

A photograph of two cross-country skiers on a snowy slope. The skier in the foreground is pulling a black and orange Thule sled. Both skiers are wearing winter gear and using poles. The background shows a vast, snow-covered landscape under a bright blue sky with the sun high in the frame.

Year End Report 2018

February 13, 2019

Magnus Welander, CEO

Lennart Mauritzson, CFO

**Thule Group** »

## 2018/Q4 – Continued strong sales in smallest quarter for the year

- Net sales of SEK 1,157m (1,006)
  - +15.0% (+8.0% excluding currency effects)
  - Region Europe&ROW +13.0%
  - Region Americas +0.2%
- Underlying EBIT of SEK 64m (65) and Underlying EBIT margin of 5.5% (6.5)
- Net income, continuing operations of SEK 44m (-40)
- Earnings per share, continuing operations of SEK 0.42 (-0.39)
- Cash flow<sup>1</sup> from operating activities of SEK 16m (209)
- Proposed ordinary dividend of SEK 7.00 per share (6.00)

<sup>1</sup> Based on total operations meaning both continuing and discontinued operations.

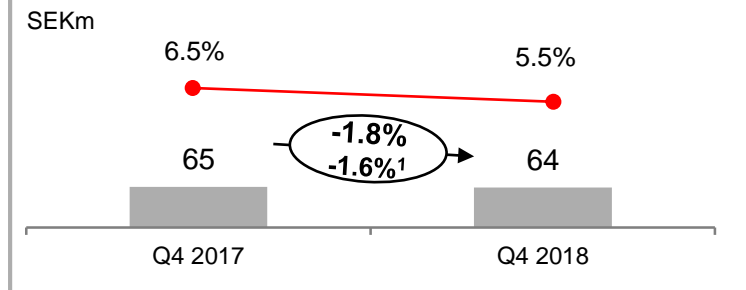
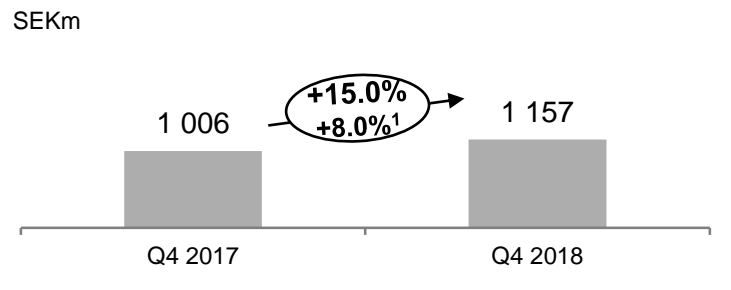


# Q4 & FY 2018 – Net Sales and Underlying EBIT development

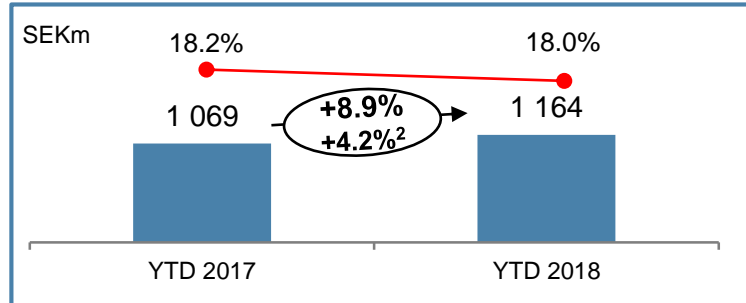
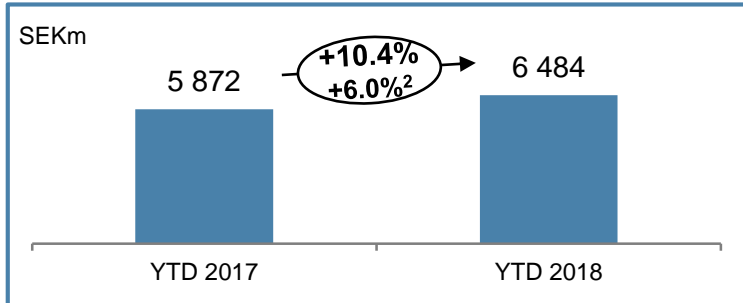
## Reported Net Sales

## 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 - 31 December 2018. <sup>2</sup> Constant currency adjustment based on average FX rates 1 January - 31 December 2018.

# 2018/Q4 – Key Events

- Overlanding category entry for Thule Group via acquisition of Tepui outdoors Inc. for 9.5 MUSD
  - Overlanding is a growing trend and Roof Top Tents offer a great way to utilize standard cars for Overlanding and Thule Roof Racks are often used
  - Tepui with USD 6.1 Mio in sales a leading N. American player
  - Strong strategic fit and synergies
  - Acquisition is not expected to have a material impact
  - Roof Top Tents will be reported under Sport&Cargo Carriers
- Continued plant and DC improvements
  - German roof box plant complete lay-out change and new processes implemented in October
  - E. Europe Distribution Centre expansion in Huta, Poland (+6,000 sqm, +60%) opened in October
- Thule brand continues to win recognition
  - Leading department stores Le Bon Marche (Paris) and KaDeWe (Berlin) lists Thule luggage in December
  - Thule VeloSlide bike carrier for RVs wins prestigious European Innovation Award for Vehicle Equipment
  - Thule Urban Glide 2 stroller selected as example of great design in Swedish National Museum's permanent collection



# 2018/Q4 and Full Year - Sales by Region

SEKm	Oct-Dec		Change		Jan-Dec		Change	
	2018	2017	Rep.	Adjust. <sup>1</sup>	2018	2017	Rep.	Adjust. <sup>1</sup>
Net sales	1 157	1 006	15.0%	8.0%	6 484	5 872	10.4%	6.0%
- Region Europe & ROW	741	628	18.1%	13.0%	4 632	3 983	16.3%	10.3%
- Region Americas	415	378	9.8%	0.2%	1 852	1 889	-1.9%	-3.3%

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

## Region Europe&ROW

- 2018/Q4: Sales growth +13.0 % currency adjusted
  - Pack, Bags & Luggage decreased due to Legacy products (camera bags and tablets), while all other categories grew
  - Strong sales in Nordics, Germany, BeNeLux and Eastern Europe
- 2018 FY: Sales growth +10.3 % currency adjusted
  - Strong performance in all categories except Packs, Bags & Luggage
  - Good growth in all key markets

## Region Americas

- 2018/Q4: Sales growth +0.2% currency adjusted
  - Excluding planned phase-out of low margin OE-contracts growth of +4.4% currency adjusted
  - US the most challenged market, while Brazil and Canada were strong
- 2018 FY: Sales decline with -3.3% currency adjusted
  - Excluding planned phase-out of low margin OE-contracts a decline of -0.2% currency adjusted
  - Strong performance in all categories except Packs, Bags & Luggage, when excluding planned phase-out of low margin OE-contracts
  - Solid growth in Canada and Brazil, while US and other Latin Americas countries were more challenged

# 2018 Full Year – Sales Development by Product Category

## Sport&Cargo Carriers



## Packs, Bags & Luggage



## Active with Kids



## RV Products



Share of  
Thule Group  
Sales 2018  
(2017)

**64%**  
(65%)

**12%**  
(14%)

**10%**  
(8%)

**14%**  
(13%)

Share of  
Regional  
Sales 2018  
(2017)

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

Americas  
**71%**  
(70%)

Europe&ROW  
**8%**  
(9%)

Americas  
**21%**  
(23%)

Europe&ROW  
**11%**  
(10%)

Americas  
**7%**  
(6%)

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

Americas  
**1%**  
(1%)

Sales Growth  
2018 vs 2017  
(Constant Currency)

**+5.2%**

**-7.4%**

**+21.7%**

**+13.6%**

**+9%**

**-2%**

**-3%**

**-11%**

**+24%**

**+13%**

**+14%**

**+2%**

# Sport&Cargo Carriers – Continued strong growth as market leader

- Growth of +5% in 2018 in constant currency (growth excl. phased out low-margin OE-contracts +6%)
- We continue to grow market leading position, driven by:
  - Successful product launches
  - Strong delivery performance
  - Improved retail support
- Key product launches during 2018
  - New roof rack generation (Phase 1)
  - Thule Force XT roof box
  - Thule EasyFold XT – top-of-line tow-bar mounted bike carrier
- 2018 - Strong performance in both Regions
  - Europe&ROW: growth with +9%
  - Americas: Decline with -2% (flat excluding phasing out of low margin OE-contracts)
- Focus 2019 - Continue to build on same core strengths
  - Roll-out of Phase 2 of New Roof Rack Generation
  - Market share gains with updated roof box assortment
  - Strong delivery performance
  - Improved retail support



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

- Decline of -7% in 2018 in constant currency (decline excl. phased out low-margin OE-contracts -4%)
- The category performance differs by sub-category
  - Legacy&OE - continued double-digit decline as expected
  - Everyday backpacks & Luggage – Growth with new listings
  - Sport&Outdoor Packs - fast growth as we gain credibility
- Key product launches during 2018
  - Thule AllTrail hiking backpacks
  - Thule Vital hydration backpack
  - Thule Lithos and Thule Accent everyday backpacks
- 2018 – Small decline in both Regions
  - Europe&ROW: decline with -3% due to Legacy category decline
  - Americas: decline with -11%, excluding phasing out of low-margin OE-contracts decline was -5% due to Legacy category decline
- Focus for 2019 – Growth plans in Luggage & Sport Packs
  - As we enter the year 34% (42% in 2017) of the category sales is within Legacy & OE sub-categories
  - Legacy & OE sales expected to continue to decline with double digits, while we expect to grow in remaining categories





# Active with Kids – Very strong growth driven by successful launches

- Growth of +22% in 2018 in constant currency
- Great performance in all three sub-categories
  - Bike / Multisport Trailers – Fast growth with Thule Chariot collection
  - Child Bike Seats – Updated portfolio continues to grow
  - Strollers – Continued increased store placements and sales
- Key product launches during 2018
  - Thule Urban Glide 2 – 2<sup>nd</sup> generation of award winning all-terrain stroller
  - Thule Sleek – Our first 4-wheel stroller
- 2018 - Strong growth across the world
  - Europe&ROW: growth with 24% driven by big bike trailer gains and stroller launches
  - Americas: growth with 13% driven by stroller launches
- Focus for 2019 – Continued push in all sub-categories
  - Multisport trailers & child bike seat - continued push with great portfolio
  - Strollers - Strong growth push with full-year effect of Thule Sleek and the new Thule Sleek Black-on-Black edition launched in 2019/Q2



# RV Products – Big market share gains in hot market

- Growth of +14% in 2018 in constant currency (RV market in Europe estimated growth of +9%)
- Great performance in the niches where we are No.1
  - Successful product launches
  - Strong delivery performance in booming market
- Key product launches during 2018
  - Thule VeloSlide bike carrier
  - Several updated Awning models
- 2018 - Europe region delivers another great year
  - Europe&ROW: growth with 14% in a market we expect grew with 9% 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 in a lower-end market for our core products awnings, despite very shaky US market
- Focus for 2019 – Growth with best-in-class products
  - Successful product launches to drive market share gains
  - Strong delivery performance in a market we expect to grow, but at slower pace



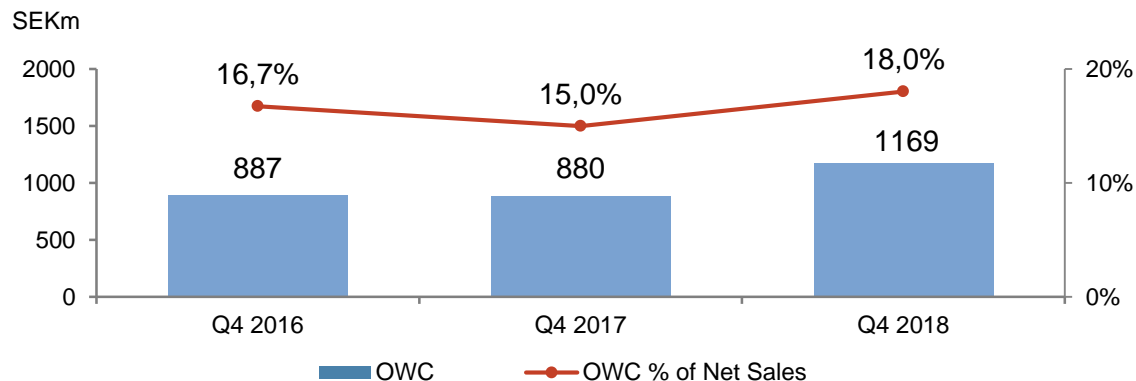
# 2018/Q4 and Full Year – Reported Income Statement

SEKm	Q4 2018	Q4 2017	YTD 2018	YTD 2017
<b>Net sales</b>	1 157	1 006	6 484	5 872
Cost of goods sold	-720	-608	-3 858	-3 455
<b>Gross income</b>	<b>437</b>	<b>398</b>	<b>2 626</b>	<b>2 416</b>
Gross Margin %	37,8%	39,6%	40,5%	41,2%
Other operating revenue	0	-0	0	4
Selling expenses	-286	-252	-1 156	-1 053
Administrative expenses	-87	-81	-307	-300
Other operating expenses	0	0	0	0
<b>Operating income (EBIT)</b>	<b>64</b>	<b>65</b>	<b>1 163</b>	<b>1 067</b>
EBIT Margin %	5,5%	6,5%	17,9%	18,2%
Financial expenses/revenue	-8	-16	-48	-52
<b>Income before taxes</b>	<b>56</b>	<b>49</b>	<b>1 114</b>	<b>1 015</b>
Taxes	-13	-89	-277	-325
<b>Net income from continuing operations</b>	<b>44</b>	<b>-40</b>	<b>837</b>	<b>690</b>
Net income from discontinued operations	0	-1	0	17
<b>Net income</b>	<b>44</b>	<b>-41</b>	<b>837</b>	<b>707</b>
<b>Net income pertaining to:</b>				
Shareholders of Parent Company	44	-41	837	707

- Gross Margin slightly down for the year, fx adjusted down 0.4 percentage points
  - Continued negative raw material prices and ramp up costs related to product launches
- SG&A decreases as percentage of sales
  - Despite major initiatives within sales- and marketing and product development in order to fuel future growth
- Lower financial expenses
  - New financing in place with lower borrowing costs
- Tax rate at 24.9 % for the year

# 2018/Q4 – Operating Working Capital and Operational Cash Flow

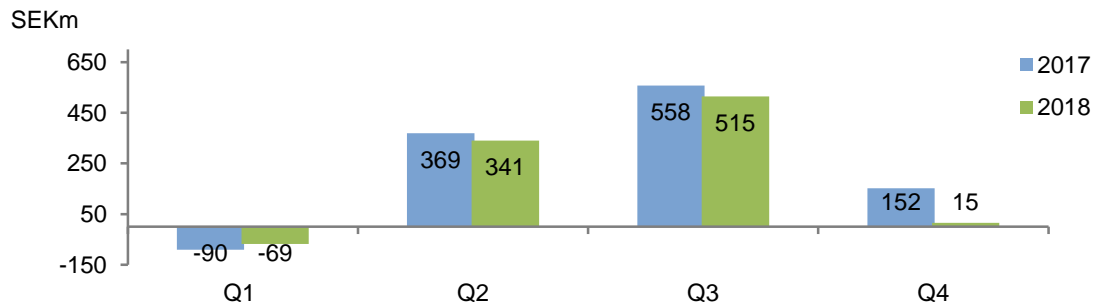
## Operating Working Capital



## Operating Working Capital

- Operating working capital, 31 Dec. 2018:
  - Inventory: SEK 1 078m (819) *whereof currency SEK 31m*
  - Accounts receivables: SEK 655m (580) *whereof currency SEK 26m*
  - Accounts payable: SEK 564m (519) *whereof currency SEK 20m*
- Currency effect SEK 38m vs prior year
- AR in line with sales growth
- Increased inventory due to product launches and preparations for early 2019 sales season

## Operational Cash Flow



## Operational Cash Flow

- Q4 operational cash flow SEK 15m (152), a decrease by SEK 136m vs PY
- Decrease due to higher Operating Working Capital
- CapEx SEK 178m (144) – major investments due to New Roof Racks in Hillerstorp, SE and extension of DC in Huta, PL

# 2018 Full Year – Performance vs. Financial Targets

Organic Growth	≥ 5%	<p>Constant Currency Net Sales Growth (excl. Acquisitions)</p> <p><b>+6.0%</b></p>	
Underlying EBIT Margin	≥ 20%	<b>18.0%</b>	2017 at 18.2%
Net Debt / EBITDA	1.5-2.5x	<b>1.6x</b>	1.5x (2017/Q4)
Dividend Policy	≥ 50%	<b>86%*</b>	* Ordinary dividend of <b>SEK 7.00 per share</b> (6.00) proposed by the Board

# 2019 – Continued strong growth with enhanced product portfolio

- Strategy has worked and 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 future growth
  - Several large development projects in Strollers and Luggage
  - Volume ramp-up of key Sport&Cargo Carriers launches
  - Spend at around 6% of sales
- Continuous improvements in our Supply Chain set-up
  - Gain efficiencies in process improvement projects implemented during 2018 in plants in Poland, Germany and UK
  - Finalize plant improvement projects in Belgium, Sweden and US during the year to gain further efficiencies in 2020
- Increased roll-out of sales supporting tools for retail
  - Further updates of category specific on-line sales tools
  - Continued roll-out of new Retail Partner Program for Brick&Mortar
- Strong cash generation that enables M&A and dividends



Q&A



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