Full Year 2019 Results

Ton Anbeek – CEO
Ruben Baldew – CFO

March 6, 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%

Key Messages 2019

- Strategy **'Lead Global. Win Local' on track** for achieving previously submitted **2022 objectives'**
- Divestment of North America (discontinued operations) **completed.** International brands are now sold through a distributor in US
- **Turnover increased with 7.5%** in line with average growth in last 7 years; shift to e-bikes and cargo continues. Main regions show growing or stable volumes.
- **Added value** and **EBIT** up, EBIT excluding one-offs down 1 mio
- Majority of **additional investments** (Opex) as part of strategy have now taken place
- **Disappointing TWC%** due to lower than forecasted sales in H2 and delayed innovation
- As of 2020 full focus on **executing** our strategy and further **growing** our profitable European business

Higher Net Sales, Added Value and EBIT. Improvement Needed on TWC%

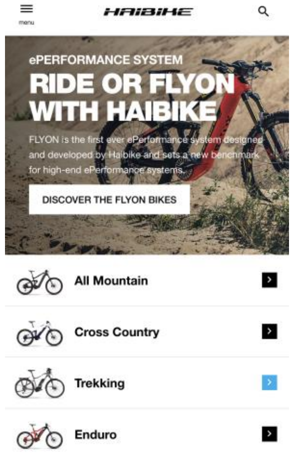
Topline growth	Added value % vs PY	Supply chain savings	EBIT / EBIT excl. one-offs	TWC YoY / Avg TWC
+7.5%	+53 bps	+13 mio	€ 60 mio / € 55 mio	+611 bps / +70 bps

Recap Strategy ‘Lead Global. Win Local’

Lead Global. Win Local

Winning at the point of purchase

Consumer centric omnichannel



Innovation

Centralised & integrated P&A business

Fit to compete

Progress Full Year 2019

Lead Global

Cross regional sales transfers rolled out

Volume trend stabilized/growing in all main countries

North America divestment completed, international brands sold through US distributor

Point of purchase

Recovery Netherlands outperforming market growth

Increased B2B sales

Full roll out of selective distribution contracts across Europe

Need to improve on S&OP

Omnichannel

Basics first; data and process harmonization started

Haibike.com live

CRM D2C rolled out

Innovation

E-bike of the year Sparta M8B 2019; 2020 Batavus Finex bike of the year

Introduction of e-MTB Lapierre Zesty.

Urban Mobility. Launch of e-cargo bike CarQon

Need to improve process for on time delivery of innovations

P&A

Additional brands added to portfolio

Growth of online sales (third parties)

Service levels improved through extended cut-off times

Data harmonisation and warehouse management system improvements started

Fit to Compete

Complexity (# SKUs) further reduced

Reduction # of entities and smaller locations

Realised € 13 mio in supply chain savings with € 6 mio contributing to bottom line offsetting inflation.

Summary of our progress

On track

- Divestment NA organisation / secured US distribution
- Continued growth of top line and added value
- Selective distribution contracts implemented
- Continued delivery of central supply chain savings
- Urban mobility proposition rolled out across Europe
- Recovery Netherlands

Improvement needed

- Innovation delivery
- Sales and Operational Planning /TWC management
- Digital and IT roadmap

Ruben Baldew- CFO



Divesture Completed of North America (discontinued operations)

Discontinued Operations/ Disposal North America

in millions of euro	Discontinued operations	Continued operations
Operational result excluding corporate general overhead and one-off	-12.1	
Gain from sale of the Canadian brand registrations	3.0	11.4
Net transaction result on the sale of discontinued operations and sale Diamondback	-31.8	-5.4
Reclassification of foreign currency translation reserve	-7.9	
Closing and restructuring costs	-7.8	
Income tax expense	0.0	21.4
Net profit	**-56.5**	

Comments

Sale in Q3 19 of North American operations and brand rights

New company (Alta) is distributor for Raleigh, Haibike, Ghost

Operational loss results **€ -12.1 mio** of North America till disposal in August

Impact disposal North America **€ -38.4 mio** of which € -44.4 mio in discontinued operations and +€ 6.0 mio in continued operations

- Sale of the Canadian brand registrations to CTC in July 2019 with a gain of € 3.0 mio in discontinued operations and benefit of € 11.4 mio in continued operations (other income).
- Net transaction results on the sale of the discontinued € -31.8 mio. The transaction result in continued operation was € -5.4 mio (write off of brands in operating expenses).
- Translation reserve € -7.9 mio: Impact of historical exchange rate difference within equity (from translation reserve through P&L to other reserves)
- Closing and restructuring costs € -7.8 mio

Accell expects Accell expects qualification for the Dutch liquidation loss facility to be probable (**+ € 21.4 mio)**.

Net Sales Growth and Profit 2019

Net Sales

	% Growth
FY	+7.5%
PY	+6.1%

Profit 2019

	% Added value Y-o-Y	EBIT	EBIT excl one-offs
FY	+53 bps	€ 60 mio	€ 55 mio
PY	+82 bps	€ 51 mio	€ 56 mio

Growth Accelerates from 6.1% to 7.5% Driven by H1

Growth

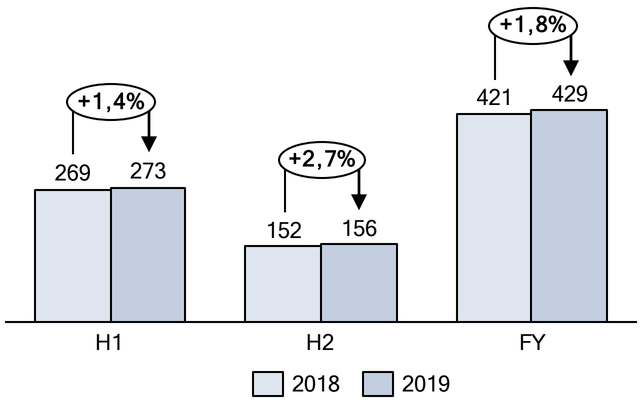
	2019	2018
FY	+7.5%	+6.1%
H1	+8.8%	+3.2%
H2	+5.7%	+10.4%

Comments

- Growth from 6.1% to 7.5% on FY
- Driven by growth in H1 8.8% vs 3.2% in H1 2018
- Solid growth in H2 but below forecast due to delayed innovations

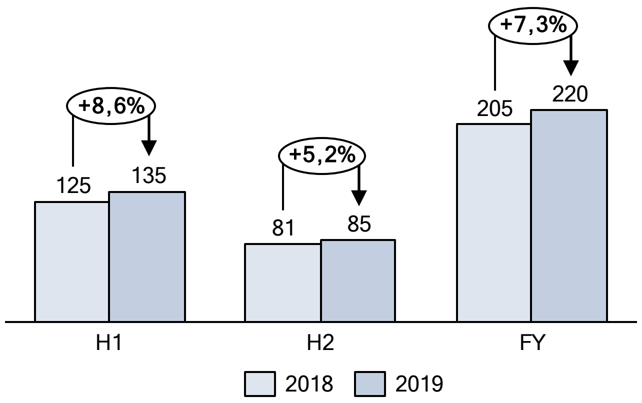
Performance 2019 Bicycle Regions

DACH



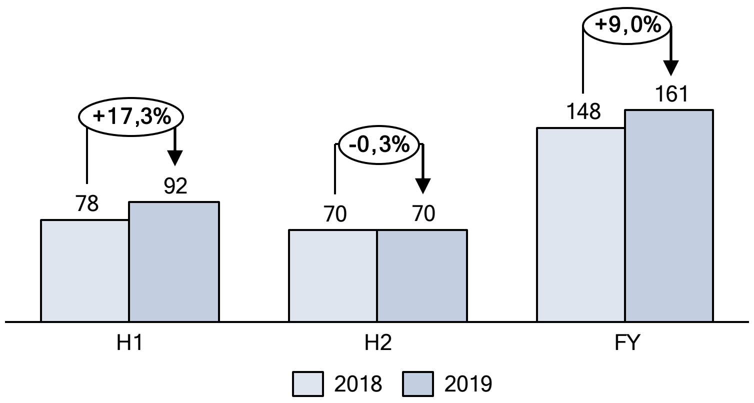
- Slow growth due to delay of some major innovations
- Germany +5%, decline mainly driven by smaller countries

Benelux



- Accell NL outperforming market growth
- Continued strong e-bike market
- Sparta, Batavus, Koga growing double digit

Other

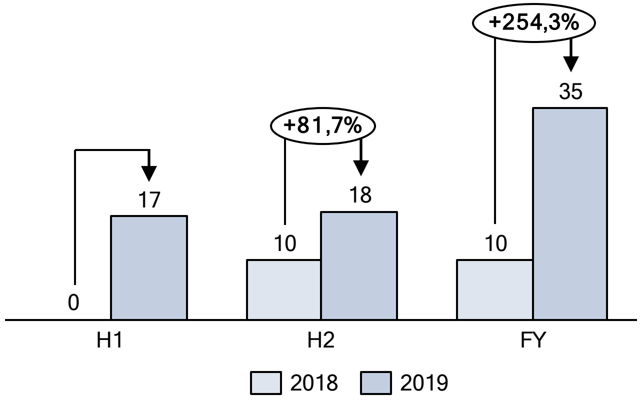


- Strong performance of Raleigh e-bikes in UK
- H2 sales flat due to lower sales Haibike in UK and Southern Europe

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

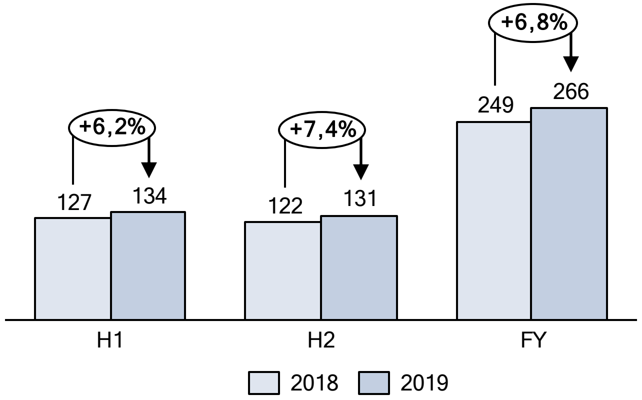
Performance 2019 Velosophy and Parts & Accessories

Velosophy



- Acquired and consolidated per August 2018
- 47% annualized growth across countries

P&A

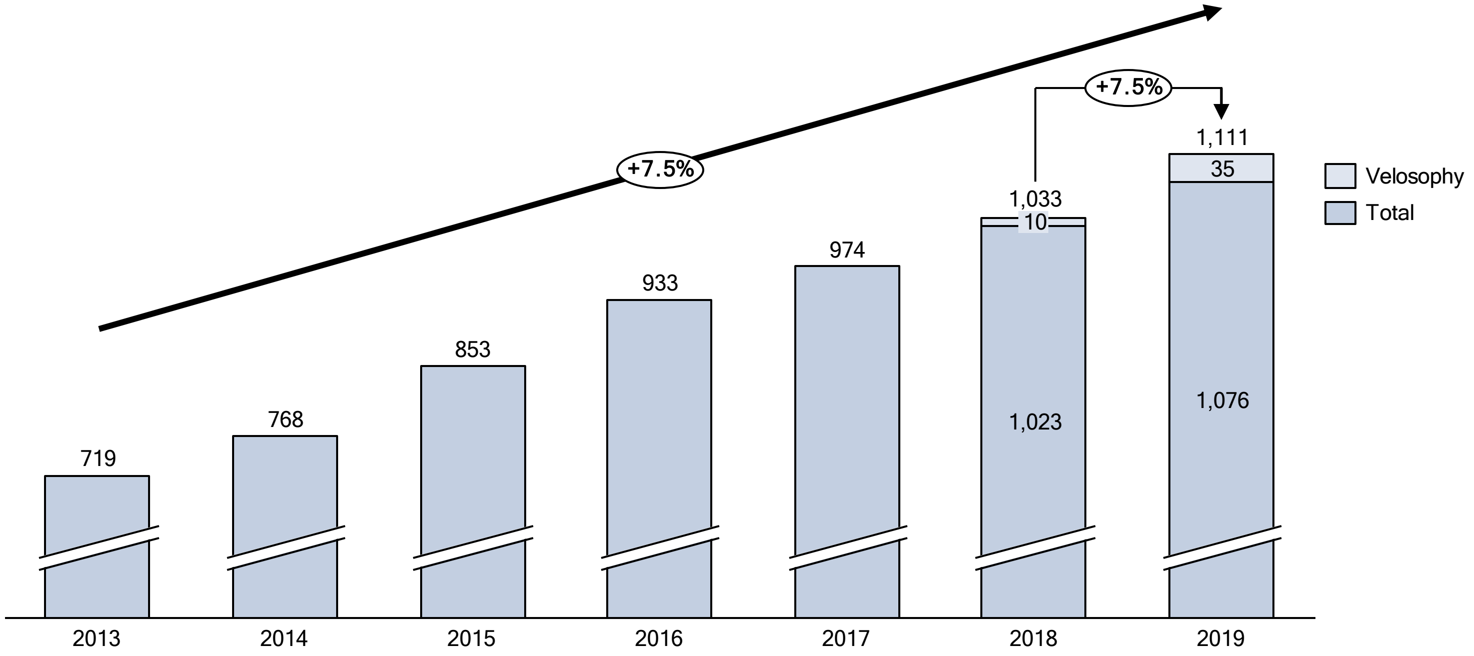


- Growth mainly driven by DACH and UK
- XLC introduced in premium segment

Net sales numbers in € mio

Growth Track Continues

Net Sales 2013 - 2019



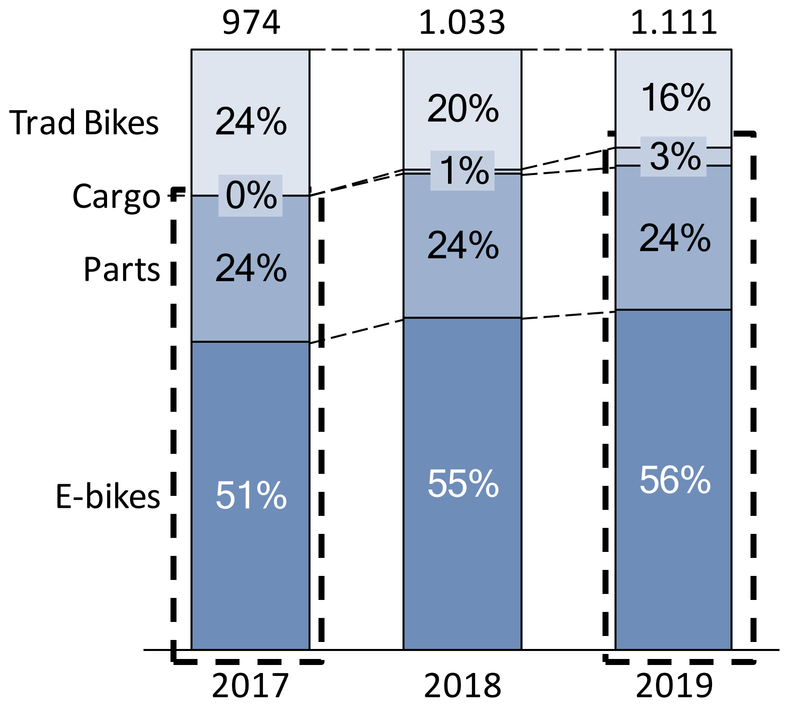
2013-2017 core (Accell Group excl North America); 2018 and 2019 continued operations

Comments

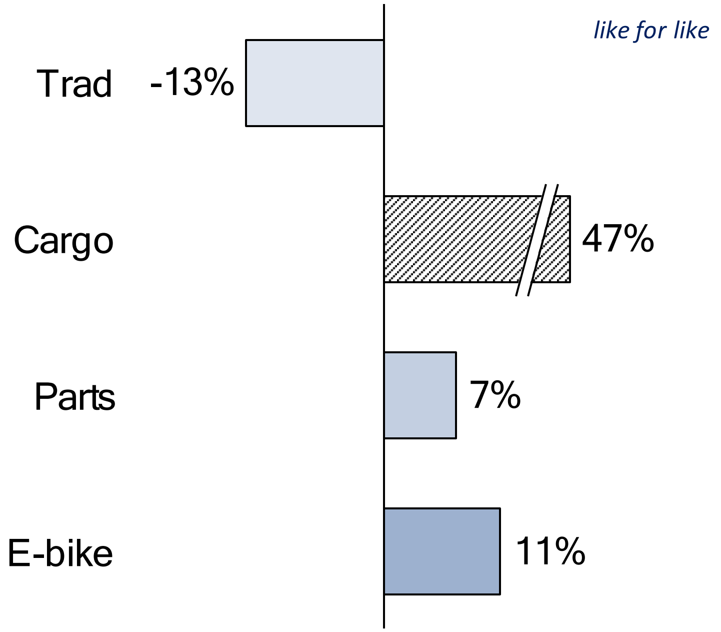
- Average growth over last 7 years 7.5%
- 2019 growth in line with average since 2013
- Additional contribution of € 25 mio by Velosophy of which € 15 mio due to annualized effect

Continued Shift of Portfolio To E-bikes and Cargo

Categories as % of net sales



% Growth FY 19

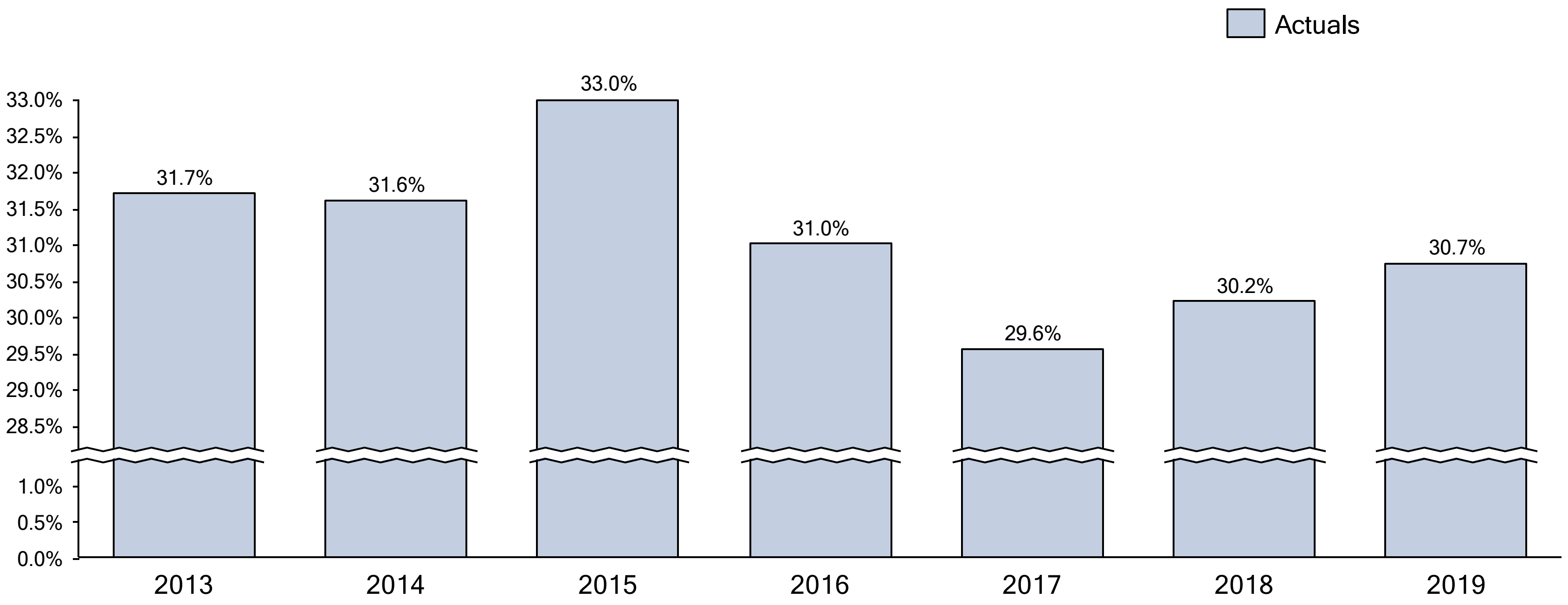


Comments

- Portfolio continues to shift to growing categories.
- In 2019 84% in growing categories up from 76% in 2017. Expected to move further to 90%
- Cargo was 3% of net sales in 2019. Potential to become 5% to 7% of portfolio. Growth 2019 47% (annualised)
- E-bikes expected to move towards 60% of portfolio of net sales. Growth 2019 of 11%
- Traditional bikes expected to move towards 10% of net sales. Decline -13% in 2019

Added Value % Up 53 bps

Added Value % 2013 – 2019



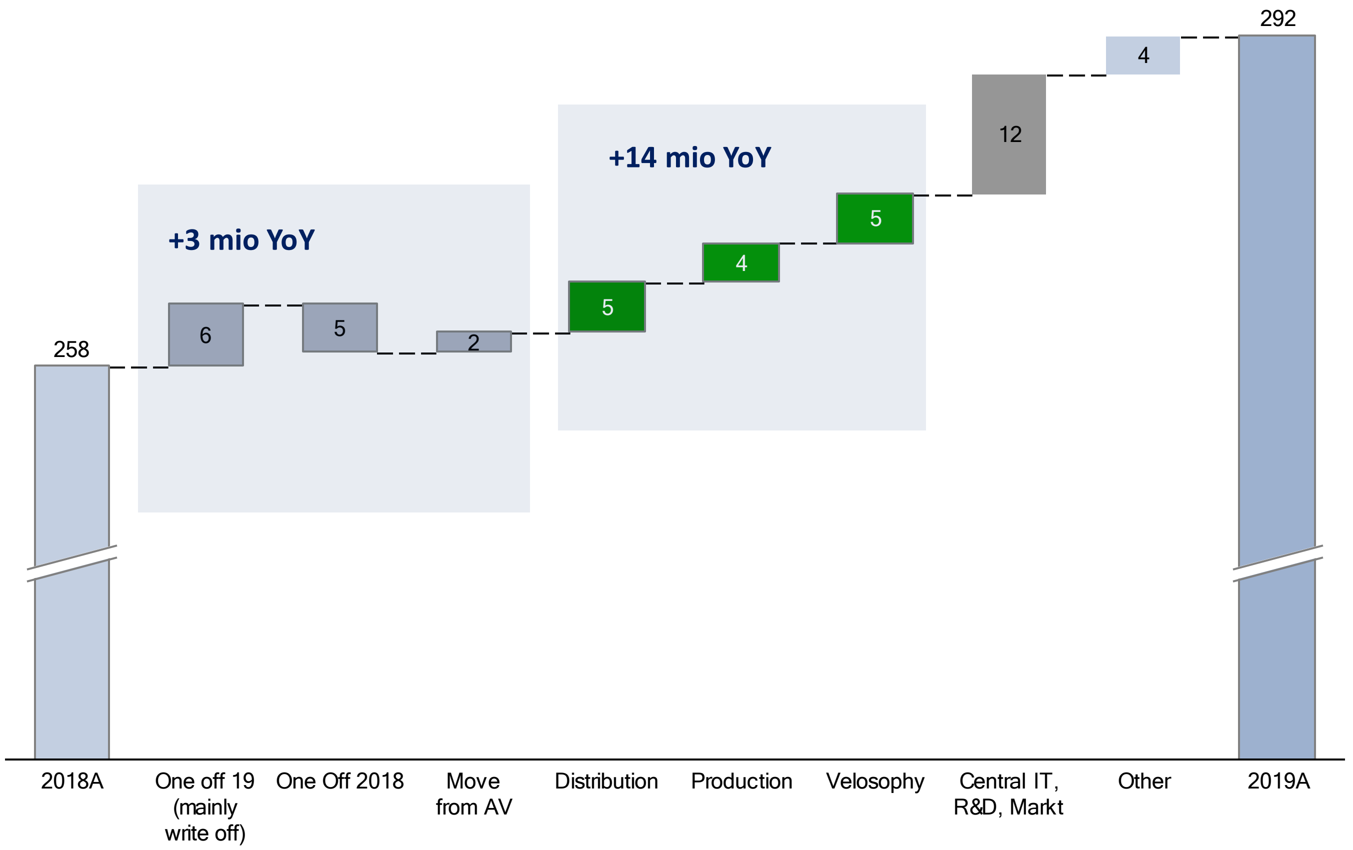
2013-2017 core (Accell Group excl North America); 2018 and 2019 continued operations

Comments

- Added value shows gradual increase since start of revised strategy
- € 13 mio supply chain savings of which € 6 mio to the bottom line
- Forex offsetting material inflation
- Around € 2 mio move to Opex

Opex Increase Due to Growth and Planned Additional Strategy Costs

OPEX 2018 - 2019



Comments

Opex increased from € 258 to € 292 mio, up **€ 33 mio**

1) One-off 's and move from Added Value: **€ 3 mio**
    - € 2 mio move from added value
    - € 6 mio one-offs 2019 (mainly write-off Diamondback)
    - € 5 mio one-offs in 2018

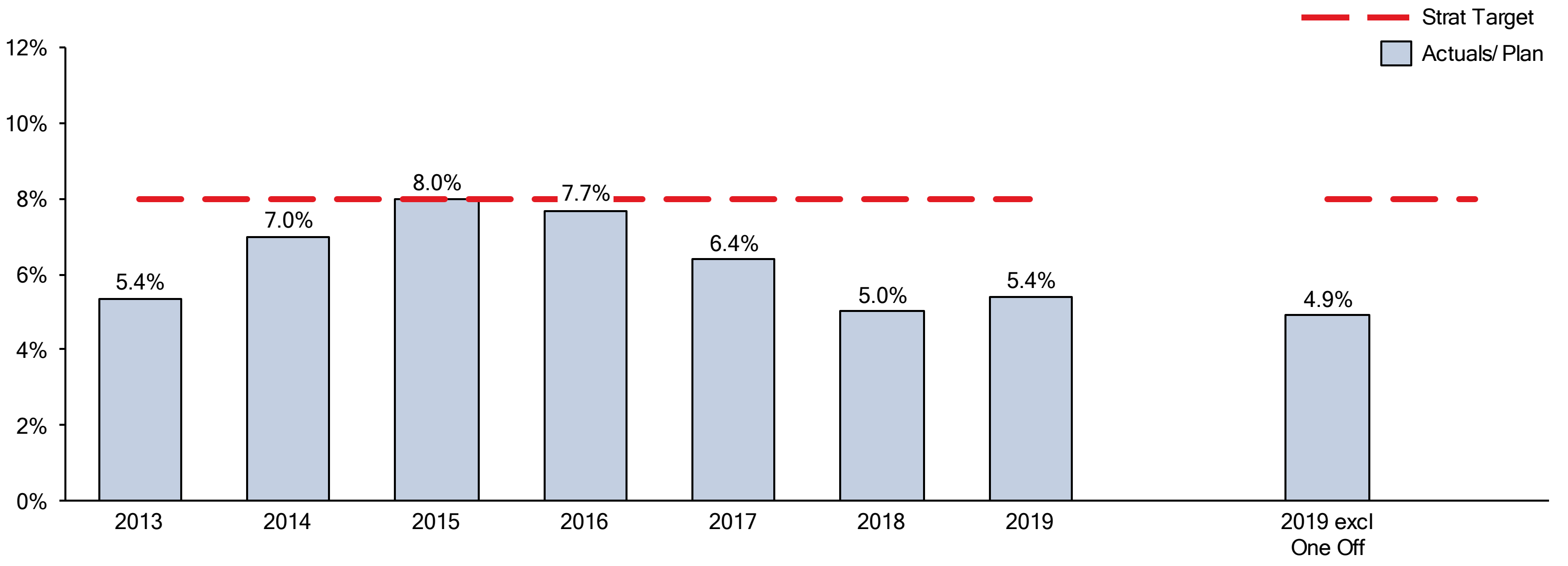
2) "Variable" related costs driven by growth approximately **€ 14 mio**
- Distribution € +5 mio and production € + 4 mio increases linked to higher net sales.
    - Distribution and production costs around 35% of total Opex
- € 5 mio annualized effect Velosophy (acquired summer 2018)

3) Strategy **€ 12 mio**: additional digital, central Marketing and R&D investments.
- In total cumulative € 24 mio additional Opex spend on strategy implementation.
- Vast majority of additional investment now behind us

4) Other **€ 4 mio** (eg local activation costs, provision for quality)

EBIT% Margin Up At 5.4%

EBIT% 2013 - 2019



2013-2017 core (Accell Group excl North America); 2018 and 2019 continued operations

Comments

- EBIT up € 9 mio and 40 bps versus 2018
- Increase driven by:
  - topline growth 7.5%
  - higher added value 53 bps
  - One-offs of € 6 mio related to CTC deal
- Excluding one-offs, EBIT margin came in at 4.9% mainly due to planned additional costs as part of the strategic agenda. Impact of these additional costs around 110 bps

Total Group: Net profit Decline due to Discontinued Operations

Profit & Loss 2019 - 2018

in millions of euro	H1 2019	H2 2019	2019	2018
Net turnover	650.9	460.2	1,111.0	1,033.3
Other income	0.5	11.8	12.3	-
Net sales growth% vs py	8.8%	5.7%	7.5%	6.1%
Added value	203.0	138.5	341.5	312.2
Added value%	31.2%	30.1%	30.7%	30.2%
Added value bps vs py	35	76	53	82
OPEX	-145.8	-145.8	-291.6	-258.2
General overhead previously allocated to discontinued operations	-2.1	-0.2	-2.3	-2.5
EBIT	55.7	4.3	60.0	51.4
EBIT%	8.6%	0.9%	5.4%	5.0%
Net finance costs			-9.3	-7.6
Income from equity-accounted investees, net of tax			0.4	10.9
Result from sale of subsidiaries			-0.1	-
Income tax expense			8.2	-15.7
Result from discontinued operations, net of tax			-56.5	-18.8
Net profit			2.8	20.3
- Net profit from continuing operations			59.3	39.0
- Net profit from discontinued operations			-56.5	-18.8

EBIT Excl One-Off 2019-2018

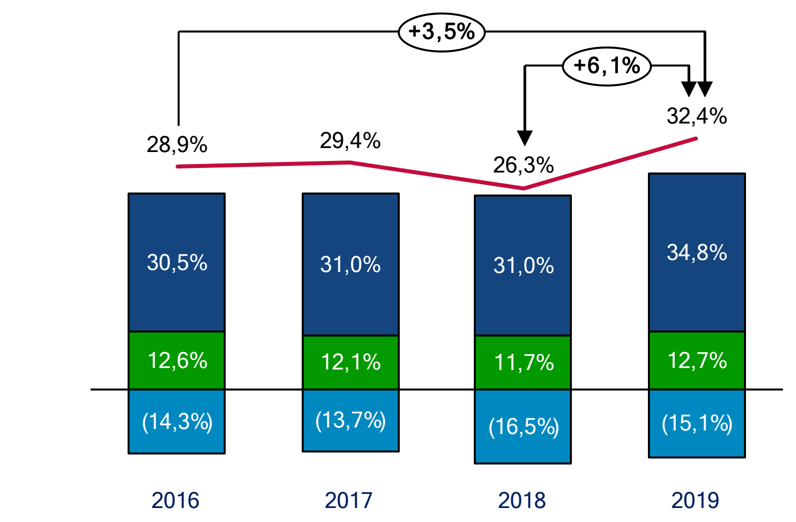
EBIT reported	60.0	51.4
One-off	-5.1	4.9
EBIT excl. one-off	54.8	56.3

Comments

- Growth 7.5% with H1 at 8.8% and H2 at 5.7%
- Other income in continued operations of € 12 mio mainly linked to sale to CTC
- Added value increase of 53 bps driven by savings, move to Opex offsetting inflation
- Opex increase driven by:
  - One off and accounting € 3 mio
  - Variable costs € 14 mio
  - Strategy € 12 mio
  - Other € 4 mio
- Income tax positively impacted driven by recognition of deferred tax asset
- Discontinued € 57 mio, see breakdown earlier
- Net profit € 2.8 mio of which € 59.3 mio in continued operations
- EBIT excl one-offs € 55 mio; one off € 5.1 mio
  - Income of + € 11.4 mio as a result of CTC deal
  - Write off of -/- € 5.4 mio as a result of Regent deal
  - -/- € 0.8 mio: mainly related to restructuring

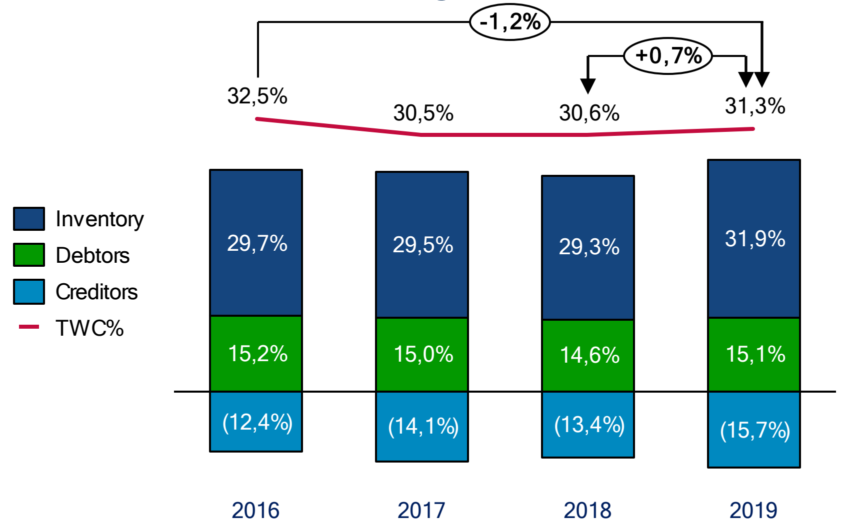
Trade Working Capital Disappointing at Year-end, Affecting Average As Well

Year End Position December



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

Average FY December



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

Comments

- End of year development working capital very disappointing due to:
  - Lower than expected and forecasted sales in last half year
  - Innovation delay with component available on stock
  - Phasing of creditors
  - Debtor position with new distributor in North America
- Improvements plans are being executed:
  - Focus top 20 per brand/country reduction. Focus main customers
  - Bias and error tracking, put in target setting
  - Further move to standardized platforms
  - Systems and data improvement
  - Innovation planning and overall calendar drumbeat revised
- Average at 70 bps
  - Increase driven by inventories due to delay innovation and lower sales in Q4
  - Improvements on creditors

Group Cash Flow Impacted by Higher TWC

Cash flow 2019 - 2018

	2019	2018
Cash flows from operating activities		
Profit for the period	2,804	20,271
Adjustments for non-cash items:	25,755	24,462
	28,560	**44,733**
Change in:		
- Inventories	-44,761	-9,043
- Trade and other receivables	-22,809	-1,940
- Trade and other payables	-1,779	30,370
- Provisions, employee benefits and deferred revenue	-1,166	2,816
Cash flows from operations	**-41,955**	**66,936**
Interest paid and received	-7,493	-6,251
Taxes paid	-13,197	-16,253
Cash from operating activities	**-62,645**	**44,432**
of which is attributable to discontinued operations	-23,322	-5,703
Cash flow from investing activities		
Acquisition of non-current assets	-14,294	-10,586
Proceeds from sale of property, plant and equipment	2,046	155
Proceeds from sale of intangible assets	14,341	87
Proceeds from (acquisition of) other financial fixed assets	-1,408	-666
Dividends received from equity-accounted investees	343	174
Free cash flows	**-61,616**	**33,596**
Proceeds from sale of (acquisition of) subsidiaries	360	-17,648
Net cash from (used in) investing activities	**1,389**	**-28,484**
of which is attributable to discontinued operations	2,965	-3,426

Cash flow 2019 - 2018

	2019	2018
Cash flow from financing activities		
Proceeds from (repayments of) term loan and other loans	-25,201	-308
Transaction costs related to borrowings	-175	-192
Payment of lease liabilities	-10,401	-
Proceeds from (repayments of) revolving credit facility	79,090	8,160
Contingent consideration paid	-2,443	-
Dividends paid	-8,532	-7,371
Net cash from (used in) financing activities	**32,337**	**289**
of which is attributable to discontinued operations	-954	-4,072
Net increase (decrease) in cash and bank overdrafts	**-28,919**	**16,237**
Cash and bank overdrafts at 1 January	-2,177	-20,507
Effect of exchange rate fluctuations on cash and bank overdrafts held	-2,025	2,093
Cash and bank overdrafts at 31 December	**-33,121**	**-2,177**

Comments

- Operating cash flow € -62.6 mio includes discontinued impact of € -23.3 mio
- Negative cash flow driven by increase in working capital
- Working capital increase approx. € +70 mio
  - Sales growth related approx. € +20-25 mio
  - Impact disposal North America deal approx. € -15 mio
  - Remaining approx. € 60 mio due to innovation delay and lower sales than forecast
- Free cash flow € -61.6 mio of which from discontinued operations € -20.3 mio
- Cash benefit proceed of sale Canada € 14 mio offsetting capex investments

Covenant Ratios

Covenants 2019 - 2018

in millions of euro	2019	2018
Term loan (nominal value)	60.0	85.0
Schuldschein (nominal value)	15.0	15.0
Permitted acquisitions	15.0	15.8
Outstandings	**90.0**	**115.8**

	12 months rolling	12 months rolling
EBITDA of continuing operations reported	86.1	62.7
Frozen GAAP adjustment (IFRS 16)	-9.9	-
Income from equity-accounted investees, net of tax	0.4	1.3
Exceptional items	-12.3	4.9
Expenses share-based payments	0.2	0.2
EBITDA covenants	**64.6**	**69.1**
Acquisitions	-	2.3
Disposals	-0.3	-
Normalized EBITDA	**64.3**	**71.4**
Term loan leverage ratio (outstandings / normalized EBITDA)	**1.4**	**1.6**

in millions of euro	2019	2018
Consolidated tangible net worth	190.6	183.7
Balance sheet total (adjusted)	696.7	623.2
Solvency	**27.4%**	**29.5%**

Comments

- Accell Group has voluntarily repaid € 25 mio on the term loan of € 100 mio nominal in the first quarter of 2019
- Outstandings contain the working capital financing of € 15 mio insofar as used for acquisitions of companies (excluding acquired working capital), this relates to Velosophy
- Rolling EBITDA is corrected for frozen GAAP adjustment (IFRS 16) of € 9.9 mio and normalized for positive one-off charges of € 12.3 mio (mainly benefit sale brand registrations to CTC)
- Solvency is calculated with equity and balance sheet total corrected for intangibles and frozen GAAP adjustment (IFRS 16)
- At 31 December 2019 the borrowing reference headroom was € 49 mio (31 December 2018: € 117 mio)

Total Group: Full Balance Sheet

Total Group Assets & Liabilities

in thousands of euro

ASSETS	31-12-19	31-12-18
Property, plant and equipment	64,426	66,512
Right-of-use assets	29,796	-
Goodwill and other intangible assets	132,617	138,719
Equity-accounted investees	5,469	5,379
Net defined benefit asset	22,383	19,644
Deferred tax assets	25,848	2,696
Other financial assets	4,369	3,212
Non-current assets	**284,907**	**236,162**
Inventories	386,830	340,014
Trade and other receivables	171,649	149,730
Current tax receivables	1	387
Other financial instruments	4,284	8,913
Cash and cash equivalents	11,482	26,708
Current assets	**574,246**	**525,752**
Total assets	859,154	761,914

Equity & Liabilities

in thousands of euro

EQUITY	31-12-19	31-12-18
Share capital	268	266
Share premium	42,314	42,468
Reserves	280,614	279,657
Total equity	**323,196**	**322,391**
LIABILITIES		
Provisions	5,041	6,056
Contingent consideration	0	2,662
Borrowings	75,100	100,190
Lease liabilities	22,240	-
Net defined benefit obligation and other long-term employee benefits	8,718	8,258
Deferred tax liabilities	16,794	18,922
Deferred revenue	1,185	1,215
Non-current liabilities	**129,078**	**137,303**
Provisions	5,996	4,655
Contingent consideration	2,889	2,407
Borrowings	126,868	49,404
Lease liabilities	7,983	-
Deferred revenue	486	1,307
Trade payables and other current liabilities	210,918	212,918
Current tax liabilities	3,842	1,228
Other financial instruments	3,296	1,416
Bank overdrafts	44,603	28,885
Current liabilities	**406,880**	**302,220**
Total liabilities	**535,958**	**439,523**
Total equity & liabilities	859,154	761,914

Cash, Capital and Debt

Total Group Return on Capital and Debt

ROCE	Net Debt / rolling EBITDA
11.4% Excl. IFRS 16 & one-offs: 10.6%	3.1 Excl. IFRS 16 & one-offs: 3.6 € 265 mio Excl. IFRS 16: 235 mio
FY 2018: 10.8% *excl IFRS, one-offs 11.8%*	***FY 2018: 2.4*** *FY (pre IFRS 16) € 152 mio*

Comments

- ROCE at 11.4%; increase versus previous year driven by higher EBIT
- ROCE excluding one off at 10.6% (PY 11.8%); Decrease due to higher working capital
- Higher working capital also main driver of increase of net debt

Financial Summary

Main conclusions 2019

- **Net sales growth at 7.5%** in line with long term average
  - Competitive recovery Netherlands and strong growth UK, Nordics and Southern Europe
  - DACH results hampered by delayed innovation
  - Velosophy with main brand Babboe showing excellent growth in Europe
  - P&A at 7% growth driven by higher online sales
- **Portfolio continues to shift further to e-bike and cargo**.
- **Added value % continuing gradual increase of last year**. Improvement amongst others thanks to savings agenda
- **Opex increased** driven by variable costs and additional costs related to strategy. **The majority of additional investments linked to strategy now behind us**
- **EBIT up € 9 mio**, excluding one-offs € 1 mio decrease
- **Disposal North America completed** and in line with earlier communication, tax asset recognised of € 21 mio
- **Net profit declined to 3 mio** due to discontinued operations. Net profit continuing operations **€ 59.3 mio**
- **Disappointing Working Capital up 611 bps at year end** and 70 bps average leading to negative overall cash flow and increase of net debt. Required improvement plans in place and being executed

Ton Anbeek - CEO

2020 Priorities

1. Improve demand planning/forecasting
2. Improve in time in full innovation delivery
3. Continue reducing complexity (business/assortment)
4. Strict cost control
5. Drive cargo /urban mobility solutions
6. Continue savings program and drive cost efficiencies
7. Mitigate Corona risk

2020 Outlook

1. Current market momentum expected to continue driven by electrification trend, investments in infrastructure and tax benefits

2. Barring unforeseen circumstances we expect net sales and EBIT (excl. one-offs) to grow

3. However impact Corona virus on overall economy and Accell business unclear and could influence 2020 results
   a) Situation is being monitored closely
   b) Current stocks levels provide a buffer
   c) We anticipate delay in delivery of components affecting innovation introductions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