



Thule Group Interim report Q3, July-September 2024

Wednesday, 23rd October 2024

Presentation

Mattias Ankarberg

CEO, Thule

Thank you very much and welcome everybody to this quarterly call. I am also joined here as usual by Toby Lawton, our CFO, and we will speak to the presentation also available in our website. I'll start off on page two. The third quarter of the year is a good quarter for us despite the continued tough consumer market. We grow by 4% organically in the year, more in region Europe and the rest of the world, 6% and 1% in Americas. We will get back to market conditions, but we continue to see a better market in Europe than in North America and we continue to see the growth coming from new Thule products, driving growth even though the market is tough and also from bike-related products where the market is better. We have a strong gross margin of close to 43% in the quarter and we have a EBIT margin of 17.6%, which is the highest ever EBIT margin for a third quarter for Thule Group excluding the pandemic period years, and the total EBIT in absolute terms was 413 million; and Toby will get back to that as well.

Cashflow remains strong as for the last couple of quarters and we have cashflow from operations of almost SEK 1 billion in the quarter. A couple of highlights for the quarter and the first one is actually after the quarter finished yesterday, the semi-annual consumer test results from Europe's most important car seat test was announced and Thule was the winner in the so-called ADAC car seat consumer test. That is the big one in Europe. So we are very pleased and proud to win that. We have also continued to launch products in our second new category for the year, dog transportation. So we launched Thule Bexey, and we have also continued to grow our B2C business and have so far now opened six new countries for trading with on thule.com with two more opened in the third quarter.

On the next slide, page three, we'll summarize the long-term development for Thule Group. And for those of you who know as well, we have had a good profitable growth for many years. The graph shows the development since the IPO in 2014. And following two years with sales declined after the pandemic peak, we now continue to see another quarter adding to growth in 2024. Good to see that this year is back to good profitable organic growth. On a 12-month basis, net sales is 9.4 billion for the group, 1.6 billion of EBIT and an EBIT margin of 17.1%.

Turning to page four and going a little bit deeper into the trading in the quarter by category. We can see that several of the trends we have been seeing for the year continued in the third quarter with some nuances and updates also related to us launching new products. Starting with our biggest product category, sporting cargo carriers, the category grew by 5%. Currency adjusted in the quarter 6% year to date, and we continue to see that bike-related drives the growth. Particularly we see premium bike-related products doing really well. We have launched two new products in the quarter; one niche product which is shown on the picture, which is a so-called vertical hanging bike carrier, mainly for the America's market, which has done well; we have sold everything we have been able to produce so far. We continue to see very good sales of our most premium bike carrier tool, Epos, that was launched last year, and we have also at the end of the quarter upgraded our bestselling tool, EasyFold bike carrier, which also has a really nice start. So good growth in the premium bike-related products.

Overall, the market for sporting cargo carriers continues to be tough with both cautious consumers and retailers, more so in North America than in Europe, but also in Europe. However, we, as we have seen now for several quarters, do see more healthy inventory levels in the bike sector, particularly around premium products and particularly in Europe, which helps us. PAX bags[?] and luggage declined by 4% in the quarter and 1% for the year so far. We continue to see good growth in Thule branded luggage and duffles. For example, the updates we have done this year to the Thule Aion and to the Subterra products. And we also continue to see good growth in bike-related bags products, but we also as previous quarters see decline in legacy products as the exit of those categories continues.

If we move forward to page five, we will cover the last two product categories. The strongest growth in any product category in the quarter was in Juvenile & Pet, where net sales increased by 15%, the 9% for the year. And this is the category we have had a lot of newness this year. We in the quarter launched an updated generation of our multisport and bike trailer, Thule Chariot, which has been really well received by the market and the consumers and driven very nice sales growth for us in the quarter. We did a big update to our new generation Thule Urban Glide 3 during earlier part of the year, which continues to perform really well, and we see good growth in strollers also in the third quarter. Dog transportation is a new category for the year. We continue to see good performance of the dog crate, Thule Allax, and continue to take market share; and we also launched Thule Bexey, our first bike trailer for dog transportation in the quarter, which also added new sales.

And last but not least, we have entered into car seats. We moved into three markets, Germany, Austria, Switzerland at the end of May and then added Belgium and Netherlands and Luxembourg in September, which also of course adds new sales in this category. So a lot of newness and 15% sales growth in Juvenile & Pet in the quarter, which we are pleased about.

RV products is a mixed picture. Net sales in total were flat compared to last year in RV products and it's down 2% year to date so far. As we have talked about several quarters earlier, the RV industry is going through a weaker period, but we do see two opposite trends in the quarter where we see a decline in sales to OE customers, manufacturers and vehicle outfitters. But that sales decline is offset by return to growth in the dealer channel, the channel that is closer to the consumers. So overall resulting in the flat development. Particularly, we also see in this RV category that the growth is mainly coming from bike-related products in the aftermarket channel.

So I would like to then on page six give you a bit of a further update on the car seats launch. Firstly, just to let you know where we are, we have continued the launch. The first product was in the market in May and we will continue the launch in the third quarter and we'll continue in the fourth quarter. Before stepping into the timeline, maybe just to remind everybody that we are a product oriented company, our primary focus is to deliver a great product up to Thule standard, and we do feel we have launched innovative products in a fairly established product category. We clearly focus on safety, we clearly focus on ease to use and we also think, at least in our view, that we have produced a product which is well-designed. Overall three products launched to the market end of May, a base, an infant seat and a toddler seat in Germany, Austria and Switzerland; good reception, six international product design awards even before the product was launched. And then the rollout continued with

opening up Belgium, Netherlands, and Luxembourg during September 2024. We have had just as in the German speaking markets a nice reception. We have had good placement with the most important premium retail partners that we are looking to enter with. We have had good positive receptions with PR, both more juvenile-focused media but also broad media and also with ambassadors. The rollout will continue across European markets and a few others connected to the European standards. So over 20 countries now in November 2024. And it is nice to see the good start and the good reception and now the long-term work to build this market position will continue. As the last comment also say that we do have more products in the pipeline both for the European and the North American markets and we will in 2025 launch our first high back booster seats for children of a little bit higher age.

On the following page, page eight, also take the opportunity to update you on the outcome of the so-called ADAC test, the most recognised car seat consumer test in Europe and probably the world which was announced yesterday. And this is the big one and we are very proud to say that Thule came out as the winner in the test. The test is based on three areas, it is safety, it is ease of use and it is ergonomics. And the products are scored on a scale from one to six, one being the best. And Thule received a 1.6 score for the combination of the Thule Maple and the Thule Alfi, the infant of the base bundle. This is the best score of any product tested in this October 2022 test, which of course makes us the winner, but it is also the best score of any product ever tested of this product type. So we are really proud of the team. I think it is a great testament to the product development capabilities of Thule Group, and I think it's a milestone for us in the car seats category and as a brand. So good start and a good recognition for the car seats early on.

And with that I hand over to Toby to cover financials in a bit more detail.

Presentation

Toby Lawton

CFO, Thule

Thank you Mattias. Good morning everybody. And we can turn to the income statement slide, slide eight, and I will start off showing you here the revenue in quarter three we had a revenue of SEK 2.344 billion in the quarter, which was an organic growth or an FX-adjusted growth of 4%, which means our year to date FX-adjusted or organic growth is also at 4%. Moving down the table to the gross margin, you can see we had a gross margin in the quarter of 42.9%. This is 2.8% up versus last year. The positive trend in gross profit continues. We have effects from lower material costs, which is the biggest impact; also some better mix which is driven by the new product launches in premium price points, which Mattias has talked about, and also some better overhead absorption from better production levels this year. If you move down then to the EBIT margin, you can see the EBIT margin in Q3 improved by 2.1% versus last year and this is driven by the higher gross margin.

Finally, just on the right hand side you can see for the year to date numbers. If I move to the year to date column, net interest expense was SEK 59 million so far this year, taxes SEK 339 million, which is an effective tax rate of 22.6%, so very stable effective tax rate. Then net income year to date for the year is now SEK 1.159 billion. So well over SEK 1 billion in net income so far this year.

If I flick onto the next slide, slide nine, sales by quarter. The first thing to point out here as you see the seasonality of the Thule business. You can see quarter two is actually our biggest quarter, so quarter three which we are reporting now is the tail end of the season. I can also point out obviously that Q4, the coming quarter, is clearly the smallest quarter of the year and it's the summer season in the northern hemisphere of course, which drives this for us. And if we look at the growth rates for quarter three, you can see in the box on the right that the reported currency growth was 1%, but FX adjusted its 4% in the quarter, so 4% organic growth again; and versus 2019, which is the pre-pandemic period, then it's a 30% growth.

If I move on then to the cashflow, slide 10, and here you can see that we had clearly a strong cashflow generation in the quarter. If you see the aligned cashflow from operations in the quarter, we had SEK 955 million in cashflow generation and this was driven by reduction in accounts receivables and inventory, and we continue to have a positive trend on reducing inventory this year and we expect to beat our target that we have communicated of SEK 200 million inventory reduction for the year. On the right hand side you can see the year to date numbers as well and so far the CapEx this year, just to point out the CapEx below cashflow from operations, is SEK 183 million so far this year, which means when you sum those up, a free cashflow from the operations is SEK 1.741 billion is we have generated from the operations this year after CapEx. And all this has of course a strong de-leveraging effect on our balance sheet. So the debt to EBITDA ratio at the end of quarter three 2024 has been further reduced and net debt is 0.5 times the last 12 months EBITDA.

So with that we'll hand back to Mattias.

Presentation

Mattias Ankarberg

CEO, Thule

Thank you Toby. On page 11, I want to summarise the product launch year in 2024. As you probably are aware, this is the most intense product launch year we have ever had and we have done several launches of three different types. Firstly, we have upgraded several versions of our existing bestselling product and that is an area that gives quick sales effect and it delivers good growth for us and it creates newness in the market of course. In the quarter, to give an example, we have launched a new generation of Thule Chariot, our best tile bike trailer, of course in our view the market's best multisport and bike trailer, and which has done really well for us in the third quarter. We have also launched some new innovations in existing categories. We have launched Thule Outset, the world's first towbar-mounted tent in Q2, the world's first removable awning to the sidehill in this quarter Q3. And as I mentioned earlier, Thule ReVert, vertical hanging bike carrier that is actually self-assisting, loading and unloading of bags, although you can have six bikes on the back of a car.

So new innovations in existing categories also drives newness and sales of course. And then thirdly, we have launched the two new categories in 2024. And as mentioned earlier, Thule Bexey, the dog bike trailer has been launched now in Q3 to compliment the Thule Allax, the dog crate for cars that we launched in Q1.

So we have talked a lot about new product launches and it is an important learning for this year that newness really drives growth even though the market is tough, and we will get back

at the fourth quarter conference call with the plans for 2025; but given the strong reception of newness in 2024, we will of course keep a high pace also in 2025.

On page 12, I would like to take the opportunity to talk a little bit more about updating our best sellers. We give a lot of attention and rightfully so to the new product categories, but we also see some really nice benefits from upgrading some of the existing products. And as an example, we launched an upgraded version of Thule EasyFold now generation three at the end of the third quarter. It is the world's most sold bike carrier and it just got better. Thule standard, we always try to strive to deliver the best product for the market and always improve. And this new generation has an intuitive click in click out bike arm. It makes it easier to one handed load and unload bikes. It can easily with an add-on transform from a three bike carrier to a four bike carrier, and also has a larger wheelbase that accommodates larger bikes and also larger e-bikes.

As you may be aware, we are also designing with sustainability in mind, and this is another great example where we have had good success in achieving our targets. So the new generation Thule EasyFold product has about a 50% lower CO2 emission versus the previous generation. It uses less aluminium. The aluminium it does use is largely hydropower produced and we also have increased the share of recycled plastics as part of the plastics used. So well done to the development team also on that end. It is available through selected channels this year and then more widely next year as we ramp up production volumes, and the price is about EUR 100 above the previous generation product. So a good example of how we drive newness, upgrade the portfolio, add new features, and drive a more premium price point and premium portfolio through our product development.

So summarising on page 13. It has had a good quarter in a tough market in the third quarter as we have talked about already. As we look forward both to the market and to our own priorities, a couple of comments from us. On the market side, first we expect the market trends largely to continue. So generally a continued tough market, particularly North America and particularly around the RV and even more specifically the OE or the manufacturer side of the RV business. We do see a better market situation in Europe in general and particularly for bike-related products, which we also expect to continue. And we do importantly also clearly see that new Thule products drive growth and we of course expect that to continue as well. So some nuances but largely continuation of the market trends we are experiencing at the moment.

Our own agenda stays the same. We are very focused on delivering the priorities that we set out for this year, 2024, and they are four which we have updated you on throughout the year so far. More product development is number one, more launches than ever, talked about that already; making sure we get a good start to the new categories, dog transportation and car seats; talk about being more visible for the consumer and driving growth also through actions on that end, showing more to sell more and continue to grow on D2C, and also to improve further the efficiency in our supply chain, discontinuing some external warehouse services and reducing inventory levels.

Lastly, as we now move into the fourth quarter, the high season is completed as Toby mentioned, but we do have a quite exciting fourth quarter ahead of us. We move into this quarter now with two new product categories where we have started to take market share, six new to the dot com markets on D2C to continue to add growth. We have a record number

of international design awards and just won the most recognised car seat award, which of course gives positive energy for us at Thule. And we have importantly an intense period to launch car seats in over 20 countries in November. So very exciting final quarter awaits as we wrap up the year.

With that we turn to Operator to take questions and answers.

Q&A

Operator: Thank you, Mattias. We will now start today's Q and A session. If you would like to ask a question, please press star followed by one on your telephone keypad, and if you wish to withdraw your question, then it's star followed by two. Our first question today comes from Danny Schmidt from Danske Bank. Your line is now open. Please go ahead.

Daniel Schmidt (Danske Bank): Maybe starting off with what you finished saying, Mattias, when it comes to quite exciting Q4, although it is the smallest quarter, and referring of course to the car seat launch in the rest of the EU, as I understand it also I guess the UK and Norway. Could you tell us so far what you have seen and experienced? You had the DAX[?] launch in May, you have had the Benelux launch in September, and I know that you were quite sort of deliberately cautious when it came to launching DAX, singling out a couple of premium retailers and being very strict about getting it right and so on. And how has that been developing as you get into the latter part this year?

Mattias Ankarberg: Hi, Daniel. Thank you. Yes, I can start and you may add. I think a couple of points, Daniel, to your question. Firstly of course we are pleased to see the reception overall with the awards, the test winners and to your point also that we have got very good placements with the most important sort of premium retailers. That is one. We have been really focused on getting a good start and getting that premium positioning right rather than going for volume as you are aware.

Secondly, on sort of volumes themselves, they are as we have expected, we have had good volumes in DAX the first couple of months, we have had a good sell in and the start in Belgium and Netherlands. That is good too. Of course Q4 with more markets is going to add volumes to that. The DAX and the Benelux are big markets but more than 20 new ones will of course add volumes too.

And then maybe last point is you are completely right, we are doing this to get a great start rather than to get a massive volume from the get-go. We want to make sure we get both the start and the positioning but also, just as a reminder, we are producing these products ourselves in our own factories and we want to make sure we get this production of high quality with good efficiency and trim all the sort of production lines and teams in. So there is a limitation to how much both can and will produce for the first couple of months as we ramp this up. Overall, we are very pleased with the start and really excited to launch in Q4 and very excited about 2025 when we have things more up and running so to speak.

Daniel Schmidt (Danske Bank): And the fact that you won this very prestigious test yesterday, I think it refers to the German market, which is of course probably the biggest market in Europe; is that going to be sort of a major push for you guys in the market when it comes to marketing your product in continental Europe, especially Germany? Is this adding a

lot you think or is it very good to have and gradually will be something that consumers will recognise, or is it recognized immediately?

Mattias Ankarberg: This is the big one. If there is one you want to win, it is this. It is recognised immediately across the German market. If you would do a little bit of media run through yesterday of all the major German newspapers, you will probably find an article around this. It is also very quickly picked up in the industry among premium retailers and among ambassadors in this space. It has carried over into other countries as well. We see it internally already in the Nordics and in the UK how the bus is building. So it is very, very good. Now of course there is absolutely no guarantee that the sales numbers are a direct consequence of the consumer reward, but this is a great help and a great start. We have to remind all of ourselves, this is the first product we launched and we won already, so it is a really good positive vibe for us this win.

Daniel Schmidt (Danske Bank): Yes, clearly, but just connecting that maybe then to the inventory levels which are down a lot more than what you have aimed for, and of course I appreciate that it swings a bit depending on what court you are in, but currently we are at around close to 700 million inventories being down versus the end of last year. And I guess you have some fx in that and you have some raw material in that, but also on an underlying basis it is a lot more down than I guess you anticipated. And with this launch that you have now in the rest of Europe, and of course it is only one product but it's a fairly big and it's something you produce yourself, what is sort of reasonable, where should we end up when we close the year in terms of inventories?

Toby Lawton: Yes, hi Daniel. I can take this. Toby here. But we are ahead of our expectations when it comes to inventory reduction. It has been a really good job by the team in reducing inventory. You could say it is driven by good work in terms of optimising inventory levels and also working through older inventory to reduce the aging of inventory. So it is definitely a clearly positive effect from the hard work put in. I think you could also say it is a tougher market than we hoped for, you could say. So if it was strong market growth and a bigger growth rate, we would have had to build inventory a bit more. So you could say in managing our expectations, we did not expect this kind of level of reduction, but it is clearly a positive effect. But I would say you have to bear in mind as well in Q4 we normally build up inventory. So I think we are at the low point now for sure in terms of inventory. So it will go up a bit in Q4, but we will still be well ahead of our target.

Daniel Schmidt (Danske Bank): You did well of course in this quarter, no doubt about it compared to many others, but one area which is of course a concern in the market is the RV business when it comes to the OEM side. And I think you did surprisingly well in this quarter, keeping it flat with the help of the after market. If you look into Q4, could you update us or remind us of the share of sales that normally goes to the RV segment in the Q4 and on that, is that the same split as usual when it comes the OE versus aftermarket? And how did that develop in Q4 last year? If you just want to remind us on that.

Mattias Ankarberg: I can start and then Toby can add. I think you are right about the trends, and as a quick reminder, we are mainly, we are almost exclusively in the European RV business. I think it is good to keep in mind. We did say at the previous quarters call that we did see some positive signs in the aftermarket or sort of dealer wholesaler side, but starting to do some tougher science on OE and that is exactly what we have seen in Q3 with some of

the major OE or the OE players decreasing production through various ways of doing it with a clear decline in therefore our short sales to that channel of course. But a good growth in the aftermarket business and a consumer pickup in terms of vehicles sold out as well. Probably the industry is pushing a little bit, but still good to see that growth.

And as a side comment, there is also the world's biggest RV fair in Germany in Dusseldorf at the end of August, which had the same record high attendance as they had last year. So the interest seemed to remain quite high on the consumer side.

On the fourth quarter, RV, it is a small quarter for us in total. RV is a higher share of the quarter in general. And part of why it is a higher share is that the OE is typically producing sort of more flat volumes across the year than compared to our seasonal business around bike, which is more spring and summer. And so typically that is a higher share of RV and higher share of RV OE in the fourth quarter, which we expect to be tough for a while longer.

Toby Lawton: Maybe I could just add there, but the OE manufacturers, I mean they took downtime in the summer, which we talked about, which we have seen the effect of. And they are also talking about also downtime during quarter four and around the year end break, Christmas break as well. So it is clear that their volumes are going to be a bit lower in Q4 as well.

Daniel Schmidt (Danske Bank): But we already saw that also in Q3 with longer production stops than normal, but that also is going to come back in Q4. Is it going to be tougher to neutralise that impact with the aftermarket in Q4 than it was in Q3? Is there any reason, given that what Mattias said there in terms of more even production throughout the year and RV being a little bit bigger part of Q4 than it is in the other quarters?

Mattias Ankarberg: Yes, it's a higher shares

Daniel Schmidt (Danske Bank): Or maybe not versus Q3 at least.

Mattias Ankarberg: Yes, yes, it is a higher share. So mathematically that is correct, Daniel. But I think one of the many beauties of this company is that we are in several product categories and several regions. So we would work of course long-term to develop each category as best we can, but that specific space, as we also commented on, we do see the toughest situations in all of our footprint within North America and in RV OE, and as I said previously, we do not expect that to change in the short term.

Daniel Schmidt (Danske Bank): Thank you.

Operator: We will now take our next question from Gustav Sagan[?] from Equity Partners. Your line is now open. Please go ahead.

Gustav Sagan (SAB): I guess that's me, with SAB. Thanks for taking my question. I am looking at the results here. Quite amazing that you achieved 50% EBIT growth on basically flat top line, and it relates obviously to the gross margin improvement because sales and admin is up 6%. On a 12 month rolling basis, gross margins are now 41.4% deferred my calculations rate. So basically back to the peak of where they were in '21. Obviously back then you had almost 24% EBIT margins on the rolling to map[?] basis at some point and now we are at 17. So can you comment a bit on first of all the higher selling and admin costs here in the quarter year over year? Does the Thule that we know today with higher D2C[?], higher price products in the mix, more categories, demand higher opex compared to previously? And

the development going forward now that you actually started to launch these new products, will they start to face down? That would be interesting to hear; and also the gross margin go forward given that, I guess, you are under-absorbed a bit here again now given inventory reductions would be interesting here. Thanks.

Toby Lawton: Hi Gustav, maybe I can start on the gross margin point. You are right on a rolling 12-month basis, we are now back up at the high point and so the development has been good the last 12 months on gross margin. It did swing a lot during the pandemic, but we do see that we now have growth in the new categories which is driving premium price points, but we also get the benefits of lower material costs. You could say during the pandemic there were big swings in material costs, but that situation has stabilised a lot now and we are getting the benefits of the lower material costs trend for the 12 months coming through into production costs as well. I would say our production volumes are still not where they were in the pandemic because it was still very high production then, but the trend is successively improving as we grow. So yes, absolutely, it is back up to where it was during the pandemic. And then maybe I hand over Mattias.

Mattias Ankarberg: Absolutely. On SG&A, to your point Gustav, it is higher than in previous periods and there are I guess one or two maybe reasons for that, but it is all related to investing in growth. We have been investing heavily in product development for a long time, but particularly higher level the last two years around there as we are now entering more categories and have now launched car seats, which is a big thing for us.

The other part of this is the products do not sell themselves, so to speak. When you want to build up a new category with car seats in so far six markets and another 20 as an example, of course activating that product means getting PR events, in-store presence, et cetera. So there are sales and marketing costs associated with launches as well. It is a fact that launching something in an existing product category where you have an established distribution and brand awareness, et cetera, is more cost efficient than moving into new categories. So the consequence, or I should say maybe rather what you see in the numbers, is a consequence of us entering new product categories and investing for future growth in the existing categories. But again, particularly related to the new categories.

Gustav Sagan (SAB): Thanks. And the levers or the bridge going into next year on Opex, where do you see in terms of launching costs, will they be coming up next year, year over year, given that you have entered more markets year over year or we at the peak now? And I guess a more hypothetical question, where do you think you need to be in terms of gross margins to reach your financial targets in next years' time?

Mattias Ankarberg: Well, let us see if I can answer that in a structured way. I think the most important driver of us reaching the financial targets is sales growth. I think we have seen that throughout this year, but also through the history that we do get good operational leverage on sales growth. Now in the short term of course we have to invest in new launches and building up new categories to get that sales growth off the ground so to speak. And obviously one of the other good things about Thule is that it's quite a lot of these decisions are discretionary. We could reduce development spend and reduce the sales and marketing investments if we wanted to, so we can manage this actively, which is good. Obviously there has been some, I should not say one off, that is the wrong word, but there have been some initial costs of getting to market with some of these new categories that would not repeat

again next year. So the decision is really up to us around how much to continue to invest for growth versus focus on profitability for the next year. And we will get back to you by Q4 about our view about the launch calendar for 2025, but as just an overall comment, it is clear that newness drives growth also in this market. And as commented on earlier, we do not see a major positive shift in market trends in the short term. So we will continue to invest for growth and we will continue to keep our foot on the gas pedal so to speak. I know it's not the quantitative answer, Gustav, but that is the directions how we are thinking about this and we are really focused on getting to that SEK 20 billion 2030 and 20% EBIT margin; and the key to do that is to have good sustainable sales growth in many areas.

Gustav Sagan (SAB): I appreciate that. Just one final nitty gritty, sorry for sticking with the growth or with the margin discussion, but since you took down inventory in the quarter, I appreciate you are also right that you had lower costs related to having lower inventory, so less cost for external warehousing and so forth, but can you quantify a bit what was the impact to gross margins from under-absorption versus lower cost for inventory, and how should that play out if you produce in line with sales into next year? What will the delta be on gross margins next year? That would be interesting. That's my final question.

Toby Lawton: I would say the reduction of inventory drives a cost reduction as well in terms of warehousing in particular. So that is a cost benefit that we have, but that is shown in SG&A primarily. In gross profit, it is basically the transport in and out, the customer, but the warehousing cost reduction is not on impacting gross margin basically. And that should stay next year.

Gustav Sagan (SAB): And under-absorption effects.

Toby Lawton: I just say we have reduced, sorry, on the first part, just we have reduced the warehousing and the warehousing capacity and warehousing costs following the inventory reduction, that impact will hold onto going forward as well. I am sorry, Gustav, the second part of your question?

Gustav Sagan (SAB): In the quarter, the under-absorption was that material given that you reduced inventory in the production?

Toby Lawton: Yes, in the quarter, not that material.

Mattias Ankarberg: In line with the year.

Toby Lawton: Thanks.

Operator: An next question comes from Adela Dashian, from Jefferies. Your line is now open. Please proceed with your question.

Adela Dashian (Jefferies): Thank you and good morning. Just to follow up on the previous RV exposure discussion in Q4. My understanding is that you have or are continuing to launch the new products even now in Q4. And if that is the case, should I guess the share of different product categories be more tilted away from RVs in the coming quarter or do you still think the RV weakness is going to be that pronounced for it to have as big of an impact as it is in Q3? What is the view on that?

Mattias Ankarberg: Good morning. No, you are right. I think we were just trying to comment on history before, but as we have seen this year, RV has been year to date more

minus and other categories are growing; and given all the dynamics we talked about and that you also described, we expect that RV share to not swing back to a higher share, rather the opposite in the fourth quarter. So that is correct.

Adela Dashian (Jefferies): Makes sense. Thanks a lot.

Operator: As a reminder, if you would like to ask a question on today's call, please press star followed by one on your telephone keypad. And if you wish to withdraw your question, then it's star followed by two. Our next question comes from Max Lis[?] from Kepler Cheuvreux. Your line is now open. Please go ahead.

Max Lis (Kepler Cheuvreux): Thank you for taking my question. Couple. Just coming back to the launch cost tab for the car seat, and congrats on the awards there, but will they continue to increase in the fourth quarter? Is it sort of peak in the third quarter for those? I mean since Q4 is a smaller quarter, it could be more sort of having a larger relative impact.

Mattias Ankarberg: Very specific now, but on the car seat SG&A-related costs in Q4, there is not the peak in development cost, if we start there because we have launched these first products. Now there are more in the pipeline but there is not the peak in Q4. There will be more sales and marketing costs, because we are now live in six countries; we are adding over 20 countries in Q4. So there we will for sure see increased cost in Q4.

Max Lis (Kepler Cheuvreux): And should we expect those to be material compared -- I mean it is a smallest quarter. I mean you barely breakeven in the third quarter. In money terms, this is sort of --

Mattias Ankarberg: It matters for sure, but if it would have been a very big effect, we would have commented on it proactively.

Max Lis (Kepler Cheuvreux): Sure. And then I guess the words are sort of impressive and so on and it seems that you are moving well here in Europe. Do this to an extent well make you more likely to continue in the US market as well or is it something that is not affecting that decision?

Mattias Ankarberg: We are moving forward with developing products and they are well underway for the US market, so we would have done that anyways to be honest. I think in all honesty, not the direct impact on the decision on the US portfolio or the entry timing. Of course, it does in a wider picture kind of way, give more confidence to our ability to deliver the best product to the market also in car seats. So increased confidence I guess a little bit.

Max Lis (Kepler Cheuvreux): Great. And coming also back to pricing. I mean the product launch has improved pricing in general terms I guess, but do you expect to be able to make or do you need to make any price adjustments? I mean normally you make the decision price adjustments early next year; is it sort of something that you plan to do?

Mattias Ankarberg: Yes, we are. We have historically, exactly as you commented, done, and the industry is doing price increases on a Jan-1 basis. During pandemic it was a bit different, but this year in 2024, we decided to keep basically prices flat of comparable or existing products and the increase we have seen is due to new products. For 2025, we will go back to the historical approach. We will have price increases as of Jan 1. So on existing products we will see a price increase in line with where we have been throughout the history before the pandemic, which is in total of around 1-5-2% in that span.

Max Lis (Kepler Cheuvreux): Okay, thank you. And finally about the upcoming election, the US put some focus on potential tariffs to European produced products entering the US market. Could you just update me on the [inaudible] there between sales and product, local production, if you are affected by any potential tariffs?

Mattias Ankarberg: Yes, absolutely. We will be affected by tariffs, but we do have I think quite fortunate situation that we have two sites, two factories in the US locally. We have one factory in the Chicago area that does rooftop boxes among other things, and we have one factory on the east coast in Connecticut that does aluminium and plastic products in production terms by carriers for example, which is a big product for the North American market. So some products we import from our European facilities, some raw materials and some parts we of course import, but we do have two manufacturing sites in the US and quite established network of local and regional suppliers as well.

Max Lis (Kepler Cheuvreux): Okay, great. Thank you very much. Thank you.

Operator: Our next question comes from Benjamin Walshe[?] from ABG. Your line is now open. Please go ahead.

Benjamin Walshe (ABG): Hello guys, this is Benjamin stepping in for Frederick today. I will try to sneak a question in as well. Could you share what part of growth in a Passage[?] Juvenile that is directly attributable to modeller[?] ranges that did not exist a year ago, please? Or at least give us a guidance on that figure.

Mattias Ankarberg: Hi Benjamin. We have decided this year to give quarterly sales growth numbers per product category, but we are not going in more detail than that. So I guess the only comment we would make it that it is a combination; it is a combination of upgraded existing products, we talked about the Thule Chariot already and the strollers and their new categories, dog transportation and car seats. So it is both.

Benjamin Walshe (ABG): Alright, thank you. It was worth the short.

Operator: On it. Question comes from Carl Dejenberg[?] from Carnage. Your line is now open. Please proceed.

Carl Dejenberg (Carnage): Thank you very much. Good morning, guys. So just one question from me. I think would be helpful if you could share a little bit what you are seeing in the market development here. I guess it is quite impressive to see that you are growing organically both in Europe across the world, but also I guess predominantly in region Americas, given that there has been quite some discussion around promotions and maybe consumer sentiment ending a little bit weak since the summer. So I just wanted to ask there if you can allude a little bit what you are seeing in the US; is this promotion pressure sitting a little bit here when we go into Q4 or has there been any, let's say, material difference there throughout the quarter?

Mattias Ankarberg: I think the trends are very much the same. Thank you Carl for the question. It is very much the same as previous quarters. It is a tough market in the US. It has been quite cautious on the consumer side, we do not see consumer sentiment picking up really. There was a hope I guess during spring, but that has sort of turned down and now it is sort of flat on the retail side. Quite promotional, cautious on inventory and orders. Last couple of promotional periods, I do not think any major retailer has been really happy about the

effect to drive volume through discounts either. So it is quite stable. It may be improving slightly, but that would be an optimistic view I think on the North American market. So quite stable at the cautious level as we have seen before.

Carl Dejenberg (Carnage): Yes, and the discussions around promotions, I mean is that having any material effect on let's say your operation performance or can you still keep your selling prices fairly much in line with what your planning and anticipation has been going into this period?

Mattias Ankarberg: We manage quite well. And I think one key distinguishing factor about the US market is that the promotions are set in windows and then there is a recommended retail price. So it is quite structured in that way and we see that. We have not seen any negative impact per se of discounting or any price impact of us. It is just that the consumer demand is low, if you like. What we do see though still and which continues to play to our favour is that newness works. New products sell well to that premium consumer also in the US, also in a tough market. And I think that is the important message. And that is why we may be able to get above that zero line for region Americas in Q3 2024.

Carl Dejenberg (Carnage): Okay, thank you very much.

Operator: We have time. One final question, a follow up from Danny Schmidt from Danske Bank. Your line is now open. Please go ahead.

Daniel Schmidt (Danske Bank): Yes, Daniel here again. Hope you can hear me, Mattias. Just a follow up maybe on the SG&A discussion that we just recently had when it comes to marketing spend on all that. But if you look at production development cost, which you have guided for to be sort of flat-ish in '24 versus '23, do you see it panning out that way or where are we?

Mattias Ankarberg: I think we are in '24, we can add, but in '24 versus '23, that's where we will land as guided.

Daniel Schmidt (Danske Bank): It is not going to be higher simply rather sort of in line or lower?

Mattias Ankarberg: Yes, we think it is in line. '24 would be in line with 2023, just as we have been saying earlier.

Daniel Schmidt (Danske Bank): Yes, yes. And you don't want to come to '25 now or could you give any sort of indication for '25?

Mattias Ankarberg: Well, I think let us get back to that in Q4, but I think the main message I think from us is that obviously there has been some pushes that creates initial costs in car seats, both in development and in launching. And the beautiful thing is that we can decide what investments to make in growth for the future. But we clearly see this year that newness is driving growth and we will continue to focus on growth and focus on launches. So it is not so much about the input as the output, but it is about continuing to keep the foot on the gas pedal and more specific launch calendars and discussions on cost levels. Let us wait with that until Q4.

Daniel Schmidt (Danske Bank): Maybe just a final one.

Toby Lawton: Sorry, just state the obvious in a way, but way as we drive growth, we drive the leverage of those costs as well on development and SG&A. So it is the right thing to do to improve the margins through leverage of those costs as well.

Daniel Schmidt (Danske Bank): Yes, sure. And maybe a tiny question in that we used to talk about a lot before; you mentioned legacy products continuing to decline. How much of sales is that now?

Toby Lawton: Impact and luggage? No, it continues to decline. And now PAX[?] price and luggage the majority is Thule branded business. So, if you like, the effect from the steady decline in legacy products is getting smaller over time.

Daniel Schmidt (Danske Bank): But you do not want to give a number?

Mattias Ankarberg: Maybe we will give a number, but let us do it in a structured way maybe then and something. The majority is Thule.

Daniel Schmidt (Danske Bank): Thank you. Yes, that is all.

Operator: That concludes the Q&A session on today's call. I'll now hand back over to Mattias for some closing remarks.

Mattias Ankarberg: Thank you very much everybody for joining this quarter's call. Thank you, Operator, and look forward to talking to all of you again in the quarter's time.

[END OF TRANSCRIPT]