ACCELL GROUP

THE PREMIER CYCLE GROUP

Half Year 2019 Results

Ton Anbeek – CEO
Ruben Baldew – CFO

July 19, 2019

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

Strategic objectives and financial long-term target

Strategic objectives

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

Financial 2022 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 H1 2019

- Strategy **'Lead Global. Win Local' delivers results; on track** for achieving previous submitted **2022 objectives'**
- **Core** business performance shows **good momentum growing 8.8%,** shift to e-bikes and cargo continues. Volume decline halted
- Study North America will be **finalized in Q3**. Brand registrations Canada sold to CTC for USD 16 mio (H2 event)
- **Group net sales growth of 7.4%** with increased profitability
- Full-year **guidance** for 2019 **confirmed**

Core Business Performance Shows Good Momentum

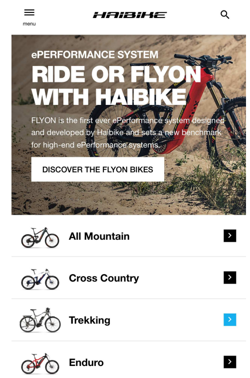
Growth core	EBIT core / Delta vs PY	Added value % core vs PY	core TWC YoY
+8.8%	€ 58 mio +€ 7 mio	+27 bps	-200 bps

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 H1 2019

Lead Global

Teams fully in place

Cross regional sales transfers rolled out

Volume trend stabilized/growing in majority of core countries

Point of purchase

NL recovering to 10% growth

Improved key product availability

Implementing selective distribution contracts across Europe

Omnichannel

Haibike.com live

First new experience center to be opened in Q3

D2C now 45% of Babboe sales

Innovation

E-bike of the year Sparta M8B

Lapierre Zesty

Still opportunities to improve on time delivery of innovation (Haibike Flyon)

P&A

P&A up 6%

XLC assortment extended and introduced in premium segment

Fit to Compete

Complexity down -30%

Reducing number of entities and smaller locations

€ 6 mio SC savings YTD offsetting inflation

Update non-core North America

2019 H1 results

-15.9% net turnover

- €11 mio EBIT

Update on study

- Brand registrations Canada sold to Canadian Tire Company for USD 16 mio (H2 event)
- Further update will follow in Q3
- Around € 1 mio of cost in H1 related to strategic study

Ruben Baldew- CFO

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H1 strong growth and profit accretion on core

Growth H1 2019

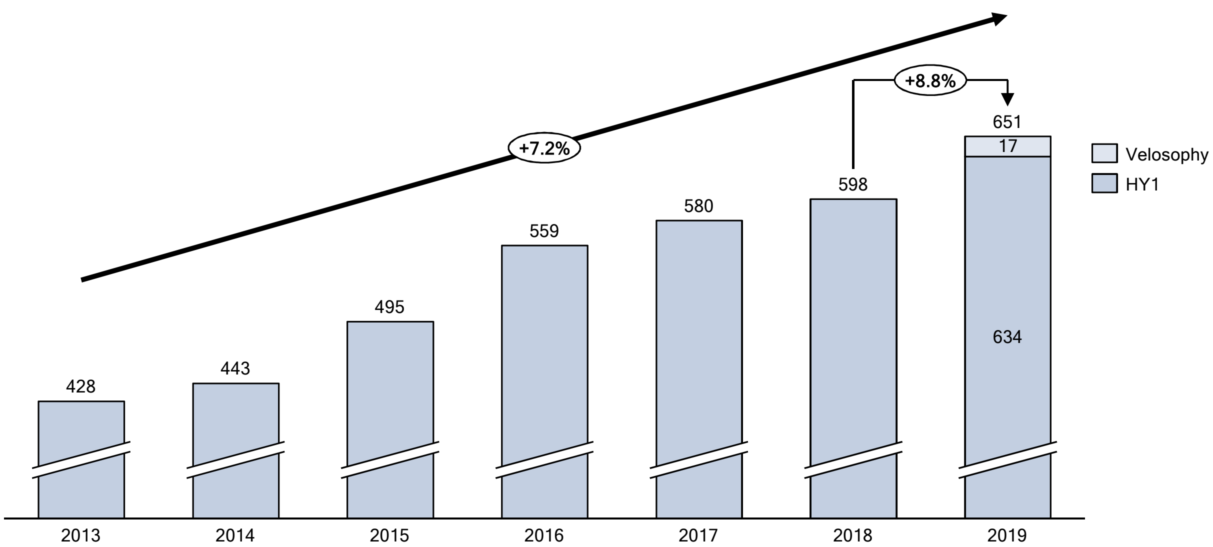
	% Growth
Total	+7.4%
Core	+8.8%
US	-15.9%

Profit H1 2019

	AV% YoY	EBIT (mio)	EBIT vs PY (mio)
Total	+82 bps	€ 46.5 mio	+€ 3.8 mio
Core	+27 bps	€ 57.8 mio	+€ 6.5 mio
US	+696 bps	- € 11.3 mio	-€ 2.8 mio

Growth on Core continues

CORE NET TURNOVER H1 2013- H1 2019

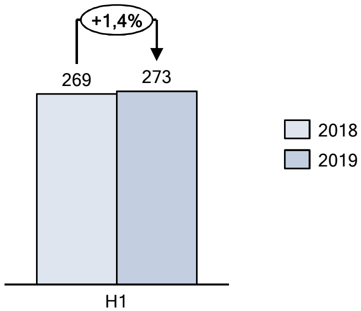


Comments

- Average growth over last 6 years 7.2%
- Growth H1 8.8% with Velosophy acquisition contributing 2.8%.

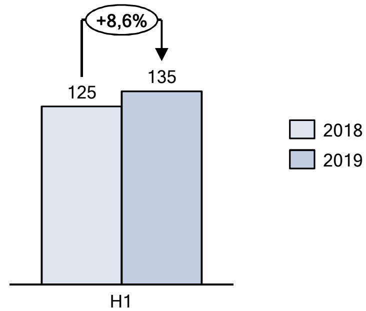
Performance H1 2019 core bike regions

DACH



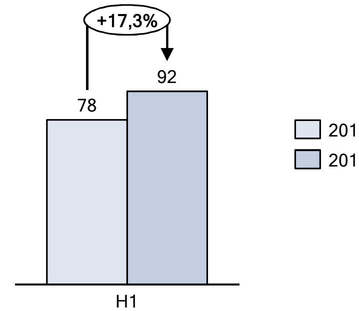
- Slow growth due to delay of some major innovations
- Germany +6%, decline in small countries
- Ghost +30% volume e-bikes

Benelux



- Continued strong e-bike market
- Sparta, Batavus, Koga growing double digit

Other Core

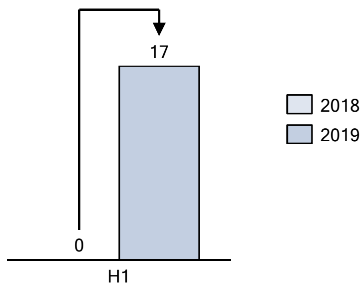


- 17% growth with strong performance of Raleigh e-bikes in UK and Lapierre in France

Net sales numbers based on geographical location of entity. P&A excluded

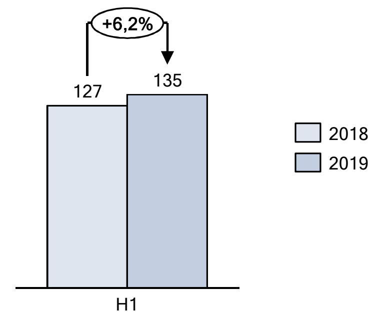
Performance H1 2019 Velosophy and P&A

Velosophy



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

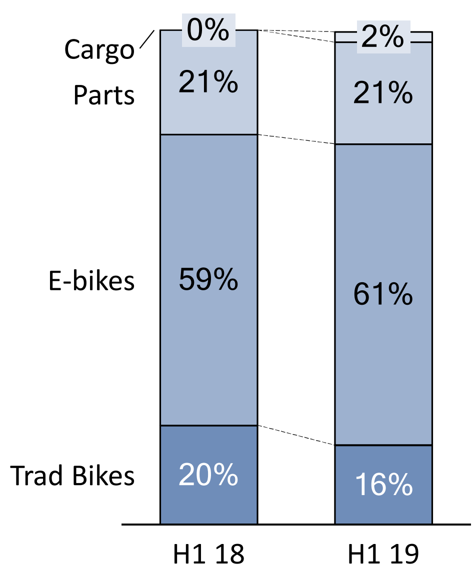
P&A



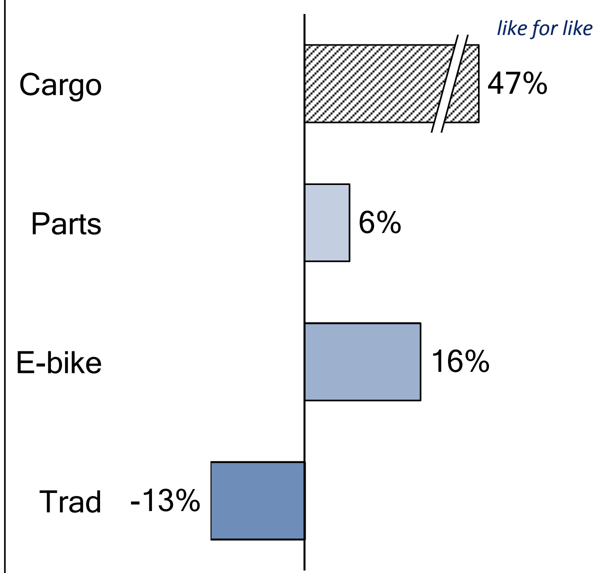
- Growth mainly driven by DACH and UK
- 8% growth of XLC sales
- XLC introduced in premium segment

On core we continue to shift our portfolio to e-bikes and cargo

Categories as % value of total core



% Growth H1 19

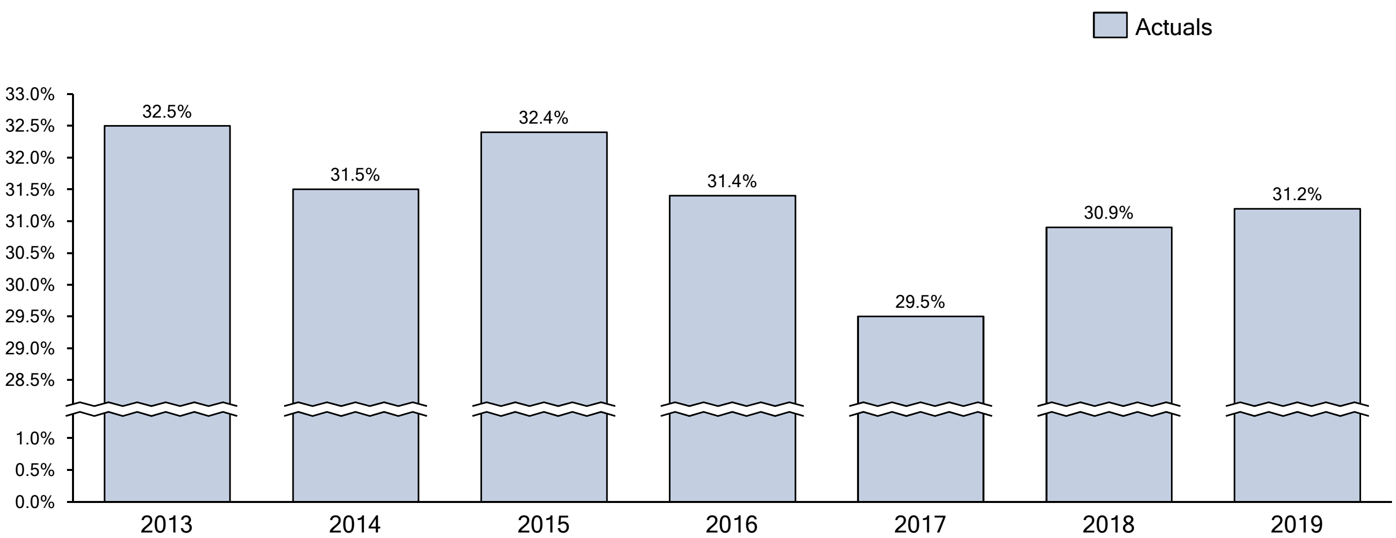


Comments

- Contribution Cargo in H1 was 2%. Potential to become 5% to 7% of portfolio
- Some seasonality effects, P&A vs bikes. On FY P&A % is higher than H1
- Trend to e-bike will continue. Traditional bikes expected to move towards 10% of turnover

Core: Added Value % up 27 bps

CORE ADDED VALUE % H1 2013 – H1 2019

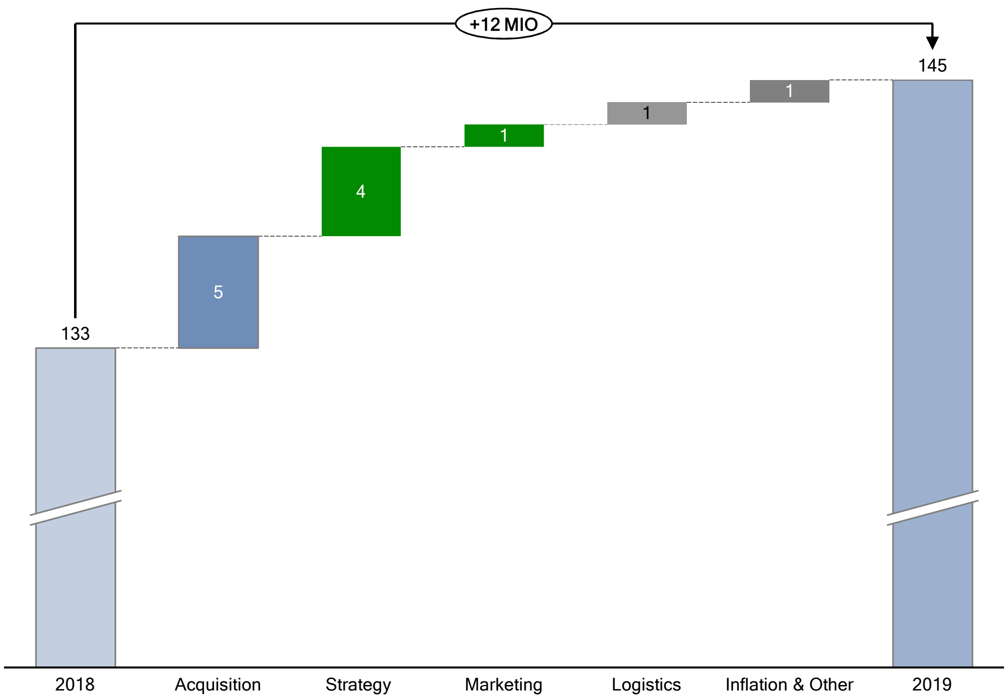


Comments

- Added Value increase 2019 vs 2018
- € 6 mio SC savings
- Forex offsetting offsetting material inflation

Core: Opex flat as % of net turnover

CORE OPEX H1 2018 - H1 2019 (in € MIO)



22.3% of net sales

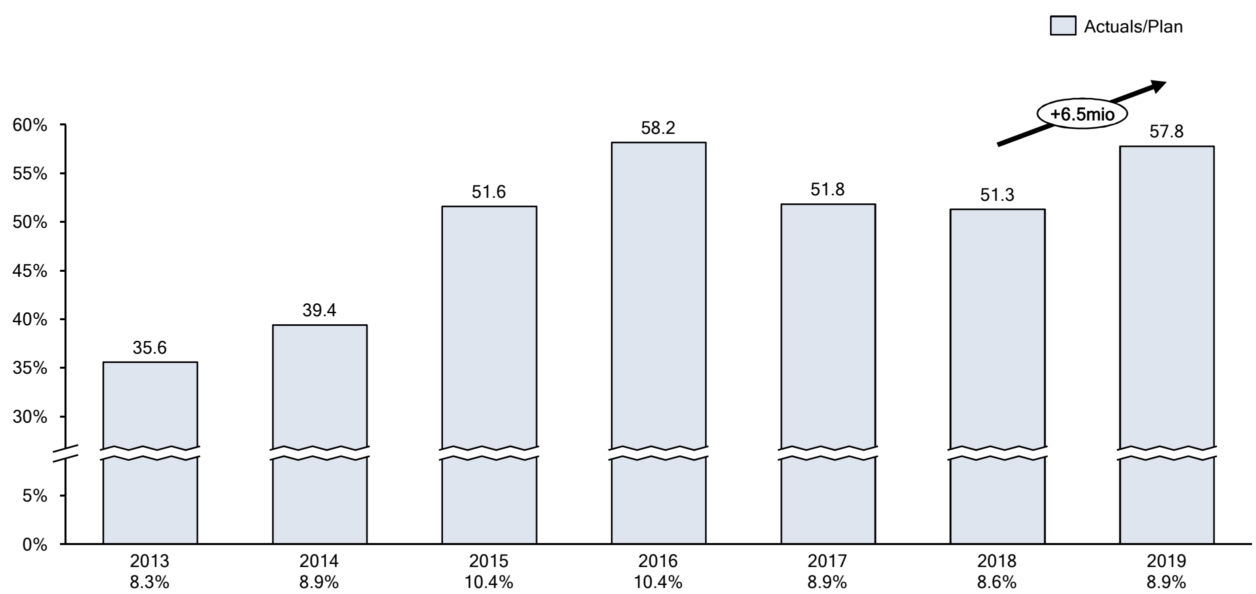
22.3% of net sales

Comments

- Opex relative to turnover comes in flat at 22.3%
- € 12 mio increase:
  - € 5 mio driven by acquisition effect Velosophy
  - Strategy € 5 mio: additional digital and IT investments
  - Costs € 2-3 mio related to growth:
    - Marketing
    - Logistics
    - Inflation

Core EBIT% margin up to 8.8% (+30 bps vs LY)

CORE EBIT H1 2013- H1 2019



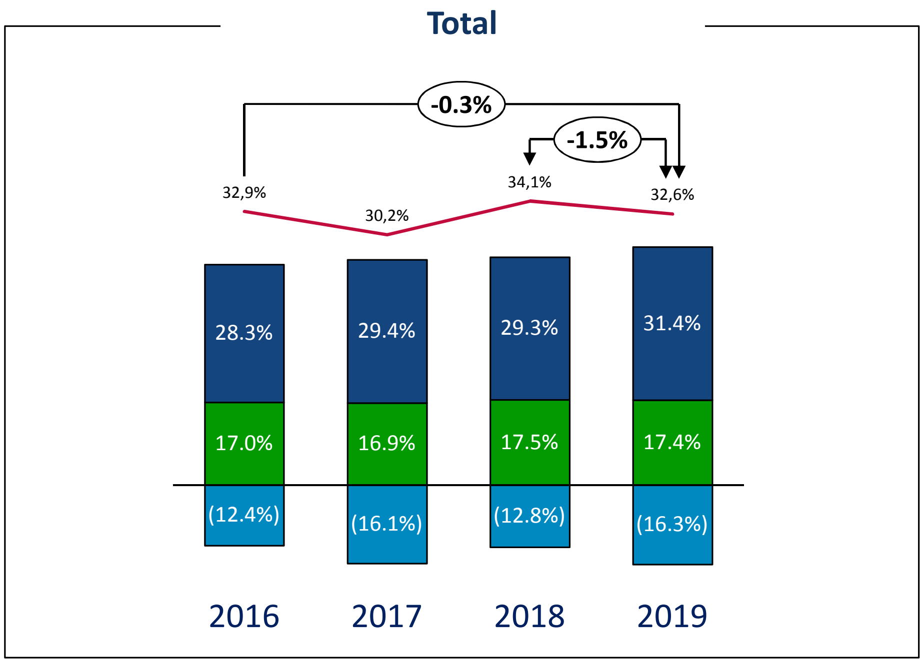
Comments

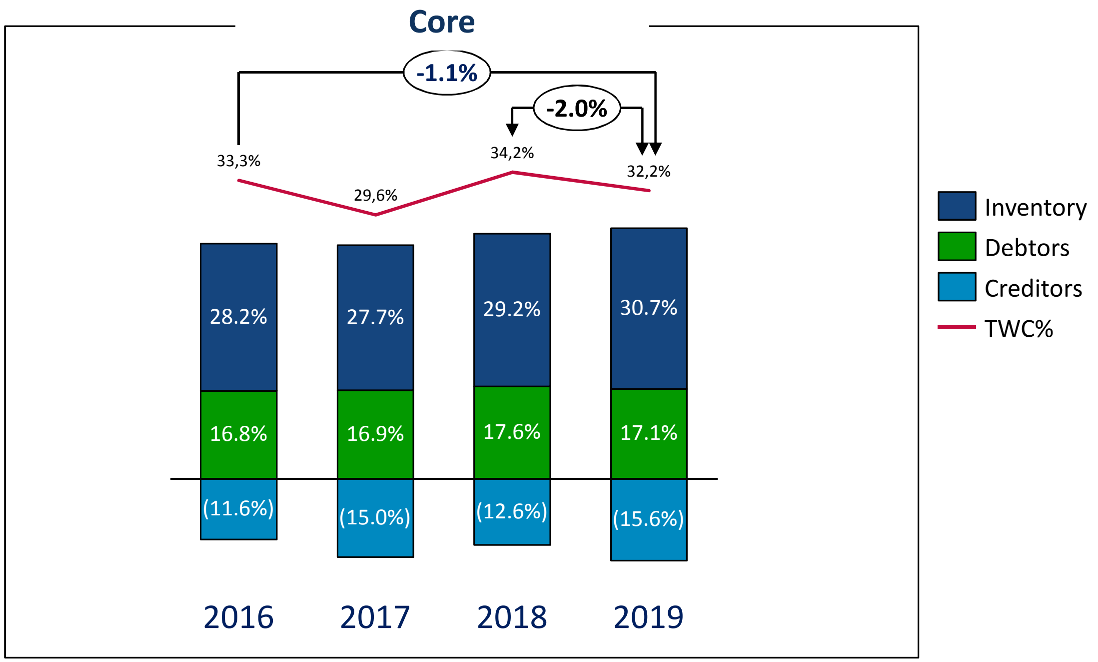
- EBIT up € 6.5 mio and 30 bps
- Increase driven by:
  - topline growth 8.8%
  - higher AV 27 bps
  - Maintaining Opex as %

Total Group: Net profit up € 4.2 mio or 16.5%

in millions of euro	Accell Group H1 2019	Accell Group H1 2018	Core H1 2019	Core H1 2018
Net turnover	**682.6**	**635.9**	**650.9**	**598.1**
Net sales growth% vs py	7.4%	0.3%	8.8%	3.2%
Added value	211.3	191.6	203.0	185.0
Added value%	31.0%	30.1%	31.2%	30.9%
Added value bps vs py	82	124	27	126
OPEX	-164.8	-148.9	-145.3	-133.6
EBIT	**46.5**	**42.7**	**57.8**	**51.3**
EBIT%	6.8%	6.7%	8.9%	8.6%
Net finance costs	-4.5	-3.6		
Income from equity-accounted investees, net of tax	0.4	0.4		
Income tax expense	-12.8	-14.0		
Net profit	**29.7**	**25.5**		

Trade Working Capital H1; further reduction in 2019





Comments

- Creditor improvement drive TWC % down mainly thanks to focus on better payment terms (TWC % total group -150 bps / Core -200 bps)
- TWC % improvement partly offset by higher inventories due to focus on availability and slower than anticipated June sales

Group cash flow H1 impacted by absolute increase TWC

(in thousands of euro)

	Notes	2019	2018
Cash flows from operating activities			
Profit for the period		29,700	25,485
Adjustments for:			
- Depreciation, amortisation and (reversal of) impairments		11,425	5,909
- Net finance cost		4,464	3,595
- Other adjustments		-423	-971
- Tax expense		12,781	14,029
		57,946	**48,047**
Change in:			
- Inventories, trade reiceivables/payable and other receivables/payables		-68,213	-39,740
- Provisions, employee benefits and deferred revenue		-587	1,571
Cash flows from operations		**-10,855**	**9,878**
Interest paid		-5,692	-4,176
Taxes paid		-6,068	-8,739
Cash from operating activities		**-22,615**	**-3,037**
Cash flow from investing activities			
Interest received		1,385	699
Acquisition of subsidiaries, net of cash acquired		-	-2,373
Payment of contingent consideration		-2,443	-
Acquisition and disposal of fixed assets		-6,573	-5,307
Net cash from (used in) investing activities		**-7,631**	**-6,981**
Free cash flows [1]		**-30,246**	**-10,018**

Comments

- Higher net profit at EUR 29.7 mio, despite non-core North American profit dilution
- Depreciation increase driven by IFRS 16, offset in financing cash flow (below free cash flow)
- Working capital as % down, however in absolute terms higher than LY

Covenant ratios

Development of the covenant ratios 2019-2018

in millions of euro

	30-06-19	31-12-18	30-06-18
Term loan	60.0	85.0	85.0
Schuldschein	15.0	15.0	15.0
Permitted acquisitions	18.2	15.8	-
Outstandings	**93.2**	**115.8**	**100.0**
	12 months rolling	12 months rolling	12 months rolling
EBITDA reported	54.6	45.3	45.1
Frozen GAAP adjustment (IFRS 16)	-5.7	-	-
Income from equity-accounted investees, net of tax	1.0	1.3	0.5
EBITDA covenants	**49.9**	**46.6**	**45.6**
Exceptional items	3.4	4.9	12.5
Acquisitions	0.5	2.3	-1.4
Disposals	-	-	-1.4
Normalized EBITDA	**53.8**	**53.8**	**55.3**
Term loan leverage ratio (outstandings / normalized EBITDA)	**1.7**	**2.2**	**1.8**

in millions of euro

	30-06-19	31-12-18	30-06-18
Consolidated tangible net worth	200.9	183.7	220.0
Balance sheet total (adjusted)	724.5	623.2	657.7
Solvency	**28%**	**29%**	**33%**

Comments

- As communicated earlier, Accell Group has voluntarily repaid € 25 mio on the term loan of € 100 million nominal in the first quarter of 2019
- Outstandings contain the working capital financing of € 18.2 million insofar as used for acquisitions of companies (excluding acquired working capital)
- Rolling EBITDA is corrected for frozen GAAP adjustment (IFRS 16) of € 5.7 million and normalized for one-off charges of € 3.4 million
- Solvency is calculated with equity and balance sheet total corrected for intangibles and frozen GAAP adjustment (IFRS 16)
- At 30 June 2019 the borrowing reference headroom was € 105 million (30 June 2018: € 128 million)

Total Group: Full Balance Sheet

Total Group Assets & Liabilities

in thousands of euro

	30-06-19	31-12-18	30-06-18
Property, plant and equipment	66,925	66,512	69,136
Right-of-use assets	29,604	-	-
Intangible fixed assets	139,793	138,719	103,648
Financial assets	33,795	30,931	26,306
Non-current assets	**270,118**	**236,162**	**199,090**
Inventories	358,728	340,014	314,067
Trade receivables	199,028	128,343	187,300
Other receivables	24,739	30,687	26,897
Cash and cash equivalents	41,350	26,708	33,958
Current assets	**623,845**	**525,752**	**562,222**
Total assets	**893,963**	**761,914**	**761,312**
Total equity	**340,741**	**322,391**	**323,663**
Interest-bearing loans	75,037	100,190	100,240
Lease liabilities	20,045	-	-
Other non-current liabilities	31,205	37,113	28,030
Non-current liabilities	**126,288**	**137,303**	**128,271**
Revolving credit facility and interest-bearing loans	118,263	49,404	80,196
Lease liabilities	9,659	-	-
Trade payables	186,041	179,125	136,664
Other current liabilities	70,299	44,805	61,569
Bank overdrafts	42,671	28,885	30,950
Current liabilities	**426,934**	**302,220**	**309,379**
Total liabilities	**553,222**	**439,523**	**437,649**
Total equity & liabilities	**893,963**	**761,914**	**761,312**

Non-core Assets & Liabilities

	30-06-19
Property, plant and equipment	584
Right-of-use assets	2,530
Brands	2,152
Software	1,664
Other non-current assets	365
Inventories	25,679
Trade and other receivables	15,686
Cash and cash equivalents	1,473
Total assets	**50,132**
Total equity	**30,732-**
Lease liabilities	2,551
Non-current liabilities	1,181
Intercompany financing	58,149
Intercompany payables (trade)	16,584
Trade and other payables	2,399
Total equity & liabilities	**50,132**

Cash, capital and debt on total and core

Total Group Return on Capital and Debt

ROCE	Net Debt / rolling EBITDA
6.7% Excl. IFRS 16: 6.8%	4.1 X Excl. IFRS 16: 4.0 X € 224 mio Excl. IFRS 16: 195 mio
H1 2018: 6.8%	***H1 2018: 3.9 X*** ***H1 2018: € 177 mio***

Comments

- ROCE corrected for IFRS 16 flat versus last year
    - Higher profit offset by increase capital (mainly higher absolute TWC)
    - ROCE excl North America profit dilution around 11%
- Net debt H1 driven by seasonality
    - Increase excl IFRS driven by higher absolute TWC

Financial Summary

- Core business continues to perform strongly on top and bottom line. Volume decline halted
  - Acceleration in UK, Nordics and Southern Europe
  - Strong recovery Netherlands
  - DACH results hampered by delayed innovation
- Margin up thanks to savings and favourable forex offsetting inflation
- Opex core flat as % of net revenue. Absolute increase mainly driven by acquisition € 5 mio and strategy implementation (€ 5 mio)
- Core EBIT up € 6.5 mio
- No improvement in North America net sales and profit
  - Disposal of brand registration to Canadian Tire Company for US$ 16 mio (H2 event). Rest of study to be communicated in Q3
- Core working capital down with 200 bps, group working capital down with 150 bps

Ton Anbeek - CEO

2019 Priorities

1. Eliminate profit dilution US
2. Continue growth core, recover Netherlands
3. Improve product availability
4. Improve timely delivery of innovations
5. Continue SC savings delivery
6. Drive Cargo /urban mobility solutions
7. Continue reducing complexity
8. Improve IT and digital platforms

2019 Outlook

1. Current market momentum expected to continue

2. Another year of executing our strategy 'Lead Global. Win local' in which we will:
   - Focus on key brands and businesses
   - Continue to bring successful innovation on the market (E-zesty, Sparta M8b)
   - Improve product availability
   - Continue to drive growth in parts and accessories also via our XLC brand
   - Implement omnichannel distribution strategy
   - Continue execution of our fit to compete program with savings delivery and strict cost control

3. Core: Expected continued growth and EBIT improvement

4. Update on non-core US study Q3 latest

5. Potential consequences as a result of the outcome of strategic study non-core US are excluded from above outlook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