

22-Oct-2025

Thule Group AB (THULE.SE)

Q3 2025 Earnings Call

CORPORATE PARTICIPANTS

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Toby James Lawton

Chief Financial Officer, Thule Group AB

OTHER PARTICIPANTS

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Agnieszka Vilela

Analyst, Nordea Bank ABP

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. Thank you for attending today's Thule Quarter Three Interim Report. My name is Sarah and I'll be your moderator today. All lines will be muted during the presentation portion of the call with an opportunity for questions and answers at the end.

[Operator Instructions]

I would like to pass the conference over to our host, Mattias Ankarberg, CEO. Please go ahead.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Thank you very much. Welcome, everybody, to this call. I am, as usual, also joined here by Toby Lawton, our CFO, will – speaking to the presentation and the presentation will be available at our IR website following this call.

So, starting from the top, it's a quarter which, in many ways, are in line with the year that we've seen before, with the exception that profitability is improving in a better way. So, good profitability in a continued tough market. Sales was up in total 13% versus last year, excluding currency effect, which is the same trend we've seen with the year so far.

We do continue to see a weak market with cautious consumers and retailers. We'll speak more about that. Organic growth is down 4% in the quarter, which we, of course, are not pleased about. And currency effects continue to be significant, minus 5% in the quarter. We are actually pleased about the performance of our new product categories and our new products, which add sales in the quarter as well as the acquired Quad Lock business, which continues to add sales and growth.

EBIT margin was 17.9% in the quarter, which is higher than last year and also higher than the historical averages for the quarter. We had a strong gross margin, up to 47.5%. SG&A, excluding the acquired Quad Lock business, decreased versus last year. We have mentioned before that we would face R&D costs and launches differently this year, which helps this quarter. And other SG&A costs are also actually a bit lower.

And the margin increase versus the last year was driven by the Thule business excluding the acquired Quad Lock business. In all, EBIT increased to SEK 453 million, up from SEK 413 million last year.

We continue to generate good cash flow from operations, SEK 668 million. And the working capital patterns have been now returning to what we've seen historically. So, we will get back to that later. And we continue to reduce inventory. We have a target of reducing it further, SEK 200 million this year, which would be then the third year in a row. We take inventory down and that is on track.

On the highlights side, we do continue to see good development of our newest product categories. We've launched a few new products. We'll come back to the details. But both dog products is performing really nice, including Thule Cappy, which was just launched at the end – very, very end of Q2. And during Q3, we have launched a high back booster seat, child car seats for a bit older children called Thule Palm to now complete it – now have a complete premium car seat portfolio for kids of all ages. And we have continued to work hard on the changes in North America that continue to give results.

Moving to page 3 and stepping back before we come into details, with this quarter now in the books, it adds to the long-term trend we've seen over a decade or so of profitable growth for Thule. The last 12 months we have a net sales of just over SEK 10 billion, SEK 10.3 billion, an EBIT of SEK 1.7 billion and an EBIT margin of 16.1%.

So, having zoomed out, let's zoom back in, page 4, starting with the regional perspective. As mentioned in the intro, it is still a challenging market across basically all regions. In Region Europe, which is by far the biggest region for us, with 70% of the sales, we are now, year-to-date, flat on organic sales, all these numbers refer to organic sales, after a weak end to the spring/summer season.

So, let me give you some more color on that. We continue to see a quite promotional market with cautious consumers and retailers. We've actually had pretty good growth, organic growth, in Europe during the high season. It was a plus 4% during Q2. And there was continued to be a good start to the summer season at the start of Q3.

But we clearly see an end-of-season effect where retailers are very cautious at the end of Q3 to replenish spring/summer products and mindful of inventory levels, which clearly impacted the sales for the full quarter negatively.

And what's positive to see though is beyond that, that the newest categories, which have had a good start in Europe car seats is a European effort for us and continue to grow really well as well as do the dog products.

In the North America, we continue to see that region has the toughest region for us, the toughest part of the footprint that we operate in. Organic sales was 5% down in the quarter, which is slightly better than the year-to-date number of 7%. We did have a very weak start to the quarter following the announcement of the tariffs and we communicated quite a lot of actions that we made during the first part of the year that we continue to see give positive effects.

So, there are some actions related to cost. But regarding the organic sales, we have changed the growth priorities. We have launched quite a lot of new North American-specific products this year. And the big difference in the performance in Q2 and Q3 versus earlier in the year is the bike carriers for the North American market. They continue to do really well and adds good sales for us.

So, overall, it's in the right direction compared to the start of the year, but still not where, of course, we want it to be.

Region Rest of the World, clearly our smallest region with just [ph] 6% (00:06:53) of the share, improved in the quarter. Organic sales of plus 11%. It's a small region and we typically see some quarter-to-quarter movements. So, probably not read too much into that number, but it is nice to see that that's the spring season starts in the southern hemisphere. We see also good growth in some of those markets and the trend improved in both the Asian market and in Latin America for us.

Switching to the category perspective on page 5, the picture is it's similar in many ways, but we're starting with Sport & Cargo Carriers, which is our biggest product category. We have a year-to-date minus 1% organic net sales and a bigger negative in Q3 following a better Q2. And again, we do see actually underlying this good growth from our new Thule products this year. We have upgraded our best-selling bike carrier called Thule Easyfold to generation 3, does really well in the market. We have introduced a mid-priced bike carrier called Thule Outpace. This – very nice growth for us both in Europe and North America.

We have, as mentioned before, launched North American-specific bike carriers and, for example, Thule ReVert, the hanging bike carrier is doing really well. And also on the cargo side, cargo box side, the rear-of-cargo products, the towbar-mounted products also continue to see very nice growth.

But, again, it is still a challenging market. We do continue to see the best performance in the premium and the toughest space to be North America. And I think I've already talked to the replenishment effect of the spring and summer product in this category.

RV Products continue to grow despite a weak market and it's very much the same trends as we've seen in the last quarter. Industry is going through a challenging period. And we do see – continue to see a decline in sales to the OE channel and good growth in the aftermarket channel. And it's also, I think, pleasing for us internally to see that the new products we launched in the last 12, 18 months really make up for all the growth that we see in the RV business both in the quarter and this year. It's a good sign that the new Thule products are delivering value.

Moving to the next page, the last two product categories, Active with Kids & Dogs is a similar picture as previous quarter. Net sales down 7% organically in the quarter, 3% for the year-to-date. Dog transportation continued to do well. The premium dog crate, Thule Allax, that we launched now 18 months ago, has continued to grow very nicely. And the recently-launched crash-tested dog harness, Thule Cappy, has done really well right out of the gate.

And as mentioned earlier, we do see continued good growth in child car seats and additionally so by introducing the high-back booster seat, Thule Palm, in the quarter. Our strollers – all-terrain and running strollers continued to do well, that active consumer is still there and wants to spend money on great product. But we do see a decline, which unfortunately outweighs these growth areas for us. And the decline is related to bike-related products in general for children where retailers are cautious on inventory. We do continue to see growth on D2C, thule.com, which is a sign at least that consumers are interested. But the retail inventory situation is taking the whole category to negative spot.

Bags & Mounts, we continue to see good growth from performance phone mounts, the acquired Quad Lock business. So, organically, that is excluding Quad Lock, net sales is down 5% in the quarter, which is an improvement from the trend earlier in the year. And including Quad Lock, of course, the number is a very big plus. The Quad Lock now accounts for two-thirds of this category.

Quad Lock continued to grow nicely, 5% organically about in this quarter, which is a bit lower than the trend before. And that's – only reason is that there was a major new retail customer introduced in the third quarter last year, which takes the percentage down. But the growth trend continues really nice and is now at the 15% year-to-date growth development.

And the Bags and Luggage business, the other part of the Bags & Mounts category, is improving, although still not at a plus. It's nice to see that the Thule brand is actually back to organic growth in Q3. We have launched a few new products, including a new collection of our best-selling duffel bags, Thule Chasm, which was well received and clearly helps, but we do see a continued decline in the sort of legacy business in the Case Logic brand and the OE products that continue.

Turning to page 7, as mentioned in the introduction, in the quarter, the margin was helped by efficiency improvements and cost control. So, wanted to share a few words on that. Firstly, there is, of course, a benefit for the quarter of lower R&D costs in the quarter, which is due to phasing as shared and communicated previously, this is an intense product launch year for us also in 2025 and we have decided, ahead of the year, to take a more front-loaded launch calendar to capture more of the high season. And that meant higher R&D costs for the first half of the year, but also then consequently lower for the second half. And that's what we see now coming through in Q3 just as planned. So, that helps the margin for the quarter specifically.

Additionally, though, we do see some efficiency gains that clearly support the margin both on the gross margin side and on the SG&A side. And I think, just to give you a few example, we have quite some unutilized manufacturing capacity and we have increased in-sourcing to take better use of that that helps the gross margin.

We have actively consolidated third-party warehousing services that helps the SG&A and we have continued to trim processes and cost efficiency around admin, sales and marketing with help of automation and digitalization, which is also helping SG&A to improve. So, we have [ph] a bit of small arm on that (00:14:02) culture here in this company, of course. And it's nice to see that the continuous efficiency gains also are visible in the results.

And then, in addition to continuous improvements, we are driving a few structural cost initiatives that are not giving so much effect yet, but will and they are on track. So, firstly, we have changed the cost in North America with the new organization and closure of a satellite office that we shared in Q1. We shared in Q2 that we are automating and extending a warehouse in Poland, which is expected to give annual cash savings of about SEK 100 million, full effect 2028. And that's on track.

And thirdly, we've also spent a good effort this year on developing what we call technology platforms. So, using common components across different products and product families to, of course, create a more efficient manufacturing setup and combining that with more in-house component manufacturing. And that's the work that we've been driving this year quite hard and is now ready to be in place to support profitability for next year.

So, with those comments on the short and long-term cost control and efficiency, I will turn to Toby to go through some of the more financial statements.

Toby James Lawton

Chief Financial Officer, Thule Group AB

Great. Thank you, Mattias, and good morning, everybody. If we turn to slide 8 and I'll start off looking at the quarter three number and we had revenue, you can see in quarter three here of, just over SEK 2.5 billion in quarter three, that's 8% higher than quarter three last year. So, the reported sales growth was 8%.

The biggest factor there is the acquisition of Quad Lock, of course, which is adding 17% on revenue. But we have a significant negative from FX, which is important to remember now. So, that impacts net sales negatively by 5% this year because of primarily the strong SEK. And organic growth, as Mattias mentioned, in the quarter was minus 4%.

Gross margin has increased to 47.5% in the quarter from 42.9% last year. The biggest factor behind the increase in the gross margin is the acquisition of Quad Lock. So, that's a bit more than half. But we have price/mix and supply chain efficiencies which are also giving a good contribution as well, so bringing the gross margin up to 47.5%. So, a good development.

When it comes to EBIT, we report an EBIT in the quarter of SEK 453 million. We had SEK 413 million in the same quarter last year. And that means the EBIT margin as well is 17.9% this year versus 17.6% last year. And this is a few factors impacting the EBIT margin, obviously, the gross profit, the phasing of the selling expenses driven by the product launches more towards the first half, which Mattias mentioned, is obviously a factor.

And then, further cost efficiencies in SG&A, which also are contributing to the improvement in margin together with Quad Lock. And I think when you take these effects, it's a good performance to see the increase in profit. And if you exclude the acquisition of Quad Lock, the SG&A costs have actually come down in the Thule business excluding Quad Lock as well this quarter.

And also worth mentioning it, when you look at the EBIT margin, Quad Lock is accretive to the EBIT margin. But the biggest factor behind the EBIT margin increase versus Q3 last year is also, again, the Thule business excluding Quad Lock. So, a good performance. And obviously in a quarter where organic sales growth is negative, it's even tougher to hit EBIT margins and EBIT target. So, a good performance on the cost side.

Net interest expense in the quarter was SEK 37 million and effective tax rate in the quarter 24%.

Just turning then to the year-to-date numbers, which you see on the far right-hand side, here, we have reported sales growth of 9%. We're now three quarters of the way through the year and organic growth for the three quarters is minus 1.5%. And here, it's flat in Europe, our biggest market, and negative 6.7% in North America. And here, again, the Quad Lock acquisition is adding 15% and FX has been negative all year. So, it's minus 4% also on the year-to-date.

The gross margin improvement we've seen, yeah, throughout the year. Again, Quad Lock is a major factor, but also price/mix and supply chain efficiencies. So, we have a gross margin year-to-date for the first three quarters of 46.2% versus 42.9% last year. And adjusted EBIT is also SEK 1,588 million versus SEK 1,557 million prior year.

So, that all together means then, when you take the year-to-date numbers, our EBIT margin is 18.5% versus 19.8% last year.

If I just turn to the next slide on the cash flow and this was a good quarter for cash flow, we had cash flow from operations in the quarter of SEK 668 million, which is, obviously, a good cash flow and a big contribution from a

seasonal decrease in working capital. Q3 is usually a good quarter for cash flow and it's been again a good quarter for cash flow this year. So, driven by that working capital decrease.

When you also take into account the CapEx in the quarter, we had SEK 140 million of CapEx in the quarter, primarily relating to the automation and extension of our warehouse in Poland. And when you take that off, we basically have a net or free cash flow of around SEK 500 million and that's meant that we were able to amortize our net debt also by SEK 500 million.

And finally, to mention that we are reducing inventory further this year and our inventory target that we have had all year of reducing inventory by a further SEK 200 million on top of the big reductions last year and the year before is on track.

And, finally, the next slide, slide 10, the net debt to EBITDA, where we have a high focus. And as I mentioned, net debt has been reduced by SEK 500 million in the quarter, which drives the ongoing deleveraging that we're seeing here. And you can see the net debt to EBITDA ratio is now down to 1.81.

So, with that, I'll hand back to Mattias.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Thank you, Toby. A few forward-looking comments before we turn to Q&A. So, page 11, our priorities continue to be to drive our long-term strategy for profitable growth. For sure, it is a tough market and we expect that it will continue, particularly so in North America, for a bit longer.

We are well positioned as we are global market leaders with premium products. We do deliver new product innovations that we see make a difference in the marketplace. And we have a strong global brand with own manufacturing both in Europe and the US, which are nice assets to have at this time.

And importantly, we also have opportunities to drive growth through our own actions. We do invest in product development when we see that those results are adding growth also when the market is tough and we do have opportunities to drive efficiency. We do, of course, continuous efficiency improvement as part of our day-to-day work, but also have now structural efficiency initiatives in place that will support the margin development over time.

We'll continue to push the four clear priorities we have set out for the year. Product development being top of the list. The season was front loaded to capture more of the high season. So, there is less now for the last quarter. I'll come back to that in a minute. But particularly in North America, we have increased our focus to – to focus more on pockets where we think are attractive.

We will continue to scale up our newest categories, dog transportation, child car seats in Europe and the performance phone mounts business that we have acquired. We are continuing to show more to sell more, as we call it, to be more visible for consumers to sell more of what we have. And then, as Toby rounded off in the last page, continue to focus on supply chain efficiency, both on reducing inventory levels and cost levels.

So, on the launch calendar for page 12, this was a season – sorry a year, where we continue to keep a high pace. And we have launched most of what you see on this list already. There are three examples, I'd call out very soon, that we will now launch in Q4. This is also the time where we summarize our plans for next year. We will, of course, continue to launch great products also in 2026. And the pace of that, then the launch calendar and what

that means for R&D costs, we will come back to at the Capital Markets Day we will hold in November in a few weeks.

Turning the page, the products or notable products that are due to launch here in Q4, I'd like to start to describe Thule Xscape, we talked about that a bit, but it's part of our North American growth push. This is a pickup truck rack, a bed rack, as it's called, which we believe to be the best in the market. It's the easiest to install, it's easiest to adjust and has a strong performance in all quality dimensions, that we'll launch now at the end of the quarter during December.

We're building on the good growth trend in dog transportation and introducing the Thule Allax dog crate in double door version or for two dogs. And we've seen really nice reception for the product and the category as a whole. And the whole positioning of designing a product to protect both dogs and people seems to resonate with this premium consumer. So, look forward to that launch. That's also towards the end of the fourth quarter.

And then, last example is the Thule Arcos XL version, which is a rear cargo box that is of larger size. It's wider. So, it now fits up to 180 centimeter, for example, skis behind your car. And this product has already been introduced to the market just last week in October.

To present the news last year and also to make sure we tell the story about all the news we've been delivering in the last period to the market, we are holding a global customer media event in Q4 to present our launch calendar, again our products, but also our brand. This is a concept we introduced two years ago that was very successful and we got a lot of attention.

So, we look forward to hosting global outdoor retailers and top media partners in Sweden in Hillerstorp and Malmö in a couple of weeks.

And to round off speaking of meeting people in Sweden, we are shortly after our customer event holding a Capital Markets Day on November 20. We will cover our strategy, our priorities and the path to financial targets. It's possible to participate either online or on-site in Malmö, Sweden. Of course, all very welcome to join. If you have the opportunity to join in Malmö, there will be opportunity to see some product demos and have lunch, of course, and meet the representatives from the wider Thule team.

And then, the presentations and Q&A session start at 1:00 Central European time, both then again on Malmö or online. So, register to join and we look forward to seeing you then.

And with that, I open up for – I'll turn to operator to manage questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Fredrik Ivarsson with ABG. You may ask your question.

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

Q

Thank you. Good morning, gentlemen. Three questions. First one, on the gross margin, it seems like the legacy gross margin, i.e. excluding Quad Lock, was up by, I guess, more than 2 percentage points at least. And I recall it was flat in Q2. Can you explain what the biggest differences between Q3 and Q3 – in Q2 and Q3 were then in terms of the gross margin?

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

Yeah. Hi, Fredrik. I can take that one. So, yeah, the gross margin is up. Quad Lock is still the biggest factor in the gross margin increase. But you're right, there's a significant factor from the legacy business. And this is a few factors here, but it's price – product mix is the main impact together with efficiencies in the factories. And it's in supply chain as well. And it's worth remembering as well that we are producing at a higher rate this year as well. So, we have more efficiencies in utilizing our factories a bit more than we did last year where we were still selling down from inventory to some extent as well.

So, we have a good trend on gross profit from that impact, which is also driving supply chain efficiencies.

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

Q

Okay. And these, you didn't have to the same extent, obviously, in Q2. I guess.

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

Not to the same extent in Q2, no.

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

Q

Okay. Good. Second one on Quad Lock. EBIT, SEK 70 million versus SEK 100 million in Q2. And I recall you said Q3 was by far the strongest quarter in terms of earnings for Quad Lock. Yeah. So, it seems like the seasonality has changed a little bit. Can you give some color to this development and may be also what we should expect as we look into Q4 with the BLACKWEEK and everything else?

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

Yeah. I can just say, you're right, last year, Q3 was the strongest quarter. I think we talked a bit before about there was an impact last year that we saw from introducing some new customers in Q3, which led to an increased sort of bump in the Q3 volumes, which we didn't expect to see this year. But, yeah, the seasonality has been different this year. You're absolutely right. So, it's not been a strong top line from Quad Lock in Q3 this year.

And I think they've shown, yeah, 15% growth year-to-date had a strong second quarter. And quarter three has been a bit softer than the second quarter in terms of organic growth. But still, I mean, a good approximately 15% organic growth year-to-date in Quad Lock.

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

Q

Yeah. And I do expect more of a level development heading into Q4 than versus last year – last year's big drop from Q3 to Q4.

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

Yeah. I don't think I want to comment on...

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

Q

Certainly.

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

...Q4 expectations. But we see – I mean, we don't see any significant changes in Quad Lock showing good growth and it's a good business. And I said, yeah, 15% growth year-to-date this year. And, yeah, Q4 is still to come.

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

Q

Yeah. That's fair. But you didn't have the same kind of one-off impacts in Q4 as you did in Q3?

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

No. This customer, yeah, introduction that we had last year was in Q3. We didn't have the same impact in Q4 last year. That's correct.

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

Q

Okay. Perfect. Thank you. And last one, I guess, given the most recent the developments in terms of tariffs and other external factors, how should we think about pricing as we look into next year?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Hi, Fredrik. Mattias here. Yes, so, just to recap, historically, we've been on sort of an annual price increase as of Jan 1. Then, we've had lots of effects during pandemic, but then also related to tariffs, which means we've made some in season or – sorry, in the year price adjustments as you are very aware in North America as of June 1.

We are – I guess two principles to put things into perspective. We are doing annual price increases as of Jan 1, 2026, again also, as we always do, we usually do. And regarding the tariff situation, we're monitoring that very

carefully. And we have been very open that, of course, we will try to offset any tariffs with efficiency improvements to the best of our ability and change our supply chain. But we will also pass on increased prices to the consumer to protect our margins if needed.

So, as of right now, we are monitoring the tariff situation and do not feel the need to make another price adjustment before the end of this year. But, of course, that could change on short notice. But for now then to summarize, we will see a typical price list increase as of Jan 1, 2026.

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

That's very clear. Thank you. That's all.

Operator: Thank you. Our next question is from Daniel Schmidt with Danske Bank. You may ask your question.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Yes. Good morning, Mattias and Toby. A couple of questions for me then. And maybe starting with the performance in the US market and especially given that you did raise prices quite a bit from the 1st of June, I'm sort of little bit surprised that you still see a 5% organic decline in the US. Are you able to sort of share your performance versus the market over the summer or the start of this year? Could you give any sort of indication of how you're performing versus the market?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Yeah. Hi, Daniel. Mattias here. Yeah. So, couple of comments. And, of course, it's a tough space and it's good that things are better than the start of the year, but clearly not where we need to be with a minus 5% in the quarter for sure. I think a few points. The prices are in effect. So, the volume is lower.

I think it's interesting to observe that where we still do very good and the best is at the sort of premium end at the top of the range and particularly when it comes to news, but also in general in our portfolio. So, that a real enthusiast or premium consumer that has the money and is willing to spend the money on their passion, I think, is still what's driving the business for us. But it's, of course, much tougher in the sort of the mid and the lower ranges in general and so, it is for us.

So, market statistics are, as you probably are aware, not easy to get a hold of. We do work closely with some of the biggest retailers in the US where we see our own sales performance and we see the category sales performance and there are some statistics, but they are only released on an annual basis.

But our view is that we continue to take market share, particularly in the biggest category, bike carriers. And that's really been driven by the new products that we have launched. And that the overall market in volumes is clearly down. I mean, we have raised prices, but so has everybody. So, it's a volume loss for everybody and for the American consumer in the market at the moment.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Yeah. So, it's not really your sense that the price increases that you had to conduct in June sort of has worsened your position in the market on the categories where you can make the comparison?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

No, quite the opposite actually. And let us see if we can, at some point in a separate conversation, dig up some more information and show you. But we have – to remember, we do have manufacturing capacity in the US and half of the product that we sell in North America are made in the US and that puts us in a better position than most. So, we have seen competitors raising prices by 20%, 25%, some even 35%, to offset some of the tariffs that we have seen. It varies a lot by category and competitor, of course.

But, in general, we are favored with our manufacturing footprint versus virtually everybody that we compete with. So, no, we have seen big price increases across the categories, across the board, slightly varied in timing, some in more steps, but when – we have seen good market share growth in the biggest categories that we follow more closely with the big retail partners that we have.

But it's a tough market situation overall and the volumes are down. If you look at some things like you probably follow, consumer sentiment numbers, they're very near all-time low or 60-year low, right. So, it's a tough spot for many American consumers at the moment.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Q

[ph] No, but (00:37:24) good. And then, maybe turning focus to the European market. And one of the few areas where there's good data, reasonable data at least, on the retail side is the RV business. And we've been through now, I think it's four-and-a-half quarters of quite – five quarters, quite significant underproduction. And it doesn't sound like there was any change in Q3, because retail sales has been developing quite okay. And do you see any change to that sort of low production level of RVs on the OEM side in Europe in Q4?

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

Yeah. I can take this. Hi, Daniel. I mean, you're right, it's been weak on the OEM side basically for some time now, for five quarters even. And there has been reduced manufacturing volumes from the OEMs, which is what drives the weakness in our volumes sold to OEMs as well.

I think it's, obviously, now comparing against weak periods last year, because we were already in where OEMs were taking significant downtime and, yeah, we started in Q3 last year, but also Q4 and carried on from there.

And as you say, the kind of – the buyout statistics to consumers have been relatively stable. Yeah, it's been okay this year. So, I think most OEMs are starting to work on taking orders for next year and to look towards the next year season. And I do expect it to end sometime during the winter. Yeah, I think, it's not going to be a quick pick-up, but whether it's Q4 or Q1, we don't really know. But, yeah, we don't expect it to continue weakening versus weak comps basically.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

And so, to summarize then, I think [indiscernible] (00:39:24) it's not back to full-blown growth patterns of anybody yet. But we do expect that this drag coming from OEM will stop as a comparison versus last year during the winter if it's Q4 or if it goes into Q1. But that we do expect to not longer be a drag for the RV development.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Q

Yeah. Yeah. Well, it sounds reasonable, because it was quite extensive shutdowns in Q4 last year running into Q1.

Good. And then, on the cost side and you are quite adamant saying that you're down on the legacy business on SG&A, not only due to product development spending, but also the rest of SG&A. And I think you actually mentioned in connection with the Q2 report that you would be back or maybe it was actually with your September call with more thinkings – more thoughts around product development spending and SG&A into Q4 and 2026, maybe more specifically. Is that something you want to share now?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Yeah. Well, I think we can – part of that will be covered during the Capital Markets Day. So, we should save some of that conversation. But, of course, high level, you could say we will continue to invest in our product categories for sure and drive growth through that.

I mean, we have been through a big push on new categories and we have been through a big push now on some of the core legacy categories at the higher pace than usual for 2024 and 2025. So, there is more nuanced picture to put in place for 2026 and at the same time addressing some pockets or niches that we think there are still opportunities on.

So, we are wrapping that up or we have wrapped that up – sorry and we have the plan in front of us. But let's save the discussion on the launch calendar and the implications for costs to the Capital Markets Day.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Q

Okay. Having said that, do you want to sort of – just looking at – because I think you've said for this year at least that H2 will be less heavy and you saw that in Q3 and there's no reason not to see that in Q4, is that correct?

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

Yeah. Yeah, that's correct. I mean, yeah. As we said, we had a development that has been phased towards the first half.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Q

And on that, is that also from October 1 that you will see some savings coming through from the shutdown of the Colorado office?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Basically, the...

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Q

Or is that already in Q3?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

No, no, that's from – the office is finally closed at the end of October. Yes. So, you're right, there will be savings of that starting, they'll be pretty small in Q4, but starting from now, basically.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Yeah. And lastly, on Quad Lock's profitability, I appreciate that there was difficult comps on top line. But you still grew organically and the profitability is quite much lower. Is that also relating to the specific start-up of a customer that you didn't have before? Or is that more relating to US tariffs?

Toby James Lawton

Chief Financial Officer, Thule Group AB

No. No, it's the former. So, it's relating to, I mean, the high volume and high sales they had last year due to this customer effect, which we mentioned. So, the gross profit is the same. And as with our business model, if the sales were a bit lower, the margins are a bit lower, but that's still – it's still a good margin and still accretive to this margin.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Thank you. That's all for me.

Operator: Thank you. Our next question comes from the line of Gustav Hagéus with SEB. You may ask your question.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Thank you, operator. Thank you so much for taking my questions. Clearly, a step forward on the OpEx sequentially as mentioned and that's guided for. So, congratulations on that to you and the team. I'm looking at the FTE build in a quarter, which does not align with the OpEx development. So, it's up about 10%, excluding Quad Lock, I reckon.

How much is – because the volume is clearly down, but then, I guess, the speed of inventory reduction is low in the quarter compared to last year. So, I assume that is a delta. But could you sort of dissect what those 10% FTEs, how much goes into manufacturing on the mature reduction specifically and what relates to other areas? Thank you.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Yeah. Just high level, Gustav, it's true that, of course, organic sales is down. It's true that inventory is coming down, but production volumes are actually up and, therefore, production staff is up. I mean, we've seen some weaker performance in some of the sourced products, for example, bags over the year. But where we've seen strength in other products, if you look at the full year in, for example, things that we produce ourselves for example, bike carriers. So, production hours are up and then staff is up.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

Okay. Thanks. And then, looking at how you allocate OpEx between Quad Lock and Thule, is there any – vintage Thule, is there any costs that have been allocated to Quad Lock that was previously within the Thule organization a year ago?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

I think it's a very simple answer. No, we don't allocate costs around like I said with Quad Lock's cost – the Quad Lock's cost and the rest of Thule's costs – the rest of Thule's costs. So, there's nothing being allocated.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

Thanks. That's clear. And then, back to the US development. Is it fair to assume that given that you're pushing a bit for new products in the US market this year, that you had a positive mix contribution to top line in North America in Q3, not price, but mix from new products? Is that a fair assumption?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Yeah. You mean mix effect in terms of – on the sales line or on the gross margin?

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

The new products carry higher price than previous products, so that you...

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Yeah. Yes. Overall, yes. I mean in the North America for sure, I'd step back and say, overall, we have seen good development of the new products even though the market has been tough. We've been talking about a lot. And that helps us both from a top line perspective and for sure from a gross margin perspective.

And in the US, that's been true also. And to your point, Gustav, we have been launching quite a lot of new North American-specific products to the North American markets, which has helped price points and sales. And then, on top of that, I mean, there is for sure an effect of the price increases we have done on June 1, which is also helping the top line in terms of sales. And then, again, volumes, on the other hand, have been clearly lower.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

Yeah. And the timing on that, I recognize your comments that you might have raised prices in US maybe perhaps even to a lower level than some peers. But there is a seemingly a quite historic relationship between the all-time high gross margin and the say 15% organic volume decline in the States. Do you consider – have you considered perhaps not bringing – passing forward those costs and instead trying to go for some more volume recovery or market share gains in the States? And how do you balance those two between the gross margin and the volume in this environment?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Yeah. I think it's a good question, Gustav. And I think the way to answer that question is to look at the different part of the market. So, I'll try to see if I make myself clear. And if not, please do ask a follow-on question.

So, I think where we're seeing strength is in the premium end of the market, the best bike carriers, the best rooftop boxes, the best, et cetera. And there, Thule is really strong. We have a very, very high market share. We can do our best innovations. We can drive price points and we see that the consumers there is willing to pay and that resonates.

So, that's really strong for us and there's – continue to invest and continue to drive innovation and over time higher price point, this is the strategy forward. Having said that, there are other parts of the market in the mid-price market and in the low end of the market and – where Thule is not that strong.

And you may remember coming into this year that we said, look, we think there's an opportunity in mid-price where we can play. So, this year, we are launching a new mid-price rooftop box and we're launching a new mid-price bike carrier, Thule OutPace. And that has done well for us, really well, actually.

Thule OutPace has done really well both in Europe and in North America. And then, the low end and the sort of value end, Thule is not playing, of course.

So, I think to answer your question maybe a more summarized way, the way forward is not to take price cuts on our top products, but the way forward is to build a wider portfolio that addresses more needs in the market, including some mid-price and some other opportunities where we still have market share opportunity. That makes sense?

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

Sure. And then, if I can sneak one last one, we're all asking sort of the same topics here. But on Quad Lock, the sequential deceleration of growth that you point to, let's call it a onetime order in last year's comparable, if you sort of take that out of the comp from last year, is there still deceleration in growth in Quad Lock? And is there a price component that was not there in Q3 similar to the US general market that is boosting organic growth for Quad Lock in Q3? Those are my two questions on Quad Lock.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Hi, Gustav. No. That's an elegant way to answer the question. And, yes, if you would take that sort of introduction of the new big customer out of that month in Q3, you'd see about the same growth trend over the year so far. And the average is around 15%.

And let's see, your question was [ph] sequential (00:50:33) around price. Yeah. Yes, there is some price increases in Quad Lock as well. It's a D2C heavy business and price increases can be made more gradually. So, it's not the big step-up in Q3 and it's not actually a major effect overall, but it's not something that affects Q3 versus the other quarters in any material way.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

Great. Thanks. Those were all my questions.

Operator: Thank you. Our next question is from Agnieszka Vilela with Nordea. You may ask your question.

Agnieszka Vilela

Analyst, Nordea Bank ABP

Q

Thank you. I have a few questions. Maybe starting with your organic sales development, it was down by 4% in the quarter. And you also talked about the hesitancy both from consumers and retailers especially in the late part of the quarter. Can you give us any flavor about the development in October? And also, what is your assessment right now of the retail inventories in the channels?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Hi, Agnieszka. Mattias here. I can start. I think – well, it's not – the answer is that it's been – I think the Q3 was really colored in the organic sales number by the end of the quarter to your point and there's a clear sort of end of season or not restocking spring and summer products that happened.

And it's now in, as you asked about October, we are moving into winter season and the market is still what it is. But it's nice to see that these kind of end-of-season effects is not happening in Q4. That was more end of Q3 season.

So, I think Q4 is more in line with the – or sort of October is more in line with the full year rather than represent anything else. It's not representative metric to look at the end of the Q3 number. So, okay, I guess confirming that this end-of-season effect really was there.

And your second question, could you please repeat?

Agnieszka Vilela

Analyst, Nordea Bank ABP

Q

Yeah. Yeah. What are the inventories right now at retailers from what you can see?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Right. Oh, sorry. So, yes, overall, I think retailers have been trying to keep inventories at the efficient and low level best they can for the year to focus on cash and profitability. So, we don't see big retail inventories in any part of the chain, which is sort of dramatic.

Having said that, we also think that retailers continue to be very careful on inventories and I mean there are exceptions to this, of course. But in general, I think the behavior we saw at the end of the summer season is much more connected to the fact that some of these products, if you take them in end of September, you won't probably not sell them until or much of them until March or April. So, why carry that inventory when you know that, for example, Thule can deliver in one or two days?

So, I think we don't see a really big stock effect piled up. I mean, there are exceptions in bike retail in some parts of the North America, for example. But in general, that's not what we're seeing.

Agnieszka Vilela

Analyst, Nordea Bank ABP

Q

Good. Thank you. And then, maybe a question to Toby. On the legacy gross margin, you mentioned that the improvement was driven by product mix and efficiency in factories and supply chain. Do you expect that factors to continue in the coming quarters?

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

Basically, we expect to hold a good gross margin. Also, we do also see seasonal effects in our gross margin. So, that's important to remember that Q4 gross margin is impacted by the seasonality being a smaller sales quarter. But we absolutely work to maintain – yeah, maintain the gross margin trend that we've seen over the last quarters, over the last, yeah, four, five quarters.

Agnieszka Vilela

Analyst, Nordea Bank ABP

Q

Perfect. Thank you. And then, the last question I'd be coming back to Quad Lock. [ph] With (00:54:47) the Q3 margin development and margins are lagging last year, especially the quarter quite significantly, do you still expect about a 20% underlying EBIT margin for the business or what are your expectations right now for the future?

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

You talk about Quad Lock EBIT margins, basically.

Agnieszka Vilela

Analyst, Nordea Bank ABP

Q

Yes. Yes.

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

Yeah. And we do – I mean, I think what I would say is I think what we've said always before as well is that Quad Lock is accretive to this EBIT margin and we expect that also for the full year. Yeah, so that I think that's what we can say.

Agnieszka Vilela

Analyst, Nordea Bank ABP

Q

Perfect. Thank you.

Operator: Thank you. Our next question is from Mats Liss with Kepler Cheuvreux. You may ask your question.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yeah. Hi. Thank you. A couple of questions for me as well. First, I mean, you mentioned these efficiency measures and also some cost initiatives. Have they've been fully implemented during the quarter? Have you seen

the full impact, I mean, the increase, the insourcing there you mentioned and the consolidation of third-party warehousing, for instance?

And maybe also, if you have adapted to the current market situation fully within the cost initiatives, so we shouldn't sort of expect more of these going forward?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Hi. Mattias here. No, I can start at least. So, I think it's a good question. I think we try to think about the cost initiatives in sort of two separate themes or two parts. One is sort of continuous efficiency trimming or gains, if you like, which we think is part of what we do. And to your point, yes, the things you have mentioned are examples of things that have been done during this year and in this quarter. For example, consolidating third-party warehousing and increasing some insourcing.

And then, we, of course, adapt the variable costs to the very best [ph] availability (00:56:58) to the sales trend as well. But maybe more importantly, on this, we try to always look for efficiencies and see how we can improve no matter of the market situation. And that's nice to see that that's been sort of coming through in the results and it's now visible in the quarter. And then, that's continuous efficiency, continuous improvement maybe.

And then, the second part is sort of structural cost initiatives where we make changes structurally. And those we have been driving, but they have not yet kicked into the P&L. I mean there will be some costs to North America that will start to generate savings soon. And then, we have a big project for the Poland warehouse, which would kick in fully in 2028. And then, we have some more things on technology platforms that would kick in for 2026 on the gross margin.

So, it's a mix of things that are already in there with the continuous improvement points. And then, structural initiatives will come later.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yeah. Sounds great. And then, you've mentioned the product launches here in the fourth quarter. I just wanted to sort of ask about the year-over-year comparison there. I mean you mentioned the Allax and, well, the different or – is it sort of on a lower level year-over-year? So, we shouldn't expect [ph] launching (00:58:24) costs to be at the same level as last year?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

That is true. It is a lower level of launches and a lower level of R&D costs expected also for the fourth quarter compared to last year.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

And also about North America there and US, you have this new product. Do you have, well, sufficient or do you see more sort of retailer segment to penetrate? Or are you sort of fully equipped there so you don't need to address new customers, I mean?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

I mean, we have a lot – in the existing categories we've been for a very long time, we are a very good distribution and very present. But we have new categories where we are still, for sure, building presence still and that's expanding. And then, on top of that, we have some markets and channels where we think we can do better.

So, for sure, we are also expanding that a bit. But from a big picture perspective, the existing product categories, we have a strong distribution in all the important markets.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Great. And finally, just – I mean looking forward to the Capital Markets Day there and I was just wondering, I mean it's early days yet, but I mean you have the financial targets and so on. Should we expect you – and things maybe have changed since they were launched, but should we expect some rebalancing on those or is it too early yet? I mean there are several years before you are expected to reach then.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

No. It's a good question. I think, we will talk about our path to drive profitability – sorry, growth of profitability and also the path to financial targets at the Capital Markets Day. And financial targets are such that they are what they are until anybody at some point decides to change them. So, for now, we have not changed them. And then, we will come back to, of course, the topic when we meet on November 20.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Okay. Great. Thanks a lot.

Operator: Thank you. We have a follow-up question from Daniel Schmidt with Danske Bank. The line is open.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Q

Yes. Hello again. Mattias, you mentioned that you have been developing a tech platform with common components and I don't know how big this is, but this is the first time I've heard it at least. Is that supposed to generate any sort of savings in terms of more efficient work processing?

And maybe sort of if you tie in the AI component as well, which you have been using a bit more when it comes to translation and image processing and so on, is that more to come from that in the coming quarters or did we already see much of that in Q3?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Well, thank you, Daniel. It's good topics. I think two separate points. I think on this sort of AI and digitalization, we mentioned that it's examples of how we continue to drive efficiency in our processes in admin and there's a lot of – we do a lot of product development. There's a lot of imagery and a lot of drawings and a lot of technical documentation. And, here, clearly, some of these new tools can help us to be faster and use less expensive consultants and whatnot.

So, that's more sort of the continuous efficiency part, which, well, with the new tools and technology, we will continue to drive. But I think the maybe bigger point is the first part of your question regarding what we call technology platforms. And it's something we worked on for, yeah, this year and actually starting a bit earlier than that last year as well.

So, to try to set this into perspective – and we have, for example, now, a wide portfolio of bike carriers, if we take that as an example, where there are several different components that we use, everything from fixtures to straps to bike arms to fixation points to lots of different things. And if we can harmonize some of those components across the product portfolio, then, of course, we have production efficiencies, more volume on fewer components.

And coupled to that, we can do more of those in-house. We can be efficient and use our manufacturing capacity that we have quite a bit unutilized today. So, that gives us some scale. And then, very nicely, it also gives us at least the opportunity to shorten product development lead times.

So, if you have, let's call it, a library of components that we know work with a certain set of conditions and product niches, then it gives the development team lots of good options to at least use these components if they prefer to instead of developing new ones.

So, there's, for sure, been cost and time efficiencies to be had here by thinking more platform thinking, as we call it internally.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Q

Yeah. And is it correct to assume that that entire sort of project is more sort of going live as we speak or is that sort of in a gradual process through the year?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

No. We've introduced a few things during the year, for sure. But, I think, next year is the year where we will start to see production lines being in place to do this at the bigger scale. So, it is more ahead of us than it is in the current P&L, if that's – to put it very bluntly.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Q

Yeah.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

So, it's a nice structured initiative.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Q

And then just...

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

It's a little bit – bit more engineering driven than sort of any sort of specific cost initiative, but will for sure support the gross margin development going forward.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Yeah. And then, maybe just a follow-up. I don't know if you said it or not, coming back to the US, but just for clarification, your direct-to-consumer channel in the US, was that growing in Q3?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Overall, I mean, D2C has been challenged as all the markets. I actually don't have the number in front of me, but I do believe it.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Okay.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

It was also stressed, but it is – let's put it like this, Daniel, it's better than the retail channel across every single market that we operate in. So, the sort of end consumer is still cautious, but there is for sure this retail inventory effect in any market that we look at and that we can get back to you with specific numbers if we have them. But that's the trend

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Yeah. That's all for me. Thank you.

Operator: Thank you. Our next question is from Gustav Hagéus with SEB. You may ask your question.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Hi. Sorry. Time is running out. Didn't realize it was [ph] five past one, was (01:05:18) going to give that question. But a quick one, given that the current development and the recent development in the organic volume, I'm just curious to hear about you're currently investing in the Polish manufacturing plants with automation. That's one of the key investments. I would assume that automation brings higher margins as volume grows.

In a scenario, I'm not saying this will be the case, but in a scenario we don't grow the volume from here, as you launch the new warehouse, is it still an acceptable return on those investments?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Yeah. Hi, Gustav. Yeah. I can say the base calculation is without volume increase. So, the savings that we talk about are basically without volume increase. And then, if there is volume increase, the return gets better. So, yeah, we think it's good returns without volume increase.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Thanks. Thank you.

Toby James Lawton

Chief Financial Officer, Thule Group AB

And then, with this – to add to it, Gustav, what was happening is of course, we created an automated warehouse, but it's also a bigger warehouse so we can close other warehouses. So, in total, it makes for a more efficient setup, close third-party warehouses, I should say.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Thank you.

Operator: Thank you. There are no further question at this time. I'll pass the conference back to Mattias Ankarberg for any further remark.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Thank you very all for joining. Look forward to talk to you again at the Q4 report. But, hopefully, before that, see you at the Capital Markets Day on November 20. Thank you very much.

Operator: That concludes Thule quarter three interim report. Thank you for your participation. You may now disconnect your line.

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