



# RAPALA VMC CORPORATION INTERIM REPORT Q3 2014

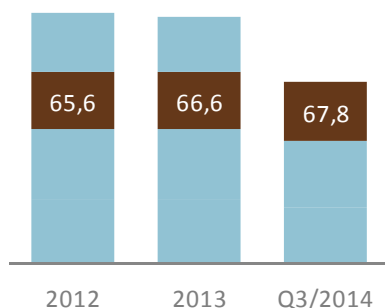
October 21, 2014

RAPALA VMC CORP.

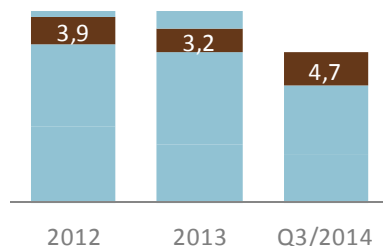
# Summary of Q3 2014

- NET SALES 67.8 MEUR (+2%)
  - With comparable exchange rates sales up 5%
- COMPARABLE OPERATING PROFIT 4.7 MEUR (+47%)
  - Supported by increased sales, stable gross margin and fixed costs, UK joint venture result and recovery of previously underperforming units.
- CASH FLOW FROM OPERATIONS 3.0 MEUR (-55%)
  - Negative knock-on impact of strong release of cash from receivables in the second quarter
- EPS 0.05 (+183%)

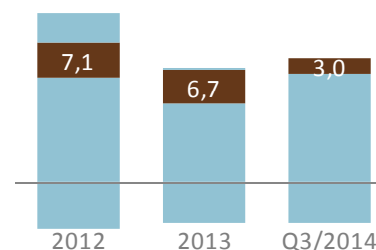
Net sales, MEUR



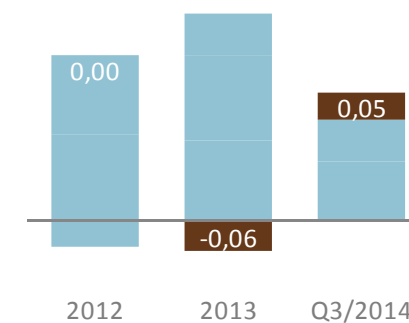
Comparable operating profit, MEUR



Cash flow from operations, MEUR

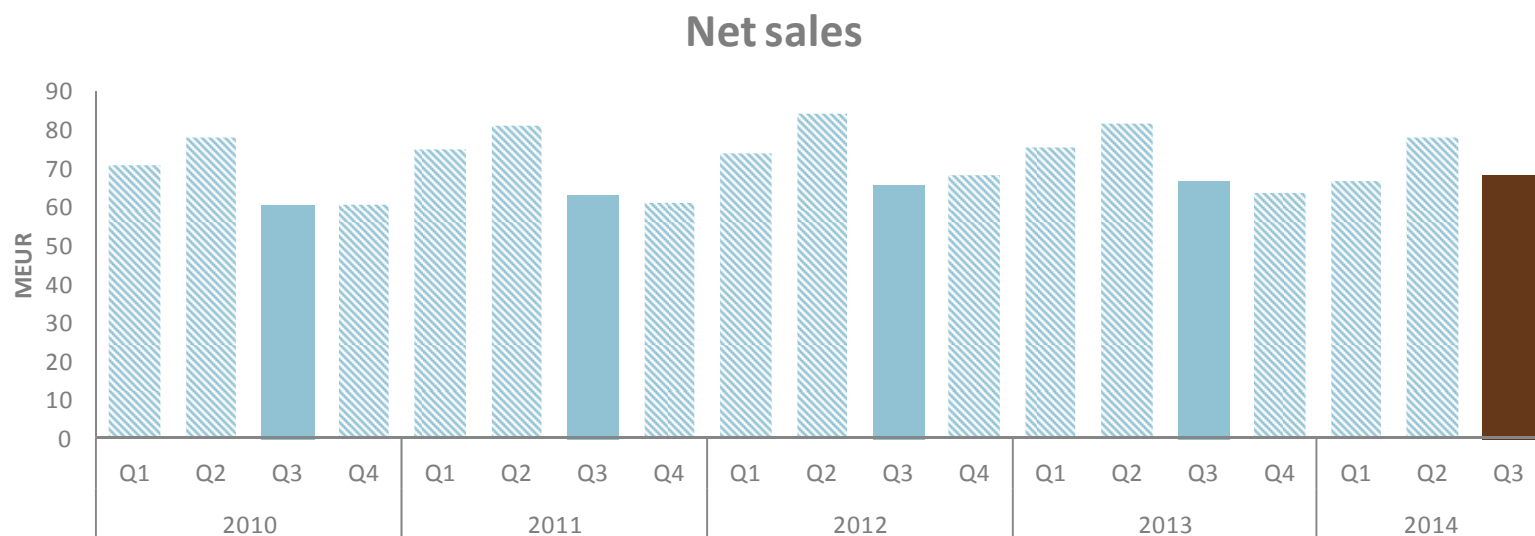


EPS, EUR

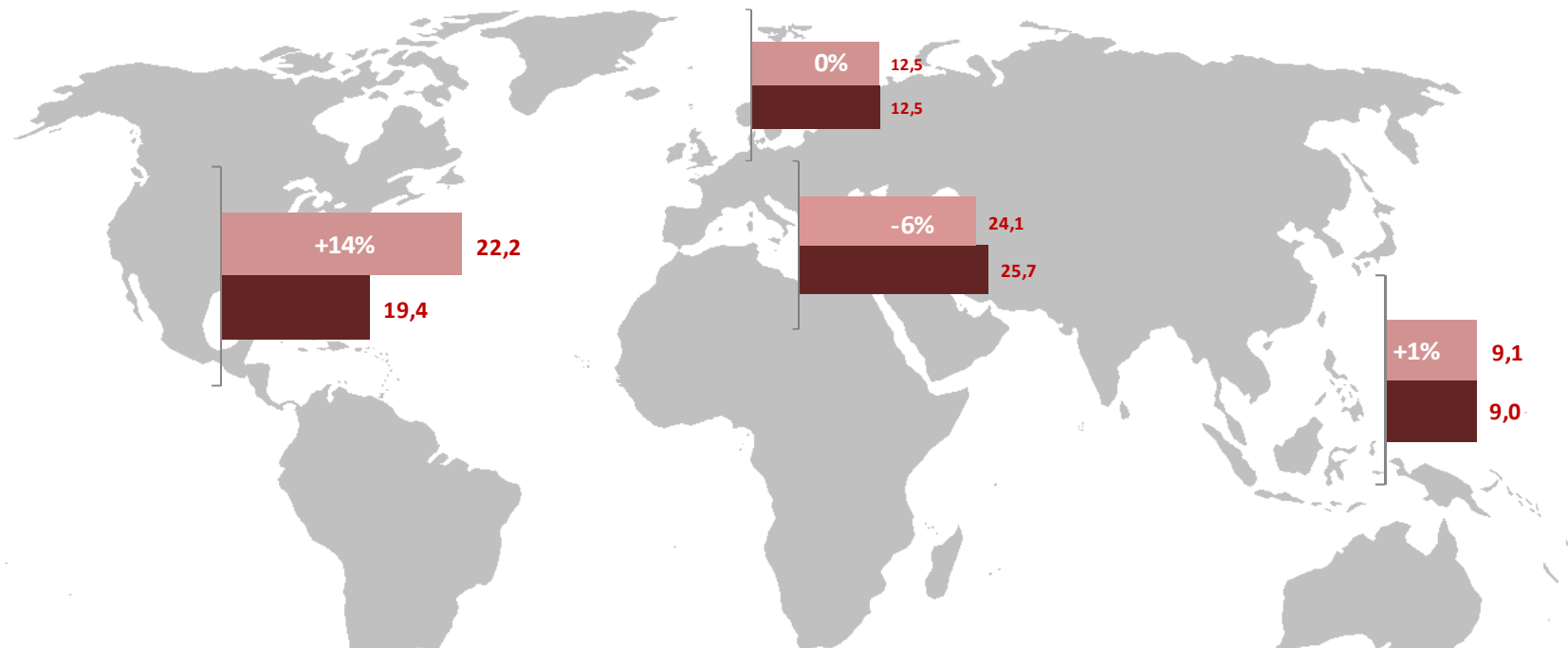


# Net Sales

- Q3 NET SALES 67.8 MEUR (+2%)
  - Changes in FX rates reduced sales by 2.0 MEUR. With comparable FX sales +5%.
  - Good start of ice fishing pre-sales and recovery of business from second quarter. Positive signs in economy in several regions.
  - Political unrest in Eastern Europe, unfavorable development of currencies, continuing economical uncertainty and extraordinary weather in some markets continued to hurt sales
- YTD NET SALES 211.7 MEUR (-5%)
  - Changes in FX rates reduced sales by some 10.9 MEUR. With comparable FX sales at last year's level.



# Q3 Net Sales – Geographical Areas



## • NORTH AMERICA

- Comparable net sales +16%
- Good start of ice fishing pre-sales
- Improved weather conditions from Q2
- Recovery of business from Q2

## • NORDICS

- Comparable net sales +1%
- Decline in winter sports sales, suppliers' delivery problems and slow down of fishing tackle sales
- Loss of a hunting dealership in Sweden
- Sales up in Norway

## • REST OF EUROPE

- Comparable net sales -2%
- Excluding Russia and Ukraine, comparable sales up +7%
- Improved sales in France, Hungary and Spain

## • REST OF THE WORLD

- Comparable net sales +4%
- Improved sales in South Africa, some Asian and Latin American countries
- Declined sales in Australia and Japan

# YTD Net Sales – Geographical Areas

- **NORTH AMERICA**

- Comparable net sales +1%
- Extreme winter weather, late spring and rainy summer delayed summer season.
- Recovery of business from Q2 and good start of ice fishing sales

- **NORDICS**

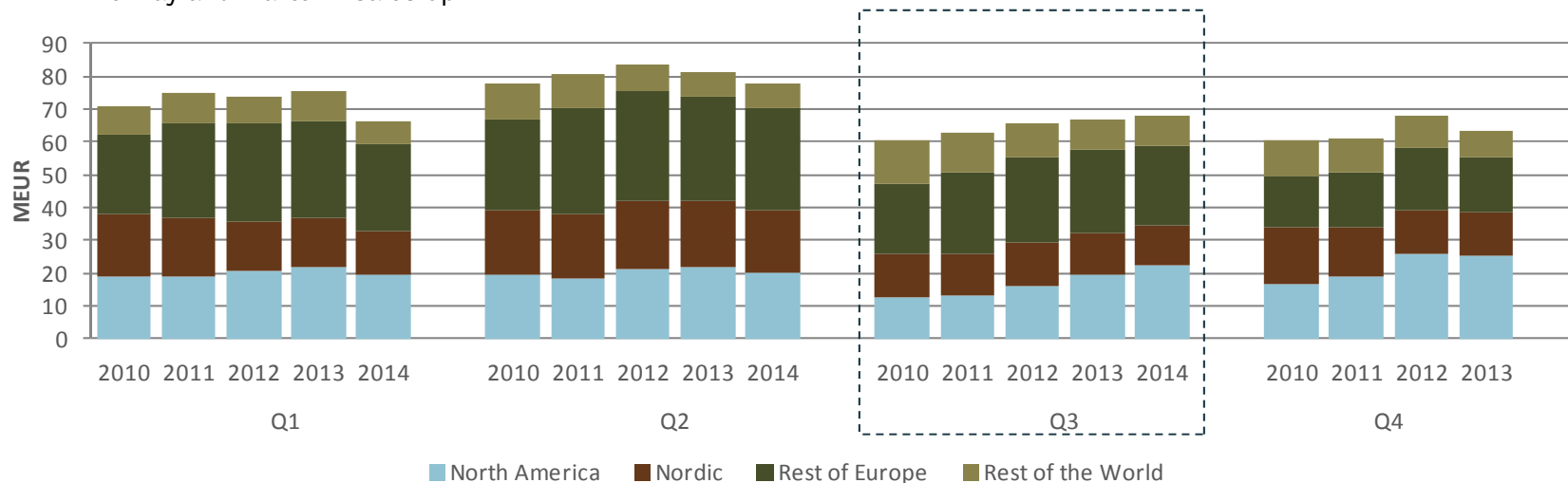
- Comparable net sales -2%
- Late, mild and snowless winter 2013/14 impacted sales of winter sports and ice fishing products especially in Finland.
- Norway and Marttiini sales up

- **REST OF EUROPE**

- Comparable net sales -1%
- Political turbulence in Russia and Ukraine affected sales
- Excluding Russia and Ukraine, comparable sales +3%

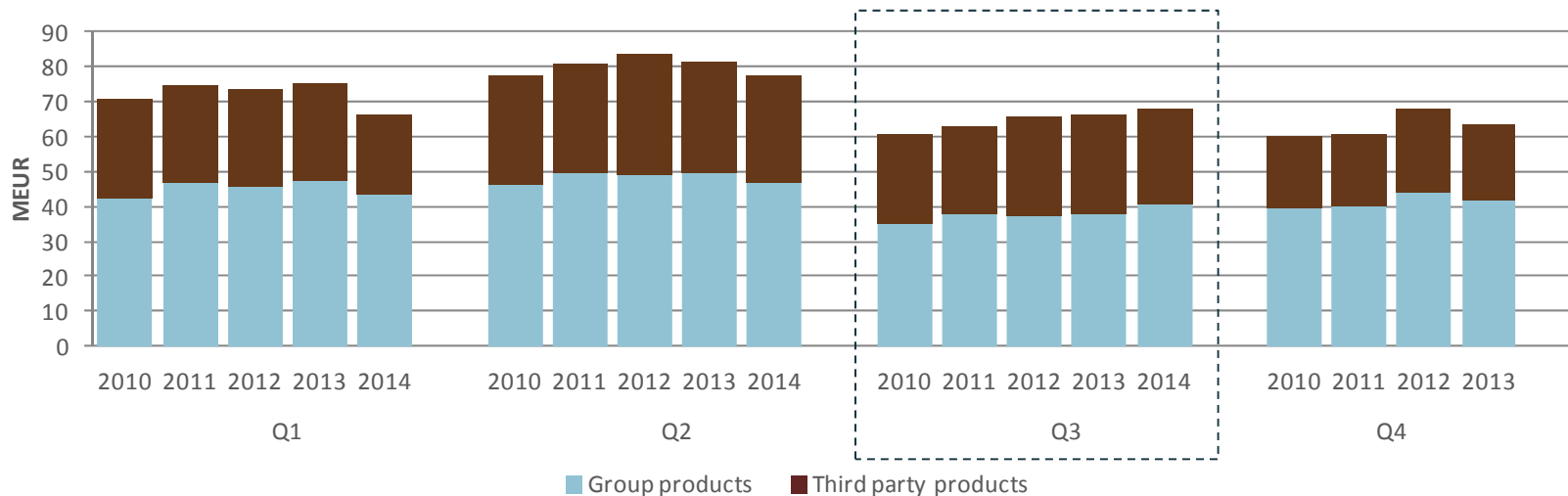
- **REST OF THE WORLD**

- Comparable net sales +2%
- Good development in several Asian and Latin American countries and South Africa
- Sales down in Japan and Australia



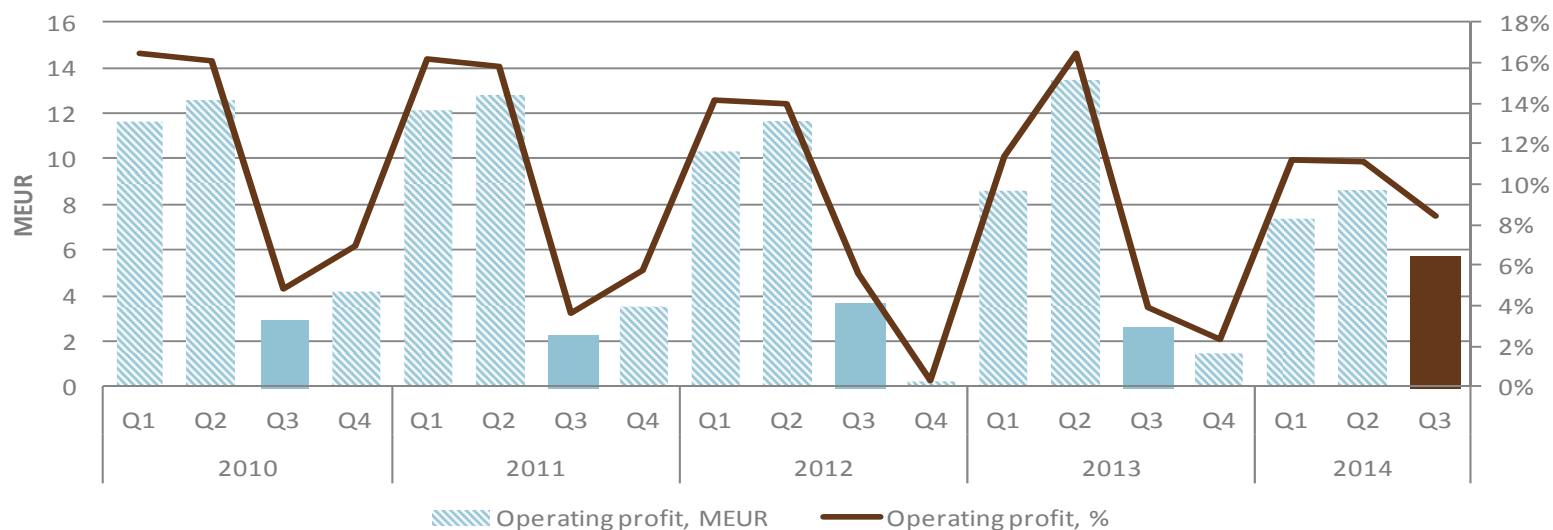
# Net Sales – Product Segments

- **GROUP PRODUCTS 41.0 MEUR (+7%), YTD 131.3 MEUR (-3%)**
  - Comparable net sales + 9%, YTD +2%
  - Q3 improved summer fishing tackle and ice fishing products sales
  - YTD negative impact of unfavourable weather conditions on sales of summer fishing tackle, particularly the US
  - YTD sales impacted by lower sales of winter fishing and winter sports products in Europe due to mild winter 2013/2014
- **THIRD PARTY PRODUCTS 26.9 MEUR (-6%), YTD 80.5 MEUR (-9%)**
  - Comparable net sales -1%, YTD -3%
  - Challenges due to economical instabilities and weather conditions, suppliers' delivery problems and loss of hunting dealership



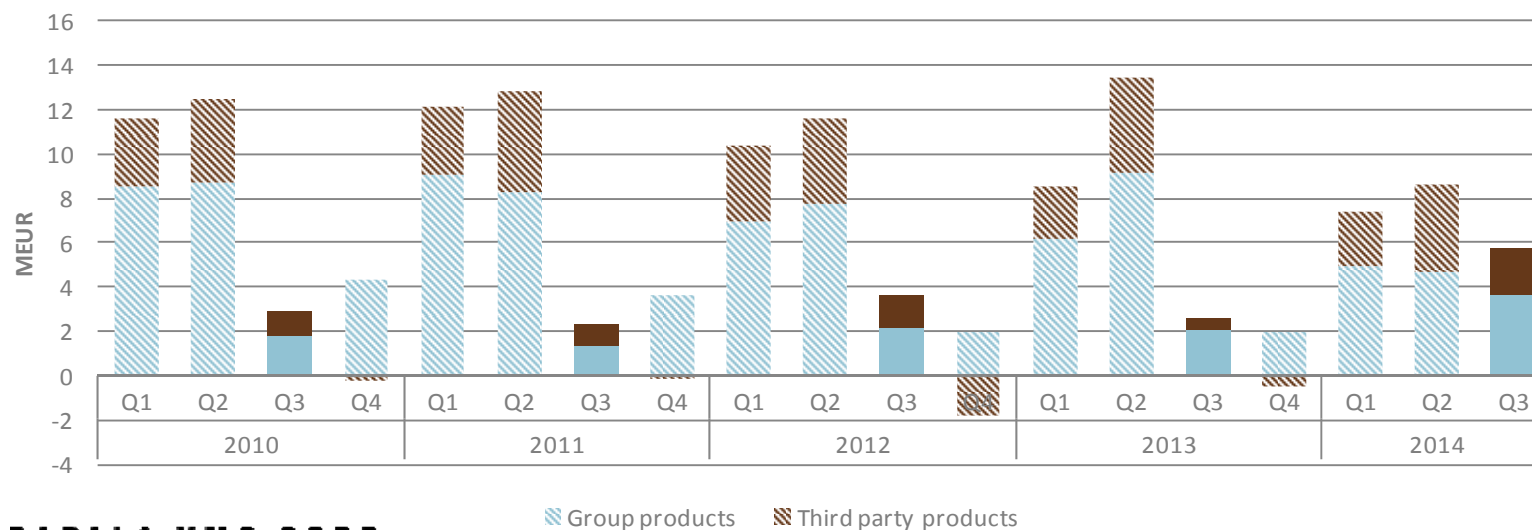
# Operating Profit

- **COMPARABLE OPERATING PROFIT** 4.7 MEUR (+47%), YTD 21.1 MEUR (-14%)
  - Q3 supported by increased sales, stable gross margin and fixed cost and UK joint venture result
  - Q3 and YTD hurt by significant negative contribution of ramp-up of new factory in Batam and decline in profitability in Russia, while supported by recovery of previously underperforming units.
  - YTD profitability hurt by lower sales.
- **REPORTED OPERATING PROFIT** 5.7 MEUR (+119%), YTD 21.7 MEUR (-12%)
  - Mark-to-market valuation of operative currency derivatives +1.5 MEUR (-0.4), YTD +1.6 MEUR (+0.6)
  - Non-recurring items -0.4 MEUR (-0.2), YTD -0.9 MEUR (-0.4)
    - Related to the closing down of the manufacturing operations in China



# Operating Profit – Product segments

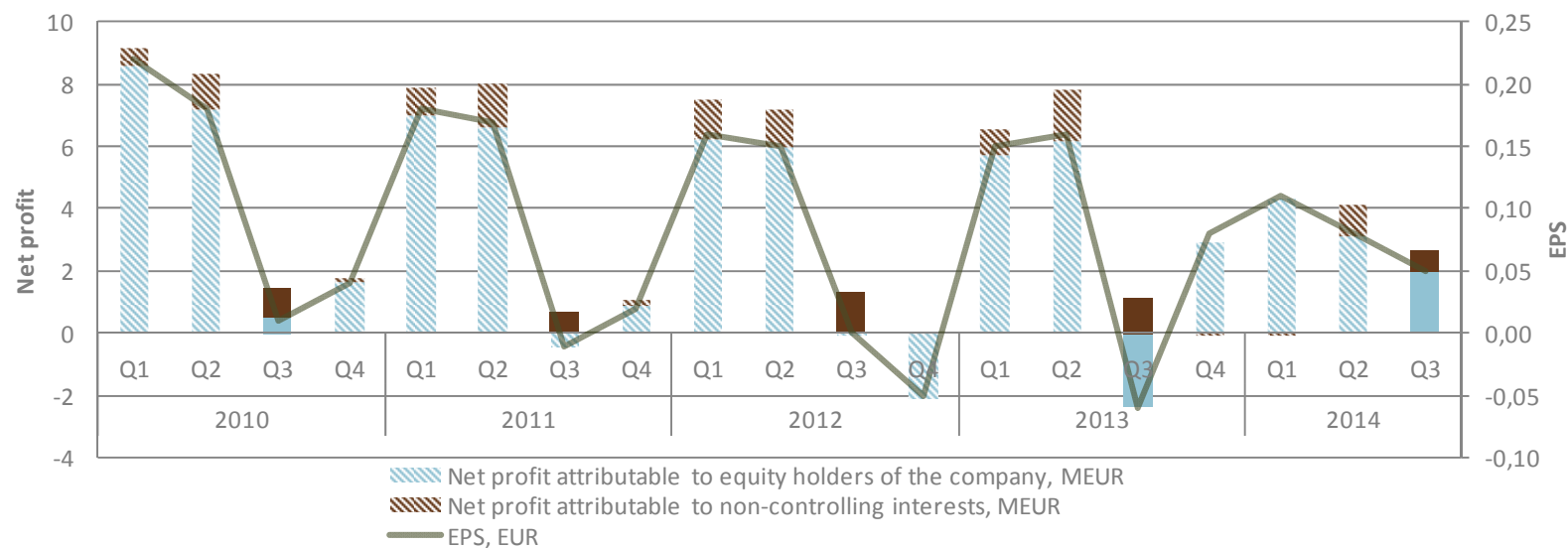
- GROUP PRODUCTS 3.7 MEUR (+76%), YTD 13.3 MEUR (-24%)
  - Q3 supported by higher sales
  - YTD hurt by lower sales in first half of the year impacting profitability both at distribution and manufacturing level and costs related to ramp-up of the Batam unit
  - Non-recurring expenses from closing down of manufacturing in China
- THIRD PARTY PRODUCTS 2.1 MEUR (+320%), YTD 8.4 MEUR (+17%)
  - Supported by more FX rates on purchases and UK JV result
  - Burdened by lower sales
- Both segments impacted by decline in Russia, the mark-to-market valuation of operative currency derivatives and recovery of underperforming units.





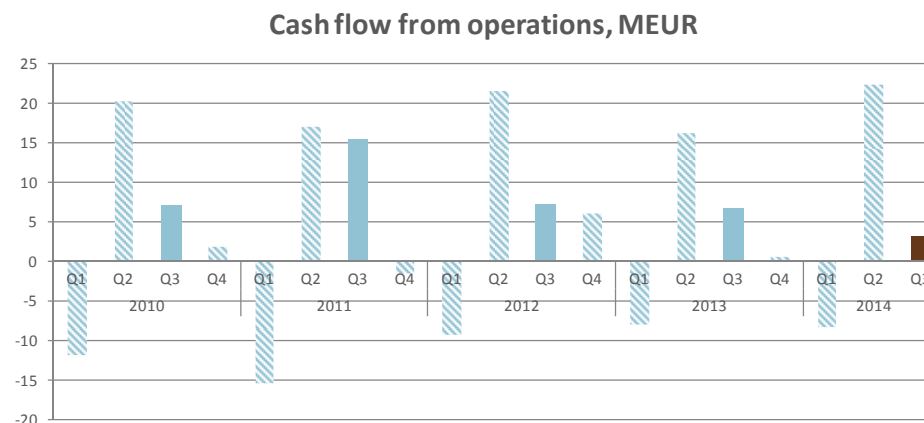
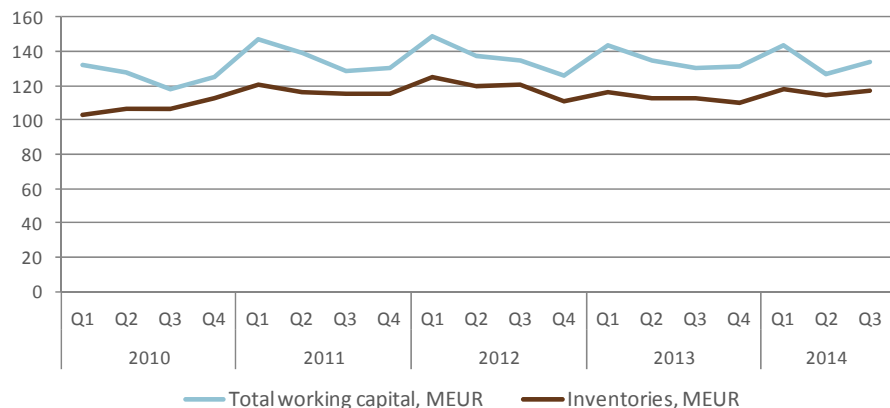
# Net Profit and EPS

- FINANCIAL (NET) EXPENSES 2.3 MEUR (3.0), YTD 5.7 MEUR (5.2)
  - Negative impact of FX expenses 1.2 MEUR (1.9), YTD 2.7 MEUR (2.3)
  - Net interest and other financial expenses 1.1 MEUR (1.0), YTD 3.0 MEUR (2.8)
- NET PROFIT 2.7 MEUR (-1.2), YTD 11.1 (13.2)
  - YTD includes a positive tax impact of 1.0 MEUR related to an agreement with the Finnish tax authority on the parent company's taxation in years 2006-2013
- SHARE OF NON-CONTROLLING INTEREST 0.7 MEUR (1.1), YTD 1.6 MEUR (3.6)
  - Impacted by situation in Russia and Ukraine
- EPS 0.05 EUR (-0.06), YTD 0.25 EUR (0.25)



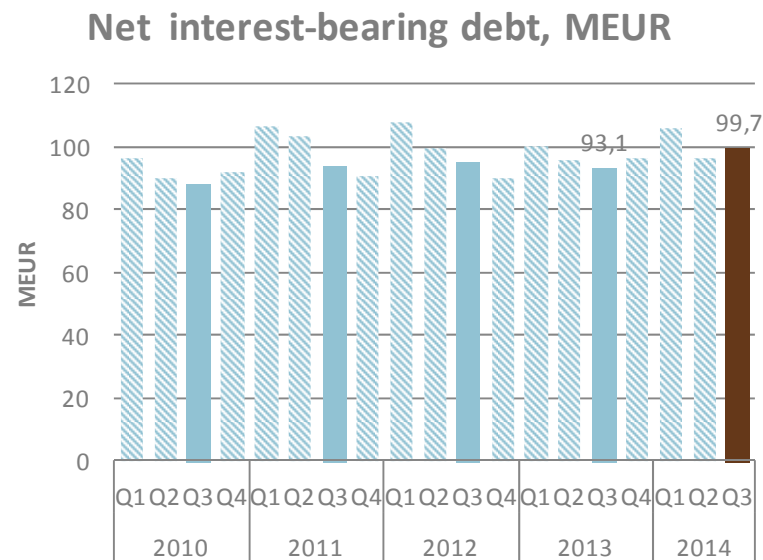
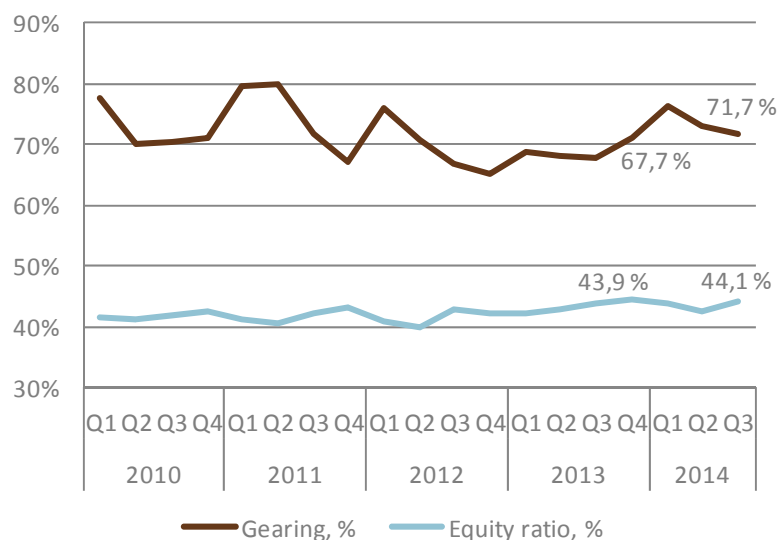
# Cash Flow and Working Capital

- **CASH FLOW FROM OPERATIONS 3.0 MEUR (6.7), YTD 17.0 MEUR (14.8)**
  - Q3 cash flow negatively impacted by second quarter record cash flow generated especially from cash release from receivables.
  - Change in working capital 1.4 MEUR (5.1), YTD -1.0 MEUR (-8.0)
- **INVENTORIES 117.2 MEUR (112.8)**
  - Increased 4.4 MEUR from last year
  - Currency impact decreased inventories by some 0.9 MEUR
  - Increase driven primarily by lower than expected sales and transfer of production from China to Batam
- **INVESTING ACTIVITIES MAINLY NORMAL CAPITAL EXPENDITURE**



# Financial Position

- LIQUIDITY POSITION OF THE GROUP WAS GOOD
  - Following an increased focus on cash management, cash and cash equivalents reduced to 12.8 MEUR (24.4)
- NET INTEREST-BEARING DEBT AND GEARING INCREASED
  - Equity-to-assets ratio slightly above last year level at 44.1% (43.9)
  - The Group fulfils all financial covenants related to its credit facilities



# Cornerstones of the Profitable Growth Strategy

## BRANDS

Portfolio of most recognized and respected brands in the fishing tackle industry.

*Various new product introductions under Rapala, Storm, Sufix, VMC and other brands.*

*Two Best New Product awards at EFTTEX trade show.*

## DISTRIBUTION

Industry's widest distribution network with own units in 35 countries, selling Group's own and selected 3rd party fishing, hunting and outdoor products.

*Consolidation of purchasing and logistic processes in Europe.*

*The new logistics hub in Asia.*

*Strengthening Group-level supply chain organization.*

*Further actions to reduce inventory levels*

## RAPALA CULTURE

Local entrepreneurial spirit and profit responsibility together with a low hierarchy, straightforward business culture and strong local knowledge are key to executing Rapala VMC's strategy.

## MANUFACTURING

Efficient own manufacturing and sourcing platform to supply premium products for mass markets.

*Own lure manufacturing operations in China ceased.*

*New unit in Batam intensively focusing on increasing the operative efficiency to capitalize the benefits of streamlined production processes and cheaper production costs.*

*New ice drill manufacturing unit in Finland fully operational.*



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# Short-term Outlook

- The Group's sales and profitability improved during the third quarter, but the short-term outlook is still cautious and visibility limited.
- Deliveries of winter fishing pre-sales have started well and the order book is good especially in North America, but due to nature of this business the final volume and timing will partly depend on the weathers
- In Finland winter sports equipment sales is expected to be significantly lower than last year during the last quarter
- The continuing political turbulence between Russia and Ukraine is still a concern and escalation of the crisis may have negative impacts on customer consumption even more widely in Europe
- Drastic changes in foreign exchange rates may continue to impact negatively the profit margins and consumer demand in some countries
- The transfer of own manufacturing operations from China to Batam is now operatively finalized, which will support improvement of the Group's profitability going forward and create solid platform for future development
- The transfer project from China to Batam is still subject to final financial assessments, which may trigger some non-recurring items in the year-end
- The Group will intensify actions to bring down the inventory levels increased as a result of lower than expected sales. This should support the cash flow, but may put pressure on the margins next year.
- The Group expects full year net sales and comparable operating profit (excluding non-recurring items and mark-to-market valuations of operative currency derivatives) to be below 2013 levels
  - The guidance is unchanged
- Annual accounts published on February 13, 2015

A wide-angle landscape photograph featuring a range of rugged, snow-dusted mountains under a sky filled with soft, white clouds. The mountains and sky are perfectly mirrored in the still, glassy surface of a lake. In the foreground, several large, dark, angular rocks are scattered across a rocky shore, some with patches of yellowish-green moss or lichen. The overall mood is serene and majestic.

END OF PRESENTATION

RAPALA VMC CORP.

# APPENDICES

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# QRT Key figures

MEUR	Q3/2014	Q3/2013	Q1-Q4/2013
Net sales	67.8	66.6	286.6
Operating profit	5.7	2.6	26.1
Operating profit margin, %	8.5%	3.9%	9.1%
Comparable operating profit	4.7	3.2	27.1
Comparable operating profit margin, %	7.0%	4.8%	9.5%
Net profit for the period	2.7	-1.2	16.1
EPS (basic), EUR	0.05	-0.06	0.32
Cash flow from operations	3.0	6.7	15.3
Net interest-bearing debt	99.7	93.1	96.3
ROCE, %	9.8%	4.4%	11.4%
Gearing, %	71.7%	67.7%	71.2%
Equity to assets, %	44.1%	43.9%	44.5%

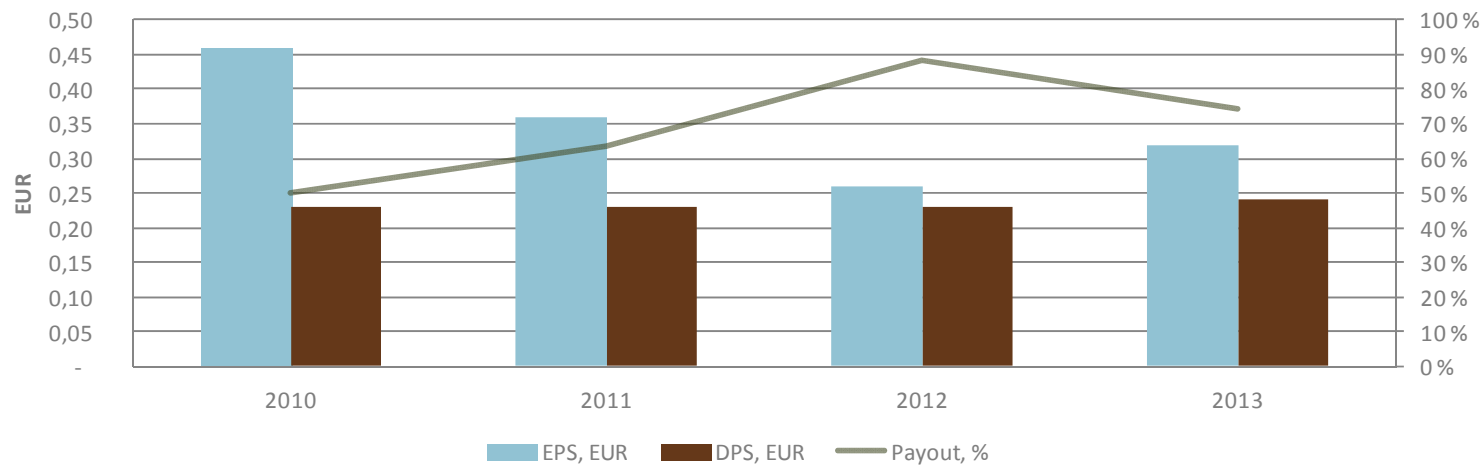
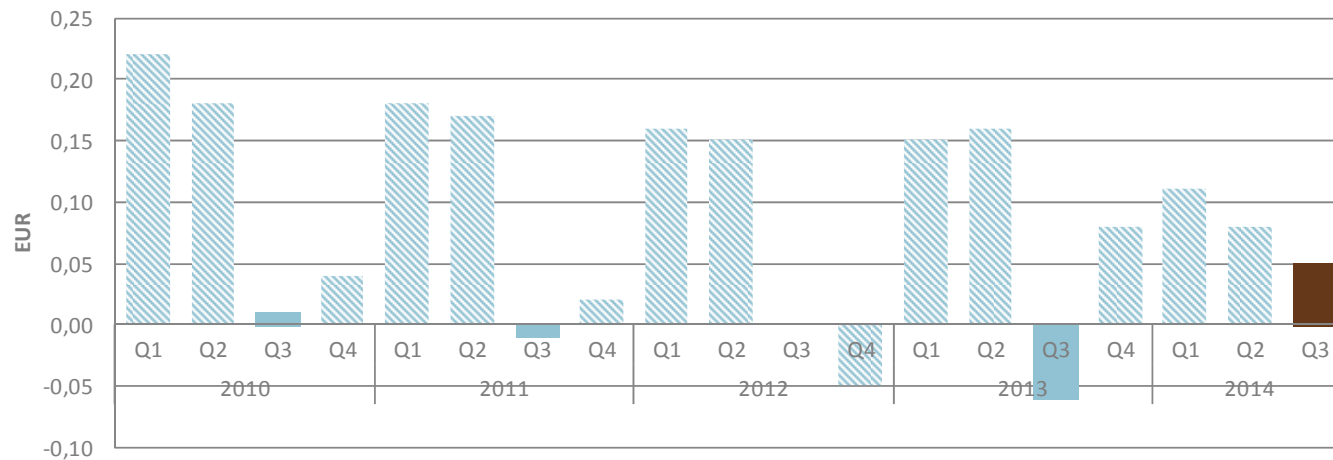


# YTD Key figures

MEUR	Q1-Q3/2014	Q1-Q3/2013	Q1-Q4/2013
Net sales	211.7	223.3	286.6
Operating profit	21.7	24.6	26.1
Operating profit margin, %	10.3%	11.0%	9.1%
Comparable operating profit	21.1	24.4	27.1
Comparable operating profit margin, %	9.9%	10.9%	9.5%
Net profit for the period	11.1	13.2	16.1
EPS (basic), EUR	0.25	0.25	0.32
Cash flow from operations	17.0	14.8	15.3
Net interest-bearing debt	99.7	93.1	96.3
ROCE, %	12.3%	14.3%	11.4%
Gearing, %	71.7%	67.7%	71.2%
Equity to assets, %	44.1%	43.9%	44.5%

# EPS

EPS, EUR



# Profit and loss account

<b>MEUR</b>	<b>Q3 2014</b>	<b>Q3 2013</b>	<b>Q1-Q3 2014</b>	<b>Q1-Q3 2013</b>	<b>Q1-Q4 2013</b>
Net sales	67.8	66.6	211.7	223.3	286.6
Other operating income	0.3	0.1	0.6	0.4	0.8
Materials and services	33.6	33.1	97.9	104.3	134.4
Personnel expenses	15.6	15.6	49.6	48.5	64.0
Other costs and expenses	11.6	13.4	38.3	40.7	54.9
Share of results in associates and joint ventures	0.2	-0.1	0.4	-0.2	-0.5
<b>EBITDA</b>	<b>7.5</b>	<b>4.5</b>	<b>27.0</b>	<b>29.9</b>	<b>33.6</b>
Depreciation, amortization and impairments	1.8	1.9	5.2	5.3	7.5
<b>Operating profit (EBIT)</b>	<b>5.7</b>	<b>2.6</b>	<b>21.7</b>	<b>24.6</b>	<b>26.1</b>
Financial income and expenses	2.3	3.0	5.7	5.2	5.5
<b>Profit before taxes</b>	<b>3.5</b>	<b>-0.4</b>	<b>16.0</b>	<b>19.4</b>	<b>20.6</b>
Income taxes	0.8	0.8	4.9	6.3	4.6
<b>Net profit for the period</b>	<b>2.7</b>	<b>-1.2</b>	<b>11.1</b>	<b>13.2</b>	<b>16.1</b>

# Balance sheet

MEUR	Q1-Q3 2014	Q1-Q3 2013	Q1-Q4 2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	73.5	70.6	70.0
Property, plant and equipment	31.5	30.1	30.6
Non-current assets			
Interest-bearing	4.6	3.4	3.0
Non-interest-bearing	10.4	10.3	10.1
	120.0	114.4	113.7
<b>Current assets</b>			
Inventories	117.2	112.8	110.3
Current assets			
Interest-bearing	1.0	1.1	1.0
Non-interest-bearing	64.3	60.9	62.1
Cash and cash equivalents	12.8	24.4	16.9
	195.3	199.2	190.3
<b>Total assets</b>	<b>315.3</b>	<b>313.6</b>	<b>304.1</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to the equity holders of the company	129.2	125.3	123.1
Non-controlling interests	9.8	12.3	12.0
	138.9	137.6	135.1
<b>Non-current liabilities</b>			
Interest-bearing	81.8	52.6	39.4
Non-interest-bearing	12.8	13.8	12.8
	94.6	66.4	52.2
<b>Current liabilities</b>			
Interest-bearing	36.2	69.4	77.8
Non-interest-bearing	45.5	40.1	38.9
	81.8	109.6	116.7
<b>Total equity and liabilities</b>	<b>315.3</b>	<b>313.6</b>	<b>304.1</b>

**RAPALA VMC CORP.**

# Shares and Shareholders

## SHARE RELATED DATA (09/2014)

- Market capitalization 204.8 MEUR
- 12-month high/low 6.00/4.95 EUR
- All-time high/low 8.40/2.50 EUR

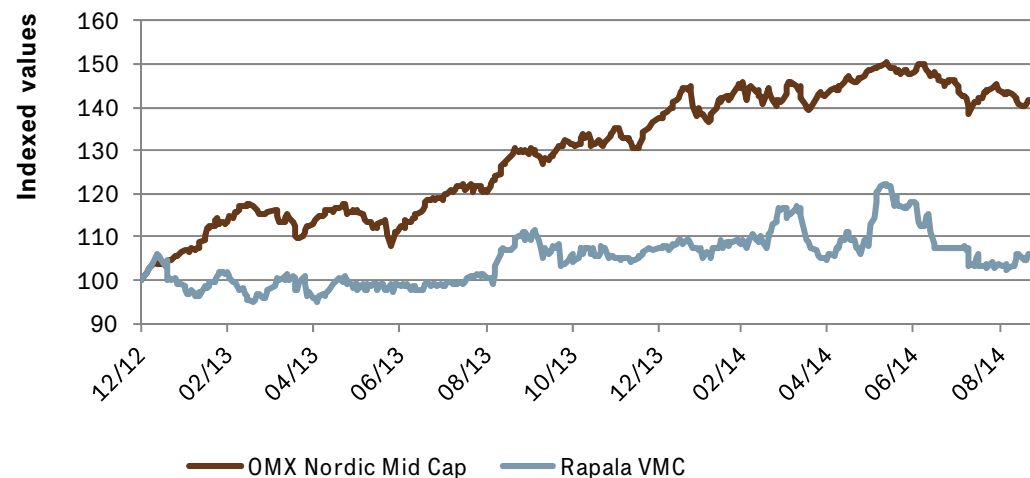
## MAJOR SHAREHOLDERS (09/2014)

- VMC Holdings 34%
- Sofina 19%
- Nordea Funds 11%
- Odin Funds 3%
- State Pension fund 3%
- Shimano 2%
- Evli Funds 1%
- Tapiola Funds 1%
- Ilmarinen 1%
- Taaleritehdas Funds 1%

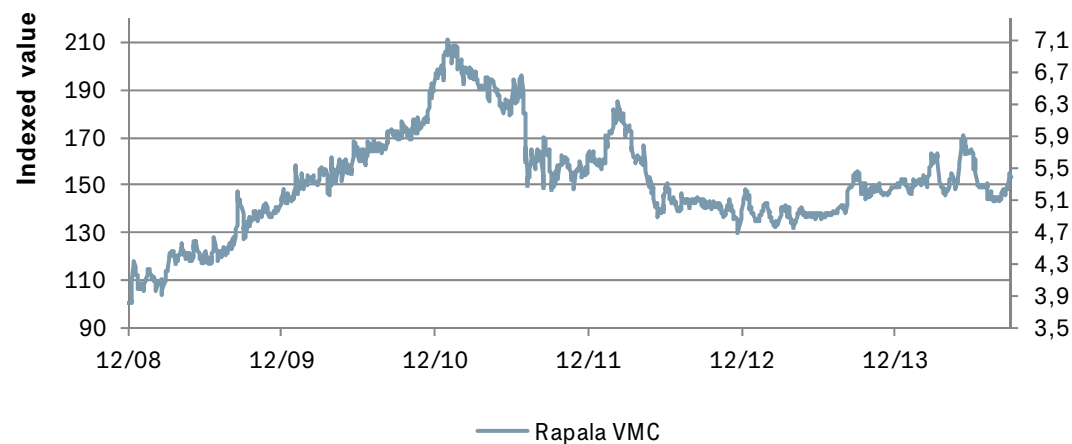
Own shares: 506 807 shares (1.3%)

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Share price index performance in Jan 2013 – Sep 2014



Share price performance in Jan 2009 – Sep 2014



# Financial Trends

