



Thule Group Interim Report Q3-2020 Report

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2020 Jan-Sep Report

Magnus Welanders

CEO, Thule Group

2020/Q3: Season phasing and strong bike trend drives great quarter

Good morning everybody and welcome to this third quarter report for the Thule Group. We can then start by saying it has been a very strange year for everybody in 2020 but interestingly enough if I would have been asked at the beginning of the year in January/February before the Covid pandemic outbreak started where we would have expected and targeted to be around this time in the year, we are actually there, which means we are showing year-to-date 7% currency-adjusted growth and we are at a 19.1% rolling 12-month EBIT margin. However, the way we have come here is of course absurdly different from what we had expected.

We saw already in conjunction with our Q2 report I communicated to you in July that we had after extreme lockdown measures in the world in the spring of 2020 in April, we saw that we in the beginning of the factor[?] of the summer we had a situation of a pickup of the bike category and a pickup of general vacationing that normally would have happened already in April and May that now instead has been in a very compressed season.

That compressed season meant that we also had a fantastic third quarter. The third quarter was a growth of 52% currency-adjusted. It was very strong and what I am most impressed with is, as I said, not necessarily that we sold so much because if you add the two quarters together it is in line with what we would have expected. However, it is the team's fantastic ability to show the strength of our operations being able to handle such tremendous demand swings and be able to meet up with such growth. A fantastic job by the team in meeting up.

That also, if you had a very scalable and efficient business as we have, meant of course that with such a strong sales development in the quarter we also had a very strong EBIT development for the quarter. In fact we delivered an underlying EBIT margin of 24.5%, significantly higher than previous years which was then 16.3%. Also our cash flow was strong in the quarter and we of course had a contribution of cash of SEK 764 million versus the SEK 571 million that we had last year.

2020/Q3 – Net Sales and Underlying EBIT development

If you turn to the next slide we can then say that in terms of net sales and underlying EBIT development we can really focus on the full year. For the full year or year-to-date we are delivering, as I said, a 7% growth and a fantastic EBIT performance at 21.7%, which then, as I said, means that we are at 19.1% in terms of a rolling 12-month EBIT margin. It also means that we for the year so far have grown our EBIT with 13% currency-adjusted.

Region Europe & RoW: Strong bike category trend

When we come to a regional performance if you go to the next slide and look at Region Europe & Rest of the World which is our biggest region, you can see that we have a 59% growth. A fantastic performance across categories and also across all European markets. As we mentioned in the spring we saw very different performances in markets due to the actual situation with a different level of lockdown measures being deployed at different times during the spring. If we look at Q3 it is more of a performance situation where most markets were opened to a less restrictive situation and that meant that actually all markets in Europe had a fantastic third quarter.

Our market-leading portfolio, as we say, in both bike racks, bike trailers and child bike seats was of course the biggest contributor here. It is a big part of our business and not only was the season compressed but there is also a strong underlying positive trend for cycling. I am sure you all have read a lot of articles both about bike sales and bikes not being able to be found almost in stores because as people have chosen to cycle commute rather than taking a bus and people have not been able to go out and do their long trips, they have taken shorter bike trips with their family and friends as part of a way of having a fun summer. That bike trend helps the Thule Group as bike-related products are a big chunk of our business.

What was positive to see also in then the third quarter was that also our other two big categories in what we call Sport & Cargo Carriers, our roof racks and roof boxes, also had a very strong summer. Of course that is related to once again that there was a bit of phasing. Some of these products normally would have been sold during springtime and now the season became compressed in a four-month season, you could say from June to September, rather than what normally would have been a season from April more to August.

if you look at Strollers, there it is less of a connection to a compression of the season. It is just a continuous strong performance of us growing and becoming more and more an established player with a strong portfolio with now three stroller models. Of course if we compare quarter to quarter we did not have the third model, Thule Spring our small one-hand-folded city stroller, in our portfolio at this time last year. That means that we on top of the strong performance on the Thule models we had last year, the Thule Sleek and the Thule Urban Glide 2, we also got a contribution of an additional third model as Strollers continues to do very well.

For the RV Products category, as I am sure there has been a lot of you even considering maybe renting an RV or having at least read about how hot the RV industry has been, I think you can say that the RV industry is, as we have communicated many times, the one where we have a less direct timing phasing despite the fact that we sell about 55% of our business to dealers and about 45% to OEMs, manufacturers of RVs. It still is a business with a longer lead-time than the rest of our more retail sold product categories. If you look at that and remember what we communicated and have heard from other companies that are stock listed that are in the RV industry world, it was a case of many of the factories closing down in the spring. These factories have more complex supply chains with a lot of supply bases and especially a limitation of chassis from the chassis manufacturers. It took a longer time for them to get their supply chains up and running which meant that in a few markets, especially the biggest market in Europe, the German market, there was a very strong sales out at the dealerships of existing RVs on their lots and not as much production. Of course now the manufacturers when they are getting their manufacturing supply chain up and running are catching up with production. If you have seen the reports from the manufacturers they foresee a strong ending to the year and we could see that with a strong ending of the quarter as the RV industry was catching up with production backlogs.

Finally in the region we do have, especially in Asia but also in some European markets, a solid Bags business and of course we did see as a natural consequence of the Covid pandemic an extreme reduction in international travel. There was very negative development in the luggage part of our business. Furthermore there was also some negatives in terms of what is normally a strong back-to-campus season for us in selling laptop daypacks or backpacks for daily use, as many schools and universities around the world were closed. A tougher period for our Packs, Bags & Luggage category which of course is the smallest category in this region. However, overall a very strong performance and a strong trend in the business.

Region Americas: Bike products and strollers strongest performers

If we then turn to Region Americas and look at what the Region Americas business looks like, also there a strong sales development, 36% growth and the main difference in why Europe had an even faster growth is really about product category exposure first and foremost. In the Americas region we have a higher share of sales in the Packs, Bags & Luggage category and we have a very small component of RV Products. Those are the two main reasons for why there was a difference between the regions. Then there is the third reason. In the Latin American markets we saw a later development of the Covid pandemic and as that later development meant later lockdown measures. In all markets in Latin America except Brazil we also operate the distributors and in a situation like this where the distributors do have some stock on hand and a concern about how long the lockdowns and the pandemic would last, you can generally see a rather cautious purchasing behaviour from those distributors. Latin America excluding then Brazil had a very tough quarter.

However also here in the US market we had a very strong bike-related category. You have to remember that cycling is very different in the US. There is a limited amount of bike commuting. You have a few cities like Portland, Minneapolis and a few others but generally in the US it is more of a recreational weekend use of bikes. Even that part of the business for us meant great sales of our bike racks for the car and also strong sales of bike child seats and bike trailers which is however a much smaller part of the business in the Region Americas.

Also here and even more so actually than in Europe we had a fantastic development of our Thule Urban Glide all-terrain stroller and a very strong drive of our Thule Spring stroller so we feel very good about the Strollers segment development in Region Americas. A similar way to the RV travelling where you can more or less live in your own little bubble rather than staying in hotels, of course even if we do not sell a lot of RV-related products in Region Americas we do have nowadays our very nice rooftop tent business. As you could imagine that was a very strong performing category as well for us in the third quarter.

I did mention bags already but it is clear that there are some challenges on all the international and long-haul travel that also within the US consumers normally do. We do have a strong portfolio in more hiking packs and other sport-related bags. Also within the US we have been able to offset some of those challenges in supporting some major shift of staying at home. Even people staying at home do need to sometimes put their products, laptops and things and go maybe to a café and go sometimes to work. That has meant that it has not been a dramatic decline on our everyday packs and everyday bags, but a challenge of course in our luggage-oriented business. As I mentioned, also a challenge in our Latin America business.

That is a little bit about how the business has developed. I will now hand over to Jonas, who can talk a little bit about our financials.

Financials

Jonas Lindqvist

CFO, Thule Group

2020/Q3 and YTD – Reported income Statement

Thank you so much, Magnus. I will move to slide number six and I want to draw your attention to a few items in the income statement and also regarding working capital and cash flow. I will not comment more on the sales development and as you can see the gross margin was up by 4.4 percentage points in the quarter compared with the same quarter last year. This significant increase was primarily driven by the

volume in the quarter giving very good capacity utilisation which we resulted in overabsorption of production costs. In addition the production mix was favourable and we have seen continued lower material costs.

Our SG&A expenses increased in the quarter to some extent driven directly by the increased volumes but also by the fact that we could not run all the initiatives for long-term growth at full pace in the spring and now could dial these up. We have not held back on product development and as Magnus mentioned, we have also during the pandemic done a lot of initiatives to support online retail and increase our own direct-to-consumers sales.

The drop-through was very satisfactory with an increased EBIT margin of more than eight percentage points in the quarter. The tax rate in the quarter was 22.7% which is lower than in the same quarter last year when it was 32.7%. The difference is a mix effect between countries with different tax rates.

2020/Q3 – Operating Working Capital and Operational Cash Flow

Moving over to slide number seven, the delay of the peak season in 2020 also affected the development of the working capital. We exited the quarter with an operating working capital on approximately the same level as the same quarter the year before. In reporting rates it is somewhat lower as you can see and in fixed rates it is somewhat higher. The main difference is accounts receivable which is quite a bit higher as a logical consequence of the strong Q3 sales. This however is almost two thirds balanced by increased accounts payable. Another effect of the strong demand is that the inventory level is even lower than what we would have wanted. Taking this reduction into account we have actually managed to go out of this quarter with, as I mentioned, only a modest increase in our net working capital.

Working capital in fixed rate is about SEK 50 million higher compared with the same quarter last year. The inventory level is approximately SEK 800 million and SEK 100 million lower in fixed exchange rates than the same quarter last year. Accounts receivable of just above SEK 1.2 billion are SEK 360 million higher than last year and the high activity levels have also impacted accounts payable which are SEK 220 million higher than last year. You can see the currency effect for each of the categories of working capital in the presentation.

Operating cash flow in the quarter has been SEK 177 million higher than for the same quarter last year and the main reason is the increase in profit in the third quarter. Capital expenditure amounted to SEK 32 million in the quarter against SEK 34 million for the same quarter last year. During the quarter we have used our strong cash position to reduce the utilisation of our revolving credit facility. Thanks Magnus.

Closing Remarks

Magnus Welander

CEO, Thule Group

2020 YTD September – Performance vs. Financial Targets

If we then turn to looking at our performance versus financial targets, it is of course nice to be able to say that year-to-date we are now at a 7.1% organic growth in constant currency. We have also if you look at our underlying EBIT margin with a 21.7% for the first nine months and remembering that our fourth quarter, which is our smallest revenue quarter, is also therefore the lowest EBIT quarter. It still means that on a rolling 12-month basis we are now at 19.1%. From a net debt to EBITDA we are at 0.5x leverage so that of course has been improving all along. As you are aware and as has been already communicated, the Board of Directors proposed in the AGM agreed to no dividend this year.

Executive Summary: Short-term uncertainties but long-term confidence

Looking then forward to what is to come and I think you always need to balance the short-term and long-term so if we turn to the next slide it is a situation that we have to admit that there are short-term uncertainties I think generally out in the world. We are having to learn new types of terminologies like circuit-breaker, lockdown and other things where different states and regulations are being placed in different parts of the world. We had examples of the Czech Republic and Ireland in the last few days communicating partial or complete lockdowns. As you saw in the spring and as you realised in the summer, what is the most important factor for Thule to continue to do well is the ability for people to be allowed to go outside and have fun with family and friends and go and be active. If they are allowed to do that I am very confident that we will continue to develop very strongly but that has to be a possibility because otherwise the Group sales will not be strong.

if you look at it, it is clear that many brick and mortar stores have certain limitations still and are implementing various measures but if you also combine with our strong total distribution in omnichannel and online realities we feel very good about our breadth of channel market approach. This whole uncertainty level of course means that we need to continue to do what we have been doing for years and have especially proven this year, which is the ability to manage extreme flexibility by category, by market, in different plans and at different paces. I think the team, as I mentioned, has done a phenomenal job in showing that we do that well.

Even with that phenomenal job we do have to admit that in some of the bike-related categories we did struggle during weeks in this period in quarter three to keep up with demand. When I look at the fourth quarter there is a little bit of a positive effect in the very beginning now here in October where normally cycling season would be long over, it is not in 2020. One because the cycling trend is positive, two because weather has been unusually mild in September/early October in the Northern Hemisphere and three because we did have some backlog of some of the bike-related products exiting September.

Aside from that you also do need to remember that the fourth quarter which is not only our smallest quarter, is also normally the quarter where we have by far the biggest portfolio exposure in terms of share of sales to the least well-performing categories. We normally have a much higher share of sales in Packs, Bags & Luggage in the fourth quarter and we normally have a very small sales of bike in the fourth quarter. From a category exposure and trend it is the least positive and the positive contribution factor that might help to offset that somewhat is then the fact that we did have some positive start of the quarter in the bike-related category.

if I lift the eyes to the right, and it is very easy to get too fixated with quarters, weeks and months, the need to look at long-term, we have as we already communicated in the spring decided to push ahead very aggressively for the long-term growth. We have not held back any of the investments we are doing into product development or capital expenditure. In fact 2021 and 2022 will be higher than average capex years for the Thule Group as we are going in with some major expansions to be able to continue to meet what we expect to be strong demand in the coming years and to open up some exciting new categories as we come. Big ambitions on growth for the coming years in also ensuring we do the right things for the capex portfolio.

If you look at the perspective of how the business looks in a longer-term and trend-wise we have presented ourselves for many years as a staycation-oriented company that does best when people want to be active and when they want to do it in a decent vicinity to their home because that is when they mostly need our products. We have no doubt that if you look on the trends already existing before Covid and now boosted by Covid that we sit in a very good position from a trend perspective in the marketplace. I am also encouraged and sure that we will do a better job than most in capturing that and I am very confident that we

have a very strong portfolio of products also for the future. When I look at it I think it is a short-term uncertainty. We need to know a challenging Q4 due to product category mix. However, overall a very positive long-term view in the market, of course subject to that we do not see big returns on lockdowns due to any pandemic.

With that let us open the floor for questions.

Q&A

Daniel Schmidt (Danske Bank): Good morning guys, a couple of questions from me then. Starting with what you basically ended with in terms of cycling and I think you said you had a quite positive start also to Q4 on the back of weather conditions and maybe some overhang from September in terms of delivery. On the other hand of course you have this overexposure to the weak parts. If you try to see the net effect of that are we still in a quite decent growth trajectory going into Q4? Of course not at all at the same level as you saw in Q3. is that a fair assumption?

Magnus Welander: Morning Daniel. We do not like to do forward-looking statements that are too clear but yes we believe in a general positive trend and yes you are right that it is going to be mostly now in the beginning of the quarter thanks to the bike-related. Then generally Strollers will continue to do well and RV is doing well so that will be helping then to offset the obvious decline in what is a bigger quarter for the Packs, Bags & Luggage.

Daniel Schmidt: Yes. Also you mentioned, you wrote about it on RV and of course we heard about it as well is that growth rate was of course picking up quite well towards the end. Could you say anything between the difference of September versus July to get a feeling for where we are in terms of the ramp-up?

Magnus Welander: If you look at they were very much struggling in July and August is generally a closed period because most of those plants actually close completely down. They did this year as well despite demand because there are various rules in place for them [inaudible]. You can say it was really in September it started picking up a lot, catching up some of the things that have been left on the table, so to speak, in July and August. I do not think quarter four will be at the same pace as September but clearly the case is if you listen to [Inaudible] and looked at the Thor[?] Industries what they are saying, you can see that there is a positive expectation, which means that I have been the cry wolf guy now for a few years in the RV industry believing that there was not strong. I have stopped being that now because looking at the trends and also talking to friends that never would have considered potentially buying an RV and that now are talking about it, I believe that RV trend is here to stay for a few years definitely.

Daniel Schmidt: Yes. That looks quite strong. Coming back to the cycling segment and it has been of course a tremendous recovery in demand partly supported by governments across Europe when it comes to infrastructure, subsidies and so on, but also if I read the news it looks like the e-bike is getting a further push up. Are you seeing that and how is that impacting your business mix and so on? If you look into next year what do you believe?

Magnus Welander: We believe in a continued strong cycling trend. If you talk to the big companies in bike manufacturing, as we do, the big, big brands, and if you talk to the big retailers and the Shimano of the world there is a strong belief that despite a record-breaking 2020 in number of bikes sold that momentum will continue to be positive. There is a general strong positive trend. The biggest strength in that trend is e-bikes which we like for two obvious reasons. One is that if your bike is significantly more expensive proportionally your bike rack can be more expensive and it still feels okay. A market-leading high quality top-end type of player like us is better served by the bikes being more expensive. Secondly, because the bikes are much heavier and more expensive you are going to be much more cautious about technically

being sure that it stays on when you are driving around in the vicinity of your home, driving over speed bumps and doing things. Then a lot of our competitors which quite honestly the bike would not stay on for some of them, there are other quality brands than Thule but there are some very mediocre products out there. That of course also helps us because people will be prepared to pay for something that is truly technically, so it's what they do. From that perspective it does help us. The mix trend to e-bikes is definitely a positive for us.

Daniel Schmidt: Yes. Maybe just finishing off, the cash flow of course has been very strong in the quarter supported by the earnings mostly and you are down to 0.5x in terms of net debt to EBITDA, which is quite far off the targeted range that you do have. How do you view your balance sheet going forward basically? Okay you are stating that capex will pick up a bit but apart from that I think you have said historically that there are no big M&A out there. Has that changed?

Magnus Welanders: I have not said no new ones. I have said they are few and far between, to be honest. There are a few and far between still that would be interesting. That has not changed. There are of course a number of small ones and I think we have proven very well that we can acquire small things and quickly get a lot of benefit from it. We are definitely going to do more of those I am sure but since the bigger ones are few and far between and small ones are small, it still means that we will of course sit with a very strong balance sheet. Obviously it is a discussion that we are having with the Board on what are the future targets really. It is if I think anything a target that nobody minds that amount that we are making, but of course logically we should be having a direction that makes the best use of capital in the company. Therefore I am sure we will be discussing and looking at that. However, the strong cash generation in itself of course with not doing that much M&A means that there is a great opportunity of large dividend[?].

Daniel Schmidt: That is the other part of the coin of course but coming back to M&A do you feel that the ice is melting a bit when it comes to the possibility to do due diligence which I guess has been a problem during Covid?

Magnus Welanders: Yes I think everybody hit the pause button, sellers and buyers have hit the pause button because there was so much uncertainty. Then everybody in the world has needed to learn that for everyday business you are doing more digitally than you would historically have done. However, when you do a real due diligence you do absolutely want to see manufacturing sites as well so there will be the need of being able to do some type of travel. I think also indeed e-processes people will do less travel than they historically have done. Yes, you are right, it is starting to open up. We are starting to see more movements in the M&A market again.

Daniel Schmidt: Moving on then I touched upon it in the last question. You said that you will continue to invest heavily in 2021 and 2022. I think you said the capex will be higher. Can you give us a number? You also said that you are planning to launch exciting new categories. Could you shed some more light on that?

Magnus Welanders: For the capex you know we have been saying that SEK 2-2.5 billion is what we have been travelling at. If you look at it we will go above SEK 3 billion and maybe even a little bit above that during next year because we have a number of big exciting things we are doing. Then we will go back in the following years to the more traditional level so it is a short-term because we have always said we are not going to do things to make the numbers look good any given year. We are going to do it when it makes sense for the business. A higher next year than average and then going back to normal levels.

if you look at it from a category point of view you know we are going to hold firm for that. When we tell the retailers what the brand new category is we will tell you guys as investors and analysts. What is clear is that we are in the meantime launching a lot of new products within the categories we are in. We have had

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our digital sales meetings as they have been this year and we have introduced a number of new bike carriers, a number of new other products in our portfolio in both Cargo Solutions and other things that are looking very exciting for 2021. We will be sharing more of those with you as we roll them out in stores. However, for the big category you still will have to hold your patience Daniel.

Daniel Schmidt: Is it more for 2022 rather than 2021?

Magnus Welander: If it was to be for 2021 we would already have needed to tell retail so it is confirmed to what we have said to you guys in the past that it is no brand new category in 2021. That will only happen beyond that.

Daniel Schmidt: Okay. I know you said in the worst period in the spring, I think it was in connection with the Q1 report, that you were holding back the planned investments that you had when it came to luggage. Is it fair to assume that they are now back on board or what are you saying between the lines when it comes to investments in 2021 and 2022? Are they in there or is it redirected?

Magnus Welander: There is. We were already far down the track with, for example, one new luggage collection that we felt that we were so far down the track that it would be a stupid waste of money not to finalise something. It is always the key in various product development initiatives to look do you really save money or you are adding cost by halting something. What we are doing is yes there will be a new luggage collection coming because we were far down the track. What we were holding back was more some of the other new things that we were planning to do because it does not make commercial sense to launch a lot of new luggage collections in the coming years because there will be limited travel. However, the one we were already far down the track with will be coming in the second half of 2021.

Daniel Schmidt: Yes. I am not going to drag on but since there are no more questions I just wanted a few more. Given the enormous support that you have seen in terms of bike-related demand and you have the three major bike categories one of which is much, much bigger of course but still all of them I guess seeing very good growth. You are saying that you will have supplement next year in each existing category. Is this a category where we will see much more product development coming out with products being launched next year? How does it divide, basically?

Magnus Welander: Yes, you should not dial up and down in a few months and believe you can throw a lot of extra product. Those types of products that you speed to the market are always unsuccessful products because you have not done your homework and you have not sold them well enough. However, luckily we were already believing in the long-term cycling trend and already had a lot of initiatives in the cycling category coming anyway for 2021 and 2022. There is actually no change to our plans because we already had a very ambitious plan in everything bike-related as we stood beforehand. We are launching a lot of bike-related products but that is not because we have decided in the last few months that we needed to. It was because we were already so convinced about that trend.

Daniel Schmidt: Is that more upgrades to existing products or is it new products?

Magnus Welander: No, it is brand new products. If you take for example the bike category we are launching two brand new top-of-car bike carriers and a fantastic really game-changing product in terms of bikes being carried on the back of the car, even for cars without a towbar. There we are launching a completely new product coming in March next year. Then as I said two new top-of-car products as well for the more avid cyclists that have their road bikes etc. More niche but very cool with a lot of smart patented solutions. We are broadening that field definitely with brand new things, not just small little tweaks.

Daniel Schmidt: Okay. Good. You already touched upon the bags being a bit overexposed in Q4 due to seasonality and bikes coming off a bit even though it is a bit stronger than normal and the season is a bit longer. Maybe it is just a trend as well of course with people avoiding public transport continuing to elevate cycling. Winter season is of course approaching. It is not a big season for you guys but any reflections on the winter season at all in terms of what demand is directly related to skiing and stuff like that or cross country for that matter?

Magnus Welander: Yes, you are right we do have some countries and some market where the winter season is relatively big, the Nordics, some of the Alpine countries and Canada. In a few markets winter is pretty big for us. The majority of markets it is not. However, if you look at winter season I think it is going to be the most extreme, in some cases very good and some cases quite terrible. You can see that on the hotel bookings and the trends in the resorts. If you take the Nordics a fantastic situation, [Inaudible] has already informed the market about that so that is not a secret. Best ever and that is definitely of course something that we look positively on because a lot of people will want to bring their stuff up to those resorts in [Inaudible] and Åre for example. If you take some of the Alpine countries it is the absolute opposite. There are a number of Alpine resorts that are seeing dramatic declines in bookings and some of them are even considering potentially closing lift systems due to all the restrictions that are in place. If you look at the North America ski resorts you see a mixed bag. Some of the smaller ones, the ones more similar to the type of skiing vacation you do in the Nordics, so some of the Canadian ones, are looking optimistic at it. Whilst some of the bigger American ones are worried. I think it is a relatively mixed bag into the winter season expectations and of course it will be very dependent on those last few weeks leading up to the classic winter season period which is Christmas/New Year. You then have the skiing holiday in February period and then you have the Easter. It will all depend on what levels of lockdown will be deployed in those smaller specific places where you go skiing.

Daniel Schmidt: Yes but I guess people still want to do something. If they are not doing downhill maybe they will do more cross-country.

Magnus Welander: Yes they will but they still need to be moving themselves to a location where they feel comfortable in staying and that is why the Nordics are looking so good because there are so many lodges and places where you can be in your personal bubble. That is why some of the other places like the Beaver Creeks of the world where you mostly stay in huge hotels are less positively exposed. You can more or less simplify it by saying ski resorts where you have the ability to stay in a small little cabin they are going to do a great winter and the ski resorts exposed to huge skyscrapers, the [Inaudible] of the world, so to speak, where you are staying in huge hotels in various tight spaces they are going to struggle.

Daniel Schmidt: Yes. Okay but it sounds like it is fairly neutral for you guys if you look at your own geographical exposure.

Magnus Welander: I would hope and it all will depend as I said on that uncertainty of lockdowns but yes as I said there is good and bad in it so hopefully yes.

Daniel Schmidt: Yes. Then a last question on the efforts and investments that you touched upon and we have talked about the capex. Could you say anything about product development spending in terms of percentage of sales? Of course it is very uncertain but even though you said that you are full speed ahead on product development spending is that now coming down as a percentage of sales given that you had such a strong sales number for Q3?

Magnus Welander: Yes. As I said in the beginning of the call, we are now when we look at it in October more or less where we thought we would be. We just had the weirdest travel to get there that I have ever been through. Actually we are relatively close to what we expected when we came into the year and as we had indicated to you guys and to investors coming into this year we were going to expect it to go down a little bit. Not dramatically but a little bit. That is exactly what is happening actually now, that as a percentage of sales as we are now tracking to expectations our expectation also on how product development spend as a share of sales is more in line with what we thought, which is then a bit lower than it was last year.

Daniel Schmidt: Looking into next year is that going to drop a bit further or stay at this level in terms of percentage?

Magnus Welander: Yes, roughly the same level. As we said, we were not dramatically dialling it down but we also acknowledged already some years ago that we would have two years where we were over investing especially in Active with Kids, which is a more costly product development side. There is a lot of tooling and a lot of technically complex product you do there, versus the proportion of sales. As you were hearing from us, we are doing very well in growth in Active with Kids. That means of course that that proportional logic of spend is still high because we are coming with a lot of new cool Active with Kids products but the category has grown a lot so therefore we are now in a more logical share of sales there.

Daniel Schmidt: Yes, alright. Super, thank you guys. I think that is all for me.

Magnus Welander: Thank you Daniel.

Mats Liss (Kepler Cheuvreux): Hi, thank you, lots of good questions there. A couple of follow-ups I guess. You have had a very strong quarter now and is there a pent-up demand initially now and you do expect the same development going forward. Do you see that some of the [inaudible] have been taken away from you as the market is maturing to some extent, especially in the bike segment?

Magnus Welander: No Mats, I would not say that we have taken anything away from the future at all. Actually, we mostly caught up with the past. I think if you look at the trend that cycling is expected to do well it means that we do not believe we have pre-sold anything. If anything maybe at the very end of the quarter we were a little bit behind on some of the things we should have sold. I feel very comfortable that we have not filled up the market in any shape or form but of course as I am trying to remind everybody do not look at the absurd number for Q3. It is easy to get fooled by that. Look at 7% growth year-to-date. That is the interesting one. I think if you look at it if anything a continued nice growth pace, a little bit helped clearly by a stronger cycling trend, a little bit helped by me having been too cautious historically about RV Products category that now seems to be having a very strong expectation, and then a little bit negatively affected by we were more optimistic on Packs, Bags & Luggage than we are now with the realities of travel. No, nothing stolen, so to speak from the future.

Mats Liss: Great. Then about the e-bikes, does it trigger a replacement demand or do you see new customers in this area? if you have an old bike and you buy an e-bike you need to make a replacement. How does it work?

Magnus Welander: It all depends on how old and which model you bought. We have had for a number of years a number of platform towbar-mounted bike carriers that definitely could handle the weight of 23kg+ several of those e-bikes. However, many consumers did not have the need to buy those products and as those are the more expensive products in our portfolio some did not. There might be some consumers that already had a Thule bike carrier that was good enough technically to meet up to the demands of normal bikes but now need to move. Some will not but is also, as you say, a partly new consumer group at times

that are choosing to now buy this type of bike. It is also, as I tried to explain before, maybe sometimes a consumer group that bought a typical average city bike a normal one for SEK 5,000 or €500 then. Then they thought, '€500 for the bike, I am not going to spend €500 for the bike carrier.' Now they are spending €2,500 for the bike and they will now all of a sudden consider the Thule brand as a logical match where they previously would have gone on a no-name product that would be rusting any maybe not be the world's most practical but from a price point made more sense to what they were buying before. It is partly a new consumer group for us as well.

Mats Liss: Finally, since you have a good volume and pricing trend now and it seems like product development costs are based on increase, I guess we will see margin recover and gradually from this [inaudible] maybe the target is somewhat obsolete in two years. What do you think?

Magnus Welanders: Yes, I would not say recover because that sounds like we have had a negative trend before and it did go badly. There has not, actually. We have had a very continuous positive trend that we will continue. Yes the 20% EBIT target we set in the Capital Markets Day of 2017 and that time already said that would take roughly five years to reach. I have not changed my mind. I did not even change my mind after Q2 report about that one and now with the strong Q3 report I still do not change my mind on that. I am very convinced that we will reach our 20% EBIT target and as always when you reach targets at those times you can step back and say is there a need or a logic for why changing a target? That might not be the case. First and foremost you need to reach your target and even if we at 19.1% on a rolling 12-month basis we are not at 20% yet. First we need to get there.

Mats Liss: Okay, great. Thanks a lot.

Magnus Welanders: Thank you very much and thank you for taking the time and listening in. I hope you have a great autumn period and that you are in those places where you are allowed to go and do some fantastic winter vacationing and of course that you use a lot of Thule products when you do that. Then we will speak again when we summarise the year in the beginning of 2021. Thank you very much.

[END OF TRANSCRIPT]