

Thule Groups' (publ) CEO and President, Magnus Welander, comments on the company's Interim Q3 Report, 2022

Challenging quarter with rapid slowdown in bike-related categories.

In the third quarter, we saw rapidly declining demand for bike-related products as global bike stores significantly cut back their purchases due to their general high inventory levels. In the report for the second quarter, we indicated concern for high inventory levels at our customers. However, the slowdown was considerably more substantial than expected. Third-quarter sales declined 23 percent (a 29 percent decline after currency adjustment) year-on-year.

The gross margin in the quarter was 33.9 percent (40.6) and was negatively impacted primarily by a decline in sales of bike-related high margin products. Higher shipping costs for bulky product groups with good growth, such as roof boxes and awnings for RVs, had a negative impact. The general increase in the share of sales in the Packs, Bags & Luggage and RV Products categories, with typically lower gross margins, also negatively impacted the gross margin.

Investments in product development continued according to plan since our view of the future long-term market trend remains unchanged. Product development, as a share of sales, was 6.7 percent for the quarter, compared with 3.8 percent in the year-earlier quarter. The relatively high level is also a result of our resumed work with development projects that we chose to postpone the completion of in 2021, in order to secure an efficient and reliable delivery chain for manufacturing these new products.

We are taking the same long-term view on marketing costs since we believe in a long-term continued favorable sales trend for our product categories. We are therefore continuing to secure and strengthen our market positions, and added investments ahead of the important launch of car seats that will reach European retail in autumn 2023.

The EBIT margin sank to 9.0 percent, which was lower than the exceptionally strong third quarter of 2021, 24.2 percent, as well as with historical levels for the third quarter of 16–18 percent.

Inventory amounted to SEK 3,140m, down SEK 117m after currency adjustment compared with the end of the second quarter. Inventory consists of components and high-volume products that we are convinced we will be able to sell in 2023.

Decreased sales of bike-related products in Region Europe & RoW

Year-on-year, sales declined 29 percent after currency adjustment during the quarter.

Sales of bike-related products decreased markedly compared with the exceptionally strong third quarter prior year. This concerned especially bike carriers in the Sport&Cargo Carriers category as well as bike trailers and child bike seats in the Juvenile&Pet Products category. Bike-related products accounted for only 28 percent in the quarter compared with some 51 percent in 2021.

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Sales in the RV Products and Packs, Bags & Luggage categories trended favorably.

Region Americas - challenging bike category

After currency adjustment, sales declined 29 percent year-on-year.

Also in this region, we noted a substantial decline in sales of bike-related products that accounted for 22 percent (40) of sales in the quarter.

Packs, Bags & Luggage performed well in the region, driven by successful product launches and increased travel.

Short-term challenges, but strong confidence in our strategy and positive long-term trends

The coming quarters, as already communicated, we will be facing a challenged market with a greater uncertainty in regards to how consumers' purchasing desire is impacted in an uncertain world as well as retailers that will strive to keep inventory levels low.

Our long-term strategy and ambitious targets remain firm, as we are convinced that the trend of living active lives close to home will remain strong in the long term. At the same time we have already taken actions, thanks to our flexible operations model, to ensure that we have the right staffing levels and have adjusted our capacity related investment levels in our assembly facilities. We will continue to monitor the market development closely. In 2023, we will also begin an exciting growth journey in the child car seats and dog transport solutions product areas.

With a clear focus and high energy, we take on a challenged time over the coming quarters. At the same time, we look forward to next spring with many of our new products in stores across the world.

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CEO and President

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About Thule Group

Thule Group is a global sports and outdoor company.

We offer high-quality products with smart features and a sustainable design that make it easy for people across the globe to live an active life. Under the motto *Active Life, Simplified.* — and with a focus on consumer-driven innovation and long-term sustainability — we develop, manufacture and market products within the product categories **Sport&Cargo Carriers** (roof racks, roof boxes and carriers for transporting cycling, water and winter sports equipment, and rooftop tents mounted on a car), **Juvenile&Pet Products** (strollers, bike trailers and child bikeseats), **RV Products** (awnings, bike racks and tents for RVs and caravans) and **Packs, Bags & Luggage** (hiking backpacks, luggage and camera bags).

Thule Group has about 3,300 employees at 9 production facilities and 35 sales offices worldwide. The Group's products are sold in 140 markets and in 2021, sales amounted to SEK 10.4 billion.
www.thulegroup.com

Image Attachments

[Magnus Welander Thule Group CEO And President LS](#)
[Magnus Welander Thule Group CEO And President ST](#)

Attachments

[Thule Groups' \(publ\) CEO and President, Magnus Welander, comments on the company's Interim Q3 Report, 2022](#)