



Thule Group Interim Q4 & End-year 2023 Results

Friday, 9th February 2024

Introduction

Mattias Ankarberg

CEO, Thule Group

Welcome

Thank you so much. Welcome, everybody, to this Q4 call. I have with me also our new CFO, Toby Lawton. Some of you have met Toby already. For the rest of you, I hope you will soon.

But as it is Q4, we will cover both the quarter and full year today, and we will follow the presentation available on our website and on the conference call.

2023/Q4 and FY results – Solid performance in a tough market

Starting on page two and with overview. Quarter delivers a solid result in what is still a tough market as it was in Q3. Sales declined 5.6%, currency adjusted, and sales trends are really a continuation of what we saw in Q3. We will get back to that.

As we also saw in Q3, we are, of course, pleased to see that new Thule products continue to drive growth also in the tougher markets. EBIT improved a lot versus last year, SEK53 million versus SEK4 million last year. And cash flow is particularly strong in the quarter with SEK276 million.

Turning to the full year, what stands out is really the cash flow. Sales was down minus 15%, currency adjusted. We had quite a weak start to the year with an improving sales trend for the second half, also partly driven by comparables. And the EBIT margin which was somewhat below last year, 16.5% versus 16.8%, and all-time high cash flow from operating activities at almost SEK1.9 billion.

The ordinary dividend proposed to the AGM is SEK9.50 per share. Thule is in a financially strong position. We have always generated a lot of cash flow, and particularly so in 2023. We are focused as a company on how to use the shareholders' funds in the best way. And having reviewed our plans and initiatives for 2024, together with the Board also, we conclude that we can do all the investments and growth initiatives that we plan and still have financial capacity to pay a dividend of SEK9.50 per share.

2023/Q4 – Net sales and EBIT development

On page three, turning to the reported net sales and EBIT figures, in the quarter, a decline of SEK1,651 million to SEK1,566 million, in reported Swedish millions. And the corresponding EBIT increase of SEK53 million from SEK4 million versus last year.

For the full year, which I have not talked too much about yet the numbers, we just see a sales of SEK10.1 billion last year versus SEK9.1 billion this year, corresponding to that 15% decrease in constant currency and a 10% in reported, and an EBIT margin reduced to 16.5% compared to, well, almost the same 16.8% last year, means SEK1.5 billion in EBIT versus SEK1.7 billion last year.

2023/Q4 – Continued trend of strong bike related growth, RV decline

On page five, talking about sales trends, which I mentioned initially. We really see in Q4 a continuation of the sales trends we saw already in Q3, except the general market environment, which is still characterised by cautious consumers and retailers, we see one big plus and one minus in terms of category performance. The plus for us, which, again, we saw already in Q3 is that bike-related products are back to growth, at least Thule bike-related products, and bike-related products is a big part of Thule these days. So that is, of course, very positive for us to see.

On the minus side, the RV, recreational vehicle, industry is in a weaker situation, and it is our only exposure to a cyclical segment, and we saw that, that started to turn down in Q3, and that continues in Q4. The difference between the quarters is mainly the mix.

So in Q4, it is our smallest quarter. We do not sell a lot of bike related products as people do not ride bike very much bike in the winter quarter. However, the RV sales is less seasonal, with fairly flat sales across the quarters, With a soft RV trend, that in all comes out as a small positive growth in Q3, but with a different mix a decline in Q4.

Sustainability: Significantly reduced emissions in 2023

We will turn to page five and talk about sustainability. Thule has ambitious financial goals, but we also have ambitious sustainability goals. And one of the most important goals that we focus a lot on is the CO2 reduction or greenhouse gas reduction targets that we have.

It is positive to see that the development is trending in the right direction also in 2023. We are working with this in many different ways. And to highlight two important areas, I would like to mention our transition to green electricity and energy, where we are currently installing, for example, heat pumps in our biggest factories. And also, the work secondly, we do in terms of product design, to design products already from the start with a climate footprint in mind.

And one really good example is, Thule Epos, our newest and most premium bike carrier that not only is our most premium but also one of the best in terms of CO2 footprint. And by designing consciously around other types of materials and solutions, we have or our design team has done a great job of creating a product with about half the CO2 footprint of equivalent or comparable products. So good to see the progress in CO2 reduction, and of course, a lot more work remains.

Continued investment in the product portfolio

Another key area for Thule is our product development and our focus on driving growth through product development. And on page six, we could see the investments that we do in the product portfolio. We are currently in the most ambitious product development phase or period in the company's history. We have invested equivalent of 6.9% of sales in R&D, product development during 2023.

There are two positive news around this. One is, in the sales numbers, we see that new Thule products drive growth also in a tough market. And secondly, we have, thanks to these investments, more new products than ever before coming to market in 2024. So we will get back to that soon.

Before we get back to that, I will now turn to Toby to cover the financials in some more detail.

Financial Review

Toby Lawton

CFO, Thule Group

2023/Q4: Reported income statement

Thank you, Mattias, and very good to be here, and good morning, everybody. If we turn to the next slide, where we have the reported income statement. I will start off here on the quarter. And when you look at the sales line, you can see we had a decline in the quarter versus last year of 5.2%, or 5.6% FX-adjusted. This is driven, as Mattias just said, really by the decline in RV versus last year, while we see growth in all other categories.

If we go down to the gross margin, in quarter four, you can see the gross margin improved to 37.2%. This is an increase of nearly 6% versus prior year, and the drivers are the same as we had in previous quarter,

with lower material costs, we have lower freight costs, particularly inbound freight, and also a favourable product mix.

Just looking at the full year here, our gross margin also improved on a full year basis and is now at 40.9% versus 38.1% last year. So it is back to levels pretty much in line with pre-pandemic levels on gross margin.

EBIT margin in the quarter, 3.4%. Here it is very important to remember that quarter four is the seasonally low quarter, and that does also impact EBIT margins, as you can see. We had selling expenses, in the quarter, where increased versus last year, and this is driven by the increased investment in product development that Mattias just showed on the previous slide. That is the main reason.

Admin expenses have reduced in the quarter. If we look on a full year basis then our EBIT margin, you can see EBIT of 16.5% versus 16.8% last year. So pretty much in line with prior year on EBIT margin.

And finally, going down to just for the tax line. The effective tax rate is very stable, exactly the same percentage as last year, 22.6%. And the net profit on the bottom for the full year, we generated just under SEK1.1 billion of net profit.

2023/Q4: Working capital and Cash Flow

If I flip to the next slide, a few words on cash flow. And we had a very strong cash flow for the year. One of the main drivers was operating working capital, which you can see at the top here. And you can see the components of working capital on the right as well.

Overall, we reduced working capital from SEK3.3 billion down to SEK2.4 billion, so a healthy reduction during the year. Accounts receivable and accounts payable were both pretty stable, although contributed positively to cash flow, whereas the big impact has come from a reduction in inventory. And we have managed to reduce inventory during 2023 with SEK800 million, so a big impact!

We had a target of SEK600 million for the full year. So we are ahead of the target that we set ourselves, and we are also now targeting a further reduction of SEK200 million during 2024. So we expect to reduce inventory by SEK1 billion over the two years. And this is really feeding through in a strong cash flow, as you can see at the bottom, cash flow from operating activities. But first, take the quarter, quarter four, we had a cash flow from operating activities of SEK276 million.

In the quarter, it was mainly driven by a reduction in accounts receivable, and that is partly the seasonal pattern of Thule. And then, if we go to the full year, you can see our full year cash flow from operating activities of slightly under SEK2 billion, so SEK1.85 billion. So a very strong cash flow. And this is more than SEK1 billion, SEK1.2 billion better than prior year. And again, driven to some extent by, and a large extent by the reduction in inventories, but also the strong cash flow generation from the underlying business.

So with that, I hand back to Mattias.

Overview

Mattias Ankarberg

CEO, Thule Group

2023 FY: Despite better second half, all product categories decline full year

Thank you, Toby. We are now on page nine, and we will turn to reviewing the performance in our product categories. Page nine provides the overview of our four product categories that we report.

And as I mentioned in the beginning, we had a weak start to the year and a more positive sales trend to the second half. But on a full year basis, all product categories declined in both regions despite the better second half. So we think it is more interesting to discuss the trends at the more category-specific level. And we will move to page 10.

Sports&Cargo Carriers – Return to growth second half 2023

Sport&Cargo Carriers is our biggest product category and accounts for almost 60% of the sales in 2023, and we saw a return to growth during the second half of 2023. Again, the year was down 19% in sales FX-adjusted, with good growth during the second half, which was driven by bike carriers.

Bike carriers has been driven by both bike retail coming back to healthy inventory levels, particularly in Europe, and in many cases, in the US, and also really supported by strong new Thule products and Thule Epos, our new and most premium bike rack, has driven good growth throughout the year since it was launched during spring '23.

Among the other subcategories, as we call them, cargo, which is roof boxes, roof racks, generally declined versus a very strong 2022, but it is still at a very good level compared to pre-pandemic levels. So the decline is more a case of really tough comparables for 2022.

Roof racks declined for the full year, but turned to good growth during the second half of the year. And the rooftop tents continued to grow throughout the year, also supported by the launch of the new Thule Approach rooftop tent, which was launched by 2023.

As we look forward in our biggest category, Sport&Cargo Carriers, into 2024, there is a lot to be excited about. Besides a generally cautious market, we do see that bike retail inventories are back to healthy levels, and we have seen good growth now for two quarters in bike-related products, which is, of course, positive for the bike season coming up during spring. And besides that market environment, we also have a lot of great new Thule products coming out in 2023 in this category, particularly on the theme of upgrading already existing great products or market-leading best sellers.

For example, we are replacing the world's most sold rooftop box Thule Motion XT with a new generation, Thule Motion Generation 3. We are replacing our best-selling US bike carrier with an even more premium hitch-mounted bike carrier, and we will also have a full year of the Thule Epos that was launched in spring 2023.

RV Products – Expected RV industry decline materialised second half year

Turning to page 11, our second biggest product category, RV Products has developed in the other direction during the year, where we – this is Thule Group's historically only exposure to a cyclical segment, and we expected a decline and they materialised during Q3 and has continued in Q4. So the second half of the year saw a sales decline, and that drove the full year decline of 11% FX-adjusted.

We did see the long-term trend of smaller vans continuing to take market share in this industry, and particularly driven by younger and more active consumers. And we did see a continuation of strong order backlog production during the first half, and continuation of a solid order production in 2023, while the aftermarket sales turned negative as of H2 as of Q3.

Americas is a very small part of Thule Group's RV business and saw a niche position for us in other words, and saw a sharp sales decline in line with the industry.

We expect for 2024 that this challenging market situation for the industry will continue for the coming period. But we also have more new Thule products than ever. We have never released so many new Thule products in the same year as we do for 2024, and we have gotten really great reception from trade.

So Thule Sidehill, the world's first removal awning is coming in the spring. Thule VeloTrack, which is a great new rear door bike carrier that has capacity to take e-bikes. And Thule Veloswing, which is also a bike carrier that allows for easy and full rear door access to swing the door open just like the picture shows over there. So expect a continued challenging market but a lot of great new Thule products to support the sales trend going forward.

Juvenile & Pet Products – Growth second half 2023, two new categories 2024

In the Juvenile & Pets product category on page 12, we saw in line with the Sport&Cargo Carriers category also good growth during the second half of the year. And that is also, to a large extent, driven by the bike-related products in this product category.

On a full year basis, the category declined by 8%, FX adjusted. Looking at sub-categories, we saw that multisport and bike trailers the long-term trend that we have seen for several years of increased bike commuting and e-bike commuting continues, and as bike retail inventory normalised, talking back to healthy levels, also in this product category by Q3, we saw a return to good growth as of Q3 and Q4.

Child bike seats is a very similar development, also very bike-related that also particularly helped by some strong new Thule products. And strollers has had a challenging year in general for the stroller market with very cautious retailers and quite a few big restructurings and bankruptcies then had a decline in 2023.

This is a product category where we have a lot of new things happening in 2024. We are both upgrading several of our best sellers, and we are entering two new product categories.

So first of all, the best sellers, our award winning Thule Chariot. We are updating that with the new Generation 3. We think the best trailer in the market just got even better with several new features. Thule Urban Glide 3 is our award-winning all-terrain stroller, also coming in new generation during spring.

And on top of that, we are entering both dog transportation with Thule Allax, the car crate or dog crate for cars designed to protect both dogs and people. And a bike trailer Thule Bexey coming in, in spring. The second new product category introduction is the car seat, which has been a multiyear effort for us and are now on track to launch in European markets starting in Q2 2024. So we are really excited about this product category going forward.

Packs, Bags & Luggage: Strong Thule branded growth, OE/legacy declines

Finally, on page 13, the fourth product category is Packs, Bags & Luggage, which had a good year in general for Thule branded products, but this is a product category we are consciously exiting some OE and legacy products. And that, of course, continues to see a sales decline.

So looking at the Thule branded bags and luggage, we saw really good strong growth in the Thule Backpack side, the everyday bags. We had good collections, particularly Thule Aion, drove good growth within luggage, within sport bags and tech packs. The bags business picked up for bike-related bags, particularly as bike retail inventory levels normalised.

And it is also good to see that we see really great Thule branded growth in Asia, where we have focused on driving bags growth. Again, legacy products, non-Thule branded products, camera bags, etc., continues to be phased out, and then, of course, drive sales decline.

And continuing the theme with a lot of exciting new product developments that goes for also Packs, Bags & Luggage. There are some positive market trends around continuing the hybrid work situation or work from anywhere. The laptop hardware shipments have picked up, which will help, hopefully, everyday bags going forward. And bike retail inventory levels are again back to more healthy levels. But we are also adding great new products.

And not to call out everybody, all of them, the Thule Subterra 2 is one of our most leading, top-selling luggage family and is getting a new collection launch soon, which we believe we will update. So continued focus on driving Thule branded growth through new products and phase out of the non-Thule branded legacy products.

Exciting year ahead – more new product launches than ever

And you heard me, on page 14, talk a lot about new products coming out in 2024. And the reason is that we are launching more products than ever before. And we are doing this in three types of categories of products.

Firstly, we are upgrading several of our best sellers. And as I mentioned before, it goes for rooftop boxes, strollers, bike carriers, etc. Secondly, we are launching new innovations in existing categories. For example, we are launching Thule Outset, which is the world's first tow-bar mounted tent, rare car tent, and Thule Sidehill, which is an innovative awning.

And on top of that, thirdly, we are also entering to completely new product categories for Thule with dog transportation and car seats.

So it is an exciting year ahead that we are fully focused on delivering at the moment in the organisation.

Global Thule brand event support launches with top media visibility into 2024

On page 15, it is important to note that in addition to all the great product launches, we are also working hard to make them more visible to the end consumers than ever before. And this page shows an example of that. It is first ever full scale Thule brand event, a product launch event that we held in November last year here in Sweden, where we invited almost 500 customers from around the world, 70 journalists from global top media, and that has generated a lot of great both traditional media attention so far and also social media attention, providing a good support to the launches that are coming now in spring 2024.

Focus 2024: Continue to drive long term growth strategy

To conclude the presentation part of this call on page 16 and sum things up, our focus for 2024 is to continue to drive the long-term growth strategy that we have in place. And I would like to mention three things.

Firstly, I commented in the last quarterly report, in Q3, that we had initiated work to detail our biggest strengths, to be clear about what we should continue to build on. And that has been a really interesting work, and maybe even more convinced that our future is bright. We have a lot of great things to build on.

And to summarise it in three. First of all, we have market tailwind. Longer term, more and more people want to live active lives. Secondly, we have really strong market positions. Thule is the global market leader in several of our product categories. And thirdly, as is evident also in this call and in this report, we continue to invest in capabilities for innovation and quality to drive competitiveness, drive the market growth and take our market share. So our position is very strong.

Secondly, we expect this mixed market dynamics to continue also in 2024, general cautiousness of retailers and consumers is what we see at the start of the year. We expect to have a big positive and a negative. Bike retail is back to healthy inventory levels. We see good bike growth for Thule. And the negative is we expect the continuing challenging RV market for the coming period.

Lastly, we have set clear priorities for the year. We are focused on driving sales growth and reducing inventory. And specifically, four points. We will focus on product development with all the launches that we have in place. Secondly, we will focus on simultaneously winning in more categories at the same time and 2024 is the year where we enter both dog transportation and car seats.

Thirdly, we will focus on becoming more visible to the end consumer to show more to sell more, as we say internally and also to continue to drive DTC.

And lastly, as also commented on before, we will continue to drive supply chain efficiency. We have started to discontinue external warehouse services to reduce costs. And as Toby mentioned earlier, we aim to

reduce inventory levels further SEK200 million during the year, taking that production to SEK1 billion over two years.

And with that, we conclude the presentation part of this call, and turn to moderator to open up for questions.

Q&A

Gustav Hagéus (SEB): If I may start with the gross margin pickup, which was quite impressive. You mentioned in your report that the channel mix was a driver to it, amongst other things. I did not see that now in the presentation. But perhaps if you could help us size the different elements driving this gross margin pickup in terms of channel and product mix, raw mat, freight, what have you, that would be helpful.

Mattias Ankarberg: Hi, Gustav. Thank you for the question. I can start. There are several things driving the gross margin in this quarter, and it is also our smallest quarter, as you are aware. The things we pointed out in various places is, of course, we continue to see lower raw material costs and lower freight costs and a favourable product mix, and continued growth in DTC to your point.

On the other hand of things, as we talked about in Q3 and several times during the year before that, we are still in a situation we are not utilising our production capacity fully, which, of course, still limits the gross margin development to some extent.

Gustav Hagéus: Sure. And if you were to give them a ranking, would you say that raw mats and freight are the main drivers to the pickup, or are the other elements as big of a factor?

Toby Lawton: This is Toby, Gustav. Absolutely, we listed out the three and they are three biggest factors in that order pretty much. So it is lower raw material costs and lower freight costs. And then thirdly, the third biggest factor, product mix, which, again, as I think we mentioned with our resales being lower this quarter, that is a factor in the product mix as well.

Gustav Hagéus: Sure. And if you look where spot prices or your contracts are at this moment, I appreciate they can change, but where we would see the world as it is today in terms of raw mats and freight with the Suez and what have you. Do you expect a similar year-on-year impact going into H1? Or can you help us understand the bridge into the next year in terms of gross margin from these factors?

Mattias Ankarberg: If we step back, first of all, a little bit, we look at the gross margin for the year. We are at a very good level compared to historicals, as you probably have seen. And that is in a situation where we are not utilising production fully, of course. We have seen for quite a few quarters, material costs and freight costs coming down, and we are still selling a lot that we have on inventory to your point.

So, of course, that should support the gross margin going forward. However, on the other side of the equation, there are some freight costs, let us call it, 'uncertainties' given the Red Sea developments, where there has been a quite a drastic spike in a few weeks. So we will see where that comes out in the next couple of weeks.

And then perhaps more importantly, we are ramping up production of some new product categories. It is good to see the utilisation, but of course we are also not as efficient as we are down the line when we produce things. So that will burden the gross margin a little bit.

But the good trends that supported us in Q4 should continue to support us also in the coming quarters.

Gustav Hagéus: Okay. Great. And then if I may turn to a different topic, your launch of car seats here now in Q2. I believe the previous ambition that was later pushed forward, but presented with the CMD was that you are going to launch both a base and infant and toddler seat in the same quarter. Is that still the case now in Q2 that you launched all these three, I guess, the base and whatever you launch. But do you launch all of them at the same time, or is it more spread out?

Mattias Ankarberg: Yes. So, we will start the launch as of Q2 and with the infant seat and the base coming first, and we will start in selected markets in Q2, and shortly thereafter, we will roll out to the rest of the European markets during Q3 and also the toddler seat.

Gustav Hagéus: Okay. And could you help us for modelling purposes, what is the ambition in terms of doors that you roll into initially? And could you give us a rough indication of what is the average inventory in a typical retailer of these products? Typically, they do not hold a lot of Thule inventory. But in this category, is there any difference or?

Mattias Ankarberg: I do not think the inventory position in a retailer is very different from strollers or anything else. Again, stepping back, this is a completely new product category for us, but it is not a new sales channel for us. We are in juvenile sales and that many of the retailers we are talking to are aware of. You have to do the products and they are aware of our supply chain model, and we deliver with quick lead times, as you know. So I do not think that is going to be a big change in terms of the inventory position.

What is important to us when we launch these products is to get a good start and a premium start, if I could express it like that. So we worked quite hard to make sure we get to the right doors in the beginning rather than as many doors as possible. For example, in Germany, which is the biggest market in Europe, we are also strong there. There are two retailers that are pretty much only selling child safety products, and they all have slogans similar to the Thule of we do not sell car seats, we sell child safety.

So it is important for us to be with those kind of retailers early on, establish the credibility. They provide the service to the consumer. And then, from there on, we build more doors and distribution. But we are confident that we will have good distribution starting with the premium doors and then distribute to others also, and we will start that during Q2.

Gustav Hagéus: Perfect. And lastly for me. I think the initial idea was to launch US three or four quarters after Europe. Is that still the plan?

Mattias Ankarberg: No, that is not the plan still. That will come later. And the main reason for that is there has been work going on, on the US regulatory side, which the industry is interpreting as we speak. So we have decided to push for the European portfolio first, and then as things have landed set more firm plans for the exact date for the US launch. So that would be a few quarters later than what you suggested.

Fredrik Ivarsson (ABG Sundal Collier): A few questions as well. First on the juvenile markets following up on Gustav's questions there. You mentioned, Mattias, quite tough retail landscape, obviously, with a few bankruptcies here and there. Has this by any means impacted your plans and expectations for the car seats?

Mattias Ankarberg: Well, I think in general, a weaker consumer market and the tougher retailer environment is weaker for everything. So in the short term, yes, that may impact things. But I think for car seats less so for two reasons. Firstly, I mean, we do not have anything today. So it is about taking market share anyways. And secondly, the premium consumer in general and including for car seats is doing better, and premium car seat segment is doing better than the car seat industry in general.

So, of course, we would have been even better with a strong consumer market. But for car seats specifically, this is not a big concern for us.

Fredrik Ivarsson: Okay. And then a question on product development costs. You spent, I guess, around SEK630 million or so last year. Should we expect that figure in absolute terms to come down this year? Or will it actually grow since you're pushing all these new products that you talk about?

Mattias Ankarberg: We should expect that figure to remain largely for this year. And just to reiterate something we mentioned sometimes, when we talk about product development costs, we talk about several cost items included in that, the projects, the people, but also tooling that is required for production.

I mean, we produce most of what we sell ourselves, and we have automated factories and they require toolings to run. So at the end of a product development process, you make the tools and those costs quite a bit of money, and that is a big reason for why we will see a largely stable product development cost in 2024 versus prior year.

Fredrik Ivarsson: Right. So when you look into 2025, and you do not have all these new products and tools or tooling as you call it, should we expect them to come down then, i.e., by next year?

Mattias Ankarberg: Yes. We would like to reduce the product development cost as share of sales. We were historically around 5.5%, 5%, 6%, and that is where we want to get back to you. And with the years coming up, we have plans to get back to that level.

Fredrik Ivarsson: Okay. And a quick last question on the American end consumers because we have heard a lot of cautious comments from most consumer companies when talking about the US. So can you talk a bit about this? And what you see and expect in terms of your own performance in that particular region over the year?

Mattias Ankarberg: Sure. We agree that it is a cautious consumer. And for us, Europe is performing better than North America, specifically. In the last quarter, actually, the number was pretty good, but it is more to do with comparables. So the North American consumer is more cautious. We have seen even big retailers make some pretty negative or pessimistic statements in North America.

Looking at the underlying factors, there is a slight positive increase in consumer sentiment and some of those related confidence metrics in particularly the US. But it is early and from very low levels. So we expect the cautious consumer also going forward for the coming period in North America.

Adela Dashian (Jefferies): Most of my questions have already been asked and answered, but I do have one on the direct-to-consumer platform, especially as it relates to your product launches now into the year, both in the existing and new product categories. Are you pushing more sales through this platform than you have historically at this point?

And then, a more general question. How have dialogues with your existing distributors and retailers developed as this becomes more of an initiative for you going forward? I think I read in local Swedish media this morning that you are looking to potentially grow the entire platform to 15% of total sales by 2030. So yes, how is the interplay between that and keeping your existing customers happy?

Mattias Ankarberg: Thank you. Happy to answer that. It is true that we are seeing good growth in DTC, and it is in the existing market but we are also adding markets. For example, we are now in the fourth quarter, opened up Thule.com for online sales in two countries, Austria and Spain, and that contributed to growth already from the get-go.

So for us, DTC maybe has played a slightly different role than for many other consumer companies. If we step back, we know that there are a lot of people who really like Thule products, and I would almost say they love the products, and they are fans, really strong advocates for the brand. But we are in many different product categories. Very few consumers are actually aware of the breadth of our offer we have also developed a lot recently.

So one important objective with DTC for us is to be able to connect directly with the consumer and being able to communicate, for example, the great product launches we are doing in 2024. So adding more countries, opening up Thule.com for sales in more countries is one step to that.

We also know that a lot of consumers, particularly younger one these days prefer to shop from brands directly. So just opening up Thule.com, of course, helps.

Now this dialogue with existing customers has been very positive and no drama. I think all brands pretty much these days have their own DTC channel. It is important to say that we would like to grow with the premium distribution, the premium retailers. And DTC for us is, of course, a full price premium channel more than anything else.

And reaching 15%, to the last part of your question, in 2030 would be a good growth for us in DTC. But we also have plans to double the total company sales to 2030. So it is a lot of growth for the existing customers that are up for grabs as well. So we see positive comments around us supporting the premium retailers creating a strong marketplace of full price selling and better brand awareness.

Adela Dashian: Yes. That makes total sense. And then just on the cost base, the evolution of that, as you are spending more and more on this platform, should we expect in line as with investments for product development increasing? Or will that come later since product launches are the main priority at this point in time, the spike in costs for the direct-to-consumer platforms?

Toby Lawton: Yes. It is Toby here. I can just comment that. I mean, DTC has a higher overall profitability for us. It does have basically a better gross profit, but we have more of our own sales and marketing costs supporting DTC, but overall, it has a higher profitability.

Adela Dashian: Got it. And the investments you are making today are to support future growth? Or should we see a ramp-up in cost as 2024 progress for the platforms specifically?

Mattias Ankarberg: In terms of platforms, we have the technology and platform in place. It is maintenance and selected to upgrade as always, but there is no new tech investment needed. And we also have, given that our supply chain model is, I would say, quite retailer like in terms of quick deliveries, and we also do not foresee making any big investments in DTC structure or other supply chain setups due to this. So we actually do not see any need for major investments in platforms to drive DTC.

Daniel Schmidt (Danske Bank): A couple of questions from me. I think you alluded to easy comps, Mattias, when it comes to North America or the Americas. But at the same time, you do see bike-related products being up in the fourth quarter, which, of course, was not the case in previous quarters last year. How should we view that? Have you come some way in terms of destocking among US retailers? Or is it just temporarily or yet to be seen as we go into the high season, which is probably a month from now, or a bit more?

Mattias Ankarberg: Yes. Hi, Daniel. No, I think there are positive news in the US market in terms of bike also specifically. I mean, to explain and maybe give some more colour, in general, we see a cautious consumer, which is more cautious than in Europe. And we see that bike retail inventory is back to healthy in Europe as of Q3, and it is getting there in the US, so to speak.

I would say in North America as a whole, the big retailers, they have a healthy inventory level of probably not bike related in total, but for Thule bike-related products, premium bike-related products. So they are in line with the European situation, whereas now it gets a bit detailed. But whereas in the US, in bike specifically, quite a large share of the bike retail market is made up of what is called independent bike retailers, small stores, enthusiast stores, mom-and-pops, if you like, and they still have too much.

So in summarise, you could say North America is moving to the same positive direction that Europe is, but is behind in terms of development.

Daniel Schmidt: I mean, that is interesting because it sounds like you have a little bit more of a positive tone on that topic. That is at least my interpretation. And correct me, if I am wrong. And then maybe you have talked, of course, a lot about product launches, and we will see a lot more this year. But you already are out with the dog transportation crates as of mid-January or something like that. Any initial reaction or reception remark that you want to make on that launch?

Mattias Ankarberg: Sure. No, you are right. We launched it in Europe on 31st Jan, but we had a sneak start in Sweden in mid-January. So we have been showing the product to trade enthusiasts, ambassadors, influencer people in the industry already since the autumn and had a very positive reception in media, at events, etc.

Of course, this is a very long-term work for us to build up a completely new category and it is going to take years before we are where we really want to be. So a couple of weeks of sales in mainly Sweden is not a lot. But we are pleased with the start, to put it like that.

Daniel Schmidt: And now that you are out with the product, has any revelations appeared compared to your expectations in terms of what people think about the product or any feedback that you are surprised about positively or negatively?

Mattias Ankarberg: Well, I think overall it has been very positively received. And I just noted personally, CNL last week had it on its list of gear to most look forward to 2024. So we have had some of those really positive media sites. Quite a few people like the design, but that is, of course, personal taste. What stands out with this product, which I think will take some time to educate some of the markets on at least outside Scandinavia is that it is really designed for safety for the dog, but also safety for the passenger or the person. So it is a pretty unique product in the sense that in the very, very hopefully never happening strong word scenario of an impact or a car crash, it is designed to protect the dog, but also not to have metal parts flying around in the car and thereby hurting humans in the car.

So that whole safety aspect is quite established in Scandinavia and parts of, for example, Germany, but I think will take some time to educate the rest of Europe and North America. But that is really, the product stands out.

Adela Dashian: And what you are basically saying is that nobody in markets outside Germany and the Nordics have that feature in the markets?

Mattias Ankarberg: Well, it is a product that really stands out. I would not say that nobody else has this in total, but very few, if any, have this kind of safety level that the Thule Allax provides. But I would say that the culture of prioritising safety while transporting the dog in your car is much stronger in Scandinavia than in, for example, Southern Europe or in North America.

Daniel Schmidt: Okay. And then maybe just a final question on your own destocking. You did a lot last year, but you want to go a bit further another SEK200 million is what you are targeting for 2024. I assume that is going to be fairly front-end loaded? Or how should we view that?

Mattias Ankarberg: Yes and no. You are right about the numbers, first of all. I mean, yes, we will continue to sell down, for example, bike-related products now that season kicks in spring, but we are also producing a lot of new products in new categories, which requires, of course, minimum safety stock and order level buildups.

So it is not for sure that we are going to see this development through the first half of the year, probably actually the net effect of this will be rather towards the second half of the year.

Daniel Schmidt: Okay. That is all from me.

Mats Liss (Kepler Cheuvreux): First regarding pricing. I guess, normally, you have some sort of price adjustment at the start of the year. And I guess could you give some flavour regarding that. I mean these product launches, are those the main measures for you to upgrade the price level? Could you say something about that?

Mattias Ankarberg: Sure. In general, most of the industry and Thule historically has worked on an annual price cycle being 1st Jan price increases during pandemic and after it has become more flexible, and Thule

has also done some midyear price increase as of 1st July. This year, as of 1st January, we have decided to make no general price increases. So prices are flat for existing products.

However, we, of course, as we have talked about, have more new products than ever before, and they are coming in more premium at higher price points in general. So that will drive the average net sales price up for Thule a bit.

Mats Liss: Sorry, I did not get that last part.

Mattias Ankarberg: So our pricing strategy and decisions for 2024 is made out of two parts. Firstly, we have flat prices, no increases, no decreases for existing products. However, we have a lot of new products coming for 2024, which are coming in, on average, clearly a premium position that will drive average price up in 2024, driven by the new products.

Mats Liss: And you did not give any percentage figure there or you do not want to indicate?

Mattias Ankarberg: No, we do not share that.

Mats Liss: Okay. Great. And then secondly, I guess, well, you have these new product categories. And previously, you have been, well, to try to speed up momentum, made some bolt-on acquisitions to do that. But this time, it does not seem that this is necessary since you have the retailers already in place. Is that right?

Mattias Ankarberg: Yes. For Thule, historically, we have, as you mentioned, made a few add-on or bolt-on acquisitions, particularly to enter new product categories like we did with rooftop tents or earlier, many more years ago with child bike seats and multisport trailers. For these two, where we are entering now dog transportation and car seats, those are organic developments. So we have done that ourselves, and with great results, great product coming out as a result.

And going forward, we will continue to look at entering more product categories, and we will have some good early ideas for organic initiatives, but, of course, also consider add-on acquisitions to support that growth journey.

Mats Liss: Great. Well, finally, you touch upon, you have the target to double sales by 2030. And then it seems that you have a lot of organic growth opportunities. Is that the main pattern to reach that level? Or should we expect some acquisitions on top of that?

Mattias Ankarberg: The main driver is organic growth. We have driven organic growth, particularly through product development for many years with great results, and that is still the foundation of what we do. We are a product-driven company. On top of that, we can drive organic growth by being a bit more visible and particularly by expanding our DTC business also going forward.

And then we will also look to enter new categories. And that priority could be done either through organic initiatives or through add-on acquisitions. But in all, summing that up, it is organic growth. That is the major part of the foundation of the growth strategy.

Karri Rinta (Handelsbanken): First, a quick housekeeping question. Admin costs were lower than they have been for a while. Is there anything of one-off nature there bringing these costs down? Or is this what we should expect going forward?

Toby Lawton: No, I mean in the quarter four, admin costs were a little bit lower than prior year, but that is just keeping control on costs. There is no special items there.

Karri Rinta: All right. Good. And then the outlook for RV. Can you remind us of how much of your RV sales go to when the RVs are being manufactured and how much is a pure aftermarket business for you? And do you expect the same outlook for both of these segments in 2024?

Mattias Ankarberg: Yes, that is multifaceted question. But to start with the simple answers, historically, we have been a bit more on the aftermarket side than the OEM. So a bit more than half of aftermarket but not much, a little bit more than half. The outlook is, it is a cyclical industry. Last time, we saw a cyclical downturn that lasted for about two years before we saw a pickup.

For a few reasons, the industry, and we believe that it does not have to be two years this time, it could go quite a bit quicker. Hopefully, more around one, maybe 1.5 years' timeframe. And the dynamics, to your point, is a bit different between OEM and aftermarket. So for example, in Q4 and now in Q1, several of the OEMs are coming out with new models.

And of course, they produce them to put them either in their own stock, but really best they can put them in the dealer stock. So at least the consumer has some newness for the ones that are interested. That will keep OEM volumes up better for both Q4 and it will for Q1 than the aftermarket. So the developments on a quarterly basis will be varying between the two channels.

Gustav Hageus: Thanks for taking another question. Could you expand a little bit on R&D? If I recall, 2018 to 2020 when you also had a big launch of conventional strollers in 2018, right, you had flattish R&D around SEK400 million for three years before you took a step change coming through? And it seems like it's plateauing now in terms of actual value. So going into 2024 and also quarter-by-quarter, what do you see in terms of R&D going forward? And maybe 2025, if you have a view, that would be helpful.

Mattias Ankarberg: Sure. And I think to answer best, just need to explain again, just for everybody's information, what is included in the R&D costs. At Thule, we include the R&D the project, of course, people and prototypes and design work, all that, but also tooling that goes into then later producing the product.

At Thule, we produce most things ourselves that we sell. And at the end of a product development project, we produce tools that go into our factories and our typically automated equipment to make parts and the assembling. So at the end of a product development project, there is quite a bit of cost that is taken as SG&A.

We have had a big multiyear effort of car seats going on for quite a few years now. And that is, as we talked about before, coming to launch now in Q2. And we expect that the R&D expenses are largely flat in money in 2024 versus 2023. And of course, you are going to see quite a bit of costs early in the year or the first half of the year because of the reason for creating tools, as I alluded to earlier. So that is that.

Over time, we have been at R&D cost to sales of around 5.5% between 5% and 6%, I would say. And it is our plan to go back to that level, of course, helped by stronger sales, but also to make the right proactive decisions on R&D for where to invest.

Gustav Hageus: And you think that normalised level, is that the 2025 ambition of yours, H2 2024 ambition even?

Mattias Ankarberg: I would be very honest, Gustav, and say that depends on the market development and the pickup. I think most consumer companies including us think that once interest rates come down, durables and consumer sentiment will pick up, and we will see a good sales uptick. And if that happens, first half of 2024, second half of 2024, first or second half of 2025, I think we do not speculate in that, but that will play in when it comes to the sales uptick, and therefore, percentage.

Daniel Schmidt: Could you just shed some more light on what you said and I think you mentioned it once before when it comes to regulatory changes in the US that they are postponing the launch of car seats for your sake a couple of quarters? Could you describe what is happening on the regulatory side?

Mattias Ankarberg: Sure. To the best of my car seats ability, I will explain. But there is been some, call it, regulatory or industry association discussions on safety standards and the specifics and how that plays out. And then there are also commercial aspects. I mean, in Europe, we pretty much separate between an infant

and toddler in a certain way. And that distinction and mid-segment and cut-off points is also potential change, depending on where these safety standards and regulatory come out. So it is not super specific answer to your question, Daniel.

But discussions around standards and regulatory have commercial impacts for the product. And therefore, we wanted to wait and see how that plays out and which way the industry is leaning before we move full steam ahead on the R&D projects.

As we just talked about, they are quite costly projects. We are an entrant, and we want to come in the right way.

Daniel Schmidt: Yes. That makes perfect sense, of course. But would you say that these changes possibly are sort of raising the barriers to entry, so to speak, that the market in the US would require more safety simply to be part of the product than it has been, which I would assume would be a good thing if that is the case for you guys?

Mattias Ankarberg: We agree with you. We are hoping that, that is the way that the market is developing in these current discussions, but also generally going forward, we are fully convinced that we speak very favourably for Thule.

And to be frank, we have a pretty good view by now where things will land. So now when we are soon out with the European product here by Q2 and then rolling out in Q3, we will be ready to set full focus on the US plans.

Thank you, everybody, for joining this call. Have a great day, and speak to you at the Q1 update.

[END OF TRANSCRIPT]