



Thule Group – Q3 Interim Report, 2023

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Introducing new CEO

Mattias Ankarberg

CEO, Thule Group

Thank you, and welcome everybody to this call. I'm Mattias Ankarberg, the new CEO of Thule. And I'm here with our CFO, Jonas Lindqvist. We will firstly hold a brief presentation. And as usual the material is available on our investor relations website. And after the presentation we will hold a Q&A session.

But first on page two, let me take the opportunity to introduce myself. I started as CEO of Thule Group two and a half months ago, August 9th, 2023. My background is from the consumer industry. I've spent plus 20 years in various segments and categories, typically in international roles. I worked for eight years for McKinsey Company based in Sweden and the US. I was for a similar time period at H&M Group in various roles. And lastly as the global head of sales and marketing and member of the group management team. And then my last position was CEO of a Nordic DIY retail company called Bygghem Group.

So I am new as the CEO of Thule, but I'm not new to Thule, I have been on the board for five years of Thule Group, and of course also a big fan of Thule products. And a person who likes several outdoor activities and have a lot of Thule stuff at home. So I am very energised and very happy to be on board, in addition to having been a board member, now being on board full-time with Thule. So great to be here.

Summary 2023/Q3: Good profitability in a tough market

Let's turn to the quarter on page three. Overall the quarter is a good quarter for us. We show good profitability in what is a tough market. We are back to sales growth, 1%, so not a lot in constant currencies but still growth. We have seen clearly different trends, which we'll come back to in the call today, between different regions with good growth in Europe and negative in America still. And we do see that we are operating in a tough market, particularly the previous trend of increasing consumer optimism has reversed during the autumn, particularly in North America.

Having said that, what is positive and clear in the quarter is that new Thule products drive growth also in a tougher market. We have a strong improvement in the gross margin compared to previous year, almost six percentage points up. And it is also stronger in a historical context. It's higher than the gross margin before moving into the pandemic, IE, higher than in Q3 2019.

We continue to see positive product and channel mix effects, although we still are under utilising our own production capacity. EBIT margin also improves a lot compared to a low level last year, to 15.5%. Again, also that means an operating profit above the level which we were before entering the pandemic, IE, above Q3 2019.

And in addition and importantly, we have the highest ever operational cash flow for a quarter in this quarter. With again good profitability and inventory levels that continue to decline in line with what we have communicated earlier. So that's the overall summary.

2023/Q3: Net Sales and EBIT development

On page four, we have the reported numbers also in local currencies. To give you the overview. We have a sale that increases 8% in reported currencies to 2.3 billion SEK, taking the year-to-date sales to 7.6 billion, a decline of 11%. And the EBIT amounted to 359 million in the quarter, and a bit shy of 1.5 billion for the year-to-date number.

Thule Group Sales by Quarter (Reported currency)

Turning a bit more into the business side of things on page five. I'd like to step back and comment on the sales in the quarter in the light of the developments that have been going on for the last few years. It's of course been a lot of variation in the sales pattern during both the Covid period and also with the following post-Covid effect. So let's put the quarter into perspective.

And I'd like to note three things. Firstly, we can note that this is the first quarter, the Q3 '23, in a year that we are back to growth versus the previous year period. So that's of course positive for us. Secondly, if we look at this year, we note that compared to pre-pandemic, Q1 was up only 12% in sales, whereas both now Q2 and Q3 have been up 23% and 24% respectively. So it's a step in the right direction. And then thirdly, what we see now in the third quarter is a mixed picture in the sales development, with particularly two positive and two negative factors impacting the sales development.

Region Europe & RoW: Premium bike is back, RV declines

And if we start with the positive, we can see that the bike products, at least the premium bike products, which are so important to Thule, have now returned to good growth. Actually strong growth from bike related, which we are really happy to see and gives us optimism for the future.

The second positive point is that Europe, our biggest geographical region, generally performs well across product categories, which of course is also solid and positive for us.

The exception, starting with the negatives to Europe, the exception is what's called the RV product segment. So recreational vehicle related products. We see a decline in the quarter in this segment. And we will come back to that in a minute. And the second negative is a decline in North America, which we'll also come back to in a minute. So a mixed pattern in terms of sales development, but a quarter which is growing versus last year and at a 24% higher level than pre-pandemic.

So with that overall context, I would like to mention a few more details around the two different regions that we report, Europe, rest of world, respectively America. So we can start with Europe, rest of world on page six.

Europe, rest the world saw an 8% increase in constant currency sales versus the previous year. And again, we do see strong growth from premium bike related products in the quarter. We now see that bike related inventory of I would say premium products and Thule products specifically are generally back to healthy levels in Europe. That is not the case for bike related

inventory levels in general or bike retail inventory levels I would say. But for Thule products we are positively back to healthy levels. We also see, which is very positive for us, that new products like the Thule Epos that we launched during spring is really contributing to growth, which is very positive.

Secondly, as I mentioned a bit earlier, Europe generally performs well, except the RV side, which I'll get back to. We have a solid performance in sport and cargo carriers, also outside bike carriers, so roof racks, roof boxes, et cetera, perform well. We have good growth in juvenile and pet through multi-sport and bike trailers. Our smallest category in Europe, packs, bags and luggage continue to see good growth from the Thule branded collections. Also some newness helping to drive growth there.

And overall across Europe, across our product categories, there is a trend that we see the stronger sales performance in the premium segment, which is mainly where we play. So that's also good for us.

So coming to the RV side. We see that the RV products decline in the quarter double digits. And to nuance that picture a bit further. We actually see a continued growth to, if we separate the sales challenges to two different areas, we continue to see growth in one area, which is the OE or the vehicle outfitters who are still delivering on an order backlog from previous periods. So we actually have growth in that area still.

However, we see a decline in aftermarket sales, which is bigger than the growth in the OE side. So net we see a double-digit decline. And as a reminder, RV products is Thule Group's only exposure to what is an historically cyclical market segment.

As a last comment or two comments, we see that we continue to grow our D2C share, so thule.com share, which is of course positive. It is from a small base but show good growth. And in terms of geographical differences, we have the strongest performance in Germany and the Nordics, and still a decline in France with retail chains that are clearly cautious.

Region Americas: North American consumers less optimistic

On page seven, I'll give similar highlights to the Americas region. And the Americas region declined in constant currency sales 15% versus previous year. And I'll actually like to highlight two factors. Firstly, the North American consumer optimism that we have seen really improve over 12-month period, maybe a bit even more, has clearly first stalled and then reverted here during autumn. So a less optimistic consumer of course impacts the demand.

And then secondly, more of a maybe more technical note, the comparables are tougher for region Americas in a historical context. So comparing the two regions to the pre-pandemic levels, Europe, the rest of the world Q3 versus Q3 2019 is plus 20%, so the comparable '22 to '19. Whereas it was 38% for Americas. So it is a more cautious consumer but also tougher comparables.

So with that backdrop, how did the quarter turn out? Well, we actually see bike related products returning to growth also in Americas. It is at a more modest growth than we see in Europe, but still good growth. And in terms of the important topic of bike related inventory level, we see that the large retail chains are generally back to healthy inventory levels for Thule product. But we do see that many smaller independent retailers, bike retailers, still have overstock situations that they need to manage.

All product categories are in decline. If you look at the product category level, except juvenile and pet, we do see growth in bike carriers as we said, but in total the sports and cargo carrier segment declined. And we do see a lot of nuances within the product categories in also the other categories outside sports and cargo. So luggage and duffels continue to grow within packs, bags and luggage for example. But we do see an overall decline because we have decided earlier to exit some OE business that was low margin for us.

We do see juvenile and pet growth as mentioned before, driven by the strollers and the child bike seats. And again the RV side also in Americas, which is very small for us and very niche position but continue to be weak in what is a very tough RV market in Americas.

D2C continue to grow also in Americas, and within the Americas, as mentioned, it's the North American markets, US and Canada, that drive the decline. But there's still good growth in Brazil.

With that I turn to Jonas to go through some of the financials starting on page eight.

Introducing new CEO

Jonas Lindqvist

CFO, Thule Group

Thank you Mattias. Like Mattias said just now we are on slide number eight. And I will concentrate on the quarter as always.

2023/Q3 Reported income statement

The sales of 2,311,000 SEK in the quarter was 1% above the sales for the same quarter prior year, excluding FX effects. In particular bike product sales were higher in the quarter. And the product category, sport and cargo carriers, where bike carriers is the biggest subcategory, is now back at the same share of sales as before the pandemic.

As Mattias said, most of our customers have reduced inventory of Thule products to a normalised level, which means that our sales more closely reflect the end user demand. As Mattias also mentioned, the RV business is coming down after an extended period of strong growth. And we see a subdued demand in the North American markets.

The gross margin of 39.7% is 5.8 percentage points higher than the same quarter last year, which was a weak quarter, as primarily the demand for bike related products saw a substantial reduction with large inventories at our customers.

The increased gross margin level now comes from lower transportation cost, which was very high last year. These have now gone back to the levels that we had before the pandemic. The material cost has also continued to come down from last year, primarily on aluminium and plastic components.

The product mix has been favourable in comparison to Q3 '22 with a higher share of bike related sales and continued growth in our direct-to-consumer business. The smaller share of RV sales also has a positive impact on gross margin since RV has lower gross margin, but it is at the same time leaner in overheads.

We have still delivered a substantial part of sales from our inventory that has continued to go down, which I will come back to when we look at the cash flow. But it also means that we have cost for unutilised production capacity that is impacting gross margin negatively.

Operating expenses, SG&A, have increased from 531 million SEK to 559, but excluding FX effects, it's only an increase of 1% or 4 million SEK. Worth remembering is that we continue with our ambitious product development plans. And that the overhead cost for this will remain on a high level, which in particular impact the smaller quarters when we compare development to sales.

The operating expenses as a percentage of sales are 24.2% compared with 24.8 prior year Q3. The EBIT margin of 15.5 is 6.5 percentage points higher than last year's 9.0%. And in the third quarter it is 0.7 percentage points higher than before we went into the pandemic. The finance net in the quarter is lower than the same quarter last year because of higher interest rates since the borrowing is lower.

The tax, and this is year to date, of 314 million SEK corresponds to a tax rate of 22.6%, which is at the lower end of our guided range of 22% to 25%. And on the same level, 22.5, after three quarters last year.

2023/Q3 Working capital and Cash Flow

I would like to turn to the next slide, working capital and cashflow, that is slide nine. Operating working capital was 2,874 million at the end of Q3 '23. Excluding currency effects, the inventory has decreased by 861 million SEK compared with the same time last year. The reduction has continued during the quarter and contributed to the cashflow by another 360 million. We are now leaving the bike season and other products now get a bigger share of our sales. These will not reduce inventories further this year. Examples are roof racks and roof boxes.

Accounts receivables are on a similar level as the same time last year. As a percentage of sales, the operating working capital is down by 3.2 percentage points. However, the calculation is based on an average of four quarters which lags behind in this time of rapid reduction of inventory.

If we look at the inventory at the end of the quarter and compare this to the rolling 12-month sales, we see that it is 25%, to be compared with last year at the same time when it was 30%. And I also want to add that the inventory levels we saw during the pandemic, as you can see still in 2021, they are by no means sustainable.

The operational cashflow for the quarter was almost double the amount from last year. And as Mattias said, it's the best cashflow quarter in Thule history. The major contributor is of course the reduction in inventory levels. But worth noting is that we have also reduced our capital expenditure compared to the levels in previous years.

Capital expenditure in the third quarter was half the level from last year, 59 million now, to be compared with 116 million SEK for the same quarter last year. That's it from me, Mattias. Thank you.

Forward-looking

Mattias Ankarberg

CEO, Thule Group

More new product launches than ever in 2024

Thank you, Jonas. We can move to page 10 and turn to forward-looking comments. Let's start by commenting on the world around us before we get to what the priorities for us internally, Thule Group.

We overall expect to see a continuation of this mixed picture in the market dynamics that we saw in Q3. On the positive side, and this is an important positive for us, is that bike retail in particularly Europe is back to healthy inventory levels of Thule products. We do see a long-term positive trend for bike. It is a high share of Thule Group's total sales. And it is very positive to see that inventory levels of premium products are now where we would like them to be.

On the negative side, we cannot ignore the market dynamics that are going on around us, in particularly two areas. We expect to see a continued challenging RV market in the coming year, this historically cyclical segment. And we also of course note that the North American consumer is less optimistic for the future.

Very short term, the Q4, is historically seasonally our smallest quarter in terms of sales and also has a higher share of sales from RV and lower from bike related. On a positive note, having said that mixed market dynamics with positives and negatives, it is clearly positive to see that new Thule products drive growth also in a tougher market. And we see that in Q3. We also have more new products than ever before coming to retail in 2024. So we are internally very excited about that. And we are both updating some of our bestselling products in several product categories and entering two new product categories for the first time. So calling out a few.

If we start with mentioning our updated generations or our new versions of bestsellers, we are during the first half year launching several. So Thule Urban Glide generation three is our best performing all terrain stroller. New version coming out. Thule Verse is replacing our current bestselling US bike carrier, new version, new product. We are refreshing our leading luggage family, Thule Subterra with a second generation. We are delivering a third generation of Thule Chariot, which is our and we think the world's best child bike trailer, which gets even better. And got really positive reviews so far when released to trade. And we are updating our leading roof box, Thule Motion, also that's a generation three. So several bestsellers that are getting new versions or updates, which we are very positive about.

We are also entering two new product categories completely. The first one is dog transportation. Thule Allax, our first car trunk dog grate, where we really have focused on maximising safety for both the dog and the person or the passenger. It's coming in Q1 2024. And Thule Bexey, our first dog bike trailer is coming in Q2 2024. We are also launching car seats in Europe during Q2 2024 as communicated earlier.

And then in addition to that we are bringing some innovations. We are launching what is the world's first tow bar mounted tent, called the Thule Outset. I was personally part of the release of that product that the event where we released it. It was very positively received. It

was very exciting to see actually. And then on the RV side, despite the negative market dynamics, we have no less than five new products coming out next year. And two of them are Thule Veloswing, which is a tow bar that swings aside so you can easily access the back door of the RV. And the Thule Sidehill, which is the first removable awning in the market. So a lot of new great products coming to retail in 2024, which we are of course very excited about.

Continued focus on product development, more focus on the end consumer

On the last page, page 11, I would like to conclude the presentation part of this call by sharing a few reflections from my first months as CEO. I'd like to call out three. Firstly, it is clear that Thule is really in a favourable market position that gives us tailwind. And that's very of course positive for us. Consumers increasingly want to live active lives. We are making more and more very good products that enable an active lifestyle. We are a global market leader in many categories with specific positive trends in addition. And we have a premium brand position with the Thule brand, which we see is a strong segment in the market. So tailwind long-term, trend is our friend, and we are very fortunate to start from that position or to be in that position.

Secondly, I am personally a big proponent of the build on your strengths principle. And fortunately Thule has a lot of strengths to build on. To mention a few. We have in my view world-class product development capabilities. Which we I think have proven again and again. We have a very strong Thule premium lifestyle brand. We have a flexible supply chain of a lot of in-house manufacturing capacity. We have high ambitions for sustainability and work with sustainability in integrated way in our operations. And last but definitely not least, we have a lot of engaged Thule colleagues with this Thule spirit that I would summarise as never settling, always improving, celebrating, but quickly, and then moving on to the next improvement. It's really struck me during these first months very positive.

So going forward we will continue to focus on product development and also focus more on the end consumer. Product development is the foundation of our strategy. We have a long-term approach of investing in product development to drive profitable organic growth. And a strong track record to deliver that growth. And we see that it works also in tougher times. That will be the priority number one for us.

Secondly, we will focus more on the end consumer. Thule is, in my view, should first and foremost be a product company, but we do see opportunities to benefit from direct-to-consumer sales and marketing to a higher degree.

And then lastly, we always need to ensure we are cost-efficient, and as a second adjustment or as a priority we will focus on reducing what is excess supply chain capacity. We have a lot of own factories that utilisation in those will increase over time when we grow more. But what we see now is short-term opportunities to reduce, for example, external warehousing services that we may not need for the coming period.

So overall that concludes the presentation part of this call. So I will turn to moderator for Q&A and ask moderator to take questions.

Q&A

Operator: Of course. Thank you. Our first question today comes from Daniel Schmidt from Danske Bank. Daniel, please go ahead, your line is open.

Daniel Schmidt (Danske Bank): Thank you and good morning Mattias and Jonas, hope you can hear me. A couple of questions from me. And starting with the quarter, and I think you touched upon it a few times, Mattias, the trend shift in terms of the US market and also European RV on the AM side. But just trying to get a feel for the level of change because you also said leaving Q2 that you went in Q3 very strongly. And it sounded like you were in double digit growth in the beginning of Q3. Does that mean that you were basically 10% down leaving Q3 heading into Q4. Is that a fair assumption?

Mattias Ankarberg: Hi Daniel, hear you loud and clear, Mattias here. I think the question is best answered in terms of the category dynamics and geographical dynamics that you presented before that you commented on. Of course, bike related products are very strong in the beginning of the quarter, particularly the stats for where the retail hit the brakes last year in July. So I think we don't see a major shift between months that is not reflected in category performance if you see what I mean.

Daniel Schmidt: Okay. And just on the US market, which is of course down a lot still, although bike is up slightly and some other smaller product categories. Roof racks and roof boxes, unlike in Europe, then has to be down quite a bit in order to get minus 15 for the entire continent. Is that a fair assumption?

Mattias Ankarberg: Yes, that is a fair assumption, clearly so. And then the only comment I would add to that is that the comparables are different between Americas and Europe. I think the most interesting discussion is the forward-looking, so I think the consumer optimism point is more important to consider. But as I accounted for earlier the comparables are tougher in America specifically in this quarter, which also explains the drop in boxes and racks to some extent.

Daniel Schmidt: Okay. And I think, Jonas, you mentioned that for the last quarter of this year we shouldn't expect any further lowering of the inventory. Does that indicate that you will be producing more in line with demand? Of course depends on where demand is going of course. But is the structural need to take down inventory over as we get into Q4 and hopefully into next year?

Jonas Lindqvist: To take the first part of the question, yes, we will produce more in line with the demand because it goes into a part of the year where roof boxes for example is a bigger part of our sales. And we don't store them to more than a very small extent. Structurally I think we have a bigger ambition than settling at the current level. We will maybe not come back to the levels that we had before the pandemic because we have more product categories now. But going down from the level that we are, I think we can expect that in the coming year, yes.

Daniel Schmidt: I also recognise that you said that you were expecting 600 million in inventory reduction for this year. And I think you've already done 800. But we should expect some more structural change to the inventory in 2024 is what you're saying still?

Mattias Ankarberg: Yeah, but yes, I'll comment also so we get the message from two sides. I think what you see is also partly a seasonal effect that Jonas was alluding to. Typically, with Q4 being a smaller sales quarter, you don't see continued drop. And as you said Daniel, the goal was to reduce 600 million from year-end last year to year-end this year. And we are very much trending towards that as you said. Already achieved so to speak. But we do see, as Jonas said, also an opportunity to next year continue to reduce inventory levels a bit more.

Daniel Schmidt: And that is despite the fact that you are adding to your portfolio quite a bit, not only to new categories but also further line extensions, you still see that you can balance that simply?

Mattias Ankarberg: Yes, it is. And one of the things we've done here during my first two months is to look a bit at the supply chain situation. And we see that there is opportunity to reduce inventory further. And also to work where we can short term with reducing some costs from excess capacity.

Daniel Schmidt: Yeah. Okay. And then just finally, looking at the EBIT margin performance at 15.5%, and it is above the reported margin that you had in Q3 '19 as you mentioned. But you did have a recall cost of 25 million back then, and if you adjust for that, it's actually 80 basis points below. And it's also low in what you have in '16, '17 and '18 for Q3. And it does look like selling expenses is the line that sticks out a little bit and also admin compared to back then. Is that something that you feel that you need to address going forward or is that a function of product development spending as you've talked about?

Jonas Lindqvist: Well, good to speak to somebody who's on top of his numbers. Always a good discussion. You are right on the facts of course. I think it requires a bit of a nuanced answer. I think the big picture of course comment is that it's very good that comparing to where we were in the last year for example, we are now back to in line with let's call it that then, the level where we were before the pandemic.

Then you are right to the specifics. And the big portion which is higher than it was pre-pandemic is of course the share of sales. The big increase in the cost base measured as share of sales is of course our product development spend, to your point. It's almost 7% in the last 12 months and we used to be at 5-5.5 as you know. Then there are some other smaller opportunities, I would say smaller in the scale of 7% being R&D, like external warehousing as I commented on before.

Daniel Schmidt: Yeah. And do you see that PD spending being down to 5-5.5 next year given what you think about top line for next year?

Jonas Lindqvist: I think that we should get back to 5-5.5 as we've commented before. This is the way we should go. I think it's at this stage with the market situation that we see that will impact top line, we are still optimistic for next year. But I think it's wiser to speak about the ambition over time than to tie that number to a specific year.

Daniel Schmidt: Yeah, okay. Okay, thank you. Thanks. That's all for me.

Operator: Thank you. Our next question is from Carl Dezenberg from Carnegie. Carl, please go ahead, your line is open.

Carl Dezenberg (Carnegie): Thank you very much and good morning Mattias and Jonas. So two questions from my side. Very good picture on slide 10 on the upcoming product launches.

Quite detailed and easy to understand. I just wanted to ask here, I recall here on the Epos launch previously this year, initially you started off releasing it to a selected number of retailers and while later following up on a more broad-based launch. Is that a general strategy that you will utilise for some of these new products that you show in this list? I guess that maybe goes more to entirely new products like the child corsets with the iterations that you talked about of the bestsellers being launched broadly directly. Is that a fair assumption?

Mattias Ankarberg: It's an interesting business-related question, Carl, and it is true that we will use that strategy for several of these products. Not for all. Where we are, for example, where we are refreshing a luggage family, that's easier for us to access. We already feel comfortable about the distribution, it's easier for access all of it at the same time.

But what we will do for several of these products is what you described. And to give you maybe an example or two. When we are bringing the car seats to the market, we think it's important that we start with the right distribution, the retail that is also a bit of a stakeholder in the market so to speak. So we will partner with those first and allow them to or enable them to sell our products before we move it further to more distribution.

Another example is the Thule Outset, which is the world's first tow bar mounted tent, where we have had a lot more interest actually so far than we are able to produce for next year. So for that reason we need to limit the distribution. So we will do it when we think it makes sense or when we need to ramp up production capacity over time.

Carl Dezenberg: Okay, very well. And maybe following up on that. You talked about the Epos carrier previously, and that obviously since has been a quite significant success for you this year. And I just wanted to ask, and I maybe not expecting a material answer on it, but will it be any way possible to quantify the contribution here in Q2 and in Q3 from Epos isolated? How much have that contributed to the sales in rough terms?

Mattias Ankarberg: I have a lot of understanding for that. We would love to have that specific number, which unfortunately we will not provide. We will keep the reporting structures we've done previously. But we can say that it's been significant for us. And it's also a product which is a pretty sweet spot in many senses as it is in bike carrier, which is big for us. It's in premium where we are at our best. And it comes with real innovations. So I think it's been a really great example of materially adding to growth in a big category for us. But unfortunately, I will not share the exact numbers.

Carl Dezenberg: Yeah, yeah, understood. But maybe just finally from my side. On this list that you're sharing here on slide 10, you obviously commented on that some of these are already bestseller iterations that you're launching. But are any of these that you would highlight that you see having such potential obviously as the Epos have shown you this year?

Mattias Ankarberg: Well, bike carriers is by far the biggest category. And bike carriers in Europe is bigger than America as you are aware. So Epos hits both the biggest category and the biggest market. So I think the honest answer is that there's not a single one which is exactly up that level. But there are several that would be in that range I would say.

So Thule Verse is replacing or the bestselling US bike carrier, which we have high hopes for. I would like to call out also the Thule Chariot, which is a big and important product for us. Where we come with basically a better product across a number of features that's been very

well received. And then of course roof boxes, the Thule Motion next generation is also going to be good for us. So there are a couple of biggies here, maybe not up to the Thule Epos level. Maybe they will surprise us positively, Jonas. But there are some important products and best-selling products that will get new generations or new versions next year.

Carl Dezenberg: Okay, very well. That was all from me for now, so I'll get back in line. Thank you very much.

Operator: Thank you. Our next question today is from Adela Dashian from Jeffries. Adela, please go ahead, your line is open.

Adela Dashian (Jeffries): Thank you and good morning. Just following up on the questions earlier about current market dynamics and how that's expected to impact your results going forward. We keep seeing the weak signals from some of the big retailers and then the one big e-tailer filing for insolvency. And I do understand that you have a very broad and diversified customer base, so that supports you to some extent. But then as you look at the expected development of bike related products into next year, how confident are you in your current ability to keep this recovery going now when inventory levels have normalised, and you have a weaker consumer?

Mattias Ankarberg: Thank you. A multifaceted question. We'll try to give our best answer. I think if you look at the components of that question so to speak, what is clear is that we feel very strongly first of all of our own offer. We talked about the Epos just recently. We are coming with Thule Verse next year. We feel we have a very strong portfolio in general own bike related products and we're making it even better. So we are happy with that.

Secondly, if you talk about inventory situations at bike retail, I think two bullets below that message. One is that, yes, for many of the inventory levels is still high in general. But, and good news for us, for Thule products and premium products, the inventory level is healthy, it is in Europe, and it is with the big retail chains in North America. So there we also have a good situation.

And then lastly the consumer demand. And of course here we don't have a crystal ball. But we do see good long-term trends for bike. And we do see now in this quarter when the inventory levels have been more healthy that we do see good growth again.

So lastly, I would say there are comparables, and we know that for the first half of '23, bike related products were not selling as we would've hoped before due to inventory issues. So that means comparables are easier for bike related products during the first half of next year. So overall we feel clearly optimistic about the opportunities in bike related products going into 2024.

Adela Dashian: All right, got it. And then moving gears to your strategy as a new CEO. I do appreciate the comments about prioritizing direct to consumer. And I don't think that's too surprising given your background. But maybe if you could give us some more colour on how impactful that initiative will be and if we should expect your own sales channels to represent the significant share of sales going forward or will retailers and distributors still take the majority?

Mattias Ankarberg: Happy to. Let me first say that having been on the board for five years, I have of course been part of many of the decisions and the discussions that have been Thule

strategy during these years. And I think Thule is a great company, has developed very well, and I think there are clear strengths here that we should continue to build on. I think it would be almost strange to think otherwise given my background.

I'd really like to call out the strength within product development and our ability to bring innovation and lead the market in the categories where we are strong. I really think this is the foundation of our strategy. We are investing long-term, even if the market has a bit of headwind in a category or a year or so, we're still thinking long-term developing innovation. So that will be the number one priority also going forward. Let's just be clear about that.

Then I do, to answer your questions, we do see opportunities within both selling and communicating more directly with the consumer. We are a product driven company. But we do see that, and I see that across categories, also outside Thule. When the brands have fans, and I do believe Thule have a lot of fans, consumers actually want to both shop from and communicate with the brand directly. And here I think we have more opportunities.

We will definitely work on rolling out and improving our D2C offer, which is clearly one. But I also think just communicating and being more present with the consumer. We see several examples of that being also positive. So I don't think we should expect that Thule will be a very high share D2C company. But we should expect that it will clearly grow from the levels it is today. And we should also expect that having more direct communication with the consumers will help us to introduce, for example, new product categories.

Adela Dashian: Great, thanks for the clarity. And then just finally on your other big priority right now which is continuing to launch new product categories and also developing new products. How do you view that in the current environment, should we perceive it as a risk or an opportunity when maybe some of your competitors are pulling back on investments? How do you think about that?

Mattias Ankarberg: Yeah, we think about that as an opportunity actually. I mean, it's really comforting and positive to see that, even in this quarter where the market is tough, we see that new Thule products really perform. And we talked about Tula Epos, it was the same for our refreshed bags assortment. We see the same in child bike seats for example.

We operate in premium where people are willing to pay a bit more for quality products, maybe have less of an impact over time for macro. I guess that's up for debate. But anyway, we see that new products work, so we see that as an opportunity to of course drive growth for next year. It would probably drive more growth if the market had a tailwind, but still so.

And then secondly, we would like to be long-term about things. Some of these product development cycles are multi-year cycles. And we happen to be in the fortunate situation to be a profitable company. We generate a lot of cash, and we can continue to invest for the long term even if there's a little bit of a bump in the road in the market in a year or two. So both it's an opportunity and a long-term thinking, that's where we continue.

Adela Dashian: Great, thanks a lot. That's all for me.

Operator: Thank you. Our next question is from Mats Liss from Kepler Cheuvreux. They have removed their question. So, I'll move on to the next question. Our next question is from Cary Rinpa from SEB. Carrie, please go ahead, your line is open.

Cary Rinpa (SEB): Yes, thank you. Cary from Handelsbanken. Thanks for taking my questions. I wanted to expand on Adela's question on direct to consumer and Mattias your comment about increased communication. So how should we think about the selling expenses for the next few years? Because I can see that you've had a record year in terms of new product launches, but at the same time your selling expenses are pretty much flat compared to last year. So do you expect selling expenses to increase both in absolute terms and as a percentage of sales in the coming years and then maybe a few years down the road that will then pay back in higher gross margins when direct to consumer has reached a higher level? Or how should we model these numbers in the next few years?

Mattias Ankarberg: I think you should think about it in a few different areas. So firstly selling expenses has gone up and will continue to go up, mainly because we are driving in the new categories. Of course that costs money. And then of course that is outside the R&D part, which we talked about before in terms of SG&A.

In terms of, which I guess is what your question is more alluding to, the more consumer oriented or the direct consumer approach. My experience is that you can do quite a lot with quite limited resources. And that's what we will start to do. We already have a D2C set up, we would roll it out, it would cost a little bit more, but we can work on things like social media and partner with retailers to be present at events and things like this. So with fairly limited amounts of money. So that will be the route that we will take.

But then of course over time, Cary, to your point, we hope that we will build a stronger link directly to the consumer, have a higher share of D2C, that will cost a bit of money, but that should also be reflected in both sales growth and gross margin.

Cary Rinpa: All right, thank you. And then maybe a few words about Germany because that is your largest market in terms of an individual country. And you said that I think you're the only company so far that has commented Germany in a positive fashion in the third quarter. So is it easy comparables from last year or do Germans tend to be early adopters and they have been embracing your new products? What is explaining the strong momentum that you have had in Germany? And how sustainable is that?

Mattias Ankarberg: Maybe they are particularly interested in premium quality Thule products. No. To be honest, I haven't spent much time reflecting on other companies' performance in Germany in the last quarter. What I see is that we have had good progress or good momentum in our core categories, so bike related for example. Germany is our biggest market, to your point, bike carriers is our biggest category. And we see a very good growth there. So I think you have quite a good portion of the answer there.

And then in general I would say we continue to see solid performance in Germany also across other categories. Actually I don't have many reflections on other companies' performance in Germany, but we are happy about the performance.

Cary Rinpa: All right, thank you very much. Those were all my questions.

Operator: Thank you. Our next question is from Andreas Lundberg from SEB. Andreas, please go ahead, your line is open.

Andreas Lundberg (SEB): Thank you. Can you hear me?

Mattias Ankarberg: Yes.

Andreas Lundberg: Cool. Gross margins. Jonas, you talked about key drivers there in the third quarter and you are at a high level. What do you see for these drivers going forward into 2024, and also if you take the expected product mix into account? Thank you.

Jonas Lindqvist: Yes, the driver, transportation cost, that was a boost during Covid. We are back to levels before the pandemic. And we don't see any major increases going forward regarding transportation. Normally we don't even talk about transportation as part of our cost, but we had to do it during the pandemic, especially the later part of the pandemic. So we don't see that coming back up.

And when we look at material costs, that will, as we can see now, it's on its way down, we don't see any dramatic increases there either. Or rather we see continued pressure on prices like aluminum, plastic, to some extent steel as well going forward. So we don't see that part change either.

When it comes to the mix between the product groups. I think it's very difficult to say, like Mattias has mentioned already, to say when this will change. It's more a question of the market sentiment. But in the short term I think there is not going to be a huge change also in the product mix.

Andreas Lundberg: Cool, thank you. And the un-utilisation of capacity in factories, how do you see that factor?

Mattias Ankarberg: Mattias here. It is clear that we are not producing to full capacity, quite a bit from it. And of course that is putting a drag on the gross margin. Over time as we continue to grow, we will fix that situation of course. And that will help the gross margin going forward. Depending on the market situation, as Jonas alluded to, that can also help us for 2024. So that is an upside if we get the growth that we are hoping for.

Andreas Lundberg: Thank you. And then lastly, you talked about R&D to sales before, but could you perhaps give some flavour on R&D in absolute numbers, where you're heading into 2024? Thank you so much.

Mattias Ankarberg: Yeah, we are at a level now where we have some big projects that cost a lot of money. Of course car seats is such a project where we are launching next year. So we will remain at a high level also next year in terms of absolute terms. But we don't see an increase from this level in money. We will complete the big project that we have going on, so we will continue to be at a high level, let's put it like that. For 2024 specifically to your question.

Andreas Lundberg: Thank you so much.

Operator: Thank you. Our next question is a follow-up from Daniel Schmidt from Danske Bank. Daniel, please go ahead, your line is open.

Daniel Schmidt: Yes. Hi again, Mattias and Jonas. I just wanted to follow up a little bit on the discussion on the cost lines and especially COGs. And you talked about it Mattias just now in your comment when it comes to '24, depending on demand, you hope to have better capacity utilisation in '24. And that of course would be nice. But also coming back to the investments that you've done in automatisisation, shouldn't that once you get that more normally utilised, given the investment that you have done in the production, shouldn't that be an extra kick?

Mattias Ankarberg: Yes.

Daniel Schmidt: Yeah. Good. That was all for me.

Operator: Thank you. Our next question is from Mats Liss from Kepler Cheuvreux. Mats, please go ahead, your line is open.

Mats Liss (Kepler Cheuvreux): Yeah, hi. Thank you. Two questions please. First, I guess you indicated you have all these new product launches. And is this something that you plan to ramp up production for or are you already ready to launch them? Could you say something about that.

Mattias Ankarberg: Yes, happy to. In terms of capacity or structural set up, we don't need any further investment. We are ready to move into 2024. And then in terms of actual production starts for different products, of course there's a whole number of launches here and they start at various time points. Some have started already, and some will start during particularly in the first part of next year.

Mats Liss: Okay, great. And then maybe a more philosophical one about M&A opportunities. I guess in maybe slower economic conditions, even if it don't affect the premium segment, do you see opportunities to grow through acquisitions to use opportunities popping up? Or is it more products and the similar strategy that remains the same, more bolt-on and so on?

Mattias Ankarberg: Well, I think first of all I'm a big fan of organic growth, so that is the foundation. And very product led, product driven growth. We talked a bit about earlier this call, so that is the foundation.

I like the bolt-on acquisition strategy that Thule has done previously. I mean, we've seen some really good examples of the giant bike seats, the rooftop tents, the Chariot, the multi-sport trailers back from almost more than a decade ago. But the approach has been finding really great products that have traction, fits with Thule brand, get it into the Thule family. And we can both improve the product and provide global distribution. So those opportunities we are interested in.

And I actually think that the market environment is not hindering or enabling it so much, it's more about finding the right opportunity. So we'll keep our eyes open for that also in a more challenging market environment.

Mats Liss: Okay, great. Thanks a lot.

Operator: Thank you. Our next question is a follow-up from Carl Dezenberg from Carnegie. Carl, please go ahead, your line is open.

Carl Dezenberg: Yes, thank you. I had a follow-up also. And that is with regards to pricing. You talk a little bit about some promotions here in certain markets in Q3. I recall that your price dynamics have been, or that you've been raising prices subsequently throughout the pandemic. And I think previously you've been quite clear that there will now be downwards adjustments. That's at least what I recall. So I just wanted to hear your view on the pricing dynamics going forward. Will these new launches that you're talking about here coming into the market from next year be used as a way of increasing prices, for example, through these iterations? Or what's your view and the feedback that you hear from customers around this?

Mattias Ankarberg: Yeah, that's an important topic. We have done a lot of price activities of course in the last couple of years. And we are for sure not seeing a need for decreasing prices in general. Having said that, we also are not pushing for a general price increase. What we do is, which is maybe what you alluded to Carl, always see opportunities for increasing prices with new products. We see that new Thule products are well received. And the new features and elements that come out to our products, people are willing to pay for. So given the launch calendar for next year, which is very full, the new product will of course drive average price up for the company in total.

Carl Dezenberg: Okay, very well. So you don't see or hear anything from competitors pressuring prices given that the market dynamics have deteriorated slightly, that's nothing that ... the feedback that you're hearing?

Mattias Ankarberg: Well, we see and hear a lot of things in that area. I think on the retail side, the promotional activity's quite high to be honest. But we do see that we play particularly in the premium segment, and there the pricing pressure is less. And we see that newness is performing. So we are positive and confident in that pricing situation that we have. And also confident in the ability to increase average price through new products.

Carl Dezenberg: Okay, very well. Thanks again.

Operator: Thank you. We have no further questions, so I'd like to hand back for any closing remarks.

Mattias Ankarberg: Thank you very much everybody for joining this quarter's call. And have a great weekend. And look forward to speaking to you again in a quarter's time.

[END OF TRANSCRIPT]