

Annual results 2017 and strategy update

09 March 2018

Agenda

1. **Highlights & Group performance 2017**
2. Strategy update
3. Outlook 2018

Highlights

- Further global turnover growth e-bikes (e-performance)
- Transformation in North America
 - Distribution changes
 - Management changes
 - Reorganization and integration
- European business stable
- Extensive work on strategy execution cause additional operating expenses:
 - IT expenditures
 - Development group organization
 - ✓ *Supply Chain*
 - ✓ *Marketing*
 - ✓ *IT*
 - ✓ *HR*
- Sharpened strategy Accell presented today

Situation North America

Operational

- Positive
 - Higher turnover in new sales channels
 - Growing e-bike sales for Raleigh, IZIP and Haibike
- Negative
 - Lower turnover in the multisport channel
 - Lower operating result

Incidental

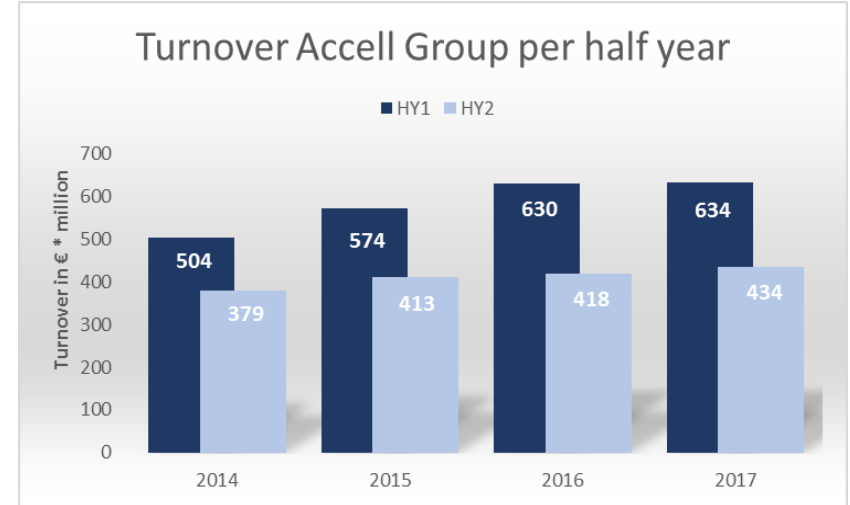
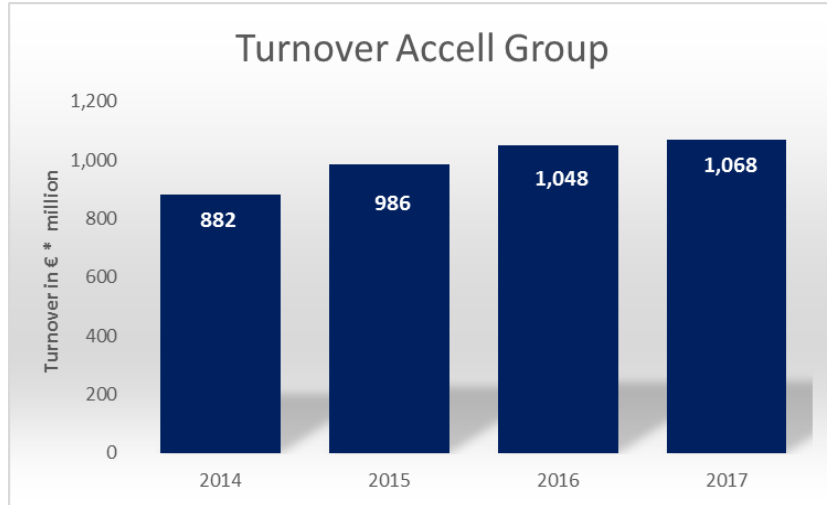
- Reorganization + scaling down of inventories (€ 6 million)
- Correction of customs duties (€0.8 million per year for the period 2013 – 2017 + interest = € 4 million)
- Tax asset impairment (€ 3.8 million)

Key financial developments

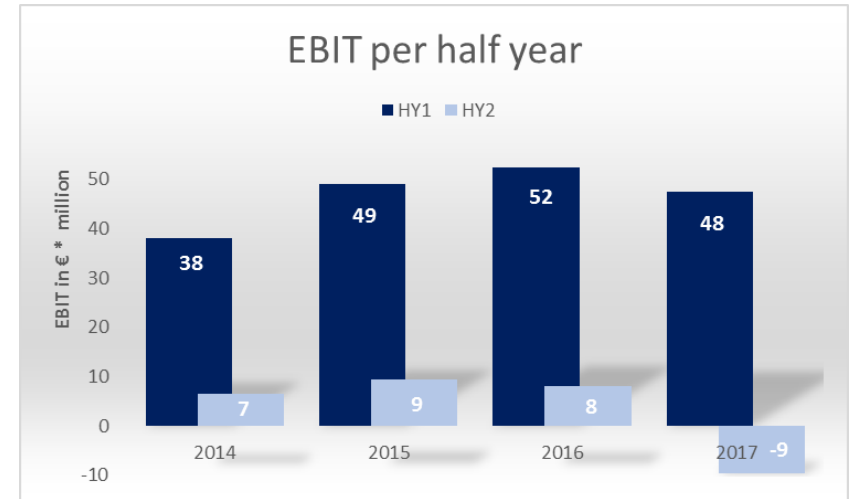
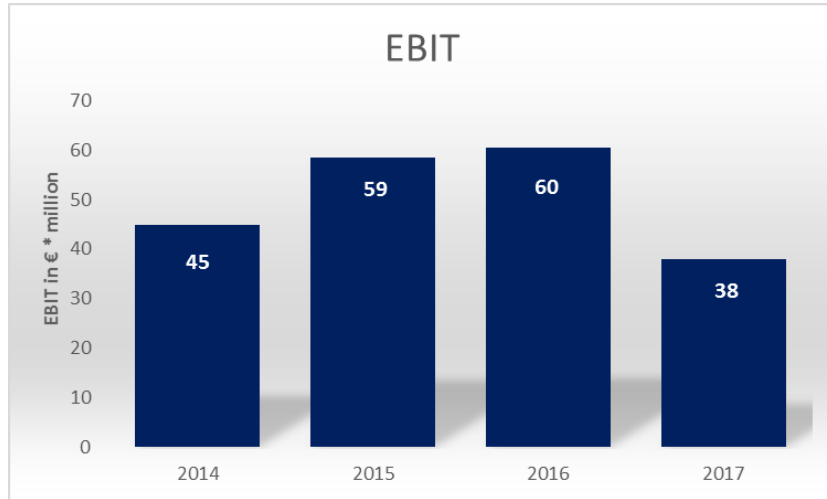
- Organic turnover growth (at constant currencies) of 3.7% primarily due to increasing sales of e-performance bikes
- Steady EBIT increase of European business vastly offset by mainly:
 - *Weak performance in North America and restructuring / transformation of local organization*
 - *Planned extra costs for implementing refined group strategy and new organizational structure*
- Tax asset impairments in North America and Finland had a further negative impact on net result
- Increased average price of bicycles and components had an impact on trade working capital

<i>(Amounts in millions of euro)</i>	FY 2017	FY 2016	Δ
Total net turnover	1,068.5	1,048.2	+1.9%
<i>% Added value</i>	28.3%	30.0%	
Underlying operating result	60.5	73.9	-18.2%
Non allocated operating expenses	-22.5	-13.5	
Earnings before interest & taxes (EBIT)	38.0	60.4	-37.1%
<i>% of net turnover</i>	3.6%	5.8%	
Net profit	10.5	32.3	-67.5%
Trade working capital	29.5%	29.2%	
Free cash flows	-4.9	61.3	
ROCE	7.8%	12.2%	

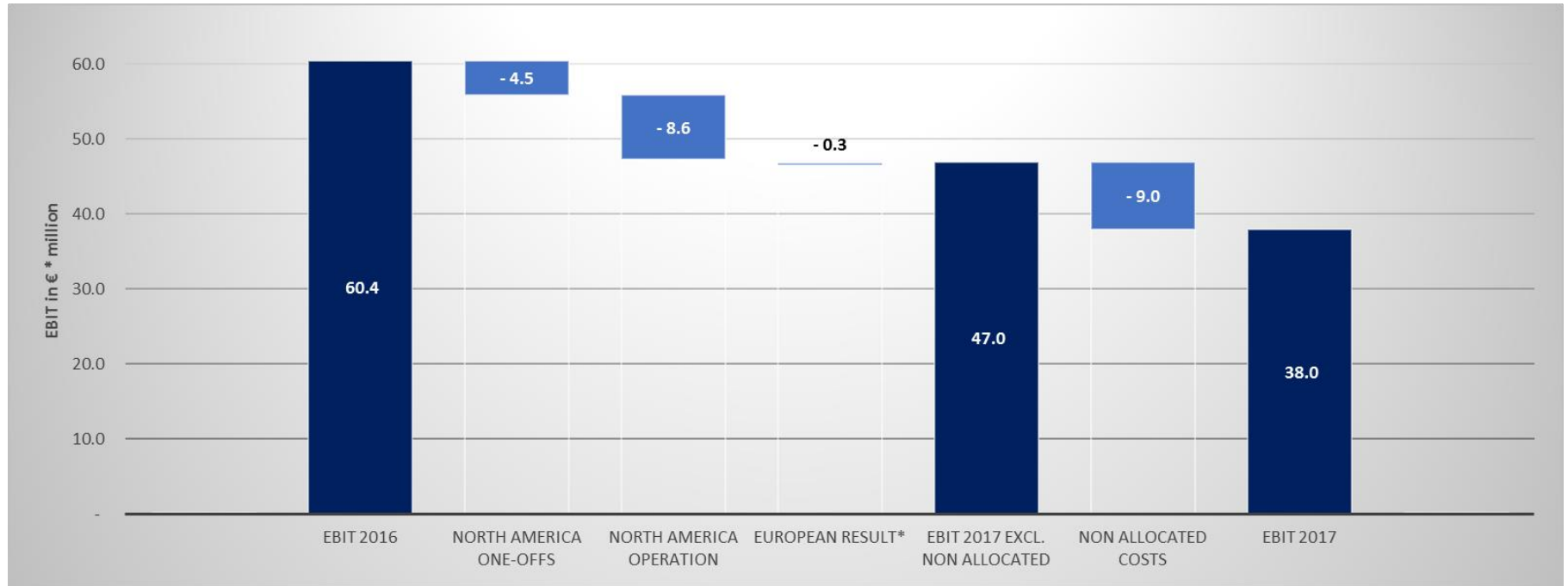
Turnover development



EBIT development



EBIT bridge

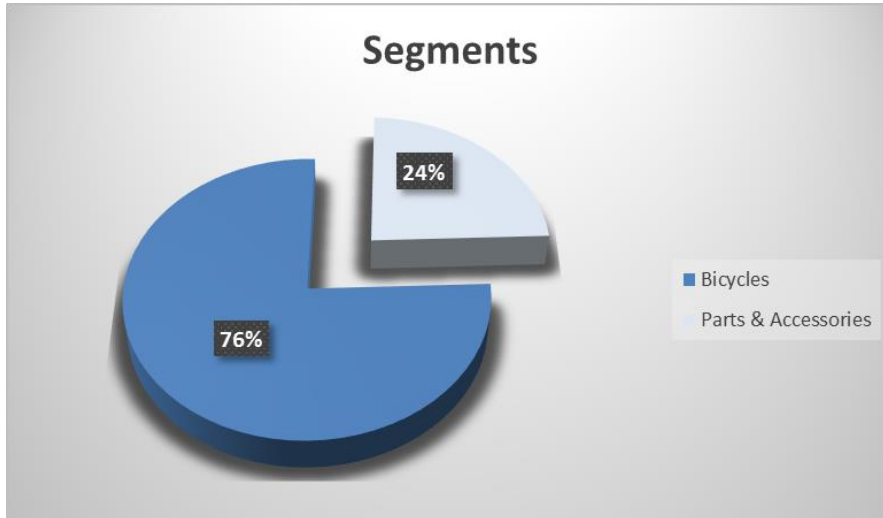


* Including Turkey

Segment bicycles

Bicycles

(Amounts in millions of euro)	FY 2017	FY 2016	Δ
Net turnover	812.7	785.5	+3.5%
Segment result	41.1	56.4	-27.1%



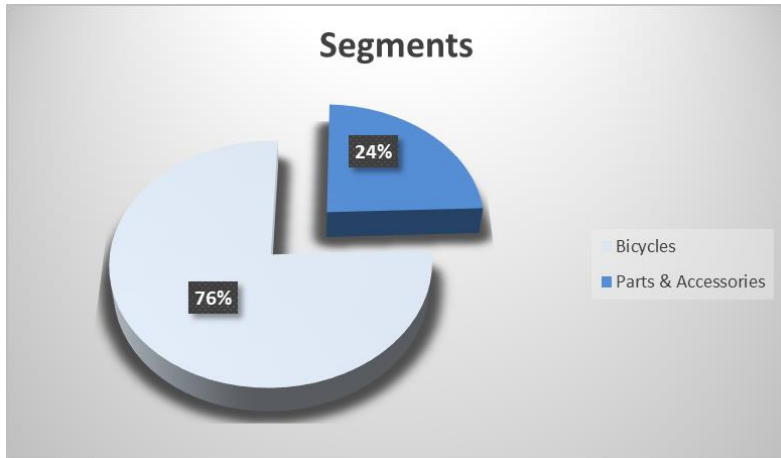
- Fully organic turnover growth on the back of increased e-(performance) bike sales
- Turnover share of e-bikes increased to 63% in 2017 (2016: 55%)
- Number of bicycles sold in 2017 decreased with 12% to 1,287,000
- Segment result negatively impacted by weak performance, reorganization and scaling down inventories in North America
- Corrected for North America, segment result was on the same level as last year

Segment parts & accessories

Parts & Accessories

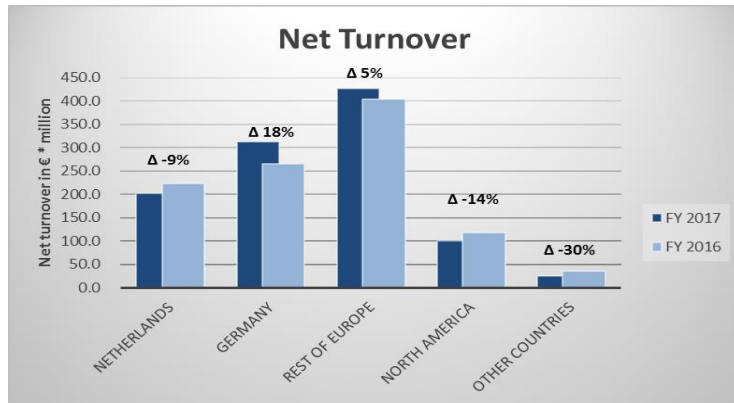
(Amounts in millions of euro)	FY 2017	FY 2016	Δ
Net turnover	255.9	262.6	-2.6%
Segment result	19.4	17.5	+10.8%

- Turnover decrease caused by stopping with P&A activities in North America in 2016
- Organic turnover growth of 0.5% through turnover growth of Accell's own XLC brand in Europe
- Segment result increased due to improved results in the European markets and a bigger share of XLC



Developments per region

Net turnover (Amounts in millions of euro)	FY 2017	FY 2016	Δ
Netherlands	202.7	223.6	-9%
Germany	312.8	265.9	+18%
Rest of Europe	426.6	404.7	+5%
North America	101.5	118.6	-14%
Other countries	24.9	35.3	-30%



- Lower turnover in **The Netherlands**. With the implementation of the sharpened strategy, new margin structure and selective distribution system, important steps have been taken to level the playing field for dealers
- In **Germany**, turnover up, largely due to increased sales of e-MTBs from Haibike and Ghost
- In the **rest of Europe**, higher e-MTB sales were the main driver for turnover growth
- Lower turnover for both bicycles and P&A in **North America**
- Turnover in **other countries** decreased, largely due to lower sales in Turkey caused by difficult economic circumstances in the first half year

Group performance

(Amounts in millions of euro)	FY 2017	FY 2016	Δ
Net turnover	1,068.5	1,048.2	+1.9%
Added value	302.0	314.8	-4.1%
% of net turnover	28.3%	30.0%	
Personnel costs	-125.8	-121.8	+3.3%
% of net turnover	11.8%	11.6%	
Depreciation	-11.1	-10.3	+7.1%
% of net turnover	1.0%	1.0%	
Other operating expenses	-127.1	-122.3	+4.0%
% of net turnover	11.9%	11.7%	

	FY 2017	FY 2016	Δ
Earnings before interest & taxes (EBIT)	38.0	60.4	-37.1%
% of net turnover	3.6%	5.8%	

	FY 2017	FY 2016	Δ
Financial income and expenses	-8.2	-8.3	-0.8%
Income tax expense	-19.7	-20.4	-3.5%
Tax rate	65.2%	38.7%	
Net profit	10.5	32.3	-67.5%

- Organic growth came in at 3.7% in 2017
- Added value was negatively impacted by:
 - *Changed sales mix and a different geographic mix*
 - *More discounts*
 - *Correction of customs duties*
- Higher operating costs through:
 - *Extra costs for implementation of strategy and organizational development (€ 7 million)*
 - *Reorganization and scaling down of inventories in North America*
- Financial income and expenses just below the level of last year
- Effective tax rate higher due to tax asset impairments in the US (€ 3.8 million) and Finland (€ 1.9 million)

Capital efficiency

<i>(Amounts in millions of euro)</i>	FY 2017	FY 2016	Δ
Inventories	333.6	321.6	+3.7%
Trade receivables	127.1	137.9	-7.8%
Trade payables	-145.7	-153.2	-4.9%
Trade working capital	315.0	306.2	+2.9%
% of net turnover	29.5%	29.2%	
Free cash flows	-4.9	61.3	
ROCE	7.8%	12.2%	

- Trade working capital mainly impacted by increase of average price of bicycles and components (> 10%)
- 8% less bicycles on stock (24,000 units)
- Free cash flow significantly lower than in 2016 as a result of lower EBIT and higher working capital
- Capital employed decreased slightly to € 488 million. The ROCE decreased as a result of the lower EBIT

Financial ratios

<i>(Amounts in millions of euro)</i>	FY 2017	FY 2016	Δ
Net debt	161.0	147.3	+9.4%
EBITDA excl. one-offs*	59.1	76.2	-22.5%
Net debt / rolling EBITDA excl. one-offs	2.7	1.9	
Solvency	42.4%	45.4%	
Earnings per share	0.40	1.24	

**EBITDA corrected for one-offs in North America. In 2016 (€ 5.5 million) and 2017 (€ 10 million)*

- Higher net debt, largely caused by higher inventory position
- Solvency decreased due to a lower shareholders' equity
- Earnings per share came in at € 0.40 (2016: € 1.24). Excluding one –offs earnings per share were € 1.00

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Vision

To become **market leader** in the
“**mid and high**” end of the e-bike market
in a consumer centric and socially responsible way



Mission

Nothing inspires and motivates us more than highly satisfied consumers and dealers.

Hence our mission is:

“Great bikes win great likes”



Objectives

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

Financial objectives 2022

- Turnover : € 1.5 billion
- Added value / Turnover : > 31%
- EBIT / Turnover : 8.0%
- Trade Working Capital / Turnover : < 25%
- ROCE : > 15%



Strategic thrusts

- Lead global. Win local
- Winning at the point of purchase
- Consumer centric omnichannel business model
- Innovation
- Centralized / integrated P&A business
- Fit to compete



Lead Global. Win Local

- Group leads / coordinates brand development, e-commerce, innovation, experience centers, IT, BI and supply chain
- Regions focus on perfect execution of annual plans / strategy in local marketing / sales units



Winning at the point of purchase

- Focus on a winning portfolio of brands per region
- Focus on e-bike opportunity
- Focus on launch big global / local innovations
- Develop global consumer insights and exploit local business opportunities



Consumer centric omnichannel business model

- Develop digital platform
- Develop experience centers with dealers
- Develop new business models (e.g. Beeline)



Innovation

- Focus on e-bike innovation
- Focus on smart technology and urban mobility solutions
- Global innovation centers



Centralized / integrated P&A business

- Lead and organize centrally to win locally
- Integrate P&A sales into the bicycle business
- Grow the XLC brand



Fit to compete

- Develop an efficient demand driven supply chain
- Rationalize, standardize and reduce complexity assortment and supply chain footprint
- Develop standardized product platforms

Strategic investments and savings potential

- Total additional expenditures for the 2018 – 2022 period amount to € 30 - 40 million
- Potential savings in 2022 amount to € 60 – 80 million

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Outlook 2018

- From a strategic perspective, 2018 will be an important transition year
- Improvement North American results through omnichannel strategy and growing e-bike market
- Turnover growth in Europe through higher e-bike sales and high-end regular bicycles
- Based on the above, we expect increase of Group turnover and a higher underlying operating result 2018, barring unforeseen circumstances

Cycling will remain popular
in demand for mobility,
leisure and sports





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