



MIPS' presentation of the interim report for the third quarter 2019

8 November 2019



KEY HIGHLIGHTS

- Increasing interest in MIPS across all geographies and categories. New German customers implementing MIPS technology, important for accelerated growth in Europe
- Trade tariffs U.S. / China impact volumes in the quarter. No change in consumer demand. More customers and models than ever using the MIPS technology
- Innovators of MIPS' technology awarded the prestigious Polhem prize
- New strategic plan and targets for 2025 announced at MIPS' Capital Markets Day held in September



NEW BRANDS LAUNCHING HELMETS EQUIPPED WITH MIPS TECHNOLOGY

- In August at the worlds largest bike fair, Eurobike, three for MIPS new key customers, UVEX, Alpina and KED, launched helmets with MIPS technology
- Additionally, the brand CUBE has launched helmets equipped with MIPS technology
- The new brands gives us an even better position to increase penetration and growth in Europe
- Renewed collaboration with POC – first (child) helmet with MIPS technology will be launched next summer and additional models in 2021 and 2022
- MIPS now cooperates with the major brands in the Bike and Snow categories



CUBE

POC

Good position to drive further growth within the Sports helmet category

INNOVATORS OF MIPS TECHNOLOGY RECEIVED POLHEM PRIZE

- Innovators of the MIPS technology has been awarded the Polhem Prize, Sweden's oldest and most prestigious technical award
- Peter Halldin (MIPS' Chief Science Officer), Hans von Holst and Svein Kleiven (Royal institute of technology in Stockholm, KTH) received the award for their work with the MIPS technology

Peter Halldin



Hans von Holst



Polhemspriset

“Being awarded the Polhem Prize is a great honor for us. Our ambition has always been to reduce the risk of brain damage for helmet users worldwide. We believe that protection against rotational motion in helmets should be as obvious as having seat belts in cars”, says Peter Halldin, Chief Science Officer at MIPS.

MIPS' CAPITAL MARKETS DAY

- New long-term strategy and financial targets were presented at our Capital Markets Day in September
- New strategy has been built around three key helmet categories being Sports, Moto and Safety
- MIPS' addressable market has increased from 43 million to 130 million helmets sold annually
- MIPS' new long-term financial targets are:
 - Grow net sales to more than SEK 1 billion by 2025
 - Maintaining an underlying EBIT margin of more than 40%
 - Ordinary dividend above 50% as share of annual net earnings

>SEK 1bn
net sales
2025

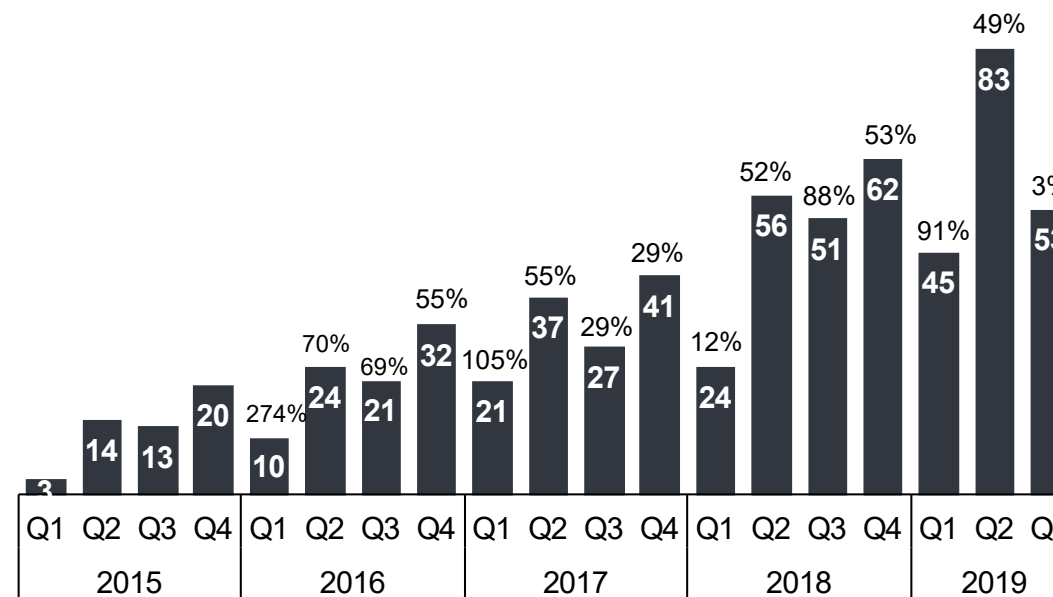
>40%
EBIT margin

>50%
dividend of net
earnings

NET SALES DEVELOPMENT IN THIRD QUARTER

- Soft performance with 3% growth in the quarter, organic growth of -6%
- Volume impacted by trade tariff implementation in the US market
- Net sales growth 38% year to date, organic growth of 28%

Net Sales development (SEKm) and quarterly growth rates*



Changes in net sales %	2019	2019
	Jul-Sep	Jan-Sep
Organic growth	-6%	28%
Changes in exchange rates	7%	10%
Structural changes	2%	1%
Total	3%	38%

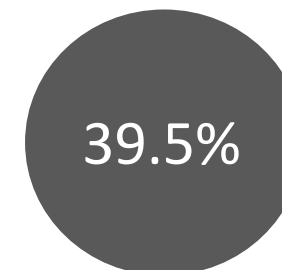
*No underlying growth rates available for 2015

DEVELOPMENT IN THIRD QUARTER

- **Net Sales** increased 3%, organic growth -6%
- **Gross profit** up 3%, gross margin down with -0.1 p/p, adjusting for acquisitions gross margin up 1.7 p/p to 74.8%.
- **OPEX** – continue to invest behind strategic priorities
- **Adjusted EBIT** SEK 20.9m (20.8), 39.5% adjusted EBIT margin (40.7)
- **Cash flow** – operating cash flow of SEK 11.6m (31.0)



Organic growth



Adjusted EBIT margin



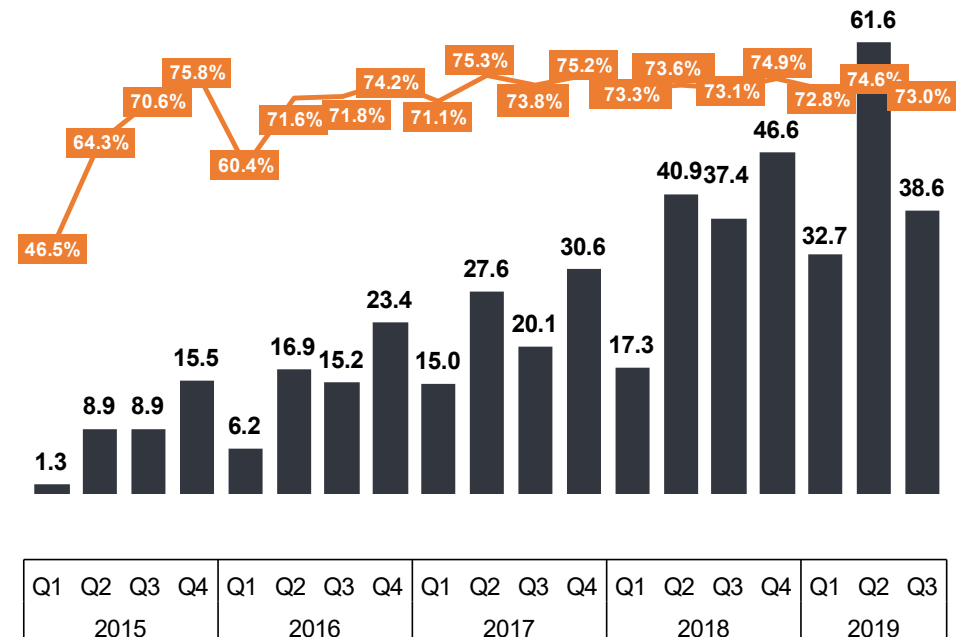
Operating cash flow
(SEKm)

MIPS Group (SEKm)	Q3 19	Q3 18	▲ %	YTD 19	YTD 18	▲ %	FY2018
Net sales	52.9	51.2	3	180.4	130.3	38	192.5
Gross profit	38.6	37.4	3	132.9	95.6	39	142.2
Gross margin %	73.0	73.1	-	73.7	73.4	-	73.9
Operating profit (EBIT)	20.5	20.8	-2	69.0	44.3	56	73.0
Operating margin (EBIT) %	38.6	40.7	-	38.3	34.0	-	37.9
Adjusted Operating profit (EBIT)	20.9	20.8	0	70.8	44.3	60	73.0
Adjusted Operating margin (EBIT) %	39.5	40.7	-	39.2	34.0	-	37.9
Cash flow from operating activities	11.6	31.0	-63	43.5	45.2	-4	69.1

GROSS PROFIT AND GROSS MARGIN DEVELOPMENT IN THIRD QUARTER

- Gross profit increased by 3% to SEK 38.6m
- Gross margin 73%, -0.1 p/p change vs. Q3 2018, +170 p/p excluding impact from acquisitions
- Gross margin year to date up +0.3 p/p, adjusting for acquisition costs, gross margin increased by 1.0 p/p to 74.4%

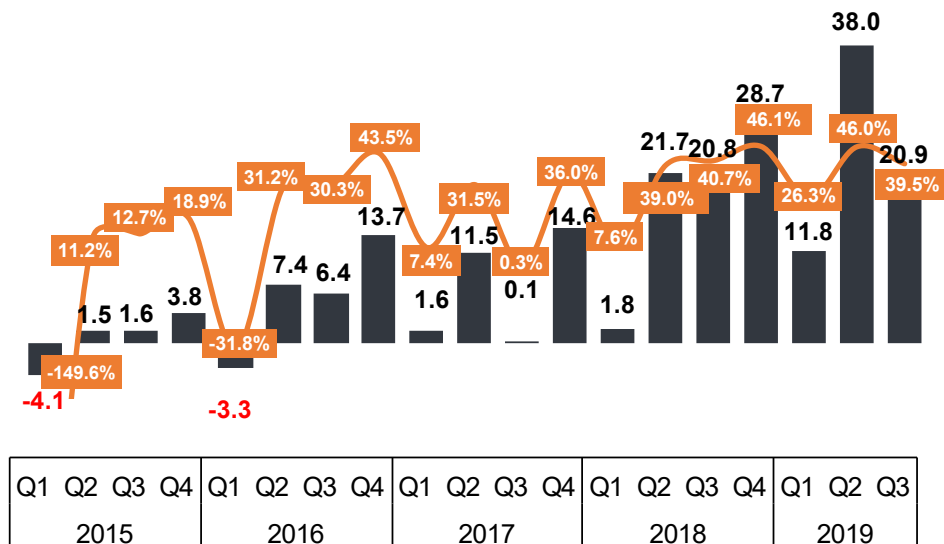
Gross profit (SEKm) and Gross margin development



ADJUSTED EBIT AND ADJUSTED EBIT MARGIN DEVELOPMENT IN THIRD QUARTER

- EBIT decreased with SEK 0.3m to SEK 20.5m, (20.8)
- Adjusted EBIT increased with SEK 0.1m to SEK 20.9m (20.8). Adjusted EBIT margin 39.5% (40.7)
- Positive effects from higher sales, exchange rate and legal costs in prior year comparator partly offset by investments in organization, marketing and R&D
- Adjusted EBIT year to date SEK 70.8m (44.3) and adjusted EBIT margin 39.2% (34.0)

Adjusted EBIT (SEKm) and adjusted EBIT margin development



BALANCE SHEET AND CASH FLOW

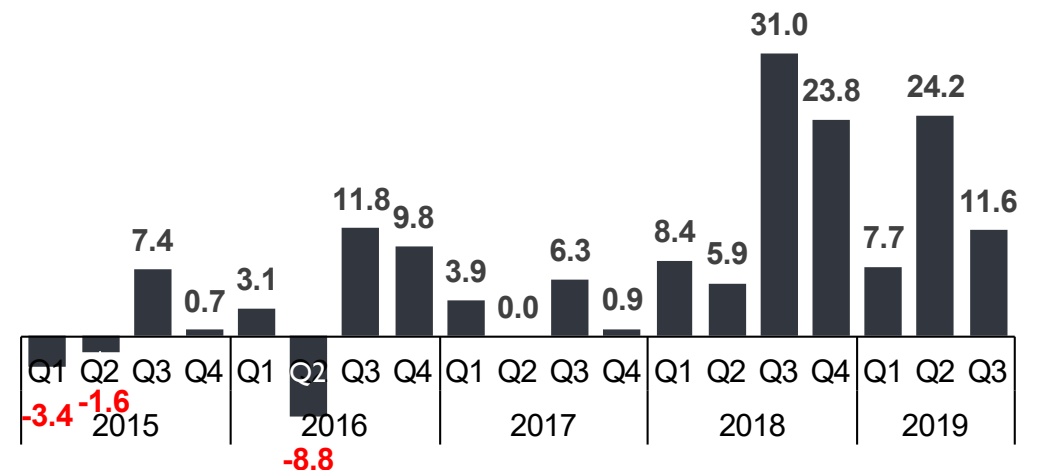
- Cash flow from operating activities in the quarter SEK 11.6m (31.0), year to date SEK 43.5m (45.2)
- Cash and Cash Equivalents at SEK 176.0m (220.8)
- Equity ratio 86% (88)

Key balance sheet items and cash flow

MIPS Group (SEKm)	Q3 19	Q3 18	FY 18
Total Assets	306.3	288.5	319.4
Equity	262.2	252.9	275.6
Equity ratio %	86	88	86
Cash & Equivalents	176.0	220.8	242.5

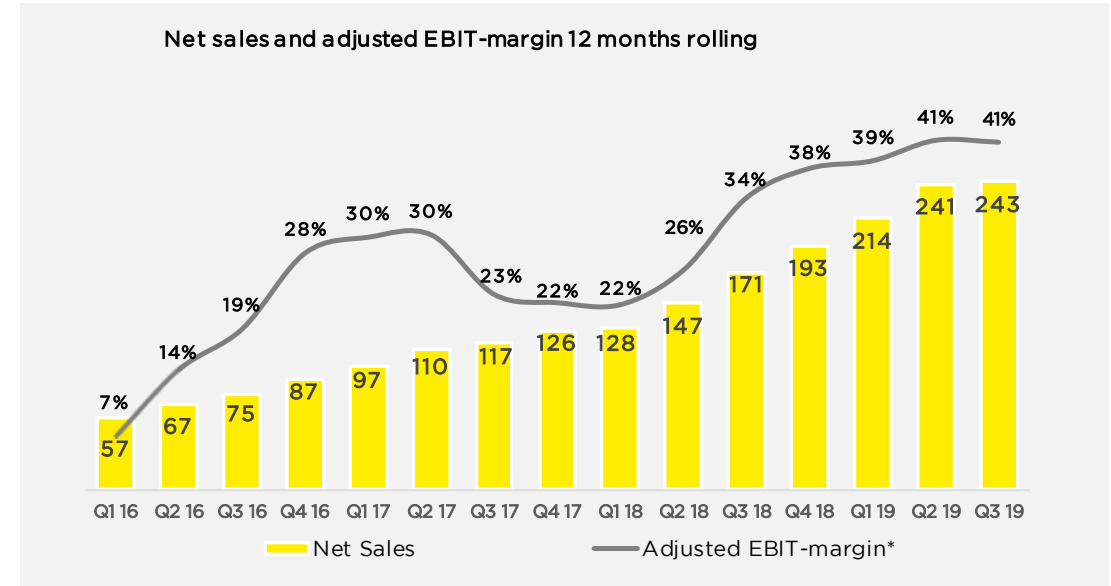
MIPS Group (SEKm)	Q3 19	Q3 18	FY 18
Cash flow from operating activities	11.6	31.0	69.1

Cash flow from operating activities (SEKm)



SUMMARY

- Strong interest for the MIPS technology in all categories and geographies
- Important new customers implementing MIPS technology
- More helmet models than ever being implemented
- Trade tariffs impacted volumes in the quarter
- MIPS' technology recognized through prestigious Polhem award
- Good position to deliver the 2025 plan



*Adjusted for costs in connection with the company's IPO during 2016 and 2017 and costs relating to acquisitions during the quarter. Adjusted EBIT margin includes legal costs relating to company's litigation processes.



A person wearing a black riding helmet, a dark blue quilted vest over a light-colored long-sleeved shirt, and light-colored riding pants is riding a dark brown horse. They are positioned in the lower half of the frame, facing left. The background features a vast, hazy mountain range with snow-capped peaks under a clear blue sky. In the foreground, there are several evergreen trees and some dry, yellowish vegetation on a hillside. Two thin, horizontal black lines are drawn across the image, one above and one below the text.

Q&A

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