



# Thule Group Year-End Report 2017

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## Performance Update

Magnus Welander

*CEO, Thule Group*

### **Q4 2017 – Continued Good Performance in Smallest Quarter of the Year**

Good morning everybody, and welcome to our year-end report for 2017. It is a report I am very happy to give as we conclude a fantastic year. If we go to the first page we can look at a summary of the smallest quarter for the year, in Q4 of 2017. Good to see is that we continued a good performance in the business also in this smaller quarter. We grew our net sales to SEK1,006 million, and that meant that we had a 6.5% currency-adjusted growth. That is nice to see. We also had a positive continuous development of our EBIT. We delivered SEK65 million; that meant that we also partially had a small improvement on our underlying EBIT margin, as this quarter is the quarter where we every year spend a lot of money in product development efforts, versus a relatively small revenue quarter.

Net income for the business was SEK40 million, and Lennart will come back to that when we talk about some of the things that have happened during the quarter, but overall, a strong cash flow in the quarter and also as the Board has proposed an ordinary dividend of SEK6 per share, versus the SEK3.40 last year. I can take that point directly since it is here on the first page. I think a key message to be delivered in how to interpret the proposal of the significant raise of the ordinary dividend is simply that we as management are very convinced of the company's ability this year and in the coming years to deliver a very strong operational cash flow.

Considering that and considering our strong financial position, where we feel comfortable with the ability with our current leverage target, to also, if needed for a bigger acquisition, borrow money for that, we know that we can drive the business and do the necessary investment, on top of that doing smaller M&A should they arise, and still be a strong dividend-yielding company, so this is a directional push on higher dividends as ordinary dividends going forward.

### **Best Year Ever**

If we then look at what the last quarter delivered for the full year, it is as I said a fantastic year. If we look at the results, we grew our top line with 9.5%. That includes a little bit of the acquisition growth as we acquired the Yepp company in mid-2016. So pure organic constant currency growth was 8.8%. There is still a 10.7% reported top line growth and a 13.3% constant currency EBIT growth. That meant that we picked up to 18.2, so 0.6% EBIT margin improvement, so 18.2% EBIT margin, which brings us in a good direction towards our long-term goal of 20.

I am especially happy to note and comment that we are achieving this while we are in a very aggressive investment period in terms of product development effort for future growth so it feels very strong as a platform to build on of that margin that we delivered.

### **Q4 Key Events**

#### *Continued growth in Americas*

Looking then on some of the key events that happened in last quarter, I think important to note is that although the growth in region Americas was lower than it has been in the strongly performing region, Europe and Rest of World, we have had the fourth quarter in a row with growth in region America, and that is of course important looking going forward that we continue to see region Americas contributing to the top line growth of the Company.

#### *Europe and Rest of World*

Region Europe and Rest of World delivered a very strong growth also in Q4, leaving the region with a 12.7% constant currency growth over the year. Extremely strong in Europe and rest of world.

### *Product development*

I have already mentioned the fact, as presented also on the Capital Markets Day in September last year, that we are in the most intensive period ever in the company in terms of product development push, and the reason for that, as communicated in previous presentations and the capital markets day is that, on top of the growth that we are driving in our traditional categories – Sport and Cargo carriers and RV products, where we always will spend a lot of money on delivering exciting new products to market – we are currently spending a lot of money on several parallel development projects in the new categories, specifically targeting Strollers and Luggage. As those two categories, Strollers and Luggage, are relatively turnover-wise small at the moment, that means that there is an essential push that is significant, and as those categories will grow in 2019 and 2020, I am confident that we will go back.

### *New Polish plant*

Then what we also have done is that our new Polish plant, which you saw on one of the images on slide 4 in the presentation was opened in October last year. And we are ramping up as we speak in the Polish plant. That plant now will be then both doing some of the traditional Sport and Cargo carrier products – so a number of bike carriers are being assembled there already – but we have also moved into assembling some of our juvenile products, so things like child bike seats, and it will be the assembly plant for our new stroller that is hitting the market in the autumn of 2018.

### *Final tax settlement*

Another positive thing to note is that we finally reached a settlement in the court with the German tax authorities for two audits that were carried out in previous years. This has been something that has been on our books already since the prospectus ahead of our IPO, and it has been in every annual report. Therefore it is very positive to know that finally there has been a conclusion and final closing of that, and what it was very positive to note is also that from an original request of more than €27 million, the settlement in the end was €3 million.

Considering that we had already accrued for a €7 million it means we have a positive outcome for our result thanks to the closing of that tax.

### *US tax reform*

We have already also sent out a press release in regard to what the effects of our company was on US tax reform, and we have noted a negative impact of US\$13.4 million. This is the write down of our deferred tax assets, and as Lennart will come back to, it does have long term small positive effect on our tax situation.

## **Full Year Sales by Region**

### *Europe and ROW*

Once again, summarising and looking at the sales by region, you can see that region Europe and ROW has delivered a very strong year, and we have felt that we have seen a strong performance, actually, across all the countries, both the mature markets like Central Europe, Germany, and Benelux, Nordics and the UK, but also in some of the emerging markets where we have very strong performance in Eastern Europe and also in some South East Asia and countries like South Africa.

### *Americas*

In region Americas, we grew for the fourth quarter in a row as I mentioned, and for the full year our growth has been 3.4% currency adjusted, and that means a solid performance, although not at the level of Europe and ROW. We are also there growing actually in all the sub-regions. So we have seen growth in Latin America as well as US and Canada. So on a US trend, although not as strong as for Europe and ROW.

## **Sales Development by Product Category**

### *Sport & Cargo Carriers*

If we then look at the page where you can see our product categories with how they are doing in the various regions, you can see that we continue to deliver a very strong performance in Sport and Cargo Carriers. So in Sport and Cargo Carriers, which is still two thirds of our business, it was 65% actually, in 2017, we have a similar size of this business in both regions, so around two thirds both in Europe and ROW, and in region Americas.

As you can see we grew 6.4%, and with a global market-leading position it is us driving the entire category's growth. I am therefore very happy to see how strong we are performing. The 4% growth in the region Americas was met despite the fact that we do have a small business with some accessories to pickup trucks that we have decided from a strategic point of view to not focus on as it is lower-margin business and where we have seen some decline; so overall, very strong.

### *RV products*

In RV Products we have a big business in Europe and a very small business in region Americas and we have seen a very strong growth where we are beating the market growth and that's very nice to see.

### *Active with Kids*

In juvenile Active with Kids products, we have seen a very strong growth in both regions.

### *Packs, Bags and Luggage*

The sole underperforming category is Packs, Bags and Luggage, where we despite growth of some of the new luggage and sport packs have not been able to compensate for some of the legacy and OE decline. What is good to note though is that the decline is significantly smaller than it has been in the previous years, and I see a light at the end of the tunnel.

## **Sport and Cargo Carriers**

If we look a little bit deeper into Sport and Cargo Carriers and also look a bit forward on what we see to happen. Focus has been and will continue to be to grow our market leading position, and the way we are doing that is, yes, successful product launches. It is crucial in this type of business and we are definitely out-innovating our competition in this category, as we should as the undisputed global market leader.

It is also about a strong delivery performance. We have mentioned a number of times and I think all of you that follow retailers around the world know that retail is pushing brands to be taking a bigger responsibility on what can be done for them to have an efficient supply chain and them not having so many things in stock. That puts pressure on a company to deliver well. We are doing that in a very cost efficient and very efficient way.

Then on top of that you want to attract consumers to the stores and you want to make life easier both for onliners and physical stores in terms of an improved retail support, and we have during the year rolled out a number of improved tools for retail, both onliners and brick and mortar.

## **Key Product Launches**

We had some very big launches, some big products hitting in 2017 that helped the result and two that I have mentioned a few things in quarterly reports and are worth mentioning, was the award-winning Thule EasyFold XT – a fantastic tow bar-mounted bike carrier, one that I have myself, so I can strongly recommend it – and it is the Thule Motion XT, a modern roof box family with a design language but also with technical solutions that fit the modern.

Overall, a strong performance, and although it might seem boring, it is very simple to say what we will do in 2018. It is just more of the same. We will continue to push with some great new products hitting the market

this year. We are having a very big focus on our delivery performance and we are tweaking and helping retailers even more on how we can attract consumers to their stores, and how we can make it easier for their kid on the floor to sell our products.

### **Packs, Bags and Luggage**

If we take the next category, Packs, Bags and Luggage, the category where we did not grow in 2017 but where we definitely want to focus on and ensure we drive growth as a category in 2018 and beyond. You can really say that that category has four subsets: we have an old legacy business where there are CD wallets, camera bags, phone cases, other things which we are not focusing on as much going forward, and in that business we also group together some OE business, where we are a sub-supplier of making simple cases for, for example, medical devices. Similar to the way you bring your headsets with you in a little nice case, if you have a small medical device, a breathing apparatus or something like that, you will also bring that in a small case.

That business is not our focus and we will be focusing more on the EBIT contribution of those businesses, rather than volume growth, plus that we have a market for some of those categories that definitely is declining, so that will continue to decline and we then need to compensate that with the three other categories.

### **Product Launches**

In two of those, I have been very happy with the results in 2017. I am very happy with our successful launch with the Thule Subterra collection of luggage. It is only our first really serious step into luggage but there will be more to come, and it is of course important that your first step is successful so you do not stumble on step one, and we did have a very solid success around the world with Thule Subterra, which means we have a base to continue to build on.

I am also very happy with what we have done with sport and outdoor packs, where we are gaining fast growth and credibility, thanks to some successful launches of new tech packs and new sport transport cases.

### **Everyday Bags**

The product category or subcategory that I am least satisfied with in the entire group is the smaller everyday packs, so here we are talking about a small backpack that a university student goes back to campus with, or the business bag that you travel with back and forth to daily work.

Here we are doing well; we are growing, but not as much as we wanted, and not as much as we aspire to do going forwards, so this is a core category for us to drive more growth going forward. We do know it is very competitive but we think with what we are doing in terms of design and in terms of look and feel and in terms of brand credibility that we will be able to see better growth going forward.

### **RV Products**

If we look at the next category, RV Products, it is of course easier to have a category like RV Products where caravan and camper manufacturers are in a booming market than it is to sell CD wallets. So yes, we are helped by the market definitely here. And since we focus on the more premium-oriented European market, we look at really how is the market developing for RV products in Europe.

It has been a fantastic year. If you have been listening to manufacturers like Trigano or sub-suppliers to the industry like Domestic, you will have been hearing also on their quarterly reports over the year that it has been a fantastic strong year. Most people say that the market has grown somewhere between 14% to 15%, so let us say 15% market growth in Europe, and good to see then is that we are generating 27% growth, and that is of course by us not only then growing with the market, but actually taking significant market share. The way we are doing that is very similar to what we do with Sport and Cargo Carriers; we

simply have better products than competition, but on top of that we have been able to cope with a volume uplift and still been able to deliver to our customers. That is, of course, when you are growing 27%, you realise that that puts a lot of pressure on our organisation, so I have to say, a lot of kudos on our Belgian-based team on being able to cope with that fantastic growth and still have such a good delivery.

### **Americas**

We have a very, very small business in the region Americas. Historically the market there has been for much, much lower-end type of products where it is more difficult to make the necessary margins, but we have had some success on a very small base with some niche products, on what we hope will be slowly but surely a growing, more premium market, but it is Europe that is the focus.

If we look at it for 2018 and beyond, this is a market of course where there is, as we said, some cyclicity historically. We do not think that 2018 will be as strong as 20-18, but we feel very comfortable that the market is still positive going into 2018, so it might not be as hot as in 2017 but it is definitely not getting cold either. It is a market with good momentum and we are convinced that we will continue to out-innovate competition, and be able to also cope with those delivery demands that the growth puts. So looking forward to another strong year for RV Products.

### **Active with Kids**

When we look at then the last category, but definitely not the least if you look at opportunity going forward, Active with Kids, we did in 2017 have some fantastic product launches. We updated our Multisport bike trailer category, the Thule Chariot, and we launched new child bike seats with the Thule Yepp Next. Both those two products became really significant award winners, but not only award winners in winning the Oscars of product design like the iF Gold Award or the Red Dot Best of the Best, but really also becoming the winners among consumers. If you look at the ratings, the reviews, and the types of feedback we are getting on these products, it has been fantastic throughout the year, so a very strong, driven launch of products in these new things helps us to grow in those two subsets.

### **Strollers**

In the Strollers category, which is, long term, the biggest opportunity due to its size of market, we did not launch any new product in 2017. In fact we are launching two new products in 2018, but still we grew very well with the first-generation Thule stroller, Thule Urban Glide. The reason for that, a product that now has been in the market for three years, it has been gaining credibility and momentum as it has been getting great reviews around the world and we are getting more and more play.

### **Focus for 2018**

When we look at 2018, the big, big focus for us in this category is two big stroller launches. We now have an incredibly fresh portfolio in child bike trailers and the world's best portfolio in child bike seats, so we are sitting very nicely there when it comes to product, and there is a continued growth of those product categories driven by those products. Within strollers we are launching two new collections: a second generation updated Thule Urban Glide 2, which has already hit the markets some weeks ago; and our first four-wheel stroller, launched in the autumn of 2018.

So limited impact in terms of money this year, but of course a key opportunity going into 2019 and beyond on the platform that creates growth, so a very exciting year within strollers for us in 2018, to continue to broaden our base and drive future revenue.

With this, I will leave it to Lennart to go through some more details of the financials.

## Financial Update

Lennart Mauritzson  
*CFO, Thule Group*

### Reported Income Statement

Thank you very much Magnus. If we look at the income statement, I will mention some highlights. If you look at our gross margins year to date we ended at 41.2% versus prior year of 41.4%. decline is due to unfavourable currency development. Actually minus 0.3 points. Then we had negative raw materials prices that we have been able to compensate by positive product and customer mix combined with our normal price increases we are doing within Sport and Cargo Carriers.

If you look at our SG&A costs, you see that we have been able to maintain our administration expenses flat, and as you can see also there is a quite dramatic increase in our selling expenses which consist of both sales and marketing and product development, which is in line with what we have been communicating, that we are driving for a future sales growth. In line with what we have said, happy to see that we have kept the administration costs very flat.

The financial net was minus SEK40 million in the quarter, versus prior year minus 9, and year to date minus 52 versus minus 36. When it comes to borrowing costs, actually no big difference between the years. The only difference between the two years are that in 2017 we had a negative FX effect on revaluation of our FX accounts in the local entities, which is then a big driver for the difference between the years.

#### *Tax items*

As Magnus mentioned we have had two exceptional big tax items in the quarter. So the US tax reform, where the changed Federal tax rates caused a writedown on our deferred tax assets, affected us negatively SEK114 million. Going forward we anticipate that this of course should be good for us, because what used to be around 35% corporate tax in the US will now be around 25% for us, including some state taxes. However – and I can anticipate this question – we have a guidance of effective tax rate between 22% to 25% since we came public. We have been around 24% to 25% since then. We still believe we will be in that range 22% to 25%, hopefully slightly below where we are today, but we will wait and see for that.

Secondly, very happy that finally after more than five years of work, we settled the German tax case with a fantastic outcome, so compared to what we have accrued for in our books over the years, the €7 million, the settlement ended at €3 million. We had a positive income in this quarter of €4 million. If we exclude those two one-off items, the effective tax rate in 2017 was 24.4%.

### Operating Working Capital and Operational Cash Flow

If we then look at the operational working capital and operating cash flow, 2017, another year where we managed operating working capital very well in spite of increased sales, and extending into new product categories, we have maintained very good performance. End of this year, we ended with approximately SEK900 million tied up in working capital, which is 15% of the last 12 months of sales, versus 16.7% prior year, so good improvement in spite overall performance improvements in company.

A good working capital in combination with a good financial performance; ended the year with an operational cash flow of SEK988 million. Prior year was SEK929 million, which corresponds to a cash conversion of 87%. Our CAPEX this year ended at SEK144, which is 2.5% in relation to our sales, and the biggest single item was the building of our second assembly plant in Poland.

That is it. Back to you Magnus for the targets session.

## Performance vs. Financial Targets

Magnus Welander  
*CEO, Thule Group*

### Four Targets

Thank you, Lennart. If we look at the four targets as updated at the capital markets day last autumn, we kept the organic sales growth target of at least 5% every year in constant currency pure organic growth, excluding any M&A, and delivering 8.7% means that we are significantly overachieving on that one and of course that is a very positive thing to note in a strong year.

The second target which we raised at the capital markets day from the previous target when we entered 2017 was 17%, but we felt with the strong performance and our plans going forward that it was time to have a more ambitious long-term growth target there, so our underlying EBIT margin target was set to about 20%. We are now at 18.2%, so we are performing very well and on a good path going towards our long-term EBIT target. We also gave a new range for our leverage, 1.5 to 2.5 times EBITDA going forward.

Then finally we do have a dividend policy that at least 50% of the net income should be given out as ordinary dividends every year. With the proposal from the Board of SEK6 per share, that means we will then be at 87%, and as I mentioned before, this is related to the fact that management and the Board feel very comfortable with this company's ability to generate significant cash going forward; and considering leverage targets as we have combined with future growth aspirations, we feel that we will be able to drive the full agenda including M&A, also with larger ordinary dividends going forward.

### 2018 Outlook

Finally then, because I know you are all more keen on what we see coming forward than what we have done. So what is our view on looking forward? We are looking – which is very nice to be able to say – to the most exciting year ever in 2018. I have now been in this company for 12 years and I have been the CEO for almost nine, and I have been able to say that every year, and my strong ambition is that we will be doing that as long as I am here.

It is true. 2018 is a very exciting year. One thing that is key is that strategy has worked for us and when a strategy works you should not change it. There is no need to change something if it is not broken. That strategy is pretty simple: it is to drive the organic profitable sales growth via great products. To do that as mentioned a few times we are spending more money than ever to ensure that we truly deliver some fantastic great products, not only 2018, but also in the following years for 2019 and 2020.

Secondly, it is to continuously strengthen our fantastic Thule brand, which today is 79% of the Thule group's sale in 2017, and it has its fantastic motto, 'Bring Your Life', which we are trying to load every time that it is more than a product. It is what those products do for you when you buy things from Thule.

Finally, we have communicated as of last year that we are having a long-term ambition and we will not be able to meet that only in one year in 2018, but we do have a very clear long term ambition to be a very serious contender for the podium in the large categories of strollers and luggage. As I say, that will take many years to do, but we do need to take steps in the right direction in 2018, which I am convinced we will.

Finally, the strategy builds on the utilisation of a very strong back end organisation to generate very cost-efficient growth, and you heard Lennart mentioning not needing to increase admin costs at all in a year with a fantastic top line growth we have, is an example of that. Another example is the way we cost efficiently have been able to handle without issues the volume growth in terms of supply chain and distribution setup.

If you look at it, the product portfolio and development push we are doing is meaning that we have several large projects going on, and many major launches happening within the traditional Sport and Cargo Carriers



in 2019. I am not going to tell you exactly what they are because we have not told our retailers yet, but it will be some very big improvements coming in our portfolio 2019 in that traditional category. That means we will be peaking at a spend of around 6% of sales during this year, which we then forecast as in 2019 and 2020 will slowly reduce down a little bit, although not ever becoming too small because we will generate future growth as well.

I mentioned the supply chain. I am extremely proud of what our supply chain team has been able to do over the last few years. We have changed every single distribution centre in the world. We built a new Polish assembly plant. We have done major changes and stepped up changes to our Belgian, UK, and Swedish plant, and we built a new roof box plant in the US.

While doing all of those things we have delivered to our customers despite significant volume growth. That is a kudos for them being able to really deliver on both aspects on building for the future and delivering for the present. So well done there definitely from the team.

With those changes we have done over the last few years with new distribution centres, more sets and ready to handle the demanding retail experience of today with later and later orders, more in pick and pack, etc., it provides a very solid base for cost efficient volume growth going forward. It does not mean we have done everything; we are continuing to invest in our distribution centres and tweaking them and improving, but now we have a very, very good platform to do those improvements and tweaks from.

Last but not least and what we are doing for our retailers is we are spending significant efforts in both improving the online sales tools in making our Thule.com and the various B2B for providing even easier to use and better for them to create a cost-efficient sales growth for them as retailers. We also as of Q4 last year started rolling out a completely new concept and rejuvenated concept for brick and mortar retails that has already seen a number of monobrand shops opened by partners around the world, so we feel very good on all of those aspects.

All of that really leads to that we feel very comfortable with that we will continue to generate very strong cash generation. That will allow us to continue to look at M&A, so I can anticipate one question I am sure I will get: yes, we are looking at a number of companies and have looked at a number of companies, and will continue to do so. No, if we would have had any big news to update you, we would have reported on it.

With that, I leave it for questions and answers.

## Q&A

**Gustav Sandstrom (SDP):** Good morning, everyone. This question would be regarding the dividend. Net debt roughly in line with last year, so lower in terms looking in relation to EBITDA, and the cash flow metrics as you state is up and perhaps one could argue that the business today is a bit more stable than it was a year ago given the recent divestitures.

Even so, total dividends are down, maybe, ordinary or special, but total dividends are down year over year. My question would be, is this a more conservative view on the balance sheet which can be connected to your change in your debt target from the Board? Or if you would assume cash flow metrics to deteriorate? Or are you closer to perhaps something more on the M&A side. What do you read into this please?

**Magnus Welander:** I think you should read in two things. We did a very large extraordinary dividend last year and of course the whole name is 'extraordinary'. What we are looking at is, you are right, negotiating with banks for a new refinancing of the company's debt structure. We have plenty of time to do that so there is no hurry but at the same time we want to ensure that we have the right type of debt structure going forward, in line also a little bit with the direction of what we have set the leverage targets to be. Secondly,

we do want to have dry powder in our books so to speak to be able to pursue an interesting M&A if it should appear.

What we are doing it really setting more of a long term direction of saying, yes, this company will be a very large dividend yielder in terms of ordinary dividend going forward, and saving anything that would have been extraordinary to ensure that we can do the refinance negotiations on debt structure and to have dry powder for essential M&A.

**Gustav Sandstrom:** Okay. Regarding M&A, I heard you underlining that you would not comment specifically, but in general terms there has been some notable competitors within the baby stroller market for sale. Would you consider on a theoretical level bigger targets to accelerate your new market positions within luggage or maybe strollers? Or are we primarily looking for bolt on smaller scale acquisitions?

**Magnus Welander:** I can say as we actually did at the capital markets day, the two categories of where we would like and potentially look at the right larger acquisitions are the two you mentioned, stroller and luggage. It is not a secret that Bain Capital acquired just recently Bugaboo. I can say we were also interested in Bugaboo. That could have been a company due to strong products historically which could have been interesting potentially to take a bigger step, but you also have to find a situation where you think the valuation of the company, not just the products that they have been able to launch, is at the right level, and we did not consider it at the right level. It was not something we would be pursuing at those type of valuations.

Otherwise, those two categories, yes. Also a larger one if it is the right one. Not just because we sit on money and there is companies available, but if it is a leading brand, a leading position, where we could significantly speed up our entry, we would be interested.

**Gustav Sandstrom:** Right. Question on gross margin. Obviously up in the quarter driven by price mix, by currency headwinds. Would you expect a similar strategy to filter through to improving gross margins 2018, be it price mix? Could you put this in relation to the higher R&D spending? What is the bigger effect here going into 2018?

**Magnus Welander:** If we look at it, potentially, if you take out product development spend only, we would be deteriorating on our EBIT margin, but we are convinced with all the other measures, one, a sales growth with a very strict and maintained level of spend on admin, and on top of that a positive mix shift of categories with higher margins selling more and categories with lower margins growing less, if you look at our mix split, those are the two factors that are compensating for that additional spend.

I got a question on that last quarter: do we expect 2018 to be another year with significant EBIT margin pickup. We said at that time – and I still think that is a valid point to make – it is not a year where we should do a significant margin pickup, but we do not expect our margin to go down.

**Stellen Haelstrom (Nordea Group):** Hi. Thank you. I wanted to see if you can help me understand a little bit how your key product launches have helped you in receiving your organic growth. The strong organic growth. Also, if you can maybe help us to understand your new launches for this year and how those compare.

**Magnus Welander:** You can say in general that if you look at the growth we have generated, there has been a few key launches that drive bigger volumes. And that is partly of course, some of these are pure new things we do. If you do a Thule luggage and you do not have a luggage to replace there is no cannibalisation by one in, one out, so that of course makes a nice boost to the growth of a luggage collection that goes out there. Then we have categories like the ones I mentioned where we already have the world's best bike carriers, right? It was not like we have a bad bike carrier. We had the world's best and then we replaced that with an even better one. That then for impure growth, because there is of course some cannibalisation, you take away an older model then you add on, you need to then a little bit take that

difference away so you do not get too excited about a volume product that is replacing another volume product.

Generally why I mentioned the Thule XT and the Thule Motion XT, actually, is they clearly have been key contributors to that 80% growth that we saw in Europe and the 4% growth we saw in region Americas. We do need these new products, right. They are always there every year, but one reason why we were above the five, which is of course tougher in Sport and Cargo Carriers than in juvenile in Active with Kids, was that they were very successful this year. They clearly hit the spot. They have been big contributors, those two collections. XT have been good contributors to that growth. And specifically if you look at the Thule Chariot, that was a fantastic growth pickup, despite once again replacing what was already the world's best. The previous model of Thule Chariot was the world's best bike trailer. But the new one was so much better that it not only found what I would consider normal volume growth, it also found a completely new consumer group because it was more urban designed and it came into some juvenile stores. So those four, if you look at the total, the luggage, the Thule Chariot and those two in Sport and Cargo Carriers, were strong.

If we look at 2018 and look at what we are seeing, we have two that we are extremely excited about. It is the new Thule Urban Life 2, the new generation, and of course the Thule Sleeper that is coming later year. We do have inside as always in Sport and Cargo Carriers some really nice exciting new products. We are getting very positive feedback from retailers where we showed it in the autumn and they are just about to hit stores more of them. Because if you look at the Sport and Cargo Carrier products they are coming now in February.

The only one already in store is the Thule Urban Life 2, and I can say although very early days, it has a great reception, very, very good feedbacks on sales of their updated refreshed stroller to the Urban Life 2. We step into the year, as boring as it might seem, like we say every year. We have got a nice permission to play from retail. Now it is going to be up to the consumers if they like it as much as retailers have liked it. It is early days yet but it is promising.

**Stellen Haelstrom:** Great. Some contribution from retailers is at least positive, from Eastern Europe and Asia, and just wonder if you can help us to maybe say how much you compare from those regions, or if you think it is something happening here in the market.

**Magnus Welander:** If you look at Europe and Rest of World as a full region growing as much as it did with close to 13% constant currency growth in the region, that's of course fantastic. And what we have seen is that higher than that average growth in percentage has been proven in a number of South East Asian markets and in Eastern Europe. So those markets are performing very strongly.

Part of that is a general economic situation, with more consumers every year in those markets finding that financial situation but also that spare time desire to go and do things. I think we are connected to a positive trend and at the same time we are also becoming more and more known as a brand. As we do other products it actually helps in these markets, maybe even more so than in some of the mature markets. Some of the new categories actually help the traditional categories and brand recognition. That is especially valid for example for South East Asia, where our luggage collection launch has been extremely successful. We are getting good traction which in itself makes the brand more known. I think it is a general market macro that is helping us with more middle income earners in those countries wanting to do those activities. Then we are doing a good job with some of the new listings we are getting with the new rights retailers to drive that.

**Peter Riley (Jefferies):** Good morning. I have three questions please. Maybe if I can start with Sport and Cargo Carriers. Very good growth performance in 2017. You cannot tell us much currently about the new products coming in 2018, they have not been launched yet. But you obviously had two very successful launches last year. On a relative basis, is this going to be a slightly slower year than last year because it

was such a big year for launches this year? Or are you just as excited about 2018 as you were about 2017, which obviously turned out very well?

Secondly, I wanted to ask for a bit more colour on where you are with the Sleek. There were some new comments in the report saying you are recruiting 100 people in Poland, which is quite a lot for a company of your size. And I wonder whether that gives us an early indication of the positive outlook for Sleek. I guess you are now in fairly detailed or advanced negotiations with retailers about who is going to stop it, what the initial orders are going to be, and also hopefully you have some idea of whether it is just traditional people who have stocked your more active jogging range or whether it is new retailers who are slightly more mainstream than your current retail channel. Can you help us on those? I might come back on the third afterwards.

**Magnus Welander:** Absolutely. If you take Sport and Cargo Carriers, we did have some very key launches in 2017. There will not be the same amount of high volume new introductions. There is a lot of introductions but in terms of a high-volume product, not as many. I still feel very good about 2018 because if you look at the way we do business in Sport and Cargo Carriers, it is not that we are heavily advertising or promoting anything new; it is very much a word-of-mouth thing. What happens now is, after having had the for example Thule Motion XT in the market for a while, a lot of people have seen it on the parking lot at the ski resorts or on the holiday vacation and they have liked it, and they have heard the good comments about the new features of opening, etc., and the same applies for some of the other products where often year number 2 is a very important year for us with big launches. The combination of a year 2 of some big successful launches should spill over into 2018, plus a number of more new launches of several different new products, maybe not with the same volume. Means that we feel good about 2018 in Sports and Cargo Carriers.

If you take the Thule Sleek and the Polish factory, I want to point out it is not only Thule Sleek we do in the Polish factory. We do do child bike seats, which is growing very nicely for us, and some other things that we have moved in there. We do even some models for bike carriers. So all the 100 will not be working with the Thule Sleek, but I can also say that we feel very positive about the fact of the listings we have gained, because it is not only – which is of course key for us – the type of players that had been listing a jogging stroller or a multisports stroller. This is a product that will also be listed in a number of markets with some of the leading more typical inner-city stroller retailers, both online and physical stores. So we have some very positive initial feedback and/or first orders and commitments, so to speak, in terms of what we will in for type of shops when the Thule Sleek hits.

That does not say a lot about volume because then the consumer needs to love the product as well, but it is at least giving us the true opportunity to be in the type of retail outlet where a consumer would want to go if they wanted to buy that type of stroller, so that is a positive thing, definitely.

**Peter Riley:** Great. If I can move onto Bags, Packs and Luggage. It is obviously a small revenue decline is not an accurate description because you have a big revenue decline and the legacy OE business, and the strong growth in the new product areas, and as the legacy gets smaller the balance shifts. Is 2018 the year where you can actually resume organic growth, do you think, in Bags, Packs and Luggage because of the ongoing mix effect? Or will it still be quite challenging to try and grow that business?

**Magnus Welander:** I would be greatly disappointed. I can say that: I have said it internally to everybody. I would be hugely disappointed if we do not grow this year.

**Peter Riley:** Well, I will look forward to seeing the positive result then.

**Magnus Welander:** I do as well.

**Peter Riley:** Coming back to the dividend I just want to make sure I understand the body language here. This is effectively you rebasing it to a lower level, from which you would hope not to have to reduce it

because you can fund even medium size M&A without having to make a change to it, without having to rebase the dividend back to a lower level. Have I got that right?

**Magnus Welander:** The logic is this: I think there is always this classical confusion of what is something you should be able to expect every year to come, which is a little bit of direction you want to do as a company on an ordinary dividend. Then people might speculate that over a few years if you have a little bit too much and you do not do M&A every few years – not every year, and not every second year, but every now and then – we will have to do also in the future an extraordinary dividend.

What we wanted to set as the company has been established on the stock market, we have defined new targets and new leverage targets, is a single saying: our ordinary dividend level will be higher than it was the last years when it was around SEK3. We are really setting a bottom threshold a little bit mentally on saying SEK6, going forward, you should expect this company to be giving out at last this type of money.

There might be then in the future, but not every year or every second year, if we do not find the right M&A target, also in the future extraordinary dividends, but we do want to have that dry powder for the M&A. With a new leverage structure, refinancing, this sets a little bit the base for what we can see as a high-yielding, cash-generative company.

**Peter Riley:** The small everyday packs where you have been disappointed: have you just basically overpriced them, do you think, and been slightly too ambitious in a market which is way more price sensitive? Because the target customers you are talking about are not people for whom price is no object. You are talking about back to college students and so on. Do you think you have the pricing wrong, or is it more just it takes time to establish yourself in the marketplace?

The other last question then which is sort of related, you talked previously about having some problems with US retail channels, with bankruptcies in bicycles and people moving some of your products off shelves in some of the other sales channels. You have not mentioned that this time; are your US retail channels more stable now than you have been seeing previously?

**Magnus Welander:** I will take that last one first since it is pretty straightforward. I feel that US retail has come down a bit. So we have seen some big wobbles, big shakes. I do think it is more stable. It is not a booming retail market; you can follow any company in the retail industry in the US and realise it is not, but it is less itchy and there are fewer concerns. A little bit more stable situation in the US retail market as we see it, at least the types of retail that we do.

If you look at your question on the small everyday packs, we are actually doing really well at our higher priced packs. That is where we are seeing the biggest growth. No, I am not worried about our pricing. We are actually doing well with those. What we are not happy with here in this performance is more some of the older models we have had where we maybe have not been doing enough tweaks to those, because we are not talking about huge innovation but more small tweaks to keep them interesting at all times. Also, some of the older case logic bags, for example, in some of the markets. I would say it is a combination. It is a challenging retail reality and there are a lot of brands out there. It is not our pricing; we have actually done really well on our highest priced products, so it is more making sure the portfolio is constantly fresh with the right products.

**Peter Riley:** That is great. Sorry for asking so many questions.

**Magnus Welander:** Thank you everybody for listening in and listening to us recap a fantastic 2017. As I said, we look forward to an exciting 2018. We hope you are all super active out there in the spring so you travel around and see and use and buy a lot of Thule products. See you soon. Thank you.

[END OF TRANSCRIPT]