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Thule Group AB (THULE.SE)

Investor Meeting

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MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone, and thank you for joining the Thule Group Investor Meeting. My name is Gabby, and I will be coordinating your call today. [Operator Instructions]

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

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Thank you very much and welcome, everybody, to this call. I am joined today with – by Catharina Paulcén, our Head of Corporate Communication and Investor Relations. And our CFO, Toby Lawton, was also supposed to join the call. He is on a flight that is very delayed and he might be able to join for the Q&A session later on. We will speak to the brief presentation and we will, today, cover what's going on at Thule during the summer in the last period. We'll talk about the current market situation and we'll talk about our priorities going forward. And of course, we will follow that with a Q&A session as well.

Very briefly on page 2, this shows the long-term financial development. And as a reminder, the last quarter, second quarter of 2025, we had the headline that Thule was growing in a tough market. It was a tough consumer market in many aspects, particularly in the North America. Still, we delivered a modest organic growth of 1.5% in Q2 and a reported total growth of 10% in the second quarter with a quite substantial negative currency effect of minus 6% in that quarter.

But leaving the historical financials and moving to the next page, it's clearly been an intense first half year in 2025 with lots of things happening at Thule and lots of things happening in the world around us, of course. And during these six months, we have kept one foot on the gas and one on the brake, if you like, in driving lots of activities for

both growth and efficiency. So, I thought as we move to the second half of the year now would be worth just to recap what's going on in Thule at the moment.

So, first of all, we've continued to keep a high pace of product launches during the year. We've upgraded several versions of our best-selling products. For example, the new rooftop box Thule Force, a new generation of our best-selling bike carrier Thule Easyfold, and our award-winning running stroller Thule Glide. We've focused this year more on delivering innovations in our Sport & Cargo Carrier category, which is the largest one. For example, we introduced Thule Santu, a rear-of-car cargo box that goes on a bike carrier, and Thule OutPace which is an innovative foldable bike carrier. And in general, we've also focused more on the mid price segment this year following a big push on the premium segment in 2024. And what has been positive for us for quite some time now is that we see that the new Thule products do drive growth even in a tough market. That's been beneficial for us.

We also had two big focus on building up our two newest product categories. In 2024, we launched both dog transportation with the first product, Thule Allax. And the second product, in this year in June, we introduced Thule Cappy, the third (sic) [second] (00:03:49) product, which is a crash-tested dog harness that saw the market here just this summer. And we've also been building up car seats where we, for the second time in a row, won the ADAC Safety Test, the German consumer test with our Thule Elm rearward facing car seat. Then, we are keeping building up our car seat portfolio also going forward. I will get back to that in a minute.

We have been working really closely with the Quad Lock team to onboard and integrate the Quad Lock business into the Thule Group. Quad Lock has continued to perform well with good growth and high profitability during the last few quarters, and we have several integration projects that are running according to plan.

You may also remember, if you follow us, that we have shifted our focus in North America, which we announced in at the time of the Q1 report, both to drive more growth initiatives but also to take quite some cost actions. We have put in place a dedicated North American sales and marketing organization in the beginning of the year. We the stopped the development project for North American car seats. We closed a satellite office in Colorado. And we have turned our attention to growing in what we think are attractive pockets where we have a strong right to win with lots of new North American bike carrier products, several launched this year, which made a big difference to the Q2 development versus the Q1 development. And also, coming at the end of this year is a launch of a truck bed racks or, I should say, Thule Xscape, which is coming in Q4, two attractive categories where we think we have much more to gain. And then, of course, we've been managing the tariff situation actively throughout all this year and we do have a manufacturing footprint in the US which helps us. But overall, we have, of course, also taking commercial actions and we introduced price increases as of June 1 to compensate for tariffs.

Last but not least, we keep pushing supply chain efficiency. We've been focused on reducing inventory for just over two years now and come down quite a lot. This year, we have a target to reduce a further SEK 200 million, and that's according to plan. And then, we also presented at the time of the Q2 report that we are automating and extending our warehouse in Poland, which is expected to generate annual cash savings of SEK 100 million with full effect in 2028. And that's done as part of our existing CapEx program for the company. So, quite a busy first two quarters for Thule. And of course, we keep ourselves busy for the second half as well.

Turning the page and stepping back a bit to our future priorities then and starting with our position in the current market, it is clear that we are still in a tough market. I think we all would have liked to say by now that the market is picking up and – but it's not happening yet. We saw that Q3 in terms of market and sales trend started about as Q2 ended. That seems to be the underlying trend for the moment, with one, I think, exception which is that the retailers are continue to be very cautious. And that impacts replenishment orders, particularly for retailers that are big on seasonal products. And mainly for us, that's bike-related retail, of course, where retailers are, just as in Q1

but for other reasons, careful to carry inventory for coming periods when sales is expected to be slow, focusing on cash reserves. Similar to what we've seen before in Q1 where we also saw that, in that kind of environment, DTC was performing better, where consumers have access to product and we see similar patterns now.

So, that's the situation in the market. And in this market, we are fortunate to be well-positioned. We are global market leaders in our most important categories. We do sell premium products which is – and we can seem to see that the premium product end is doing better than the market in general. We have strong capabilities and innovation on manufacturing in both Europe and US. And we have, of course, the financial position that enable us to take a long-term perspective. And just as mentioned with some examples on the previous page, we also see that new Thule products continue to pay off in terms of growth, both in the short and the long-term.

We have some – in this market, we have set ourselves a few priorities. That's been the same for all of 2025, and they will continue to be the same for the second half of the year as well. Four points, first of all, our product company, we're a product development company and we keep the high pace in 2025. What's important to mention here is that we consciously decided to have a front-loaded launch season to capture more of the high season. And now, we're turning into H2, which is a bit lighter, but we have increased focused on the pockets we think are most attractive and also, particularly, in North America.

We are scaling up our newest product categories, dog transportation, car seats and the acquired performance phone mount business with Quad Lock. We keep pushing consumer visibility as we call it, introduce more Thule products to existing consumers to show more and sell more. And we are keeping big attention to supply chain efficiency in terms of both reducing inventory and also taking cost actions I just mentioned.

So, with that, before I move into some examples of what you can expect from us here during the autumn, I'll let Catharina complement this picture with a few more points.

Catharina Paulcén

SVP-Corporate Communications & Investor Relations, Thule Group AB

Okay. So, taking on the role of Toby, there are a few financial aspects to be aware of for Q3, and the first one is currency. In 2025, the performance of the Swedish krona has been strong. For Thule, that has a greater negative impact on the revenue than on the cost due to the fact that we have a higher share of our cost in Sweden than we have share of revenue. For gross margin, Thule has improved the gross margin throughout the year and we expect continued higher gross margins also going forward, driven by new product launches and increase efficiency.

On the cost side, we've been talking about the phasing of the R&D cost where a higher share of the R&D cost is phased earlier in this year due to more product launches in Q1 and Q2. So, the R&D cost and the sales and marketing cost will decline in Q3 compared to Q2, while the Quad Lock SG&A cost will increase as an effect of higher sales for Quad Lock in Q3. In Q4, we'll have a lower R&D cost as percentage of sales compared to Q4 previous year. And as a reminder, Quad Lock's Q2, Q3 and Q4 are fairly equal in size. Q3 is slightly larger and also has the largest EBIT of the quarters. And you can find the historical split for Quad Lock between the quarters in our Q4 and full-year interim report. Quad Lock has a higher gross margin but also higher SG&A cost compared to the average for Thule. So, if Quad Lock performs better, it also adds to the cost.

So, that was all of the financial comments.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Thank you, Catherina. A few closing points from me. I think we just want to make sure we give you a little glimpse of the products that are coming for the autumn as we think we have some exciting things to share. And we – on the next page, you can see we are continuing to build out the car seat portfolio. We have products in the market for toddler and infants. And with Thule Palm, we now introduce what's called a high-back booster seat for the somewhat bigger children. A product that the Thule style has been designed for safety and comfort and has had very good reception with the trade retailers so far and with media, and we're very excited to see that in the markets, in the first markets here as of August and then being rolled out here across Europe during the second half of the year.

We're continuing to build out our duffle bag collection, Thule Chasm, with more products, more materials, new colors and bringing freshness to this category, which has been popular with many consumers across several different activities. And then, during the autumn, we also are introducing another product in our Sport & Cargo category, Thule Arcos XL, which is a transport solution to transport cargo and also skis behind your car. The XL, of course, denotes that this is a larger box which fits most skis and snowboard, ready for the 2025 ski season coming up ahead.

Lastly, I'd just like to remind you or let you know if you missed it that we are holding a Capital Markets Day on November 20 here in Malmö at the Thule Head Office. You are welcome to join, and you can follow the registration at the link which is provided in the website and also on our website, of course.

Thank you very much. And with that, this concludes the presentation part of this of this call and I will turn to operator to manage Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you Mattias. [Operator Instructions] We have a question from the Carl Deijenberg from DNB Carnegie. Your line is now open. Please, go ahead.

Carl Deijenberg

Analyst, DNB Carnegie Investment Bank AB

Q

Thank you very much. Afternoon, Mattias and Catharina. So, first question on I wanted to follow up a little bit on the development in the US, and if you could talk a little bit about the development you've seen since you implemented the price adjustments just prior to closing Q2? I recall that you were talking a little bit about that you have maybe seen some [indiscernible] (0:15:04) in Q2. And I was just curious how that's been received here throughout Q3 as well? Thank you.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Hi, Carl. Yes, happy to provide some color on that. I mean, the general market situation in the US is still tough, as you've probably seen, and from lots of other companies and also some external macro data. I think you're very right. The price increases were valid as of June 1 and we did see a bit of pre-buy ahead of that and then a bit softer in June, but not dramatic, I would say. I think what we hear from retailers is that they are also focused on make sure they conserve and not build the inventory. So, that's probably a reason why I didn't see too much of a pre-buy. And as expected, there hasn't been a dramatic sort of backlash or negative effect in Q3 either, slightly maybe on the softer side but it's nothing that is dramatic. The overall market impact and sort of end-of-season behavior and inventory builds are probably larger topics for retailers. So, not the dramatic effect, to summarize.

Carl Deijenberg

Analyst, DNB Carnegie Investment Bank AB

Q

Okay. Very well. And then, following up on that as well. I mean, I wanted to ask on this Section 232 that we hear more about now on tariffs in the US on the steel and aluminum side which I guess is a little bit of new information here throughout Q3. And maybe, if you could talk a little bit how you are being affected by that and do you see any further reasons to do any further price adjustments based on that, let's say, information?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

I think we have Toby on the line. And while you're preparing, Toby, I'll just start off by saying that, in general, our take has been to, of course, try to compensate as much as we can with not taking price increases if we don't have to. We do have two factories and local and regional sourcing in the US, but we will also pass on additional costs as the general industry has done in all – across all our categories, [ph] pass it (00:17:15) to the consumer if needed.

So, with that maybe little overview and intro, Toby, are you in a spot where you could elaborate a bit on this topic?

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

Yeah, I am. And I could say, so I think the aluminum tariff is the one that has the biggest impact on us because it's the material we're using quite a lot of, particularly in bike carriers and roof recs. And that's – the tariff was factored

in initially in the price increase we did 1st of June. But the tariff level has changed since we planned the first price increase, so it has gone up a bit since then. And we are we are looking at, yes, further price increases to offset that. But it's a smaller impact than the impact we had that we took away in the 1st of June price increase. But it has gone up somewhat since, yes, since [indiscernible] (00:18:11). So, we're going to look particularly in the price increasing 1st of January next year to offset that effect. So, it's not the only one.

Carl Deijenberg*Analyst, DNB Carnegie Investment Bank AB*

Yeah. Yeah.

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

There's also a change, obviously, in tariffs from Asia and the EU since the spring as well. But a smaller size than we had the 9% increase from 1st of June which offset most of it. But yeah, there has been a more since then. But it's not the same scale but it's still more than we are absorbing or expect to offset.

Carl Deijenberg*Analyst, DNB Carnegie Investment Bank AB*

Yeah, yeah. Understood. And finally, also I just wanted to ask also on the view on the launch pipeline entering 2026. I mean, 2024 and 2025, that's obviously been quite intensive both on, let's say, iterations and your products. And yeah, could you talk a little bit how you're reasoning about next year? And will that be equal in timeframe or do you prioritize now to come down a bit on R&D to sales or, yeah, could you share anything on that?

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

Yes, we can be very transparent where we are in that process. I mean obviously, we are stepping back a product company, a product development company. So, for sure, we will continue to launch product. But you are very right, Carl, these have been two really intense years, with last year also covering two new or introducing two new categories and then this year keeping our high pace to drive sales. And we work with the long-term portfolio plans across all our product categories three to five years out. But as we have been, I think, talking about before, I think also in this forum or similar forums, we do have a process where we, this time of year during the autumn, do a little bit of push and pull and see what goes into 2026, what goes for spring, what goes for autumn, and what will go for later years. So, we're right in the middle of that right now. I think we are not expecting to go full stop. We're not expecting to go faster. But we – and we are expecting to bring news across all our product categories and we're trying also, of course, always to be a little better and do things in a bit smarter way to get more impact and lower costs. But we don't have the full picture yet and we will share it when we have it. Typically, we've done it in conjunction with the Q4 report, but we – but Q3 report, sorry. And we will get back to you at the time of the Q3 report as well.

Carl Deijenberg*Analyst, DNB Carnegie Investment Bank AB*

Sounds good. Okay. Thank you very much. That was all from me.

Operator: We have a question from Agnieszka Vilela from Nordea. Your line is now open. Please, go ahead.

Agnieszka Vilela

Analyst, Nordea Bank ABP

Q

Okay, perfect. Thank you so much for taking my questions. I have two. Maybe starting with Quad Lock. When I look at your numbers that you disclosed for 2024, it looks like Q3 is quite strong for them or was at least in the past year. So, can you just tell us about the profitability profile for Quad Lock? Should we still expect 30-plus percent EBITDA margin for them in Q3?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Yes, Toby still.

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

Should I? Yeah.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Yes, please.

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

I can jump in that, yeah. So, Q3 is Quad Lock's strongest quarter when it comes to profitability. And basically, Q2, Q3 and Q4 are fairly equal when it comes to sales. So, that was the case last year. It will be the case this year. We expect to be the case this year. It probably going to be a little bit less dramatic or less than it was last year. Q3 was the strongest quarter last year by quite some ways. That was partly due to some phasing of also some B2B customers that wrapped in Q3 last year. This year, it will be – it's a little bit smoother between quarters two, three and four basically. But still the strongest quarters, yes, Agnieszka.

Agnieszka Vilela

Analyst, Nordea Bank ABP

Q

Okay. And then, my last questions on the – your profitability profile. And obviously, we understand that the markets are quite challenged right now and let's just see headwinds from FX, tariffs and so forth. But due you consider any cost-adjustment actions apart from what you're doing in the US in order to protect profitability?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Yeah. So, I can comment to that. So I think, we were taking an approach which you've probably seen us do this first half of year where we keep investing for growth in product development and also in sales and marketing to support the new categories that we have. And I think to connect back to what Carl asked the question later, that's sort of a almost discrete or conscious decision that we're making for every season, how much to invest for growth and how much to hold back for efficiency savings or profitability. And on the other hand, we're also been focusing quite hard on improving the efficiency of the business. And I think if you look back, I guess two years, we were really focused on first of all bringing inventory down. We took that down by over SEK 1 billion in two years. And then now, we have launched a couple of cost actions related to North America, and also quite substantial cost saving coming from supply chain and warehousing with the new automated and extended warehouse in Poland.

So, we are from [ph] a small land (00:24:12), as we say, with our culture, and we will keep looking for cost efficiency, of course. So, we will continue to both invest for growth, to invest for long-term, and invest for new product development, the new categories, but also look for opportunities to create a more efficient business and increase profitability. If we can, of course...

Agnieszka Vilela

Analyst, Nordea Bank ABP

Thank you.

Q

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

...not comment on any specific new initiatives right now, But that's the sort of approach we are taking.

A

Agnieszka Vilela

Analyst, Nordea Bank ABP

Understood. Thank you so much.

Q

Operator: We have a question from Adela Dashian from Jefferies. Your line is open. Please, go ahead.

Adela Dashian

Analyst, Jefferies GmbH (SE)

Thank you and good afternoon. Just two questions from me. The first one, I just want to confirm, did you say that you haven't launched any new products during the third quarter?

Q

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

No. Sorry, we're launching more products during the first half year, fewer during the second half year, but we have launched some products during the third quarter. For example, on the first picture Thule Palm, the high-back booster seat, just launched now in August.

A

Adela Dashian

Analyst, Jefferies GmbH (SE)

Okay. So, you launched less products in Q3 compared to Q1?

Q

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Yes, we're launching fewer products in Q3 and Q4 this year compared to both Q1 and Q2 this year, correct.

A

Adela Dashian

Analyst, Jefferies GmbH (SE)

Okay, perfect. And then, just secondly, I mean, we've spoken about the North American market and the weakness going on there. But could you speak on the developments in Europe? Are you also seeing the same type of trend that the distributors are being a bit wary of sitting with inventory going into the low season?

Q

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Yes, we are seeing the same pattern in Europe, more sort of seasonal-related, to your point. Europe has been and I believe still is more stable than North America. And the European consumer, although maybe not in a fantastic position, less dramatically sort of negatively impacted by some of the things that going on around in the world. And then, there are some specific related topics. We have a fairly significant RV business, for example, which is pretty much European-only where we see that the aftermarket, the consumer-facing side of things is coming back step-by-step which clearly is signs of an improved consumer environment, although it's taking a bit of time. But there is still lots of stock which creates reduced production on the OE or the manufacturer side holding back to our development. So, maybe it's a long answer to your question, but we see the same kind of seasonal hesitation or seasonal replenishment hesitation in Europe. But overall, throughout the year, we've seen a more stable and solid Europe than North America.

Adela Dashian

Analyst, Jefferies GmbH (SE)

Q

Got it. Thank you.

Operator: Thank you. We have a question from Mats Liss from Kepler Cheuvreux. Your line is now open.

Please, go ahead.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yeah, hi. Thank you. A couple of questions for me as well. First, you mentioned that you are sort of launching products in the mid price segment. And I was just wondering, how far have you come there and what impact do you see on top line opportunities, I mean, to grow your sales going forward? And also, maybe if you can touch upon, well, how you are able to keep consumers from sort of trading down or cannibalize on your premium products in the mid price?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Yes. No, thank you. No, it's true. We've done more in mid price this year and I think two good examples are upgrading the previous generation mid price rooftop box, Thule Force, and also which is more of an upgrade of an existing good-selling midsize product. But also maybe it's a bit even better example, Thule OutPace, which is a new bike carrier foldable, we think a good price point for the both European and North American market to come into the market. And if we step back a bit, I mean, we have launched a lot of products in the sort of premium end of things for several years, particularly during going back all the way now, it seems like a long time ago. But since the COVID years when everything was on fire, it made total sense to focus more, of course, on premium. And we've continued to have a premium heavy portfolio plan for several years. And this year, we've seen good reception of the mid price products. Particularly, bike carriers has been good for us all season. Thule OutPace has done really well, both in US and in North America. So, I think it's a really good example of how we have the right product at the right price point. We can drive demand at that with that consumer as well. And I believe going forward, we do have more opportunities to play and more price points. Thule is not, of course, an entry price or low price player; will never be. But we can play in a wider range of price points in our core categories going forward. So, you will see more of that from us coming.

And then, the second part of your question, it is that's part of the art of doing product and launching products. And it's never super easy. But of course, it's important and we to find that right product spec and the right product design at the right price point for their product categories where we are really strong and global market leaders. I mean, I'm really proud of the team. We have really good insights and we have really good partners with retailers and ambassadors and others that help us to navigate this. And we can do consumer test and, of course, continuous refining. But it is a portfolio build and we continue to build the portfolio and tweak it if we need be in terms of price points. So, that's part of doing business in these categories.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Okay. So, it's more of the same. I mean, you start at the top – the premium and then you just, well, move down the business to...

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Exactly.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

... [indiscernible] (00:31:07) extra. Yeah, yeah.

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Exactly. And the premium points...

[indiscernible] (00:31:12)

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

...have better features, more accessories, and a lot of things that hopefully justify that extra price point for the consumer that is interested in the very best.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yeah. And just coming back to the Quad Lock there, I mean, you mentioned that it's pretty even sales-wise during the year. So, that's good, I guess. And [indiscernible] (00:31:35) about currency impact there, it's a bit – and the difference compared to the, well, core Thule. If you just could share a couple of words on the currency exposure on Quad Lock?

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

A

Yes.

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

Yeah. Maybe I can jump in, Mats. I mean, basically, Quad Lock, I mean, while it's an Australian company, you have to remember it's selling globally. So, it sells a big chunk in North America, a big chunk in Europe, and a bit in Australasia as well, but the majority in Europe and North America. So, we get the same impact on currency there that it impacts us negatively for those figures on the revenue when it comes to sales in North America and Europe. And just to summarize, it does for Thule business.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yeah. And production-wise, they are sort of more in more capable currencies at the moment.

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

Yes, that's right.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

I mean, you mentioned that.

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

I mean, the -yeah. If you like it, they have an impact on revenue, which is negative, but they don't have a negative impact on margin to the same extent because their cost base is, I think, largely Australian dollars which has been weak this year and also US dollars which is also weak this year. So, they don't have the same impact that Thule does were in the rest of the Thule business. We have a significant cost base in Swedish krona where we don't get the benefit of the weaker currencies versus the Swedish krona, of course. Does that make sense?

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Okay. Thank you very much.

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

Yeah, yeah.

Mats Liss

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yeah, yeah. That's what I – sounds good.

Operator: We have a question from Fredrik Ivarsson from ABG. Your line is now open. Please, go ahead.

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

Q

Thank you. Hi, team. Thanks for the questions. I've got two potentially pointed to Toby, but we'll see. First one, Toby, if you could just run us through the key drivers of the legacy gross margin, i.e. excluding Quad Lock for the quarter?

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

If you take, I mean, gross margin versus prior-year, Fredrik, [indiscernible] (00:34:24) referred to then, it's the same drivers that we've had basically in previous quarters that we see the impact of, number one, price increases coming through. We also get the impact from the fact that we have higher production volumes because, remember last year, we were selling a lot for inventory which was coming down. So, [indiscernible] (00:34:47). So, we get some efficiencies through that effect. We do – currency, while it's negative to us overall and it's negative to SG&A, it's actually a little bit positive when it comes to gross margins. So, that's one effect. And then, there's also a little bit the tariffs are a negative impact on gross margin. So, overall, yeah, all those effects combined give us basically the step-up we have on gross margin versus last year, which is being consistent [indiscernible] (00:35:15) in quarter two and quarter one, and we do expect the same quarter three.

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

Q

Okay. Thanks, Toby. That's great. And then, on the product development costs, you've been guiding towards, I guess, 7% of sales. And with that being sort of frontend-loaded, how should we view the phasing in H2? Is Q3 going to be larger than Q4 in terms of those costs or the other way around?

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

Yeah, I can – I think I mean, Mattias referred to this a bit earlier on. But basically, we had a big chunk of development costs last year in Q4, which is something to remember. We launched child car seats, so that had an impact in Q4, which is where we see the biggest difference. But overall, it's absolutely the case that our development costs was more weighted to the first half-year this year and less to the second half-year. But I would say there, the biggest difference in people last year because we had a build a big impact last year. Does that make sense?

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

Q

Yeah, that makes sense in the difference. But I was more alluding to the thought of phasing this year rather than the difference versus last year. But it sounds like Q3 and Q4 might not be that different in 2025.

Toby James Lawton

Chief Financial Officer, Thule Group AB

A

I mean, I'm not sure – yeah, I can't give any more color than I have, Fredrik. But yeah, if you think compared to last year, which is the way I think most people are looking at it, we do have the weighting more in the first half-year.

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

Q

Yeah.

[indiscernible] (00:37:13)

Fredrik Ivarsson

Analyst, ABG Sundal Collier AB

Q

Yeah.

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

Mattias Ankarberg

President & Chief Executive Officer, Thule Group AB

Thank you, operator.

Thank you, everybody, for joining the call. A quick reminder again to don't miss the Thule Capital Markets Day in November 20. And before that, we hope to speak to you all at the time of the Q3 report. Thank you.

Operator: This concludes today's Thule Group Investor Meeting. Thank you for joining. You may now disconnect your lines.

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