Thule Group

Thule Group Year-End Report 2018

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2018/Q4 and Year-End Report 2018

Magnus Welander

CEO, Thule Group AB

Welcome

Good morning everybody and welcome to this Q4 call on what has been a very exciting 2018 for the Thule Group. The Q4 was also an exciting quarter.

2018/Q4 – Continued strong sales in smallest quarter of the year

If we turn to slide two where we summarise the quarter you can see another strong sales quarter in the year. We grew for the Group with 8% including the currency effect. Once again it was the Region Europe & Rest of World that was the growth engine. However, it was also nice to see that excluding the OE contracts that we have communicated that we are phasing ourselves out from in the Region Americas, the growth was 4.4%. Including that negative effect we still had a marginal growth in the quarter of 0.2%.

In terms of our performance on EBIT it was in line with our expectations. As we have talked a lot about, we are in a phase of a very ambitious growth focus for the coming years with a lot of work done both in the product development side as well as the sales and marketing side for those new categories, especially strollers and luggage where we still have relatively low turnover. That was therefore an expected outcome in the quarter.

What also was the case, and we will talk more about it, was that the cash flow was significantly lower in the quarter than last year. A third of that difference was due to that 2017 in the fourth quarter we had a large payment from the German tax authorities as we won the case against the German tax authorities. That was about a third of the difference. The remainder is mostly then made up of a planned and purposeful inventory build-up of the products ahead of the important 2019 season. Lennart will come back a bit more on that.

Furthermore also the company is recommending and the Board is proposing an increased ordinary dividend of SEK 7 per share versus the SEK 6 per share we had the previous year.

Q4 & FY18 – Net Sales and Underlying EBIT development

With that if we go to the next page you can see the summary in the graphs that show that over the year as a whole we have then grown 6%, which is nice to see, above our 5% organic constant currency growth. We continue to be running the business at a high margin with 18% EBIT despite the fact that we spent 6% of our sales on product development, building for our future. When we look at the overall performance we can also say that we once again confirm that it was for the year as a whole the Europe & Rest of World Region that was the big engine. However, it is good to see that also the Region Americas performed better in Q4.

2018/Q4 Key Events

Overlanding category entry for Thule Group via acquisition of Tepui Outdoors Inc. for $9.5 million

If we go to the next slide we will summarise some of the key events in the period. On the image in that slide you see one of the Tepui rooftop tents, applied on a Thule roof rack on a car. The reason why we are choosing that picture is of course the fact that in the quarter in December we announced the acquisition of Tepui Outdoors Inc. It is one of the market-leading players in what is a small, niche category and the category is called overlanding.

If you have been lucky like I have living three years of my life in Australia you would definitely know what overlanding is because the concept started some 50 years ago in Australia in the outback. It has since then moved into North America, South Africa, some of the Latin American countries and a little bit around Europe as well. The concept is simply this, that overlanding is the journey is more important than the destination.

You do not set out to end up at a specific camping ground or specific spot. You set out on a trip and you will stop where you feel you should stop and when you feel you should stop. Then you quickly unpack your rooftop tent and can sleep in it. Or just stay in, have a break and enjoy that.

Tepui has done a fantastic job over the last few years with the best quality products and we see, although being a very small acquisition and not having a major impact on our financial performance, it fits our brand and our skillset very nicely, both from a production perspective as well as a sales perspective. We feel it will be a nice addition in strengthening our Sport & Cargo Carrier part of the business.

Continued plant and DC improvements

In the quarter we also continued what we have been doing over a number of years, which is a continuous improvement of our major plans. Specifically, in the fourth quarter we did a major layout project in our German roof box plant, which is the biggest plant in the world for making roof boxes. What we have done there is simplified the flow in the factory and moved almost all the equipment around. I am very impressed how the team has managed to do that without any supply chain issues whatsoever. It will enable us, as we now move forward into 2019, to have better efficiency as we have a rollout of our refreshed roof box programme.

As you might remember from the Q3 call, we presented to the market in Q3 two new roof box models, complementing the world's bestselling roof box, the Thule Motion XT, which we already have in the market, with a lower priced, more simple but still fantastic roof box called a Thule Force XE, which we started selling in stores as of Q4; and an upcoming top-of-line really defining the premium roof box segment called a Thule Vector which will be coming in Q3 now in 2019. To enable the more efficient production of these units this was a key change of the German plant.

We also in the quarter finalised an expansion of our Eastern European distribution centre in Huta in Poland next to our assembly factory there. We enlarged it with 6,000 square metres or 60% of what we had before. That has been opened very successfully as well, enabling us to even better serve the quickly-growing Eastern European countries as well as some overseas market.

Thule brand continues to win recognition

Then in terms of the brand it is crucial of course that a company like ours with the type of premium products we have and the fantastic brand recognition we have in those 140 countries we sell our products in, that we continue to build on that strength. Especially so in the new categories where we are not the defined market leader as we are in Sport & Cargo Carriers. Therefore we were very happy that just before Christmas another additional two of the world's most premier department stores, Le Bon Marche in Paris and KaDeWe in Berlin, decided to list Thule luggage in their luggage departments. Together with the Italian La Rinascente and the Japanese Takashimaya, we are now starting to have all those key premium department stores showing and selling Thule luggage, which of course is good for the brand in other stores in other locations.

We were also very happy and proud that when our Thule VeloSlide bike carrier won the very prestigious European Innovation Award for Vehicle Equipment for RVs. It is truly a fantastic bike carrier that allows you to bring your e-bikes or other bikes with you in the garage, as it is called, in the RV.

Finally more on a local basis for us Swedes, I would have to say, but it is still very nice to see that the Swedish National Museum chose to show a Thule Urban Glide 2 stroller as defining great Swedish design when they reopened the museum now in the autumn. Some nice things happening.

2018/Q4 and Full Year – Sales by Region

Region Europe & ROW

If we go to the next page and summarise sales by region, as we have seen throughout 2018 and as also mentioned earlier here on the call, Region Europe & Rest of World had another fantastic quarter with 13% currency-adjusted growth. It was driven once again, I would say, across the countries. All sub-country sets were doing really well in the region. It was in all categories, except Packs, Bags & Luggage, a very strong quarter. I am going to come back to the category presentations on a later slide so we will walk you through a little bit our view on Packs, Bags & Luggage in more detail then. If you look at the year, as I said, and the quarter also ending strongly with the year ending above 10%, we are very happy with the performance in Region Europe & Rest of World.

Region Americas

If we look at Region Americas, which had a 0.2% currency-adjusted growth in the quarter, it is important to note as we have done repeatedly that a strategic choice to phase ourselves out of some specific low margin OE contracts, specifically some pickup truck accessories in the subcategory Sport & Cargo Carriers and a number of smaller bags and cases for things like medical devices and other matters in Packs, Bags & Luggage. However, if we take those away it was nice to see that the growth in, let us say, the healthy part of the business that we will continue to maintain, was 4.4%. US is still a challenged market, mostly because actually these OE contracts are all associated with the US. However, we see very strong performance, especially in Brazil and Canada in the quarter.

If you look at the full year we had a decline of 3% while if you would include the OE contracts we had a flat year in the region. Here really is the Packs, Bags & Luggage category that has been underperforming, with also some negative effects then in Sport & Cargo Carriers if you look at the OE pickup truck accessory part which is dragging those numbers down. Once again, over the year as a whole it was Canada and Brazil that were the star performers in the region, while the US market was tougher. As we noted and commented on in Q3, we did have some challenges in countries like Argentina and Colombia with their currencies. It was nice to see that they picked up again a bit in Q4 but it could no compensate for the tough numbers they had in the third quarter.

2018 Full Year – Sales Development by Product Category

Sport & Cargo Carriers

If we then go to the next page we will look at the product category performance for the year. It interesting to note, as we have commented a few times, that despite very rapid growth in some of the smaller categories it is of course the fact that our Sport & Cargo Carriers business continues to be a very significant share of what we do. In 2018 the product category Sport & Cargo Carriers still stood for 64% of our sales, which is 1% less than the previous year but it is still almost two-thirds of our business. If you look at the regions the exposure in the regions is greater in Americas to Sport & Cargo Carriers at 71%, while it is 62% in Region Europe & Rest of World. Once again, for the 14th year in a row and since I have been in the company, we grew more than 5% in Sport & Cargo Carriers. That was despite the fact that we had a business in the US, the pickup truck accessories with those OE contracts, that we purposely are phasing ourselves out fro, which was the whole reason for the decline in Region Americas. As you can see we grew in Europe & Rest of World 9% in this category so another strong performance above 5% growth in that category.

Packs, Bags & Luggage

Then we might as well attack head-on our disappointment for the year because clearly Packs, Bags & Luggage was our disappointment for the full year. If you look at what we performed with a 7% decline, with a 11% decline in Region Americas and 3% decline in Region Europe & Rest of World, it is clearly a disappointment. We had some conscious decisions knowing strategically that we were going to see revenues drop from phasing ourselves out of low margin contracts. We were also aware that our legacy product categories, things like camera bags, tablet folios, CD wallets etc. would continue to decline because we see that in the market as a trend. However, if you look at it in total that decline was more rapid than we had thought and we can clearly see that we had underestimated when sometimes the tipping point comes for certain categories it will go more rapidly downhill than we thought.

If you look at that it has meant that the legacy categories and OE business, which are not the areas we want to focus on for the future, are now making up 34% of the Packs, Bags & Luggage category. A year ago it was 42%. We clearly have a better exposure of positive categories going into 2019. We have a much fresher focus in terms of launching several luggage collections and other sport and hiking backpacks, bike hydration packs, etc. Yes, I have a clear disappointment, did not meet what we wanted. We wanted this category to grow in 2018. I feel very calm that it will grow in 2019.

Active with Kids

Then we look at the star performing category in the year. It was what we call Active with Kids where we had a growth of 22% in the year in constant currency, with Europe & Rest of World growing 24% and Region Americas growing 13%. Here we are of course launching a lot of great products so it was expected to grow. However, it is still very promising to see considering how important this category is for us going forward. The type of new positions we win within the stroller segment as well as continuing to do fantastically well in both the bike trailer and child bike seat categories.

RV Products

Then finally RV Products which grew 14%. If you look at it, it is a category where we are almost singularly exposed to Europe & Rest of World. We mostly focus on the European market. If you look at that market we estimated that the RV industry as such grew 9% for the year, which means that with us growing 14% in the region we still continue, as we have done 13 years in a row, beating the market. That is always very promising to do.

Sport & Cargo Carriers – Continued strong growth as market leader

If we move on and talk a little bit more about the specific categories and look at Sport & Cargo Carriers and also talk a little bit about what is going to happen going forward. As we said a growth of 5%, and actually a growth of 6% if we would exclude those OE contracts we purposely phased ourselves out of, is another solid year. More importantly it was also a year where we lived up to those mantras that we have in how we will continue to be the undisputed market leader, which is by doing great products that we launch to the market, by ensuring we have a strong delivery performance and making sure that we support retailers online as well as in bricks and mortar in selling the product out. I think we did a fantastic job on all three actually in 2018.

In fact if you look at the key product launches you might remember that I said after Q3 that it was the most exciting quarter I have ever had in the company. I agree still with that statement and that makes of course 2019 now the most exciting sales year if you look at what we aim to achieve with the new roof rack generation, which we started launching, as we commented on, in three phases. The first phase started hitting stores in Q4 in 2018. Phase two happens now as we speak during the first part of 2019 and phase three is at the very beginning of 2020. With a fantastically well-developed roof rack category with more than 14 patents, we are really defining the future in roof racks.

Then I already previously on this call mentioned the fact that we are also really broadening our roof box category and in Q4 we launched the Thule Force XT roof box in stores. A fantastically designed, nice roof box for a more medium price point if you look generally in the market and more of a lower price point if you would look at the Thule price points. It has been well-received in the market. In 2018 we also have had a fantastic success with our Thule EasyFold XT which is the world's best tow-bar mounted bike carrier. It is constantly winning awards left and right and it has been a huge sales success for us in 2018.

Overall a strong performance in both regions in 2018, slightly then obscured in Region Americas by the fact of the phasing out of the pickup truck accessory OE contract. If we look at 2019 it is really to do more of the same and it is quite a good approach if you are the best in something in the world. We continue to do more of the same. We are rolling out now, as I said, the second phase of the new roof rack generation. We will continue to take market share, I am convinced, by the refreshed and broader assortment of our roof boxes. We will continue to do well with the world's best portfolio for bike carriers. We will continue to have a strong delivery performance and we will continue to tweak our tools to support retail. I feel very good about this category for 2019.

Packs, Bags & Luggage – Growth in categories where focus for the future is

If we go to the next page and then attack Packs, Bags & Luggage, which clearly, as having been a disappointment it is the one where we really need to prove to ourselves and the market that we can perform better in 2019. If you look at the decline of the category excluding those low margin OE contracts we had still a decline of 4% fully made up, and more there too, of those legacy categories. What we need to make sure in this category is of course we will see continued double-digit decline in our expectation. We are not going to make the same mistake twice in being optimistic that we can turn something around. We will therefore manage that business in the smart, cost-efficient way in trying to milk it as well as you can, as the last man standing in some of these categories.

Where it has to happen therefore and where we are much more exposed in a positive sense then in 2019 in terms of share of sales within the category is in what we call the everyday backpacks and luggage. Where we absolutely did see growth with all the new listings we had but where we need to see much more growth now broadening our assortment, adding more luggage collections.

We saw some very nice performance in our sport and outdoor packs in 2018 and some of the key launches were actually within that category. The image shows the highly-praised Thule Vital hydration backpacks with our innovative and patented retract host system. We launched the Thule AllTrail hiking backpacks which were very successful in the year and we did a number of Thule smaller backpacks for the everyday use that have been well-received in the market.

Those type of products and combining that with the rollout of several new luggage collections, will be the key drivers for why we will deliver growth in this category in 2019. In Q1 we are seeing the second luggage collection after the Thule Subterra soft bags. We are rolling out our Thule Revolve hard-case luggage collection, which is manufactured in our own facility in Pila in Poland. That is coming into the market now in Q1 and then later in the year we are adding a further two luggage collections. We are feeling very positive that with a stronger portfolio and an exposure to growing categories we will definitely grow in this category in 2019.

Active with Kids – Very strong growth driven by successful launches

If we turn to the next page we will talk about a category where there is even less doubt that we will be able to grow because we have grown very well for a number of years and we are coming into the 2019 season extremely strong when it comes to Active with Kids. Our performance was great actually in all the three subcategories where I would be remiss to say that we were even positively surprised ourselves how very well our Thule Chariot bike trailer/multisport trailer collection is doing in the market. It has been a fantastic year once again. We refreshed all those products in 2017 and they keep on having a great success.

Part of this is of course the global trend, you would say, but mostly Central European and Nordic trend of more and more people bike commuting and dropping their kids off at kindergarten. However, it is also of course due to the fact that these products are simply phenomenal for the active family. We continue to do well with a very broad and strong portfolio in child bike seats and both our stroller models. Both the Thule Urban Glide 2 which was launched in a second generation as of January last year has done very, very well, our all-terrain jogging stroller. Also of course we launched our first four-wheel stroller, Thule Sleek, in the autumn, also doing well, getting placements in the key juvenile stores.

All of that means that when we look forward to 2019 it is a lot about more of the same. We will launch in the spring a black-on-black edition of the Thule Sleek. We are doing some tweaks and upgrades on some of the other products but it is mostly using all of those great, recently-launched products and the broader juvenile listings to continue to generate growth in this category.

RV Products – Big market share gains in hot market

Finally, if we look at RV Products as a category we can say that it was a hot market in 2018 in Europe in the RV industry. As I said, we estimate that the growth of the industry was 9% so it was very positive to note that the team based our of Belgium continues to do a fantastic job both in terms of being capable of delivering the type of volumes we do from the plant and also being close to all those major key accounts around the European markets so that they choose to look for our products first and foremost. A strong performance of 14% growth in a solid market, strong market of 9% growth.

We also here continue to do the same. The image you see is the Thule VeloSlide bike carrier, a very smart solution, award-winning in really defining how you should transport bikes in the garage in an RV. However, generally it is about those new great products. It is about this close key account management and taking care of the strong delivery performance in a booming, growing market, which has been very well done by our RV team.

If you look at what it means going forward we have no doubt in our [inaudible] by far the best-in-class products. Our challenge now is then making sure that we continue to drive above-market growth by broadening that assortment and further working closely with the key accounts. I feel very calm about that, which then leads to the question of what will the market do? In our expectation it will continue to be a positive market in 2019 as a whole but maybe not as hot as it has been the last two or three years, which therefore means some growth but maybe not a lot of growth for the market. Considering that we intend to continue to take market share in that RV market, we feel also very good about this category.

Which leads us to talk a little bit more about the financial numbers so I leave it to you Lennart to walk through that.

Financials

Lennart Mauritzson

CFO, Thule Group AB

2018/Q4 and Full Year – Reported Income Statement

Looking at slide 11, which is the income statement, I will comment on some of the items Magnus has not already touched base on. Gross margins were for the full year down with 0.7 percentage points, including unfavourable currency effect of 0.3, so a decrease of 0.4 percentage points. This was driven by the negative material price development we have had for the full year, we have talked about that, and the start-up costs in the supply chain for all these various product launches to start up the new factories in Poland and all the projects within roof rack and the box factories. Our selling expenses, higher than prior year in absolute numbers, yes, but in percentage of sales we ended the year at 17.8% versus 17.9% prior year due to the product development push and commercial launch costs. Especially product development where you know that we take everything direct in our P&L as expenses as they occur, we ended the year, as already communicated, at 6% of sales.

If we look at financial net in the quarter it was SEK -8 million versus prior year SEK-16 million. A big difference between this year and last year is that this year we have no unfavourable currency effect which we had last year for evaluations with SEK -4 million. More importantly we had our external borrowing costs which was effective mid this year. We ended the year with a SEK 7 million cost in interest expenses versus SEK 11 million last year Q4. Effective tax rate for the full year of 2018 was 24.9% versus prior year of 24.4% if you exclude extraordinary events we had in 2017 which primarily was the US tax reform and the tax case in Germany we discussed earlier as well.

2018/Q4 – Operating Working Capital and Operational Cash Flow

Going to slide number 12 where we have the operating working capital and operational cash flow, this quarter we ended with approximately SEK 1.2 billion in operating working capital which is 18% of sales versus 15% of sales last year. An increase in absolute number of SEK 290 million and if we adjust that for currency it is around SEK 250 million. The majority of that is increase in inventory and accounts payable, standing for SEK 200 million. We continued, as Magnus mentioned, increasing inventory from ending of Q3, a conscious choice and the majority of the increase in due to our recent launches in Q3 and Q4 as well as coming launches in Q1 this year, for example the Thule Revolve.

We also have an effect that we actually managed to bring in products in advance from China due to the announced tariffs. We were able to get in some inventory for that to avoid incremental tariffs that should have come 1st January. Now, if it will come or when, we do not know. Also since we are entering the peak season at the same time we now will make a major change at the moment in our Seymour factory in the US. We have decided, for example, to increase the premium[?] more than we normally do for the spring and for the Q2 high season. Therefore I should say here we do not expect the inventory levels to go back to more normal levels until after summer this year.

If we summarise it in operational cash flow we have this year generated SEK 802 million versus prior year SEK 989 million and the decrease is related to the change in working capital I just mentioned. Which we are convinced is the right thing to do for the company since we want to continue with high on-time and in-full and deliver high delivery performance. Also now partly going into the new categories we do not want to risk starving any customers as well as rollout of it. Our investment for the year was SEK 178 million which is 2.7% of sales. The biggest projects, as mentioned, was the roof racks factory in Hillerstorp and the expansion of the Eastern European distribution centre in Poland. With that I leave over to Magnus.

Summary

Magnus Welander

CEO, Thule Group AB

2018 Full Year – Performance vs. Financial Targets

If we summarise on the next page, slide 13, the full year performance versus our financial targets, as you know, we have an organic growth target of minimum 5% every year in constant currency excluding acquisitions. It is nice to see that once again we delivered that with 6% growth. We feel that we are on a good track according to our plans to reach the mid-term target of 20% EBIT, delivering an 18% EBIT for the year. At the net debt/EBITDA level we are at 1.6x leverage so we are within the range. You know that we are having a dividend policy of minimum 50% net income and the Board of Directors is recommending a dividend of SEK 7 per share versus the SEK 6 we had last year, which would be 86% of the net income. It should be seen as a sign that management and the Board feel very confident that this company will continue to be a great cash generator also for the future.

2019 – Continued strong growth with enhanced product portfolio

Strategy has worked and remains unchanged

Finally if we conclude before the questions on the last page, slide 14, on what is then our focus rolling into this very exciting season of 2019, there are some key messages. What is always great to feel is that our strategy has worked and therefore it remains unchanged. Our main focus is to drive profitable organic sales growth via the launch and continued development of great products. We are successfully strengthening the Thule brand in a global basis. Also in new categories and new channels, building on the motto of the brand, Bring Your Life. It is early, early days but we are starting to become a serious contender in strollers and luggage, which you can see by the type of listings we are winning in both those categories with key retailers around the world. We will continue to utilise our strong back-end organisation to drive cost-efficient growth.

Product portfolio and development push to fuel future growth

If you look at the product portfolio push and the general push within that portfolio it will be the key and is the key for driving long-term future growth. We are currently running several parallel projects for new stroller models to come and new luggage models to come in the coming years. We are ramping up significantly for the new key Sport & Cargo Carriers launches and of course doing new development there as well. We are keeping on launching great new products within RV Products as well. If you look at all of that we have spent around 6% of sales on product development in 2018 and it will be a similar level in 2019.

Continuous improvements in our Supply Chain setup

In terms of the supply chain clearly we have, as Lennart mentioned and I commented on as well, done a lot of good things in our plans into 2018 investing in more automation, investing in new layouts and other things to create efficiencies. We will start to see the major impacts of these more towards the second half of the year because that is when we are really coming into all the three launch phases of the new roof rack generation. That is when we are really doing all the three roof box models and that is also when we will see the US plant, where we are building a small fabrication facility outside the current assembly hall, where we will start to see the major impacts of those efficiency gains. That will be a key focus during the year as well.

Increased rollout of sales supporting tools for retail

Very important, especially now in the new categories of course, is continuously supporting all of those partners we have in the world selling our products, with great marketing tools, great instore, online or physical store material and being close with them in further rolling out our Retail Partner Programmes.

Strong cash generation that enables M&A and dividends

We did one small acquisition in 2018. We definitely feel we have the bandwidth and the financial means to do additional acquisitions so that is something that we will continue to look at but once again as we have reiterated a number of times that should be more seen as a potential cream on top and an extra. However, it is clearly the case that we see a number of small interesting things out there but as always we will only do it if it is both strategically right and financially right. With that I open the floor for questions and leave it to you operator.

Q&A

Daniel Schmidt (Danske Bank): Good morning Magnus and Lennart. Could I start off with asking about the gross margin and you are right that you had a significant impact from raw material headwind and also you took up the investment that you mentioned a couple of times when it comes to two of the plants and DC. Could you in any way quantify the raw material headwind that you had in the quarter? I think I will start there.

Magnus Welander: Yes, you can say less of an impact than previously in Q3 but still the majority of the hit on the margin is from the raw materials.

Daniel Schmidt: Right. If you look into 2019 and also consider the fact that raw materials seem to have turned since five months back, is it fair to assume that you will then be in a situation where you have a raw material tailwind in a couple of months?

Magnus Welander: If you are better than me in speculating what might be happening with the raw materials but our assumptions that we did when we set our pricing, which is based on the same logic as you are saying with what we have seen, if raw materials develop in the way we expect we should see an improvement in our gross margin. As we have noted a few times, we admit that we underestimated, especially aluminium clearly, in what happened this year. When we are entering now into 2019 we have adjusted for what we expect the market to be and that should mean that we should bring some of that margin back to us.

Daniel Schmidt: Okay, good. Is that happening already now or is that a bit more delayed?

Magnus Welander: There is always a lag, a good lag some years and a bad lag some years, but clearly the price increases are already happening. If you look at it from a material cost impact it always moves slower because we do hedge, especially aluminium you can hedge. There is the good with the hedge but in some ways the bad with the hedge. You have bought at a slightly higher price to flatten things out [inaudible]. However, the positive on the price increase is starting to happen as of the beginning of the year.

Daniel Schmidt: Yes. Is it fair to seem also that you had any margin or negative impact from tariffs in the quarter that you are now neutralising with the price hikes?

Magnus Welander: It is a relatively small amount or even very small in the quarter because what we brought in were very small amounts of product extra. If you look at that whole I think in reality it will play out as we speak over the year more. We have communicated that we chose the approach of absolutely passing through only the exact amount which if we honest in practice means your gross margin will be hurt from it. However, that was very minor in Q4.

Daniel Schmidt: Yes, okay. When you talk about under-utilisation of production capacity and you mentioned these things that you have changed, invested in and so on, at the same time inventories are up 32%. You have been building inventory quite a lot in the quarter and you explained why but at the same time is that more third party build-up then which has not been produced in your plant absorbing cost?

Magnus Welander: It is a combination, yes, you are right. Actually a lot of it is components that we do not want to sit short on as we are now ramping up. If you take, for example, the Thule Revolve hard case luggage, which we are up and producing, shipping around the world, and will be in stores in a few weeks' time, we are up and producing at high quantities now. To do that we needed a lot of components, plastic sheets and other things for our assembly. We therefore had brought some of that in to be able to pump out as we now are ramping up our production. Additional inefficiency costs that we have had therefore in our plant is that if you do a hard case luggage, where we are now fully up and ramping in production as we came into the new year, late last year we were already doing zero series. We had all the staff. We had all the equipment in there but really more doing first production runs and job ones with all those costs associated with before you ramp up fully. You are right, the combination of both those factors that played.

Daniel Schmidt: That will gradually fade and improve, that is basically what you said.

Magnus Welander: Exactly, yes.

Daniel Schmidt: Good. Then finally jumping on to Americas and given your outlook that you had on Packs, Bags & Luggage and a couple more models coming out in 2019, quite confident that Americas is now finally turning a corner. Having said that could you give us just some base guidance on the pruning you did, SEK 16 million in the quarter? You said SEK 6 million being in connection with the Q3. Will the rest be in Q1?

Magnus Welander: Yes, the majority is in Q1 but there is also in Q2 so what we have said is that it is all going to be done in the first-half. By the first-half all of those old businesses are out. The reason we cannot say it is all in one quarter is you never know if you get some orders in April still slipping in. We did have some of those sales in Q2 last year so it will be in Q1 and Q2 we will see it.

Daniel Schmidt: Alright and then finally could you say anything about the sales numbers that you have been generating on the Sleek or the stroller segment for that matter for entire year 2018?

Magnus Welander: We will not communicate on any specific stroller because we do not communicate on any specific product of any type but clearly if you look at the 22% growth of the Active with Kids category the fastest-growing component in percentage in that one was strollers.

Daniel Schmidt: Is it fair to believe that it is a bit north of SEK 100 million?

Magnus Welander: I do not what you think is fair to believe but we will communicate more about our stroller category at a later date.

Daniel Schmidt: Alright, thank you Magnus.

Magnus Welander: Thank you.

Peter Reilly (Jefferies): Good morning gentlemen. If I can start please on product launches for 2019. You have talked about more products coming, two more luggage ranges and some more stroller products as well. Is this evolutionary or revolutionary? Last year you obviously had a lot of very important launches. I want to understand what the momentum is. Whether this year is more filling out gaps in the portfolio or whether you have actually got some major launches coming, particularly in luggage where two ranges in one year I think is the most you have ever done. That is my first question please.

Magnus Welander: Morning Peter. Yes, you are right actually. Revolutionary may be calling it too much but significant in the sense that we are not just tweaking existing products is clearly the case in those two luggage collections. We are coming with hard case luggage which we have never had, which is of course significant, the Thule Revolve, as of Q1. Then we are coming with a full luggage collection, an additional one, in Q3 which will actually will be, out of all the luggage collections, the one where we have the most models and versions of it. I would definitely say that those are significant launches, clearly just more than just tweaking something.

If you look at the strollers for 2019 it is more of a tweaking because we have the Thule Urban Glide 2 which the second generation was launched in January and the Thule Sleek that came then in the autumn. On the Thule Sleek we are doing a more expensive model, a fully dipped in black which is very trendy. It is a black-on-black edition which will cost €100 more but that is just more of a tweaking of the existing of the Thule Sleek to keep that interesting momentum going in it.

If you look at the Sport & Cargo Carriers I still would consider that the premium end roof box, the Thule Vector, coming in Q3 is definitely a significant one. We are raising the price as it is almost €500 on average. It is a completely new technology in it and it is really redefining the roof box space. If you look at the other parts there we have started the rollout of the roof racks so it is still revolutionary because we are doing phase II and III but it is more models of a conceptual thing that we started rolling out in Q4.

If you look at bike carriers I would say bike carriers this year we are doing a lot of smart little stuff on our bike carriers but I would not say there is a significant new product within the bike carriers. That is more editions, tweaks, models and versions, so to speak. If that gives you an idea?

Peter Reilly: Yes, that helps and if you look at Active with Kids in particular you grew 22% last year which is obviously a very rapid pace of growth but much slower than the 40% in 2017. I guess you are a victim of the base effect. As the business gets bigger the percentage numbers get harder to achieve but in 2019 you have got the Sleek for a full year. Obviously you had I would guess fairly limited sales in 2018 plus you have obviously built up quite a lot of inventory going into 2019. Can Active with Kids grow at a similar rate in 2019 that it grew in 2018 or does the law of large numbers mean that the sequential of the growth rate goes down?

Magnus Welander: I think there is always the law of great numbers but at the same time you are right. We are comparing what would be four months of one product now 12 months of the same product in strollers. Plus that we clearly expect that the Thule Urban Glide will continue to grow very nicely as it did all throughout 2018. Plus that we actually will see continued growth in our multisport trailers and child bike seats. Those two we do not expect to see nearly the same potential growth but strollers in itself due to the broadening of both the number of retailers selling our strollers and having a full year of the Thule Sleek means that ambition levels are very high. I am not committing to a number though but clearly we have high ambition levels for growth numbers in Active with Kids also in 2019.

Peter Reilly: If I could move on to the mix for fiscal 2019, you will have completed the legacy fade out by certainly early in the second quarter. The new products you are launching you have said previously have got higher gross margins. I think there is a slight change in tone here because you had said previously that product development costs would fall as a percentage of sales and now I think you are saying they are going to be stable I guess because you see lots of growth opportunities. Am I right in thinking that net you should have a positive mix issue in 2019? It should be possible to make a step towards your 20% margin target.

Magnus Welander: Yes, you are right. There is some positive product mix exposure that we clearly are hoping and expecting to get if we get the growth in those categories we are targeting. You are right, I am holding a slightly higher product development. We are looking at some exciting other new things that we might be talking about in the future that we are spending some money on as well, aside from all the things we are doing. We are keeping that momentum because we see some long-term growth opportunities. If you look at it in a total mix setup I still hold true to what I said back in 2017 at the Capital Markets Day in the autumn that 2018 and 2019 are not the years where the major steps should happen because we are spending a lot of money. We are running three parallel stroller development projects and three parallel luggage development projects. Although strollers is growing fast and luggage is growing it is still quite small in our total share of sales. Totally it is not just the product development. It is also the staff we take in, in the sales and marketing aspects and the type of fairs we go to. There is some positive expectation but generally the bigger lift is still, as we said already before, in 2020 and beyond when we start to see bigger volumes of high margin strollers and luggage.

Peter Reilly: Then lastly on merchandising costs you have indicated previously that you were taking some expenses because you are helping some of these new stores build Thule stores in stores. Was that ongoing in the fourth quarter and into next year? How is that whole process going? It sounds like you are being a bit more successful than you had anticipated in terms of winning new accounts with some of these large department stores. I do not imagine it is inexpensive kitting out a mini store in Le Bon Marche.

Magnus Welander: No, you are right. What we are doing there is we had it specifically high for the stroller category in Q3, as we noted, because we have got a lot of, especially in Central Europe, some very major stroller retailers committing to large shop in shop stuff. That was slightly lower than in the Q4 because it was smaller stores and more of a continuous level. At the same time, you are absolutely right, we have been successful which we think is crucial when we now broaden our luggage assortment knowing that we will then get the hard cases and a third collection into these places as well. We are clearly approaching the business from we want to win in the long-term and not run our business on a quarterly basis. If we see the right opportunities, trust me when I say it is not all of them that are right. We say no to a lot of our proposals from our local sales management. However, if we see them as the right ones for a longer period we will prefer to make sure that we get in those right listings at the right place and support. It will be continuous. It was specifically high in Q3 for strollers but there is a continuous support for retail going on.

Peter Reilly: Thank you very much.

Magnus Welander: Thank you.

Gustav Sandström (SEB): Good morning guys. I have a few follow-ups on the stroller segment if I may. First, is it fair to assume that you might launch additional conventional strollers in 2019, aside from Sleek and aside from those alternations and Sleek you mentioned earlier?

Magnus Welander: We will not start selling in stores but we will present to retail at the big fairs a new model that will come in stores in 2020 in the beginning of the year. No additional completely new strollers hitting the market in 2019 but definitely in 2020.

Gustav Sandström: That additional target is it targeting a similar size of the market as Sleek or is that more of a niche product would you say, without saying too much?

Magnus Welander: If you look at it from a global business the next model will actually be attacking one of the biggest categories on a global basis.

Gustav Sandström: Exciting. Looking at your ambitions and budgets for Sleek in 2019 I would assume it targets a bigger market than the multisport channel although you are quite dominant in that category. Is that an internal ambition of yours to reach or even go beyond the number of units sold for multisport for Sleek this year?

Magnus Welander: No, it is not. I can tell you we have a fantastic position in child bike trailers as by far the biggest and best in the world. It is actually a very rapidly-growing category as such which we are taking share in. The category is growing, we are taking share in it and we are the biggest player. I think there is from that perspective where we start we will continue to be doing several more bike trailers than strollers even in 2019.

Gustav Sandström: Right. Looking at the Glide series I would assume you are selling somewhere around 30,000 or 40,000 units per year on my estimate. Is that a better proxy of where you are looking to land Thule Sleek this year?

Magnus Welander: You are doing some good guesses on what the Thule Urban Glide 2 is but I am not committing to any number on the Thule Sleek. It is clearly a case that I have mentioned a few times. The most successful stroller brands in the world historically over the last ten years have started to sell significant volumes of new models not even in year one or two but mostly year three and four. We are realistic in saying I do not think we will change the world differently from how other people have been successful so this is still in the first year. From a calendar basis we are in month five of Thule Sleek. Really Thule Sleek's bigger volumes should be coming from month 24 and beyond so it is not 2019 that is the big volume pick-up year. By default in comparable basis with 2018 it will because we did not sell a single one in January 2018 and now we are going to sell them in January 2019. From a comparable basis like that. However, if you look at the category perspective and when it should be really hitting its big volumes we are actually more into 2020. Mid-year is when the real volumes should be happening for Thule Sleek.

Gustav Sandström: Okay, thank you. A follow-up on Daniel's question regarding raw material costs. I noticed that you mentioned that you will have a support to margins if raw material prices are where you would expect them to be. Would you confirm that those expectations are prices that are above current spot prices?

Magnus Welander: Actually it is a little bit different by category. If you would look at it there are differences between various things. Some things move very quickly on spot prices, some things you have to follow the spot prices. In aluminium you do hedge and we do hedge. We hedge actually in the good times and the bad times, which is a little bit like currency hedging. Either you hedge or you do not and you cannot say now it looks good so I am going to hedge and now it looks bad so I do not hedge because then the whole concept of hedging goes away. Clearly we are going to sit with a slightly higher than maybe a spot price aluminium if the spot price has, as it has been for a while, going in the right direction, because we hedged. Therefore if you look at it our market expectation is not super-positive in materials but it is not very negative either in general.

Gustav Sandström: Okay, so flat then.

Magnus Welander: Yes, but between different products. That is what I am saying, different between different materials. However, if you overall look at the bigger picture relatively flat.

Gustav Sandström: Okay. Lastly, maybe I missed it, on capital expenditure 2019 is it fair to assume that they are not going to be about 2018 levels? Did you write this in the report?

Magnus Welander: We did not comment on an exact CAPEX expectation. We have previously indicated that every year, we are roughly in percentage of sales around 2.5%, and we believe that if you look at it, we are going to be that realm, those types of numbers also in 2019.

Peter Reilly: Great. Thank you for taking my questions.

Magnus Welander: Thank you.

Operator: The next question today comes from [inaudible] from Nordea. Please go ahead.

Stellan Hellström (Nordea): Hi, this is Stellan Hellström from Nordea. First, I would like to ask about these maintained standing on product development year over year. Is this only because you are seeing new growth opportunities in the future, or you are also maybe including other launch costs in this that might be continuing at a high level?

Magnus Welander: No, there is nothing else than pure product development cost, there is no launching cost estimations in that. So the logic is this, if you look at it, we are tracked into our plans in terms of when we are delivering the projects and products. We have looked at our ambition level, so how many major projects we could take on, and our Head of Product Development based out of Hillerstorp is doing a fantastic job in creating his structure of the team. We have been capable of finding some of those right people that we wanted a bit earlier than we thought, and that enables us to go more aggressive on some new ideas we have. With the success rate we have had, we decided to keep that momentum going a little bit more aggressive than we thought we would.

Stellan Hellström: All right. With those costs [inaudible] sales then, I think you [inaudible] highlighted a few other areas where you see potential for margin improvement. You mentioned mix, you mentioned raw material and price, and you mentioned, potential for improved efficiency. Which of those do you expect to contribute most in 2019?

Magnus Welander: The most difficult one is of course raw material, because that is surely a little bit sometimes, out of your hands, what happens in a market place, so very difficult to speculate in. I had high expectations on my own team's ability in our factories, to really get the efficiency part, right. We have taken some very correct decisions, changed layouts in factories, invested in automisation, done big investments in general. Now, there is a lot resting on their shoulders, to deliver all of those expectations of efficiency gains, therefore. That is a key part.

In terms of the mix effect, it is going to be a contributor of us delivering to what we had expected. If the luggage growth is as we expect, if the strong growth is as we expect, with high margins, that should definitely help versus a shrinking legacy, a wee business at low margins. That should definitely be a relatively straightforward if you call it like that.

In terms of price, price is always also a little bit in this price mix, it depends on where you are successful, and who you are successful with. This is not something an analyst wants to hear, but it is not as straightforward as you raising the prices with people. That does not automatically mean that you will get that full, true, average effect, because you might grow with a certain distributor in a country much more, than in another direct market, where your margins therefore, from a pure customer mix, might not help you.

Still, the right thing for the business, for example, we had a very nice performance in the ending part of the year with our Asian packs, bags and luggage business, but it is a distribution-based business, which, versus selling packs, bags and luggage in some of the mature Western European countries where we go direct to retail, it will hurt our average margin. It is still fantastic, because it shows that we can sell those type of bags in Asia, but it will actually hurt our average gross margin. A little bit of these things are not as straightforward as just saying us doing price increases will naturally mean that the average margin goes up.

Stellan Hellström: All right. I wondered if you maybe can comment if you see repeat orders already coming in as expected in Sleek?

Magnus Welander: Absolutely. Clearly, we have repeat orders from those countries where we rolled it out quickly. We have some very positive feedback on those markets where we have got it early in the retail. We are still very positive about the expectations of a successful rollout of Sleek both this year, and more importantly for the coming years. The only reason I am trying to sometimes calm Gustaf down in his expectations and not telling him exactly how many strollers I will sell, is that we truly have looked at the history. Stroller is one of those categories where it is a word of mouth, you need to have seen your friends at a café using it, or your older sister having it, before it becomes a mass product. Therefore, it is in countries now where we have started to see people seeing it on the streets, that is where we are getting the repeat orders, and that needs to build up. Very positive thing also, but it takes longer than maybe you expect in that specific category to get the big volume.

Stellan Hellström: Right, very well. Also a question on RVs and what… I mean, I guess you have some visibility here in – I do not know how your order books look, but if there is something you see already for Q1.

Magnus Welander: I think in general, when we did the Q3 report, we mentioned that we thought we would see a clear cool down in Q4 and Q1. Actually, we do not see as much cool down. We see some cool down, but not as much as we thought, which therefore – because we still believe there is a little bit too many vehicles out there, so there is still a pipeline adjustment needed – means that overall, we have not changed our view for the overall 2019, but we think that maybe not cooling enough down, in Q1 means that they will cool down a little bit more in the later quarters. Overall, for the year, a low positive expectation with actually a surprisingly strong Q1.

Stellan Hellström: Good. Now, finally, just wondered maybe if you could – if there was any effect of – you had a bit of weaker sales [inaudible] I remember in Q3, because of the new product launch. Is that, to any extent, a reverse of those effects in Q4, maybe a little bit of inventory building?

Magnus Welander: Yeah, what is happening is that, in Q3, we launched it in Europe. Then in Q4, we saw, or we actually hit stores in Q4 in Europe, which meant that retails had reduced some of their purchases in Q3. We saw that pick up in those countries in Q4.

At the same time, we are launching it now as of Q1, in Region Americas, which meant we saw a little bit of their cooler orders in Q4 now will be coming in at better orders in Q1.

Then we are doing the same with the phase two. In Europe, where we see a little bit of cooling down – so there is a little bit in and out, but generally, on the products, we saw a limited order intake in Q3, refreshed for the European market, we saw a pickup in Q4.

Stellan Hellström: Alright, good. Thank you.

Magnus Welander: Thank you.

Operator: The next question today, comes from Peter Testa from One Investment. Please go ahead.

Peter Testa (One Investment): Yes, just a couple of questions, please. One is on Sport & Cargo with the new products coming through in the launch space. I was wondering if you can give some sort of comment on how that may have helped you on building that distribution space[?] especially in North America?

The second was on packs and bags, you said the legacy business declined double-digits and you expect it to growth overall. I was wondering if you can give some sort of sense as to how this is driven by the new luggage sell through or sell in, primarily, I think you mentioned Q2 and beyond. Thank you.

Magnus Welander: Yes, thank you, Peter. The first question, we have a fantastic distribution in Region Americas historically in Sport & Cargo Carriers. So new products really does not generate for that category any new additional listings. We are there with any retailer that is anything in this category, because we are the undisputed market leader everywhere in the world. When it comes to Sport & Cargo Carriers and new products, it is not generating generally anywhere any significant new listings, it is more making sure that we take a greater share of the sales when people come to those stores and potentially lift it and we drive more total sales as the market leader.

If you take the second question on packs, bags and luggage, you are right. As I said, today then, if you have 34% in legacy and OE, which I unfortunately believe with the hindsight on having seen it also in 2018 that we will continue to have a double-digit decline, there is a few combinations within packs, bags and luggage, which still makes me feel very confident that we will grow the category as a total. It is partly the fact that those luggage collections, one hitting stores in Q1, our first hard case luggage collection made in our Polish factory, which we call Thule Revolve. That one will help throughout the year. Then we have the additional two luggage collections coming in the autumn. They will, of course, only help towards the end of the year.

However, there is also a very big category actually, currently, clearly much bigger than luggage, which is what we call these everyday backpacks; the backpack you have going back to campus or actually going [inaudible] that you go and used for work. We are seeing a constant growth in those products and that will be more across the full-year where we have launched a number of new products and getting good listings.

Then thirdly, with what we then call sport and technical packs, we see a stronger and stronger listing. We had a fantastic success with our bike hydration packs last year. We have added two new models that are hitting in the spring. We have broadened our assortment of hiking backpacks with more models, and that is also more throughout the full-year. So there is a combination of things that are happening throughout the year but within specifically luggage, more of a boost of course then with those additional collections come in the second half.

Peter Testa: Right. A third question please just on any particular comment on how you have seen retailer behaviour changing either in North America or Europe, and willingness to take in products in the more traditional sectors for the cargo and RV?

Magnus Welander: I think generally, if you look at it, I would call the RV sector is not a classical retailer. It is more about a dealership where you have a full vehicle, so it is slightly different.

However, if you take this Sport & Cargo Carrier side, what is happening is that, in the US specifically, I think retailers are, despite having large physical stores and a lot of physical space to store things, they are realising that that is not a wise use of their cash. I do not think it has ended, so to speak, the reduction of in-store products, because it is not warehouses, it is fitting in their stores.

We are expecting, for 2019, that they will continue – the most professional ones at least – to actually reduce their in-store inventory holdings a little bit, so selling out more than we sell in necessarily, which has been the case in 2018, which we think is only great because they will have a greater chance of surviving if they run their business a little bit smarter, a bit leaner. In Europe, that has, in many cases, already been done better, so we see less of that shift in Europe. If you look at both regions, you see, of course, a continuous movement into online. In the online reality, it is very much a constant balancing also for those players on, do we, as a brand, do the drop shift for them, what do they keep in-store, how do you do that total business model with them. That is, of course, something we work all the time with those retail partners as well.

I do not see any step changes. It is an evolving landscape where clearly the US retail sector is a few years behind, still the European retail sector getting more efficient in how much they have on stock and why.

Peter Testa: Okay. Then in your area of rolling out sales-supporting tools and rolling retail partner programmes, can you just talk a bit about how you on the other side are handling, therefore, an increased need for replenishment cycles and other services to be able to allow this behaviour to also give you a chance to build market share?

Magnus Welander: The most important thing we did was already ten years ago. We decided that we sucked up to the reality, so to speak, in saying retailers will not want to get a full truck load of something when we want to send it from a factory anymore. They will want to get, pick and pack, and they want to order it online the night before and have it the next morning because they do not want to deal with all of those planning and forecasting of inventory.

We started really, ten years ago working in a completely different way, changing all our distribution centres, changing all our forecasting and planning tools and using the category where we were down[?] as [inaudible] market leaders according[?] to our carriers as a category cast-and-see[?] approach of teaching ourselves how to be a retailer. Not that we wanted to be one, to be honest, but we wanted to understand what they went through so we could service them better.

We have proven that within Sport & Cargo Carriers, it is fantastic products that drive the growth but it has also been a fantastic service to retailers making their life easier that has helped it. What we are trying to do, and it is, of course, more difficult when you are a newcomer in various categories, but we are trying to use the same skill sets, the same type of distribution setup and competences to service the other categories in a similar way.

Peter Testa: Okay. Thank you very much.

Magnus Welander: Thank you.

Operator: The next question on the line is from Charles Mortimer from Citigroup. Please go ahead.

Charles Mortimer (Citigroup): Hi, good morning, thanks for taking my question. Just wondering on the recreational vehicles, you said that based on your analysis that there are too many vehicles out there, I was wondering what the extent of that oversupply and where that analysis comes from. You said a surprisingly strong Q1, but maybe later in the year, things will be a bit softer.

Magnus Welander: Yeah. If you look at it, there is a lot of statistics on our views[?]. It is actually, out of all our categories, by far, the most statistically-analysed category, there is a lot of data from the European camping and caravans associations, there is a lot of registration statistics. It is relatively easy to use publicly-available data to see that if you look at the number of vehicles made versus the number of vehicles registered, there are some very clear trends over years that you can watch.

Then, of course, since we are interested in how the market is doing, and we sell to all the various manufacturers and we work with all the major dealerships, we do the simple thing: we look at when we are missing things, and think, oh jeez, there is a lot of things standing on the lot. There is a combination of pure[?] spot watching and a lot of statistics that are readily available in this category.

If you look at that combination, it is no surprise – we are not the only ones saying this, I think everybody in the industry is saying – there is a little bit of a pipeline build-up. That is not debated. What is more debated is how big it is and what it potentially will entail for the manufacturers and how much they reduce.

We were already two years ago, probably one of the more, let's say, outspoken about that there was too many vehicles out there. We have expected this for quite some time and we expected that Q4 and Q1 should be clearly lower. They are not as hot as it was in the beginning of 2018 and the whole of 2017, but still it is very positive versus – more positive than we thought. Then with a slightly cynical approach from our side, saying, yes, but they still need to compensate. There are fantastic sales going on to consumers still. It is more about, yeah, there is a pipeline adjustment, it is not coming as much as we thought in Q1. Probably, there will come a little bit of that slipping in Q2 and 3 is our expectation.

Charles Mortimer: Okay, thanks, understood. Just on the acquisition side, what are the hurdles or criteria that you look for in these acquisitions? Is it niche products that are complementary and bolt-on in size and is that what we should expect in the next year or two?

Magnus Welander: In general, we have said the same since we became stock-listed. We repeated at the capital markets day, we said we are, first and foremost, an organic growth company. That is what we focus on. If we find a company, small or big, by the way, that fits what's something we would otherwise wanted to have done ourselves organically, but where buying and acquiring that entity would mean that we can do it more successfully or faster, then we will definitely look at it. We have looked at bigger companies. We have looked at smaller companies. However, we are going to be very true to two things: it has to strategically fit what we are doing, we are not going to go out and buy companies just because we sit on cash; and secondly, we need to be convinced that we can run it more efficiently and get something out of it.

There is a third threshold as always. People have some quite weird expectations sometimes how much their companies are worth. We are not going to throw money after it, just to do acquisitions. That is why we are not telling anybody what they should expect in M&A because we do not know ourselves where we will end up in that, and that is why M&A should be more seen as a cream on top, than part of the basic kit.

Charles Mortimer: Understood. Thanks. Finally on the net debt to EBITDA, the 1.5 to 2.5, you are still comfortable with that range? Clearly, you are close to the bottom bit now. There is no change or wanting to go below that number?

Magnus Welander: Generally, you can say out of that financial target, we have been very honest with that also from day one, it is the one we are least focused on in terms of saying is it terrible if it is 1.4? Will it change strategically what we do? No. I think we are comfortable with the range. It is clear that we are at the lower end of it. We understand that. However, it is nothing that dramatically changes what we do.

Speaker: Okay, cool. Loud and clear. Thank you very much.

Magnus Welander: Thanks.

Operator: Next on the line, we have Fredrik Moregård from Pareto Securities. Please go ahead.

Fredrik Moregård (Pareto Securities): Hello, Magnus and Lennart. I guess we are running a bit on borrowed time, so I will be very brief with just two short questions. You gave the 34% figure on the Legacy portfolio for the Group as a whole. I was wondering if you could tell us something about how that is split across the respective regions?

Magnus Welander: You can say very clearly that you have a greater exposure to Region Americas within packs, bags and luggage in general as you see on the percentile numbers we give. It is also therefore by default a much more impactful part of packs, bags and luggage, Legacy part, which actually happens to be even slightly greater in region Americas as a share of the regional sales of packs, bags and luggage.

Fredrik Moregård: Okay, just slightly [inaudible] Region Americas.

Magnus Welander: Yes.

Fredrik Moregård: The second one on the gross margin and the underutilisation you talked about that had a negative effect. Should we expect that to continue going into Q1 here?

Magnus Welander: Yes, you should, as I have said, you are going to see the positive gains if my team delivers as I am expecting them to do in all these factories. The expectation is really as of the second half, you are seeing the majority of those effects coming on. Because if you take as a simple example, the roof rack factory in Sweden which is very well run, but at the moment we are doing some old products, some new products ramping up some things. We are facing down others, it is not as sufficiently set up as it will be by the end of the year when we are running all the products in all the modern lines only. It is a similar situation if you take the roof box plant in Germany where we are fully up and running with the new technology when we launch the third, the Thule Vector premium boxes in Q3. If you look at the Americas plants, we are currently doing the new fabrication plant next door which is going to be finalised in Q2, so you are going to see the positive effects mostly from Q3 and onwards.

Fredrik Moregård: Okay, thank you very much. That is all.

Magnus Welander: Thank you.

Operator: We now have a follow-up question from Daniel Schmidt from Danske Bank. Please go ahead.

Daniel Schmidt (Danske Bank): Yeah, sorry for taking up the time here. Just wanted to ask you, Magnus, you said before that you are investing in areas that you have not disclosed. When do you think that you are ready to give more information on that?

Magnus Welander: We will definitely invite into a Capital Markets Day when it is time to talk about bigger things and the smaller things which we do a lot of, we will let you know in various quarterly calls as we are telling the retail community out there.

Daniel Schmidt: All right. Then just final one on the acquisition. Can you say anything about the start of the Oaklin[?] acquisition now? I just saw that you downgraded the 2018 numbers versus what you said there before Christmas.

Magnus Welander: Yes. Correct. As you know, and we mentioned that, just before Christmas in the US, it can be very tricky to get large volume shipments. This year was more difficult than most years considering everybody wanted to bring in things from China without tariffs, or with lower tariffs. Then strangely enough, Donald Trump changed it, so it became the same tariffs anyway. That actually made some of these orders that were shipped from the stock supplier to TUI[?] slip into this – the first quarter which, of course, has some slight positive impact on Q1.

We feel very good. The market has taken the acquisition very well and it has been seen, if you look in media, it is a very natural fit and a very logical fit. All the retail customers are saying the same. The TUI fans out there are very positive as well so we feel very good and the little bit of slippage will help us in Q1.

Daniel Schmidt: Thank you.

Magnus Welander: Thank you.

Operator: We also have follow-up question from Peter Reilly from Jefferies. Please go ahead.

Peter Reilly (Jefferies): Thank you for taking my follow-up. I just want to come back to PBL a bit, and in Americas. You have been given previously the size of the growth category, so luggage and packs and so forth. I am assuming luggage is big enough, but still pretty small part of the whole mix, but also, if I understood your comments correctly, it is not like the Sleek where it takes two years to get the peer reviews and referrals and so forth. Is it fair to say luggage is still a pretty small category in 2018, but you should have a much, much better year in 2019?

Related to that, where are we with Case Logic? You hardly mentioned it at all. Is that business now stabilised and on a better path, or do you still have some challenges there?

Magnus Welander: Yeah, the first one, you are absolutely right, Peter. We expect big things from luggage this year, clearly. It was very small in 2018 because it was one collection only, but we expect big things this year adding our hard-side[?] collection, continuing to grow with the previous collection and adding two more collections. Your statement is fully correct, small in 2018, definitely, it is more everyday backpacks, everyday laptop bags and our hiking packs and other things that were bigger. Now, expectations are big for 2019 with more immediate impact with those luggage collections coming in.

If you take the second question about Case Logic, Case Logic is the brand that was exposed to Legacy and OE. I would not say it is the brand so much if you look at the Legacy products, but the fact is, where Case Logic is still doing well, is in more everyday backpacks. If you take university students in Amsterdam, actually Case Logic in Holland was the bestselling backpack for university students.

There are growth subsets also for the Case Logic brand which is at a lower price point than the brand. However, because of the Case Logic brand's exposure to some dying categories, that overall share of sales for Case Logic dropped in 2018, 1 percentage point down versus what it was in 2017. The brand name itself is still doing well in backpacks and simpler laptop bags, but really struggling due to exposure to the legacy.

Peter Reilly: It sounds like you are much happier with having that brand inside your portfolio than you were maybe one or two years ago?

Magnus Welander: I am because it – I mean, it drains on you when you are rapidly declining in something, and if that rapid decline is because the market is declining, it does not make it more fun, but it makes it more realistic what you can do with the brand. We have seen some very good successes in coming out with some back-to-campus packs and some other price point bags which are clearly lower than the Thule backpacks with Case Logic and I think in that category, we feel that Case Logic can still be a very useful brand for us so that we can offer a broader price assortment, also at price points that we are not going to bring Thule to.

Peter Reilly: Thank you very much.

Magnus Welander: Thank you.

Operator: We have no additional questions, so I will hand back to you now, Magnus.

Magnus Welander: Thank you. Exciting times. I never had so many questions. That said, it feels very good. I will leave you now and wish you a great few months here, and look forward to hearing you, and talking to you and having many questions then after our Q1 call as well. Thank you very much.

[END OF TRANSCRIPT]