

**Thule Group»**

**Thule Group  
Global Call with investors post  
Interim Report Q1, 2024**

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## Introduction

Daniel Schmidt

*Senior Analyst, Danske Bank*

**Daniel Schmidt:** No worries at all. I think the time is — the clock is three o'clock and I think we are basically ready to start. So hello everyone, and welcome to this Q1 follow-up with CEO Mattias Ankarberg, CFO Toby Lawton, and IRO Fredrik Erlandsson. And I think we will actually start with a shorter resume or summary from Mattias and then followed by a Q&A that I will moderate. So please, Mattias, the floor is yours.

## CEO's Speech

Mattias Ankarberg

*CEO, Thule Group*

### Good Start to the year

Thank you so much, Daniel, and hi everybody. Welcome to the call. I'll do a quick intro and then look forward to a good discussion between all of us. But three points from me, the quarter, a bit of a market situation and outlook, and then our future priorities from here. So on the quarter, Q1 is a good first quarter for us; it's a good start to the year. Good growth, good profitability, it is still a tough market but very nice to see that our new products perform well even in a tough market. So that's the headline on the quarter.

### Positive sales trends

If we dig into it a little bit more, we can — obviously you've probably seen that sales were up 8% in constant currency and there are really beyond the sort of general market climate, which we can come back to. There are three factors that are impacting that sales trend, particularly two positively and one negatively. The first positive one I would recommend on quickly is new to the products that we clearly see contribute to the sales growth also in this quarter. This is the biggest launch year ever for us in 2024. And we have started with quite a few launches in Q1 and we have good reception from, for example, our best-selling luggage collection to the Subterra. We have very good reception from our updated generation bestselling stroller, Thule Glide. And we've also had a good reception of our first new product in the new product category, dog transportation, the dog crate, Thule Allax. So some examples of news that are contributing to growth. That's number one.

Number two, positive factors, we see clearly good growth within bike-related products. Bike has been a theme for many quarters. It was challenging for quite a while, particularly because of inventory situation, but it's been back to growth since Q3 and we see that that growth has picked up a bit more in Q1 here. So still not a great market in general for bike, but on the premium side it's better and for us it's growing very well in Q1.

### Negative RV sales trend

The negative point, number three for us on the sales development, is RV. And also to that point, similarly to the last two quarters, we see a decline in the RV product category. RV industry is going through a tougher period, we are aware of that. What is nice to see is that the decline is less now than the last couple of quarters. We lost 5% versus previous year in sales in RV. But we do think that market is going to be challenging for the coming period as well, and we can get back more into that detail. So those are the main three points that impact the sales trend.

And more quickly on the other items, I mean, gross margin is strong, fairly close to all-time high for a first quarter. SG&A is a bit elevated compared to historical patterns. Connected to the fact that we're launching more products than ever this year and it will be higher SG&A costs during the first half of 2024, as we've commented on before. But even so, EBIT margin is in line with last year, 17% versus 17.2%. Cashflow is good, and then the inventory reduction target that we've set this is on track to be achieved. So financially a good start.

### **Future market outlook**

And talking about then a bit more future looking on both the market and our priorities. On the market side, we — maybe not exciting message but we expect to see the same trends to continue largely for the next period as we've done before. Again, we continue to see a fairly challenging market overall for the consumer and also for retailers with inventory levels are still largely elevated. Their place orders later — closer towards the start of the season in smaller quantities, which is a clear pattern that we see continuing into Q2. We believe that the bike will continue to pick up and RV will continue to be challenging for the next quarter as well.

Our priorities are also the same as they've been for a while. We continue to drive a sort of long-term forward-leaning growth agenda driven by product development, new product categories, and being more visible for the consumer. And then as a fourth point, we also continue to work on efficiencies in our supply chain, so that's not changed. The only thing that has changed on our priorities is that now in Q2 we are in high season, so this is traditionally the highest quarter in terms of sales, in terms of production, and for this year also launches. We have a lot of product launches coming in Q2 that we would of course love to talk about a lot, which we always think is fun.

### **New products received well in the market**

But importantly also we are now — as we will close Q2, we have then entered two new product categories. We've already started in dog transportation with the first product, second one coming here very soon in Q2. And also before the end of Q2 we will have entered car seats in the European market, which is a long-awaited initiative that is now coming to market. So that's the good start of the year, busy times, high end year in the organisation in the still fairly challenging market. That's the summary. And then, Daniel, I'll turn to you to manage Q&A.

## **Q&A**

**Daniel Schmidt (Danske Bank):** Absolutely. Thank you so much, Mattias. So now it's simply Q&A and just raise your team's hand and I will call you out one by one if you want to ask a question. And if there's no one asking, I will of course start. But I just want to start the call with, is there anyone out there that wants to start the Q&A? Okay, I can start and just jump in whenever you feel like it. And clearly as you say, it's still a very quite tough market, but you happen to grow quite well. Of course it's also related to a fairly tough Q1 last year, but clearly sort of bike seems to be bouncing back up again. But could you say anything a little bit more about the trend in general? Because it's been a very sort of strange period now the past four years with the pandemic and the post pandemic reaction and the supply chain and all that and entering sort of recessionary times almost, or at least in some parts of the world where spending goes down. What is your opinion on where we are in terms of the outdoor/biking trend, are we above 2019 levels or below? How is it developing?

**Mattias Ankarberg:** Yeah, that's an interesting question to discuss for a while. I think we ask ourselves that a lot and discuss that with a number of people. And I think the couple of different views to look at it, . Firstly, if we talk from just the consumer interest, we think generally there is still a trend towards people wanting to be more active towards biking but also towards other activities. We see consumer affairs and different kinds of events where even in the RV industry, which is going through a more challenging period, that attendance to these bigger events and fair is where it used to be pre-pandemic. And the lots of people in the industry are sort of positive to the general consumer interest, so that's nice. Camping is all-time high in both North America and Asia. So there's a number of things that are, in terms of activities, going well.

Secondly, there is still inventory issues in some significant parts of the supply chain, in retail particularly. Less so in the premium end of things and in bike, definitely more on other parts of the market than the premium end of things. But of course that holds back volume a little bit and also creates more promotional activity with some retailers.

And then we should also remember, and this one is harder to quantify, that a lot of consumers bought a lot of product for outdoor activities during the pandemic, and then when will that pick up, when the renewal? Our view is — and what we see clearly is two things to that aspect. One is that the premium consumer seems to be doing better, we do better in premium. And secondly that newness, new product still drives sales and growth, which is a nice benefit to us of course since we're focusing so much on product development.

But all in all, what does that mean? Well, long-term positive trends, more and more people want to live active lives but still a bit challenged volumes compared to where we were pre-pandemic. So our view is that several other product categories, even though we're coming back in growth, we are in, volume wise, lower when we should be in, I don't want to use the word normal here, but maybe pre-pandemic volumes, so to speak.

**Daniel Schmidt:** But it's clear, I think you guys have stuck out a bit, at least at the start of this year, growing and many other consumer-related companies are still in decline. And of course everyone is hoping that the second half of this year is going to look better and hopefully it will. But I guess that also is telling about sort of the fact that the market is still quite tough. You do have a lot of Nunes[?] still to come. You did have quite a few product launches in 2023, even more so maybe at the start of this year, but more — even more will come and hopefully that will carry you through this slightly more difficult period, is sort of my understanding. Is that how you view it as well?

**Mattias Ankarberg:** Yes, of course, that helps us clearly, to your point, and that is a nice benefit of being a long-term and very sort of product development oriented company that we have a newness and can drive some growth with that premium consumer even in a tougher time. So I fully agree there, Daniel. Then we should remember that some of the growth, some of the newness, mainly when you build up new presence and new categories, for example, takes time to build up.

I mean, if we launch a new generation of the world's most-sold rooftop box which was launched here just on the border of Q1 and Q2, first day of April, of course we have strong global market share, all the distribution, great brand awareness. Whereas we enter car seats and we are an entrant, there are great players out there, and that growth will come over time more than it will be in categories we're already established.

But that was just an additional comment to give some more colour. But all in all, yes, newness helps us to drive growth also in this tougher period.

**Daniel Schmidt:** And speaking of that, of course it comes with a cost as well. And you've been on fairly elevated product development spending budgets now for maybe a bit more than two years. And of course you've mentioned that this year, and I think you've reiterated that in connection to Q1, will be an elevated year, but it's not going to be costing you guys even more in 2024 than it did in 2023. It's sort of, I think

you've said flattish, but it's front-end loaded in terms of the timing. And can you be sure of that — because many times when companies enter sort of a phase of high or growing budgets when it comes to product development, or R&D, they tend to stick at that level. What makes you sure that you'll be coming back down again in terms of absolute numbers and at least in terms of potential sales as well?

**Mattias Ankarberg:** The beautiful thing, for us at least, and Toby you can weigh in on this also afterwards, is that we run pretty discreet projects in a project portfolio, so we can make active decisions about what level we want to invest in. And then I think personally, another beautiful aspect of Thule is that we are long-term and we can decide to invest even if the market is tougher for a bit of time. But we should remember we also, as Thule, take a lot of project-related costs as cost as SG&A. And that is part of the reason why this is so front-loaded. We have nine factories, we produce 80% of what we sell, and we also produce even our own tools that go into the manufacturing equipment. And those tools are produced at the end of the product development project and we take them as SG&A straight down the P&L.

So that is of course a significant number, particularly when we talk about tools for a car seat production, which is a fairly complex product. So if Toby and I or the company management team decides that we will be less ambitious on the product development side, we run fewer project or simpler projects and less tooling, and of course the cost would come down. I don't know if you can add, Toby, some language to that?

**Toby Lawton:** I mean, just to add, like you said, particularly when it comes to development costs, we have good visibility obviously on what we've spent money on. And we can see very clearly the kind of discreet projects and parts that we've invested in, particularly the new products coming online here. Which we can see rebalancing over time going forward back to a more normal level. So we have visibility on seeing that come through basically. And the other point is really in relation to the kind of SG&A part, the marketing part where we don't do heavy promotional work, generally we market our products but we're not discounting or doing those kind of activities to drive sales. That's not really part of our business model. So I think we have pretty good visibility.

**Daniel Schmidt:** And maybe too detailed question, but is it fair to say that the product development budget, is that 65%, 75% — 65%, 70% tilted towards H1, is that a fair number? And sort of 30%, 35% in the second half, or where are we? How much tilted towards the first half is it?

**Toby Lawton:** Yeah -

**Mattias Ankarberg:** Go ahead, Toby.

**Toby Lawton:** No, but I would say as a percentage of sales, we also have a significant chunk of our sales in the first half, but it'll be a higher percentage of sales in the first half than the second half as well because of this.

**Mattias Ankarberg:** Let us be clear also and repeat what we have said in other communications, just so we are in line, it will be heavier to the first half of the year and particularly in Q2 and not the least because of the car seats launched, to your point. And then we haven't given specific numbers more than that, but that is the message.

**Daniel Schmidt:** How about — it's good, and you're happy with reiterating that it's not going to be above last year's absolute number?

**Mattias Ankarberg:** Yes.

**Daniel Schmidt:** Yes. All right, good, good. And then just coming back to newness[?], because that's such a big part of your focus and story and success as of late, I think at least, and you do mention bestsellers maybe being of course the most relevant in driving sales here. And now just by definition, that you already have everything built out and you're known and that's your sort of claim to fame, simply those products.

But you also, as you write in the report, and I think we've touched upon it before, received a lot of acknowledgements and a lot of awards this year. You've received awards before and you've been quite good at it, but this year is extraordinary. You had the Red Dot award, you have the IF Design awards, which are two prominent awards that are handed out every year and you've received by far the most awards ever. Is that, sorry, is that how we should read it as simply a reflection of the fact that you've made all these investments and the outcome has been very strong products, or is it the fact that you've a lot more products to these competitions, or where's the truth?

**Mattias Ankarberg:** I think the first — there are really two factors driving this. First of all, we are at a higher investment in terms of product development and we're launching more new products than ever. So the sheer number, of course, increases also many more awards. But secondly, I think hats off to our design team and our entire R&D team who is just getting better and better and I think also finding a more consistent Thule design language that seems to resonate well, obviously at least with jurors of these award-giving institutions. So I think it's both quantity and quality of the product development that is been going on the Thule force for several years and that really impressed me with what they're bringing to market.

**Daniel Schmidt:** And hopefully, if these sort of experts deem these products as outstanding, hopefully consumers will as well.

**Mattias Ankarberg:** Yes, and we've seen, in all transparency, when we talk about — because we received awards, to your point Daniel, very nicely, 29 history before this year and 23 more during this year. So it's fantastic. And when we see awards for, again, bestselling products or established categories, then typically that gives also a sign that it's a product that's going to be well received by the consumer as well. When we receive award for something which is maybe completely new or more of an innovation, it's harder to say if that's guaranteeing a commercial success because it's more down to taste than all of that. But in any, of course, way you look at this, we are very proud on behalf of the team and Thule for the awards by themselves. But also it's a positive for us commercially for sure. It's a sign of nice reception and it's also great for marketing, if nothing else.

**Daniel Schmidt:** And I also did the comparison with your closest competitors in some of your main categories and they are far off. So it has to be some sort of truth to the fact that maybe you've sort of widened the distance through this quite excessive product development spending that you've gone through.

**Mattias Ankarberg:** Yes, and I think, again, I think it's a testament to sort of the Thule model of, it sounds maybe cliché, but being long term for real and spending, keeping the people expand, investing in the Hillerstorp Global RD facility, thinking long term in terms of product portfolio, improving consistency in design, and all of those things. During ups of the market and downs of the market, but keeping that eye on the long term, I think is a fantastic effort and really pays off.

**Daniel Schmidt:** Yeah, yeah. Good. We actually have a couple of questions. So we'll start with Alan Connery, please go ahead.

**Alan Connery (North Rock):** All right, thanks for taking my question. So I was hoping you might elaborate a bit on the car seat strategy and I guess some of the questions I'd love to have addressed is how many models you hope to have in the market initially, what sort of the country rollout look like? What you expect to — how you expect to position it in terms of pricing? Whether you feel you're bringing anything new or any particular innovation that you can share with us? And then more generally whether it represents a different level of risk for the organisation than in the past. Because to my mind, car seats is a sort of category where I've often thought it would be a natural place for Thule to go and yet the company's chosen obviously quite deliberately not to go there until now, and I feel there must be good reasons why it hasn't done this move earlier. So I'd love to sort of explore that. Thank you.

**Mattias Ankarberg:** Yeah, happy to. I'll start and then, Fredrik and Toby, you can add. But first of all, it's an interesting and attractive segment for us. It's about a SEK 15, one, five, billion segment in the premium end globally. Majority of that is in Europe but a sizeable chunk of it in North America as well. We are launching in Europe, there are different regulatory frameworks in the world, but particularly for US, and that brings along the North America and Europe. So we are launching with three products, and during this quarter in Europe there's a base, there's an infancy, and there's a toddler seat. We are well underway, we'll launch in a couple of weeks' time.

We will do four, I would say, simplified, practical purposes, production, logistics, and others — a gradual rollout country by country during a few months starting soon. And then into autumn, we will start in the biggest market in Europe, which is Germany. And we will do that also part not just because it's the biggest, but also it is a country where there is good premium retail distribution. We want to enter this market or this segment on the premium end, clearly. And we want to make sure that we already, from the start, have a presence in the right premium distribution channels.

In Germany there are at least two retail chains that have both slogans, something to the lines of we don't sell car seats, we sell child safety. Where you come in as a pregnant woman and man hopefully, along as well, and you do go through selections before your child is born and you come back and you get help with installing the products and a bunch of service elements. So we are there and that's a great start for us.

We have a lot of respect for this category and we also respect that there are good players in the category, good competition. So we need to bring something strong and unique in terms of product to the market, and we are. And we have — of course bringing, we talked about the words, that Thule design and the ease of use, but we're also really doubling down on safety aspects with our car seats. So we focus on two aspects of child safety with our child car seats. The first one is impact protection, where we have a Thule impact protection system that we believe is best in class when it comes to, would there ever be an unfortunate incident or accident or a crash impact protection from front side and rear basically? And as a side note, of course it's been really helpful to have our own crash test facilities in Hillerstorp when we're developing this and I been able to test it over 500 times.

Secondly and importantly, we know that unfortunately, a lot of car seats today are not installed correctly in the cars. The typical example is that one of the two ISOfix arms is in place, but the other one has not locked in place. So we have developed a product that guides or informs the consumer if the product is installed correctly through light and sound, basically. So we say safety starts at installation and it should be easy to install correctly. And this has gotten a lot of attention and positive remarks from retail and press and the likes so far in the industry.

So pricing wise, we are coming in also, again, premium product, premium price, so we are on par with the premium players in the market. Not above, not below, but on par. And I believe I covered most questions, but again, starting in Germany in a couple of weeks' time and then rolling out from there.

**Daniel Schmidt:** Yeah, any follow up, Alan?

**Alan Connery:** I mean, maybe just that final question on whether it does represent a different type of risk and whether that's commercial or manufacturing reputation or anything else.

**Mattias Ankarberg:** Yeah, absolutely. It's a different type of risk, and I think, in some ways, it's a higher risk, in others it's a lower. I mean, from a brand perspective and from a manufacturing capability perspective, product perspective, we are — I completely agree with you, Alan, this is right on Thule. We feel this is our territory. We also have reasonably established juvenile distribution, so there's a lot of things that are to the plus — on the plus here. It is a higher risk in the sense that, at least by our standards, this is a more regulated market than we are used to. We're not in Pharma compared to other industries like that maybe. But compared to other products, there is regulatory parameters involved. And of course with the

regulatory also comes reputational risks. So we have of course done our homework and a lot of internal focus and external resources to work through this in the best way possible, but it is a different risk profile with both lower and higher risk elements than some of the other categories.

**Alan Connery:** Perfect, thank you.

**Daniel Schmidt:** Okay, thank you, Alan. We'll go on to the next one, Hugo Torrel[?]. Please go ahead.

**Hugo Thorel (Moneta AM):** Yep. Hello, everyone. I wonder if you could maybe give us some indication about how big are the new generation of products in the Q1 in the mix? And by new generation, I mean the products that replace all legacy projects, as for the rooftop — roof box and the bike racks. So yeah, if we can get just an indication on that, it'll be a full[?]

**Mattias Ankarberg:** Yeah. So thanks, Hugo. We haven't quantified down to specific products. What we have said is that there's specifically two positives and one negative aspect driving the plus 18 the quarter. And then in general for us over time, about half of our sales has — comes from products that are three years or younger. So that's another benchmark for you to maybe consider when you think about the freshness of our portfolio.

**Hugo Thorel:** Thank you. And maybe just in the same kind of — maybe on longer period, but what would be the typical price increase you would do in the new generation you put in the market for that project portfolio that already exists?

**Mattias Ankarberg:** Yeah, obviously varies quite a lot. But between 5%, 7% or so is a typical upgrade in terms of price points and features, I would say, for a new generation of our bestselling products.

**Hugo:** Thank you very much.

**Daniel Schmidt:** Okay, thank you Hugo. Raif please go ahead.

**Raif Abillama (Renhet Associates):** Hi, thank you. Two questions please. First one on the car seat launch, are you planning to have it tested by independent test providers? When do you expect those results to be out? I noticed there were no reviews basically on those car seats, is that part of your strategy, you want those reviews to be available after the product becomes available? And the second question was on the gross margin, obviously you have a lot of new products that are being launched, so that should help your mix. You were very clear about the fact that you're sending out of inventory, so that is not helping your cost absorption. But as you are getting to the end of this initiative, you should start to see some benefits on the gross margin. Will we see it this year or next year?

**Mattias Ankarberg:** I'll answer the first question, Rafe[?], thank you. And then, Toby, you can take the gross margin one. Yeah, you're completely right, Rafe[?], car seats is a typically heavily consumer tested category with different kinds of organisations and these days also websites and newspapers, et cetera. It's important to note, there's also a, for the European launch, there is a — to sell a car seat, you need a certificate and to get the certificate you need to pass a regulatory test, put it like that. And that we have passed, so that the certificate is granted to us. And then in terms of the consumer test, what typically happens is that everybody puts a product in the market and then a mystery shopper comes and picks it up off the shelf somewhere and do a test and then you read about it in the newspaper, so in publications. So that is what we expect to happen with our car seats as well. Obviously, we have done a bit of homework, but this is the way the industry works. And maybe, Toby, you would like to comment on the gross margin topic?

**Toby Lawton:** Sure, sure. Thanks. Yeah, no, I think you're correct Rafe[?], that basically we have an effect that we are selling down inventory, which means that what we're selling in Q1 and largely in Q2, was produced in the backend of 2023 when we had pretty low production levels. So we have then a pretty weak overhead absorption in those costs, which kind of drags the gross margin. Going forward we have — as



gross margin has come down and we have better production levels, sorry, as inventory has come down and we have better production levels, we will see better levels of overhead absorption in our product costs going forward, which should improve gross margin.

And then the other part, just to mention, you mentioned the new products which are coming, but I would say with the new products in the beginning they're more of a — it's not a positive on product cost or gross margin because we've got low volumes in the beginning. So we have the opposite effect there that we're taking the overhead on a smaller volume in the beginning before the growth comes through. So you could say a little bit of a drag offsetting the other effect. But we should see the effect of the inventories coming down should mean improvement towards the back end of the year. Yes.

**Raif Abillama:** Okay, thank you. And maybe as a follow on, when do you expect the full benefit of your investments in your production new automation initiative that you put through in the last two years? Will we see it this year?

**Mattias Ankarberg:** I can start and, Toby, you can follow up. But I think we do see it underlying, sequentially kicking in and already — but we can see it. But as Toby said, since we're selling down inventory that was produced earlier period, that of course in the report gross margin maybe clouds some of those underlying effects. We do have a target of — we reduced inventory by SEK 800 million last year. We do target reducing another SEK 200 million this year. So it's a smaller reduction but it still is a reduction in inventory still, which means factories are not running at full utilisation of course, and we don't see that back pricing. But hopefully we will see about the market but at least we are confident with our inventory target and then we should have better factory utilisation and be able to have better follow on of the gross margins effect in 2025. Toby, you can add to it if you want to.

**Toby Lawton:** Yeah, no, I could just add that I think Thule has invested in automation over a longer period of time and continues to invest in automation. It's a kind of longer journey, if you like, and it's both cost reasons, it also improves quality, and a third aspect is it makes — you have more leverage on production as well that we can increase production levels more easily to meet demand. So it's contributing in all those different ways.

**Raif Abillama:** Okay, thank you.

**Daniel Schmidt:** All right, I think we have a follow-up question from Alan Connery. Please go ahead.

**Alan Connery (North Rock):** Yes, a short-term question, I guess, but it's on Red Sea dynamics and whether people who source their product from Asia perhaps are having sort of positive indirect effects on your business.

**Mattias Ankarberg:** I missed part of the question. Sorry, could you repeat, Alan?

**Alan Connery:** Well, I mean, obviously you have a sort of nearshoring production and not everyone does and so is there a chance that the Red Sea dynamics means that actually you stand to benefit in the marketplace? Toby, do you want to go?

**Toby Lawton:** Yeah, no, I could add. We do see some inbound logistics from Asia, the costs of that have gone up. It's nothing like where it was in the pandemic, so it's not as extreme as logistics costs were then. But absolutely they've gone up and they're taking more time and we are marginally impacted. But whether others are more impacted or not, I would say it's hard to see that effect really where we sit now,

**Mattias Ankarberg:** I think from a delivery performance point of view, our perception has been that, yes, it's taking longer time, it's a bit more costly but still product is coming through with a bit of a delay. So it's not comparable to where we were during the COVID or just post-COVID where there were weeks or months of issues of delays, where we really could benefit from having product and others couldn't. At least that's not what we're hearing from our customers.

**Daniel Schmidt:** Hey Alan, any follow up, or happy, maybe?

**Alan Connery:** That's great.

**Daniel Schmidt:** Okay, thanks. I could follow up maybe on the gross margin question, we talked a lot about under absorption and there's still some to go in terms of taking the inventory down. And I do think you did maybe a SEK 100 million in Q1, if you read the numbers at least, so maybe it's just another SEK 100 to go. But you also have — talking about the Red Sea, but just coming back a little bit, you do have, I assume, freight costs in the inventory gradually coming through positively as well as raw materials, is that correct Toby?

**Toby Lawton:** I would say the freight cost had come down already for the better part in last year, so there's not much more to come there. I would say the biggest effect is the production levels and production overhead that we were talking about earlier.

**Daniel Schmidt:** And raw material is not meaningful -

**Toby Lawton:** That as well had come down largely by sort of middle back end of next year, it was already — it is been stable since then. I would say it's not come down further this year really.

**Daniel Schmidt:** Okay. Okay good. I will continue then and anyone that wants to ask a question, just raise your team's hand. I think just coming back to the product launch and just maybe a small question on the dog crates, which is a new category, and I completely understand that it's probably not that impressive sales numbers yet, but can you say anything about the launch rollout? Is it a number of countries that you started with in Europe, US, when is that coming or is that already there or where are we?

**Mattias Ankarberg:** Yep, starting in Europe, US second part of the year. And extra focus on the, let's call it the markets where dog safety is higher on the agenda, so Nordics, Germany, Austria, Switzerland mainly, but some of the markets done well as well. And to your point, Daniel, no, I mean it doesn't tilt the entire P&L for the quarter but it's a nice start. And won some — won awards of design, won is first consumer review, good placement with good retailers. One example, the biggest pet retailer in Germany took it into about 20% of their stores and after two months, they said we'll want to have this in all our stores and we're taking some competition product out. So some good qualitative early wins I guess, and a good sales start. So we're happy. I'm pleased with the start.

**Daniel Schmidt:** It sounds like or it looks sort of a category where there's a lot of fairly unknown brands or maybe you need to be sort of a dog owner for a long time to recognise some of them. But it does look like Thule is coming into category with a much, much more sort of stronger brand, much higher brand awareness among consumers overall. Is that your opinion as well?

**Mattias Ankarberg:** Yes, absolutely, and it is a good observation on your part. And I think it's quite interesting from just a sort of business perspective with these two new product categories this year, that they have such different dynamics with car seats being a much bigger category but with clearly established good premium competition. Whereas dog transportation is a much smaller category, but to your point, local at best, some regional players. Not really established strong players in the premium end. And clearly an opportunity for us to come in with the best product in what we think will be a growing segment. Look at how child safety has developed over the last decade or two and how people treat their dogs these days and the trends we start to see around dog safety. So now it's an opportunity for us to have one of those really high market shares down the line, which we are very happy to have in some of the other key product categories.

**Daniel Schmidt:** Yeah, absolutely. All right, a couple of questions from listeners or the audience. Please go ahead, William, from Allianz.

**William Herpichboehm (Allianz Global Investors):** Thank you. Nice to meet you. More broadly speaking, beyond the next few quarters and the focus on new products, can we expect any larger strategic

changes from you? Would be my first question. Then have there been any changes in the way that you think about Thule ever since taking over as CEO? And also what are your thoughts on capital allocation?

**Mattias Ankarberg:** All right, thank you. Let's see if we can get all of those three. So I think first of all, I think Thule is a great company. I had the pleasure being on the board for five years before joining as a CEO on full time. So in addition to having the benefit of knowing the company a bit, I mean, of course I support the strategic direction and been part of some of those discussions and decisions and investments. So I usually say Thule doesn't need a new strategy but we have ambitious targets and we need to succeed with more things at the same time that we've done before. So keep working on the product development agenda for sure, be successful in more product categories that we're launching this year, and then of course we will need to look at more. And then I do think coming from a background in commercial roles and the consumer goods industry, we have an opportunity to be more visible and drive sales. So those are the growth objectives.

Coming in as a CEO, to your second question, of course being here day to day gives you much stronger feeling of the team and the culture and the people. And I think it's no surprise, I was aware of it, I was on the board, but it's so striking or so obvious every day we work in the company that we're quite competitive and quite driven. And that I personally think there is something to these Swedish companies that made it abroad, which is kind of a little bit of home-grown but still with the international ambition, that I think Thule shares with some other Swedish companies. And that's something that I'm much more aware of now that I work full-time.

In terms of capital allocation, we have had a fairly constant, or consistent I guess is a better word, strategy over the last couple of years. We invest a lot in ourselves, as I used to call it. Some of that is through SG&A in product development, others is in CapEx, particularly for automation and capacity increases in our factories. That's an important element. We do pay dividends. What is it we have now, Mr. Schmidt, about 3% or so yield at this share price levels?

**Daniel Schmidt:** €9.50. Yeah, absolutely.

**Mattias Ankarberg:** So that's something that we've also been consistent with. And we have historically done the selected add-on M&As, but not more than that, and that's also something we continue to look at. So we — don't expect any shifts or dramatic strategic changes on either the business drivers or the capital allocation but continue to evolve and tweak as we've always done.

**William Herpichboehm:** Thank you very much.

**Daniel Schmidt:** I think there was another question, maybe it was withdrawn, if there's anyone that wants to come back with a question, otherwise I'll continue. No, but speaking about — you said they the opportunity to be more visible and drive sales, and I think you've mentioned that a couple of times in the past ten months. And you are more focused on PR and events and so on and sort of trying to reach media and media attention through that and across your own channel as well, which you're emphasising quite a lot more than what was the case previously. Is it sort of — how do you measure sort of — of course, you can see sales developing, but are you seeing any sort of early signs of different countries picking on — sort of widening how they shop from Thule in terms of product categories? If Swedes are very sort of focused on roof boxes, are we changing that behaviour in any way? Are you reaching out with your strollers in Sweden in the way you didn't used to or whatever? Is there any sort of early signs of that strategy taking shape in the market?

**Mattias Ankarberg:** Well, it's a good question and I think in general, my view is that we do have a strong brand and of course great products and people really like Thule, I won't even call them fans. But to your point, and the context of why this is a priority, is that very few, even of our fans, are aware of the full offer we have. So there's a lot to do there and it's too early to draw any sort of conclusions or say anything

specific. But I guess it's encouraging to see that now that we're, for example, opening new markets for thule.com at a faster pace, I mean, we sell to 138 countries, we have thule.com in 16, and three of those we opened in the last two quarters. So immediately, as we open thule.com for sales, consumers start shopping and it adds to growth through the D2C channel.

And it's also encouraging to see that when we just introduced a new product called Thule outset, which is the world's first rear mounted tent — rooftop tent but at the back of the car, last week, we have digitally a really long list of interested parties. And now that we launched that, we can activate them both in terms of messaging communication but also open up for D2C sales. So it's nice to see those examples that the consumer is engaging with us directly as a brand and that resonates and follows through with sales. But any kind of bigger shifts or impacts is way too early to assess

**Daniel Schmidt:** Of course, as you mentioned, you do have a quite aggressive target for 2030, which will require quite a lot of sales growth in the coming seven years to get there. And of course it was an ambitious target already when it was set and we're in a different sort of economic environment now than two years ago. And of course that could change again for the better hopefully. But sort of maybe a difficult question, Mattias, but how realistic do you think it is to get there?

**Mattias Ankarberg:** We believe and stand by the target, but the communication from our side, or from my side at least, it's always been that we have no lack of growth opportunities. There's a lot we can do and we are committed to our SEK 20 billion target. What we need to happen, in addition to maybe a market, which hopefully is in a little bit more optimistic place at least by 2030, but we need to be successful with more things at the same time. So we need to keep driving the business which we've done great historically through mainly product development, but we also need to be successful in more product categories specifically. And we will enter two new ones now, those are two additions, and we will also consider more categories both organically and through add-on M&A, and that will be needed to reach the target. Is it ambitious? Yes. Should targets be ambitious? In my view, yes. But it's also possible to reach, so that's where we are.

**Daniel Schmidt:** How far out do you think it is in terms of, again, you're at this stage just about to launch two new product categories. You've done one, you're about to do the second one as your course here and now but doing a lot. But how should we think about sort of further line extensions when it comes to product category? Is that another two, three years out or what do you think?

**Mattias Ankarberg:** Yeah, no, we haven't given away any comments on that, but let's say it's ongoing work internally all the time to assess and prepare. And some things we kick off, I mean, in all transparency and concept phases and test, does this resonate, does this work, could we really make this better than anybody else? And then we'll go through our process and see if that's something we want to invest in at a bigger scale. So I can't give you a comment on the timing, but let's put it like this, this year we're launching more products than ever and two new product categories. So let's make sure we get good traction in these and not get too distracted by the next shiny new thing, for language. But once that's done and we feel that we have the traction, the momentum, and this is going well, yeah, we as a management team also need to be looking at following that up with more categories.

**Daniel Schmidt:** We have a follow up from Alan Connery. Please go ahead.

**Alan Connery (North Rock):** Yes, it was on actually the growth opportunity in Asia and whether or how close you may be to, I guess, bringing that up, the list of priorities. It seems like you do really under index versus other consumer companies, for example.

**Mattias Ankarberg:** Yes, Alan. You're completely right, Asia is small share for Thule, and there are a couple of reasons for why, but that also could change. I mean, if you look at some of our big categories are connected to, I mentioned two reasons. It's connected to, of course, either cars or biking, and those

behaviours are — car fleet is a bit different in some Asian countries, regulations around car fleet and ability to bring products along, behind the car, on top of the car is different. And also biking trends are different. So there are some differences there.

Secondly, even if the markets are big in some of the niches that we are in, the premium segment isn't that big in some of these big countries. Now having said all of that, outdoor in general is growing quite fast in some of these Asian markets and, I mean, economies are developing and the premium segment is getting bigger. So it's of course something we will look at also during the coming period to see when is the right time to invest at the bit bigger scale in Asia. But so far we have been focused on building out our presence in North America and in Europe, to your point.

**Daniel Schmidt:** Yeah -

**Alan Connery:** Perfect, thank you.

**Daniel Schmidt:** Just sort of in hindsight, do you think that you could have done better when it comes to luggage and strollers which are more of a global product compared to bike carriers, for instance? Could you have done better with those two products in Asia?

**Mattias Ankarberg:** Yeah, so could we in theory have done better in Asia? Yes, we could have, but we could have done better in a lot of things. I think we did — if we look back at the last couple of years, I think at least in our business and industry, the whole pandemic sort of boom and bust has really set the priorities for us in terms of both the demand and the supply situation. And I think Thule did a very wise choice to focus on executing. To our regular customers in the markets, we were strong and over-indexing in the premium segment where we had the opportunity. That allowed us to also build stronger presence with some of the key accounts and markets in Europe and North America.

Would COVID not have happened, would we have gone even faster then into Asia? Maybe. Could we have done more things at the same time? Probably not. Even the organisation was running full steam ahead, but I think that's all sort of water under the bridge. We did the right choice then, I think, and then we should, as a team, now be open to look at what the right priorities are sort of from here and forward.

**Daniel Schmidt:** Any other questions from the audience? We're coming towards the end but there's room for a few more. And I could continue, and one of the negatives which has been the case now for a couple of quarters is of course recreational vehicles. And especially for you, it's European market, you have a very small exposure to the US market, but that one has been even weaker of course, but — although it's rebounding as we speak. The European market is a bit more tricky, it's more heterogenic than the US market, and I guess harder for you guys to have a strong opinion about.

But you've been very clear that it will be at least another quarter with declining sales. But you also mentioned, in connection with the Q1 report, that this downturn might not be as long as a normal downturn, it might be short-lived. And I guess you base that partly on the fact that registration data is holding out quite well. If you look at the German market, it's actually been rebounding now for six months. Is there any other indications where you see things that we can't see when it comes to this market? Or where you know that you have a very strong launch programme in this market that will help you in the coming quarters? Or could you shed some more light on that?

**Mattias Ankarberg:** Yeah, absolutely. By and large, I mean I share your view, Daniel, first of all, so well captured. Some minor additional colour to the comments would be that, yes, we do have quite a few launches this year also in the RV segment more than in history. We do see consumer attendance being quite high still, at these fairs and exhibitions, and that's what we hear from dealers as well. We get the preseason, the visits, the discussions, the tenders, but obviously, pricing has gone up and financing has gone up a lot. So I think, at least for me personally, maybe some of you would share, that if you would bet

that you could wait six months, interest rate may come down, that makes a quite big difference on sort of a €75,000 RV investment.

So that's one timing thing. The other maybe indication is that the OEMs, the vehicle producers and the vehicles outfit there, so to speak, are still keeping production volumes up. Now most people believe that at least one of them or two of them will slow down a bit, maybe shift reductions or some kind of lower pace, but there's, so far, not any major breaks pulled in terms of production volumes for RVs. And I think that's also a sign that the industry is still optimistic that these volumes will be absorbed by the consumers in the market.

**Daniel Schmidt:** Yeah.

**Mattias Ankarberg:** Having said that, I mean, clearly we've said before, 2008 was the last downturn, it lasted a bit of two years. For these reasons, we believe that it might just be one year or so this time, so it's another quarter or so, but it — we're not out of the woods yet, but we are hoping that we will be back to sort of flat or modest growth by the second half of the year.

**Daniel Schmidt:** Yep, yep. Any final questions from the audience? I think the hour is up. Okay, I think we will end there. And I just want to thank Mattias and Toby and Fredrik. Oh, maybe one last question, sorry, I know that Fredrik is leaving and I was just wondering is there any sort of any news when it comes to any sort of replacement in the near future?

**Mattias Ankarberg:** There is no news announced and we promise we will announce publicly when we do share it, but of course it's something that we work on and we'll be not far out.

**Daniel Schmidt:** Okay. With that, thanks everyone for calling in and thanks for participating and thank you so much for listening to Thule today. Thank you.

**Mattias Ankarberg:** Thank you.

[END OF TRANSCRIPT]