

# **RAPALA VMC CORPORATION HIGHLIGHTS**

**February 16, 2018**



RAPALA VMC CORP.

# RAPALA PIKE LURE LAUNCH



- Great success in testing
- Re-entry into the big pike category
- Launched in January in France at the Clermont-Ferrand Show
- Supported by coordinated & targeted digital marketing
- First weekend marketing reach totaled over 300 000 people
- Full-on approach with three big pike lures in broad color selections



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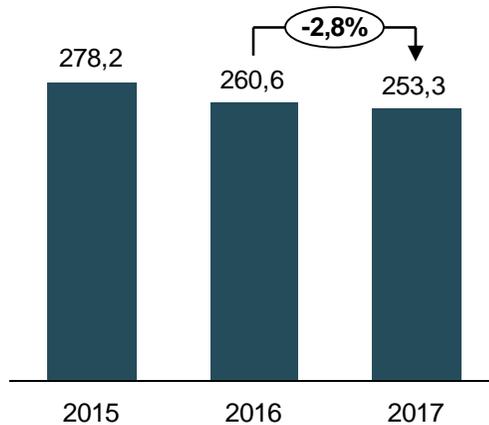


# **RAPALA VMC CORPORATION FULL YEAR 2017**

**February 16, 2018**

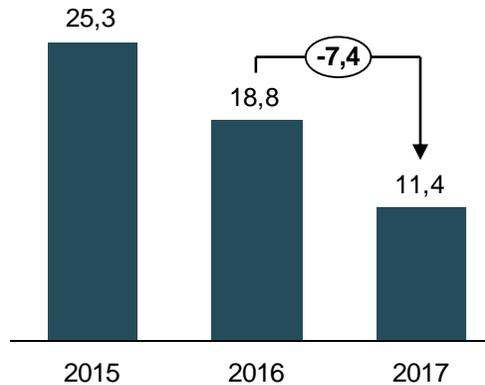
# SALES AND PROFITABILITY DECREASED AS A RESULT OF TURMOIL IN THE RETAIL MARKETS – POSITIVE DEVELOPMENT IN WORKING CAPITAL MANAGEMENT

**NET SALES**  
(MEUR)



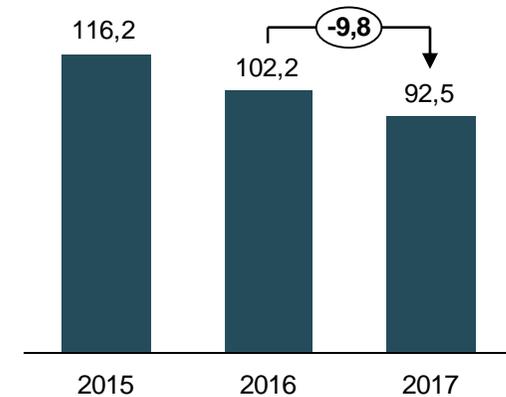
- FX comparable change: -2,6% (-6,7 MEUR)
- Turmoil in US retail landscape
- Challenging market conditions in big European markets
- Increased competition in 3<sup>rd</sup> party products

**COMPARABLE OPERATING PROFIT**  
(MEUR)



- FX comparable change: -40% (-7,6 MEUR)
- Challenges in Indonesian manufacturing facility
- AR write-downs in North America
- Lower sales and gross profit
- Positive development in fixed costs

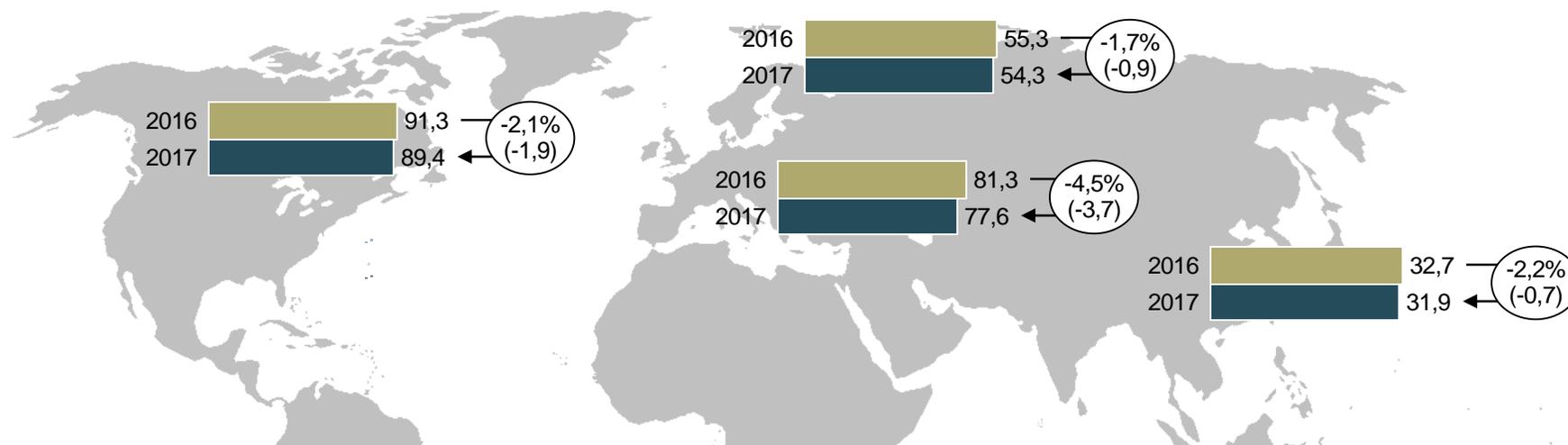
**YEAR-END INVENTORY VALUE**  
(MEUR)



- FX comparable change: -4,6% (-4,4 MEUR)
- Working capital management and supply chain initiatives yielding results

- EPS is 0,05 EUR (-0,08)
- Dividend proposal is 0,04 EUR (0,10) to be paid in two instalments

# WEAKENED USD PULLED NORTH AMERICA SALES DOWN FROM LAST YEAR AND BIG MARKETS IN EUROPE DOWN



## NORTH AMERICA

- FX comparable change: +0,2% (+0,2 MEUR)
- Retail turmoil in US – two key customers filed for chapter 11. The lost sales shifted to other customers
- Canada well above last year, supported by special sales campaigns

## NORDIC

- FX comparable change: -1,2% (-0,7 MEUR)
- Disappointing 1<sup>st</sup> half highlighted by Denmark's weak hunting sales and Finland's unfavorable weather conditions
- Positive development in the 2<sup>nd</sup> half, particularly in Sweden & Norway
- Finland 100 Anniversary Knife supporting Marttiini's strong sales

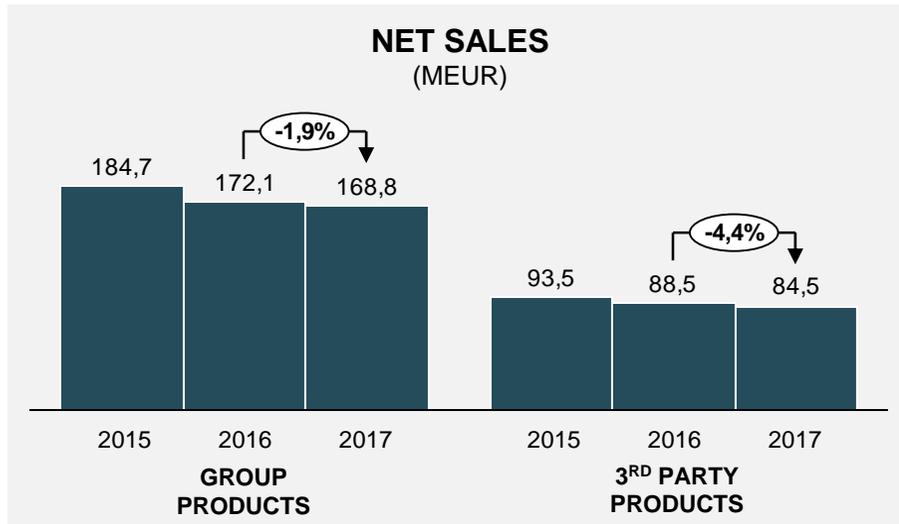
## REST OF EUROPE

- FX comparable change: -6,3% (-5,2 MEUR)
- Disappointing sales figures for big markets, France and Russia
- Increased competition in certain product categories, also some changes in product portfolio in Poland

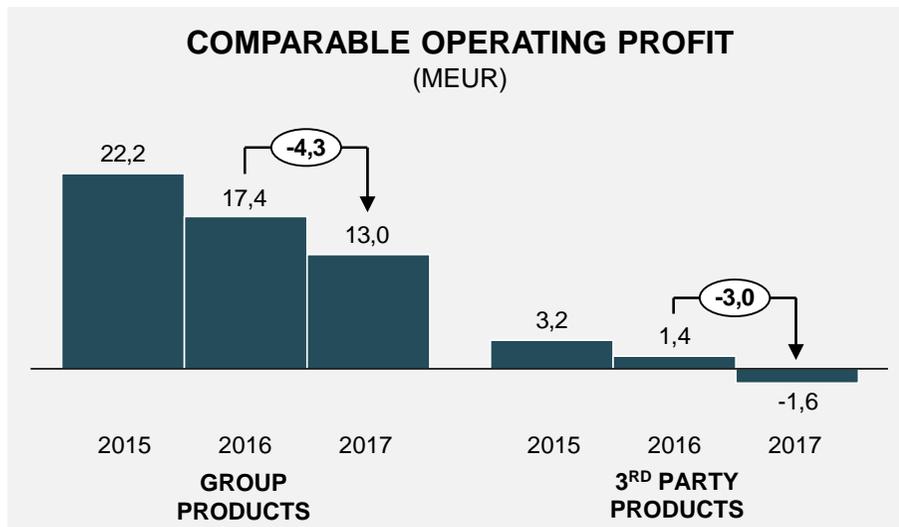
## REST OF THE WORLD

- FX comparable change: -3,2% (-1,1 MEUR)
- Australia's sales impacted by changes in product portfolio and the outsourcing of warehouse operations
- Thailand suffered from difficult market conditions
- Sales up in South Africa, supported by new hunting and outdoor business
- Positive development in Latin America

# RETAIL MARKET TURMOIL HIT SALES OF GROUP PRODUCTS AND THIRD PARTY PRODUCTS



- **Group fishing products** sales down from last year, driven by lure sales in North America as a consequence of retail turmoil
- Positive development in carp fishing sales followed by the increased focus and investments in the product category
- Winter fishing sales up from last year, supported by favorable winter conditions
- Finland 100 Anniversary Knife contributed to hunting sales
- **Third party products** sales drop driven by product portfolio changes in Poland and tightened price competition in certain product categories



- **Group products** profitability suffered from Indonesian lure manufacturing challenges, AR write-down in North America and declined sales
- **Third party products** operating profit suffered from decreased sales and increased price competition

# EXECUTION OF GROUP STRATEGY PROGRESSING

## Competitive advantages

1

Brand portfolio

2

Own manufacturing platform and established sourcing channels

3

Research and development capabilities

4

Broad own distribution network and strong local presence

Unique competitive advantages form the foundation for Rapala's strategy

### Organic growth within fishing

- Market and customer focus
- Growth from niches and specific product categories
- Leveraging Group's brands with innovative marketing and brand management

### Improving profitability and lightening balance sheet

- Rigid management of product portfolio
- Securing return on capital of all businesses
- Tight cost and capital control
- Supply chain development

### Improving operational performance

- Operating in an integrated manner
- Optimizing end-to-end performance of the Group
- Increased speed and agility, responsiveness and efficiency
- Utilizing strong local presence

Solid financial and operational platform for long term growth

Mid- to long term target is to return to more aggressive growth track and actively seek synergistic growth opportunities also outside of fishing tackle business.

# SHORT-TERM OUTLOOK AND GUIDANCE

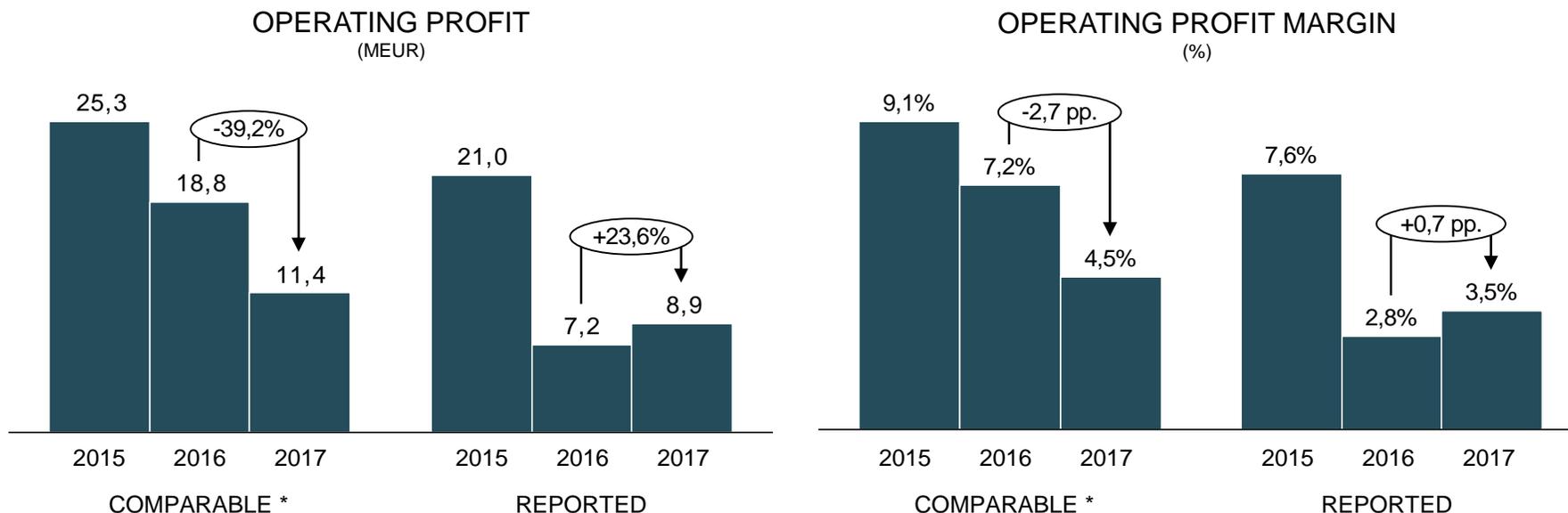
- 2017 was a year of market turmoil and structural changes in retail especially in the US. There is still somewhat lower visibility to the North American market due to the structural changes experienced during 2017. However, the Group sees continued healthy consumer demand for its products via old and new channels. In Europe, the price competition in certain product categories has increased and the markets continue to be competitive.
  - The Group has launched various strategic initiatives to boost organic growth and improve cost and capital efficiency as well as operational performance in the future. These initiatives will continue to trigger some additional expenses and investments in 2018.
  - The Group expects full year net sales with comparable FX rates to be above last year's level and comparable operating profit (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) to exceed 15 MEUR.
- 
- Financial statements for 2017 and Corporate Governance Statement published in week 10
  - Half Year Financial Report 2018 will be published on July 20, 2018.

# FINANCIALS

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# COMPARABLE AND REPORTED OPERATING PROFIT

- Comparable\* operating profit was 11.4 MEUR (4.5%) for 2017
  - The effect of translation exchange rates was slightly positive
  - Burdened by lower sales, operational challenges at the factory in Indonesia and write-downs of account receivables in North America
  - Despite investments in strategic development areas, which increased fixed costs, Group's overall fixed costs decreased from last year
- Reported operating profit included loss of mark-to-market valuation of operative currency derivatives of 0.3 MEUR. Net expenses of other items affecting comparability included in the reported operating profit were 2.3 MEUR. 2017 items affecting comparability included mainly organizational restructuring expenses and restructuring of Batam plant in Indonesia

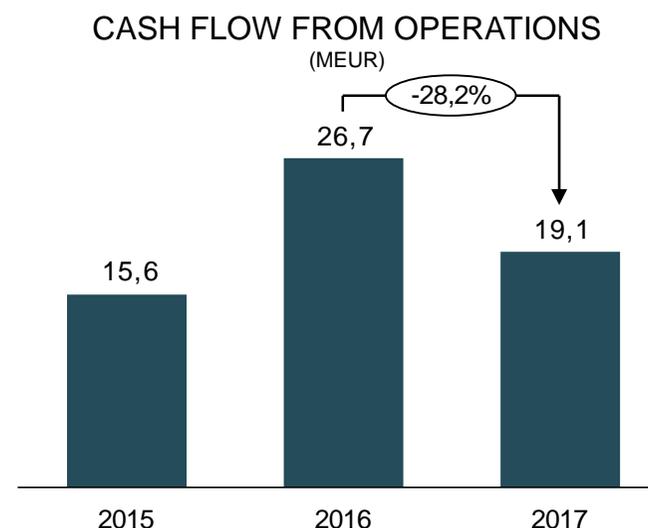
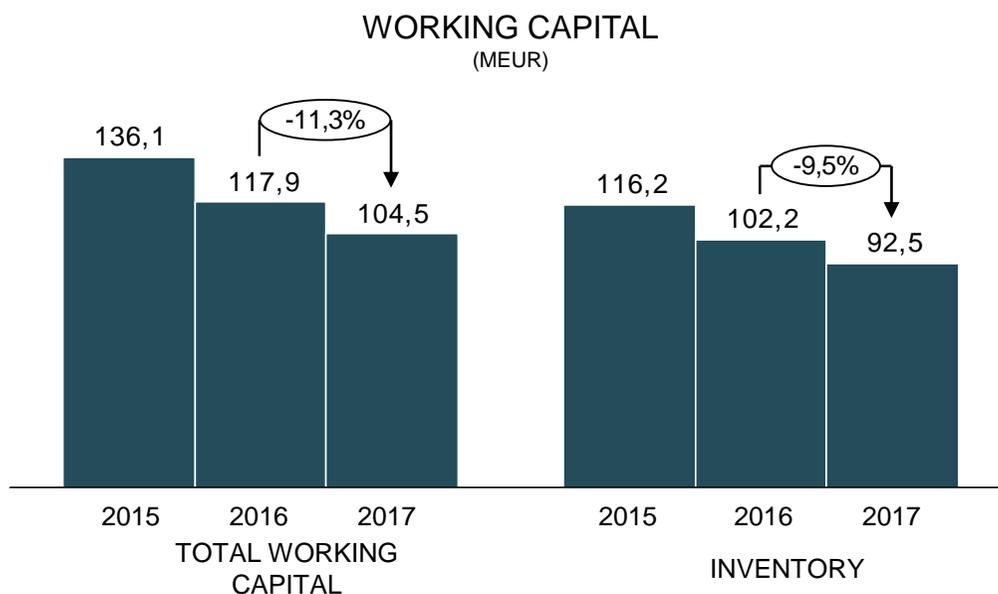


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\*excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability

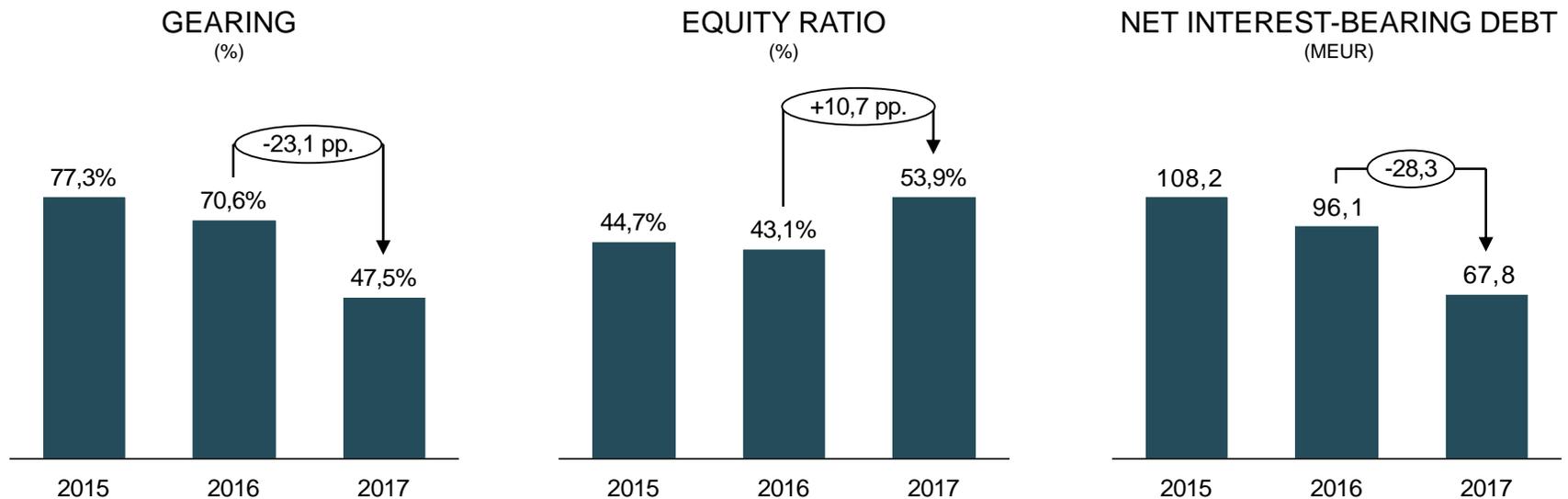
# CASH FLOW AND WORKING CAPITAL

- Total working capital decreased to 104.5 MEUR
  - Several supply chain management initiatives yielded results
  - Despite lower than anticipated sales, inventories decreased to 92.5 MEUR
  - Organic decrease 8.0 MEUR (excluding inventory allowance and foreign exchange changes)
- Cash flow from operations was on historically good levels of 19.1 MEUR despite the decrease from last year's record levels



# FINANCIAL POSITION

- Liquidity position of the Group was good. Undrawn committed long-term credit facilities amounted to 59.9 MEUR
- Following successful issuance of a hybrid bond of 25 MEUR in 2017, gearing and equity ratios improved
- Following higher ratio between net interest-bearing debt and reported EBITDA, the Group renegotiated the leverage covenant for the year end



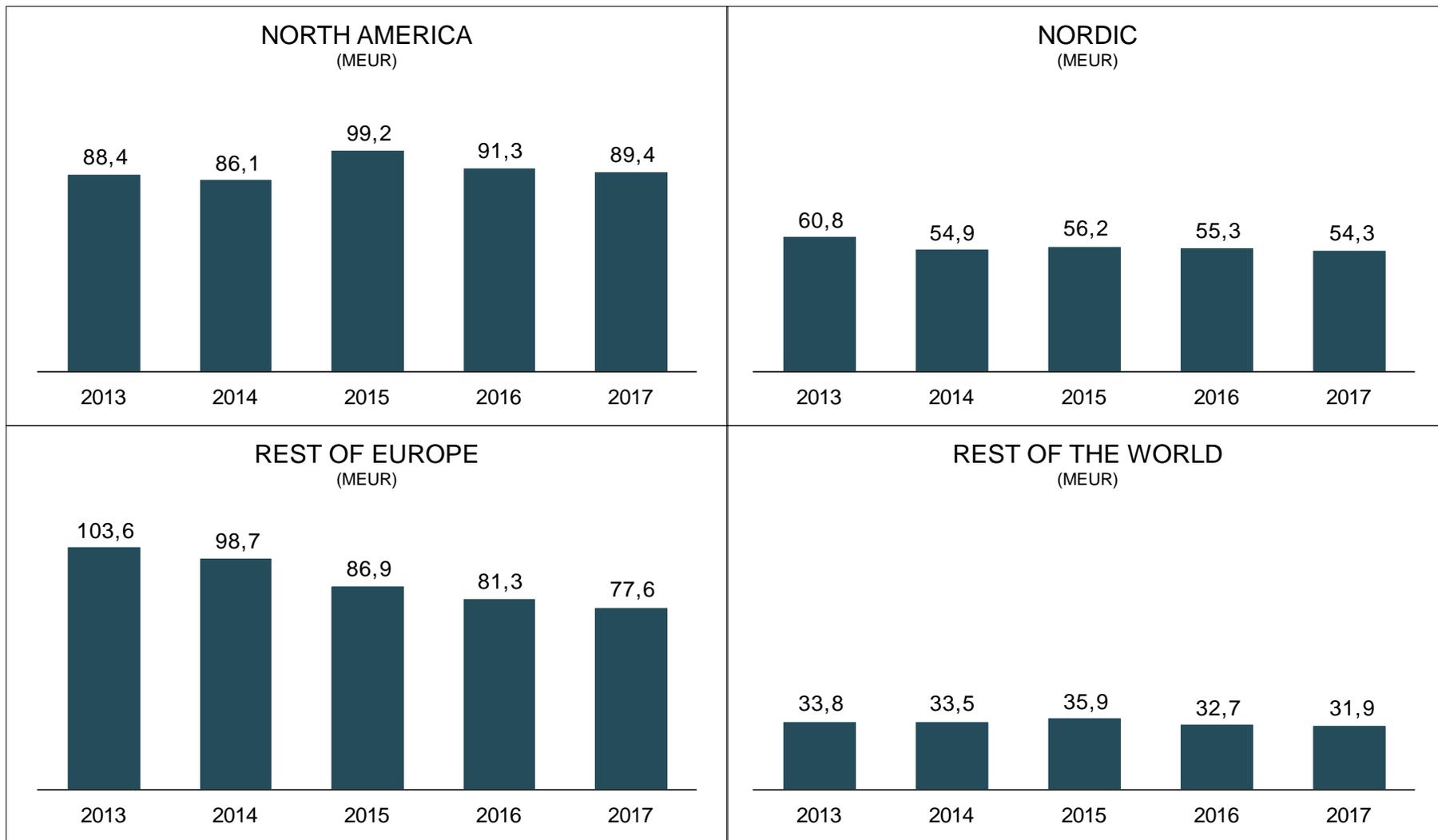
# APPENDICES

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# KEY FIGURES

MEUR	FY/ 2017	FY/2016
Net sales	<b>253,3</b>	260,6
Operating profit	<b>8,9</b>	7,2
Operating profit, % of net sales	<b>3,5 %</b>	2,8 %
Comparable operating profit	<b>11,4</b>	18,8
Comparable operating profit, % of net sales	<b>4,5 %</b>	7,2 %
Net profit for the period	<b>2,3</b>	-2,0
EPS (basic), EUR	<b>0,05</b>	-0,08
Cash flow from operations	<b>19,1</b>	26,7
Net interest-bearing debt	<b>67,8</b>	96,1
ROCE, %	<b>4,0 %</b>	3,0 %
Gearing, %	<b>47,5 %</b>	70,6 %
Equity to assets, %	<b>53,9 %</b>	43,1 %

# GEOGRAPHICAL NET SALES



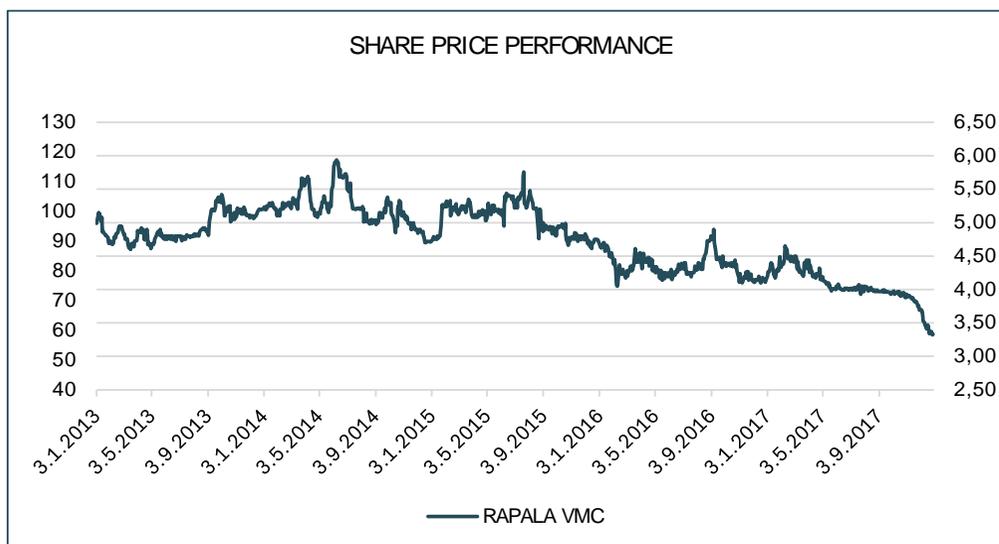
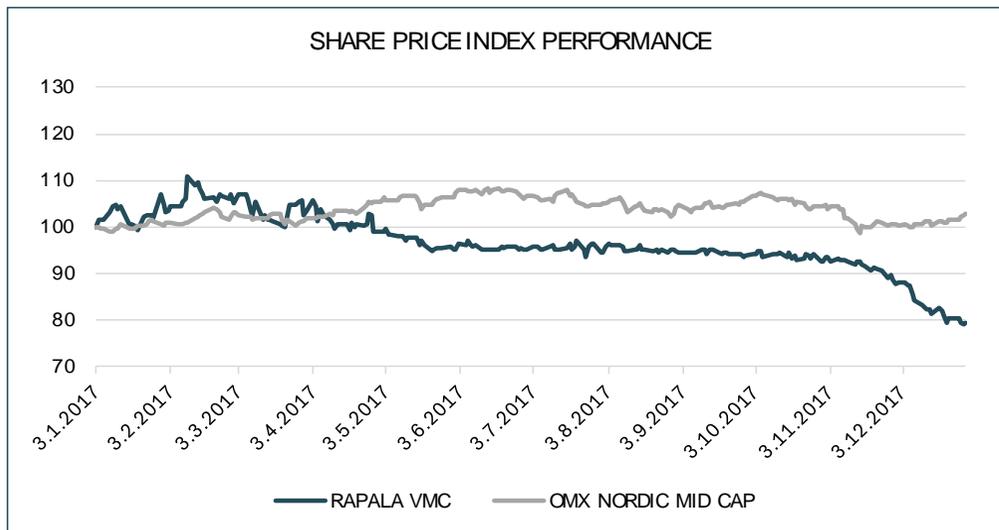
# PROFIT AND LOSS STATEMENT

MEUR	FY/ 2017	FY/2016
Net sales	253,3	260,6
Other operating income	1,1	1,3
Materials and services	117,0	129,0
Personnel expenses	67,6	67,6
Other costs and expenses	54,1	51,1
Share of results in associates and joint ventures	0,0	-0,1
EBITDA	15,7	14,1
Depreciation, amortization and impairments	6,9	6,9
OPERATING PROFIT (EBIT)	8,9	7,2
Financial income and expenses	3,2	5,0
PROFIT BEFORE TAXES	5,6	2,2
Income taxes	3,3	4,2
NET PROFIT FOR THE PERIOD	2,3	-2,0

# BALANCE SHEET

MEUR	FY/2017	FY/2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	73,3	78,2
Property, plant and equipment	32,7	36,2
<b>Non-current assets</b>		
Interest-bearing	0,0	0,0
Non-interest-bearing	7,1	9,1
	<b>113,2</b>	<b>123,5</b>
<b>Current assets</b>		
Inventories	92,5	102,2
<b>Current assets</b>		
Interest-bearing	0,0	0,9
Non-interest-bearing	49,7	55,8
Cash and cash equivalents	10,3	33,8
	<b>152,4</b>	<b>192,7</b>
<b>TOTAL ASSETS</b>	<b>265,6</b>	<b>316,1</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Equity attributable to the equity holders of the company	110,7	127,5
Non-controlling interests	6,9	8,6
Hybrid bond	25,0	0,0
	<b>142,7</b>	<b>136,1</b>
<b>Non-current liabilities</b>		
Interest-bearing	34,6	41,5
Non-interest-bearing	9,3	11,6
	<b>43,9</b>	<b>53,1</b>
<b>Current liabilities</b>		
Interest-bearing	43,5	89,3
Non-interest-bearing	35,5	37,6
	<b>79,0</b>	<b>126,9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>265,6</b>	<b>316,1</b>

# SHARES AND SHAREHOLDERS



## SHARE RELATED DATA (12/2017)

Market capitalization	127,6 MEUR
12-month high / low	4,68/3,29 EUR
All-time high / low	8.40/2.50 EUR

## MAJOR SHAREHOLDERS (12/2017)

	% OF TOTAL
Viellard Migeon & Cie	38,4 %
Sofina S.A.	19,2 %
Nordea Funds	12,4 %
The State Pension Fund	3,3 %
Odin Funds	2,8 %
Shimano Singapore Private Limited	2,3 %
Taaleritehdas Funds	1,7 %
Ilmarinen Mutual Pension Insurance	1,0 %
Eo Mutual Pension Insurance	0,4 %
Norvestia Oyj	0,3 %
Own shares	1,7 %

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# FINANCIAL TRENDS

