the average share price over the previous five trading days.

**13. Extension until 1 November 2018 of the period during which the Board of Directors is authorized to issue ordinary shares up to a maximum of 10% of the outstanding share capital after the prior approval of the Supervisory Board (resolution)**



**14. Extension until 1 November 2018 of the period during which the Board of Directors is authorized to limit or exclude the preemptive right after the prior approval of the Supervisory Board in respect of an issue of ordinary shares (resolution)**

# 15. Any other business



# 16. Closure of the meeting





# Disclaimer



- ▶ This presentation may contain forward-looking statements. These are based on our current plans, expectations and projections about future events
  
- ▶ Any forward looking statements are 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 statements