

A MESSAGE FROM THE CEO

# Many positive steps forward during a challenging year

Just like last year, 2022 will go down in history as a different kind of year, for the world and for Mips. We have lived with the aftermath of Covid-19, the world have been affected by the terrible Russian invasion of Ukraine, and we have experienced a significant, albeit temporary, slowdown in one of Mips' most important categories, the bike category. At the same time we see new challenges due to the macroeconomic picture changing quickly, with raised interest rates, higher energy prices, and soaring inflation on food and other goods.

Despite all the above, I am positive about the future for Mips as a company. Our vision is to reduce head injuries and save more lives. We have an updated, ambitious strategy which we communicated externally at our Capital Markets Day in June 2022. I can also conclude that our business model works, even in turbulent times, and above all, we see that there is a demand for our products from brands and consumers all over the world and we especially see a positive development within our other helmet categories. Awareness of Mips has never been greater and we know that if people know what we are trying to achieve through our technology, they are willing to pay more for a helmet equipped with our technology. Given all these factors, we believe that it is even more important to keep investing in our journey and try to implement Mips in as many helmets as possible.

### **A strong start to the year before the bicycle industry slammed on the brakes**

We started the year with two strong initial quarters when we grew by 53 percent compared to the prior year. Like the bicycle industry as a whole, we anticipated that the bicycle inventory situation would normalize and that there would even be a surplus of stock after two years of constant stock and product shortages in the bicycle industry.

What we however did not anticipate was that the bike market would slow down so sharply at the same time as consumers, mainly in Europe, became more cautious about purchasing products that were perhaps not absolutely necessary at the time being. Combine this with the fact that the products starting to be stocked were not what consumers demanded, and the slowdown became even more significant. During the pandemic, many cheaper products were produced that were relatively simple to manufacture with few input goods as there were no other products on the market to sell at the time, thus both retailers and consumers purchased whatever they could get hold of.

In retrospect, when we put all these pieces together it may seem obvious that there was a risk of a rapid slowdown, but I think there are many of us who were not able to spot the sharp deceleration that actually took place.

Our other categories and helmet models progressed well throughout the year. In Motorcycle helmets we had growth of 56 percent for the first six months and in snow helmets, which is another large part of our sales, we saw an increase of 154 percent during the first half of the year. We continued to launch several new brands within Safety, but still with relatively low sales.

When we entered the second half of the year, which has historically been dominated by sales of our solutions for bike helmets, we started to see much more cautious customers in the bike category than either we or the industry anticipated. Bike stores around the world tried to get rid of the surplus stock that existed on the market, which affected both our customers and us as a result. In September, when we



started to understand that the impact was greater than we could have predicted, we released our communication stating that we would not see the growth in sales that we and the market had been expecting. This was a communication that surprised many of Mips' employees. Internally we had not seen the cautious behavior from bike helmet manufacturers that we now saw on the market in the bike stores. We had done more customer projects than in any other year and still needed to recruit to manage all the implementation projects.

In spring 2020, at the start of the pandemic, we had faced a similar challenge, and we then asked ourselves the same questions. Will helmet usage worldwide continue to grow over the long term? Yes, we are convinced of that. Will we be able to continue to take market share in that market? The answer to that question is also yes. Given these answers both the Executive Leadership and the Board were fully convinced that we should drive a continued ambitious plan. We continue to invest to be able to deliver future growth and when the market turns, we will be better prepared than anybody else to deliver on the opportunities we have ahead of us.

### **Updated broader strategy and new financial targets communicated**

We have delivered both sales growth and profit development that have significantly exceeded our own plan in recent years, which is why we developed an updated strategic plan and new targets.

We therefore arranged a Capital Markets Day in June. At the Capital Markets Day we communicated a revised long-term strategy and new financial targets. The strategy update primarily addresses how we intend to grow with our existing customers as this is the largest component of our plan. It also explains how we will expand our addressable market by being able to offer products at lower price-points in new channels and new geographic markets for Mips. Perhaps the plan's most exciting component for a long-term future is our ambition to offer our customers more services within helmet development than we have previously done. We are incredibly competent in helmet development, have a large number of helmet brand customers, and have tested more helmets than any other player. We therefore intend to use that knowledge to help our customers become even more successful. This is also an important element in safeguarding our own future.

Our new financial targets mean that our ambitions for 2027 are to reach net sales of more than SEK 2 billion, retain an underlying operating margin in excess of 50 percent, and have an ordinary dividend payout that exceeds 50 percent as a share of net earnings.

#### **Important innovations within our product portfolio**

During recent years we have continuously intensified our product development efforts and the first new technology we launched this year was a solution mostly targeting the bike market called Mips Air Node, which we launched together with Specialized, the leading brand in bikes, during the Tour de France bike race. Mips Air Node will also be able to be offered as an after-market product, so users themselves can replace the comfort padding fitted with Mips' safety system, which is an important step in Mips offering products that are even more consumer friendly.

During the third quarter we also launched our second technology for the year, Mips Integra Split. This solution is completely integrated into the

helmet and consists of two pieces that move independently of each other. Since the technology also allows two different densities in the helmet, the helmet can handle both lighter and harder impacts in a better way. The product was launched with FOX, a leading brand in road motorcycles and in mountain bikes, and it was well received on the market.

We also communicated our new graphic design in the third quarter, which we have put a lot of work into during the last two years. As an ingredient brand we are keen to elevate the products in which we are integrated, so we have worked with external partners to create a more consistent design identity, and also to better showcase the product based on the role it has in the market. A consumer that perhaps encounters Mips for the first time needs to see our product more clearly to understand what it does, while in the higher price-points, Mips needs to be integrated in a way where it becomes a uniform part of the actual product. I'm convinced that this is a very important step in our process to further penetrate our different markets.

In September we participated in our first Safety trade fair. We have been wanting to do this for a while but unfortunately the pandemic restricted us. Participating in trade fairs is essential in this category as we are still at an early stage in our journey. Educating and raising awareness of Mips is important for increasing sell-through sales of Mips. Mips was well-received at this trade fair, and we will participate in more Safety-related fairs in 2023.

It was time for two more fairs in the fourth quarter. One of these was the EICMA fair in Italy, which is the world's largest Motorcycle fair, where we launched Mips Integra TX, our new solution for the Motorcycle category. It is a solution where Mips' technology is fully integrated into the comfort padding of the helmet, which was received very positively by customers. Rather than having a Mips solution behind the comfort padding, Mips Integra TX enables the solution to be completely embedded. We also participated in ISPO, the world's

# “Important innovations within our product portfolio”

largest winter-sports fair. It was fantastic to meet so many people from the industry again, something we haven't done for the last two years due to the pandemic.

## **Sustainability focus centred on people's health and the environment**

Sustainability is a major priority for the company and this year we continued to increase our understanding of the total climate impact of our value chain. As a natural element of this, we joined the Science Based Target initiative (SBTi). Mips also signed the UN Global Compact and its 10 principles, which means we aim to promote the spirit of these principles regarding human rights, working conditions, the environment, and anti-corruption. Furthermore we developed a circular product offering during the year that has enabled us to start offering more sustainable recycled material in some of our products. All of these steps are important components of our long-term sustainability journey.

## **We are confident in our long-term plan**

Even though I have only described a selection of the activities that we accomplished during the year, it is clear that a lot happened and we made a great deal of progress during 2022. While we are experiencing short-term challenges related to the slowdown in the bicycle retail chain, we are confident in our long-

term growth strategy and our long-term financial targets. Though the number of bike helmets produced has dropped after the record year in 2021, we have continued to increase our market share with more helmet models and brands using our solutions. We have also taken market share within our two other categories, Motorcycle and Safety where we continue to deliver strong growth.

I am pleased with how we have dealt with the challenges we have faced during the year. We have continued to advance our position in all three categories, we have carried out more customer projects than in any other year, we have made great progress in our sustainability work, we have increased our pace of product development, and accelerated our marketing investments to ensure that we continue to raise the awareness of Mips around the world. I look forward to our journey towards our long-term financial targets. All Mips employees have responded impressively to the challenges we've faced, and I especially want to thank them all for how they have adapted to our changing environment.

Stockholm, March 2023

**Max Strandwitz**  
PRESIDENT AND CEO