

FINAL TRANSCRIPT

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CORPORATE PARTICIPANTS

Paivi Antola

Amer Sports Oyj - Director IR & Financial Communications

Heikki Takala

Amer Sports Oyj - President, CEO

Jussi Siitonen

Amer Sports Oyj - CFO

CONFERENCE CALL PARTICIPANTS

Martin Sudmann

SIM - Analyst

Kalle Karhunen

Danske Markets - Analyst

Robin Santavirta

Handelsbanken - Analyst

PRESENTATION

Paivi Antola - *Amer Sports Oyj - Director IR & Financial Communications*

We'll start the call with Heikki's presentation and then that will be followed with the Q&A. So, Heikki please go ahead.

Heikki Takala - *Amer Sports Oyj - President, CEO*

Thank you, Paivi. Good afternoon everybody and just directly into the content. Quarter three was a strong quarter for us organically and it was further supported by earlier deliveries.

Our net sales were up 17% in local currencies and the growth was very broad based. And the strongest growth was achieved in Footwear, we were up 36%, in Apparel 30% and equally on Winter Sport Equipment 24%.

The main contributors were strong preorders, which were up versus 2010. And then, as mentioned, the earlier deliveries especially in Winter Sport Equipment. In Racquet Sports, we actually came down by 9%, and that was continuously impacted by the soft tennis market overall.

Geographically, EMEA recorded 22% growth, Americas 12% and APAC 13%. On profitability, EBIT was EUR74 million and a bit up from EUR59 million a year ago driven by increased sales volumes, which was the main driver, somewhat higher gross margins and then the offsetting item was operating expenses mostly coming from sales and distribution, which tend to go up linearly in line with our top line.

As to the full-year outlook, we maintained the guidance so the outlook remains unchanged. Looking at the reconciliation on page 2, we simply want to point out that our cash flow, our fiscal year-to-date cash flow is reflecting higher working capital behind the growth.

So we tie up a bit more capital and that is supporting the growth. We're using our balance sheet actively to drive growth.

Oct. 27. 2011 / 12:00PM, AMEAS.HE - Q3 2011 Amer Sports Oyj Earnings Conference Call

Moving to next page, there is the EBIT bridge and basically, as already said, the main driver was growth contributing almost EUR48 million, and then slight contribution for margin. Again the offsetting item was operating expenses and in the other section there, it's mainly currency related items.

And then, by business area, the big contributor was Winter and Outdoor, some decline in Ball Sports especially in tennis. Fitness was at the last year's level and on HQs we had some incremental cost for the quarter and that's basically concluding the bridge.

When it comes to the financial position, I hand over the microphone to Jussi Siitonen, our CFO.

Jussi Siitonen - Amer Sports Oyj - CFO

Thank you, Heikki. So I'm now on page number 5 here. So we continued to have strong financial position in Q3. Our net debt is always seasonally high in Q3, and now there is an increased working capital driven by those early deliveries and thereby (inaudible) had now made for EUR30 million. It was something like EUR90 million more than a year ago.

Working capital increased roughly EUR100 million from the same period of last year. But now in Q3, we saw that inventory started to decrease while they were still increasing at the same time a year ago and gearing was 55%.

On page 6, you can see our future scheduled prepayments. At the moment, we have very strong liquidity. Our cash and unused facilities are EUR300 million and bearing in mind that our strongest cash flow quarters are Q4 and Q1, we can say that the future scheduled payments are well covered. Back to you, Heikki.

Heikki Takala - Amer Sports Oyj - President, CEO

Okay. If I then dig a bit deeper into the business areas. I will start from Winter and Outdoor where our net sales were up 24% for the quarter, and that was driven by Winter Sport Equipment and which came behind higher preorders. So good organic momentum, but then equally the early deliveries, which we already mentioned before, we say that this year we started delivering three to four weeks earlier than last year.

Footwear continued its strong momentum 36% up, Apparel was up 30%. But equally Cycling was up 15% and the strongest growth there came from wheels and then cycling shoes. So the softgoods are contributing to Cycling as well.

As far as the Instruments sold, the underlying sales were at last year's level, and our total Winter and Outdoor, our EBIT was EUR79 million, which was up some EUR20 million plus versus a year ago.

Moving onto Ball Sports on the next page, the net sales overall were at last year's level. Racquet, as mentioned already, came down by 9%. That was impacted by continuously soft tennis market, which is the key impact. Of course the market is still somewhat impacted by Japan impact, which we talked about earlier. And overall, just the weather conditions and the likes have impacted the global market.

Looking at Team Sports, we had a 12% growth that was driven by bats, especially our DeMarini brand and then equally the American footballs. And then, Golf was relatively stable at minus 4%.

EBIT was for the quarter negative. We came down from last year and that was reflecting both lower sales volumes and then some lower gross margins in the current situation mostly coming from the mixed, i.e., the mixed has more to bid to lower priced items for now.

And basically, especially looking at the margins, we see that the biggest softness is on the high-end product and hence that is the mix, negative mix driver.

Oct. 27. 2011 / 12:00PM, AMEAS.HE - Q3 2011 Amer Sports Oyj Earnings Conference Call

Moving on to Fitness. Fitness had a good net sales growth of 10%. Commercial business continued up by 12% and especially EMEA and APAC, our Asian Pacific regions, reported strong 24% and 36% growth respectively.

EBIT was at last year's level supported by increased sales volumes and higher gross margins. But then we invested back into the business mainly into sales coverage to support future growth and as such EBIT for the quarter was at the last year's level.

Moving on to outlook. On outlook, we sustain our guidance for the year. In 2011 Amer Sports expects its full year net sales and local currencies to grow by approximately 9%, and EBIT margin excluding non-recurring items to improve by approximately 1 percentage point from 2010.

And we, as a Company, will continue to invest into executing the long-term strategy and sustaining the profitable growth. And that's basically the guidance.

I want to talk a bit about the progress in the strategic priorities. And, if we move to the next page, page 13, just a couple of words where we stand now in the middle of -- or toward end of 2011 across the five strategic pillars of the Company.

So on the clear portfolio roles and synergies, the category-based operation is proceeding well. We started to get some benefits out of that, it's contributing to the growth and to the gross margins. All businesses and geographic regions are progressing toward their specific strategic targets within the portfolio. And the programs are working. That's really broad based with the exception of Racquet for now. And then, Golf still requires some extra attention.

Growing faster in softgoods, the numbers are there, the momentum is good. And we continue investing into this area. Win with consumers, with the age of pipeline of future innovation is getting increasingly robust.

We are looking at brand category expansions across the portfolio, but mainly in softgoods. And we are putting in place an increasing robust regional consumer operation to support the regional growth plans.

Win in and go-to-market, we are continuing driving this division expansion, we are driving our new channel expansion and business consumer. And also we are driving our growth in emerging market, and most notably here Russia and China, which are key priorities for the Company.

Our operation excellence, we continue driving improving customer service. And finally, the focus program, which we have had in place for Winter Sport Equipment, which is driving operational efficiencies and flexibility, is contributing to the current year result and continues to contribute to the years to come.

On the final page on 14, just a reminder as always, we have our prioritized sequence program. That's our glide path with 2010. We made the strategic choices about the Company future, we defined the key programs for the year to come and we delivered the first organic growth.

In 2011, we continue driving the top line growth and profitability improvement and we are now putting in place the capabilities for future growth and especially those capabilities include the softgoods' operation, the category-based development across the Company, so that we move much more towards the scaleable synergistic way of operating and then investment into go-to-market with entry into new countries or expansion into new channels.

We are driving organic growth in the selected areas, so softgoods which was a key choice, Russia and China, which are both growing way ahead of the Company average, but still out of a lower base, BtoC, and we continue expanding the target number of retail outlets and we are completing the study phase on e-retail and then on operational excellence, especially in Winter Sport Equipment, we are now investing into the focus program, and as mentioned driving down the breakeven points.

Oct. 27. 2011 / 12:00PM, AMEAS.HE - Q3 2011 Amer Sports Oyj Earnings Conference Call

This program will go on toward 2012 and we now, as we already said, we continue investing back into the business, and we're not maximizing short-term results, but rather go for sustainable long-term glide path and we are still 2011 and way into 2012. We are investing into the Company's structure and capabilities again with the [end] state and long term in mind.

So, that's basically where we are. That's the quarter. Just to summarize, it's a good quarter, it's a logical quarter. We delivered what we have said and we, hence, maintaining our guidance and also that the growth is broad based, so we believe there is good momentum going on in the Company. Thank you very much.

Paivi Antola - Amer Sports Oyj - Director IR & Financial Communications

Thank you, Heikki. And now, we would be ready for the questions from the audience.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions). Martin Sudmann, SIM.

Martin Sudmann - SIM - Analyst

I would like to ask about the gross margins. They were up again year on year. Is that coming from lower purchasing prices or a better mix i.e., higher ratio of clothing sales or what's the explanation here? That's the first question.

And then the second question would be about Group overheads, they increased quite a lot year over year. Is there anything, any timing issues here or is it just more expensive cost base in general? And how do you see that progressing at the end of the year? Thank you. That's my questions.

Heikki Takala - Amer Sports Oyj - President, CEO

I will take the gross margin question and Jussi takes the second one here. On gross margin, we said going into the year that we will minimum sustain our gross margin level and of course, we always seek to improve it. We are improving it slightly. It's coming from various sources.

One, of course, the mix is developing positively. Two, our interventions, especially in Winter Sport Equipment, are driving up our gross margins in Winter Sport Equipment. But equally in Fitness, we are driving a more efficient operation today. So, we get our import costs into a better place and the growth is then giving us positive production variances as well. So we are driving at higher capacity.

And then we've been able to keep the input costs under control and we've been able to manage our pricing. So it's a combination of various topics, but overall going to the right direction. So, we are basically pleased it's going in line with our plan.

Jussi Siitonen - Amer Sports Oyj - CFO

And coming back to your second question on these overheads here, you are right, they were bit up now in Q3. However, this is very much a seasonally impact smoothing than towards the end of the year. In first nine months those overheads were down by some EUR1.3 million.

Oct. 27. 2011 / 12:00PM, AMEAS.HE - Q3 2011 Amer Sports Oyj Earnings Conference Call

As a target would be set for these operative HQ cost is that we are expecting them to be some 10%, 20% lower this year than they were a year ago.

Martin Sudmann - *SIM - Analyst*

Okay. Thank you.

Operator

Kalle Karhunen, Danske Markets.

Kalle Karhunen - *Danske Markets - Analyst*

A couple of questions, first about the margin guidance, 1 percentage point improvement and you already have more than 2 percentage points improvement in first nine months. So that would imply weaker margin in Q4 than a year ago. Do you see that in gross margin or is it just that volumes will be weaker because so much early deliveries in Winter Sports? That's the first question.

Second question is about the Racquet Sports business, it's been underperforming for quite a while now. Are you looking into some more radical or faster actions there?

Heikki Takala - *Amer Sports Oyj - President, CEO*

On the first question, yes, the volumes peaked up in quarter three. So that is driving of course bottom line as well. So that has an impact on the total year. So it's the kind of mix between quarter three and quarter four.

And, of course, as we have gained visibility and we have continued to develop our programs, we have decided on them. As we've said already many times during the year, we continue driving the business, we continue investing back into the structure and capabilities.

And decisions which we make early in the year are being put in place in the second half of the year and those are driving then the OpEx increases which we are seeing now in this quarter, especially in quarter four. And that's a gain, that's driving the long-term health of the Company. And that's to execute the strategic choices which we have made.

On the Racquet, it's been a difficult year. It's been partially driven by very bad weather conditions in many of the key markets, and not at least the issues we faced like the whole markets in Japan, but equally in the United States there.

And the whole market has been under pressure. That's really hitting this year. Going forward, we believe we have good plans in place, we believe we have the softgoods expansion in place.

We believe we have good plans in the hard goods side in the Racquet. And in the adjacencies and from that point of view, we are positive that it's going to become a key contributor to the business again.

Kalle Karhunen - *Danske Markets - Analyst*

Thank you.

Oct. 27. 2011 / 12:00PM, AMEAS.HE - Q3 2011 Amer Sports Oyj Earnings Conference Call

Operator

(Operator Instruction). Robin Santavirta, Handelsbanken.

Robin Santavirta - Handelsbanken - Analyst

I was wondering about the Apparel and Footwear segments, you didn't mention any order growth now. Could you comment on that one? And then also in terms of profitability in the Apparel and Footwear segments now in Q3 and Q4 compared to last year, is the margins, the profitability higher now driven by growth or lower driven by increased sourcing cost?

Heikki Takala - Amer Sports Oyj - President, CEO

On the Apparel and Footwear, we are now in reorder season. And reorders until the end of the year, we are not at this stage commenting anything on next year yet. We don't have that visibility yet. So reorders are coming as they are coming and we're booking them as they're coming. We don't comment on the profitability of apparel footwear especially or specifically, so that's an area we don't disclose.

Robin Santavirta - Handelsbanken - Analyst

Okay. Thank you. And then, a second question if I may about the Ball Sports division and earnings kind of seasonality, normally Q4 is the weakest quarter with a very significant drop normally from Q3 to Q4. How do you see that coming this year? Are there any measures? You were talking about some internal measures that might adjust the weakness in tennis. How should we see profitability in the Ball Sports division in Q4 versus Q3 this year?

Heikki Takala - Amer Sports Oyj - President, CEO

Well, again we don't give there quarterly guidance. We don't have -- we don't disclose that as such. We are simply looking at the programs, the building blocks, which we are executing and as I said the upcoming season is looking better.

We believe we had the building blocks in place to start making tennis again a contributor. It's clear, it's been a difficult market for the year. We continue making some changes. And also in our business model, we are changing some go-to-market models. We are moving some distributor markets to in-house and things like that which are further contributing to the top line sales (inaudible), but that's temporary and that's an internal action where we invest into the business for the long term.

So we basically have countries where we have no sales as we are practically stopping shipments to distributors and as we then move into an in-house model. So there are things like that which are temporarily impacting tennis, but I'll say the underlying health and the underlying building blocks we believe are in place for tennis to be a future positive contributor into the Group.

Robin Santavirta - Handelsbanken - Analyst

I see. Thank you.

Operator

(Operator Instructions). Kalle Karhunen, Danske Markets.

Oct. 27. 2011 / 12:00PM, AMEAS.HE - Q3 2011 Amer Sports Oyj Earnings Conference Call

Kalle Karhunen - Danske Markets - Analyst

Another question on the gross margin side, looking very good now especially in Q3. You have previously said about the pressures on the cost side being most intense next year. Now that we are getting closer to that, are you in any position to say that you still expect to safeguard current gross margin levels also next year?

Jussi Siitonen - Amer Sports Oyj - CFO

Yes, we are still targeting. So that's what we said that we will safeguard our 2010 gross margin level. We have some negative variances during Q4, also some positive development there. Our current estimate is that the full-year gross margin will be marginally higher than 2010. But we are talking very small variances here.

Kalle Karhunen - Danske Markets - Analyst

Okay. But no comments about 2012 at this point?

Jussi Siitonen - Amer Sports Oyj - CFO

Well, the same what we had said earlier what you already mentioned that we do not have good visibility add-on pre-orders for 2012 and therefore the guidance we have earlier said that excluding any of our own actions, we see something like 150 to 200 basis point gross margin pressure there from cost side.

Kalle Karhunen - Danske Markets - Analyst

Okay. Thank you.

Operator

(Operator Instructions). Gentlemen, we have no further questions in the queue.

Paivi Antola - Amer Sports Oyj - Director IR & Financial Communications

Thank you. If there are no more questions coming then I would like to thank all the participants for joining the call. Thank you and have a nice day.

Operator

That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.

Oct. 27. 2011 / 12:00PM, AMEAS.HE - Q3 2011 Amer Sports Oyj Earnings Conference Call

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