

# **Thule Group Year End Report 2016**

Friday, 10th February 2017

---

Transcript produced by Global Lingo  
London - 020 7870 7100  
[www.global-lingo.com](http://www.global-lingo.com)

## Thule Group Year End Report 2016

Magnus Welander

*CEO, Thule*

### Opening remarks

Good morning everybody, and welcome to this year-end report and happy to conclude a very strong year for the group with a solid 2016 Q4 result.

### Q4/2016 highlights

*Continued strong profitability and strategic review finalised*

So, for us, if you look at the first slide, summarising the Q4 2016 highlights, we can see that we grew sales, with 9%. We grew sales with 9%, 2.5% growth in currency adjusted. And what you can see is that it was also in this quarter the European and Rest of World region that really was the engine of that growth, growing in the quarter with more than 8% in constant currency. As Q4, especially in Region Americas, is more exposed to our struggling product category, Bags for Electronic Devices, we had a decline in Americas, with approximately 5%, which was in line with what our expectations were. So overall, the quarter delivered to our expectations; also delivering an underlying EBIT of SEK 68 million, an improvement of SEK 20 million versus last year. And if you look at what we have done, you can also see that the cashflow was lower in the quarter than the previous year, and that was due to a stock build-up ahead of some big product launches in new product categories at the beginning of this year, and also due to the fact that we are doing our move of our Eastern US distribution centre as we speak at the moment, and we wanted to ensure a smooth introduction, both of the new products and a smooth introduction of the new warehouse without jeopardising our very strong performance in delivery performance.

### Full year 2016

*Strong organic growth drives EBIT growth*

Therefore, we can see that the full-year 2016 really delivered a very solid sales growth and a very strong EBIT performance, where we from a group perspective grew EBIT with 14%, 10% currency-adjusted. And we grew 5.5% on sales. The driver of this, of course, was our biggest category and what will from now on be our only product category, Outdoor&Bags. And there we can see that the performance of this category combined with some improvements in the smaller Specialty segment during the year has also meant that we are now, at the end of 2016, delivering an EBIT margin of 17.3% for the group, which is higher than our mid-term target of 17%.

So, a very strong year across the board. If you look at total performance with Region, Europe and Rest of the World as the strong engine for that result.

If we then also conclude a little bit on another big decision, as I said, the board has also decided to divest our Pick-Up Trucks Toolboxes business. So, as we will be reporting as of next quarterly report, we will not be reporting Specialty any more, as it will be considered as assets held for sale. And we will integrate two smaller product categories into the Sport&Cargo Carrier product category. I will come back to some of those numbers on a later slide.

### Q4 2016 and full-year 2016

*Net sales and EBIT by segment*

If we move to the next slide, where we can see a bit the regional performance more in detail for the big categories, you can see that extremely strong performance in Europe and Rest of the World, with a growth of more than 10% currency adjusted, and a decline in Americas with 4%. We have, during the previous quarterly calls, highlighted the tough market situation in the spring and summer in the US in the outdoor

industry with some major bankruptcies and also the specifically challenging bike market in the third quarter versus a very strong 2015 Q3 in the US specifically.

If we look at what we see going forward on this, I can say that we feel that we have seen the end of the toughest times in Americas, although trends rarely change rapidly. I do not think we will see fantastic growth in Americas fast, but we are positive about the Americas Region coming into a more normalised 2017 is in a much better position. Yet, we have to say clearly that the US retail in sporting goods and in other categories is more challenged, and there has been even some recent Chapter 11s. Nothing that impacts our numbers to any significance, but it is still a tough market for bricks-and-mortar outdoor and sporting goods stores in the US region.

If we look at the Specialty, you can see that we have this time, as we are only divesting the biggest part of the category, we have split the sales into two product categories. It is the Toolboxes for Pickup Trucks that we will be divesting, and together with that business, we are divesting a dedicated factory in Perry, Florida, that only manufactures these products. And that business, which is then done under the UWS brand and as a private-label business, was flat for the year and stood for SEK 307 million in sales, while the two smaller product categories that we will retain stood for SEK 158 million in sales.

## **Full year 2016**

### *Net sales by product category in segment Outdoor&Bags*

If we go to the next page, we can look at the product categories and the performance over the year. And if you remember, we have been talking many years about the strength of our Sport&Cargo Carrier business, which is of course a very significant chunk of the group's business, where we are the undisputed global market leader and number one in every market in the world. And we have said that we have always managed to grow that business more than 5%. I am very happy to say that that was the case also in 2016, despite that the biggest market that we have, the US, actually did not show growth. So, strong performance in many other markets meant that we kept on really delivering very solid and strong growth numbers in Sport&Cargo Carriers. And here, our strategic focus if we look forward for the coming years, is really to do what we have been doing so brilliantly over a long period of time. That is, to drive growth. We have fantastic product innovations and a closer and closer cooperation with our retail partners via various retail partner programmes.

If you look then at the exciting Other Outdoor&Bags category, which has now for two years in a row grown with very high numbers; it grew almost 26% in this year. That category is made up of three product sub-categories; it is RV Products, it is Active with Kids as we call it, and it is Sport and Travel Bags. Growth was actually very similar in all those three categories, so it mirrors a total performance which was fantastic in these categories. And here, our ambition is clearly to definitely drive an aggressive growth via a widened offer. And as we offer more products, we also get new listings in this category. Getting into new retail channels, and new countries even, with the products and thereby broadening in two senses, both with new products and with new positions to sell those products.

Then we have our challenged product category: Bags for Electronic Devices, which is our disappointment. And here we can admit that we are disappointed with the numbers. We have, especially in the Americas, not been able to turn the business around in the way we had wanted. We have taken some conscious decisions from two years ago to not strive for volume, jeopardising profitability, and we have stuck to that party line very clearly, which means that despite a 13% decline, our contribution effect from this business has actually improved in the year, and we are making more money from the business we do.

We still have some product categories, subcategories within Bags for Electronic Devices, that had dramatic declines. Among them is most chiefly camera bags and tablet folders, where we are facing some competitors that are focused only on these businesses, and if you are focused only on these businesses,

you are a desperate company today. And they are doing some desperate measures in terms of what they are prepared to offer the market in terms of pricing. And therefore, we have not chosen to follow that, and instead have kept on going with our current business. So, overall, despite the disappointment in Bags for Electronic Devices, overall, we are positive over the year.

*Sport&Cargo Carriers – a strong Europe&ROW Region drives growth*

If we go to the next slide, I want to talk to you a little bit more in detail about our biggest category, Sport&Cargo Carriers. And if we summarise it, we had a fantastic year in Europe. We had growth across all markets and across all subcategories, so a very, very strong performance. And one of the main volume drivers was that we launched two very high volume-driving bike carriers: the world's most-sold roof-mounted bike carriers, that is the Thule ProRide 598, which is shown in the upper image, and also the Thule VeloSpace, the best towbar-mounted bike rack for e-bikes in the world, which is shown in the lower right image. Fantastic successful launches and a great reception in the marketplace, and I am sure that those two products will continue to grow in their second year in the market during 2017.

At the very end of the year, we also launched, only in Europe and only at the very end of Q4, we launched the first in the new revamp of our box programme with a Thule Motion XT roof boxes, and we are rolling that launch now out to more countries and into Americas during the latter part of Q1. That new box line offers a new technology in it as well as a more modern design following the car trends of today and has received great feedback in the market after the launch in Europe.

Finally, we said many times during the year but it is worth reminding, that Region Americas definitely was hurt by these major bankruptcies and the bike market, but we did have some key successes also in the year. We launched a high-volume driving Thule T2 Pro hitch bike rack, and we definitely defended our market shares in a tough marketplace. So, we enter 2017 with still a very strong market position, and with a very strong product portfolio also in the Americas Region.

*Other Outdoor&Bags – continued fast growth across the world*

If we go to the next page, we will talk then about the category which is now our second-biggest product category after two years of rapid growth. Other Outdoor&Bags, as we call it. And if we look at Other Outdoor&Bags, it is made up of three subsets: RV products, and here we mostly talk about awnings, tents and bike racks on RVs – motorhomes and caravans – but there are some other products as well. Here, we are focused on the European market, and the European market was a hot market for RV products. Most people estimate that it was a growth of 13% in number of vehicles registered, so a very hot market. On top of that hot market, we took significant market share and grew in line with what the rest of Other Outdoor&Bags growth was. So, a fantastic year. And that year was driven by also, as in the rest of the company, some great new products launches, and of course, in this specific business, also some very good key account management work with some of the larger OEMs for making caravans and campers.

If we take the second big category there, which is Active with Kids, we have had over a few years some very successful launches, winning lots of design awards and generating a lot of buzz in the media with some fantastic new bike seats, some fantastic new jogging strollers, etcetera. And, in fact, if you take our Thule Urban Glide jogging stroller was in a very important venue chosen as the best branded product and designed product in Europe last year in a big ceremony hosted by the European Union. So, we have a fantastic number of new product launches and on top of that, of course, we also, with acquisition of GMG, and the brand name Yepp, added further strength to what was already a strong product portfolio in child bike seats. So, we are coming into a great year and on top of that, we actually are just as we speak this week rolling out a fantastic revamp of our Thule Chariot multisport trailers, where we acquired a chariot company six years ago, and have successfully tweaked some of their products over the years and very successfully grown that business on a global scale, but now in this month of February are globally launching a completely revamped series of products that are simply phenomenal. And as I was joking with my wife, if

we weren't too old we would almost want to have a kid just to be able to use those products, because they are just great.

If you look at it, that of course meant that during 2016, as we announced the introduction already at the fairs, that a lot of people were not ordering the old Thule Chariot and were waiting for the new one, which in itself then creates a big opportunity for us in 2017.

And then in the third category, Sport and Travel Bags, what we have done is simply kept on adding great backpacks to our technical pack category with the Thule Stir and Thule Versant lightweight hiking packs. We have launched a much broader offer of Thule RoundTrip winter sport transfer packs, of ski bags, boot bags and board bags. We have launched a further and a large Thule Shield bike pannier bags assortment and we are continuing to get more listings in various sport-specific stores for these products.

So here we are seeing great growth across the board in both regions and looking very healthy going forward.

#### *Bags for Electronic Devices*

And then let us go to our underperforming category, then, Bags for Electronic Devices. And here, as I said, I am disappointed, so is my US team, because we have not delivered to what we hoped in terms of growth in the core focus area going forward. We have told you guys that our core focussed area going forward is trying to get away from very specifically device-dependent bags and cases to more generic bags that people will use going back and forth to work or back and forth to college. And here we have seen nice growth in Europe in that category of smaller day packs and laptop bags, but in the US, we have not managed to get those right new listings that have been able to drive that growth and at the same time in both regions we have been severely exposed to those dramatically declining categories still.

So, we are not happy with this performance but we have chosen a very clear focus to not search just for volume but rather make sure that we make good margin on every bag that we sell. So, a continued cost efficiency focus and improved sourcing has allowed us to actually get a much stronger contribution from this category, despite the top line decline.

#### *Strategic review of work gear*

If we go to the next page, we then want to dig into a little bit into the logic of why we are doing a partial divestiture of our specialty work gear business. And simply you can say that when we look at this business and when we did our evaluation, from a management perspective and our proposal to the board, which they accepted, was to say that we are the undisputed global number one in the world with everything that is associated with racks for cars and we have a fantastic technical competence level there. And we felt it would be unwise to share some of those great developments with others, and on top of that the pickup truck rack business was actually manufactured in our facility in Seymour, Connecticut, where we do the rest of the sporting cargo carriers for the Americas region, so a separation would also have been problematic for that business.

Therefore, we recommended and the board accepted to divest what was a very easy separation which was our dedicated factory in Perry, Florida for our Pickup Truck Toolbox business. On top of that, that business did not use the Thule brand to any extent, it was only using the UWS brand and was a private-label business. So, in all senses, it makes for a much cleaner and easier separation and it also means that we do not share, so to speak, technical high-level input to any potential competitor on our core business.

We have started the sales process and appointed advisors and I am expecting that we will close this operation fast during 2017.

If you look at it, the majority of this business was the Pickup Truck Toolbox business and in 2016 we had then a turnover of that toolbox business of SEK 307 million. It was, however, the lower-margin part of speciality, so it only had an EBIT margin of 11.2%.

On top of that, we got the information during the latter part of 2016 that Home Depot, that private-label business that we had and which stood for approximately one-third of our sales in 2016, have decided to go with a different partner from the second half of 2017 so by mid-2017, we will be phased out of that business.

We still think this is a very viable business and an interesting business for various automotive accessory companies in the US and we therefore expect that we will be able to, in a good sales process, get a typical valuation around what automotive accessory companies are valued in the US market today.

We will, in terms of reporting, therefore have this business as held as it is held for sale and we will integrate the small part that we are keeping, the pickup truck racks and some smaller accessories, into the Americas business of sporting cargo carrier product category as of this 2017 Q1 report and going forward.

With that, I leave it to Lennart to talk a little bit more about some of the other financial matters.

## **Financial Report**

Lennart Mauritzson  
*CFO, Thule Group*

### **Reported income statement**

Okay, thank you very much Magnus. So, we will now look at the income statement. We had a gross margin in Q4 this year at 36.6% versus prior year 34.8%. That is an improvement by 1.8 percentage points whereof 0.6 points are coming from favourable currency. And if we look at the year to date, we improved the gross margin by 1.6 percentage points, of which 0.5 were favourable currency. The rest, a minority of the improvements, are then coming from a favourable product and market.

We then jump down to the financial net. It was SEK –9 million versus SEK –11 million last year quarter four. Full year, we had a SEK –36 million in financial net, where of course the majority is coming from interest expenses. Compared to prior year, SEK 60 million.

The improvement is because we have not utilised any revolving credit facilities and the improved leverage net debt to EBITDA thanks to better pricing and we have some positive FX effects on our cash pool accounts. They are main reasons for the lower financial net this year.

#### *Taxes*

If we go to taxes, fourth quarter is the smallest profit-generating quarter, therefore tax rate in this isolated quarter is higher than the full year in percentage. A similar level this year, at 34%, as prior year, 33%. If we look at full-year effective tax rate, it is 36.6% this year but if we would include a provision we made in the third quarter of the German tax claims, the effective rate for this year was 34.5%, versus last year's reported 23.2%.

So just to remind you that the net income we are showing here from discontinued operations for prior year 2015 is from the divestiture of the snow chain business we did last year.

#### *Operating working capital and operational cash flow*

If we go to the next slide, where we have the operating working capital and operational cash flow summary, we have, in percentage of sales, kept our operating working capital at the same level as the last two years, so our working capital NDQ for this year was at 16.9% of our sales. This is in spite of inventory build-up in

Q4 that Magnus has earlier talked about, where we have some heavy product launches in the beginning of 2017 and the start-up of the new Eastern DC in the US.

So, we are happy with the performance of our working capital, [inaudible] the growth of sales, the introduction of new categories to keep them at this level.

That therefore also means that we continue to have a strong cash generation, and as you can see the effect of inventory build-up can be seen in the Q4, where we had an operational cashflow which was SEK 19 million less than prior year. But year-to-date, overall, a cashflow generation of SEK 950 million plus SEK 200 million compared to prior year and that means cash conversion of 92% in 2016 compared to EBITDA.

So, thank you.

## Outlook

Magnus Welander  
*CEO, Thule Group*

### 2016 performance versus targets

Thank you, Lennart. If we then go to our financial mid-term targets and have a look at how we fared, you can see that on organic growth for the group we did not reach the 5%, we ended at 4.6%. But what is more important, of course, to remind ourselves is that the business we are retaining, outdoor and bags, did achieve its 5% growth, despite that the biggest market, US, had a very tough year. So, we are happy with the growth we are generating in the company in terms of organic constant currency sales growth.

We are even more happy with the development of our EBIT margin where we already, in 2016, are ahead of the mid-term target that was set at 17%, with 17.3% and therefore we, you know, compared to 2015, full year of 2016, have shown a very strong performance.

With the strong EBITDA performance, we have a leverage which is now down, by the end of the year, at 1.6-times versus the 2.3-times we had in year-end 2015. The extremely strong cash generation and the strong belief in the company's capabilities of continuing to deliver a very strong cash generation is also in the background combined with the leverage ability and the leverage target that the board has decided that on top of the SEK 3.40 ordinary dividend, which would equal 51% of net profits this year, the board has decided to add an extraordinary dividend of SEK 7.50 per share, so a very significant extraordinary dividend.

We are feeling very comfortable, as senior management, that this still allows us to have dry powder for possible acquisitions of the smaller type and with our leverage target around 2.5, that, should there be an acquisition of any more significance, that we would be able to then have a possibility to borrow the money for achieving that.

So, entering the year 2017 very confident on our cash generation capability.

### 2017

So, if we now look forward, because that is of course the most exciting thing, when you look and run a business. As our Head of Sales here always says to me, 'Now we can close the books and now we now have to beat our new things,' and that is always what we do.

So, if we summarise 2016 on the next page, we can say that it was a very good year. We had a sales growth in outdoor and bags of 5% organic growth, despite a tough general US market and some struggles in Bags for Electronic Devices. We grew our EBIT from SEK 850 million to SEK 970 million. Our EBIT margin at 17.3% is already better than our mid-term target. We had a very strong operational cashflow

generation of SEK 950 million that, as I said, enables both a very high dividend and on top of that, dry powder to ensure that we can both run the daily operations and execute possible M&As.

We have done some big sustainability improvements across all major areas. We put some very aggressive targets on sustainability in place in 2015 for a 2020 target to have reduced our climate carbon footprint with 65% versus the comparative year of 2014 and to be having 100% renewable electricity in all our plants. We are now, by 2016, above 80%, so we've done some fantastic progress on sustainability across the board and there will be much more information about that in our annual report.

We are continuing to strengthen the Thule brand, partly because going into new categories, with more touch points, with more different generations and people at different ages and not only with the sport enthusiasts but also with more ordinary people that are not necessarily snowboarding every weekend in Boulder. And we are also getting our brand across with a number of athletes and ambassadors around the world.

We have also, during the year, done some very big steps that you have not needed to hear so much about because they have been very smooth, but if you look at it over a two-year period – and 2016 was the second year – we have actually changed every single distribution centre in the group. We have built a completely new box plant in Chicago in the US that we rolled into the first quarter of 2016 without any issues and we are therefore entering with the very last change of the distribution centre structure, for this round at least, which is happening now as we speak, and by that we will exit Q1 with a fantastic new set up where we will be capable of better servicing in a cost efficient way the more and more demanding retail customers that we have that are keeping less and less stock and want to have later and later deliveries, so a very key point in terms of preparing the company for the future.

And then with the last step of now having finally decided that the way to go with speciality and divesting the Pickup Truck Toolbox, we can truly say that we are a focussed organisation with one common agenda across the global and that is, of course, always a strength for a management team to be able to say.

So, when I look at 2017, I simply can say, as the headline says there, it promises for me to be an even more exciting year. We have the best ever launch programme that we have had across all product categories, we are starting to get some true volume traction in some of the newer product categories, where our name is actually really starting to be mentioned and appearing in the right stores, in the right media and in the mindset of the consumers thinking of those products.

We have a distribution structure in place and it is well-tested ahead of our peak season, going into it. And we have, overall, a very strong opportunity to focus now after, actually, a few years with a lot of extra attention from management in divesting companies, doing IPOs, etc. For the first time ever, we can focus only on running the company and possible exciting M&As. So, a very positive view for what we can do in 2017.

With that, we will open up to Q&A and I can mention that the slide that you will see for Q&A, if it is the next slide, is the fantastic new roof box, the Thule Motion XT. So, with that, we open up to questions.

## Q&A

**Stellan Hellström (Nordea):** Firstly, I just wondered to what extent you see that the first half would imply very tough comps for you, especially in Europe where you have grown double-digit now two years in a row?

**Magnus Welanders:** Yeah. I think generally, Stellan, you always say that positive trends do not tend to die fast; unfortunately, negative trends do not either. So, we go into the year with a positive view on Europe. We have a more optimistic view on America as well but realistically I am not foreseeing that we should be capable of doing double-digit growth in Europe, so what has to happen is the Americas region has to start to perform better to take some load off Europe. But at the same time, we have had a very strong product



portfolio assortment in Europe and therefore I still foresee that we should be able to deliver +5% growth in Europe as well.

**Stellan Hellström:** Very well, thank you. And then just on the bags side then, now you have had a bit of negative development for a number of years but still in this year you were able to increase profits. If the trend does not turn for the bags business in 2017, will that burden your earnings?

**Magnus Wellander:** One thing is it burdens not the earnings, the trend does not, because we will make sure we make money on what we do but it burdens an organisation. I have admitted that you guys several times: it is never good to have negative numbers in a company for whatever product category, every sub-market for a longer period of time because it actually drags on your entire belief of success and forward-leaning attitude. So clearly, we are very focussed to try to turn this negative number to growth finally, but we have to be realistic. From the senior management perspective, we have given our sales guys the challenge to say, 'Yeah, of course you could grow if you dump the way prices some of our competitors that are only dependent on this category have been,' and we are not prepared to go there. So, what is the key is contribution to profit. Should we see a top line drop, I will make sure and we will make sure that it does not hurt our contribution to profit. But still it is, of course, a big motivation for the team to turn the tide anyway.

**Stellan Hellström:** Yeah and then just finally on the specialty business here, the parts that you will divest and the parts that you will retain, can you give some indication on the profit split between those?

**Lennart Mauritzson:** Yeah, if you look at it as we said and in the report, we had an EBIT margin of 11.2% of those SEK 307 million in sales of Pickup Truck Toolboxes. So, that was the lower part of it. And the whole speciality segment was 16.1, which you then, without [inaudible] EBITDA, you realise we were making some nice money on some of our things.

**Peter Reilly (Jefferies):** Good morning. I have three questions, please. Firstly, on Sport&Cargo Carriers, they have shown very good momentum in terms of their branded products. You have not talked about OE or private label for a while, so is there any change of emphasis there, or would you see any sign of the OE business being under threat with current companies that wanted to have more of their own business in house?

And secondly on other Outdoor&Bags, I was quite surprised that all three of your sub segments grew at a similar rate. Previously you talked about Active with Kids being the segment or sub segment with the greatest potential for you, but the general bags business is obviously a much bigger market. So maybe have you changed our view about the potential opportunity for you in those three sub segments?

And then lastly, I was hoping you could give us an update on what is happening with the different brands inside Bags for Electronic Devices. I know it has been a poor performance in January, but are you getting more traction with Thule versus Case Logic, and whether there is a story there that over time you will reposition the whole branding strategy and therefore that the problem might go away, partly because Case Logic just becomes less relevant.

**Magnus Wellander:** Thank you, I will try to take those three questions, then. If you take the position of OE, we do very little private label, first of all, in Sport&Cargo Carriers, and there are three businesses globally and they are relatively very small. They do not even appear and they have to be approved at the head office.

At OE, we do a bit more, and what you can say is that you are absolutely right. Premium car manufacturers that do want to sell products under their own brand, luckily, they want to have great products, and luckily, they tend to turn to us to have those products. So, we have very solid business with all of the major key premium brands in providing those products to them. So, we have had some very successful rollouts during 2016 with those real premium and luxury brands. If you start to go down in price points in car

brands, so you go to the cheaper cars, we actually do not want to be sub-supplying them because they are not prepared to pay for the quality we are, so we are staying away from that business. Since it is the premium car brands that are doing best on their own branded products, so to speak, we are doing really well in that business as well. But it is still very small compared to the total.

So, for the second question, if you look at the three parts, I still agree. The logic for why we believe Active with Kids has a bigger potential is more due to the size of what we already had and the opportunity of growth than the growth we have from a percentage point of view. Because from a percentage point of view, they have been growing similarly for the last two years. It is growing from a bigger platform where we have also now added with the acquisition of GMG a further €6 million in sales on top of what we already have, so it is a more significant starting point, therefore, from a pure monetary point of view. That same growth percentage adds more money to the company.

But you are right in one key point, and a sneakily snuck in picture there, which is in front of you, with the roof box also shows our first luggage line, Thule Subterra, that we just launched that are hitting the market now in February. We are entering with the Thule brand into luggage and if we enter a category we do not have the intention to only do it with one collection, right? So, we have a long-term plan to grow in travel bags. That will be a very long-term plan. There are many brands, there are many successful players, there are some global market leaders, so we are not expecting that that should be easy and fast run, but it is a huge market. We feel that our competence in bringing stuff and manufacturing stuff will enable us to be successful there, but it will be a slow and long run. So, we are very optimistic with all the categories, actually, there, but from a short-term perspective if you take 2017 and monetary contribution of growth, you still should see the biggest from Active with Kids.

And then we should not underestimate that we have RV products as well, which I think everybody who is listening in to anything about the RV industry knows that there are very positive expectations on market growth also in 2017, and we expect to continue to take market share there as well. So, I think that will also be a strong contributor in 2017.

And then if you take the third question, which was about the brands within bags, you are guessing right. We have a very strong position in a few select markets with Case Logic. So, you have the Benelux, you have France, Spain, where actually Case Logic is the number-one brand in the market. There we are actually doing well with the smaller day packs etcetera, so if you go to a back-to-campus situation in a country like Holland, you will see that Case Logic is the number-one sold bag brand. But definitely from Thule, Case Logic is more of a white spot on the map in certain countries, so we have decided a few years ago to focus more in those other countries where the Thule brand is already known on trying to drive the growth with Thule. So, Thule is doing better, definitely, and Case Logic is more rapidly declining. And Case Logic as a brand there from total group sales is declining, and in fact, the Thule brand totally now stands for 71% of what the Thule group sold in 2016. So, you are right, but not fully. We do have a very strong position in some countries, actually including the US, so it will not be an effort to try to get rid of the Case Logic, but to maybe use it in a more geographically targeted approach than we are using the Thule brand.

**Peter Reilly (Jefferies):** That is very helpful. If I could just come back on the luggage issue, you do sell some products in that category currently. Is this a sort of change of strategy where they have actually gone quite well and you are more positive about the market potential for you? As you say, it is a very competitive, much bigger market.

**Magnus Welander:** When you have a company and you are doing many, many things in terms of focus, the divesting all divisions, doing IPOs, etcetera, and if you are intending to attack a very large category, you actually need to both have the monetary efforts and the senior management team efforts and recruit the right people. So, we have started a journey, which is in our minds going to be a very serious, long-term

journey to become a player in luggage. We have just taken our first infant steps, actually, based on some relatively nice sales numbers of something we do that seriously, actually, some years ago, and for the first time we are taking it more seriously with this Thule Subterra collection, which of course will need to be only the first of a number of collections that we will need to launch over the coming years.

**Gustav Sandström (Danske Bank):** Good morning and congratulations on a very solid result. Coming back to the US, you note that you think the worst is behind you. How confident are you that we should see a recovery in the US 2017, and do you see any tangible signs, for instance, supplies suggest they are low on inventory or anything like that that you can see from evidence that this will likely play out?

**Magnus Welander:** We are positively looking at 2017 for the simple reason that we have, for many of our larger customers, a very good understanding of what their sell out has been. And as we mentioned the shapeup of these bankruptcies actually created a bit of a – I would not say panic, but a very clear direction from a lot of the other retailers to really challenge their inventory holdings, and that meant that they actually had a better sell through than we had a sell in, so that in itself should help us.

Secondly, we are not expecting to see the same type of major challenges in the market. There is nothing indicating that there should be. And then we do not have the same situation with the Q3 comparison in the bike industry where Q3 2016 was compared to an abnormal 2016.

So, all of those actually make me very positive in saying that we will be seeing growth in the US. The same does not immediately mean that it will be fantastic growth, but that it will be growth in the US.

**Gustav Sandström (Danske Bank):** Perfect. That is very helpful. Secondly, also in the US do you see any changes in the competitive landscape and new players entering the market that have not previously been very active where you come across? Thanks.

**Magnus Welander:** If you look at it, we are in a number of different product categories. If you look at it in the biggest category, Sport&Cargo Carriers, there has been a number of companies that have been around a few years. They are very good, strong and local competitors. That is all fine, and they are often very focused on a few product categories. We had a single biggest competitor for the Thule group for the Sport&Cargo cars in the American Yakima, and they were a very serious competitor. They were about half our size in the US, so we are clearly bigger and better, I have to say. But they are a good and solid player and there are some good, small companies that have been around for a few years. We have the same type of situation in Europe. There are some good, solid players.

We haven't seen any major changes of players in the industry in any of our categories, aside from 1.5 years ago, when the Swedish large Dometic bought the number-three player in Europe in awnings. But aside from that we have not seen any major disruptive changes in ownership structures for new players in any of our categories, actually.

**Eric Anderson (UBS):** Morning, gentlemen. I think most of my questions were answered, however I have this, probably to Lennart. I know you said yourself during the report that there is no issue with doing this type of extra dividend now, but can you just elaborate a little bit whether you will need some extra debt financing to finance this? And also, maybe to Magnus as well, do you really not see that this will affect your availability to do further acquisitions when you give out so much money?

**Magnus Welander:** I can answer both, actually. The financial question was not difficult, so even I can answer that one. No, we will not need to raise additional debt to be able to pay this money out. We will not need to do that. Secondly, I am actually very confident that this will not, in any way, stop or hinder us in being able to do any of the M&As we are currently looking at or potentially could look at, because if they would be smaller, we still see that we have cash enough, and we are planning to divest a small entity as well, which of course will bring some cash. But should they be bigger, we have to remember that we have a leverage target and should we need to do a more major thing, that I am confident that we would have no

difficulty with our performance of the company to be able to raise that necessary amount for any bigger ones. I am very calm that it does not disturb us in any way from what our path is.

**Erik Anderson (UBS):** Could I ask a follow-up with a completely different question on the growth in Europe and the rest of the world? If you could just elaborate a little bit more on what specific regions that the growth is coming from and where growth is not coming from? I am thinking a little bit about Britain and their situation with Brexit, how you are looking at that in Q4 and also in 2017.

**Magnus Welander:** Luckily it is very easy, because we grew everywhere. So actually, we had strong growth in all geographies in Europe, including the UK. So, if we look at it, you have to be looking at the Brexit situation, of course, conceptually from two different ways, and we have said this before. If a generally huge economy starts to take a hit in the market, you can start to say, 'Will people stop taking vacations? Will they stop going for bike rides?' I doubt that our type of products will be the first that they stop buying. I think that there are other, more expensive things. But even so, if you would look at it from a more – we actually do some of our manufacturing in the UK, of roof boxes for example, and no competitor actually has any better situation of being able to, if the market would become more protective of itself, we do not have an issue of that hurting the situation. So, we have a positive view on the UK in 2017 as well.

I wish to thank everybody for listening in, and I am looking forward to talking to you after an exciting Q1. Thank you.

[END OF TRANSCRIPT]