

Thule Group»

**Thule Global Group Meeting
with Investors**

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Introduction

Daniel Schmidt

Senior Analyst, Danske Bank

Welcome

Welcome everyone to this afternoon call with Thule's Management, Thule CEO, Mattias Ankarberg, and IR, Fredrik Erlandsson. Super happy to have you on board, and hopefully give us a good rundown for the coming hour, I think we have set aside. I do not think that we will surpass that. Maybe it is going to be a little bit less. There is no presentation. This is a Q&A session. And everyone that wants to ask a question, just raise your digital hand in Teams and I will call you out.

I can also say that it is going to be recorded and there is going to be a transcript published on Thule's webpage afterwards.

But starting with that, maybe I can start and then everyone that has a question can just follow up. My name is Daniel Schmidt, and I work for Danske Bank. And I will be hosting this call. So Mattias and Fredrik, welcome.

Q&A

Daniel Schmidt: I just wanted to start by asking Mattias, if you could give maybe a short recap of what you said in Q3, what happened in Q3, and just a reminder simply, and we will start from there.

Mattias Ankarberg: Thank you everybody for joining and happy to answer your question, Daniel. Looking at Q3, we characterised this as a good profitability in a tough market.

It was a quarter where Thule returned to sales growth, not by a lot, it was 1% currency-adjusted organic but still positive. And we had good gross margins and good profitability margins, EBIT margins in line with where we were pre-COVID, which we were happy about.

It was also the best cash flow quarter ever to Thule Group in a specific quarter. I think what we spent quite a bit of time talking about in Q3 and maybe relevant for today also is the underlying trends we saw on the sales performance, where we really saw a mixed picture with two clear pluses and two minuses so to speak.

The strengths, the growers for us were first of all the bike category. Bike is important for Thule Group, as I am sure those who follow us know very well. And this was the quarter where we returned to good bike growth following the bike retailer, challenging inventory situations. That was one big plus.

The other plus was Europe in general, where we see except - beyond the bike growth, we saw a stable or solid performance in basically all categories with one exception. So pluses on bike in Europe. The negatives were the exception. In Europe it was the RV, the Recreational Vehicle business for us, where Fredrik and others have shared for quite some time, that is our only cyclical business.

It is Thule's only exposure to a cyclical segment and we have been expecting that to come into decline at some point, after a very positive trend for many years, and now we saw that happening in Q3.

The other negative for us in Q3 was Americas, where we saw more negative consumers deteriorating sentiments. Also, a little bit comparables basis in there.

But in short, pluses on bike in Europe, negatives for us on RV, worth to remind you that 95% of our RV-related sales is in Europe, and a weaker market in Region Americas.

Daniel Schmidt: All right. And just coming back to, sorry to say then maybe the negative, and I know that you said that the previous consumer optimism that you have had in North America reversed during the

autumn with the less optimistic consumer impacted which impacted demand, and as you said, you also had comparables being slightly different than in Europe and that also had effect, of course. I think you said it was 20% up in Europe versus Q3, 2019, and it was 38% up versus 2019, Q3 in North America. So of course that plays in as well.

But you did mention that consumer optimism reversed. Have you seen anything else as of late in that particular market when it comes to that variable?

Mattias Ankarberg: No, we see a continuation of that trend now into the fourth quarter. I think the latest consumer sentiment number from Michigan University, I believe it was yesterday or the day before, and it was a further small drop or a small 1.5 points I think. So continued drop.

And on a slightly more personal note, I reflected that Black Friday was last Friday, right? And it is a huge deal-driven week in particularly the US. And as noted, even Amazon made for the first time ever national TV ads for Black Week offers, which I think this is a pretty strong statement that volume is here to be shifted so to speak. So I think we continue to see that trend also here in Q4 in Americas.

Daniel Schmidt: All right. We saw from Dicks Sporting Goods in the US this week, a slight upgrade of their full year guidance, which is, of course, one of your retailers, but I guess that related more to a fairly good start to the back-to-school season for them, and maybe did not have that much to do with your particular segment of the market, or do you have any comments on that at all?

Mattias Ankarberg: No, we saw the same numbers as you did, Daniel, and the same comments from them with back-to-school driving their quarter and also noted that they specifically mentioned apparel and footwear and I think one or two other categories that is the drivers of growth, so it makes sense.

And to expand that point a little bit, we have very good relations with the strong accounts in the US as our retail partners, and we also see sell-through data, not just for Thule products but for our categories. And we see a consistent pattern in the category performance. So it does not help selling, but it helps us understand the market and that it is not Thule specific. It is a retail category of this behaviour at the moment.

Daniel Schmidt: Yeah, okay. So similar trends continue when it comes to the US. And then looking on the other hand at the European market, which was the positive coming out of Q3, you did mention actually that the French market was still quite tough, and with quite hesitant retailers. Is still the same picture when it comes to the European markets or what do you see there?

Mattias Ankarberg: Well, we see a continued more stable to positive development in Europe overall. So we feel quite happy about Europe in general. And again, the category dynamics are different with bike driving really strongly for us in Q3 and we expect to be positive for us in the coming periods.

Then there are of course individual country differences within Europe. And yes, France is a bit more hesitant, and I would dare to say that in some aspect that has to do with retail behaviour as much as consumer behaviour. And French retailers are, at least some of the major ones, still hesitant and very careful on inventory management.

Daniel Schmidt: Yeah, all right. And as you alluded to, I guess the mix in the European market, it is going to look a little bit different in Q4 than it did in Q3. We're coming into the low season on bike and implicitly, although I guess RV is not super high season either, but I guess it is more represented in Q4 than it is in Q3 from a mixed perspective in the European market. That is basically what you are saying?

Mattias Ankarberg: Yes, I think as we said in the Q3 call, these trends that we see, we expect to continue for a few more quarters at least. That means that we expect bike to continue to do well when bike is in season then to your point. And RV, we do not think that this is an individual quarter decline. We know it is a cyclical business so we think that decline will continue for a few more quarters.

And then, between the quarters, there are different dynamics in the quarters. And those of you who follow as well know that Q4 stands out as being the smallest quarter for Thule Group, but it is also of course a winter quarter for us, where we do not sell much bike products.

RV is actually fairly flat across the quarters for us historically because of the way that value chain is structured with the installation of Thule products well in advance of the consumer sales based on order backlogs, etc. So that speaks of course more negatively for Q4, where RV is a bigger part of the mix, whereas it speaks more favourable for particular Q2, which is also our biggest bike-related quarter historically.

So if we expect the trends to continue, which we are, then that will impact the quarters differently based on the mixed effects. That is correct.

Daniel Schmidt: Yes. All right. And I know that snow is no big deal apart from some parts of your geography, but the fact that we actually have snow now fairly early in the Nordics also in Stockholm, does that in any way trigger an earlier start for that particular season or does it have very little impact?

Mattias Ankarberg: Well, both your points are correct. So it does trigger an earlier start, but it is not the major effect on the total. But it is of course positive for us that winter season kicks off and that means we sell rooftop boxes and sport winter ski bags, so ski boot bags, but it is not the big impact on the total sales numbers. Winter is a small season compared to the summer.

Daniel Schmidt: All right. Anyone that wants to raise a question, just raise your digital hand and I will call you out. In between that, or before that happens, I will continue with my questions.

All right, so more of the same is basically what you are saying. Then you have to keep in mind the differences when it comes to seasons depending on the end market exposure in different geographies. We have actually a question from Danielle. Please go ahead.

Danielle Gargiulo (American Century Investments): I just wanted to ask about capacity utilisation. I think in Q3 you guys pointed to still lower than ideal utilisation, so if you can just talk about, if you can quantify that and if you expect that to improve next year?

Mattias Ankarberg: Thank you, Danielle. Yes, it is very much true. We talked about underutilised production capacity and quick context for everybody is that there are two factors driving that.

First of all, we have invested a lot in our supply chain capacity for the future. We want to continue to grow, of course, but we also come with new product categories which require new production lines, etc.

Secondly, it is no secret we have had too much inventory, so we have been selling what we already have so to speak, and therefore not producing as much. And we expect that underutilisation, as we call it, to continue also in the coming quarters, less and less as we start to produce more and more and we enter the new categories. But we will continue to see an underutilisation in our factories.

We still have a bit too high inventory levels and we expect inventory levels to continue to decrease also in 2024. So we will not run up to where we could be in terms of utilisation for quite a few quarters into 2024, but the levels will improve over time.

Daniel Schmidt: All right. And can I maybe just add on that question. Do you find it reasonable to believe that it is going to be divided into two next year, that the first half is signified by further reductions of inventory and then as you get to the summer you could have full utilisation? Is that reasonable or any comments on that scenario?

Mattias Ankarberg: I think it will be along those lines, maybe not fully where you are depending on due to category mix differences in our production, but we will be able to reduce quite a lot during the first half. A fairly significant share of the inventory we still have on hand is bike-related, which is again mainly in Q2 and Q3. So that is correct.

And then of course this utilisation effect also similar to the sales patterns plays out a bit differently across the quarters if that was an addition to Danielle's question there.

Daniel Schmidt: All right. I guess it comes back to also when we get the start of the high season, which is a bit weather-dependent if it is mid-March or late March or worst case early April, I assume when I look at the European market at least and maybe also the US market, where I guess you have more inventory issues on the retail side as you have mentioned. All right, any other questions from the audience?

Maybe just from me then. And I think you have been fairly clear that we are of course at the end of this year in the low season and you are still in a situation where you are underutilizing your production capacity, leading to under-absorption of fixed cost. At the same time you have had mix change when it comes to channels, which has been going on for some time, but which has been accelerated. Do you see that channel mix change still moving in a favourable direction? I.e., more and more is coming from Thule.com? And what rate is that happening as we look at it right now?

Mattias Ankarberg: Yes, so in Q3 we published numbers to say that we were at, I believe we said 7% of sales in the quarter from Thule.com. And on stepping back and in a broader view, you are correct, Daniel to say that we've had favourable effects on gross margin then both from channel mix, more DTC, but also product mix.

We have continued to develop new products and more premium products which have helped us and over time also exited lower margin OEM or, what we call, legacy categories. So that has been favourable for us for sure.

Daniel Schmidt: Yes. And it is always difficult of course, but if you add the fact that 2024 is going to be a record year in terms of new products coming to retailers, and if we continue to see this channel mix change moving in a favourable direction for you, do you think that that will neutralise the underproduction that you will still have at the start of next year, or how is that going to stack up you think against each other?

Mattias Ankarberg: Let me answer that question in two parts. I think overall with our strategy of developing products, more premium products and growing our own DTC share, that should speak favourably for our gross margin over time. So that is one clear answer to that and we can speak more details.

And the other part is, of course, if that is what you are asking, the quarterly dynamics where the under-absorption or underutilisation doesn't hurt so much in so to say the big quarters, where we have quite high sales. But of course with the higher fixed costs, which it is with underutilisation, it hurts more in the small quarters. So if that is the second part of your question.

But over time these are positive movements for us to continue to introduce more premium products, better margins, and also to shift more of our sales to our own sales channels.

Daniel Schmidt: Yes. I will come back to the product programme. But the flip side of that is because product development spending, which has been running very, very high and for obvious reasons because you have been in a period where you have been launching a lot of new products and we have seen some of it already in 2023, we will see more of it in 2024.

But how is the balance going to work between product development costs going through the P&L and new products coming to the market? You have been saying that it will stay, if I remember correctly, flat-ish for some time in absolute numbers. And could you shed some more light on where we are or where we will be in the coming quarters on that particular line, and when you think it is going to go down in absolute terms maybe and hopefully then in percentage of sales?

Mattias Ankarberg: Yes. So historically we have spent around 5% to 5.5% of our sales into product development or R&D. We are almost at 7% for the last 12 months. Of course we could have hoped that sales would have been bit higher, would have helped the percentage. But the big reason is that we invest quite a lot for the future. And particularly, we are launching two new product categories.

And as we commented on, by Q3, we expect product development to remain at the high level, the same high level in absolute terms also next year. And the biggest reason for that is also coming back to car seats.

And if I can be a bit more specific, what happens for us is that we of course take development costs for doing the project, the concept, the design phase, the development, but also the tools to actually manufacture the actual product. And that comes towards of course just before the start of the production phase.

So as we move into car seats production soon, there is quite a bit of tooling costs for us to take, which happens in the coming quarters. And as a reminder, at Thule Group, we expense that on the P&L, and we do not take that as CapEx and depreciate it over time. So we expect the R&D spend to continue to be at the high elevated level also in 2024 in absolute terms. And hopefully that means lower share of sales of course.

Daniel Schmidt: Yeah. Coming back to what you said there on tooling costs for the car seats, should I read that as basically two parts of a launch related cost? Partly just developing the product but then also as it goes into production, you will have an extra cost so to speak when it comes to depreciations relating to COGS. Did I get you right?

Mattias Ankarberg: Yes, actually almost. For tools, you are right that we developed the tools ourselves that we use in our production lines. But actually we expense those tools as cost items to our P&L directly and we do not depreciate it. That is why it becomes a bit lumpy so to speak.

Yes. So the tail end of a specific project, in this case a complicated complex product like car seats requires quite a bit of tooling, and that is expensed and that happens well basically starting now in the next two quarters.

Daniel Schmidt: All right, good. And is it possible in any way to quantify that expense or give any indication or any more flavour on that?

Mattias Ankarberg: No, of course, it is possible. We know the numbers. But we have not been sharing that before, so it would not be appropriate to share it at this call I think.

Daniel Schmidt: Yes, sure. Okay. All right, good. Questions from the audience? Anyone? Yes, Danielle, please go ahead again.

Danielle Gargiulo: Yes, sure. I will ask again. Two parts. If you can just talk a little bit about bike retailer inventories in the US. I think you may have called out a difference between smaller independent bike retailers versus some of the publicly traded companies we might be following. And then related to that, typical lead times of when retailers would usually place orders from you guys, and that is probably changed a lot over the past few years. So how that is looking as we go into your busy seasons next year?

Mattias Ankarberg: Happy to. So to give everybody the right context, there has been a lot of bike retail overstock for a few quarters, which is now back to much more healthy situation as of Q3. And as Danielle alluded to, we see a difference between both Europe and North America and also within North America.

So in general, we would say that bike retail have too much inventory period and that is what you probably hear from other publicly traded companies like Shimano. But we see for Thule bike specific products, bike retailers in Europe have healthy levels again in general, which is good for us. So one product sold to the consumer from the retailer, one product replenished from Thule basically.

In North America, we do see the same healthy bike-related inventory level for Thule products with the bigger accounts, so the national accounts, in particularly the US. Where we do not see that situation is with the independent bike retailers, which are many and quite substantial share of the market in the US. So that is a difference. It takes a bit more time for that to normalise or become healthy again in US as a whole.

Let us see, what was the other question, Danielle? Could you please remember or remind me?

Danielle Gargiulo (American Century Investments): Yes, just order lead times, cadence of when retailers typically would be placing orders, for example, the Q2 high bike season or your other products as well?

Mattias Ankarberg: Right, thank you. Thanks for the reminder. So in general, if you look at the majority of our business, so excluding RV and excluding big new major launches, we have a razor-thin order book in the sense that we provide quite fast or frequent replenishment to our retailers. So we try to have next day delivery. It is not always the case but very frequent. It is part of the Thule business model to serve retailers with frequent deliveries.

Of course for new products, we cannot sell everything to everybody, we have to manage distribution, we have to sell in facing, etc. So there we work a bit differently, but that is a separate exercise to speak.

But in general, we have very fast replenishment and very frequent deliveries to our retailers.

Daniel Schmidt: I can jump in if there is no others from the audience. You mentioned in connection with Q3, and I think you have said it before also at the very early start of your leadership and as you took the role of being the CEO of this company that of course product is king, there is no doubt about that and we need to invest and that is what we will continue to do in product development. But you did mention areas of improvement and more focus on the end consumer, direct to consumer was mentioned and talked a little bit about.

But if you shed some more light on that particular topic when it comes to sales force selling process, and being present on various platforms, what you need to do basically, and what is the potential and how long will that take and so on?

Mattias Ankarberg: Yes, happy to. And again, if we step back and look at Thule and our goals and our performance, we have a fairly ambitious but achievable financial targets I would say, which we stand by. But to reach them, we need to grow. We need to grow faster than we have done historically. And we need to build on what we are good at, but we also need to prioritise sales growth higher and find more ways to drive sales growth.

A bit oversimplified, you could say that if we grow, we reach our targets. It is hard for us to save ourselves to higher profitability long term. But we know and we have seen for example during the pandemic years, the effect that organic sales growth has on Thule. So the big game here will be to put more emphasis on sales growth.

And I see three specific components to that, building on what we said in Q3. First of all, continue to invest in product development. We know that that is driving sales for us. We see that new Thule products drive good sales growth even in a tough market as we saw with for example the Thule Epos bike carrier during Q3. So that is one.

Secondly, enter new product categories. Also, something Thule has done throughout history. Now we do it even more. We come with two new product categories already in 2024, so that is an important second piece to the growth agenda.

And then lastly to become more visible to the end consumer or work more directly with the end consumer. And I think we could split that last part into two areas. First of all, we know that Thule has a lot of consumers that like us, I would say even fans, but very few of them actually are aware of our entire product offer.

We are nowadays in quite a few product categories. When we sell through different distribution channels, largely category specific, so the only player that can explain to the end consumer the breadth of our offer is ourselves. So we need to do more of that to become more visible.

And the second part is we know that not just for Thule, but for most brands these days, fans or some fans at least, would like to buy directly from the brand for various reasons. And that is where Thule.com or D2C comes into play for us. And we have started, we are growing, but here we can do much more. And just two weeks ago we opened Thule.com for sales in two new countries, Austria and Spain. And we see that that gives growth already from the get go.

So three major pieces to drive the growth: product development, new categories and consumer visibility. That will be key for us going forward.

Daniel Schmidt: Yes, and consumer visibility, could that be explained also apart from direct to consumer in terms of social media or where do you want to invest even more, which you have not done so far or accelerate the investment?

Mattias Ankarberg: Yes. No, there will be a sales part to it and the communication part to it as you are talking about, Daniel. I fully agree. And here the modern marketing tool box is quite full. There is a lot of things to do. For sure, we will be more active on social media and digitally. PR is an area where we have started and we can do more. Events is also something which is quite successful these days to connect directly with the consumers. So we will explore various options and it will be an important part of our agenda going forward.

Daniel Schmidt: And as always, the equity market is also of course trying to incorporate everything in that equation. And one part is the cost side. And what do you see in terms of matching adding cost to this and getting it in return on top line? Is there a big lead time between what you need to do in order to get where you want in terms of top line growth in investments? And I guess those comes first and then the gratification of course. Could you shed any light on that?

Mattias Ankarberg: Yes, sure. No, of course, every major new initiative costs money. There is no getting away from that. The beauty of this priority or this initiative comes with visibility that actually generates some, at least part of it quite quick sales returns, when you say on Thule.com. And we will go after it with force, but we will take it stepwise to make investments in a wise matter.

I think it will mean a bit more sales and marketing cost for us over time. But for example, looking into 2024, the most important part of the sales and marketing work and cost base or cost increase will be related to the biggest launch calendar of new products we have had any year.

So over time we will invest and we will get the return investment and we will build out more on what works. But the beauty is that you can start with quite specific and targeted investment and see that the return comes before you spend more so to speak.

Daniel Schmidt: Yeah. And of course investing in your direct to consumer channel as we mentioned before, is hopefully going to believe to continued positive channel mix effects on the gross margin. I think we mentioned that the current level of sales that goes through your own channel is below 10%. Did we

mention 7%? Where do you think that is likely to go? What's reasonable to be able to achieve over the coming three years for example?

Mattias Ankarberg: Yes, so in all transparency, we have not done the full strategic exercise to set targets and all of that yet. We will of course. But from a broad perspective, I would say that coming to some range of 15% to 20% is reasonable given our category mix. And then again, the timing of that will depend on how fast we invest and how we prioritise that versus other efforts. Around that range.

Daniel Schmidt: Yes. Over the same time span or did you mean overall? I think I mentioned three years. I do not know if that is quite a short time period of course, but maybe medium term to put it that way.

Mattias Ankarberg: Yes.

Daniel Schmidt: Right. And then I guess with the line extensions that you are doing next year with the car seats and transportation cages, to me it does sound like that should be something that could equally well be sold through your own channel as well as physical retailers or am I wrong?

Mattias Ankarberg: No, you are right. Yes.

Daniel Schmidt: All right. Any other questions from the audience? Yes, Alex, go ahead.

Alex Stout (River and Mercantile): Just from a sustainability perspective, could you just comment on the Group's emissions reductions plans, maybe whether you think the 2030 targets are aggressive enough? And maybe some thoughts on the overall longer term strategy and major challenges as you see it?

Mattias Ankarberg: Yes, very happy to. It is an important topic dear to Thule Group and also my own heart. We have committed to the Science-Based Target initiative. So we have very clear targets. And overall, we feel very comfortable with the Scope 1 target achievement, we will get there. Scope 2, we also have a very strong plan to get to, and we will make continued investments into making that happen in terms of energy heating, etc.

Scope 3 is, as everybody, I think the main challenge. We do things but we need the world or component and material suppliers to also improve. So that is the one big challenge, Alex, there is no getting away from that.

What we have started to do, and we will do even more in the future, is to try to think or not try, we will think about the materials and the Scope 3 perspective already at the product design stage.

So if you take Thule Epos for example, our newest most premium bike carrier that we released during spring this year, that was designed purposely to include materials which are more lower emissions so to speak, recycled aluminium, other parts. So in the Thule Epos, depending on the exact model, actually has a footprint that is 30% to 50% lower remittance than corresponding previous bike carriers.

So we have a pretty clear target, we have a roadmap and a plan to get there. And Scope 3 is the challenge, although we work with it already from a product design stage.

Daniel Schmidt: All right. Alex, do you want to follow up?

Alex Stout: No, that was perfect.

Daniel Schmidt: Okay, if there is nobody else right now I will continue. In this market where we have seen a lot of volatility on the sourcing side and very elevated inflation and now it is coming down at a fairly quick pace and especially freight and also raw materials. I think you have mentioned that you are not planning to raise prices as you usually do at the beginning of the year. Has anything changed to that stance?

Mattias Ankarberg: No, that still stands.

Daniel Schmidt: Yes. And speaking of the falling prices then, I think you have been benefiting from lower freight costs for a while this year, while you have been lagging when it comes to benefits from lower raw materials and I think that comes back to the inventory levels. And now you have been actually taking down inventory quite a lot during the past three quarters. When do you think that lower raw materials will filter through the P&L for your sake?

Mattias Ankarberg: It will gradually as we sell what we are more recently have produced so to speak, which to the conversation earlier, we will continue to reduce inventory also in 2024. So it will have a gradual effect throughout the year of 2024.

Daniel Schmidt: And even if you reduce inventory at the start of 2024, will there be a slight mix of products that you sourced at a lower price?

Mattias Ankarberg: Yes. Of course, yes. I mean, of course, we do not have inventory of all of our products, plus we have newer products and I guess you can discuss the definition of if that is lower or not. But for example, when we introduced Thule Epos, it is a completely new product, we would produce it with lower price, "raw materials," as we have started to produce it already only in 2023 so to speak.

Daniel Schmidt: And just coming back to the launch programme, which is, of course, very extensive and with two new product categories, which I think you mentioned in connection with the CMDA 1.5 year ago, that you will be a big player in the coming six, seven years. We are still not in the market yet, but of course you have ambitions for these two categories.

And I think you implicitly said that they could be 600 million, 700 million, 800 million of sales, each one of them six, seven years out. Has anything changed to that belief?

Mattias Ankarberg: No, we believe both can be clear, big, significant maybe is the best word, contributors to our sales performance. That is still the case. And to give some more size around that, you could say we launched two new product categories next year. The dog transportation category is around SEK2 billion, so Swedish in the premiums and of the market globally.

We will come in as probably the only major global brand in that category. So we over time hope to take a quite significant market share there of that SEK2 billion premium market. So that is a sizable chunk when we achieve it.

The car seats is a bit different dynamic. It is a clearly bigger category. It is about a SEK15 billion premium market globally. But there are of course other competitors which we should respect that are in there. But taking a reasonable market share, also that category is of course also a significant add to Thule Group sales. So two pretty good pieces to add to the Thule puzzle.

Daniel Schmidt: Yes. And any initial, I know it is still early, when it comes to the car seats I think they will be as retailers towards the end of Q2, but you have had both products being shown on fares and so on, so you have displayed it to retailers if I am not wrong. Any comments that you want to give on the reception of these two products among retailers?

Mattias Ankarberg: We have had positive receptions overall. And again, the car seats have been shown for a few occasions now since it is a long development process and we have shown it throughout the last phase. And we have also secured listings with some good premium distribution retailers early on. So we feel optimistic about that.

And then, of course, we want to see the sell-through before we become overly excited. But at this stage, we are optimistic based on the feedback that we are getting for both dog transportation and the car seats.

Daniel Schmidt: And do you feel that looking at car seats, which is, of course, a fairly big market, your car seats models, are they coming with a different or more unique solution than competition? Or is it more about safety and design? Or is there any way that you differentiate with that particular product in any special way?

Mattias Ankarberg: Yes, so we are bringing an innovative product to the market in terms of thinking about safety already from the installation. And then there are some specific ease of use and also design features that we are very proud about. But what we have thought through very carefully with the car seat project is to eliminate misuse in consumers. Of course there is a lot of products in the market, some of them are very good, but we know and the statistics vary a little bit on who you listen to, but the significant share, everything between 30% to 60% of car seats are not installed correctly. So we made it very easy to get it right so to speak at the installation part.

On top of that, we have what we believe is high safety standards at the Thule level for impact protection. And of course we also have an ease of use product which we get good consumer test groups reviews for, and the Thule design which we work at Thule of course love and we hope that the consumer will also like it. So we are bringing a product that stands out to the market and that we look very much forward to.

Daniel Schmidt: Yes, sounds good. Questions from the audience? Then I will go on. Just coming back also to what you mentioned in connection with the Q3 report, apart from focusing more on the end consumer, you also mentioned reducing access, supply chain capacity, external warehousing services. Has that been addressed since then? Or is that something for 2024?

Mattias Ankarberg: Yes, that is correct. I mentioned that and that is something we have addressed now, but we continue to address in 2024. And to maybe clarify what we are talking about when we have invested as a company for future growth and new product categories in both factories and warehouse capacity so to speak. We manufacture most of our products in our own factories. We have nine factories across the world and we think that that is an advantage for us, a strength for us because we can control the process, the quality, work with efficiency improvements, etc.

Now we will maintain the capacity we have in our factories and that will increase over time as volumes go up. But when it comes to warehousing, we have a mix of own or owned warehouses and also external services, third party logistics providers. And now that we see we do not have a need for all that capacity. What we do is we terminate some of the contracts with the external warehouse providers because we do not need that.

And some of that has been acted on and that will impact 2024 and some of that will be acted on in 2024 and will impact 2025.

Daniel Schmidt: Okay, so there is a lead time of course also to that action?

Mattias Ankarberg: Yes.

Daniel Schmidt: And just also maybe coming back to end market exposure and as you clearly mentioned, you have had a good performance in Europe apart from one area, which is really the aftermarket business of RV, which begs the question that the OE business, which is still growing in Q3, coming mostly I guess from a fairly good backlog. And although we have seen continued positive statements from European manufacturers, I guess everyone is just asking themselves when this particular market is going to take a pause and come down a bit? Have you seen any indications of the OE market in RV coming down?

Mattias Ankarberg: No, not as of yet. The trends that we see in Q3 continue and now we are very specific here about RV and OE channel specifically within that. But the dynamics in that specific segment are at this phase driven by two factors we would say. One is the backlog that has been very long, I would say from my own perspective, like some segments in the car industry. So that has enabled continued OE/RV growth.

The other factor is new models being introduced in spring 2024, which OEs of course produce for ahead of putting them on the parking lots. And that also built a bit of Thule Group RV volume because we sell some of the products to be installed already at the vehicle outfitter stage. So the OE growth is driven so far by both backlog and future model production.

Daniel Schmidt: Yes. All right. Good. Anyone else that wants to pose a question? Just raise your hand. Your digital hand so to speak. All right, Martin[?], go ahead.

Speaker: Hi guys. I am curious to hear what the consumer response is to this Thule Arcos boxes so far?

Mattias Ankarberg: Positive so far. It is particularly positive with people who are caring about range, electrical vehicles, where people like to put things at the back of the car instead of top of the car. So it has been well-received and something we have hopes for also, of course for the future years.

Speaker: What does the competition look like there? It strikes me as a fairly pricey product.

Mattias Ankarberg: Yes, well it is a Thule premium quality product, so I think it is a well in range with our pricing strategy. And for these rearer car solutions or tow-bar mounted solutions, if we are talking about Europe, Thule has a very strong position. So competition is not in this specific product category, something that we really worry too much about.

Daniel Schmidt: All right. Any further questions from the audience? I can jump in and of course we have talked about car seats for a long time, and also dog transportation cages and I guess the lead time to come from a planning stage to reaching retail is of course takes some time. And you have this 2030 target that you talked about is ambitious but still achievable. Is there any plan of adding even more categories along the way a couple of years out from now to get there? Or this is the assortment that you will have to 2030? I assume that it will be upgrades and all that that we have discussed, but as you look at the product portfolio, is it going to be even wider in a couple of years time?

Mattias Ankarberg: Yes, we will continue to expand the portfolio for sure. We work with quite long-term plans when it comes to products and product categories. And of course we have an internal list for the next set of categories we think is very interesting. And they have come, there are various phases of maturity, put it like that.

But as a company we are in the short term for next year, very focused on driving success in these two categories to get them introduced correctly and get the distribution out and consumer reception, etc. But for sure we have more plans for more categories for the coming years.

Daniel Schmidt: Is that something that you are already taking some costs for or is that rather a late 2024 or early 2025?

Mattias Ankarberg: At this stage, I would say neglectible costs. It is more on the preparation stages at this stage.

Daniel Schmidt: Yes, right. And maybe a finishing off question, if there is nobody else, and I think we have already mentioned a few areas where you saw improvements as you got into the CEO role of this company, although you have been on the Board for five years before you became the CEO, so I guess I am sure you knew the company fairly well. As another month has passed basically, which is not that much, but still, is there any other reflections that you want to convey six weeks now or five weeks after the Q3 that you have come to think about in your role?

Mattias Ankarberg: Well, I think I am a big fan of building on strengths, as I said, and I think Thule has many. And there was an interesting anecdote. Two weeks ago, we had our biggest customer press event ever with almost 400 people present to present the launch calendar for next year. And it really strikes me how the Thule Group offer has been broadened, and how there is so much more to share to the world, so to

speaking. That there are so many fans, there are so many people who really like Thule, but the vast majority of them have a limited view or their view of the offer that we have for the consumers. So I think there's a clear opportunity to demonstrate more of that to the end consumer.

But otherwise, no, still we have a very positive company culture and I think the colleagues that we have around us continue to do good things every day. So it is a positive experience, even one more month into the job.

Daniel Schmidt: All right. Sounds good. Okay, I think we have a couple of minutes left, so I just want to ask again, is there anyone that wants to ask a final question, just raise your digital hand. No? All right. I think we finish off and just want to say thank you for everyone that called in and especially thank you to Mattias and Fredrik from Thule, and we will see you when you report simply. Thank you.

Mattias Ankarberg: Thank you.

Daniel Schmidt: Thank you so much.

[END OF TRANSCRIPT]