

TRANSCRIPT, THULE INVESTOR MEETING

8 JANUARY 2025

Mattias Ankarberg (CEO):

Welcome everybody to this call. I am here today also together with Toby Lawton, our CFO, who will be available for questions as well. We have had a few investor meetings in the recent period, also after the announcement of the acquisition of Quad Lock during Q4 and there are materials available from those meetings on our websites. And so will this meeting be afterwards. If you have been participating in some of those meetings, there is the risk you may find this a little boring or repetitive because we are basically sharing the same information, but we wanted to make sure to have this opportunity to share the same information and provide you with an opportunity to ask questions. And I will speak to the presentation available in the webcast and also available on our website afterwards. So I'll cover a few topics today where we are as a company right now and where the market is at.

I'll talk about our strategy going forward and how the acquisition of Quad Lock fits with that strategy and I will also share some news around how we see the product news coming in 2025. Starting with the 2024 situation, where is Thule at and where is the market as we are in the period of wrapping up 24 and moving towards 2025? Couple of points. First of all, we came into 2024 with a very high activity level, a very intense agenda of trying to get back to sales growth, profitable sales growth after two years of sales decline following the Covid peak. And we have completed the most intense product launch year ever into the history, so the most number of products ever launched. We have launched not just one but two new product categories, dog transportation and car seats. We are trying to move closer to our consumers and interact more with them directly.

And as part of that has opened five new markets for DTC on thule.com. We've also continued to work on our supply chain efficiency and specifically our inventory levels to further reduce that and generate cash. And as we are about to wrap up the year, we are pleased to see that some of these results, some of these actions have given good results throughout the year and we have importantly been receiving a record number of international design awards and actually product and consumer tests during 2024. So I used to say before this year that Thule has received 27 Red Dot design awards. After 2024, we have received 23 more. We won the ADAC product test for car seats with the first product launched in October and we are very proud of our design team who was awarded the Red Dot design team of the year in 2024.

So nice to see that recognition. Before I get to the financial parts, what has been the environment that we have been operating in doing all these activities? Well, we've talked for several quarters this year that we've been in a tough consumer market generally with cautious both retailers and consumers and that trend has been held fairly constant for the first three quarters of the year. We have however, seen some brighter spots and some tougher spots around those trends. So as we've talked about before, those of you follow us, we have seen good strength in Europe with consumer and retailers being more healthy than in North America where the landscape has been tougher. We have seen the bike market or at least the premium end of the bike market where we operate in to have destocked nicely and come back to growth in particularly Europe. And we have seen a really tough time in RV industry, particularly in the OE channel in the third quarter and that has been the toughest spot in our footprint in terms of market exposure for the last period of time.

What has been nice to see even in this tough market climate is that new Thule products continue to drive sales growth, even when the market is tough. So that's the first three quarters of the year. It's repetition for what's been going on before. Typically when we are now talking about Q4 at this point

of time, we typically say that it's the smallest quarter of the year from a sales perspective due to seasonality reasons and much of the quarter is about preparing for the next year, this year. However, Q4 has been very intense for us. It's still true that it is the seasonality smallest quarter. And the trends that we have been seeing throughout the year, we've commented before that trends don't change overnight with Thule Group, and we had expected them to continue in the fourth quarter as well. However, as you may know, if you follow us more closely, you know that the business mix is a bit different in Q4. Bike, we I spoke of having been a strength, is not the big sales exposure in Q4 because it's winter.

However, RV and particularly OE has a higher share of sales and therefore just mathematically the pluses are lower weight than the minuses are a higher weight so to speak when it comes to the sales trends. The second point regarding Q4 is that we have had a big launch of car seats. We were very happy and proud to win the ADAC consumer test in October and we have been using this opportunity to really roll out with force and strength, whatever we can, car seats across over 20 European countries now in November. So it's been an intense period for getting that product out in lots of different markets, which we think is exactly the right thing to do when we have the momentum and the opportunity. And then the third point, which is also an important and intense event in the first quarter is the acquisition of Quad Lock, which was announced in November and closed as of December.

So a seasonally small quarter but a quarter with lots of activities for us this year. Turning to page four, what has the activities in 2024 and the market situation in combination meant for our financials? Well, we haven't reported Q4 yet, but on this graph you can see the long-term trends since the IPO and the last 12 months to the right most side. The bar is the sales and the green line is the EBIT and it's nice to see that after two years of post covid peak decline, we are now back to sales growth and back to profitable growth and the year so far organic growth is up just over 4% and EBIT margin is up close to a percentage point. So that's the update on where we are 2024 in terms of activities and market situation.

The other interesting thing to observe on this graph on page four, the long-term trends, is that there is a good long-term trend that we are now back to. And another important aspect of our work in 2024 has been to ask ourselves why that is, what is it that we should continue to build on as we look to the coming period and look to achieve our targets for 2030 and even beyond. And I'd like to share some of that, those insights and learnings because that plays into the reasons behind acquiring Quad Lock. So if we turn to page five. In summary, an important insight is that Thule value creation is really driven by market leading positions and more specifically our ability to innovate and out-innovate competition in pockets or niches where we are market leaders. If we look at some facts, we look at the financial value creation in terms of sales growth or gross profit growth the last 10 years or since the old IPO 2014, a few, about the handful, of product categories account for 90% of that growth, which is of course a big share with a few product categories.

And interestingly enough, we also have really been able to throughout our own abilities and product development skills, to innovate in these categories and really drive the market and premiumization of those product categories and thereby developing the category and our own market share at the same time. Another interesting observation I think is that these categories or this model has proven to work both with product categories that we've had for quite some time, like rooftop boxes on the picture. We've been the global market leaders since the 1960s and it's still a category that is creating lots of good value for us, but we've also been able to apply this to acquired market positions. So when Thule has acquired the company integrated into the Thule brand and the Thule way of working, we have been able to see some of the same effects, for example, the running stroller company Chariot, which is now to Thule Chariot or other acquisitions that we have done, rooftop tents, et cetera.

So then we can ask ourselves, is that model applicable to any product category? And the answer is no. If we go to the next page on page six, we clearly see that there are some characteristics of product categories that fit better with us and our strengths, our skillset if you like. And in summary, they are four. First of all, the product categories should be a good fit with the Thule brand. And if you ask consumers about what the Thule brand is about, it's about enabling an active life outdoors. It's about having a quality product that is appreciated by an enthusiastic consumer. The category should have some tailwind, ideally good growth, but also a customer which is willing to pay for the best possible product. We like when there are some barriers to entry. So where there are some regulatory requirements or some technology platforms or intellectual property or a high complexity category that's not that easy to get into, that's typically good for us.

We used to say internally the more difficult it is, the better for Thule, which is partly true. And lastly, we like to get paid from innovation. So we like to get leverage from our ability to innovate, create the better product, drive premium and drive growth. So when we see that that is in place, that's working really, really well for us. And based on these insights we have clarified on page seven, the strategic direction that we have. It's basically scaling up what we already do well at Thule but we call it that we aim to be big in pockets or in product niches. And of course we still want to be a premium outdoor Thule branded business. So these pockets should be united by the Thule brands we call it. That means that we will focus increasingly on the categories and allocate resources and efforts where we can be where we are or can become market leaders in an attractive product category that fits the bill, what we just described.

We will continue to focus on product development and innovation to extend these positions and use these strengths that we have. We will, when the right time comes, when we find opportunities that meet these criteria look at growing faster by acquiring a position and we will continue to build on the Thule brand and the Thule culture that we have, which unites all of these product positions and the work we do in a nice way. And to start acting on this strategy, we acquired Quad Lock and there is a separate presentation available on our website and a webcast that is from mid-November that lays this out in more detail. But in summary, on page eight, Quad Lock fits this strategy really well. It is the global market leader in what's called performance phone mounts or performance mounts. More specifically Quad Lock is market leader in performance mounts both for bicycles, motorbikes, and for off-road cars.

It is an attractive category that's growing around 10% per year. It is a company which is also built or founded on innovation. One of the pioneers in this field started out in biking and developed a much broader product range and moved into new use cases or sub categories and has proven to be able to win the consumer well in these use cases listed on the page, but also emerging positions in others. So clearly the innovation leader in the industry, which has created some barriers to entry with a much larger presence than anybody else, some IP. And so very nice fit with the criteria we talked about. It turns about 1.4 billion Swedish, good profit margins at 25% EBITDA and is today a global company with sales of in over a hundred countries and with a fairly even geographical split that is probably visible from the little pie chart at the bottom right.

The other point I wanted to make before we open up for questions is a few words about how we see 2025 and we continue to execute our long-term strategy of course, and we continue to drive the points that we described earlier with product development in our existing categories, build up the new product categories and move closer to the consumer, et cetera. But I think it's worth reflecting on the activity level given that we had such an increase into 2024 and if it's something we learned from 2024, it's that new Thule products drive growth even when the market is tough. Therefore we have decided to keep our foot on the gas also for 2025 to maintain a very high activity level. And at the Q4 call we can get into more details across different sets of priorities, but regards to launch calendar, we are continuing launching products at about the same high pace as in 2024.

You will see more focus on innovation and products, new products in some of the categories where Thule has been around for a long time . Upgrading best sellers. And you will see that in both the premium end but also in mid price or upper mid price as maybe Thule's position. And you'll also see of course a continuation to scale up new product categories, that is dog transportation and car seats also with more products to extend the portfolio in 2025. And just briefly to give you a few examples on page 10, we did in 2024 upgrade our bestselling rooftop box, the premium box Thule Motion and in 2025 we will upgrade our bestselling mid price rooftop box Thule Force, it gets a new design, better aerodynamics, a new lock, more accessories, et cetera. Really looking forward to bringing that big volume product to the market in an upgraded version.

In just a couple of months we'll also upgrade and a few of our most important bike carriers. So on page 11, we'll launch a new version of the biggest seller North America specific bike carrier. We'll have a new design or estetics, it will take a heavier bike load, it will be available in both two, three and also converted to a four bike option and easier to use, include a lock, more accessories, et cetera. So we really are upgrading high volume product for the North American market. On page 12, we will also update and create a new version of our most sold by carrier Thule Easyfold. We actually did a limited soft launch already at the end of 24 and this product also gets really good updates, improved functionalities, improved load capacity and can be converted to a three and four bike as well, so it's another big volume product in the upper mid price segment which is getting an upgrade in 2025.

Besides bike carriers, we have several other things coming as just one example in Active with kids on page 13, one of our iconic products Thule glide, in our view, the world's best running stroller that has received numerous awards throughout the years, just getting a new version with better comfort for the child, new design and several other improved functionalities. I'm really looking forward to that and of course we wouldn't be Thule unless we're driving some innovation. So just to mention one as we round off from page 14, the rear of car transportation has been an interesting and growing segment for many years, definitely in bike carriers and more recently also in boxes. And in 2025 we launched a product called Thule Santo, which is able to carry both a bike and a cargo box on the same platform. And it's also designed to be compatible with a lot of existing bike carriers already in the marketplace, Thule bike carriers, which we hope will be appreciated by some of the Thule consumers who already have to the bike carriers looking to add at times a cargo box for transportation. So a very intense year ahead in 2025. Also lots of preparations going on at the company and the high energy levels, which is exactly what we would like it to be. With that, that concludes the presentation part of this call and I open up for questions.

Operator:

Thank you. To ask a question, please press star followed by one on your telephone keypad now. If you change your mind please press star followed by two. When preparing to ask your question, please ensure your device is unmuted locally. Our first question is from Daniel Smit from Danske Bank. Your line is now open. Please go ahead.

Daniel Schmidt (Danske Bank):

Yes, good morning Mattias and hope you can hear me. A couple of questions from me. Mattias, you mentioned that the trends are the same and they don't change that quickly, but you also said that when it comes to the business mix it's a bit different in Q4 compared to Q3. Could you give shed any light on how much the mix is shifting in Q4 when it comes to RV OE and when it comes to bike, which two areas that you mentioned, could you give us any percentage of what that normally is in Q4 versus Q3 as a percentage of sales?

Toby Lawton (CFO):

Yeah, hi Daniel. Toby here. I could say with regards to RV you can see that we report the sales of RV. So you can see that RV is generally smoother throughout the year, but on average over the year, RV is 50% OE and 50% aftermarket. In Q4 by far the majority is normally OE and it will be the majority this year as well. But it's OE, which is the part which is down a lot and was down also previously, but now because it's the large part of RV sales, it has a much bigger impact on RV and also on Thule Group therefore. And you can say that the OE part of RV is down close to 20%, that's the industry figures that you can see due to the production stops in a number of OE manufacturers. So that's the same trend we've had before, but it's obviously been more compensated before when we've had a bigger aftermarket within the RV part of the business, but also, RV has been, during quarter three, a smaller part of Thule group. Hope that make sense.

Daniel Schmidt (Danske Bank):

Yeah, and if you just look at that split when it comes to q3, was that 50 50 between OE and aftermarket and now it's more 75 25?

Toby Lawton (CFO):

No, I wouldn't say, I mean I don't give exact figures Daniel, but on average over the year and in the previous quarters got a bigger quarter, it's 50 50 is where we normally are and it's a long way from 50 50 in Q4.

Daniel Schmidt (Danske Bank):

Yeah, but I getting you right, that normally Q4 is big on OE and the aftermarket is small and then of course you have a big drop in OE that's impacting the percentage of what it stands for. Am I getting it right?

Toby Lawton (CFO):

Yeah, exactly. So it's the mix between these different components that is going to impact the overall Thule Group growth rate negatively versus year to date Q3 we were at 4% growth for Thule Group. The trends are the same but this RV mix impact is bigger, that will negative impact Thule Group

Daniel Schmidt (Danske Bank):

Ad just also the second part bike related, could you shed some light on what that historically as a potential of sales is in Q4 and Q3? Normally

Mattias Ankarberg (CEO):

Matthias here, I don't think we've shared exact details, but I think we have said a few times that bike related products are the biggest activity exposure for Thule if you like. And I think it's very similar to RV in the sense that the consumers buy the products when there is season to buy the product. So you would buy an RV when it's spring because you prepare for summer, you buy bike related products mainly in spring and then the season wears off depending on where you are and how warm it is, where you live, et cetera, and how long you can bike. But typically you may have a decent sales in maybe the first part of Q4 if you live in Spain, but typically as you move into Q4 it becomes a very small part. So we haven't shared specific numbers, but of course that's also part of the reason why Q4 is so much smaller in sales in general in total, I should say, than compared to the other quarters.

Daniel Schmidt (Danske Bank):

Yep. Okay, fine. Just moving on then you also want to highlight that you have had a very busy Q4, which you normally don't have really. And part of that is explained by the big launch of car seats in 20 new European markets by mid-November. And am I sort of hearing you right between the lines that of course is entailing a cost and then it will take some time to get the top line out of that and is that what you are trying to communicate?

Mattias Ankarberg (CEO):

Well we try to describe what the activities are in the company, to be honest, but yes, of course it comes with a cost to launch a product. I mean the product, just for everybody on the calls information, we did launch car seats at the end of May in three countries, Germany and Switzerland and Austria. And we were really happy to have a good start and win this award, but the rest of the European rollout is coming now in November. And so there's no new sort of product development cost or cost like that. But of course each country needs to have fixtures in the stores and PR events and samples and ambassador programmes. So yes, definitely there is some costs. And I guess Daniel, if that's what you're kind of asking, it's the small season quarter for us, is it wise to take that cost in Q4? Doesn't the small Q4 look bad? Maybe that is the case, but we thought we won the ADAC test in October. This is definitely long-term the right opportunity to capitalise from that. We heard a lot of good early from a lot of markets based on this award of course, and it may be negative for the small quarter of Q4, but on a yearly basis it doesn't really matter. And on the long-term trend we think it's the right thing to do for the business.

Daniel Schmidt (Danske Bank):

Absolutely, and just maybe could you shed some light also on how to model Quad Lock? It's part of the Group now since December, and maybe just for educational purposes give some indication of how big December normally is and how have you come to learn the seasonality of Quad Lock when you look at the quarters to come and is that similar to Thule itself or does it differ in any way?

Toby Lawton (CFO):

I can give a bit of a flavour on that Daniel. And before doing that I can say that there'll be some further supplemental information on the Quad Lock seasonality, they will be given in the Q4 report which will come out at the beginning of February. So you can be patient and there'll be some more details coming out then. But to give a flavour for it, I can say December is not a big month, number one. December is one of the quietest months of the year for Quad Lock. But the seasonality generally is that Q2, Q3 and Q4 are pretty even and pretty strong quarters. And Q1 is the weak quarter for Quad Lock. So it is a bit of a different seasonality to Thule where we have the strongest being quarter two and then probably quarter three soon after and then quarter one with quarter four being the weakest quarter for Thule. So it will help our seasonality, evening out quarter four going forward. But December is weak. The quarter four sales come largely earlier because it's also driven by online sales which are driven partly by Black Friday and the November sales trends. So it's unfortunately not December.

Daniel Schmidt (Danske Bank):

And in terms of seasonality, in terms of profitability, is it Q2 and Q3 normally that are the most profitable and then the start of Q4 and then not December and then a weak Q1? Is that the way to frame it?

Toby Lawton (CFO):

Yeah, I would say it is not dramatic differences in profit margin, but it's true that where you have the high sales quarters, you get the most leverage on fixed costs and therefore you also get the better margins in those quarters. So yeah, you're correct.

Daniel Schmidt (Danske Bank):

And then just finally from me, it's been many questions here but Matthias, you mentioned that you are entering 2025 with a quite sort of excessive agenda when it comes to product launches equal to 24. But if I remember correctly, you've also been trying to front load the launch schedule a bit more versus last year and I think you tried to do that last year as well, but it was more evened out. Do you think that you will be more successful with that front loading this year?

Mattias Ankarberg (CEO):

Yeah, you're right Daniel. That is part of the plan for 2025. We aim to get more product launched ahead of spring or summer season to capture more of the season basically in terms of sales, we had a plan to do some of that in 2024 as well, most of that held through, some of it was... One or probably a few were maybe a little delayed, but some also shifted places due to lots of reasons, but mainly supply chain constraints. So I think we learned a lot in 2024 as an organisation. If I should reflect on this, I mean this was a several x up in terms of how many products we launched in 24 versus previous years and we did manage to launch a lot and get really good impact for it. But of course there are things we also internally can do even better now that we've done that once. So we have planned things a little differently in 2025, even more sort of front loaded, but so far we are on track to deliver that and with all the deadlines and milestones that we monitor weekly are so far where they should be.

Daniel Schmidt (Danske Bank):

Yeah, okay. Is Easter in any way sort of affecting these deadlines? Easter is a bit later this year and I think that's normally sort of the starting point of the outdoor season for many markets.

Mattias Ankarberg (CEO):

Yeah, no, you're right about that. That is very right. You are very on top of it. I didn't want to share too much detail, but that is one factor. Chinese New Year is always another factor and how that plays out with a few different things, but trying to get, if there is a good early spring, now we're talking details here, but then of course the outdoor season will probably start after, maybe even before Easter. And then it's really nice if you can have the most important products in store. And that should be a little easier to do with Easter being a little bit later than earlier

Daniel Schmidt (Danske Bank):

Okay, thank you guys. That's all for me.

Operator:

Thank you. Our next question is from Adela Dashian from Jeffries. Your line is now open. Please go ahead.

Adela Dashian (Jeffries International):

Thank you and good afternoon Thank you and good afternoon, gentlemen. A question on the US and the politics that's going on over there. Have you seen any impact yet of potential tariffs, especially with Chinese New Year that you just mentioned and how that is present this year? Have that at all resulted in maybe some customers deciding to be even earlier than usual in placing orders, et cetera, to, I guess not stiffer any type of price increases due to central tariffs? Have you seen that in Q4?

Toby Lawton (CFO):

I would say we haven't seen that actually. So we haven't seen that people are placing orders earlier because they're trying to avoid potential tariffs. But I could give a general comment around the tariff question. Generally is of course a hot topic right now and it's quite unclear what the situation is going to be. But we should bear in mind in Thule, the majority of our products sold in North America are manufactured in our two manufacturing sites as well, that we have in North America, which manufacture both bike racks and bike products and roof boxes. And when we compare that to the competition in North America, nearly all the others are importing most of their products either from Asia or from Mexico. So we are in quite a different position to nearly all the competition in that respect that we are less exposed to tariffs.

That doesn't mean we're completely unexposed, but we can manage it in a better way. And then if you take the main import flows, we produce some products in Europe, which we have as global products, which we import, it's the second biggest flow to North America. Those are things we can also look to adjust or to adapt going forward if there was a benefit to doing that and manufacture more locally in North America. So we have things we can do. We do also have some, much smaller, but products which we also import from parts of Asia, which are harder to move. But then I would say all the competition are in the same place on those products as well. So it's all things we need to keep on top of and manage, which we are focused on. But yeah, until we know what the situation is, it's impossible to say what the position is, but we're in summary much less exposed than our competition.

Adela Dashian (Jeffries International):

Got it. Thanks for that. And then going back to RV, could you speak on the dynamics between the OE and the aftermarket clientele? I mean would it be fair to say that you have higher volume potential with OE but lower profitability or is there a different way to think about it?

Toby Lawton (CFO):

I mean, I would say I think we don't go into profitability by channel, but all our business is profitable of course. But you can generally say the OE is a kind of manufacturers manufacturing throughout the year. So that's when we sell to OE throughout the year. Whereas the aftermarket is really driven by consumers buying an RV from a dealer and then they choose to put products on their RV. So that's driven more by the season. So they're kind of different profiles in that way.

Adela Dashian (Jeffries International):

And then maybe lastly, if you're willing to answer if any of the new launches next year, should we expect all of these to be margin increases and also what your expectations are on price increases versus what you historically do, which is once or twice a year?

Mattias Ankarberg (CEO):

Yep. Mattias here? Yeah, so in general, when we launch new products in existing categories, we aim of course to be margin accretive so to speak, to develop better products, but also to get paid for it. That most often is the case. I mean it could happen that with raw material changes and whatnot, that's not always the case, but that's the ambition. When we move into new segments or new product categories, there is not always the case that there is ramp up to be done when we have own manufacturing set that is not yet at scale, et cetera. So in general, we should get a positive mix effect from new products. That's the ambition regarding price increases. It's another good and important topic at this time of year, so I'm glad you bring that up. You are very right. Historically the industry has operated on sort of an annual price cycle. At Jan 1 we have had pricing increases for existing products for around one and a half percent. Historically it was a lot more during Covid, it was nothing last year. This year we are back to the previous routine of due increased prices as of Jan 1 20 25 with on average around close to 1.5%. So that's for existing products. And then on top of that comes new products which then typically would drive the average net sales price up. So back to, I don't want to say normal, but back to pre covid behaviour in that sense.

Adela Dashian (Jeffries International):

Yeah, great. That's all for me. Thank you.

Operator:

Thank you. Our next question is from Mats Liss from Kepler Cheuvreux, the line is now open. Please go ahead.

Mats Liss (Kepler Ceuvreux):

Yeah. Hi. Thank you for taking my question. Well, coming back to the car seat launch it's here in Europe and could you give some sort of indication there what the sales impact could be expected to be in 2025?

Mattias Ankarberg (CEO):

No, we don't give specific projections like that of course, but I think we could say around car seats launch that we are very happy with the start. I mean we should be probably couldn't have had a better start to be honest. Really nice reception with the premium retailers. Really nice winning the award. Seems to be a good reception now in the launch in Q4 in terms of lots of retailers really to take it in and giving really good floor space. But we have to be honest that commercially we haven't really proven much yet. We have quite a way to go to make sure that this is a commercial success. We do have high ambitions and we've talked about the sales potential of 1 billion towards 2030, but that's of course with the broader portfolio and including a North America portfolio piece of that as well. So step by step we will keep doing the job and making sure that initial success is getting into commercial success and take it from there.

Mats Liss (Kepler Ceuvreux):

Yeah. Well another question regarding that, I mean it was some time ago when I was a consumer of car seats for children, so I apologies for that, but do you have a full assortment there of car seats or is it sort of in the pipeline there that you will launch additional similar products for all ages and that kind of opportunities going forward?

Mattias Ankarberg (CEO):

Yes, that's also an important question. So thank you for bringing that up. And we have a limited portfolio today. We have first of all product portfolios for the European markets, you could say, certain other countries that follow the same regulatory framework. We have launched an infant product for infants and a product for toddlers. And in 2025 we will also launch what's called a high back booster seat. So a product for a bit older or bigger kids and of course more products to come. But we have launched from the most two important products from child is born, the infant and the toddler and then more to come.

Mats Liss (Kepler Ceuvreux):

Great. And then about, well product launches also. I mean you have a history of well posting some 5-6% of sales and now I guess consensus and you, we'll expect, you to increase sales in 2025. Should we expect this 5-6% of sales to continue or should we expect the product launch cost to be about unchanged? In absolute terms,

Mattias Ankarberg (CEO):

I think you're right. We've used to be around that 5-6% share of sales that the product development costs. And the last two years I think we've been higher than that, particularly preparing for the car seats and also because I think market situation hasn't been as favourable as previously. Volumes are a bit lower. We will keep the foot on, I think three things maybe. We will keep the foot on the gas when it comes to product development in terms of levels of activity and largely in levels of costs. We'll come back to more details as we come into the Q4 report and publish numbers for the 24 year as well. But of course we hope that this continues to give great effect with the actions we do, but, that we are very confident in, but we also hope that sooner or later to the market picks up and we do get some volume back and the percent sort of spend as part of sales, therefore as a consequence of both those factors will decrease. Now the third element of this equation is also that we have acquired Quad Lock, which also is a company that changes the metrics to the P&L structure a bit, but that we can get back to later on. But basic message is we keep the activity level and the spend high and we do expect to get leverage from this both because of our own actions and when the market picks up and get therefore lower share of product development cost as share of sales over time.

Mats Liss (Kepler Ceuvreux):

And finally, just to get a feel, I mean the Quad Lock acquisition seem to be quite a nice compliment, but it also increased gearing somewhat and looking at, could you give some sort of flavour regarding the dividend? Well, if you have the target of course, more than 75% of EPS or earnings per share, but it's been above that level historically, should we expect any changes ahead of the report?

Mattias Ankarberg (CEO):

You're right that with the acquisition we do have some more debt. We think it's on a quite good level, but we can, and then the dividend question we would have to leave to the Q4 report, it calls also for a board decision on what recommendation to give to the AGM. But that will have to follow when we do the Q4 report,

Toby Lawton (CFO):

We have our financial target, which is 75%.

Mattias Ankarberg (CEO):

That's good. That's... Exactly the financial... To your point, also must the financial targets remain the same and the 75% on net income target is still there. So no change in that respect.

Operator:

Perfect. Our next question is from Carl Deijenberg from Carnegie. Your line is now open. Please go ahead.

Carl Deijenberg (Carnegie):

Thank you very much. Hi Mattias and Toby. So I just had one follow-up question from my side and that's regarding the potential timeline of the launch of the child car seats in North America. If you could give us any update there or any potential month when that can happen in 25 would be helpful.

Mattias Ankarberg (CEO):

Hi Carl. Yeah, thank you for the question. It's a good one. We unfortunately cannot give you more firm, well, I won't give you a more firm deadline right now. There is a project going on as we've talked about, and for those who are not aware, there's been lots of regulatory changes that are in the works in North America, which now seem to have landed. So we can finalise some of the development projects. But what we have said earlier, Carl, that it's going to be after 2025, so it's not in 2025. And then we will get back to the more firm plans that we feel is the right time to share them.

Carl Deijenberg (Carnegie):

And could I just ask also, I mean you had this launch started in Europe here where you've gone gradually in between markets, obviously starting in the DACH region. Is that going to be on a similar, let's say, pathway in the markets outside Europe as well or are there any other ones outside Europe that are closer to hand versus for example North America?

Mattias Ankarberg (CEO):

Yeah, no, it's a good observation. I think that the markets we are able to launch this product in, the two products in, right now are the markets that adhere to the same regulatory framework as the European or EU countries do. And the reason why we launched it in fewer markets first is, well there are a few reasons, but mainly that it takes time to ramp up production and we really want to do this. We do manufacture these in-house and we want to do this with quality and high level of control of course. And we decided to launch in Germany for several reasons that we talked about previously. And then of course now in November we have addressed the sort of next 20 most important markets, which covers a lot of the scopes from a sort of sales perspective I have to admit. So there are a few countries left that we may or may not get into in the coming period, but the launches we have now done are for all sort of essential purposes covering the sales footprint of these first products.

Carl Deijenberg (Carnegie):

Okay, very well. That was all for me. Thank you.

Operator:

Thank you. Just as a reminder to ask a question, it's star followed by one. Our next question is from Fredrik Ivarsson from ABG. Your line is now open. Please go ahead.

Fredrik Ivarsson (ABG):

Thank you operator. Good afternoon gents. Two questions from my side. First, a follow up on Mats' question on the product development cost, I think you guided for 600 in 2024 and that was levelled with the previous year. Is that a sort of decent number to aim for in 2025 as well? Just some rough guidance that in absolute terms.

Toby Lawton (CFO):

I can just say, sorry, we don't give guidance on development costs like that. What we said is 2023, which you saw in the annual report for 23 as well, we had 7% of sales for development cost. We said that for 24, it's on a similar level and I'm talking in percentage and then we don't give any guidance forward looking.

Fredrik Ivarsson (ABG):

Okay. I had to try. And second one on the Quad Lock acquisition, can you give us some guidance on the balance sheet items and especially on the asset side at this point?

Toby Lawton (CFO):

Yeah, you know, Quad Lock does not have own manufacturing. The products are sourced from external suppliers, so the balance sheet is mainly working capital. So that's really what nearly all you have on the operating side of the balance sheet is working capital. And there I could say the working capital overall is at a similar kind of level in relation to sales that we have in Thule Group. So it's a similar kind of profile to working capital to what we have in Thule.

Fredrik Ivarsson (ABG):

And in terms of goodwill.

Toby Lawton (CFO):

Yeah, well the balance then is intangible assets goodwill, and it is accounting discussion now, but there are intangible assets which you identify in a purchase price allocation, which is mainly goodwill, but there may be some others which is kind of technology and things like that, which are in the balance sheet as well. But they're all intangible assets and there may be some amortisation, but we have to come back on that. But it's all non-cash related items.

Fredrik Ivarsson (ABG):

Okay, perfect. Thanks so much.

Operator:

Thank you. We currently have no further questions, so I'll hand back to Mattias for closing remarks.

Mattias Ankarberg (CEO):

Thank you everybody for joining this call. I hope you have a great rest of the day and look forward to speaking to you again at the Q4 call. Thank you.