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Thule Group AB (THULE.SE)

Q4 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone, and thank you for joining the Thule Group Interim Report Q4 and End Year Report 2024 Call. My name is Marie and I will be coordinating your call today. [Operator Instructions]

I will now hand over to your host, Mattias Ankarberg, CEO and President to begin. Please go ahead.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Thank you very much and welcome, everybody, to this Q4 call. I am also here joined by Toby Lawton, our CFO, and we will do this presentation together, followed by Q&A. And as usual, we will speak to the presentation that will be available on our Investor Relations website.

So, let's start off on page 2. We have had a good year. It's been really busy, to say the least, but it's also paid off. This is a year where we are back to profitable growth, despite the market being still challenging. It's the biggest product launch year in Thule history, more new products than ever. We have also entered three new product categories. In the beginning of 2024, we launched dog transportation with the first product, the Thule Allax dog crate. During the year, we have launched child car seats in Europe and during Q4, we acquired Quad Lock, the global market leader in performance phone mounts.

We were also busy getting even closer to the consumer and added as one of those initiatives, five new D2C markets via thule.com. We are proud to be recognized for our product design. We have received more international design awards, Red Dot that iF Design this year than ever and we – our team also won the Red Dot Design Team of the Year earlier in the year.

And just recently, we were ranked highly in the Morningstar Sustainalytics Sustainability Rankings. In fact, Thule was ranked one of the top 50 companies in the world, according to this assessment, and number one in the world of all consumer-durable companies, so a busy and a good year for us.

Turning to page 3. Looking more closely at the results and starting with the quarter. It is clear that the fourth quarter is our smallest quarter due to seasonality and doesn't impact the total financial results for the year so much, but still was a good quarter for us. Growth of 7% versus the year before. We continue to see a generally tough market, particularly in North America and in RV and we will get back more to that later. The growth is really driven from the acquired Quad Lock business and new Thule products. EBIT margin increased a bit, 0.4% and EBIT was SEK 65 million versus SEK 53 million last year.

Zooming out to the full year, we had a growth of 5%. The market conditions I just mentioned are valid largely for the full year, too. And on the full year basis, it's really new Thule products and bike-related products that are the main growth driver of those 5%. We ended the year with an EBIT margin of 17%, which is half a unit better than last year. It's an all-time high gross margin of 42.7%, and part of that is offset by higher SG&A costs due to the many product launches we have done this year, still ending up with an EBIT margin at half a unit above last year and an EBIT of SEK 1.6 billion.

Strong cash flow from operations and we have beaten the target to reduce inventory by SEK 200 million, which is of course contributing to that cash flow. The board is proposing a dividend of SEK 8.30 per share, which is in line with the financial target of distributing 75% of net income and continues to give us lots of firepower to continue invest in growth for the future. And we will get back more to that later on as well.

Zooming out a bit on page 4. Thule has been a growth company for many years. This chart shows the development since the IPO in 2014 and we had a peak or a boom during the COVID years and two decline years following that. So, it's nice to see that we are now back to profitable growth. Sales for the full year is up 5% and EBIT SEK 1.6 billion. And we do that despite investing more than ever in product development. In fact, we have invested more in money than ever before and about the same in percent of sales before we ended up the year of spending 7% of our sales on product development. This has also, of course, given positive effects for the growth in 2024. This will also have positive effects for the growth in the coming years. And in fact, when we look at our product portfolio, product development portfolio pipeline right now, we are right now running more new product development projects than we have done ever before.

So, with that said, I'd like to spend a bit more time on the specificities of the product categories. We are a product category and let's have a look at the performance of the different product categories, both for the quarter and for the year, starting off on page 6. So, our biggest product category, Sport&Cargo Carriers, is really driven by bike-related products for the quarter and for the full year.

The category increased sales by 1% organic for the year and 5% for the full year. The bike market has developed positively, but clearly this is also an area where we see good growth from new Thule product. So, we had a strong start for this autumn's released new vertical hanging bike carrier, Thule ReVert, which is mainly addressing the North American market.

We did a soft launch of our upgraded bestseller, Thule EasyFold, during the autumn, too, which also had a really nice start. We do continue to see more generally for this category, which also includes other major subcategories like roof racks and rooftop boxes, for example, a tough market of cautious consumers and retailers, particularly in North America. We do see that the bike market in Europe is back to healthy inventory levels. And the difference, main difference why the quarter is showing a lower growth number than the full year is that the bike-related

products account for a smaller share of the sales in the fourth quarter. Fourth quarter is a winter quarter and less people bike in the winter, but overall a good 5% growth for the full year driven by bike-related and new bike products.

Packs, Bags & Luggage is a story of two parts. Net sales decreased for 7% in the quarter and 2% for the full year. As we have done for several quarters, we continue to see growth in Thule branded products and we continue to see that growth driven by new Thule products. So, in the quarter, we see good growth in the newly launched luggage product, Thule Subterra and the new updated duffel bags, Thule Chasm.

We see good growth, continuously good growth in the quarter in bike bags and bike-related bags. But as for the previous comment, bike is a smaller share of the fourth quarter. The decline is driven by legacy products as we continue to wind them down and exit legacy business. And net effect to that is minus for the quarter and for the full year.

Our best performing product category in terms of growth, both for the quarter and for the full year, is Juvenile & Pet, where we have done a lot of new things. Growth is 14% for the quarter, organic, and 10% for the full year. We launched a new generation of our best, I would say – sorry, excuse me – of our strong all-terrain stroller, Thule Urban Glide 3, that was launched during the first quarter of the year. And we have seen good growth from that category since then. That continued also into the fourth quarter. And we have seen several other product upgrades also supporting growth.

However, this is an area where we also launched completely new product categories. So, we launched a dog transportation in the beginning of the year with our dog crate, Thule Allax, as the first product and we continue to add to dog transportation with the launch of the dog trailer, dog bike trailer, Thule Bexey, in the autumn. And we've had a really good start for dog transportation products. In fact, it's the best first year sales of any new category introduction in the history of Thule. So, it's clearly contributed to the growth in this area.

We also launched car seats starting in May in the German-speaking countries, Germany, Austria and Switzerland, continued throughout the autumn and had a really intense fourth quarter with introducing Thule car seats in 20 European countries in the fourth quarter.

Our fourth product categories, RV Products, where we continue to see a challenging market. The industry is going through a tougher period. It is, as it was in the last quarter, a story also with two sides. On the positive note, there, it continues as of starting Q3 to be growth in the aftermarket channel. That is the sales to the dealers that are closer to the consumers who are still keeping a high interest in the RV business are now also buying products more than the year before. However, there is a lot of inventory in the market and the OE customers have reduced their production plans during both the third and now continued into the fourth quarter to manage inventory levels in the industry. Hence, weak sales to the RV OE channel and that the decline is bigger than the growth in the aftermarket. Net sales comes out to be 7% negative for the quarter and 3% negative for the full year. I can also comment that RV Products is typically and particularly [ph] OE a (00:10:55) high share of sales in that quarter four for Thule.

That was some detail on the product categories, both for the quarter and the full year. Let me also present a few of the highlights for the quarter. On page 8, as mentioned briefly before, we have continued to launch car seats throughout the year and this was the most intensive quarter in terms of launch where we introduced the products to over 20 European countries. We have had a sequential launch starting in May, followed by Benelux in September and then now over 20 countries in Europe.

We are really proud to be recognized for having the safest child car seats in the market. And we are really proud to be able to have that recognized by the most important consumer test in the market, the German [ph] Esteva (00:11:47) or ADAC test. That was, of course, a very good milestone for us and also a good reason for us to really launch in a very intensive way in the fourth quarter. We were having events with all major retail partners. We had PR events in 10 cities and we had a good reception from both retailers, consumers and also media, which we are really proud about.

So, more to come. Now, we are launched in Europe. We continue to build the category going forward and for 2025, we will, of course, address this more with sales and marketing efforts and continue to work with our partners to get the Thule products in front of their consumers but also add new products and there will be a high back booster seat, the product for the somewhat older children released during spring 2025.

So that was an intense initiative for the company. And another important event was the acquisition of Quad Lock, the global market leader in performance mounts, performance phone mounts, which we announced in November and completed in December.

And Quad Lock, just as a quick reminder, is the market leader in three specific segments in the market, performing for the markets for bicycle, clear number 1; for motorbike, clear number 1; and for off-road ride.

It's a company founded in 2013. So fairly young still, turning almost SEK 1.5 billion, 25% EBITDA and sales in over 100 countries and fairly distributed footprint around the world and strong in D2C, so the Quad Lock digital business accounts for about 75% of the total sales.

And turning to the next page. The main reason we acquired Quad Lock is that it's a really strong fit with Thule and the strategy that we are executing on going forward. And there is a lot more information on this in previous events. But just to summarize, the three pillars that we really build on and the Quad Lock meets is that we focus on market leadership in attractive categories. Quad Lock is clearly the global market leader in performance phone mounts, as also shown on the previous page. It is in a way the category-defining brand in the market and it's the most recommended brand in the market by consumers and has the widest offer.

It's also a category which is attractive. There's about a 10% growth rate in the category, and consumers choose product based on robustness, quality, safety and ease of use, all things that are close to our Thule territory. So, it's a good fit, clear market leader and an attractive category. It's a company that it's also building its future on product-driven growth, which is very similar to or exactly as the Thule philosophy. Quad Lock has a really strong track record of innovation, expanding the portfolios, starting in bicycle into off-road car, motorbike, marine and more areas. It is the clear market share winner in previous years and has a strong product development team in place with much more to come.

It's also a very good fit with the Thule brand and the culture that we have. We have very many similarities between the consumer base of Thule and Quad Lock, both target outdoor enthusiasts willing to pay premium for the best product. Both brands are in the eyes of the consumer associated with quality, safety, enabling an active life. And we also are happy that we have a really strong cultural fit between the two teams. So, Quad Lock is acquired during the fourth quarter, which is of course, another important event for Q4.

And then lastly from me, before I hand over to Toby to cover the financials, we are proud to be recognized for the long-term and ambitious sustainability work that we are doing on page 11. We have some pretty ambitious goals in place, including reducing our CO2 equivalent footprint according to the SBTi goals. We've seen a good development over several years, which we continue to work hard on and improving not the least by new products,

which have a lower CO2 footprint. And it's also nice to be recognized for that work. And I think the team has done a lot of good things and it's a good recognition to be among the top 50 out of the Sustainalytics ranking globally.

So, with that, I hand over to Toby to cover some of the financial aspects.

Toby James Lawton

Chief Financial Officer, Thule Group AB

Great. Thank you, Mattias. Good morning, everybody. So, I'll start with slide 12 and here you can see the sales by quarter over the last six years for Thule Group. And as you can see, firstly here, of course, the last quarter, as Mattias said, is the smallest quarter. This is the low season for Thule so it's worth remembering that.

Second point, I think we had 7% growth in quarter four. So good growth, unless, of course, it is being helped by Quad Lock, which has been consolidated since the acquisition was closed on the 4th of December. So, we've basically got one month impact from Quad Lock in the Q4 results.

And thirdly, then, organic growth was flat or slightly down, as Mattias has said. It is basically the same trends as we've had before. But the business impact is a bit different. And the main effects there are coming from the bike season that is a weak bike season in Q4. People don't ride their bikes as much in the winter and the bike season or the bike business has been driving growth all year.

And the second point is really that RV is normally a bigger share of sales in Q4, and RV is a weak point. And even within RV, we have two channels and the OE channel of RV is the weaker channel and it's the OE channel which is normally bigger in Q4 as well. So all that – all those mix effects contribute to the overall mix in the organic growth rates.

Also worth noting, in Q4, we have a weaker growth from Americas versus Europe. Europe is stronger in Q4 this year. If you look back a year, it was the other way round, so to some extent that mix just in the fourth quarter is due to comparables. But, obviously, for the full year, the story is still stands that we are stronger in Europe and we are basically flat in Americas in terms of growth.

If we come to slide 13, the income statement. And here firstly, if I point to the right-hand side at the top, you can see the revenue and we had SEK 9.5 billion of revenue in 2024 and this is 4.5% growth versus prior year. Yeah. The organic growth then is 3.5%. And then in Q4, we had 7% growth, of which the organic growth was, as I said, flat to slightly down. If we just look a bit further down to the gross margin. Here, you can see we had a gross margin in the fourth quarter of 41.6%. And for the full year, we had 42.7%, so a good increase versus last year. And you can see in all quarters we're up on last year. So that trend has been carrying on through the year and is impacted positively by our product mix.

Our increased volumes and the increased volumes coming through the business and being manufactured by Thule are driving a steadily lower manufacturing cost. And also in quarter four, you could say the product mix is helped by the acquisition of Quad Lock, which is positive on gross margin.

If we move down to EBIT, you can see we now have a line called adjusted operating income, and here, we are excluding the one-off transaction costs of SEK 100 million that we had for the Quad Lock acquisition which have been taken in Q4 2024. When we look at the adjusted EBIT margin, you can see for the full year, we end up at 17.0%, which is half a percent up on the prior year. And this is really driven by the improving gross margin that we've been driving and somewhat offset then by the investments we've been making basically in selling expenses, as you see here. And those investments are primarily in development, where as Mattias showed, we've

invested in development this year for future growth. We've invested more than SEK 650 million in development this year, but also marketing, supporting the new products and new launches.

Finally, the effective tax rate is 22.5%, so, same as last year. And the net income for the year is SEK 1.122 billion. Now, just turn over then to the cash flow and couple of minutes on the cash flow. Firstly, the cash flow from operations has been at SEK 2.3 billion for the year, so another strong cash flow delivered this year. A good contribution from the underlying operating results, of course, but also another good contribution from reducing inventory further during 2024. And we had a reduction of nearly SEK 500 million versus SEK 200 million target that we set for ourselves. And I can also say here, we are targeting a further SEK 200 million on inventory reduction in 2025.

And finally, then the last line, a second last line, you can see here is the CapEx. And we had CapEx of SEK 263 million for the year, so stable, similar level to last year, slightly under 3% of revenue.

And if we turn to the next slide, slide 15, and here you can see our net debt and also our leverage or a net debt to EBITDA. And, of course, having made the Quad Lock acquisition in Q4 and funded that acquisition, the net debt has increased due to that in the fourth quarter. But with the good underlying cash flow of the business, I think we come out with a leverage at the end of the year of net debt to EBITDA of 1.83, which is lower than we actually guided for in – at the time of the acquisition due to good cash flow in Q4 and is also very much in line with historical levels of leverage. So, a normal level in line with historical average.

And I would say, just to mention here, that when we measure net debt to EBITDA, we've obviously got the full net debt included for the Quad Lock acquisition and we also include the 12 months of EBITDA on a pro forma basis for the acquisition, which is a normal way to measure your leverage following acquisitions.

And if I just turn to the next page, page 16. Here, just to show you some history on dividend as well and our proposal on dividend, which is SEK 8.30 per share, this is 75% of our net income, which is in line with the financial target which has been in place basically for the last four or five years. But you can see, it's worth noting that last year was a bit higher. The leverage last year was a bit lower than the historical average so we decided then to have a slightly higher dividend level. But this year, you can see the leverage is in line with historical average and we followed the financial policy as we've done most years. And I think more importantly, it's a good dividend with 75% of net profit, but we also continue to have a good balance sheet and the capability to continue investing in our future growth plans.

So with that, I hand back to Mattias.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Thank you, Toby. That concludes the 2024 part of this presentation. Let's spend a few minutes looking forward into 2025. And as we enter 2025, we have a long-term view on the business, as always at Thule, and we continue to drive our long-term growth strategy. We are well positioned in what remains to be – what remains still a challenging market.

When we look at market conditions as we enter this year, we continue to see a challenging market in North America and for RV, OE specifically. It is a better market in Europe, in general, and it is a better market for premium bike-related products. And as we've said as seen all year, we are pleased to see that new Thule products drive growth also in a tougher market.

On the note of tariffs and other uncertainties, it's also worth to mention that most of what Thule sells is produced in our own factories. We have factories both in Europe and two factories in the US, and we have production of our most important sales products, sales wise, in the US are produced locally in the US and we also have a wide portfolio of offers. So, we have the opportunity to limit supply chain uncertainty, including tariffs, if that would arise.

We have set for ourselves four clear priorities for 2025. Firstly, if there's one thing we learned from 2024 is that new Thule products drive growth even if the market is tough and we see the results of that also on the bottom line. So, we will continue to put our foot on the gas also for 2025. We will continue to invest in product development. We will keep the record launch pace that we've had in 2024, also for 2025, and we will have a more front-loaded launch plan that means we will launch more products earlier in the year compared to 2024. And the reason is we want to capture more of the high season with our new products that are coming out in 2025.

Secondly, we have an ambition to be successful in more categories at the same time. In 2025, we are focused on scaling up what we have launched and acquired in 2024. You will see new products in dog transportation coming in Q2. You will see a high back booster seat in car seats, in child car seats coming also during the year. And we will, in partnership with the Quad Lock team, continue to invest and grow that performance phone mount business through new products as well. So many things to do to build a stronger market position in the areas we just have entered.

Thirdly, we know we have – we want to be closer to the consumer and more visible for the consumer. We know that we have many customers that really like Thule products, even our fans, but few are aware of the full offer that we have as a company. So, we are focusing on showing more to sell more. We continued to focus on expanding our D2C presence and you will also see some new marketing activities for us during 2025.

Lastly, an important area is to continue to run efficiency throughout our supply chain. We have a strong in-house footprint, as we mentioned before, and we can clearly see that when we have improved efficiency over the last two years, we get funds to invest in growth. And as one clear target, we continue to aim to reduce inventory levels also in 2025, on the back of SEK 1.2 billion reduction during the last two years. So, the target is to reduce a further SEK 200 million in 2025.

And as this is the fourth quarter presentation and therefore a good look into next year, I thought I'd mention just a few more highlights of what is coming ahead here as we are soon looking into high season. So on page 18, this is – examples of products that we are launching in 2025. And the headline is very clear, the high launch pace continues. We will continue to focus on upgrading versions of our best-selling products. That means many of our best products are getting upgraded and a lot of that will happen in our core categories, Sport&Cargo Carriers, that is rooftop boxes, bike carriers and other big products. But we'll do the same in also in bags and actually in RV and in Juvenile & Pet as well.

We wouldn't be Thule if we wouldn't be aiming to launch some real innovations also. This year, we will see innovations more in our core Sport&Cargo Carrier category, excuse me, and I will get back to that in a minute. And as mentioned previously, we will also launch new products in our newly – new product categories. You will see a crash-tested dog harness called Thule Cappy coming in Q2; a high-back booster seat, as mentioned, Thule Palm; and an extended version, a double door version of Thule Allax, the dog crate coming towards the end of 2025.

And as we are now already in Q1, and I'm sure many are eager to go out and shop some Thule products, I thought I'd give you a highlight of some things that are either probably in a store near you or very soon to be in a

store near you. So, Thule Force is our best-selling and mid-priced rooftop box. 2024, we upgraded Thule Motion, our best-selling premium rooftop box, and this year, we are upgrading our mid-priced rooftop box. It will get a new design, better aerodynamics, a new lock mechanism and lots more accessories to be launched at the end of quarter one.

Thule Glide is our award-winning running stroller, which we clearly think is the best one in the market. That will also get a new design, several improved features that help the child to be more comfortable, actually also the parent to be easier to keep the child safe and in place, but also for the child to get in and out of the stroller, and it will also be launched during the first quarter.

And as an example of an innovation, we are launching also in the first quarter, Thule Santu, which is a innovation in the area we call the rear of car, which we believe are locked in for the future.

Thule Santu is the product that allows you to transport both your bike and cargo at the same time behind the car. It's also constructed in a way that the box can be used with many, many of the bike carriers already in the market, Thule bike carriers that is. We really look forward to this launch and it is actually already arriving in the first stores as we speak.

So in all, to sum up the forward looking part, we are getting ready for high season. We will have more product launches in Q1 than we've ever had before. We will add new thule.com D2C countries and you will see new marketing campaigns coming out in 2025. We're also just about to enter the peak production period for the company, and that means basically all areas of the companies are really busy and we have lots of high energy throughout our organization and excited about what's to come in 2025.

And with that, we turn to moderator to take questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] We have a question from Fredrik Ivarsson of ABG. Please go ahead.

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

Q

Thank you. Good morning, team. Thanks for the presentation. I've got a few [ph] technical (00:31:58) questions. I will take them one-by-one. And [indiscernible] (00:32:02) I guess a lot of moving parts with Quad Lock and you've helped us with most of it, but it could be sort of helpful also to get some sense of the gross margin in Quad Lock, both for the quarter and on a full year basis, just to get some sense.

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

I mean, the Quad Lock is clearly positive to the gross margin of Thule. We're not giving out specific figure on the Quad Lock but it's part of the mix shift within our gross profit market that's driving improvement in gross profit margin. But I would say it's not the biggest part of the improvement, but it's a part of that improvement. The biggest part is the underlying business where we're getting improved product mix and improved manufacturing cost and volumes driving transformation cost, but it has a positive impact. Absolutely.

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

Q

Okay. Fair enough. And then, as we look into 2025, how should we view the key drivers of the legacy Thule gross margin the way you see it?

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

Yeah. Well, I think, we had an improving gross margin trend through 2024, and that's come through improving volumes, as we said, an improved product mix. We expect to hold on to and continue that journey basically. We have some price increases coming in 2025. But we don't – you can say some of the increase during 2024 has been kind of catching up on the manufacturing cost after the pandemic, which has driven an improvement. So, it's a kind of a big improvement in 2024. But, we're definitely investing to drive – maintain and drive our gross profit as well.

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

Q

Yes. Good. Thanks, Toby. And then next question on bike-related sales, you mentioned that the recovery continued in Q4. Where are you now in terms of sort of normalized levels? Are you some – are you still sort of on some kind of recovery mode or do you feel that you're back on normalized levels now or should we view next year as more of a normal year in terms of bike-related sales or, yeah, basically, where are you here?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Yeah. Hi, Fredrik. Mattias here. Europe is good. And in the premium end, we're talking about here where we play. It's actually been fairly good since, I would say, mid-2023, and it's sort of gradually improved a bit from there. But

that was sort of the – at that high season was good for bike-related. So, Europe is in a good place. Premium bike is in a healthy inventory balance.

North America is still a bit of a different story. I would say the big retailers have a good inventory position when it comes to premium bike-related products. The North American market also has a fairly large share of its distribution, which is what's called independent bike retailer, smaller enthusiast shops, mom-and-pop shops and they still have lots of inventory. Some have inventory for years post this COVID boom and low consumer demand for since then.

But Europe is in a good place and North America is getting there but behind.

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

Okay. So still some upside in North America. That's good.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Yes.

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

And then last question from my side on the product development costs. You mentioned SEK 650 million in 2024. Is that a good number to have in mind as we look into this year as well?

Toby James Lawton

Chief Financial Officer, Thule Group AB

I could say, it was more than SEK 650 million. It's actually about SEK 670 million in 2024, which is, yeah, 7% of revenue. And now, as Mattias said, we plan to continue to invest to drive future growth so, at around the same proportion of revenue.

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

Okay. Very clear. Thanks, Toby. That's all my questions.

Operator: We have a question from Gustav Hagéus, SEB. Please go ahead.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Thank you. Good morning, guys. Thanks for taking my questions. So, I might start with the market in US on sort of the bread-and-butter categories, roof racks, roof boxes. Is it your opinion that you've kept market shares flat or increased them or decreased them in 2024 in that specific vertical?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Yeah. Hi, Gustavo. Mattias here. Yeah. For roof, to take the big ones, for rooftop boxes, we maintain market share basically. We have a very strong position in rooftop boxes in the US. There could be some fluctuations

around that high number, but we maintain that. For bike carriers, we are also strong in number one. But there is more competitors and also more data available. We actually take market share in 2024 and quite substantially so. But still it's been a tough market for, yeah, for North American and bike not the least.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

And roof rack, is that not, I mean...

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Sorry. Roof rack is in the similar territory as rooftop boxes where we also are a very strong presence and then hold our market share.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Okay. Thank you. And then you mentioned you're running more product projects currently than ever historically. And given that you now started sort of dip your toe in the mid-price segment a little bit more with [indiscernible] (00:38:07) and so forth, could you give us a rough sense of the share of those products that you're currently running as project that you aim to target the mid-price rather than the upper price level?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Sure. I'll do a brief overview at least. I would say that if we start with a little bit of a historical context, Thule has always played in sort of the mid-price or upper mid maybe and the premium end. During the pandemic, there was a lot more focus on premium. We could sell anything we produced, basically, and the premium got more attention. So now, we are addressing some of the mid or upper-mid segments that haven't been addressed for a little while, which are quite big volumes actually, and an attractive opportunity to do some work on.

Looking forward, the balance that we will have when we come out of 2025 is pretty much what we look to have going forward as well. So, it's so many category in some product levels, but we are more in premium than we are in mid. I guess, it depends on how you put the numbers together, but probably 70/30 or something like that and that's a good balance we feel going forward as well.

Thule makes – we aim to make the best product in the world that is easiest done in the premium end of the market. But we also address the upper mid or the middle price segments when we see that there's a good business logic and good business volumes. So, that's the reasoning behind the activities we are driving right now.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

And if – the way you look at organic growth in 2025, does that assume positive mix?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Positive mix in what perspective? You mean from...

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

To your organic growth, your organic growth assumptions that you have internally, I guess are based on volume price mix assumptions. Do you assume that mix will be positive for Thule in 2025?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Yes. It will be positive for – in 2025. If you would look at volume and average net selling price. But you also have – the way we look at it is simplified, just like you described, volume and [ph] average (00:40:23) selling price, but it's also true that when we upgrade mid-priced products, we drive average net selling price. Let me give you an example. The most sold bike carrier we have is called Thule EasyFold and we are now rolling out an upgraded version of Thule EasyFold, Thule EasyFold Generation 3, which, by the way, I highly recommend everybody to buy, and it's a better product. It has 50% less CO2 footprint and several other positive aspects, but its average net selling price is €100 higher than before, €949 versus €849 for two bikes, that's a 12% price increase for a mid-priced product.

So, we will drive mix effects also within the mid-price segments, if that is clear, Gustav?

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

Yeah. Yeah. That's clear. I was more thinking maybe customers trading down to mid versus premium, but it doesn't sound like that is your thinking. And if I may take just two more. First, if you could give us an update on your view on the launch for the new categories in the States? If that has changed or if you can update us on the rollout plan for car seats in particular to the States? And then if you're currently working on any additional categories that you will likely to give us some idea what the next steps will be for Thule maybe in 2026, that would be interesting.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Sure. So, we launched car seats now in basically all of Europe and it's a European product, as you know, Gustav, according to European regulatory standards. We have a North American product development initiative going on since a few years where there has been a new regulatory framework set and we are still trying to see how the market reacts to that in terms of commercial offers. What we have said is that we will not launch in 2025, it will be later and that message still holds. We have not set a new timeline, so we will not do it today either, unfortunately.

And on your second question, yes, we are working on new product categories. That is some of the initiatives that we now currently have ongoing. We don't foresee to launch any new product category in 2025, and, of course, the boring answer is that we can of course not in this call release the new product category for 2026. But the news will follow when the time is right.

Gustav Hagéus

Analyst, Skandinaviska Enskilda Banken AB

Q

Looking forward to that and thank you for taking my questions.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Thank you.

Operator: We have a question from of Carl Deijenberg of Carnegie. Please go ahead.

Carl Deijenberg

Analyst, Carnegie Investment Bank AB

Thank you very much. Good morning, guys. So, I'll come back to – I wanted to also [indiscernible] (00:43:19) and then I heard what you said on – and also [indiscernible] (00:43:22-00:43:27). I recall also Quad Lock coming quite [ph] significant Thule sales (00:43:30) from China, if I am correct. Could you talk a little bit about that, [indiscernible] (00:43:38-00:43:47)?

Toby James Lawton

Chief Financial Officer, Thule Group AB

Yeah. [ph] I can tell (00:43:48) it's a little bit hard to hear you, Carl. Just I think I made out the questions. So, yeah. Look, we have – so the newly acquired Quad Lock business, they source from China, but not only from China so China and other manufacturing suppliers in basically Asia primarily. So, the tariff on China does have some impact. What I would say is, they have strong gross margins and the product cost is not a big part of the cost in the P&L. So, it's not a – it's a percentage on a small number. So, it has it has some impact, but it's not a big impact.

Carl Deijenberg

Analyst, Carnegie Investment Bank AB

Okay. Yeah. Then I also wanted to ask, coming back a little bit to the comments you made on RV and I appreciate the comments on the aftermarket business. But I wanted to hear a little bit on what you're seeing on the OE side right now. I mean, based on the discussions that you're having with the customers there, do you appreciate that we are, let's say, close to the trough now in Europe or what are the [ph] tones (00:45:01) in the industry going into 2025?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Hi, Carl. Mattias here. It's an interesting one. And we should just remind everybody that our RV business is virtually a European business so we have knowledge of that market, of course. Yeah. We see that basically, the same trends that were in place in Q4 continue in Q1, so our view is that we will continue to see growth in the aftermarket channel in Q1. Consumer interest is actually fairly high in RV and has been throughout 2024. And there was some big fares now in the beginning of the year which have high attendance in line with previous years, but too much inventory in the market and with the production, the reduced production that we've seen in the OE in Q4 will continue also in Q1.

Everybody has hope in the industry, which we believe also is the most likely outcome, is that these production stops will lead to a more balanced inventory situation as the high season kicks in, in – when spring comes and, hopefully, the industry [ph] is done in balance (00:46:14) and can start looking at flat and therefore on growth as an industry.

Carl Deijenberg

Analyst, Carnegie Investment Bank AB

Okay. Very well. And then just finally, I wanted to ask a little bit on the CapEx development [ph] coming next year (00:46:26). You pointed out there, I mean they're quite unchanged to year-on-year 2024 versus 2023. Just wanted to hear a little bit your [ph] views regarding to (00:46:34) 2025? I mean, I guess the CapEx needs in Quad Lock case is nowhere as significant as, let's say, the core business is, let's say, similar number in terms of sales. Is that what we can also expect for this year or if there is [ph] a bit of (00:46:52) anything else?

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

Yeah. No. We don't have any formal guidance cover. Yeah. I think we invest like I said, a bit less than 3% on revenue. We invest a lot in developing our factories and automation and other things to drive improvements in manufacturing costs and to grow volumes. But we don't expect a dramatic change. No.

Carl Deijenberg

Analyst, Carnegie Investment Bank AB

Q

I see. Okay. Thank you very much.

Operator: We have a question from Daniel Schmidt of Danske Bank. Please go ahead.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Q

Yes. Good morning, Mattias and Toby. A couple of questions from me as well, then. Just coming back to Quad Lock a bit more. You've had it – you've owned it now for two months. Could you, first of all, say anything about the growth or how did sort of December develop compared to December last year? What was sort of the exit growth rate for Quad Lock heading into 2025?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Yeah. Hi, Daniel. Mattias here. No. I think Quad Lock had a growth rate for most of 2024, which was around that category growth we've seen of 10%, and Quad Lock has been in the market which are winners, so a little bit – [ph] a little (00:48:13) better and that has continued basically throughout the year. And we continue to see that same trend also now that we wrapped up the year in December. So, it's not an easy marketplace for any consumer company, but a good growth throughout the year that continued also in December.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Q

So then double-digit growth also in December. Is that what you said?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Yes.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Q

Yeah. And I recollect the December is a very small month. I think Toby said that it is the smallest month of the year normally for Quad Lock. And if I got you right, you had it consolidated for 27 days. It did look like it was even potentially more than 10% growth. But that is what you're basically saying. That is sort of the run rate into 2025.

And given that you're also saying that Quad Lock is very much a product-driven growth company like yourself, how do you view sort of the pipeline, so to speak, when it comes to Quad Lock product launches in 2025 versus what [ph] they have in (00:49:30) 2024? What are you planning for?

Mattias Ankarberg*President & Chief Executive Officer, Thule Group AB*

A

Yes. You're right, Dan, about everything you said. And yes, there is a very good solid product development pipeline also for Quad Lock for 2025 [indiscernible] (00:49:47). It's a big team in place. Over 40 development engineers in the Quad Lock team that is now also starting to collaborate with the Thule team, of course, to drive a lot of things. And yeah, there would be some quite exciting news actually already now in Q1.

But we – and some have been launched. If you a hardcore mountain biker, you may have seen some of the stem mounts or the anti – some of these things, but we were thinking, Daniel, in all transparency to as of Q1 when we have a first full quarter of Quad Lock in our books to start to show you also some of the new products that have been released from the Quad Lock side. If you are curious, there is a Quad Lock website where you can search for news or call us.

Daniel Schmidt*Analyst, Danske Bank A/S (Sweden)*

Q

Yeah. Yeah. Okay. Okay. Good. Good. Just also coming back to the tariffs there a little bit. You chatted, it will have a small impact, Toby, and that is the so far I understand that fully. But are you also planning to pass on that effect to the end consumer?

Toby James Lawton*Chief Financial Officer, Thule Group AB*

A

No. I think – yeah. So far it's still unclear. I would say, number one, and we do manufacture in the US so we have a better position in virtually every competitor with regard to our ability to manage this. But, yeah, depending where it ends up but there is some impact and we do intend to mitigate that basically by – yeah, by price increases, depending...

Daniel Schmidt*Analyst, Danske Bank A/S (Sweden)*

Q

Yeah.

Toby James Lawton*Chief Financial Officer, Thule Group AB*

A

...depending where it lands as well. So to some extent we have to wait and see. We're seeing what's coming for China, obviously. But other countries are unclear.

Daniel Schmidt*Analyst, Danske Bank A/S (Sweden)*

Q

Yeah. Okay. It's a moving target simply. And...

[indiscernible] (00:51:44)

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

China is not a big part of the sourcing in North America. So, China on its own is not a big impact. But if it's much wider than China, then it starts to be a bit bigger number, of course. But still, in the context of Thule Group, it's not a big part of our cost base or our profit that's impacted.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Q

Just moving on to another topic that we haven't discussed really today, but it's been coming out sort of you are establishing more offline stores and you've stated that it will be more – even more in 2025. What is sort of your target there? And could you shed some more light on that?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Yeah. Mattias here. Yeah. We have not many stores in general to give everybody the context. We have a few, not even a handful own operated, but we do have some partners who operate stores for us. And in total, if you look around the world, there are about 50 Thule branded stores. We think there is an opportunity to both improve the store format and present more of Thule in a more efficient way. And with that also adding to the consumer experience in terms of support, service, repair, installation, etcetera. And we also see that in some of the cities, we have great consumer interest and good brand building and good sales in some of these stores.

So, we are adding a few. But in all transparency, part of that is also trying out the new, what we think is better store format. We opened one store in the Munich during the autumn, and we will open two more here in Q1 and two other European cities. And yeah, [indiscernible] (00:53:35) and to support our partners with an upgraded store format so they can make more money and we can make more money and hopefully, also see this as another growth opportunity to bring more of Thule closer to the consumer. But we shouldn't overestimate this initiative. We're not becoming a retailer or expanding a big own store network. It's to address these specific opportunities that we see, yeah, just as mentioned.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Q

Yeah. But the latest ones that you have opened, your wholly-owned Munich, Paris, Denver, Santiago or part of those franchise?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Let's see now, Denver was a few years ago. Santiago is a partner. Munich was this autumn that's clearly us. Paris was just this other date, that's us. So, it's a mix.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Q

Okay. Okay. And then just as finally, you clearly are very happy with the launch of the dog crates and it's been annualized in terms of sales now. And it's the best launch ever from a new category. Do you think that that position is going to be overtaken by car seats when they annualize in May?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

We hope that they will be overtaken soon. We have to remember when we were in May, we launched May 28 in three key countries only. So I think it's – it looks amazing milestone, which we're very proud of, of course, to have launched car seats in Europe. But for all practical purposes, it's – yeah, few days and a few countries. So – but give it a little bit more time [ph] than May (00:55:19) and we hope that the answer is a very solid yes.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Q

Okay. And just final one, maybe. I am a little bit surprised that there is no change at all when it comes to the US in terms of sentiments. Are you as well?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

You mean from our numbers or the way we read the market?

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Q

Yeah. I think both, maybe. There was a comp base in Q4 but you answered a flat numbers for the full year and sort of in terms of your wording, it hasn't really changed when you talk about the US now compared to 12 months ago?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Right. I get you. Now, I think, again, we can be open. We may have commented or may not, but I think we did feel internally during the autumn that there were some lights at the end of the tunnel, so to speak. You could see that consumer sentiment was picking up a bit [ph] of the (00:56:16) discussions we had with our main retail partners, the big outdoor guys were, I think, starting to talk more about growth and growth opportunities than inventory levels and cost reductions.

So, we were seeing the conversation change a bit. And then, yeah, when we now have a new President in place, there is – let's call it, lots of uncertainty among our retail partners. What about tariffs? What about cost? How will the consumer read these signals? Inflation has been high on everybody's agenda, I think, in the US and if you read the statistics, the perceived inflation effect is holding the consumer purchase sentiment back quite a bit during 2024.

So, I think we were a bit more optimistic, forward looking. But then now, we are seeing it's a little bit harder to guess. I think over the next one, two, three years for sure, we'll see a better market. But if that gradual improvement quarter-by-quarter now or not, it's more difficult to see. So, we just decided to keep it simple and maintain the same general commentary around the market situation.

Daniel Schmidt

Analyst, Danske Bank A/S (Sweden)

Q

Okay. Thanks a lot, Mattias. That's all for me.

Operator: We have a question from Mats Liss from Kepler Cheuvreux. Please go ahead.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yeah. Hi. Thank you. Coming back to the organic growth. I mean, for the full year, you presented a 3.5% growth and in the fourth quarter it was close to zero. Could you give some indication there how much [ph] the related (00:58:06) slowdown related to RV Products? I mean, other segments seems to maybe do a bit better, I guess.

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

Yes. I mean, that's the message we've been – hi, Mats. Toby here. The message we've been trying to give is, the trends are the same in Q4 so it's not that the trends have changed, it's the mix that is impacting the overall growth rate primarily. So, it is the fact that bike is weak. The fact that RV is a bigger share of sales in Q4 and RV is obviously the weakest point right now for us. And even within RV, also the mix that the channel that is normally bigger in Q4 is the channel that's most affected, which is the OE or the manufacturers which are taking these production stops.

So, I think that's the picture. We don't see it kind of a big change in the trends in Q4 from previous quarters. But it's the mix is different and then always I think important to point out that Q4 is our smallest quarter. So, it doesn't move the needle very much.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

No. but I mean, your bikes are slow in the fourth quarter every year. And so, I mean, and RV is down quite substantially as it seems. So, I mean, would the term be 3.5% in the fourth quarter as well or is it if we adjust for RVs?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

You would have seen a similar mix as in other quarters, Mats. You would have seen a similar total growth rate, that's correct.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yeah. Yeah. Okay. Good. And then coming back to the new products a bit. I mean, so in car seats, you have – is there any connection there between, well, parents choosing [indiscernible] (00:59:56) and are there more sort of [indiscernible] (01:00:01) or is there no connection there?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

There is some connection there and there is a trend in the marketplace that I think is coming mainly from the US and has migrated into Europe in the last three years, [ph] that (01:00:18) young parents buy or parents to be buy bundles more, so car seats combined with strollers. They are designed to work well together and they had a lot of practical issues, but also design issues or not issues, topics.

So, it's a trend that came from the US and picked up in, for example, the UK quite a lot in the consumer market few years ago and they're now coming more across Europe as well. So, clearly, the combination of having both is beneficial for us. Now, we can have our own product to go with the strollers that we have.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

But your car seat it's sort of a flexible car seat that could be used with other, well, stroller brands as well or?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Yes, it can. And the other parts, it can be used with our strollers as well. And there are several adapter and connector solutions in the market and some also adhere to the same standards. But if you want the full bundle, it's not possible to get the full Thule bundle.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Okay. Good. And about your, well, the [indiscernible] (01:01:21). I mean you seem to have a pretty good [indiscernible] (01:01:26-01:01:33) market opportunities there?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

I think it's an interesting question actually, and I think little bit back to the strategy that we tried to update or clarify, I think we shared that in some of the recent conversations that we acquired Quad Lock. We tried to be big in pockets, as we call it, but we tried to be big in specific niches that suit us really well and that are attractive. And I do believe dog transportation is such a niche. I mean, it's clearly pet safety. It's a theme that is growing in society. People care about their pets almost as family members and want to keep them safe.

Their active in outdoor trend, a lot of people would like to be in the outdoors have dogs. People like to bring their dogs to things. And it's also a territory where we can, with our technological and innovation capabilities, bring the best possible product to the market. I mean, the dog crate we launched early last year won the consumer tests basically right out of the gate.

So, I think it's a very good fit with the strategy, and we also had a great work by the product development team to bring out the really strong product and good work by the sales teams to quickly [ph] by creating (01:02:45) some distribution. And we know we have some wins where the previous market-leading brands have been taken off of some of the shelves and Thule product is now on the shelves. So, it seems to be a good fit and hopefully, the way we see it, the good growth category as well with positive trends around both pet and specific pet safety.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Thank you. Great answer. Thanks

Operator: Our last question is from Adela Dashian of Jefferies. Please go ahead.

Adela Dashian

Analyst, Jefferies GmbH (SE)

Q

Thank you. Just two quick ones from me. First, on the strong growth in Pet & Juvenile (sic) [Juvenile & Pet] (01:03:25), was that entirely driven by the new product launches? And then if you could maybe provide us with an update on the RV market, did you see an improvement towards the later months or weeks of the quarter? And

how should we view that as we head into 2025? Is it going to be a continuation of the weakness in the first half? And then an improvement in the second half or weakness throughout the full year? Thanks.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Hi. Mattias here. Let's see. The first one was around, yeah, Juvenile & Pet. Yes. Yes. It is driven, I would say, fully by our new products. I mean, there are three big drivers of that growth in the quarter, the Thule Urban Glide 3 that was launched earlier in the year is our pet all-terrain stroller and our biggest stroller and has been giving really good growth all year. Number two, dog transportation, as we just talked about, is a very good first year for us, the best first year of any category. So, it's clearly also supporting the growth, and then car seats, thirdly, which was rolled out in 20 more countries in Q4. So those are the actions that are driving this space. It's not an easy market in a lot of Juvenile and Juvenile retail right now, but we do a lot of things and that's driving the plusses we see here.

Secondly, on the RV market, trends are, I would say, very similar across both Q3, Q4 and what we expect for Q1. So we do see the aftermarket or the dealer channel, the one that's closest to the consumer delivering growth quite nicely so actually, but the OE channel, the manufacturing side is down quite a bit and more than the aftermarket is growing. And that's because these manufacturers are taking production stops or in other ways reducing production output to manage all the inventory that is in the value chain that is RV.

And we don't think that will change in Q1.

Adela Dashian

Analyst, Jefferies GmbH (SE)

Q

And your...

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

We think that will continue for Q1 as well. And hopefully the time high season kicks in in spring, then things should be in balance and soon be back to normal production levels and growth in the aftermarket channel.

Adela Dashian

Analyst, Jefferies GmbH (SE)

Q

That's super clear. And you're not seeing any, at all, changes to your market position or customers going with lower priced items given the challenging environment? It's purely industry-related, right?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Yes, for sure. And we are also in very specific segments within RV. Our two main product categories are awnings and bike carriers for RV where we are really, really strong. And there is, yeah, there is nothing of the other factors that you mentioned.

Adela Dashian

Analyst, Jefferies GmbH (SE)

Q

Great. Thank you so much.

Operator: We currently have no further questions. So, I will hand back to Mattias for closing remarks.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Thank you, everybody, for joining this Q4 call. Wish you all a good weekend and look forward to talk to you again at the Q1 conference call.

Operator: This concludes today's call. Thank you for joining. You may now disconnect your lines.

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