

Thule Group

Interim Report 2019/Q2

July 18, 2019

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Thule Group»

2019/Q2 – Another quarter of profitable growth

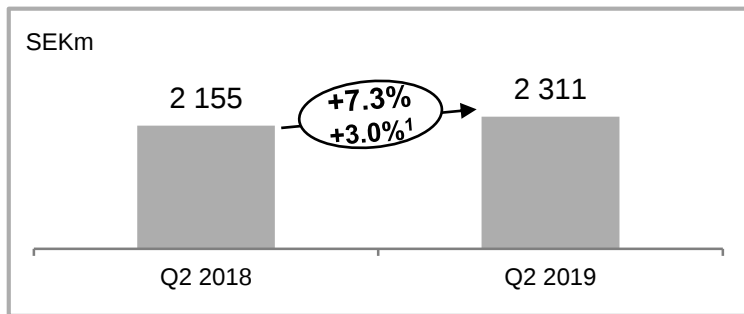
- **Net sales** of SEK 2,311m (2,155)
 - +7.3% growth (+3.0%, excl. currency effects)
 - Region Europe & ROW: +3.2% (excl. currency effects)
 - Region Americas: +2.3% (excl. currency effects)
- **EBIT** of SEK 558m (523) and **EBIT margin** of 24.1% (24.3)
- **Net income** of SEK 419m (385)
- **Earnings per share** of SEK 4.06 (3.73)
- **Cash flow** from operating activities SEK 431m (305)



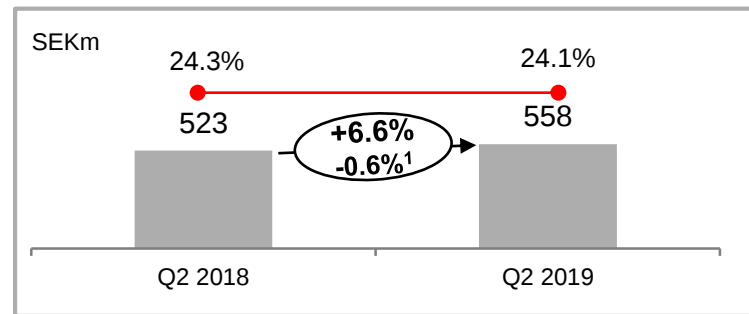
2019/Q2 – Net Sales and EBIT development

Reported Net Sales

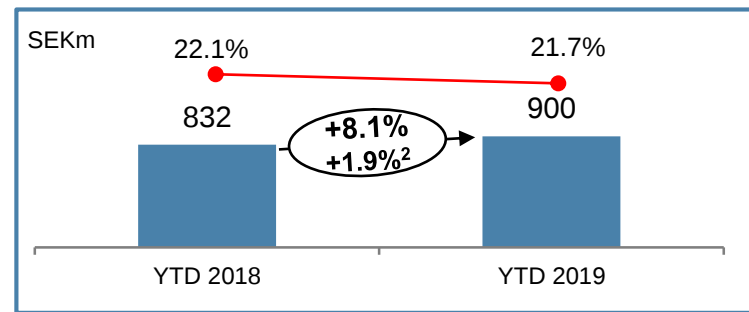
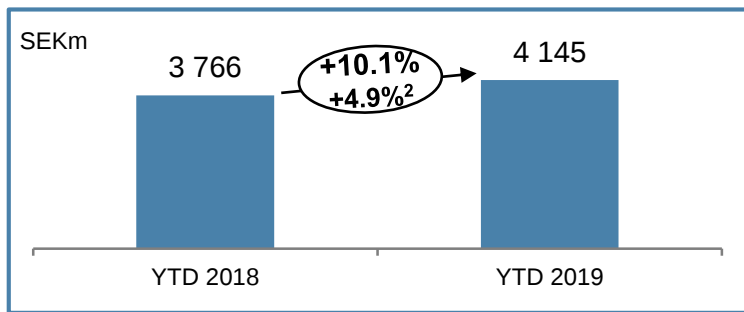
Q2



EBIT and Margin



YTD



¹ Constant currency adjustment based on average FX rates 1 April 2019 – 30 June 2019.

² Constant currency adjustment based on average FX rates 1 January - 30 June 2019.

Region Americas – Second Chinese tariff decision, larger impact than expected

- **Net sales SEK 644m (579)**
+2.3% growth (excl. currency effects)
- **YTD +1.1% growth (excl. currency effects)**
- Integration of Tepui acquisition going very well
 - Sales of SEK 29m in second quarter
 - YTD SEK 47m, an organic growth for Tepui by 38% vs PY
- Known and communicated phase-out of low-margin OE programs in the US had a negative effect of -2.6% (SEK -17m) in the quarter
- Second Chinese tariff decision impacting US Retail
 - In May the announcement of a second Chinese tariff increase (additional +15%, in effect as of July 6) created an overall negative Retail view (with lower purchases), especially affecting our Bike Carrier sales negatively at the end of Q2
- Canada returned to growth in 2nd quarter and Brazil continued to perform well
- Sales decline in other Latin America markets due to continued economical instability in key markets like Argentina, Chile, Costa Rica and Mexico



Region Europe & ROW - YTD performance strong, despite a slower Q2

- Net sales SEK 1,667m (1,576), +3.2% growth (excl. currency effects)
- YTD +6.3 growth (excl. currency effects)
- Early spring sales phasing into March impacted Q2 sales, primarily on Bike Carriers
- Headwind in the Nordic and Russian markets
 - Large retail customers in the regions having challenges
 - Tough comparable prior year in the Nordic region
- Sales of 2nd generation Roof Racks lower than expected
 - Higher inventory levels at retailers/distributors of old models
 - Expected to improve 2nd half of the year
- RV Products sales slow-down, as expected, to OE manufacturers
 - Inventory adjustment in channel, still with solid consumer sales
 - Manufacturers challenged in phasing over to Euro6D engines in Q3-Q4
- Active with Kids continued to perform well
 - Multi-sport Trailers and Strollers continued good development
 - Child Bike Seats a small decline due to price aggressive domestic competition in the biggest market the Netherlands
- In Packs, Bags & Luggage the growing categories (i.e. Luggage and Sport bags) developing nicely



2019/Q2 – Reported Income Statement

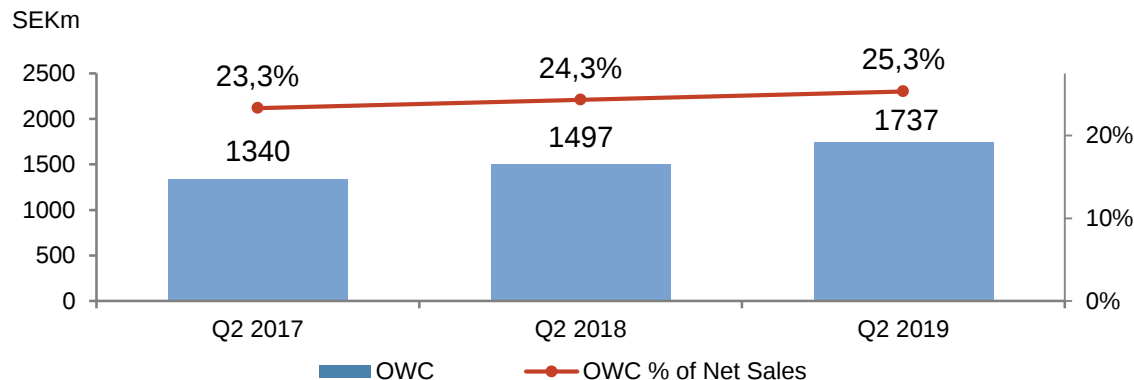
SEKm	Q2 2019	Q2 2018	YTD 2019	YTD 2018	LTM
Net sales	2 311	2 155	4 145	3 766	6 863
Cost of goods sold	-1 339	-1 246	-2 426	-2 188	-4 096
Gross income	972	909	1 719	1 578	2 767
Gross Margin %	42,1%	42,2%	41,5%	41,9%	40,3%
Selling expenses	-333	-312	-659	-596	-1 219
Administrative expenses	-82	-73	-160	-150	-318
Other operating expenses	0	0	0	0	0
Operating income (EBIT)	558	523	900	832	1 230
EBIT Margin %	24,1%	24,3%	21,7%	22,1%	17,9%
Financial expenses/revenue	-10	-13	-23	-29	-43
Income before taxes	547	510	876	804	1 187
Taxes	-128	-125	-204	-199	-282
Net income	419	385	673	605	905
Net income pertaining to:					
Shareholders of Parent Company	419	385	673	605	905

Q2 Comments

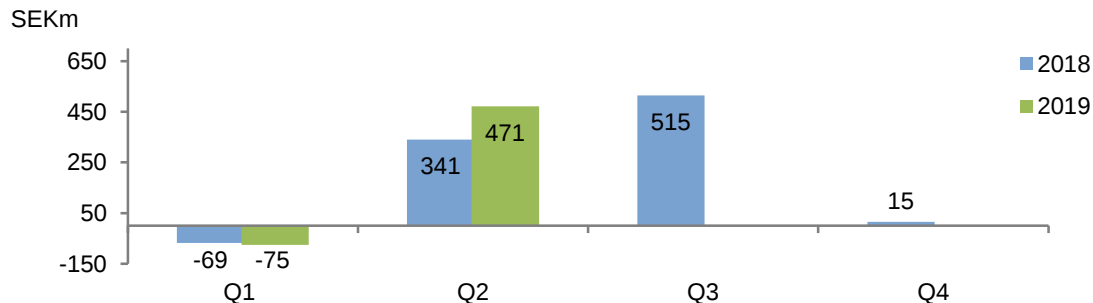
- Gross Margin fx adjusted down with -0.7 percentage points
 - Negative impact from Chinese tariffs for US purchased goods (-0.2 points)
 - Under absorption due to lower production volumes
- Overhead expenses – fx adjusted increase excl. Tepui acquisition SEK +5m
- EBIT margin at 17.9 % at rolling 12-month basis
 - Continued ongoing initiatives within Product Development and Sales & Marketing
- Tax rate at 23.4 % for the quarter (24.5%)
- Low IFRS 16 impact on IS
 - EBIT SEK +3m
 - Fin. Exp SEK -2m
 - Net Income SEK -1m

2019/Q2 – Operating Working Capital and Operational Cash Flow

Operating Working Capital



Operational Cash Flow



Operating Working Capital

- Operating working capital, 30 Jun. 2019:
 - Inventory: SEK 1 096m (907)
whereof currency SEK 19m
 - Accounts receivables: SEK 1 274m (1 205)
whereof currency SEK 20m
 - Accounts payable: SEK 633m (615)
whereof currency SEK 13m
- Currency effect SEK 26m vs prior year
- Inventory as expected at higher levels and with weak end of June slightly higher than plan, expected to reduce further during Q3
- AR in line with sales growth

Operational Cash Flow

- Q2 operational cash flow SEK 471m (341), an increase by SEK 130m vs PY
 - Increase due to higher earnings and improved Operating Working Capital
 - CapEx SEK 34m (53) in the quarter, YTD we are at similar level as PY SEK 69m (67)
- YTD operational cash flow SEK 396m (272), an increase by SEK 124m vs PY

2019/YTD – Performance vs. Financial Targets

Organic Growth	$\geq 5\%$	Constant Currency Net Sales Growth (excl. Acquisitions) +3.7%	
Underlying EBIT Margin	$\geq 20\%$	21.7%	Q2/2018 at 22.1% (LTM at 17.9%)
Net Debt / EBITDA	1.5-2.5x	1.8x	Q2/2018 at 1.7x (Q2/2019 excl. IFRS 16 at 1.7x)
Dividend Policy	$\geq 50\%$	86%	Ordinary dividend of SEK 7.00 per share (6.00)

Strong drive and exciting projects to drive long-term profitable growth

- Sales&Marketing focus coming months
 - Support Retail with sell-out at end of peak summer season
 - In-store launch of new products, some examples:
 - Thule Vector – a new premium Roof Box (2019/Q4)
 - 2nd phase of new Roof Racks generation (2019/Q3-2020/Q1)
 - Broadening our Luggage portfolio with our third full luggage collection, Thule Crossover 2 soft-sided luggage (2019/Q4)
 - Execute successful 2019 retail fair presentation season with wide and deep portfolio of launches coming for 2020
- Operational focus coming months
 - Continued high On-Time-In-Full delivery performance
 - Finalization of Hillerstorp (SE) roof rack plant investments for second and third phase of new roof rack generation
 - Continued efficiency gains in plants with significant investments done in 2018 and first half 2019
 - Tracking and staying on top of volatile raw material market, with some positive tailwind expected for 2nd half 2019
 - Continued aggressive product development push for 2020 and beyond



Image: Thule booth at Outdoor ISPO fair, Munich, Germany (June 30 – July 3, 2019)

Q&A



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