

**Thule Group»»**

**Thule Group Q4 2022 and FY22  
Results Presentation**

Friday, 10<sup>th</sup> February 2023

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## 2022/Q4 and FY22 Review

Magnus Welander  
CEO, Thule Group

### 2022/Q4 and FY Results

*A year with two phases*

Good morning everybody, time to wrap up an interesting 2022. I go to page two where we summarise a year that truly had two very different phases. As you have been hearing from us throughout 2022, we had a phenomenal start to the year with a fantastic pre-season for the bike market and in general a very strong performance across Thule's categories. Then as we all remember if we are listening in to this call, we had to issue a profit warning in September as the bike retail sector clearly had a big handbrake pull when they saw they had too much inventory on hand.

If you look at 2022 Q4 as always remember that it is challenged by the fact that we have a clear strong comp period. When you have a strong comp period over one year it is easy when you are a public company that you have a very short memory that it is not as bad as it might look. However, versus 2021 Q4 was weak on sales. We were 21% down currency adjusted. The biggest downside was the US and Canadian business or Region Americas. That is also once again related to the strong 2021 Q4 that those markets had. If you listened in to our 2021 Q4 we were still catching up with backlog deliveries of bike related products well into the winter season in Region Americas while we had caught up earlier in Region Europe and Rest of the World.

EBIT for the quarter, which is always our lowest EBIT quarter, was SEK 4 million and that meant that we just barely had a positive EBIT. We had a clearly stronger operational cash flow versus the same comparable period last year but it was the fact that 2021 Q4 we were building up huge inventories for the season ahead while now we did not need to do that having high inventory levels already in 2022.

When we summarise the full year it is the second-best year in the history of the Thule Group. It still does not mean we are happy with it because we had a 9.7% FX-adjusted decline in our sales and that is something you are never happy with. If you look at our performance by region for the full year they were quite similar. We were 9% down in Europe and Rest of the World and 11.5% in Region Americas. If we look at our performance on EBIT we did SEK 1.7 billion in EBIT which meant that our EBIT margin fell down to 16.8%. There was an operational cash flow of SEK 530 million, and Jonas will talk more about that later on, and the board has also decided to propose a ordinary dividend of SEK 9.20 per share which is in line with our dividend policy of 75% of net income.

### 2023 Start of Year Challenged by Strong Comps from 2022

*Q1*

If we go to the next page, page three, we see what I mentioned first, the fact that we are looking at very different quarters. Also very different quarters because of the previous period's very different quarters. When you look at numbers you always need to look a little bit further back. I can assure you we are not doing this to try to in any way sugar coat the fact that we declined 9.7% but rather to explain what the phasing periods are, also looking forward. If we look at quarter by quarter on page three you can see that in Q1 we had a very strong start of the year in 2022, both compared to 2021 and compared to the pre-pandemic 2019. When you look at that you can see that we had a 20% growth in reported currency but only 13% growth in currency-adjusted versus 2021. However, we had a 64% growth in Q1 versus Q1 2019 currency-adjusted so a very strong start to the year. As I mentioned many times when we did the quarterly report and also later on in subsequent reports, we did see a clear bike category load-in.

## Q2

When we look at Q2 we then had a almost flat currency-adjusted versus the very strong Q2 in 2021 which was also 43% growth when we look at versus 2019.

## Q3

Then came the handbrake pull in Q3 and when we saw that from the bike retailers it clearly versus a very strong ending of the season in bike in 2021 meant that we saw a decline versus 2021 Q3 of 29%. However, to be remembered, it was still 23% more sales than we did in 2019 Q3. That was also the time we then issued a profit warning telling the market clearly that we would see a weak Q4 and a weak Q1 in 2023 as well due to the fact that that inventory rebound in the bike retail sector will only really start to happen as the normal bike season starts now in 2023.

## Q4

Then finally in Q4 we were 21% behind 2021 in currency-adjusted and 28% better than 2019. Overall very difficult and different quarters to track and follow. By default that also means that now when we will be are looking at 2023 we have a very, very tough comp in our first quarter which was extreme, a more normal second quarter and then two easy comp periods in the third and fourth quarters. I think that is a clear message also to all investors and analysts to not overinterpret anything in the quarters as they come.

### **The Bullwhip Effect on Bike Related Product Sales Impact 2021-2023 Comps**

If we then take the next slide, slide four, as we have discussed a bit throughout the year, how much the Thule Group is exposed in a positive and negative sense to what goes on with bike. If you look at this graph it shows on a rolling 12-month basis how much of the sales were in the bike related products, which in all four of our product categories we have products which are related to cycling and using of a bike. Across those four product categories if we take all the bike related products and we compare that with all other products we have across the four product categories and look at a rolling 12 months, you can see quarter by quarter that we were steadily doing around 37% of our sales in pre-pandemic times bike related. Then came the pandemic and we at the same time had some very successful new product launches. We had just launched some very good new products. On top of that came the pandemic which drove a general tendency for consumers to use more bikes than ever, both in commuting as there were no subways or buses or you might not have wanted to go on them, but also as a fun thing to do on the weekend, etc.

When we look at that we should remember that strong, long trend that had been there for years that e-bikes are very positive for the Thule Group. E-bikes are heavier, more expensive so the likelihood of somebody buying a premium product to bring their e-bikes is much higher. That means we take a higher share of the market pie at the premium price points. Premium price points on accessories like a bike carrier is clearly bigger if you buy a very much more expensive bike like an e-bike. We were seeing some trends that were positive.

On top of that we had a general cycling trend and then came the third positive for us during the pandemic which we mentioned several times throughout 2020 and 2021, which was the fact that we have own operations close to the marketplace while our competitors made everything with sub-suppliers in China. That allowed us to be quicker, although we were struggling also to meet the demand boost that came throughout second half of 2020 and all of 2021. We did a much better job than our competitors thereby also grabbing some market share at price points where we normally might not have gained them.

We clearly had three factors helping bikes to grow faster. As a consequence, as you can see on the graph in how much bike related was a share of total sales, we saw a going up from the 37% almost on a rolling 12-month basis up to 50%, which meant in certain quarters we even had up to 60% of sales from bike related products.

Now with the very aggressive handbrake pull but even before then we were starting to see a normalisation, performing very well in the rest of our categories. When we were performing well in the rest of our categories already throughout the second half of 2021 and going even into the very strong beginning of 2022, you can see that the share of bike related was starting to drop. However, then you see a very dramatic drop in the third and fourth quarters. Now actually when we summarise on a rolling 12-month basis at the end of 2022 we are actually back at 37% again. As I have already indicated to you, we will now replace a strong bike quarter, extremely strong 2022, with a weak one due to inventory reductions. We will actually be below the pre-pandemic levels when we summarise on a rolling 12-month basis bike related at the 2023 Q1.

As you can see in this graph, we are clearly performing very strongly in non-bike related business. We are also, as I mentioned many times, very convinced of the strong bike trends that are underlying for the long run and about our fantastic product offer in also bike related.

## **Sustainability**

### *Significantly reduced emissions in 2022*

If we then go to our sustainability I can already now, having looked at the presentation just this morning, see that unfortunately there is an error in our sustainability graph. I think the team were a little bit busy last night with a lot of other things going on, as we will come back to, and some of the graphs were wrong. I will clarify that we will replace this graph. In reality our numbers are significantly lower than this and in fact we are not at the 26 ton CO<sub>2</sub>e/MSEK but 2.6 ton CO<sub>2</sub>e/MSEK. We will update the graphs and make that available and release a press release clarifying that. We apologise for that mistake because what did happen in 2022 was we took significant steps in our long journey which is now committed not only to science-based targets, which we were already since several years ago, but also now to the business ambition of net zero 1.5°C by 2050. That whole thing of being committed to the science-based targets with an aggressive plan for 2030, we are also now net zero committed for 2050.

When we look at what did improve, although the graph is incorrect, the trend in the graph is correct. We clearly had a much better performance both in total emissions but also most importantly also in emissions per MSEK of revenue. What contributed to that was of course the ongoing and hard work we have been doing for many years in our own plants. As you are aware if you have looked at our annual reports in the past and definitely will be aware when you look at our substantially expanded sustainability reporting in our upcoming Annual Report, is the biggest part of in the world of our emissions is of course in Scope 3 in the materials we use for our products. We have done a number of very key choices in making our products more sustainable by having higher degrees of recycled materials and also low energy produced aluminium and other products. Generally a very aggressive path of ensuring that we produce and use the right materials is a very big contributor. Another big contributor is more efficient from an energy point of view and emissions point of view but also from a financial point of view, a significantly reduced air freight and a better utilisation of logistics in general. All of that work is something I am very proud of so we will make sure that you get the right numbers. Then I urge you to look at our full reporting on our home page.

I can also say I am very proud of what the team has done. We have strengthened our team significantly within the sustainability area and the team is truly living up to all aspects of this work, not just emissions. I am also happy to say that this is being recognised by outside entities. We are happy to announce that we are one of the top-50 companies out of the more than 15,000 companies that Sustainalytics value from a sustainability point of view. We are continuing that long-term ambition and as I said now also with a net zero commitment from the company.

## Product is King Approach

### *Product portfolio broadening continues*

If we go to the next slide there is something aside from sustainability that of course Thule is very famous for and that I have talked to you about many times. This is a product is king company. If you have a product is king company it does not mean you are not professional with what you do in your supply chain or how you market that or how you improve your home page or what you do in social media or how you build your brand. It just means that all of that comes from the core centre that great product win over time. That approach is not free of charge. We have mentioned many times that we decided many years ago when I became a CEO that one of my key main directions was to spend the right amount of money to drive those innovations both in current product categories but of course as we are talking about the future also entering into new product categories.

If you look at the graph of our spend as a percentage of sales you can clearly see that both the actual numerical amount of how many millions we spend has been increasing significantly over the last few years. In 2022 we actually hit 6% of sales. Smart people like you analysts and investors realise that we partly have indicated that we would be in the 5%+ only so what does this mean? It means that we with the board's approval decided to push full speed ahead with all those large innovative product development efforts despite seeing a slowdown in the second half of the year. That is going to stand us incredibly well both in 2023 with some launches coming, with a lot of launches coming in 2024 but also in future years. In 2023 and 2024 we will not only enter in new product categories, car seats and our dog related product, but we are actually replacing all of our biggest sellers in all the other product categories. It is a very, very big undertaking with lots of extremely cool products coming into the market. We feel very good about that effort.

I understand that although only a few million SEK off versus what analysts thought but one thing I think people underestimated, despite us having talked about it many times, is we do not do phasing of our product development. We take them when they hit. We do not do things on the balance sheet. We take the efforts as they go which means that in Q4 we had up to 11% spend on product development. A very significant push due to the fact of the small revenue season that that quarter is.

If we then go to our income and cash situation, I will leave it to Jonas to take slide seven.

## 2022/Q4 Financial Review

Jonas Lindqvist

*CFO, Thule Group*

### 2022/Q4 Reported Income Statement

#### *Sales*

Thank you Magnus. I will primarily concentrate on the quarter. Reported sales for Q4 2022 came in 11% lower than last year and if we apply the current exchange rate to last year's Q4 we get a 21% lower sales this year than last year for the quarter. It is, like in the previous quarter of 2022, the drop in bike related products that is the reason.

#### *Gross margin*

The gross margin is 31.5% which is 2.2 percentage points lower than in Q4 2021. The big difference compared with the same quarter 2021 is of course that the volumes are lower which has an impact on gross margin through lower absorption of fixed cost. Our variable production costs have gone down significantly and proportionally to the lower sales. In addition to the lower volumes we have also had a negative product

mix shift where non-bike related products with generally lower margins thereby automatically get a higher share of sales, as Magnus mentioned earlier.

#### *EBIT margin*

Overhead cost has increased from SEK 432 million to SEK 517 million or a percentage point seen in relation to sales. However, almost 40% of the increase in the cost, SEK 33 million, relate to unfavourable exchange rates and the remaining increase relates mainly to R&D costs for the new product launches as well as the cost for handling the currently high inventory level. The EBIT margin is 0.2% to be compared with 10.3% in Q4 2021. To put the margin in the quarter into a bit more of a perspective, the average margin in the fourth quarter for the years 2017-2019, that is before Covid, was 5.3%.

The finance net in the quarter is lower than the same quarter last year because of high utilisation of bank facilities and higher interest rates. The tax for the full year of SEK 373 million corresponds to a tax rate of 22.6% to be compared with 22.3% in 2021.

### **Thule Group Financials 2022/Q4: Cash Flow**

#### *Operating working capital*

Then we move to slide number eight. Operating working capital was SEK 3,277 million at the end of Q4 2022 which is considerably higher than at the same time in 2021 and relates to the increase in inventory of bike related products. The stocking up occurred in the third and fourth quarters of 2021 and the first quarter of 2022. We did not expect to lower our inventory in Q4 2022 since the reduction of bike related inventory does not start until the bike season starts.

#### *Operational cash flow*

The operational cash flow for the fourth quarter 2022 was SEK 91 million to be compared with SEK -381 million in Q4 2021, which is an improvement of SEK 473 million. The main driver of the positive cash flow in Q4 2022 comes from accounts receivables and the main difference to Q4 2021 is that there was the inventory build-up in Q4 2021 that consumed cash. Capital expenditure was SEK 67 million in the quarter to be compared with SEK 156 million in Q4 2021. The big difference is mainly explained by timing differences between quarters and for the full year of 2022 the capex was SEK 444 million against SEK 506 million in 2021. Thank you.

## **FY22 Operational Review**

Magnus Welander

*CEO, Thule Group*

### **Bike Related Categories Dip vs. 2021 as Retail Pulls Handbrake 2nd Half of 2022**

Thank you Jonas. We turn to slide nine where we look at the product categories and how they performed for the full year and also by region. I am not going to stay very long on this slide because we are going to talk about each category separately afterwards but it is of course clear to note that you have the two categories that have by far the biggest exposure to bike related are the two dipping categories in 2022 versus the exceptional 2021. In Sport & Cargo Carriers bike carriers is a very significant chunk of the business and in Juvenile & Pet we are the world leader in premium bike trailers and one of the top players in child bike seats. Those of course are actually the majority of our business in Juvenile & Pet today. In coming years with more pet products and more car seats and other things that will of course decrease. However, it still is the significant chunk of those two categories. We do have, as I said, also bike related products in the other two categories but to a much smaller extent.

## Sport & Cargo Carriers

### *Bike down in 2<sup>nd</sup> half while cargo has strong year*

Let us then instead go straight into Sport & Cargo Carriers which is page ten. If you look at Sport & Cargo Carriers you can see that the decline was very similar in both regions. It was 16% in Europe and Rest of the World but 18% in Americas. If you look at it very simply it is the bike racks. WE had the bike racks, bike carriers going well at the start of the year and then we had a very weak end of the year. Exceptionally so versus the extreme comps in 2021 but actually weak also versus what would have been normal as we saw really most retailers wanting to sell out whatever they had in stock.

We had a strong pre-season, as I said, in 2022 when retailers, having felt that they could have sold more in 2021 if they had had it in stock, went very early and bought a lot and in fact too much. Then we got the bullwhip effect in the second half which will hurt us also in the first quarter of 2023. Within the field of cargo carriers we have done very strongly this year. We are very excited about the work with both our roof boxes but also baskets and other solutions that help you bring cargo on your car. We are also very excited, and I will talk more about that a little bit later on, about some very innovative launches we have just done in the month of February in moving some of the cargo solutions to the rear of car in a very smart way.

Within the roof rack category we had a solid year and there were some automotive accounts that were performing weakly. If you look at our roof rack category it is out of all the subgroups the one that we still sell in more of the more traditional automotive retail channels. In some of those we saw a relatively weaker performance while in other channels where we sell our roof racks we did better. We also are a producer of some car manufacturers' roof racks and there it is more associated specifically with which car model we are the supplier of car-branded roof racks. Some of those did not perform as well but overall it was a solid year.

Which is also what applies to the rest of our business, aside actually from water sports products which were partly also pandemic boosted in 2021 for a longer season when people when kayaking or surfing around. However, overall a solid performance. Really it was the bike rack category that was having issues.

### *2023 – exciting launches in Spring*

When we now look at 2023 we have some very exciting launches but we also have to remember we have high inventory levels in bike retail now when we enter the season which means we will be seeing a slow start in Q1. We are very much getting the signals that inventory is going down. Not as much as we would have liked nor as much as the retailers would have liked but it is going down. There is a clear fear factor now from many retailers to prefer to even go short for a period of time because they do not have the confidence at the moment. Since we are a next-day delivery company that is now up to our old very high on-time, in-full, we also in all our discussions with our sales teams around the world when they talk to their customers the customers now feel very certain that they can get next day what they ordered the day before from us. We will truly see pickup in bike from a significant point of view only as we enter the normal consumer high season which tends to be in mid-April and onward.

I cannot tell you more because then my marketing team would kill me since we have a very limited PR launch that is targeted on a specific date, but this much I can tell you. We have a new top-of-the-line rear of car bike carrier that hits the market in May and then in our next quarterly call we will have passed the date when it has been publicly announced so I can share all the cool bells and whistles that this world's best towbar mounted bike carrier will have. However, as I said, rear of car cargo solutions we have launched already now in February and we are launching, so it is public, some very nice looking rooftop platforms that create flexibility for that more adventurous type of bringing your gear. I am going to show you some images of those in a little while.

## RV Products

### *Consumer interest still high but vehicle backlog continues*

Let us then go to the next page where we talk about the very successful RV Products category. Once again here I think our team has done an astonishingly good job because actually the overall European category which is where we do 92% of our sales within RV Products, was not doing so well. Overall it had a double-digit drop in number of vehicles sold and also in number of vehicles manufactured. The reason for that was mostly the fact that there was long order book still from consumers wanting to buy motorhomes but there was still manufacturers struggling to catch up with demand due to lack of chassis to build these motorhomes on. Overall we had a very strong growth of 17%. As you see, we had 43% in Region Americas but it is a very small niche where we are playing with some smaller van solutions. Still very nice but the lion's share of the business is definitely those 92% in Europe. However, a very strong performance considering the sector overall.

Then consumer demand, which is the interesting one going forward, is there but we have said and I am probably the one accused most of anybody of being a cry wolf person when it comes to whether it can really continue in the RV Products sector. I have been wrong a few times when I have said it seems a little bit optimistic. What we can say is that the trend of consumers wanting to do this type of vacationing is very strong, especially among the young, especially among the type of people that we love, the very active that want to go mountain biking, kayaking, etc and want to be flexible in how they move around. The smaller vehicles speak in our favour, the more active people being now not only a 55+ but 56+, 57+. I know the more senior group, as we are called, also more active than ever before. That fits our product and it fits our brand.

That is the biggest concern I think anybody has and the three stock-listed companies that represent about 60% of all motorhomes sold in Europe, so Knaus Tabbert, Thor Group with their European brands, and Trigano, are all mentioning the fact that their order books are still very long. The question that they are starting to pose, and I think correctly so and we are posing to ourselves, is that if you are a consumer that truly wanted to this you probably have not changed your mind on wanting to do it but since you were placing that order what might have changed is two things. The price for that vehicle is now clearly higher than when you mentally committed to it because costs have gone up significantly since these order books were starting to grow. The second point with a concern about bigger ticket items, different from a bike carrier for €500-€900, you are talking about a commitment of a full vehicle of €50,000-€80,000. That is a bigger financial undertaking in what might be a more uncertain world.

I have said a few times before that we should not look back too much on the big dip that the RV industry had in the financial crisis in Europe in 2007, 2008 and 2009 because there were two things that made that dip happen at that time. One was the true concern of the consumer of will I be able to afford this? Can I do it? Yet there was also at that time a very clear actual limitation when the banks said that you cannot borrow money on your home or your apartment to buy this. What the industry in the RV sector did very smartly since was they set up their own financing solutions where it will now be purely this decision from the consumer's point of view saying, 'Am I prepared to pay these monthly costs for this?' We believe that all the order books are strong. It will be making some people walk out of line. There is only so long you can wait on your dream and if it at the same time also gets more expensive. We will see I think throughout this year a situation where this will clarify as the supply chain starts catching up for the vehicles. We will see if the consumer is still there standing in the same queue waiting for it and prepared to pull up a clearly higher bill for it.

We are cautious for the industry but once again for all the years I have been here and the team has been [inaudible 34.26] this category we have always beaten the market, I am convinced our team will continue to beat the market also in the future.



## Juvenile & Pet

*Our strong bike related offer hit as retailers destock*

If we then go our next page, page 12, and look at Juvenile & Pet we all know that at the moment it is Juvenile but it will soon be Pet so that is why the name is there. If you look at it also here a similar performance in percentages across the two regions but a difference within the stroller category where we have already announced late last year that we were not happy with our performance on strollers in the US market and therefore triggered some staff changes. Aside from that the overarching picture is the same. The bike related products were definitely hurt during the year in a similar way versus that fantastic 2021 we had in the bike related Juvenile products. The bike trailers clearly were hurt and child bike seats as well. It is the same logic there. Strollers in the US which is a big market that we needed to act upon and have acted upon, we are wanting and striving to turn that trend around in the US to get better. However aside from the US overall we feel very good with our assortment and the work we are doing to be a bigger player.

Then when we now look forward there is this momentum in bike that is not so much us. It is the industry. It is us fixing our own stroller approach in the US. Now a lot of the work is ensuring that we take the right go-to-market approach for our new products and product categories. The car seats for children and the dog related transport solutions. Every market we are in we are doing those evaluations and talking to those partners, looking at where we will be. In some cases we can already say we will choose to only go direct to consumer for some of the products. In some cases we will apply the product across those current customers and in some cases it will be new retail channels to reach. There is a lot of work ongoing not only from a product development approach but very much so in a commercial approach for being successful with those new categories.

## Packs, Bags & Luggage

*Recovery after pandemic continues in 2022*

If we then go to the next page, page 13, and look at the strong Packs, Bags & Luggage performance it is, to be honest a little bit also the same here. We should not be too much patting ourselves on the back because we also are comparing with weak comps. If we all the time repeat strong comps and have that as an excuse, which is true, we also have to admit that 2020 and 2021 the whole Packs, Bags & Luggage category went down a lot. Thule went down a lot less, one, because we were a small player and, two, because we the types of bags that we did and do are less focused on international air travel and sliding along the terminal with a bag, and more around general travel, commuting and working in the city or going out hiking, etc. We were less exposed but we were clearly exposed to a significantly reduced back to work, back to campus and travelling in 2020 and 2021. Therefore the comps are relatively easier. It is still nice to see now a 51% growth, as you see also this one very similar across the two regions.

The biggest driver was back to work. However, clearly also our successful launches of a number of collections for more international travel. In the image you see our hugely successful Thule Aion series with 100% recycled materials. When I meet investors I always try to tease them to see which product they would like. This is one of the cases where every time I have my 26-year old and 25-year old daughters home with their boyfriends there is one of these bags missing in my home because they grab them. That is always a very nice sight.

When we look at this category we also have to remember, although we do not want to speak to the investors too much about it but we do admit it, we have some legacy products here. We have mentioned it many times over the years. They continue to shrink. It is the camera bags, it is the tablet folders, etc where we clearly play a game of last man standing, making money on them as we have done but not focusing new efforts on them. They continue to decline and they will continue to decline. We will continue to play that smart game of making money on them while we can.

In 2023 I am very happy with the tremendous job our design team has done if I look at all the collections we have launched in the last 18 months. Our new product management lead where we have strength in our team is definitely hitting it the right way. We see the ones coming as well. I am sure you will see many more Thule bags around the world in the coming period because we have a number of very strong collections but also because, let us be honest, there were a number of brands that died during the pandemic. If you were a pure smaller or mid-sized player in packs, bags and luggage during the pandemic you are most likely not around. If you are around you have reduced every spend, every design effort, etc much more. There are of course some formidable competitors still around. You have the Samsonite Group, you have [Inaudible 40.18] but there was clearly some spaces on the map that became white. With our strength, doing also other categories, the great design team work and a new product management we have had in place now for more than a year, I am convinced that we will be one of the winners in the coming years.

There are also challenges here because here we have a challenge, like everybody in packs, bags and luggage, that now we are struggling to meet demand for bags. The logic is simple. When an entire industry went down as much as 50-70% in how many bags were sold what happened was a lot of those southeast Asia based suppliers, and ours are mostly in Vietnam, actually had to close down. When they then were about to open up there were not as many around and some of them will never commit to the packs, bags and luggage category again. This means there is a constant struggle for all of us as brands to get those suppliers up to the capacities we would like. There is also a fact that throughout 2022 we still had some quite aggressive Covid restriction measures around those markets where these products are being produced. We and everybody else in this industry are now hoping for a more normalised supply chain. Good things ahead also for Packs, Bags & Luggage.

## 2023 Focus

### *Continue to drive our growth oriented strategy*

If we then finally before we open up for Q&A look at slide 14 we can talk about what the focus is for the coming period. When you look at the coming period it is really more of the same. If the same is brilliant then why change it? We have a very big focus on continuing to drive our growth oriented strategy that we have had for many years, which means we are going to work on our total commercial offer. We are going to keep on hitting with product is king and we are going to work with that flexible supply chain setup to meet changes as they occur. As well of course as keep on having a slim line and effective back end.

If you look at it I know I am going to get the question anyway so we might as well anticipate it. What about the prices for 2023? We did several price increases in 2021 and 2022. In fact, four which is of course something that was necessary with everything going on in the market. When you therefore look at going into 2023 we announced to our customers that aside from Packs, Bags & Luggage where there are clear price increase, there are with a few exceptions no price increases in 2023. There will still be a positive price impact in 2023 versus 2022 because our final price increase in 2022 was only done mid-year in July. As you also are then aware, since we had a relatively weak second half of the year the volumes that came out with those relatively higher prices were limited. Those will now be of course applied to the full year. We do have a low pricing effect happening also in 2023.

The marketing team is doing a great work. I am showing on the right-hand side two examples of how we communicate in social media, the just-launched Thule Arcos. Since there are some images and it says bring more, go farther, I want to give you a little bit more about this brilliant new product. There has been boxes and things back of the car before. We have had those but here we went into what is truly doing something from scratch with a logic of with more and more electrical vehicles and more and more range anxiety we need to make it easier for consumers to go on those trips to do those fun things they want to do. That is exactly what the Thule Arcos solves. By moving the cargo solution and by the patented design we

have on this product to ensure that it is very energy efficient in terms of wind-drag, etc we have found a way of making this happen. We can give you some examples and you will see when it comes out in various magazines reviewing this product there are cases with certain models of e-cars, like the ID.4 for example, where actually applying the Thule Arcos at the rear of the car reduces your battery consumption and allows you to go further than if you did not have the box. Generally you can say very, very limited negative impact and in some cases even a positive contribution versus a roof box which we do know does impact. Of course for the truly super outdoorsy person it also allows you for example instead to put the Thule Approach rooftop tent up on the top of your car and still have the cargo solution at the back of your car. A brilliant product which I already see here on the parking lot outside the head office on many of my colleagues cars and a very good start from our sales of the Thule Arcos.

Then in a few months we are launching in the stores Thule Caprock. As you can see on the imagery here we are talking about those true rugged outdoors fans that want to bring lots of gear on top of a vehicle. It does not have to be a Land Rover or an INEOS Grenadier. It can also be a normal car where you put this platform on top, allowing you to really store lots of cool stuff and to bring lots of gear. Then already pre-teased the big bike carrier launch. There are lots of other cool products coming out as well.

We are also continuing generally our big push of ensuring that both online and brick and mortar customers do get better sales support and tools. We are doing a huge uplifting of our own Thule.com. With that it also allows us to further boost the fast-growing direct-to-consumer sales which grew 85% in 2022 from very low levels but still we have a momentum. In the long-term strategic plan we have agreed with the board a much more ambitious growth plan going forward with direct-to-consumer. We feel very good about those efforts.

We will continue to push our product portfolio expansion and our product development spend. We feel very blessed to have had the opportunity to have people truly back in our state-of-the-art product development centre that I know a number of you visited when we had our Capital Markets Day in May. Those facilities are being used in a very good way. It is inspiring to work and getting prototypes ready and done very quickly. The output level in terms of new patents applied doubled in 2022 versus 2021. It shows this working together at the premises with the right things with the right teams as we have truly generated lots of cool new ideas.

The little bit tougher news is clearly if you are a CEO of a company and you have employees that you cannot have a job for. Here the situation is that when you sit with high inventory levels, which we do, it is clear that we are not going to build up even more inventory. We will use and sell out that inventory which is great from a cash flow perspective and reinforced in the financial markets but it also means that we will have fewer workers in our plants. We have very successfully been able to deploy our three-tiered approach with fixed employees, seasonal employees and a large amount of temporaries from agencies. However, we have to say we have also had to reduce within the fixed workers. It is something we do not take lightly but we are of course ensuring that we can run the company in the best way. When we compare now here at the season we are about 800 people fewer than we were when we ended December that is a sign of how we have used this flexibility as we will also much later this year start to ramp up. We will need to take in temporary and seasonal staff also this year but that will come much later and to a lesser extent as we instead sell out the product we have in stock.

We are doing other factors that also from a future perspective will mean that the staffing will not need to go up as much in the future should those quantities come again, as we expect. That is because we have had a very high degree of automation focus on all our newer launches. These new lines for these new products are significantly more automated than they used to be. Now we have designed the product from the beginning with a true sustainability thinking in terms of which recycled materials and what that means for the design, etc but also from which automation methodology we want to be able to use so we design it correctly from the beginning. You are aware that we have had two years with much higher capex levels

than historically. That was due to catching up with the capacity demand from a pure being able to satisfy the capacity. It has also been related to some big automation investments for some of the new production lines. Of course it has been associated with the fact of preparing our plants for the assembly of dog related products and car seats. As well as, as we also mentioned, for the big investments in our Thule development centre and our world-class Thule test centre. We will now go back down towards more normalised levels. We have some of those last big automation things happening for the current launches at least. For the current launches some relatively large automation investment but capex levels will be going down significantly if you look forward now.

Clearly as I said we will generate strong cash now. We are selling from inventory so cash generation will be strong. If I conclude before we open up the floor for questions, we will have very tough comps especially in Q1 so the first few months were very strong last year because we had this bike season. We will have a very easy comp period in the second half of the year because of the very extreme handbrake pull by the bike retailers. Overall we all know there are many uncertainties around the world in terms of consumer economy, in terms of how confident our retailers are. All the signals we are getting is that bike retail has its view of coming back in the season but not in the pre-season. Starting to roll again in the season. The same thing and same indications as we are getting for all our other product categories. I did put in an asterisk and a warning about a potential further slowdown in the RV industry but I know our team will do everything they can to overcompensate that with continuous market share wins. We need to be flexible and that is why we have been cautious of bringing as many staff back as we normally would have at this time because we want to have that flexibility.

Then finally addressing the elephant in the room, as you have seen yesterday evening in the press release there will be a new CEO of the Thule Group, Mattias Ankarberg, currently CEO of Byggmax, a Swedish DIY chain. He has also been on the board of the Thule Group since 2018. He will take over as of 9<sup>th</sup> August. For everybody that knows me and luckily there are a lot of people in the company that do that and some of you out there who hopefully have the same view as my colleagues have, they know I am an all-in type of person. I have had 17 years with Thule. It has been engaging, fun and also I would argue myself very successful. I am very, very focused on making sure that all those great colleagues and all of you investors will get the best of Magnus Welander in the coming six months, enabling Mattias to get off to a brilliant start because in the end the Thule Group was super successful for six decades before I took over. It has been very successful during my reign and I am 100% sure with those great colleagues that we have that fantastic global lifestyle brand and a very well set up supply chain, we will see a fantastic Thule also when Mattias takes over.

With that I can still say you are going to hear my voice for two my quarterly reports so do not give up on it yet. Therefore we open up the floor for questions.

## Q&A

**Daniel Schmidt (Danske Bank):** Good morning Magnus and Jonas, maybe two questions from me. They are largely addressing the elephant in the room maybe. Given the downturn that you are currently in, what explanation has the board given you when it comes to this being a good timing to make changes when it comes to the CEO?

**Magnus Welander:** As per the press release, the board has done, as a board should do, their evaluation of succession planning and who should be running the company. They have chosen the time so I think that is a question for the board.

**Daniel Schmidt:** Okay but you do not want to give any sort of indication of why this is a good timing?

**Magnus Welander:** As per the press release, the board feels, as clearly outlined, that we have a very exciting future ahead. We are about to enter into a number of new product categories and to have a new leader in charge as those categories and the current business will grow with more direct-to-consumer and more commercial push it is my understanding they see a profile with that as a good timing to come in.

**Daniel Schmidt:** I do not know. I just think that it would be more sensible to do that once you are out of this slump but maybe that is just me. Moving on then, you mentioned of course that retailer inventories are moving in the right direction although maybe not as fast as you had hoped. It sounds like you are planning to be back to normal production maybe in April. What does that require in terms of sell-through performance up until mid-April.

**Magnus Welander:** We actually do not have that conservative of an assumption when you look at it compared to long past history but you have to remember how extremely good 2022 Q1 was. It was 63% up versus 2019. It was an exceptional first quarter. Otherwise we will see less sales than normal in bike related but we see they are selling out products so we feel very good about Q2 picking up and therefore we are going to be cautious in bringing in those temps. However, we will need to add on staff. There is no chance that our own staff will be able to cope with the volumes even in a negative scenario. That flexibility of meeting a more normal scenario or even a positive scenario will be handled by temps coming in.

**Daniel Schmidt:** On that topic then, when it comes to the bike season do you feel that that is going to be driven by e-bikes again or is there any mix shift going on in the market currently? What is your sense there?

**Magnus Welander:** Clearly e-bikes are winning even more despite this obvious concern from any analyst or from anybody watching the industry because an e-bike is so much more expensive than a normal bike. However, there is no doubt that all the data, all the statistics and all our discussions are saying that in 2023 the share of number of bikes sold, not the value, will continue to grow significantly with e-bikes at a fast track. It is all partly, as I am sure you are seeing in the streets of Stockholm, when you see a lot of commuters going, after a while when you have seen so many people going with that e-bike trend there is also this whole everybody is getting used to it. Everybody is starting to accept what that price point means and it is still a very, very efficient commuting tool at a relatively low expense compared to what you can do with it, versus many other commuting tools.

**Daniel Schmidt:** Right, good. Maybe just one last one. Could you give any guidance in terms of product development spending for 2023?

**Magnus Welander:** Yes, I think if you look at it, it will be over five again. We will see that will always trigger up but it will be clearly above five. I do not think it will be six but it will be above five.

**Daniel Schmidt:** Thank you. Thank you Magnus.

**Magnus Welander:** Thank you.

**Gustave Hagéus (SEB):** Thanks for taking my question. A follow-up on Daniel's first question there. Admittedly both you and I and many others underestimated the bullwhip effect of the bike related products last year but I think few would challenge the performance you have had as a CEO over the past 17 years. Probably very few have that track record in terms of organic growth and shareholder value. With that in mind, could you perhaps still shed some light on if this discussion with the board has been a gradual one over the last year or if this was more of a surprise to you? Do you understand for the board's decision or would you rather have kept on going?

**Magnus Welander:** I think it is very clear from the press release that I would have preferred to still be the CEO of the Thule Group so I am not hiding away from it is not me making the decision. I would have preferred that but I understand that it is the board's role to look at the future in the long-term for a company.

It is the board's role to judge what they see as the best way for not just the short while or for just one person but for what they think the company is. It is clear that they do succession planning continuously and although I do not consider myself that old, I am 57 soon and they must have challenged long-term that over years. Now when the decision comes the decision comes and I have been informed. How that went on and for how long the exact decision, when it comes it comes.

**Gustave Hagéus:** The market cap currently is down some 18% and I think the deviation to your EBIT on the full-year basis is less than 1% so clearly the market was not as thrilled about this change as the board may be. Let us leave it at that and I will hand over to the next question.

**Carl Deijenberg (Carnegie):** Hi Magnus and Jonas, two questions from my side following on the [inaudible 1.02.11] development here. You disclosed the full year development amount also here in slide four on the bike related [inaudible 1.02.18] development here on the rolling 12-month basis. I wanted to ask you isolated from Q4 I know that a smaller share of the Group sales but has the year-on-year development in Q4 been fairly similar in bike related as you saw in Q3? Following up on that, are you still growing on an organic basis in Q4 in your non-bike related categories? That is my first question.

**Magnus Welander:** Yes, we are growing in the non-bike related in Q4 and the reason why we are so low on bike is mostly because normally the bike season in the big northern hemisphere markets where we do the majority of our sales is normally a relatively low period in Q4 for bike related. However, as I mentioned, in North America we were catching up still in 2021 Q4 and that is why the drop in performance by region is so more distinct in North America. We had more very late far behind normal season lots of bike sales in Q4 in the Region Americas in US and Canada then. If you look at the southern hemisphere markets which are smaller for the Thule Group, we are talking about Latin American countries, some southeast Asian mostly and South Africa, for example and Australia and New Zealand are very strong markets for us. There if you look at the bike retail purchases they are not nearly down as much as the European ones. The reason is due to their seasonality versus when the pandemic hit versus seeing signs of bullwhip, etc they did not go as wild. If you look at it, to answer your question, yes we are growing on our rest of the Thule Group and yes it is similar trends for bike due to the fact that we sold so much bike when we normally do not sell it in Region Americas in Q4 2021.

**Carl Deijenberg:** Okay, very well. Thank you for that. Following up on another topic I want to ask on the gross margin here, it is down quite a bit during Q4 against a fairly easy comparison, if I can say that. I understand it is partly due to the mix of lower bike related sales here but could you say anything with regards to the other effects that you are highlighting here in the report, the effects of the lagging [inaudible 1.04.55] rates, etc, etc? Given the inventory you are entering the new year with, how long should we expect that lagging negative effect to persist into 2023?

**Magnus Welander:** From an under-absorption point of view, which is clearly the significant factor, that we are not utilising our plants as much, you can say that it is the case that we have been very efficient to adjust our direct wage component. We are not having any higher direct wages. They are actually proportionately lower but our production overheads because of very low capacity utilisation has gone up a few percentage points. As you just heard me say, that will be penalising us also in Q1 because we are not producing nearly as much. It is the underutilisation of the capacity due to the fact that rather than keeping on filling up inventory we will sell down the inventory we have, will be hitting throughout Q1 and then normalise again in Q2.

**Carl Deijenberg:** Okay, very well. My final question was with regards maybe to Jonas with regards to the net financials here in Q4, up a bit here sequentially and I wonder if you could remind us of the term structure of your interest bearing debt? I guess the net debt will come down in 2023 given the expected inventory release but could you just remind us of the loan structure that you are carrying and if that is floating interest or anything on that item would be very helpful going in to 2023.

**Jonas Lindqvist (CFO, Thule Group):** Yes and we are in long-term debt. We have quite a normal due period for our long-term debt. The due period is definitely beyond when we expect to come down again with our reduction of the inventory. If I remember off the top of my head it is average two years from now.

**Carl Deijenberg:** Okay. Is that mostly on floating or are you on fixed interest on those longer-terms?

**Jonas Lindqvist:** No, it is floating.

**Carl Deijenberg:** Okay. Thank you very much, that was all from me.

**Magnus Welander:** Thank you.

**Karri Rinta (Handelsbanken):** Thanks for taking my questions, I have two first on the press release last night. Talking to some investors this morning it seems there are a few theories that might explain this. One is that you have pushed too hard into these new categories and have been misaligned with the board's view on how aggressive you should be. Maybe you have already reviewed that tack when you set that out with the board's approval. You have continued to invest into this so maybe you can confirm that, that you are fully aligned with the board.

**Magnus Welander:** Karri, I can definitely confirm the board and management are 100% aligned on their strategic direction of the company and the efforts we are doing. There is absolutely no view from the board on the strategy. They have fully bought into it. They are fully buying into it still so it is not about the strategy or where we are going. Definitely not.

**Karri Rinta:** Thank you. The second theory is that given the weaker than expected profitability department that Thule will enter into a cost cutting phase. However, my spontaneous response has been that there is not that much cost to cut so theoretically what could you do if you were tasked with cutting costs?

**Magnus Welander:** I am not going to speculate on hypotheses that others have but I think I have shown throughout the years and I know the board is very confident with that. We have had a very close interaction with the board about our plans of staff reductions, utilising our flexibility setup, doing the right things at the right time, which we also showed very much so during the initial phases of the pandemic when management was very clearly aligned with the board with frequent discussions. Definitely we do not have any difference of view there from a board or management perspective in being quick to act if we have to act and being still a very much long-term winning over time. There is a perfect alignment there from a board and management on that effort.

**Karri Rinta:** [Inaudible 1.10.06] not bike related and solid performance that you had throughout 2022. If we would strip away FX and price, was non-bike related up last year?

**Magnus Welander:** When you take price it always depends on versus which period. However, if you look you also see a mix effect. If you take for example within Cargo we have seen a very strong performance on our better boxes. We have good, better, best so our better box roof box segment has done fantastically well throughout 2022 both in units and in share versus others. There is a combination factor. Clearly since we always report our category numbers and our regional numbers with FX-adjusted as well because with a weak Swedish krone otherwise we would look much better than we are. The reality is that if you clean that out you can see that in, for example, the roof box we are doing really, really well. However, there are differences. I did mention for example water sport versus 2021 we did not do as well and clearly since we have discussed it a few times Karri we have done our price increases four times. It is clear that if you go further back the price is a significant chunk of the growth in some of those categories. However, there is clear volume growth versus pre-pandemic as well on most of our categories and definitely on things like RV Products, Packs, Bags & Luggage and boxes and roof racks.

**Karri Rinta:** Right and the final follow-up on that if it turns out that the demand for non-bike related weakens during the year is your level of flexibility in reacting to that higher than what it is in bike related? A

lot of the bike related products you have a high degree of vertical integration, i.e. that you assemble them yourselves and you source components yourselves versus luggage you do a lot of outsourcing so you have better flexibility in non-bike related.

**Magnus Welander:** I think better flexibility is a little bit how you interpret the word. Our flexibility in terms of being quick to respond is phenomenally strong on the things we produce ourselves but there is a downside. If then there is a complete stop in ordering or a very dramatic shift absolutely so, as we have admitted capacity underutilisation. If you take it across the categories you are 100% right, Packs, Bags & Luggage is 100% sourced product. We do not do them ourselves which theoretically from a pure cost point of view gives you a lot of flexibility. From a purely operational point of view it actually makes you a little bit less quick to ramp up and ramp down, I would argue, because it is not like you can move these bags to any supplier. You have a few limited suppliers. They are further away. They are in Vietnam and other place in southeast Asia. From a cost if the market would go down you are absolutely right with Packs, Bags & Luggage. Within our Juvenile & Pet we have a mix. We do some of the assembly ourselves, we buy some of the products from suppliers. There is a little bit of a mix. In RV Products we do the products and production ourselves in our site in Maine and in Belgium.

If you therefore look at it there is a flexibility in all of these which is based on the same three-tiered approach, fixed employees, seasonal employees from Thule and temps. Then we had 2021 when we had very, very many temps they also did not become temps from the agents anymore because they were there for such a long time. However, they were still agency workers with that flexibility. If you now then look at what that means I can give you an example. I was visiting our Polish site which is phenomenally improved after the big capex we have had over the last few years, really state-of-the-art manufacturing assembly plant together with our Global Head of Supply Chain Rickard Andersson last week. When you look at that site now not needing to produce as much because we have too many bike carriers in stock, we for example have 20 Polish employees in our [Inaudible 1.14.44], Germany box plant because we are selling so many roof boxes that we otherwise would have had to take in temps from outside. We are trying to create that constant flexibility in the whole setup but as always in business even if you have a sub-supplier there is a certain limit to your flexibility. At a certain point it starts to hit on your fixed costs.

**Karri Rinta:** Great, thanks for the colour. Thank you Magnus.

**Magnus Welander:** Thank you.

**Adela Dashian (Jefferies):** Hiya, good morning. Most of my questions have already been answered but I do have one and that is that there has been a couple of reports of products recalled during the fourth quarter in the US and Canada. Is that something out of the ordinary for you and did it have an effect on sales in the Region Americas? If so, by how much?

**Magnus Welander:** If you are a safety-oriented and quality first company you will always have product recalls. You want to limit them of course to a minimum and you want to be efficient but since safety concerns and quality of our lifestyle brand comes first you want to go out proactively. What these are all about is convenience issues for when you operate the product. We are then quickly replacing or supporting how to fix those things. None of it has impacted anything on sales but of course it does impact extra work in your operational item. These have been very small, limited quantities that we could fix very efficiently but you never like them. It is never good.

**Adela Dashian:** Got it, thank you very much.

**Mats Liss (Kepler Cheuvreux):** Hi, thank you, a couple of questions. First, inventories are on the high side and you mentioned that you will reduce them gradually but do you see any sort of need to have an extra push there and marketing campaign, etc to make the reduction or are you still keeping the inventories



for yet another year? You have mentioned that products are sellable and do not get older. Could you say something about that?

**Magnus Welander:** Yes, absolutely. I think in general you have to split it into two parts. For example, when you look at the bike related products to try to push them when bike retail is not interested in them is just wasting money honestly. You need to see the bike season coming and when we see the bike season coming we will quickly start to produce the bike inventory as we are not producing nearly as much bike product as we would normally do at this time of the year. There it would not make any sense. What we are doing as you do always as a company is that you constantly evaluate all your products in your portfolio. We do that every year and we have done it in the past years as well. If you for example are about to launch a new product to replace an old one there is always that ending part where you need to choose what you do. Sometimes you feel that it is better to sell it off in some markets or just some retailers over a longer time. Sometimes you feel that it is better when the market knows that there is a new model coming like the bike industry always does, there is a new mountain bike coming and then there is a certain level of discounting. What is good for us is normally the retailers do that discounting and not us. Sometimes you want to help them with that. You do not do it by lowering the price because they already have the product. You do it by helping them, as you said, maybe with some social media campaign and some imagery, etc. There is, as I have said before, no plan whatsoever from the Thule Group to start doing huge discounting because we are confident that we will sell down this inventory anyway.

**Mats Liss:** Okay, great. A lot of consumers are between a rock and a hard place in many ways and you see them trading down, choosing a more affordable product. Do you see any sort of risk of that happening to you?

**Magnus Welander:** I think the trading down question is a little bit tainted by fast moving consumer goods where that is clear from all the reports you are seeing from [Inaudible 1.19.38] and [Inaudible 1.19.39] and everybody else, right. What happens when you look at seldom purchased consumer goods in tougher times which has been proven by a lot of studies by a lot of firms is that who struggles is the middle man because the people that normally like a quality product think even more about it knowing, 'I can sell this Thule Chariot bike trailer in four years' time for 60-70% of its value on Blocket. Why not buy a really good quality thing that I can really use and be comfortable with and then sell on?' Versus an okay competitor. Then as also is obvious some of the very low-end will win. We never played at that low end or the lower part of the mid-price segment so that part does not affect us but we are not worried that those customers evaluating that premium offer would walk away. They would rather buy the quality product and the quality brand they wanted and feel good about how they utilise it, how long it will last, how sustainably it has been made and how they also can sell it as a second hand product.

**Mats Liss:** Okay, great. Finally about gearing, you ended the year some gearing and you intend to reduce the inventory but do you think that the current level is limiting the opportunities to explore new opportunities and do things? I mean you also mentioned that capex is coming down. Could you say something about that?

**Magnus Welander:** We share a very clear common view with the board about having the necessary funds to do all the initiatives we want to do. We have a gearing that is very comfortable for that. No, when it comes to how many initiatives and what we do it is more about needing the right resources and having not too many things on your plate because if you have too many things on your plate you risk not doing them well. Very strong alignment from us and board on the money is there, the initiatives are there, let us make sure we focus on the right ones and get them to deliver.

**Mats Liss:** Okay. Great, thanks a lot.

**Magnus Welander:** Thank you.

**Peter Testa (One Investments):** Hi, thank you for taking my questions and I would just briefly echo the sentiments of the other people about the news last night. The questions I have are first just on the non-bike channel. You talked a bit about maybe some caution among automotive and I was wondering if you could just give some sort of sense as to what sort of behaviour you see in the non-bike channel and how that might be perversely reinforced by your capability of delivering.

**Magnus Welander:** I think in general what you can say Peter is you see not just bike retail but all retailers being cautious. It would be strange if they were not. They have seen what happened in the bike sector. They see the signals so there is a greater level of caution I would argue from all major retail chains. You can see that in the ones that have public reports like your Halfords and RAI in the US, etc. There is a caution level in there. I think over time it speaks to our favour because we are very good on not forcing them to keep it in stock or take a full container-load from China, etc. Over time it is strengthening our market positioning with our approach but of course it means that we are not going to have the easy wins. We were joking, myself and our Head of Sales over in North America, Hilary Hartley, about how a lot of discussions when we are meeting with our sales organisation those huge, big orders from even big retailers are not happening so we are winning very many small orders at the moment. That is the reality I think will pan out throughout the year.

**Peter Testa:** Yes, okay, thank you. Then just a question on price cost. It sounds like price cost was relatively neutral in the fourth quarter and I was wondering if you have any visibility on the cost side improving as you go through this year and how that then works vis-à-vis price and the extent to which you may use some of the rollover benefit to either manage margin or to manage competitiveness.

**Magnus Welander:** I think you are right, we were very nicely matched with price and cost from a pure input cost point of view. If we would not have had too much in stock which we have to admit we have, we would look very nice now with our price increases from mid last year rolling through and costs as they are. Now we have some of those too much that we bought at those prices which were relatively with freight, etc so the positive impact of those price increases rolling through, the full year effect and the cost will come more as we come into versus mid-year.

**Peter Testa:** Okay and then the last question was you were about 35-36% above 2019 in Q4 and I know you do not want to give a precise number but when you look at the range of seasonality going forward and with 2019 as a base, is that something we should think about as we look at Q1, Q2, etc or do you have any other comment?

**Magnus Welander:** We will be not doing as well in bike and do better in the others. The logic is this. Normally even in 2019 and in other pre-pandemic years we would have some preseason sell-in to some retailers that prefer to have a little bit too much in stock before the season starts. We will have fewer of those people doing that this year. Bike will start slower, even versus 2019, and the rest of the business I am confident will continue to outperform 2019 significantly. I would say from a like-for-like comparative reality that is the difference with Q1. Then the opposite of course takes effect in Q3 where normally we have a pretty strong ending season of the bike related, which we absolutely will have this year as well, and then more normalisation. Q1 will be the most specific not only versus extreme 2022 but also versus a more normal 2019.

**Peter Testa:** That is very helpful, thank you very much Magnus.

**Magnus Welander:** Thank you.

**Daniel Schmidt (Danske Bank):** Just a follow-up from me then Magnus and Jonas. Coming back to retailer inventories could you shed some light on if there is any big difference between the North American markets and the European markets as to where we are in that destocking?

**Magnus Welander:** There is not a big difference in destocking versus what they used to have before the pandemic. Retailers in the US have always had much more in stock than retailers in Europe though. That has always been the case and you know that I have been talking about that for many years. It is a factor of life. Of course then when you are then more afraid and more cautious there is also greater opportunity for a US retailer to take out even more than there is for the European retailers to take out even more than they used to have. However, versus their historical past it is more the fact that there is more fat to trim if they truly wanted to trim in US retailers and that will be the thing to watch out for I think for any brand when you look at the first half of the year if those US retailers realise that this might be the year that they decide to go and start to have more like European retail levels of inventory.

**Daniel Schmidt:** And is it fair to say that is also what happened in Q4 if you look at progression on both continents?

**Magnus Welander:** No, the comparative logic the most significant was that 2021 was so boosted with us catching up with demand of bike, which is normally not something we sell. However, you are partly right but the most significant factor was that bike selling in weird off-season in 2021 and then part of it is I think they are slowly but surely realising in US retail that if you have strong brands that can deliver why do we have so much in store?

**Daniel Schmidt:** Okay. Thank you, that is all from me.

**Magnus Welander:** Thank you. Thanks everybody for listening in. We look forward to an exciting Q1 report when we will be able also to tell you more about how the whole bike market is doing and what is happening in retail. I will be allowed to share without being smacked on the fingers by my Head of PR & Marketing the very cool new product we are doing in bike and we will share some other news of how the business is developing. Thank you and have a great Friday.

[END OF TRANSCRIPT]