

MIPS Q3 2018

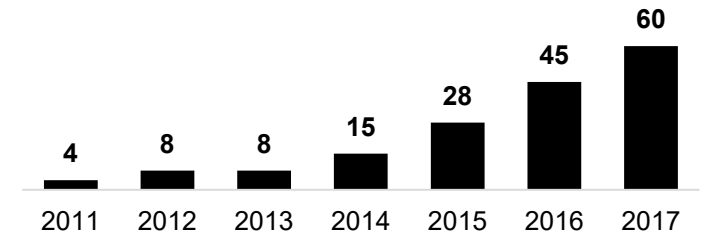
7 November, 2018

# MIPS in brief

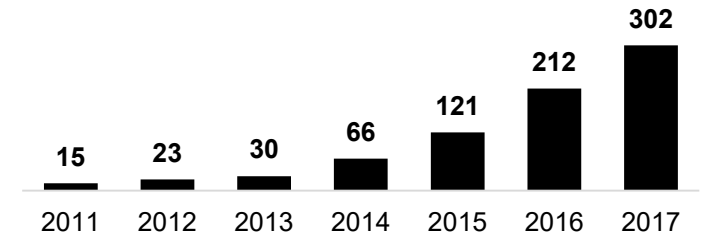


- MIPS is a market leader in helmet solutions protecting the brain against rotational motion
- Patented technology based on over 20 years of research and testing, partnered with some of the world's leading researchers from KTH and Karolinska Institute
- MIPS operates as an ingredient brand, with leading helmet brands as customers including Bell, Fox Head, Giro, Scott, Smith and Trek
- MIPS BPS<sup>1</sup> is an easily implemented safety feature, which offers helmet brands incremental safety performance and allows higher price points

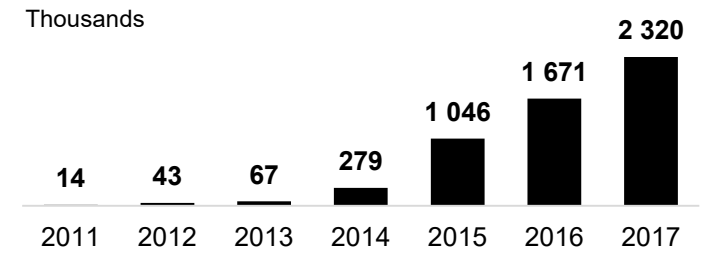
**60**  
active  
brands<sup>2</sup>



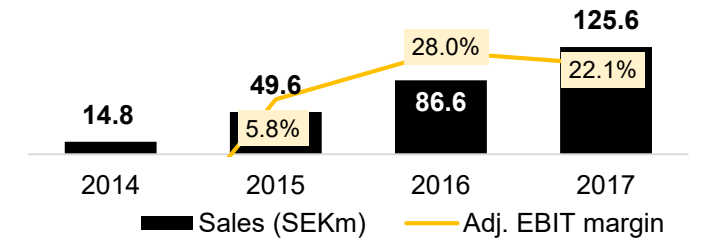
**300+**  
models  
sold in  
2017<sup>2</sup>



**5.4m+**  
units sold  
(2017)



**104%**  
sales  
CAGR<sup>3</sup>



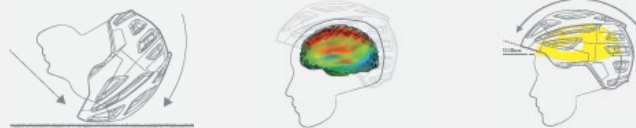
Note: 1. Brain Protection System.  
2. Based on sold MIPS BPS units during the period.  
3. CAGR for the period 2014 to 2017. EBIT margin 2014 was -89.7%.

## MIPS – IN FOUR SENTENCES:

- MIPS is a brain protection system
- Rotational motion can cause brain injuries
- The low friction layer allows a sliding motion of 10-15 mm, in all directions, reducing the rotational motion transmitted to the brain during impact

## MIPS IS A BRAIN PROTECTION SYSTEM

- 1** When you hit your head in a fall, it often creates a rotational motion in your brain
- 2** The rotational movement can cause brain injuries
- 3** MIPS low friction layer allows the head to move 10-15 mm, in all directions, inside the helmet which reduces the rotational motion to the brain



## MIPS adds protection



# MIPS financial targets

**>SEK 400m**  
net sales  
**2020**

**>40%**  
EBIT margin  
**2020**



# Q3 Highlights

- Net sales growth at +88% in the quarter, +77% organic growth adjusted for currency effects
- The good momentum in all three key categories continues, mainly with existing customers
- Adjusted EBIT 40.7%, legal cost of SEK 0.6m (9.5) included
- No US tariffs for helmets imported to China expected for this round
- Strong progress towards 2020 financial goals



# Update on litigation situation

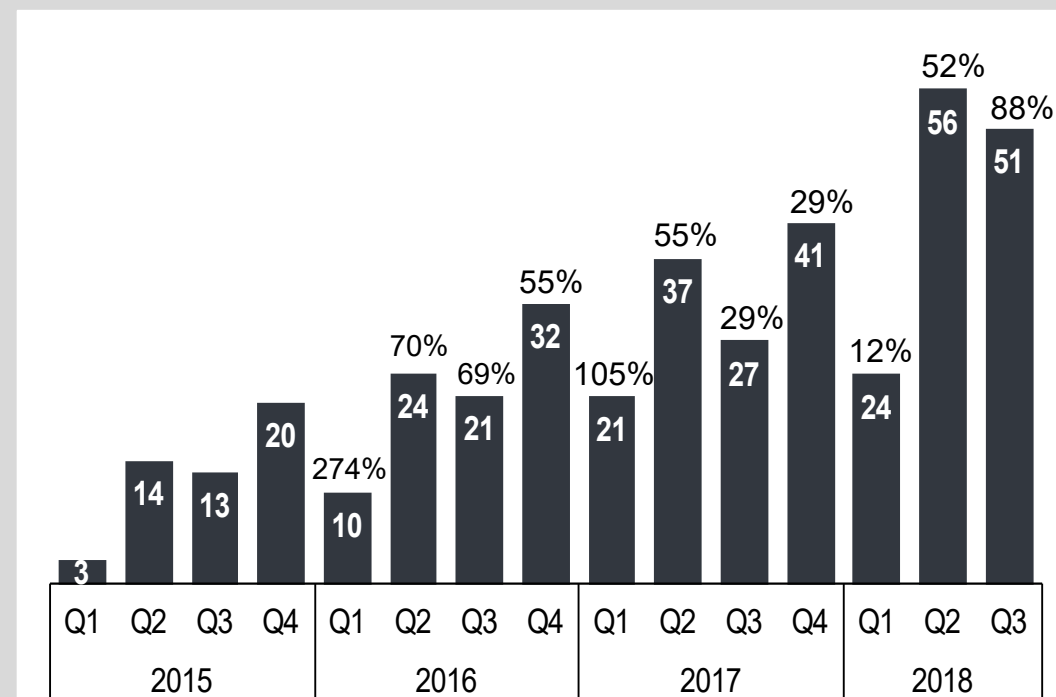
- MIPS and Bauer in agreement and all legal matters relating to the dispute now concluded
- MIPS is currently not party in any other patent disputes at the moment



# Q3 Net Sales development

- Strong growth in the quarter +88%, organic growth +77%
- Good performance across all three key categories Bicycle, Snow and Motorcycle
- Soft prior year comparator

Net Sales development (SEKm) and quarterly growth rates\*

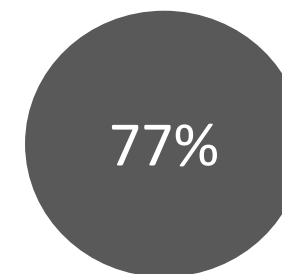


# Q3 in figures

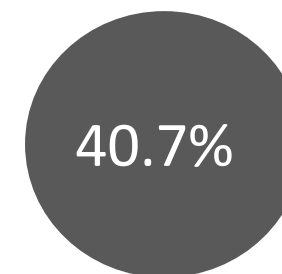
- **Net Sales** increased +88%, currency adjusted +77%
- **Gross profit** up 86%, gross margin down with -0.8 p/p
- **Lower OPEX**, mainly from litigation costs in prior year
- **Adjusted EBIT SEK +20.8m**, 40.7% adjusted EBIT margin, no adjustment of EBIT in 2018
- **Cash** – strong operating cash flow of SEK 31.0m (6.3)

MIPS Group (SEKm)	Q3 18	Q3 17	▲ %	YTD 18	YTD 17	▲ %	FY2017
Net sales	51.2	27.3	88	130.3	85.0	53	125.6
Gross profit	37.4	20.1	86	95.6	62.7	52	93.3
Gross margin %	73.1	73.8	-	73.4	73.8	-	74.3
Adjusted operating profit (EBIT)*	20.8	0.1	N/A	44.3	13.2	235	27.8
Adjusted operating margin (EBIT) %*	40.7	0.3	-	34.0	15.5	-	22.1
Cash flow from operating activities	31.0	6.3	391	45.2	10.2	342	11.1

\* Adjusted for items affecting comparability (IPO costs) Q318 SEK 0.0m (0.0), YTD18 SEK 0.0m (-7.0), FY 2017 SEK -7.0m



Organic growth



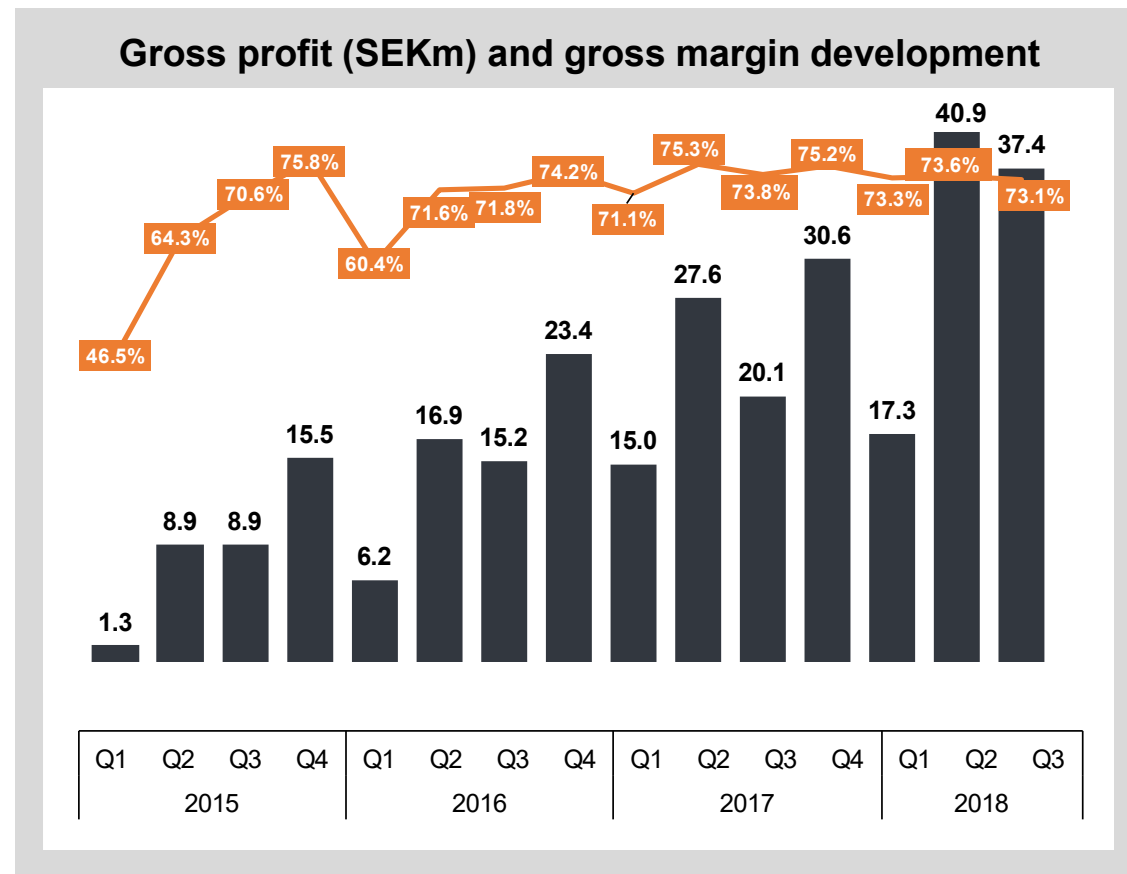
EBIT margin



Operating Cash flow  
(SEKm)

# Q3 Gross profit and margin development

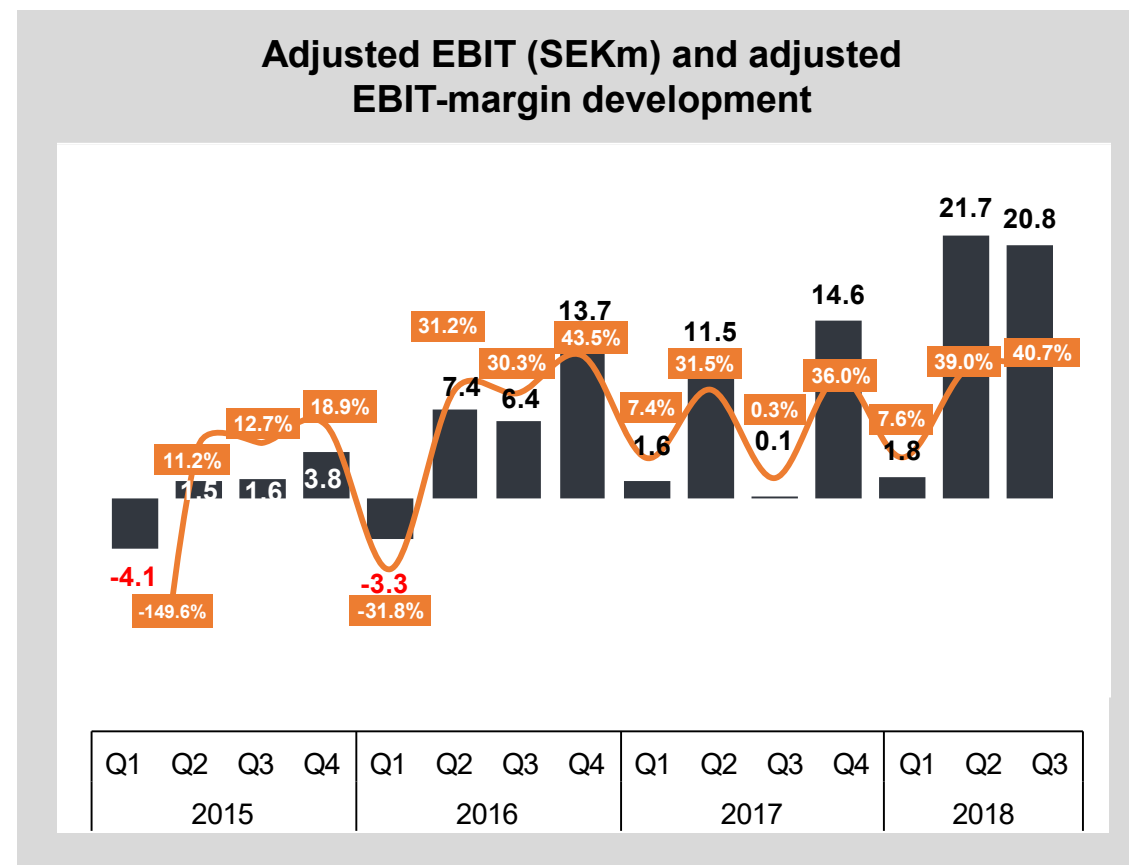
- Gross profit up 86% to SEK 37.4m
- Gross margin down -0.8 p/p vs. Q3 2017 to 73.1%
- Different sales mix key reason for the lower gross margin





# Q3 Adjusted EBIT margin development

- Adjusted EBIT increased with SEK 20.7m to SEK 20.8m (SEK 0.1m)
- Adjusted EBIT margin 40.7%
- No adjustment in EBIT in current year. Adjustment in previous years relates to IPO costs
- Increase in adjusted EBIT mainly explained by higher sales and litigation costs in prior year comparator partly offset by:
  - Strengthening of organization
  - Negative impact from currency derivatives



# Q3 Balance sheet and cash flow

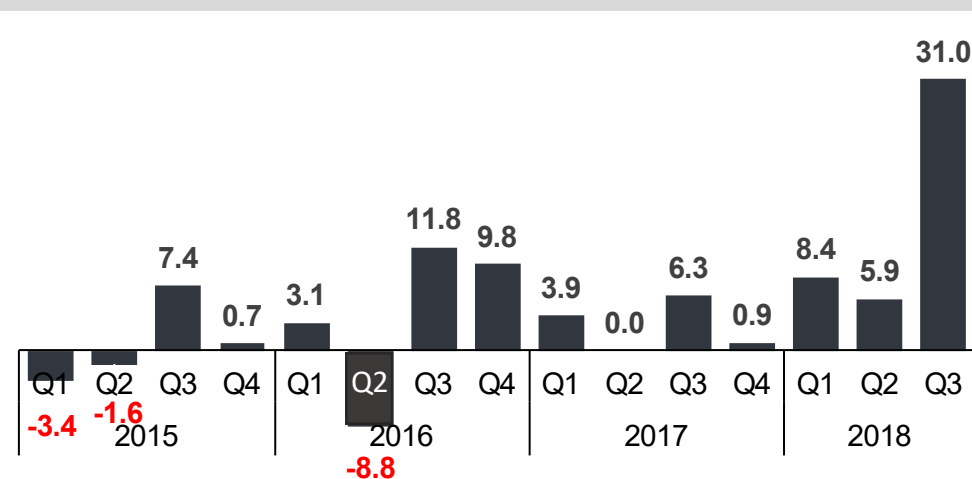
- Tax losses carried forward now fully consumed
- Strong improvement in operating cash flow from higher EBIT, but also from Accounts receivables
- Cash and Cash Equivalents at SEK 220.8m, Equity ratio 88%

## Key balance sheet items and cash flow

MIPS Group (SEKm)	YTD 18	YTD 17	FY2017
Total Assets	288.5	233.4	242.2
Equity	252.9	210.2	220.6
Equity ratio %	88	90	91
Cash & Equivalents	220.8	180.5	179.8
Deferred tax asset	0.6	11.5	8.7

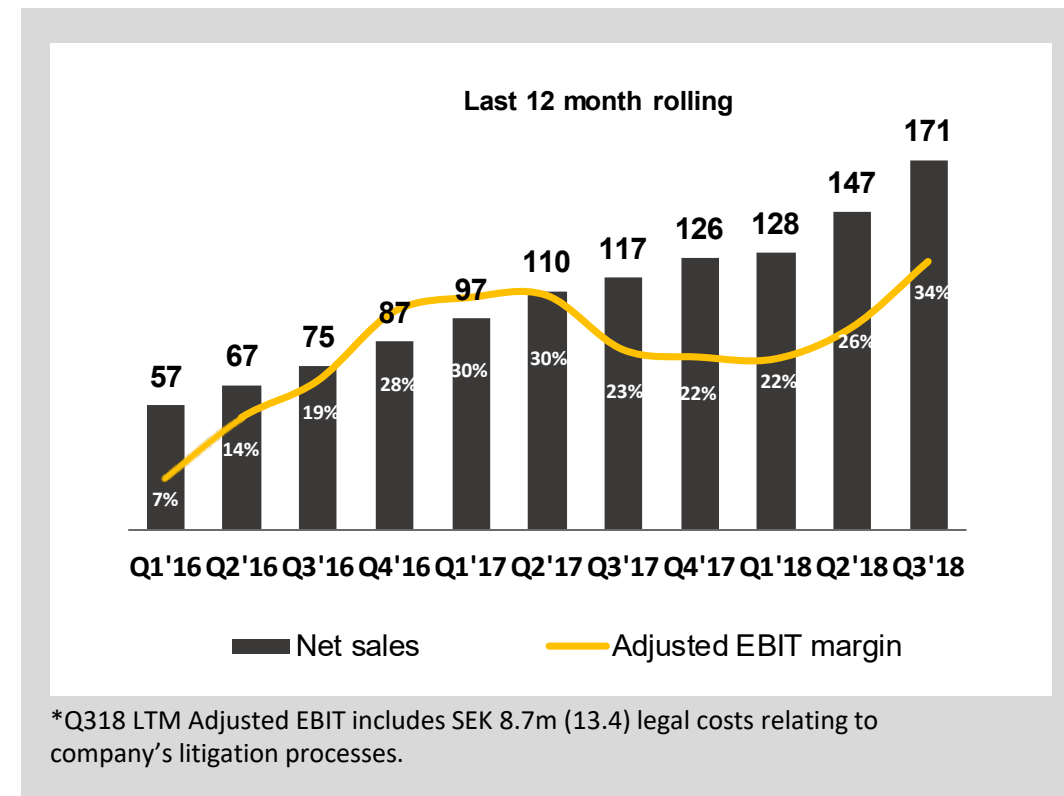
MIPS Group (SEKm)	YTD 18	YTD 17	FY2017
Cash flow from operating activities	45.2	10.2	11.1

## Cash flow after operating activities (SEK m)



# Summary

- Strong sales growth with +88%, +77% organic growth for the quarter
- Continued focus on growing existing customers
- Increased awareness of MIPS drives strong market momentum
- Strong EBIT and operating cash flow development
- Strong progress towards 2020 financial goals



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