Thule Group Year End Report Q4/2020

Wednesday, 10th February 2021

Transcript produced by Global Lingo
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Thule Group Year End Report

Magnus Welander

CEO, Thule Group

Welcome

Good morning everybody and welcome to the Year End Report for 2020. What a weird year 2020 has been.

2020/Q4 Results – Strong end to the year caps off exceptional H2

if we turn to the first slide of the presentation and look a little bit on the fourth quarter results. Of course the fourth quarter sums up a fantastic second half of the year. When we looked at the third quarter report we told you that we were expecting a decent pickup to come and actually even slip into the fourth quarter. That was exactly what happened. For the fourth quarter we reported a 45% currency-adjusted growth and it was very similar in the two regions with Region Americas growing 48% and Region Europe & ROW growing 43%. A very strong result.

As we said many times, we are very convinced about our capability of when we see top line growth we have a very slim and still very much scale in our business operations in the back end and that economies of scale really was helping us to achieve a strong EBIT margin in what normally is a small quarter. Meaning that we delivered an EBIT margin in the quarter of 15% compared to the close to 6% that we normally would have in this period. Strong cash flow also from the strong sales in Q3 and that meant that overall we delivered a very strong result.

Based on that strong result there is also a Board proposal for a dividend that then means that the dividend we will present to the AGM is still in two parts. In practice you could say we then pass on the dividend that was planned for 2019 as an extraordinary dividend in 2020 instead. On top of that we increase the ordinary dividend to SEK 8.00. In total that means a SEK 15.50 dividend in the year.

Key Events: Ambitious product development efforts continue to pay off

If we turn to the next page and look a little bit of some key things that have happened in the last few months, I am extremely proud of the fact that although it was not to the big hoopla you would normally do when you inaugurate a building where you have invested SEK 100 million, which is what we have done in our new R&D centre, it was mostly myself and the Head of Global Product Development, Kalle Magnusson, that walked around there. However, I am still very positive about the fact of having opened that building. That building is a piece of a big puzzle of a continued strong focus on making sure that we continue to have the best product in the market because product is king in this company and we will continue to develop great products.

In 2020 we spent 5.1% of sales on product development and, as you know, that means that it was a decrease versus the 6% we had previous year. The logic for that is of course the fantastic top line growth for the full year of 13% and also the fact that we did not push as hard on some of the planned luggage projects. In general we will still travel slightly above 5% in the coming years, as previously indicated. The great new facility that has opened up will enable us to even more efficiently bring out more products to come and what is also very positive to note is that after Board approval in December we have already kicked off the building works of a further expansion of our world-leading Thule Test Centre. In that Test Centre we will expand with more testing equipment, more space and some new areas for testing for future product categories. That Test Centre expansion will be opened early Q2 in 2022. A continued big effort there.

Those new developments bring loads of great new products out there. In 2021 we will be bringing several new bike carrier models, several new Packs, Bags & Luggage, updated and refreshed strollers and bike trailers for our kids, but also what is nice to see in our recently entered category, rooftop tents, that our brand new Thule Tepui Foothill tent will come to market in Spring. It has already won the prestigious ISPO Gold Award as an innovative way of ensuring that you can't only sleep on the car but you can also bring the gear with you at the same time. Continuing success will be key and I am confident of that in product development.

2020/Q4 and 2020/FY – Net Sales and underlying EBIT development

If we look at the full year on the next page of the presentation, I think it is easy to get focusing too much on specific quarters and we said already after a weaker Q2 that we expected the year to see a very strong second half, when the season that normally is spring and early summer became a summer/early autumn and even into late autumn. It is more important to look at the full year. For the full year we delivered a 13% currency-adjusted top line growth and a 27% EBIT growth. What that means is I am very happy to say that once again as a company we have proven that we do not only set targets but we actually achieve our targets. That means that we have now for 2020 an EBIT margin of 20.3% so better than the target that we set in the Capital Markets Day in 2017.

I now then know that a lot of you will be keen to know what is the next financial target, especially as the 15% target was reached in 2015, the 17% target was reached in 2017 and the 20% target in 2020. I am sure some analysts are very optimistically waiting for the next target. I can tell you that we are not doing any financial target-setting at this time but that we will later on in this year/early next year come back at a Capital Markets Day talking more about our financial targets as a whole. Then of course talking more about the business as well, which is even more interesting.

Pandemic-impacted season phasing in 2020 – Will also impact 2021 comps

If we go to the next page I am presenting the quarterly sales through past years and the reason I am doing that is to ensure that we do not get carried away on comparative numbers because the reality is of course that when we will look at 2021 due to the exceptional 2020 we will start the year well in comparability versus previous year. I have no doubt that we will have a strong first half of the year. We should because 2020 was very weak due to the pandemic lockdown. Subject to that we do not see the same type of aggressive lockdown measures, which I do not believe, we will be seeing a strong performance versus the very weak 2020. However, then in the second half of the year we will of course be exposed to some very, very tough comps because the season was weird and it was compressed in a different period than normally consumers would buy our product.

The reality is when we are looking at our business for 2021 we are expecting that the seasonality will be more normal meaning much more Q2, much less Q3/Q4 but also that it might even be slightly more pushed that way into Q2 due to that some retailers missed out a little bit on opportunities early in the summer as the business started coming back. I think we did as a company a fantastic job being able to do 52% more business in Q3 and 45% in Q4 but still there were retailers that would have liked to sell even more but were caught off guard on the demand. Some of those retailers most likely will therefore try to anticipate believing as we do that the trend will continue with staycation and cycling going on also through 2021. If anything there might be slightly an even bigger skew than historically to the second quarter than late first quarter.

Thule Group 2020/Q4 and 2020/FY: Sales development by region

If we look at the results by the regions on the next page, you can see that I am also very happy to be able to say that both regions fared very well in the year and in the quarter. For a full year we saw a 10% currency-adjusted growth in the Americas Region and we saw a 14% currency-adjusted growth in Europe & ROW. I am not going to go into the details about the product categories because we are dealing with that in the coming pages but what it is nice to be able to say is that this growth is not just from a regional perspective.

There are very few markets where we did not grow. There are some Latin American countries where we struggled due to both the set up of distributor setup in a COVID reality with concerns in the market making the distributors more cautious and makes them sell down their stock before they order from us. Plus that some of the Latin American markets have been more depressed from an economic and financial situation. However, aside from that we generally grow globally around the world in most of the markets, which is very promising.

2020 Full Year: Sales development by brand

If we go and look at the next page and look at what it has meant in terms of which brands we are selling, the journey that we have been passing through for the last years continues. The Thule brand is truly successful. One by us broadening ourselves into new categories but also of course thanks to the fact that we are growing in the categories where the Thule brand is the undisputed market leader for more than 25 years. Within Sport & Cargo Carriers we grow very fast and on top of that we are successfully adding Thule into newer arenas like the Multisport & Jogging Strollers and Bike Trailers etc.

That meant that in 2020 the Thule brand stood for 86% of our sales. The tough market for the Packs, Bags & Luggage sector meant that the second biggest brand, the Case Logic brand, now represents 4% of sales and in total the smaller brands of the Thule Group represent 6%. Also, the private label sales and OEM sales to the large manufacturers of motorhomes as well as cars remained actually flat and that meant as a percentage of sales they declined. It is Thule brand that is dominating and the Thule brand is constantly being strengthened by the fantastic job that our marketing team is doing and by the breadth of what the sales teams are able to open new doors and new opportunities to meet consumers in different ways. However, in the end most of the people think our products are brilliant.

2020 Full Year: Sales development by product category and region

If we go to the next page and look a little bit on how we have fared in the different product categories. I would love to say that it was all green. I have told people that many times, you cannot be fully satisfied until you show green numbers on everything and unfortunately you realise that with what has been going on in the travel sector and what has been going on with people working from home, university students studying from home, it has meant, and I am sure you have read that, tremendous challenges for anybody in the Packs, Bags & Luggage arena.

Let us start there where we did no secret. We declined 21% quite evenly between the two regions as the share of development. If you look at that I am sure when you compare to bigger luggage players when their quarterly reports come out, you will be positively surprised how much better than many others we are faring. That is of course that we have less exposure, being a new player in the luggage business. Players that are doing most of their volumes in cabin trolleys and suitcases will see much, much worse numbers. So far most of them have indicated sales drops of around 70%. However, also in what we do very well, which is smaller laptop backpacks and laptop bags and sleeves, there has been challenges because, as I mentioned, when students do not go back to university they do not buy cool new backpacks. When office workers do work from home they do not buy the new laptop bags so there has been clearly some decline in those sales. We have won some additional contracts but retail stores have been very closed. We also do a lot of sport-specific and tech bags and in sport-specific we do a bike transport case when somebody flies with their bike. We do ski roller bags etc when somebody flies with their skis. Those categories have also been exposed to the drastically reduced sales while other categories like smaller hiking packs and bike pannier bags have done very well in the year.

If we look at the other end of the scale of where we truly outperformed it is within the Active with Kids category with 37% growth. That is a fantastic result by a long scale and in Region Americas even more so with 57% growth in the year. 33% in Europe & ROW is not to be underestimated either. What we are seeing here is a tremendous performance across the world in all the categories. In RV Products we grew 9% and in Sport & Cargo Carriers 17%.

Sport & Cargo Carriers: Winner in strong bike market

Let us turn to the next page and look at Sport & Cargo Carriers in a little bit more detail. If you look at what we are talking about here, in a category which many times I have got the question and there has been analysts and others that have said, 'This must be very dependent on car sales,' I think we can now this year kill that myth because, as you all know, car sales have been dramatically down while we show the biggest growth ever since I joined the company with 17%. In Europe & ROW we grew 18%, in Region Americas 13% and the drivers have been clearly bike racks. We know and you have read and you have seen about all the bike sales and bike selling [inaudible] which of course has helped us.

However, we also need to remember we have been doing very well with bike rack sales for many years before, driven by the trend that e-bikes are heavier and therefore more difficult to transport. They are also more expensive so somebody who has bought an e-bike and wants to bring it with them has a much higher likelihood to levitate towards the best brand even if that product is more expensive because compared to the high price you paid for the bike it does not stand out so much. Honestly, in a recent study done by the German test institute and communicated in German media there were many other brands that simply failed in their tests of carrying those heavier e-bikes. While our products succeeded as a testing. The e-bike trend is helping us. The increased sales of bikes is of course helping us and that is a strong driver.

We had a very strong second half of the year in roof racks after a very tough first half. I feel that that growth in the year is a great sign of what we have been able to do in how we have offered our new roof rack generation. In the roof box business we see differences between the two regions with actually in roof boxes the North American market performing better. The main reason for that is that although you also in the North American market see some of the ski resorts are with limitations, less people and partial closedowns, the big aggressive closedowns at the very end of the ski season in the spring of 2020 and the even more aggressive ones now entering into the winter season in the Alps region, does hurt the roof box sales in that period.

Obviously rooftop tents were a success. I wish I could say that I have forecast this and knew that this would happen. We were a little bit lucky in the timing of going into rooftop tents because what has happened of course with people wanting to travel in their personal bubble this was a brilliant way of doing it. There was an underlying strong trend and we jumped on that. Of course that trend has got some boost so we have performed very well in rooftop tents.

For 2021 it might really seem a slightly boring mantra but it is just doing the same but even more. We will continue to build on our core strengths. We have proven in the way we can handle rapid decline of demand in the spring and extreme ramp up in the autumn, that we are better than any of our competitors in terms of having a flexible supply chain with our own plants close to the main markets. In a season like this one that we see ahead of us it will be extremely difficult for anybody, including us, to truly forecast what will go on. There will be limited lockdowns in certain countries. There will be wavering situations and peaks and troughs coming. Somebody like us that is close to the market, has the capabilities and has the financial strength to handle that will do better so I feel very good about that.

We also, not due to COVID, but because of earlier decisions long before already had planned and are bringing to market in 2021 several new bike-related products. One among them being a new trunk-mounted bike carrier range in two models but also two new roof-mounted bike carrier models and some new towbar-mounted for the North American market or hitch-mounted as it is called there. A fantastic new portfolio on top of the already award-winning towbar-mounted bike carrier portfolio we have.

In roof racks we continue to use our market-leading portfolio and the new fresh generation of racks we have. In boxes we will strive to capture what we believe will be a strong staycation trend in the summer. There will be challenges in the beginning of the year in the Alpine countries because there will be less ski travel and therefore people going less to those resorts. In some markets we believe it will be strong still like the Nordics and others where people are expected to still drive up and maybe do more cross-country and other things when they are at their ski cabins. However, in the pure Alps countries there will be clearly a challenging start of the year. Of course in rooftop tents you saw a cool new roof top tent but in general we will with the products we have continue to see a growth with that staycation trend.

RV Products – Staycation trend helped European RV market to recover in H2

If we look at the next category, RV Products, this is of course a category that there are several stock listed companies that present and talk about that category. You have the French Trigano, you have the big [Inaudible] Industries, you have the Swedish Dometic and if you look at it, it all depends a bit on where you stand in the supply chain and how you talk about the business. We have mentioned many times that most of our products are easily assembled on the outside of the [inaudible] what we do. That means that we have a higher share of sales to the dealerships but we do have a significant share of sales at more than 40% also to the manufacturers when they manufacturer vehicles.

What happened in 2020 was lockdowns closed down not only those RV manufacturers but actually the chassis suppliers for a few months. When consumers, especially in Central Europe, were very keen to have an RV to be able to do some vacationing in the summer there simply was not the capabilities of the manufacturers to come out with many new vehicles. That meant a very good for the long-term clean-up of older vehicles that had been standing a few years at the various dealerships. Many of those dealerships had already, in attempts to try to sell off older vehicles, equipped them with many Thule products etc to try to get them more interesting. That meant that we saw in some markets more sell-out of existing vehicles that were already equipped with Thule products and not as much the push with the new ones coming.

As we saw in the second half of the year, more or less from September a very rapid ramp-up of that very complex supply chain because the RV manufacturers really are similar to what you have been hearing from the truck industry and car industry. It took some while to get their very complex supply chains up and running but once they started doing that from September onwards we had a fantastic Q4 and that was the reason why we ended the year with 7% growth in the main region we do business which is Europe & ROW. You then see a very high number, 73% from a very, very low base, on those niche products we do for the US markets which are mostly van-related products.

When I therefore look at 2021 and this is the category where we have the longest order book because, as I mentioned, a big chunk of the business does go to the manufacturers, we know that there will be a very good start to the year as long as there are not new lockdowns in those various plants that are making vehicles. There is a very good order book because now those manufacturers are wanting to fill up those dealership lots where there was a clean-out due to inability to deliver last year. That will be continuing and I feel very good about how we will be able, as we have done once again in 2020, to capture market share. The team based mainly in Belgium has done a fantastic job in how they worked closely both with the main dealership channel but also with the main manufacturers in ensuring that our market-leading, award-winning products are the ones that are chosen for those vehicles.

Active with Kids – Another very strong growth year

If we go to the fast-growing category, as I mentioned, Active with Kids on the next page, it is clear that we were helped by the fact that two out of the three subcategories are related to using a bike. It is bike trailers and it is bike seats. They were clearly in different ways, as I have already mentioned when we did the Q3 summary, helped by the cycling tend. The one that was helped the most was the less-costly bike seats at around €100 because when many of those consumers went out and rushed out to buy a cheaper bike they did not all of a sudden spend too much money, so to speak, in their world on maybe €1,000-1,200 on a fantastic bike trailer because they were not into the cycling. They were not sure they would cycle for many years to come with their children. That trend was there anyway. We have been for the last few years growing very strongly with bike trailers and we grew with our bike trailers also this year, mostly driven by a long ongoing e-bike trend and more people using bikes to commute. Child bike seats specifically got a big boost thanks to more bikes being sold.

I am very happy to say that we did a very strong result also in the growing stroller category. Of course, one reason being that we now have three models. We are starting to be a more complete player because we did launch the third new model, Thule Spring, in the spring. Not a brilliant year to launch a stroller when everybody is in pandemic mode and stores are closed but still it did well and it picked up as the year went on. What is also important for strollers, many times I mentioned during 2019 my surprise that our main competitor, and actually the market-leading brand if we are talking strollers in the US, has an extremely aggressive cost reduction rebating scheme going for the full year which meant that we actually lost market share in 2019. As they finally decided to be realistic about pricing and came with a price back to the old level, we regained that market share which is one of the main reasons why we now see a 57% growth in Region Americas.

I am convinced that we will continue to take market share. We have a broader offer, we have a broader distribution that is growing every day and we have revamped and rejigged all the products with cool new colours, small extra new features and a general improvement. We are also leaning forward in terms of having availability. We are definitely very ambitiously looking at being able to serve the demand as we are convinced it will come during the spring in this category. We feel very good about the Active with Kids category.

Packs, Bags & Luggage – Hurt by pandemic lockdowns and travel slump

If we then look at the challenged category of Packs, Bags & Luggage, as I mentioned, it is obvious that it was the one hurt clearly by the pandemic. It is also obvious that you will see some abysmal results from many players in Packs, Bags & Luggage. We need to be realistic about how quickly the travel world will recuperate. You see a lot of different data. Many people are claiming that it will take until 2025 until travel is back to the 2019 level. I think you have to be realistic to say there will be two types. There will be the people that are so desperate to go on any trip when they are finally allowed to so a lot of vacationing trips might be picking up. However, that will still be compared to people travelling several times a year for some vacation. More importantly, in terms of cabin carry-on luggage I think we have to be realistic looking only at myself, that there will be less business travel than there has been in the past which means it will be quite a depressed market.

The only good with that is we are comparing with a pretty depressed 2020 already and the other good thing is that we still believe in the long-term of the market because we are actually a tiny player. We can still take share even if it will be a depressed market and we have both the financial strength, the brand and the product offer to be able to do that. However, we have to be realistic that it will be a quite challenged category also for 2021. With all of that information about the products I leave it over to Jonas to talk a little bit more about the financials.

Financials

Jonas Lindqvist

CFO, Thule Group

2020/Q4 and Full Year – Reported Income Statement

We are now on slide 13. As Magnus mentioned, we have had another very good quarter and as a fourth quarter, quite exceptional because the seasonality for the Thule business usually leads to the fourth quarter as a small quarter having an EBIT margin of about 5-6%. Whereas we now, as you can see, have 15% in the fourth quarter of 2020. The main reason for the high EBIT in the quarter is of course a quarter with very high sales. The gross margin reached 40% in the quarter compared to 38% in the same quarter last year. The high volumes, as I said, and also a favourable product mix are the main reasons for the high EBIT. There is not much difference on the SG&A costs.

The finance net increased to a net cost of SEK 18 million in the quarter compared with SEK 14 million last year in the same quarter. The difference lies in revaluations of the cash pool now that the Swedish krone has strengthened. The interest cost has gone down since we utilised our bank facilities less than last year. Much of it of course thanks to the fact that we did not pay dividend in 2020. The tax rate for the full year was 23.7% which is well within our guidance of 22-25%. The tax in the fourth quarter was somewhat higher because we wrote down deferred tax assets in our Bags business but there is no cash flow effect from that.

Thule Group Financials 2020/Q4: Operational Cash Flow

Now a few words about working capital and operational cash flow. If we turn to slide 14 in the presentation we see that the working capital has decreased to SEK 1,171 million by the end of the fourth quarter which is SEK 100 million lower than at year end last year. However, if we take the strengthening of the Swedish krone into account and compare using the same exchange rate as at year end 2020 we will have to lower last year’s working capital by about SEK 100 million. This means that the working capital at comparable exchange rates is on the same level as last year. Actually, this is quite satisfying as we have grown the business by 13% this year.

We have had lower inventory than we would have wished for, for most of the second half of the year and we are now building it up in preparation for the coming season. The increase in inventory from last quarter, that is Q3 2020, is SEK 240 million. This means that we are now back to last year’s level going into the new season.

Regarding operational cash flow we have had a strong fourth quarter mainly coming from profits and accounts receivable being paid. Accounts receivable were on a high level at the end of Q3 and this has more than offset the increase in stock that we have made during Q4. Finally, capital expenditure in the quarter was SEK 54 million which is almost on the same level as last year’s SEK 58 million. Thank you.

Summary and Outlook

Magnus Welander

CEO, Thule Group

Thule Group 2020 YTD Dec. – Performance vs. Financial Targets

If we then look at the financial targets on the next slide, it is of course very satisfying to be able to say that 13% growth is of course clearly higher than our organic growth target. 20.3% EBIT margin is higher than our ambitious 20% EBIT margin goal. Then we have the two other targets that we of course need to touch upon because it does look weird with a 0.2x leverage when you have a leverage target of 1.5-2.5x. We also need to clarify a little bit that, yes, it look superficially like it is 138% of net income but in reality I think it is fairer to look at it as a 78% for the two years that have passed that we pay out a dividend. We already last year ahead of proposing this SEK 7.50 share dividend that was then withheld. That was already stated that that was the type of level you could be expecting going forward around that 80% mark. The obvious question is that net debt to EBITDA leverage target does not seem to make a lot of sense and we have and the Board has agreed that we will be coming back late this year or early next year at the latest with a update where we will have a Capital Markets Day talking about some of the longer-term ambitions from a business perspective as well as also discussing the right financial targets going forward.

2021 Focus – We continue to drive our winning growth oriented strategy

With that, let us look forward. Let us look at what we will focus on in 2021 as a conclusion before the question time. It is really comically enough to say more of the same. We are not going to change anything in what we are doing. We will continue to drive the growth-oriented strategy that we have been so successful with. The growth-focused strategy really hinges on profitable organic sales growth and that is driven by great products. We also have talked a lot about how the whole team in all aspects, our social media team, our online content and platform team, all the efforts we do in all those places strengthening the Thule brand and using the motto ‘Bring your Life’, that is really showing results. We will continue to utilise our strong back-end. We have a fantastic team that has been around for a long time in our Finance etc that can scale up and drive a good work effort there. We will continue to do a steady rollout of our Direct to Consumer sales where we in 2020 added Germany in July, added Netherlands in December and a few days ago added France. There will be more countries coming as well.

In terms of the product portfolio and the push we do there we will continue to stand above 5% of sales. We will utilise the fantastic new Development Centre and, as I said, are very excited about that expansion of our Thule Test Centre with already a world-leading facility that now with some new equipment and some further staffing will be able to take on even more efforts there.

The team led by Rickard Andersson in our supply chain has done a tremendous job. I have to give enormous kudos to all the blue collar workers and all the plant managers and operational staff that have ensured that we could handle those types of tremendous swings in our plants. We have not done that and just forgot about the future. In the meantime we have also kept on investing for future growth, planning and taking efforts. That also means that 2021 will be the highest capex year ever for the company. One, because we have some of the costs associated with the finalisation of the Development Centre and the expansion of the Thule Test Centre but also because we are continuing to expand both our plants in Poland, both in Pila and Huta. We are also expanding our Seymour facility with additional capacity and some new products to come in.

We are continuing also what was an ongoing journey already for all brands but a journey that was clearly sped up a lot by the realities that you were not going to any international fairs and you were not being able to meet your customers live. We did a very big push and as I said the online content team and marketing teams did a brilliant job in extreme pressures to come up with improved digital sales tools implementation in 2020, ahead of time schedule. We are now doing further enhancements on those. We are continuing to do big upgrades to our homepage. We already have seen some big improvements in 2020 and we are continuing a more increased and focused social media push.

That will mean that we will have a very strong cash generation also in 2021. Of course that means that that will enable us to do M&A and we have several interesting objects that we are looking at. However, you also know what I have been saying since we got stock listed, we are not going to buy a company just because we have money. We will buy the right companies where we can perform fantastic things in the years to come, which we have proven with all the small entities we have bought so far. That means that we will continue to see an increased dividend ability as well.

There are still many uncertainties around us. I think you read articles as much as we do every day about some lengthy lockdowns here, some challenges there, some versions of the virus here, some question marks around vaccination rollouts. I also think you read every week about difficulties of getting containers out of China. They are already starting to do log up things on their big ports in Los Angeles and there are not going to be easy times. It is going to be an extremely busy year where the proven flexibility that our teams have shown will be key. We should not get too bullish about this is going to be an easy ride. It will not be. It will be a lot of challenges and it will be challenges with a positive overarching trend and wind in our back. It is always easier when the staycation trend is there, when people are prepared to spend more money on sustainable high quality products than buying average products, that is always a favour for a company like ours. We look forward to a positive 2021 and open the floor for questions.

Q&A

Gustav Hagéus (SEB): Good morning guys, congrats on quite a stellar end to a good year. A few questions, if I may start with your end note there, Magnus, on freight cost, perhaps a little bit of FX, raw mats also heading upwards since last year. You typically do not wiggle your price [inaudible] too much based on external factors so I would assume your baseline is to raise prices by 1% or so this year. In a scenario [inaudible] actually go slightly below your current target this year, given [inaudible] and I guess a little bit more growth in RV which carries a little bit higher margin I think. What do you recommend in such a scenario your chances are of maintaining [inaudible] EBIT margins around these levels? Thanks.

Magnus Welander: I'm confident that we will stay above the 20% target we have set.

Gustav Hagéus: Okay, that is very direct. Thanks. I find it a little bit interesting you mentioned there that there were consumer sales which have grown globally in many companies. I would assume your best prospects have grown but materially would be in the Americas rather than Europe. It will be really interesting if you could share a little bit of numbers or put some colour on where you have come the furthest in this type of sales [inaudible] you see a longer-term perspective perhaps be a little bit positive to margins if you pull a little bit more sales [inaudible] rather than through retailers.

Magnus Welander: You are absolutely right. As all global brands they have a higher share of sales direct to consumer in the US due to the fact of the MSRP policy possibility for strong brands to set the prices also for their customers. Therefore you are more price competitive as well as service competitive when you are selling your products on your own direct to consumer in the US. You are right, US is the highest share. We are close to double-digit and I think we will very soon pass double-digit share of our sales in our own direct to consumer in the US. We have then been doing it for now one and a half years, close to two years soon in the Nordics so we are starting to see Sweden and Denmark growing. Realistically you will see still low single-digits in Europe for some years to come but we are now, as I said, adding the biggest market, Germany, which is very competitive. It is not the one where I think you will see the biggest share of our sales. However, we have also added Holland, France and soon UK and there are a few more markets coming late in the year. Low single-digits in Europe still but of course, as you were saying, growing faster than anything else. If you look at margin you have to do the very delicate thing of not confusing gross margin to what it means to the profit level because if it was easy to make money being an onliner you would see a lot of online retailers being significantly more profitable. Gross margin pickup is of course very good but also why we are choosing the countries we are choosing and in which order we are choosing them is to make sure that it also falls down on the bottom line. There will be a margin enhancement also on the EBIT line as this share grows.

Gustav Hagéus: Great. Then I am a bit interested in your recent acquisitions in Denver Outfitters and Tepui. It seems like you have taken some small strikes to penetrate the US market for wildlife enthusiasts, fishing, rafting, hunting, that sort of thing. Firstly I am interested, do you find this subcategory a good fit for

Thule? Do you feel that current combination of those two companies with the roof racks and boxes you already had there is a good and broad enough portfolio to capture that full opportunity or would you benefit from a broader assortment going forward, do you think?

Magnus Welander: I think actually it is obvious that we are adding some of the products. We have been very clear. I have said to you, Gustav, and to many others that we are not doing something to just have one odd product but we are not at the same time going to throw everything at something. It needs to be the right thing. The fact that we have entered this category of course means that we will look more and more seriously at it and are hoping to broaden our assortment over time but only if you can make money on it. We are not going to bring product for the sake of bringing product. We also have to be realistic that channel is often more challenging than product so you need to make sure that if you look at it you have the hook and bullet, as the Americans call it. The bullet part is not for us. Three is more around the hook part so the fishing and channel outdoors which is for us and in that work it is about finding the right things where it is big enough to make sense and where the incumbents have not destroyed the margin so you can play well there. We will look at broadening there but we are not going to rush after it.

Gustav Hagéus: Okay. Might I have one last question? I think I am interested that you mentioned that you are expanding your testing capacity in Sweden, also for the new categories which I assume you will talk a little bit more about on that Capital Markets Day you mentioned today. Am I wrong in thinking that since you touched on Sweden it might be products that [inaudible] to extend than say some of your baby strollers are [inaudible] but rather a high expense [inaudible] stock produced in Poland or Sweden? Is that a fair assumption during those comments?

Magnus Welander: Honestly, it would not have any logic due to that. There is a reason for having one huge Development Centre and that is we have fantastic staff there. We have some brilliant testing engineers. We had the Development Centre next door. If you have the Development Centre next door you get brilliant feedback from the Test Centre so no matter where we produce something, where we source it from or if we produce it ourselves all the test facilities focus to that one world-class facility. That is the reason.

Gustav Hagéus: Okay. Thank you, guys. Thank you for taking my questions.

Daniel Schmidt (Danske Bank): Good morning guys, a couple of questions from me as well. I guess starting off with a difficult one so that the $1-million question is how demand will be impacted as the world normalises, which it hopefully does during 2021. Could you shed some more light on what you think regarding that or maybe you could say something if you could give some kind of guestimate what the COVID impact was last year with the 13% growth that you delivered?

Magnus Welander: You know me, Daniel, I will only say I feel confident that we will beat our organic sales target of a minimum of 5% also in 2021.

Daniel Schmidt: I am a bit referring to you actually mentioned in connection with Q3 that most of this would have happened anyway but you did see quite excessive demand when it comes to child bike seats and I think maybe you also mentioned bike bags. Are you willing to repeat that or do you want to extend that comment or widen it in terms of products or add anything to that?

Magnus Welander: You are right and there will be certain products that of course have very strong comps but you also need to look at things that trends do not change overnight. I think we also have to be realistic that our products are not necessarily an automatic product. If you take, for example, the bike pannier bags, the bike bag that allows you to throw your computer in and some [inaudible] stuff when you cycle back and forth to work. Let us be honest, there is not that many people that did cycle back and forth to work in 2020. Many bought a bike but they did not go back and forth to work with it because they still stayed at home with their jogging pants on and worked from home. I think therefore that if you look at our type of product category we did see a lot of boost but it is not like that has ended. There will be a lot of people actually using that bike in 2021 for bike commuting and therefore get interested in having some of our bike-related products also in 2021. We did not see the same huge effect if you look at it from a business point of view that maybe the pure bike manufacturers did. From a business overall growth I feel very confident with above 5%. When you look at your biggest challenge, Daniel, and mine in trying to talk to you guys every time is let us not make some mistake about seasonality shifts. We must lie clearly ahead after the first half because we will not be able to make up to sales in the second half. There is no doubt so we need to be well-ahead of the 5% target when we summarise Q2 and the first six months otherwise there will be no chance to meet that target when we summarise the full year.

Daniel Schmidt: Absolutely. That is clear. Good. Then another difficult question maybe and just to have a discussion around it. The margin target is of course reached earlier than expected and you are not going to come back on that until maybe later this year. However, what is your reasoning in terms of optimal value creation? Where do you think the optimal value creation is in this company and how should we be with that?

Magnus Welander: I believe that it is always good to go back to what you have said and only if there some dramatic changes that actually have changed your opinion should you do it. Nothing has changed my opinion. I mentioned a few times that the EBIT percentage target was not per se the important. It was more a confirmation to you and investors that we were extremely confident in our fact that when top line growth happened we would say an economist's scale. The most important is top line growth and pure, true EBIT monetary growth. It is not a percent. We are not going to be doing the mistake of understanding just to try to squeeze the percentage a tenth of a percent up. It is going to be all about driving true top line growth and true bottom line growth. That is where the value creation comes.

Daniel Schmidt: Good, very clear, thank you. Maybe a final one as well, selling expenses and admin expenses were of course coming down during the year, especially in the second half in Q4. On the back of the travel restrictions I assume and you guys doing more launches digitally and meeting your customers digitally. What is the marching order for the company looking into 2021 when it comes to these lines?

Magnus Welander: I think my simple advice is do not invest in a travel-related or a fair and events related company. We will be travelling much less also in 2021 because there are still many restrictions around. We will be utilising even better tools on already very successful digital sales events that we manage ourselves. We are lucky enough to be a strong brand so I think the big challenge will be for smaller newcomers to take that share that they might have been getting in the past at some fairs. While us as a leading brand in the category do get the attention for retail through our specifically purposefully invited digital events. We will clearly, yes, travel more. That is my hope definitely but not nearly to the levels of 2019 and we will not be close to 2019 in terms of what we spend on fairs and events. However, we will spend more money on digital so there will be some things spending more and some less. Overall a rather maintained cost level.

Daniel Schmidt: That is all from me. Super, thank you.

Karri Rinta (Handelsbanken): Good morning, I have two questions. Firstly, can you remind us of how much of your Sport & Cargo Carriers sales is directly bike-related i.e. bike carriers and so forth? Then if you can share a similar figure also for the Kids category that could be very helpful.

Magnus Welander: I cannot remind you because we never disclosed it but what we have disclosed as a total is that roughly half of the business this year is something that is related to bikes. We have also disclosed the fact that stroller used to be, not anymore because it has passed child bikes, our smallest category. It is the fastest-growing. You can realise that bike trailers is big so if you look at it we clearly have a bike-related exposure in Active with Kids still.

Karri Rinta: Alright. Then if we look at bicycle sales and what kind of indications we get from the bike manufacturers and retailers, what we know is that there are still very long lead-times when it comes to bicycles and bike components. What do we actually know about the end user demand because a lot of demand has shifted online? What are the Canyons of the world telling you about the actual end user demand at the moment for bicycles and how can we then extrapolate that to a demand for your products? I would like to have not the actual numbers but some sort of tangible anecdote at least for this market.

Magnus Welander: Yes, I think if we split up the anecdote to help you, do not get too confused about Canyon being big. They are not. There are still the old traditional brands that complete dominate bike sales, although Canyon is doing well as well. Also all the Trek specialised they also sell directly online much more than a Canyon does, total numbers. However, if you look at all those big players, all the Giants etc, I think the easiest one is always to look to Shimano because they produce to everybody and they are stock listed. Shimano's expectations are very positive for 2021 because there was, as we all know, a lack of bikes because this [inaudible] could not cope. They are still struggling to cope by the way.

I think you need to be careful in doing a direct relationship with Thule sales as if somebody day one when they happen to buy a bike automatically always buys a Thule product. They do not. I wish it was that nice because then we would sell much, much more and I would be running a much, much bigger company. Some of those users when, depending on the way they will use that bike and that approach of how they will use it might much later on years after they bought a bike or maybe sometimes as they bought a bike think about, 'I am going to start cycling with my kids as well. I need a bike trailer.' It could be someone who has already had a bike and later on got a kid so it was not the bike, it was the kid that triggered them to buy the bike trailer. Therefore you should not confuse that direct relationship with our performance.

Our general performance is much more associated with the fact that when major cities like Paris, London, every other major city have taken the opportunity to in five months do as many investments in infrastructure as they were planning to do for the next five years. That has meant that they have created an ability for people to cycle commute and travel by bikes in a completely different way than it only looked some time ago. That over time will help us because the more people use their bikes, bring bikes with them and get passionate about cycling, over time they will migrate to also buying Thule products. We are not a sub supplier to the bike industry. We are not making bikes. We are not a bike retailer so you cannot see that very quick direct link that I fear that you might be looking at.

Karri Rinta: Alright, fair enough. Then a short-term focused question. In the first quarter we have now probably Germany extending lockdowns until the end of February, I believe, and then as you mentioned there are a lot of ski resorts that are closed. How much is winter sports, Alpine-related of your first quarter sales and how concerned should we be about these German lockdowns?

Magnus Welander: I think you should not be concerned because you also have to remember that the end of quarter one was quite dramatically hit in 2020 by a similar situation with very extreme, very sudden lockdowns. If you are talking from a pure comp logic, January/February were very strong last year, March was not and we will therefore have to see what it means in terms of the performance. You also have to say that if you look at it once again, people might not go directly to the ski resorts to do downhill skiing but if you look in many markets they will go somewhere depending on the level of lockdown maybe in March and do something in that period. Combining that with what we believe and expect to see a strong earlier more normal spring start which we often say is from mid-March, normally the spring starts with bike-related products. It did not in 2020 but we expect it to do that in 2021. I feel pretty confident also about Q1 performance. As I said to Daniel, we definitely need to be ahead in the first half because we will have extremely tough comps in the second half.

Karri Rinta: Alright, fair enough. Thank you very much.

Mats Liss (Kepler Cheuvreux): Hi, thank you for taking my questions. First, congratulations of course on a very solid finish there but my first question regards Active with Kids. Growth is picking up and you have increased the offering there. My [inaudible] if you still lack something there to boost sales even more.

Magnus Welander: Yes, we will be bringing new Active with Kids products out later in the year and next year definitely. We will continue to broaden. We have not stepped in this lightly. We intend to become a big player, as we mentioned many times. As we mentioned many times, that takes years because we are doing it organically and we do not want to rush it with the wrong products. We want to come with great products so you are absolutely right we will continue to broaden our assortment in the coming years in Active with Kids.

Mats Liss: Is it more related to your own offering or is it also that you lack the retail exposure that would like to have?

Magnus Welander: I think in general as always channel is more difficult, as I said. We are continuously growing. We are adding retailers. We are adding space within the retailers and that is as important as adding product for our growth. We are becoming a name and that is at different levels in different markets depending on success with different retailers. However, definitely we are becoming a player and as we become an even bigger player I am sure that will help our sales.

Mats Liss: Great. The Sport & Outdoor segment then, two things I would like to ask. First, we have this electrification of all types of vehicles including bicycles and cars. Do you see that these trends are making a different need of products from your side, that you need to adapt your bike carriers for an electric vehicle or is it the same?

Magnus Welander: No, that is one of the good things about working with all the major car manufacturers of the world for their future generation because we know how their next coming years' cars will be looking, what demands there will be on them because we are working so closely with all the leading brands of the world. That means of course as always even in the past days when it was not just between diesel, petrol or electric, there has always been a development in the car industry and there is an ongoing development. We are bringing some new products out this year that are more associated with a logic around how an electric car might want to load and bring things. However, there will be more of those coming because the trend is obvious but we feel very confident that there is no other brand that had the insights, the competence and the monetary weight behind them in product development for meeting those new demands.

Mats Liss: Thank you. This is maybe more M&A related but Sport & Outdoor in the marine segment, could that be something? Maybe in Packs & Bags and others features you might have some marine-related but do you see an opportunity there to grow business?

Magnus Welander: You need to look at it from the size of what we are good at. You need to make sure that whatever you acquire you have an insight and understanding of it otherwise how could you claim that you will make it better than it has otherwise more of an arbitrage type of acquisition? If you look at the marine part there is not that many logical things that would match our skillset competence. I do not see for us marine being a promising big sector due to that.

Mats Liss: Alright, check that box then. You talked about the selling expenses, it seems that you make things more efficient now and we should expect selling expenses to return to the previous levels in 2021. Do you [inaudible] –

Magnus Welander: There is of course certain selling expenses that are directly associated with growth so in terms of pure monetary spend as we grow you will see some costs up. However, you are right, I do not expect us to see a negative shift on selling expenses as a share of sales. I do not expect that.

Mats Liss: No. Two small final ones, tax related things. You [inaudible] tax assets in the Packs & Bags area this quarter. Is there more to come?

Jonas Lindqvist: No. I do not see any more of that coming. We have taken a pretty prudent view. We had a deferred tax assets in our Packs, Bags & Luggage business but we have written down now looking into what we believe is coming in the next years.

Mats Liss: Finally, I heard that capex is [inaudible] somewhat but I did not hear some [inaudible]. Could you give some indication?

Magnus Welander: We did not give an exact indication so you were correct not to hear it but we have said over time if you look at several years we will be around the 2.5% mark and if we say it is higher this year you realise we are going to be more sub-3% as well this year specifically but averaging it out that is because we do not take capex decisions based on trying to make our numbers look good. We take them when we need it from a business point of view so it becomes a bit bigger this year as we are anticipating actually one of the plant expansions with the strong volumes we have seen.

Mats Liss: Okay, great, thanks a lot.

Gustav Hagéus (SEB): Thank for taking my virtual follow-up. I just realised your US RV sales went from 1% to 3% of sales so 3x growth year-over-year or somewhere around that. Is that a [inaudible], Magnus, for going forward to [inaudible] grow this business 200% [inaudible] –

Magnus Welander: Not as a percentage growth because now we took a step this year. As we told you guys a few times, we do not want to do business in categories where for some reason all the leading brands are not making any money because then it would be presumptuous to believe we can make a lot of money. It is here on the niche products that we have now entered. Now we are starting to get some traction on those niche products and they will continue to grow nicely, not necessarily with the same percentage but I am sure that there will be a strong double-digit growth in the coming years as well.

Gustav Hagéus: Alright, thank you.

Magnus Welander: Then I want to thank you all for listening in. As I have said, I am very proud of the fact that we once again proved that we do not only set targets but we actually achieve targets. I am very happy with and proud of what the team has been able to do in a difficult year in showing extreme flexibility and capability in handling ramping up and ramping down. I am looking forward to a very exciting 2021 and look forward to talking to you after the Q1. Thanks.

[END OF TRANSCRIPT]