

Year End Report 2019

February 12, 2020

Magnus Welander, CEO

Lennart Mauritzson, CFO



**Thule Group** »

# 2019/Q4 – End of year in line with expectations

- Net sales of SEK 1,211m (1,157)
  - +4.7% (+0.6% excluding currency effects)
  - Region Europe&ROW +4.2%
  - Region Americas -5.7%
- Underlying EBIT of SEK 71m (64) and Underlying EBIT margin of 5.9% (5.5)
- Restructuring costs of SEK 24m included in EBIT of SEK 47m (64)
- Net income of SEK 30m (44)
- Earnings per share of SEK 0.29 (0.42)
- Cash flow from operating activities of SEK 174m (16)
- Proposed ordinary dividend of SEK 7.50 per share (7.00)

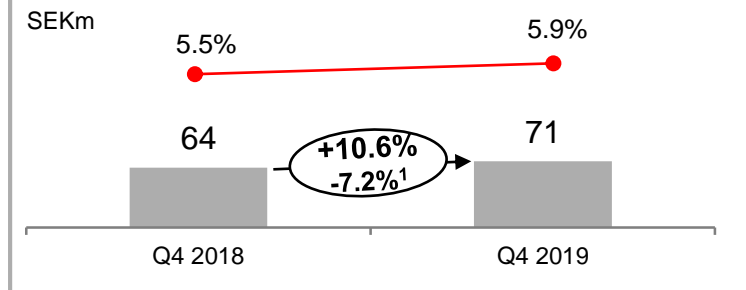
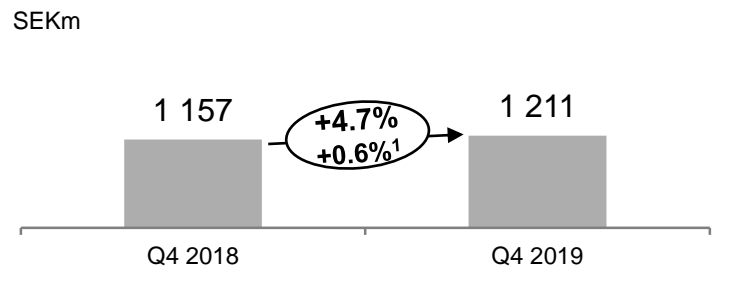


# 2019/Q4 – Net Sales and Underlying EBIT development

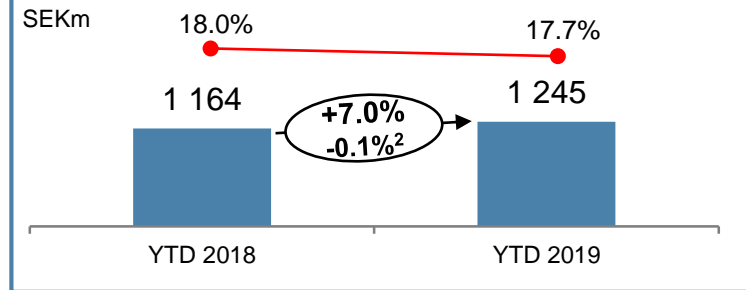
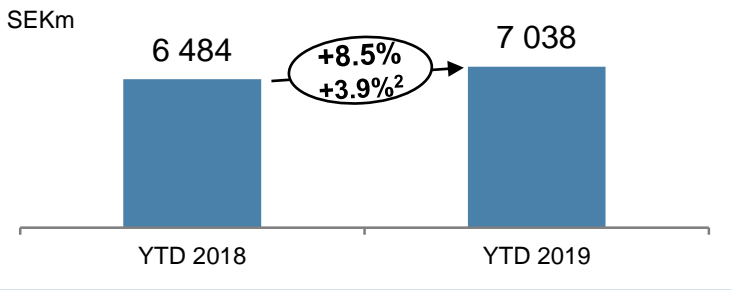
## Reported Net Sales

## Underlying EBIT and Margin

Q4



YTD



Note: EBIT adjusted for non-recurring items & depr/amort on excess values. <sup>1</sup> Constant currency adjustment based on average FX rates 1 October 2019 – 31 December 2019.

<sup>2</sup> Constant currency adjustment based on average FX rates 1 January – 31 December 2019.

# 2019/Q4 – Key Events

- Acquisition of niche player in Fishing Rod Vaults
  - Denver Outfitters, niche player with sales below USD 1m, but still the leading N. American player in Fly Fishing Rod Vaults
  - Acquisition is not expected to have any material impact
  - The Fishing Rod Vaults will be rebranded Thule in 2020 and sales will be reported under the Sport&Cargo Carriers category
- Communicated restructuring in N. America implemented
  - One-off costs of SEK 24m
  - Estimated annualized savings of SEK 25m
- Key Luggage collection launches
  - Thule Crossover 2 Luggage collection
  - Thule Subterra luggage extensions with Spinners
- Premium Roof Box Thule Vector launched
- SEK 100m expansion of global development & test center initiated in Sweden (to be completed spring 2021)
- Thule brand recognized at Red Dot awards in November
  - Best of the Best award in Brand Communications
  - Best Outdoor Brand award in Brand Communications

IMAGE: Denver Outfitters Fly Fishing Rod Vault



# 2019/Q4 and Full Year - Sales by Region

SEKm	Oct-Dec		Change		Jan-Dec		Change	
	2019	2018	Rep.	Adjust. <sup>1</sup>	2019	2018	Rep.	Adjust. <sup>1</sup>
Net sales	1 211	1 157	4,7%	0,6%	7 038	6 484	8,5%	3,9%
- Region Europe & ROW	797	741	7,4%	4,2%	5 057	4 632	9,2%	6,1%
- Region Americas	414	415	-0,3%	-5,7%	1 980	1 852	6,9%	-1,2%

<sup>1</sup> Adjusted for changes in exchange rates

## Region Europe&ROW

- 2019/Q4: +4.2 % currency adjusted
  - Strong quarter in RV Products and within Luggage with the launch of Thule Crossover 2 driving sales in South East Asia
  - Strong sales in Germany, UK and Eastern Europe
  
- 2019 FY: +6.1 % currency adjusted
  - Strong growth continues in Active with Kids (+15%)
  - Packs, Bags & Luggage growth of +7% driven by Luggage
  - RV Products growth outperforming market growth again
  - Good growth in all major markets, except Nordic region

## Region Americas

- 2019/Q4: -5.7% currency adjusted
  - Excluding the planned phase-out of low margin OE-contracts a decline of -3.3% currency adjusted
  - US weak performance, while Canada very strong
  
- 2019 FY: -1.2% currency adjusted
  - Excluding planned phase-out of low margin OE-contracts growth of 1.4% currency adjusted
  - Solid growth in Canada and Brazil, while US and other Latin Americas countries were more challenged

# 2019 Full Year – Sales Development by Product Category

## Sport&Cargo Carriers



## RV Products



## Packs, Bags & Luggage



## Active with Kids



Share of  
Thule Group  
Sales 2019  
(2018)

**63%**  
(64%)

**15%**  
(14%)

**12%**  
(12%)

**10%**  
(10%)

Share of  
Regional  
Sales 2019  
(2018)

Europe&ROW  
**59%**  
(62%)

Americas  
**71%**  
(71%)

Europe&ROW  
**21%**  
(19%)

Americas  
**1%**  
(1%)

Europe&ROW  
**8%**  
(8%)

Americas  
**21%**  
(21%)

Europe&ROW  
**12%**  
(11%)

Americas  
**7%**  
(7%)

Sales Growth  
2019 vs 2018  
(Constant Currency)

**+1%**  
**+2%**

**-1%**

**+13%**  
**+13%**

**+9%**

**+2%**  
**+7%**

**-2%**

**+11%**  
**+15%**

**-3%**

# Sport&Cargo Carriers – Stable platform as the market leader

- Growth of +1% in 2019 in constant currency (growth excl. phased out low-margin OE-contracts +2%)
  - Region Europe&ROW +2%
  - Region Americas -1% (+2% excl. OE-contract phase-out)
- 2019 – Continuing to enhance best portfolio in the market
  - Phase out of low-margin OE-contracts in US finalized
  - US Retail environment shaky due to tariffs on Chinese goods and changes in consumer's purchasing patterns
  - Bike Carriers: Strong EU market, but US bike retail hurt by tariffs
  - Roof Racks: Slow start due to phase-out of old generation
  - Boxes: Specific campaign in 2018/H1 tainting 2019 comparison
  - Roof Top Tents: Successful start (70 MSEK, +22%)
  - Acquisition of small Fishing Rod Vault company in December
- Focus 2020 – Drive higher growth using our core strengths
  - Finalizing roll-out of New Roof Rack Generation
  - Market share gains with updated roof box assortment
  - Win share in what we expect to be a more stable US Bike market
  - Continue to grow the Roof Top Tent and Fishing Rod categories



IMAGE: Thule Vector premium roof box launched in 2019/Q4

# RV Products – Continued market share gains in strong European market

- Growth of +13% in 2019 in constant currency (RV market in Europe estimated growth of +7-8%)
- 2019 – Market share gains in strong European market
  - 95% of Thule Group sales in this category is in Europe
  - Europe: +13% in a market we estimate grew with 7-8% shows that our formula of leading brand, great products and close partnership with OE manufacturers works
  - Americas: small base, but growing sales with target on small niche of premium products for small RVs
- Focus for 2020 – Growth with best-in-class products
  - Industry estimates are low single digit growth in Europe, with Germany as strongest market, while more challenging in other markets such as UK and S. Europe
  - Successful product launches to drive market share gains
  - Focused Key Account Management



IMAGE: Smaller RV & Van segment was the fastest growing sub-category in 2019



# Packs, Bags & Luggage – Growth in categories where focus for the future is

- Growth of +2% in 2019 in constant currency
  - Region Europe&ROW +7%
  - Region Americas -2%
- 2019 – Focus categories for the future performing well
  - Focus categories grew with +10%
  - Luggage – Growth with new listings, expanded offer in current collections and new collections
  - Everyday backpacks – Growth with new listings and launches
  - Sport&Outdoor Packs – Stable growth as we broaden assortment
- 2019 – Legacy&OE categories continued double-digit decline
  - Legacy&OE sales declined with -12%
  - 29% (34%) of Packs, Bags & Luggage category in 2019
  - Majority of these sub-categories sold in the US
- Focus 2020 – Growth in Luggage, Backpacks and Sport&Outdoor Packs
  - Continued broadened offer in Luggage with 2 additional collections
  - Several new everyday laptop backpack models
  - Legacy&OE – continue to manage decline cost efficiently

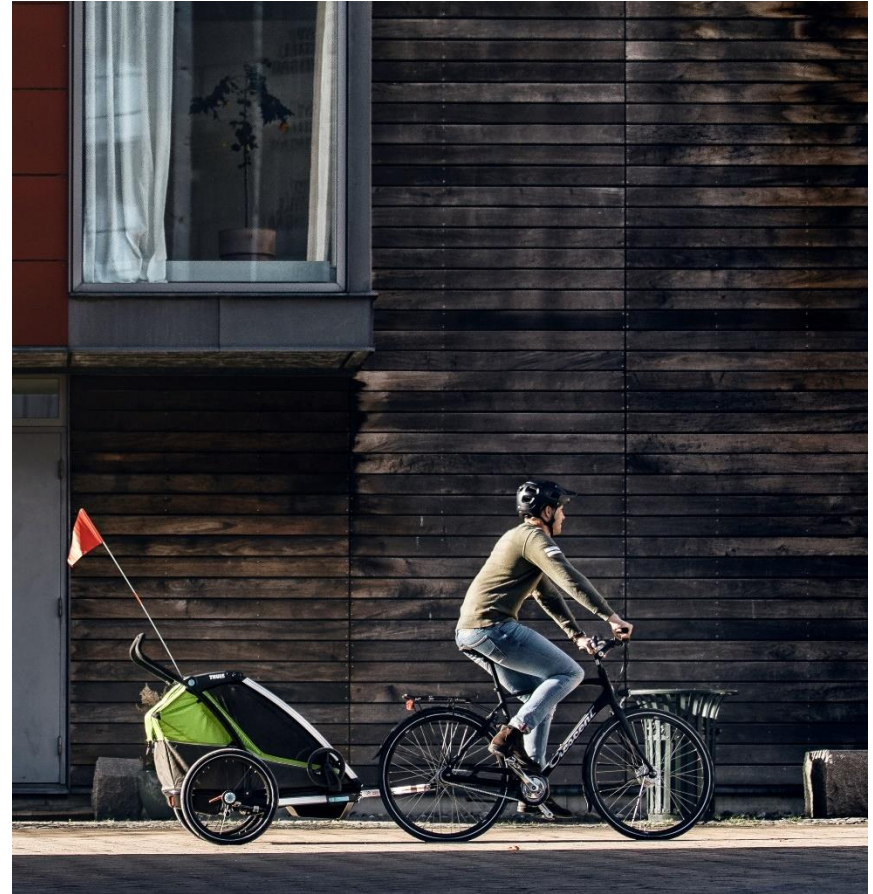
IMAGE: Thule Subterra (launched 2017), expanded with Spinners in 2019/Q4



# Active with Kids – Strong growth in Europe

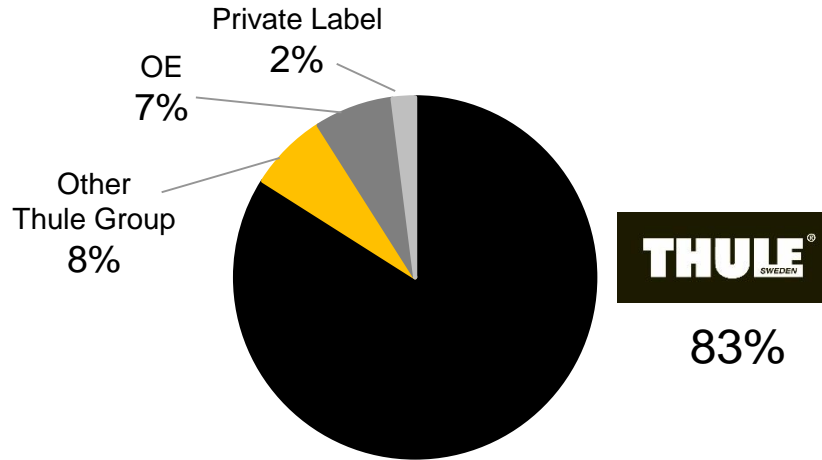
- Growth of +11% in 2019 in constant currency
  - Region Europe&ROW +15%
  - Region Americas -3%
- 2019 – Europe&RoW performing, but US disappointing
  - Europe: Strong performance in bike trailers and strollers with continued broadened distribution
  - North America: headwind for Strollers
    - Successful jogging stroller Thule Urban Glide 2 declined due to heavy discounting by major competitor that we did not chose to follow
    - New Thule Sleek not listed in as many retailers as we targeted
- Focus for 2020 – Continued push in all sub-categories
  - Multisport & Bike trailers & child bike seat – continued push with great portfolio
  - Strollers:
    - Regain growth in N. America of jogging stroller Thule Urban Glide 2
    - Strong growth push with commercial launch of Thule Spring, first true global “every-day” stroller in our offer

*IMAGE: The Thule Chariot collection of multisport bike trailers continued to grow fast*



# The Thule brand continues to grow and become more recognized globally

## Share of Sales by Brand (2019)



- Thule brand sales continues to grow in 2019
  - Thule branded sales grew 6% in constant currency
  - Thule brand share of sales grew from 81% to 83%
- Additional sub-categories under Thule brand in 2020
  - Roof Top Tents
  - Fishing Rod Vaults

## Continued Market Recognition (2019)



- Red Dot Award Brand Communication
  - Best of the Best
  - Best Outdoor Brand
- Numerous Design and Category wins
  - IF Product Design / Red Dot: Thule Vector and Thule Revolve
  - Best Brand Awnings and Bike Carriers in RV industry (König Kunde Award)

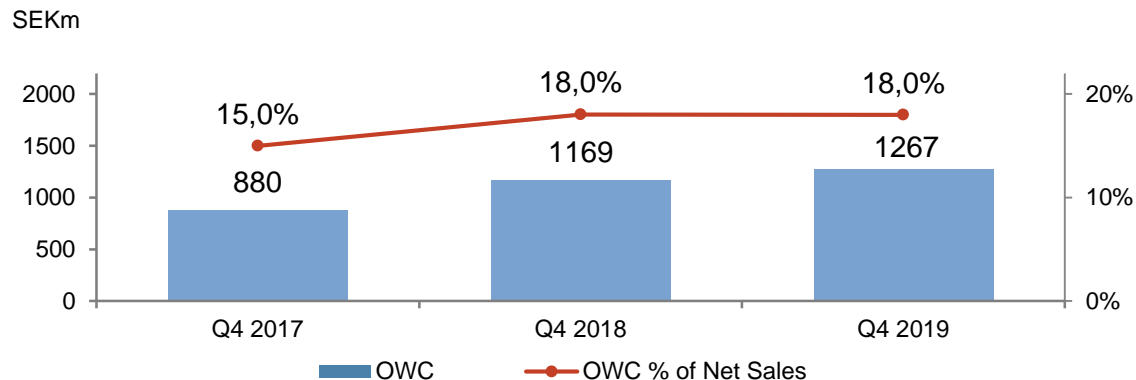
# 2019/Q4 and Full Year – Reported Income Statement

SEKm	Q4 2019	Q4 2018	YTD 2019	YTD 2018
<b>Net sales</b>	1 211	1 157	7 038	6 484
Cost of goods sold	-748	-720	-4 209	-3 858
<b>Gross income</b>	<b>463</b>	<b>437</b>	<b>2 829</b>	<b>2 626</b>
Gross Margin %	38,2%	37,8%	40,2%	40,5%
Selling expenses	-330	-286	-1 315	-1 156
Administrative expenses	-86	-87	-319	-307
Other operating expenses	0	0	0	0
<b>Operating income (EBIT)</b>	<b>47</b>	<b>64</b>	<b>1 195</b>	<b>1 163</b>
EBIT Margin %	3,9%	5,5%	17,0%	17,9%
Financial expenses/revenue	-14	-8	-49	-48
<b>Income before taxes</b>	<b>33</b>	<b>56</b>	<b>1 146</b>	<b>1 114</b>
Taxes	-3	-13	-263	-277
<b>Net income</b>	<b>30</b>	<b>44</b>	<b>883</b>	<b>837</b>
<b>Net income pertaining to:</b>				
Shareholders of Parent Company	<b>30</b>	<b>44</b>	<b>883</b>	<b>837</b>

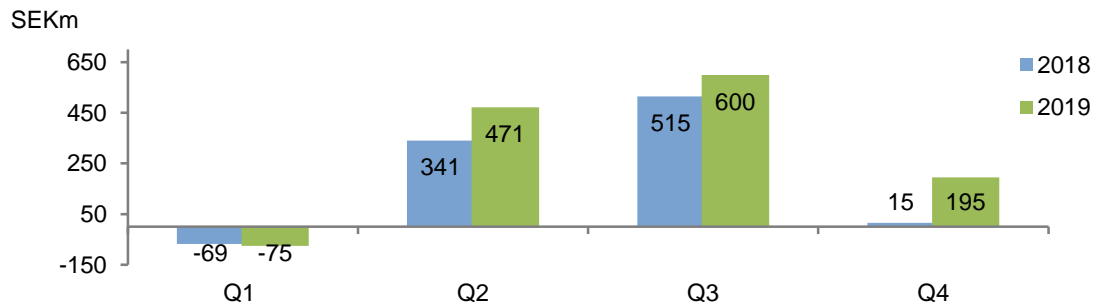
- Gross Margin slightly down for the year, fx adjusted down 0.6 percentage points
  - Negative impact from Chinese tariffs for US purchased goods
  - Under absorption due to lower production volumes
- EBIT margin at 17.0 % (17.9)
  - Underlying EBIT margin at 17.7 % (18.0)
  - Overhead burdened by a product recall provision of SEK 25m and a restructuring provision of SEK 24m
  - Continued major initiatives within sales&marketing and development in order to fuel future growth
- Tax rate at 22.9 % (24.9) for the year
- Low IFRS 16 impact on IS
  - EBIT SEK +9m
  - Fin. Exp SEK -9m

# 2019/Q4 – Operating Working Capital and Operational Cash Flow

## Operating Working Capital



## Operational Cash Flow



### Operating Working Capital

- Operating working capital, 31 Dec. 2019:
  - Inventory: SEK 1 092m (1 078)  
whereof currency SEK 30m
  - Accounts receivables: SEK 704m (655)  
whereof currency SEK 17m
  - Accounts payable: SEK 529m (564)  
whereof currency SEK 14m
- Currency effect SEK 33m vs prior year – OWC excl currency impact = 17.5%
- Inventory increased since Q3 by SEK 115m (216)
- AR in line with sales growth

### Operational Cash Flow

- Q4 operational cash flow SEK 195m (15), an increase by SEK 180m vs PY
  - Increase due to higher earnings and improved Operating Working Capital
  - CapEx SEK 58m (54) in Q4, YTD we are at slightly lower levels vs PY SEK 161m (178)
- YTD operational cash flow SEK 1 190m (802), an increase by SEK 388m vs PY

## 2019 Full Year – Performance vs. Financial Targets

Organic Growth	≥ 5%	Constant Currency Net Sales Growth (excl. Acquisitions) <b>+2.9%</b>	
Underlying EBIT Margin	≥ 20%	<b>17.7%</b>	2018 at <b>18.0%</b>
Net Debt / EBITDA	1.5-2.5x	<b>1.5x</b>	2018 at <b>1.6x</b> (2019 excl. IFRS16 at <b>1.4x</b> )
Dividend Policy	≥ 50%	<b>88%*</b>	* Ordinary dividend of <b>SEK 7.50 per share</b> (7.00) proposed by the Board

# 2020 Focus – We continue to drive our growth strategy

- Growth focused strategy remains unchanged
  - Drive profitable organic sales growth via great products
  - Strengthen the Thule brand by using the motto *Bring your life*
  - Become a serious contender in Strollers & Luggage
  - Utilize strong back-end organization to drive cost efficient growth
- Product portfolio and development push to fuel growth
  - Several large development projects in Strollers and Luggage
  - Volume ramp-up of key Sport&Cargo Carriers launches
  - Spend just below 6% of sales
- Continuous improvements in our Supply Chain set-up
  - Gain efficiencies in process improvement projects implemented during 2018-19 in 6 out of 9 plants
- Increased roll-out of sales supporting tools for retail
  - Further updates of category specific on-line sales tools
  - Continued roll-out of new sales tools for expanding on-line and Brick&Mortar Retail Partner Program
- Strong cash generation that enables M&A and increased dividends

*IMAGE: Thule Spring stroller launched in stores globally in February 2020*



Q&A





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